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JAB Holding Company S.a r.l.

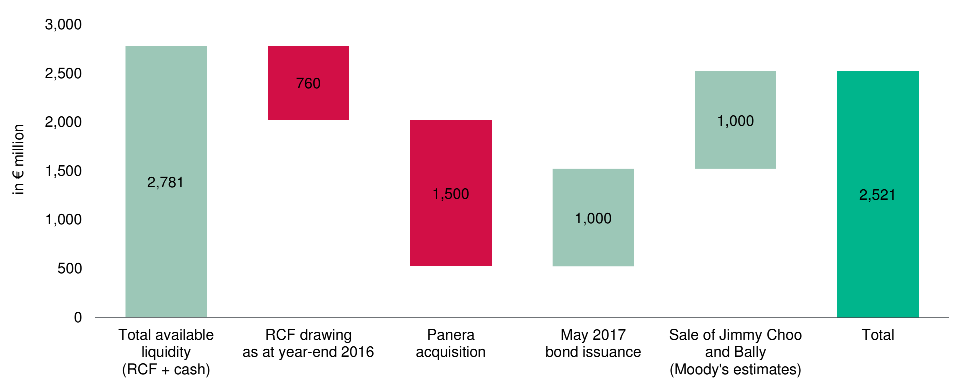
JAB's proposed debt issuance is credit positive as it will strengthen JAB's liquidity

The proposed benchmark bonds are credit positive for JAB Holding Company S.a r.l. (Baa1 stable) because these will improve JAB's liquidity, debt maturity profile and financial flexibility.

Proceeds from the issuance will be used to repay drawings on the €2.6 billion revolving credit facility ("RCF") of which €760 was drawn as at year-end 2016, and partly pre-finance JAB's share in the acquisition of Panera Bread Company ("Panera" unrated) which we expect will close in Q3-17. JAB has sufficient liquidity to fund its equity share in Panera without the announced bond issuances. However, in the absence of the proposed benchmark bonds, (which we estimate will be in the region of around €1 billion) and absent asset sales, the financing of Panera will further increase drawings on the RCF, by a maximum of €1.5 billion. This is based on the assumption that JAB's contribution to the acquisition of Panera will be no more than 25% of the overall $7.5 billion consideration for Panera, a finance structure which is in line with the finance structures JAB has used in the past – the acquisition of Keurig Green Mountain, Inc (Keurig, Ba2 stable) for example.

Exhibit 1

The May 2017 bond issuance and sale of luxury assets will strengthen JAB's liquidity through reduced drawings on the RCF



Source: Moody's Investors Service, JAB 2016 financial statements

Asset sales prior to the acquisition of Panera are likely to include JAB's investments in Jimmy Choo plc (Jimmy Choo, unrated) and Bally International AG (Bally, unrated), for which a review of strategic options including a potential sale was announced in April 2017. If successfully sold, these will further reduce drawings on the RCF, improve liquidity headroom, as well as reduce net market leverage to levels more commensurate with the current rating, namely below 20% and improving towards 15% - net market value leverage was 17% as at year-end 2016. However, the amount of proceeds raised from both transactions is uncertain, and there is no guarantee that a sale of all, or any of JAB luxury's stakes will take place. Jimmy Choo for example reserves the right to alter or terminate a formal sale process at any time. Excluding sales of its shares in Jimmy Choo and Bally we expect JAB's leverage would be around 22-23%, which would put negative pressure on the Baa1 rating.

At the same time, while the proposed debt raise increases JAB's liquidity, it also increases JAB's capacity to make further acquisitions, which is important given the company's highly acquisitive nature. Future deleveraging is expected to remain highly dependent on continued market value growth rather than debt repayments. This exposes JAB to deteriorations in market values, especially in the context of the company's already high leverage for the Baa1 rating level.

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