

Germany's BASF 'cautious' after challenging 2016

February 24 2017

German chemicals giant BASF on Friday said it expected higher oil prices to push up earnings this year after a challenging 2016, when its main Ludwigshafen plant was hit by a deadly explosion.

"We are cautiously optimistic for 2017. We want to grow further, with all segments contributing to this growth," chief executive Kurt Bock said after a weak performance by its oil and gas unit weighed on the group.

The world's largest chemicals maker said it made a net profit of 4.06 billion euros (\$4.3 billion) in 2016, up two percent on the year before.

Underlying or operating profit was flat at 6.3 billion euros, while group sales saw an 18-percent drop to 57.6 billion euros, slightly beating analyst forecasts.

As expected, revenues were badly hit by the firm's divestiture of its gas trading and storage business as part of an asset swap agreed with Russia's Gazprom in 2015.

"This business had contributed 10 billion euros to sales in 2015," BASF said, adding that strong sales in Asia, particularly in the chemicals division, offset some of those losses.

A long stretch of low oil and gas prices also dented the firm's earnings, although that looks set to change in 2017 with the group saying it expects Brent [crude oil prices](#) to climb from \$44 to \$55 per barrel on average.

The turnaround already appeared visible in the final quarter of 2016, when [net profit](#) more than doubled to 689 million euros even after the explosion at its Ludwigshafen headquarters led to a slowdown in production.

Four people were killed in the blast and subsequent fire on October 17, which happened during work on a raw materials pipeline.

Several production facilities had to be temporarily shut down after the accident, but BASF stressed at the time the setback would not impact its 2016 outlook.

Merger frenzy

For the second year in a row, the group said it planned to raise dividend payouts by 0.10 euros to three euros per share for 2016.

Looking ahead, BASF said it expected "considerable sales growth" in 2017 and "slightly higher" underlying profits.

"We want to increase our earnings again, also in the oil and gas business," said Bock, but he warned of challenges ahead.

"The global economy will presumably grow about as fast as in 2016. In light of significant political uncertainty, volatility will remain high," he cautioned.

The group's cautious outlook comes as the fiercely competitive chemicals sector is bracing for huge changes, with a series of mega-mergers on the horizon.

BASF's homegrown rival Bayer is planning a takeover of US seedmaker Monsanto, while China's state-owned ChemChina is eyeing Switzerland's

Syngenta and US giants Dow Chemical and DuPont have also proposed a tie-up.

BASF however has stayed above the merger fray, focussing instead on efficiency savings and consolidation in its existing business lines.

Shares in the group fell by more than three percent to 87.21 euros in early trading in Frankfurt, underperforming the DAX index of leading German shares which was down 0.27 percent.

© 2017 AFP

Citation: Germany's BASF 'cautious' after challenging 2016 (2017, February 24) retrieved 4 May 2024 from <https://phys.org/news/2017-02-germany-basf-cautious.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.