

Research Update:

# Bertelsmann SE & Co. KGaA 'BBB/A-2' Ratings Affirmed On Anticipated Stable Performance; Outlook Stable

October 13, 2025

## Rating Action Overview

- We expect Bertelsmann to report broadly stable revenue and EBITDA in 2025, reflecting portfolio changes and weaker TV business contribution, offset by sound growth in Bertelsmann's services operations, educational business, and book publishing.
- We expect the company to invest in growth, make bolt-on acquisitions, and pay dividends. This in our view will translate into S&P Global Ratings-adjusted leverage at about 2.0x and free operating cash flow (FOCF) to debt of 15%-17% in 2025-2027.
- We affirmed our 'BBB' long-term and 'A-2' short-term issuer credit ratings on Bertelsmann, our 'BBB' issue rating on its senior unsecured debt, and our 'BB+' issue rating on the hybrid debt.
- The stable outlook reflects our view that, over the next 24 months, Bertelsmann will achieve stable operating performance, with moderate organic revenue growth and adjusted EBITDA margins of 14%-15% and FOCF to debt of 15%-16%. This should translate into adjusted leverage of about 2x, but we note that the company's financial policy allows for higher leverage than our base-case scenario and we assume that it will invest in growth, including bolt-on acquisitions, and shareholder distributions.

## Rating Action Rationale

**We expect Bertelsmann will maintain stable operating performance and leverage around 2.0x in 2025-2027, despite moderate organic revenue growth and profitability.** Bertelsmann's diversified operations and growth in its services, education, and book businesses will support stable performance in 2025, offsetting weaker results in businesses that are more sensitive to economic headwinds. We expect organic growth to accelerate in 2026-2027, driven by a recovery in global GDP growth, especially in the eurozone, benefiting Bertelsmann's cyclical operations, and supported by its strong market positions. This allows the company to adapt to the structural challenges that its linear broadcasting business is facing, including waning linear TV viewing and advertising revenue, which declined in the first six months 2025 by 7%. Bertelsmann' exposure to

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advertising will reduce to 15% of total revenue in 2026 (pro-forma for all portfolio changes) compared with 20% currently following the divestment of its Dutch broadcasting business in 2025 and acquisition of subscription-based pay-TV and streaming operator Sky Deutschland, which we expect to close around the middle of 2026. Since 2011, Bertelsmann has already invested approximately €6.2 billion into growth and remains well on track to increase that to €8.0 billion by 2026 across its business segments in organic and inorganic initiatives. This will support Bertelsmann's robust earnings and cash flow generation and broadly stable leverage of about 2x in the forecast period.

**We expect Bertelsmann's organic growth to improve in 2026-2027, supported by its business diversity and transition to digital streaming.** We anticipate modest organic growth in 2025, following approximately 1% organic revenue growth in the first six months in 2025. This reflects our view that Bertelsmann's faster-growing businesses--including supply chain, financing, and logistics services provider Arvato, as well as book publisher Penguin Random House (PRH) and online educational operations--will continue to offset a decline in businesses exposed to structural challenges, economic cycles, and weaker demand dynamics, such as Bertelsmann's RTL division's linear TV advertising and printing and RTL's TV content production arm Fremantle. At the same time, RTL's digital content distribution continues to expand through its subscription-on-demand streaming platform RTL+, which achieved 15% subscriber and 27% revenue growth year on year in the first half of 2025. Also, RTL's digital advertising business has significantly increased since 2023, expanding by 9% year on year to €400 million in 2024, and by 27% year on year to €230 million in the first half year 2025.

From 2026, we expect organic growth will improve to above 2%, because we expect RTL's TV advertising revenue to benefit from economic recovery in Germany, supported by significant fiscal stimulus anticipated over 2026-2027. We also expect RTL's streaming position in Germany to improve significantly, reflecting further expansion of RTL+ and acquisition of Sky Deutschland in 2026 (see bulletin "[Acquisition Of Sky Deutschland By Bertelsmann-Owned RTL Will Boost Video Streaming Proposition](#)," June 30, 2025). Additionally, we expect Bertelsmann Music Group (BMG) to resume organic growth in 2026, after a temporary decline in 2025, benefitting from expanding catalogue investments and favorable music consumption trends, particularly from growing music streaming. In our view, other businesses like Arvato and educational services will continue benefitting from supportive market fundamentals, contribution to the group's growth.

**We expect Bertelsmann to maintain broadly stable S&P Global Ratings-adjusted EBITDA margins of 14%-15% in 2025-2027.** Bertelsmann operates in mature media and services industries with modest profitability margins being somewhat lower than for some of Bertelsmann's media peers. In addition, the company's profitability margins are subject to a structural decline of historically high-margin linear advertising businesses. However, we expect moderate organic growth, increasing contribution of higher-margin businesses such as online education and BMG, and cost controls, will support gradually improving EBITDA margins. Additionally, we expect RTL's streaming operations to break even by 2026. It remains loss-making in 2025, but the losses have reduced to €34 million in the first half of 2025, from €84 million in 2024. Finally, we expect the Sky Deutschland acquisition to initially have a dilutive impact on profitability and improve over the next three years after the acquisition close as Bertelsmann achieves cost savings and synergies.

**We believe Bertelsmann has headroom for funding growth initiatives under the 'BBB' rating.** We forecast the company's adjusted debt to EBITDA will be about 2.0x for 2025-2027. At the same time, we note that the company's financial policy allows for higher leverage as its medium-term guidance of maximum group-adjusted net leverage is up to 2.5x, equivalent to S&P Global

Ratings-adjusted debt to EBITDA of up to 2.5x. Additionally, we expect FOCF will gradually expand in 2025-2027, reflecting the company's growing EBITDA, and stable capital expenditure (capex), which also includes music catalogue acquisitions, translating into 15%-16 % FOCF to debt in 2025-2026, and expanding to above 17% in 2027. This will provide Bertelsmann with a comfortable leeway to execute on its growth initiatives in line with its strategic ambitions.

## Outlook

The stable outlook reflects our view that, over the next 24 months, Bertelsmann will achieve stable operating performance, with moderate organic revenue growth and adjusted EBITDA margins of 14%-15% and FOCF to debt of 15%-16%. This should translate into adjusted leverage of about 2.0x, but we note that the company's financial policy allows for higher leverage than our base-case scenario and we assume that it will invest in growth, including bolt-on acquisitions, and shareholder distributions.

### Downside scenario

We could lower our rating if Bertelsmann's adjusted leverage increases above 3.0x or FOCF to debt approached 10%, for example, if:

- Its organic revenue growth and profitability weaken due to weaker macroeconomic conditions or an inability to adjust its business to intensifying structural challenges; or
- It pursues large debt-funded acquisitions, or increases investments or shareholder remuneration materially beyond our base case.

### Upside scenario

We could raise our rating if it outperforms our base case, absorbs ramp-up costs associated with its streaming businesses, and successfully integrates Sky Deutschland, improving its adjusted EBITDA margins and cash flow, and commits to a financial policy that would, in our view, support adjusted leverage sustainably below 2.0x and FOCF to debt approaching 20%.

## Company Description

Germany-based Bertelsmann is a diversified global media company with about €19 billion reported revenue and €2.8 billion S&P Global Ratings-adjusted EBITDA in 2024. It operates through seven business segments including:

- Broadcaster **RTL Group** with operations in Germany and Hungary: Linear TV, TV content production company Fremantle streaming under the RTL+ brand. Bertelsmann owns 76.3% of RTL Group, with the remaining stake being in free float. This segment generated 36% of the group's 2024 external revenue.
- Book publisher **PRH** which generated 26% of the group's 2024 external revenue.
- Business and outsourcing services **Arvato Group**, which generated 20% of the group's 2024 external revenue.
- Music publisher **BMG**, **Bertelsmann Education Group**, and **Bertelsmann Marketing Services**: Each generated 5% of the group's 2024 external revenue.
- **Bertelsmann Investments**, which generated 3% of the group's 2024 external revenue.

In 2024, Bertelsmann's external revenue was geographically distributed as follows: Germany accounted for 27%, France 8%, and the U.K. 7%. Other European countries represented 20% of revenue, while the U.S. accounted for 27%. The remaining 11% came from other countries, primarily Brazil.

Bertelsmann is a privately held partnership limited by shares and ultimately controlled by the Mohn family. Four foundations (Bertelsmann Stiftung, Reinhard Mohn Stiftung, BVG Familienstiftung, and BVG-Stiftung) indirectly hold 80.9% of Bertelsmann, with the remaining 19.1% held indirectly by the Mohn family.

## Our Base-Case Scenario

### Assumptions

- Real GDP growth in Germany is projected to accelerate to 1.1% in 2026 and 1.6% in 2027, following an expected low growth of 0.2% in 2025. Europe's real GDP growth is forecast to be between 1.1% and 1.4% during 2025-2027. The U.S. is expected to see real GDP growth of 1.9% in 2025, and 1.8% in 2026-2027.
- We expect Bertelsmann's reported revenue will remain broadly flat in 2025, driven by several factors:
  - --A 3%-4% contraction in the RTL business reflecting organic contraction of linear advertising due to structural decline and lower economic activity and TV content operations, as well as portfolio changes (concluded sale of RTL Netherlands) partly offset by 20%-30% organic growth in digital advertising and streaming revenue.
  - --6%-8% growth in the Arvato business services and supply chain segment, fueled by recent acquisitions.
  - --2%-4% growth in Bertelsmann Education Group, reflecting increased digital offerings, partially offset by negative foreign exchange translation effects.
  - --2%-3% growth in book publishing (PRH), supported by acquisitions and strong bestseller performance, despite weaker sales in the U.S.
  - --A 2%-3% contraction in the music division, BMG, reflecting Bertelsmann's strategic decision to exit low-margin operations, divestments, and negative translation effects.
- We expect Bertelsmann's annual reported revenue growth at 5%-8% in 2026-2027, primarily due to higher organic growth driven by resumed growth at BMG, robust expansion of online education and Arvato, sound growth of book publishing, resumption of growth in the German broadcasting business, as well as the integration of Sky Deutschland into RTL operations (expected by mid-2026, with a full impact in 2027).
- The adjusted EBITDA margin to remain stable at 14%-15% in 2025-2027 reflecting the dilutive impact of Sky Deutschland's operations from 2026 and thereafter, partly offset by improving profitability of RTL+. Beyond that, the EBITDA margins could improve toward 15%, driven by integration of Sky Deutschland and cost savings, a growing contribution from RTL's streaming operations, and stable or increasing margins in most other businesses. Our EBITDA forecast includes €250 million-€300 million in annual restructuring and one-off costs.
- Annual working capital outflows of €400 million-€450 million.

- Disposal proceeds from the sale of RTL Netherlands, amounting to approximately €1.1 billion in 2025.
- Our assumption of €500 million in yearly bolt-on acquisitions, aligning with the company's growth strategy. This includes €150 million to be paid for the acquisition of Sky Deutschland in 2026.

## Key metrics

### Bertelsmann SE & Co. KGaA--Forecast summary

Period ending	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027	Dec-31-2028
(Mil. EUR)	2021a	2022a	2023a	2024a	2025e	2026f	2027f	2028f
Revenue	18,696	19,977	19,811	18,579	18,662	19,732	21,251	21,914
EBITDA	2,906	2,752	2,560	2,804	2,713	2,827	3,059	3,263
Less: Cash interest paid	(229)	(324)	(318)	(300)	(301)	(300)	(285)	(267)
Less: Cash taxes paid	(807)	(339)	(331)	(317)	(377)	(396)	(452)	(512)
Funds from operations (FFO)	1,870	2,089	1,911	2,187	2,035	2,131	2,322	2,484
Capital expenditure (capex)§	778	955	835	915	903	938	906	892
Free operating cash flow (FOCF)	782	53	742	834	742	781	983	1,219
Dividends	430	513	496	418	394	549	374	394
Share repurchases (reported)	--	187	139	401	100	--	--	--
Discretionary cash flow (DCF)	352	(647)	107	15	248	232	610	825
Debt (reported)	6,017	5,890	5,633	5,539	4,738	4,738	4,738	4,738
Plus: Lease liabilities debt	1,356	1,538	1,334	1,418	1,462	1,484	1,506	1,529
Plus: Pension and other postretirement debt	880	327	225	252	252	252	252	252
Less: Accessible cash and liquid Investments	(4,523)	(3,208)	(2,821)	(2,133)	(1,922)	(1,362)	(1,182)	(1,218)
Plus/(less): Other&	(492)	255	313	249	249	249	249	249
Debt	3,238	4,802	4,684	5,325	4,779	5,361	5,563	5,549
<b>Adjusted ratios</b>								
Debt/EBITDA (x)	1.1	1.7	1.8	1.9	1.8	1.9	1.8	1.7
FFO/debt (%)	57.8	43.5	40.8	41.1	42.6	39.7	41.7	44.8
EBITDA interest coverage (x)	16.6	11.2	8.4	9.3	8.6	9.0	10.2	11.6
FOCF/debt (%)	24.2	1.1	15.8	15.7	15.5	14.6	17.7	22.0
DCF/debt (%)	10.9	(13.5)	2.3	0.3	5.2	4.3	11.0	14.9
Annual revenue growth (%)	8.1	6.9	(0.8)	(6.2)	0.4	5.7	7.7	3.1
EBITDA margin (%)	15.5	13.8	12.9	15.1	14.5	14.3	14.4	14.9

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. EUR--euro. §Reduced by capitalized development costs, that we treat as operating expense.&Includes put options and contingent considerations.

## Liquidity

The short-term rating is 'A-2'. We view Bertelsmann's liquidity as strong because we expect sources of liquidity will exceed uses by more than 1.5x over the 24 months started July 1, 2025.

The company benefits from its fully available committed credit facilities of €1.5 billion, a significant cash balance, and our expectation of continued positive sizeable FOCF 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
<p>We anticipate Bertelsmann will have the following principal liquidity sources over the next 12 months starting July 1, 2025:</p> <ul style="list-style-type: none"> <li>• Cash balance of €1.05 billion on balance sheet as of June 30, 2025;</li> <li>• Fully available revolving credit facility of €1.5 billion due 2029;</li> <li>• Our forecast funds from operations of €1.8-2.0 billion; and</li> <li>• About €1.1 billion disposal proceeds from the sale of RTL Netherlands.</li> </ul>	<ul style="list-style-type: none"> <li>• Amortizing debt maturities of about €670 million in next 12 months;</li> <li>• Annual working capital outflow and intrayear seasonal working capital requirement of approximately €900 million;</li> <li>• Capex of approximately €1 billion; and</li> <li>• Dividend payment of €450 million - €550 million.</li> </ul>

## Covenants

The company's capital structure is not a subject to financial maintenance covenants.

## Environmental, Social, And Governance

Environmental, social, and governance factors have an overall neutral influence on our credit rating analysis of Bertelsmann. We factor in management's good track record of strategic planning and execution, including effective monitoring and managing of social risks that media companies are facing.

Given the publicly announced intention for the current CEO to step down in early 2026, we anticipate a succession announcement in due course. We do not currently expect this transition to trigger a significant shift in the Bertelsmann's strategic direction.

## Issue Ratings--Subordination Risk Analysis

### Capital structure

Almost all debt is unsecured and is issued at the Bertelsmann SE & Co. KGaA level. All senior notes rank pari passu and are senior to the €413 million debt-like profit participation notes and the company's €600 million hybrid bond, which is also issued at the 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.

## Rating Component Scores

### Rating Component Scores

Component	
Foreign currency issuer credit rating	BBB/Stable/A-2
Local currency issuer credit rating	BBB/Stable/A-2
Business risk	Satisfactory
Country risk	Low risk
Industry risk	Intermediate risk
Competitive position	Satisfactory
Financial risk	Intermediate
Cash flow/leverage	Intermediate
Anchor	bbb
Modifiers	
Diversification/portfolio effect	Neutral/Undiversified
Capital structure	Neutral
Financial policy	Neutral
Liquidity	Strong
Management and governance	Neutral
Comparable rating analysis	Neutral
Stand-alone credit profile	bbb

## Related Criteria

- [Criteria | Corporates | General: Sector-Specific Corporate Methodology](#), July 7, 2025
- [General Criteria: Hybrid Capital: Methodology And Assumptions](#), Feb. 10, 2025
- [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: 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, Media and Entertainment Navigating uncertainty and tariffs (for now), July 16, 2025
- Acquisition Of Sky Deutschland By Bertelsmann-Owned RTL Will Boost Video Streaming Proposition, June 30, 2025

## Ratings List

### Ratings List

#### Ratings Affirmed

#### **Bertelsmann SE & Co. KGaA**

Issuer Credit Rating	BBB/Stable/A-2
Senior Unsecured	BBB
Junior Subordinated	BB+

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