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Q&A Regular Transcription

First Quarter Figures 2026

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COMPANY REPRESENTATIVES

Conrad Keijzer, Chief Executive Officer

Oliver Rittgen, Chief Financial Officer

Andreas Schwarzwälder, Head of Investor Relations

SPEECH

Ladies and gentlemen, welcome to Clariant's call relating to the Fourth Quarter / Full Year 2025 Results. Operator Instructions.

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

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 Oliver Rittgen, Clariant's CFO. Conrad will start today's call by providing an update on the progress we have made on our purpose-led growth strategy and a summary of the Full Year 2025 financial highlights and savings program, followed by Oliver who will guide us through the Q4 and business unit results. Conrad will then conclude with the outlook for the full year 2026.

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.

In the first quarter of 2026, we delivered sales of 918 million Swiss Francs, representing a 2 percent decrease in local currencies, and almost flat when excluding our portfolio pruning actions in a challenging macroeconomic environment.

Our EBITDA margin before exceptional items decreased by 130 basis points year on year against a strong comparison base, reflecting the impact of the Middle East conflict and a dilutive one-off precious metal sale in our Catalysts' business.

We increased our cash conversion rate by 12 percentage points on a last twelve-month basis to 54 percent, due to effective net working capital management and disciplined capital expenditure.

Our overall expectations for the Group remain unchanged. We continue to expect sales in local currency to be around flat as pricing offsets lower volumes. We expect an EBITDA margin before exceptional items of around 18 percent in 2026, supported by value-based pricing, savings from our performance improvement program and continued active cost management. We also expect free cash flow conversion of over 40 percent for the year.

Before turning to our first quarter developments in more detail, I would like to provide an assessment of the situation in the Middle East and what we are doing to mitigate its effects. Our first priority is the safety of our people. I am pleased to confirm that all of our around 150 employees across our Middle East sites are safe. There has been no damage to any of our facilities, and all sites are back in operation.

The Middle East and Africa region represents approximately 10 percent of Group sales, with the directly affected areas accounting for around 5 percent of Group sales. Of our total raw materials around 37 percent are fossil-based.

We are carefully managing our own raw material supply in Asia – especially in China and India – across our Catalysts and Care Chemicals businesses.

On direct business impact, our Catalysts' business is most affected. Of 88 force majeure declarations or shutdowns globally – driven by feedstock shortages, logistics constraints, and infrastructure damages – 44 involve Clariant customers, predominantly in the Middle East and Asia.

Turning to the effects we are managing and the actions we are taking.

The situation remains volatile, and supply security is the primary concern for our customers. We are responding by leveraging our global production footprint and proactive logistics management to ensure continuity of supply.

On costs, we are seeing material inflationary pressure across the board for 2026. Raw materials and energy costs are both expected to increase at a mid to high single-digit percentage rate, while logistics costs are expected to increase at a low double-digit percentage rate. We are executing value-based price management to counter these effects, consistent with our approach in prior cycles.

On volumes, we are seeing refill phasing impacts in Catalysts across the Middle East and Asia, some pre-buying in Care Chemicals, and softer industrial and consumer demand across Adsorbents & Additives and Care Chemicals. We are proactively managing our cost base across our businesses in a lower demand environment.

With that, let me now turn to our first quarter financial performance in more detail.

In the First Quarter, we delivered sales of 918 million Swiss Francs, representing a decrease of 2 percent in local currency versus the prior-year period, and almost flat underlying sales excluding the effects of our proactive portfolio pruning measures.

Pricing decreased by 1.5 percent, mainly driven by formula-based pricing adjusting to lower raw material prices recorded until the start of the conflict in the Middle East. We expect the deflationary environment for raw materials in the First Quarter to turn inflationary from Q2 onwards.

Volumes decreased by 0.5 percent, impacted by the Middle East conflict, our portfolio pruning measures and a softer start of the Adsorbents business.

The reported figure was affected by a 7.4 percent currency headwind.

Turning to profitability, EBITDA before exceptional items decreased by 16 percent t0 160 million Swiss Francs, corresponding to a 17.5 percent EBITDA margin. The 130-basis point decrease was the result of a significant impact from the Middle East conflict on Catalysts volumes, reduced operating leverage, and a dilutive one-off precious metal sale. Unfavorable mix in Catalysts and Care Chemicals as well as an inventory revaluation effect in Care Chemicals weighed on profitability, despite continued contribution from our performance improvement programs.

Looking at the savings program in more detail.

We now expect to achieve the full run-rate savings of 80 million Swiss Francs already by the end of 2026. This is one year ahead of our original commitment. In Q1, we achieved savings of 9 million Swiss Francs, which brings the total to 59 million Swiss Francs.The execution of the program resulted in total restructuring charges of 64 million Swiss Francs.

The key measures in 2026 include a headcount reduction of approximately 60 full time equivalents, increasing the total FTE reduction to around 530 positions. In the current weakening demand environment, we maintain our focus on active cost initiatives.

With that, I now hand over to Oliver for further details on our business performance in the First Quarter.

Oliver Rittgen, CFO

Thank you, Conrad and good afternoon, everyone.

Let us now dive into the First Quarter development by Business Unit, starting with Care Chemicals.

Sales decreased by 1.9 percent in local currency and grew by 0.8 percent when excluding our portfolio pruning measures. Pricing was down 2.6 percent due to formula-based price adjustments, as raw material costs had declined until the start of the conflict in the Middle East. We expect this to reverse from Q2 as the inflationary effects of the current geopolitical situation feed through. Volumes grew by 0.7 percent, including the impact of the portfolio pruning measures. Excluding these measures, volumes grew by 3.5 percent. The reported figure was negatively affected by a 6.8 percent currency headwind.

Growth was strongest in Mining Solutions, as volumes more than offset lower formula-based pricing. This was followed by growth in Personal & Home Care driven by volumes especially in the healthcare business. Sales declined in Industrial Applications with soft demand environment in coatings. While the seasonal aviation business drove volume growth in Base Chemicals, this did not offset formula-based pricing adjustments. Sales in Oil Services declined due to lower volumes being impacted by the Middle East conflict and portfolio pruning measures. Sales in Crop Solutions declined against a high comparison base in the prior year, when a restocking effect led to strong growth.

We recorded an EBITDA before exceptional items of 114.6 million Swiss Francs, representing an 11 percent decrease compared to the prior year. This translated into an EBITDA margin of 21 percent, a 60-basis point decline that reflects less favorable mix and an inventory revaluation effect, reversing a positive impact in the prior year. These effects were partially offset by contributions from our performance improvement programs.

In Catalysts, sales declined by 1.6 percent in local currency and by 12.2 percent in Swiss Francs. While pricing was up 0.4 percent, volumes declined by 2 percent versus the prior year period due to a significant impact from the conflict in the Middle East, with orders pushed out due to force majeures and shutdowns as well as supply-chain and logistics disruptions in the region.

Sales in Ethylene catalysts increased due to a positive one-time effect from a precious metal sale, while being particularly impacted by the Middle East conflict and delayed orders. Sales in Specialties increased at a mid-single-digit percentage rate with strong customer orders. Sales in Syngas & Fuels declined at a mid-single-digit percentage rate driven by mix, and sales in Propylene at a mid-teens percentage rate also impacted by the Middle East.

EBITDA before exceptional items decreased by 51.5 percent to 12.8 million Swiss Francs, representing a margin of 9 percent compared to 16.2 percent in the prior year. This was driven by a significant impact from the conflict in the Middle East, with high-margin orders being pushed out and lower operating leverage. The one-off sale of precious metals was also dilutive to the margin, as were a less favorable mix and higher raw material costs.

As Conrad mentioned earlier, chemical plants around the world continue to be affected by feedstock shortages, leading to lower utilization rates and force majeure declarations or shutdowns. Therefore, refill order timelines may continue to be pushed out going forward.

Moving to Adsorbents & Additives, sales decreased by 2.7 percent in local currency and by 9.1 percent in Swiss francs, with pricing down slightly by 0.2 percent, while volumes decreased by 2.5 percent.

In the Adsorbents segments, sales decreased at a mid-single-digit percentage rate, as growth in renewable fuel applications in the United States that started towards the end of the quarter did not offset declines in other segments. In the Additives segments, sales increased at a low single-digit percentage rate, especially driven by growth in flame retardant in our Polymer Solutions segment, while we recorded a soft start versus a high comparison base in Coatings & Adhesives.

EBITDA before exceptional items decreased by 9.2 percent to 42.6 million Swiss Francs, representing a flat year on year margin of 18.6 percent. This was the result of active margin management and performance improvement programs offsetting the lower volumes.

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

Conrad Keijzer, CEO

Thank you, Oliver.

Let me conclude with our guidance for 2026.

For the full year 2026, we expect challenging market conditions with increased macroeconomic challenges, uncertainties and risks.

The Oxford Economics chemicals industry forecast predicts a reduction of chemical output growth from 1.9 percent beginning of the year to 0.4 percent in April 2026 mainly as a result of the Middle East Conflict.

This estimate is volatile and dependent on the duration of the conflict and the closure of the Strait of Hormuz. Prolonged war scenarios would increase the negative impact on the industry.

The conflict in the Middle East continues to negatively impact customer demand in the Catalysts and Oil Services businesses. Furthermore, the conflict results in an inflationary raw material, energy and logistic costs environment. To mitigate these cost increases, we activated our proven value-based price management, further supported by a continued focus on active cost initiatives in a low demand environment. By leveraging our global production network and proactive logistics, we provide continued supply for our customers.

Our guidance for 2026 remains unchanged, with sales expected to be around 2025 levels in local currency and an EBITDA margin of around 18 percent before exceptional items. We expect the Middle East conflict to impact demand in our Catalysts business, cause increased input costs, and elevate overall uncertainty and volatility. However, we expect to offset these negative effects through increased pricing, and continued overall focus on cost actions. We also expect free cash flow conversion of over 40 percent for the year.

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

Andreas Schwarzwälder, IR:

Thank you, Conrad and Oliver.

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.

Operator, please go ahead

Operator

The first question comes from Katie Richards from Barclays. Please go ahead.

Katie Richards

Hi. Good morning or good afternoon, whatever time. A question firstly on Catalyst, please. It would just be useful to get some color, I think, on the order book visibility you have for this division in Q2 and beyond. I think the sort of takeaway from this set of results is despite having good visibility on the new order projects coming in ahead of time, maybe for refill Catalyst, it looks like people can pull orders away quite fast.

So I guess there are two parts here. Do you think the order pull that we observed in March was reflective of the worst of this, or has there been an accelerated pullback in orders in the month of April? And it would also be quite useful to get some sense of how you think the sort of Q2 Catalyst could swing intra-quarter with the cease-fire headlines emerging? Do you think the refill orders would come back immediately if the cease-fire is final?

And just at a group level for my second question, looking at some historic trends, Q2 is typically down versus Q1. Do you think that would be a fair assumption for the quarter ahead, maybe towards 150?

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Conrad Keijzer

Yes. Okay. That's a lot of questions, Katie. Good afternoon. I'll leave the question on overall Q2 to Oliver, but I'll try to give some color as you asked for on the Catalyst demand and what we're seeing in basically the first quarter versus second quarter and moving forward. So I think first of all a comment. So our Catalyst business is mostly affected when it's about demand.

So what you see right now in Catalyst is of our customer base, a total of 88 globally customers are actually in either shutdown or force majeure mode. So out of these 88, 44 are actually active customers. The other sort of half of it is supplied at the moment by the rest of our competitors, but it is our entire client base, so potential client base.

So if you look at these 88 force majeures and shutdowns, interestingly enough more than half of them sit outside the Middle East. So if you put things in perspective, the Middle East and let's say the Gulf of Hormuz represents one-fifth of the global exports for crude oil and liquid gas. It also represents roughly 15% of the world production for base chemicals and petrochemicals. And when I say base chemicals, I mean items like ammonia, methanol. When I say petrochemicals, I mean items like propylene, ethylene, etcetera.

So if you look at our Catalyst business, what happened in the quarter is that after the breakout of the war in the month of March, we started to see the immediate effects already. Because what happened was that customers basically started to delay their orders in the Middle East. What you see is that customers are not able to get their finished product out and actually their storage tanks are all filled, and they need to shut down operations.

Sometimes customers in the Middle East cannot get feedstock because of infrastructure damages. So the effect of this was actually a total of 5% of our sales in Catalyst in Q1 was due to delays from the Middle East, but also from customers in Asia that were facing feedstock shortages.

Because this is the other effect that we're seeing. Keep in mind of the naphtha production in Asia, roughly 40% came from the Middle East. And these ships are not arriving right now. And what we see is that more than half of the force majeures and shutdowns sits actually in Asia. China primarily affected, but also South Korea, Japan, Taiwan, and even India. So what you see here is the feedstock is not available.

And now coming to your question, how is it going to further develop? Well, we're obviously very relieved for our people on the ground with the cease-fire. But I also like to note that for business to resume, we need an opening of the Strait of Hormuz. In our scenario, we expect that by the end of June, so we expect an opening of the Strait of Hormuz in the second half of this year. And what we have for the second half of the year is a recovery scenario whereby clients in the Middle East can start up their production again. Obviously, there is bits and bits of delays because first, they need to empty their storage tanks, ships need to get back into the Strait of Hormuz. And likewise in Asia, there will be bits of delays because we need shipping back to basically make sure that also facilities in Asia can start up running.

So that's sort of high level what we expect. We saw a 5% impact in Q1. We see a bigger impact in Q2, because we have three months of impact here. We will see a recovery in the second half of the year. Oliver, back to you for an overall…?

Rittgen Oliver
Yeah, I comment then on the remaining businesses of Q2. Catalysts, Conrad mentioned already, so I think that's covered. And then on Care and A&A, Katie, I think it's important to look a bit on the underlying drivers that we also have seen in Q1 and that you will then see also in Q2.

We had a very strong volume growth in mining in Q1. We had an underlying volume growth in the oil business. Yes, there were some negative effects in the Middle East, but overall we have seen underlying volume growth also in the oil business, if you exclude Middle East and the pruning effects. We have seen underlying volume growth in the personal and home care segment. So that seasonality phasing and some of the effects that we saw in Q1, we would expect the underlying growth that we have seen to continue into Q2. And then especially also the pricing measures that we're taking right now to kick in then in Q2 already.

And then for A&A, also here we had some underlying growth drivers in Q1. We had a very strong flame retardants business in the first quarter and that we expect to continue also in Q2. The renewable fuels in the US that picked up towards the end of the first quarter with the new legislation now in place in the US, we expect there also a recovery in the second quarter. So actually here, we will see some positive momentum on those areas. And then Catalysts§, as Conrad commented already on it, Q2 will also see some of the effects that we saw towards the end of Q1.

Richards Katie

That's clear. Thank you.

Operator

The next question comes from Christian Faitz from Kepler Cheuvreux. Please go ahead.

Faitz Christian

Yes. Thanks. I have two questions, please. I mean, first of all, again, on the Middle East and your Catalyst business. I mean, let's assume that all these 44 plants were, so far, you are coming back on stream at the same time or want to come back on stream at the same time. Would you actually be able to service them and deliver them at the same time, or how does it work?

And then the second on Lucas Meyer, how has the business developed within Care Chemicals? Are we still seeing EBITDA margins north of 40%, or is that business also a bit impacted by consumers trading down? Thanks very much.

Keijzer Conrad

Yeah. Okay. Thank you, Christian. Yeah, let me first quickly comment on Lucas Meyer. So it's now fully integrated into our Personal Care segment. So we actually are not so much commenting on it in the granularity that we did before. But I will say, if you look at margins, if you look at the growth in that business, that's holding up very well. In general, what you see is a down trading and luxury brands are suffering from it. But if you look at this premium segment for basically anti-age creams and hair care, demand for that is holding up very well, and there's a very loyal customer base for that.

Then to your question on the Middle East and the 44 plants that are in force majeure shut down, let me once again say more than half of them is actually sitting outside the Middle East. And that's primarily in Asia because of feedstock shortages.

What we expect in terms of the ramp is that as the Strait of Hormuz opens, feedstock becomes available for customers that are now shut down in Asia, finished products can move out for customers that are shut down right now in the Middle East. I will say only one out of these 44 plants has physical damage. So that is actually -- we're very fortunate that the physical balances, two plans have been very limited.

So we think that in the Middle East, also we will see a ramp-up, which very much depends on logistics availability. So Q3 will still be a challenge primarily because of ships not being there yet in the Middle East and ships still need to sail to Asia to supply them with feedstock. So I think the full recovery we'll see in Q4. We have actually visibility on the orders and we actually have quite a significant part of the orders already produced.

So we're not expecting ramp-up issues in the sense that we cannot supply. I think logistics is going to be more challenging. But no, I think the big -- the key message here, Christian, is that this is not a structural setback for our Catalyst business. It's a delay of orders primarily that will actually see a recovery in the second half.

And there's one other element which I do need to mention, and that is that actually the business that's now shut down in the Middle East and partly in Asia, is to a large extent, substituted through increased run rates with customers in Europe, with customers in the U.S. What we see is a lot of requests from customers to delay, for example, their shutdowns.

They want an extra year or so out of their Catalyst because the demand is so high. Their margins are so good at this moment that obviously, at some point, will also lead and result into better refill activity. So that's why, overall, we are confident that this is a one-year effect and that we should see a full recovery into next year.

Faitz Christian
Okay, great. Thanks very much, Conrad. And yeah, good luck managing your business in these challenging times.

Keijzer Conrad
Thank you, Christian.

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

Badaro Thea
Hi guys. Thanks for taking my questions. Two from me, please. The first one is on Care Chemicals. You mentioned an underlying volume growth of 3.5% in the quarter. What areas of the portfolio exactly that you see volume momentum in? And how likely it is to have been impacted by prebuying in your view?

And the second one is maybe a longer-term question on the A&A division. Your EBITDA margins have been quite volatile from one quarter to another. So, considering the work you've done on margin management, what would be a normalized level of margin for this division? Thank you.

Keijzer Conrad
Thank you, Thea, for these questions. I think in terms of the precise volume breakdown in Care Chemicals, Oliver, if you can take that, including the question on prebuying. I'll provide some comments on A&A. So, what you see is in terms of the EBITDA percentage, historically, it has been actually indeed quite volatile. I will say that what we've done is a lot of improvements, particularly also on the cost base of that business.

And what you see is for the quarter, our ability to actually continue with profitability at 18.6% EBITDA margin last year, even though the revenues were down 3%, I think it's a big complement to the business and the management because what they do is they've very diligent, I think, in the recent periods on their cost management. And they've also been very diligent on margin management. So there was a bit of a negative pricing in Q1, but the raws basically came down a lot more.

Maybe one final comment on A&A because we did see overall revenues down actually rounded by 3% in local currency. The outlook for the year is actually very positive. So what you see is, at the moment, a big pickup, particularly for biodiesel, diesel based on renewable feedstock, you see a big pickup for sustainable aviation fuel.

Basically, the margins, obviously, are very significant for that industry right now. Because they haven't seen the same amount of feedstock price increase than normal diesel and kerosene have. We see also that right now the increased renewable targets by the EPA in the U.S. have been formalized. And we saw a pickup of the business in Adsorbents already towards the end of the quarter, and we are actually quite positive on the Adsorbents business moving forward.

Final comment on Flame Retardants, we also saw strong growth. Interesting to learn that actually bromine is in short supply at the moment, 60% to 70% of the world's bromine comes from Israel and Jordan, and you see that the brominated flame retardants were short in supply. We obviously benefit from that. Luckily, we're not in brominated products. We have one of the only alternatives available in the market for it, not only a much better sustainability profile, but also not dependent on this bromine supply. Oliver, perhaps you can comment on the volume breakdowns in Care Chemicals?

Rittgen Oliver
Sure, hi Thea. Yes, volumes in Q1, we actually grew in volumes in almost all segments underlying in Care Chemicals with a 3.5% underlying volume growth that we were also mentioning in the speech and the presentation. Except for crop, where we were trading over a very, very strong previous year, all segments underlying were growing in volumes. In Personal & Home Car, it was especially, as I mentioned before, in the healthcare environment. And in mining, we have been growing significantly with customer expansions and also due to the fact that we have very specialized products there that -- where we have seen significant volume growth actually in the first quarter.

So it's really across all segments that we have seen that volume growth in Q1. Going forward, of course, what we're going to see is with the price increases that we are taking now across the board, there will be dynamics in terms of pricing going up and volumes being affected by that, no doubt. But Q1 has been extremely strong on underlying volume growth.

Keijzer Conrad
And the prebuying, Oliver?

Rittgen Oliver
Yes, sorry. Prebuying that was more limited for us in Care Chemicals. We have seen a little bit of prebuying in Personal & Home Car and also in industrial applications, but that was not a significant contributor in the first quarter.
Badaro Thea
That's helpful. Thank you.

Rittgen Oliver
You're welcome.

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

Hooper James
Hi thank you very much for taking my questions. I have two, please. First one is about -- going back to Catalysts about some of the long-term effects. Some were in the market saying that not all the capacity that's declared force majeure will come back. And that you're expecting less ramp-up of new capacity in the future, which could affect your kind of total business and then future license growth.

Do you have a view on this about the long-term attractiveness of Catalysts? And then the second question is around ethylene as you've mentioned, a lot of it is in the Straight and that's one of your largest raw materials. Have you had any issues with procurement? And while we're on this topic, is there an update on the losses? Thank you.

Keijzer Conrad
Yes. Okay. James, well, basically three questions. The last one can be very short because there is no news on the lawsuits. On ethylene have been -- we've been impacted by shortages. We, I think as many other companies have been impacted. I think it's very good that we have a global footprint but particularly at one of our facilities in China, we were facing allocation. We were facing short supply of ethylene and ethylene oxide and this is a direct result of naphtha shortages in China because of the crude feedstock not arriving from Middle East. So, answer is what you see is ethylene runs flat out in Europe, flat out in the U.S. right now. So, the companies in that sector are seeing strong volumes

right now, high-capacity utilization rates. And the reason for that being the part of the ethylene production in the Middle East is shut down and part of it in Asia is capacity constrained.

Now to your first question, is this -- what are the long-term effects of this? And is there now a structural change in the industry? Well, what we can say is that the plants in the Middle East actually are very competitive plants. And they will start-up at the moment that they can start shipping their finished products out of the Strait of Hormuz the minutes that their feedstock runs smoothly. Only 1 out of 44 customers on force majeure has structural damages. So, I think you will see a recovery here.

You also, I think, we'll see the recovery in Asia. I think there is temporary relief for some of the European players because they see less or coming out of China. But this -- the moment that feedstock supply is back up and running into Asia. We are back to the prior situation.

I will say, but this is really a long-term effect in terms of energy security and energy supply, particularly for Europe, particularly for China. This reinforces actually for both regions, the need for an energy transition. And as you are aware, we are very well positioned for that as a company.

Hooper James
Thank you.

Keijzer Conrad
Thank you.

Operator
The next question comes from Angelina Glazova from JPMorgan. Please go ahead.

Glazova Angelina
Good afternoon, and thank you for taking my question. I just have one question regarding the price increase actions that you mentioned that you were going to do to offset raw material cost inflation. If you could just remind us, how that process is structured and to

what extent you could do through the clauses that are already in your contracts with customers for raw material cost indexation to what extent you might have to go out directly to customers with price increases?

For the latter, could you confirm if this is something that you have already initiated? How do you expect that process to develop? And then secondly, do you think you will be able to offset this inflation pretty much in real time? Or there is a possibility that there is some lag in how price increases might come through versus the inflation? Thank you.

Keijzer Conrad
Sure. No, Angelina, this an extremely important question in the current environment. And I will say this process within Clariant is extremely well structured. So, we literally have visibility, pricing visibility at an SKU, sales rep, client combination. And we're reviewing this actually, there's daily reviews right now of pricing.

So, this this value-based pricing what we have with our customers and passing on the complete extent of raw materials, freight, and energy cost is actually in process. And we see it. We began it already. We see it already if we look at the April numbers where we see positive pricing in all of the business units.

So maybe just a broader comment as far as phasing and timing. Where we have our value-based pricing, we start this immediately, you will see the results in Q2 as I mentioned. Where we have formula-based pricing, there is typically a delay. So, these are contracts that, for example, can refer to the monthly contract price for ethylene. Then typically there's a one-month delay, sometimes up to a quarter of a delay.

Fortunately, the formula-based pricing is isolated to only smaller part of the business. It's roughly 40% of the care chemical business, primarily in oil and gas, and in mining. So here you see a delay in the pricing going up. But the rest of the business we go up right away. But overall, we think that despite some of the delays, that we can fully offset and that's also based on the fact that we have still obviously lower-priced inventory in our plants and that compensates for some of some of the delays on the inflation compensation.

Glazova Angelina
Thank you very much.

Operator
The next question comes from Jaideep Pandya from On Field Investment Research. Please go ahead.

Pandya Jaideep
Thanks a lot. First question, sorry to ask again, but on Catalyst, just curious, your growth in Q1, you indicate ethylene growing sort of low double digit and propylene actually not growing low double digit. So, what sort of was the dynamic between ethylene and propylene, in your opinion?

And then sort of a related question to what has been asked in the sense that, with all these force majeures, when there is a restart, how is typically the ordering pattern? Do you typically get the same level of volume for the refill or generally is the volume a bit higher or so curious on that?

And the second question is around the Crop business in Care Chemicals. You guys are generally a good lead indicator of how the market is doing. So, what have you seen in the market given all the disruptions in the value chain and the fertilizer cost inflation in terms of volume and sort of what is the outlook with regards to that?

And then Conrad just a last question, I think this was a topic discussed a bit earlier as well, but like you know when you think about industry consolidation, you know what pockets of your portfolio is where you feel that, bulking up in a material size would make sense for Clariant strategically?

Keijzer Conrad
Okay, sure. Clear. So, three questions. Well, the one on Crop I think Oliver can make a deeper dive on Crop. I'll take the one then on Catalyst and your specific question on what we see specifically with ethylene, propylene and refill levels.

Yeah, I think if you if you look at ethylene, propylene, propane to propylene as well, we're dealing with large orders. So, I think it's important to state that a result in one quarter doesn't mean that then actually there's suddenly a different trend. So, if you say you see actually that our ethylene business was up low double digit in Q1, but that is basically a few big orders, in particular one large one on precious metals that that moved that.

In general, what you see right now, and I think that's the bigger picture, if you look at refill and what will be the order pattern after start up again when these companies go out of force majeure. What you see right now for our refill business is that Europe has actually capacity util rates of 85% -- 80%, 85% overall. The U.S. is even as high as 95%. So if you look at the refill, clearly, the consumption at the moment is higher in North America, higher in Europe and factories are shut down right now in the Middle East and parts of China. What you will see in a situation after the Strait of Hormuz is opening, and after all the feedstock shortages are resolved and plants are up and running in the Middle East again, is we will be back to the prior situation. There is no structural change here.We will continue to see the U.S. being energy advantage, particularly on ethylene we will continue to see a certain level of overcapacity in China, and you will see continued some challenges in Europe primarily because of the high cost of energy. So in terms of refill business, we expect a full recovery into next year. We expect some changes by region, but over time, these will then actually smoothen out.

Yes, in terms of industry consolidation, your question Jaideep, which part of our business is sort of most exposed to that. I think it's important to note that we have typically number 1, number 2, sometimes number 3 positions, very strong market positions already. But it's also fair to say that Catalysts is consolidated already quite a bit. You see the same at a segment level in the Additive business, where we see more fragmentation is in Care Chemicals. So if there's industry consolidation ahead, I think certainly, we would like to participate in Care Chemicals, and that's what you've seen in recent years with the Lucas Meyer acquisition nice bolt-on coming in, strengthening our cosmetics business, the bio-based surfactants out of India, India Glycols, the Beraca Cosmetics Ingredients business in Brazil, we did three bolt-ons already in this sector. And if there's any opportunity moving ahead, we definitely like to participate. Oliver, if you can provide your insights also on crop?

Rittgen Oliver
Yes, Jaideep, let me start maybe a bigger picture on the crop market. I mean, what we're seeing this year overall, of course, this tightens P&Ls of the farmers with the commodity prices that we see on the one hand, on the sales side, so to say, and then the input cost inflation on energy and other input costs that they have. So P&Ls are quite tight on a farmer basis.

The second bigger thing that we're seeing, of course, is different flows of chemicals than in the past. When you think about China, U.S., China, Brazil, that's also influencing the market in crop at the moment. For us, that means -- I mean, we are a supplier of all the big crop chemical companies in the world. We are working with them on innovative products, and that's where we create the value where we need to drive all our volumes being in these innovative products, providing our solutions pricing for it in the current environment. And with that drive volume and pricing going forward in crop. That is where our opportunity lies, and this is where we are obviously as the teams working on. And maybe that gives you a little bit of context around the crop market and our positioning in it.

Pandya Jaideep
Thanks a lot.

Operator
And the last question comes from Tristan Lamotte from Deutsche Bank. Please go ahead.

Lamotte Tristan
Hi, thanks for taking my two questions. The first one is I'm just wondering if we come back a bit on phasing and Q2 and -- I was wondering if there are any items you think we should consider in particular in Q2 versus Q1? And linked to that, given you're guiding for around 680 million for full year, is it fair to say that if the war continues and isn't an H2 recovery versus H1, then there might be some risk to guidance? Just wondering how you'd frame that?

And then I'm just wondering, you mentioned some feedstock shortages. I'm just wondering if the war continues again, is there a risk of further feedstock shortages and how large do you think the kind of exposure is there? Thanks.

Keijzer Conrad
Okay. Thank you, Tristan. Important questions. Oliver, if you could comment on the guide and the phasing by quarter. I will make some comments on feedstock and further sort of potential developments. I think it's important, Tristan, to note that the basis for our guidance is actually a reopening of the Strait of Hormuz by the end of June.

If that is not -- if that were not to happen, then actually you have a much more challenging scenario on feedstock because what you see is now there is shortages in Asia. Effectively, if the Strait of Hormuz would not open by midyear, you will see actually shortages in Europe as well. And that would obviously result in also higher oil prices and another wave of inflation. This is not what we have as our base scenario. This is -- if you look at peers in the chemical industry, I think we're all aligned on the scenario that we should see reopening by the end of June. But in a sort of a dark scenario, the Strait of Hormuz remains closed, and that would result in higher oil prices, higher raw material prices, but also feedstock shortages and that's obviously a different scenario, but it would be a different scenario for many companies then.

Rittgen Oliver
And Tristan, the Q2 and half year one, half year two dynamics. It goes a little bit in line with what I said before, in Care Chemicals, we see some underlying strength in some of the segments. And then the phasing that we usually see in Q1 and Q2 also of the seasonal business, so I mean, we are positive on growth for care in the second quarter with these drivers, pricing kicking in, then obviously, more than what we saw at the beginning of the year with the dynamics that we're seeing in input cost inflation and now the strong pricing activity that Conrad was mentioning before.
For A&A, we see in the second quarter then Adsorbents North America picking up, the continuation of the flame retardants growth where we have seen strong momentum in the first quarter. So also here, growth in A&A in the second quarter. And then with Catalysts that indeed, with the effects that we saw in March, we see a weakening second quarter in the Catalysts business.

And then overall, then the recovery in Catalysts in the second half, the continuation of Care and A&A in the second half, that should then bring us into the outlook of flat growth and around 18% margin. So that's sort of the dynamic that you're going to see. A stronger second half, obviously, on the margin and the growth side, given by the Catalysts effects.

Lamotte Tristan
Helpful colour. Thank you.

Schwarzwälder Andreas
Thank you. This is Andreas speaking. So no further questions. So this concludes then today's conference call. A transcript of the call will be available on the Clariant website in due course. The Investor Relations team is available for any further questions you may have. Once again, thank you for joining the call today and goodbye.