Q&A Regular Transcription

First quarter figures 2024

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COMPANY REPRESENTATIVES

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Bill Collins, Chief Financial Officer

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CLARIANT

SPEECH

Operator

Ladies and gentlemen, welcome to Clariant’s call relating to the First Quarter 2024 Results. I'm Sandra, the Chorus Call operator.

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

Welcome and Introduction Investor Relations Andreas Schwarzwälder:

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

Joining me today are Conrad Keijzer, Clariant’s CEO, and Bill Collins, Clariant’s CFO. Conrad will start today’s call by providing a summary of the first quarter developments, followed by Bill who will guide us through the Group’s financials for the period. Conrad will then conclude with the outlook for the full year 2024.

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

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

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

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

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

Conrad Keijzer, CEO:

Thank you, Andreas.

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

Clariant delivered a good start to the year in the first quarter of 2024, with improved profitability driven by our performance programs and successful margin management in the deflationary environment. Our topline performance was impacted by stabilized volumes and lower pricing against a strong comparison base.

Before we go further into the financials, I would like to highlight and acknowledge the safety milestone the entire Clariant team has achieved in the first quarter 2024. In the month of March, Clariant recorded ZERO accidents across our offices and 73 production sites worldwide. This equates to approximately 2 million accident-free working hours. This is a great achievement by all our dedicated employees and an expression of our commitment to promote a safe and healthy workplace for all of us at Clariant.

Let me now turn to the first quarter financial figures.

In the first quarter of 2024, we delivered sales of 1.014 billion Swiss Francs, representing a 6 % organic decrease in local currency, and an 11 % decrease including scope. Currency had an additional 5 % negative impact.

Our topline performance was impacted by lower pricing against a strong comparison base in the prior year. In the quarter, flat pricing in Catalysts was offset by a 6 % decline in Care Chemicals, primarily due to formula-based pricing, and a 4 % decline in Adsorbents & Additives. Our priority remains to defend pricing in a deflationary environment.

Sales were also impacted by stabilized volumes, with a 2 % volume increase in Care Chemicals offset by a 2 % decrease in Catalysts and 7 % decrease in Adsorbents & Additives.

While sequentially we saw limited restocking activities from customers, uncertainties on the underlying demand remain. This is confirmed by the European Chemical Industry Council (Cefic) reporting that European chemical industry production volumes are still not recovering. Whilst there are positive signs, it is therefore too early to confirm if this is the beginning of an upward cycle in Europe.

In China, the largest chemical market, Oxford Economics expects GDP to normalize in 2024 compared to the prior year, forecasting a 4.7% increase. The industrial production weakened markedly in March to 4.4% compared to 6.7% in February. However, the Manufacturing PMI exceeded 50 at 50.8 compared to 49.1 in February indicating an improving environment.

In the US, according to the American Chemistry Council, chemical production increased by 0.3% year-on-year in March, whilst declining by 0.6 % sequentially compared to February.

The Electrical & Electronics sector reported the normal sequential decline but delivered a year-on-year increase in the first quarter. The International Data Corporation (IDC) expects global notebook and PC production to return to growth of 5 % in 2024 compared to minus 11 % in 2023.

Smartphone shipments grew in Q1 2024 by 4 % year-on-year. For 2024, the IDC is forecasting growth of 3 % compared to a 4% decline in 2023.

Moving on to our performance by geography, sales in the Americas grew organically by 4 % driven by volume increases in Catalysts and Care Chemicals and decreased by 7 % in local currency, predominantly due to the divestments of our North America Land Oil and Quats businesses.

In Europe, Middle East & Africa sales were down 16 % in local currency with declines in all businesses as economic activity in the region remained subdued.

Sales in Asia-Pacific were down 6 % including scope and 4 % organically. In China, sales were up 5 % organically with strong volume growth in Adsorbents & Additives and Care Chemicals offsetting a volume decline in Catalysts.

In terms of profitability, EBITDA in the first quarter increased by 4 % year-on-year to 173 million Swiss Francs. This corresponded to a 17.1 % EBITDA margin, 320 basis points above the 13.9 % margin reported in the prior year. Our improved profitability was driven by our performance programs and successful margin management in the deflationary environment. The lower sunliquid® impact and strong margins in our seasonal aviation business also positively contributed to profitability.

Moving on to our strategic priorities. We announced the acquisition of Lucas Meyer Cosmetics on October 30 last year and completed it on April 2, 2024. With the acquisition we are taking another significant step forward in our purpose-led strategy, further strengthening our position as a true specialty chemicals company.

With our new team members from Lucas Meyer Cosmetics, we are looking forward to the growth opportunities that lie ahead as we combine our personal care ingredients portfolio with Lucas Meyer Cosmetics to become a true leader in the cosmetic ingredients space. This is one of the most attractive markets in specialty chemicals, both in terms of growth and profitability.

We are pleased to confirm that the Q1 2024 operational performance is in line with the historical growth and profitability levels, and we will consolidate the Lucas Meyer results as of Q2 2024.

We continued to deliver on our performance improvement programs, with 11 million Swiss Francs savings achieved in the first quarter. We have increased our 2025 savings target by an additional 5 million Swiss Francs to 175 million Swiss Francs due to targeted savings in Additives.

We are on track to deliver our increased target, with 146 million Swiss Francs, or 83 % of the program, already achieved as of Q1. For 2024, we expect to achieve savings of 28 million Swiss Francs, bringing total cost savings to over 160 million Swiss Francs by the end of the year.

Our purpose-led strategy reflects Clariant’s ambition to create value with innovative chemistry and a sustainability focus, putting customers, employees, and the planet at the center of all activities. This ambition is turned into action by our talented people and their efforts are highlighted here.

The latest launch from our active ingredients’ platform, CycloRetin, is a natural retinol alternative based on a trendy molecule, a natural peptide extracted from nature. As society ages, there is increasing demand for skin care products that effectively support healthy aging, with visible results. There is also growing interest in natural ingredients that are sustainable and gentle because many previous solutions fail to deliver noticeable results or cause unwanted irritation.

Based on the strong market response we have noticed so far, the efficacy of CycloRetin at improving skin firmness and radiance, validated by several clinical studies is being recognized.

This is just one product within our active ingredients' platform, which is significantly enhanced by combining it with the products and technologies of Lucas Meyer Cosmetics. This will ensure we are strongly positioned to capture the highly attractive 1 billion US dollar active ingredients market for premium cosmetics. People continue spending on high-quality cosmetics that make them look and feel at their best. Together with our new team members of Lucas Meyer Cosmetics, we are confident in our ability to shape the future of beauty.

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.

Care Chemicals sales decreased by 4 % organically in local currency and by 13 % including scope. Volumes increased by 2 % driven by Mining Solutions, Industrial Applications and Personal & Homecare, offsetting lower volumes in Crop Solutions and Base Chemicals. Sequentially, volumes were up 5 %, supported by limited customer restocking.

Pricing was 6 % lower year-on-year primarily due to formula-based adjustments linked to raw material prices. Sequentially, pricing decreased by 1 %.

By segment, we recorded volume-driven growth in Mining Solutions, as well as in Industrial and Personal & Home Care, while Oil Services was flat excluding scope. Base Chemicals declined due to lower aviation sales, while in Crop Solutions weak demand and destocking across the supply chain continued.

Care Chemicals EBITDA of 123 million Swiss Francs resulted in a 21.2 % margin. Profitability was positively impacted by decreasing raw material and energy costs combined with successful margin management, the positive impact from our performance improvement programs, and strong margin in the aviation business.

Catalysts sales declined by 2 % in local currency. Volumes declined by 2 % versus the prior year due to the project nature of the business, while pricing was flat in all segments.

By segment, we recorded sales growth at a mid-twenties percentage range in Syngas & Fuels, and at a mid-teen percentage rate in Propylene, with the remaining segments declining.

In the quarter, reported EBITDA margin increased to 13.4 % mainly due to an 8 million Swiss francs reduction of the negative operational impact from sunliquid® and stable pricing in a deflationary environment. EBITDA before exceptional items was 24 million Swiss Francs, resulting in a margin of 12.8 % versus 6.3 % the prior year. Sequential underlying EBITDA decreased by 41 % as a result of the typical seasonal volume patterns in the first quarter compared to the final quarter of the year, and the resulting impact on operating leverage.

When excluding operational and exceptional effects related to sunliquid®, Catalysts EBITDA margin in Q1 2024 was 16.1 %, compared to 12.9 % in Q1 2023.

Looking at the sunliquid® impacts in more detail, in the quarter the operational impact was negative 5 million Swiss Francs, an improvement from the 13 million Swiss Francs negative impact recorded in Q1 2023 and the negative 9 million Swiss Francs recorded in Q4 2023.

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

Moving to Adsorbents & Additives, sales decreased by 11 % in local currency in the first quarter, with a decline both in volumes and pricing primarily driven by Additives.

Adsorbents sales were down by a low single digit percentage rate as positive pricing did not offset lower volumes. Additives sales declined by a high-teens percentage rate, driven by lower volumes with continued weak demand in key end markets. Pricing declined by 4 % against a high comparison base in Q1 2023. Sequentially, sales decreased by 2 % in local currency, equally balanced between volumes and pricing, with some stabilization in Additives market conditions and limited customer restocking from low inventory levels at year-end.

EBITDA margin decreased to 14.6 % compared to 18.5 % in the first quarter of 2023. Profitability was impacted by 9 million Swiss Francs restructuring charges for additional steps to align our cost base with the lower volume environment and business mix. Impacts from lower volumes were partly compensated by benefits from the deflationary raw material and energy trends. EBITDA margin before exceptional items was flat at 18.7 %.

Sequentially, EBITDA before exceptional items of 46 million Swiss Francs was significantly above the 21 million Swiss Francs recorded in the prior quarter. The increase was driven by operating leverage with limited restocking in Additives, and lower raw material and energy costs, as well as by the structural improvement efforts we initiated last year.

We delivered cost savings of 11 million Swiss Francs in the first quarter from our performance improvement programs. As mentioned by Conrad, we increased our total cost savings target to 175 million Swiss Francs by 2025, against our prior target of 170 million and an original target of 110 million.

Thus far, savings of 146 million Swiss Francs have been realized from efficiency and rightsizing measures as well as the initial savings from the implementation of the new operating model.

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

Conrad Keijzer, CEO:

Thank you, Bill.

Let me conclude with the outlook, starting with 2024. While we expect a continued easing of the inflationary environment, we see limited indications for an economic recovery in 2024, with uncertainties and risks remaining.

We therefore confirm our expectations for low-single-digit percent sales growth in local currency and a reported EBITDA margin of around 15 %. We expect growth in Care Chemicals versus last year's comparison base that was affected by destocking, in addition to the positive impact of the acquisition of Lucas Meyer Cosmetics. Growth in Adsorbents & Additives is attributable to expected continued growth in Adsorbents and some recovery in Additives.

The performance of both Business Units is expected to offset a temporary slowdown in Catalysts, given demand-driven prolonged refill cycles and lower new-build capacity additions.

Our margin guidance also includes the impacts of Lucas Meyer Cosmetics and sunliquid®. Excluding the non-recurring sunliquid® operational and exceptional impacts, we expect an EBITDA margin of around 16 % for the Group in 2024.

We will continue to focus on defending pricing in a deflationary environment and as mentioned expect ongoing cost benefits from our performance improvement programs of 28 million Swiss Francs.

Moving to our medium-term outlook. As announced at our full year 2023 results, we remain committed to our medium-term targets as end markets recover and growth normalizes over the next two to three years. We confirm our expectation that 2025 will be a year of significant progress towards these targets with continued growth and substantial profitability improvement.

In 2025, on the basis of an expected 3 to 5 % improvement in key end market demand, we are targeting Group reported EBITDA margin of 17 to 18 % and free cash flow conversion at the targeted level of around 40 %. As shown in the bridge, we expect around 75 % of the improvement in EBITDA margin from our FY24 guidance level to our FY25 ambition to be a result of our self-help actions.

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

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

Andreas Schwarzwälder, IR:

Thank you, Conrad and thank you, Bill.

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

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

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

Jonathan Chung
Hi, thank you for taking my questions, I've got two, please. First one is on Care Chemicals, I'm wondering if you can quantify the volume dynamics in the Care Chemicals portfolios and what do you see in volumes across Industrial versus Personal Care versus de-icing and Crop chemicals. And what do you see sequentially as we think about Q2?

And my second question is around Additives, your EBITDA has more than doubled Q-on-Q and you quote there is a positive operating leveraging effect. Just wondering what's your plant utilization rate in Q4 and what was it in Q1? Thank you.

Conrad Keijzer
Jonathan, could you repeat the second part of your question because we didn't hear it clearly here?

Jonathan Chung
Yes, so the second part of the question is Additives business, EBITDA more than doubled Q-on-Q, what was the plant utilization rate in Q4 versus Q1?

Conrad Keijzer
Yes, so first on the various volume developments that we saw in Care Chemicals, so I think first of all if you look overall our Care Chemical business volume-wise was up 2% from prior year, what we're seeing here first across all the segments with the exception of Crop is that destocking is really behind us. So basically, what you now see in our volumes is the underlying end user demand. If you look a bit more specific by segments, we had very strong volume growth actually in our Mining business. I will say this is not a reflection of

overall mining, but we have actually gained here clearly some share, particularly in Latin America, but we saw very good volumes in that segment.

Then where we also saw good volumes is in what we refer to the as the Industrial segment, but this is a little bit deceiving because in our Base Chemicals we actually saw double digit declines. What we report under the Industrial segment is, for example, paints and coatings, and arguably if you look at the déco paints and coatings that is more a consumer segment, but here also we saw a high single digit growth.
Finally, Personal and Homecare, we actually did see growth, low single digit percent, but actually, a roughly 10% pick up sequentially from Q4. So what we therefore sort of see in Care Chemicals is sequentially a further pickup as we're going forward in the year, also obviously because of the inclusion obviously the inclusion of the Lucas Meyer business.

Then your question as it relates to the Additives business, I think it's important to note that sequentially we saw actually a pickup in our Additive business, year-on-year we're still down but keep in mind that we have here a very strong comparison base with the prior year. We also actually see, this is very encouraging particularly for our flame retardants, normally we don't break that out separately but we saw actually a low double digit pickup in that business as well on a basically sequentially basis. So that is very encouraging as well.

Finally, as far as the EBITDA margin uplift that we see in Additives, please note that we've done a lot here on the cost base. In the quarter we also took a 9 million restructuring provision which will actually deliver us a 5 million annual further cost improvement for this business.

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

Matthew Yates
Hey, good afternoon everyone. On your Catalyst business you note there was mid-60s percent growth in the Americas, which stands out. Can you say, is that just the lumpiness of one big project or is there any kind more enduring structural driver behind the catalyst performance in Americas? Thank you.

Conrad Keijzer

Yes, if you look at our Catalyst business in North America, you mention it already there is a certain project element to this business. We did have actually strong volume growth, if you look at Syngas and Fuels. I will say if you more broadly look at our Syngas business, we are extremely pleased with the performance of our catalysts in this specific segment, not just in the Americas. But we are clearly the preferred option right now for Syngas catalysts, particularly if you look at ammonia production, we have arguably the most selective and robust catalyst that is out there right now in the market.

Matthew Yates

So does that in any way change your expectation for the year? I think previously you said you continue to expect Catalysts to have a down year, any change to that thinking?

Conrad Keijzer

Yes, so basically what was baked into our guidance was actually a continued performance in Syngas, which we already saw starting last year, so the guide still for Catalysts is actually a mid-single digit decline. We had in Q1 -2%, but if we look at the weakness in the order book, we still see this ending at a mid-single digit decline for the year. Keep in mind the second quarter last year was particularly strong in Catalysts as a comparison base.

Matthew Yates

Okay, thank you, Conrad.

Conrad Keijzer

You're welcome.

Operator

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

Andreas Heine

Yes, thank you for giving me the opportunity to ask two questions. The first was again on Additives, if you look on the first quarter earnings is there anything we should avoid extrapolating these earning levels? You were talking to some restocking but not too much and in Additives you outlined that Electronics should improve across the year, so that's the first question. And actually, adding to this in Additives, are you done with restructuring or are there more costs coming in the coming quarters?

And the second one, on the corporate line it was a good outcome in the first quarter, was there something unusual or do the cost savings you achieved impact that line as well? Thanks.

Conrad Keijzer

I'll let the last question for Bill and I'll make some brief comments on Additives again. So yes, in Additives I think there's a few things, Andreas, to keep in mind. So, the first quarter actually last year was still particularly strong in Additives, so we are actually talking here about a very challenging year-on-year comparison. As mentioned, we saw a sequential pickup already in Additives versus Q4, and we also are actually seeing some good traction with our new plants for Additives for flame retardants in China. We started up this new plant in October, we're working ourselves through the various customer approvals that are necessary here. But you should actually sequentially see a build up here in volumes in Additives in the coming months.

As far as cost in Additives more specifically, because we needed to adjust to the lower volumes, we did actually implement Kurzarbeit specifically in this business last year. We had literally 300 colleagues on Kurzarbeit in Germany, what happens right now is we are, yes, unfortunately, initiating restructuring because with also the new capacity onstream in China we feel that we structurally will run at lower run rates at our Knapsack facility in Germany. Bill?

Bill Collins

Yes, thanks, Andreas, hi. So Corporate, the figures look a lot better than they did last year mainly because of the impairment that we had to take on Heubach last year. I guess actually the technical term would be that we had to take our 20% share of their losses into our P&L in Q1 of last year, we were basically consolidating that investment in equity which required us to do that. That changed at the end of the first quarter to a financial investment which is why you didn't see any further impact through the year. Year-on-year, it's simply because we had the 11 million Heubach losses in our P&L Q1 last year, nothing this year.

Andreas Heine

So, is the Q1 expense line this year a good run rate for the whole year then?

Bill Collins

From a Q1 standpoint absolutely. We've done a lot of work in the corporate functions and in the corporate activity centers as part our new operating model, actually. So, if you remember we've basically taken all of the functions and redesigned them to be top quartile in terms of cost performance. So, we do expect to continue to see positive momentum on the cost front.

Andreas Heine

Thanks a lot.

Operator

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

Thea Badaro

Yes, thanks, hi everyone. One question on the Catalyst division if I may. I'm conscious you normally have six-to-nine-month order book visibility in that division. Can you comment on your order book for the rest of the year, to the extent that you can so far?

Conrad Keijzer

Sorry, we again couldn't hear the first part of your question, can you repeat it, please?

Thea Badaro

Yes, of course. I'm conscious you normally have six-to-nine-month order book visibility in that division, so I was just wondering, to the extent that you can, can you comment on your order book for the rest of the year so far?

Conrad Keijzer

Yes, sure. So, on Catalyst indeed, we typically have a six, nine-month lead time and for that period, indeed, the orders are in our books right now, that we have baked into the guides and we've actually, in terms of the order book, we don't see the strengths in it yet. Clearly the order book is down from prior year but there is basically two reasons for that.

First of all, last year we had a record number of new build plants in that business. And secondly, we were running at relatively low operating rates, particularly in Europe, which means that the refill cycles are actually longer for that business. But yes, we've never disclosed the exact amount of the order book, but it is down from prior year and that leads us to the guide of mid-single digit down actually versus prior year.

Operator

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

Chetan Udeshi

Yes, hi, thank you. Conrad, you mentioned, also Bill you both mentioned deflationary trends in raw material prices throughout your comments at the beginning. I'm just curious what do you see right now in your P&L? Do you still see deflation, you've seen some inflation and how that changes the equation, if you will, in the second quarter and the full year in terms of the net pricing trend?

And the other question I had was just in terms of the order book across your divisions, we've heard from a few companies talking about good start to the Q1 but then things petering out or even moderating through Q1 in terms of order book. Is that something you have also seen or have you seen a bit more consistent, sticky order book across your business, especially in your Care Chemicals side of things?

Conrad Keijzer

Yes, thank you for these two questions, Chetan. First, as far as the level of deflation that we're seeing right now in the P&L, looking at raw materials year on year we are down now 12%, actually, versus prior year Q1. But keep in mind that if you look at the development over the year this number will ease and actually the gap will be smaller. But we're now comparing actually versus peak levels Q1 last year, Q2 last year. We've seen this reduction in raw materials actually in our Care Chemical business but also actually in the other businesses. So, it's not only ethylene, propylene, and derivatives, but it's also if we look at our metals pricing for Catalyst.

Energy also still an important topic for us, and energy year-on-year down 22%. If you look more broadly what is happening, let's say, right now in the period that we talk about is that there is a sequential increase in some of the raw materials, particularly if you look at ethylene, propylene, we actually saw that up low single digits. So, there's still quite a bit of volatility, let's say, in and around raw material, likewise with our freight costs.

But all in all, we're very pleased with the developments. If you look at our -5% on pricing overall in local currency, compare that to the -12% on raws, clearly we've seen some margin expansion from it and we're trying to hold on as best as we can to that.

Then your second question on how have the orders developed and how has the revenue developed during the quarter and what do we see at the beginning of Q2, I also saw some peers reporting actually a sort of strong start of the year because of restocking after low inventory levels at the end of the year, and then actually, business levelling off towards the end of the quarter. We're not seeing that in our businesses, so we actually, yes, had a good March and also if you look at the second quarter, we're actually quite pleased with the start of the second quarter, how it comes in in terms of top line.

Chetan Udeshi

Can I follow up on your second quarter comments, so when you say good start in Q2, given that in Care Chemicals there is a seasonality because of the aviation business, but do you think the Lucas Meyer acquisition will mean the seasonality will not be seen in Q2 or do you still expect Q2 performance in Care Chemicals to reflect that typical seasonality?

And one other question was you know you mentioned a market share gain, or at least I heard you mention some market share gains in your flame retardants business. Maybe could you talk a bit more about that? Is that versus any particular chemistry set? Especially we hear some concerns on brominated flame retardants is that business that is coming to you from brominated flame retardants? Thank you.

Conrad Keijzer

Yes, thank you Chetan. First in terms of the start of the second quarter and more granularity on Care Chemicals. Your question is Lucas Meyer going to offset, let's say for the de-icing chemicals for airplanes. This is actually always quite a significant impact which is not recurring, so let's be clear about that. We saw most at the revenue line, but certainly also from a margin impact, we saw big contribution in Q1 from the de-icing chemicals which is not recurring. So no, Q2 would be somewhat weaker because it doesn't include that.

As far as flame retardants, this is definitely long-term what will happen, that brominated flame retardants will be replaced by halogen-free solutions, that's also the whole reason that we expanded our capacity here, including now our footprint in Asia. Keep in mind this is not something that will happen tomorrow, so there are quite lengthy approval processes for some of these products. But we are working on it and, yes, we are expecting sequentially building through the year a pickup in this flame retardant business, particularly in China.

Chetan Udeshi

Thank you.

Operator

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

Jaideep Pandya

Thanks. Yes, first question really on Lucas Meyer and your Personal Care business. Personal Care has been a difficult market and I guess it's seeing some green shoots now, so how have you seen demand evolve in your business and what is your take on Q1 for

Lucas Meyer? And then just comparing the margin profile of the legacy Clariant versus Lucas Meyer, would you say that Lucas Meyer is significantly more profitable, or would you say that your own business is maybe a few percentage points lower than Lucas Meyer? That's my first question.

The second question is on Catalyst. Is there anything sort of to worry about the ethylene portfolio or was it just a year-on-year comp issue? And when you look at your Catalysts out into '25 at least what I can see is quite a lot of new PDHs are popping up in China, so how is the order book looking for '25? Should we see margin improvement in '25 versus '24 in Catalysts?

And the last question, really, is coming to Chetan's point we've seen on the price versus raw materials, a big push on the pricing side in the beginning of the year form the upstream side and now raw materials have gone up on the downstream side. How confident are you that you'll be able to pass this raw materials spike that we've seen in Q1 upstream in your businesses in Q2 and Q3? Thanks a lot for taking my questions.

Conrad Keijzer
Yes, thank you, Jaideep. So, first on Lucas Meyer and what we're seeing on the demand side as well as margins. Yes, last year that business was down a little bit, that was primarily de-stocking is what we said at the time. We're very pleased that we can confirm that, so if we look at the Q1 numbers for Lucas Meyer, they're actually very much in line with their historic performance, which is a 10% CAGR and then high 40s in terms of the EBITDA margin. So, we were very pleased with that.

Comparing that to our own business it's fair to say that the EBITDA margins in Lucas Meyer are substantially above ours and that's not always because the products are so much different, it is really the way that they put these products into the market. So they really prove efficacy, they always have these clinical trials that indeed prove that certain active ingredients have a certain property and a certain effectiveness. This is something we can learn from, this is one of the synergy elements that we've identified. Lucas Meyer came from a pharma background and we're very pleased to learn from this.

And in terms of the integration the Lucas Meyer management stays firmly in place of their business, and we've actually brought several of the Clariant products that we feel really can benefit from the same business model under that roof to benefit from that synergy.

Yes, then your question on Catalyst, on ethylene specifically, on year-on-year comps and volatility. I think you mentioned it already yourself, that actually there is an inherent volatility and ethylene actually has that even more than some of our other segments in Catalyst because the refill cycles for ethylene are extremely long. Which means that you have a very high dependency on the new build business there, and that's actually the reason that we see this significant reduction right now in the quarter because in terms of new build this year will be weaker.

In terms of our outlook, you briefly touched on that for next year in terms of PDH and some of the other segments. Outlook for next year is much stronger, it is more so built on refill picking up next year than on new build picking up next year. But the outlook for Catalyst definitely for next year is very positive.

Now final question you had on raw materials and what's going to happen here if and when raw materials creep up further. I think it's fair to say that it's right now not an easy environment to raise prices, but if that's necessary we obviously are going to do that. I will say if raw materials indeed would pick up that also would only happen if demand picks up in a serious way. And if and when that happens, we are actually very comfortable with the overall impacts on our P&L given the improved operating leverage and the higher margins that basically we have achieved on a relative basis.

Jaideep Pandya

Thanks a lot, and if I can request one comment maybe before I leave, if we could have a bit more detail about your Personal Care business when you integrate Lucas, because I guess you will be as big as the number one player, Croda. I know it's going to be difficult reporting-wise but if you can give us a bit more color on growth and margins that would be great, thanks a lot.

Conrad Keijzer

Thank you.

Operator

The last question comes from Konstantin Wiechert from Baader Helvea, please go ahead.

Konstantin Wiechert

Yes, hi Gentlemen, thanks for taking my question. First, I want to maybe start with a follow up on your Personal and Homecare. Given the double-digit growth that we have seen, for example, at Givaudan and Symrise in the first quarter, even though you said already that sequentially you're also at double-digit growth, your low single digit growth year-over-year seems a bit sluggish. So, I'm wondering whether this is just not a great comparison or what else might be the reasons for that? So maybe some color on that would be helpful for me.

And then maybe a question on the product that you've shown today, CycloRetin. If I see this correctly this has pretty similar characteristics now to a typical Lucas Meyer product, so would you also expect similar margins on that product or is there anything missing you think?

And if I may squeeze in a third one because you already mentioned Heubach, I think that Heubach Germany, at least, has announced insolvency lately and so a question is basically if you could shed some light on what impact you would expect from that on your remaining stake?

Conrad Keijzer

Yes, I'll leave the last question on Heubach to Bill. As far as Personal Care and Homecare, so I think, yes, let me first repeat the numbers that you also mentioned yourself already. We were very pleased with the low single digit increase versus prior year and especially the around 10% increase sequentially from Q4. Some of the peers that you mentioned are not entirely the right comps. So be aware, when we speak about Personal Care and Homecare there is a very sizeable Homecare element in that business. Whereas Personal care typically delivers higher growth rates, you're entirely correct about it, Homecare is a much more mature business, and it includes laundry formulations and cleaning products. So be aware that that comp is not entirely correct there.

Finally, to your point on Lucas Meyer, yes, we are very pleased, and this was actually our own team we came up here with a bio-based peptide, which was very well received at the cosmetics show exhibition in Paris, actually last week. So, this is exactly the type of product that fits together with Lucas Meyer and like I said earlier on, it will be all sitting under one roof and we're going to aggressively try to grow that business together. Bill, on Heubach if you can?

Bill Collins
Yes, hi Konstantin, thank you. So, when it comes to Heubach you probably knew that we have a 20% equity stake in Heubach. We actually fully wrote that equity stake off at the end of last year, so that write down was already included in our 2023 figures. So the financial impact of an ongoing in-process bankruptcy of Heubach on us is actually quite limited. We have a few million of open receivables, half of which were actually impaired in Q1. So, it's really a tragic story what's happened but from our perspective we're, I think, well covered.

Konstantin Wiechert
Thank you so much. Then maybe as I think I was the last one, maybe I may squeeze in another question. But I think where we talk about stakes, I think you still have a sizeable InfraServ stake and I was wondering if you still plan on to divest this in the foreseeable future and if yes, if you could shed some light on the potential timeline there?

Conrad Keijzer
Yes, thank for the question, we would not comment on individual M&A, so yes, at the moment there is no active project running on this.

Konstantin Wiechert
Okay, thanks.

Conrad Keijzer
Thank you.

Operator
We have a follow up question from Matthew Yates of Bank of America, please go ahead.

Matthew Yates

Thanks for taking the question. Just on Agriculture, as you mentioned that's one of the few businesses that is maybe still working through its de-stocking cycle. I know it's a very seasonal business but is there any indication from what your customers are telling you that we may see some improvement during the course of this year or are we really going to have to wait until 2025 to see a turning point in the Ag cycle? Thank you.

Conrad Keijzer

Yes, thank you very much for that question, Matthew. So, if you look at Agrochemicals you saw the year-on-year number, I think, on some of the slides actually down more than 30%, which is pretty dramatic. I think what is important to realize is that sequentially we were up actually in Crop high single digit versus the last quarter. So there is some improvements, there's still an elevated inventory level but we're expecting for the second half an improvement here. It is primarily destocking, but I will say also the crop season in Latin America has been a bit weaker, so the conditions have not been as good as they were in the prior year.

Matthew Yates

Perfect, thanks for taking the question.

Conrad Keijzer

Thank you.

Andreas Schwarzwalder

Okay, thank you Ladies and Gentlemen, this is Andreas speaking. This concludes then ours 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 and good afternoon.