S&P Global Ratings

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Bertelsmann SE & Co. KGaA

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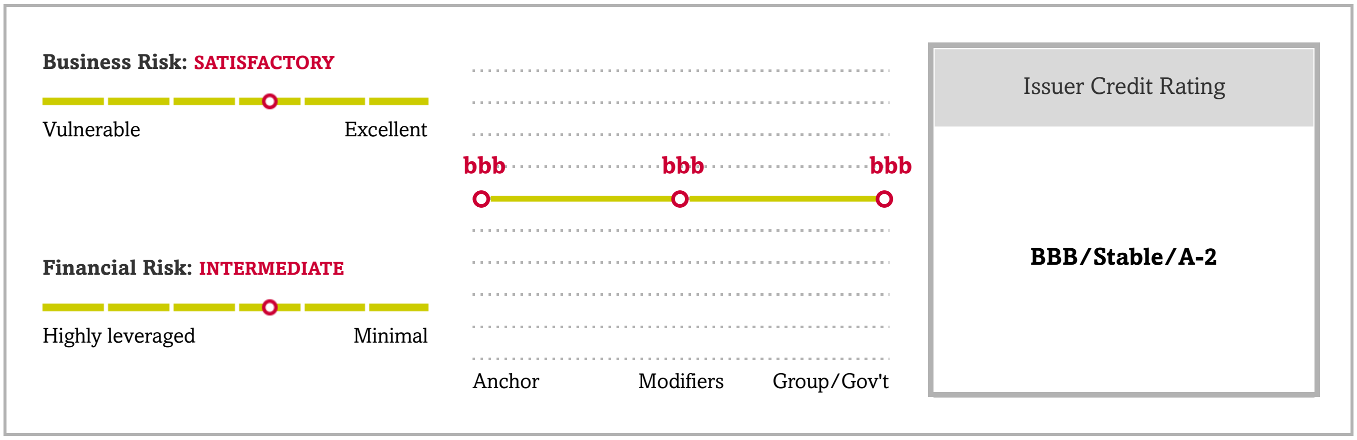
Bertelsmann SE & Co. KGaA



Credit Highlights

Overview

Key strengths	Key risks
Diversified operations across various media segments (broadcasting, publishing, printing, and a small-but-growing operation in education) and business services industries.	Exposure to structural changes in the media sector, including a shift of media consumption toward digital channels, and to economic cycles in advertising, which represented 21% in total revenues in 2020.
Strong, established market positions in its main markets in Europe and North America.	Modest profitability compared with peers in the media sector in light of lower operating margins and the group's competitive business services business.
Track record of adapting businesses to industry trends and proven ability to execute cost savings during stress situations, like the recession.	No real deleveraging planned, with likely absorption of most of the group's internal cash flow on capital expenditures (capex), bolt-on acquisitions, and potential for bigger acquisition to diversify the business.
Clearly articulated public financial policy and strong commitment to keep the group's adjusted leverage at or below 2.5x, supporting credit metric predictability and S&P Global Ratings-adjusted leverage in the 2.0x-2.5x range	

Advertising demand is recovering from the previous recession but structural changes and redirecting media consumption toward digital mediums cloud our earnings visibility.

While Bertelsmann's earnings were severely negatively impacted in the first half of 2020 from shrinking advertising demand, we believe the group is well positioned to make a swift recovery. The annual revenue decline in Bertelsmann's TV broadcasting segment was 9.5% compared with the previous year, somewhat less than we expected. We now anticipate demand to fully recover to pre-COVID-19 pandemic levels until the end of 2021 on the back of GDP growth supporting sales of Bertelsmann's TV broadcasting (RTL). We believe print advertising will take longer.

At the same time, customers are shifting away from traditional channels such as TV broadcasting, magazine, or radio, toward digital and on-demand offerings. This is leading to increased investment in new platforms, streaming services, and related content for traditional media businesses, further constraining such businesses' earnings generation. We believe these changing trends will affect Bertelsmann SE & Co. KGaA's (Bertelsmann) TV broadcasting (RTL) and magazine (Gruner + Jahr, G+J) businesses, which represented about 39% of the group's 2020 EBITDA. While demand is increasing in 2021, we see is unlikely that the structural shifts in the industry could undermine a full recovery in Bertelsmann's advertising business to pre-pandemic levels in light of the structural shifts in the industry.

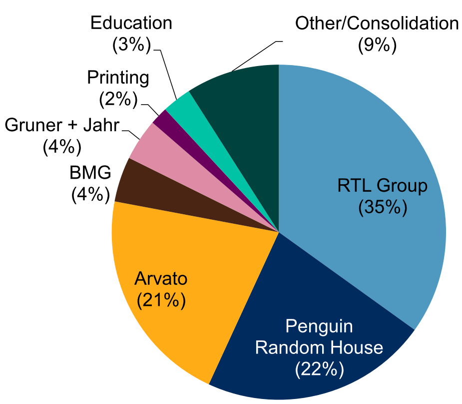
We believe Bertelsmann's strategic focus on growing content and digital companies should support medium term growth. With the recent announcement of disposal in its share in the French TV channel Groupe M6 and the acquisition of Simon & Schuster, we believe Bertelsmann remains focused on reducing its exposure to advertising. We expect the group to remain acquisitive over the forecast years, while it continues to invest in fast growing, digital, and global companies making a stronger portfolio with better earnings visibility. In addition, we consider Bertelsmann to be well positioned among its European media peers to make necessary investment in the group with a solid track record in adapting its media businesses in response to ongoing secular changes in the media industry.

We view the above-mentioned transactions as a way to strengthen Bertelsmann's content business and an attempt to further diversify away from more cyclical advertising revenue. Simon and Schuster (S&S) generated revenue of about US$901 million in 2020, and we see it as complementing Bertelsmann's Penguin Random House (PRH) publishing business.

We expect credit metrics to remain commensurate with the current rating, with leverage temporarily heightened in 2021 due to acquisitions. We expect adjusted leverage of around in 2021 due to the acquisition of S&S and Afya. Although the M6 disposal is signed, we still see execution risks related to outstanding antitrust approvals from French authorities, and therefore still consolidate M6 earnings and are not including the expected disposal proceeds of €641 million in 2021 in our base case yet. We believe Bertelsmann should be able to deleverage to just below 2.0x in 2022 as it realizes full year benefits from the S&S acquisition. This, along with recovery in the advertising business, synergies from the integration of S&S, the announced business combination of RTL and G+J (which we regard as an intra-group reorganization from the perspective of Bertelsmann), and modest growth across other business segments, will support deleveraging, in our opinion. The group's predictable financial policy and prudent capital allocation also supports the rating.

Chart 1

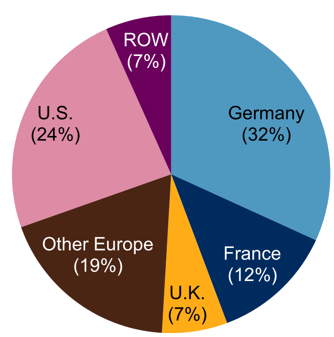
Bertelsmann Adjusted Operating EBITDA Per Segment In 2020



Source: S&P Global Ratings.

Chart 2

Bertelsmann SE & Co KGaA--Revenue Breakdown In 2020



Source: S&P Global Ratings.

Outlook: Stable

The stable outlook reflects our expectation that recovery in advertising revenue, earnings growth in Bertelsmann's publishing, music, and outsourcing-service divisions, and the group's proven ability to preserve cash and adhere to its leverage targets even in times of stress will support its deleveraging and the rating. The outlook assumes Bertelsmann will maintain solid credit metrics, with adjusted debt to EBITDA of 1.8x-2.3x in 2021 and 2022, and adjusted free operating cash flow (FOCF) to debt of 18%-27% over the same period.

Downside scenario

We could lower the rating over the next 24 months if:

- Recovery in the group's earnings faltered, for example if the secular digitalization accelerated or macroeconomic environment weakened, resulting in adjusted debt to EBITDA trending above 3.0x; or
- Unforeseen large debt-funded acquisitions or shareholder remuneration resulted in adjusted leverage above 3.0x.

Upside scenario

We could upgrade Bertelsmann if:

- Sales and earnings grew stronger than we expected over the next 24 months. This would require ramp-up costs associated with the streaming businesses to have a lesser impact on Bertelsmann's earnings and cash flows than expected, and its adjusted EBITDA margins to materially improve; and
- The group's adjusted debt to EBITDA fell sustainably below 2x, supported by a financial policy commitment, merger-and-acquisition activity, and shareholder remuneration consistent with these metrics.

Our Base-Case Scenario

Assumptions

- Our forecast that eurozone real GDP will recover about 4.2% in 2021 and about 4.4% in 2022; and U.S. real GDP will grow by about 6.5% in 2021 and 3.1% in 2022.
- Group revenue to rebound by about 4%-5% following the COVID-19-related decline in 2020, before growing at 2%-3% in 2022, reflecting the consolidation of S&S and other minor acquisitions and disposals. Organically, we expect the group to grow by about 3%-5% in 2021, supported by year-on-year recovery in advertising after a significant decline in the first half of 2020--the services business (Arvato), publishing (PRH), and education offsetting the structurally declining printing, magazine, and TV advertising markets businesses.
- Adjusted EBITDA margin of 15.0%-16.5% in 2021 and 2022, compared with 15.1% in 2020. This will reflect recovery in the advertising business, synergies from the integration of S&S, and the business combination between RTL and G+J, offset by the return of some costs that the group has reduced during the pandemic.
- Annual working capital outflow of up to €150 million in 2021 and €50 million-€100 million from 2022.
- Asset disposals of about €900 million-€1,000 million in 2021, mainly from the sales of SpotX (€468 million) and

Prisma Media in 2021.

- €2.3 billion-€2.5 billion in acquisitions in 2021 mainly including €1.8 billion for the purchase of the S&S and €500 million for Afya as well as the remaining 50% share in Super RTL.

Key metrics

Bertelsmann SE & Co. KGaA--Key Metrics*

	--Fiscal year ended Dec. 31--				
	2019a	**2020a**	**2021e**	**2022f**	**2023f**
(Mil. EUR)					
Revenue	18,023	17,289	17,800-18,100	17,900-18,200	18,000-18,400
Revenue growth (%)	2	(4)	4-5	2-4	0-2
EBITDA	2,615	2,608	2,850-3,000	2,900-3,100	2,900-3,200
EBITDA margin (%)	14.5	15.1	15.5-16	15.7-16.5	15.7-16.5
Funds from operations (FFO)	1,951	2,116	2,100-2,250	2,200-2,400	2,200-2,500
Capital expenditure	594	627	650-700	650-700	650-700
Free operating cash flow (FOCF)	1,239	2,096	1,000-1,200	1,200-1,400	1,200-1,400
Dividends	463	30	~400	~400	~400
Debt	6,080	4,744	5,400-5,700	5,200-5,400	5,000-5,200
Debt to EBITDA (x)	2.3	1.8	1.9-2.1	1.8-2.0	1.7-1.9
FFO to debt (%)	32.1	44.6	35-40	40-46	42-48
FOCF to debt (%)	20.4	44.2	18-22	22-27	24-29

*All figures adjusted by S&P Global Ratings. a--Actual. e--Estimate. f--Forecast. FFO--Funds from operations. FOCF--Free operating cash flow.

Publishing and services business drives EBITDA growth offset by structurally declining traditional media business. We expect ongoing growth in publishing with the integration of S&S benefitting from cost synergies and a healthy pipeline of new book titles. We expect the services business to retain new acquired clients and show modest growth in 2021 and 2022.

We believe business diversification will help offset stronger earnings pressure in the coming years. While Bertelsmann's acquisition strategy over the past years has prevented the group from deleveraging, it has supported its diversification away from advertising-dependent revenue streams. Bertelsmann also invested and successfully repositioned previously challenged business segments, and we expect that the group will be more resilient to macroeconomic changes and likely show earnings growth over the next few years. In particular, we expect the music, education, outsourcing services, and publishing businesses (together generating about 56% of group revenue in 2020) will support growth. The disposal of a minority share in the French TV channel will foster this development.

Company Description

Germany-based Bertelsmann is a diversified global media group with €17.3 billion of revenue and €2.6 billion EBITDA in 2020. The group has a number of distinct business units (see chart 2), including broadcaster RTL, book publisher PRH, magazine publisher Gruner + Jahr, music publisher BMG, media-related and outsourcing services Arvato, Bertelsmann Printing Group, Bertelsmann Education Group, and Bertelsmann Investments, if approved by authorities.

Peer Comparison

Table 1

Bertelsmann SE & Co. KGaA--Peer Comparison

Industry sector: Miscellaneous media and entertainment

	Bertelsmann SE & Co. KGaA	ITV PLC	ViacomCBS Inc.	Omnicom Group Inc.	RELX PLC	Walt Disney Co. (The)
Ratings as of June 6, 2021	BBB/Stable/A-2	BBB-/Negative/A-3	BBB/Stable/A-2	BBB+/Stable/A-2	BBB+/Stable/A-2	BBB+/Stable/A-2
	--Fiscal year ended--					
	Dec. 31, 2020	Dec. 31, 2020	Dec. 31, 2020	Dec. 31, 2020	Dec. 31, 2020	Sep. 30, 2020
(Mil. €)						
Revenue	17,289.0	3,103.9	20,669.9	10,767.1	7,110.0	55,684.9
EBITDA	2,607.8	630.6	4,515.7	1,861.1	2,077.0	9,414.5
Funds from operations (FFO)	2,116.1	494.4	3,279.1	1,340.8	1,402.0	7,252.6
Interest expense	199.8	48.0	909.7	223.8	161.0	1,597.3
Cash interest paid	277.8	37.9	855.7	212.6	179.0	1,533.5
Cash flow from operations	2,723.3	697.6	2,118.2	1,613.4	1,308.0	7,045.6
Capital expenditure	627.0	73.7	264.9	61.6	43.0	3,291.5
Free operating cash flow (FOCF)	2,096.3	623.9	1,853.4	1,551.8	1,265.0	3,754.2
Discretionary cash flow (DCF)	1,330.0	621.7	1,239.5	832.2	192.0	2,402.7
Cash and short-term investments	4,564.0	689.7	2,439.3	4,578.3	88.0	15,255.7
Debt	4,744.0	945.3	16,467.8	1,977.6	88.0	50,363.3
Equity	11,350.0	1,284.6	13,603.6	2,924.0	7,417.4	75,165.5
Adjusted ratios						
EBITDA margin (%)	15.1	20.3	21.8	17.3	29.2	16.9
Return on capital (%)	9.9	20.1	12.8	28.1	16.5	2.9
EBITDA interest coverage (x)	13.1	13.1	5.0	8.3	12.9	5.9
FFO cash interest coverage (x)	8.6	14.0	4.8	7.3	8.8	5.7
Debt/EBITDA (x)	1.8	1.5	3.6	1.1	3.6	5.3
FFO/debt (%)	44.6	52.3	19.9	67.8	18.9	14.4
Cash flow from operations/debt (%)	57.4	73.8	12.9	81.6	17.6	14.0
FOCF/debt (%)	44.2	66.0	11.3	78.5	17.1	7.5
DCF/debt (%)	28.0	65.8	7.5	42.1	2.6	4.8

We believe that Bertelsmann does not yet have the scale of peers such as Comcast Corp. or The Walt Disney Co., whose business risk profile we view as stronger, although we understand that the group's reach is increasing thanks to its multiple-platform strategy, including multiple channels on YouTube, where most online videos are viewed. But because these focus more on media-related activities (while Bertelsmann also has operations in business services and online education, for example), they tend to have a greater segment-specific reach.

Compared with European media peers, we believe that Bertelsmann greatly benefits from its diversification in different segments and geographically into North America, in light of PRH being the largest publisher in the English language. However, Bertelsmann has relatively lower profitability compared with media peers that have globally-leading market positions in the respective segments, given its lower-margin business services and outsourcing segment, albeit that segment exhibits strong growth prospects and low capital intensity. We also see some peers with a higher share of revenues stemming from recuring revenues such as subscription, as opposed to advertising such as RELX.

Business Risk: Satisfactory

Bertelsmann benefits from its strong market positions, brands recognition, and diversified media portfolio, with presence in multiple media and services segments across various countries and subsectors.

Bertelsmann's business units operate in different markets with limited overlap and we view it as one of the most diversified among the media companies we rate. We view this degree of diversity as positive for the stability of the group's quality of earnings and, ultimately, its credit ratios.

Bertelsmann holds strong market positions in its main markets of operation. Despite its planned sale of a minority share in M6, we believe RTL will just hold its No. 1 entertainment network in Europe through RTL's TV channels and radio stations and a leading player in content production through RTL's FremantleMedia production arm, albeit with less market share advantage than competitors. In addition, PRH is the world's leading publishing group. Furthermore, Arvato holds top positions across a variety of business services and most notably in the strongly growing e-commerce outsourcing solutions segment, while BMG holds the No. 4 position in the music publishing market worldwide and leadership in producing German music content.

While recent disposals and acquisitions helped to mitigate Bertelsmann's exposure to cyclical advertising revenue and ongoing structural changes in the media sector, we believe that the group is still exposed to the structurally decreasing TV and magazine segments.

The structural shift away from traditional media consumption patterns to predominantly online, user-directed, and often segmented media consumption habits across multiple devices and delivery channels means that we expect that Bertelsmann will continue to invest in digital technologies to maintain its relevance and market positions. This includes increasing its presence in the online video segment (where it is now a leading player in Europe but where monetization of users remains a challenge, as it does for most industry players) and in digital and programmatic advertising (including the ongoing creation of a global and independent monetization platform for broadcasters and video-on-demand services).

Moreover, the proliferation of devices, such as smartphones and tablets, on top of traditional TV, has led to increased media consumption, but also increased media choices. The latter has resulted in higher competition among industry players and the greater strategic importance of content. We believe that, in the context of increasing demand for high quality content, FremantleMedia is well positioned and has a strong pipeline of scripted and unscripted shows. However, we believe that attracting and retaining creative talent, as well as producing high-quality content to meet the expectations of an ever-more demanding audience, could ultimately weigh on FremantleMedia's margins.

Financial Risk: Intermediate

We expect Bertelsmann to maintain adjusted debt-to-EBITDA of around 2.0x, in line with the financial policy commitment of less than 2.5x. We expect that in 2021 the group will have lower headroom, due to the large acquisitions and disposals with delayed payment, but believe it is likely to improve back to historical levels in 2022 and 2023 on the back of stable earnings and cash flows growth.

We forecast in 2021-2022 Bertelsmann will generate free cash flows of about €1 billion, such that the FOCF-to-debt ratio will remain around 18%-27%. We forecast that its internal cash flow will continue to be absorbed primarily by investment in organic growth and bolt-on acquisitions as well as dividends once distributions restart from 2022.

Considering the group's private ownership and therefore its reduced access to equity funding, we believe that Bertelsmann has constrained financial flexibility. However, we believe material real estate, existing of publicly listed subsidiaries, and other liquid assets can contain leverage in weaker years, and Bertelsmann's strong standing in debt capital markets as a frequent issuer of bonds is a credit strength.

Financial summary

Table 2

Bertelsmann SE & Co. KGaA--Financial Summary					
Industry sector: Miscellaneous media and entertainment					
	--Fiscal year ended Dec. 31--				
	2020	**2019**	**2018**	**2017**	**2016**
(Mil. €)					
Revenue	17,289.0	18,023.0	17,673.0	17,190.0	16,950.0
EBITDA	2,607.8	2,614.9	2,523.9	2,635.4	2,562.7
Funds from operations (FFO)	2,116.1	1,951.2	1,737.8	1,971.2	2,073.6
Interest expense	199.8	171.8	201.1	198.2	211.1
Cash interest paid	277.8	239.8	252.1	230.2	255.1
Cash flow from operations	2,723.3	1,833.3	1,446.4	1,622.3	1,923.4
Capital expenditure	627.0	594.0	575.0	647.0	638.0
Free operating cash flow (FOCF)	2,096.3	1,239.3	871.4	975.3	1,285.4
Discretionary cash flow (DCF)	1,330.0	776.0	256.2	(625.0)	679.1
Cash and short-term investments	4,564.0	1,629.0	1,398.0	1,440.0	1,373.0
Gross available cash	4,564.0	1,629.0	1,398.0	1,440.0	1,373.0
Debt	4,744.0	6,080.0	6,652.2	6,201.9	6,282.8

Table 2

Bertelsmann SE & Co. KGaA--Financial Summary (cont.)

Industry sector: Miscellaneous media and entertainment					
	--Fiscal year ended Dec. 31--				
	2020	**2019**	**2018**	**2017**	**2016**
Equity	11,350.0	11,070.0	10,463.0	9,744.0	10,520.0
Adjusted ratios					
EBITDA margin (%)	15.1	14.5	14.3	15.3	15.1
Return on capital (%)	9.9	9.7	9.0	10.8	11.1
EBITDA interest coverage (x)	13.1	15.2	12.6	13.3	12.1
FFO cash interest coverage (x)	8.6	9.1	7.9	9.6	9.1
Debt/EBITDA (x)	1.8	2.3	2.6	2.4	2.5
FFO/debt (%)	44.6	32.1	26.1	31.8	33.0
Cash flow from operations/debt (%)	57.4	30.2	21.7	26.2	30.6
FOCF/debt (%)	44.2	20.4	13.1	15.7	20.5
DCF/debt (%)	28.0	12.8	3.9	(10.1)	10.8

Reconciliation

Table 3

Bertelsmann SE & Co. KGaA--Reconciliation Of Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. €)

	--Fiscal year ended Dec. 31, 2020--								
Bertelsmann SE & Co. KGaA reported amounts									
	Debt	**Shareholders' equity**	**EBITDA**	**Operating income**	**Interest expense**	**S&P Global Ratings' adjusted EBITDA**	**Cash flow from operations**	**Dividends**	**Capital expenditure**
Reported	7,039.0	9,096.0	3,316.0	2,276.0	196.0	2,607.8	2,994.0	10.0	663.0
S&P Global Ratings' adjustments									
Cash taxes paid	--	--	--	--	--	(214.0)	--	--	--
Cash interest paid	--	--	--	--	--	(298.0)	--	--	--
Reported lease liabilities	1,355.0	--	--	--	--	--	--	--	--
Intermediate hybrids reported as debt	(625.0)	625.0	--	--	(20.3)	20.3	20.3	20.3	--
Postretirement benefit obligations/deferred compensation	1,370.0	--	(5.0)	(5.0)	24.0	--	--	--	--
Accessible cash and liquid investments	(4,414.0)	--	--	--	--	--	--	--	--
Capitalized development costs	--	--	(36.0)	9.0	--	--	(36.0)	--	(36.0)
Share-based compensation expense	--	--	4.8	--	--	--	--	--	--

Table 3

Bertelsmann SE & Co. KGaA--Reconciliation Of Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. €) (cont.)

Dividends received from equity investments	--	--	56.0	--	--	--	--	--	--
Income (expense) of unconsolidated companies	--	--	(86.0)	--	--	--	--	--	--
Nonoperating income (expense)	--	--	--	10.0	--	--	--	--	--
Reclassification of interest and dividend cash flows	--	--	--	--	--	--	(255.0)	--	--
Noncontrolling interest/minority interest	--	1,629.0	--	--	--	--	--	--	--
Debt: Contingent considerations	2.0	--	--	--	--	--	--	--	--
Debt: Put options on minority stakes	17.0	--	--	--	--	--	--	--	--
EBITDA: Gain/(loss) on disposals of PP&E	--	--	(235.0)	(235.0)	--	--	--	--	--
EBITDA: Valuation gains/(losses)	--	--	(59.0)	(59.0)	--	--	--	--	--
EBITDA: Business divestments	--	--	(410.0)	(410.0)	--	--	--	--	--
EBITDA: Other	--	--	62.0	62.0	--	--	--	--	--
Total adjustments	(2,295.0)	2,254.0	(708.2)	(628.0)	3.8	(491.8)	(270.8)	20.3	(36.0)

S&P Global Ratings' adjusted amounts

	Debt	Equity	EBITDA	EBIT	Interest expense	Funds from operations	Cash flow from operations	Dividends paid	Capital expenditure
Adjusted	4,744.0	11,350.0	2,607.8	1,648.0	199.8	2,116.1	2,723.3	30.3	627.0

Liquidity: Strong

We view Bertelsmann's liquidity as strong because we expect sources of liquidity will exceed uses by about 1.9x over the next 12 months. The group benefits from sufficient committed credit facilities, a large cash balance, and our expectation of continued positive free cash flow generation. We also consider that Bertelsmann has a strong relationship with banks and high standing in the credit markets.

Principal liquidity sources	Principal liquidity uses
• Unrestricted cash on balance of around €3.5 billion-€3.8 billion as of June 30, 2021 • Fully undrawn €1.2 billion revolving credit facility	• Short-term debt maturities of about €730 million • Seasonal and structural working capital outflow of up to €150 million

due in 2026

- Our forecast of cash funds from operations of €1.4 billion-€1.6 billion
- €650 million-€700 million of publicly-confirmed asset disposals
- Capex of €700 million
- Dividends of about €300 million in 2021, net of confirmed dividend received from minority shareholding
- Contracted acquisitions of about €2.1 billion in 2021

Debt maturities

- 2021: €60 million
- 2022: €600 million
- 2023: €100 million
- 2024: €500 million
- 2025: €680 million
- Thereafter: About €4.0 billion (including all hybrid capital)

Environmental, Social, And Governance

Social risks are relevant for media companies that produce or disseminate content. Bertelsmann distributes content through its broadcasting, publishing, and magazine divisions, which forms the basis of the majority of its sales.

Our rating also factors in management's good track record of strategic planning and execution including effective monitoring and managing of social risks. The management team has been stable and has significant industry expertise. As an example, Thomas Rabe, the group CEO since 2012, was previously CFO of RTL Group for six years and CFO of Bertelsmann for another six years. We believe that being a private group with long-term oriented family ownership reduces the pressure on Bertelsmann's short-term operations as well as shareholder returns, compared with its publicly listed peers.

Issue Ratings - Subordination Risk Analysis

Capital structure

Almost all debt of the group is at the Bertelsmann SE & Co. KGaA level, is unsecured. All senior notes rank pari-passu and are senior to the roughly €400 million debt-like profit participation notes and the group's €1.3 billion hybrid capital, which is also issued at parent level.

Analytical conclusions

There is no structural or contractual subordination and we therefore rate the senior unsecured debt at 'BBB', the same level as our issuer credit rating on Bertelsmann. The hybrid capital is rated 'BB+', two notches below our issuer credit rating, due to:

- Its subordination in the capital structure; and
- The payment flexibility, reflecting that the deferral of interest on the notes is optional.

Ratings Score Snapshot

Issuer Credit Rating

BBB/Stable/A-2

Business risk: Satisfactory

- **Country risk:** Very low
- **Industry risk:** Intermediate
- **Competitive position:** Satisfactory

Financial risk: Intermediate

- **Cash flow/leverage:** Intermediate

Anchor: bbb

Modifiers

- **Diversification/portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Neutral (no impact)
- **Liquidity:** Strong (no impact)
- **Management and governance:** Satisfactory (no impact)
- **Comparable rating analysis:** Neutral (no impact)

Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Hybrid Capital: Methodology And Assumptions, 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
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013

- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Business And Financial Risk Matrix

	Financial Risk Profile					
Business Risk Profile	Minimal	Modest	**Intermediate**	Significant	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	a-	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	bbb	bb+	bb
Satisfactory	a/a-	bbb+	**bbb/bbb-**	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

Ratings Detail (As Of August 31, 2021)*

Bertelsmann SE & Co. KGaA	
Issuer Credit Rating	BBB/Stable/A-2
Junior Subordinated	BB+
Senior Unsecured	BBB
Issuer Credit Ratings History	
14-Oct-2020	BBB/Stable/A-2
27-Mar-2020	BBB+/Negative/A-2
23-May-2011	BBB+/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.

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