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Mentoring at Scale

Belron / Safelite Dividend Recap

The Record-Scale 2024 Dividend Recapitalization

€8.1B new debt · €4.4B extraordinary dividend

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Philip A. Baratelli, CPA, MBA . Founder . baratelliinstitute.com

The Record-Scale 2024 Dividend Recapitalization

On September 3, 2024, the sponsor consortium controlling Belron Group N.V. — the €7 billion–revenue global leader in vehicle-glass repair and replacement, operating as Safelite in the United States, Autoglass in the United Kingdom, and Carglass across continental Europe — closed a dividend recapitalization that raised approximately €8.1 billion of new leveraged loans and high-yield bonds and distributed roughly €4.4 billion of that raise to sponsors as an extraordinary dividend. It was the largest sponsor-controlled dividend recapitalization on record.

This memo walks the transaction end-to-end across seven questions: the recap mechanics on one page, the balance-sheet and income-statement impact line by line, the tax characterization for each sponsor category (including the D'Ieteren Belgian participation-exemption architecture and the sponsor-basis buildup governing return-of-capital treatment), the credit-metric and rating impact, the 2031–2032 refinancing wall, the modern recap-canon comparables set, and the first full year of post-recap operating results (FY2025 revenue up 7.1% at constant FX, adjusted EBITDA reaching €1.85B, pro-forma leverage down to ~4.1x).

The case in five bullets, for the 20-minute reader, follows. The full narrative and worked tables begin at Section 1.

How to read this memo

The 20-minute reader: The five-bullet executive summary below (Table 1), then Table 2 (deal facts), then the stated verdict at the end.

The credit-fund PM: Straight to the balance-sheet and income-statement walks (Tables PA + PB, Section 4b), then Table 7a (maturity ladder), then Section 10 (FY2025 update).

The family-office CFO or tax structurer: Straight to Section 5 (return of capital vs. dividend income), the E&P worked example (Table 5a with the Rev. Rul. 74-164 bridging row), the sponsor basis buildup (Table 5b), and the D'Ieteren tax-split sensitivity (Table 6a).

The case in five bullets, for the 20-minute reader

Item	The Institute's read
1. What happened	Belron Group (Safelite / Autoglass / Carglass) raised ~€8.1 billion of new leveraged loans + high-yield bonds in Q3 2024, of which ~€4.4 billion (approximately 54% of the raise) was distributed as an extraordinary dividend to the sponsor consortium (D'Ieteren, CD&R, H&F, GIC, BlackRock) and the ~€3.7 billion balance refinanced existing debt. Post-recap net leverage moved from ~2.5-3.0x to ~5.5-5.8x EBITDA. Practitioners describe it as the largest sponsor-controlled dividend recap on record.
2. Ratings reaction	S&P and Moody's retained single-B-family corporate ratings but issued negative-outlook commentary. The credit still functions; the cushion tightened. DSCR fell from ~4.0-4.5x to ~1.75-2.15x; free cash flow after interest fell from ~€825M to ~€350M. Cushion is real but no longer comfortable.
3. Why it works	Belron passes the three conditions the Institute requires of a defensible recap: (a) predictable, low-cyclicality cash flow — collision-repair volumes are among the most stable in consumer services; (b) post-recap leverage below the covenant cliff with meaningful cushion; (c) sponsor exit optionality (IPO / strategic / next recap) not materially degraded. Getty Images famously failed on (a) and (b); Belron does not.
4. The sponsor return	~€4.4B returned to consortium representing ~75-85% recovery of contributed equity — without a sale, without an IPO, and while retaining 100% of the go-forward equity claim. Recap pulls IRR forward by ~3 percentage points versus a no-recap hold-and-sell path. The mechanic captures return timing, not new value.
5. The reference set	Belron sits at the far right of the size distribution alongside Clarios (Brookfield, 2025, ~$4.5B dividend), Domino's Pizza (2012, ~$1.7B public-company recap), Getty Images (multiple recaps, cautionary distressed exchange 2016), and First Data (KKR, 2013-2015 landmark LBO refi sequence). Read these five together to understand the recap canon.

The one-line verdict. The dividend recap is the modern PE return-realization mechanic when the exit environment slows. It works when the business is stable and the leverage cushion is real. It fails when the balance sheet is being asked to do work the business itself cannot support. Belron is the largest, best-documented modern example of the mechanic working at scale — and it is the useful anchor for every future practitioner conversation on the topic.

The 1999 acquisition and the 25-year compounding story that preceded the 2024 recap

The 2024 dividend recap did not happen in a vacuum. It sits at the top of a 25-year compounding story that begins with a 1999 acquisition by a Belgian family holding company and runs through progressive dilution and consolidation across five different investor cohorts. A practitioner reader

needs the acquisition history to understand what capital the sponsors have deployed, over what period, and at what implied cost basis — because those numbers set the frame for whether the 2024 €4.4B distribution represents "recovery of contributed capital" or "extraction of accumulated value." Both framings coexist. Understanding the history is what lets the reader hold both cleanly.

1999 — D'Ieteren's original entry. In 1999, Groupe D'Ieteren (Brussels-listed Belgian family holding company; family control via the D'Ieteren family since the 19th century) acquired a majority stake in Belron International Ltd., a UK-domiciled vehicle-glass replacement business that at the time operated principally in the United Kingdom and Continental Europe under the Autoglass and Carglass brands, plus in Australia through O'Brien Glass. Reported purchase price for the initial ~70% controlling stake was approximately €120 million based on Belgian and UK press coverage of the transaction — a modest number that reflects Belron's pre-Safelite-acquisition scale. Prior to 1999, Belron traced its corporate history to Ford Motor Company's UK Autoglass operations (founded 1897, one of Britain's oldest specialty-services businesses), with intermediate ownership by Solaglas and other Continental industrial groups before D'Ieteren's acquisition.

1999-2007 — Consolidation and the Safelite acquisition. After D'Ieteren gained control, Belron pursued a network-density consolidation strategy across Europe (buying up regional glass-repair operators in France, Germany, Italy, Netherlands, and the Nordic countries) and expanded into North America through the 2007 acquisition of Safelite Group from an intermediate PE holder for approximately $600 million. Safelite is the largest US vehicle-glass repair and replacement business; the acquisition transformed Belron from a European-plus-Australia operator into a global platform with insurance-carrier network relationships in every major developed market. D'Ieteren's ownership stake fluctuated across this period, generally in the 90-95% range through Belron's growth phase.

2018 — CD&R enters at €3B EV, D'Ieteren dilutes to ~50%. In December 2017 through 2018 close, Clayton, Dubilier & Rice (CD&R) acquired approximately 40% of Belron in a transaction that valued the company at approximately €3.0 billion enterprise value (approximately €1.1B for the 40% economic stake). D'Ieteren retained approximately 54% control and returned a portion of the CD&R proceeds to D'Ieteren shareholders as an extraordinary dividend. This is the deal that established the "sponsor consortium" pattern — D'Ieteren as the anchor family holder, CD&R as the operational PE partner — that shaped every subsequent capital transaction at Belron.

2021 — Hellman & Friedman, GIC, BlackRock enter at €21B EV. In December 2021, Hellman & Friedman, GIC (Singapore sovereign wealth), and BlackRock Private Equity Partners acquired stakes in Belron in a transaction that valued the company at approximately €21 billion enterprise value — a seven-times step-up from the 2018 CD&R entry. D'Ieteren retained a majority position (~50.3%) and received an extraordinary dividend from the transaction; CD&R retained a portion of its 2018 stake. The 2021 transaction was extraordinary in two respects: it valued Belron at approximately 15x EBITDA (a pure-play network-density premium), and it established the

five-sponsor structure that then executed the 2024 dividend recap.

2024 — The record-scale recap. With the sponsor consortium in place and Belron generating approximately €1.4-1.6B of adjusted EBITDA, the group executed the Q3 2024 dividend recap described in Section 2. The €4.4B distribution was pro-rated across the five sponsors on their existing equity stakes; D'Ieteren received approximately €2.2 billion. Cumulative D'Ieteren cash return since 1999 — measured across the 2018 CD&R transaction, the 2021 H&F/GIC/BlackRock transaction, ordinary Belron dividends, and the 2024 recap — substantially exceeds the original €120 million 1999 purchase price plus subsequent capital contributions. Every distribution has occurred while D'Ieteren has retained majority control of the operating business. Belron is one of the case studies in patient, family-anchored capital compounding at PE scale.

Table 1 — Belron ownership history and cumulative D'Ieteren value creation (illustrative, € billions unless noted)

Year	Event	Implied EV	D'Ieteren stake / cash movement
1999	D'Ieteren acquires majority stake in Belron International	~€0.15	D'Ieteren buys ~70% for ~€120M
2007	Belron acquires Safelite (US) from Vestar Capital Partners	~0.22	D'Ieteren funds portion; retains ~90%+ position. Safelite EV at close ~$290-300M (~€215-225M at prevailing FX).
2018	CD&R acquires ~40% stake	~3.0	D'Ieteren dilutes to ~54%; receives partial cash
2021	H&F + GIC + BlackRock enter	~21.0	D'Ieteren retains ~50.3%; receives extraordinary dividend
2024 (Q3)	Record-scale dividend recap	~19.4	D'Ieteren receives ~€2.2B of €4.4B distribution
Cumulative D'Ieteren cash returned since 1999	—	n/a	Multi-billion euro cumulative distributions on ~€120M original purchase price

Source. Institute reconstruction from D'Ieteren Group annual reports 1999 through FY2025; Belgian and UK press coverage of successive Belron transactions; Financial Times and Bloomberg coverage of the 2018 CD&R and 2021 H&F / GIC / BlackRock transactions; D'Ieteren FY2025 press release, March 2026, for the current state of consortium ownership.

The 1999 frame in one paragraph. D'Ieteren bought Belron for approximately €120 million in 1999. Over 25 years, the business has grown from a European-plus-Australia vehicle-glass operator into a global platform of Safelite / Autoglass / Carglass / O'Brien with approximately €6.5 billion of revenue and €1.85 billion of adjusted EBITDA (FY2025). D'Ieteren has retained majority control across three successive private-market capital transactions and one record-scale dividend recap. The 2024 €4.4B distribution is not the end of the story; it is the current chapter of a 25-year compounding case. Every practitioner reader should hold that timeline firmly.

What Belron did in Q3 2024 — the record-scale dividend recap

Belron Group N.V. is the world's largest vehicle-glass repair and replacement business. It operates Safelite in the United States (the household name most US practitioners will recognize), Autoglass in the United Kingdom, Carglass across continental Europe, and O'Brien in Australia. The business runs on a network-density model: proximity to insurance-carrier claim workflows, mobile-technician fleet, and calibration capability for ADAS-equipped windshields. Revenue in the ~€6.5B range, EBITDA in the ~€1.4B range at approximately a 22% margin (see Section 9 for FY2025 update showing €1.85B adjusted EBITDA).

In Q3 2024, Belron's sponsor group — D'Ieteren (Belgian family holding, ~50% control), CD&R, Hellman & Friedman, GIC, and BlackRock — completed a dividend recapitalization. The company issued approximately €8.1B of new leveraged loans and high-yield bonds. Of that, roughly €4.4B was distributed as an extraordinary dividend to the sponsor consortium, with the balance refinancing existing debt at longer-dated maturities. Pre-recap net leverage was in the ~2.5-3.0x range; post-recap net leverage moved to approximately 5.5-5.8x EBITDA. Belron's public credit ratings were reviewed at the time of the transaction, with S&P and Moody's issuing negative-outlook commentary but retaining single-B-family ratings on the sponsored capital structure.

Table 2 — Belron 2024 dividend recap: the deal in one page (€ billions unless noted)

Line item	Value
Business	Belron Group N.V. (Safelite / Autoglass / Carglass)
Revenue (FY2024 approx.)	~6.5
EBITDA (FY2024 approx.)	~1.4
EBITDA margin	~22%
Sponsor group	D'Ieteren, CD&R, H&F, GIC, BlackRock
Pre-recap net leverage	~2.5-3.0x
New debt raised (leveraged loans + bonds)	~8.1
Extraordinary dividend to sponsors	~4.4
Balance (refinancing existing debt)	~3.7
Post-recap net leverage	~5.5-5.8x
Rating reaction (S&P / Moody's)	Retained single-B family with negative outlook

Intrinsic value and EV/EBITDA — both frames matter

This section presents Belron's enterprise value in the two frames every serious practitioner reconciles: the intrinsic-value stack (owner earnings, asset base, cash) that a strategic acquirer or a Buffett-tradition holder underwrites, and the industry-standard EV/EBITDA and peer-multiple frame that every credit committee, ratings analyst, LBO shop, and CFO will run alongside it. Buffett leans on owner earnings; the CD&R deal team, the D'Ieteren family, and every practitioner reader see the multiples. Both frames belong.

Belron is a network-density, recurring-revenue, insurance-tied specialty-services business. Comparable public and reference multiples for that category, benchmarked at 2024 close: Waste Management (~14-15x, route-density benchmark), Rentokil (~12-14x, recurring specialty services), Clean Harbors (~9-11x, industrial-services), Terminix (~11-13x, network-density specialty services), and a range of consumer-auto-services private-transaction comparables (~10-13x). The peer-median lands roughly ~12-13x EV/EBITDA for a well-run recurring specialty-services business. At approximately €1.4B FY2024 EBITDA and an implied EV in the

mid-teens-of-billions of euros range through the recap, Belron trades at approximately **~13-14x EV/EBITDA** on the sponsor consortium's implied entry value — landing squarely on the peer median.

Table 3 — Peer-set EV/EBITDA benchmarks (illustrative)

Comparable	Category	EV/EBITDA
Waste Management (WM)	Route-density benchmark; industry-scale recurring services	~14-15x
Rentokil Initial (RTO)	Recurring specialty services; network density	~12-14x
Terminix (post-Rentokil combination)	Network-density specialty services	~11-13x
Clean Harbors (CLH)	Industrial services	~9-11x
Consumer-auto private transactions	Auto-services / body-shop / collision comps	~10-13x
Peer-set median	—	~12-13x

Method. Illustrative comparables benchmarked to 2024 close. Rollins removed from the peer set at v2 revision — pest-control network-density economics were overweight in the earlier draft and pulled the peer median artificially higher. The updated set is more representative of Belron's actual insurance-tied network-density business.

Table 4 — Belron valuation frames, both views (€ billions unless noted)

Line item	Value
FY2024 revenue	~6.5
FY2024 EBITDA	~1.4
FY2024 EBIT (approx.)	~1.15
Implied enterprise value at ~13x EBITDA (peer median)	~18.2
Implied enterprise value at ~15x EBITDA (premium)	~21.0
Post-recap net debt	~7.6
Implied equity value (13x, net of debt)	~10.6
Owner earnings (approx. free cash flow after maintenance capex)	~0.7-0.85
Intrinsic-frame equity value (10-year owner-earnings capitalization)	~9-12

Table 4a — Belron capex disaggregation (illustrative FY2024, € millions)

Capex category	Low (€M)	High (€M)	Institute note
Maintenance capex	100	125	Network fleet renewal (mobile technician vans), facility upkeep, IT infrastructure. Predictable, non-discretionary, tracks unit count.
ADAS calibration technology	30	50	Growth capex on advanced-driver-assistance-system calibration capability — the specific technology moat protecting Belron's insurance-carrier claim workflow against lower-cost competitors. Highest-return category.
M&A tuck-ins	50	100	Opportunistic regional consolidations; variable year to year. Not maintenance capex; not required for run-rate operations.
Other growth capex	20	30	Small facility expansions, technology roll-outs, working-capital investment behind organic growth.
Total capex (approx.)	200	275	Maintenance capex ~45-55% of total. Growth categories ~45-55% of total. Owner-earnings frame in Table 4 uses maintenance capex only.

Method. Institute reconstruction from D'Ieteren annual reports and industry-analyst channel checks; category splits are estimates, not disclosed line items. The practitioner point: Belron's owner earnings (€700-850M in Table 4) are calculated by subtracting maintenance capex only from EBITDA less cash interest less cash taxes — and this table shows what "maintenance capex" excludes.

Why the capex mix matters for the recap thesis. The Buffett-tradition question about any recap is whether the sponsor is starving the operating company of reinvestment capital. Belron's answer: no. Approximately 45-55% of total capex is maintenance capex tied directly to the run-rate operations, and the growth categories (ADAS calibration technology and M&A tuck-ins) continue post-recap because they are the specific investments that maintain Belron's competitive moat with insurance carriers. The recap did not force a capex cut; the FY2025 EBITDA growth to €1.85B (Section 10) demonstrates that reinvestment continued. This is the specific dimension the Berkshire-lens reader wants to see documented.

How the €4.4B moved from the balance sheet to the sponsor group

The recap sequence: (1) Belron and the sponsor consortium agreed on a new capital structure targeting ~5.5-5.8x leverage; (2) J.P. Morgan and Goldman Sachs led a leveraged-loan syndication together with a high-yield bond tranche, closing approximately €8.1B in new debt at pricing in the mid-single-digit percent range for the loan tranche and higher for the bond tranche; (3) proceeds funded a special distribution to shareholders of approximately €4.4B (approximately half the total raise), with the remainder refinancing existing indebtedness and paying transaction expenses.

D'Ieteren, as the largest single sponsor at roughly 50% control, received approximately €2.2B of the special distribution. CD&R, Hellman & Friedman, GIC, and BlackRock split the remaining approximately €2.2B on a pro-rata basis to their equity stakes. In practice each sponsor recovered a meaningful fraction of its original equity contribution while retaining the same ownership share of the go-forward business — the defining feature of the dividend recap as a return-realization mechanic that avoids an IPO or a sale process.

Table 5 — Dividend waterfall to the sponsor consortium (illustrative, € billions)

Sponsor	Approx. equity share	Approx. dividend (€B)	Share of dividend	Proportionality (div ÷ equity)
D'Ieteren (family holding, Belgium)	~50%	~2.2	~50%	~1.00x
CD&R	~15%	~0.66	~15%	~1.00x
Hellman & Friedman	~15%	~0.66	~15%	~1.00x
GIC	~10%	~0.44	~10%	~1.00x
BlackRock	~10%	~0.44	~10%	~1.00x
Total extraordinary dividend	100%	~4.4	100%	1.00x

The proportionality read. The €4.4B distribution was structured strictly pro-rata by equity ownership — each sponsor's share of the dividend matched its share of equity to within rounding. There is no preferred-class carve-out, no side-arrangement premium to any single sponsor, and no dilution of the family holding's claim. Recaps at this scale sometimes distribute non-pro-rata (for instance, to unwind a preferred layer or to fund a management-team rollover). Belron's did not. The family holding took its full pro-rata €2.2B alongside the financial sponsors.

Where every euro moved — the balance sheet and income statement, walked line by line

The narrative above walked the recap in words. The two walks below show it in numbers. Part A is the balance-sheet walk: what the balance sheet looked like the day before the recap, the specific line-item adjustments the recap made, and the resulting post-recap balance sheet. Part B is the income-statement walk: what the P&L looked like as reported for FY2024 (which captured only a partial-year impact because the recap closed in Q3), the full-year pro-forma interest-expense impact if the new debt stack had been in place for the entire year, and the resulting normalized post-recap earnings picture. Both tables mirror the corresponding tabs in the companion *Belron_Dividend_Recap_Model.xlsx* workbook. Every figure is illustrative and reconciled to the practitioner assumptions in Table 2 and Table 7.

Table PA — Part A: Balance Sheet Walk (€ millions, illustrative)

Balance sheet line item	Pre-recap (Q3 2024)	Recap adjustments	Post-recap (12/31/2024)	Institute note
ASSETS				
Cash & equivalents	800	(100)	700	Down €100M for transaction fees + OID; recap raise, dividend, refi otherwise net-zero
Trade receivables	950	0	950	Unchanged
Inventory	320	0	320	Unchanged
Other current assets	180	0	180	Unchanged
Total current assets	2,250	(100)	2,150	Sum of above
Property, plant & equipment, net	1,450	0	1,450	Unchanged
Goodwill	8,200	0	8,200	Unchanged
Intangible assets, net	2,100	0	2,100	Unchanged
Other non-current assets	500	0	500	Unchanged
Total assets	14,500	(100)	14,400	Down €100M for transaction fees (paid from raise proceeds)
LIABILITIES				
Trade payables	780	0	780	Unchanged
Other current liabilities	520	0	520	Unchanged
Total current liabilities	1,300	0	1,300	Sum of above
Existing debt (pre-recap)	3,500	(3,500)	0	Refinanced out of stack
New senior secured TLB (2031)	0	4,500	4,500	Raised in recap
New senior unsecured HY notes (2032)	0	2,500	2,500	Raised in recap
New second-lien term loan (2032)	0	800	800	Raised in recap

Balance sheet line item	Pre-recap (Q3 2024)	Recap adjustments	Post-recap (12/31/2024)	Institute note
Revolver drawn balance	0	300	300	Draw for fees + working capital + refi call premium at close
New debt (total post-recap)	0	+8,100	8,100	TLB + HY + 2L + RCF (matches waterfall raise)
Other non-current liabilities	1,200	0	1,200	Unchanged
Deferred tax liabilities	500	0	500	Unchanged
Total liabilities	6,500	+4,600	11,100	Net +€4.6B from recap (net of €3.5B refi'd out)
EQUITY				
Share capital + reserves	3,500	0	3,500	Unchanged
Retained earnings	4,500	(4,700)	(200)	Down €4.4B dividend + €200M refi call premium + €100M fees, all expensed to RE
Total equity	8,000	(4,700)	3,300	Net −€4.7B: dividend + refi premium + fees all expensed
Total liabilities + equity	14,500	(100)	14,400	Balances against total assets 14,400

Read. The balance-sheet walk shows the recap as it actually is: a pure financing transaction that does not touch operating assets. Cash, PP&E, goodwill, and working capital are all unchanged. What changed is the mix of the right-hand side: existing debt was refinanced out (€3.5B down), new debt was raised (€8.0B up), and retained earnings absorbed the €4.4B extraordinary dividend (equity down). The recap moved €4.4B from the equity account to the sponsors' pockets, funded by an equivalent-plus increase in total debt. That is the mechanic in one image.

Table PB — Part B: Income Statement Walk (€ millions, illustrative)

Income statement line item	FY2024 as reported	Recap adjustments (full-year)	FY2024 pro-forma post-recap	Institute note
Revenue	6,500	0	6,500	Recap has no revenue impact
Cost of services	(3,900)	0	(3,900)	Unchanged
Gross profit	2,600	0	2,600	Sum
SG&A	(1,300)	0	(1,300)	Unchanged
EBITDA (adjusted)	1,400	0	1,400	Recap has no operating impact
Depreciation	(210)	0	(210)	Unchanged
Amortization	(70)	0	(70)	Unchanged
EBIT	1,120	0	1,120	Sum
Interest expense — existing debt	(175)	175	0	Existing debt refinanced out
Interest expense — new senior secured TLB	0	(382)	(382)	€4.5B × 8.5% blended (SOFR + 425)
Interest expense — new senior unsecured HY notes	0	(194)	(194)	€2.5B × 7.75%
Interest expense — new second-lien term loan	0	(84)	(84)	€0.8B × 10.5% blended (SOFR + 650)
Interest expense — revolver + amortized fees	0	(25)	(25)	Draw + amortized upfront fees
Interest expense (total post-recap)	(175)	(510)	(685)	Includes amortized fees
Pre-tax income	945	(510)	435	EBIT less interest
Income tax expense (25% blended effective)	(236)	128	(109)	Recap reduces taxable income → tax benefit

Income statement line item	FY2024 as reported	Recap adjustments (full-year)	FY2024 pro-forma post-recap	Institute note
Net income	709	(383)	326	−54% net-income impact from full-year recap interest
EBITDA / Interest expense (coverage)	8.0x	—	2.04x	Coverage compression from 8x to ~2x
Net leverage (Net debt / EBITDA)	2.5x	—	5.5x	Leverage step-up

Read. The income-statement walk is the answer to the question "what does the recap cost the operating business in earnings terms?" The answer is: nothing above the EBIT line — revenue, costs, EBITDA, D&A, and EBIT are all unchanged. The entire recap impact lives in the interest-expense block. Interest expense goes from €175M (existing debt) to €685M (new stack + revolver + amortized fees) — a €510M full-year increase. That flows through to a −€383M net-income impact after tax. Coverage compresses from 8x to 2x. Leverage steps up from 2.5x to 5.5x. Those are the four numbers that define the recap in one page — and they are exactly the numbers the S&P and Moody's rating actions cited when moving the outlook to negative.

The through-line from the walks. Together, the balance-sheet walk (Part A) and the income-statement walk (Part B) tell the recap story completely. Part A shows the recap moves €4.4B from equity to sponsors, funded by an equivalent-plus increase in debt, with total assets unchanged. Part B shows the recap increases annual interest expense by €510M full-year, compressing net income by −54% and coverage from 8x to 2x. Everything else the narrative discusses — the DSCR shift, the ratings reaction, the covenant cushion, the 2031 refi wall, the sponsor IRR uplift — is a downstream consequence of these two walks. The FY2025 growth story (Section 10) is the answer to the question of whether the business grew fast enough to absorb the recap; on the numbers, it did.

Table 5b — Estimated sponsor tax basis in Belron equity (illustrative reconstruction, € billions)

Sponsor	Original cash invested	Subsequent capital contributions	Prior distributions received	Estimated basis pre-2024 recap	2024 recap distribution	Estimated basis post-2024 recap
D'Ieteren (family holding, since 1999)	~0.12	~0.30	~(0.80)	~0.55	~(2.20)	~0 (basis exhausted; excess = capital gain)
CD&R (2018 entry)	~1.80	~0.05	~(0.15)	~1.70	~(0.66)	~1.04
Hellman & Friedman (2021 entry)	~3.10	~0.00	~(0.05)	~3.05	~(0.66)	~2.39
GIC (2021 entry)	~2.05	~0.00	~(0.03)	~2.02	~(0.44)	~1.58
BlackRock (2021 entry)	~2.05	~0.00	~(0.03)	~2.02	~(0.44)	~1.58
Total consortium (aggregate)	~9.1	~0.35	~(1.06)	~9.3	~(4.40)	~6.6 aggregate

Method. Illustrative reconstruction of tax basis for each sponsor category based on public transaction values and typical sponsored-recap distribution treatment. Actual tax basis for each sponsor is proprietary to their own tax records, may differ materially from these estimates, and depends on entity-level structural choices (partnership blocker vehicles, treaty-based intermediate holdings, characterizations elected in prior transactions). D'Ieteren's effective basis is materially below the aggregate because D'Ieteren has received multiple prior return-of-capital distributions since 1999, each of which reduced basis; the 2018 CD&R and 2021 H&F/GIC/BlackRock transactions also included partial cash-out mechanics that further reduced basis.

Why basis is the master variable. Return-of-capital treatment is only tax-free to the extent of the shareholder's basis. Once basis is exhausted, any further return-of-capital distribution flips to capital-gain treatment under IRC §301(c)(3). D'Ieteren's basis was substantially reduced by prior transactions and is estimated to be near zero prior to the 2024 recap — meaning the 2024 recap distribution to D'Ieteren likely triggered material capital-gain recognition to the extent characterized as return of capital exceeding basis. The Belgian participation-exemption regime, discussed in Section 5 and Table 6, mitigates this at the D'Ieteren corporate parent level (participation gains on qualifying stakes are largely exempt from Belgian corporate tax). For the other sponsors (CD&R, H&F, GIC, BlackRock), basis was materially replenished at the 2018 or

2021 entry point, providing significant runway before basis is exhausted. This is the specific reason the tax-basis buildup matters: the same €4.4B distribution produces very different current-year tax outcomes for a decades-in family holding versus a 3-year-in financial sponsor.

Return of capital versus dividend income — the practitioner distinction that shapes net proceeds

The €4.4 billion distribution is described in the press coverage as an "extraordinary dividend," but the practitioner reader needs to understand that the tax characterization in the hands of each recipient depends on the specific accounting classification of the distribution, the recipient's tax status, and the jurisdiction. This is not a technicality; it materially affects the net cash each sponsor keeps. Two categories of tax treatment matter here: return-of-capital treatment (where the distribution reduces the recipient's tax basis in the equity investment and is not currently taxable) and dividend-income treatment (where the distribution is currently taxable as ordinary or qualified dividend income depending on the recipient's status).

Return of capital vs. dividend income — the mechanics. Under US tax accounting (analogous rules apply in Belgian and EU jurisdictions with local variations), a distribution from a corporation is treated as a dividend to the extent of the corporation's current and accumulated *earnings and profits* (E&P). Distributions in excess of E&P are treated as a return of capital — the recipient's tax basis in the equity is reduced by the amount of the return-of-capital distribution, and no current tax is due. If the distribution exceeds the recipient's basis, the excess is taxable as capital gain. In a dividend recap, the distribution is typically funded by new debt raised at the operating company — not by current-period earnings — and a portion of the extraordinary distribution is therefore commonly characterized as a return of capital rather than as a taxable dividend. The exact split depends on the operating company's E&P calculation, which is a fact-specific determination made by each sponsor's tax advisor at the time of the distribution.

Sidebar — What is Earnings & Profits (E&P)?

The definition. Earnings & Profits is a tax-accounting concept, not a GAAP concept. It is the IRS's measure of a corporation's economic capacity to pay dividends without impairing capital. E&P is *similar to* retained earnings but is calculated on a distinct tax basis: it starts with taxable income, makes a series of adjustments (add-backs for tax-exempt income, timing differences on depreciation, deductions for federal income tax paid, adjustments for non-deductible items), and accumulates year over year. The distinction from GAAP retained earnings matters because a corporation with strong book earnings can still have low E&P (for instance, after a §338(h)(10) election creating a stepped-up depreciable basis for tax that book does not track), and vice versa.

Why E&P is the gatekeeper on dividend recap tax treatment. IRC §301(c) states that a distribution to a shareholder is treated as follows: (a) to the extent of the corporation's current-year

E&P plus accumulated E&P, the distribution is a *taxable dividend*; (b) any amount in excess of E&P but not exceeding the shareholder's tax basis in the stock is a *tax-free return of capital* that reduces basis; (c) any amount in excess of basis is treated as *capital gain*. This three-tier ordering means the same distribution can produce three different tax outcomes depending on the interplay of E&P and the shareholder's basis. A dividend recap distribution funded by new borrowing rather than by operating earnings sits in exactly the fact pattern where the (b) return-of-capital tier is most likely to apply.

Table 5a — E&P accumulation worked example (illustrative, US-domiciled operating company, $ millions)

Year / component	Amount	Institute note on the mechanic
PART A — Building current-year E&P (Year N)		
Taxable income (Form 1120, line 30)	400	Starting point — the corporation's federal taxable income before any E&P adjustments.
+ Tax-exempt interest income	15	Adds back income excluded from taxable income but economically earned and available for distribution.
+ Life-insurance-proceeds excluded from taxable income	0	Add-back when relevant; not applicable here.
– Federal income tax paid (current year)	(84)	Reduces E&P by the actual federal tax burden (21% of $400 = $84).
+/– Depreciation timing adjustment (ADS vs MACRS)	(25)	E&P uses Alternative Depreciation System straight-line; taxable income uses MACRS accelerated. Reverses the accelerated benefit for E&P purposes.
– Non-deductible expenses (50% meals, penalties, etc.)	(6)	Reduces E&P for items not deducted for taxable income but representing real cash outflows.
= Current-year E&P for Year N	300	The amount available to be characterized as a taxable dividend in Year N.
PART B — Accumulated E&P at start of Year N (illustrative history)		
Accumulated E&P at beginning of Year 1	0	Corporation is new; no prior E&P.
Year 1 current E&P	180	Added to accumulated pool.
Year 2 current E&P	210	Added.
Year 3 current E&P	240	Added.
– Ordinary dividends paid in Years 1-3	(150)	Prior distributions reduce accumulated E&P dollar-for-dollar.
= Accumulated E&P at start of Year N	480	Historical retained economic earnings available for dividend characterization.

Year / component	Amount	Institute note on the mechanic
BRIDGE — Total E&P available for Year N distribution characterization		
Current-year E&P (Part A)	300	Feeds Tier 1 first — Rev. Rul. 74-164 requires current-year E&P to be treated as distributed before accumulated E&P.
+ Accumulated E&P at start of Year N (Part B)	480	Absorbs the next tranche of the distribution after current-year E&P is exhausted.
= Total E&P ceiling for Tier 1 (taxable-dividend) characterization	780	The Year-N distribution is a taxable dividend up to 780; the excess falls to Tier 2 (RoC) then Tier 3 (capital gain).
PART C — The recap distribution in Year N ($1,000M distribution)		
Total distribution to shareholders (Year N)	1,000	The recap dividend, funded by newly raised debt.
Tier 1: Taxable-dividend portion, up to 780 (= 300 current + 480 accumulated E&P)	780	The full €780 of E&P is distributed first, per Rev. Rul. 74-164 ordering (current, then accumulated). Characterized as a taxable dividend under IRC §301(c)(1).
Tier 2: Return-of-capital portion (up to basis)	220	The remaining 220 is not covered by E&P. It reduces the shareholder's tax basis in the stock dollar-for-dollar and is not currently taxable under IRC §301(c)(2).
Tier 3: Capital-gain portion (excess over basis)	0	If Tier 2 exhausts basis, any residual is capital gain under IRC §301(c)(3). Not applicable in this example.
= Total distribution characterization for Year N	1,000	780 taxable dividend + 220 return of capital + 0 capital gain.

Method. Illustrative worked example following IRC §301(c) tiering and Regs. §1.312-6 E&P computation rules. Actual E&P computations are fact-specific and require line-item review of the corporation's taxable-income schedule, depreciation methods, and prior-distribution history. This example is educational, not tax advice.

The Belron read on the E&P question. The €4.4B Belron recap distribution occurred in a year when Belron's operating earnings were substantial (FY2024 EBITDA ~€1.4-1.6B) but the distribution was funded by new debt raised specifically for the recap, not by accumulated retained earnings. In practice, Belron's current and accumulated E&P at the time of the distribution — while material — was substantially below the €4.4B distribution amount. That gap is what enables the

return-of-capital characterization for the majority of the distribution: the portion of the distribution above current-plus-accumulated E&P is treated as return of capital, reducing each sponsor's basis in the equity but not producing current-year taxable income. The specific E&P calculation for Belron is proprietary to the group's tax filings and is not publicly disclosed; the practitioner point is that this is the fact pattern — distribution materially in excess of E&P — that dividend recaps at this scale are structured to capture.

Why this matters to each sponsor category. Different sponsor types face materially different net-of-tax outcomes on the same headline distribution:

Table 6 — Tax treatment across the Belron sponsor categories (illustrative practitioner framework)

Sponsor category	Home jurisdiction	Likely tax treatment	Practitioner note
D'Ieteren Group (Belgian listed holding)	Belgium	Mostly return of capital; ordinary dividend to extent of E&P; Belgian participation exemption may apply	Belgian participation-exemption regime typically exempts ~95% of qualifying dividends received by holding companies from qualifying subsidiaries. Return-of-capital treatment further reduces current-tax burden. D'Ieteren's net-of-tax retention on the €2.2B likely exceeds 90%.
CD&R (US-domiciled PE fund)	US (Delaware fund structure)	Return of capital reduces basis; dividend portion generally qualified dividend income to fund limited partners	Fund passes through the character of the distribution to LPs. Institutional LPs (pension plans, endowments) generally receive dividend income tax-free. Individual LPs receive qualified dividend income taxable at 20% + 3.8% NIIT federal (plus state).
Hellman & Friedman (US-domiciled PE fund)	US (Delaware fund structure)	Same as CD&R — character pass-through to LPs	Same practitioner framework as CD&R.
GIC (Singapore sovereign wealth)	Singapore	Sovereign-immunity exemption from US and most European withholding tax	GIC is generally exempt from source-country withholding on qualifying passive investment income under bilateral treaties and sovereign-immunity doctrine. Net-of-tax retention on the €0.44B distribution is materially higher than for taxable investors.
BlackRock Private Equity Partners	US fund vehicles with international LPs	Return of capital reduces basis; dividend income pass-through to LPs by character	BlackRock PEP LPs include a mix of sovereign wealth, pension plans, and endowments — most of which are tax-exempt on qualifying passive dividend income.

Method. Illustrative practitioner framework. Actual tax characterization depends on Belron's US and EU E&P calculations at the time of the 2024 distribution, sponsor-specific fund structures,

LP-specific tax status, and applicable withholding-tax treaties. This is not tax advice; the framework is for practitioner orientation only. Each sponsor's tax advisor determined the specific characterization for their fund and their LPs at the time of the transaction.

Worked example — the D'Ieteren case. Assume the €2.2 billion distribution to D'Ieteren is characterized as approximately 60% return of capital and 40% dividend income (an illustrative split; actual split depends on E&P). The €1.32 billion return-of-capital portion reduces D'Ieteren's tax basis in its Belron equity by that amount — deferring tax until a future sale rather than triggering current tax. The €0.88 billion dividend-income portion flows through the Belgian participation-exemption regime, which typically exempts ~95% of qualifying inter-corporate dividends received by Belgian holding companies from subsidiaries meeting minimum ownership and holding-period thresholds. Net current Belgian corporate income tax on the dividend portion is approximately €0.88B × 5% × 25% = ~€11 million. Total current tax on the €2.2B distribution: approximately €11 million, or roughly 0.5% of the headline distribution. That is the specific reason a family-anchored Belgian holding company is the ideal structural home for a business generating this kind of periodic dividend recap.

Table 6a — D'Ieteren net-of-tax sensitivity to return-of-capital / dividend-income split (illustrative, € millions)

Return-of-capital / dividend-income split	RoC portion (defers tax)	Dividend portion (current tax)	Belgian tax (~1.25% effective)	D'Ieteren net-of-tax retention
80% / 20%	~1,760	~440	~5.5	~2,194.5 (99.8%)
60% / 40% (base case)	~1,320	~880	~11.0	~2,189.0 (99.5%)
40% / 60%	~880	~1,320	~16.5	~2,183.5 (99.3%)
20% / 80%	~440	~1,760	~22.0	~2,178.0 (99.0%)
0% / 100% (all dividend income)	0	~2,200	~27.5	~2,172.5 (98.8%)

Method. Sensitivity applied to the €2.2 billion D'Ieteren distribution. Belgian participation-exemption residual tax rate applied at 1.25% of dividend portion (dividend × 5% residual × 25% Belgian corporate rate). Return-of-capital portion defers tax to a future sale and is not currently taxable; recipient's tax basis in the equity investment is reduced by that amount. Actual return-of-capital vs. dividend-income split depends on Belron's E&P at distribution date, which is not public.

What the sensitivity shows. D'Ieteren's net-of-tax retention on the €2.2 billion distribution is remarkably robust across the plausible range of return-of-capital / dividend-income splits —

roughly 98.8% at the pessimistic 0/100 all-dividend case up to 99.8% at the optimistic 80/20 mostly-return-of-capital case. The Belgian participation-exemption regime does the vast majority of the work; the return-of-capital layer is incremental optimization. That is the specific tax-architecture insight a practitioner reader takes from this sensitivity: the choice of Belgian domicile for D'Ieteren is worth roughly 25 percentage points of net-of-tax retention (versus a US-domiciled holding at ~74% retention) — the residency choice is the dominant variable, and the return-of-capital / dividend-income mix inside that residency is a marginal refinement. Every practitioner reader working on a family holding company's location decision needs this arithmetic firmly in mind.

Worked example — the US-taxable individual LP case. Assume a US-taxable individual limited partner in a CD&R fund receives a pro-rata share of the €0.66B distribution attributable to CD&R. The character passes through: return-of-capital portion reduces the LP's basis, dividend-income portion is treated as qualified dividend income taxable at the US federal rate of 20% plus 3.8% Net Investment Income Tax (23.8% federal effective), plus state income tax varying by residency (0-13.3%). The US-taxable individual LP's net-of-tax retention on the dividend-income portion of their pro-rata distribution ranges roughly 60-77% depending on state residency — materially below the ~99.5% retention rate at D'Ieteren. This is the tax-arbitrage insight that shapes every private-equity distribution's structure. The mechanics matter to each recipient category differently.

The tax frame in one paragraph. The €4.4B distribution is a headline number. The net-of-tax retention varies materially across sponsors: D'Ieteren keeps ~99% via return-of-capital treatment plus Belgian participation exemption; sovereign wealth funds (GIC) retain 100% via sovereign immunity; tax-exempt institutional LPs of CD&R / H&F / BlackRock retain 100% via ERISA / endowment / foundation status; US-taxable individual LPs retain 60-77% depending on state residency. A practitioner reader working on any recap structure needs to understand these mechanics before framing the “sponsor return” column of any capital-transaction analysis.

DSCR, covenant headroom, and the ratings reaction

The step-up in leverage from ~2.5-3.0x to ~5.5-5.8x transforms the credit profile. Pro-forma debt-service coverage tightens materially: at approximately €1.4B FY2024 EBITDA against total-debt-service (interest plus scheduled amortization) in the range of €650-800M under the new capital structure, the DSCR falls to roughly 1.75-2.15x, well within the covenant package the arrangers negotiated but well below the ~4x DSCR the pre-recap structure supported. S&P and Moody's both retained single-B family ratings but placed the credit on negative outlook, citing the increased leverage and the reduced cushion against a cyclical revenue decline.

Table 7 — Pre- vs. post-recap credit metrics

Metric	Pre-recap	Post-recap
Net debt (€ billions)	~3.5	~7.6
EBITDA (€ billions)	~1.4	~1.4
Net leverage	~2.5-3.0x	~5.5-5.8x
Annual interest expense (€ millions)	~175	~520-620
Debt service coverage ratio (DSCR)	~4.0-4.5x	~1.75-2.15x
Free cash flow after interest (€ millions)	~700-850	~250-400
Rating (S&P family)	Single-B, stable	Single-B, negative outlook

Table 7a — Belron post-recap debt-stack maturity ladder (illustrative)

Tranche	Size (€B)	Pricing	Tenor	Maturity	Refi risk window
Senior secured term loan B	4.5	SOFR + 425 bps	7-year	2031	2030-2031
Senior unsecured HY notes	2.5	7.75% coupon	8-year	2032	2031-2032
Second-lien term loan	0.8	SOFR + 650 bps	8-year	2032	2031-2032
Existing revolver (undrawn)	0.5	SOFR + 300 bps	5-year	2029	2028-2029
Total post-recap debt stack	8.3	Blended ~7.3%	Weighted ~7 years	—	—

Method. Illustrative maturity ladder based on typical sponsored-recap term structure. Pricing indicative of the September 2024 leveraged-finance market conditions at close.

Covenant structure — what the S&P rating action rationale references. The senior secured TLB and senior unsecured HY note tranches are structured as *cov-lite* (no financial maintenance covenants on the term loans themselves — industry standard for TLB paper of this size and rating). The revolver carries a springing net leverage maintenance test that becomes operative only when revolver utilization exceeds a threshold draw (industry-standard ~35-40% draw of committed capacity), at which point the test measures net leverage against a level set with meaningful cushion

above the post-close starting point. Incurrence-based ratio tests govern incremental debt capacity and restricted payments (the family of tests that would be tested if Belron sought to raise additional debt, declare another distribution, or execute future recap capacity). The S&P rating action rationale (September 2024) references cov-lite structure with springing maintenance covenant on the RCF; specific numeric thresholds are proprietary to the private syndicated deal documents and are not fully disclosed in the public rating rationale. The practitioner takeaway: Belron's covenant package is what an experienced private-credit reader would expect for a rated sponsor-controlled TLB / HY recap at this scale — not tighter, not looser — and the operating cushion (FY2025 EBITDA growth to €1.85B, pro-forma leverage falling to ~4.1x) is the practical rather than covenantal source of covenant safety.

The refi risk stack. Belron faces two distinct refi risk windows over the next decade. First, the revolver comes due in 2028-2029 — a relatively small tranche and typically extended in the normal course. Second, and materially larger, the concentrated maturity wall in 2031-2032 covers €7.8 billion of senior secured TLB, unsecured HY notes, and 2nd lien — approximately 94% of the total debt stack. A practitioner reader working the case for a credit fund should note that Belron will need to enter a refinancing dialogue in approximately 2029-2030 (roughly 12-18 months before the 2031 TLB maturity) at whatever prevailing leveraged-finance market conditions exist at that time. If the market is open and Belron's operating trajectory holds (FY2025 EBITDA of €1.85B, pro-forma leverage below 4.5x on run-rate), the refi is a routine execution. If Belron is in a cyclical downturn and market conditions are constrained, the refi becomes the specific pressure point that could force sponsor decisions on an IPO exit or a strategic sale. This is the specific timing question every credit-fund PM watching the case should hold firmly.

Belron alongside Domino's, Getty, Clarios, and First Data

The Belron deal sits at the far right end of the size distribution for dividend recaps in the recorded era. The comparables below anchor the reader in the reference set that every practitioner asks about first.

Table 8 — Dividend-recap comparables set

Deal	Year	Debt raised	Dividend	Post-recap leverage	Outcome / notes
Belron / Safelite (D'Ieteren, CD&R, H&F, GIC, BlackRock)	2024	~€8.1B	~€4.4B	~5.5-5.8x	Record-scale sponsor-controlled recap; negative-outlook rating retained; largest known modern dividend recap. Belron FY2025 sales +7.1% CFX; adjusted EBITDA €1.85B; credit profile improved as EBITDA grew into the leverage.
Clarios International (Brookfield)	2025	~$4.5B	~$4.5B	~6.0x	2025 wave; car-battery leader; ~1.5x equity recovery. Second-largest known modern recap. Auto-cycle exposure raises the practitioner downside test bar.
Domino's Pizza (public-company recap)	2012	~$1.7B	~$180M (special dividend $3/share)	~5.5x	Public-company reference recap; equity continued to compound post-deal. The case that proved a public-company dividend recap can be a positive equity signal when the business model supports the leverage.
Getty Images (multiple sponsors)	Multi-year	Multiple raises	Multiple	Escalating	Cautionary case — leverage compounded across recaps; distressed exchange 2016. Getty's stock-image market declined structurally while leverage stayed high. The specific pathological failure mode a defensible recap must avoid.
First Data (KKR)	2013-2015 refis	Multi-billion refis	Various	~7-8x	Landmark KKR LBO with recap-driven interim returns; eventual sale to Fiserv 2019 (announced Jan 2019, closed Jul 2019, ~$39B all-stock). The case that demonstrated a sequence of recaps can precede a successful strategic exit. See the full Baratelli Institute Fiserv case for the acquirer-side analysis of the First Data combination.

IRR uplift versus a no-recap hold

The recap changes the sponsor return arithmetic in a specific way: cash returned in Year N drops directly into the numerator of the money multiple and the IRR is pulled forward relative to a sale-only exit path. For a sponsor group that entered Belron at a blended cost basis of roughly €5-6B of equity across multiple vintages, the €4.4B distribution represents recovery of approximately 75-85% of contributed capital while the go-forward equity claim on the residual business remains intact. The equivalent no-recap hold would leave the sponsor waiting for a full sale or IPO to realize any liquidity.

Table 9 — Sponsor IRR: recap vs. no-recap paths (illustrative)

Scenario	Interim cash (Yr 6)	Exit value (Yr 10)	Money multiple	IRR
A — No recap, sale-only at Yr 10	—	~€15B	~2.7x	~10.5%
B — Recap, hold-and-sell at Yr 10	€4.4B	~€10.5B	~2.7x	~13.5%
C — Recap, cyclical downside cuts Yr 10 exit	€4.4B	~€6.5B	~2.0x	~10.0%
D — Recap, second recap in Yr 8 then Yr 10 exit	€4.4B + ~€2B	~€7.5B	~2.6x	~15.5%

What happens if EBITDA drops 20% after the recap

The Institute's discipline on any recap analysis is a downside test. Assume Belron's EBITDA falls 20% — from ~€1.4B to ~€1.12B — post-recap. At the higher interest burden, the pro-forma numbers stress meaningfully.

Table 10 — 20% EBITDA downside stress test

Metric	Base case	Downside (-20% EBITDA)
EBITDA (€ billions)	~1.4	~1.12
Interest expense (€ millions)	~570	~570
EBITDA less interest (€ millions)	~830	~550
Effective net leverage	~5.5x	~6.8x
DSCR	~2.05x	~1.55x
Free cash flow after interest + capex (€ millions)	~350	~75
Covenant headroom	Comfortable	Meaningfully tightened

The 20% downside doesn't break the covenant package but leaves Belron with materially less flexibility for reinvestment, small acquisitions, or defensive balance-sheet moves. This is the specific trade-off of the recap — cash returned to sponsors now, in exchange for reduced flexibility later.

How Belron and D'Ieteren performed in the first full year after the recap

D'Ieteren Group reported its FY2025 full-year results in March 2026, giving practitioner readers the first complete post-recap year of operating data on Belron. The results validate the case for the recap on the specific dimension the Institute cares most about — whether the operating business grew into the incremental leverage rather than being crushed by it.

Belron FY2025 highlights. Sales grew 7.1% at constant foreign exchange rates. Adjusted operating profit grew 15.7% — more than twice the top-line growth rate — producing an adjusted operating margin of 23.0% (up from ~22% in FY2024). Adjusted EBITDA reached **€1.85 billion** for the year, up materially from the ~€1.4B FY2024 baseline used to construct the recap. Belron reported another quarter of sales growth (+8.0% Q1 2026 at constant FX per D'Ieteren interim guidance). The specific implication for the post-recap credit profile: pro-forma leverage on FY2025 EBITDA of ~€1.85B falls to approximately **4.1x** from the 5.5-5.8x post-recap starting point — well inside the covenant package and materially better than the S&P / Moody's negative-outlook framing.

D'Ieteren Group consolidated FY2025. Adjusted profit before tax (Group share): €955.6 million (underlying growth of 3.8% ex-FX and ex-additional financing charges from the recap). Free cash

flow (Group share): €373.9 million — down from the exceptional FY2024 level due to the additional cash interest from the recap leverage but still substantially positive. The Board of Directors proposed a gross ordinary dividend of €2.00 per share for FY2025 (up from €1.60 in FY2024), reflecting management's confidence in the group's ongoing cash-generation capacity even after the recap. D'Ieteren also relaunched a €100 million share buyback in December 2025; by mid-June 2026, treasury shares had risen to 2.3% of the share count — consistent with the family-holding thesis that ongoing capital return is the primary mechanic for value creation.

Table 11 — Belron FY2024 vs. FY2025 — the year after the recap

Metric	FY2024	FY2025	Change
Belron revenue (€ billions, approx.)	~6.5	~7.0	+7.1% CFX
Belron adjusted operating profit (€ billions, approx.)	~1.4	~1.62	+15.7%
Belron adjusted operating margin	~22%	23.0%	+100 bps
Belron adjusted EBITDA (€ billions)	~1.4	1.85	+~30%
Pro-forma net leverage on FY EBITDA	~5.5-5.8x	~4.1x	-1.4 to -1.7 turns
D'Ieteren adjusted PBT (Group share, € millions)	~950	955.6	+3.8% underlying
D'Ieteren free cash flow (Group share, € millions)	~625	373.9	-40% (recap interest)
D'Ieteren gross ordinary dividend per share (€)	1.60	2.00	+25%

Source. D'Ieteren Group FY2025 Full-Year Results press release, March 2026 (dieterengroup.com/press-releases). Belron adjusted EBITDA of €1.85B per press release. Pro-forma leverage calculated as approximate post-recap net debt (~€7.6B) divided by FY2025 adjusted EBITDA of €1.85B.

ADAS attach rate and Q4 2025 exit run-rate. Two operating metrics a credit-fund PM tracking Belron would want on the shelf. First, the ADAS (Advanced Driver Assistance Systems) attach rate — the share of windshield replacements that include the specialized calibration work required after installation to reset the forward-facing camera, radar, and sensor package for lane-keep, automatic-emergency-braking, and adaptive-cruise-control functions — is the single most

consequential operating lever for near-term margin expansion. ADAS calibration prices materially above the base replacement service (per-vehicle economics roughly 40-60% incremental gross margin on the calibration line), and the attach rate is a leading indicator of margin trajectory. Belron's FY2024 ADAS attach rate was approximately 11-12% of replacements. FY2025 reporting indicates ADAS attach lifted to approximately 14-15% (illustrative; specific attach-rate disclosure varies by D'Ieteren reporting cadence). Continued mix shift to ADAS-equipped fleet vehicles as the installed US and European fleet turns over supports ongoing attach-rate expansion through the next 3-5 years. Second, the Q4 2025 exit run-rate EBITDA. Belron does not disclose quarterly EBITDA on a stand-alone basis, but the D'Ieteren interim guidance pointing to +8.0% Q1 2026 constant-FX sales growth — on top of the +7.1% FY2025 constant-FX growth — implies Q4 2025 momentum accelerated versus the full-year average. Institute reconstruction using the FY2025 €1.85B EBITDA base and the Q4 momentum indicator: Q4 2025 exit run-rate EBITDA lands in the ~€1.95-2.05B annualized range (RECONSTRUCTION; Belron does not disclose quarterly EBITDA). Pro-forma leverage on that exit run-rate falls to ~3.7-3.9x — a full turn inside the 5.5-5.8x post-close starting point and materially inside the covenant package.

The FY2025 verdict in one paragraph. The 2024 dividend recap was executed on FY2024 EBITDA of ~€1.4B and priced at ~5.5-5.8x leverage. FY2025 EBITDA came in at €1.85B, driving pro-forma leverage down to ~4.1x. Belron grew into the recap. D'Ieteren raised its dividend from €1.60 to €2.00 per share, launched a €100M buyback, and reported the underlying business is still compounding. This is exactly the outcome the recap thesis required and did not guarantee. The Institute's editorial position on the deal moves from "defensible at scale" (pre-FY2025 results) to "validated by the first full post-recap year of operating data" (post-FY2025 results).

When a recap is a return-optimizer versus a credit event waiting to happen

A dividend recap is a good deal for the sponsor when three conditions hold: (1) the business generates predictable, low-cyclicality cash flow that can service the incremental debt through a downturn; (2) the post-recap leverage remains below the covenant-cliff threshold with meaningful cushion; and (3) the sponsor's exit optionality (IPO market, strategic buyer set, subsequent recap capacity) does not deteriorate materially. Belron passes on (1) — collision-repair volumes are among the most stable in consumer services — and passes on (2) with a rated capital structure and covenant package the sponsors negotiated. The (3) test is deal-specific and will be tested through the next hold period. The FY2025 EBITDA growth (Section 10) materially reduces the practitioner risk on all three tests.

The recap is a bad deal — a credit event waiting to happen — when the business is cyclical, when leverage crowds out defensive investment, or when the sponsor's return-realization objective is prioritized over the operating trajectory of the underlying business. Getty Images (multiple recaps

into a declining stock-image market) is the canonical cautionary example. Belron is not that. But every practitioner reader should understand that the recap is a leveraged return-optimization mechanic, not a value-creation event — and the leverage sits on the balance sheet of the operating company, not the sponsor.

The through-line. The dividend recap is the modern PE return mechanic when the exit environment slows. It works when the business is stable and the leverage cushion is real. It fails when the balance sheet is being asked to do work that the business itself cannot support. Belron represents the largest, best-documented modern example of the mechanic working at scale — and the FY2025 operating results validate the recap thesis in real time. It is the useful anchor for every future practitioner conversation on the topic.

The Institute's stated verdict

The Belron 2024 dividend recap is a return-optimizer executed at the largest scale in the recorded era, on a business with the cash-flow durability to support it, with the sponsor structure to distribute it strictly pro-rata, and with the 2031-2032 refi decision embedded as the specific practitioner risk to monitor. FY2025 adjusted EBITDA growth to €1.85B has already reduced pro-forma leverage from the 5.5-5.8x post-close starting point to ~4.1x on the full-year figure and ~3.7-3.9x on the Q4 2025 exit run-rate — well inside the covenant package.

The Institute categorizes Belron as **the reference case for defensible sponsor-led dividend recaps at €5B+ scale**. Read it alongside Getty (the cautionary counter-example on cyclicality and covenant cliff), Clarios (the 2025 comp at ~$4.5B), Domino's (2012, the public-company recap template), and First Data (KKR, 2013-2015, the LBO refi sequence) to complete the modern recap canon.

The practitioner risk to monitor is not FY2026-2027 operating performance — the business is compounding. It is the 2031-2032 concentration of TLB, HY note, and second-lien maturities visible in Table 7a. **Mark the calendar for Q1 2029** — that is when Belron will need to open the refinancing dialogue on the €4.5B 2031 TLB, roughly 24 months ahead of maturity, at whatever prevailing leveraged-finance market conditions exist. That is when the recap gets re-priced. Every credit-fund PM watching the name should hold that specific timing question firmly.

Companion reads · The Baratelli practitioner case memo library

The Belron dividend recap sits inside a small, growing library of Baratelli practitioner case memos on family-controlled and sponsor-controlled capital structures. Read these alongside Belron to complete the practitioner picture:

LVMH — The Arnault Family Architecture — the family-controlled global-champion parallel. Financière Agache is to LVMH what D'Ieteren is to Belron: the intermediate holding entity through which the family exerts control and captures the recap distribution.

The Berkshire Read — the century-company philosophy on capital allocation, permanent capital, and the owner-operator ethos. The Berkshire Automotive Ecosystem cases (Copart, CarMax, Hertz) are the direct practitioner counter-examples: return of capital via operating-subsidiary earnings rather than via sponsor-led recap.

Samsung — The Lee Family Architecture — the chaebol keystone case. Samsung Life Insurance is the Korean parallel to Financière Agache and D'Ieteren: the intermediate holding entity through which the family retains control across generational transfers of the operating company.

The full case-study library — every Baratelli practitioner case memo in one index.

Educational reference. Not tax, legal, or investment advice. Consult qualified professionals for advice on specific situations.