

BASF SE

Europe Satellite*

Recommended since 12.02.2025

12.02.2025



Country DE	Market capitalization (bn) EUR 42,3	Perf. since reco. (%)
Sector Chemicals	Free float 100,0%	BASF SE 0,0
Factset BAS-DE	Closing price EUR 46,96	Sector 0,0
ISIN DE000BASF111	ESG Risk score* 27,9 Medium risk	

Profile
 Founded in 1865, BASF is one of the largest global chemical companies, operating 234 sites worldwide. Its activities range from basic chemicals to specialty products and are divided into 1/ four strategic divisions: Chemicals (petrochemicals, intermediates), Materials (performance materials, monomers), Industrial Solutions (dispersions, resins, performance chemicals), Nutrition & Care (ingredients for nutrition, health, cosmetics, household products); and 2/ two independent divisions: Surface Technologies (basic resource services, battery materials, coatings), Agricultural Solutions (seeds, crop protection).

Strengths/opportunities

- ⊕ Economies of scale thanks to Verbund's integrated production model (7 sites), enabling maximum optimisation of the structure.
- ⊕ A broad and diversified portfolio of chemical products, with a presence across the entire value chain and leading positions in many segments.

Weaknesses/threats

- ⊖ Mainly cyclical end markets, sensitive to economic slowdown.
- ⊖ Risk of production stoppages in the event of force majeure.
- ⊖ Fluctuating commodity prices in the event of supply/demand imbalances, impacting profits.

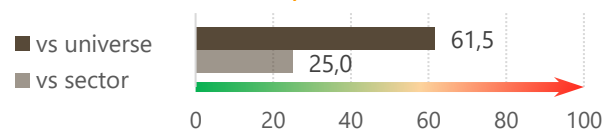
Investment case

- ⊕ After 7 years of operational and stock market underperformance, the strategy announced in September by the new CEO marks a cultural turning point, with the aim of improving operational performance and generating value through extensive restructuring and the separation of independent activities (Surface Technologies and Agricultural Solutions) to focus on strategic divisions operating on the Verbund model.
- ⊕ At the beginning of 2024, the company put in place a cost-cutting programme of EUR 2.1bn by 2026, of which EUR 1.3bn (16% of EBITDA) remains to be generated over 2025-26. Certain production capacities at the Ludwigshafen site in Germany have been closed, in order to improve its profitability. Further measures may be announced in the medium term. In 2022-23, BASF was penalised by its exposure to petrochemicals (highly cyclical) and the sharp rise in energy costs, which made many products uncompetitive. These initiatives will enable it to improve its competitive profile and recover market share. An improvement is already visible in 2024 within its strategic activities, with volume growth above the average for its peers.
- ⊕ The generation of FCF will still be negatively impacted by the start-up of the new Verbund site in China, high capex and restructuring costs, but the strategy put in place should enable a clear improvement in the medium term.

Valuation

The share is valued at an attractive NTM PE of 13.2x and P/BV of 1.2x, respectively in line and at a discount of 25% to its historical 10-year average. BASF offers a dividend yield of 5%.

ESG risk vs. universe & sector (percentile)*



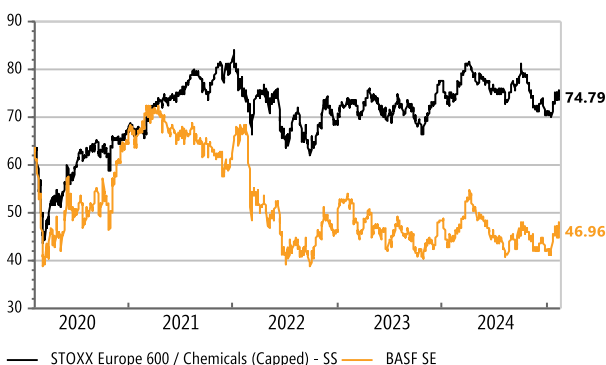
EUR	12/2023	2024e	2025e
Sales revenue (mio)	68 902	65 164	67 272
Sales growth	-21,1%	-5,4%	3,2%
EBIT adjusted (mio)	3 806	3 822	4 361
% of sales	5,5%	5,9%	6,5%
Net income (mio)	225	2 060	2 670
Net income growth	-135,9%	815,4%	29,6%
FCF/Sales	3,9%	1,0%	1,1%
Net debt/Ebitda	2,5x	2,3x	2,3x
Dividend yield	7,2%	5,0%	5,0%
PE	16,9x	13,7x	13,5x
P/BV	1,2x	1,2x	1,2x

Factset estimates

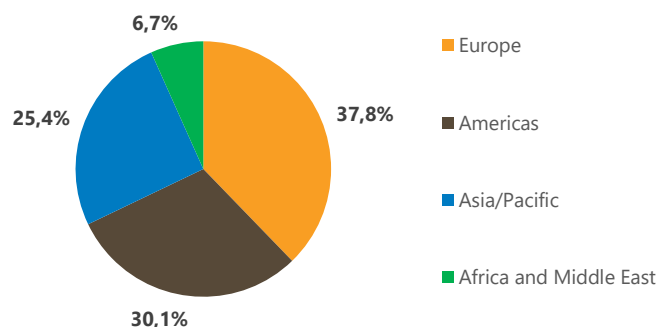
ESG - risks and key points

- ⊕ BASF's ESG exposure is medium. The company has a high exposure to ESG issues but its ESG management is strong. BASF has experienced a moderate level of controversy in the past.
- ⊕ Products containing substances that pose a risk to the environment and health, such as substances of very high concern (SVHC) and PFAS (ongoing litigation in the USA, with c. 4,200 lawsuits).
- ⊕ Use of energy-intensive processes.

5-year performance vs sector



Sales breakdown - 12/2023



*: see overleaf

Source: Factset, Sustainalytics

Glossary

Satellite

From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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