

PLANT ACQUISITIONS



When C.W. Matthews Contracting went from 18 to 38 plants

A CQUISITION of an existing hot-mix asphalt (HMA) plant and its assets can be a very sensitive event for some producers. A lot of questions arise: How will the new plant fit into the company's existing workflow? Do you maintain the personnel who have been operating the newly acquired plant—or do you let them go and put your own personnel on the job? And how much time, money, and effort do you put into getting the new plant's operations up to your company's standards?

Experts in the industry will tell you that with careful planning and

the right business philosophy, all of those questions can be easily answered and any of the challenges effectively overcome. That was proven over the last year when C.W. Matthews Contracting Co., Inc., headquartered in Marietta, Georgia, acquired not just one new HMA facility. They picked up 20.

Doubling their plant inventory in just 18 days

By the last half of 2006—its 60th year of operation—C.W. Matthews had positioned itself as the leading privately owned HMA producer in Georgia. In August 2006, they owned and operated two plants in

the Chattanooga, Tennessee area, and 16 plants in Georgia. When the opportunity arose to acquire some competing HMA-production operations in their market area, the C.W. Matthews management decided to make their move. And they moved fast.

“On September 1, 2006, we purchased Bankhead Asphalt Paving in Atlanta,” said Frank Crumbley, divisional vice president of asphalt plants for C.W. Matthews. “They had a total of four asphalt plants. Then, on September 5, we began to move forward on an opportunity to purchase APAC-Georgia, Inc.

from Oldcastle Materials, Inc. We did our due diligence in record-setting time—and on September 18 we closed and were the proud owner of 16 additional plants.”

While doubling their number of HMA production facilities in just 18 days, C.W. Matthews management also needed to double up on their efficiency and organizational skills. Each and every plant in their inventory—a grand total of 38 after the acquisitions—had to be looked at with a critical eye. Crumbley said they took a close look at each plant's location, evaluated how well the plants were

REQUIRE A STRATEGY



This photo shows C.W. Matthews Contracting Company's Douglasville, Georgia facility. It is one of 28 HMA plants that the company currently operates after some major acquisitions, deactivations, sales, and rebuilds.

in less than a month, the key to success was the planning.

operating, and determined the extent of upgrades that would be necessary to get each one running in the most cost-efficient manner.

"Some of the plants we closed on Day One, mainly because they were duplicates of something we already owned," said Crumbley. "Some needed to be upgraded—so we would keep one running nearby while we closed the other to do the necessary upgrades."

In the year and a half following the acquisitions, C.W. Matthews has narrowed its total HMA plant inventory to 28 hot-mix asphalt facilities, all in Georgia.

"When we were doing this," said Crumbley, "we decided to sell our Tennessee operations so we could concentrate on our home territory." A number of the remaining plants required some work to make them acceptable. According to Crumbley, eleven of those 28 facilities were significantly rebuilt or have been completely replaced. The result is an efficient fleet of HMA production facilities that stands ready to produce quality asphalt well into the future. "The 28 plants that we have in place now are all state of the art—and 24 of them are Astec plants," said Crumbley.

A human approach to a very serious business

Crumbley could show you a spreadsheet that details each of the 38 plants C.W. Matthews had to work with as of September 2006. You could scroll through the endless rows and columns of that document and see how one plant was shut down and how another was upgraded; how the components for one plant were salvaged to be placed on another; and how new components were purchased to bring older plants up to speed.

But that black-and-white spreadsheet cannot show you how C.W.

Matthews, in the midst of a such a major business transaction, managed to make it a very human process that involved integration and teamwork between different personalities.

"This was a major undertaking," said Crumbley. "But we were successful in integrating the three companies by taking the things that C.W. Matthews has done well historically, mixing in what the other companies did well, and making the personnel part of the decision-making process."

Involving the personnel who came along with the 20 new plants was



One of C.W. Matthews Contracting Company's newer plants is the Astec Double Barrel facility in Kennesaw, Georgia. It has six Astec storage silos.

the key. "As we upgraded those plants, the plant personnel were involved in the basic design and in determining the types of components that were to be purchased," said Crumbley. "They didn't just sit back and passively watch all this happen. They were part of the process of deciding the changes we made and how we made them. I have been very pleased with how they all have come together and worked as a team."

Changing and upgrading as the paving season rolls on

With the addition of so many HMA production facilities to its workflow, C.W. Matthews found that some of the new plants were close enough in proximity to an existing plant to cause some redundancy. In most of those cases, one of the two neighboring plants would need to be shut down. The one that was shut down first, however, was not always the plant that would be taken off line permanently.

"In several cases, we had what we called 'two-for-ones'—which means two plants sitting very close to each other. In another case, in fact, we had three plants that were sitting right across the street from each other," said Crumbley. "So we would pick the one that we wanted to do the major upgrade on and leave the other one running while

we performed the upgrade work. Then, we would swap to the newly upgraded plant and shut down the other one. Finally, we would take some of the good components from that plant and carry them to another plant-upgrade project."

By performing this carefully orchestrated juggling act, the company was able to keep producing HMA throughout its territory. In fact, in 2007—as the upgrades were ongoing—the company produced more than 6 million tons (5.4 million tonnes) of mix.

The relative importance of plant upgrades

Taking on the responsibility of 20 new plants at one time is enough to cause strain and confusion in an organization. So one might ask why, in such a busy time, did C.W. Matthews also choose to focus on upgrading so many of their HMA production facilities.

Crumbley will tell you that, in fact, the 2006 acquisitions presented a perfect opportunity for the company to shift into a mode of making all of its operations as cost-efficient as possible, equipped with the latest state-of-the-art technology.

Many of the major plant upgrades focused on wiring and controls. For example, three of the plants were upgraded to include entirely

One of the newer plants operated by C. W. Matthews has an Astec Double Barrel mixer that is equipped with the Phoenix Coal burner. This burner was specifically designed to burn bituminous coal. The Phoenix Coal burner installation uses a coal-preparation skid that pulverizes the coal in a special hopper (shown here) and then delivers it as the burner requires it. According to Astec, the ability to burn coal in the aggregate-drying process helps the producer combat the rising cost of energy without sacrificing performance or reliability.



new Astec TCII control systems. Another plant was upgraded to include the Astec PMII continuous-mix blending controls, plus a new management system for the silos and truck scale. "In addition," said Crumbley, "we redid several tank farms completely, utilizing Heatec tanks and heaters."

"Several of the plants we acquired were 20-plus years old," Crumbley said. "The wiring and controls of a plant will tend to give you trouble as years go by. You do so many bypasses and jumping around with this wire and that wire—and eventually they start to lose their reliability, not to mention becoming a safety hazard. So, by redoing the wiring and installing new controls, we are able to run more efficiently and economically."

Consideration of the economics of operation was a key factor during the period that the upgrades were being done. Crumbley said that they kept their eye on the target.

"We are not only giving our people the best equipment to run and operate—which cuts down on

maintenance—but we are also passing on that efficiency to our customers, who as a result do not have any downtime or waiting time," said Crumbley.

"In addition, we continue to plan for the future. In this economic slowdown of the housing and commercial markets, we have these plants in place that we can run as economically as any in the country. That will allow us to maintain our goal: To be a low-cost provider of quality hot-mix asphalt."

**The key to success:
standing behind the product**

Crumbley went on to outline his view of why C.W. Matthews has been successful in its market. "Probably the most important thing is that we stand behind our mix. We are not perfect, of course. Nobody is. From time to time, we will have mechanical or human problems that will keep us from sending out the perfect mix.

"But we always stand behind our product and make our customers happy. That is one of the things that puts us above the rest." ▼▲▼



Here is another view of the company's Kennesaw, Georgia facility. This one focuses on the Heatec vertical storage tanks for liquid asphalt cement.

FOR MORE INFORMATION

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Another innovative feature of this Phoenix Coal burner is that it does not use a refractory combustion chamber. It also has multiple fuel options that include gas, No. 2 oil, recycled fuel oil, and heavy oil for continuous ignition of the pulverized bituminous coal. (If the coal supply is unavailable, the Phoenix Coal burner can fire at 100 percent of its rated capacity on the support fuel alone.) There are no visible stack emissions with this burner when it is burning coal.