

Bulletin:

JAB Holding Keeps Leverage Under Control While Preparing Its Portfolio For Potential IPOs

March 31, 2023

This report does not constitute a rating action.

MILAN (S&P Global Ratings) March 31, 2023--S&P Global Ratings today said that **JAB Holding Company S.a.r.l.**'s loan-to-value (LTV) ratio remains comfortably below the 25% ceiling for the current rating (BBB+/Stable/--). The LTV ratio deteriorated only slightly to about 20%, as adjusted by S&P Global Ratings, at end-2022 from 18.3% at end-2021.

Furthermore, we believe JAB's IPO news crystalize a more mature phase of JAB's portfolio evolution and contrasts with several other holdings that are making new investments in unlisted assets. JAB's veterinary business, National Veterinary Association (unrated), recently 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 stand-alone pet care platform currently represents about 16% of its S&P Global Ratings-adjusted portfolio value, or about \$5 billion). JAB's restaurant business, Panera, has been preparing its IPO for about 18 months; overall the restaurant platform represents about 17% of the adjusted portfolio value, or about \$5.2 billion. Assuming that JAB will list both its restaurant and pet-care platforms on a pro-forma basis, JAB's share of listed assets will improve meaningfully to more than 90% from about 65% at end-2022. Still, this per se will not materially alter our view of JAB's business risk assessment, since we already believe that JAB's liquid portfolio is a key differentiating factor for its business risk. However, the potential marked step-change in JAB's listed asset will likely be incrementally credit positive, all else being equal.

JAB's portfolio value, as adjusted by S&P Global Ratings, decreased to an estimated \$31.4 billion at end-2022, dropping by about \$2.0 billion from the value at end-2021. We think the decrease owes mostly to a relatively subdued market environment and rising interest rates, but it does not affect all JAB's assets equally.

In our adjusted calculations, we consider \$1,044 million short-term payable to a related party for the coffee and beverage business as affecting JAB's portfolio value, as opposed to its debt. This is because the holding has indicated that there will not be cash depletion from related-parties' transactions.

Krispy Kreme Inc. (unrated) lost about 45% market capitalization in the 12 months ended Dec. 31, 2022, to \$10.3 per share. Over the same period, the share price of **Coty Inc.** (BB-/Stable/--) decreased about 18.5% to \$8.6 per share. In 2023, Krispy Kreme's share price rebounded to approx. \$15.5 and Coty Inc. share price to approx. \$12.1 as of March 30th, 2023. Similarly, the share price of **JDE Peet's NV** (BBB-/Stable/--) share price slid by only 0.3% to €27 per share as of Dec. 31, 2022, if compared to last year; **Keurig Dr Pepper Inc.** (BBB/Stable/A-2) dropped about 3.6% to \$35.7 as of Dec. 31, 2022, if compared to the same period a year before. JAB continues to

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run its businesses through investment platforms, and we understand that Acorn, sitting outside JAB's consolidation perimeter, has debt of \$3 billion-\$4 billion.

Related Research

- Tear Sheet: JAB Holding Co. S.a r.l., Oct. 7, 2022
- JAB Holding Deleveraging Is On Track, March 30, 2022
- ESG Credit Indicator Report Card: Investment Holding Companies And General Trading Investment Companies, Dec. 17, 2021

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