

RATING ACTION COMMENTARY

Fitch Downgrades Braskem's IDR to 'CCC+'

Fri 26 Sep, 2025 - 17:40 ET

Fitch Ratings - São Paulo - 26 Sep 2025: Fitch Ratings has downgraded Braskem S.A.'s (Braskem) Issuer Default Ratings (IDRs) to 'CCC+' from 'BB-'. Fitch has also downgraded Braskem America Finance Company's senior unsecured rating to 'CCC+' with a Recovery Rating of 'RR4' from 'BB-' and Braskem Netherlands Finance B.V.'s senior unsecured rating to 'CCC+/'RR4' from 'BB-' and subordinated rating to 'CCC-/'RR6' from 'B'/'RR6'. Fitch has downgraded Braskem's National Scale rating to 'CCC+(bra)' from 'AA(bra)'. The Negative Watch has been removed.

The downgrades reflect Braskem's elevated credit and liquidity risk, stemming from persistent cash burn and its impending 2028 bond amortizations. The company's decision to engage financial advisors to assess financial alternatives for its capital structure underscores its stressed financial profile, which increases the probability of default or debt restructuring over the near to medium term.

KEY RATING DRIVERS

Heightened Debt Restructuring Risk: Braskem must maintain funding access through banks or capital markets to avoid restructuring as petrochemical spreads faced continued downward pressure. The company's engagement of financial advisors may signal an imminent restructuring or other debt actions that could be detrimental to bondholders.

Challenged Liquidity, Weak Cash Generation: Braskem's liquidity, which was previously a core strength, has significantly declined. While management's cash preservation and cost reduction initiatives may offer some relief, Fitch views the company's ability to withstand prolonged market volatility as a key risk, particularly as liquidity buffers diminish. The growing challenge of refinancing upcoming debt maturities, especially the 2028, 2030 and 2031 bonds, heightens this risk.

Fitch's base case indicates the company may already lack sufficient cash next year to address the 2028 maturities. This reflects projected negative FCF of about BRL 3.5

billion in 2025 and BRL 2.0 billion in 2026, alongside Alagoas- related cash outflows of roughly USD 310 million and USD 190 million, respectively. Even if Braskem achieves neutral FCF in 2026, liquidity headroom would only be marginally extended and would likely still be inadequate to cover the 2028 bonds.

High Leverage: Fitch expects petrochemical spreads to remain low throughout 2025 and into 2028, causing Braskem's net leverage to remain elevated and commensurate with the 'B/CCC' rating category, exceeding 10x in 2025 and 2026. Cost efficiencies and antidumping measures may be insufficient to offset this stressed scenario.

PEER ANALYSIS

Braskem's ratings are below its main peers due to persistently weak credit metrics, negative FCF and high leverage (projected in the low teens), alongside tightening liquidity. These challenges are more acute than those faced by its investment-grade peers.

Westlake Corporation (BBB/Stable) benefits from cost-advantaged North American feedstocks, low leverage (below 2x), robust FCF and strong vertical integration, supporting a resilient credit profile and ample liquidity. Dow Inc. (BBB/Stable) supports its rating with significant scale, global diversification and strong liquidity (over USD2 billion cash, USD8 billion in credit), despite elevated leverage (approaching 4x) and negative FCF. Dow's diversified business and flexible feedstock base help moderate volatility.

LyondellBasell Industries N.V. (BBB/Stable) is distinguished by large scale, broad diversification and feedstock flexibility, which support stable EBITDA margins and strong liquidity. Its balanced capital allocation and resilient pre-dividend cash flow contrast with Braskem's persistent cash burn.

Orbia Advance Corporation, S.A.B. de C.V. (BBB/Stable) is supported by product and geographic diversification, vertical integration and solid cash generation, with leverage expected to be around 3.0x through 2026. Orbia's consistent efficiency and broad exposure reduce volatility relative to Braskem. Alpek, S.A.B. de C.V. (BBB-/Negative) faces high leverage and profitability pressures but maintains investment-grade status through a resilient business model, positive cash flow and manageable maturities.

KEY ASSUMPTIONS

-- Brazil polyethylene projected revenue of USD4.0 billion, USD4.0 billion and USD4.1 billion during 2025-2027;

- Brazil polypropylene projected revenue of USD2.0 billion USD2.0 billion and USD2.0 billion during 2025-2027;
- Brazil vinyls projected revenue of USD600 million, USD600 million and USD650 million during 2025-2027;
- Brazil ethylene/propylene projected revenue of USD800 million, USD950 billion and USD950 billion during 2025-2027;
- U.S. and Europe polypropylene projected revenue of USD3.0 billion, USD3.3 billion and USD3.6 billion during 2025-2027;
- Polyethylene-ethane reference spreads of USD770/ton in 2025, USD790/ton in 2026 and USD810/ton in 2027;
- Polyethylene-naphtha reference spreads of USD440/ton in 2025, USD450/ton in 2026 and USD460/ton in 2027;
- Polypropylene-propylene reference spreads of USD400/ton in 2025, USD400/ton in 2026 and USD450/ton in 2027;
- Polyvinyl chloride reference spreads of USD330/ton in 2025, USD340/ton in 2026 and USD390/ton in 2027;
- Annual maintenance capex of approximately USD400 million;
- No dividends to shareholders during the analysis horizon.

RECOVERY ANALYSIS

The recovery analysis for Braskem America Finance's senior unsecured notes and Braskem Netherlands Finance B.V.'s senior unsecured and subordinated notes assumes that Braskem would be a going concern (GC) in bankruptcy and that it would be reorganized rather than liquidated.

GC Approach:

- A 10% administrative claim;
- The GC EBITDA is estimated at USD1 billion. The GC EBITDA estimate reflects Fitch's view of a sustainable, post-reorganization EBITDA level upon which Fitch bases the valuation of Braskem;

--EV multiple of 5.0x.

With these assumptions, Fitch's waterfall generated recovery computation (WGRC) for the senior unsecured and subordinated notes is in the 'RR4' and the 'RR6' band, respectively.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- A Fitch-defined default process has commenced;
- Announcement of a Distress Debt Exchange (DDE) or any type of debt restructuring;
- The non-renewal of the revolving credit facility due in December 2026, resulting from stressed financing conditions;
- Further deterioration of operational and financial indicators.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- While Fitch does not anticipate an upgrade in the near term due to the company's elevated leverage, securing funding to stabilize liquidity could support an upgrade.

LIQUIDITY AND DEBT STRUCTURE

Braskem reported a BRL 9.4 billion (USD 1.7 billion, excluding Idesa) cash balance as of June 2025. Given Fitch's projected negative FCF, this position could decline materially over the coming quarters, further weakening liquidity. It may also complicate negotiations to renew the RCF maturing in 2026.

ISSUER PROFILE

Braskem S.A. produces and sells chemicals, petrochemicals, fuels, steam, water, compressed air and industrial gases. The company's plants in Brazil, the U.S., Germany and Mexico produce thermoplastic resins such as polyethylene, polypropylene and polyvinyl chloride.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

MACROECONOMIC ASSUMPTIONS AND SECTOR FORECASTS

Click here to access Fitch's latest quarterly Global Corporates Sector Forecasts Monitor data file which aggregates key data points used in our credit analysis. Fitch's macroeconomic forecasts, commodity price assumptions, default rate forecasts, sector key performance indicators and sector-level forecasts are among the data items included.

ESG CONSIDERATIONS

Braskem S.A. has an ESG Relevance Score of '4' for Waste & Hazardous Materials Management; Ecological Impacts due to the operations' disruption and large cash outflows triggered by the geological event in Alagoas, which has a negative impact on the credit profile and is relevant to the ratings in conjunction with other factors.

Braskem S.A. has an ESG Relevance Score of '4' for Human Rights, Community Relations, Access & Affordability due to the reparation costs incurred following the geological event in Alagoas for relocating over 14,000 families from neighboring areas. This has a negative impact on the credit profile and is relevant to the ratings in conjunction with other factors.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

RATING ACTIONS

ENTITY / DEBT ⬆		RATING ⬆		RECOVERY ⬆	PRIOR ⬆
Braskem Netherlands Finance B.V.		LT	CCC+	Downgrade	RR4
senior unsecured					BB- Rating Watch Negative

subordinated	LT	CCC-	Downgrade	RR6	B Rating Watch Negative
Braskem America Finance Company					
senior unsecured	LT	CCC+	Downgrade	RR4	BB- Rating Watch Negative
Braskem S.A.	LT IDR	CCC+	Downgrade		BB- Rating Watch Negative
	LC LT IDR	CCC+	Downgrade		BB- Rating Watch Negative
	Natl LT	CCC+(bra)	Downgrade		AA(bra) Ratir Watch Negative
senior unsecured	Natl LT	CCC+(bra)	Downgrade	RR4	AA(bra) Ratir Watch Negative

[VIEW ADDITIONAL RATING DETAILS](#)

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APPLICABLE CRITERIA

[Corporates Recovery Ratings and Instrument Ratings Criteria \(pub. 02 Aug 2024\)](#)
(including rating assumption sensitivity)

[Corporate Rating Criteria \(pub. 27 Jun 2025\)](#) (including rating assumption sensitivity)

[Metodologia de Ratings Corporativos \(pub. 27 Jun 2025\)](#)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Corporate Monitoring & Forecasting Model (COMFORT Model), v8.2.0 (1)

ADDITIONAL DISCLOSURES

[Dodd-Frank Rating Information Disclosure Form](#)

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ENDORSEMENT STATUS

Braskem America Finance Company	EU Endorsed, UK Endorsed
Braskem Netherlands Finance B.V.	EU Endorsed, UK Endorsed
Braskem S.A.	EU Endorsed, UK Endorsed

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