

Tear Sheet:

JAB Holding Company S.a.r.l.

May 9, 2023

JAB Holding maintained its loan-to-value (LTV) ratio well below the 25% ceiling for the current 'BBB+' rating in 2022 despite overall weak stock market performance. The holdco's LTV ratio, as adjusted by S&P Global Ratings, increased only slightly to 20.3% as of Dec. 31, 2022, from 18.1% at end-2021.

JAB announced that it will continue to explore new IPO opportunities as its unlisted assets have now reached a more mature phase, while also continuing to foster new acquisitions, potentially widening its portfolio. JAB's veterinary business, National Veterinary Association (NVA; unrated), announced plans to form two different veterinary businesses, NVA and Ethos, and to explore IPO opportunities over the next two-to-three years. JAB's restaurant business, Panera, has been preparing its IPO for about 18 months. Recently its pet insurance platform announced the acquisition of a France-based pet insurance company, HD Assurances. The acquisition price hasn't been disclosed but we do not anticipate a meaningful impact for JAB's S&P Global Ratings-adjusted LTV ratio.

JAB's adjusted portfolio value declined to \$31.4 billion as of Dec. 31, 2022, from about \$34.2 billion on Dec. 31, 2021. However, the portfolio remained relatively stable thanks to the resilient nature of its assets. In its full-year results, JAB disclosed that the investment return on its portfolio was negative 9.4% for 2022. This still outperformed the MSCI World Index by about 800 basis points. Positively, we note that since the start of 2023, given the recovery and improving performances, the share prices of some of JAB's assets have also improved: the share price of Krispy Kreme (2% of portfolio value) rebounded to approximately \$15.4 and Coty Inc. (12%) to approximately \$11.7 as of April 27, 2023. Similarly, the share price of JDE Peet's NV (15%; rated BBB-/Stable/--) remained stable since the start of the year, at €27.8 per share, as did that of Keurig Dr Pepper Inc. (37%; BBB/Stable/A-2) at \$33.5.

Recent Research

- JAB Holding Keeps Leverage Under Control While Preparing Its Portfolio For Potential IPOs, March 31, 2023
- Keurig Dr Pepper Inc. 'BBB' Rating Affirmed On Revised Financial Policy; Outlook Stable, March 29, 2023
- Coty Inc. Upgraded To 'BB-' On Continued Deleveraging, Outlook Stable, Feb. 13, 2023
- JAB Holding Co. S.a r.l., Oct. 7, 2022
- JDE Peet's N.V., July 15, 2022
- JAB Holding Co. S.a r.l., June 3, 2022

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Company Description

Investment holding company JAB Holding Co. S.à.r.l. focuses on defensive and fast-moving consumer goods and services, and consumer retail assets. Following the acquisition of NVA, the company also has veterinary health care services. JAB actively manages most of its assets, with significant control and influence over the assets' capital structure and dividend flows.

JAB is a privately held company. All shares are fully paid and are not listed on any stock exchange. Together, Agnaten SE and Lucreca SE hold about 90% of JAB through the wholly owned subsidiary Joh. A. Benckiser B.V. (formerly Donata Holdings B.V.). Management and other investors hold the remaining stake of approximately 10%.

Outlook

The outlook is stable, reflecting our expectation that management will sustain its stand-alone LTV below 25%.

Downside scenario

We could lower the rating on JAB by one notch if its LTV surpasses 25%.

Upside scenario

We would consider an upgrade if JAB sticks to a more conservative financial policy over a prolonged period, with more prudent risk management resulting in LTV well below 20%, even at the bottom of the economic cycle. An upgrade would also depend on JAB further diversifying its portfolio assets and reducing debt pertaining to intermediate holding companies (now fully concentrated at Acorn Holdings) that sit outside JAB's new consolidation perimeter.

Key Metrics

JAB Holding Co. S.a.r.l.--Key Metrics*

	2021a	2022a	2023f	2024f
Loan to value (%)	18,1	20,3	<25,0	<25,0
Cash flow adequacy (x)	1,7	2,5	2,0-3,0	2,0-3,0

*All figures adjusted by S&P Global Ratings. a--Actual. e--Estimate. f--Forecast.

Financial Summary

JAB Holding Co. S.a.r.l.--Financial Summary

Mil. \$	2020	2021	2022
Adjusted portfolio value*	30,896	34,154	31,381
Adjusted net debt	8,002	6,181	6,359
Loan to value (%)	25.9	18.1	20.3
Dividend and fees income	532	546	787
Net interest expenses	197	236	231
Operating charges and tax expenses	54	95	84
Cash flow coverage (x)	2.1	1.7	2.5

§The amount of recurring operating expenses reached about \$11.7 million and extraordinary expenses related to service fees such as consulting reached about \$72.3 million. *All figures adjusted by S&P Global Ratings.

Peer Comparison

JAB Holding Co. S.a.r.l.--Peer Comparison

	JAB Holding Co. S.a r.l.	EXOR N.V.	Wendel	Groupe Bruxelles Lambert SA
Rating as of May 05, 2023	BBB+/Stable/--	BBB+/Stable/A-2	BBB/Stable/--	A+/Stable/--
Business risk profile	Satisfactory	Satisfactory	Fair	Strong
Portfolio & LTV data as of	Dec. 31, 2022	Jun. 30, 2022 Pro-forma	Dec. 31, 2022	Dec. 31, 2022 Pro-forma
Portfolio size (adjusted; mil. \$)	31,381	24,681	8,714	20,066
Weight of listed assets (%)	65	78	55	67
Largest asset (% of portfolio)	37	33	49	16
Three largest assets (% of portfolio)	69	73	77	45
Financial risk profile	Intermediate	Modest	Modest	Modest
Loan to value ceiling (%)	25	20	20	20
Loan to value (%)	20	(10)	8	15

Rating Component Scores

Foreign currency issuer credit rating	BBB+/Stable/--
Local currency issuer credit rating	BBB+/Stable/--
Business risk	Satisfactory
Country risk	Low
Industry risk	Intermediate
Investment position	Satisfactory
Financial risk	Intermediate
Cash flow/leverage	Intermediate
Anchor	bbb
Liquidity	Strong (no impact)
Management and governance	Satisfactory (no impact)
Comparable rating analysis	Positive (+1 notch)
Stand-alone credit profile	bbb+

Environmental, Social, And Governance

ESG Credit Indicators



ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumeric 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicator Definitions And Applications," published Oct. 13, 2021.

Related Criteria

- 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
- Criteria | Corporates | Industrials: Methodology: Investment Holding Companies, Dec. 1, 2015
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012

- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

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