

IN CONVERSATION WITH:



Luigi Scagliotti

CEO

Manucor SpA

Luigi studied within the law faculty at the University of Genoa before beginning a career in commercial departments, travelling the world, visiting countries and meeting people from all cultures. Initially working in the poultry industry, after a couple of years he moved into the packaging business where he has spent the last 40 years. He has worked with companies in the UK, Italy, USA, Canada, Russia, Saudi Arabia, Indonesia, and Malaysia, gaining experience both on a professional and a human level. Now as CEO and part-owner of Manucor and with greater overall responsibilities, he is still willing to work, travel, learn and improve.

Here Luigi talks to Orientate about his decision to become a company shareholder and what the recent change in ownership will mean for Manucor over the coming years.

OR: Luigi, you have been CEO of Manucor since 2018. Can you talk us through your background and how it helped prepare you for this role?

LS: My career has always been in packaging companies. I started 42 years ago as Export Area Manager in an Italian company, manufacturer of self-adhesive tape and BOPP film and, during the 20 years of work with them, moved up to the position of Commercial Director and BoD member. It was a great school and experience as I was working very intensively at international level (the group had branches also in North America and was operating worldwide) with growing responsibilities and the possibility to choose and manage teams of excellent people.

After 20 years as a manager, I decided to move on a freelance basis and started to cooperate, as Commercial Consultant, with various companies, always involved in the international packaging business. I assisted self-adhesive tape manufacturers as well as LLDPE and LDPE stretch and shrink film producers. Initially in Italy but, between 2010 and 2014, helped a Saudi company to start up its business in the stretch film business and then took charge of their sales and

logistics in Europe. In 2017, I did the same with a Malaysian big Group, with whom I am still cooperating.

Because of my experience and knowledge in the field, in 2014 I was called by a private equity to administrate a company in Italy (it was among the ones I had already cooperated with previously as an independent commercial advisor) that they had sold to an overseas buyer who needed someone local to manage the business as CEO. I was successfully covering the position till 2017 and, shortly afterward, moved to the same position at Manucor, and with the same responsibilities, where I was called by another private equity which had in the meantime become the 100 % owner.

The three macro-businesses I had always worked in, self-adhesive tape, stretch and shrink LLDPE/LDPE and BOPP film are strictly connected. Raw materials suppliers are, mostly, the same and also customers are very frequently interested in the three products. At Manucor I was continuing with previous successful relationships, developed over a very long time and, therefore, very solid.

Strangely enough, I am one of the very few CEOs in the BOPP business who have mostly a commercial background and not a technical one. I see it as very useful to understand a market which, especially in the last few years, is subject to quick changes. The long-lasting relationships with raw materials manufacturers has helped in a decisive way in having their trust when, at the beginning, Manucor was not precisely in great financial shape. If now we are totally out of any financial worry it is also thanks to that trust.

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OR: The last few years have presented numerous challenges including lockdowns, extreme weather conditions and more recently, soaring energy costs. What do you consider to have been your biggest challenge so far as CEO? Is there something that you are most proud of?

LS: I've had several challenges in recent years. The biggest one, by far, was showing to all the stakeholders that Manucor was a safe and trustable company which was able to deliver a complete range of excellent products, at that moment and for a long time in future. When I joined Manucor, many were betting that we would not survive the year. Now, the very same people, are surely convinced that we are here, and we will remain here. Numbers are clearly confirming it.

The point I am most proud of is to have given hope and pleasure to work to the over 220 people who are employed by Manucor. Day after day, we build up confidence, outside and inside Manucor, sweeping away from people's minds the fear of losing their jobs, in a region where new jobs are not easily found.

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OR: You now also hold a 5% stake in the company, following Sibur Group's exit from the shareholder structure. Can you tell us more about how this change came about and what it will mean for you and for Manucor in the coming years?

LS: Unfortunately, the operation to have the Sibur Group out of Manucor became a must, precisely on the 24th of February 2022. They had been an excellent and valuable partner since buying 50% of Manucor shares in September 2019 but became a heavy hcp when the war started in Ukraine. Without any direct responsibility, they were considered as an "enemy" and Manucor, consequently, too. Relationships with certain suppliers, customers and banks became complicated. No one in the Group was, or even today is, sanctioned but, just for reputational reasons, we were put in the corner by the system. So, our Chairman and myself, as CEO, worked out a very complicated mediation among the shareholders, to achieve the target of returning Manucor 100% to Italian hands. The 5% stake in Manucor is the visible sign, for all our stakeholders, of our personal engagement and future commitment for Manucor's continuity and success. As for me personally, it is the additional motivation to continue my professional life in a business which I know and like.

OR: Our last interview with Manucor was back in 2012, over a decade ago. How has the BOPP industry changed since then? In your view, has it changed for the better or worse?

LS: The market has considerably changed since 2012 but, on the other hand, what else hasn't? I cannot say whether now it is better or worse than eleven years ago. It is just different and demanding. Certainly, changes are happening more frequently and in a quicker way. We must be flexible and ready to adapt to new challenges. Probably, in 2012 Europe was still an important, if not the most important player in the specific business while today the focus has moved eastward. Like many other business activities, India, China and Asia in general are not simply a threat but real, effective and strong competitors. We have to rise the knowledge of our companies and win the challenge on quality and more sophisticated products.

OR: Italy is by far the largest BOPP producer in Europe, accounting for around 17% of the market, yet the average age of its BOPP assets is high in comparison. Do you see this as a potential problem?

LS: It is a problem as we are faced with competitors, within and outside Europe. Many are enjoying opportunities which, unfortunately, Italy, as a country, cannot have any longer. Polish and Portuguese companies, especially, have installed more recent extruding lines, thanks to the abundant public money which they got from their own governments. Governments which, at the end of the day, got it from Europe. On top of that, their cost of energy is considerably lower than ours. The good news is the fact that in Italy, generally, the attention to maintenance and care of technical lines is much, much better than what we see in other countries. Our newest line, which is already 20 years old, looks, and is, much younger and efficient than similar machines sold by the same supplier many years later.

OR: What other challenges do Italian film producers currently face?

LS: One word only: energy. It is something that we can hardly control and I am personally worried to have part of my destiny in someone else's hands. This is why we have in Manucor a great focus on any possible investment which could make us less dependent on conventional energy sources.

OR: Manucor currently runs four of its five lines, the newest of which now over 20 years old. Are there any plans to upgrade or replace these lines in the coming years?

LS: We have now four lines. The fifth one, which was really the first we bought back in 1988, was sold two years ago to Pakistan and we use the space as warehouse. We upgraded line number 4 in 2019/2020, adding a twin screw extruder and changing many mechanical and electrical/electronic parts. We plan to do the same with line number 5 (the big 10 m wide line) and line number 3, during the coming 2 years. The biggest obstacle is the fact that suppliers have long delivery times, especially for electronic, vital parts.

OR: Are there any other potential investments lined up?

LS: As I said, we are closely looking at how to reduce the energy costs and are planning investments which will provide alternative sources. In a place like Sessa Aurunca, where sun, wind and potential biofuel are certainly not missing, we can let our creativity free of daring.

We do not plan to add new lines, increasing the capacity in a market where volume is already more than enough, payback time would be uncertain and far too long.

OR: A few years ago Manucor moved its focus away from exports and more towards the domestic market. How did this change impact the business? Which market currently holds the most opportunity for Manucor?

LS: Italy is still, by far, our main market. BOPP is becoming, more and more, a proximity business. Growing costs of transport and lead times are forcing us to concentrate on a number of markets which are close (or relatively close) to our factory and with excellent logistic services. This is true especially for those of our products which we can consider commodities. It's a bit different for specialties where quality is the first consideration for buyers. Here we see a good potential development in any of Western Europe's markets.

OR: With Vibac, Jindal, Irlplast and Taghleef all with plants in Italy, how does Manucor remain competitive? What would you consider to be your USP?

LS: I consider our USP the overall quality of our products and the efficiency of our services. With time, Manucor has moved from being considered a "price" company to a "quality & service" one. I am surprised and delighted when I look at the percentage of claim we receive on our materials. So much that I always ask a double check to confirm it is real and true. But the best acknowledgment usually comes from customers who universally recognize this point and consider it the main reason why they buy from us.

OR: You have held a strong position within the labels market in recent years. Are there still plans to grow within this area or any others?

LS: The growth of our presence in the label market has been quick and noticeable. Now it is time to consolidate and expect a physiological growth, year after year, following with care and attention the most faithful customers. In terms of development, we are taking our first steps into the IML business where we aim to be a serious player within the next two years.

OR: Sustainability continues to be a major driver behind product development. What features or changes to film structure are your customers asking for and how are you accommodating their changing needs?

LS: The main requests coming from our customers are downgauging, for both saving in cost and reducing wastage of plastic, and mono-material with high barrier, in order to

make the recycling process easier and smoother. As for the first request, we work on the fine tuning of all our lines to allow reduction of the thickness but maintaining planarity and accuracy. For the second, we cooperate with raw material suppliers to find the combination of granule + extrusion process which allows to achieve the result.

OR: What do you consider to be the most important sustainability initiatives in place at Manucor?

LS: We are working hard and instruct people to reduce the waste and to recover, with the appropriate machines, most of it in a self-reusable way. We also plan our various productions with the aim to reduce, as much as possible, the energy consumption and CO2 emissions (Manucor is certified ISCC PLUS and EMAS). We cooperate with selected suppliers

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in order to buy and use chemically and/or mechanically recycled BOPP granule.

OR: Other than sustainability, what do you see as the main challenges affecting the BOPP film industry currently and what should companies be doing to address these?

LS: In my opinion the greatest problem is the bad reputation which, wrongly, the public are attributing to plastic. And by "plastic" they mean everything, including BOPP which, like many other kinds of plastic is not a problem but, on the contrary, should be a resource. It would be enough to educate people to dispose of "plastic" in the proper way and we would save both money and the environment. Even easier with BOPP which, for those who do not know, allows us to avoid huge wastage of precious food which, with other packaging products, could not be avoided. So, we BOPP converters, should join forces to send a public message to the consumers and explain who we are, what we do with our product and how it is important for people's daily life.

OR: What do you hope will be your legacy from your time at Manucor? What keeps you passionate about the company?

LS: My legacy at Manucor will surely be the pleasure to have built professional teams which, whether commercial, technical, administrative, logistic, etc., have been able to work well and successfully together. Within their own team and with all the others.

What keeps me passionate about the company, and my job in general, is the fact that the last target is gone and becomes history the very same moment we reach it. We do not have time to celebrate as there is a new challenge, one minute later, and we must all concentrate on it.