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BASF Annual Press Conference for the year 2024

Speech

P028/25e
February 28, 2025

Presentation by

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The spoken word applies.

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[Markus Kamieth]

Good morning and welcome!

I appreciate your interest in BASF and I am glad we have the opportunity to meet in person again.

Today we are talking about the year 2024 – the year in which the BASF team launched the “Winning Ways” strategy. The year in which we put ourselves on the right track for future success. I can tell you now that I am very positive about what I have seen so far.

This is because the BASF team has delivered, even though our market environment was challenging again last year. BASF performed well thanks to the strong performance of our core businesses, where we leveraged our very good market positions. Here, we were able to grow EBITDA before special items by 18 percent compared with 2023. Across the BASF Group, EBITDA before special items increased by 2 percent.

We reduced our capital expenditures to a level lower than projected. And we continued to improve our net working capital management. This led to a free cash flow of around €750 million. We thus exceeded our forecast range of €0.1 billion to €0.6 billion.

We are also making good progress in terms of portfolio management. You have reported on the sale of our decorative paints business to Sherwin-Williams. For us, this marks an important step in fully unlocking the true value of our standalone businesses for BASF. As you can see, we are taking decisive action and are swiftly implementing our plans. I am proud of how the team responsible worked with determination and speed to bring about this sale.

[Slide 2: Q4 2024: EBITDA before special items above prior-year quarter, supported by strong finish in Agricultural Solutions]

Let’s begin with an overview of BASF’s performance in the fourth quarter of 2024.

Sales of €15.9 billion matched the level of the prior-year quarter. BASF Group’s volumes – excluding precious and base metals – increased by 3 percent thanks to the Agricultural Solutions segment in particular. The Chemicals and Industrial Solutions segments also increased volumes in the last quarter of the year. Prices excluding precious and base metals were slightly positive. Overall, prices steadily recovered throughout 2024.

In the fourth quarter of 2024, EBITDA before special items improved by 19 percent and amounted to €1.6 billion. The considerable increase in earnings was supported by the strong finish by the Agricultural Solutions team. Earnings were also higher in the Nutrition & Care and Chemicals segments as well as in Other.

[Slide 3: Q4 2024 snapshot: Market development and BASF's performance]

Ladies and gentlemen,

I would like to provide a snapshot of how the markets and the segments' volumes and specific margins developed in the fourth quarter.

The market environment for our segments remained largely unchanged, while for two segments – Chemicals and Nutrition & Care – the development was positive.

In the final quarter of the year, the Agricultural Solutions segment in particular experienced very positive sales volume momentum. The segment achieved strong volume growth in all crop protection indications as well as in seeds and traits. The Chemicals segment achieved solid volume growth in the fourth quarter. The Surface Technologies segment recorded lower volumes, particularly in mobile emission catalysts and precious metals services. Here it was noticeable that global light vehicle production was stagnant in the fourth quarter of 2024 compared with the prior-year quarter according to the current data, and that the proportion of ICE vehicles declined.

We were able to maintain our specific margins in the fourth quarter and improve them in three of six segments. We improved margins in the Materials segment, especially in the MDI value chain, as well as in the Nutrition & Care and Surface Technologies segments.

[Slide 4: FY 2024: BASF's EBITDA before special items increased due to the strong performance of its core businesses]

Let's move on to the development of EBITDA before special items in the full year 2024.

As I mentioned at the beginning, earnings in the core businesses increased by 18 percent. In the Nutrition & Care, Industrial Solutions, Chemicals and Materials segments, EBITDA before special items grew, mainly due to higher volumes. Overall, volume growth in the core businesses was 5 percent in 2024. In Europe, the core businesses achieved remarkable volume growth of 6 percent.

This is a clear testament to the strong competitive position of our core businesses in their respective markets. The strong performance of the core businesses more than offset lower contributions from the standalone businesses in the Agricultural Solutions and Surface Technologies segments. Earnings in Other were also lower. Overall, EBITDA before special items of the BASF Group rose slightly.

Let me provide some additional color on the challenges our Surface Technologies and Agricultural Solutions segments are facing.

Globally, 89.5 million light vehicles were produced in 2024, representing a decrease of around 1 percent compared with the prior year. In this environment, full-year earnings in the Surface Technologies segment declined on account of the Catalysts division and particularly due to lower contributions from precious metals trading activities. In contrast, the Coatings division was able to improve earnings slightly.

In 2024, the market for crop protection and seed products was characterized by high channel inventories at the distributors, low customer demand and continued destocking in an overall environment of falling prices. Compared with a record year in 2023, earnings in BASF’s Agricultural Solutions segment declined, mainly on account of the difficult market conditions in the glufosinate-ammonium business. Overall, our Agricultural Solutions segment performed well in a challenging market and competitive environment. We finished the year with a strong fourth quarter and a full-year EBITDA margin before special items of 20 percent.

[Slide 5: Active portfolio management]

As we previously announced, we are actively conducting portfolio management with respect to our standalone businesses. And we are delivering. Just as we announced at the presentation of our strategy. We want to fully unlock the value of our standalone businesses.

The agreement to sell our decorative paints business to Sherwin-Williams marks a first portfolio step in line with our “Winning Ways” strategy. The multiple of this transaction is at the higher end of previous multiples in the paints and coatings industry and significantly above the trading multiple of BASF. We thus achieved a clear premium for this business.

In the second quarter of 2025, we will approach the market to explore strategic options for our remaining Coatings activities, which include automotive OEM coatings, refinish coatings and surface treatment.

In Agricultural Solutions, we are also making good progress. We are currently focusing on executing the legal separation and the implementation of a dedicated ERP system by 2027. In parallel, with the support of financial advisors, our team is beginning to prepare for the IPO readiness, which is also targeted for 2027.

With that, I hand over to Dirk.

[Dirk Elvermann]

Thank you, Markus. A warm welcome from me as well!

[Slide 6: BASF Group FY 2024: Key financial figures]

Let’s now have a look at the financial details of the BASF Group for the full year 2024. EBITDA before special items rose by around €200 million thanks to the considerably increased earnings of our core businesses. The adjusted EBITDA margin before special items increased from 12.6 percent to 13.1 percent. In our core businesses, the margin improved by 2 percentage points compared with 2023 and amounted to 13 percent in 2024.

EBIT before special items reached €3.9 billion, an increase of 3 percent compared with the prior year. Special items in EBIT amounted to minus €1.9 billion. I will provide further details in a moment.

Net income came in at €1.3 billion, compared with €225 million in 2023. Net income from shareholdings increased by €798 million to €598 million. This was mainly due to the improved earnings of non-integral companies accounted for using the equity method. This was particularly due to a disposal gain of €390 million related to the sale of Wintershall Dea assets to Harbour Energy.

Cash flows from operating activities decreased by €1.2 billion to €6.9 billion in 2024 and were in the forecasted range. We again managed to achieve cash inflows from changes in net working capital in 2024. With a cash inflow of €360 million, changes in net working capital were, however, considerably lower than the strong cash inflow of €1.8 billion in 2023.

Payments made for property, plant and equipment and intangible assets rose by €803 million to €6.2 billion, particularly on account of the construction of the Verbund site in South China. The investment is progressing on time and in budget. Overall, we remained €300 million below our original forecast of €6.5 billion.

Free cash flow amounted to €748 million, exceeding the forecast range of €0.1 billion to €0.6 billion.

[Slide 7: BASF Group FY 2024: Special items in EBIT]

As I just mentioned, special items in EBIT amounted to minus €1.9 billion and were mainly caused by restructuring costs and impairments.

Restructuring costs were incurred in all segments. They included restructuring in glufosinate-ammonium in the Agricultural Solutions segment and one-time costs for our ongoing efficiency programs. Impairments were focused on battery materials in the Surface Technologies segment. Other charges were mainly related to the class settlement of the litigation proceedings related to aqueous film forming foam products in the United States. This settlement was reached in May 2024, and we agreed to it without the acknowledgment of a legal obligation.

[Slide 8: Progress toward 2030 goals for CO_2 emissions]

Now let’s turn to BASF Group’s CO_2 emissions.

Even though our production increased, Scope 1 and Scope 2 emissions remained almost stable in 2024 compared with 2023 and amounted to 17 million metric tons. This figure is within the forecast range that we published in February 2024.

This was possible because we once again focused strongly on measures to increase energy and process efficiency as well as our efforts to increase the share of electricity from renewable sources. In 2024, the proportion of electricity from renewable sources rose to around 26 percent from around 20 percent in 2023.

Specific Scope 3.1 emissions amounted to 1.58 kilograms of CO_2 per kilogram of raw materials purchased compared with 1.67 in 2023. The reduction was mainly achieved by a change in the raw materials portfolio. Furthermore, we sourced first raw materials with lower PCFs from selected suppliers.

[Slide 9: Cash flow development in Q4 2024 supported by cash inflows from net working capital]

In the fourth quarter of 2024, cash flows from operating activities decreased by €806 million to €3.5 billion, mainly due to lower cash inflows from changes in net working capital. In the fourth quarter of 2024, changes in net working capital led to a cash inflow of €2.4 billion compared with a strong cash inflow of €3.2 billion in the prior-year quarter. Given that net working capital cannot be reduced indefinitely, the fourth quarter 2024 figure highlights our strong commitment to growth with high capital efficiency.

Payments made for property, plant and equipment and intangible assets rose by €257 million to €2.3 billion, particularly on account of the construction of the Verbund site in South China.

Free cash flow amounted to €1.2 billion compared with €2.2 billion in the fourth quarter of 2023.

[Slide 10: Strong balance sheet]

Ladies and gentlemen,

Let's now turn to our balance sheet at the end of December 2024 compared with year-end 2023.

Total assets rose by €3 billion and amounted to €80.4 billion. The increase in noncurrent assets was mainly driven by additions to property, plant and equipment due to our investments in the Verbund site in South China. Current assets declined slightly compared with the end of 2023.

At the end of 2024, equity stood at around €37 billion. At 45.9 percent, BASF's equity ratio remained very healthy.

Net debt increased by €2.2 billion to €18.8 billion at the end of 2024, mainly on account of higher long-term debt.

BASF's single-A credit ratings reflect our strong balance sheet and prudent financial policy.

[Slide 11: We will bring down capex after startup of the Zhanjiang Verbund site]

I would now like to provide some details about our capital expenditure policy between 2025 and 2028.

As previously announced, we aim to grow with high capital efficiency by reducing capital expenditures, increasing the utilization of existing assets and optimizing our net working capital.

After the startup of the Zhanjiang Verbund site, which will begin in the second half of 2025, we will bring down capex below the level of depreciation.

For the BASF Group, we plan capital expenditures of €16.2 billion between 2025 and 2028. During this four-year period, around €3 billion relate to the new Verbund site in China, of which €2 billion will be spent in 2025. Overall, we plan total capital expenditures in 2025 of €5 billion compared with €6 billion in 2024. This reduction by €1 billion is primarily associated with lower capex for the Zhanjiang site following the peak of investment in 2024.

And let me add that we have sufficient own capacities in our key markets to support volume growth in the foreseeable future without major new investments.

[Slide 12: We are on track to deliver cost savings of ~€2.1 billion by the end of 2026]

Today I would also like to give a short update on the implementation of BASF's cost savings programs. We are well on track to achieve the targeted €2.1 billion annual cost savings by the end of 2026.

By the end of 2024, we already achieved a total annual cost reduction run rate of around €1 billion, of which around €100 million is related to the Ludwigshafen Cost Improvement Program announced in February 2024.

We incurred cumulative one-time costs of approximately €900 million related to the implementation of the cost savings programs by year-end 2024. This amount is about half of the total one-time costs we anticipate by the end of 2026. By then, we aim to have concluded all programs and will benefit from the full amount of savings on an annual basis.

By the end of 2025, we expect to have achieved a total cost reduction run rate of around €1.5 billion and cumulative one-time costs of around €1.3 billion.

With that, back to you, Markus.

[Markus Kamieth]

[Slide 13: We are committed to attractive shareholder distributions]

Ladies and gentlemen,

The Board of BASF SE is fully committed to attractive shareholder distributions via dividends and share buybacks.

As announced in September 2024, we aim to distribute at least €12 billion to shareholders from 2025 to 2028. The aggregate dividend payment of at least €8 billion in the four-year period will be complemented by share buybacks, which we target from 2027 onward at the latest and which are expected to amount to at least €4 billion. BASF's strong balance sheet and strong cash flows will support dividend payments and share buybacks.

In line with our previous announcement, we will propose a dividend of €2.25 per share for the business year 2024 to the Annual Shareholders' Meeting. Based on the year-end share price, this offers an attractive dividend yield of more than 5 percent. In total, we will pay out around €2 billion to our shareholders.

[Slide 14: Outlook 2025 for BASF Group]

Now I will move on to the outlook for the BASF Group.

Our 2025 forecast assumes that a moderate rise in goods demand will support the expected GDP and industrial production growth. Challenges such as high geopolitical and trade policy uncertainty will weigh on the confidence of companies and consumers. For the global chemical industry, we anticipate slightly higher growth compared to the expectations for GDP and industrial production.

Based on these assumptions, the BASF Group's EBITDA before special items is expected to rise to between €8.0 billion and €8.4 billion in 2025. All segments are forecast to contribute to the increase in earnings with the exception of Chemicals. Here, EBITDA before special items is expected to decline slightly compared with the prior-year figure, mainly as a result of higher fixed costs associated with the commissioning of the new Verbund site in China and scheduled maintenance shutdowns.

We forecast the BASF Group’s free cash flow to be between €0.4 billion and €0.8 billion in 2025. This is based on expected cash flows from operating activities of between €5.6 billion and €6.0 billion, minus expected payments made for property, plant and equipment and intangible assets in the amount of €5.2 billion. The continued high investment-related cash outflow is mainly due to investments in the new Verbund site in China. Compared with 2024, however, the outflow is expected to be around €1 billion lower.

You will have noted that we have added two columns on our outlook slide to give you more transparency on our earnings power and on the impact of the startup of our Zhanjiang Verbund site. As previously indicated, the burden on EBITDA before special items in 2025 is expected to be around €400 million. On free cash flow, we expect the burden to be around €800 million. This includes the earnings impact as well as the impact on net working capital. In other words, our outlook ranges would be higher by these amounts if you disregard the effect of the Zhanjiang startup.

CO_2 emissions are expected to range between 16.7 and 17.7 million metric tons in 2025. This anticipated increase compared with the previous year is likely to result from higher production volumes based on rising demand. We will continue to implement targeted emission reduction measures and further transition to electricity from renewable sources.

[Slide 15: Priorities for 2025]

Overall, we are approaching 2025 with confidence. As I just outlined, we anticipate limited tailwinds from the market. Most improvements we aim to achieve will need to be driven by our own efforts.

I would like to highlight three topics that we will prioritize in 2025.

First: We will advance our portfolio management for the standalone businesses to create value for BASF and our shareholders. We also want to further strengthen our core businesses. Our teams will roll up their sleeves to address our lower-performing businesses. We strive for strong market positions. This is our ambition.

Second: We will continue to advance the construction of our new Verbund site in China and will begin with the startup in the second half of the year. The goal remains to start up most of the plants by the end of the year. We have every confidence that our teams in Zhanjiang will successfully master this task, which is unique in terms of size and complexity.

And third: We will drive forward our restructuring measures to bring down costs in line with current market conditions. The Ludwigshafen site remains a clear focus of these measures. Our aim is that our efficiency measures at least compensate for inflation.

As I conclude, I would like to remind you once again of the core of our “Winning Ways” strategy: We combine active portfolio steering, operational discipline on capital and costs with our new winning culture to create more value for our shareholders.

And now Dirk and I will be happy to take your questions.

Back to you, Nina.