KWS SAAT SE & Co. KGaA – 9M 2025/2026 Results Earnings Call

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Company participants:

Dr. Jörn Andreas – CFO
Peter Vogt – Head of Investor Relations

Conference call participants

Christian Faitz – Kepler Cheuvreux, Research Division
Michael Schäfer- Oddo BHF, Research Division
Leon Mühlenbruch – mwb Research

Operator: Ladies and gentlemen, welcome to the KWS SAAT quarterly report, nine months 2025/2026. At this time, all participants have been placed on a listen-only mode. The floor will be open to questions following the presentation. Let me now turn the floor over to your host, Jörn Andreas, Chief Financial Officer of KWS.

Dr. Jörn Andreas: Thank you, and warm welcome everyone. This is Jörn Andreas, CFO of KWS. Thank you, everyone, for joining us today for our 9-month 2025/2026 update. Before I take you through our financial results, let me start with the big picture. As you are aware, agriculture remains a challenging environment. Ongoing political tensions, fluctuating commodity prices, and pressure on acreage and farm economics have reduced visibility not only for farmers, and, by extension, for our industry. Yet, this is exactly where KWS proves its strengths. In a challenging environment, we delivered resilient topline, solid earnings, and strong operational discipline. And this is not a coincidence. It reflects three things: our diversified portfolio, our consistent execution, and our innovation-driven business model. Even in areas under pressure, such as the Sugarbeet acreage, we navigated the environment effectively. And importantly, our strong financial position and our leverage give us the flexibility to invest organically and where it fits via M&A. And with that perspective, let's move into the numbers.

As always, at this point, a quick reminder, some of the statements we will be making today are forward-looking and subject to risks and uncertainties. As always, please refer to slide two for the full disclaimer. Let me now walk you through the key figures. Net sales reached €1.35 billion, slightly above prior year. On an organic basis, this translates into a 2.6% growth. And this was partly offset by currency headwinds of minus 1.8% and a portfolio effect of minus 0.5%. EBITDA increased to €386.8 million from €360.8 million. I will come back to the drivers, including the special items, in a moment. Net income from continuing operations rose to €220.0 million from €202.8 million, mainly driven by the improved EBITDA and a better financial result. CapEx decreased to €56.0 million from €73.6 million last year, reflecting a normalization of our elevated prior year level across segments. Free cash flow was at minus €52.4 million, compared to minus €3.9 million last year. The main drivers were a lower operating cash flow due to higher receivables backlog, partially offset by a payment related to the divestment of our North American Corn business in Q1. Net debt remained essentially stable at €179 million. And our trailing 12-month leverage improved 0.4 times EBITDA, down from 0.5 times. Overall, we are pleased with the result because, in a nutshell, we see a resilient demand, a strong EBITDA development, and an expected seasonality in our free cash flow.

Turning to sales in more detail. Organic growth of 2.6% reflects a solid underlying demand across segments. However, our quarterly performance was also influenced by pull-forward effects from Q4 into Q3 in certain regions, most notably in Corn, and to some extent also in Sugarbeet. Currency effects, mainly by the Turkish lira and the US dollar, amounted to a minus 1.8% translation impact. And the portfolio effect of minus 0.5% primarily relates to the absence of R&D services invoiced to our former joint venture AgReliant.

Now on profitability: EBITDA improved to €386.8 million and included several special effects. So let me strip this out for you. First, EBITDA includes a €29.0 million positive contribution from the sale of license rights in the North American Corn business. Second, an €8.0 million effect relates to the reversal of a VAT provision as a Sugarbeet segment in the prior year comparison context. And finally, a currency effect of approximately €15 million, again, mainly driven by the Turkish lira and US dollar, mostly of it was translational. Importantly, when adjusting for these special items. EBITDA increased from €352.8 million to €356.8 million, supported by active cost mitigation measures. So while special items supported the reported figures, the underlying profitability improved slightly, and this reflects the continued discipline of cost and execution, which has been a key priority for us this year.

Let's now turn to the segment review, starting with Sugarbeet. Sales increased to €703.8 million, including negative currency effects of 2.7%. Organic sales growth was plus 4.2%, reflecting both pull-forward effects and a higher share of innovation-led offerings. Specifically, our leading innovations such as CONVISO SMART and CR+, accounted for 62% of sales, up from 57% last year. So, the mix shift was differentiated, premium priced-products is continuing. This success speaks again to the strength of our portfolio, as a global acreage in 2026 is estimated to shrink about 6% to roughly 4.3 million hectares for Sugarbeet worldwide. So, we continue to generate more value per hectare. Going forward, we expect and estimate that this negative trend in the global acreage has somewhat bottomed out, with stable or slightly growing acreage expected in the next season. Considering the prior year positive one-off related to the reversal of a VAT provision and also some negative currency effects in the current period, we were able to defend our strong profitability in this segment despite the challenges I already described in the Sugarbeet market.

Moving to Corn, sales were €349.4 million below the prior year, but a 1.3% organic growth.We saw clear pull-forward dynamics that shifted part of the volume into Q3. Our sunflower business, which is also consolidated in the BU Corn, for which we expect substantial growth in the years to come, delivered encouraging double-digit growth supported by our renewed variety portfolio. Our EBITDA performance in Corn improved significantly and includes the €29.0 million one-off effect from the disposal of the license rights in North America. In addition, we incurred also lower R&D expenses due to the absence of charges by our former JV AgReliant.

Next, Cereals. Sales were stable at €243.4 million. Organic growth was 0.7%. Oilseed rape performed strongly, with sales up 21%, driven by a high-performance portfolio. This was partially offset by hybrid rye, which declined 14%, impacted by comparatively low rye market prices. Wheat remained broadly at the prior year level. EBITDA was clearly below prior year, mainly due to increased R&D efforts, as well as a provision for a legal risk in the mid-single-digit million-euro range.

And finally, vegetables. Sales increased to €46.5 million. Organic growth was 2.0%, supported by higher bean seed sales and stable demand in spinach. EBITDA was more negative year-on-year, which is in line with our plans as we are investing in the expansion of our vegetable breeding capacity.

Let me now turn to cash flow. Operating cash flow was lower, primarily because net working capital increased, driven mainly by higher trade receivables, and this is a typical seasonal pattern and also reflects the sales phasing I discussed earlier. Investing cash flow includes the partial payment of the purchase price related to the North American Corn business. And as mentioned at the beginning, CapEx decreased to €56.0 million below the prior year across segments. Free cash flow came in at around minus €52.7 million, down from minus €3.9 million last year. For the full year, however, we are confident to exceed the free cash flow figure of €123 million for last year, driven by both better operating and investing cash flow.

On net debt and leverage: net debt stands at €179 million, essentially unchanged year-on-year. The bridge reflects a strong EBITDA contribution, offset by working capital seasonality, CapEx, and the dividend payment, which was at €41.3 million this year compared with €33.0 million last year. Our trailing 12-month net debt EBITDA ratio improved to 0.4 times, down from 0.5 times. And we continue to expect net debt to be significantly lower at year-end, driven by the usual seasonal unwind in working capital.

Coming to our forecast for full year 2025/2026, which we are confirming today based on the nine-month performance and our current visibility. While currency volatility and regional order patterns remain factors to watch, our underlying business performance and cost discipline support the outlook. And looking further out, while uncertainties remain, the underlying trend gives us confidence.

Before we move to Q&A, I'd like to share a quick save-the-date with all of you. We are planning to host a KWS Vegetables Investor and Analyst seminar at the end of September, on September 29, 2026, in Andijk, the Netherlands, and we will be very pleased if you could join us. We know that our vegetables business continues to attract a lot of questions, and rightly so. And this seminar provides a fantastic opportunity to take a closer look at how far we have already come and where we are heading next. So being on site, you will be able to experience our breeding activities, meet the teams, of course, that drive progress, and engage in discussions around strategy execution in vegetables. I have no doubt that this direct look behind the scenes will give you a much clearer sense of the progress and also the momentum that we have built in this business. We very much hope to see many of you there.

And with that, I would like to close my prepared remarks. Thank you again for your attention and for joining us, and I now look forward to your questions, together with my colleague, Peter Vogt, Head of IR.

Operator: Ladies and gentlemen, if you would like to ask a question, please press star nine and pound key on your telephone keypad. If you would like to cancel your question, please press star three and the pound key. You can also use the dial-in function in the webcast. If you would like to ask a question by phone, then raise your hand to ask a question. So, the first question is from Mr. Christian Faitz from Kepler Cheuvreux. Please go ahead. The floor is yours.

Christian Faitz: Thank you. Can you hear me?

Dr. Jörn Andreas: Perfect.

Christian Faitz: Hello?

Operator: Go ahead.

Christian Faitz: Yes. Okay. Sorry. You can hear me, I assume. Thanks. Thanks very much. Dialed in via the webcast. So a couple of questions, please. First of all, you had pull-forward effects, apparently in both Corn as well as in Sugarbeet, as you mentioned. Can you give us an idea of the magnitude, i.e., what would then be missing in your Q4? Second, in your Corn segment, sunflower seeds grew quite nicely, I believe, double-digit. Can you give us an idea how prominent sunflower seeds are within your Corn segment in the meantime? And my third question pertains to the sale of the license rights, i.e., the €29 million proceeds. Is this stemming from the 2015 agreement with Syngenta, i.e., the Agrisure Viptera trait? Can you confirm that? Thanks very much.

Dr. Jörn Andreas: Perfect. Thank you very much, Christian. So first, on your question on pull-forward effects. Yes, we have seen that orders business slipped into Q3 from Q4. And as you know, that’s often related to weather conditions in the different regions where we operate. The pull-forward effect on organic growth was roughly €30 million. If you strip out that pull-forward effect, growth was more or less flat, which is also in line with our full-year guidance. About two-thirds of the pull-forward effect came from the Corn business unit and around one-third from Sugarbeet. And I think that gives you a good indication. On Sunflower – yes, we are really thrilled with how the sunflower business is developing. As we discussed last year on our capital markets day, we have started launching our own varieties. We really have some nice competitive advantages on the R&D side, with some gauge capabilities that allow us to accelerate our breeding capabilities and pipeline. We've been able to increase our sunflower sales double-digit, and year to date, over nine months, we are now at revenues of around €15 million in our sunflower business. I think that's really nice growth from where we've been, and of course there's more to come over the next years. As we have indicated, we want to achieve €100 million in sunflower revenues by the end of the decade. And finally on the question about the license. This relates to the germplasm license we provided to AgReliant in the past. This was part of the overall AgReliant deal last year, meaning that we not only sold our assets or subsidiaries and our shareholding in the AgReliant business, but we also granted the buyer, GDM, the rights for the varieties which were held by our operations in Europe. For these license rights, we recognized a gain of €29 million in the first quarter 2025/2026.

Christian Faitz: Okay, great. Thanks very much, Jörn. Just a quick follow-up. Did you say €15 million year to date for the sunflowers.

Dr. Jörn Andreas: Yes.

Christian Faitz: Or was it €50 million?

Dr. Jörn Andreas: Fifteen, one, five.

Christian Faitz: One, five, great.

Dr. Jörn Andreas: Yes.

Christian Faitz: Great. Thank you. Thanks very much, and congrats on the results.

Dr. Jörn Andreas: Thank you.

Operator: Thank you. The next question is from Mr. Michael Schaefer from ODDO BHF. Your line is open now. The floor is yours.

Michael Schäfer: Thanks. Thanks for taking my question. Good morning, everyone. I have two on Sugarbeet to start with. Well, the first one is, if I'm looking at your profitability and you reported that €325 million EBITDA, so roughly 46% margin, if you compare this with last year and strip out the €8 million one-off gain, so I come to the slightly higher 46.6% EBITDA margin just before. The question is, despite the 4.2 organic sales growth and despite the very strong, at least from my perspective, very strong mix effect you have reported, so why have we seen on an operating basis margin walking backwards? This would be my first question. And the second one is, Jörn, you indicated that probably on the Sugarbeet acreage side, we have seen the bottom in terms of, let's say, total acreage. Can you elaborate what do you expect into the next season across the different regions in your production planning for next year? And then one final question on the Cereal segment, this kind of legal risk provision, which you have put in place there, mid-single digits. So what is this all about? Thanks.

Dr. Jörn Andreas: Perfect. Michael, good questions. First of all, on the margins of all, we are quite pleased that we have been able to keep the operating margin in Sugarbeet at a continuously high level. With a contribution margin of around 66%, that's broadly on the level of last year. And of course, as you can imagine, we are operating in an environment where we have pressure on acreage. Being able to maintain that level of profitability at such a high level is also a real testament to the pricing power that we have in our market. In terms of the changes, this primarily relates to the regional sales mix. We have also communicated that we had a significant negative translational effect of about €15 million in our EBITDA, with a large part coming from the US dollar. From a regional mix perspective, our US business is margin accretive within Sugarbeet, and that then has a mixed effect on overall profitability in the business unit. At country or regional level there is no fundamental change. It's more a mix effect than anything else. And as you rightly said, with that mixed shift, our more innovative varieties, CONVISO SMART and CR+, effectively helped to counterbalance other challenges that we face in this macro environment. Your second question was, I think, on acreage development - yes, we have seen, of course, in this season, a pretty strong reduction in acreage to 4.3 million hectares. That's a minus of 6%. We're of course having discussions with our customers about how they are planning for next year. It's early days, but we feel, as I already said earlier, that things have bottomed out. And our scenario right now is whether we are either stable at current levels or see a slight increase, but that's something we will probably give you more visibility further down in the year. And I think your last question was on the legal risk in Cereals business. In Cereals, we recognized a provision to an ongoing antitrust investigation in France, for which we have booked a mid-single-digit million-euro amount. And I would ask for your understanding that, given the ongoing proceedings, I cannot really comment any further on the details. But what we can say is that we are defending our position, and we're not going for a settlement, which is why this remains an ongoing case.

Michael Schäfer: Okay. Thank you

Operator: Okay. Thank you. And the next question is from Mr. Leon Mühlenbruch, from mwb research. The floor is yours.

Leon Mühlenbruch: Hello, can you hear me?

Dr. Jörn Andreas: Hello Leon.

Leon Mühlenbruch: Hello. Hi. I have a question about the EBIT margins. Your target is 19% to 21%. Do you see potential for even in the next years for even more than 21%, or is it... can we imagine that it's the limit?

Dr. Jörn Andreas: Well, of course, we are ambitious, and we always strive to increase our profitability, but we feel quite good with the 19% to 21% range at the moment. As I mentioned at the beginning, we are still in volatile times, also in agriculture where farmers have seen quite significant pressure on the margins over last 12 to 18 months. And of course, with input costs for farmers increasing, much of that is still ahead, as many inputs like fertilizer were largely contracted last year. There is still a lot ahead of us. With cost inflation for farmers, there is some pressure, and we also have to see how much leeway we have in our pricing activities. At the same time, what we really want to do is to continue to reinvest our profits into R&D, that's really a priority for us. And if we do have the opportunity to gain additional profitability, we would probably reinvest this into R&D and stay within the corridor that we have communicated.

Leon Mühlenbruch: Okay. And under the challenging environment, do you believe that the vegetables demand will already be a meaningful contributor for the growth in the near term, or is it more in the long term?

Dr. Jörn Andreas: Thank you very much for the good question. That's why we have decided to have an investor seminar in September this year in Andijk. We have a pivotal milestone coming up in next fiscal year 2026/27. Because in the next fiscal year 2026/27, we will be launching all five fruity crops. We have invested quite a lot over the past few years, as you all know, in tomatoes, peppers, cucumbers, melons, watermelons, and we'll see launches across all crops next fiscal year. Of course, for now it's only a couple of varieties from the broader portfolio. We are starting small, and the contribution will be in the mid-single-digit million-euros next year. But it is really the first time that we are out in the market actively selling our varieties. And the goal is to grow our business to €100 million by the end of the decade, from roughly €70 million where we are today. So that is why growth is definitely built into the plan. And that's why we are also excited to invite you to Andijk, see the team, see the pipeline that is ahead of us, and to give you the confidence that we already have built a nice growth engine over the last years.

Leon Mühlenbruch: Perfect. Okay. Thank you.

Operator: Okay. At the moment, there seem to be no further questions.

Dr. Jörn Andreas: All right. I'm pretty sure that we will have plenty of opportunity today and over the next days to follow up on a few things. We will be also on the road. Thank you again for your interest in joining us this morning. And as I mentioned already, we are very much looking forward to seeing you, of course, if not on the road, then at the latest at our Vegetables Investor Day in Andijk. And with that, thank you and have a good day.