FitchRatings

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Fitch Revises Sodexo's Outlook to Negative; Affirms IDR at 'BBB+'

Fitch Ratings - Warsaw - 14 May 2026: Fitch Ratings has revised Sodexo SA's Outlook to Negative from Stable and affirmed its Long-Term Issuer Default Rating (IDR) at 'BBB+' .

The Negative Outlook reflects uncertainty over how quickly Sodexo can restore credit metrics consistent with the current rating after reporting underperformance in 1HFY26 (financial year-end August 2026) and expecting to implement measures to recover prior organic growth and margin levels.

The affirmation is supported by the company's record of maintaining leverage within its publicly stated target, its strong revenue and cash flow visibility, leading scale and diversification.

We may revise the Outlook to Stable if Sodexo restores its previous growth and margin levels by FY27-FY28, while taking steps to preserve cash, such as materially reducing shareholder distributions or acquisition spending. However, more aggressive cash use that delays deleveraging, or slower, more uncertain profit recovery with further deterioration in performance, could lead to a rating downgrade to 'BBB'.

Key Rating Drivers

Weak 1HFY26 Performance: Sodexo's 1HFY26 performance was below our expectations, with company-defined underlying operating profit margin dropping to 3.7% from 5.2% in 1H25. The group's revenue growth has lagged both its market and peers for some time, partly reflecting underinvestment in key capabilities and excessive organisational complexity. This led to organic growth of 1.7% in 1H26, including a 2.4% contribution from pricing, as retention declined to 93.4% in 1H26 from 94% in FY25 and net new business was negative 0.6%.

This compares unfavourably with Aramark Corporation and Compass Group PLC's client retention rates of 96.3% and 96%, respectively, and organic revenue growth of 8.5% and 7.2% in 1HFY26. Sodexo's revenue was also adversely affected by a 5.3% negative FX impact.

Plans to Restore Competitiveness: The group has taken action to address operational challenges related to slower-than-peer revenue growth and contract retention, particularly in North America - the company's largest region of operation (50% of operating profit). A new chief executive since November 2025, Thierry Delaporte, with the strategic objective of redressing these issues, has also taken direct control of North America, reshuffled much of the regional leadership team and simplified the broader organisation to speed up decision-making and improve accountability.

Sodexo is also accelerating investments in sales and marketing, technology and core systems to regain competitiveness. It is also reviewing contracts and assets more rigorously to reduce risks and improve visibility. We expect these initiatives to compress profitability and free cash flow (FCF) generation at least over FY26-FY27, but do not rule out a longer-term decline in profitability.

Modest, Slow Improvement Expected: Fitch expects revenue to remain broadly flat in FY26, mainly due to adverse FX movements, before increasing at a low-to-mid-single-digit rate over FY27-FY29. We project organic growth of 2%-3% across FY27-FY29, supported by additional M&A contributions, assuming EUR300 million of acquisitions per year from FY27 onwards. We also forecast the EBITDA margin at about 5.5% in FY26-FY27, down from 6.2% in FY25, before gradually recovering to 5.9% by FY29.

Exhausted Rating Headroom: We forecast EBITDA net leverage at 2.6x in FY26 (FY25: 2.0x), improving towards 2.2x in FY29 but still above our 2.0x negative sensitivity for the 'BBB+' rating, based on our current assumptions. We also expect EBITDA interest coverage at 9.8x in FY26, and to remain below our 12x negative sensitivity for the rating. We expect FCF to be negative in FY26 due to high restructuring and rationalisation costs, but to be positive in FY27-FY29 with margins slightly below 1%.

Disciplined Financial Policy Key: Sodexo's credit profile is supported by its public commitment to a conservative financial policy, with a company-calculated EBITDA net leverage target of 1x-2x. The company has historically operated within this range, but weaker performance has led leverage to rise temporarily above it. We believe Sodexo has some headroom to accelerate deleveraging by cutting dividends or reducing acquisition spending, although it has not yet publicly outlined any specific measures. We also see a risk that capex could increase from the current, below-peer level of 2% of sales level, which would weaken FCF.

Supportive Market: Sodexo continues to operate in attractive end markets, despite its internal challenges. Demand for outsourced food services and facilities management is supported by long-term structural trends. Across healthcare, seniors, business and administration, and education, outsourcing demand continues to grow. Even in slower-growing markets, there are opportunities to expand through higher outsourcing penetration. Overall, the company remains exposed to sectors with supportive long-term fundamentals, which underpin its medium-term recovery potential.

Business Profile Remains Strong: Sodexo's profitability remains temporarily subdued, but its credit profile continues to benefit from a highly contracted revenue base and dynamic pricing mechanisms, which support the pass-through of most cost inflation and provide strong revenue and cash flow visibility. The company's business profile is further underpinned by leading positions in on-site services, broad geographic and end-market diversification, and a wide service offering.

Peer Analysis

Sodexo has modest profitability compared with similar catering services operators, such as Aramark and Compass, while maintaining good cash flow generation, supported by a conservative capital structure.

Sodexo has a more balanced revenue mix by geography, which provides stronger diversification benefits, although it also increases its exposure to foreign-currency volatility. Sodexo's defensive and resilient business profile is similar to Compass's, reflecting its large scale and diversified operations.

We also compare Sodexo with Darden Restaurants, Inc. (BBB/Stable), a multi-brand restaurant operator in North America. Darden has comparable scale, but higher operating profitability and lower leverage, partly offset by narrower diversification, lower revenue visibility and exposure to more intense market competition in its sector.

Rentokil Initial plc (BBB/Stable) has a similar breadth of global and service diversification to Sodexo, but benefits from stronger profitability and cash flow metrics, supported by a route-based business model and largely resilient pest-control demand across the cycle. Sodexo's rating is supported by its larger scale, more conservative leverage targets and higher revenue visibility, all of which explain its rating being higher by one notch.

We also compare Sodexo with Elior Group S.A. (BB-/Stable). The large rating differential is warranted by Elior's weaker geographic diversification, much smaller scale and weaker credit metrics overall, with leverage that we expect to remain close to 5.5x until end-September 2026.

Fitch’s Key Rating-Case Assumptions

Key Assumptions within our Rating Case for the Issuer:

-- Revenue growth of 0.3% in FY26, followed by 3%-4% a year through FY29

-- EBITDA margin of 5.5% in FY26, gradually improving to 5.9% by FY29

-- Minimal-to-neutral working capital outflows over FY26-FY29

-- Capex at 2%-2.3% of sales until FY29

-- Fitch-estimated annual M&A spend of up to EUR300 million, at an enterprise value/EBITDA multiple of 10x

-- Annual dividends at 50% of the prior year's underlying net income

Corporate Rating Tool Inputs and Scores

Fitch scored the issuer as follows, using our Corporate Rating Tool (CRT) to produce the Standalone Credit Profile (SCP):

Business and financial profile factors (assessment, relative importance): management ('bbb-', Lower), sector characteristics ('bbb+', Lower), market and competitive positioning ('a', Higher), diversification and asset quality ('a-', Moderate), company operational characteristics ('bbb+', Moderate), profitability ('bb', Moderate), financial structure ('bbb-', Higher), and financial flexibility ('a-', Moderate).

The quantitative financial subfactors are based on standard CRT financial period parameters: 20% weight for the latest historical year FY25, 40% for the forecast year FY26 and 40% for the forecast year

FY27.

The governance assessment of 'good' has no impact.

The operating environment assessment of 'a' has no impact.

The calibration adjustment applies and results in an adjustment of 1 notch(es).

The SCP is 'bbb+'.

To derive the Long-Term IDR:

Fitch made no adjustments to the SCP, resulting in an IDR of 'BBB+'.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- Non-renewal of multiple contracts and a decline in like-for-like sales, alongside EBITDA margin erosion to below 6%

- A shift towards a more aggressive financial policy, or further underperformance, leading to EBITDA net leverage sustainably above 2.0x and EBITDA gross leverage above 3.0x, as well as FCF margin deteriorating to neutral on a sustained basis

- EBITDA interest coverage below 12.0x

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- Maintenance of leading market positions with high revenue visibility, supported by high client retention rates at or above 95%

- Deleveraging through debt repayment, leading to EBITDA net leverage below 1.5x and EBITDA gross leverage below 2.5x on a sustained basis

- EBITDA margin above 9% on a sustained basis

- Post-dividend FCF margin in mid-single digits

Liquidity and Debt Structure

Fitch views Sodexo's liquidity as strong. As of December 2025, it had about EUR1.7 billion of cash, excluding about EUR0.4 billion that Fitch considers not readily available for debt service due to use of cash during seasonal working capital swings. This, together with positive post-dividend FCF generation and access to a EUR1.75 billion revolving credit facility due in July 2029, is sufficient to cover short-term debt maturities.

Issuer Profile

Sodexo is a global leader in on-site service solutions, offering food and facilities management.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

MACROECONOMIC ASSUMPTIONS AND SECTOR FORECASTS

Click here to access Fitch's latest quarterly Global Corporates Sector Forecasts Monitor data file which aggregates key data points used in our credit analysis. Fitch's macroeconomic forecasts, commodity price assumptions, default rate forecasts, sector key performance indicators and sector-level forecasts are among the data items included.

Climate Vulnerability Signals

The results of our Climate.VS screener did not indicate an elevated risk for Sodexo.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

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Rating Actions

ENTITY/DEBT	RATING			RECOVERY	PRIOR
Sodexo SA	LT IDR	BBB+	Affirmed		BBB+
• senior unsecured	LT	BBB+	Affirmed		BBB+

RATINGS KEY	OUTLOOK	WATCH
POSITIVE		
NEGATIVE		
EVOLVING		
STABLE		

Applicable Criteria

Corporate Rating Criteria (pub.09 Jan 2026) (including rating assumption sensitivity)

Corporates Recovery Ratings and Instrument Ratings Criteria (pub.02 Aug 2024) (including rating assumption sensitivity)

Sector Navigators – Addendum to the Corporate Rating Criteria (pub.09 Jan 2026)

Applicable Models

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Corporate Monitoring & Forecasting Model (COMFORT Model), v8.2.0 (1)

Additional Disclosures

Solicitation Status

Endorsement Status

Sodexo SA	EU Issued, UK Endorsed

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The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. For more details on sector-specific best- and worst-case scenario credit ratings, please see Best- and Worst-Case Measures under the Rating Performance page on Fitch's website.

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