Halcyon AG
**Company Description**

- Halcyon AG is a leading producer in the field of special plastics and a manufacturer of food additives.
- Halcyon AG is divided into four strategic business units. All SBUs are structured as subsidiary companies, each 100% owned by the parent firm.
- Three SBUs -- Chemicals I-III -- produce various kinds of plastics. One SBU, EVA N.V., is specialised in the manufacture of special food ingredients and is incorporated in The Netherlands.

**Company Structure**

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**Halcyon AG**

The Company AG

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<table>
<thead>
<tr>
<th>Strategic Business Units</th>
<th>Sales (€ mm)</th>
<th>EBIT (€ mm)</th>
<th>Subsc. Cap. (€ mm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chemicals I</td>
<td>180</td>
<td>28</td>
<td>22</td>
</tr>
<tr>
<td>Engineering Plastics</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Chemicals II</td>
<td>250</td>
<td>29</td>
<td>30</td>
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<tr>
<td>Construction Plastics</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Chemicals III</td>
<td>140</td>
<td>50</td>
<td>20</td>
</tr>
<tr>
<td>Recyclable Plastics</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EVA N.V.</td>
<td>60</td>
<td>6</td>
<td>12</td>
</tr>
</tbody>
</table>

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**Notes:**

- Sales, EBIT, and Subsc. Cap. are shown for each SBU.

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Current Situation – EVA N.V.

- EVA N.V. is a leading producer of special food ingredients and a manufacturer of adhesives for various applications.
- The firm has captured a 60% market share in Europe (market volume: €100 million).
- Halcyon AG has a less dominant position on a broader, worldwide market (15% market share of a total market volume of about €400 million).
- The world market still embodies considerable growth potential.
- The European market is likely to remain relatively stagnant going forward.
- Further growth in Europe seems to be limited, so EVA N.V. has to strengthen its position outside Europe.
- In order to pursue a worldwide growth strategy, substantial investments need to be made in production and distribution.

Halcyon AG: Strategic Issues

- Halcyon AG management intends for the firm to remain a leading producer of specialty plastics.
- The market for specialty plastics is expected to grow considerably in the future.
- Excellent R&D and an innovative product portfolio promise successful extension Halcyon’s of market position.
- Halcyon AG defines its core competence in terms of its three specialty plastics SBUs.
- Reallocation of the company’s financial resources towards its specialty chemicals businesses is foreseen by management.
- Result: The investments necessary to enforce EVA N.V.’s worldwide growth strategy cannot be funded by Halcyon AG given its other commitments.
- The strategic role of EVA N.V. within the group has to be reconsidered.
EVA N.V. Financials

Financial Overview 1994 - 2000

Sales/EBIT by Product Groups (2000)

Development of Sales

Financial Overview 2000 - 2005
Competitive Positioning of EVA N.V. in the European Market for Food Ingredients
Classification of EVA N.V. in the Food Industry Value Chain

- **Suppliers of Raw Materials for Food Ingredients / Chemicals**
- **Manufacturer Intermediate Product of the Industry**
- **EVA N.V.**
- **Manufacturing of Food Ingredients and Chemical Products**
- **Wholesale of Food Ingredients and Chemical Products**
- **Processing Industry: Food Manufacturers, Hydrocolloid Player, Chemical Industry**
- **End-Consumer**
- **Retail Industry**

**Upstream companies within the value chain**

- **Food Ingredients Manufacturers**

**Competitors**

- **Manufacturers of Food Products**
- **Hydrocolloid Players**
- **Chemical Industry**

**Downstream companies within the value chain**
Deutsche Bank coverage of Halcyon AG has taken the form of a significant commercial banking relationship for almost 20 years. The relationship manager is well aware of strategic issues facing Halcyon AG.

• How can this situation be turned into a profitable opportunity for Deutsche Bank based on creative solutions or the issues facing Halcyon’s management?

• What are the next steps?