Europastry, S.A.

B *1 year PD* **1.89% to 3.18%**

- Europastry shows solid profitability and global expansion (including M&A) driving Total Debt and Revenue. Strong EBITDA margins and strategic focus on innovation and sustainability.
- High leverage and weak liquidity, coupled with 2 IPO withdrawals, constrain flexibility and raise reliance on FCF. Instead of delevering, FCF has been thinned out by high CAPEX and cash distributions.

Strengths

- **Margin Outperformance:** EBITDA margin rose to 14.0% in FY-24, significantly exceeding the peer median of 9.2%, reflecting strong product mix, pricing power, and operating scale. Substantial OCF provides substantial support to manage upcoming refi's, although they may need to delay some CAPEX or M&A projects.
- **Geographic Diversification:** Generates 56% of revenue internationally, supported by 27 manufacturing facilities and customers in 80+ countries, mitigating exposure to regional downturns.
- **Innovation-Driven Sales:** Approximately 22.5% of revenue in 2024 came from products launched within the past three years, showcasing strong R&D execution and adaptability to shifting consumer trends.

Challenges

- **Elevated Leverage vs IPO & Equity Raise:** Net debt/EBITDA of 4.99x and debt-to-assets of 71.6% far exceed peers, signaling a capital structure vulnerability under stress scenarios. In 2024 the entity tried to IPO twice. Yet failed due to market conditions and low investor valuations. A diluting equity raise in 3/25 (20% for EUR 300mn) was rescinded in 6/25 upon appointment of a new CEO at CriteriaCaixa (PE-firm).
- **Below-Peer Liquidity:** Current ratio (1.17) and quick ratio (0.78) trail peer medians (1.63 and 0.94), highlighting tight short-term liquidity buffers. We are not aware (based on the uncommented financials) about a line of credit.
- **FCF Drain via CAPEX & Distributions:** FY-24 CAPEX of €177mn nearly consumed all operating cash flow, resulting in just €6.2mn in FCF, which was fully distributed (€6.4mn), limiting deleveraging or cushion build-up.

Company Overview

Headquarters	Sant Cugat del Valles
Type	Private (Non-PE)
Employees	5,500
Year Founded	1987
Website	https://europastry.com/us/en/
Business	Frozen bakery manufacturer and global distributor
Revenues	€1,505.5M

- **Company Overview:** Europastry, S.A. is a global leader in the frozen bakery sector, founded in Spain and recognized for industrial-scale innovation across sweet and savory baked goods. The company is headquartered in Sant Cugat del Vallès, Spain, and operates 27 plants across 7 countries. Yet there are local concentrations in capacities.
- **Product:** Offers >5k SKUs, including croissants, doughnuts, artisan breads, muffins, cookies, and brioche. Product development emphasizes convenience and premiumization, with innovation contributing over 22% of revenue.
- **Customers:** Serves >90k clients worldwide including coffee chains, foodservice operators, retailers, and artisan bakeries through both branded and private-label offerings. Yet we are missing a more detailed concentration break-down - especially for the US.
- **Ownership:** Majority-owned by the Gallés family (heirs of founder) (76%), with a 20% equity stake held by MCH.
- **Debt Structure:** We did not receive details about the company's debt structure (e.g. maturities, covenants, rates, etc). Yet, from the total debt of EUR 1.16bn, EUR 300mn are due within the next 12 months. The balance is mainly long-term debt. We are not aware of an ABL R/C-line.
- **Basis for Assessment:** Audited but uncommented, FY-23, and FY-24.
- **Single Event Risks:** Refinancing - failed €300mn equity deal with CriteriaCaixa (rescinded 6/25) squashed their attempt to de-lever and address ~€300mn in debt maturing over the next 12 months. With a Net Debt/EBITDA of ~5.0x and interest expense up 30% YoY, the company now faces greater sensitivity to tightening credit conditions or rating deterioration. Customer Concentration - may be a topic for their US operations and growth, as the regional market is highly competitive and defined by large B2B relationships.

Financial Statement Highlights

$ '000s	(C) Dec-22 T12	(B) Dec-23 T12	(A) Dec-24 T12	Change (C) to (B)	Change (B) to (A)
Income Statement					
Total Revenue	-	1,346,779	1,505,517		11.8%
Gross Profit	-	721,302	836,670		16.0%
Adjusted EBITDA	-	175,751	211,289		20.2%
Gross Profit Margin		53.6%	55.6%		+202 bps
Net Income	-	68,895	71,123		3.2%
Balance Sheet					
Cash And Cash Equivalents	-	51,104	103,220		102.0%
Total Current Assets	-	351,604	427,421		21.6%
Total Assets	-	1,397,769	1,616,258		15.6%
Total Current Liabilities	-	323,133	364,396		12.8%
Total Debt		1,018,219	1,157,889		13.7%
Total Equity	-	334,992	399,687		19.3%
Key Ratios					
Current Ratio		1.09	1.17		7.8%
Quick Ratio		0.71	0.78		10.5%
Net Debt / EBITDA		5.50	4.99		-9.3%
Debt to Assets		72.8%	71.6%		(121) bps
EBITDA Margin		13.0%	14.0%		+98 bps
ROCE %		8.6%	9.3%		+74 bps

- Total revenue increased from €1.35bn in FY 2023 to €1.5bn in FY-24, reflecting 11.8% YoY growth, supported by geographic and category expansion.
- Despite generating €183mn in operating cash flow, CAPEX of €177mn kept free cash flow near break-even in FY-24, similar to FY-23 patterns. The balance (€6.4mn) was distributed.
- Gross margin rose from 53.6% to 55.6%, and ROCE improved from 8.6% to 9.3%, suggesting continued margin optimization and capital productivity gains.

Scorecard Summary

Financial vs Business Risk Weighting Factors

Ownership	Private (Non-PE)
Company Stage	Growth
Financials	Complete

	Weight	Score	Dimension	Weight	Score
Financial	60%	5.3	Liquidity	15%	*3.3*
			Leverage	40%	*3.3*
			Profitability	45%	*7.7*
Business	40%	6.0	Industry Risk	20%	*6.8*
			Competitive Position	50%	*6.9*
			Mgmt / Governance	30%	*4.0*
			Sponsor / Parent		
Modifiers		-0.3	Revenue Segment		*0.3*
			Trend Analysis		*0.22*
			Financial Flexibility		*(0.25)*

Financial Benchmarking & Debt Maturity Profile

# of Benchmarks:	*58*	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	1.63	1.17	*17%*
	Quick Ratio	0.94	0.78	*34%*
Leverage	Net Debt / EBITDA	3.62	4.99	*32%*
	Debt to Assets	39.0%	71.6%	
Profitability	EBITDA Margin	9.2%	14.0%	*75%*
	ROCE %	9.4%	9.3%	*50%*
	Revenue	$1,794M	$1,506M	

Industry Benchmarks - Primary: Packaged Foods and Meats | Secondary: Food Distributors

Debt Maturities

Business Risk Highlights

- **Industry:** The global frozen bakery market is stable with projected CAGR of ~6.5%, but is moderately exposed to raw material inflation and energy volatility. With strong consumer demand for convenience and ready-to-bake products, volume growth remains steady, though profitability margins are modest due to intense competition and input cost pressures. Key success factors include product innovation (e.g. new pastry varieties), efficient cold-chain logistics, and strong brand or private-label partnerships.
- **Competitive Position:** Europastry is among the top five global frozen bakery players, holding approx. 27% share in Spain, with an expanding presence in North America and Northern Europe.
- **Management:** Strategic moves (e.g., €124M R&D/ESG spend) and strong execution suggest capable leadership, though capital allocation (e.g., distributions in low-FCF years) may merit closer scrutiny.
- **PE Sponsor:** In '24 two attempts for an IPO were recalled. The first one in July due to market volatility, and the second one in October as market instability prevailed as well as investor valuation concerns. Today 76% is still owned by the Gallés family (founder's heirs). In March 2025, CriteriaCaixa agreed to purchase a 20% equity stake via a €300mn capital increase, but