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Acquiring GROWTH

With more than 200 companies under its control, Agrofert is active in an array of industries including food production, agriculture, chemistry, ground machinery distribution, forestry, timber harvesting, wood work, renewable resources, biofuels, and media.

Images courtesy of Agrofert

“Essentially, most of the group was developed through a number of acquisitions that were accumulated over the years. This made our formerly small trading company into the largest producer in a number of different industries within our geography.”

- Libor Nemecek

From small beginnings in 1993 with a fertiliser wholesale trade and just four employees, Agrofert has grown exponentially to be a leading player in a variety of different market segments. It is the largest Czech and Slovak agriculture and food group, the largest Czech private employer with more than 34,000 employees worldwide, and the second-largest chemical group in the Czech Republic.

Agrofert works primarily with agricultural commodities, foods, pesticides, chemicals, raw materials, and fuels. It is based in the Czech Republic but also has production facilities in Slovakia, Germany, Hungary, and China, and has trading operations in many more countries.

Libor Nemecek is the Director of Mergers and Acquisitions and Finance and also sits on the board. He joined Agrofert in 2008 and prior to that managed the investment banking and corporate finance of Citigroup in the Czech Republic.

Libor says there are a number of elements that have enabled Agrofert to reach the level of success it has achieved over the past two decades. These include concentrating on acquisitions, creating vertical production chains, and building long-term business relationships.

“We were established as a very small trading company with a minimum registered capital of around €4,000 and then turned into what we are today thanks to a great strategy and the focus of our sole owner Andrej Babiš. Essentially, most of the group was developed through a number of acquisitions that were accumulated over the years. This made our formerly small trading company into the largest producer in a number of different industries within our geography.

“We are the fourth-largest Czech company in terms of sales and we actually incorporate over 230 companies in our group. Sales in 2013 were around €5.5 billion. The strategy was mainly to grow from just trading into the production of

fertilisers and other chemicals, and then into distribution. We acquired a distribution network that works well for the farmers, and then we also became farmers ourselves.”

Acquisition has always been a key component to Agrofert’s expansion and there have been many milestones and transformational events in the company’s history to support this. Acquisitions have allowed for continuous growth and the building of an integrated agriculture and food industry complex in Central Europe. Libor believes it was some of the larger acquisitions in particular which really lifted the business to its current position.

“I couldn’t name all of them in the early years but in the 90s these were mainly acquisitions of important Czech chemical companies. A very significant event was the takeover of SKW Piesteritz, the largest German producer of nitrogen fertilisers, which Agrofert acquired in 2002. In 2005, there was another acquisition, which was of DUSLO, the largest fertiliser producer in Slovakia, and those >



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two were credit-grow transactions which made us one of the largest producers of fertilisers in Europe.

“There was also the acquisition of our largest competitor in the Czech Republic which, similarly to Agrofert, was focused on distribution of inputs to farmers, commodities trading and food production. When we completed this acquisition in 2009 it actually helped us to become the most important player in our markets in those industries.”

Creating vertical production chains and digging deeper into its existing resources has been another primary tactic of Agrofert to achieve maximum efficiency.

“Increasing market share in given segments or by vertical links on the supply side or on the output

side is a key part of the strategy,” Libor says. “That’s how the group grew and that was the primary reason for us to enter other industries.

“The core part of our strategy is to be fully vertically integrated from raw materials up to the final product. As I said, Agrofert was originally just a trader but now we cover a number of industries—interconnected industries—which go from basic materials like natural gas in the case of fertilisers, or land in the case of agriculture—right up to the final product which, in most instances, is foods for all of our food industries, or chemicals.

“This is something which is quite unusual in our industry and in our region I think. It is quite unique to go this way—being vertical and fully integrated—rather than specialising in just one of the industries. This strategy is complemented by what we also think is very important and that is to really strive to achieve leading market positions in our core

segment of operations and in our geographies. The aim is not to be the largest worldwide in the smaller segments but to instead be fully vertically integrated. That’s our plan as we continue to move forward.”

Nurturing long-term relationships with business partners, suppliers and consumers is also crucial to Agrofert’s success. Libor says many of these associations were built when the company was conceived and they still exist today.

“Coming from the trading background, the whole group understands the importance of long-term partnerships. In some of our industries, where people do not change often, they have lasted over the years. It is necessary that there is trust, reliability, and that we can provide the best possible service to everyone we work with.

“Of course, in some parts of our business there is more focus on the customer side, and for others it’s quality and service.



Clearly both of these things have to be present in our offer in order to be able to successfully cooperate together.”

Agrofert has developed a company culture within its operation over the years and drives these values with its thousands of staff. Libor says the

business has a personality of its own with strategies and values in place to keep everyone happy.

“It is a core goal that all our employees behave as entrepreneurs and that they feel the group is their own. From that perspective, considering all the statistics and all the strategies, we want to ensure that there is entrepreneurship, loyalty to the group, and honesty. These are all things we try to stress to our staff, and they are all very important to us.”

Looking ahead, Libor doesn’t foresee that Agrofert’s strategy will undergo any significant changes. “We will certainly consider future expansion into different market segments to be able to continue to grow. We will also try to grow our existing businesses organically but I would guess that in the future the acquisitions will remain an important part of the growth strategy. Alongside investment into our existing business strategies we will grow the capacities, the efficiency and so on.”

“A dedicated team, a professional structure, and a customer focus make day-to-day relations with AgriCS straightforward. Couple this with a growing dealer network in a relatively small yet advanced marketplace and you have a recipe for success on all fronts!” - Andreas Klausner, COO, CNH Industrial EMEA and Brand President, Case IH

“Deza and Agrofert work closely with us to continually improve and advance our operations in Valasske Mezirici. Partners like Agrofert and Deza are invaluable, and underpin our success as a leader in delivering high-quality performance materials to our customers.” - Nick Cross, Executive Vice President and President, Europe, Middle East and Africa (EMEA) Region, Cabot Corporation



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