

Credit Considerations for Olin Corporation

Operational Considerations:

Strong Player in North American Chemical Market but Exposed to End-Market Cyclicalities Mitigated by Value-Based Commercial Strategies: Olin Corporation (NYSE: OLN) is a leading North American commodity chemicals producer with operations in 3 segments: Chlor Alkali & Vinyls (56% of 1Q25 LTM Revenue), Epoxy (19%), and Winchester ammunition (25%). Olin holds nearly double the chlor-alkali capacity of its largest regional peers i.e., Westlake, OxyChem, Shintech, Formosa, providing meaningful scale and cost advantages through access to low-cost natural gas in energy-intensive electrolysis. However, despite this advantage, Olin is moderately concentrated in CAPV (76% EBITDA) and highly exposed to cyclical end-markets such as PVC for construction, pulp & paper, and water treatment. Moreover, Epoxy faces weak profitability from global oversupply driven by China, while Winchester offers diversification but remains volatile due to raw material costs and customer destocking. Since 2020, Olin has implemented a value-based commercial strategy to mitigate cyclicalities, including capacity curtailments, resale of competitors' caustic soda, downstream PVC partnerships (e.g., Kem One tolling), and bolt-on acquisitions in Winchester (White Flyer 2024, AMMO 2025) to expand defense exposure. These measures improve resilience but do not eliminate the company's inherent cyclicalities. Overall, Olin benefits from leading scale and cost positioning but remains concentrated and volatile. Under Moody's methodology, the business profile is consistent with a **Ba assessment**.

Olin's Strong Regional Scale Limited by Geographic Concentration in North America: Olin generates \$6–10bn of annual revenue, with 1Q25 LTM at \$6.6bn. This positions the company at the mid-tier globally—above Moody's \$5 billion threshold for a **Baa scale score**, but well below larger, more diversified peers such as Dow (Baa1 negative) or BASF (A3 stable). Olin's dominant chlor-alkali capacity in North America provides strong regional scale and cost absorption, supported by integrated facilities and advantaged feedstock access. However, its scale is constrained by geographic concentration in North America and limited global diversification, leaving the company more exposed to regional economic downturns or new U.S. capacity additions (e.g., OxyChem upgrades expected by 2026–2027).

Financial Considerations:

Market Cyclicalities Drive Olin's Revenue and Profitability; Stabilized by the Company's Strategic Pricing Policy: Olin's financial performance is highly cyclical, with sharp swings in revenue and margins reflecting commodity pricing, demand cycles, and global trade dynamics. Olin's Revenue increased drastically from 2020 to 2022 driven by the company shifting focus to the quality of the products offered to increase selling prices rather than solely chasing sales volume. Furthermore, in the same period, Olin also reduced supply to match demand. As a result, the company was able to sell its products at favorable prices. However, as a consequence of multiple macro events such as changing trading environment, chemical oversupplying by China, and destocking trend, the company's Revenue has significantly dropped between 2023 to 1Q25 LTM. Precisely, Olin posted 1Q25 LTM Revenue of \$6.6bn which is (4.2%) and (30.2%) lower than 2023 and 2022, respectively. Furthermore, the company's profit margin

(EBITDA margin) is correlated with its Revenue. From 2020 to 2022, EBITDA margin grew from 11.0% to 25.9% then decreased rapidly to 11.3% as of 1Q25 LTM reflecting the aforementioned revenue movements. Overall, Olin's profitability aligns with the **Ba** range under Moody's scorecard (9–15% margins), reflecting trough-level performance but moderate stability on a multi-year view.

Adequate Cash Flow Generation Impacted by Negative Macro-Trends: Olin has a track record of positive FCFs for the past 5 consecutive years supported by the company's cost-competitive operations and disciplined capex budget, which helps guiding them through recent abovementioned negative macro-events. Nonetheless, the company was not able to fully mitigate its cyclicity risks driven by those events, thus, Olin posted negative trend in its CFO, from \$1.7bn in FYE21 to \$336.2mm in 1Q25 LTM, an (80.7%) decrease. Moreover, the company's FCF is also driven by its stable Capex and NWC requirements (1Q25 LTM Capex/Revenue and 3-year average Capex/Revenue of 3.2% and 3.0%, respectively). Precisely, the company posted \$124.0mm in FCF which is (~60%) down from FY24 due to its negative 1Q25 QTD caused by seasonal working capital build. Lastly, Olin's management targets a healthy \$100-200mm of post-dividend FCF in 2025 through capacity optimization and WC management.

Moderate Leverage Profile Supported by a Healthy Coverage Ratios: Olin's Capitalisation Structure consists of (i) \$500.0mm BB ABL with \$461.0mm outstanding (92% utilisation) due 2027; (ii) a \$1.2bn BB Senior Secured RCF with \$75.0mm outstanding (0.6% utilisation) due 2030; (iii) \$2.4bn outstanding Senior Secured Term Loan and Notes due between 2027-33; and (iv) \$85.9mm outstanding Recovery Zone Bonds and Industrial Development Obligation. As of 1Q25 LTM, the company leverage and debt-to-cap of 3.7x and 59% are slightly elevated. On a fully funded debt basis assuming the revolvers are fully drawn, Olin's leverage and debt-to-cap will rise to 5.1x and 67% which remain manageable. Additionally, the company leverage has been on a rising trend despite its stable gross debt figures due to the abovementioned lower EBITDA and overall profitability. Lastly, the company benefits from having healthy coverages i.e., 2.3x Current Ratio, Interest Coverage of 4.5x, and DSCR of 4.0x.

Strong Liquidity and FCCR: Olin's net liquidity of \$1.3bn is strong and consisting of \$174.0mm in Cash, \$1.1bn in RCF availability, and a deduction of (\$19.2mm) in Debt Amortization. Additionally, the company's next major maturity will be in 2027 for an outstanding amount of \$1.1bn which creates a ~2-year liquidity runway for Olin. Overall, the company's strong liquidity is further enhanced by its ability to consistently generate FCFs over the past 5 years. Lastly, the company posted a healthy FCCR of 1.5x vs. industry comfortability level of 1.2x.

Financial Covenants: The credit agreement includes a **springing financial covenant** requiring the company to maintain a minimum Fixed Charge Coverage Ratio (FCCR) of 1.0x. This covenant is only triggered if excess availability falls below the greater of 10% of the line cap or \$40 million. At close, the company's FCCR of 1.8x provides a comfortable **80% headroom** above the covenant threshold. This headroom is considered adequate under normal operating conditions, providing a buffer against potential operational or market downturns.

Structural Protection and Recovery Analysis: The capital structure of Olin Corporation is well-defined and offers strong structural protection for senior secured lenders, our position at the Revolver is not

subordinated to any other obligations. Credit calculates 100% recovery for all outstanding debt that Olin has using a distressed EV/EBITDA multiplier of 5.5x.

Stuffs that go to the rating sheet:

Financial Policy: Olin's management maintains a conservative financial policy, targeting **Net Debt/EBITDA of ~2.0x over the cycle**. Dividend payouts are modest (~\$90–130M annually) with flexibility to adjust, and recent acquisitions have been strategic and manageable, primarily bolt-ons in Winchester. No aggressive shareholder distributions have been undertaken, with a clear focus on balance sheet strength through cyclical troughs. These policies support the company's **investment-grade aspirations**, consistent with a **Baa financial policy score** under Moody's framework, and reflect disciplined capital allocation and governance (G-3 ESG score).