

Research Update:

Dutch Dairy Company Royal FrieslandCampina N.V. 'BBB' Rating Affirmed; Outlook Stable

June 5, 2026

Rating Action Overview

- FrieslandCampina's solid operating performance over the past two years has materially strengthened its credit metrics, with S&P Global Ratings-adjusted leverage at 1.8x-1.9x in 2024-2025 from 4.6x in 2023.
- In 2026-2027, we expect the company to generate €0.9 billion-€1.0 billion of EBITDA, successfully navigating commodity price volatility and subdued demand in mature markets, supported by continued expansion into value-added categories and fast-growing regions.
- We forecast FrieslandCampina's adjusted debt to EBITDA will be about 2x over the period, alongside annual free operating cash flow (FOCF) of €350 million-€400 million, providing the group with ample financial flexibility for potential acquisitions or additional remuneration to farmer-members under its own leverage ceiling.
- We therefore affirmed our 'BBB/A-2' issuer credit ratings on Koninklijke FrieslandCampina N.V.
- The stable outlook reflects our expectation that operating performance will remain resilient over 2026-2027, underpinned by FrieslandCampina's strong and diversified market position in the dairy sector, and consistent financial policy.

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Rating Action Rationale

FrieslandCampina's credit metrics remained resilient in 2025 despite a challenging operating environment, with S&P Global Ratings-adjusted debt to EBITDA at 1.9x. This follows an exceptionally challenging year for the dairy industry in 2023, when adjusted leverage rose to 4.6x, followed by strong deleveraging to 1.8x in 2024. The company has now delivered a two-year track record of leverage below 2x, leading us to revise upward our financial risk profile assessment to intermediate from significant. In 2025, the group achieved revenue of €13.4 billion, representing a 3.6% increase, primarily driven by strong commercial execution and product innovation, supporting expansion into high-growth categories, notably specialized nutrition and ingredients, as well as high-protein and gut-health value-added consumer products. This has enabled the group to achieve above-industry growth in mature consumer dairy markets, particularly in

Europe--despite subdued consumer sentiment--while offsetting economic headwinds in Asia and the Middle East, Pakistan, and Africa (MEPA).

Moreover, despite pricing pressures in the second half of 2025 stemming from declining commodity prices--and the time lag before these are reflected in milk prices paid to farmers--S&P Global Ratings-adjusted EBITDA margins remained relatively resilient at 7.5% in 2025, compared with 8.6% in 2024 and 4.2% in 2023. This performance was supported by improvements in channel and product mix, as well as continued supply-chain efficiencies and selling, general and administrative savings under its strategic program, Expedition 2030.

We forecast consistent operating performance in 2026-2027, with S&P Global Ratings-adjusted EBITDA of €0.9 billion-€1.0 billion, FOCF of €350 million-€400 million, and leverage of about 2x. Under our base case, we project like-for-like revenue growth of approximately 1.5%-2.0% in 2026 (about 9% including the impact from Milcobel merger) and about 2.5% in 2027, driven by pricing actions to mitigate inflationary pressures--particularly those linked to the Middle East conflict--and continued mix improvements toward higher-margin categories. This should largely offset volume declines in Asia and the Middle East, where demand remains constrained by supply disruptions and weakened consumer purchasing power. We expect a modest 50-basis-point decline in the adjusted EBITDA margin in 2026, followed by slight growth in 2027, reflecting a negative commodity gap stemming from the decline in commodity prices observed in the second half of 2025 and early 2026. These pressures should be partly mitigated by improved product mix and approximately €50 million of incremental annual cost savings. Our FOCF forecast is supported by a relatively stable net working capital position and capital expenditure intensity of about 3% of revenue.

Our ratings on FrieslandCampina reflect ample financial flexibility for potential acquisitions, remuneration to farmer-members, and releveraging under the group's own financial leverage ceiling. With company-defined net leverage of 0.4x at year-end 2025, the group retains significant headroom under its 2.5x internal ceiling, which we estimate would correspond to approximately 4.0x on an S&P Global Ratings-adjusted basis. This divergence reflects our treatment of certain capital instruments--such as member bonds and cooperative loans--as debt, given their fixed coupons and default features, notwithstanding their structural subordination, perpetual maturity and deferrable characteristics, which we view positively. Furthermore, this divergence exhibits some year-on-year variability, driven by our differing treatment of exceptional costs. In our view, FrieslandCampina could use this headroom to accelerate inorganic growth as it seeks to consolidate the dairy industry and maintain competitiveness with European peers, while securing milk supply amid structurally declining production in Europe due to increasingly stringent regulation.

FrieslandCampina's milk pricing system supports farmer retention and supply stability, but can create some volatility in its own earnings and cash flow through the cycle. This was evident in 2023, when sharply declining dairy commodity prices materially weakened FrieslandCampina's credit metrics, as the group absorbed part of the impact to smooth farmer remuneration. EBITDA fell by 50% and FOCF by 40%, while the milk performance price decreased by only 22.5%. This is because the guaranteed milk price, which constitutes the majority of the performance milk price, is defined as a function of exogenous factors (that is, the average performance prices paid by of a sample of peers), rather than endogenous factors prioritizing the stability of the cooperative's EBITDA base and credit metrics.

We consider this remuneration formula to support supply stability and farmer retention, at the cost of some additional volatility in the cooperative's credit metrics in case of similar stress scenarios. Farmers retention is particularly relevant in Europe, amid a structural decline in the

number of farmers, relatively weak farm economics, rising input costs, and increasing regulatory burdens related to environmental and animal welfare standards. However, FrieslandCampina exhibits greater earnings volatility than cooperative peers with more credit-supportive milk pricing mechanisms, such as Arla and Fonterra, for which we apply the low volatility table. We therefore apply now the standard volatility table in our assessment, versus the medial volatility table in the past. That said, we continue to positively factor in our ratings the subordination of milk payments relative to senior debt obligations, the relative attractiveness of FrieslandCampina's milk pricing to farmers, and their track-record of supporting the cooperative's deleveraging in the past, including with the conversion of a significant portion of member bonds into milk certificates.

Friesland is compared to global cooperative peers like Arla Foods, Fonterra, and Dairy Farmer of America, as well as corporates linked to the dairy industry as is the case for Danone.

In comparison to its global peers, FrieslandCampina distinguishes itself through its focus on higher-value-added segments, in a similar way that Arla and Danone do. While competitors like Fonterra and Dairy Farmers of America (DFA) operate with significant scale, they remain more heavily weighted toward commodity ingredients or regional fluid milk markets. In contrast, the group's emphasis on value-added segments--such as Europe with its branded products, Specialized Nutrition and Ingredients--provides a superior buffer against the price fluctuations inherent in the commodity dairy sector. This product-mix advantage is further complemented by Friesland's geographic footprint, which offers broader exposure to high-growth regions compared to the more regionally concentrated models of Arla Foods and DFA.

The group's risk profile is also shaped by its distinct milk pricing mechanisms. Unlike the other cooperative models of Arla and Fonterra, which use endogenous models to define their milk prices, allowing for more direct volatility pass-through to farmers to stabilize margins, Friesland operates under an exogenous pricing mechanism that is derived as an average paid to dairy farmers in the region. This increases its exposure to volatile dairy prices and makes the group more sensitive to market shifts as reflected in previous years, like 2023. That said, we value positively the group efforts to gradually increase focus toward high-margin, value-added categories, which serves as a critical counterbalance.

Outlook

The stable outlook reflects our expectation that operating performance will remain resilient over 2026-2027, underpinned by FrieslandCampina's strong and diversified market position in the dairy sector, allowing it to offset the potential implications of the Middle East conflict and commodity price volatility through efficiency gains and growth in higher value-added dynamic divisions, as well as in underpenetrated regions. Consequently, we project debt to EBITDA of about 2.0x, funds from operations (FFO) to debt of 40%-50%, and substantial FOCF generation over the next 24 months, which should enable it to self-fund its business expansion projects while safeguarding farmers' remuneration.

Downside scenario

We could lower the ratings if:

- Higher-than-expected discretionary spending, including acquisitions or increased farmer remuneration through supplementary cash payments, results in adjusted leverage rising structurally above 4.0x;

- A structural deterioration in the company's operating performance leads to materially lower EBITDA and FOCF generation, which is not offset by a more prudent financial policy; or
- Persistently weak milk performance prices undermine the stability and attractiveness of the cooperative model for FrieslandCampina's farmer-shareholders.

Upside scenario

We could raise the ratings if the group commits to a more conservative financial leverage ceiling that is consistent with S&P Global Ratings-adjusted debt to EBITDA staying sustainably below 3.0x. An upgrade would also be contingent on the group maintaining resilient operating performance and attractive farmer remuneration, as it continues to expand into value-added categories and higher-growth regions.

Company Description

FrieslandCampina is a dairy company fully owned by Dutch dairy cooperative Zuivelcoöperatie FrieslandCampina U.A. The group generated revenue of about €13.3 billion and S&P Global Ratings-adjusted EBITDA of €1.0 billion (7.5% margin) in 2025. In 2024, the group reorganized its operations into seven business divisions, from four previously:

- Europe (13% of group revenue in 2025): Broad portfolio of branded dairy products sold through the consumer channel in Europe, with strong market positions in Netherlands and Belgium, as well as in other countries, such as Greece, Hungary, Romania, and the U.K.
- Retail and Americas (15% of group revenue): Predominantly a private-label business focused on cheese products. The group operates through partnerships with retailers and discounters notably in Germany, France, Italy, and Spain, but also North and South America.
- MEPA (10% of group revenue): Partly locally produced dairy products with local brands focused on the United Arab Emirates, Saudi Arabia, Pakistan, Nigeria, and the Ivory Coast.
- Asia (11% of group revenue): Locally produced brand name products with a focus on Philippines, Hong Kong, Indonesia, Malaysia, Thailand, and Vietnam
- Ingredients (12% of group revenue): Nutritional and functional ingredients for infant, sports, active lifestyle, and medical nutrition. The business group primarily focuses on food producers and the pharmaceutical industry.
- Specialized Nutrition (10% of group revenue): FrieslandCampina provides dairy products for specific customer groups, including infant nutrition, under the brand name Friso, and adult nutrition during different stages of life. The group produces and sells mainly in China, Hong Kong, Vietnam, Malaysia, Greece, and Mexico.
- Professional and Trading (35% of group revenue): Dairy products and solutions for professionals in the Horeca channel, and procurement and sale of commodity dairy products for trading partners. The company leverages on its trading capabilities to protect against dairy price volatility risks. Volumes sold in the trading channel are volumes not sold in the food and beverage segment. Selling prices are highly linked to commodity prices.

FrieslandCampina operates a vertically integrated business model that enables it to control and manage volume inflows of raw materials, but also push farmers toward more sustainably produced milk to best fit consumers' increasing preference for healthier lifestyles. In 2026, FrieslandCampina strengthened its cooperative base and presence in Belgium through the merger with Milcobel.

The group has branches across 30 countries and exports to more than 100 countries worldwide, with 13,972 member dairy farmers, and 19,075 full-time employees in the Netherlands, Germany, and Belgium as of Dec. 31, 2025.

Our Base-Case Scenario

Assumptions

- Approximately 1.5%-2.0% organic revenue growth in 2026, and about 2.5% in 2027, derived from pricing to offset inflationary pressures and volume mix improvements from the expansion into higher-margin categories, largely offsetting lower volumes in Asia and the Middle East.
- Adjusted EBITDA to decline to about €900 million-€950 million in 2026 stemming from about 50 basis-point lower margin, driven by a decline in average selling prices not timely matched by lower milk prices, as well as inflationary pressures related to the ongoing Middle East conflict, only partly absorbed by additional cost savings and the positive mix effect.
- For 2027, we see adjusted EBITDA increasing to €950 million-€1,000 million, supported mainly by higher revenue and, to a lower extent, a marginal improvement in the margin.
- FOCF of approximately €350 million-€400 million in 2026, and about €300 million-€350 million after leases, assuming a working capital inflow of €25 million in 2026, as inventory and receivable levels decrease more than payables, with milk prices declining more slowly than selling prices increase.
- Capex to remain stable at about €400 million in 2026 and 2027, and equivalent to roughly 3% of revenue.
- We forecast dividends of around €100 million to non-controlling shareholders in 2026 and 2027.
- We forecast an annual supplementary payment of around €130 million in 2026, growing to around €140 million in 2027.

Key metrics

Koninklijke FrieslandCampina N.V.--Forecast summary

Period ending	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027
(Mil. EUR)	2023a	2024a	2025a	2026e	2027f
Revenue	13,072	12,923	13,393	About 14,500	About 15,000
EBITDA	553	1,111	1,004	900-950	950-1000
Funds from operations (FFO)	363	897	735	750-800	About 800
Free operating cash flow (FOCF)	306	490	287	About 407	350-400
Debt	2,559	2,010	1,863	About 1,800	About 1,850
Adjusted ratios					
Debt/EBITDA (x)	4.6	1.8	1.9	About 2.0	About 2.0
FFO/debt (%)	14.2	44.6	39.4	40.0-45.0	40.0-45.0
Annual revenue growth (%)	(7.1)	(1.1)	3.6	1.5-2.0	About 2.5
EBITDA margin (%)	4.2	8.6	7.5	About 7.0	About 7.0

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

Liquidity

We view FrieslandCampina's liquidity as adequate, indicating that we expect its sources of cash will cover uses by at least 1.2x over the next 12 months. Even if EBITDA were to decline by 15%, we believe net liquidity sources would remain positive.

Principal liquidity sources	Principal liquidity uses
We estimate that liquidity sources for the next 12 months include: • Cash and cash equivalents of about €835 million; • Undrawn and committed bank lines of approximately €1,000 million maturing beyond the next 12 months, as of Dec 31, 2025; • Annual working capital inflow of about €25 million; and • S&P Global Ratings' forecast cash funds from operations (FFO) of about €570 million-€580 million in the next 12 months	We estimate that liquidity uses over the same period include: • S&P Global Ratings forecast capital expenditure requirements of about €390 million-€400 million in the next 12 months. • Seasonal working capital requirements of roughly €345 million-€350 million including the intra-year requirement. • Debt maturities of about €225 million-€230 million in the next 12 months. • About €95 million of dividend payments.

Covenants

FrieslandCampina shall maintain a net-debt-to-EBITDA ratio below 3.5x and an EBITDA-to-net-interest ratio above 3.5x.

Environmental, Social, And Governance

Environmental factors are a moderately negative consideration in our credit rating analysis of FrieslandCampina. Environmental risks, including climate change, water scarcity, and biodiversity, are inherent to the agribusiness industry and can cause high profit volatility. As a large producer of dairy milk, the company is indirectly exposed to carbon dioxide emissions, given that dairy cows are significant methane producers. FrieslandCampina actively engages with its member farmers on environmental matters, for example by providing them with feed additives for ruminants that contribute to reducing greenhouse gas emissions.

Social factors are a neutral consideration in our rating analysis, although we note that the company provides income and support to local farmers in the Netherlands by selling their dairy milk.

Governance factors are a neutral consideration in our analysis. The new CEO of FrieslandCampina joined in June 2023 and has subsequently presented its new business strategy aiming at supporting sustainable growth and improving profitability. The former food and beverage division was split into five business segments with specific customers, products, and markets, and entailed restructuring costs in 2023 to achieve lower overhead costs.

Issue Ratings--Subordination Risk Analysis

Capital structure

FrieslandCampina's debt structure comprises mostly unsecured instruments issued at the parent level. Priority debt accounts for less than 50% of the FrieslandCampina's total debt. We rate the €1 billion commercial paper program and the deeply subordinated €300 million perpetual bonds, for which we grant intermediate equity content until first call date.

Analytical conclusions

The deeply subordinated perpetual bonds of €300 million are rated 'BB+', two notches below our issuer credit rating on FrieslandCampina, reflecting one notch for subordination risk and one notch for optional interest deferability. We assess the hybrid bonds have intermediate equity content (50% equity, 50% debt) until the first call date.

The commercial paper program is rated 'A-2', derived from the 'A-2' short-term issuer credit rating on FrieslandCampina.

Rating Component Scores

Component	
Foreign currency issuer credit rating	BBB/Stable/A-2
Local currency issuer credit rating	BBB/Stable/A-2
Business risk	Strong
Country risk	Low risk
Industry risk	Intermediate risk
Competitive position	Strong
Financial risk	Intermediate
Cash flow/leverage	Intermediate
Anchor	bbb+

Modifiers

Diversification/portfolio effect	Neutral/Undiversified
Capital structure	Neutral
Financial policy	Negative
Liquidity	Adequate
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
- [General Criteria: Stand-Alone Credit Profiles: One Component Of A Rating](#), Oct. 1, 2010

Related Research

- [Tear Sheet: Koninklijke FrieslandCampina N.V.](#), Aug. 12, 2025
- [Industry Credit Outlook 2026: Consumer Products](#), Jan. 14, 2026

Ratings List

Ratings List

Ratings Affirmed

Koninklijke FrieslandCampina N.V.

Issuer Credit Rating	BBB/Stable/A-2
Junior Subordinated	BB+
Commercial Paper	A-2

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