



We create chemistry

Analyst Conference Call Q1 2024

Speech

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Martin Brudermüller

Chairman of the Board of Executive Directors

Dirk Elvermann

Chief Financial Officer

The spoken word applies.

Martin Brudermüller

Good morning, ladies and gentlemen,

Dirk Elvermann and I welcome you to our Analyst Conference Call. Today, we will provide you with details regarding our business development in the first quarter of 2024.

[Slide 3: Global chemical production grew compared with Q1 2023, driven by strong growth in China; production in Europe increased slightly]

Let's start with the development of chemical production by region. Based on the currently available data, global chemical production grew by 5.4 percent in Q1 2024 compared with the prior-year quarter. This was almost entirely on account of strong growth in China. As in previous quarters, the growth in China was driven by recovering domestic demand and exports. However, Chinese volume growth was still associated with low sales prices and is influenced by positive base effects.

In North America, chemical production was essentially flat, while in the European Union, production increased slightly compared with the weak prior-year quarter. In Asia excluding China, production decreased slightly.

To sum up: The volume recovery continued, but slowly. This trend is also visible in a sequential comparison, as volumes increased slightly in Q1 2024 compared with Q4 2023. Even so, we cannot yet confirm a fundamental turnaround in industry dynamics. For this, we will need to see the current positive trend continuing in the coming quarters.

[Slide 4: BASF with solid start to the year: Q1 2024 EBITDA before special items slightly ahead of analyst consensus]

We now move on to BASF's performance in the first quarter of 2024 compared with the prior-year quarter.

Overall, BASF Group sales were 12 percent lower at 17.6 billion euros. This was mainly due to lower prices, which declined across almost all segments. Prices predominantly decreased on account of lower raw materials prices. In Agricultural Solutions, we were able to slightly increase prices. Currency headwinds dampened sales in all divisions. Volumes of BASF Group increased by 0.5 percent. Excluding precious and base metals, volumes increased by 2.1 percent compared with the prior-year quarter.

In terms of earnings development, we had a solid start to the year: EBITDA before special items amounted to 2.7 billion euros. This is only slightly below the figure of the prior-year quarter and slightly ahead of analyst consensus. Higher earnings in the Nutrition & Care, Materials, Industrial Solutions and Chemicals segments more than compensated for the decline in Other, Agricultural Solutions and Surface Technologies.

[Slide 5: BASF achieved volume growth in the Chemicals, Materials, Nutrition & Care and Industrial Solutions segments]

Let's take a closer look at the volume development by segment.

Volumes in the Chemicals, Materials, Nutrition & Care and Industrial Solutions segments increased, while Agricultural Solutions and Surface Technologies recorded a decline. Higher volumes in our upstream businesses led to improved utilization rates at our major plants and positively impacted profitability.

Excluding precious and base metals, the Surface Technologies segment recorded a volume decline of only 0.9 percent on account of the Catalysts division. Volumes in the Coatings division increased. In Agricultural Solutions, volumes declined mainly due to lower sales of herbicides and fungicides compared with the record prior-year quarter.

With that, I hand over to Dirk for more financial information.

Dirk Elvermann

Thank you, Martin. Good morning, ladies and gentlemen. I will now provide you with further financial details for the first quarter of 2024 compared with the prior-year quarter.

[Slide 6: BASF Group Q1 2024: Key financial figures]

As Martin already mentioned, EBITDA before special items decreased by 5 percent and amounted to 2.7 billion euros. EBIT before special items declined by 9 percent and came in at 1.8 billion euros.

Net income declined by 12 percent to 1.4 billion euros. In Q1 2024, the tax rate was 20 percent compared with 17 percent in the prior-year quarter.

BASF's cash flows from operating activities improved by 49 percent to minus 513 million euros, and free cash flow was minus 1.5 billion euros compared with minus 1.9 billion euros in Q1 2023. I will comment on the cash flow development in more detail on one of the next slides.

BASF's equity ratio remains very solid. It amounted to 47.2 percent at the end of March 2024.

[Slide 7: EBITDA before special items increased in the Nutrition & Care, Materials, Industrial Solutions and Chemicals segments]

Now let's take a look at the development of EBITDA before special items by segment compared with the prior-year quarter.

BASF Group's earnings performance was driven in particular by the significant decline in earnings in Other, which was primarily attributable to higher bonus provisions as well as higher expenses from the long-term incentive program and lower contributions from BASF's internal insurance companies.

Agricultural Solutions and Surface Technologies also recorded a decline in EBITDA before special items. In Agricultural Solutions, this was mainly due to lower volumes. The decline in earnings in the Surface Technologies segment was due to lower precious metals prices in the Catalysts division. This was partially offset by the increase in earnings in the Coatings division.

All other segments increased EBITDA before special items, in some cases significantly, mainly due to fixed cost reductions and higher contribution margins predominantly driven by higher volumes.

For detailed explanations of the earnings development by segment, please refer to BASF's Quarterly Statement Q1 2024, published this morning.

[Slide 8: Cash flow generation in Q1 2024 improved strongly compared with prior-year quarter due to less cash tied up in net working capital]

I will now continue with more details of our cash flow development.

In the first quarter of 2024, cash flows from operating activities improved by 502 million euros to minus 513 million euros.

Changes in net working capital led to a cash outflow of 3.2 billion euros compared with a cash outflow of 3.6 billion euros in the prior-year quarter. This positive development was due to lower payments from declining accounts payable. Changes in inventories were almost stable. Overall, this once again demonstrates our strong focus on inventory management and cash generation.

Compared with the prior-year quarter, payments made for property, plant and equipment and intangible assets rose by 9 percent to 943 million euros. The increase was mainly attributable to the construction of our new Verbund site in South China.

In Q1 2024, the free cash flow improved by 426 million euros to minus 1.5 billion euros. Typically, BASF's free cash flow is negative in Q1 and recovers in the course of the year. This is mainly due to the seasonality of the cash flows from operating activities in our Agricultural Solutions business.

[Slide 9: Strong balance sheet]

Let's now turn to our balance sheet at the end of March 2024 compared with year-end 2023. Total assets amounted to 81.7 billion euros. This is an increase of 4.3 billion euros, mostly on account of higher current assets, which increased by 3.4 billion euros. This increase is mainly attributable to the previously mentioned seasonality of our businesses, particularly in the Agricultural Solutions segment, which resulted in higher trade accounts receivable compared with year-end 2023.

Higher additions to property, plant and equipment were the main driver for the slight increase in noncurrent assets compared with year-end 2023.

Net debt increased to 18.2 billion euros at the end of March 2024 compared with 16.6 billion euros at the end of December 2023.

At 47.2 percent, our equity ratio at the end of March 2024 was at the same level as of year-end 2023.

With that back to you, Martin.

Martin Brudermüller

Thank you, Dirk.

[Slide 10: Outlook 2024 for BASF Group unchanged]

Now I will conclude with the outlook.

BASF's outlook for 2024 and the underlying assumptions remain unchanged. As published in the BASF Report 2023, we expect BASF Group's EBITDA before special items to rise to between 8.0 billion and 8.6 billion euros in 2024. Our forecast for BASF Group's free cash flow is between 0.1 billion and 0.6 billion euros. This is based on expected cash flows from operating activities of between 6.6 billion and 7.1 billion euros minus expected payments made for intangible assets and property, plant and equipment in the amount of 6.5 billion euros.

CO₂ emissions are expected to be between 16.7 million and 17.7 million metric tons in 2024. We anticipate additional emissions compared with the previous year from higher production volumes based on rising demand. We will counteract this increase with targeted emission-reduction measures.

Thank you, and now Dirk and I are glad to take your questions.