

He exports to 40 countries and his customers include NASA, General Electric, Boeing and Rolls Royce. Gianfranco Carbonato, CEO of Prima Industrie, tells us how a company located in the province of Turin has become one of the best-known names in the world of high technology. A laudable industrial path for a company that geared itself to an overseas presence from the very start, with transatlantic acquisitions and joint ventures in China and Japan.

Carbonato: Hi-tech made in Italy

GLOCALIST LEADERS 2 | edited by Antonio Barbangelo

It's one of the world's best-known names in Italian high technology. From its headquarters in Collegno in the province of Turin, Prima Industrie's laser systems for industrial purposes have perforated the borders of many countries. The client list includes names such as Airbus, Boeing, Pratt & Whitney, Rolls Royce, General Electric, General Motors, Ford, Daimler Chrysler, PSA, Renault, BMW, Fiat, Volkswagen and many others. These are some of the companies that use the Piedmontese company's more common applications, which serve to cut, weld or drill metal components in the car, aerospace and steel working industries.

Founded as an engineering company in 1977 and listed on the TechStar segment of the Milan Stock Exchange, the Collegno-based firm has today an annual turnover of about 100 million, divided as follows: 25% in Italy, 35% in Europe, 20% in North America and 10% in China, Japan and other countries. Prima Industrie exports to a total of 40 countries and invests 7% of its turnover in R&D. Gianfranco Carbonato, born in 1945, an electronic engineering graduate from the Turin Polytechnic, the co-founder and now CEO of Prime Industrie Spa and Chairman of other Group-owned companies, provides the company's key figures: "We have about 450 employees, 300 of them in Italy at two factories on the immediate outskirts of Turin, in Collegno and Moncalieri respectively. We also employ

about a hundred people in the U.S., in our factories in Chicopee (Massachusetts) and Champlin (Minnesota), and another 50 in our sales and service outlets in Germany, France, the U.K., Spain and Sweden". Carbonato reviews the company's impressive industrial ascension with typical Piedmontese reserve, refusing to embellish its successes and profits.

Your laser systems have also travelled to the East: where exactly?

China, where we have about 150 employees through two joint ventures in Shanghai and Shenyang. We also have a representative office in Beijing.

Is it all Italian technology?

Yes, of course. Prima Industrie owns all the technology for its products – mechanics, electronics, software and laser technology.

The company was set up in 1977. What were the main steps in the years that followed?

In the 1980s the company developed as an industrial group operating in various sectors – robot lasers, measurement robots, welding and manipulation robots etc. – all products using mechanical, electronic and information technology.

What were the other key events?

In the first half of the 1990s our group decided to focus on the laser systems sector

and make it our core business. We sold the other non-core activities and invested in the laser market in terms of widening the product range and sales network. In 1992 we made our first acquisition: we bought Laser Work in Switzerland. The group grew very fast during this time, especially in Europe.

You went public when the net economy was booming.

Prima Industrie filed its first IPO on the Italian Stock Exchange's Nuovo Mercato in 1999. Our objectives were to bring the core component of the production systems, i.e. the laser generator, into the company via an acquisition and to expand our business on the global market, intensifying the activity in non-European countries, which contributed less than 10% of the group's consolidated turnover at the time.

Weren't you affected by the ebb tide of the dot-com economy?

I'll let the numbers reply. Things did not go badly at all for those who invested in our shares. We went public in 1999, i.e. before the technological bubble. The initial share price was 7; we are now listed at €10 a share.

Let's talk technology. What are your cutting-edge products?

The Optimo and Rapido machines in the 3D cutting and welding sector destined primarily for the automotive market, and the Platino and Domino 2D and 3D cutting machines meant mainly for job shops and subcontractors. Finally, the Laserdyne range, used mainly for hole drilling in the aeronautics and energy sectors. We have recently added the Sincrono machine to our product range. It was first displayed at the international Emo trade fair in Hannover (the world's top machine tools and metalworking show, *editor's note*) in September this year. It is a very innovative machine covered by several patents and far and away the fastest and most productive laser system ever made.

Do you invest a lot in research?

We certainly do our bit. The innovative content of our products is a result of the 7% of turnover that we invest in R&D and maintain on our P&L every year. There is no

doubt that the only possible way to keep the Italian industry competitive in the face of competition from emerging countries with low manpower costs is to invest heavily in research and innovation. From this point of view I think Prima Industrie is an interesting example in that it produces its top-of-the-range machines and electronics in Italy and its laser generators in the U.S. as well as a set of machines with lower costs and performance in China, which are destined for the moment exclusively for the Chinese market.

When did you begin selling abroad?

Prima Industrie was set up by a group of people including myself who came from a Turin company with a strong international presence, so going abroad was a clear objective right from the company's founding. Just think, the first laser machine was designed in 1979 and only a few years later we had the honour of successfully entering the North American market when we installed the first laser welding system in the world at General Motors in Linden (NJ).

What about your transatlantic acquisitions?

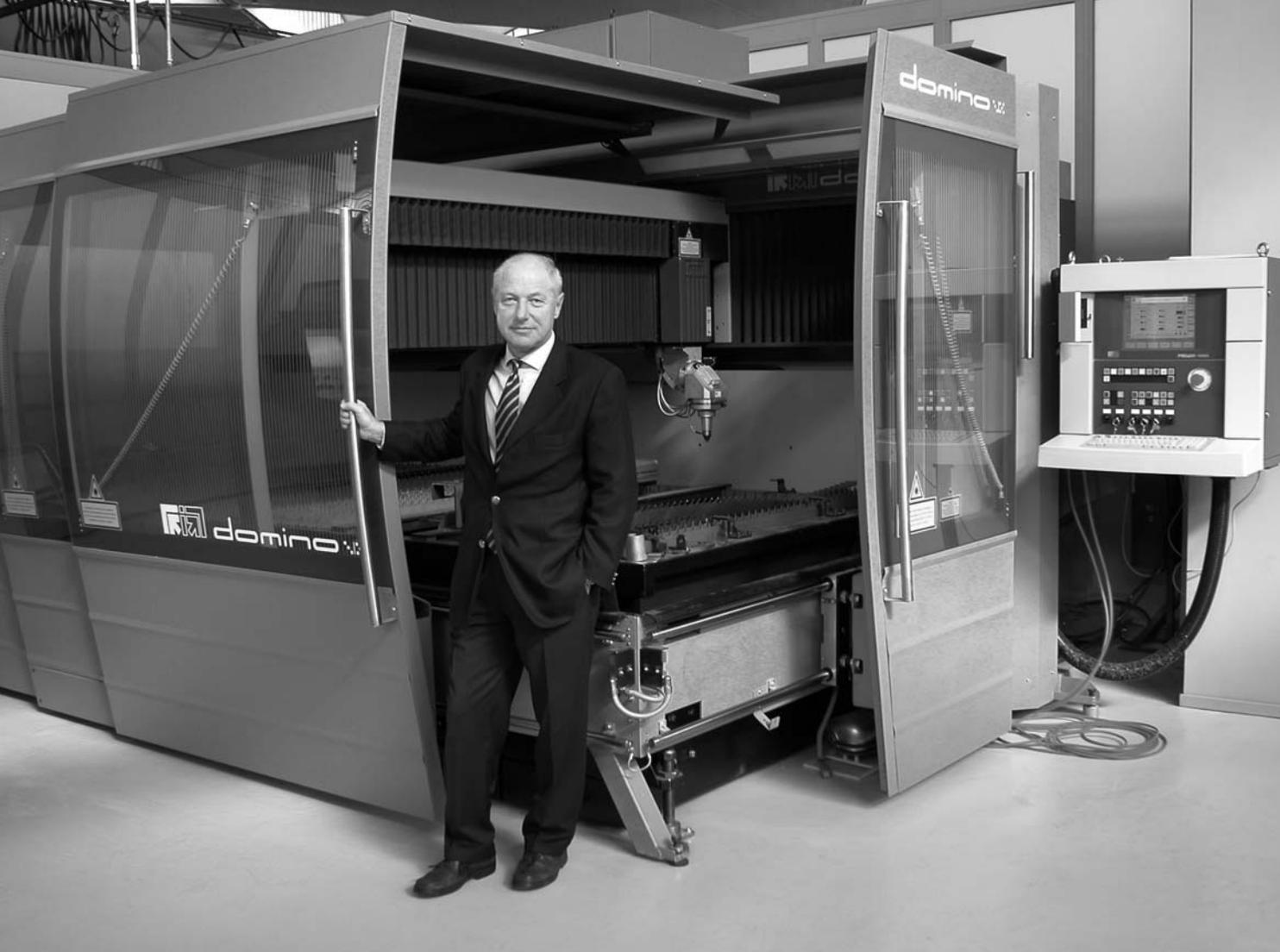
After we went public in 1999, Prima Industrie acquired the U.S. company Convergent Energy, which produces laser generators. We also acquired another American company, Laserdyne, which produces 3D laser systems primarily for the aerospace industry. So we strengthened our position in North America, where we now have two factories. During the same period, we fixed two significant markers in China by signing the two joint ventures.

NASA is one of your customers. What do you supply to the American space agency?

We have supplied NASA with laser generators produced in our American factories.

You have set up sales and service outlets in Europe.

Exactly. They are located in five countries, in strategic locations – Frankfurt, Barcelona, Paris, Göteborg and Birmingham. What is key here is obviously the local staff who know the territory, the legislation, the



_Gianfranco Carbonato, co-founder and today CEO of Prima Industrie

language etc. This way we have all of Western Europe covered. The Eastern European companies are currently managed from Turin.

Can you tell us about a project that has taken root abroad?

Certainly. I could mention the micro drilling application for new-generation aeronautical engines, where we are the world leader through Laserdyne. The new aeronautical engines require thousands of small holes for better cooling of the engine components at high temperature, which allows for a significant improvement in consumption and hence in maintenance costs and flight range. In this sector we have over a dozen systems installed at each of the world's leading manufacturers (Pratt & Whitney, General Electric and Rolls Royce).

Looking eastwards, how did the two joint ventures in China come about and develop?

Our first JV in China dates to 1999, a 50% alliance with the biggest Chinese machine tools manufacturer Shenyang Machine Tools Co., listed on the Shenzhen Stock Exchange. Via this investment we began to consolidate our direct presence on the Chinese market, delegating installation, customer assistance and training to the joint venture as well as, for about two years now, local production of some mechanical components for the Platino machine. In 2003 the second operation took place. We acquired a 27.5% share in a Shanghai company (now known as Shanghai Unity Prima, *editor's note*), the biggest Chinese manufacturer of laser systems, to which we supply laser generators and other technological components. The two joint ventures together with the Beijing office, from where we manage the top-of-the-range machines destined for the automobile and aeronautics markets, allow us to optimize our presence on the Chinese market.

Who is your target partner in Japan?

In Japan we have signed a joint venture with a well-known local company, Shin Nippon Koki (better known as SNK, *editor's note*), with the scope of promoting our products, especially in the automotive sector, which is doing very well in Japan. The initiative is still being developed: the Japanese market is extremely difficult for Western companies and products to get into.

Have you invested a lot in China and Japan?

Our financial investment was minimal, as our participation in the share capital is mainly of a technological nature.

How much of a presence do the Chinese and the Japanese have in the joint ventures?

We hold 50% of Shenyang-Prima's shares and our partner holds the other 50%. In Shanghai Unity Prima, Wuhan Unity has 37.5%, we have 27.5%, Shanghai Laser Corporation has 12.5% and the management 22.5%. So right now the three Chinese partners together hold 72.5%. As for SNK-Prima in Japan, we have a 50% share.

Do they have local managers?

Local managers handle the day-to-day management. The Chairman of the JV is usually a local and we are represented on the board by a vice president.

How do you get along with your Chinese colleagues?

We work well in the Land of the Great Wall. The Chinese are very active. They are doing everything they can to increasingly become the world's factory. In China it's the market that "buys" – let's say independently. You just have to make sure they choose you and not someone else. Whereas here you often have to invent products or convince people to buy a second or third mobile phone etc. One thing that it is important to remember, even in the world of business: the Chinese love ceremonies and rituals.

There's a big difference in manpower and labour costs in China and Japan.

Yes, of course. China and Japan are diametrically opposed as regards labour costs. In China labour costs are very low, as

everyone is aware, although they are rising quickly, especially in high-growth areas like Beijing, Shanghai and Hangzhou. In Japan, on the other hand, labour costs are very high, definitely higher than in Italy and comparable, for example, to Germany. For the moment we are not producing in Japan and hence we are not really affected by this problem. But it should be said that this level of costs corresponds to very high levels of efficiency.

Are there other countries where you are evaluating whether to plant your flag more firmly? What are the countries you consider promising?

In Europe, we see Poland, Turkey and Russia as promising markets. In Asia, India is definitely an economy to watch out for. But so are Iran and Korea. In the Americas we must look closely at Brazil and Mexico. We are already present in all these markets in collaboration with local organizations and already have a significant number of systems installed. Opening direct offices in these areas – gradually, of course – is one of our medium to long-term objectives. Take Brazil, where we have two full-time people without having set up a legal structure as yet. Let's see how the market evolves...

Are there any future projects you would like to discuss?

Our board of directors has emphasised on several occasions that the company must continue to grow both internally as well as externally, via mergers and acquisitions. Our equity structure is strong. Hence we can also look optimistically at the objective of external growth.

THE GROUP IN NUMBERS

Year of foundation:	1977
Turnover:	In 2004, 100 millions
Profit:	1,2 millions
Workforce:	450
Abroad:	40 foreign countries, among which: Germany, France, Sweden, Spain, Great Britain, Mexico, China, India, Japan, Brasil, Canada, USA