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BASF Conference Call for Analysts and Investors: Q1 2026

Speech

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The spoken word applies.

Dirk Elvermann

Good morning, everyone!

Christian Jutzi and I welcome you to our Q1 Conference Call for analysts and investors, right before our Annual Shareholders’ Meeting.

The first quarter unfolded in two phases: In the first two months, we saw moderate growth, driven by China. Since March, developments have been shaped by the conflict in the Middle East and the closure of the Strait of Hormuz to seaborne transport of oil, gas and chemicals.

In this demanding market environment, BASF demonstrated resilience and achieved EBITDA before special items of 2.4 billion euros compared with 2.5 billion euros in the prior-year quarter.

[Slide 3: Q1 2026: Solid volume growth almost offsetting FX headwinds and lower prices]

Let’s start with a closer look at the sales performance of BASF Group compared with the prior-year quarter. Overall, sales declined slightly on account of strong currency headwinds and lower prices.

However, we achieved solid volume growth. All segments increased volumes except for Surface Technologies, where they declined slightly. Volume growth was most pronounced in the Petrochemicals, Monomers and Nutrition & Health divisions. Thanks to the successful and on-time startup of our new Verbund site in South China and already high utilization rates, the Petrochemicals division was able to capture strong volume growth. Volumes in the Monomers division rose significantly, especially for isocyanates and ammonia. Following the restart of our vitamin production in Ludwigshafen last summer, the Nutrition & Health division also recorded considerable volume growth.

Compared with the prior-year quarter, prices declined, particularly in the core businesses. This resulted from ongoing competitive pressure and lower average raw material prices in Q1 2026. In the Surface Technologies segment, we achieved significant price increases, mainly due to higher precious metal prices. In Agricultural Solutions, prices were almost stable.

Due to the sharp rise in raw material prices in March, notably for naphtha and natural gas, we announced price increases across our product portfolio, as existing contracts allow. The impact of these price increases is expected to come through in the second quarter.

Adverse currency effects dampened sales in all divisions and were mainly related to the depreciation of the U.S. dollar and the Chinese renminbi compared with the prior-year quarter. Portfolio effects only slightly lowered sales and were mainly caused by the sale of BASF's decorative paints business on October 1st and BASF's food and health performance ingredients business on September 30th last year.

Due to this underlying sales development, EBITDA before special items declined by 6 percent and came in at 2.4 billion euros. Disregarding the currency headwinds of more than 100 million euros, EBITDA before special items would have reached the level of the prior-year quarter.

[Slide 4: Strong volume growth in Greater China thanks to BASF's new Verbund site in Zhanjiang]

Let's briefly turn to the regional volume and price development compared with the prior-year quarter excluding metals.

We achieved strong volume growth in Greater China thanks to our new Verbund site in Guangdong province. Especially the Chemicals segment benefited from the new capacities and increased volumes.

However, prices in Greater China declined, primarily due to the imbalance between supply and demand, particularly in the upstream businesses.

In Asia Pacific excluding Greater China, we also recorded considerable volume growth driven by the Nutrition & Care and Surface Technologies segments. In this region, prices decreased, especially in the Materials and Chemicals segments.

In Europe, the solid volume growth was mainly attributable to the Materials, Nutrition & Care and Agricultural Solutions segments. Prices in Europe declined, especially in the Chemicals, Materials and Industrial Solutions segments.

In North America, volumes were stable, while prices excluding metals slightly declined. Particularly in the Chemicals segment prices were lower than in the prior-year quarter.

In the region South America, Africa and Middle East, volumes declined mainly on account of Materials. All segments recorded lower prices except for Surface Technologies.

Please note that sales to customers in the Middle East accounted for less than 1 percent of BASF Group’s sales, both in 2025 and in the first quarter of 2026.

[Slide 5: Our setup makes us more resilient and better positioned to supply our customers]

Over the past weeks, we have received many questions regarding the conflict in the Middle East and the blockade of the Strait of Hormuz. Global supply chains are under severe stress, and feedstock availability is a challenge for the entire chemical industry.

We have activated a cross-divisional crisis response team comprising procurement and the businesses to foster clear communication, mitigate risks and capture opportunities. For the coming weeks, we do not see significant supply risks for our production. Our setup makes us more resilient and better positioned to keep our customers well supplied. What sets us apart from many of our competitors are the following factors.

First, with our broad and well-diversified product portfolio, BASF serves numerous customer industries worldwide. Through our long and multiple-step value chains we generate high value add.

Second, BASF's local-for-local production approach and large, integrated Verbund sites in all regions ensure more stable production compared to standalone, non-backward integrated sites. In addition, we operate flex-feed steam crackers in Antwerp, Zhanjiang and Port Arthur that can use naphtha and other feedstocks. This gives us flexibility in the use of raw materials.

Third, BASF is one of the few chemical companies with its own dedicated trading business for key feedstocks, which provides flexibility and optionality. We can source key raw materials such as naphtha, methanol or benzene either globally or locally, whichever makes more sense at the time. Importantly, our trading activities typically handle volumes that are significantly larger than what we use to cover BASF's own demand. This gives us broad access to the market, increased flexibility, and the ability to respond quickly when supply chains are under stress. In short, scale is a key source of resilience for BASF.

As outlined in our Q2 2025 conference call, we have concluded two cornerstone gas supply agreements with Equinor and Cheniere.

In this way, we ensure long-term natural gas supply, high volume flexibility and diversification across geographies, pricing models and delivery modes.

[Slide 6: Q1 2026: EBITDA bsi declined slightly; earnings contributions of Surface Technologies and Materials rose]

Let’s now look at the EBITDA before special items bridge.

In Q1 2026, considerable earnings growth in the Surface Technologies segment and slight earnings growth in the Materials segment were offset by lower contributions from the Chemicals, Agricultural Solutions and Nutrition & Care segments as well as Other. Earnings in the Industrial Solutions segment were stable.

Compared with the prior-year quarter, EBITDA before special items in the **Surface Technologies** segment rose significantly, mainly due to Environmental Catalyst and Metal Solutions. The increase in earnings in the ECMS division resulted primarily from higher contributions from precious metal trading. Lower fixed costs as a result of one-off payments in connection with the successful resolution of a litigation matter also helped to boost earnings.

In the **Materials** segment, earnings rose slightly on account of the Monomers division. Lower fixed costs and higher contribution margins contributed to the improvement.

EBITDA before special items in the **Chemicals** segment declined considerably, mainly owing to lower contribution margins due to global overcapacities. A higher turnaround intensity in comparison to the prior-year quarter, e.g., at the Port Arthur site, contributed to the decline in Petrochemicals. Furthermore, we incurred higher fixed costs due to the startups at the new Verbund site in South China. Let me highlight, however, that in March, the Zhanjiang Verbund site already delivered a positive EBITDA before special items.

This demonstrates how quickly economics can change in a volatile market environment. Overall, the earnings of the Chemicals segment improved gradually during the first quarter of 2026.

Earnings in the **Industrial Solutions** segment matched the level of the prior-year quarter as slightly higher contributions from the Dispersions & Resins division compensated for slightly lower contributions from the Performance Chemicals division.

The **Nutrition & Care** segment generated considerably lower EBITDA before special items, owing mainly to the price-related decline in the contribution margin of the Care Chemicals division. By contrast, earnings in the Nutrition & Health division improved substantially thanks to significantly higher sales volumes as well as reduced fixed costs.

In **Agricultural Solutions**, earnings decreased slightly, largely due to currency-related declines in contribution margins. Slight volume growth in all regions supported the earnings development.

EBITDA before special items in **Other** decreased significantly, largely due to measurement effects from derivatives related to hedges.

With that, I will hand over to Christian.

Christian Jutzi

Thank you, Dirk. Good morning, everybody.

[Slide 7: BASF Group Q1 2026: Key financial figures]

Let’s now take a brief look at key financial figures.

At 2.4 billion euros, EBITDA before special items decreased slightly compared with the prior-year quarter. Cash fixed costs declined by around 5 percent to 3.9 billion euros; this is the result of our ongoing restructuring efforts as well as positive currency effects.

EBIT, not shown on the slide, improved slightly and amounted to 1.3 billion euros. In Q1 2026, we incurred special charges in EBIT of around 170 million euros compared with around 430 million euros in the prior-year quarter. Special charges were largely related to restructuring measures. Net income improved by 119 million euros and came in at 927 million euros.

Free cash flow rose by 423 million euros to minus 1.4 billion euros. You will find more details on the following slide.

[Slide 8: Cash flow improvement in Q1 2026]

The increase in cash flows from operating activities by 185 million euros was primarily due to dividends received from Wintershall Dea, which were paid after Wintershall Dea had been reimbursed under the federal investment guarantees.

Lower earnings with cash-impact, higher severance and bonus payments, and increased cash consumption due to the price-related build-up of precious metal trading positions lowered the increase in cash flows from operating activities.

As in the prior-year quarter, changes in net working capital led to a cash outflow of around 3.0 billion euros and were mainly related to changes in accounts receivable in our Agricultural Solutions business following the start of the season in the northern hemisphere.

Payments made for property, plant and equipment and intangible assets were reduced by 238 million euros compared with the prior-year quarter to 578 million euros.

Free cash flow came in at minus 1.4 billion euros compared with minus 1.8 billion euros in Q1 2025. Typically, BASF’s free cash flow is negative in Q1 and recovers over the course of the year. This is mainly due to the seasonal nature of the Agricultural Solutions business.

[Slide 9: We will strengthen our balance sheet by reducing net debt in 2026]

Let’s now turn to our balance sheet at the end of the first quarter compared with the end of March 2025.

At 81.8 billion euros, total assets were almost at the prior-year level. BASF’s equity ratio amounted to 43.4 percent and remained solid, despite the ongoing share buyback program. Net debt was unchanged from the end of March 2025 and higher than at year-end, reflecting the seasonality in our Agricultural Solutions business.

We continue to have a single A credit rating, which ensures unrestricted access to financial markets and favorable financing conditions. This is especially relevant in times of high volatility and unpredictability. Fitch, Moody’s and S&P all recently confirmed BASF’s single A credit ratings.

In the coming quarters, we will focus on deleveraging. The maturity profile of outstanding bonds and loans – shown in the lower part of the slide – will support this. In the first quarter, we already repaid a euro-denominated bond with a nominal value of 1 billion euros.

[Slide 10: On track to achieve the targeted cost savings of ~€2.3 billion by end of 2026]

In the following, I will give you an update on the implementation of BASF’s cost savings programs.

We are convinced that we will achieve our targeted annual cost savings of around 2.3 billion euros by year-end. At the end of March, we had already achieved a total annual run rate of 1.9 billion euros. We continue to expect total one-time costs of around 1.9 billion euros, of which we incurred 1.6 billion euros by the end of the first quarter.

This shows the positive momentum in bringing down our cost base and the ongoing management focus on this crucial topic.

With that back to you, Dirk.

[Slide 11: We are taking a balanced approach to capital allocation in line with our “Winning Ways” strategy]

Before we move on to the outlook, I would like to reiterate BASF’s capital allocation framework.

I will start with cash contributions, shown here on the left. As you are aware, we expect to close the coatings transaction with Carlyle in the second quarter, subject to customary regulatory approvals. We will receive pre-tax cash proceeds of around 5.8 billion euros at closing. Taxes are assumed to be in a mid-triple-digit million-euro range.

We are also making good progress with the monetization of our oil and gas assets. In the first quarter, proceeds from the sale of a portion of our Harbour Energy shares amounted to around 300 million euros. The largest tranche, 80 million shares, was sold via an accelerated bookbuilding offering. Our remaining shareholding in Harbour Energy now stands at around 30 percent when considering all shares outstanding. As we have stated on several occasions, we consider our participation in Harbour Energy to be a financial investment, and BASF’s strategy remains to exit it over time, being mindful of the value.

Furthermore, as mentioned earlier, we received dividends from Wintershall Dea of almost 800 million euros related to the federal investment guarantees for expropriated assets in Russia in the first quarter. With these payments and the payments in the second half of 2025 amounting to 900 million euros, the insurance claims of Wintershall Dea under the capital coverage have been settled.

Now, let’s move on to the use of cash on the right-hand side.

We are committed to attractive shareholder distributions. Subject to the approval of today's Annual Shareholders' Meeting, we will pay a dividend of 2 euros and 25 cents per share on May 6.

We have been buying back shares since November 2025. The program with a volume of up to 1.5 billion euros is scheduled to be concluded by the end of June. So far, we have bought back shares under this program for around 880 million euros or around 2.2 percent of the outstanding shares. These share buybacks are part of the total buyback volume of at least 4 billion euros by the end of 2028 announced at our Capital Markets Day in September 2024.

As mentioned before, we will use a considerable part of the cash proceeds to deleverage.

Compared with the prior planning period, we will reduce capital expenditures in the next four years by 20 percent. Capex will consistently stay below depreciation until 2028.

We will also consider value-accretive M&A as a potential lever to strengthen and grow BASF's core businesses.

[Slide 12: Outlook 2026 for BASF Group is currently not updated]

Let's now turn to our outlook.

Given the high level of uncertainty about how the conflict in the Middle East will play out, BASF is not, at this time, changing its assumptions regarding the global economic environment in 2026 that were presented in the BASF Report 2025.

From today's perspective, the assumptions made in February regarding growth in global GDP, industrial production and chemical production may prove to be too optimistic. The oil price may be higher than our existing assumption, owing to impeded production and exports as a result of the conflict in the Middle East.

The U.S. dollar may appreciate compared to the euro, which would have a slightly favorable effect.

For now, the BASF Group's forecast for the 2026 business year published in the BASF Report 2025 is therefore maintained, including EBITDA before special items of between 6.2 billion euros and 7.0 billion euros and free cash flow of between 1.5 billion euros and 2.3 billion euros. CO_2 emissions will likely be between 17.2 million metric tons and 18.2 million metric tons.

We are, of course, closely monitoring the situation in the Middle East and will leverage opportunities and mitigate risks.

And now Christian and I are glad to answer your questions.