

MOODY'S

RATINGS

Rating Action: Moody's Ratings assigns Ba2 rating to MAHLE's new guaranteed senior unsecured notes

22 Apr 2024

Frankfurt am Main, April 22, 2024 -- Moody's Ratings (Moody's) has today assigned a Ba2 rating to the new guaranteed senior unsecured notes issued by MAHLE GmbH ("MAHLE" or "the company"). MAHLE's Ba2 long term Corporate Family Rating (CFR) remains unchanged. The outlook is stable.

RATINGS RATIONALE

The rating of the new guaranteed senior unsecured notes is aligned with MAHLE's CFR. The guarantee has been provided by certain operating subsidiaries of MAHLE in Europe, North America and Japan, where the company has full ownership. These operating companies represent a material part of MAHLE's group EBITDA. The company's new senior unsecured revolving credit facility (RCF) benefits from similar guarantees.

MAHLE's senior unsecured notes issued in 2021 are not guaranteed and are rated at Ba3, one notch below the CFR. This reflects the relatively weaker positioning compared to the new notes and the RCF, as well as to trade claims and pension provisions at the level of operating subsidiaries which are in aggregate material in size and have higher seniority in the debt structure of MAHLE.

On 17 April 2024, Moody's affirmed MAHLE's Ba2 CFR and changed the outlook to stable from negative. Concurrently, it downgraded the rating of the existing senior unsecured and non-guaranteed notes to Ba3.

RATING OUTLOOK

The stable outlook reflects the expectation that MAHLE will make further progress in terms of profitability and leverage within the next 12-18 months, reaching credit metrics well in line with Moody's expectations for the Ba2 CFR. More specifically, Moody's expects EBITA margins to improve within the range of 3%-5% and leverage to decline within the range of 3.0x-3.5x, which are appropriate ranges for the Ba2. The stable outlook also reflects the expectation of stable free cash flows on a Moody's

adjusted basis.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATING

A downgrade of the ratings could arise for MAHLE if debt/EBITDA (Moody's adjusted) failed to improve to below 3.5x, EBITA margins remained below 3% (Moody's adjusted), retained cash flow / net debt below 15%, or liquidity weakened.

Moody's would consider an upgrade of the ratings should MAHLE achieve sustainably Debt/EBITDA (Moody's adjusted) below 3.0x, EBITA margins (Moody's adjusted) above 5%, and retained cash flow/net debt of more than 20%.

PRINCIPAL METHODOLOGY

The principal methodology used in this rating was Automotive Suppliers published in May 2021 and available at <https://ratings.moodys.com/rmc-documents/72204>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

COMPANY PROFILE

MAHLE GmbH, headquartered in Stuttgart, Germany, is one of the top 25 global automotive parts suppliers. MAHLE's three main business segments are Thermal management (36% of 2023 sales), Engine Systems and Components (21%) and Filtration and Engine Peripherals (18%). In 2023, MAHLE generated revenues of around €12.8 billion. MAHLE, which employed around 72.000 employees and produced in 148 locations worldwide in 2023, is owned by the MAHLE Foundation. The company owns a 61% stake in the MAHLE Metal Leve S.A., which is publicly listed in Brazil and had a market capitalization of around BRL4.7bn (€860m) as of 12 April 2024.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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