FRIDAY, 26/09/2025 - Scope Ratings GmbH

LANXESS plan to sell stake in Envalior underpins commitment to deleveraging, stabilising ratings

LANXESS moves to divest Envalior stake, supporting deleveraging strategy and investment-grade credit metrics

On 23 September 2025, LANXESS announced its decision to exercise its contractual right – as per its put option – to offer to sell all its shares in Envalior (40.94%) to its joint venture partner, an investment company of Advent International.[1]

Although the timing and amount of the associated cash inflows from a full or partial sale of LANXESS's stake in the joint venture are uncertain, as is the effect on the company's balance sheet, the move clearly demonstrates LANXESS's commitment to maintaining credit metrics at a level consistent with a solid investment-grade rating. This is particularly important in challenging market conditions and amid pressure on operating results. This measure builds on the steps already taken by the company over the last two years to strengthen its balance sheet, including the recent sale of the Urethane division, cost-cutting measures from the FORWARD! programme, portfolio rebalancing, and stringent shareholder remuneration. Scope regards these developments as credit-supportive and helpful in enabling the company to meet its medium-term leverage target of a net financial debt/EBITDA ratio of around 2.0x. This will help keep LANXESS's net financial debt well below EUR 1.5bn over the medium term (compared to EUR 2.1bn as of end-June 2025). As such, Scope understands that deleveraging is LANXESS's paramount priority, whereas shareholder remuneration is of inferior priority once leverage is settled at a level that supports robust credit quality.

A full or partial exit of 50% from Envalior is possible for the first time in April 2026, subject to the following conditions:

1. Financing is available from the joint venture partner, which is an investment company belonging to the private equity giant Advent International.
2. The sales price is determined based on a "base purchase value" of around EUR 1.2bn and subject to upward or downward adjustments depending on Envalior's LTM EBITDA. If this is above EUR 505m, a premium will be applied to the agreed base value. If it is below EUR 455m, a pro rata discount will be applied based on a starting point of EUR 505m. For example, if the LTM EBITDA is 25% below the reference amount of EUR 505m, the purchase price would be around EUR 900m. If the LTM EBITDA is 40% below the reference amount, the purchase price would be around EUR 600m.

If the sale of LANXESS's minority stake is not completed in 2026, additional possible tender or purchase periods will arise: In 2027, under the same optionality conditions as in 2026 (Advent will have the right to acquire the shares), and in 2028, for at least 50% of the shares held by LANXESS, without any conditions. Additionally, LANXESS will receive reimbursement of the EUR 200m shareholder loan provided to Envalior, including accrued interest, in proportion to the amount of LANXESS shares in Envalior sold at the time — but at least EUR 100m plus accrued interest — in 2028.

Therefore, Scope anticipates that cash inflows will be received between April 2026 and 2028. At this stage, it is not possible to integrate corresponding cash inflows into the rating base case. This is due to the uncertainty surrounding the timing and amount of cash receipts. However, Scope regards the impact of the transaction as strongly supportive to the BBB/Stable issuer rating. Assuming that Envalior's LTM EBITDA at the time of the transaction's pricing is not lower than the approximately EUR 310m in 2024, Scope anticipates cash inflows of at least EUR 470m by year-end 2028, corresponding to a sale of 50% of the shares held in Envalior and pro-rata reimbursement of the shareholder loan. There is significant upside potential to this should LANXESS sell its full stake in Envalior and/or should Envalior's LTM EBITDA improve significantly in 2025/2026. Nevertheless, even in the worst-case scenario, Scope estimates that the transaction will have a positive impact on leverage (Scope-adjusted debt/EBITDA, including adjustments for pensions and asset retirement obligations) by a minimum of 0.7x (assuming a floor on future EBITDA at EUR 600m). This fully supports Scope's rating case, which is based on the expectation that LANXESS will be able to maintain its leverage (Scope-adjusted debt/EBITDA) below 3.5x over the medium term (around 3.8x based on LTM numbers as at end June 2025). However, the potential for a positive rating impact is contingent on the final impact of the transaction and the pace of the company's operational recovery.

1. LANXESS exercises right to offer for the sale of its shares in Envalior in 2026

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