



ISSUER RATING  
Long term

OUTLOOK  
Stable

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## Rating Action and Rationale

- EthiFinance Ratings upgrades the long-term credit rating of Colruyt (Etn. Fr. Colruyt NV) from A- to A, maintaining a Stable outlook.
- This rating upgrade is a consequence of the funds received from the disposal of the wind energy platform Parkwind by Virya Energy, a holding active in the development of sustainable energy sources in which Colruyt has a 59.9% stake. This disposal enabled the group to deleverage significantly, with our net leverage ratio projected to improve to 0.7x at end-March 2024 (the group's financial year-end) from 1.7x at end-March 2023. We expect this ratio to remain low, around 0.7x through our forecast period (2024-2026). Overall excellent credit ratios support the rating, all the more so as, food & staples retailing is considered to be a low volatility industry through the cycle, which weighs favorably on our assessment of the financial profile.
- The rating remains constrained by other characteristics of the industry. The food retail sector has limited levels of profitability and has been recently impacted by high inflation, with only moderate and slowing growth and strong competition among players. Moreover, Colruyt Group operates mainly in Belgium (c. 91% of its revenues in FY22/23), 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% in FY22/23), the competition is strong in this market, with 5 groups together controlling c. 90% of the market. Finally, although governance and the shareholder base are in line with what one could expect from a group of this size, independence of the board is limited, and the CEO and chair positions were not separated at end-March 2023.
- In line with 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. In particular, environmental factors remain at low levels but the group is committed to reduce its greenhouse gas emissions (scope 1 & 2) by c. 42% in 2030 compared to 2021. In 2022, Colruyt had already reduced GHG emissions by c. 8%. However, the group has not given a target regarding the reduction of its scope 3 emissions. Regarding social criteria, we note an improvement in accident frequency and training hours, but the group does not report the turnover and the 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 91% and 8% respectively of consolidated revenues in FY22/23. The group 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), which collectively contribute around 80% of group revenues. At end-March 2023, Colruyt had 774 stores of which 68% are owned by the group.

For FY22/23 (twelve months to end-March), Colruyt reported €9.9bn of revenues with c. €641m adjusted EBITDA and a net leverage ratio of 1.7x. Over the twelve months to end-September 2023, the group reported revenues of €10.7bn, and adjusted EBITDA of €809m (7.6% EBITDA margin).

## Main Financial Figures

Main financial figures . millions of EUR						
	FY22	FY23	FY24e	FY25e	FY26e	23vs22
Turnover	9 251	9 934	10 728	11 136	11 247	7.4%
EBITDA	716	641	772	835	843	-10.4%
EBITDA Margin	7.7%	6.5%	7.2%	7.5%	7.5%	-0.2pp
EBIT	363	251	341	387	391	-30.9%
EBIT Margin	3.9%	2.5%	3.2%	3.5%	3.5%	-0.4pp
EBT	381	263	1 035	364	368	-31.0%
Total Assets	5 614	6 148	6 605	6 729	6 799	9.5%
Equity	2 462	2 510	3 145	3 217	3 272	2.0%
Total Financial Debt	1 108	1 448	1 167	1 167	1 167	30.7%
Net Financial Debt	932	1 090	565	575	598	17.0%
Equity/TFD	222.2%	173.3%	269.6%	275.7%	280.5%	-0.2pp
NFD/EBITDA	1.3x	1.7x	0.7x	0.7x	0.7x	0.3x
Funds From Operations	656	601	1 425	736	744	-8.4%
FFO/NFD	70.4%	55.2%	252.1%	128.2%	124.4%	-0.2pp
EBITDA/Interest	477.0x	54.3x	31.6x	38.7x	39.1x	-0.9x

## 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	A+
Company's ESG	Neutral
Anchor Rating	A
Modifiers	-
Rating	A

## Rating Sensitivity

### • Long-term rating positive factors (↑)

Given the disposal of Parkwind, which has strongly improved the financial profile of Colruyt, a further rating upgrade would likely be linked to an improvement in Colruyt's competitive positioning. In particular, such an upgrade could be entailed by better geographical diversification, something we consider improbable at present.

### • 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/Corporate%20Rating%20Methodology%20-%20Long-Term%20-%2020221107.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.

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