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CREDIT OPINION
22 April 2024

Update

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RATINGS

Wendel SE

Domicile	France
Long Term Rating	Baa2
Type	LT Issuer Rating - Dom Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Wendel SE

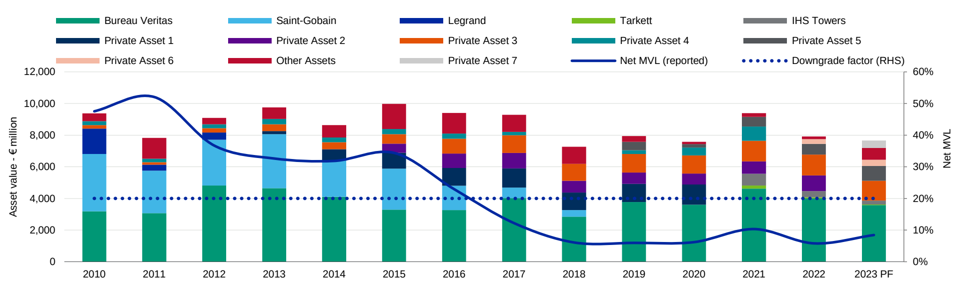
Regular update

Summary

Wendel SE's (Baa2) rating continues to reflect the company's track record of conservative financial policies, including maintenance of market value leverage (MVL) below 20% on a sustained basis, which Moody's expects to continue throughout a range of economic cycles. We do not expect Wendel's updated investment strategy presented in March 2023 to meaningfully change this conservative financial policy. This includes a commitment to an investment grade rating; the intention to invest around €2.0 billion of equity within two years; to increase dividend target to 2.5% of net asset value (NAV) from 2024, with the aim of reaching 3.5% of NAV in the medium term while having a minimum objective of annual stability; as well as the ambition to develop an asset management business. Although Wendel has a high business & consumer services sector concentration through its investments in Bureau Veritas S.A. (BV), ACAMS, Scalian and CPI, this sector generally results in lower volatility compared with more cyclical end markets, such as building materials, where Wendel no longer has exposure. Other meaningful sector exposure is telecommunications through IHS Towers and chemicals through Stahl. New investments also have the potential to further diversify Wendel's portfolio by asset and sector exposure.

Exhibit 1

Wendel's net MVL has declined substantially in recent years



2023 pro forma the Constantia Flexibles transaction; the remaining amount of share buyback program; the first tranche (€255 million) of payment for IK acquisition, and Wendel's €300 million commitment of investments into funds of IK.
Sources: Wendel and Moody's Ratings

Ratings also take into account the high asset concentration with around one third of Wendel's portfolio value of around €7.7 billion tied to BV. The 9% reduction of its stake in BV in April 2024 and the issuance of €750 million exchangeable bonds into BV shares in 2023 clearly signal Wendel's intention to reduce the BV exposure. The reinvestment of divestiture proceeds into private assets brings its own challenges, including reduced monetisation options given that private assets are inherently less liquid. Furthermore, the valuation to private investments is less frequent and subject to various assumptions compared with listed companies, and unlisted investments are more difficult to monitor given the lack of public disclosure. Wendel updates the valuation of private investments on a quarterly basis. In addition, Wendel provides a good level of disclosure on valuation metrics and the historical development of valuation metrics for private assets, offering a good level of transparency on the overall valuation of the investment portfolio.

Credit strengths

» Developing, but consistent and prudent investment strategy coupled with a strong track record and conservative financial policy, including sustained net MVL of below 20%

» High exposure to business and consumer services, but this sector has lower volatility and more favourable environmental and social risk profiles compared to other sectors; end market and geographic diversification at the investee level

» Growing fee related earnings, albeit from a low base

» Available cash well in excess of €2.0 billion cash, which is likely to be majority deployed for further investments

» Well-staggered debt maturity profile with next sizeable maturity of €209 million notes and €750 million of exchangeable bonds due April 2026

Credit challenges

» Concentrated investment portfolio with around one third of its portfolio value tied to Bureau Veritas S.A. (BV); diversification efforts underway, including placement of exchangeable bonds linked to BV shares and divestiture of 9% stake in BV

» Growing share of private investments with less transparency and still unproven track record of the third party asset management business

» Historically low interest cover as investees' earnings were largely retained to fund growth as opposed to dividend payouts

Rating outlook

The stable outlook reflects Moody's expectation that Wendel executes its new investment strategy within the perimeters of net MVL below 20% and does not meaningfully increase organizational complexity.

Factors that could lead to an upgrade

For an upgrade, Moody's would expect a continued track record of strong shareholder returns through cycles, coupled with conservative financial policies and evidence of traction of its new investment strategy, including increased portfolio diversification. Moody's could also upgrade ratings if Wendel's net MVL stays sustainably below 15% through the market cycle and interest cover improved sustainably to above 2.0x.

Factors that could lead to a downgrade

Moody's could downgrade ratings if Wendel's net MVL increased sustainably above 20% without clear evidence of willingness and ability to reduce leverage to target levels within a time frame not exceeding 18 months. Substantial changes in the portfolio composition, which could add to the riskiness of its portfolio such as a significant shift to more volatile assets, could also result in a downgrade. Lastly a deterioration in Wendel's liquidity profile especially in light of Wendel's weak interest cover could exert negative pressure on the current rating.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on https://ratings.moodys.com for the most updated credit rating action information and rating history.

Key indicators

Wendel SE

	2015	2016	2017	2018	2019	2020	2021	2022	2023 PF
Total Net Assets (in EUR million)	9,978	9,405	9,292	7,264	7,939	7,583	9,388	7,915	7,669
Net MVL	34.4%	22.9%	12.2%	6.1%	6.0%	6.2%	10.3%	5.8%	8.6%
Interest Coverage	1.1x	0.8x	3.0x	0.8x	0.4x	-1.1x	-0.2x	0.7x	3.8x

2023 pro forma the Constantia Flexibles transaction; the remaining amount of share buyback program; the first tranche (€255 million) of payment for IK acquisition, and Wendel's €300 million commitment of investments into funds of IK.
Sources: Wendel and Moody's Ratings

Profile

Wendel SE (Wendel), based in Paris/France, is the parent company of the Wendel group, a leading investment holding company in Europe. Wendel reported a gross asset value of around €8.2 billion (excluding cash) as of 31 December 2023. The Wendel group was founded in 1704, and the 1,300 family shareholders grouped under Wendel-Participations SE own 39.6% of Wendel's share capital, controlling 52.7% of its voting rights. Wendel is listed on the Paris Stock Exchange, and the company's market capitalization was around €4.2 billion as of 12 April 2024.

Detailed credit considerations

Clearly defined and conservative investment strategy

Wendel's investment strategy is clearly defined and well-articulated for the group's shareholders and creditors. The management team focuses on a buy-and-build approach, with a priority given to buying majority stakes in companies to support the development of their business models over a long-term holding period (13 years on average historically). According to the new investment strategy presented in March 2023, Wendel aims at investing €2.0 billion in equity investments of €300 million to €600 million in public and private assets focussed on Western Europe and North America within two years. Wendel has occasionally partnered with co-investors for larger investments in the past. Wendel also occasionally seeks co-investors for their specific knowledge of, or expertise in, a business sector, but we do not expect it to raise debt at intermediate holding company level.

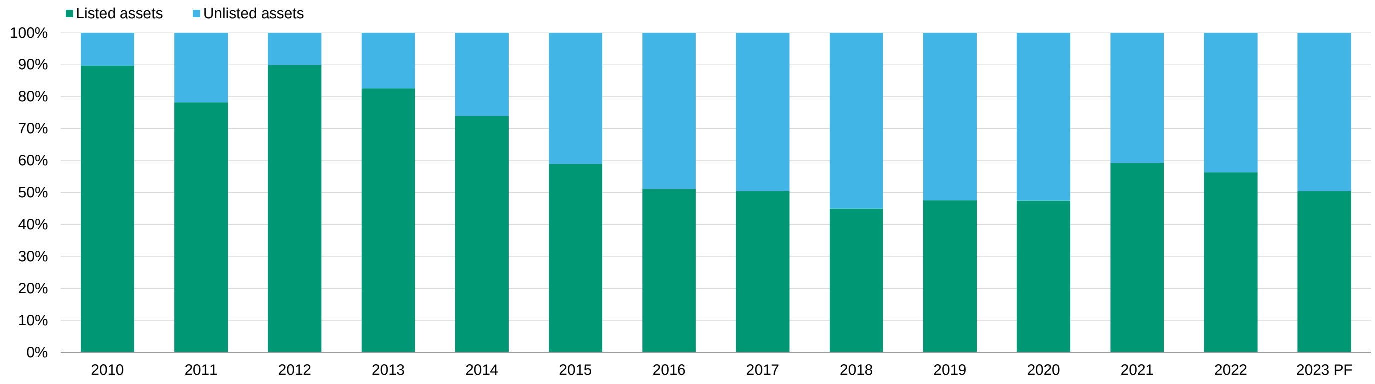
The company has also announced its intention to develop a third-party asset manager, aiming to create value through existing capabilities and raise third-party capital. In October 2023 Wendel announced that it had entered into exclusive negotiations to acquire a 51% stake in IK Partners (IK), a private equity investment firm focused on European businesses, for a total of €383 million. The investment in IK and future investments into IK-managed funds, in line with Wendel's strategy of developing its third-party asset management business, will improve Wendel's asset diversification and result in recurring fund management fee income and enhance its business profile, which will benefit from improved asset diversification and an additional meaningful source of cash income. Wendel expects IK to generate around €60 million in pre-tax fee-related earnings by 2024. In addition, 20% of IK's carried interest of its future funds, from IK X onwards, will be attributable to Wendel.

We recognise that Wendel's business profile will change over time now that the development of third-party asset management activities has been articulated and the acquisition of IK announced. The recurring management fees and fee income from these activities will over time complement financial income and strengthen interest coverage. At this point in time the primary risks still reside with investment holding activities with the value of IK estimated to account for less than 5% of Wendel's total portfolio value.

Wendel targets a double-digit average total shareholder return. The ambitious return targets implies the need to generate double-digit internal rate of return (IRR) on permanent capital and greater than 15% IRR on the third party asset management platform, and implies the use of leverage at the individual investment level to optimise the return on equity at Wendel. However, Wendel's largest public and private assets have strong credit profiles, and the more leveraged assets in the portfolio contribute only a very small portion of the gross asset value of the total portfolio value, which improves the sustainability of Wendel's balance sheet.

Wendel balance between listed and unlisted assets is currently around 50%-50% (see Exhibit 3). We expect the company to increase the share of unlisted assets. As part of its asset rotation Wendel in April 2024 sold a 9% stake in BV for net divestiture proceeds of around €1.1 billion and in March 2023 placed a €750 million exchangeable bond that could allow bondholders to exchange their bonds for BV shares, in which case Wendel's holding in BV would decrease by 4.3%.

Exhibit 3
Pivot towards unlisted assets



2023 pro forma the Constantia Flexibles transaction; the remaining amount of share buyback program; the first tranche (€255 million) of payment for IK acquisition, and Wendel's €300 million commitment of investments into funds of IK.
Sources: Wendel and Moody's Ratings

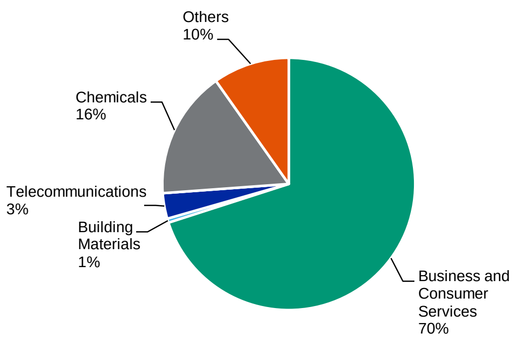
Strong track record of developing assets through organic and external growth

Wendel has established a strong track record of developing companies through both organic and external growth, of which BV and Stahl Group are examples. The values of BV and Stahl Group increased significantly, reflecting Wendel's ability to identify sound business models and successfully develop them over time. Wendel acquired a majority stake in BV in 1995, when the company was generating an annual turnover of €400 million. Bureau Veritas generated almost €5.9 billion of revenues in 2023. It is a profitable company with a reported operating margin of around 16%. The consolidation in specialty coatings for flexible substrates under the leadership of Stahl Group is another example of the successful execution of Wendel's strategic vision.

Asset portfolio well diversified across sectors and geographies

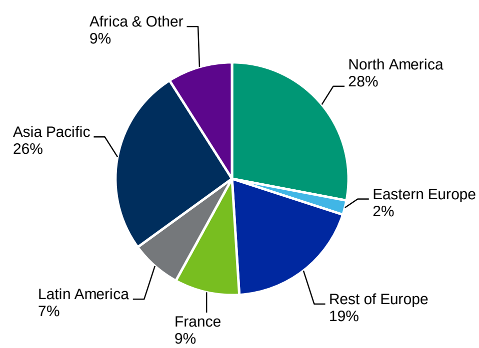
Wendel's asset portfolio is well diversified across business sectors and geographies. BV's strong earnings resilience through the macroeconomic cycle mitigates the concentration in business and consumer services (around 70%). In addition, Wendel's portfolio companies are characterised by strong geographic diversification in terms of revenue generation, with a good mix of developed and emerging economies.

Exhibit 4
Enterprise value exposure of Wendel group companies, according to the breakdown of 2023 pro forma revenues



2023 pro forma the Constantia Flexibles transaction; the acquisition of 51% of IK and Wendel's €300 million commitment of investments into funds of IK.
Sources: Wendel and Moody's Ratings

Exhibit 5
Breakdown of revenue by regions



Breakdown as of 2022. 2023 data is not yet available.
Sources: Wendel and Moody's Ratings

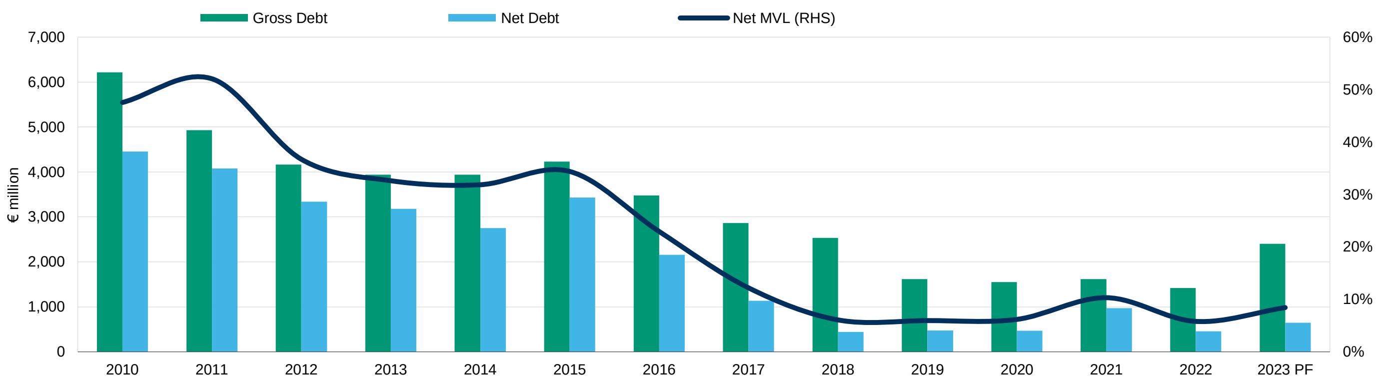
Expectation that Wendel maintains conservative financial policy and net MVL below 20% on a sustained basis

Wendel has had very low leverage at the investment holding company level, with net MVL below 10% in the period 2018-2023 (around 9% as of December 2023 on a pro-forma basis). In the context of its new financial policy, Wendel targets to increase dividend target to 2.5% of net asset value (NAV) from 2024, with the aim of reaching 3.5% of NAV in the medium term while having a minimum objective of annual stability. The company also reiterated its investment-grade rating commitment. We expect Wendel to maintain its net MVL at a level below 20% on a sustained basis through market cycles and to implement an action plan if its net MVL were to exceed the 20% threshold significantly for a prolonged period. Wendel has a strong track record of reducing leverage through the global financial crisis after reaching a very high MVL of around 50% in 2011.

The payments to acquire IK Partners will be staggered, with €255 million paid at the transaction's closing, which is expected in the first half of 2024. The second tranche of €128 million will be paid three years after closing, subject to certain conditions. Wendel would acquire the remaining 49% of IK Partners' capital in subsequent transactions between 2029 and 2032, with an option to pay for the acquisition in shares or cash. Wendel has also committed to participating in future fundraising by IK Partners of up to a maximum of 10% of the capital raised, which would allow it to further diversify its own investments.

Exhibit 6

Strong track record of leverage reduction since 2009

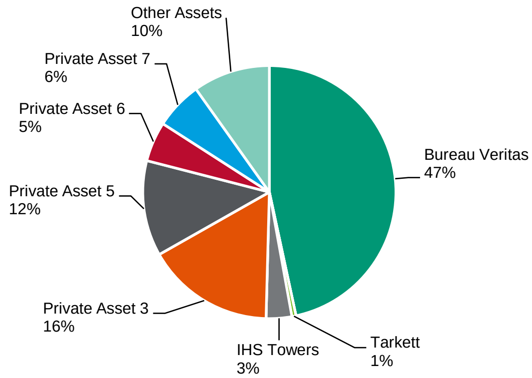


2023 pro forma the Constantia Flexibles transaction; the remaining amount of share buyback program; the first tranche (€255 million) of payment for IK acquisition, and Wendel's €300 million commitment of investments into funds of IK.
Sources: Wendel and Moody's Ratings

Some asset concentration, with top three assets accounting for around 70% of gross asset value

Wendel's strategy focuses on the diversification of its overall asset portfolio. However, the company believes that too much diversification or a very broad portfolio would be detrimental to achieve its target average annual return profile and would increase the credit risk at the Wendel level. The group's top three assets accounting for around 61% (as of December 2023) of the investment portfolio's gross asset value, including cash, is somewhat concentrated relative to rated peers. We expect Wendel's asset concentration to reduce as the company invests available excess liquidity into new assets over time in a disciplined manner along with progressively reducing its stake in BV. The defensive nature of BV, the group's largest asset at 37% of gross asset value (as of April 2024 around 33%), including cash, largely mitigates the concentration.

Exhibit 7
Wendel's portfolio composition
As of December 2023, pro forma the disposal of Constantia



Private assets 1, 2 and 4 have been disposed in the last 3 years.
Sources: Wendel and Moody's Ratings

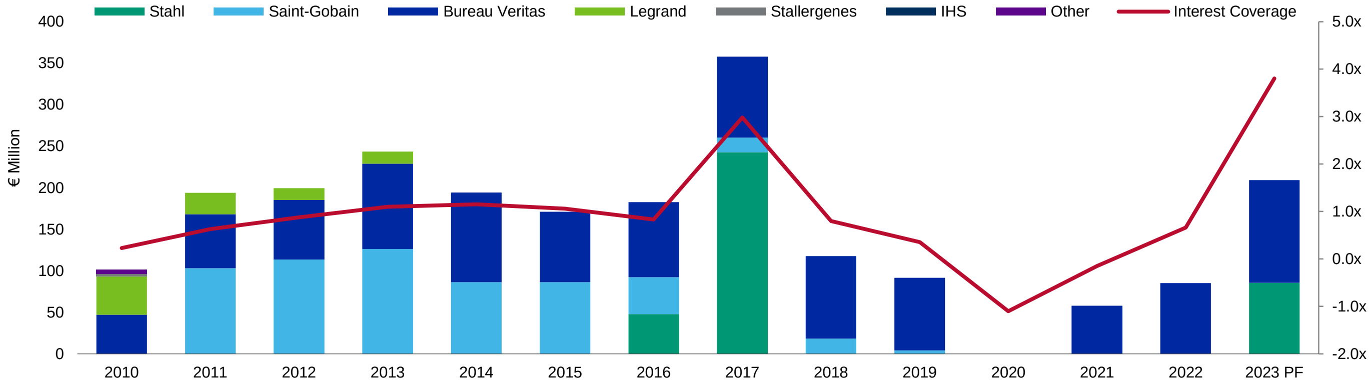
Low interest cover results from deliberate choice to reinvest profits over dividend payouts

Historically, Wendel's interest cover has been weak, reflective of the relatively high share of private assets in its investment portfolio. It has also been Wendel's deliberate choice to use the financial flexibility of these private companies to reinvest into their businesses, rather than upstreaming cash to the holding level through dividends. We believe the value accretion from reinvesting the generated cash flow into the businesses by far exceeds the return that Wendel's shareholders would obtain through dividend upstreams. In addition, Wendel has a robust cash position, which covers several years of interest and debt maturities, and mitigates the structurally low interest cover. Wendel has options to manage its leverage at the holding company level by monetising assets or by extracting dividends from lowly-levered investees such as Stahl. The new asset management activities could over time deliver recurring fee income, a credit positive as it would diversify Wendel's investment income. The principal and regular contributor to Wendel's dividend income has been BV. BV paid more than €55 million of dividends in 2021 and around €85 million in 2022. Dividend income from BV increase to around €124 million in 2023 as a result of BV's changed dividend policy which now targets a 65% payout ratio, up from 50%. Higher BV dividends offset the lower shareholding in BV post the 9% stake sale in April 2024 and if holders of the €750 million exchangeable bond due 2026 were to exercise their conversion option into BV shares. The third party asset management activities could over time deliver recurring fee income, a credit positive as it would diversify Wendel's investment income. The relatively weak interest cover is mitigated by Wendel's solid cash position.

Exhibit 8

Irregular dividend income drives volatility in interest coverage, which is low

Dividend Income from investments and interest coverage development



2023 pro forma the Constantia Flexibles transaction; the remaining amount of share buyback program; the first tranche (€255 million) of payment for IK acquisition, and Wendel's €300 million commitment of investments into funds of IK.

Sources: Wendel and Moody's Ratings

ESG considerations

Wendel SE's ESG credit impact score is CIS-2

Exhibit 9

ESG credit impact score

CIS-2

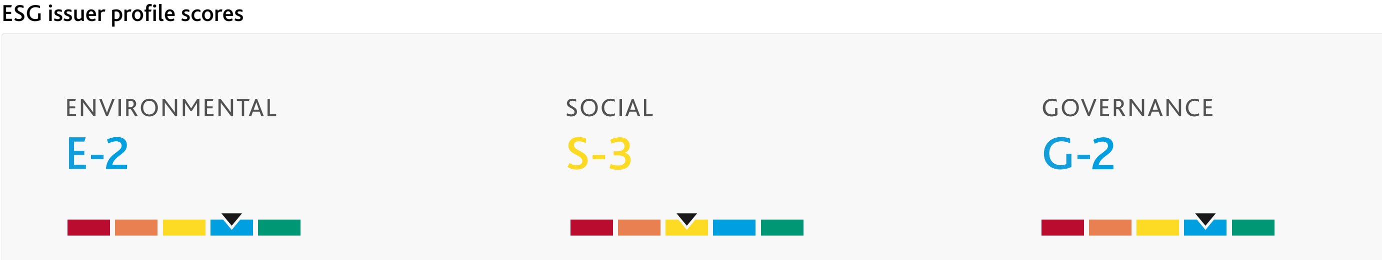
ESG considerations do not have a material impact on the current rating.

Source: Moody's Ratings

Wendel's **CIS-2** indicates that ESG considerations are not material to the rating. Wendel's anchor investment Bureau Veritas (BV) accounts for about half of Wendel's portfolio value. BV therefore strongly influences Wendel's overall environmental and social risks. The CIS also reflects the company's concentrated ownership, reporting of its private company investments, and its updated investment strategy that was redefined in 2023 and therefore provides a fairly short track record.

Exhibit 10

ESG issuer profile scores



Source: Moody's Ratings

Environmental
Wendel has indirect exposure to environmental risk through its investee companies, foremost BV, which accounts for about half of Wendel's portfolio value.

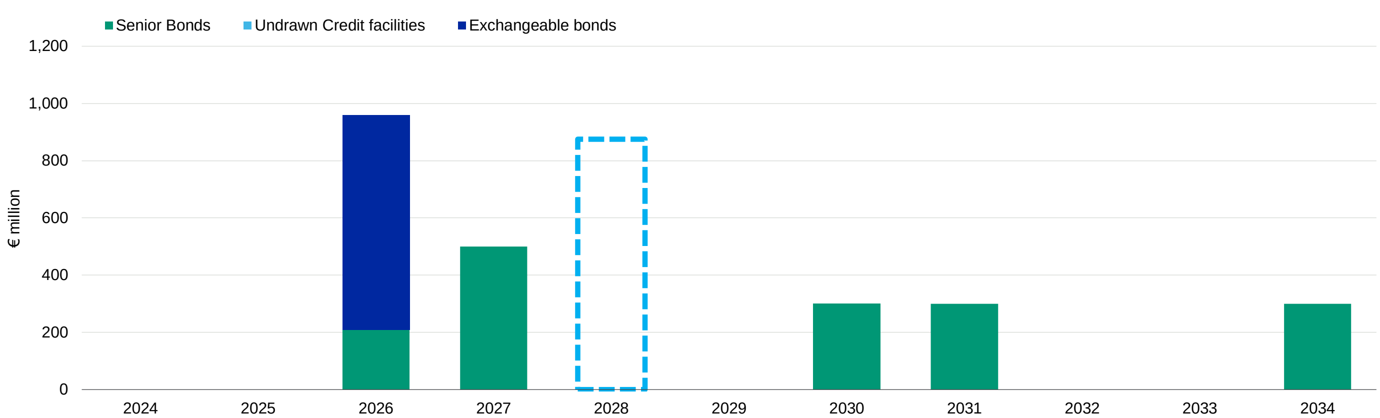
Social
Wendel’s social risk factors are largely in line with its investees, reflecting Wendel’s indirect exposure to social risks. These mostly stem from Wendel’s exposure in the business and consumer services (BV, ACAMS, Scalian, CPI) sector. The services sector faces human capital, health and safety and responsible production risks related primarily through access to labour.

Governance
Wendel's governance exposure reflects its conservative financial policies and risk management, an experienced management team with a solid operational track record as well as concentrated ownership. Wendel-Participations SE, an investment vehicle of 1,200 family shareholders, owns 39.6% of Wendel's share capital and has around 52.6% of voting rights. Four out of twelve board members are independent and two are employee representatives. The ownership and control structure results in elevated risk exposure in board structure, policies and procedures because of the concentrated decision making.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Liquidity analysis
Wendel's liquidity is strong. At year-end 2023 Wendel had almost €1.3 of cash and cash equivalents. The holding company received €1.1 billion of net proceeds in January 2024 when the sale of Constantia Flexibles closed, in addition to around €1.1 billion of net proceeds in April from the 9% reduction of its stake in BV. Liquidity is further supported by a fully undrawn €875 million committed credit facility due in July 2028. Wendel has a well-spread maturity profile, with an average debt maturity of 4.6 years while its available liquidity covers all of its debt maturities. The next sizeable maturity is a €300 million senior unsecured bond due April 2026. The vast majority of outstanding debt is low fixed interest rate debt, with a weighted-average cost of bond debt below 2%. Apart from the upcoming payments to fund the IK 51% stake and the €300 million commitment to invest in the IK X fund, we expect a large share of Wendel's cash to be deployed for further acquisitions, without, however, materially compromising its overall strong liquidity.

Exhibit 11
Wendel's debt maturity profile is well spread, with an average maturity of 4.6 years
As of December 2023



Sources: Wendel and Moody's Ratings

Methodology and scorecard
The principal rating methodology used in this rating was Investment Holding Companies and Conglomerates, published in April 2023.

The point-in-time scorecard-indicated outcome is Baa1, one notch above the assigned rating. The scorecard-indicated outcome is supported by Wendel's very strong MVL and strong liquidity. The one-notch differential between the scorecard-indicated outcome and the assigned rating reflects our expectation that Wendel pursues investments of up to €2.0 billion within the next two years increasing MVL to not more than 20% on a sustained basis during the market cycle to maintain its current rating. Future investments can improve the asset quality of Wendel's portfolio by reducing asset concentration or increasing business diversity. This is, however, difficult to assess before any transaction is announced.

Exhibit 12
Rating factors
Wendel SE

Investment Holding Companies Industry [1][2]	2023 PF		Moody's 12-18 Month Forward View As of 3/18/2024 [3]	
Factor 1 : Investment Strategy (10%)	**Measure**	**Score**	**Measure**	**Score**
a) Investment Strategy	Baa	Baa	Baa	Baa
Factor 2 : Asset Quality (40%)				
a) Asset Concentration	B	B	B	B
b) Geographic Diversity	A	A	A	A
c) Business Diversity	Baa	Baa	Baa	Baa
d) Investment Portfolio Transparency	A	A	A	A
Factor 3 : Financial Policy (10%)				
a) Financial Policy	Baa	Baa	Baa	Baa
Factor 4 : Estimated Market Value-based Leverage (MVL) (20%)				
a) Estimated Market Value-Based Leverage	Aaa	Aaa	Aa	Aa
Factor 5 : Debt Coverage and Liquidity (20%)				
a) (FFO + Interest Expense) / Interest Expense	3.8x	Baa	2x - 2.5x	Ba
b) Liquidity	A	A	A	A
Rating:				
a) Scorecard-Indicated Outcome		A3		Baa1
b) Actual Rating Assigned				Baa2

[1] All ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. 2023 pro forma the Constantia Flexibles transaction; the remaining amount of share buyback program; the first tranche (€255 million) of payment for IK acquisition, and Wendel's €300 million commitment of investments into funds of IK.
[2] As of 12/31/2023.
[3] This represents Moody's forward view, not the view of the issuer, and unless noted in the text, does not incorporate significant acquisitions and divestitures.
Source: Moody's Ratings

Ratings

Exhibit 13

Category	Moody's Rating
WENDEL SE	
Outlook	Stable
Issuer Rating -Dom Curr	Baa2
Senior Unsecured -Dom Curr	Baa2

Source: Moody's Ratings

Appendix

Exhibit 14
Peer comparison

	Investor AB	Groupe Bruxelles Lambert	JAB Holding S.a.r.l	Criteria Caixa	Wendel SE
Rating & Outlook	Aa3 Stable	A1 Stable	Baa1 Stable	Baa2 Positive	Baa2 Stable
Country of Domicile	Sweden	Belgium	Luxembourg	Spain	France
	As of December 2023	As of September 2023	As of December 2022	As of December 2022	As of December 2023 PF
Total Portfolio Value (in € million)	64,302	18,181	32,279	24,146	7,669
Cash (in € million)	2,187	1,865	3,607	439	1,754
Asset Concentration (Top 3 Assets)	44%	39%	80%	66%	61%
Proportion of Listed Assets	86%	62%	49%	84%	50%
Company Guidance / Financial Target	MVL in the range of 0% - 10%	MVL below 10%	MVL in the range of 15% - 20% in mid/long term	Target MVL ~20%	To retain an investment grade profile
Net Market Value Leverage (MVL)	1.9%	12%	25%	19%	8%
(FFO + Interest Expense) / Interest Expense	10.9x	8.8x	4.5x	11.0x	3.8x

Wendel 2023 pro forma the Constantia Flexibles transaction; the remaining amount of share buyback program; the first tranche (€255 million) of payment for IK acquisition, and Wendel's €300 million commitment of investments into funds of IK.
Sources: Company and Moody's Ratings

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