S&P Global
Ratings

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Tear Sheet:

Ceconomy AG

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This report does not constitute a rating action.

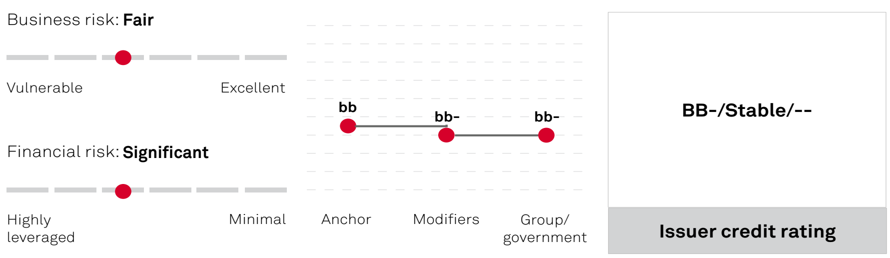
Ceconomy's S&P Global Ratings-adjusted leverage is expected to improve to 2.2x in fiscal 2025 from 2.6x due to strategic initiatives progress, with 23% service income growth in the first quarter of 2025. In fiscal 2024 (ending September 2024) company's adjusted EBIT reached €305 million and grew 13% in first quarter of 2025, but it needs to see material improvements to reach the €500 million target outlined for fiscal 2026. We believe that the company's ambition to enhance service offerings as the key pillar of its Experience Electronics strategy and lower restructuring costs in fiscal 2025 should increase adjusted EBITDA to €1.1 billion (4.4% margin) in fiscal 2025 from €0.95 billion (4% margin) in fiscal 2024. We view Ceconomy's adjusted EBITDA margin profile--that has stagnated at 3.9%-4.0% in the last three years--as low compared to rated peers constraining the rating.

Free operating cash flow (FOCF) after leases has been impacted by higher financial expense and improvements are dependent on further earnings growth. S&P Global Ratings-adjusted interest paid has increased to €214 million in 2024 from €75 million in 2022. This is driven by accounting impact of lease interest and moderate increases in financial expense following the issuance of senior unsecured notes in June 2024. However, a sizeable portion stems from subsidized interest on customer purchases in Türkiye, which we understand is market practice. These costs have increased due to the sudden raise in policy rates to 47.5% at the end of December 2024 from 9% in December 2022 and constrain Ceconomy's cashflow profile, with reported FOCF after leases coming in at €21 million last year. In the short term we believe policy rates will only reduce marginally, meaning that our improvement to €116 million in fiscal 2025 mainly stems from higher earnings. In the context of highly negative working capital that could deteriorate cash flows swiftly if consumers hold back on discretionary spending, we view Ceconomy's sizeable cash balance a meaningful supportive factor.

Macroeconomic uncertainty amplified by U.S. tariff negotiations could impair discretionary spending. On May 1, 2025, we have revised down our GDP growth expectations for the Eurozone to 0.8% for calendar year 2025, and 0.1% for Germany, that together with Italy (0.5% growth) is expected to be most hit from implemented tariffs. We see further risks on the downside, as the 90-day pause on tariffs expires in early July. A weaker macro-economic environment could hamper our expected growth for Ceconomy, slowing improvements in profitability and credit metrics.

Revolving Credit Facility (RCF) refinancing reflects the continuation of a prudent financial policy. On March 31, 2025, Ceconomy signed a €900 million RCF due 2028 that can be extended by up to two years. This replaces the previous two-tranche RCF, with a total commitment of €1.06 billion. We believe the timely refinancing of the RCF, that has been, and is expected to remain undrawn, as well as the early tender offer of €500 million Senior Unsecured Notes due June 2026 last year (€144 million remain outstanding), support our view on Ceconomy's conservative approach to manage its debt and liquidity profile.

Ratings Score Snapshot



Recent Research

- Global Macro Update: Seismic Shift In U.S. Trade Policy Will Slow World Growth, May 1, 2025
- Industry Credit Outlook 2025, May 1, 2025Industry Credit Outlook 2025, Jan. 14, 2025, May 1, 2025
- Research Update: Ceconomy Affirmed At 'BB-' On Proposed Senior Unsecured Notes Refinancing, June 24, 2024

Company Description

Ceconomy is Europe's largest electronics retailer, generating €22.4 billion of revenue and €887 million of adjusted EBITDA in fiscal 2024. The company operates under two brands:

- MediaMarkt, which was founded in 1979 and operates across 11 countries in Europe with 943 stores and 36,000 employees, including 309 stores and 12,000 employees in Germany; and
- Saturn, which was founded in 1961 and operates only in Germany, with 87 stores and about 4,000 employees (as of Sept. 30, 2024).

The company operates in three key regions: DACH (Germany, Austria, Switzerland, and Hungary; representing 52.9% of sales in fiscal 2024), Western and Southern Europe (32.3%), and Eastern Europe and Other (14.8%). The company holds a 21.9% minority stake in Fnac Darty, which is valued at about €206 million based on its market capitalization as of May 12, 2025.

The company's key shareholders are Convergenta (29.2%) with its ultimate beneficiary being the Kellerhals family (founders of MediaMarkt), Haniel (16.7%), Palatin Verwaltungsgesellschaft (11.1%), and freenet AG (6.7%). The residual 36.3% of shares are in free float, with Prof. Otto Beisheim Foundations owning 4.8% and Exor Financial Investments 4.2%.

Outlook

The stable outlook reflects our view that, over the next 12–18 months, Ceconomy's strategic initiatives will continue, and profitability will improve such that the company is able to keep S&P Global Ratings-adjusted EBITDA margins of more than 4%, despite ongoing economic uncertainty. Likewise, we anticipate that the company will continue strengthening its credit metrics and building track record of delivering consistently positive cash flows, with adjusted leverage at 2.2x-2.5x, EBITDAR coverage about 1.5x, and reported FOCF after leases of about €100 million.

Downside scenario

We could lower the rating on Ceconomy if the company's operating performance and earnings weaken, translating into:

- Adjusted EBITDA margin remains below 4% for a prolonged period;
- Annual FOCF after leases turns negative for a prolonged period; or
- Adjusted debt to EBITDA approaching 3.5x.

These developments could stem from higher-than-expected margin erosion amid fierce price competition in Ceconomy's end markets, a deterioration in working capital, or falling substantially short of realizing profit accretion from its current strategy. A downgrade could also occur because of a more aggressive financial policy than we anticipate, resulting in the erosion of the company's sizable cash cushion, liquidity, or credit metrics.

Upside scenario

We could raise the rating on Ceconomy if the company's operating performance and cash generation sustainably improve, translating into:

- Meaningful and increasing FOCF after leases;
- Adjusted EBITDA margin approaching 5%;
- An EBITDAR coverage ratio approaching 2.0x; and
- Adjusted debt to EBITDA well below 3.0x.

This could stem from stronger-than-anticipated consumer sentiment and discretionary spending and a more effective execution of the company's strategy, leading to stronger competitiveness and profitability, consistently strong cash generation benefitting from tight working capital management and efficient capital expenditure, and other capital allocation decisions reflecting the financial policy commensurate with maintaining such stronger level of the credit measures.

Key Metrics

Ceconomy AG--Forecast summary

Period ending	Sep-30-2021	Sep-30-2022	Sep-30-2023	Sep-30-2024	Sep-30-2025	Sep-30-2026
(Mil. EUR)	2021a	2022a	2023a	2024a	2025e	2026f
Revenue	21,361	21,768	22,242	22,442	23,115	23,693

Ceconomy AG--Forecast summary						
EBITDA (reported)	951	866	814	915	1,013	1,085
Plus/(less): Other	(16)	(15)	62	(28)	(0)	(2)
EBITDA	935	851	876	887	1,012	1,083
Less: Cash interest paid	(62)	(75)	(132)	(214)	(236)	(230)
Less: Cash taxes paid	(104)	(134)	(109)	(28)	(30)	(52)
Funds from operations (FFO)	769	642	635	645	746	801
Interest expense	67	72	158	252	255	249
Cash flow from operations (CFO)	351	167	925	663	787	844
Capital expenditure (capex)	141	206	176	193	208	213
Free operating cash flow (FOCF)	210	(39)	749	470	579	631
Dividends	--	104	3	5	--	--
Share repurchases (reported)	1	132	--	4	--	--
Discretionary cash flow (DCF)	209	(275)	746	461	579	631
Debt (reported)	797	812	799	905	851	707
Plus: Lease liabilities debt (reported)	2068	1961	1785	1725	1725	1725
Plus: Additional S&P lease adjustment	0	67	111	143	143	126
Plus: Pension and other postretirement debt	401	264	260	213	213	213
Less: Accessible cash and liquid Investments	(1,634)	(715)	(834)	(939)	(924)	(876)
Plus/(less): Other	195	227	215	220	220	220
Debt	1,827	2,616	2,336	2,267	2,228	2,114
Reported FOCF after leases	(242)	(542)	256	21	116	173
Interest expense (reported)	62	66	138	228	231	226
Capex (reported)	141	206	176	193	208	213
Cash and short-term investments (reported)	1,757	769	897	1,010	997	951
Adjusted ratios						
Annual revenue growth (%)	2.5	1.9	2.2	0.9	3.0	2.5
EBITDA margin (%)	4.4	3.9	3.9	4.0	4.4	4.6
Debt/EBITDA (x)	2.0	3.1	2.7	2.6	2.2	2.0
FFO/debt (%)	42.1	24.6	27.2	28.4	33.5	37.9
FFO cash interest coverage (x)	13.4	9.6	5.8	4.0	4.2	4.5
EBITDAR to cash interest and leases (x)	1.7	1.5	1.4	1.3	1.4	1.6
CFO/debt (%)	19.2	6.4	39.6	29.2	35.3	39.9
FOCF/debt (%)	11.5	(1.5)	32.1	20.7	26.0	29.8
DCF/debt (%)	11.4	(10.5)	31.9	20.3	26.0	29.8

Financial Summary

Ceconomy AG--Financial Summary

Period ending	Sep-30-2019	Sep-30-2020	Sep-30-2021	Sep-30-2022	Sep-30-2023	Sep-30-2024
Reporting period	2019a	2020a	2021a	2022a	2023a	2024a
Display currency (mil.)	EUR	EUR	EUR	EUR	EUR	EUR
Revenues	21,455	20,831	21,361	21,768	22,242	22,442
EBITDA	1,037	1,013	935	851	876	887
Funds from operations (FFO)	718	976	769	642	635	645
Interest expense	178	60	67	72	158	252
Cash interest paid	166	54	62	75	132	214
Operating cash flow (OCF)	330	1,166	351	167	925	663
Capital expenditure	154	112	141	206	176	193
Free operating cash flow (FOCF)	176	1,054	210	(39)	749	470
Discretionary cash flow (DCF)	147	1,046	209	(275)	746	461
Cash and short-term investments	1,184	1,569	1,757	769	897	1,010
Gross available cash	1,184	1,569	1,757	769	897	1,010
Debt	1,843	1,572	1,827	2,616	2,336	2,267
Common equity	784	548	757	554	434	492
Adjusted ratios						
EBITDA margin (%)	4.8	4.9	4.4	3.9	3.9	4.0
Return on capital (%)	17.8	(1.2)	16.4	4.9	7.2	12.1
EBITDA interest coverage (x)	5.8	16.9	14.0	11.9	5.6	3.5
FFO cash interest coverage (x)	5.3	19.1	13.4	9.6	5.8	4.0
Debt/EBITDA (x)	1.8	1.6	2.0	3.1	2.7	2.6
FFO/debt (%)	39.0	62.1	42.1	24.6	27.2	28.4
OCF/debt (%)	17.9	74.2	19.2	6.4	39.6	29.2
FOCF/debt (%)	9.5	67.1	11.5	(1.5)	32.1	20.7
DCF/debt (%)	8.0	66.5	11.4	(10.5)	31.9	20.3

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. EUR--Euro

Peer Comparison

Ceconomy AG--Peer Comparisons

	Ceconomy AG	Amazon.com Inc.	Best Buy Co. Inc.	FNAC Darty S.A.	Macy's Inc.
Foreign currency issuer credit rating	BB-/Stable/--	AA/Stable/A-1+	BBB+/Stable/--	BB+/Stable/--	BB+/Stable/B
Local currency issuer credit rating	BB-/Stable/--	AA/Stable/A-1+	BBB+/Stable/--	BB+/Stable/--	BB+/Stable/B
Period	Annual	Annual	Annual	Annual	Annual
Period ending	2024-09-30	2024-12-31	2025-02-01	2024-12-31	2025-02-01
Mil.	EUR	EUR	EUR	EUR	EUR
Revenue	22,442	616,199	39,954	7,932	22,134
EBITDA	887	130,849	3,392	526	2,085

Ceconomy AG--Peer Comparisons

Funds from operations (FFO)	645	114,054	2,617	415	1,397
Interest	252	4,948	162	86	356
Cash interest paid	214	4,907	157	65	395
Operating cash flow (OCF)	663	120,854	2,660	442	1,344
Capital expenditure	193	80,168	679	120	820
Free operating cash flow (FOCF)	470	40,686	1,981	322	525
Discretionary cash flow (DCF)	461	40,686	723	295	339
Cash and short-term investments	1,010	97,750	1,518	971	1,257
Gross available cash	1,010	97,750	1,518	971	1,257
Debt	2,267	56,605	2,576	1,255	4,857
Equity	492	276,216	2,702	1,737	4,380
EBITDA margin (%)	4.0	21.2	8.5	6.6	9.4
Return on capital (%)	12.1	24.1	33.9	4.1	10.2
EBITDA interest coverage (x)	3.5	26.4	21.0	6.1	5.9
FFO cash interest coverage (x)	4.0	24.2	17.7	7.4	4.5
Debt/EBITDA (x)	2.6	0.4	0.8	2.4	2.3
FFO/debt (%)	28.4	201.5	101.6	33.1	28.8
OCF/debt (%)	29.2	213.5	103.2	35.2	27.7
FOCF/debt (%)	20.7	71.9	76.9	25.6	10.8
DCF/debt (%)	20.3	71.9	28.1	23.5	7.0

Liquidity

We assess Ceconomy's liquidity as adequate. We estimate that cash sources will cover liquidity uses by more than 2x over the 12 months started Jan. 1, 2025, even if EBITDA declines by 15%. However, the company is exposed to a structurally high intra-year seasonality of earnings and, particularly, working capital. In our opinion, the peak accounts payable position of €8.3 billion at the end of first-quarter fiscal 2025 could expose the company to unexpected deterioration in liquidity if challenging trading conditions hampered full-price sales or a substantial share of payment terms were to change unexpectedly, for example, for regulatory reasons.

Ceconomy has a fully undrawn RCF, with a total commitment of €900 million due in March 2028, that can be extended by up to two years.

Principal liquidity sources

- About €2.4 billion in unrestricted cash and equivalents at December 31, 2024;
- Fully available RCF of €900 million due in 2028;
- Cash funds from operations of around €307 million, net of lease payments; and
- Working capital inflow of up to €30 million.

Principal liquidity uses

- Seasonal working capital swings (intra year) of €1.5 billion from first-quarter 2024/25;
- Capex of €210 million;
- Other investments of about €75 million; and
- No dividends.

Environmental, Social, And Governance

Environmental factors are a neutral consideration in our credit rating analysis of Ceconomy. The company publishes an annual sustainability report. In fiscal 2024, Ceconomy's Scope 1 and Scope 2 emission targets to reduce by 58.8% by fiscal 2032 compared to fiscal 2019 have been validated by the Science Based Target initiative. We see topics related to the circular economy incorporated in the company's business strategy that can support higher customer retention.

Social factors are also a neutral consideration. In fiscal 2024, Ceconomy was one of Europe's largest retail employers, with 47,740 employees and 17,335 in Germany. Most German employees had a collective bargaining agreement. We anticipate inflation in Germany to fall to 2.2% in fiscal 2025, with real incomes set to rise on resilient labor markets.

Governance factors are a neutral consideration as well. The company's corporation and legal bodies (the management board, supervisory board, and general assembly) are governed by German stock corporation law. Of the supervisory body, 50% is composed of elected employee representatives. The buyout of minority shareholders at the local store level and the Convergenta transaction in fiscal 2022 simplified Ceconomy's organization and governance structure and improved transparency. The company's main shareholder is Kellerhals Family, with a 29.2% share.

Rating Component Scores	
Foreign currency issuer credit rating	**BB-/Stable/--**
Local currency issuer credit rating	**BB-/Stable/--**
Business risk	**Fair**
Country risk	Low
Industry risk	Intermediate
Competitive position	Fair
Financial risk	**Significant**
Cash flow/leverage	Significant
Anchor	**bb**
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Adequate (no impact)
Management and governance	Neutral (no impact)
Comparable rating analysis	Negative (-1 notch)
Stand-alone credit profile	**bb-**

Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, April 4, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Recovery Rating Criteria For Speculative-Grade Corporate Issuers, Dec. 7, 2016
- Criteria | Corporates | Recovery: Methodology: Jurisdiction Ranking Assessments, Jan. 20, 2016
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013

- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011