

Packaging posts record sales and earnings results



High order volumes from the end of 2022 helped the Packaging Division achieve record new highs in its annual sales volumes. Net sales were raised 2.9% to CHF 237 million, while EBIT was increased some 53% to CHF 36 million.

Strategy

The strategy of the Packaging Division is focused both on further expanding its presence in the world's growth regions and on gaining more market share by centring its product range on films with very high barrier properties.

With its operating locations in Europe, the USA, China and (most recently) Brazil, Perlen Packaging can cover the key and emerging pharmaceutical markets and, in particular, benefit from the pharmerging markets and their disproportionately strong growth. The division thus maintains a global presence with its coating and slitting facilities which places it advantageously close to where the leading players in the pharmaceutical sector have their operations. This strategy also supports the division's objective of making the supply chains stronger and more resilient – an ambition which has gained in importance since the corona pandemic, and which the division will continue to pursue in the years ahead.

Perlen Packaging's second strategic thrust is to focus its product range on films with high barrier properties. A blister pack of tablets will usually consist of a lidding film of aluminium and a tray film made of

plastic. The Packaging Division manufactures the generally transparent plastic tray films and delivers these on rolls either to intermediate suppliers or directly to the pharmaceuticals manufacturers. The basis for such plastic films is the mono film, which the division either manufactures itself or buys in, and which has only low barrier properties. Perlen Packaging specializes in coating such mono films with PVdC to gradually enhance their barrier credentials. To do so, the PVdC used is applied to the film in dispersion form in a series of layers. The resulting barrier properties protect the sensitive medicinal products which will later be contained in the resulting blister pack from various agents, especially oxygen and water vapour, and help lengthen the product's shelf life. Perlen Packaging is the world's number one provider of high-barrier films, and continues to gain market share through its product focus strategy.

The division's innovation activities are primarily centred on further reducing its already small carbon footprint. The division has also concluded a collaboration with Etimex Primary Packaging GmbH to additionally offer polypropylene (PP) monoblister to the pharmaceutical sector. The aim of the new partnership is to provide customers with

top-quality sustainable and fully recyclable packaging solutions that optimally meet their needs.

Market environment

The Packaging Division benefited in 2023 from record order volumes at the end of the prior year which substantially facilitated its capacity use planning. The previous tensions in the procurement markets also increasingly eased as the year progressed. The downturn in activity in the construction sector weakened the demand for plastics such as PVC, whose purchase prices correspondingly declined. Energy costs remained at historically high levels, however, despite falling energy prices.

Business development

Production facilities were kept at peak operating capacity throughout the year. The division also invested worldwide in expanding its slitting capacities and in fully automating packaging capacities. A new coating plant in Brazil had already commenced operation at the end of 2022, and now directly supplies customers in the Latin American market with locally manufactured mono and coated films. New slitting facilities were also opened in Germany and Brazil at the end of 2023.

The higher sales volumes raised net sales for 2023 to CHF 237 million, a year-on-year increase of 2.9%, or of 7.1% at constant currency. With the return of the pharmaceutical companies' procurement activities to more normal levels, the division's order books also returned to their pre-corona volumes.

The very high capacity utilizations and the broad product mix of films with various barrier properties both impacted positively on EBIT margin for the year, which was raised to 15.2%. EBITDA was increased CHF 12 million to CHF 43 million, while EBIT was improved CHF 12 million to CHF 36 million. The division invested a total of CHF 7 million in its fixed assets over the course of the year. The divisional workforce grew from 507 to 551 employees. The increase is attributable partly to the recruitment of additional sales staff and production technology personnel, but largely to the ramping up of operations at the new Brazilian site.

Outlook

According to estimates by the IQVIA research company, the value of the global pharmaceutical blister pack market will grow by some 3% to 6% annually over the next few years. The Packaging Division will continue to invest in selling its products and expanding its capacities at all its operating locations.

Assuming that raw materials prices return to more normal levels, the Packaging Division expects to report net sales that are slightly down on their prior-year level. After its exceptional high in 2023, EBIT for the year is also likely to return to the range of its 2022 result.

