

## RATING ACTION COMMENTARY

# Fitch Revises HELLA's Outlook to Stable; Affirms Rating at 'BBB-'

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Fitch Ratings - Frankfurt am Main - 22 May 2026: Fitch Ratings has revised HELLA GmbH & Co. KGaA's (HELLA) Outlook to Stable from Negative and affirmed its Long-Term Issuer Default Rating (IDR) at 'BBB-'.

The Outlook change follows a similar Outlook revision to FORVIA S.E. (BB+ /Stable), HELLA's parent, which holds 81.6% of the company. Fitch views the linkage with the parent as constraining HELLA's IDR at one notch above FORVIA's, under its Parent and Subsidiary Linkage (PSL) Rating Criteria.

The affirmation is supported by a strong capital structure, as the company moves towards a net cash position by end-2029, 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.

## KEY RATING DRIVERS

**Electronics Driving Value Creation:** HELLA's Electronics division has become the group's largest contributor to both revenue and margins in 2025, partly offsetting weaker performance in lighting and lifecycle solutions. Fitch expects the division to continue delivering high single-digit growth over 2026-2029, supported by a solid order backlog and longer contract duration than the other two business segments.

HELLA's long-term revenue and earnings visibility is underpinned by a structural shift toward software-defined vehicles (SDVs) and OEMs' increasing willingness to outsource or partner with external providers to scale their electrical and electronic architectures. HELLA is firmly positioned to benefit from this trend given its expertise in body control systems, including zonal modules.

**Lighting Recovery to Be Gradual:** The lighting division's EBIT margin fell to 2.9% in 2025 from historical levels of 3.5%, diluting the group margin. This is due to the phase-out of legacy programmes and intensified competition in a concentrated market. We forecast the EBIT margin will dip to 2.5% in 2026, before rebounding to 3%-4% as new projects start to ramp up in 2027 and 2028. Nevertheless, we remain cautious about volume risk stemming from European OEMs, particularly of German vehicles, which may not be sufficiently offset by growth in other regions with foreign brands against a backdrop of stagnant global auto production.

**Low Leverage, Strong Liquidity:** HELLA's leverage metrics remain strong for the rating and are a key factor supporting our view of a stronger credit profile than that of its parent. We expect the company to maintain a conservative capital structure, with no material deviation from its prudent capital allocation policy, supported by a 30% dividend payout ratio. Fitch projects that HELLA will move into a net cash position by end-2029 if the dividend policy remains unchanged. In addition, a cash balance of about EUR1 billion provides a substantial buffer to absorb any temporary cash burn.

**Restructuring Weighs on Margins:** HELLA's operating margin declined to 3.6% in 2025, of which 1.9pp were attributable to restructuring charges. These measures are aimed at optimising the manufacturing footprint and reducing functional complexity. We continue to assume annual restructuring charges of EUR75 million, weighing on the operating margin across 2026-2029, as European OEMs continue to adjust their production capacity to align with market conditions. We forecast HELLA's EBIT margin to gradually recover to about 6% by 2029.

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

**PSL with FORVIA:** HELLA's Standalone Credit Profile (SCP) of 'bbb-' is stronger than FORVIA's 'bb+'. We assess legal ring-fencing as 'open' and access and control as 'porous' under our PSL Criteria. This reflects our view that HELLA's treasury activities, including external financing and cash management, are and will remain separate from those of FORVIA, despite the absence of covenants restricting cash upstreaming in HELLA's debt documentation. As a result, HELLA's rating would likely be downgraded following a downgrade of FORVIA, assuming the linkage factors remain unchanged.

## **PEER ANALYSIS**

HELLA's business profile is commensurate with the low investment-grade category peers. Its size and diversification, in terms of geographies and product offerings, compare less favourably than higher-rated German peers, like Robert Bosch GmbH (A/Negative), but stronger than pure auto suppliers in the 'BB' rating band, like Garrett Motion, Inc. (BB/Stable) and Gestamp Automocion S.A.. HELLA also has aftermarket exposure, accounting for about 13% of revenue and differentiating itself from peers in the same rating category, such as Autoliv, Inc. (BBB+/Stable) and Lear Corporation (BBB/Stable).

HELLA's product portfolio is concentrated on lighting and electronics sensors. In automotive lighting, HELLA is one of the global top suppliers in the oligopolistic market and its leading position is more prominent in Europe. HELLA's lighting business (2025: EUR3.7 billion) is modestly smaller than that of Valeo (2025: EUR5.4 billion). HELLA's electronics division focuses on sensors and body control units and is much smaller in scale than that of Aumovio (formerly the Automotive Technologies division of Continental, spun off in 2025) and Bosch.

HELLA's financial profile is on a par with that of Lear Corporation and Bosch, with low leverage and solid liquidity. HELLA's operating margins and free cash flow (FCF) generation are weak for its rating, due to large R&D spend and high capital intensity.

### **FITCH'S KEY RATING-CASE ASSUMPTIONS**

- Revenue to decline to EUR7.5 billion in 2026, followed by muted growth in 2027, reflecting a volatile automotive production environment and demand uncertainty. Revenue to recover toward EUR8.2 billion at end-2029
- EBIT margin after restructuring gradually trending toward 6% in 2029, driven by electronics and supported by lifecycle solutions. No material EBIT margin uplift at lighting division.
- Capex averaging 8.4% of revenue over 2026-2029
- Dividend payout of 30% in 2026-2029
- Recurring non-operational charges of EUR75 million a year included in EBIT margin to account for potential costs of transformation measures
- Successful refinancing of 2027 notes

### **CORPORATE RATING TOOL INPUTS AND SCORES**

Fitch scored the issuer as follows, using our Corporate Rating Tool (CRT) to produce the Standalone Credit Profile (SCP):

Business and financial profile factors (assessment, relative importance): management ('bbb', Lower), sector characteristics ('bb+', Moderate), market and competitive positioning ('bbb', Moderate), diversification and asset quality ('bb+', Moderate), company operational characteristics ('bbb', Moderate), profitability ('bb', Higher), financial structure ('a-', Higher), and financial flexibility ('a', Moderate).

The quantitative financial subfactors are based on standard CRT financial period parameters: 20% weight for the historical year 2025, 40% for the forecast year 2026 and 40% for the forecast year 2027.

The governance assessment of 'good' has no impact.

The operating environment assessment of 'a+' has no impact.

The SCP is 'bbb-'.

To derive the Long-Term IDR:

Application of Fitch's PSL Rating Criteria results in a(n) consolidated profile+1 approach.

## **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%, and 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 a stronger SCP, but not necessarily a higher IDR

## **LIQUIDITY AND DEBT STRUCTURE**

We consider HELLA's liquidity position to be strong, supported by about EUR1.3 billion cash on its balance sheet 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 EUR250 million at end-2025.

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. Its business consists of three divisions: lighting, electronics, and lifecycle solutions.

## **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.

## **PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS**

The Ratings and Outlook of HELLA are directly linked to those of FORVIA.

## **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.

## **CLIMATE VULNERABILITY SIGNALS**

The Climate.VS for HELLA is 51 for 2035. HELLA derives most of its revenue from the sale of automotive parts and components, namely car lighting and electronics, to auto OEMs. HELLA's product portfolio is technology-defensive and engine-agnostic. The powertrain transition risk is limited for HELLA and the industry shift towards electrification and autonomous driving are supporting factors. We have incorporated R&D cost and capex in our rating case that would enable HELLA to capture and monetise portfolio growth.

## **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 TYPE ↕ | RATING ↕            | RATING ACTION ↕ | PRIOR ↕                      |
|--------------------------|---------------|---------------------|-----------------|------------------------------|
| HELLA GmbH & Co.<br>KGaA | LT IDR        | BBB- Rating Outlook | Affirmed        | BBB- Rating Outlook Negative |

[VIEW ADDITIONAL RATING DETAILS](#)

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## **APPLICABLE CRITERIA**

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

[Corporate Rating Criteria \(pub. 09 Jan 2026\) \(including rating assumption sensitivity\)](#)

[Sector Navigators – Addendum to the Corporate Rating Criteria \(pub. 09 Jan 2026\)](#)

## **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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HELLA GmbH & Co. KGaA

EU Issued, UK Endorsed

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