

**COMPANY PROFILE**

## **ICT builds strong pan-European presence through high-quality greenfield strategy**

**Italian producer ICT has almost tripled its tissue capacity through organic growth over the past 10 years. With a good track record and a systematic plan, the expansion will most likely continue.**

Hugh O'Brian

"Acquisitions," says Sauro Tronchetti, CEO of Industrie Cartarie Tronchetti (ICT) "may be a good route to international growth for some companies. But that's not 'Our Way'. Instead our strategy has been to build greenfield mills in strategic areas close to the consumers, with room for expansion and utilizing the best available technology to make high quality premium tissue products."

And that, in a nutshell, is exactly what ICT has been doing for the past decade. In 2000 virtually all of ICT's production capacity of 180,000 tons per year was located near Lucca, Italy. Starting in 2001 new production plants added in Poland, Spain and, most recently, France have pushed Tronchetti's capacity up to 470,000 tons per year.

**GETTING CLOSER TO THE CUSTOMER.** In the late 1990s ICT recognized that to continue to grow throughout Europe it had to move production facilities closer to the large population centers and markets that it had been serving up until then from Lucca, Italy. Like several of the other Tuscan tissue companies, ICT had developed a very large export business which by the year 2000 meant that over 40% of its production was being exported from Italy. While this was a profitable operation, the long distances meant that transport costs were eating into the profit margins.

It was clear, says Tronchetti, that they could not maintain their export markets from Italy.

ICT therefore developed a systematic international expansion plan to serve the growing European market. This called for greenfield tissue mills in strategic areas to more or less cover the whole of Europe from four sites. The first site chosen was in Poland at Kostrzyn, 80 km directly east from Berlin, Germany.

"Kostrzyn was chosen," explains Mr Tronchetti, "because it allowed us to reach two markets with good potential.

First of course was the large German market which we were already serving from Italy, and the second was the potential growth in the Polish market."

In 2001 a 5.5 m wide tissue machine and associated converting equipment was started up at the newly formed company, ICT Poland. The mill was rapidly recognized as one of the most modern cost-efficient production units in the entire tissue world.

**A MAP. AND A PLAN.** If you walk into the rather busy office of Riccardo Baccelli, Executive Director at ICT, you will see, in addition to a pair of fairly new and fairly unused Alpine skis, a map of Europe that contains four circles. The skis are there, he says, to remind him to ski a bit more and perhaps work a bit less.

The map is what is keeping him busy. The center points on the four circles, each with a radius of about 600 km, located in Lucca, Italy; Kostrzyn, Poland; Zaragoza, Spain; and Montargis, France. From these four points ICT calculated that it can serve close to 80% of the European population. It looks like a jigsaw puzzle with some slight overlaps but fitting together very well, and covering almost all of western and central Europe with the exception of Ireland, the north part of the UK, and northern Scandinavia.

Based on the fully satisfactory results in Poland, ICT then set about to build a similar greenfield facility near Zaragoza, Spain, roughly between Madrid and Barcelona. This machine is also a 5.5 m wide unit and started producing tissue in late 2005 although ICT Iberica, the Spanish subsidiary, had been selling tissue products and converting for a few years before the paper machine started up.

With the Polish mill running so well, the company then decided it was time for a second paper machine in Kostrzyn. Thus in 2008 PM 2 started, effectively doubling the capacity there to 140,000 tons per year. So in the space of seven years, from 2001-08, following what Tronchetti calls a "very focused and disciplined pace of

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growth”, three Andritz PMs had been added and total output had risen to 400,000 tons per year. Turnover in 2010 reached Eur 500 million and the total workforce is about 1,100 employees of whom more than half, or 600, are located outside of Italy.

**FRENCH MILL COMPLETES THE PUZZLE.** To finish its plan to cover the European map with production facilities close to the markets, ICT then looked at France. Since 1999 ICT had a sales operation located in Paris to serve French customers. To support this more fully from a local plant, in June of this year ICT started its newest greenfield mill at Montargis, France, about one hour south of Paris. This time a Metso machine, 5.6 m wide, was chosen as the centerpiece for the Eur 110 million investment. With this operation underway, group sales should rise to around Eur 600 million annually.

**FOXY THE BRAND IN ITALY, SPAIN AND POLAND.** Tronchetti is serving both the private-label tissue markets, as well as producing its own brand, Foxy. Foxy was launched in 1982, a few years after ICT entered the tissue business, which was in 1978. Foxy has grown consistently and today is one of the leading tissue brands on the Italian market with a value share of more than 8%.

Mr Tronchetti says that since 1999, turnover of the Foxy brand in Europe has increased by over 300%. He attributes this rapid growth to a combination of the high quality of the products, continuous innovation to introduce new products and regular advertising support.

While Foxy is of course well known in Italy, the brand has also been successfully launched in Spain and Poland. Today, Foxy makes up about 25% of ICT's finished product while the remaining 75% is dedicated to private-label for retailers across Europe. Tronchetti says that it is pleased with the growth of both its brands and private-label product lines.

**JUMBO ROLLS AN IMPORTANT PART OF THE BUSINESS.** ICT has also made the sale and supply of jumbo parent reels to converters a very strategic part of its business plan. Baccelli explains: “We have seen excellent growth in our B2B division supplying tissue to converters throughout Europe. We make it very clear that we are in the jumbo roll business for the long term and that we also are very committed to providing a high level of service to the converters who buy our rolls. So the customers each month get the same quality and reliability, which sets us apart from other actors on the market such as traders who may have a somewhat less consistent supply source. We sell approximately 20 to 25% of our paper this way and we certainly aim to maintain that as we grow.”

**STILL FAMILY-OWNED AND INTENDING TO REMAIN SO.** ICT is a family owned company which Mr Tronchetti says has been careful to have a clear separation of roles between the ownership, the Board of Directors, and the operational management. Mr Tronchetti as well as his two brothers, Massimo and Renzo, are on the Board of Directors, as are Riccardo Baccelli, Executive Director and Walter Bordi, General Manager. In addition, there is one non-executive, independent director also on the board, Mr Alberto Varetti. The actual running of the group is done by the Executive Committee where you find Sauro Tronchetti, Riccardo Baccelli, and Walter Bordi, and just below them is the Operational Management team.

When asked about the future, Mr Tronchetti says the family has no interest in being acquired and that the family ownership has allowed it to take a very long term outlook to re-invest in the company. This has certainly been an important advantage during this time of international expansion. “The family loves the business,” he explains, “and we are fully satisfied with the international expansion. We have the luxury to be able to plan for the long-term without excessive pressure for return on investment to the shareholders. This gives us both unity and stability.

**COOPERATION ESSENTIAL TO TEAM SPIRIT.** As far as the biggest challenges or barriers to continued growth, Mr Tronchetti says the management team is very vigilant about maintaining a cooperative spirit throughout the company. “We are extremely conscious of the need to maintain excellent cooperation between the various functions in the company such as production, quality, marketing and sales. As you grow from a small tightly knit Italian company to a much larger pan-European operation, it could be easy to lose that cooperation, which would of course be a big mistake. We have tried to overcome that by setting out a very clear vision for the company, anchored at all levels so that everybody can see the targets extremely openly. And we have built an excellent group of over 1,000 employees now who are really one team with the same mentality.”

Tronchetti says the main philosophy has been to bring in young talented people with the right competencies and attitudes, though not necessarily with tissue or papermaking experience. Walter Bordi also adds: “The strategy is to develop a team with fresh people, generally speaking, to whom we can transfer our business culture. We feel that young people bring in enthusiasm, energy and ideas that give us a push to keep growing and developing. Of course it is more difficult and time-consuming in the beginning to train this type of workforce but we have seen

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and are convinced that the trust built by doing it this way is a very successful result.” “I think all of us, every employee of ICT, can be very proud of the results which we have achieved so far” concludes Sauro Tronchetti.

THERE IS NO FINISH LINE. So far what has been achieved is impressive. But what is next? Mr Tronchetti says that at this point only phase 1 is complete. The new sites each have the possibility for two or even three paper machines. What is coming next, however, he will not immediately spell out in detail.

“More than 10 years ago we had a piece of paper with our plan and strategy clearly written on it. We have now executed phase 1 of that plan.” When asked what phase 2 might mean and what Tronchetti would like to accomplish in the next 10 years, Sauro Tronchetti smiles and politely says: “We still have it all written on that piece of paper. Please come back in 10 years and we can discuss it.” I, personally, am certainly looking forward to that follow-up meeting. •