

ISSUER COMMENT

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Contacts

Martin Kohlhase +49.69.70730.719
VP-Sr Credit Officer
martin.kohlhase@moodys.com

Karen Berckmann, +49.69.70730.930
CFA
Associate Managing Director
karen.berckmann@moodys.com

Jingchao Zhao, CFA +49.69.70730.812
Sr Ratings Associate
jingchao.zhao@moodys.com

CLIENT SERVICES

Americas 1-212-553-1653
Asia Pacific 852-3551-3077
Japan 81-3-5408-4100
EMEA 44-20-7772-5454

JAB Holding Company S.a r.l.

Disposal of KDP shares generates sufficient funds to purchase €2.2 billion of JDE Peets shares

On 29 October, privately held investment company [JAB Holding Company S.a r.l.](#) (Baa1 stable) sold 69 million shares in US beverage maker [Keurig Dr Pepper Inc.](#) (KDP, Baa1 stable), worth around \$2.3 billion. The sale follows JAB's announcement on 21 October that it would buy [Mondelez International, Inc.](#)'s (Baa1 positive) shares in Dutch coffee company [JDE Peets N.V.](#) (JDE, Baa3 stable) for around €2.2 billion. The disposal of the KDP shares generates sufficient funds to buy out Mondelez's JDE shares, so the effect on net market value leverage (MVL) is neutral.

The sale is JAB's second significant disposal of KDP shares this year. It illustrates JAB's commitment to monetise assets and use the proceeds to reduce debt to rein in high leverage. Pro forma for both transactions, we estimate JAB's net MVL as of 30 June 2024 of around 24% (on a standalone basis) and around 30% (including intermediate holding debt) will remain largely unchanged. In the absence of the KDP share sale, JAB would have likely raised debt or used cash to fund the JDE share purchase.

JAB owned around 28% of KDP as of year-end 2023. It reduced its ownership to around 21% in February when it sold 100 million shares of KDP. At the time, JAB used the \$2.9 billion net disposal proceeds to repay debt that it had built up during the second half of 2023. JAB's latest KDP block trade reduces its ownership to around 15.8%.

JAB holds its shares in both JDE and KDP through its intermediate holding company, Acorn. Acorn has around \$3.5 billion of bank debt due in 2027, of which we consider JAB's pro rata share is 65%, or \$2.3 billion, as JAB holding debt. The rebalancing of the mix of JDE and KDP shares at Acorn level keeps leverage at the Acorn level stable.

Management has rebalanced JAB's portfolio in recent years. JAB funded its rapid expansion into pet insurance services and veterinary clinics (pet care) since 2018 in part with disposals of some of its shares in liquid core consumer goods investments. Privately held US bakery chain Panera Bread Company remains another viable investment that JAB has slated for a stock market listing.

JAB is focused on long-term investments in consumer goods and retail companies. JAB Holding Company S.a r.l. together with JAB Holdings B.V. 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 Agnatén SE and Joh. A. Benckiser B.V. Key investments include JDE Peets, KDP, [Coty Inc.](#) (Ba2 positive), Pret A Manger, Panera Bread Company, pet insurance company NVA, veterinary clinics IPH and Pinnacle Pet Group and Krispy Kreme Doughnuts, Inc.

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