

Global Silicone Manufacturer for Diverse Specialty Markets



Christopher York
President

About Bluestar Silicones

With worldwide operations headquartered in Lyon, France, Bluestar Silicones is a \$650 million worldwide silicones raw material manufacturer. The company is one of the world's leading fully integrated global silicones manufacturers with more than 60 years of silicone expertise. Bluestar Silicones has manufacturing operations throughout the world and combines upstream silicon metal operations and capacity with downstream silicone market and application development expertise. The company offers a comprehensive range of silicone technologies in support of diverse specialty markets including paper release, textile coatings, healthcare, moldmaking, automotive, aerospace, and personal care.

Interview conducted by: Lynn Fosse, Senior Editor, CEOCFO Magazine

CEOCFO: Mr. York, what is the vision and concept at Bluestar Silicones?

Mr. York: Bluestar Silicones is a solutions provider. Our goal is to provide materials to enhance the end products of our customers. Our customer base is rather broad, extending to almost any market and application you can imagine. Silicones are in almost everything you touch on a daily basis. At Bluestar Silicones, we engage with our customers to understand where they are today and where they want to go into the future to enhance their product offering, their productivity and overall position to compete in their marketplaces.

CEOCFO: Are you creating the products? Are you distributing the products?

Mr. York: We create the silicone chemistry that gives our customers the performance functionality they require in their application. We are fully integrated all the way back to silicon metal. From this, we make upstream base materials called siloxanes and utilize these as intermediates for our final silicone formulations that our customer buy in the forms of fluids, gums, resins, emulsions and elastomeric compounds.

CEOCFO: Why would a company want a Bluestar silicone as opposed to one of your competitors?

Mr. York: It's quite simple. We bring more to the table than any other company in this industry. It is a very exciting time at Bluestar Silicones. We have been investing for growth to meet the next generation of customer needs in a way that others are not. Today, thanks to a major investment in the acquisition of Elkem, we are now fully integrated to silicon metal. We've also invested in a new manufacturing facility in York, S.C., and our investments continue in new equipment and capacity, improvements to our quality systems, development of new silicone solutions and hiring of new talent. This all contributes to our customer-focused culture enabling us offer more than silicone products. We differentiate ourselves through our dedicated team of people that are focused on our customers' needs, providing unique silicone technology solutions with a personal touch.

CEOCFO: What has changed recently to create a change of focus?

Mr. York: When I joined the silicones team in 2005, we were part of a diverse specialties chemical company Rhodia. We were one of 18 business enterprises, and the silicones enterprise was not considered strategic to the company.

The North American market was a huge opportunity being a \$3.4 billion marketplace for silicones. But the company was not taking the steps needed to capitalize on this potential for growth. Previously, Rhodia had acquired several small entrepreneurial silicone formulators scattered across North America, so the manufacturing footprint was not ideally aligned with my vision of what we could, or should be. Our challenge then was, how to manage business, R&D and manufacturing being diversified across the U.S. and Canada with space limitations and cultural differences?

Basically, we needed a new home to compete in this market place. I wanted us to create a footprint to build upon this diversity while gaining the synergistic effect of technology transfers from other Bluestar Silicones sites. My vision was to

bring together the positive entrepreneurial side of small focused facilities into a larger, more efficient environment that would enable rapid growth in product development, increases productivity and more responsive service to our customers.

Between 2005 and 2009, we were able to peak the investment ideas of the global team based upon consistently delivering growth objectives and built the case study to ultimately gain approval to make a major investment in this zone in 2010.

By 2011, we identified a brownfield site in York, South Carolina, with four walls and a roof, and then designed what we thought we needed to support our current and future business activities. By June 2012, we had consolidated our activities into our new 226,000 square foot facility that is now our epicenter for all North American manufacturing and R&D activities.

Today, we have three times the square footage we used to have in a state-of-the-art facility with safe, clean manufacturing and operational flows that we are proud to showcase to our customers.

So, not only has our footprint changed, but our spirit too. It is a new day at Bluestar Silicones. Our new facility makes a statement to customers and to our employees that we are here and committed to the North American market for the long-term. And the investments we continue to make in new solutions, new capacities, new markets and new people demonstrate where we are going. It is a very exciting to be part of this new culture.

CEO CFO: Are the formulas proprietary? Do you create formulas that are patented in some way?

Mr. York: Many of our formulas are under process and/or application patents. Bluestar Silicones International has nearly fifty percent of our sales protected.

“It is a very exciting time at Bluestar Silicones. We have been investing for growth to meet the next generation of customer needs in a way that others are not.” - Christopher York

CEO CFO: How do you get across to potential customers that you are different; that you are looking out beyond just providing the product? How do you reach out? How do you get the industry to understand the difference?

Mr. York: That has not been an easy thing. We reorganized ourselves to become market focused and enhanced our operations significantly since I joined the Silicones team in 2005. Back then, the group was roughly the same size sales wise it had been a decade ago. The team had been focused on taking care of existing customers with excellent service, but not focused on our market in a way that was oriented around growth.

In 2005, we began to change our approach. We took a long hard look at our market and saw the void our competitors had created in reducing the face-to-face time and hand-to-hand developments that they used to practice in the early days of the silicones industry. To fill this unmet need of the market, we began to orient our company around developing a sales expertise that is technical in nature and developing a group of people back in our laboratories that are application-oriented and understand how our materials are used within our customers' processes. This is a key success factor for our current formulations and the development of our next generation materials to support those niche needs that may come up for our customer base.

CEO CFO: Would you give us an example of how that philosophy translates day-to-day?

Mr. York: Functionally, we are very team-oriented. Since 2005, we have established our organization to be a company poised to double in size every five to seven years. To do this, we developed a functional organization chart with a vision that was 10 to 15 years out. This is where we began the creation of a culture of growth and demonstrate it. Ultimately, we have to be accountable. We spent a great deal of time putting plans and projects together, organizing our activities to produce double-digit growth and be accountable for what we say we were going to do and doing it.

Our business philosophy and company culture really gelled during the 2009 crisis. Sales revenues in the whole silicones industry virtually froze in November 2008 and the first quarter of 2009. The unfortunate thing was everyone's business went down by 25 to 30 percent. The silver lining was we had time on our hands and because of our growth focus, we used this time to build a portfolio of new product developments and a pipeline of opportunities. Before the collapse, we just did not have time to focus adequately on some of those projects. The first half of 2009 gave us time to focus on three or four strategic prospects out there that were going to deliver not only new opportunities for us with existing product lines, but actual innovations. We focused on a just few customers and by the end of 2009, we landed all of those customers.

In 2010, we were set up to regain our 2008 record sales level and provide momentum for 2011 of double-digit growth. That was the turning point of our organization. Understanding a clearly defined team focus and an orientation about our

customers' activities. If we hold the hand of our customers and bring products and service levels to them that they have not seen in a while, new customers will partner with us. Today, each of those prospects in 2009 is still a customer of ours and we are actively working on the second generation products for them.

CEOCFO: *Are there industries where you would like to have a greater presence?*

Mr. York: We are a small player right now in North America and globally we are roughly eight percent market share. We still have opportunities for growth in markets where we participate today in new applications and next generation development. And yes, there are other areas where we would like to expand our growth. We are looking at specialty markets that can appreciate the value we bring in new and improved silicone solutions, and the personal service levels we provide. Today, we are laying the foundation in these new market areas so that three to five years from now we will be well positioned for growth, filling the unmet needs of these markets.

CEOCFO: *Is it easy to find people that are interested in working in silicones?*

Mr. York: Silicones is a really unique market space. Silicones people are silicones people. I came in as a non-silicones person in 2005. At that time, I was responsible for other businesses within Rhodia Inc. and very quickly, I found that universities are not producing many graduates with silicones experience. They are producing bright chemists and bright chemical engineers. However, when you come into the silicones business, the chemistry is so unique. The difficulty we have in this business is the investment in training people to a competency level that our customers and the marketplace expects. We deal with Ph.D. chemists at many of our formulation customers. They are looking for smart people to come to them with solutions and ideas. It takes about three to five years to develop a competency in the new hires to enable them to confidently participate in the marketplace. Our goal at Bluestar Silicones has been to accelerate that learning curve, resulting in the implementation of new programs during the last three years that have enhanced our ability to do just that.

CEOCFO: *Why is Bluestar Silicones a noteworthy company?*

Mr. York: Bluestar Silicones is a division of the Bluestar Group, which has invested in the value stream integration of silicon metal through the acquisition of Elkem in 2011 and has made expansions in significant siloxane capacity, as well as downstream formulations capacities in Xinghuo, China.

By the end of 2014, we will have gone from the fifth largest silicone company in the world in 2010, to the third largest in capacity. When that capacity comes on stream, we will be a real significant player in the silicones marketplace. We are planning now how to fill this plant and utilize the intermediate materials that we are going to be adding, which will basically double our size. This must be managed as effectively as possible for achieving profitability that our shareholders expect.

So today, we are focused on how we will grow and planning the resources we will need in capital and equipment to make this growth happen. Today, we are well positioned in the marketplace. But one year from now, it's going to be dramatically improved as we realize the benefits of all the structural changes we've put into place over the last seven to eight years. Our clarity, character and commitment to our customers is going to really take the world by storm.

BIO: J. Christopher "Chris" York has been President and a Board Member of Bluestar Silicones North America since 2007. He also serves on the Global Executive Committee for Bluestar Silicones International. During his tenure as President of the North American entity, he developed and executed the largest investment project for the company in the past decade, creating a new footprint for North America, the foundation of growth for the Bluestar Silicones' ten-year strategic plan.

Prior to leading the successful transition from Rhodia to Bluestar Silicones in 2007, Mr. York was General Manager for Rhodia's Electronics & Catalysis, Silica Systems, Fine Inorganics and Silicones in North America. From 1997 to 2000, Mr. York was North American Automotive Marketing Manager for Henkel Corp. and was in sales positions for Henkel Surface Technologies, Yuma Corp., Calgon Corp. for nine years prior.

Mr. York graduated from Indiana University with a B.S. in Public Health in 1989 and earned an M.B.A. in Marketing from Indiana University in 1996. He resides in Califon, N.J., with his wife Jill, and two children Ethan and Katelyn.



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