# BASF Conference Call for Analysts and Investors: Q3 2025

Speech

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The spoken word applies.

**Markus Kamieth**

Good morning, everyone!

Dirk and I welcome you to our Conference Call.

In the third quarter of 2025, market dynamics continued to be challenging: Upstream margins were still under pressure, and customer buying behavior in almost all industries and regions remained cautious.

Even in this demanding market environment, BASF’s earnings came in slightly above market expectations and only slightly below the level of the prior-year quarter.

**[Slide 3: BASF Group sales declined due to currency 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. We were, however, able to achieve slightly higher volumes due to growth in the Surface Technologies, Chemicals and Materials segments.

From a regional perspective, we recorded 12 percent volume growth in China, slight volume growth in South America and fairly flat volume development in Europe. In North America, volumes were slightly down.

Compared with the prior-year quarter, prices declined in four of our six segments, particularly in Chemicals. In the Surface Technologies and Nutrition & Care segments, we managed to achieve price increases.

Currency effects dampened sales in all divisions and were mainly related to the strong depreciation of the U.S. dollar, Chinese renminbi and Indian rupee. Portfolio effects slightly supported sales growth.

Reflecting this underlying sales development, EBITDA before special items came in at over 1.5 billion euros, compared with 1.6 billion euros in the prior-year quarter.

**[Slide 4: Q3 2025 snapshot: Market development and BASF's performance]**

Here is a snapshot of how the markets and our segments' volumes and specific margins developed in Q3 2025.

Due to a continued imbalance between supply and demand and the resulting pressure on margins, the business environment in our upstream segments remained challenging. Despite these market headwinds, the **Chemicals** segment achieved solid volume growth in both divisions. However, the segment faced significantly lower prices and sharply reduced specific margins.

The **Materials** segment recorded slightly higher volumes, despite the difficult market environment, due to higher volumes in Monomers and stable volume development in Performance Materials. Prices declined in both divisions. Overall, margins in the segment were lower, driven by the Monomers division.

The **Industrial Solutions** segment operated in a subdued market environment. Volumes declined slightly in both divisions. Specific margins declined considerably, particularly in the Performance Chemicals division.

The market environment for **Nutrition & Care** became considerably more challenging in Q3 2025. Both divisions recorded lower volumes, but the segment achieved slightly higher prices. The specific margins in the Nutrition & Care segment declined. Lower fixed costs and improved margins in the Nutrition & Health division were more than offset by lower margins in the Care Chemicals division.

Let’s now move on to **Surface Technologies** and its main customer industry – automotive: According to the latest data, global light vehicle production in Q3 2025 increased by around 4 percent compared with the prior-year quarter, mainly because of considerable growth in China. For the full year 2025, we expect global automotive production to increase by around 2 percent compared with 2024. In this environment, the Surface Technologies segment recorded volume growth, mainly in the Environmental Catalyst and Metal Solutions division. Overall, prices were up considerably. Specific margins in the Surface Technologies segment also increased slightly.

Finally, let’s look at the **Agricultural Solutions** segment. Crop commodity prices remained below historical averages, and financing costs were still elevated for farmers, resulting in unchanged and challenging economics for them. In this environment, the Agricultural Solutions segment recorded slightly lower volumes and prices compared with the prior-year quarter. By contrast, the segment achieved considerably higher specific margins in a seasonally slow quarter.

**[Slide 5: Q3 2025: EBITDA before special items only slightly below prior-year quarter, despite strong market and currency headwinds]**

Let’s now look at EBITDA before special items by segment.

In Q3 2025, considerable earnings growth in the Surface Technologies and Agricultural Solutions segments as well as improved earnings in Other were offset by lower earnings in the core businesses.

Compared with the prior-year quarter, EBITDA before special items in the Surface Technologies segment increased significantly due to Environmental Catalyst and Metal Solutions. The earnings increase in this division was driven by significantly lower fixed costs, a strong precious metals trading business and volume growth. Lower fixed costs resulted from continuous cost improvement measures and U.S. government grants for which ECMS is eligible as a leading recycler of platinum group metals.

Let me reiterate what we communicated at the Capital Market Update in Antwerp at the beginning of the month: After the successful carve-out, ECMS has a stronger setup, and we will keep the business for longer. Accordingly, we expect to benefit from strong cash contributions from ECMS amounting to a cumulative cash flow of roughly 4 billion euros from 2024 to 2030.

Turning to Agricultural Solutions. Earnings in this segment rose considerably, mainly due to improved margins. Particularly the successful market launch of glufosinate-P-ammonium and lower manufacturing costs contributed to this development. We continue to expect that a slight increase in full-year earnings is achievable.

The core businesses recorded lower earnings, mainly due to the previously mentioned lower margins, which were partly offset by lower fixed costs. As the deviations from average analyst expectations were largest in Nutrition & Care, I will give a few more details on this segment.

Compared with the third quarter of 2024, the Nutrition & Care segment generated considerably lower earnings. The Nutrition & Health division increased earnings, mainly due to lower fixed costs, while the Care Chemicals division recorded a decline. The main reason for this was continued margin pressure, which was particularly pronounced in personal care, where Asian competition is strong.

**[Slide 6: We are on track with the stepwise startup of our Zhanjiang Verbund site]**

I will now give a short update on our new Verbund site in South China.

Let me begin with what we communicated at the recent Capital Market Update in Antwerp. We will complete this mega project with capital expenditures around 1.3 billion euros lower than originally planned. We achieved this capex reduction through tight budgetary discipline, scope changes and excellence in procurement.

As a result of the currently long markets in China, we will have a slower than anticipated ramp-up of the overall earnings contributions. In the coming years, we expect most markets and value chains to rebalance. We therefore confirmed the targeted EBITDA before special items of 1.0 billion euros to 1.2 billion euros by 2030.

**[Slide 7: Zhanjiang Verbund site: We are now focusing on commissioning and the handover to operations]**

This slide illustrates the impressive progress the Zhanjiang team has achieved since May.

This includes the successful mechanical completion of the steam cracker and downstream petrochemical plants. The infrastructure and utility plants are already in steady operation. Additionally, we have safely and successfully started up various downstream plants, including butyl acrylate, 2-ethylhexyl acrylate, formaldehyde, neopentyl glycol and glacial acrylic acid, with more startups to come.

Thus, we are transitioning the project from construction to operational readiness. These achievements mark steady progress toward the site’s full operational startup as of the end of 2025.

**[Slide 8: BASF and Carlyle reach binding transaction agreement on coatings business to create a leading standalone company]**

Let’s now move on to the binding transaction agreement on BASF’s coatings business, which we announced on October 10.

The agreement with Carlyle marks an important milestone in focusing our portfolio and unlocking the value of our coatings business. It demonstrates our strong commitment to swiftly execute BASF’s “Winning Ways” strategy and create a leading coatings company under Carlyle’s operational leadership.

The enterprise value of this transaction amounts to 7.7 billion euros. Subject to customary regulatory approvals, the transaction is expected to close in Q2 2026. At closing, BASF will hold a 40 percent equity stake and will receive pre-tax cash proceeds of approximately 5.8 billion euros. We will remain invested with a considerable minority share because we believe in the future value creation of the coatings business and want to participate in the upside potential.

Together with the divestiture of BASF’s decorative paints business to Sherwin-Williams, which closed on October 1, BASF’s entire Coatings division is valued at an enterprise value of 8.7 billion euros. The implied 2024 EV/EBITDA multiple before special items of approximately 13 times is evidence that we are unlocking the value of this division.

With that, I will hand over to Dirk.

**Dirk Elvermann**

Thank you, Markus. Good morning, everybody.

**[Slide 9: Implications of the coatings transaction agreed with Carlyle on BASF's statement of income and statement of cash flows]**

Let me first address the implications of the coatings transaction agreed with Carlyle in terms of BASF's statement of income and statement of cash flows.

As of September 30, 2025, and until closing of the transaction, BASF will report the business in its P&L as discontinued operations. Therefore, sales and earnings of the business are no longer included in sales, EBITDA and EBIT of BASF Group – with retroactive effect as of January 1, 2025. The prior-year figures have been restated accordingly. Income after taxes of the business is presented in the income after taxes from discontinued operations. Between signing and closing, depreciation is suspended.

Regarding cash flows, between September 30, 2025, and closing of the transaction, there is no impact or change. As before, the business will be considered in the respective line items of BASF's statement of cash flows.

As of closing, BASF's minority stake of 40 percent will be accounted for as a financial investment under the equity method and will be reported in EBITDA and EBIT before special items of Other.

The cash inflow from the transaction will be reported in cash flows from investing activities in the line item "payments received from divestitures." After closing of the transaction, dividend payments from the business to BASF Group will be reported in BASF's cash flows from operating activities. Within BASF's cash flows from operating activities, the equity result of the business will be eliminated.

**[Slide 10: Figures including and excluding discontinued operations]**

This table provides a comprehensive overview of the major changes in BASF's reporting following the classification of the automotive OEM coatings, automotive refinish coatings and surface treatment businesses as discontinued operations. In the Quarterly Statement published today, we provide all relevant financial figures on both a pro forma basis, i.e., with Coatings still fully included in the segment result of Surface Technologies, as well as excluding the discontinued coatings operations.

It should be noted that the decorative paints business sold to Sherwin-Williams is not affected by the restatement. It remained part of the Surface Technologies segment until its divestment on October 1, 2025. This means that the figures for the Coatings division in the Q3 segment reporting refer exclusively to the decorative paints business, which was already classified as a disposal group in Q1 of this year.

**[Slide 11: Our successful portfolio measures enable us to strengthen our balance sheet and bring forward share buybacks]**

Now, I would like to turn to BASF's capital allocation framework and explain how we will use the considerable cash proceeds from portfolio measures that we have already generated and are about to generate soon.

As you know, we closed the sale of BASF's food and health performance ingredients business to Louis Dreyfus Company on September 30, 2025. This is reflected in the Quarterly Statement for Q3 2025. The sale of BASF's Brazilian decorative paints business to Sherwin-Williams was closed on October 1, 2025. The purchase price amounted to 1.15 billion U.S. dollars on a cash and debt-free basis.

For our coatings transaction with Carlyle, which is expected to close in Q2 2026, we will receive pre-tax cash proceeds of around 5.8 billion euros. At maximum, we assume taxes to be in a mid-triple-digit million-euro range.

We are also making further progress with the monetization of our oil and gas assets. In 2025, we will receive around 200 million euros resulting from dividends from Harbour Energy and our participation in Harbour Energy's ongoing share buyback program. 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 at the right time, being mindful of the value.

There is also good momentum on the topic of federal investment guarantees. Wintershall Dea received a first installment from the German federal government in Q3 2025, and we expect a final decision soon. Proceeds will be distributed by Wintershall Dea via dividends and will contribute to BASF Group's operating cash flow in 2025 and 2026.

As announced at our Capital Markets Day in 2024 and confirmed at our update earlier this month, we are targeting IPO readiness of BASF's Agricultural Solutions division by 2027, with a potential listing of a minority share as a next step. In other words, this cash event is beyond the 2025/2026 window.

Now, let's move on to the use of cash with a focus on the rest of this year and next year.

We are clearly committed to paying an annual dividend of at least 2.25 euros per share, subject to approval by the AGM. Furthermore, we will use a substantial part of cash proceeds to deleverage the balance sheet and secure our financial strength. The maturity profile of outstanding bonds will allow us considerable deleveraging in 2026.

As announced yesterday, we will start buying back shares as of November 2025. This is a considerable acceleration compared with our initial plan to buy back shares from 2027 onwards. I will provide more details on the next slide.

Larger acquisitions are currently not in focus, while smaller to mid-sized acquisitions remain possible. Capital expenditures will be significantly reduced in 2026 and beyond and will consistently stay below depreciation until at least 2028.

**[Slide 12: BASF to begin share buyback in November 2025]**

Ladies and gentlemen, we are swiftly delivering on our “Winning Ways” strategy, and we are fully committed to attractive shareholder distributions. Therefore, and in view of our quick progress on the portfolio side, we have announced that we will start a share buyback program with a volume of up to 1.5 billion euros in November that is scheduled to be executed by the end of June 2026. This is part of the share buyback announced at the Capital Markets Day in September 2024, with a total volume of 4 billion euros until the end of 2028.

The earlier start of the program demonstrates management’s confidence in the underlying financial strength of our company. In our view, this is not fully reflected in the current share price. Now is the time to return capital to our shareholders and reduce the number of shares while bringing down debt.

**[Slide 13: BASF Group Q1-Q3 2025: Key financial figures]**

Let’s now take a brief look at the financial details of BASF Group for the first nine months of 2025 compared with the same period last year. All these figures still include the discontinued operations.

At 5.9 billion euros, EBITDA before special items declined slightly compared with the first nine months of 2024. The EBITDA margin before special items excluding metals remained almost stable at 13.6 percent.

EBIT before special items reached 3.1 billion euros compared with 3.4 billion euros in the same period last year. Special charges were largely incurred for restructuring measures as well as for the sale of BASF’s equity share in the Nordlicht 1 and 2 wind farms back to Vattenfall in Q1 2025. Special income from the sale of BASF’s food and health performance ingredients business had a partially compensating effect.

Net income declined by 1 billion euros to 1.1 billion euros. In the prior-year period, net income from shareholdings included special income in connection with the transfer of Wintershall Dea assets to Harbour Energy.

Cash flows from operating activities amounted to 2.0 billion euros compared with 3.5 billion euros in the same period last year. The decline was primarily driven by changes in other operating assets, lower net income and higher cash outflows from changes in net working capital. Compared with the first nine months of 2024, payments made for property, plant and equipment and intangible assets decreased by 1.1 billion euros to 2.8 billion euros. This clearly indicates that we have passed the peak investment phase for our South China Verbund site. Free cash flow was minus 868 million euros in the first nine months of 2025.

**[Slide 14: Cash flow development in Q1-Q3 2025 and Q3 2025]**

This slide shows some more details on our cash flows; I will focus on the development in the third quarter, shown on the right-hand side.

In the third quarter of 2025, cash flows from operating activities came in at 1.4 billion euros. The decline compared with the prior-year quarter was mainly due to changes in other operating assets.

Payments made for property, plant and equipment and intangible assets decreased by 510 million euros compared with the third quarter of 2024. Free cash flow amounted to around 400 million euros.

With that back to you, Markus.

**[Slide 15: Outlook 2025 for BASF Group – confirmed but technically adjusted]**

Our assumptions regarding the global economic environment in 2025 remain unchanged. Likewise, our outlook for 2025 remains unchanged content-wise. As a result of the reclassification of the automotive OEM coatings, automotive refinish coatings and surface treatment businesses, we have made a necessary technical adjustment. The adjusted outlook range for EBITDA before special items is now 6.7 billion euros to 7.1 billion euros. The difference compared with the previous outlook range of 7.3 billion euros to 7.7 billion euros reflects the expected full-year contribution of the coatings businesses that are part of the transaction with Carlyle and are reported as discontinued operations retroactively as of January 1, 2025.

The forecasts for free cash flow and for $CO_2$ emissions are unaffected by the restatement and thus remain unchanged.

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