



**CEO STEFAN BORGAS** tells Brunswick's **RONALD SCHRANZ** and **ALEXANDER KLEEDORFER** how he persuaded RHI Magnesita's skeptics

# This **CROSS-BORDER** can take the heat

**T**HE 2017 MERGER OF AUSTRIA'S RHI AND Brazil's Magnesita Refratários created the global leader in heat-resistant materials with 14,000 employees, a volume of 2.9 million tons a year and annual revenue of €2.5 billion (\$2.8 billion). At the head of the combined RHI Magnesita is Stefan Borgas, former CEO of Israel Chemicals and Lonza Group. He talks to Brunswick about the challenges, past and future, around the merger.

## What were the key ideas behind the RHI and Magnesita combination?

The refractory industry has been stagnating for years. Growth can mainly be achieved through M&A and consolidation. Looking for an appropriate partner, Magnesita was the best candidate due to their geographic setup and product portfolios. Together Magnesita, with its focus on the Americas, and RHI, a European company with activities in North America and Asia, cover most parts of the world.

## STEFAN BORGAS

Stefan Borgas became CEO of RHI Magnesita in 2016 after having led Israel Chemicals Ltd and Lonza Group. He earned an MBA from University of St. Gallen. His other interests include running, golfing, skiing and playing the cello.

**RONALD SCHRANZ** is a Partner and Head of Brunswick's Vienna office. **ALEXANDER KLEEDORFER** is an Associate in Vienna.

## Was the merger, which was under way already, a motivation for you to take the job?

I like situations where you really must be vigilant and where your decisions matter and have a huge impact. So yes, the merger context was relevant to my decision to accept the offer.

## What are the challenges you face now?

We are forging a new culture, based on performance, collaboration and an open-minded attitude. For us, this is not a poster on the wall. For example, we implemented an open office concept for the whole executive management team and introduced English as the corporate language.

## How did you convince the shareholders? There obviously was some skepticism and activism?

We had to deal with skepticism mainly from private shareholders based in Austria. We saw some activism from local individuals and had to repeatedly explain to them the why and the how. For institutional investors, we did roadshows, conference calls and met them in person. We received overwhelming support from them, as size does matter as a competitive advantage in our business. The positive share price development since the deal announcement tells a story in itself.

## What did you do to get regulators and antitrust authorities to approve the deal?

We engaged with law firms that specialized in cross-border transactions to go through the process as quickly as possible. Even so, it was a time-consuming and costly procedure with a massive amount of detailed data work and it tied up a lot of internal capacities.

## What are the benefits of changing the listing from Vienna to London?

Even with Brexit on the horizon, it's still true that the industry analysts and investors in London know our business and know the industrial sector. As a result, our trading liquidity increased quickly. That opens us to more potential investors than before.

## Is it difficult to manage the diverse cultures?

Diversity is an essential advantage because it brings different approaches. But we share a lot. We are in the same industry, solving the same problems for customers with much of the same base technology.

## How will you decide the merger was a success?

It's the employees who form a company, not the figures. Financial performance will also tell a story, but ultimately success will be evident in an engaged and performing staff – and it will be *their* success.