NO.1 — WESTLAKE CHEMICAL CORP.

Bet on merger pays off, and in a big way

By Katherine Blunt

WESTLAKE Chemical Corp.’s bold acquisition strategy has paid off, making it the region’s top performer in the Chronicle 100 ranking less than two years after its purchase of rival Axiall.

Westlake, which makes vinyls and plastics, pursued Axiall of Atlanta for years before completing the $3.8 billion acquisition in 2016. Now, the company is one of the world’s largest producers of both PVC and chlor-alkali products, which include chlorine and caustic soda. All are used in a range of building materials and consumer products.

Albert Chao, CEO and president, said the merger of the two companies is going smoothly because each had similar vinyls production operations. The integration, he added, has boosted plant performance.

“We’re seeing higher operating rates, higher reliability and the reduction of costs,” he said.

In 2017, Westlake’s annual revenue jumped nearly 60 percent to about $8 billion, up from $5 billion the prior year. Its stock soared 86 percent during the same period.

The Axiall acquisition more than doubled Westlake’s caustic soda production capacity at a time when global supplies began to tighten. Europe implemented stricter environmental requirements that have reduced production capacity there, driving up prices and creating an export opportunity for Westlake.

“It all comes down to supply-demand fundamentals,” said Hassan Ahmed, a chemicals analyst with New York-based Alembic Global Advisors. “The timing has been great.”

Through the Axiall purchase, Westlake also acquired a 10 percent stake in an ethane cracker to turn the natural gas liquid into ethylene, a base chemical for plastics. It’s now under construction near the company’s chlor-alkali plant in Lake Charles, La.

The project, a joint venture with South Korea’s Lotte Chemical, is expected to begin operations in 2019 with the capacity to produce 2 billion pounds of ethylene per year.

It’s one in a series of ethane crackers planned or under construction along the Gulf Coast as the shale drilling boom fuels a resurgence in domestic energy production. Drilling in the Permian Basin in West Texas and other U.S. shale plays has generated a cheap and steady supply of ethane and other natural gas liquids, used as feedstocks for plastics.

The ready availability of low-cost feedstocks has bolstered the U.S. petrochemicals industry and given rise to multibillion-dollar investments along the Gulf Coast.

Westlake’s Lake Charles ethane cracker will substantially expand the company’s plastics segment, which produces polyethylene and other materials for packaging and consumer products. Westlake has the option to purchase as much as 50 percent of the project within the first three years of operation.

Westlake was founded in 1986 by T.T. Chao, Albert’s father, with the purchase of a low-density polyethylene plant in Lake Charles. It had about 100 employees to start.

The company grew quickly, buying a plant in Calvert City, Ky., in 1990. For the next decade, it built or acquired several other plants throughout the South to produce both vinyls and plastics. It also acquired operations in China.

The company began selling shares on the New York Stock Exchange in 2004.

One of the company’s most substantial acquisitions came in 2014 with its purchase of German polyvinyl chloride manufacturer Vinnolit. Its affiliated business, Westlake Chemical Partners, also went public on the New York Stock Exchange that year.

In May, Westlake made its debut on the Fortune 500 list, at No. 352. It employs about 8,800 people worldwide.

Chao attributes the company’s success in part to its focus on its core operations. The company is working to increase production capacity at three of its chemical facilities: two in Germany and one in Louisiana.

The expansions, which will be completed in stages during the next three years, will boost output of the plastic PVC and its base material, vinyl chloride monomer, as well as chlor-alkali products, used to make vinyls, glass, detergent, paper and other products.

“We grow by being focused on businesses we understand,” Chao said. “We believe the opportunity is significant on a global basis.”

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