

COMPANY PROFILE

# Albemarle Corporation

**TABLE OF CONTENTS**

**Company Overview ..... 3**  
**Key Facts ..... 3**  
**SWOT Analysis ..... 4**

## COMPANY OVERVIEW

Albemarle Corporation (Albemarle) is a global developer, manufacturer and marketer of highly-engineered specialty chemicals. The company serves a range of end markets including petroleum refining, consumer electronics, automotive, steel and aerospace, lubricants, pharmaceuticals, crop protection, household appliances, heating, ventilation, aluminum finishing, food safety and custom chemistry services. Albemarle operates in Americas, Europe, the Middle East, Africa, Australia and Asia. It is headquartered in Baton Rouge, Louisiana.

The company reported revenues of (US Dollars) US\$2,677.2 million for the fiscal year ended December 2016 (FY2016), a decrease of 26.7% over FY2015. In FY2016, the company's operating margin was 21.5%, compared to an operating margin of 12.1% in FY2015. In FY2016, the company recorded a net margin of 24%, compared to a net margin of 9.2% in FY2015.

## KEY FACTS

<b>Head Office</b>	Albemarle Corporation 4350 Congress St Ste 700 CHARLOTTE North Carolina CHARLOTTE North Carolina USA
<b>Phone</b>	1 980 2995700
<b>Fax</b>	1 225 3887686
<b>Web Address</b>	<a href="http://www.albemarle.comHome-3.html">www.albemarle.comHome-3.html</a>
<b>Revenue / turnover (USD Mn)</b>	2,677.2
<b>Financial Year End</b>	December
<b>Employees</b>	5,000
<b>New York Stock Exchange Ticker</b>	ALB

## SWOT ANALYSIS

<p><b>Strength</b></p> <p>Strong Market Position and End Market Base Geographically Distributed Facilities Strong Focus on R&amp;D</p>	<p><b>Weakness</b></p> <p>Large Dependence on Subsidiaries and Joint Ventures High Level of Indebtedness</p>
<p><b>Opportunity</b></p> <p>Strategic Acquisitions Fuels Growth Planned Divestures Expansion of Lithium Operations in Chile Positive Outlook for US Chemical Industry</p>	<p><b>Threat</b></p> <p>Raw Material Procurement Risks Stringent Regulations Intense Competition</p>

### Strength

#### Strong Market Position and End Market Base

Albemarle is a leading global developer, manufacturer and marketer of highly-engineered specialty chemicals that meet customer needs across a diverse range of end markets. As of December 31, 2016, the company served approximately 3,000 customers in approximately 100 countries.

The end markets the company serve include petroleum refining, consumer electronics, energy storage, construction, automotive, lubricants, pharmaceuticals, crop protection, food safety and custom chemistry services. Some of the company's customers include world's leading companies including ExxonMobil Corporation, Chevron Corporation, Total Petrochemicals, Saudi Basic Industries Corporation, INEOS Group Holdings, Panasonic Corporation, Umicore, Binova International, Samsung SDI and Corning. Albemarle also sells its products mostly to chemical manufacturers and processors, such as polymer resin suppliers, drilling and oil service companies, beef and poultry processors, water treatment and photographic companies, energy producers and other specialty chemical companies.

The company's strong customer and end market and low-cost global manufacturing base will enable it to maintain leading market positions in those areas of the specialty chemicals industry in which Albemarle operates.

#### Geographically Distributed Facilities

Albemarle has a strong base of production facilities, R&D facilities, administrative offices and sales offices across North and South America, Europe, the Middle East, Asia, Africa and Australia. Strong base of

globally distributed facilities has strengthened the company's operations. Such distributed facilities have enabled the company to serve approximately 3,000 customers in approximately 100 countries. As of December 2016, the company operated 36 production and research and development facilities in 31 locations across the US, Netherlands, Germany, the UK, Australia, Saudi Arabia, Chile, Belgium, France, China, Japan, Jordan, Brazil, Taiwan and South Korea. As of December 2016, Lithium and Advanced Materials segment operated 18 manufacturing facilities; Refining Solutions segment operated nine manufacturing facilities; Bromine Specialties segment operated five manufacturing facilities; and All Other segment operated four manufacturing facilities across the world. Geographically, the company operates in two regions, US and Foreign. In FY2016, the US region accounted 29.78% of the company's total net sales, followed by Foreign with 70.22%.

This geographically distributed facilities will reduce the risk and improve returns for the company, with an operational capability to access the changing patterns of global trade and wealth creation.

#### **Strong Focus on R&D**

Albemarle has strong focus on its research and development (R&D) activities for bringing new products and technologies into the market. The company's research in Lithium and Advanced Materials is divided among new and improved flame retardants, new uses bromine and bromine-based products, curing agents and the development of efficient processes for the manufacture of chemical intermediates and actives for the pharmaceutical and agrichemical industries. The objective of the Lithium research and development effort is to develop innovative chemistries and technologies with applications relevant within targeted key markets.

The focus of research in Bromine Specialties is divided among new and improved flame retardants and new uses for bromine and bromine-based products. Fire safety solutions research is focused primarily on developing new flame retardants. Another area of research is the development of bromine-based products for use as biocides in industrial water treatment and food safety applications and as additives used to reduce mercury emissions from coal-fired power plants.

Refining Solutions research is focused on the needs of the company's refinery catalysts customers. Refinery catalysts research is focused on the development of more effective catalysts and related additives to produce clean fuels and to maximize the production of the highest value refined products through hydro treating catalyst technologies.

In FY2016, the company's research and development expenses stood at \$80.5 million. As of December 31, 2016, Albemarle owned approximately 2,100 active patents and approximately 800 pending patent applications in key strategic markets worldwide.

The research and development activities will allow the company to have advantage over its competitors by bringing innovative products to the market and will also bring financial benefits to its business.

#### **Weakness**

Large Dependence on Subsidiaries and Joint Ventures

A significant portion of Albemarle's operations are conducted through its subsidiaries and joint ventures. As a result, the company's ability to service its debt may be partially dependent on the earnings of the subsidiaries and joint ventures and the payment of those earnings to Albemarle in the form of dividends, loans or advances and through repayment of loans or advances from the company. Payments to Albemarle by its subsidiaries and joint ventures will be contingent upon its subsidiaries' or joint ventures' earnings and other business considerations and may be subject to statutory or contractual restrictions. In addition, there may be significant tax and other legal restrictions on the ability of non-US subsidiaries or joint ventures to remit money to the company.

#### High Level of Indebtedness

The company is highly indebted. For instance, Albemarle recorded a total long-term debt of \$2,369.2 million at the end of FY2016 including current portion of long-term debt. The company's level of indebtedness may have a negative impact on its business. For instance, the company may be required to dedicate a substantial portion of the cash flow to debt payments, thereby reducing funds available for working capital, and capital expenditures. Moreover, the company's level of indebtedness can limit its flexibility in planning for, or reacting to, changes in its business and the industry in which it operates.

### **Opportunity**

#### Strategic Acquisitions Fuels Growth

Albemarle plans to further strengthen its operations through acquisitions. In this regard, in January 2017, Albemarle completed the acquisition of the Jiangxi Jiangli New Materials Science and Technology Co. Ltd. (Jiangli New Materials) lithium business for a purchase price of approximately \$145 million. The transaction includes manufacturing assets and supporting business functions located in both Jiangxi and Sichuan, China focused on the production of battery-grade lithium hydroxide and lithium carbonate. This acquisition, which combines Jiangli New Material's manufacturing excellence and Albemarle's leading resource position, will accelerate Albemarle's ability to meet the company's lithium growth plan. The facilities in both Jiangxi and Sichuan are strategically located in high growth regions.

Also in September 2016, the company entered into an agreement with Bolland Minera, for the exclusive exploration and acquisition rights to a lithium resource in Antofalla, within the Catamarca Province of Argentina. Albemarle believes that this lithium resource will be certified as the largest lithium resource in Argentina. Albemarle is uniquely positioned to develop the Antofalla lithium resource given its technical capabilities, operational experience in South America, and proven track record of establishing public-private-partnerships and community relations in the region.

Such acquisitions enables the company to enhance customer service and deliver exceptional product diversity across end markets, geographies and technologies, particularly in Asia Pacific.

#### Planned Divestures

Albemarle intends to strengthen its focus on core business operations by divesting its non-core activities.

For example, in December 2016, Albemarle completed the previously announced sale of its Chemetal Surface Treatment business and related assets to BASF for proceeds of approximately \$3.2 billion. This divestiture accelerates the company's transformation into a company focused on powering increased energy efficiency around the world through its leading lithium and refinery catalysts businesses.

Similarly, in February 2016, the company completed the sale of its minerals-based flame retardants and specialty chemicals businesses to Huber Engineered Materials, a division of J.M. Huber Corporation for a total proceeds of US\$187 million. The transaction includes Albemarle's Martinswerk GmbH subsidiary and manufacturing facility located in Bergheim, Germany, and Albemarle's 50% ownership interest in Magnifin Magnesiaprodukte GmbH. Also in January 2016, the company closed the sale of its Tribotecc metal sulfides business to Treibacher Industrie AG for US\$137 million. This transaction includes sites in Vienna and Arnoldstein, Austria, and Tribotecc's proprietary sulfide synthesis process. These transactions were part of its plan to divest its non-core activities such as minerals-based flame retardants and specialty chemicals, fine chemistry services and metal sulfides.

Such divestitures help the company to concentrate on core business and serve its customers more efficiently.

#### Expansion of Lithium Operations in Chile

Albemarle is expanding its main operations of Lithium into Chile. In this regard, in January 2017, the company agreed to amend its lithium production rights agreement with the Chilean Economic Development Agency (Corfo), to both extend the term of that agreement and increase the company's authorized lithium quota at its facility in the Salar de Atacama, Chile. The terms of the amendment have been fully reviewed and approved by all applicable Chilean authorities, including both the Comptroller General and the Nuclear Energy Commission.

The amended agreement provides Albemarle with sufficient lithium to produce over 80,000 MT annually of technical and battery grade lithium salts over the next 27 years at its expanding battery grade manufacturing facilities in La Negra, Antofagasta. With this agreement, Albemarle can further support growth of its long-term customers within the energy storage market and other high growth applications.

#### Positive Outlook for US Chemical Industry

Albemarle could benefit through expansion in the US markets. Substantial growth is expected in the US chemical industry in the future. According to the American Chemistry Council (ACC) estimates, the US chemical sector is expected to reach more than US\$1 trillion by 2020. The US chemical production (excluding pharmaceuticals) is expected to realize overall growth of 3.6% growth in 2017 and 4.8% in 2018.

Over the next five years, the most dynamic growth will occur in the Gulf Coast region, followed by the Ohio Valley and Southeast regions. In the long-term, the US chemical industry will grow faster than the overall economy. Growth is expected to be backed by healthy demand from light vehicles market and a recovery in the housing market. By 2019, US capital spending by the chemical industry will reach \$48.6 billion.



Such market trend offers ample growth opportunities for the company to increase its sales.

## **Threat**

### Raw Material Procurement Risks

The increasing prices of raw materials could affect the company's business. Raw material prices constitute a significant part of the production cost of the company. The company uses various raw materials for many of its products. The major raw materials which Albemarle use in its catalysis operations include aluminum, ethylene, alpha-olefins, sodium silicate, sodium aluminate, kaolin, rare earths, molybdenum, nickel and cobalt, most of which are sourced from numerous independent suppliers and are purchased or provided under contracts at competitive prices. Its raw material and energy costs can be volatile and may increase significantly. Increases are primarily driven by significantly tighter market conditions. Albemarle's inability to efficiently and effectively pass through price increases, or inventory impacts resulting from price volatility, could adversely affect its margins. In addition to raising prices, raw material suppliers may extend lead times or limit supplies. Constraints on the supply or delivery of energy or critical raw materials could disrupt production and adversely affect the performance of its business.

### Stringent Regulations

The company's business is subject to a broad array of employee health and safety laws and regulations, including those under the Occupational Safety and Health Act. It is also subject to similar state laws and regulations, as local laws and regulations for its non-US operations. Its business operations in Europe are subject to significant requirements under the European Community Regulation for the Registration Evaluation and Authorization of Chemicals (REACH). It imposes obligations on European Union manufacturers and importers of chemicals and other products into the region to compile and file comprehensive reports, including testing data, on each chemical substance, and perform chemical safety assessments. Such regulations could impede the launch of new products as the process is time-consuming and expensive. It may also result in phasing out many existing chemicals from the market, which are regarded as toxic and hazardous. REACH applies directly to over 30,000 different chemical substances that are produced or sold in Europe and its implementation is expected to cost European chemical industry about US\$3 billion. Other countries too are expected to model their regulations on the principles of REACH. The US already began implementing similar regulations with the reform of Toxic Substances Control Act. China has its own version: RoHS (Restriction of Hazardous Substances), which restricts the use of certain chemicals in the market.

Such tough regulations are expected to become more stringent in the future, affecting both the existing and new products of the company.

### Intense Competition

Albemarle operates in a highly competitive specialty chemical industry. The company competes against various domestic and global specialty chemical producers. It competes with FMC Corporation, Sociedad Quimica y Minera de Chile S.A., SichuanTianqi Lithium, and Jiangxi Ganfeng Lithium in lithium business;



## **Albemarle Corporation**

### SWOT Analysis



AkzoNobel, Chemtura Corporation and W.R. Grace & Co. in the polyolefin catalyts and co-catalysts areas; Chemtura Corporation and Israel Chemicals Ltd in bromine business; Criterion Catalysts and Technologies, Advanced Refining Technologies and Haldor Topsoe in HPC catalyst business; and W.R. Grace & Co., BASF Corporation and China Petrochemical Corporation in FCC catalyts market. Some of Its major catalyts competitors have alliances with global major refiners to facilitate new product development and introduction. These competitors may also be able to maintain significantly greater operating and financial flexibility than the company. Inability of the company to operate in such intense competition could affect its operations.

Copyright of Albemarle Corporation SWOT Analysis is the property of MarketLine, a Progressive Digital Media business and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.