The "ReFresh programme" seems already expired: HelloFresh

Food retail and manufacturing industry: HelloFresh.

When HelloFresh came to the bond market in July 2026, the business case and credit story both pointed to this being a year of transition. Few high-yield investors were familiar with the name (it was IG until May) with weak credit comparables available in Europe. The HF international group was moving away from a strategy largely focused on volume creation—supported by significant marketing and customer-acquisition spending—towards a model increasingly focused on the quality of revenues, "customer economics" and, ultimately, margins. The Company, after the stellar years 2020-2022, needed a change and a new position.

On paper, the logic was clear. In practice, 2026 was always going to be a difficult year. Looking at the past did not exactly help the credit case either, with the Group's market capitalisation having melted over five years like ice under the summer heat of 2026. But in July credit investors were assessing borrowers' creditworthiness, not the market cap. It may have been the case that visibility was only available through 2028, subject to the relevant financial conditions and assumptions (this is exactly the kind of work credit professionals are responsible for).

The US is critical to the group, representing more than 60% of revenues. What happens there therefore matters disproportionately for the consolidated business.

HelloFresh is a business with two very different engines: Meal Kits and Ready-to-Eat (RTE). Meal Kits remains the more profitable business, with relatively strong and stable EBITDA margins. RTE, operated in the US under the Factor brand acquired in 2020, has been facing a much more challenging competitive environment. At the same time, the ramp-up of new production facilities added layers of execution risk, compounded by regulatory challenges that emerged at an unfortunate moment. Management expected RTE to return to profitability in 2026.

That recovery is proving considerably harder than anticipated. Meanwhile, the international segment is not contributing to the Group's financial resilience, largely due to heightened competition from peers that puts downward pressure on revenues.

The Q2 results, released in August, already contained warning signals. Nevertheless, the company maintained its 2026 constant-currency EBITDA guidance and continued to point to the second half of the year as an important period for the recovery in profitability. The key test was supposed to be the back-to-school season, a crucial moment for the sector.

The test did not deliver the expected volumes. The underperformance required further communication.

Last week's trading update therefore changed the picture materially. HelloFresh now expects 2026 constant-currency EBITDA of €350–370m, down from the previous €375–425m range. Management attributed the weaker-than-expected customer acquisition primarily to a greater-than-planned reduction in Q3 marketing expenditure. In my view this is more important than the guidance revision itself, because the underlying issue is the trade-off between volume and profitability. Cutting marketing and customer-acquisition spending can improve near-term economics, but if the reduction also results in insufficient new-customer volumes, the business risks losing the scale required to absorb the big and rigid cost base and deliver the margin improvement that the strategy is targeting. This is precisely the tension I highlighted when discussing the bonds with investors in July. Post-COVID, the food-delivery and convenience-food market has been changing rapidly. Consumer behavior is evolving, competitors (old and new) are adjusting their propositions and promotional strategies, and the economics of acquiring and retaining customers are becoming increasingly important. Against this backdrop, management's transition from "grow volumes" to "improve quality and margins" was never going to be a mechanical exercise. The latest numbers suggest that the two objectives are proving increasingly difficult to reconcile.

If the HF equity chapter is unfortunately very dark, the credit story is now particularly interesting.

The €350m 5.5% notes due 2031 were issued in July at par. They are now trading in the low 80s, reflecting a very different level of market confidence from the already cautious one prevailing at issuance. I do not want to revisit today the formation of the order book back in July, or the coupon, which provoked an immediate poor trading performance once the bonds were free to trade (I warned several accounts during the roadshow). My observations at the time were reported in the wires, and I was very cautious when discussing the credit quality of the issuer and the bonds characteristics with investors. My concerns were not simply about valuation and yield. I questioned the

Documentation (not for a bond in the HY category), the law governing the securities, the subordinated nature of the 2031s, the level of the guarantees, and, more broadly, the execution risk embedded in the management strategy during this transition year. There were several points that, in my view, deserved careful consideration.

It is difficult today to say that the latest update necessarily invalidates the company's strategy. What it does suggest, however, is that the original plan is under considerably more pressure than it was only a few months ago. The deterioration in the equity story is clear, while the credit story has also become significantly more challenging. The Q3 results in November should provide another important piece of the final picture of HelloFresh. Until then, the bonds may increasingly trade in my opinion on "recovery considerations" rather than simply on the original earnings story and the promised operational resilience. I will leave each credit analyst to calculate the multiples and company's value.