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### Q&A Regular Transcription

# Fourth quarter and full year 2023 figures

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**COMPANY REPRESENTATIVES**

Conrad Keijzer, Chief Executive Officer
Bill Collins, Chief Financial Officer
Andreas Schwarzwälder, Head of Investor Relations

**SPEECH**

**Operator**

Ladies and gentlemen, welcome to Clariant's call relating to the Fourth Quarter / Full Year 2023 Results. I'm Sandra, the Chorus Call operator.

At this time, it's my pleasure to hand over to Andreas Schwarzwälder, Head of Investor Relations. Please go ahead, sir.

**Welcome and Introduction Investor Relations Andreas Schwarzwälder:**

Ladies and Gentlemen, good afternoon. My name is Andreas Schwarzwälder and it's my pleasure to welcome you to this call.

Joining me today are Conrad Keijzer, Clariant's CEO, and Bill Collins, Clariant's CFO. Conrad will start today's call by providing a summary of the 2023 fourth quarter and full year developments, followed by Bill who will guide us through the Group's financials for both periods. Conrad will then conclude with the outlook for 2024 as well as our 2025 and medium-term strategic targets.

There will be a Q&A session following our presentation.

At this time, all participants are in listen-only mode.

I would like to remind all participants that the presentation includes forward-looking statements which are subject to risks and uncertainties. Listeners and readers are therefore encouraged to refer to the disclaimer on slide 2 of today's presentation.

As a reminder, this conference call is being recorded. A replay and a transcript of this call will be available in the Investor section of the Clariant website.

Let me now hand over to Conrad to begin the presentation.

**Conrad Keijzer, CEO:**

Thank you, Andreas.

Good afternoon, everyone and thank you for joining this call.

2023 overall has been a year of continued challenges for the chemical industry, impacted by the uncertain macroeconomic and geopolitical environment, with end markets remaining weak. In that context, Clariant showed a resilient performance in the fourth quarter, delivering sales of around 1 billion Swiss Francs. This represented a quarterly sequential increase of 4 % in local currency driven by volume growth as some end markets stabilized. On a year-on-year basis in local currency, revenue decreased by 14 %, or 10 % organically, against a very strong comparison base in Q4 2022 when Catalysts delivered record sales.

Looking at the underlying performance of the business, EBITDA before exceptional items, was 158 million Swiss Francs. This corresponded to a solid underlying margin of 14.9 %, before restructuring and exceptional costs related to the closure of the biofuels business.

For the full year, we recorded sales of 4.4 billion Swiss Francs, reflecting a 7 % organic decrease in local currency versus 2022. EBITDA before exceptional items was 641 million Swiss Francs, with a corresponding underlying margin of 14.6 %.

As mentioned, 2023 was a difficult year for the chemical industry, and while we see some demand stabilization in our key end markets, conditions remain challenging in most geographies.

For 2023, the European Chemical Industry Council (Cefic) reported an 8.0% decline in the EU 27 chemical output. Cefic signals some signs of recovery and expects 2024 to show a gradual improvement in growth.

In China, the largest chemical market, chemical output increased by 7.7% in 2023 according to S&P Global. This is believed to be mainly attributable to COVID-related pent-up demand. For 2024 S&P Global expects chemical output in China to normalize, with a 4.9 % increase.

The US economy was impacted by global weakness and monetary tightening throughout the year. Chemical output declined by 1.1 % in 2023 but there were signs of improvement in December, with the Chemical Production Regional Index sequentially higher by 0.4 % for the first time in four months, according to the American Chemistry Council.

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Given this backdrop, I am particularly proud of our ability to defend pricing throughout 2023 and to deliver on our commitments relating to our performance improvement programs. I am also pleased with our sustained, improved level of cash conversion of 36 %, which enables our Board of Directors to propose an unchanged distribution of CHF 0.42 per share to our shareholders.

Moving on to our strategic priorities. As announced in December, we made the decision to cease operations at our bioethanol site in Podari and to downsize related activities in Germany. Bill will provide more detail on the financial impact of this decision later in the presentation.

As I briefly mentioned, we continued to deliver on our performance improvement programs, with 14 million Swiss Francs additional savings achieved in the fourth quarter. We remain on track to reach our 2025 savings target of 170 million Swiss Francs, with 135 million, or almost 80 %, already achieved by the end of 2023.

The acquisition of Lucas Meyer Cosmetics was announced on October 30 last year and we expect completion as planned. This acquisition marks another significant step forward in our purpose-led strategy, further strengthening our position as a true specialty chemicals company.

We are excited by the opportunities ahead as we combine our personal care ingredients portfolio with Lucas Meyer Cosmetics to become a leader in the high value cosmetic ingredients space. We see this as one of the most attractive markets in specialty chemicals, both in terms of growth and profitability.

Turning to our revenue development for the quarter, we recorded sales of 1.062 billion Swiss Francs. Currency had a 6 % negative impact, including a 1 % net impact from hyperinflation in Argentina and Türkiye.

Whilst pricing was stable overall for the year, in the quarter we reported a 4 % decrease. This is on the back of a 13 % pricing increase in the same period last year. In Q4 2023, a 3 % increase in Catalysts pricing was offset by Care Chemicals declining by 7 %, primarily due to index-based contracts, while Adsorbents & Additives was down 2 %. Our priority remains to defend pricing in a deflationary environment.

Volumes decreased by 6 %, as Catalysts experienced a decline due to both the project nature of the business and prolonged refill cycles, against a record performance a year ago. In addition, we experienced weak demand in key Additives end markets.

The Electrical & Electronics sector was impacted by continued weak consumer demand. The International Data Corporation (IDC) expects global notebook and PC production to show a decline of 13 % in 2023 compared to 2022, with demand experiencing a delayed recovery in the second half of 2024. Smartphone shipments grew sequentially in Q4 2023 by 14 % given holiday seasonality, while remaining negative at minus 3 % on a full year basis. This latest data implies two years of sustained decline in these shipments.

For Clariant in Q4, divestments and acquisitions had a net negative impact on sales of 4 %. Excluding this impact, organic sales in local currency declined by 10 %.

As mentioned earlier, sequential revenues were up 4 % in local currency compared to the third quarter of 2023.

Moving on to performance by geography, sales in the Americas decreased by 21 % in the quarter, predominantly due to the divestments of our North America Land Oil and Quats businesses. Organically, sales decreased by 11 % due to lower volumes in Catalysts and Adsorbents & Additives. In addition, Care Chemicals was impacted by formula-based pricing and the seasonal aviation business was also affected by less favorable weather conditions.

In Europe, Middle East & Africa sales were down 13 % in local currency as Catalysts growth in the Middle East only partially offset lower sales in Care Chemicals and Adsorbents & Additives.

Sales in Asia-Pacific were down 9 %, with a 22 % decline in China due to Catalysts sales in Propylene and Ethylene being below the very strong comparison base of last year.

In terms of profitability, EBITDA in the fourth quarter of 2023 was 106 million Swiss Francs, 31 % lower year-on-year, resulting in a 10.0 % EBITDA margin. Excluding restructuring charges and exceptional costs related to the closure of the biofuels business, EBITDA before exceptional items was 158 million Swiss Francs, resulting in a robust underlying margin of 14.9 % versus 15.3 % in 2022.

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Lower volumes compared to the prior year negatively impacted operating leverage. However, cost savings of 14 million Swiss francs from our performance improvements programs contributed positively to offset inflation impacts.

We have delivered significant improvements against our non-financial KPIs, including continued progress in reducing our greenhouse gas emissions. In 2023, Clariant's Scope 1 and 2 total greenhouse gas emissions fell by 13 % compared to 2022, with businesses reducing their emissions more than the overall volume decline. We improved the carbon intensity by 13 % from 163 to 142 kilogram CO2 per ton of product. In 2023, we also reached another important milestone as our site in Bonthapally, India, became Clariant's first production site to reach net-zero emissions.

Scope 3.1 indirect greenhouse gas emissions decreased by 12 % from the prior year. These results are also partly attributable to the lower purchasing volumes in 2023, while also demonstrating continued progress toward reaching our 2030 emissions reduction targets. Around 40 % of the net reduction in Scope 3.1 emissions was achieved through focus projects to advance the decarbonization of raw materials.

In 2023 we successfully implemented our new operating model which was designed to foster better customer orientation and decision making, greater empowerment, more accountability, and improved transparency. This operating model has enabled a significant improvement in our KPIs relating to safety, customer satisfaction, and employee engagement.

On safety, we aim to achieve a zero accidents culture and be a leader in safety in the chemical industry. In 2023, we made significant progress in reducing the DART rate by 46 %, which reflects both an increased safety awareness and the effectiveness of our safety training programs. This performance places Clariant in the top quartile of the chemical industry.

Clariant customers globally participated in the Customer Satisfaction Survey for 2023, with our overall Customer Net Promoter Score (NPS) improving from 42 to 45. 44 % of respondents stated that their general perception of Clariant had improved in the last 12 months and our improved score places Clariant eight points above the chemical and gas industry average.

In January 2024, we invited all employees to participate in an engagement survey and we saw an increase in participation rate from 75 % in the previous year to 83 % this year. We achieved meaningful progress in the Employee Net Promoter Score (eNPS), increasing from +3 in 2023 to + 25 in 2024, moving Clariant up from the third to the second quartile compared to relevant industry peers.

All of these achievements are linked, as studies show a direct correlation between employee engagement on the one hand and both a company's safety performance as well as customer satisfaction levels on the other. Going forward we remain firmly committed to drive further continuous improvement in these key metrics.

I will now hand over to Bill for further details on our business performance in the fourth quarter.

**Bill Collins, CFO**

Thank you, Conrad and good afternoon, everyone.

I will now discuss our fourth quarter development by Business Unit, starting with Care Chemicals.

Care Chemicals sales decreased by 17 % in local currency. While volumes declined slightly year-on-year, sequentially volumes increased by 6 % compared to the third quarter.

Pricing was 7 % lower due to formula-based adjustments linked to raw material prices, and scope had a minus 9 % impact due to the disposals of the North American Land Oil and Quats businesses.

By segment, we recorded a strong performance in Oil Services and Mining Solutions while Crop Solutions, Base Chemicals and Personal & Home Care declined.

Care Chemicals EBITDA of 110 million Swiss Francs resulted in a 20.0 % margin. Profitability was positively impacted by beneficial raw material developments, the impact from our performance improvement programs, and positive rebate related one-offs.

Catalysts sales declined by 10 % in local currency against a very strong comparison base and, as expected, the more even distribution of sales over both quarters in the second half of the year. Sequentially, sales were flat in local currency versus the third quarter. Given

the record performance of last year, volumes were down 13 % versus Q4 2022, whilst pricing continued to be positive, recording an increase of 3 %.

By segment, we recorded low-single digit growth in Specialties, while all the other segments declined by a mid-teen percentage rate.

In the quarter, the reported EBITDA margin decreased to negative 3.9 % mainly due to the impact from costs associated with the shutdown of bioethanol production and the downsizing of related activities.

EBITDA before exceptional items was 41 million Swiss Francs, resulting in a margin of 15.9 % versus 12.6 % the prior year. The improvement was driven by positive pricing and deflation in raw material costs. Sequential underlying EBITDA decreased because of business mix effects. When excluding operational and exceptional effects related to sunliquid®, Catalysts EBITDA margin in Q4 2023 was 20.5 %, compared to 18.1 % in Q4 2022.

Looking at the sunliquid® impacts in more detail, this slide outlines both operational and exceptional effects for the fourth quarter and for the full year 2023. In the quarter, total exceptional items resulted in a negative impact of 53 million Swiss Francs. The operational impact of negative 9 million Swiss Francs improved from the 20 million impact recorded in Q4 2022.

For the year, the total operational impact amounted to negative 43 million Swiss Francs, and total exceptionals resulted in a negative impact of 60 million Swiss Francs.

Following the announcement of our decision to cease operations, we recorded impairment charges of negative 81 million Swiss Francs.

For 2024, we expect a negative operational impact of up to 15 million Swiss Francs and exceptional items of up to 30 million Swiss Francs. The cash impact related to the closure costs is expected to be in the range of 110 million to 140 million Swiss Francs.

Moving to Adsorbents & Additives, sales decreased by 11 % in local currency in the fourth quarter. This was driven by a 10 % decline in volumes and slightly lower prices, as very weak demand in key end markets continued in the Additives segments. Adsorbents grew by a low-single-digit percentage rate driven by positive pricing and supported by scope

impacts. Sequentially, sales increased by 5 % in local currency, driven by a volume increase of 6 % compared to the previous quarter.

EBITDA margin decreased to 6.3 % compared to 11.7 % in the fourth quarter of 2022. Profitability was impacted by lower fixed cost absorption and negative operating leverage in Additives, due to substantially lower production volumes, partly to reduce our inventories. We also recorded 6 million Swiss Francs restructuring charges for additional steps to align our cost base with the lower volume environment.

Sequentially, EBITDA before exceptional items of 21 million Swiss Francs was below the 30 million Swiss Francs recorded in the prior quarter.

We delivered cost savings of 14 million Swiss Francs in the fourth quarter from performance improvement programs, resulting in a total of 50 million Swiss Francs savings in 2023. We remain on track to achieve our total cost savings target of 170 million Swiss Francs against an original target of 110 million.

Thus far, savings of 135 million Swiss Francs have been realized from efficiency and rightsizing measures as well as the initial savings from the implementation of the new operating model.

Let's now move on to cover the full year results.

In 2023, sales were 4.377 billion Swiss Francs, corresponding to a year-on-year 10 % decline in local currency, 7 % of which was organic. As Conrad mentioned, we were able to defend pricing in a challenging operating environment, which remained stable year-on-year.

Selling, general and administrative costs declined by 15 % from the prior year due to disposal effects, currency movements and benefits from our performance improvement programs, despite normalization of travel and event costs and general inflation.

Reported EBITDA for 2023 decreased by 25 % to 607 million Swiss Francs, resulting in a margin of 13.9 %. Profitability was negatively impacted by the 103 million Swiss Francs of operational losses and exceptional items from sunliquid®, the negative 11 million Swiss Francs fair value adjustment of the Heubach Group participation in the first quarter, and restructuring charges of 64 million Swiss Francs. Before exceptional items, EBITDA was 641 million Swiss Francs, resulting in a margin of 14.6 %.

The cash generated from operating activities for the Group decreased by 81 million Swiss Francs to 421 million Swiss Francs, due to the lower EBITDA in the year despite active working capital management. We recorded a resilient free cash flow conversion rate of 36 % for the full year 2023.

Group net debt of 755 million Swiss Francs was stable versus the prior year end.

And with this, I close my remarks and hand back to Conrad.

**Conrad Keijzer, CEO:**

Thank you, Bill.

Let me conclude with the outlook, starting with 2024. While we expect a continued easing of the inflationary environment, we see limited indications for an economic recovery in 2024, with uncertainties and risks remaining. Interest rates are expected to remain at elevated levels, despite an anticipated easing in the second half of 2024. Global GDP is expected to slow from 2.7 % to around 2.4 %. After underperforming in 2023 at 1.1 %, Industrial Production is expected to rebound in the second half of 2024 and in 2025, resulting in forecast growth of 2.9 % for 2024 and 3.4 % in 2025.

In 2024, we target low-single-digit percent sales growth in local currency and reported EBITDA margin of around 15 %. We expect growth in Care Chemicals, reflecting the end of destocking, in addition to the positive impact of the proposed acquisition of Lucas Meyer Cosmetics. Growth in Adsorbents & Additives is attributable to expected continued growth in Adsorbents and a slight recovery in Additives. The performance of both Business Units is expected to offset a temporary slowdown in Catalysts momentum, given demand-driven prolonged refill cycles and lower new-build capacity additions.

The margin guidance also includes the impact of Lucas Meyer Cosmetics, a sunliquid® restructuring impact of up to 30 million Swiss Francs, originally expected in the fourth quarter of 2023, and sunliquid® operating losses of up to 15 million Swiss Francs. Excluding these operational and exceptional impacts, we expect an EBITDA margin of around 16 % for the Group in 2024.

We will continue to focus on defending pricing in a deflationary environment and expect ongoing cost benefits from our performance improvement programs of 25 million Swiss Francs.

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Moving to our medium-term outlook. At our Capital Markets Day in November 2021, we set 2025 targets of profitable sales growth above our markets with a targeted 4 to 6 % CAGR, a reported EBITDA margin between 19 and 21 %, and a free cash flow conversion of around 40 %. Back in 2021, the targets were underpinned by the expectation that 2/3 of the EBITDA margin improvement would come from sales growth and 1/3 from performance improvement programs. While we have over-delivered on realizing the cost savings from the performance improvement programs, our sales growth has been impacted by weak market growth in the challenging macroeconomic environment.

We remain committed to our medium-term targets as end markets recover and growth normalizes over the next two to three years. However, taking into account the continued challenging environment, we now expect 2025 to be a year of significant progress towards these targets with continued growth and substantial profitability improvement.

In 2025, on the basis of an expected 3 to 5 % improvement in key end market demand, we are targeting Group reported EBITDA margin of 17 to 18 % and free cash flow conversion at the targeted level of around 40 %. We provide a bridge on the slide to show you how we will achieve this significant progress in 2025. Notably, we expect around 75 % of the improvement in EBITDA margin from our FY24 guidance level to our FY25 ambition to be a result of our self-help actions.

As end markets recover and growth normalizes over the next two to three years, we are well positioned and confident that we will deliver on our medium-term targets. We expect to realize the benefits of the Lucas Meyer Cosmetics acquisition, leverage our investments in China and take advantage of our well-filled innovation pipeline offering sustainability solutions to our customers.

Ladies and Gentlemen, to summarize and conclude: For the full year 2023, we reported a 7 % organic sales decline in a challenging year for the chemical sector. We demonstrated our ability to maintain pricing and to execute our cost saving initiatives. With the implementation of our new operating model, the strategic decisions regarding sunliquid® and the proposed acquisition of Lucas Meyer Cosmetics, we have further prepared the company for growth and margin expansion in the coming years. We look forward to delivering against our short- and medium-term targets.

With that, I turn the call back over to Andreas.

**Andreas Schwarzwälder, IR:**

Thank you, Conrad and thank you, Bill.

Ladies and Gentlemen, we will now take your questions. We would kindly ask that you please limit the number of questions to two, thus providing more participants with the opportunity to ask a question. Thank you for your understanding.

We will now open the line for questions. [Sandra], please go ahead.

**Operator**

We will now begin the question-and-answer session. Anyone who wishes to ask a question or make a comment may press star and one on the touchtone telephone. You will hear a tone to confirm that you have entered the queue. If you wish to remove yourself from the question queue you may press star and two. Participants are requested to use only handsets when asking a question. Anyone with a question may press star and one at this time. Our first question comes from Christian Faitz from Kepler Cheuvreux, please go ahead.

**Christian Faitz**

Yes, good afternoon, good morning everyone. Two questions from me, please. First of all, you saw new demand entrants for your agrochemical precursors in ’23, with the recent dicamba rulings in the US and I believe you are a bit exposed to this herbicide actually offering a solution against drifting will this business also be impacted in ’24?

And the second question would be what are the key elements of the north of 100 million Swiss franc cash outflow for the wind down of the sunliquid business that you expect in ’24? Thank you very much.

**Conrad Keijzer**

Okay, Christian, good afternoon. We couldn’t entirely clearly hear the question, sorry for that.

**Christian Faitz**

I’m sorry.

**Conrad Keijzer**

Your first question was related to agrochemicals muted demand last year and if we expect that moving forward, correct?

**Christian Faitz**

Exactly, also in the light of the recent dicamba rulings?

**Conrad Keijzer**

Yes, okay. And your second question was related to cash outflow, right?

**Christian Faitz**

For sunliquid north of 100 million that we expect this year, what are the key elements?

**Conrad Keijzer**

Sure, okay. Bill will obviously comment on the cash outflow. I will first make a few comments on agrochemicals.

So what we actually, this is a segment where the end demand last year was holding up quite well, it wasn't as good as 2022. 2022 as a reminder, we had record food prices and also the ideal conditions, let's say, for agrochemicals. But in 2023 demand was still relatively strong in term so the demand from the farmers and that's, in the end, obviously the most important here. What we did see, though, is very significant de-stocking in agrochemicals last year and it actually started a little bit later than in the other segments.

Well, actually the start of the year was still okay, we saw the de-stocking really coming through in Q2, actually, and through the remainder of the year. Feedback from our customers is that they're still sitting on inventory, so what you're seeing is that the first half will still show a level of muted demand in agrochemicals but the second half we should really see a pickup. So yes, that's basically all on agrochemicals. Bill, maybe you can comment on cash and the cashflow?

**Bill Collins**

Yes, on the cash piece, so like you mentioned we have about 100 million plus in cash out associated with the biofuels closure. A significant portion of this is what you might assume

anyway, it's the severance costs for employees, it's dismantling costs. The bulk of it, actually, then relates to resolution of agreements that we have in the ongoing running of the plant, which for obvious reasons, I won't go into in any great detail on that, but of the 110 million you probably have roughly 30%, 40% that is true restructuring part and then the remainder is the resolution of these liabilities that we have with contractors.

**Christian Faitz**

Okay, thank you, very helpful.

**Conrad Keijzer**

Thank you.

**Operator**

The next question comes from Chetan Udeshi from J.P. Morgan, please go ahead.

**Chetan Udeshi**

Yes, hi, thanks. First, I have to say thank you because your slide deck has all the key moving parts in terms of M&A and all the restructuring costs, cash out, so it's easy for us, so thanks for that.

The question was just as you start the year, because some companies are seeing still softer demand, some are seeing improvement, where are you guys? Can you maybe talk about what you are seeing in terms of start of the year and trends post the Chinese new year?

And the second question was just looking on the catalyst business, it's a bit late cycle business so it's understandably weaker just now but do you have any sense of your order book visibility in terms of when that might turn? Is it going to be some point this year or do we have to wait for that to turn at some point next year? Thank you.

**Conrad Keijzer**

Yes, Chetan, thanks for your two questions but first also thank you for the compliment on our slide deck, that is our IR team who deserves to hear all the credit, so Andreas thanks for that and I entirely align with what Chetan was saying.

Yes, so your question, Chetan, on the start of the year and what we're seeing right now in terms of current trading conditions. Maybe first I should reflect back on the fourth quarter and mention that we did see a sequential improvement of 4% in local currency in Q4 versus Q3. So that in and by itself we saw as a positive. And then if you look at the first quarter, the start of the year, we actually were pleased with the start of the year. So we saw a positive growth in catalyst from prior year, we saw a positive growth in chemicals compared to the prior year, also in absorbents. In additives we still don't see the pickup in growth yet.

Now, if you look quarter to quarter in recent years our Q4 has been quite strong primarily because we had actually typically strong Q4 on catalysts. This year that was much more balanced, so if you look now sequentially you actually may see some improvement even further into the first quarter.

And your second question on catalysts and the performance that we saw last year in catalysts and our outlook for this year. So catalysts last year for the full year was obviously very strong with the 9% growth including 4% pricing. I will say a lot of that growth was new build, and after the new build the first fill it does take a period of time for refill business to kick in. So you will see a slowdown, actually, from that perspective in catalysts this year.

What you also will see this year is if you look at the refill business that last year, especially in Europe, our customers were running at capacity levels of rather low, particularly in Europe. We saw levels as low as 60% to 70%, that does actually prolong the refill cycle. So what you see in catalysts is also in that refill business a slowdown this year. So we're guiding for mid-single digit decline in catalysts for the year, that is in line with what our order book is now telling us, and as you know we have typically good visibility, the order book is roughly six to nine months out. So you will see this pick up for next year which we do expect for catalysts, you'll see that reflected more towards Q3, Q4 of this year.

**Chetan Udeshi**

That's clear, thank you.

**Operator**

The next question comes from Jaideep Pandya from Onfield Research, please go ahead.

**Jaideep Pandya**

Yes, thanks a lot. My first question is on catalysts, actually, just following on Chetan's question. Conrad, could you give us some colour, if the -5 that you're guiding for, how much of that is catofin related? So just want to understand what are your expectations for catofin versus the rest of the portfolio this year? Because if things improve then Syngas and petrochemicals should actually grow, and I at least count that there are two plant startups in China this year which use your technology. So just curious what is your expectation for catofin this year? That's my first question.

Second question is on additives, obviously because of weaker electronics you've suffered in this business. If volumes come back, say 10% to 15%, what is the EBITDA swing here? Have you lost like 50 million plus in additives because of weaker volumes or am I being too exaggerated?

And then one comment, or rather request or hope, if I may use all these words, is would you ever think of splitting your care chemicals into a personal care business versus the non-personal care part?

Because I find it very strange if I'm being very honest, that Lucas Meyer is going to share the podium with oil and mining in one division. And now that you have the chance to tell your number one peer that your margins are better than theirs in personal care. Thanks a lot.

**Conrad Keijzer**

Okay, Jaideep, yes, great questions. Three questions if I picked it up correctly. So let me try to quickly go through them.

I think your first question on catalysts, yes, as far as our mid-single digit guide for declining business this year in catalysts. Yes, indeed that is to quite some extent in Catofin, what you see is that we did have a lot of new builds for Catofin, actually, last year, and that was also related to our new China plants, which is running almost flat out right now. So you will see a slowdown there because what we saw in Catofin specifically is a lot of capacity expansions, also in China, and there's even to some extent a certain overcapacity right now that has been building.

And like I said, the decline then is caused by the effect that new build is not coming back and it does take… There's a time lag before the refill business comes in. I further would comment that Syngas was particularly strong last year as well. And yes, we basically see that Syngas last year we did gain some market share, we've got to hold onto it but we don't expect further share gains in that business right now.

Your second point on additives and volume developments there as well as the impact on EBITDA. I think for additives maybe it's good to high-level give the breakdown. So if you look at the additives and particularly our flame retardants, they are tied first of all to the electronic markets. And what you saw last year for the whole year is still declines in that segment, cell phones down 3% for the year in terms of production rates, laptops 13% down. The positive for this year is that there is an expectation for consumer electronics to grow at a 5% run rate this year based on S&P data.

Secondly, automotive, we had a strong growth in electric vehicles last year, 36% reported. The challenge for us was it was sitting primarily with Chinese OEMs, and until recently we did not have a local plant in China for flame retardants, we're bringing in the material from our Knapsack site. The good thing is that actually we started our new local plant in China in October. So we are actually now well-positioned to capture out fair share of that ongoing growth for electric vehicles, particularly in China. The overall growth rates for electric vehicles, not as high as last year as 36%, but still 22%, so that's still solid growth.

And then finally, what is you see is flame retardants is being used in construction, switch panels, etc., that recovery probably still will take a bit longer. But as interest rates come down in the second half of this year you will see also a pickup in construction activity at some point. So for volumes we are confident that we will see a rebound. It is primarily tied to the rebound in durable goods demand, what we are expecting, particularly for next year.

So what you then will see in additives is a significant operating leverage because we have taken out cost and we've been able to lower that cost base. In terms of pricing we've been very disciplined, so we've actually at a contribution margin where actually slightly up, so we've been able to capture some of that margin from the lower raw materials. So if and when, and I should say when here, the, the demand comes back you will see significant operating leverage from additives.

Finally, to your question on the personal care and oil and gas. We have implemented full segmentation in our care chemicals business. So we have the dedicated segment for personal care, we have a dedicated segment for oil and gas, with dedicated sales reps, dedicated product development. This has been really the big change from the past that we implemented, we have fully segmented this market very much around our customer base. So no worries here that a person on one day needs to go to an oil and gas customer and the next day to L'Oréal. That's not the case.

**Jaideep Pandya**

Sorry, but what I was wanting to ask was would you ever split from a reporting point of view so that us dumb analysts can actually appreciate your personal care business?

**Conrad Keijzer**

That I understand, obviously from your perspective, and I understand very much your eagerness to see those number broken out, here there is clearly also some competitive reasons that we… Internally absolutely, we're looking at it by segment, we're looking at growth by segment, profitability by segment. But externally, unfortunately, we're not in a position to break that down for competitive reasons, sorry for that.

**Jaideep Pandya**

No worries, I keep hoping, thank you.

**Operator**

The next question comes from Alex Stewart from Barclays, please go ahead.

**Alex Stewart**

Hi there, thank you for taking my question and thank you for the interesting discussion. It's possible you covered it already but I think during the summer you were suggesting that the EBITDA contribution in Catalysis would be roughly similar to Q3, Q4. Q4 obviously came in well below that, I'd be interested to know why the fourth quarter was lower than expected. And again, apologies if you've already said that.

The second one is on your Syngas catalyst business, there's a lot of discussion with some of your competitor about exploiting that position in renewable fuels and SAF and new growth markets. We don't often hear Clariant talk about that, does that mean that it's not

an avenue of business growth that you're exploring? Does it mean perhaps you're focusing attention elsewhere? Be very interested to get your views on that, thanks.

**Conrad Keijzer**

Okay, thank you, Alex. Yes, so first on your question around catalyst and margins, yes, we commented last year that with all the actions in that business we felt that we had achieved a turnaround and that the business now actually should achieve EBITDA margins structurally around 20%. Now, that does not mean that that will be the case in every quarter. So there is still significant operating leverage in that business, so what you saw in Q4 is the effect of that.

Also, this year there will be quarters where you're going to be under 20 but there equally will be quarters that you're over 20. So for the year for catalysts, even though we guide for mid-single digit declines in revenue we are actually also guiding for EBITDA margins for the year around 20% for catalysts. But again, not for every quarter.

Your second question on catalysts and the energy transition and Syngas and your question on SAF. Yes, I can only say that we are very well-positioned for this energy transition in Europe. So if you look at first of all green hydrogen we're actually not active with products in the production of green hydrogen, so we're not doing anything around the electrolysis, the splitting of water. But what we are doing is we have all the catalysts to basically convert gas into liquids. So what you see is that the big outlets for green hydrogen are going to be green ammonia and also green methanol.

Green ammonia has a huge promise because it will actually allow literally for climate neutral fertilizers, that is a big breakthrough. And I can tell you we are one of the leaders for ammonia catalysts right now and we in fact have the most selective, most robust catalyst, for ammonia production.

The second big breakthrough that you will find is actually with what is referred to as e-methanol.

So this is actually methanol made from CO2 based on biomass and then green hydrogen. The first plants in Europe at scale last year in the Nordics is exclusively supplied with catalysts from Clariant. So I will say that in the whole energy transition, particularly the green hydrogen economy, Clariant is extremely well-positioned.

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And then finally, your comment on SAF, sustainable aviation fuel, but I would add here biodiesel. Both of these, if you look at the hydrogenated vegetable oil route, they do require a purification step where we play a significant role with our absorbents. And if you look at catalysts demand for SAF, there are two steps. There is the hydrogenation step, where we're not participating, but these are really the refinery catalysts technologies that you need and that's a segment we're not active in.

But we are active also with our catalysts and products in the second stage, which is the isomerization step for SAF. So also there Clariant is actually very well-positioned. And thank you, Alex, for your feedback, we will communicate more about it because we're actually very proud of our positioning here.

**Alex Stewart**

Great, so if I could allude back to this catalysts question, because I seem to remember in the second quarter conference call you were suggesting or guiding that you would have a roughly equal EBITDA contribution in absolute terms Q3 and Q4. And it looks like Q4 was quite a lot below the Q3. I'm just interested to know whether something changed there or perhaps I misinterpreted your guidance?

**Bill Collins**

Yes, Alex, this is Bill. I think what we were trying to communicate is that we were seeing more balanced sales across the quarters, because when we look at how we're able to work with our customers and when they need their materials we can balance that better. And then also looking at how we balance the mix across the quarters as well. So it wasn't to imply at all that we expect the same EBITDA margins every single quarter, as Conrad mentioned earlier, but rather we hope that we can see a less lumpy sequencing of catalysts sales across the quarters.

**Alex Stewart**

Got it, thank you.

**Operator**

The next question comes from Matthew Yates from bank of America, please go ahead.

**Matthew Yates**

Hi, afternoon everyone. I'd like to focus a little bit on your slide 19 and the medium-term targets, that's a very helpful bridge in understanding your thinking about how you to get to the 17% to 18%. But can you then take that one step further and talk about the bridge to getting the margins up to the 19% to 21% level you talk about?

And I guess to understand your conviction and why you're reiterating these targets today, how much of the margin improvement is dependent on a market recovery that you can't control versus your innovation projects and your capacity investments that you can have some influence on?

And are you prepared to put a timeframe on what mid-term now means? Obviously you were explicit before that it was a 2025 target, has this become '26, '27, or even later? Thank you.

**Conrad Keijzer**

Yes, thanks, Matthew, for that question, I'll make a few comments and then obviously Bill will also chime in here. Yes, maybe just first to recap back to November 2021, what we said there when we announced our 2025 targets was we're going to achieve a 4% to 6% growth, which was above market growth, and we at that moment in time said market growth will be 2.5%. We also said we're going to get up to an EBITDA margin of 19% to 21% and finally, we said a cash conversion target will be 40%.

So if you look where we are right now and how we bridge to next year and then back to these mid-term targets. First, if you look at what happened on these levers, at the time November 2021 we said two thirds of the improvement in EBITDA margins will have to come from growth. I mean you cannot only cost-cut your way up to the 19% to 21%. So we said two thirds will come from growth, one third will come from cost. And that was the basis at the time for the 110 million cost target that we had.

Now, meanwhile we've increased that cost target from 110 to by now a 170 million target, so we have overdelivered on the existing target and we've added to this target. And what you see now is that actually, it's more going to be like two thirds in the end coming from cost, but that still means that we need growth and we need to normalized trading conditions. So if you look at our forecast, our outlook for next year that we gave, we said we're going to target a growth level there of 3% to 5%.

We feel actually confident about that, so what you're seeing is the GDP slowing this year, but the economists are seeing the pickup in GDP next year. What is more important for us is that there are going to be a return in demand for durable goods.

So as you know, services has been a big part of GDP last year, it still is a significant part this year, but you'll see a rebalancing. And certainly as interest rates will come down and inflation comes down in the second half, next year you really will see consumers to start spending again. We've talked about this many times in our conference calls that we are lacking durable goods demand. It's interesting because you now also see economists taking about it and projecting a return for durable goods demand in '25, and that's the basis for our 3% to 5% growth in '25. And actually, we do then need a normalization of trading conditions to really bridge from the 17% to 18%, to the 19% to 21%. Bill, if you want to add?

**Bill Collins**

Yes, just a few things. Matt, one of the key things that we've talked about even today is just the overwhelming impact of these legacy topics like biofuels, that has had a serious drag on our earnings for the last two years now. So by the end of 2024 all of that is out, so we'll really have a much cleaner EBITDA margin than what we've had historically.

So when we start with this 17% to 18% that we're expecting in 2025, having all the legacy out helps, we've had very strong performance on our cost programs over the last year, as Conrad mentioned, we've really overachieved on that. Which when the growth does come back, we're going to get much more operating leverage there than what we would have seen before. Plus, we are actually really good I think as a company in the continuous improvement element of making sure that we're continuing to look at cost opportunities and productivity to help offset inflation going forward.

And then as Conrad mentioned in addition to the market growth we're going to see continued impact from our Lucas Meyer Cosmetics acquisition and the synergy growth that we expect there, as well as additional leverage from our China investments that we've made over the past couple of years. So again, I really see a very clear line of sight not only through 2025 but into that 19% to 21% range in the very short term thereafter.

**Matthew Yates**

Thank you, both.

**Conrad Keijzer**

To add to what Bill was just commenting, I think you were asking for timing and what we basically here expect is that trading conditions will normalize in a two-to-three-year timeframe.

**Matthew Yates**

Okay, thank you, Conrad.

**Conrad Keijzer**

You're welcome.

**Operator**

The next question comes from Tristan Lamotte from Deutsche Bank, please go ahead.

**Tristan Lamotte**

Hi, thanks for taking my questions, two please. The first is could you talk through your expectations for pricing in 2024 by segment? On a group level you had pricing down 4% in Q4 versus 3% in Q3, I expect consumer care will continue to see more pricing pressure, could you talk about where you'll be able to retain pricing across the portfolio and where you'll have to give it back and the key factors there?

And the second question is on the top line guide, on the 2024 top line guide for low-single digit, I'm assuming low-single digit means 1% to 3%, so let's 3%, the M&A impact, if I'm not wrong will be 0.5% negative. So that means your assumed top line growth ex-FX is 2.5% for 2024, you've said catalysts down around 5% next year, could you talk through your thinking behind the group sales guidance with regards to the other two divisions and what takes you to the top and bottom end of that low-single digit range of 1% to 3%? And could you confirm if there's an element of conservatism in those assumptions, thank you?

**Conrad Keijzer**

Yes, thank you, Tristan. So let me first make some comments on pricing and also on the outlook and then probably Bill will also chime in with additional detail if needed. So if you look first at pricing, yes, we were extremely pleased, actually, with our overall pricing last year. So volumes -7%, pricing flat over the year. Now, it's true that we saw some moving

parts in the fourth quarter, we saw pricing down, actually, in Q4 in care chemicals by 7%. That was sitting primarily in the formula-based contracts. Keep in mind roughly 40% of the business in care chemicals of formula-based. And we also actually have some of the de-icing business formula-based, and that had actually negative pricing because of the low pricing for glycols.

So if you look further in Q4 we saw a little bit a -2 on pricing in additives and absorbents, but we're not too worried about that. So moving forward, very much for this year also it is going to be out ambition to defend our pricing, what you will see on the raw materials side is later year we saw a decline in our raw mats of 11%, this year we're going to still see a mid-single year on year decline on raw mats. So where last year we've been able to improve at a contribution margin level across the business we have that same ambition this year to partly offset volume coverage for plans and inflation.

So then your question on the guides for '24, and I think Bill can make some comments about M&A effects, but keep in mind there's also some negatives here because of the divestments from Quats and from North American Land Oil which was later in the year last year. But if you just look at the business breakdown roughly would be mid-single digit decline on catalysts, a mid-single digit positive, I would say for care chemicals, and then let's say a low-single digit positive for A&A. And that then ends up in the low-single digits based on the definition that you had for that, I think you said 1% to 3%. Bill, do you want to further comment on the breakdown of the low-single digit growth for the year, Lucas Meyer effect?

**Bill Collins**

Yes, I can do that. Actually, one of the things that I wanted to just briefly mention with regard to the pricing is that one of the things that we're really excited about is the fact that when we look at the pricing month to month over the last six months it has been very, very stable. So I think we've really done a good job of defending prices, keeping it as high as we can, even in the midst of further raw material decline. So I feel pretty good about that going into next year.

When we talk about the scope for next year, from a net scope impact it's relatively small on sales, maybe only around 20 million in total. But you've got to keep in mind that we have nine months of Lucas Meyer coming in, which has been largely offset by the divestments that we did earlier this year.

**Operator**

The next question comes from Andreas Heine from Stifel, please go ahead.

**Andreas Heine**

Three if I may. The first is actually within the foundry sand business which has quite an exposure to automotive and within automotive to the ICE business, how has that performed in 2023 and how do you see that going forward over the next couple of years?

In the catalysts business, looking on your order book, you addressed already that the capacity utilization across the industry is pretty low, with that the appetite for capacity expansion, investment in new plant is not really high. And I can't see this changing during 2024, you on your own said what you expect for 2024 is still a challenging environment, so probably the utilization rate will not improve too much. So what should change in the catalysts business from '24 to '25 in the investment appetite of the chemical industry?

And then lastly, a question on the Capex, it is now pretty low at 220 million for the second year. How long do you think you can keep this rather low Capex level?

**Conrad Keijzer**

Yes, sure, thanks for these great questions, Andreas. So first, your question on foundries and automotive and what we're seeing here happening in our bentonite business. It's interesting, we actually did have a decent year in this segment for bentonite last year. What you will see over time though is that in volumes this will come down, because what you see is with the switch to electric vehicles that there is less of these metal casted parts which require actually this binder sand. So in electric vehicles there is just less large metal parts.

Now, they are more sophisticated, so if you have these electric vehicles parts, engines, it's a lot of small parts which means that the volume comes down the specification actually for binders for foundry sand is actually going to go up. But overall, I think it's fair to say that the outlook is that this is not a growth business and therefore we are extremely pleased with our growth positioning for purification of biofuel with bentonite products, because that will more than offset some of the declines that may happen there in automotive over time.

Then your second question on catalysts and the capacity utilization run rates right now, at the moment in the chemical industry. I will say it is a bit of a mix by region, so we see low capacity utilization rates in Europe, down to 60%, 70%. We see higher capacity utilization

rates in the US, more like an 80% or even 85% or 90%. While actually, Asia is a bit of a mixed picture, with some overcapacity in some segments and not in some other segments. I think we mentioned it because of the high new builds last year we are guiding for mis-single decline this year. But we also see this pickup next year for the business, and this has to do with the refill cycle coming back in. So we are confident about pickup, we are also very pleased with our positioning versus the energy transition and our catalyst offering for all those sectors. So yes, the net will be guidance mid-single down this year but we're still confident about growth in the year ahead.

And then finally, your question on Capex. It's the second year we're running at a low run rate but we have a lot more discipline around cashflow and we are scrutinizing projects much more than we did in the past. I don't know if you want to comment about it, Bill, but we will not sustain at this low level but so for next year it might be a bit more. But we're certainly not going to return to the historically high levels…

**Bill Collins**

No, I would say from my perspective I feel pretty good about a Capex level in the low 200 level. If you look at what we had spent 2019, 2021, there was a lot of investment in projects that, A, have not panned out as we expected, like biofuels, and we certainly learned lessons from that. And as well as investments in other projects that don't actually have a longer-term return either.

So to Conrad's point we do put a lot scrutiny on Capex than what we've typically done in the past. But at the same time we're always on the lookout for good expansion and growth and efficiency projects. So we're not turning anything away either to keep it at a lower sustained level.

**Andreas Heine**

Thank you.

**Operator**

The last question for today's call comes from Sibylle Bischofberger from Vontobel, please go ahead.

**Sibylle Bischofberger**

Thank you very much, Gentlemen. I had a question about the outlook 2024, the outlook is in local currencies, could you give us an idea about the currency effects on sales and on EBITDA margins? How much would it be if the currency will stay the same as they are now? And the second question is you mentioned Turkey and Argentina and the strong currency effect there, I expect that these two countries generate less than 2% of total sale, could you say something about these two countries, please?

**Bill Collins**

Absolutely, let me start with your first question.

The overall currency, so if you look at the June forwards that we have today we're looking at probably 5% appreciation of the Swiss Franc relative to the Euro, almost 6% on the US Dollar.

So we would expect that to have roughly a similar magnitude on our sales running into 2024. Again, the caveat there is that there is so much volatility in exchange rates these days, and to be honest it's kind of a game of which country is going to start reducing their interest rates first. And there's also the intervention of the Swiss National Bank, for example, like they did a few weeks ago. So that's our best estimate at this point in time.

Now, when you talk about Argentina and Turkey, those are the two hyperinflationary countries that we have to deal with. As you know from a hyperinflationary accounting perspective it forces us to revalue the entire year based on the most recent exchange rates, which has been a bit of a problem. Because you're right, Argentina is not a huge country for us but the impact of this revaluation becomes disproportionate. So it has had an impact. So that's why we report in our Q4 figures that pure translation effects for those countries outside hyperinflation are about 5% and then we have a 1% impact coming from the hyperinflationary accounting countries.

**Sibylle Bischofberger**

Thank you, and maybe the last thing is how the tax rate 2024, could you say something about your expectations?

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**Bill Collins**

Well on the tax rate, yes. We typically, I think, plan for around a 26% rate, we expect it to be a little bit lower next year, probably in the low 20s.

**Sibylle Bischofberger**

Okay, thank you very much.

**Operator**

Gentlemen, that was the last question. Back over to you for closing comments.

**Schwarzwälder Andreas**

Thank you very much, Ladies and Gentlemen that concludes today's conference call, a transcript of the call will be available on the Clariant website in due course. Investor Relations team obviously is available for any further questions you might have. Once again, thank you for joining the call and have a good afternoon.