

**ISSUER COMMENT**

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**Lanxess AG**

**Planned disposal of Envalior stake supports debt/EBITDA reduction**

On 23 September, [Lanxess AG](#) (Baa3 negative) management announced in its investor call that it had exercised its right to offer for the sale of its 41% stake in [Envalior Finance GmbH](#) (B3 stable) to its joint venture partner, an investment company of Advent International, subject to financing. We expect the sale to generate proceeds of between €600 million and €1 billion, depending on Envalior's last 12 months (LTM) EBITDA as of 1 April 2026, which marks the first opportunity for Lanxess to divest its stake.

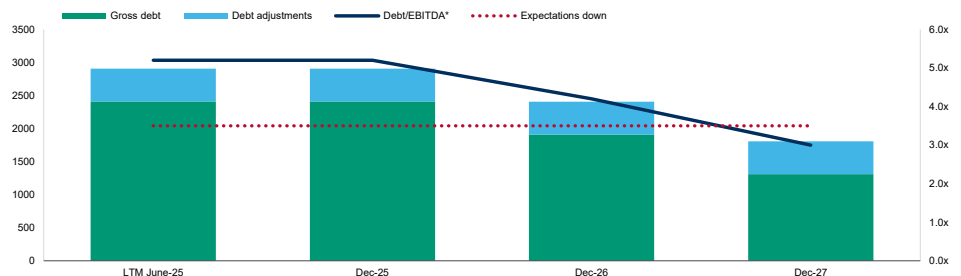
The proceeds, together with existing cash and anticipated free cash flow, will be sufficient to cover all of Lanxess' debt maturities through 2027, creating potential to reduce its Moody's-adjusted debt/EBITDA to below 3.5x, a credit positive.

Based on our understanding, the put option must be honored by the special purpose vehicle (SPV) through which Advent holds its stake in Envalior, rather than directly by Advent-managed funds. Exercising the put option is contingent on the SPV securing financing for the purchase. Should the SPV be unable to finance the full acquisition, Lanxess retains the right to sell 50% of its stake unconditionally to the SPV at 1 April 2028.

During the investor call, management reiterated its commitment to maintaining an investment-grade rating. We expect the majority of the disposal proceeds will be used to repay the €500 million bond maturing in October 2026 and the €600 million bond maturing in September 2027, assuming no significant recovery in end markets.

As shown in the exhibit, the expected proceeds, combined with €411 million of cash and near-cash assets on the balance sheet and projected positive free cash flow, would be sufficient to reduce Lanxess' Moody's-adjusted debt/EBITDA to below 3.5x. This assumes only modest EBITDA improvement from announced efficiency measures and does not rely on a meaningful recovery in currently strained end markets.

**Debt/EBITDA would move to below 3.5x by repaying upcoming maturities, regardless of EBITDA improvements**



Moody's-adjusted EBITDA LTM June stood at €557 million and going forward only minor cost efficiency measures have been considered

Source: Moody's Ratings

Additionally, Lanxess will receive from Advent at least 50% of the €200 million shareholder loan issued during the formation of Envalior in 2023 along with accrued interest by 2028.

The Baa3 rating reflects Lanxess' ability to generate positive free cash flow (at €31 million in Q2, according to the company's definition) and our expectation of positive free cash flow generation this year, despite the very difficult market environment. Lanxess' free cash flow generation is supported by interest cost at a very low 1.2% including financial leases, and strong discipline on capital expenditures and dividends. The company's conservative financial policy and strong liquidity also support credit quality and the Baa3 rating.

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