EthiFinance Ratings

L.D.C. SA

576850697 CORPORATE

A

ISSUER RATING
Long term

OUTLOOK
Stable

Initiation date	29/11/2022
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Contacts

Lead analyst
Anne Guy
anne.guy@ethifinance.com

Committee chair
Thomas Dilasser
thomas.dilasser@ethifinance.com

Rating Action and Rationale

- EthiFinance Ratings affirms LDC SA's long-term rating at A, maintaining a Stable outlook.
- The rating is supported by LDC's excellent financial fundamentals, characterized by a sustained negative net financial debt position. The net cash position of LDC stems from solid operating cash-flow generation, largely covering capex (c. 5% of its revenues), and a contained dividend policy (payout ratio of around 20%). The group has the leader in the French poultry market and is among the leaders in Europe. The group is also active in the convenience segment, being #2 in France with some well-known brands (such as Marie). Management has a rather good track record characterized by a prudent financial policy, as evidenced by LDC's robust financial profile and strong liquidity profile for the past few years.
- In its half-year (to end-August 2024), LDC witnessed a drop in revenues and revised its guidance for its FY25 revenues to €6.2bn (vs €6.5bn previously). This is mainly related to a negative price effect, whereas volumes grew, combined with the delay of the antitrust agreement to close acquisitions. Over our forecast period (FY25-FY27, the company's financial result to end-February), we expect sales to grow on the back of organic growth and bolt-on acquisitions. The EBITDA margin is likely to slightly improve to around 9.1% (vs 8.9% in FY24). Assuming no significant acquisitions, our net adjusted leverage ratio will probably remain negative over FY25-27.
- However, our rating remains slightly constrained by the industry assessment. The agricultural products sector, in which LDC operates, displayed a moderate level of profitability, limited barriers to entry, and growth prospects which are broadly in line with GDP growth. In addition, LDC's diversification is limited as the poultry segments represented over 70% of its revenues, and the French market which accounts for c. 85% of its revenues.
- Various controversies have also negatively impacted the rating, leading to a one-notch downgrade from the anchor rating. These controversies encompass a range of concerns, including animal mistreatment, environmental issues in the supply chain and workplace accidents, among others. Notably, in June 2023, the French animal rights organization L214 filed a complaint alleging animal mistreatment at a farm associated with LDC. More recently, its plant in Vaiges is threatened with closure on environmental grounds (impact on water catchments and olfactory nuisance). These factors could impact the group's brand image and potentially lead to reductions in tonnage volumes under unfavorable scenarios.
- The agribusiness industry has medium-to-high ESG risks under our methodology (sector heatmap score between 3.5 and 4). This results in a sector rating being downgraded one notch by industry-related ESG considerations. Regarding environmental factors, agribusiness has a high impact on resources as a major user of land and water but also on pollution with the contamination of soils and water basins through intensive use of fertilizers. The sector also has an impact on climate through the use of carbon-intensive processes, and it significantly impacts biodiversity. Moreover, consumers are highly concerned by issues linked to food safety and quality. The sector has a medium impact on communities as access to good food is an essential part of social stability and contributes to a population's health.
- Our assessment of LDC's ESG policy is neutral (company ESG score of between 1.5 and 3.5), resulting in no adjustments of the financial risk profile based on ESG considerations. Governance remains good, with strong structures and environmental stewardship, as well as our assessment of social factors. However, environmental considerations have slightly deteriorated due to higher energy consumption and GHG emissions (scopes 1 and 2).

Issuer Description

Headquartered in France, LDC is the largest player in the French poultry market with renowned brands including Loué, Le Gaulois, Maître Coq, and Marie. With its three divisions, LDC breeds, transforms, and sells chicken and catered food to French and international customers. Majority ownership lies with the founding families – the Lamberts, the Chancereuils, the Huttepains, and the Guillets. Its market capitalisation stood at €2.3bn as of November 18th, 2024, with a free float of 13%. For its FY24 (to end-February 2024), LDC reported revenues of €6.2bn with adjusted EBITDA of €550m, equivalent to an 8.9% EBITDA margin (vs 9.4% for FY23). The company maintained a robust net cash position, as evidenced by its negative net adjusted financial debt (-€340m at end-February 2024).

Main Financial Figures

Main financial figures. Millions of EUR	FY23	FY24	FY25e	FY26e	FY27e	24vs23
Turnover	5 846	6 198	6 260	6 573	6 771	6,0%
EBITDA	547	550	559	600	618	0,5%
EBITDA Margin	9,4%	8,9%	8,9%	9,1%	9,1%	-0,5pp
EBIT	300	377	315	343	354	25,6%
EBIT Margin	5,1%	6,1%	5,0%	5,2%	5,2%	0,9pp
EBT	296	393	306	337	348	32,4%
Total Assets	3 718	3 896	4 109	4 317	4 516	4,8%
Equity	1 885	2 130	2 317	2 527	2 739	13,0%
Total Financial Debt	667	559	577	545	511	-16,3%
Net Financial Debt	-258	-345	-386	-462	-550	-33,7%
Equity/TFD	282,6%	381,3%	401,6%	464,0%	535,6%	98,7pp
NFD/EBITDA	n/a	n/a	n/a	n/a	n/a	n/a
Funds From Operations	486	514	482	518	534	5,8%
FFO/NFD	n/a	n/a	n/a	n/a	n/a	n/a
EBITDA/Interest	102,4x	55,5x	51,7x	70,6x	78,8x	-46,8x

Credit Rating

Credit Rating	
Business Risk Profile	**BBB-**
Industry risk assessment	*BB+*
Industry's ESG	*Negative*
Competitive Positioning	*BBB-*
Governance	*BBB-*
Financial Risk Profile	**AAA**
Cash flow and leverage	*AAA*
Solvency	*AAA*
Company's ESG	*Neutral*
Anchor Rating	**A+**
Modifiers	*Yes*
Rating	**A**

Rating Sensitivity

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

Given LDC's excellent financial metrics, an upgrade of our rating to A+ would have to derive from an improvement of the business risk profile of LDC. In particular, a strengthened diversification of LDC in terms of geography, and/or segment would have a positive impact on our assessment. In addition, an improvement in the assessment of controversies (and period of absence from them) would also help towards a rating upgrade.

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

Major events regarding animal disease or company reputation could lead to a significant deterioration of credit metrics and potentially of our rating. A rating downgrade could also derive from a more aggressive financial policy in the event of a significant debt-funded M&A.

Sources of information

The credit rating issued in this report is unsolicited. The credit rating is based exclusively on public information, being the main sources the following:

1. Annual Audit Report.
2. Corporate Governance Report.
3. Corporate Website.
4. Information published in the Official Bulletins.

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.

Level of the rated entity participation in the rating process

Unsolicited Credit Rating	
With Rated Entity or Related Third Party Participation	NO
With Access to Internal Documents	NO
With Access to Management	NO

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.