

# Braskem S.A. Downgraded To 'BB-' On Much Higher Leverage And Cash Burn; Placed On CreditWatch Negative

August 22, 2025

## Rating Action Overview

- Braskem S.A. reported very weak second-quarter results, given the sharp margin decline and cash burn due to global trade tensions and uncertainties continuing to pressure petrochemical prices and spreads. It also had an inventory impact related to feedstock purchased in previous quarters at higher prices.
- We revised down our assumptions of volume growth, as the company has been unable to gain market share despite the higher import taxes in Brazil.
- As a result, we now forecast weaker EBITDA and higher cash burn than in our previous forecast, diminishing the company's liquidity position. Our base-case scenario now assumes debt to EBITDA of around 9x this year and 7x next year.
- On Aug. 22, 2025, S&P Global Ratings lowered its global scale issuer credit rating on Braskem to 'BB-' from 'BB' and placed the rating on CreditWatch with negative implications. We also lowered our issue-level ratings on the company's senior unsecured notes to 'BB-' from 'BB' and on its subordinated notes to 'B-' from 'B'.
- The CreditWatch negative placement indicates the chance of another downgrade in the next 90 days if the company's operating and cash flow performance in the third quarter does not improve substantially from the first half of the year, which could lead us to again revise down our forecasts.

## Rating Action Rationale

**Braskem's second-quarter results were much weaker than expected, leading us to forecast high cash burn until at least next year.** The global trade tensions and uncertainty about tariffs have increased pressure on petrochemical demand and spreads during second-quarter 2025. The EBITDA generation was also lower due to the inventory impact in costs, as feedstock was purchased at higher prices in previous quarters. Braskem's paltry quarterly results led us to revise down our base-case forecast for the company. We now assume volumes in 2025 to be very

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similar to those in 2024. We previously forecasted a 4%-5% volume expansion for 2025-2026 that would come from market share gains in Brazil amid higher import tariffs, as well as the company's higher volumes in the U.S. and Europe.

Our forecast now incorporates small revenue growth in 2025 and some improvement in EBITDA, but much weaker than our previous expectations. We now forecast EBITDA of R\$5.0 billion - R\$5.4 billion for 2025, which will depend on significant improvement in the second half from R\$1.3 billion in the first half. This could result from the company's continued efforts to optimize its cost structure and with the likely benefit of polyethylene (PE) antidumping duties that could start as early as next month. Nevertheless, the material cash consumption would lead to debt to EBITDA around 9x by year-end and trending to around 7x next year. Mitigating the impact of very high leverage and still supporting the new 'BB-' rating are Braskem's large scale and sound market position in Brazil.

**Given higher cash burn until June 2025 and our updated forecasts, the company's liquidity cushion will be weaker than its historically strong levels.** With a reduction in available cash position from R\$11.2 billion as of March to R\$9.3 billion in June 2025, and continued cash flow pressures, we no longer view Braskem's liquidity as a strength. While the company still has an extended debt maturity profile and relatively low cost of debt of close to 6%, it will start to face substantial debt maturities in the next 2.5 years. Given the company's high leverage and difficult industry conditions, we believe Braskem now has lower financial flexibility, absent favorable developments that allow for a faster leverage reduction.

**The company could benefit from some positive developments in the Brazilian petrochemical industry in the short term, but the timing and impact on Braskem's cash flow are still uncertain.** Braskem requested last year an investigation regarding dumping practices from U.S. and Canadian exports of PE to Brazil. This might have a provisory vote in the Secretariat of Foreign Trade (SECEX) next week after a preliminary determination was published yesterday. If this is approved next week, it would support higher prices and volumes for Braskem's PE. Our current forecast already incorporates an estimate increase in revenue and EBITDA of \$200 million-\$250 million annually from these antidumping duties starting in September this year, but the actual impact could be subject to some volatility.

Also, Brazil's Congress is currently discussing the REIQ and PRESIQ, a special tax regime for the chemical industry to foster its competitiveness, which might increase the tax relief on raw material purchases from 0.73% currently, reducing the company's costs.

## CreditWatch

The CreditWatch negative placement indicates the chance of another downgrade in the next 90 days if the company's operating and cash flow performance in the third quarter does not improve substantially from the first half of the year, which could lead us to again revise down our forecasts and estimate higher cash burn for the next few quarters. We expect to resolve the CreditWatch listing in the next 90 days as we monitor the company's performance, and have further clarity on the final impact of the antidumping duties on Braskem's revenue and cash flow.

## Company Description

Braskem is the largest thermoplastic resins producer in the Americas, with leading positions in PE, polypropylene, and polyvinyl chloride. The company has 40 facilities across Brazil, the U.S., Germany, and Mexico, and it supplies clients in more than 70 countries. Plastic product manufacturers use Braskem's products as inputs for almost all segments of the economy, such as food packaging, consumer goods, personal care, household cleaning, construction, agribusiness, electronics, and infrastructure. Braskem is controlled by Novonor (50.1%) and Petrobras (47.0%) through a shareholders' agreement.

## Our Base-Case Scenario

### Assumptions

- Average exchange rate of R\$5.75 in 2025, and R\$5.8-R\$5.9 in 2026 and 2027.
- Brent crude oil price of \$60 per barrel for the rest of 2025 and \$65 starting in 2026, affecting naphtha input prices.
- Limited volume expansion in 2025 and 2%-4% growth in 2026. This is higher than Brazil's GDP growth, assuming higher demand from sanitation investments in Brazil, and a recovery of volumes sold in the U.S. and Europe after the decline in 2024 due to maintenance shutdowns.
- Mostly stable spreads in 2025 and minor improvements in 2026, assuming some industry rationalization globally and slow economic growth.
- Cost and expense reductions stemming from several measures the company has in place.
- Capital expenditure (capex) at maintenance levels of about \$400 million in 2025 and 2026, and strategic investments for capacity expansion under the REIQ investments, through which investments are compensated by tax exemptions. Investments in Rio de Janeiro are for a gas-based expansion project, which would increase the company's competitiveness in feedstock base.
- Cash outflows related to the Alagoas geological event of about R\$1.8 billion in 2025 and about R\$1.1 billion in 2026.
- We don't consolidate the Mexican subsidiary Braskem Idesa S.A.P.I. (B-/Stable/--) in our financial analysis and forecasts for Braskem.

Period ending	Dec-31-2025	Dec-31-2026	Dec-31-2027
(Mil. BRL)	2025e	2026f	2027f
Revenue	73,000-77,000	78,000-83,000	82,000-87,000
EBITDA	5,000-5,400	7,000-7,500	7,500-8,000
Funds from operations (FFO)	1,800-2,200	3,300-3,800	4,000-4,500
Interest expense	~3,900	~3,800	~3,800
Capital expenditure (capex)	3,145	3,196	4,196
Free operating cash flow (FOCF)	(1,500) - (1,000)	(500) -(50)	0-1,000
Debt	45,000-50,000	50,933	51,985
Cash and short-term investments (reported)	9,000-9,500	7,000-7,500	6,500-7,500
<b>Adjusted ratios</b>			

Debt/EBITDA (x)	~ 9.0	~ 7.0	6.0 - 7.0
FFO/debt (%)	~ 4.0	~ 7.0	7.0- 9.0
EBITDA interest coverage (x)	1.0-1.4	1.5-2.0	1.5 - 2.5
EBITDA margin (%)	~7.0	8.0 - 9.0	9.0 - 9.5

## Issue Ratings--Recovery Analysis

### Key analytical factors

We revised down our recovery rating to '4' from '3' on the company's senior unsecured notes, given higher leverage and weaker cash flow prospects, leading to an estimated recovery of 45% in a simulated default. We lowered the rating on the senior unsecured notes, either issued or guaranteed by Braskem, to 'BB-', due to our '4' recovery rating on these notes. We also lowered the rating on the company's subordinated notes issued in 2020 to 'B-'. The three-notch difference between the subordinated notes rating and ICR reflects our deduction of:

- Two notches to reflect subordination to the company's senior debt obligations; and
- One notch for loss absorption or cash conservation features. Braskem's coupon deferral is discretionary and not limited in time.

Our simulated default scenario assumes a payment default in 2029 due to persistent weak petrochemical spreads and challenging market conditions preventing the company's cash flow from improving. Our simulated default scenario assumes the company is restructured as a going concern, rather than liquidated, because of its solid market position in the markets it operates.

We derive our distressed enterprise value for Braskem by applying a 5.5x multiple to our estimated emergence EBITDA of about R\$4.3 billion. The 5.5x multiple is aligned with the one we use for industry peers with similar business strengths.

### Simulated default assumptions

- Simulated year of default: 2029
- Jurisdiction: Brazil
- Emergence EBITDA: R\$4.3 billion
- EBITDA multiple: 5.5x

### Simplified waterfall

- Net enterprise value (after 5% administrative expenses): R\$22.4 billion
- Senior unsecured debt: R\$46.6 billion (senior notes, debentures and bank loans)
- Recovery expectations for senior unsecured notes and debentures: 45%

Note: All debt amounts include six months of prepetition interest.

## Rating Component Scores

### Rating Component Scores

Component	
Foreign currency issuer credit rating	BB-/Watch Neg/--
Local currency issuer credit rating	BB-/Watch Neg/--
Business risk	Satisfactory
Country risk	Moderately high risk
Industry risk	Moderately high risk
Competitive position	Satisfactory
Financial risk	Highly leveraged
Cash flow/leverage	Highly leveraged
Anchor	b+
Modifiers	
Diversification/portfolio effect	Neutral/Undiversified
Capital structure	Neutral
Financial policy	Neutral
Liquidity	Adequate
Management and governance	Moderately negative
Comparable rating analysis	Positive
Stand-alone credit profile	bb-

## Related Criteria

- [Criteria | Corporates | General: Sector-Specific Corporate Methodology](#), July 7, 2025
- [General Criteria: Hybrid Capital: Methodology And Assumptions](#), Feb. 10, 2025
- [Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities](#), Jan. 7, 2024
- [Criteria | Corporates | General: Corporate Methodology](#), Jan. 7, 2024
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments](#), April 1, 2019
- [Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings](#), March 28, 2018
- [Criteria | Corporates | General: Recovery Rating Criteria For Speculative-Grade Corporate Issuers](#), Dec. 7, 2016
- [General Criteria: Guarantee Criteria](#), Oct. 21, 2016
- [Criteria | Corporates | Recovery: Methodology: Jurisdiction Ranking Assessments](#), Jan. 20, 2016
- [Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers](#), Dec. 16, 2014

- [General Criteria: Country Risk Assessment Methodology And Assumptions](#), Nov. 19, 2013
- [General Criteria: Methodology: Industry Risk](#), Nov. 19, 2013
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

## Ratings List

### Ratings list

#### Downgraded; CreditWatch Action

	To	From
<b>Braskem S.A.</b>		
Issuer Credit Rating	BB-/Watch Neg/--	BB/Negative/--

#### Downgraded; CreditWatch Action; Recovery Ratings Revised

	To	From
<b>Braskem Netherlands Finance</b>		
<b>Braskem America Finance Co.</b>		
Senior Unsecured	BB-/Watch Neg	BB
Recovery Rating	4(45%)	3(55%)
<b>Braskem Netherlands Finance</b>		
Subordinated	B-/Watch Neg	B

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