Casino Guichard Perrachon SA
France, Retail

SCOPE BB- STABLE

Corporate profile

Founded in 1898, Casino is a France-based retail group, which offers food and non-food products across its 11,346 stores (as of 30 September 2021). The group's headquarters are in Saint-Etienne and it employs around 205,000 people. Its main shareholder is French holding company Rallye, which holds 52.3% of shares, 62.87% of theoretical voting rights and 63.14% of voting rights exercisable at AGM as of December 2020. The group is publicly listed on France's SBF120 index and generated EUR 31.9bn in net sales in 2020 through banners including Monoprix, Naturalia, Casino Supermarkets, Franprix, Le Petit Casino, Vival, Spar, Géant Casino (in France) and Pão de Açúcar, Carulla, Minuto Pão, Assaí, Extra, Éxito, Surtimayorista (in Latin America). The Group also operates Cdiscount, one of the leading non-food e-commerce in France and develops new businesses such as GreenYellow, relevanC and Scalemax. The rated entity is Casino Guichard-Perrachon (Casino), which pursues a multi-format, multi-label and multi-channel strategy.

Key metrics

			Scope estimates	
Scope credit ratios	**2019**	**2020**	**2021E**	**2022E**
EBITDA/interest cover (x)	3.0x	3.4x	3.7x	4.7x
Scope-adjusted debt (SaD)/EBITDA	5.6x	4.6x	4.7x	4.1x
Scope-adjusted FFO/SaD	11%	13%	14%	16%
FOCF/SaD	5%	4%	(-) FOCF	6%

Rating rationale

Scope Ratings GmbH (Scope) has assigned Casino Guichard-Perrachon SA (Casino) and its subsidiary Quatrim S.A.S. an issuer rating of BB-/Stable. Scope has assigned a debt category rating on senior unsecured debt of B+, senior secured debt of BB, perpetual subordinated debt (hybrid) of B- and a short-term debt rating of S-3.

The rating is driven positively by an investment grade business risk profile, including diversification and market positioning, while being constrained by a weak financial risk profile impacted by high leverage and low free cash flow generation.

Casino's business risk profile is supported by strong geographical diversification. Revenues come from a good balance between a mature market (France, representing 54%) and emerging markets (Latin America at 46%) mostly in Brazil and Colombia. Casino's strategy is also based on a well-diversified multi-format, multi-banner and multi-channel offering, including e-commerce for non-food retail (Cdiscount) and food retail (Amazon partnership, Ocado technology and Gorillas dark stores). The rating is positively driven by the large size of the group, which generated EUR 31.9bn of revenues in 2020. However, Casino's current market share in France has been decreasing over the past years as the consequence of the reduced surface in its hypermarkets, the closure of loss-making stores and the disposal of Leader Price. The group is now ranked sixth in France with an 8% market share, compared to fourth in 2018 with 11.8%. The French food retail market is characterised by its slow growth and strong competition. Four factors support Casino's market positioning: i) its strong exposure to convenience and premiums stores (55% including Monoprix and Franprix); ii) leading positions in French fastest growing regions; iii) low exposure to declining hypermarket format in France; and iv) a very strong market share in Latin America, in Brazil (30% of food retail) and Colombia.

Ratings & Outlook

Corporate rating	BB-/Stable
Senior secured rating	BB
Senior unsecured rating	B+
Short-term rating	S-3
Subordinated rating (hybrid)	B-

Analysts

Thomas Langlet
+33 1 82 88 23 55
t.langlet@scoperatings.com

Related Methodology

Corporate Rating Methodology, July 6th 2021

Rating Methodology: Retail and Wholesale Corporates, March 17th 2021

Scope Ratings GmbH

Lennéstraße 5
10785 Berlin

Phone +49 30 27891 0
Fax +49 30 27891 100

info@scoperatings.com
www.scoperatings.com

Bloomberg: RESP SCOP

Casino's profitability has been recovering over the past five years, from a Scope-adjusted EBITDA margin of 5.9% to 7.5% in 2020. This is due to the rationalization of its store portfolio in France; an improving business environment in Brazil with the development of Assai (cash and carry); the ramp-up in profitability of Cdiscount since 2018, driven by a combined increase in gross merchandise value; and the development of its marketplace. Various risks could hamper Casino's EBITDA margin, including the seasonality of business, the long-term effect of Covid-19 on the Paris area (home office and urban exodus) and fluctuating profitability and earnings in Latin American (46% of group revenues) driven by exchange rate, political and economic instability.

We assess Casino's business risk profile at BBB.

We assess Casino's financial risk profile at B+, constrained by very low to negative free cash flow generation and high leverage. Financial leverage as measured by Scope-adjusted debt (SaD)/Scope-adjusted EBITDA has averaged above 4.5x since 2015. This is mainly due to limited headroom to reduce net debt, pressured by the recurring high dividend pay-out (above 100%) required to service Rallye's debt until 2019 and high interest paid. Looking forward, we expect leverage of 4.0x to 5.0x for the next three business years, based on our financial base case. The latter incorporates an increase in capex from GreenYellow and Cdiscount and a decreasing level of interest paid, sustained by the successful completion of the EUR 4.5bn asset disposal plan by 2023.

Liquidity is strong, with the EUR 2.1bn of short-term debt maturing in 2021 fully covered by EUR 3.0bn in unrestricted cash (including the segregated account) and EUR 2.1bn in undrawn committed credit facilities.

Finally, the rating is constrained by one notch in the light of the leveraged shareholding structure created by Rallye's large indebtedness. The deferral of payments by two years with regard to Rallye's safeguard procedure has postponed the bulk of debt to 2025. In addition to covenants restricting the dividend pay-out, the risk of an extraordinary dividend stretching Casino's financial structure is therefore limited in the medium term but remains. All financing documentations signed since November 2019 include a strict dividend restriction as long as gross leverage at the perimeter including France and the ecommerce exceeds 3.5x. Our base case includes a dividend payment of EUR 243m in 2023 to finance the EUR 71m derivative liabilities booked at Fonciere Euris and Euris levels.

Outlook and rating-change drivers

Stable Outlook

The Outlook is Stable. This incorporates financial leverage ranging from 4x to 5.0x going forward. Moreover, the forecast assumes the successful completion of the group's disposal plan and the maintenance of operating profitability, leading to SaD/EBITDA of 4.7x in 2021 and compliance with its revolving credit facility covenants. Any material deviations from our base case could lead to an Outlook review. The Stable Outlook also reflects an unchanged picture regarding the rating constraint related to the shareholder structure for the foreseeable future.

Ratings upside

A positive rating may be warranted if the group improves its SaD/EBITDA to below 4.0x on a sustained basis. This ratio level could be achieved on the back of improved operating cash flow driven by lower capex or interest paid.

Ratings downside

A negative rating action could be warranted by financial leverage of over 5.0x SaD/EBITDA on a sustained basis. Financial leverage exceeding 5.0x could, for example, be triggered by a significant deterioration in working capital, lower than expected operating profitability or a delay in the completion of the EUR 4.5bn disposal plan.

Long-term and short-term debt ratings

B+ senior unsecured rating and B- subordinated debt rating

We assign a B+ debt rating to the senior unsecured debt of Casino Guichard-Perrachon SA. This rating is based on a hypothetical going-concern scenario as of year-end 2023, in which we computed a lower-than-average recovery for holders of senior unsecured debt based on our assumptions of attainable going-concern values. We assign a B- debt rating to deeply subordinated perpetual debt, three notches below the issuer rating reflecting our expectations of very low recovery for such debt positions.

BB senior secured debt rating

We assign a BB debt rating to senior secured debt (including the EUR 800m 2024 bond, EUR 1425m 2025 Term Loan B and EUR 2.05bn revolving credit facilities currently drawn at EUR 480m, maturing in 2026 and 2023) issued by Casino Guichard-Perrachon SA and Quatrim S.A.S. The 2024 senior secured bond issued by Quatrim S.A.S is guaranteed by Casino Guichard-Perrachon SA. This debt rating is based on a hypothetical going-concern scenario as of year-end 2023, in which we computed an above-average recovery for holders of senior secured debt based on our assumptions of attainable liquidation values of pledged assets.

S-3 short-term rating

We assign an S-3 debt rating to short-term debt. As of December 2020, Casino Guichard-Perrachon has a EUR2,000m negotiable European commercial paper (NEU CP) programme used for EUR 180m. The assigned S-3 short-term rating reflects the group's solid liquidity profile with upcoming debt maturities comfortably covered by internal cash sources, undrawn committed credit lines of EUR 2.1bn and an adequate relationship with its banking pool.

Rating drivers

Positive rating drivers	Negative rating drivers
• Very strong diversification driven by multi-channel sales and global outreach with leading position in emerging countries such Brazil and Colombia • Large-sized company with annual revenues above EUR 30bn • Good profitability (Scope-adjusted EBITDA margin around 7.5%) with headroom for improvement driven by the growth of GreenYellow and Cdiscount • Strong willingness to reduce leverage of the French perimeter thanks to large asset disposals progressing well • Number two in the growing French e-commerce business with Cdiscount, behind Amazon • Financial risk profile supported by solid liquidity and recovering EBITDA/interest ratio.	• Weak financial risk profile due to high leverage (above 4.0x) combined with weak free cash operation flow. Free operating cash flow constrained by high interest paid. Debt reduction only possible through assets disposals. • Shareholding structure determined by Rallye's large indebtedness. This will weigh on Casino's future financial structure due to large and expected dividend payments starting in 2025. Although risk should only materialize in the medium term and dividend restricting covenants are in place, Casino will have to commit to additional divestments (supplementary rating driver related to shareholding structure). • Number six player in the competitive French retail market with market share of 8% partially mitigated by good positioning in dynamic urban areas with high barriers to entry • Access to capital markets constrained by high interest rate limiting refinancing opportunities but mitigated by the support of the banking pool. Casino has successfully refinanced its Term Loan B and multiple tranches of bond.

Rating-change drivers

Positive rating-change drivers	Negative rating-change drivers
• SaD/EBITDA below 4.0x on a sustained basis	• SaD/EBITDA above 5.0x on a sustained basis

Casino Guichard Perrachon SA
France, Retail

Financial overview

			Scope estimates	
Scope credit ratios	**2019**	**2020**	**2021E**	**2022E**
EBITDA/interest cover (x)	3.0x	3.4x	3.7x	4.7x
Scope-adjusted debt (SaD)/EBITDA	5.6x	4.6x	4.7x	4.1x
Scope-adjusted funds from operations/SaD	11%	13%	14%	16%
Free operating cash flow/SaD	5%	4%	(-) FOCF	6%
Scope-adjusted EBITDA in EUR m	**2019**	**2020**	**2021E**	**2022E**
EBITDA	2,084	2,248	2,515	2,740
Operating lease payments in respective year	0.0	0.0	0.0	0.0
Other	205	156	-36	0.0
Scope-adjusted EBITDA	2,289	2,404	2,479	2,740
Scope-adjusted funds from operations in EUR m	**2019**	**2020**	**2021E**	**2022E**
EBITDA	2,084	2,248	2,515	2,740
less: (net) cash interest as per cash flow statement	-670	-717	-652	-626
less: cash tax paid as per cash flow statement	-259	-157	-213	-330
less: pension interest	-6	-2	-2	-2
Other	222	119	-25	11
Scope-adjusted funds from operations	1,371	1,491	1,622	1,792
Scope-adjusted debt in EUR m	**2019**	**2020**	**2021E**	**2022E**
Reported gross financial debt	15,301	13,205	13,430	12,768
add: hybrid bonds	675	675	675	675
less: cash and cash equivalents*	-3,765	-3,231	-2,983	-2,549
add: cash not accessible	150	150	150	150
add: pension adjustment	319	317	317	317
add: operating lease obligations	0.0	0.0	0.0	0.0
Other	41	0.0	0.0	0.0
Scope-adjusted debt	12,721	11,116	11,589	11,361

*Cash and equivalents adjusted in 2019, 2020 and 2021 with segregated account booked as financial asset

Business risk profile: BBB

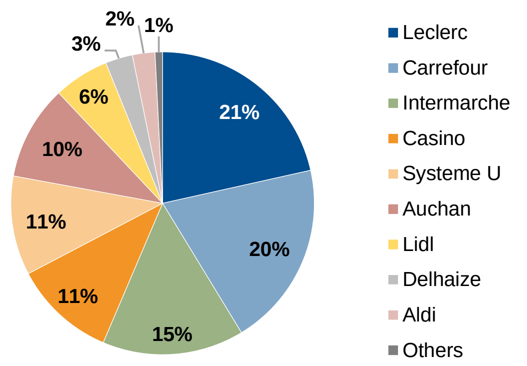
Low and decreasing market share in competitive French food retail market

Casino is number six in France with a market share of around 8% in 2020 (compared to number four with 11.8% in 2018). The group's market share has shrunk over the past years due to the reduced surface in its hypermarkets, the closure of loss-making stores and the disposal of Leader Price.

France's food retail market is one of the largest in Europe, amounting to EUR 250-300bn, with a landscape characterised by strong maturity, very demanding customers, and high concentration in all channels, with the top five grocery retailers accounting for 78% of the market. It is also one of the most competitive in the world because of: i) best practice developments enabling players to expand overseas and act as leaders in foreign countries; and ii) fierce price competition driven by the high share (45%-50%) of hypermarkets in the format mix.

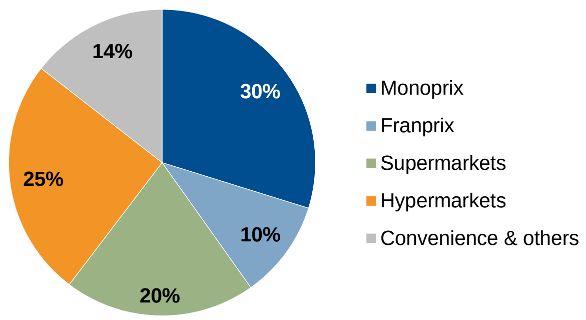
Casino's low and decreasing exposure to the hypermarket format partly explains its small market share. The disposal of Leader Price has reduced its market share. This banner generated EUR 2.2bn in 2019 (out of EUR 16bn in France), although these stores were located in less relevant and dynamic areas such as the southwest of France, outside of the zones targeted by Casino' strategy.

Figure 1: French retail market share 3Q21



Source: Kantar, Scope

Figure 2: Casino French revenue breakdown 2020



Source: Casino, Scope

Retailers must constantly adapt their formats…

The French retail market has changed materially over the last few years. One of the main shifts has been the decreasing appeal of the hypermarket format driven by lower volumes in non-food goods (even if attendance remains fairly stable). There is no longer a clear advantage for customers willing to drive further to reach hypermarkets in order to benefit from lower prices. Two types of format are benefiting from this trend:

- Customers now favour premium and convenience stores nearby with preferences for local, organic, higher quality and fresh products as well as agricultural innovations and transparency on products' origin, exemplified by alternative solutions like Grand Frais.
- The discounters are rapidly winning the price war against hypermarkets and are located in high density areas. This is demonstrated by the recent growth of Lidl and Aldi.

Customers are using different formats depending on the product they are looking for. Overall, the market appears very segmented in terms of demand, with a need for retailers to tailor their offer and increase its granularity.

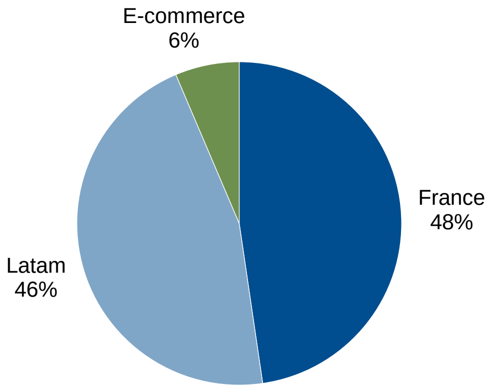
…in line with Casino's varied formats, brands and exposure to prime locations

Casino's strategy in France focusses on owning a diverse portfolio of banners to target a wide range of customers. Casino is increasing the share of local and fresh food in all its banners.

We view the group's positioning in France as supportive, thanks to:

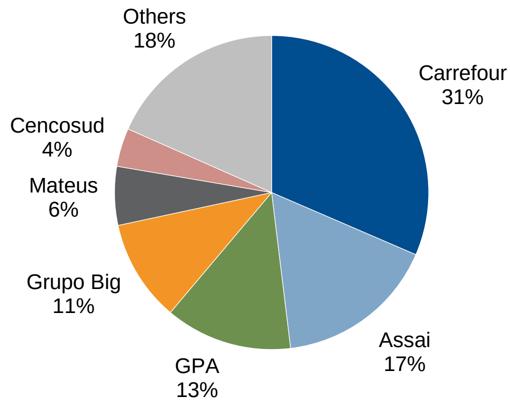
- Strong exposure to a wide network of convenience and premiums stores (55% including Monoprix and Franprix), which are the formats favoured by customers. Casino's network is mainly spread across the most French dynamic regions.
- Casino is the clear number one in Paris with a 60% market share. This particular market has high entry barriers given the lack of space and those prime locations are already occupied (in particular by Monoprix). Casino has a strong base of real estate own assets.
- A leading position in the organic food sub-segment thanks to Naturalia (EUR 300m in sales in 2020) and other organic products sold by Monoprix and Franprix. Overall, Casino organic items sold for EUR 1.3bn in 2020 in a EUR 13.2bn market (+10.4% YoY). Naturalia is the second largest specialized banner for organic products in France behind Biocoop. The group's target is to reach EUR 1.5bn by 2021 and to become the number one in France, with the opening of 50 Naturalia stores per year up to a total of 350.

Figure 3: EBITDA breakdown by segment 2020



Source: Casino, Scope

Figure 4: Brazil food retail market share 2020



Source: Casino, Scope

Position in Latin America and e-commerce mitigates weak market share in France

Casino's only overseas activities are in Latin America (Brazil, Colombia, Argentina and Uruguay) after it disposed of its South-East Asian operations.

In Brazil, Casino is number two (Assai) and number three (GPA), with a combined market share of 30% behind Carrefour (31%), generating BRL 71bn in 2020 (EUR 11.2bn) and offering various formats with a focus on cash and carry under the Assai banner. Thanks to this banner, cash and carry accounts for 65% of Casino's revenues in Brazil (vs 24% in 2014). This format has grown by 26% per annum since 2016. Due to Brazil's recession in the last five years, cash-and-carry retailers have focused on price-conscious consumers by offering wholesale prices. Casino is converting its hypermarkets into cash-and-carry stores to follow similar business models that offer a wide assortment at low prices. Casino is also number one in Colombia with a 31% market share and Uruguay with 43%.

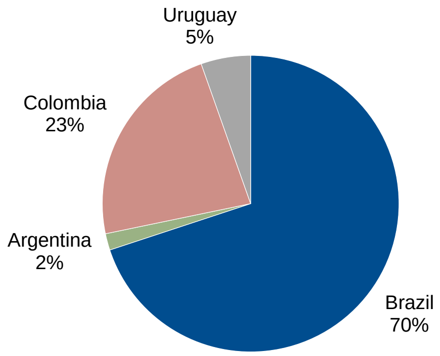
Expansion of e-commerce and digitalization should strengthen omni-channel offering

Casino owns Cdiscount, the second largest e-commerce website in France. Cdiscount offers non-food items and generated EUR 2.0bn in revenues in 2020 (6% of group revenues). It has 20m unique visitors per month, which is behind Amazon (29m visitors) but far ahead of Fnac (14m). Cdiscount's plans include increasing its gross merchandise volume, expanding in Europe, and increasing the marketplace contribution.

Strong geographical diversification, but greater concentration than French peers

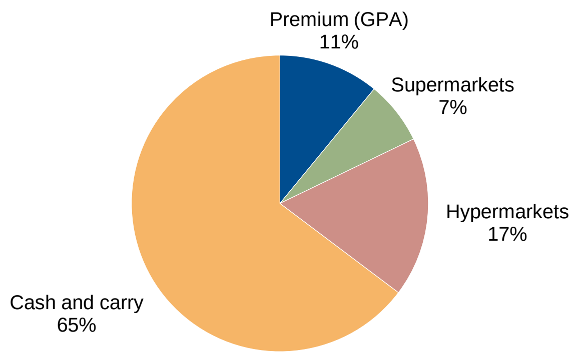
Casino's revenues are split between France, at 54%, and Latin America at 46%, resulting in a good balance between mature and emerging economies. Latin American activities have a clear bias towards Brazil, reflecting the country's size and importance in the region. Nevertheless, in Europe, Casino only operates in France. Among its French peer group, Casino is less diversified than Carrefour (Belgium, Spain, Italy, Poland and Romania) and Auchan (Spain, Italy and central/eastern Europe), which have businesses in the rest of Europe.

Figure 5: Latin America breakdown by geography 2020



Source: Casino, Scope

Figure 6: Distribution channels by gross sales in Brazil 2020



Source: Casino, Scope

Large variety of banners and sales channels but lagging in online food sales

In terms of diversification by sales channels, Casino surpasses French competitors with its balanced mix of hypermarkets, premium stores, convenience stores and supermarkets. The disposal of Leader Price has recently caused Casino's format offer to deteriorate. The group's portfolio of brands in France allows Casino to better meet customers' needs via its highly granular network of more than 8,000 stores. For example, Naturalia is one of the leading 'organic only' retailers in France. Competitors like Auchan and Carrefour are more exposed to hypermarkets. In Brazil, the group has a large exposure to cash and carry (65%) following its strategy to transform some of its hypermarkets into this format and the strong growth achieved by Assai (+14% in 2020 on a same store basis). Nevertheless, GPA is also able to offer hypermarkets, supermarkets and premium stores (under the 'Pão de Açucar brand, a similar format to Monoprix).

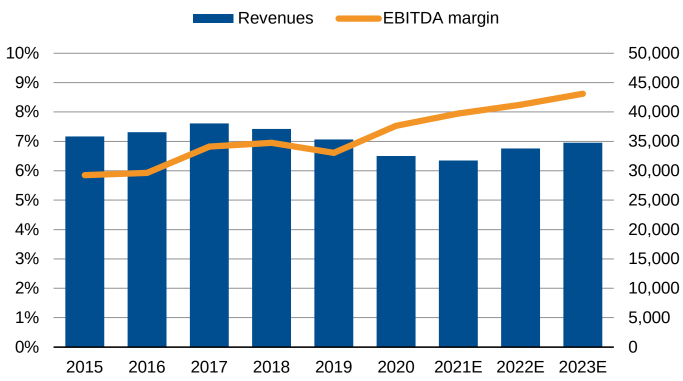
Casino lags behind its peers for online food sales, with less than 5% of its French turnover, below the national average of 8%-9%. France has the second highest rate in Europe behind the UK. This is explained by the fact that 'click and drive' sales represent the majority share of the market, while delivery remains minor. Casino's focus on convenience stores and prime urban and city-centre locations means drive services are less practical due to a greater need for space and parking zones. Therefore, the group relies mainly on deliveries. Intermarché and Carrefour clearly dominate the drive format in France. This drawback is mitigated by the ramp-up of multiple partnerships implemented since 2019 (Amazon, Ocado and Gorillas) that provide Casino with a robust position on food e-commerce, excluding 'click and drive'. Online sales account for 6% to 7% of Monoprix sales.

Regarding diversification by product, 30% of Casino food products are sold through its private label on average, with the share varying according to the format, in line with the national average. We view positively the ongoing development of side activities including (solar energy and energy efficiency services), relevanC and ScaleMax (data solutions and data centres).

Recovering profitability driven by multiple restructuring actions

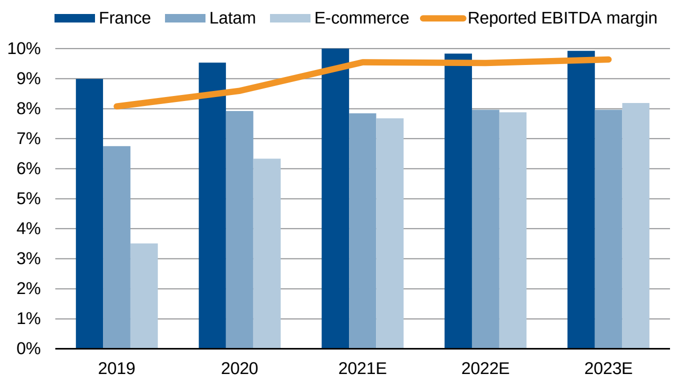
Casino's profitability has been recovering over the past five years, with its Scope-adjusted EBITDA margin moving from 5.9% to 7.5% in 2020. This is due to: i) its rationalisation of French stores (closure of loss-makers); ii) improved business conditions in Brazil with the development of the cash-and-carry format; iii) the return to profitability of the e-commerce segment in 2018; and iv) store cost optimisation through digitalisation and automated payments in France (leading to extended opening hours and a workforce reorganization).

Figure 7: Profitability margin 2015-23E (incl. IFRS16)



Source: Casino, Scope estimates

Figure 8: Casino reported EBITDA margin per segment (excl. other operating costs)



Source: Casino, Scope estimates

Identified risks could weigh on future profitability

Casino's profitability is rather seasonal with the bulk of its EBITDA being generated during the second semester. Although the end of year (corresponding to Christmas, Black Friday etc..) is of equal importance among retailers, the summer holiday period is key for Casino. The south of France and Paris attract lots of tourists from all over Europe. These are two areas in which Casino has a strong foothold, representing 33% and 18% respectively of its French sales. The lack of tourists in France in 2020 and 2021 due to travel restrictions/lockdowns could hamper Casino's EBITDA margin in France if the situation continues.

Covid-19 could also have a more long-term negative impact in France with the rise of working from home (implying less workers commuting to Paris five days a week). In addition, families could consider leaving the Paris area to move to the countryside or smaller cities with cheaper and larger housing.

Latin American operations are more volatile than those in France because political, economic and fiscal uncertainties are higher. The group focuses on the traditionally more resilient food retail segment, mitigating this volatility. In addition, emerging market operations are sensitive to currency risk.

GreenYellow and Cdiscount expected to increase the group's EBITDA margin

GreenYellow is targeting an installed capacity of photovoltaic plants of nearly 2.3 GWp (vs 335 MWp at YE 2020) and an annual volume of energy efficiency projects of more than 1,900 GWh (vs 846 GWh at YE 2020) by the end of 2025, implying EUR 250m in EBITDA. This level would account for 15% of the French perimeter EBITDA (Retail+ Cdiscount).

Cdiscount is also pursuing an expansion phase.

Financial risk profile: B+

Improvement in EBITDA interest expense cover due to various refinancing actions

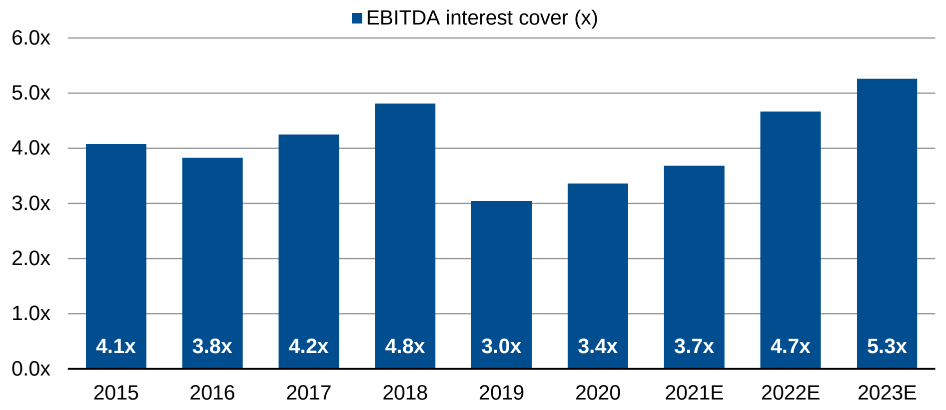
We anticipate that debt protection will increase to above 4x from 2022 onwards due to a decrease in gross debt and a rise in EBITDA. In 2020, the group successfully refinanced five different bonds maturing between 2021 and 2025. The cumulative amount of bond repurchases reached EUR 1.4bn, financed by a combination of new funding (EUR 225m tap of the Term Loan B, 2026 senior unsecured bond for EUR 400m) and the proceeds from the disposal of Leader Price and Vindemia.

In addition to extending maturities, the group has been successfully active on the capital markets for the first time since 2018, issuing two senior unsecured bonds, although with a high interest coupon:

- In 2020, a 2026 EUR 400m bond with a 6.625% coupon
- In 2021, a 2027 EUR 525m bond with a 5.25% coupon

In 2021, the group has kept improving its maturity schedule and cost of debt, with the issuance of a new secured Term Loan B of EUR 1bn maturing in August 2025 (tapped for EUR 425m in November 2021) and the 2027 senior unsecured bond to refinance the 2024 EUR 1.2bn Term Loan B maturing in January 2024. The interest rate on the Term Loan B has decreased from 5.5% to 4%.

Figure 9: EBITDA interest cover – 2015 to 2023E



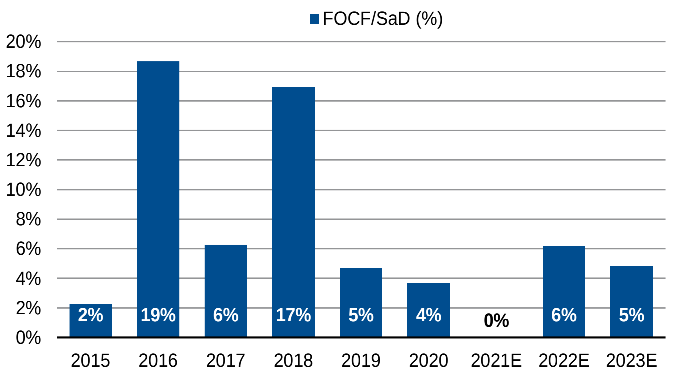
Source: Casino, Scope estimates

Weak FOCF, high capex and high interest payments mitigated by disposal plan

With the exception of 2019, Casino's operating cash flow generation has been sufficient to cover its capex expenditure. Casino has faced a combination of: i) the impact of negative working capital in 2017/2018 (bad inventory management as well as overstocking due to yellow jacket protests in France); ii) large capex and restructuring costs weighing on funds from operations (FFO) driven by the management, resizing and refurbishment of its store portfolio in France. As such, free operating cash flow (FOCF)/SaD was very low for FY 2018 and FY 2019 if we exclude the first part of the disposal plan completed during these years (+EUR 2.1bn). Looking forward, even with the positive impact of additional divestments (+EUR 1.4 bn expected for 2022-2023), the ratio will remain low as interest cost stays high (EUR 500-600m) and gross capex will increase with GreenYellow and Cdiscount.

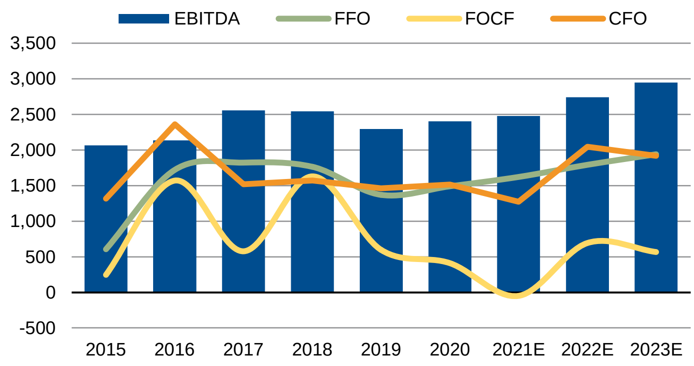
As such, we forecast FOCF of 4% to 6% for the coming years. We note that the disposal programmes are exclusively for the purpose of future group deleveraging and are the main factor helping Casino to generate positive free cash flow.

Figure 10: FOCF/SaD – 2015 to 2023E



Source: Casino, Scope estimates

Figure 11: Cash flows (in EUR m) – 2015 to 2023E



Source: Casino, Scope estimates

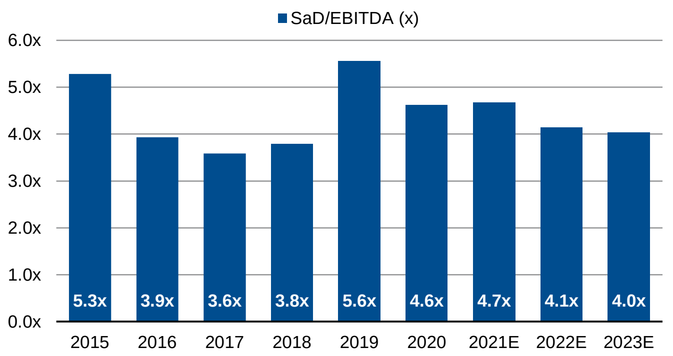
Historically high leverage expected to slightly decrease

Consolidated leverage measured by SaD/EBITDA and FFO/SaD is on average above 4x and below 15%. Casino has had limited headroom to reduce its net debt due to the recurring high dividend payout (above 100% even excluding the coupon on the perpetual notes) required to service Rallye's debt. Gross debt is mainly composed of bonds, accounting for 40% at group level.

Assuming the disposal plan (+EUR 1.4bn of cash inflows) is completed by 2023 and no dividends are paid out, we forecast that the group's net debt will still increase to EUR 11.5bn in 2021 and remain in the EUR 11.5-12bn range. This is due to: i) the negative impact of working capital in 2021; ii) additional capex and debt for GreenYellow, EUR 1.9bn until 2025, mitigated by a EUR 400m IPO in 2022; and iii) additional capex for Cdiscount, increased to EUR 170 starting 2022.

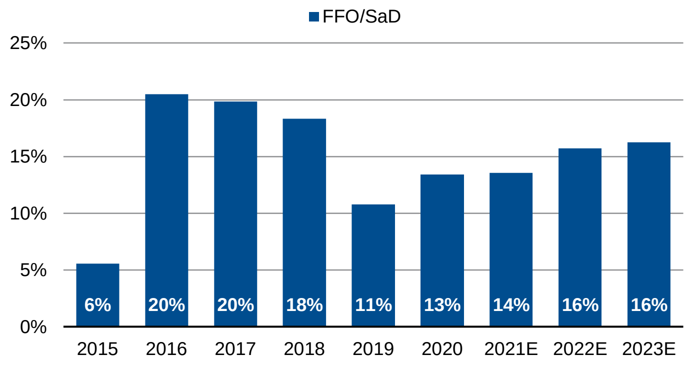
Nevertheless, we expect Casino to deleverage to 4.1x on the back of better EBITDA generation driven by GreenYellow, Cdiscount, a better margin at the French retail level and lower restructuring costs.

Figure 12: SaD/EBITDA – 2015 to 2023E



Source: Casino, Scope estimates

Figure 13: FFO/SaD – 2015 to 2023E



Source: Casino, Scope estimates

Adequate liquidity supported by large cash balance and undrawn credit facilities

Liquidity levels are solid. We expect sources to exceed uses by about 2x in the next 12 months, following the recent refinancing of bonds and renewal of Casino's main credit facilities.

Figure 14: Casino's liquidity

(in EUR m)	2018	2019	2020	2021E	2022E	2023E
Short-term debt (t-1)	1,636	2,337	2,378	2,179	2,191	2,241
Unrestricted cash (t-1)	3,241	3,580	3,615	3,081	2,834	2,399
Open committed credit lines (t)	3,697	3,404	2,277	2,163	1,571	1,319
FOCF (t)	1,628	597	410	-50	692	566
Liquidity (internal)	3.0x	1.8x	1.7x	1.4x	1.6x	1.3x
Liquidity (internal + external)	5.2x	3.2x	2.7x	2.4x	2.3x	1.9x

Source : Casino, Scope estimates

Supplementary rating drivers

Shareholding structure leads to one-notch negative adjustment

Following the implementation of the safeguard procedure, we view positively the fact that Rallye is able to keep its majority stake in Casino, with agreements from creditors not to exercise their pledges, materially reducing the likelihood of a new majority shareholder. This could have triggered change of control clauses at Casino level and a potential event of credit, implying early repayments/terminations of credit lines.

We also view positively the deferral of payments, with the bulk of repayment postponed to 2025. Casino should restart paying dividends to Rallye in 2023, with EUR 243m to cover small derivatives transactions at Euris (EUR 17m covered by EUR 66m in dividends) and at Fonciere Euris (EUR 54m covered by EUR 177m in dividends). To fully repay Rallye's outstanding debt maturing in 2025, Casino would have to distribute an extraordinary dividend of EUR 3.5bn

The risk of an extraordinary dividend is limited in the short/medium term. In addition, a covenant was set up in 2019 restricting dividends (running until 2025 for Term Loan B and 2027 for the bonds). Nevertheless, it is unclear what will happen in 2025.

We have therefore applied a one-notch negative rating adjustment for Casino's shareholder structure. The constraint represented by the necessity for Casino to pay future dividends in order to serve Rallye's debt has been deferred but still exists.

Scope Ratings GmbH

Headquarters Berlin

Lennéstraße 5
D-10785 Berlin

Phone +49 30 27891-0

Frankfurt am Main

Neue Mainzer Straße 66-68
D-60311 Frankfurt am Main

Phone +49 69 66 77 389 0

Paris

23 Boulevard des Capucines
F-75002 Paris

Phone +33 6 62 89 35 12

Oslo

Karenslyst allé 53
N-0279 Oslo

Phone +47 21 62 31 42

Madrid

Paseo de la Castellana 141
E-28046 Madrid

Phone +34 91 572 67 11

Milan

Via Nino Bixio, 31
20129 Milano MI

Phone +39 02 30315 814

Scope Ratings UK Limited

London

52 Grosvenor Gardens
London SW1W 0AU

Phone +44 20 7824 5180

info@scoperatings.com
www.scoperatings.com