

Investing in Growth Through Innovation

Arxada Addresses Customer Needs with Innovative and More Sustainable Solutions

Arxada was created in 2021 following the completion of the carve-out and sale of Lonza Specialty Ingredients to private equity firms Bain Capital and Cinven. The Swiss specialty chemicals company is active in three businesses: Consumer Microbial Control (CMC), Industrial Microbial Control (IMC) and Specialty Products Solutions (SPS). Following the carve-out, Arxada announced the acquisitions of Troy Corporation, a global leader in industrial preservation, and Enviro Tech Chemical Services, a category-leading manufacturer of proprietary and high-efficacy antimicrobial and biocidal products. CHEManager asked Marc Doyle, CEO of Arxada, about the start of the new company, its plans and vision for the future, and current CDMO market trends.

CHEManager: It has been a busy first year for Arxada. Will you maintain this pace for further acquisitions?

Marc Doyle: M&A is a critical growth lever for us. Given the highly fragmented market for the preservation of infrastructure, the environment and human health from microbiological threats, we see a number of potential opportunities to acquire new technologies or new products that tick these boxes.

What do the company's new owners, Bain Capital and Cinven, expect from you in terms of further development?

M. Doyle: Bain Capital and Cinven's strategy is to carve out good companies and make them great through strategic acquisitions and by investing in growth through innovation. They also have a strong focus on sustainability—part of the financing for the carve-out of Arxada included a sustainability-linked bond, which was

the first of its kind for a private equity transaction. As a company, we are investing heavily in our sustainability strategy to help our customers adapt to long-term environmental and social change, and develop cleaner, greener solutions.

Arxada's roots go back more than 120 years. Does this longstanding heritage of innovation and technology still live on today?

M. Doyle: Arxada has an extremely strong track record in innovation, which spans beyond our history as part of Lonza. You can also trace Arxada's roots back to one of the biggest breakthroughs in the history of biocides: part of our history stems from Arch Chemicals through Avecia and Zeneca to ICI, who developed benzisothiazolinone—BIT—, which is still one of the most important antimicrobial chemicals in our industry today.

We acquired Troy Corporation in 2021, who again have a long history of innovation, the most notable being the invention of 3-iodo propynyl butyl carbamat—IPBC—, which is another major preservative chemistry still in use today.



Marc Doyle, CEO, Arxada

As well as developing these major classes of chemistry that we are still the leader in today, we continue to innovate and bring new products and chemicals to the market. For example, we created Tanasote, a more sustainable alternative to Creosote, which we are trying to make the industry standard in Europe. This forms part of our strategy of using our strength and heritage in innovation to develop more sustainable products.

Going forward with the Enviro Tech business we have been innovating around new uses of peracetic acid—PAA— to bring it to new applications to replace the use of chlorine and chlorinated chemicals.

What do the two companies—Troy and Enviro Tech—add to Arxada's offering?

M. Doyle: Both Troy and Enviro Tech brought us innovative technologies that enable us to keep abreast of regulatory trends. Troy is a leader in IPBC—a more sustainable fungicide—and we see a lot of ways in which we can harness our technologies to further evolve its use, for example by expanding our offering of controlled release formulations which reduce exposure to the active. With Enviro Tech, we saw a great opportunity for PAA to displace chlorinated chemicals given that it has a lower environ-



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mental impact and is easy to work with—and we see further ways to use Enviro Tech’s innovation capabilities to widen its use.

Are there any interesting trends or drivers you are seeing in the CDMO market? And what is your strategy as a CDMO to benefit from these trends?

M. Doyle: For the CDMO market as a whole, we are seeing three trends: more consolidation of a highly fragmented market, continued outsourcing and additional reshoring. These trends have been primarily driven by the agro and pharma end markets, which are the heaviest users of CDMO.

Our CDMO strategy has been to move into additional end markets which are increasingly using CDMO capabilities—such as nutritional ingredients, food and flavors and industrial biotech—where we see further opportunity to grow. At Arxada, we have CDMO capabilities both in traditional chemistry at our heritage site in Visp, Switzerland, and within the industrial biotechnology space at our Kouřim site in the Czech Republic, which puts us in a unique position within the market.

Which market sectors do you primarily address, and how is Arxada positioned in these markets in terms of portfolio range and core competences?

M. Doyle: The four core markets for Arxada are paints and coatings; home and personal care; professional hygiene and wood protection; in addi-

tion to industrials including energy, nutrition and mobility. One way of thinking about this is that we have a focused theme of addressing the need for more sustainable preservation across both human health and infrastructure related end markets through the breadth of our product offering, our technologies and our regulatory capabilities.

The Consumer Microbial Control side of our business primarily focuses on human health and protect-

“When Arxada was carved out from Lonza it was a transformational opportunity for the business.”

ing us from the threat of microorganisms. There is now a much greater awareness of the threats from bacteria, viruses, fungus and algae, in part because the increasing human population is bringing us more into contact with microorganisms, and also because global warming is leading to a proliferation of these microorganisms.

Within our Industrial Microbial Control business, we leverage the same products, regulatory capabilities and technologies into the protection of infrastructure from microorganisms. Our businesses within microbial control are complemented by our work to protect human health through our Specialty Products Solutions business. We are a key supplier of vitamins and nutritional ingredients globally.

Do you plan to add certain capabilities or capacities in order to support demand growth?

M. Doyle: We’ve already significantly expanded our capacity over the past year: investing CHF 20 million in our industrial biotechnological plant in Kouřim, Czech Republic, which serves our CDMO business, and last month announcing a CHF 20 million expansion of our vitamin capacity to support our partner DSM.

Other recent projects include NOx abatement at Visp, Switzerland, quat expansion in Mapleton, IL, USA, increasing capacity for methoxyethyl cyanoacetate and butyl cyanoacetate in Conley, GA, USA, and Tanasote capacity expansion in Huddersfield, UK. We’re expecting to make further investments in our operations over the next 12 to 18 months, not only to continue to support the growth of our business but also to make our business more sustainable.

In terms of customer needs, where do you see market trends that you want to support and benefit from?

M. Doyle: Increased regulatory pressures are driving transitions to new chemistries which better protect human health and the environment. We’re helping to drive the preservation industry’s transition to more sustainable and cleaner solutions through our investments in boosters, potentiators and controlled release technologies. There is a shift in the home and personal care market from hard preservatives, such as quats, to what are called soft preservatives such as our Geoguard technology. We strongly support this transition and work

closely with customers to enable them to adapt their formulations to the new solutions available in this space.

Another trend we are able to support within our SPS business is the move towards 5G electronics applications. We recently entered a partnership with Novoset where we will develop, manufacture and commercialize a next generation hydrocarbon-based dielectric resin developed by Novoset which will find application within rigid circuit boards used for telecommunications and advanced semiconductor packaging markets.

We’re also working to leverage our manufacturing process technology expertise to deliver more efficient manufacturing processes for some of our key chemistries that have lower CO₂ and greenhouse gas emissions.

What do you see for the company’s future?

M. Doyle: When Arxada was carved out from Lonza it was a transformational opportunity for the business, allowing us to accelerate our growth strategy within the consumer and industrial microbial control area and in specialty chemicals markets with the strong, long-term support of our new owners.

Independence is allowing Arxada to be a more responsive and agile business, developing unique, innovative solutions to help our customers protect their products from microbial spoilage, improve health and safety and reduce their environmental footprints. We look forward to supporting customers to better address their most difficult preservation challenges in a more sustainable manner.

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