Mergers & Acquisitions: The proposed acquisition of FUCHS by BASF

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Abstract

This thesis evaluates the financial justification and optimal structure for a hypothetical acquisition of FUCHS by BASF. BASF is the world's largest chemical group and a direct upstream supplier of specialty additives to FUCHS, the world's largest independent lubricant manufacturer. This upstream-downstream relationship is the foundation of the acquisition rationale.

Standalone DCF models based on 31 December 2025 yield an intrinsic equity value of €45.18 per share for BASF and €45.60 per share for FUCHS. The 34% gap to the FUCHS market price of €34.07 represents a structural family-control discount arising from the founding family's 59% voting majority. This discount is the primary acquisition rationale.

The synergy valuation yields a total value of €462 million, comprising €210 million of operational synergies from revenue and cost integration and €252 million of financial synergies. Three Red Line constraints restrict the model to conservative and structurally defensible estimates.

The recommended structure is an asymmetric all-cash opening bid of €48.00 per ordinary share and €45.00 per preference share, yielding a blended price of €46.50. This implies a 58.4% ordinary premium and allows BASF to retain 74.5% of the synergy pool. The hard ceiling is defined at €50.00. The €5,800 million Carlyle proceeds fund the transaction. The acquisition becomes earnings-accretive at +9.0% by FY28.

The acquisition is financially justified, industrially coherent, and executable within BASF's current balance sheet capacity.

Keywords: Mergers and Acquisitions, DCF Valuation, Synergy Valuation, Specialty Chemicals, Family-Controlled Targets, Lubricants

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Abstrato

Esta tese avalia a justificação financeira e a estrutura ideal da aquisição hipotética da FUCHS pela BASF. A BASF é o maior grupo químico mundial e fornecedora direta a montante de aditivos especiais à FUCHS, maior fabricante independente de lubrificantes do mundo. Esta relação entre fornecedor e cliente fundamenta a lógica da aquisição.

Modelos DCF independentes (em 31/12/2025) indicam um valor intrínseco de 45,18€/ação para a BASF e 45,60€/ação para a FUCHS. O hiato de 34% face ao preço de mercado da FUCHS (34,07€) representa um desconto estrutural de controlo familiar, derivado da maioria de 59% dos votos da família fundadora. Este desconto é a justificativa principal.

A avaliação das sinergias totaliza 462 milhões de euros: 210 milhões em sinergias operacionais (integração de receitas e custos) e 252 milhões em sinergias financeiras. Três restrições rigorosas limitam o modelo a estimativas conservadoras e estruturalmente defensáveis.

A estrutura recomendada é uma oferta inicial assimétrica totalmente em numerário: 48,00€ por ação ordinária e 45,00€ por preferencial, resultando num preço combinado de 46,50€. Isto implica um prémio ordinário de 58,4% e permite à BASF reter 74,5% das sinergias. O teto máximo é fixado em 50,00€. Os 5.800 milhões de euros provenientes da Carlyle financiam a transação. A aquisição tem um impacto positivo de +9,0% nos lucros até ao ano fiscal de 2028.

A operação é financeiramente justificada, industrialmente coerente e executável na atual capacidade do balanço da BASF.

Palavras-chave: Fusões e Aquisições, Avaliação DCF, Avaliação de Sinergias, Química Especializada, Empresas Controladas por Famílias, Lubrificantes

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Statement on the Use of AI Tools

Large language models (LLMs) were used during the preparation of this thesis to support language refinement and literature research. All analytical conclusions and financial modelling reflect the independent work of the author.

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Glossary

APAC	Asia-Pacific
bps	Basis Points
bsi	Before Special Items
CAGR	Compound Annual Growth Rate
CAPM	Capital Asset Pricing Model
CAPEX	Capital Expenditure
CBAM	Carbon Border Adjustment Mechanism
CCC	Cash Conversion Cycle
COGS	Cost of Goods Sold
D&A	Depreciation and Amortization
D/E	Debt to Equity
DCF	Discounted Cash Flow
DIO	Days Inventory Outstanding
DPO	Days Payable Outstanding
DSO	Days Sales Outstanding
EBT	Earnings Before Tax
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
EMEA	Europe, Middle East and Africa
EPS	Earnings Per Share
ERP	Equity Risk Premium
EV	Enterprise Value
EV/EBIT	Enterprise Value to Earnings Before Interest and Tax
EV/EBITDA	Enterprise Value to Earnings Before Interest, Tax, Depreciation and Amortization
EV/Sales	Enterprise Value to Sales
FCFF	Free Cash Flow to the Firm
FTE	Full-Time Equivalent
FY	Financial Year
M&A	Mergers and Acquisitions
NOPAT	Net Operating Profit After Tax
NPV	Net Present Value
NSA	North and South America
NWC	Net Working Capital
OEM	Original Equipment Manufacturer
PMI	Post-Merger Integration
pp	Percentage Points
PP&E	Property, Plant and Equipment
REACH	Registration, Evaluation, Authorisation and Restriction of Chemicals

ROCE	Return on Capital Employed
SG&A	Selling, General and Administrative Expenses
TV	Terminal Value
VCI	Verband der Chemischen Industrie
WACC	Weighted Average Cost of Capital
WpÜG	Wertpapiererwerbs- und Übernahmegesetz

Introduction

The German chemical industry faces a structural turning point. Persistent energy cost disadvantages, accelerating Asian competition and the electric vehicle transition are compressing margins across the value chain. European producers must choose between organic scale back and strategic repositioning through acquisition.

This thesis examines whether a hypothetical acquisition of FUCHS SE by BASF SE is financially justified and at what price and on what terms. FUCHS is the world's largest independent specialty lubricant manufacturer. BASF is the world's largest chemical group by revenue and a direct upstream supplier to FUCHS through its Performance Chemicals division. The two companies occupy adjacent but non-overlapping positions in the lubricant value chain.

The analysis addresses three research questions. First, does a strategic rationale exist for the combination beyond synergies. Second, what is the intrinsic value of FUCHS on a stand-alone basis and what synergies does the combination generate. Third, what bid price and transaction structure would allow BASF to capture the majority of the combined value from a family-controlled target.

The analysis first establishes the strategic rationale and industry context before valuing both companies on a stand-alone basis. Synergies are then modelled as an incremental overlay on the target valuation. The transaction recommendation follows directly from the combined value framework.

All DCF valuations are based on 31 December 2025 as the reference date. Transaction pricing and financing reflect market conditions as of 15 May 2026.

1. Literature Review

1.1 Theoretical Foundations and Terminology

1.1.1 Definitions and Core Concepts

In corporate finance and strategy, Mergers and Acquisitions (M&A) are the primary instruments of external corporate development. The terms are often used interchangeably, but academic literature draws a clear distinction. Gaughan (2007) defines a merger as a combination of two corporations in which only one survives as a legal entity, absorbing the assets and liabilities of the other. An acquisition occurs when one company purchases the stock or assets of another, which may then become a subsidiary of the acquirer (Gaughan, 2007, pp. 12-15).

Transaction success depends above all on two forms of pre-deal alignment. Strategic fit captures the complementarity of products, markets, and capabilities. Organizational fit captures the compatibility of cultures, structures, and management practices (Birkinshaw et al., 2000, p. 397). Both conditions determine the synergy potential that can be identified before closing. Their realization, however, depends entirely on the quality of the integration process that follows (Birkinshaw et al., 2000, p. 396).

Negotiated share deals targeting family-controlled firms require particular attention to control premiums and dual share class structures, as the controlling shareholder must voluntarily approve any transfer of voting rights.

1.1.2 Classification of Transaction Types

Transactions fall into four strategic categories (Gaughan, 2007, pp. 13-15). Horizontal integration combines firms at the same stage of the same industry and typically targets scale synergies and market power. Vertical integration links different stages of the same value chain. Forward integration moves toward the end-customer. Backward integration secures upstream inputs and reduces the hold-up risk that arises when asset-specific investments create bilateral dependence (Gaughan, 2007, p. 15; Klein et al., 1978). Conglomerate mergers combine unrelated businesses. Product extension mergers bring together firms with adjacent but non-competing activities that share distribution channels, technology, or supply-chain proximity (Weston et al., 2004).

The BASF-FUCHS transaction combines elements of both vertical and product extension integration. BASF is a direct up-stream supplier to FUCHS and acquires a downstream formulation specialist in an adjacent specialty segment. This dual character is the source of both the deal's synergy logic and its structural complexity, as developed in Chapter 4.

1.2 Motives for M&A Transactions

M&A transactions typically reflect several overlapping rationales that determine both why a deal is pursued and how success is later measured (Trautwein, 1990; Brouthers et al., 1998).

1.2.1 Theoretical Frameworks

Trautwein's (1990) taxonomy identifies seven merger motives, of which three are directly relevant to this case. Efficiency theory attributes deals to anticipated synergies, whether operational, financial or managerial. Valuation theory explains acquisitions as bets on targets that the market has underpriced. Empire-building theory acknowledges that managerial motives such as size, status and personal risk reduction can drive acquisitions that destroy rather than create shareholder value (Trautwein, 1990, pp. 283-295). The remaining theories receive weaker empirical backing and are not directly applicable to this transaction.

Brouthers et al. (1998) show that deal success can only be judged against the specific objectives defined at the outset, not against a generic benchmark (Brouthers et al., 1998, pp. 350-351).

1.2.2 Synergies as the Core Value Driver

Synergies represent the primary economic justification for an acquisition premium, mathematically expressed as (Damodaran, 2005, p. 3):

$$V(A \cup B) > V(A) + V(B)$$

Synergy is not a generic label for anticipated operational improvement. It must be modelled as an incremental effect that is unique to the combination and structurally realizable in practice (Damodaran, 2005, pp. 3-6).

Operating synergies derive from the combination of business activities. Economies of scale reduce unit costs through bulk procurement and fixed-cost spreading. Economies of scope arise from cross-utilization of assets such as R&D facilities and distribution networks. Greater pricing power may follow from an enhanced combined market position. Higher growth becomes achievable when the combined firm unlocks incremental revenue through expanded customer access or wider geographic reach (Damodaran, 2005, pp. 4-6; Gaughan, 2007).

Financial synergies arise from an optimized capital structure and a lower consolidated cost of capital. Increased debt capacity allows higher leverage and greater interest tax shields when combined cash flows become more predictable. Strategic tax benefits may follow from the accelerated utilization of net operating losses and stepped-up asset depreciation. Cash slack on the acquirer's balance sheet can be redeployed into higher-return target projects instead of remaining idle (Damodaran, 2005, p. 5).

The timing of synergy realization matters as much as the absolute magnitude, as delayed cash inflows lose present value rapidly inside valuation frameworks (Damodaran, 2005, p. 37). Empirical literature consistently warns that synergy estimates are systematically overstated in practice, built on management assumptions that are neither incremental nor time-adjusted (Bruner, 2004, p. 20). The analytical discipline of distinguishing deal-specific value creation from performance improvements achievable independently is precisely what Section 4.4 applies to this transaction.

1.2.3 Market Entry & Transaction Costs

Acquisitions offer a faster market entry than organic development when competitive barriers exist (Gaughan, 2007, pp. 117-118). Transaction cost economics structures this logic by showing that vertical integration internalizes asset-specific dependencies and holdup risks, as assessed in Section 4.4.3 (Klein et al., 1978, pp. 297-298). This vertical rationale explains why strategic acquisitions persist despite historically mixed average returns (Brouthers et al., 1998, pp. 350-352).

1.3 M&A Performance and Success Factors

1.3.1 Measuring Success and Market Efficiency

Bruner (2004) identifies three possible outcomes for measuring M&A success. Value creation occurs where returns exceed investor expectations, value preservation where returns match them, and value destruction where shareholder wealth declines. Success is not measured in absolute gains, but relative to what investors could have earned elsewhere at equivalent risk (Bruner, 2004, pp. 3-5).

The event study is the dominant empirical method in M&A research, providing a market-based benchmark for expected deal value rather than realized performance. Under the semi-strong form of the Efficient Market Hypothesis, stock prices adjust rapidly to all publicly available information, making the announcement-period price reaction an observable signal of expected deal value (Bruner, 2004, pp. 5-6).

Target shareholders consistently capture a substantial 20-30% control premium, while acquiring shareholders break even on average. Long-run accounting performance frequently reveals underperformance due to integration difficulties and overstated pre-deal synergy assumptions (Bruner, 2004, pp. 7-9).

1.3.2 Key Drivers of Success

The empirical literature identifies four consistent drivers of deal success, of which strategic fit is foundational. Related acquisitions yield acquirer returns up to 1-3pp higher than unrelated deals, as synergies are more readily identified when buyer and target operate in adjacent businesses (Bruner, 2004, pp. 11-12). Strategic fit also preconditions the organizational compatibility that makes integration possible (Birkinshaw et al., 2000, pp. 396-397).

Rigorous due diligence translates strategic intent into realistic valuation. A thorough pre-deal assessment disciplines the bidding process against overpayment by making synergies concrete and quantifiable and uncovering hidden liabilities (Brouthers et al., 1998, pp. 350-351).

Post-merger integration is the phase in which anticipated value is either released or lost, making it the most consequential execution risk after closing (Birkinshaw et al., 2000, p. 396). Section 1.5 examines the integration process in detail.

Deal structure has a measurable impact on outcomes. Cash transactions consistently outperform stock-financed deals. When a buyer pays in stock, the market interprets this as a signal that management considers its own shares overvalued, reducing the perceived net value of the transaction (Bruner, 2004, pp. 14-15). Section 4.5.3 applies this evidence to the structural financing decision in this transaction.

1.4 Risks and Barriers in M&A

Overpayment represents the primary source of corporate value destruction in strategic M&A and occurs when the final transaction price exceeds the target's standalone intrinsic value plus the present value of all realizable synergies (Damodaran, 2005, pp. 8-10). Deal momentum systematically distorts analytical objectivity during late-stage negotiations and leads bidders to overestimate the target's fundamental worth or synergy potential (Eccles et al., 1999, pp. 136-138; Varaiya and Ferris, 1987, p. 66). Consequently, paid premiums frequently absorb the entire economic value of the combination before closing (Bruner, 2004, pp. 7-8). Acquiring firms must therefore define strict walk-away thresholds prior to final bidding, as applied in Section 4.5.1 to the BASF-FUCHS offer architecture.

At the governance level, acquiring managers systematically overestimate their capacity to extract value from a target. This bias is amplified in firms with weak board oversight (Roll, 1986, pp. 197-216; de Bodt et al., 2018, pp. 1547-1550). The gross-to-net synergy separation in Section 4.4.7 responds to this risk directly. Every synergy estimate is bound to explicit restrictive parameters to preserve a margin of safety.

1.5 Post-Merger Integration (PMI)

Strategic fit and synergy potential identified before the deal do not translate automatically into performance. Their realization depends entirely on the quality of the integration process that follows (Birkinshaw et al., 2000, p. 396).

1.5.1 The Dual Dimensions of Integration

Birkinshaw et al. (2000) separate the integration challenge into two distinct sub-processes. Task integration covers the identification and realization of operational synergies through the combining of systems, processes and resource allocations. Human integration covers the creation of positive attitudes toward the integration among employees on both sides (Birkinshaw et al., 2000, p. 400). Figure 1.1 maps the four possible outcomes depending on the degree to which each dimension is achieved.

	Low Task Integration	**High Task Integration**
High Human Integration	Cultural Collaboration	**True Transformation**
Low Human Integration	Stagnation	Operational Assimilation

Figure 1.1: *Dual dimensions of post-merger integration. Adapted from Birkinshaw et al. (2000), Figure 1.*

Successful integration follows a natural sequence. Employees on both sides must first build trust and mutual understanding before deeper operational changes can take hold. Rushing this process generates resistance and limits the synergies that can ultimately be realized. This sequencing directly explains the gradual ramp-up of synergy cash flows modelled in Section 4.4. Yet acquiring firms frequently underestimate this cultural complexity at closing (Birkinshaw et al., 2000, pp. 407-419).

1.5.2 Brand Architecture as an Integration Decision

Brand architecture is a direct PMI design instrument. Aaker and Joachimsthaler (2000) map the strategic options through the Brand Relationship Spectrum. At one extreme, the Branded House subordinates all acquired brands under a single master identity. At the other, the House of Brands preserves fully independent identities with no visible parent connection. Between these poles lies the Endorsed Brand structure, where the acquired brand retains its primary identity while the acquiring organization provides a visible supporting endorsement that adds credibility without displacing the acquired brand's own associations (Aaker and Joachimsthaler, 2000, pp. 9-14).

The central criterion for positioning along this spectrum is the strength of the customer-brand bond. When the acquired brand's associations and customer loyalty are strong and difficult to transfer, preserving brand independence is strategically rational. Dissolving it risks destroying the very asset for which a premium was paid (Aaker and Joachimsthaler, 2000, p. 21). Crucially, preserving this identity reduces the threat to employee integration, creating conditions for cultural convergence with less friction. Section 3.2 documents the brand characteristics that determine this positioning for FUCHS. Section 4.4.2 quantifies the revenue implications of this architectural decision.

1.6 Valuation Methodologies

Valuation provides the analytical foundation for any M&A transaction. It translates strategic intent and synergy potential into a quantified acquisition price. Three complementary approaches address this. Intrinsic valuation through DCF analysis, relative valuation through market multiples, and explicit synergy valuation (Damodaran, 2005, p. 3). These methods are not alternatives but layers. Each provides a distinct perspective on value. Where they align, the valuation is robust. Where they diverge, the gap signals negotiation risk or overpayment.

1.6.1 Discounted Cash Flow

The DCF method values a business as the present value of its expected future FCFF. Value is determined by future cash-generating capacity, not by historical cost or book value (Gaughan, 2007, p. 536). FCFF is calculated as:

$$NOPAT = EBIT \times (1 - t)$$

$$FCFF = NOPAT + D\&A - CAPEX - \Delta NWC$$

This definition keeps the valuation independent of financing structure, which is essential when acquirer and target carry different leverage ratios (Gaughan, 2007, p. 548).

FCFFs are projected explicitly over a five-year forecast horizon, with all residual value captured in a terminal value under the Gordon Growth model:

$$TV = FCFF(n+1) / (WACC - g)$$

Terminal value assumptions are highly sensitive, as a one pp change in the assumed long-run growth rate can alter enterprise value by more than 20% (Gaughan, 2007, p. 537). Key assumptions are therefore varied systematically in a sensitivity analysis as applied in Sections 4.2.6 and 4.3.7.

FCFFs are discounted at the WACC, which weights the cost of equity and after-tax cost of debt by their respective market value shares:

$$WACC = E/V \times ke + D/V \times kd \times (1 - t)$$

The cost of equity is derived through the CAPM (Gaughan, 2007, p. 544):

$$ke = rf + \beta \times ERP$$

In an acquisition context the correct procedure is to unlever the target's observed beta to isolate pure business risk and relever it at the post-acquisition capital structure. The Hamada equation governs this adjustment:

$$\beta L = \beta U \times [1 + (1 - t) \times D/E]$$

WACC assumes a stable capital structure and is the primary valuation method applied in Chapter 4, appropriate given BASF's investment-grade balance sheet with moderate and predictable leverage (Luehrman, 1997, p. 145). Enterprise value is translated into equity value by subtracting net debt and adjusting for non-operating items.

1.6.2 Relative Valuation

Relative valuation complements DCF by anchoring intrinsic value to observable market prices. Trading multiples reflect the market's ongoing valuation of listed peers. Transaction multiples are drawn from completed acquisitions and embed a control premium reflecting what a buyer paid for control of a comparable business (Gaughan, 2007, p. 551).

EV/EBITDA is the preferred multiple in capital-intensive industrial sectors as it is less distorted by differences in depreciation policy and capital structure across the peer group (Gaughan, 2007, p. 551). In specialty chemicals, earnings should be normalized to mid-cycle conditions. Peer group selection is the critical judgment. Comparable firms must share a similar business model, margin profile, growth trajectory and capital intensity rather than merely a shared industry classification. Section 4.3.5 applies this criterion to the FUCHS peer group.

The control premium represents the gap between trading and transaction multiples. The portion attributable to control reflects operational improvements achievable by any competent acquirer. The portion attributable to synergy reflects value specific to the combination at hand. Only the latter justifies paying above the transaction multiple benchmark (Damodaran, 2005, p. 8). Both forms of relative valuation are applied as plausibility checks and upper bound anchors for the bid price analysis in Chapter 4.

1.6.3 Synergy Valuation

Synergy valuation follows three sequential steps (Damodaran, 2005, Figure 1). First, each firm is valued on a standalone basis. Second, their combined value without synergies is established as the sum of the two standalone valuations. Third, synergy effects are modelled explicitly as higher revenue growth, improved margins, lower capital intensity, or a lower cost of capital. The difference between the synergy-adjusted combined value and the non-synergistic sum represents the economic value of the combination.

This separation prevents double-counting and disciplines price negotiation. The maximum justifiable premium equals the sum of control value and synergy value, net of integration costs and execution risk (Damodaran, 2005, p. 8). Synergies must be discounted for the time required to realize them, and their distribution between acquirer and target depends on how unique the acquirer's contribution to the combination is (Damodaran, 2005, pp. 36-37). Where the acquirer's lower cost of capital cannot be fully transferred to the target due to continued operational autonomy, an intermediate hybrid discount rate captures the realizable share of the financing synergy without overstating structural integration. This logic underpins the three-stage WACC structure applied in Section 4.4.

2. Industry Overview

2.1 Definition and Segmentation

The chemical industry supplies essential inputs to almost every manufacturing sector, from automotive and mechanical engineering to pharmaceuticals. Its products form the foundation for industrial value creation on a global scale.

The global chemicals market is structured around three main segments. Commodity chemicals are high-volume, energy-intensive basic products such as ethylene, propylene, and methanol, closely tied to oil and gas price cycles with thin, utilization-dependent margins. Specialty chemicals are tailored, application-specific formulations including additives, coatings, catalysts, and lubricant components, where more stable margins are supported by customer loyalty, technical know-how, and product certifications. Agricultural chemicals cover fertilizers, pesticides, and crop growth regulators (MarketLine, 2026a).

Within specialty chemicals, lubricants are the most directly relevant sub-segment for this thesis. Lubricants are finished products formulated from base oils and specialty additives, occupying a downstream position in the chemical value chain between raw material processing and high-margin end-product formulation. BASF supplies base products and additives across both the commodity and specialty segments. FUCHS uses these inputs to manufacture finished lubricants that generate higher margins through formulation expertise and close customer proximity. This value chain relationship is the foundation for the synergy logic examined in Chapter 4.

2.2 Market Size, Growth and Outlook

2.2.1 Current Market Size and Regional Breakdown

The global chemicals market reached $5,350.5 billion in 2025, representing a 3.6% increase over the prior year, and is forecast to grow at a CAGR of 4.9% to reach $6,781.3 billion by 2030 (MarketLine, 2026a).

in $bn	Market Value 2025	Growth 2025	Forecast 2030	CAGR 2025–30
Global	5,351	3.6%	6,781	4.9%
Asia-Pacific	3,415	5.5%	4,426	5.3%
of which China	2,619	7.0%	3,451	5.7%
Europe	813	-0.4%	988	4.0%
of which Germany	177	-2.5%	211	3.5%
North America	776	0.4%	939	3.9%

Table 2.1: *Market Size Chemicals. Source: MarketLine (2026a-f).*

Asia-Pacific holds 63.8% of global market value and is forecast to grow at a CAGR of 5.3% through 2030, against only 4.0% for Europe which contracted in 2025 (MarketLine, 2026b-c). Both, BASF and FUCHS are headquartered in Germany but generate a significant share of revenues outside the domestic market. The gap between stagnating European home markets and accelerating Asian demand frames the geographic rationale for the transaction examined in Chapter 4.

Within the global chemicals market, the lubricants sub-segment reached $149.8 billion in 2025 and is projected to grow at a CAGR of 4.0% to $204.1 billion by 2033 (Grand View Research, 2026c). In volume terms growth is more modest at 0.8% annually through 2030, reflecting a structural shift toward lower-viscosity, higher-performance formulations rather than volume expansion (Kline, 2025, cited in FUCHS AR25). Within lubricants, Asia-Pacific holds a 45.4% revenue share driven by automotive and industrial demand, establishing the geographic rationale for the APAC synergy lever in Section 4.4.2 (Grand View Research, 2026c).

2.2.2 Key Market Participants

The global chemicals market is moderately consolidated, with the top five companies accounting for less than 5% of global industry revenues, reflecting high fragmentation across sub-segments (MarketLine, 2026a; BCG, 2025).

In the lubricants segment, the market is led by integrated energy majors including Shell, ExxonMobil, BP/Castrol, and TotalEnergies, which benefit from upstream feedstock integration and global blending infrastructure. FUCHS is the world's largest independent lubricant manufacturer, competing on formulation expertise and customer proximity rather than feedstock integration (Grand View Research, 2026c). Among listed specialty lubricant and process chemicals companies, Quaker Houghton, HEXPOL, Clariant, and H.B. Fuller represent the closest comparables in terms of business model, margin profile and capital intensity. This peer group is applied in the valuation in Section 4.3.5.

2.2.3 Market Dynamics

The chemical industry is fundamentally cyclical, with revenue and margin fluctuations driven primarily by oil and gas prices and by industrial demand from key end markets such as automotive and construction. Post-pandemic restocking and the subsequent energy cost shock from the war in Ukraine produced a full boom-bust cycle between 2021 and 2023 (MarketLine, 2026a; Deloitte, 2025). Structural overcapacity in China has further depressed commodity prices globally as producers redirect surplus volumes to export markets (MarketLine, 2026f).

Specialty chemicals are comparatively isolated from these cycles. Customer relationships are more stable, formulations are application-specific and switching costs are meaningful. Deloitte (2025) identifies this structural margin difference as the reason specialty-focused companies have outperformed during the current downcycle. Companies combining upstream commodity scale with downstream specialty expertise are better positioned to manage margin volatility. This logic applies directly to the transaction rationale in Chapter 4.

2.3 Regional Dynamics

Germany is under structural pressure. Chemical production fell 2.5% in 2025 and plant utilization averaged 72.5%, while order volumes have declined by more than 20% since 2021 (VCI, 2025a). Elevated energy costs, regulatory burden from REACH and CBAM, and increasing import pressure from Asia are the primary drivers (VCI, 2025a; Deloitte, 2025). Despite this, Germany remains export-oriented, with approximately 62% of chemical revenues generated abroad and export revenues of €137 billion in 2025 (VCI, 2025b).

Asia-Pacific is the fastest-growing chemicals region, driven by urbanization, expanding industrial production, and government-backed investment in high-value chemical segments (MarketLine, 2026b). Many international chemical companies have responded with localization strategies, investing in regional production capacity to reduce tariff exposure and logistics costs (e.g. BASF's Verbund site in Zhanjiang) (BASF AR25). In lubricants, Asia-Pacific holds a 45.4% revenue share but the volume outlook is more selective. The Kline study projects lubricant volume growth shifting from China toward India and Indonesia as electric vehicle adoption accelerates in China and reduces conventional lubricant demand (Kline, 2025, cited in FUCHS AR25). This structural shift is the market context for FUCHS's BluEV portfolio, examined in Section 3.2.

North and South America represent a mid-growth region. The North American chemicals market recorded only 0.4% growth in 2025 and is forecast at 3.9% through 2030 (MarketLine, 2026f). Latin America offers a structurally different opportunity, with rising mining activity and manufacturing investment in Brazil and Mexico creating sustained industrial lubricant demand (Grand View Research, 2026c).

2.4 Industry Trends

Feedstock dependency: Commodity chemicals and lubricant base oils are directly linked to oil and gas price movements. European producers face a persistent cost disadvantage relative to US, Middle Eastern, and Asian competitors, a gap that has widened since 2022 and is driving an ongoing wave of plant closures and capacity rationalization (Deloitte, 2025; BCG, 2025).

Electric mobility: The transition to electric vehicles reduces demand for conventional engine oils over the medium term. New higher-margin segments emerge in parallel including thermal management fluids and specialty coolants that require formulation expertise rather than volume scale (Deloitte, 2025).

The industry data in this chapter points to three structural challenges for European-based chemical companies. Domestic demand is stagnating, a technological shift is hitting key end-use industries, and commodity competition from Asia is intensifying. The combination of BASF's integrated production platform and FUCHS's specialty lubricants portfolio addresses each of these challenges directly.

3. Company Overview

3.1 Acquirer Profile: BASF

3.1.1 Corporate Identity and Market Position

BASF, headquartered in Ludwigshafen, Germany, is the world's largest chemical group by revenue. Under its late-2024 "Winning Ways" strategy, the portfolio is divided into Core Businesses including Chemicals, Materials, Industrial Solutions, and Nutrition & Care, integrated into the resource-efficient Verbund system, and Standalone Businesses including Agricultural Solutions and the Coatings division, designated for divestment, to pivot from commodity-exposed segments toward higher-margin specialty chemistry (BASF AR25). Within this portfolio, the Industrial Solutions segment and its Performance Chemicals division occupy a direct upstream position in the lubricant additive supply chain, establishing the operational foundation for the transaction examined in this thesis.

The group is broadly held with approximately 891 million shares outstanding as of 31 December 2025 and no controlling shareholder. US and Canadian institutional investors represent the largest regional group at approximately 24% of share capital, while German retail investors account for approximately 44% (BASF AR25). Market capitalization stood at €39.7 billion at a share price of €44.51, recovering to €46.3 billion at €52.72 per share by 15 May 2026 (Refinitiv Datastream, 2026).

3.1.2 Financial Performance and Capital Structure

in €m	FY23	FY24[1]	FY25[1]
Revenue	68,902	61,444	59,657
EBIT bsi	2,240	1,886	1,632
EBIT Margin bsi	3.3%	3.1%	2.7%
Free Cash Flow	2,715	748	1,342
Net Debt / EBITDA	2.3x	2.7x	2.8x
Equity Ratio	40.0%	39.0%	38.0%
ROCE	4.5%	5.1%	5.8%

Table 3.1: *BASF: Key Financial Indicators FY23-FY25. EBITDA bsi: before special items. [1] FY2024 and FY2025 reflect continuing operations with Coatings excluded. Source: BASF AR 2025.*

Net Debt to EBITDA rose from 1.4x in FY2021 to 2.8x in FY2025, reflecting heavy restructuring outlays and the peak investment phase of the Zhanjiang Verbund site (BASF AR25; MarketLine, 2026a). The Zhanjiang site commenced operations in late 2025, with full operating capacity expected by FY2027, becoming the group's primary volume driver in the Asia-Pacific region (BASF AR25). A parallel restructuring program targeting the reduction of 8,700 FTEs and a 20% reduction in fixed costs relative to 2019 further supports the margin recovery trajectory modelled in Section 4.2.2 (BASF AR25).

3.1.3 Credit Profile and M&A Capacity

BASF maintains investment-grade credit ratings of A-/A3/A from Standard & Poor's, Moody's, and Fitch respectively, confirmed through early 2026 (BASF Q1 Statement, 2026). The deleveraging trajectory is supported by two structural factors. First, CAPEX declined from €6.8 billion in FY2024 to €4.8 billion in FY2025, with a further reduction to €3.4 billion guided for FY2026 as the Zhanjiang construction phase concludes. Second, the binding agreement to divest the Coatings businesses to Carlyle for approximately €5.8 billion, with closing expected in Q2 2026, reduces adjusted net debt to approximately €12.5 billion and improves the Net Debt to EBITDA ratio to approximately 1.9x on a pro forma basis (BASF / Carlyle Group, 2025).

Despite this balance sheet capacity, the stock has persistently underperformed both the DAX and chemical sector benchmarks since mid-2018. This divergence reflects sustained capital market skepticism regarding European asset margins under regional cost pressures (see Figure 3.1).

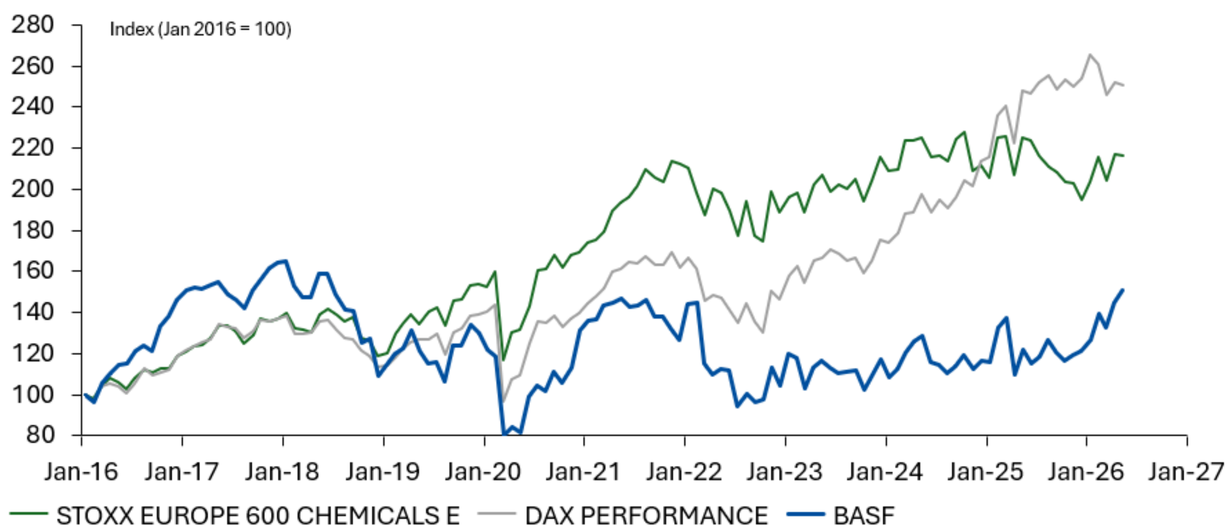

Figure 3.1: *Indexed total return performance of BASF vs. STOXX Europe 600 Chemicals and DAX Performance Index. Y-axis shows total return index (Base = 100, January 2016). A value of 150 indicates a 50% cumulative total return since January 2016. Source: Refinitiv Datastream, 2026, own calculations.*

3.1.4 Strategic Conclusion

BASF can be characterized as a financially capable but margin-pressured acquirer actively repositioning its portfolio toward higher-margin specialty chemistry. Its investment-grade balance sheet, confirmed by A-/A3/A ratings from all three major agencies, and the liquidity from the pending Coatings divestiture collectively establish the conditions under which a transaction of this nature can feasibly be executed.

3.2 Target Profile: FUCHS

3.2.1 Corporate Identity and Market Position

FUCHS, headquartered in Mannheim, Germany, is the world's largest independent lubricant manufacturer, operating as a pure-play specialty formulator across more than 50 countries with 6,879 employees (FUCHS AR25). As of 31 December 2025, FUCHS's market capitalization stood at approximately €4.5 billion at a weighted average share price of €34.07, representing the valuation reference date for this thesis. As of 15 May 2026, the market capitalization stands at approximately €4.3 billion (Refinitiv Datastream, 2026).

The ownership structure is a defining characteristic for any acquisition scenario. The Fuchs family controls 59% of voting ordinary shares through Rudolf FUCHS & Co. KG, while the preference shares float freely in the MDAX. As of 31 December 2025, ordinary shares traded at €30.00 against preference shares at €38.14, a spread of €8.14 that reflects a liquidity premium on the free-float vehicle rather than any difference in economic entitlement. Any acquisition consequently requires a negotiated agreement with the founding family, implying a substantial control premium above the prevailing market price and embedding the structural family-control discount examined in Section 4.3.6 (FUCHS AR25).

3.2.2 Competitive Advantage

FUCHS's competitive position rests on three structural elements. First, formulation expertise across more than 10,000 application-specific products enables the company to serve highly technical requirements across automotive, aerospace, and industrial engineering applications. Second, a decentralized model deploys application engineers directly at customer sites, creating customer proximity and switching costs that are not replicable through product quality alone. Third, proprietary OEM approvals provide structural barriers to substitution that protect margins against base oil price cycles (FUCHS AR25).

Through its BluEV portfolio, FUCHS is proactively addressing the structural shift toward electric mobility documented in Section 2.4. The portfolio targets specialized thermal management and cooling requirements of electric drivetrains, mitigating long-term volume risk from declining combustion engine production and supporting the cash flow sustainability assumptions underlying the valuation in Section 4.3 (FUCHS AR25).

3.2.3 Financial Performance and Capital Structure

in €m	FY23	FY24	FY25
Revenue	3,541.00	3,525.00	3,563.00
EBIT	413.00	434.00	435.00
EBIT Margin	11.7%	12.3%	12.2%
Free Cash Flow	465.00	306.00	316.00
Net Cash / EBITDA	0.2x	0.1x	0.3x
Equity Ratio	75.0%	73.0%	73.0%

Table 3.2: *Key Financial Indicators FY23-FY25. Net Cash defined as cash and equivalents minus financial liabilities. Source: FUCHS AR 2025.*

FUCHS's margin profile is structurally stable and expanding. EBIT grew from €413 million in FY2023 to a record €435 million in FY2025 despite currency headwinds of €88 million in the most recent year (FUCHS AR25). The equity ratio of 73.2% and a net cash position of €151 million against financial liabilities of only €93 million reflect a deliberately conservative balance sheet with no meaningful leverage. This structure contrasts sharply with BASF's Net Debt to EBITDA of 2.8x and carries two direct implications for the transaction. First, it reduces execution risk for any acquirer. Second, it confirms that FUCHS carries a financial structure penalty of 59bps in WACC relative to a comparably rated peer with an optimal capital structure, a gap that BASF's investment-grade balance sheet could partially resolve, as examined in Section 4.4. FUCHS has raised its dividend for 24 consecutive years (FUCHS AR25).

As shown in Figure 3.2, both stocks underperformed the broader DAX and STOXX Europe 600 Chemicals indices between FY2023 and FY2025. FUCHS held up more steadily than BASF over this period, reflecting the relative resilience of the pure play specialty model under cycle pressure.

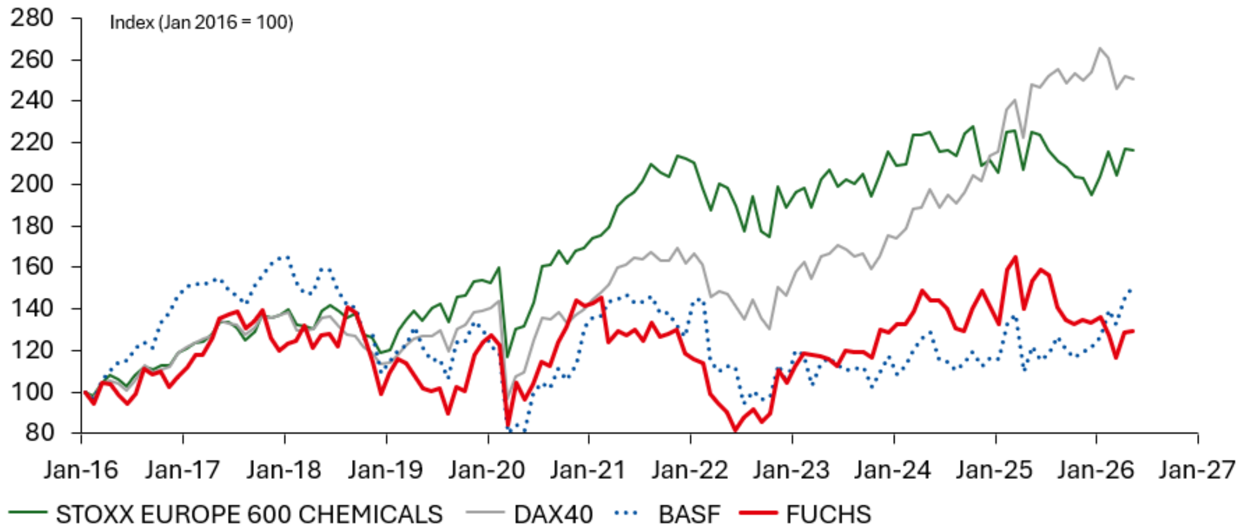

Figure 3.2: *Indexed total return performance of FUCHS and BASF vs. STOXX Europe 600 Chemicals and DAX Performance Index. Y-axis shows total return index (Base = 100, January 2016). A value of 150 indicates a 50% cumulative total return since January 2016. Source: Refinitiv Datastream, 2026, own calculations.*

3.2.4 Strategic Conclusion

FUCHS represents a structurally resilient target with stable specialty margins, customer-embedded competitive advantages, and a conservative balance sheet. It offers the downstream market access and formulation expertise that BASF's current portfolio does not provide at the finished product level.

3.3 Strategic Fit: Synthesis

BASF's Industrial Solutions segment, through its Performance Chemicals division, supplies the antioxidants and additives that FUCHS formulates into finished lubricants. This direct upstream-downstream relationship forms the operational foundation of the transaction rationale. The two companies occupy adjacent but non-overlapping positions in the lubricant value chain, making the combination a natural vertical forward integration rather than a portfolio diversification (BASF AR25; FUCHS AR25).

The performance data in Figures 3.1 and 3.2 reinforces this structural complementarity. The post-2025 reversal, with BASF recovering more strongly as restructuring milestones materialize, creates a time-specific entry point examined in Chapter 4

The reallocation of Coatings divestiture proceeds toward FUCHS would directly advance BASF's specialty portfolio shift while acquiring a structurally undervalued downstream platform. Chapter 4 assesses whether this combination creates measurable value for BASF's shareholders.

4. Valuation

4.1 Valuation Approach

The valuation follows the framework introduced in Section 1.6, combining intrinsic WACC-based DCF analysis, relative multiples and explicit synergy layering. Cash flows are projected in nominal Euro over a five-year horizon (FY26-FY30) anchored to 31 December 2025. Each company is valued on a standalone basis first with synergy cash flows modelled as an incremental overlay on the target forecast (Damodaran, 2005). The Gordon Growth model captures terminal values. Trading multiples provide market-based plausibility checks and completed transaction multiples isolate historical control premiums for offer pricing (Gaughan, 2007, p. 551).

4.2 Acquirer Valuation - BASF

4.2.1 Revenue Forecast

BASF's revenue forecast utilizes a bottom-up model across seven business segments. Stand-alone revenue is forecast to recover from €59,657 million in FY25 to €66,115 million by FY30 representing a Group CAGR of 2.1% (BASF AR25). This trajectory sits below the 3.0% global chemicals benchmark and reflects sustained structural cost pressure in Europe (MarketLine, 2026a, 2026c). FY25 marks the cyclical trough following the FY22 peak of €87,327 million. The model projects a partial recovery rather than a return to historical growth dynamics.

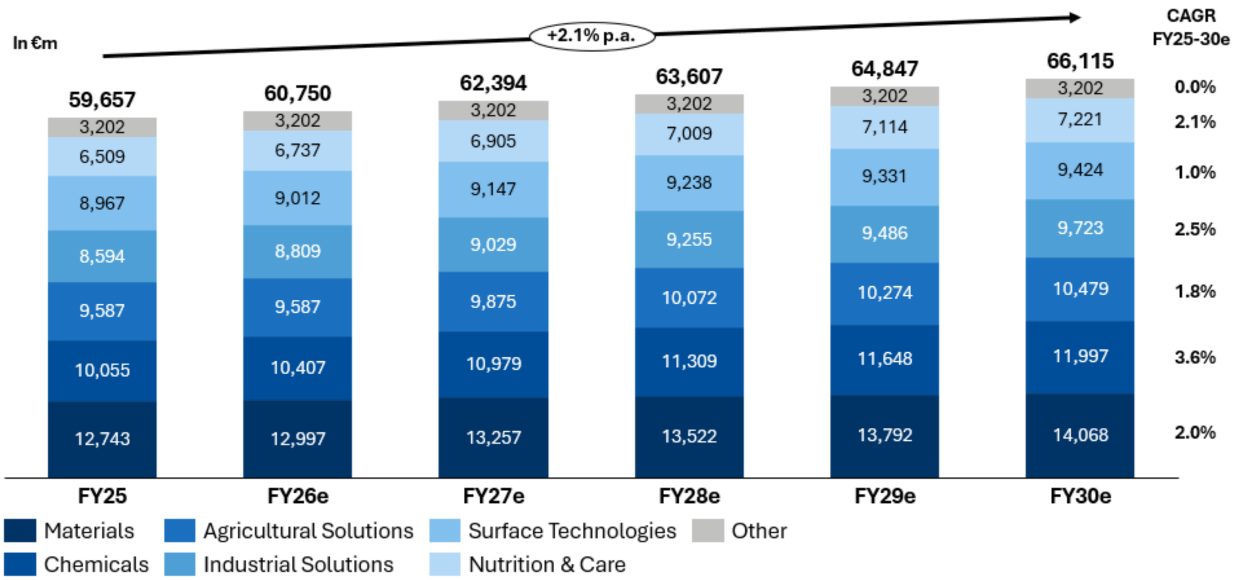

Figure 4.A: *BASF Revenue Forecast FY25-FY30e.*

The Chemicals segment is the primary volume driver at a CAGR of 3.6%. This growth is anchored by the Zhanjiang Verbund site which reaches full operating capacity by FY27 and shifts production toward lower-cost Asian capacity (BASF AR25, p. 88). Agricultural Solutions provides a counter-cyclical anchor supported by stable global crop demand (BASF AR25, p. 38). Industrial Solutions and Nutrition & Care reflect the deliberate portfolio shift toward specialty chemistry under the Winning Ways strategy (BASF AR25, p. 22). Materials grows in line with regional GDP profiles.

Surface Technologies is constrained at a CAGR of 1.0% by the electric vehicle transition reducing demand for conventional coatings and catalysts (BASF AR25, p. 52; Deloitte, 2025). The Other segment is held flat at approximately €3,200 million throughout the forecast period reflecting the absence of structural growth drivers in residual portfolio positions. The full segmental build is provided in Appendix A.5.

4.2.2 EBIT Margin and Cost Forecast

BASF's EBIT margin expands from 2.2% in FY26 to a stabilized mid-cycle state of 6.6% by FY30. The recovery rests on three structural cost drivers rather than topline acceleration.

Cost of sales declines from 76.5% of revenue in FY26 to 74.5% by FY30. The full ramp-up of the Zhanjiang Verbund site shifts production toward structurally lower-cost Asian capacity and drives gross margins from 23.5% to 25.5% (BASF AR25). A deliberate portfolio shift toward specialty chemistry in Nutrition & Care and Industrial Solutions further improves the blended margin mix.

Below the gross profit line, selling expenses are held stable at 12.0% of revenue as fixed-cost absorption offsets volume growth. General administrative expenses decline from €1,338 million in FY25 to €1,250 million by FY29 as the German restructuring program eliminates 8,700 FTE positions and targets a 20% reduction in fixed costs relative to 2019 (BASF AR25). R&D spend is held flat at €2,000 million to protect the innovation pipeline through the cycle.

Other operating expenses normalize from €3,400 million in FY26 to a structural floor of €2,600 million by FY28 as non-recurring restructuring charges phase out (BASF AR25, p. 338). This validates FY28 at a 5.3% EBIT margin as the first representative mid-cycle year. The terminal margin is anchored at 7.0%, approximately 280bps below the FY21 peak, ensuring that pre-crisis profitability is not embedded as a perpetuity assumption. The full cost build is provided in Appendix A.1 and A.2.

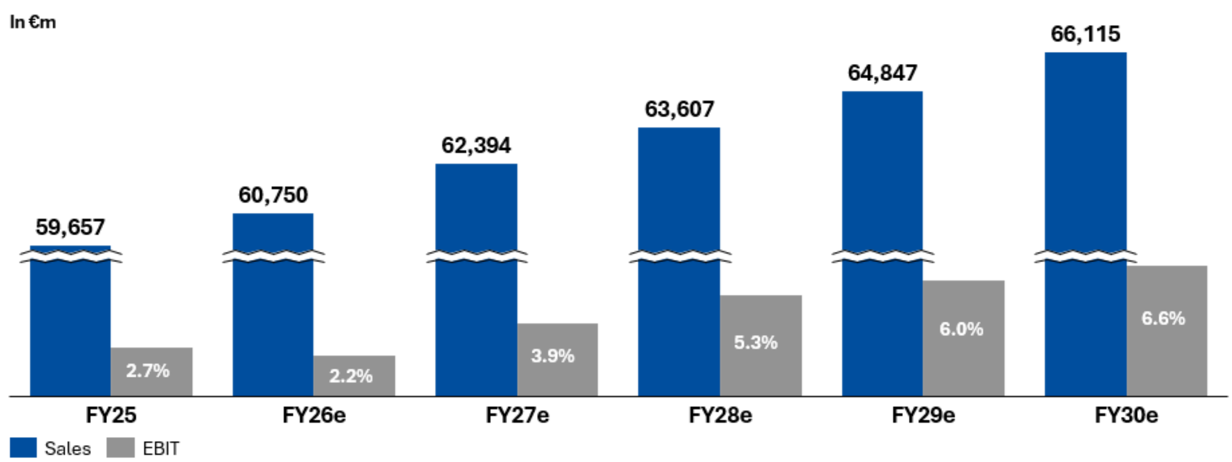

Figure 4.B: *BASF Revenue and EBIT Margin Forecast FY25-FY30e.*

4.2.3 CAPEX, D&A and Working Capital

Having passed the peak of the Zhanjiang investment cycle, BASF's capital intensity declines from 7.2% of revenue in FY25 to a steady-state level of 5.4% by FY30. FY26 CAPEX of €3.4 billion is sourced from management guidance (BASF AR25, p. 88), stabilizing at 5.4% of revenue thereafter. D&A is modelled at a constant 15% of opening PP&E, excluding historical non-recurring impairments. In the terminal year, CAPEX is set equal to D&A at 5.4% of revenue, ensuring the asset base is maintained in real terms without inflating cash flow through under-investment.

in % of Revenue	FY25	FY26e	FY27e	FY28e	FY29e	FY30e
CAPEX	*-7.2%*	*-5.6%*	*-5.6%*	*-5.5%*	*-5.4%*	*-5.4%*
D&A	*6.7%*	*6.3%*	*6.0%*	*5.8%*	*5.7%*	*5.5%*
Change in OWC	*-3.6%*	*-0.2%*	*0.6%*	*0.4%*	*0.4%*	*0.4%*
CCC (days)	105	101	101	101	101	101

Table 4.A: *BASF CAPEX, D&A and OWC FY25-FY30e.*

OWC reflects a post-crisis supply chain normalization. The CCC improves from 105 to 101 days, anchored by a DSO of 52 and a DIO of 95. The elevated inventory level is a structural feature of integrated chemical operators whose long upstream supply chains require higher stock levels than downstream formulators. The steady-state cycle of 101 days aligns directly with the diversified chemical industry benchmark corridor of 90 to 105 days, validating the forecast as realistic. FY26 provides a €115 million cash release as inventories adjust to the lower revenue base. The following years require a modest revenue-linked build-up of roughly €240 million to €260 million annually. This balanced approach avoids aggressive efficiency assumptions, preserving a genuine margin of safety in the cash flow profile.

The combination of EBIT expansion and reduced capital intensity leads to an FCFF recovery from €1.4 billion in FY26 to €2.9 billion by FY30, driven primarily by the operational EBIT turnaround rather than financial engineering (BASF AR25)

4.2.4 WACC Derivation

The WACC for BASF's stand-alone valuation is derived from a mechanical CAPM application, resulting in 6.34%. Current European cost pressures and China-related uncertainties are treated as cyclical cash-flow risks, already reflected in the conservative revenue forecast in Section 4.2.1, rather than structural increases in systematic beta.

The risk-free rate is set at 2.85%, anchored to the 10-year German Bund yield as of 31 December 2025 (Refinitiv Datastream, 2026). Interest rate normalization throughout 2025 resolved the negative-rate distortions of the previous decade, justifying the use of the spot yield as of the valuation date. The ERP of 4.23% is taken from Damodaran's January 2026 estimate for Germany, avoiding historical premia affected by the low-rate era (Damodaran, 2026).

The beta estimation rejects the peer-group unlevered beta of 0.65, derived from six listed chemicals peers. The peer average is biased downward because high leverage ratios among LyondellBasell, Arkema and Solvay mechanically reduce their unlevered betas through the Hamada equation. The

Damodaran Global Sector Beta of 0.91 for diversified chemicals is based on a sample of 63 firms. It more accurately captures the asset risk of an integrated Verbund operator (Section 1.6.1). Re-levering with BASF's market-based D/E ratio of 0.53 at a 30% tax rate yields a levered beta of 1.25 and a cost of equity of 8.13%.

The pre-tax cost of debt of 4.23% is derived from FY25 interest expense of €893 million against average gross debt of €21.1 billion (BASF AR25). The after-tax cost at a 30% rate stands at 2.96%. The capital structure is weighted at market values as of year-end 2025, with an equity weight of 65.3% and a debt weight of 34.7%.

$$WACC = (0.653 \times 8.13\%) + (0.347 \times 2.96\%) = 6.34\%$$

The full beta derivation including peer group and Hamada adjustment is provided in Appendix A.7.

4.2.5 DCF Valuation and Equity Value Bridge

The DCF yields an Enterprise Value of €55,793 million for BASF's stand-alone case.

in €m	FY26	FY27	FY28	FY29	FY30	TV
EBIT	1,353	2,458	3,371	3,880	4,375	4,697
FCFF	1,441	1,602	2,339	2,638	2,884	3,087
Discounted FCFF	1,355	1,417	1,945	2,063	2,121	46,892
Total EV						**55,793**

Table 4.B: *BASF DCF Summary FY26-FY30e.*

The Terminal Value accounts for 84% of total enterprise value. Near-term cash flows are temporarily suppressed by residual restructuring charges and below-capacity utilization at Zhanjiang. This compresses the PV of the explicit period to €8,901 million. The terminal FCFF of €3,087 million reflects a stable 7.0% EBIT margin (Section 4.2.2). The terminal value is derived under the Gordon Growth method:

$$TV = \frac{FCFF_{2031}}{WACC - g} = \frac{€3{,}087m}{6.34\% - 1.5\%} = €63{,}780m \Rightarrow PV(TV) = €46{,}892m$$

The terminal growth rate of 1.5% is anchored to long-run Eurozone nominal GDP growth, deliberately set below the 3.0% MarketLine global chemicals benchmark to reflect BASF's mature profile and the absence of perpetual market share gains. The assumption is stress-tested across a range of 0.9% to 2.1% in Appendix A.9.

The Carlyle coatings divestiture proceeds of €5,800[1] million (BASF / Carlyle Group, 2025) reduce adjusted net debt from €18,330 million to €12,530 million in the equity bridge. This reflects the binding transaction agreement of October 2025 with close expected in Q2 2026 and is isolated to the bridge to preserve comparability of the operational FCFF series.

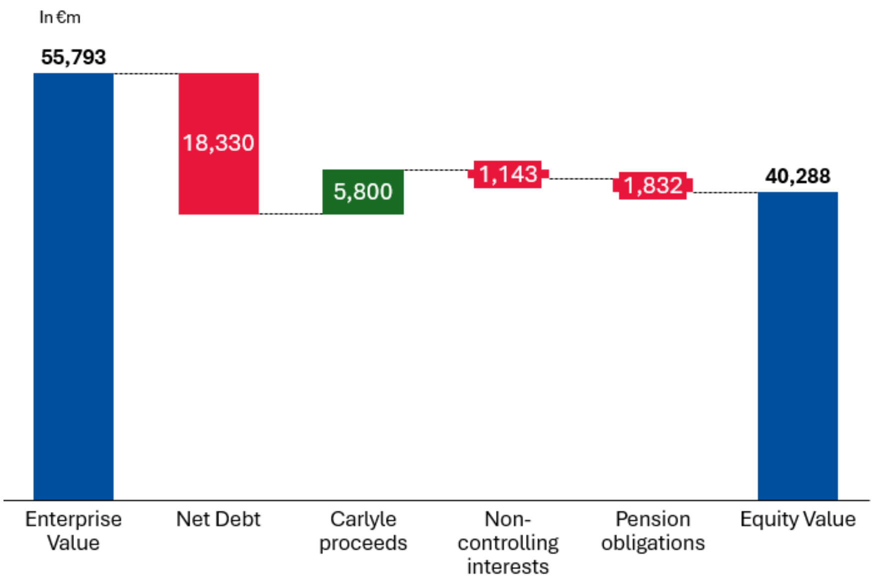

Figure 4.C: *BASF Equity Bridge FY25. ¹Pre-tax cash proceeds per BASF / Carlyle Group (2025). Under §8b KStG gains on qualifying equity disposals are 95% exempt from German corporate tax rendering net proceeds of approximately €5.71 billion materially equivalent to the gross figure applied in this bridge.*

The implied share price of €45.18 sits 1.5% above the market price of €44.51 as of 31 December 2025. The narrow gap confirms that the market prices BASF's recovery on assumptions broadly consistent with this model.

The trading multiples serve as a market-based lower bound. Peer multiples imply an EV of €45 billion at the FY25 trough rising to €47 billion by FY28 as earnings normalize. The persistent gap to the DCF of €55,793 million is expected as multiples capitalize current earnings while the DCF captures the full recovery path (Figure 4.D).

4.2.6 Sensitivity Analysis

The base-case share price of €45.18 is tested across a range of WACC and terminal growth assumptions. The full sensitivity matrix is provided in Appendix A.9.

The valuation is highly responsive to terminal value assumptions, as expected given the 84% TV share. In the low scenario, the implied share price of €36.39 sits 18% below the market price of

€44.51. This reflects the uncertainty of a trough-earnings entry point rather than model weakness. The key validation is the base case. The model yields €45.18, within 1.5% of the market price. The market is pricing BASF's recovery on assumptions broadly consistent with this model.

The Football Field adds a cross-method perspective at the EV level. The DCF range is the widest, reflecting its sensitivity to long-term assumptions. Peer multiples derived from the relative valuation framework in Section 1.6.2 imply an EV of €45.5 billion at the FY25 trough, sitting 18% below the DCF mid-point. By FY28, this rises toward €47.0 billion.

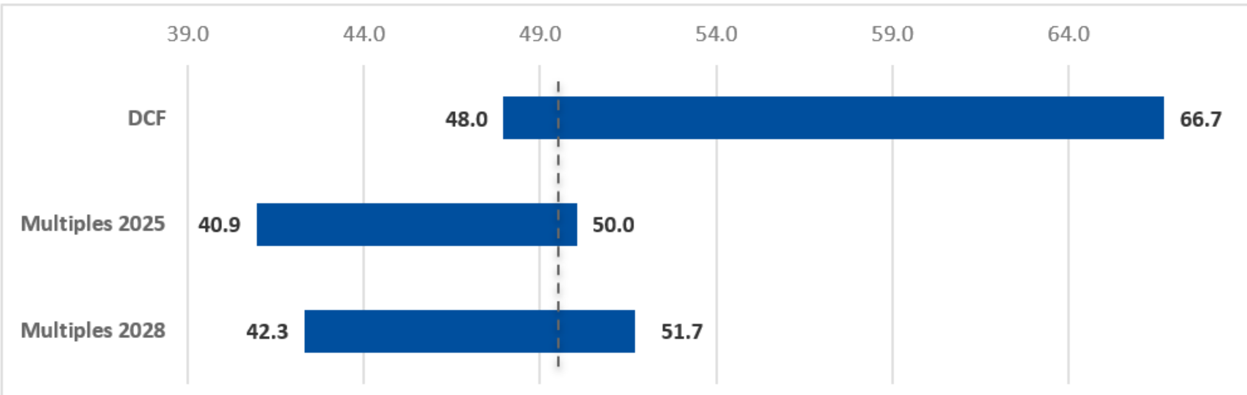

Figure 4.D: *Football Field EV Overview. Dotted line represents the average EV across all three models.*

4.2.7 Q1 2026 Plausibility Check

The stand-alone valuation is cross-validated against BASF's Q1 2026 results, published on 30 April 2026. Reported EBIT of €1,261 million and EBITDA bsi of €2,356 million both exceed the implied quarterly model run-rate. Two factors explain the gap. Pronounced Q1 seasonality in Agricultural Solutions and a €310 million non-recurring disposal gain on Harbour Energy plc account for the difference (BASF Q1 2026, p. 7). Adjusted for this one-off, annualized other operating income matches the model assumption within 1% and annualized special items confirm the €700 million estimate. The current share price of €52.72 as of 15 May 2026 trades 17% above the DCF value of €45.18, reflecting the market pricing in the Zhanjiang ramp-up and Carlyle close ahead of reported earnings. BASF maintained its FY26 EBITDA bsi guidance of €6.2-7.0 billion unchanged despite flagging Hormuz-related downside risks (BASF Q1 2026, p. 11). A full reconciliation is provided in Appendix A.13.

4.3 Target Valuation FUCHS

4.3.1 Revenue Forecast

FUCHS's stand-alone revenue is forecast to grow from €3,563 million in FY25 to €4,124 million by FY30, representing a Group CAGR of 3.0% (FUCHS AR25; MarketLine, 2026a). This trajectory is modestly below the global lubricants market benchmark (Grand View Research, 2026c), reflecting structural headwinds across all three regions. The European automotive sector remains weak, competition from local players in Asia is intensifying, and US tariff uncertainty continues to weigh on the Americas.

An inorganic step-up occurs in EMEA, where the full consolidation of OPET Turkey in April 2026 adds approximately €70 million in reported revenue for FY26. The transition is EBIT-neutral as the previous at-equity contribution is simultaneously removed. From FY27 onward, EMEA growth is purely organic at a CAGR of 2.25%, constrained by weak OEM cross-sell opportunities and limited automotive sector recovery (Fuchs AR25, p. 19; MarketLine, 2026c).

APAC is the primary volume driver at a CAGR of 4.6%, supported by the GVR global lubricants market benchmark of 4.0% and MarketLine's regional chemicals CAGR of 5.3% (Grand View Research, 2026c; MarketLine, 2026b). FUCHS-specific investments under the FUCHS100 strategy add incremental growth above the market trend (FUCHS AR25). The NSA region is forecast at 3.4%, supported by the IRMCO integration and mining expansion in Latin America providing a partial buffer against US tariff headwinds (MarketLine, 2026f). Intercompany consolidation adjustments of approximately €180 million annually are excluded from the regional build and reflected in the net Group total shown in Figure 4.E.

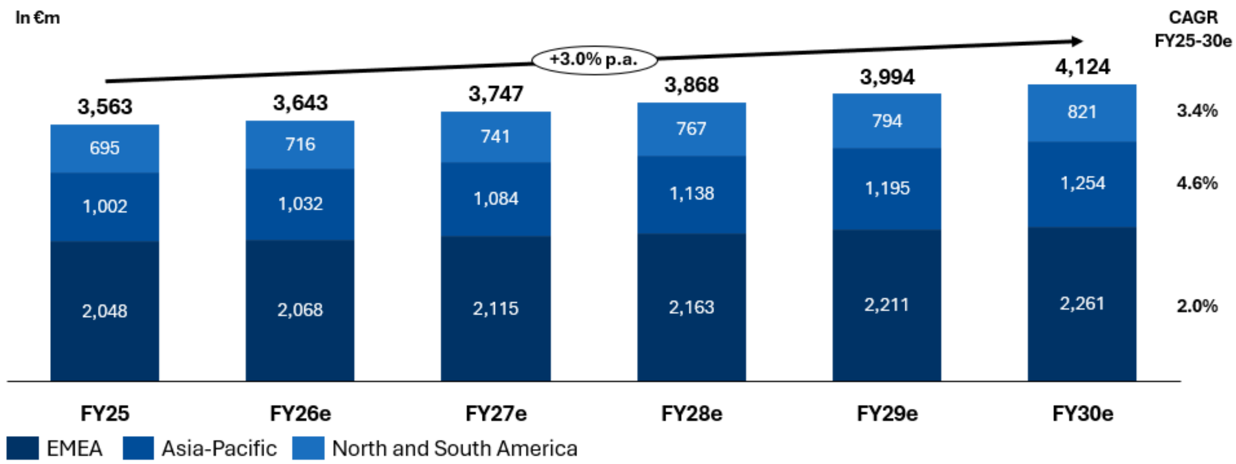

Figure 4.E: *FUCHS Revenue Forecast FY25-FY30e. Total revenues net of annual consolidation adjustments. Full regional build in Appendix B.5.*

4.3.2 Operating Margin and Cost Structure

The model projects a recurring EBIT margin expansion from 12.2% in FY25 to 13.5% by FY30, anchored in historical mid-cycle performance rather than the more aggressive 15.0% target of the FUCHS100 plan (Fuchs AR25). Cost of sales declines from 65.5% of revenue in FY26 to 64.5% by FY30, driven by a structural gross margin recovery to 35.5%. Raw material costs account for 82% of cost of sales. The normalization of these input costs drives the turnaround alongside a portfolio shift toward premium platforms including BluEV and ECOCOOL (Fuchs AR25, p.113).

Below the gross profit line, administrative expenses temporarily peak at 5.8% of revenue in FY26 due to the global S/4HANA implementation. Benefits materialize from FY28 onward, allowing admin costs to normalize toward 5.3% (Fuchs AR25). Selling and distribution expenses decline modestly from 14.7% to 14.3% as the regional sales network matures. R&D intensity is protected at 2.5% of revenue throughout the forecast period to preserve the innovation pipeline in APAC and NSA (Fuchs AR25, p. 49). Equity income is held stable at €8 million, reflecting the EBIT-neutral OPET consolidation described in Section 4.3.1.

EBIT grows from €427 million in FY26 to €557 million by FY30. The terminal margin is set at 13.0%, a deliberate 200bps haircut to the FUCHS100 target, reflecting the structural ceiling implied by historical averages. The full cost build is provided in Appendix B.1 and B.2.

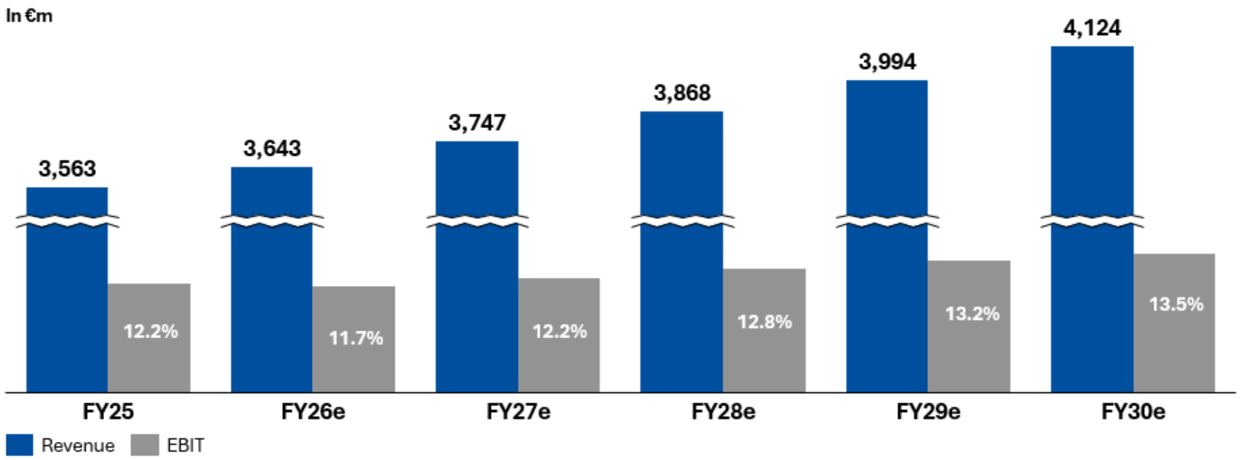

Figure 4.F: *FUCHS Revenue and EBIT Margin Forecast FY25-FY30e.*

4.3.3 CAPEX, D&A and Working Capital

FCFF rises from €308 million in FY26 to €371 million by FY30, expanding the cash margin from 8.5% to 9.0% of revenue (Table 4.D). This is more than three times the relative cash generation of BASF over the same period (Section 4.2.3).

Following intensive capital deployment including the Yingkou specialty greases plant and land acquisitions in Japan, FUCHS is entering a phase of capital discipline. CAPEX is forecast at €80 million in FY26 (Fuchs AR25, p. 90), stabilizing at approximately 2.2% of revenue thereafter. Depreciation follows a historical roll-off pattern, declining from 2.66% to 2.17% of revenue by FY30. In the terminal year, CAPEX is set at 2.4%, modestly above D&A at 2.2%, reflecting inflation-driven rather than volume-based growth.

Working capital efficiency improves through the internal S/4HANA rollout, reducing inventory holding times across the regional blending operations. The Cash Conversion Cycle declines from 93 to 87 days by FY30, primarily through a reduction in DIO from 89 to 87 days. DPO expands only modestly as FUCHS's purchasing scale as a stand-alone operator limits its supplier negotiating power. This establishes a clean baseline for measuring the acquirer-driven NWC synergies in Section 4.4. The full CCC assumptions are provided in Appendix B.6.

FUCHS's capital intensity of 2.2% is less than half that of BASF at 5.4%, and its steady-state CCC is 14 days shorter. This is a structural feature of the specialty lubricants model, not a cyclical effect.

in €m	FY25	FY26e	FY27e	FY28e	FY29e	FY30e
D&A	99	97	95	93	93	92
CAPEX	-92	-80	-82	-89	-88	-91
Change in OWC	-42	11	1	17	25	26
CCC (days)	93	91	88	87	87	87

Table 4.C: *CAPEX, D&A and OWC FY25 to FY30e.*

4.3.4 WACC Derivation

The WACC for FUCHS is derived from a standard CAPM framework, resulting in 7.23%. The 89bps spread relative to BASF reflects two distinct factors. First, 30bps of business risk premium from higher systematic risk in specialty lubricants. Second, 59bps of financial structure penalty from FUCHS's near-zero leverage. The financing penalty is directly removable under BASF ownership and underpins the WACC compression modelled in Section 4.4.

The model uses Damodaran's Specialty Chemicals unlevered beta of 1.04 as the primary input. A cross-validation against Quaker Houghton (βu 0.92) and HEXPOL (βu 0.94) yields a peer average of 0.93, consistent with the sector estimate. The Damodaran beta is preferred as it draws on a larger sample, reducing distortions from individual leverage profiles (Section 1.6.1). Re-levering with FUCHS's D/E ratio of 0.02 at a 29% tax rate yields a levered beta of 1.054, confirming that FUCHS's systematic risk is almost entirely operational. With a market capitalization of €4,464 million and debt of only €93 million, the equity weight stands at 98.0%. The pre-tax cost of debt is 4.0% (FUCHS AR25, p. 72), giving an after-tax cost of 2.84%.

$$WACC = (0.980 \times 7.32\%) + (0.020 \times 2.84\%) = 7.23\%$$

The full beta derivation is provided in Appendix B.7.

4.3.5 Valuation and Equity Value Bridge

The DCF yields a stand-alone Enterprise Value of €5,834 million. Approximately 76% is concentrated in the terminal period, notably below the 84% observed for BASF. This reflects FUCHS's stable mid-cycle earnings profile without a transformation trough.

The terminal value is derived under the Gordon Growth method:

$$TV = \frac{FCFF_{2031}}{WACC - g} = \frac{€361m}{7.23\% - 1.5\%} = €6{,}305m \Rightarrow PV(TV) = €4{,}450m$$

The same 1.5% rate applies, falling within the 1.0% to 2.0% range FUCHS itself uses in its own impairment tests (Fuchs AR24, 2025, p. 266). The assumption is stress-tested across a range of 0.9% to 2.1% in Appendix B.9.

in €m	FY26	FY27	FY28	FY29	FY30	TV
Sales	3,643	3,747	3,868	3,994	4,124	4,186
EBIT	427	457	495	527	557	544
FCFF	308	336	339	354	371	361
Discounted FCFF	287	292	275	268	261	4,450
Total EV						**5,834**

Table 4.D: *FUCHS DCF Summary.*

Adding the net cash position of €151 million and minor adjustments of €11 million yields a total equity value of €5,974 million. Based on 131 million shares, the intrinsic value of €45.60 represents a 34% gap to the weighted market price of €34.07. This value decomposes into €40.15 per ordinary and €51.00 per preference share, reflecting the structural discount analyzed in Section 4.3.6.

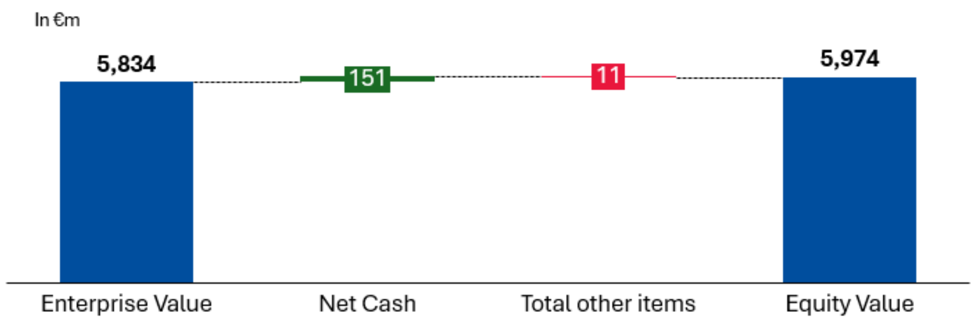

Figure 4.G: *FUCHS Equity Bridge FY25.*

The valuation is cross-checked against two market-based benchmarks. Trading multiples from Quaker Houghton, HEXPOL, Clariant and H.B. Fuller imply an EV corridor of €4.5 billion to €5.5 billion. The DCF mid-point of €5,834 million sits at a modest premium justified by FUCHS's superior margin profile and asset-light efficiency.

Completed transactions provide a control-premium adjusted upper bound. A median EV/EBITDA of 12.45x across four comparable specialty chemicals transactions implies a strategic EV of €6,648 million when applied to FUCHS's FY25 EBITDA of €534 million (Table 4.E). The stand-alone DCF of €5,834 million sits between public market multiples and strategic acquisition premiums. The full transaction range provides the empirical basis for the bid price analysis in Section 4.5.

Target	Acquirer	Announce Year	Multiple
Chemetall	BASF	2016	15.3x
Chemtura	LANXESS	2016	10.0x
Houghton Intl.	Quaker Chemical	2017	11.9x
BASF Coatings*	Carlyle / QIA	2025	13.0x
Median			**12.45x**

**Binding agreement signed October 2025; closing expected Q2 2026*

Table 4.E: *Transaction Multiples.*

4.3.6 The Family-Control Discount

The stand-alone valuation reveals a 34% gap between the intrinsic DCF value of €45.60 and the weighted average market price of €34.07. This gap is a structural family-control discount representing the core strategic arbitrage opportunity for BASF.

FUCHS's capital structure consists of 65.5 million ordinary and 65.5 million preference shares. Despite identical economic claims, the non-voting preference shares trade at €38.14 versus €30.00 for the voting ordinary shares. With 59% of voting power in the Fuchs family (Fuchs AR25, p. 45), minority voting rights are non-actionable, removing any control premium from ordinary shares. The preference shares carry a liquidity premium as the primary free-float vehicle. The intrinsic value of €45.60 is effectively locked and can only be realized through a negotiated transaction with the family.

Under Trautwein's valuation theory, this discount is precisely the acquisition rationale. The market has structurally underpriced the target in a way that only a negotiated transaction can resolve (Trautwein, 1990, p. 288; Section 1.2.1). A bid at market price would capture this discount for BASF but would be insufficient to secure family approval. The negotiation in Section 4.5 focuses on the equitable split of this locked value.

4.3.7 Sensitivity Analysis and Valuation Summary

The sensitivity varies WACC and terminal growth jointly across a plausible range, yielding an equity value corridor of €5,308 million to €6,853 million.

in €m	WACC	Growth	Equity	Blended	Ordinary	Preference
Low	7.7%	1.2%	5,308	40.52	35.68	45.32
Mid	7.2%	1.5%	5,974	45.60	40.15	51.05
High	6.7%	1.8%	6,853	52.32	46.07	58.50

Table 4.F: Sensitivity Analysis FUCHS. Full sensitivity matrix in Appendix B9.

Even in the low scenario the implied share price of €40.52 remains 19% above the market price of €34.07. The family-control discount persists across all plausible economic scenarios. Splitting the base case by share class reinforces this point. The blended €45.60 decomposes into €40.15 per ordinary and €51.00 per preference share. Both classes are structurally undervalued. The market capitalization of €4,464 million sits below every intrinsic and peer-implied estimate as shown in the Football Field.

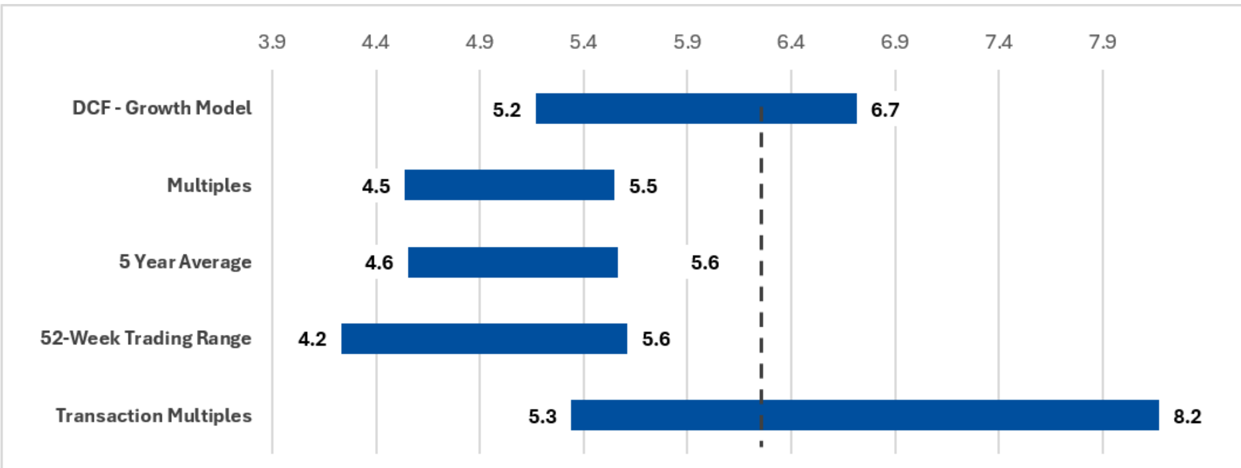

Table 4.G: FUCHS EV Overview. Full valuation summary in Appendix B.13.

FUCHS trades at a persistent discount driven by its family-controlled structure. The BASF acquisition is not merely about creating new value through synergies. It is about unlocking pre-existing intrinsic value that the public market cannot currently realize.

4.3.8 Q1 2026 Plausibility Check

The stand-alone valuation is cross-validated against FUCHS Q1 2026 results, published on 29 April 2026. Q1 EBIT of €125 million is a new quarterly record, driven by gross margin expansion to 35.1% and a €7 million one-off land sale gain in Australia. Adjusted for this effect, annualized Q1 EBIT of €472 million exceeds the model assumption of €427 million. The gap is attributable to mild Q1 seasonality and Hormuz-related raw material cost pressure expected to compress H2 margins, consistent with the model's conservative FY26e gross margin assumption (FUCHS Q1 2026, p. 13). FUCHS maintained its EBIT guidance at approximately €450 million while upgrading its sales outlook. The model at €427 million sits 5% below guidance, consistent with the acknowledged downside. A full reconciliation is provided in Appendix B.14.

4.4 Synergy Valuation

4.4.1 Methodology

The synergy valuation builds directly on the stand-alone FUCHS forecast from Section 4.3. Following Damodaran (2005), synergies are modelled as an incremental overlay rather than through a consolidated entity model, ensuring that the deal-specific value-add remains explicitly attributable to the transaction (Damodaran, 2005, p. 8).

The valuation is structured in three sequential stages. Stage 1 is the stand-alone FUCHS DCF at a WACC of 7.23%. Stage 2 adds operational synergies while holding the WACC constant, isolating the pure industrial value of the combination. Stage 3 reduces the discount rate to a hybrid 7.00%, capturing the financing benefit of BASF's A-/A3/A investment-grade balance sheet without assuming a full structural merger.

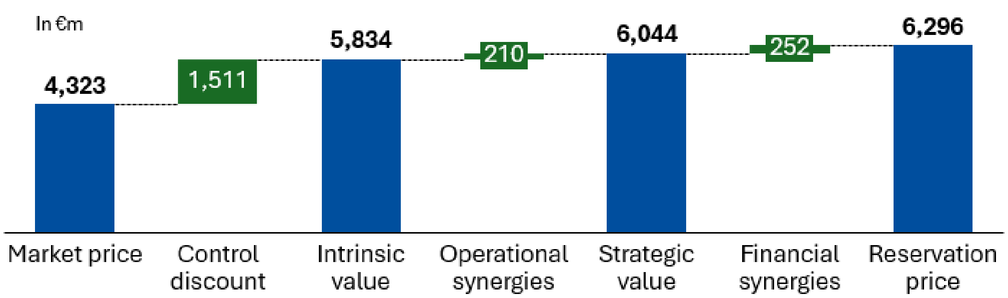

Figure 4.H: *FUCHS Value Bridge FY25.*

Three Red Lines constrain the model throughout and ensure a margin of safety (Section 1.4.1). FUCHS retains its brand identity and independent sales organisation, limiting revenue synergies to channel access and product mix rather than sales-force consolidation. FUCHS retains IT autonomy, preventing ERP integration savings. The local-for-local production footprint limits COGS synergies to external procurement internalization only. R&D coordination, tax synergies and pricing power carry high methodological uncertainty and are addressed qualitatively in Section 4.4.6.

4.4.2 Revenue Synergies

Revenue synergies are modelled as incremental growth uplifts on the stand-alone regional forecasts from Section 4.3.1. Two components drive the uplift. One-off effects reflect accelerated market entry through BASF's network in FY27 and FY28. Recurring effects reflect permanent additions to the customer base and product mix from FY29 onward.

In EMEA, the synergy is purely recurring at 0.1pp annually from FY27. BASF's existing industrial customer relationships in Europe provide a channel for FUCHS specialty coolants. Automotive OEM cross-selling is limited by separate purchasing structures and entrenched competitor positions. The divestiture of BASF's Coatings division further reduces the primary historical OEM channel (BASF AR25; Fuchs AR25).

In APAC, BASF's regional infrastructure accelerates FUCHS's market entry into local OEM and semiconductor customer segments. This produces a front-loaded 1.0pp uplift in FY27 as new accounts are captured ahead of the standalone trajectory. From FY29 onward the recurring effect stabilizes at 0.5pp, reflecting permanent BluEV and ECOCOOL placement in the combined customer base (BASF AR25; Fuchs AR25). R&D coordination between both companies shortens product qualification cycles, supporting the regional technology ramp-up.

In NSA, BASF's Latin American mining relationships accelerate lubricant wins with regional operators. Heavy duty access in Mexico adds a second channel for FUCHS industrial products (BASF AR25, p. 73, 88). The one-off effect drives a 0.4pp uplift in FY27, fading to a recurring 0.25pp from FY29 as IRMCO metalworking and heavy duty growth stabilizes (Fuchs AR25).

€m	FY26e	FY27e	FY28e	FY29e	FY30e	Total
EMEA	-	2	4	6	9	22
Asia-Pacific	-	10	18	25	32	85
North and South America	-	3	5	7	9	24
Consolidation	-	(1)	(2)	(2)	(2)	(7)
Total Revenues	**-**	**14**	**25**	**36**	**48**	**124**
Growth Uplift (ppt)						
EMEA	-	0.10%	0.10%	0.10%	0.10%	-
Asia-Pacific	-	1.00%	0.65%	0.50%	0.50%	-
North and South America	-	0.40%	0.28%	0.25%	0.25%	-

Table 4.H: *Revenue Synergies.*

The combined uplift generates €48 million of incremental revenue in FY30 and €124 million cumulatively over the forecast period, before selling cost allocation. The uplifts account for the risk that a portion of FUCHS's customer base actively avoids oil-major affiliated providers following the acquisition (Fuchs AR25, p. 45), consistent with the Endorsed Brand logic in Section 1.5.2. The resulting EBIT contribution at a marginal contribution margin of approximately 14% by FY30 is netted against incremental selling costs in Section 4.4.3.

4.4.3 COGS Synergies

The primary cost synergy results from the internalization of additive and base oil procurement into the BASF Verbund. FUCHS currently sources raw materials from refineries, traders and additive suppliers, with a meaningful share flowing through intermediaries rather than directly from producers (Fuchs AR25, p. 113). The synergy captures these trader margins and logistics fees, estimated at approximately 7% on the internalized volume (BASF AR25, p. 26). Volume already sourced directly from BASF today generates no incremental saving and is excluded from the calculation.

The internalization rate is capped at 50% of total additive requirements, reflecting both the share already sourced directly from BASF today and the proprietary formulations that cannot be substituted by standard Verbund outputs without compromising product quality.

The resulting gross margin improvement phases from 0.15pp in FY27 to 0.73pp in FY30, generating a direct EBIT contribution of approximately €30 million at FY30 revenue of €4,172 million. Netted against incremental selling costs from the revenue expansion in Section 4.4.2, the consolidated net EBIT synergy reaches €49 million in the terminal year. The full COGS synergy build is provided in Appendix C.2.

4.4.4 SG&A Synergies

Administrative expenses decline from 5.3% to 5.05% of revenue by FY30, generating a gross efficiency gain of approximately €10 million. The saving reflects the absorption of standalone corporate overheads including redundant regulatory compliance and listing fees following delisting, while local management is preserved to protect brand independence (Section 4.4.1).

Selling and distribution costs grow slower than revenue as partial logistics overlap between BASF and FUCHS regional networks reduces incremental distribution costs. The cost-to-sales ratio declines to 14.26% by FY30, generating an additional €2 million in gross efficiencies.

The combined SG&A synergy pool reaches €12 million in the terminal year. The full build is provided in Appendix C.2.

4.4.5 CAPEX, NWC and Integration Costs

CAPEX savings arise from the co-localization of planned capacity investments within existing BASF Verbund infrastructure. In APAC, BASF's existing regional infrastructure reduces the incremental capital investment required for FUCHS to serve the growing Chinese OEM market (BASF AR25, p. 38). In Latin America, BASF's regional clusters in Mexico serve the same function for the NSA mining expansion from Section 4.4.2. Savings phase in from FY27 and reach a cumulative total of €33 million by FY30, capped by the local-for-local constraint requiring decentralized blending capacity near customer hubs.

Leveraging BASF's global procurement scale, a two-day extension of supplier payment terms drives DPO from 53 to 55 days by FY28, generating a one-time cash release of €12.4 million. DIO and DSO are held flat at standalone levels as the S/4HANA efficiency gains are already embedded in the forecast from Section 4.3.3. The terminal NWC rate of 0.5% of revenue marginally exceeds the standalone level of 0.4%, reflecting revenue-driven NWC growth after the DPO benefit is fully absorbed.

Integration costs total €105 million, at the lower end of the 1-7% range documented in comparable specialty chemicals transactions (Bruner, 2004, p. 20). The budget is front-loaded. FY26 absorbs €63 million covering M&A advisory, legal filings across more than ten jurisdictions and HR retention measures (Section 1.5.1). FY27 adds €32 million for IT harmonization and cultural integration. FY28 carries a residual €10 million. The low total reflects the deliberate absence of site closures and ERP consolidation.

4.4.6 Strategic Considerations Beyond Quantified Synergies

Three value drivers extend beyond the DCF but reinforce the strategic logic of the transaction.

The R&D dimension is complementary rather than substitutive. FUCHS's BluEV thermal management fluids address a specific gap in BASF's electric vehicle materials portfolio, as BASF holds no position in the thermal fluids required for battery cooling systems (BASF AR25, p. 52; Fuchs AR25, p. 14). The ECOCOOL semiconductor coolant line similarly complements BASF's electronic materials business. Neither lever is quantified in the DCF given long specification cycles and uncertain revenue attribution.

The defensive rationale is independent of any synergy calculation. FUCHS represents the last large independent specialty lubricants platform globally. A sale to a state-backed acquirer such as Aramco or CNPC would directly strengthen a competitor in BASF's core market, making pre-emption strategically relevant beyond the DCF (BASF AR25, p. 88).

Cultural integration risk is addressed through the HR budget within the €105 million integration cost from Section 4.4.5. The transition from a family-managed SE to a conglomerate reporting structure carries measurable brain-drain risk in the technical formulation teams, justifying the front-loading of HR retention measures in FY26 (Fuchs AR25, p. 59).

4.4.7 Synergy Valuation Results

The three-stage framework produces a total synergy value of €462 million, split into two distinct components.

The Operational Alpha of €210 million represents the industrial value of the transaction, capturing the core operating synergy dimensions from Section 1.2.2. It aggregates the NPV of all operational cash flow workstreams (Sections 4.4.2-4.4.5), less the €105 million integration cost. Holding the WACC constant ensures that no financial engineering alters this operational result. The terminal EBIT margin in the synergy case is set at 13.5%, 50bps above the stand-alone terminal value of 13.0%. COGS and SG&A synergies are structurally permanent under BASF ownership and are therefore carried into perpetuity. Revenue synergies normalize into the base volume and do not generate a permanent margin premium. The full DCF build at stand-alone WACC is provided in Appendix C.4.

The Financial Alpha of €252 million represents the value generated by compressing the discount rate from 7.23% to 7.00%. The hybrid rate is the midpoint between FUCHS re-levered at BASF's D/E ratio of 0.5 yielding 6.80%, and FUCHS standalone WACC of 7.23%. This captures partial financing benefit without assuming a full structural merger. Section 4.3.4 established that 59bps of the WACC spread stem from FUCHS's near-zero leverage rather than its business risk. The hybrid DCF at 7.00% and the three-stage value bridge are provided in Appendix C.5 and C.6.

Sensitivities vary the terminal growth rate between 1.2% and 1.8% at the 7.00% hybrid WACC, yielding an equity value range of €6.17 billion to €6.73 billion (Appendix C.7). The Football Field presents all three DCF stages as separate bars spanning this range. Each stage shifts the valuation rightward: stand-alone yields €5.74 billion to €6.23 billion, operational synergies lift this to €5.80 billion to €6.31 billion, and the hybrid base shifts the full corridor to €6.03 billion to €6.59 billion.

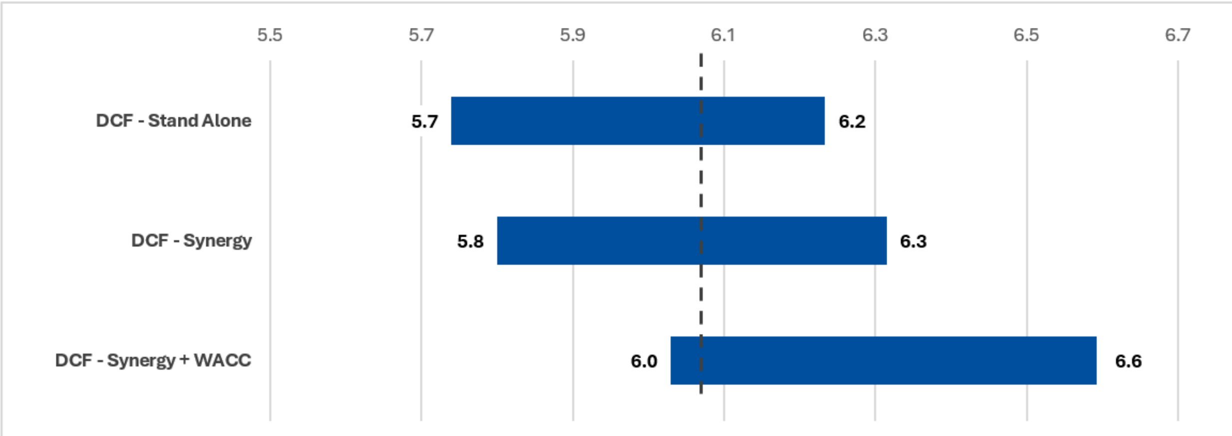

Figure 4.I: *Football Field Enterprise Value, Synergy Effect by Stage.*

4.5 Transaction Recommendation

4.5.1 Maximum Justifiable Bid Price

Four price anchors define the negotiation space. As of 15 May 2026, the blended market price of FUCHS stands at €33.48, derived as the weighted average of the ordinary share price of €30.30 and the preference share price of €36.66 applied to equal share counts of 65.5 million each. The blended market price reflects the family-control discount and does not serve as a meaningful offer anchor. The stand-alone DCF of €45.60 per share is the effective seller floor. The operational synergy value of €47.21 marks the break-even point on pure operational improvement. The hybrid maximum of €49.13 is the theoretical ceiling where BASF transfers the full €462 million synergy pool to the seller. The derivation of all per-share anchors from enterprise value is provided in Appendix C.6. Defining this ceiling before negotiations begin is the core discipline against deal momentum distorting analytical objectivity (Eccles et al., 1999; Section 1.4.1).

The transaction requires an asymmetric pricing architecture across FUCHS's dual share classes. The founding family holds 59% of voting ordinary shares and zero preference shares. Preference shares are entirely in free float with no veto rights. The family must surrender corporate control, a distinct economic value that preference shareholders do not provide. Under *Section 31(2)* of the *WpÜG*, different prices for different share classes are explicitly permissible, as applied in the

Volkswagen AG acquisition of MAN SE (Volkswagen AG, 2011). The BaFin requires only an equitable relationship between share categories, not uniformity.

The recommended opening bid is €48.00 per ordinary share and €45.00 per preference share, yielding a blended weighted average of €46.50. This implies a 58.4% premium on the ordinary share price of €30.30 and a 22.6% premium on the preference share price of €36.66. The lower preference premium reflects the structural dissolution of the liquidity premium upon delisting (Volkswagen AG, 2011). At €46.50, the total purchase price is €6,092 million. The €48.00 ordinary offer applies uniformly to all ordinary shareholders including the non-family free float of 41%. The family captures 25.5% of the synergy pool and BASF retains 74.5%, consistent with comparable transaction benchmarks (Damodaran, 2005, p. 37).

in €m	Ordinary	Preference	Blended	Implied EV
Market Cap (31.12.25)	30.00	38.14	34.07	4,323
Market Cap (15.05.26)	30.30	36.66	33.48	4,246
Stand-alone DCF floor	40.15	51.05	45.60	5,834
Recommended opening bid	48.00	45.00	46.50	5,952
Maximum tactical ceiling	50.00	45.00	47.50	6,083

Table 4.1: *Offer Price Anchors.*

4.5.2 Recommended Premium and Bid Structure

At a uniform price of €46.50, the family would already receive a 53.5% premium on its ordinary shares against only 26.7% for preference holders. The asymmetric architecture directs the full negotiating budget exclusively toward the controlling shareholder.

The family faces no capital market pressure to sell (Fuchs AR25, p.45). A standard 25% premium would not resolve the family's rational preference for independence. The 58.4% ordinary premium is the minimum required to cross the family's execution threshold given that the stand-alone DCF of €40.15 already reflects full intrinsic value. The implied EV/EBITDA of 11.37x sits below the precedent transaction median of 12.45x, confirming pricing discipline.

The preference offer of €45.00 is deliberately held constant across both the opening bid and the maximum tactical ceiling. As the acquisition proceeds toward a statutory squeeze-out under *Section 327a AktG*, the offer need only exceed the volume-weighted average market price. At €45.00, the

22.6% premium satisfies this threshold comfortably. The liquidity premium disappears upon delisting. Any premium above €45.00 would therefore reward passive holders without justification.

The maximum concession raises the ordinary offer to €50.00, a 65.0% premium, while the preference offer remains frozen at €45.00. At this ceiling, the family captures 53.8% of synergies and BASF retains only the Financial Alpha of €252 million.

in €	Opening bid	Ceiling
Ordinary offer price	48.00	50.00
Preference offer price	45.00	45.00
Blended weighted average	46.50	47.50
Ordinary premium over market (€30.30)	58%	65%
Preference premium over market (€36.66)	23%	23%
BASF Value Capture (% of synergies)	75%	46%
Seller Value Capture (% of synergies)	25%	54%

Table 4.J: *Synergy Split.*

The full offer price architecture including synergy allocation by share class is provided in Appendix C.9.

4.5.3 Method of Payment

All-cash financing is the only defensible structure for this transaction. The Fuchs family's primary motivation is the realization of locked intrinsic value in cash terms. An exchange into BASF equity would make the family a passive minority shareholder in a conglomerate, directly conflicting with their stated preference for operational autonomy (FUCHS AR25). A stock offer would therefore face structural rejection independent of price.

The Carlyle coatings divestiture proceeds of €5,800 million (BASF / Carlyle Group, 2025) cover 95% of the opening bid purchase price of €6,092 million. The residual €292 million is financeable through existing revolving credit facilities at BASF's investment-grade borrowing cost of 4.23% (BASF AR25). Should the Carlyle close be delayed beyond Q2 2026, the full purchase price remains accessible through short-dated bridge financing given BASF's A-rating. The combined after-tax financing cost of €180 million annually is fully absorbed by FUCHS's post-synergy FCFF contribution of €370 million in FY28.

BASF's annual dividend of approximately €3.0 billion (BASF AR25) adds a second cash obligation alongside the acquisition price. It exceeds the stand-alone FCFF of €1.44 billion in FY26, requiring concurrent bridge financing of approximately €1.6 billion in new short-dated debt. This is consistent with BASF's investment-grade capacity but should be reflected in the Board's capital allocation sequencing.

The transaction is earnings-accretive at +9.0% by FY28, with combined EPS of €2.38 against a BASF stand-alone of €2.18 (Table 4.K).

in €	FY28e
BASF Stand-alone EPS	2.18
Combined EPS	2.38
Accretion %	9.0%

Table 4.K: *Combined EPS FY28e. Includes post-tax synergies of €16m, integration costs of €7m and foregone interest of €180m. Full derivation in Appendix C.9.*

4.5.4 Deal Risks

The primary risk is family veto. The Fuchs family is under no legal or financial obligation to sell (Fuchs AR25, p. 45). The opening bid resolves the family-control discount and shares 25.5% of synergies, but non-financial motivations around independence and brand identity cannot be fully monetized. BASF's credible commitment to the three Red Line principles from Section 4.4.1 is therefore a precondition for any negotiation. The maximum concession of €47.50 provides a further €131 million of negotiating room without crossing into value destruction.

Regulatory clearance across multiple jurisdictions represents minor execution risk due to limited geographic lubricant overlaps and combined market shares well below antitrust thresholds (MarketLine, 2026b).

Synergy realization risk is the most consequential financial risk. The €124 million cumulative revenue uplift from Section 4.4.2 is the most uncertain component of the €462 million pool (Damodaran, 2005, p. 36; Bruner, 2004, p. 20). A scenario in which revenue synergies fail to materialize entirely while COGS and CAPEX synergies are fully realized would reduce total synergy value to approximately €140 million. At the opening bid of €46.50, BASF retains a €204 million buffer before the transaction becomes value-neutral. Even under this stress scenario the transaction remains value-accretive at the opening bid, confirming that the €204 million buffer constitutes a genuine margin of safety rather than a nominal reserve.

5. Conclusion

This thesis examines whether a hypothetical acquisition of FUCHS by BASF is financially justified and if so at what price and on what terms. The analysis produces a clear answer on both dimensions.

The strategic case does not rest on synergies alone. FUCHS occupies a structurally distinct position in the specialty lubricants value chain that BASF cannot replicate organically within a relevant time horizon. The combination addresses a documented gap in BASF's APAC electric vehicle materials portfolio. The 34% family-control discount provides a pre-existing margin of safety against the overpayment risk identified in Section 1.4.1. The market has structurally underpriced the target in a way that only a negotiated transaction can resolve.

The valuation in Chapter 4 quantifies the transaction economics in three layers. FUCHS's stand-alone intrinsic value of €45.60 per share establishes the seller floor. Total synergies of €462 million decompose into €210 million of operational value from revenue and cost integration and €252 million of financial synergies. Three Red Line principles constrain the model and simultaneously protect the brand identity and technical teams that constitute FUCHS's core competitive asset. The recommended opening bid of €48.00 per ordinary share and €45.00 per preference share yields a blended price of €46.50. The asymmetric structure reflects the family's exclusive control over voting rights and directs the full negotiating budget toward the controlling shareholder. This implies a 58.4% premium on the current ordinary share price of €30.30. BASF retains 74.5% of the synergy pool. The hard ceiling of €50.00 per ordinary share marks the point beyond which the transaction's margin of safety is eliminated.

Three limitations constrain the analysis. First, the synergy estimates rely on management-disclosed revenue data and publicly available market research. Proprietary procurement cost data and internal formulation details are not observable and would sharpen the COGS and revenue synergy estimates. Second, the family's reservation price is unobservable. The negotiation framework in Section 4.5 is built on rational economic assumptions but the Fuchs family's non-financial motivations around independence and brand legacy introduce uncertainty that no DCF model can fully capture. Third, the analysis is anchored to 31 December 2025. A sustained delay in BASF's Zhanjiang ramp-up would simultaneously reduce the acquirer's financial recovery capacity and eliminate the primary APAC synergy lever, undermining the double-trough entry rationale that gives the transaction its timing logic.

Despite these constraints, the core finding is robust across all sensitivity scenarios tested. FUCHS is structurally undervalued relative to its intrinsic cash flow generation. BASF has the financial capacity, the strategic rationale and the operational complementarity to unlock that value. The transaction is financially accretive, industrially coherent and strategically timely. Both companies sit at earnings troughs simultaneously. The window for a disciplined entry price is open at the valuation reference date.

Appendix

A. Appendix BASF

A.1 Historical: Income Statement (FY21-FY25)

Income Statement in €m	FY21	FY22	FY23	FY24	FY25
Sales revenues	**78,598**	**87,327**	**68,902**	**61,444**	**59,657**
gYoY		*11.1%*	*(21.1%)*	*(10.8%)*	*(2.9%)*
Cost of sales	(58,801)	(66,260)	(52,200)	(46,225)	(45,298)
% of Revenue	*(74.8%)*	*(75.9%)*	*(75.8%)*	*(75.2%)*	*(75.9%)*
Gross profit on sales	**19,797**	**21,067**	**16,702**	**15,219**	**14,359**
% margin	*25.2%*	*24.1%*	*24.2%*	*24.8%*	*24.1%*
Selling expenses	(8,414)	(9,613)	(8,788)	(7,603)	(7,514)
% of Revenue	*(10.7%)*	*(11.0%)*	*(12.8%)*	*(12.4%)*	*(12.6%)*
General administrative expenses	(1,408)	(1,520)	(1,506)	(1,333)	(1,338)
% of Revenue	*(1.8%)*	*(1.7%)*	*(2.2%)*	*(2.2%)*	*(2.2%)*
Research and development expenses	(2,216)	(2,298)	(2,130)	(1,969)	(1,995)
% of Revenue	*(2.8%)*	*(2.6%)*	*(3.1%)*	*(3.2%)*	*(3.3%)*
Other operating income	1,894	1,808	1,990	1,303	2,328
% of Revenue	*2.4%*	*2.1%*	*2.9%*	*2.1%*	*3.9%*
Other operating expenses	(2,650)	(3,283)	(4,221)	(3,809)	(3,957)
% of Revenue	*(3.4%)*	*(3.8%)*	*(6.1%)*	*(6.2%)*	*(6.6%)*
Income from integral companies (equity method)	675	386	192	2	(251)
Income from operations (EBIT)	**7,678**	**6,547**	**2,239**	**1,810**	**1,632**
EBIT margin %	*9.8%*	*7.5%*	*3.2%*	*2.9%*	*2.7%*
Income from non-integral companies (equity method)	285	(4,885)	(114)	651	1,306
Income from other shareholdings	47	34	55	72	55
Expenses from other shareholdings	(125)	(89)	(141)	(121)	(48)
Net income from shareholdings	**207**	**(4,940)**	**(200)**	**602**	**1,313**
Interest result	(314)	(433)	(538)	(554)	(555)
Other financial result	(121)	14	(82)	2	55
Financial result	**(435)**	**(419)**	**(620)**	**(552)**	**(500)**
% of sales	*(0.6%)*	*(0.5%)*	*(0.9%)*	*(0.9%)*	*(0.8%)*
Income before income taxes	7,450	1,188	1,419	1,860	2,445
% EBT margin	*9.5%*	*1.4%*	*2.1%*	*3.0%*	*4.1%*
Income taxes	(1,430)	(1,581)	(1,041)	(573)	(907)
eff. tax rate	*19.2%*	*133.1%*	*73.4%*	*30.8%*	*37.1%*
Income after taxes (continuing)	**6,020**	**(393)**	**378**	**1,287**	**1,538**
Income after taxes (discontinued)	(36)	-	-	165	185
Income after taxes	**5,984**	**(393)**	**378**	**1,452**	**1,723**
of which: noncontrolling interests	459	236	154	155	107
of which: net income (shareholders of BASF SE)	5,525	(629)	224	1,297	1,616
% net margin	*7.0%*	*(0.7%)*	*0.3%*	*2.1%*	*2.7%*

Table A.1: *FY24 and FY25 reflect continuing operations. Coatings business excluded following binding divestment agreement of October 2025. FY21 to FY23 reported as published.*

A.2 Forecast: Income Statement (FY25-FY30e)

Income Statement - Forecast							
in €m	**FY25**	**FY26e**	**FY27e**	**FY28e**	**FY29e**	**FY30e**	**CAGR FY25-30e**
Sales revenues	**59,657**	**60,750**	**62,394**	**63,607**	**64,847**	**66,115**	**2.1%**
gYoY	*(2.9%)*	*1.8%*	*2.7%*	*1.9%*	*1.9%*	*2.0%*	
Cost of sales	(45,298)	(46,474)	(47,544)	(48,023)	(48,635)	(49,255)	1.7%
% of Revenue	*(75.9%)*	*(76.5%)*	*(76.2%)*	*(75.5%)*	*(75.0%)*	*(74.5%)*	
Gross profit on sales	**14,359**	**14,276**	**14,850**	**15,584**	**16,212**	**16,859**	**3.3%**
% margin	*24.1%*	*23.5%*	*23.8%*	*24.5%*	*25.0%*	*25.5%*	
Selling expenses	(7,514)	(7,594)	(7,612)	(7,633)	(7,782)	(7,934)	
% of Revenue	*(12.6%)*	*(12.5%)*	*(12.2%)*	*(12.0%)*	*(12.0%)*	*(12.0%)*	
General administrative expenses	(1,338)	(1,280)	(1,280)	(1,280)	(1,250)	(1,250)	
% of Revenue	*(2.2%)*	*(2.1%)*	*(2.1%)*	*(2.0%)*	*(1.9%)*	*(1.9%)*	
Research and development expenses	(1,995)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	
% of Revenue	*(3.3%)*	*(3.3%)*	*(3.2%)*	*(3.1%)*	*(3.1%)*	*(3.0%)*	
Other operating income	2,328	1,350	1,250	1,250	1,250	1,250	
% of Revenue	*3.9%*	*2.2%*	*2.0%*	*2.0%*	*1.9%*	*1.9%*	
Other operating expenses	(3,957)	(3,400)	(2,800)	(2,600)	(2,600)	(2,600)	
% of Revenue	*(6.6%)*	*(5.6%)*	*(4.5%)*	*(4.1%)*	*(4.0%)*	*(3.9%)*	
Income from integral companies (equity method)	(251)	-	50	50	50	50	
Income from operations (EBIT)	**1,632**	**1,353**	**2,458**	**3,371**	**3,880**	**4,375**	**21.8%**
EBIT margin %	*2.7%*	*2.2%*	*3.9%*	*5.3%*	*6.0%*	*6.6%*	
Net income from shareholdings	**1,313**	**50**	**50**	**50**	**50**	**50**	
Financial result	**(500)**	**(490)**	**(500)**	**(500)**	**(500)**	**(500)**	
% of sales	*(0.8%)*	*(0.8%)*	*(0.8%)*	*(0.8%)*	*(0.8%)*	*(0.8%)*	
Income before income taxes	2,445	913	2,008	2,921	3,430	3,925	
% EBT margin	*4.1%*	*1.5%*	*3.2%*	*4.6%*	*5.3%*	*5.9%*	
Income taxes	(907)	(274)	(602)	(876)	(1,029)	(1,178)	
eff. tax rate	*37.1%*	*30.0%*	*30.0%*	*30.0%*	*30.0%*	*30.0%*	
Income after taxes	**1,723**	**639**	**1,405**	**2,045**	**2,401**	**2,748**	**9.8%**
of which: noncontrolling interests	107	100	100	100	100	100	
of which: net income (shareholders of BASF SE)	1,616	539	1,305	1,945	2,301	2,648	10.4%
% net margin	*2.7%*	*0.9%*	*2.1%*	*3.1%*	*3.5%*	*4.0%*	

A.3 Balance Sheet Historical (FY21-FY25)

Balance Sheet

in €m	FY21	FY22	FY23	FY24	FY25
Assets					
Intangible assets	13,499	13,273	12,216	11,983	9,692
Property, plant and equipment	21,553	22,967	24,080	27,197	25,405
Integral investments accounted for using the equity method	2,540	2,356	2,054	2,399	1,746
Non-integral investments accounted for using the equity method	9,843	4,645	4,518	3,411	3,247
Other financial assets	575	1,120	1,099	1,165	1,055
Deferred tax assets	2,600	880	617	574	544
Receivables for income taxes	-	-	80	88	97
Other receivables and miscellaneous assets	1,722	1,810	1,258	2,366	2,702
Noncurrent assets	**52332**	**47051**	**45922**	**49183**	**44488**
Inventories	13,868	16,028	13,876	13,681	12,168
Accounts receivable, trade	11,942	12,055	10,414	10,393	8,325
Receivables for income taxes	-	-	717	740	696
Other receivables and miscellaneous assets	5,568	6,591	3,787	3,256	3,762
Marketable securities	208	232	53	67	89
Cash and cash equivalents	2,624	2,516	2,624	2,914	2,670
Assets of disposal groups	840	-	-	181	3,973
Current assets	**35050**	**37422**	**31471**	**31232**	**31683**
Total assets	**87382**	**84473**	**77393**	**80415**	**76171**
Equity and liabilities					
Subscribed capital	1,176	1,144	1,142	1,142	1,142
Capital reserves	3,106	3,147	3,139	3,139	3,131
Retained earnings	40,365	35,453	32,517	30,883	29,931
Other comprehensive income	(3,855)	(171)	(1,521)	435	(1,009)
Equity attributable to shareholders of BASF SE	**40792**	**39573**	**35277**	**35599**	**33195**
Noncontrolling interests	1289	1350	1368	1284	1143
Equity	**42081**	**40923**	**36645**	**36883**	**34338**
Provisions for pensions and similar obligations	6,160	2,810	2,896	2,403	1,832
Deferred tax liabilities	1,499	1,543	1,140	1,005	953
Income tax provisions	415	330	335	335	401
Other provisions	1,782	1,650	1,684	1,883	1,854
Financial indebtedness	13,764	15,171	17,085	19,122	18,481
Other liabilities	1,600	1,606	1,739	1,744	1,903
Noncurrent liabilities	**25220**	**23110**	**24879**	**26492**	**25424**
Accounts payable, trade	7,826	8,434	6,741	6,923	5,484
Provisions	3,935	3,799	3,214	3,320	3,693
Liabilities for income taxes	1,161	995	442	404	213
Financial indebtedness	3,420	3,844	2,182	2,639	2,608
Other liabilities	3,679	3,368	3,291	3,714	3,405
Liabilities of disposal groups	61	-	-	39	1,008
Current liabilities	**20082**	**20440**	**15870**	**17039**	**16411**
Total equity and liabilities	**87383**	**84473**	**77394**	**80414**	**76173**

A.4 Cash Flow Statement Historical (FY21-FY25)

Cash Flow Statement

€m	FY21	FY22	FY23	FY24	FY25
OPERATING ACTIVITIES					
Net income	**5,523**	**(627)**	**225**	**1,298**	**1,619**
Depreciation & amortization (incl. impairments)	3,687	4,200	4,941	4,648	4,166
Equity-accounted income	-	-	(78)	(654)	(1,055)
Gains / losses from disposal of noncurrent assets	(611)	(1)	(103)	(51)	(842)
Other noncash items and reclassifications	-	-	3	390	(231)
Dividends received from equity-accounted investments	-	-	622	442	1,331
Changes in inventories	(3,304)	(1,991)	1,896	222	263
Changes in accounts receivable, trade	(1,272)	2,145	1,443	42	530
Changes in accounts payable, trade	-	-	(1,544)	96	(736)
Changes in provisions	3,010	(786)	(484)	204	971
Changes in other operating assets	-	-	1,918	383	(1,272)
Changes in other op. liabilities and pension provisions	213	4,768	(730)	(76)	865
Cash flows from operating activities	**7,246**	**7,708**	**8,109**	**6,944**	**5,609**
CFO margin %	131.2%	(1229.3%)	3604.0%	535.0%	346.4%
INVESTING ACTIVITIES					
Payments for PP&E and intangible assets (Capex)	-3532	-4375	(5,395)	(6,198)	(4,267)
Payments for financial assets and securities	-994	-1273	(1,099)	(749)	(1,208)
Payments for investments in equity instruments	-	-	-	(646)	(81)
Payments for acquisitions	-600	-13	(5)	(202)	(1)
Payments received from divestitures	1030	691	32	75	871
Payments received from disposal of noncurrent assets	1474	1192	1,476	808	1,309
Payments received from disposal of equity instruments	-	-	-	1,831	168
Cash flows from investing activities	**(2,622)**	**(3,778)**	**(4,991)**	**(5,081)**	**(3,208)**
FINANCING ACTIVITIES					
Capital repayments and other equity transactions	-	(1,331)	(70)	(46)	(355)
Additions to financial and similar liabilities	7,627	10,896	9,503	6,362	6,394
Repayment of financial and similar liabilities	(10,772)	(10,330)	(9,244)	(4,579)	(6,369)
Dividends paid	(3,031)	(3,072)	(3,094)	(3,284)	(2,086)
Cash flows from financing activities	**(6,457)**	**(4,013)**	**(2,905)**	**(1,547)**	**(2,416)**
RECONCILIATION					
Cash-effective changes in cash and cash equivalents	(1,834)	(83)	215	318	(15)
Changes from FX and scope of consolidation	131	(19)	(106)	(21)	(88)
Cash at beginning of period	4,335	2,624	2,516	2,624	2,921
Cash at end of period	**2,624**	**2,516**	**2,624**	**2,921**	**2,818**

A.5 Revenue Forecast by Segment (FY25-FY30e)

TOTAL REVENUES - FORECAST

in €m	FY25	FY26e	FY27e	FY28e	FY29e	FY30e	CAGR FY25-30
Materials	12,742	12,997	13,257	13,522	13,792	14,068	2.0%
% YoY growth	*(5.7%)*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	
Chemicals	10,055	10,407	10,979	11,309	11,648	11,997	3.6%
% YoY growth	*(7.2%)*	*3.50%*	*5.50%*	*3.00%*	*3.00%*	*3.00%*	
Agricultural Solutions	9,587	9,587	9,875	10,072	10,274	10,479	1.8%
% YoY growth	*(2.2%)*	-	*3.00%*	*2.00%*	*2.00%*	*2.00%*	
Industrial Solutions	8,594	8,809	9,029	9,255	9,486	9,723	2.5%
% YoY growth	*(6.8%)*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	
Surface Technologies	8,967	9,012	9,147	9,238	9,331	9,424	1.0%
% YoY growth	*11.3%*	*0.50%*	*1.50%*	*1.00%*	*1.00%*	*1.00%*	
Nutrition & Care	6,509	6,737	6,905	7,009	7,114	7,221	2.1%
% YoY growth	*(3.3%)*	*3.50%*	*2.50%*	*1.50%*	*1.50%*	*1.50%*	
Other	3,202	3,202	3,202	3,202	3,202	3,202	-
% YoY growth	*(2.7%)*	-	-	-	-	-	
Total Revenue	**59,656**	**60,750**	**62,394**	**63,607**	**64,847**	**66,115**	2.1%

A.6 CAPEX, D&A and NWC (FY21-FY30)

CAPEX & D&A

€m	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
CapEx	(3,532)	(4,375)	(5,395)	(6,198)	(4,267)	(3,432)	(3,494)	(3,498)	(3,502)	(3,570)
% of revenues	*-4.5%*	*-5.0%*	*-7.8%*	*-10.1%*	*-7.2%*	*-5.6%*	*5.6%*	*5.5%*	*5.4%*	*5.4%*
PPE	21,553	22,967	24,080	27,197	25,405	25,026	24,766	24,550	24,369	24,284
D&A	3,687	4,200	4,941	4,400	3,984	3,811	3,754	3,715	3,682	3,655
% of average PPE	*17.1%*	*18.9%*	*21.0%*	*17.2%*	*15.1%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*
CAPEX/D&A	-0.96	-1.04	-1.09	-1.41	-1.07	-0.90	-0.93	-0.94	-0.95	-0.98
% of revenues	*4.7%*	*4.8%*	*7.2%*	*7.2%*	*6.7%*	*6.3%*	*6.0%*	*5.8%*	*5.7%*	*5.5%*

OWC

€m	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Accounts Receivables	11,942	12,055	10,414	10,393	8,325	8,655	8,889	9,062	9,238	9,419
in % of Revenue	*15.2%*	*13.8%*	*15.1%*	*16.9%*	*14.0%*	*14.2%*	*14.2%*	*14.2%*	*14.2%*	*14.2%*
Inventory	13,868	16,028	13,876	13,681	12,168	12,096	12,375	12,499	12,658	12,820
Accounts Payables	7,826	8,434	6,741	6,923	5,484	5,857	5,992	6,052	6,129	6,208
in % of Cost of Revenue	*10.0%*	*9.7%*	*9.8%*	*11.3%*	*9.2%*	*12.6%*	*12.6%*	*12.6%*	*12.6%*	*12.6%*
OWC	**17,984**	**19,649**	**17,549**	**17,151**	**15,009**	**14,894**	**15,272**	**15,509**	**15,768**	**16,031**
Change in OWC		**1,665**	**(2,100)**	**(398)**	**(2,142)**	**(115)**	**378**	**237**	**259**	**264**
Cash Conversion Cycle										
DSO	55	50	55	62	51	52	52	52	52	52
DIO	86	88	97	108	98	95	95	95	95	95
DPO	49	46	47	55	44	46	46	46	46	46
CCC	**93**	**92**	**105**	**115**	**105**	**101**	**101**	**101**	**101**	**101**

Table A.6: *FY26 CAPEX sourced from management guidance (BASF AR25 p. 88). D&A modelled at 15% of opening PP&E. Terminal year CAPEX equals D&A at 5.4% of revenue.*

A.7 WACC Derivation

Financial Structure

DEBT

€m	FY25
Non Current Financial Indebteness	18,481
Current Financial Indebteness	2,608
Total Debt	**21,089**
Marketable Securities	89
Cash and cash equivalents	2,670
Net debt	**18,330**

MARKET CAP

€m	FY25
Shares Outstanding (Total)	892
Share price (31.12.)	44.51
Market cap	**39,691**

DEBT TO EQUITY

€m	FY25
Debt	21,089
Market Cap	39,691
D/E	**0.53**

Levered Beta

Company	Levered Beta	Marginal Tax Rate	D/E	Jnlevered Beta
EVONIK INDUSTRIES	0.90	0.30	0.62	0.63
LYONDELLBASELL INDS.CL.A	0.71	0.30	0.93	0.43
COVESTRO	0.86	0.30	0.25	0.73
ARKEMA	1.29	0.30	1.36	0.66
SOLVAY	0.81	0.30	0.76	0.53
CORTEVA	0.76	0.30	0.06	0.73
				0.65

Sector Beta Diversified Chemicals (Damodaran)	**0.91**

	Relevered Beta	Marginal Tax Rate	D/E	Unlevered weighted industry Beta
BASF	**1.25**	**30.00%**	**0.53**	**0.91**

WACC

Risk free rate	2.85%
Market risk premium	4.23%
Beta unlevered	0.91
Beta levered	1.25
Cost of Equity	**8.13%**
Pre-tax cost of debt	4.23%
Tax rate	30.00%
After-tax cost of debt	**2.96%**
WACC	**6.34%**

A.8 DCF Calculation and Terminal Value

Assumptions Terminal Value	Value
WACC	6.3%
Sales Growth	1.5%
EBIT-Margin	7.0%
D&A as % of Sales	5.4%
Change in OWC as % of Sales	0.3%
CAPEX as % of Sales	5.4%

DCF Calculation		Forecast					
in €m	FY25	FY26	FY27	FY28	FY29	FY30	TV
Sales	59,657	60,750	62,394	63,607	64,847	66,115	67,106
EBIT	**1,632**	**1,353**	**2,458**	**3,371**	**3,880**	**4,375**	**4,697**
% margin	*2.7%*	*2.2%*	*3.9%*	*5.3%*	*6.0%*	*6.6%*	*7.0%*
Taxes	490	406	737	1,011	1,164	1,313	1,409
% tax rate	*30.0%*	*30.0%*	*30.0%*	*30.0%*	*30.0%*	*30.0%*	*30.0%*
NOPAT	**1,142**	**947**	**1,720**	**2,360**	**2,716**	**3,063**	**3,288**
D&A	3,984	3,811	3,754	3,715	3,682	3,655	3,624
Change in working capital	(2,142)	(115)	378	237	259	264	201
CapEx	4,267	3,432	3,494	3,498	3,502	3,570	3,624
FCFF	**3,001**	**1,441**	**1,602**	**2,339**	**2,638**	**2,884**	**3,087**
Discounted FCFF		1,355	1,417	1,945	2,063	2,121	2,270
Enterprise Value							
PV FCFF	8,901						
PV Terminal Value	46,892						
Enterprise Value	**55,793**						

A.9 Sensitivity Analysis

		Terminal value				
		0.9%	**1.2%**	**1.5%**	**1.8%**	**2.1%**
WACC	**5.3%**	46,946	50,975	55,634	61,082	67,539
	5.8%	40,294	43,465	47,074	51,219	56,028
	6.3%	34,870	37,421	**40,288**	43,534	47,239
	6.8%	30,365	32,454	34,779	37,379	40,309
	7.3%	26,564	28,301	30,217	32,341	34,708

A.10 Equity Value Bridge

Enterprise value to equity value bridge	
Enterprise Value	**55,793**
(-) Non Current Financial Indebteness	(18,481)
(-) Current Financial Indebteness	(2,608)
(+) Marketable Securities	89
(+) Cash and cash equivalents	2,670
Net Debt	**-18330**
(+) Carlyle divestiture proceeds (Q2 2026e)	5,800
Total Net Debt	**-12530**
(-) Noncontrolling Interests	(1,143)
(-) Pension Obligations	(1,832)
Total other items	**2975**
Equity Value 31.12.2025	**40,288**

A.11 Trading Multiples

Multiples

Multiples Overview

EV/SALES	FY25	FY26e	FY27e	FY28e
Evonik	0.82	0.81	0.80	0.78
LyondellBasell	1.08	1.02	1.03	1.05
Covestro	1.04	NaN	NaN	NaN
Arkema	0.80	0.80	0.78	0.76
Solvay	1.08	1.05	1.02	0.99
Corteva	2.97	2.85	2.76	2.69
Median	**1.06**	**1.02**	**1.02**	**0.99**

EV/EBITDA	FY25	FY26e	FY27e	FY28e
Evonik	6.16	5.94	5.81	5.60
LyondellBasell	12.80	7.73	8.14	7.89
Covestro	13.82	NaN	NaN	NaN
Arkema	5.82	5.78	5.36	4.96
Solvay	5.21	5.68	5.33	4.98
Corteva	13.41	12.48	11.69	10.95
Median	**9.48**	**5.94**	**5.81**	**5.60**

EV/EBIT	FY25	FY26e	FY27e	FY28e
Evonik	11.09	12.93	12.08	11.38
LyondellBasell	28.36	11.05	12.74	11.99
Covestro	0.00	NaN	NaN	NaN
Arkema	15.60	13.52	11.67	10.07
Solvay	9.27	9.49	8.62	7.97
Corteva	13.42	15.77	14.90	13.87
Median	**12.26**	**12.93**	**12.08**	**11.38**

Multiples Range

EV/SALES	FY25	FY26e	FY27e	FY28e
Median	**1.06**	**1.02**	**1.02**	**0.99**
low	0.95	0.92	0.92	0.89
base	1.06	1.02	1.02	0.99
high	1.17	1.12	1.12	1.09

EV/EBITDA	FY25	FY26e	FY27e	FY28e
Median	**9.48**	**5.94**	**5.81**	**5.60**
low	8.53	5.35	5.23	5.04
base	9.48	5.94	5.81	5.60
high	10.43	6.53	6.39	6.16

EV/EBIT	FY25	FY26e	FY27e	FY28e
Median	**12.26**	**12.93**	**12.08**	**11.38**
low	11.03	11.64	10.87	10.24
base	12.26	12.93	12.08	11.38
high	13.48	14.22	13.29	12.52

A.12 Valuation Summary

in €M	Bottom Value	Mid Value	Top Value
DCF - Stand Alone	47,959	55,793	66,724
Trading Multiples 2025	40,943	45,492	50,041
Trading Multiples 2028	42,303	47,004	51,704

A.13 Q1 2026 Reconciliation

This appendix reconciles BASF's Q1 2026 reported results against the FY26e model assumptions underlying the DCF valuation in Section 4.2. All figures are in €m. The reported table presents Q1 actuals as published (BASF Q1 2026) alongside annualised values and the FY26e model. The adjusted table removes the €310m disposal gain on Harbour Energy plc, which is non-recurring and distorts the annualised comparison. Remaining differences between adjusted annualised Q1 and FY26e are attributable to pronounced Q1 seasonality, H2-weighted restructuring phasing, and the deliberate conservatism of the trough assumption, as discussed in Section 4.2.7.

Table 1 (Reported):

Reconciliation Q1 FY26 reported

in €m	FY26e model	Q1 2026 actual	Q1 × 4 (ann.)	Recon
Sales	60,750	16,020	64,080	-3,330
Other operating income	1,350	651	2,604	-1,254
Other operating expenses	3,400	1,008	4,032	-632
D&A	3,811	925	3,700	111
EBIT (reported)	1,353	1,261	5,044	-3,691
Special items (est. FY26e)	700	173	692	8
EBIT bsi	2,053	1,434	5,736	-3,683
EBTIDA model	5,164	2,186	8,744	-3,580
EBITDA bsi	5,863	2,356	9,424	-3,561

Annualised Q1 figures (×4) are presented for reference only and do not constitute a full-year forecast. Q1 is structurally the strongest quarter due to Agricultural Solutions seasonal front-loading; Q4 2025 group EBITDA bsi of €1.0 billion illustrates the magnitude of intra-year variation. The Harbour Energy disposal gain of €310m, recognized in other operating income in Q1, is a one-off item not expected to recur in Q2-Q4 2026.

Table 2 (Adjusted):

Reconciliation Q1 FY26 adjusted

in €m	FY26e model	Q1 2026 actual	Q1 × 4 (ann.)	Recon
Sales	60,750	16,020	64,080	-3,330
Harbour Energy	0	310	1,240	-1,240
Other operating income - adjusted	1,350	341	1,364	-14
Other operating expenses	3,400	1,008	4,032	-632
D&A	3,811	925	3,700	111
EBIT (reported) - adjusted	1,353	951	3,804	-2,451
Special items (est. FY26e)	700	173	692	8
EBIT bsi - adjusted	2,053	1,124	4,496	-2,443
EBTIDA model - adjusted	5,164	1,876	7,504	-2,340
EBITDA bsi - adjusted	5,863	2,046	8,184	-2,321

After removal of the €310m Harbour Energy one-off, annualised adjusted other operating income of €1,364m matches the model assumption of €1,350m within 1%. The special items estimate of €700m is confirmed by Q1 actuals annualizing to €692m. Remaining gaps on EBIT and EBITDA lines are attributable to Q1 seasonality only. No model revision is warranted. BASF maintained its FY26 guidance of €6.2-7.0 billion EBITDA bsi unchanged in the Q1 2026 statement while acknowledging Hormuz-related downside risks (BASF Q1 2026, p. 11), providing external confirmation that the model's conservatism is appropriate.

B. Appendix FUCHS

B.1 Historical: Income Statement (FY21-FY25)

Income Statement

in €m	FY21	FY22	FY23	FY24	FY25
Sales	**2,871**	**3,412**	**3,541**	**3,525**	**3,563**
gYoY		*18.8%*	*3.8%*	*(0.5%)*	*1.1%*
Cost of sales	(1,906)	(2,358)	(2,396)	(2,310)	(2,318)
% of Sales	*(66.4%)*	*(69.1%)*	*(67.7%)*	*(65.5%)*	*(65.1%)*
Gross profit on sales	**965**	**1,054**	**1,145**	**1,215**	**1,245**
% margin	*33.6%*	*30.9%*	*32.3%*	*34.5%*	*34.9%*
Selling and distribution expenses	(412)	(458)	(481)	(511)	(524)
% of Sales	*(14.4%)*	*(13.4%)*	*(13.6%)*	*(14.5%)*	*(14.7%)*
Administrative expenses	(153)	(169)	(182)	(199)	(205)
% of Sales	*(5.3%)*	*(5.0%)*	*(5.1%)*	*(5.6%)*	*(5.8%)*
Research and development expenses	(59)	(69)	(71)	(79)	(84)
% of Sales	*(2.1%)*	*(2.0%)*	*(2.0%)*	*(2.2%)*	*(2.4%)*
Other operating income/expenses net	13	(2)	(5)	-	(7)
% of Sales	*0.5%*	*(0.1%)*	*(0.1%)*	*-*	*(0.2%)*
EBIT before income from equity-consolidated companies	**354**	**356**	**406**	**426**	**425**
Income from equity-consolidated companies	9	9	7	8	10
Earnings before interest and tax (EBIT)	**363**	**365**	**413**	**434**	**435**
% margin	*12.6%*	*10.7%*	*11.7%*	*12.3%*	*12.2%*
Financial result	(5)	(8)	(10)	(6)	(7)
Earnings before tax (EBT)	**358**	**357**	**403**	**428**	**428**
Income taxes	(104)	(97)	(120)	(126)	(122)
% of EBT	*(29.1%)*	*(27.2%)*	*(29.8%)*	*(29.4%)*	*(28.5%)*
Earnings after tax	**254**	**260**	**283**	**302**	**306**
of which: non-controlling interests	1	1	1	-	-
of which: profit attributable to shareholders	253	259	282	302	306
% margin	*8.8%*	*7.6%*	*8.0%*	*8.6%*	*8.6%*

B.2 Forecast: Income Statement (FY25-FY30e)

Income Statement

in €m	FY25	FY26e	FY27e	FY28e	FY29e	FY30e	CAGR FY25-FY30e
Sales	**3,563**	**3,643**	**3,747**	**3,868**	**3,994**	**4,124**	**3.0%**
gYoY	*1.1%*	*2.3%*	*2.8%*	*3.2%*	*3.2%*	*3.3%*	
Cost of sales	(2,318)	(2,386)	(2,443)	(2,511)	(2,584)	(2,660)	2.8%
% of Sales	*(65.1%)*	*(65.5%)*	*(65.2%)*	*(64.9%)*	*(64.7%)*	*(64.5%)*	
Gross profit on sales	**1,245**	**1,257**	**1,304**	**1,358**	**1,410**	**1,464**	**3.3%**
% margin	*34.9%*	*34.5%*	*34.8%*	*35.1%*	*35.3%*	*35.5%*	
Selling and distribution expenses	(524)	(536)	(547)	(561)	(575)	(590)	
% of Sales	*(14.7%)*	*(14.7%)*	*(14.6%)*	*(14.5%)*	*(14.4%)*	*(14.30%)*	
Administrative expenses	(205)	(211)	(210)	(209)	(212)	(219)	
% of Sales	*(5.8%)*	*(5.8%)*	*(5.6%)*	*(5.4%)*	*(5.3%)*	*(5.30%)*	
Research and development expenses	(84)	(87)	(94)	(97)	(100)	(103)	
% of Sales	*(2.4%)*	*(2.4%)*	*(2.5%)*	*(2.5%)*	*(2.5%)*	*(2.5%)*	
Other operating income/expenses net	(7)	(4)	(4)	(4)	(4)	(4)	
% of Sales	*(0.2%)*	*(0.1%)*	*(0.1%)*	*(0.1%)*	*(0.1%)*	*(0.1%)*	
EBIT before income from equity-consolidated companies	**425**	**419**	**449**	**487**	**519**	**549**	**5.2%**
Income from equity-consolidated companies	10	8	8	8	8	8	
Earnings before interest and tax (EBIT)	**435**	**427**	**457**	**495**	**527**	**557**	**5.1%**
% margin	*12.2%*	*11.7%*	*12.2%*	*12.8%*	*13.2%*	*13.5%*	
Financial result	(7)	(8)	(8)	(8)	(8)	(8)	
Earnings before tax (EBT)	**428**	**419**	**449**	**487**	**519**	**549**	**5.1%**
Income taxes	(122)	(121)	(130)	(141)	(151)	(159)	
% of EBT	*(28.5%)*	*29.0%*	*29.0%*	*29.0%*	*29.0%*	*29.0%*	
Earnings after tax	**306**	**297**	**319**	**346**	**369**	**390**	**4.9%**
% margin	*8.6%*	*8.2%*	*8.5%*	*8.9%*	*9.2%*	*9.4%*	

B.3 Balance Sheet Historical (FY21-FY25)

Balance Sheet

€m	FY21	FY22	FY23	FY24	FY25
Assets					
Million €					
Goodwill	247	254	249	309	312
Other intangible assets	107	93	72	87	104
Property, plant and equipment	744	751	751	813	787
Shares in companies consolidated at equity	43	54	55	62	59
Other financial assets	8	8	7	7	6
Deferred tax assets / receivables	35	38	38	39	44
Other receivables and other assets	6	7	8	8	10
Non-current assets	**1,190**	**1,205**	**1,180**	**1,325**	**1,322**
Inventories	507	635	524	567	566
Trade receivables	431	507	500	519	514
Tax receivables	6	8	7	6	10
Other receivables and other assets	31	42	36	40	46
Cash and cash equivalents	146	119	175	153	244
Assets held for sale	-	7	1	-	1
Current assets	**1,121**	**1,318**	**1,243**	**1,285**	**1,381**
Total assets	**2,311**	**2,523**	**2,423**	**2,610**	**2,703**
Equity and liabilities					
Million €					
Subscribed capital	139	139	139	131	131
Group reserves	1,361	1,440	1,379	1,464	1,539
Group profits	253	259	282	302	306
Equity attributable to shareholders	**1,753**	**1,838**	**1,800**	**1,897**	**1,976**
Non-controlling interests	3	3	4	3	3
Equity	**1,756**	**1,841**	**1,804**	**1,900**	**1,979**
Provisions for pensions and similar obligations	28	7	10	11	8
Other provisions	10	9	8	8	8
Deferred tax liabilities	48	53	46	53	51
Financial liabilities	14	18	28	52	55
Other liabilities	2	1	2	6	8
Non-current liabilities	**102**	**88**	**94**	**130**	**130**
Trade payables	227	231	260	281	312
Other provisions	16	15	17	22	29
Tax liabilities	24	18	32	41	35
Financial liabilities	35	161	35	60	38
Other liabilities	151	169	181	176	180
Current liabilities	**453**	**594**	**525**	**580**	**594**
Total equity and liabilities	**2,311**	**2,523**	**2,423**	**2,610**	**2,703**

B.4 Cash Flow Statement Historical (FY21-FY25)

Cash Flow Statement

€m	FY21	FY22	FY23	FY24	FY25
OPERATING ACTIVITIES					
Net income / Earnings after tax	**254**	**260**	**283**	**302**	**306**
Depreciation, amortization and impairment	86	94	92	97	99
Change in non-current provisions and other non-current assets	(4)	(1)	3	1	(3)
Change in deferred taxes	-	(6)	5	(7)	(7)
Non-cash income from equity-consolidated companies	(9)	(9)	(7)	(8)	(10)
Dividends received from equity-consolidated companies	8	8	8	8	9
Other non-cash items	–	–	(15)	(1)	1
Gross cash flow	**335**	**346**	**369**	**392**	**395**
Change in inventories	(132)	(131)	89	(22)	(18)
Changes in trade receivables	(45)	(77)	(6)	(4)	(15)
Change in trade payables and other liabilities	25	2	34	13	48
Change in other assets and liabilities (excl. financial liabilities)	(15)	(11)	60	11	(5)
Net gain/loss on disposal of non-current assets	-	(1)	(3)	-	1
Cash flows from operating activities	**169**	**128**	**543**	**390**	**406**
CFO margin	*66.5%*	*49.2%*	*191.9%*	*129.1%*	*132.7%*
INVESTING ACTIVITIES					
Payments for / investments in non-current assets (Capex)	(80)	(69)	(83)	(83)	(92)
Proceeds from disposal of non-current assets	1	2	5	1	2
Cash paid for acquisitions (net of cash acquired)	(30)	(2)	(4)	(101)	(27)
Cash acquired through acquisitions (2022/2023 only)	1	-	-	–	–
Cash flows from investing activities	**(108)**	**(69)**	**(82)**	**(185)**	**(117)**
Free cash flow before acquisitions	**90**	**61**	**465**	**306**	**316**
Free cash flow	**61**	**59**	**461**	**205**	**289**
FINANCING ACTIVITIES					
Dividends paid	(137)	(143)	(145)	(146)	(153)
Purchase of own shares	-	(62)	(122)	(79)	-
Changes in financial liabilities	5	119	(133)	5	(37)
Business transaction with non-controlling interests (2023/2024 on	–	–	1	-	–
Purchase of non-controlling interests	–	–	(1)	(8)	-
Cash flows from financing activities	**(132)**	**(86)**	**(400)**	**(228)**	**(190)**
RECONCILIATION					
Cash and cash equivalents at beginning of period	209	146	119	175	153
Cash flows from operating activities	169	128	543	390	406
Cash flows from investing activities	(108)	(69)	(82)	(185)	(117)
Cash flows from financing activities	(132)	(86)	(400)	(228)	(190)
Effect of currency translations	8	-	(5)	1	(8)
Cash and cash equivalents at end of period	**146**	**119**	**175**	**153**	**244**
DERIVED METRICS					
Free Cash Flow before acquisitions (= FCF pre acq.)	**90**	**61**	**465**	**306**	**316**

B.5 Revenue Forecast by Segment (FY25-FY30)

TOTAL REVENUES - FORECAST

€m	FY25	FY26e	FY27e	FY28e	FY29e	FY30e	CAGR FY25-30e
EMEA	2,048	2,068	2,115	2,163	2,211	2,261	2.00%
% YoY growth	*0.9%*	*1.00%*	*2.25%*	*2.25%*	*2.25%*	*2.25%*	
Asia-Pacific	1,002	1,032	1,084	1,138	1,195	1,254	4.60%
% YoY growth	*1.6%*	*3.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	
North and South America	695	716	741	767	794	821	3.40%
% YoY growth	*2.5%*	*3.00%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	
Consolidation	(182)	(173)	(193)	(199)	(206)	(213)	3.20%
Total revenues	**3,563**	**3,643**	**3,747**	**3,868**	**3,994**	**4,124**	3.0%

% of Group revenues							
EMEA	*57.5%*	*56.8%*	*56.5%*	*55.9%*	*55.4%*	*54.8%*	-
Asia-Pacific	*28.1%*	*28.3%*	*28.9%*	*29.4%*	*29.9%*	*30.4%*	-
North and South America	*19.5%*	*19.6%*	*19.8%*	*19.8%*	*19.9%*	*19.9%*	-
Consolidation	*-5.1%*	*-4.8%*	*-5.2%*	*-5.1%*	*-5.2%*	*-5.2%*	-
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**-**

B.6 CAPEX, D&A and NWC (FY21-FY30)

CAPEX & D&A

€m	FY21	FY22	FY23	FY24	FY25	FY26e	FY27e	FY28e	FY29e	FY30e
CapEx	(80)	(69)	(83)	(83)	(92)	(80)	(82)	(89)	(88)	(91)
% of revenues	*-2.8%*	*-2.0%*	*-2.3%*	*-2.4%*	*-2.6%*	*-2.2%*	*-2.2%*	*-2.3%*	*-2.2%*	*-2.2%*
PPE	744	751	751	813	787	770	758	754	749	747
D&A	86	94	92	97	99	97	95	93	93	92
% of average PPE	*11.6%*	*12.6%*	*12.3%*	*12.4%*	*12.4%*	*12.3%*	*12.3%*	*12.3%*	*12.3%*	*12.3%*
CAPEX/D&A	0.93	0.73	0.90	0.86	0.93	0.83	0.87	0.95	0.95	0.99
% of revenues	*3.0%*	*2.8%*	*2.6%*	*2.8%*	*2.8%*	*2.7%*	*2.5%*	*2.4%*	*2.3%*	*2.2%*

OWC

€m	FY21	FY22	FY23	FY24	FY25	FY26e	FY27e	FY28e	FY29e	FY30e
Accounts Receivables	431	507	500	519	514	529	544	562	580	599
in % of Revenue	*15.0%*	*14.9%*	*14.1%*	*14.7%*	*14.4%*	*14.5%*	*14.5%*	*14.5%*	*14.5%*	*14.5%*
Inventory	507	635	524	567	566	582	582	598	616	634
Accounts Payables	227	231	260	281	312	333	348	365	375	386
in % of Cost of Revenue	*-11.9%*	*-9.8%*	*-10.9%*	*-12.2%*	*-13.5%*	*-14.0%*	*-14.2%*	*-14.5%*	*-14.5%*	*-14.5%*
NOWC	**711**	**911**	**764**	**805**	**768**	**777**	**778**	**796**	**821**	**847**
Reconciliation	(40)	(40)	(35)	(37)	(42)	(40)	(40)	(40)	(40)	(40)
NOWC reported	**671**	**871**	**729**	**768**	**726**	**737**	**738**	**756**	**781**	**807**
Change in OWC		**200**	**(142)**	**39**	**(42)**	**11**	**1**	**17**	**25**	**26**
Cash Conversion Cycle										
DSO	55	54	52	54	53	53	53	53	53	53
DIO	97	98	80	90	89	89	87	87	87	87
DPO	43	36	40	44	49	51	52	53	53	53
CCC	**108**	**117**	**92**	**99**	**93**	**91**	**88**	**87**	**87**	**87**

Table B.6: Reconciliation row reflects elimination of at-equity OPET contribution replaced by full consolidation from April 2026. EBIT-neutral.

B.7 WACC Derivation

Financial Structure

DEBT

€m	FY25
Non Current Financial Indebteness	55
Current Financial Indebteness	38
Total Debt	**93**
Cash and cash equivalents	244
Net Debt	**-151**

MARKET CAP

€m	FY25
Shares Outstanding (Total)	131.00
Ordinary Shares Outstanding (50%)	65.50
Preference Shares Outstanding (50%)	65.50
Share Price Ordinary Shares (31.12)	30.00
Share Price Preference Shares (31.12)	38.14
Market cap	**4,463.17**

DEBT TO EQUITY

€m	FY25
Debt	93
Market Cap	4,463.17
D/E	**0.02**

Levered Beta

Company	Levered Beta	Marginal Tax Rate	D/E	Jnlevered Beta
Quaker Houghton	**1.17**	**0.29**	**0.38**	**0.92**
HEXPOL B	**1.04**	**0.29**	**0.14**	**0.94**
Beta Peers				**0.93**

Sector Beta Diversified Chemicals (Damodaran)	**1.04**

	Relevered Beta	Marginal Tax Rate	D/E	Unlevered weighted industry Beta
BASF	**1.06**	**29.00%**	**0.02**	**1.04**

WACC

Risk free rate	2.85%
Market risk premium	4.23%
Beta unlevered	1.04
Beta levered	1.06
Cost of Equity	**7.32%**
Pre-tax cost of debt	4.00%
Tax rate	29.00%
After-tax cost of debt	**2.84%**
WACC	**7.23%**

B.8 DCF Calculation and Terminal Value

Assumptions Terminal Value	Value
WACC	7.2%
Sales Growth	1.5%
EBIT-Margin	13.0%
D&A as % of Sales	2.2%
Change in OWC as % of Sales	0.4%
CAPEX as % of Sales	2.4%

DCF Calculation		**Forecast**					
in €m	**FY25e**	**FY26e**	**FY27e**	**FY28e**	**FY29e**	**FY30e**	**Terminal Value**
Sales	3,563	3,643	3,747	3,868	3,994	4,124	4,186
EBIT	**435**	**427**	**457**	**495**	**527**	**557**	**544**
% margin	*12.2%*	*11.7%*	*12.2%*	*12.8%*	*13.2%*	*13.5%*	*13.0%*
Taxes	126	124	133	144	153	161	158
% tax rate	*29.0%*	*29.0%*	*29.0%*	*29.0%*	*29.0%*	*29.0%*	*29.0%*
NOPAT	**309**	**303**	**325**	**352**	**374**	**395**	**386**
D&A	99	97	95	93	93	92	92
Change in working capital	(42)	11	1	17	25	26	17
CapEx	(92)	(80)	(82)	(89)	(88)	(91)	100
FCFF	**358**	**308**	**336**	**339**	**354**	**371**	**361**
Discounted FCFF		287	292	275	268	261	255

Enterprise Value	
PV FCFF	1,384
PV Terminal Value (Gordon Growth)	4,450
Enterprise Value	**5,834**

B.9 Sensitivity Equity (DCF)

		Terminal value				
		0.9%	**1.2%**	**1.5%**	**1.8%**	**2.1%**
WACC	**6.2%**	6,547	6,860	7,213	7,613	8,072
	6.7%	5,994	6,249	6,534	6,853	7,214
	7.2%	5,528	5,740	**5,974**	6,234	6,524
	7.7%	5,131	5,308	5,504	5,718	5,956
	8.2%	4,787	4,939	5,103	5,283	5,481

B.10 Equity Value Bridge

Enterprise value to equity value bridge	
Enterprise Value	**5,834**
(-) Non Current Financial liabilities	(55)
(-) Current Financial liabilities	(38)
(+) Cash and cash equivalents	244
Net Debt	151
(-) Non-controlling interests	(3)
(-) Provisions for pensions and similar obligations	(8)
Total Other Items	(11)
Equity Value 31.12.2025	**5,974**

B.11 Trading Multiples

Multiples

Multiples Overview

EV/SALES	FY25	FY26e
Quaker Houghton	1.43	1.47
Hexpol	1.43	1.47
Clariant	1.07	1.09
H.B. Fuller	1.53	1.47
Median	**1.43**	**1.47**

EV/EBITDA	FY25	FY26e
Quaker Houghton	10.60	10.56
Hexpol	8.19	8.77
Clariant	6.00	6.19
H.B. Fuller	8.55	8.06
Median	**8.37**	**8.42**

EV/EBIT	FY25	FY26e
Quaker Houghton	15.66	15.88
Hexpol	11.95	10.65
Clariant	9.97	9.99
H.B. Fuller	13.65	11.39
Median	**12.80**	**11.02**

Multiples Range

EV/SALES	FY25	FY26e
Median	**1.43**	**1.47**
low	1.29	1.32
base	1.43	1.47
high	1.57	1.62

EV/EBITDA	FY25	FY26e
Median	**8.37**	**8.42**
low	7.53	7.57
base	8.37	8.42
high	9.21	9.26

EV/EBIT	FY25	FY26e
Median	**12.80**	**11.02**
low	11.52	9.92
base	12.80	11.02
high	14.08	12.12

B.12 Transaction Multiples

Transaction Multiples

Target	Acquirer	Announce Year	Enterprise Value (EV)	Multiple
Chemetall	BASF	17.06.2016	$3,20bn	15.3
Chemtura	LANXESS	25.09.2016	€2,40bn	10.0
Houghton Intl.	Quaker Chemical	05.04.2017	$1,60bn	11.9
BASF Coatings*	Carlyle / QIA	10.10.2025	€8,70bn	13.0
Median				**12.45**

**Binding agreement signed October 2025; closing expected Q2 2026*

Table B.12: *EV figures in original currency. Multiples are calculated against EBITDA in matching currency therefore directly comparable. EV based on reported transaction value of 8.7bn at signing per BASF / Carlyle Group (2025).*

B.13 Valuation Summary

Valuation Method

in €M	Bottom Value	Mid Value	Top Value
DCF - Stand Alone	5,168	5,834	6,713
Trading Multiples	4,540	5,044	5,549
Fuchs Multiples (5-Year Average)	4,554	5,060	5,566
52-Week Trading Range	4,232	4,323	5,612
Transaction Multiples	5,340	6,648	8,170
Market Cap	-	4,463	-

Table B.13: 5-year average multiples based on Refinitiv Datastream FY20 to FY25. 52-Week range based on XETRA closing prices December 2024 to December 2025.

B.14 Fuchs Q1 2026 Reconciliation

Table 1 (Reported):

Q1 Reporting Reconciliation

in € million	FY26e model	Q1 2026 actual	Q1 × 4 (ann.)	Recon
Sales revenues	3,643	**934**	3,736	-93
Cost of sales	-2,386	-606	-2,424	38
Gross profit	1,257	328	1,312	-55
Selling and distribution expenses	-536	-135	-540	4
Administrative expenses	-211	-53	-212	1
Research and development expenses	-87	-22	-88	1
Other operating net	-4	6	24	-28
EBIT before income from companies consolidated	**419**	**124**	**496**	**-77**
Income from companies consolidated at equity	8	1	4	4
Earnings before interest and tax (EBIT)	**427**	**125**	**500**	**-73**
Financial result	-8	0	0	-8
Earnings before tax (EBT)	**419**	**125**	**500**	**-81**
Income taxes	-121	-36	-144	23
Earnings after tax	**297**	**89**	**356**	**-59**

Source: Fuchs Q1 FY26 reporting

Annualised Q1 figures (×4) are presented for reference only. FUCHS shows limited intra-year seasonality relative to BASF, with quarterly EBIT ranging from €100m to €125m over the past eight quarters. The Australia land sale gain of €7m, recognized in other operating income in Q1, is non-recurring.

Table 2 (Adjusted):

Q1 Reporting Reconciliation - adjusted

in € million	FY26e model	Q1 2026 actual	Q1 × 4 (ann.)	Recon
Australia land sale	0	-7	-28	0
Other operating net	-4	-1	-4	0
EBIT - adjusted	427	118	472	-45

Source: Fuchs Q1 FY26 reporting

After removal of the €7m Australia land sale, annualised adjusted EBIT of €472m exceeds the model assumption of €427m. The remaining gap is attributable to mild Q1 seasonality and Hormuz-related raw material cost inflation expected to compress H2 gross margins. FUCHS explicitly flagged that supply conditions are unlikely to normalize before year-end (FUCHS Q1 2026, p. 13). No model revision is warranted.

C. Appendix Synergies

C.1 Revenue Synergy Build by Region (FY26 to FY30e)

TOTAL REVENUES	Stand Alone					Synergies Net-Effect				
€m	FY26e	FY27e	FY28e	FY29e	FY30e	FY26e	FY27e	FY28e	FY29e	FY30e
EMEA	2,068	2,115	2,163	2,211	2,261	-	2	4	6	9
% YoY growth	1.0%	2.2%	2.2%	2.3%	2.2%	-	0.10%	0.10%	0.10%	0.10%
Asia-Pacific	1,032	1,084	1,138	1,195	1,254	-	10	18	25	32
% YoY growth	3.0%	5.0%	5.0%	5.0%	5.0%	-	1.00%	0.65%	0.50%	0.50%
North and South America	716	741	767	794	821	-	3	5	7	9
% YoY growth	3.0%	3.5%	3.5%	3.5%	3.5%	-	0.40%	0.28%	0.25%	0.25%
Consolidation	(173)	(193)	(199)	(206)	(213)	-	(1)	(2)	(2)	(2)
Total revenues	**3,643**	**3,747**	**3,868**	**3,994**	**4,124**	**-**	**14**	**25**	**36**	**48**

TOTAL REVENUES	w/ Synergies				
€m	FY26e	FY27e	FY28e	FY29e	FY30e
EMEA	2,068	2,117	2,167	2,218	2,270
% YoY growth	1.00%	2.35%	2.35%	2.35%	2.35%
Asia-Pacific	1,032	1,094	1,156	1,219	1,286
% YoY growth	3.00%	6.00%	5.65%	5.50%	5.50%
North and South America	716	744	772	801	831
% YoY growth	3.00%	3.90%	3.78%	3.75%	3.75%
Consolidation	(173)	(194)	(201)	(208)	(215)
Total revenues	**3,643**	**3,761**	**3,894**	**4,030**	**4,172**

C.2 Operating Cost and EBIT Bridge

COGS & OPEX	Stand Alone					Synergies Net-Effect				
in €m	**FY26e**	**FY27e**	**FY28e**	**FY29e**	**FY30e**	**FY26e**	**FY27e**	**FY28e**	**FY29e**	**FY30e**
Sales revenues	**3,643**	**3,747**	**3,868**	**3,994**	**4,124**	**-**	**14**	**25**	**36**	**48**
gYoY	*2.3%*	*2.8%*	*3.2%*	*3.2%*	*3.3%*	-	*0.4%*	*0.3%*	*0.3%*	*0.3%*
Cost of sales	(2,386)	(2,443)	(2,511)	(2,584)	(2,660)	-	(4)	(1)	3	(1)
% of Revenue	*(65.5%)*	*(65.2%)*	*(64.9%)*	*(64.7%)*	*(64.5%)*	-	*0.1%*	*0.4%*	*0.6%*	*0.7%*
Gross profit on sales	**1,257**	**1,304**	**1,358**	**1,410**	**1,464**	**-**	**11**	**24**	**39**	**48**
% margin	*34.5%*	*34.8%*	*35.1%*	*35.3%*	*35.5%*					
Selling and distribution expenses	(536)	(547)	(561)	(575)	(590)	-	(2)	(3)	(4)	(5)
% of Revenue	*(14.7%)*	*(14.6%)*	*(14.5%)*	*(14.4%)*	*(14.3%)*	-	-	*0.02%*	*0.04%*	*0.04%*
Administrative expenses	(211)	(210)	(209)	(212)	(219)	-	(1)	3	6	7.88
% of Revenue	*(5.8%)*	*(5.6%)*	*(5.4%)*	*(5.3%)*	*(5.3%)*	-	-	*0.10%*	*0.20%*	*0.25%*
Research and development expenses	(87)	(94)	(97)	(100)	(103)	-	(0)	(1)	(1)	(1)
% of Revenue	*(2.4%)*	*(2.5%)*	*(2.5%)*	*(2.5%)*	*(2.5%)*	-	-	-	-	-
Other operating income/expenses net	(4)	(4)	(4)	(4)	(4)	-	-	-	-	-
% of Revenue	*(0.1%)*	*(0.1%)*	*(0.1%)*	*(0.1%)*	*(0.1%)*	-	-	-	-	-
EBIT before income from equity-consolidated companies	**419**	**449**	**487**	**519**	**549**	**-**	**7**	**23**	**41**	**49**
Income from equity-consolidated companies	8	8	8	8	8	-	-	-	-	-
Earnings before interest and tax (EBIT recurring)	**427**	**457**	**495**	**527**	**557**	**-**	**7**	**23**	**41**	**49**
% margin	*11.7%*	*12.2%*	*12.8%*	*13.2%*	*13.5%*					
Integration Cost	0	0	0	0	0	-63	-32	-10	0	0
Earnings before interest and tax (EBIT reported)	**427**	**457**	**495**	**527**	**557**	**(63)**	**(25)**	**13**	**41**	**49**

COGS & OPEX	w/ Synergies				
in €m	**FY26e**	**FY27e**	**FY28e**	**FY29e**	**FY30e**
Sales revenues	**3,643**	**3,761**	**3,894**	**4,030**	**4,172**
gYoY	*2.3%*	*3.2%*	*3.5%*	*3.5%*	*3.5%*
Cost of sales	(2,386)	(2,446)	(2,511)	(2,581)	(2,661)
% of Revenue	*(65.5%)*	*(65.1%)*	*(64.5%)*	*(64.1%)*	*(63.8%)*
Gross profit on sales	**1,257**	**1,314**	**1,382**	**1,449**	**1,512**
% margin	*34.5%*	*35.0%*	*35.5%*	*36.0%*	*36.2%*
Selling and distribution expenses	(536)	(549)	(564)	(579)	(595)
% of Revenue	*(14.7%)*	*(14.6%)*	*(14.5%)*	*(14.4%)*	*(14.3%)*
Administrative expenses	(211)	(211)	(206)	(206)	(211)
% of Revenue	*(5.8%)*	*(5.6%)*	*(5.3%)*	*(5.1%)*	*(5.1%)*
Research and development expenses	(87)	(94)	(97)	(101)	(104)
% of Revenue	*(2.4%)*	*(2.5%)*	*(2.5%)*	*(2.5%)*	*(2.5%)*
Other operating income/expenses net	(4)	(4)	(4)	(4)	(4)
% of Revenue	*(0.1%)*	*(0.1%)*	*(0.1%)*	*(0.1%)*	*(0.1%)*
EBIT before income from equity-consolidated companies	**419**	**457**	**511**	**560**	**598**
Income from equity-consolidated companies	8	8	8	8	8
Earnings before interest and tax (EBIT recurring)	**427**	**465**	**519**	**568**	**606**
% margin	*11.7%*	*12.4%*	*13.3%*	*14.1%*	*14.5%*
Integration Cost	-63	-32	-10	0	0
Earnings before interest and tax (EBIT reported)	**364**	**433**	**509**	**568**	**606**

C.3 FCFF Building Blocks (with Synergies)

FCFF	Stand Alone					Synergies Net-Effect				
€m	**FY26e**	**FY27e**	**FY28e**	**FY29e**	**FY30e**	**FY26e**	**FY27e**	**FY28e**	**FY29e**	**FY30e**
D&A	96.80	94.73	93.22	92.70	92.10	0.00	0.00	-0.61	-1.77	-2.78
CAPEX	-80.00	-82.42	-88.97	-87.86	-90.73	0.00	5.00	10.00	10.00	8.00
Change in OWC	*11.47*	*0.79*	*17.29*	*25.04*	*26.00*	*0.00*	*2.42*	*-12.44*	*0.89*	*1.61*
FCFF	308.23	336.23	338.60	354.09	370.57	-44.73	-14.91	31.38	36.18	38.41
FCFF Margin	*8.46%*	*8.97%*	*8.75%*	*8.87%*	*8.99%*	*-1.23%*	*-0.43%*	*0.75%*	*0.82%*	*0.82%*

FCFF	w/ Synergies				
€m	FY26e	FY27e	FY28e	FY29e	FY30e
D&A	96.80	94.73	92.61	90.93	89.32
CAPEX	-80.00	-77.42	-78.97	-77.86	-82.73
Change in OWC	*11.47*	*3.21*	*4.85*	*25.94*	*27.61*
FCFF	263.50	321.32	369.98	390.26	408.98
FCFF Margin	*7.23%*	*8.54%*	*9.50%*	*9.68%*	*9.80%*

C.4 DCF at Stand-alone WACC 7.23% (operational synergies)

DCF Calculation - Operational Synergies

in €m	FY25	FY26e	FY27e	FY28e	FY29e	FY30e	TV
Sales	3,563	3,643	3,761	3,894	4,030	4,172	4,235
EBIT	**435**	**427**	**465**	**519**	**568**	**606**	**572**
Integration Cost	-	(63)	(32)	(10)	-	-	
EBIT after Integration cost	**435**	**364**	**433**	**509**	**568**	**606**	
EBIT margin %	*12.2%*	*10.0%*	*11.5%*	*13.1%*	*14.1%*	*14.5%*	
Taxes	126	105	125	148	165	176	166
% tax rate	*29.0%*	*29.0%*	*29.0%*	*29.0%*	*29.0%*	*29.0%*	*29.0%*
NOPAT	**309**	**258**	**307**	**361**	**403**	**430**	**406**
D&A	99	97	95	93	91	89	89
Change in working capital	(42)	11	3	5	26	28	21
CapEx	(92)	(80)	(77)	(79)	(78)	(83)	97
FCFF	**358**	**264**	**321**	**370**	**390**	**409**	**376**
Discounted FCFF		246	279	300	295	289	265
Enterprise Value							
PV FCFF	1,409						
PV Terminal Value	4,635						
Enterprise Value	**6,044**						

Note: *Operational synergies applied at stand-alone WACC of 7.23% to isolate industrial value. Excludes financing benefits of BASF balance sheet.*

C.5 DCF at Hybrid WACC 7.00% (financial Synergies)

DCF Calculation - Financial Synergies

in €m	FY25	FY26e	FY27e	FY28e	FY29e	FY30e	TV
Sales	3,563	3,643	3,761	3,894	4,030	4,172	4,235
EBIT recurring	**435**	**427**	**465**	**519**	**568**	**606**	**572**
Integration Cost	-	(63)	(32)	(10)	-	-	
EBIT reported	**435**	**364**	**433**	**509**	**568**	**606**	
% margin	*12.2%*	*10.0%*	*11.5%*	*13.1%*	*14.1%*	*14.5%*	
Taxes	126	105	125	148	165	176	166
% tax rate	*29.0%*	*29.0%*	*29.0%*	*29.0%*	*29.0%*	*29.0%*	*29.0%*
NOPAT	**309**	**258**	**307**	**361**	**403**	**430**	**406**
D&A	99	97	95	93	91	89	89
Change in working capital	(42)	11	3	5	26	28	21
CapEx	(92)	(80)	(77)	(79)	(78)	(83)	97
FCFF	**358**	**264**	**321**	**370**	**390**	**409**	**376**
Discounted FCFF		246	281	302	298	292	268
Enterprise Value							
PV FCFF	1,418						
PV Terminal Value	4,878						
Enterprise Value	**6,296**						

Note: *Hybrid WACC of 7.00% derived as midpoint between FUCHS re-levered at BASF's D/E ratio of 0.5 yielding 6.80%, and FUCHS standalone WACC of 7.23%. Captures the partial financing benefit without assuming full structural merger.*

C.6 Three-Stage Value Bridge

Value Bridge EV

in €M	EV	Equity	per share avg.
Market-Implied EV	**4,323**	**4,463**	34.07
+ Governance Gap	1,511	1,511	11.53
= Standalone DCF EV	**5,834**	**5,974**	45.60
+ Net Synergies (7.23%)	210	210	1.61
= Strategic EV (Recommended Bid Base)	**6,044**	**6,184**	47.21
+ WACC Benefit (7.0%)	252	252	1.92
= Reservation Price (Maximum Bid EV)	**6,296**	**6,436**	49.13

C.7 Synergy Sensitivity Matrix

Equity Value - Sensitivity

		Terminal value				
		0.9%	**1.2%**	**1.5%**	**1.8%**	**2.1%**
WACC	**6.34%**	6,642	6,953	7,302	7,698	8,150
	6.80%	6,129	6,388	6,676	6,998	7,362
	7.00%	5,930	6,170	6,436	6,732	7,065
	7.23%	5,720	5,940	6,184	6,455	6,757
	7.60%	5,405	5,598	5,811	6,045	6,305

C.8 Football Field by Stage

Valuation Method

in €M	Bottom Value	Mid Value	Top Value
DCF - Stand Alone	5,740	5,834	6,234
DCF - Synergy	5,800	6,044	6,315
DCF - Synergy + WACC	6,030	6,296	6,592

C.9 Offer Price Architecture and Synergy Split

Transaction Sheet - 15.05.26

in €	Opening bid	Ceiling
Ordinary offer price	48	50
Preference offer price	45	45
Blended weighted average	46.50	47.50
Ordinary premium over market (€30.30)	58%	65%
Preference premium over market (€36.66)	23%	23%
Shares Outstanding	131	131
Total Purchase Price of Equity (M)	6,092	6,223
Transaction Enterprise Value (EV) (M)	5,952	6,083
Synergy Value	462	462
Synergy Value retained by BASF	344	213
BASF Value Capture (% of synergies)	75%	46%
Seller Value Capture (% of synergies)	25%	54%

Multiples

in €	Opening bid	Ceiling
Implied EV/EBITDA FY26	11.37	11.62
Transaction Multiple Peers	12.45	12.45
Peer EV/EBITDA FY26	8.42	8.42
Post-Deal EV/EBITDA FY30	8.56	8.75

Combined Net Income (FY28e)

in €m	Value
BASF Net Income (Stand-alone)	1,945
FUCHS Net Income (Stand-alone)	346
Synergies (Net after tax)	16
Integration Cost after tax	-7
Foregone Interest	-180
Combined Net Income	**2,120**
BASF Shares Outstanding (#)	892
Combined EPS	2.38
BASF Stand-alone EPS	2.18
Accretion / (Dilution) %	**9.0%**

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