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

Sep 23, 2026, 9:00 AM CEST

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

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Operator: Good morning, ladies and gentlemen, and welcome to KWS SAAT SE publication of full-year results 2025/2026. The conference will be recorded. At this time, all participants have been placed on a listen only mode. The floor will be open for questions following the presentation. Let me now turn the floor over to your host, Dr. Jörn Andreas.

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Dr. Jörn Andreas: Good morning, everyone. Thank you for joining us today for our full-year 2025/2026 results call. Before we dive into the numbers, let me start with a brief perspective on the year. So, 2025/2026 was certainly a challenging year for the agricultural sector. We've seen lower acreage in several crops, cautious farmer sentiment, and also adverse currency developments that created quite some headwinds across many of our markets. Against this backdrop, we delivered actually a very resilient performance. While sales were affected by market conditions, we maintained strong profitability. We generated excellent cash flow and further strengthened our balance sheet. At the same time, we continued investing in innovation and in executing our strategic priorities, and we were very happy about that. So, in short, the year once again demonstrated the resilience of the KWS business model and the strength of our diversified portfolio. Before we dive into more details, as always, please note that some statements made today are forward-looking and are therefore subject to risks and uncertainties.

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Dr. Jörn Andreas: Please refer to the disclaimer on slide two. Let's start with the group

highlights. Sales reached €1.63 billion. Organic sales declined by only one percent despite significant acreage reductions in sugar beet and corn. In addition, currencies and portfolio effects each reduced reported sales by roughly one percentage point. EBITDA came in at €343 million and remained at a strong level despite softer market environment. Net income increased by more than 13% to €158 million, supported by a significantly improved financial result. Free cash flow remained strong at approximately €123 million and was virtually unchanged from last year. As a consequence, net debt dropped, declined further to less than €9 million, leaving us with an exceptionally strong balance sheet. So, while market conditions affected growth, profitability, cash generation and financial strength remained very solid for us. Let me now put this result into perspective against the targets that we set at the beginning of the year. So, looking at our guidance, sales development was clearly more challenging than anticipated at the beginning of the year. We initially expected around three percent organic growth and later adjusted our outlook to roughly flat development.

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Dr. Jörn Andreas: The result of minus one reflects weaker than expected acreage development throughout the year that we, to a large extent, mitigated by our portfolio strength. At the same time, we continue to focus on what is in our control. So we implemented efficiency measures that contributed roughly €25 million in savings in fiscal year 2025/2026. In addition, we also actively managed headcount development, generating efficiency gains that will also continue to support profitability going forward. As a result, despite weaker than expected acreage development and also adverse currency effects, but also significantly impacting our EBITDA, we successfully delivered an adjusted EBITDA margin within our guidance range of 19% to 21%. In addition, the disposal of our North American corn license rights, with that we have completely a successfully completed the strategic alignment of our corn segment that contributed another €29 million to our EBITDA, also in line with our expectation. And finally, we intend to increase the dividend to €1.30 per share, reflecting our ambition to deliver stable or rising dividends every year. So taken together, we delivered three out of four targets in a challenging environment. Turning to sales.

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Dr. Jörn Andreas: Looking at the bridge, three factors explain the reported sales decline. First, lower acreage reduced organic sales by one percent. Second, currencies. They created another percentage points of headwind, mainly the US dollar, the Turkish lira, and the Ukrainian hryvnia. And third, portfolio effects accounted for the remaining decline and were largely related to the absence of R&D service revenues from our former AgReliant joint venture. So, the key message is here that the decline in reported sales was not driven by our portfolio. Rather, it reflects a combination of acreage reductions, currency effects, and portfolio-related changes. Turning to profitability. So, as in the last years, we recorded a few one-time items as shown on the slide. The current year benefited from a €29 million gain related to the disposal of our North American corn license rights, while the prior year included the reversal of a VAT provision. The largest year-on-year improvement came from the financial results, mainly supported by positive effects from the sale of our participation in AgReliant against the corresponding negative effect in the previous year. Including those effects, net income and earnings per share, as previously mentioned, increased by 13%.

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Dr. Jörn Andreas: Let's now dive into the segments and start with the sugar beet, our largest product segment. 2025/2026 was another year in which our innovation-driven strategy clearly paid off. Global sugar beet acreage declined by roughly 10% as high sugar inventories prompted producers to contract lower beet volumes, especially in Europe. And this reduction was higher than we anticipated at the beginning of the season last year and reduced our ability to achieve growth in the last financial year. Nevertheless, against this backdrop and against this market contraction, the organic sales decline of just 0.6% for the sugar beet segment provides compelling evidence of the resilience of our world-leading sugar beet business. Here, innovation remains the key driver. So CONVISO SMART and CR+ continued to gain traction and now account for 63% of segment sales. And this ongoing shift towards more differentiated, higher-value solutions remains one of the most important drivers of long-term value creation in the segment. Profitability also remains exceptional. So even after this reduction in acreage, sugar beet delivered an EBITDA margin of almost 42%.

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Dr. Jörn Andreas: And looking ahead, high sugar prices and expected lower sugar yields in most of our sugar beet regions this year should support a stable or even growing acreage in the upcoming season, which would allow us to generate top and bottom-line growth in the sugar beet segment again, and that makes us confident for the current fiscal year. Turning to our corn segment. The headline sales decline primarily reflects lower acreage across markets, as well as portfolio effects stemming from the AgReliant transaction. However, looking beneath the surface, the development was actually encouraging. So, excluding Russia, comparable sales growth reached two percent. And more importantly, we continue to gain market share both in grain and silage across Europe, which confirms the competitiveness of our portfolio. Another highlight was clearly sunflower, where sales increased 35%. While still a relatively small business today, this development confirms our conviction that sunflower can become an increasingly important growth area for the years ahead. And remember, our ambition is to deliver €100 million revenues by the end of the decade.

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Dr. Jörn Andreas: Profitability improved also significantly in corn. Reported EBITDA benefited from the disposal of license rights. But even if you take this out, even excluding this one-time effect, the segment delivered meaningful improvement in operating profitability. And that is important because it demonstrates the quality of the remaining portfolio and also the decision behind the recent portfolio changes. Turning to cereals. Sales remained broadly stable despite continued pressure on several crop markets. Rapeseed was once again the clear standout performer, so sales increased 24% in oilseed rape. Our market share continued to rise and further strengthen our position as one of the leading players in Europe. And I would say this coming season, we will be the leading player in Europe. By contrast, rye, wheat and barley continue to face weaker market conditions, largely reflecting lower commodity prices last year ahead of the harvest. Profitability was additionally impacted by a provision that we already flagged after the nine-months results related to an antitrust investigation in France.

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Dr. Jörn Andreas: And excluding this effect, the underlying earnings development remained broadly in line with past levels. So overall, cereals once again demonstrated the value of its diversified crop portfolio. Lastly, vegetables. Sales were below the prior year's level, mainly reflecting developments in spinach and timing effects in certain markets. Our focus remains unchanged. It remains firmly on long-term value creation, and we continue investing heavily in breeding capabilities, infrastructure, and new crops while further expanding our innovation pipeline. So, this rationale remains fully intact, and we are all looking forward to providing more insights during next week's Vegetable Investor and Analyst seminar in Andijk in the Netherlands. Let me now turn to cash flow. Despite lower sales volumes in a more challenging market environment, we once again generated free cash flow of approximately €123 million. The composition of the cash flow differs, however, from last year. Operating cash flow was lower, reflecting both declines in EBITDA and higher working capital requirements. And at the same time, investing cash flow improved by the same amount, which is due to two reasons: first, the payment of the first tranche in the context of the AgReliant divestiture, and second, somewhat lower capital expenditures, mainly due to project phasing.

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Dr. Jörn Andreas: So even in the year characterized by lower acreage and currency developments, KWS continued to convert earnings in cash very effectively. And that has, of course, positive implications. Our balance sheet improved further during the financial year and remains one of the key strengths of KWS. Net debt declined significantly to less than €9 million at year-end. And I think few companies in our industry operate the balance sheet as strong as ours today. And as a result, we enter the financial year with exceptional financial flexibility. And this gives us considerable scope to continue investing in R&D to support the growth of our existing businesses and pursue attractive opportunities if they create long-term value for our shareholders. So our balance sheet is stronger than ever, and it provides a very solid foundation for the growth of KWS. And we remain committed. We remain committed to predictable and sustainable dividend growth. Based on the results achieved, we propose to increase the dividend to €1.30 per share. And this represents another year of dividend growth and results in a payout ratio of approximately 29%, which is fully in line with our dividend policy.

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Dr. Jörn Andreas: So, since the financial year 2019/2020, our dividend has increased from $0.70 to the proposed €1.30 per share, which represents a compounded annual growth rate of approximately 11%. And I think that's a very strong commitment to creating sustainable value for our shareholders over time, and we will continue on this path. Let me put this outlook. For 2026/2027, we expect organic sales growth of around 3% in the assumption of better market conditions, which is what we currently see. Commodity prices have recovered substantially over last weeks, driven by various factors. Current levels bode well for better acreage development and improved farm profitability in the upcoming season. And in combination with our diversified portfolio and our strong market positions, we feel well-prepared to return to stronger flows next year. For profitability, we expect an EBITDA margin between 19% to 20%. And this

also remains fully aligned with our mid-term addition and continues to include also substantial investments in R&D. So overall, we enter the financial year with good confidence in profitable growth. So before moving to Q&A, let me briefly remind you of our Vegetables and Investor Analyst seminar in Andijk next week.

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Dr. Jörn Andreas: We have fantastic participation, and we really look forward to discussing the development and long-term potential of this business in much greater detail. And you will see this on-site. You will get to taste and feel our products, and that will be, I think, a very great event. So, looking forward to it. For now, let me close the three takeaways. First, we delivered a resilient profitability despite significant market headwinds. Second, we generated strong cash flow and further strengthened our already very healthy balance sheet. And third, we continue to invest. We continue to invest in innovation, in future growth while maintaining financial discipline. Taken together, I think these achievements leave us well positioned for the year ahead, and that makes us really confident. So, thank you very much for your attention, and Peter and I are happy to answer all your questions.

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Operator: Thank you very much. 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 revoke your question, press star three and pound key. You can also use the dial-in function in the webcast and raise your hand if you would like to ask a question by phone. So the first question is from Michael Schaefer from ODDO BHF. Please go ahead. The floor is yours.

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Michael Schaefer: Gentlemen, thanks for taking my questions. The first one would be on your sugar beet segment outlook. Jörn, you mentioned the 10% decline in global acreage in the past season, and obviously, we have seen sugar prices that are in a rather strong recovery in recent months. So, I wonder what you have baked into your slight organic sales growth outlook on the top line. So shall we think about some, you know, some more price pressure, or for me it looks like a rather conservative statement on that one. This would be my first question. The second one is on your... on cereals on rapeseed. Well, you said... well, that you gain market share and you may overtake the number one position in the next season. So, can you just give us a bit of color what's the delta in terms of market share to the number one in the segment? And last not least, on Russia. Obviously, there were some setbacks in corn. On a more general or more broader terms, how should we think about your Russian business in general? Is there also a risk to the sugar beet segment, or...? So, what's your view on the region and how it's affecting the respective segments? These would be my three questions for the beginning. Thanks.

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Dr. Jörn Andreas: So, first of all, on the sugar beet outlook. So that's our best estimate on the acreage reduction last year that we mentioned. And exactly because of this, we were a little bit more cautious, to be honest. You might label it conservative. We say more cautious when we put together the outlook. So, our current data that we have it's more positive. That's what you also said. That's true. We saw a strong increase in

sugar prices, also reflecting on some El Niño effects in India and Thailand. So we have here not a great harvest, which is putting more bullish factors on the prices. We see also not good or not great yields in Europe. I'm talking about the heat waves in certain parts of Southern Europe or the southern part of Germany. So that leaves also clearly a mark on the supply. So that bodes well for us. So, a big driver of the acreage reduction last year was the supply and demand balance, because we came from two years of very good harvest.

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Dr. Jörn Andreas: So, we believe that actually this year, Europe will be completely balanced out its inventory, will also be a net importer because they do not have enough own produced sugar supply. This means we have rebalanced supply and demand situation after this season. And that provides us with a good starting point for the upcoming growing season. So we've been a bit more conservative and said: "Okay, in our outlook, we work with a stable acreage," That means we have not put in, I would say, very optimistic assumptions in our outlook in order to be here also more on the safe side. And if that trend continues, and if we see in October really the results of the harvest that we see already today in the trial harvest that are already positioning, then I think that this gives us also some opportunities, because we will also continue to further increase the penetration of CONVISO and CR+, which anyway, will also then help us on the growth side. Oilseed rape, that's a fantastic situation for us. And you know that this is basically the first quarter of our fiscal year is the most important quarter for oilseed rape. That's when all the planting happens for the current season. And we had a fantastic start, I have to say, to the new fiscal year.

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Dr. Jörn Andreas: Strong growth in oilseed rape. So, you know, when we say: "Hey, we want to become the leader in Europe now, the upcoming road season," I have to say, it actually happened. So, we are now number one. We have gained market shares in all key markets, and that is, for us, you know, really a situation where, you know, stars align because oilseed rape prices are, of course, very high. Commodity prices are high, so there is literally incentive for the farmer to move into oilseed rape if the computation allows and let's it say, okay, a market or a portfolio where, you know, we have the best product in the market. So that helps us good and we had a good start. Russia is, of course, still a moving target if you want, in that situation. It is largely unchanged, I would say compared to all the previous, you know, calls when we were discussing the situation. So it remains still a revenue contributor for us, but less than 10% of the overall KWS portfolio. So that has not changed. For our sugar beet business, I have told you already that for cereals and corn, that is anyway an opportunistic business.

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Dr. Jörn Andreas: That is anyway, very low in terms of revenue contribution, if at all. So, sugar is the remaining key business that we have. And we do not see that any local production will be able to match the performance requirements necessary in order to supply the demand in the domestic demand. So we don't see that. Currently, it is operating, so it's pretty stable. But of course, no one can predict the future. But so far, so good.

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00:22:08
Michael Schaefer: Thank you very much.

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Operator: Thank you very much. The next question is from Christian Faitz from Kepler Cheuvreux. The floor is yours.

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Christian Faitz: Good morning, Jörn, Peter, and team. A couple of questions remaining, please. I will ask my veg sheet questions next week. First of all, you talked about obviously the oilseed rape business, which seems to be going well into the new season. Can you talk a bit about your cereals business, such as, for example, winter wheat, how that is going, also given higher wheat prices into the seeding season? And second, just a minor question, but can you please elucidate a bit the antitrust investigation you seem to be facing in France? Thanks very much.

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Dr. Jörn Andreas: Very good. And, of course, looking forward to your vegetable's questions next week. Thanks then. So now, for cereals in general, I would say that, you know, we have a very diversified portfolio in cereals, and in all crops that we operate in cereals, we are the leader in Europe. So, in oilseed rape, we've now gained number one position. In hybrid rye, anyway, we're by far number one, and the same for wheat and for barley as well. So it's a really good position to be in. So for the other winter crops, last year was a bit, I would say, more and more challenging because of the lower commodity prices last year. Farmers were more to plant farm saved seed, so that our revenue was more or less stable. We were not able to increase the revenue in this situation. So for the coming year, we are confident now because at some point in time, the farmer needs also to, you know, purchase fresh new seeds and also catch up also with the yield expectation. So on that side, I would say, confident, but I would say overall, if you look at the crop rotation, the winter cereals business is, of course, a residual loser if you look at the overall agriculture crop rotation,

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Dr. Jörn Andreas: Because sugar prices are going up, and anyway, if the farmer, you know, would be the completely unconstrained, would, you know, plant as much sugar as possible. Oily rape is very good. So that would be also, you know, very strong, you know, drive to plant more oilseed rape. Corn prices have increased, so that might also help also to move some acreage to corn. So, I would say overall, the other winter fields are the residual loser, . But within this market which we would deem will be, you know, stable, maybe slightly increasing, we hope that we can gain more share by, you know, our business coming from this, you know, stronger farm-saved seed situation last year. This is how I would describe the situation. That's also how we see it as the start of the year. The rise is pretty stable after the decline last year. So, it really stabilized, and also it started growing, and that's what we see for the others as well. So overall, I think it's a good start. And the second question...

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Christian Faitz: Okay.

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Dr. Jörn Andreas: Antitrust. So that is basically unchanged to what we also discussed after nine months. So, there is a situation that for the serious business in France, you know, there's a certain mechanism that's also transparent, and it's public. Everyone can see is on the website, where prices for royalties and the basic seeds are set. You know, that is also done in conjunction also with, you know, French authorities. And there is a question whether this mechanism is compliant and also future-oriented or not. And in order to be prudent, we took a provision of €5 million. But we, as well as all other market participants, reject this claim because it's a practice in the past 30 years. It's been looked at many times. It's public, so... but it is what it is. It's now on our balance sheet as a provision, and then we'll see how it develops, but we are defending, of course, our position, and we reject this claim.

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Christian Faitz: Okay. Great. Thanks very much, Jörn. If I may one last question. You talked about Russia, but how is the business going for you in Ukraine at this point in time?

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Dr. Jörn Andreas: Okay. You know, Ukraine is actually going well, I have to say. And I say this with some tonality because we are very in close contact with our people in Ukraine. So last week, a board member basically was also in Ukraine visiting the teams and the site, which, of course, is an important one for us. I can tell you... I mean, the pressure on the team locally is significant, and we are just very grateful and a lot of respect for our teams that are within these conditions. We again increased our revenue in Ukraine in a significant, I would say, single-digit amount. So business is valid, is growing, and, of course, we have also a portfolio which helps us a lot also in these days in Ukraine, if you think about oilseed rape, if you think about corn, et cetera, if you think about sunflower, where also the growth is coming from that area. So, it's actually going well despite both very, very challenging conditions.

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Christian Faitz: Thank you very much. See you next week.

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Dr. Jörn Andreas: See you next week, Christian.

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Operator: Before we move on to the next question, I would like to repeat. If you would like to ask a question, please press star nine and pound key on your telephone keypad, or use the dial-in function in the webcast and raise your hand. And next question is from Leon Mühlenbruch from mwb research. Please go ahead.

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Leon Mühlenbruch: Hello everyone. Thank you for taking my question, though you already answered my question on the market environment and the drivers of your expected recovery. My follow-up on this would be, as you mentioned, the potential impact of El Niño and the potential improvements in sugar. Could a strong El Niño event also negatively affect your business overall, or especially the other segments?

And my second question would be the margins. So, your current margin target is 19% to 20%. What could be a driver to move above the 20% in the long term?

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Dr. Jörn Andreas: Very good question. So, El Niño, of course, you all read this in the news. We had a very pronounced El Niño this year that already affected some of the important growing regions in Asia, in particular India and Thailand. And those are also the key regions for us that influence our global sugar prices. And that has already a mark on the commodity prices, because the harvest is not going as expected, because you have a lot of drought, you miss rainfall, and that has an impact on the harvest. You have then the counter effect, basically Latin America, where you have the heavy rainfall parts of Brazil. You have also a heavy rainfall in Argentina. And for some of the areas, it could be also beneficial. So usually Argentina is a winner from El Niño, and Brazil can be both directions. We also have also very different growing regions in Brazil. So I would say, well, for sugar it's a positive driver and that's already materializing. For the other crops, you cannot really say. You really expect that there could be one or the other direction because losses in one side of the globe could be compensated theoretically on the other side, which then is dependent really on conditions.

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Dr. Jörn Andreas: If you have super heavy rainfall, then you can also not have this, you know, the better yields, for example. So I would say on the other path, it's really more balanced, I would say, the effect. We don't expect any big movement. And that's also experience that we have looking in the past, because we have this El Niño effect, of course every few years. And that's also the experience that we've had in previous situations. So, on the other ones, we are more or less neutral, I would say. In terms of margin, yes. So, we continue to invest in our business. That's why we said, we want to keep the margin expectation between 19% and 20% for the time being. But of course, if we benefit from better acreage, this will have significant operating leverage in our business. And that will help us clearly to move over the margin above 20% and, you know, mid-term targets between 9% and 21%, so means midpoint is 20, and that's nothing that we want to achieve in the far future, but this was something that we want to achieve every year. So that's why, you know, we are maybe cautious more at the beginning of the year, but we feel confident that, you know, with what we have in our hands, we will be able to get there.

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Leon Mühlenbruch: Okay. Perfect. Thank you. See you next week.

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Dr. Jörn Andreas: Thank you.

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Operator: Thank you very much. At the moment, there seems to be no further questions. I repeat again: if you would like to ask a question, please press star nine and pound key on your telephone keypad and or just use the dial-in function and raise your hand. We have Michael Schaefer from ODDO BHF on the line. Please go ahead.

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Michael Schaefer: So, thanks for taking my follow-up. Well, coming back to vegetables, and I don't want to pre-empt here on next week's CMD. However, on the numbers... So, looking into obviously your reported minus 6.8% decline organically on the sales side... But looking into the details, I realized that you cut back significantly on the marketing spend, even on a relative basis compared to historical levels. So I wonder whether you can give a bit more color how challenging 2025/2026 was for the segment and maybe on those kind of metrics, how we should think about going into 2026/2027.

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Dr. Jörn Andreas: No, absolutely. And, you know, to per se, I mean, we had an organic decline last year, but although this is also against very high comparable across the previous year, where it grown 16%, so over two years it is the highest single-digit growth. And we were having I would say two or, I would say three that happened. The first was that we, you know, had a lower market demand in North America. Food service segment was a bit lower the sense of demand. We had an order phasing, which was simply order phasing because an order slipped from June to July. So that, you know, also made an impact because, okay, this is not as big as then... it is not fully to say, unaffected by order phasing effects. And then we also had these high comparables that I mentioned in the previous year. So, I think in that context, it's an okay result, and we definitely plan to come back to growth this year also in that segment. That's very clear. On your question, selling expenses, it's a bit of an artifact, Michael, because we actually increased the selling expenses. However, last year we had this one-off right of the Pop Vriend. And this basically was a €10 million write-off coming from the purchase price allocation and that is, say, polluting the figures here.

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Dr. Jörn Andreas: So, if you take out this €10 million, you know, one-time write-off last year, then it's actually a slight increase in selling expenses, which means very consistent continue to build infrastructure both on the R&D side as well as on the go-to-market side.

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Michael Schaefer: Okay. That's well understood. Thank you very much. Thanks.

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Dr. Jörn Andreas: Thanks.

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Operator: Thank you very much. There seems to be no further questions. I thank everyone for your participation. And with that, I would like to hand over to your host, Mr. Andreas, for the closing remarks.

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Dr. Jörn Andreas: All right. Thanks again. No, just thank you again for your interest and time for joining us this morning. And as already mentioned several times, I'm looking forward to seeing you next week at our Vegetables Investor Day in Andijk. Looking forward to spending some time with you. And with that, thank you, and have a good day.

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