

Chemical attraction

Once a small-scale chemical plant, today Italmatch Chemicals is a global leader in lubricant additives, water and oil additives, plastics, and personal care. Having already gone from strength to strength, the company remains on a growth trajectory.

IMAGES ITALMATCH CHEMICALS

Chances are that by simply going about your daily routine you've been the beneficiary of products whose chief ingredients are produced by Italian-based speciality chemicals company Italmatch Chemicals. Manufacturing a wide range of reactive chemicals and intermediates used in numerous applications and product lines — some as simple as deodorant or shower gel for personal use, and others as specialised as phosphorus- and nitrogen-based flame retardants for thermoplastic polymers or lubricants for windmill turbines — Italmatch Chemicals offers advanced and highly technical solutions for a wide range of industries.

Sergio Iorio has been the CEO of the company for more than 20 years, in which time he has both facilitated and borne witness to extensive change. "In 1995, when I was fortuitously sought out to become the CEO, Italmatch was not a stand-alone company but part of a larger group called Saffa, listed in the Milan stock exchange," explains Sergio of the company's history. "Then, in 1996 the main shareholders of Saffa decided to sell all of their industrial assets, >>



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Position CEO
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– Sergio Iorio

including Italmatch, to third parties in the market.” At this time, Italmatch comprised a chemical division in addition to a consumer product division. “As CEO, I was involved in the sales process of the company,” says Sergio. “While the consumer product division was sold to an Italian investor, the chemical division remained.”

Regrettably, Sergio recalls, the chemical component of Italmatch was rather small at the time of the sell-off; however, after speaking with two private-equity investors and some initial reluctance from Sergio, he ended up co-investing in the company. “I was actually about to leave for a position in a large company, but speaking with those private-equity investors and learning about the basics of investment — the leverage, the core investment of managers, stock options — made the venture quite appealing to me.”

Thus Italmatch’s name was altered to Italmatch Chemicals, and on 1 January 1998, Sergio co-invested in the company alongside two mid-size Italian private-equity funds. He recalls, “This started my adventure with Italmatch Chemicals as CEO, but also as an investor in the company.”

In a new beginning of sorts, Sergio set about managing what was a very small chemical plant producing phosphorus and sulphur compounds. With a staff base of about 40–50 people and sales of roughly €20 million, Sergio found himself “doing everything”, from

registering invoices to paying suppliers. “It was a very challenging, interesting time,” he says.

When the organisation wholly separated from Saffa, Sergio’s biggest goal was to develop Italmatch into a robust, standalone company. “In order to stand on our own two feet, we had to achieve supply security on elemental phosphorus which, critically, had to be sourced. So, in the 90s, I went to China where we ended up making two joint ventures. However, immediately after we made the joint venture, we started to face some industrial problems. The government stopped the supply of electricity to heavy industry in the central-southern part of China — where our production was based — and they moved the electricity supply to the new industries that were emerging on the east coast, in Guangzhou and Shanghai.”

To mitigate what was a significant problem, the company built its own power station to feed its phosphorus plant, making it independent of the electrical grid. This both secured Italmatch’s supply security and gave the company a tremendous advantage over its competition, which was forced to buy from the market.

According to Sergio, the second step to Italmatch becoming an independent, standalone company was diversifying its product range. “Although our background was in phosphorus and sulphur chemistry, we started to develop new molecules that enabled us to make engine oil additives,” says Sergio. “We developed environmentally friendly flame-retardant additives that went into the electronic application in thermoplastics. So we were able to stop fire developing without emitting toxic smoke in products like switch gears, personal computers and

electrical switchboards. Inventing and patenting this product was definitely a breakthrough for the company, and it enabled us to develop a broader portfolio of products.”

By 2004, Italmatch had both achieved supply security and diversified its product range, solidifying it as a company in its own right. “Between 1997 and 2004, we more than doubled in sales and tripled in profitability at the level of industrial operating margin,” says Sergio. Not willing to rest on his laurels, Sergio was determined to impel the company into another phase of growth. A large investment fund, Investindustrial, acquired 90 per cent of Italmatch in 2004 in a move that afforded the company the ability to build an R&D and innovation team in chemical synthesis and applications. At this time, Italmatch also started to develop its global partnerships with large multinationals, with which it has established numerous long-term relationships. “They saw in Italmatch a small-to-medium sized, flexible supplier that could deliver value on certain critical raw materials or intermediates,” says Sergio.

Sergio reveals that since then Italmatch has been able to secure eight acquisitions and boasts total sales of roughly €350 million. The company is a leader in lubricant additives, water and oil additives, plastics, and personal care, and employs more than 500 people around the world. Furthermore, it has 12 manufacturing plants across the globe and profitability in excess of 15 per cent.

Perhaps most tellingly, however, the company has not had a single staff turnover since it divested in 1997. “People are the engine of the company,” Sergio says. And putting people first extends beyond Italmatch’s staff, with Sergio citing the company’s

stakeholders — suppliers, customers and communities — as equally integral to its success. “We are in the chemical business, and sometimes our chemistry is dangerous,” explains Sergio, “so external stakeholders, like communities, are important to us and we want to have a dialogue with them to make what we do transparent.”

Looking to the future, Sergio has his sights set on even more growth, supported since 2014 by the new shareholder Ardian — the largest European fund with more than €60 billion in assets. In the next three to five years, he wants Italmatch to have a strong presence in Asia-Pacific and North America, and for it to be turning close to €1 billion in sales. With his track record for advancing the company, there is little doubt these objectives will be achieved. ■



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