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Ratings

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Roquette Freres

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This report does not constitute a rating action.

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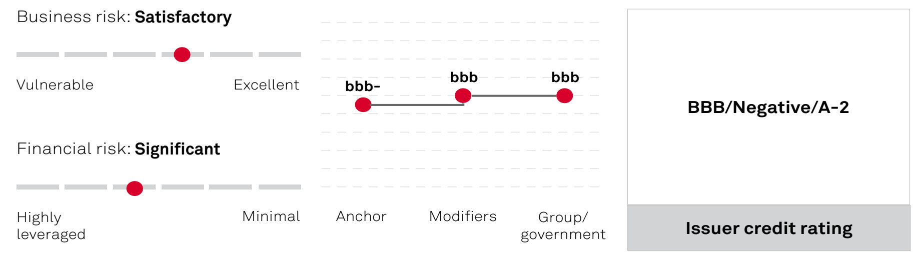
Ratings Score Snapshot



Credit Highlights

Overview

Key strengths	Key risks
Large industrial scale and geographic diversity in the global ingredients industry.	Significantly higher debt leverage of about 3.6x-3.8x in 2025 post-acquisition closing of International Flavors & Fragrances Inc.'s (IFF's) pharmaceutical solutions business.
Leading market position in the growing and highly profitable global pharmaceutical excipients sector enhanced by recent acquisitions.	Material parts of the core ingredients business is heavily commoditized and subject to volatility from raw material input prices.
Improving S&P Global Ratings-adjusted EBITDA margins more closely aligning with sector peer average of above 15%.	High working capital and capex intensity, although the company is reigning in on capital spending in 2025-2026 to support deleveraging trend.
Financial policy with target net debt to EBITDA of 2.3x-2.7x (company calculation) which supports a 'BBB' rating.	Exposure to currency risk mainly linked to operations in the U.S., India, and China.

Roquette Freres' credit metrics in 2024 were overall in line with our base case with solid positive free operating cash flow (FOCF) generation, despite overall higher adjusted debt to

EBITDA of 1.3x. Overall revenue was down 10% year on year, slightly lower than our 12% forecasts with slightly higher S&P Global Ratings-adjusted EBITDA of about €520 million. Revenue reduction, as expected, reflected lower commodity prices (notably sugar) and competitive pressures weighing on the more commoditized part (close to 50% of revenue) of the core ingredients segment. The company has taken steps to redirect its portfolio exposure in the nascent pea-protein division (about 3% of core ingredient turnover) toward higher-growing non-meat alternatives, but the large Canadian plant is still operating with ample spare production capacity, reflecting challenging market conditions. That said, FOCF stood strong at about €225 million (versus €186 million a year before) supported by large working capital inflows of about €151 million, reflecting primarily easing of inflation on inventories. We attribute the higher debt figures to the timing of the hybrid bond issuance (November 2024) and the conditional drawdowns under its terms and conditions to IFF's pharma solutions business acquisition, which closed on May 1, 2025.

Our forecasts for 2025-2027 are largely unchanged from our last report, and we continue to anticipate gradual deleveraging from peak levels in 2025, assuming smooth integration of the assets. We forecast adjusted debt to EBITDA will peak at 3.6x-3.8x in 2025 (pro-forma for IFF's pharma solutions business acquisition), reducing toward 3.0x in 2026 and slightly below in 2027. That said, we now anticipate slower improvement in S&P Global Ratings' adjusted EBITDA margins with 13%-13.5% in 2025, trending toward 14.5%-15.0% in 2026 and 15.0%-16.0% in 2027, which compares with our previous expectations of stronger improvement to at or above 16.0% in 2026 and toward 17.0% in 2027. We attribute this primarily to more volatile and challenging economic conditions across end geographies and markets (notably the food and beverage industry), and to a lesser extent to increased trade frictions in certain markets from the start of the year. We also anticipate higher capital spending (capex) in 2026 of €450 million-€460 million, reflecting select acceleration of growth investments in Roquette's legacy business (outside IFF's pharma solutions business). That said, this may not derail the group's deleveraging trend to 2027. In terms of key risks in our base case, we note that Roquette has just formally started the integration process of the acquired assets. Moreover, there are challenges in the ingredients business, particularly from competition and the demand side in the more commoditized starches and the still sub-scale plant-based proteins business. In terms of trade policy frictions, we note that around 5% of total turnover is exposed to potential tariff headwinds, mostly through European trade flows for excipients, which the company is looking to mitigate.

Focus on increasing cash conversion, consistent capital allocation choices, alongside potential portfolio management initiatives, should support the group's deleveraging efforts and its stated financial policy supports a 'BBB' rating. We note Roquette's target net debt to EBITDA policy of 2.3x-2.7x (company calculations), which indicates a leverage tolerance in line with the current rating. We assume the company will focus on the integration of the acquired assets, and deem it unlikely the company will engage in new acquisitions before 2028, while its net leverage is outside the target corridor. We continue to forecast more modest dividends of about €51 million-€76 million annually in the next two years, slightly less than previous expectations, reflecting lower cost of hybrid bond coupons (50% of which is reflected in dividends). The company is also looking to be more prudent in capex spend through to 2027 to facilitate near-term deleveraging trend. Finally, we believe the company will also consider additional deleveraging measures if necessary.

The decision to separate the core ingredients and pharmaceutical excipients businesses within the group is consistent with end-market dynamics and should drive profits and cash flow upwards. After the completion of the acquisition of IFF's pharma solutions business in early May, Roquette announced the formation of two business divisions, nutrition and bioindustry business group (comprising part of the acquired assets from IFF's pharma solutions and the former core ingredients division) and health and pharma solutions business group. Both groups will have separate senior executive teams under the umbrella of the Roquette group, which also has new senior management in place since the acquisition announcement. Each division's management team will be tasked with devising and deploying its own strategies that reflect the market dynamics of their end markets. We think these changes overall make sense and can help unlock more value over the medium to long-term for each division through own capital allocation choices in the framework of a wider group. This reflects varying business dynamics and geographical dispersion of sales, with the health and pharma solutions business group more exposed to the U.S., the world's largest pharmaceuticals market.

Roquette is overall well-funded with a diversified debt structure after transaction close. Roquette raised substantial new debt through a variety of instruments (bank loans, senior notes, subordinated hybrid notes) and should be able to manage the next upcoming debt maturities in September 2026 when the group has about $760 million of debt linked to the remaining portion of the bridge facility loan (about $2.75 billion) it contracted for the acquisition. The group benefits from a large CP program, bilaterals and backstop committed credit facilities to manage its large intra-year working capital needs. We believe the group has access to a large pool of local and international banks for its funding needs. The company has sufficient headroom under its financial maintenance covenant of net debt to EBITDA tied to its 2022 U.S. private placement notes.

Outlook

The negative outlook reflects that we see downside risks to Roquette's ability to reduce adjusted debt leverage below 3x within two years after the IFF pharma solutions acquisition closed in May 2025.

Downside scenario

We could downgrade Roquette if it is unable to improve core credit metrics with adjusted debt to EBITDA remaining above 3x in the next two years. This could happen if:

- The company experiences difficulty in successfully integrating IFF's pharma solutions business and that any cost and cash flow saving measures the company contemplates deploying prove ineffective;
- We observe material competitive or end-market pressures from the subdued consumer environment affecting key customers in the fast-moving consumer goods industry; or
- We observe material acceleration of discretionary spending, such that the forecast deleveraging trend is derailed.

Upside scenario

We could revise the outlook to stable if we see the company is a on clear path to reducing adjusted debt to EBITDA below 3x over the next two years. This is contingent on the group successfully integrating IFF's pharma solutions business, while benefiting from sustained profitable revenue growth. The latter should come on the back of improving demand for Roquette's end customers' products in the fast-moving consumer goods industry, notably in the key Europe and North America regions.

Our Base-Case Scenario

Roquette Freres--Key forecast ratios

Period ending	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027
(Mil. EUR)	2024a	2025e	2026f	2027f
Revenue	4,495	5,575-5,665	5,780-5,900	6,020-6,140
EBITDA	519	730-760	845-880	910-975
Funds from operations (FFO)	390	560-590	615-645	700-740
Capital expenditure (capex)	261	350-360	450-460	600-610
Free operating cash flow (FOCF)	223	50-70	110-140	40-70
Dividends	89	~ 50	70-80	70-80
Debt	654	~2,700	2,650-2,700	2,720-2,780
Adjusted ratios				
Debt/EBITDA (x)	1.3	3.6-3.8	3.0-3.1	2.8-3.0
FFO/debt (%)	59.6	20.0-21.0	23.0-24.0	26.0-27.0
FOCF/debt (%)	34.1	1.5-2.5	4.5-5.5	1.5-2.5
Annual revenue growth (%)	(10.0)	24.0-26.0	3.0-5.0	3.0-5.0
EBITDA margin (%)	11.5	13.0-13.5	14.5-15.0	15.0-16.0

All figures are adjusted by S&P Global Ratings, unless stated as reported. 2025 numbers are pro-forma for full-year contribution of IFF's Pharmaceutical Solutions business acquisition that closed on May 1, 2025. a--Actual. e--Estimate. f--Forecast. EUR--euro.

Company Description

Headquartered in Lille, France, Roquette is a global ingredients company, founded in 1933, and 100% owned by the Roquette family. The company derives its product offering from processing corn, wheat, potatoes, and peas. It caters to a variety of customers including pharmaceutical and nutraceutical companies, cosmetics manufacturers, food and beverage producers, animal health, and industrial (paperboard, plastic packaging, chemicals, automotive, and sports and leisure goods manufacturers). The group operates two main divisions:

- Core ingredients (recently renamed to Nutrition and Bioindustry): produces starch and derivatives, specialty food ingredients, and plant-based proteins. The segment accounted for about 79% of reported revenue and 49% of reported EBITDA in 2024.
- Roquette Pharma (recently renamed to Health and Pharma Solutions): produces pharmaceutical and nutraceutical excipients and active ingredients for both prescription oral dose as well as for injectables medications. The segment accounted for about 18% of reported revenue and 51% of reported EBITDA in 2024.

The group generates most of its sales (before intragroup eliminations) from Europe (58% of sales in 2024, 63% in 2023), followed by Asia (23% in 2024, 20% in 2023) and the Americas (mostly North America; 19% in 2024, 17% in 2023).

In fiscal 2024 (fiscal year ends Dec. 31), Roquette reported total revenue of about €4.5 billion (compared with about €5.0 billion in 2023) and S&P Global Ratings-adjusted EBITDA of about €519 million (€590 million in 2023), indicating margins of 11.5% (11.8% in 2023).

Peer Comparison

Roquette Freres--Peer Comparisons

	Roquette Freres	Suedzucker AG	Tate & Lyle PLC	Kerry Group PLC	Givaudan SA
Foreign currency issuer credit rating	BBB/Negative/A-2	BBB-/Stable/A-3	BBB/Stable/A-2	BBB+/Stable/A-2	A-/Stable/A-2
Local currency issuer credit rating	BBB/Negative/A-2	BBB-/Stable/A-3	BBB/Stable/A-2	BBB+/Stable/A-2	A-/Stable/A-2
Period	Annual	Annual	Annual	Annual	Annual
Period ending	2024-12-31	2025-02-28	2024-03-31	2024-12-31	2024-12-31
Mil.	EUR	EUR	EUR	EUR	EUR
Revenue	4,495	9,694	1,928	6,929	7,900
EBITDA	519	631	438	1,178	1,940
Funds from operations (FFO)	390	367	335	1,002	1,680
Interest	66	140	29	90	128
Cash interest paid	67	115	28	68	98
Operating cash flow (OCF)	485	646	347	989	1,653
Capital expenditure	261	571	126	311	312
Free operating cash flow (FOCF)	223	75	220	677	1,341
Discretionary cash flow (DCF)	134	(171)	102	(84)	635
Cash and short-term investments	1,508	692	512	1,610	798
Gross available cash	1,554	692	512	1,610	798
Debt	654	2,815	341	1,970	4,547
Equity	3,100	3,699	1,450	6,487	4,879
EBITDA margin (%)	11.5	6.5	22.7	17.0	24.6
Return on capital (%)	6.3	4.2	16.6	10.4	16.3
EBITDA interest coverage (x)	7.9	4.5	15.0	13.1	15.2
FFO cash interest coverage (x)	6.8	4.2	12.9	15.8	18.1
Debt/EBITDA (x)	1.3	4.5	0.8	1.7	2.3
FFO/debt (%)	59.6	13.0	98.3	50.9	36.9
OCF/debt (%)	74.1	22.9	101.7	50.2	36.4
FOCF/debt (%)	34.1	2.7	64.6	34.4	29.5
DCF/debt (%)	20.5	(6.1)	29.9	(4.3)	14.0

Financial Risk

Roquette Freres--Financial statistics

Period ending	Dec-31-2024
Reporting period	2024a
Display currency (mil.)	EUR
Revenues	4,495

Roquette Freres--Financial statistics	
EBITDA	519
Funds from operations (FFO)	390
Interest expense	66
Cash interest paid	67
Operating cash flow (OCF)	485
Capital expenditure	261
Free operating cash flow (FOCF)	223
Discretionary cash flow (DCF)	134
Cash and short-term investments	1,508
Gross available cash	1,554
Debt	654
Common equity	3,100
Adjusted ratios	
EBITDA margin (%)	11.5
Return on capital (%)	6.3
EBITDA interest coverage (x)	7.9
FFO cash interest coverage (x)	6.8
Debt/EBITDA (x)	1.3
FFO/debt (%)	59.6
OCF/debt (%)	74.1
FOCF/debt (%)	34.1
DCF/debt (%)	20.5

Reconciliation Of Roquette Freres Reported Amounts With S&P Global Adjusted Amounts (Mil. EUR)

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Financial year	Dec-31-2024									
Company reported amounts	1,653	3,394	4,495	472	184	63	519	515	89	261
Cash taxes paid	-	-	-	-	-	-	(61)	-	-	-
Cash interest paid	-	-	-	-	-	-	(67)	-	-	-
Trade receivables securitizations	30	-	-	-	-	-	-	(30)	-	-
Lease liabilities	138	-	-	-	-	-	-	-	-	-
Intermediate hybrids (equity)	300	(300)	-	-	-	-	-	-	-	-
Postretirement benefit obligations/	64	-	-	-	-	3	-	-	-	-

Reconciliation Of Roquette Freres Reported Amounts With S&P Global Adjusted Amounts (Mil. EUR)

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
deferred compensation										
Accessible cash and liquid investments	(1,524)	-	-	-	-	-	-	-	-	-
Nonoperating income (expense)	-	-	-	-	6	-	-	-	-	-
Noncontrolling/ minority interest	-	6	-	-	-	-	-	-	-	-
Debt: other	(7)	-	-	-	-	-	-	-	-	-
EBITDA - Gain/(loss) on disposals of PP&E	-	-	-	(4)	(4)	-	-	-	-	-
EBITDA: other income/ (expense)	-	-	-	51	51	-	-	-	-	-
Total adjustments	(999)	(294)	-	47	53	3	(128)	(30)	-	-
S&P Global Ratings adjusted	**Debt**	**Equity**	**Revenue**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from Operations**	**Operating cash flow**	**Dividends**	**Capital expenditure**
	654	3,100	4,495	519	237	66	390	485	89	261

Environmental, Social, And Governance

Environmental factors are a moderately negative consideration in our credit rating analysis of Roquette because environmental risks (including climate, water, and biodiversity) are inherent to the agribusiness industry. For example, the company uses large volumes of raw materials, such as wheat, peas, potatoes, and corn, which raises problems around soil degradation, water waste, and energy consumption that are common to the industry. We also consider the group to be exposed to increasing concerns around responsible sourcing. In 2023 Roquette upgraded its target to 60% sustainable agricultural raw material sourcing by 2030 (it achieved 38.7% in 2022 well ahead of its 20% target by 2025). It also stepped up its ambition to reduce water use and committed to using 20% less water by 2030 (from 2021 baseline; down 9.9% as of Dec. 31, 2024).

Roquette has also set targets to reduce its environmental impact, notably for greenhouse gas emissions (scopes 1, 2, and 3) and has committed to saving 1 million tons by 2025, versus its 2015 baseline. In 2022, the company reported it reached this target thanks to a fuel change from coal to biomass derived from sugarcane bagasse at an Indian plant, having previously recorded a decrease of about 895,457 tons in 2021 and 860,287 tons in 2020, or just below 90% of its 2025 target. In 2022, Roquette made a new commitment to reduce by 25% its greenhouse gas emissions (scopes 1 and 2) between 2021 and 2030 (down 10% across all scopes based on market-based indicators as of Dec. 31, 2024), unchanged from before but this time based on the Science-Based Target Initiative framework. In scope 3 it made a similar commitment. The group's engagement in optimizing energy use and reducing its environmental impact is ongoing.

Furthermore, as an ingredients provider with a large industrial footprint linked to its transformation activities, Roquette aims to meet sustainable chemistry criteria for 70% of its projects by 2025, of which 80% should meet the U.N.'s sustainable development goals. The company reached its target in 2022 (71%) and in 2023 this level further increased to 75%. We continue to regard Roquette's top priority in this area is to offer product traceability to end customers through sustainable bio-refining and sourcing, given that this is an increasing area of concern for consumers globally.

Social and governance factors are a neutral consideration in our rating analysis. The company is fully owned by the Roquette family, and its financial policy has been consistently conservative, supporting the group's consistent and productive investment strategy.

Issue Ratings--Subordination Risk Analysis

Capital structure

Roquette's capital structure comprises of a mix of debt securities, including commercial paper drawdowns, U.S. private placement notes, syndicated and bilateral term loan facilities, senior unsecured notes, and hybrid bonds. The company's funding mostly sits at Roquette Freres S.A., the parent entity and where the annual audited accounts are issued.

Analytical conclusions

Our long-term issue-level credit rating on the company's outstanding €600 million senior unsecured notes due November 2031 is 'BBB', in line with the issuer credit rating on the parent and supported by the limited subordination risk in the capital structure. We also rate the group's €600 million perpetual deeply subordinated hybrid notes 'BB+'. The issue rating on the hybrid is two notches below the issuer credit rating on the parent, and reflects one-notch deduction because of the deep contractual subordination of the instrument, and an additional one-notch deduction to reflect the interest payment flexibility at the sole discretion of the issuer. Finally, we also rate the company's €500 million commercial paper program 'A-2', in line with the short-term issuer credit rating.

Rating Component Scores	
Foreign currency issuer credit rating	**BBB/Negative/A-2**
Local currency issuer credit rating	**BBB/Negative/A-2**
Business risk	**Satisfactory**
Country risk	Low
Industry risk	Intermediate
Competitive position	Satisfactory
Financial risk	**Significant**
Cash flow/leverage	Significant
Anchor	**bbb-**
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	Positive (+1 notch)
Stand-alone credit profile	**bbb**

Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, April 4, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, 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: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- 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

Related Research

- Industry Credit Outlook 2025: Consumer Products, Jan. 14, 2025
- Roquette Freres S.A. Downgraded To 'BBB' On IFF's Pharma Solutions Business Purchase; Off CreditWatch; Outlook Negative, October 31, 2024
- Consumer Product Companies: The Road To Volume Growth Remains Elusive, Oct. 15, 2024
- Research Update: Roquette Freres Ratings Placed On CreditWatch Negative On Announced Acquisition Of IFF's Pharmaceutical Business, March 19, 2024

Ratings Detail (as of June 16, 2025)*	
Roquette Freres	
Issuer Credit Rating	BBB/Negative/A-2
Commercial Paper	
Local Currency	A-2
Senior Unsecured	BBB
Subordinated	BB+
Issuer Credit Ratings History	
31-Oct-2024	BBB/Negative/A-2
19-Mar-2024	A-/Watch Neg/A-2
15-Mar-2012	A-/Stable/A-2

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.