

Consumer Products Rating Methodology

Corporates

Call for comments

Scope welcomes market participants' comments on its proposed methodology.
Please send your comments by 3 April 2026 to consultation@scoperatings.com.

3 March 2026

Table of contents

1. Introduction	3
2. Scope of application	3
3. The consumer products industry	3
4. Information and data sources	5
5. Key components	6
5.1 Business Risk Profile	7
5.1.1 Industry Risk Profile	7
5.1.2 Competitive Positioning	8
5.2 Financial Risk Profile	11
5.2.1 Credit metrics	11
5.3 Supplementary Rating Drivers	11
5.3.1 Liquidity	11
5.3.2 Financial policy	11
5.3.3 Governance and structure	11
5.4 External Rating Drivers	12
5.4.1 Parent/government support	12
5.4.2 Peer context	12
5.5 Environmental, social and governance (ESG) assessment	12
6. Issuer rating	12
7. Additional methodology factors	12
8. Appendix	13
8.1 Related documents	13

1. Introduction

This methodology is the latest update of the Consumer Products Rating Methodology, which details Scope's approach to rating consumer product companies. This methodology supplements our [General Corporate Rating Methodology](#) and supersedes it in case of conflict, inconsistency or ambiguity.

Key changes to the methodology

This methodology update contains the following adjustments:

- An alignment with regards to the terminology used for key rating drivers with Scope's General Corporate Rating Methodology
- A renaming of the following rating factors
 - "Market shares" to "Market position"
 - "Industry-related drivers" to "Industry Risk Profile"
- An alignment of the overall rating construct with the proposed General Corporate Rating Methodology pertaining to:
 - A re-positioning of our Liquidity assessment as a Supplementary Rating Driver, rather than as a discrete sub-factor within the Financial Risk Profile
 - A re-positioning of our assessment on parent/government-related entity support and peer context under External Rating Drivers
- Editorial changes

Expected rating impact

This update will have no impact on outstanding ratings.

2. Scope of application

We define consumer product corporates as those that generate the majority of revenue and cash flow from the manufacturing of consumer products, primarily by selling to wholesalers or retailers and, in some instances, directly to consumers¹. Consumer products can be discretionary or non-discretionary. We define discretionary products as non-essential consumer items that are generally used repeatedly for more than a year. Conversely, non-discretionary products address basic needs, are purchased frequently and are usually made for single use (or consumed over a short period). Unlike most non-discretionary products, discretionary products may also be rented or leased.

This methodology covers manufacturers of consumer products that operate their own retail networks to sell products. Excluded from this methodology are companies that primarily buy and sell finished products that they did not produce themselves; such companies are covered in Scope's [Retail and Wholesale Rating Methodology](#). Also excluded are consumer products related to the automotive industry, for which we apply the [Automotive and Commercial Vehicle Manufacturers Rating Methodology](#).

This methodology is applicable globally.

3. The consumer products industry

The consumer products industry is a broad sector, including both discretionary and non-discretionary products². These products are bought (or rented/leased) by individuals or households for personal use, and demand is affected by demographics, income development, consumer confidence and consumer needs/preferences. The industry has changed dramatically over the last two decades, with the internet having a significant impact on the ways products are manufactured, marketed, distributed and sold. This is an ongoing adaptation with increasing consumer transparency. Given the broad nature of the products made and sold, careful attention must be given to company-specific factors in order to better understand individual issues during the rating process.

¹ This could also include companies that outsource significant manufacturing activities but rely heavily on their branding and intellectual property for operations.

² For the purpose of this methodology, we use the terms products and goods interchangeably.

Figure 1: Product examples with discretionary and non-discretionary consumer products

	Discretionary consumer products	Non-discretionary consumer products
Product examples (not limited to)	Clothing and wearables Household products (including furniture and electrical equipment) Sport and leisure equipment	Food (excluding agribusiness) Beverages (including alcohol) Tobacco Care products (home, hygiene, health, beauty)

Source: Scope Ratings

On the supply side, consumer products are offered by a broad spectrum of companies, ranging from niche players serving specific market segments with bespoke products to global players providing low-cost products with economies of scale. Typical sub-categories for discretionary consumer products are clothing and wearables (including jewellery), household products (appliances, furnishings, textiles, toys and electrical equipment) and sport/leisure equipment. Non-discretionary consumer products include food (including condiments), beverages (including alcohol), tobacco, and care products (including cosmetics, personal beauty, hygiene and cleaning products). Non-discretionary products serve necessary needs, resulting in more inelastic spending.

Business models in the consumer product industry vary widely, depending on a company's product portfolio, size, operational exposure to regulation (food, tobacco, alcoholic beverages, in particular), horizontal and vertical integration, as well as the degree that business cycles affect both the markets and the industry. Market participants range from very large multinationals with strong brands to sole-trader bespoke producers. While many participants limit themselves to national or local markets to use their comparative advantages, multinationals provide mass-market products, taking advantage of economies of scale to establish pricing power and its branding. The degree of industry fragmentation is often lower for discretionary products than for non-discretionary products. The latter segment in particular has many local SMEs, which face strong competitive pressures from pricing, product development, and consumer sentiment and preference.

As with other broadly defined industries, cyclicalities differs among the sub-segments. Overall, non-discretionary products are less cyclical than discretionary products. Some products could be classified as non-durable if they are purchased frequently (e.g. packaged food) while durable goods tend to be consumed over a longer period (e.g. luxury items), which also affects cyclicalities. Some parts of the industry are also subject to clear seasonal effects, which may need to be included in our assessment as well.

Branding is a key aspect of product differentiation and identification in the consumer product industry and hence an important component of our analysis. A company's ability to maintain commercial success hinges on its brand strength. At the individual company level, we monitor and assess intangible assets on the balance sheet to recognise a company's potential vulnerability to changes in brand perception and/or to the emergence of alternative brands and products that may better meet consumer needs.

Companies in the consumer goods sectors are heavy users of advertising to inform and attract consumers, helping them set their products apart from others to maintain or even gain market share or create new markets. The consumer goods sector is characterised by fierce competition for consumer spending, constantly shifting consumer preferences, and entries of alternative goods. Competition is on both price and quality, underscoring the importance of brand identification and clear product differentiation.

Generally, consumer product companies with strong market positions are more resilient during economic downturns. Such companies are not only large with high market shares but are also favourably positioned in supply and distribution chains, with low dependence on any specific distribution channel or customer. This strengthens purchasing power with major suppliers and facilitates becoming a price-setter in the market.

We recognise the constantly changing nature of the industry. We believe more consumer product manufacturers will expand their business-to-consumer sales where appropriate and/or increase their use of online channels (which are increasingly creating disruptive effects for many retailers). In addition, factory automation and integrated supply chains allow smaller company brands to be highly responsive to consumer demand and effectively provide bespoke products at mass-production prices.

Distribution channels and the position within supply chains are important aspects of company performance. Technological advances, such as additive manufacturing, 3-D printing and computerised bespoke manufacturing, have the potential to bring significant changes to consumer goods manufacturing as these technologies mature and become commercially feasible, providing high degrees of efficiency and a fast turnaround for mass production.

The sustainability of products and processes is also gaining importance in the consumer product industry. This means tighter control of the value chain, from the procurements of raw materials to the final product. Brand building and communication with consumers are also increasingly being incorporated into social media channels. Companies must be able to use not only traditional distribution channels but also social media to successfully engage with younger and more tech-savvy consumers.

While capex in the consumer goods sector is generally moderate, we recognise that some companies will require substantial operating expenses to maintain Competitive Positioning, increase product differentiation and expand product portfolios. Reported assets may be largely intangible (brand recognition, goodwill, trademarks), which means fair values could come under pressure in a stressed scenario, affecting expected recovery rates. We expect cash flow generation to be less volatile among producers of essential non-discretionary consumer goods, as these products are always in demand, but more volatile among companies making more discretionary, durable consumer goods. With respect to the latter, inventory risk is high for products not meeting customer requirements or technological standards (consumer electronics products in particular).

Generally, parameters that would qualify a consumer products company for an investment-grade rating are a strong brand name and sizeable market share, which translate into price-setting power that enables the company to generate sufficient profitability and cash flow with medium/low volatility. Further, investment-grade companies should be broadly diversified in terms of geographies, distribution channels, product portfolios and customer bases, as well as reporting good-to-strong credit metrics over a sustained period. Companies with a non-investment-grade rating will generally exhibit concentrated offerings or presence, lacking adequate diversification and financial depth, which results in more volatile revenues and profitability, with balance sheets more exposed to negative developments.

Product quality also represents a factor. This is because significant investment is needed to produce products with high quality and broad brand recognition, which elevates barriers to entry and results in good profitability. A high quality of products and operations also lessens the risk of product recalls (or even litigations from consumers), which could strengthen an issuer's brand, reputation, cash flow and profitability.

Size alone is therefore not an absolute rating criterion. Small regional companies (or specialised niche producers with strong brands) with non-discretionary and high-quality products, flexible and scalable cost structures, and low debt financing may receive a high rating, whereas larger companies lacking the above could see the opposite.

4. Information and data sources

In the analytical process, Scope typically takes into account the following sources of information. Not all of the listed information will be considered for every rated entity. Moreover, Scope may consider additional sources of information if necessary.

- Audited financial statements³
- Unaudited interim financials
- Press releases
- Presentations and information from conference calls/capital market days
- Financial forecasts/budgeting of the rated entity, if available/accessible
- Research on the industry, rated entity and relevant jurisdictions
- Data from external data providers, e.g. consensus estimates, debt placements
- Management meeting (in case of issuer participation)
- Loan documentation, e.g. debt prospectuses, bank loan agreements
- Valuation reports from external assessors
- Scope internal data, e.g. spreading of historical financials and detailed forecasts for the next few years, and peer group data.

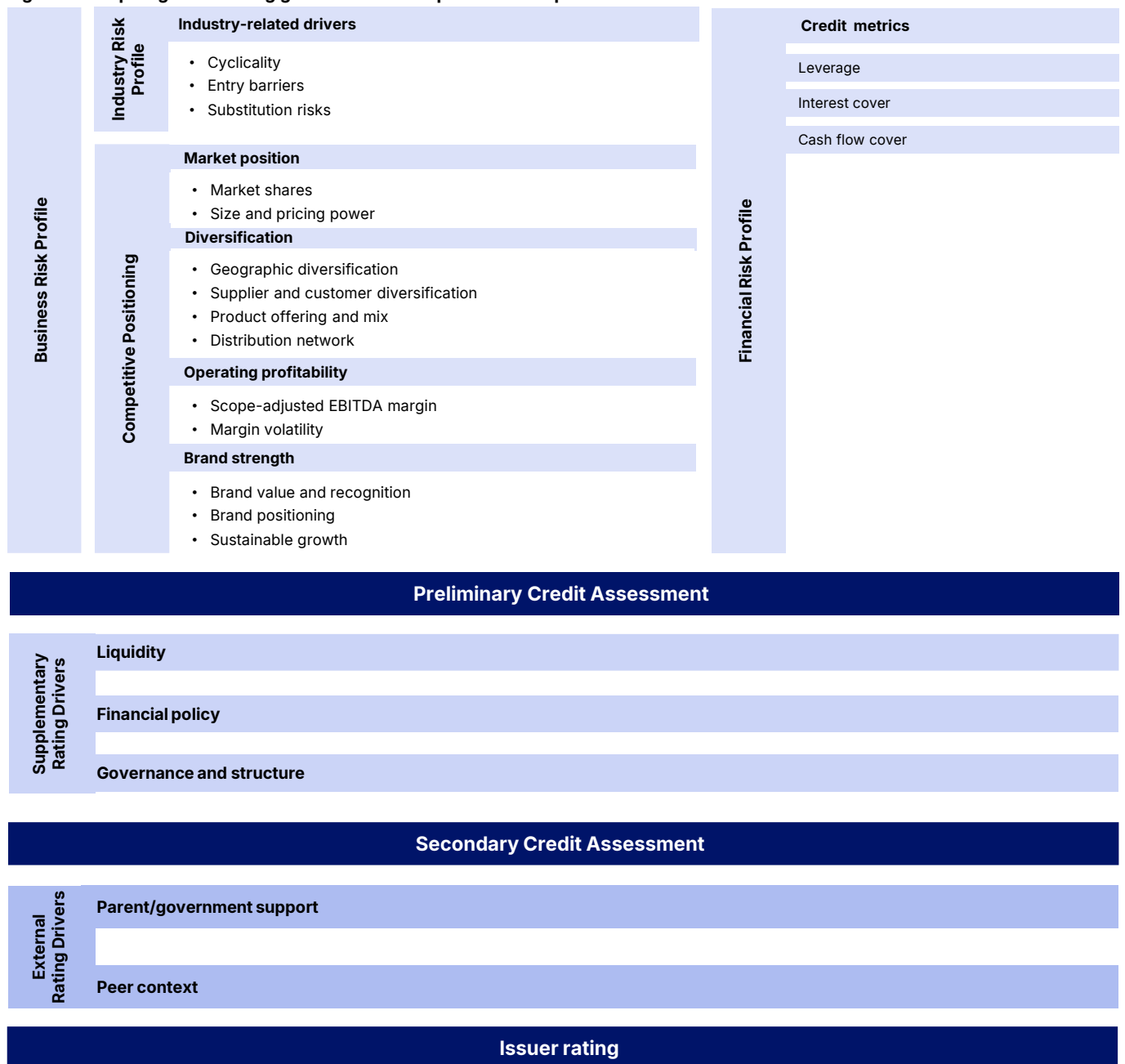
³ In rare cases, we could consider unaudited and/or pro-forma consolidated accounts in the rating analysis. This could be the case for newly formed entities which cannot provide audited financials.

5. Key components

We apply our rating methodology for consumer products companies as outlined in Figure 2. The rating analysis takes into account industry-specific credit risk factors as specified in this methodology as well as factors common to all industries such as management, liquidity, legal structure, governance and country risks which are explained in more detail in the General Corporate Rating Methodology. The following risk drivers are non-exhaustive and may overlap; some may not apply to certain corporates. We may add issuer-specific rating factors, and a company’s business model is decisive for the applicable indicators.

The different issuer-specific and rating-relevant characteristics laid out in the methodology must not be seen as a predetermined ranking or scorecard. No rating driver has a fixed weight in the assessment.

Figure 2: Scope's general rating grid for consumer products companies



Source: Scope Ratings

5.1 Business Risk Profile

We adopt a forward-looking approach when analysing an issuer's Business Risk Profile, taking into account the issuer's market and sector dynamics, as well as business drivers. The Business Risk Profile is divided into an analysis of the Industry Risk Profile and of the company's Competitive Positioning.

5.1.1 Industry Risk Profile

The Industry Risk Profile aims to capture the general drivers for the underlying industry and consists of three factors:

- Cyclicalit
- Entry barriers
- Substitution risks

Cyclicalit

We consider the cyclicalit of demand for non-discretionary consumer products to be low. This is based on historical sector trends and datasets that include the 2008/2009 Global Financial Crisis, the 2020-2021 Covid crisis and the high inflation of 2022. The average peak-to-trough cycle and observed volatility in revenue and profitability for non-discretionary goods companies are less than overall economic cyclicalit. Further, we see consumer spending on essential food and beverages to be less susceptible to macroeconomic drivers and changes in consumer confidence. For the discretionary consumer goods sector, we assess cyclicalit as medium, due to the higher degree of discretionary spending on these products. During challenging economic periods, the peak-to-trough decline was close to that of the overall economic development and thus was more cyclical than for non-discretionary consumer goods. Consumption of discretionary products tends to be pro-cyclical and more volatile compared to that of non-discretionary products. At the same time, consumers might postpone their purchase during hard times.

Entry barriers

We view barriers to entry as medium for both discretionary and non-discretionary consumer product companies. While companies can normally enter consumer product markets with relative ease, government regulations for food, tobacco and alcohol, for instance, raise barriers. New entrants often lack pricing power as well as manufacturing and distribution expertise, which limits their opportunities against established market participants, particularly the large incumbents. While there are few material barriers to market entry and capital investment is generally moderate, it is a more difficult task to attain the required economies of scale and establishing a broad customer base.

Substitution risks

We assess substitution risk for the non-discretionary segment as low, reflecting the general nature of consumer products. This is particularly true for food and beverages, despite large differences regarding quality, brand and price. For the discretionary segment, we assess substitution risk as medium as products are more replaceable/postponeable in nature. We view substitution risk to be tied to consumer choice regarding discretionary purchases: consumer preferences and a marginal inclination to purchase discretionary goods compete with substituting activities. In other words, when confronted with limited available income, a consumer would choose amongst different and unrelated discretionary items (e.g., choice between a new television or a new luxury bag).

Figure 3: Scope's Industry Risk Profiles for consumer product companies

Cyclicalit	Entry barriers		
	Low	Medium	High
High	CCC/B	B/BB	BB/BBB
Medium	B/BB	1 BB/BBB	BBB/A
Low	BB/BBB	2 BBB/A	A/AA

Source: Scope Ratings

Using the three industry drivers, our two main industry groups for consumer products are defined and rated as:

1. **Discretionary, BB:** discretionary consumer product companies have medium cyclicalit, medium entry barriers and medium substitution risk.
2. **Non-discretionary, A:** non-discretionary companies have low cyclicalit, medium entry barriers and low substitution risk.

We apply a blended Industry Risk Profile when a consumer product company is exposed to several sectors. We usually derive this assessment based on the recurring proportion contributed to EBITDA.

5.1.2 Competitive Positioning

We assess the Competitive Positioning of consumer product corporates by examining the following risk drivers:

- Market position
- Diversification
- Operating profitability
- Brand strength

For certain sub-assessments of the above-mentioned risk drivers, we provide a classification that spans over multiple rating categories. To position the issuer into a single rating category, we additionally apply a peer/relative analysis.

Market position

We generally view strong market shares in a product category as positive but note that a large market share does not necessarily translate into price protection. Hence, we review market share and pricing power separately. Market leaders, for instance, may be challenged by smaller players taking advantage of new technologies or a higher flexibility in meeting market needs, putting pressure on market prices. Nonetheless, companies with large, stable market shares have an advantage over smaller ones, as they have better control over distribution channels and volume effects, which generally creates more stable operational profitability. In addition, a company’s size affects its purchasing power with key suppliers and its negotiating position within various distribution channels. Smaller regional companies may have an acceptable market share and pricing power in a specific region that could mitigate to some extent concerns about its absolute size and diversification.

Figure 4: Market position by rating category

	AA and above	A	BBB	BB	B	CCC and below
Market shares*	Global market leader positions	High international market shares (top three) in all product categories	Good international market shares (top 10) in most product categories	High domestic market shares in most product categories	Low market shares in most product categories	Weak market shares in all product categories
Size and pricing power	Very large comparative size (revenue over EUR 25bn), very strong purchasing/bargaining power and price-setting ability	Large comparative size (revenue EUR 5bn-25bn), strong purchasing/bargaining power and price-setting ability	Medium-size company (revenue EUR 1bn-5bn), and/or good purchasing/bargaining power	Below-average size (revenue EUR 250m-1bn), and/or adequate purchasing/bargaining power	Small comparative size (revenue under EUR 250m), somewhat weak purchasing/bargaining power and/or limited ability to set prices	

* The importance of a market is considered, including size and structure (e.g. developed vs. emerging economies).
Source: Scope Ratings

Diversification

We review four diversification categories: i) geographic diversification; ii) supplier and customer; iii) product offering and mix; and iv) distribution networks. Strong geographic diversification can help to mitigate the impact from adverse regional economic conditions and is thus essential in our analysis. The degree of supplier and customer diversification helps to describe the vulnerability/strength of the business model or its operations. The company’s distribution network is also linked to this assessment, as companies using multiple channels are more robust during downturns. Companies using e-commerce platforms in conjunction with more traditional marketing and distribution, for instance, will have significantly better and faster geographical access to customers than companies using primarily traditional retail distribution models.

Diversification by product category is also essential in our risk assessment. Companies with a presence in numerous product categories, with a product portfolio addressing different sub-segments within a category, as well as a high share of non-discretionary products tend to have more stable sales and profits over time. Conversely, a highly concentrated product portfolio primarily based on a single discretionary product category is more vulnerable to economic downturns and changes in consumer preferences. Overall, diversification across product categories reduces volatility and supports corporate profitability. Companies with only one brand can still be strongly diversified across geographies and product categories.

We generally use the product categories as defined by the issuer but may group some categories together if we deem them too narrowly defined (e.g., limited risk diversification). As examples: within dairy products, we can differentiate between milk, cheese or yoghurt

product categories; within meat, we differentiate between chicken, beef or pork; within apparel (which differentiates between clothing, footwear, accessories, etc.) categorisation by gender or age can be relevant. Producing the same type of products under different price categories also improves diversification.

Figure 5: Diversification by rating category

	AA and above	A	BBB	BB	B	CCC and below
Geographic diversification	Global presence; leading player worldwide	Strong international presence; major player in different continents	Adequate international presence; operating in many countries, regions and locations	Moderate diversification by country, region and location	Low diversification by country, region and location	Single country; weak diversification by region or location
Supplier and customer diversification	Broadly diversified regarding the number of customers and suppliers		Adequately diversified regarding number of customers and suppliers	Some dependence on certain customers and/or suppliers	Heavy dependence on single customer and/or supplier	
Product offering and mix	Presence in numerous product categories (above 10); high share of non-cyclical products		Balanced presence in several product categories; predominance of non-cyclical products	Presence in few product categories; predominance of cyclical products	Concentration in one product category	Single cyclical product category
Distribution network⁴	Broadly diversified regarding number of well-established distribution channels		Adequately diversified regarding number of well-established distribution channels	Concentration in few distribution channels	Heavy dependency on a single distribution channel	

Source: Scope Ratings

Operating profitability

We use EBITDA margin as a measure to assess profitability and operating efficiency. Successful companies have stronger and more stable margins. Large companies often invest in new product developments and mergers & acquisitions to improve their product mix, seeking better growth and profitability.

Volatility in raw material/input costs, as well as currencies, may affect margins. High volatility is often linked to limited ability to pass-through higher cost to customers or a less controllable cost structure due to limited diversification. Our operating profitability assessment may apply a more conservative approach if we observe a volatile EBITDA margin over a five-year period. In such scenarios, an issuer’s business model is more likely to be vulnerable to internal and external elements that put pressure on not only the stability of its internal financing but also its long-term growth. Our analysis takes into account hedging activities to mitigate some of this volatility. We also favour variable cost structures, the ability to reduce operating costs through productivity and efficiency measures and the ability to adapt to market conditions during downturns.

Given the broad spectrum of sub-industries within consumer products, the assessment of profitability could slightly deviate for specific categories. For example, apparel companies (excluding luxury) tend to have lower profitability, partly due to the additional costs of operating physical stores. As a result, the profitability assessment might also take into account peer comparison considerations within the specific sub-industry.

Figure 6: Operating profitability by rating category

	AA and above	A	BBB	BB	B	CCC and below
Scope-adjusted EBITDA margin	>30%	20%-30%	15%-20%	5%-15%	0%-5%	Negative
Margin volatility	Low		Medium		High	

Source: Scope Ratings

⁴ Diversification of distribution channels includes various retail formats, own stores (if applicable), wholesalers and online sales.

To enhance the consistency in assessing the volatility of operating profitability, we employ an analytical rule based on the coefficient of variation (standard deviation divided by the average) of the EBITDA margin over the last five years. Analysts may override this indicative assessment where justified by specific market or company circumstances, with the coefficient of variation serving as an anchor for informed judgment.

Brand strength

Brand strength is a key factor in our assessment of consumer product companies' Competitive Positioning. Companies with strong brands generally have greater customer loyalty, lower price-sensitivity, higher bargaining power and a greater ability to set prices, allowing them to charge a premium.

We assess brand value and recognition by looking at a company's geographical presence, history, market shares and media/commercial footprint. When a company has several brands, we look at the combined strength and value of the portfolio. To achieve high brand recognition usually takes a long time and is a form of entry barrier, as brands with a strong image are usually foremost in a consumer's mind when making a purchase. In the digital era, forms of brand recognition may include regularly featuring as the top recommendation for a specific product/category or scoring high in customer reviews. Consumer brands with a long history are usually associated with higher value as this may indicate not only customer loyalty and brand recognition but also product quality and operating performance over time. Whilst established brands serve as an entry barrier, their importance has lately been declining as digital marketing opens new channels. Digital marketing has created new and easier connections between companies and consumers, with strong feedback channels for both established companies and new entrants. We believe that successful consumer product companies generally have very good market intelligence that allows them to understand consumers and their needs. Successful brands actively seek to influence the behaviour of customers and engage closely with them; customers in turn can have a strong influence on branding and demand.

Brand positioning is also a driver of brand strength, as higher-priced brands such as luxury items are generally associated with higher brand value and superior quality features. This is because reaching such a status requires high investment, including operational efforts to provide consistently superior quality as well as recurrent, successful marketing campaigns. Some brands greatly benefit from their product being scarce (such as limited collections) or having few alternatives, which is generally associated with high quality. The other side of the rating category includes discount brands or brands competing primarily on cost, which are generally associated with lower quality or less added value.

Our analysis also distinguishes between traditional brands and private-label (or white-label)⁵ brands. Compared to established traditional brands, private labels are usually coupled with lower value. This is because they charge lower prices (partly justified by their low marketing spend) and tend to be less innovative, which could ultimately affect their competitiveness. Moreover, private labels have higher replacement risk as customer loyalty for them tends to be low. Still, some private-label producers can have long and important relations with their retailer customers, which indicate sustained quality. These brands could also be well-known in various markets.

Achieving sustainable brand growth is crucial for driving long-term profit expansion. Investing in advertising, marketing, innovation, and sustainability is crucial for brand strength and long-term growth. However, critical factors for our assessment include: i) the brand's intrinsic long-term revenue growth relative to the markets it operates in (peer benchmarking), typically driven by marketing efforts and innovative practices; ii) the brand's economic sustainability and its alignment with ESG principles, as well as its capability to respond to consumer trends and market demands.

Investment levels in advertising and R&D, compared to peers in the same product categories, can partly predict if a company will gain or maintain market share. However, this alone is insufficient for determining the sustainable growth score. For investments to be deemed sustainable, they must be sufficiently rewarded by future returns; hence, the approach of pursuing 'growth at any cost' is generally viewed as unsustainable. In mature markets, some brands are so well-established that they may not need to invest as heavily as smaller competitors to maintain superior organic growth. Therefore, the features of the market, such as its growth potential, competitive dynamics, and consumer behaviour, are also important.

As previously noted, we also evaluate the sustainability aspects of the products offered and the overall business model; brands with a robust ESG proposition benefit in terms of reputation and are more likely to be preferred by consumers over time. For consumer products, key sustainability attributes include the efficient use of natural resources, circular processes (such as recyclability), product

⁵ A private label generally refers to a product for which the marketer (e.g. a retail store or fast-food chain) outsources all or part of the production and then trademarks the product. White-label products are produced by a third party and then rebranded by the marketer as its own and released onto the market. The main difference between the two is that a private label product is produced under the specification set by the marketer – i.e. it is exclusive for that specific client. Conversely, a white label is generally not produced for a specific marketer and can be sold to many of them, which they would in turn apply their own brand. Nevertheless, private and white labels sometimes overlap, for example, a white label product may be subject to some customisations.

safety, innovation (addressing evolving consumer trends like healthier food options), and responsible supply chain management. In this context, both reputation and the frequency or magnitude of product recalls can also play significant roles.

Figure 7: Brand strength by rating category

	AA and above	A	BBB	BB	B	CCC and below
Brand value and recognition	Portfolio of several globally well-known brands with a long tradition	Global brand and/or portfolio of international and long-established brands	International well-established brands	Domestically well-known brands or still developing international brands	Domestically known regionally well-known brands	Domestically less-known brands (including third-party producers)
Brand positioning	Luxury brands; scarce or hard-to-replace products	Premium segment, reflecting generally very high-quality attributes	Mid-to-upper price levels, usually reflecting good-quality attributes	Mid-to-low price levels, reflecting average-quality attributes	Low price levels, reflecting generally low-quality attributes or easily replaceable products	
Sustainable growth	Strong long-term profitable growth prospects, above reference market. This is typically supported by consistently high investments (in relation to sales) in brand development, including advertising, innovations and ESG.		Good growth prospects, above reference market, and sustained profitability. Above-average investments in advertising, innovations and ESG.	Moderate growth prospects, in line or below reference market. Moderate investments in advertising, innovations and ESG.	Modest growth prospects generally below reference market. Low investments in advertising, innovations and ESG.	Heavily declining revenues/profits. No investment in advertising, innovations, ESG; and/or negative public recognition

Source: Scope Ratings

5.2 Financial Risk Profile

Our assessment of a consumer products company’s Financial Risk Profile follows the general guidance in our General Corporate Rating Methodology. We focus on recent and forward-looking financial data. Key parameters include leverage, interest cover and cash flow.

The Financial Risk Profile indicates a company’s financial flexibility and viability in the short to medium term. A company with a strong Financial Risk Profile is more likely to be resilient to economic downturns, adverse industry dynamics, unfavourable regulation or an unexpected loss of a revenue source. The ability to retain financial flexibility during an economic downturn is a rating driver for consumer products companies as it indicates an ability to invest at all phases of the economic cycle.

5.2.1 Credit metrics

We assess the Financial Risk Profile of consumer products companies using the same four credit metrics in the General Corporate Rating Methodology. For further information and definitions, see [General Corporate Rating Methodology](#).

5.3 Supplementary Rating Drivers

Supplementary Rating Drivers complement our analysis of the factors and drivers of the BRP and the FRP. They are reflected via notching based on the Preliminary Credit Assessment as the starting point.

Our supplementary analytical aspects cover:

5.3.1 Liquidity

Our general liquidity assessment is outlined in the General Corporate Rating Methodology.

5.3.2 Financial policy

Our general assessment of financial policy is described in the General Corporate Rating Methodology.

5.3.3 Governance and structure

Our general assessment of governance and structure is described in the General Corporate Rating Methodology.

5.4 External Rating Drivers

External Rating Drivers finalise our analysis. They are reflected via notching based on the Secondary Credit Assessment as the starting point.

5.4.1 Parent/government support

Our assessment of parent support is described in the General Corporate Rating Methodology.

When assessing the credit quality of a consumer products company that may benefit from government support, we incorporate the sovereign's or sub-sovereign's capacity and willingness to bail out a company in financial distress, as laid out in [Scope's Government Related Entity Rating Methodology](#).

5.4.2 Peer context

Our assessment of peer context is described in the General Corporate Rating Methodology.

5.5 Environmental, social and governance (ESG) assessment

Credit-relevant environmental and social factors are implicitly captured in the rating process, while corporate governance is explicitly captured at the 'governance and structure' analytical stage (see 5.3.3).

The rating analysis focuses on credit quality and credit assessment drivers. An ESG factor is only credit-relevant when it has a discernible and material impact on the issuer's cash flow, and, by extension, its overall credit quality.

Credit-relevant ESG factors can directly and indirectly affect all elements of the Business Risk Profile, Financial Risk Profile, Supplementary Rating Drivers and External Rating Drivers. This is in contrast to ESG ratings, which are largely based on quantitative scores on various rating dimensions.

The corporate rating process implicitly captures environmental, social and governance (ESG) factors that have a material credit impact. Consumer sentiment and awareness of ESG topics are increasingly affecting the consumer products industry, exposing companies to ESG risks both direct and indirect (through the value chain). Consumer products companies are increasingly focusing on environmental factors such as optimising the use of natural resources in production (including water, raw materials and energy) and reducing product waste through solutions such as investments into circular economy. Similarly, increasing importance is given to sustainable packaging, green labelling and product traceability.

Social factors in the consumer products industry primarily relate to supply chain oversight and relations with local communities (especially in emerging countries), with increasing scrutiny on ensuring that human rights are respected and local resources are not exploited. Companies failing to consider ESG factors within their strategy may be subject to reputational risk that could also significantly harm their brand. Minimising these risks requires sound governance, including independent and external bodies that monitor risk management, incidences of bribery and corruption, and financial disclosures, all while applying transparent communication towards all stakeholders.

The [General Corporate Rating Methodology](#) provides further detail on how ESG factors are incorporated in the credit analysis.

6. Issuer rating

The final issuer rating is based on our analysis of the Business Risk Profile, Financial Risk Profile, Supplementary Rating Drivers and External Rating Drivers. The rating committee decides on the relative importance of each rating driver. For the Preliminary Credit Assessment, the Business Risk Profile and Financial Risk Profile are generally weighted equally for companies perceived as crossovers between investment grade and non-investment grade. The Business Risk Profile is typically emphasised for investment grade companies, while the Financial Risk Profile is mostly the focus of ratings assigned to companies that are perceived as having high-yield credit profiles. However, the latter also depends on the Financial Risk Profile. Less focus is granted to strong Financial Risk Profiles of companies showing a weak or vulnerable Business Risk Profile (in the B or low BB category) since for such companies, the Financial Risk Profile is subject to higher volatility. This takes into account that the credit rating of companies with weak or moderate Business Risk Profiles should not be bolstered by a temporarily strong Financial Risk Profile. Hence, the weighting between the Business Risk Profile and Financial Risk Profile is adapted to each issuer's business model and market(s).

7. Additional methodology factors

For more details on our rating Outlooks for issuer ratings, long-term and short-term debt ratings, the recovery analysis see the [General Corporate Rating Methodology](#).

8. Appendix

8.1 Related documents

For more information, please refer to the following documents:

- [General Corporate Rating Methodology](#)
- [Government Related Entity Rating Methodology](#)
- [Retail and Wholesale Rating Methodology](#)
- [Automotive and Commercial Vehicle Manufacturers Rating Methodology](#)
- [Credit Rating Definitions](#)

Contacts

Michel Bove, CFA
+34 919 491 664
m.bove@scopegroup.com

Lucas Pozza
+49 69 6677 38949
l.pozza@scoperatings.com

Scope Ratings GmbH

Lennéstraße 5, D-10785 Berlin
Phone: +49 30 27891-0
Fax: +49 30 27891-100
info@scoperatings.com

Scope Ratings UK Limited

52 Grosvenor Gardens
London SW1W 0AU
Phone: +44 20 7824 5180
info@scoperatings.com



Bloomberg: RESP SCOP
[Scope contacts](#)
[scoperatings.com](https://www.scoperatings.com)

Disclaimer

© 2026 Scope SE & Co. KGaA and all its subsidiaries including Scope Ratings GmbH, Scope Ratings UK Limited, Scope Fund Analysis GmbH, Scope Innovation Lab GmbH and Scope ESG Analysis GmbH (collectively, Scope). All rights reserved. The information and data supporting Scope's ratings, rating reports, rating opinions and related research and credit opinions originate from sources Scope considers to be reliable and accurate. Scope does not, however, independently verify the reliability and accuracy of the information and data. Scope's ratings, rating reports, rating opinions, or related research and credit opinions are provided 'as is' without any representation or warranty of any kind. In no circumstance shall Scope or its directors, officers, employees and other representatives be liable to any party for any direct, indirect, incidental or other damages, expenses of any kind, or losses arising from any use of Scope's ratings, rating reports, rating opinions, related research or credit opinions. Ratings and other related credit opinions issued by Scope are, and have to be viewed by any party as, opinions on relative credit risk and not a statement of fact or recommendation to purchase, hold or sell securities. Past performance does not necessarily predict future results. Any report issued by Scope is not a prospectus or similar document related to a debt security or issuing entity. Scope issues credit ratings and related research and opinions with the understanding and expectation that parties using them will assess independently the suitability of each security for investment or transaction purposes. Scope's credit ratings address relative credit risk, they do not address other risks such as market, liquidity, legal, or volatility. The information and data included herein is protected by copyright and other laws. To reproduce, transmit, transfer, disseminate, translate, resell, or store for subsequent use for any such purpose the information and data contained herein, contact Scope Ratings GmbH at Lennéstraße 5, D-10785 Berlin. Public Ratings are generally accessible to the public. Subscription Ratings and Private Ratings are confidential and may not be shared with any unauthorised third party.