

Strong growth, but lower margins for Geosynthetics Industry

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Geosynthetic companies are increasing both operating revenue and operating profit year to date. However, the operating margins are being challenged by high raw material prices and significant global unrest.

Market status

Increased sales volume and prices led to strong topline growth for Geosynthetic companies during the first and second quarters of 2022. Operating revenues across the board are up on the same period last year. All segments (Geomembranes, Geotextiles and Geogrids) delivered double-digit sales growth for most players.

“We are satisfied with the development. It is great to see that the geosynthetic market is recovering after a difficult period” says an Industry executive.



CEO of Solmax Jean-Louis Vangeluwe

Jean-Louis Vangeluwe, CEO of Solmax, commented:

“Since CDPQ’s initial investment, Solmax has expanded dramatically, growing tenfold in four years. In 2021, their active involvement in providing financing and guidance enabled us to acquire a major Dutch company (TenCate) and strengthen our position as a global leader in the civil and environmental infrastructure industry.”

Global challenges

The positive development comes in a time of major global challenges. The war in Ukraine is affecting the raw material markets and creating an energy crisis in Europe. In addition, there are persistent challenges in global supply chains.

“The geopolitical imbalance puts international trade under pressure. However, our people throughout the world have handled the demanding situation well”, says the Geomembrane Industry Executive.

Consequently, costs have increased. Even though the company’s operating profit rose, the operating margin came in below the level seen last year.

Outlook

Going forward, Geosynthetic industry executives expect continued sales growth. The high raw material prices will still be a challenge. However, there are signs that raw material prices have now peaked and started to ease. In addition, challenges related to the war in Ukraine, the energy crisis, the global supply chain issues, and the Covid-19 pandemic persist.

“The world around us is characterised by unrest and uncertainty. However, our organisation is robust and intact, and we are ready for continued growth”, says the Industry Executive.

As a Geosynthetic market leader the company is well-positioned for further profitable growth, and the company remains committed to its long-term growth strategy and investment plans.