



ISSUER RATING

Long-Term

Outlook

Stable



INSTRUMENT RATING

Neu MTN



ISSUER RATING

Short-Term



INSTRUMENT RATING

Neu CP

Initiation date 29/11/2022
Rating date 23/11/2023

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RATING ACTION AND RATIONALE

- EthiFinance Ratings has reaffirmed its long-term rating based on the Investment Holding Methodology and its rating for the NEU MTN programme of up to €200m for Bellon, at BBB+. EthiFinance Ratings has assigned a Stable outlook to the long-term ratings. EthiFinance Ratings has also reaffirmed its short-term corporate rating at EF1 and its rating for Bellon's NEU CP program of up to €500m, at EF1.
- Our ratings reflect the company's robust credit metrics, prudent financial policy, and solid credit profile relative to its assets. These ratings take into account the expected spin-off of Pluxee (a Sodexo subsidiary specializing in prepaid cards and restaurant vouchers) from Sodexo. This is assumed to take place as planned in early 2024, but is still subject to the outcome of a dedicated shareholder meeting scheduled for early 2024. This spin-off will also result in a listing of Pluxee's shares on Euronext Paris. As of end-August 2023, Pluxee's financial position was very solid, with a positive net cash position (€1.8bn). Determining the impact of the spin-off on the valuation of Sodexo shares and the anticipated share price of Pluxee is presently speculative. We have projected a financial asset value for the upcoming years equivalent to the current value of Bellon in Sodexo. This suggests that the spin-off will not generate any additional shareholder value, which is a prudent assumption that has minimal impact on our ratings since credit ratios of Bellon are already at an excellent level. Indeed, over recent years, dividends received from Sodexo (€152m in FY22) exceeded multiple times both financial expenses and dividends paid by Bellon. In the meantime, at YE22, Bellon's loan-to-value (net financial debt/asset value) was very low, below 1.2% at the current share price, and is expected to be negative in YE23 onwards due to the dividends that should be received in December 2023. Furthermore, Bellon strongly adheres to its conservative financial policy. Historically, Bellon has not distributed more than 10% of dividends (received from Sodexo) to shareholders. Also, there is a strong willingness to maintain both the dividend paid and the loan-to-value ratio at a low level. According to our discussions with the company, Bellon intends to remain a long-term shareholder of Pluxee, as it does of Sodexo.
- The ratings are constrained by the fact that the holding is not diversified in terms of value and industry. In fact, the spin-off of Pluxee does not contribute to the improvement of these two criteria, as the simple separation of this entity from the Sodexo group does not, on its own, represent a diversification of the overall business. Thus, an improvement in these criteria would come from Bellon's investment in a different business sector, which is ruled out at present.

ISSUER DESCRIPTION

Bellon is a family-owned holding company, the only asset of which is a 42.8% stake in the issued share capital of French food services company Sodexo, with 57.9% of its voting rights as of end-August 2023. Bellon is 74.1%-owned by the children of Pierre Bellon (Sodexo's founder who died in January 2022); other members of the family hold 6.3% and the Sodexo-owned holding company Sofinsod owns the remaining 19.6%. At the end of 2022, Bellon's loan-to-value (LTV) ratio stood at 1.2% (at Sodexo's current share price of €100 per share), which is already a very good level. Over the next few years, we expect this ratio to continue to improve, given that Bellon only distributes around 10% of the dividends received from Sodexo. Following Sodexo's dividend distribution scheduled for December 2023, Bellon will be in a net cash position at end-2023 and over the next few years without significant investments, which is not yet planned according to our discussions with the company.

In June 2023, Sodexo's BRS activity (€1.1bn of revenue in FY23), which offers prepaid cards, restaurant vouchers, mobility passes, leisure passes, was rebranded as Pluxee and reported as discontinued activities in preparation for a spin-off. This operation is expected to take place after being put to a shareholder vote in a dedicated general meeting through a distribution of shares to Sodexo shareholders in early 2024 along with a listing on Euronext Paris. From Sodexo's financial standpoint, this operation will be dilutive in terms of EBITDA and will re-leverage the group. For Bellon, this operation will

not have any impact on its credit ratios, which are at an excellent level.

Excluding Pluxee, Sodexo's revenues for FY23 were €22.6bn (up by 11.7% compared to last year pro forma the spin-off) along with adjusted EBITDA of €1.3bn, equivalent to a margin of 5.8% versus 6.0% based on the same scope. At the end of August 2023, our adjusted net leverage ratio stood at 2.9x, compared with 2.3x a year ago, the weakening of this ratio being due to the spin-off.

Due to the nature of Bellon's activities, our analysis is based on our 'Investment Holding Methodology'.

FUNDAMENTALS

BUSINESS PROFILE

INVESTMENT POLICY

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

We consider that Bellon's investment policy - which consists of increasing its stake in Sodexo's share capital - as one which makes sense for a holding company of a family group. In addition, the strengthening of Bellon in the capital of Sodexo is not being pursued to the detriment of the credit metrics of the holding company, which remain excellent. Indeed, the holding's policy is to distribute around 10% of dividends (received from Sodexo) to the Bellon family, and there is a strong willingness to maintain the LTV at a low level.

PORTFOLIO OF INVESTMENTS

- **No portfolio diversification in value and sector, but Bellon benefits from geographical diversification of Sodexo**

Again, Bellon's only asset is for now Sodexo shares, which weighs on our assessment of portfolio diversification as a holding company. Again, the spin-off of Pluxee will not contribute to any improvement on this front, as the simple separation of this entity from the Sodexo group does not, on its own, amount to a diversification of the overall business. Thus, an improvement in this criterion would come from Bellon's investment in a different business sector, which is ruled out at present. However, Bellon's rating is supported by Sodexo's strong geographical diversification with a presence across Europe and the Americas. These regions provide the bulk of Sodexo's revenues (36% and 46% of total respectively in FY23). Pluxee is also well diversified, despite having a significant exposure to countries with higher geopolitical risks compared to Sodexo. Approximately 60% of its revenues are derived from Europe, the US, and Asia, while the remaining 40% comes from Latin America, primarily Brazil.

- **Good credit quality of Sodexo**

In a highly competitive market - 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 Sodexo with greater pricing power compared to others in the food services sector, and also increases the likelihood of client retention. Furthermore, Sodexo's exposure to non-cyclical sub-sectors - such as healthcare, education, or seniors care - provides good protection against the troughs of economic cycles. Despite its relatively small size compared to Sodexo, Pluxee's credit quality as a standalone is expected to be consistent with a strong investment grade credit rating, according to Sodexo. This is underlined by Pluxee's substantial net cash position of €1.8bn as of the end of August 2023.

- **Liquidity profile of the assets**

The liquidity profile of a listed company is intrinsically solid. Consequently, Sodexo's inclusion in the SBF 120 is beneficial for Bellon. As Pluxee is about to be listed on

Euronext Paris, it is potentially eligible for inclusion in the SBF 120 as well. In our assessment, Pluxee's listing could slightly improve the liquidity of Bellon's assets. It should be noted, however, that while the company will have the option of adjusting its positions by selling Sodexo or Pluxee shares, this strategy is not envisaged on the basis of our discussions with the company. Bellon currently has a certain amount of cash on its balance sheet.

FINANCIAL PROFILE

- **Prudent financial policy**

We assess Bellon's financial policy as prudent given its low level of financial debt and excellent LTV ratio.

- **Excellent credit metrics as emphasized by the very low LTV at YE22, and even a net cash position expected at end-2023**

At end-December 2022, the adjusted LTV ratio was at 1.2%, down from 4.2% due to debt reimbursements (from €227m at YE21 to €105m of gross debt at YE22) and due to the good performance of Sodexo shares versus the previous year, currently at c. €100 per share versus c. €90 at the time of our previous report.

As of end-December 2022, Bellon's gross debt stood at €105m, mainly made up of i) NEU MTN debt for €55m, ii) €200m of equity-linked swaps (ELS) debt from CACIB, maturing in April 2023, of which only €50m was drawn as of December 2022 (reimbursed early 2023). With a cash position of €28m, net reported debt stood at €77m. In November 2022, Bellon issued a new ELS with three French national banks for a total amount of €300m. This program was not drawn in 2022.

In the course of the FY23 presentation, Sodexo proposed a dividend per share of €3.1, which corresponds to c. €195m of dividends paid to Bellon. All else being equal, we end up with a negative LTV at end-December 2023 under the assumption that Sodexo effectively distributes the dividends in mid-December.

LIQUIDITY PROFILE

- **Excellent liquidity and strong refinancing profiles**

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

CREDIT METRICS EXPECTED EVOLUTION (CMEE)

- **Stable CMEE**

We have a Stable CMEE, as we expected Sodexo's credit metrics, after being impacted by the spin-off, to change in a contrasting manner. We anticipate a slight improvement in the adjusted leverage ratio, while the interest coverage ratio is expected to slightly weaken due to the rise in interest rates.

RATING SENSITIVITY

List of ratings:

- **LT corporate rating: BBB+**
 - **NEU MTN rating: BBB+**
 - **ST rating: EF1**
 - **NEU CP rating: EF1**
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- **Factors which could influence positively the long-term and short-term ratings (↑)**

Bellon is positioned currently at the upper end of the BBB+ category range. To attain an upgrade to A, substantial diversification of Bellon's investment portfolio would be necessary, which is excluded, at least in the short term, as indicated by our discussions with the company. Achieving an upgrade to EF1+ would require a two-notch improvement in the long-term rating, an unlikely prospect at the present moment.

- **Factors which could influence negatively the long-term and short-term ratings (↓)**

A downgrade to BBB could be triggered by a substantial deterioration in Sodexo's credit profile, consequently impacting Bellon's financial ratios. Bellon currently holds a position around the middle of the range for our EF1 rating, and a downgrade to EF2 is deemed improbable. However, if Sodexo's credit profile were to experience a significant decline, it could potentially affect Sodexo's ability to pay dividends and the market value of its shares. These factors, in turn, could have a negative impact on Bellon S.A.

REGULATORY INFORMATION

LEI: 969500BY59KOX72DJ003

Initiation report: No.

Rating initiation: 29 November 2022 at BBB+ for the corporate long-term rating and for the existing NEU MTN programme, and EF1 for the short-term corporate rating and existing NEU CP programme.

Last rating action: See above (cf rating initiation).

Rating nature:

Solicited, long-term corporate public rating and NEU MTN instrument public rating, short-term corporate public rating and NEU CP instrument public rating.

With rated entity or related third-party participation: Yes, this report was published after being reviewed by the issuer.

Ancillary services provided to the rated entity: 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.

With access to internal documents: No

With access to management: Yes

Name of the rating committee chair: Marc Pierron, Senior Director

Material sources used to support the rating decision:

- Financial statements 2022, 2021, 2020
- Discussions with Bellon management

Limitation of the Rating action:

EthiFinance Ratings believes the quality and quantity of information available on the rated entity is sufficient to provide a rating.

EthiFinance Ratings has no obligation to audit or verify the accuracy of data provided.

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, and in accordance with the short-term, long-term corporate rating as well as instrument rating methodologies that can be consulted on <https://www.ethifinance.com/en/ratings/methodologies> and according to the short-term corporate rating scale available at <https://www.ethifinance.com/en/ratings/ratingScale>

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