Press release

Ad hoc announcement pursuant to Art. 53 LR – Signs of slight stabilisation in core markets

Bülach, 27 August 2024 – The first six months of fiscal 2024 saw a slight improvement for the Vetropack Group as compared to the weak second half of 2023. With net sales from goods and services of CHF 444.9 million (prior year: CHF 477.9 million), the Vetropack Group posted a downturn of -6.9 percent year-on-year (after adjusting for currency effects: -4.4 percent). Some degree of stabilisation is discernible in our core markets, but there cannot be any talk of a general recovery as yet. For these reasons, we are not anticipating growth in the second half either; in fact, we continue to expect the full-year result for 2024 to be lower than in the previous year.

Demand for glass packaging is stagnant at a low level, so the same is also true of our sales – and the markets are only recovering slowly. In the first half of 2024, this situation was manifested (for example) by a high number of line downtime days. In order to counteract overcapacity and thus avert a potential decrease in prices, we temporarily took capacities out of operation or – as happened at our site in Kyjov – brought them back into operation later than planned.

Development of key figures in the first half of 2024

As anticipated, the first half of 2024 turned out to be weak as compared to the extremely strong first six months of the previous year. The EBIT margin, for instance, fell to 8.5 percent in the first half from 14.7 percent in the first six months of the prior year. Reasons for this include, on the one hand, the positive inventory effect in the first half of 2023; and, on the other, increasing price pressure in the market starting in the second half of 2023 due to overcapacity and poorer absorption of fixed costs. Net sales in the first half of 2024 were around CHF 444.9 million – a decrease of -6.9 percent as compared to the exceptionally strong first six months of the prior year. Nevertheless, it is encouraging that we have already been able to achieve slight growth – of 5.7 percent – as compared to the second half of 2023. This shows that our measures to boost cost efficiency are taking effect, and that the market is showing the first signs of a modest recovery.

Although energy expenses fell significantly year-on-year, they remain high in relation to the volume produced: this is because the furnaces only reach their maximum level of energy efficiency when capacity utilisation is high. Thanks to strict cash management, the cash flow margin only showed a slight year-on-year decrease, from 17.9 percent to 15.2 percent. Due to the expenses associated with the closure of the plant in St-Prex, the consolidated profit of CHF 9.4 million is correspondingly low. However, the Vetropack Group remains solid, with a gearing ratio of 59.2 percent.

Development of key figures

		1st half of 2024	1st half of 2023	+/–
Net sales	million CHF	444.9	477.9	– 6.9%
EBIT	million CHF	37.8	70.1	– 46.1%
EBIT margin	%	8.5	14.7	–
Cash flow[1]	million CHF	67.8	85.7	– 20.9%
Cash flow margin	%	15.2	17.9	–
Consolidated profit	million CHF	9.4	50.7	– 81.5%
Investments	million CHF	34.7	128.0	– 72.9%
Total assets	million CHF	1 298.7	1 289.7	0.7%
Shareholders' equity	million CHF	768.9	777.4	– 1.1%
Gearing ratio	%	59.2	60.3	–
Employees	Headcount	3 727	3 789	– 1.6%
Share price: registered share A high	CHF	41.45	47.80	–
Share price: registered share A low	CHF	30.45	36.80	–

[1] operating cash flow before change of net working capital

Closure of the production site in St-Prex

Independently of the generally challenging market situation in the first half of the year, the Board of Directors and the Management Board had to take a very difficult decision with far-reaching implications: to discontinue glass production at the St-Prex site before the end of this year. In March, the Board of Directors launched a consultation process about the future of this production site. The proposals submitted by the employees' representatives were then examined in depth – but with no viable outcome. In mid-May, the Board of Directors decided to close the plant.

The decision to close the plant was a very difficult step for us, not least because the origins of our company can be traced back to St-Prex. The closure has a particularly severe impact on the local workforce: 175 jobs have to be cut at the site, although this will take place in several phases rather than all at once.

The social plan negotiated with the trade unions includes all the measures previously announced by Vetropack in mid-May, such as severance payments, bonuses and benefits for possible early retirement. In addition, we are setting up our own Job Centre to support our employees as they search for new positions.

Outlook for the second half of 2024
One issue that is already of growing concern – not only to us but also to our customers in the food and beverage industry – is the new EU packaging directive (PPWR, Packaging and Packaging Waste Regulation). The changeover from non-binding national guidelines to an EU-wide law that defines refill and recycling quotas will inevitably have a major impact on our market environment. Apart from regulatory changes of this sort, our chief concern in the second half of the year will be the difficult – and in some cases critical – overall conditions we continue to face. Of these, it is the war in Ukraine that is still at the centre of our attention.

We are in fact seeing a slight and very slow recovery in demand for glass packaging. However, this is doing nothing to change the under-utilisation of our production capacities. Given the high level of competition and the excess capacities in the market, we also expect the price situation to remain tense – although, so far, it is staying within manageable limits. In addition to these factors, there are necessary investments in our production facilities that cannot be postponed: these include the new furnace construction project at our Croatian site.

For all these reasons, 2024 will continue to be a challenging year for the Vetropack Group, as expected. Admittedly, the slight increase in sales compared to the weak second half of 2023 sends out a first positive signal. Nevertheless, we are still assuming that the operating result (EBIT) in fiscal 2024 will fall short of the 2023 level, despite the forecast increase in volume.

However, the strength of our organisation, our market expertise and our innovative power allow us to take an optimistic view of the future – and especially of the upcoming 2025 fiscal year. Above all, therefore, we will make use of the second half of 2024 to build up suitable momentum for the following fiscal year.

The 2024 Semi-annual report is available exclusively online via the download function:
https://report.vetropack.com/h2024

About Vetropack
The Vetropack Group numbers among Europe's leading manufacturers of glass packaging for the food and beverage industry, with around 3,800 employees and net sales of CHF 898.8 million in 2023. Vetropack has state-of-the-art production plants as well as sales and distribution offices in Switzerland, Austria, the Czech Republic, Croatia, Slovakia, Ukraine, Italy, the Republic of Moldova and Romania.

Through our work, we enable people to enjoy food and beverages in the most elegant, safest and most responsible way. This is because glass is a sustainable packaging solution – and the perfect material to ensure that food is packaged safely. With our holistic Service plus+ approach, we help our customers to optimise their value chains and guarantee consumers' safety. To this end, we endeavour to build close and long-lasting relationships. Guided by our understanding of environmental responsibility and cost efficiency, we aim to minimise our carbon footprint throughout the supply chain, and we are committed to recycling as the key to optimising product life-cycles.

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