

# ALTANA Chemie Makes Major Gains In Ink, Coatings Markets

By David Savastano  
Editor

In the past year, a tremendous burst in M&A activity has occurred in the ink and coatings industries. As a result, powerful new combinations have been created, including Flint Group, Siegwerk Ink Packaging (with SICPA's packaging ink division), Huber Group (with Micro Inks) and Fujifilm Sericol (with Avecia). Only time will tell whether these companies will ever reach the goals set for them.

However, another series of acquisitions have drawn slightly less notice, but are no less noteworthy. ALTANA Chemie, the chemicals business of ALTANA AG, has steadily built up its Coatings and Sealants Division by acquiring Kelstar and Rad-Cure, and more significantly, created a new Effects Pigment Division by acquiring Eckart GmbH.

These moves were not made on a whim. ALTANA Chemie's leadership is focused on a clear strategy that has its basis in the importance of being the leader in specialty high-end businesses, where innovation and service is valued above all else.

It is also a business model that is paying off: in the past 10 years, ALTANA Chemie has averaged 13 percent sales growth per year at stable profit margins, with a mixture of organic and external growth. In 2005, its sales rose to €907 million (\$1.080 billion), with growth of 6 percent over 2004.

With a track record like that in an industry which typically sees much lower growth, ALTANA Chemie clearly knows what it is doing.

## Adding Eckart GmbH

ALTANA Chemie has been a longtime player in the graphic arts and coatings fields, through its Additives and Instruments Division, which consists of BYK-Chemie, BYK-Cera and BYK-Gardner. Dr. Matthias Wolfgruber,

Acquisitions of Eckart, Kelstar and Rad-Cure are key in ALTANA Chemie's surge in effect pigments, coatings and sealants segments.

ALTANA Chemie's CEO and management board member of ALTANA AG, said that company executives set up a screening process to find industries where ALTANA's business model,



*Dr. Matthias Wolfgruber, ALTANA Chemie's CEO*

relying on innovation and service, could work. Not only did Eckart fit that model nicely, but a large majority of Eckart's customers were already buying additives from BYK-Chemie.

"We screened the total specialty chemicals market, looking for businesses that meet our screen for us," Dr. Wolfgruber said. "The effect pigment market is like that, and Eckart has a similar model to ours. In addition, Eckart sells to 85 percent of our customers in our additives and instru-

ments business, so by acquiring Eckart, we have added a complementary business."

"This is a good platform to start building from," he added. "We also have a high-end additives business with BYK-Chemie, and Eckart has a significant graphic arts business. Now we are seeing how this combination adds value to our customers and allows us to be an innovator in the market. If you work on additives, you can work on the inks."

The acquisition of Eckart GmbH for €630 million (\$764 million) in early August was the largest purchase in ALTANA's history. In 2004, Eckart achieved sales of €302 million (\$410 million) and operating earnings (EBITDA) of €65 million (\$88 million). Eckart employs about 1,850 people worldwide.

Dr. Wolfgruber sees great opportunities for Eckart in the coming years.

"Our Effect Pigment Division will continue focusing on high innovations, improving service and expanding on the higher end," he said. "We have huge service capabilities in the graphic arts market. We see a lot of potential for innovation for the different types of pigments and effects, and new markets that we can go into, such as cosmetics. Eckart entered the pearlescent market only a few years ago, and expects a significant growth potential there. Aluminum pigments manufactured by a vapor phase process which create a high gloss mirror-like effect, are another area with great potential."

In terms of regions, the strongest growth in graphic arts and coatings is in Asia, particularly in China, where ALTANA Chemie was already well situated. The Additives and Instruments Division has six laboratories in Asia, and is opening a seventh in China shortly. The company's Chinese operations are all wholly owned, fast growing and profitable.

"BYK-Chemie is very strong in Asia, particularly in China," Dr. Wolfgruber said. "About 25 percent of our global sales are already in Asia, and that is very significant, especially considering future market growth. Market demands are growing for all of our divisions in Asia."

Having these locations will add strength to Eckart's growth in the region. "These labs will be valuable to Eckart as it improves its position in Asia," Dr. Wolfgruber said.

## Kelstar and Rad-Cure

ALTANA Chemie's next two acquisitions expanded the company's Coatings and Sealants Division.

In October 2005, ALTANA Chemie acquired Kelstar International, a water-based and UV packaging coatings specialist, strengthening its market presence in North America. Kelstar had \$48.5 million in sales in 2004.

In March 2006, ALTANA Chemie acquired Rad-Cure, a specialist in the field of overprint UV curable coatings for labels. Rad-Cure had \$10 million in sales in 2005, and brings excellent technologies to the market.

The new emphasis on packaging is not coincidental. A key part of ALTANA Chemie's Coatings and Sealants Division is Terra Lacke, the European leader in overprint varnishes. ALTANA Chemie's leaders made a decision three years ago to focus more on flexible packaging and graphic arts and to divest all other non-core business from that division.

"Three years ago, our business in that division was a mix between industrial, coil, can and packaging coatings," Dr. Wolfgruber said. "We exited all industrial and coil coatings businesses, where we were not a major player, and

in the last two years, we have divested businesses with sales of €90 million (\$105 million) in bits and pieces.

"This has enabled us to have a new focus on flexible packaging, where we can provide chemical solutions for graphic arts and packaging industries," Dr. Wolfgruber added. "This industry has a growing demand for adhesives, coatings and specialty chemical products, and these applications are very service intensive. We have a very good starting position in this market with Terra Lacke, and we wanted to focus on the U.S. market, first adding Kelstar, an aqueous coating specialist, and then Rad-Cure,



## Recent Acquisitions In the Ink and Coatings Market

**Terra Lacke - 2000**  
**ECKART GmbH - 2005**  
**Kelstar - 2005**  
**Rad-Cure - 2006**

which specializes in UV technology, and is strong in the label business. This is a good platform to grow our presence in the states, plus Rad-Cure has outstanding UV technology that is applicable to other fields. We will continue to build in this area."

Dr. Wolfgruber said that all three acquisitions fit very well indeed.

"Eckart, Kelstar and Rad-Cure fit together," Dr. Wolfgruber said. "We may look at other bolt-on opportunities, plus we are able to offer these technologies worldwide."

## Poised for Growth

Having strong leadership to make these moves is essential. Dr. Wolfgruber credits the management

team at ALTANA Chemie for the company's successful pursuit of growth.

In addition to Dr. Wolfgruber, the executive management team consists of Martin Babilas, ALTANA Chemie AG's CFO; Dr. Roland Peter, president, Additives and Instruments Division; Dr. Christoph Schlünken, president, Effect Pigments Division; Dr. Wolfgang Schütt, president, Electrical Insulation Division, ALTANA Electrical Insulation GmbH; Dr. Guido Forstbach, president, Coatings and Sealants Division; and Darya Nassehi, head of corporate development.

"We have a great team, with an interesting culture," Dr. Wolfgruber said. "We have diverse backgrounds, lots of experience in different aspects, regions and sizes of companies, but we share the same philosophy and values and strategy."

The ultimate key to ALTANA Chemie's success lies in its strategy and the consequence of its execution. Part of that strategy is putting a strong emphasis on R&D.

"We are one of the most profitable chemical companies," Dr. Wolfgruber said. "We have a leadership position in the markets we are in, and we then take the returns and invest them into the future, into R&D, people and service capabilities. Cutting down R&D would be short sighted for our type of business, and customers would be ill advised when they only focus on price and squeezing down margins. Toyota doesn't squeeze its suppliers, and as a result, their suppliers can be innovative, making Toyota the most successful automotive company in the world."

ALTANA's approach to business has been a successful one. Overall, ALTANA AG surpassed the €3 billion mark, with sales of €3.3 billion (\$4.06 billion). ALTANA's pharmaceutical business recorded €2.4 billion (\$2.93 billion) in sales in 2005.

ALTANA Chemie itself should significantly exceed the €1 billion sales mark in 2006.

The key for the company's growth and profitability is found in its insistence on being the leader in every market it serves and choosing seg-

ments where it can make a difference for its customers.

“We are not in commodity businesses,” Dr. Wolfgruber said. “We are focused on markets that are specialty businesses, and in those markets we have strong leading positions. We are number one in our target markets additives and instruments, effect pigments and electrical insulation, and command leading positions in our businesses in coatings and sealants.”

As an example of how much value ALTANA Chemie provides, Dr. Wolfgruber said the company’s customers recognize the importance of R&D and service, a relationship a commodity supplier does not have with its customers.

“The proof is when raw material prices went up. Commodity-type suppliers cannot increase prices, but we were able to pass along our increases,” he said. “If we want to sustain our business model, which provides value to our customers, we have to sustain our margins.”

By having the ability to provide complete solutions for its packaging customers, from additives and test equipment to effect pigments and coatings, ALTANA Chemie can utilize its expertise to create specialized solutions.

“We try to understand the needs of our customers,” Dr. Wolfgruber said. “We can come from so many different angles, which will greatly enhance our ability to work with them.”

Dr. Wolfgruber said that coordinating all of the technologies of its new companies will take effort.

“This is not a trivial task,” he noted. “Our first concern is effective use of knowledge and competencies among our companies. First you build the platform, and then you make it work. It will take some time to organize.”

## The Future

Even as ALTANA Chemie integrates its new businesses, the company continues to look for additional opportunities, all according to plan.

“This is a very well thought out process,” Dr. Wolfgruber said. “We start-

## ALTANA Chemie at a Glance



### Additives and Instruments

BYK-Chemie • BYK-Cera  
BYK-Gardner



### Coatings and Adhesives

DS-Chemie • Kelstar  
La Artística Productos Químicos S.A.  
Rad-Cure • Rhenacoat  
Rhenania Coatings • Terra Lacke  
Shunde Rhenacoat Coating Co. Ltd.



### Effect Pigments

ECKART Group



### Electrical Insulation

ALTANA Electrical Insulation Zhuhai Co. Ltd.  
Beck Electrical Insulation GmbH  
Camattini S.p.A. • Deatech S.r.l.  
Electrical Insulation (Beck India Ltd. (2 plants)  
The P. D. George Company Inc.  
Tongling Siva Insulating Materials Co. Ltd.

ed our search for more acquisition targets. We always have some projects in the works. We are very excited; additional things are coming as well.”

“We have grown our leadership position in our markets,” Dr. Wolfgruber said. “We only want to be number one – we are single minded in that. All of our businesses are knowledge driven, and there are economies of scale in a high degree of specialization that support our position. Every business has to meet these criteria to become part of our core business.

“Many companies call themselves a specialty chemical company, but we focus where we can really differentiate, where it takes more effort to create it, and are investing in the future.”

As for ALTANA Chemie itself, the company will be separately listed through an IPO or be spun off to ALTANA AG’s shareholders later this year. Either way, its leadership team will remain, and with them, so will the strategy that has led to so much growth and profitability.

“During the first half of the year, it

will be announced whether we take the route of an IPO or a spin-off, but nothing much will change in the way we operate, as we are already standing alone,” Dr. Wolfgruber said. “In the past, we have averaged 13 percent annual growth, while maintaining our profit margins. This generates value for our shareholders, our employees (jobs) and society (taxes).

“We will continue this profitable growth based on three major drivers,” he continued. “We will continue our efforts in innovation and our market penetration, which together with the base growth of our target markets will spur our organic growth. We will also continue our merger and acquisition activity, which creates external growth. Only the combination is good. It is a commitment that we make to our shareholders. Half of our growth has been organic and the other half external, and that’s our plan for the future. I think we have the ability to continue this growth, and we should have a great future as a stand-alone company.” ■