

RATING ACTION COMMENTARY**Fitch Downgrades Braskem's Ratings to 'BB'; Outlook Stable**

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Fitch Ratings - São Paulo - 27 May 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+/RR4' from 'BB-', respectively. Fitch has affirmed Braskem's National Scale rating at 'AAA(bra)'. The Rating Outlook is Stable.

The downgrade reflects Braskem's prolonged lower-cycle petrochemical spreads, resulting in a weaker financial profile than Fitch previously projected. The company is working to mitigate cash burn with initiatives such as asset and investment rationalization, cost reduction, renegotiation efforts, and promoting competitiveness in local industry.

Fitch anticipates that Braskem's financial flexibility will remain a core strength during market instability until recovery occurs. Any further negative developments related to the geological event in Alagoas could pressure the ratings.

KEY RATING DRIVERS

Prolonged Petrochemical Downturn: The current downturn in the petrochemical sector is unprecedented in depth and duration and could reduce future mid-cycle margins compared to previous decades. Structural shifts include significant supply shocks from increased PE capacity in the US, increased integration and self-sufficiency in China, and the possible reduction of global naphtha supply by rationalization and reconfiguration of refineries in Europe. Fitch expects recovery to be gradual, starting in 2028. Geopolitical tensions and weak global macroeconomic performance increase uncertainty about whether market players will adapt strategies for preserving cash.

Medium-Term Leverage Above Triggers: Fitch forecasts Braskem's net leverage, excluding Braskem Idesa, will be 6.0x in 2025 and 5.0x in 2026. As spreads improve

slightly, despite remaining below midcycle conditions, leverage should fall to 3.5x in 2027.

Braskem is actively pursuing initiatives to preserve cash, with some on track to resolve in the coming months. These initiatives could create USD500 to USD700 million in EBITDA annually. They include investment prioritization, asset rationalization, cost reduction, expansion of the Renewable Energy Incentive Qualification special tax regime, implementation of antidumping measures and maintenance of import tax. Furthermore the ramp-up of green polyethylene (PE) is another upside.

FCF Anticipated to Reach Neutrality: Driven by some of the new initiatives, Fitch forecasts that FCF, excluding disbursements related to Alagoas, will break even this year. EBITDA is projected to be approximately USD 1.1 billion in 2025 and USD 1.4 billion the year after, with annual investments totaling USD 550 million, comprising USD 400 million for maintenance and USD 150 million for strategic purposes related to REIQ Investimentos, without impact in cash flows. Fitch projects FCF will be neutral to slightly positive through 2026 and close to USD 500 million in 2027.

Solid Business Profile: Braskem maintains strong market positions as the seventh largest petrochemical company globally. In Brazil, it is the leader with the only integrated operations, commanding over 50% market share in its two primary products, PE and polypropylene (PP), which account for 60% of its revenues. Braskem is the largest PP producer in the U.S., bolstered by a modern and cost-efficient facility. 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 PE market could be transformational for the company in the long run.

Sale of Novonor's Stake: Braskem's ratings do not incorporate the potential impact of the recent announcement regarding Nelson Tanure's offer to acquire control of Braskem from Novonor. If the transaction moves forward, Fitch will assess the rating implications once there is more visibility into the outcome and guidelines for strategic, operational, and financial policies.

PEER ANALYSIS

Fitch expects Braskem's leverage to be elevated at around 6.0x in 2025, due to the prolonged sector downturn and geopolitical tensions affecting cash flow stability. To counter these pressures, Braskem is pursuing asset rationalization, cost reduction initiatives and other measures to protect the local industry. In contrast, peer Westlake Corporation (BBB/Stable) benefits from cost-advantaged natural gas liquids-based feedstocks, supporting robust free cash flow and maintaining leverage below 2.0x. Its

diversified operations in chlor-alkali and ethylene chains provide a stable financial outlook despite cyclical construction demand pressures.

Dow Inc. (BBB+/Stable) and LyondellBasell Industries (BBB/Stable), with their scale and diversification, demonstrate financial resilience. Dow's significant size and feedstock flexibility support stable margins and consistent free cash flow, with EBITDA leverage expected to improve below 2.3x by 2025. Strategic sustainability investments further position Dow for growth amid industry-wide capacity additions. LyondellBasell leverages access to competitively priced North American feedstocks to maintain resilient margins. Its focus on sustainability enhances competitive positioning, although macroeconomic headwinds may limit immediate EBITDA growth.

Orbia (BBB/Stable) leverages product and geographic diversification to maintain financial flexibility, with net leverage expected to decline below 2.5x by 2026. Backward integration in PVC and fluorine businesses provides stability despite sector volatility.

Alpek (BBB-/Stable) focuses on value-added products and efficiency initiatives, projecting leverage improvements from 2.5x in FY 2024 to 2.0x by FY 2026.

Cydsa (BB+/Stable) benefits from diversified operations and strong domestic brand recognition, maintaining EBITDA margins above 28%. Strategic investments in technology enhance its cash flow profile, supporting its rating despite its smaller scale.

KEY ASSUMPTIONS

-- Brazil PE projected revenue of USD4.4 billion, USD4.7 billion and USD4.8 billion during 2025-2027;

-- Brazil PP projected revenue of USD2.0 billion USD2.0 billion and USD2.2 billion during 2025-2027;

-- Brazil vinyls projected revenue of USD680 million, USD680 million and USD700 million during 2025-2027;

-- Brazil ethylene/propylene projected revenue of USD830 million, USD950 billion and USD950 billion during 2025-2027;

-- U.S. and Europe PP projected revenue of USD3.0 billion, USD3.4 billion and USD3.6 billion during 2025-2027;

-- PE-ethane reference spreads of USD795/ton in 2025, USD820/ton in 2026 and USD825/ton in 2027;

-- PE-naphtha reference spreads of USD465/ton in 2025, USD465/ton in 2026 and USD470/ton in 2027;

-- PP-propylene reference spreads of USD440/ton in 2025, USD460/ton in 2026 and USD475/ton in 2027;

-- PVC reference spreads of USD340/ton in 2025, USD380/ton in 2026 and USD410/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 USD2 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 'RR1' band. However, according to Fitch's Country-Specific Treatment of Recovery Ratings Criteria, the Recovery Rating for corporate issuers in Brazil is capped at 'RR4'.

RATING SENSITIVITIES

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

--Net debt/EBITDA above 4.5x, on average through the cycle, excluding Braskem Idesa;

--Sustained negative FCF at the bottom of the cycle that results in incurring additional debt;

--Sustained EBITDA interest coverage below 1.0x;

--Material additional contingent claims for the geological event in Alagoas;

--Material financial support to Braskem Idesa.

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

--Net debt/EBITDA below 3.0x on average through the cycle, excluding Braskem Idesa;

--Neutral to positive FCF through the cycle, excluding disbursements for Alagoas.

LIQUIDITY AND DEBT STRUCTURE

Braskem adopts a conservative financial strategy to limit the risks associated with its exposure to the cyclical and capital-intensive nature of the petrochemical business. The company has a strong cash position, with USD2.0billion of readily available cash and marketable securities as of March 31, 2025, excluding Braskem Idesa (USD266 million). Gross debt stands at USD8.5 billion, USD185 million of which is due in 2025 and USD355 million in 2026.

The company's financial flexibility is enhanced by a USD1 billion unused revolving credit facility due in 2026, and we expect them to remain committed to preserving liquidity by maintaining a conservative dividend policy particularly while leverage is above 2.5x. The company can reduce capex and fixed costs, optimize working capital and monetize tax credits as market conditions linger.

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+
senior unsecured	LT	BB	Downgrade		BB+

subordinated	LT	B+	Downgrade	RR4	BB-
Braskem America Finance Company					
senior unsecured	LT	BB	Downgrade		BB+
Braskem S.A.	LT IDR	BB	Downgrade		BB+
	LC LT IDR	BB	Downgrade		BB+
	Natl LT	AAA(bra)			AAA(bra)
	Affirmed				
senior unsecured	Natl LT	AAA(bra)	Affirmed		AAA(bra)

VIEW ADDITIONAL RATING DETAILS

Additional information is available on www.fitchratings.com

PARTICIPATION STATUS

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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. 06 Dec 2024) (including rating assumption sensitivity)
- Metodologia de Ratings Corporativos (pub. 06 Dec 2024)

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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