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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



BSc. (WU) in Economics
– 4th semester



**Anna
Kostiukovych**

Associate

- Macroeconomic Analysis
- Global Trade



BSc. (WU) BBE
– 6th semester



Flóra Lőkös

Analyst

- US-Tarifs
- Chinese Supply & Demand



BSc. (WU) BBE
– 2nd semester



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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

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Industry Overview

Chemicals Overview

Introduction to the Chemicals Industry

Chemicals Explanation

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

Producers

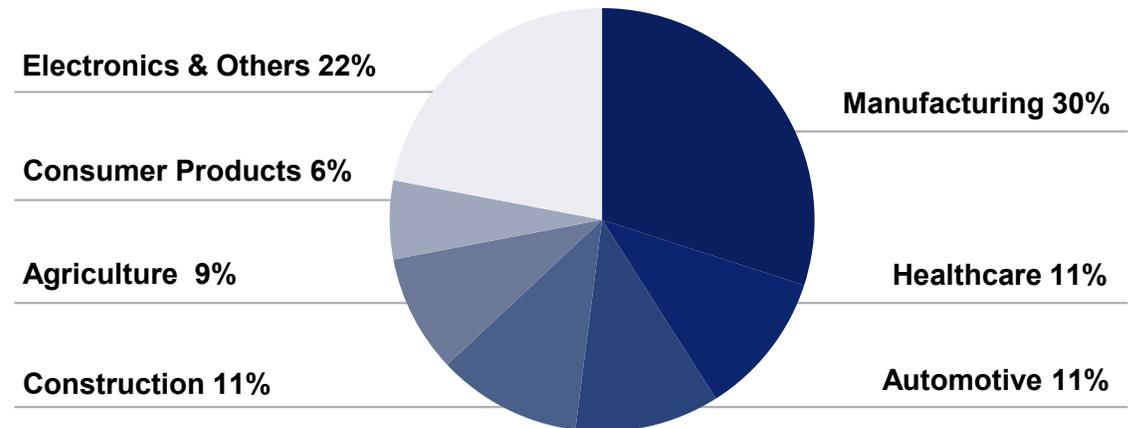
Biggest Producers by Global Market Share:

🇪🇺 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

Chemical Sales in Europe 2023



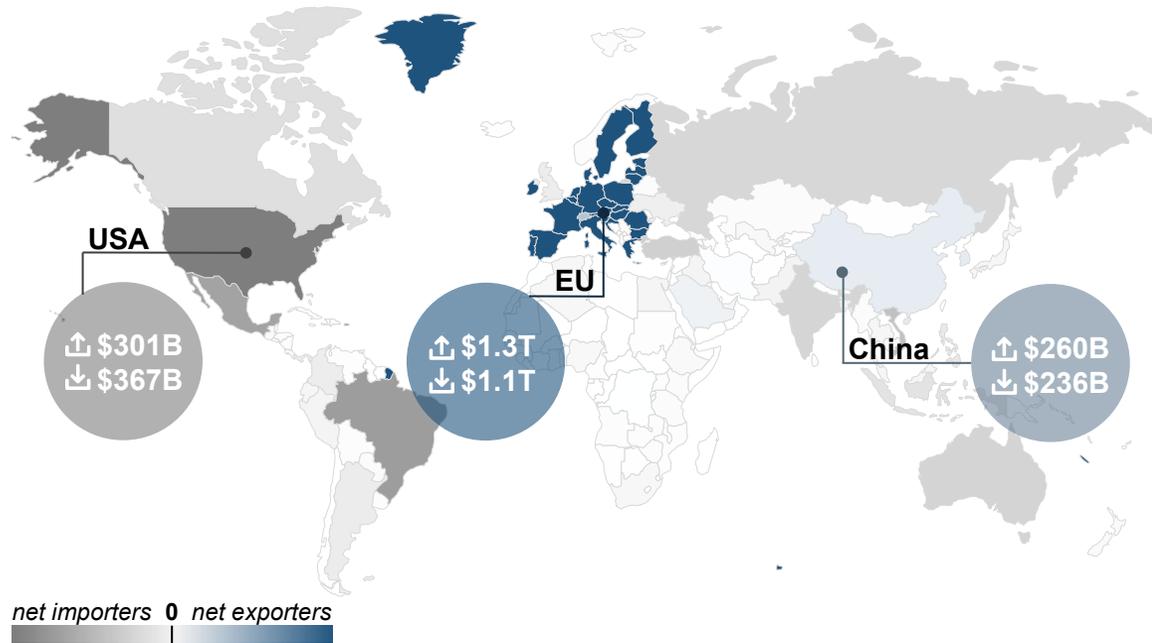
Chemicals Breakdown

	Definition	Commodity	Regions	Products	Demand Trend	Market Leader
Basic	Low-margin, commodity-like, high cyclical	Crude oil, naphtha, ethane	<ul style="list-style-type: none"> 🇨🇳 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	<ul style="list-style-type: none"> 🇺🇸 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	<ul style="list-style-type: none"> 🇺🇸 Leading R&D 🇪🇺 Biofertilizers 	Ammonia (e.g. Fertilizers)	Rising for high-value, specialty, and biological fertilizers	BAYER CORTEVA agriscience

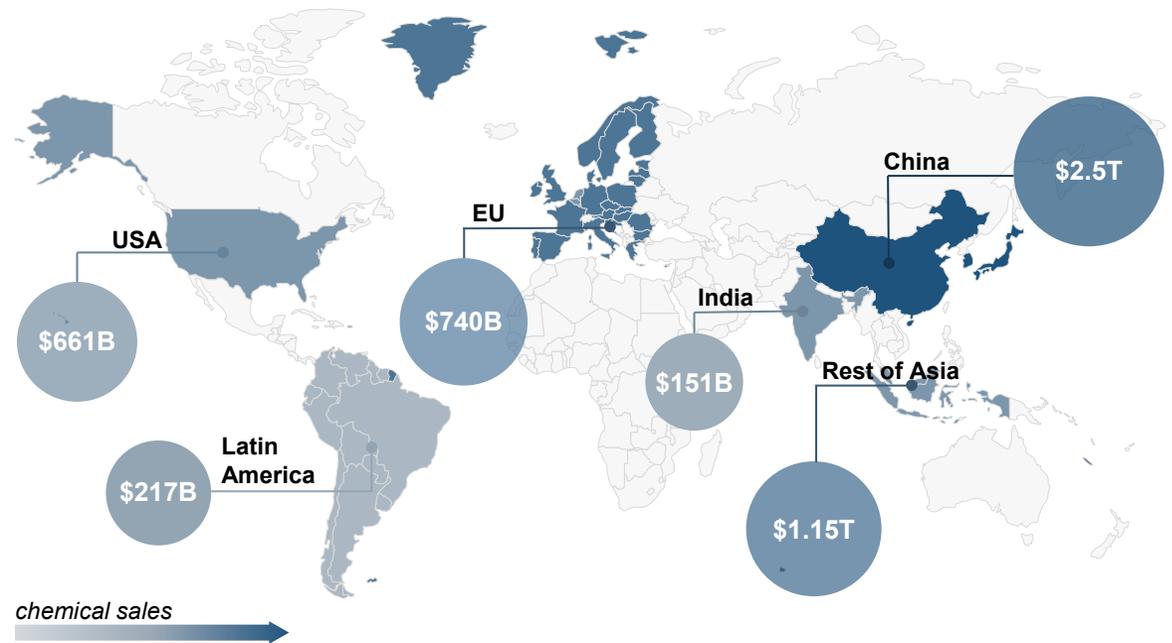
Global Demand & Supply

Oversupply vs. Weak Demand and Trade Frictions

Global Trade Flows



Global Revenue Breakdown (\$5.9 Trillion)



<ul style="list-style-type: none"> Tariffs – exports demand decline Trade 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 reliance Balanced trade position
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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%

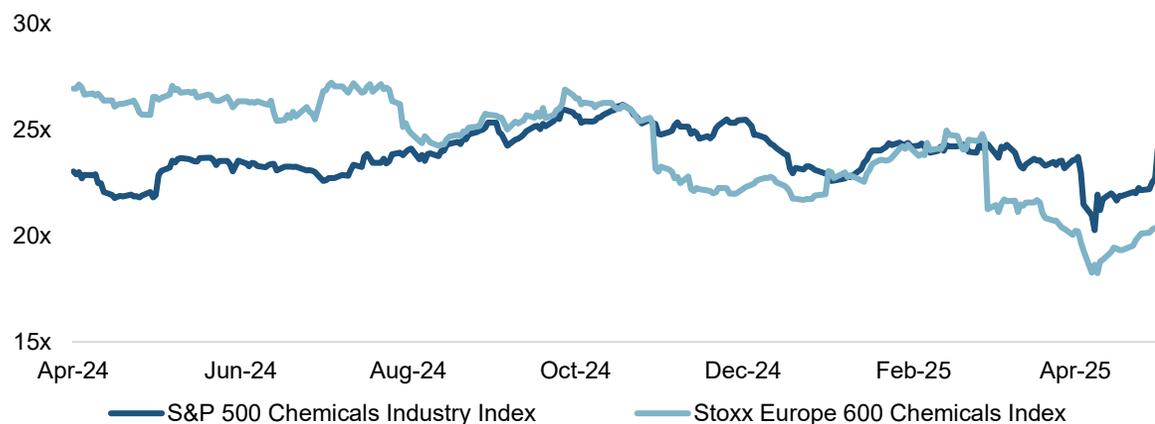
Despite being a top global exporter, Europe saw the sharpest production decline in 2023 (-7.6%), revealing growing structural challenges amid rising energy costs and declining global demand

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



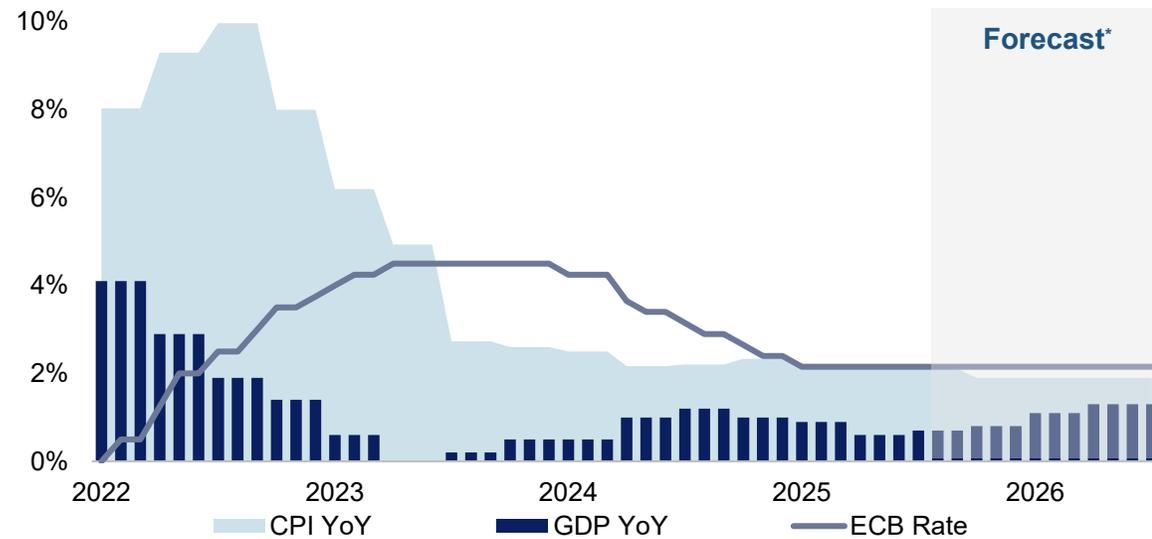
EU Chemicals

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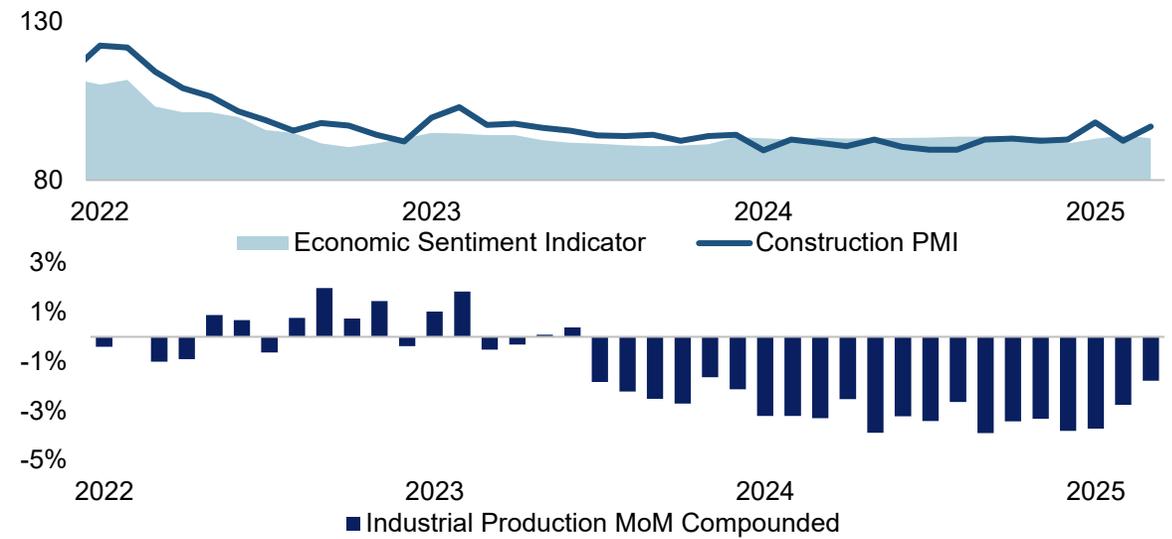
Macroeconomic Environment

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

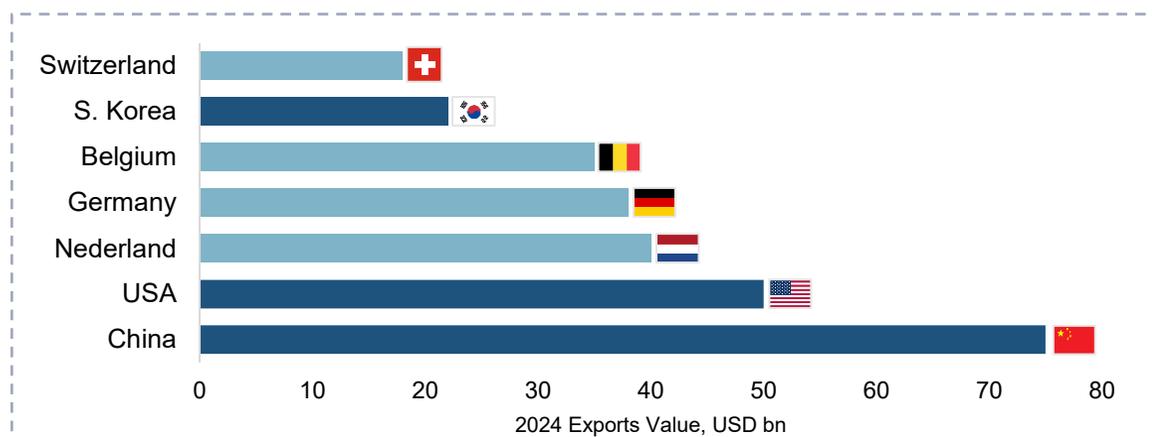
The Real Estate Legacy

Cause	Consequences
 <p>Evergrande in 2021</p> <p>Evergrande defaulted on over \$300 billion debts, which triggered a real estate and economic crisis</p>	 <p>Domestic demand for chemicals used in construction dropped</p>  <p>China started exporting on an enormous scale, also to account for state deficit</p>
 <p>GDP growth is forecast to be 4% – slow economic recovery in 2025</p>	
 <p>Consumer prices remain subdued, with inflation hovering around 0.1%</p>	

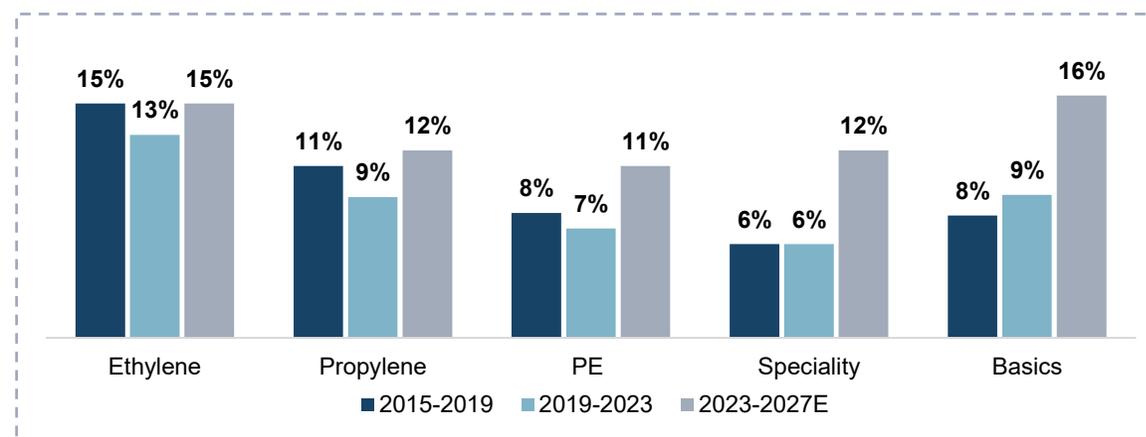
Market Forces

Demand	Supply
 <p>Shift towards high-end manufacturing, requiring more speciality chemicals</p>	 <p>Overcapacity: ethylene 121%, propylene 179% of domestic demand</p>
 <p>Largest chemical consumer and partner of the EU</p>	 <p>State subsidies → predatory pricing</p>
 <p>Low consumer confidence amplifying macro problems</p>	 <p>Cheap coal-based energy vs high-cost gas in the EU</p>

Main Exporters of Basic Organic Chemicals



Chemicals CAGR by Period



Spotlight on US Tariff Interventions

Timeline

 **Beginning of April – The “Liberation Day”**

- 1** 10% **baseline tariff**, universal
- 2** An **additional 34% tariff** on Chinese goods Chem. Index Change that day
 **-17%**  **-10%**
- 3** Further increase to a **total of 104% on Chinese imports**
- 4** Tariffs on Chinese imports escalated to **125%** Chem. Index Change that day
 **+10%**  **+8%**
- 5** **Retaliatory measures** by China – **125%** on all US goods
- 6** EU steel/aluminum already hit with 25% tariffs – **not halted**

 The US-China trade war will inevitably lead to them trying to compensate for the lost demand by **flocking to other markets**, especially Europe

 Due to **increased supply**, the **price** of commodity chemicals (like PVC, polyethylene, ammonia) **will drop** significantly

Impacts on the EU

-  US chemical imports attractive due to **cheap shale gas, not just Chinese chemicals** (as for now tariffs on US are halted as well)
-  High energy costs + lower global prices = **margin compression, loss of market share**
-  EU firms face **environmental regulation** and can't compete on price (REACH, ETS fees)

Most Affected Companies

Evonik	Solvay	BASF	Wacker Chemie
 <p>Focus on high-margin specialty chemicals used in EVs and green tech</p>	 <p>Pivot to advanced materials and specialty products with less price pressure</p>	 <p>Hit by China's oversupply and rising European energy costs, margin pressure</p>	 <p>Weak global demand and cheap Chinese competition in key markets</p>

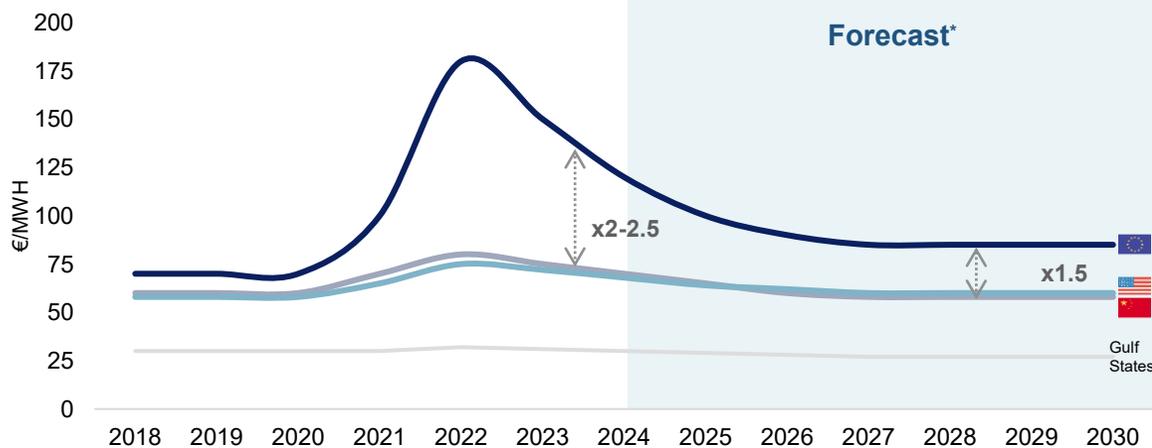
Sustainability Transition

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

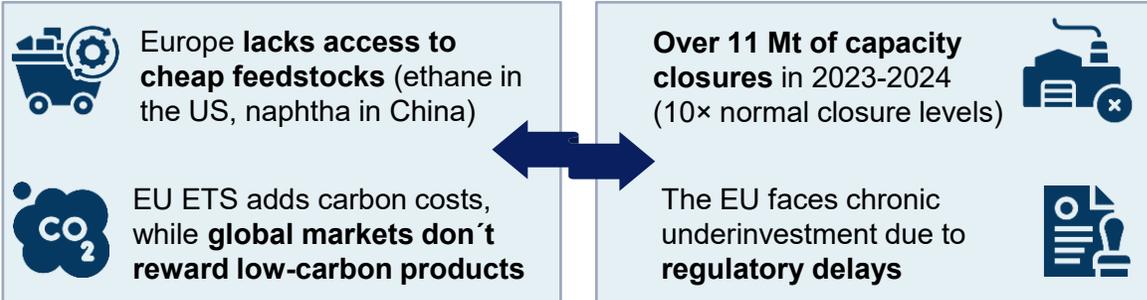
Electricity Price Gap



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



EU Chemicals

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Peer Comparison

Shortlist Selection

Linking Industry Research with the Investment Universe

Research Conclusions

Chinese Oversupply

Serious **domestic overcapacity** combined with trade disruption spills over to key connected markets

Valuations

EU chemicals saw a boost before the trade war unwind, leaving **potential for multiple deterioration** despite the recent correction

US Tariffs

Potential redirection of US-China trade flows into Europe poses **competitive threats and pricing challenges**

European Macro

Despite sustainability leadership, Europe faces **structural cost disadvantages**, regulatory barriers, and declining competitiveness

Screening Process

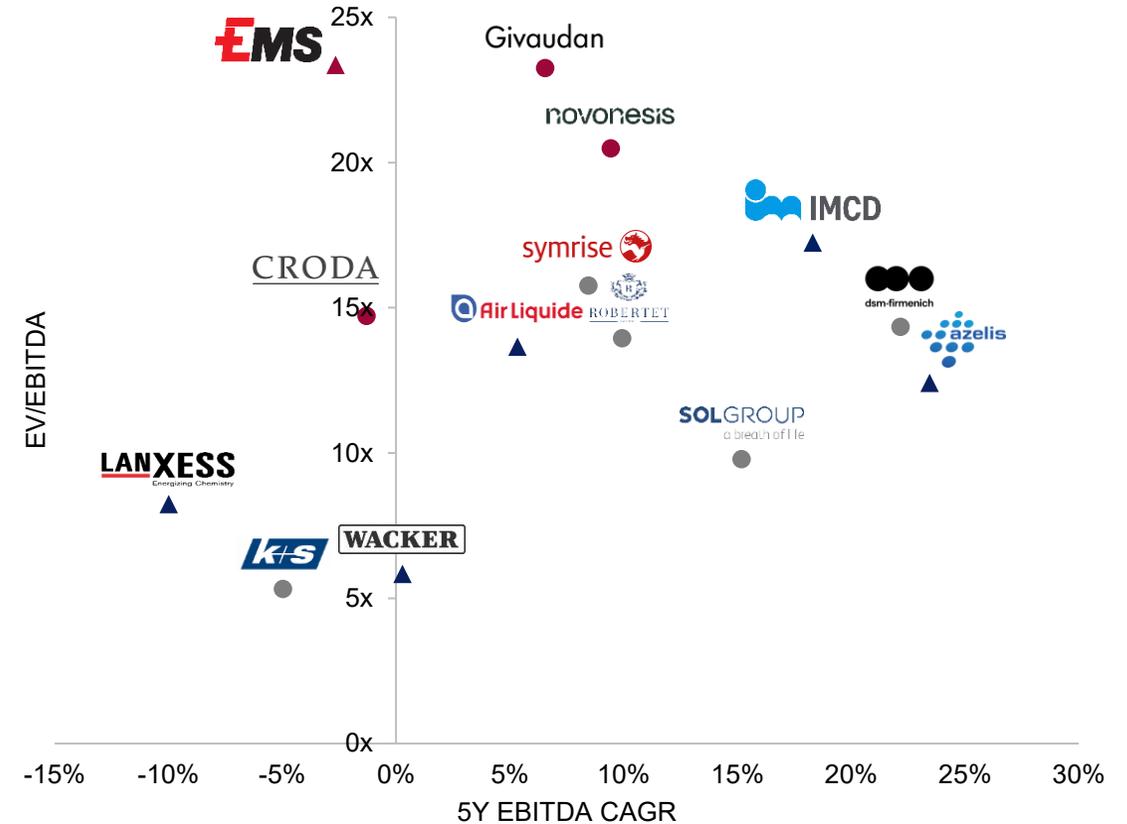
Compose a longlist – **European chemical equities**

Focus on **mid- and large-caps** for liquidity purposes

Subset those with a **P/E above the industry median (>14x)**

Fundamentals and recent performance for a sentiment check

Explore **the end-market revenue exposure** to seek cyclicity

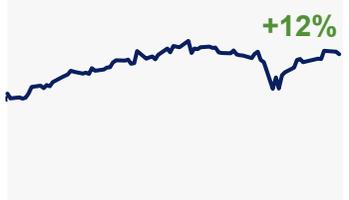
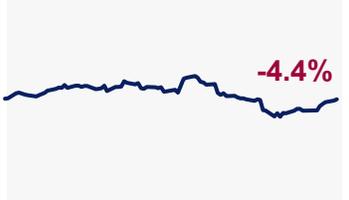
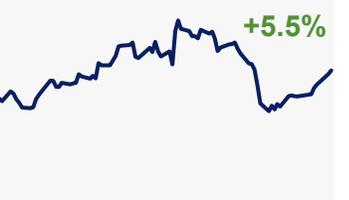


Industrials Peer Group



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 31x	EV/EBITDA 14x	P/E 31x	EV/EBITDA 23x	P/E 24x	EV/EBITDA 17x	P/E 18x	EV/EBITDA 12x	P/E 14x	EV/EBITDA 6x	P/E --	EV/EBITDA 8x
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

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Financials & Trade

Ems-Chemie Holding AG – Company Overview 1/2

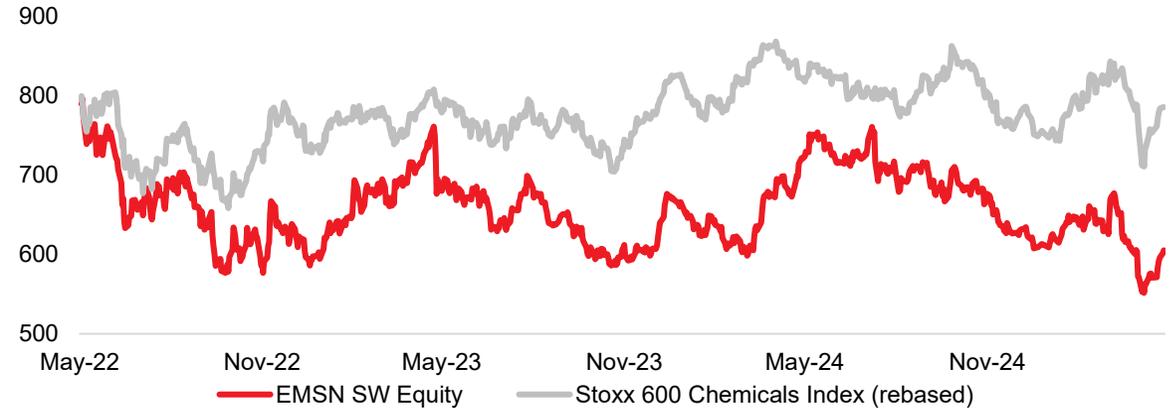
Exploring the Value Trap

Key Facts and Figures

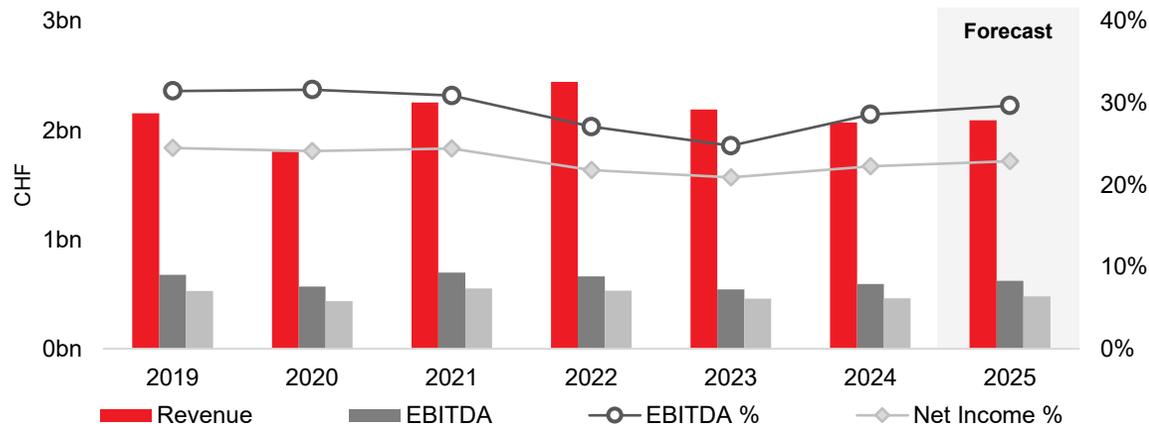
EMS Ems-Chemie Holding AG manufactures and markets performance polymers, high-grade chemical intermediates, fine chemicals, and protective bonding, coating and sealing products



Stock Price Performance



Key Financials



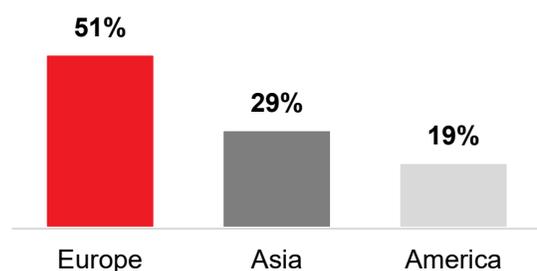
No Leverage
The company is fully equity-financed, pays out almost all profits as dividends. 5Y dividend paid CAGR 2.03%

Capital Expenditures
Ramping down CAPEX after a few years of investment in capacity expansion – no major investment needs for the next few years

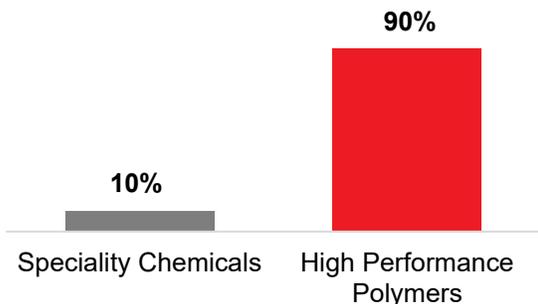
Currency Conversions
Material impact on sales from market uncertainties driving demand for the Swiss Franc with absolute majority of revenue from abroad

Business Breakdown

Geographical Revenue Breakdown

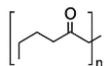


Segment Revenue Breakdown



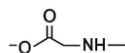
Product Breakdown

GRIVORY[®]
EMS



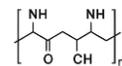
High-performance polyamides, thermo-resistant. Applications in **cosmetics, packaging, electronics, autos**

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

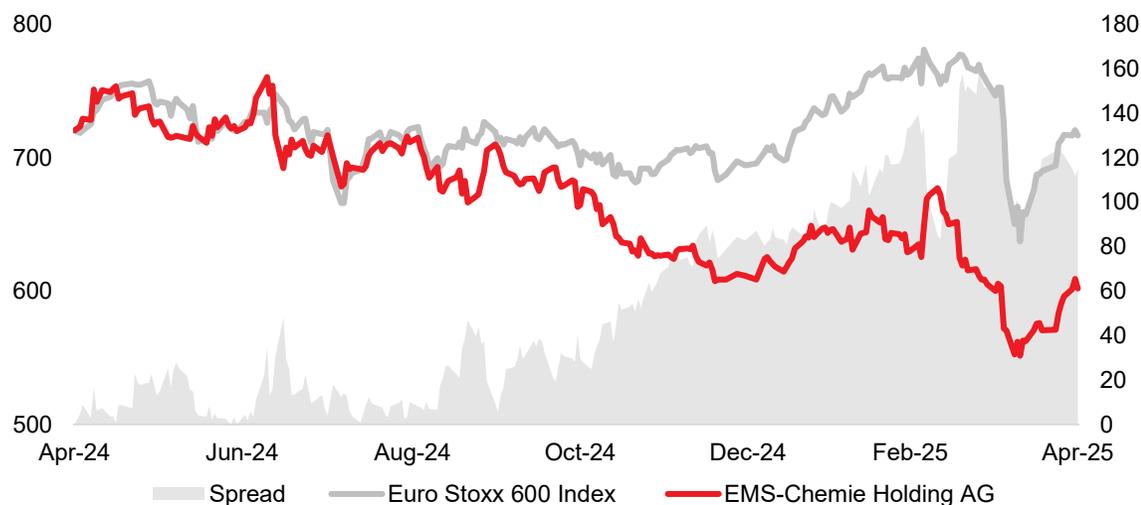
A value and quality call hindered by near-term headwinds of lackluster macro, tariff uncertainty, energy costs, and materialisation of stimulus

Positioning for Underperformance

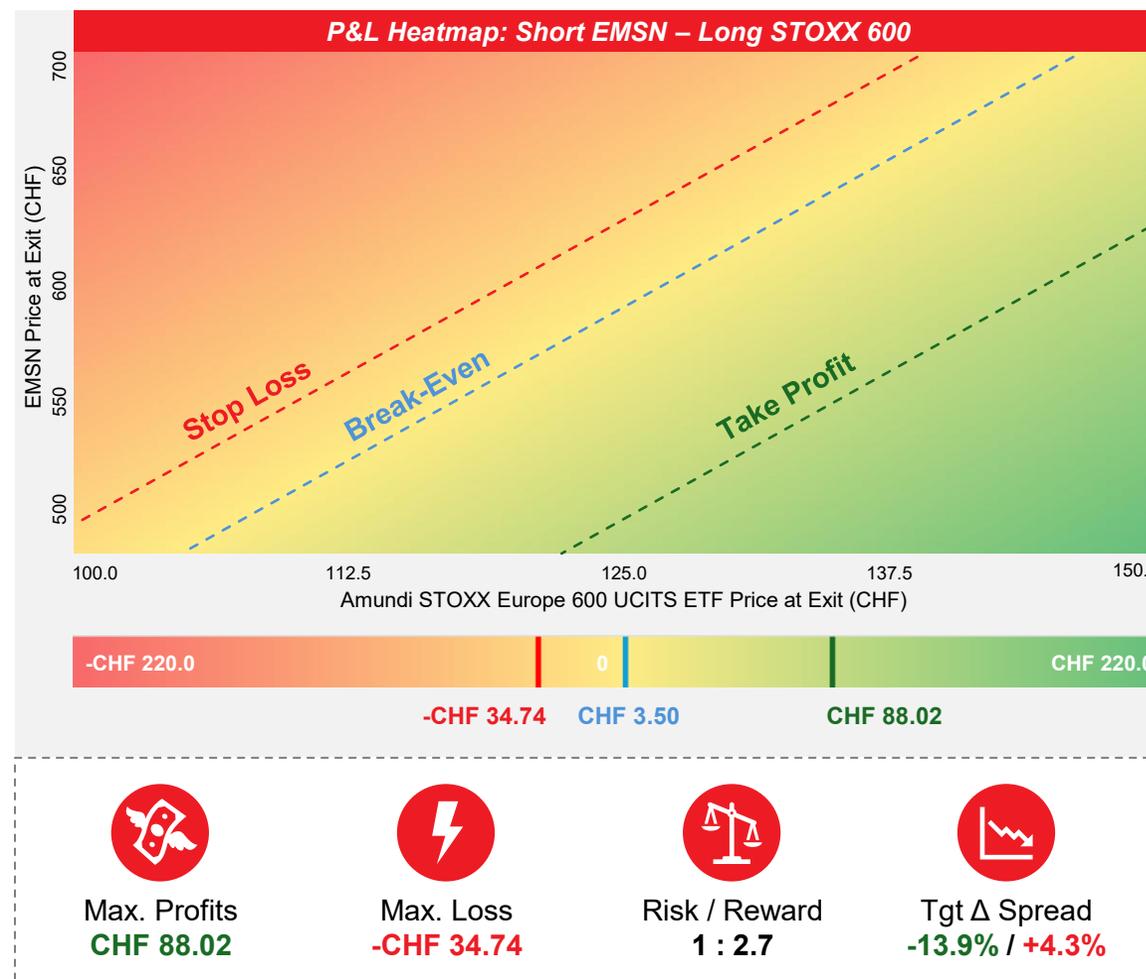
Strategy Implementation



Expect relative underperformance of EMS-Chemie AG vs. the European equity market (Stoxx 600) – capitalize on a **spread trade**



Profit and Loss Scenario Analysis



Now

Sell EMSN SW Equity at **CHF 614**

Buy Amundi STOXX Europe 600 UCITS ETF at **CHF 126.75 x 4.84**

At t=1

Take Profit:

- EMS SW Target **-10%**
- Stoxx 600 Target **+5%**

Stop Loss:

- EMS SW **+3%**
- Stoxx 600 **-2%**



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	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

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	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

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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