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HEXPOL acquires global rubber compounding group Excel Polymers

HEXPOL has entered into an agreement to acquire global rubber compounding group Excel Polymers LLC.

Summary

- HEXPOL acquires Excel Polymers, a global rubber compounding group.
- Cash purchase price of 212,5 MUSD on a cash and debt free basis. The purchase price will be paid upon completion of the acquisition which is estimated to occur at the end of November 2010.
- The acquisition will further strengthen HEXPOL's position as a world leading polymer materials compounding group. Significant synergies are expected to arise from the transaction especially on the cost side.
- The acquisition is fully financed via bank facilities. HEXPOL intends to pursue a rights issue corresponding to approximately 550 MSEK as soon as practically possible following completion of the acquisition.

Description of Excel Polymers

Excel Polymers is a leading global supplier of performance elastomer solutions, offering a comprehensive portfolio of compounded polymer materials, performance additives and value added services to rubber parts manufacturers.

Excel Polymers has an extensive breadth of compounding capabilities and the global production footprint consists of eight manufacturing facilities strategically located in the US, China, Mexico and United Kingdom.

The company offers formulations and products to a diversified group of end markets including general industrial, construction, automotive, printing, heavy machinery, oil&gas and consumer.

Excel Polymers is expected to report sales of approximately 350-360 MUSD and EBITDA of approximately 34-35 MUSD in 2010.

Excel Polymers is headquartered in Solon, Ohio, USA and employs approximately 800 people in the US, Mexico, UK and China. In 2009, sales amounted to 284 MUSD and EBITDA to 21 MUSD.

Background and reasons for the transaction

With the transaction HEXPOL will be the leading global rubber compounding group with expertise and manufacturing presence in 9 countries with 24 manufacturing entities.

“With the acquisition of Excel Polymers we are improving our capabilities and manufacturing footprint in order to service our customers on global reach. Our customers will experience the combination of global reach and local personalized service as we reinforce our theme “think globally, act locally”. We are excited about the enhanced technology resources, capabilities and competences.” says HEXPOL CEO Georg Brunstam.

The transaction in brief

Completion of the transaction is subject to regulatory approvals and other customary conditions. Under the terms of the agreement, HEXPOL will pay a cash purchase price of 212,5 MUSD for Excel Polymers on a cash and debt free basis.

The transaction is expected to be earnings accretive from closing and is expected to generate significant synergies, mainly on the cost side. Synergies, on a pre-tax basis, are expected to amount to approximately 5 MUSD in 2011 and 7 MUSD in 2012.

Integration, transaction and refinancing costs will be charged in the same quarter as closing. Purchase Price Allocations will be communicated as soon as the opening balance sheet is established.

Transaction financing

Commitments have been secured to finance the acquisition of Excel Polymers. As soon as practically possible following completion of the acquisition of Excel Polymers, HEXPOL will pursue a rights issue corresponding to approximately 550 MSEK.

Melker Schörling AB, HEXPOL’s largest shareholder, representing 48,0 per cent of the votes and 27,2 per cent of the capital in HEXPOL, has undertaken to vote in favour of the rights issue at an extraordinary shareholders meeting and subscribe for its pro rata share of the offering.

Melker Schörling AB has also undertaken to subscribe for approximately an additional 22,9 per cent in excess of its pro rata share of the offering. Consequently, subscription commitments for more than 50 per cent of the intended rights issue have been received.

Telephone conference today 18 October at 09:00 CET

HEXPOL's president and CEO Georg Brunstam and CFO Urban Ottosson will give a presentation today, Monday 18 October at 09:00 CET. To participate please dial in on +46 (0) 8-213 091 (international call) or 020-213 091 (national call, Sweden) and enter meeting code 917 840 to participate in the telephone conference.

The presentation will be held in English and the presentation material will be published on HEXPOL's website.

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HEXPOL is a world-leading polymer materials group with strong global positions in advanced polymer compounds (Compounding), gaskets for plate heat exchangers (Gaskets) and wheels made of plastic and rubber materials for truck and castor wheel applications (Wheels). Customers are primarily OEM manufacturers of plate heat exchangers and trucks, global systems suppliers to the automotive industry as well as medical device industry. The Group is organised in two business areas, HEXPOL Compounding and HEXPOL Engineered Products, and has about 2,300 employees in nine countries. HEXPOL have rolling twelve monthly sales of approximately 3,400 MSEK. Read more at www.hexpol.com.

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This press release may contain forward-looking statements. When used in this press release, words such as "anticipate", "believe", "estimate", "expect", "plan" and "project" are intended to identify forward-looking statements. They may involve risks and uncertainties, including technological advances in the measurement field, product demand and market acceptance, the effect of economic conditions, the impact of competitive products and pricing, foreign currency exchange rates and other risks. These forward-looking statements reflect the views of HEXPOL's management as of the date made with respect to future events and are subject to risks and uncertainties. All of these forward-looking statements are based on estimates and assumptions made by HEXPOL's management and are believed to be reasonable, though are inherently uncertain and difficult to predict. Actual results or experience could differ materially from the forward-looking statements. HEXPOL disclaims any intention or obligation to update these forward-looking statements.

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