

Plastics News

Airlite Plastics poised to purchase Arxx

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Airlite Plastics Co. could again boost its market share for insulated concrete form products for the construction industry through a new acquisition.

Airlite has agreed to be the stalking horse bidder for Arxx Building Products Inc., a major designer and marketer of ICF products, based in Cobourg, Ontario. The stalking horse is the preferred bidder in an auction process.

Bids for Arxx will be accepted until Jan. 22 and if qualified bids are received, Arxx will be put on the auction block Jan. 24.

If approved, it would be the second recent purchase for a division of Airlite of Omaha, Neb. Its Fox Blocks division agreed to buy the assets of Reward Wall Systems Inc., also of Omaha, in late 2013 to increase its stake in ICFs. Fox Blocks expects to finalize the Reward Wall purchase Feb. 15. Airlite introduced its Fox Blocks ICF wall system in 2006. Fox Blocks vice president of sales and marketing estimated late last year that the Reward Wall deal will propel Fox Blocks to the third largest ICF producer in North America from fifth when the deal is completed.

Ontario Superior Court of Justice appointed a receiver for Arxx on Dec. 9 after a petition by Comerica Bank. Comerica, the main secured creditor, was owed \$3.6 million. Arxx began defaulting on liquidity ratios for Comerica loans beginning in May 2013. Arxx had piled up a net loss of \$2.7 million for the ten months ended Oct. 31 2013 and could find no help from its current investors. It owes unsecured creditors about \$2 million Canadian (\$1.9 million).

Arxx began looking for a purchaser or partner in September and soon entered sale negotiations with Airlite. Airlite signed a letter of intent on Nov. 12 to buy Arxx. Because the negotiations were well advanced, Arxx's receiver Duff & Phelps Canada Restructuring Inc. of Toronto requested Airlite's offer be the stalking horse offer.

The Airlite offer purchase price is C\$2.8 million (\$2.66 million) which when

combined with working capital and assumed liabilities amounts to a total of C\$3.8 million (\$3.6 million).

ICF usage in residential and commercial walls and foundations has grown because the expanded plastic foam forms for concrete improve energy efficiency, soundproofing and moisture resistance. Arxx was a pioneer in the business, having started in 1978. It claims to have been involved in more than 105,000 projects in the United States and Canada representing more than 140 million square feet of ICFs. It claims it had more than 35,000 trained installers.

Arxx relied on outside suppliers for its insulating materials and connecting ties and only employed 15 in Canada and seven sales representatives in the United States before its receivership.

Duff & Phelps is asking a minimum bid of C\$3.15 million (\$3 million) for the purchase price of Arxx. If bids beside the stalking horse offer are accepted, the auction would proceed in Toronto.

Court documents state Arxx's business was seasonal and significant operating losses occurred in the winter slowdown, necessitating funds to carry the company over to more vigorous seasonal activity.

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