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No fixer-upper

Eaton expects big things from purchase of Turkish company

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CLEVELAND—Eaton Corp. has completed its purchase of a Turkish industrial and hydraulic hose manufacturer, a move officials said helps it fill in both product and geographic gaps in its fluid conveyance business.

Eaton closed the purchase of Polimer Kaucuk Sanayi ve Pazarlama A.S. the first week of June. The deal is the Cleveland conglomerate's largest investment in Turkey to date and the first direct involvement in the country—other than sales personnel calling on customers—for its hose business.

"Turkey's stable economy makes it an attractive place to invest and Polimer's manufacturing presence in this country positions us for growth not only in Turkey, but also in Europe, the Middle East and beyond," said William VanArsdale, president of Eaton's Hydraulics Group.

Terms of the deal, disclosed in late February, weren't revealed. Founded in 1957, Polimer posted 2011 sales of about \$335 million, much of that under the SEL Hose brand name. It employs more than 2,100, with two manufacturing plants in Turkey, one in Israel, a sales office in Singapore and assembly operations in China.

Turkey a key area

Eaton has had a working relationship with Polimer for about seven or eight years. It sourced some products from the Turkish hose maker, and increasingly got to know the firm better, according to Jeffrey Finch, senior vice president and general manager for fluid conveyance products in Eaton's Hydraulics Group.



Polimer Kaucuk Sanayi ve Pazarlama A.S.'s plant in Turkey.

Eventually the topic of acquisition came up and subsequent discussions led to the purchase. Polimer was a private enterprise owned by a small group of shareholders who were at different stages of life, Finch said, so they decided it was time to sell the business.

It is the second-largest acquisition in terms of sales for Eaton's fluid conveyance unit, following the 1999 purchase of Aeroquip-Vickers Inc., which had more than \$2 billion in sales.

By picking up one of the top two or three hose makers in Europe, Finch said Polimer puts Eaton in a prime position to service a number of key markets.

"Turkey sits on an interesting crossroads," he said. "It is both European and Asian, has great access to the

evolved markets of Europe, the emerging markets of Eastern Europe, the Russian areas, some of the former Eastern Bloc, the Middle East and into Africa."

Its location also makes it easy to export product into South America, North America and further parts of Asia. In addition, he said Turkey is a vibrant market unto itself, with a strong economy, good local growth and a lot of consumption.

"On a stand-alone basis Turkey is attractive, but from a strategic location basis, it just makes it even more attractive," Finch said.

Another plus is that Eaton also picks up new channels to market for its hose and related products, according to Raja Rajagopalan, director of global product marketing for the fluid conveyance business. More than 85 percent of Polimer's goods are sold through distribution to after-market and OEM accounts, which the Eaton officials said fits well with its philosophy of having local product availability.

Boost for industrial hose

Finch said the acquisition also fills out some product gaps in Eaton's offerings, particularly in industrial hose. Polimer makes a wide array of rubber and plastic hose products that are aimed at multiple industries, including construction, mining, agriculture, oil and gas, manufacturing, food and beverage, and chemicals.

"It is one of the most comprehensive industrial hose lines on earth, and really adds to what Eaton had in the portfolio that came with the Boston, Durodyne and Arrow acquisitions," he said. "It really puts us into an industry-leading position in terms of industrial hose."

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On the hydraulic side, Polimer brings a full range of braided and spiral hose that's basically additive to Eaton's current Aeroquip and Weatherhead product lines, Finch said. "What it does do is give us an incremental manufacturing footprint that gives us a chance to balance making products as close to the point of consumption as we can."

Rajagopalan added that Eaton also gains some complementary rubber hose capabilities, including for twin-line hoses and a hose for forklifts that traditionally was a

thermoplastic hose that Polimer made in rubber.

From a technology standpoint, Finch said Polimer uses the latest in manufacturing, testing and mixing capabilities. "From what we saw, this is a business that has invested heavily in capital and has some very modern assets in terms of hose manufacturing," he said. "It's definitely not a fixer-upper."

Besides marketing under the SEL brand, Polimer also had a significant private label business. Now that the deal has closed, Finch said discussions have started with

distributors that Eaton may not have had relationships with.

"We went into it eyes wide open knowing that some of the growth in the business was built on brand strategies," he said.

"We didn't buy the business to dismantle the success of the business. We're keenly aware of the blend of company brands and private label brands, and both will have a place as we move forward."