

# News Release

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BASF presents new corporate strategy:

## **BASF is setting a new direction for portfolio steering, capital allocation and performance culture**

With today's presentation of its corporate strategy, BASF is setting a new direction: "Our ambition is to be the preferred chemical company to enable our customers' green transformation," says Dr. Markus Kamieth, BASF's Chairman of the Board of Executive Directors, during his keynote at the Capital Markets Day in Ludwigshafen: "The strong and broad portfolio of chemical businesses at our core is what makes BASF most relevant to customers globally, across a wide variety of industries. Our standalone businesses serve distinct industries and are less connected to our integrated value chains. Going forward, we will unlock the value of these businesses."

By delivering superior offerings to its customers, BASF wants to grow profitably and create value for shareholders. "We will put an even higher focus on cash. We will strengthen capital discipline with lower capital expenditures and continue our cost savings programs," says BASF's Chief Financial Officer Dr. Dirk Elvermann. In the mid-term, BASF is committed to keeping the overall distribution to shareholders on the level of the last years through a combination of dividends and share buybacks. In this way, BASF aims to distribute at least €12 billion to shareholders from 2025 to 2028. Specifically, the company will pay a dividend of at least €2.25 per share (2023: €3.40) or around €2 billion each year. This will already apply to the dividend for the 2024 business year to be paid out in 2025. The aggregate dividend payment

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of around €8 billion in the four-year period will be complemented by share buybacks, which are targeted from 2027 onward at the latest and are expected to amount to around €4 billion.

The updated dividend policy is underpinned by the following new financial targets of BASF:

- EBITDA before special items is expected to be €10 billion to €12 billion in 2028 in mid to upcycle conditions.
- The cumulative free cash flow for 2025 to 2028 is expected to be more than €12 billion.
- The targeted return on capital employed (ROCE) for 2028 is around 10%.

The company presented its new “Winning Ways” strategy along four strategic levers: *Focus, Accelerate, Transform* and *Win*.

### **Stringent portfolio management along clear roles of businesses**

With the strategic lever *Focus*, BASF is redefining its approach to the management of its portfolio. The company now differentiates between core businesses (Chemicals, Materials, Industrial Solutions and Nutrition & Care) and standalone businesses that serve specific industries (Environmental Catalyst and Metal Solutions, Battery Materials, Coatings, Agricultural Solutions). In this context, BASF announced that Environmental Catalyst and Metal Solutions as well as Battery Materials will be reported as separate divisions in the Surface Technologies segment as of January 1, 2025.

BASF’s **core businesses** have significant advantages over competitors: Based on their integration into BASF’s value chains and the Production Verbund at major sites, they generate value through efficient use of resources, operational excellence and cost efficiencies. BASF supplies core chemicals to growth industries and serves more than 36,000 customers worldwide. In 2023, BASF’s core businesses generated sales of around €6 billion with innovative products launched in the past five years. In around 75% of these businesses BASF is among the top 3 market leaders. Kamieth: “We will capitalize on our market-leading positions in our core businesses through organic growth and disciplined, value-accretive acquisitions

while continuing our rigorous approach to pruning non-strategic or low-return businesses.”

BASF’s **standalone businesses** serve distinct industries and compete with pure-play peers. Consequently, BASF will now provide them with more strategic and operational flexibility to respond to the specific requirements of the markets they operate in. “We will continue to invest in our standalone businesses but will also pursue active portfolio options where this adds value for BASF and its shareholders,” Kamieth says.

BASF’s **Coatings** division has leading positions in its markets and generates strong earnings and cash contributions. The business is well positioned to command a premium value. Against this background, BASF will explore overall strategic options for value creation and will prepare a divestment process for the decorative paints business in Brazil. **Agricultural Solutions** holds a leading position in the agricultural market and has a strong innovation pipeline. BASF will complete the legal and ERP separation of the business by 2027. As a next step, the company is targeting readiness for a potential IPO. In the midterm, listing of a minority share is an option.

The **Battery Materials** business of BASF operates in a rapid growth environment characterized by high market and technology risks. Considering recent market developments, BASF is de-risking the path forward by focusing on filling existing capacities and exploring opportunities for collaborations along the value chain. BASF’s **Environmental Catalyst and Metal Solutions** (ECMS) business is well positioned in the market while operating in a low-growth industry. Since 2023, the business has been carved out and continues to be a strong cash contributor.

### **Empowering businesses and increasing accountability**

With *Accelerate*, BASF’s new strategy targets more speed in value generation and the simplification of its organization. BASF will empower its businesses through more streamlined and differentiated group steering. The company is making its operating divisions even more accountable for business success. In line with this, it is introducing an enhanced performance management system with a closer link between incentives and unit-specific achievements. Furthermore, the company is making its organization simpler and leaner by sharpening role clarity, establishing

flatter hierarchies and by reducing bureaucracy. Spans of control will be adjusted to increase individual ownership.

BASF will also harness the potential of artificial intelligence to advance productivity and accelerate innovations. By using AI globally across the company, BASF wants to achieve a tangible midterm earnings improvement.

### **Shaping value-based transformation toward a sustainable product portfolio**

Shaping the green transformation is at the center of *Transform*. “BASF’s key customer industries are facing tremendous challenges in achieving their transformation targets. We deliver the chemical products that support our customers on this journey,” says Kamieth. BASF is taking a phased approach to the green transformation based on and catering to increasing customer demand. In a first phase, BASF has accessed increasing amounts of renewable electricity, piloted new technologies and launched sustainable products. Today, BASF offers already thousands of products with reduced or even net-zero product carbon footprints (PCF) across its broad portfolio.

In a second phase, BASF is moving to secure increasing volumes of renewable feedstocks and is ramping up volumes of products with sustainable attributes according to customer needs. To do this, BASF will set up a dedicated unit for renewable feedstocks based on its approach for renewable energy. The company’s phased transformation approach is also reflected in its spending: Transformation-related spending is expected to average €600 million per year from 2025 to 2028.

BASF remains fully committed to its climate protection targets: By 2050, it aims to achieve net-zero greenhouse gas emissions for production (Scope 1), energy purchases (Scope 2) and purchase of raw materials (Scope 3.1). By 2030, BASF aims to reduce Scope 1 and Scope 2 emissions by 25% compared with 2018. Furthermore, the company has the target to reduce its specific Scope 3.1 by 15% by 2030 compared with the 2022 baseline.

### **Ongoing adjustment of structures at the Ludwigshafen site to ensure long-term success**

The goal for the Ludwigshafen site is to be a leading, sustainable chemical site for Europe and a strong pillar for BASF’s success. Dr. Katja Scharpwinkel, member of the Board of Executive Directors and Site Director of BASF SE, explains: “We

conducted a thorough analysis of our production asset structure in Ludwigshafen based on current and future market and customer demand for chemicals. While the majority of the assets are competitive in their respective markets, our findings show that selected plants and production lines are no longer delivering sufficient earnings – either due to a lack of competitiveness or structural underutilization.”

First asset adjustment measures derived from this analysis are already in execution, e.g., the closure of the adipic acid, cyclododecanone (CDon) and cyclopentanone (CPon) plants as announced at the end of August 2024. Scharpwinkel: “Further asset adjustment measures are currently being assessed and will be implemented stepwise as required.”

In addition, BASF will adjust its non-operations structures in Ludwigshafen and bring down costs significantly through a comprehensive set of measures. As already announced, BASF targets total annual cost savings of around €2.1 billion (run-rate) by the end of 2026. “The Ludwigshafen site will be leaner but stronger. It will have a better competitive position in the European market and will be able to operate successfully over the medium and long term,” says Scharpwinkel.

BASF’s analysis also shows that all major value chains can compete in their markets and that BASF will benefit from the change momentum associated with the green transformation. The site’s integrated Verbund system offers unique advantages to provide solutions that enable the green transformation of customers. This is due to its inherent energy and resource efficiency, multiple entry points that provide feedstock flexibility and the ability to use renewable and recycled feedstocks in existing assets in a flexible and scalable manner.

### **Fostering a culture shift to improve performance**

With *Win*, BASF will increase accountability, speed and performance orientation throughout the company. “BASF has the best team in the chemical industry. However, we need to change so employees can take more ownership, make faster decisions and thrive to improve our performance. Our winning culture will be a key enabler for the successful execution of our strategy,” says Kamieth.

**About BASF**

At BASF, we create chemistry for a sustainable future. We combine economic success with environmental protection and social responsibility. Around 112,000 employees in the BASF Group contribute to the success of our customers in nearly all sectors and almost every country in the world. Our portfolio comprises six segments: Chemicals, Materials, Industrial Solutions, Surface Technologies, Nutrition & Care and Agricultural Solutions. BASF generated sales of €68.9 billion in 2023. BASF shares are traded on the stock exchange in Frankfurt (BAS) and as American Depositary Receipts (BASFY) in the United States. Further information at [www.basf.com](http://www.basf.com).

**Forward-looking statements and forecasts**

This release contains forward-looking statements. These statements are based on current estimates and projections of the Board of Executive Directors and currently available information. Forward-looking statements are not guarantees of the future developments and results outlined therein. These are dependent on a number of factors; they involve various risks and uncertainties; and they are based on assumptions that may not prove to be accurate. BASF does not assume any obligation to update the forward-looking statements contained in this release above and beyond the legal requirements.