

# Performance Fibers Continues Ambitious Expansion with Diolen NA Acquisition

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Greg Rogowski

In a definitive affirmation of its pledge to aggressively seek growth opportunities, Performance Fibers Inc., the Colonial Heights, Virginia-headquartered global producer of high tenacity polyester and other man-made industrial fibers, acquired the North American business of Diolen Industrial Fibers Inc.

The addition of Diolen's North American operations, located in Alabama, continues an ambitious year for Performance Fibers, especially in the wake of its own divestiture in December, when the company was sold by Honeywell International to investment firm Sun Capital Partners.

In late April, Performance Fibers, whose main market segments include production of advanced fibers for tire reinforcement, announced it was building a second polyester fiber and fabric plant in Kaiping, China to keep

up with growing automotive demand in the region.

Greg Rogowski, president and CEO of Performance Fibers, said this most recent transaction is testament that it remains committed to expanding throughout the world, not just in Asia. "Our strategy is to mirror our customer' growth," he said. "We're going to continue to grow where our customers are growing. North America still represents a huge part of our customers' operations."

The acquisition of Diolen's polyester industrial yarn spinning operations in Scottsboro, Alabama — along with accompanying converting facilities in nearby Winfield — provides Performance Fibers with its third base of operations in the US, all in the South. In addition to its Virginia headquarters, Performance Fibers also has a major manufacturing facility in New Hill, North Carolina. The company also has plants in Longlaville, France, Kaiping, and Seoul, South Korea.

The complete integration of Diolen's North American operations over to Performance Fibers is expected to be finalized in December.

## COMPLETES DIVESTMENTS

For Diolen, owned by Acordis, the sale completes a stated strategy of divesting its overseas manufacturing to focus on its European facilities, located in the Netherlands (where it is headquartered) and in Germany. Earlier this year, Acordis sold Diolen's Brazilian operations to the Sabanci Group of Turkey.

While terms of the sale of the privately owned companies were not disclosed, Mr. Rogowski said the Diolen acquisition would put Performance Fibers close to \$600 million a year in revenue.

During the predominant part of 2004, when Performance Fibers was owned by publicly traded Honeywell, sales were reported at approximately \$400 million; the company had also projected growth of 10-15 percent for 2005 before the acquisition of Diolen's North American operations.

While Performance Fibers is growing, Acordis is shrinking. The global supplier of manmade fibers for the industrial, textile, medical and hygiene markets, reported 2004 sales of approximately 620 million, down from a reported 2.2 billion in 2000. Employment during that same time frame has dwindled from a reported 15,000 to 3,500. The Alabama operations, first established in the early '70s, reportedly employ 237 people.

Mr. Rogowski said the Scottsboro plant will continue to operate at full capacity. He added that the company will even seek to expand output; in line with those plans, he indicated a main portion of the workforce is likely to remain.

"Between our manufacturing operations in North Carolina and our global management team, we're figuring out what the synergies are and it's still early so we're just in the process of going through that evaluation," he said. "We clearly have some great people there and they're joining a global business, so I think they'll have more opportunities, beyond just a US operation."

Mr. Rogowski said just one change in Diolen's management had been made in the immediate aftermath of the acquisition. Lowell Bivens, president and general manager of Diolen Industrial Fibers, who headed the Alabama operations, elected to stay with Acordis. "He did a nice job managing the business in

an otherwise uncertain environment,” Mr. Rogowski said.

### **FABRIC PRODUCTION ADDED**

While not discussing capacity specifics, Mr. Rogowski said Diolen’s North American output was “relatively small compared to what we (already) have in North America, and what we have globally.” However, he noted the type of capacity being added significantly enhances Performance Fibers’ product portfolio, as it provides the company with coveted fabric producing capability it did not previously possess in North America. “An area of strategic importance this deal gives us now is a treated fabric base,” he elaborated. “That was a main driver. Clearly, the trend in this industry is that most tire customers are looking to divest their assets as well as start buying more fabric on the open market. This positions us extremely well in that regard. The Alabama facility manufactures some surface modifications, adhesive activation finishes/overfinishes that are unique technologies specific to Diolen that we did not possess. We might have that capability in China but we didn’t have that in North America. That’s going to be very complementary for us.”

Mr. Rogowski noted that that

Diolen’s Alabama operations were used primarily for fiber and greige conversion for the production of tires and other mechanical rubber goods (MRG). “What we’ll probably end up doing is matching our excess treating capacity with additional cablers and looms to make greige fabric (at Winfield),” he said. “Those are part of our immediate plans.”

Long-term, Mr. Rogowski said he envisions focusing Scottsboro’s capacity into the production of Performance Fibers’ more recently developed products. In particular, he cited the company’s “Beltec” fiber, which utilizes adhesion technology and the fiber’s dimensional stability to create a high-modulus low-shrinkage cap ply solution for tire manufacturers.

“We believe with higher margins on our new products we can still afford to be manufacturing them in our higher cost regions,” he said. “That affords us the ability to be flexible and have speed in terms of delivering products to locations in North America that are three or four hours down the road.”

### **EXPANDED CAPABILITIES**

According to Mr. Rogowski, Diolen’s “chipset” operational capabilities at Scottsboro offered an additionally strategic advantage for Performance Fibers. “In the Diolen

facility, you can use any kind of chip you want. They also have solid stating capabilities where you can use any chip and solid state it up to several different levels of intrinsic viscosity, imparting different properties into the fiber. That’s a unique technology we didn’t possess. We now have that ability to run different polymer types.”

Along with Beltec, Mr. Rogowski said these expanded capabilities offer new possibilities for the domestic production of its “PEN” (Polyethylene Napthalate) fibers, marketed by Performance Fibers as its next generation of high-performance polyester. “PEN is a chip-driven operation that we’re currently outsourcing in Germany to produce,” he said. “It’s an area we’re now putting a lot of our management resources into, and I think this represents a great opportunity to move that product into a North American operation and manufacture it there.”

High-performance PEN fibers offer high modulus and strength for applications including race car tires, engineered cordage and narrow and broad-woven fabrics.

Mr. Rogowski credited Sun Capital Partners for the purchase of Diolen’s North American operation, saying the new ownership has facilitated its vision for growth. 