

Packaging continues international expansion and sizeably raises earnings



The Packaging Division achieved further tangible revenue growth, raising its net annual sales 17.5% to CHF 153.0 million. EBIT was improved by an even more substantial 61.2% to CHF 15.4 million for an EBIT margin of 10.1%.

Strategy

The CPH Group's Packaging Division is the only film manufacturer in the world that is dedicated solely to serving the pharmaceuticals sector. Perlen Packaging offers the full range of PVC monofilms and coated PVdC films that are used in blister packs to protect their contents' active substances from outside influences and conditions. In many such applications the plastic films are sealed against aluminium films to produce the familiar push-through packaging. Perlen Packaging is one of the three biggest suppliers of this market worldwide, and plays a particularly prominent role in the high-barrier-film segment.

The pharmaceuticals industry is a global affair, and the same global reach is expected of its suppliers. Perlen Packaging has expanded its international presence over the past few years, and now manufactures its products on multiple continents. Its German plant produces PVC monofilms, while its facilities in Switzerland and China manufacture coated barrier films. These production plants are supplemented by cutting facilities and logistics centres in North and (since 2018) South America. The production requirements of the pharmaceuticals industry are among the most stringent in the world in hygiene and quality terms, and also entail complex authorization and certification

procedures. The Packaging Division's production plant in China earned its first certifications to distribute its products in the Chinese market in 2018, having previously limited its business activities to the rest of the Asian market. The Suzhou plant also saw more work orders transferred to it from Europe in the course of 2018, along with the further enlargement of its local workforce.

The populations, the standards of living and – as a result – the demand for medicinal products all show above-average growth rates in the so-called "pharmerging" markets. Perlen Packaging seeks to participate fully in these developments in the coming years. As well as pursuing its geographical expansion, the division aims to enlarge the range of its applications to secure further business growth. To these ends, it will be supplementing its current packaging products for liquid and solid substances with the barrier film-based BLISTair single-use inhaler, its first product for use with agents in powder form. The BLIST-air has already won seven innovation prizes, including the industry's most high-profile distinction, the World Packaging Award. The first sample BLISTair products have also been created in collaboration with a manufacturer of packaging machines. Given the usual approval procedures, however, it will still be some years before the first applications here come to market.

Market environment

Healthcare is a growing market worldwide: healthcare costs rose by an estimated 5% in 2018 alone. The higher demand for medicinal products is a major factor here. The year also brought a corresponding increase in the demand for blister packagings, though with regional variations: the 4% estimated growth in Europe was at the lower end of the scale, while the roughly 8% growth in Asia was at the higher end thereof.

Business development

In volume terms, the Packaging Division sold 8.8% more films in 2018 than it had the previous year. To handle these additional volumes, the division invested CHF 8 million in raising its cutting capacities, in IT, in new control systems and in its waste water treatment. The division also added further shifts to its production operations, and increased the utilization at its Chinese plant. The expansions of its production activities also prompted an increase in personnel numbers, from 363 at the end of 2017 to 413 employees. Higher raw materials costs could be largely passed on to customers. And this, together with a greater proportion of high barrier film sales, led net sales for the year to rise 17.5% to CHF 153.0 million.

The new Brazilian operation further expands the division's position in the pharmerging markets. The share of net sales generated outside Europe rose from the previous year's 32% to 35%. Perlen Packaging achieved a 28% share of the European market for its products: for its further markets, no reliable figures are available.

The division achieved record new highs in its operating results. EBITDA for the year was raised 39.1% to CHF 21.6 million, while EBIT increased 61.2% to CHF 15.4 million to produce a double-digit EBIT margin. The results keep the division well on track in terms of its long-term business objectives.

Outlook

While the growth in demand in the division's target markets weakened slightly in the second half of 2018 from its first-semester levels, the prospects remain strong for the healthcare sector. Current industry estimates for 2019 predict further average global growth in demand for pharmaceutical packagings of some 6.5%. The Packaging Division plans further investments in 2019 in automating the laminating and finishing processes at its European plants to further raise productivity. The cutting capacities should also be increased at the Chinese factory. All in all, investments of CHF 9.7 million are planned for the year in the division's production facilities.

The Packaging Division intends to grow more strongly than its markets. It also aims to substantially increase its shares of the Asian and Latin American pharmaceutical films markets. For 2019 the division expects to report further net sales growth and an EBIT result which is broadly in line with that of the previous year.

