

Pipe extruder Ipex looking to grow again

CATHERINE KAVANAUGH

Plastics News Staff

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Ipex Group

Ipex Group says its Ring-Tite brand pipe is made with a high-strength, high-impact PVC compound for municipal sewer systems to stop threats like cracking, leaking and corrosion. The company expects U.S. infrastructure needs to boost demand for plastic pipe in 2021.

Housing starts are forecast to rise in the United States in 2021 and economists predict above-average growth for the gross domestic product, but there's another reason Ipex Group Chairman and CEO Alex Mestres has cause for optimism.

Operating as Ipex USA LLC, the Pineville, N.C.-based North American subsidiary of Belgium's Aliaxis SA extrudes plastic pipe for the building, industrial, agriculture and infrastructure markets — the latter of which has been terribly neglected.

But that could be changing.

"We can't ignore the infrastructure investment opportunity driven by a public infrastructure spending backlog of more than \$2 trillion," Mestres said of his positive outlook. "I strongly believe that the value we bring will continue to resonate with a resilient U.S. market as we

seek to grow our operations."

Ipex had a growth spurt in 2019 with the acquisition of Silver Line and its four manufacturing plants, which gave the company a more prominent presence in the U.S.

"Many of the products in the Silver-Line portfolio were either new to Ipex or they enhanced our existing offering," Mestres said. "The acquisition not only broadened our portfolio in many segments, but opened the door to new markets as well, some examples would include well casing, threaded drop pipe, irrigation and drainage products."

2019 turned out to be a record year for Ipex in the U.S., according to Aliaxis's business overview for consolidated accounts, which notes "a significant increase in average sales and gross margin generation from top 10 customers."

The 75-page annual report says Aliaxis saw sales of 3.1 billion euros (\$3.7 billion) in 2019 but it doesn't break the results down region. The employee base does, however, and it says Aliaxis employed 15,511 people in 2019 with the EMEA division accounting

for 38 percent of all staff and North America ranking second with 19.3 percent closely followed by Latin America, India and Australia.

Plastics News estimates Ipex's North American sales have increased to \$700 million, which moves it up in the ranking to the No. 6 spot formerly held by composite decking extruder Trex Co. Inc.

Mestres declined comment except to say the experienced Silver Line employees have been an asset to Ipex.

"Given how competitive our market is for employment, it is hard to overstate the importance of welcoming roughly 350 high-caliber individuals to our team," Mestres said. "We have a common vision for our future, and we now all benefit from the new capabilities and skillsets that we collectively bring to the table for the benefit of our customers.

After a year of integrating Silver Line, as well as widening its distribution footprint, Ipex is ready to grow again.

"We remain actively interested in pursuing additional acquisitions in North America," Mestres said, describing the target as "companies with a significant fit and substantial growth synergies."

Ipex currently has 11 manufacturing sites and 11 distribution centers in the U.S. and a total of 26 manufacturing sites and 26 distribution centers in North America.

Regarding prospects for further sales growth, Mestres pointed to the increase in U.S. housing starts, which were at a seasonally adjusted annual rate of 1.53 million for October, according to the U.S. Census Bureau. That's 4.9 percent above the revised September estimate of 1.46 million and 14.2 percent above the October 2019 rate of 1.34 million.

"Housing starts are still forecasted to rise coming off strong results in 2020," Mestres said. "Similarly, economists are predicting above average GDP growth for 2021, with consensus estimates at 3.3 percent annualized, and business investment is projected to increase next year by an estimated 3 percent."

On top of that, President-elect Joe Biden has a \$2 trillion Build Back Better plan that calls for investing in schools, water systems, municipal transit and universal broadband. Getting the incoming Democratic president's plan through Congress will take cooperation with Republicans, but many are hopeful for a compromise.

"The U.S. offers the potential for Ipex to continue increasing our participation in a large growing market and build new customer relationships while exceeding their expectations," Mestres said. "Despite the effects of the ongoing pandemic, we are encouraged by a number of short-to-medium term economic indicators and we are optimistic about the future of those segments in which we participate."



Ipex Group

Mestres

Distribution changes

To get a wider variety of products closer to customers and end-users, Ipex increased its North America distribution footprint with a new center in Joliet, Ill., which is also its second location to be managed by a third party.

Taag Logistics oversees the site in addition to the distribution center in Cincinnati. Mestres said the partnership lets Ipex scale inventory to coincide with the needs of its customers in municipal, plumbing, electrical and industrial markets.

"This provides a competitive advantage whereby we have the flexibility to stock up a distribution site with just products for a specific market, or combine different products for different markets within one distribution center," Mestres said.

He expects Ipex will open more distribution centers as it grows.

R&D advances

Ipex's growth strategy also calls for its research and development team to create the next generation of plastic pipe products.

The Aliaxis report says the North American team accelerated its R&D efforts while also helping Aliaxis Italy develop a new type of one-piece valve previously not available through the company. The small-diameter valves launched in North America in September 2019.

The North American R&D team supported several regions with the development of new products. Aliaxis says the collaboration also made it possible to generate raw materials savings and reduce production costs.

"Our world class R&D team is constantly pushing the envelope to create and deliver the next generation of new plastic products and solutions," Mestres said. "Our intention is to continue executing on our organic customer-centric growth approach, invest in R&D and innovation, plus target acquisitions of companies with a significant fit and substantial growth synergies."

*Letter
to the
Editor*

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