# COMPAGNIE PLASTIC OMNIUM SE

955512611 CORPORATE

BBB- ISSUER RATING
Long term

OUTLOOK
Negative

EF2 ISSUER RATING
Short-term

**Initiation date** 29/11/2022
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## RATING ACTION AND RATIONALE

- EthiFinance Ratings affirms the long-term rating of Compagnie Plastic Omnium SE, now OPmobility (OPM), at BBB-, but changes the outlook from Stable to Negative. Concurrently, we affirm the group's short-term corporate rating of EF2.
- Our ratings are supported by (i) OPM's strong competitive position within the automotive industry as a tier-1 supplier, demonstrated by 13% organic growth YoY in FY23; and the group's effective external growth strategy (+10.2% of M&A-related revenues growth YoY), with the successful integration of recent acquisitions within the lighting division (VLS and AMLS), along with advancements in fuel cell technology through the JV with EKPO. In FY23, OPM secured a strong indicative order intake across all business segments, covering the next two years. (ii) Our ratings remain also supported by OPM's financial risk profile of BBB-, enhanced by the good ESG company score. In addition, (iii) OPM has a footprint in both developed and emerging markets, with a notable focus on the EMEA region, accounting for c. 54% of its FY23 revenues. The company provides a wide range of products ranging from exterior (bumpers) and interior modules to ignition systems, with a growing focus on hydrogen-powered heavy vehicles—a field that has not evolved as rapidly as battery technology for light and heavy vehicles. Nonetheless, OPM remains committed to its dual strategy: reducing reliance on internal combustion engine (ICE) production by pivoting towards EV and hydrogen technologies, while still seizing opportunities to increase its market share in the ICE segment, which will be phasing out during this transitional phase. Consequently, we expect sustained revenue growth going forward, with an expected CAGR (2024-26) of 5.1%.
- However, we assign a negative outlook factoring in the ongoing and unexpected deterioration of the FRP, as OPM's financial metrics are currently hampered by lower operating margins in challenging markets. The EthiFinance Ratings-adjusted net leverage ratio was stable at 3.3x as of end-2023 and is expected to remain so during the forecast period (in contrast to an expected improvement in our last review). Moreover, the interest coverage ratio decreased to below our forecast to 6.7x (vs 10.7x in FY22 and 9.7x expected). Providing no improvement in the credit metrics within the next two years, we would expect a downgrade of our rating to BB+.
- Our ratings remain constrained by the industry risk assessment (BB). The automotive industry is indeed characterized by low profitability margins, a strong exposure to macro-economic environment. In addition, the current uncertainties regarding the pace of decarbonization weigh on the industry. On one hand, the auto manufacturing ecosystem has to deploy significant CapEx. On the other, global production is expected to slow, according to S&P Global Mobility forecasts, by 0.4% in 2024, resulting from a wait-and-see approach from consumers. Inflation in fixed costs, logistical challenges, and high financing costs are adding to the pressure on both OPM and its clients, further limiting profitability growth. Additionally, a high concentration of clients is a constraining factor for our ratings, with OPM's top 3 clients contributing to 51% of its total revenues for 2023.
- In line with 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. However, from 2019 to 2022, OPM has been able to reduce its scopes of 1 & 2 $CO_2$ emissions by around 26% and is aiming for full carbon neutrality by 2050. Therefore, our assessment of the company's ESG policy is positive (company ESG score of between 0 and 1), thereby more than offsetting the negative impact from our industry ESG assessment.

## ISSUER DESCRIPTION

OPM is a leading supplier of automotive parts, headquartered in the suburbs of Paris. The company specializes in designing, manufacturing, and selling car systems and components across its various divisions. These divisions are: Intelligent Exterior Systems (bumpers, tailgates), Clean Energy Systems (energy storage systems, selective catalytic reduction systems), New Energies (low-carbon mobility, hydrogen fuel cell and fuel tanks, e-power solutions), Front-End Modules (module design, development, and assembly), and Lighting division (Light bulbs).

OPM's main three clients are VW group (28% of FY23 sales), Stellantis (15%) and Mercedes-Benz (8%). With over 40k employees, OPM operates 152 production plants and 40 R&D centers located in 28 countries.

For FY23, the group reported total revenues of €10.3bn and adjusted EBITDA of €704m, equivalent to a margin of 6.8%. The EthiFinance Ratings-adjusted net leverage ratio stood at 3.3x as of end-2023. OPM's major shareholder, with a 61% stake is Burelle SA, a holding company majority-owned by the family of Pierre Burelle, the founder of Plastic Omnium. As of March 27th, the group's market capitalization was reported at €1.67bn.

## LIQUIDITY

- **Superior liquidity profile with strong refinancing capacity**

We consider OPM's liquidity profile to be 'Superior' as the company can repay all its upcoming debt maturities without raising new financing for more than two years. In addition, the company can get financing relatively easily, given its strong financial profile. The holding family may also support the company if and when needed.

## CMEE

- **Stable CMEE**

We have given OPM a Stable CMEE as we expect broadly unchanged credit metrics in a year's time.

## MAIN FINANCIAL FIGURES AND FORECASTS

| Main financial figures. €m | 2022 | 2023 | 2024E | 2025E | 2026E | *23vs22* |
|---|---|---|---|---|---|---|
| Turnover | 8 538 | 10 314 | 10 563 | 10 875 | 11 254 | *20.8%* |
| EBITDA (Adjusted) (1) | 715 | 704 | 711 | 738 | 771 | *-1.5%* |
| EBITDA Margin (1) | 8.4% | 6.8% | 6.7% | 6.8% | 6.8% | *-1.5pp* |
| EBIT | 376 | 358 | 353 | 365 | 379 | *-4.5%* |
| EBIT Margin | 4.4% | 3.5% | 3.3% | 3.4% | 3.4% | *-0.9pp* |
| Interest expenses | (67) | (105) | (126) | (114) | (119) | *-57.0%* |
| EBT | 309 | 253 | 228 | 251 | 260 | *-17.9%* |
| Total Assets | 7 302 | 7 549 | 7 668 | 7 829 | 8 196 | *3.4%* |
| Equity (Adjusted) | 1 912 | 1 980 | 2 065 | 2 169 | 2 274 | *3.5%* |
| Total Financial Debt (Adjusted) (2) | 2 901 | 2 943 | 2 937 | 2 942 | 3 142 | *1.4%* |
| Net Financial Debt (Adjusted) (2) | 2 326 | 2 305 | 2 336 | 2 348 | 2 389 | *-0.9%* |
| Equity/TFD (2) | 65.9% | 67.3% | 70.3% | 73.7% | 72.4% | *1.4pp* |
| NFD/EBITDA (1) (2) | 3.3x | 3.3x | 3.3x | 3.2x | 3.1x | *0.02x* |
| Funds From Operations | 655 | 645 | 666 | 686 | 686 | *-1.6%* |
| FFO/NFD (2) | 28.2% | 28.0% | 28.5% | 29.2% | 28.7% | *-0.2pp* |
| EBITDA/Interest (1) | 10.7x | 6.7x | 5.7x | 6.5x | 6.5x | *-4.0x* |

(1) Adj EBITDA is inclusive of the CVAE and capitalized R&D

(2) Adj Debt is inclusive of pension benefits, supplier of fixed assets and factoring

## CREDIT RATING

| CREDIT RATING | |
|---|---|
| **Business Risk Profile** | ***BB+*** |
| *Industry Risk Assessment* | *BB* |
| *Competitive Positioning* | *BBB-* |
| *Governance* | *BBB-* |
| **Industry 's ESG** | ***Negative*** |
| **Financial Risk Profile** | ***BBB-*** |
| *Cash flow and leverage* | *BB+* |
| *Solvency* | *BB* |
| **Company's ESG** | ***Positive*** |
| **Anchor Rating** | ***BBB-*** |
| *Modifiers* | - |
| **Final Rating** | ***BBB-*** |

## RATING SENSITIVITY

- **List of ratings:**
  - **LT corporate rating: BBB-**
  - **ST corporate rating: EF2**
- **Ratings Positive factors (↑)**

We could ultimately upgrade our long-term rating in the event of a general improvement in credit metrics. A trigger could be an EthiFinance Ratings-adjusted net leverage ratio below 2.0x or/and an interest coverage ratio above 11.0x on a sustainable basis.

An upgrade in our short-term rating may be triggered by an upgrade of our long-term rating to 'BBB' along with a Stable (and an 'Adequate' or 'Superior' liquidity risk assessment) or a Positive CMEE.

- **Ratings Negative factors (↓)**

In line with our negative outlook, we could downgrade our long-term rating should OPM's credit metrics remain stable, particularly, if the EthiFinance Ratings-adjusted net leverage ratio remains around 3.3x – 3.4x and the interest coverage ratio remains around 6.0x. Another downgrade scenario could result from the loss of one of its top 3 clients, although something which we do not foresee at present. A rating downgrade could also materialize should the company adopt a more aggressive financial policy (higher dividends or debt-funded M&A).

A downgrade to our short-term rating could occur under two scenarios: (i) a downgrade to our long-term rating to 'BB+' with a negative CMEE, or (ii) a downgrade of our LT rating with a deterioration of the liquidity risk assessment from to 'Superior' to either 'Adequate' or 'Weak' along with no better than stable CMEE.

## 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 - Long Term : https://files.qivalio.net/documents/methodologies/CRA 190 V3 Corporate%20Methodology 2023-10-06.pdf
  - Corporate Rating Methodology - Short Term : https://files.qivalio.net/documents/methodologies/CRA 191.Corporate Rating Methodology Short Term-202303.pdf
- 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.