

LyondellBasell
Q1 2025 Earnings Call
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Presenters

David Kinney - Head of Investor Relations

Peter Vanacker - Chief Executive Officer

Agustin Izquierdo - Chief Financial Officer

Kim Foley - Executive Vice President of Global Olefins & Polyolefins and Refining

Aaron Ledet - Executive Vice President of Intermediates & Derivatives and Supply Chain

Torkel Rhenman - Executive Vice President of Advanced Polymer Solutions

Q&A Participants

Steve Byrne - Bank of America

Matthew Blair - TPH

Patrick Cunningham - Citigroup Inc.

David Begleiter - Deutsche Bank

Chris Perrella - UBS

Frank Mitsch - Fermium Research

Jeff Zekauskas - JPMorgan Chase & Co

Vincent Andrews - Morgan Stanley

Mike Sison - Wells Fargo

Kevin McCarthy - Vertical Research Partners

Operator

Hello, and welcome to the LyondellBasell Teleconference. At the request of LyondellBasell, this conference is being recorded for instant replay purposes. Following today's presentation, we will conduct a question-and-answer session. I would now like to turn the conference over to Mr. David Kinney, Head of Investor Relations. Sir, you may begin.

David Kinney

Thank you, operator, and welcome, everyone, to today's call. Before we begin the discussion, I would like to point out that a slide presentation accompanies the call and is available on our website at investors.lyondellbasell.com. Today, we will be discussing our first quarter results while making reference to some forward-looking statements and non-GAAP financial measures. We believe the forward-looking statements are based upon reasonable assumptions and the alternative measures are useful to investors. Nonetheless, the forward-looking statements are subject to significant risk and uncertainty. We encourage you to learn more about the factors that could lead our actual results to differ by reviewing the cautionary statements in the presentation slides in our regulatory filings, which are also available on our Investor Relations website. Comments made on this call will be in regard to our underlying business results using non-GAAP financial measures such as EBITDA and earnings per share, excluding identified items. Additional documents on our Investor website provide reconciliations of non-GAAP

financial measures to GAAP financial measures, together with other disclosures, including the earnings release and our business results discussion.

A recording of this call will be available by telephone beginning at 1 p.m. Eastern Time today until May 27th by calling 877-660-6853 in the United States and 201-612-7415 outside of the United States. The access code for both numbers is 13746205. Joining today's call will be Peter Vanacker, LyondellBasell's Chief Executive Officer, our CFO, Agustin Izquierdo, Kim Foley, our Executive Vice President of Global Olefins and Polyolefins and Refining, Aaron Ledet, our EVP of Intermediates and Derivatives, and Torkel Rhenman, our EVP of Advanced Polymer Solutions. With that being said, I would now like to turn the call over to Peter.

Peter Vanacker

Thank you, Dave, and welcome to all of you. We appreciate you joining us today as we discuss our first quarter results. These are challenging and volatile times, but I am proud that our team continues to navigate extremely well. Let's begin with slide 3 where we highlight continued leadership in safety performance at LYB. Our operational success starts with our core focus on safety. Our goal zero commitment is to operate with zero incidents through ownership, excellence, and teamwork. This is demonstrated by our March year-to-date total recordable incident rate of 0.12, improving on all of our very low rates from 2023 and 2024. We see continuous improvement across all aspects of our business, but it is particularly meaningful to see this progress in our safety performance, which enables our employees and contractors to return home safely day after day, keeping our operations reliable and underpinning financial value. I am deeply grateful for the commitments and dedication our team has shown.

On slide 4, we highlight how we continue to focus on executing our strategy and taking decisive steps while navigating a prolonged downturn and adapting to elevated market uncertainty. Since launching our new strategy at our Capital Markets Day in March 2023, we have been actively reshaping our portfolio. In 2023, we closed our Italian polypropylene assets. Last year, we sold the EO&D business, and we seized refining operations in February of this year. In March, we announced the closure of our Dutch PO joint venture with Covestro, and we intend to update you on the progress for the remaining five assets in our European strategic review by the middle of this year. The portfolio management activities we have executed since 2023 have reduced our annual fixed cost expenditures by approximately \$300 million net of one-time costs and the reduced ongoing cost we expect for the Houston refinery side.

Our value enhancement program, or VEP, continues to build momentum and deliver value to the bottom line as it becomes part of our everyday way of doing business at LYB. We are on track to unlock \$1 billion in recurring annual EBITDA by the end of this year with 50 million of this coming from fixed cost reductions. Additional fixed cost reductions are expected following our European strategic review. The remaining five sites incurred fixed costs of approximately \$500 million in 2024.

We managed our capital expenditures wisely throughout the cycle. In 2023, we finished the year with CapEx investments that were approximately \$100 million below our initial guidance. And in 2024, we reduced our spending by approximately \$300 million relative to guidance. Our proactive approach to working capital management delivered \$100 million of cash in 2024. This exemplifies our commitment to responsible cash management and capital deployment. We are continuing this momentum while responding to the current market environment with an additional \$500 million cash improvement plan that is highly focused on improving cash flows during 2025. This is the deepest and longest downturn of my career. And while this is likely to be prolonged by volatile trade policies, I remain confident that we will eventually see a recovery. Our plan is to navigate the downturn without compromising our strategy and emerge stronger, more resilient, and more profitable than before.

Our 2025 cash improvement plan, or CIP, has three initiatives. The first is a \$100 million reduction in capital expenditures. Our *MoReTec-1* and *Flex-2* growth projects and sustaining CapEx for safety and reliability will remain priorities as we defer some of our smaller growth investments. Our second initiative of the CIP is an additional \$200 million reduction in our working capital targets for the year. In addition to typical levers for managing inventories and payables, one example from our initiative is capturing value from strong markets for precious metals by reducing excess catalyst inventories. The third initiative entails at least \$200 million in additional fixed cost savings by further streamlining our organization across our manufacturing, business, and corporate functions. These are difficult but necessary decisions required by these challenging times. And as you can see, these types of actions are not new to LYB. We have been steadily transforming our company over the past two years, and we are confident that we are taking appropriate steps to build a stronger and more resilient LYB. Needless to say, tariff risk is at top of mind of everyone.

On slide 5, we give some context on why we believe our robust global supply network served us well during prior trade volatility and is well placed to provide resilience across a range of trade scenarios. The company's global supply network is mainly positioned to serve local demands. For our polyethylene and polypropylene polymers, approximately 75% is sold in local markets and not subject to direct impact from tariffs. In U.S., our domestic market share for PE is typically 10 percentage points higher than the North American industry. Globally, less than 10% of our polyolefin sales volumes are likely to see direct impacts from escalating tariffs and counter-tariffs involving U.S. trades. And if trade barriers end up impacting our cost advantage U.S. exports, we have the ability to shift supply toward cost advantage production in Saudi Arabia and then backfill Saudi trade with U.S. volumes.

LYB understands the optionality embedded in our global supply network. And just like in the past, our teams have immediately started optimizing trade flows. The same principles apply to our propylene oxide business. We outlined our global supply network on slide 21 of the appendix to this slide deck. Of course, the secondary effects of tariffs are more complex and remain a source of uncertainty. But even amid global economic volatility, we remain confident in the resilient consumer demand for packaged foods, healthcare, and other essential solutions

for everyday life enabled by our products. Our cost advantaged feedstock positions place us at a favorable spot on the global cost curve, and our investment-grade balance sheet enables us to remain steadfast in our strategy and continue to execute projects that will serve us well when markets inevitably recover.

On slide 6, we turn to one of those projects, Flex-2, where we reached a final investment decision milestone in the first quarter. Our new Flex-2 project aligns with our strategic pillar to grow and upgrade the core. The project leverages our cost advantaged feedstock position and proven technology to convert ethylene into higher-value propylene at the cost of only a few pennies per pound. This technology has greater reliability, lower capital intensity, and lower carbon intensity, than competing technologies such as propane dehydrogenation. The project also benefits from the capability to upgrade four carbon or C4 streams into high-value coproducts and capture synergies with our existing Flex units to further boost profitability. This new capacity will profitably reduce our net long ethylene position in North America. Our net short propylene position, which was increased by the exit from refining, will also be reduced. Flex-2 will strengthen our market position and reduce monomer costs for our downstream polypropylene and propylene oxide businesses. We will start construction later this year and expect to begin operations in late 2028. The financial return profile for the project is strong with an IRR in the mid-teens and an estimated EBITDA benefit of approximately \$150 million per year post startup. We plan to spend approximately \$800 million in CapEx for the project with peak spend of about 300 million expected next year.

On slide 7, we outline our awards for a new feedstock allocation in Saudi Arabia that will enable a longer-term joint project with Sipchem. The allocation from the Saudi Arabian Minister of Energy provides sufficient ethane and butane feedstocks to support a 1.5 million metric ton ethylene cracker with downstream polyolefin derivatives. The Saudi project is expected to include the LYB proprietary catalloy technology for producing specialized elastomeric polyolefins used in roofing membranes and other high-value applications. We currently operate four catalloy plants around the world. The plant in Ferrara, Italy is shown in the photograph. LYB and Sipchem have launched a joint feasibility study for a complex in Jubail that could start up as soon as 2031 pending FID. With LYB's 40% position, the value of our process technology and catalyst contributions supported by funding from project-based debt, this project with Sipchem fits our strategy for disciplined growth.

Please turn to slide 8 as we review the financials for the quarter. Earnings were \$0.33 per share with EBITDA of nearly \$600 million. Profitability was impacted by the challenging backdrop and a significant turnaround of our Channelview complex. Cash returns to shareholders remained robust at approximately \$500 million as our ordinary dividend was supplemented by opportunistic share repurchases during the quarter. I will now hand over the call to Agustin to elaborate on our financial progress.

Agustin Izquierdo

Thank you, Peter, and good morning, everyone. Please turn to slide 9 and let me start by discussing our cash generation. Our team converted EBITDA into cash at a rate of 87% over the past 12 months, above our long-term target of 80%. Over the past quarter, LyondellBasell used \$579 million of cash from operating activities. Our cash flow was impacted by an expected seasonal build in working capital due to maintenance and improving demand. As Peter mentioned, we are targeting an additional \$200 million of working capital reductions from our 2025 plan with the cash improvement plan. First quarter cash taxes were higher than normal as Hurricane Beryl tax relief in 2024 allowed us to defer cash tax payments until February of this year. In the first quarter, we maintained strong shareholder returns with dividends and share repurchases totaling \$2.1 billion over the last 12 months. At the end of the first quarter, our cash balance was \$1.9 billion.

Now let's continue with slide 10 and review the details of our first quarter capital allocation. During the quarter, we returned \$433 million to shareholders through dividends and \$110 million in share repurchases while funding \$483 million of capital investment. Our team remains focused on being responsible stewards of capital. We are growing in a sensible and disciplined way while working to unlock additional cash from our cash improvement plan. As the new CFO, I am totally committed to maintaining our investment-grade balance sheet, which enables us to execute on our strategy while delivering meaningful shareholder returns, including growing the dividend.

Let's now turn to slide 11, and I'll provide a brief overview of our segment results. Our business portfolio generated \$576 million of EBITDA during the first quarter. In the Olefins and Polyolefins Americas segment, planned and unplanned maintenance reduced EBITDA by \$200 million with additional headwinds from lower integrated polyethylene margins driven by higher feedstock costs. Improved utilization and margins in our Olefins and Polyolefins Europe, Asia, and International segment and good performance in our APS segment provided a partial offset. With that, I will turn the call over to Kim.

Kim Foley

Thank you, Agustin. Let's begin the segment discussions on slide 12 with the performance of the Olefins and Polyolefins Americas segment. During the first quarter, O&P Americas EBITDA was \$251 million. The company's first quarter performance was impacted by planned and unplanned downtime. Our first quarter operating rate was in line with the expectations with our crackers operating at approximately 80%. The turnaround at our Channelview complex significantly impacted results due to the downtime on the olefin unit and the reduced co-product contributions associated with maintenance on our Flex-1 and C4 processing units. We also experienced an unplanned outage at our Lake Charles JV that resulted in several weeks of downtime. And during the last quarter's call, we discussed the impacts of winter storm Enzo in January.

Higher feedstock costs resulted in additional headwinds for the integrated polyethylene margins. North American industry demand for polyolefins had a soft start in 2025 with March

year-to-date polyethylene and polypropylene sales volumes down 2% and 1% respectively. While domestic PE demand has remained solid and growing, tariff uncertainty has led to hesitancy in export markets. As Peter mentioned, if trade policies challenge U.S. polyethylene exports, we are confident our cost advantage will allow U.S. PE to find alternative markets. LYB remains well positioned as a top North American producer with a leading product portfolio, a strong domestic market share, and robust customer relationships built over decades.

While feedstock and natural gas costs are currently in decline, the forward curve leads us to remain cautious on cost for the remainder of the year. But today, retaliatory tariffs on U.S. ethane shipments to China are serving to reduce exports and benefit U.S. ethane costs. As for LYB, we expect our operating rates to improve in second quarter as Channelview remains on track for our successful turnaround and is starting back up as we speak. With this, we are targeting 85% utilization across the segment during the second quarter.

Please turn to slide 13 as we review the results of our Olefins and Polyolefins Europe, Asia, and International segment. In the first quarter, the segment generated EBITDA of \$17 million, of which more than \$30 million was generated during the month of March in Europe. Segment EBITDA improved significantly as cracker utilization increased to approximately 80% in the first quarter from the 55% in the fourth quarter. The increase resulted from the completion of a turnaround at our largest European cracker and improved operational flexibility. Cracker margins improved due to tailwinds from the lower feedstock costs. Polyolefins margins also expanded with higher prices. In the European market, we see modest signs of seasonal improvement, but the economic outlook remains uncertain due to the potential impacts from trade volatility. We are encouraged by the German stimulus measures, and we remain watchful for signs of this translating into meaningful improvement in the end market demand.

We continue to make progress on our strategic objectives in the O&P EAI segment. Our European strategic review is underway, and we should have more to share by the middle of this year regarding the five O&P assets under review. With additional seasonal demand improvements balanced by some operating constraints on our assets, we are targeting operating rates of approximately 75% during the second quarter. With that, I will hand it over to Aaron.

Aaron Ledet

Thank you, Kim. Please turn to slide 14 as we look at the Intermediates and Derivatives segment. In the first quarter, segment EBITDA was \$211 million, a decline of \$39 million, primarily driven by margin compression and acetyls and oxyfuels. Oxyfuel margins fell due to lower blend premiums, and volumes were impacted by some delays in vessel shipments. Acetyl margins declined on higher costs due to increased natural gas prices. Winter demand for aircraft de-icing fluids drove modest volume improvements for propylene oxide.

Last month, we made the difficult decision to permanently close our Dutch PO JV with Covestro. As we grow and upgrade the core, we need to ensure each of our assets remain a

strategic fit for LYB. We take our obligations to our employees, unions, and all stakeholders very seriously, and we thank them for the constructive dialogue. We will safely and responsibly shut down the asset and fulfill our obligations to our stakeholders. As we move through the second quarter, we expect improved seasonal demand across most of our I&D businesses, and the start of the summer driving season will likely lead to improvements in oxyfuels margins. We will continue to match our production with market demand and expect to operate our I&D assets at rates of approximately 85% during the second quarter. With that, I will turn the call over to Torkel.

Torkel Rhenman

Thank you, Aaron. Please turn to slide 15 as we review results for the Advanced Polymer Solutions segment. First quarter EBITDA was \$46 million, 30% above the prior year and 3x our underlying fourth quarter profitability. Despite challenging end markets, the APS transformation is delivering results. With some help from seasonally stronger demand, our team improved profitability and gained market share by focusing on how LYB can add value for our APS customers. The team has made substantial progress in building back trust with strategic customers and increasing our win rate to gain new project qualifications. At the same time, our transformation is taking a sensible approach to optimizing fixed cost and working capital to increase cash flow from the business.

Looking ahead, underlying demand is likely to remain challenged in our key U.S. and European automotive end markets. Tariffs will likely provide additional headwinds. Nonetheless, we expect our transformation will continue to grow APS volumes at rates that exceed the growth of our end markets while protecting margins and improving cash conversion. We are on the right track to deliver on our long-term goals to profitably transform the APS business. With that, I will return the call to Peter.

Peter Vanacker

Thank you, Torkel. Please turn to slide 16, and I will discuss the results for the Technology segment on behalf of Jim Seward. First quarter EBITDA of \$52 million was lower than the guidance we provided during our fourth quarter call. First quarter licensing profitability declined consistent with our guidance. LYB is selling fewer licenses than last year as the pace of global polyolefin capacity additions moderates. First quarter catalyst volumes improved over fourth quarter results, but March shipments were lower than our guidance as some customers delayed orders in response to economic uncertainty. We expect the second quarter results for the Technology segment will be similar to these first quarter results.

Now let me share our views on our key regional and product markets on slide 17. As discussed by our business leaders, we expect to see typical seasonal demand improvements into the second quarter across most of our businesses. In the Americas, lower costs for natural gas, ethane, and other NGL feedstocks are providing tailwinds for second quarter profitability. At the same time, trade policy volatility is likely to shift trade flows and result in near-term trade disruptions as markets adjust. Within Europe, margin pressures are expected to ease

somewhat, supported by lower feedstock costs while reduced import volumes could contribute to improved pricing power in the region.

In the meantime, industry rationalization continues to tighten supply and demand balances. With a recent competitor announcement, ethylene capacity rationalizations in Europe are approaching three million tons or over 13% of regional capacity. While signals of near-term market recovery remain muted, German stimulus measures are expected to provide a measure of medium-term support for the European chemicals sector. Sentiment in China remain subdued as ongoing trade escalations continue to weigh on market confidence. We are closely monitoring both tariff developments and the additional stimulus measures that could potentially shift market dynamics. In packaging markets, we continue to see steady demand, even amid global economic uncertainty, as consumer needs for packaged foods and other essential products support underlying resilience. We continue to have a strong order book.

In building and construction markets, modest demand growth for U.S. existing homes is likely to be offset by weaker activity in other regions. Within automotive markets, underlying demand is likely to remain challenged in both U.S. and Europe. The potential for trade disruptions and tariff-related volatility are generating headwinds to growth in the sector. And in oxyfuels, the summer driving season is expected to support improved gasoline crack spreads. However, lower crude prices amid ongoing economic uncertainty and weaker oil to gas ratio are likely to limit the extent of margin recovery. Our focus remains on strong operations and optimization across our global footprint to capture market opportunities. Even amid economic uncertainty, the scale of our asset base and the flexibility of our integrated network provides optionality to navigate shifting market dynamics and an ever-changing landscape.

Now let me summarize our outlook and our progress on our long-term strategy on slide 18. We continue to grow and upgrade our core through targeted organic growth projects and portfolio management including our ongoing European strategic review. The exits from our refining business this year was a key milestone in reshaping our portfolio for long-term value creation. We estimate our portfolio actions thus far provide approximately \$300 million of fixed cost reduction. We are pursuing disciplined growth in our circular and low-carbon solutions business as we advance on the construction of *MoReTec-1*, our first commercial scale chemical recycling facility that will strengthen our technology and cost advantage.

Today, we described how we are continuing to adapt to broader macroeconomic uncertainty with the launch of our additional \$500 million cash improvement plan. In combination with more than \$1 billion in recurring annual EBITDA, we expect to unlock through our value enhancement program by the end of this year, we are building a stronger, more resilient, and more profitable LYB. And finally, we will continue our focus on disciplined capital allocation and cash flow optimization to maintain our commitment to a strong and growing dividend as a central component of our shareholder returns. I am proud to lead this dedicated team as we take decisive actions to create value, reshape LYB, and position our company for sustainable future success. Now with that, we are pleased to take your questions.

Operator

Thank you, sir. Ladies and gentlemen, at this time, we'll begin the question-and-answer session. As a reminder, if you have a question, please press the star followed by the one on your touchtone phone. If you would like to withdraw your question, please press the star followed by the two. We do ask you to limit to one question. Our first question comes from the line of Steve Byrne with Bank of America. Please proceed with your question.

Steve Byrne

Yes. Thank you. I'm interested in your outlook for the polyethylene industry in China from a couple of different perspectives. One being, with lower crude prices, has that enabled your joint venture with Bora to flip back to profitability? But then, Peter, you indicated that the reduced licensing sales indicated a reduced number of new polyethylene capacity projects. But isn't that quite a few years out as an indicator -- your revenue in recent years has been up. Is that consistent with what we have been hearing about seven ethylene crackers under construction in China? Is that consistent with your view? And how do you think that industry over there is going to operate in this trade war?

Peter Vanacker

Great. Thank you, Steve. Very good question to start with. Let me make a couple of comments, and then I will hand over to Kim. As you know, I mean, China demand remains weak, and we see that even if there is an increase in investment-driven stimulus initiatives, they are not yet focused on supporting direct consumption and spending. So, we don't see the immediate impact of that. You know that the housing market continues to struggle, as well, with low demand, high inventories. If you talk about the investments in additional capacity, one needs to always take one step back and see that the PE polyethylene trade deficits is 30% to 35% still in 2025 and most probably also in 2026, and that is even after the new capacity -- provided that new capacity would come on stream.

In addition to that, you know that the competitiveness of those capacities -- not all of these capacities are backward integrated. And if they are backward integrated, you have a high dependency also on naphtha. So, that makes it extremely difficult to run those capacities fully flat out. That means when I'm looking at supply and demand in China, I'm always taking into consideration what is the economic capacity, so economically feasible capacity, and that, as you know, deviates substantially from a technical nameplate capacity.

You alluded to the fact that we do see -- and we've mentioned that in previous calls, as well. We do see that there is a substantially lower demand for additional licenses. I can confirm that we continue to see that. It's a huge drop in terms of demand for licenses, and that will influence, of course, the capacity buildup during the next couple of years. The latest information that I have also received on the five-year plan is that the attention of Beijing on the five-year plan is not so much anymore on petchem capacities but is moving towards other

sectors like, for example, artificial intelligence and EV cars. So, with that, maybe, Kim, if you can talk a bit about Bora and local capacity utilization.

Kim Foley

Yeah. Peter, you gave a very comprehensive answer, but I'll just make a couple of comments. While naphtha prices has -- while naphtha pricing has come down, so has the price of polyethylene in China. So, the margins are actually compressed at the moment. Now, as it relates to Bora, we do have the opportunity to bring LPG or had the opportunity to bring LPG into that facility, and that has helped us slightly improve our margins versus local competition. But I would say, in general, that the story in China is consistent. They just need more demand recovery and more stimulus of their economy.

Peter Vanacker

And this is the first quartile, lowest cost capacity, the Bora joint venture, and it continues to run at technical minimum, so -- which is about 80%. So, imagine what capacity utilization, the other not in first quartile manufacturing capacities are running.

Operator

Thank you. Our next question comes from the line of Matthew Blair with TPH. Please proceed with your question.

Matthew Blair

Great. Thank you. And good morning. Thanks for the commentary on Lyondell's tariff exposure regarding your polyolefin sales. Could you talk about the potential tariff impacts to U.S. feedstocks? Do you see either U.S. ethane or propane getting backed up into the U.S. if exports to China are heavily tariffed?

Peter Vanacker

Well, that's a very good question, Matthew, and especially with the latest news that is circling around during the last couple of days. So, there is some rumor, but we have nothing seen in writing yet. There is some rumors in China. We heard it also from our customers that there is a list of about 130 products. On that list is ethane, different grades of polyethylene that there eventually would be an exemption on the -- I think it is 126% tariffs now on U.S. NGLs. So, as I -- I mean, the trade policies will continue to be highly dynamic over the coming months. So, therefore, what we do is we work closely with our customers to find the optimal solutions, and we've been able to navigate such an environment also in the past. So, if there is something that is changing here, then, of course, we will also -- I'm confident about that and be able to navigate around it with our low-cost manufacturing sites that we have in different regions.

Kim Foley

Yeah. I'll just add a little bit of color, too, based on what we're hearing from the team in Asia. What's interesting, as Peter mentioned, it references ethane and different grades of polyethylene, but it doesn't mention LPGs. And if you think about it, a lot of propane is

imported into Asia for their PDH units to produce polypropylene. So, it's a very dynamic market. What we see in the U.S. as a result of the current situation is we see the ethane forward curve low and then bouncing back up into the mid-20s as we get later into the year. So, it's very dynamic. And then the last comment I would make is, if you remember the first round back in 2018 of how these trade activities progressed, you eventually saw both ethane and LPG on an exception list.

Operator

Thank you. Our next question comes from the line of Patrick Cunningham with Citi. Please proceed with your question.

Patrick Cunningham

Hi. Good morning. Very helpful commentary on the metathesis unit, and the return profile looks quite attractive, but it does add some meaningful CapEx in 2026. Given all the uncertainty oversupply situation and even some peers characterizing it as a lower-for-longer environment, why is now the right time to proceed? And would you consider delaying if negative conditions persist?

Peter Vanacker

Patrick, a good question, of course, and we wanted to highlight that we continue to navigate with our strategy, as well. So, the strategy is confirmed even in the current volatile market environment. I would actually say that, if you look at the third pillar of our strategy stepping up performance and culture, it is that third pillar that -- where our value enhancement program is and also now our new cash improvement plan. That is actually also triggering and enabling that we continue to invest in growing and upgrading the core, and secondly, building up a profitable circular and low-carbon solutions business.

So, as a consequence, when we did another round of prioritization and de-prioritization of our CapEx plans, we came to the conclusion that we continue to invest in our Flex-2, and we continue to progress with our *MoReTec-1* facility in Europe at our Wesseling site. The reason for that is, first of all, we outlined it, I mean, on the slide. I mean, the Flex-2 is a very attractive investment. We mentioned mid-teens, so let's say, around 15%, 16% IRR. *MoReTec-1*, if you look at the regulatory environment, how that is changing with the latest PPWR regulation, we are investing in the right region, and we see it also from our sales contracts that we have with the brand owners that we can capture that additional value as we mentioned it at the Capital Markets Day. So, it's good because we want to come out of this cycle better as we actually entered into this cycle.

Now specifically, if you ask about the CapEx -- and I gave a couple of numbers in my prepared remarks. I mean, we navigate. That's core -- I mean, that's part of our DNA. We navigated in 2023. We navigated in 2024. We had cash on the bank, 3.4 billion in 2024 when we started. We had cash on the bank at the end of 2024, 3.4 billion as we ended the year. So, same year 2025, we have those competencies. We navigate the cycle. We look at what is happening around us,

very volatile. We screen our CapEx. We continue with the working capital program, and we do in addition then also cost reductions. So, 2026, we will not change that attitude. Again, it's stepping up performance and culture. It's the third pillar of our strategy, that engine that we have built inside of the company. So, same here. We will look at our CapEx. We will prioritize and deprioritize. And the premises that we have from today's perspective is that our CapEx will not be substantially higher than what you're looking at for this year, what we have announced.

Operator

Thank you. Our next question comes from the line of David Begleiter with Deutsche Bank. Please proceed with your question.

David Begleiter

Thank you. Good morning. Peter, how do you think about the impact of potentially reduced U.S. polyethylene exports to China on domestic supply and prices?

Peter Vanacker

Yeah, David. I mean, you know very well -- good question, by the way. Yeah. You know very well -- I mean, our position -- we highlighted this actually also in the presentation just to make sure that we -- everybody has that in front of him or her. And that's the fact is we are not a big exporter in polyethylene. Our polyethylene portfolio that we are having in -- specifically here in North America is a differentiated portfolio. We have very good and intensive relationships with our customers, and that has enabled us also to continue to have very strong domestic volumes in Q1. And we see -- Kim alluded to that, strong order books for April, actually higher than any prior months that we have seen in 2025. So, that is opening remarks. And Kim is responsible for the business, so, Kim, I give it to you.

Kim Foley

I would say simply that the trade flows are going to readjust. If you look at LYB's owned assets as well as our JV footprint, we have strong channels to market globally with integrated assets in four key regions: the Middle East, China, Europe, and the U.S. So, what we're seeing is we're seeing the trade flows shift. So, export orders that used to go to China is now going to Southeast Asia. And whoever was previously supporting Southeast Asia, maybe the Middle East or Korea, they're increasing exports to China. As Peter mentioned in his first answer, you always have to remember, China imports approximately 30% of their demand that they want to re-export to other markets. Today, it may not be the U.S., but it will also be trade flow shifts to other markets. So, I feel very confident the LYB has a low-cost position, a global network, and we have this agility to shift to trade flows. So, I don't see it as a problem. I see it as a bump maybe for some, but not for us.

Operator

Thank you. Our next question comes from the line of Josh Spector with UBS. Please proceed with your question.

Chris Perrella

Yes. Hi. It's Chris Perrella on for Josh. Good morning. Just trying to get a handle, I guess, on the capital spending on a go-forward basis. With all the large projects, can you kind of bucket the capital outlays for '25, '26 on the larger product projects and what the underlying spend is there? And how much flexibility do you have to throttle that back if we go lower for longer in this trough?

Agustin Izquierdo

Sure, Chris. This is Agustin. Happy to take your call and your question. I think for the CapEx, what you have seen, as Peter alluded before, we have been very disciplined over the years. We've been reducing now consistently for the past three years. Even -- if you recall, the original guidance for this year was going to be around the 2.2 billion. We lowered to 1.9, and we have additional cash improvement plan we have lowered to 1.8. Out of that, we also have said that our maintenance CapEx is around \$1.2 billion, and that obviously remains. It's a core part of our capital allocation, as well, to make sure our assets run reliably. And then we have had to take very hard decisions on growth projects, and that's where we have prioritized and kept Flex-2, *MoReTec-1* as Peter mentioned, and the engineering for *MoReTec-2*. I think going forward, you can expect the same level of moderation and attentiveness to how the market evolves and our cash flow situation and would not expect any meaningful increases if the market does not recover.

Operator

Thank you. Our next question comes from the line of Frank Mitsch with Fermium Research. Please proceed with your question.

Frank Mitsch

Thank you. Good morning. I also wanted to pass along my appreciation for the trade flow charts on 5 and 21. Very, very helpful. My question is around capital preservation mode. You mentioned that during the first quarter, you were opportunistic in buying \$110 million worth of stock. Obviously, the shares are much lower today than they were averaging during the first quarter. So, I was curious as to your thoughts on buybacks during this period. And part and parcel of that, second quarter I think is when you typically look at hiking the dividend. I'm curious as to what management recommend -- I understand that's a board decision, but I'm curious as to what management's recommendation might be on raising the dividend. And just in general, your thoughts around cash returning to shareholders in this environment. Thank you.

Peter Vanacker

Let me start, Frank, and I will give to Agustin. As you know, share repurchases remain a core part of how we think about cash distributions to shareholders. When we talk about the dividends -- and I mentioned it also in my remarks. I've mentioned it in previous quarters. We have now 14 consecutive years whereby we have been able to increase our dividends. The way we think about it as management, we have a very solid balance sheet. We know how to

navigate difficult environments. We've shown it also the last couple of years, as I alluded to before. So, we believe that we are very well positioned to continue to increase our dividends. With regards to the buybacks, I'll hand over to Agustin.

Agustin Izquierdo

Sure. Happy to take the rest of the question. So, buybacks, as you correctly mentioned, we've done 110 million in Q1, which has more than offset dilution, and we will continue to be opportunistically throughout the year. And that's the same sort of consistency capital allocation that we have had. The dividend has taken priority. And over the years, we've also done share buybacks when we see the right opportunity and prices are attractive to us relative to our valuation.

Peter Vanacker

Yeah. And, Frank, I mean, as you can imagine, I mean, share buybacks is not a program that you do and that stops on the 31st of March, then suddenly -- and since we are now at the 25th of April, I'll leave it up to you, I mean, to imagine if we have stopped the main buybacks on the 31st of March or if we have continued with the buybacks at that low share price level.

Operator

Thank you. Our next question comes from the line of Jeff Zekauskas with JP Morgan. Please proceed with your question.

Jeff Zekauskas

Thanks very much. I know you're planning to do something with five assets in Europe. Your European EBITDA on an annual basis is minimally positive. If those five assets are gone, does that really change your European EBITDA? And if it does, to what level does it take it? And when do you expect to announce what will happen to those facilities?

Peter Vanacker

Thank you, Jeff. A very good question, and I was hoping that somebody would ask a question around our European assessments. We continue to make very good progress on the assessments. We've been in the market since a while, as you know. We said also that you may expect to hear something, and I do not define what that something is. That would be premature but to hear something by the middle of this year from us. The five remaining assets, are O&P assets, where we took the decision on PO11 -- Aaron talked about it in his prepared remarks. So, now the focus is on those five remaining assets. If you look at -- if we would have a portfolio without those five remaining assets, then it would be a highly focused portfolio in Europe in O&P that remains -- we mentioned what the five remaining assets mean approximately in terms of fixed costs.

We continue to believe, of course, that the European market is an attractive market. I said at the beginning regulation continues to progress in terms of circularity, and by the time that regulation will be legally enforced by the countries, we will have our *MoReTec-1* facility -- I

would say pretty much right on time. We will have it up and running. So, therefore, you see that our -- the way we look at Europe is much more from a circular and low-carbon point of view compared, I mean, to the setup that we have today. Kim, do you want to add something?

Kim Foley

I would just more broadly say, as you've said to me many times, Peter, this is a portfolio upgrade. That's our strategy.

Peter Vanacker

It's a portfolio upgrade. So, you can imagine, Jeff, what that means in terms of higher EBITDA. We want to come out of this cycle stronger than we entered the cycle. I remember that I showed in the earnings call that was the third quarter of 2024, with all our portfolio measures globally, and that includes, of course, European assessment. That includes the refinery. That includes our POSM in Maasvlakte that includes the ethylene oxide and derivatives. Mid-cycle historic margins for LyondellBasell were around 18% EBITDA. When coming out -- when we have done that complete transformation mid-cycle margins calculated on the same basis as the 18% would be above 21%.

Operator

Thank you. Our next question comes from the line of Vincent Andrews with Morgan Stanley. Please proceed with your question.

Vincent Andrews

Thank you. Peter, I'd be curious to hear your thoughts on the European stimulus. It seems like you're enthusiastic, so I'd just be curious which of your products you would expect to see a direct impact and then if you also think there'll be more of a secondary impact just as the overall economy there is stimulated, maybe improvement in consumer. But how are you thinking about it? And how do you define, I think, you said medium-term benefits? What's your thought process there?

Peter Vanacker

Yes. Thank you, Vincent. Lots of things going on in Europe. But let's not forget, in an environment where manufacturing in Europe is not competitive, energy costs are far too high. There is a regulatory burden in Europe. So, LyondellBasell, together with our peers in the industry, we have been very vocal in Antwerp -- getting the top people from the European Commission to answer this year for the second time to really ask for support because it is important that there continues to be in Europe, a strong chemical industry.

So, what we feel -- and that's maybe the optimism that you hear -- is at a very early stage that the politicians and the regulators are listening. They are open for our arguments. So, let me be clear. I mean, a lot of things still need to happen until the stimulus actually is being put into legislation in the member states. I am much more positive when I talk about circularity, circular products. So, for our CirculenRevive our *MoReTec* investments in Wessling because there, yes,

you have a regulation that has been voted. It is a PPWR regulation, plastic and plastic waste regulation that creates a market for circular products. With that, there is good progress also in terms of an Implementation Act, the so-called SUPD, around mass balancing. And all these things are progressing well, leading then to having to be put in legislation by the member states. As I said, we expect that all that will be done and legally enforceable, thus creating a market in 2026 when we are starting up over 50,000 tons *MoReTec* facility. So, I expect that our *MoReTec* facility will -- as we have said, when we did the final investment decision, will be rapidly fully loaded.

Operator

Thank you. Our next question comes from the line of Mike Sison with Wells Fargo. Please proceed with your question.

Mike Sison

Hey. Good morning. So, Peter, you've talked about improving the portfolio over the last several years. And so, I just wanted to get a feel for sort of what trough EBITDA should be per se, I mean, in this environment. 2020, you did 3.9 billion EBITDA, but you did have a minus -- pretty big minus from refining. So, I mean, should -- and the first quarter run rate suggests a pretty low trough this time around. But any way you can help us frame up what the current trough EBITDA should look like? And do you still feel mid-cycle EBITDA longer term should be significantly better?

Peter Vanacker

Thank you, Mike. Thank you for your good question. Maybe one remark. The way I look at our first quartile EBITDA margin, it was slightly -- for me, it was slightly higher than Q4, almost like 100 million. And why am I looking at that in such a way? Because I'm looking at the underlying performance of the business. Q1, we had the scheduled big turnaround. And as Kim said, this is not just one turnaround in Channelview these were actually three turnarounds in Channelview. We had this winter storm Enzo, and we had the issues at the LIP joint venture. So, all of them had an impact of about 200 million. So, if you look at the EBITDA that we published, and you had 200 million, then you follow my calculation, then I come up of about 100 million higher than in Q4 last year.

The visibility, of course, as we have said and as you have heard, I mean, from our peers in the chemical industry continue to be very weak. So, difficult to have a crystal ball to predict, I mean, what is the low point in the cycle. But if you look at previous cycles, and here I include also what happened during the pandemic 2020, then first, you've seen that packaging has always done quite well in such an environment, which has an influence, of course, on our polyethylene business. You have also seen that, when durable goods are at such a low demand for such a long period of time -- and here, remember, this is the third year that we are at the low point of the cycle. Now, sure, I mean, overarched by this volatile macroeconomic geopolitical trade environment, but there will be a replenishment. I mean, demand will go up again.

The question is at what point in time will demand come up again. But keep in mind, this is the longest downturn that I have seen in my career. And yes, while we have the interruption with the trade environment, also that's something we are looking forward in the next, what, hopefully, two months, three months to get more visibility and how it will play out, just like with the first time in Trump administration.

Operator

Thank you. Our final question this morning comes from the line of Kevin McCarthy with Vertical Research Partners. Please proceed with your question.

Kevin McCarthy

Good morning. And thank you for squeezing me in. Peter, I'd appreciate your views on demand for circular plastics. And I'm curious as to whether your forecast of things like demand growth and price premium levels have evolved at all. Part of the reason I ask is, one of your industry peers seems to be signaling that customers are slowing down their pace of investment and slowing down new product introductions, although those comments related to recycled polyesters. So, curious as to what you're hearing from Yvonne and the team and whether you're seeing anything that would alter your pace of investment as it relates to *MoReTec-2*, for example.

Peter Vanacker

Thank you, Kevin. Very good question, and thanks for that question, as well. Well, historically, you've seen in the last three years, we grew volumes by about 57% per year. Last year, it was actually above 60%. We grew also at the first quartile of this year. We had a double-digit percentage growth in volumes in our Circulen family. And that comes both, I mean, from the direct sales that we have in the Circulen family as well as the channel to market through APS. And you've seen APS has done quite well in getting more business despite having a 60% dependency on an automotive business, and the automotive business, as you know, was not good in Q1.

Two additional points. I mean, first of all, Europe, very clear with regulation. The attention is there. Yes, brand owners had to reduce their aspiration, but it's simply because they came to the conclusion that the capacity is not there and will not be there sufficiently to meet their demand. That was the reason why they reduced their aspirations. Secondly, in all the discussions that we continue to have in our field -- and we are very selective with what brand owners we actually talk and allocate our volumes. We continue to see that there is a high interest. There is a high demand. There is a high support. Our investment strategy has also not changed with *MoReTec-1*. We try to have clear commitments prior to taking a final investment decision on a large part of our capacity. The same is our approach for *MoReTec-2*.

At this point in time, there is not a huge CapEx that is being spent on *MoReTec-2*. It's more around the engineering, the first step that we anyhow had to do was safely shut down the refinery, which fantastic work by the team, was executed in a very safe way. So, now, we

continue with the engineering on *MoReTec-2*. And at the same time, we are with our targeted brand owners in very intensive discussions. But as said, I don't see that the brand owners in those market segments are deviating or walking away from the table. But lots of work is going on before we are, of course, at the final investment decision, which would be somewhere in 2026 for *MoReTec-2*. And we want to see, of course, commitments from the brand owners before we undertake a final investment decision.

Operator

Thank you. Ladies and gentlemen, this concludes our question-and-answer session. I'll turn the floor back to Mr. Vanacker for any final comments.

Peter Vanacker

Thank you, all, I mean, for your as usual very thoughtful questions.

Operator

Thank you. This concludes today's conference call. You may disconnect your lines at this time. Thank you for your participation.