EthiFinance Ratings

SCHINDLER HOLDING AG

CHE-101.862.654 CORPORATE

AA- ISSUER RATING
Long term

OUTLOOK
Stable

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Rating Action and Rationale

- EthiFinance Ratings affirms Schindler Holding AG's (Schindler) long-term rating at AA-, maintaining a Stable outlook.
- Our rating affirmation is founded on the company's exceptional financial risk profile, rated AAA. The latter is characterized by (i) profitability margins exceeding the market average, with an EBITDA margin of approximately 14.0% in FY23 (vs 12.3% in FY22). (ii) an EthiFinance Ratings-adjusted net cash position of CHF2.6bn at end-December 2023, resulting in a negative adjusted net leverage ratio, which we expect will remain negative throughout our forecast period (2024-2026), after accounting for the CHF500m share buyback program and an annual M&A budget of CHF100m. (iii) Its excellent geographic diversification, with a good balance between mature and emerging markets. Schindler is a well-established leader in the global elevator and escalator (E&E) market, deriving around 60% of its revenues from the growing maintenance, modernization and repair services segment. Its relatively lower exposure to the Chinese market — accounting for just 8% of FY23 revenues, compared to 26% for its closest competitor Kone — has helped mitigate the sales decline YoY attributed to China to only 1.3% (vs 5% for Kone).
- However, our rating is somewhat constrained by the group's partial reliance on property construction cycles, particularly in the new building solutions segment, where the majority of clients are from the construction and infrastructure industries. In addition, despite its leadership position, Schindler operates in a market dominated by a few but highly sizable competitors, including Kone, Otis, and Thyssenkrupp Elevator. This concentrated competitive landscape exerts pressure on pricing power and intensifies competition.
- Under our methodology, the capital goods industry has medium-to-high ESG risks (heatmap score between 3.5 and 3.9), given its impact on the environment. Consequently, the sector's ESG rating is downgraded by one notch due to these industry-specific ESG concerns. Heavy industries inherently consume substantial quantities of raw materials, leading to environmental degradation from extraction and transportation. Additionally, the production processes in this industry often result in significant waste generation. While greenhouse gas emissions are a primary concern, the sectors also face challenges in advancing recycling technologies and processes. Our assessment of the company's ESG policy is advanced (company ESG score of between 0 and 1.5), positively impacting our financial assessment, and more than offsetting the adverse impact of our industry assessment. The company's favorable ESG score results from a stable ESG performance compared to FY22.

Issuer Description

Based in Switzerland, Schindler is one of the world's four leading companies in the E&E industry. The company operates 13 production facilities across 8 countries, manufacturing and installing elevators, escalators, and moving walkways. Schindler also provides maintenance services for its extensive portfolio of installed units and specializes in modernizing equipment nearing the end of its lifecycle. With around 70,000 employees at end-2023, the company operates in more than 100 countries worldwide. Schindler's largest shareholders are the founding Schindler-Bonnard families, who, through a shareholder agreement, controlled 68.6% of the voting rights (including shares and participation certificates) as of 31 December 2024. Schindler has been listed on the Swiss Stock Exchange since 1971 and had a market capitalization of CHF28.1bn as of 14 January 2025.

In FY23, Schindler generated revenues of CHF11.5bn (+1.3% yoy), with EBITDA of CHF1.6bn representing a margin of 14.0% (vs 12.3% in FY22), and an EthiFinance Ratings-adjusted net cash position of CHF2.6bn. For the last twelve months to end-September 2024, the group reported revenues of CHF11.3bn, and EBITDA of CHF1.54bn, with a margin of 13.6%.

Liquidity

We assess the liquidity profile of Schindler as "Superior", reflecting the company's strong refinancing profile as well as its high liquidity level.

Main Financial Figures

Main financial figures. Millions of CHF	FY22	FY23	FY24e	FY25e	FY26e	23vs22
Turnover	11 346	11 494	11 264	11 546	11 834	1.3%
EBITDA	1 391	1 604	1 636	1 736	1 825	15.3%
EBITDA Margin	12.3%	14.0%	14.5%	15.0%	15.4%	1.7pp
EBIT	1 047	1 255	1 293	1 385	1 466	19.9%
EBIT Margin	9.2%	10.9%	11.5%	12.0%	12.4%	1.7pp
EBT	1 024	1 230	1 274	1 368	1 451	20.1%
Total Assets	11 808	11 308	11 501	11 767	12 099	-4.2%
Equity	4 445	4 708	5 026	5 343	5 724	5.9%
Adj Total Financial Debt (1)	1 263	928	828	747	666	-26.5%
Adj Net Financial Debt (1)	-2 177	-2 645	-3 052	-3 360	-3 733	-21.5%
Equity/Adj TFD (1)	351.9%	507.3%	607.3%	715.5%	859.3%	44.2%
Adj NFD/EBITDA (1)	-1.6x	-1.6x	-1.9x	-1.9x	-2.0x	-0.1x
Funds From Operations	1 009	1 271	1 274	1 349	1 422	26.0%
FFO/Adj NFD (1)	-46.3%	-48.1%	-41.7%	-40.1%	-38.1%	-3.7%
EBITDA/Interest	60.5x	64.2x	84.0x	103.7x	127.4x	3.7x

(1) The total adjusted debt includes the pension benefits.

Credit Rating

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

Rating Sensitivity

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

Schindler’s rating already reflects what we consider to be a very strong financial profile. Consequently, a rating upgrade would most likely be entailed by an improvement in Schindler’s competitive positioning.

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

A rating downgrade could be entailed by a sustained deterioration in Schindler’s financial profile, which could be a consequence of a more aggressive financial policy, particularly in the event of a transformative debt-funded acquisition. In addition, a deterioration of the company’s ESG score to above 1.5 could entail a rating 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 - 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.