
Fitch Affirms Sodexo at 'BBB+'/'F2'; Outlook Stable

Fitch Ratings-Paris/London-27 July 2010: Fitch Ratings has affirmed Sodexo SA's (Sodexo) Long-term Issuer Default Rating (IDR) and senior unsecured rating at 'BBB+', respectively. Fitch has simultaneously affirmed the company's Short-term IDR at 'F2'. The Outlook on the Long-term IDR is Stable.

The affirmation reflects Sodexo's well-established business profile as a global leader in on-site service solutions for foodservice and facility management activity. The group also enjoys global leading positions in the healthcare and education segments and holds the number two worldwide positions in motivation solutions for service vouchers and cards activity.

"The rating reflects Sodexo's resilient business profile underpinned by a diversified customer base, good client retention rate and business and geographical diversification," says Johnny Da Silva, Director in Fitch's European Retail, Leisure, and Consumer Products team. "Fitch expects moderate group organic growth due to slight global economic recovery and adequate free cash flow generation in FY10." Rating headroom is limited within the current ratings.

For the nine months ended 31 May 2010, Sodexo's like-for-like revenue growth was 1.9% year-on-year, based on slight economic recovery and positive performance in the group's healthcare and motivation solutions sectors.

At end-9M10, Sodexo's motivation solutions division saw organic growth of 6.9% year-on-year. However, Fitch notes that the division's operating profitability has some exposure to interest rate movements; part of its revenue is linked to interest income. The division also operates in higher-risk countries, especially in Latin America.

Management forecasts point to overall organic revenue growth of around 2% in FY10 and operating profit of between EUR780m and EUR800m, at constant currency exchange rates.

The group's financial profile remains in line with the current ratings, as Sodexo continues to generate positive free cash flow after dividends and Fitch expects this to be the case in FY11. Sodexo's lease-adjusted net debt/ EBITDAR and the group's adjusted gross debt/EBITDAR ratio were respectively at 2.2x and 3.3x as of FY09. Fitch monitors both gross debt and net debt because not all of the group's cash and cash equivalent can be regarded as freely available for debt repayment as some cash is either restricted or needed for ongoing operations. Fitch expects Sodexo's credit metrics to remain steady in FY10.

The debt of Bellon SA, Sodexo's controlling shareholder, continues to constrain dividend flexibility. As such, when calculating a fixed-charge ratio, Fitch encompasses dividends paid to its shareholders. All Bellon SA debt covenants were met as of FY09. Sodexo's adjusted interest coverage, including dividend was stable at 2.5x in FY09.

>> Fitch has made major improvements to its credit research on EMEA and AsiaPac corporates. To view these improvements, visit our 'Clear Thinking' web page at <http://clearthinking.fitchratings.co.uk/Index.html>

Applicable criteria, 'Corporate Rating Methodology', dated 24 November, 2009, are available at www.fitchratings.com.

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Additional information is available at www.fitchratings.com.

The issuer did not participate in the rating process other than through the medium of its public disclosure.

Related Research:

[Corporate Rating Methodology](#)

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