COLRUYT GROUP SA

400378485 CORPORATE

A

ISSUER RATING
Long term

OUTLOOK
Positive

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Rating Action and Rationale

- EthiFinance Ratings affirms the long-term rating of Colruyt (Colruyt Group SA) at A, but changes the outlook from Stable to Positive.
- The change in outlook is supported by the strong financial profile of the group, which significantly improved in FY23/24 following the disposal of the wind energy platform Parkwind. Under the terms of the disposal, Colruyt received c. €700m, enabling the group to significantly deleverage. Our net leverage ratio improved to 0.4x at end-March 2024 from 1.7x at end-March 2023. In addition, profitability recovered after the impact of high inflation on the FY22/23 results. Adjusted EBITDA margin reached 8.2% (vs 6.5% in FY22/23), a normative level for the group. Over our forecast period, credit ratios are expected to remain excellent with an adjusted net leverage ratio below 0.6x, assuming no significant M&A and despite material returns to shareholders (c. 49% payout ratio and regular share buybacks). In addition, the group operates in the food retail sector, which is considered to be resilient with low volatility through the cycle. This has a favourable impact on our assessment of Colruyt's financial profile, as the low volatility metrics are applied.
- The rating remains constrained by other characteristics of the industry. The sector has limited levels of profitability, with only moderate and slowing growth and strong competition among players. Moreover, Colruyt operates mainly in Belgium (c. 90.4% of its revenues in FY23/24), a small market with 11.7m inhabitants, i.e. c. 2.5% of the European Union population. Despite excellent market share in Belgium for Colruyt (31.2% in FY23/24), the competition is strong in this market, with 5 groups together controlling c. 90% of it.
- Under our methodology, the foods & staples retailing industry has medium ESG risks (heatmap score of between 2 and 3.5), which is neutral for our industry assessment. Regarding environmental factors, the sector presents 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 given the concentration in the sector, which can weaken bargaining power, and for consumers as the sector offers processed foods which can have negative impacts on health.
- Our assessment of the company's ESG policy is neutral as well (company ESG score of between 1.5 and 3.5), resulting in no adjustments to the rating based on ESG considerations. Environmental factors have improved as the group has reduced its greenhouse gas emissions (scope 1 & 2) and its energy consumption. It is committed to reduce its scope 1, 2, and 3 (from use of sold products only) GHG emissions by 42% in 2030 compared to 2021. In 2023 (last figures reported), Colruyt had already reduced GHG emissions by c. 9.5%. Its commitments have been validated by the SBTi. Regarding social criteria, we note an improvement in training hours while accident frequency deteriorated. However, the group does not report staff turnover or absenteeism rates.

Issuer Description

Colruyt is a Belgian retail group, mostly active in food retail. The group has over 33,000 employees and operates almost entirely in Belgium and France, where it generated roughly 90% and 9% respectively of consolidated revenues in FY23/24. It operates under various brands and segments (food, non-food and wholesale), the main contributor being Colruyt (Belgium & Luxembourg) followed by the convenience and organic stores (Okay and Bio-Planet), and wholesale (mostly via Spar). At end-March 2024, Colruyt had 837 stores of which 64% are owned by the group and 36% are leased.

For FY23/24 (twelve months to end-March), Colruyt reported €10.8bn of revenues with €886m adjusted EBITDA (8.2% EBITDA margin) and a net leverage ratio of 0.4x. The group is listed on Euronext Brussels with a c. 29% free-float and a market capitalization of €4.4bn as of January 13th, 2025. The main shareholder is the Colruyt family through its holding Korys SA owning a 69% stake.

Main Financial Figures

Main financial figures. millions of EUR	FY23	FY24	FY25e	FY26e	FY27e	24vs23
Turnover	9 934	10 845	11 062	11 283	11 509	9,2%
EBITDA	641	886	872	889	930	38,2%
EBITDA Margin	6,5%	8,2%	7,9%	7,9%	8,1%	1,7pp
EBIT	251	470	427	436	468	87,3%
EBIT Margin	2,5%	4,3%	3,9%	3,9%	4,1%	1,8pp
EBT	263	1 155	452	455	486	339,7%
Total Assets	6 148	6 571	6 626	6 794	6 982	6,9%
Equity	2 510	3 174	3 246	3 328	3 429	26,4%
Total Financial Debt	1 448	1 111	1 065	1 122	1 180	-23,3%
Net Financial Debt	1 090	336	463	539	596	-69,1%
Equity/TFD	173,3%	285,7%	304,8%	296,5%	290,7%	112,4pp
NFD/EBITDA	1,7x	0,4x	0,5x	0,6x	0,6x	-1,3x
Funds From Operations	601	1 339	782	798	831	122,7%
FFO/NFD	55,2%	398,2%	168,9%	148,1%	139,5%	343,0pp
EBITDA/Interest	54,3x	45,2x	53,2x	59,2x	58,6x	-9,1x

Credit Rating

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

Rating Sensitivity

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

A rating upgrade could result from an improvement of the financial profile of Colruyt through the cycle. In particular, such an upgrade could be entailed by an adjusted net leverage ratio around 0.5x on a sustained period. In addition, an improvement in our assessment of the company's ESG policy could also entail a rating upgrade.

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

A rating downgrade would be driven by a deterioration in Colruyt's financial profile. For the same business profile, an increase the group's net adjusted leverage to over 2.0x for a sustained period of time could entail a long-term rating downgrade to 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 - Long Term : https://files.qivalio.net/documents/methodologies/CRA 190 V3 Corporate%20Methodology 2023-10-06.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.