

A triumphant re-entry - An interview with Stefan Messer

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Stefan Messer and the Messer Group are making a firm return to the top of the industrial gases business, as a Tier 1 player.

WHEN WE THINK about the major players in the gases business, it's easy to get caught-up with the Air Liquide's and Linde's of this world.

The industry's Tier 1 players have been established for some time now, with Air Liquide, The Linde Group, Air Products, Praxair, Airgas and Taiyo Nippon Sanso Corp. (TNSC) dominating the global market.

This year sees the return of a familiar face to that elite list however, as the Messer Group takes up its seat at the top table of the industrial gases business once again.

Owner and CEO Stefan Messer has overseen the company's cautious yet considerable progress in recent years, as Messer has grown ever closer to the \$1bn sales/revenues barrier and its return to the top. He has also supervised the group's proud re-entry into its native German gases market.

It's all a far cry from the position Messer found itself in just four years ago, when **gasworld** last interviewed Stefan Messer (May 2005) and the group was in a state of flux after the sale of its assets in Germany.

A lot's changed since then, though the company's core principles and building blocks of success remain the same.

Then...

Back in 2004, following Goldman Sachs and ACP's exit from the business, almost two-thirds of Messer had to be sold off.

The company's gas operations in the UK, US and Germany were all sold to Air Liquide, giving the Messer family, through their holding company Messer Industrie GmbH (MIG), the opportunity to acquire the remaining shares in the old Messer Group.

The restructuring meant that despite the loss of key markets, the Messer Group had become a fully family-owned business once more, making it the biggest family owned industrial gas company in the world.

With Stefan as CEO, the restructuring also saw the Messer Group focus its efforts on East and West Europe, and China.

And now...

While the enforced 'exit' from the German gases market proved a 'sad' thing to have to do, it also afforded the opportunity to bounce back in style and re-launch the respected Messer name in the country in 2008.

The company did just that, among a fanfare of PR and press attention, and as we approach the subject in our interview with Stefan Messer, the importance of that re-entry is evident.

The charismatic CEO explained to **gasworld**, "It took us, of course, some time to prepare our re-entry, you have to have an infrastructure to distribute gas cylinders and you need to have partners in the market. You also have to invest in the equipment and the people, which we did in 2007, and in 2008 we could use our name again – now we are quite successful."

"We signed two big contracts and we have also experienced good success in signing new contracts with smaller customers. Now we have, I think, 20 distributor partners in the market, mainly in the core regions around Siegen and Salzgitter and we have also already installed 84 customer tanks for bulk products. I think we will have more than 100 customer tanks installed by the end of the year, so this year we planned sales of €11m and I think we will make that."

Although establishing itself back in its native German market has been a fundamental target in the past few years, Messer's overriding focus on the regions of East and West Europe and China has been instrumental in its new found success as an independent.

"It has proved a very successful strategy; you can see it right now because in Europe we are struggling due to many customers reducing their capacities in the industry. In China however, where we invested quite a lot of money, our business is still growing. In just the first two months of 2009 we have seen a growth in our Chinese business and a downturn in our European business – so we have a good balance."

"We were quite dependent on our competitors before – Poland for example, and some other countries where we were only a wholesaler or distributor, so we decided to build 10 new plants in Europe. Up to 2010, we will have spent about €400m over three years to construct them; we have one in Spain, in France where we have a joint venture with Linde, two in

Germany, one in Romania, Bosnia-Herzegovina, Poland, Switzerland, Turkey and then we have two pending projects in Latvia and in Ukraine.”

These core markets are clearly of great significance to the Messer Group and when asked whether the company would be seeking to diversify its regional strategy, Mr Messer’s answer was clear. “No, we are concentrating on these key regions first.”

As much as the company has been heavily focused on re-establishing itself in the industry, Mr Messer’s approach seems to be very much; we’ll stick to what we’re doing and concentrate on doing it well, rather than branching out in all directions.

He says, “We try to develop new applications, we try to look into alternative energy and we will invest in China and Vietnam because I think that’s the future, but we are not thinking about investing in new geographies, at least not right now, maybe this will change.”

There’s clearly a lot to be said for achieving a healthy balance between emerging and established economies, a point proved as our chat moves on to the Tier 1 players and the position Messer now finds itself in.

Mr Messer reveals with a smile, “I think in our regions we consider ourselves to be a Tier 1 player, yes. In some countries we are a niche player of course, but overall in EIGA, and this is accepted by the big four, we are a Tier 1 player.”

With such success seen over the past five years then, how much of this could be attributed to the company’s family-owned independence?

Building blocks

As a completely family-owned business since 2004, Messer benefits from a whole range of advantages and in turn, disadvantages.

Some of these hallmarks of independence have enabled the group to push forward and achieve its current status, with a strong reputation, dedicated customer service, and a much-valued personal touch all providing the crucial building blocks for success.

Messer explains, “The advantage is that we can make decisions much faster, a good example is how we got the order from Salzgitter; Salzgitter recognised Messer’s good brand name and they know that we are capable of constructing air separation plants. Also, because we are new in the market now and they think that we will do everything to make them happy, much more than would be offered by other established companies.”

“Another advantage is that they can talk to the owner - it is often the case that a customer cannot talk to the director if they have a problem. If they have a problem now, they can call me direct and I will do everything to help them - it’s so much more personal and that’s a big advantage we have.”

*But what about the disadvantages, **gasworld** asks?*

“There are disadvantages, of course, because we are restricted in our resources. We are not a public company, we don’t have a focus on new markets and we cannot get money from the financial markets for big expansions. That is a little disadvantage, but on the other hand the gas business is a regional business and I don’t care if we are the biggest or not, it doesn’t matter.”

“In our regions we are a major supplier and player and therefore I don’t see so many disadvantages – and I don’t want to go back into the US or the UK, so we concentrate our efforts on our home markets.”

The current climate

This wouldn’t be considered a topical interview without **gasworld** at least touching on the subject of the tough economic climate we’re all engulfed in; we asked Mr Messer how his company has been and will be affected, and whether its financial approach has changed as a result of the current crisis.

“We will stick to our plant expansion strategy in order to become more independent,” he said.

“Where we can maybe save some investment is in cylinders and tanks, because we will start to see customers taking less product; so maybe we won’t need to buy new cylinders, and can save in this operational capex, but not in the project capex because all these plants are ordered and we have contracts, and we will finalise them.”

“In Germany we don’t feel the recession because we are new in the market and we have the opposite, we grow - every month we have a little bit more. So generally I don’t see such a big problem for us, in other countries of course we will suffer from the recession of some industries and we will try to compensate, which is not so easy. We will try to economise our assets, that’s what we can do - the moving assets, the cylinders and the trucks and tanks, we can move to other areas.”

“We will use this time to think about new technologies, maybe in the field of application technology. When the oil price is going up again the usage or the application of oxygen will get more interesting, because when oil prices are high you can use more oxygen to economise your burners or your furnaces, so there’s opportunity there.”

It’s clear that being an independent, family run business has a plethora of advantages, but is it a help or a hindrance when a recession hits?

“We are not dependent on share value or dividend payments, so when shares fall down by 50, 60, 70 percent and borrowing becomes very expensive for the big companies, we are not affected.”

When sitting opposite a well respected individual with a wealth of experience in the industry, it's very difficult not to try to pick his brains about the effect the recession will have on our industry and when he believes the green shoots of recovery will appear – **gasworld** couldn't resist.

“The gas industry is not so harshly affected by all this, because the customer spread is very wide and we have some areas where we have no recession at all. If you look at the medical business or the food business, if you look at some big customers like ship yards who are building these big cruising ships – they have orders until 2012.”

“There will be some changes I think in the automotive industry, there has to be changes, because I think the capacities are much too big. We don't need so many car manufacturers, so yes there will be concentration I think, some plants will be closed.”

“I think we will see some recovery in the autumn,” he suggests.

The future

During our interview, Mr Messer revealed the company's key financial figures for 2008, telling us that in 2008 the group invested €194m, and adding, “we will invest about the same this year and about the same next year; that includes the 10 plants in Europe and four plants in China and Vietnam.”

“It also includes some filling stations - in Spain we are building a new filling station, we've just opened stations in Germany and one in Italy, and we are also building one in Romania. Then of course we have to invest in cylinders, trucks, trailers, tanks and vaporisers, and this is all included in this figure.”

With net sales reaching €795m in 2008, it's clear the Messer Group is back in the thick of it. It hasn't been easy, but a controlled, patient, and determined approach has earned it a place at the top once again.

This approach is one which, as well as being adopted by The Messer Group as a whole, has had to be taken by Mr Messer himself. A tough battle with cancer in 2008 has meant he has had to take a back seat, stepping down from his position as President of EIGA and taking things a little slower.

Similarly, his patience has paid off; he is back at the helm of Messer, and will take up his EIGA presidency once again in 2011.

As the interview draws to a close, the **gasworld** journalists are beaming; Mr Messer's passion and enthusiasm is contagious.

He closes with a smile and says, “Right now we have spent all our money until 2010, so there will be no dramatic new projects coming, but beyond 2010, then I think we will have new ideas...”