

Strong market positioning boosts sales and earnings levels



The Chemistry Division felt the benefit of high order volumes and raised its net sales 12.6 % to CHF 124 million. Annual EBIT was increased 14.1 % to CHF 16 million.

Strategy

The Chemistry Division develops, manufactures and supplies a wide range of products in growing markets such as the energy and the healthcare sectors. Its molecular sieves for purifying natural gas and ethanol in the energy sector and its deuterated products for use in laboratory analysis and OLED displays were in particularly strong demand in 2023. The production of oxygen for industrial and medical applications is also of key strategic importance to the division, but demand for these products in 2023 was below prior-year levels. The division continues to focus on high-quality products, and intends to further develop its global market position by investing in targeted further expansions of its production capacities.

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, an increased focus will also be put on acquisitions in future to further expand business and operations.

Market environment

A number of macroeconomic uncertainties and geopolitical conflicts created a challenging business and market environment. The continuing war in Ukraine and the outbreak of renewed conflict in the Middle East towards year-end both impacted on prices in the energy sector and on Europe's gas supplies. Following the cessation of natural gas provision from Russia, the USA became the world's largest liquefied gas exporter. Demand for the molecular sieves used for natural gas purification rose accordingly. The massive hikes in the prices of fossil fuels and the increasingly tangible evidence of global climate change prompted numerous countries to intensify their promotion of renewable energy use. This in turn increased the demand for the molecular sieves used in ethanol purification processes.

The demand for medical oxygen declined in the wake of the coronavirus pandemic. Rising interest rates and sluggish activity in the construction sector dampened many companies' willingness to order or invest. At the same time, however, demand for oxygen rose elsewhere, such as in the steelmaking and glassmaking sectors.

In the deuterated compound segment, the market remained buoyant for products destined for use in OLED displays, in the pharmaceutical sector and in analysis activities.

Business development

The varying economic trends in its different customer segments impacted accordingly on the demand for the corresponding products within the Chemistry Division. Sales of deuterated products for use in the pharmaceutical sector, in lab analyses and in OLED displays and sales of molecular sieves for concentrating industrial oxygen were up on 2022. But demand for the molecular sieves used for medical applications fell short of the levels recorded during corona times. Rising interest rates and weaker activity in the construction sector prompted a decline in the demand for the molecular sieve powders used in building applications.

The Chemistry Division achieved net sales for the year of CHF 124 million, a year-on-year increase of 12.6 %, or 18.2 % at constant currency. The costs of the energy and the raw materials needed in its production (and of lithium in particular) continued to substantially rise. It was not always possible for the division to pass on the higher procurement costs to the market. Thanks to its policy of focusing on higher-value products, EBITDA for the year was raised 15.2 % to CHF 22 million, while EBIT was improved 14.1 % to CHF 16 million. EBIT margin was slightly up on the prior year at 12.7 %. The Chemistry Division employed 283 personnel at the end of 2023, compared to 296 the year before.

Investments

A new administration building and a new building offering employee accommodation were formally inaugurated at the division's China site in the fourth-quarter period. Further investments were also made in increasing the production capacities for deuterated products in Rütli and in raising the productivity and the efficiency of the Chinese and US operations. All in all, the division invested some CHF 11 million in its fixed assets in 2023.

Outlook

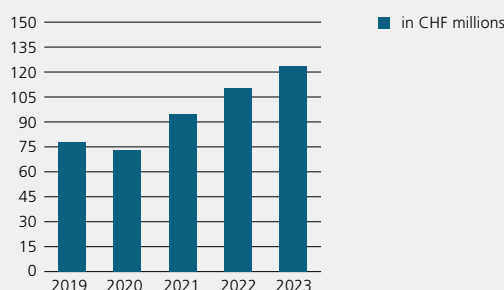
General economic conditions continued to cloud in the course of 2023, and declines in demand can be felt in some markets. The Chemistry Division expects to see higher energy prices along with increasing pricing pressures. Its net sales and EBIT are unlikely to quite reach their high prior-year levels, excluding the acquisition of Sorbead India and Swambe Chemicals.

The division plans to make further investments in its fixed assets in 2024 to support its long-term strategic development in areas such as further increasing its production capacities and further raising the productivity at its various operating sites.

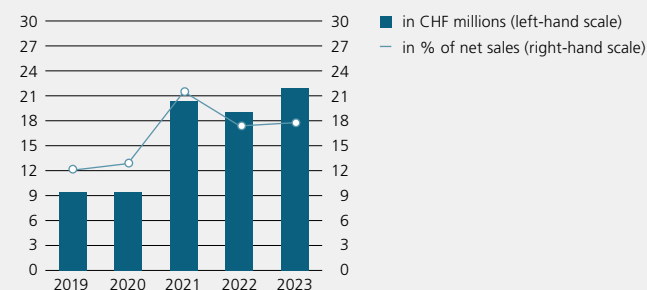
Chemistry net sales by region



Chemistry net sales



Chemistry EBITDA



Chemistry EBIT

