

Research Update:

# Sartorius AG Downgraded To 'BBB-' On Macroeconomic Volatility And Biopharma Recovery Uncertainty; Outlook Stable

April 25, 2025

## Rating Action Overview

- Following the Polyplus acquisition in 2023, Sartorius AG's deleveraging has been slower than anticipated. Sales and fixed cost recovery slowed abruptly as biopharmaceutical manufacturing underwent material destocking, and reprofiling its output capabilities post-pandemic took longer than expected.
- S&P Global Ratings-adjusted debt to EBITDA stood at 7.3x in 2023 and at 5.9x at year-end 2024, versus our original expectations of 5.1x and 3.6x for 2023 and 2024 respectively.
- As of March 31, 2025, we see a double-digit increase in the order book and a book-to-bill ratio well above 1x. The end of the destocking cycle and increasing orders for higher-margin consumables (about 75% of sales) will support S&P Global Ratings-adjusted EBITDA margin recovery of about 25% in 2025 and 27% in 2026.
- However, we expect leverage to remain well above 3x over the next two years, which is above our 'BBB' rating threshold.
- We therefore lowered our long-term issuer and issue credit ratings on Sartorius and its senior unsecured notes to 'BBB-' from 'BBB'.
- The stable outlook indicates that we anticipate Sartorius will expand its S&P Global Ratings-adjusted EBITDA margins to about 25% in 2025 and 27% in 2026 by capturing recovering volume demand across multiple customer segments. Even with ongoing investment in production capacity and technology, Sartorius' S&P Global Ratings adjusted debt to EBITDA should remain between 3x-4x from 2026, which is commensurate with the current rating.

## Rating Action Rationale

**The rating revision stems from uncertainties around biopharma market recovery, which may further delay Sartorius' deleveraging path.** Over the past two years, we have observed high volatility in the life sciences and bioprocessing market, which affected Sartorius top line and

### Primary contact

**Francesca Massarotti**  
Frankfurt  
49-69-3399-9130  
francesca.massarotti  
@spglobal.com

### Secondary contacts

**Anna Overton**  
London  
44-20-7176-3642  
anna.overton  
@spglobal.com

**Maxime F Puget**  
London  
44-7890-900-242  
maxime.puget  
@spglobal.com

absorption of fixed costs. This ultimately translated in S&P Global Ratings-adjusted leverage remaining high at 5.9x as of Dec. 31, 2024. We now anticipate the group's S&P Global Ratings-adjusted debt to EBITDA to remain at 4.3x-4.5x in 2025, 3.5x-3.8x in 2026, and staying close to 3x in 2027. This corresponds to a one-year delay versus our July 2024 base case and a two-year delay versus our original base case in August 2023, when we expected leverage to approach 3x in 2025. We understand the slower-than-anticipated reduction in leverage is mainly due to unprecedented and significant changes in customer ordering behavior, given a global destocking that lasted longer than expected post-pandemic. We remain positive about the long-term prospects for biopharma globally, driven by new modalities such as messenger ribonucleic acid (mRNA) and cell and gene therapies, as well as demand for higher doses of many existing drugs manufactured via biological processes. That said, the next 12 months may bring delays in investment decisions by the pharma industry considering global trade tensions and associated capital market volatility. Consequently, our base-case scenario for Sartorius shows sufficient headroom at a 'BBB-' rating level but is unlikely to withstand additional operating headwinds and remain commensurate with a 'BBB' rating in 2025 and 2026.

**Sartorius's consumables business will drive organic growth over the next two years, supporting recovery in S&P Global Ratings-adjusted EBITDA margins to 25% in 2025.**

Sartorius's credit metrics should improve progressively over the next two years, in our view. It maintains an established competitive position protected by high capital barriers to entry, notably high quality and large-scale production capacity, a technologically advanced product portfolio, and a skilled salesforce. We think the market fundamentals remain intact, supported by demographic trends, the increasing need for innovative drugs, and the expanding role of biotechnologies and biopharmaceuticals in developing new therapies and vaccines. In the first quarter of 2025, Sartorius reported a 7.7% year-on-year increase in sales, driven by its consumables business, which accounts for about 75% of the group's total revenues. We also note the book-to-bill ratio stood well above 1.0x, returning to pre-pandemic levels when the group's sales were growing at a double-digit rate. We expect positive momentum in the recovery of order intake for consumables will continue over 2025 and 2026, supported by the phase-out of customer destocking. This supports our expectation for revenue growth of 6.5%-7.5% in 2025 and 8.5%-9.0% in 2026. We anticipate the recovery in equipment and instrument sales will take longer due to the current idle capacity in the biopharma market and potential delays in some research projects. Since consumables carry a higher margin, this product mix will positively contribute to Sartorius's S&P Global Ratings-adjusted EBITDA margins expanding by 400 basis points to about 25% in 2025 and approaching 27% in 2026. The improvement in profitability is further supported by cost savings realized from the group's restructuring efforts in 2024, along with a significant reduction in exceptional costs, which stood at €136.8 million as of Dec. 31, 2024. We think Sartorius will continue generating sound free operating cash flow (FOCF) of €300 million-€350 million over the next two years, supported by disciplined working capital management and stable capital expenditure (capex), which we will be about 9.5% of sales (about 12.0%-12.5% including our expectation of approximately €95 million-€100 million in capitalized development costs).

**We anticipate Sartorius will maintain its commitment to an investment-grade capital structure while self-funding investments to keep its product portfolio competitive.** We note the company has publicly committed to maintain an investment-grade rating and plans to focus on deleveraging, as evidenced by the equity raise and subsequent debt repayment in February 2024. We anticipate this prudent financial policy to continue, prioritizing financial headroom and investment needs of the business over shareholder returns. At the same time, in-fill mergers

and acquisitions (M&As) is a key part of Sartorius' innovation strategy, since the company seeks to retain its technological edge. We forecast the company's research and development expenses, including capitalized development costs, to remain approximately 9.0% of total sales over the next two years and anticipate Sartorius will pursue external technology acquisitions. In April 2025, Sartorius resumed bolt-on acquisitions by signing an agreement to acquire the microtissue business MatTek from BICO AB for a cash consideration of about \$80 million (about €72 million). This acquisition will enable Sartorius to help its lab products and services (LPS) customers speed up in-vitro testing and reduce the need for animal testing in pre-clinical drug development. Positively, this falls in line with the Food and Drug Administration's (FDA's) inclusion of cell line and organoid toxicity testing methods into its program aimed at reducing animal testing requirements in drug approvals. In our base case, we factor in up to €150 million in annual outflow for bolt-on M&A activity, which Sartorius can finance via internally generated cash.

**We do not expect U.S. trade tariffs to materially affect Sartorius' competitive position.** We estimate U.S. sales accounted for about 30%-35% of Sartorius' revenues as of year-end 2024 and remains one of the company's key markets. We note that Sartorius produces in excess of one-third of its U.S. sales volume from its five plants in the U.S. and one in Puerto Rico. This facility currently has some idle capacity, which could allow Sartorius to increase its U.S. production volumes by 10 percentage points. We understand Sartorius will continue relying on imports from its manufacturing facilities in other countries, such as Germany, France, and Tunisia, to supply to the U.S., given that transferring technology and certain manufacturing capabilities may be counter-productive when considering all factors. As a result, Sartorius will need to mitigate the impact of trade tariffs by adding surcharges. In our view, Sartorius has high pricing power, given the advanced technology of its solutions. Overall, we do not expect Sartorius's competitive position to deteriorate. With about 80%-90% of the group's revenues linked to biopharma commercial manufacturing and clinical testing, Sartorius' products are specified and included in the FDA approval dossiers. Consequently, changing suppliers would be costly for its customers. We also understand that key competitors in the U.S. have similar reliance on imports from other regions and may also offset the impact from tariffs through price increases.

S&P Global Ratings believes there is a high degree of unpredictability around policy implementation by the U.S. administration and possible responses--specifically with regard to tariffs--and the potential effect on economies, supply chains, and credit conditions around the world. As a result, our baseline forecasts carry a significant amount of uncertainty. As situations evolve, we will gauge the macro and credit materiality of potential and actual policy shifts and reassess our guidance accordingly (see our research here: [spglobal.com/ratings](https://www.spglobal.com/ratings)).

## Outlook

The stable outlook on Sartorius reflects our view that the company's established position, due to its competitive product portfolio and innovative technology, will enable it to sustain positive revenue growth. We expect Sartorius to expand its S&P Global Ratings-adjusted EBITDA margins to about 25% in 2025 and 27% in 2026. The outlook also reflects our expectation that Sartorius will manage its discretionary cash flow, primarily comprising capex and acquisitions, while maintain debt to EBITDA between 3x-4x from 2026.

## Downside scenario

We could lower the rating on Sartorius if the company fails to reduce adjusted debt to EBITDA to below 4x in the next 18 months. Factors that could contribute to persistently elevated debt leverage include a pronounced slowdown in order intake such that it would hinder the absorption of fixed costs and lower profitability, as well as unexpected shifts in cost structure, including supply chain disruptions that exceed our central assumptions.

## Upside scenario

We could raise the rating if Sartorius's revenue growth accelerated, resulting in a faster-than-anticipated improvement in operating margins due to operational gearing and the product mix. Under this scenario, our base case would indicate adjusted debt to EBITDA falling sustainably below 3x. This could occur from a combination of increased investments and purchasing commitments across the pharma industry, along with a shift in demand toward a greater share of innovative products.

## Company Description

Headquartered in Göttingen, Germany, Sartorius AG is a publicly listed biopharmaceutical and laboratory equipment supplier covering bioprocesses solutions (79.6% of total revenue in 2024) and laboratory products and services (20.4%).

Sartorius sells instruments and related consumables that help customers to develop and manufacture biotech medications and vaccines, from the initial idea in the lab to commercial-scale production.

In 2024, the group generated €3.38 billion in revenue and €709.3 million in S&P Global Ratings-adjusted EBITDA. Sartorius operates in Europe, the Middle East, and Africa (41% of revenue in 2024), the Americas (36%), and Asia-Pacific (23%).

A trust appointed by the descendants of the company founder administers 55% of the group's ordinary shares, while 38% are owned by Bio-Rad, and 7% are free float.

Of the preferred shares, 72% are free float and 28% are owned by Bio-Rad.

Sartorius AG, the parent company, owns 71.5% of Sartorius Stedim Biotech S.A. The subsidiary is fully consolidated, and we understand there is no cash leakage other than dividends, which we have captured in our base case, including distributions to minority shareholders.

## Our Base-Case Scenario

### Assumptions

- Revenue to increase by 6.5%-7.5% in 2025 to about €3.60 billion-€3.65 billion. This is supported by the phase-out of customer destocking and Sartorius's innovative portfolio. We expect the bioprocessing (BPS) division to be the main contributor of growth, with revenues to increase by about 6.5%-7.0%. Overall, we anticipate consumable sales to recover first. We expect softer growth of about 0.5%-1.0% for the LPS division, given its higher exposure to equipment and instruments. We see slower recovery in equipment sales (non-recurring revenues) since we think there is some idle capacity in the market. Positively, Sartorius' exposure to small biotech, academia, and the National Institute of Health (NIH) funding is

limited. For 2026, we expect group revenue will increase to 8.5%-9.0%, supported by growth in BPS of about 10% and about a 4% increase in revenue from LPS.

- S&P Global Ratings-adjusted EBITDA margins to expand to about 25% in 2025 on the back of cost-saving initiatives, better absorption of fixed costs, and a favorable product mix. We expect Sartorius to further expand its EBITDA margins to 27% in 2026.
- We anticipate Sartorius to benefit from working capital inflow in 2025, but that the group's inventory level will progressively decrease as the restocking cycle progresses. In our view, the group will need to invest in working capital in 2026 and 2027 to support top-line growth.
- Capex, including €95 million-€100 million capitalized development costs, to be stable at about 12.5% of revenues over the next two years. We think Sartorius currently has sufficient capacity and do not anticipate any major investments.
- A €70 million dividend payment in 2025 and €77 million in 2026.
- About €72 million outflow for the MatTek acquisition in 2025. In our base case we have included an annual €150 million cash outflow for bolt-on acquisition starting 2026.
- Our base case does not include further capital raises.

## Key metrics

### Sartorius AG--Forecast summary

Period ending	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027
(Mil. EUR)	2021a	2022a	2023a	2024a	2025f	2026f	2027f
Revenue	3,449	4,175	3,396	3,381	~3,600-3,650	~3,900	~4,300
EBITDA	1,074	1,323	763	709	~900	1,055-1,085	1,235-1,265
Capital expenditure net of development costs	356	441	459	310	345-350	385-390	435-440
Free operating cash flow (FOCF)	388	104	202	257	300-350	300-350	350-400
Dividends	66	118	134	71	70	77	85
<b>Adjusted ratios</b>							
Debt/EBITDA (x)	2.3	2.2	6.9	5.9	4.3-4.5	3.5-3.8	~3.0
FOCF/debt (%)	15.5	3.6	3.8	6.1	8-9	7.5-8.5	9.5-10
Annual revenue growth (%)	47.7	21.0	(18.7)	(0.4)	6.5-7.5	8.5-9.0	9.5-10
EBITDA margin (%)	31.1	31.7	22.5	21.0	~25	~27	28.5-29

EUR--Euro.

## Liquidity

We assess Sartorius' liquidity as strong since we expect liquidity sources to cover uses by more than 1.5x over the next 12 months-24 months. Our assessment is supported by Sartorius' improved track record in credit markets and solid relationship with its banking group. Sartorius can also rely on open-ended short-term credit lines totaling €470 million (not included in the liquidity sources below).

Principal liquidity sources

- Cash and cash equivalents of about €839.5 million as of March 31, 2025;
- Full availability under the €800 million revolving credit facility maturing in May 2029;
- Cash funds from operations of about €650 million-€750 million; and
- Working capital inflow of about €51 million, starting March 31, 2025.

Principal liquidity uses

- €395.3 million maturing within 12 months;
- Capex of €450 million-€470 million;
- €72 million outflow for the MatTek acquisition; and
- Dividends of about €70 million-€85 million.

Issue Ratings--Subordination Risk Analysis

Capital structure

As of March 31, 2025, Sartorius' capital structure comprises about €4.41 billion in financial debt, split across unsecured debt, promissory notes, and bilateral loans.

Analytical conclusions

Our 'BBB-' issue rating is the same level as the issuer credit rating on Sartorius. Sartorius Stedim Biotech S.A. does not have material debt obligations outstanding.

We understand Sartorius does not have any material secured or priority debt obligations. Accordingly, we do not anticipate that subordination risks will affect the rating on the unsecured debt.

Rating Component Scores

Rating Component Scores

Component	
Foreign currency issuer credit rating	BBB-/Stable/--
Local currency issuer credit rating	BBB-/Stable/--
Business risk	Satisfactory
Country risk	Low
Industry risk	Low
Competitive position	Satisfactory
Financial risk	Significant
Cash flow/leverage	Significant
Anchor	bbb-
Diversification/portfolio effect	Neutral/Undiversified
Capital structure	Neutral
Financial policy	Neutral

Rating Component Scores

Component	
Liquidity	Strong
Management and governance	Neutral
Comparable rating analysis	Neutral
Stand-alone credit profile	bbb-

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
- 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

Related Research

- Industry Credit Outlook 2025: Health Care, Jan. 14, 2025
- Bulletin: Sartorius AG's Growth Prospects Support The Ratings Despite Revised Guidance For 2024, July 29, 2024

Ratings List

Ratings list		
Downgraded		
	To	From
Sartorius AG		
Issuer Credit Rating	BBB-/Stable/--	BBB/Stable/--
Foreign Currency	BBB-/Stable/--	BBB/Stable/--
Sartorius Finance B.V.		

Ratings list

Senior Unsecured	BBB-	BBB
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