SK acquires SI Group to create additives player
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By Chris Sweeney

SK Capital Partners is creating a major additives player with its latest acquisition.

The firm agreed to purchase SI Group for an undisclosed price. Based in Schenectady, N.Y., SI produces plasticizers, flame retardants and antioxidants with more than $1 billion in sales, 2,800 employees and 20 global manufacturing facilities.

SK will take SI and combine it with its Addivant business, which is based in Danbury, Conn., and consists of 11 worldwide manufacturing locations. It generates about $500 million in sales and employs 435.

The deal still is pending regulatory approvals, but SK Managing Director Jack Norris expects it to be approved in the fourth quarter.

“What we see here is an opportunity to create a powerhouse in additives for a variety of very attractive, high-margin and high-growth applications,” he said. “That includes both plastics and rubber. That great positioning in additives is enhanced by backwards integration into key intermediates, giving us a strong cost position and a variety of advantages as we think about bringing additional solutions to the marketplace.”

SI’s business is split into three main industries, the largest being additives for rubber, oilfield, and fuel and lube applications making up about 56 percent of the material margin, according to President and CEO Frank Bozich.

Chemical intermediates accounts for about 37 percent, and the remainder is a niche pharmaceutical business that produces ibuprofen, propanol and other precursor molecules for that industry.

Bozich said SI became available because of an ownership transition. The firm has been family owned for 110 years and as the final member of the third generation stepped down, the fourth-generation owners decided it was time to test the market, forming the deal with SK.

“The transition to SK Capital ownership is going to unlock a lot of pent-up earnings growth we’ve had in the company because of their ability and appetite to invest in growing the business,” Bozich said. “As a private, family-owned company where the shareholders were
dependent on constant dividend stream for their equity, SK Capital really brings a new lens to investment and how we expand.”

The deal makes sense on a number of levels, namely that SI is Addivant’s top supplier. John Steitz, president and CEO of Addivant, said the most exciting opportunities occur from Addivant being able to leverage SI’s intermediates portfolio to new extremes.

Addivant recently released Weston 705, a new additive for the plastics industry that was built on a chemical intermediate from SI Group. Now that the firms are under the same umbrella, Steitz said they already have similar projects in the works.

Most recently, Addivant tripled capacity at its Morgantown, W.Va., facility to support Weston 705 and is making other investments globally to support the new product, Steitz said.

“It’s been rapidly escalating in commercialization around the world,” he said. “We’re very excited about it. It’s probably the purest antioxidant additive for the polyethylene industry in a long, long time.”

There are other synergies throughout Addivant’s product portfolio. Steitz said the firm’s complementary geography in antioxidants for polyethylene and polypropylene will allow for a more complete footprint. SI is strong in China and the U.S., while Addivant also has a strong U.S. presence, but adds a base in Europe, Saudi Arabia and South Korea.

There also will be key opportunities for rubber antioxidants, stabilizers and antiozonants for the tire, automotive, aerospace, defense and construction industries. SI brings a strong tackifier business into the rubber industry and Steitz said this is a tremendous complement.

Both companies will benefit from the support of SK Capital, which exclusively focuses on the chemicals, materials and pharmaceutical sectors. Since its founding in 2007, SK has built a portfolio that includes 13 platform companies with significant global revenue—more than $6 billion annually, not counting the acquisition of SI—and operations in 29 countries with 8,000 employees.

“As an investor, we have a lot of insight to the markets that SI plays into,” Norris said. “We have a lot of companies that are in various end markets, and that enables us to be a real partner to management teams as we’re executing the investment strategy.”