

General information

Ticker	DB:BAS
Company	BASF SE
Industry	Materials
Primary	Diversified Chemicals

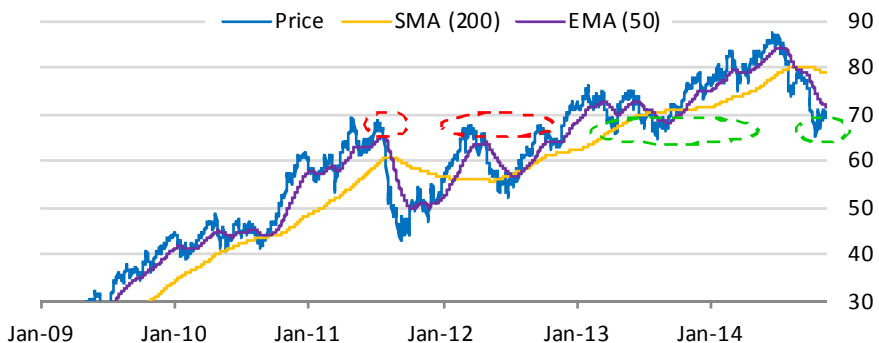
Fulfillment of investment criteria

1. Dividends streak	FAIL	5. Growth	BUY
2. Price / Yield	BUY	6. Valuation	FAIL
3. Chowder Score	FAIL	7. RSI	FAIL
4. Payout ratio	BUY		

Price chart

Actual price:	69.3	Avg. price 3Y:	69.8
52-week low:	65.5	Avg. price 5Y:	62.4
52-week high:	87.4	Avg. price 10Y:	48.6

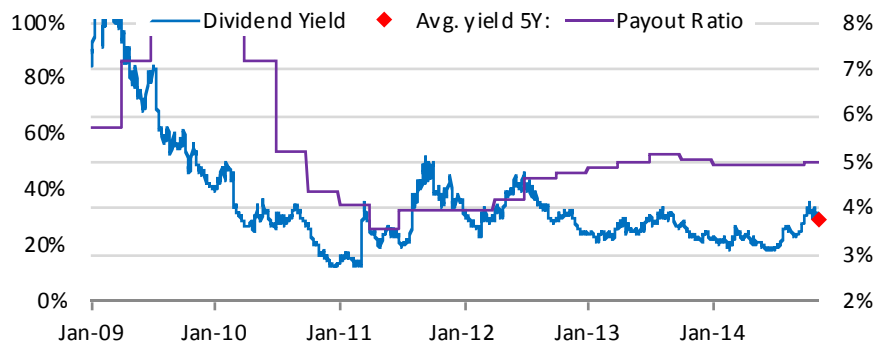
BASF currently trades around the EUR 68 mark which held as a price resistance in 2013 and acted as barrier in 2012 and 2011. A price of EUR 68 is only 4% above its 52-week low. The price seems appealing for me as I can buy the stock for prices seen beginning 2011 while operations improved.



Dividend Yield & Payout Ratio

Actual yield:	3.9%	Avg. yield 5Y:	3.7%
Target yield:	4.0%	Div. CAGR 5Y:	6.7%
Payout ratio:	50%	Chowder Rule:	10.6%

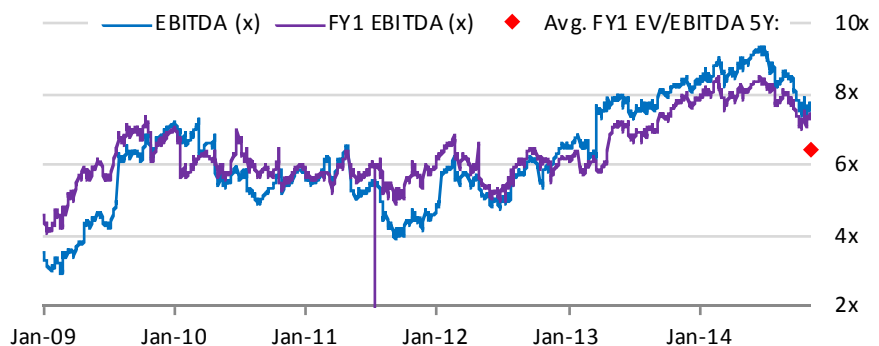
I consider BASF's current dividend yield of 4% as attractive. It is well above its average yield at all periods (3Y, 5Y, 10Y). A yield of 4% can be realized at a stock price of EUR 67.5 (Div '13: EUR 2.7) BASF's dividend policy is to increase its dividend every year or to keep it constant, potentially lifting the yield well above 4%. Payout ratio of 50% is ok.



Valuation (FY1 EV/EBITDA)

Actual FY1 EV/EBITDA:	7.3x
Avg. FY1 EV/EBITDA 5Y:	6.5x
Avg. FY1 EV/EBITDA 10Y:	5.6x

Looking at EV/EBITDA, I clearly see that BASF's operational enarings power is overvalued. The company trades at c. 1x EBITDA above its 5 year average at currently 7.3x. BASF even nearly trades 2x above its long-term 10 year average. I consider a fair valuation to be at around 6.0x EBITDA.



Valuation (FY1 P/E)

Actual FY1 P/E:	12.8x
Avg. FY1 P/E 5Y:	12.0x
Avg. FY1 P/E 10Y:	11.8x

The view is different when considering the P/E valuation. The dip in prices in October to below EUR 67.5 drove the multiple down to 10.9x with is well below both the 5-year and 10-year average. The spread in both valuatoin metrics can be explained by cheap financing that benefitted net earnings, however, has no impact on operating results.

