EthiFinance Ratings

SAFRAN SA

A+ ISSUER RATING
Long term

OUTLOOK
Stable

EF1+ ISSUER RATING
Short-term

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Rating Action and Rationale

- EthiFinance Ratings upgrades the long-term corporate rating of Safran to A+ (from A), maintaining its Stable outlook. EthiFinance Ratings also reaffirms its short-term corporate rating at EF1+.
- Headquartered in France, Safran SA designs, develops, and manufactures aircraft engines for both commercial and military use, as well as various aerospace and defence equipment.
- This upgrade derives from the expected, and already visible, improvement in credit metrics through 2023-2027, despite the expected temporary impacts from the Collins deal. Safran has indeed received clearance from the EU anti-trust authorities - in addition to the removal of the Italian veto that delayed the process in 2024 - to acquire the flying commands of Collins Aerospace. The closing of the operation is expected by mid-2025.
- Safran reported revenues of €27.7bn for 2024, for adjusted EBITDA (adjusted for capitalised R&D) of €5.0bn, equivalent to a margin of 18.0%, stable YoY. Strong, recurring cashflow generated internally (cashflow after dividends and changes in equity) has enabled the company to deleverage. Our adjusted net debt (mainly adjusted for employee benefits, borrowings subject to specific conditions and factoring) turned negative at end-2024, thereby reflecting Safran's excellent financial health.
- Our ratings are therefore supported by i) an excellent financial risk profile as emphasized by the group's credit ratios (e.g. a negative net adjusted leverage ratio at end-2024, although we expect it to slightly deteriorate on the back of the Collins deal); ii) its leading global market position, which places the company among the top 10 in the sector in terms of revenue; iii) the favourable geographic diversification, with 42% of 2024 sales in Europe, 33% in the Americas, 16% in APAC, and 9% in Africa and Middle East.
- Our ratings remain mainly constrained by our industry risk assessment (BBB), with moderate growth perspectives, mild volatility of profitability, and medium-to-high ESG risk stemming from its industry's environmental impact. Geopolitical tensions and regulatory uncertainties further contribute to the industry's inherent risks, potentially affecting demand dynamics and supply chain operations.
- The capital goods industry has medium-to-high ESG risks under our methodology (sector heatmap score between 3.5 and 4), slightly constraining our industry assessment. Heavy industries have a high impact on climate as they are highly energy-intensive in the production process and generate high levels of GHG on all scope measures. The capital goods sector has also a significant impact on resources, consuming a large amount of raw materials. However, impact on biodiversity is medium as this can vary depending on the land use and the production process. Regarding suppliers, raw materials are increasingly problematic given geopolitical uncertainties, and the sector is also affected by human rights issues.
- On a more positive note, the company has a favourable ESG score (between 1.0 and 1.5), which offsets the industry risk, resulting in a slight positive impact on the final rating from ESG aspects. The company's favourable ESG score is primarily attributed to its robust governance framework. This includes the presence of eight independent members on the Board of Directors, the clear separation of the roles of Chairman and CEO, and a strategic focus on ESG priorities. On the environmental front, the group has made significant progress toward its greenhouse gas (GHG) emissions reduction target. As of end- 2024, scope 1 & 2 emissions had been reduced by 21.7% compared to the 2018 baseline, not too far from its interim target of a 30% reduction by 2025. Additionally, a long-term goal validated by the Science Based Targets initiative (SBTi) calls for a 50% reduction by 2030 from the same baseline year. In 2024, the company achieved a 5% yoy decrease in energy intensity and a 6% yoy reduction in GHG emissions intensity.

Issuer Description

Headquartered in France, Safran SA is a Tier 1 supplier with leading positions in its markets. Within its three divisions, Safran designs, manufactures, and sells engines for commercial and military aircraft, other defense equipment, as well as commercial aircraft interiors. It also generates a significant proportion of its sales and profitability from maintenance, repair, and related services, as well as the sale of spare parts for its products.

The company is notably recognized for its collaboration with General Electric Aviation in developing the LEAP engine, a crucial component utilized in major aircraft models such as the Boeing 737 Max, the Airbus A320neo, and the Comac C919. In 2024, the group generated revenues of €27.7bn, with EthiFinance ratings' adjusted EBITDA of €5.0bn (EBITDA margin of 18%). The Ethifinance Ratings-adjusted net leverage ratio (NFD/EBITDA ratio) was negative at end-2024.

Safran is listed on the Euronext Paris stock exchange, and is part of the CAC 40 index. As of April 11, 2025, the French government was the main shareholder with a 11.6% stake, for a total market capitalisation of around €89bn.

Liquidity

We assess the liquidity profile of Safran as "Superior" reflecting its high level of liquidity at end-2024 (cash available and committed credit lines), in addition to a strong refinancing profile.

Credit Metrics Expected Evolution (CMEE)

We expect the group's credit ratios to remain broadly unchanged over the next 12 months despite the expected Collins deal by mid-2025.

Main Financial Figures

Main financial figures. millions of EUR	FY23	FY24	FY25e (3)	FY26e	FY27e	24vs23
Turnover	23 651	27 716	32 341	34 915	38 407	17,2%
Adj EBITDA (1)	4 255	4 993	5 724	6 415	7 084	17,3%
Adj EBITDA Margin	18,0%	18,0%	17,7%	18,4%	18,4%	0,0pp
EBIT	3 166	4 119	4 659	5 230	5 737	30,1%
EBIT Margin	13,4%	14,9%	14,4%	15,0%	14,9%	1,5pp
EBT	4 756	- 859	4 747	5 325	5 839	-118,1%
Total Assets	50 468	55 012	58 760	60 707	64 499	9,0%
Equity	12 088	10 725	10 931	11 466	12 294	-11,3%
Adj Total Financial Debt (2)	7 527	6 126	6 190	5 525	5 573	-18,6%
Adj Net Financial Debt	851	- 388	1 455	1 129	412	-145,6%
Equity/TFD	160,6%	175,1%	176,6%	207,5%	220,6%	14,5pp
Adj NFD/Adj EBITDA	0,2x	-0,1x	0,3x	0,2x	0,1x	-0,3x
Adj Funds From Operations	3174,0	4342,0	3813,6	4262,8	4718,3	36,8%
Adj FFO/Adj NFD	373,0%	-1119,6%	262,0%	377,7%	1144,9%	-1492,6pp
Adj EBITDA/Adj Interest	36,1x	54,3x	62,2x	75,2x	90,2x	18,2x

(1) Adjusted for capitalised R&D, currency hedges, impact of business combinations, dividends received from equity-accounted companies
(2) Adjusted for employee benefits, borrowings subject to specific conditions, factoring
(3) Proforma the Collins deal

Credit Rating

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

Rating Sensitivity

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

Already at an excellent level, the improvement in our LT rating would mainly derive from an improvement in our assessment of the industry risk, something which is not expected at present. The ST rating is already positioned in the highest rating category, as per our methodology.

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

A downgrade of our LT rating could occur if the company's results deviate materially from our forecasts, for instance in the event of a debt-funded acquisition, resulting in a sustained adjusted net debt ratio above 0.5x. A downgrade of our short-term rating would imply a downgrade of our long-term rating, as well as a change in the CMEE from Stable to Negative, which seems unlikely at present, as this would occur in a severe downturn scenario for the aerospace sector.

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.