



ISSUER RATING
LongTerm

OUTLOOK
Stable



ISSUER RATING
ShortTerm

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RATING ACTION AND RATIONALE

- EthiFinance Ratings upgrades Valeo SE's long-term rating from BB+ to BBB-, maintaining a Stable Outlook. Concurrently, we affirm Valeo's short-term rating at EF2.
- Valeo is a French global automotive supplier specializing in the design, manufacturing, and sale of components and systems for OEMs and the aftermarket.
- The rating upgrade primarily reflects the stronger-than-expected evolution of key credit metrics compared with our previous review. In FY25, Valeo improved both its operating margin and cash flow generation, mainly supported by the brain segment (26% of FY25 sales), which manufactures electronic systems and sensor technologies. EBITDA margin in this segment reached around 20%, the highest across the group's divisions (Power : 12.2%; Light : 14.1%). Despite FX headwinds affecting revenues, Valeo's reported operating margin increased by 40bps yoy, although it remains below peers average due to substantial R&D expenses, representing around 11% of sales. Operating cash flow was impacted by a €300m working capital outflow, but remained sufficient to cover CapEx and dividends. EthiFinance net adjusted leverage ratio improved to 2.5x (from 2.9x in FY24), driven mainly by strong adj EBITDA generation of €2.1bn over FY25.
- We consider Valeo well positioned to benefit from structural trends in electrification, and advanced driving systems (ADAS) thanks to its expertise in powertrain technologies, comfort systems, and sensor technologies. These will allow it to reap the benefits of the expected growth volumes from 2027 onwards. Valeo's profitability should be supported by (i) the ongoing cost reduction plan, which is expected to generate up to €300m of OpEx savings by 2026; (ii) the reduction in R&D expenses and a strategic focus on securing highly profitable orders. Under our base case, EthiFinance Ratings-adjusted EBITDA margin is expected to remain around 10% over the forecast period. Net adjusted leverage is projected to gradually improve within a 2.5x-2.1x range, while interest coverage is expected to increase modestly to around 6.8x (from 6.5x in FY25) by the end of the forecast period. These expectations underpin our Stable Outlook.
- However, our rating remains constrained by Valeo's high exposure to cyclical automotive production dynamics, including uncertainty around forthcoming regulatory frameworks in Europe and NAFTA, a slower-than-expected BEV transition, and rising competition in China. In addition, some credit metrics remain relatively weak for the current rating level. Valeo carries relatively high gross adjusted debt of €7.8bn in FY25, weighing on its capitalisation ratio (52%) and interest coverage (6.5x). Despite its scale and strategic positioning, Valeo's operating margin remains modest relative to peers, which limits rating headroom, particularly against a backdrop of moderating global light vehicle production, with S&P IHS forecasting 92.8m units in 2026 (vs 93.0m in FY25).
- Under our methodology, the auto components 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. Valeo's excellent governance score, favourable social metrics, and reducing energy and GHG emissions intensities are key factors contributing to our positive ESG assessment of the company with a score ranging between 0 and 1, more than offsetting the negative impact from our industry ESG assessment.

ISSUER DESCRIPTION

Valeo is a top-tier French automotive supplier for original equipment manufacturers (c.83% of FY25 revenues) and the aftermarket (10%) worldwide. Valeo designs, manufactures, and sells auto parts, integrated systems, and modules through its four divisions focused on enhancing intuitive, safer, and cleaner mobility (LIDARS, RADARS, EV components). It is also renowned for being one of the top-tier innovators and experts in comfort and advanced driver assistance systems (ADAS).

With operations in over 29 countries, and 100,200 employees spread across 184 plants and 65 R&D centers, Valeo has a significant global presence and a solid foothold in several of the world's most important automotive markets. The European/African region accounted for c. 53% of FY25 revenues, followed by Asia Pacific (30.7%), and Americas (20%).

For FY25, the group reported €20.9bn in total revenues for adjusted EBITDA of €2.1bn, equivalent to a 10.1% margin (up from 8.4% for 2024). At end-2025, the EthiFinance Ratings adjusted net leverage ratio stood at 2.5x. Valeo SE is listed on the Euronext Stock Exchange and its market capitalization as of 9 March 2026 was c. €2.6 bn.

LIQUIDITY

We assess the company's liquidity profile as "Superior" since Valeo can pay off all its forthcoming debt maturities without receiving new funding for more than two years. The company can also secure financing rather easily given its solid financial profile.

CREDIT METRICS EXPECTED EVOLUTION (CMEE)

We assign the company a Stable CMEE, resulting from an overall balance of contrasting anticipated developments in credit metrics in the next twelve months, on the back of some cost reductions and company deleveraging.

MAIN FINANCIAL FIGURES AND FORECASTS

Main financial figures. millions of EUR						
	FY24	FY25	FY26e	FY27e	FY28e	25vs24
Turnover	21492.0	20903.0	20484.9	20792.2	21208.1	-2.7%
Adj EBITDA ⁽¹⁾	1811.0	2111.0	2022.2	2076.0	2160.4	16.6%
Adj EBITDA Margin	8.4%	10.1%	9.9%	10.0%	10.2%	1.7pp
Adj EBIT ⁽¹⁾	379.7	581.7	507.7	580.7	625.4	53.2%
Adj EBIT Margin	1.8%	2.8%	2.5%	2.8%	2.9%	1.0pp
EBT	16.7	254.7	184.8	262.2	309.4	1426.6%
Total Assets	21658.0	20270.0	20216.1	20434.7	20636.0	-6.4%
Equity	4515.0	4071.0	4228.5	4381.4	4574.2	-9.8%
Adj Total Financial Debt ⁽²⁾	8442.0	7803.0	7638.6	7628.4	7534.5	-7.6%
Adj Net Financial Debt ⁽²⁾	5289.0	5322.0	5053.4	4845.0	4609.2	0.6%
Equity/TFD ⁽²⁾	53.5%	52.2%	55.4%	57.4%	60.7%	-1.3pp
Adj NFD/Adj EBITDA ^{(1) (2)}	2.9x	2.5x	2.5x	2.3x	2.1x	-0.4x
Adj Funds From Operations ⁽³⁾	854.0	1454.0	1311.1	1367.9	1417.3	70.3%
Adj FFO/Adj NFD ⁽²⁾⁽³⁾	16.1%	27.3%	25.9%	28.2%	30.8%	11.2pp
Adj EBITDA/ Interest ⁽¹⁾	5.0x	6.5x	6.3x	6.5x	6.8x	1.5x

(1) Adj EBITDA excludes Capitalized R&D in application of our rating methodology

(2) Adj debt includes factoring, a portion of reverse factoring, pension benefits, IFRS 16 (off balance-sheet) and other debt adjustments

(3) Adj FFO excludes capitalized R&D

CREDIT RATING

Credit Rating	
Business Risk Profile	BBB-
Industry risk assessment	BB
Industry's ESG	Negative
Competitive Positioning	BBB
Governance	BBB-
Financial Risk Profile	BBB-
Cash flow and leverage	BB+
Capitalisation	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 upgrade our long-term rating should Valeo's credit metrics improve above our forecast level, at a more rapid deleveraging trajectory. A trigger for such an upgrade could be an interest coverage ratio above 8.0x and/or an EthiFinance Ratings adjusted net leverage ratio below 2.0x, on a sustained basis. A rating upgrade remain subject to a better outlook in the global auto production.

An upgrade to our short-term rating may be triggered by an upgrade of our long-term rating to 'BBB', with at least a Stable CMEE and an 'Adequate' or 'Superior' liquidity risk assessment.

- **Ratings Negative factors (↓)**

We could downgrade our long-term rating should Valeo's deleveraging trajectory is slower than what we expect. Notably, a trigger for such downgrade would be an EthiFinance Ratings adjusted net leverage ratio above 2.7x and/or an interest coverage ratio below 5.5x, on a sustained basis. As such, negative rating sensitivity could arise from a more aggressive financial policy involving for example debt-funded M&A or a considerably higher pay-out ratio.

A downgrade of our short-term rating could result from a downgrade of the LT rating to BB+, (i) if combined with a Negative CMEE regardless of the liquidity risk assessment. Or (ii) if combined with a Stable CMEE and a liquidity risk assessment of 'Weak' or 'Adequate', or (iii) if combined with a Positive CMEE and a liquidity risk assessment of 'Weak'.

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.

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