

# Orbia Advance Corp. S.A.B. de C.V.'s Proposed Senior Unsecured Notes Rated 'BBB-'

**May 6, 2021**

MEXICO CITY (S&P Global Ratings) May 6, 2021--S&P Global Ratings today assigned its 'BBB-' issue-level rating to Orbia Advance Corporation S.A.B. de C.V.'s (Orbia; BBB-/Stable/--) proposed senior unsecured sustainability-linked notes. The company plans to issue the notes under two series (5- and 10-year tenors) and to use the net proceeds to refinance existing debt, mainly its 2022 peso- and dollar-denominated notes. Therefore, we don't expect the transaction to increase leverage. The notes will benefit from guarantees from Orbia's main subsidiaries and will rank pari passu in priority of payment with Orbia's existing senior unsecured debt.

The rating on the proposed notes is at the same level as our issuer credit rating on Orbia, reflecting our view that there's no significant subordination risk present in its capital structure, because debt at the subsidiaries' level represents about 4%. In our view, the proposed issuance will extend Orbia's debt maturity profile to an average term of about 14 years from about 12.6 years as of the first quarter of 2021. This would shift the largest debt maturities to 2026, 2027, 2031, 2042, 2044, and 2048, mainly related to its current bonds and the new issuance.

We consider the transaction as debt neutral, given that it doesn't represent an increase in debt to Orbia's capital structure. We still expect the company to maintain a prudent financial policy towards leverage, with adjusted debt-to-EBITDA ratio of about 2.0x for 2021, while it maintains a strong liquidity position. We expect the company's business model to remain resilient through a diversified value-added portfolio of products and solutions across its five business segments, coupled with Orbia's extensive geographical footprint.

Under its two-note series, Orbia has established sustainability performance targets for a key performance indicator, which is sulphuric oxide (SOx) emissions. Under the five-year series (2026 notes), the company will have to comply with a target of SOx reduction of at least 44% measured against its 2018 baseline, to be calculated at the end of 2023. Under the 10-year series (2031 notes), Orbia will have to comply with a target of SOx reduction of at least 60% measured against its 2018 baseline, to be calculated at the end of 2025.

If Orbia doesn't satisfy these sustainability performance targets, the interest rate payable on the proposed notes will increase by 25 basis points starting May 2024 for the 5-year tenor series, and starting May 2026 for the 10-year tenor series, until the notes mature. In our view, Orbia's initiative to link its cost of debt to environmental targets illustrates its commitment to improving its sustainability practices.

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## Related Criteria

- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- ARCHIVE - General Criteria: S&P Global Ratings' National And Regional Scale Mapping Tables, Aug. 14, 2017
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- ARCHIVE - General Criteria: National And Regional Scale Credit Ratings, Sept. 22, 2014
- ARCHIVE | Criteria | Corporates | Industrials: Key Credit Factors For The Commodity Chemicals Industry, Dec. 31, 2013
- ARCHIVE | Criteria | Corporates | Industrials: Key Credit Factors For The Building Materials Industry, Dec. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- ARCHIVE | Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- ARCHIVE | General Criteria: Group Rating Methodology, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- ARCHIVE | General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

## Ratings List

### New Rating

**Orbia Advance Corp. S.A.B. de C.V**

Senior Unsecured BBB-

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.standardandpoors.com](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.

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