Inside Scoop- Why Solmax is Closing Down Their Austrian Operation

By GNA Senior Editor

Introduction

The former OMV subsidiary in Linz, Austria is set to shut down by 2026. Initially founded as Polyfelt by ChemieLinz, the company became a specialized leader in geotextiles.

Today, it is part of Solmax Austria, owned by one of the world's largest geotextile group based in Canada. CEO Jan-Willem Heezen recently informed employees about the closure and the company's decision to withdraw Linz site from the Solmax group of companies. This will result in the dismissal of over 100 employees, who are expected to lose their jobs in about a year. The shock news comes just a week after the news that ATARFIL decided to close its Geomembrane Plant in USA and announced its layoffs.

According to the latest balance sheet of 2023, the company in Linz had sales of 74.4 million Euros employed 123 people but was in the red. Recently, costs have come under massive pressure.

The rising costs have significantly squeezed profits, forcing management to re-evaluate operations and make the difficult decision to shut down operations.

The company, however, remains tight-lipped about the situation. Management in Linz has refused to comment and redirected inquiries to the group's headquarters. Even there, no official confirmation has been given by press release. Insiders say the company plans to inform the workforce this January about specific timelines and processes for the closure.

Surprising News

In a surprising announcement, Solmax plans to shutter its Austrian operation in Linz by 2026. This decision has sent shockwaves through the industry and will leave over 100 employees without jobs, marking a significant change for a site that once stood as a beacon of innovation in geotextiles manufacturing.

"CEO Jan-Willem Heezen recently informed employees about the closure and the company's decision to withdraw Linz site from the Solmax group of companies."

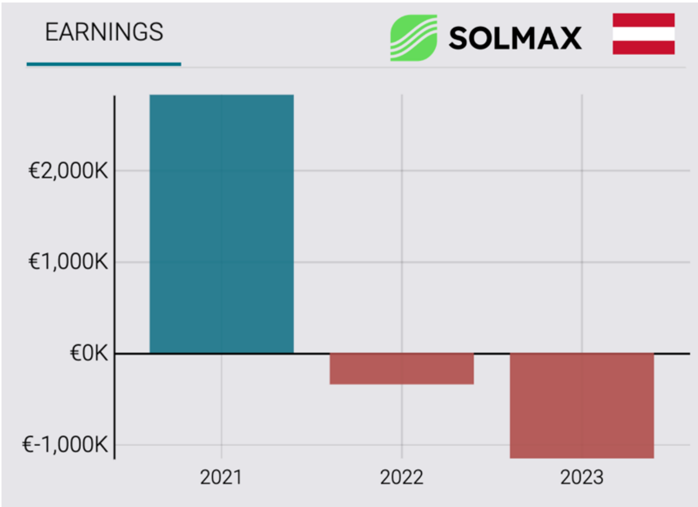
Heezen told employees that the Linz site was the most expensive in the Solmax group and MUST be closed.

From Industry Leader to Closure

The Linz operation, initially founded as Polyfelt under Chemie Linz, evolved into a specialized leader in geotextiles and became part of the Solmax Group—one of the world's largest geotextile manufacturers, headquartered in Canada. Despite its celebrated history and global reputation, the Austrian facility has faced mounting challenges that have rendered it financially unsustainable.

According to Solmax's 2023 financial report, the Linz operation generated €74.4 million in revenue but struggled with profitability, ending the year in the red. Rising costs, global competition, and a challenging economic climate have been identified as the primary factors behind the decision to close.

The graph below shows the financial position moving into the red in the last two years.



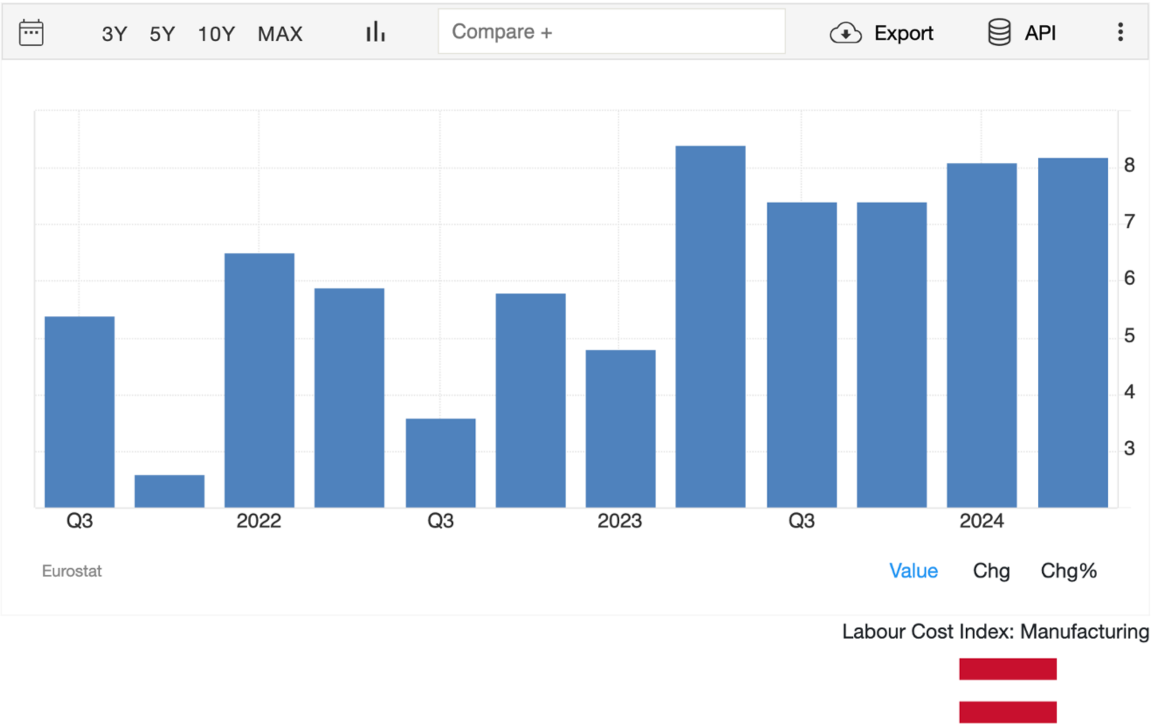
The Perfect Storm of Rising Costs

A combination of factors has squeezed profit margins and contributed to the demise of Solmax's Austrian facility:

1. **Rising Labour Costs**: Austria's higher wages, while reflective of its advanced economy, have placed the Linz operation at a disadvantage compared to competitors in Eastern Europe and Asia.
2. **Raw Material Price Volatility**: The cost of polymers, a key component in geosynthetics, has fluctuated dramatically in recent years, making cost management increasingly difficult.
3. **Intensified Global Competition**: Emerging players from Poland, China, and other regions have flooded the market with lower-cost alternatives, forcing established companies like Solmax to cut prices and sacrifice margins to stay competitive.
4. **Supply Chain Uncertainty**: Shipping rates, which spiked during the COVID-19 pandemic, have remained volatile. This unpredictability has significantly impacted the efficient and cost-effective movement of goods, further complicating operations.
5. **Rising Interest Rates**: A notable factor contributing to the closure is the increased cost of borrowing. Credit rating downgrades, including Moody's recent downgrade of Groupe Solmax to a speculative B2 rating in June 2024, have heightened financial pressure. Higher interest rates on

substantial debt loads have further strained cash flows, creating a cycle of diminished investment and reduced operational capacity.

The graph below shows the rising labour cost index in Austria manufacturing in recent years.



A Blow to the Workforce and Local Economy

The closure of Solmax's Austrian site will result in the dismissal of 123 employees, leaving a profound impact on the local economy. Insiders report that staff were informed about the decision last week, with a more detailed timeline expected to be shared in early 2025.

Workers at the Linz site face an uncertain future as Solmax withdraws its manufacturing footprint from Austria. The company's decision underscores a broader trend of industrial consolidation and cost-cutting in high-wage economies.

Silence from Management

Despite the significant implications of the closure, Solmax's management has remained tight-lipped. While inquiries directed at the Linz office were referred to the company's headquarters, no official statements have been provided, leaving employees and industry observers in the dark.

The Broader Context: A Struggling Industry?

Solmax's struggles are reflective of larger challenges facing the geosynthetics sector. Intensified competition, supply chain disruptions, and financial pressure from rising interest rates have created a precarious environment for manufacturers globally.

The downgrade of Solmax's credit rating to B2 by Moody's in mid 2024 is a telling sign of financial vulnerability. According to Moody's, the rating reflects ongoing uncertainties that could compromise Solmax's ability to meet its financial obligations. While Solmax continues to operate, the closure of its Linz facility highlights the strain on the company's resources.

The Austrian company received significant state aid via public funding just last year (2023) in three tranches of €400,000, €166,355 and €156,674 totalling €723,000 via the Temporary Crisis Transition Framework (TCTF) to support a net-zero economy.

What's Next for Solmax?

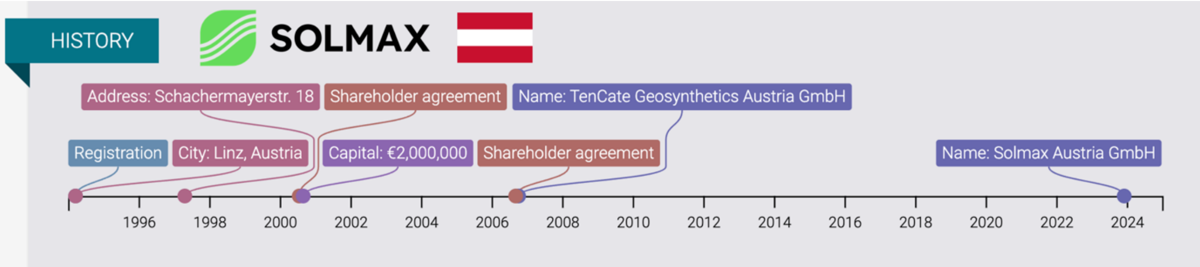
As Solmax prepares to shutter its Austrian operations, the company must grapple with the implications of its decision. While the closure may help reduce costs in the short term, it also raises questions about the company's long-term strategy and ability to compete in an increasingly challenging global market.

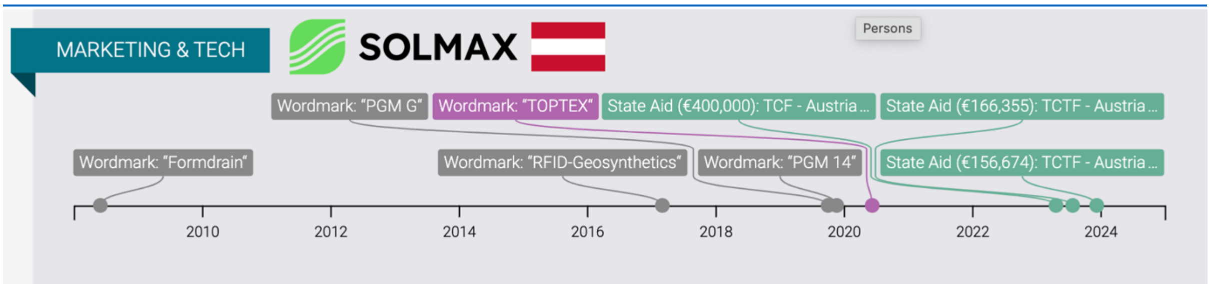
For the industry at large, Solmax's move signals a potential shift toward cost-driven consolidation and a rethinking of global manufacturing strategies. Whether this approach will stabilize the company remains to be seen.

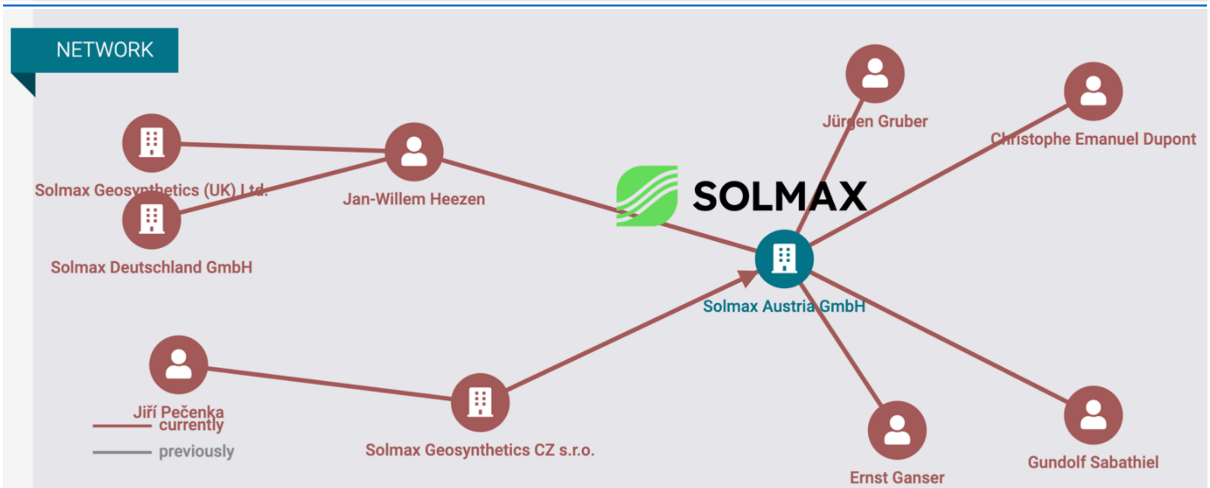
Final Thoughts

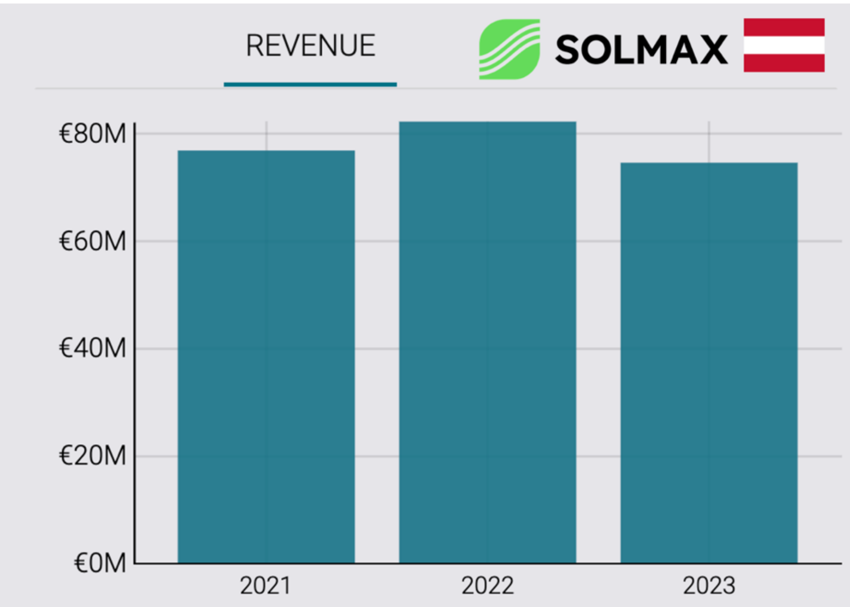
The closure of Solmax's Linz facility is a poignant reminder of the challenges facing traditional manufacturing in high-cost economies. While the decision is undoubtedly rooted in financial realities, it also marks the end of an era for a site that once stood as a cornerstone of geotextile innovation. As the geosynthetics industry evolves, the fate of Solmax Austria will likely serve as a case study in navigating the complexities of globalization, competition, private-equity ownership and financial sustainability.

Company Profile and Fundamentals









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