



ISSUER RATING
Long term

OUTLOOK
Stable

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Rating Action and Rationale

- EthiFinance Ratings affirms Symrise AG's long-term rating at BBB, maintaining its stable outlook.
- This rating affirmation is based on the expected improvement in the company's financial profile, and its sustained competitive advantages in the market. Symrise maintains a robust position in the flavour and fragrance sector, with a 12% global market share, trailing only Givaudan at 18%, and IFF at 22%. This standing is supported by its geographic reach and diversified business mix (for both clients and products). However, Symrise's sales growth has been impacted by FX headwinds (-6.3%), partially offsetting the 7.9% organic growth achieved during the year. The flavour & fragrance industry is notably competitive, yet the expertise and investments required create significant barriers to entry, and pricing power remains strong, as reflected by average EBITDA margins of 18%. As of end-2023, our adjusted net leverage ratio had deteriorated to 3.2x (from 3.0x in FY22), due to EBITDA margin loss of 190pp YoY (vs 70pp expected). This margin loss, along with higher interest expenses (+45%), have lowered the company's interest coverage ratio from 11.1x to 7.7x. However, we expect a general improvement in credit ratios during our forecast period, on the back of profitability growth in 1H24, with an EBITDA margin of 20.7% (vs 18.2% in 1H23).
- However, our rating remains constrained by the negative ESG impact associated with the chemicals industry, as well as the company's M&A strategy, which could be impacting its credit metrics should it rely on excessive debt financing. Our rating is further constrained by a potential slowdown in volumes that could result from either customer destocking, or a broader slowdown in end markets.
- In line with our methodology, the materials & chemicals industry has high ESG risks (heatmap score of between 4 and 5) given its impact on the environment, which constrains our industry assessment. Regarding environmental factors, the industry has a high impact on climate and pollution, with high levels of GHG emissions and pollution generation risks (air, water, hazardous waste). By 2030, the group aims to be climate neutral in Scope 1 and 2 emissions (-11% of reduction achieved between 2016 and 2023). Our assessment of the company's ESG policy is advanced (company ESG score of between 1 and 1.5), which counts positively in our financial assessment, but is insufficient to offset the negative impact from the industry assessment.

Issuer Description

Symrise is a German supplier of fragrances, flavourings, cosmetics base materials and substances, as well as functional ingredients. It operates through a network of more than 100 production facilities, strategically distributed across more than 40 countries, spanning the globe. It has a total workforce exceeding 13,000 employees, manufacturing about 35,000 products from around 10,000 - mostly natural - raw materials such as vanilla, citrus, flowers and plants. It serves over 6,000 customers spread across more than 150 countries.

The group's customer base comprises large multinational companies and renowned regional and local manufacturers, specializing in foods, beverages, pet food, perfumes, cosmetics, personal care products, cleaning products, and laundry detergents. It reported annual revenues of €4.7bn for FY23, with adjusted EBITDA of c. €0.85bn, and an adjusted net leverage ratio of 3.2x. Symrise is publicly traded on the XETRA stock exchange, and had a market capitalization of € 16.7 bn as of 10 September 2024.

Liquidity

We assess the liquidity profile of Symrise AG as "Good" reflecting its strong refinancing profile and high level of liquidity.

Main Financial Figures & Forecasts

Main financial figures. millions of EUR						
	FY22	FY23	FY24e	FY25e	FY26e	23vs22%
Turnover	4 618	4 730	4 981	5 255	5 570	2.4%
Adj EBITDA (1)	910	844	952	1 051	1 148	-7.3%
Adj EBITDA Margin (1)	19.7%	17.8%	19.1%	20.0%	20.6%	-1.9pp
EBIT	504	559	646	728	805	11.0%
EBIT Margin	10.9%	11.8%	13.0%	13.9%	14.4%	0.9pp
Interest expenses	(82)	(109)	(130)	(97)	(88)	-34.0%
Total Assets	7 783	7 846	8 178	8 116	8 408	0.8%
Equity (Adjusted)	3 610	3 686	3 920	4 214	4 530	2.1%
Total Financial Debt (Adjusted) (2)	3 007	3 059	3 127	2 738	2 669	1.7%
Net Financial Debt (Adjusted) (2)	2 692	2 666	2 522	2 346	2 170	-1.0%
Equity/TFD (2)	120.1%	120.5%	125.4%	153.9%	169.7%	0.4pp
NFD/EBITDA (1) (2)	3.0x	3.2x	2.6x	2.2x	1.9x	0.1x
Funds From Operations	640	663	721	814	895	3.7%
FFO/NFD (2)	23.8%	24.9%	28.6%	34.7%	41.3%	1.1pp
EBITDA/ Interest (1)	11.1x	7.7x	7.3x	10.8x	13.0x	-0.3x

(1) Adjusted EBITDA excludes other income from governments grants

(2) Adjusted debt is inclusive of pension benefits

Credit Rating

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

Modifiers

- **Controversies**

Over the course of our review, we have detected one controversy related to the opening of an investigation into a potential violation of cartel law, in the production of fragrances and fragrance ingredients. This is an ongoing investigation, which is likely to be spread out over several years, potentially leading to fines of up to 15-20% of the affected revenues in Europe. This is subject to an absolute max of 10% of global turnover. This controversy has not impacted our rating so far, but EthiFinance Ratings will continue to monitor the evolution of the investigation. Should new elements arise, or should regulators impose a fine, we would either adjust the controversies score accordingly (if further controversies are unearthed by the investigation, without a precise financial impact projection), or estimate the amount of the fine and its impact on credit metrics, if such can be done.

Rating Sensitivity

- List of ratings:
 - LT Rating: BBB

Factors that may (individually or collectively) impact the rating:

- **Positive factors (↑)**

A rating upgrade could be entailed by significantly improved credit metrics, something which is improbable at present. For instance, an adjusted net leverage ratio equal to or below 1.5x on a sustainable basis, coupled with either an interest coverage ratio exceeding 15.0x, or a company ESG score below 1.0.

- **Negative factors (↓)**

A rating downgrade could happen should our credit metrics deteriorate further than anticipated over our forecast horizon. For instance, an adjusted net leverage ratio equal to, or above 2.8x, and an interest coverage ratio close to 7.0x over a sustained period of time could entail a downgrade. In addition, should the ESG score go above 1.5, or the ongoing investigation develops in a significantly adverse way, leading to a revision of our controversy score to 4/5, it could also lead to a potential downgrade.

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
- 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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