Dear JAB Stakeholders,

With 10 years behind us, the time is right to provide you with a state of affairs of JAB Holding, our evergreen investment vehicle. As a true compounding investor, we believe in evaluating our work and investment strategy over decades, not years. Investing is a marathon, not a sprint, and we can now start to look back and fairly assess our long-term investment performance 10 years after the creation of JAB Holding.

Following three decades of successful development led by Peter Harf since 1981, we transitioned in 2011 from a family office to an investment company focused on the global consumer sector. Our objective is to generate compounding shareholder returns through the sustainable long-term performance of our portfolio companies. The combination of JAB Holding, JAB Consumer Partners and its co-investors has given us the ability to build leadership at scale in our new investment platforms across Coffee & Beverages, Fast-Casual Restaurants, Indulgence, and Petcare. We aim to share with you details of our performance, our portfolio, and our “all-weather” platform investing philosophy.

1) 10 Year Investment Performance

Our internal yardstick is to generate a long-term absolute compounded TSR of 15% for our entire evergreen vehicle, regardless of economic cycles. As such there is nowhere to hide… We have returned 13.0% annually since 2011 including pay-outs and dividends to shareholders, falling short of our challenging internal target, across the cycles. Still, $1 invested by JAB holding at the end of 2011 is now worth $3.40.

We also benchmark our investment performance externally and believe the MSCI World Index (which includes over 1500 publicly listed companies) is the most relevant, reflecting the global nature of our portfolio. Over the same period, the MSCI World Index has returned 13.3% annually, including dividends, very close to our own 13.0%. The Index return was in part driven by the recent Big Tech and growth equities soaring multiples.

We have broken out the return of our Legacy Assets (Reckitt Benckiser, Coty, and Luxury) vs. our Post-2011 Assets (Coffee & Beverages, Fast-Casual Restaurants, Indulgence, and Petcare) and note that our new platforms have significantly outperformed both the MSCI World Index and our 15% yardstick.
In conjunction with these results, we highlight a few key considerations:

⇒ As we focus our strategy on resilient, growing and cash flow generative consumer sectors and companies, our investment style tends to outperform the market and generate superior returns during more difficult macro environments and in volatile markets. On the other hand, bull markets are always challenging for us to beat and even track. During prolonged bull markets, investors typically tend to underestimate the risk inherent to high valuations and sustained, market-wide rerating. Net-net we believe that our compounding investment strategy offers a superior risk-adjusted return suitable for true long-term investors.

⇒ We achieved our performance in a bullish market environment with prolonged monetary easing, zero-interest rates and very low cost of capital driving unprecedented returns for most technology and growth equities. In this current environment of geopolitical turmoil as well as rising inflation and interest rates, we believe our investment style will outperform. Our platform strategy and current portfolio has been particularly built to deliver a superior risk/return profile, with returns less correlated to the rest of the market.

⇒ Our overall annualized performance of 13.0% TSR in USD for the past decade, while not spectacular, was solid and satisfactory. The strategic pivot away from our legacy assets (6.9% TSR) to our new investment platforms (17.2% TSR, above our internal target and the MSCI World Index) was very successful considering the size of our capital base and portfolio rotation, and proved to be resilient especially in the context of the COVID crisis.

⇒ From being not rated in 2011, today we hold an investment grade credit rating (BBB+ / Baa2), demonstrating a rock-solid long-term commitment to our banks and bondholders. Our return has been achieved while maintaining strong liquidity and good balance sheet management.

⇒ We also made significant progress in our ESG strategy, critical for long-term investing in the consumer sector. We are now top rated by Sustainalytics amongst nearly 900 financial institutions globally and have committed to implement science-based targets for reducing greenhouse gas (GHG) emissions across at least 80% of our portfolio investments. These targets are now approved by the Science Based Targets initiative (SBTi). Both our investment grade ratings and our long-term ESG approach contribute to our ability to generate superior risk-adjusted long-term returns.

2) Our Portfolio & Platforms

Our portfolio currently sits in a robust position. From 2011 to 2021, our asset base has grown from $10bn to $34bn.
**Legacy Assets:** Represent the assets we held at the end of 2011, before transitioning from a family office to an investment company.

⇒ **Reckitt Benckiser:** In the last decade, we made the difficult decision to exit our legacy company in order to re-allocate capital to higher return platforms. While the company performed very well over three decades until 2015, the performance and shareholder return has been disappointing since, confirming that the decision to exit in steps over several years was the right call.

⇒ **Coty:** The company has clearly been our well documented and commented “problem-child”. After a successful IPO in 2013, we made a lot of mistakes: management turnover; lack of beauty expertise; poor integration of P&G beauty assets; excessive debt leverage... all of which put the company under tremendous strain during the COVID crisis. Coty is however a testimony of our resilience and fighting spirit. We indeed learned from our mistakes. We are now very excited with the turnaround performed by the new leadership team who brought a unique vision and expertise of the Beauty industry to reinvent the future of Coty as a true global challenger. We already see very promising signs with a faster than planned recovery and momentum on top line, market share and financial strength evidenced by the beginning of a positive share price correction since the lows of 2020. This will clearly help us outperform over the long-term and bridge the gap between Coty’s intrinsic value and its market value.

⇒ **Luxury:** Jimmy Choo, Bally and Belstaff were the primary components of our 2011 luxury portfolio. We decided to exit luxury as we believed the sector was already consolidated and the key brands were either held by large firms or were out of reach. Thus, we saw limited long-term upside in building a luxury investment platform. Still, we exited Jimmy Choo with a solid return of 2x on our investment in less than 5 years. For Bally, a deal to sell the business fell through, and we have remained a committed shareholder ever since to support the company through COVID and return to its growth trajectory.

**Post-2011 Assets:** Investment platforms developed after the creation of JAB Holding in 2011.

**Coffee & Beverages**

*We saw the opportunity to build a global investment platform in the Coffee & Beverages sector in 2012, created by the growth and premiumization of coffee in an unconsolidated industry.*

⇒ **JDE Peet’s:** The first cornerstone of our coffee and beverages platform, JDE Peet’s is now the world’s largest pure-play coffee company after more than 15 acquisitions and partnerships since 2012. To put things in perspective, JDE Peet’s sells 140 billion cups annually representing over 11% of the global coffee market. After a successful jumbo IPO at the peak of the pandemic, the business has shown very strong resilience and operational performance, culminating with record year in 2021, both on top and bottom line, and with nearly €1.4bn of free cash flow generated despite inflationary conditions and an out of home segment hurt by the pandemic crisis. Today the share price is suffering from an overhang and perceived illiquidity discount with a large price / value disconnect. In our view there is a lot of shareholder value for us to unlock in this company especially under the current strong leadership, both medium and long term. It also means there is a high margin of safety on JDE Peet’s, mitigating downside risk.

⇒ **KDP:** We believe Keurig Dr Pepper is the model of a modern beverage company and pioneer to our investment strategy. The combination of successful cold beverage brands and the Keurig coffee systems has left this business with unparalleled resilience and solid growth. Led by its exceptional, deep bench management team, the business has performed extremely well throughout the investment cycle, translating to substantial returns against a $17bn equity investment from JAB and its co-investors, which more than doubled in less than four years. Going forward, the long-
term growth, superior free cash flow generation and shareholder value creation potential makes it a great investment opportunity in the attractive North American beverage sector.

Fast Casual Restaurants

Our Fast Casual Restaurants investment platform strategy is built on the secular consumer trends of convenience and healthier lifestyle e.g. “Fast good food”, with very sound long-term growth return prospects very similar to the success of the QSR industry in the XXth century. As a matter of fact, global investment restaurant equities have returned annually 14% from 1987 until 2021, compared to 9% for global equities. The key challenge for investors is to pick the right iconic brands in a ‘winner takes all’ market.

⇨ Panera Brands: Last year, we formed Panera Brands, a leading Fast Casual Restaurant platform in the United States, through the combination of Panera Bread, Caribou Coffee and Einstein Bagels Brothers. Together, Panera Brands has approximately 4000 locations, 110,000 employees and nearly 50 million Americans active digital loyalty members in the country. Subsequently, the newly formed company announced its intention to launch an IPO. For obvious regulatory reasons, we cannot comment further on its performance and returns.

⇨ Pret A Manger: We bought Pret in September 2018 and faced right away the allergen crisis in the UK, quickly followed by the pandemic. Pret was our portfolio company most impacted by COVID with 94% of the business closed at the depth of the crisis. With Pret stores located primarily in London, Paris, New York, and Hong Kong, the pandemic has had a huge impact with lockdowns and working from home. Thus, Pret was the only business of our portfolio needing a financial recapitalization, which we executed with our long-term investor mindset. For a traditional buyout mandate, with 3-to-5-year time horizon, the series of events and crises would have created a disastrous and irreversible impact on returns. However, we took a long-term view and our management team executed the most impressive transformation we have seen during the pandemic, moving from zero to 40% digital transactions, to multi-channel, to partnering & franchising, and most significantly launching our unique and very competitive coffee subscription program globally. Through this transformation, we greatly expanded our customer base and broadened our brand reach, gaining share in our core markets and readying the store expansion beyond capital cities and working districts. Pret is such an iconic brand that it has become a bellwether of the economic recovery in capital cities post-pandemic that you can track in the weekly Bloomberg Pret Index. While there is much work in front of us to expand our store network in UK outside London, Europe and then globally, we believe Pret’s long-term potential returns will be higher than our initial investment case.

Indulgence

We believe Indulgence, and in particular high-quality brands, occasional low frequency consumption and high emotion are fundamental and resilient consumer needs, part of a happy life, and therefore fit our investment strategy. The challenge, like in the Luxury or Spirits sectors, is to unlock the right assets and brands at reasonable prices to build a global platform over time.

⇨ Krispy Kreme: DNUT is a very good case of our Indulgence strategy and business transformation through a take private in 2016. We saw a great brand which had lost its way, looking to shift from donuts into a “also ran” coffee-shops chain looking to re-franchise. Under a new leadership team with a ‘founder mindset’ and a completely refreshed strategy toward Indulgence, Krispy Kreme was repositioned around the premium Fresh Doughnut Experience and an omni-channel model, leveraging the incredible brand appeal and consumer reach with over 40 billion unpaid social media impressions last year. We generated 2x returns on equity in less than five years with decades of profitable growth in front of us, both in the US and globally, and with a unique business model and great moats such as our brand. We believe this will translate to substantial long-term returns once the market better understands this transformed business. In uncertain times, we are firm believers of owning iconic brands like Krispy Kreme for decades.
Petcare

Not surprisingly, our Petcare investment strategy is based on increases in Pet ownership and Pet humanization, which are amongst the most powerful consumer macro trends we see in the decades to come across the world. Clearly, many people and investors see the same, therefore the risks of overpaying for Pet assets and going for short-term “flipping Pet assets” both exist. We are therefore very selective and only focus on differentiated Pet platform assets with sound economic profiles and barriers to entry where we can extract strong returns in this resilient sector.

⇨ NVA: We entered the pet healthcare market in 2019 and assembled very quickly the leading independent US vet care platform by combining NVA and Compassion First specialty care, both sharing the same high quality “vet centric” philosophy and partnering with the leadership teams who built these vetcare businesses in the last decade. The pandemic was an accelerator of Pet ownership and industry trends, and we enjoyed unprecedented organic and inorganic growth in the last two years, expanding in the US, Canada, Australia and New Zealand. Furthermore, we sharpened our focus to build a leading high-end specialty care segment to further differentiate our platform, increase our underlying organic growth, increase the moat around the business, and position it for long-term value creation potential. Our initial returns have been well above our expectations, but we do not count our chickens yet as we are only in the first quarter of the game. However, we are most pleased with our position in specialty care, the most attractive part of vetcare given its higher growth and margin profile.

Lastly, our leading position in the vetcare business has given us unique access to insights, data and network to explore and develop the next investment ideas in Pet Healthcare, much of which is in process already, including the recently announced Pet Insurance platform and strategy.

We believe our current portfolio is in excellent shape and a good reflection of our investment strategy, with the resilient growth and cash flow characteristics required to navigate the tough times ahead, including geopolitical turmoil, rising inflation and interest rates and toughening markets and credit conditions to come. Overall, over 95% of our portfolio is now well positioned for this environment.

3) Why our Platform Investing Philosophy is “all-weather”?

The past ten years have been extraordinary for asset values with valuation multiples soaring. Supported by unprecedented long-term accommodative monetary policy and liquidity injections by central banks after the 2008 financial crisis (then accelerated during the pandemic crisis), most if not all investors were able to extract substantial returns (3-year S&P annual returns above 20%, nearly twice the 20-year average). Clearly, the last decade has produced many more winners than losers in the investment world.

We believe we are now seeing a tectonic shift to a completely different macroeconomic and investment environment that most leaders and investors of today have not seen or experienced in their professional lives. We see the rise of inflation which, in our view, is not transitory as a major threat to the economy and the returns of global equities. As a consumer-centric investment firm, we saw this phenomenon early on across our supply chain and inside our companies with rising input costs and salaries upon re-opening post pandemic. Furthermore, major energy and labor shortages will drive longer-term inflation trends, accentuated by the serious geopolitical turmoil such as war and threats. The world where the cost of capital is zero is rapidly fading and we believe the next decade will prove substantially more challenging from a return standpoint, but also from a credit and liquidity risk standpoint. Successful equity investments will be in resilient companies able to sustain their financing with quality growth.

We believe that our platform investment philosophy is well-equipped for times like now, where uncertainty is unwavering and the economic outlook is difficult. As such, we highlight below the seven foundations and DNA of our investment philosophy, aiming to produce “all-weather” returns.
We invest in **attractive and resilient categories**, translating to growing sectors critical to the consumer with a high gross profit, high customer retention, and strong brands. We target companies with a very large consumer base and frequent market renewals, as they prove more resilient in times of crisis compared to discretionary purchases and offer downside protection in economic cycle shifts. We also chose sectors where we have the ability to win and to consolidate the industry as we aim to separate ourselves from the investment crowd by building or buying category leaders.

We are an **evergreen investor**, with more than $34bn of permanent capital. This gives us the luxury of scale (where there is less competition for sizeable assets) and time to enjoy the benefits of long-term compounding. Time is key to build leading platforms, typically 5 to 10 years, and very few private equity players have the ability to invest for these time horizons without using continuation funds. Scale and portfolio concentration are also critical to access the right assets in the attractive consumer sectors. Having both scale and time is rare.

We have a unique **network of capital partners**, both on the equity side with JAB Consumer Partners and debt side with our banks and bondholders. For more than eight years we have been able to increase our investment reach with our co-investors for whom we target returns of over 2x net MOIC and 15-20% net IRR, uncorrelated to economic cycles, and without using leverage in our JCP Funds. Using leverage on leverage is not compatible with our long-term risk-adjusting compounding return philosophy, especially when the going gets tough. Our equity partners can also choose to stay with us in the buildup of the platform through share distributions or crystalize their cash return. Our network of global banks are true capital partners, enabling us to keep financing in our eco-system at attractive rates and with more flexibility than high yield bonds or leverage loans owned by “the institutional market”. Our strategic banks were key to sustain availability of credit for our portfolio companies at the height of COVID. We believe this is a competitive edge.

**Fully invested partners and managers** are key to our investment philosophy. Building an ecosystem of managers-owners aligns all incentives for the long-run. The leadership teams running our portfolio companies invest the majority of their wealth in the firms they run. Fully aligned with our managers-owners, the JAB Partners are also fully invested in our partnership. Our team of 13 JAB Partners, strengthened by planned internal promotions and high caliber external recruitment, is more diverse and stronger than ever. With this philosophy, we aim to build trust and partners for the long term with the leadership teams of our portfolio companies, thriving together in good times, and fighting together through tough ones.

Creating platforms enables us to gain **proprietary insights and deal flow from consolidation**. We take years to develop deep and unique business insights in a sector by combining data, information and people network knowledge. This long-term analysis and deep network provides us with a competitive advantage in our deal sourcing process, often resulting in us being chosen as the partner of choice. This allows us to establish deals on a proprietary and bilateral basis. A deep, institutional understanding and networking in our industry platforms is a critical unlock. We learn from both people and data from the inside rather than participating in auction processes and competing under time pressure for deals. We believe this is unique to us and a critical part of our long-term repeatable valuation creation process, and ultimately a driver of repeatable returns.

**Unlocking Synergies** is core to our platform investing approach where we generate hard and soft synergies across individual investments in the platform without losing focus on each company P&L. We have countless examples of synergies across our portfolio from purchasing economies of scale to transferring people and knowledge across companies within a platform, including promotion to CEOs. For example, sharing knowledge on the coffee subscription from Panera to Pret led to a massive business transformation. Retrofitting acquisitions within JDE Peets enabled us to gather best practices across different brands and markets.
Our platform investment strategy enables us to have **flexible exits** or monetization options. The combination of JAB Holding, our evergreen investment vehicle with our long-term equity partners gives us the luxury of time to optimize the monetization of our platforms, or part of them, with the objective to maximize long-term shareholder value. For example, we chose to split the coffee & beverages platform into two publicly listed companies, KDP (NYSE) and JDEP (Euronext) with a combined market cap of approximately $70bn, far superior to one global listing. In our opinion, being too big can sometimes be an enemy of returns. More recently, we decided to split our fast casual restaurant platform to plan an IPO of Panera Brands which we believe is “ready for prime time,” while Pret (and Espresso House) will need 3-4 years to complete our value creation build-up as explained above. On the other hand, we are always fiduciary, and so we can choose a trade sale when we receive highly attractive offers as illustrated by the case of Jimmy Choo where we sold the company to a strategic buyer. This flexibility is a core competitive advantage.

Finally, as a big investor in the consumer space, we are committed to delivering superior long-term compounded returns. These are fundamentally dependent on a healthy planet and society. Consumers, more than ever, are watching what both companies and investors do. Our platform investment philosophy has been a key factor in our ability to commit to science-based targets approved by SBTi for 80% of our portfolio by 2025 and 95% by 2030. Our unique investment approach allows us to become a leading investment firm in this field without compromising anything on our return targets.

4) Final Words

As we finalize our first 10-year investment letter, the Russian invasion of Ukraine has shocked the world, and ourselves, creating a major humanitarian crisis and further deteriorating the economic situation globally. We are focusing our efforts on alleviating the humanitarian crisis by leveraging the Alfred Landecker Foundation. Created by the Reimann family to protect freedom and democracy and funded by a substantial portion of JAB Holding dividends, the Foundation is now directly supporting the evacuation of Ukrainian families and children.

From an investment perspective, we believe that this crisis will likely accentuate geopolitical instability and threats for a while. We expect the inflation trend to continue, reaching levels not seen since the 1970s, fueled by structurally rising energy and commodity prices, as well as labor cost increases. We believe our resilient growth investment strategy is well suited for periods like these, which unfortunately tend to be forgotten during long bullish markets. In the first two months of 2022 to end of February, the MSCI World Index has been very volatile and stands at -7.6% while our portfolio increased +2.3%, reflecting its overall high margin of safety. We believe investors should now brace for a difficult investment environment. JAB will continue on its trajectory; our investment model is built to last, both in good times and bad.

Last but definitely not least, we want to thank our shareholders, partners, employees, advisors and all other stakeholders who have contributed to the making of JAB and with whom we look forward to the decades to come.

Best,

Olivier Goudet
Managing Partner & CEO, JAB Holding