



ISSUER RATING
LongTerm

OUTLOOK
Stable



ISSUER RATING
ShortTerm

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RATING ACTION AND RATIONALE

- EthiFinance Ratings downgrades Compagnie Générale des Etablissements Michelin SCA's ('Michelin') long-term rating from A to A-, maintaining a Stable outlook. Concurrently, we downgrade the company's short-term rating from EF1+ to EF1.
- Michelin is a French multinational company specialised in the manufacturing of tyres for a wide range of vehicles, including cars, trucks, motorcycles, bicycles, and aircraft. It is also known for high-tech polymer-based materials and advancements in data-driven services for vehicle fleets.
- Our ratings downgrade reflects the deterioration in the company's financial risk profile. In FY25, volumes declined by 4.7% yoy, only partly offset by a positive price-mix effect of 3%. The decline was primarily driven by continued weakness in OEM, which accounted for around 80% of the total volume contraction, notably in the truck and beyond-road segments in North America. The downturn was compounded by a prolonged cyclical slowdown in certain specialty industries (agriculture, construction and materials), with recovery taking longer than previously expected. As a result, adjusted EBITDA declined by 17.1% yoy, leading to a 250bps contraction. Although FFO declined by 17% yoy, cash flow from operations was sufficient to fund CapEx, dividends, and the final portion (€596m) of the €1bn buyback program, supported by positive working capital variation. As such, EthiFinance Ratings adjusted net leverage stood unchanged from FY24 at 1.1x, while interest coverage ratio deteriorated to 16.0x (from 22.8x in FY24). Factoring in the recently announced €2bn share buyback program, expected to run until 2028, and a 57% dividend payout ratio, we anticipate the net adjusted leverage ratio to remain broadly stable at around 1.2x on average over the forecast period (2026-28). Interest coverage ratio is expected to improve, on the back of adj EBITDA recovery and stable debt interest expenses. These expectations underpin the current rating level and justify the Stable Outlook.
- The tyre industry risk profile remains exposed to the cyclicity of the OEM segment, particularly in the truck tyre markets. We expect market conditions to remain broadly stable in 2026, with a slight contraction in the first half followed by gradual improvement in B2B OEM demand. At group level, our ratings remain constrained by weak volume dynamics in the specialties and OEM segments, which have weighed on Michelin's top-line growth in recent years. Persistently soft volumes limit operating leverage and pose downside risk to profitability, especially amid elevated inventories of lower-priced Asian tyres at dealer and wholesaler levels, which continue to intensify pricing pressure.
- However, our ratings are supported by Michelin's leading market positioning and business resilience, which grant the company pricing power, which partially mitigates volume headwinds. This competitive strength, along with efficient working capital management has mitigated the impact of lower operating margin over the past year, supporting cash flow generation stability. From FY26 onwards, EBITDA is expected to benefit from incremental revenues of c. €450m on a pro forma basis, stemming from the recently announced bolt-on acquisitions within Polymer Composite Solutions (PCS), supporting diversification and earnings growth.
- Under our methodology, the auto component industry has medium-to-high ESG risks (sector heatmap score between 3.5 and 4), slightly constraining our industry assessment. Its impact on the climate is primarily tied to OEMs, but with a lighter production process generating low GHG emissions. The industry uses a lot of resources, mainly raw materials, thereby generating a significant amount of waste and pollution. Our assessment of the company's ESG policy is advanced (company ESG score of between 0 and 1), positively impacting our financial assessment, partially offsetting the effect from our industry assessment.

ISSUER DESCRIPTION

Based in France, Michelin is a first-rank French automotive supplier specializing in tyres. It designs, manufactures, and sells tyres for both light and heavy vehicles such as cars, trucks, aircraft, off-road machines, and motorbikes. Beyond its flagship "Michelin" brand (tier 1), the company also offers a set of more affordable brands (tier 2) such as Kleber and BFGoodrich. Michelin's business operations extend into data-driven services for vehicle fleets, the creation of polymer-based high-tech materials, and pioneering efforts in hydrogen mobility. The group has 115,800 employees spread across 123 factories and 9 R&D centres in 26 countries; its products are sold in more than 170 countries. Michelin's revenues are mainly generated in the EU and North America, accounting for c. 37% and 37% of FY25 revenues, respectively.

For FY25, Michelin reported revenues of €26.0bn for adjusted EBITDA of €4.2bn, equivalent to an 16.3% margin. Its net adjusted leverage ratio stood at 1.1x. With a free float of 93.4%, Michelin's market capitalisation was €23.4bn as of 17 February 2026.

LIQUIDITY

We assess Michelin's liquidity profile to be 'Superior', as the company can repay all its upcoming debt without refinancing for more than two years.

MAIN FINANCIAL FIGURES

Main financial figures. millions of EUR						
	FY24	FY25	FY26e	FY27e	FY28e	25vs24
Turnover	27 193	25 992	26 117	27 161	28 248	-4.4%
Adj EBITDA ⁽¹⁾	5 115	4 233	4 687	4 989	5 338	-17.2%
Adj EBITDA Margin ⁽¹⁾	18.8%	16.3%	17.9%	18.4%	18.9%	-2.5pp
EBIT	3 132	2 290	2 735	2 959	3 227	-26.9%
EBIT Margin	11.5%	8.8%	10.5%	10.9%	11.4%	-2.7pp
EBT	2 908	2 025	2 481	2 718	3 003	-30.4%
Total Assets	37 352	35 018	34 522	34 874	35 342	-6.2%
Equity	18 634	18 076	18 232	18 396	18 872	-3.0%
Adj Total Financial Debt ⁽²⁾	10 080	9 022	8 338	8 433	8 325	-10.5%
Adj Net Financial Debt ⁽²⁾	5 794	4 731	5 552	5 847	5 917	-18.3%
Equity/TFD	184.9%	200.4%	218.7%	218.1%	226.7%	15.5pp
Adj NFD/Adj EBITDA ⁽¹⁾⁽²⁾	1.1x	1.1x	1.2x	1.2x	1.1x	0.0x
Adj Funds From Operations	4 267	3 547	3 879	4 128	4 413	-16.9%
Adj FFO/Adj NFD	73.6%	75.0%	69.9%	70.6%	74.6%	1.3pp
Adj EBITDA/Adj Interest ⁽¹⁾	22.8x	16.0x	18.5x	20.7x	23.9x	-6.9x

(1) Adj EBITDA is adjusted for recurring restructuring costs

(2) Net debt is adjusted for debt-like items such as employee benefits

CREDIT RATING

Credit Rating	
Business Risk Profile	BBB
Industry risk assessment	BB
Industry's ESG	Negative
Competitive Positioning	A-
Governance	A-
Financial Risk Profile	A+
Cash flow and leverage	A+
Capitalisation	A+
Company's ESG	Positive
Anchor Rating	A-
Modifiers	-
Final Rating	A-

CREDIT METRICS EXPECTED EVOLUTION (CMEE)

- **Stable CMEE**

We expect Michelin's credit metrics to remain steady and broadly unchanged over the next twelve months.

RATING SENSITIVITY

- **List of ratings:**
 - **LT Rating: A-**
 - **ST Rating: EF1**

- **Rating positive factors (↑)**

We could upgrade the current LT rating should credit metrics improve above our forecasts level. A trigger for such an upgrade could be an EthiFinance Ratings-adjusted net leverage ratio equal to or below 0.9x, and an interest coverage ratio equal to or above 25x, on a sustained basis. Moreover, a rating upgrade remains subject to a recovery in volumes in the OEM market.

An upgrade of our short-term rating could occur in the event of an upgrade of the LT rating to A, with at least a Stable outlook.

- **Rating negative factors (↓)**

We could downgrade our long-term rating should Michelin's credit metrics deteriorate, with an adjusted net leverage ratio exceeding 1.5x, or if the interest coverage ratio falls below 15.0x on a sustained basis. Additionally, a decrease of the company's ESG score to a level above 1.5, or a less cautious financial policy, such as undergoing significant debt-financed M&A, could be another catalyst for a potential downgrade.

A downgrade of our short-term rating could occur in the distant event of a 2-notches LT rating downgrade, with a Stable or Negative outlook, and a "Weak" liquidity risk assessment.

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>
 - 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.

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