

Altana: Focusing on innovation, growth, and service

Altana (Wesel, Germany) has almost tripled its revenues since Matthias Wolfgruber was named CEO in October 2002. That growth has come through acquisitions and targeted growth in key segments while divesting its pharmaceuticals business. Altana's chemicals division, which had sales of €748 million (\$819.3 million) in 2002, 29% of Altana's total revenue, recorded sales of €1.95 billion in 2014, up 11% year-on-year (YOY). Ebitda was €397.4 million, up 18% on the previous year, and the Ebitda margin was 20%. Wolfgruber is stepping down as CEO at the end of this year.

Altana today is organized into four divisions (*graphic*): BYK additives and instruments, Eckart effect pigments, Elantat electrical insulation, and Actega coatings and sealants.

"We grew by a factor of three in terms of sales and profit, but we also changed as a company," Wolfgruber says. "We retained our own identity, we developed our strategy further, we developed the portfolio further, [and] we developed an approach that is decentralized but that captures the synergies," Wolfgruber says.

"I think today we are a much different company," Wolfgruber says, "To maintain or expand the leadership role [in our core businesses] while growing profitably at an annual pace of almost 10% over these years, I consider that quite a good performance," Wolfgruber says. Nevertheless, Wolfgruber would like to have grown the company faster by adding another division to the portfolio.

Altana's portfolio is "not finished yet, and it's scalable," Wolfgruber says. Altana looks for businesses that are specialty in nature, innovation driven, and service oriented. "[Such businesses] need the same skills, and we could leverage what we have today," Wolfgruber says. "We continue to look for the right

opportunity. The things we have looked at have not met our criteria, but someday one will," he says.

Altana targets a leading presence in the sectors where it operates. "Our business philosophy is to be only in truly specialty businesses. This is our strength: managing complex, specialty businesses that are very knowledge-driven." Altana is run in a decentralized fashion where decisions are made very close to the customer, he says. Altana's decentralized structure allows individual operating units to act swiftly with the advantages of a financially strong and internationally active group, according to Wolfgruber.

Although a German company, a global approach is important to Altana. "From a profit perspective, our business is quite global because we have 30% in Asia, 30% in America, and 40% in Europe," Wolfgruber says. Altana is interested in developing in several regions and countries, including China, India, Southeast Asia, Japan, and Brazil. "We have also seen a renaissance of the markets in the United States, and for us the country has shown very good development," Wolfgruber says. "We are



WOLFGRUBER: The challenge is to maintain growth through organic development as well as acquisitions.

Innovation driven

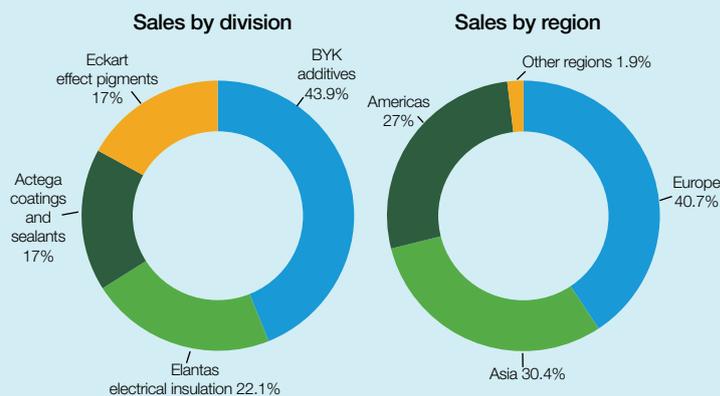
Altana invests a high amount in R&D, around 6% of sales in 2014. "About 1,000 people of our 6,000 work in laboratories," Wolfgruber says. Altana has implemented a knowledge platform whereby its community can search for know-how and contacts since "solutions often require cross-functional or cross-divisional competence." Altana's R&D community and sometimes people outside R&D, like key account management, can search the platform for knowledge or contacts. "We also have detailed maps of competences available in the whole organization, be it chemical, process, or equipment competence," Wolfgruber says.

Altana introduced an innovation conference and an R&D fund to support innovation efforts. The conference involves bringing together about 150 of its best brains and minds together every year to share innovation strategies. The company has also started holding innovation conferences regionally—an Asia innovation conference and an Americas innovation conference every two years.

"This is something many companies have moved away from, physical meetings, because it's a lot of expense to bring people from across the world physically together, but to me it has also a lot of value, especially when it comes to culture,

Altana at a glance

(2014 revenue: €1.95 billion)



Source: Altana annual report 2014.

very strong in China. We are continuing to invest in China even though today there is probably a much more sober view of the Chinese market. But in the longer term, the opportunity is absolutely gigantic."

cross-fertilization, and communication between people,” Wolfgruber says.

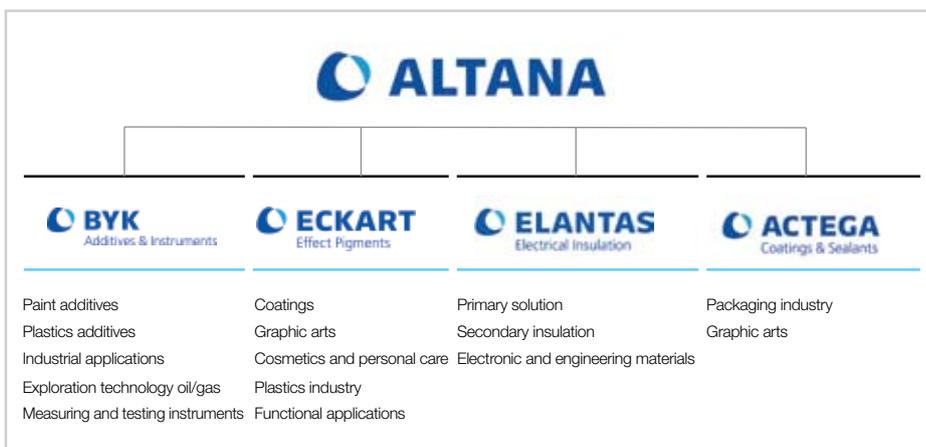
Altana has also set up an R&D fund to pursue ideas that are outside the interests of only one division or even outside of any division. “If we have good ideas and technologies that we want to develop, we sponsor them with the Altana R&D fund,” Wolfgruber says. One area that came out of the R&D is a printed electronics project, where Altana is attempting to develop low-cost printed electronics, such as roll-to-roll printed electronic elements or screens. This area is one where all of Altana’s divisions contribute technology: Eckart’s conductive pigments, Elanta’s insulating layers, BYK’s additives, and Actega’s printing know-how. “Combining all of this puts us in a unique position. That’s an offspring of the Altana R&D fund,” Wolfgruber says.

Altana acquired a minority share in Landa Digital Printing (Rehovot, Israel) for €100 million in 2014. “[Our] investment in Landa gives [us an] opportunity to help shape the future of digital printing,” Wolfgruber says. “We are extremely excited to be partnering with an industry visionary like Benny Landa [founder of Landa Digital Printing]. We speak the same language in terms of innovation,” Wolfgruber says.

The bulk of Altana’s R&D efforts today are in Germany, but the company is adding R&D capabilities in other regions. “[Hiring talent] there can be more difficult,” Wolfgruber says. “It’s not today, but it could be in the future. In Germany, we are considered a very attractive employer, but we are very mindful of demographic developments, and I don’t underestimate that there will be a war for talent in the future,” he adds.

Altana’s approach to business, with its essentially independent divisions, could be regarded as that of a small or medium-sized enterprise (SME). “I don’t think we consider ourselves an SME,” Wolfgruber says. “We are not a BASF and we are not a Dow, but we are a very global company, leading in our fields. We are financially very strong, we have a firing power usually of more than €1 billion [available for an acquisition],” he says. “On the other hand, of course, we sometimes have challenges that a larger company might not, especially in markets where we have only a small presence. It’s harder to get the best talent than if you have a very large presence.”

Altana has also diversified its leadership

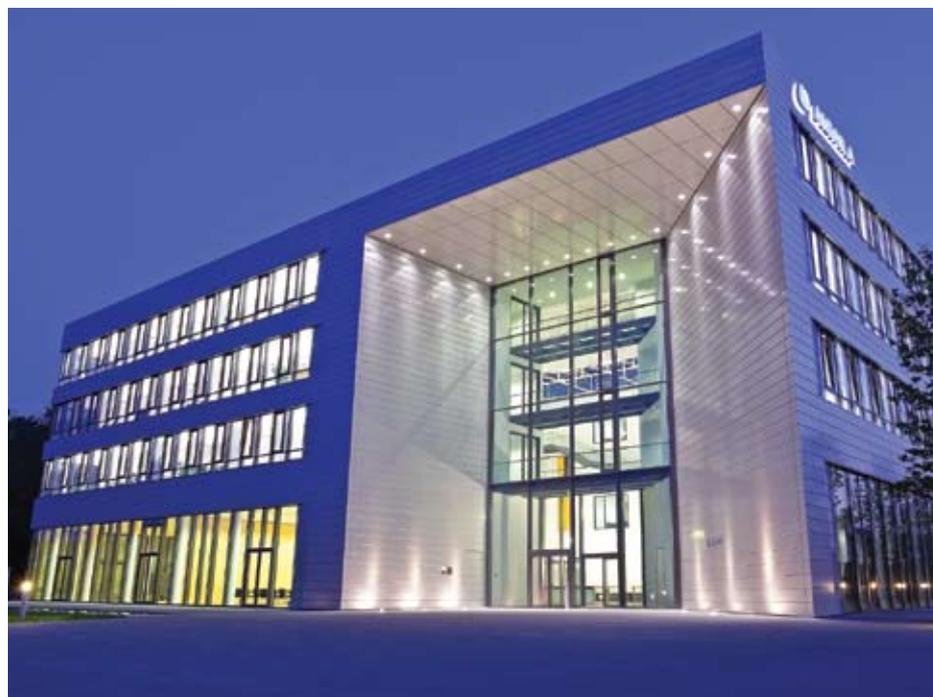


ranks, increasing the ratio of women in management positions, Wolfgruber says, “I would say that every single position at Altana is based on merit.” He says, “Overall, we are still doing a lot to ensure that all of the talent has a similar chance to advance. It is in our own best interest to apply the best talent and enable them to succeed in the company.” Altana’s workforce is composed of 30% women, and 21% of management are women. “We have made great progress because five or six years ago, it was 15% [in management]. It’s not done with just having quotas. We have to do a lot of things to make sure that people want to make a career and that you remove the barriers,” he says.

“I’m not totally happy with our result in terms of diversity because we are still too German in our management ranks,” Wolfgruber says. “We want to be more international and more diverse; that’s clear. But we are making progress,” he says.

“We are a quite strong and healthy company, as you see from our numbers and our position,” Wolfgruber says. “But the challenge is to maintain the growth because our model of creating value is based on profitable growth. We need to generate organic growth—not just external growth or acquisitions but a healthy rate of organic growth. That is continuing to be our biggest challenge,” Wolfgruber says.

—MICHAEL RAVENSCROFT



SPECIALTY PLATFORM: Altana headquarters at Wesel, Germany.