

# RADIUS...

## A YEAR IN THE LIFE!

**Andy Taylor – CEO and Member of the Board of Radius Systems Ltd., Head of Mergers & Acquisitions committee.**

**1999 – 2005: Group Managing Director of Hepworth Building Products, a division of Hepworth Plc, a £700m turnover Heating and Building Materials Group.**

**2005 – Oct 2010: Wavin BV, Executive Vice President, Member of the 4 man Management Board (by way of the acquisition of Hepworth Building Products in 2005) with Executive responsibilities for the Regions UK/Ireland, South West Europe, South East Europe and all activities outside of Europe, the Building & Installation Strategic Business Unit, R&D and the Group's commercial activities.**



**W**hen the Bank consortium invited me to join Radius in mid-2012 the Company was on its knees. The Private Equity backed Management Buy Out had failed leaving management with nothing from their investment and the Banks in control trying to minimise their losses. All cash went to capital repayments, interest and fees and there was no investment in the future of the Company. The workforce was disillusioned, management were demotivated, morale was at its lowest, we had lost our biggest customer and our wider client base were very nervous about the future of Radius Systems. It was clear that the Company needed to find a new 'home' and in autumn 2012 that's what we set out to do.

We ran a process through end 2012 into 2013 and of course, as everyone knows, the successful bidder was POLYPLASTIC. During my Wavin years I had come to know of POLYPLASTIC when, in 2008, we had some joint discussions on possible collaboration scenarios. It was then that I first got to know Valentin Buyanovsky and Miron Gorilovskiy and when Valentin turned up in the Radius sale process, knowing what I did about the POLYPLASTIC Group, I knew this would be the perfect solution for Radius. We needed a parent who understood our products and processes, our technologies and our routes to mar-

ket. We needed an environment of joint trust in which Radius could grow organically in its home markets but also contribute to the greater good of the wider POLYPLASTIC & POLYMERTEPLO Group. It was therefore not a surprise when we consummated our 'marriage' at the end of February 2013.

Cost and Growth are the two key drivers in any business and with those in mind we set about identifying the key synergy project areas where scale and technology exchange would bring the quickest results. However, before we could embark on this we had to educate our workforce and our customers about our new owners. Any workforce responds to integrity and honesty from management. Since the sale process had begun we made sure that we delivered what we promised and even the bad news became palatable because it did not come as a surprise. They were only too happy to be out from under the previous ownership regime and part of a Group which understood what we were all about. This in itself paved the way for an excellent start to our life together. The clients were also overjoyed to see the UK market leader operating within a sound financial structure and although not intimate with the POLYPLASTIC Group, recognised the stability that came as part of the deal.

So back to the Cost and Growth scenario and the strategic re-positioning. The first priorities were to take immediate advantage of any cost benefits arising from the combination of the two businesses. Kirill Trusov's team along with the UK purchasing team immediately embarked upon a re-negotiation with our raw material suppliers. This project will realise an annualised benefit just on PE 100 of €420k based on historical volumes and prices.

Radius had already planned a major 'complexity reduction' programme with regard to converting our core product to black. In combination with the raw material cost reductions we have achieved so far we expect an annualised saving on raw material alone of c. €3m. This project has also benefited greatly from our combined scale with equipment suppliers with savings of more than €300k against initial quotations received by Radius.

On the reverse aspect POLYPLASTIC embarked on having the Radius electrofusion fittings range specified for use in the Russian market along with keeping existing cooperation with George Fisher. This was not a simple process but specification was finally achieved towards the end of last year and Radius has now supplied significant initial quantity of fittings for sale through the Group and we are now looking into the opportunity to create a fittings manufacturing cell in Russia.

In November we concluded the transfer of the redundant 30 KT PVC mixing plant and 3 complete multilayer extrusion lines from our Lurgan (Northern Ireland) facility to Russia. Engineers from the UK will oversee the commissioning of the equipment later this spring.

When assessing the Growth drivers for the business we had to look closely at our business model. Radius 'top 10' customers accounted for over 70% of sales. Those clients, compared to the size of Radius, were economic Utility giants with huge influence over Radius. We decided in conjunction with Miron and Valentin that we had to maintain our position with the 'Big guys' but diversify into different products and technologies and also different routes to market.

The Radius brand has a massive reputation for quality and innovation and can be applied to many associated products and technologies so when the opportunity to buy the assets of Subterra came along in June 2013, after a very short and positive conversation with our parent, we successfully concluded the deal. The re-lining business is beginning to grow in the UK and a bonus has been the buoyant demand for epoxy and polyurethane coatings for the spray lining technology. We are just completing the move of the coating manufacturing process to our main sight at Hilcote. The interest in Russia for the technology has been a pleasant surprise and last month we dis-

patched the first Spray Line rig to Russia together with 2 sets of equipment for close-fit PE pipe renovation technologies known commonly as Subline and Rolldown.

In August last year we added water and gas valves to our product portfolio when we completed the acquisition of AEON. A poorly managed business both strategically and financially but a wonderfully innovative range of products which we knew we could improve upon. Since the acquisition we have closed the AEON UK Head Office and combined all back office activities with Radius. We have actively marketed the product to the major Utilities in the UK and now have approvals from all 4 gas utilities. We are expecting our first orders imminently. In Poland we are expanding the facility to be able to handle the new range of AEON 350–600 mm gas valves which we plan to introduce before the end of the year. We also plan to manufacture two sizes (100 mm and 150 mm) type B gas valves locally in Poland where we think we can be cheaper than the landed cost from our Chinese suppliers. In the Gulf, we are chasing local approvals for projects in Dubai, Abu Dhabi and Qatar and have recently won approval status with Saudi Water and Bahrain Electricity and Gas. The polish and Gulf outlets will also be reviewed for the opportunities to stock and sell other Group products.

In late November we concluded the purchase of Redman Fittings, a manufacturer of steel/copper hydraulic compression fittings, from the Tricorn Group. We had identified Redman as a target as the product range complements our Puriton Barrier Pipe Range which allows us to compete head to head with our major competitor in the UK, GPS an Aliaxis company. We have moved the manufacturing process to Hilcote and are preparing for the market re-launch before the summer. The Redman range has also been identified as a potential addition to the Polymerteplo range and an assessment project is underway in Russia at the moment.

Finally, the Group took the decision at the end of last year to establish Radius as the parent company for all Radius and POLYMERTEPLO activities, creating a UK incorporated entity with combined sales in excess of €220m. We are currently working on a number of acquisition opportunities to expand the geographical footprint and the product portfolio of the Group which we will inform you about as they happen.

In conclusion, Radius is thriving in the operating environment created by the acquisition by the POLYPLASTIC & POLYMERTEPLO Groups. We have an energised workforce, a broader, more inclusive offer for our client base, a wider geographical footprint and all as a result of real UK-Russian team work. We have trust and honesty in our working relationships and a clear vision for the future.