

Syrgis: Niche Products Provide Platform for Growth

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Fine and specialty chemicals group Syrgis (Cincinnati, OH) says 2009 was a "good" year financially with sales growth in 2009 set to continue in 2010. A key element in the group's success during the past year has been its focus on high-growth market niches and development of technological expertise in these niches, says Andy Harris, CEO for Syrgis and a member of the board for Socma. The company's key products are UV sunscreens absorbers, performance chemicals for oil and gas production, and performance initiators such as organic peroxide-based materials for fiberglass composites.

Syrgis posted sales of about \$100 million in 2009. It has recorded a CAGR of 25% during the past four years in sales, Harris says. The company rates itself as being in the top quartile for profit and sales growth for the segment within which it operates. The group has three divisions; performance specialties; performance chemicals; and performance initiators.

Syrgis: Selling a range of performance products to facilitate the production of oil and gas.



"Syrgis is surging. We see very strong opportunities and we are expanding into new markets such as Mideast markets for performance chemicals used in the oil and gas sectors. We are also getting a fair amount of interest from imports into China," Harris says. The company predicts double-digit sales growth in Asia, the Mideast and South America in 2010.

Sales to Europe and the U.S. during 2009 were in single-digit percentage levels. Percentage sales growth in these regions in

2010, will be in the "single digit-to-double digit" range, Harris says.

Syrgis says it has benefitted from a number of market trends including the change of tactic of some customers to purchase product from U.S. manufacturers and not those from Asia. Additionally, "there are competitors and producers that have left [the market] and we're benefitting from some of that," Harris says.

Although the company is growing overall it also made cuts to parts of its business that were underperforming. The company decided to shut down one plant for a month in 2009 due to a lack of orders. The group today has about 175 staff but let go about 15 workers during 2009. "We saw that 2009 was going to be tough and made some tough decisions early in the year. We are leaner-it was the right thing to do," Harris says.

Some markets that were proving difficult in 2009 have improved, however, Harris says. Based on projections from its customers, the plant that it shut down temporarily in 2009 is now sold out to at least June. "People are restocking. In specialty chemicals our customers are rebuilding their inventories and we are rebuilding ours," Harris says.

Syrgis says it is investing strongly in R&D capability and technical assistance for its customers in order to maintain the growth of its business. The company provides technical assistance on a range of levels for all of its customers from the smallest up. "We have a disproportionately high number of field technical experts." This is unlike the situation at some competitors where technical assistance doesn't happen "unless you are a top customer," Harris says.

The company this year is investing in two new stand alone R&D laboratories with one to be located at El Dorado, Arkansas and the other at Helena, Arkansas. One of the R&D labs will focus on developing specialty chemical products with the other focused on initiators. Syrgis is seeking to increase its R&D and technical capability with the addition of up to six researchers; an increase of 30-50% compared with a few years ago. The company already has brought in two new chemists. The aim is to improve on the products the company already makes, develop new products, and improve the efficiency of production processes, Harris says. "The low-hanging fruit may be to take what we are doing today and do it better," he says.

The company sees China as a growing market opportunity. To develop its activities the company is in the process of setting up a sales office in Shanghai. The company is looking closely at how it can meet the needs of Chinese companies, Harris says. Syrgis does not have manufacturing facilities in China "but in the next few years we will identify whether a joint venture, or a new plant" is required, he says.

Harris says he is unhappy with the relocation of manufacturing from the U.S. to relatively unregulated countries such as China. "It is likely that if a U.S. plant is closed, the environmental impact from it could go up by an order of magnitude for the earth," he says. "Too many times, people think they are doing the right thing by closing down the local manufacturing plant in the U.S. or Europe. However, this is actually not the case. Products are produced in the cleanest, greenest ways, with minimal environment footprint in the U.S. and Europe," he says. "If we can find a way to do it, in a way that is cleaner or better, we will do it."

Syrgis is on track to comply with the European Union's (EU) Registration, Evaluation and Authorisation of Chemicals (Reach) program when exporting its products into Europe, Harris says. The company has one product that is due to be registered by the end of November. The company pre-registered about 25% of its products. There are concerns that a Reach-like regulation could take root in the U.S. via reforms to TSCA regulation. "We're very concerned about that. We definitely don't want to jump to a Reach-like system until Reach has been proven," Harris says. "We would prefer to continue to modify and improve the current TSCA system. It will be simpler to improve and less costly than wiping the slate clean and starting over with a new system like Reach."

Impending chemical site security regulation is another cause for concern for Harris: "For Congress to be telling us how to be safer-I just don't feel comfortable with that. If [the proposed plant security regulation] is passed we will see a major step-change with companies saying they can't do business anymore," he adds.