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INSIGHT: Kurita America integrates water-chem businesses, eyes growth

By Al Greenwood

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HOUSTON (ICIS)--Kurita America is putting the final touches on integrating its recent water treatment chemicals acquisitions, establishing the groundwork for growth even while the pandemic temporarily slows down the industry.

Kurita America is the US business of the Japan-based water treatment chemicals business Kurita. It was created by [merging its previous US acquisitions](#), which included Fremont Industries and US Water Services.

LaMarr Barnes, the CEO of US Water, is now the CEO of Kurita America. Barnes built US Water through acquisitions, and Kurita sees the same opportunity for its new US business.

"Bringing the companies together is the first step in establishing Kurita as a major player in North America," Barnes said in an interview with ICIS. "We intend to continue to grow and work up the food chain and become one of the top companies in North America."

SYNERGIES

The merger of the Kurita acquisition combines US Water, Fremont and the municipal-water business Tonka Water - which US Water acquired [before it became part of Kurita](#).

Kurita America will have access to the products and services of those businesses as well as those from its parent company. "We can leverage that to help our customers manage their water better," Barnes said.

The products and services run the gamut, from water treatment chemicals to equipment. Kurita and US Water intentionally pursued an integrated business model in their early days.

They weren't the first to attempt this, but Barnes said they were pioneers in bringing the two together.

Combining equipment and chemicals under one company is not simple, Barnes said. Doing it from the beginning is the best way to bring the two together.

Kurita had combined chemicals and equipment from its early days, Barnes said. US Water pursued it from day one.

The companies were built on the same premise of bringing together equipment, chemicals and industry, said Kevin Milici, executive vice president of marketing and technology for Kurita America.

"It's really an issue of DNA," Milici said. "That DNA harmony is just a great match for us, and it's going to pay tremendous dividends into the future."

BUSINESS TRENDS

Like many industries, water treatment is embracing big data, cloud computing and the Internet of Things (IoT). The latter relies on sensors and software to connect different parts of a plant to allow them to communicate with each other.

The combination can provide trouble-shooting and early warnings to customers, Barnes said. Kurita has been pursuing this, as demonstrated by its investments in early-stage companies.

"You'll see a lot of action in that space both from Kurita and the market," he said.

Another growth market for Kurita is drip irrigation, Barnes said. "It is a great opportunity for growth and for us to make the agricultural industry more water efficient."

One trend further off in the distance is hydrogen. A growing number of companies are developing plans to produce hydrogen by employing electrolysis to split water molecules. The energy required to power the electrolysis reaction would be provided by renewable sources such as solar panels or wind turbines.

Water electrolysis would likely need pure water, regardless of the underlying technology, Barnes said. Impurities could foul up apparatus.

Despite the potential for water electrolysis, the market is still young, and scaling it up is going to take some time, Barnes said. It is still at an early stage.

Other trends are more immediate.



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The pandemic has hit the oil and gas and ethanol industries particularly hard, both of which are important end markets for water treatment.

The oil-price war from earlier in the year also hurt the markets.

Other sectors saw a surge in demand. Companies that make hand sanitisers as well as masks, gowns and other personal protective equipment (PPE) increased production, which raised demand for water treatment.

These markets could not offset the overall decline in output and economic activity, which caused a decline in demand for water treatment, Barnes said.

While industrial customers still intend to upgrade existing facilities and to build new ones, they are putting those plans on hold, he said.

The municipal market typically lags behind the industrial one by several months, so Barnes is expecting a slowdown there as well.

The longer-term trend among cities is for more water treatment. Demand for better water quality is a trend that is not going away, and it will continue to influence the industry, Barnes said. He pointed to concerns about PFAS (per- and poly-fluoroalkyl substances) as an example.

M&A

The pandemic is making it difficult to pursue mergers and acquisitions (M&A) by making it more difficult to perform due diligence. Barnes also pointed to market uncertainty.

Kurita would not rule out M&A if the right target presented itself, he said. But the company is moving at a more cautious pace.

Nonetheless, M&A will continue to be part of the growth strategy for Kurita America and its parent company.

Kurita America will adopt M&A to expand into new markets and to add more capabilities to its North American business, he said.

Water treatment is still fragmented with several small- and medium-sized companies, Barnes said. "We see a great opportunity to add capability and reach to Kurita America and to Kurita globally."

NEXT STEPS

Much of the integration among the business in Kurita America has taken place, Barnes said. This included integrating back-office operations and enterprise resource planning (ERP).

The next steps will include product-line integration in the chemical portion of the companies and brand transitions, Barnes said. Integration should be completed within a year.