EthiFinance Ratings

B.A.D.21 SRL

0849021796

CORPORATE

BBB

ISSUER RATING
LongTerm

OUTLOOK
Stable

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Rating Action and Rationale

- EthiFinance Ratings affirms the long-term rating of B.A.D.21 SRL (B.A.D.21 or Otium) at BBB, maintaining its Stable outlook, according to the investment holding methodology.
- B.A.D.21 is a family-owned investment holding company under Belgian law. It is owned by Pierre-Edouard Stérin, co-founder of Smartbox Group.
- Our rating remains supported by B.A.D.21's solid credit metrics, characterised by a good LTV ratio. The ratio is on average at c. 14% over 2024-28, as per EthiFinance Ratings's calculation. B.A.D.21 has also a portfolio of assets well diversified, by both value and industry. The reliance on Smartbox Group has significantly decreased over recent years, with the asset representing 14% of total assets at end-October 2025 compared to c. 40% in 2021. In addition, the holding is invested in several industries. Furthermore, the financial and investment policies are assessed as adequate, commensurate with an investment grade rating. This is reinforced by the company's good track record, with a solid growth of assets over the years. At end-October 2025, the NAV amounted to €1.5bn, compared to c. €200m in 2015, representing a 17% annual growth.
- However, our rating is partly constrained by the liquidity of the assets since B.A.D.21's portfolio is composed of privately-owned, non-listed companies. Even though, we do not foresee a short-term liquidity risk for the company as the level of debt is manageable and it has no commitments on annual investments to be made. Moreover, the average credit quality of the assets, as estimated by EthiFinance Ratings, weighs on our rating. Most of the companies remain relatively small, in a ramp-up phase, and do not pay dividends. This has an impact on our assessment of the interest coverage ratio, as the recurring revenues are limited, with some dependence on dividends received from Smartbox. This translates into an interest coverage ratio below 2x in average over 2024-28. However, the management expects an improvement in the coming years on that front as some assets are becoming mature. Finally, geographic diversification is another constraining factor. The company's investments continue to be focused on Europe, with a significant portion in France (c. 50% of NAV at end-October 2025).

Issuer Description

As of October 31, 2025, the net asset value (NAV) of B.A.D.21 was €1.5bn. The team is composed of around 100 professionals with wide sectoral expertise, and is based in France, Belgium, the US, Switzerland and Germany. The investment strategy revolves around 3 main lines: Otium Partners, Otium Studio, and Otium Investment, in addition to the longstanding assets (incl. Smartbox). Targeted companies usually operate in resilient, high-growth markets with significant development opportunities, and across various geographies. Smartbox is specialised in designing and selling gift boxes offering a wide range of experiences and activities. Its dividend payment contributed to the launch of B.A.D.21, now represents around 14% of the holding's assets (excluding cash and cash equivalents). In addition, B.A.D.21 has several investment holdings with both majority and minority stakes in more than 130 companies. As of October 31, 2025, the loan-to-value (LTV) ratio improved at 11.0% (vs 12.9% at end-October 2024).

Fundamentals

Business Risk Profile

Investment Policy

- **Good investment policy, with a good track record, but only limited ESG considerations**

B.A.D.21's investment strategy is well disciplined and defined internally. Investment teams target companies operating in resilient markets, that have no or little debt (in any case there is no recourse of operational debt to B.A.D.21), and which offer promising growth opportunities (including M&A). In particular, the focus is on developing investment platforms within specific industries by acquiring small profitable companies ('roll-up' strategy). In 2025, the group had 5 platforms in different sectors, of which industry, services, or healthcare. The group is also active in the creation (or co-creation) of companies, either through a business incubator or the creation of new venture companies.

B.A.D.21 relies on a team of around 100 professionals located in France, Belgium, the US, Switzerland and Germany, with sectoral expertise across the three investment lines and the longstanding assets. The group has no time constraints for its investments.

As the holding receives proceeds from divestments or dividends from its more mature investments, the aim is to expand its portfolio, especially through reinvestment, which is expected to increase in the years ahead with the acceleration of portfolio turnover.

Consequently, the group's investment policy is considered adequate, characterised by a balanced diversification strategy in value and by industry. Otium has a solid growth track record, with a net asset expansion of c. 17% per year, from €200m at end-2015 to €1.5bn at end-October 2025. Otium ambitions to further develop its assets to reach €5bn by 2030 (vs €1.6bn of gross value at end-October 2025). Our assessment of the investment strategy is, however, partly constrained by the longstanding dependence on Smartbox's dividend payment to fund B.A.D.21's investments. This is something the company is expected to improve in the years ahead as some mature investments may bring new sources of funds.

Regarding ESG policy, B.A.D.21 is committed to two ESG KPIs in the legal documentation of its Euro PP: employee share ownership scheme for at least 75% of the employees of Otium's majority stakes, and the measure of the carbon footprint of all its main investments. At end-April 2025, both KPIs were respected. Except from these KPIS, B.A.D.21 doesn't have a CSR policy or report KPIs, and following Omnibus package on sustainability, it is no longer concerned by the corporate sustainability reporting directive (CSRD).

Portfolio of investments

- **Good portfolio diversification by value and industry, but only moderate geographic diversification**

The portfolio is well diversified in terms of both value and industry.

We assess B.A.D.21 diversification by value considering Smartbox as the main asset. At end-October 2025, it represented around 14% of total asset value (excluding cash and cash equivalents), compared to 17% at end-October 2024. With the construction of investment platforms as part of Otium's new strategy, Hadrena, the leisure platform combining c. 10 assets of the group of which Kids Empire, is now a consolidated entity and valued as a single asset. It represented c. 28% of total asset value by end-October 2025 (vs 23% at end-October 2024). However, as it is composed of several assets, we didn't consider it as the main one in Otium's portfolio. Therefore, our assessment of the diversification by value remains good.

Our assessment of the diversification by sector remained good. Otium makes investments in a wide range of sectors (5 to 6 dominant industries as per EthiFinance Ratings' estimates) with no more than 30% of total asset value allocated to a single industry. From a credit standpoint, such a level of diversification reduces the portfolio's vulnerability to fluctuations in any single sector or asset.

However, geographic diversification remained slightly less positive, as Otium is strongly reliant on Europe, particularly France, the rest of its investments being mainly allocated to the US (27% of the NAV in 2025). This geographical concentration could ultimately impact the portfolio's performance and resilience since economic conditions and regulatory changes in France and in Europe generally can directly influence the performance of the assets. Enhancing geographic diversification could strengthen the portfolio's ability to withstand market fluctuations and mitigate risks associated with dependence on a single market.

- **Poor credit quality of B.A.D.21's assets**

B.A.D.21's investments are mainly in developing companies, which are in a ramp-up phase and not always established leaders in their respective markets, albeit they offer good growth opportunities. EthiFinance Ratings assesses the general business risk profile of B.A.D.21's investments as rather weak. However, this is partly offset by a good overall financial risk profile on the back of a good LTV for the group.

- **Overall very illiquid assets but planned divestments and recuring revenues from its assets mitigate short-term liquidity risk**

B.A.D.21's strategy revolves around investing in small and medium-sized companies with the aim of fostering their growth, resulting in investments being primarily in unlisted companies. This approach inevitably means investment in illiquid assets. However, concern over liquidity is somewhat mitigated by the fact that B.A.D.21 has no commitments on the amount of investments being made annually, a limited use to debt financing, and additional debt facility authorised but not committed yet (a €50m RCF that can be drawn), thereby diminishing the materiality of liquidity issues. Furthermore, regular negotiations with potential buyers, combined with certain liquidity mechanisms in legal contracts, also slightly limit a potential liquidity issue. Finally, Otium invests with no timing constraints, which also mitigates the liquidity risk.

Financial Risk Profile

Financial policy

- **Adequate policy with a good track record**

We assess B.A.D.21's financial policy as adequate. The levels of LTV remain good, around 14% for the period 2024-28. B.A.D.21 is subject to a financial covenant, LTV below 25%. However, our assessment of the financial policy remains partly constrained by the weak interest coverage ratio on the back of the group's ambitious programme of investments combined with limited, concentrated sources of funds, as explained in the investment policy.

Leverage and coverage

- **Debt structure**

As of end-December 2025, B.A.D.21's debt structure was composed of:

- €135m syndicated loan
- €22.5m Euro PP maturing in 2028
- €32.3m Euro PP maturing in 2030
- €50m revolving credit facility (RCF) maturing in 2028 (with a one-year extension option), and fully drawn
- €67.9m bridge loans maturing between March 2026 and December 2026.

An additional €50m RCF could be available for drawdown (requiring banks credit approval).

Finally, under the current terms and conditions of the syndicated loan and the €32.3m Euro PP maturing in 2030, B.A.D.21 is authorized to raise an additional €66.7m in the form of loans or bonds.

B.A.D.21 had also a €100m subordinated shareholder loan at end-December 2025.

- **Weak interest coverage**

B.A.D.21's interest coverage ratio (ICR) remains weak, below 2x on average over 2024-28. In FY25 (to end April), the ratio improved to 3.4x on the back of higher revenues (dividends and repayments of shareholders loans) mainly. Over our forecast period, we expect the ICR to be below 1.5x, considering higher interest expenses linked to new debt raised by the group to pursue its investments. However, the revenues of B.A.D.21, coming from dividends from mature investments, repayment of shareholder loans, and interest income, are limited. This is a consequence of the company's strategy, with a limited number of mature investments able to provide recurring sources of funds and the absence of management fees paid by the companies in which the group is invested.

B.A.D.21's active investment strategy consists of quickly reinvesting proceeds from divestitures and financial income received from mature companies. Consequently, this limits B.A.D.21's capability to improve its interest coverage by benefiting from more important cash investments as done by some peer companies. This is, however, partly mitigated by the fact that investments are at the discretion of management, and the investment strategy could always be adapted to the holding's financial capacity.

- **Very good LTV ratio, expected to slightly deteriorate due to significant investments in the years ahead**

As at end-October 2025, B.A.D.21's LTV ratio stood at 11.0%, a slight improvement from the level at end-October 2024 of 12.9%. This is linked to the evolution of the portfolio of assets with new investments made and some asset revaluation. According to our conservative projections (i.e. considering no revaluation of the assets), the ratio is likely to slightly deteriorate above 15.0% over our forecast period (2026-28), on the back of significant investments being made, and assuming no revaluation of the existing assets.

Considering a revaluation of the assets of between 5%-10% / year, the LTV would remain below 15.0% over 2026-28.

Rating Sensitivity

- **Long-term rating positive factors (↑)**

We could upgrade our rating to BBB+ should B.A.D.21 improve its interest coverage. All things being equal, an interest coverage ratio above 3.0x over a sustain period would entail an upgrade. B.A.D.21's long-term rating is also constrained by the credit quality of the assets as well as their liquidity. Improving the overall credit quality of the portfolio could also lead to a general improvement of other metrics - and by extension of the rating - such as our assessment of the investment policy and/or an improvement of the interest coverage ratio with more regular sources of funds deriving from more mature assets.

- **Long-term rating negative factors (↓)**

Conversely, we could downgrade our rating should B.A.D.21 adopt a more aggressive financial policy or should the value of its portfolio be reduced to such a level that the LTV ratio would increase above 15%, for a sustain period. A deterioration of the ICR, with a ratio around 1.2x for a sustain period would also entail a rating downgrade.

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 - Investment Holding : https://files.qivalio.net/documents/methodologies/CRA 192 V1.Corporate Rating Methodology Investment Holding.pdf
- 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.