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Global Markets Division

European Chemicals

Capitalizing on EU Sentiment and European Structural Challenges

Growth Target: 13.9%

Upside/Downside Potential: *CHF 88.0 / -CHF 34.74*

Investment Horizon: 10 Months

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Guilherme Kessler, Tassilo Hild

Vienna, May 2

Team Overview

Global Markets



**Amon
Scharff**

Team Lead

- Storyline
- Financials & Trade

Deloitte.

BSc. (WU) in Economics
– 4th semester



**Anna
Kostiukovych**

Associate

- Macroeconomic Analysis
- Global Trade



BSc. (WU) BBE
– 6th semester



Flóra Lőkös

Analyst

- US-Tariffs
- Chinese Supply & Demand



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– 2nd semester



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Kessler**

Fellow Analyst

- Market Segmentation
- EU Competitiveness



BSc. (WU) in Economics
– 6th semester



**Tassilo
Hild**

Fellow Analyst

- Valuation
- Market Sentiment



BSc. (WU) in Economics
- 2nd Semester

| | | |
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EU Chemicals

WUTIS – Global Markets

Industry Overview

Chemicals Explanation

> Definition

Chemicals are essential building blocks of modern life used across every global industry.

Producers

Biggest Producers by Global Market Share:

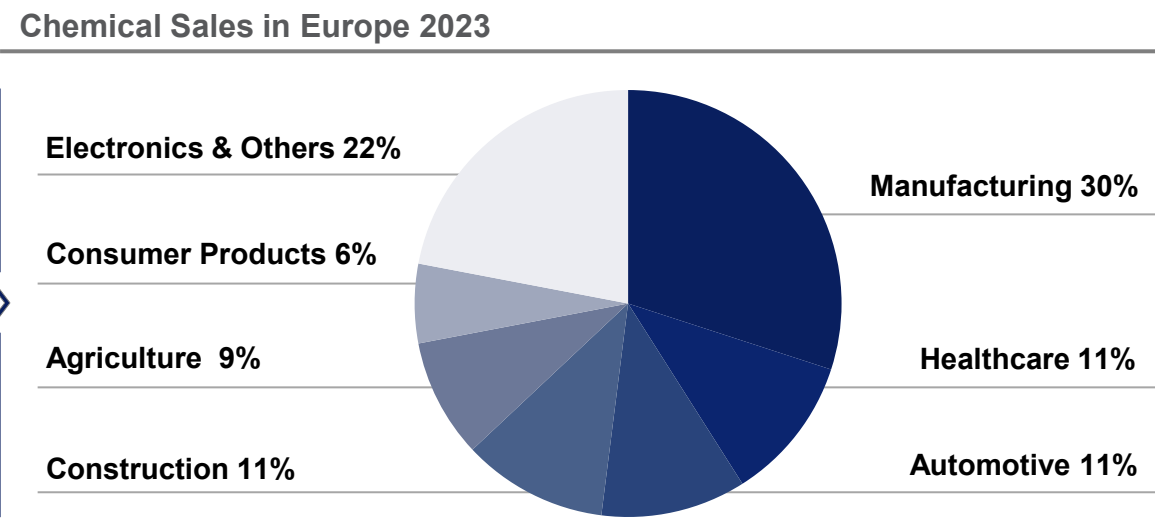
EU: 12.6%

China: 43.1%

USA: 11.3%

Customers

- Mass-volume sectors like construction and agriculture.
- Performance-driven segments like healthcare, electronics, and mobility

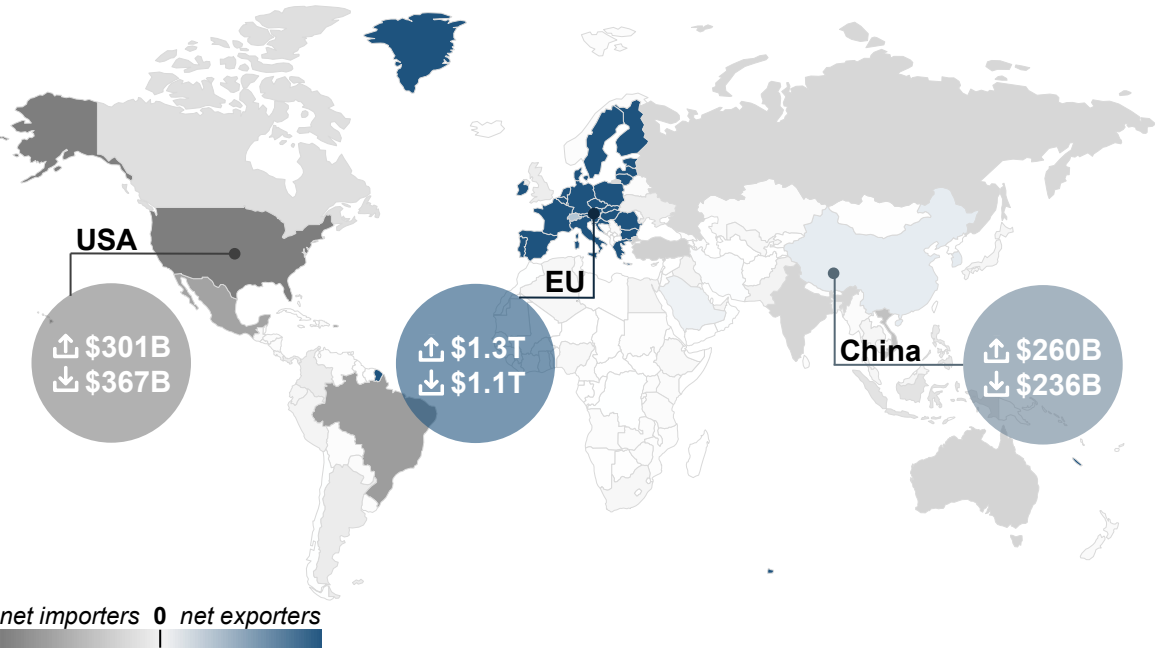


| | Definition | Commodity | Regions | Products | Demand Trend | Market Leader |
|---------|---|---|--|--|--|---|
| Basic | Low-margin, commodity-like, high cyclical | Crude oil, naphtha, ethane | Bulk Petrochemicals Cost advantage | Ethylene, propylene, acids, solvents | Weak in construction, automotive, and consumer durables | BASF The Chemical Company SINOPEC |
| Special | High-margin, performance-driven | Lithium, rare earths, solvents and resins | Innovation Hubs Sustainability | High performance polymers, adhesives, coatings | Weak in housing & auto Growth in electronics | DUPONT SHERWIN WILLIAMS |
| AGRI | Volume-driven, weather-dependent, tied to crop cycles | Natural gas | Leading R&D Biofertilizers | Ammonia (e.g. Fertilizers) | Rising for high-value, specialty, and biological fertilizers | BAYER CORTEVA agriscience |

Global Demand & Supply

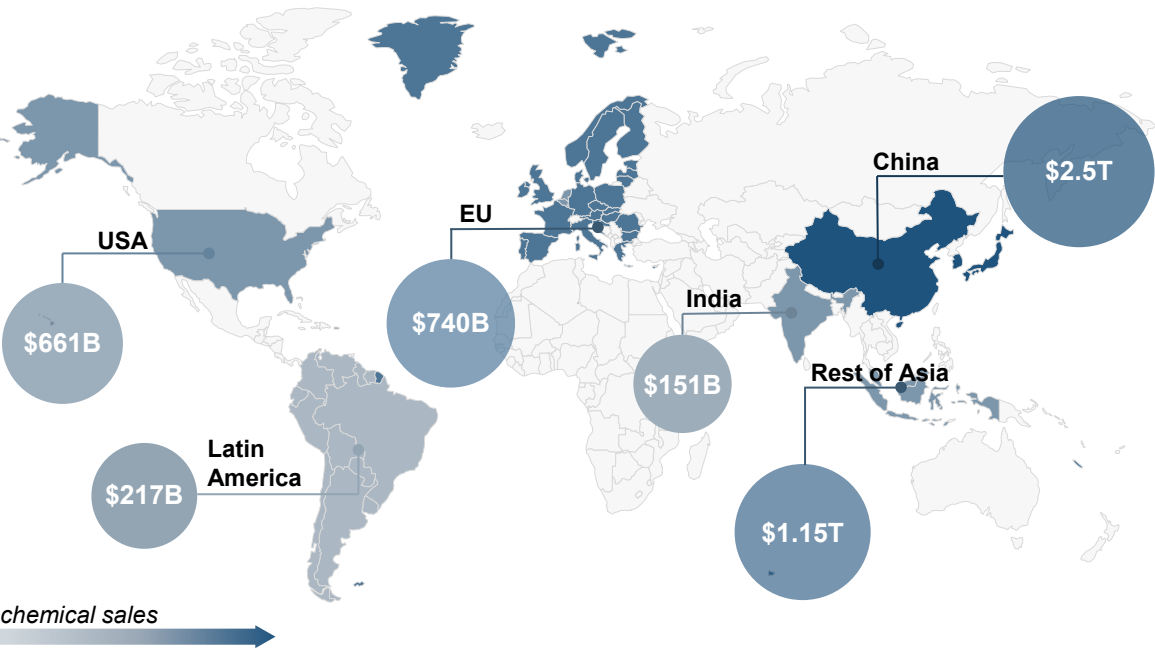
Oversupply vs. Weak Demand and Trade Frictions

Global Trade Flows



| | | |
|--|---|--|
| | | |
| <ul style="list-style-type: none">Tariffs – exports demand declineTrade contraction | <ul style="list-style-type: none">Highly exposed to demand shifts and trade frictions | <ul style="list-style-type: none">Large producer with high import relianceBalanced trade position |

Global Revenue Breakdown (\$5.9 Trillion)



2013-2023 Chemicals Market Share CAGR

| | | |
|---|---|--|
|  China: 2.4% |  USA: -2.5% |  South Korea: -3.2% |
|  India: 2.2% |  EU27: -2.6% |  Japan: -5.4% |

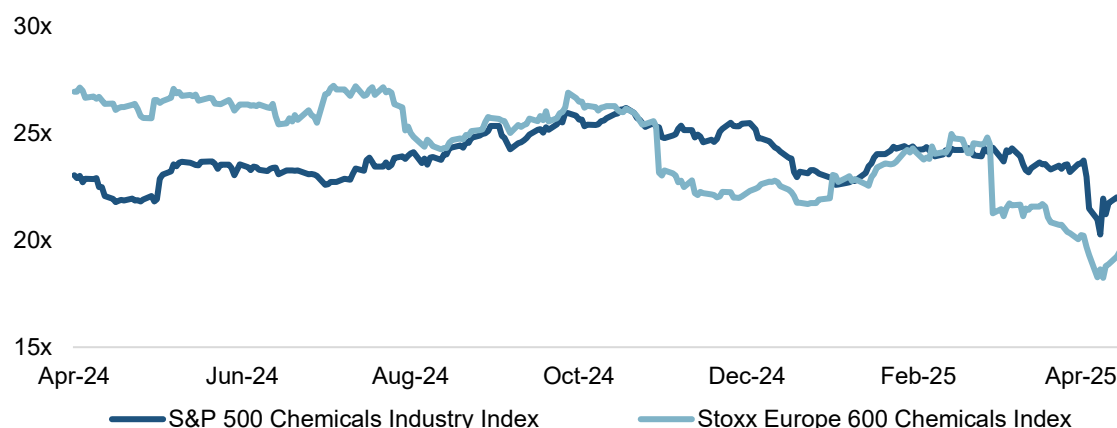
Despite being a top global exporter, Europe saw the sharpest production decline in 2023 (-7.6%), revealing growing structural challenges amid rising energy costs and declining global demand

P/E Ratios Suggesting Structural Challenges Prevail

Price Performance in Normalized Prices



Market Valuations – P/E Ratios



Conclusion – Valuations Reflect Best-Case Scenario

Demand and Valuations Climb

- August** – Gradual **rally** driven by demand recovery and **improving sentiment**
- October** – Global chemicals market expected to grow by **3.4% in 2024** and **3.5% in 2025**

Outlook Deteriorates

- November 2025** – Downgraded industry outlooks and **margin pressure** from energy costs and oversupply weighed on sentiment
- January** – **Trump's re-election** fueled **trade fears**, triggering restructurings, cost cuts, and **profit warnings**

Stabilization and Policy Tailwinds

- February** – Macro indicators stabilized as the **Fed** and **ECB** signaled **rate cuts**
- April** – **Stimulus** from **China** and **German** infrastructure spending lifted **global sentiment**

Current Situation – Tariff Turmoil

- ⚡ Trump's **tariff** threats triggered **recession fears** and a sharp **market sell-off**
- 📄 Markets **rebounded** after the announcement of a **90-day tariff freeze** and reopened trade talks with allied partners

➤ **EU Chemical sector valuations remain elevated.** Given the persistent headwinds & negative challenges one can anticipate a further market correction as realities set in



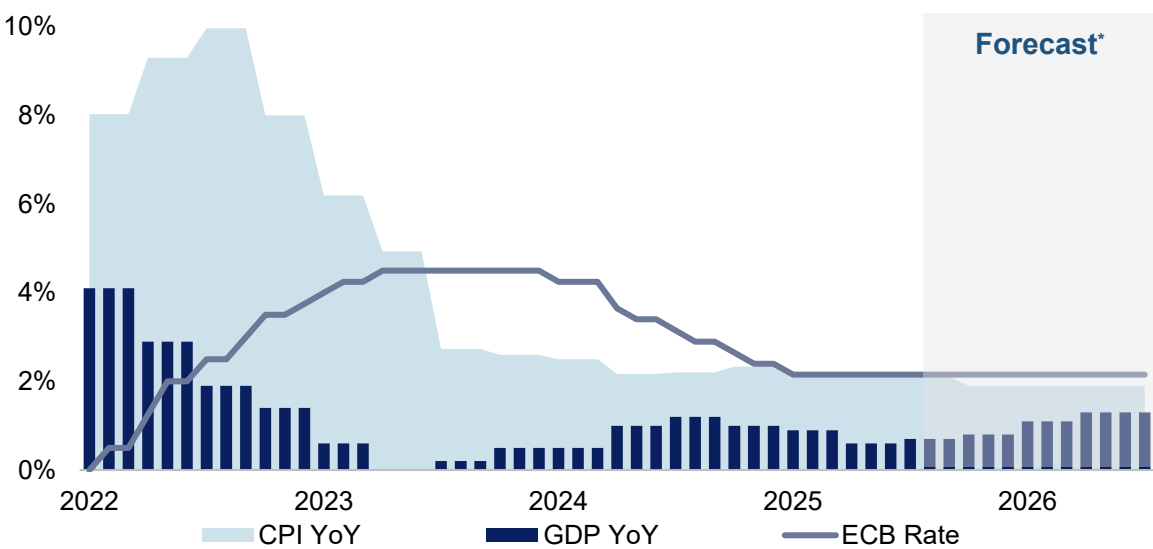
EU Chemicals

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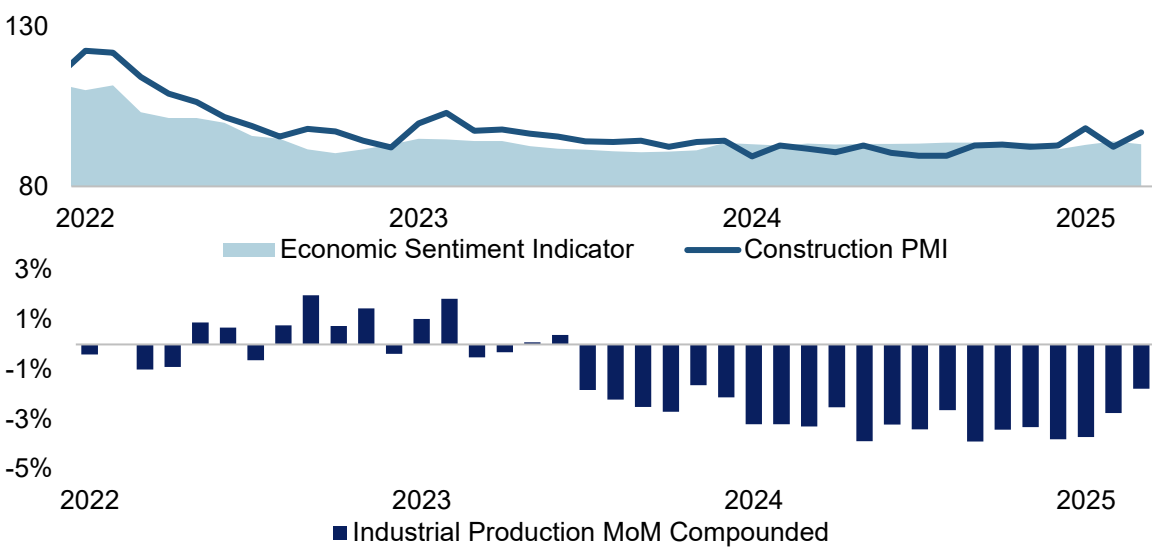
Macroeconomic Environment

Cyclical Challenges for Europa

Unwinding, But Not Rebounding



Cautious Sentiment, Vulnerable Recovery



EU Macro Conclusion



No strong economic rebound: **subdued GDP growth** reflects lower exports and investment weakness, **high trade policy uncertainty**



Inflation eased and ECB's policy less restrictive. However, **structural challenges** and/or lagged effects from monetary tightening hold back growth

EU Industrial Conclusion



Economic sentiment remains flat, with German stimulus yet to materialize



The slight uptick in industrial production could reverse amid **rising global trade tensions**



Outlook remains **fragile**, as **risks from external demand** and trade uncertainties persist




Outlook for a strong EU rebound remains limited, as both structural and external challenges continue to weigh on growth

The Sluggish Giant

The Real Estate Legacy


Cause




Evergrande in 2021

Evergrande defaulted on over \$300 billion debts, which triggered a real estate and **economic crisis**


Consequences




Domestic demand for chemicals used in **construction** dropped



China started **exporting** on an enormous scale, also to account for **state deficit**




GDP growth is forecast to be 4% – slow economic recovery in 2025




Consumer prices remain subdued, with inflation hovering around 0.1%

Market Forces


Demand



Shift towards high-end manufacturing, requiring more **speciality chemicals**




Largest chemical **consumer** and **partner of the EU**




Low consumer confidence amplifying macro problems


Supply



Overcapacity: ethylene 121%, propylene 179% of domestic demand

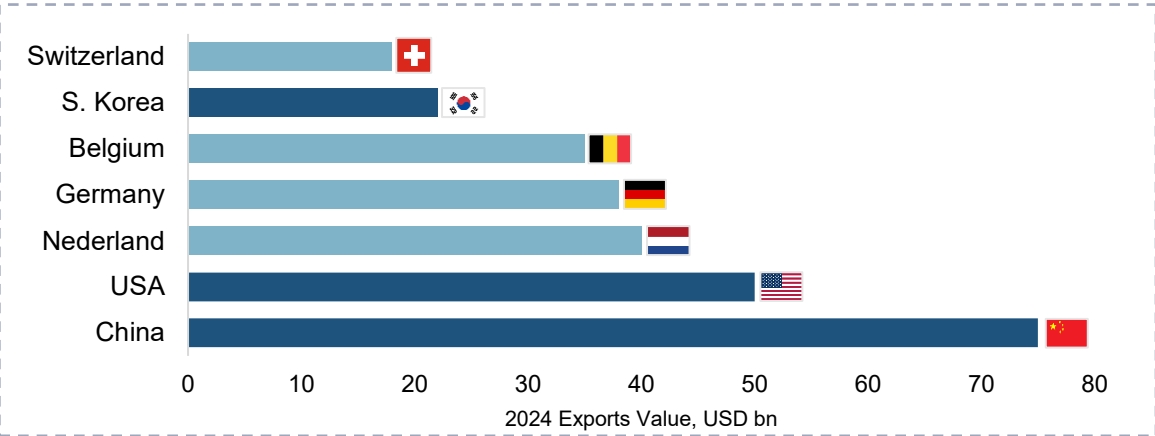


State subsidies → **predatory pricing**

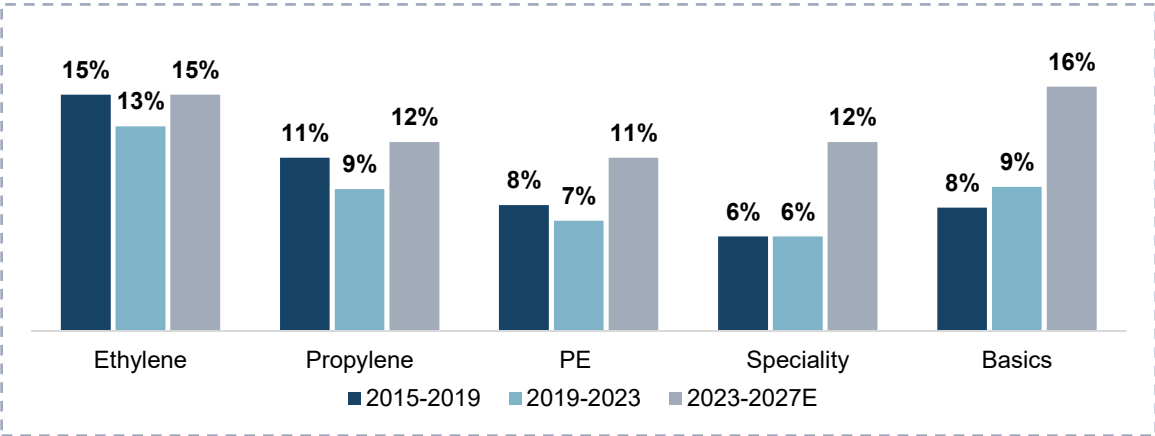


Cheap coal-based energy vs high-cost gas in the EU

Main Exporters of Basic Organic Chemicals

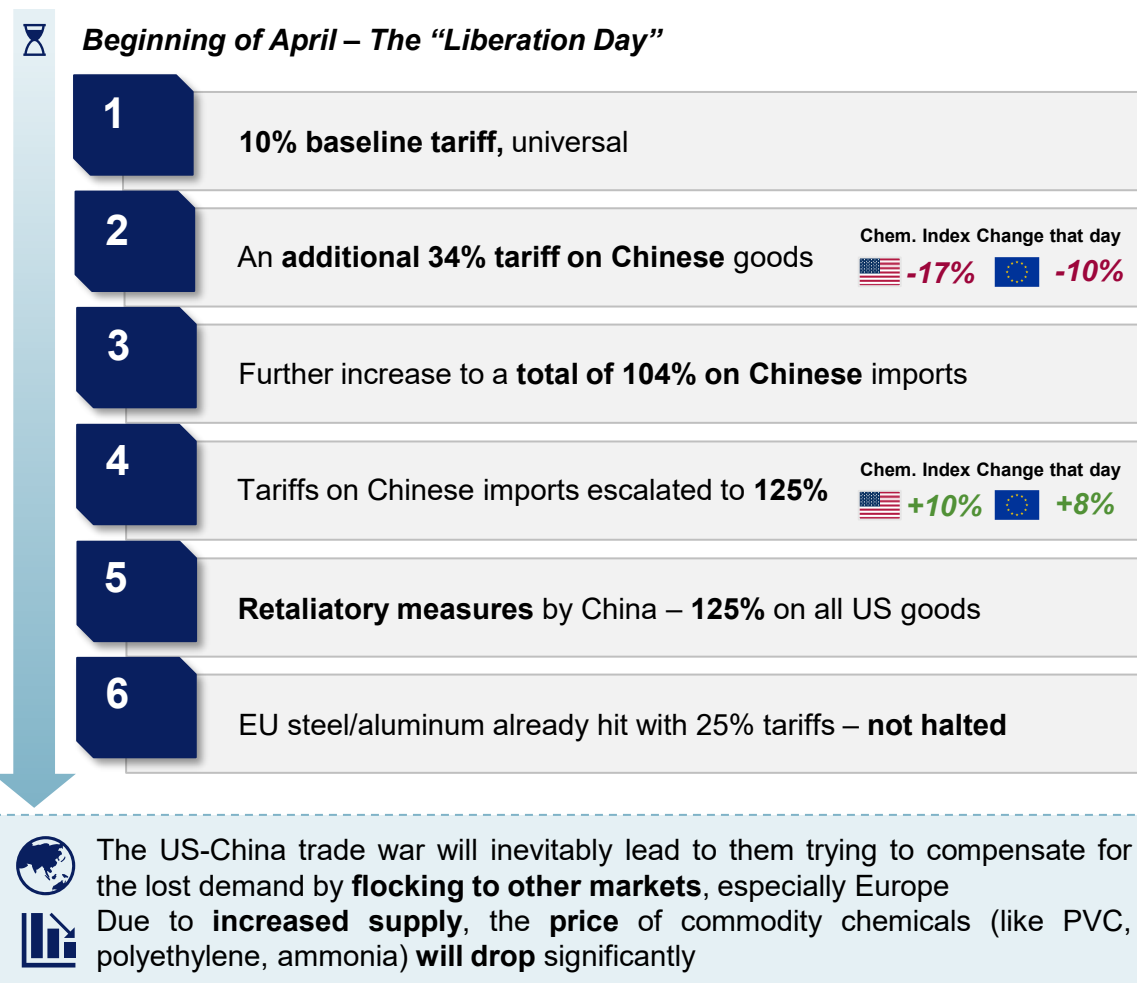


Chemicals CAGR by Period

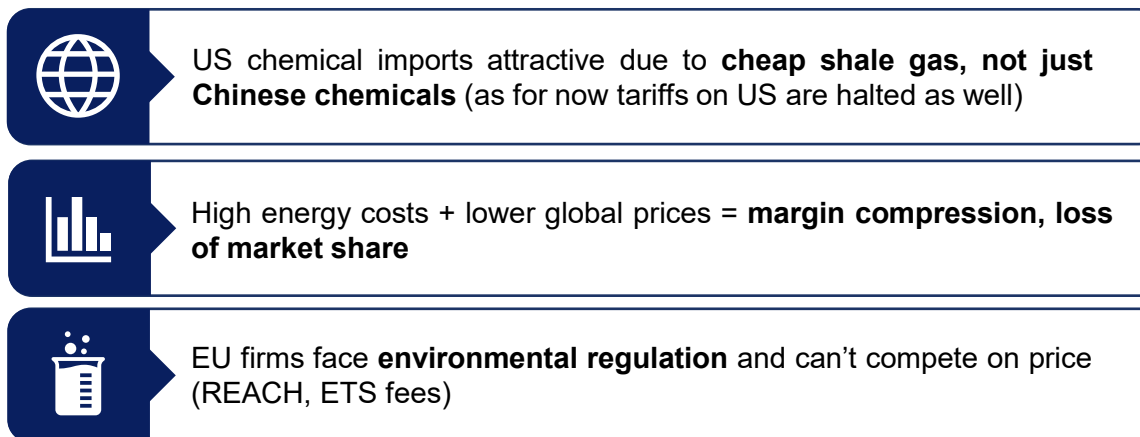


Spotlight on US Tariff Interventions

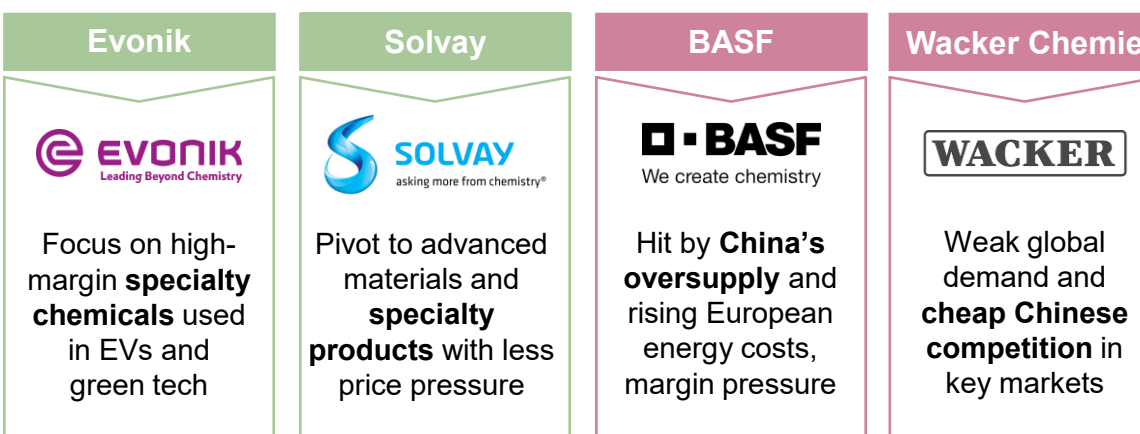
Timeline



Impacts on the EU




Most Affected Companies





Sustainability Transition

Sustainable, But Not Competitive...

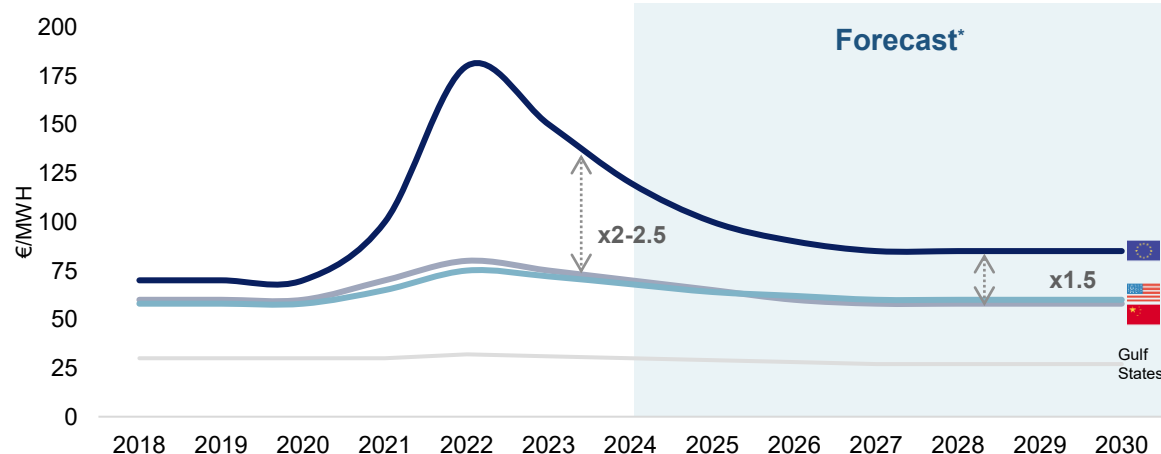
Current Challenges in Europe

**Fossil Fuel Dependency**
Europe's chemical sector is heavily reliant on natural gas and oil-based feedstocks

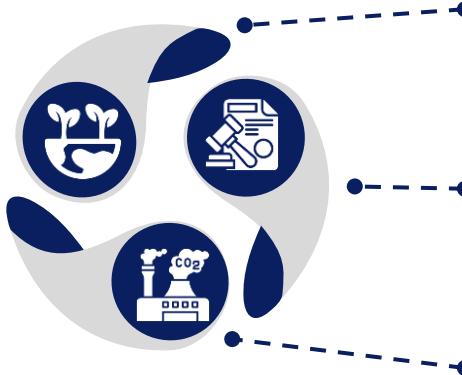
**Energy Cost Disadvantage**
European energy prices are 2–5x higher than in the US and still 1.5–2x above global averages post-crisis

**Capacity Shutdowns**
Production of energy-intensive chemicals like fertilizers, polyurethanes, and PVC economically unsustainable

Electricity Price Gap




Sustainability and Competitiveness





Sustainable Inputs
Europe holds 27% of global bio-based plastics and 21% of global recycling capacity


Social & Regulatory Leadership
The EU sets global standards in emissions regulation and public accountability


Smart Production
European firms lead in carbon reduction and low-emission production technologies

**Europe lacks access to cheap feedstocks** (ethane in the US, naphtha in China)

**EU ETS adds carbon costs, while global markets don't reward low-carbon products**

**Over 11 Mt of capacity closures** in 2023-2024 (10x normal closure levels)

**The EU faces chronic underinvestment due to regulatory delays**

**Europe's chemical industry may be green, but its cost structure is inefficient – vulnerable** to continued weakening of its global position



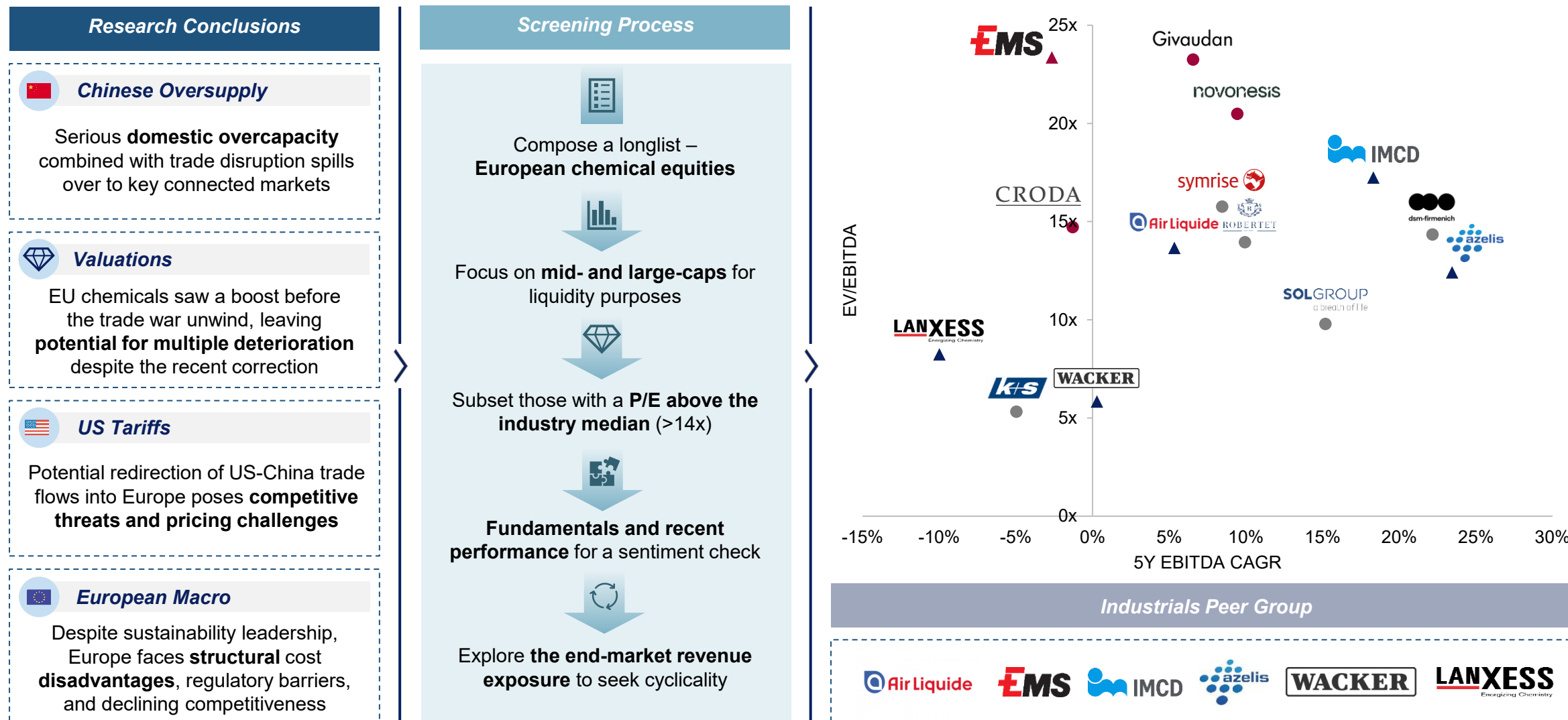
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Peer Comparison



















Shortlist Selection

Linking Industry Research with the Investment Universe



Peer Comparison

Peers, Performance, and Premiums

| |  |  |  |  |  |  | | | | | |
|------------|---|---|---|---|--|--|-----|-----------|-----|-----------|----|
| Ticker | AI FP  | EMSN SW  | IMCD NA  | AZE BB  | WCH GR  | LXS GR  | | | | | |
| Exposure | Industrials | Industrials | Diversified | Diversified | Industrials | Industrials | | | | | |
| Mcap, bn | € 103 bn | € 15 bn | € 7 bn | € 3.3 bn | € 3.7 bn | € 2.3 bn | | | | | |
| Multiples | P/E | EV/EBITDA | P/E | EV/EBITDA | P/E | EV/EBITDA | P/E | EV/EBITDA | P/E | EV/EBITDA | |
| | 31x | 14x | 31x | 23x | 24x | 17x | 18x | 12x | 14x | 6x | -- |
| Revenue, m | € 27,058.00 | € 2,230.00 | € 4,727.00 | € 4,214.00 | € 5,721.00 | € 6,366.00 | | | | | |
| EBITDA, m | € 7,450.00 | € 637.00 | € 561.00 | € 488.00 | € 739.00 | € 538.00 | | | | | |
| EBITDA % | 28% | 29% | 12% | 12% | 13% | 8% | | | | | |
| YTD Return |  |  |  |  |  |  | | | | | |
| Comment | Confident on margin expansion and record backlog as source of future growth | Limited tariffs exposure, but fully cyclical end markets : aerospace, autos, semis | Has already suffered a substantial post-tariff decline as the CEO unexpectedly left | Recent earnings miss worsened an already challenging position – nothing to short there | Will get a boost from potential RU/UA peace due to massive construction exposure | Negative conviction from brokers is already here – might be a bit late to the party | | | | | |



EU Chemicals

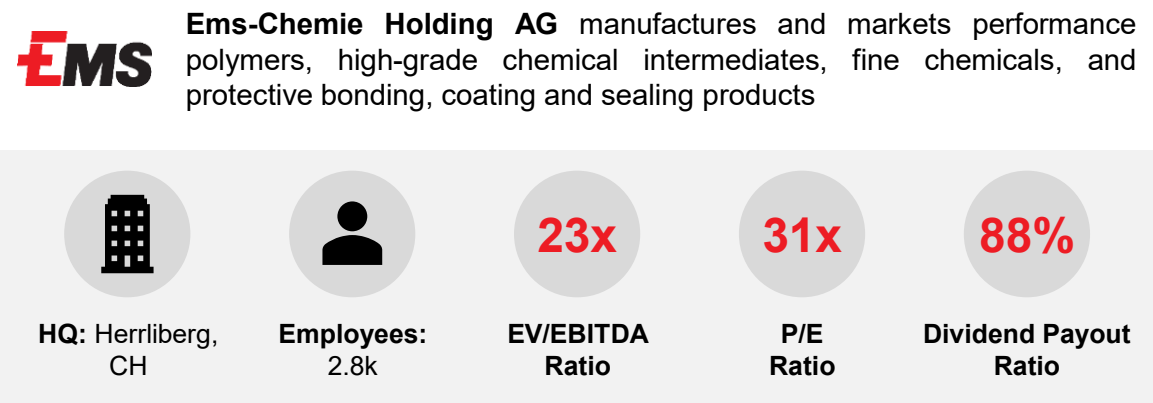
WUTIS – Global Markets

Financials & Trade

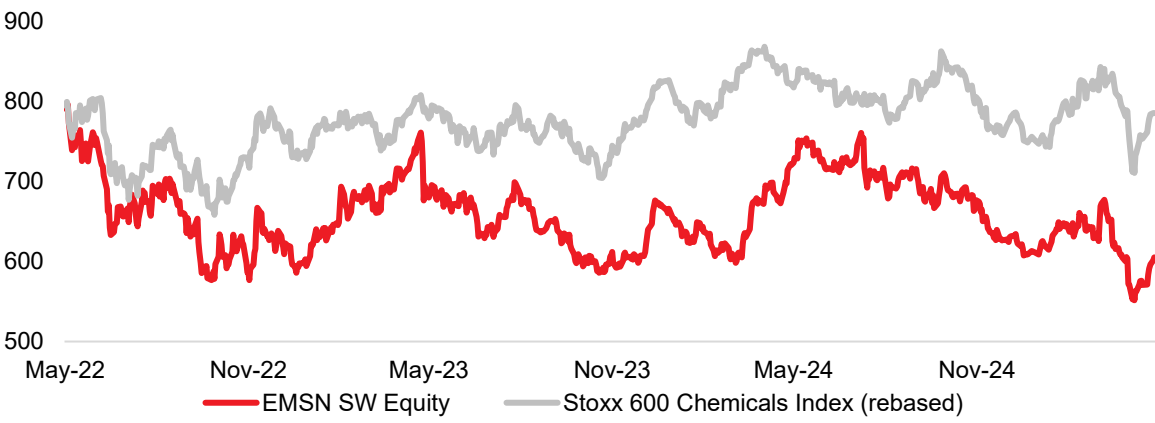
Ems-Chemie Holding AG – Company Overview 1/2

Exploring the Value Trap

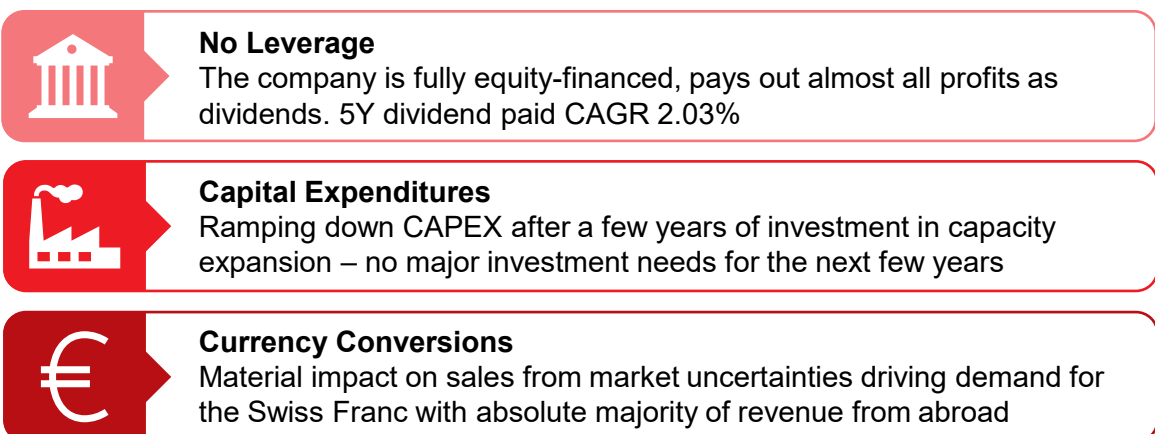
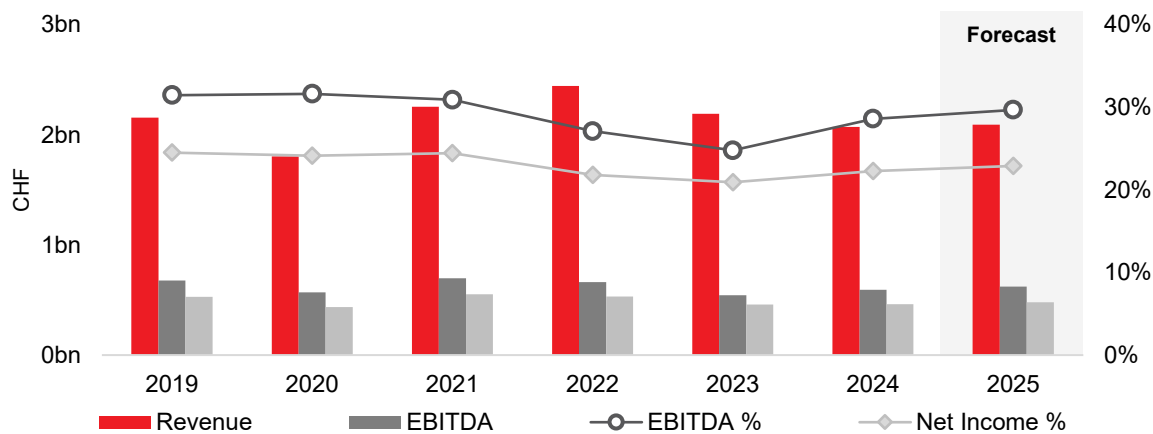
Key Facts and Figures



Stock Price Performance



Key Financials

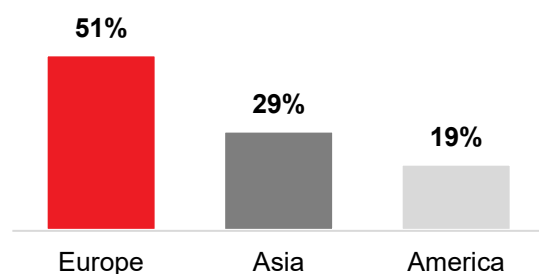


Ems-Chemie Holding AG – Company Overview 2/2

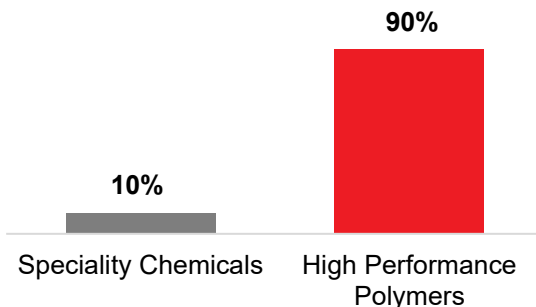
High-Performance Polymers – Low-Performance Growth

Business Breakdown

Geographical Revenue Breakdown

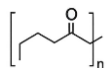


Segment Revenue Breakdown



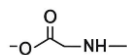
Product Breakdown

GRIVORY[®]
EMS



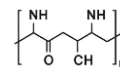
High-performance polyamides, thermo-resistant. Applications in **cosmetics, packaging, electronics, autos**

EFTEC



Polyurethanes & plastisols for bonding, coating, sealing, damping primarily applied in the **automotives (EVs)**

EMS
EMS-GRILTECH



Polyamides & copolyamides used in adhesives, abrasives, etc. – **textiles and construction**

Key End Markets



Autos (EVs)



Electronics



Textiles



Construction



Transport

Investment Thesis



EU Macro: European market, and particularly Germany, is key for the company – highly dependent on the industrial environment of the region



China: Still a material market, where local producers are gaining market share at the expense of foreign suppliers



Tariffs: Existing facilities in the US, however, due to excessive cyclical exposure, would get an indirect hit from a global growth slowdown anyway



Sustainability: “Innovative solutions providing total cost and energy savings, as well as CO2 emission reductions” – lack of price competitiveness



Valuations: EMS is trading at a significant premium to its comparables, despite the recent correction sending it below avg historical valuation



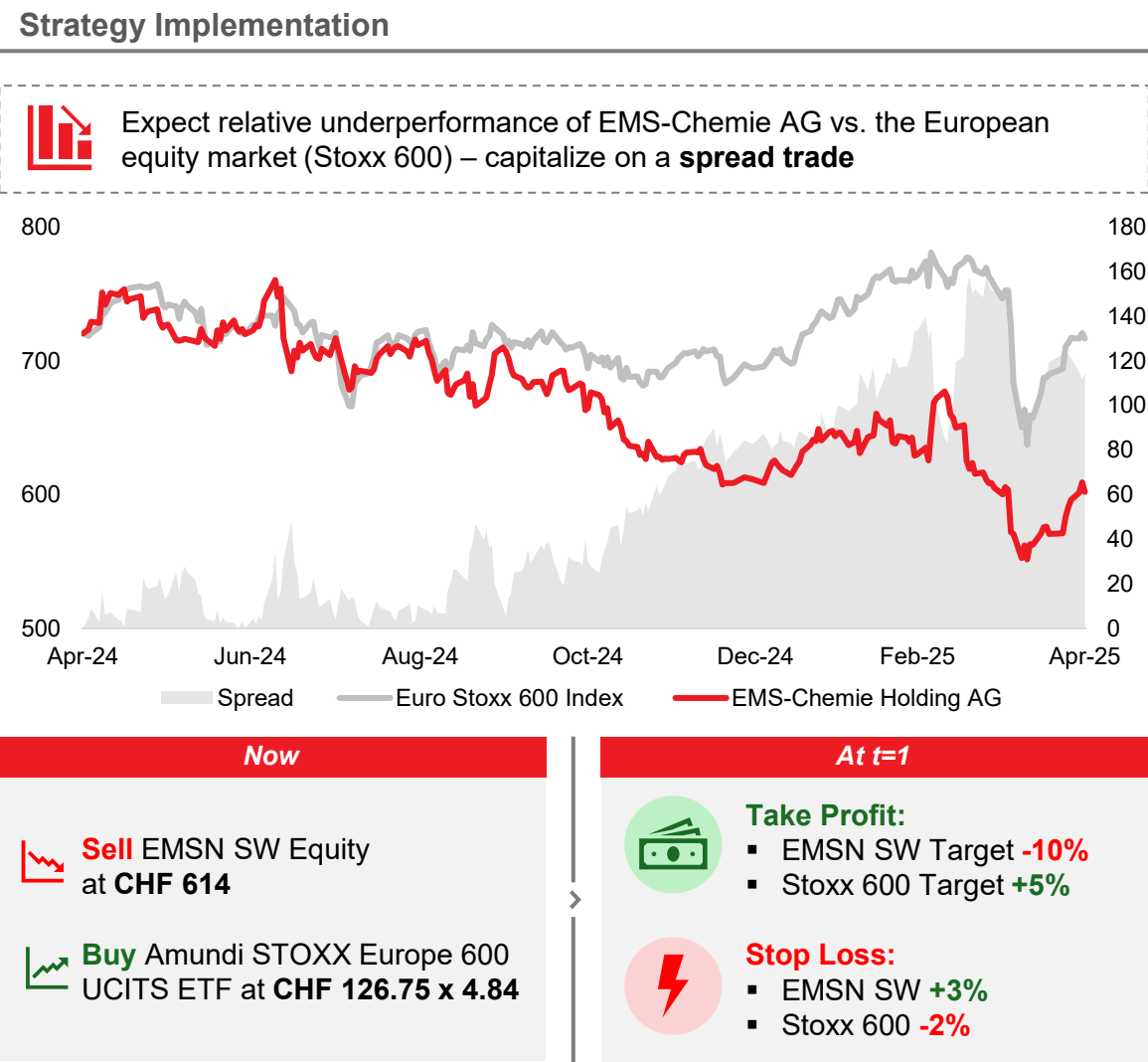
Focus: Emphasis on high-performance polymers, applied in highly cyclical industries, especially the infamous electric vehicles



Market Share: Peers scaled back the CAPEX in the past years, opportunity in market share capture, but a long game

A value and quality call hindered by near-term headwinds of lackluster macro, tariff uncertainty, energy costs, and materialisation of stimulus

Positioning for Underperformance



A low-angle, upward-looking photograph of several modern skyscrapers. The buildings are dark, with their windows reflecting the ambient light. The sky is a pale, hazy blue. The perspective creates a sense of height and scale.

Appendix

Profit and Loss Calculations

| Take Profit | | | | | |
|-----------------|-------------|------------|-------|-----|-------|
| EMS Chemie AG | Date | Price | Yield | PnL | |
| Sell | 29.04.2025 | 614 | | CHF | 57,96 |
| Buy | 01.03.2026 | CHF 552,60 | | | |
| | | CHF 61,40 | | | |
| Contracts | 1 | | | | |
| Fee | 0,56% | | | | |
| Cost per Share | CHF 3,44 | | | | |
| Drawdown | 10,00% | | | | |
| Breakeven | CHF 610,56 | | | | |
| Euro Stoxx 600 | | | | | |
| Buy | Date | Price | Yield | PnL | |
| Buy | 29.04.2025 | 126,75 | | CHF | 30,06 |
| Sell | 01.03.2026 | CHF 133,09 | | | |
| | | CHF 6,34 | | | |
| Contracts | 4,84 | | | | |
| Fee | 0,10% | | | | |
| Cost per Share | CHF 0,13 | | | | |
| Return | 5,00% | | | | |
| Breakeven | CHF 126,88 | | | | |
| Scenario PnL | | | | | |
| Contracts | 5,84 | | | | |
| Spread Open | -CHF 487,25 | | | | |
| Spread Exit | -CHF 419,51 | | | | |
| Spread Change % | -13,90% | | | | |
| PnL | CHF 88,02 | | | CHF | 88,02 |

| Stop Loss | | | | | |
|-----------------|-------------|------------|-------|------|-------|
| EMS Chemie AG | Date | Price | Yield | PnL | |
| Sell | 29.04.2025 | CHF 614,00 | | -CHF | 21,86 |
| Buy | 01.03.2026 | CHF 632,42 | | | |
| | | -CHF 18,42 | | | |
| Contracts | 1 | | | | |
| Fee | 0,56% | | | | |
| Cost per Share | CHF 3,44 | | | | |
| Return | 3,00% | | | | |
| Breakeven | CHF 610,56 | | | | |
| Euro Stoxx 600 | | | | | |
| Buy | Date | Price | Yield | PnL | |
| Buy | 29.04.2025 | CHF 126,75 | | -CHF | 12,88 |
| Sell | 01.03.2026 | CHF 124,22 | | | |
| | | -CHF 2,54 | | | |
| Contracts | 4,84 | | | | |
| Fee | 0,10% | | | | |
| Cost per Share | CHF 0,13 | | | | |
| Drawdown | 2,00% | | | | |
| Breakeven | CHF 126,62 | | | | |
| Scenario PnL | | | | | |
| Contracts | 5,84 | | | | |
| Spread Open | -CHF 487,25 | | | | |
| Spread Exit | -CHF 508,21 | | | | |
| Spread Change % | 4,30% | | | | |
| PnL | -CHF 34,74 | | | -CHF | 34,74 |

| Source Name | Link | Date of Retrieval | Used for |
|----------------------------|----------------------|-------------------|---|
| Bloomberg Finance L. P. | Software | | Financials and numerical data |
| EMS Group | Link | 25/04/2025 | Company Information |
| Cefic | Link | 24/03/2025 | Chemicals Overview / Sustainability Transition / EU Macro |
| Deloitte | Link | 22/03/2025 | Chemicals Overview |
| American Chemistry Council | Link | 15/04/2025 | Chemicals Overview |
| European Bioplastics | Link | 26/04/2025 | Sustainability Transition |
| Plastics Europe | Link | 26/04/2025 | Sustainability Transition |
| WTO | Link | 18/04/2025 | Trade statistics |
| Eurostat | Link | 21/04/2025 | European Macroeconomics / Numerical data |
| ECB | Link | 21/04/2025 | European Macroeconomics |
| Interactive Brokers | Software | 30/04/2025 | Trade quotes |
| Reuters | Link | 28/04/2025 | Market Movements |

| Source Name | Link | Date of Retrieval | Used for |
|-------------------------|----------------------|-------------------|-------------------|
| Reuters | Link | 28/04/2025 | Market Movements |
| Reuters | Link | 27/04/2025 | Market Movements |
| Reuters | Link | 27/04/2025 | Market Movements |
| Reuters | Link | 27/04/2025 | Market Movements |
| S&P Global | Link | 26/04/2025 | Market Movements |
| The Wall Street Journal | Link | 26/04/2025 | Market Movements |
| Pricepedia | Link | 26/03/2025 | China and Tariffs |
| S&P Global | Link | 03/03/2025 | China and Tariffs |
| I.C.I.S. | Link | 07/03/2025 | China and Tariffs |

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