

Solving Storage Problems a Philosophy at Dexion

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Excerpts from an interview with Managing Director, Brent Fuller

Dexion Limited manufactures and markets a broad range of industrial and commercial storage products within Australia and the wider Asia Pacific region. At the core of the Company's product range is pallet racking and shelving products designed to achieve efficient space utilisation and logistics solutions. The success of Dexion can be attributed to the brand equity associated with the long established Dexion brand, the ability to provide smart storage solutions, the quality of its products and an extensive sales and distribution network, comprising its own sales team and a franchise and dealer network.

Dexion's financial performance has been strong and is forecast to continue this improvement in 2005. Pro forma revenue increased by 24% from 2003 to 2004 and is forecast to increase a further 31% from 2004 to 2005. Similarly, pro forma EBIT increased 25% from 2003 to 2004 and is forecast to increase a further 36% from 2004 to 2005.

According to Managing Director Brent Fuller, Dexion supplies tailored solutions, not just product.

"Dexion's founder, Demetrius Comino taught our people to sell solutions to problems. That was quite far sighted for 1947. Our company initially tries to understand a customer's business across the whole supply chain. We then come up with the best solution to fit that specific business. It is only after following this process that we select from the wide range of storage products we supply," he said.

Demetrius Comino, who invented the Dexion Slotted Angle system, established Dexion in England over 60 years ago, and built a multi-national Group.

Following international expansion, the Dexion group was acquired in the mid-1970s by Interlake Corporation, a USA based manufacturer of storage racks. The group undertook various ownership changes between 1997 and 2000, finally merging with the Constructor Group, a subsidiary of the Norwegian based Aker. During 2003 and 2004, Aker sold a number of the group businesses around the world. Dexion is currently owned by private equity funds managed by CHAMP Ventures, but following listing in May this association will cease.

Dexion has been active in Australia for over fifty years. The group established a presence in Asia in the 1950s, exporting product from the United Kingdom. The Australian operation began exporting to the region during the 1980s. Following the merger with Constructor Group in 1999, the Australian operation also assumed responsibility for the Constructor Group's interests in Asia. The combined interests were subsequently rationalised, leaving operations in Malaysia and Hong Kong.

Today the majority of products are manufactured at Dexion's Kings Park (New South Wales) and Port Klang (Malaysia) facilities, while some components and products are sourced from third party suppliers.

Dexion is an internationally recognised brand name, associated with concepts such as storage solutions and space utilisation. At the time of acquiring the Asia Pacific operations from Aker, Dexion entered into a comprehensive intellectual property agreement with Aker Material Handling Limited, such that Dexion became the exclusive owner of the "Dexion" and "Compactus" brands, trading rights and related product brands in the Asia Pacific region, including Australia. Dexion

also holds the rights to use the “Dexion” trademark for pallet racking products in the Middle East under a perpetual royalty free licence.

Says Brent Fuller: “Over the years research has shown that Dexion is the supplier of first choice in the storage solutions industry.”

Within Australia, significant marketing resources continue to be invested to reinforce the brand equity of Dexion and retain its strong market position. Specific initiatives include advertising through a number of media including television, Qantas in-flight entertainment and trade journals including the Dexion magazine. Advertising is supported by franchise and other event sponsorship programs, such as the V8 Supercar and a comprehensive web site.

Dexion has commenced the development of the franchise network to be “one-stop-storage-stores”, effectively taking the Dexion brand to a much wider market of consumers.

“In addition to our Key Accounts channel we have a tiered distribution network with 13 franchises at the top and we’re working towards increasing that number. Our dealer network sits below the franchise network. Effectively, we’re covering the whole country with an extremely strong sales and distribution network,” Mr Fuller said.

Under the strategy, which was built into the recently revised franchise agreements, franchise premises will be located closer to retail precincts with showroom space and off-street parking to cater for a broader base of consumers able to purchase from a greatly expanded storage product range. It is intended that a proportion of the new products for the franchises will be sourced from third party suppliers or via acquisitions.

The industrial storage equipment sector is currently enjoying substantial growth. Manufacturers and distributors become increasingly competitive through supply chain efficiencies, driving demand for modernisation, new warehousing and storage facilities. This in turn drives demand for industrial storage equipment. Dexion’s commercial customers demand storage and filing systems that are efficient, cost effective, secure, aesthetically appealing and ergonomic as well as convenient to access.

Dexion is seeking to raise \$45.9 million through the issue of a total of 46 million Shares to investors under a Public Offer and an Employee Offer. The proceeds of the Offer will primarily be used to fund the Buy-Back of Shares from the Existing Shareholders, to repay, in part, existing debt facilities, to fund expenses incurred by the Company in relation to the Offer, to facilitate future access by Dexion to public capital markets to pursue future growth opportunities and to provide the Company with increased flexibility to fund further acquisitions.

According to Brent Fuller, Dexion has three main priorities following listing.

“Firstly, we intend to pursue initiatives to gain market share in Australia and then we intend to pursue suitable acquisitions to enable the next phase of the Company’s growth potential to be realised. Also, we see significant opportunities to expand in Asia, and we need to increase the capacity of our manufacturing facility in Port Klang in order to take advantage.”

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