Conference Call Q3 2026
Transcript Q&A
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1. BASF Group

1.1 Portfolio

Katie Richards (Barclays): One question on the portfolio measures, please. Are these just a reference to completed actions like Coatings and Stahl, or should investors expect additional divestments or restructuring from here?

Markus Kamieth: The question is rather straightforward. Today, we have only reported on completed or announced transactions, for example, the IPO readiness of our Ag business. I would also expect more active portfolio management going forward.

We are still considering and we have also partially announced our intent to sell smaller parts of our portfolio where we are looking for better owners and trying to create value also in our core business. But from a size perspective these are all rather smaller portfolio optimization efforts. Don't expect anything very significant, but we are still in an ongoing process to optimize the core portfolio. This is an ongoing fitness program for BASF Group.

Tony Jones (Rothschild & Co. Redburn): Thank you for the comments on value creation. But can you confirm how you define this? Is it earnings accretion, cash flow per share for distributions or is it positive returns above your cost of capital?

Dirk Elvermann: A broad question, also a broad answer. Of course we are looking at all of the above. You know our typical trinity of KPIs: cash, earnings and return on capital employed. This will also apply here. And we take a balanced approach. We are not putting more priority on any one of those. So, return on capital employed over the longer term and always earnings and cash in a balanced approach.

Jaideep Pandya (On Field Investment Research): I appreciate your comments at the beginning of the call, so I won't ask about Evonik. But if that option is not available, in the light of the IPO in Ag, are you still going to pursue other acquisitions to make sure the size of BASF stays as it is? Or, if that option doesn't happen, do we go back to what is a standalone BASF outside of Ag?

Markus Kamieth: In general, acquisitions are part of our thinking when it comes to strengthening and growing the core along our Winning Ways strategy logic. I know this announcement or this leak, I have to say, a few weeks ago surprised quite a lot of people, but I can only refer this back to 2024 because we said all along that M&A – "value-accretive M&A" we always call it – is part of the playbook to strengthen and grow the core. But I also always say that this is an option and not a must-do. We have had a very diligent and very disciplined process to select what is the right timing and also what is the right target. We have obviously come to the conclusion that Evonik is our preferred target at this point in time. We are committed and obviously engaged in this option right now.

If this, for whatever reason, doesn't materialize, then we are not forced to do the next acquisition. That's why I said also today: From my perspective, the Winning Ways strategy as it stands today and with the measures we have defined also works without an acquisition. So we are not forced to do it. But we will continue to look for opportunities in a consolidating chemical industry to strengthen our core business. But we are neither forced by size nor by achieving a certain KPI or by timing. We will stay very selective and, believe us, we will also stay very disciplined, because, at the end of the day, every acquisition has to fit into the strategy envelope of our Winning Ways strategy and the capital allocation envelope that we have promised to our shareholders. So, in short, we will not do stupid stuff just to make an acquisition.

1.2 Critical Chemicals Alliance

Katie Richards (Barclays): On the Critical Chemicals Alliance's recommendations a couple of weeks ago: I noticed that BASF was one of the companies that opposed the proposal to make safeguard measures easier to adopt. I think this was Article 8, I believe. Could you explain why you opposed this proposal, and what an ideal solution to the increased competition Europe is facing would be, in your opinion?

Markus Kamieth: This is a more complex question, so I will try to keep this a rather high-level answer. First of all, I'm of the opinion that the European Union's current toolbox of trade defense instruments is not as bad as it is utilized right now. So we are, first of all, always asking that we use the tools that the European Union has available to the best possible extent. This includes a more effective and efficient use of anti-dumping measures, for example. And, as an industry and also as BASF, we have taken a look at safeguard measures. We believe that the safeguard instrument as it is defined right now would be sufficient to work against some of the effects.

So I would say we are taking a somewhat balanced approach towards trade defense instruments. We are, first of all, calling for the existing tools to be used as effectively and as sharply as possible before creating new ones or adapting or going into intense political deliberations about creating additional instruments. That's probably where this position comes from. I cannot now specifically talk about the comment you mentioned in the specific document.

1.3 Guidance and outlook

Peter Spengler (DZ Bank): You raised the guidance for the EBITDA, but the free cash flow guidance was unchanged. What is driving the massive 4.1 billion euros net working capital drag in the first nine months? And why are you confident this drag will reverse in Q4 to meet the full-year cash targets?

Dirk Elvermann: We have generated 1.1 billion euros in operating cash flows in the third quarter of 2026. This is, by and large, 250 million euros lower than last year. The working capital effect is as follows: Inventories are currently dragging us by roughly 500 million euros. This is solely due to higher feedstock prices. Accounts receivable are also higher by the end of Q3. We had a bit of an unusual pattern. We had strong sales in September which were bringing the accounts receivable up. So for this, I'm very confident that we now have a strong cash collection quarter in the fourth quarter of the year. All businesses are very much committed to this aspect.

On inventories: It largely depends on how the feedstock prices go from here. You all saw the spiking oil and gas prices again. This is obviously having a big effect. The cash that is currently tied in the working capital is certainly not lost, but would be collected later.

To sum up, I am very confident that we will have a strong cash-collection fourth quarter, and this is why we can uphold and maintain our guidance for free cash flow. To what extent and where in the range we will be, and whether we will hit the range mostly depends on the feedstock prices.

On the capex side, if we now look at free cash flow, I can certainly say that we are very disciplined and that we again brought the investment amount down. So this year we will probably end up with between 2.8 and 2.9 billion euros for capex, which will also help us with the free cash flow generation.

Tony Jones (Rothschild & Co. Redburn): Can I tempt you into an early look at 2027? Based on your budgeting and planning, what are your early thoughts on the year?

Markus Kamieth: We haven't done our planning for 2027 yet, so I'm also curious to hear from all of our business leaders what they see. I would expect that in 2027 no magic will happen on January 1. So the momentum that we are seeing right now in the economies will move into 2027. None of the big geopolitical challenges will be solved on January 1. So we are seeing a sustainment of the rather challenging geopolitical situation.

However, it is of course encouraging that quite a number of leading indicators recently have ticked up. When you look at PMI, when you look at industry barometers, especially here in Europe, you see some positive trends. Leading indicators look rather more positive than what we saw three months ago. So I would expect a certain positive momentum now for the rest of the year, especially in industrial sectors, but of course coming from a low base. As I've said many times, industrial activity in all major regions has been weak in 2026 – and construction as well. So a slight improvement in leading indicators has not yet translated into real, stronger actual figures.

But I would say there is some underlying positive momentum. And that's why I approach 2027 with some confidence that at least things will not get worse, but they might get a little bit better. But when it comes to planning, I can also tell you what I tell every business leader in BASF: We plan 2027 predominantly on the basis of self-help measures that will help us to achieve profitability improvements. We have talked here also about our CoreShift program, which will kick into gear in 2027. Today you have also seen the results of our restructuring measures. So this will be the core of our 2027 outlook. Then the market will hopefully give us some additional opportunities for volume growth and maybe even margin expansion. But it's too early to tell right now.

Jaideep Pandya (On Field Investment Research): On the upstream side of things, where do margins sit today? When you compare that with maybe a 10-year historical average or to the peak of 2022, where are margins today? Are we at mid-cycle? Are we still below mid-cycle? I guess – to circle back to Tony's question – the big question mark for 2027 or 2028 is: Will we see margins going down again because of supply normalization?

Markus Kamieth: I always caution everybody to oversimplify the chemical industry in its breadth because the times when the entire chemical or petrochemical industry swings up and down in one cycle are long gone. We have various cycles.

I nevertheless want to try to manage your understandable curiosity a little bit. If we look across the BASF portfolio and our main value chains and we sum all of this up, I would say that while we are now sitting significantly above the trough and the lowest point where we were in the margin cycle, we are still on our way towards what we would consider mid-cycle margins, especially if you look at a 10-year horizon. So we are not there yet.

Whether it's going to improve or not, I already commented on with my answer to Tony's question. We will see. But we are for sure not in territory that we would consider to be normalized margins or mid-cycle margins across the entire portfolio. In individual products, that might be the case, and we have even seen some margin spikes in the second quarter where we were probably a little bit above average. But overall, across the overall portfolio, think about it like this: We are out of the trough, and we are on our way towards mid-cycle. That's how I would describe it.

There is certainly some fantasy on my side that 2027 could be better than this year, but there's also room for things to again fall back somewhat, especially if you look at the entire year 2026, including the stronger second quarter, when it comes to margins.

At this point, I believe the upsides and downsides for margins in 2027 are somewhat balanced, but I remain optimistic that 2027 could surprise me positively.

Sebastian Bray (Berenberg): My question is about the moving parts for 2027, in particular energy costs and the China plant. Are energy costs a relevant consideration anymore for BASF or have the LNG contracts effectively removed this? Is China flat or up next year?

Markus Kamieth: Energy costs are still relevant for BASF. We're still a big chemical company with significant energy bills. Overall, roughly 5% of our total cost of sales is energy-cost-related. So this is a pretty significant part. And of course we are exposed to global commodity pricing when it comes to energy vectors. That relates to electricity to a minor extent, but to a larger extent in particular to gas, which is by far our biggest energy carrier and also a considerable feedstock, of course, as you know.

Our LNG contract and broader natural gas sourcing strategy, including hedging, are part of BASF's toolbox. I would hesitate to call this a competitive advantage because that sounds too unique, but it is part of the magic that BASF does. The two significant natural gas contracts that we presented last year are part of this toolbox.

So handling the sourcing and the mitigation of volatility on the natural gas side is part of what we do as BASF. We don't want to disclose too much of exactly what we are doing there. But believe us, it gets a lot of attention, and through our energy trading capabilities as well as our significant sourcing position we try to optimize our overall energy costs. I think this year again showed that we have been pretty successful in an extremely difficult market, especially for natural gas. So we see this as a little bit of the magic that we do behind the scenes. And we feel pretty good about the machine that we run there.

I know it's a bit of an evasive answer, but yes, energy prices and gas prices are a concern. Nevertheless, we are confident that we are better equipped than most other companies handling this situation.

With regard to China, I would say that it's also very difficult to comment on the moving parts for 2027. For sure we're still looking at a market that is growing significantly. This year, I would expect the Chinese chemical market to come out roughly in line with GDP, so 4% or 5% growth. That's not the 7% or 8% that we saw in prior years, but it's still extremely significant on that strong base. So there is volume growth in China. However, this is driven a lot by the export strength of the Chinese economy and still on top of a very weak construction sector.

Overall, I think there is the expectation that China will also show significant growth for chemicals next year, hopefully with a more balanced export-to-domestic demand mix – that's at least a normalization that I would expect somewhat – and overall a further step in the direction of normalizing supply/demand for chemicals.

On these calls, we have talked a lot about the government's anti-involution measures. I think we are seeing that while there is no quick fix, things are moving in China and that we can expect supply/demand to normalize. This means that we will see continued progress on profitability development also for our Zhanjiang site, in line with a more balanced market and hopefully also less volatility on the feedstock side.

James Hooper (Bernstein Société Générale Group): Following on from the agriculture comments about Q4, are you able to give us a little bit more commentary about Q4 across the other divisions? It's quite a wide guide for your seasonally smallest quarter of the year. So what needs to happen to reach the top and the bottom of the guide?

Dirk Elvermann: The guidance range is halved now compared to what we had before, so I hope this is already a bit helpful.

If I now look at the segments, I would say the Chemicals segment is expected above the previous year's quarter with the momentum that we see going into the fourth quarter. Materials I would rather expect around the level of the previous year's quarter. We saw a normalization of the business already in the third quarter. I think this is likely to continue in the fourth quarter. Industrial Solutions I would expect above previous year's quarter, also very much on the back of tremendous cost saving and efficiency measures that are now delivering sustainable results. Likewise Nutrition & Care, we also expect it above the previous year's quarter, probably driven by Care Chemicals for the most part. Surface Technologies, as we guided, will be below the level of the previous year's quarter, in line with the full-year guidance that we have provided. Agricultural Solutions I just commented on *(see Agricultural Solutions section below)*.

So all this hopefully gives you quite a good picture that fits well into the narrowed guidance range.

Markus Kamieth: I sense that you feel that the guidance range is still broad for a fourth quarter. Let me remind you that in October alone oil prices went up by more than 10%. That was not necessarily expected. So we still see significant volatility in terms of feedstock markets, energy markets and the geopolitical situation. There are rumors that the Middle Eastern conflict could flare up in the next days after the midterm elections. All of this stuff is out there.

Even in this day and age, it's very difficult to forecast even three months ahead with a high degree of precision. So, again, we feel that it's still an appropriate range, but you might disagree.

Chetan Udeshi (J.P. Morgan): I think you mentioned something around 500 million euros of cash costs for restructuring so far this year. I'm just curious, given that you've taken another big provision in Q3, how will that number evolve next year? Will it be as significant as this year, or do you expect a big change?

Dirk Elvermann: The restructuring costs are part of the transformation that we are currently undergoing. They will also be significant next year. We are now in the midst of execution. And with that, the special items, restructuring costs also for next year will be a comparable or slightly higher number. This is my current expectation.

Chetan Udeshi (J.P. Morgan): On your capex, you said 2.8 to 2.9 billion euros. That's roughly a 500 million euro cut from your previous guide. Is this a new baseline or are you just adjusting the phasing such that your four-year target doesn't change? So in other words, is this more a postponement into outer years rather than a proper structure reduction?

Dirk Elvermann: On capex, we just guided you below 3 billion euros for this year. We maintain the 13 billion euros for the four-year period, which is 20% lower than for the last four-year period. So we maintain this, but you can see from this year's performance that we rather undercut the capex than overrun it.

Markus Kamieth: Let me also add some color: Starting in 2024, we have put a lot of emphasis on running the company with lower capex budgets because we said we are well-invested and our focus will be to utilize the existing capacity that we have built over the last years.

We have also now gained confidence because we are reaching new territory in running BASF at much lower capex levels than we were used to in the past. If you account for inflation, we are now at very, very low capex levels. We believe this is, to a large extent, sustainable, at least over a number of years. This is not a "we stop everything in 2026, and then we have to let it go again in 2027" exercise. This is really bringing BASF into a capital discipline fitness regime. We think we can sustain this level for quite some time. So this is a different BASF in terms of capital discipline than what we had before the Winning Ways strategy.

1.4 Market environment

Peter Spengler (DZ Bank): Regarding the new Zhanjiang Verbund site: Did the site already achieve a positive EBITDA in Q3? How are the ongoing ramp-up costs in the weak domestic margin environment in China currently impacting your Chemicals segment's fixed costs?

Markus Kamieth: I don't have the specific number in my head, but if I remember correctly, we had a slightly negative EBITDA for Zhanjiang in Q3. That's a composition of positive and negative months. It was slightly below the zero line. But as you can imagine, volatility in China, as in the rest of the world, is quite high for some commodity products, and we've seen pretty significant swings in margins, also for some downstream cracker products. So it is somewhat volatile month over month, but overall we came out slightly negative in Q3.

So we stick to our overall year guidance where we said we will probably end up in the area of roughly minus 100 million euros EBITDA for the Zhanjiang site all in. And that includes relatively substantial startup-related costs that we had, especially in the first half of the year. I cannot now dissect this further in terms of fixed costs, ramp-up versus margin expectations for you. I apologize, but the guidance still holds.

We're very happy with the operational performance of the Zhanjiang site. It runs at very high utilization rates. The flexibility of the assets is tremendous. So operationally, this is really good. But we are operating in a very difficult and volatile market environment. We are so far on track with what we have planned for Zhanjiang.

James Hooper (Bernstein Société Générale Group): Regarding volume trajectory and product availability: It seems that the industry broadly has been more resilient than some had feared a few months ago. What do you think would need to happen geopolitically for supply availability to be worse, or do you think the industry will manage better? What do you think might change the conditions back to what we saw in Q2?

Markus Kamieth: I don't think you can compare Q4 with Q2 too much. The common denominator is sharply increasing energy prices. Oil and gas prices are now going up again after a dip in the summer months. July, I think, was the lowest.

The difference is that in Q2 nobody was prepared for the situation that emerged due to the Strait of Hormuz closure and supply chain disruption. There were shortages left and right; feedstock as well as product streams had to be rerouted. So there was a certain tightness. You saw that all chemical companies outside of Asia benefited somewhat from this disruption because it created pricing opportunities and generated substantial additional volumes. This was also reflected in the Q2 volume growth we showed today.

Q4 is very different because you again have increasing energy costs. But Q4, not only seasonally, is a lower-demand quarter in general for most industries. You also have supply chains that have accommodated the changed situation. In general, I wouldn't expect as many supply disruptions in Q4 as we saw in Q2. This now also puts a bit of pressure on all companies in the chemical industry because Q4 could be a quarter where lower demand hits higher energy costs. That's why we are a bit cautious about Q4.

Someone on the call suggested that Q4 looks like being a weaker quarter. But we want to remain cautious here too, because the market is very dynamic. Q4 is always tough to forecast. I wouldn't draw too many parallels between Q4 and Q2. The dynamic is very different, and markets are typically well-supplied. But as I said, there is also some positive momentum on the demand side. That is also giving us some confidence that Q4 in our core businesses and also in Ag will be strong enough.

2. Segments

2.1 Chemicals

– No specific questions –

2.2 Materials

Christian Faitz (Kepler Cheuvreux): Can you elucidate the 318 million euro Monomers impairment? Which assets were impaired?

Dirk Elvermann: The impairment that we did in Monomers is related to the HMD plant at the site in Chalampé. This is part of the PA 66 value chain there. After a couple of years, we have seen that demand is not as high as expected. At the same time, competition is very intense, particularly with imports from China, so we no longer expect to achieve the margins that we originally projected. We therefore had to recognize this impairment.

At the same time, let me say that production and marketing are continuing, and we are confident that we will operate a competitive business out of Chalampé. It's the biggest PA 66 site in Europe. But for the time being, we had to recognize this impairment, as you have seen.

2.3 Industrial Solutions

– No specific questions –

2.4 Nutrition & Care

Christian Faitz (Kepler Cheuvreux): On special items, what was the nature of the legal dispute that led to special items of almost 100 million euros in Care Chemicals?

Dirk Elvermann: The claim in Care Chemicals was a liability claim that was going on for a longer period of time. It was not so prominent but was dealt with accordingly and is now finally settled. It's a final settlement in a high-double-digit million-euro amount.

2.5 Surface Technologies

– No specific questions –

2.6 Agricultural Solutions

Sebastian Bray (Berenberg): On Agriculture: I appreciate I run the risk of reading too much into one quarter, but it didn't look like conditions were particularly bad in Q3, leaving aside bits and pieces of El Niño-related weather. Why were prices down and how do you feel about this business … current corn and soybean prices moving into 2027?

Dirk Elvermann: Let me walk you through the Ag piece a bit. First of all, the third quarter is typically the weakest quarter due to the seasonal pattern. We all know that. In this weak Q3 environment, what has happened? The biggest downside driver was indeed volumes. A part was explained by volumes being brought forward due to the ERP migration. Markus also addressed this in the speech.

But this was not the only reason. In South America, but also in Europe and in Asia, you had adverse weather conditions, which led to some lower volumes as well. North America was also lower in volumes than in the previous year's quarter, also due to weather conditions to a certain extent. In the third quarter, there was no great volume demand, and prices also declined. So you see that the pricing power in this market is currently also not so great. These two facts together led to this weak result.

So what does this mean most importantly for Q4, because Q4 is again a strong agricultural quarter? For Q4 2026, we expect, as also addressed in the speech, a seasonal strengthening versus Q3. This is very clear. I would say we expect Q4 performance to be broadly in line with the prior-year quarter. The guidance holds that we will be lower than last year on a full-year basis, but for Q4, we should now see a recovery of performance. I think Q4 2025, by and large, is a good benchmark.

One more thing maybe regarding FX effects. We now see that the Brazilian real is likely to be weaker after the elections. So the positive FX effects that we have seen for quite a while now in this business will also be weaker. So there are some negative signals. But the team is confident that they are in good shape to bring in a solid fourth quarter 2026 following the ERP migration.