

PRESS RELEASE – December 2005

Major Report on the Abrasives Market – UK 2005

AMA Research have published their latest review of the UK Abrasives Market. The report is informed, comprehensive and up-to-date, and represents an invaluable aid to sales and marketing professionals involved in the industry.

The report analyses the market size, key trends and influences, product mix, market shares, customer mix, buying criteria, and distribution channels.

Emphasis is given to both quantitative and qualitative assessments of market developments - with interpretation of relevant data to support key trends and to provide a basis for extrapolating future prospects.

This 84 page report is available now and is priced to give excellent value at £595.

Editor's Note:

Enclosed is a summary of the report. Please use brief extracts if you wish, **but we would request that references to company market shares are not published without our prior permission.**

If you require further information please contact us at our new address below:

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- It would be appreciated if a copy of the review could be forwarded to AMA.

ABRASIVES MARKET – UK 2005

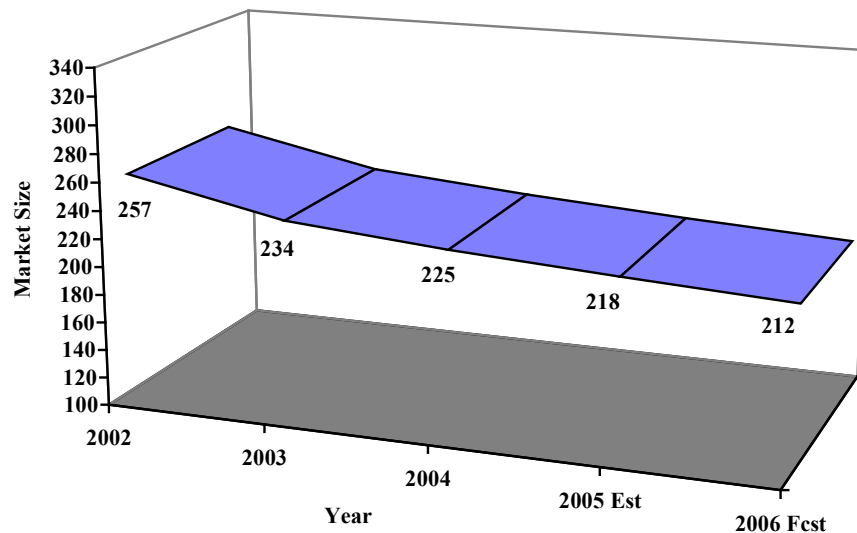
SUMMARY

A relatively small number of predominantly American, French and German companies tend to dominate UK abrasives production with a trend to higher levels of concentration reflecting restructuring, contraction and withdrawals from the market, with highly competitive market conditions tending to depress margins and profitability in overall terms.

The total **market in 2005 is estimated to be worth some £218m** at manufacturers' selling prices which represents a deterioration from 2003 indicating, as previously mentioned, adverse market conditions.

The chart below illustrates the history of the abrasives market from 2002 to 2004, with forecast annual sales up to 2006:

UK Abrasives Market 1998-2008 at £m MSP



Source: AMA Research/Trade Estimates

There has been an underlying market reduction 2000-2004, and a more modest decline is likely in the short to medium term with marginally positive market conditions expected in the long term, as the industry stabilises.

The period 2001-2005 witnessed highly competitive market conditions and import competition, culminating in companies restructuring and refocusing on more specialist, added value market sectors whilst certain manufacturers reduced the scale of their operation or ceased trading. Cumulatively, all these trends tended to result in higher levels of industry concentration, mainly through the reduction of the number of suppliers, with substantial losses incurred in certain sectors by some companies. Forecasts for the future level of activity in the UK abrasives market should take account of the following **key influences**:

- Growth in certain sectors of construction with the significant expansion of steel frame and modular off site construction techniques requiring grinding and fitting viewed as positive long term motivating factors, also orders for Olympic facilities, Heathrow T5, health, education and infrastructure in general.
- Low level growth in the aeroplane and semiconductor industries.
- Growth in specialist niche sectors – for example, growth in coated abrasives in the joinery, flooring, and wood flooring markets: growth in bonded in the rail regrinding sector, and in trackwork applications generally (for example, CrossRail, London Underground, etc).
- Opportunities for developing industry/product-specific abrasives and for further developing product specific abrasives systems and equipment – for example, floor preparation equipment.
- Migration of production and industrial process sectors overseas – for example, foreign-sourced engine components for OEM automotive.
- Changing technology trends in certain manufacturing sectors – for example, the continuing substitution of plastic for metal in car production, reduced sanding of metal welds, also trends to fitting new panels as an alternative to repair and refinishing in the crash repair sector. Meanwhile, historical trends to ‘engineer-out’ abrasives and more precise casting techniques continue, in addition to the decline in UK manufactured steel requiring abrasive treatment.
- Lack-lustre conditions in the housing market and falling levels of consumer confidence have contributed to a recent decline in the DIY/Home improvement sector with adverse implications for DIY abrasives in the short to medium term.
- High levels of import competition, in particular the thin wheel and diamond wheel sectors, also coated abrasives and bonded abrasives, from, for example, the Far East, Germany, France, Italy etc.
- Better quality abrasive products have increased the replacement life cycles, reducing demand for abrasives.

The **three key sectors of the UK abrasives market** are classified as ‘coated’ (including ‘non-wovens’), ‘bonded’ and ‘superabrasives’. Superabrasives and coated (including non-wovens) are considered to account for the larger shares by value at 40% and 35% respectively, whilst bonded is estimated to have a 25% share.

The largest **market shares** of coated products were achieved by 3M, Saint-Gobain Abrasives, Hermes and S.I.A. The principal suppliers to the bonded market were assessed as Saint-Gobain Abrasives and Tyrolit, whilst in the superabrasives field Saint-Gobain Abrasives were also identified as the major players.

In overall terms, **major players include** Saint-Gobain Abrasives, 3M, Hermes, Marcris, Wendt Boart, Tyrolit, Klingspor etc. The Saint-Gobain Abrasives Division includes Unicorn, British Nimbus, Norton, Flexovit, and Cora, etc.

Historically, there is a trend towards greater supplier concentration in the abrasives industry. For example, Saint Gobain acquired Unicorn, Flexovit and Cora Abrasives, etc. More recently, this trend has been exacerbated by the difficult market, with companies being taken over, or in some cases going out of business.

Distribution of abrasive products is served by a wide range of dealers and trade outlets reflecting the fragmented end uses of abrasives, for example outlets for coated abrasives and sandpaper include the DIY Multiples, independent retailers and builders merchants, whilst grinding wheels for manufacturing purposes are catered for by the industrial distributors and the Engineers Merchants, and abrasives specialists, etc.

Major distribution channels include abrasives specialists, industrial distributors, Engineers Merchants/Factory Supply Stockists, DIY Multiples, Builders Merchants, Automotive, etc.

Plant and Tool hire outlets represent a major distribution channel for abrasive products. Throughout the UK there are an estimated 2500 to 3000 Plant Hire outlets, and 2000 Tool Hire outlets, growing at the estimated yearly rates of approximately 2-4%, with market leaders such as Hewden Stuart/Finning, A-Plant, HSS, etc.