Syensqo Q3 2024 results

Analysts call transcript

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CORPORATE SPEAKERS:

Sherief Bakr

Syensqo; Head of Investor Relations

Ilham Khadri

Syensqo; Chief Executive Officer

Christopher Davis

Syensqo; Christopher Davis

PARTICIPANTS:

Tristan Lamotte

Deutsche Bank; Analyst

Chetan Udeshi

JPMorgan; Analyst

Matthew Yates

Bofa; Analyst

Jeremy Kincaid

Van Lanschot Kempen; Vice President

Aron Ceccarelli

Berenberg; Analyst

Martin Roediger

Kepler Cheuvreuz; Analyst

Laurent Favre

BNP; Analyst

Sherief Bakr - Syensqo - Head of Investor Relations

I'm Sherief Bakr, Head of Investor Relations, and I'm joined today in Brussels by our CEO, Ilham Kadri; and our CFO, Christopher Davis.

As a reminder, today's call is being recorded and will be accessible for replay on the Investor Relations section of our website later today at syensqo.com/investors.

I'd also like to remind you that during this call we will be making forward-looking statements regarding our future business and financial performance that are subject to risks and uncertainties.

The slides related to this presentation, along with today's press release are also available to download from our website.

Okay. Turning to today's agenda.

Ilham will begin with an overview of our third quarter 2024. And Chris will then go into more details on our financial performance before turning the call back to Ilham, who will discuss our outlook.

We will then be happy to take your questions.

With that, I'll turn the call over to Ilham.

Ilham Kadri - Syensqo - CEO

Thank you, Sherief. And good afternoon, good morning to everyone.

Since Syensqo's third quarter saw us return to year-on-year growth benefiting from the improved momentum we have seen over the last four quarters and the execution of our innovation-led strategy in what remains an uncertain demand environment.

If I take a step back, and reflect on the journey we have been on since our separation at the end of last year from Solvay, we are operating with far greater focus and agility to navigate through this uncertainty as an even stronger leader in our industry.

This is also reflected in how we can and are allocating capital to create value for our customers and our shareholders.

During the quarter, we successfully managed the disruptive impact of the storms in the Southeastern United States on our plants and operations as well as a number of logistic challenges in pockets of the world, not to mention the ongoing strike actions at Boeing.

I would like to thank our teams for their tremendous work and resilience in supporting our performance.

Chris, in a few minutes, will take you through some of the details of our quarter three performance a bit later, but at a high level, sales growth was led by Composite Materials and of care, which both delivered double-digit year-on-year increases.

We continue to generate robust and resilient gross margins across most of our business units, particularly in Specialty Polymers, Composite Materials, Technology solutions and of care.

Within our gross margin performance, we continue to demonstrate net pricing stickiness, reflecting our strong value proposition and commercial discipline. And Chris will cover this in a bit more detail in his section. Underlying EBITDA of EUR 374 million was flat sequentially, with EBITDA margin up by 80 basis points to 22.9%. And our cash conversion remains healthy at 81%.

Finally, at the end of the quarter, we announced a EUR 300 million share buyback program which we believe is a way to return capital to shareholders from our strong cash flow, which commenced today.

Now as you can see on Slide 6, it has been another busy few months for Syensqo since last quarter's call as we continue to execute our strategy. This has included bringing new and differentiated innovation to support our customers. bringing more sustainable and high-performance solutions across the portfolio.

We also continue to advance our One Planet strategy, announcing our first target for nature focusing on water stewardship, where we are committed to achieve a 20% average water reduction at sites exposed to water scarcity or water availability issues by 2030 equivalent to a reduction of more than 7 million cubic liters of freshwater intake.

Turning to our financial milestones.

During the quarter, we reduced our pension obligations in North America by around EUR 0.5 billion through our agreement with third-party insurers which will also reduce potential balance sheet volatility risk in the future.

We also announced and completed our delisting from Euronext Paris in September, as part of our strategy to simplify our listing structure, and we look at all options that may increase our accessibility to new investors and create shareholder value in the future.

And at the end of October, we completed our share purchase program related to our long-term incentive plan ahead of the larger buyback program we are starting today.

Over the course of quarter three and in light of the rephasing of our North American battery material investments, we also conducted a review of our growth projects, their associated costs and the returns we expect to generate.

What is clear is that we have tremendous growth opportunities ahead of us in both materials and consumer and resources with even more focus on leveraging our existing capacities, innovations and customer relationships to meet our midterm plan.

For example, adhesives in composite materials as well as debottlenecking capacity in mining chemicals and semiconductors, which are currently capacity constrained.

In fact, we plan to come back to you on this in more detail when we report our full year results in March. And as I mentioned on last quarter's call, the extent to which we can achieve our growth targets with less than previously planned Capex investments is what we are aiming to achieve.

Before turning the call over to Chris, I wanted to make some high-level comments on our segment performance in the quarter.

As a reminder, Syensqo's mix of revenue and earnings reflects our position as one of the leading pure-play specialty materials companies.

Indeed, in quarter three more than 70% of our EBITDA was generated by our high-margin materials segments. This was led by another strong quarter of year-on-year growth in Composite Materials, driven by demand in both defense and civil aviation.

Specialty Polymers saw improved momentum delivering flat year-on-year volumes with growth in electronics and building offset by lower volume in health care and batteries.

At the segment level, Materials had positive net pricing in both Composite Materials and Specialty Polymers, which supported the robust gross margin performance in both business units. This was also reflected in the 32.7% underlying EBITDA margin, which increased by 200 basis points sequentially.

For Consumer and Resources, we delivered the second consecutive quarter of double-digit volume growth, up 12% year-on-year, led by Novecare, with all other business units also contributing positively. And despite the 4% sequential decline in revenues, underlying EBITDA margin of 18.1% increased by 70 basis points compared to quarter two, led by margin improvements in technology solutions and to a lesser extent in Novecare.

I'll now turn the call over to Chris before we discuss our outlook for the fourth quarter and full year. Chris, the floor is yours.

Christopher Davis - Syensqo - CFO

Thanks very much, Ilham. Good morning and good afternoon to everyone on the call. The third quarter of the year was certainly not without its challenges with softness in the market continuing to impact the business.

But as Ilham has outlined, we have delivered a solid set of results and a return to volume growth. With that in mind, let us turn to Slide 9, which looks at the summary of our financial results.

Looking at the third quarter results for 2024, net sales of EUR 1.6 billion improved marginally against the third quarter of 2023. Whilst foreign exchange and gross pricing had an adverse impact on sales, this was more than offset by the improvement in volumes and mix. Composite Materials continued its strong performance delivering 14% revenue growth, driven by higher pricing and improved volumes, across Defense and Civil Aviation applications. In Space and Defense, sales improved 20% due to higher demand across the U.S. defense fixed wing programs, the Korean and fighter jet program, Rotorcraft initiatives and space and launch projects.

Civil Aviation sales increased 14%, with improved demand from Boeing and COMAC with a limited impact from the Boeing strike in the third quarter. Turning to Consumer & Resources Novecare, sales increased by 10% against the prior comparable period. Within this, agro sales increased 10%, driven by stronger volumes in green solvents and herbicides due to an improvement in global demand following a period of destocking and the commencement of the planting season in Latin America.

Home & Personal Care sales increased 7%, outpacing the overall home and personal care ingredients market. This was achieved through strong commercial focus, the localisation of production of some specialty products and improved responsiveness to local customers. High interest rates and inflation have impacted global building activity, which continues to remain weak. That said, an increase in customer wins in the North American market has driven an 11% increase in sales in the Coatings segment. Technology Solutions sales increased 6% and benefited from customer wins and stronger demand from copper customers with mining sales increasing on the prior comparable period.

Within our Specialty Polymers business, sales have reduced by 7%, driven by gross pricing reductions in automotive, electronics and food packaging markets. Volumes in Specialty Polymers were flat compared to the third quarter of 2023. Underlying EBITDA was EUR 374 million, which I will outline in more detail on the following slide.

Importantly, our gross margin and EBITDA margin at 35% and 22.9%, respectively, remain steady and have sequentially improved compared to the second quarter of 2024 by approximately 100 basis points and 80 basis points respectively.

Taking into account the profit attributable to Syensqo shareholders for the first nine months of the year to 30 September 2024 of EUR 477 million, this results in underlying earnings per share of EUR 4.54 per share.

Turning to the EBITDA bridges on Slide 10, starting with the third quarter on the left-hand side of the slide. Volumes and mix had a positive impact of EUR 27 million compared to the prior period. Despite the softness in the market, we saw improved volume momentum in Consumer & Resources and Composite Materials, with Specialty Polymers volume stabilizing against the third quarter of 2023.

Looking at Consumer & Resources, the third quarter of the year saw a strong improvement in sales volumes and mix compared to the prior comparable period. Within Novecare, this was driven by volume improvements in Agro, Home & Personal Care and Coatings, which more than offset the reduction in net pricing as the business continues to maximize profitability.

Increased production capacity and stronger demand from Mining chemicals customers drove increased volumes in Technology Solutions in the quarter.

Importantly, Composite Materials continued to experience volume growth in Defense and Civil Aviation applications.

As I mentioned, volumes in Specialty Polymers stabilized in the third quarter, with growth experienced across electronics, construction, food packaging and oil & gas markets. Within the healthcare, automotive and industrial markets, we experienced reduced volumes year-on-year, whilst automotive markets remain under pressure amid a slowdown in vehicle demand.

Net pricing had an adverse impact of only EUR 12 million in the third quarter of 2024. Negative net pricing was only experienced in Consumer & Resources on voluntary price concessions to preserve volumes, notably in Agro and Home & Personal Care segments of Novecare as well as within the Aroma business. This was partially offset by price increases in our Composite Materials business.

Additionally, our Specialty Polymers business managed to marginally improve net pricing as we continue to price for value and hold on to the benefits of variable cost decreases.

This brings the year-to-date adverse impact of net pricing to EUR 71 million which is in line with our expectations and continues to fall within our full year guidance of EUR 50 million to EUR 100 million.

Fixed costs and other had an adverse variance of EUR 47 million compared to the prior comparable period and includes the impact of phasing, with a greater portion of the spend in the third quarter in particular, on spend on IT infrastructure and digital.

The net result is EBITDA of EUR 374 million for the quarter.

It is also worth considering the year-to-date EBITDA bridge on the right-hand side of the slide. Whilst the impact of net pricing and fixed costs was expected, the impact of the softness in the macro environment has reduced volumes, impacting Syensqo and the entire sector. The largest volume impact has been in specialty polymers, most notably in healthcare, medical equipment and devices and industrial applications including the impact of the discontinued products reported in the first half of the year.

The impact of net pricing is in line with expectations, which I will talk to on the next slide. And then finally, as I've already mentioned, fixed cost increases are aligned with investments in IT systems and the increased spend in composite materials to increase output. That said, we will not just accept the fixed cost increases.

In the short term, we have been and will continue to address the immediate requirements related to the separation from Solvay systems at the end of 2025. And at the same time, we are accelerating the launch of our target operating model as an independent company.

Looking now at Slide 11.

As we have previously communicated to the market, Syensqo has implemented almost EUR 900 million of net pricing benefits since 2021. Whilst we believe these gains are sticky, as we commenced 2024, we indicated that we expected to give back between EUR 50 million to EUR 100 million in net pricing gains to either defend or gain share.

In the first nine months of 2024, the adverse impact of net pricing was EUR 71 million.

Importantly, the impact of net pricing on our high-margin materials segment is flat year-on-year as is evidenced in this chart.

We continue to believe that as a specialty company, we will price for value and defend our margins.

On that note, let me give you some more granularity. Within Consumer & Resources approximately EUR 20 million of the net pricing decline is attributable to the Aroma and oil & gas businesses, where significant price pressures have been experienced. Excluding Aroma and oil & gas, the remaining net pricing decline was approximately EUR 50 million, all within Novecare, which managed to maximize value through operating capacity leverage.

Importantly, the increase in volumes has more than offset the decrease in net pricing.

As reflected in our results over the last four years, we remain committed to defending and increasing our current gross margins, which continue to be some of the best in the industry at 35%.

Turning to capital expenditure, we have continued to maintain a disciplined approach to capital management and capital expenditure in particular. With this in mind, softenings capital expenditure of EUR 94 million increased compared to the first and second quarters of the year, in line with planned maintenance capital expenditure at a number of our sites to ensure they remain safe and reliable.

Growth capital expenditure of EUR 117 million included spend on capacity expansions and operating efficiency including the Tavaux plant in France as we expand capacity to supply polymers for automotive, oil & gas, pharma and food packaging applications; Increased sulfone capacity in India for water treatment membranes, infant care applications and then also increased capacity in green solvents for Agro and Personal Care.

As we have previously mentioned, we will remain responsible custodians of cash.

And as a result, we continue to review all capital expenditure plans to ensure returns are attractive on a risk-adjusted basis.

As Ilham has mentioned, we will also consider the pipeline of growth opportunities available to us to drive future revenue growth at attractive returns.

Our outlook for capital expenditure, therefore, has not changed with EUR 600 million to EUR 650 million expected to be spent in 2024.

Moving to our operating cash flows on Slide 13.

In the third quarter of 2024, operating cash flows were EUR 210 million.

On a sequential basis, this was aligned with the first and second quarters of the year. Based on the last 12 months, this results in a cash conversion of 81%, excluding the impact of the one-off payment of EUR 167 million to the NJDEP in the second quarter of 2024.

Free cash flow to shareholders for the quarter was EUR 27 million, impacted by the spend on capital expenditure and increase in trade working capital and the timing of taxation payments.

The increase in trade working capital is driven by higher levels of inventory and lower payables to accommodate the planned plant maintenance in the third quarter and to meet expected customer demand in agro and semiconductor markets going forward. A release of cash from trade working capital is expected in the fourth quarter of this year.

Turning to our financial position, I'm pleased to report that we continue to have a strong balance sheet with our net debt at EUR 1.9 billion, a gearing ratio of 22% and a net debt leverage ratio of 1.3x.

We continue to have one of the strongest balance sheets in the industry with low levels of gearing and a balanced debt maturity profile.

We also have strong levels of liquidity available as demonstrated by the EUR 1.7 billion of undrawn committed bank facilities and a further EUR 700 million of cash & cash equivalents and other financial instruments on hand at the 30th of September 2024.

Finally, I'm pleased to report that the share purchase program launched at the end of June to acquire almost 1 million shares to meet employee long-term incentive programs was completed at a weighted average price of EUR 75.64 per share.

At the end of the third quarter, Syensqo announced a EUR 300 million share buyback program to acquire its own shares in the market. This program is supported by our robust financial position and our commitment to prudently return capital to shareholders, given our strong financial position whilst also maintaining a strong investment grade credit rating. The program will maintain our capital structure efficiency and all shares purchased in terms of the program will be canceled, thereby reducing the issued share capital of the company.

It is our intention to balance our future cash needs for growth alongside returning cash to shareholders to ensure the right amount of financial leverage. This program will commence today with an initial intention to acquire EUR 50 million of shares over the remaining two months of the year. With that, I'll now hand you back to Ilham. Thank you.

Ilham Kadri - Syensqo - CEO

Thank you, Chris.

Before we take your questions, I want to take you through our outlook for the fourth quarter and how that flows through the full year EBITDA and free cash flow ranges we have provided.

As I mentioned at the start of the call we continue to operate in an uncertain demand environment, for example in automotive.

At the same time, we have seen improving volume momentum for each of the last four quarters with growth returning in quarter three, something we expect to continue in the fourth quarter.

And while we remain fully focused on continuing to execute on the elements that are within our control, the strike at Boeing and its related impact on the broader supply chain is clearly something that we cannot. While we expect our fourth quarter to be impacted by the disruptions, we view them more as non-recurring headwinds.

Moreover, our range of products within composite materials and our exposure to a mix of customers and programs within both civil aviation and defense means that we continue to expect strong growth in the medium term.

As Chris mentioned, the impact of the strike in quarter three was relatively contained.

However, our fourth quarter outlook now assumes a full three months of shutdowns in the affected plants, which represents approximately 60% of our sales at Boeing, primarily 737 and 777 programs, as well as the related engines, with the ramp-up of the 787 program unaffected by the strike.

Excluding these impacts and its disruption to the supply chain, the midpoint of our previous EBITDA range outlook would have been essentially unchanged. Double clicking on quarter four, the midpoint of our updated EBITDA range implies around a 20% sequential decline compared to quarter three, or around 15% excluding the Boeing impact.

Turning to free cash flow, our outlook now contemplates both the impact of the lower EBITDA as well as the related disruption to our normal working capital cycle as finished goods for Boeing that we have produced during the third quarter are no longer expected to convert into cash until after the end of the year.

2024 has been a challenging year, particularly in the context of industry growth and increasing uncertainty in its trajectory going forward. To that effect, the separation has given us increased visibility and agility as to how we must adapt and respond to such an environment, ensuring we prioritize our investments towards the most attractive and highest return projects. Going forward, and as part of our drive to accelerate towards our target operating model, we will continue to hire in geographies offering the strongest growth potential, delaying others, and ensuring our human capital aligns with customer needs.

Overall, our first three quarters as an independent company have served to reinforce our purpose.

We are executing at pace, taking steps to accelerate measures that are within our control, driving greater efficiency and speed of innovation; gaining share and deepening our customer relationships; sharing the value creation with them and ensuring we are further enhancing our operating leverage as volume recovers, to drive our financial performance. With that, we are now ready for your questions. Thank you. Back to you, Sherief.

Sherief Bakr - Syensqo - Head of Investor Relations

We'll now move to the Q&A session. Jeannie, can we please have our first question?

Questions & Answers

Operator

Your first question comes from the line of Tristan Lamotte with Deutsche Bank.

Tristan Lamotte - Deutsche Bank

Two questions, please. The first: it is impressive that you did positive net pricing in Specialty Polymers this quarter, and thanks for sharing the chart on that. What's the risk that after this period of severity Specialty Polymers pricing is down by a few percentage points next year. Has the business benefited from reductions in raw material prices? Or should we really see this as a positive inflection point in your view in that business?

And then second question: could you maybe run through what you're seeing in your order book for the moment and the trends that you're seeing month-to-month in different markets, particularly EVs, semis, consumer electronics, medical devices, consumer and agg.

Ilham Kadri - Syensqo - CEO

Chris, do you want to start with the pricing?

Christopher Davis - Syensqo - CFO

Yes. So just from a net pricing, generally, we don't comment on 2025 net pricing and we are currently negotiating contracts and next year's volumes with a number of customers as we speak. So it would be inappropriate to talk about those.

I think you've seen on the slide, we have demonstrated our stickiness in terms of pricing with Materials delivering flat net pricing year-to-date. And in Consumer & Resources, we're really balancing the volume and maximizing value equation. And we'll continue to do that going forward as a specialty business.

I think going forward, what you should expect from us is we'll talk more about gross margin. So this is really how we protect our net pricing, and that will become our focus going forward.

Ilham Kadri - Syensqo - CEO

Yes. On the order book. At a high level, as I told you in my prepared remarks, we expect year-on-year volume growth to be led by Novecare and Specialty Polymers, partially offset now by Composite Materials due to the strike of Boeing. And as you know we will see an impact in Q4, although this morning, we've got the good news for our customer Boeing and for ourselves that the work will resume. But it's going to take basically more than a quarter as there is a retraining as required by the regulator of around 45 days. So it will take time.

On Specialty Polymers, the growth is driven by electronics and semis. We'll continue seeing that industrial applications (building, plumbing and others) are partially offset by lower auto, which you will still see in Q4. Novecare growth is driven by agro and HPC.

We've seen a good commencement of the agro season in Latin America. And in HPC, by the way, you've seen in Q3 that we've been outpacing the market. So, this is going to continue. And sequentially, we are also seeing improvements in healthcare, agro and mining, which remains very strong.

So, while we expect year-on-year volume growth to continue in Q4, a number of our end markets continue to be impacted by uncertainties, and notably automotive and aerospace. We already talked about that. And there are a number of drivers that have to be overly precise at this point. And all of this is reflected in our outlook range. The destocking, for example, by our customers, but we feel very confident with the range we have given you.

Back to you.

Operator

Your next question comes from the line of Chetan Udeshi with JPMorgan.

Chetan Udeshi - JP Morgan

The first question I had was just looking at your cash flow statement, it seems there has been some unwind of provisions in Q3. I'm just curious, can you quantify how much of that, if any, benefited your adjusted EBITDA and what these relate to? And are you penciling in any further benefit in Q4 in your guidance from any of these provision releases.

The second question I had was: it seems in the C&R business, Technology Solutions is the only business which is sort of holding the fort in terms of margin. What is driving that kind of performance in Technology Solutions?

And separately, any structural progress that you are making in C&R to improve the business mix, quality? Or is it largely going to depend on macro recovery and trends there?

And last question, maybe just going back to your comments, do you expect volumes and earnings to be up in Materials and Specialty Polymers in Q4 2024?

Christopher Davis - Syensqo - CFO

Yes, Chetan, I'll take the question on the provisions. I think what you're referring to is the EUR 37 million in the cash flow.

In reality, there are typically impacts like this in all quarters, both positive and negative, that happen periodically. And we don't necessarily call them out. This is not unusual and can be attributed to phasing.

Now of the EUR 37 million, approximately two-thirds of that is primarily the reversal of prior environmental provision. This is not included in the underlying EBITDA. Let me be very clear: it is not included in the underlying EBITDA. The balance of a third is included in the underlying EBITDA. And it was taken into account in our forecast. What it really includes is lower employee costs and duties or costs associated with our business.

What I think you need to remember is, in this instance, the amounts are not material. And remember that any provision that we have made in the past represents a cost as we release the provision, it means we've managed to reduce that risk and cost going forward. But as I said already, it's not material.

Ilham Kadri - Syensqo - CEO

The next question was about Technology Solutions, Chetan. Indeed, it is a high-quality specialty business. We like it. It's innovation-led. There are only a few competitors, high barriers to entry, strong know-how, including digitalization inside the mines… Remember in COVID time we couldn't travel to our customers. So we've been innovating to actually connect in the mines with our people. And it's sticky. It's a really sticky long-term relationship exposed to future fees in commodities and thus translating into a high-margin business. So we indeed like it.

The rest you talked about was Novecare. And indeed, Novecare, when I joined the company back in 2019, had a philosophy of “filling the pot” and I improved the portfolio drastically. You may remember, it was one of the lowest return on capital employed business at that time at Solvay and to pruning the portfolio, pruning the low-margin businesses, leaving some customers and divesting commodities, remember, such as amphoterics. And now actually, we've been building a string of new differentiated technologies with bolt-on acquisitions in the past few years and to earlier in the year, aligned with customer needs. We've been improving this business, and that translates in the EBITDA margin, you can see it reflected in the segment’s EBITDA margin.

Now, Oil & Gas and Aroma were adversely impacting the margins. You all know that. But we are fixing them, as you know. And importantly, they are not a cash drain on the business.

The last question was about volumes. So the volumes in the Materials in Q4. At a high level, we expect year-on-year volume growth to be led indeed, as I said, by Specialty Polymers and Novecare. And partially, as we speak, offset by declines in Composite Materials due to the strike. And Specialty Polymers growth is driven, as I said, by electronics, semis, industrial applications, building, and partially offset by lower auto and the softer automotive businesses will continue in Q4. And all this is baked in our guidance.

Novecare will continue to be supported by growth in agro. And we experienced double-digit growth, and this season is really good in Latin America, both in herbicides and green solvents and also in Home and Personal Care, which I'm very pleased with what the team did in outpacing the market. And sequentially, we see improvements in healthcare, agro and mining.

Back to you.

Operator

Your next question comes from the line of Matthew Yates with Bank of America.

Matthew Yates - Bank of America

Maybe just go back on the net pricing for a moment. And specifically, to echo someone's comment earlier, the helpful chart that called out the impact from Oil & Gas and Aroma, I guess you're admitting there that there are competitive pressures and that's not necessarily in keeping with a specialty portfolio. Ilham, you said in the past there aren't any sacred cows in the business. And I fully appreciate the spin was a big undertaking of management's time and attention. But are we now at the stage where you can be a bit more proactive in terms of accelerating any portfolio reviews and associated divestments that are at risk of maybe overshadowing the continued strong pricing dynamic you're seeing in the rest of the business.

And then maybe the second one, perhaps for Chris, you talked in your introductory remarks about some additions to the fixed cost base, I think you said specifically in Composites from the BU perspective. As you look at the next couple of quarters and you manage this sort of turbulence in the supply chain, do you just stick with those costs and you have to accept some degree of negative operating leverage? Or is there anything you can do to manage that cost base more tactically short term.

Ilham Kadri - Syensqo - CEO

Yes, Matthew. Let me start, Chris, with the CNR and indeed the sacred cow.

Well no, you remember well we've always said that we ask ourselves if we are the right owners of any business we own. You know that in oil and gas, we continue to see interest from potential buyers. But obviously we are not in a rush to sell unless we get the value we expect. And we've been taking actions to improve profitability by variabilizing the fixed cost. You may know that there are antidumping filings happening in Europe and in the US which are going through, by the way. And customers are starting to demand more of our products and volumes. So it's under intensive care.

It's not a drag for cash, and we'll continue fixing it. And as a reminder, Aroma today represents more than 4% of the Group Q3 net sales.

Chris, do you want to take the other one?

Christopher Davis - Syensqo - CFO

Specifically, I think you're referring to Composite Materials, and then I'll talk more broadly.

I think there has been a lot of uncertainty around the timing of a restart at Boeing, but we are not resting on our laurels regarding costs and are taking appropriate decisions. That said, we will continue to hire in Composite Materials for production as we are not yet at the production level that we had in 2019. And we're also investing in CapEx to improve the efficiencies of our plants, which will have a long-term benefit. But I remind you that the order book in Composite Materials is for more than 15,000 aircrafts which at the current production rates would take them more than a decade to build. So we do see this as more temporary headwind in nature, and we'll be ready to support the growth when production restarts. When I look at fixed costs more broadly, I think that we are looking across the board at our fixed costs to see where we can get delayering and efficiencies within the organization, and that generally tends to be towards the higher levels of our organization.

I'll stop there.

Operator

Your next question comes from the line of Jeremy Kincaid with Van Lanschot Kempen.

Jeremy Kincaid - Van Lanschot Kempen

Firstly, could you just provide some commentary on the efficiency measures that you've outlined and particularly if you could outline sort of what the one-off severance costs might be and also some of the ongoing savings that might arise?

And secondly, obviously you provided the comments around doing more with your existing capacity and obviously this may assume doing more with your existing physical assets. But does this also include doing more with your existing suite of products?

And I suppose adjacent to that, could you just provide some comments on if you're expecting to increase or decrease the number of new products to market over the next 12 months against the backdrop of this cost reduction program?

Ilham Kadri - Syensqo - CEO

Take the first one, yes.

On the efficiency measures, indeed, as you've seen this morning, on the second press release, our decisions affecting people are never taken lightly, obviously. And as we speak, we opened consultations with our social partners, with the potential impact and proposed reduction of approximately 300 to 350 positions, primarily in France, Belgium, Italy, and this is around 2% of our total head count. We are obviously realigning the human capital to the regions of not only with highest returns, but higher growth opportunities and flexibility in labor and talent access.

So this efficiency program's impact on cost is relatively small, but shows how we will and we shall variabilize our fixed costs to remain agile and adapt to our customer needs swiftly. Our customers are changing their view of the world, their regional presence, their innovation and research and also service needs. And we owe it to them, to be very, very close. Our manufacturing strategy, our service strategy is one of proximity.

And we will share with you more on the impact on 2025 and early next year.

Next question.

Christopher Davis - Syensqo - CFO

Yes. So on the next question, as I understand it, you're looking at phased out products and in innovation for new products. You know that we've previously communicated to the market that we intend to get out of the fluorosurfactant-based products. And in the beginning of this year, particularly in the first half, we had about a EUR 35 million-ish impact due to the impact of previously phased-out products.

In terms of innovation and as we go forward, we continue to innovate. We continue to work with our customers to solve their needs. And we leverage that R&I machine that we have internally, but besides that, we don't really have anything specific I would like to share at this point in time.

You'll see it. What you should do is judge us on the future as the earnings growth comes through.

Operator

Your next question comes from the line of Aron Ceccarelli with Berenberg.

Aron Ceccarelli - Berenberg

My first one is on corporate costs. There was a sequential increase of EUR 9 million in the quarter. Maybe can you elaborate a little bit when you mentioned high-growth investments or investments in high-growth platform, sorry, what these are? And what are the criteria for this cost to be allocated at the segment level? The second question is about pricing again in Specialty Polymers. On Page 7 of your report, you mentioned lower pricing year-over-year. but you also mentioned positive net pricing. I would like to understand if you can provide more granularity because I would have expected that your raw material basket is not down at this stage year-over-year. So just wondering how you could report positive net pricing.

Christopher Davis - Syensqo - CFO

So let me deal with the cost issue first. On an annual basis, I think you know at the Capital Markets Day, we indicated that corporate costs should be around EUR 200 million. That position has not changed for us. And there can be some quarterly fluctuations but nothing new or exceptional to flag. So we don't expect going in quarter four to be higher than that or at those levels, but you should work on about EUR 200 million for the full year.

What we had in the quarter was increased spend on digital and IT in our business, increased spend on R&I. The increased spend from a fixed cost perspective were Composite Materials.

Ilham Kadri - Syensqo - CEO

Yes. And on Specialty Polymers, we are very happy with the stickiness of pricing and with the positive net pricing in Q3. And we elected to open up and share with you our curves now on net pricing because it has been a consistent question. And in Materials, it has been probably five consecutive quarters where we've seen stickiness of net pricing.

So obviously, the gross pricing has been impacted, as you can imagine, in any business by a mix of end markets, by products and by the variable cost, which declined. And the most important for our commercial and marketing teams and business units was to hold down enough on pricing and capture some of the variable costs.

What we do for customers is we solve their most pressing problems. We create value more than just selling products. We are invoicing the products, and we sell a value proposition in lightweighting at a lower total cost of ownership. And I think we've been telling you since 2021 that we tried to share the value creation. It's not a science. It's a bit of an art. We've been training our sales organization and more and more on the specialty side, we'll move smoothly in 2025 to gross margin as KPI, which will define the specialty nature of our sector and businesses like in Specialty Polymers. And this is reflected in our strong margins.

Back to you.

Operator

Your next question comes from the line of Martin Roediger with Kepler Cheuvreux.

Martin Roediger - Kepler Cheuvreux

Yes. All of my questions have been already answered, but maybe two left. One is on the, let's say, difference between that you expect the adverse impact for volumes from the Boeing strike. On the other hand, your order book in aerospace is 44 months. So how binding are your orders?

And in relation to that, we know that Boeing is your #1 customer in aerospace. Ilham, when I do the math, based on your statements, you mentioned in your speech, then I conclude that Boeing accounts for 49% of your aerospace business. Is that calculation correct?

Ilham Kadri - Syensqo - CEO

Thanks, Martin.

Well I think you said 44 months, I wish it's 44 weeks. I would love it. Indeed, there is a backlog. To be honest with you, Martin, we said that there are 15,000 aircrafts in the backlog. It's going to take 15 years, right, just to build them and at the build rate of 2023.

But indeed, we had more than 40 weeks of backlog. And the Boeing strike in Q3, as we told you, was relatively contained. Our Q4 outlook now has a full three months of shutdown in the plants impacted by the affected programs.

So let me give you, I mean clarity, and we have given it to you. I believe it's primarily 737 and 777 programs as well as the related engine. And this is probably 60% of our Boeing business. The ramp-up of the 787 program as such remains unaffected by the strike.

Going forward, we got the good news. We finished our prepared remarks yesterday without knowing what the vote would be overnight. Waking up this morning driving to the office, we realized that we had good news? And that the Boeing strike is ending during the night, workers backed the last day deal and the work will resume in the next week or so. This is good news.

But it's too early to discuss the impact on Q1. Q4 is done. There will be nothing because as I said, even if they start next week, there will be 40 days, I think it's 45 days of training, which the regulator is pushing Boeing to have with the machinists.

So, it's too early now to tell you more about the impact in Q1 next year, and there will be some impact due to the inventory stock held at Boeing and its suppliers. But having said that, I keep my 40 weeks plus. And I'm extremely excited about the long-term fundamentals of the business. It's sort of innovation, high margin stickiness and indeed the backlog, as I mentioned.

Back to you.

Operator

Our final question comes from the line of Laurent Favre with BNP.

Laurent Favre - Exane BNP

I just have one question. In your prepared remarks, you said that you are looking at all options that may increase accessibility to your investors and create shareholder value? And I was just wondering, what is in your mind when you say this? I'm assuming here you might be hinting at a U.S. listing, but I was wondering if I was right, so if you did there are other options.

Ilham Kadri - Syensqo - CEO

Yes. You heard well. First of all, we are undervalued and our share price deserves to be triple-digit share price and our multiple double digits. So, as I said, hopefully, we will never be totally satisfied till we get where we should be. The market is the market, and it is actually a tough year. But as I say to our teams, it's not bad to start with a tough year in your first year of existence.

Yes, Laurent, we look at all options that create value for Syensqo, for our employees and shareholders. A listing somewhere else could be a part of it, potentially providing us with increased accessibility to investors in a region where it's the largest region in terms of sales and human capital.

But let me remind you that we've done a lot over the 10 or 11 months of existence.

We have an inaugural bond offering in the U.S. to tranches of EUR 600 million. We could have done it elsewhere.

We delisted from Euronext Paris to simplify because it didn't bring any value.

We restructured our pension program in North America. This is USD 485 million to reduce the company's gross pension obligations and associated volatility risk.

So one step at a time. This company continues to build a strong infrastructure with one of the best balance sheets out there in the market.

Sherief Bakr - Syensqo - Head of Investor Relations

Well thank you all for your participation and questions.

And as usual, the Investor Relations team is here to answer any remaining questions for those who we didn't manage to get to today.

Wishing you all a great day.

Thank you.

Operator

This concludes today's conference call. Thank you all for joining.

You may now disconnect.