



Outlook for the Specialty Batch Chemical Sector

Jennifer Abril, President & CEO, SOCMA | March 27, 2024

Overview

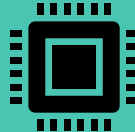
- SOCMA & Our Members
- Demand for Domestic Production
- Growth in the Specialty Chemical & Contract Manufacturing
- Limitations on Innovation
- Final Thoughts



About SOCMA & Our Members



Solely focused on specialty, batch chemicals in North America.



Powering technological advancements for 103 years.



Innovation and immediacy are the lifeblood of our sector.



Advancing specialized chemistries through direct advocacy.

Projecting Growth for U.S. Manufacturing 2024 and Beyond

- Momentum has been building
- Dual sourcing / China +1 strategies have been in place since 2017
- COVID showed fragility of the global supply chain
- Exacerbated by global instability
- Increasing interest in regional suppliers to source closer to customers



2023: Temporary Slowdown for Specialties

- **Unpredictable, variable** business conditions (started Q3 2022)
- Widespread **demand deceleration**
 - Overstocks in 2022 = Inventory drawdowns in 2023
 - Customers simply didn't place orders
- Specialty chemicals hit by **recessionary impacts**
 - Many business reported being down 15-30%, but these numbers were measured against their best years ever, not pre-pandemic revenues
- All signs pointing to correction and normalization ahead



2023: Proactive, Strategic, Purposeful



Retained & Re-trained Staff

No Layoffs – Unwilling to lose coveted staff (EHS, plant managers, chemical operators)

Emphasis on upskilling and training to meet new customer demands



Managed Logistics

Resolved lingering supply chain logistics issues from COVID

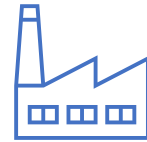
Leaned into alternative pathways and chemistry developments that can carry into the future



Explored New Markets

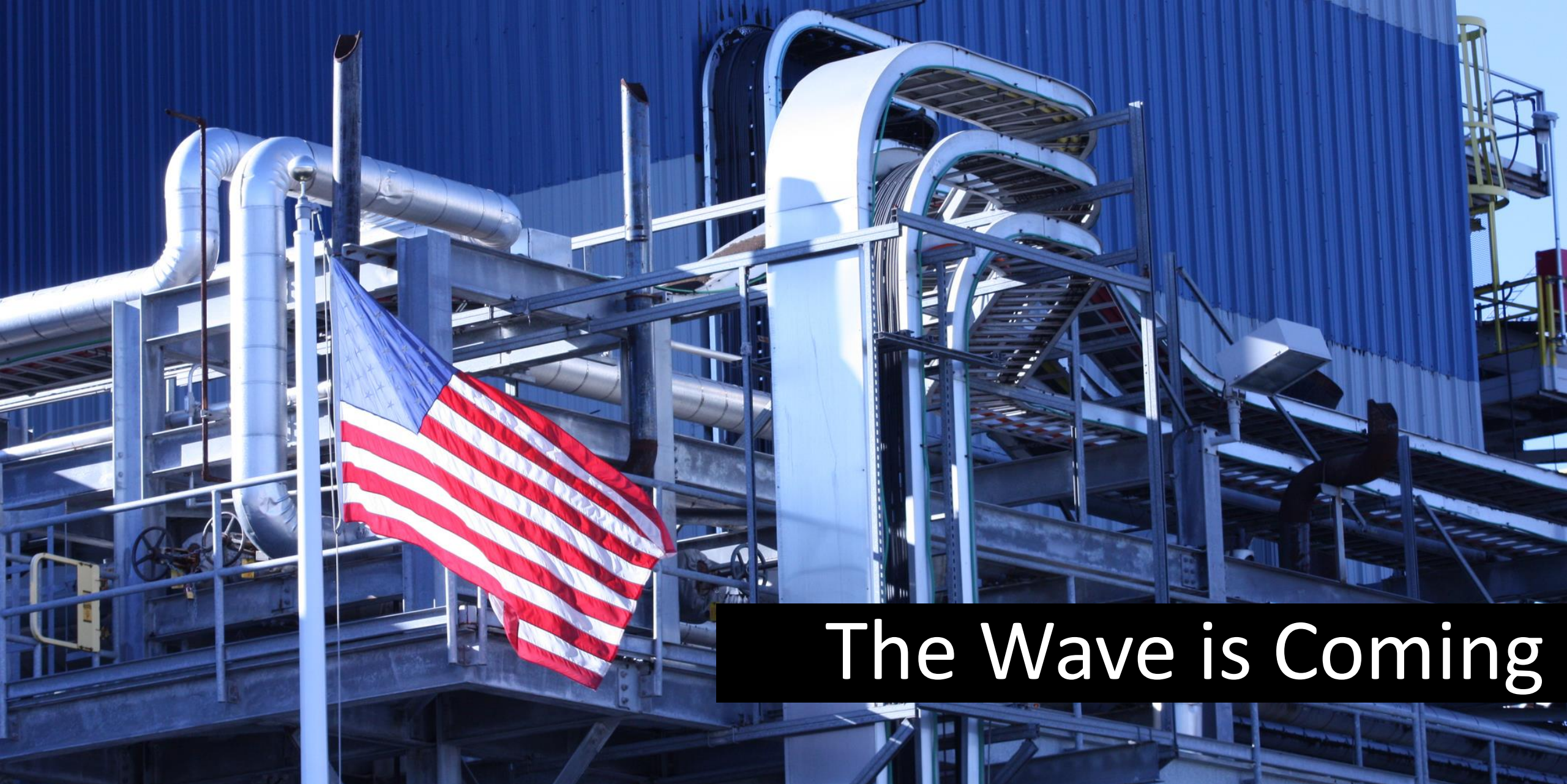
Expanded reach of chemical products into new markets

Reinforced core business strategies



Upgraded & Invested

Moved forward with project installations and plant upgrades to capture growth potential

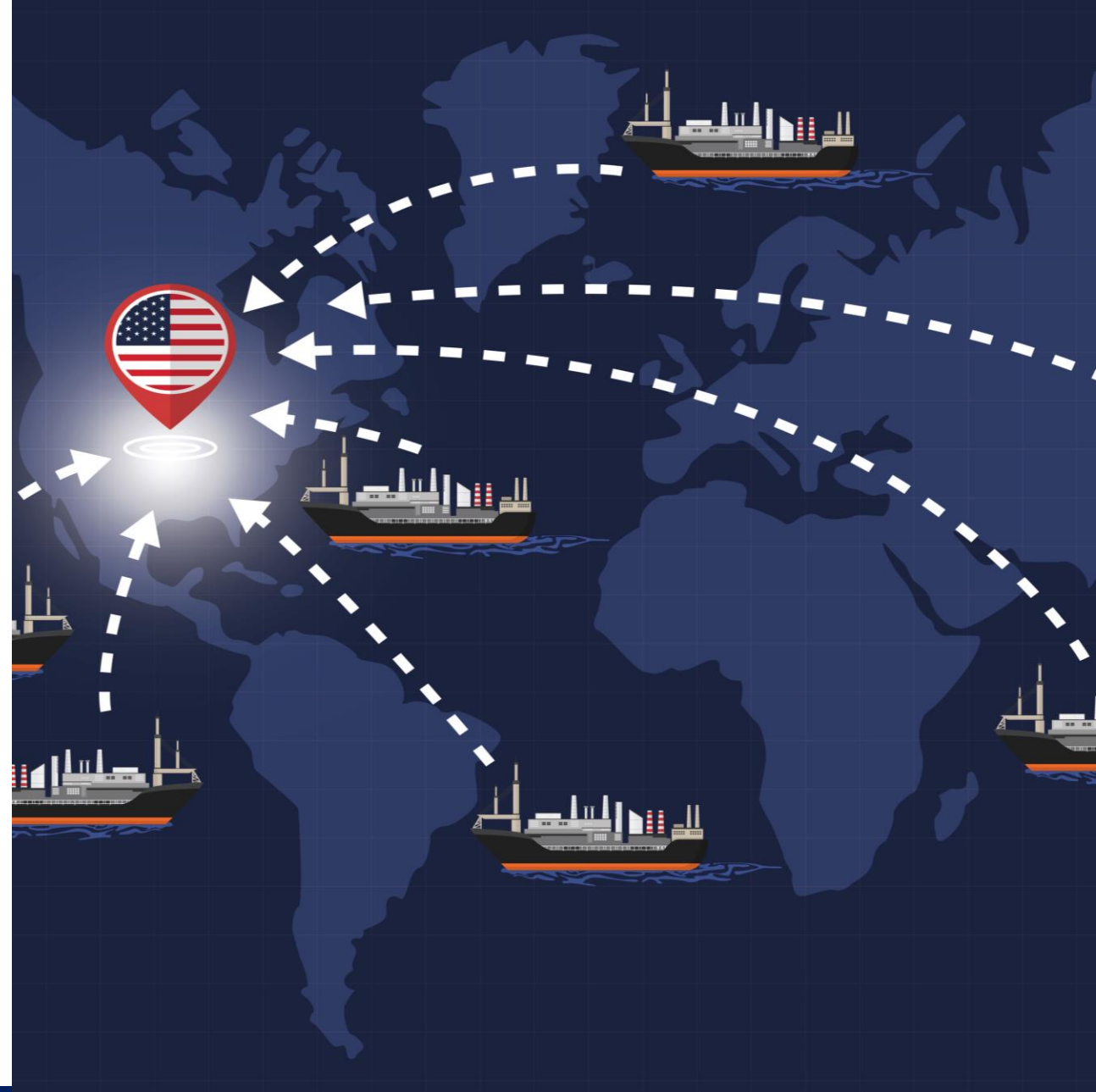


The Wave is Coming

Global Dynamics Leading to Macro Level Shifts

- Structural shifts underway
- High levels of instability globally
- Supply chains are still being rerouted
- Businesses are in search of safe havens and shorter routes

U.S. well-placed to benefit



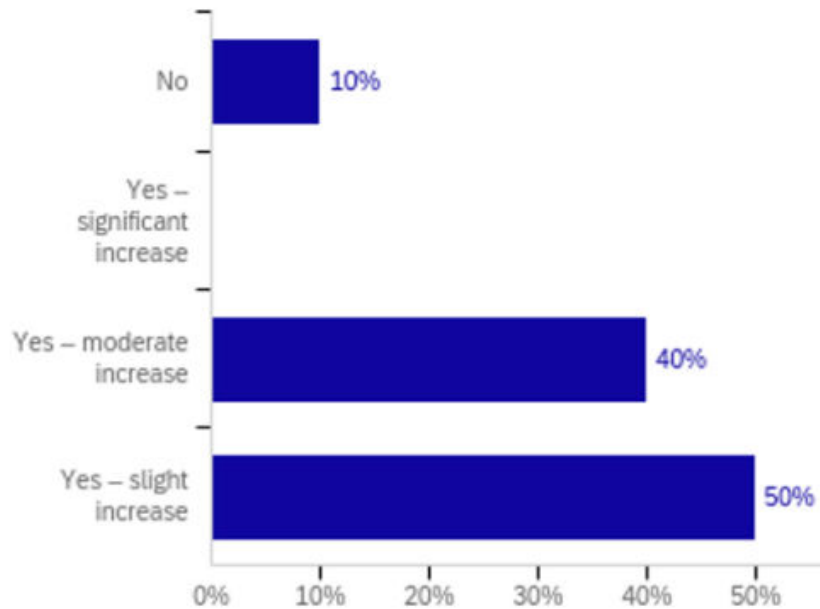
Contract Manufacturing Outlook Report



Supply Chain Onshoring Trends

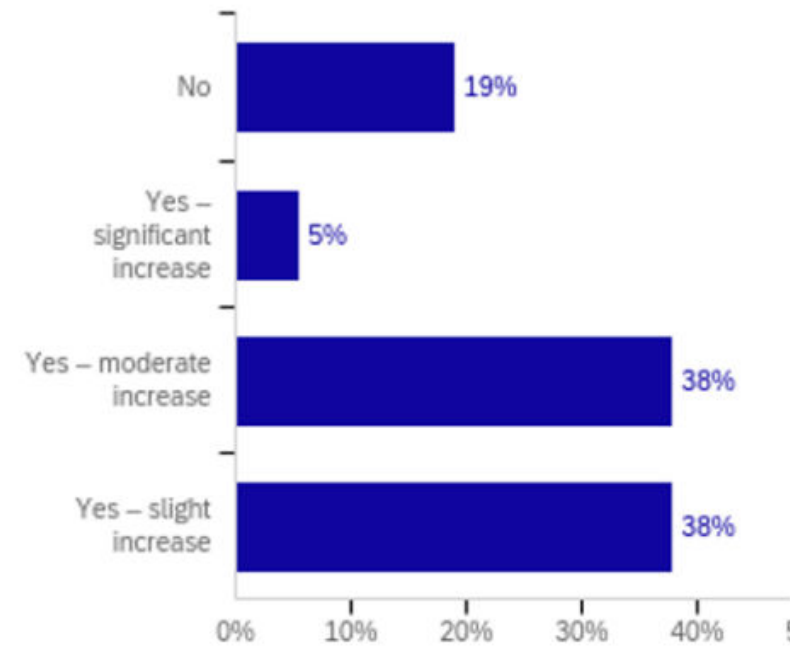
CUSTOMERS

Has a supply chain reshoring strategy led to an increased number of tolling partnerships in North America for your company?



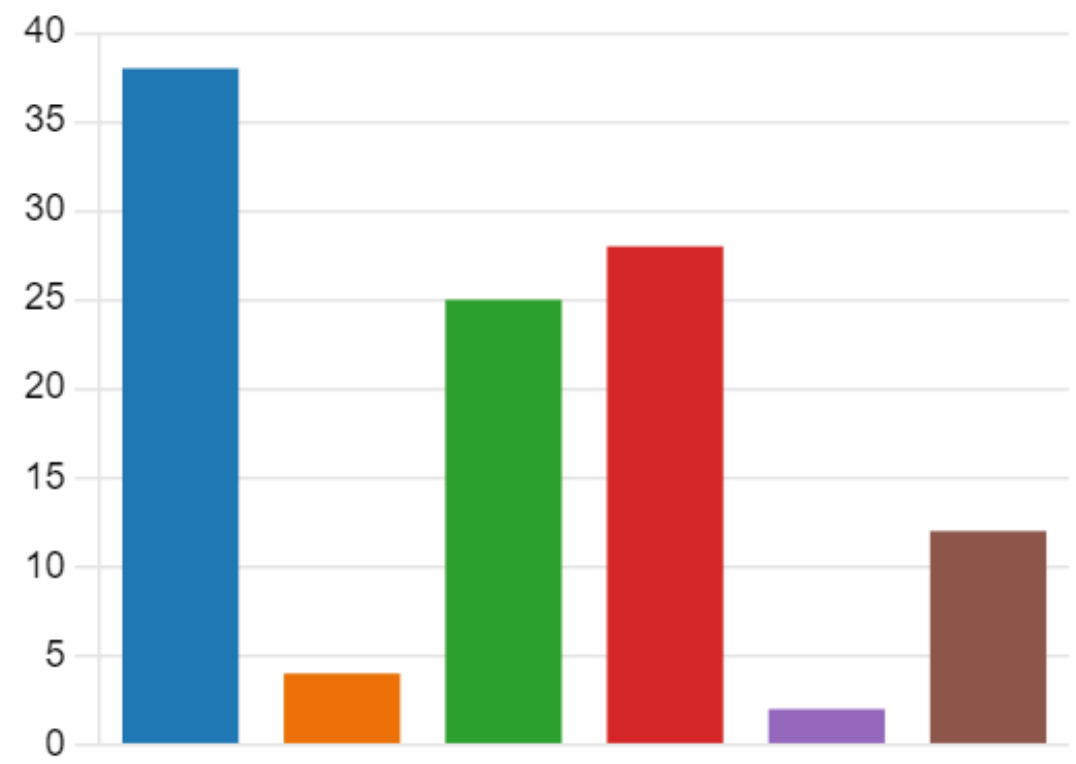
TOLLERS

Has the supply chain reshoring movement led to an increased number of new projects from customers in North America for your company?



Specialty Chemicals – A Business Rich Environment

- Orders for contract/ toll manufacturing are growing
- Orders for contract/ toll manufacturing are declining
- Orders for contract/ toll manufacturing are flat
- Orders for proprietary products are growing
- Orders for proprietary products are declining
- Orders for proprietary products are flat



CapEx to Support New Technology

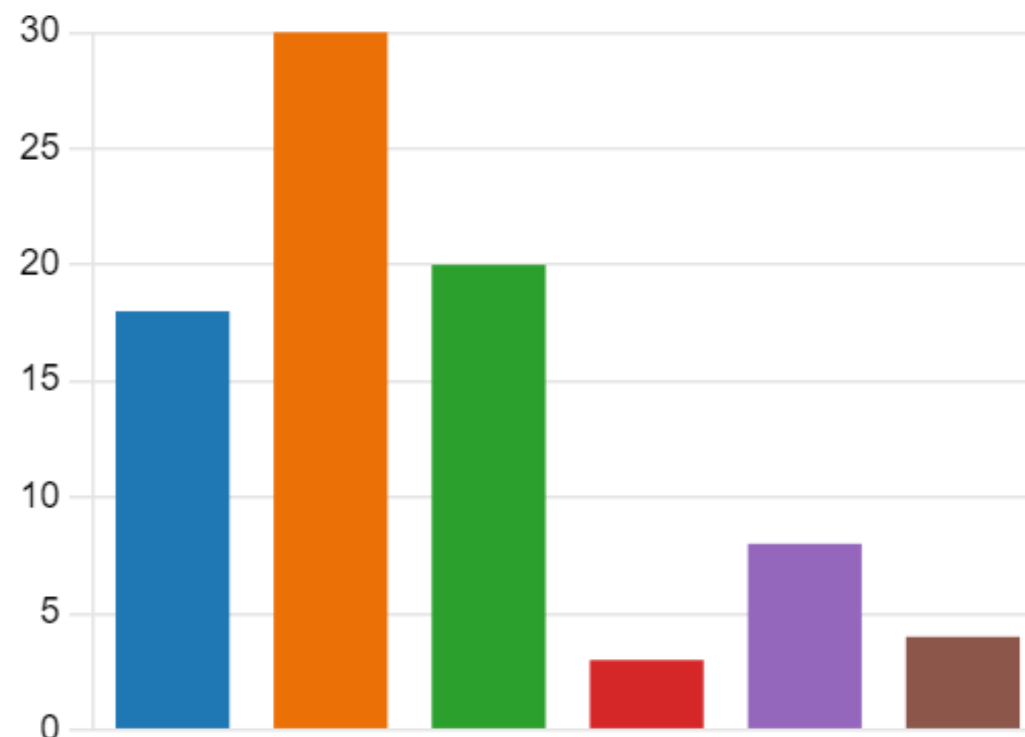


2023 SOCMA Contract Manufacturing Survey:

- **80% of customers** have plans for capital expenditures in 2024 for equipment and technologies for new projects
- **95% of contract and toll manufacturers** are planning CapEx projects for new products and technologies

Specialty Industry Moving Forward with CapEx

- Yes, but we have not started the CapEx project(s) at this time
- Yes, we have started the CapEx project(s)
- Yes, we have started the CapEx project, and we intend to do additional CapEx projects in 2024
- No, we are no longer planning CapEx project(s) in 2024
- We did not anticipate any CapEx project(s) in 2024
- Other



DOD Strategy for Critical Chemistries



U.S. Department of Defense

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RELEASE

IMMEDIATE RELEASE

DOD Awards \$192.5 Million to Establish Domestic Manufacturing Capabilities for Critical Defense Chemicals

The View from the SOCMA Show

- Deglobalization points to long runway and positive future for North American manufacturing
- While customers are hesitant to forecast growth, contract manufacturers are more positive
- Certain sectors reporting upticks (watching personal care)
- Finding toll/custom manufacturers is getting harder
- U.S. specialty producers are in high demand



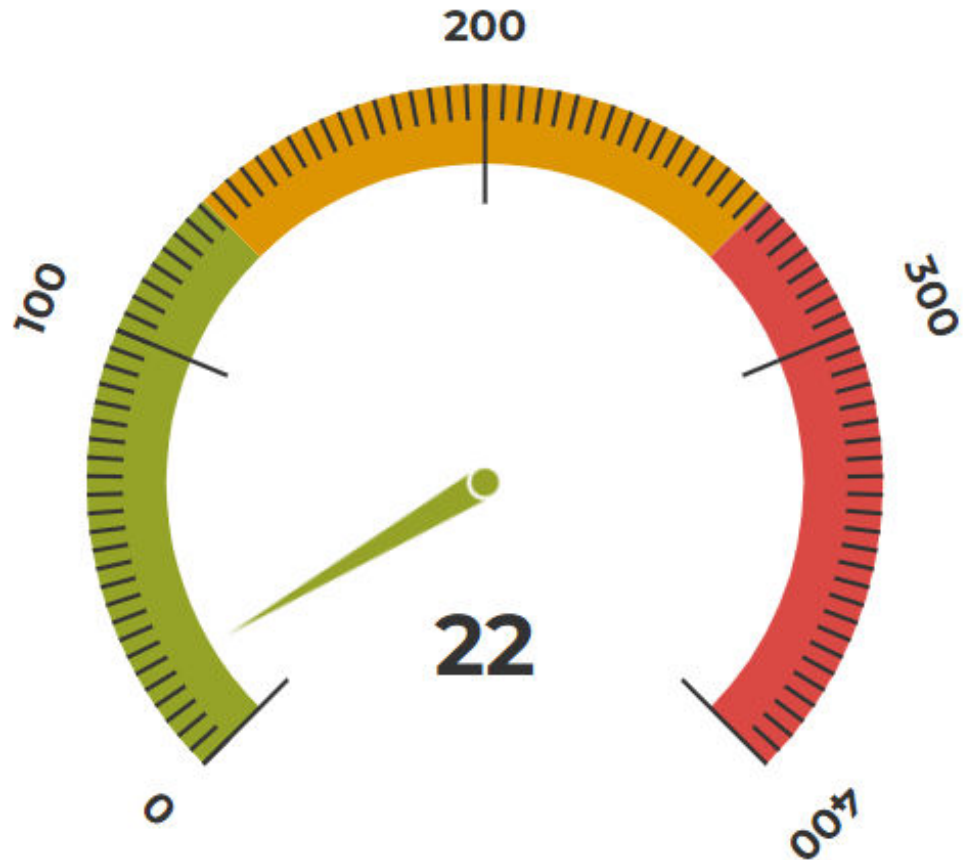


What Could Hinder Innovation?

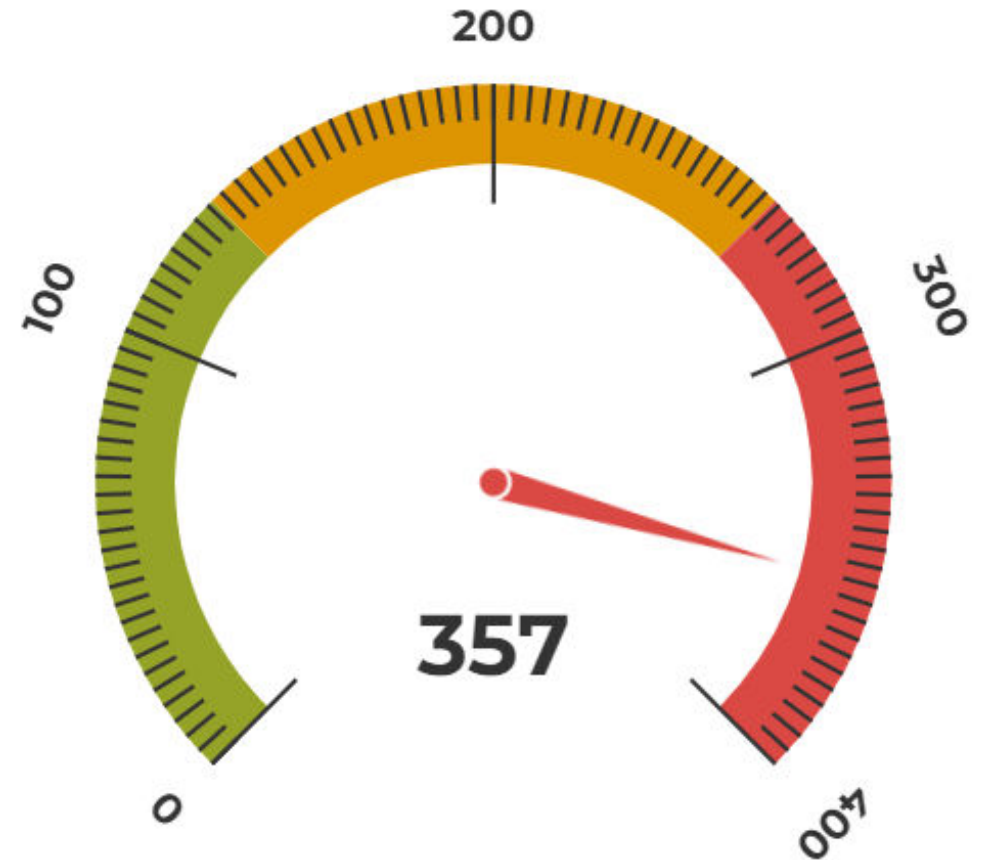
- Throttling back and not recognizing the U.S. is at a turning point
- Not finding solutions to the bottlenecks at EPA
- Loss of LVE & LoREX approvals
- The belief that chemical bans, stringent regulations will force chemical building block changes at a faster pace
- Not connecting the importance of specialty chemistry to national priorities and global goals

TSCA New Chemicals Review Tracker

Under review for less than 90 days



Under review for greater than 90 days (Backlog)



Courtesy of American Chemistry Council



What's at Stake?

- Inability to follow-through on:
 - Major national security projects
 - America's strategic investment in national defense priorities and energy resources
 - Sustainability and climate goals
- Decrease in North American competitiveness on a global scale
- Undermines strategic advantage chemical sector could gain from a resurgence of U.S. manufacturing

The wave is coming

- EPA must consider new approaches for moving new chemistries through the process at a pace that keeps up and enables industry to achieve these goals
- Need pragmatic thinking to ensure the U.S. can be resilient and secure supply chains



Key Takeaways

- Specialty chemical manufacturing is critical to fulfilling our national security, infrastructure goals
- Companies are looking to invest in onshoring
- We're poised to give the manufacturing resurgence in North America all it can handle
- SOCMA members are ready and primed to meet the demand
- Need the U.S. government to be an enabler
- Let us be unleashed!

Contact Us!



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