

CREDIT OPINION

4 February 2025

Update

Send Your Feedback

RATINGS

Sodexo SA

Domicile	France
Long Term Rating	Baa1
Type	LT Issuer Rating - Dom Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Sodexo SA

Update following change in outlook to stable

Summary

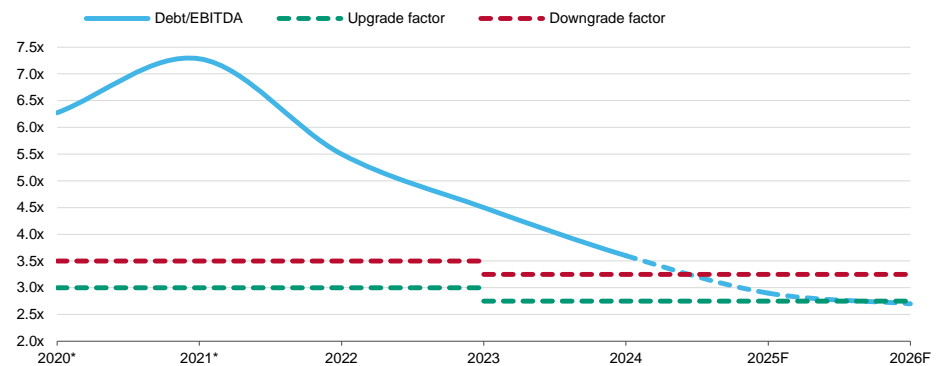
Sodexo SA's Baa1 rating with a stable outlook reflects our expectation that the company will improve its credit metrics over the next 12-18 months, driven by gross debt reduction and profit growth.

We forecast that Sodexo's Moody's-adjusted debt/EBITDA will decrease to around 2.9x in fiscal 2025 (ending August 2025), compared with 3.6x in fiscal 2024, and that the ratio will continue to progressively reduce thereafter, supported by EBITDA growth. Concurrently, we expect its retained cash flow (RCF)/net debt ratio to remain above 25% over the next 12-18 months.

Sodexo's Baa1 rating continues to be supported by its leading market share in worldwide catering and facilities management, its broad service offerings and the steady nature of demand, with moderate exposure to cycles. The rating is constrained by the mature and competitive nature of the catering and facilities management market, the low profitability compared to the wider business service universe and the lower free cash flow generation than peers.

Exhibit 1

We expect Sodexo's leverage to remain well within the expected range for the Baa1 rating Moody's-adjusted debt/EBITDA



2020 refers to the Financial Year ending 31 August 2020. *2020 and 2021 include Pluxee's business, which was spun off in February 2024. From 2022 onwards, the figures exclusively represent Sodexo's standalone performance.
Source: Moody's Ratings

Credit strengths

- » Number two worldwide market position in contract catering
- » Diversified global geographic footprint and end markets
- » Recurring nature of demand as seen during past economic cycles

Credit challenges

- » Mature and competitive nature of the catering and facilities management markets
- » Lower profitability of the catering business than that of the wider business service industry
- » Lower free cash flow (FCF) than that of its peers

Rating outlook

The stable outlook reflects our expectation that the company will further improve its credit metrics, with Moody's adjusted debt/EBITDA progressively reducing below 3x in the next 12-18 months and its Moody's adjusted RCF/net debt remaining above 25% over the same period. The stable outlook also incorporates our expectation that the company will remain committed to its financial policy of maintaining a reported net debt/EBITDA ratio in the 1x to 2x range (currently at 1.7x), which is broadly equivalent to a Moody's adjusted gross debt/EBITDA ratio between 2.75x and 3.25x.

Factors that could lead to an upgrade

Upward pressure on the rating could develop over time if the company's operating performance remains solid, with sustained growth in revenue and margins, and its financial profile improves, such that its Moody's-adjusted debt/EBITDA remains well below 2.75x on a sustained basis and its Moody's-adjusted RCF/net debt is sustainably above 30%.

Factors that could lead to a downgrade

Sodexo's rating could be downgraded if its operating performance deteriorates and its profitability significantly decreases below historical levels, leading to sustained weak credit metrics for the rating category, such as Moody's-adjusted debt/EBITDA remaining above 3.25x or its Moody's-adjusted RCF/net debt below 25% on a sustained basis.

Key indicators

Exhibit 2

Sodexo SA

(in € billions)	2020*	2021*	2022	2023	2024	2025F	2026F
Revenue	19.3	17.4	20.3	22.6	23.8	25.2	26.5
EBITA Margin %	2.9%	3.1%	4.3%	4.8%	5.0%	5.1%	5.1%
Debt / EBITDA	6.3x	7.3x	5.5x	4.5x	3.6x	2.9x	2.7x
EBITA / Interest Expense	3.3x	4.5x	6.9x	5.6x	6.4x	7.8x	7.8x
RCF / Net Debt	7.6%	20.9%	13.9%	15.0%	-7.6%	25.0%	26.9%
EBITDA Margin	5.4%	5.7%	6.2%	6.4%	6.5%	6.7%	6.8%
FCF / Debt	-5.8%	6.0%	1.1%	-0.3%	-13.4%	4.1%	5.3%
Net Debt / EBITDA	4.4x	3.7x	3.6x	3.1x	2.2x	2.1x	2.0x

2020 refers to the Financial Year ending 31 August 2020.*2020 and 2021 include Pluxee's business, which was spun off in February 2024. From 2022 onwards, the figures exclusively represent Sodexo's standalone performance.

Source: Moody's Ratings

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

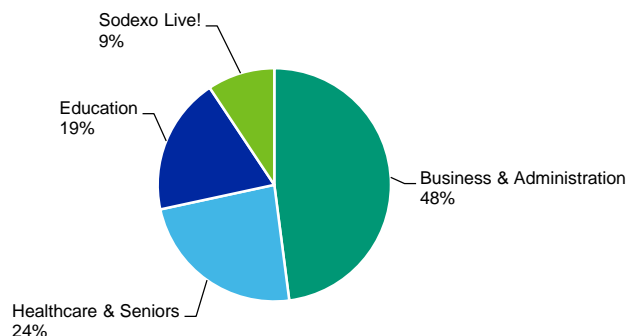
Profile

Sodexo SA is one of the world's largest providers of contract catering and facilities management services. The company is present in 45 countries, with the US, France, Brazil and the UK among its largest markets. Following Pluxee's spinoff in February 2024, its largest subsegment remains Business and Administration, contributing 48% of total revenue, compared with 55% before the spinoff (see Exhibit 3).

The company is listed on the Euronext Paris Stock Exchange and the largest shareholder remains Bellon SA, the family holding company of the founder Pierre Bellon, with a 42.8% stake and 58% voting rights as of 31 August 2024.

Exhibit 3

Business and Administration remains Sodexo's largest segment after the Pluxee spinoff Revenue by segment, fiscal 2024



Source: Company

Detailed credit considerations

One of the world's largest providers of contract catering and integrated facilities management

Sodexo is one of the largest providers of facilities management services globally, with strong market positions in contract catering and integrated facilities management. In contract catering, it is the second-largest operator after [Compass Group PLC](#) (A2 stable), but ahead of [Aramark Services, Inc.](#) (Ba2 stable). However, the market is fragmented, with competition ranging from multinational companies to smaller national or regional companies. We estimate that Compass, Sodexo and Aramark have a combined share of 15%-20% of the overall contract catering market.

Within integrated facilities management, competition is limited mainly to large global companies such as [ISS Global A/S](#) (Baa3 positive), and includes providers of property-related or hard facilities management services such as [Jones Lang LaSalle Incorporated](#) (Baa1 stable) and [CBRE Services, Inc.](#) (Baa1 stable).

Following Pluxee's spinoff, Sodexo intends to maintain its leading position in catering while growing its business by leveraging its food expertise. Sodexo also intends to selectively pursue external growth opportunities to enhance its scale in existing markets or its know-how.

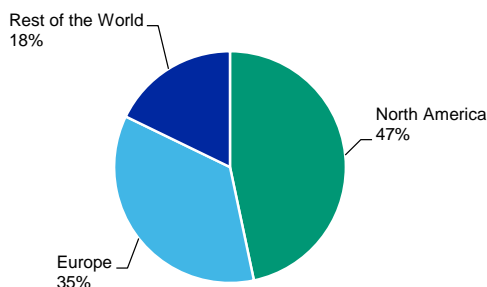
Balanced geographic footprint across Europe, North America and Latin America

Sodexo has a balanced revenue mix in terms of geography and end markets, reflecting its strong global market positions. Revenue remains fairly balanced between North America (47% of revenue in fiscal 2024) and Europe (35% in the same period), whereas the rest of the world accounts for 18% of the total (see Exhibit 4).

Exhibit 4

Sodexo mainly operates in developed markets

Revenue by region, fiscal 2024



Source: Company

We expect profitability to continue to increase, although at a modest pace

Sodexo has progressively improved the profitability of its catering and facility management businesses, even after the deconsolidation of the highly profitable and cash-generative Pluxee business and despite the mature and competitive nature of these activities. This improvement has been achieved through disciplined price increases, menu optimisation and procurement efficiencies, among other initiatives. Consequently, the reported operating profit margin increased to 4.7% in fiscal 2024 from 4.0% in fiscal 2022.

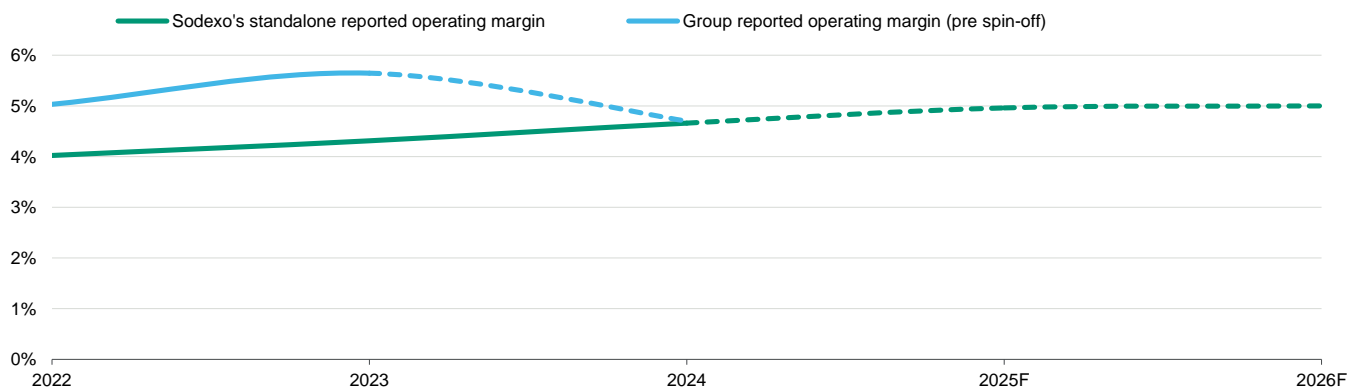
We expect the company's profit to continue growing over the next 12-18 months, as highlighted in our December 2023 [Sector In-Depth report](#) on the facility management sector. This will be driven by ongoing optimisation and rationalisation efforts. Additionally, we expect Sodexo to maintain a disciplined approach when selecting new contracts to limit potential margin dilution during the ramp-up phase.

In January 2025, the company re-affirmed its fiscal 2025 (ending August 2025) guidance of organic revenue growth between 5.5% and 6.5%, with 30 to 40 bps of margin improvement at a constant exchange rates. Despite some contracts losses in the US and a decline in European facility management activities, Sodexo expects that the strong market momentum and the recently won contracts will support higher organic revenue growth in the second half of the fiscal year. Its disciplined commercial approach and cost control will contribute to some margin growth, with a Moody's adjusted EBITA margin trending slightly above 5.1% over the next 12-18 months, compared with 5% in fiscal 2024.

Exhibit 5

We expect Sodexo's reported operating profit margin to continue to increase after Pluxee's spinoff

Underlying operating margin (UOP)



2020 refers to the Financial Year ending 31 August 2020.

Sources: Company and Moody's Ratings

Credit metrics will continue to improve, adequately positioning Sodexo in its rating category

We expect the company to reduce its outstanding gross debt in fiscal 2025, through at least a partial repayment in cash of the €700 million bond maturing in April 2025.

This debt repayment will contribute to materially reduce the company's Moody's adjusted debt/EBITDA to around 2.9x in fiscal 2025, compared to 3.6x in fiscal 2024. We anticipate that the ratio will continue to progressively reduce thereafter, as a result of EBITDA growth.

At the same time, we expect its RCF/net debt to remain above 25% over the next 12-18 months, assuming a 50% dividend payout. Moody's adjusted RCF/net debt was extraordinarily low in fiscal 2024 (-7.6%), owing to the €918 million one-off distribution which was entirely financed with the proceeds received from the sale in Sofinsod's stake.

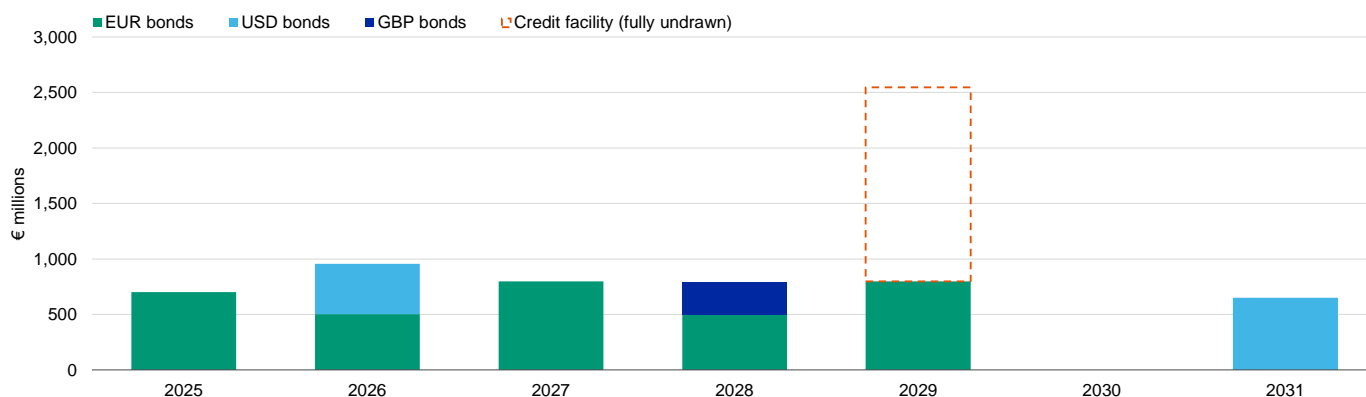
Moody's-adjusted FCF/debt will continue to constrain the rating because we expect this ratio to remain lower than that of rated peers and around 5% in the next 12-18 months.

Liquidity analysis

Sodexo's liquidity is excellent. As of fiscal 2024, the company had €2.13 billion of cash on its balance sheet and access to a €1.75 billion undrawn committed revolving credit facility maturing in July 2029. We expect the company to generate free cash flow of over €200 million per year over the next 12-18 months. These liquidity sources are more than sufficient to cover the approaching debt maturities of €700 million bond in April 2025 and around €1 billion in 2026. We expect that a large part of the €700 million bond due in April 2025 will be repaid with existing cash, reducing gross debt but also cash on balance sheet to more normalized levels of around €1.1 -1.2 billion.

Exhibit 6

Sodexo has a well-spread debt maturity profile



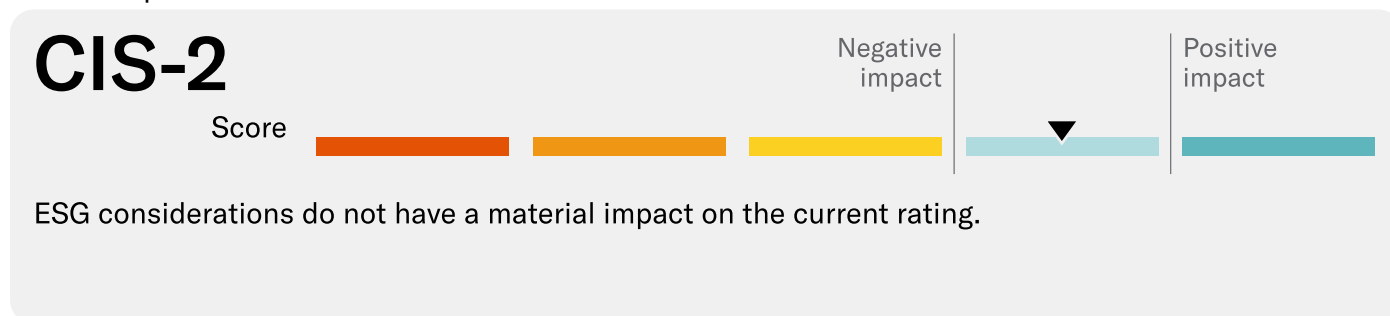
2025 refers to the Financial Year ending 31 August 2025.
 Source: Company and Moody's Ratings

Environmental, social and governance considerations

Sodexo SA's ESG credit impact score is CIS-2

Exhibit 7

ESG credit impact score

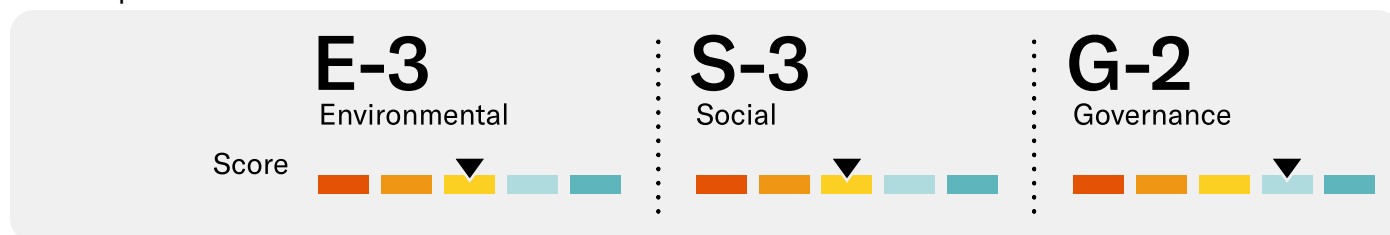


Source: Moody's Ratings

Sodexo's **CIS-2** indicates that ESG considerations are not material to the rating. The company has moderate exposures to environmental and social risks and no material exposure to governance risks.

Exhibit 8

ESG issuer profile scores



Source: Moody's Ratings

Environmental

E-3. Sodexo relies on natural resources, particularly food commodities, and is therefore exposed sustainability risks in its sourcing. The company is also exposed to waste and pollution and carbon transition as it relies on the operation of a fleet of internal combustion engine (ICE) vehicles, which will need to transition to alternative fuel (AF) vehicles.

Social

S-3. Sodexo is primarily exposed to risks related to societal trends, customer relations, human capital and responsible production. Human capital risks emanate from its very large workforce. At times of high employment, Sodexo could be vulnerable to wage inflation to attract talent, which in turn could impact the company's profit margins. However, the company has a good track record of passing through wage inflation to clients. Exposure to responsible production reflects supply chain risks related to food quality standards. In addition, Sodexo faces exposure to societal trends related to more frequent remote working and healthier eating habits which could hinder revenue and profit growth. However, none of these social risk exposures have had a material impact on Sodexo's credit profile.

Governance

G-2. Sodexo has a balanced financial strategy, supported also by its excellent liquidity profile. The company continues to target a reported net debt/EBITDA between 1x and 2x over the medium term (1.7x in August 2024) which is broadly equivalent to a Moody's adjusted gross debt/EBITDA ratio between 2.75x and 3.25x, and a dividend payout ratio of 50%. Sodexo's ownership is concentrated on the Bellon family, which controls the majority of voting rights. One of these family members is the chairwoman and CEO. At the same time, the family ownership enables the company to adopt a long-term vision for the business and the current corporate governance structure adequately protects the interests of all stakeholders.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moody's.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Methodology and scorecard

The principal methodology used in rating Sodexo was the Business and Consumer Services methodology.

The Baa1 rating is one notch higher than the scorecard-indicated outcome on a forward-looking basis. The gap mainly reflects the company's weak profit margins relative to other business sectors covered under the broad business and consumer methodology.

Exhibit 9

Rating factors

Sodexo SA

Business and Consumer Service Industry Scorecard			Moody's 12-18 month forward view As of 01/27/2025	
	Current FY Aug-24	Score	Measure	Score
Factor 1 : Scale (20%)				
a) Revenue (\$ billions)	26.2	A	29.2	A
Factor 2 : Business Profile (20%)				
a) Demand Characteristics	A	A	A	A
b) Competitive Profile	A	A	A	A
Factor 3 : Profitability (10%)				
a) EBITA Margin	5.0%	Caa	5.1%	Caa
Factor 4 : Leverage and Coverage (40%)				
a) Debt / EBITDA	3.6x	Ba	2.8x	Baa
b) EBITA / Interest	6.4x	Baa	7.8x	Baa
c) RCF / Net Debt	-7.6%	Ca	26.0%	Baa
Factor 5 : Financial Policy (10%)				
a) Financial Policy	Baa	Baa	Baa	Baa
Rating:				
a) Scorecard-Indicated Outcome		Baa3		Baa2
b) Actual Rating Assigned				Baa1

All ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.

This represents Moody's forward view, not the view of the issuer, and unless noted in the text, does not incorporate significant acquisitions and divestitures.

Source: Moody's Ratings

Ratings

Exhibit 10

Category	Moody's Rating
SODEXO SA	
Outlook	Stable
Issuer Rating -Dom Curr	Baa1
SODEXO INC.	
Outlook	Stable
Bkd Senior Unsecured	Baa1

Source: Moody's Ratings

Appendix

Exhibit 11

Peer comparison

(in \$ millions)	Sodexo SA Baa1 Stable			Compass Group PLC A2 Stable			Cintas Corporation No.2 A3 Stable		
	FY Aug-22	FY Aug-23	FY Aug-24	FY Sep-22	FY Sep-23	FY Sep-24	FY May-23	FY May-24	LTM Nov-24
Revenue	20,395	24,636	26,155	32,678	38,047	42,002	8,816	9,597	9,940
EBITDA	1,257	1,572	1,709	3,000	3,555	3,976	2,291	2,599	2,773
Total Debt	6,871	7,132	6,158	6,291	6,237	7,543	2,686	2,684	2,863
Cash & Cash Equivalents	2,287	2,186	2,332	2,845	1,789	1,685	91	308	88
EBITA Margin %	4.3%	4.8%	5.0%	7.5%	7.9%	8.1%	22.2%	23.3%	24.1%
EBITA / Interest Expense	6.9x	5.6x	6.4x	14.7x	11.5x	11.1x	16.7x	20.9x	21.9x
Debt / EBITDA	5.5x	4.5x	3.6x	2.4x	1.8x	1.9x	1.2x	1.0x	1.0x
RCF / Net Debt	13.9%	15.0%	-7.6%	44.3%	44.2%	35.7%	58.1%	69.2%	64.4%
FCF / Debt	1.1%	-0.3%	-13.4%	7.2%	9.0%	8.4%	30.4%	42.5%	44.9%

Source: Moody's Ratings

Exhibit 12

Select Moody's-adjusted metrics

Sodexo SA

(in € millions)	2020*	2021*	2022	2023	2024	2025F	2026F
INCOME STATEMENT							
Revenue	19,321	17,428	20,263	22,637	23,798	25,154	26,538
EBITDA	1,048	989	1,249	1,444	1,555	1,689	1,801
EBITA	554	548	876	1,079	1,192	1,271	1,360
EBIT	388	417	793	986	1,088	1,166	1,249
Interest Expense	165	122	127	193	187	163	175
BALANCE SHEET							
Cash & Cash Equivalents	2,015	3,534	2,272	2,009	2,122	1,316	1,215
Total Debt	6,574	7,203	6,826	6,553	5,603	4,898	4,842
Net Debt	4,559	3,669	4,554	4,544	3,481	3,582	3,627
CASH FLOW							
Funds from Operations (FFO)	782	780	930	1,038	1,111	1,269	1,350
Cash Flow From Operations (CFO)	831	982	836	865	1,148	1,243	1,323
Capital Expenditures	(775)	(538)	(462)	(524)	(523)	(668)	(696)
Dividends	(435)	(14)	(297)	(358)	(1,377)	(374)	(373)
Retained Cash Flow (RCF)	347	766	633	680	(266)	895	977
RCF / Debt	5.3%	10.6%	9.3%	10.4%	-4.7%	18.3%	20.2%
Free Cash Flow (FCF)	(379)	430	77	(17)	(752)	202	255
FCF / Debt	-5.8%	6.0%	1.1%	-0.3%	-13.4%	4.1%	5.3%
PROFITABILITY							
% Change in Sales (YoY)	-12.0%	-9.8%	21.4%	11.7%	5.1%	5.7%	5.5%
EBIT Margin %	2.0%	2.4%	3.9%	4.4%	4.6%	4.6%	4.7%
EBITA Margin %	2.9%	3.1%	4.3%	4.8%	5.0%	5.1%	5.1%
EBITDA Margin %	5.4%	5.7%	6.2%	6.4%	6.5%	6.7%	6.8%
INTEREST COVERAGE							
(FFO + Interest Expense) / Interest Expense	5.7x	7.4x	8.3x	6.4x	6.9x	8.8x	8.7x
EBIT / Interest Expense	2.3x	3.4x	6.3x	5.1x	5.8x	7.1x	7.1x
EBITDA / Interest Expense	6.3x	8.1x	9.9x	7.5x	8.3x	10.4x	10.3x
LEVERAGE							
Debt / EBITDA	6.3x	7.3x	5.5x	4.5x	3.6x	2.9x	2.7x
Net Debt / EBITDA	4.4x	3.7x	3.6x	3.1x	2.2x	2.1x	2.0x

2020 refers to the Financial Year ending 31 August 2020. *2020 and 2021 include Pluxee's business, which was spun off in February 2024. From 2022 onwards, the figures exclusively represent Sodexo's standalone performance.

Source: Moody's Ratings

Exhibit 13

Moody's-adjusted debt breakdown

Sodexo SA

(in € millions)	2022	2023	2024
As reported debt	6,695	6,424	5,467
Pensions	131.0	129.0	136.0
Operating Leases	-	-	-
Non-Standard Adjustments	-	-	-
Moody's-adjusted debt	6,826	6,553	5,603

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Source: Moody's Ratings

Exhibit 14

Moody's-adjusted EBITDA breakdown

Sodexo SA

(in € millions)	2022	2023	2024
Underlying Operating Profit	815	976	1,109
Add: Depreciation and amortization	420.0	422.0	434.0
Add: Client investment amortization	120.0	140.0	135.0
Less: Lease payments	(213.0)	(203.0)	(189.0)
Underlying EBITDA	1,142	1,335	1,489
Pensions	(6.0)	1.0	
Less: Client investment amortization	(120.0)	(140.0)	(135.0)
Add: Lease payments	213.0	203.0	189.0
Interest income (+)	34.0	90.0	120.0
Other financial gains and losses (net)	2.0	(7.0)	(1.0)
Equity income from other companies	1.0	3.0	8.0
Impairment	1.0		
Unusual Items	(18.0)	(41.0)	(115.0)
Moody's-adjusted EBITDA	1,249	1,444	1,555

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Source: Moody's Ratings

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