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Center Valley's Avantor involved in \$6.4B deal that could create Fortune 500 company



Jon Harris of The Morning Call

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Center Valley specialty chemical company Avantor Performance Materials is acquiring a Delaware County-based laboratory supplies company in a deal that could create another Fortune 500 company in the region with a combined \$5.2 billion in sales.

Avantor, with its headquarters in the Stabler Corporate Center between routes 378 and 309 in Upper Saucon Township, on Friday announced it is buying VWR, a provider of product, supply chain and service solutions to laboratory and production customers, in a deal with an enterprise value (market capitalization plus debt) of about \$6.4 billion. VWR is based in Radnor, about 45 miles away from the Lehigh Valley.

The deal, which is expected to close in the third quarter but must first clear several other hurdles, is expected to build on each company's strengths, combining Avantor's manufacturing processes and presence in emerging markets with VWR's sizable distribution network across the Americas and Europe.

"Avantor's acquisition of VWR is both highly compelling and complementary," Avantor CEO Michael Stubblefield said in a statement. "We will bring together our well-known expertise in ultra-high-purity materials and customized solutions with VWR's global scale, unparalleled channel access and deep customer relationships."

While Avantor officials declined to comment on the would-be sales of the combined company, pairing VWR's sales last year with the revenues of Avantor, which merged with a California technology company in the fall, would indicate a \$5.2 billion business. That figure could bring the combined company into the Fortune 500 list, with last year's No. 500 company, Burlington Stores, reporting sales of \$5.13 billion. The Lehigh Valley currently has two Fortune 500 companies, PPL Corp. of Allentown and Air Products of Trexlertown.

What remains unknown is how the two companies will be integrated.

Avantor spokeswoman Allison Hosak said Friday no decisions have been finalized regarding the integration, including where the combined company will be headquartered and how many people it will employ. In addition, she said the name of the combined company has not yet been determined. That will be reviewed and finalized as part of the integration process, which will formally begin after the deal closes, though planning efforts are underway now, she added.

"We will be working together thoughtfully with VWR leadership over the coming months to ensure that the combined organization is strong and ready to go to the next level," Hosak said.

John Boyd Jr., a site selection expert, said the merger will be closely watched in Pennsylvania for a decision on where the combined company will set up headquarters. He said the merger pits the Philadelphia Main Line, with its prestige but higher cost of living, against the Lehigh Valley, with its lower-cost profile.

"We'll see how this plays out," said Boyd, who owns The Boyd Co. Inc. of Princeton, N.J.

Avantor has about 1,900 employees worldwide and a product portfolio of more than 30,000 products. The company provides performance materials and solutions for the production and research needs of approximately 7,900 customers across the biotechnology, pharmaceutical, medical device, diagnostics, aerospace and defense, and semiconductor industries.

As a private company — New York investment firm New Mountain Capital purchased the company in 2010 and changed its name to Avantor — Avantor does not disclose headcounts at specific locations. That includes its Upper Saucon headquarters and a manufacturing plant in Phillipsburg, N.J., the latter of which employs between 130 and 140 workers, said Tim Sutter, president of Steelworkers Local 10729, the union that represents workers at the plant. Sutter said he had no formal comment to make Friday.

In 2011, Avantor announced the relocation of its headquarters from an aging building near Phillipsburg to the Stabler Corporate Center. The relocation, aided by a \$3 million state grant and \$890,000 in job training, grants and tax credits, moved about 180 workers to Upper Saucon, putting sales and marketing, finance, customer service, information service, human resources, and corporate administration under one roof.

VWR, which had sales of \$4.51 billion in 2016, ranked No. 564 on last year's Fortune list of the largest U.S. corporations by revenue, and has more than 10,200 employees worldwide, also previously relocated its headquarters.

In June 2009, the company announced it would establish a new global headquarters at the Radnor Corporate Center, where it signed a 12-year lease for about 150,000 square feet of space. VWR opened its new headquarters in October 2010, a move that brought about 446 employees and contractors — previously housed in two locations in West Chester — into one facility.

VWR, which went public in 2014, on Friday reported first-quarter net sales of \$1.14 billion, up 3.7 percent from the year-earlier period. Profit in the quarter was \$38.5 million, or 29 cents a share. The company canceled its investor conference call Friday in light of the Avantor deal.

Avantor's offer of \$33.25 per share in cash represents a roughly 17 percent premium to VWR's stock price on May 2, the day before The Wall Street Journal reported New Mountain Capital was in advanced talks to buy VWR.

The agreement, which has already received approval from the boards of Avantor and VWR, is subject to the expiration of a "go-shop" period — a provision that allows a public company that is being sold to seek out competing offers — VWR shareholder approval and other closing conditions.

The combined company will be led by Stubblefield, and New Mountain Capital will continue as lead shareholder.

Under their leadership, Avantor has been aggressively growing as of late through mergers and acquisitions.

First, in August, Avantor and California company NuSil Technology — both portfolio companies of New Mountain Capital — signed a definitive agreement to merge. The tie-up, which was completed in October, created a company with combined revenues of more than \$700 million.

Then, just two weeks ago, Avantor announced it bought Puritan Products Inc., a Bethlehem chemical blending business in Lehigh Valley Industrial Park I with about 45 employees.

Goldman Sachs, Barclays and Jefferies LLC have committed financing for the acquisition of VWR.

Morning Call reporter Anthony Salamone contributed to this story.