BRENNTAG SE

HRB 31943 CORPORATE

BBB ISSUER RATING
LongTerm

OUTLOOK
Negative

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RATING ACTION AND RATIONALE

- EthiFinance Ratings affirms Brenntag SE's long-term rating at BBB, but changes its outlook from Stable to Negative.
- Brenntag is the global market leader in chemical and ingredient distribution, offering a full-line portfolio of specialty and industrial products with value-added services. It operates a unique global network of more than 600 sites across 70+ countries.
- The change in the outlook is explained by the expected deterioration in credit metrics from 2025 onwards on the back of lower EBITDA on average, while maintaining a sustained level of M&A, which is expected to lead to a deterioration of the net leverage and interest coverage ratios to levels no longer commensurate with a BBB rating.
- Our rating remains supported by the company's solid financial risk profile (BBB+), with favourable ratios (on average NFD/EBITDA 2.0x; FFO/NFD >35%; and equity/TFD >100%). This is despite confirmation of the decline in revenues and profitability for FY24. The 3.4% revenues decrease was primarily due to low volumes coupled with weak pricing and an unfavourable FX impact. We expect the margin to decrease again to 8.6% in FY25, driven by continued pricing pressure and flat-to-slightly growing volumes given the current industry environment. By FY27, we anticipate Brenntag's adjusted EBITDA margin to recover to 9.2%, reflecting a return to moderate revenue growth driven by industrial normalization and sustained demand in Asia, alongside the successful integration of the 2024 acquisitions, and further savings from the ongoing efficiency transformation program. In line with these trends, we expect EthiFinance's net adjusted leverage ratio to remain within a range of 2.1x-2.2x throughout our forecast period, a level definitely higher than the 1.4x observed on average over 2022-2024. External growth remains a strategic focus for Brenntag, with the completion in 2024 of 8 acquisitions in both the company's segments, for a total enterprise value (EV) of €550m. The full-year effects of the newly acquired companies are expected to add an impact of 4-6% to FY25 EBITDA. Shareholding and governance also support the current rating, with a prudent financial policy reflected in a solid financial risk profile despite recurring M&A, dividends, and buybacks.
- However, our rating remains constrained by weaker 2024 performance and our industry risk assessment (score of B+), which reflects structurally modest profitability for chemical distributors (c. 6.0% EBIT margin on average in FY24), alongside some volatility and limited growth prospects, in addition to being penalised by ESG considerations. Brenntag also faces intense competition in APAC, with sharp chemical price deflation in China since early 2024 and persistent industrial softness in EMEA and North America, weighing on 2025. In the U.S., tariff volatility on selected chemical imports raises costs and creates supply-chain frictions; given Brenntag's sizable U.S. exposure, partial and delayed pass-through could pressure margins and working capital. In this context, Brenntag has lowered its 2025 operating expectations. The announced CEO and CFO departures add execution risk during a period of end-market weakness and bring additional uncertainty.
- In line with our methodology, the materials & chemicals industry has high ESG risks (heatmap score of between 4 and 5) given its impact on the environment. This results in a sector rating being downgraded one category (three notches) by industry-related ESG considerations. The petrochemicals and material industry is a heavy user of raw materials, which creates a significant impact on local biodiversity through land use, mining, pollution, etc. In addition, the sector has a negative impact on suppliers as dependency is significant. From the company's perspective, lower energy consumption (-8.9%) and reduced emissions intensity (-3.9%) in 2024 had no material impact on our financial risk profile, which continues to have a neutral effect. As a result, our rating remains impacted by industry-specific ESG factors.
- No country risk or controversies have been identified. There is no impact on the rating.

ISSUER DESCRIPTION

Headquartered in Germany, Brenntag SE is a global market leader in chemical and ingredients distribution. The company has a central role in connecting the chemical industry's customers and suppliers. Through its two global divisions: Specialties and Essentials, the company provides a full-line portfolio of industrial, specialty chemicals and ingredients.

Brenntag operates a global network spanning more than 600 sites in 72 countries, working with over 185,000 customers and employing a total workforce of more than 18,100. The group reported revenues of around €16.2bn for c. €1.5bn adjusted EBITDA for FY24, while its net adjusted leverage stood out at 2.0x. Brenntag is listed on German Stock exchange XETRA and had a market capitalization of c. €7.4 bn as of October 1st, 2025.

LIQUIDITY

- **Excellent liquidity profile with strong refinancing capacities**

We assess the liquidity profile of Brenntag as "Good" reflecting its strong refinancing profile and its high level of liquidity even under a stressed scenario.

MAIN FINANCIAL FIGURES & FORECAST

Main financial figures. millions of EUR	FY22	FY23	FY24	FY25e	FY26e	FY27e	24vs23
Turnover	19,429	16,815	16,237	15,750	16,223	16,709	-3.4%
Adj EBITDA (1)	1,772	1,573	1,471	1,347	1,444	1,537	-6.5%
Adj EBITDA Margin (1)	9.1%	9.4%	9.1%	8.6%	8.9%	9.2%	-0.3pp
EBIT	1,382	1,123	915	870	965	1,052	-18.5%
EBIT Margin	7.1%	6.7%	5.6%	5.5%	6.0%	6.3%	-1.0pp
EBT	1,246	1,018	758	729	831	918	-25.5%
Total Assets	11,373	10,338	11,668	11,843	12,217	12,743	12.9%
Equity	4,803	4,357	4,762	4,991	5,305	5,641	9.3%
Adj Total Financial Debt (2)	3,287	2,986	3,712	3,723	3,735	3,875	24.3%
Adj Net Financial Debt (2)	2,241	2,409	2,948	2,999	3,163	3,314	22.4%
Equity/TFD (2)	146.1%	145.9%	128.3%	134.1%	142.0%	145.6%	-17.6pp
Adj NFD/Adj EBITDA (1) (2)	1.3x	1.5x	2.0x	2.2x	2.2x	2.2x	0.5x
Adj Funds From Operations (3)	1,289	1,162	982	979	1,055	1,125	-15.5%
Adj FFO/Adj NFD (2)	57.5%	48.2%	33.3%	32.6%	33.3%	34.0%	-14.9pp
Adj EBITDA/Adj Interest (1)	18.1x	14.6x	10.7x	8.4x	9.4x	10.0x	-3.8x

(1) Adj EBITDA excludes the company's non-recurring adjustements with the exception of the efficiency cost-program which has been considered recurring and is therefore kept within our EBITDA calculation

(2) The financial adjusted debt is inclusive of earn-out clauses and pension benefits

(3) Adj FFO corresponds to the operating cash flow plus the change in working capital and minus the dividend to minorities

RATING SNAPSHOT

Credit Rating	
Business Risk Profile	**BB+**
Industry risk assessment	*B+*
Industry's ESG	*Negative*
Competitive Positioning	*BBB+*
Governance	*BBB+*
Financial Risk Profile	**BBB+**
Cash flow and leverage	*BBB*
Solvency	*A-*
Company's ESG	Neutral
Anchor Rating	**BBB**
Modifiers	*No*
Rating	**BBB**

RATING SENSITIVITY

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

Long-term rating positive factors (↑).

Brenntag's global leadership in chemical and ingredients distribution provides a resilient platform across economic cycles, further supported by its broad diversification in geographies, industries, and customer base. The company's ongoing efficiency programs (DiDEX, SAP implementation) and accretive M&A strategy enhance its ability to sustain margins and free cash flow generation.

From a quantitative standpoint, a material strengthening of the financial profile, evidenced by a net adjusted leverage ratio at or below 1.5x and an EBITDA/interest ratio of at least 12.0x on a sustained basis, combined with an improvement in our ESG score to 1.0 would reinforce financial flexibility and could support a rating upgrade.

Long-term rating negative factors (↓).

Brenntag remains exposed to prolonged low volumes in the chemical distribution industry, with ongoing pricing pressure eroding margins. Weak industrial demand and high interest rates could further constrain cash flow and weigh on the company’s credit profile.

From a quantitative standpoint, as reflected by the Negative outlook, a downgrade of our rating could occur in the event of a further deterioration of Brenntag’s credit metrics as per our current projections over 2025-2027. A trigger for such a downgrade would be a net adjusted leverage equal to or above 2.0x on a sustained basis, assorted with EBITDA interest coverage equal to or below 10.5x.

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.