

Braskem Netherlands' Proposed Senior Unsecured Notes Rated 'BB+'; Intermediate Equity Content Revised On Hybrid Notes

October 7, 2024

SAO PAULO (S&P Global Ratings) Oct. 7, 2024--S&P Global Ratings today assigned its 'BB+' issue-level rating to Braskem Netherlands Finance's proposed senior unsecured notes. Parent company Braskem S.A. (BB+/Negative/--) will guarantee the notes unconditionally and irrevocably.

The company intends to use the proceeds to repurchase debt, including its 2081 subordinated notes. The latter have a step-up clause that would increase the interest rate to the relevant five-year U.S. treasury rate plus 8.220% starting January 2026, from the current 8.5% rate. As a result, if the company succeeds in the notes repurchase, it would reduce its interest burden.

We previously assessed the 2081 subordinated notes as having intermediate equity content. Because the company will now repurchase part or all the notes and replace them with senior unsecured debt that has no equity-like characteristics, we now view the subordinated notes as having no equity content. This results in an about \$300 million increase in our adjusted debt calculation for Braskem, or an about 0.2x rise in leverage. However, the increase does not materially affect our main cash-flow leverage ratio calculations and our financial risk profile assessment.

Our global scale issuer credit rating on Braskem has a negative outlook, which continues to reflect challenges to improve margins and reduce leverage amid prolonged weak industry conditions. We are monitoring how these challenges could be counterbalanced by the recent increase in import tariffs for petrochemicals in Brazil and more favorable foreign exchange dynamics for the company.

For our most recent detailed analysis of Braskem, see "Braskem S.A. Outlook Revised To Negative On Slower Spreads Recovery; Ratings Affirmed," published Sept. 13, 2024, on RatingsDirect.

Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, April 4, 2024
- 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: National And Regional Scale Credit Ratings Methodology, June 8, 2023

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- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- 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: Recovery Rating Criteria For Speculative-Grade Corporate Issuers, Dec. 7, 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: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Braskem S.A. Outlook Revised To Negative On Slower Spreads Recovery; Ratings Affirmed, Sept. 13, 2024,

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 www.spglobal.com/ratings for further information. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

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