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Opportunities abound in medical market

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PLASTICS NEWS STAFF



NEW YORK (Aug. 2, 11:15 a.m. ET) -- With sales growth in the double digits and a strong pipeline of projects in reserve, medical companies have their eyes on acquisitions, opening new plants, adding services and developing resins to keep their businesses running at full throttle.

"We have cash, so we are beefing up on mergers and acquisitions and looking for good ways, and for efficient ways, to make us stronger," said Larry Johnson, health-care marketing director at PolyOne Corp. in Avon Lake, Ohio, in an interview at the Medical Design & Manufacturing East show in New York June 7-9.

"We are looking at companies that are complementary to what we have right now," said Johnson, who manages the wide range of materials the company develops and supplies to the medical industry. "We want companies that move us up the technology ladder, and companies that will get us someplace where we are not right now."



Larry Johnson

Similarly, customer MedPlast Inc., a contract medical molder, said its target is to make an acquisition in the next 12 months, possibly adding its first plant outside of the U.S.

"We are back to looking for acquisitions," said Mike Farrell, executive vice president of sales and marketing of the company that was created through acquisitions three years ago. "We are looking for areas where we can expand in support of our customers, either domestically or offshore."

With its fourth plant in Suzhou, China, opening in August, UPG International Inc. isn't eyeing any acquisitions or building new facilities — at least not until 2012 comes to a close, said Matt Langton, vice president of sales and marketing.

But he said UPG is adding more clean rooms at its plants in Chicopee, Mass., this year and in Minneapolis next year, and expects to open another plant overseas after that.



Matt Langton

"We are going to put in the clean rooms. They are already approved," said Langton.

"That's an area we're committed to expanding because every time we expand our clean rooms, we immediately fill them up."

At least in the short term, though, no other facilities are on the horizon, he said.

"But we've got a pretty good pipeline of new products and our growth is in the double digits. If growth continues the way it is, I would look for us to open up a new facility in a low-cost area after that — either in the western part of China or in Eastern Europe."

Similarly, precision molder and contract manufacturer GW Plastics Inc. is moving to expand its offshore medical capabilities with the addition this month of the company's first manufacturing operation in Costa Rica, a joint venture. That comes on the heels of a \$2 million redesign and upgrade of its mold-making plant in Royalton, Vt., over the past year and the addition of a product-development center two years ago.

The joint venture plant, GW Plastics Cartago, and the new plant the venture is scheduled to open next year in the same industrial complex, represent a \$3 million investment for the Bethel, Vt.-based company.

"The Costa Rica plant is going to be very important to us and be a key part of our growth going forward," said Larry Bell, vice president of business development for GW. "A lot of companies don't want to go to China, and Mexico hasn't met their expectations. This gives us a low-cost-country footprint without being in Mexico or China."

Other companies are adding services or developing sustainable materials that can help OEMs and medical-device makers cut costs on their products or components and reduce risks.

Jeff Somple, president of **MackMedical** and the northern operations of **Mack Molding Co.** in Arlington, Vt., said that a customer comes to an initial audit wanting to know what a company is doing to reduce carbon footprint.

“That’s why we added a sustainability section to our website, so we can say, ‘This is what we are doing.’ It is a living, breathing document that touches everyone at Mack Molding.”

It’s also why companies that supply materials are developing more sustainable resins — including some that also can reduce health concerns.

“We are looking at developing alternate materials that are sustainable solutions for the future,” said Carmen Rodriguez, business manager for resin products at Bristol, Pa.-based Altuglas International, which has introduced a new family of bio-based transparent thermoplastic polymers that are a blend of polylactic acid and polymethyl methacrylate.

“We are positioning the new Plexiglas Rnew family of resins as an alternative for non-renewable polycarbonate or co-polyesters where clarity, impact resistance and chemical resistance are critical,” such as in drug-delivery systems, blood reservoirs, and fluid- and blood-collection systems, said Rodriguez.

The new Plexiglas Rnew family of resins is the second new group of resins introduced in the last four months by Altuglas — a unit of Arkema Inc. In February, it introduced its Plexiglas CR50 resins — which contain no bisphenol A — for use in drug-delivery and IV components.

“We can achieve a variety of ranges for Rnew based on customer needs and the desired property requirements,” said Rodriguez. “By introducing PLA into PMMA, you incorporate high levels of renewable carbon and get a super hot melt flow, improved processability, and unprecedented chemical resistance.”

In addition, she said the Rnew resins can offer significantly improved impact resistance over competing materials. “The higher the percentage of bioplastics, the more you rival the impact resistance of PC and copolyesters,” she said

“This is all about having a sustainable PMMA offering,” said Rodriguez. “PC and co-polyester are used because of their excellent toughness and tensile properties. We see this fitting into this area.

“Our overriding requirement in developing bio-based resins is delivering the right performance,” she said.

“Customers are looking for materials that allow them greater throughput, lower material usage, give them better properties and streamline the production process to keep them competitive in the market.

“We are looking to be sustainable, but you have to ensure that patient care is foremost, and that the performance is there,” Rodriguez said.

Improved performance and providing more flexibility for medical-device companies is also the driver behind the recent third-party sterilization testing of the firm’s Ultem HU1004 polyetherimide resin, said Tom O’Brien, marketing director of health care for Sabic Innovative Plastics in Pittsfield, Mass.

That testing showed that Ultem HU1004 PEI resin can also be sterilized using the Sterrad NX low-temperature, hydrogen peroxide gas plasma process, in addition to the gamma radiation, ethylene oxide, and high-heat autoclaving processes.

“This gives the OEM the opportunity to use one material, regardless of the sterilization method” for trays, electronic medical devices and other applications, said O’Brien. “The performance results are pretty dramatic in terms of superior mechanical properties, retention of tensile properties and color stability when compared to materials such as polyphenylsulfone.”

“I think we’ll have some good opportunities in the tray market and surgical instruments are another area where it can gain traction,” he said.

Among the companies that announced extended product offerings and services at MD&M East:

* **Mack Molding Co.** increased the laser-cutting capacity at its headquarters plant in Arlington, Vt., by 33 percent in June and said that it would be putting in a clean room at that plant in the third quarter of 2011. “We are

encapsulating some presses we have here, and buying some additional presses,” said Somple of Mack Molding.

* PolyOne Corp. opened the company’s first polymer distribution warehouse and sales facility in Shanghai. “Getting distribution there is huge,” said Johnson of PolyOne. “We’ll have a lot more commercial reach, general buildup of business and we can do a lot more cross-selling.”

* Putnam Plastics Corp., part of PolyMedex Discovery Group, opened a new center in Dayville, Conn., for printing on medical tubing used in minimally invasive catheter shafts.

* Gerresheimer Regensburg GmbH said that it has created an independent medical innovation group to serve as a development team that will operate outside of the confines of both its technical competence center and the company’s production facilities.

* Bayer MaterialScience LLC introduced three new grades to its medical thermoplastic polyurethane line that extend the hardness range of those resins.

* Solvay Specialty Polymers, a global supplier of high-performance plastics, said it has appointed global business development directors for implantable and non-implantable medical devices to grow those businesses further.

* Nypro Inc. said it is adding 90,000 square feet — including a 40,000-square-foot clean room—to its existing 113,000-square-foot pharmaceutical packaging and health-care plant in Mebane, N.C. That expansion is scheduled to be completed next June.

Nypro also is adding a medical-device development and design center at its headquarters in Clinton, Mass., with completion set for February; and building a new design innovation center in Ireland that will open Jan 1, replacing the existing center.

“We are very bullish on where things are going,” said Ray Grupinski, group president of Nypro Healthcare. “We are gaining business more rapidly than most” of our competitors.

“Companies are looking to their top suppliers to manage projects for them and to take costs out of a product,” Grupinski said. “So we continue to add services so we can be more of a one-stop shop doing everything from design to drug-handling. They are looking for us to manage more of the process for them and improve the speed to market” for their products.

Mack Molding also said that the bar has been raised for contract manufacturers.

“The bar has been raised for performance, quality and documentation” because of pressure from the Food & Drug Administration on medical-device manufacturers,” said Somple. “That requires us to do more for our customer and continue to add value.”

Langton of UPG agreed.

“What we’re really seeing is that our customers are putting more pressure on us to develop projects, do the engineering and perform the quality certification”—which is an area that recently named UPG CEO Todd Dunn has beefed up, while continuing to make infrastructure investments, Langton said.

“There is increased demand on suppliers to do more, so we are adding engineering resources and adding resources to our quality and regulatory teams,” he said. “That lets us work with customers and provide full-service to them from developing to implementing projects — and we can do it from multiple locations” in both the U.S. and China.

“China is a shining star for us,” said Langton. “It is one of the most important calling cards we have,” with 175,000 square feet of manufacturing space that accounts for one-third of the company’s overall sales and 50 percent of the company’s medical sales.

“We need to continue to add value by adding capacity in processing and testing, adding more and upgraded clean rooms and white rooms, and providing quality engineering resources to take on more work for customers —anything that adds value across the supply chain,” said Langton.

That’s much the same view that Johnson of PolyOne takes.

“We are focusing on the value proposition we provide to our customers through our technology, our global

resources, our infrastructure and our ability to reduce their risks,” said Johnson.

“Customers want speed to market, and they want lower-risk materials without sacrificing performance,” he said. “We have to provide that stewardship for the customer.

“The key to success for us is to stay ahead and launch new products because our customers are more anxious than ever to get their product to market,” Johnson said.

“That is why I am focused on what new technologies we can bring to the market because technology is an enabler for the company to do things that it couldn’t do before.”

That meshes with his interest in making acquisitions.

“There are segments we’ve got our eyes on — such as the therapy area and orthopedics,” said Johnson. “We want to expand our health-care business geographically and find new markets where we can expand.”

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