

## Tear Sheet:

**Adolf Wuerth GmbH & Co. KG**

May 23, 2025

This report does not constitute a rating action.

**We expect Adolf Wuerth GmbH & Co. KG (Wuerth) will post a resilient performance in 2025.**

This is due to gradual improvements in the company's organic performance and despite the challenging environment. Market conditions remain uncertain in Europe and the U.S., given the tariff uncertainty and ongoing geopolitical tensions, which affect volume growth and companies' investment decisions in the two regions. We believe tariff uncertainty has a modest direct effect on Wuerth's performance, as most of its products are assembled locally and the company's reliance on supply chains in China is comparable with that of main competitors in the U.S. If necessary, its leadership position would enable Wuerth to implement price increases to offset tariffs. Indirect consequences from tariffs could be more relevant and include a significant reduction in economic growth in Europe and the U.S. On the plus side, Wuerth could indirectly benefit from the German stimulus package that the new government plans to implement in 2026. Overall, we forecast sales growth of 3% in 2025, followed by another increase from 2026 because of positive sales volumes, especially in electrical wholesale. We also anticipate that S&P Global Ratings-adjusted EBITDA margins will remain at about 10% in 2025 and improve to 10%-11% in 2026, reflecting better operating leverage.

**Wuerth's performance in 2024 slightly exceeded our expectation.** In a difficult market environment where most end-markets were underperforming, Wuerth reported resilient performance as sales declined only modestly by 1% year over year (YOY). The recent acquisition of TIM S.A. Poland and IDG 01 SpA strengthened the company's electrical wholesale business, which increased by 8% YOY in 2024. The rise largely offset the organic volume decline in several end-markets, especially industrial, construction, and electronics. Lower volumes and continuing wage inflation reduced adjusted EBITDA margins to about 9.6% in 2024, which exceeded our expectation and was below the 11.5% in 2023.

**We anticipate rating headroom will remain comfortable over 2025-2026.** We assume broadly stable capital expenditure (capex) of €750 million-€850 million and modest cash absorption related to working capital outflows. Due to an increase in EBITDA and no significant acquisitions or further shareholder remunerations, we forecast adjusted funds from operations (FFO) to debt will improve to 60%-70%, which significantly exceeds the 40% minimum that is commensurate with the current rating.

**Wuerth's prudent financial policy is a key rating strength.** We think Wuerth will remain highly disciplined in its discretionary spending to sustain its credit metrics in line with our 'A' long-term issuer credit rating. Our rating on Wuerth has not changed since 2000, with the company

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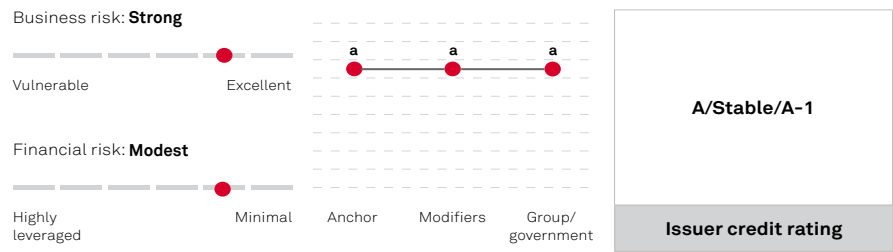
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overcoming all economic downturns in the past two decades and exhibiting one of the most stable corporate credit profiles globally.

## Ratings Score Snapshot



## Recent Research

- Credit FAQ: What's In Store For Large European Building Materials Issuers, April 16, 2025
- European Building Materials Issuers Could Withstand Potential U.S. Tariffs, March 3, 2025
- Industry Credit Outlook 2025: Building Materials, Jan. 14, 2025

## Company Description

Headquartered in Künzelsau, Germany, family-trust-owned Wuerth is the largest global distributor of assembly products in the maintenance, repair, and operations industry, mainly selling to small and midsize industrial companies. Wuerth sells own-brand products in its core businesses to the auto aftermarket, metalworking, woodworking, craft, and manufacturing industries, which generated about 54% of group revenues in 2024. The remaining 46% of group sales came from allied companies, which have been acquired, or founded entities that maintain their individual brand names and operate in adjacent segments of the core business, including electrical wholesale, the manufacturing of chemical products, and the distribution of stainless-steel screws. In 2024, Wuerth generated sales of about €20 billion and adjusted EBITDA of €1.9 billion.

## Outlook

The stable outlook reflects our expectation that Wuerth will maintain its focus on operating efficiency and continue generating solid free operating cash flow (FOCF) through the cycle, with adjusted debt to EBITDA remaining below 2x and adjusted FFO to debt continuing to exceed 45%. We expect Wuerth's financial policy will remain cautious, which will help the company maintain sufficient rating headroom over the next 12-18 months.

## Downside scenario

We could lower the ratings if Wuerth implements a more aggressive financial policy than we expect--including materially higher shareholder returns--or larger debt-funded acquisitions than we expect, leading to a material and prolonged weakening of credit metrics such that adjusted debt to EBITDA exceeds 2x and FFO to debt is below 40%. A lasting deterioration in margins could also weigh on the ratings. We believe the ample rating headroom built over 2021-2023 will protect Wuerth from weakening economic conditions and still offer room for moderate acquisition spending.

## Upside scenario

We could raise the ratings if Wuerth builds a track record of stronger leverage metrics, with adjusted debt to EBITDA of about 1.5x and adjusted FFO to debt of at least 60%. An upgrade also depends on a strong commitment from shareholders to maintain these credit metrics.

## Key Metrics

Adolf Wuerth GmbH & Co. KG--Forecast summary

Period ending	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027
(Mil. €)	2023a	2024a	2025e	2026f	2027f
Revenue	20,218	20,017	20,783	21,625	22,532
Capital expenditure (capex)	898	763	789	822	857
Free operating cash flow (FOCF)	1,070	856	836	900	955
<b>Adjusted ratios</b>					
Debt/EBITDA (x)	0.9	1.3	1.3	1.1	1.1
FFO/debt (%)	85.8	56.7	59.5	67.3	72.5
EBITDA margin (%)	11.5	9.6	9.9	10.6	10.6

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

## Financial Summary

Adolf Wuerth GmbH & Co. KG--Financial summary

Period ending	Dec-31-2019	Dec-31-2020	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024
Reporting period	2019a	2020a	2021a	2022a	2023a	2024a
<b>(Mil. €)</b>						
Revenues	14,188	14,323	16,969	19,821	20,218	20,017
EBITDA	1,459	1,549	1,992	2,320	2,319	1,918
Funds from operations (FFO)	1,228	1,327	1,735	1,894	1,842	1,447
Interest expense	69	75	36	93	168	153
Cash interest paid	52	54	42	73	101	168
Operating cash flow (OCF)	1,080	1,446	932	833	1,968	1,619
Capital expenditure	694	455	547	796	898	763

## Adolf Wuerth GmbH &amp; Co. KG--Financial summary

Free operating cash flow (FOCF)	386	992	386	37	1,070	856
Discretionary cash flow (DCF)	201	834	195	(158)	830	653
Cash and short-term investments	464	1,312	1,066	1,110	1,638	1,945
Gross available cash	374	1,218	957	938	1,467	1,772
Debt	2,802	2,229	2,247	2,659	2,148	2,551
Common equity	5,341	5,682	6,555	7,621	8,455	8,945
<b>Adjusted ratios</b>						
EBITDA margin (%)	10.3	10.8	11.7	11.7	11.5	9.6
Return on capital (%)	10.1	11.3	16.1	17.2	15.5	10.1
EBITDA interest coverage (x)	21.3	20.6	54.9	25.0	13.8	12.5
FFO cash interest coverage (x)	24.6	25.6	42.0	26.8	19.3	9.6
Debt/EBITDA (x)	1.9	1.4	1.1	1.1	0.9	1.3
FFO/debt (%)	43.8	59.6	77.2	71.2	85.8	56.7
OCF/debt (%)	38.6	64.9	41.5	31.3	91.6	63.5
FOCF/debt (%)	13.8	44.5	17.2	1.4	49.8	33.6
DCF/debt (%)	7.2	37.4	8.7	(5.9)	38.6	25.6

Source: S&amp;P Global Ratings.

## Peer Comparison

## Adolf Wuerth GmbH &amp; Co. KG--Peer Comparisons

	Adolf Wuerth GmbH & Co. KG	Grainger (W.W.) Inc.	Legrand S.A.	Rexel S.A.
Foreign currency issuer credit rating	A/Stable/A-1	A+/Stable/A-1	A-/Stable/A-2	BB+/Stable/B
Local currency issuer credit rating	A/Stable/A-1	A+/Stable/A-1	A-/Stable/A-2	BB+/Stable/B
Period	Annual	Annual	Annual	Annual
Period ending	2024-12-31	2024-12-31	2024-12-31	2024-12-31
Mil.	EUR	EUR	EUR	EUR
Revenue	20,017	16,582	8,649	19,285
EBITDA	1,918	2,932	2,033	1,527
Funds from operations (FFO)	1,447	2,229	1,504	1,050
Interest	153	85	154	203
Cash interest paid	168	118	92	196
Operating cash flow (OCF)	1,619	2,128	1,436	863
Capital expenditure	763	523	210	132
Free operating cash flow (FOCF)	856	1,605	1,226	731
Discretionary cash flow (DCF)	653	(10)	632	272
Cash and short-term investments	1,945	1,001	2,075	883
Gross available cash	1,772	1,001	2,075	835
Debt	2,551	2,219	3,355	4,445

## Adolf Wuerth GmbH &amp; Co. KG--Peer Comparisons

Equity	8,945	3,577	7,548	5,570
EBITDA margin (%)	9.6	17.7	23.5	7.9
Return on capital (%)	10.1	45.4	17.5	11.1
EBITDA interest coverage (x)	12.5	34.5	13.2	7.5
FFO cash interest coverage (x)	9.6	19.9	17.4	6.4
Debt/EBITDA (x)	1.3	0.8	1.7	2.9
FFO/debt (%)	56.7	100.5	44.8	23.6
OCF/debt (%)	63.5	95.9	42.8	19.4
FOCF/debt (%)	33.6	72.4	36.5	16.4
DCF/debt (%)	25.6	(0.4)	18.8	6.1

## Environmental, Social, And Governance

Governance factors are a moderately positive consideration in our credit rating analysis of Wuerth. The company's performance was more resilient than that of most industry peers during the COVID-19 pandemic and during the 2023-2024 sector contraction. This demonstrated management's ability to operate the business effectively through market downturns and reflected prudent risk management. Wuerth is controlled by the Wuerth family, who remain heavily involved in the company's development and strategic decisions. However, we think the governance structure is effective and balances stakeholders' interests.

Environmental factors have an overall neutral influence on our credit rating analysis. Wuerth's business is not energy-intensive, not least because the company distributes products rather than developing them.

## Rating Component Scores

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

## Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, April 4, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- 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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