

Tear Sheet:

Siemens AG

May 22, 2025

This report does not constitute a rating action.

We do not expect the digital industries (DI) segment's margins to rebound until fiscal 2026, while smart infrastructure (SI) will maintain strong business momentum. The short-cyclical DI segment reported a year-over-year revenue decline of 11.3%, totaling €8.3 billion for the first half of fiscal year 2025 (ended March 31, 2025), with company-adjusted profit margins declining by more than 500 basis points (bps) to 14.7%. We expect the destocking effect, which has weighed heavily on operating performance over the past 12-18 months, will end in the second half of fiscal 2025, leading to improved momentum and a margin recovery in fiscal 2026. In contrast, the SI segment continues to perform well, with revenues increasing by more than 4% for the first half of fiscal 2025, reaching €11 billion. The company-adjusted profit margin improved by 100 bps to 17.7%, excluding the disposal of the wiring accessories business. We continue to expect demand for electrification to remain strong, providing positive momentum for the upcoming quarters, along with an order backlog of €19.6 billion.

Despite near-term economic headwinds, U.S. tariff uncertainty, and softer operating performance in DI, we estimate group revenues to grow by 3%-5% in fiscals 2025 and 2026.

This is mainly thanks to the group's large order backlog across all segments. In addition, we expect ongoing government investments in infrastructure, corporate efforts in decarbonization and energy savings, as well as investments in automation and digitalization. These provide structural growth opportunities for Siemens, which typically commands leading positions across its end-markets. We expect S&P Global Ratings-adjusted EBITDA margins to reach 17.4% to 17.8% in fiscal 2025 due to lower margins in its DI segment. In fiscal 2026, we project margins to increase to 18.0% to 18.5% driven by stronger momentum across the group, particularly in the DI segment, aligning with our previous base case. However, we recognize the uncertainties around U.S. government policy and tariff implementation. Siemens AG generates 25%-30% of its revenue in the U.S. and has set up a local production and supplier network accounting for about 80% of its cost base. Nevertheless, the company still relies on imports from Europe and has minor exposure to imports from China. We think there is significant unpredictability around policy implementation by the U.S. administration, which adds a considerable degree of uncertainty to our baseline forecasts.

Free operating cash flow (FOCF) will likely remain strong, with more than €7 billion in fiscals 2025 and 2026. We estimate working capital requirements will remain low in fiscal 2025, reaching up to €1 billion in fiscal 2026. Capital expenditure will stay between 2.7%-2.9%, resulting in €7.0 billion-€7.5 billion, in line with fiscal 2024's €7.4 billion.

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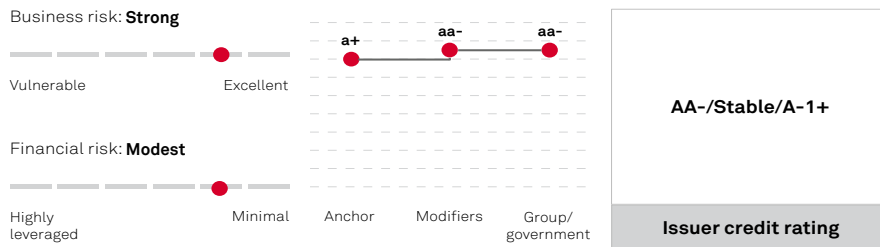
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We expect credit metrics to remain strong for our 'AA-' rating. This is thanks to a conservative financial policy on shareholder returns and mergers and acquisitions, as demonstrated by the planned financing for the purchase price of recently announced acquisitions, using the proceeds from disposals and the continued reduction of its holding in Siemens Healthineers and Siemens Energy.

Siemens has issued \$7 billion and €4 billion in bonds to refinance upcoming maturities and boost liquidity considering the recent closing of the Altair acquisition for \$10 billion and the upcoming closing of Dotmatics for \$5.1 billion. Given that, the sale of its holdings in Siemens Healthineers and Siemens Energy will be conducted gradually over time. We view the financing transaction as neutral to our rating and liquidity assessment.

Ratings Score Snapshot



Recent Research

- Bulletin, Siemens AG, April 04, 2025
- Full Analysis, Siemens AG, March 21, 2025
- Industry Credit Outlook 2025: Capital Goods, Jan. 14, 2025
- Bulletin: Siemens' Acquisition Of Altair Boosts Its Competitive Position, Nov. 4, 2025

Company Description

Siemens AG, founded in 1847 and headquartered in Germany, is one of the world's leading electronic engineering and manufacturing companies. In the fiscal year ending Sept. 30, 2024, the group recorded S&P Global Ratings-adjusted revenue of €75.5 billion and adjusted EBITDA of about €13.4 billion.

It operates through three fully owned segments: DI; smart infrastructure; and mobility. In addition, it consolidates two segments: Siemens Healthineers (73% owned) and Siemens Financial Services (100% owned).

- DI offers automation systems and software for factories; numerical control systems; motors, drives, and inverters; and integrated automation systems for machine tools and production machines. It also offers process control systems; machine-to-machine communication products; sensors and radio frequency identification systems; software for production and

Siemens AG

product life cycle management; software for the simulation and testing of mechatronic systems; and cloud-based industrial internet of things operating systems.

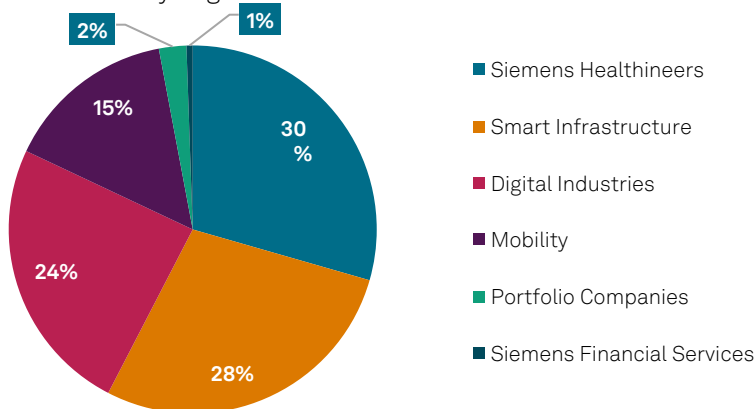
- Smart infrastructure offers products, systems, solutions, services, and software to support a sustainable energy-generation transition from fossil fuels to renewable sources; sustainable buildings and communities; and buildings, electrification, and electrical products.
- Mobility provides passenger and freight transportation, such as vehicles, trams and light rail, and commuter trains, as well as trains and passenger coaches; locomotives for freight or passenger transport as well as solutions for automated transportation; products and solutions for rail automation; electrification products; and intermodal solutions.
- Siemens Healthineers develops, manufactures, and sells various diagnostic and therapeutic products and services; and provides clinical consulting services.
- Siemens Financial Services offers leasing, lending, and working capital financing solutions and equipment, project, and structured financing solutions.

We view the group's captive finance operations as neutral in terms of its credit profile. This reflects the historically low loss rates and leverage of these operations.

In September 2020, Siemens completed the spinoff of its energy business, Siemens Energy AG (oil and gas, conventional power generation, power transmission, and renewable energies) to a separately managed publicly listed company. As of Jan. 30, 2025, Siemens directly and indirectly held a stake of about 15% in Siemens Energy.

Siemens AG

Revenue breakdown by segment*

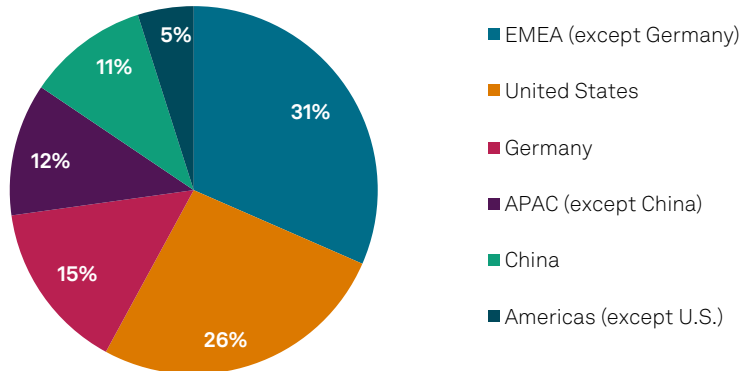


*For the fiscal year ended Sept. 30, 2024. Source: S&P Global Ratings. EMEA--Europe, the Middle East, and Africa. APAC--Asia-Pacific.

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Siemens AG

Revenue breakdown by geography*



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Outlook

The stable outlook reflects our view that Siemens' operating performance will continue to improve over the next 24 months on the back of healthy secular demand in its end markets, and despite challenges in the wider economy. We expect S&P Global Ratings-adjusted EBITDA margins to remain 17%-19% over the next 24 months, and the company to maintain strong credit metrics, with funds from operations (FFO) to debt well above 45%. We anticipate Siemens will maintain comfortable headroom under our rating threshold during normal operating circumstances, as well as balance shareholder remuneration and acquisitions, in line with its conservative financial policy.

Downside scenario

We could lower the rating on Siemens if its credit metrics fall below our expectations, such that FFO to debt declines below 45% and its EBITDA margin falls structurally below 17%

We could also lower the rating if:

- Siemens' FOCF generation does not materialize as expected--for example, if the economy falls back into a prolonged recession, leading to a notable decline in order intake, or if the performance of the group's highest-margin divisions, Siemens Healthineers and DI, lags our expectations.
- We observe notable market share losses or lower competitiveness, resulting in slower revenue growth compared to GDP or its main peers in the capital goods industry.
- We observe a change in Siemens' financial policy or commitment to maintaining the current rating--for example, through less balanced shareholder remunerations versus internal and external growth investments or an unwillingness to reduce share buybacks in the event of weaker-than-anticipated cash generation.
- The group relinquishes control of Siemens Healthineers, which is the most stable operating division, characterized by strong margins and steady cash flow.

Upside scenario

A positive rating action is very remote, in our view. We could raise the rating if EBITDA margins increase well beyond 20% or if the group further substantially improves its business diversification into low-volatility sectors, while at the same time its already conservative financial policy becomes even more so, leading to FFO to debt remaining permanently above 60%.

Key Metrics

Siemens AG--Forecast summary

Period ending	Sep-30-2021	Sep-30-2022	Sep-30-2023	Sep-30-2024	Sep-30-2025	Sep-30-2026
(Mil. EUR)	2021a	2022a	2023a	2024a	2025e	2026f
Revenue	61,602	71,345	77,301	75,516	77,500-78,500	81,000-83,000
EBITDA (reported)	9,570	12,846	13,257	12,752	12,500-13,500	14,000-15,000
Less: Captive EBITDA	(191)	(93)	97	187	~ (170)	~ (150)
Less: Capitalized Development Costs	(277)	(295)	(301)	(206)	~ (331)	~ (348)
Plus: Pension & other postretirement expense	10	(6)	8	17	17	17
Plus: Dividends received from equity investments	238	348	258	294	294	294
Plus: Stock compensation expense	294	377	444	524	524	524
EBITDA: Gain/(Loss) on disposals of PP&E	--	(65)	(174)	(128)	--	--
EBITDA – Business Divestments	--	(1,884)	(232)	--	--	--
EBITDA	9,644	11,228	13,357	13,440	13,000-14,000	14,500-15,500
Funds from operations (FFO)	7,139	8,853	10,240	9,748	11,000-11,500	12,300-12,800
Capital expenditure (capex)	1,431	1,758	1,885	1,853	1,800-2,000	1,800-2,000
Free operating cash flow (FOCF)	6,855	6,429	8,003	7,479	7,000-7,500	7,000-7,500
Dividends	3,089	3,569	3,751	4,098	~ 4,300	~ 4,500
Share repurchases (reported)	547	1,870	1,288	3,765	<2,000	<2,000
Acquisitions	3,219	990	2,964	(384)	~ 10,000	~ 6,000
Debt (reported)	45,771	47,634	43,673	44,857	--	--
Less: Accessible cash and liquid Investments	(8,542)	(9,363)	(8,095)	(8,173)	--	--
Debt reported – accessible cash	37,229	38,271	34,768	36,684	35,000-36,000	35,000-36,000
Plus: Reported lease liabilities	2,929	3,002	2,923	3,062	3,062	3,062
Less: Captive finance debt	(26,519)	(29,107)	(28,756)	(28,699)	(28,699)	(28,699)
Plus: ARO debt adjustment	577	564	556	554	554	554
Plus: Pension & postretirement debt/deferred compensation	--	7	--	--	--	--
Debt – Guarantees	366	355	284	216	216	216
Debt – Others	(1,012)	(1,720)	(621)	(806)	--	--
Adjusted Debt	13,570	11,372	9,154	11,011	10,200-11,300	10,200-11,200
Adjusted ratios						

Siemens AG--Forecast summary

Debt/EBITDA (x)	1.4	1.0	0.7	0.8	<1.0	<1.0
FFO/debt (%)	52.6	77.8	111.9	88.5	>100.0	>100.0
FOCF/debt (%)	50.5	56.5	87.4	67.9	63.0-73.0	68.0-78.0
Annual revenue growth (%)	9.1	15.8	8.3	(2.3)	3.0-5.0	3.0-5.0
EBITDA margin (%)	15.7	15.7	17.3	17.8	17.3-17.8	18.2-18.7

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. EUR--euro.

Financial Summary

Siemens AG--Financial Summary

Period ending	Sep-30-2019	Sep-30-2020	Sep-30-2021	Sep-30-2022	Sep-30-2023	Sep-30-2024
Reporting period	2019a	2020a	2021a	2022a	2023a	2024a
Display currency (mil.)	EUR	EUR	EUR	EUR	EUR	EUR
Revenues	86,072	56,472	61,602	71,345	77,301	75,516
EBITDA	11,389	7,784	9,644	11,228	13,357	13,440
Funds from operations (FFO)	8,224	5,898	7,139	8,853	10,240	9,748
Interest expense	987	495	416	335	488	513
Cash interest paid	824	418	409	412	240	145
Operating cash flow (OCF)	6,971	6,292	8,286	8,187	9,888	9,332
Capital expenditure	2,167	1,112	1,431	1,758	1,885	1,853
Free operating cash flow (FOCF)	4,804	5,180	6,855	6,429	8,003	7,479
Discretionary cash flow (DCF)	91	281	3,219	990	2,964	(384)
Cash and short-term investments	13,722	15,297	10,677	11,704	11,131	10,216
Gross available cash	13,722	12,673	10,677	11,704	11,131	10,216
Debt	8,219	12,389	13,570	11,372	9,154	11,011
Common equity	48,119	37,151	46,501	51,718	49,927	53,121
Adjusted ratios						
EBITDA margin (%)	13.2	13.8	15.7	15.7	17.3	17.8
Return on capital (%)	14.4	8.3	11.7	12.5	15.0	18.5
EBITDA interest coverage (x)	11.5	15.7	23.2	33.5	27.4	26.2
FFO cash interest coverage (x)	11.0	15.1	18.5	22.5	43.7	68.2
Debt/EBITDA (x)	0.7	1.6	1.4	1.0	0.7	0.8
FFO/debt (%)	100.1	47.6	52.6	77.8	111.9	88.5
OCF/debt (%)	84.8	50.8	61.1	72.0	108.0	84.8
FOCF/debt (%)	58.4	41.8	50.5	56.5	87.4	67.9
DCF/debt (%)	1.1	2.3	23.7	8.7	32.4	(3.5)

Peer Comparison

Siemens AG--Peer Comparisons

	Siemens AG	ABB Ltd.	Schneider Electric S.E.	Rockwell Automation Inc.
Foreign currency issuer credit rating	AA-/Stable/A-1+	A/Stable/A-1	A/Stable/A-1	A-/Stable/A-2
Local currency issuer credit rating	AA-/Stable/A-1+	A/Stable/A-1	A/Stable/A-1	A-/Stable/A-2
Period	Annual	Annual	Annual	Annual
Period ending	2024-09-30	2024-12-31	2024-12-31	2024-09-30
Mil.	EUR	EUR	EUR	EUR
Revenue	75,516	31,730	38,153	7,410
EBITDA	13,440	6,214	7,786	1,540
Funds from operations (FFO)	9,748	4,606	7,566	960
Interest	513	136	527	152
Cash interest paid	145	273	139	151
Operating cash flow (OCF)	9,332	4,784	5,165	859
Capital expenditure	1,853	816	1,061	201
Free operating cash flow (FOCF)	7,479	3,967	4,104	658
Discretionary cash flow (DCF)	(384)	955	1,667	(388)
Cash and short-term investments	10,216	5,452	6,887	422
Gross available cash	10,216	5,452	6,887	422
Debt	11,011	3,878	10,440	3,729
Equity	53,121	14,546	31,280	3,295
EBITDA margin (%)	17.8	19.6	20.4	20.8
Return on capital (%)	18.5	28.7	15.9	17.3
EBITDA interest coverage (x)	26.2	45.8	14.8	10.1
FFO cash interest coverage (x)	68.2	17.9	55.4	7.4
Debt/EBITDA (x)	0.8	0.6	1.3	2.4
FFO/debt (%)	88.5	118.8	72.5	25.7
OCF/debt (%)	84.8	123.4	49.5	23.0
FOCF/debt (%)	67.9	102.3	39.3	17.6
DCF/debt (%)	(3.5)	24.6	16.0	(10.4)

Rating Component Scores

Foreign currency issuer credit rating	AA-/Stable/A-1+
Local currency issuer credit rating	AA-/Stable/A-1+
Business risk	Strong
Country risk	Low
Industry risk	Intermediate
Competitive position	Strong
Financial risk	Modest
Cash flow/leverage	Modest
Anchor	a+
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Exceptional (no impact)
Management and governance	Positive (no impact)
Comparable rating analysis	Positive (+1 notch)
Stand-alone credit profile	aa-

Related Criteria

- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- Criteria | Corporates | General: Methodology: The Impact Of Captive Finance Operations On Nonfinancial Corporate Issuers, Oct. 23, 2023
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

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