

Good order volumes and earnings strengthen market position



The Chemistry Division reported strong order volumes and net sales which were up 15.9% at CHF 110 million. EBIT margin was slightly below its record prior-year level at 12.5%.

Strategy

The Chemistry Division develops, manufactures and supplies a wide range of products in growing markets such as the energy and the healthcare sectors. Molecular sieves for purifying natural gas and ethanol in the energy sector were in particularly strong demand in 2022. The production of oxygen for industrial and medical applications is also of key strategic importance to the division, and made a substantial contribution to its sales and earnings for the year. The division further extended its leading market position in providing high-quality products in Europe and the USA, and expanded capacities at all its operating sites.

The division's products are manufactured at four locations and distributed worldwide. High-value molecular sieves are produced in the USA, standard molecular sieves in China, molecular sieve powders, chromatography gels and special zeolites in Bosnia and Herzegovina and deuterated products in Switzerland. In addition to organic growth, acquisitions may also be made in future to further expand business and operations.

Market environment

With the easing of the coronavirus pandemic and the milder illnesses caused by the latest virus variants, the demand for medical oxygen declined. At the same time, increases were seen in the demand for oxygen in the steel and glassmaking industries and for use in fish farms. The lithium which the Chemistry Division uses to manufacture the associated products increased substantially in price, as it is also used in the batteries for the growing numbers of electric cars which are now being built to help combat climate change.

For the energy sector, the war in Ukraine was particularly disruptive to Europe's gas supplies. With Russian natural gas delivery halted, other suppliers such as Norway and the USA made up for the shortfall. The USA became the world's biggest exporter of liquid gas. And a correspondingly strong increase was seen in demand for the molecular sieves used in natural gas purification. At the same time, the steep rises in energy prices made many countries more aware of their dependence on fossil fuels and prompted various resolutions to promote renewable energies. India passed corresponding legislation, and molecular sieves for purifying ethanol saw a leap in demand.

In the deuterated compound product segment, the market remained buoyant for the use of such products in OLED displays, in the pharmaceutical sector and in analytical procedures.

Business development

Almost all the Chemistry Division's product segments reported encouraging growth. Deuterated products, molecular sieves for purifying natural gas and ethanol and the lithium-based products for concentrating industrial oxygen all attracted high order volumes, while demand from the medical sector remained at still-favourable levels as the coronavirus pandemic eased. At the Louisville site in the USA, the capacities for manufacturing lithium products were expanded and the new service building was formally inaugurated towards year-end. Demand for molecular sieve powders also increased. These are used in today's multi-pane insulated glass windows, where they are integrated directly into the plastic spacers separating the panes to prevent internal misting. The division also opened an additional calcining facility for the production of molecular sieve powders at its Zvornik site. A further facility for the manufacture of deuterated products used in OLED displays commenced operations in Rütli; and the automation of a production line at the Donghai site added further capacities. All in all, the division invested CHF 18 million in its fixed assets in 2022.

The division raised its net sales for the year 15.9% to CHF 110 million and also gained further market share, especially in the USA. At constant currency, net sales were 11.8% up on their prior-year level. Capacity utilization was high and order volumes were encouraging. The raw materials, energy and transport capacities required were in short supply, however, and steep rises were seen in their costs, the bulk of which could be passed on to the market. EBITDA declined 6.4% to CHF 19 million, and EBIT declined 9.8% to CHF 14 million. EBIT margin amounted to 12.5%, slightly below the record level of the prior year. The division employed 296 personnel at the end of 2022, compared to 291 the year before.

Outlook

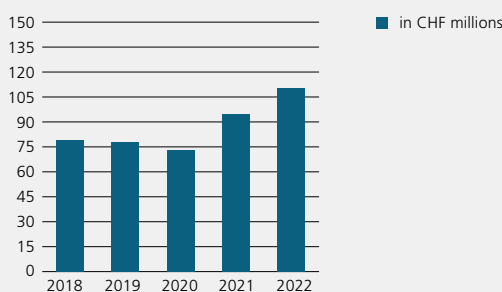
The economic outlook is uncertain, and a recession with falling demand cannot be ruled out for certain markets. The division expects continued rises in the costs of raw materials and energy and increased pricing pressures. Depending on the extent to which the higher raw materials costs can be passed on to the market, net sales may well increase in 2023. EBIT for the year is likely to be broadly in line with its 2022 level.

The division plans investments in fixed assets of CHF 14 million in 2023, to further expand the infrastructure at its Chinese operating site and to establish a new lithium recycling operation in the USA.

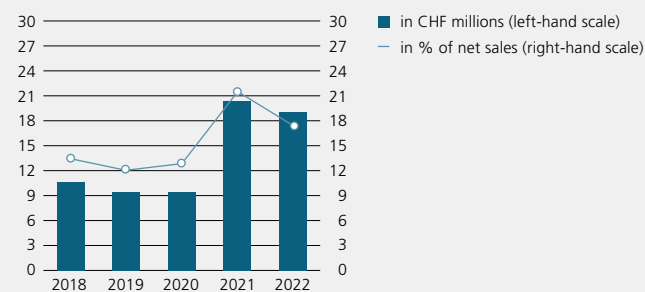
Chemistry net sales by region



Chemistry net sales



Chemistry EBITDA



Chemistry EBIT

