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Acquisition introduces EAC Industrial Ingredients in Bangladesh

Résumé:

EAC Industrial Ingredients concludes two minor acquisitions: The acquisition of ACI Trading Ltd. brings the business into Bangladesh, while the acquisition of Phil-Asiachem Inc. strengthens the activities in the Philippines. The acquisitions are the most recent steps in the effort to build strong positions in all significant markets in South and South East Asia, thereby doubling the business' revenue until 2009.

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EAC has entered into an agreement to acquire **ACI Trading Ltd.** in Bangladesh effective as of 30 September 2007. ACI Trading markets, sells and distributes specialty chemicals and industrial ingredients. The company with 17 employees and facilities in Dhaka holds a leading market position as a supplier to the rapidly growing industrial sector, especially within leather and textiles.

The acquisition is an important step in EAC Industrial Ingredients' strategy to establish the same regional position in South Asia as the business already holds in South East Asia. The industrial development in the South Asian countries India, Pakistan, Sri Lanka and Bangladesh proceeds with high growth rates and international manufacturers of specialty chemicals and industrial ingredients show increased interest in these new markets. EAC Industrial Ingredients entered South Asia in December 2005 through the acquisition of an Indian company, which most recently reported revenue growth of 83% in H1 2007 compared to H1 2006.

ACI Trading has experienced annual growth rates of 22% (CAGR) since 2003 and expects to generate revenue of BDT 265m (approx. DKK 22m) this year. Going forward, EAC expects the company to sustain annual growth rates of approx. 20% supported by sound, underlying economic growth in Bangladesh with GDP growing by approx. 6.5-7% p.a. and industrial production growing by approx. 14% - not least driven by the textile industry. Furthermore, EAC Industrial Ingredients will introduce this new access to Bangladesh to existing suppliers and provide ACI Trading with competencies within technical services, formulation and supply chain management as well as strengthen the company's industrial focus, thus making ACI Trading an even more attractive partner to international suppliers.

ACI Trading is a profitable company and is expected to achieve an operating margin (EBIT) of approx. 9% in 2008. Furthermore, EAC has also taken into consideration that ACI Trading initially was part of the ICI Group as has been the case with some of EAC Industrial Ingredients' activities in other countries. Business culture and routines are therefore more easily integrated.

ACI Trading's total assets are expected to amount to approx. DKK 12m this year, primarily consisting of inventories and receivables related to the company's distribution business.

In the Philippines, EAC Industrial Ingredients in August acquired the small company **Phil-Asiachem Inc**., which primarily distributes ingredients for the pharmaceutical industry as well as FDA-licensed additives and ingredients for production of feedstuff and foods. EAC Industrial Ingredients sees a particular potential within the feedstuff activities, which the business for some time has wished to develop into a focus industry – initially in the Philippines and in the longer term in other markets. EAC Industrial Ingredients expects to multiply Phil-Asiachem's sales by changing the activities from commission business to inventory sales, but the growth will be initiated from a modest base. Phil-Asiachem has been integrated into EAC Industrial Ingredients' local organisation in Manila, which hereafter counts 50 employees referring to General Manager Mr. Aldwin A. Mitra.

The two acquisitions will only have marginal impact on EAC Industrial Ingredients' 2007 results. In H1 2007, the business' revenue amounted to DKK 577m (+ 17% in DKK) and the operating margin stood at 8.8% (+ 0.7 percentage points). Full-year revenue growth is still expected to be approx. 20% in local currencies with an operating margin of approx. 8.5%. From 2008, a more significant positive effect from the acquisitions is expected.

Following the acquisitions, the business has 19 offices in nine South and South East Asian countries – India, Bangladesh, Thailand, Indonesia, Vietnam, Cambodia, the Philippines, Malaysia and Singapore – and represents more than 150 international producers of industrial ingredients. The strategy is to become the market leading "one-stop" supplier for selected industries in the current markets and at the same time enter into new markets. EAC Industrial Ingredients' financial goal is to double the revenue from around DKK 1bn in 2006 to at least DKK 2bn in 2009 through a combination of organic growth and acquisitions. In addition to ACI Trading and Phil-Asiachem, EAC Industrial Ingredients in July this year acquired the somewhat larger Malayan distributor Akashi and the business is currently exploring the possibilities for additional acquisitions on present and new markets.

Yours sincerely,

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