

Net sales and earnings raised to new record highs



With the coronavirus pandemic prompting a steep rise in the demand for medicinal products, the Packaging Division raised its net sales 5.9% to CHF 162.3 million. EBIT was increased 25.3% to CHF 21.6 million, a new record level.

Strategy

The Packaging Division is the only global supplier of thermoformable blister films that focuses solely on the pharmaceutical market, where it is one of the world's three biggest suppliers. Most medicines today that are produced in tablet or capsule form are provided in blister packs. These generally consists of two elements: a thermoformed plastic film that houses the medicine and an aluminium lidding foil through which the medicine is pressed out for consumption. Since single-substance packagings are easier to recycle, the Packaging Division is now developing blister packs made solely of plastic films.

PVC mono films and coated PVdC films are the plastics most commonly used in the pharmaceutical market. Depending on the type and thickness of the coating used, these films provide barriers of varying degrees against outside influences such as oxygen or humidity.

With the active agents used in medicines today becoming ever more complex, and with the resulting products distributed all over the world (and thus having to be adequately robust for all climate zones), the protective and processing requirements of the packagings used are rising all the time. Perlen Packaging offers a full range of PVC and

PVdC films, and is the market leader in the high-barrier film segment. Its position here was further strengthened in 2020 with its introduction of a new range of products in the ultra-high-barrier segment.

The pharmaceutical industry is active globally but manufactures its products locally on a number of continents. As such, it makes similar demands of its suppliers in terms of providing local packaging solutions. Perlen Packaging has developed coating plants in Europe and Asia and slitting capacities in North and South America over the past few years. A decision was also taken in 2020 to acquire its Brazilian subsidiary in full and establish a new coating plant at its Anápolis site. The move is a further milestone in the division's pursuit of its overall global strategy, and will permit even better cultivation of the rapidly growing Latin American markets.

In view of looming capacity shortages during the coronavirus pandemic, the manufacture of parts of a family of duplex film products was transferred from Europe to China, enabling supplies to continue to be secured even with higher customer demand. The Packaging Division also compiled its first-ever "Oekobilanz" environmental audit in 2020, based on data for 2019. The document reveals that in the

entire PVdC film product cycle from acquiring the raw materials to disposal after use, Perlen Packaging is responsible for 11% of the total carbon dioxide emitted. With PVC mono films, the corresponding figure amounts to 7%. Functional tests were also concluded in 2020 for BLISTair, the innovative single-use inhaler that the division has developed for powder medications.

Market environment

Some temporary shortages of medicine supplies were seen at the start of the coronavirus pandemic. Non-prescription nutrient supplements, painkillers and fever medications were in particularly strong demand. This led in spring to a steep rise in orders from Perlen Packaging's customers, who were eager to increase their stock reserves. These order volumes abated again somewhat in later months, as consumer demand returned to more normal levels. By rigorously adopting all hygiene and distancing provisions and making mask-wearing consistently compulsory, the operations of Perlen Packaging were able to maintain their production at full capacity throughout 2020, apart from the brief lockdown in China at the beginning of the year.

Business development

The Packaging Division registered record order levels in 2020. With increased sales volumes, net sales for the year rose to CHF 162.3 million, a 5.9% improvement on 2019 or a 10.7% increase excluding currency factors. The division invested CHF 6.2 million in efficiency enhancements in the course of the year. Owing to travel restrictions, however, not all the planned fixed asset investments were effected as envisaged. Personnel numbers were increased from 416 to 448 employees to help handle the higher business volumes. Net sales for Europe and Latin America again recorded double-digit percentage growth. Perlen Packaging accounted for 30% of the European market. No reliable market data are available for its further sales regions. Raw materials prices declined in the first half of the year, and EBITDA was raised 17.2% to CHF 27.8 million. EBIT was up 25.3% at CHF 21.6 million, and EBIT margin rose to a new record high of 13.3%.

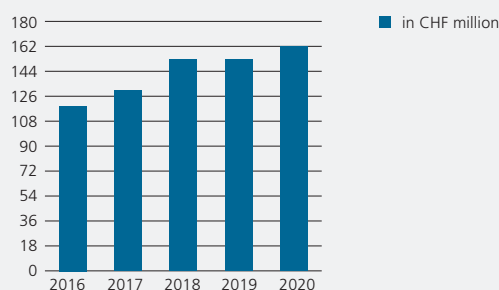
Outlook

The coronavirus pandemic has increased the demand for medicines that are used in connection with the virus infection. At the same time, the associated conduct and hygiene guidelines have prompted a decline in seasonal illnesses, and visits to the doctor have also been minimized for fear of possible COVID infection, both of which have reduced demand for medications. Further trends here in 2021 will depend to a large extent on the pandemic's further development. Perlen Packaging plans to invest CHF 15.9 million in tangible fixed assets in 2021, in the construction of the new coating plant in Brazil and in further efficiency enhancements at other operating locations. The division aims to achieve above-average growth, particularly in the Asian and Latin American markets, and expects to report a slight further increase in its net sales for the year. The EBIT result, however, is unlikely to match 2020's exceptional level.

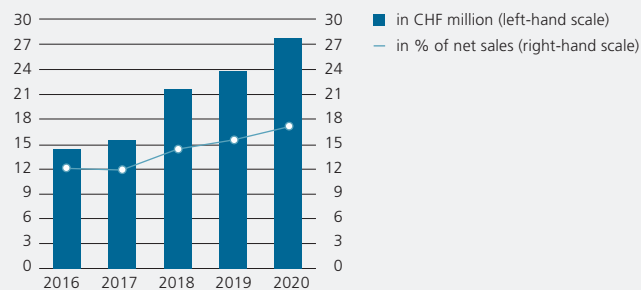
Packaging net sales by region



Packaging net sales trends



Packaging EBITDA trends



Packaging EBIT trends

