



Matrixx owner Wind Point acquires BMCI

Frank Esposito

June 09, 2008

Wind Point Partners LLC, owner of compounder Matrixx Group, has made another plastic investment, this time buying thermoset maker Bulk Molding Compounds Inc. for an undisclosed sum.

Chicago-based Wind Point made the investment through its Citadel Plastic Holdings Inc. unit. In a June 3 news release, Citadel Chairman and Chief Executive Officer Mike Fitzpatrick said West Chicago, Ill.-based BMCI "is an excellent fit" with Matrixx, which is based in Evansville, Ind.

Matrixx President Keith Rodden said plans are under way to begin making Matrixx compounds at BMCI sites in Mexico and China. BMCI President Larry Nunnery Jr. plans to leave the firm at the end of this year. Nunnery bought BMCI in 1989 and owned it along with BMCI executives Fran Zappitelli, Chris Vaisvil and Robert Zurek, each of whom plans to remain with the firm.

BMCI employs 300 at plants in West Chicago; Perrysburg, Ohio; Dongguan, China; and Mexico City and Ciudad Juárez, Mexico. The firm posted sales of \$130 million in 2007 and ranks as the world's largest producer of thermoset bulk molding compounds. It has a large presence in the automotive market, where its products are replacing metal.

In a June 5 phone interview, Nunnery said selling BMCI was necessary for future growth.

"To continue to grow into areas like Russia and India, we needed cash," he said. "We had stretched the business as far as we could stretch it.

"We had probably received a [purchase] offer every week for 10 years, but [Citadel] asked what we needed to have and made a firm cash offer."

Nunnery described the use of BMCI material in automotive headlamp reflectors as "the driving source" of the company, which he bought from founder James Cabak by taking a \$160,000 loan out on his own home.

"We found a good roll-up in some niche industries, and I think we've done pretty well," said Nunnery, whose pre-BMCI career included a 12-year stint at GE Plastics.

Matrixx employs 200, making color and additive compounds at three plants in Evansville and at separate sites in Houston and Nashville. The firm, with 2007 sales of \$125 million, also operates a pair of plants in Italy. Matrixx serves a number of markets including construction, automotive and electrical/electronic.

Rodden said Matrixx and BMCI will continue to maintain separate headquarters locations. He added that Wind Point - a private equity firm with more than \$2 billion in assets and a portfolio of more than

20 companies - is looking to make more plastics-related acquisitions via Citadel.

Specifically, Citadel "is executing a strategy to build a global plastics compounding company with broad product and technology capabilities," officials said in the June 3 release.

"To be successful in the compounding market, you have to be a low-cost supplier with efficient operations, global reach and a broad enough portfolio to help your customers analyze their market needs," Fitzpatrick said in a June 5 phone interview.

He added that he'd been around the compounding business for most of his 30-year career with Rohm & Haas Co., the Philadelphia specialty chemicals firm that ranks as a major supplier of plastics additives.

With BMCI, Citadel "wanted an expansion of technology and a stronger global footprint," according to Fitzpatrick.

"The technology is apparent," he said. "And as for the geography, we had been serving Mexico from our plant in Houston, and we also didn't want to build a greenfield site in China. Now the risk of taking [Matrixx] products into those countries is greatly reduced."

There are several end markets, including appliances and electrical/electronic, where Matrixx and BMCI either share customers or can help each other get a foot in the door at key accounts, officials said. The two firms also could benefit by pooling their purchases of materials such as glass fibers, calcium carbonate, pigments and other plastic additives.

On the surface, Citadel's business strategy may sound similar to that employed by M.A. Hanna Co. in the late 1980s and 1990s. Hanna, a Cleveland-based mining firm, transitioned into plastics by purchasing more than a dozen compounding and distribution companies. But integration problems led to a merger with Geon Co. in 2000 and later resulted in numerous plant closings and the elimination of more than a thousand jobs.

Citadel officials said that they're aware of Hanna's history - Matrixx's Rodden even briefly worked for Hanna - but added that Citadel's private ownership gives it an edge over Hanna, which was a public company.

"The difference in our strategies [from Hanna's] is that what we're buying is brand equity and management teams that are recognized in the industry," Fitzpatrick said. "We're not just buying to build mass and we're not going to disturb our customer interface at all."

Moving forward, Citadel officials said they might want to do bolt-on acquisitions of businesses similar to Matrixx and BMCI, but will consider other offers as well. Fitzpatrick said that financing has become more difficult to obtain in the year that elapsed between the Matrixx and BMCI purchases. As a result, the BMCI deal took more time and effort to complete.

At age 61, Fitzpatrick could be enjoying retirement after a lengthy career in chemicals and plastics. Instead he's looking forward to the challenge of building Citadel.

"I tell our people that I'm in here as adult supervision," he said, joking.

For Nunnery, also age 61, the future already includes a new business - Hammermill Glass, a fiberglass recycling operation that he's starting up along with two outside investors in Walterboro, S.C.

Hammermill will receive fiberglass scrap from a nearby Owens Corning plant, and then sell its output as filler for plastics, coatings and other products.

BMCI had planned on starting the business - and already has a pilot plant at its Perrysburg site - before Nunnery took it on himself. The move also will allow Nunnery to move back to his home state of South Carolina.

"I feel like I'm going into the fourth quarter of my life, where you get to enjoy some of the things you've done," he said.

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