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Research Update:

Worldline S.A. Downgraded To 'BB' Following Weaker-Than-Expected Operating Performance; Outlook Negative

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Rating Action Overview

- Following Worldline S.A.'s downward revisions to its revenue, EBITDA, and FOCF guidance, alongside its second-quarter results, we now expect Worldline's revenue to decline by approximately 2% in 2025. We also anticipate a weakening of its S&P Global Ratings-adjusted EBITDA margin, trending toward 10%, from 19.2% in 2023.
- We forecast Worldline's S&P Global Ratings-adjusted debt to EBITDA to reach 4.5x in 2025, up from 3.9x in 2024, with free operating cash flow (FOCF) after lease expected to break even.
- Therefore, we lowered our long-term issuer credit rating on Worldline and its unsecured debt to 'BB' from 'BBB-' and our short-term issuer credit rating to 'B' from 'A-3'. The outlook remains negative.
- The negative outlook reflects that we could lower our ratings on Worldline if the company's leverage remains above 4.0x, or if FOCF remains below 10% of debt, which could happen in case Worldline's revenue and margin continue to weaken.

Rating Action Rationale

Despite operating in a growing industry, we expect Worldline's revenue to decline by approximately 2% in 2025, a downward revision from our previous expectation of 1% growth. This decline stems from increased churn, particularly within the small and midsize enterprise (SME) segment following hardware delivery issues and heightened competition. The trajectory of revenue growth is also affected by the terminations of merchants in the high brand risk portfolio, and the termination of its largest contract within the financial services segment due to re-insourcing. While macroeconomic softness and shifting consumer spending patterns contribute to the challenging environment, Worldline's revenue trajectory lags that of its rated peers (including Nexi SpA and Adyen N.V.) and the broader industry demonstrating growth in recent years and quarters. We think that the underlying demand for payment processing remains supported by the continued shift from cash to noncash transactions and banks' increasing willingness to outsource, trends supported by regulations such as the Second Payment Services Directive (PSD2).

We expect Worldline's S&P Global Ratings-adjusted EBITDA margin to be weak at about 10% in 2025, leading to breakeven reported FOCF. Declining revenue, particularly from the loss of high-margin business in the SME and financial services segments, compounded by continued high restructuring and integration costs drive the weakening EBITDA margin. We anticipate significant restructuring costs (€180 million) and capitalized development costs (€190 million) will persist in 2025. We expect lower revenue and inflationary pressures on operating expenses to dilute the €220 million in run-rate savings anticipated from the Power 24 restructuring program and other initiatives, delaying the turnaround in profitability. Following substantial restructuring expenses incurred in 2024 (€320 million), we expect the cash flow effect from restructuring costs will significantly impact Worldline's cash flow generation in 2025 and 2026, resulting in minimal FOCF.

We have revised our business risk assessment for Worldline to fair from satisfactory, reflecting declining operating efficiency and weakened competitiveness. In our view, Worldline has underperformed market growth and exhibits lower profitability than its peers that mostly have S&P Global Ratings-adjusted EBITDA margins between 30% and 50%. Over the past 10 years, Worldline pursued growth through mergers and acquisitions (M&A). However, the company has recently signaled a strategic shift toward core and organic growth. In our view, this reflects that the previous M&A strategy has proven more costly than initially anticipated and that it will take time before revenue growth, EBITDA, and FOCF return to previous levels. We think that Worldline will maintain a unique market position within the growing payment industry, underpinned by its broad geographic diversification, leading market positions, comprehensive product portfolio spanning the full value chain, proprietary intellectual property, investments in new technologies, and strong, long-term customer relationships.

We anticipate that revenue stabilization and the sale of the mobility and e-transactional services (MeTS) segment will support S&P Global Ratings-adjusted leverage to peak at 4.5x in 2025, potentially declining below 4.0x in 2026. Our base case for 2026 assumes stabilization of organic revenue, a decrease in restructuring costs, and cash inflow from asset disposals. From 2026 onward, we anticipate that the negative effects of certain one-off factors will subside, including the fading impact of client terminations and contract losses in the financial services segment, and the stabilization of revenue through Worldline's new terminal product line. Furthermore, the new management team is prioritizing operating efficiency and simplifying the current complex organizational structure. Worldline recently announced the divestiture of its MeTS segment for an enterprise value of €410 million. We expect these proceeds will remain on the balance sheet, reducing leverage, although the transaction will result in a €450 million revenue loss and a €100 million reduction in EBITDA. However, we see downside risk to our forecast, and deleveraging could take longer than expected if Worldline fails to recover topline growth due to continued customer churn or struggles to improve EBITDA, potentially stemming from higher-than-anticipated restructuring costs.

We have revised our Management & Governance (M&G) modifier to moderately negative from neutral, reflecting a series of profit warnings. Since October 2023, the company has made five profit warnings, reflecting a gradual weakening of its EBITDA generation. At the end of 2023 we were forecasting an S&P Global Ratings-adjusted EBITDA of above €1 billion in 2025, we now expect an annual EBITDA in 2025 of below €500 million. Although some of the revision can be attributed to external factors such as a macroeconomic softening, we also note that competitors and the industry overall continued to show growth. As such we consider that part of the weakened operating performance is attributable to strategic misalignment. Furthermore, previous management gave guidance that was disconnected from actual performance.

However, there have recently been changes to management, which are still on-going, including a change of both CEO and CFO during 2025, and several key changes to risk management positions. We understand that new management is focused on Worldline returning to revenue growth, increasing operating efficiency, and enhancing its risk management frameworks.

Thus far, there is no evidence that the allegations regarding illegal or questionable activities in several markets by Worldline published in June 2025 by several media outlets are true (see "Credit FAQ: How Might Current Media Allegations Affect The Rating On Worldline?," July 2, 2025).

The allegations implied that Worldline had participated in activities such as fraud and money laundering for at least a decade. We take these allegations seriously and are monitoring their development. At this stage, it is difficult to assess the legality or illegality of the highlighted transactions and the conduct of present or former Worldline employees. We understand that Belgian prosecutors launched a formal money laundering investigation into Worldline's Belgium-based unit on June 27, 2025. Although the process can be lengthy, and we expect that it will take some time before we have full clarity on the scope and severity of any potential misconduct and the materiality of the potential consequences for Worldline. However, if well founded it could result in significant compliance costs, penalties, and reputation damage.

At the same time, Worldline has initiated one external audit on its Merchant portfolio. Additionally, Worldline is reviewing its compliance and risk framework with Oliver Wyman. Final conclusions of these audits and assessments will be communicated alongside the company's third quarter revenue report on October 21, 2025, however, based on preliminary findings, we understand that management does not expect significant changes to its portfolio.

Outlook

The negative outlook reflects that we could lower our ratings on Worldline if the company's leverage remains above 4.0x or if FOCF remains below 10% of debt, which could happen in case Worldline's revenue and margin continue to weaken.

Downside scenario

We could lower our rating on Worldline if the company's leverage stays sustainably above 4.0x or the FOCF generation remain below 10% for a sustained period. This could occur if Worldline fails to recover topline growth, for example, due to continued customer churn or struggles to improve EBITDA, potentially stemming from higher-than-anticipated restructuring costs. Although less likely, we could also take a negative rating action if the ongoing investigations result in a negative impact on our forecast or our view of the M&G score.

Upside scenario

We could revise the outlook to stable if the company's performance rebounded, leading to adjusted leverage sustainably below 4.0x and solid FOCF generation resulting in an FOCF-to-debt ratio above 10%.

Company Description

France-based Worldline is the leading provider of payment services in Europe. Its 2024 revenue was €4.6 billion, and its S&P Global Ratings-adjusted EBITDA margin was 12%. It reported revenue of €2.2 billion in the first half of 2025. Worldline's business lines are as follows:

- Merchant services (about 73% of first-half 2025 revenue) offers merchants payment-related and value-added services, including in-store, online, and mobile payment acceptance solutions, data analytics, and private label card and loyalty services.
- Financial services (18.6%) delivers solutions that allow banks and financial institutions to outsource some or all of their key business processes, such as the issuance of credit and debit cards and authorization of associated payments, processing of noncard electronic payment transactions, and offering multi-platform online banking services (including online bank electronic payments).
- Mobility and e-transactional services (8.4%) provides services to address the needs of private- and public-sector clients, like e-government collection services, e-ticketing, e-consumer, and mobility solutions.

Our Base-Case Scenario

Assumptions

- GDP growth of 0.8% in the eurozone in 2025, followed by 1.1% growth in 2026.
- Reported revenue to decline by about 2.0% in 2025 due to a fall in group sales. We expect flat to organic revenue growth of 1.0% in 2026 but reported revenue will decline by 8.0%-9.0% on the divestment of MeTS.
- S&P Global Ratings-adjusted EBITDA margin of 10.5% in 2025 impacted by lower revenue and loss of high-margin SME business and the loss of a large contract in financial services. We expect the margin to gradually improve in 2026, stemming from a stabilization of the topline, cost savings, less restructuring costs (from about €180 million in 2025 to €130 million in 2026), and divestment of the lower margin MeTS business.
- Capital expenditure (capex) in the 6.0%-7.0% range including €190 million capitalized development costs annually.
- No acquisitions incorporated in our base case.
- Cash inflow of €410 million from the sale of MeTS in 2026.
- Dividend payments of €50 million from 2026 onward. No dividends in 2025.

Key metrics

Worldline SA--Forecast summary

Period ending	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026
(Mil. EUR)	2021a	2022a	2023a	2024a	2025e	2026f
Revenue	3,689	4,364	4,610	4,632	4,542	4,137
Gross profit	2,439	2,947	3,070	3,150	4,542	4,127
EBITDA (reported)	735	832	859	715	663	642

Worldline SA--Forecast summary

Plus/(less): Other	(53)	(108)	(145)	(161)	(188)	(188)
EBITDA	682	724	714	554	475	454
Less: Cash interest paid	(29)	(22)	(19)	(13)	(87)	(90)
Less: Cash taxes paid	(114)	(79)	(102)	(141)	--	--
Funds from operations (FFO)	538	623	593	400	388	364
EBIT	207	178	171	(18)	(180)	(143)
Interest expense	50	40	49	70	94	96
Cash flow from operations (CFO)	619	787	609	428	205	311
Capital expenditure (capex)	121	164	157	110	101	76
Free operating cash flow (FOCF)	497	623	452	317	104	236
Dividends	21	12	19	16	--	50
Share repurchases (reported)	--	--	--	7	--	--
Discretionary cash flow (DCF)	476	611	433	294	104	186
Debt (reported)	4,252	3,802	3,707	3,131	2,503	2,503
Plus: Lease liabilities debt	310	330	345	402	402	402
Plus: Pension and other postretirement debt	190	89	131	158	158	158
Less: Accessible cash and liquid Investments	(1,076)	(1,550)	(1,896)	(1,766)	(1,129)	(1,600)
Plus/(less): Other	--	--	--	245	245	245
Debt	3,676	2,670	2,286	2,170	2,179	1,708
Equity	9,915	10,538	9,564	9,222	9,143	9,048
FOCF (adjusted for lease capex)	369	533	317	128	(10)	121
Interest expense (reported)	48	37	44	63	87	90
Capex (reported)	226	325	333	282	282	257
Cash and short-term investments (reported)	1,126	1,600	1,896	1,766	1,129	1,600
Adjusted ratios						
Debt/EBITDA (x)	5.4	3.7	3.2	3.9	4.6	3.8
FFO/debt (%)	14.6	23.3	25.9	18.4	17.8	21.3
FFO cash interest coverage (x)	19.5	28.8	31.9	32.3	5.4	5.1
EBITDA interest coverage (x)	13.7	18.3	14.7	7.9	5.1	4.7
CFO/debt (%)	16.8	29.5	26.6	19.7	9.4	18.2
FOCF/debt (%)	13.5	23.3	19.8	14.6	4.8	13.8
DCF/debt (%)	12.9	22.9	18.9	13.5	4.8	10.9
Lease capex-adjusted FOCF/debt (%)	10.0	20.0	13.9	5.9	(0.4)	7.1
Annual revenue growth (%)	34.3	18.3	5.6	0.5	(1.9)	(8.9)
Gross margin (%)	66.1	67.5	66.6	68.0	100.0	99.8
EBITDA margin (%)	18.5	16.6	15.5	12.0	10.5	11.0
Return on capital (%)	1.5	1.3	1.4	(0.2)	(1.6)	(1.3)
Return on total assets (%)	1.0	0.8	0.8	(0.1)	(0.9)	(0.8)
EBITDA/cash interest (x)	23.4	32.3	37.2	43.3	5.4	5.1
EBIT interest coverage (x)	4.2	4.5	3.5	(0.3)	(1.9)	(1.5)

Liquidity

We assess Worldline's liquidity as exceptional, based on our estimate that its sources of liquidity will exceed uses by above 2x over the next two years from June 30, 2025. Furthermore, the company is likely to maintain its prudent financial risk management, and we believe Worldline could absorb low probability, high-impact events without refinancing. However, we no longer consider Worldlines standing in capital markets as strong, following a sharp decline in equity and bond pricing. In addition, the group's net sources are likely to remain positive even if EBITDA declines by 50%, according to our calculations.

Principal liquidity sources

- Cash and cash equivalents of €1.5 billion as of June 30, 2025;
- Revolving credit facilities (RCF) worth €1.1 billion, maturing in July 2030; and
- Funds from operations of €400 million-€410 million.

Principal liquidity uses

- Debt maturities of €770 million;
- Annual capex of about €280 million-€300 million;
- Working capital outflows of about €100 million; and
- Put option on noncontrolling interest of €80 million.

Covenants

There are no covenants.

Issue Ratings--Recovery Analysis

Key analytical factors

- Our issue rating on Worldline's senior unsecured notes (€2.04 billion) with maturities between 2027-2030 and convertible bonds (€810 million) due in 2026 have a recovery rating of '4' and an issue rating of 'BB'. Estimated recovery in a hypothetical default is in the range of 30%-50% (rounded estimate 45%) indicating average recovery.
- The ratings are constrained by material minority interest present at Payone, Worldline's Germany-based subsidiary representing about 35% of 2024 group EBITDA, and no upstream guarantees for bondholder mitigating this minorities position against bondholders.
- The recovery rating is supported by several factors, including no outstanding senior secured debt ranking ahead of the notes and limited prior ranking debt in the form of factoring lines.
- Our hypothetical default scenario assumes a default resulting from significantly reduced profitability and loss of market share from Worldline in a competitive payment solution market.

Simulated default assumptions

- Year of default: 2030
- Jurisdiction: France
- Emergence EBITDA: €340 million

- Maintenance capex is assumed to be 2.5% of revenue
- 5% cyclicality adjustment – standard for the sector
- No operational adjustment
- EBITDA multiple of 6.5x, default sector assumption

Simplified waterfall

- Gross enterprise value at default: €2,207 million
- Net recovery value after administrative expenses (5%): €2,097 million
- Priority debt claims: €53 million
- Net enterprise value after administrative expenses and priority debt claims: €2,044 million
- Estimated senior unsecured debt claims at default: €4.323 million *Recovery range: 30%-50% (rounded recovery estimate: 45%)
- Recovery rating: '4'

*All debt amounts include six months' prepetition interest; RCF assumed 85% drawn on the path to default.

Rating Component Scores

Rating Component Scores

Component	
Foreign currency issuer credit rating	BB/Negative/B
Local currency issuer credit rating	BB/Negative/B
Business risk	Fair
Country risk	Low risk
Industry risk	Intermediate risk
Competitive position	Fair
Financial risk	Significant
Cash flow/leverage	Significant
Anchor	bb
Modifiers	
Diversification/portfolio effect	Neutral/Undiversified
Capital structure	Neutral
Financial policy	Neutral
Liquidity	Exceptional
Management and governance	Moderately negative
Comparable rating analysis	Neutral
Stand-alone credit profile	bb

Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, April 4, 2024

- 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
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Recovery Rating Criteria For Speculative-Grade Corporate Issuers, Dec. 7, 2016
- Criteria | Corporates | Recovery: Methodology: Jurisdiction Ranking Assessments, Jan. 20, 2016
- 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

- Credit FAQ: How Might Current Media Allegations Affect The Rating On Worldline?, July 2, 2025
- Bulletin: Worldline S.A. Rating Headroom Is Now Tighter After 2024 Results And 2025 Guidance, March 27, 2025
- Industry Credit Outlook 2025: Technology, Jan. 14, 2025
- Worldline's Proposed Senior Unsecured Notes Rated 'BBB-', Nov. 18, 2024

Ratings List

Ratings list		
Downgraded		
	To	**From**
Worldline S.A.		
Issuer Credit Rating	BB/Negative/B	BBB-/Negative/A-3
Downgraded; New Recovery Rating		
	To	**From**
Worldline S.A.		
Senior Unsecured	BB	BBB-
Recovery Rating	4(45%)	