

A new chapter for TFL

In an exclusive interview, Dr Wolfgang Schütt, the new CEO of TFL Group, spoke with ILM Content Director **Martin Ricker** to discuss the recent acquisition of Lanxess's OLC business unit, life during and after the pandemic and his future plans for the enlarged company.

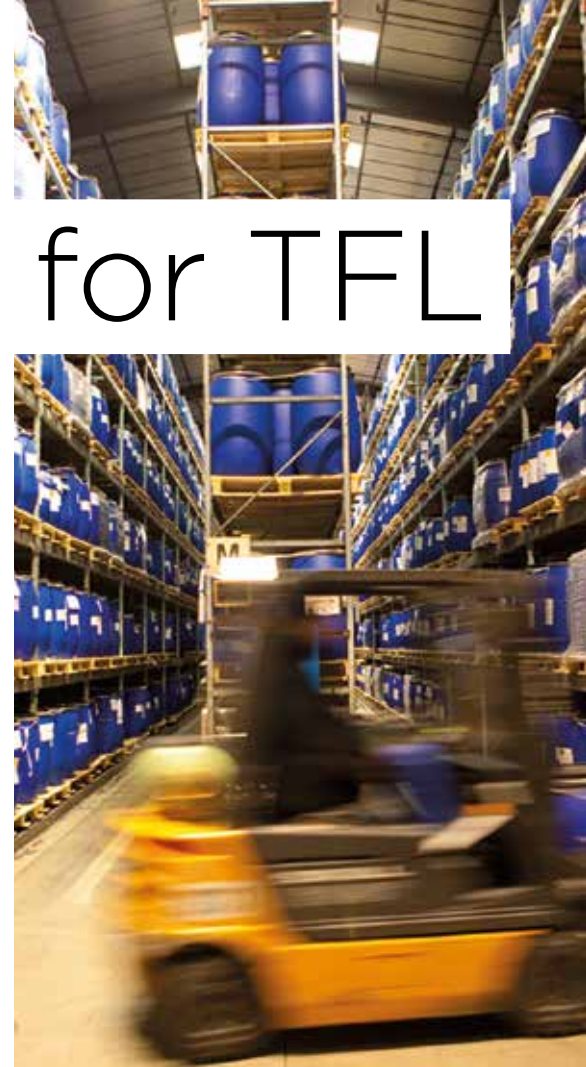
In December 2020, TFL Group announced Dr Wolfgang Schütt as its new CEO, starting his new role from March 2021. Dr Schütt's in-tray when he began as CEO for the second largest leather chemicals company in the world was already filling up. He joins TFL following a year in which the global economy has been rocked by the Covid-19 pandemic and the repercussions are still being felt throughout the leather supply chain, and for life in general. This is coupled with the announcement in August 2020 that TFL had acquired the Organic Leather Chemicals (OLC) Business Unit of rival Lanxess. The deal was finally concluded and legally signed-off as recently as June with a further transition period where Lanxess stock is cleared from warehouses and any remaining technology and functions are transferred over to TFL.

Dr Schütt takes over the role of CEO from Dr Peter Amann who had led the company over the past 13 years and retired in January 2021. However, Dr Amann still has a role on the company's Supervisory Board.

ILM caught up with Wolfgang Schütt while he was at the former Lanxess and now TFL facilities at the Leverkusen Chempark in Germany.

"I've always worked in the specialty chemicals business, but for me the chance to work in the leather chemicals business was a new one and I found it intriguing, especially with the private equity company behind it", Schütt explained to ILM. TFL Group is part of the private equity company Black Diamond Capital Management who acquired TFL in 2013.

In fact, where he will be located is itself a topic to be finalised and, with Covid rules in place, many TFL offices have fewer people than in normal circumstances. "Where I will be based is a good question. Our TFL headquarters are in Rheinfelden in southern Germany and very close to the Swiss border. The senior management team have traditionally been based in Muttenz in Switzerland where TFL had an R&D presence. Since I joined, I decided to relocate the R&D centre back to Humingue in France, as I believe they should be located closer to our production facilities as there has to be a better interaction. We will also continue to have another office close to Basel for a few of our office functions. I myself currently have three offices, one in Muttenz, one in Rheinfelden and one in Leverkusen. In the future, I intend to split my time between Leverkusen and southern Germany (Rheinfelden) and will likely give up my office in Switzerland. We have to be cost conscious and that starts with me at the top", he said.



Focus on being a leather chemicals business

"Right now, TFL is 100% a leather chemical business and we have no plans to focus on other areas. We are focusing on providing our customers with the best offer and service in the market. Moving into other areas would distract us and it is not our intention to look substantially outside leather."

Due to travel restrictions, because of Covid at the time of the interview, he had not yet had a chance to visit tanneries or customers. However, he said that there is a clear goal to visit customers, to see what the industry is about and attend some of the industry fairs and events. "I've been given the heads-up by my colleagues that this is a special industry that is not only about hard technical facts but also has an artistic element. It has some similarities to my previous role", he said.

"If you have a nice pair of shoes with high quality leather, you can tell the difference with those which are made of plastic."

Merging Lanxess OLC into TFL

"The acquisition of the Organic Leather Chemicals business of Lanxess was an important step for TFL and our colleagues from Lanxess. The closing of the part-asset and part-share deal had to be finalised and it took a lot of work and time in my first 100 days in the role. The preparation of the transfer of data and information was difficult as our ERP systems didn't match and this caused some supply chain issues at the beginning. However, the supply chain is now ramping up and we



are making progress every day”, Schütt explained. “Our teams are working hard and it is not unexpected that we would have some teething troubles when merging two businesses of such size.”

He said that; “new orders had been coming in strongly since leather production after the post-lockdown period had increased and, due to overall high demand and global shipping challenges, it has been difficult to source some raw materials for their chemicals. This is not only an issue for TFL but for the specialty chemicals market in general. But I expect that the market will normalise in time and, given some time, the raw materials prices (for chemicals) will settle down.”

Talking of the acquisition, he added: “We had strengths where Lanxess didn’t, and they had strengths where we didn’t. So, when you look at the map and the geography and the competences then there was a good match.” The acquisition did not include some indirect functions such as human resources, finance and credit control, corporate communications and IT services, so there is a period where Lanxess staff will be incorporated into the existing TFL set up and systems, and this may mean that additional human resources are required in some of these areas. Conversely, there will be some

areas of the combined business where there will be an overlap of resource and that will be addressed in due course. Dr Schütt said that if there are any redundancies they will be managed professionally and that there had already been some small reductions in headcount due to people retiring or leaving the business since the announcement of the acquisition was made.

Further expansion?

Looking beyond the acquisition of Lanxess OLC, ILM asked Dr Schütt if TFL had any further plans to expand and grow the leather chemicals business. He said that first of all he wanted to make sure that their customers would be served well and he wanted to spend some time managing the processes of bringing the company together. He said that he expected to bring forward people within the business who wanted to grow with a vision of the future. He also left the door open for future growth; “If there are any competitors in this market that are looking to divest, then we would always be happy to take a look”, he told ILM.

With the addition of about 420 people from Lanxess, TFL Group now has a global workforce of more than 1,200 people and operates in 90 countries. ▶

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Life through the pandemic

"Of course, looking back for me, it is now 'water under the bridge', but last year the whole chemical industry had a terrible time. Quarter two last year was very difficult but the market did slowly improve in quarters three and four. For this year so far, the market is continuing to improve and I'm going to be comparing our 2021 performance with 2019 rather than last year", he said. "The pandemic has meant that we have all re-examined our businesses and how we work. I'm a believer in teams and working together, so if members of the team are partly home based in the future that's OK, but we still want people to return to the office and have that opportunity to informally talk by the coffee machine and share ideas." As Covid rules relax, he said that more employees will be invited back to the office to have face-to-face contact but, for those that can, there will be the possibility of some form of hybrid working in the future.

Market recovery

"Our main markets are automotive, furniture, footwear and garment. In recent months we have seen a recovery in some areas and the opening-up of social life will help the sales of shoes and bags. "During the pandemic, sales in upholstery leather were good as people looked to improve their homes and we have seen a good recovery in the automotive market although it is yet to reach the levels of 2017-18." Schütt commented that global annual auto production fell from just below 100 million cars to a few more than 70 million in 2020, so he was expecting to see an upturn in 2021, although the supply chain had recently been disrupted again by a shortage in electronic equipment.

"There will be population growth in many parts of the world and we should see some growth in the future. I think we will see that

leather remains in fashion as it is a durable and sustainable material. I bought a pair of good leather shoes 25 years ago and, with care, they still look good today. Leather is under pressure through the link to beef production and the corresponding carbon footprint. However, for me, the hide is a by-product of meat production, and to use this by-product is sustainable. If the hides and skins were not used, they would be dumped or burned and that's not sustainable. This is a key message and our industry needs to continue to work together to better communicate its positive environmental position."

More sustainable chemistry

Schütt said that TFL's next generation of chemicals will be driven by being better for the environment and more sustainable. "The automotive and fashion segments are looking for innovation and we will follow what the customers are demanding." In the pipeline are a range of new products as well as others that will be newer versions of existing product lines, such as those with a lower VOC content or as an example chemicals which are less sensitive to the end consumers skin. TFL is also looking at finding alternatives to replace fossil fuel derived ingredients with renewable carbon ingredient sources.

One of the areas of activity will be also that the industry educates tannery customers in developing countries around safe handling of chemicals, following the example of the positive work the leather chemical makers have been doing for a while in Bangladesh.

Future TFL strategy

"First of all, we will use a combination of the strengths of the former Lanxess business unit and TFL to grow together to become the leading global leather chemicals supplier. Before, we didn't have a major manufacturing plant in China, we have also improved our company footprint in India and Brazil, and we didn't have any manufacturing facilities in Germany until now. We are in the process of exchanging information and learning from each other to know what the best way is of doing things. We can learn from Lanxess and they can learn from us", explained Schütt.

On a wider point, Dr Schütt said that TFL wants to be part of the conversation to improve the image of leather and educate the brands and consumers on how leather is a sustainable material. "I am new to this industry, and I fully understand that some people do not want to eat meat. But I've always fully appreciated leather and if we do not use this by-product, it will be a waste. Any hide that is dumped into landfill is a waste and we have to convince consumers that leather is a sustainable material. We must be creative and as a scientist I have a sustainable way of thinking, to use fewer natural resources and the message is to communicate that leather is an extremely sustainable material", he concluded. |

About Dr Wolfgang Schütt



Dr Wolfgang Schütt was born 1964 in Germany and is married with two boys. He obtained a PhD as a chemist in the early 1990s and an MBA. He joined TFL as CEO in March 2021, and has also held several senior positions for various chemical companies throughout his career, as follows:

- | 1994-98 Wacker Chemie: several positions in Marketing and Sales.
- | 1998-2001 Wacker Silicones (USA): Business Team Manager Technical Specialties (Marketing, Sales, Technical Service/Application Technology).
- | 2001-05 Degussa: Business Line Manager BioActives (Marketing, Sales, Technical Service/

Application Technology for Nutraceuticals and Cultures/Enzymes for Dairy).

| 2005-12 Altana: Division President Elantas Electrical Insulation (all management functions).

| 2012-21 Altana: CEO, Eckart Effect Pigments.