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Positive BWA relishes future challenges

BWA ADDITIVES has been through many changes of ownership since its first commercial sales as part of chemical giant Ciba-Geigy in the early 1970s, but, according to James Argyle, VP for Thermal Desalination & Group CFO of the UK desalination and water treatment chemical producer, the company has gained something each time.

The real turning-point was in 2006, when the current CEO, David Cartmell, led a buyout of BWA from its owner at the time, Chemtura. Now the company's overall business is growing at around 10% a year. *D&WR's* editor, **Robin Wiseman**, talked to **James Argyle** in the company's modern offices and laboratories only a couple of miles from its old owner, Chemtura, in Manchester's Trafford industrial area, most famous, of course, for Manchester United Football Club.

How many offices do you have around the world?

This is the headquarters of our global business, which serves the desalination, industrial water treatment and oil & gas markets. From here we run our European business and customer service for our Asian business and for some of the Middle East.

Our second home is Atlanta – it serves both the North American and Latin American markets, a broad split between oil & gas and industrial water treatment. We also have an office in Dubai to maintain our leading position in the thermal desalination market in the Middle East.

Lastly, we have a significant cluster of people across Asia Pacific, with offices in Singapore, Japan and China with additional sales people embedded in various other Asian countries.

Altogether, what is important is not the number of people or number of offices we have but our ability to leverage our global network of long-time BWA distributors in each region. It allows us to skew our resources and talent toward research and development. Compared to some large competitors in our space, we have an unusually large R&D group which allows us to stay focused on developing and commercializing step change technological improvements in our markets.

And do you get good feedback from them with regard to what you need to do to improve your products?

Our network of distributors tend to get us directly involved with service companies as well as the end user to problem-solve in the field. This gives us a unique advantage to understand firsthand what customers' unmet needs are. A number of ideas for new products tend to come from this type of customer intimacy. Likewise, sometimes even the end users reach out to us directly for their most difficult problems as our technology is often known in the industry to be among the best for solving the most difficult scale control problems. We have, for example, a deep understanding of how thermal desalination plants are built and operated. This knowledge goes back 30-some years and is based on working with

end users inside their plants, and really understanding their local water chemistry. This knowledge base and years of experience is vital to the customers and the marketplace as a whole. Before you can recommend a chemical, you need to thoroughly understand the operating conditions and the water chemistry. That is part of the value-added technical service package that we offer.

How did the company start?

The business started in the early 1970s as part of Ciba-Geigy, who were looking for a potential solution for a desalination operator in the Middle East that was experiencing corrosion from using acid to clean out their plants.

That was when Belgard, our business and our focus on desalination were born. The first commercial sales were around 1973.

Ciba-Geigy was very technically orientated and that fitted very well with BWA – we are dedicated to technology, innovation and research and development so the business learned a lot through those early stages. Gradually Ciba-Geigy branched into the industrial sector, which bolted on our industrial business.

In the early 1990s, FMC, a US chemical corporation, bought out our division of Ciba-Geigy. That brought a slightly different discipline to the business, because FMC focused more on optimizing costs and instilling financial discipline. That again taught us some good lessons.

Then Great Lakes Chemical Corporation bought the business from FMC in 1999. They were keen on branding - branding of products, positioning of products. With Belgard and Flocon, ▶



James Argyle

that fit nicely with us, and we became part of their BioLab water division.

In 2005, Great Lakes merged with Crompton to become Chemtura, with an office in Trafford Park a couple of miles away.

Our history is very important, because it does explain the roots of our focus on R&D, financial discipline, and branding.

What was the driving factor behind the buy-out?

As a business within Chemtura, we were a nice, profitable, cash-generating business, but we were not necessarily core to what they wanted to do. They wanted to diversify away from our business, and an opportunity arose for David Cartmell, our chief executive, to lead a buy-out in 2006.

As part of a big corporation, you tend to be looking at other things outside of your own division, which can be a distraction. David and his team really felt that, with more focus, effort and financial backing to support more R&D, the business could be moved to a different level. The growth was there, but the development was not.

Since 2006, the firm has been through two private-equity ownerships, both of which have been great experiences. What David set out to do at that time has been achieved. But of course, private equity has a short-term horizon, always looking at 2-3 years and then looking to realise the value.

Where are you now?

In the middle of last year, July 2011, we were acquired by the Berwind Corporation, an American family trust, that owns a number of different companies around the globe. But they are a long-term financial investor; that is the big difference and what we were looking for moving out of private equity.

Their typical hold period is 20-plus years. Looking at the R&D portfolio of new products, it makes it easier to take slightly longer term views on things like investment and target positioning.

So this is a positive place to work. We have financially sound backers for the long term. We can invigorate R&D and the sales force, and give people the platform to go out there and do what they do best, which is speciality chemicals and provision of technical backup.

Turnover now is just over \$200 million. When we were bought out it was probably nearer \$80 million in 2006. We've seen strong growth across all our key markets and we see that continuing. The exciting part for us is technology innovation. We don't just want to be complacent with short-term market growth over the next few years. We want to look ahead at new products and bringing step-change technology innovations to the market.

And you are maintaining growth despite the global economy?

Overall we are growing at around 10% per annum. In thermal desalination, growth is between 8 and 13%. In the Americas where oil and gas has been strong for us, we are seeing double-digit growth from our business in both the conventional and unconventional – hydraulic fracturing – markets. Finally, while the industrial water treatment market tends to see growth rates closer to GDP, we are seeing robust growth in the membrane desalination market, particularly in Asia Pacific. I would not say that we are recession-proof, but we are certainly resilient to the classic economic peaks and troughs.

We are number one or number two in all our markets. That comes from focusing on our core markets, that each have some common elements of water treatment. It is what we are good at, what we know and where we can add the most value.



BWA laboratory scientist working on new biocides

What new products are you developing?

Across most of our segments, we have seen movement towards more environmentally friendly products. As a manufacturer of chemicals, we have a duty of care to make sure that our products are safe.

We have been working long and hard in the laboratory over a period of 4-5 years trying to make a product that is not only more biodegradable, but also has enhanced performance properties as well. One of several examples we have is a product for the membrane desalination market called Flocon 885.

For scale-control products in thermal desalination though, we are looking at the range of operating temperatures.

Going forward, we think desalination plants will be moving toward higher temperatures as it enables producing higher water volumes. At higher temperatures though, operators will face more complicated problems, so we are investing in making our Belgard products work over a broader range of operating conditions.

Where do you see future growth?

We are constantly seeking ways in which we can use our technology in slightly different applications. For instance, we successfully took one of our biocide products into the hydraulic fracturing market.

We are also looking at use of evaporators. In the tar sands in Canada, for example, they extract the oil from the tar in a very similar way to thermal desalination technology - boiling water to create steam for use in separating the oil. So we have been working with some of the bigger oil companies and looking to develop products that will work in these processes.

Are you at all concerned about companies, IDE Technologies, for instance, saying they can do reverse osmosis without chemicals?

We have yet to see that in the market. There are so many challenges that different people face, that I don't see that as a realistic outcome.

People at MIT are working on membranes with graphene layers only 1 atom thick? How will your chemicals cope with that sort of technology?

But that is what we are good at. The difficult things are what we're good at and, to some extent, we welcome that challenge. ●