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Research Update:

Global Media Company Bertelsmann Affirmed At 'BBB/A-2' On Music Division Merger's Completion; Outlook Stable

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Rating Action Overview

- We view the merger of Bertelsmann's music division BMG with music publisher Concord, to be completed on Sept. 1, 2026, as incrementally positive for the company's business profile due to increased scale and improved margins.
- As part of the transaction, Bertelsmann will receive approximately €1.1 billion ($1.25 billion) from asset management firm Apollo, which will acquire a minority interest in a newly established joint venture (JV) holding parts of BMG's music rights portfolio.
- The funding from Apollo, which we treat as akin to equity, will support Bertelsmann's credit metrics; we now expect Bertelsmann's pro forma adjusted leverage to increase to 2.6x in 2027 from 2.3x in 2025, and reduce toward 2.2x thereafter, leaving comfortable rating headroom.
- Therefore, we affirmed our 'BBB/A-2' long- and 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 outlook is stable because we believe Bertelsmann can maintain stable operations--with moderate organic revenue growth and adjusted EBITDA margins of 14%-15%--and successfully integrate Concord, while keeping adjusted leverage lower than 3.0x and free operating cash to debt (FOCF) to debt higher than 10%.

Rating Action Rationale

The rating affirmation reflects that the merger of BMG and Concord was completed in line with our expectations, and funding from Apollo will further support Bertelsmann's credit metrics and deleveraging. The transaction closes on Sept. 1, 2026, and involves a stock and cash deal including an approximately $1.16 billion cash payment by Bertelsmann to Great Mountain Partners Plan (GMP). We forecast the combined BMG business to reach pro forma revenue of about $2.2 billion and EBITDA of $730 million in 2026, roughly doubling BMG's size. Bertelsmann will hold approximately 67% of the new music entity, and GMP the remainder. Bertelsmann will fully consolidate the combined BMG division and maintain board control, allowing it to largely steer both business and financial policy. In our view, 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 (see "Bertelsmann SE & Co. KGaA Ratings Affirmed On Music Division BMG Merger With Concord; Outlook Stable, "May 7, 2026).

Under our methodology, we treat Apollo's capital contribution to the new JV in part of BMG's music rights portfolio as akin to equity, supporting Bertelsmann's credit metrics. Apollo will obtain a minority stake in part of BMG's music rights portfolio for a total consideration of €1.1 billion ($1.25 billion). Although Bertelsmann retains operational control, the partnership increases complexity by reducing Bertelsmann's control over the group's cash flows, due to dividends to minority shareholders. Consequently, we deconsolidate Apollo's minority share of the JV in Bertelsmann's adjusted credit metrics. We also add the net present value of the shortfall contribution that Bertelsmann might need to pay to the JV in case of underperformance to our adjusted debt metrics. Incorporating Apollo's contribution, we now expect Bertelsmann's S&P Global Ratings-adjusted debt to EBITDA to increase in 2027 to 2.6x (reflecting the full impact of the merger from 2027 onward) and reduce toward 2.2x thereafter, leaving the company with comfortable rating headroom. Furthermore, we anticipate the company will maintain solid positive cash flows, with FOCF to debt exceeding 10% throughout 2026-2027. To ensure year-over-year comparability, our projections exclude the Concord transaction from 2026 and include its full impact in 2027. Although we treat the Apollo transaction as a sale, we recognize the potential for Bertelsmann to repurchase this minority stake in the future. However, we expect any such repurchase to be executed in line with the company's conservative financial policy. We expect Bertelsmann will use the contribution from Apollo to partly repay Concord's asset-backed securities (ABS) of €2.2 billion. We continue to 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 the combined BMG pro forma the merger, and we also deconsolidate Apollo's stake in the music rights JV.

We continue to expect Bertelsmann to deliver solid organic revenue and earnings growth in 2026. In the first half of 2026, the group delivered solid operating performance, with 5.1% organic revenue growth and company-adjusted EBITDA margins improved to 14.1%. This was driven by solid growth in the business services, education, and music divisions offsetting a structural decline in TV advertising. Specifically, Arvato revenue grew 7.3% through logistics scaling and acquisitions, while Bertelsmann Education expanded 6.6% via Afya and Relias. BMG recorded 8.1% organic growth, and Penguin Random House saw slight growth despite U.S. currency headwinds. These gains offset RTL Group's reported revenue decline, driven by the RTL Netherlands divestment and lower TV advertising, though RTL's organic revenue remained stable due to streaming growth. We expect the integration of Sky Deutschland (completed in June 2026) and the BMG-Concord merger to accelerate the company's EBITDA growth.

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%. We also believe the company can successfully integrate Concord's operations and achieve cost synergies. We assume the company will maintain adjusted debt to EBITDA lower than 3.0x and FOCF to debt higher than 10%, with its financial policy continuing 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 S&P Global Ratings-adjusted leverage increased beyond 3.0x or FOCF to debt remained lower than 10%, for example, if:

- Organic revenue growth and profitability weakened, due to weaker macroeconomic conditions or an inability to adapt the business to intensifying structural challenges; or
- Investments, debt-funded acquisitions, or increased shareholder remuneration were materially higher than in our base case.

Upside scenario

We could raise our rating if Bertelsmann outperformed our base case, successfully integrating recent acquisitions, and strengthening 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

Bertelsmann is a diversified global media company that reported about €19 billion in revenue and €2.3 billion of S&P Global Ratings-adjusted EBITDA in 2025. The company operates across media, services, and education sectors in approximately 50 countries, with core markets in Western Europe (notably Germany, France, and the U.K.) and the U.S.

Bertelsmann's business is organized into several key divisions: RTL Group (entertainment), Penguin Random House (books), BMG (music), Arvato Group (services), Bertelsmann Marketing Services (direct marketing and printing), Bertelsmann Education Group (education), and Bertelsmann Investments (venture capital).

In 2025, the U.S. represented the largest market at 29% of revenue, followed by Germany (26%), France (8%), and the U.K. (8%). The remainder of revenue came from Europe (19%) and other regions, primarily Brazil (10%). Bertelsmann is a privately held partnership limited by shares and ultimately controlled by the Mohn family. Four foundations indirectly hold 80.9% of the company, while the Mohn family indirectly holds the remaining 19.1%.

Our Base-Case Scenario

Assumptions

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 include RTL Group, Afya, and the combined BMG pro forma the merger; we also deconsolidate Apollo’s stake in the music rights JV.

Our projections exclude the Concord transaction from 2026 and include its full impact in 2027.

- Real GDP growth in Germany to accelerate to 0.4% in 2026 and to 1.0%-1.5% in 2027-2028; real GDP growth in Europe of 1.5%-1.9% during 2026-2028; and real GDP growth in the U.S. of 2.1% in 2026, and 1.8%-2% in 2027-2028.

- Reported revenue growth for Bertelsmann of 6%, primarily driven by the integration of Sky Deutschland into RTL Group; 11% in 2027, incorporating the Concord merger; and 2%-3% annually thereafter.
- Adjusted EBITDA margins to remain at 13%-14% in 2026 and 2027, in line with 2025, and improve to 14%-15% in 2028, reflecting the dilutive impact of Sky Deutschland and the integration costs of Concord, which would end by 2028.
- Annual working capital outflows of €350 million to €400 million.

Key metrics

Period ending	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027	Dec-31-2028
(Mil. EUR)	2024a	2025a	2026e	2027f	2028f
Revenue	18,579	16,794	17,737	18,834	19,309
Gross profit	12,173	10,308	17,737	18,834	19,309
EBITDA (reported)	2,855	3,139	2,827	3,338	3,638
Plus: Operating lease adjustment (OLA) rent	--	--	--	--	--
Plus/(less): Other	(51)	(883)	(445)	(792)	(859)
EBITDA	2,804	2,256	2,382	2,546	2,780
Less: Cash interest paid	(300)	(284)	(270)	(310)	(307)
Less: Cash taxes paid	(317)	(323)	(242)	(220)	(272)
Plus/(less): Other	--	--	--	--	--
Funds from operations (FFO)	2,187	1,649	1,870	2,015	2,200
EBIT	1,799	1,291	1,443	1,202	1,439
Interest expense	300	258	274	314	312
Cash flow from operations (CFO)	1,749	1,422	1,603	1,627	1,801
Capital expenditure (capex)	915	989	819	804	798
Free operating cash flow (FOCF)	834	433	784	823	1,003
Dividends	418	277	206	205	221
Share repurchases (reported)	401	165	--	--	--
Discretionary cash flow (DCF)	15	(9)	578	618	782
Debt (reported)	5,539	4,876	5,129	6,910	6,160
Plus: Lease liabilities debt	1,418	1,394	1,345	1,317	1,230
Plus: Pension and other postretirement debt	252	396	396	396	396
Less: Accessible cash and liquid Investments	(2,133)	(1,493)	(1,673)	(1,559)	(1,358)
Plus/(less): Other	249	(17)	(21)	(481)	(301)
Debt	5,325	5,156	5,175	6,583	6,128
Equity	15,351	13,919	14,435	14,900	15,539
Interest expense (reported)	286	286	301	403	401
Capex (reported)	982	1,175	1,026	1,061	1,059
Cash and short-term investments (reported)	2,242	1,809	2,006	1,901	1,710
Adjusted ratios					
Debt/EBITDA (x)	1.9	2.3	2.2	2.6	2.2
FFO/debt (%)	41.1	32.0	36.1	30.6	35.9

FFO cash interest coverage (x)	8.3	6.8	7.9	7.5	8.2
EBITDA interest coverage (x)	9.3	8.7	8.7	8.1	8.9
CFO/debt (%)	32.8	27.6	31.0	24.7	29.4
FOCF/debt (%)	15.7	8.4	15.1	12.5	16.4
DCF/debt (%)	0.3	(0.2)	11.2	9.4	12.8
Annual revenue growth (%)	(6.2)	(9.6)	5.6	6.2	2.5
Gross margin (%)	65.5	61.4	100.0	100.0	100.0
EBITDA margin (%)	15.1	13.4	13.4	13.5	14.4

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. EUR--euro.

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 starting Jan. 1, 2027 (pro forma the BMG merger). 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. We also consider that Bertelsmann has a strong relationship with banks and high standing in credit markets.

We anticipate that Bertelsmann will use the €1 billion acquisition-related credit line established in April 2026 to fund the $1.16 billion one-time cash payment to GMP once the transaction closes on Sept. 1, 2026. Additionally, we assume Apollo’s €1.1 billion ($1.25 billion) capital contribution will be used to reduce outstanding ABS liabilities at BMG/Concord at closing.

Principal liquidity sources	Principal liquidity uses
• Cash balance of €2.0 billion on balance sheet as of Jan. 1, 2027; • Fully available revolving credit facility of €1.5 billion due in 2031; and • Funds from operations that we forecast at €2.5 billion.	• Debt maturities of about €450 million; • Annual working capital outflow and intrayear seasonal working capital requirement of up to €600 million; • Capital expenditure of approximately €1 billion; and • Dividend payment of €500 million-€550 million.

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 management of social risks that media companies face.

Following the announced appointment 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 and therefore no material changes in the company's strategic goals.

Issue Ratings--Subordination Risk Analysis

Capital structure

Almost all debt is unsecured and issued by Bertelsmann SE & Co. KGaA. All senior notes rank pari passu and are senior to the €413 million debt-like profit participation notes and the company's outstanding €145 million hybrid bond (the nominal amount was €600 million), which was also issued at the parent level. Following the merger, Bertelsmann will assume Concord's ABS debt of approximately €0.8 billion, which is secured by certain music rights of Concord and has a priority ranking compared with Bertelsmann's parent 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 lower than 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
- 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: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- Criteria | Corporates | General: Corporate Methodology, 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: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Industry Credit Outlook Update Europe: Media and Entertainment, July 16, 2026
- Bertelsmann SE & Co. KGaA Ratings Affirmed On Music Division BMG Merger With Concord; Outlook Stable, May 7, 2026
- 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+

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