



# Acquisition of Qenos Engineering Plastics

# TRANSACTION SUMMARY

- ✍ Orica to acquire 100% Qenos Engineering Plastics
- ✍ Acquisition price : A\$10M
- ✍ Effective date : 1 August 2003
- ✍ Business will be fully integrated into Orica Chemnet

# QENOS ENGINEERING PLASTICS

## HISTORY

- ✍ QEP is a specialised plastics trading and formulating business located in Victoria
- ✍ In excess of 30 years experience in marketing and manufacturing specialised compounds for customer specific applications
- ✍ Main products uses include:
  - ? Automotive
  - ? Wire & cable
  - ? Pipe
  - ? Appliances
- ✍ Excellent innovation and technology allow business to meet the needs of strategic customers in predominantly Australia and New Zealand

## BUSINESS OUTLINE

- ✍ Standalone business from main Qenos polyethylene business
- ✍ Employs ~ 48 people
- ✍ Compounding plant located at Laverton in Victoria
  - ✍ Significant investment in upgrading manufacturing and logistics capability has occurred within the last three years

## FINANCIAL DIMENSIONS

- ✍ Sales - circa A\$40M
- ✍ Profit - circa A\$2M
- ✍ Assets - circa A\$10M

# WHY THE ACQUISITION MAKES SENSE FOR CHEMNET

- ✍ Logical fit into Chemnet through its Polymer and additives distribution channel
- ✍ Acquisition adds high value specialty compounding operations and create operational and logistic synergies as well as providing an excellent fit from a customer perspective
- ✍ QEP is not involved in “heavy end” plastics manufacture
- ✍ Chemnet has a proven strategy of adding value to basic commodity distribution
- ✍ QEP acquisition aligns with Chemnet “bolt on” acquisition strategy
- ✍ Will cement Chemnet as market leader in engineering plastics and polymers in Australia and New Zealand following Fernz acquisition late last year

# WHY THE ACQUISITION MAKES SENSE FOR ORICA

- ✍ Acquisition satisfies our strategic principles
  - ? Market leadership
  - ? growing only value adding business who have “earned the right to grow”
  - ? related growth - building on our best businesses
  
- ✍ Chemnet:
  - ? exceeds Orica performance measures
  - ? track record of year on year earnings growth
  - ? enhances current Polymer & Additives distribution segment

# WHY THE ACQUISITION MAKES SENSE FOR ORICA

## Financial

- ✍ EPS positive
- ✍ Transaction meets IRR and RONA targets
- ✍ Estimated net efficiencies (logistics, supply chain, overhead and administration) up to ~\$1M
- ✍ Low risk value creation
  - ? efficiencies quickly realisable
  - ? under management control