

## RATING ACTION COMMENTARY

# Fitch Downgrades Braskem's IDR to 'BB-'; Places on Rating Watch Negative

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Fitch Ratings - São Paulo - 12 Aug 2025: Fitch Ratings has downgraded Braskem S.A.'s Issuer Default Ratings (IDRs) to 'BB-' from 'BB'. Fitch has also downgraded Braskem America Finance Company's senior unsecured ratings to 'BB-' from 'BB' and Braskem Netherlands Finance B.V.'s senior unsecured rating and subordinated rating to 'BB-' from 'BB' and to 'B' with a Recovery Rating of 'RR6' from 'B+/'RR4', respectively. Furthermore, Braskem S.A.'s National Scale rating was downgraded to 'AA(bra)' from 'AAA(bra)'. The ratings were placed on Negative Watch.

The downgrade reflects Braskem's persistently weak financial profile, especially after Q2 results, leading to a higher net leverage forecast (excluding Braskem Idesa) exceeding 'BB' rating triggers for 2025-2026. Industry challenges and dependence on government decisions limit performance improvement.

The Negative Watch signals tighter liquidity driven by recurring cash burn and operational underperformance that, combined with intensifying event risks, could limit the ability to access capital markets along with larger debt maturities in the medium term.

## KEY RATING DRIVERS

**Metrics Commensurate with 'B' Category:** Braskem's financial profile remains under significant stress, and weak Q2 results prompted Fitch to revise its net leverage forecast (excluding Braskem Idesa) to the low teens for 2025 and 2026 – well above 'BB' rating triggers. This elevated indebtedness is a direct result of prolonged weak petrochemical spreads and sustained sector headwinds. The slower deleveraging and the company's current financial position offer little buffer against additional market, operational or macroeconomic shocks. Braskem's path to deleveraging is largely dependent on industry recovery, leaving it vulnerable should adverse conditions persist or intensify.

**FCF to Remain Negative:** In Fitch's view, Braskem's free cash flow before disbursements related to Alagoas is expected to remain negative through at least 2027, despite management's ongoing efforts to reduce costs and preserve cash. Fitch projects EBITDA of approximately USD600 million in 2025 and USD700 million in 2026, but these levels remain insufficient to offset rising net working capital requirements and annual maintenance investments of USD400 million. The persistent cash burn and the need to support operations amid subdued EBITDA generation erodes financial flexibility and may signal rising refinancing risks.

**Challenged Liquidity, Weak Cash Generation:** Braskem's liquidity, previously a core strength, has significantly declined in Fitch's view. 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 bonds, followed by those due in 2030 and 2031 — heightens this risk. Moreover, market speculation regarding the potential sale of Novonor's stake adds another layer of uncertainty.

**Volatile Industry:** The petrochemical sector is experiencing an unprecedented downturn, characterized by significant margin compression due to persistent global overcapacity and fundamental changes in supply and demand dynamics. Elevated volatility has increased uncertainty around earnings recovery, making it difficult for Braskem to restore credit metrics consistent with higher rating categories. The expected industry rationalization, such as the shutdown of less profitable plants, has not occurred at the necessary pace. This may be attributable to government support, subsidies for certain companies, or high contractual costs which are delaying the supply-demand balance.

**Persistent Event Risks Increase Uncertainty:** The speculative possibility that a new controlling shareholder could initiate debt renegotiations adds further instability to an already complex situation. Fitch believes that if a binding offer materializes and a transaction proceeds, Petrobras is unlikely to have enough blocking rights over new shareholder decisions, although it has indicated its intentions to increase influence by revising the current shareholder agreement and raising its stake, though not above 50%. Additional risks, including restricted access to financial markets, non-renewal of the RCF, and debt reprofiling, could further impair financial flexibility.

**Solid Business Profile:** Braskem retains a solid business profile as the seventh largest petrochemical company globally and the market leader in Brazil. Its integrated operations and dominant positions in key product segments provide competitive advantages throughout the cycle. Nonetheless, the company faces the challenge of

reducing its reliance on naphtha to enhance its positioning on the global ethylene cost curve. The development of the green polyethylene market could be transformational for the company in the long run.

## PEER ANALYSIS

Braskem's ratings are below its main peers due to persistently weak credit metrics, negative free cash flow 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) retains its rating through 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 Netherlands Finance B.V.'s 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 subordinated notes is in the 'RR6' band.

## RATING SENSITIVITIES

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

- Sustained negative FCF in the next six to 12 months that significantly reduces financial flexibility;
- Any event concerning the change of control that hinders capital market access could lead to a multi-notch downgrade;
- The non-renewal of the revolving credit facility due in December 2026, resulting from stressed financing conditions;
- Material additional contingent claims for the geological event in Alagoas;
- Material financial support to Braskem Idesa;
- Net debt/EBITDA above 5.5x, on average through the cycle, excluding Braskem Idesa;
- Sustained EBITDA interest coverage below 1.0x.

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

- Net debt/EBITDA below 4.0x on average through the cycle, excluding Braskem Idesa;
- Neutral to positive FCF through the cycle, excluding disbursements for Alagoas.

**LIQUIDITY AND DEBT STRUCTURE**

Braskem's liquidity position has steadily worsened since 2022, when the company held USD2.4 billion in readily available cash and marketable securities — enough to cover all liabilities for the next 60 months. By June 30, 2025, this cushion had diminished to USD1.7 billion, providing only 30 months of coverage, while gross debt rose from USD6.8 billion to USD8.5 billion. Braskem's financial flexibility is supported by a USD1 billion unused revolving credit facility maturing in 2026.

However, Fitch views the risk of liquidity stress as increasingly elevated if the current rate of cash burn persists over the coming year, particularly as the sizable debt amortization scheduled for January 2028 draws nearer.

**ISSUER PROFILE**

Braskem S.A. produces and sells chemicals, petrochemicals, fuels, steam, water, compressed air and industrial gases. The company has plants in Brazil, the U.S., Germany and Mexico that 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 Macro and Sector Forecasts 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, to relocate over 14,000 families from neighboring areas, which 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.					
senior unsecured	LT	BB-	Downgrade		BB
subordinated	LT	B	Downgrade	RR6	B+
Braskem America Finance Company					
senior unsecured	LT	BB-	Downgrade		BB
Braskem S.A.	LT IDR	BB-	Downgrade		BB
	LC LT IDR	BB-			BB
	Downgrade				
	Natl LT	AA(bra)			AAA(bra)
	Downgrade				
senior unsecured	Natl LT	AA(bra)			AAA(bra)
	Downgrade				

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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), v8.1.0 ([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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