FitchRatings

RATING ACTION COMMENTARY

Fitch Assigns Eurazeo SE First-Time 'BBB' LT IDR; Rates Senior Unsecured Notes 'BBB(EXP)'

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Fitch Ratings - Frankfurt am Main - 08 Apr 2026: Fitch Ratings has assigned Eurazeo SE a first-time Long-Term Issuer Default Rating (IDR) of 'BBB' and Short-Term IDR of 'F3'. The Rating Outlook on the Long-Term IDR is Stable. Fitch has also assigned Eurazeo's planned EUR500 million senior unsecured notes an expected long-term rating of 'BBB(EXP)'. The assignment of a final debt rating is contingent on the receipt of final documents conforming to information already received.

Eurazeo's ratings reflect its Standalone Credit Profile, which factors in its established and growing alternative investment management (IM) franchise. Eurazeo focuses on European mid-market private equity, where it holds a strong market position, and on private debt strategies. The ratings also consider its conservative balance-sheet leverage. Its solid tangible equity position mitigates incremental risk from its sizeable investment portfolio, which could increase earnings volatility if investments underperform.

The Long-Term IDR is constrained by Eurazeo's fee-paying assets under management (FAUM) base, which remains smaller than FAUM bases of higher-rated peers despite continuous growth. These peers include ICG plc (BBB+/Stable) and EQT AB (publ) (A-/Stable). The rating is also constrained by Eurazeo's weaker, though improving, cash flow leverage, with a higher gross debt/fee-earning EBITDA (FEBITDA) ratio than higher-rated peers' and comparatively low interest coverage metrics.

KEY RATING DRIVERS

Growing Third-Party AUM: Eurazeo's AUM was EUR39 billion at end-2025. Its FAUM was EUR28 billion, of which EUR21 billion was third-party FAUM and EUR7 billion was from its own balance sheet. Eurazeo's franchise is focused on private equity strategies (68% of FAUM), including buyout, growth and venture. Its private debt AUM has demonstrated solid growth, representing 26% of FAUM at end-2025. Real assets FAUM was a smaller 6%. Most of Eurazeo's FAUM is in closed-end funds (around 90%), with fees charged on either committed or invested capital, which supports visibility on revenues and margins.

Our assessment of Eurazeo's franchise is supported by its strong fee margins in its core strategies and well-established distribution network, including in private wealth, which partly offsets its smaller FAUM base compared to peers

Macro Challenges Persist: The macroeconomic backdrop for alternative IMs remains challenging due to geopolitical and trade tensions, as well as deteriorated sentiment for private credit and concerns about valuations of software exposures. Competition continues to intensify due to high levels of undeployed capital and the launch of new products. However, long-term growth prospects in private wealth remain robust. Fitch believes established, diversified alternative IMs, like Eurazeo, are better positioned to manage these challenges.

Transition to More Asset-Light Model: Eurazeo is gradually transitioning to a more asset-light business model. It is reducing its share of co-investment in funds, which management expects to fall from 30% to 10% in the medium to long term, and plans a moderate reduction in its net investment portfolio through investment exits. Fitch believes the stated objectives are achievable, but execution could be constrained if the operating environment remains challenging for a prolonged period, impacting Eurazeo's ability to exit investments at expected returns and grow management fees in line with guidance.

Sizeable Investment Portfolio: Eurazeo is sensitive to market volatility and investment valuations through its balance-sheet investments (end-2025: EUR6.8 billion net portfolio value), which are mainly (77%) investments in private equity strategies.

Although the investment portfolio is reasonably well diversified across funds, vintages and portfolio companies, fair value losses of around EUR400 million in 2024-2025 (including about EUR200 million from foreign exchange volatility in 2025), negatively affected Eurazeo's reported earnings, resulting in reported return on equity (ROE) of -4% in 2024 and -6% in 2025. This followed stronger performance in 2021-2022 and largely reflected broader operating environment challenges.

Increasing Fundraising: Net client flows (calculated as capital raised minus distributions and redemptions) averaged to 8% of beginning AUM in 2022-2025, which compares well with peers. Fundraising strengthened in 2025, with EUR5.5 billion raised (up 28% YoY), driven by increased fundraising in private equity to EUR2.7 billion (+64%; following a few years of broadly stable fundraising), while private debt inflows remained strong at EUR2.7 billion (+8%). Fundraising in private wealth has been resilient, reflecting Eurazeo's established franchise and distribution channels.

Management Fee Growth: Eurazeo's total management fees increased by 3% YoY to EUR435 million in 2025, supported by growth in third-party fees by 6% to EUR322 million. Management fees charged on Eurazeo's own investments have been gradually decreasing due to completed exits and lower balance sheet commitments in funds. The average fee rate remained strong at around 120bps, which is at the higher end of the peer group due to the company's focus on high-yielding private equity strategies.

Sound FEBITDA Margin: Eurazeo's FEBITDA margin (based on IFRS accounts) has been improving, reaching 29% in 2025, above the 27% average reported in the last three years. Its fee-related earnings (FRE) margin, based on management accounts, was 36% in 2025, in line with Eurazeo's strategic target of 35%-40%. Fitch expects Eurazeo's IFRS-based FEBITDA margin to improve in the medium term.

Modest but Growing Performance Fees: The contribution from performance fees remained modest in 2025 (accounting for 3% of third-party revenues) but has moderately increased in recent years. Performance fees should increase further in the medium to long term to around 10% of revenues as funds mature and the company accelerates exits.

Conservative Balance-Sheet Leverage: Eurazeo's gross debt/tangible equity ratio was 0.2x at end-2025, supported by its solid tangible equity position of EUR6.1 billion at end-2025 and historically low level of debt and gearing. Fitch considers Eurazeo's conservative balance sheet leverage a rating strength. Fitch expects the planned senior unsecured bond issue to be neutral for Eurazeo's capitalisation and leverage as proceeds will primarily be used to free up capacity under its EUR820 million syndicated credit facility, according to management.

Cash-Flow Leverage to Improve: Eurazeo's FEBITDA/gross debt ratio was around 10x (based on IFRS accounts; or close to 7.0x if total management fees on balance-sheet AUM were included). We expect cash-flow leverage to improve materially as the company grows its third-party asset management franchise.

When assessing Eurazeo's leverage, Fitch takes a hybrid approach, allocating a portion of the debt to the balance sheet business and a portion of the debt to the fee generating business, consistent with the quantitative capitalisation and leverage benchmark ranges for both metrics. Fitch also applies certain stress scenarios to the value of investment portfolio, FEBITDA and tangible equity. On this basis, Fitch views Eurazeo's leverage profile as commensurate with the current rating level.

Robust Liquidity Buffers: Refinancing risk is manageable for Eurazeo, given the moderate amount of gross debt, with the nearest maturity in 2028. Its liquidity position is sound, supported by the company's cash-generative business model, ability to realise its investment portfolio and established committed credit lines (with around EUR800 million undrawn facilities at end-2025). Liquidity needs include sizeable investment commitments (EUR1.1 billion), which should be well-covered by existing liquidity sources.

Debt service coverage (FEBITDA/interest expense) was 1.7x in 2025 (based on IFRS accounts), or 3.1x if 50% of cash distributions from investments in funds added. Fitch expects interest coverage ratio to improve in the medium term.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

--Increase in its gross debt/tangible equity ratio to above 0.5x, materially weaker cash-flow leverage metrics or a sustained decline in FEBITDA/interest expense ratio from current levels;

--Weaker profitability, in particular as a result of underperformance of the company's investment portfolio, exit challenges, or negative portfolio revaluation, with negative realised investment income for a prolonged period of time;

--A decline in investment performance or materially increased outflows in semi-liquid funds, that negatively impacts the company's future fundraising and posing risk to its franchise;

--Inability to execute on the stated strategic objectives, resulting in lower management fees or slower transition to more asset-light business model.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

--Growth in third-party AUM, leading to a larger and more diversified asset management franchise, as well as continued increase in management fee and performance fee revenue;

--Improvement in cash flow leverage, with a gross debt/FEBITDA ratio of below 4.0x on a sustained basis, while maintaining a gross debt/tangible equity ratio below 0.5x, as well as an improvement in interest coverage on a FEBITDA basis to close or above 4.0x; as well as a more clearly defined leverage policy and a track record of maintaining leverage within the policy;

--A reduction in balance sheet risks through profitable investment exists and/or more diversified investment portfolio by strategies, sectors, individual investments or investments in funds.

DEBT AND OTHER INSTRUMENT RATINGS: KEY RATING DRIVERS

The senior unsecured notes' expected rating is equalised with Eurazeo's 'BBB' Long-Term IDR as the notes represent unconditional and unsecured obligations of the issuer and rank equally among themselves and with all of its other unsecured and unsubordinated obligations. It also reflects Fitch's expectation of average recovery prospects, given Eurazeo's largely unsecured funding profile.

DEBT AND OTHER INSTRUMENT RATINGS: RATING SENSITIVITIES

The senior unsecured notes' rating is primarily sensitive to changes in Eurazeo's Long-Term IDR. Changes to Fitch's assessment of recovery prospects for senior unsecured debt in default (e.g. the introduction of debt obligations ranking ahead of the senior unsecured debt notes) could result in the senior unsecured notes rating being notched down from the IDR.

ADJUSTMENTS

The 'a+' sector risk operating environment score is below the 'aa and above' implied score due to the following adjustment reason(s): sovereign rating (negative).

The 'bbb-' asset performance score is below the 'a' implied score due to the following adjustment reason(s): risk profile and business model (negative).

The 'bbb+' capitalisation and leverage score is below the 'a' implied score due to the following adjustment reason(s): risk profile and business model (negative).

The 'bbb-' funding, liquidity and coverage score is above the 'b' implied score due to the following adjustment reason(s): funding flexibility (positive).

Date of Relevant Committee

26 March 2026

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

RATING ACTIONS

ENTITY / DEBT	RATING		
Eurazeo SE	LT IDR	BBB Rating Outlook Stable	New Rating
	ST IDR	F3	New Rating
senior unsecured	LT	BBB(EXP)	Expected Rating

VIEW ADDITIONAL RATING DETAILS

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APPLICABLE CRITERIA

Non-Bank Financial Institutions Rating Criteria (pub. 31 Jan 2025) (including rating assumption sensitivity)

Financial Institutions Climate Vulnerability Rating Criteria (pub. 08 Dec 2025)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Eurazeo SE	-

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