FitchRatings

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Fitch Affirms Dexco's IDRs at 'BB'; Outlook Stable

Fitch Ratings - Rio de Janeiro - 18 Nov 2026: Fitch Ratings has affirmed Dexco S.A.'s Long-Term Foreign- and Local-Currency Issuer Default Ratings (IDRs) at 'BB' and its National Long-Term Rating and the unsecured debentures rating at 'AAA(bra)'. Fitch has also affirmed Duratex Florestal S.A.'s unsecured issue rating at 'AAA(bra)'. The Rating Outlook is Stable.

The ratings reflect Dexco's leading position in Brazil's wood panel market and competitive advantages that are difficult to replicate. They also incorporate the company's strong position in Brazil's building-finishing products market, moderate leverage, robust liquidity and manageable debt maturity profile. The National Long-Term Rating further reflects Dexco's strong financial flexibility relative to other Brazilian issuers.

The Stable Outlook reflects Fitch's expectation that Dexco will continue to adjust operating capacity and costs to support profitability and cash flow generation, while maintaining disciplined investments and shareholder distributions. Fitch expects EBITDA leverage and EBITDA net leverage to remain below 4.0x and 2.5x, respectively. Key challenges include sustaining its recovery in the metals and sanitary ware businesses and improving profitability in the ceramic tiles segment.

Key Rating Drivers

Challenging Market Conditions: Dexco continues to operate amid weak building-material demand, as high interest rates and elevated household indebtedness constrain discretionary consumption and home renovation spending. Affordable housing supports construction activity, but this has had a limited spillover into finishing materials. Market conditions remain particularly challenging for Ceramic Tiles and Metals & Sanitary Ware due to weak retail demand, industry overcapacity and pricing pressure. Wood demand remains comparatively resilient, supporting Dexco's consolidated operating performance.

Moderate Leverage: Dexco's ability to adjust operating capacity and costs amid challenging market conditions has supported profitability, cash flow generation and deleveraging. Fitch forecasts EBITDA leverage and EBITDA net leverage to decline below 4.0x and 2.5x, respectively, over the next two years, from 4.7x and 3.2x in 2025. Further deleveraging will depend on improved operating cash flow and continued discipline regarding capex and shareholder distributions.

FCF to Turn Positive: Fitch expects Dexco's FCF to turn positive in 2026 after remaining negative through 2025, supported by stronger operating cash generation, working-capital management and disciplined capex. Fitch forecasts EBITDA and CFFO of BRL2.1 billion and BRL1.8 billion, respectively, in 2026, declining to BRL2.0 billion and BRL1.2 billion in 2027 due to limited ability to fully pass through higher costs. Sustaining positive FCF will depend on working-capital discipline, capex control and prudent shareholder distributions. Fitch assumes capex of about BRL900 million in 2026 and an average of BRL1.0 billion annually from 2027, while dividends remain at 30% of net income, in line with the company's bylaws.

Strong Business Position in Wood: Dexco's ratings are underpinned by its leading position in the Brazilian wood panel market, which supports cash flow generation. The company's large scale and wood self-sufficiency are key competitive advantages. Dexco is Brazil's largest wood panel producer, with about 34% of market participation. The segment generated BRL1.9 billion of EBITDA in the LTM ended September 2026, supported by raw wood sales amid shortages in the domestic market. Fitch forecasts average EBITDA of about BRL1.9 billion over the medium term, reflecting a manageable ability to pass through higher raw-material costs in a weak demand environment. The wood division represented about 65% of total revenue and nearly all of Dexco's EBITDA over the past two years.

Slight Recovery in Other Divisions: Fitch expects a limited recovery in Dexco's Metals & Sanitary Ware businesses from 2026 after several quarters of weak results. This business unit represents 22% of Dexco's total revenue. Measures to restore

margins include divesting unprofitable operations and reducing G&A expenses. Fitch expects these measures to support EBITDA of BRL196 million in 2026 and BRL160 million in 2027. This would remain below 2022 profitability, before market conditions became more challenging. The ceramic tiles segment represents about 10% of total revenue and remains challenged. Weak market conditions and high interest rates constrain Dexco's ability to restore profitability fully and generate cash flow from the new Botucatu facility. Fitch expects the segment to still report slightly negative EBITDA in 2026 and 2027.

JV Financing Structure: Dexco's 49% stake in dissolving wood pulp producer LD Celulose S.A. (LDC; BB-/Stable) provides some business diversification and should support hard-currency dividend inflows over the longer term. LDC completed a liability-management transaction in October 2024 that removed Dexco's debt guarantees, reducing Dexco's adjusted leverage. Fitch's rating case incorporates small dividends from LDC during 2025-2027, as LDC remains focused on deleveraging.

Peer Analysis

Dexco's closest competitor in the wood segment is Celulosa Arauco y Constitucion S.A. (BBB-/Outlook Stable). Dexco has a weaker business risk profile than Arauco as the latter has greater operating scale, strong revenue flow from the pulp division and a more export-oriented business profile. By contrast, Dexco is more exposed to demand from the local market. In the ceramic tile segment, Dexco's closest competitor is PBG S/A (RD(bra)). Dexco has a stronger business profile than PBG, with a robust cash flow from the wood division, as well as a stronger capital structure and greater financial flexibility. PBG's rating reflects its failure to make principal and/or interest payments on its fifth and sixth debenture issuances. Although debenture holders granted a waiver, Fitch considers the waiver a modification of the transactions' original contractual terms.

RATING SENSITIVITIES

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

--EBITDA leverage and EBITDA net leverage ratios sustained above 4.5x and 3.5x, respectively;

--Inability to recover profitability in the finishing division and/or adverse environment in the wood division, resulting in EBITDA margin below 18% and/or cash flow generation below our estimates;

-- FCF turns negative on a sustainable basis.

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

--Consistent turnaround of the finishing division on a sustainable basis, with maintenance of solid performance in the wood division;

--- EBITDA leverage and EBITDA net leverage below 3.5x and 2.5x, respectively, on a sustained basis;

--Sustained reduction in gross debt.

Liquidity and Debt Structure

Dexco has historically maintained strong cash reserves and an extended debt amortization profile. In September 2026, Dexco had BRL3.3 billion of cash and marketable securities and BRL8.4 billion of total debt. The company's current cash position plus its BRL750 million of unused RCF cover amortization up to 2027 by 2.3x. Dexco enjoys strong access to both the debt and equity markets. Financial flexibility is further enhanced by the potential sale of forestry assets and/or less strategic assets, if necessary, coupled with the partnership with financial sponsors to some forest assets. The accounting value of Dexco's biological assets was BRL3.1 billion as of Sept. 30, 2026.

In September 2026, Dexco's debt comprised BRL2.8 billion of agricultural receivables certificates (Certificado de Recebíveis do Agronegócio - CRA), BRL1.7 billion of rural products notes (Cédula de Produto Rural - CPR) and BRL1.6

billion of debentures, among others. Fitch considers the BRL350 million transaction with financial sponsors of Dexco's forestry subsidiaries as debt under its methodology. The debt is denominated in local currency and carries a competitive cost.

Corporate Rating Tool Inputs and Scores

Fitch scored the issuer as follows, using our Corporate Rating Tool (CRT) to produce the Standalone Credit Profile (SCP):

Business and financial profile factors (assessment, relative importance): management ('bbb', Lower), sector characteristics ('bb', Higher), market and competitive positioning ('bb+', Moderate), diversification and asset quality ('bb', Moderate), company operational characteristics ('bbb-', Moderate), profitability ('bbb+', Lower), financial structure ('bb', Higher), and financial flexibility ('bb', Moderate).

The quantitative financial subfactors are based on custom CRT financial period parameters: 20% weight for the forecast year 2026, 40% for the forecast year 2027 and 40% for the forecast year 2028.

The governance assessment of 'good' has no impact.

The operating environment assessment of 'bb' has no impact.

The SCP is 'bb'.

To derive the Long-Term IDR:

Fitch made no adjustments to the SCP, resulting in an IDR of 'BB'.

Issuer Profile

Dexco is the leading wood panel producer in Brazil, with 3.2 million cubic meters of annual domestic production and 0.2 million cubic meters in Colombia. Dexco is also one of the largest producers of sanitary ware and metals in Brazil and one of the main ceramic tile producers.

Summary of Financial Adjustments

--Fitch excludes asset impairments, gains or losses on asset sales, changes in the fair value of biological assets and business-restructuring effects from EBITDA;

-- Fitch considers preferred share issuances by forestry JVs as debt.

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 Sector Forecasts Monitor 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.

Climate Vulnerability Signals

The results of our Climate.VS screener did not indicate an elevated risk for Dexco S.A..

ESG Considerations

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/environmental-social-and-governance-considerations.

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Rating Actions

ENTITY/DEBT	RATING			RECOVERY	PRIOR
Dexco S.A.	LT IDR	BB	Affirmed		BB
	LC LT IDR	BB	Affirmed		BB
	Natl LT	AAA(bra)	Affirmed		AAA(bra)
• senior unsecured	Natl LT	AAA(bra)	Affirmed		AAA(bra)
Duratex Florestal Ltda.					
• senior unsecured	Natl LT	AAA(bra)	Affirmed		AAA(bra)

RATINGS KEY	OUTLOOK	WATCH
POSITIVE		
NEGATIVE		
EVOLVING		
STABLE		

Applicable Criteria

Sector Navigators – Addendum to the Corporate Rating Criteria (pub.09 Jan 2026)

National Scale Rating Criteria (pub.22 Dec 2020)

Corporate Rating Criteria (pub.09 Jan 2026) (including rating assumption sensitivity)

Metodologia de Ratings Corporativos (pub.09 Jan 2026)

Metodologia de Ratings em Escala Nacional (pub.22 Dec 2020)

Applicable Models

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Corporate Monitoring & Forecasting Model (COMFORT Model), v8.2.0 (1)

Additional Disclosures

Solicitation Status

Endorsement Status

Dexco S.A.	EU Endorsed, UK Endorsed

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The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. For more details on sector-specific best- and worst-case scenario credit ratings, please see Best- and Worst-Case Measures under the Rating Performance page on Fitch’s website.

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