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# Clariant returns to profitable growth, increasing both sales and profitability in the first quarter of 2021

- Sales from continuing operations increased by 2 % in local currency to CHF 1.002 billion, reflecting a broad recovery in our markets
- EBITDA of CHF 164 million rose by 4 % in Swiss francs, generating a notably improved EBITDA margin at 16.4 % (vs. 15.4 %)
- Pricing actions have been initiated to offset rising raw material and logistics cost
- Outlook 2021 Continuing Operations: moderate local currency sales growth and a step up in EBITDA margin to slightly above pre-COVID-19 pandemic levels

"The first quarter of 2021 demonstrated both Clariant's return to growth as well as a sequential improvement in the Group's performance. This progression was achieved through our portfolio of attractive businesses and the disciplined execution of our strategy and performance improvement programs," said Conrad Keijzer, CEO of Clariant. "I would like to thank our teams for effectively mastering the current challenges amidst the continued COVID-19 pandemic; rising raw material cost as well as disruptions in supply chains. In 2021, we strive to make an important step up in our performance and expect Clariant to achieve moderate sales growth in local currency and a recovery in EBITDA margins to slightly above pre-COVID-19 pandemic levels. With our partnership with India Glycols Limited for green surfactants, we continue to advance our portfolio transformation toward a higher specialty value business."



## **Key Financial Data**

Continuing operations	First Quarter			
in CHF million	2021	2020	% CHF	% LC
Sales	1 002	1 019	-2	2
EBITDA	164	157	4	
- margin	16.4 %	15.4 %		
EBITDA before exceptional items	168	163	3	
- margin	16.8 %	16.0 %		

## First Quarter 2021 – Progression towards mid-term targets

Muttenz, April 29, 2021 - Clariant, a focused, sustainable, and innovative specialty chemical company, today announced first quarter 2021 continuing operations sales of CHF 1.002 billion, compared to CHF 1.019 billion in the first quarter of 2020. This corresponds to a 2 % increase in local currency, whereas depreciating currencies led to a 2 % decrease in Swiss francs. The local currency expansion was driven by positive pricing.

On a regional basis, sales in Europe increased by 17 % in local currency due in part to the weather-related improvement in the Aviation business. Sales in Asia also grew by 9 %, driven by the economic recovery and the undemanding comparison base in China in the first quarter of 2020. This improvement was followed closely by Latin America, where sales rose by 4 %. Sales in the Middle East & Africa declined by 9 %, while North America was 27 % lower primarily driven by the continued challenging environment in Oil Services and the business disruptions in Texas due to the winter storms.

The Care Chemicals Business Area increased sales by 7% in local currency due to improvements in both Consumer Care as well as Industrial Applications in the first quarter of 2021. Catalysis sales rose by a notable 10% in local currency primarily due to the strong sales development in Petrochemicals. Natural Resources sales declined by 6% in local currency due to the particularly challenging comparison base in the first quarter of 2020 as well as the continued weakness in the Oil and Refinery businesses.

The continuing operations EBITDA rose by 4% in Swiss francs to CHF 164 million, positively influenced by the sales expansion in the first quarter of 2021 and the efficiency program-driven cost savings in the amount of CHF 6 million, which generated improvements in each of the three Business Areas. As a consequence, the EBITDA margin improved significantly to 16.4% versus 15.4% in the same period of the previous year.

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## **Discontinued operations**

For the first quarter of 2021, on a like-for-like basis, sales in discontinued operations (Pigments) increased by 4 % in local currency and remained unchanged in Swiss francs.

The EBITDA decreased in absolute value year-on-year due to the divestment of the Masterbatches business. The profitability of the underlying Pigments businesses was positively impacted by the higher sales as well as the execution of the efficiency program.

A Clariant subsidiary in the United States has been named along with many other defendants in lawsuits involving per- and polyfluoroalkyl substances (PFAS). Clariant is monitoring the development of these cases, which relate to the respective business divested in 2013, and is defending all litigation matters related to PFAS. As of this point in time, Clariant cannot assess if these litigations will have a material impact on Clariant's financial results.

## Outlook – Focused portfolio to achieve above-market growth, higher profitability, and stronger cash generation in the mid-term

Clariant is a focused, sustainable, and innovative specialty chemical company that aims to grow above the market to achieve higher profitability through sustainability and innovation. The Group is significantly reshaping its portfolio through the divestment of Healthcare Packaging in 2019, the sale of Masterbatches in 2020, and the planned divestment of Pigments.

For the second quarter of 2021, Clariant expects moderate growth in local currency versus the prior year among all three Business Areas driven by the recovery of Industrial Applications in Care Chemicals, demand for Petrochemicals in Catalysis, and continued growth in Additives and Functional Minerals in Natural Resources. Clariant aims to defend its first quarter 2021 margins in the second quarter of 2021 via cost discipline and pricing actions to overcome the rise in raw material, and logistics cost. Looking at the full year 2021, Clariant expects to achieve moderate local currency sales growth in continuing operations and a step up in EBITDA margin to slightly above pre-COVID-19 pandemic levels on the back of the growth of its specialty portfolio and the positive impact of the performance programs. This is based on an assumption of a continued economic recovery, while uncertainty remains high.

In the mid-term, Clariant expects its continuing businesses to achieve above-market growth, higher profitability, and stronger cash generation based on the focused three pillars and high value specialty portfolio.



## **Business Discussion**

## **Business Area Care Chemicals**

	First Quart	First Quarter		
in CHF Million	2021	2020	% CHF	% LC
Sales	404	387	4	7
EBITDA	80	69	16	
- margin	19.8 %	17.8 %		
EBITDA before exceptional items	80	70	14	
- margin	19.8 %	18.1 %		

### Sales

In the first quarter of 2021, sales in the Care Chemicals Business Area increased by a resounding 7% in local currency and by 4% in Swiss francs versus the first quarter of 2020. Consumer Care sales increased in a high single-digit range, underpinned by strong expansion in Crop Solutions and Home Care. Industrial Applications sales also developed favorably in a mid-single-digit growth range, primarily due to the continued strong performance in Coatings, the recovery in Industrial Lubricants, and the weather-related demand improvement in the Aviation business.

Sales in Asia and Latin America grew in double digits in local currency while Europe also expanded in a mid-single-digit range. The positive development in Europe was buoyed by the robust Aviation business, supported by the inclement weather, in spite of the unchanged restricted air traffic situation. The development in North America remained weak due to business disruptions in Texas, which were attributable to the winter storms.

## **EBITDA Margin**

The EBITDA margin increased significantly to 19.8 % from 17.8 %. The margin improvement was attributable to higher sales, the subsequent operating leverage improvement and also the realization of efficiency program-driven cost savings while prices were adjusted to counteract increases in raw material and logistics cost.

## **Clariant Insight**

In March 2021, Clariant and India Glycols Limited (IGL), a leading company in the manufacturing of green technology-based chemicals, announced a strategic partnership in renewable ethylene oxide (EO) derivatives. By combining production and distribution capacities, this joint venture is on track to become a leading supplier of renewable materials to the rapidly growing consumer care market in India and neighboring countries. Concurrently, it is providing Clariant with the ability to leverage green EO derivatives globally across the Home Care, Personal Care, and Industrial Applications segments of its Care Chemicals business. This cooperation is an example of how Clariant is prioritizing its commitment to supporting the Group's targets and to furthering growth via sustainable solutions that meet the rising demand of our customers.

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## **Business Area Catalysis**

	First Quart	First Quarter		
in CHF Million	2021	2020	% CHF	% LC
Sales	193	182	6	10
EBITDA	38	24	58	
- margin	19.7 %	13.2 %		
EBITDA before exceptional items	38	25	52	
- margin	19.7 %	13.7 %		

### Sales

Sales in the Catalysis Business Area increased by a notable 10 % in local currency and by 6 % in Swiss francs in the first quarter of 2021. This trend, which was prevalent throughout 2020, continued with a strong sales development in Petrochemicals as well as an additional sales contribution from emission-control catalysts in India, which are used for motorized scooters.

From a regional perspective, sales expanded strongly in Europe, while the development in Asia was largely unchanged. North America, the Middle East & Africa, as well as Latin America reported lower sales. These regional quarterly developments should not be interpreted as trends, but rather reflect the project nature of the catalyst business.

## **EBITDA Margin**

The EBITDA margin increased significantly to 19.7% from 13.2% as a result of the favorable product and project mix and cost savings originating from the efficiency program despite the COVID-19 pandemic-driven contribution from the lower-margin emission-control catalyst businesses.

Though margins can fluctuate significantly over the quarters of a calendar year, the fundamentals for Catalysis remain positive for the current year based on the present demand pattern, our portfolio strength, and proven innovation capability.

## **Clariant Insight**

In March 2021, Clariant celebrated the opening of its new Clariant Innovation Center China – the "One Clariant Campus" (OCC). This Innovation Center underlines a core element of Catalysis' regional strategy of becoming a true "China Insider." The new OCC enables Catalysis to enhance its regional footprint through local production and local R&D, to strengthen local engineering services and capabilities, as well as to maintain and innovate the portfolio for local requirements. It will also facilitate the development of local partnerships and local co-operations and foster local trends and sustainability. With the new full-fledged R&D center in China, Catalysis aims to be the leading innovator in catalysts, benefitting customers in China and beyond.

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## **Business Area Natural Resources**

	First Quart	First Quarter		
in CHF Million	2021	2020	% CHF	% LC
Sales	405	450	-10	-6
EBITDA	68	86	-21	
- margin	16.8 %	19.1 %		
EBITDA before exceptional items	69	86	-20	
- margin	17.0 %	19.1 %		

## Sales

Sales in the Natural Resources Business Area decreased by 6 % in local currency and by 10 % in Swiss francs in the first quarter of 2021.

The Oil and Mining Services business reported a double-digit sales decline in local currency due in part to the particularly challenging comparison base in the first quarter of 2020 as well as the continued weakness in Oil Services and Refinery. Nevertheless, Mining Services sales again remained robust and grew at a low single-digit rate.

Sales in Functional Minerals rose at a high single-digit rate in local currency. The Foundry business clearly benefitted from the recovered European and Chinese automobile industries and grew strongly. This expansion more than offset the staid development in the Purification business for edible oils, where the bentonite requirements are subject to the quality of the respective crops as well as the weather conditions, both of which were comparatively good in the first quarter of 2021.

Additives sales increased in a lofty high-teen range in local currency. The resounding expansion resulted from a notable recovery in the relevant end markets, such as the electrical and electronics markets, the automotive sector, and fiber applications.

## **EBITDA Margin**

In the first quarter of 2021, the EBITDA margin decreased to 16.8 % versus a record high comparison base of 19.1 % in the previous year. The decline is attributable to the continued difficult environment in Oil Services, while Functional Minerals almost reached last year's high margin levels and Additives recorded an improvement. The previously announced efficiency programs generated the anticipated cost savings, and prices continue to be adjusted to counteract increases in raw material and logistics cost.

## **Clariant Insight**

In March 2021, Clariant opened a joint venture production facility for high-end stabilizer additives in Cangzhou, China. This facility forms the centerpiece of the partnership between Clariant and Beijing Tiangang Auxiliary Co., Ltd., a privately owned producer and leading supplier of light stabilizers in China. Through this facility, the two companies will continue their successful cooperation with an enhanced ability to fulfill the increasing demand from local growth industries in China, such as the automotive and textile industry and the coatings industry for high-end process and light stabilizers. Process and light stabilizers are types of additives used to reduce the degradation of plastics, in particular caused by exposure to environmental conditions such as light, heat, and air. China is a key market for Clariant's range of such stabilizers, which include the state-of-the-art Nylostab® S-EED® chemistry – invented by Clariant – a unique multifunctional hindered amine light stabilizer.



## **Discontinued Operations**

	First Quarte	First Quarter		
in CHF Million	2021	2020	% CHF	% LC
Sales	216	485	-55	-54
EBITDA	24	34	-29	
- margin	11.1 %	7.0 %		
EBITDA before exceptional items	29	69	-58	
- margin	13.4 %	14.2 %		

As part of Clariant's portfolio optimization, the Business Units Pigments and Masterbatches and the Business Line Healthcare Packaging, which operated as a part of the Business Unit Masterbatches, were reclassified to discontinued operations in 2019.

On October 31, 2019, Clariant sold its Healthcare Packaging business to Arsenal Capital Partners. The sale of Clariant's Masterbatches business to Avient (formerly PolyOne) was completed on July 1, 2020.

### Sales

In the first quarter of 2021, sales in discontinued operations decreased by 54 % in local currency and by 55 % in Swiss francs. However, on a like-for-like basis, comparing only Pigments performance, sales increased by 4 % in local currency and remained unchanged in Swiss francs. Both the Plastics as well as the Special Applications businesses reflected double-digit sales expansion.

## **EBITDA**

In the first quarter of 2021, the EBITDA decreased in absolute value year-on-year due to the divestment of the Masterbatches business. However, the profitability of the underlying Pigments businesses was positively impacted by the higher sales as well as the execution of the efficiency program, which generated cost savings of CHF 2 million in the first quarter.

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## www.clariant.com

Clariant is a focused and innovative specialty chemical company based in Muttenz, near Basel/Switzerland. On 31 December 2020, the company employed a total workforce of 13 235. In the financial year 2020, Clariant recorded sales of CHF 3.860 billion for its continuing businesses. The company reports in three business areas: Care Chemicals, Catalysis and Natural Resources. Clariant's corporate strategy is based on five pillars: focus on innovation and R&D, add value with sustainability, reposition portfolio, intensify growth, and increase profitability.