Research Update:

WE Soda Ltd 'BB-' Ratings Affirmed On Announced Acquisition; Outlook Stable

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Rating Action Overview

- On Feb. 28, 2025, sodium carbonate (soda ash) and sodium bicarbonate producer West East Soda (WE Soda) acquired US-based soda ash producer Genesis Alkali (Alkali) from Genesis Energy LP for a consideration of $1.425 billion.
- Pro forma the full-year contribution from the acquisition, we forecast WE Soda's S&P Global Ratings-adjusted debt-to-EBITDA ratio could weaken to about 4.5x in 2025 from the approximately 4.0x we anticipate the company will post for 2024.
- In our view, the acquisition has a strong strategic rationale and will improve WE Soda's business. WE Soda will become the largest soda ash producer globally, measured by nameplate capacity, while its geographic diversification will improve thanks to the strong complementarity between the two businesses.
- We therefore affirmed our 'BB-' long-term rating on the company and our 'BB-' issue rating on its debt.
- The stable outlook indicates that we expect WE Soda will maintain adjusted debt to EBITDA between 4.0x-5.0x, a range commensurate with the 'BB-' rating. In our base case, we forecast adjusted EBITDA of about $650 million in 2025, pro forma the acquisition, improving to above $700 million in 2026. As a result, we expect adjusted debt to EBITDA will increase to about 4.5x in 2025 and about 4.0x in 2026, from 2.5x in 2023, reflecting our expectation that weaker demand in key end markets will persist and soda ash prices will remain at their current low levels in 2025.

Rating Action Rationale

We forecast WE Soda's S&P Global Ratings-adjusted debt-to-EBITDA ratio will weaken as a result of the Alkali acquisition to about 4.5x in 2025, from about 4.0x in 2024. Our forecast--pro forma the full-year contribution from the acquisition--factors in the majority debt-funded nature of the transaction. The $1.425 billion enterprise value was financed by a $420 million term loan and the roll-over of a $390 million bond, both of which are not part of the restricted group, but within WE Soda Ltd.'s consolidated debt and included in our adjusted debt calculation. Additional funding includes a combination of cash on hand, working capital facilities (partly funded by acquired trade receivables of about $240 million, which we also include in our adjusted debt metric), and the 40% stake disposal of Pacific Soda to Sisecam Resources LLP for a cash consideration of $210 million. WE Soda values Alkali's soda ash assets--which include 4.35 million metric tons (mmt) of soda ash production capacity per annum and related global export infrastructure--at an EBITDA multiple of 8.8x pro forma 2024 estimates, or a "mid-cycle" EBITDA of 6.0x based on the last five-year performance, equating to about $330 per ton of capacity. According to WE Soda's management, the transaction close was on Feb. 28, 2025, with no regulatory fillings required prior to completion.

In our view, the Alkali acquisition has a strong strategic rationale and will enhance WE Soda's business. The combination of the second and fifth largest producers of soda ash (excluding China) will nearly double WE Soda's production capacity to 9.5mt and make it the largest soda ash producer globally, measured by nameplate capacity, ahead of Solvay SA. In addition, the transaction will lead to further consolidation in the global seaborne soda ash market. The top four producers outside China--WE Soda, Solvay, Sisecam, and Tata--account for about 75% of the European and Americas markets, which ensures disciplined capacity additions that closely match demand and have historically led to high utilization rates of about 90%.

We think Alkali's business complements WE Soda significantly by improving geographic diversification and reach. Specifically, pro forma the acquisition, WE Soda's production mix is improving to about 55% in Türkiye and 45% in the U.S. Over time, we anticipate WE Soda's investments in brownfield expansion in Kazan, Türkiye (by 0.6mt) and Wyoming (by up to 1.2mt) will further balance its geographic exposure. In our view, this improves the company's credit profile because its improved geographical diversification lowers event risks, including potential disruptions to transportation routes. In addition, over the last two years WE Soda has invested in its distribution and logistics capabilities, including the acquisition of SAISA in October 2024--the largest distributor of soda ash and sodium bicarbonate in Iberia--and established import, distribution, storage, and logistics infrastructure in the U.K. and the Netherlands. Importantly, as part of the transaction WE Soda is acquiring Alkali's logistics network, including a 4 million mt export capacity in Portland, Oregon. We think these logistics capabilities strengthen WE Soda's competitive advantage by improving customer service and ensuring a reliable supply, as well as by providing the company flexibility to target markets where it can achieve the highest prices. Furthermore, the acquisition allows WE Soda to enter underrepresented markets, such as North America and the west coast of South America, leading to an improved geographic sales mix.

WE Soda will retain its cost leadership due to its advantageous cost position, enabling it to generate very high profitability and resilient earnings, even though profit margins will decrease. The company's assets in Türkiye are at the low end of the cost curve due to a combination of low production costs and its proximity to key markets. WE Soda produces soda ash naturally, which results in a structural cost advantage versus synthetic plants that are more expensive to operate since they require several raw materials and consume more energy. In addition, WE Soda's Turkish operations extract trona--the key raw material needed to produce soda ash naturally--using solution extraction, which further enhances its cost competitiveness due to lower labor and energy costs compared to the conventional mining used by North American producers. These factors explain WE Soda's very high S&P Global Ratings-adjusted EBITDA margins between 45%-60% in 2021-2023. The addition of conventional mining operations in Wyoming will lower EBITDA margins because these assets consume more energy--due to the additional steps involved in crushing and dissolving trona ore--incur higher overhead costs due to underground mining operations, and face higher transportation costs. That said, conventional mining provides clear cost advantages compared to the synthetic process. From a credit standpoint, the low-cost operations and shape of the global cost curve underpin the quality of earnings. This is based on the long tail of higher-cost producers, with synthetic plants accounting for approximately 67% of total supply in 2024, according to S&P Commodity Insights, a division of S&P Global, as is S&P Global Ratings. In turn, swings in end-market demand are unlikely to affect WE Soda's sales volumes since they will price out marginal suppliers first, alleviating demand and partially alleviating earnings volatility.

Management anticipates cash savings of about $1 billion over time. WE Soda will forego investing in the greenfield project expansion in Wyoming after selling its 40% stake to Sisecam and postponing investment in its West Soda project. Instead, the company will focus on the debottlenecking project at Westvaco, which could lead to a 0.2mt capacity expansion with limited upfront investment, the brownfield expansion projects in Kazan, aiming for a 0.6mmt increase by 2027, and an additional 1.0mmt expansion at Westvaco over time. These investments are more cost-effective than greenfield developments because they avoid the high costs associated with new infrastructure and supporting utilities.

Outlook

The stable outlook indicates that we expect WE Soda Ltd. will maintain adjusted debt to EBITDA between 4.0x-5.0x, a range we see as commensurate with the 'BB-' rating. In our base case, we forecast adjusted EBITDA of about $650 million in 2025, improving to above $700 million in 2026. As a result, we expect adjusted debt to EBITDA will increase to about 4.5x in 2025 and about 4.0x in 2026, from about 4.0x in 2024 and 2.5x in 2023. This reflects our expectation that weak demand in key end markets will persist, and soda ash prices will remain at their current low levels in 2025.

Downside scenario

We could lower our rating on WE Soda Ltd. if a less-than-supportive market environment persists for longer than we anticipate, hampering demand, depressing soda ash prices, and leading to adjusted debt to EBITDA above 5.0x without near-term prospects of a recovery. This situation could also occur if the company’s adjusted debt increases, for example because of the provision of financial guarantees to other Ciner Group entities, or if the parent incurred additional debt.

We could also lower the rating if free operating cash flow (FOCF) to debt declined to below 5% consistently.

Upside scenario

We could consider a positive rating action if:

- Debt to EBITDA improved sustainably below 4.0x;
- FOCF to debt improved to above 10%;
- WE Soda passed our sovereign stress test on Türkiye; and
- The financial policy remained supportive of a higher rating.

Company Description

U.K.-headquartered WE Soda Ltd. is the intermediate parent of WE Soda group, the world's largest producer of natural soda ash and one of the largest producers of soda ash in general. The group produces more than five million metric tons of natural soda ash and sodium bicarbonate per year and operates two of the most cost-efficient production facilities globally in Türkiye. Following the Alkali acquisition, WE Soda's nameplate capacity has increased to more than 9.4 million metric tons per year, with operations now spanning two continents and four production facilities.

In 2023, WE Soda Ltd. reported total revenues of $1.56 billion, with approximately 16% of its products by value sold in the domestic market and the remaining 84% exported to more than 80 countries. The main export destination is Europe.

WE Soda Ltd.'s ultimate parent entity, Akkan Enerji ve Madencilik A.Ş., is incorporated in Türkiye and 100% owned by Turgay Ciner.

Our Base-Case Scenario

Assumptions

- GDP growth of 1.4% in Europe, 2.7% in the U.S., 1.9% in Latin America, and 4.5% in Asia-Pacific in 2024, and 1.8%, 2.0% 2.2%, and 4.3%, respectively, in 2025.
- We forecast revenue growth of about 70% in 2025--pro forma--thanks to increased capacity and corresponding sales volumes following the Alkali acquisition. On an underlying basis, we assume soda ash prices will be broadly stable, reflecting ongoing weak end-market demand. We think the company will continue to run its Turkish operations at full capacity. In 2024, we expect the company to report a revenue decline of about 20%, driven by lower demand and declining energy prices that result in lower soda ash prices. This will be partly offset by an increase in production capacity and, therefore, sales volumes.
- Adjusted EBITDA margins of 40%-45% in 2024, diluting to 35%-40% in 2025 due to the lower-margin contribution of U.S. operations.
- Capital expenditure (capex) of about $115 million in 2024 and about $230 million in 2025, reflecting increasing capital allocation toward growth initiatives, such as the expansion of production capacity in Kazan by 600,000 metric tons per year by 2027, and brownfield investments in the U.S.
- Working capital inflows of about $25 million in 2024, followed by inflows of $0 million-$10 million in 2025, excluding the impact of receivables financing.
- Annual dividends of about $165 million in 2024, decreasing to about $25 million in 2025, given management's commitment to decreasing leverage in line with its financial policy target of 1.5x-2.5x net leverage (as defined by management). Our forecast includes dividends to Eti Soda's minority owner, Eti Maden.

Key metrics

- Adjusted EBITDA of $430 million-$450 million in 2024 and about $650 million in 2025, pro forma the full-year contribution from the acquisition.
- FOCF of $150 million-$200 million annually in 2024 and 2025.

- Adjusted debt to EBITDA of about 4.0x in 2024 and about 4.5x in 2025.

Liquidity

We assess WE Soda Ltd.'s liquidity as adequate, supported by a long-dated debt maturity profile, good cash-interest coverage, and availability under two revolving credit facilities (RCFs) totaling $475 million (as of year-end 2024). We estimate the company's liquidity sources will exceed uses by more than 3.0x over the next 12 months. Even though the company's ratio of liquidity sources to uses would qualify for a higher liquidity assessment, we do not consider that WE Soda Ltd. meets sufficient qualitative factors.

Principal liquidity sources

- Unrestricted cash of about $250 million;
- About $260 million available under the RCF; and
- Cash funds from operations of about $400 million.

Principal liquidity uses

- Capex of $200 million-$250 million, including uncommitted growth capex;
- Scheduled debt amortization of about $20 million;
- Our estimate of dividends to minority owners of about $25 million; and
- Acquisition-related outflows of about $5 million.

Covenants

Under its senior facility agreement, WE Soda Ltd. is subject to a net leverage test (as defined in the debt documentation) of less than 4.0x and a debt service coverage ratio of over 1.2x. We foresee sufficient headroom under both covenants.

Issue Ratings--Subordination Risk Analysis

Capital structure

WE Soda Ltd.'s capital structure, pro forma for the transaction, consists of:

- Senior secured notes of $980 million due in 2028;
- Senior secured notes of $500 million due in 2031;
- $435 million under WE Soda's senior secured RCF ($177 million drawn); and
- $100 million under Ciner Enterprises Inc.'s senior secured RCF (fully drawn).

In addition, at WE Soda Ltd.'s consolidated level there are the following debt instruments that are not part of the We Soda Ltd. restricted group:

- A $420 million term loan due in 2029 issued by WE Soda US LLC, guaranteed by WE Soda Partners Alkali LLC, Genesis Alkali LLC, Genesis Alkali Holdings LLC, Genesis Alkali Wyoming LP, West Soda LLC, American Natural Soda Ash Corporation (ANSAC), and secured by an all-assets pledge (excluding receivables); and
- A $390 million bond due 2042, issued by GA ORRI LLC.

Analytical conclusions

We rate the WE Soda group's senior secured notes at 'BB-', in line with the rating on WE Soda Ltd. The rating is supported by the notes' secured status and pari-passu ranking with the group's RCF.

Rating Component Scores

Rating Component Scores

Component	
Foreign currency issuer credit rating	BB-/Stable/--
Local currency issuer credit rating	BB-/Stable/--
Business risk	Fair
Country risk	Moderately high risk
Industry risk	Moderately high risk
Competitive position	Fair
Financial risk	Aggressive
Cash flow/leverage	Aggressive
Anchor	bb-
Diversification/portfolio effect	Neutral/undiversified
Capital structure	Neutral
Financial policy	Neutral
Liquidity	Adequate
Management and governance	Moderately negative
Comparable rating analysis	Neutral
Stand-alone credit profile	bb-

Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, April 4, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- Criteria | Corporates | Recovery: Methodology: Jurisdiction Ranking Assessments, Jan. 20, 2016

- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Credit FAQ: Europe's Chemical Sector: Spotting Signs Of Recovery, April 11, 2024
- Soda Ash Producer Kew Soda Ltd., Parent Of WE Soda, And Senior Secured Notes Rated 'B+'; Outlook Stable, Oct. 23, 2023

Ratings List

Ratings list	
Ratings Affirmed	
WE Soda Ltd.	
Issuer Credit Rating	BB-/Stable/--
WE Soda Investments Holding plc	
Senior Secured	BB-