

Bulletin:

JAB Holding Deleveraging Is On Track

March 30, 2022

This report does not constitute a rating action.

MILAN (S&P Global Ratings) March 30, 2022--S&P Global Ratings today said that **JAB Holding S.a.r.l.** (BBB+/Stable/--) is on track to deleverage after closing 2021 with a stand-alone loan-to-value (LTV) of 18.1% at year-end 2021, down from 25.9% a year earlier.

The improving LTV ratio is mainly because of an increase in the portfolio value to \$34 billion as of end-2021, from about \$30 billion a year earlier as well as from a supportive foreign exchange environment for JAB's net debt, which is reaching about \$6.2 billion (where the holding company doesn't have any derivatives).

The holding company changed its consolidation perimeter, which now includes the intermediate holding companies or investment platforms where the holding coinvests with JAB Consumer Partners (JCP), the latter acting as passive equity investor. In the new reporting scheme, therefore, JCP figures as a minority shareholder.

The new consolidation perimeter enhances transparency, in our view, and improves the readability of JAB's complex investment platform structure. As an example, it crystallizes a clean debt structure for the investment platforms. We note that even in the new consolidation perimeter, the debt is effectively entirely issued by JAB Holding (stand-alone) and there is limited intercompany eliminations reaching about \$1 billion (pertaining to the portfolio value only). At the same time, the liability incorporated into Acorn Holding B.V., for a total net debt of \$3.5 billion-\$4.0 billion, is excluded from the consolidation perimeter.

Using the new consolidation perimeter, the holding company has adopted in its 2021 accounts, JAB's consolidated LTV ratio would be about 12% against our 18.1% calculated stand-alone (excluding JCP as a minority holder). We continue to believe the stand-alone LTV reflects the holding company's leverage, because the bonds are issued by JAB Holding with no guarantee from JCP, and in essence the \$17 billion pertaining to JCP's invested equity does not support JAB's stand-alone financial liabilities.

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Related Research

- ESG Credit Indicator Report Card: Investment Holding Companies And General Trading Investment Companies, Dec. 17, 2021

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