


**A+**

 ISSUER RATING  
 LongTerm

 OUTLOOK  
 Stable


**EF1+**

 ISSUER RATING  
 ShortTerm

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## Rating Action and Rationale

- EthiFinance Ratings affirms KONE Oyj (KONE)'s long-term rating at A+, maintaining a Stable outlook. Concurrently, EthiFinance Ratings affirms KONE Oyj's short-term rating at EF1+.
- Our ratings affirmation is founded on the company's exceptional financial risk profile, rated AAA. The latter is characterized by (i) profitability margins exceeding the sector's average, with an EBITDA margin of 14.4% in FY24 (vs 13.9% in FY23). (ii) strong operating cash flow generation of €1.2bn in FY24; and (iii) an EthiFinance Ratings-adjusted net cash position of €712m at end-December 2024, resulting in a negative net adjusted leverage ratio, which we expect to remain so over our forecast period (2025-2027).
- The affirmation of our long-term rating is further supported by the structurally improving business mix, as the Service & Modernization segment became the largest contributor, representing 60% of total revenues at end-September 2025. The latter is less cyclical than new installations, benefits from stronger pricing power, and provides enhanced earnings visibility through recurring revenues. It is also a key growth driver, with Kone's management expecting the ageing installed base to expand the addressable modernisation market from 10m units in 2025 to 13m by 2030. We therefore expect revenue to continue growing at a 2.8% CAGR over our forecast period, driven by the strong performance of the modernization segment (+18.4% at end-September 2025), which more than offsets the decline in the New Business Sales (NBS) segment (-6%) attributable to weaker volumes in China. This is expected to support a gradual improvement in adj EBITDA margin to a range of 14.5% - 16% by 2027. Credit metrics should remain robust despite our assumptions of a 100% dividend payout ratio, an average CapEx/revenues of 1.2% on average and bolt-on M&A cash outflow of €80m per year.
- However, our rating remains constrained by (i) the group's material exposure to China, which accounted for 23% of FY24 sales. The continued contraction of this market has translated into a decline in order intake, with sales in the new business sales segment down 11% at end-2024, reflecting persistent liquidity stress in the local construction sector and weaker end-market demand. We believe this exposure to China is likely to cap incremental margin beyond forecasts. In addition, despite its leading market position, KONE operates in a highly concentrated and competitive global landscape, market dominated by a small number of large-scale peers (Otis, Schindler, and Thyssenkrupp Elevator). This concentrated competitive landscape exerts pressure on pricing power and intensifies competition. Moreover, Kone is mono-product, with activities only in elevators and escalators products and services, which limits its product diversification.
- 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.
- Our assessment of the company's ESG policy is advanced (company ESG score of between 1 and 1.5), positively impacting our financial assessment, and more than offsetting the adverse impact of our industry assessment.

## Issuer Description

Based in Finland, KONE is one of the world's four leading companies in the E&E (elevators & escalators) industry, holding an estimated market share of c.19% in the new building solutions segment. KONE's business operations are divided among three main segments: the manufacturing and installation of new equipment (37% of revenues in the twelve months to end-September 2025), maintenance services for an installed base of over 1.7m units (41%), and modernization solutions for aging equipment (21%). The group employs more than 64k people and operates through 10 factories, 8 R&D centers, and a network of agents/distributors across 60 countries. Its largest shareholder is Antti Herlin, a member of the founding family and chairman of the board, who holds 23% of KONE's shares and controls 62% of its voting rights. KONE is publicly listed on the Nasdaq Helsinki stock exchange with a free float of 70% and a market capitalization of c. €32.5bn as of 15 January 2026.

In FY24, KONE generated revenues of €11.1 bn (+1.3% yoy), with adj EBITDA of €1.6bn, representing a margin of 14.4% (vs 13.9% in FY23), and an adjusted net cash position of €0.7bn. For the nine months to end-September 2025, the group reported revenues of €8.3bn and adjusted EBIT of €0.95bn with a margin of 11.5%.

## Credit Metrics Expected Evolution (CMEE)

Our Stable CMEE reflects our expectation that KONE's credit metrics will remain broadly unchanged over the next twelve months.

### Liquidity

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

### Main Financial Figures

	FY23	FY24	FY25e	FY26e	FY27e	24vs23
Turnover	10 952	11 098	11 265	11 603	12 067	1.3%
Adj EBITDA <sup>(1)</sup>	1 518	1 595	1 683	1 814	1 945	5.1%
Adj EBITDA Margin <sup>(1)</sup>	13.9%	14.4%	14.9%	15.6%	16.1%	0.5pp
Adj EBIT <sup>(1)</sup>	1 200	1 249	1 337	1 458	1 577	4.1%
Adj EBIT Margin <sup>(1)</sup>	11.0%	11.3%	11.9%	12.6%	13.1%	0.3pp
EBT	1 175	1 219	1 299	1 428	1 550	3.7%
Total Assets	8 731	9 283	9 404	9 342	9 487	6.3%
Equity	2 752	2 867	2 967	3 067	3 161	4.2%
Adj Total Financial Debt <sup>(2)</sup>	688	987	1 005	814	823	43.5%
Adj Net Financial Debt <sup>(2)</sup>	-1 001	-712	-718	-733	-742	28.8%
Equity/Adj TFD <sup>(2)</sup>	400.2%	290.5%	295.1%	376.7%	384.0%	-109.7pp
Adj NFD/EBITDA <sup>(1)(2)</sup>	-0.7x	-0.4x	-0.4x	-0.4x	-0.4x	0.2x
Funds From Operations	1 112	1 201	1 328	1 437	1 543	8.0%
FFO/Adj NFD <sup>(2)</sup>	-111.1%	-168.7%	-184.9%	-196.0%	-208.0%	-51.8%
Adj EBITDA/Interest <sup>(1)</sup>	60.0x	52.8x	44.1x	60.0x	73.2x	-7.2x

(1) The adjustments correspond to excluded restructuring costs such as exceptional R&D costs

(2) The total adjusted debt includes the pension benefits

## Credit Rating

Credit Rating	
<b>Business Risk Profile</b>	<b>BBB-</b>
<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>
<b>Financial Risk Profile</b>	<b>AAA</b>
<i>Cash flow and leverage</i>	<i>AAA</i>
<i>Capitalisation</i>	<i>AA+</i>
<i>Company's ESG</i>	<i>Positive</i>
<b>Anchor Rating</b>	<b>A+</b>
<i>Modifiers</i>	<i>-</i>
<b>Final Rating</b>	<b>A+</b>

## Rating Sensitivity

- Ratings positive factors (↑)

Kone's rating already reflects what we consider to be an excellent financial profile. Consequently, given that Schindler is a mature company in the E&E sector, a rating upgrade due to the improvement of the business risk profile is unlikely to occur.

The group's short-term rating of EF1+ is already the highest in our short-term rating grid.

- Ratings negative factors (↓)

A rating downgrade could be entailed by a sustained deterioration in KONE's financial profile, which could be a consequence of a more aggressive financial policy, particularly in the case of a transformative debt-funded acquisition. For the same business risk profile, a decrease in the group's EthiFinance Ratings-adjusted net leverage ratio above 0.5x for a sustained period could entail a long-term rating downgrade to A.

A downgrade of the short-term rating to EF1 would be driven by a downgrade of the long-term rating to A, coupled with a Negative CMEE, something which seems improbable at the moment.

## 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) No 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/?wpdmld=35203>
  - Corporate Rating Methodology - General : <https://www.ethifinance.com/download/corporate-rating-methodology-general/?wpdmld=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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