

Interview in CITYWIRE

Germany, 4 March 2024

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Bad Homburg fund manager on BASF: "Remarkable in a weak environment"

Hans-Peter Schupp from Fidecum has held a Citywire rating since mid-2022. BASF shares are among his top positions.

By Serge Debrebant

BASF has had some difficult years. The war in Ukraine and the decoupling from Russian gas have hit the chemical company hard. In addition, there are many home-made problems that the new CEO Markus Kamieth, who is to be elected into office at the Annual General Meeting on April 25, is taking on.

Hans-Peter Schupp, who currently holds an A rating from Citywire and is one of the elite investors in Citywire Elite Companies (you can find out more about the selection criteria here), nevertheless has the stock in his portfolio - or perhaps precisely because of this. In his deep value fund, the Fidecum SICAV Contrarian Value Euroland, the share currently has a weighting of around 4%, making it one of the top holdings.



Hans Peter Schupp

"If you look at the figures, China and the US were relatively strong in the last quarter. The company is not operating in the most fun environment because we have relatively weak growth globally. But this is not a company that is on the verge of insolvency, it's a company that is still earning €2.7 billion in free cash flow. I think that's remarkable in a relatively weak environment. And that's why BASF is a very, very exciting investment."

The plant in Ludwigshafen, which was a pillar of the Group in the past, has posted high losses in recent years. In this respect, BASF is reacting appropriately in Schupp's view. *"Unfortunately, the high losses also have consequences. Employees are being dismissed or made redundant. It's quite normal for a company being forced to react when it makes losses."* In this situation, the company is helped by its global presence: *"It is a blessing that BASF is so strongly diversified and globalized. We can therefore also understand why BASF is building up capacity in China."*

Schupp also refrains from criticizing individual elements of the company's policy. *"I am not the CEO of BASF. Others know better than me how a company should be managed and what could be done better."* He only says this much about the change of CEO, which is due in April: *"We are talking about a global company, the largest chemical company in the world. Management is interchangeable and replaceable."*

In Schupp's view, the valuation and the dividend also speak in favor of the share. The dividend yield is currently over 7%. Although the free cash flow does not fully cover the dividend, it largely does (€3 billion in dividends with €2.7 billion in free cash flow). The estimated P/E ratio is just 13.2 for 2024 and 10.8 for 2025. *"If I already have a cheap company in a difficult phase and when it is not earning so much, where will the share price go when things get better again?"*

There are currently 13 elite investors with ten funds invested in the chemical stock, with Schupp's weighting being the highest. The company is rated AA, with AAA representing the highest rating

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