

## Specialties

# Innovation, acquisitions drive Altana

## CEO highlights company's value-creating business model

by Sotirios Frantzas

**A**ltana's (Wesel, Germany) business approach and corporate culture are characterized by investment in R&D to develop innovative products and services that support customers' needs, and targeted acquisitions that advance the company's ability to innovate.

Altana's sole shareholder is SKion GmbH, an investment company wholly owned by Susanne Klatten, who is also deputy chair of Altana's supervisory board. The company has a worldwide presence with 64 subsidiaries, 47 production sites, and more than 65 laboratory centers. It has four business units: BYK, producing additives and instruments; Eckart, making metallic and pearlescent pigments; Elantas, manufacturing liquid insulation materials; and Actega, producing specialty coatings, sealants, printing inks, and adhesives. The businesses supply markets such as paints and coatings, plastic additives,

engineering materials, and packaging.

"[We are] a true specialty chemicals company," Martin Babilas, CEO at Altana, tells CW. "This means that we work closely with our customers and meet their demands with highly specialized products and services. To this end, we make above-average investments in research and development. Approximately 7% of our annual sales flow into activities related to R&D. Within the past 10 years, these expenses have doubled, and one employee in six is currently employed in R&D. We exploit our differentiation potential through innovation and service, which are the main drivers of Altana's business model. We drive innovation in growing specialty markets and enhance our innovative strength through acquisitions, corporate venturing, and cooperation in this sector. As a result, we attain globally-leading positions in growing specialty markets." He adds that "acquisitions need to fit into Altana's strategic framework."

In 2019, Altana pushed ahead with an expansion of its sites and production capacities. In April last year, BYK opened an integrated site at Shanghai, China, home to laboratories, a distribution center, and administration, and in June, a new Actega innovation center began operations at Grevenbroich, Germany. In December 2019, Actega opened an integrated production and R&D site at Araçariquama, Brazil. Altana is currently expanding BYK's site at Gonzales, Louisiana, and Actega's site at Bremen, Germany. Expansion projects are also under way at Deventer, Netherlands, and Tongling, China.

"When it comes to new businesses and fields, we are identifying relevant future markets and check to see whether competitive solutions can be developed," Babilas tells CW. "Only if there are links with our specialty chemicals expertise we embark on this journey. This is for example the case in the rapidly-growing future digital printing market. In this field, Altana develops innovative system solutions in close cooperation with partners in mechanical engineering and machine development."

Digital printing is one of Altana's main innovation platforms. In line with the

company's business model of growing through targeted acquisitions, Altana expanded Actega and its digital printing business by acquiring, at the beginning of 2020, the overprint varnish specialist Schmid Rhyner (Adliswil, Switzerland), which also develops products and services for digital printing.

Altana emphasizes its relationship with customers and meeting their needs. "[They] are the starting point for everything the company does," Babilas says. "We are a customer-centric organization. This means that we work closely with our customers and meet their demands with highly specialized products and services. To do so, the technical work typically happens in the regions where our customers are, [and] we also accompany our customers when they enter new markets. Ultimately, it is all about providing our customers with a competitive advantage—be it through customized products, services, or both."

Babilas, meanwhile, expects Altana to achieve "additional differentiation" as a company, in the specialties industry, through sustainability. "For many years we have been focusing on solutions that lead to a sustainable society, promoting among others resource efficiency, emission reduction, as well as reduction of carbon footprints," he says.

Sustainable growth is a way for Altana to grow as a company and take "responsibility for climate protection on a corporate level," Babilas says. "Sustainable growth for us means that growth or size is not an end in itself. It has to create value, for our customers, employees, shareholders, and society as a whole," he says.

As a result, Altana has set a target to reduce its overall CO<sub>2</sub> impact from production and energy procurement to zero by 2025. "Already in March 2020, we converted the power supply at all our locations worldwide to renewable energies," Babilas says. "We are, thus, fulfilling our responsibility for climate protection and consistently pursuing our sustainability course. In 2017, Altana already achieved the goal it set itself in 2007 of reducing CO<sub>2</sub> emissions by 30% in relation to gross value added by 2020."



**BABILAS:** Altana's corporate culture and values define its identity as a leading specialties company, form the foundation for continuous growth.

**Confidence for the future**

Altana's 2019 net income was down 10% to €169 million (\$190 million) on 3% lower sales of €2.249 billion. Sales in Europe, the company's largest region, dropped by 2% to €858 million and in Asia were down 5% to €732 million. Sales in the Americas were flat at €621 million. Actega was Altana's only business that recorded growth in 2019, with a 1% increase in sales. BYK, the company's largest division, as well as Eckart and Elantas reported sales down by 2%, 7%, and 2%, respectively. According to Altana, the main reasons for the decline in sales and earnings were continuing sluggish demand in key industrial sectors, especially the automotive industry, and the general economic slowdown, especially in China.

In 2020, in response to the threat of COVID-19, the company "put in place a bundle of preventive measures such as strict hygiene as well as travel and meeting restrictions very early to protect our employees," Babilas says. "The health of our

employees is our top priority."


Meanwhile, "in terms of delivery reliability, we have sustained all relevant processes worldwide with only few regional exceptions and are very well positioned thanks to our decentralized, global manufacturing structure and regional suppliers," Babilas says. "For months now, we have been closely monitoring possible effects on our supply chains and taking appropriate action as soon as the situation calls for it," he says. The impact of COVID-19 on demand, production, and supply chains and logistics cannot yet be assessed fully, "[but] the pandemic will certainly have an influence on our business results in 2020," Babilas says. The company anticipates "a significant impact on the sales development and earnings situation in the coming months," he says.

However, Altana "is a healthy and financially strong company," Babilas says. "We have the best prerequisites for mastering the economic challenges posed by the [COVID-19] pandemic. Altana's traditional customer

proximity, innovative strength, and our decentralized structure are important factors to secure our operational business in this environment," he says.

The company expects slightly stronger global economic growth in the second half of 2020, which will drive low-single-digit percentage growth in its sales. Meanwhile, further growth is anticipated through the acquisitions that have been completed.

According to Babilas, Altana has "very good reasons to look to the future with great confidence. First and foremost, I am confident due to the way in which all Altana employees are working together to cope with the manifold effects of the [COVID-19] pandemic, not only in terms of protecting the health of all our colleagues, but also in terms of maintaining our company's economic performance. All the adversities notwithstanding, we have managed to maintain our ability to deliver by joining forces, [and] right now, we are succeeding in making the most of some of our strengths in a very special way." ■



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