



CEOCFO

Interviews & News!

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Originally a specialty chemical company, diversification into fine chemicals and aerospace equipment has given American Pacific Corp. the kind of organic growth that they were seeking



**Basic Materials
Specialty Chemicals
(APFC-NASDAQ)
www.apfc.com**

American Pacific Corp.

**3770 Howard Hughes Parkway, Suite 300
Las Vegas, NV 89169
Phone: 702-735-2200**



**John R. Gibson
Chairman and CEO**

BIO:

John Gibson joined American Pacific in

1992 as Vice President – Operations. He was promoted to President and CEO in 1997 and elected Chairman in 1998. Mr. Gibson was named Chairman and CEO in October 2006, upon the hiring of Dr. Joseph Carleone as President and COO.

Prior to joining American Pacific John Gibson was employed by U.S. Steel for 28 years. He is a graduate in Metallurgical Engineering, University of Nevada, Reno and also holds a degree, cum laude, in Economics from Colorado College. He is a member and active in several professional societies including the Aerospace Industries Association, Board of Governors, the Utah Association of Energy Users, Past President, the Nevada Taxpayers Association, the Conference Board and others.

He lives with his wife, Marianne, in Las Vegas.

Company Profile:

American Pacific is a specialty chemical company that produces (i) energetic products used primarily in space flight and defense systems, automotive airbag safety systems and explosives, (ii) Halotron, a clean fire extinguishing agent and (iii) water treatment equipment. In November 2005, American Pacific acquired the former Aerojet Fine Chemicals business. Ampac Fine Chemicals, as it is now known, is a leading manufacturer of active pharmaceutical ingredients and registered intermediates under cGMP guidelines for commercial customers in the pharmaceutical industry, involving high potency compounds, energetic and nucleoside chemistries, and chiral separation, In 2004 American Pacific acquired the former Atlantic Research Corporation liquid in-space propulsion business. Ampac-ISP, as it is now

known, is a leading supplier of commercial and military propulsion products and the world's largest producer of bipropellant thrusters.

**Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com**

CEOCFO: Mr. Gibson: what is your vision as CEO and Chairman of American Pacific Corp., and how do you get there?

Mr. Gibson: "We are a 52-year-old company, founded in 1955 in Las Vegas. We were originally a specialty chemical company. Although our products were very well received in the market, we eventually found that there was not the kind of potential for organic growth that we wanted, so we sought to diversify our company. There are three legs to our company now and the first diversification was to purchase a small aerospace equipment company. Our last acquisition, the third leg of our company was to purchase a fine chemical business where active pharmaceutical ingredients are made as well as registered intermediates. We now are a company with three parts to it, the first part being a specialty chemical division in which we have fairly healthy cash flow and long-term profit. The second part in aerospace equipment is small; we intend to grow it. We make small thrusters for space satellites in that business. The third which we believe where we will find much of our growth is in fine chemicals as a part of the larger pharmaceutical market."

CEOCFO: What are fine chemicals?

Mr. Gibson: "Fine chemicals are distinguished from specialty chemicals in that they are for a specific high quality appli-

cation, for example in drugs that are commonly used by people; as opposed to much of specialty chemicals which are often commodities. Generally speaking fine chemicals are organic in nature and require very careful processing and sophisticated equipment in order to make the final chemical for the eventual manufacturer of a specific drug that they are applied to.”

CEOCFO: Was being in the specialty chemical and then going into the fine chemicals a natural progression?

Mr. Gibson: “We felt comfortable with it. They do not necessarily correlate in chemistry because in specialty chemicals, generally speaking you are processing enormous quantities and it is fairly straight-forward chemistry, where in fine chemicals it is more difficult and tedious to accomplish. The similarity however was that in our specialty chemical business we think sought out, found and cultivated niche markets. For example, we are generally speaking in our specialty chemical business, a sole supplier. We sought the same kind of acquisition in fine chemicals. We believe we found it. Not that there is anything wrong with aspirin, but we are not making aspirin or the common kind of ingredient that you would find in many drugs; we are making very sophisticated ones primarily for antivirals, cancer treatment and the central nervous system. That is what we sought, the kind of market we are used to and especially critical in terms of customer relationships, in terms of being able to be a sole or perhaps dual supplier.”

CEOCFO: Are you in a leading market position in all of your areas?

Mr. Gibson: “We have a leading market position in our primary specialty chemical; we are the sole provider of ammonium perchlorate, which is the oxidizing chemical used for example in the space shuttle and minuteman defense missile. We are the only supplier in North Amer-

ica for that. We are not the leading supplier in active pharmaceutical ingredients, but we certainly have a very healthy position in the market and where we are participating, we are the sole supplier or one of two suppliers generally speaking. That is how we see ourselves. However, in terms of that whole market we are not a market leader.”

CEOCFO: Do you have to go after new business?

Mr. Gibson: “Absolutely, because what happens in many of these areas whether it is aerospace, specialty or fine chemicals, the market changes with time; even though you may be very good at specifi-

“The other thing is with an organization in today’s world, you have to be careful that it remains lean. In our case there are a couple of things that are interesting, one is that we have no significant formal sales force; every one of us is a sales person. We have program managers, we see customers at that level, at the President’s level and certainly at the division leader’s level all the time. That is important and I think it keeps the overhead under control. Selling is a talent that I have the highest respect for, but I think you can make an effective salesman out of the engineering and technical personnel if you cultivate it and work at it. We have a modest staff; we will do \$170 million and are right at 500 employees. We do not for example have in-house legal staff here at headquarters. The only point is there are certain activities and I think that is one of them that you can effectively outsource and that has worked well. In selling, we do the selling. In legal work when we need work, we go outside.” - John R. Gibson

cally what you are doing, you have to stay ahead of the game. We talk to customers all the time, we want to know what they are doing that is new and different and if we can help. We maintain a strong relationship on the technical side with Georgia Tech University in Atlanta, and we are participating in certain research projects there that hopefully, will lead to commercial markets.”

CEOCFO: In the area of fine chemicals where you see much promise, how do you get the business there when you are

newer to the industry, how does that business work?

Mr. Gibson: “The fine chemical business that we purchased, developed at Aerojet General Corporation, GenCorp, as it is known today near Sacramento, California. It was a natural outgrowth of certain chemicals that the company handled or processed in the space propulsion industry and so they saw the connection and similarity and they actually started the business many years ago. By the time that we purchased or acquired that business it was very well established and was an ongoing business for us. What you have to do probably more than any other single factor is develop a trust and reliability with customers in which they know that they can offer to permit you to use their intellectual property to manufacture a part of a chemical that they need for a specific drug. As I say, you do not necessarily engage yourself in your own research in those kinds of things, what you do is perfect your process and chemical handling to the extent that when the moment arises and there is a new or different drug that requires a specific kind of talent to be able to make, then we are there. We spend a lot of time in the marketplace with customers or potential customers in the fine chemical business.”

CEOCFO: What is the financial picture like today for AM-PAC?

Mr. Gibson: “When we last reported earnings, which was the second fiscal quarter, our

fiscal year begins on October 1st so our second fiscal quarter ended March 31st for 2007; we indicated to the market that we continued to believe that we would have sales of approximately \$170 million and we foresaw EBITDA performance for the same fiscal year of \$36 million. We are doing the things we had visualized and had become our objectives four years ago. We have more than doubled our revenue, we had a few years in which we did not return a profit and those years were consumed by finding and getting the

right acquisition at the right time and then making it work. We believe we are now at the threshold of gaining a return on that on those investments we made.”

CEOCFO: Do you need to build any new facilities?

Mr. Gibson: “The capital spending prior to the fine chemical business is rather modest. In the fine chemical business that is always a significant consideration because the formulations change, the equipment required changes somewhat. As of right now, I do not think it is particularly significant. We have indicated to the market our capital spending this fiscal year will be somewhere in the neighborhood of \$10 million. We may have to increase it somewhat in the future but that is all in our plans. We expect that the return on any of those investments will be beneficial to the company.”

CEOCFO: What do you see two or three years down the line?

Mr. Gibson: “I hesitate to say more than what we have said publicly but it is obvious that we would not be doing what we are doing if we didn’t expect positive returns in the future and that is what everyone of my employees, engineers and scientists, are committed to. We see a healthy company in the future.”

CEOCFO: Do you see more acquisitions?

Mr. Gibson: “Actually the other part of the capital spending question or Capex, is that if we find a facility that is available and fits our purpose and would in effect be a substitute for Capex or capital spending, then that is what we will do, so we do see acquisitions in the future. I do not believe on the order, size or magnitude of this last one we did with fine chemicals which was in the range of \$130 million,

but modest increases rather than capital spending, yes we see that in the future.”

CEOCFO: What are the challenges of running three separate businesses under one umbrella?

Mr. Gibson: “It has been fun and a challenge at the same time. What I have tried to do and every CEO is probably somewhat different, but I have tried to give, especially the new acquisitions, as much autonomy as I can. They were healthy businesses to begin with. I did not want to interfere with their organization or their business plan. I wanted their business plan to be what they believe they could accomplish and it has been so far. Obviously, we had our own strategic objectives over all, but I think when you begin to branch out in a business, and ours was single-focus for fifty years; you have to develop trust that your managers know what they are doing and will do the right thing. So far, I have been very satisfied with the operation. I should add that the executives are extremely important and I did bring on a President and COO, Dr. Joseph Carleone. Dr. Carleone had previously spent over 20 years in aerospace and he was the actual president of the fine chemical business that we purchased. It was a natural change and promotion for us that we were able to accomplish and I have been very satisfied with his work. Obviously, he is also the key link between me, and the operating managers in the facilities. We work closely together. I think that is a key. The other thing is with an organization in today’s world, you have to be careful that it remains lean. In our case there are a couple of things that are interesting, one is that we have no significant formal sales force; every one of us is a sales person. We have program managers, we see customers at that level, at the President’s level and

certainly at the division leader’s level all the time. That is important and I think it keeps the overhead under control. Selling is a talent that I have the highest respect for, but I think you can make an effective salesman out of the engineering and technical personnel if you cultivate it and work at it. We have a modest staff; we will do \$170 million and are right at 500 employees. We do not for example have in-house legal staff here at headquarters. The only point is there are certain activities and I think that is one of them that you can effectively outsource and that has worked well. In selling, we do the selling. In legal work when we need work, we go outside.”

CEOCFO: Is the investment community starting to pay attention?

Mr. Gibson: “Lately it has been very good. The share price on the market on Nasdaq is up over 100% since January 1st; that is unusual for us. Many accused our stock as being what they termed “tornado proof.” It wouldn’t fall a lot in bad times and in good times it would not rise much. I think the market is beginning to understand what we are trying to do so the recent activity in our stock has been very good for the shareholders.”

CEOCFO: In closing, why should potential investors look at the company?

Mr. Gibson: “I think we have a bright future. There is nothing wrong with the east; we have a small facility in Niagara N.Y., but I think in the west is where the growth is taking place. By carefully selecting the niche markets in which we choose to participate, I think there is a bright future here. I would hope that our present and future shareholders will be very satisfied at what they see.”



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