

Q&A Regular Transcription

Fourth Quarter / Full Year Results 2025

2026-02-26 at 1:00 PM CET

Duration: 62 minutes

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.

2025 was a year that demonstrated the success of our transformation journey. The progress we've made over recent years is bearing fruit, with our purpose-led growth strategy proving its strength through effective execution. Built on four strategic pillars – Customer Focus, Innovative Chemistry, Leading in Sustainability, and People Engagement – the strategy reflects our integrated approach to creating value for all stakeholders.

On our first pillar, Customer Focus, the execution of our commercial excellence programs delivered further improvement in customer satisfaction, as indicated by the customer Net Promoter Score (cNPS). In 2025, this cNPS increased to 50 versus 45 in 2024, with the company receiving outstanding scores for “product quality”, “technical support”, and “customer service”. Overall, this score placed Clariant in the top quartile among peers.

Our local for local strategy has continued to help us to weather geopolitical challenges and tariffs. We serve our customers to a very high degree based on local manufacturing and local raw material sourcing.

We successfully accelerated the rollout of CLARITY™, the cloud-based service platform designed to optimize catalyst management and performance monitoring. It offers 24/7 real-time operations data so that customers can manage their plants more efficiently. By the end of 2025, CLARITY™ utilization has almost doubled to over 220 customer plants and over 800 users in 38 countries.

And finally, differentiated steering, which ensures that we allocate resources strategically. Each business segment has its own strategic mandate to optimize value creation. The restructuring and capacity expansion actions taken in our Additives Segments resulted in a successful turnaround with improved sales growth and better margins.

In our second pillar, Innovative Chemistry, we demonstrated a strong improvement in innovation sales, reaching 18.8 percent, marking a significant step-up from the 16.9 percent recorded in 2024. This trajectory reflects the strength of Clariant's innovation portfolio and execution.

We maintain our commitment to research and development with sustained investment at 3 percent of sales in 2025. The products from our innovation pipeline are growing faster than

the rest of our portfolio. We will continue to intensify supplier partnerships to co-develop innovations meeting the highest environmental standards. This dedication to innovation resulted in over 30 awards and recognitions received throughout the year from customers like L’Oreal, Unilever, and Schneider Electric and various industry associations.

2025 marked another year of great progress in Sustainability leadership. Clariant’s greenhouse gas emissions reduction targets that were originally announced at our Investor Day in November 2024 were reviewed and approved by the Science Based Targets Initiative in 2025. By 2030 Clariant is committed to reducing absolute Scope 1 & 2 greenhouse gas emissions by 47 percent and absolute Scope 3 greenhouse gas emissions by 28 percent from a 2019 base year.

In 2025, Scope 1 & 2 total greenhouse gas emissions fell to 0.43 million metrics tons in 2025, a decline of 11 percent. The main driver for the greenhouse gas reduction in 2025 was a further switch to green electricity. The share of renewable electricity increased from 69 percent to 76 percent. The total indirect greenhouse gas emissions for purchased goods and services (Scope 3.1) were 6 percent lower at 2.4 million metrics tons in the last twelve months.

As a result of consistent progress over time, credible targets, verified data, and clear accountability, we achieved leadership-level scores across all environmental categories of the Carbon Disclosure Project (CDP), the most widely used environmental disclosure platform globally. Ranking in the top 1 percent of all companies evaluated worldwide, Clariant was awarded ‘A’ in Climate Change and Forests, and ‘A minus’ in Water Security.

We are convinced that the transformation toward more sustainable business models will not reverse —companies that stay on the course will shape the future and gain enduring competitive advantage.

And finally, People Engagement, where we increased our Employee Net Promoter Score (eNPS) to 37 in 2025, up from 34 in the prior year. I am particularly pleased that participation rate of our employees further increased to 88%, and our Employee Engagement came in at 87 %, which positions us in the top quartile compared to industry peers.

Our safety performance also was top quartile of the chemical industry globally. Clariant recorded a Days Away, Restricted, or Transferred (DART) rate of 0.13, down from 0.17 in

2024. This reflects our high awareness of and continued commitment to safety, training, and accountability.

These achievements are thanks to the hard work of over 10,000 Clariant colleagues across the globe who are committed to our purpose-led growth strategy and who delivered strong results in 2025.

We delivered sales of 3.9 billion Swiss Francs, representing a flat performance in a challenging macroeconomic environment. We improved our EBITDA margin before exceptional items by 180 basis points to 17.8 percent driven by the successful execution of our performance improvement programs. This is the third year in a row where we have delivered strong EBITDA improvement, both in absolute and margin.

I am particularly pleased with the 42 percent cash conversion rate we achieved in 2025. This represents a ten-percentage point improvement compared to 2024, already exceeding our medium-term target of 40 percent.

Our performance in 2025 enables us to propose a stable distribution to shareholders of 0.42 Swiss Francs per share.

Now moving on to more details relating to our financial performance for the Full Year 2025. We delivered sales of 3.9 billion Swiss Francs. This represents a flat performance in local currency, with the reported figure impacted by a 6 percent negative currency translation effect. We maintained pricing discipline across our portfolio in a slightly deflationary raw material environment, with a year-on-year increase in Adsorbents & Additives, and flat pricing in Care Chemicals and Catalysts. Organic volumes decreased by 1 percent across the Business Units. The acquisition of Lucas Meyer Cosmetics had a positive scope impact of 1 percent.

Turning to profitability, we had a strong overall performance with a 180-basis-point improvement in EBITDA margin before exceptional items versus the Full Year 2024, driven by our performance improvement programs and cost productivity across all Business Units and the Corporate functions. In absolute terms, EBITDA before exceptional items increased by 5 percent to 697 million Swiss Francs.

As I mentioned earlier, we recorded a free cash flow conversion rate of 42 percent in 2025. This represents a 10-percentage point increase versus 2024 and delivers on our medium-term target of 40 percent ahead of schedule.

We were able to achieve this through effective cost and margin management, which drove an increase in operating cash flow. Higher net working capital and phasing effects were offset by disciplined Capex management.

In absolute terms, free cash flow increased by 31 percent to 273 million Swiss Francs.

Now turning to our Investor Day savings program.

As a reminder, we expect full run-rate savings of 80 million Swiss Francs from Business Units and Corporate actions to be delivered by the end of 2027. In Q4, we achieved savings of 19 million Swiss Francs, which brings the total to 50 million Swiss Francs for 2025. This represents 63 percent of the total savings target, with the remainder largely expected in 2026.

The key measures include a headcount reduction of approximately 470 full-time equivalents across the businesses and corporate functions and the closure of two production lines and two sites as part of our footprint optimization. Procurement added another 22 million Swiss Francs savings related to structural changes in qualifying alternative suppliers and implementing best practice contract management.

Cost-efficient execution of the programs and phasing led to restructuring charges of 63 million Swiss Francs. This was below the 75 million restructuring charges originally expected for the year.

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

Oliver Rittgen, CFO

Thank you, Conrad and good afternoon, everyone.

In the Fourth Quarter, we delivered sales of 1 billion Swiss Francs, representing an increase of 1 percent in local currency versus the prior-year period. Pricing was overall flat, as formula-based price adjustments linked to raw material costs in Care Chemicals were offset by a 1 percent increase in Adsorbents & Additives and flat pricing in Catalysts. Volumes increased by 1 percent as growth in Catalysts and Care Chemicals offset a decline in

Adsorbents & Additives. The reported figure was affected by a 7 percent currency headwind.

Turning to profitability, our Q4 EBITDA before exceptional items increased by 10 percent, corresponding to a 17.1 percent EBITDA margin. This represents a 240-basis point improvement versus the Fourth Quarter of 2024. Key contributions came from continued strong execution of the performance improvement program in all business units, effective cost management, a positive mix due to strong growth in Catalysts, and operating leverage.

Let us now dive into the Fourth Quarter development by Business Unit, starting with Care Chemicals. Sales increased by 1 percent in local currency, as 2 percent volume growth recorded in the quarter more than offset the 1 percent decline in pricing due to formula-based price adjustments linked to raw material costs. The reported figure was negatively affected by a 7 percent currency headwind.

We recorded low double-digit organic growth in Mining Solutions, driven entirely by volumes, and in Oil Services, where higher volumes were supported by slightly positive pricing. Sales in Personal & Home Care increased at a low single-digit rate, also driven by volume growth and including a continued positive contribution from Lucas Meyer Cosmetics. Base Chemicals declined slightly, despite volume growth in the seasonal Aviation business, as pricing declined due to the formula-based price adjustments. Sales in Industrial Applications declined due to lower pricing and volumes. Crop Solutions declined, driven by lower volumes versus the prior year period, when a restocking effect led to strong growth.

We recorded an EBITDA before exceptional items of 96 million Swiss Francs, representing a 7 percent increase compared to the prior year. This translated into an EBITDA margin of 18.3 percent, a 220-basis-points improvement driven by increased operating leverage and a strong contribution from the performance improvement program.

In Catalysts, sales increased by 5 percent in local currency, a result of materially higher volumes in Ethylene versus the prior year period. The reported figure was negatively affected by a 7 percent currency headwind.

Sales in Ethylene catalysts recorded the strongest growth at a high-double-digit percentage rate, with some first-fill business coming on top of the regular refill cycle, followed by Syngas & Fuels. This more than offset lower sales in Specialties and Propylene, which both

declined at a double-digit percentage rate against a strong comparison base in the prior year.

EBITDA before exceptional items increased by 22 percent to 62 million Swiss Francs, representing a EBITDA margin of 23.4 percent versus 18.8 percent in the prior year. This was driven by effective price and cost management and the contribution from our performance improvement program.

Moving to Adsorbents & Additives, sales decreased by 3 percent in local currency and by 8 percent in Swiss francs as slightly higher pricing was more than offset by lower volumes.

In the Adsorbents segment, sales decreased at a low single-digit percentage rate as stable volumes in APAC and EMEA were more than offset by a decline in the Americas which were impacted by delayed US renewable fuel regulation. In the Additives segment, sales decreased at a mid-single-digit percentage rate as growth in Polymer Solutions was more than offset by lower volumes in Coatings & Adhesives, mainly attributable to construction markets.

EBITDA before exceptional items decreased by 9 percent to 30 million Swiss Francs, with an EBITDA margin of 12.6 percent at a similar level to the prior year. The positive contributions from the performance improvement program partly offset the impact of 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 outlook for 2026. For 2026, we expect macroeconomic challenges, uncertainties, and risks to remain.

According to the latest assessment of Oxford Economics, the Global GDP growth projection for 2026 has increased slightly to 2.8 percent, driven by AI investments.

The Chemicals industry forecasts predict a reduction of chemical output growth from 2.9 percent in 2025 to 1.9 percent in 2026 driven by slower growth in China from 7.4 percent to 2.7 percent and the US turning negative to minus 0.6 percent compared to positive 0.6

in 2025 while Europe expects some improvement to positive 0.5 percent after negative 0.4 percent in 2025.

Looking at our addressable market, we expect 2026 market growth for Clariant of around 1 % considering our geographic footprint. We remain focused on delivering profitable growth and executing our self-help actions.

That said, there are some positive signals in certain end-markets. Growth in mining and electric vehicles is expected to continue. We also see continued growth in data centers, a recovery in consumer electronics, supporting our Additives business, and an improvement in renewable fuels demand, supporting our adsorbents products.

We therefore expect sales in local currency to be around flat as we look to offset a negative topline impact for the Group of 1 percent from portfolio pruning in the prior year. We expect slight growth in Care Chemicals (on an underlying basis) and in Adsorbents & Additives, while sales in Catalysts are expected to be at levels similar to those of 2025.

We expect to further improve our EBITDA margin before exceptional items to around 18 percent in 2026, with the 80 million performance improvement program expected to deliver most of the remaining cost savings during the year. Clariant expects to continue to achieve a free cash flow conversion of around 40 % in 2026.

We remain committed to delivering our medium-term targets, assuming a recovery to normalized trading conditions in 2027.

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 Thea Badaro from BNP Paribas. Please, go ahead.

Thea Badaro

Hi, both. Thank you for taking my questions. Two from me, please. We are seeing positive data points in both chemical-specific and industrial surveys, so I'm curious to know if that optimism is also being reflected in your conversations with customers. And if so, are there any end markets in particular? And then, my second question is on care chemicals. You're guiding for slight growth for the division in 2026 while many peers are expecting, actually, a flattish year overall due to tough comps. Can you elaborate on where exactly you're getting more positive?

Conrad Keijzer

Okay, sure. So, your second question was on care chemicals, where you say that many peers are guiding flat growth is what you say, right?

Thea Badaro

Yes.

Conrad Keijzer

Okay, clear. So, first on the overall market outlook, what you actually see overall is less growth in chemical production rates globally than last year. I mentioned them in our speech, where actually markets are expected to slow down, particularly in China, where we had strong growth last year. That really will be significantly slower this year. And in the US, where we had positive growth, slightly positive growth this year, markets will turn negative next year, amongst others, also due to trade actions. In Europe, we were slightly negative this year. We may turn slightly positive, but overall, I wouldn't characterize this as an optimistic outlook in chemicals.

So if you look, what we have in the industry is operating rates typically between 70% and 80%. That's still historically low, and a recovery is typically not expected for this year yet, but more 2027. So, in 27, there is actually a general consensus that there should be a recovery. If you look at recent years, consumer spending has not been sufficiently on durable goods or semi durable goods. There was more spending on services, and recently

on AI. So this switch back to durable goods spending and semi-durable goods spending, that is really expected at some point in time, there's a natural replacement cycle to products, but for this to happen we first need better consumer confidence levels, which still are generally low considering geopolitical and trade tensions.

More specifically to care chemicals, what we say here is actually that, in our outlook overall around flat, there's underlying growth, because last year we had a fair amount of pruning in care chemicals, which had an effect of roughly 2% of revenue in care chemicals. As you are aware, we closed a site in Argentina, we also shut down a plant in Europe for EO derivatives. And with that, when we're giving an outlook of around flat for care chemicals, underlying that means actually that there's growth also in our outlook.

Operator

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

Christian Faitz

Thank you. Good afternoon, Conrad, Oliver, and Andreas and team. And congrats on the results. Two questions, please. First of all, if I look at weather conditions, both in Europe as well as in North America in Q1 so far, I would figure your de-icing business must have been rather robust. Can you confirm this? And if so, possibly put a number on this. And my second question is, on catalysts, you seem to be a bit less optimistic on your catalyst performance for 26, after a rather robust Q4, particularly on the ethylene side. Why is this the case? Would you see a sequential slowdown again? Thanks very much.

Conrad Keijzer

Yes, thank you very much, Christian, for the question. So, on care chemicals and de-icing, we had a strong start, you saw that also I think, in the press, also one of the airports in Europe almost running out of de-icing material, but it is too early to call it. It really also depends on how March will come in. So we can't really give numbers yet.

As far as catalysts and our outlook for this year, yes, we basically signal that we are bottoming out. I think a recovery in catalysts really requires a recovery in new-build. So if you look right now at our order book, and also what we basically saw last year, it's still, off the orders, it's, by and large, a refill business. So the new-build has dropped to roughly 10%

of our orders. For us to really see a big recovery in catalysts, we should see the new-build coming back in. That is visible in the order book, not this year, but if you look at 27, 28, 29, we are seeing actually a pickup in new-build, particularly in China. There is, let's say, a small wave of new-build coming in there ahead of their peak carbon year in 2030. So we're not seeing a recovery yet this year, Christian, we are bottoming out. But we are actually quite optimistic for the years after that. Then, we should see a recovery in catalyst.

Christian Faitz

Okay, thanks. Very helpful.

Conrad Keijzer

Thank you.

Operator

The next question comes from Christian Bell from UBS. Please, go ahead.

Christian Bell

Hello, good morning. I've got two questions, please. My first one is how should we think about the earnings phasing in 2026? Are you expecting a softer first quarter, then a stronger second half as savings and volumes build? If you could provide a loose guide for first quarter 26, that would be really useful.

And then, the second question, if you could just help me, I'm a little bit confused on your 2026 guidance. You're basically guiding to top line down 3% to 5% on currency, which is similar to the outcome in 2025. But last year, you still expanded EBITDA margins by 180 basis points, with 50 million of cost-out. With another 30 million planned for 2026, and a similar top line result, what's preventing any margin improvement this time around? What's the difference from 2026 versus 2025 that stops you repeating that same margin progression? Thank you.

Conrad Keijzer

Okay, Christian, I'll take the first question on phasing, and Oliver will provide some more granularity on your second question. As far as the phasing throughout the year, I think we should keep in mind that we had, last year, actually a strong first quarter. Other than that,

if you sort of ignore the year-on-year comp, we are seeing a fairly normal pattern throughout the year. It's not that we see a significant recovery in H2 versus H1, like we sometimes had in other years in the outlook.

What is important, maybe, some specific comments in care chemicals. We see, at the moment, nothing unusual. De-icing is obviously playing a role there in how Q1 will come in. In catalysts, we are comparing against a strong quarter last year, but normally we always see a weak Q1, as we also saw last year, after a strong Q4. So there is that sequential effect.

In adsorbents and additives, we are seeing somewhat weaker start in adsorbents, where we still are waiting for the regulation for renewables to kick in. The EPA has set ambitious targets for renewable diesel and SAF, but these need to be still endorsed by Congress. And because of the government shutdowns, there's a delay in that. You see that the market expects these increased targets to kick in, because RINs prices are going up, but we're not seeing that in our numbers yet. Other than that, I think there's nothing here to comment. Oliver, to you.

Oliver Rittgen

Hi, Christian. Let me comment on your second question, on margin progression, year over year. First of all, as you have seen, there's a strong progression from 24 to 25, with 180 basis points of improvement, which brought us now to 17.8%. And that was driven by the performance improvement programs, the cost productivity, and effective price management, as we said. And we had a flat top line of this. For 26, we are guiding for now a second year of flat top line, with the effects that we alluded to before, the pruning that needs to be compensated, and the soft market environment.

And again, we are executing now on the performance program and delivering further savings in 26. At the same time, of course, in 26, like in 25, we need to compensate for the inflation that is happening in the cost structures that we do have. And we guided for 26 that we have 3% to 4% inflation in the cost structure, we have the savings from the savings programs, plus other productivity measures that we're taking, and hence we guided for around 18%. So, of course, the ambition here is to make further progress also towards our

medium-term targets, but as we alluded to for 27, that requires also a bit of a rebound of growth, that we then bring it really in.

Christian Bell

Okay. It just seemed like a similar set up in 2026, with a similar level of cost-out. So you're basically saying that your underlying cost inflation this year is much stronger than it was, or you're expecting it to be much stronger this year than it was in 2025?

Oliver Rittgen

Well, there is another year of inflation. I think, Christian, the point is more we did 180 basis points last year, where we set the organization on a leaner base, and obviously the savings were also a bit higher in 25 versus 26. And that's partially driving that effect.

Christian Bell

Okay, thank you.

Oliver Rittgen

You're welcome.

Operator

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

Katie Richards

Hi, good afternoon. I had a question on the use of capital and the balance sheet. You were on Bloomberg this morning, Conrad, and mentioned that Clariant would be open for bolt-on acquisition, potentially on the scale of Lucas Meyer, but you're also, at the same time, targeting CapEx potentially as low as 150 million. So a few questions on this, then. With leverage coming down and proceeds also coming from Stahl, which end markets would you be interested in exploring further? Could you also remind us how much you're spending annually for maintenance purposes, please? And finally, how are you looking to balance organic growth versus paying a premium to prepare to grow?

Conrad Keijzer

Katie, maybe first to clarify on comments made this morning on the calls. There's nothing new. We're always open for bolt-on acquisitions. But we also said this morning that our first priority is always organic growth and margin improvement. And then, if we can complement that with the right bolt-on acquisitions, we're very open to that. And we defined as the right ones acquisitions that really fit to our core segments, and that provide real synergy. And then, I mentioned Lucas Meyer as a great example of an acquisition that basically fits those criteria in the past. But that's not to say that there is, right now, a target of that size available, just to be clear about that.

But overall, people do expect, with limited growth perspectives right now in the chemical industry, that there should be an increased level of potential consolidation ahead of us. And what I said this morning is, it's important that we obviously participate in industry consolidation, if and when that happens.

As far as CapEx maintenance, that's fairly steady at roughly a level of 100 million a year. You see the big reduction in CapEx for us from the fact that we haven't actually added to our footprint, particularly in China, in recent years, and now, actually, we're very well set up there. So keep in mind, in recent years, we invested 80 million in a new catalyst plant that came up on stream. We invested 80 million last year in a new surfactant plant in Daya Bay that came up on stream. We invested last year, we completed actually, the investment of two lines for flame retardants, that was another 100 million. So if you look at those items alone, that explains why the CapEx envelope is structurally lower than it was in the past. So we haven't cut any corners on maintenance CapEx, so no worries there. That's at a fairly steady level, around roughly 100 million a year.

Katie Richards

Thank you.

Conrad Keijzer

Thank you.

Operator

The next question comes from Michael Schaefer from ODDO BHF. Please, go ahead.

Michael Schaefer

Thanks for taking my two questions. On the one hand, first one, I want to come back to your catalysts outlook for 26. So, as you said, you guide for flat local currency sales into 26, nevertheless you also reported on some greenfield projects helping you to record what we haven't seen for quite some time, this EBITDA level in the fourth quarter. And I think also on the full year, the 20.8% margin was rather unique over the past four or five years, so to say. So I wonder, how should we think about mix effect into 26, and how margin is progressing in the catalyst segment? This would be my first question.

And the second one is on the cash flow in 26. You built up some working capital, quite sizeable, in 2025, maybe a bit of a surprise here, talking also about phasing effects. So how should we think about the measures you are implementing and what you expect in 26 in terms of working capital? Thanks.

Conrad Keijzer

I will answer the question on margins and mix, outlook for catalyst, and Oliver will provide some clarity on working capital movements. If you look at catalysts and the performance that we saw, we're very pleased that, indeed, new-build that is out there, we're getting it. So that is, I think, very positive. So, particularly on ethylene, there is actually a large project in Europe that is starting up, actually early next year, and we see actually the first fill order for that coming in. So that's very positive.

We also saw, if you look at syngas and ethylene, we saw actually that both of these segments are performing well on refill. So we have a full share on new-build, and if it's about refill, we think that, particularly on syngas, we've gained some share. So if you look at our margins, they are reflecting that as well. So there is the very positive effects from the cost-outs, also in catalysts, but there's also, underlying, a structural improvement in mix.

And what you see is, in catalyst, with rising prices for metals, it is not an easy environment. You may have seen the profitability reports of some of our competitors that show EBITDA margins significantly down. So we're actually very pleased with the results in catalyst, with a 21% EBITDA margin for the year. But to further step up the margin in a significant way in the year ahead of us, that still would require a pick-up in new build. And that is not yet what we see for this year. We see that more for 27.

Oliver Rittgen

Hi, Michael. On working capital and cash, let me first start from the broader picture, cash. We are very satisfied with the cash performance overall that we had in 25, 10 percentage points of cash conversion up versus previous year, 80 million better operational cash flow performance. And then, indeed, we had a bit of a build-up in net working capital that we then also compensated with very disciplined CapEx management.

So that build-up in net working capital in the fourth quarter is also a bit related to the phasing or the sales pattern that we have seen in the fourth quarter. We had a very, very strong December in Catalysts, but also in Care with the aviation business. And obviously, with the payment terms that you have then on these sales, you have a bit of, a build-up of accounts receivables. We also have slowed down on inventory build-up in A&A, which had an impact on accounts payable. So, we had a couple of effects at the end of Q4.

What we have done, independent of that particular quarter, is that we initiated a cash program in Clariant where we structurally will look into the different net working capital levels. It's an integrated approach across the business units. It's ingrained in the target-setting that we have on a segment level. So it's a clear focus area. You have seen that also with our triangle, to say growth, margin, cash, that's what we focus on, that is what drives our differentiated steering. So there's a focus on net working capital, and drive that down in 26.

Michael Schaefer

Thanks.

Operator

The next question comes from Julia Winckelmann from Bank of America. Please, go ahead.

Julia Winckelmann

Hi, and thanks for taking my question. I was wondering, you finished the year ahead of schedule on your cost-savings target, and also achieved your cash conversion target already. Given this progress, do you plan to update your mid-term targets, and perhaps also give an update on how to think about your capital allocation going forward, given the stronger cash generation?

Conrad Keijzer

Julia, that's a great question. We are obviously very happy with and pleased with how we finished the year in terms of our EBITDA margin being up 180 basis points, and our cash conversion being up ten points, to slightly over 40% conversion now. So where we are versus the mid-term targets, is that indeed, for cash conversion, we have achieved these targets already. But it's fair to say that we still have a bridge from 17.8% to the bottom range, which was 19% to 21% EBITDA margin.

I will say we look at three years in a row now of improvements, annual improvement, in EBITDA margins, as well as absolute EBITDA. We came from 14.6%, were now at 17.8. That was certainly in a challenging market environment. For us now to revisit the mid-term targets, that's not on the agenda. We're very much focused on delivering them. So we are very much focused to have all the levers in place to bridge towards the 19% to 21% EBITDA margin. And that is the differentiated growth strategy, it's repositioning the businesses to more profitable segments, it is finishing the cost-out program, as Oliver has alluded to, it is maintaining pricing discipline. And with that, we think we have the levers in place in addition to a pick-up in markets that we do anticipate for 27. So we have all the levers in place to deliver the 19% to 21%, but, yes, those are actually quite ambitious targets in the current environment.

Julia Winckelmann

Thank you.

Conrad Keijzer

Thank you.

Operator

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

Tristan Lamotte

Hi, thanks. Two questions, please. The first is could you maybe just run through your end markets and the trends and outlook that you see in those, so in agriculture, autos, construction, electronics, etc.? And then, can I ask a general question about your views on the threat to European specialty chemical companies from China? Do you still think that

European chemical companies have sustainable moats in specialty chemicals? And to what extent are you seeing Chinese competition moving into specialties so far, and to what extent do you expect that to accelerate over the next ten years? Thanks.

Conrad Keijzer

Yes, sure, these are important questions. So, first, on end markets, what we are seeing, well, first of all let me start with care chemicals. We see, in general, the consumer-facing segments with a robust demand. So if you look at personal care, home care, that is basically low-to-mid-single-digit growth, with a bit more growth in personal care in the premium segments, like skincare, hair care. But then, really the premium, premium products.

The level just under that, the aspirational brands, there is actually some down-trading, the so-called aspirational buyers. Home care, very solid and robust, laundry, things like that.

Crop protection, we've had interesting years behind us. Last year, we had a strong year in crop protection, but that was really very much because the year before we had still the destocking. So it was also, let's say, some of the year-on-year comparisons. I think now we have a much cleaner comparison, and we should more trade in line with historic levels, where we slightly would outperform GDP levels.

Oil and gas, it's basically a relatively modest outlook right now. And oil prices, now they're up to 70 because of the geopolitical turmoil in the Middle East, but in reality, there's plenty of supply and more so than demand. So it's not an environment with high oil prices or a lot of investments that we are seeing there. Mining continues to be positive, especially for items like copper and, still, lithium.

Catalysts, yes, we still globally run 70 %to 80% util rates. And for us, really, to see new-build kicking in, we need to go first to higher utilization levels. I did mention China as one where 27, 28, 29 we are seeing new-build coming back in, but for this year it is really a bottoming out year in catalysts in our forecast.

And finally, additives and adsorbents. What we see actually is relatively weak demand, if you look at electronics, and particularly smartphones. But that was already the case last year, so actually there's a certain level of maturity here with very low-single-digit rates for

growth for smartphones. PC production was actually quite nicely up last year, and we think that will continue to be relatively okay.

Finally, if you look at our additives business, end markets like furniture, we had expected a big recovery there last year already, as consumers, at some point, should spend on durable goods again, or semi-durables, but it hasn't happened yet. And for this year, so far, we're not seeing that either.

And to finish it all off with adsorbents, this is very much for us driven by renewable diesel now, sustainable aviation fuel. In Europe, there are the mandates in place, but in the US we're still waiting for the endorsement by Congress for the new increased EPA targets. But that should come at some point in the year. So, overall, if you summarized it, it's a very modest sort of growth environment overall, and with some differences by region.

Maybe specifically on your second question on China, and how is this impacting specialty chemicals, I think there is a big difference between commodity and petrochemicals, on the one hand, and specialty chemicals on the other side. In China, there is significant capacity being built up in local, in recent years, for commodity chemicals, for petrochemicals. In specialty chemicals, we are not seeing that level of competition in China. This is based on IP that took decades to develop, and actually what we see is that, for our business, we make good margins in China, but there is a shift where we increasingly supply to local Chinese companies.

And, I think, high level, the other big impacts that China has is, historically, Europe was exporting a significant part of its production into China. The same with the US. That has come down significantly, and China has become an exporter for some items, but not so much in specialty chemicals. Again, it's much more on the commodity side.

Tristan Lamotte

Very helpful. Thanks.

Conrad Keijzer

Thank you.

Operator

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

Chetan Udeshi

Hi, thanks for taking my question. I just wanted to follow up, Conrad, on your comment on industry consolidation. And I'm a bit puzzled and also curious that we've not seen much happen already. For Clariant, and you signaled openness to participate in any consolidation, but you have a very different business structure, in the sense you've got catalyst business, you've got care chemicals, which is comprised of industrial plus consumer. And then, of course, you have adsorbents and additives. It just feels like the structure of the business is probably too complicated to see Clariant as an obvious candidate, or initiator of any consolidation. I'm just curious how you think about that.

Conrad Keijzer

Was it a question or an opinion that you were voicing, Chetan?

Chetan Udeshi

It's both. A bit of both. I think it's not just for Clariant. I'm just curious, is this a problem for the industry overall, that there is no pure-play company that is easy to buy or easy to sell, and that makes it quite complex for industries to consolidate.

Conrad Keijzer

Yes, it's an important question that you're raising. So if you look, big picture, where we came from, we were a hybrid. Clariant was both active in commodity businesses and in specialty businesses. And if you look at the recent years, we've really repositioned the business to become fully specialty. So if you look at the recent, let's say, five years, what we did is, in '22, we divested our pigment business, which we clearly saw that was commoditizing. By the way, it has indeed even further commoditized, so I'm glad that we divested that in 2022. Actually, a year later, we divested our North America land oil business, which also was very much a commodity business.

And if you look now, what we also did was we divested a part of our care chemical business, the commodity surfactants, to Wilmar, and we put it in a joint venture there. So we've done actually quite a bit in recent years to, first of all, get out of our commodity business, but, at

the same time, to strengthen our specialty chemical business. So we did a number of smaller bolt-on acquisitions. We bought the cosmetic ingredients business in Brazil with actives. We bought the green surfactant business in India. We did the purification business from BASF for renewable diesel, Attapulgate, in the United States. And last but not least, the Lucas Meyer business, which really strengthens our position in personal care.

So what you see now is that we have leading positions in specialty chemicals in the segments where we compete. At the same token, what you also see, Chetan, is that we have, year on year, improved the profitability of these businesses. So we rarely get the question asked, are you the right owner for this business? As long as we just continue to improve the profitability, and, in fact, achieve leading profitability, both in terms of growth, in terms of margins, we have very sustainable positions in each of these segments. Because we are having significant market shares in the individual businesses. So, yes, that's, I think the summary from an M&A perspective, where we are, and we remain, interested to continue to do bolt-on acquisitions in these businesses, but only if they bring real synergy.

Chetan Udeshi

Makes sense. Thank you very much.

Conrad Keijzer

Thank you.

Operator

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

Jaideep Pandya

Hi, thank you for allowing me to ask a question. First question is on catalyst, actually. What do you think is the longer-term outlook like, when you look at the next three years, considering so many capacity shutdowns that have been announced in Europe, and also asset rationalisation in China as well? What do you see as a longer-term outlook in catalyst? That's my first question.

And then, the second question is on the legal... I apologize if you have answered this before, or if you cannot go in details, but if you can give us some color at least on the legal situation around the ethylene cartel case. What sort of provision have you booked already? And any timeline in terms of result that we could hear around this?

And then finally, just on the consolidation point, Conrad, on paper, if I just ask the question differently, what Chetan, I guess, trying to ask, the obvious candidate for increasing your size would be in care chemicals. So if there is a case to be presented, are you saying you could be aggressive enough to further pursue divestments of some of the other areas to pursue increasing size in care chemicals? Thank you so much.

Conrad Keijzer

Thank you, Jaideep. First, on your question on catalyst and the long-term outlook, I think what is important to realize is that there has been a shift in production. So Europe has actually significantly come down in chemical production. Cefic issued an interesting recent study that, since 2022, a total of 37 million tons of capacity has been taken out of the market in Europe. That's roughly 10% of the overall capacity. Now, at the same token, you have seen a build-up of capacity in China, and, to a lesser extent, in the Middle East. So, yes, there is a shift.

If you look at the global outlook for catalyst, it is actually a fairly robust business, even regardless of these shifts, these regional shifts. And if you look at the long-term outlook, petrochemicals, historically, globally has always performed at or above GDP. So that is still intact. The change is actually that there are some regional shifts. And therefore, it was, for us, extremely important to invest in China, in catalysts, in our footprint. And we're very happy with that footprint now that we also have in China to support the local growth. So, in terms of long-term outlooks, the fundamentals are still intact at a global level, but, yes, there have been regional shifts for sure.

In terms of your second question on legal, in terms of ethylene claims, at this stage we cannot publicly comment any further than what we've already said. Clariant firmly rejects the allegations and will adamantly defend its position in the proceedings. And we do have substantiated economic evidence that the conduct of the parties did not produce any effect on the market. And we are in litigation, so we cannot comment further on that, other than

your question on the provisions. We haven't taken any. And this obviously has been reviewed with our auditor, KPMG, and they're obviously of the same opinion. And you will see that in our integrated report also explained.

Jaideep Pandya

Thank you.

Conrad Keijzer

Thank you.

Operator

The last question for today is a follow-up coming from the line of Thea Badaro, BNP Paribas. Please, go ahead.

Thea Badaro

Thanks, just a quick follow-up from me, specifically on the flame retardant business. Can you quantify the size of the data center market opportunity for your flame retardant business?

Conrad Keijzer

Yes, this is a very interesting question, and we just made a deep dive, actually, on data centers, to make sure that we capture all of the share that is out there, when it's about our products. And what we are seeing is, indeed, that our flame retardants are benefiting from this. This is about our flame retardants for connectors, for switches, switch gears, cable jackets. That is a part of it. There's also a part of it which sits in fire resistant coatings, actually, that are applied to the infrastructure of these buildings.

But finally, and this is also quite important, our catalyst business, we are really targeting data centers here as well. And this is, first of all, from a development perspective, but we're very happy that we also commercialized now the first application where we basically have a fuel cell technology. So we have methane, we have basically gas, and we convert it to hydrogen, and then the hydrogen basically gets converted into water and electricity. And this is climate neutral, if it's biomethane, a climate neutral solution actually, for decentralized and distributed electricity generation in the right high quantities that are necessary.

So there's other solutions, nuclear is also mentioned, but particularly with the limited grid capacity, the solution will be power plants, small power plants, in the United States? And Europe has the same challenge. And with catalyst, we're talking about a very interesting opportunity here, which already the first, what we now commercialize is a few tens of millions already in revenue in the outlook that we have. The size for flame retardants combined, right now, globally, is also in that order of magnitude. So it is not moving the goalposts for the company as a whole, but we are seeing a nice upside from data centers.

Thea Badaro

Thank you.

Conrad Keijzer

Thank you.

Andreas Schwarzwälder

So, thank you very much. Andreas speaking. This concludes 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 have a good afternoon.