CLARIANT

Q&A Regular Transcription

First Quarter Figures 2025

2025-04-29 at 1:00 PM CET

Duration: 55 minutes

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 First Quarter 2025 Results. I'm Maria, the Chorus Call operator [Operator Instructions].

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

Welcome and Introduction by Andreas Schwarzwälder, IR

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 first quarter developments, followed by Bill who will guide us through the business unit results and performance improvement programs. Conrad will then conclude with the outlook for full year 2025.

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.

Clariant delivered a strong start to the year in the first quarter of 2025, with further improved profitability in a challenging environment.

Let me start by highlighting some key achievements. We delivered sales of 1.013 billion Swiss Francs. This result represents a 1 % increase in local currencies and a stable performance in Swiss Francs. Our EBITDA before exceptional items increased by 3 % in absolute terms to 190 million Swiss Francs with a corresponding margin improvement of 70 basis points to 18.8 % driven by strong profitability across all Business Units.

We are steadfastly delivering our performance improvement programs and have achieved an important milestone with the completion of our 175 million Swiss Francs cost savings program. I would like to thank our teams for delivering these structural savings on time and in-full. These savings have supported our margin improvement in the past years and will enhance operating leverage going forward.

In November 2024, we announced a new savings program which is set to deliver 80 million Swiss Francs by 2027, with a significant contribution already expected this year. In Q1, we achieved savings of 3 million Swiss Francs and booked 38 million Swiss Francs of restructuring charges. As a reminder, we expect to book a total of 75 million Swiss Francs restructuring charges related to this program in 2025.

We are pleased with the strong operational performance of Lucas Meyer Cosmetics in Q1 2025, with sales of 25 million Swiss Francs and a continued high level of profitability. Our Lucas Meyer Cosmetics and Personal Care team was also recently recognized at the in-cosmetics global international trade show for the beauty and personal care industry in Amsterdam. The joint team received six innovation awards for three products meeting growing customer demand for high value natural ingredients.

For 2025, our guidance remains unchanged, with local currency sales growth at the lower end of the 3 to 5 percent range and an underlying EBITDA margin improvement to 17 to 18 percent before exceptional items.

The environment has become increasingly uncertain, and our 2025 guidance reflects current conditions, assuming no further escalation in trade tensions and tariffs. I will cover this in further detail later.

Today, we announced a planned transition in the CFO position as Bill Collins has made his decision to retire after three years with Clariant. The Board has appointed Oliver Rittgen as

Bill's successor starting on August first. A comprehensive handover process will be implemented to ensure a smooth and seamless transition.

I have known Bill for over 10 years, and we have worked closely together, including during our careers before Clariant: I sincerely thank Bill for his invaluable contributions and ongoing support. He took responsibility for Clariant's finance organization after we faced some serious legacy issues and since then has established a true performance management culture and high-performing finance organization. Together with the businesses, he expanded our approach towards shared services and significantly improved our practices around free cash flow generation and capital efficiency in the company. Thank you for everything, Bill.

As of August first, we are pleased to welcome Oliver Rittgen to the Clariant team after having spent nearly 25 years in senior management roles at Bayer. Most recently, he served as CFO of Bayer's Crop Science division. Oliver brings extensive financial expertise as well as experience navigating complex business environments. We are confident that Oliver is the right person to drive continued financial excellence in the next phase of our journey. We look forward to introducing Oliver to the financial community.

Now looking at our performance in the first quarter of 2025. We delivered sales of 1.013 billion Swiss Francs. In local currency, this corresponds to a 1 percent increase, with a negative currency impact of 1 percent in the reported figure.

We maintained pricing discipline across our portfolio, with a year-on-year increase in Care Chemicals, and stable pricing in Catalysts and Adsorbents & Additives. Our organic volumes decreased by 2 percent overall, as growth in Adsorbents & Additives and Care Chemicals did not offset the expected decline in Catalysts, where increased volumes in Ethylene were more than offset by declines in other segments.

The acquisition of Lucas Meyer Cosmetics had a positive scope impact of 2 percent.

Turning to profitability, our Q1 EBITDA before exceptional items increased by 3 percent to 190 million Swiss Francs, corresponding to an EBITDA margin of 18.8 percent. This represents a 70-basis-point improvement versus the first quarter of 2024. Profitability from Lucas Meyer Cosmetics partly compensated for the exceptionally strong contribution in the prior year from the seasonal Aviation business. In Catalysts, we were able to partly offset the double-digit volume decline with a favorable mix and continued margin management.

In Adsorbents & Additives, profitability was positively impacted by operating leverage due to an improved cost base and volume growth in Additives.

Reported EBITDA decreased by 12 percent to 152 million Swiss Francs, representing a reported margin of 15.0 percent including the 38 million Swiss Francs restructuring charges booked in the quarter.

With that, I now hand over to Bill for further details on our business performance in the first quarter.

Bill Collins, CFO

Thank you, Conrad and good afternoon, everyone.

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

We recorded 2 percent organic growth in local currency, with a 1 percent organic increase in pricing. Volumes also increased slightly as we saw a continued recovery in Crop Solutions and a good aviation season in North America. Including scope, sales grew by 6 percent in local currency, driven by the positive contribution of Lucas Meyer Cosmetics. On a quarterly sequential basis, sales increased by around 7 % in local currency, driven by volumes as pricing was stable.

We recorded strong double-digit organic growth in Crop Solutions, as the demand environment improved compared to the prior year, which was impacted by destocking. Base Chemicals sales increased at a high-single-digit percentage rate, driven by good seasonal Aviation volumes in North America in particular. Personal & Home Care sales were stable organically, with a strong operational performance by Lucas Meyer Cosmetics contributing positively. Industrial Applications declined at a low-single-digit percentage rate, driven by lower volumes. Sales in Mining Solutions declined at a high-single-digit percentage rate, against a high comparison base, as increased pricing did not offset lower volumes. Oil Services sales also came in lower against a high comparison base, driven by lower volumes due to temporary oilfield production issues with key customers.

Regionally, sales increased organically in EMEA at mid-single-digit percentage rate and Asia-Pacific at a low-single-digit percentage rate, while sales in the Americas decreased at a low-single-digit percentage rate.

We recorded EBITDA before exceptional items of 130 million Swiss Francs, versus 125 million Swiss Francs in the first quarter of 2024. This translated into a margin of 21.7 percent, exceeding the 21.5 percent margin of the prior year, when the business had an exceptionally strong margin contribution from the seasonal aviation business. Profitability was positively impacted by the strong operational performance of Lucas Meyer Cosmetics as well as the growth in the Crop Solutions and Aviation businesses.

On a quarterly sequential basis, Care Chemicals underlying EBITDA margin improved by 410 basis points due to improvements in the seasonal business, maintenance impacts and fixed cost absorption.

Catalysts sales declined by 13 % in local currency as well as in Swiss francs, driven entirely by a volume decline of 13 percent versus Q1 2024, as the economic environment remained weak and utilization rates continue to trade below long-term averages.

Sales in Ethylene catalysts increased at a double-digit percentage rate, while sales in Syngas & Fuels declined at a mid-single-digit percentage rate, with a more significant decline in Specialties and Propylene.

Regional dynamics were driven by the project nature of the business, with sales increasing at a mid-teens percentage rate in the Europe, Middle East, and Africa region, primarily driven by growth in the Middle East. Sales in the Americas declined at a mid-twenties percentage rate, primarily driven by the project nature of the business which had some non-recurring projects in the USA in the prior year. In Asia-Pacific, sales decreased at a low-twenties percentage rate, with a more significant drop in China, due to lower Propylene sales.

In the first quarter, EBITDA before exceptional items increased by 8 percent to 26 million Swiss Francs, representing an underlying margin of 16.0 percent versus 12.8 percent in the prior year, as a positive mix and margin management partly offset the impact of lower volumes in the quarter, while the absence of a negative impact from sunliquid™ contributed positively.

Reported EBITDA margin of 14.2 percent was negatively impacted by restructuring charges of 4 million Swiss Francs in the quarter.

Moving to Adsorbents & Additives, sales increased by 2 percent in both local currency and Swiss Francs. Volumes increased by 2 percent while pricing was flat. Sequentially, sales decreased by 3 percent as Additives was slightly weaker in China and Adsorbents weaker in the USA.

Looking now by segment, Adsorbents' sales decreased at a low single-digit percentage rate, driven by lower volumes in Europe as the region's industrial activity remained muted. In the Additives segments, sales increased at a double-digit percentage rate as strong volume growth was supported by slightly positive pricing.

Regionally, we recorded sales growth in Asia-Pacific at a low-teens percentage rate, with China sales increasing at a high teens percentage rate, driven by volume growth in Additives in particular. In the Americas, sales increased at a low single-digit percentage rate with both positive pricing and volumes, particularly driven by growth in Additives. In EMEA, sales declined at a low single digit percentage rate as growth in Additives was unable to offset a decline in Adsorbents due to ongoing weakness in the region's automotive industry.

EBITDA before exceptional items increased by 2 percent to 47 million Swiss Francs, representing an underlying margin of 18.7 percent which was stable versus the prior year. Profitability was positively impacted by operating leverage due to volume growth in Additives.

Reported EBITDA of 37 million Swiss Francs increased by 3 percent compared to the prior year. This corresponds to a slight margin improvement to 14.7 percent.

Moving on to our cost savings initiatives. In the first quarter, as Conrad mentioned, we achieved an important milestone by completing our full 175 million Swiss Francs performance programs as we delivered cost savings of 5 million Swiss Francs.

For the new savings program that we announced at our Investor Day back in November of last year, we expect full run-rate savings of 80 million Swiss Francs from Business Unit and Corporate actions to be delivered by end of 2027. We expect a significant contribution to be realized from these initiatives in 2025 and expect to book a corresponding restructuring charge of 75 million Swiss Francs in 2025. As Conrad also mentioned earlier, we have already booked 38 million Swiss Francs restructuring charges in Q1 and started to deliver the first 3 million Swiss Francs savings.

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

Conrad Keijzer, CEO

Thank you, Bill.

At Clariant, we established an internal task force to assess potential impacts and provide mitigation actions related to tariffs and trade tensions.

Overall, the extent of our local production with 68 factories globally and local raw material sourcing, means we are well-placed to deliver resilient results in the current environment. In the US, local production stands at around 70 percent of sales, with around 90 percent of raw materials being sourced locally. For Europe, this stands at around 90 percent for local production and some 85 percent for local sourcing. Local production currently accounts for around 50 percent of sales in China. This will significantly improve, however, with the finalization of our expansion in Care Chemicals and Additives. The percentage of locally sourced raw materials in China already stands at around 80 percent.

Our current assessment of tariffs therefore shows manageable direct impacts due to our resilient business model which includes a well-balanced regional sourcing and production footprint, our local-for-local strategy and our strong track record of value-based pricing. Indirectly, however, these trade tensions will have a negative impact on the global demand environment and consumer sentiment and thus present an increasing risk to volumes. For example, the current assessment of Oxford Economics is for a moderate slowdown in global GDP to 2.3 % and related reduced global industrial production outlook of only 1.3 % for 2025. This broadly aligns with Clariant’s cautious assumptions taken at the beginning of the year which brings me to our outlook for 2025…

… So we note the increased level of risk and uncertainty due to tariffs and trade tensions and their impacts on global growth expectations.

With that external environment considered, and assuming no further escalation in trade tensions and tariffs, we continue to anticipate sales growth towards the lower end of our guided 3 to 5 percent range in local currency. Care Chemicals and Adsorbents & Additives are expected to grow, while Catalysts sales are expected to be at levels similar to those of 2024.

We continue to expect to further improve profitability in 2025, delivering an EBITDA margin before exceptional items between 17 and 18 percent.

As Bill mentioned, exceptional items in 2025 are expected to include restructuring charges of around 75 million Swiss Francs related to the savings programs announced during our Investor Day, and other exceptional items of around 20 million Swiss Francs. We therefore guide for a reported EBITDA margin for 2025 of between 15 and 15.5 percent. We also aim to further improve cash conversion towards our 40 percent target.

I reiterate our commitment to the medium-term targets we outlined at our November Investor Day: achieving 4 to 6 percent local currency sales growth, a 19 to 21 percent reported EBITDA margin in normalizing trading conditions, and around 40 percent free cash flow conversion by 2027 at the latest.

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

Andreas Schwarzwälder, IR:

Thank you, Conrad and thank you, Bill.

Ladies and Gentlemen, we're now opening the floor for questions. To ensure everyone has a chance to participate, please ask no more than two questions per person. Thank you for your cooperation.

Maria, please go ahead.

Operator
Our first question comes from Christian Faitz, Kepler Cheuvreux. Please go ahead.

Conrad Keijzer
Christian.

Christian Faitz
The profitability. Yes, can you hear me?

Conrad Keijzer

Now we hear you. Yes.

Christian Faitz

Alright so first congrats on the results and for Bill all the best for his post-Clariant time.

Bill Collins

Thank you.

Christian Faitz

First question would be, can you please give us an indication of how the profitability of Lucas Meyer has developed. You talk about on-track profitability, but could you please elucidate this a bit and put some meat on the bone?

And second, can you please comment on the sequential performance during Q2? So, has March been better than February and February better than January or how did your overall business do in terms of demand trends? Thanks very much.

Conrad Keijzer

Yes, Christian. Good afternoon. Yes, with regards to Lucas Meyer and the profitability, let me start by saying that we see a continued strong sales achieved by Lucas Meyer. So, we recorded high single-digit sales up for this business, and yes you see some of the reporting on global luxury brands slowing down. What we see is Lucas Meyer is extremely well-positioned also towards the Indie brands and together with Clariant, we also actually have good access to some of the local Chinese brands.

So, overall, the revenue continues to be very strong and that translates then also in continued strong profitability where we see margins. You asked specifically about profitability, we see EBITDA margins between 45 and high-40s actually for this business.

As far as your second question on Q1 and what we saw over the months, I think it's important first to note that we didn't see significant pre-buying effects, which had been reported by some other companies. So, we basically saw a quarter which shows the usual pattern with a strong finish in March that we had. What we saw was particularly strengths, by the way, in Additives. So, if there is one unit that may have seen some positive effects on potential pre-buying, it may have been Additives where we saw particularly strong sales for the electronics business with our flame retardants. But other than that, nothing out of the ordinary.

Christian Faitz
And has March been equally strong as, let's say, Feb or...

Conrad Keijzer
Stronger than Feb, but that's not unusual for us. Yes.

Christian Faitz
Great. Very helpful. Thanks very much.

Conrad Keijzer
Yes. Thank you.

Operator
The next question comes from Thea Badaro, BNP Paribas. Please go ahead.

Thea Badaro
Thanks and hi, everyone. 2 questions for me, please. First is on the Catalysts division. I appreciate the volume comps where still relatively high in Q1 last year, but the volume decline is quite worrying in my view. And could you please give us a bit more color on the conversations you're having with customers as to when they're planning to refill their plant and maybe their mindset on navigating the rest of the year?

And my second question is on the performance program. How should we think about the cadence of the restructuring charges and the saving programs into the rest of the year? Thank you.

Conrad Keijzer
Yes, thank you, Thea. I'll leave the question on the performance improvement programs and phasing to Bill. I'll make a few comments on Catalysts. So yes, we saw a weak quarter in Catalysts, just as we also previously guided for. Keep in mind, we had quite a strong

finish last year, but the most important thing here is the operating rates. So, we're running right now at a 70% to 80% capacity utilization rate. And at that level, yes, we actually are not seeing the pickup in Catalysts yet. So, what we expect for Catalysts and what we hear based on customer feedback is that the pickup is not going to be this year. This year, we likely finish around the same levels that we saw last year with a gradual build up from quarter-to-quarter, but no strong recovery yet for our Catalysts business.

Bill, over to you for the restructuring phasing.

Bill Collins
Yes, thanks, Conrad. Hi, Thea. So we mentioned that we are anticipating 75 million of restructuring charges in 2025 specifically relating to this new cost savings program. We already booked 38 million in Q1, and we should probably be in the ballpark of 35 million in Q2. It has been our intent all along to try to get as much of that restructuring charge pulled into the first half of 2025, a) not only so that we can really get going on the implementation of these programs, but also so that we would have in Q3 and Q4 cleaner quarters than what we've had in the past. We are really committed to getting the restructuring kind of out of the way and really having clean postable quarters going forward.

Thea Badaro
That's helpful. Thank you.

Operator
The next question comes from Katie Richards from Barclays. Please go ahead.

Katie Richards
Hi, there. Thank you for taking my questions. I've also got 2. My first is on tariffs. You mentioned that you set up the tariff task force, and I noticed that you'd moved some of your Adsorbents production in Mexico over to the US. So my question is, have your designated team found any weaknesses beyond the Adsorbents production in Mexico?

My second question relates to Catalysts. I'm wondering what your expectations for the Chinese PDH demand going forward is, given that a key source of revenue for the Catalysts business is highly reliant on US imports of propane, to my understanding. How pronounced do you think an impact on PDH utilization could be here, and how fast would we see this impact, and what are the consumers communicating to you at the moment here?

Conrad Keijzer

Yes, Katie, thanks for your questions. First, as far as tariffs and how well we are positioned, I mentioned in the speech that actually we feel we're very well positioned with our 68 sites. We mentioned 90% of revenue in Europe being locally manufactured, 70% in the US, and 50% in China, but in China, after bringing up the 2 new plants on-stream later this year for Care Chemicals, next year for Additives, we are closer to 70%. I think what's important to note is that of the remainder of materials that we're bringing in into the US primarily, that only a very small fraction of that is coming in from China, and actually it's interesting to see also that, for instance, on the raw materials side, with items like aluminum powder, we benefit from these exempts. It's our estimate that, by the way, there will be more and more exemptions coming in the coming weeks.

And that leads me also, I think, to your next question on Catalysts. So, you mentioned PDH demand in China, and indeed, PDH, where we supply the Catalysts for the conversion from propane-to-propylene, indeed, the propane is coming from the US to some extent, and what you see is then 125% tariff on that. So, it's clear that our PDH customers don't make any money with such expensive propane, but what you see already is a relocation, actually, of their propane sourcing from the US to the Middle East primarily. So, yes, there are some temporarily challenges for our PDH customers in China, but certainly for propane, they can actually relatively easy relocate materials in their sourcing to the Middle East. By the way, the propane issue is not unique for ethane. You see a very similar dynamic with ethylene suppliers, manufacturers in China being dependent on ethane coming in from the US.

So, I think, yes, sort of the conclusion overall of all of this is there will be more exemptions because chemicals are not finished products, but are intermediate products and raw materials, which means that if you basically put such high tariffs on it, you are actually damaging your domestic industry. So, yes, so China, for example, may very well exempt ethane, but also propane from retaliatory tariffs.

Operator

The next question comes from Georgina Fraser, Goldman Sachs. Please go ahead.

Georgina Fraser
Hi there. Nice to speak to you both, Conrad and Bill. Thanks for taking my questions. First one is for you, Bill. Very sad to see you go, and good luck with what comes next. I was wondering if you could talk us through some highlights of your time at Clariant, and what advice you would give to your successors.

And then my second question, this one I think for you, Conrad, and it's a bit of a broader topic, which is more on how you see the surfactant industry as a whole developing. Can you talk about how the competitive environment has trended over the last 5 years through inflation, supply chain disruption and big changes in China? And just what's your view on what's been going on in the industry and what underpins Clariant's position as a leader in this industry for the longer term? Thank you.

Bill Collins
You want me to go first?

Conrad Keijzer
Yes, please, Bill.

Bill Collins
Okay. Well, I don't know. I mean we might have to extend the call for me to do a full accounting here. But I mean, I came to Clariant 3 years ago with really 2 main missions in mind. One was to rebuild the finance organization after the accounting challenges that we had on the restatement in 2021 and early 2022. And then to help Conrad with the transformation of Clariant and to basically make sure that we put in place a strong and robust operating model in the company. And I think on both of those accounts, we've really done that. I mean, within the last 3 years, we've literally swapped out the entire finance leadership team, except for Andreas, thank God. We've done a lot of hiring, we've done a lot of training, we've put a lot in the way of internal controls, we've spent a lot of time on accounting ethics and transparency, not only within the company, not only outside the company, but also transparency in terms of other financial reporting to the board. So I feel really good about that.

The second element is around implementing the new operating model. So this is something that Conrad and I had done together at AkzoNobel. So I knew a bit the playbook. And I have to say, and I've said it many times before, that I'm really, really happy with how that has gone. We fundamentally operate differently today than we did 3, 4 years ago. I am so excited about the margin trajectory that we see. I mean, just as a reminder, back in 2023, we're at 14.6% EBITDA before exceptional 16% last year, I feel really good about the 17% to 18% this year. So I think we have done all the right things in the company to really put us on the right track for hitting these targets. So all good there.

Not to mention the amount of legacy topics that we've kind of been challenged with cleaning up in the meantime. You just think back to the divestment of our North America land oil business in late '22, early '23, the challenges that we had with biofuels over the course of the last year. I mean, this has taken quite an enormous amount of time. PFAS, ethylene. I mean, so these are really quite chunky things that we've dealt with over the past 3 years. And in spite of all those, I think that we have an enormously strong and resilient, profitable company going forward. So it is with a bit of emotion that you step away from these things. But I think what I'm leaving behind is a really, really well-structured finance organization and, you know, this new operating model that we have. And Oliver should, I think, do a fantastic job, you know, leading the finances of the company forward from here.

Conrad Keijzer

Yes, basically, thanks, Bill, by the way. And I want to recognize as well from my side, all these achievements, Bill, and it has been an enormous pleasure to work together. I personally, we'll miss you. But yes, more to that maybe after our Q2, because you still will do the Q2 as well.

Bill Collins

I will.

Conrad Keijzer

Okay. Yes, on Care Chemicals, Georgina, so and sort of an industry perspective and what we're seeing here. First of all, what we saw behind us in recent years and what we're seeing ahead, I think sort of high level what you see is in Care Chemicals for Clariant. But also some of our competitors have followed this trajectory is an increasing focus on segmentation, whereby clearly, Care Chemical business has consumer facing segments like personal and home care, for example, cosmetics, healthcare, crop solutions, many people put in that category as well. And then the more sort of industrial segments, including oil and mining.

What you see there is, is also a number of peers have increasingly prioritized the consumer facing segments. Typically, these are less cyclical businesses. And typically, they also provide for higher margins, especially when it's about bio-actives and ingredients that provide a certain unique performance in cosmetics and in healthcare. For Clariant, we are, I think, well on our way there. You've seen us also make acquisitions in these areas with the Active Ingredient business first in Brazil, more recently, Lucas Meyer, we now have more than 50% of the Care Chemical business consumer facing. And we're very happy with that.

Now, will we go as far as divesting the industrial segments? That is not on the agenda right now, we see a clear synergy between these segments, both in terms of footprint, and even in terms of technology platform. But we are executing a differentiated growth strategy where we prioritize the consumer facing segments first and foremost for organic growth, but also, when it comes to bolt-on acquisitions, we still see interesting opportunities out there.

Georgina Fraser
And sorry, just to follow-up, that kind of continued participation in the industrial focused market. Is that around your ability to keep your volumes and plant utilization up to be able to leverage the growth opportunities in Consumer Chemicals? Or am I thinking about it the wrong way?

Conrad Keijzer
Well, you definitely make an important point there that assets are in many cases shared. So there is definitely a cost advantage from that for our consumer facing businesses. But also, if you look at the technology platforms, what you may have seen is that on the industrial side, we actually are repositioning. So for instance, the North America oil... land business, we divested, this was very much a commoditized segment where customers were not willing to pay for sustainability and for performance. Whereas deep sea, we actually see for oil and gas, that customers there are very much focused on sustainability and

biodegradable products and performance. And likewise, in mining, where we... with our flotation chemistry really have biodegradable products, where customers also increasingly are willing to pay premiums for. So I think also on the industrial side, we are seeing a repositioning towards more sustainability. And there is not only this asset footprint synergy that you highlight, but there's also a technology synergy.

Georgina Fraser
That's really interesting. Thank you, Conrad. Thanks, Bill. Good luck.

Conrad Keijzer
Thank you.

Bill Collins
Thank you.

Operator
The next question comes from Chetan Udeshi, JP Morgan. Please go ahead.

Chetan Udeshi
Yes, hi. Thanks for taking my question. I had a couple of them, and thanks very much for the slide where you give your regional sort of exposures, domestic versus exports or imports. You mentioned about US, but I'm just curious about China, where you have local production share of only 50% now. I know you are expanding local footprint, but just curious, where is the remaining 50% imported from? Is it North America, US, or is it Europe, if you can? Is there any tariff implication at the moment as you sort of build your local footprint for the part that you are importing from the rest of the world?
And the second question, at least the way I'm understanding, Conrad, your comments, it really doesn't feel like you have seen any major changes in the business trend to reinforce the announcement of US tariffs. Is that a right interpretation, or you are actually seeing, as we speak, some wobbles in any of the businesses? Thank you.

Conrad Keijzer
Yes, Chetan, thanks for your questions. First, on your comments regarding China and domestic versus imports and our current share of local production, which is 50%, and the

vulnerability that we may have here. So in China, I think it's important to sort of look back in 2021. What we announced was a strategy in China for China, and we've put several new plants on-stream in recent years. We brought up local manufacturing from roughly 30%, 35% to slightly over 50% right now. So we're making good progress there. And after the startup of the new Care Chemical plants later this year, as well as the second flame retardant line next year, we will be approaching 70% of local manufacturing in China. What we still import, to specifically answer your question, is not coming from the US, so we feel we're not that exposed here. It is mainly coming from Europe, but that doesn't mean that we want to sort of slow down on this strategy.

In Specialty Chemicals, it always has been the right strategy to be local-for-local, to develop products for the local markets with local clients based on local manufacturing and local raw materials. So we continue to be committed to that.

And as far as your point in terms of vulnerability, we feel we actually don't have a significant vulnerability here coming from the tariffs, which is primarily related to China-US and US-China trade.

As far as your second question on business trends, have we seen any impact from tariffs on our trading and our order books? I mentioned already some of the challenges that some of our customers are having, particularly in China. It has not translated in a reduced order book for us. But what we are seeing is people being clearly more nervous. We see more higher frequency in orders, smaller orders. We also have seen people placing orders, but they're not calling off the product to sort of secure them for future deliveries. So those kind of things we have seen, but we haven't seen a major slowdown yet in our order books.

But obviously, we cannot be ignorant to the fact that tariffs drive up inflation, slow down economic growth. And you've seen the projections by IMF taking global GDP down. We saw a very recent update here from Oxford Economics, which basically slows down their GDP forecast from 2.6% to 2.3%. But more importantly, what they basically say is a significant slowdown in industrial production, with the projection now for a negative industrial production this year, again, in Europe, and also in the US. This is for us, obviously, a fundamental trend. For a big recovery in chemicals, we need to see durable goods spending up and we need to see industrial production up.

Chetan Udeshi

And maybe last question. Perhaps you might not want to answer this, but you know, there have been some press reports about, you know, Clariant conducting some strategic review, et cetera. Can you... are you able to comment at all on what might be the, let's say, part of that strategic review that we want ongoing? Thank you.

Conrad Keijzer

Yes, Chetan, there has been a report by Bloomberg, which basically was a report on an investor survey that we've been doing with our most important investors. This is a common practice, which we do actually on an annual basis where we solicit investor feedback on the company. So what are they thinking about our strategy? What is their view on our performance? So all the sort of standard questions that you would ask in an investor perception survey. So there's nothing out of the ordinary here, and I personally didn't see a lot of news value in this article.

Chetan Udeshi

That's very clear. Thank you.

Conrad Keijzer

Thank you.

Operator

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

Tristan Lamotte

Thanks. 2 questions, please. The first is on phasing in Q2. I was just wondering if there are any items you'd like to flag to consider in Q2 versus Q1, maybe de-icing and refining and any other sequential changes in end market to flag there.

And then the second question is on the trends that you're seeing in raw materials, energy and other costs and how that's comparing to your pricing. Is your pricing slightly lagging those raw material increases or is that kind of already matched? And are you already starting to see kind of rises related to the tariffs yet or is that not yet flowing through? Thanks.

Conrad Keijzer

Yes, as far as phasing, Tristan. First, looking at Q2 versus Q1, usually our Q2 is a bit weaker than Q1. There is seasonality in our business. So what we typically see is in Q1 de-icing and refinery. That's not in Q2. We also see Q1 typically being the planting season for crop. So that is actually running out now in Q2. So typically from Q1 into Q2, you would see overall slightly weaker trading conditions. This year, we don't see anything different than that. So we are expecting that normal pattern. We also typically see a weaker start in the first quarter for Catalysts. Typically, Catalysts is a build throughout the year with a strong finish in Q4, which is also what we're expecting this year.

As far as your second question on raw materials and pricing, what we saw in the first quarter is some inflation, both sequentially on raw materials from Q4 into Q1, but also year-on-year, roughly 1% up our raw materials.

In terms of our pricing, we basically saw that overall fairly flat in A&A and in Catalysts. But here, we also didn't see those increases as much as in Care Chemicals. Keep in mind, we come off an oil price of 85 dollars brent pricing. That is actually now down to sort of 65. So what we also may see is an easing of raw materials, if you purely look at oil and gas prices. Gas prices in Europe are actually quite low at the moment, like low-30s per megawatt hour. But at the same time, we see inflation coming from tariffs. So it's not so easy to give you an outlook for the year in terms of raw materials. We ourselves think it might be 1% or 2% up for the year. And that is sort of the balance of easing energy, oil, and gas prices and derivative products. But at the same time, some inflation coming from tariffs. We price through raw material increases, and that has also been a consistent track record.

Operator

The next question comes from Walter Bamert, Zürcher Kantonalbank. Please go ahead.

Walter Bamert

Hello, everybody. You mentioned that you do not see a price erosion in the premium cosmetic ingredients. Do you see a trading down trend in other areas, consumer-related? And is the market still willing to switch and to pay for sustainable products?

Conrad Keijzer

Yes, so I think there's 2 things here, Walter. There is, on the one hand, our positioning, and there's what's happening in the market. So if you look at the broader markets, and you've seen some of the reports from luxury cosmetic brands, they are seeing a slowdown based on lower consumer confidence, particularly in China, but increasingly also in the US.

If you look at our unique positioning in cosmetics, which is really this high-end segment of anti-aging and haircare products, here we're dealing with a very loyal consumer base where the products actually do work and do provide a certain benefit, and if you stop using them, that benefit disappears. So we see a very loyal customer base, and we're not seeing this erosion, certainly not on prices. The performance that we basically deliver is extremely valuable to these luxury cosmetic brands. And finally, I think if you look at our revenue split, we, through the Lucas Meyer acquisition, have a very significant position with the so-called Indie brands, and these are promoted on social media through influencers, and they are gaining, actually, share versus the luxury brands, and that's why probably overall we see continued strong revenue growth, high single-digits, because we're so well-positioned, but no trading down in the segments where we are supplying.

Walter Bamert

And when it comes to the Trump government approach to sustainability and mining and oil services. Do you see any changing trends there?

Conrad Keijzer

Yes, when it comes to sustainability, what we're seeing is some effects here and there, particularly also if you look at items like renewable diesel or SAF, that is... that those are businesses that in the part, certainly renewable diesels, did benefit from subsidies. One of these subsidies has come down. So yes, this is basically... yes, it means if you have a longer-term outlook that a lot of these announcements about new plants, it's questionable if they all will come through. But on the existing business, we do not see an effect well. And then secondly, let's not forget that if you look at what Trump is saying, drill-baby-drill, we do have, obviously, an exposure to oil and gas... with our oil and gas business in Care Chemicals, but we're not seeing a real positive impact there yet of any of this.

Walter Bamert

Thank you very much.

Conrad Keijzer

Thank you.

Operator

The next question comes from James Hooper, Bernstein. Please go ahead.

James Hooper

Hi, good afternoon. Thank you very much for taking my questions. I have 2, please. Firstly, can you give us an update on the status of the legal investigations?

And then secondly, it looks like to make the 25 revenue guidance, that A&A growth has to accelerate slightly from here and what looks to be a more difficult macro environment. Can you give us a few... can you tell us... give us some guidance on how to think about that and about why A&A can be resilient? Thank you.

Conrad Keijzer

Your first question was regarding ethylene investigation. Is that what you said?

Andreas Schwarzwälder

Yes, legal.

James Hooper

Indeed, yes.

Conrad Keijzer

Yes. Okay. Yes. So on the ethylene situation, in the first quarter, you... we have reported that we received a claim from both BASF and Total. We also reported that we do not see any correlation ourselves between the behavior here in the past and the ethylene prices in the market. We have actually strong data here including a strong and detailed economic study. So, we also said that we will fierce fully fight these claims and there's nothing more to report at this stage.

As far as your second question on the outlook and acceleration required in A&A, I think if you look at the performance in A&A on the Additive side, we are very much on track. In fact, we have double-digit growth. It is actually on the Absorbents side of it, where the conditions will need to improve a little bit. What we're seeing is 2 things in Absorbents we saw in Europe. We saw a slowdown associated with automotive and with foundry. And we saw in Asia, a slowdown because of a weak crop for palm oil purification. We do expect gradually over the year, A&A numbers overall to come out stronger, and that's primarily based on the pickup that we see for renewable diesel, where we start-up the new plant in Quincy, and that will bring in additional revenues. Overall, if you look at our outlook, it's not so much A&A that needs to be... needs to pick-up, its Catalysts. And that's sequentially what we also anticipate. So, we said it's a yearly build throughout the year with a weak Q1 and a strong finish, and that's actually where the biggest sort of pickup will need to happen.

James Hooper
Thank you very much.

Conrad Keijzer
Thank you.

Operator
Today's last question comes from Ranulf Orr from Citi. Please go ahead.

Ranulf Orr
Hi, there. Just one last one from me, thanks. It is just on Catalysts, well I'm keen to hear your longer-term perspectives for the business. And I guess we're seeing very high risk or damage to aggregate demand from US policy of overcapacity in many chains. And so, I guess I'm thinking the prospect even a 2027 recovery seems to be diminishing. And so, just keen to hear your thoughts on how you manage the business through this and for potentially a more extended downturn. Thank you.

Conrad Keijzer
Yes, sure. Yes, Ranulf, certainly, short term, there are some challenges. I mentioned ethane cracking in China and propane to propylene in China. But if you look at the long-term fundamentals for Catalysts, if you look at petrochemicals, if you look at plastics

demand in the world, that has been historically and will be in the future in line with GDP. So, where... there are some regional demand shifts, certainly some demand leaving Europe and showing up in China, in the Middle East. Overall, globally, the fundamentals for petrochemicals and base chemicals are still in place. And I think if you look at our own business, which the biggest region is actually Asia for us, we have very strong position in the Middle East. So, we are well-positioned to actually deal with these regional demand shifts. There are regional demand shifts, but if you look globally, and if you look at the fundamentals, then these are all still intact.

Ranulf Orr
Thanks. Thank you.

Conrad Keijzer
Thank you.

Andreas Schwarzwälder
So, ladies and gentlemen, this is Andreas speaking. This concludes today's conference call. A transcript of the call will be available on the Clariant website in due course. And obviously, the Investor Relations team is available for any further questions you may have. Once again, thank you for joining the call today, and goodbye.