

RATING ACTION COMMENTARY

Fitch Rates HELLA First-Time 'BBB-'; Outlook Negative

Thu 18 Dec, 2025 - 08:29 ET

Fitch Ratings - Frankfurt am Main - 18 Dec 2025: Fitch Ratings has assigned HELLA GmbH & Co. KGaA a Long-Term Issuer Default (IDR) of 'BBB-'. The Outlook is Negative.

HELLA's ratings are supported by a strong capital structure, with EBITDA net leverage trending towards a net cash position despite ongoing profitability pressure from business restructuring and persistent uncertainties in the automotive market. The ratings are further underpinned by its business profile, anchored by a strong position in the global automotive supply chain, especially its leading positions in the lighting and electronics divisions, with deep original equipment manufacturer (OEM) integration particularly in the European market.

The Negative Outlook is aligned with that of FORVIA S.E. (FORVIA) (BB+/Negative), HELLA's parent, which holds 81.6% of the shares. Fitch has applied its Parent and Subsidiary Linkage (PSL) Criteria and assessed the linkage between both issuers, which constrains HELLA's IDR to one notch above FORVIA's, reflecting the parent-subsidiary relationship.

KEY RATING DRIVERS

Restructuring Hits Short-Term Profitability: Fitch expects HELLA's EBIT margin over the next 12-18 months to be pressured by restructuring charges, in line with trends observed at similarly rated European peers. The initiatives aim to optimise its manufacturing footprint and reduce functional complexity. We forecast the post-restructuring EBIT margin to dip to about 3.4% in 2025, before improving toward 6% by 2028 as restructuring charges, totalling about EUR150 million in our projections, subside.

Low Leverage and Strong Liquidity: HELLA's leverage metrics are strong for the rating and are a key pillar supporting our assessment of a stronger credit profile relative to its parent's. We expect HELLA to maintain a conservative capital structure, with no material change to its prudent capital allocation policy, underpinned by a dividend

payout ratio of 30%. We project HELLA will reach a net cash position by the end of our forecast horizon, assuming an unchanged dividend payout ratio. A large cash balance of about EUR1 billion provides ample internal liquidity to absorb temporary cash burn.

Revenue Visibility from Electronics Order: HELLA's electronics business grew organically by 4% year on year in 9M25, partly offsetting subdued growth in lighting and lifecycle solutions. We expect a solid order backlog in electronics to provide good medium term revenue visibility, as average contract duration in this segment is longer than in the other two divisions. We believe a structural shift in automotive to software defined vehicles (SDV) and OEMs' inclination to outsource or partner with external parties to scale their electrical/electronic architecture should support HELLA's long-term revenue and earnings. This is due to its competency in the body controls, including zonal modules.

Established Market Position in Lighting: HELLA is a top five global supplier of automotive lighting, with an estimated market share of around 10%. HELLA has a stronger geographical weighting toward Europe than direct peers, such as Koito, Marelli and Valeo, and maintains longstanding relationships with German OEMs and their premium models. The lighting segment is structurally characterised by high R&D intensity, volume risk and intensifying competition in a concentrated market, which results in HELLA's low operating margins in lighting, broadly in line with peers'. We forecast EBIT margins in lighting to be about 3% over the forecast horizon, continuing to dilute the group margin.

Aftermarket Exposure Mitigates Cyclicalities: HELLA's sources about 13% of revenue from lifecycle solutions. The aftermarket exposure benefits from double-digit operating margins and helps to mitigate the cyclicalities inherent in the light vehicle production. HELLA's revenue share from aftermarket is lower than that of tyre makers, such as Continental AG (BBB/Positive) and Pirelli & C. S.p.A. (BBB/Stable) but higher than Lear Corporation's. and BorgWarner Inc.'s (BBB+/Stable).

PSL with FORVIA: HELLA's Standalone Credit Profile (SCP) at 'bbb-' is stronger than FORVIA's 'bb+'. We assess the legal ring-fencing as 'open' and 'access and control' as 'porous' under our PSL criteria. The assessment is based on our view that HELLA's treasury activities, including external financing and cash management, are and will remain separate from those of FORVIA, despite the lack of covenants on cash upstreaming in HELLA's debt documentation. Thus, HELLA's rating would be downgraded following a downgrade of FORVIA, assuming the links remain unchanged.

PEER ANALYSIS

HELLA's business profile is commensurate with the low investment-grade category for auto suppliers. Scale and diversification by geography and product are weaker than higher-rated German peers, such as Robert Bosch GmbH (Bosch, A/Negative) and its larger, more diversified parent FORVIA (BB+/Negative), but stronger than pure auto suppliers in the 'BB' category, such as Garrett Motion Inc. (BB/Stable) and Gestamp. HELLA's aftermarket exposure of around 13% of revenue provides additional earnings resilience and differentiates it from peers in the same rating category, including Autoliv Inc. (BBB+/Stable) and Lear Corporation (BBB/Stable).

HELLA's product portfolio is concentrated in lighting and electronics sensors. In automotive lighting, HELLA is a leading supplier globally, and particularly strong in Europe. Its lighting division (2024 revenue of about EUR4 billion) is only modestly smaller than Valeo's 2024 revenue of about EUR5.5 billion). HELLA's electronics division focuses on sensors and body control units and remains materially smaller than Aumovio (formerly Continental's Automotive Technologies division, spun off in 2025) and Bosch.

HELLA's financial profile is broadly comparable with Lear's and Bosch's, and stronger than FORVIA's, with low leverage and solid liquidity. Operating margins and free cash flow (FCF) generation are weak for its rating, reflecting sustained R&D intensity and high capital requirements.

FITCH'S KEY RATING-CASE ASSUMPTIONS

- Revenue to decline to EUR7.8 billion in 2025, with muted growth in 2026, in line with management guidance, before rising to EUR8.2 billion in 2027, and EUR8.7 billion in 2028
- EBIT margin to decline to 3.4% in 2025, before a gradual recovery to 4.6% in 2026, 5.7% in 2027 and 6.1% in 2028 with improvement supported by a better pricing mix and good order visibility and, to a lesser extent, efficiency measures
- Capex to remain 8%-9% of revenue in 2025-2028
- Dividend payout of 30% in 2026-2028
- No large restructuring costs from 2027
- Successful refinancing of 2027 notes

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

-Negative rating action on FORVIA or strengthening ties with FORVIA

-EBIT margin below 5.5%, FCF margin below 1%, EBITDA net leverage above 1.5x, all on a sustained basis

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

-Positive rating action on FORVIA or weaker ties with FORVIA

-EBIT margin above 8%, FCF margin above 2%, and EBITDA net leverage below 0.5x, all on a sustained basis, would lead to stronger SCP, but not necessarily a higher IDR

LIQUIDITY AND DEBT STRUCTURE

We consider HELLA's liquidity position to be strong, supported by an around EUR1 billion cash balance and an untapped revolving credit facility of EUR450 million. This is more than sufficient to absorb intra-year working capital swings. HELLA also uses a factoring line, which was drawn by EUR286 million at end-2024.

HELLA's debt mainly comprises one Eurobond and promissory notes (Schuldscheindarlehen), with maturities largely concentrated in 2027, due to the Eurobond. We expect it to be refinanced with manageable risks at HELLA level.

ISSUER PROFILE

HELLA is a leading global automotive parts and components supplier based in Germany. The business activities consist of three divisions: Lighting, Electronics, and Lifecycle Solutions. In 2022, HELLA was acquired by FORVIA, who increased its stake to 81.6% in 2023 and is the immediate parent of HELLA.

DATE OF RELEVANT COMMITTEE

25-Nov-2025

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

MACROECONOMIC ASSUMPTIONS AND SECTOR FORECASTS

[Click here](#) to access Fitch's latest quarterly Global Corporates Sector Forecasts Monitor data file which aggregates key data points used in our credit analysis. Fitch's

macroeconomic forecasts, commodity price assumptions, default rate forecasts, sector key performance indicators and sector-level forecasts are among the data items included.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

RATING ACTIONS

ENTITY / DEBT ↕	RATING ↕
HELLA GmbH & Co. KGaA	LT IDR BBB- Rating Outlook Negative
	New Rating

[VIEW ADDITIONAL RATING DETAILS](#)

FITCH RATINGS ANALYSTS

Wendy Qian, CFA
Director
Primary Rating Analyst
+49 69 768076 278
wendy.qian@fitchratings.com
Fitch Ratings – a branch of Fitch Ratings Ireland Limited
Neue Mainzer Strasse 46 - 50 Frankfurt am Main D-60311

Patrick Murphy
Senior Analyst
Secondary Rating Analyst
+49 69 768076 132
patrick.murphy@fitchratings.com

Josef Pospisil, CFA
Managing Director
Committee Chairperson
+44 20 3530 1287
josef.pospisil@fitchratings.com

MEDIA CONTACTS

Tahmina Pinnington-Mannan
London
+44 20 3530 1128
tahmina.pinnington-mannan@thefitchgroup.com

Additional information is available on www.fitchratings.com

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APPLICABLE CRITERIA

[Parent and Subsidiary Linkage Rating Criteria \(pub. 27 Jun 2025\)](#)

[Corporate Rating Criteria \(pub. 27 Jun 2025\) \(including rating assumption sensitivity\)](#)

[Sector Navigators – Addendum to the Corporate Rating Criteria \(pub. 27 Jun 2025\)](#)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Corporate Monitoring & Forecasting Model (COMFORT Model), v8.2.0 ([1](#))

ADDITIONAL DISCLOSURES

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