



Stahl moves to acquire BASF's leather business

Stahl announced in March that it had agreed to acquire the leather chemicals business of rival manufacturer BASF. The deal is expected to be completed in the fourth quarter of 2017, subject to the approval of the relevant authorities.

“These are exciting and challenging times for the chemical industry in terms of sustainability and innovation,” said Stahl chief executive Huub van Beijeren on announcing that the company had agreed a deal to acquire the leather chemicals business of rival manufacturer BASF. “We believe we can only make a real difference if we can work on a large scale within the industry. The signing of this agreement enables us to accelerate the process of creating a more transparent, sustainable supply chain.”

Paris-based investment firm Wendel, which is the largest shareholder in Stahl, disclosed that, as a result of the acquisition, BASF will receive a 16% stake in Stahl in addition to a cash payment of around € 150 million that Stahl will pay. It added that the final amount of money may be adjusted “depending on leverage and working capital” when the deal closes, probably in the fourth quarter of 2017.

Wendel will remain the largest shareholder in Stahl, with around 63% of the equity. Swiss chemicals group Clariant, whose leather chemicals business Stahl acquired in 2013, has a 19% stake. BASF's ownership of 16% of Stahl's equity will leave small shareholders, including the management team, with a combined total of 2%.

The French group revealed it had calculated that BASF's

leather chemicals business unit achieved revenues of € 200 million in 2016 (BASF reported its leather chemicals revenues only as part of the results of its larger performance chemicals group). It said combining these revenues with Stahl's gives a 2016 figure of € 850 million.

Stahl intends to take over all the activities of BASF's leather chemicals business, including a manufacturing site at Hospitalet, near Barcelona, and approximately 210 employees. However, the companies also confirmed that some products in BASF's leather chemicals portfolio will continue to be made at other BASF factories. Those factories will remain in BASF's ownership and the leather chemicals they produce will be in “significant volumes” and will be for Stahl to take to market. This is part of what BASF has referred to as a set of “mid to long-term supply agreements” with Stahl. The Netherlands-based company confirmed to *World Leather* that it will continue to offer BASF-branded products to the leather industry after closing.

“Since both parties have strong customer positions with their product portfolios,” Stahl said, “we will assess how complementary our portfolios are and then take steps to further improve them. Naturally, respecting the relevant strengths of the two companies and the best interests of our clients will be paramount in this process.”

CREDIT: BASF





The chief executive of Stahl, Huub van Beijeren, believes the deal will lead to new market opportunities for the company.



Stahl, which has its headquarters in Waalwijk, Netherlands, was itself up for sale just two years ago.

Industry impact

Speaking exclusively to *World Leather* on the opening day of the APLF exhibition in Hong Kong, March 29, Mr van Beijeren said the acquisition will strengthen Stahl's commitment to the leather industry. He added that his company has "always been committed" to leather and that its acquisition of Clariant's leather service business unit in 2014 extended that commitment. "This [the proposed acquisition of BASF's leather business] will be an opportunity to extend it even more," he predicted.

He affirmed the belief that Stahl and BASF "share the same vision on reducing the environmental footprint linked to our activities", while Stahl said the deal will strengthen its competitive position and "improve sustainability" in the leather chemicals industry.

Stahl's sustainability director, Mike Costello, echoed the sentiment that the acquisition will be good news for the leather industry. He told *World Leather* that one of the company's goals is to "create more transparency" in the global leather supply chain. Opening up the supply chain will, he said, result in greater sustainability for the leather industry. "We've put a lot of energy into this over the last few years," he revealed, "and we need to keep going if we want to help bring the industry to where we want it to be. One of the main motivations for the BASF acquisition is that we will now be working on this from a position of greater strength. If we have more influence than before, we will be in a better position to push for more transparency."

Mr van Beijeren explained that, in his opinion, some large companies in the chemicals industry have left the leather industry because they have ceased to be satisfied with the opportunities for growth that leather can offer. "The leather industry is probably too small for them," he said, "so in their minds it's logical to leave leather behind and put their efforts into other sectors. Where the leather industry is going and what challenges it faces are very different questions today than they were 10 or 15 years ago. Clearly, there are big companies that do not see leather as a priority any more, but we do see it as a priority."

Of BASF, he went on to say that, in his opinion, it was a

service-oriented company until 15 or 20 years ago, but that it has been operating more recently "under a different model". Its current set-up is to use distributors and it has reined in earlier efforts to provide technical service and to educate people in the industry. "But BASF has very good products and people," he added, "and a very good reputation for the quality of its products. If we at Stahl can combine that with our very customer-focused and technical services-oriented model, I think we can do a better job together."

The future of Stahl

Between its acquisition of Clariant's leather business in 2013 and the proposed acquisition of BASF's leather business now, Stahl itself was up for sale. Majority shareholder Wendel stated publicly two years ago that it was willing to listen to offers. Mr van Beijeren explained that, in 2015, Stahl was still in the process of integrating Clariant's leather division into the business and that this may have prevented potential buyers from seeing "the true value" of Stahl's business. He added: "I can tell you that there are people who were interested in buying Stahl at the time who are now very sorry that their attempts to purchase us did not go through. And I can tell you that both our management team and Wendel are very happy that a sale did not happen then."

Mr van Beijeren described Wendel as "fantastic owners" and said he would love the majority shareholder to maintain its investment in the company for another ten years. "But I think it's obvious that Wendel will want to get value from its investment in Stahl and that, at a certain moment, it will seek to do that by selling the company or floating it on the stock exchange. That's logical, and there's nothing wrong with it."

He is confident the deal with BASF will lead to new market opportunities for Stahl. "By combining our forces, we will have an even stronger product portfolio with more innovative solutions enabling us to serve our global clients even better," he insisted. He also revealed that he frequently tells people who work for the company not to worry about who its owners are. "If we continue to present the figures we are presenting at the moment, everyone will want to own us," he said. 🌐