Research Update:

ELO (Auchan Holding) Downgraded To 'BB' On Continued Challenges In Retail; Outlook Negative

August 1, 2024

Rating Action Overview

- ELO, owner of Auchan Retail and New Immo Holding (NIH), reported a 35% drop in EBITDA in the first half of 2024, due to the poor performance of retail operations in all countries, and we now project S&P Global Ratings-adjusted debt to EBITDA (excluding the Russian operations) will remain above 4x over 2024-2025.
- We believe Auchan Retail's continuous performance deterioration, especially in France, poses a long-term threat to the group's creditworthiness, and increases the execution risks of the transformation plan and the integration of the 98 recently acquired Casino stores.
- ELO received €400 million of equity from its shareholders over the last 12 months, has a strong balance sheet, including NIH's €7.2 billion real estate portfolio, and a history of deleveraging through disposals, but this did not compensate for the significant deterioration of credit metrics that occurred between 2022 and 2024.
- We therefore lowered to 'BB' from 'BB+' our ratings on ELO and the group's senior unsecured notes, and we affirmed the short-term rating on ELO at 'B'.
- The negative outlook reflects that continuous weakening of retail performance is resulting in a structural deterioration of the group's creditworthiness, while increasing the execution risk of the transformational plan and the downside risk to our forecasts.

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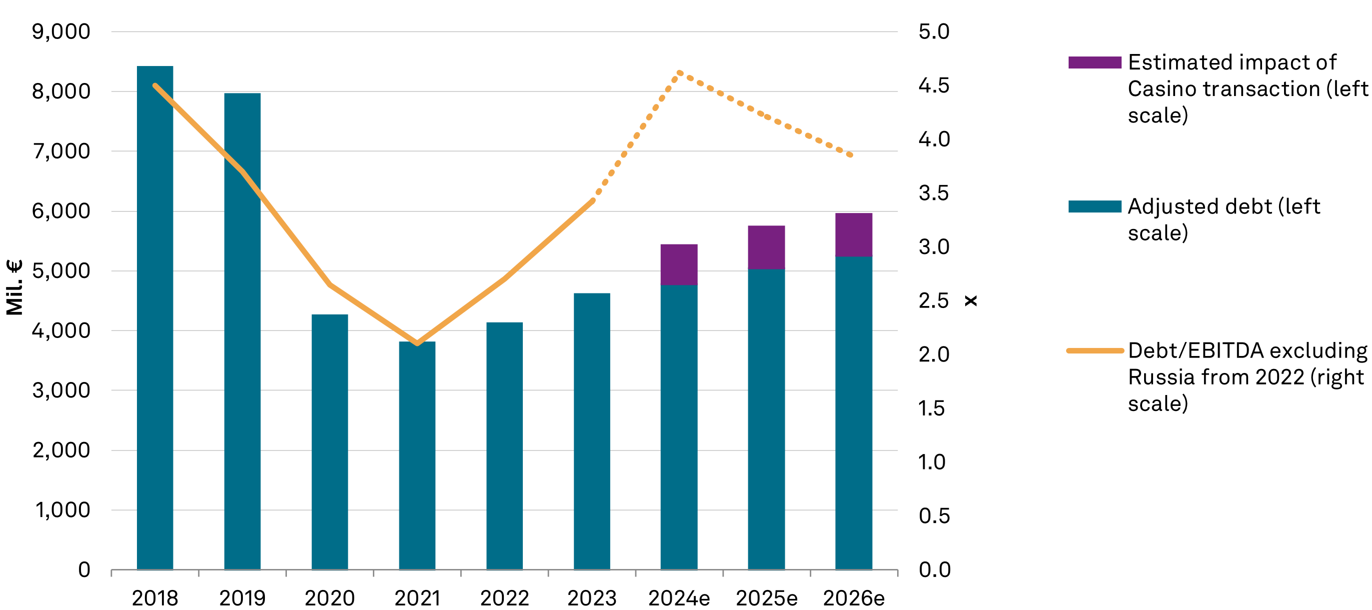
Rating Action Rationale

We project underperformance of Auchan Retail will drive ELO's S&P Global Ratings-adjusted leverage (excluding Russia) above 4x in 2024-2025. In the first six months of 2024, ELO reported sales of €15.7 billion, about 1.2% lower than 2023, or about the same level at constant exchange rates. However, reported EBITDA declined to €339 million, about 37% lower than in the first-half of 2023, or about 50% lower than in 2022 and 2021, marking a continued decline. The group's reported EBITDA margin was 2.1%, compared with 3.5% in first-half 2023, 4.0% in 2022, and 4.7% in 2021. While in the first half of 2023 the decline in EBITDA was concentrated in Russia and Ukraine, due to the war, and in France, this year the group suffered in several geographies and businesses. The EBITDA of Auchan Retail's French operations contracted by €115 million, of which we understand that only a portion relates to the integration of the Casino stores; Auchan Retail Russia and Ukraine contracted by €31 million; Auchan retail other geographies contracted by €50 million; and New Immo Holding (NIH) contracted by €7 million. Even if the first semester normally accounts for only 30%-40% of full year EBITDA, this performance is significantly below our March 2024 expectations. We have thus revised downward our base case, and we now expect ELO's adjusted EBITDA will decline to about €1.2 billion for full-year 2024, down from €1.45 billion in 2023 and €1.7 billion in 2022. This, together with an increase in net debt, will bring S&P Global Ratings-adjusted leverage--excluding Russia--to 4.6x in 2024 and 4.2x in 2025. Although we forecast leverage could decline below 4.0x by 2026, on the back of the transformation plan, we think the plan's execution risks are elevated given the challenging conditions for the market and ELO's history of deteriorating market share and profitability, resulting in downside risk to our forecasts.

ELO's leverage surpasses the 4.0x trigger in 2024-2025

ELO's adjusted debt and leverage (excluding Russia)



e--Estimate. Source: S&P Global Ratings.

Continued deterioration of the core French retail market poses long-term challenges to the group's creditworthiness and increases the execution risks of the transformation. Excluding Russia and Ukraine, the main drag on ELO's profitability and cash generation remains its core French retail operations. These activities represent about half of the group's revenue and their EBITDA has declined three years in a row. We estimate Auchan Retail's reported EBITDA margin in France was about 1% in 2023, 2% in 2022, and 3% in 2021. We expect it will drop to below 0.5% in

2024, given the performance in the first half and the impact of the integration of the loss-making Casino stores and the relative one-off costs. This level of profitability translates into structurally negative free operating cash flow (FOCF), despite the limited amount of financial debt displayed by retail operations. Auchan Retail's French operations have also faced years of progressive erosion of market share, which dropped to 8.5% as of June 2024, from 10.5% in 2018, according to Kantar. We believe this is due to the group's high dependance on large hypermarkets (estimated at two-thirds of French sales), combined with its relatively higher price point, which resulted in durable traffic erosion. While, since 2022, the group has invested in prices to the detriment of margins, traffic and volumes remain under pressure. This is because discounters and independents, including market-leader Leclerc, still have lower prices. At the same time, fast-growing specialized players, such as Grand Frais in the fresh food segment or Action in the non-food segment, have eroded hypermarkets' traditional value proposition. ELO launched a comprehensive transformation plan to improve the long-term profitability and attractiveness of its French retail operations. This includes leveraging on the new 10-year purchasing alliance with Intermarché, investing in prices and in the attractiveness of its hypermarkets by reducing surface area and reshaping the offering. However, we believe the turnaround will be challenging, gradual, and eventually require additional sizable one-off investments, thus weighing materially on the group's profitability and FOCF generation. Although ELO expects the new purchasing alliance will provide tangible effects on the group's buying conditions from 2025, the impact on profitability is untested in a very competitive landscape where price competition often absorbs potential profitability gains.

ELO's shareholder support and asset-rich balance sheet are mitigating factors, but do not fully compensate for the operational challenges. Given its strong asset base, including NIH's €7.2 billion portfolio and Auchan Retail's ownership of a considerable portion of its stores, we expect the group will execute additional disposals to reduce financial debt and sustain its liquidity, if needed. However, high interest rates and challenged real estate valuations could complicate asset disposals at fair value over the next 12-18 months. We also believe ELO's shareholders could inject additional equity if needed, following their contributions of €100 million in 2023 and another €300 million in the first half of 2024. Historically, shareholders prioritized credit quality over dividends, and the group has a track record of substantial deleveraging through disposals, such as those made over 2018-2020. That said, shareholder support so far did not fully cushion the significant deterioration of credit metrics that occurred in 2022-2024, driven by the deterioration of operating performance, as well as the effects of the strategic acquisitions in France, Spain, and Portugal. Moreover, in the longer term, the ability to maintain the current rating will depend on ELO's capacity to restore a sound retail business and positive FOCF--and not only from shareholders' support or asset disposals. Asset sales often entail a reduction in EBITDA and business diversification, or imply higher lease payments.

The group is advancing in the integration of the 98 Casino stores it recently acquired. On July 1, 2024, ELO concluded the third and last tranche of the acquisition of 98 Casino stores, including 70 supermarkets, 26 hypermarkets, and two drive-throughs. After the acquisition of each tranche, the stores remained closed for two weeks for the rebranding and reorganization and then reopened under the Auchan banner. The group reported that, after reopening the first stores, it cut prices by about 15%, which resulted in a 22% rebound in volumes compared with last year, which is a positive signal on the ability to progressively reattract traffic and turn around the performance of these loss-making stores. The acquisition should strengthen Auchan's market share in France to 10.0% from 8.5% currently, with a presence in complementary regions, such as the south and

Ile-de-France, and increase its exposure to the supermarket format. In our base case, we assume ELO will face a significant outflow in 2024 related to the Casino acquisition, including the price and the investments needed to transform and re-open the stores. In the first half of the year, Auchan Retail already reported an investment outflow of about €500 million, of which we estimate that at least €400 million related to Casino, the rest referring to the Dia acquisition in Portugal. The shareholders financed a portion of it through a €300 million capital increase. We estimate the acquired stores will also add a significant amount of lease debt, which increased by about €350 million in the first half already, and additional annual lease payments. We project their EBITDA contribution (pre-leases) will be negative in 2024 and only moderately positive in 2025-2026. Overall, we expect the transaction will increase S&P Global Ratings-adjusted debt by €600 million-€700 million in 2024, despite shareholder support. Moreover, despite the good trading signal, we still think the transaction entails significant execution risks, because of the deteriorated performance of Casino's supermarkets and hypermarkets in 2022-2023, and Auchan Retail's poor track record in sustaining a good level of profitability in its own network.

Net financial debt will continue to increase in 2024-2026, due to subdued profitability, high investments, and increasing fixed charges hampering financial flexibility. In the 12 months to June 30, 2024, ELO's reported net financial debt increased about €430 million, to €4.477 billion, despite €400 million of fresh equity and €161 million reduction in inventory. The main drivers of cash absorption were €1.121 billion of investments, including the acquisition of Dia stores in Portugal and two of the three tranches of Casino stores, about €300 million of cash interests, and about €360 million lease payment. The increase in 2024 follows a €770 million increase in the 12 months to June 30, 2023, and another €200 million increase in the 12 months to June 30, 2022. Absent significant disposals or equity injections, we expect net debt will continue increasing in 2024-2026, as the group integrates the loss-making Casino stores, while keeping investments high to turn around its core French operations. We note that net financial debt is always higher in June than in December, given the seasonality of working capital. At the same time, we expect ELO's fixed charges will increase markedly in 2024, due to an estimated €80 million increase in lease payments following the acquisition of the Casino stores and a €40 million increase in interest expense, given the higher adjusted debt and higher interest rates. In this context, ELO will likely need to reimburse or refinance about €850 million in 2025, and about €1.25 billion in 2026 (including NIH's bond). Lower EBITDA and higher fixed charges will translate into a deterioration of the group's financial flexibility, as indicated by the EBITDAR coverage ratio, which we estimate will fall to 1.8x-2.0x in 2024-2025, from 2.5x in 2023 and 3.5x in 2022, despite the group's ownership of a sizable portion of its store footprint.

Real estate subsidiary NIH provides ELO with a stable EBITDA stream and a rich balance-sheet. In the first half of 2024, NIH reported broadly stable performance, with revenue reaching €323 million, up 5.6% year on year, and EBITDA declining to €178 million, down 3.8% year on year. This comes after the strong growth over 2022 and 2023, as the company rebounded from COVID-19-related setbacks. We forecast NIH's adjusted EBITDA will be €380 million-€400 million in 2024-2025, supporting ELO's performance and business diversity. Despite the material rise in interest rates, NIH's portfolio value resisted well, reporting a 0.2% like-for-like improvement in the first half of 2024, after a moderate 1.5% decline over full-year 2023. This was better than our expectation and also better than ELO's main peers. This is because the rise in yields was partly compensated by robust cash flow, and NIH's yields are already slightly higher than those of some peers in the office or residential sectors (7.82% discount rate in France, 9.01% in Western Europe, and 11.79% in Eastern Europe). That said, higher interest rates could still pose additional challenges over the next 12-24 months, including lowered debt-service coverage capacity and complicating the execution of asset disposals. We expect NIH will continue investing in its development pipeline, which will be self-financed through its cash flow generation and asset disposals. As such, we do not expect NIH's investment strategy to drive any significant variation in ELO's net debt.

ELO's financial debt mostly benefits NIH, while Auchan Retail has limited but growing financial debt and struggles to generate FOCF. As of December 2023, NIH accounted for about 27% of ELO's consolidated adjusted EBITDA, but for about 76% of its €4.6 billion adjusted debt. Consequently, NIH had an adjusted leverage of 8.8x, while the holding company and Auchan Retail had a leverage of 1.1x, mostly constituted of lease obligations and a net cash position. In December 2024, we expect Auchan Retail's leverage will increase significantly toward 2.7x, as EBITDA declines and financial debt increases due to acquisitions, while NIH's leverage will decline to 8.1x. From a financial standpoint, and in line with our rating approach for real estate companies, NIH can bear a much more leveraged capital structure relative to its EBITDA than regular corporate entities. This high leverage is offset by the large amount of real estate assets on the books and the predictability of the related rental income, generated mostly through fixed and indexed leases, a characteristic we reflect in our methodology for real estate companies, which have less stringent financial triggers than other corporates. Under our financial matrix framework for real estate entities, NIH's weighted-average credit metrics correspond to an intermediate financial risk profile. Therefore, we believe that ELO's credit quality is stronger than what its consolidated credit metrics suggest under our corporate rating methodology, justifying a one-notch uplift from the 'bb-' anchor. Considering its hybrid nature, combining both retail and real estate businesses, we monitor the consolidated group and the creditworthiness of each of its two core businesses on a stand-alone basis. While Auchan retail's stand-alone leverage remains contained below 3x in 2024, its operational leverage and weak cash flow generation point to a materially weaker credit standing than the group's current 'BB' rating.

ELO's leverage excluding Russia better represents the group's ability to repay its debt under the current circumstances. Although the group continues operating in Russia, we consider ELO's adjusted leverage excluding EBITDA from Russia as a metric that better reflects the group's current creditworthiness. This is because, given the sanctions and the geopolitical tensions, we assume the group cannot rely on the cash flows generated in Russia to service its debt. Without our estimate of Russian EBITDA and Russian lease debt for 2023, our calculation of adjusted leverage increases about 0.2x.

Outlook

The negative outlook reflects that continuous weakening of retail performance is resulting in a structural deterioration of the group's creditworthiness, while increasing the execution risk of the transformational plan and the downside risk to our forecasts.

Downside scenario

We could lower the rating if, over the next 12 months, ELO continues to underperform our base case, due to continued deterioration of retail operations or higher-than-expected costs from the transformation plan or from the integration of Casino's stores. In particular, we could lower the rating if:

- We see no tangible sign of recovery in the performance of the French retail operations, such that the French retail operations' EBITDA does not recover from the 2024 level;
- S&P Global Ratings-adjusted leverage approaches 5.0x (excluding Russia); or
- Cash flow deteriorates further, causing material, unexpected increases in net debt and hampering the liquidity profile.

Upside scenario

We could revise the outlook to stable if there is a tangible improvement in profitability and cash-flow generation of Auchan Retail, such that S&P adjusted leverage (excluding Russia) remains below 4.5x. We think this would be the case if the company successfully turned around its retail operations over the medium term, while shareholder support or disposals keep financing the transformation and maintain a grip on net leverage.

Company Description

ELO is the sole owner of Auchan Retail and NIH, and it reported €32.9 billion of sales and about €1.5 billion of EBITDA in 2023. ELO also holds an unconsolidated 49.9% stake in Oney Bank, with the remaining 50.1% being owned by BPCE.

Auchan Retail operates hypermarkets and supermarkets in 11 countries. It is the fifth-largest retailer in France, which accounts for about half of the group's revenue, but it also has sizable operations in both Eastern and Western Europe, notably in Spain, Russia, Poland, Portugal, and Romania.

NIH is a real estate property owner, owning and managing a portfolio of about €7.2 billion of shopping centers in 11 countries. The issuer credit rating on NIH is aligned with that on ELO, even though we assess NIH's stand-alone credit profile at 'bbb'.

The Mulliez family owns about 98% of ELO through Association Familiale Mulliez (AFM) and other structures, while the remainder is owned by eligible employees.

Our Base-Case Scenario

Assumptions

- French and eurozone real GDP to grow 0.9% in 2024 and about 1.5% in 2025. French and eurozone inflation to progressively slow to 2.6% in 2024 and 2.0% in 2025, from 5.5%-5.6% in 2023.
- Lower food inflation and energy costs, combined with high employment, should constitute a more mitigated trading environment for food retailers in Europe in 2024-2025, but fierce price competition keeps Auchan's margins and market shares under pressure, given its exposure to price-sensitive hypermarkets. High competition and the track-record of continuous deterioration of performance over the last three years poses significant downside risk to our current forecasts.
- ELO's revenue to increase 2%-3% per year in 2024-2025, driven by the progressive integration of the 98 Casino stores in France and the Dia stores in Spain and Portugal.

- Auchan Retail's gross margin to stabilize at about 23% in 2024-2025, in line with 2023. We expect the new purchasing alliance with Intermarché will bring benefits from 2025, but we think the group will balance profitability with investment in prices to improve the attractiveness of its brand. We expect Auchan Retail's EBITDA margin will decline to 2.0%-2.5% in 2024, before a progressive recovery from 2025, driven by higher costs also linked to the transformation and integration plans.
- NIH's S&P Global Ratings-adjusted EBITDA margin of about 61% in 2024-2025, broadly in line with that of 2023.
- ELO's S&P Global Ratings-adjusted EBITDA margin to decline to 3.7% in 2024, from 4.4% in 2023, before gradually recovering in 2025-2026.
- Neutral to slightly positive capital variations in 2024-2025.
- Annual gross capital expenditure (capex) of about €1 billion per year, including about €250 million annual capex for NIH.
- Total acquisition-related outflows of €650 million-€700 million in 2024, including Casino's acquisition price and investments needed to rebrand and reopen the stores, as well as the acquisition of Dia's network in Spain and Portugal.
- We assume €250 million of disposals in 2024 and about €100 million disposals per year thereafter, including some real estate assets. Although we acknowledge the group has an asset-rich balance sheet and could dispose significantly more assets, the high interest rate environment and declining real estate valuations could make asset sales more challenging over the next 24 months. We also believe that some disposals will drive a reduction in EBITDA, resulting in a mixed effect on adjusted leverage.
- No dividend in 2024-2025.
- Buybacks related to employee shareholdings of up to €30 million each year.
- We assume the group will refinance upcoming debt maturities at an interest rate of about 8% over 2025-2026.

Key metrics

ELO -- Key forecast ratios

	--Fiscal year ends Dec. 31--						
Mil. €	**2020a**	**2021a**	**2022a**	**2023a**	**2024f**	**2025f**	**2026f**
Revenue	32,117	31,088	33,485	32,902	33,554	34,415	34,755
EBITDA	1,608	1,809	1,703	1,441	1,232	1,419	1,595
EBITDA margin	5.0	5.8	5.1	4.4	3.7	4.1	4.6
Capital expenditure	685	814	1,127	1,081	1,024	1,026	1,034
Reported FOCF, after finance lease payments	1,351	321	(391)	(84)	(307)	(272)	(185)
Adjusted debt	4,256	3,803	4,126	4,610	5,429	5,744	5,955
Debt/EBITDA (x)	2.6	2.1	2.4	3.2	4.4	4.0	3.7
FFO/debt (%)	22.7	35.7	31.5	21.7	16.0	17.7	18.8
DCF/debt (%)	7.1	(7.8)	(9.1)	0.6	0.0	(1.3)	0.3

ELO -- Key forecast ratios (cont.)

	--Fiscal year ends Dec. 31--						
Mil. €	2020a	2021a	2022a	2023a	2024f	2025f	2026f
EBITDAR coverage			3.8	2.5	1.8	2.0	2.1
New Immo Holding - Debt/EBITDA (x)	11.2	10.9	9.2	8.8	8.1	7.9	7.6
Auchan Retail* - Debt/EBITDA (x)	0.7	0.4	0.5	1.1	2.6	2.5	2.3
EBITDA - excluding Russia			1,400-1,500	1,250-1,350	~1,100	~1,300	~1,500
Debt/EBITDA - excluding Russia	N/A	N/A	~2.7	~3.4	~4.6	~4.2	~3.8

Note: All figures adjusted by S&P Global Ratings. A--Actual. f--Forecast. N/A--Not applicable. *Retail adjusted leverage is estimated by netting NIH's debt and EBITDA from ELO's consolidated figures.

Liquidity

We assess ELO's liquidity as adequate, based on our expectation that its sources of liquidity will exceed its uses by over 1.2x over the next 12 months. That said, we note that weak performance is also deteriorating the group's liquidity profile. We estimate the revolving credit facility (RCF) will be only partially available as of year-end 2024 and year-end 2025, given the maintenance covenant.

Principal liquidity sources for the 12 months started June 30, 2024:

- €1.7 billion cash and cash equivalents;
- €200 million-€300 million available under the €1.6 billion undrawn committed credit lines, given the maintenance covenant;
- About €700 million of FFO forecast over the next 12 months (net of lease depreciation); and
- About €250 million of proceeds from asset sales, which we understand are already signed.

Principal liquidity uses for the same period:

- Current financial debt as of June 30, 2024, of €1.07 billion (assuming no refinancing);
- Total annual capex of about €1 billion (including growth and maintenance);
- No significant seasonal working capital requirement, given that June is one of the lowest annual cash point because of working capital seasonality;
- Outstanding outflows for acquisitions and relating investment of about €100 million–€200 million; and
- About €30 million of share repurchases as part of the employee incentive program.

Covenants

Some of ELO's credit lines bear a maintenance financial covenant of debt to EBITDA at a maximum of 3.5x, as defined in the debt documentation (which differs from S&P Global Ratings' methodology), at the end of each fiscal year. We understand the limit can be increased in case of material acquisitions. We estimate the group will have limited headroom, as of year-end 2024 and year-end 2025, limiting its ability to draw the RCF at the end of the year. However, we project it will not need to draw the RCF, given that December is also the highest point in cash, given the seasonality of working capital.

NIH's bond includes limitation of total indebtedness (maximum loan-to-value ratio of 50% and maximum senior secured debt ratio of 20%) and a minimum interest coverage ratio of 2x. We expect ELO and NIH will maintain sufficient headroom under the covenants.

Environmental, Social and Governance

Environmental, social, and governance (ESG) factors have no material influence on our credit rating analysis of ELO.

The group's exposure to environmental and social risk is similar to that of the broader industry. For ELO, as a privately owned company, governance factors are significant to the credit profile, as the group is subject to less-stringent reporting and disclosure requirements than publicly listed companies.

As part of its corporate strategy, Auchan Retail put a large focus on improving its environmental impact, making it a key aspect of the strengthening of its competitive position. The group's environmental ambitions include reducing plastic packaging, food waste, and its carbon footprint. With respect to the latter, ELO's target is reducing Scope 1 and Scope 2 carbon dioxide emissions by 46% by 2030 (compared with 2019). Regarding Scope 3 emissions, where most of the greenhouse gas emissions are generated for the industry, the group's target is reducing them by 25% by 2030 (compared with 2020). As part of its efforts to differentiate its product offering, ELO aims to rely more on local sourcing of products and food traceability through, among other initiatives, more partnerships with farmers.

In November 2021, Auchan signed its first sustainability-linked loan, with terms conditional on achieving several climate change and sustainable agricultural production targets, while in September 2023 it issued a €750 million sustainability-linked bond.

Issue Ratings--Recovery Analysis

Key analytical factors

- We rate ELO's and NIH's senior unsecured bonds at 'BB' with a recovery rating of '3', indicating our expectation of meaningful (50%-70%; rounded estimated 65%) recovery to creditors in the event of a payment default.
- ELO's consolidated capital structure includes €6.0 billion of debt, of which €0.3 billion is senior secured and the rest--including the rated bonds--is senior unsecured. ELO also has €1.66 billion of RCF, currently undrawn, which we understand rank pari-passu with the rest of its senior unsecured debt. Out of ELO's consolidated €6.0 billion of debt, about €0.7 billion is issued by NIH, and the rest by ELO itself.
- The capital structure of NIH--which is fully controlled and consolidated by ELO--includes €3.5 billion of debt, of which €0.7 million of external debt and €2.8 billion is constituted by ELO's intercompany loans. We understand the intercompany loans rank pari-passu with NIH's senior unsecured debt, including its €300 million rated notes.

- Our default scenario assumes fierce competition in the French retail market, resulting in additional revenue decline, margin pressure and negative FOCF generation, putting ELO's liquidity at risk, while pressuring real-estate valuation and ability to execute timely disposals.
- We value Auchan Retail's operations using a multiple of EBITDA at emergence, while we value NIH's real-estate assets using a discrete asset valuation approach, based on the third-party appraisal of its portfolio and a discount rate to reflect the uncertainty of that value in 2029 (assumed year of default).
- We assume that NIH's real estate value is available to ELO and its creditors via the reimbursement of intercompany loans and dividends.
- Although the numerical recovery outcome is higher than 65%, we apply an unsecured debt rating cap of '3' due to the unsecured nature of the rated debt, both to ELO's and NIH's bonds. This is because, in line with our criteria, we expect the group may pledge security to raise additional debt or refinance the existing one as its credit quality deteriorates. Additionally, we assume that, on the path to default, NIH would sell its best and most liquid assets to provide liquidity to ELO.
- We understand there are not cross-default or cross-guarantee clauses between ELO and NIH, including in the intercompany loans.

Simulated default assumptions

- Year of default: 2029
- Jurisdiction: France

Simplified waterfall

- Auchan Retail emergence EBITDA: €489 million
- Multiple: 5.0x
- Gross recovery value of Auchan Retail: €2.4 billion
- Discounted value of NIH's real estate assets: €4.4 billion
- Gross recovery value of the group: €6.8 billion
- Net recovery value for waterfall after admin. expenses (5%): €6.5 billion
- Estimated NIH's external debt, including the €300 million rated bond: €0.7 billion
- --Recovery range: more than 100% (capped at 65%)
- Estimated ELO's priority and secured debt: €0.3 billion
- Remaining value for ELO's senior unsecured creditors: €5.4 billion
- Estimate ELO's senior unsecured debt at default (excluding NIH): €6.5 billion*
- --Recovery range: 80% (capped at 65%)

*All debt amounts include six months prepetition interest. We assume that 8%% of all RCFs will be drawn at the point of default.

Ratings Score Snapshot

Issuer Credit Rating	BB/Negative/B
Business risk:	Fair
Country risk	Intermediate
Industry risk	Intermediate
Competitive position	Fair
Financial risk:	Aggressive
Cash flow/leverage	Aggressive
Anchor	bb-
Modifiers:	
Diversification/Portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Adequate (no impact)
Management and governance	Neutral (no impact)
Comparable rating analysis	Positive (+1 notch)

Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, April 4, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Recovery Rating Criteria For Speculative-Grade Corporate Issuers, Dec. 7, 2016
- Criteria | Corporates | Recovery: Methodology: Jurisdiction Ranking Assessments, Jan. 20, 2016
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Industry Credit Outlook 2024: Consumer Products, Jan. 9, 2024
- Industry Credit Outlook 2024: Retail and Restaurants, Jan. 9, 2024

Ratings List

Downgraded; Outlook Action; Ratings Affirmed

	To	From
ELO		
Issuer Credit Rating	BB/Negative/B	BB+/Stable/B
Commercial Paper	B	B
Senior Unsecured	BB	BB+
Recovery Rating	3(65%)	3(65%)