

France-Based Aerospace Propulsion Manufacturer Safran SA's Proposed Unsecured Notes Rated 'BBB+'

March 9, 2021

PARIS (S&P Global Ratings) March 9, 2021--S&P Global Ratings today assigned its 'BBB+' issue rating to Safran SA's (BBB+/Stable/--) proposed unsecured notes. The company plans to issue the debt in two benchmark tranches (five-year and 10-year maturity) and use the proceeds for general corporate purposes. The proposed offering does not materially change our expected credit ratios for the company.

Safran's financial debt mostly comprises unsecured bonds and unsecured bank loans located at Safran SA. The proposed notes will rank pari passu with the company's existing unsecured debt. We rate Safran's proposed notes at the same level as the long-term issuer credit rating (ICR) because there are no significant elements of subordination risk present in its capital structure.

Our long-term ICR on Safran reflects its strong balance sheet, conservative financial policy, and strong cash generation profile--supported by relatively resilient profit margins. It also reflects the company's significant exposure to the commercial aerospace sector, which is experiencing a significant downturn due to the COVID-19 pandemic. The stable outlook reflects our expectation that Safran's cost-cutting measures and discipline on investments will translate into funds from operations to debt of at least 40% and free operating cash flow to debt of above 20% in 2021, despite air traffic demand not recovering to 2019 levels until at least 2024.

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Related Criteria

- 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: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- 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
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013

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- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://www.standardandpoors.com/en_US/web/guest/article/-/view/sourceld/504352 Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

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