As headwinds sidelined strategic buyers, Platinum stepped up to deliver speed and certainty for Calderys carveout and HarbisonWalker add-on

By offering a creative financing solution for the combined consideration of $1.2B and by negotiating advantageous contractual terms, Platinum navigated a challenging M&A market to create a platform poised for additional growth and investment.

In a matter of 20 days, Platinum closed a €930m EV carveout deal for the refractories business of French-headquartered corporate Imerys, plus the transformative add-on of HarbisonWalker International (HWI), a U.S.-based refractory company. The combined businesses will operate under the name Calderys.

The Imerys deal emerged as a carveout from a multinational business at a moment when little M&A activity was happening.

Platinum had worked on other divestment opportunities with Imerys in the past and was closely tracking the situation. Imerys is a complex firm, primarily a mining business specializing in minerals, and its refractories business was an upstream division. The refractories division grew to the point where it was time to be a standalone company, in part because in some cases, it was competing against Imerys' clients.

When Imerys brought the refractories business to market, they needed a partner that could assess and see the value through extensive complexity. Platinum approached the carveout solution holistically. The team also offered more certainty around the financing – something strategics and sponsors could not do in the moment because most would have had to conduct a capital raise in a jittery market. At the same time, HWI came to market, and Platinum was able to pursue the opportunities in tandem with an eye toward the long-term potential of building Calderys as a truly global platform with a transformative add-on.

"These businesses are a natural fit for Platinum and vice versa," said Platinum Equity Partner Louis Samson. "We came to the table with our carveout capabilities, our history of building assets into platforms, and our experience with specialty materials, and these all add to the operational resources that we can put behind these global businesses."

Calderys and HWI are both suppliers and service providers in the refractories space. Refractories are materials used in extremely high heat settings, with clients in the iron and steel, thermal and foundry markets. Calderys is headquartered in Paris, France, while U.S.-based HWI is in Pittsburgh, Pennsylvania. Both companies have global operations and clients across 16 countries.

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Q: These deals closed in January and February of 2023, in a period of high uncertainty across the M&A market. How did they come to pass, in that environment?

Samson: For starters, Platinum is always open for business. That mindset is core to our investment philosophy. Every market environment presents risks and opportunities. In a market characterized by uncertainty, there's an opportunity to be reliable when others are hesitant, and there's an opportunity to acquire good assets at compelling values.

Malik Vorderwuelbecke: The environment actually drove this deal to market, in a sense, because carveouts are a source of liquidity for sellers when financing options are more expensive or unavailable. Companies see the opportunity to divest from non-core assets to generate cash to focus on their priorities.

Ramzi Itani: Agreed. The markets also affected who was vying for the deal. Strategics had looked at Calderys in the past and they looked again this time, but with depressed public equity values and the headwinds in the broader industrial environment, they were not in a strong position to compete for the deal.

Q: What made this carve-out more complex or unique than usual?

Vorderwuelbecke: Because the seller's initial process was focused on strategics, the materials prepared were different than what most sponsors would normally require – but we were ready and flexible as they pivoted the process. We were able to put together a carveout plan in short order and really guide the seller through that new framework together.

Samson: Carveouts are an area of expertise for us. We have on our team the capabilities and resources to create infrastructure – the treasury team, the IT function, etc., – while also crafting a strategic vision for building this business into a global platform. We put a carveout team in place immediately, with seven full-time equivalent staff, multi-disciplinary, plus two M&A operations team members as extended support.

Q: And how did the HWI add-on happen nearly simultaneously?

Vorderwuelbecke: We were watching the refractory space very closely, so we were ready to bid when HWI came to market. In fact, we put in our HWI bid on the same day our Calderys offer was signed, and they closed three weeks apart. The synergies were immediately clear. These two assets give each other a footprint expansion, cross-selling opportunities and operational synergies.

Q: In what ways are these typical Platinum deals?

Vorderwuelbecke: There are quite a few Platinum markers on these deals, actually. Our strength with carveouts, as Louis mentioned, made these a clear fit for Platinum, as we were ready to stand these assets up with the structure they need. The transformative add-on piece is a typical Platinum play. We also have a growing list of investments with this kind of multi-national profile.

Itani: The deals also leveraged our experience in the materials sector. We have a long history in this area, with our investments in companies like Ryerson, PNA, Kymera, Ecka, etc. And as Malik mentions, our footprint in Europe continues to expand, so it's great to see the momentum strengthening even in a difficult deal environment.

Q: Is there anything atypical about the deals?

Samson: Aside from needing a creative financing solution, the structure of the HWI purchase was atypical, because the assets were part of a legacy asbestos trust. That made for complex seller dynamics, across the trust and the different stakeholders. We called on our experience negotiating other situations with multiple owners who were not necessarily aligned in their interests. Ultimately, we saw the value in the asset and we didn't shy away from complexity. We put our heads together and found a way to make it work. From the outset, we were flexible about the deal structure and ready to act fast. This stance offers deal certainty to the seller, which is at times more important to sellers than the final price.

Q: Speaking of our typical approach, what are the operational opportunities here?

Vorderwuelbecke: There are obvious synergies to bringing these two businesses together, cost savings, plus an opportunity to refocus strategy as we build these out with Calderys as a global platform. As soon as the transactions closed, we moved most of our deal team members into transition and value creation (portfolio operations) roles. Then we have our usual tools, the systems we use to identify product margins and help the management allocate resources. We can contemplate meaningful investment to focus and grow this business in a different way than was possible when Calderys was part of a bigger organization. It's a very fragmented market, so there is also substantial opportunity to explore additional acquisitions.

Samson: The market environment is a factor in how these deals came together but the operational opportunities are much more long term. We are positioning Calderys for the materials-intensive era that we see continuing well beyond the boundaries of this immediate cycle.

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