

MOODY'S

RATINGS

Rating Action: Moody's Ratings affirms JAB Holding's Baa1 ratings, changes outlook to negative

09 Apr 2025

Frankfurt am Main, April 09, 2025 -- Moody's Ratings (Moody's) affirmed the Baa1 long term issuer rating of JAB Holding Company S.a r.l. (JAB). Concurrently, we affirmed the Baa1 backed senior unsecured ratings of JAB Holdings B.V. The outlook on both entities was changed to negative from stable.

Today's rating action reflects:

- Stand-alone net market value leverage (MVL) at 20% following the sale of Keurig Dr Pepper Inc. (KDP, Baa1 stable) shares in February 2025, towards the upper range of JAB's financial policy, or an elevated 26% MVL on a Moody's adjusted basis as of the same date
- Equity valuation risks stemming from market volatility, which may pressure MVL, and execution risks around the planned stock market listings of National Veterinary Associates (NVA) as well as Panera Brands
- Weaker portfolio transparency pending public listing of currently privately-held investments (reasonably likely for NVA and Panera Brands, but with limited visibility on timing)
- Lower recurring dividend income following the reduction in KDP ownership from 16.1% as of the end of 2024 to 9.9% in February 2025, which results in weaker interest coverage of below 2.0x

RATINGS RATIONALE

JAB's credit quality continues to benefit from a sizeable portfolio, valued at around \$23.7 billion as of 31 December 2024; greater business diversity with the contemplated acquisition of Prosperity Life Group (Prosperity) that will add life insurance and asset management activities; and financial strengths of key consumer investments including KDP, JDE Peets N.V. (JDE Peet's, Baa3 stable) and Coty Inc. (Coty, Ba1 stable). Management remains committed to its financial policy target and

has in the past taken tangible actions to defend it.

Conversely, JAB's ratings remain constrained by increasingly weaker portfolio transparency that however could be transitory depending on the timing of stock market listings of NVA and Panera Brands. Likewise, should any investments start paying meaningful recurring dividends, this could offset the loss of dividend income following the sale of KDP shares in February 2025 reducing ownership in the business from 16.1% as of the end of 2024 to 9.9% following the shares divestiture. The point-in-time elevated leverage and weaker dividend income also constrain JAB's Baa1 rating, but are somewhat offset by JAB's commitment to its financial policy. This is a governance consideration.

RATIONALE FOR THE NEGATIVE OUTLOOK

The negative outlook reflects the overall market volatility and execution risks related to the closing of the Prosperity deal on an MVL-neutral basis. At the same time, JAB operates with a financial leverage that is at the upper end of the holding company's financial policy target of 15-20% MVL (i.e. at around 20% on a stand-alone basis as of February 2025 following the sale of part of the KDP shares). However Moody's adjusted MVL, which includes debt at intermediate company Acorn Holdings B.V. (Acorn), was higher at 26% pro forma for the sale of KDP shares as of February 2025 but down from around 30% as of the end of 2024 and thus slightly outside the maximum 25% expectations set for the Baa1 rating. Following the distribution of JDE Peet's shares in November 2024 to JAB Consumer Partners (JCP), we fully attribute Acorn's debt to JAB (compared to our previous proportional attribution).

LIQUIDITY

Following the KDP share sale in February 2025 for gross proceeds of around \$2.7 billion, JAB has ample cash to fund the acquisition of Prosperity. The next material maturity is the €600 million bond due April 2025, which we expect JAB to redeem using cash on balance.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

We could upgrade the ratings if the Moody's-adjusted net MVL would drop sustainably to below 20% including intermediate holding company debt (equivalent to 15% on a standalone basis when excluding debt at the intermediate holding company level) and the interest cover would increase sustainably to above 3.0x supported by higher dividend and interest income. Further transparency on the corporate structure could support positive rating pressure over time if coupled with stronger credit metrics.

We could downgrade the ratings if Moody's-adjusted net MVL (including intermediate holding company assets and debt) remains above the mid-twenties (%) (and remains

above 20% on a standalone basis when excluding debt at the intermediate holding company level). Funds from operations (FFO) cover remaining below 2.0x; a weakening liquidity profile; challenges with regards to JAB's strategy execution or the integration of Prosperity; or a more aggressive financial policy would also exert negative pressure on the rating.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Investment Holding Companies and Conglomerates published in April 2023 and available at <https://ratings.moodys.com/rmc-documents/401316>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

COMPANY PROFILE

JAB is focused on long-term investments in consumer goods and services, pet insurance and retail companies. JAB Holding Company S.a r.l. together with JAB Holdings B.V. and four wholly owned holding companies (JAB Luxury S.a r.l, JAB Forest B.V., JAB Holding Company, LLC and JAB Holding Sao Paulo Ltda.) form the JAB Group. JAB is majority owned by Agnaten SE and Joh. A. Benckiser Sàrl. Key investments include JDE Peet's, KDP, Coty, Pret A Manger, Panera Brands which includes Panera Bread, pet insurance business operating under Independence Pet Holdings (IPH), veterinary clinics business (NVA) and Pinnacle Pet Group and Krispy Kreme Doughnuts, Inc.

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At least one ESG consideration was material to the credit rating action(s) announced and described above. Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at <https://ratings.moodys.com/rmc-documents/435880>.

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