



Low & Bonar

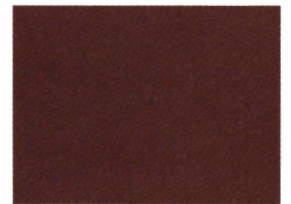
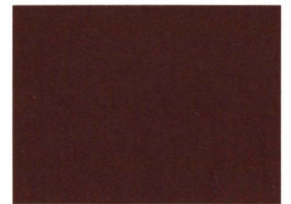
A company profile

July 1996

Irene Schipper

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stichting onderzoek multinationale ondernemingen
centre for research on multinational corporations



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SOMO/Irene Schipper

On behalf of the ETUC-TCL In Brussels

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ANNEX

Introduction

Low & Bonar is a publicly traded company based in Dundee, Scotland. Low & Bonar stock is traded on the London Stock Exchange.

It is an international group of converting business using advanced technology in the processing of raw materials to serve selective markets in packaging, plastics and specialist materials. Customers of the group operate in industries ranging from food and farming to healthcare and horticulture.

Low & Bonar employs 4,000 people in businesses located in seven countries throughout Europe and North America. The group's three operational divisions in packaging, plastics and specialist materials can claim leadership in many world markets.¹ This profile will mainly focus on the last mentioned division, that of specialist materials.

1. **The specialist materials** division consists of the manufacturing of polypropylene backing for carpet manufacturers, synthetic yarns for sport surfaces, high tenacity yarns for industrial applications and multifilament yarns for mattress manufacture. In addition, Industrial textiles and technical fabrics for agriculture and geotextile application are also produced.

Another part of the specialist materials division is the production of durable and hygienic floorcoverings sold under the brand name Flotex, as well as the manufacture of dirt and moisture-resistant entrance products under the brand name Coral for use in airports, offices, hotels etc.

The names of the companies which are active in the field of specialist materials are the following:

- The Bonar & Flotex Companies (Scotland, France, Germany, The Netherlands and USA)
- Bonar Yarns & Fabrics Ltd. (Scotland, USA)
- Bonar Fibrilo (Belgium)
- Bonar Phormium (Belgium)
- The Tufton companies (Holland, England, Germany and France).

The specialist materials divisions is responsible for 22% of group turnover.

2. **The packaging division** represent 63% of group turnover. Its European operations are centered in the UK and in Belgium. In addition there are two businesses in Canada and one in the USA.

Produced among other things are folding cartons and carton filling for the food industry, flexible packaging, different kinds of film for packaging of food products like metallised film for snackfood packaging, industrial stretch and shrink wrap for transportation of bulk goods, packaging material for heavy industrial goods and small paper bags for retail packaging.

3. **The plastics division** represent 15% of group turnover. With the process of rotational moulding using various polymers, replacing components are produced which were previously manufactured from metal or wood, containers, bins, commercial automotive parts and tanks. The basic technique of rotational moulding consists of baking plastic resin in a revolving mould.

Glass fibre reinforced plastic products are also made for various applications in different industries, as well as dental and medical polymers and solution polymers for pressure-

¹ Annual report 1995

sensitive adhesive tape, film and medical dressings.

These businesses are located in the UK (4), Germany (1), France (2), The Netherlands (1), Canada (1) and the USA (3).²

Names of companies in this division are: the Fusion Kunststoffen companies, Anisa, Franca Rotomoulage, Rhein-Bonar Kunststoff-Technik, Ex-Press Plastics, Bonar Rotaform and Bonar Polymers.

² Annual report 1995

History

Low & Bonar has been part of the Dundee business scene for more than 90 years. But like Dundee itself, the company has had to adapt.

It was founded in 1903, as a partnership of two businessmen who traded worldwide in jute and flax at a time when Dundee was becoming world-renowned for the 'Three Js' - jute, jam and journalism. Low & Bonar gradually built up its manufacturing capacity to complement the trading business, with spinning, weaving of jute and flax leading on to conversion into finished products.

After the Second World War, with jute diminishing in importance, Low & Bonar decided to turn from traditional packaging materials to plastics and man-made fibres.

Actually, it went much further than that. The group had become a rather large conglomerate. It had bought into a crop of travel operations in London, Lancashire, Zambia and Australia. It owned engineering companies throughout the world, and had electrical equipment manufacturers in South Africa, and transformer manufacturers in Dundee. At the same time, resources were being poured into its packaging interests in Canada and the US.

In 1984 the company decided to rationalise the group once more and the travel, engineering and electrical operations were hived off³.

Today, Low & Bonar once more focuses on packaging, albeit in a form which would be unrecognisable to the group's founders- and its other main operations of plastics and specialist materials.

In February 1993, Low & Bonar finally succeed in selling off its last remaining African interests. With this sell off, Bonar's last links with the traditional clothing textile market were cut off (as recently as 1982, Africa contributed more than 90 per cent of Low & Bonar earnings)⁴.

In January 1993 Low & Bonars non-wovens business, Bonar Carelle, located in Dundee, was shut down with the loss of all 32 jobs. From that moment the group has focussed its non-wovens interests at Bonar Fabrics in South Carolina (US). In May 1994 however they sold Bonar Fabrics. With this sale the group completed its exit from the non-wovens sector⁵.

Acquisitions related to the textile sector are:

May 1986: the company acquired a controlling interest in N.V. Phormium.

During 1986 the company acquired the remaining interest in Fibrilo NV.

In 1987 the acquisition of Flotex in France occured.

During 1992, the company acquired Royal Tufton in the Netherlands.⁶

In July 1995, a small polypropylene yarns and fabrics business in South Carolina was purchased to complement and expand similar business in the UK and Belgium. The name of the company is not known by the author.

Other recent acquisitions:

On 10 October 1995, the group acquired all shares not already owned in Bonar Inc., (a

³ The Scotsman 10 March 1993.

⁴ The Scotsman, 19 Februar 1993

⁵ Financial Times, 4 May 1994

⁶ Moody,s International, 1995

21% minority interest), a Canadian subsidiary. This subsidiary in addition acquired the North American interests of Twinpeak in 1994.

At the end of November 1995, the company acquired Ex-Press Plastics Ltd, and its wholly owned subsidiary Ex-Press Plastics (Proces Equipment) Ltd., a UK glass fibre company. The group acquired the business and net assets of Beltex Ltd. in July 1995.

In February 1996, Low & Bonar tried to take over Rotonics Manufacturing Inc., a US plastics rotational moulding company based in California, USA. Talks were started and according to Low & Bonar there was an agreement. A second party however showed up with a better bid and the talks were put on hold with Bonar. Bonar filed a lawsuit for more than 7 million dollars against Rotonics for breach of contract⁷. If the deal has succeeded, the combined companies would be the second largest rotational moulding company in de USA⁸.

It seems that the acquisitions are being focused on the expansion of the company's business in North America.

Disposal

At the beginning of 1995 the company disposed the (loss-making) plastic consumer bag company Bonar Bibby & Baron Ltd⁹. About 300 people were employed at this company.

Structure

Low & Bonar is a public company.

Substantial shareholders are: the Norwich Union life Insurance Society, British Airways Pension Fund, Scottish Widows Investment Management, AMP Asset Management Plc.

As already mentioned in the introduction, the company has three divisions.

1. Packaging
2. Plastics
3. Specialist Materials (Textiles)

The activities and performance of these divisions are discussed in the following chapter of this company profile.

Management

Jim Heilig is the director and group chief executive. Heilig is the to successor Jim Leng, the chief executive during the period of 1986-1995.

Hugh Laughland: director and appointed chairman;

Peter Bartlett: Specialist materials managing director since 1991 and European plastics managing director since 1993;

Christopher Bonar: director of a number of Low and Bonar companies

Duncan Clegg: director of a number of Low & Bonar companies

Norman McLeod: Appointed finance director in 1990

Jon Marx: director since 1994

⁷ Plastic News, 22 April 1996

⁸ Plastic News, 26 February 1996

⁹ Reuter Textline, 12 July 1995

Activities

Three divisions:

1. Packaging

Low & Bonar's packaging business represents 63% of group turnover and 54% of group profit before interest.

In 1995 sales increased by 7% with the bulk of the increase being the effect of higher raw material prices.

In Europe this division is mainly located in the UK, with only one business being located in Belgium, the Bonar Phormium NV-Packaging.

Low & Bonar is the leading supplier of food carton in the UK.)

2. Plastics

Low & Bonar's Plastic business represents 15% of group turnover and 16% of group profit before interest.

Sales in plastics rose overall by 10%, with progress being made both in Europe and North America. Investments in this sector are also made in robotics and other equipment to improve efficiency and to increase profits.

Bonar is number 4 on the Plastics News ranking in the US. The company wants further expansion in the US through acquisitions. At this moment they are making efforts to take over Rotonics, and if they succeed they will be number 2 in the rotational mouldings business¹⁰.

3. Specialist Materials

Low & Bonar's Specialist materials represent 22% of group turnover and 30% of group profit before interest. Two thirds of the turnover comes from the high performance floorcoverings sector and one-third from polypropylene yarns and fabrics. In the annual report of Low & Bonar 1995 they report that they see "further opportunities to expand this business through continued export success and developing their North American presence". The new polypropylene yarns and fabrics business, acquired in the second half of 1995, will be used as a base to further expand in North America.

In 1992 there was a FFR 50 million modernisation investment at the Bonar & Flotex, Chateau-Renault plant in France.

Nearly all of the company's specialist materials business are based in Europe were sales increased by 9,8%. The majority of the growth came from continental Europe, but also progress was made in the difficult UK market.

The company particularly expanded its markets in the Pacific Rim¹¹.

Profits in this division increased with 17% and margins improved to 16,1%.

Trademarks: Flotex, Hyfib, Kard-o-Seal, Loboporp, Bonabin, Bontit, Carelle, Mulox, Lobophane, Staflex, Hidurel, Propafil, Lobothehe.

¹⁰ Plasric News, February 1996

¹¹ Reuter Textline, 12 May 1996

Financial Data

Low & Bonar's biggest division is packaging, in 1995 it accounted for more than 60% of total turnover, and 54% of the total profit.

About one third of profit comes from industrial carpeting, yarn and fabrics and geotextiles. In 1995 22% of the turnover was realised by the specialist materials sector.

The smallest division of the company is the plastics division, responsible for almost 15% of the group's turnover and 16% of the total profit.

Turnover figures in British Pounds by division	1994		1995	
	In BP	In %	In BP	In %
Packaging	276,044.000	65,6%	271,878.000	63,1%
Plastics	58,440.000	13,9%	64,087.000	14,9%
Specialist Materials	86,442.000	20,5%	95,071.000	22,0%
Total	420,926.000	100,0	432,036.000	100,0

turnover figures by region

	Europe	North America
Packaging		
1994	180,257.000	95,787.000
1995	172,311.000	99,567.000
Growth in %	-4,4%	+3,9%
Specialist materials		
1994	85,480.000	962.000
1995	93,832.000	1,239.000
Growth in %	+9,8%	+28,8%
Plastics		
1994	39,003,000	19,437.000
1995	42,891.000	21,196.000
Growth in %	+10%	+9,0%

Comments:

There is a significant growth in turnover of the specialist materials division in North America (28,8%). Most likely due to the purchase of the polypropylene yarns and fabrics business in South Carolina. But also in Europe there is a growth in this division (9,8%). Only in the packaging sector in Europe has there been a decline in turnover (-4,4%). North America operations generated 28 percent of the company's sales and 24 percent of its pre-tax profit in 1995. European operation accounted for the rest.

Employment

One method for the company to achieve economic growth has been to improve the efficiency and reduce the costs by investing in robotics. It is clear that reducing the costs base by investing in robotics in most cases means reducing the level of employment. A significant proportion of capital investment in robotics has been directed towards the carton business, although the company has invested in robotics in all divisions.

According to the 1995 annual report, the investment programme in the Tyler, Texas operation, resulted in "a significant reduction in employee numbers".

However no significant change in the total employee numbers during the last year was realised.

Average number of employees by activity: ¹²	1994	1995
Packaging	2,756	2,452
Plastics	736	755
Specialist materials	804	803
Others activities	22	22
Total number of employees	4,318	4,032

Loss of jobs was only witnessed in the packaging sector. This was probably due to the disposal of Bonar Bibby & Baron Ltd., the UK consumer bag company in the beginning of 1995 (about 300 employees) as well as the investment programme in the carton business.

There has also been a decrease in the employee costs over the last year:

Employee costs	1994	1995
Employee costs in British pounds		
Wages and salaries	89,269.000	84,864.000
Social security costs	12,475.000	11,567.000
Other pension costs	3,393.000	3,473.000
Total costs	105,137.000	99,904.000

Increase of employment is to be expected in North America, if the company succeeds in taking over Rotronics.

¹² Annual report 1995, page 32

Environment

Low & Bonar has developed an environmental policy, the text of which has been published on page 1 of the 1995 annual. It consists of eight items that are aimed at the conservation of the natural resources, waste minimisation and recycling, selection criteria for the suppliers and contractors, cooperation with the local authorities, evaluation of its environmental performance, complying with environmental laws and steps aimed towards the adoption of environmental standards.¹³

Strategy

According to the annual report, the group's strategy to achieve economic growth will involve:

- maintaining their spread of the operations geographically and by market sector;
- capital investments (robotics for example) to add capacity in growth sectors and reduce the costs base;
- reaching further efficiency improvements;
- increasing the market share through differentiation and customer partnerships;
- seeking out for acquisitions to improve the market position.¹⁴

The costs reductions on the continent should further boost the margins.

To the opinion of the author, expansion can be expected especially in North America. Regarding the latest acquisitions, or at least attempts to realise this, see the failure so far of the acquisition of Rotonics Manufacture Inc. in North America. As well as the fact that the new chief executive comes from North America will ensure that the expansion trend into North America will continue.

Low & Bonar has no plans in the near future to establish a base in the Far East, although it already has a thriving export business in that region¹⁵.

Speculations in the Financial Times of the first week of May this year report that Low & Bonar is a possible bidder for the troubled oil services-to-packaging group Sidlaw, an Edinburgh-based company.¹⁶ British Polythene Industries is also mentioned as a possible bidder.

¹³ Annual report 1996, page 1

¹⁴ Annual report 1995

¹⁵ The Herald, 12 July 1994

¹⁶ Sunday Times, 12 May 96

List of available addresses of the specialist materials division

* If no year is mentioned between brackets, the data is taken from the Kompas Database, which has been updated until April 1996.

Bonar & Flotex Ltd

High Holborn Rod
Ripley DE5 3NT

Tel: 0773-744121
Fax: 0773-744142

Number of employees 1993: 198
Number of employees 1996: 175

Bonar & Flotex SA

Z.I.N. 2
37110 Chateau-Renault
France

Tel: 47 295275
Fax: 47 295998

Number of employees: 138

Bonar & Flotex GmbH

Münsterstrasse 306
40470 Düsseldorf
Germany

Bonar & Flotex BV¹⁷

Vlietsend 20-A
1561 AC Krommenie
Postbus 184, 1560 AD

Tel: 075-6280085
Fax: 075-6219684

Number of employees: 6

Bonar Fibrilo NV

Industriestraat 39
9240 Zele
Belgium

Tel:052-457411
Fax:052-445604

¹⁷ Bonar & Flotex BV has recently been integrated into the Koninklijke Tufton NV and moved from Maarssen to Krommenie

Number of employees 1995: 105
Number of employees 1996: 85

Bonar Phormium NV-Fabrics

Zevensterrenstraat 10
9420 Zele
Belgium

Tel: 052-445041
Fax: 052-447845

Number of employees 1996: 279

Koninklijke Tufton NV

Postbus 17
1560 AA Krommenie
Netherlands

Tel: 075-6283851
Fax:075-6280486

Number of employees: 80

Tufton Ltd

21 East Parade
Harrowgate
Noth yorkshire, HG1 5LF
England

(Sales office)

Tufton GmbH

Hanns-Martin-Schleyer-Strasse 22
D-47877 Willich-Münchheide
Germany

(Sales office)

Royal Tufton NV

L. Emmerechtsplein 4 Bus 1
B-1853 Grimbergen
Belgium

(Sales Office)

Tufton SARL

2, Rue Suchet
F-94702 Maisons-Alfort
France (Sales office)

No addresses available of:

Bonar & Flotex Inc.,USA

Bonar Yarns & Fabrics Ltd., Scotland

Low & Bonar Corporation, Bonar Yarns & Fabrics Division,USA

List of available addresses of the European Plastics division

Fusion Kunststoffen BV

Postbus 41
7400 AA Deventer

Tel:0570-660706
Fax:0570-660705
Deventer

Number of employees:110

Fusion Kunststoffen NV

Herentalsebaan 116
B-2100 Deurne (Antwerpen)
Belgium

Number of employees: 2

Fusion Kunststoff GmbH

Daimlerstrasse 8
6072 Dreieich
Germany

Number of employees: 9

Rhein-Bonar Kunststoff-Technik GmbH

D-68766 Hockenheim-Talhaus
4. Industriestrasse 18
Postfach 1425

Tel: 0605-20990
Fax:06205-209914

Number of employees: 160

Anisa SA

10, Rue Eugene Jung
BP 269
68332 Huningue Cedex
France

Tel: 896920000
Fax: 89769545

Number of employees 1995: 90
Number of employees 1996: 60

Franca Rouтомoulage
Rue de President Coty
62232 Annezin
France

Tel: 21631220
Fax: 21566175

Number of employees: 30

Bonar Rotaform Ltd.
1 Holbrook Avenue
Holbrook Industrial Estate
Halway, Sheffield S19 5GZ
England

Tel: 0114-251 0530
Fax: 0114-2476863

Number of employees: 100

Available addresses of the European packaging division

Bonar Phormium Packaging

Zevensterrenstraat 10
9240 Zele
Belgium

Tel: 052-457511
Fax: 052-447845

Number of employees: 125

Bonar Teich Flexibles Ltd

Nottingham Road, Spondon
Derby, DE2 7GY

Tel: 0332-663101
Fax: 0332-675573

Number of employees: 400 (1993)

Bonar Teich Flexibles Ltd.

Kemback Street
Dundee, GB-Angus DD4 6ET
Scotland

Tel: 01382-454110
Fax: 01382-454653

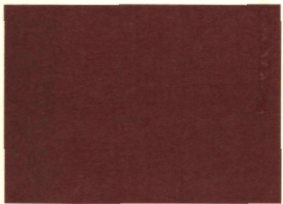
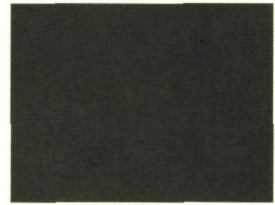
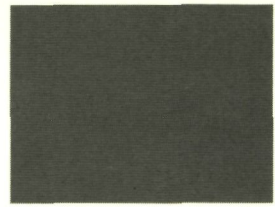
Number of employees: 175

Bonar Polythene Films Lts.

Worcester Road
Leominster, HR6 0QA
England

Tel: 01568-613451
Fax: 01568-611435

Number of employees: 175



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stichting onderzoek multinationale ondernemingen
centre for research on multinational corporations

Keizersgracht 132
1015 CW Amsterdam
the Netherlands
tel 020-6 3912 91
fax 020-6 3913 21
E-mail: Internet:
somo@antenna.nl