WACKER CHEMIE AG

HRB 159705 CORPORATE

BBB ISSUER RATING
LongTerm

OUTLOOK
Negative

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RATING ACTION AND RATIONALE

- EthiFinance Ratings affirms Wacker Chemie AG's long-term rating at "BBB", changing the outlook from Stable to Negative.
- Wacker Chemie AG is a Germany-based manufacturer of specialty chemical products. It operates through four segments: Silicones, Polymers, Biosolutions, and Polysilicon.
- Our rating affirmation reflects a resilient financial risk profile which, despite a deterioration in credit metrics in FY24 and 9M25 relative to FY23 and 9M24, remains consistent with the BBB rating following the removal of the previous rating cap. The cap had constrained the final rating at BBB in our previous review even though the anchor rating was BBB+. In FY24, sales declined by 10.6% year-on-year, in line with our expectations, driven by continued volume weakness in Polysilicon amid subdued solar-grade demand and persistent Chinese oversupply. The adjusted EBITDA margin contracted by 110 bps in FY24 and fell further to 8.2% at end-September 2025 (vs 13.3% in FY23 and 10.9% in 9M24).
- In FY24, the adjusted CFO declined sharply to €310m for the year (vs €936m in FY23), strongly impacted by adverse working capital evolution, including a yoy high inventory level of Polysilicon. This adjusted CFO wasn't sufficient to cover €652m of CapEx and €149m of dividends, resulting in a yoy increase of adjusted net debt, from €1.1bn in FY23 to €1.6bn in FY24, mainly driving net adjusted leverage ratio up from 1.3x to 2.3x. We expect this ratio to weaken further to 3.2x at end-2025 before improving to 2.3x by end-2027, supported by a recovery in EBITDA and stronger free cash flow generation. Interest coverage weakened accordingly, declining from 21.2x in FY23 to 15.3x in FY24, and we foresee a down point of 10.6x in 2025 before improving back to 15.2x by 2027. Despite being the largest polysilicon producer outside China, Wacker has faced two consecutive years of weak demand for polymer and polysilicon materials, partly driven by significant oversupply from Chinese competitors. This imbalance has led to a sharp decline in PV-grade polysilicon prices, from approximately €22/kg at end-December 2022 to around €4.2/kg at end-December 2024 and €5.6/kg today. In response, Wacker plans to scale back CapEx from 11.4% of revenues in FY24 (the peak of our analysis period) to an average of 7.2% over the forecast horizon, reflecting continued low utilisation rates within Wacker's cyclical specialty segments. Given FY25 expected credit metrics deterioration, the uncertainties around Polysilicon near-term recovery, and the related slower pace in credit metrics improvement, we change our outlook from Stable to Negative.
- Our rating is indeed constrained by the company's elevated leverage in the context of weak market conditions in the polysilicon segment, which accounted for c. 25% of total EBITDA. In addition, with around 65% of Wacker's production volume located in Germany, the company faces further macroeconomic headwinds, as the country has become increasingly unattractive for energy-intensive manufacturing relative to competitors, particularly amid sustained oversupply from China. The rating is also constrained by the sector's weak industry risk profile, negatively impacted by ESG considerations and the inherent volatility of profitability linked to the cyclicality of key end-markets such as construction and automotive.
- Under our methodology, the materials & chemicals industry presents a high ESG risk (heatmap score of between 4 and 5) given its impact on the environment, which slightly constrains our industry assessment. As the third largest contributor to industrial CO2 emissions after cement and iron & steel (Source: IEA, 'Net Zero by 2050'), the chemical industry faces the dual imperative of decarbonising its operations and minimising chemical air pollution.
- For FY24, our assessment of the company's ESG policy is neutral (company ESG score of between 1.5 and 3.5), which does not impact our financial risk profile. All in, the negative impact from the industry assessment prevails.

ISSUER DESCRIPTION

Wacker Chemie AG is a German multinational chemical company that was founded in 1914 by Dr. Alexandre Wacker. It operates 27 production sites, of which 10 are based in Europe, 8 in the Americas, and 9 in Asia. The group's key production site being the 'Burghausen' plant in Germany with over 8,000 employees (out of 16,637 in total). Wacker Chemie has 4 main business units:

- **Silicones (49% of FY24 total sales):** This business division produces over 2,800 products from two raw materials (silicon metal and methanol) for the smart construction, e-mobility and renewable energy sectors.

- **Polymers (25% of FY24 total sales)**: Production of binders and polymeric additives that are used in diverse industrial applications or as basic chemicals mostly used in the construction industry.
- **Polysilicon (17% of FY24 total sales)**: Production of hyper pure polysilicon, a key material for the semiconductor and solar cell sectors.
- **BioSolutions (7% of FY24 total sales)**: customer-specific solutions such as pharmaceutical actives, food additives, and agrochemicals.

In 2024, the group generated €5.7bn of revenues and c. €697m in adjusted EBITDA. Our net adjusted leverage ratio stood at 2.3x at end-2024. Wacker is publicly listed on Germany's MDAX with a free float representing c. 33% of its total shareholding and a current market capitalization of around €3.5bn (as of 11 December 2025).

LIQUIDITY

Wacker's liquidity profile is 'good' due to its ability to redeem its financial debts for the next two years without relying on external financing, on top of a strong refinancing profile owing to its investment grade credit profile.

MAIN FINANCIAL FIGURES AND FORECASTS

Main financial figures. millions of EUR	FY23	FY24	FY25e	FY26e	FY27e	*24vs23*
Turnover	6 402	5 722	5 493	5 603	5 827	*-10.6%*
Adj EBITDA (1)	854	697	522	566	682	*-18.4%*
Adj EBITDA Margin (1)	13.3%	12.2%	9.5%	10.1%	11.7%	*-1.2pp*
EBIT	405	290	110	146	245	*-28.3%*
EBIT Margin	6.3%	5.1%	2.0%	2.6%	4.2%	*-1.3pp*
EBT	387	258	61	98	200	*-33.2%*
Total Assets	8 854	9 410	9 119	9 152	9 094	*6.3%*
Equity	4 580	4 837	4 748	4 789	4 896	*5.6%*
Adj Total Financial Debt (2)	2 458	2 814	2 712	2 688	2 493	*14.5%*
Adj Net Financial Debt (2)	1 097	1 600	1 780	1 758	1 682	*45.9%*
Equity/Adj TFD (2)	186%	172%	175%	178%	196%	*-14.5pp*
Adj NFD/ Adj EBITDA (1) (2)	1.3x	2.3x	3.4x	3.1x	2.5x	*1.0x*
Adj Funds From Operations	703	677	482	478	597	*-3.7%*
Adj FFO/ Adj NFD (2)	64%	42%	27%	27%	35%	*-21.8pp*
Adj EBITDA/ Interest (1)	21.2x	15.3x	10.6x	11.9x	15.2x	*-5.9x*

(1) Adjusted EBITDA excludes non-recurring income and expenses but includes dividends received from equity method-accounted companies

(2) Adjusted debt includes the provisions for employee benefits

CREDIT RATING

Credit Rating	
Business Risk Profile	**BB+**
Industry risk assessment	*BB-*
Industry's ESG	*Negative*
Competitive Positioning	*BBB-*
Governance	*BBB+*
Financial Risk Profile	**BBB+**
Cash flow and leverage	*BBB+*
Capitalisation	*A*
Company's ESG	*Neutral*
Anchor Rating	**BBB**
Modifiers	-
Final Rating	**BBB**

RATING SENSITIVITY

Factors that may (individually or collectively) impact the rating:

- **Positive factors (↑).**

Given our negative outlook, an upgrade of our long-term rating is less likely to occur in the near term. All else being equal, any material improvement in the company's financial risk profile would result in a rating cap at BBB. Accordingly, we could upgrade the long-term rating to BBB+ if the company's business risk profile strengthens on a sustained basis. Such an improvement would likely stem mainly from a recovery in solar polysilicon market conditions (pricing and volumes), enabling the company to regain market share in key strategic regions.

- **Negative factors (↓).**

We could downgrade our long-term rating to BBB- if Wacker's financial profile remains in line with our expectations. Furthermore, a worsening of the latter could also lead to a steeper downgrade. This would likely result from continuous weakness in Polysilicon market conditions, reducing sales and profitability and causing Wacker's credit metrics to deviate materially from our forecasts.

Sources of information

The credit rating issued in this report is unsolicited. The credit rating is based exclusively on public information, being the main sources the following:

1. Annual Audit Report.
2. Corporate Governance Report.
3. Corporate Website.
4. Information published in the Official Bulletins.

The information was thoroughly reviewed to ensure that it is valid and consistent, and is considered satisfactory. Nevertheless, EthiFinance Ratings assumes no responsibility for the accuracy of the information and the conclusions drawn from it.

Level of the rated entity participation in the rating process

Unsolicited Credit Rating	
With Rated Entity or Related Third Party Participation	NO
With Access to Internal Documents	NO
With Access to Management	NO

Additional information

- The rating was carried out in accordance with Regulation (EC) N°1060/2009 of the European Parliament and the Council of 16 September 2009, on credit rating agencies. Principal methodology used in this research are :
  - Corporate Rating Methodology - General : https://www.ethifinance.com/download/corporate-rating-methodology-general/?wpdmdl=35203
- The rating scale used in this report is available at https://www.ethifinance.com/en/ratings/ratingScale.
- EthiFinance Ratings publishes data on the historical default rates of the rating categories, which are located in the central statistics repository CEREP, of the European Securities and Markets Authority (ESMA).
- In accordance with Article 6 (2), in conjunction with Annex I, section B (4) of the Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009, it is reported that during the last 12 months EthiFinance Ratings has not provided ancillary services to the rated entity or its related third parties.
- The issued credit rating has been notified to the rated entity, and has not been modified since.

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