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Research Update:

Bertelsmann SE & Co. KGaA Ratings Affirmed On Music Division BMG Merger With Concord; Outlook Stable

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Rating Action Overview

- Bertelsmann SE & Co. KGaA (Bertelsmann) announced on April 28, 2026, that it will merge its music division BMG with the music publisher Concord in a cash and stock transaction. This will create a music company with pro forma revenue of about $2.2 billion. Bertelsmann will hold about 67% in the new music entity, Concord's current owner Great Mountain Partners Plan (GMP) will own the remainder.
- We view the combination as incrementally positive for Bertelsmann's business profile due to its increased scale, strong cash flow generation, and higher margins compared with the rest of the group.
- We expect that pro forma the merger, Bertelsmann's S&P Global Ratings-adjusted leverage will increase to 3.0x and free operating cash flow (FOCF) to debt should decline to 9% in 2027 but anticipate that leverage will reduce comfortably below 3.0x by 2028.
- Therefore, 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 maintain stable operating performance, with moderate organic revenue growth and adjusted EBITDA margins of 14%-15%. It will also successfully integrate Concord's operations. The outlook assumes the company will maintain adjusted debt to EBITDA below 3.0x and that FOCF to debt will improve sustainably above 10% two years after the transaction closes.

Rating Action Rationale

In our view, the rating affirmation reflects that the merger of BMG and Concord will incrementally improve Bertelsmann's business profile, and that the company's leverage will increase temporarily in 2027 after closing and return to levels commensurate with the 'BBB' rating thereafter. Bertelsmann announced on April 28, 2026 that it will merge its music division

BMG with Concord in a stock and cash deal. This includes an approximately $1.16 billion cash payment by Bertelsmann to GMP. As a result, the combined BMG business will have pro forma revenue of about $2.2 million and EBITDA of $730 million in 2026, roughly double the size of BMG in 2025. Bertelsmann will hold about 67% of the new music entity, and GMP will own the remainder. We understand Bertelsmann will fully consolidate the combined BMG, and will control its board, allowing it to largely steer its business and financial policy. We anticipate a temporary increase in Bertelsmann's adjusted debt to EBITDA to 3.0x in 2027 (we model the full impact from the merger from 2027 onwards), but expect the company to reduce leverage in line with its financial policy targets thereafter, supporting the rating affirmation. We forecast the company will continue to generate solid positive cash flows and that FOCF to debt will return to above 10% in 2028.

We think that the transaction will marginally strengthen Bertelsmann's business profile, including its revenue growth prospects, margins, and cash flows. This reflects the good organic growth prospects and monetization opportunities that we expect for the music business, as well as its higher margins. We expect about 30%-35% company-defined EBITDA for BMG combined and stronger cash flow generation compared with the rest of Bertelsmann's business. The combined entity's increased scale will position it among the top four music publishers globally.

The increased scale will present BMG with an opportunity to capitalize on the global music industry's substantial growth, which we think will be driven by 4%-6% growth in streaming over the next several years. Furthermore, we anticipate the expansion in the music industry will benefit from increasing music monetization, because we view major digital service providers as having capacity to continue price increases. We also think that BMG will increasingly monetize its material intellectual property catalogue within music publishing as AI drives demand for derivative music. Finally, we view BMG and Concord's business models as similar as they focus on music publishing and recorded music. Given this similarity and the demonstrated strength of cash flow generation and demand dynamics within the industry, we believe integration risk is limited and expect the company to achieve synergies.

However, the scale of the music business within Bertelsmann will still be limited to about 10% of the company's revenue and 20% of the company's EBITDA (pro forma the merger, on a fully consolidated basis; note, we model merger from 2027 onwards). Although Bertelsmann will control the merged music entity with a 67% ownership stake, in our view there will be significant minority shareholder value leakage. This reduces the proportion of cash flow generation directly attributed to Bertelsmann. This limits the direct benefit to Bertelsmann's business profile and credit metrics, in our view.

We expect Bertelsmann's adjusted leverage and cash flow metrics to return to comfortable levels for the rating by 2028. We anticipate a temporary increase in adjusted debt to EBITDA to 3.0x in 2027, reflecting the addition of Concord's debt and the cash payment to GMP. However, we expect the company to reduce leverage thereafter. We anticipate that Bertelsmann will remain committed to its financial policy targets that assume up to 2.5x of company-defined net leverage, translating to our adjusted leverage of less than 3.0x. Therefore, we forecast adjusted leverage to reduce to 2.7x in 2028 mainly on EBITDA expansion underpinned by larger and growing music operations and further growth in other business segments. We forecast that FOCF to debt will follow a similar trajectory, improving to above 10% in 2028 from 9% in 2027. Our leverage calculations assume that Bertelsmann will incorporate 100% of Concord's financial debt, which mostly consists of asset-backed securities (ABS) of €2.2 billion, and will roll it over after the merger. We assume that Bertelsmann will fund the cash component of the transaction with new debt. Following the merger, we apply pro rata deconsolidation to the revenue, EBITDA, cash flows, and debt related to significant assets that Bertelsmann fully consolidates but does not fully own, and which have material minority interests. These assets include RTL Group, Afya, and BMG pro forma the merger. The pro rata consolidation calculation approach has a moderate impact on our adjusted credit metrics, including 0.3x-0.5x impact on our adjusted debt to EBITDA.

Bertelsmann has obtained regulatory approval for the acquisition of Sky Deutschland and will complete the deal in June 2026. The company’s 2025 performance was broadly in line with expectations, including flat reported revenue. Adjusted FOCF was softer as the company accelerated its capital expenditure (capex), and executed about €1.5 billion investments in 2025, in line with its Boost strategy--investments that should accelerate growth. In April 2026, Bertelsmann received a regulatory clearance from the EU on its Sky Deutschland acquisition, marking progress of the company's strategy, with expected closure of the acquisition on June 1, 2026.

Outlook

The stable outlook reflects our view that over the next 24 months Bertelsmann will maintain stable operating performance, with moderate organic revenue growth and adjusted EBITDA margins of 14%-15%. It will also successfully integrate Concord's operations and achieve cost synergies. The outlook assumes the company will maintain adjusted debt to EBITDA below 3.0x and that FOCF to debt will improve sustainably above 10% two years after the transaction closes. It also assumes that the company's financial policy will continue to balance investment in growth, bolt-on acquisitions, and shareholder distributions, supporting these credit metrics.

Downside scenario

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

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

Upside scenario

We could raise our rating if Bertelsmann outperformed our base case, successfully integrated recent acquisitions, and improved adjusted EBITDA margins and cash flows, while committing 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 €2.3 billion S&P Global Ratings-adjusted EBITDA in 2025. It operates through seven business segments including:

- Broadcaster RTL Group with operations in Germany, France, and Hungary: Linear TV, TV content production company Fremantle, and streaming under the RTL+ brand. Bertelsmann owns 75% of RTL Group, with the remaining stake being in free float. This segment generated 33% of the group's 2025 external revenue.

- Book publisher PRH: Which generated 26% of the group's 2025 external revenue.
- Business and outsourcing services Arvato Group: Which generated 23% of the group's 2025 external revenue.
- Music publisher BMG, Bertelsmann Education Group, and Bertelsmann Marketing Services: Each generated 5% of the group's 2025 external revenue.
- Bertelsmann Investments: Which generated 3% of the group's 2025 external revenue.

In 2025, Bertelsmann's external revenue was geographically distributed as follows: Germany accounted for 26%, France 8%, and the U.K. 8%. Other European countries represented 19% of revenue, while the U.S. accounted for 29%. The remaining 10% 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 to accelerate to 0.8% in 2026 and 1.4% in 2027-2028. Real GDP growth in Europe of 1.7%-1.8% during 2026-2028. Real GDP growth in the U.S. of 2.2% in 2026, and 1.8%-2% in 2027-2028.
- Bertelsmann's reported revenue will increase by about 6% in 2026:
- --A broadly stable RTL stand-alone business reflecting flat linear advertising business thanks to higher economic activity, 20%-30% organic growth in digital advertising and streaming revenue, offset by a reducing decline in TV production operations. In addition, we incorporate seven months contribution from Sky Deutschland, based on the assumption that the acquisition will close on June 1, 2026.
- --About 4%-6% growth in the Arvato business services, financial services, and supply chain segment, reflecting organic growth and recent acquisitions.
- --About 2%-4% growth in Bertelsmann Education Group, reflecting organic expansion, partially offset by negative foreign exchange translation effects.
- --1%-3% growth in book publishing (PRH), supported by organic growth and printed books operations to expand.
- --7%-9% growth in the music division, BMG, reflecting Bertelsmann's strategic refocusing on core operating including music publishing and recorded music operations. We have assumed the full impact of the merger of BMG with Concord from 2027 onwards, while we understand that the merger will conclude at end-2026.
- Bertelsmann's annual reported revenue growth of 11.0%-11.5% in 2027, driven by a full-year contribution of Sky Deutschland; the merger of BMG and Concord; moderate growth of book publishing; and robust expansion of online education and Arvato.

- The adjusted EBITDA margin will remain stable at 13.5%-14% in 2026-2027, reflecting the dilutive impact of Sky Deutschland's operations from 2026 and thereafter, offset by improving profitability of RTL+, the growing contribution of the higher margin music business, and educational operations. Beyond that the integration of Sky Deutschland, cost savings, a growing contribution from RTL's streaming operations, and stable or increasing margins in most other businesses will underpin EBITDA margin improvement toward 15%. Our EBITDA forecast includes €200 million-€250 million in annual restructuring and one-off costs.
- Annual working capital outflows of €350 million-€450 million.
- Our assumption of about €200 million in bolt-on acquisitions in 2026, and a €1.1 billion payment in 2027, mainly for the cash consideration of the Concord merger, as we model the merger from 2027.

Key metrics

Bertelsmann SE & Co. KGaA--Forecast summary

Period ending	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027	Dec-31-2028	Dec-31-2029
(Mil. EUR)	2022a	2023a	2024a	2025a	2026e	2027f	2028f	2029f
Revenue	19,977	19,811	18,579	16,794	17,682	19,035	19,534	19,976
EBITDA	2,752	2,560	2,804	2,256	2,450	2,692	2,951	3,000
Less: Cash interest paid	(324)	(318)	(300)	(284)	(272)	(372)	(380)	(367)
Less: Cash taxes paid	(339)	(331)	(317)	(323)	(294)	(335)	(364)	(371)
Funds from operations (FFO)	2,089	1,911	2,187	1,649	1,884	1,985	2,206	2,262
Capital expenditure (capex)§	955	835	915	989	818	812	806	829
Free operating cash flow (FOCF)	53	742	834	433	749	730	918	956
Dividends	513	496	418	277	206	205	221	226
Share repurchases (reported)	187	139	401	165	11	134	28	28
Discretionary cash flow (DCF)	(647)	107	15	(9)	532	390	669	702
Debt (reported)	5,890	5,633	5,539	4,876	5,129	7,945	7,407	7,115
Plus: Lease liabilities debt	1,538	1,334	1,418	1,394	1,341	1,313	1,227	1,254
Plus: Pension and other postretirement debt	327	225	252	396	396	396	396	396
Less: Accessible cash and liquid Investments	(3,208)	(2,821)	(2,133)	(1,493)	(1,363)	(924)	(635)	(625)
Plus/(less): Other*	255	313	249	(17)	(17)	(734)	(482)	(371)
Debt	4,802	4,684	5,325	5,156	5,486	7,996	7,912	7,770
Adjusted ratios								
Debt/EBITDA (x)	1.7	1.8	1.9	2.3	2.2	3.0	2.7	2.6
FFO/debt (%)	43.5	40.8	41.1	32.0	34.3	24.8	27.9	29.1
EBITDA interest coverage (x)	11.2	8.4	9.3	8.7	8.9	6.9	7.4	7.8
FOCF/debt (%)	1.1	15.8	15.7	8.4	13.7	9.1	11.6	12.3
DCF/debt (%)	(13.5)	2.3	0.3	(0.2)	9.7	4.9	8.5	9.0
Annual revenue growth (%)	6.9	(0.8)	(6.2)	(9.6)	5.3	7.7	2.6	2.3
EBITDA margin (%)	13.8	12.9	15.1	13.4	13.9	14.1	15.1	15.0

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; by pro-rata capex that we deconsolidate (mainly at RTL, Afya, BMG, and financial services). *This is a net position, and it includes put options and contingent considerations at the group level, and pro rata debt, that we deconsolidate.

Liquidity

We affirmed the short-term rating at 'A-2'. We view Bertelsmann's liquidity as strong pro forma the announced transaction because we expect sources of liquidity will exceed uses by more than 1.5x over the 24 months starting March 31, 2026. The company benefits from its fully available committed credit facilities of €1.5 billion, a significant cash balance, and our expectation of continued positive sizable 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
• Cash balance of €2.2 billion • Fully available revolving credit facility of €1.5 billion due 2029 • Our forecast funds from operations of €1.9 billion-€2.1 billion • Our assumption of €1 billion financing for the cash consideration of the Concord merger	• Amortizing debt maturities of about €660 million • Annual working capital outflow and intrayear seasonal working capital requirement of approximately €850 million • Capex of approximately €1 billion • Dividend payments of €450 million-€500 million • Approximately €1 billion payment for Concord

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.

Following the announced succession of the current CEO, we anticipate the transition will be smooth. This is because the new CEO Thomas Coesfeld--a member of the Mohn family, Bertelsmann's shareholder--has been working at Bertelsmann for a number of years, most recently as the CEO of BMG, and is a part of the management board. We expect a broad continuation of strategic direction of the company and therefore no material changes in the company's strategic goals.

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 €145 million hybrid bond (outstanding amount; the nominal amount was €600 million), which is also issued at the parent level. Following the merger, Bertelsmann will assume Concord's ABS debt of approximately €2.2 billion, which is secured by certain music rights of Concord and has a priority ranking compared with Bertelsmann's top company debt.

Analytical conclusions

In our view, there will not be meaningful structural subordination after incorporating Concord's ABS debt, because we estimate priority debt will remain below 50%. Therefore, we 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

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

- General Criteria: Hybrid Capital: Methodology And Assumptions, Oct. 13, 2025
- Criteria | Corporates | General: Sector-Specific Corporate Methodology, July 7, 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 2026: Media and Entertainment, Jan. 14, 2026
- Bulletin: 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+