

The HASSLACHER Group: The Capital Equipment Decision

A visitor to Sachsenburg, a quiet village nestled in the Austrian Alps, might not know that it was the headquarters of the HASSLACHER Group (Hasslacher), Europe's largest producer of glued laminated timber. It was early May 2022 and Christoph Kulterer, CEO and owner of the Hasslacher, wanted to decide what to do with €40 million in glued laminated timber factory equipment sitting in a Polish warehouse. The equipment had been ready to enter Russia on February 24th, 2022, the day the Ukraine was invaded. Given that the borders were closed, arrangements had been made to temporarily store the equipment.

Mass timber products included glued laminate timber and cross-laminated timber. These were valued-added goods made from softwood lumber that was resurfaced and glued together. Glued laminate timber, or *glulam*, was used in commercial construction in place of concrete or steel frames. Cross-laminated timber, or *CLT*, was multiple layers of planed lamellas glued together, and was used to form walls, floors, and ceilings. While regular timber products sold for about €200 per cubic meter, glued timber products could command prices between €500 and €1,000 per cubic meter depending on quality, strengths, and engineering design.

Hasslacher had intended to upgrade its plant located in Malaya Vishera, Russia, which was about 200 kilometres from St. Petersburg. The plan had been to double timber production to 200,000 m³ and to upgrade it to produce up to 50,000 m³ of glulam products per year for the Asian market.

Christoph's options were to (a) wait for the Russian and Ukrainian war to end and then to proceed with the upgrades, (b) to open a greenfield plant or look for an acquisition in North America, or (c) to sell the equipment. "We have to make a decision that will be best for the long-term even though we don't have all the information we need in front of us," remarked Christoph. "We have close relatives and long-standing employees working for us in Russia and Asian customers lined up for our glulam product. On the other hand, there is significant amount of uncertainty about the political situation. It's not an easy decision for us to make."

The Global Market for Timber

Starting with tree logs, sawmills cut and planed the wood to create timber, also known as lumber in the U.S. and Canada. The level of processing differed, ranging from cutting the wood to produce standard planks to engineered glulam or CLT which required additional steps.

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