Conference Call Q1 2026
Transcript Q&A
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Contents

1. BASF Group

1.1 Guidance and outlook

Katie Richards (Barclays): I have a few questions on guidance. You've chosen to maintain the range at 6.2 billion to 7 billion euros. Can you comment on whether the recent pricing spread movements leave scope to exceed the higher end of this range, or is it too early to assess? Could you also give us some directional guidance on Q2, please? Do you think it would be fair to say it's stronger or in line with the estimates we've seen for Q1 today?

Dirk Elvermann: First of all, when it comes to the outlook, let me say we are really satisfied how the first quarter came in. In a very challenging environment, I think this is a tremendous achievement by the team.

We are optimistic for the second quarter. We see pricing power across many of our businesses that will now unfold in the second quarter. The first quarter is still bound by contractual terms that were negotiated earlier. But now, in the second quarter, I think the pricing power that is now coming up will unfold. So, short term we are optimistic.

Then for the rest of the year, there is a question mark, of course, like everybody has a question mark right now because we do not know how long the crisis in the Middle East will continue. And we do not yet know how the demand pattern will continue. So far, we see no declines in demand, but we can, of course, not be certain that the current demand levels will hold up, depending on how long this crisis goes on.

Therefore, we said: Everything that we would now change would be arbitrary. So, let's stick to the numbers that we have, which is still our best estimate. But, of course, we are mindful that there might be changes in the second half of the year. And once we see more clearly, we will certainly react. But for now, we see no reason to change our guidance.

Looking into the second quarter and giving you a little bit more flavor on the respective businesses, let me say the following, starting with upstream: For the Chemicals and Materials segments, we are expecting considerable improvements in earnings compared with the prior-year quarter. This, of course, has to do with the current situation in the Middle East. The businesses are certainly benefiting from tighter supply conditions and are also getting pricing power.

On top of that, also Zhanjiang, which already contributed positively in March, as I've said, will contribute to earnings in Chemicals. On the other hand, we will also have a turnaround of a cracker in Ludwigshafen. So, we should also not be too optimistic. But I think, overall, for Chemicals and Materials, the picture for Q2 is good.

For Industrial Solutions, we also expect to come in above the prior-year quarter. We are continuing with restructuring in this segment. We also see solid demand, and we see a good market environment for the second quarter overall.

Then, when it comes to Nutrition & Care, I would say we should come in at around the level of the previous year's quarter. We have challenging market conditions, particularly in Care Chemicals, which are also likely to persist. But we also see some room for improvement here. Then on the Nutrition & Health side, with the restart of our vitamins production, we should certainly see a continuation of positive contributions, which we have already shown in the first quarter.

Surface Technologies is expected to be below the previous year quarter level. The automotive market, as we all know, is lower compared to 2025. And the PGM prices are also having their effect.

For Agricultural Solutions, the business is fundamentally really good. The earnings that we saw in the first quarter were mainly impacted by FX effects; otherwise, the colleagues would have achieved more or less the same result as in the prior-year quarter. What is a slight watch-out, of course, is the pricing and buying power of the farmers. They anyway still suffer from soft commodity prices, which are not very high. On top of that, you now see fertilizer prices also spiking due to the blockade of the Strait of Hormuz. That is then impacting the buying power of the farmers as well.

Putting all of this together, for the second quarter, as I've said, a positive outlook. Beyond the second quarter it's too early to tell.

Georgina Fraser (Goldman Sachs): In the material that you've published this morning, it read to me that you were highlighting a lot of downside risks to your outlook. But the commentary on the call has been a lot more positive, at least in the short term. So, I want to dig in a little bit into the assumptions that you've made.

Dirk Elvermann: The trends that we've shown with regard to the assumptions that are the basis for the outlook are to demonstrate that there is currently a lot of volatility and that from today's perspective we can rather expect a downward trend for GDP, etc. On its own, however, this is not sufficient to say that we need to change our outlook because we are currently seeing a lot of countervailing factors. At the moment, you see higher raw material costs, but you have the ability to pass on prices or even expand margins. Even the sensitivity analysis that we are typically doing is not so helpful.

Therefore, we see currently downside risks, but we also see upside opportunities. At this point it is not possible to clearly calculate a net amount, but it is certainly the case that, for the first half of the year, we see more opportunities than risks for our business. And then we really have to see. So bear with us. We will keep you updated also then at the half-year call.

1.2 Current market environment

Alejandro Vigil (Santander): Looking at the situation in the Gulf. In your conversations with your clients, do you see an additional boost to their sourcing to be closer to their clients, to be local for local?

Dirk Elvermann: Yes, indeed, we see that the resilience that we have built over the last couple of years is now playing out. I think the good Q1 result and also the good prospects for the second quarter are thanks to a couple of factors, one being, as you mentioned, the local-for-local production that we have. We have, on average, 90% local-for-local, both in terms of sales and also on the procurement side.

We do not see so far in this crisis any supply shortage for us. So, the physical product supply is secured. Also for the second quarter of the year, we have the possibility to play our long value chains. This, together with the closeness and proximity to our customers, is really playing off. So, we see this resilience point strongly playing out these days.

Thomas Wrigglesworth (Morgan Stanley): In terms of the more downstream-focused divisions where you're exposed to automotive, maybe more of the consumer durables manufacturers: What is BASF's message to your downstream customers around availability and pricing through 2026? What are you actually communicating? Are you sensing any demand destruction in those downstream businesses, noting that your upstream business is obviously passing through?

Christian Jutzi: There was quite a change in the course of the first quarter. What you saw in the first two months of the quarter was a really good volume development in the Chemicals segment and also in Nutrition & Care, but not so much in the other downstream divisions. And that changed in March. You really saw an uptick in the volumes.

Now, it's evidently very difficult to judge this because there are several things happening at the same time. On the one hand, if you look at consumer confidence, this is actually not very strong in any of the regions, neither in Europe nor in North America, nor in China. And of course, the Middle East crisis is also not helping.

But we did clearly see an uptick in March. Also, the PMI in Europe went up. So it's difficult to evaluate now: Are we talking about restocking effects, or is this really an underlying demand development? Because at the end of the day, in Asia, specifically in Southeast Asia, you really see a certain supply unavailability and therefore certain imports are no longer coming into Europe.

So there is a certain uncertainty which is helping demand. This differs from business to business. There are businesses which are growing strongly overall, like electronic materials, which is having a really good run. But for others, you see positive developments in terms of demand because there are some products which are not simply imported to the same extent as before. We have to see how long this lasts and if this is sustainable.

Regarding pricing, evidently, we now see significantly higher freight costs. We also see higher raw material costs. These have to be pushed through. So this is why you see price increases across the board. And, to a large extent, they are also sticking.

Sebastian Bray (Berenberg): Regarding regional profitability: The temptation when looking at these results is to say, well, BASF has benefited quite heavily from global footprint, particularly in the US upstream, given some of the peers have reported quite nice results there. Can you talk about the extent to which the U.S. upstream chemicals were the primary driver of Q1, and give us any relative sense for your relative profitability of China, particularly with the new operations, Europe and the U.S.?

Dirk Elvermann: On the regional side: If you look into the top line, I think volume-wise we were better, particularly in Asia, and there driven by China. This has to do with the overall market dynamics still, but also of course with the contribution of our new site in Zhanjiang. If you want to split it a bit: I think, a significant part of what we see as volume increase in China is coming from the new site.

Europe, in terms of volumes, was also growing in the first quarter of 2026, whereas North America was for us rather flattish volume-wise. So, this idea that the U.S. needs to go up now in this current situation, at least on the top line, is not something that we see in our books. It is the pattern that Asia is driving, but Europe is also showing a nice contribution.

If you look at prices in the first quarter, they were still down compared to previous year's quarter for the reasons I explained. Price increases are not yet coming through.

If you look at the earnings pattern, here you see a slight improvement in North America, but nothing spectacular. Also here you again see the biggest contribution coming from Asia. And then in our home market, we also saw an improvement in Germany in the first quarter although Europe in general was down. So, again, a mixed picture, but nothing that is being driven yet by the U.S.

Chetan Udeshi (J.P. Morgan): Wacker yesterday was talking about orders in April basically going to Jan and Feb levels after a surge in March. Have you seen any of these dynamics across your business?

Christian Jutzi: In the current environment, the typical view that we have is now even shorter. At this point in time, we have a view maybe over the next four weeks, which has come down from two months due to the uncertain environment. But we have not seen a broad-based reduction in demand. We have a pretty good order book and feel confident right now.

As I mentioned earlier, consumer confidence is down. On the other hand, this has not led to a reduction in demand, at least in the foreseeable future due to lower imports into Europe, for example, and also the necessity to supply Southeast Asia where there are shortages.

Jaideep Pandya (On Field Investment Research): When you look into the context of the sector prior to the war, I guess overcapacity out of China or the Middle East was the biggest headache for European/American chemical companies. Now that the cost curve is pushed steeper, how much of this do you think is structural, especially in China, with the lack of availability of feedstock or some of the really old plants having to be mothballed? How much of this is really going to structurally help the upstream demand/supply balance when you look across the value chains?

Dirk Elvermann: This is a bit of a crystal-ball question: How much is structural, how much will change back? Let me try to narrow down the playing field here.

There is a huge production setup in Asia, mainly China, but also in ASEAN. This very broad setup hinges on a very thin lifeline, which is the Strait of Hormuz, where the preponderance of the feedstock for Asia is coming from. We are currently seeing the vulnerability that comes with that.

Do we see plant stoppages in Asia as a result? Yes, of course; we see a lot of them. We also see forces majeures. Do we see less supply into Europe? Yes, the pricing power that Europeans are currently getting is telling us that. Is this long term or is it short term? For me, Jaideep, it is too early to tell.

What is clear: Customers in Europe are getting more sensitive about their procurement security. And what we see is that more customers are also diversifying their supplier base and looking at who, apart from an Asian supplier, can supply us in Europe. And there, of course, in many, many cases, BASF is the first choice. We will clearly see this effect. This is certainly a positive. Would I call it structural right now? It’s too early to tell, but this is certainly a positive thing.

James Hooper (Bernstein Société Générale Group): I have a question on pricing in contracts. Can you tell us a little bit more about the pricing approach? Are you seeking to lock in customers for longer at the higher prices? Are you using surcharges or are you using full pricing?

Dirk Elvermann: This is a sensitive question. Let me say in general: We use a mix of contract prices. In certain businesses, we have formula prices, as you would expect. And we also have spot prices to a certain degree.

In terms of price increases, of course it takes some time to reach a higher share of higher spot prices. This is why the price effects that we see will now come into the second quarter and were not really visible in the first quarter. The first quarter was a volume game; the second quarter will now be where you will see price effects.

Are we making comprehensive price increases or are we also passing on special price components? Also here, we have all kinds of possible pricing approaches, always customary and in line with your compliance standards that you would like to have, but also in line with market standards. So, it’s really a broad base of things. Most importantly for me: We have regained pricing power, and you will see this in the second quarter.

1.3 Capital allocation

Alejandro Vigil (Santander): What are your expectations in terms of net debt by the end of the year? I think there are many moving parts, the working capital in the first quarter, the divestments, etc. Can you give us an indication on the level you expect at the end of the year?

Christian Jutzi: At the end of 2025 our net debt was at 18.3 billion euros. Due to the seasonality of the Ag business, the figure increased to 20.5 billion euros at the end of the first quarter of 2026, which is at the level of the prior-year quarter.

Net debt is expected to come down in the future. You saw that in Q1 we already paid back a 1 billion euro-denominated bond. This will continue: There is further opportunity to reduce our net debt and pay back bonds and loans in the amount of 1.2 billion euros, which we will do.

Then, of course, subject to the closing of our portfolio measures, we are considering further measures. There is a certain likelihood that we would even pay back some loans or bonds ahead of schedule, which would, of course, then further reduce net debt. As Dirk has said, our clear capital allocation framework is laid out, and we will deleverage.

Christian Faitz (Kepler Cheuvreux): Regarding your share buyback program, which I believe is scheduled to be concluded by June with the first 1.5-billion-euro tranche. Are you considering to continue right after that with another tranche out of your overall 4-billion-euro buyback program?

Dirk Elvermann: I’m happy with the progress of the share buyback program. I think we also see that the ongoing share buyback program is supporting us and our strategy. We will, as planned, complete the 1.5-billion-euro tranche by the end of June. And then we still have 2.5 billion euros outstanding, for which we have time until end of 2028. Will we continue immediately or take a little bit of time? That certainly also depends on cash-in from, for instance, the Coatings transactions and other elements. So, to cut a long story short: We do not know yet whether we will immediately continue. It is not ruled out, but will be decided at a later point in time.

Tony Jones (Rothschild): Some companies are now starting to talk about exploring new investments in North America with the low cost and perceived lower political risk. Do you see any possibility BASF might look to assess whether it’s the right time to invest again in North America, either organically or via M&A?

Dirk Elvermann: Let’s not forget: We are currently doing a very large investment in the U.S., with the MDI expansion in Geismar, which is fully on track and scheduled to be completed by the middle of this year and then ramp up quickly, also this year. So, this is a big investment which we very much hope will contribute positively and extremely quickly.

On top of that, as you know, we are at the end of an investment cycle. So, we are a well-invested company right now. Therefore, nothing out of the ordinary is to be expected, neither in the U.S. nor elsewhere, and we are now rather focusing on other things and running the assets to the best of our abilities.

Sebastian Bray (Berenberg): With regard to working capital: Is the 3 billion euros in Q1 really seasonal, or is there a chance that BASF needs to hang on to some of this because of the need to secure supply or be able to deliver for end customers, together with raw material inflation?

Christian Jutzi: In Q1, demand development really picked up in March more than in the months before. However, on the pricing side, we did not see the same development. Prices were pretty much the same throughout the quarter. So, the price increases really haven't come through; this would be more in the second half.

Regarding net working capital, we saw an impact of around 3 billion euros, similar to what we saw in last year's quarter. In the first quarter, we saw a very similar development, mainly driven by the seasonality of the Ag business.

We also saw a slight increase in inventories related to the startup of the Zhanjiang Verbund site, but nothing spectacular.

Regarding the free cash flow and the operating cash flow in the second quarter: Last year, we had a free cash flow of 0.5 billion euros in the second quarter. What you will see this year is in line with what we said about capex: Capex will be between 200 million and 300 million euros lower. For the full year we had already announced in February that we would reduce capex by 0.9 billion euros, so this will result in a reduction by 200 million to 300 million euros in the second quarter.

But we will see higher net working capital due to the higher oil and gas price environment. This, of course, will be a drain on cash flow. And therefore, the expectation is that the operating cash flow will be lower in the second quarter than in the prior-year quarter. However, the lower capex, will be a somewhat compensating effect here. So free cash flow will probably be slightly down compared to the prior-year quarter.

Peter Spengler (DZ Bank): Cash proceeds of approximately around 5 billion euros net of tax are expected to be received in the second quarter from Carlyle. Can you help model the impact in the P&L? And how should we think about the expected dividend contribution from the retained 40% stake going forward?

Dirk Elvermann: The net contribution is a bit higher than you would expect. We said the tax effect is mid-triple-digit. So, I would expect that the net figure will come in a little bit higher.

On the joint venture side, the joint venture will do everything to increase its value. I would not expect that the joint venture, with Carlyle being the majority owner and BASF holding the minority stake, will pay dividends in the short term. The financial effect that we are getting from this transaction is, of course, higher retained earnings and a cash-in event. We will use the cash that we will receive upon closing of the transaction in line with our priorities of the uses of cash. So, we will use it to significantly deleverage our balance sheet, and we will distribute proceeds according to our distribution framework.

1.4 Zhanjiang Verbund site

Thomas Wrigglesworth (Morgan Stanley): The China Zhanjiang Verbund is EBITDA-positive in March: Is that just a function of stocking effects that are one-time in nature? Or do you feel that's actually an underlying step up in performance in the business that means, going forward, that the rest of the year will be at a minimum, maybe not, EBITDA-positive to neutral?

Dirk Elvermann: First of all, let me say: We are delighted that already in March we could show a positive EBITDA for the site in Zhanjiang for the first time. This is, of course, a combination of a couple of factors. First of all, the ongoing very successful startup of the site, which has increased capacity utilization very quickly with all products in spec, and also the very good relations with local customers.

Secondly, of course, we benefited from volatility, as I've said already in my speech. So, we had the possibility to react quickly here at a time when Asia was impacted by the Middle East crisis.

Would we now dare to say, after March, that we will stay continuously positive in Zhanjiang for the rest of the year? Certainly not. We maintain our more cautious forecast for Zhanjiang, saying it will probably be rather slightly negative in 2026. At the very least, this is already an early signal of the strong resilience of the new site. So, we're happy about it, but I would not overdo it at this point in time.

1.5 Turnarounds

Matthew Yates (Bank of America): Can you just elaborate a little bit more on the extent of the maintenance schedule for Q2? We're trying to calibrate any constraints you may have to capitalize on this environment.

Christian Jutzi: Typically, in the first half of the year, you have the typical turnaround season in the chemical industry. You saw this already in Q1 where we had Port Arthur down in the Chemicals segment. In the second quarter, the larger Ludwigshafen cracker will be offline. Of course, this will impact the Chemicals segment.

Also in Intermediates, we have a couple of turnarounds, for amines and a few others such as formic acid, that are going to have an impact. But that is all included in the outlook that Dirk already gave. So, this is a material effect, but nothing unusual at this time of the year.

As you are alluding to the current situation, one thing I would like to mention is that we are taking active measures to make sure that we maintain stability of supply and are able to supply our customers. For example, in the Monomers division, we had planned for an ammonia turnaround in the second quarter. We have now pushed this into the fourth quarter in order to ensure continued supply for our customers in the current environment.

Laurent Favre (BNP Paribas): Part of the hope of recovery through mid-cycle was that the capacity shutdowns would offset some of the new additions, either in Europe or Asia. I guess now we're seeing margins that are much better for those who can run. Strategically, the situation shows that maybe you're not able to rely on upstream overcapacity to run your economy. So, I'm wondering, do you think this situation is likely to slow down capacity shutdowns or on the other side accelerate them for those who've already had to mothball capacity and maybe they want to restart?

Dirk Elvermann: You were asking about the shutdowns, the ability to move turnarounds and what to expect. Let me first say: We have a higher turnaround intensity this year than last year. Among them, you have the five-year turnaround in Port Arthur, which started in the first quarter and is about to be successfully completed very soon. We have the big cracker turnaround in Ludwigshafen coming up. Those are things that you cannot postpone because they need to be done and are also planned for a long time.

At the same time, we are showing flexibility in postponing turnarounds; Christian alluded already to ammonia. If you want an indication of what can be postponed and what has to be done, I would say, that 80% has to be done, 20% can be postponed so that we are able to deliver to and supply our customers. That's more or less the mix.

Despite the more intensive turnaround season that we have, you will see better results in the upstream businesses coming in in the first half of the year. So, we are able to overcompensate the turnaround effects, partly, of course, out of our working capital, but also partly due to the pricing power that we have recently gained.

I hope this answers your question because it was hard to understand.

1.6 Feedstock sourcing

Matthew Yates (Bank of America): I wondered if you could talk a little bit more about your trading business for feedstock. This is not necessarily something that we've talked about a lot in the past, but in this environment, as you say, a potentially very interesting advantage. Could you just elaborate a little bit more on the size of that business and how it functions?

Dirk Elvermann: The trading business, which we have in our so-called BASF Intertrade, is more than a procurement function. We are trading, on an ongoing basis, volumes for all our relevant feedstocks, naphtha, methanol, etc., that are far higher than our own demand. In normal times this gives you, apart from your direct sales business, a trading result, which you typically see reflected under Other.

But in these crisis times, where we also have to secure our physical supply, the business gives you more optionality: We can put the higher volumes that we can procure worldwide to captive use rather than sell them on. This gives us a nice buffer on top of the financial support that the business also yields. That's the basic significance of the trading business, which works nicely.

Secondly, in terms of market intelligence, we obviously have very good insights into all the raw material feedstock markets worldwide. And the Intertrade colleagues are therefore also an active part of our crisis response team.

Georgina Fraser (Goldman Sachs): On the topic of supply security: You said there are no significant supply risks for now. Can you help us understand: What are you looking out for? When would real supply risks commence if the Strait of Hormuz remains shut? And do you see competitors already facing supply issues in Europe that don't have the same feedstock diversification and trading platform, and all of the advantages that you highlighted?

Dirk Elvermann: If we say we do not see supply risk for now, I'm talking about the time horizon until the end of Q2. As you can imagine, we are now doing both a supply risk analysis, physical, but also pricing on a rolling basis. The foresight that we have gives us confidence that until the end of the second quarter, we will not see any major supply disruptions.

We still see major bottlenecks for supply in Asia. If you look into the list of forces majeures declared these days, they are all coming from Asia. They are not so much coming from Europe. Will this change over time? This cannot be excluded, but for now it is still predominantly an Asian topic.

Jaideep Pandya (On Field Investment Research): Could you highlight your naphtha/ethane sourcing in Europe as well as in China?

Christian Jutzi: For our European steam crackers in Ludwigshafen and Antwerp, the raw materials are primarily sourced in Europe and in Northern Africa, regarding naphtha, as well as North America, regarding liquefied propane, because the cracker in Antwerp can actually use naphtha as well as propane.

Our steam cracker in Zhanjiang is a flex-feed cracker, so it can use both naphtha and butane. The raw materials are primarily sourced in the Middle East and North Africa, but also North America. So, we are talking about naphtha here and butane. At the Verbund site in Nanjing as well as in Port Arthur, the joint ventures are sourcing the raw materials. This therefore ensures that we also have security of supply in those crackers.

Jaideep Pandya (On Field Investment Research): Are you sourcing any naphtha out of the Gulf, or have you had any supply issues in China since the Gulf war?

Christian Jutzi: No, we have not. There are some Middle East sources for Zhanjiang, but we also have other sources and therefore security of supply here is ensured. We have not had issues regarding sourcing naphtha or other raw materials for any of our crackers, including Nanjing.

James Hooper (Bernstein Société Générale Group): How long in terms of time does it take to change your feedstock power from one source to the other if the supply situation does get worse?

Dirk Elvermann: This feedstock change goes relatively quickly. I would say, it’s a matter of days or weeks, not a matter of months. That’s an actual and powerful flexibility that we have to change at relatively short notice.

2. Segments

2.1 Chemicals

– No specific questions –

2.2 Materials

– No specific questions –

2.3 Industrial Solutions

– No specific questions –

2.4 Nutrition & Care

– No specific questions –

2.5 Surface Technologies

– No specific questions –

2.6 Agricultural Solutions

Christian Faitz (Kepler Cheuvreux): On Agricultural Solutions. Given the rather dry weather conditions throughout the northern hemisphere at this point in time, how is the inventory situation in crop protection products?

Dirk Elvermann: The channel inventory is currently not the biggest concern, I would say. You have seen a healthy volume development, also in Agricultural Solutions. On this side, I don't see a major topic. We will also be able to push the volumes into the market for the rest of the year.

The bigger concern is the buying power on the farmers' side and therefore the pricing power and, of course, the ongoing FX effect. So, these are the two bigger ones. But fundamentally the Agricultural Solutions business is on track here to achieve what they want to achieve for the year 2026.

Tony Jones (Rothschild): On Ag Solutions: Another good performance with volumes up. It looks to be benefiting from BASF's strong product mix. But I wanted to check: Are there any gains in the quarter from quarterly phasing, either delayed from last year or pulled forward from the next? And how are the newly launched products going? Are there gains starting to come through there, despite the credit tightness?

Dirk Elvermann: I can confirm that Q1 has been a clean quarter. There was even, due to market dynamics, the need in the fourth quarter of 2025 to do a little bit more. So, if you will, the first quarter 2026 was even then a little bit weaker. But there is no big preponement or anything, so it is rather a clean quarter for the Ag division.

Chetan Udeshi (J.P. Morgan): On Ag, you talked about the farmer economics, but if I just look at your Q2 last year, you had quite strong volumes. Now, there's always a phasing between comps and stuff. But I'm just curious, do you think in Q2 we should still assume the EBITDA to be down year on year because of FX, but also because the comps and volumes are quite tough?

Dirk Elvermann: For the second quarter, we believe that Agricultural Solutions will deliver a seasonally typical contribution which will probably be broadly in line, maybe slightly below the previous-year quarter, the main factors being the reasons that I've mentioned. So, commodity prices, and I mentioned the fertilizer effect. We are not in the fertilizer business, but it is obviously weighing on the buying power of the farmers. But this is it more or less.

Economic conditions are certainly different by region. Currently, we have some dry conditions here in the middle of Europe, better in the South. This is a mixed bag. So, my tagline would really be: Expect a typical seasonal contribution, maybe slightly below the previous year's level.