PUMA SE

HRB 13085 CORPORATE

BBB- ISSUER RATING
LongTerm

OUTLOOK
Evolving

Initiation date	29/11/2022
Rating Date	10/07/2026

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RATING ACTION AND RATIONALE

- EthiFinance Ratings downgrades PUMA SE's long-term rating from BBB+ to BBB-, changing the outlook from Stable to Evolving.
- Puma is a global sportswear company specializing in performance and lifestyle apparel, footwear, and accessories.
- Our rating downgrade reflects the sharp and sustained deterioration in Puma's profitability and cash flow generation, which materially exceeded our previous expectations. The EthiFinance Ratings-adjusted net leverage ratio was exceptionally high in FY25 at 23.3x, and interest coverage declined to 0.9x (vs. our expectations of 2.2x and 6.3x, respectively). The EBIT margin turned negative at -4.9% for FY25, down from 6.5% in FY24 due to the implementation, at the end of 3Q25, of the "Reset" strategy by Arthur Held, who was appointed CEO in July 2025. The new business strategy aims to restore brand momentum, reduce high inventory levels, and optimize the cost base. Its implementation resulted in larger-than-expected inventory write-downs, driven by a reduction in sales to large-scale retailers that typically purchase high volumes at lower prices, as well as intensified promotional activity in the wholesale channel. These measures contributed to a 13% decline in sales in FY25. The group's profitability was mainly impacted by higher depreciation charges related to prior investments in the DTC channel (Direct-to-Consumer) and distribution infrastructure, together with receivables write-downs. We believe the broad-based deterioration in both gross and operating margins primarily reflects weak pricing power and the continued reliance on discounting, particularly in the wholesale channel, which remained the dominant sales channel, accounting for 67.7% of revenues at end-2025. The weaker FFO resulting from inventory write-downs, combined with a significantly negative working capital change, materially reduced operating cash flow, which turned negative at -€319m (vs. +€695m in FY24). Consequently, EthiFinance Ratings-adjusted net leverage ratio deteriorated sharply in FY25 due to a significant deterioration of EBITDA, which was divided by c. 9 YoY. Although management has implemented selective price increases and reduced discounting in the DTC channel as defensive measures, we believe the earnings weakness will extend beyond the one-off effects of the restructuring and continue to weigh on the company's credit profile in 2026 and partly in 2027.
- Puma is targeting a future sales mix of 60% wholesale and 40% DTC. The group's strategic direction is also expected to be influenced by its new major shareholder, Anta Sports, which announced in January 2026 the acquisition of a 29% stake from Artémis, the Pinault family's investment holding company. We believe Anta is likely to introduce a revised strategic framework that should support Puma's recovery over the longer term, leveraging its strong track record in the sporting goods industry. As inventory normalisation progresses, we expect the associated cash inflows to partly mitigate a lower FFO in FY26, resulting in significantly less negative FCF compared to FY25. Based on management's guidance (excluding the potential impact on US tariffs and the ongoing conflict in the Middle East) and our own assumptions, we expect EBIT to remain negative in FY26, including one-off costs related to the ongoing cost-efficiency programme. CapEx is expected to be around €200m, primarily allocated to DTC expansion and digital infrastructure (e-commerce channel). We forecast the adjusted net leverage ratio to improve from the exceptional FY25 level but remain elevated at above 9.0x in FY26. Thereafter, in line with management's stated deleveraging strategy, we expect leverage to improve further to around 4.4x by end-2027 and 3.5x by end-2028. Similarly, we foresee interest coverage to improve modestly in FY26 but remain well below the level commensurate with an investment-grade rating. From FY27 onwards, we expect interest coverage to exceed 4.0x, supported by a recovery in EBITDA. While we believe credit metrics should recover gradually over the 2026–2028 period as the turnaround progresses, the combination of a change in major shareholder, a revised business strategy, and continued execution risk could constrain the pace and extent of the recovery. These factors support our decision to revise the Outlook to Evolving from Stable.
- The rating continues to be supported by the group's sound liquidity profile, thanks to a €1.2bn RCF and a €350m bridge loan that was signed at end-2025, which provide sufficient financial flexibility to meet debt obligations and fund working capital requirements. The rating also benefits from Puma's strong brand recognition, established track record in the global sportswear market, and longstanding partnerships with major sporting events and football clubs. In addition, Puma is expected to benefit from Anta's entry as a shareholder, leveraging its extensive retail distribution network and operational expertise, particularly in the Chinese market.

- Under our methodology, the consumer goods sector has medium ESG risks (sector heatmap score between 3 and 3.4). This results in a neutral impact on the industry risk rating. Regarding environmental factors, the sector has a low impact on the climate, with a moderate use of resources. However, it has a high impact on pollution, due to the significant amount of waste generated, and a medium impact on biodiversity, linked to the goods produced and their transportation. It has a medium impact on suppliers and consumers, and a low impact on communities. Our ESG assessment at the company level is positive, with a score between 1.0 and 1.5. Consequently, our updated ESG score has a positive score on our anchor rating.

ISSUER DESCRIPTION

Puma is a German multinational that designs and distributes sporting goods (athletic and casual footwear, apparel, and accessories) through a network of (i) wholesale distributors (Amazon, Foot Locker, Zalando, etc.) accounting for 67.7% of FY25 sales (down from 71.1% in FY24), (ii) Puma-branded flagship and outlet stores worldwide, and (iii) its e-commerce platform (incl. shopping app). The production process is mostly outsourced to third-party manufacturers located in low-cost countries. Puma sources from 141 independent suppliers across 27 countries, of which 95% of total volume is produced in Asia (Vietnam 29%, China 23%, Cambodia 17%, Bangladesh 9%, Indonesia 9%, India 6%). Puma positions itself as Top-3 global sports brand alongside Nike and adidas, employing 18,488 people worldwide at year-end 2025.

For FY25, Puma reported sales of €7.3bn and adjusted EBITDA of €102.2m, with an EthiFinance Ratings-adjusted net leverage ratio of 23.3x at end-2025. As of 6 July 2026, Puma's market capitalisation was c. €4.0bn.

LIQUIDITY PROFILE

Despite very poor FY25 results, we assess Puma's liquidity profile as 'Good', as the company can meet all upcoming debt maturities without refinancing for more than two years. This favourable liquidity assessment supports the maintenance of an investment-grade rating for the time being.

MAIN FINANCIAL FIGURES

Main financial figures. millions of EUR	FY24	FY25	FY26e	FY27e	FY28e	25vs24
Turnover	8398	7296	6836	7116	7503	*-13.1%*
Adj EBITDA (1)	889	102	263	559	665	*-88.5%*
Adj EBITDA Margin (1)	10.6%	1.4%	3.9%	7.9%	8.9%	*-9.2pp*
EBIT	549	-357	-44	231	319	*-165.1%*
EBIT Margin	6.5%	-4.9%	-0.6%	3.2%	4.3%	*-11.4pp*
EBT	432	-469	-177	98	188	*-208.6%*
Total Assets	7141	6455	6023	6156	6189	*-9.6%*
Equity	2829	1761	1465	1488	1578	*-37.7%*
Adj Total Financial Debt (2)	2017	2668	2613	2674	2549	*32.3%*
Adj Net Financial Debt (2)	1649	2378	2451	2474	2358	*44.3%*
Equity/TFD (2)	140.3%	66.0%	56.1%	55.6%	61.9%	*-74.3pp*
Adj NFD/Adj EBITDA (1)(2)	1.9x	23.3x	9.3x	4.4x	3.5x	*21.4x*
Adj Funds From Operations	579	-12	95	424	509	*-102.1%*
Adj FFO/Adj NFD (2)	35.1%	-0.5%	3.9%	17.1%	21.6%	*-35.6pp*
Adj EBITDA/Interest (1)	7.6x	0.9x	2.0x	4.2x	5.1x	*-6.7x*

(1) The Adj EBITDA excludes income from rental activities and income from the sale of fixed assets and finance leases

(2) The adj net debt includes debt-like items such as factoring and pension benefits

CREDIT RATING

Credit Rating	
Business Risk Profile	**BBB**
Industry risk assessment	*BBB-*
Industry's ESG	*Neutral*
Competitive Positioning	*BBB*
Governance	*BBB*
Financial Risk Profile	**BB**
Cash flow and leverage	*BB-*
Solvency	*BB+*
Company's ESG	*Positive*
Anchor Rating	**BBB-**
Modifiers	-
Rating	**BBB-**

RATING SENSITIVITY

Detailed below are the factors that individually or collectively could impact the company's rating:

- **Long-term rating positive factors (↑).**

Given the magnitude of the rating downgrade, a rating upgrade is considered unlikely in the near term. Nevertheless, positive rating momentum could arise if Puma's operating and financial recovery proves materially faster than currently anticipated, resulting in credit metrics that exceed our base-case expectations. Any positive rating action would also depend on stable operating conditions across the sportswear industry, including sustained consumer demand and the preservation of brand strength.

- **Long-term rating negative factors (↓).**

Puma's credit profile has weakened significantly following management's strategic shift. The Evolving outlook reflects our view that the pace of recovery will be key in maintaining Puma's investment-grade rating. We may consider downgrading our long-term rating to BB+ if Puma fails to recover from this temporary setback and restore its metrics to investment-grade levels by 2028-29.

In particular, we could downgrade Puma's rating if we believe the group will not meet the intermediate targets set by EthiFinance Ratings over the next three years: (i) EthiFinance Ratings-adjusted net leverage below 4.5x and/or interest coverage higher than 4.5x by end-2027; (ii) EthiFinance Ratings-adjusted net leverage below 3.5x and/or interest coverage higher than 5.0x by end-2028; (iii) EthiFinance Ratings-adjusted net leverage below 3.0x and/or interest coverage higher than 5.5x by end-2029.

Sources of information

The credit rating issued in this report is unsolicited. The credit rating is based exclusively on public information, being the main sources the following:

1. Annual Audit Report.
2. Corporate Governance Report.
3. Corporate Website.
4. Information published in the Official Bulletins.

The information was thoroughly reviewed to ensure that it is valid and consistent, and is considered satisfactory. Nevertheless, EthiFinance Ratings assumes no responsibility for the accuracy of the information and the conclusions drawn from it.

Level of the rated entity participation in the rating process

Unsolicited Credit Rating	
With Rated Entity or Related Third Party Participation	NO
With Access to Internal Documents	NO
With Access to Management	NO

Additional information

- The rating was carried out in accordance with Regulation (EC) N°1060/2009 of the European Parliament and the Council of 16 September 2009, on credit rating agencies. Principal methodology used in this research are :
  - Corporate Rating Methodology - General : https://www.ethifinance.com/download/corporate-rating-methodology-general/?wpdmdl=35203
- The rating scale used in this report is available at https://www.ethifinance.com/en/ratings/ratingScale.
- EthiFinance Ratings publishes data on the historical default rates of the rating categories, which are located in the central statistics repository CEREP, of the European Securities and Markets Authority (ESMA).
- In accordance with Article 6 (2), in conjunction with Annex I, section B (4) of the Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009, it is reported that during the last 12 months EthiFinance Ratings has not provided ancillary services to the rated entity or its related third parties.
- The issued credit rating has been notified to the rated entity, and has not been modified since.