SCOPE | Ratings

Compagnie Générale des Etablissements Michelin SCA (Michelin)

France, Automotive Suppliers

Issuer
A

Outlook
Stable

Short-term debt
S-1

Senior unsecured debt
A

Rating composition

Business risk profile		
Industry risk profile	BB	A-
Competitive position	A	
Financial risk profile		
Credit metrics	AA-	AA-
Liquidity	+/-0 notches	
Standalone credit assessment		**A**
Supplementary rating drivers		
Financial policy	+/-0 notches	+/-0 notches
Governance & structure	+/-0 notches	
Parent/government support	+/-0 notches	
Peer context	+/-0 notches	
Issuer rating		**A**

Key metrics

			Scope estimates	
Scope credit ratios*	**2023**	**2024**	**2025 E**	**2026 E**
Scope-adjusted EBITDA interest cover	16.3x	>20x	>20x	19.8x
Scope-adjusted debt/EBITDA	0.9x	0.9x	0.8x	0.8x
Scope-adjusted funds from operations/debt	88%	92%	99%	104%
Scope-adjusted free operating cash flow/debt	55%	38%	34%	40%
Liquidity	>200%	>200%	>200%	>200%

Rating sensitivities

The upside scenario for the ratings and Outlook:

- Debt/EBITDA remaining well below 1.0x on a sustained basis in the absence of larger debt-financed acquisitions

The downside scenario for the ratings and Outlook:

- Debt/EBITDA deteriorating to above 2.0x on a sustained basis

*All credit metrics refer to Scope-adjusted figures.

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Related methodologies

General Corporate Rating Methodology, February 2025

European Automotive Supplier Rating Methodology, April 2025

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1. Key rating drivers

Positive rating drivers	Negative rating drivers
• High share of recurring, more profitable, and less volatile business in replacement tyres (about 75% of sales), mitigating cyclicality of automotive sector • Strong credit metrics, with leverage (Scope-adjusted debt/EBITDA) in the 0.7x-1.5x range over the last few years • Strong global brand supports pricing premium of at least 5%-10% versus competition • Solid know-how in developing innovative products with higher level of R&D investment compared to peers • Low risk for substantial earnings (EBITDA) variation given the high share of aftermarket business; EBITDA margins of 17%-20% • Growing share of non-tyre business, supporting higher margins, recurring service-based revenues (Connected Solutions for vehicle fleets) and diversification to destination markets other than automotive (Polymer Composite Solutions) • Well positioned to benefit from consumer trend towards high-performance tyres (premium and electric vehicles), given the company's technological know-how	• Saturated and competitive market, with more than 75 tyre manufacturers worldwide. Risk of increased competition from low-cost budget Asian tyre makers mitigated by Michelin's focus on premium segment • Exposure to sudden price changes for key raw materials, such as natural and synthetic rubber, chemicals and steel, yet mitigated by ability to raise prices • Despite diversification into several specialty tyre markets, which limits overall risk, some of these (such as mining and agricultural tyres) are dependent on the price development of raw materials in their respective sectors • Increased shareholder remuneration in the past few years – including dividend payout ratio and share buybacks – signalling limited headroom for further deleveraging • Moderate risk of sizeable acquisitions, despite track record of strong credit metrics

2. Rating Outlook

The **Stable Outlook** reflects our expectation that Michelin will maintain a debt/EBITDA ratio of around 1.0x over the next few years, but could use its solid financial headroom to make major debt-financed acquisitions, which are not assumed in our forecasts over this period.

3. Corporate profile

Michelin is a leading global tyre company, present in over 170 countries with almost 125 production facilities in 26 countries, and nine R&D centres. Originally founded for rubber equipment in 1889 in Clermont-Ferrand (France), it became the world leader in the design, manufacturing, and commercialisation of tyres globally. The company also provides its customers with tyre-related services and solutions, mobility experiences and expertise in polymer composite solutions. Michelin operates through three main segments: Automotive and related distribution; Road transportation and related distribution; and Specialty businesses and related distribution. The Specialty businesses include mining, off-the-road, two-wheel and aircraft tyre activities, as well as conveyor belt and high-tech material activities. In 2024, Michelin reported revenues of EUR 27bn and employs around 130k people globally.

4. Rating history

Date	Rating action/monitoring review	Issuer rating & Outlook
11 Jul 2025	Affirmation	A/Stable
12 Jul 2024	Affirmation and conversion into public rating	A/Stable

5. Financial overview (financial data in EUR m)

			Scope estimates		
Scope credit ratios	**2023**	**2024**	**2025 E**	**2026 E**	**2027 E**
EBITDA interest cover	16.3x	32.6x	20.5x	19.8x	19.9x
Debt/EBITDA	0.9x	0.9x	0.8x	0.8x	0.7x
Funds from operations/debt	88%	92%	99%	104%	118%
Free operating cash flow/debt	55%	38%	34%	40%	45%
Liquidity	>200%	>200%	>200%	>200%	>200%
EBITDA					
Reported EBITDA	4,660	4,799	5,009	5,089	5,171
add: operating lease payments	-	-	-	-	-
add: recurring dividends from associates	20	24	20	20	20
less: capitalised expenses	-	-	-	-	-
Other items*	468	323	30	30	30
EBITDA	**5,148**	**5,146**	**5,059**	**5,139**	**5,221**
Funds from operations (FFO)					
EBITDA	5,148	5,146	5,059	5,139	5,221
less: interest	(316)	(158)	(247)	(259)	(262)
less: cash tax paid	(776)	(806)	(618)	(631)	(647)
Other non-operating charges before FFO	(37)	(83)	-	-	-
Funds from operations	**4,019**	**4,099**	**4,193**	**4,249**	**4,311**
Free operating cash flow (FOCF)					
Funds from operations	4,019	4,099	4,193	4,249	4,311
Change in working capital	985	69	(210)	(63)	(64)
Non-operating cash flow	-	-	-	-	-
less: capital expenditures (net)	(2,221)	(2,215)	(2,265)	(2,285)	(2,315)
less: lease amortisation	(279)	(270)	(270)	(270)	(270)
Other items	-	-	-	-	-
Free operating cash flow	**2,504**	**1,683**	**1,448**	**1,631**	**1,662**
Interest					
Net cash interest per cash flow statement	213	66	155	167	170
add: interest component, operating leases	-	-	-	-	-
add: 50% of interest paid on hybrid debt	-	-	-	-	-
add: other items (interest on pension, capitalised interest)	103	92	92	92	92
Interest	**316**	**158**	**247**	**259**	**262**
Debt					
Reported financial (senior) debt	6,222	7,369	6,777	6,718	6,419
add: subordinated (hybrid) debt (net of equity credit)	-	-	-	-	-
add: shareholder loans (net of equity credit)	-	-	-	-	-
less: cash and cash equivalents	(2,800)	(4,226)	(3,813)	(3,922)	(4,052)
add: non-accessible cash	159	199	200	200	200
add: pension adjustment	992	1,092	1,092	1,092	1,092
add: operating lease obligations	-	-	-	-	-
add: asset retirement obligations	-	-	-	-	-
add: other debt-like items	-	-	-	-	-
Debt	**4,573**	**4,434**	**4,255**	**4,087**	**3,658**

* It primarily includes one-off restructuring costs for plant closure. It also includes share-based compensation.

6. Environmental, social and governance (ESG) profile[1]

Environment	Social	Governance
Resource management (e.g. raw materials consumption, carbon emissions, fuel efficiency)	Labour management	Management and supervision (supervisory boards and key person risk)
Efficiencies (e.g. in production)	Health and safety (e.g. staff and customers)	Clarity and transparency (clarity, quality and timeliness of financial disclosures, ability to communicate)
Product innovation (e.g. transition costs, substitution of products and services, green buildings, clean technology, renewables)	Clients and supply chain (geographical/product diversification)	Corporate structure (complexity)
Physical risks (e.g. business/asset vulnerability, diversification)	Regulatory and reputational risks	Stakeholder management (shareholder payouts and respect for creditor interests)

ESG factors: credit-positive credit-negative credit-neutral

ESG relevant factors

Environmental, social and governance (ESG) considerations have no significant effect on Michelin's credit quality. Material ESG factors within the automotive supplier industry include the environmental impact of products (product innovation is key in this regard), resource management (such as the more efficient consumption of natural resources), product safety and social challenges in the supply chain.

Product innovation as a positive factor

We consider innovation as a positive ESG factor that strengthens the competitive position of the issuer. Michelin possesses solid expertise in developing innovative products, which, along with its strong brand recognition and reputation, enables it to remain a leading player in the evolving premium tyre segment. In our view, the company is well positioned to benefit from megatrends such as electrification, connectivity, and greener products. This is due to its substantial investments in tyres for electric vehicles, which require specialised engineering, as well as in recycling technologies and connected mobility solutions. The company's main ESG targets include full product circularity by 2050 (40% intermediate target by 2030) and net zero emissions (Scope 1 and 2) by 2050.

[1] These evaluations are not mutually exclusive or exhaustive as ESG factors may overlap and evolve over time. We only consider ESG factors that are credit-relevant, i.e. those that have a discernible, material impact on the rated entity's cash flow and, by extension, its credit quality.

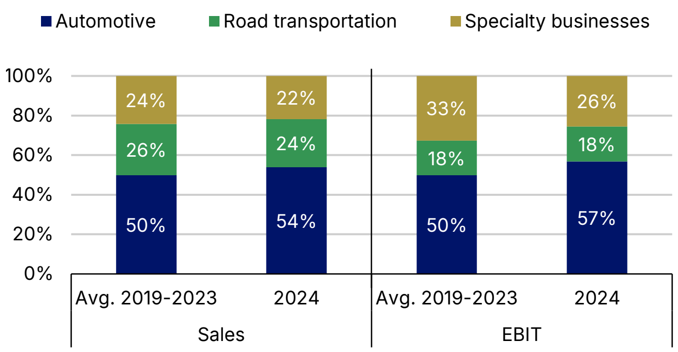
7. Business risk profile: A-

Michelin's business risk profile reflects its leading position as a premium tyre manufacturer. Its market share in the global tyre market has been stable at around 14%-15% in recent years, and we do not expect it to deteriorate. The company has a large exposure to cyclical end-market industries, primarily automotive but mining, construction and aviation through its Specialty businesses. However, the exposure is counterbalanced by Michelin's significant share of sales in the replacement market, with a low dependence on original equipment sales, as well as an increasing share of the non-tyre business to 16% of sales. Michelin's global presence and wide product range of tyres contribute to its diversification. Additionally, Michelin benefits from stable profitability of around 17%-20% (EBITDA margin) in normal years, global brand recognition and solid know-how in the development of innovative products, which is especially relevant for the higher tier segments.

Auto supplier industry risk mitigated by high share of less volatile replacement business

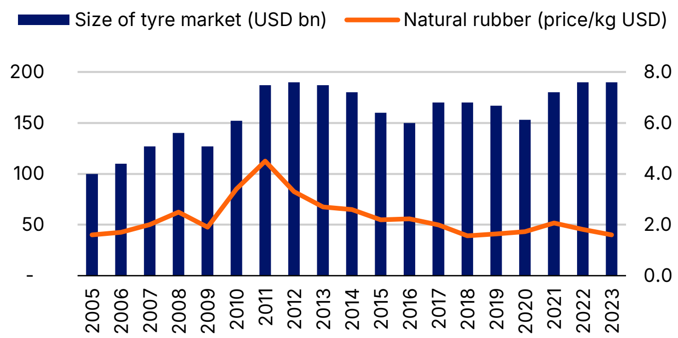
Michelin's business risk profile is partially constrained by the industry risk profile for automotive suppliers, assessed at BB, based on high cyclicality, high entry barriers, and medium substitution risks. However, this industry risk is mitigated by the large portion of replacement business for around 75% of the tyres sold, a business which is less cyclical and driven by consumption (mileage driven) and the used vehicle market. Michelin is also exposed to: i) road transportation, which is closely linked to GDP, economic trends in manufacturing and public spending; and ii) specialty businesses, which has different drivers such as economic growth, but also commodity prices and construction.

Figure 1: Revenues and EBIT split by reporting segment



Source: Michelin, Scope

Figure 2: Global tyre market, natural rubber price



Source: Tire Business, Michelin, Scope

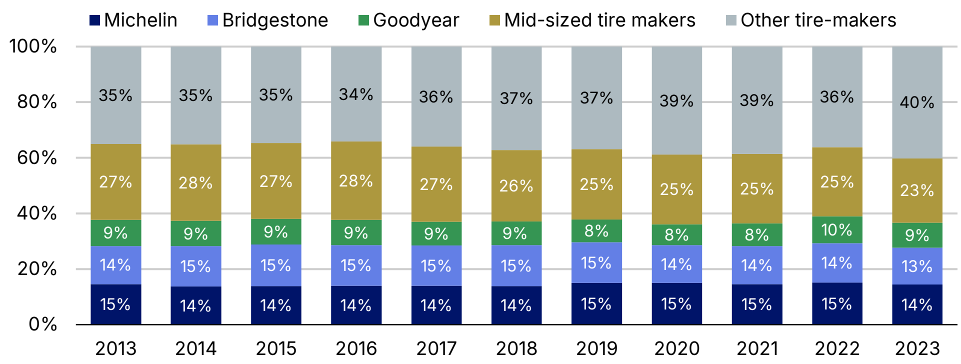
Number one in global tyre market

Revenues in the global tyre market are estimated at around USD 190bn (according to Tire Business) over the last few years. Revenues are significantly influenced by raw material prices, especially for rubber or butadiene. The replacement market is about 75% of the overall market; the remaining 25% consists of original equipment. Over the last decade, Michelin has consistently held around 14%-15% of the fragmented global tyre market, which is partly dominated by the three biggest players and over 75 manufacturers. For the last year available (2023), Michelin led the market with a 14.8% share, ahead of Japan's Bridgestone (13.3%) and America's Goodyear (9.0%). The top 10 have a combined market share of around 60%.

Increasing focus on premium tyres

Given the saturated and competitive market, the main risk comes from increasing competition from low-cost budget tyre makers from the Asia region. This is particularly threatening for low tier products. We take some comfort from Michelin's strategic decision to focus on premium segments rather than simply pursuing volumes, which should provide for satisfactory profitability on a sustained basis. In fact, the consumer trend toward premium vehicles and electric vehicles in the automotive market can provide sustained growth for premium tyres in the long term. We believe Michelin can take advantage of its technological know-how in the manufacture of high-performance tyres. We also see the company as well positioned in the growing market for electric vehicles. Electric vehicles are heavier than traditional internal combustion peers because of their battery and they demand energy-efficient tires to deliver higher autonomy performances. Moreover, the company has significantly increased its penetration into large rim (premium) tyres over time: the share of 18-inch and above tyres in the Michelin brand has grown from 25% in 2015 to just over 65% in 2024.

Figure 3: Market shares in global tyre market



Source: Tire Business, Michelin, Scope

Increasing share of non-tyre business positive for margins and diversification

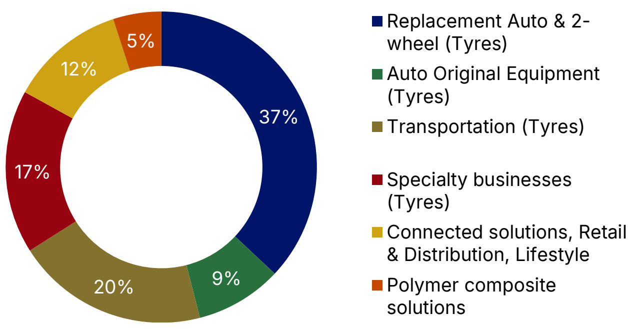
Non-tyre business represented 17% of group sales in 2024 and includes Connected Solutions (fleet management services); the Retail & Distribution Network (service-based revenues); Lifestyle (the Michelin guide, minimal contribution to profits); and Polymer Composite Solutions (high-tech materials). We view positively the strategic decision to grow the adjacent non-tyre business, which Michelin targeting to push it up to above 20% of Group sales by 2030. This offers Michelin several advantages: i) in connected solution and distribution activities, the company can focus on service business with less cyclical and recurring revenue streams; ii) while within high tech materials, it can leverage its expertise in processing advanced polymer-based materials not only to increase marginality on the existing tyre business, but also to enter businesses with higher operating margins (e.g. medical applications, aerospace) as well as diversifying away from the cyclicality of the automotive industry core.

Good geographical diversification

Geographical diversification is good. Michelin operates globally with a strong and balanced presence in key markets. Its European and North American presence is stronger than in the rest of the world, though the latter is progressing, particularly in Asia. The distribution of Michelin's industrial capacity is roughly proportionate to the distribution of sales. Here, we see only limited changes on the horizon even after accounting for the several capacity adjustments announced globally over the last two years.

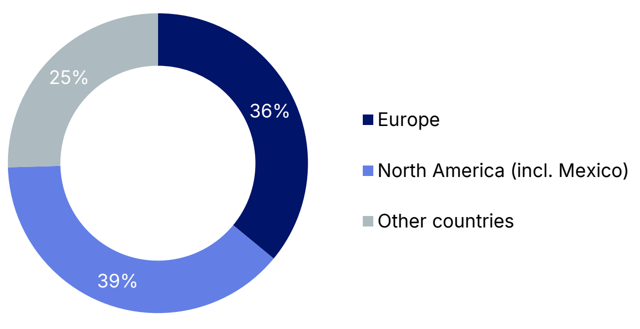
The group is almost entirely focused on tyres for 84% of revenues in 2024, but it offers a wide product range and is well positioned in the premium segment. We estimate that the top 10 customers represent around 15% of revenues, which supports diversification.

Figure 4: 2024 Revenues by business



Source: Michelin, Scope

Figure 5: 2024 revenues by region



Source: Michelin, Scope

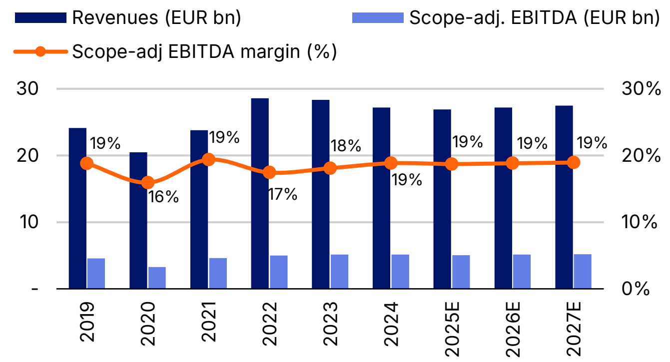
Good and stable EBITDA margin over time

Margins have been stable, with the Scope-adjusted EBITDA margin generally between 17% and 20% over the last few years. Even in challenging environments, such as in 2020, which was characterised by a drop in automotive production and economic activity, Michelin's profitability only fell to just below 16%. This low volatility is due to the very high share of replacement sales. In 2021, Michelin's margin rebounded to above 19% as the Covid crisis faded away. In 2022, Michelin limited margin reduction to approximately 200 bps by implementing price adjustments in response to materially rising input costs, especially for raw materials and energy, although these adjustments are always subject to a time lag. In fact, Michelin's exposure to sudden price changes for key raw materials, such as natural and synthetic rubber, chemicals and steel, is generally mitigated by its ability to raise prices thanks to its strong global brand, supporting pricing premium of at least 5%-10% compared to the competition.

Several plant closures over the past two years

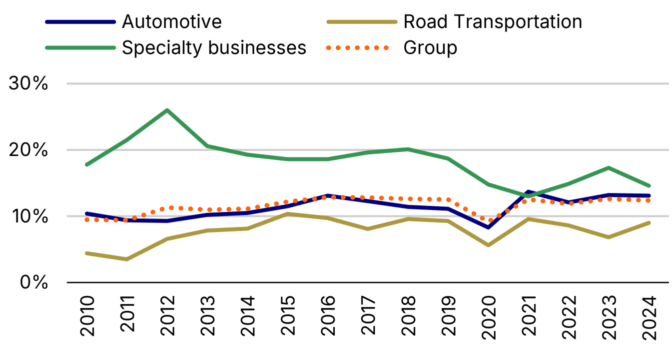
In 2023, Michelin announced the decision to wind down production in some of its manufacturing sites in the United States and Germany by the end of 2025, while in 2024 it announced capacity adjustments primarily in France, Poland and China, in order to improve operational efficiency. In H1 2025, Michelin announced two additional plant closures in Brazil and Mexico. Such actions resulted in unusually high related provisions limiting profitability in the short term.

Figure 6: Scope-adjusted EBITDA margin



Source: Michelin, Scope estimates

Figure 7: Divisional reported EBIT margin (%)



Source: Michelin, Scope

EBITDA margin to remain close to 19%

In 2024, Michelin's revenues declined -4% primarily driven by lower volumes specialty tyres and Original Equipment (OE) sales, partly a reflection of Michelin's selective approach. Scope-adjusted EBITDA remained broadly stable at EUR 5.1bn, while EBITDA margin moderately improved to close to 19% thanks to favourable mix. Going forward, we expect EBITDA margin to remain around 19% amid a slow topline growth (assumed flat in 2025, low single-digit percentage afterwards). Such solid margins are supported by an improving product mix – e.g. the share of 18-inch plus diameter tyres in Michelin-branded sales continued to increase up to 65% in 2024 - and the impact from restructuring initiatives, despite currently soft and volatile market demand for most products. The risks associated with US tariffs are substantially mitigated, as approximately 70% of Michelin's products sold in the United States are produced domestically. This figure rises to 90% when including production in Canada and Mexico.

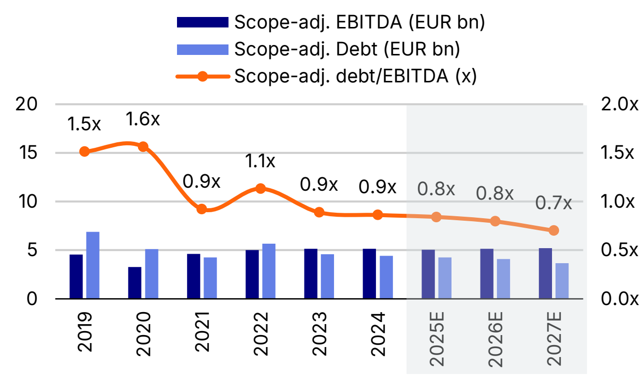
Industry leader in technically advanced tyres

Michelin leads the industry in terms of innovation and technological know-how. Innovation is particularly relevant for higher-end product categories or electric vehicles – where higher performance is more important (e.g. lower rolling resistance, high durability, greater load capacity). In contrast, lower tier tyres tend to be commodity products with limited risks of technological shifts. Michelin's R&D spending – generally referring to as design – is at around 3% of revenues, well above the industry average of 2%-2.5%. Nevertheless, this indicator is only a partial proxy for Michelin's innovation capabilities. The key to Michelin's continuous production of superior products is its upstream vertical integration and deep science of materials, including the sourcing of best raw materials, the way to assemble them into a tyre composite, and to mass-produce them at scale while maintaining the highest quality standards.

8. Financial risk profile: AA-

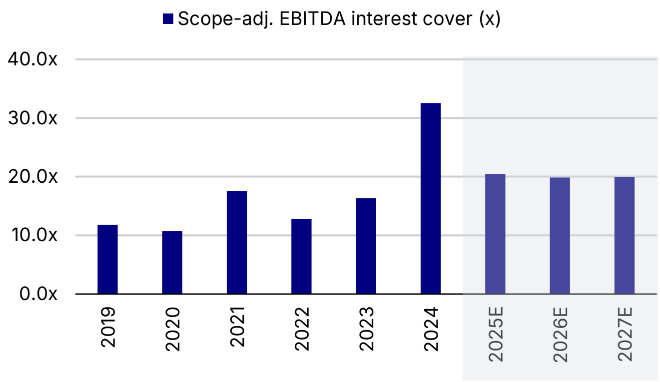
The financial risk profile reflects strong credit metrics and an improved cash flow cover. We expect debt/EBITDA to remain around close to 1.0x going forward, interest cover of around 20x and cash flow cover to average 40% in the medium term.

Figure 8: Leverage (debt/EBITDA)



Source: Michelin, Scope estimates

Figure 9: EBITDA interest cover



Source: Michelin, Scope estimates

Industry leader in technically advanced tyres

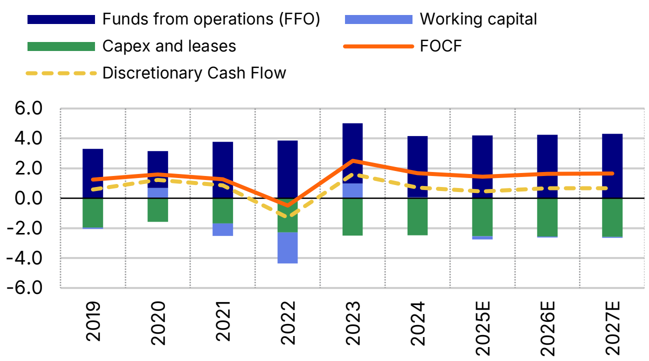
Over the past decade, leverage has oscillated between 0.7x-1.5x, keeping a strong average of around 1.0x. The notable increase in 2018 was triggered by the acquisitions of UK company Fenner and US company Camso (EUR 3.0bn invested), but Michelin has deleveraged since.

Debt/EBITDA remained stable at 0.9x in 2024 and we forecast leverage to remain close to 1.0x over time, thanks to gradually improving EBITDA. In February 2024, Michelin announced a EUR 1.0bn share buy-back programme until 2026 (EUR 500m already executed in 2024), as there is no interest in further deleveraging. The leverage assessment includes a headroom for unexpected large negative working capital swings - such as in 2022 - or more intense M&A activity (excluding large multi-billion size deals).

Very strong interest cover

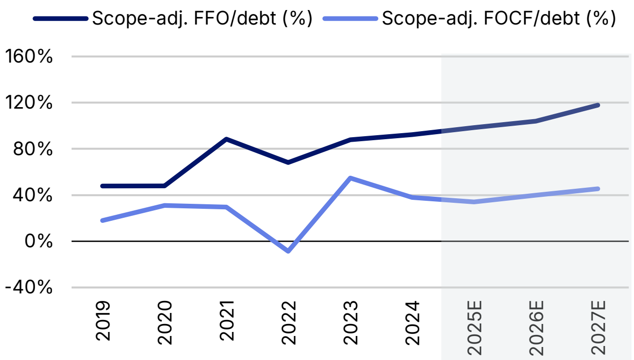
Interest cover has been consistently very strong over time amid an interest cost structure mostly at fixed rates. With reduced interests of around EUR 60m in 2024 from changing the debt denomination currency into USD at its Mexican subsidiary, EBITDA interest cover improved to over 30x in 2024 (2023: 16x) and we anticipate interest cover to remain very strong over time at around 20x amid interest assumed at EUR 240m to 260m per year.

Figure 10: Cash flow sources and uses (EUR bn)



Source: Michelin, Scope estimates

Figure 11: FFO/debt, FOCF/debt

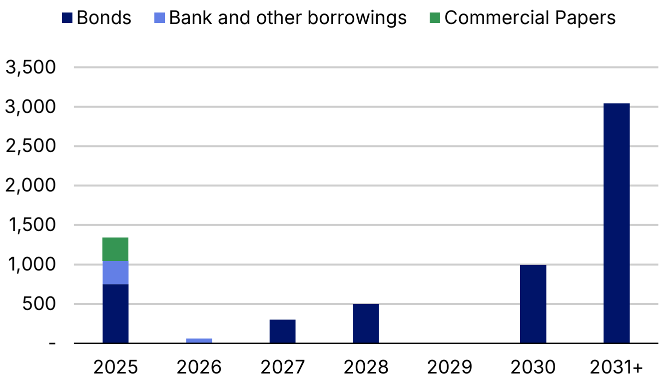


Source: Michelin, Scope estimates

FOCF/debt towards 30%

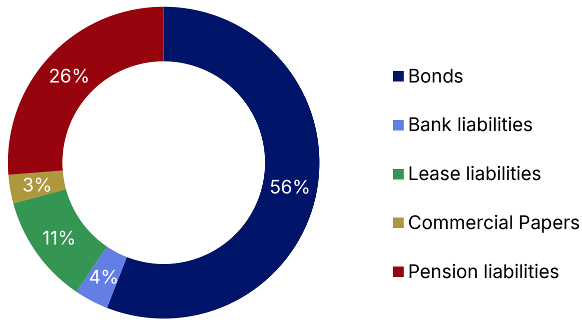
Cash flow cover has also been solid historically, with Scope-adjusted free operating cash flow (FOCF)/debt generally between 20% and 30%. Cash flow cover decreased in 2024 but remained at a strong level of 38% (compared to 55% in 2023). Changes in working capital had a marginally positive impact, close to EUR 0.1bn, compared to approximately EUR 1.0bn inflows in 2023. We anticipate the cash flow coverage to average 40% in the medium term, conservatively assuming capex is maintained at a similar level of around 8% of revenues, ranging from EUR 2.3bn to EUR 2.4bn annually. We also assume the absence of significant acquisitions, but rather bolt-on deals of around EUR 300m per year as well as dividends of around EUR 1.0bn per year, considering that Michelin targets a payout ratio of close to 50% of net income.

Figure 12: Senior debt maturities (excluding leases) as of December 2024 (EUR m)



Source: Michelin, Scope estimates

Figure 13: Scope-adjusted debt split as of December 2024



Source: Michelin, Scope estimates

Adequate liquidity

Michelin's liquidity profile remains solid, as indicated by projected liquidity ratios consistently above 200% and a backloaded distribution of debt maturities over time. We see the EUR 1.0bn bonds issued in May 2024 as an early refinancing of the EUR 750m bond maturing in September 2025.

At the end of 2024, liquidity consisted of EUR 4.0bn in unrestricted cash and marketable securities equivalents, which are alone sufficient to cover the group's short-term debt. As a further support, Michelin has EUR 2.5bn in undrawn committed lines maturing in 2029. The company is not subject to financial covenants.

Table 1. Liquidity sources and uses (in EUR m)

	2024	2025 E	2026 E
Unrestricted cash (t-1)	2,641	4,027	3,613
Open committed credit lines (t-1)	2,500	2,500	2,500
FOCF (t)	1,683	1,448	1,631
Short-term debt (t-1)	575	1,342	59
Liquidity	**>200%**	**>200%**	**>200%**

Source: Michelin, Scope estimates

9. Supplementary rating drivers: +/- 0 notches

There is no adjustment for supplementary risk drivers.

Financial policy: neutral

We assess Michelin's financial policy as credit neutral. While Michelin does not officially commit to specific leverage targets or rating levels, it has managed to keep solid credit metrics consistently, even when M&A spending was high. We expect further acquisitions to be a strategic growth driver in both the tyre business (to complete geographic coverage in specific areas) and the non-tyre business (adjacent businesses, new technologies, end-market diversification), although we have only factored bolt-on deals into our forecasts. The risks of more sizeable acquisitions and hence higher leverage are material but mitigated – in our view – by management's discipline in keeping or quickly returning to strong credit metrics.

A new dividend policy announced in 2021 has increased the payout ratio from 35% to close to 50% of net income, which we still deem moderate.

Parent support: neutral

The rating is assigned to Compagnie Générale des Etablissements Michelin SCA, the ultimate parent of the group.

10. Debt ratings

Compagnie Générale des Etablissements Michelin SCA (Michelin) is currently the sole entity issuing bonds and commercial paper within the group. Despite the absence of a formal explicit guarantee, we assume a strong implicit guarantee from Michelin for its main subsidiaries Compagnie Financière Michelin SAS (which owns the vast majority of the worldwide group affiliates) and Compagnie Financière Michelin Suisse SA (which carries out treasury activities for the group) based on name identity, full ownership and operational integration. Consequently, we align the long-term issuer ratings and short-term debt ratings of these subsidiaries with those of Michelin.

Senior unsecured debt rating: A

The senior unsecured debt rating is affirmed at A, the same level of the issuer rating.

Short-term debt rating: S-1

Michelin's short-term debt rating is affirmed at S-1. This rating is based on the underlying A/Stable issuer rating and reflects robust liquidity through internal and external sources, good standing in public and private debt markets and established banking relationships. Evidence for this comes in part from the group's broad mix of committed long-term credit lines from different banks. The Group has in place several short-term debt programmes, including the EUR 2.5bn in French commercial paper (NEUCP), and the USD 700m US commercial paper programme (USCP).

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