

Lanxess Investing Summary

Lanxess is a pick that I took from David Einhorn's Sohn conference presentation in early 2025.



Lanxess AG

ETR: LXS

Market Summary > Lanxess AG

23,00 EUR

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-1.59 (-6.47%) ↓ past year

10 Sept, 17:36 CEST • Disclaimer

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max

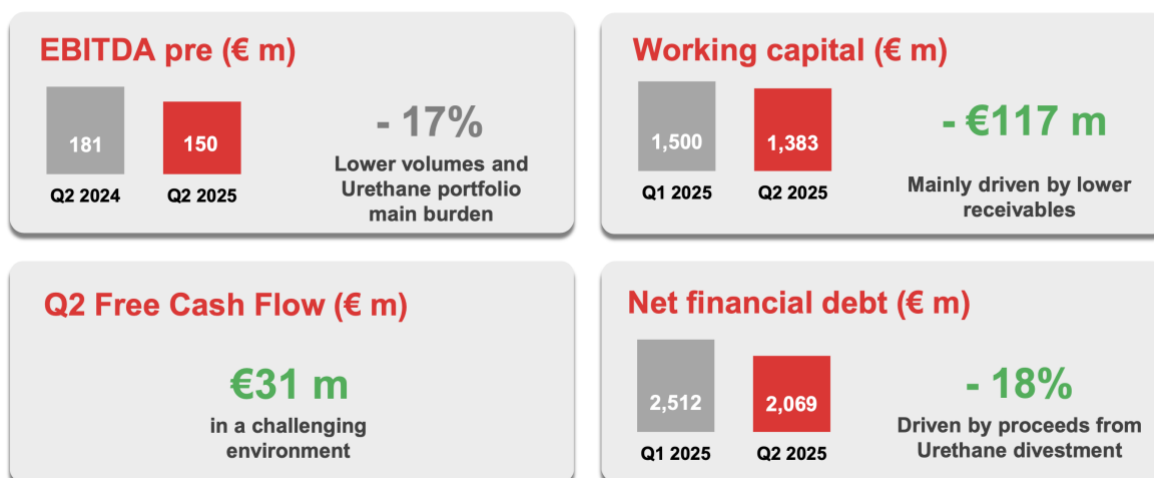


Open	23,40	Mkt cap	1,98B	52-wk high	33,93
High	23,66	P/E ratio	-	52-wk low	20,42
Low	22,88	Div yield	0,43%	Qtrly Div Amt	0,02

But, the chemical sector seems to remain weak. Let's see what is going on.

The situation isn't great, but also not that terrible, I still see some cash flows and positive EBITDA of 150 million.

**EBITDA pre in line with expectations;
ongoing focus on net debt reduction & cash generation**



The situation in the chemical sector is clear: WEAKNESS. Now, the question is how long will that weakness last? Given the high cash flows from the pandemic boom (2021/2022 & 2023) that led to high investments into new capacity, it could take a year or two for things to stabilize. Plus, if there is an economic slowdown, it can get uglier!

Guidance is now below 600 million EBITDA:

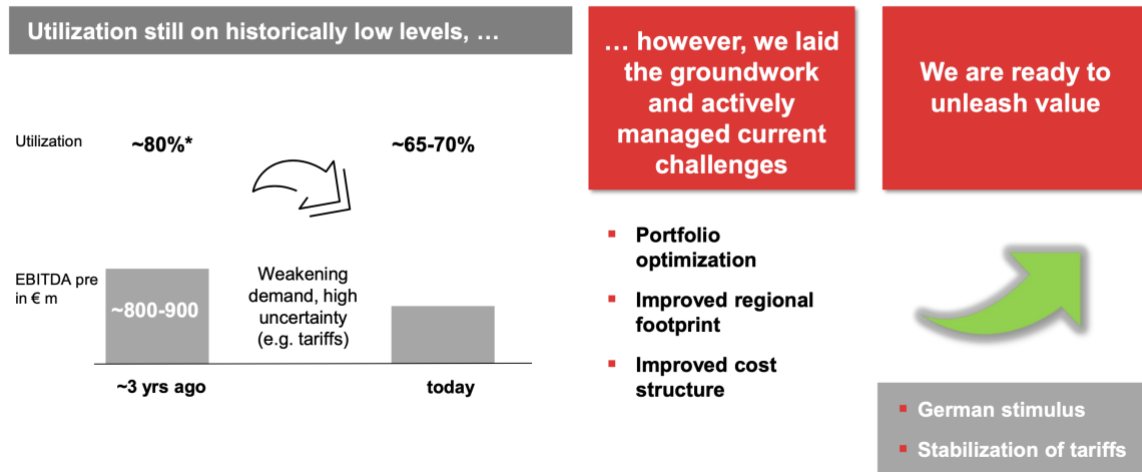
**FY 2025 guidance update:
EBITDA pre between €520 - 580 m**



<p>Our view on economic environment</p>	<ul style="list-style-type: none"> ▪ Macroeconomic uncertainties have increased due to ongoing tariff discussions triggering widespread demand weakness ▪ Positive effect from German government stimulus program expected to start in 2026 ▪ Excess capacity from Asian competitors creates additional pressure in many end markets 	
<p>LANXESS outlook</p>	<ul style="list-style-type: none"> ▪ FY 2025 EBITDA pre guidance: €520 - 580 m (force majeure of Chlorine supplier included with ~€10 m shortfall) ▪ Considerations for Q3: <ul style="list-style-type: none"> – Absence of EBITDA contribution from Urethane Systems business – Q3 EBITDA pre sequentially lower than Q2 	

Utilization at 65% is crazy low, but that just means there is plenty of capacity:

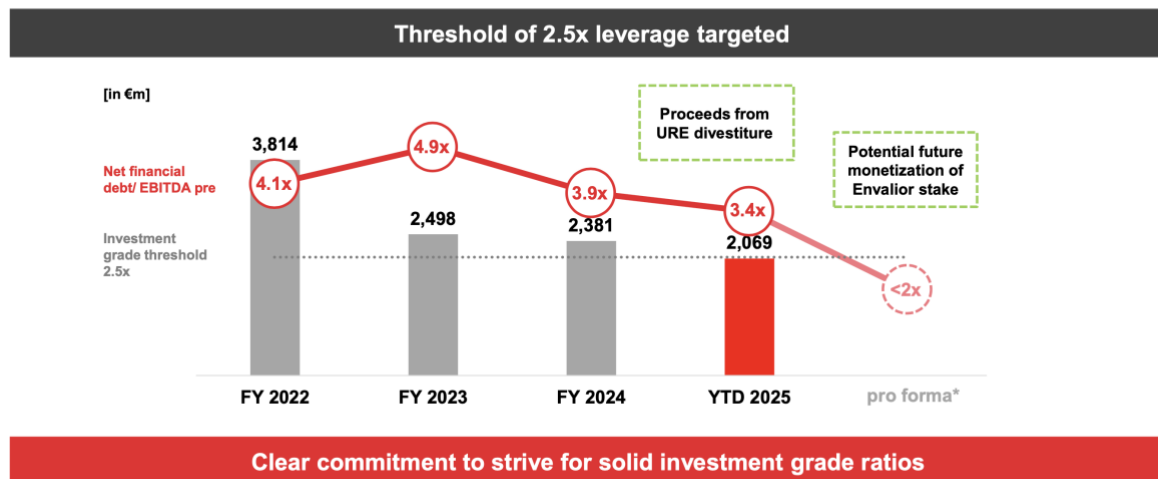
Ready to benefit from demand pick-up



8 * Normalized longer term average capacity utilization rate

There is significant debt and the monetization of the Envalior stake might not be a smart thing to do in a cyclical downturn (they can sell their stake at 12 times EBITDA from 2026 onward)

Substantial leverage improvement already realized



27 * based on consensus 2025 excl. Urethane Systems, additionally reflecting LANXESS' possibility to monetize on its Envalior stake in the future

Conclusion

There for sure is value here, but one needs to also be spot on when it comes to timing. I'll keep watching and learning for now.