

COMMUNIQUE DE PRESSE



Spread Research attribue la note court terme SR1 à l'instrument NEU CP de Sodexo Finance DAC assortie d'une perspective de crédit stable

Lyon, le 24 mai 2018 – L'agence de notation financière Spread Research attribue la note court terme SR1 à l'instrument NEU CP de Sodexo Finance DAC assortie d'une perspective de crédit stable. La notation de l'instrument court terme s'inscrit dans le cadre de la documentation financière du programme de NEU CP émis par Sodexo Finance DAC pour un plafond maximum de 1,4 milliard d'EUR.

Fondements de la Note

Spread Research a évalué le profil de crédit court terme de Sodexo S.A., garante de Sodexo Finance DAC, afin d'attribuer une note court terme au programme NEU CP de celle-ci. La notation finale est SR1, la deuxième note la plus élevée de l'échelle court terme de Spread Research.

Profil Crédit

Sur le marché hautement concurrentiel des services aux entreprises, la taille et la présence mondiale du groupe Sodexo sont des avantages concurrentiels qui lui offrent une plus grande influence sur les prix et une meilleure rétention de ses clients.

Nous apprécions également l'exposition significative du groupe à des secteurs non cycliques (représentant environ 51% des ventes de Sodexo), ce qui procure une protection certaine contre les fluctuations macroéconomiques.

Bien que le management ait revu à la baisse ses objectifs annuels de croissance interne du chiffre d'affaires organique et de la marge d'exploitation en raison de derniers résultats en dessous des attentes, nous continuons de tabler sur de bonnes perspectives commerciales pour le groupe. En effet, nous nous appuyons sur des taux de sous-traitance en hausse dans l'industrie des services et des positions de leadership sur les marchés où Sodexo opère.

Notre note repose sur de solides indicateurs de crédit, alimentés par une politique financière prudente, une génération de trésorerie vigoureuse et un faible endettement. Notre levier net ajusté s'établit à 2.4x au 28 février 2018, ce qui est faible compte tenu du caractère résilient des activités du groupe. Pour l'avenir, nous continuons de prévoir une génération de flux de trésorerie disponibles positifs et un levier net stable à un niveau modéré.

Profil de liquidité

La liquidité du groupe est solide. Elle est basée sur une trésorerie conséquente au bilan (1,5 milliard EUR), un montant important de facilités de crédit non utilisées et une forte proportion de dettes financières à long-terme (plus de 3 ans). En outre, nous prévoyons une génération de trésorerie positive.

Perspective de crédit

Notre perspective de crédit stable reflète notre anticipation de stabilité des ratios de crédit sur les 12 prochains mois. Nous prévoyons que la génération de trésorerie disponible positive sera compensée par les distributions aux actionnaires (dividendes et rachats d'actions) ainsi que des acquisitions financées par la dette.

Spread Research se fonde pour son analyse sur deux piliers - le profil du crédit et l'analyse de la liquidité - détaillés dans sa méthodologie spécifique court terme, publiée en janvier 2016 (www.spreadratings.com/Short-term_rating_methodology).

La société

Fondé en 1966, Sodexo est un groupe français qui fournit des services de restauration et de facility management destinés à divers marchés finaux. Le groupe est un des principaux acteurs dans son secteur et est relativement bien diversifié géographiquement avec une présence dans 80 pays. Sodexo a généré un chiffre d'affaires de 20,4 milliards EUR et un EBITDA de 1,45 milliards EUR sur les douze derniers mois (finissant le 28 février 2018). Sodexo est coté à la Bourse de Paris et est membre du CAC40 ®. Le groupe est contrôlé par la holding familiale Bellon S.A. (40,4% des actions Sodexo et 55,8% des droits de vote).

Spread Ratings

Spread Ratings est la marque sous laquelle Spread Research opère en tant qu'agence de notation enregistrée auprès de et réglementée par l'ESMA (European Securities and Markets Authority). Spread Research est également un des premiers fournisseurs de recherche crédit indépendants en Europe. Fondée en 2004 et basée à Lyon, Spread Research capitalise une quinzaine d'années d'expérience sur l'ensemble des instruments de financement des entreprises par la dette.

Notre équipe d'analystes, spécialisés par secteurs d'activité, fournit des opinions de crédit et des notations, publiques ou privées. Nos notes sont reconnues par les régulateurs des activités bancaires (EBA) et assurantielles (EIOPA). Spread Research fait partie des agences de notation habilitées à noter des programmes NEU CP et NEU MTN.

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NEU CP Instrument solicited rating Initiation report



Rated Entity: Sodexo Finance DAC
Sector: Services

Short-term rating: SR1
Credit outlook: Stable

RATING RATIONALE

- **We initiate coverage on Sodexo Finance DAC and assign an SR1 short-term rating, the second highest grade in our rating scale, to its €1.4bn NEU CP instruments.** Sodexo S.A. is guarantor of the NEU CP instrument issued by Sodexo Finance DAC.
- Founded in 1966, **Sodexo is a France-based provider of food services and facility management services** to various end-markets. The group is one of the leading global companies in its sector and is relatively well diversified in terms of geographic mix, with an operating presence across 80 countries. The group generated sales of €20.4bn and EBITDA of €1.45bn over the last twelve months (ended 28 February 2018). Sodexo is listed on the Paris Stock Exchange and member of the CAC 40®, with a market capitalization of €12.9bn, and **is controlled by the family-owned holding Bellon SA** (40.4% of Sodexo shares and 55.8% of the voting rights).
- Alongside the On-site services businesses (96% of group sales), the group has also an activity named Benefits and Rewards services (4% of group sales) offering pre-paid corporate services such as meal vouchers. This activity is highly profitable compared to the rest of the group, since the underlying operating margin of this business unit stood at 31.4% (vs. 5.5% for On-site services) over the most recent period.
- In a highly competitive market due to a high number of players and rather low barriers to entry, **we see Sodexo's large scale and global presence as strong competitive advantages** compared to local and smaller competitors, enabling it to offer integrated services in many countries. This competitive advantage provides Sodexo with more pricing power compared to small-scale competitors and increases the likelihood of client retention. Furthermore, **we value Sodexo's exposure to non-cyclical sub-sectors** such as healthcare, education or seniors (representing around 51% of group sales), which provides a good protection against the troughs of business cycles. This has been reflected in resilient operating earnings over the last ten years.
- **Sodexo released somewhat weaker than expected results for 1H17/18, which led management to review its full-year guidance** regarding organic sales growth (to 1-1.5% from 2-4% previously) and underlying operating margin (to 5.7% from 6.5%). This was mainly related to poor results in North America and lower-than-expected contributions from large contracts. Although we believe that profitability will remain under pressure over the next twelve months, we stress that business prospects remain positive thanks to increasing outsourcing rates in the industry and the position of strength from which Sodexo operates.
- On the back of low debt interest expenses, limited CapEx and minor working capital changes, cash generation has been solid and relatively stable over recent years. Free cashflow (before dividends) stood at €740m in 2016-17. For several years, the group has directed its sizeable free cashflow towards shareholders through dividends and share buybacks, rather than acquisitions. **Now, management is looking to increase debt-funded M&A, while maintaining a high level of cash distribution to shareholders.** We expect that this will lead to an increase of our adjusted net debt ratio for the company to 2.4x at end-August 2018 (vs. 1.8x last year), which is **still low given the recurrent nature of Sodexo's business.**
- **Sodexo benefits from solid credit metrics on the back of resilient cash generation and low indebtedness.** SR calculates the company's net leverage (Adj. EBITDAR/ Adj. net debt) to be 2.4x as of 28 February 2018 and the coverage ratio (Adj. EBIT / Gross interests) at 11.6x over the LTM. **Liquidity is strong** with a sizeable amount of cash (€1.5bn - excluding restricted cash), and €1.5bn of undrawn credit facilities, which is more than enough to cover upcoming debt over the three next years.



Capital structure

- **Total reported debt stood at €4.2bn as of 28 February 2018** and was mainly made up of i) bonds for a total amount of €1.9bn with maturities ranging from 2022 to 2027, ii) US Private Placements for €1.2bn with various maturities (2018-29) and iii) NEU CP instruments for €920m. Alongside this, Sodexo has several revolving credit facilities and multicurrency credit facilities for a total sum of €1.5bn, which were undrawn as of end-February.
- Including restrictive cash and financial assets related to the Benefits & Rewards activity, **net reported debt stood at €1.7bn or a reported net leverage of 1.1x**. Adjusted for operating leases, pension deficits, restricted cash and financial assets related to the Benefits and Rewards activity, our adjusted net leverage came in at 2.4x.
- Note that Sodexo obtained a new €150m RCF in March 2018 expiring in March 2019.

Conservative financial policy

- Although management plans to increase the pace of debt-funded acquisitions while maintaining a high level of cash distribution to shareholders, **we still view Sodexo's financial policy as prudent since the group targets a moderate reported net leverage range of 1.0x to 2.0x**. We also take comfort from a track record of strong adherence to Sodexo's financial policy.

Liquidity analysis

- Liquidity is strong and driven by a sizeable amount of cash on balance sheet (€1.5bn), high amount of undrawn credit facilities, relatively high proportion of long-term debt (above 3 years). In addition, we expect that positive cash generation will continue.

Credit outlook

- Our Stable outlook reflects our expectation that over the next twelve months, sizeable cash generation will be offset by high cash distribution to shareholders (through dividends and share buy-backs) and debt-funded acquisitions.

Rating sensitivity

- Sodexo Finance DAC stands in the middle range of our SR1 rating. We could upgrade our SR1 rating to SR0 if the group's financial metrics (net leverage and coverage ratios) improve materially and/or geographic diversification is enhanced.
- A downgrade to SR2 is more unlikely as it would require material deterioration in the business profile and credit metrics.





Spread Research

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REGULATORY DISCLOSURES

Initiation report on NEU CP instrument rating

Rating nature: Solicited short-term public rating (the rating report was published after being reviewed by the issuer)

Limitation of the Rating action:

Spread Research believes the quality and quantity of information available on the rated entity is sufficient to provide a rating. Spread Research has no obligation to audit or verify the accuracy of data provided.

Principal methodology used in this research: Short-Term Ratings Methodology available at

<http://www.spreadresearch.com/uploads/pdf/user/methodo/SRshorttermratingsmethodology-08jan16Public.pdf>

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