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JAB Holding Co. S.a r.l.

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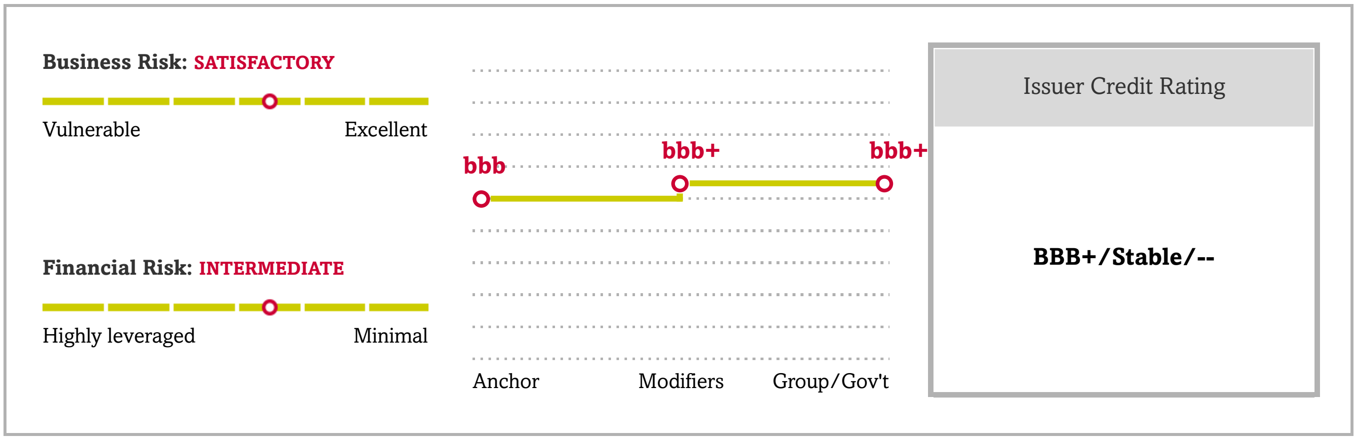


Credit Highlights

Overview

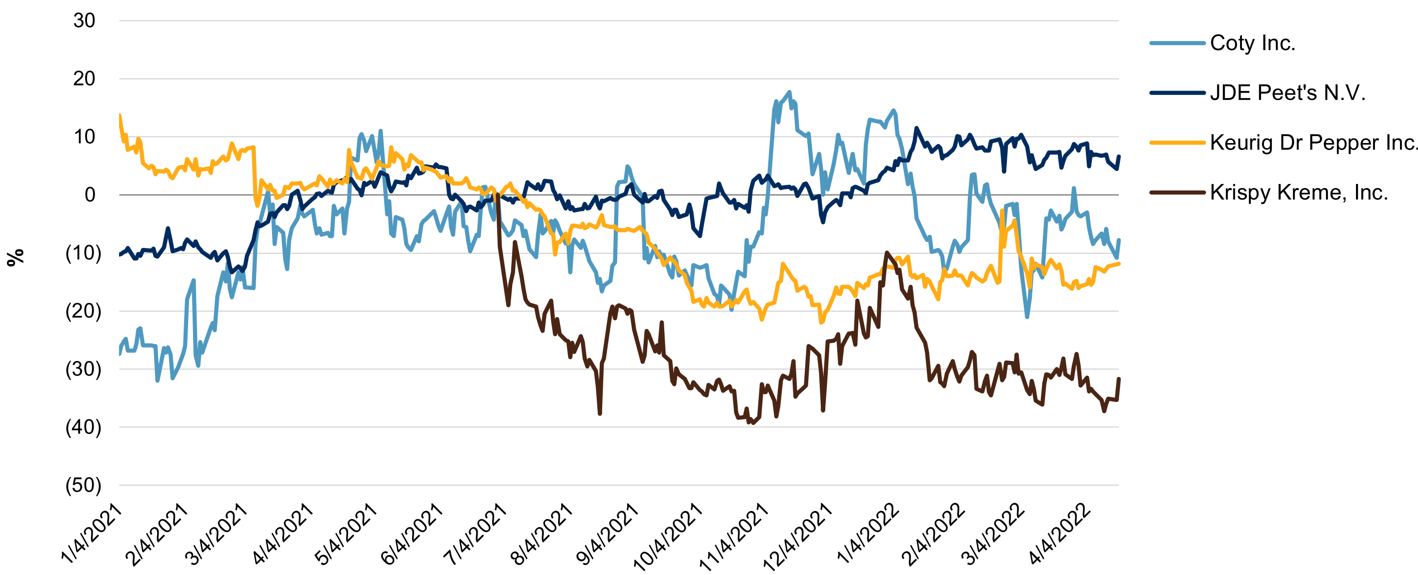
Key strengths	Key risks
A portfolio of about $34 billion on JAB's stand-alone basis, of which about 70% is listed assets.	Limited asset diversity, with the three largest assets making up about 70% of portfolio value.
Established track record in listing private assets.	Somewhat complex holding structure, though simplification has reduced material indebtedness, increased transparency, and eliminated the most material complex liabilities, with the only remaining liability at Acorn Holding B.V.
JAB Consumer Partners' (JCP) passive co-investment means JAB directly manages about $55 billion of equities and amplifies investment fire power.	The portfolio's assets have an average credit quality that we assess to be in the middle of our 'bb' category.
Public commitment to maintain the reported loan-to-value (LTV) ratio below 20%.	Exposure to equity market valuations and volatility could lead to higher LTV ratios, especially in turbulent markets.

JAB's portfolio value increased by about 10% in 2021. JAB's portfolio was valued at $34.2 billion at the end of 2021, up from $30.9 billion at the end of 2020 and about $28.7 billion at the end of 2019. The increase was supported by Keurig Dr Pepper Inc.'s (KDP) share price, which increased 16% over the course of 2021. Moreover, personal and beauty products maker Coty Inc.'s share price rose substantially to $10.5 per share by the end of 2021, up from $6.8 per share at the end of 2020.

Unlisted assets also contributed to the increase in JAB's portfolio value, underpinned by their good operating prospects and the portfolio's resilience to market cycles. We understand that some of JAB's unlisted assets have reached a mature phase and therefore we expect an incremental increase in portfolio liquidity over 2022-2023 notably from the listing of Panera, which has announced its intention to float, as well as other assets.

Chart 1

JAB Holding Company S.a r.l.--Listed Assets' Share Prices

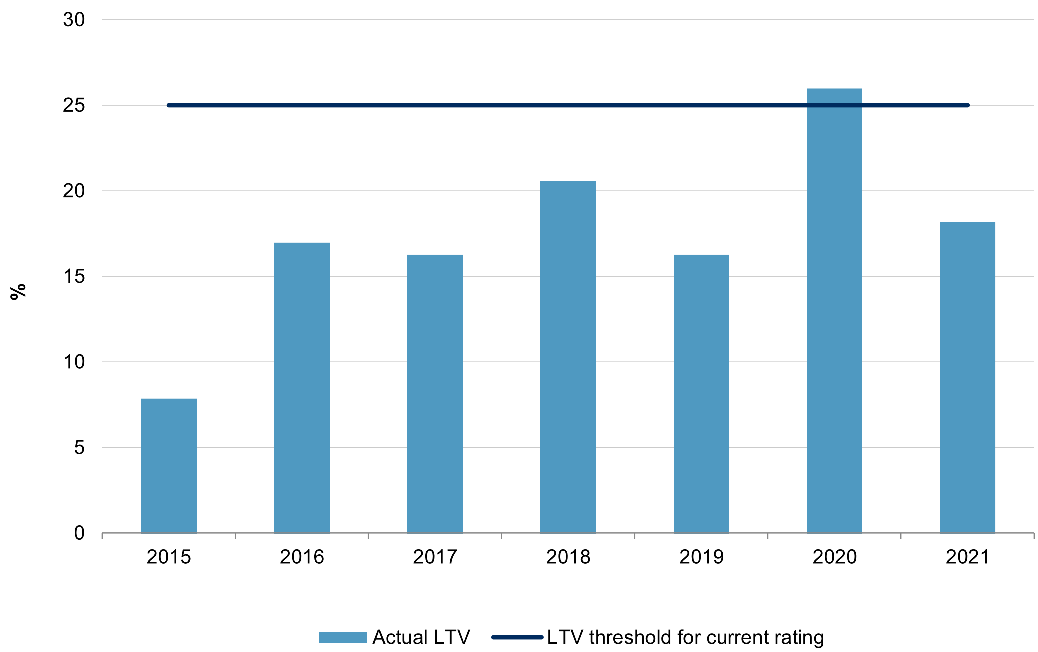


Source: S&P Global Ratings.

The holding's gradually improving LTV, which stood at about 18% at end-2021 (excluding JCP's portfolio value), gives some financial flexibility. JAB's management has, over the past two years, worked to derisk the holding's capital structure and develop the portfolio to foster value creation. The holding received a special dividend of about $200 million-$250 million of cash upon the listing of Krispy Kreme, in May 2021, which allowed for some deleveraging. In addition, in December 2020, JAB amended the terms and conditions of its redeemable shares, a move that we consider reduced the event risks for the company's leverage and cash flow metrics. The amendment means that JAB is no longer subject to a put option that could have obliged it to repurchase shares, and enabled it, at the end of 2020, to reclassify redeemable shares worth $1.7 billion as equity. Because of these events, the group's increased transparency, and better equity prices, JAB's S&P Global Rating-adjusted LTV improved to about 18% at the end of 2021, down from 25.9% at the end of 2020.

Chart 2

JAB Holding Company S.a r.l.--LTV Evolution



LTV -- Loan to value. Source: S&P Global Ratings.

The new consolidation perimeter does not necessarily reflect JAB's intrinsic leverage, and we continue to assess JAB on its stand-alone performance, which means we exclude JCP's equity. JAB changed its consolidation perimeter so that its audited financial accounts, at the end of 2021, now include the investment platforms, where the holding co-invests with JCP, which acts as a passive equity investor. The new reporting scheme, therefore, records JCP as a minority shareholder.

The new consolidation perimeter enhances transparency, in our view, and improves comprehension of JAB's complex investment platform structure. For example, it crystallizes a clean debt structure for the investment platforms. We note that, in the new consolidation perimeter, the debt is effectively entirely issued by JAB Holding (on a stand-alone basis) and there are limited intercompany eliminations, of about $1.0 billion (which pertain to the portfolio value only). At the same time, the liability incorporated into JAB's majority-owned subsidiary, Acorn Holding B.V., totals $3.5 billion-$4.0 billion of net debt and is excluded from the new consolidation perimeter.

Using the new consolidation perimeter, which the holding company adopted in its 2021 financial accounts, JAB's consolidated LTV ratio reached about 12%, compared with our calculation of 18.1% on a stand-alone basis (excluding JCP as a minority holder). We continue to believe the stand-alone LTV better reflects the holding company's leverage, because the bonds are issued by JAB Holding with no guarantee from JCP. This means, in essence, that the $17 billion relating to JCP's invested equity does not support JAB's stand-alone financial liabilities.

JCP continues to support JAB's investment opportunities, amplifying JAB's investment potential JCP role as a passive investor, materially increases JAB's managed equities and its ability to influence decision-making at its assets, including their dividend policies. JAB's consolidated portfolio was $55 billion at the end of 2021, including JCP's equity portfolio of $17 billion of directly owned investments. That consolidated portfolio is materially larger than JAB's stand-alone portfolio of about $34 billion. Based on the consolidated portfolio, JAB's portfolio value is only moderately smaller than those of Investor AB (AA-/Stable/A-1+), which is the biggest holding company, by portfolio size that we rate in Eastern Europe, the Middle East, and Africa (EMEA).

Outlook: Stable

The outlook is stable, reflecting our expectation that management will maintain its standalone LTV sustainably below 25%.

Downside scenario

We could lower the rating on JAB by one notch if its LTV is in excess of 25%.

Upside scenario

We would consider raising the ratings on JAB if management builds a track record of adhering to a more conservative financial policy, 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.

Our Base-Case Scenario

Assumptions

- Continuous prudent investment policy and proactive management actions aimed maintaining the LTV under 25%.
- Stable dividend inflows of about $450 million-$550 million per year, against $546 million in 2021.
- No material increases in operating costs, which we expect will be in the range of $50 million-$60 million per year.
- Interest expense of about $220 million-$250 million per year, in line with 2021.
- Ordinary distributions to shareholders of about $150 million-$200 million per year, compared with $183.2 million in 2021.

Key metrics

JAB Holding Company S.a r.l.--Key Metrics*				
	--Fiscal year ended Dec. 31--			
	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

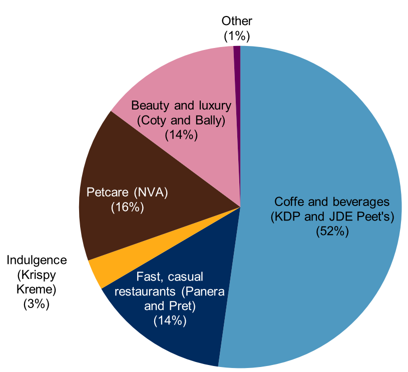
*Fully S&P Global Ratings-adjusted. LTV--Loan to value. a--Actual. e--Estimate f--Forecast.

Company Description

JAB Holding Company S.à.r.l. is an investment holding company with a focus on defensive and fast-moving consumer goods and services, consumer retail assets, and, following the acquisition of National Veterinary Associates (NVA), veterinary health care services. JAB seeks to build global leader and challenger companies. Unlike other holding companies, it focuses on actively managing most assets, with significant control and influence over their capital structure and dividend flows.

Chart 3a

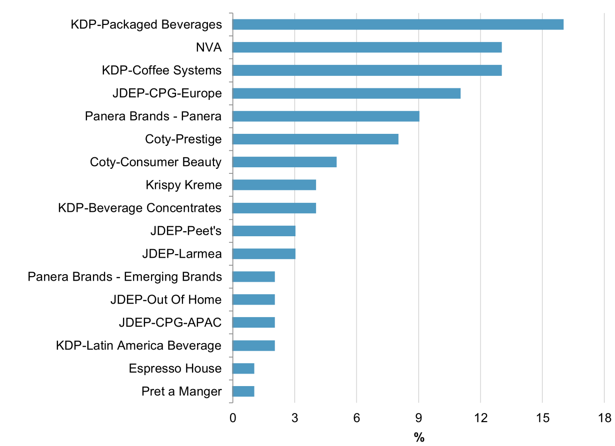
JAB Holding Company S.a r.l.--Portfolio Breakdown At Dec. 31, 2021 (Before Consolidation Effect)



Source: S&P Global Ratings.

Chart 3b

JAB Holding Company S.a r.l.--Consolidated Portfolio Breakdown At Dec. 31, 2021



Source: S&P Global Ratings.

JAB is a privately held company. All shares are fully paid and are not listed on any stock exchange. Agnaten SE and Lucresca SE hold an approximate 90% stake in 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%.

Peer Comparison

Table 1

JAB Holding Company S.à r.l.--Peer Comparison				
	JAB Holding Co. S.a r.l.	**EXOR N.V.**	**Wendel SE**	**Groupe Bruxelles Lambert SA**
Rating as of June 2, 2022	BBB+/Stable/--	BBB+/Stable/A-2	BBB/Stable/A-2	A+/Stable/--
Business 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 (%)	70.7	85.1	62.1	64.8
Largest asset (% of portfolio)	37.6	34.7	51.6	15.5
Three largest assets (% of potfolio)	68.3	79.5	74.9	43.6
Financial risk profile	Intermediate	Modest	Modest	Modest
Loan to value ceiling (%)	25	20	20	20
Loan to value (%)	18.1	(6.6)	5.7	17.7

JAB is one of the largest holding companies we rate in EMEA, as measured by portfolio size. JAB's portfolio is more concentrated around few key legal entities than that of its peers, including, for example, Group Bruxelles Lambert (GBL) and Investor AB.

JAB's structure is more leveraged than its peers', which is reflected by our LTV ceiling of 25%, versus 20% for some of the other IHCs. JAB also has the unique opportunity to co-invest with the JCP, which effectively increases the equity value of its assets under management to about $55 billion.

Business Risk: Satisfactory

We expect JAB will solidify its positive track record of listing assets. We understand that some of its assets have reached a mature phase, including, for example, the bakery chain Panera, which has made public its intention to float, and NVA, which has achieved a significant equity valuation for an unlisted entity. JAB also retains about 44.7% of Krispy Kreme's shares, following the company's IPO at $17 per share in June 2021. We note that Krispy Kreme's market capitalization, of about $2.4 billion at the time of publication, does not materially differ from its pre-IPO valuation. As of year-end 2020 Krispy Kreme's value stood at $2.2 billion according to JAB.

In May 2020, JAB orchestrated JDE-Peet's IPO, securing what was then the biggest public listing since the start of the COVID-19 pandemic and the largest European consumer and retail IPO since 2006. That success followed JAB's listing, in 2018, of KDP.

JAB has a high share of listed assets representing about 70% of its portfolio value following Krispy Kreme's IPO. We understand that JAB's unlisted asset portfolio is relatively mature, with the petcare platform gaining momentum, evidenced by JAB's additional contribution of $402 million to it in 2021. We expect JAB will continue actively managing its portfolio in the medium term, favoring new business combinations and IPOs, among other initiatives. Panera, at the end of 2021, made public its intention to be listed sometime in 2022, though we acknowledge that the currently volatile market conditions could delay the process.

We consider the average credit quality of JAB's portfolio to fall within the 'bb' category. This is largely sustained by our investment grade ratings on KDP (BBB/Stable/A-2) and JDE Peet's (BBB-/Stable/--). The average credit risk of JAB's portfolio is currently below that of GBL or Exor, both of which have portfolios where the average portfolio credit quality is investment grade. Over the past few years, JAB's appetite for leverage on its investee assets was markedly higher than that of its peers. In our view, this reflects both the private nature of part of its portfolio, where JAB is prone to higher leverage to increase returns, as well as the difficult operating environment in which, for example, Coty (B/Stable/--) has been operating over the past couple of years. We note that management's efforts to turnaround Coty and improve its profitability have yielded results. Coty's S&P Global Ratings-adjusted EBITDA margin improved to 14.1% in 2021, from -3.9% in 2020. The company also refinanced its debt in 2021, pushing the next maturity to 2026, from 2023. At the same time, we forecast leverage will improve to the mid-5.0x area in 2022 (about 5.4x excluding preferred stock) and EBITDA interest coverage to be about 3.2x.

The company's continued high exposure to the food and beverage industry is partially offset by recent investments in diversified industries, such as consumer goods and petcare. The company's portfolio exposure to the food and beverage industry includes assets such as KDP, JDE, Peet's Coffee, Panera, and Krispy Kreme. The company has undertaken efforts to improve its industry diversity, namely with the acquisition of NVA, which is one of the largest independent operators of veterinary hospitals. We view these changes positively, but don't believe they are significant enough, at this stage, to alter our overall business risk assessment. Any material benefit in terms of diversity will take time and likely require more acquisitions. We note, however, that JAB's portfolio proved its resilience through the pandemic and believe it is relatively well positioned to navigate a high inflationary environment.

Financial Risk: Intermediate

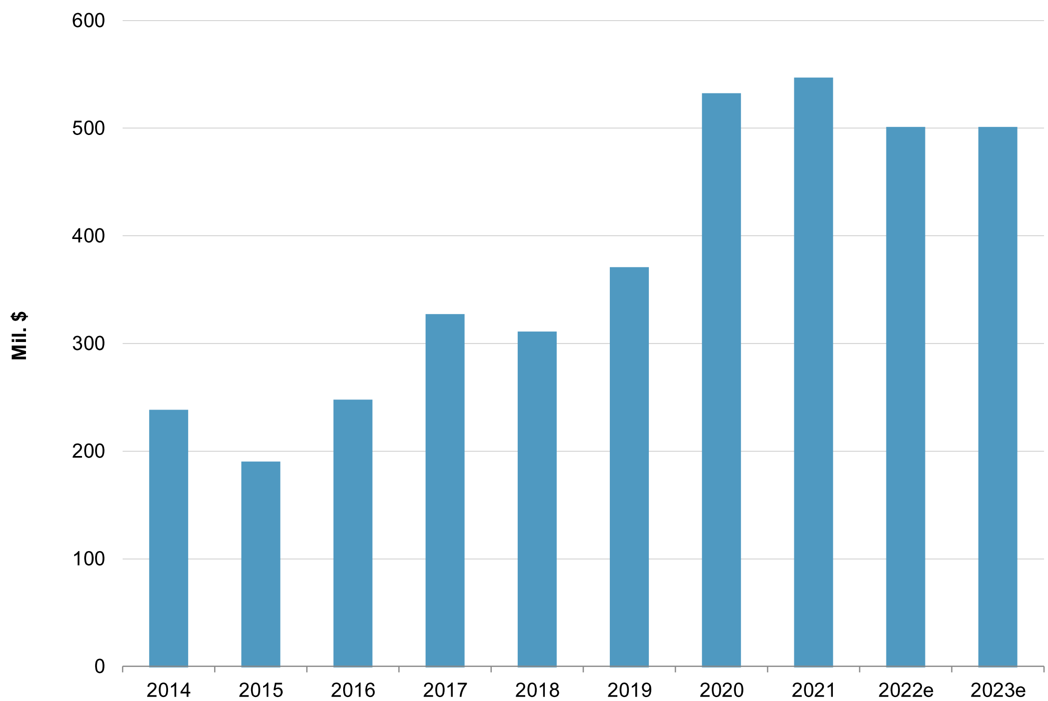
JAB has a complex holding structure with intermediate holding company debt sitting outside the new consolidation perimeter. According to management, the contingent liabilities and debt within the intermediate holding structure has decreased to about $3.5 billion-$4.0 billion, from more than $11.6 billion at the end of 2019. We understand that the only intermediate holding company liability remaining pertains to Acorn. The holding takes this liability into account in its evaluation of JAB Coffee and Beverages Platform's value, which at the end of 2021 was $18.3 billion.

We also understand that JAB aims to progressively reduce the amount of the liability related to Acorn.

Steady dividend income will support cash-flow adequacy. JAB's dividend income rose to $546 million in 2021, up from $532 million in 2020. We expect JAB will receive dividends of about $500 million per year in 2022 and 2023. With our forecast that recurring operating and interest expenses will remain at around the same level as 2021, we anticipate JAB's cash-flow adequacy ratio will be 1.5x-2.0x over 2022-2023.

Chart 4

JAB Holding Company S.a r.l.--Dividend Income



e--Estimate. Source: S&P Global Ratings.

Financial summary

Table 2

JAB Holding Company S.a r.l.--Financial Summary				
(Mil. $)	**2021**	**2020**	**2019**	**2018**
Adjusted portfolio value*	34,154.0	30,896.0	28,672.6	25,111.3
Adjusted net debt	6,181.0	8,002.0	4,649.6	5,136.4
Loan to value (%)	18.1	25.9	16.2	20.5
Dividend and fees income	545.9	531.6	370.9	432.6
Operating charges and tax expenses	94.5§	53.5	46.5	38.8
Net interest expenses	236.1	197.2	161.6	146.1
Cash flow coverage (x)	1.7	2.1	1.8	2.3
Dividend paid	183.2	146.8	110.7	114.1

*Includes our adjustments on asset valuation. § Includes about $55 million of recurring operating expenses and about $40 million of extraordinary expenses related to service fees such as consulting.

Liquidity: Strong

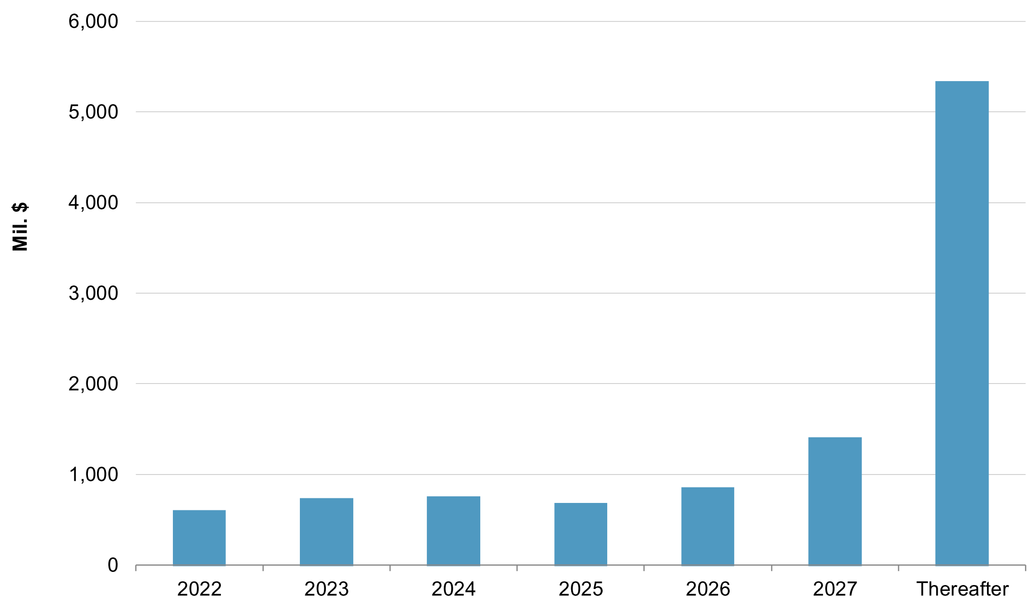
We assess JAB's liquidity as strong. We estimate that JAB's liquidity sources will exceed its needs by 7.7x for the 12 months from Jan. 1, 2022, and by 5.7x for the subsequent 12 months. JAB's strong ties with banks and access to debt markets supports its liquidity. We think management is committed to supporting strong long-term liquidity. We also think JAB would likely absorb a high-impact event with limited need for refinancing. For JAB, such a scenario would likely be a severe correction of market values for its listed shares, such as that seen in COVID-19 market conditions.

Principal liquidity sources	Principal liquidity uses
• Cash and cash equivalents of approximately $3.8 billion as of Dec. 31, 2021; • Full availability of a €3.0 billion ($3.4 billion) credit facility, maturing November 2026; • Ordinary dividend inflows of about $300 million-$350 million, per year; and • $500 million of ESG-linked notes issued in April, maturing in 2052.	• Operating expenses of about $50 million-$60 million per year; • Interest expenses of about $220 million-$250 million per year; • Debt maturities of about $593.5 million over the next 12 months, and $849.5 million over the subsequent 12 months; and • Dividend payments of about $150 million per year.

Debt maturities

Chart 5

JAB Holding Company S.a r.l.--Debt Maturity Profile As Of Dec. 31, 2021*



*Pro forma $500 Million notes issued April 2022.

Source: S&P Global Ratings.

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 alphanumerical 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 Indicators: Definition And Applications," published Oct. 13, 2021.

ESG factors are an overall neutral consideration in our credit rating analysis of JAB. Its portfolio is exposed to the consumer goods sector, with a prominent exposure to beverage company KDP, representing about 38% of its portfolio value; JDE-Peet's (about 16%); and its unlisted pet care platform (about 16%). Although there could be elements of potentially negative social factors, we understand that JAB's key assets have a quite diverse product offer.

Although the KDP faces some social risk because of its sugary soft drinks, its portfolio is well diversified, including about 40% of sales from coffee and coffee systems. In addition, its non-coffee beverage portfolio includes several expanding non-sugary offerings such as teas and flavored water that reduces its aggregate portfolio exposure to sugary soft drinks well below 50%.

We note that demand for JDE Peet's coffee benefits from positive global trends, notably thanks to its increasing penetration in new emerging economies and due to different preparation methods (powder, capsules, soluble) and consumption occasions. These presents expansion opportunities, but are balanced by risks related to the sustainability of resources. With about 85% of revenue coming from coffee-related products, our assessment must consider potential environmental and social risks related to harvesting. Since 2018, the company has joined forces with Unilever, Mondelez, Rabobank, and the Dutch government to set up a €100 million fund, which aims to provide cheap funding to independent farmers. We think that more needs to be done for farmers in order to address long-term sustainability issues linked to volatile global green bean prices.

Issue Ratings - Subordination Risk Analysis

Capital structure

JAB Holdings B.V. is the financing subsidiary of JAB, where all the debt of the group is issued. It is 100% owned by JAB through an intermediate holding company. JAB's gross debt, pro forma the recent bond transaction, totals about $10.3 billion at the end of April 2022. JAB does not have any debt on a stand-alone basis. It guarantees in full all the debt issued by JAB Holdings B.V. The syndicated RCF and the notes rank pari passu.

Analytical conclusions

In our view, there are no significant elements of subordination risk present in the capital structure, and we rate the senior unsecured debt 'BBB+', in line with the issuer credit rating.

Ratings Score Snapshot

Issuer Credit Rating: BBB+/Stable/--

Business risk: Satisfactory

- Country risk: Low
- Industry risk: Intermediate
- Competitive position: Satisfactory

Financial risk: Intermediate

- Cash flow/leverage: Intermediate

Anchor: bbb

Modifiers

- Liquidity: Strong (no impact)
- Management and governance: Satisfactory (no impact)
- Comparable rating analysis: Positive (+1 notch)

Stand-alone credit profile : bbb+

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- Criteria | Corporates | Industrials: Methodology: Investment Holding Companies, Dec. 1, 2015
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- 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

Business And Financial Risk Matrix

	Financial Risk Profile					
Business Risk Profile	Minimal	Modest	**Intermediate**	Significant	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	a-	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	bbb	bb+	bb
Satisfactory	a/a-	bbb+	**bbb/bbb-**	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

Ratings Detail (As Of June 3, 2022)*	
JAB Holding Co. S.a r.l.	
Issuer Credit Rating	BBB+/Stable/--
Issuer Credit Ratings History	
29-Oct-2020	BBB+/Stable/--
22-Apr-2020	A-/Negative/--
23-Dec-2019	A-/Positive/--
17-Jun-2019	A-/Stable/--
12-Feb-2019	A-/Negative/--
02-Aug-2018	A-/Stable/--
29-Jan-2018	BBB+/Watch Pos/--

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.