

Research Update:

Braskem S.A. Downgraded To 'B+' On Reduced Financial Flexibility; Outlook Negative

September 18, 2025

Rating Action Overview

- While Braskem continues working to improve profitability and preserve liquidity, S&P Global Ratings expects these may not be enough to revert the company's cash burn over the coming quarters.
- We expect very high leverage and reduced financial flexibility that are no longer commensurate with a 'BB-' rating, in our view.
- On Sept. 18, 2025, S&P Global Ratings lowered its global scale issuer credit rating on Braskem to 'B+' from 'BB-'. We also lowered our issue-level ratings on the company's senior unsecured notes to 'B+' from 'BB-' and on its subordinated notes to 'CCC+' from 'B-'. We removed all these ratings from CreditWatch with negative implications, where we had placed them on Aug. 22, 2025.
- The outlook is negative, reflecting the chances of another downgrade in the coming months if the company doesn't substantially improve its operating and cash flow performance from the first half of the year.

Rating Action Rationale

We continue to see risks that Braskem's measures to improve its profitability and liquidity won't be enough to mitigate its cash burn in the coming quarters. Braskem is actively pursuing various initiatives, including cost reductions, improvements in working capital efficiency, and potential asset sales. We also anticipate that it will benefit from recently imposed anti-dumping duties on polyethylene imports from the U.S. and Canada. Nonetheless, we expect Braskem's main credit metrics to remain aligned with a lower rating category for the next 12 months, with debt to EBITDA above 7.0x and funds from operations to debt below 7% for 2025 and 2026.

We also think performance could be weaker than we're forecasting in our base-case scenario. This concern stems from the challenging supply and demand dynamics within the petrochemical industry, leading to weak petrochemical spreads and weaker operating rates and margins. We

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expect persistently high leverage for Braskem in the current and subsequent years--coupled with a weaker liquidity position--which could raise the company's refinancing risk. However, this is not an immediate concern and is mitigated at the current rating level by the company's low short-term debt maturities.

Braskem Idesa's engagement of restructuring advisors should not trigger any immediate impact to Braskem. Earlier this month, Braskem disclosed that its subsidiary Braskem Idesa S.A.P.I. (CCC/Watch Neg/--) had retained restructuring advisors, indicating the possibility of a distressed debt restructuring or a potential payment default in the short term. As a result, we lowered our ratings on Braskem Idesa.

We maintain our view that the ratings on Braskem S.A. and Braskem Idesa are not linked, as we believe the joint venture structure limits the ability of the shareholders--Braskem and Idesa--to unduly influence the strategy and cash flow of Braskem Idesa. Also, all the debt of Braskem Idesa is structured on a nonrecourse basis; therefore, a potential default by Braskem Idesa would not trigger a cross-default on Braskem's existing debt but S&P believes that could reduce the company's financial flexibility in the future. We also don't expect Braskem to contribute any cash to its Mexican subsidiary.

Outlook

The negative outlook reflects chances of another downgrade in the next six months if the company doesn't substantially improve its operating and cash flow from the first half of the year, which would indicate a further deterioration of the company's liquidity and financial flexibility.

Downside scenario

We could lower the ratings in the next six months if:

- The company's financial flexibility and liquidity continue to deteriorate due to high cash burn and the company can't renew its revolving credit line until this December (one year before it matures), or
- We were to again revise down our forecasts for revenue and profitability.

Upside scenario

We could revise the outlook to stable if we were to expect material improvements in Braskem's profitability and credit metrics relative to our current base-case scenario. This could include leverage falling below 6x by 2026, potentially through increased tax relief from REIQ and PRESIQ being discussed in Congress (which would reduce the company's costs), and a greater-than-anticipated boost from the recently implemented anti-dumping duties.

Company Description

Braskem is the largest thermoplastic resins producer in the Americas, with leading positions in polyethylene, 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 per US\$1 of Brazilian real (R\$) 5.75 in 2025, and R\$5.8-R\$5.9 in 2026 and 2027.
- Brent crude oil price of US\$60 per barrel for the rest of 2025 and US\$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 at maintenance levels of about US\$400 million in 2025 and 2026, and strategic investments for capacity expansion under tax-exempt investments (REIQ). 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 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	48,000-51,000	48,000-52,000
Cash and short-term investments (reported)	9,000-9,500	7,000-7,500	6,500-7,500
Adjusted ratios			
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

Rating Component Scores

Rating Component Scores

Component	
Foreign currency issuer credit rating	B+/Negative/--
Local currency issuer credit rating	B+/Negative/--
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	Neutral
Stand-alone credit profile	b+

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: Corporate Methodology](#), Jan. 7, 2024
- [Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities](#), 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: Methodology: Industry Risk](#), Nov. 19, 2013
- [General Criteria: Country Risk Assessment Methodology And Assumptions](#), Nov. 19, 2013
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

Related Research

- [Is It All Doom And Gloom For The Global Chemical Industry?](#), Aug. 21, 2025

Ratings List

Ratings list		
Downgraded		
	To	From
Braskem S.A.		
Issuer Credit Rating	B+/Negative/--	BB-/Watch Neg/--
Braskem Netherlands Finance		
Senior Unsecured	B+	BB-/Watch Neg
Subordinated	CCC+	B-/Watch Neg
Braskem America Finance Co.		
Senior Unsecured	B+	BB-/Watch Neg
Recovery Ratings Unchanged		
Braskem Netherlands Finance		
Braskem America Finance Co.		
Senior Unsecured		
Recovery Rating	4(45%)	

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at <https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria> for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352>. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

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