



INSTRUMENT RATING
NeuCP

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Rating action and rationale

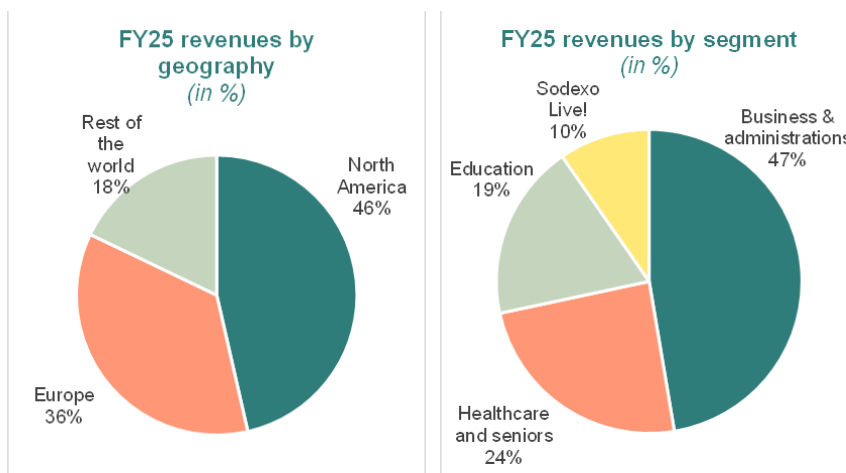
- EthiFinance Ratings affirms the short-term rating for the €1.75bn NEU CP programme of Sodexo Finance DAC (Sodexo), at EF1. Sodexo S.A. is the guarantor of the NEU CP instruments issued by Sodexo Finance DAC, the financing branch of the group. Consequently, our rating is the same as that for Sodexo SA and is therefore based on Sodexo SA's consolidated financial statements.
- Sodexo is a French company that offers food services and facility management services for business and administrations, healthcare and seniors, education, and events.
- The affirmation of our rating is supported by Sodexo's leading position in its field, being the #2 player in food services, combined with its extensive global footprint in both food services and facility management. The group's activities cater to a broad spectrum of end-markets, including education, corporate services, healthcare, and venues and events (Sodexo Live!). This comprehensive portfolio gives Sodexo a competitive edge over local competitors, with the ability to deliver integrated services across multiple countries.
- For FY25 (to end-August), Sodexo reported mixed results with sales of €24.1bn (vs €23.8bn in FY24), below the group's initial guidance as well as our expectations. This was the consequence of a decrease in revenues in the education segment in the US and a longer ramp-up phase for new contracts in the health segment, also in the US. The EBITDA margin has remained broadly stable at 6.6% (vs 6.5% in FY24) but is expected to slightly deteriorate in FY26 on the back of higher investments to increase sales in US, and also to improve efficiency (supply chain, digital, etc.). Similarly, the adjusted net leverage ratio remained stable at 2.3x at end-August 2025, but is expected to deteriorate to around 2.5x at end-August 2027 on the back of lower EBITDA. Over the rest of our forecast period (FY27-28), considering recurring capex (2.5% of sales), dividend payments, and bolt-on acquisitions (€300m/year), the adjusted net leverage ratio is expected to improve slightly.
- Our rating remains constrained by the risk assessment of the Catering industry. This is a very competitive market, due to the high number of players, which weighs on margin levels (EBIT margin between 4% and 5% on average) and on the client retention rate. We assess the industry's growth prospects as moderate with investments required to remain attractive and stand out from competitors.
- The Commercial & Professional Services industry has medium ESG risks under our methodology (sector heatmap score between 3 and 3.5). This results in a sector assessment which is not impacted by industry-related considerations. Regarding environmental factors, the sector has a low impact on climate issues (not involving heavy manufacturing industry, which limits GHG emissions) and on biodiversity. However, it presents a high impact via suppliers, the industry being a large user of human resources, which generates dependencies and human rights and labor management concerns.
- Our assessment of the company's ESG policy is advanced (company ESG score of between 0 and 1), which weighs positively on our financial assessment. Sodexo stands out in terms of environmental factors, despite a limited increase of greenhouse gas emissions (scopes 1 and 2) and of energy consumption since last year. Regarding social factors, our assessment has remained positive, characterized by good practices with quality and security management, training of employees, and a low accident frequency rate. Governance considerations are now assessed as excellent, with the separation of the roles of chairman and CEO.

Issuer description

Founded in 1966, Sodexo is a French company that offers food services and facility management services across various sectors, including business and administrations, healthcare and seniors, and education. Since FY24, the company has also a business unit dedicated to venues and events, Sodexo Live!. Operating in 43 countries, as of August 2025, Sodexo is one of the leading global companies in its industry. Food services represented the bulk of its business, generating c. 66% of its revenues in FY25, of which 50% were from branded offers (vs 20% in FY22).

In 2024, Sodexo's Benefits and Rewards Services (BRS) activity, Pluxee (€1.1bn of revenues in FY23), which offers prepaid cards, restaurant vouchers, mobility passes, and leisure passes, was spun-off.

In FY25 (to end-August 2025), Sodexo's revenues were €24.1bn (vs €23.8bn in FY24), along with adjusted EBITDA of €1.6bn. At end-August 2025, our adjusted net leverage ratio stood at 2.3x, stable vs the previous year. The company is listed on Euronext Paris with a market capitalization of €6.6bn as of 1 December 2025.



Source: Sodexo

Fundamentals

Business risk profile

Industry risk assessment

- **Rather good prospects for the catering industry**

The global catering industry, which is the main industry in which Sodexo operates, was valued at around USD230-250bn in 2024 with annual growth prospects of 4.5% to 6.0% for the period 2025-30. The industry is in a state of constant renewal in order to meet the changing expectations of customers, with more digitalized interactions. In addition, it currently benefits from the return of workers to their offices, after a few years of greater remote work practices, airline capacity normalization, and events recovery. Growth is also driven by development in the APAC region, with demand from education, healthcare, and business. Finally, a large part of the market is self-operated (c. 1/3 of the market), offering opportunities for operators to grow organically.

- **Brand image & size are moderately effective barriers to entry**

Although we consider that niche brands can emerge quickly in the catering market, becoming a leading company is more difficult. This is because of the multitude of long-term partnerships needed to develop global brands, and the efficient supply chain and operations required in order to be profitable. Consequently, we consider the industry's barriers to entry to be moderate.

- **Moderate degree of volatility of profitability**

Catering industry players have exposure to food commodity price increases (such as for grain or meat). However, a large portion of activities are based on contracts that are inflation-indexed. As a result, players can pass costs inflation through to clients, thereby driving growth in revenues while maintaining profitability. The industry is also exposed to labour cost inflation. Automation and operating efficiency can mitigate this, but requires significant capex, or to reach critical size in a particular country. To a lesser extent, higher energy costs can also deteriorate profitability.

Company's competitive positioning

- **Sodexo has solid positioning & market share worldwide**

Sodexo is the second-largest player in the global catering industry. In this market, which is characterised by strong competition due to a high number of players, we see Sodexo's large scale and global presence as strong competitive advantages compared to local, smaller rivals, enabling it to offer integrated services in many countries. These advantages provide the company with greater pricing power, compared to others in the sector, and increase the likelihood of client retention. Furthermore, its exposure to non-cyclical sub-sectors - such as healthcare, education, and seniors care (together representing a significant portion of group sales) - provides good protection against the troughs of economic cycles.

- **Good geographical and business diversification**

Sodexo's rating is supported by good geographical diversification with a strong presence in North America and Europe. These regions provided respectively 46% and 36% of Sodexo's revenues in FY25. Since 2022, the group started a geographical refocus in order to target countries where it can reach a critical mass and be a leader. As a consequence, Sodexo is now present in 43 countries, compared to 46 in FY22.

Sodexo's activities also address a broad spectrum of end-markets, including education, corporate services, healthcare, and venues and events (Sodexo Live!).

Governance

- **Shareholders**

Sodexo is listed on Euronext Paris and is controlled by the family-owned holding of the founder, Bellon SA, which owned 43.8% of Sodexo shares and 57.8% of the voting rights as of end-August 2025. In February 2025, Bellon announced its intention to purchase shares of Sodexo for c. €100m, which was completed during the first half of 2025. As of August 2025, the rest of the capital was mainly held by institutional investors, plus some employees and individual investors.

- **Management quality**

In November 2025, Thierry Delaporte took the role of CEO from Sophie Bellon, who had been acting as CEO since September 2021 in addition to her role as chair of the board since 2016. Following this change, Sophie Bellon remains chair of the board. This separation of the two key roles is positive for our assessment of the company's governance.

In addition, we view Sodexo's financial policy as rather conservative. The dividend policy - which aims to distribute 50% of the underlying net profit - is reasonable given the recurrent nature of the company's revenues and its solid cash-flow generation. This is in addition to its moderate capex (c. 2.5% of its sales). Following the spin-off of Pluxee, Sodexo's adjusted net leverage ratio increased significantly (from 2.3x at YE22 including Pluxee to 2.9x at YE23 excluding Pluxee). However, the company quickly demonstrated its capacity to deleverage, with an adjusted net leverage ratio of 2.3x at YE24. This level is commensurate with the guidance of the company (reported net leverage, excluding IFRS 16, of 1.0x to 2.0x), assuming no significant M&A.

- **Solid ESG policy**

Sodexo is committed to addressing ESG issues through its strategy. In 2016, it announced its commitments with the plan "Better Tomorrow 2025". The company adopted 9 commitments spread between impact on individuals, communities, and on the environment. Out of the 9 commitments, most of them had been reached or almost reached by end-August 2025. However, two commitments have been missed. In particular, Sodexo has reduced its carbon emissions (scopes 1, 2 and 3) by only 19.3% compared to a target of 34% reduction (from the 2017 base). This is mainly due to lower reductions in scope 3 emissions, which represent 99% of the group's carbon footprint.

In FY25, Sodexo announced its new ESG plan, Better Tomorrow 2028, which is aligned with the net zero trajectory for 2040. This involves environmental commitments to reduce direct and indirect carbon emissions, although Sodexo has not communicated precise targets. Sodexo will also remain focused on reducing food waste, increasing responsible sourcing, and improving the well-being of its employees.

In addition, these targets are now integrated into the governance framework, with 10% of the CEO's incentives payments linked to Better Tomorrow 2028 metrics achievement.

Financial risk profile

Results and profitability

- **Lower revenue growth than expected**

In FY25 (to end-August), Sodexo generated revenues of €24.1bn, up by 1.2% compared to FY24. This marked a slowdown in Sodexo's growth, due mainly to lower business development in the education segment in the US and a longer ramp-up phase of the new contracts in the health segment in the US. In Europe, revenues growth was impacted by the lower contribution of Sodexo Live! after the Olympic Games and Rugby World Cup events in 2024. Rest of the World (RoW) revenues increased thanks to gains of market share in countries such as India, Australia, and Brazil.

Adjusted EBITDA stood at €1.6bn in FY25 (vs €1.5bn in FY24), equivalent to an EBITDA margin of 6.6% (vs 6.5% in FY24). This slight improvement in margin came from the positive contribution of Europe and RoW whereas the North American margin was stable, at constant exchange rates. Profitability was also impacted by investments to support growth.

For FY26, Sodexo plans a year of transition which we expect will materialize through a deterioration in EBITDA margin due to investments to support revenues and to optimize the cost structure (supply chain and digital in particular). Over the rest of our forecast period (FY27-28), we expect the EBITDA margin to recover and stabilise around 6.6% on average, despite being slightly below our previous forecast (6.8% on average).

Cashflow and leverage

- **Stable net leverage ratio which is expected to slightly deteriorate temporarily**

Operational cash generation decreased slightly but remained strong for FY25, with FFO amounting to €1.0bn (vs €1.2bn in FY24). Our adjusted FCF (after leases repayments and dividends) was negative (-€20m) given the decrease in FFO. Investments mainly comprised capex (excluding client investments of €167m) of €333m, representing c. 1.4% of Sodexo's revenues, and acquisitions for c. €93m.

The adjusted net leverage ratio was stable at 2.3x at YE25. In FY26, we expect the adjusted net leverage ratio to slightly deteriorate and be around 2.5x, considering lower profitability, recurring capex (c. 2.5% of revenues, including client investments), and some bolt-on acquisitions (c. €300m/year). However, over the rest of our forecast period, we expect it to gradually improve on the back of higher profitability.

Capitalisation

- **Well-spread maturities and significant sources of liquidity**

As of end-August 2025, Sodexo reported gross financial debt of €4.8bn, excluding IFRS 16 (€664m). Our net adjusted financial debt, including IFRS 16 and pensions (€259m) stood at €3.6bn. Debt is mainly composed of bonds with maturities ranging from April 2026 to August 2035, and denominated in EUR, USD and GBP. In FY25, Sodexo issued two new bonds; a 5y USD600m bond and a 10y USD500m bond. In addition to the existing bonds, Sodexo has a multicurrency RCF of €1.75bn maturing in July 2029, which was undrawn at end-August 2025. Finally, it has two commercial paper programs (NEU CP), each amounting to €1.75bn, neither of which was drawn at YE25. Note that the issuing companies are Sodexo SA, Sodexo Inc., and Sodexo Finance DAC. However, the NEU CP instrument of Sodexo Finance DAC benefits from the independent, autonomous, irrevocable, and unconditional guarantee of the parent company (Sodexo SA).

Liquidity

- **Excellent liquidity and strong refinancing profiles**

We assess the liquidity profile of Sodexo as "Superior", the best category according to our short-term methodology. This reflects Sodexo's strong refinancing profile, well-spread debt maturities, and very strong liquidity, more than enough to cover debt maturities for more than two years.

Modifiers

- **Controversies**

Over the course of our review, we found no significant controversies regarding the company.

- **Country risk**

Sodexo operates essentially in the US and in Europe, and therefore does not present any particular country risks.

Credit metrics expected evolution (CMEE)

- **Stable CMEE**

We assess the CMEE to be Stable, as we expect Sodexo's credit metrics to remain broadly unchanged over the next twelve months.

Financial forecasts

Our assumptions for our financial forecasts over FY26-28 are:

- Moderate organic revenues growth (below 2%).

- EBITDA margin to decrease in FY26 before recovering from FY27.
- Investments: capex of c. 2.5% of revenues per year (including client relationship investments) and c. €300m of M&A.
- Adjusted net leverage to slightly deteriorate but remain around 2.5x on average.

Main financial figures

Main financial figures. millions of (€m)				
	FY23	FY24	FY25	25vs24
Turnover	22 637	23 798	24 074	1,2%
Adjusted EBITDA (1)	1 398	1 541	1 593	3,4%
EBITDA Margin	6,2%	6,5%	6,6%	0,1pp
Adjusted EBIT	976	1 109	1 139	2,7%
EBIT Margin	4,3%	4,7%	4,7%	0,1pp
EBT	985	428	904	111,2%
Total Assets	20 794	15 024	14 849	-1,2%
Equity	4 554	3 798	3 799	0,0%
Total Financial Debt (2)	6 689	5 741	5 705	-0,6%
Net Financial Debt (2)	4 019	3 604	3 614	0,3%
Equity/TFD	68,1%	66,2%	66,6%	0,4pp
NFD/EBITDA	2,9x	2,3x	2,3x	-0,1x
Funds From Operations	1 130	1 191	1 033	-13,3%
FFO/NFD	28,1%	33,0%	28,6%	-4,5pp
EBITDA/Interest	8,8x	9,6x	10,5x	0,9x

⁽¹⁾ Adjusted for restructuring costs, amortization of client relationships mainly

⁽²⁾ Adjusted for pensions

Rating sensitivity

- List of ratings:
 - NEU CP rating: EF1
- Factors which could influence positively the rating (↑)

An upgrade to EF1+ would require a material improvement of the group's financial metrics, in particular, a net adjusted leverage ratio below 1.0x on a sustainable basis which is rather improbable given Sodexo's current guidance and the slight deterioration we expect for FY26.

- Factors which could influence negatively the rating (↓)

A downgrade to EF2 could be considered if the net adjusted leverage ratio deteriorated to c. 3.0x on a long-term basis. This could be possible in the event of a significant decrease of the operating cash flow generation, or in the event of debt-funded acquisitions.

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>
- 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.

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