MOODY'S
INVESTORS SERVICE

CREDIT OPINION
8 August 2023

Update

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Groupe Bruxelles Lambert

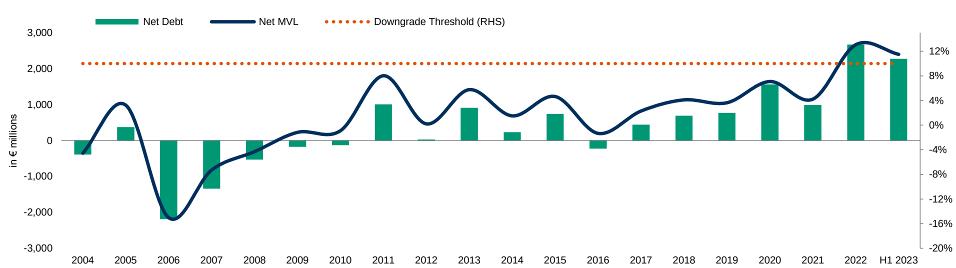
Update following H1 2023 results

Summary

Groupe Bruxelles Lambert's (GBL) long-term issuer rating reflects the company's active, successful and prudent investment strategy, and its very conservative financial policy. GBL has maintained very low net market value leverage (MVL), typically below 10% (11.5% in the first half of 2023) over more than 15 years and through different market cycles, and strong interest cover. GBL has also demonstrated a strong track record of value creation and a successful asset rotation strategy. GBL's portfolio of investments is fairly well diversified across business sectors and geographies, and is largely exposed to defensive and resilient end industries. The split between listed and unlisted assets of 62% along with an average rating of around A3-Baa1 for the listed assets ensures excellent liquidity of the portfolio and a very good level of transparency on valuations. GBL's long-term investment strategy is focused on buying stakes in leading companies in their respective sectors. GBL invests in business sectors with strong long-term growth potential, high barriers to entry, resilience to the economic cycle and a fragmented competitive landscape allowing consolidation opportunities.

GBL's smaller size and lower diversification than those of higher rated peers such as Investor AB (Aa3 stable) and Temasek Holdings (Private) Limited (Aaa stable), as well as some volatility in market valuations, constrain its A1 rating. We will also monitor the company's listed/unlisted asset mix in the context of its progressive shift towards more private assets.

Exhibit 1
A long track record of conservative financial policies underpins the current rating



Sources: GBL and Moody's Investors Service

RATINGS

Groupe Bruxelles Lambert

Domicile	Belgium
Long Term Rating	A1
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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Credit strengths

» Active, successful and prudent investment strategy

» Strong track record of value creation and successful, active asset rotation strategy

» Portfolio of investments with good end-market and geographic diversification, including market leaders with strong credit profiles

» Conservative financial policy, illustrated by its history of very low MVL and commitment to maintaining low net MVL

Credit challenges

» Volatility in market valuations

» Smaller size and lower diversification than those of higher rated peers, such as Investor AB and Temasek Holdings (Private) Limited

» Shift toward private assets reduces investment portfolio transparency and liquidity

Rating outlook

The stable rating outlook reflects our expectation that GBL will maintain a conservative leverage profile through market cycles. It also factors in its net MVL at 10% for a prolonged period and the company's action plan to restore its net MVL to below 10% in case of a market downturn.

Factors that could lead to an upgrade

» Increase in size of portfolio of investments

» Increased portfolio diversification with continued high contribution of listed assets to GBL's net asset value

» Maintenance of conservative financial policies, with its net MVL maintained consistently below 10%, and a strong liquidity position

Factors that could lead to a downgrade

» Sustainable increase in net MVL above 10% without an action plan to reduce net MVL within 12-18 months

» Deterioration in credit quality of the underlying portfolio of investments (both across listed and private assets)

» Deterioration in group's liquidity profile

Key indicators

Exhibit 2

Groupe Bruxelles Lambert

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	H1 2023
Total Asset Value (in € millions)	19,331	16,886	21,117	22,061	23,491	20,446	19,776
Net MVL	2.3%	4.1%	3.6%	7.1%	4.2%	13.1%	11.5%
Interest Coverage	17.9x	31.1x	32.5x	21.7x	24.3x	17.4x	11.1x

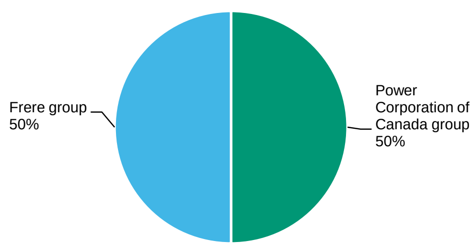
The interest coverage for Q2 2023 is calculated on a last-12-month basis.
Source: Moody's Investors Service

Profile

Based in Brussels, Belgium (Aa3 stable), Groupe Bruxelles Lambert (GBL) is a leading European investment holding company listed on Euronext Brussels. As of 1 August 2023, GBL had a market capitalization of around €10.9 billion and total asset value of €19.8 billion as of 30 June 2023. The company has investments mainly in listed companies (62% of total assets as of June 2023) with leading market positions and a global reach, including adidas AG (adidas, A3 negative), Pernod Ricard S.A. (Pernod Ricard, Baa1 stable), SGS SA (SGS, A3 stable), Imerys S.A. (Imerys, Baa3 stable) and Umicore. Private assets account for 20% of the portfolio NAV and are all speculative grade, including Stan Holding S.A.S. (Voodoo, B3 stable), Marnix French TopCo SAS (Webhelp, B2 stable), Celeste BidCo B.V. (Affidea, B2 negative), Piolin II S.a.r.l (Parques, B3 stable) and Canyon. GBL also has an alternative asset platform with its wholly owned subsidiary GBL Capital (14% of the NAV as of June 2023). The company has committed €4.4 billion of capital to GBL Capital, of which €3.6 billion was invested as of December 2022.

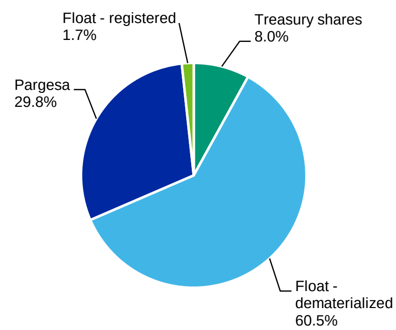
GBL is ultimately de facto controlled by the Frère and Desmarais families through their jointly owned holding company Pargesa S.A. (Pargesa). Pargesa owned 29.8% of the outstanding shares of GBL but controlled 44.0% of the voting rights as of year-end 2022.

Exhibit 3
Pargesa's shareholder structure
As of 31 December 2022



Source: GBL Annual Report 2022

Exhibit 4
GBL's shareholder structure
As of 31 December 2022



Float-dematerialized: Refers to shares that are no longer in the form of share certificates but are held electronically in a depositary system.
Source: GBL Annual Report 2022

Detailed credit considerations

Clearly defined and conservative investment strategy

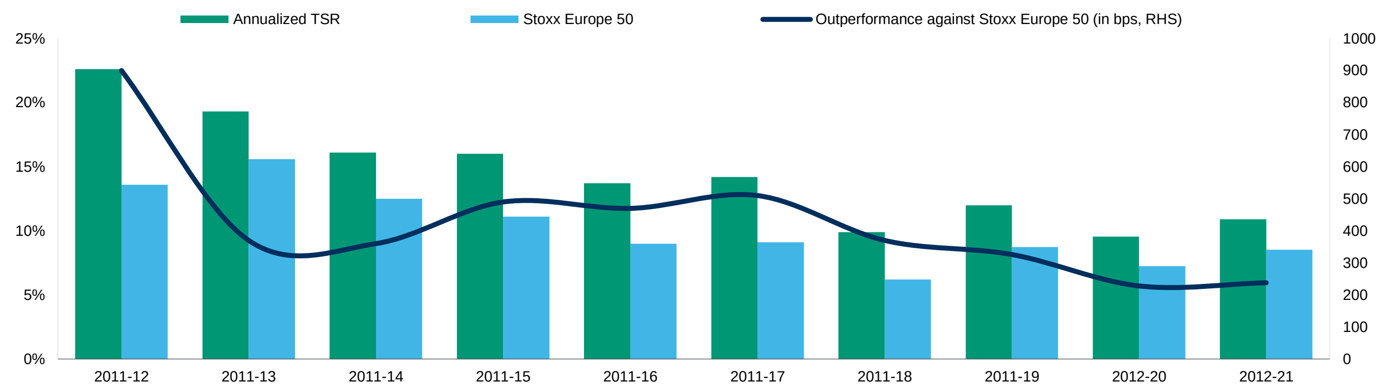
GBL's clearly articulates its well defined investment strategy to shareholders and creditors of the group. GBL's management team focuses on investing in the market leaders of the industrial sectors with long-term growth prospects, high barriers to entry, resilience to the macroeconomic cycle and a fragmented competitive landscape that allows for consolidation opportunities. GBL's key sectors include the consumer goods, industrial, business services, healthcare and digital sectors. GBL's investment strategy aims at capitalizing on long-term identified trends, such as health awareness, consumer experience, digital transformation and disruption, sustainability and resource scarcity. GBL has exited the utilities, and oil and gas sectors starting in 2012 and will also refrain from investing in the financial, real estate, telecom, biotech and regulated industry sectors, notwithstanding the fact that GBL has made an investment in CEPSA through GBL Capital.

Compared with other rated European investment holding companies, GBL has had a fairly active investment strategy in the last 10 years, which resulted in asset rotation of €30.4 billion as of the end of June 2023 since initiation of its portfolio in 2012. Portfolio rotation was quite intensive from 2019 to 2022, with the total asset rotation amounting to around €14 billion, including investments in private and alternative assets. At that time, GBL exited the oil and gas and utilities sectors, two sectors characterized by high dividend yield stocks, and consequently transitioned to a portfolio much more oriented toward growth and reduction of the greenhouse gas emissions of its investments. GBL's greenhouse scope 3 gas emissions were well below 5 million tonnes (Mt) equivalent in 2022 compared with a range of around 25-30 Mt in the period 2013-2014. GBL's portfolio of listed investments remains of high credit quality with an average rating of Baa1-A3 and good ability of paying high, recurring dividends through the market cycle, although at a slightly lower absolute level than that before 2012.

The ideal investment size for GBL is between €250 million and €2 billion. GBL has a mixture of minority and majority stakes in its investment. Therefore, the need to be a controlling shareholder is not absolutely critical to its investment philosophy like it is for JAB Holding Company S.a r.l. (Baa1 stable). However, GBL aims to have a sufficiently material ownership stake in a company to be an influential shareholder with sufficient representation on the board of directors. Members of GBL's investment team closely monitor all investments to track the operating performance.

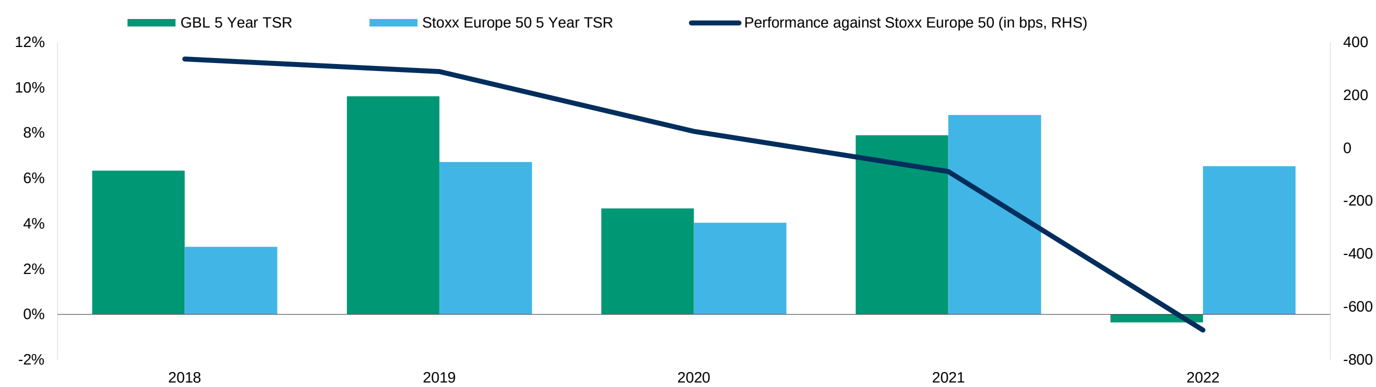
GBL has a long-term investment horizon and targets a double-digit-percentage total shareholder return (TSR) over the long term. The issuer has a strong track record of value creation with an annualized TSR of 10.8% (at the end of 2021) on average since the portfolio rebalancing strategy was initiated in 2012. In 2022, GBL's five-year annual TSR turned negative to -0.35%, as a result of its weak stock performance, from 7.89% in 2021, while the STOXX Europe 50 five-year TSR was stronger with a return of 6.5% in 2022 from 8.8% in 2021.

Exhibit 5
GBL's TSR outperformed its benchmark index until 2021



Sources: GBL and Moody's Investors Service

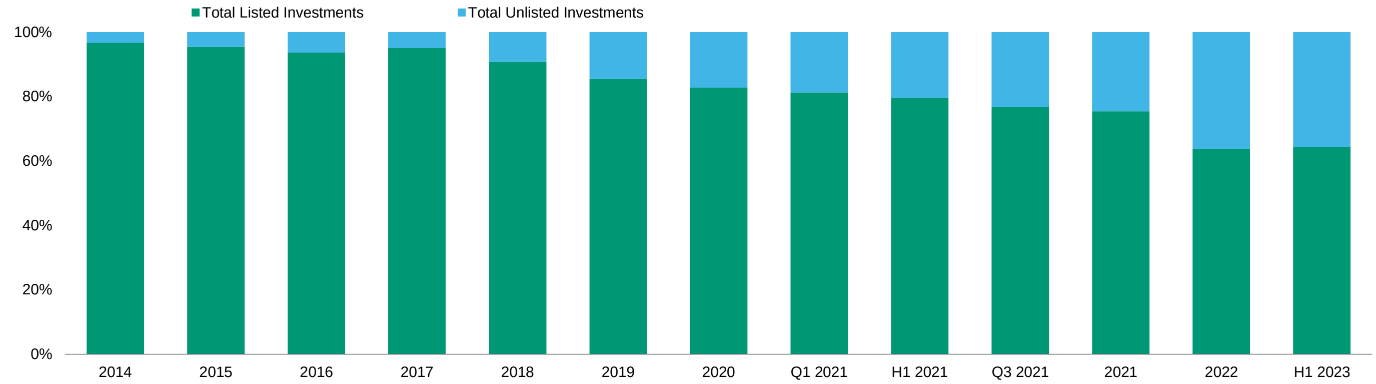
Exhibit 6
GBL's five-year TSR was significantly weaker than its benchmark index five-year TSR in 2022



Sources: GBL and Moody's Investors Service

GBL has a high share of listed assets in its portfolio. Listed assets accounted for 62% of the value of its portfolio as of 30 June 2023, which ensures excellent valuation transparency and liquidity. GBL is committed to maintaining a good balance between listed and unlisted assets. The ability to increase the share of its private assets will also depend on the share price performance of its listed portfolio over the next few years.

Exhibit 7
Pivot toward unlisted assets reduces transparency, but the share of listed assets is still sufficiently high



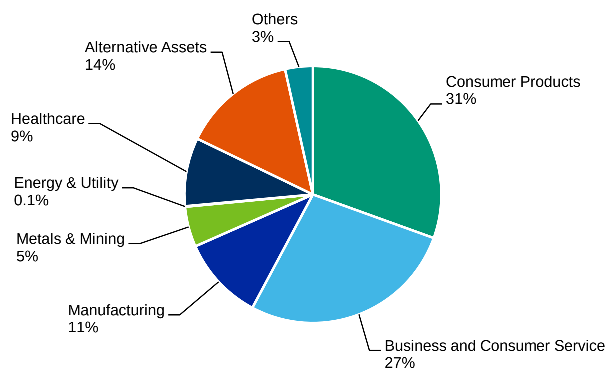
Sources: GBL and Moody's Investors Service

GBL's asset portfolio is fairly well diversified across end markets and geographies

GBL's asset portfolio is reasonably well diversified across business sectors (see Exhibit 8) with exposure to the business consumer goods, business services and industrial sectors. In addition, GBL Capital, a wholly owned subsidiary of GBL, is an alternative investment arm primarily investing in independent asset managers. The defensive nature of the industries in which GBL invests and the credit quality of its investments in their respective industries mitigates the slight concentration across business sectors.

GBL's portfolio of investments is well-diversified geographically because of the global footprint of all its largest investments, with adidas, Pernod Ricard and SGS having very broad geographic exposure. We also highlight the good revenue mix of GBL's portfolio of investments between developed and emerging economies.

Exhibit 8
GBL's investment portfolio is adequately diversified across business sectors
Split of portfolio value by business sector as of June 2023



Sources: GBL and Moody's Investors Service

In the context of further diversifying its asset portfolio, GBL acquired a majority stake in Affidea, the leading pan-European provider of advanced diagnostic imaging, outpatient, laboratory and cancer care services in July 2022. Additionally, GBL acquired a majority stake in Sanoptis AG (Sanoptis), a leading network of ophthalmology clinics across Germany and Switzerland in July 2022.

In March 2023, Webhelp and Concentrix announced that they have entered into an agreement to combine the two groups, creating a global provider of customer experience (CX) solutions and technology. The transaction demonstrates GBL's ability to execute its value creation strategy in the context of developing its private assets portfolio. GBL will become the largest shareholder of a much larger entity in the consolidating global CX business process outsourcing (BPO) sector where scale to service large multinational customers becomes increasingly important. GBL initially invested in Webhelp in 2019 with an equity injection of around €900 million in the context of its strategy to invest in solid, fast-growing private platforms well-positioned to participate in sector consolidation. The implied valuation of €1.529 billion, as of 30 March 2023, for GBL's stake in Webhelp represents a Multiple on Invested Capital (MoIC) of 1.8x, as reported by GBL. Upon completion of the transaction, GBL will become the largest shareholder of the combined entity, with a stake of around 13%, and will be represented on its board of directors. Transaction closing is expected by year-end 2023 and is subject to customary approvals from regulatory and antitrust authorities, and the completion of the customary works council consultations.

High credit quality of asset portfolio mitigates some modest portfolio concentration

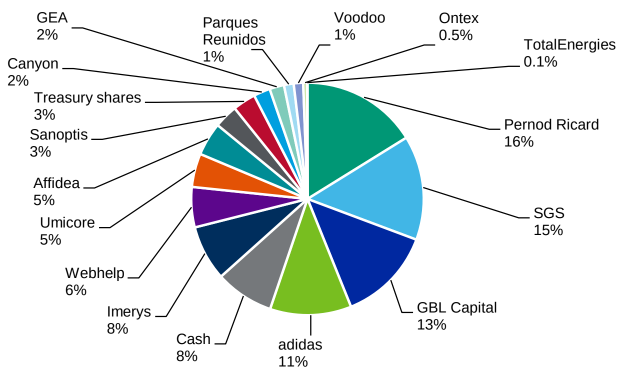
GBL has some modest portfolio concentration, with the top three assets accounting for 42% of the portfolio value (including cash) as of June 2023. However, this concentration is driven by GBL's willingness to focus on a limited number of assets which it can influence through board representation rather than a desire to make concentrated speculations on individual investments, which, along with the strong stock performance of those assets, is mechanically fueling concentration. In addition, GBL's strategy to have a position of influence in leading companies in their respective sectors implies relatively high ticket sizes and some concentration in light of GBL's still relatively small size.

The strong credit quality of the portfolio, with the top three largest assets having an average A3 rating, mitigates this modest concentration. Most of GBL's investments have solid investment-grade credit profiles, and their rating performance remained solid through 2022 and H1 2023.

Exhibit 9

Modest portfolio concentration ...

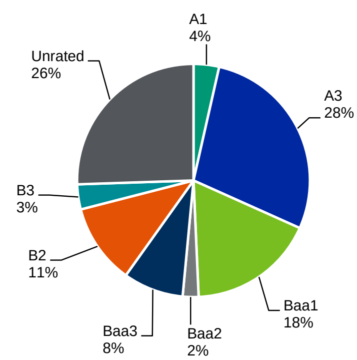
Split of portfolio value by investment as of June 2023



Sources: GBL and Moody's Investors Service

Exhibit 10

... more than mitigated by the credit quality of investments



Sources: GBL and Moody's Investors Service

Conservative financial policy, illustrated by a long track record of low net MVL combined with very strong interest cover

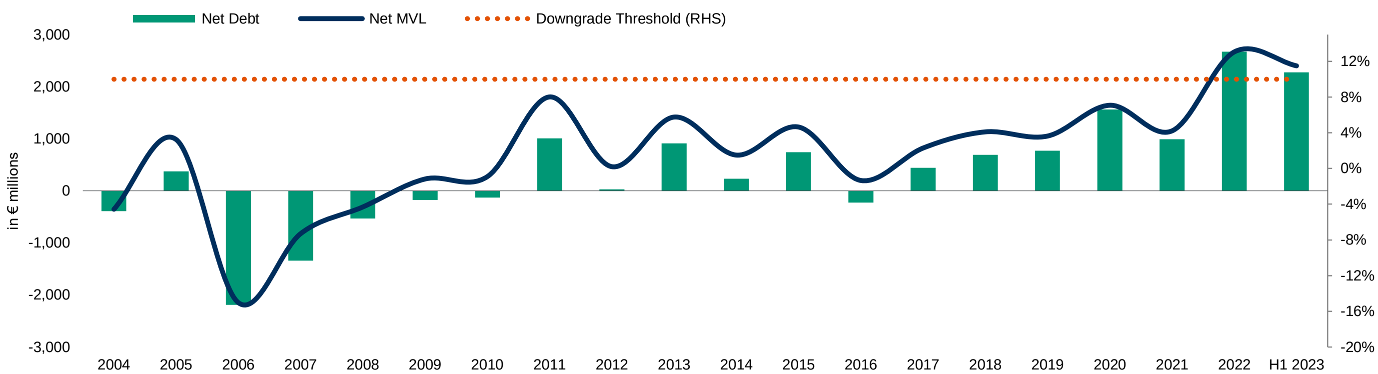
GBL's financial policy has been very conservative over the last 15 years, with its MVL below 10% at all times until 2021. Net MVL increased to 13.1% in 2022 and 11.5% in Q2 2023. GBL committed to a loan-to-value ratio for the first time in 2020, specifically to maintaining a loan-to-value ratio below 10% through the cycle and that this ratio should not exceed 10% for a prolonged period and should remain below 25% at all times. Although GBL would be reluctant to execute sale of assets at the trough of the cycle to restore a modest deviation from its implicit 10% ceiling, we expect GBL to act more forcefully if its net MVL significantly and sustainably exceeds the 10% threshold we set for its A1 rating. GBL's conservative financial policies are also underpinned by the conservative nature of the Frère and Desmarais families, who de facto control GBL through their joint holding company Pargesa.

We expect GBL's net MVL to decline again below 10% during 2023, taking into account the Webhelp transaction and the exit from Mowi, after the temporary increase to above 10% in 2022 and H1 2023 because of the acquisitions of Affidea and Sanoptis. The disposal of a stake in Pernod Ricard for around €500 million (€384 million in H2 2022 and €111 million in H1 2023) reduced its position to 6.7% of the capital from 7.7%, along with the completion of the disposal of its residual 1.9% stake in Mowi for €158 million in Q1 2023 and the disposal of its residual 2.1% stake in Holcim Ltd (Baa1 stable) through the €567 million of forward sales having matured in May 2023. This underpins GBL's willingness to swiftly reduce its net MVL back to below 10% with select divestitures. GBL has also recently introduced a dividend policy linked to its cash earnings. GBL will pay between 75% and 100% of its cash earnings to ensure that it does not pay more in dividends than what it receives from its portfolio companies.

We expect further equity price volatility in 2023 resulting from the impact of persistent inflationary pressure, tightening monetary policy and geopolitical risks. This volatility could have a considerable macroeconomic effect, leading to a deterioration in global economic activity in 2023, which would have a negative knock-on effect on GBL's equity and investment performance. However, we expect GBL to continue to operate within a conservative leverage corridor of net MVL below 10%, which is commensurate with the A1 rating.

Exhibit 11

GBL maintained its net MVL below 10% for more than 15 years until 2021 and expected to remain in line with the expectations for the A1 rating level

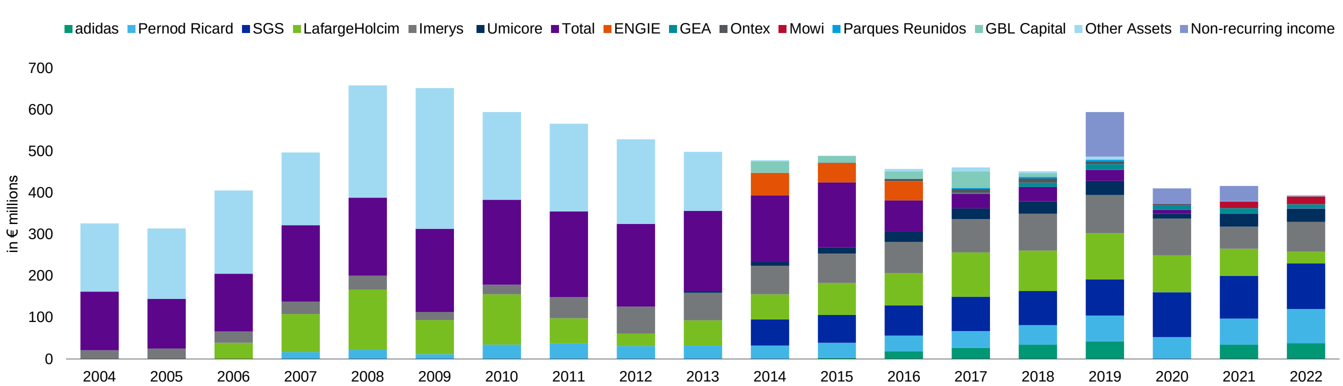


Sources: GBL and Moody's Investors Service

GBL maintained a very strong interest cover of more than 10x on average over the last five years with a significant increase in the last four years. The strong interest cover pertains to the group's very low net leverage, a very low interest charge also partly resulting from the use of exchangeable and convertible bonds to reduce the cost of debt, and the strong dividend income from its portfolio companies. GBL received more than €450 million in dividends on average per year over the last 15 years (see Exhibit 12). This is high compared with €2.3 billion of net debt on GBL's balance sheet as of 30 June 2023. Although the dividend income declined as a result of the unprecedented coronavirus pandemic, GBL still received more than €370 million in recurring dividends in both 2020 and 2021, increasing to around €400 million in 2022. GBL also received dividends from its investments amounting to €407 million in H1 2023 from €325 million in H1 2022. Higher dividend income in H1 2023 was largely due to the exceptional dividend paid by Imerys in addition to Imerys' ordinary dividend, partially offset by lower dividend income from adidas and Mowi.

Exhibit 12

GBL received a diversified stream of dividends of more than €450 million on average per year over the last 15 years



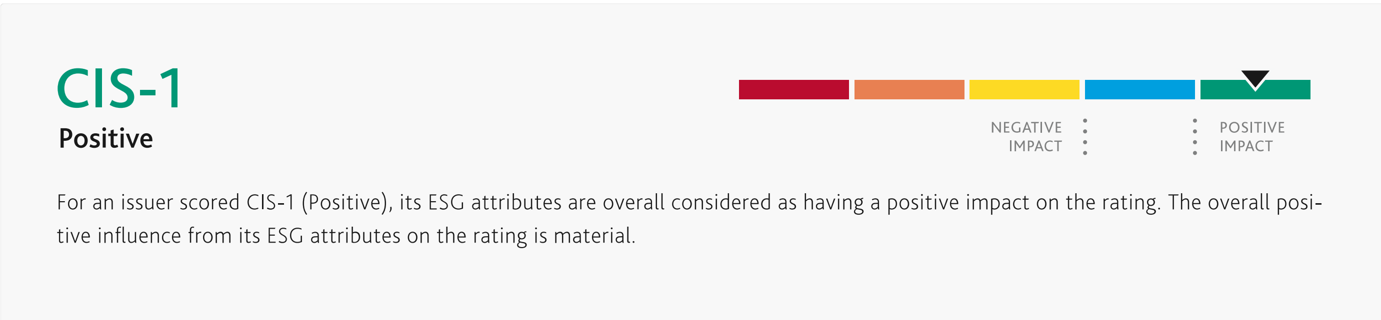
Sources: GBL and Moody's Investors Service

ESG considerations

Groupe Bruxelles Lambert's ESG Credit Impact Score is Positive CIS-1

Exhibit 13

ESG Credit Impact Score

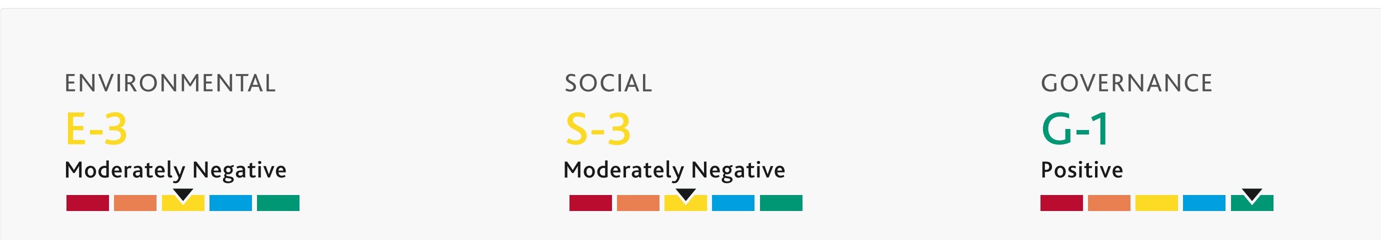


Source: Moody's Investors Service

CIS-1 indicates that ESG considerations have a positive impact on the rating. This reflects GBL's strong governance practices, specifically prudent financial management, a long-standing track record and conservative financial policies. It also incorporates GBL's exposure to environmental and social considerations because of the exposures of investees such as Pernod Ricard, SGS, adidas, Imerys and TotalEnergies (listed investments) and GBL Capital (unlisted) that account for the majority of GBL's portfolio value.

Exhibit 14

ESG Issuer Profile Scores



Source: Moody's Investors Service

Environmental

GBL has indirect exposure to environmental risk through its investee companies. It mostly reflects the investees' moderate risk exposure to carbon transition, water management, natural capital as well as waste and pollution risks. The issuer initiated a comprehensive portfolio rotation in excess of €30 billion since 2012, exiting high-yielding companies in the oil & gas and utilities sectors to invest in companies with higher growth potential. The portfolio rotation has also contributed to a lower carbon footprint of investees in GBL's portfolio.

Social

GBL's social risk exposure reflects its indirect exposure through its investee companies. It mostly reflects the investees' moderate risk exposure to health and safety, responsible production as well as demographic & societal trends.

Governance

Credit exposure to governance considerations is positive (**G-1**). This reflects GBL's active, successful and prudent investment strategy, as well as its very conservative financial policy, as exemplified by the maintenance of very low market value leverage below 10% for more than 15 years and through different market cycles.

GBL is ultimately de facto controlled by the Frère and Desmarais families through their jointly owned holding company Pargesa S.A. Pargesa owns 29% of the outstanding shares of GBL but controls 44%, which poses some risk due to concentrated ownership.

GBL has committed to a loan to value ratio of below 10% through the cycle and aims for this ratio to remain below 25% at all time and not in excess of 10% for a prolonged period. In addition, GBL's underlying portfolio of investments is of high credit quality with ratings mostly in a range of around A3-Baa3 for the listed part of its portfolio of investments that account for 62% of the portfolio value.

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.

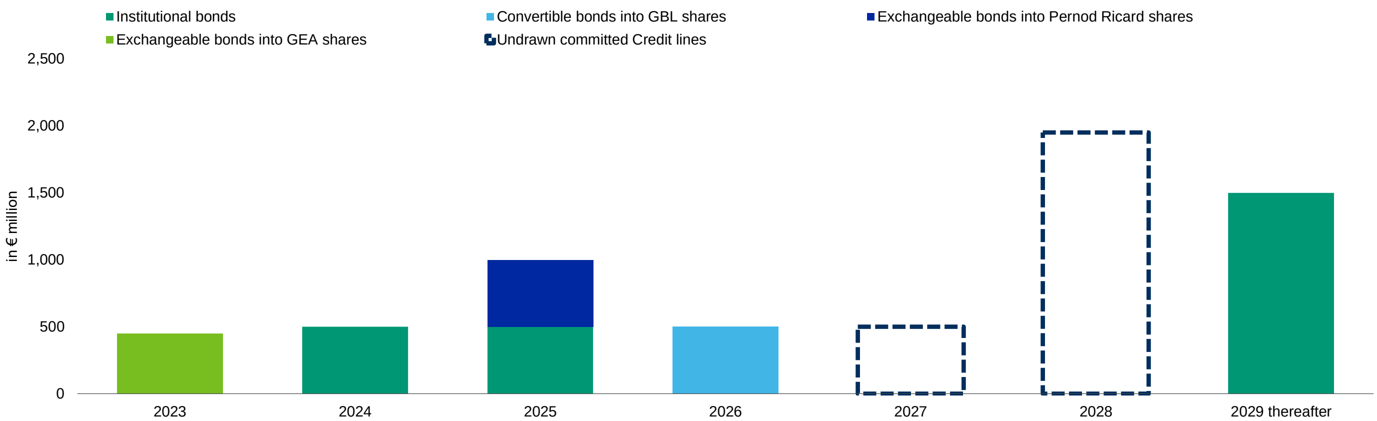
Liquidity analysis

GBL's liquidity is solid with around €1.8 billion of cash and marketable securities on its balance sheet as of 30 June 2023 and access to €2.45 billion of undrawn revolving credit lines. The availability of the revolving credit facilities is not subject to any financial covenants. The group's senior unsecured, exchangeable and convertible bonds are not subject to maintenance financial covenants.

GBL has a well-spread maturity profile with no institutional bond maturity before 2024. The group's cash and available credit lines as of 30 June 2023 cover about four years of debt maturities. Debt maturities include the €450 million bond exchangeable into GEA Group Aktiengesellschaft (GEA, Baa2 positive) shares maturing in 2023. These exchangeable bonds are currently out of the money.

Exhibit 15

GBL's debt maturity profile is well spread, with an average maturity of slightly below four years



Sources: GBL and Moody's Investors Service

As a backup form of liquidity, GBL's high proportion of listed assets (62% of the gross asset value of the portfolio of investments) provides it with the flexibility to more quickly monetize its investments.

Methodology and scorecard

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

Both the point-in-time and forward-looking scorecard-indicated outcomes are A1, in line with the A1 rating assigned. The scorecard-indicated outcome is supported by GBL's successful investment strategy, the high share of listed assets, the strong geographic diversification of its investments, and the very conservative financial profile and policies of the group.

Exhibit 16

Rating factors

Groupe Bruxelles Lambert

Investment Holding Companies Industry [1]	Current LTM Jun-23		Moody's 12-18 Month Forward View As of 6/22/2023 [2]	
Factor 1 : Investment Strategy (10%)	**Measure**	**Score**	**Measure**	**Score**
a) Investment Strategy	A	A	A	A
Factor 2 : Asset Quality (40%)				
a) Asset Concentration	Baa	Baa	Baa	Baa
b) Geographic Diversity	Aa	Aa	Aa	Aa
c) Business Diversity	Baa	Baa	Baa	Baa
d) Investment Portfolio Transparency	Aa	Aa	Aa	Aa
Factor 3 : Financial Policy (10%)				
a) Financial Policy	Aa	Aa	Aa	Aa
Factor 4 : Estimated Market Value-based Leverage (MVL) (20%)				
a) Estimated Market Value-Based Leverage	Aa	Aa	Aaa	Aaa
Factor 5 : Debt Coverage and Liquidity (20%)				
a) (FFO + Interest Expense) / Interest Expense	11.1x	Aaa	10x - 15x	Aaa
b) Liquidity	Baa	Baa	Baa	Baa
Rating:				
a) Scorecard-Indicated Outcome		A1		A1
b) Actual Rating Assigned				A1

[1] As of 06/30/2023.
[2] 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 Investors Service

Ratings

Exhibit 17

Category	Moody's Rating
GROUPE BRUXELLES LAMBERT	
Outlook	Stable
Issuer Rating -Dom Curr	A1
Senior Unsecured -Dom Curr	A1

Source: Moody's Investors Service

Appendix

Exhibit 18
Peer comparison

INVESTMENT HOLDING COMPANIES PEER GROUP

	Groupe Bruxelles Lambert	Investor AB	JAB Holding S.a.r.l	Criteria Caixa
Rating & Outlook	**A1 Stable**	**Aa3 Stable**	**Baa1 Stable**	**Baa2 Positive**
Country of Domicile	Belgium	Sweden	Luxembourg	Spain
	As of June 2023	**As of June 2023**	**As of December 2022**	**As of June 2023**
Total Portfolio Value (in €m)	19,776	58,213	32,279	26,078
Cash (in €m)	1,754	2,328	3,607	347
Asset Concentration (Top 3 Assets)	42%	45%	73%	66%
Proportion of Listed Assets	62%	84%	49%	85%
Company Guidance / Financial Target	MVL below 10%	MVL in the range of 0% - 10%	MVL in the range of 15% - 20% in mid/long term	Target MVL ~20%
Net Market Value Leverage (MVL)	11%	2%	25%	15%
(FFO + Interest Expense) / Interest Expense	11.1x	6.4x	4.5x	13.6x

Source: Moody's Investors Service

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CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454