EthiFinance Ratings

SONEPAR SAS

585580202 CORPORATE

EF1+ INSTRUMENT RATING
NeuCP

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Rating action and rationale

- EthiFinance Ratings affirms Sonepar's short-term rating for the NEU CP instrument (of up to €1.5bn) at EF1+.
- Sonepar is a global B2B distributor of electrical products, solutions, and related services, operating through a decentralized model across 40 countries.
- Our rating affirmation reflects Sonepar's strong continued deleveraging trajectory over the forecast period (2026-28), driven by solid EBITDA and cash flow generation, which would lead to an EthiFinance Ratings net leverage ratio of 1.0x by 2028. FY25 credit metrics were solid and consistent with upper category investment-grade thresholds (except for the interest coverage ratio). The EthiFinance Ratings-adjusted net leverage ratio improved to 1.5x in FY25 (vs 1.8x in FY24), while the interest coverage ratio remained above 10.0x, and the capitalisation ratio improved from 175% to 192% yoy. Revenue and profitability growth in FY25 reflected the successful integration of large targets acquired in 2024, mainly in the US, as well as strong volumes in renewables, data centers, and the industrial sector. It also reflected Sonepar's ability to fully pass through manufacturers' price increases to customers.
- Based on the strong performance in the first half of 2026, we expect mid-single-digit revenue growth, driven mainly by pricing and volumes, as well as the integration of acquired targets in Europe, the US, and emerging markets. Growth should continue to be driven by grid modernisation, data centers, and a recovery in the residential and renewables sectors. We also expect management to optimise OpEx through increased automation and AI integration in supply-chain logistics. As a result, EBITDA should increase by around 5% per year on average over our forecast period, supporting further improvement in credit metrics. Consequently, our rating remains supported by Sonepar's solid liquidity profile and our expectation of sustained deleveraging, materialising through an improvement in both an adjusted net leverage below 1.0x by 2028 and an interest coverage ratio up to 13.0x by end-2028.
- However, the rating is constrained by Sonepar's high exposure to residential construction, which represented more than half of total sales in FY25. The cyclicality of this end-market is expected to limit the group's ability to generate higher earnings during down cycles. The rating is further constrained by interest coverage, which remains below the threshold for the current rating.
- Under our methodology, the retailing industry has medium ESG risks (sector heatmap score between 3 and 3.5). As a result, the sector-specific ESG profile does not materially influence the overall business risk profile. From an environmental perspective, the industry's direct impact on climate and biodiversity is generally low, aside from emissions related to logistics operations. However, the sector exhibits a medium-level impact on natural resources due to the environmental footprint of distribution channels and an impact on pollution, particularly from packaging waste.
- Our assessment of the company's ESG policy improved to positive (company ESG score of between 0 and 1.0), resulting in a half-notch upgrade of the financial risk profile in accordance with our methodology.

Issuer description

Sonepar, a family-owned company, is the world's largest B2B distributor of electrical products, solutions, and related services. Its portfolio, primarily marketed under manufacturers' brands, spans four main product segments: i) Electricity and Energy Distribution (33% of FY25 sales); ii) Cables and Wires (19%); iii) Lighting (12%); and iv) Building Automation and Construction (9%). The majority of customers are intermediary installers, typically construction firms in the residential and commercial building sectors or specialized installers. The remainder comprises direct end-users across various industries, including component manufacturing, public infrastructure, and institutional facilities.

As of end-2025, Sonepar operated in 40 countries through approximately 2,351 branches, 184 distribution centres, and employed around 45,908 people.

Over 2025, Sonepar generated €33.6bn of revenues, with an EthiFinance Ratings-adjusted net leverage ratio of 1.5x at year-end.

Fundamentals

Business risk profile

Industry risk assessment

- **Mid-single-digit EBIT margin across the B2B electric equipment distribution sector**

The median EBIT margin averaged 5.1% over 2023-25 across Sonepar's main peers, including Rexel and Wesco. Following a post-Covid peak in 2022-2023 marked by inflationary tailwinds, and a margin compression in 2024 as volumes weakened and price inflation faded, 2025 was marked by stabilisation/ mild recovery. This resulted from solid momentum in North America, supported by high demand from data-centre projects, as well as self-help cost programmes, which helped offset muted sales growth in Europe amid sluggish residential construction, continued challenges in electrification, and price deflation in solar products. In 2026, sales growth is expected to continue to be driven mainly by the US, supported by grid modernisation and power reliability needs, as well as AI-driven data centres and the hyperscaler CapEx cycle.

The industry remains somewhat exposed to cyclical dynamics, largely because of its reliance on construction and renovation markets. However, large-scale distributors tend to mitigate these fluctuations through disciplined cost management, including headcount reductions, digitalisation, warehouse automation, and agile pricing strategies. These measures support profitability protection amid shifting market conditions.

- **Moderate barriers to entry in a fragmented market, with scale as a key differentiator**

The electrical distribution industry presents moderate barriers to entry, primarily due to its fragmented structure. Thousands of small independent distributors operate in a market worth €430bn worldwide (as per the company's assessment), typically as regional players with personalised service or niche product specialisation. Market entry at a small scale therefore remains accessible for firms with supplier relationships and efficient working capital management. However, large incumbents such as Sonepar benefit from capital- and scale-intensive competitive advantages, including significant purchasing power, broad inventory availability, advanced IT infrastructure (notably in digitalisation and automation), and integrated logistics networks. Established relationships with major contractors and industrial clients, along with value-added services such as technical support and e-commerce platforms, further reinforce competitive positioning and customer retention. We believe that although small-scale market entry remains feasible, developing into a major competitor requires overcoming the cost advantages and customer loyalty enjoyed by incumbents. This structural dynamic has supported ongoing industry consolidation, with growth increasingly driven by M&A.

- **Long-term growth drivers backed by rising energy demand and electrification, particularly in the U.S.**

The structural growth outlook for the electrical equipment distribution sector remains positive, supported by global trends in electrification and infrastructure investment. Globally, the expansion of renewable energy, electric vehicles (EVs), and grid modernisation is driving demand for electrical components and services. Although European markets have recently experienced softer momentum because of macroeconomic headwinds impacting residential markets both in the US and EU, the U.S. continues to represent the most dynamic and sizeable opportunity, driven mainly by investments in data centers & AI infrastructure. The US market is valued at nearly $200bn, considerably larger than Germany ($24bn) or France ($14bn) according to Sonepar. Distributors are well positioned to benefit from federal programs such as the Infrastructure Investment and Jobs Act (IIJA) and the Inflation Reduction Act (IRA), which are deploying substantial funding toward power grid upgrades, renewable energy expansion, and transport electrification. We believe all these investment needs will continue to generate sustained demand for electrical components and distribution services.

Company's competitive positioning

- **World's largest B2B distributor of electrical products, solutions and services**

Sonepar benefits from its global scale, with operations spanning four continents, although nearly 95% of 2025 revenues were generated in Europe and North America. These two regions remain the core focus of the company's M&A strategy, which aims to reinforce its leadership positions through targeted consolidation. After a particularly significant FY24 in terms of M&A (exceeding €2bn), the group reduced its envelope in FY25 and completed only a few targeted acquisitions, mostly in Brazil and India. In our view, this reflects Sonepar's ability to capture growth in the industrial B2B electrical solutions sector in emerging markets, which are increasingly attracting foreign direct investments.

Sonepar has made significant progress in digitalising its operations and currently leads peers in this area, which we believe will support further efficiency gains and OpEx optimisation. In 2025, digital sales accounted for 36.7% of total revenue (up from 25% in FY24), compared with around 34% for Rexel, its closest competitor. These digital revenues include online channels (web and mobile) as well as system-to-system transactions. Given structurally low operating margins resulting from intense price-based competition, digitalisation, warehouse automation, and AI-driven productivity are the key features of Sonepar's business model, as they ensure margin protection and reinforce the group's short-term credit rating.

- **Resilient financial profile supporting credit strength**

Sonepar has exhibited strong resilience in past economic downturns, both in terms of gross margin stability and cash generation. The group has maintained a solid track record of free cash flow generation, which remains a credit-positive factor, and we expect it to continue over the short and medium term. In FY25, Sonepar ranked among the top three of its main competitors for both gross and EBIT margins. The group also benefits from a robust capitalisation ratio (192% in FY25) and a strong interest coverage ratio (10.2x for 2025), highlighting its measured financial policy and solid rating fundamentals.

- **Strong local presence, diversified offerings, and low customer concentration support credit quality**

Sonepar's rating is supported by its extensive local footprint and dense distribution infrastructure, reflected in its global network of approximately 2,351 branches and 184 distribution centres. This operational reach supports local market responsiveness and underpins the group's competitive positioning.

The company also benefits from a well-diversified product portfolio across multiple segments. In recent years, Sonepar has focused on expanding its renewable energy offering, which accounted for 5% of revenues in FY25. This contribution was affected primarily by sharp price declines in solar panels and renewable electrical equipment, driven by excess global manufacturing capacity, particularly from China, which exerted downward pricing pressure across the sector, especially in Europe. Customer concentration remains low. In each key geography, the top 10 clients account for only 5 to 15% of national sales. Although certain niche segments may exhibit higher concentration due to industry-specific exposures, these activities represent a limited portion of overall operations and do not materially affect the group's business risk profile.

Governance

- **Stable family ownership structure with active governance involvement**

Founded in 1969 by Henri Coisne and his brothers, Sonepar remains a family-owned company. Ownership is mainly structured through the holding company Colam Entreprendre and other affiliated vehicles of the founding Coisne and Lambert families. As of end-2025, the remaining shares were held by employees and members of the management team. Several family representatives continue to serve on the corporate board, ensuring continuity in strategic oversight and governance.

- **Disciplined growth strategy underpinned by conservative financial policy and active M&A strategy**

Sonepar has demonstrated a consistent track record of profitability thanks to a prudent financial policy. Over the past five years, the group's adjusted net leverage ratio averaged 1.2x, supported by strong free cash flow generation and effective working capital management, despite being hampered by notable M&A cash outflow, particularly in 2024. The group's financial policy is marked by (i) robust internal cash flow generation, and (ii) limited shareholder distribution, with most earnings reinvested to fund growth initiatives.

M&A is a central pillar of Sonepar's long-term growth strategy. The group has completed more than 200 acquisitions over the past two decades, contributing over €12bn in additional sales and accounting for roughly 60% of its total revenue growth over the period. It has maintained financial discipline while pursuing its bolt-on acquisitions, supported by a strong track record of integrating acquired businesses.

- **Positive ESG policy**

Our ESG assessment of Sonepar has improved from "slightly positive" to "positive", with an improved internal score yoy. The improvement reflects a strengthened governance framework, materially better environmental and social KPIs, and a more mature sustainability strategy. These factors are partially offset by execution delays on the responsible purchasing policy and the pending recalibration of climate targets. In 2025, the group restructured its ESG strategy under the new "Power with Purpose" framework, which forms part of the updated "Impact" 2029 strategic plan.

Sonepar remains committed to its SBTi-validated targets, including a 46.2% reduction in Scope 1 and 2 emissions by 2030. As of 2025, emissions had declined by 28.4% versus the 2019 baseline (compared with only -2.9% in 2024). This represents a material improvement, driven by fleet electrification, energy efficiency measures, and a sharp increase in renewable electricity sourcing. The group has also recalculated its baseline-year emissions to reflect scope changes and methodological improvements since 2019. The revised trajectory has been submitted to SBTi and was validated in Q1 2026. Given these improvements, our ESG assessment results in a half-notch uplift to Sonepar's financial risk profile, compared with a quarter-notch uplift in the previous rating action.

Financial risk profile

Results and profitability

In FY25, revenues increased by 3.6% and exceeded €33bn, driven mainly by volume growth and M&A, which mitigated the negative FX impact from the depreciation of the USD against the EUR. EthiFinance Ratings-adjusted EBITDA rose by 2.1% yoy to €2.5bn, with the margin remaining broadly unchanged at around 7.5%.

Looking ahead to the 2026-28 forecast period, we expect positive revenue growth in both Europe and the US, although at different rates. The US market is expected to be the main driver of revenue growth and margin expansion, and is likely to contribute nearly two-thirds of the group's total profitability over the coming years. Growth in AI infrastructure, datacom, and EV charging infrastructure is likely to offset continued weakness in solar, residential, and industrial automation.

Sonepar currently has limited exposure to US tariff risk, provided that tariffs are not extended to imports from Mexico by US electrical equipment manufacturers. Even under a downside scenario in which such tariffs are imposed, around two-thirds of affected components would likely be exempt under the United States-Mexico-Canada Agreement (USMCA), limiting the impact on the group's cost structure.

Cash flow and leverage

For FY25, Sonepar reported positive free cash flow above €500m (after M&A and investments, IFRS 16 repayments, dividends, and equity movements). Working capital management was very efficient with a €36m cash inflow for the year, despite revenue growth and a negative FX impact of €241m. The main difference compared to FY24 was the materially lower M&A envelope, as FY24 included large acquisitions in the US. Investments needs in supply chain and sales/operations declined in FY25. As such, the CapEx-to-revenue ratio stood at 0.8%, down from 1.0% in FY24.

We remain confident in Sonepar's underlying operating cash flow generation capacity, which we forecast to remain within the €1.5bn - €2.0bn range annually until 2028. This is expected to provide sufficient headroom to absorb upcoming acquisition spending (between €800m and €1bn over the forecast period) and CapEx, which is expected to remain around its current level of 0.8% of revenues on average over our forecast period.

Our adjusted net leverage (including employee benefits, earn-outs, and commitments to buy out minority interests) improved, as expected in our last rating action, from 1.8x in FY24 to 1.5x in FY25. This mainly reflected a 15% decrease in adjusted net debt, supported by €553m of internally generated cash, as well as a 2.1% yoy increase in EBITDA.

Looking forward, we expect the adjusted net leverage ratio to improve gradually within a range of 1.2x – 0.9x over our forecast period, supported by EBITDA growth, lower CapEx, and the absence of any indication of large cash- or debt-funded M&A operation(s) in a single year.

Capitalisation

As of end-2025, Sonepar's consolidated gross debt had decreased to €4.8bn (down from €5.2bn in FY24), and was primarily denominated in EUR and USD. The debt structure mainly comprised €1.0bn in private placements, €954m of term loans, c. €405m from securitization programs across Europe (Germany, Austria, the Netherlands) and the US, €151m of on-balance sheet factoring in France, and €358m in NEU CP. The remainder largely consisted of IFRS 16 lease liabilities totalling €1.9bn.

Our adjusted gross debt amounted to €5.3bn, including adjustments for pension obligations of €273m and other financial liabilities of €178m, mainly related to put options granted to non-controlling interests and earn-outs.

The interest coverage ratio declined slightly from 11.0x in FY24 to 10.2x in FY25. This resulted mainly from an increase in interest expenses. Such a level stands below our thresholds for the current rating. Although around 60% of total debt, excluding leases, is indexed to floating rates and the ratio may be slightly affected by higher benchmark rates, we expect the deleveraging trend to mitigate this impact. As such, we expect the interest coverage ratio to improve gradually towards 13.0x over our forecast period.

Liquidity

- **A "Superior" liquidity profile with strong refinancing capacities**

According to our methodology, we assess the liquidity profile of Sonepar as "Superior" (the highest category on our short-term scale). This reflects the group's ability to cover all upcoming debt maturities for more than 2 years without requiring external refinancing. Our liquidity assessment is supported by a significant level of cash in hand, and undrawn committed credit lines as of end-2025. Sonepar's liquidity is further reinforced by a favourable debt maturity profile, with maturities well aligned beyond 2027.

Credit metrics expected evolution (CMEE)

Our Stable CMEE reflects our expectation that credit metrics will likely return to their historical levels over the next twelve months.

Modifiers

Country risk

Considering Sonepar's excellent geographic diversification, no specific country risk has been identified.

Controversies

On October 29, 2024, the French Competition Authority issued a decision imposing a €96m fine on Sonepar France Distribution SAS, Sonepar France Interservices SAS, Sonepar France SAS, and Sonepar SAS, for alleged resale price-fixing practices with electrical equipment manufacturer Schneider Electric. Fines were also imposed on industry peers Legrand, Schneider Electric and Rexel. In February 2025, Sonepar appealed the decision before the Paris court of appeal, citing what it considers unfounded elements in both law and fact. At this stage, no controversy modifier has been applied. We will continue to monitor the situation closely.

Main financial figures

Main financial figures	FY23	FY24	FY25	*25vs24*
Revenues	33 299	32 451	33 607	*3.6%*
Adj EBITDA (1)	2 794	2 443	2 495	*2.1%*
Adj EBITDA Margin (1)	8.4%	7.5%	7.4%	*-0.1pp*
Equity / Adj TFD (2)	209%	175%	192%	*16.9pp*
Adj NFD / Adj EBITDA (1) (2)	1.1x	1.8x	1.5x	*-0.3x*
FFO / Adj NFD (1)	64%	41%	51%	*9.8pp*
Adj EBITDA / Interest (1)	15.5x	11.0x	10.2x	*-0.8x*

(1) Adj EBITDA takes into account the gains (losses) from asset sale

(2) Adj total financial debt includes employee benefits, commitments to buy out minority interests and earn-outs

Rating sensitivity

- **Rating list:**
  - NEU CP: EF1+

Factors that may (individually or collectively) impact the rating:

- **Positive factors (↑)**

Sonepar already has the highest short-term rating under our methodology.

- **Negative factors (↓)**

Maintaining the current rating is contingent on the deleveraging cycle following the deterioration in credit metrics in 2024. Accordingly, a downgrade of our short-term rating to EF1 could occur in the event of (i) a large debt-funded acquisition, which could negatively impact Sonepar's financial risk profile; or (ii) moderate deterioration through the cycle, stemming either from sustained underperformance or from a modest but non-temporary weakening in credit metrics due to more intensive M&A activity over the forecast period that would challenge the deleveraging trajectory.

Specifically, a downgrade could occur if the EthiFinance Ratings-adjusted net leverage ratio were to rise above 1.2x on a sustained basis, and/or the interest coverage ratio were to fall below 10.0x.

Sources of information

The credit rating assigned in this report has been requested by the rated entity, which has also taken part in the process. It is based on private information as well as public information. The main sources of information are:

1. Annual Audit Reports.
2. Corporate Website.
3. Information published in the Official Bulletins.
4. Rating book provided by the Company.

The information was thoroughly reviewed to ensure that it is valid and consistent, and is considered satisfactory. Nevertheless, EthiFinance Ratings assumes no responsibility for the accuracy of the information and the conclusions drawn from it.

Additional information

- The rating was carried out in accordance with Regulation (EC) N°1060/2009 of the European Parliament and the Council of 16 September 2009, on credit rating agencies. Principal methodology used in this research are :
  - Corporate Rating Methodology - General : https://www.ethifinance.com/download/corporate-rating-methodology-general/?wpdmdl=35203
  - Corporate Rating Methodology - General : https://www.ethifinance.com/download/corporate-rating-methodology-general/?wpdmdl=35203
  - Corporate Rating Methodology - General : https://www.ethifinance.com/download/corporate-rating-methodology-general/?wpdmdl=35203
- The rating scale used in this report is available at https://www.ethifinance.com/en/ratings/ratingScale.
- EthiFinance Ratings publishes data on the historical default rates of the rating categories, which are located in the central statistics repository CEREP, of the European Securities and Markets Authority (ESMA).
- In accordance with Article 6 (2), in conjunction with Annex I, section B (4) of the Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009, it is reported that during the last 12 months EthiFinance Ratings has not provided ancillary services to the rated entity or its related third parties.
- The issued credit rating has been notified to the rated entity, and has not been modified since.