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RATING ACTION COMMENTARY

Fitch Revises Elior's Outlook to Negative; Affirms at 'BB-'

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Fitch Ratings - Warsaw - 11 Jun 2026: Fitch Ratings has revised the Outlook on Elior Group S.A.'s Long-Term Issuer Default Rating (IDR) to Negative from Stable and affirmed the IDR at 'BB-'. Fitch has also affirmed the senior unsecured rating at 'BB-' with a Recovery Rating of 'RR4'.

The Negative Outlook reflects the risks of prolonged adverse impacts from challenges related to passing on operating cost increases and a delayed ramp-up of newly signed contracts. Fitch expects temporarily negative free cash flow (FCF) in FY26 (financial year ending September) and EBITDA leverage above 5.5x over FY26-FY27.

The affirmation reflects Fitch's assumption that Elior could return to metrics commensurate with its 'b+' Standalone Credit Profile (SCP) by FY28, supported by phasing in a large new contract in FY27, low to mid-single-digit organic growth, continued efficiency measures, and higher operating leverage. Fitch applies a bottom-up approach under its Parent and Subsidiary Linkage Criteria, resulting in a one-notch uplift from Elior's SCP.

KEY RATING DRIVERS

Weak 1H26 Performance: Elior lowered its guidance for FY26 to 1%-2% organic growth, from 3%-4% previously, and to a company-defined adjusted EBITA margin (excluding exceptionals) of around 3.0%, versus 3.5%-3.7% previously. The revision follows a weak 1H26 performance, reflecting negative net business trends with slower conversion of backlog in revenue, FX challenges and price increases that were insufficient to entirely offset rising costs. Elior also fully provisioned the expected loss on an on-board rail catering contract in Italy, which runs until April 2027.

Subdued Profitability: After the Fitch-defined EBITDA margin improved to 4.1% in FY25 (FY24: 3.5%), we forecast a decline to 3.9% in FY26, mainly due to higher contract losses than acquisitions and cost increases that the company may not entirely pass on to customers. We expect a mild recovery in FY27, supported by a large new contract starting at end-FY26 and discontinuing the unprofitable Italian contract. We expect the margin reach 4.4% by FY29, driven by continued efficiency measures, a disciplined approach to pricing for renewals and higher operating leverage.

FCF Affected by Investments: Fitch-defined FCF was 1.0% of revenue in FY25. We expect it to be negative in FY26, given the combination of a softening EBITDA margin while capex temporarily rises to around 3% of sales to fund equipment for the implementation of new business contracts. From FY27 onwards, we forecast capex at 2% of revenue, supporting improving but still low FCF of toward 0.6% in FY29. Persistently neutral to negative FCF could weigh on the ratings.

Leverage Peak; Deleveraging Expected: We expected leverage to reduce to 5.3x when we upgraded the rating in February 2026. We now expect it will reach 6.5x in FY26 (FY25: 6.4x) and then gradually reduce to 5.6x in FY27 and 5.0x by FY29 through low single digit organic growth and profitability improvements. The company issued EUR150 million new senior notes in February 2026 and redeemed the EUR159 million notes due in July. This leaves the rating weakly positioned within the 'b+' SCP, with delivery of organic growth and margin improvement targets key to bringing leverage metrics more in line with the current rating.

Robust Business Model: Elior's robust business model, reflecting its strong position in the French catering market, large contract base and diverse customer pool with low churn rates support its 'b+' SCP. Demand for outsourced food services and facilities management benefits from supportive long-term trends. Derichebourg Multi Services is more exposed to cyclicality but enhances business diversification from the catering business, representing 27% of FY25 revenue.

Financial Policy Focuses on Deleveraging: We factor into our rating analysis Elior's focus on deleveraging and on limiting dividend payments until net leverage (as calculated by company) falls below 3.0x. We expect Derichebourg S.A. (BB+/Rating Watch Negative) to be supportive of this strategy, given the nature of its investments in Elior and despite the forthcoming disbursement for its recently announced acquisition of Scholz Recycling Group, which will lead to an increase in leverage and a potential downgrade. Evidence of a more aggressive financial policy that undermines the deleveraging of the business would put the ratings under pressure.

Stronger Parent: Fitch applies a bottom-up assessment in accordance with its Parent and Subsidiary Linkage Criteria, reflecting the stronger parent versus weaker subsidiary. Fitch assesses Derichebourg's legal and operational incentives to support Elior as 'Low' and strategic incentive as 'Medium'. This reflects the material asset value Elior represents for Derichebourg, leading to a one-notch uplift from Elior's 'b+' SCP to its 'BB-' IDR.

Limited Geographical Diversification: Elior's revenues are concentrated in Europe, at 78% of FY25 net sales. It has historically focused on the French market, with around half of its sales generated in the country. This concentration exposes Elior to downturns affecting the region and to contracts that do not carry full cost pass-through clauses. This concentration is mitigated by the diversity of end-markets, ranging across private businesses, healthcare providers and education companies. This provides some revenue and earnings stability across economic cycles.

Strong Market Share; Revenue Visibility: Elior recently announced a delayed ramp-up of newly signed contracts. However, it continues to benefit from a strong share in its key French catering market of 22%. Elior has high retention rates (91.4% at March 2026), although lower than its peers, across its diversified customer base on multi-year contracts and with its top 10 customers, which accounted for 13% of FY25 total revenue.

PEER ANALYSIS

We compare Elior with CD&R and WSH Limited (B+/Stable). Elior has greater scale and better diversification, as WSH is focused on the UK but benefits from stronger profitability and FCF generation as well as higher organic growth.

Elior also has a similar business profile to Sodexo SA (BBB+/Negative). The large rating difference is warranted by Elior's lower geographical diversification, much smaller scale and weaker credit metrics overall. Elior is mostly present in Europe (around 78% of its revenue), while Sodexo has a balanced presence across Europe (36% of FY25 revenue), North America (46%) and rest of the world (18%). We revised Sodexo's Outlook to Negative in May 2026 following a weak 1H26 and actions taken to restore competitiveness that will temporarily increase leverage. We expect Elior's leverage to be close to 6.5x in FY26 and forecast Sodexo's at 2.6x.

We also compare Elior with other business services providers such as Assemblin Caverion Group AB (B+/Positive). Elior's 'b+' SCP reflects a more balanced end-market, geographical mix, and deleveraging prospects while Assemblin Caverion benefits from lower leverage, below 4.5x at end 2025.

Elior's 'BB-' IDR benefits from a one-notch uplift, due to the stronger parent, in accordance with Fitch's Parent-Subsidiary Linkage Criteria.

FITCH'S KEY RATING-CASE ASSUMPTIONS

- Revenue growth of -0.5% in FY26 then low single digits through FY29'

- EBITDA margins of 3.9% in FY26 then gradually rising to 4.4% by FY29

- Capex at 3% of revenue in FY26, then 2% over the forecast period

- Working-capital inflow of 0.2% of revenue in FY26, then outflows of 0.1% to FY29

- Dividend payments of EUR10 million annually to FY29

- M&A spend of about EUR10 million annually to FY29

CORPORATE RATING TOOL INPUTS AND SCORES

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

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

The quantitative financial subfactors are based on custom CRT financial period parameters: 20% weight for the forecast year FY26, 40% for the forecast year FY27 and 40% for the forecast year FY28.

B+ to CC considerations apply in our analysis and results in an adjustment of 1 notch.

The governance assessment of 'good' has no impact.

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

The SCP is 'b+'.

To derive the Long-Term IDR:

Application of Fitch's Parent Subsidiary Linkage Rating Criteria results in a bottom up +1 approach.

RATING SENSITIVITIES

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

- A multi-notch downgrade of Derichebourg, or a weakening of strategic ties between Elior and Derichebourg that leads Fitch to assess Elior on a standalone basis.

We could revise Elior's SCP down on:

- Loss of contracts that weakens Elior's competitive position in its main markets

- EBITDA margins remaining below 4%

- Gross debt/EBITDA sustained above 5.5x

- EBITDA interest cover falling below 3.0x

- FCF deteriorating toward neutral

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

- EBITDA margins sustained above 6%

- Gross debt/EBITDA sustained below 4.5x

- EBITDA interest cover rising above 4.0x

- Retention rate improved to 95%

- Mid-single-digit FCF margins

LIQUIDITY AND DEBT STRUCTURE

Elior reported a cash position of EUR79 million at March 2026. In addition, it has access to a securitisation programme, which provides additional liquidity through receivables financing. We restrict EUR30 million from reported cash for intra-year working capital fluctuations, resulting in Fitch-defined cash of EUR49 million at March 2026.

Elior issued EUR150 million new senior notes in February 2026 and redeemed the EUR159 million notes due in July 2026. Its EUR650 million senior notes mature in March 2030. The company also has access to a EUR430 million revolving credit facility, of which EUR40 million was drawn at March 2026. In addition, it uses a commercial paper programme, under which EUR145 million was outstanding at March 2026.

ISSUER PROFILE

Elior is an international contract catering and diversified services provider.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

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

MACROECONOMIC ASSUMPTIONS AND SECTOR FORECASTS

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

CLIMATE VULNERABILITY SIGNALS

The results of our Climate.VS screener did not indicate an elevated risk for Elior Group S.A.

ESG CONSIDERATIONS

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

RATING ACTIONS

ENTITY / DEBT	RATING TYPE	RATING	RATING ACTION	RECOVERY	PRIOR
Elior Group S.A.	LT IDR	BB- Rating Outlook Negative	Affirmed		BB- Rating Outlook Stable
senior unsecured	LT	BB-	Affirmed	RR4	BB-

VIEW ADDITIONAL RATING DETAILS

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APPLICABLE CRITERIA

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

Parent and Subsidiary Linkage Rating Criteria (pub. 27 Jun 2025)

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

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

APPLICABLE MODELS

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

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

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Elior Group S.A.	EU Issued, UK Endorsed

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