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CREDIT OPINION
22 August 2023

Update

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RATINGS

JAB Holding Company S.a r.l.

Domicile	Luxembourg
Long Term Rating	Baa1
Type	LT Issuer Rating - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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JAB Holding Company S.a r.l.

Update to credit analysis

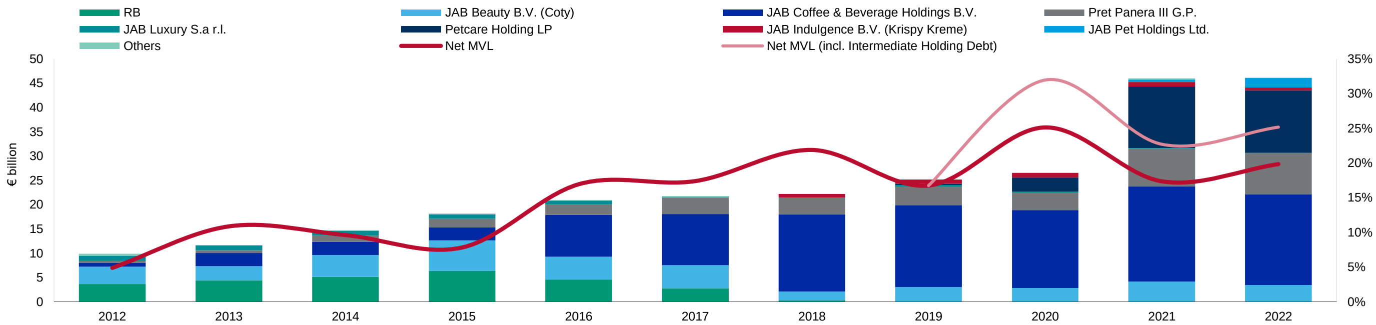
Summary

The Baa1 rating of JAB Holding Company S.a r.l (JAB, Baa1 stable) reflects the company's strong investment portfolio that comprises cash-generative and typically defensive global consumer goods and services. Its investments in JAB Coffee & Beverages Holdings B.V. through Acorn Holdings B.V., including JDE Peet's N.V. (Baa3 stable) and Keurig Dr Pepper Inc. (KDP, Baa1 stable), which accounted for around 40% (including direct shares) of JAB's portfolio value in 2022, should continue to protect the group's credit quality. Considering the pricing power of these assets, we expect their performance to be stronger than that of other sectors in view of a weaker macroeconomical environment with significant inflationary pressure. JAB has simplified its corporate structure over the past three years through the complete repayment of its preferred shares and warrants, and an around 50% reduction in debt at the Acorn Holdings B.V. level, which now comprises only bank debt. JAB has also eliminated redeemable shares from its capital structure.

JAB's capital structure is within its own financial policy target of net market value-based leverage (MVL) of 15%-20% (on a JAB standalone basis when excluding debt at the intermediate holding company level). JAB's net MVL increased in 2022 as a result of a weakening economic sentiment because of persistent inflationary pressure and tight monetary policies, combined with geopolitical and macroeconomic risks. The group's net MVL increased moderately to 19.6% on a standalone basis (24.9% when including debt at the intermediate holding company level) in 2022 from 17.2% (22.5% when including debt at the intermediate holding company level) in 2021. We also expect further equity price volatility in 2023 resulting from the impact of persistent inflationary pressure, tightening monetary policy and geopolitical risks. This volatility could have a considerable macroeconomic effect, leading to a protracted deterioration in global economic activity in 2023, which would inadvertently hurt JAB's equity and investment performance. However, we expect JAB to continue to operate within the leverage expectation of 15%-20% net MVL (standalone) through the cycle, which is commensurate with the Baa1 rating category.

Exhibit 1

JAB's net MVL increased moderately in 2022



Values for 2017 and 2018 are pro forma the disposal of two-thirds of Bally's Corporation; 2018 is pro forma the tender offer for Coty (301 million shares at $11.65 per share); Others include other investments; JAB Coffee & Beverage Holdings B.V. includes investments in JDE Peet's N.V. and Keurig Dr Pepper Inc.
Sources: Company information and Moody's Investors Service

Credit strengths

» Clearly defined and largely successful investment strategy

» Investments in defensive global consumer businesses, limiting market value volatility to a certain extent

» Highly experienced management

» Good liquidity

Credit challenges

» Volatility in MVL resulting from listed assets

» Presence of debt at intermediate holding companies despite simplification of the structure

Rating outlook

The outlook is stable, and reflects the relative stability of the operating performance of JAB's core investments and management's conservative financial policy. It also takes into consideration further simplification of the structure, either by increasing the transparency through stock market listings of currently private investments or through further steps to simplify the complex organisational structure.

Factors that could lead to an upgrade

» Net MVL dropping sustainably below 20% including intermediate holding company debt (equivalent to 15% on a standalone basis when excluding debt at the intermediate holding company level)

» Interest cover remaining around 3.0x on a sustained basis, supported by higher dividend and interest income

Further transparency on the corporate structure could support positive rating pressure over time if coupled with stronger credit metrics.

Factors that could lead to a downgrade

» Net MVL approaches the high 20s in percentage terms including proportional intermediate holding company assets and debt (increases above 20% on a standalone basis when excluding debt at the intermediate holding company level)

» Interest cover falling below 2.0x on a sustained basis

» Weakening liquidity

» More aggressive financial policy

Profile

JAB Holding Company S.a r.l. (the guarantor) together with JAB Holdings B.V. (the issuer) and four wholly owned holding companies (JAB Luxury S.a r.l, JAB Forest B.V., JAB Holding Company, LLC and JAB Holding Sao Paulo Ltda.) form the JAB Group. JAB is majority owned by Agnaten SE and Joh. A. Benckiser B.V. (together the family office).

JAB is a privately held investment holding company focused on long-term investments in consumer goods and retail companies with premium brands. JAB's key investments in terms of market value as of December 2022 include:

1. JDE Peet's (around 57%) and KDP (around 31%), which are held via JAB Coffee & Beverage Holdings B.V. (Acorn Holdings B.V., 100%)

2. Coty Inc. (Ba3 stable, around 53%), a global leader in fragrances with an expanding position in cosmetics and body care, held through JAB Beauty B.V. (100%)

3. Pret A Manger, Panera Bread Company, Caribou Coffee Company and Espresso House, which are all held via Pret Panera III G.P. (around 50% indirect voting rights in Pret Panera)

4. Petcare G.P. (around 40%) and JAB Pet Holdings Ltd. (around 40%)

5. Krispy Kreme Doughnuts, Inc. (around 45%)

Detailed credit considerations

Clearly defined and successful investment strategy; investments in defensive global consumer businesses

JAB's strategy is focused on long-term investments in companies with premium brands in the consumer goods and retail sectors such as Coty, JDE Peet's, Krispy Kreme and KDP. According to the company, it has strong working knowledge and networking advantage in the consumer goods and retail sectors. These sectors are deemed less cyclical and more cash generative than other industries, and they tend to benefit from product portfolio breadth and strong market positions. These advantages tend to limit the impact from customers switching products in a downturn or changes in customer preferences. Most of JAB's investees have relatively strong pricing power, which should protect margins in the current high inflationary environment.

JAB acquires and integrates companies or brands in a particular subsector, as shown by its past acquisitions in household goods, cosmetics and coffee brands, with a view of listing them once operations have been sufficiently consolidated and optimised. Recent examples of this strategy are the integration of Keurig into Dr Pepper, and the IPOs of JDE Peet's and Krispy Kreme. Sales and cost synergies are achieved through R&D, scaling of factories and development of distribution channels. Ultimately, management intends to replicate Reckitt Benckiser Group Plc's (A3 positive) success in cosmetics through Coty, and in nonalcoholic beverages via JDE Peet's and KDP.

The global diversification of JAB's investments also adds a greater degree of stability to performance and market values. However, because of JAB's strategy of acquiring businesses domiciled in the US and Europe, and then expanding into emerging markets, there is a greater concentration in Western markets.

In 2019, JAB created the Petcare Investment Platform and has since acquired veterinary clinics consolidated into Petcare Holding LP as well as pet insurance businesses through JAB Pet Holdings Ltd. This has resulted in greater business diversity as we have added business and consumer services (veterinary clinics) and insurance (pet insurance) as distinct sectors to our Business Diversity score.

The investments have also contributed to a sizeable increase in JAB's portfolio value. We expect JAB to continue to make investments into its petcare platform, foremost in Europe and in pet insurance where the markets so far are less consolidated, and at a lower pace in veterinary clinics in the US. This is because of the antitrust restrictions imposed by the US Fair Trade Commission, which remain in place for a duration of 10 years.

We continue to positively view the growth in the value of the overall portfolio, notwithstanding the fact that valuation multiples have expanded alongside market multiples for comparable peers in recent years and started declining during 2022, although they still remain at a high level. The expansion in multiples is mitigated by the “low beta nature”[1] of JAB's investments, which would ensure a lower retreat in valuation in case of a severe market correction than for more cyclical investments.

Lower share price valuations because of weaker economic sentiment result in higher net MVL

In 2022, significantly lower equity valuations as a result of weakening economic sentiment from persistent inflationary pressure and tight monetary policies, combined with geopolitical and macroeconomic risks, had a negative effect on JAB's net MVL. Net MVL increased slightly to 19.6% on a JAB standalone basis (24.9% when including debt at the intermediate holding company level) in December 2022 from 17.2% on a JAB standalone basis (22.5% when including debt at the intermediate holding company level) in December 2021. We expect further equity price volatility in 2023 resulting from the impact of persistent inflationary pressure, tightening monetary policy and geopolitical risks. This volatility could have a considerable macroeconomic effect, leading to a protracted deterioration in global economic activity in 2023, which would inadvertently hurt JAB's equity and investment performance. However, we expect JAB to continue to operate within the leverage requirements of 15%-20% net MVL (on a JAB standalone basis when excluding debt at the intermediate holding company level) through the cycle, which is commensurate with the Baa1 rating category. JAB is currently solidly positioned in the Baa1 rating category based on our expectation that the company will maintain metrics in line with the current rating level. The relative financial performance of JAB's portfolio in terms of investment return, -9.4% against the MSCI World Index of -17.6% in 2022, also illustrates the defensiveness of its investments.

In addition, the credit quality of investments has improved with Coty being upgraded by four notches since September 2021, along with the one-notch upgrade of JDE Peet's in April 2021 and the one-notch upgrade of KDP in April 2023.

Exhibit 2
Credit quality of rated investments has improved further
Recent rating actions for Coty, JDE Peet's and KDP

Company	Rating Action	Previous Rating	Date
Keurig Dr Pepper Inc.	▲ Upgrade to Baa1 / Stable	Baa2 / Stable	3-Apr-2023
Coty	▲ Upgrade to Ba3 / Stable	B1 / Stable	16-Feb-2023
Coty	▲ Upgrade to B1 / Stable	B2 / Stable	24-May-2022
Coty	▲ Upgrade to B2 / Stable	Caa1 / Negative	21-Sep-2021
JDE Peet's	▲ Upgrade to Baa3 / Stable	Ba1 / Positive	26-Apr-2021
Keuring Dr Pepper	▬ Baa2 affirmation / Outlook changed to stable	Baa2 / Negative	26-Feb-2021
JDE Peet's	Assign Ba1 / Positive	NEW	7-Jul-2020
Coty	▼ Downgrade to Caa1 / Negative	B2 / Negative	9-Apr-2020
Keuring Dr Pepper	▬ Baa2 affirmation / Outlook remains negative	Baa2 / Negative	7-Apr-2020

Source: Moody's Investors Service

Underlying investments are held through intermediate holding companies

Because JAB Holding Company S.a r.l. holds its stakes through intermediate holding companies, which are co-owned by JAB Holdings B.V. and JAB Consumer Partners SCA SICAR (JCP), it is important to assess the credit quality of the intermediate holding companies. Excessive leverage at the intermediate holding company level would impair JAB Holding's ability to recover the value of the underlying investments. Hence, the analysis of net MVL at the JAB Holding level is not sufficient to assess its credit quality.

JAB Coffee & Beverages B.V. is JAB Holding's largest intermediate holding company. JAB Coffee & Beverages B.V. owns around 31% in KDP and 57% in JDE Peet's. JAB Coffee & Beverages B.V. is 78% owned, with 100% voting rights, by JAB Holdings B.V. In September 2020, JAB Holdings contributed all its shares in Acorn Holdings B.V. (€17.2 billion) to the newly created entity JAB Coffee & Beverages

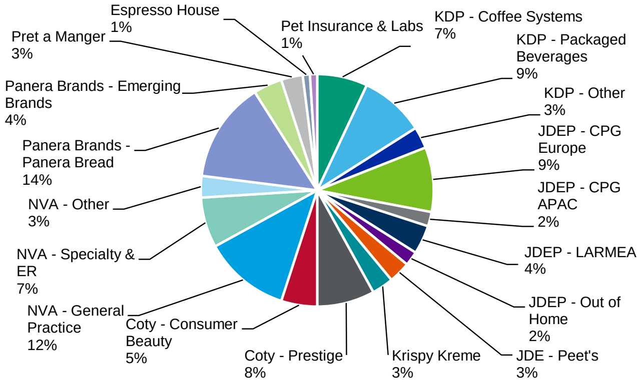
B.V. Acorn Holdings B.V. was levered, especially if we included preferred shares and equity warrants on its balance sheet in its leverage calculation. Acorn Holdings B.V. has reduced its debt liabilities by around 20%, compared with 2020, to €3.3 billion in 2022 and eliminated its contingent liabilities, maintaining only bank debt in the structure.

As a mitigant to the remaining unsecured liabilities, the intermediate structures also have some equity buffer from JCP, an investment fund managed by partners of JAB. JCP invests alongside JAB Holding in most of its investments. As of December 2022, JCP had $17 billion of invested capital and distributed more than $12 billion to its limited partners since 2019.

Successful IPOs of JDE Peet's and Krispy Kreme improved investment transparency and liquidity of the investment portfolio

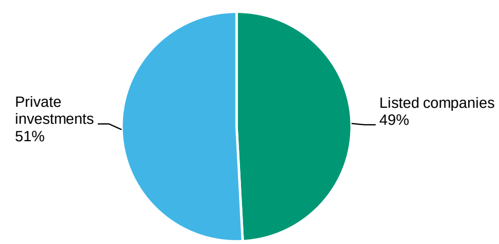
The successful IPO of JDE Peet's in a difficult market environment in 2020, along with the IPO of Krispy Kreme in July 2021, led to an improvement in portfolio transparency. Around 49% of JAB's portfolio is currently publicly listed. JAB's investment portfolio is now much more liquid, with around €23 billion of the portfolio value invested in large cap and liquid investments. Additionally, JAB has increased the free float of KDP, leading to a more liquid stock.

Exhibit 3
JAB's portfolio composition as of December 2022



Sources: Company information and Moody's Investors Service

Exhibit 4
Proportion of listed and unlisted assets as of December 2022



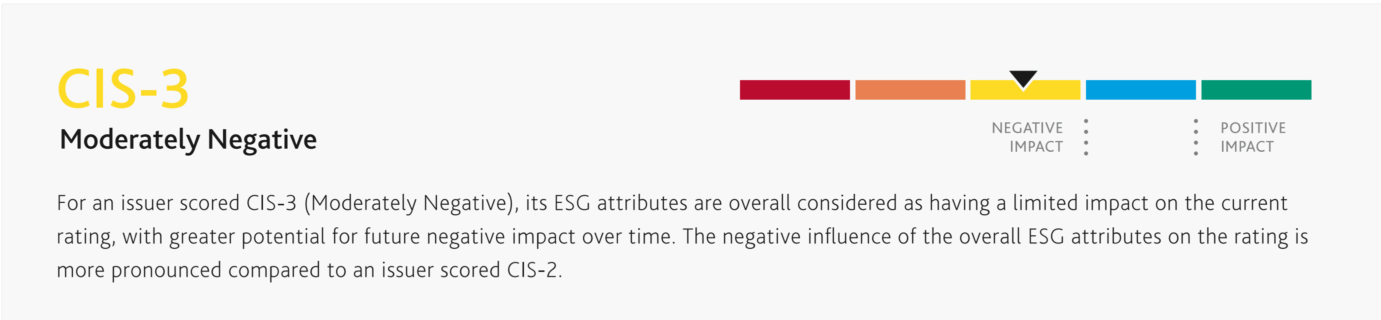
Sources: Company information and Moody's Investors Service

Management has also demonstrated that it remains committed to publicly list shares of its holdings. JAB has additionally flagged Panera Brands as a company to list on the stock market. While the decision and readiness to go public are positive, capital markets currently are not receptive for listings. However, we expect the Panera Brands to be listed once markets have opened to listings again. Furthermore, in March 2023, JAB announced that it will form two distinct businesses in its petcare platform, Ethos Veterinary Health (Ethos) and NVA, with the aim of stock market listings for both entities in the next two to three years.

ESG considerations

JAB Holding Company S.a r.l.'s ESG Credit Impact Score is Moderately Negative CIS-3

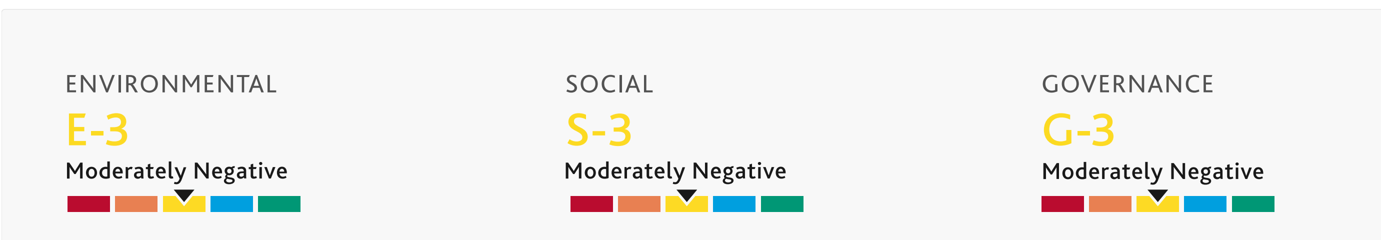
Exhibit 5
ESG Credit Impact Score



Source: Moody's Investors Service

JAB's CIS-3 indicates that ESG considerations have a limited impact on the current credit rating. This reflects the exposure of investments in consumer-related end markets. More specifically, JAB's primary investments, accounting for more than 50% of JAB's portfolio value, are in soft beverage producer Keurig Dr Pepper (KDP, around 30% of JAB's portfolio value), Petcare (around one quarter), Pret Panera (nearly 20%), JDE Peet's (around 15%) and Coty (nearly 10%).

Exhibit 6
ESG Issuer Profile Scores



Source: Moody's Investors Service

Environmental

JAB has indirect exposure to environmental risk through its investee companies, reflecting exposure to natural capital as well as waste & pollution through KDP, Petcare and JDE Peet's which is somewhat offset by the sizeable investments in the petcare and the restaurant platform.

Social

JAB's social risk exposure reflects its indirect exposure through its investee companies. It mostly reflects the investees' moderate risk exposure to customer relations, reflecting JDE Peet's and KDP's exposure, and responsible production. Responsible production, for instance, reflects the sourcing of a number of raw materials, such as coffee, from emerging markets.

Governance

JAB's governance risk exposure reflects the company's complex organizational structure and the concentrated ownership. This is offset by the company's financial target of 15% to 20% net debt to portfolio value in the medium term as well as the solid investment track record. JAB benefits from the deep sector experience of its executives/partners with long senior management tenure in the respective consumer end markets that JAB has invested in.

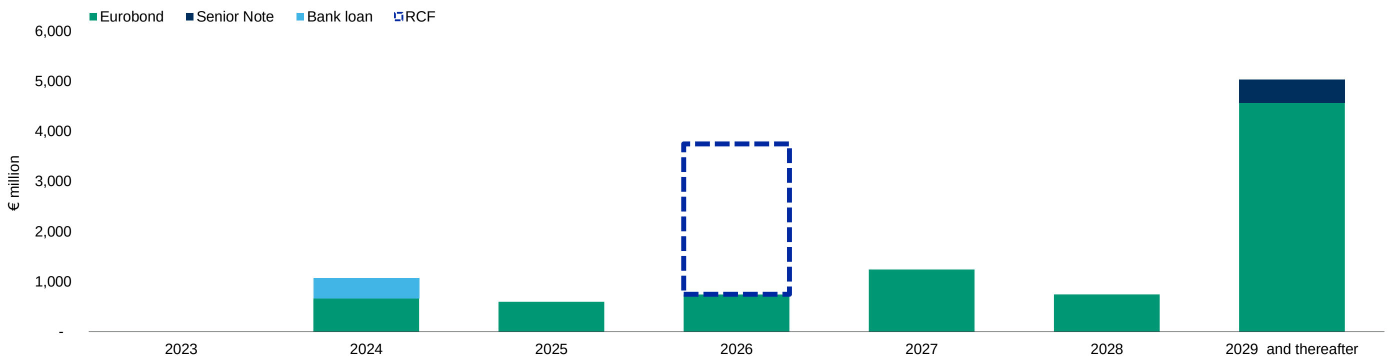
ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Liquidity analysis

JAB's liquidity is solid. As of 31 December 2022, JAB had access to €3.6 billion of cash on balance sheet and to €3.0 billion under a committed revolving credit facility (RCF) maturing in 2026.

JAB has a well-spread maturity profile. The company has maturities of around €665 million due in 2024 and €600 million due in 2025. The company extended its maturity profile with issuances of 30-year US dollar and 20-year euro bonds. In May 2023 JAB tendered €194.3 million of its €500 million notes due 2031. JAB's access to listed investments (around 49% as of 31 December 2022) further supports the company's financial flexibility in the short to medium term.

Exhibit 7
JAB has already addressed its 2023 maturitiesDebt maturity profile



Blue dashed line indicates the (currently undrawn) revolving credit facility.
Source: JAB's FY 2022 report

Structural considerations

Excluding the guarantor, the intermediate holding companies within the JAB Group and JAB's investments do not provide guarantees to the issuer of the bonds. The payment of interest and debt at the issuer is therefore dependent on timely reception of dividends from its investments, which are mostly controlled, and gives JAB the ability to declare the dividend levels; the ability to monetise its investments via a disposal or an IPO; and, where possible, the upstreaming of cash from majority-owned investments. All debt is held and raised by the issuer.

Methodology and scorecard

The principal rating methodology used in this rating was our Investment Holding Companies and Conglomerates rating methodology, published in April 2023. The current and our forward view are in line with the assigned rating of Baa1.

The scorecard-indicated outcome is mainly weighed down by JAB's relatively high asset concentration, the moderate business diversity, although this is mitigated by JAB's exposure to defensive end industries, and a relatively complex group structure. The current rating is also supported by its net MVL of less than 25%.

Exhibit 8

Rating factors

JAB Holding Company S.a r.l.

Investment Holding Companies Industry [1][2]	Current FY 12/31/2022		Moody's 12-18 Month Forward View As of 6/29/2023 [3]	
Factor 1 : Investment Strategy (10%)	**Measure**	**Score**	**Measure**	**Score**
a) Investment Strategy	Baa	Baa	Baa	Baa
Factor 2 : Asset Quality (40%)				
a) Asset Concentration	Ba	Ba	Ba	Ba
b) Geographic Diversity	A	A	A	A
c) Business Diversity	Baa	Baa	Baa	Baa
d) Investment Portfolio Transparency	A	A	A	A
Factor 3 : Financial Policy (10%)				
a) Financial Policy	Baa	Baa	Baa	Baa
Factor 4 : Estimated Market Value-based Leverage (MVL) (20%)				
a) Estimated Market Value-Based Leverage	A	A	A	A
Factor 5 : Debt Coverage and Liquidity (20%)				
a) (FFO + Interest Expense) / Interest Expense	4.5x	A	4x - 5x	A
b) Liquidity	Baa	Baa	Baa	Baa
Rating:				
a) Scorecard-Indicated Outcome		Baa1		Baa1
b) Actual Rating Assigned				Baa1

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] As of 12/31/2022.
[3] This represents Moody's forward view, not the view of the issuer, and unless noted in the text, does not incorporate significant acquisitions and divestitures.
Source: Moody's Investors Service

Ratings

Exhibit 9

Category	Moody's Rating
JAB HOLDING COMPANY S.A R.L.	
Outlook	Stable
Issuer Rating	Baa1
JAB HOLDINGS B.V.	
Outlook	Stable
Bkd Senior Unsecured	Baa1

Source: Moody's Investors Service

Appendix

Exhibit 10

Peer group comparison

INVESTMENT HOLDING COMPANIES PEER GROUP

	JAB Holding Company S.a r.l	Investor AB	Groupe Bruxelles Lambert	Criteria Caixa	Wendel SE
Rating & Outlook	**Baa1 Stable**	**Aa3 Stable**	**A1 Stable**	**Baa2 Positive**	**Baa2 Stable**
Country of Domicile	Luxembourg	Sweden	Belgium	Spain	France
	As of December 2022	**As of March 2023**	**As of March 2023**	**As of December 2022**	**As of December 2022**
Total Portfolio Value (in €m)	32,279	56,888	21,143	24,146	7,915
Cash (in €m)	3,607	2,809	1,521	439	961
Asset Concentration (Top 3 Assets)	73%	41%	39%	66%	60%
Proportion of Listed Assets	49%	84%	61%	84%	56%
Company Guidance / Financial Target	MVL in the range of 15% - 20% in mid/long term	MVL in the range of 0% - 10%	MVL below 10%	Target MVL ~20%	To retain an investment grade profile
Net Market Value Leverage (MVL)	25%	2%	12%	19%	6%
(FFO + Interest Expense) / Interest Expense	4.5x	5.1x	12.6x	10.9x	0.7x

Sources: Company information and Moody's Investors Service

Endnotes

1 A low beta value means that the security is theoretically less volatile than the equity market.

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