



## Bravura Performance

**Through acquisitions and internal growth, Performance Fibers is on the fast track to becoming Richmond's next \$1 billion company — and the region's largest independent specialty fibers manufacturer.**

*By Peter Galuszka*

**I**magine a scene a few years from now: A massive offshore oil drilling platform floats in what the oil patch calls "ultra-deep" water off the coast of Angola in southwest Africa. With crude oil prices approaching \$100 a barrel, drilling for oil in the ocean floor more than a mile down is now economically feasible but also technically challenging.

The rig, a masterwork of offshore engineering, carries a price tag of \$1.5 billion. Holding the precious platform in place are thousands of feet of mooring cables strengthened by high-strength fibers. The polymer-based strands can handle the weight of the long lines of cable better than steel-based ones used commonly in shallower waters. Those fibers are developed by Performance Fibers, Inc., a specialty fiber company, headquartered in downtown Richmond.

Today, Performance, along with a group of graduate students at Virginia Commonwealth University and the University of Richmond, is studying just that possibility. The team, which includes VCU business students and UR law students, is on a marketing hunt for global sites where ultra-deep offshore drill-

ing might open sales opportunities for the maker of high-tenacity fibers. Besides the west coast of Africa, other promising areas include the Gulf of Mexico, the North Sea and tracts off Asia and Australia.



ing might open sales opportunities for the maker of high-tenacity fibers. Besides the west coast of Africa, other promising areas include the Gulf of Mexico, the North Sea and tracts off Asia and Australia.

The company, which manufactures industrial fibers for use in products as varied as tire cord, safety belts, high-pressure hoses, timing belts, marine and industrial ropes and fabrics for awnings and tarps, moved its headquarters from a manufacturing facility in Colonial Heights to downtown Richmond earlier this year. The company had considered Raleigh as a candidate for the headquarters because

Performance has a manufacturing facility and a research laboratory near there. But the company decided upon a headquarters location that was separate from its factories.

"Downtown Richmond is a great place to do business and we wanted to be close to the legal and financial community as we grow the business," Rogowski says. Moreover, Performance Fibers' 40 or so H.Q. employees liked the Richmond region, and Rogowski didn't want to burden them with a corporate transfer while the recently spun-off company was on an acquisition and sales roll.

Performance Fibers is a perfect fit with downtown Richmond, observes Gene Winter, senior vice president of the Greater Richmond Partnership, the economic development organization for the Richmond region. Not only is Richmond a major regional center of corporate headquarters -- a dozen Richmond-area companies are ranked in the Fortune 1000 -- but downtown has large clusters of law firms and equity financiers that are accustomed to conducting deals on a global basis. Says Winter: "Performance Fibers can find most of the professional talent it needs to support its growth within a five-minute walk!"

Since parting ways with Honeywell in 2004, Performance has been purchasing manufacturing capacity around the globe. In March of 2005, the firm added a second manufacturing plant in Kaiping, China, doubling its ca-



*Fiber operations in Kaiping, China*

capacity there. A half year later, the firm acquired Diolen Industrial Fibers, which operates two manufacturing facilities in Alabama. And just last month, Performance announced a letter of intent to buy the European operations of competitor INVISTA Resins & Fibers, adding production and research facilities to complement their existing operations in France. "Through acquisitions and internal growth," Rogowski says, "we'll round out our portfolio and serve our customers better."

The buying spree plus organic sales have boosted privately held Performance's revenues from \$400 million at the time of the spin off to \$600 million today. Rogowski says the company should approach the \$800 million level by the end of this year as still-secret acquisition plans unfold. His goal is to reach sales of \$1 billion by 2008.

Rogowski and deputies attribute their quick, nimble performance to ownership by Sun Capital Partners, a private equity firm based in Boca Raton, Fla. Sun, which manages \$3.5 billion in capital, invests in diverse firms from drug stores to cranberry juice producers. If the firm spots a good opportunity, it provides funding without waiting for extensive approvals. Sun's website notes that it routinely handles corporate acquisitions in 30 days, a remarkably short time.

"Sun has been absolutely fan-

tastic," says Rogowski. "It really shows the difference between a privately held and a publicly held company." When Performance was a unit of Honeywell, he says, "We had frictions and a lot of bureaucracy to deal with. Sun has eliminated all of that, and that has become a huge competitive advantage." Adds Alan P. Giangregorio, vice president for sales and marketing, "One of the beauties of Sun is that we are not at the beck and call of shareholders from quarter to quarter."

With Sun Capital's support, Rogowski has adopted a "flat" management structure with a lean headquarters staff overseeing factories serving regional markets. That represents a significant departure from the not-too-distant past. Performance's roots date back to Allied Chemical, an industry behemoth that started a fibers group in the 1960s and operated a large plant in Hopewell. In 1971, Allied opened a performance fiber plant in Moncure, N.C., followed by a fiber plant in Longlaville, France.

Along the way, Performance introduced a number of special industrial fiber products including DSP fiber, one of the first high-modulus, low-shrink fibers, and PEN (polyethylene naphthalate), used in fibers, packaging and film that Rogowski says has great promise for the future.

A period of some uncertainty

followed the 2000 merger of Allied Signal, Allied Chemical's successor, with Honeywell. The corporate giant put much of its operations in the Hopewell-Colonial Heights area on the block for several years.

When Honeywell spun off Performance Fibers, it conveyed about \$40 million worth of technologies that the new firm is steadily adding to. About half of the company's revenue is in industrial applications, including specialty, high-strength fibers used in mechanical rubber goods, automobile seat belts, conveyor belts, automobile timing belts and rope, such as Sea-Gard Finish, a marine overlay finish for offshore mooring.

The other half comes from tire applications. Performance Fibers supplies fiber for tires on all types of vehicles and works with all of the major tire makers, including Goodyear, Michelin, and Bridgestone-Firestone. Performance Fibers employees, for example, are in regular contact with Goodyear's technical center in Akron, Ohio, making trips back and forth to help coordinate changes in tire designs.

Tire sales are playing a big role in China, where Performance Fibers recently bought out a minority share of its Chinese operation. The company expects the sales of tires to take off when China's nascent automobile industry ramps up to large production, says Mark Tallent, vice president for technology. When that happens, demand for Performance Fiber's polyester fiber should surge. The company also is looking at expanding in India, where there is also a burgeoning demand for tires.

The recent agreement to acquire INVISTA plants in Germany represents the flip side of the China strategy. In China the

idea is to produce low-cost items with local value; in Germany, the intention is to leverage advanced technologies with limited local applications by taking them global.

Meanwhile, Performance Fibers is building ties with North Carolina State University and Virginia Tech, which both have strong laboratories dedicated to creating new polymers and fibers. The company also intends to upgrade its links with foreign universities. Rogowski, who has a degree in chemistry from Virginia Tech, says there also are opportunities to deal with universities in the Richmond area, citing the marketing work being done at VCU and the University of Richmond Law School.

According to the trade journal *Chemical Week*, R&D spending in the high-tenacity fiber industry is flat as the sector undergoes restructuring. Performance Fiber's two main competitors are INVISTA, a former DuPont business now owned by Koch Industries, and the South Korean firm Hyosung. Performance Fiber's planned purchase of INVISTA's European units is part of that restructuring. But Performance Fibers executives say they intend to increase their R&D – from three percent of sales now to five percent in the future.

Performance Fibers has concentrated much of its research in the Raleigh area, and Rogowski hopes to open a technical center in China within three to five years. Among the fields the firm expects to explore is nanotechnology, which, Rogowski says, will make it possible for fibers with nanotechnology elements to perform special functions in industrial applications.

Performance Fibers executives expect to develop more applications for the advanced polymers

invented in the 1990s, replacing nylon in various applications across the globe. One practical possibility, says Tallent, the R&D chief, would be to use special polymers in more advanced versions of side-curtain airbags used to protect car passengers.

Rogowski says that more acquisitions are in the pipeline and may be announced by the end of this year. As that happens, Performance Fibers may expand its headquarters staff in the Richmond area.

Rogowski also is looking to the future – when Performance Fibers reaches its sales growth target of \$1 billion. The company might then consider an Initial Public Offering, he says. Going public might change the dynamics that have helped Performance Fibers perform well. But it will be a sign of another fully realized, fast-moving and globally focused company thriving in the Richmond area.

**-- April 20, 2006**

**Read more articles about  
Richmond's advanced materials sector at  
[www.richmondcatalyst.com](http://www.richmondcatalyst.com).**