MOODY'S
RATINGS

Rating Action: Moody's Ratings changes the outlook of MAHLE GmbH to stable from negative; affirms Ba2 CFR

02 Jun 2026

Frankfurt am Main, June 02, 2026 -- Moody's Ratings (Moody's) has today affirmed the Ba2 corporate family rating (CFR) and Ba2-PD probability of default rating (PDR) of the German automotive parts supplier MAHLE GmbH (MAHLE or the company). Concurrently, we affirmed the Ba3 rating of the company's senior unsecured notes issued under the programme, the (P)Ba3 rating of the senior unsecured euro medium term note programme, and the Ba2 ratings of the guaranteed senior unsecured notes and the backed senior unsecured notes. The outlook has been changed to stable from negative.

RATINGS RATIONALE

The change in the outlook to stable reflects MAHLE's improved financial performance and credit metrics in 2025 and in the first quarter of 2026, supported by positive sales price effects, productivity improvements and cost cutting initiatives. These factors more than offset lower volumes in the company's core Western European and North American markets, increased input costs and adverse foreign currency effects. Our expectation of continued productivity enhancements and cost savings from restructuring should enable a further recovery of MAHLE's credit metrics to levels well in line with our requirements for a Ba2 rating over the next 12 months.

Despite a 3.6% year-over-year decline in group sales to €11.3 billion in 2025, MAHLE's Moody's adjusted EBIT margin improved to 3.1% from 2.1% in 2024, reflecting effective cost management, the ability to adjust pricing and the benefits of the company's "Back on Track" efficiency programme. This positive trend accelerated in the first quarter of 2026, where MAHLE's Moody's adjusted EBIT more than doubled to around €94 million from €38 million a year earlier, notwithstanding a further 4% year-over-year decline in quarterly sales to €2.7 billion, mainly driven by adverse currency translation effects.

As a result, the company's key credit metrics for the last 12 months (LTM) ended March 2026 improved noticeably. On a Moody's adjusted basis, MAHLE's EBIT margin increased to 3.6%, in line with our at least 3% requirement for a Ba2 rating, and retained cash flow (RCF) to net debt strengthened to 22%, well above our 15% minimum guidance. Leverage in terms of Moody's adjusted gross debt to EBITDA (3.6x as of LTM Q1 2026) continues to slightly exceed our expectation of below 3.5x for the Ba2 rating but should reach that level by year-end 2026. Key drivers of the expected improvement will be additional benefits from cost reduction and efficiency measures, as well as lower restructuring costs, more than offsetting sustained sluggish volumes on likely declining global light vehicle production and further rising input costs.

We note that MAHLE's credit metrics for 2025 and LTM March 2026 include, for the first time, an adjustment for operating leases, following the company's initial disclosure of leasing expenses in its 2025 financial statements. The adjustment has a positive effect of around 0.2 percentage points on MAHLE's Moody's adjusted EBIT margin and reduces Moody's adjusted gross debt to EBITDA by approximately 0.1x.

The affirmed ratings and the stable outlook also positively reflect MAHLE's size and scale as a global tier 1 automotive supplier, with €11.1 billion revenues as of LTM March 2026 and a diversified customer base; top three market positions in its main product categories of engine, filtration and thermal management systems; strategy to respond to the disruptive shift toward electrification in the auto industry; conservative financial policy, illustrated by a 1.3x net leverage ratio (company defined) and modest shareholder distributions; and good liquidity, supported by our forecast of positive Moody's adjusted free cash flow (FCF) in 2026.

Factors that continue to constrain the ratings include MAHLE's exposure to the cyclicality of automotive production; relatively low profit margins, reflecting the highly competitive sector environment; significant investments into R&D and capital expenditure, especially for products for alternative drivetrain systems, constraining FCF generation; fairly high exposure to carbon transition risks; and execution risks and increased one-off costs in 2025 associated with intensified restructuring.

RATIONALE FOR THE OUTLOOK

The stable outlook reflects MAHLE's strengthened financial performance in 2025 and Q1 2026 and our expectation of its credit metrics improving further to levels well in line with our guidance for the Ba2 rating over the next 12 months, including Moody's adjusted debt/EBITDA of below 3.5x (3.6x as of LTM March 2026).

LIQUIDITY

MAHLE's liquidity is good. As of 31 March 2026, the company's cash sources included €879 million cash on the balance sheet, its largely undrawn €1.2 billion revolving credit facility (maturing in February 2029), and our forecast of annual cash flow from operations of over €500 million. These sources significantly exceed the company's cash needs over the next 12 months, including capital spending of about €400 million, our €330 million working cash assumption (3% of group sales), dividend payments and short-term debt maturities.

We also expect the company to maintain ample capacity under financial covenants at all times.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

We would consider an upgrade of the ratings, if MAHLE's EBIT margin exceeded 5%, gross debt to EBITDA reduces below 3.0x, and retained cash flow to net debt exceeded 20%; all on a Moody's-adjusted and sustainable basis.

We could downgrade the ratings, if MAHLE's EBIT margin fell below 3.0%, gross debt to EBITDA exceeded 3.5x, and retained cash flow to net debt weakened to below 15%; all on a Moody's-adjusted and sustainable basis. Likewise, a deterioration in MAHLE's liquidity would exert negative pressure on the rating.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Automotive Suppliers published in November 2025 and available at https://ratings.moodys.com/rmc-documents/454508. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

The net effect of any adjustments applied to rating factor scores or scorecard outputs under the primary methodology(ies), if any, was not material to the ratings addressed in this announcement.

COMPANY PROFILE

MAHLE GmbH, headquartered in Stuttgart, Germany, is one of the top 30 global automotive parts suppliers. MAHLE's business segments are Thermal and Fluid Systems (accounting for 55% of group revenue in the 12 months through March 2026), Powertrain and Charging (34%) and Lifecycle and Mobility (11%). The company employs around 64,000 people and operates manufacturing sites in 127 locations worldwide. In the 12 months through March 2026, MAHLE generated revenues of around €11.1 billion and EBITDA of €800 million (7.2% margin).

The company has been owned by the MAHLE Foundation since 1964 and has a 61% stake in MAHLE Metal Leve S.A., a publicly listed entity in Brazil with a market capitalization of around BRL4.5 billion (€765 million) as of 25 May 2026.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections

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