

COMPANY STRATEGY

Solenis establishes new digital blueprint for industrial water growth

The former Ashland water treatment business has restored profitability and boosted its automation and control offering since being bought out by private equity in 2014. Artificial intelligence and predictive analytics are next on the agenda.

Water treatment specialist Solenis is aggressively expanding the equipment and digital side of its offering as it seeks to take a more holistic approach to meeting the chemistry challenges of its industrial customers head-on.

As the water chemicals arm of Ashland, the firm found its margins eroding, and struggled to differentiate itself from competitors such as Nalco and GE on the automation and control side.

Since being carved out of the Ashland group by private equity house Clayton, Dubilier & Rice in 2014, the business – renamed Solenis (a contraction of ‘solutions’ and ‘genesis’) – has redoubled its efforts to gain an edge over the competition both in terms of new products and the way it approaches its customers’ toughest challenges.

“We’ve been working really hard on our equipment offering, and I think our OnGuard platform is something relatively unique,” CEO John Panichella told GWI. “Our customers are starting to see that this could be a big game-changer for the industry.”

The system combines hardware and proprietary software to enable plant managers to customise chemical feed and control parameters, and functions as an ‘intelligent machine’ capable of learning the characteristics of different operational environments, thus allowing for the most effective

GENESIS OF A NEW SOLUTION FOR INDUSTRIAL WATER

Solenis CEO John Panichella (left) and CMO Jeff Fulgham (right) have leveraged long careers in the water industry to bring the company to the dawn of a new digital era.



corrective actions to be implemented.

“In terms of automation equipment for chemical feed and control, Nalco really set the stage 15 years ago with 3D Trasar, which focuses on feeding the right amount of chemical into the system by measuring a tracer. GE followed suit with a similar approach, but we’ve really leapfrogged

that,” explained chief marketing officer Jeff Fulgham. “We can monitor actual corrosion, deposition and biofouling in real time, and then control the chemistry based on system results. It’s quite a different approach,” he told GWI.

Both Panichella and Fulgham worked their way up the ranks at BetzDearborn when it was owned by Hercules, staying on after Betz was bought by GE in 2002, and coming full circle when they subsequently moved to Ashland/Solenis (which had subsequently bought Hercules in 2008).

“We spend a lot of time working with our clients to think more holistically,” said Fulgham. “We use a process called ‘new product blueprinting’, where we sit down with a customer and try to understand their challenges before developing the next generation of solutions. In the past, chemical companies would often try to come up with the next cool molecule, then try to find an application for it. Instead, we start by determining what the customer needs, and then we figure out how to ▶

SOLENIS’ ACQUISITIONS PROGRAMME AT A GLANCE

Following the purchase of the Ashland water chemicals business by CD&R in July 2014, the newly renamed Solenis lost little time in embarking on a bolt-on acquisitions programme of its own. What has it bought?

| Year | Country | Asset | Comments |
|------|-------------|--------------------------------------|--|
| 2016 | Norway | Nopco Holding AS | Defoamer / deinking technologies for P+P |
| 2016 | Australia | Nuplex Pulp & Paper | Facilitates direct sales into Australia/NZ |
| 2016 | Netherlands | Lostris International / Wester Blend | Specialty chemicals for pulp & paper market |
| 2015 | Brazil | Quimatec Produtos Químicos | Specialty chemicals for sugar and ethanol processing |
| 2015 | India | CBC India (pulp & paper business) | AKD emulsion manufacturing facility |
| 2015 | USA | Clearwater Specialities LLC | Specialty chemicals for tissue & towel market |

Source: Solenis

create a solution. It's changing our whole approach to solving customer challenges."

The development of the OnGuard platform is part of a broader digital strategy which the company is rolling out to its customers, and the next piece of the puzzle will focus on enhancing Solenis' suite of knowledge-based systems by moving more towards artificial intelligence and predictive analytics.

"We're soon going to be announcing a breakthrough in predictive analytics," Fulgham told GWI. "Rather than just responding to changes in a process, we will use big data and smart analytics to predict outcomes. The programme is based on a unique predictive engine from an exclusive third-party partner, combined with our deep domain expertise."

While Solenis has always been big on innovation (25% of its revenues are derived from products launched in the last five years, against 11% for Kemira, for example), it has not been shy to expand its reach through acquisitions. It has boosted its flowsheet in the pulp and paper market by acquiring additional chemistries (*see table opposite*), whilst broadening its geographical footprint as part of a successful drive

to boost emerging market revenue to more than 30% of the global total.

While its M&A activity may have been rather piecemeal so far, it is clearly open to larger transactions. "We competed heavily for the GE Water business that ended up with Suez, and we're pretty aggressive in looking at consolidation opportunities in this space," said Panichella.

"There are thousands of small and medium-sized players around the world, and there still continues to be a great consolidation opportunity," added Fulgham. "We are very active in that space, and we have a lot of firepower," he told GWI.

Although Solenis's revenues have remained broadly flat since it was taken over, this is partly down to currency headwinds, and the fact that management spent the first year under new ownership building the support functions necessary to create a stand-alone business out of the former Ashland water technologies unit.

Since then, Solenis has boosted a modest EBITDA margin in the high single digits to a number somewhere in the mid-teens, while increasing revenues to just shy of \$2 billion, around half of which comes from clients in the pulp and paper industry.

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Jeff Fulgham, Chief Marketing Officer, Solenis

Despite the fact that it is less than three years since CD&R bought Solenis, the company has also gone some way to deleveraging its balance sheet, even though it retains a speculative-grade credit rating of B3 from Moody's.

While talk of an exit event may be premature, Panichella confirmed that the company has already started work on preparations for an initial public offering. He emphasised, however, that this is far from the only deal on the table. "We have a pretty nice portfolio of options," he told us. "You have to be ready for multiple scenarios and then capitalise on the best strategic option when the opportunity presents itself." ■



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