Casino Guichard-Perrachon S.A. French Republic, Retail

SCOPE B+ Stable

Key metrics

			Scope estimates	
Scope credit ratios	2020	2021	2022E	2023E
Scope-adjusted EBITDA/interest cover	3.2x	2.8x	2.7x	3.1x
Scope-adjusted debt/EBITDA	4.6x	5.7x	5.1x	4.5x
Scope-adjusted funds from operations (FFO)/debt	13%	10%	13%	15%
Scope-adjusted free operating cash flow (FOCF)/debt	4%	-3%	13%	3%

Rating rationale

The downgrade is driven by reduced visibility on the financial risk profile and the amplitude of deleveraging that would justify a higher rating. Casino's leverage has significantly increased in 2021 to 5.7x from 4.6x, back to its 2019 level. The rating is still supported by Casino's strong business risk profile given its strong market share in Latin America and its adequate positioning in France as well as strong overall diversification. Diversification is supported by sales spread across different types of formats and balanced between two continents. The Scope-adjusted EBITDA margin is sound for a grocer active in the highly competitive French retail market. We expect profitability to increase in the coming months due to high inflation fully passed on to customers and rising operating expenses to be offset by various cost saving initiatives. However, price increases passed on to customers will likely lead to reduced volumes partly offset by the high-end positioning of Casino banners. Casino's weak financial risk profile constrains the rating. Credit metrics reflect high leverage (above 5.0x) combined with weak FOCF. FOCF is constrained by high interest payments. Weak FOCF in turn limits debt reduction, which is only possible through asset disposals. Casino could plan to sell more assets both in France and Latin America, following the partial disposal of Assaí in 2022. In our opinion, the complex shareholding structure determined by Rallye's safeguard procedure and large indebtedness also weighs on Casino's issuer rating as its future financial structure could be at risk due to expected large dividend payments from 2025.

Outlook and rating-change drivers

The Outlook is Stable. This incorporates financial leverage ranging from 5.0x to 5.5x going forward. Moreover, the forecasts assume the successful completion of the group's EUR 4.5bn disposal plan and the maintenance of operating profitability, leading to Scope-adjusted debt/EBITDA of 5.1x in 2022 and compliance with its revolving credit facility covenants. While our forecasts assume that leverage could decrease to below 5.0x in 2023, there are factors preventing us from issuing a Positive Outlook, including execution risks of the disposal plan and pressured EBITDA in its French business. The Outlook also reflects the assumption that the disposal strategy followed by Casino will not affect our assessment of the business risk profile. Any material deviation 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 (Rallye) for the foreseeable future.

A positive rating action could be considered if leverage (Scope-adjusted debt/EBITDA) decreased to below 5.0x on a sustained basis. This could be triggered by improved operating cash flow driven by higher EBITDA or lower interest paid.

A negative rating action could be warranted by leverage sustained over 5.5x. This could be triggered by a difficult business environment in France, which could pressure EBITDA and free operating cash flow. A negative rating action could also be considered if the business risk profile deteriorated following transforming asset disposals.

Ratings & Outlook

Issuer	B+/Stable
Short-term debt	S-4
Senior unsecured debt	B
Senior secured debt	BB-
Subordinated (hybrid) debt	CCC

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Related Methodologies and Related Research

General Corporate Rating Methodology; July 2022

Retail and Wholesale Rating Methodology; April 2022

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Casino Guichard-Perrachon S.A.

French Republic, Retail

Rating history

Date	Rating action/monitoring review	Issuer rating & Outlook
27 Jan 2023	Downgrade	B+/Stable
11 Jan 2022	New	BB-/Stable

Rating and rating-change 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 company with an annual revenue above EUR 30bn • Good profitability (Scope-adjusted EBITDA margin around 7.0%) expected to improve thanks to cost savings • Strong willingness to reduce leverage of the French perimeter thanks to large asset disposals progressing well • Second largest company in the growing French e-commerce business with Cdiscount, behind Amazon • Financial risk profile supported by adequate liquidity and a recovering EBITDA/interest ratio	• Weak financial risk profile due to high leverage (above 5.0x) combined with weak free operating cash flow. FOCF is constrained by high interest paid. Debt reduction is mainly possible through assets disposals. • Complex shareholding structure determined by Rallye' safeguard procedure (holding company) and large indebtedness. In our opinion, this will weigh on Casino's future financial structure due to large and expected dividend payments starting in 2025. Although risk should only materialise in the medium term and dividend-restricting covenants are in place, Casino will have to commit to additional divestments (ESG-factor as supplementary rating driver related to the shareholding structure). • Seventh largest player in the competitive French retail market with a market share of 7%, partially mitigated by a leading positioning in dynamic urban areas with high barriers to entry • Access to capital markets constrained by high interest rates limiting refinancing opportunities but mitigated by the support of the banking pool. Casino has successfully refinanced its Term Loan B and multiple tranches of bonds.

Positive rating-change drivers	Negative rating-change drivers
• Scope-adjusted debt/EBITDA decreased below 5.0x	• Scope-adjusted debt/EBITDA above 5.5x on a sustained basis • Deterioration of the Business Risk Profile following disposals

Corporate profile

Founded in 1898, Casino is a French retail group that offers food and non-food products across its 11,918 stores (as of 30 September 2022). The group's headquarters are in Saint-Etienne and it employs around 205,000 people. Its main shareholder is the French holding company Rallye, with 52.3% of shares, 62.87% of theoretical voting rights and 63.14% of voting rights exercisable at AGMs as of December 2021. The group is publicly listed on France's SBF 120 index and generated EUR 31.0bn in net sales in 2021 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, a leading non-food e-commerce business in France and develops new businesses such as relevanC and Scalemax. The rated entity is Casino Guichard-Perrachon S.A., which pursues a multi-format, multi-label and multi-channel strategy.

Financial overview

				Scope estimates		
Scope credit ratios	**2019**	**2020**	**2021**	**2022E**	**2023E**	**2024E**
Scope-adjusted EBITDA/interest cover	3.3x	3.2x	2.8x	2.7x	3.1x	3.6x
Scope-adjusted debt/EBITDA	5.6x	4.6x	5.7x	5.1x	4.5x	4.3x
Scope-adjusted funds from operations/debt	11%	13%	10%	13%	15%	16%
Scope-adjusted free operating cash flow/debt	5%	4%	-3%	13%	3%	3%
Scope-adjusted EBITDA in EUR m						
EBITDA	2,084	2,248	1,983	2,218	2,475	2,504
Other items	205	156	169	0	0	0
Scope-adjusted EBITDA	**2,289**	**2,404**	**2,152**	**2,218**	**2,475**	**2,504**
Funds from operations in EUR m						
Scope-adjusted EBITDA	2,289	2,404	2,152	2,218	2,475	2,504
less: (net) cash interest paid	-670	-717	-752	-796	-759	-664
less: cash tax paid per cash flow statement	-259	-157	-184	2	-98	-118
less: pension interest	-6	-2	-2	-2	-2	-2
add: dividends from associates	43	11	18	18	18	18
Change in provisions	-26	-48	29	0	0	0
Funds from operations	**1,371**	**1,491**	**1,261**	**1,440**	**1,634**	**1,737**
Free operating cash flow in EUR m						
Funds from operations	1,371	1,491	1,261	1,440	1,634	1,737
Change in working capital	92	26	-26	27	39	214
less: capital expenditure (net)	-217	-504	-975	619	-678	-1,034
less: lease amortisation	-649	-603	-623	-623	-623	-623
Free operating cash flow	**597**	**410**	**-363**	**1,463**	**372**	**295**
Net cash interest paid in EUR m						
Net cash interest per cash flow statement	670	717	752	796	759	664
add: interest on deeply subordinated notes	23	18	18	18	18	18
Change in other items	11	5	10	10	10	10
Net cash interest paid	**704**	**740**	**780**	**824**	**786**	**692**
Scope-adjusted debt in EUR m						
Reported gross financial debt	15,301	13,205	13,915	13,172	12,580	10,874
add: subordinated (hybrid) debt	675	675	675	675	675	675
less: cash and cash equivalents	-3,572	-2,744	-2,283	-2,930	-2,526	-1,009
add: non-accessible cash	150	150	150	150	150	150
add: pension adjustment	319	317	243	243	243	243
Other items[1]	-152	-487	-484	-77	-77	-77
Scope-adjusted debt	**12,721**	**11,116**	**12,216**	**11,232**	**11,045**	**10,855**

[1] Includes segregated accounts and GPA total return swap (TRS) for 2019

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Environmental, social and governance (ESG) profile[2]

Environment		Social		Governance	
Resource management (e.g. raw materials consumption, carbon emissions, fuel efficiency)		Labour management		Management and supervision (supervisory boards and key person risk)	
Efficiencies (e.g. in production)		Health and safety (e.g. staff and customers)		Clarity and transparency (clarity, quality and timeliness of financial disclosures, ability to communicate)	
Product innovation (e.g. transition costs, substitution of products and services, green buildings, clean technology, renewables)		Clients and supply chain (geographical/product diversification)		Corporate structure (complexity)	
Physical risks (e.g. business/asset vulnerability, diversification)		Regulatory and reputational risks		Stakeholder management (shareholder payouts and respect for creditor interests)	

Legend
Green leaf (ESG factor: credit positive)
Red leaf (ESG factor: credit negative)
Grey leaf (ESG factor: credit neutral)

ESG profile: constrained by complex shareholding structure

ESG profile driven by the complex shareholding structure and the unusual situation of safeguard procedure which is beyond Casino's control. With the implementation of the safeguard plans, conflicts of interest could arise. If the safeguard plan is not implemented, this could lead to court-ordered administration proceedings for Rallye, which could in turn result in the loss of control of Casino. Since 2019, to mitigate these risks, a Governance and Social Responsibility Committee was set up with a specific governance framework in response to the initiation of safeguard proceedings.

Casino's home market has a country retail strength of 'high'. As such, we expect ESG considerations to form a major part of the group's business decisions.

In the ESG analysis, reputational risk is a major criterion for the social aspect of a retailer. For example, a product or labour management that has a negative social impact may prompt consumer boycotts, affecting sales, margins, and inventory value.

Non-discretionary retailers are under increasing pressure to manage organic waste and unsold products. A strong commitment in this regard is likely to improve brand value.

[2] These evaluations are not mutually exclusive or exhaustive as ESG factors may overlap and evolve over time. We only consider ESG factors that are credit-relevant, i.e. those that have a discernible, material impact on the rated entity's cash flow and, by extension, its credit quality.

Business risk profile: BBB

Industry risk profile: BBB

Casino mainly operates as a grocer despite some exposure to other consumer goods segments. The sales contribution of the non-food segment is too small to offset the contribution of food and beverages. We consequently maintain our assessment of a BBB industry risk profile, corresponding to 'non-discretionary' retail as defined in our sectorial methodology.

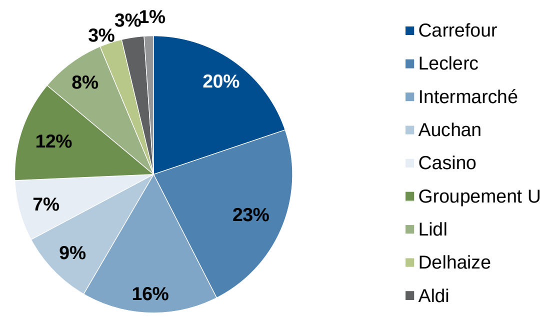
Low and decreasing market share in competitive French food retail market

Casino is the seventh largest food retailer in France with a market share of around 7% in 2021 (it was fourth with 11.8% in 2018). The group's market share has shrunk over the past years due to the decreased 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 250bn-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 79% 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.

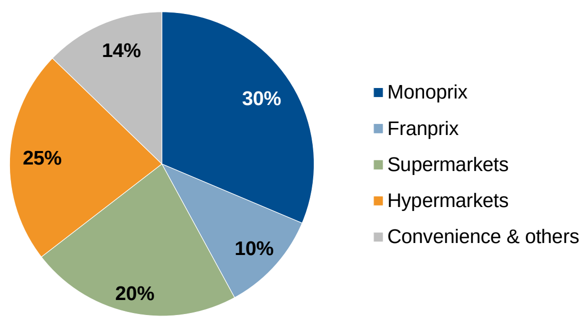
Casino's low and decreasing exposure to the hypermarket format partly explains its small market share. Hypermarkets in France are under pressure because of competition brough by discounters and the lower demand for non-food products. We view positively Casino's low exposure to this segment. Leader Price, which Casino has sold on, generated EUR 2.2bn in 2019 (out of EUR 16bn generated in France), although its stores were located in less relevant and dynamic areas such as the south-west of France, outside the zones targeted by Casino.

Figure 1: Casino's French retail market share, Q3 2022



Source: Kantar, Scope

Figure 2: Casino's H1 2022 revenue breakdown in France



Source: Casino, Scope

Retailers have to constantly adapt their offering…

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 formats are benefiting from this trend:

- Customers now favour premium and convenience stores nearby with a preference for local, organic, higher quality and fresh products as well as agricultural innovations and transparency on the products' origin, as exemplified by alternative solutions like Grand Frais.
- 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 granularity.

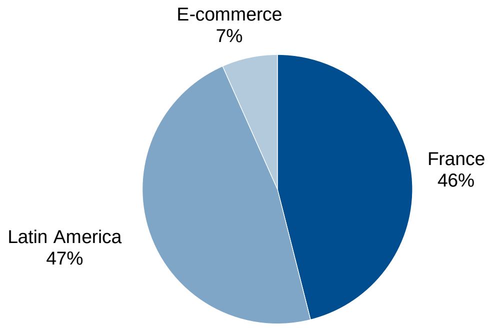
…in line with Casino's varied formats, brands and exposure to prime locations

Casino's strategy in France focuses 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.

The group's positioning in France is supportive, thanks to:

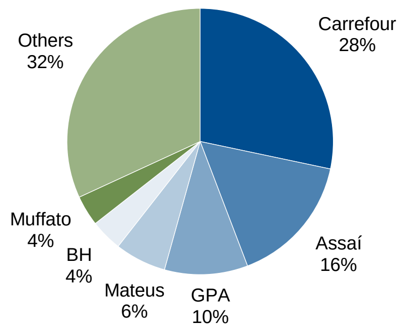
- A strong exposure to a wide network of convenience and premium stores (54% including Monoprix and Franprix), the formats favored by customers. Casino's network is mainly spread across the most dynamic French regions.
- Casino being the clear number one in Paris with a 60% market share. This particular market has high entry barriers given the lack of space and the fact that prime locations are already occupied (in particular by Monoprix). Casino has a strong base of real estate own assets.

Figure 3: EBITDA breakdown by segment 2021



Source: Casino, Scope

Figure 4: Brazil food retail market share 2021



Source: Abras, Scope

The position in Latin America and e-commerce mitigates the weakening market share in France

Casino's mainly overseas activities are in Latin America (Brazil, Colombia, Argentina, and Uruguay) since it has disposed of its South-East Asian operations in 2016.

In Brazil, Casino is both the second (Assaí) and third (GPA) largest food retailer, with a combined market share of 26% behind Carrefour (28%), generating BRL 74bn in 2021 (EUR 13bn) and offering various formats with a focus on cash and carry under the Assaí banner. Thanks to this banner, cash-and-carry accounts for 65% of Casino's revenues in Brazil (versus 24% in 2014). This format has grown by 26% per year 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 34% market share and in Uruguay with 43%.

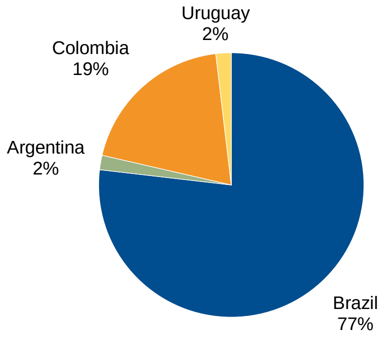
Expansion of e-commerce and digitalisation should strengthen the omni-channel offering

Casino owns Cdiscount, the second largest e-commerce website in France. Cdiscount offers non-food items and generated EUR 2.0bn in revenue in 2021 (7% of group revenue). It has 21m unique visitors per month (as of November 2022), which is behind Amazon (39m visitors) but far ahead of Fnac (12m). Cdiscount's plans include increasing its gross merchandise volume, expanding within Europe, and increasing its marketplace contribution.

Strong geographical diversification, but greater concentration than French peers

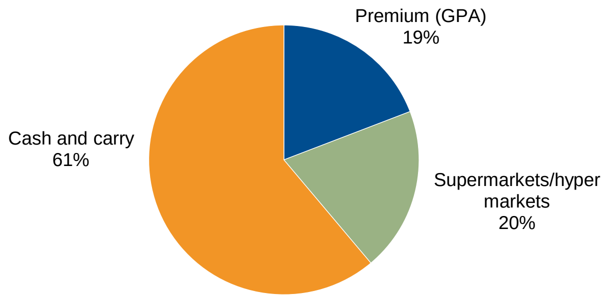
Casino's revenues are split between France at 57% and Latin America at 43%, resulting in a good balance between mature and emerging economies. Latin American activities have a clear bias towards Brazil, reflecting the country's size and importance in the region. In Europe, Casino only operates in France. Among its French peer group, Casino is less geographically diversified than Carrefour (Belgium, Spain, Italy, Poland and Romania) and Auchan (Spain, Italy and central and eastern Europe), which have businesses in the rest of Europe.

Figure 5: Latin America breakdown by geography, 2021



Source: Casino, Scope

Figure 6: Distribution channels by gross sales in Brazil, 2021



Source: Casino, Scope

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

In terms of diversification by sales channels, Casino surpasses its French competitors with its balanced mix of hypermarkets, premium stores, convenience stores and supermarkets. The recent disposal of Leader Price has caused Casino's format offer to deteriorate. The group's portfolio of banners in France allows Casino to better meet customer needs via its highly granular network of more than 8,000 stores. For example, its banner Naturalia is one of the leading organic-only retailers in France. Competitors like Auchan and Carrefour are more exposed to the hypermarket segment. In Brazil, the group now has a large exposure to cash and carry (61%) thanks to its strategy of transforming some of its hypermarkets into this format and the strong growth achieved by Assaí. Nevertheless, GPA is also able to offer hypermarkets, supermarkets and premium stores (under the Pão de Açucar brand, a similar format to Monoprix).

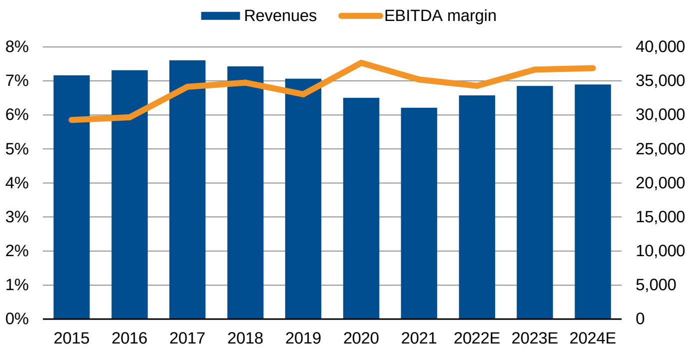
Casino lags behind its peers in online food sales, making up less than 5% of its French turnover, below the national average of 8%-9%. France has the second highest rate of online food sales in Europe behind the UK. This is explained by the fact that click-and-drive sales represent the majority share 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. The ongoing development of side activities is a positive factor, including (solar energy and energy efficiency services), relevanC and ScaleMax (data solutions and data centres).

Long-term recovering profitability although decreasing in 2021.

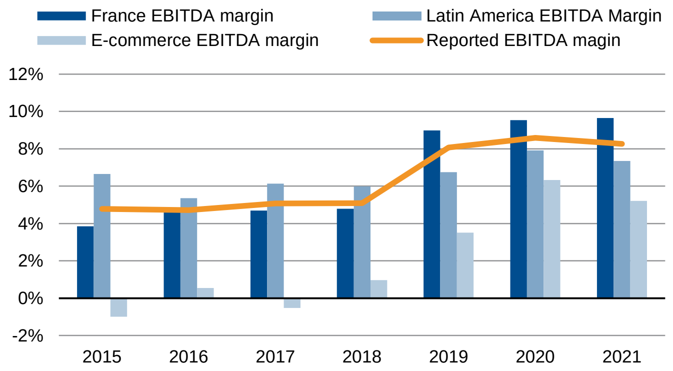
Casino's profitability has been recovering over the past five years, with its Scope-adjusted EBITDA margin moving from 5.9% in 2015 to 7.5% in 2020. In 2021, the EBITDA margin remained sound at 7.0% but was negatively impacted by i) the Covid-19 pandemic and its effect on tourism in dynamic regions such as south-eastern France and Paris; and ii) lower-than-expected EBITDA for Cdiscount (down 18%) following a strong 2020 year due to lockdown effects (in line with many e-commerce websites).

Figure 7: Revenues (in EUR m, rhs) and EBITDA margin (lhs) 2015-2024E (including IFRS 16)



Source: Casino, Scope estimates

Figure 8: EBITDA margin per segment (excluding other operating costs) reported by Casino



Source: Casino, Scope

Identified structural risks could weigh on future profitability

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

Latin American operations are more volatile than those in France because political, economic and fiscal uncertainty is 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.

Profitability to increase in 2023 onward despite the inflationary environment

Casino's short-term capacity to pass on the price increase to the final customer in France is driven by its position in dynamic areas with high purchasing power customers less affected by rising food prices. Premium products (branded) prices should increase at a lower rate since raw materials contribute less to final prices. Volumes are expected to decrease, albeit slower than prices will increase. Casino offers private labels to customers looking for lower prices.

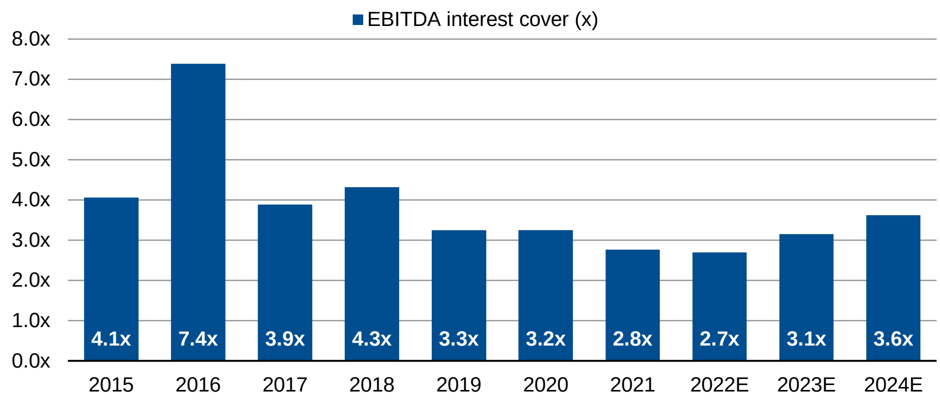
Casino plans to offset the inflation of wages and energy for 2022-2023 through multiple cost savings measures. These include secured energy prices with GreenYellow, a purchase partnership with Intermarché and Delhaize on food purchases, a reduction of headcount and the optimisation of transportation costs brought by the development of the proximity store network. The opening of new stores relies on a franchise model, which is not expected to dilute the group's EBITDA margin.

Financial risk profile: B+

Improvement in EBITDA interest cover after early bond repayments

We expect that debt protection, as per our definition, will increase back to above 3.0x from 2023, after decreasing in 2021 and 2022. The recent decrease of the ratio was driven by the reduction in EBITDA and the early bond repayment fees weighing on the net interest payments. The cumulative amount of early bond repurchases of 2023 and 2024 tranches reached EUR 355m in 2022 in addition to EUR 150m of Segisor's loan. The full effect of early repayment of gross debt and the increase in EBITDA are expected to improve the debt protection in 2023. Additionally, the group's strategy is to keep on repaying in advance its upcoming debt maturities following asset disposals in France and in Latin America.

Figure 9: EBITDA interest cover – 2015 to 2024E



Source: Casino, Scope estimates

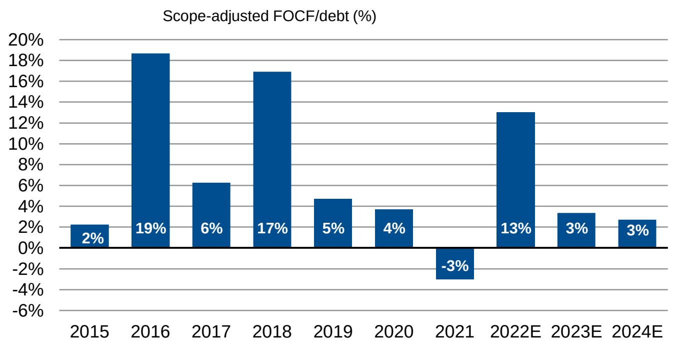
Weak FOCF, large lease payments and high interest payments mitigated by disposal plan

Casino's operating cash flow generation has been sufficient to cover its capex expenditures. Capex and restructuring costs have weighed on FOCF, driven by resizing and refurbishment of its store portfolio, over the past three years in France. The store portfolio optimisation in France is completed in 2022 and capex should remain under control going forward. Working capital is expected to have a neutral to slightly positive impact on cash flow generation, although sporadic episodes of overstocking in inventory could occur in our view. On a structural basis, FOCF is constrained by high cash interests and large lease payments. We do not expect lease payments to follow inflation due to Casino being able to recurringly renegotiate its lease contracts.

Looking forward, with the positive effect of additional divestment, FOCF/debt will increase above 10% in 2022. Although this level is not sustainable, divestments have been part of Casino's strategy since 2018 and there is a possibility of additional disposals in 2023 and 2024.

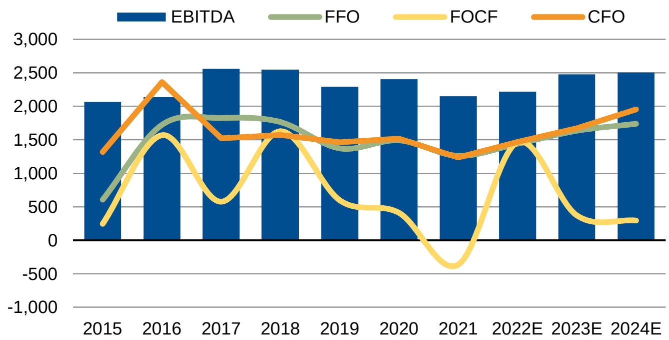
As such, excluding disposals, we forecast FOCF/ debt to be between 0 to 5% in the coming years. We note that the disposal programme is exclusively carried to facilitate future deleveraging for the group and is the main factor helping Casino generate positive FOCF. The 2015-2021 average ratio, including disposals, stands at 7%.

Figure 10: Scope-adjusted FOCF/debt – 2015 to 2024E



Source: Casino, Scope estimates

Figure 11: Cash flows (in EUR m) – 2015 to 2024E



CFO: Cash from operations
Source: Casino, Scope estimates

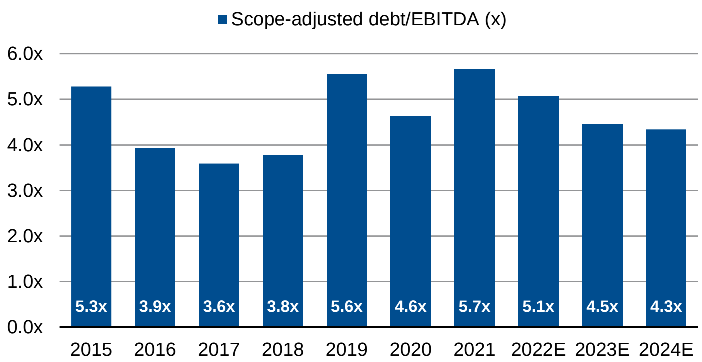
Historically high leverage expected to decrease slightly

The company's consolidated leverage measured by Scope-adjusted debt/EBITDA and Scope-adjusted FFO/debt is on average above 4x and below 15%. Although Casino has discontinued dividend payments since 2019, net debt has only decreased from the sale of assets.

We assume EUR 1.6bn of asset disposals in 2022 including EUR 600m from GreenYellow and EUR 491m from Assaí. We also assume the EUR 4.5bn disposal plan (EUR 4.1bn achieved at end-2022) will be completed by YE 2023 and no dividends paid until 2024. We forecast the company's net debt will decrease to EUR 11.2bn in 2022 and to EUR 11.0bn in 2023 from EUR 12.2bn in 2021.

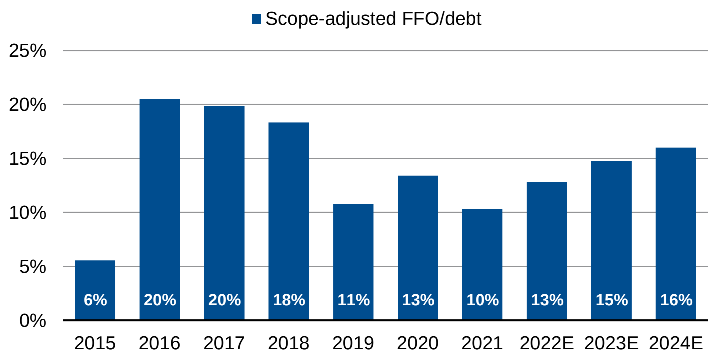
The company's EBITDA will remain challenged by headwinds including lower demand, higher energy prices and wage inflation. Nevertheless, the company could deleverage below 5.0x on the back of EBITDA sustained by cost savings, non-dilutive franchised store openings, capacity to pass on inflation to customers and lower restructuring costs.

Figure 12: Scope-adjusted debt/EBITDA – 2015 to 2024E



Source: Casino, Scope estimates

Figure 13: Scope-adjusted FFO/debt – 2015 to 2024E



Source: Casino, Scope estimates

Adequate liquidity supported by large cash balance and undrawn credit facilities

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

Figure 14: Casino's liquidity

(EUR m)	2021	2022E	2023E	2024E
Short-term debt (t-1)	1,474	1,194	994	2,032
Unrestricted cash (t-1)[3]	3,081	2,617	2,857	2,453
Open committed credit lines (t-1)	2,187	2,051	1,811	1,561
FOCF (t)	-363	1,463	372	295
Liquidity (internal)	1.8x	3.4x	3.3x	1.4x
Liquidity (internal + external)	3.3x	5.1x	5.1x	2.1x

Source: Casino, Scope estimates

Supplementary rating drivers: -1 notch

Complex shareholding structure leading 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. The invocation of the Casino's pledged shares could have triggered change-of-control clauses at Casino level and a potential event of credit, implying early repayments or the terminations of credit lines.

We also view positively the deferral of payments, with the bulk of repayments postponed to 2025. 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-to-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 complex shareholder structure. The final impact of the safeguard procedure on the shareholding structure carries uncertainties. 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.

Long-term and short-term debt ratings

Senior unsecured debt rating: B

We have downgraded Casino Guichard-Perrachon S.A.'s senior unsecured debt rating to B from B+. This rating is based on a going-concern scenario as of year-end 2024, in which we computed a below-average recovery for senior unsecured debt holders.

Senior secured debt rating: BB-

We have downgraded the senior secured debt rating (including the EUR 800m 2024 bond, EUR 1,425m 2025 Term Loan B and EUR 2.05bn revolving credit facilities maturing in 2023 and 2024) issued by Casino Guichard-Perrachon S.A. and Quatrim S.A.S. to BB- from BB. The 2024 senior secured bond issued by Quatrim S.A.S. is guaranteed by Casino Guichard-Perrachon S.A. The rating is based on a hypothetical going-concern scenario as of year-end 2024, in which we computed an above-average recovery for senior secured debt holders based on our assumptions of attainable liquidation values of pledged assets.

[3] Unrestricted cash includes cash and cash equivalent and segregated accounts

Subordinated (hybrid) debt rating: CCC

We have downgraded Casino Guichard-Perrachon S.A.'s subordinated (hybrid) debt rating to CCC from B-, three notches below the issuer rating reflecting our expectations of very low recovery for such debt positions.

Short-term debt rating: S-4

We have downgraded the short-term debt rating to S-4 from S-3. As of December 2021, Casino Guichard-Perrachon S.A. has a EUR 2,000m negotiable European commercial paper (NEU CP) programme used for EUR 308m. The S-4 short-term rating reflects the group's adequate liquidity profile with upcoming debt maturities covered by internal cash sources, undrawn committed credit lines of EUR 1.8bn and an adequate relationship with its banking pool.

Appendix: Peer comparison (as at last reporting date)

	Casino Guichard-Perrachon S.A.	Koninklijke Ahold Delhaize NV	Elo SA	Tesco plc
	B+/Stable	*	*	*
Last reporting date	31 December 2021	31 December 2021	31 December 2021	31 March 2022
Business risk profile	**BBB**	*	*	*
Country retail strength	High	High	High	High
Market position	Medium with international market shares	Strong with international market shares	Medium	Strong with international market shares
Revenue size (in EUR bn)	31.0	75.6	31.1	66.6
Geographical exposure	No countries >50% sales	USA = 60%	No countries >70% sales	One country
Product diversification	Grocer	Grocer	Grocer	Grocer
Profitability assessment	Good	Good	Moderate	Good
Financial risk profile	**B+**	*	*	*
Scope-adjusted EBITDA/interest cover	2.8x	12.2x	5.3x	6.6x
Scope-adjusted debt/EBITDA	5.7x	2.2x	3.1x	2.6x
Scope-adjusted FFO/debt	10%	39%	22%	33%
Scope-adjusted FOCF/debt	-3%	11%	3%	25%

* Subscription ratings available on ScopeOne

Sources: Public information, Scope

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