

Giving water the Lauder treatment

Having acquired three companies in the last 18 months, RWL Water Group is on an aggressive growth path. CEO Henry Charrabé wants to turn it into a \$500 million-a-year business within five years.

When cosmetics heir Ronald Lauder decided to buy out the remaining shareholders in Israeli desalination company Nirosoft Industries in spring 2010, he had more than just a couple of Cypriot desalination references in mind.

Now, with three acquisitions behind him, Lauder and his team at RWL Water Group are quietly building critical mass with a platform offering they believe is unique in the water space.

"We believe we can become the major mid-market player in a field in the next five years," CEO Henry Charrabé told GWI. "We want to really focus on medium-sized projects where we believe there's a real discrepancy between what's available in the market-place right now and what we can offer. We specialise in pre-engineered, containerised units, and we offer project finance, which is almost impossible to get for projects in the range of \$5-35 million. That is our differentiator."

Charrabé believes that the disappearance of companies such as USFilter, Ionics and Zenon has left limited options for smaller clients looking for off-balance sheet solutions when building new treatment plants.

While financial intermediaries such as Liberation Capital are beginning to realise the potential for offering tailored project finance solutions to this segment of the market, RWL Water goes one step further. "We are actually involved in running, building and operating the entire plant, so we believe that gives us a real competitive advantage," Charrabé explains. "What we offer is relatively unique in this field of the market, where it's easy to finance very small projects and very large projects, but in the \$5-35 million range it becomes very difficult, because you have to remain cost-competitive."

Although financing for BOO (build-own-operate) projects is currently handled out of the holding company offices in New York's Fifth Avenue, the group is in the process of setting up a financing subsidiary, RWL Capital, which will assume this role going forward.

In the meantime, Charrabé hopes that RWL Water's reference base of more than 3,200 projects in 70 countries will act as a valuable business development tool. Having established Nirosoft as the core of its fresh water division, the group added

Where is RWL Water coming from?

RWL Water was founded in 2010 by Ronald Lauder, one of the heirs to the Estée Lauder cosmetics business.

- Acquired the remaining 51% of Nirosoft in 2010, bringing desalination and industrial wastewater expertise, plus more than 500 references. Nirosoft's 50,000m³/d desalination plant at Episkopi in Cyprus is due to come online in January 2012, while a 22,000m³/d mobile desal plant at Moni, also in Cyprus, is available for purchase from this month.

- Acquired 80% of Aeromix Systems in November 2010. Aeromix manufactures aeration systems and equipment for drinking water and wastewater treatment, and has 2,500 references worldwide.

- Acquired 67% of Eurotec in September 2011, bringing wastewater treatment, biomass treatment and waste-to-energy expertise. Eurotec has a reference list of over 200 installations, including a significant share of the Italian food processing market.

wastewater expertise by taking an 80% interest in Aeromix back in November 2010. A third leg was added in September this year through the acquisition of a controlling interest in sludge-to-energy specialist Eurotec (see box).

Now, the group plans to open or expand six offices around the world next year as part of an aggressive development phase. "To make these three acquisitions in 18 months was quite a management challenge, and now it's important for us to bring value to the shareholders," observes Charrabé.

"We're always looking at the potential of other add-on or complementary acquisitions, but we think that these three really serve the market segments that we're in. We don't believe that we need to buy a Kubota or a GE Water when it comes to membrane technology, for example – we think we can be best as systems integrators with the engineering capacity in-house, rather than having to acquire technologies."

The potential for cross-selling is clear. "We want to export Eurotec's waste-to-energy technology into the areas where Aeromix and Nirosoft are concentrated," Charrabé explained. "Right now there is a very high incentive in the EU to feed electricity back into the grid, and we're trying to bring the same concept – even without the incentive – to North and South America, Australia, and the Middle East."

Likewise, Nirosoft is branching out from its core Mediterranean franchise. "We have a wholly owned subsidiary in Australia, where we've taken on some industrial brackish water projects with Bechtel," he reveals.

Despite an entrenched position in the

industrial market, RWL Water derives the majority of its revenues from the municipal market. "We focus on municipal as well as industrial client relationships, and in a couple of years, we want to have a turnover of \$100 million," Charrabé told us.

"We're looking for internal growth over the next 24 months to really build up our three companies, and we will then look for another major acquisition that can double our critical mass and get us to our strategic goal of half a billion in revenues in five years' time."

The aggressive growth of RWL Water will inevitably come at the expense of profitability – at least initially. "There are a lot of changes that have to happen, such as setting up strong ERP systems, customer relationship management systems and consolidated financial statements, and that will have an effect on the performance," admits Charrabé. "We're not taking any money out of the companies right now – we're investing everything to reach critical mass."

Although Ronald Lauder remains the sole shareholder, RWL Water may seek equity partners in future to help drive its aggressive growth plan. "There will definitely be opportunities for us to seek partnerships, interest or ideas from others on how to aggressively build this business," Charrabé concedes.

"Our goal is to become a significant mid-sized market player in the next five years. The goal then will be to either have a public offering, or have a major industrial partner join us. We might find a financial or industrial partner early on, and things might take a different route, but that's where we want to head."