

Tear Sheet:

JAB Holding Co. S.a r.l.

October 7, 2022

Recent Developments

We estimate that JAB Holding Co. S.a.r.l. could absorb a deterioration in its portfolio value of slightly more than 20% before breaching S&P Global Ratings' 25% loan to value (LTV) ratio threshold for the 'BBB+' rating, all else being equal. We base our estimate on information provided by JAB at end-June 2022. The holdco's LTV, as adjusted by S&P Global Ratings, inched to 19.5% at June 30, 2022, from 18.1% at end-2021, only making a minor cut to rating headroom.

JAB's investment portfolio was relatively resilient to deteriorating economic conditions and stock market volatility in the first half of 2022. As per our adjustments, the holdco's portfolio decreased by only 6.5% to about \$31.9 billion at end-June 2022 from about \$34.2 billion at end-December 2021. In its mid-year results, JAB disclosed that the investment return on its portfolio was negative 11.4% for the first six months of 2022. This still outperformed the MSCI World Index by about 900 basis points.

The holdco's listed assets have traded well over the first half of the year. U.S.-based soft drink company, Keurig Dr Pepper Inc. (BBB/Stable/A-2)--JAB's biggest asset, representing about 40% of the adjusted portfolio value at end-June 2022--is currently trading at \$37.3 per share, marginally higher than at end-2021. Netherlands-based coffee company JDE Peet's NV (BBB-/Stable/--) represents about 17% of the holdco's adjusted portfolio and traded at about €30.6 per share, 13% higher year-to-date. U.S.-based personal beauty company Coty Inc (B+/Positive/--), which represents about 11% of the portfolio, traded at about \$7.0 per share, approximately 33% lower than end-2021. We understand that the overall portfolio value, including the unlisted assets, has been decreasing by 11.7% on a like-for-like basis (excluding the recent acquisition of the pet insurance platform for \$495 million).

Recent Research

- JDE Peet's N.V., July 15, 2022
- Beauty Company Coty Inc. Rating Raised To 'B+' On Improved Credit Metrics Due To Strategic Initiatives; Outlook Positive, June 14, 2022
- JAB Holding Co. S.a r.l., June 3, 2022
- Keurig Dr Pepper Inc., March 31, 2022

Company Description

PRIMARY CONTACT

Marta Bevilacqua
Milan
39-0272111298
marta.bevilacqua
@spglobal.com

SECONDARY CONTACTS

Mikaela Hillman
Stockholm
46-84-40-5917
mikaela.hillman
@spglobal.com

Florent Blot, CFA
Paris
33-1-40-75-25-42
florent.blot
@spglobal.com

ANALYTICAL GROUP CONTACT

Industrial Ratings Europe
Corporate_Admin_London
@spglobal.com

JAB Holding Co. S.a.r.l.

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 National Veterinary Associates (NVA), the company also has veterinary health care services. Unlike other holding companies we rate, JAB actively manages most of its assets, with significant control and influence over the assets' capital structure and dividend flows.

At the end of June 2022, JAB's portfolio reached about \$31.9 billion, slightly down from \$34.2 billion at the end of December 2021, as adjusted by S&P Global Ratings.

JAB is a privately held company. All shares are fully paid and are not listed on any stock exchange. Together, Agnaten SE and Lucesca 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*

	2020a	2021a	2022e	2023f
Loan to value (%)	25.9	18.1	<25.0	<25.0
Cash flow adequacy (x)	2.1	1.7	1.5-2.0	1.5-2.0

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

Financial Summary

(Mil. \$)	2020	2021
Adjusted portfolio value*	30,896	34,154
Adjusted net debt	8,002	6,181
Loan to value (%)	25.9	18.1
Dividend and fees income	532	546

JAB Holding Co. S.a.r.l.

Net interest expenses	197	236
Operating charges and tax expenses	54	95§
Cash flow coverage (x)	2.1	1.7
Dividend paid	147	183

§The amount of recurring operating expenses reached about \$55 million and extraordinary expenses related to service fees such as consulting reached about \$40 million. *All figures adjusted by S&P Global Ratings.

Peer Comparison

JAB Holding Company S.a.r.l.--Peer Comparisons

	JAB Holding Co. S.a.r.l.	EXOR N.V.	Wendel	Groupe Bruxelles Lambert SA
Rating as of Oct. 4, 2022	BBB+/Stable/--	BBB+/Stable/A-2	BBB/Stable/--	A+/Stable/--
Business risk profile	Satisfactory	Satisfactory	Fair	Strong
Portfolio data as of	Dec. 31, 2021	Dec. 31, 2021 Pro-forma	Dec. 31, 2021	Dec. 31, 2021 Pro-forma
Portfolio size (adjusted; mil. \$)	34,154	33,226	10,023	30,064
Weight of listed assets (%)	71	85	62	65
Largest asset (% of portfolio)	38	35	52	16
Three largest assets (% of portfolio)	68	80	75	44
Financial risk profile	Intermediate	Modest	Modest	Modest
Loan to value ceiling (%)	25	20	20	20
Loan to value (%)	18	(7)	6	18

Environmental, Social, And Governance

ESG Credit Indicators

E-1	E-2	E-3	E-4	E-5	S-1	S-2	S-3	S-4	S-5	G-1	G-2	G-3	G-4	G-5
-----	------------	-----	-----	-----	-----	------------	-----	-----	-----	-----	------------	-----	-----	-----

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.

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+

Copyright © 2022 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.