

14 October 2022 – Neuss, Germany

## Rating Action / Update:

### Creditreform Rating has set the unsolicited corporate issuer rating of Kerry Group plc, to **BBB+** / **stable**

Creditreform Rating (CRA) has confirmed the ratings of the unsolicited, public corporate issuer rating of Kerry Group plc and Kerry Group Financial Services – together referred as Kerry, Kerry Group or the Company - as well as the unsolicited corporate issue rating of long-term local currency senior unsecured notes issued by the Company at **BBB+**. The outlook was set to **stable** again following a review of the rating due to a change in methodology; the addition Watch UNW (Watch uncertain) is thus no longer applicable.

The rating was updated on 1 July 2022 against the background of Creditreform Rating's amendment to the system for rating companies ("Corporate Ratings") Version 2.4 with the addition of Watch UNW. In addition to editorial changes, clarifications were made with regard to the industry analysis. The review of Kerry's rating in the course of this rating update showed that the adjustment of the rating system did not result in a rating adjustment. The rating system did not lead to any adjustment of the Company's rating.

### Current relevant factors for the rating

The following considerations were of specific relevance for the rating assessment:

- + Worldwide presence
- + Leading market position with well-recognized brands
- + Diversified product portfolio
- + Broad customer base
- + Further acquisitions and synergies
- + Innovations in product range
- + Stable economic development in the 2021 business year
- + Overall revenue increases in the first six months of 2022 with stable earnings compared to the same period of the previous year
  
- Dependence on availability of raw materials, high level of price volatility
- Dependence on changing consumer trends
- Country risks
- Integration risks linked to future acquisitions
- Possible leverage increase in connection with acquisitions
- Continuously volatile emerging markets
- Risks due to the ongoing COVID-19 pandemic
- Increased risks due to the energy price crisis and rising production costs

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**ESG factors** are factors related to environment, social issues and, governance. For more information, please see the "Regulatory requirements". CRA generally takes ESG relevant factors into account, when assessing the rating object and discloses them when they have a significant influence on the creditworthiness of the rating object, leading to a change in the rating result or the outlook.

#### ESG-criteria:

CRA generally considers ESG factors (environment, social and governance) within its rating decisions. In the case of Kerry Group we have not identified any ESG factors with significant influence.

In October 2020, Kerry unveiled its 2030 sustainability strategy, „Beyond the Horizon“, along with a renewed brand identity. Customer and consumer demands remain at the forefront of Kerry's priorities.

As part of this strategy, Kerry aims to align its activities with the needs of customers to promote healthier and more sustainable diets, tailoring its activities to meet customers' needs in this area. Taking sustainability criteria into account, the Group plans to reach over two billion people through sales in the food industry by 2030. The Group's targets, which are to be scientifically underpinned, are particularly oriented towards the areas of nutrition and health, emissions, energy, circular economy, raw materials and social considerations.

Against this background, we see the strategy adopted as promising and leading the way in relation to the general climate and sustainability goals. The Kerry Group has already created a sound foundation in the area of ESG factors, which must now be stringently pursued and implemented.

Kerry will publish in 2022 its first GRI Sustainability Report alongside the Annual Report which will detail Kerry's progress against its sustainability strategy and targets in line with Global Reporting Initiative (GRI) standards.

A general valid description of Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found [here](#).

### Rating result

Kerry Group produces and supplies ingredients and flavors for the global food, beverage and pharmaceutical industries. Kerry's Consumer Foods division is a leader in its categories in the chilled cabinet, primarily in Irish and UK markets. The Group was established in 1972 and has since grown organically and through strategic acquisitions. The Group operates in 30 countries with 152 manufacturing locations worldwide, sales in more than 150 countries more than 18,000 products and employs more than 22,000 people. Kerry is the world's leading taste and nutrition company for the food, beverage and pharmaceutical markets, with a broad range of ingredient solutions currently reaching over 1 billion consumers.

The current rating attests a highly satisfactory level of creditworthiness to Kerry Group, which representing a low to medium default risk in comparison with the sector and the overall economy.

Kerry Group Financial Services is a public unlimited company, incorporated on 29 December 1995 in the Republic of Ireland, and is indirectly wholly owned and controlled by the Kerry Group plc. The company is registered under the company number 242662. The Issuer's principal activity is the provision of treasury services to the Group, with its financial statements fully consolidated in the financial statements of the Group. For this reason, we set the rating of Kerry Group Financial Services public unlimited company equal to the corporate rating of Kerry Group, e.g. **BBB+** with **stable** outlook.

Despite the fragile consumption trends worldwide and the generally uncertain and volatile environment in its developing markets, the Company appears set to continue its stable business development. Relevant rating factors include the leading market position of the Company in the global ingredients and flavors market, its strong business model as well as its highly diversified product range and global presence. Additionally, the Company's forward-looking strategy and the innovative capacity of the company, as well as its solid financial base have a positive impact on our rating assessment.

Risk factors include the fierce competition and the significant innovation pressure against the background of dynamic customer preferences which require large investments and intensive R&D. We have also identified a high reputational risk for the hypothetical event that the Company should fail to comply with safety measures.

Moreover, the current business development is subject to not insignificant uncertainties against the backdrop of current geopolitical risks and conflict hotspots, and the economic outlook is currently considered negative in view of the energy price crisis and rising production and material costs. The risk of a recession could also put a significant strain on Kerry's business model.

Uncertainties also arise in particular from the fundamental, albeit less relevant compared to other industries, dependence on economic cycles, the still uncertainty of the risks related to the COVID 19 pandemic and high competitive pressure, which also leads to increased risks for Kerry's operating business. Otherwise, the company's favorable fundamental factors, high diversification and leading market position are strong and support the rating.

## Outlook

The one-year outlook of the rating is **stable**.

We see this against the backdrop of the growth also achieved in the first half of 2022 in terms of revenue and EBITDA. Although the EBITDA margin fell slightly compared to the same period last year, we see Kerry as stable based on its good market positioning.

The outlook, however, subject to the assumption that rising energy costs, which could increase production costs significantly, will only have a very limited impact on Kerry's earnings situation and can be passed on to the market via possible price adjustments.

Despite the current multi-layered risks, Kerry should be able to continue to hold its own well in the market and be able to counter the economic risks in view of its diversified structures.

Also taking into account that the food industry is fundamentally less susceptible to the expected negative economic effects than other sectors, the outlook is confirmed as **stable**.

### Best-case scenario: BBB+

In our best-case scenario for one year, we assume a stable rating of BBB+ against the current challenges and risks, assuming that the figures for the first half of 2022 will also be essentially confirmed in the second half of 2022. We also assume that balance sheet ratios will remain stable in the course of further expansion. Acquisitions do not cause unexpectedly high integration costs.

#### Please note:

The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances may occur that could lead to a change of the rating out of the indicated range.

#### **Worst-case scenario: BBB**

In our worst-case scenario for one year, we assume a rating of BBB. In the event of a prolonged recessionary phase - in particular due to the currently considerable uncertainties caused by the geopolitical conflicts and the energy price crisis - the Kerry Group's business would also be increasingly affected and lead to a noticeable decline in turnover and earnings. The expected synergies from acquisitions will only come to bear with a delay, which will be reflected in the Group's operating performance. To a significant extent, the Group's overall business is also affected by restrained consumer behavior.

#### **Business development and outlook**

During the 2021 financial year, consolidated revenue increased on a reported basis by 5.7% to EUR 7.35 billion, of which 8.0% represents the business volume growth year-on-year. The Group completed five acquisitions during 2021 for a total consideration of EUR1,106.5 million. All acquisitions are aligned to Kerry's strategic priorities - enhancing the Group's taste and nutrition capabilities, while also expanding its presence in emerging markets.

The Group's trading margin increased by 40bps to 11.9% while Group trading profit increased by 8.9% to EUR 875.5 million (2020: EUR 797.2 million).

The two main business units of Kerry Group developed differently in 2021.

The Taste & Nutrition Division grew to EUR 6.3 billion (84% of total sales), reflecting volume growth of 8.3% and a 1.3% net pricing increase. The trading margin achieved 14.6%. The division achieved solid growth in all the main regions: Americas (6.7%), Europe (9.9%) and especially APMEA (11.3%), while volume growth from emerging markets amounted to 14.4%.

In Consumer Foods saw volume growth of 6.0% for the year, with all businesses contributing to EUR 1.14 billion on a reported basis. The pricing volume increased by 0.5% and the trading margin grew by 60bps to 7.2%.

The following table shows the business situation of Kerry in the 2021 fiscal year using selected key figures:

Table 1: Financials of Kerry Group | Source: Kerry Group plc annual report 2021, standardized by CRA

Kerry Group plc Selected key figures of the financial statement analysis Basis: Annual accounts and report of 31.12. (IFRS, Group)	CRA standardized figures <sup>1</sup>	
	2020	2021
Sales (million EUR)	6,953,40	7,350.60
EBITDA (million EUR)	979,40	1,166,50
EBIT (million EUR)	706.10	882.30
EAT (million EUR)	554.10	763.00
Total assets (million EUR)	6,191.90	7,449.05
Equity ratio (%)	28.01	28.22
Capital lock-up period (days)	67.92	78.35
Short-term capital lock-up (%)	5.43	5.40
Net total debt / EBITDA adj. (factor)	3.87	3.99
Ratio of interest expenses to total debt (%)	1.63	1.31
Return on Investment (%)	10.12	11.18

In the current fiscal year 2022, revenues, sales volumes and EBT improved again in the first two quarters compared to the first two quarters in the previous year, while EBITDA margin decreased by 30bps compared to the first half of 2021. Group revenues increased in this period to EUR 4,057.8 million (2021: EUR 3,582.1 million), up by 13.3%. At EUR 265.1 million (2021: EUR 262.9 million), EBT achieved a growth-rate of 8.4%.

On 1 January 2022, the former Consumer Foods division was replaced by the new Dairy Ireland division after the Consumer Foods division was sold. However, the previous year's figures have been adjusted for comparison purposes.

At the end of June 2022, net debt was EUR 2.456 million. The increase of EUR 332.2 million relative to the December 2021 net debt of EUR 2,124.1 million reflected acquisition investment and dividends, partially offset by net cash generated in that period. The Group's consolidated balance sheet remains strong which will facilitate the continued organic and acquisitive growth of the Group.

Kerry is targets annual growth of 4% to 6% and an EBITDA margin of at least 18% by 2026, while reducing carbon emissions in scope 1 and 2 by 55% and food waste by 50% in the coming years. While overall market conditions remain uncertain, the Group expects to achieve adjusted earnings per share growth in 2022 of 5% to 9% on a constant currency basis.

Kerry also launched the 2030 sustainability strategy „Beyond the Horizon“. This details Kerry's sustainability targets and will be central to Kerry's growth strategy.

<sup>1</sup> For analytical purposes, CRA adjusted the original values in the financial statements in the context of its financial ratio analysis. For example, when calculating the analytical equity ratio, deferred tax assets, goodwill (entirely or partly), and internally-generated intangible assets are subtracted from the original equity, whilst deferred tax liabilities are added. Net total debt takes all balance sheet liabilities into account. Therefore, the key financial figures shown often deviate from the original values of the company.

## Issue rating

### Further issuer ratings

Kerry Group Financial Services (“the Issuer”) is a public unlimited company, incorporated on 29 December 1995 in the Republic of Ireland. The Company is registered under company number 242662. The Issuer’s principal activity is the provision of treasury services to the Group. The Issuer is indirectly wholly owned and controlled by the Kerry Group plc. Its financial statements are fully consolidated in the financial statements of the Group. For this reason, we set the rating of Kerry Group Financial Services public unlimited company equal to the corporate rating of the Kerry Group, i.e. **BBB+** with **stable** outlook.

### Issue rating details

The rating objects of this issue rating are exclusively the long-term senior unsecured issues, denominated in euro, issued by Kerry Group Financial Services and which are included in the list of ECB-eligible marketable assets. The ECB list of eligible marketable assets can be found on the website of the ECB. Following the prospectuses as of 18 September 2019, 16 April 2020 and 29 November 2021 the issues are unconditionally and irrevocably guaranteed by the Kerry Group plc (the “Guarantor”). Furthermore, regarding the Issuer and the Guarantor, the Notes benefit from a negative pledge provision, a cross default mechanisms and a change of ownership clause. The notes rank at least pari passu among themselves and with all other present and future unsecured obligations of the issuer.

We have provided the debt securities issued by Kerry Group Financial Services with a rating of **BBB+**. The rating is based on the corporate rating of Kerry Group plc and Kerry Financial Services. Other types of debt instruments or issues denominated in other currencies of the issuer have not been rated by CRA. For a list of all currently valid ratings and additional information, please consult the website of Creditreform Rating AG.

The following tables provide an overview of the ratings issued by Creditreform Rating AG in this context, as well as the key features of the issue prospectuses of of 18 September 2019, 16 April 2020 and 29 November 2021.

### Overview

Table 2: Overview of CRA Ratings | Source: CRA

Rating Category	Details	
	Date	Rating
Kerry Group plc (Issuer)	14.10.2022	<b>BBB+</b> / <b>stable</b>
Kerry Group Financial Services (Issuer)	14.10.2022	<b>BBB+</b> / <b>stable</b>
Long-term local currency senior unsecured issues	14.10.2022	<b>BBB+</b> / <b>stable</b>
Other	--	n.r.

Table 3: Overview of long-term senior unsecured issues | Source: Base Prospectuses dated 18 September 2019, 16 April 2020 and 29 November 2021

Overview of long-term senior unsecured issues			
Volume / Base Prospectus	EUR 750,000,000 / 18.09.2019 EUR 950,000,000 / 16.04.2020 EUR 750,000,000 / 29.11.2021	Maturity	Depending on respective bond
Issuer / Guarantor	Kerry Group Financial Services puc / Kerry Group plc	Coupon	Depending on respective bond
Arrangers / Joint Lead Managers	BNP Paribas, Citigroup, Deutsche Bank, Goldman Sachs International	Currency	Depending on respective bond
Credit enhancement	none	ISIN	Depending on respective bond

All future LT LC senior unsecured Notes that will be issued by Kerry Group Financial Services and that have similar conditions to the above mentioned long-term senior unsecured issues, denominated in Euro and included in the list of ECB-eligible marketable assets will, until further notice, receive the same ratings as the current LT LC senior unsecured notes issued above mentioned. Notes issued in any currency other than euro, or other types of debt instruments, have not yet been rated by CRA. For a list of all currently valid ratings and additional information, please consult the website of Creditreform Rating AG. For the time being, other emission classes or programmes (such as the Commercial Paper Programme) and issues that do not denominate in euro will not be assessed.

## Appendix

### Rating history

The rating history is available under:

<https://www.creditreform-rating.de/en/ratings/published-ratings.html>

Table 4: Corporate issuer rating of Kerry Group plc | Source: CRA

Event	Rating date	Publication date	Monitoring period	Result
Initial Rating	15.08.2018	21.08.2018	Withdrawal of the rating	BBB+ / stable

Table 5: Corporate Issuer rating Kerry Group Financial Services | Source: CRA

Event	Rating date	Publication date	Monitoring period	Result
Initial rating	15.08.2018	21.08.2018	Withdrawal of the rating	BBB+ / stable

Table 6: LT LC senior unsecured issues by Kerry Group Financial Services | Source: CRA

Event	Rating date	Publication date	Monitoring period	Result
Initial rating	15.08.2018	21.08.2018	Withdrawal of the rating	BBB+ / stable

### Regulatory requirements

The rating<sup>2</sup> was not endorsed by Creditreform Rating AG (Article 4 (3) of the CRA-Regulation).

The present rating is, in the regulatory sense, an unsolicited rating that is public. The analysis was carried out on a voluntary basis by Creditreform Rating AG, which was not commissioned by the Issuer or any other third party to prepare the present rating.

The rating is based on the analysis of published information and on internal evaluation methods for the assessment of companies and issues. The rating object was informed of the intention of creating or updating an unsolicited rating before the rating was determined.

The rating object participated in the creation of the rating as follows:

With Rated Entity or Related Third Party Participation	No
With access to Internal Documents	No
With Access to Management	No

<sup>2</sup> In these regulatory requirements the term "rating" is used in relation to all ratings issued by Creditreform Rating AG in connection to this report. This may concern several companies and their various issues.



The rating was conducted based on the following information.

List of documents
<b>Accounting and controlling</b>
<ul style="list-style-type: none"> <li>Annual Reports 2020 and 2021 of Kerry Group plc</li> <li>Figures January to June 2022</li> <li>Press release of the Q2-figures 2022</li> </ul>
<b>Finance</b>
<ul style="list-style-type: none"> <li>Presentation Q2-figures 2022</li> <li>Prospectuses of the long-term senior unsecured issues of EUR 750 million and EUR 250 million</li> </ul>
<b>Additional documents</b>
<ul style="list-style-type: none"> <li>Websites of Kerry Group</li> </ul>

A management meeting did not take place within the framework of the rating process.

The documents and information gathered were sufficient to meet the requirements of Creditreform Rating AG's rating methodologies.

The rating was conducted based on the following rating methodologies and the basic document.

Rating methodology	Version number	Date
<a href="#">Corporate Ratings</a>	2.4	01.07.2022
<a href="#">Non-financial Corporate Issue Ratings</a>	1.0	October 2016
<a href="#">Rating Criteria and Definitions</a>	1.3	January 2018

The documents contain a description of the rating categories and a definition of default.

The rating was carried out by the following analysts:

Name	Function	Mail-Address
Holger Becker	Lead-analyst	H.Becker@creditreform-rating.de
Rudger van Mook	Analyst	R.vanMook@creditreform-rating.de

The rating was approved by the following person (person approving credit ratings, PAC):

Name	Function	Mail-Address
Stephan Giebler	PAC	S.Giebler@creditreform-rating.de

On 14 October 2022, the analysts presented the rating to the rating committee and the rating was determined. The rating result was communicated to the company on 14 October 2022. There has not been a subsequent change to the rating.

The rating will be monitored until Creditreform Rating AG withdraws the rating. The rating can be adjusted as part of the monitoring, if crucial assessment parameters change.

In 2011, Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on this registration, Creditreform Rating AG is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation.

### ESG-factors

You can find out whether ESG factors were relevant to the rating in the upper section of this rating report "Relevant rating factors".

A general valid description for Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found [here](#).

### Conflict of interests

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or in approving credit ratings and rating outlooks.

In the event of providing ancillary services to the rated entity, Creditreform Rating AG will disclose all ancillary services in the credit rating report at this point:

No ancillary services in the regulatory sense were carried out for this rating object.

### Rules on the presentation of credit ratings and rating outlooks

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our "Rating Committee Policy", all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

To prepare this credit rating, Creditreform Rating AG has used following substantially material sources:

#### Corporate issuer rating:

1. Annual report
2. Website
3. Internet research

#### Corporate issue rating:

1. Corporate issuer rating incl. information used for the corporate issuer rating
2. Documents on issues / instruments

There are no other attributes and limitations of the credit rating or rating outlook other than those displayed on the Creditreform Rating AG website. Furthermore, Creditreform Rating AG considers as satisfactory the quality and extent of information available on the rated entity. With respect to the rated entity, Creditreform Rating AG regarded available historical data as sufficient.

Between the time of disclosure of the credit rating to the rated entity and the public disclosure, no amendments were made to the credit rating.

The Basic Data Information Card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In cases where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating report and indicates how the different methodologies or other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings and best-case scenario credit ratings are explained.

The date at which the credit rating was initially released for distribution and the date when it was last updated, including any rating outlooks, is indicated clearly and prominently in the Basic Data Information Card as a "rating action"; initial release is indicated as "initial rating", other updates are indicated as an "update", "upgrade" or "downgrade", "not rated", "confirmed", "selective default" or "default".

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within the Basic Data Information Card.

In accordance with Article 11 (2) EU-Regulation (EC) No 1060/2009, a registered or certified credit rating agency shall make available, in a central repository established by ESMA, information on its historical performance data including the rating transition frequency and information about credit ratings issued in the past and on their changes. Requested data are available at the [ESMA website](#).

An explanatory statement of the meaning of Creditreform Rating AG's default rates are available in the credit rating methodologies disclosed on the website.

### Disclaimer

Any rating performed by Creditreform Rating AG is subject to the Creditreform Rating AG Code of Conduct, which has been published on the web pages of Creditreform Rating AG. In this Code of Conduct, Creditreform Rating AG commits itself – systematically and with due diligence – to establish its independent and objective opinion as to the sustainability, risks and opportunities concerning the enterprise or the issue under review.

Future events are uncertain, and forecasts are necessarily based on assessments and assumptions. This rating is therefore no statement of fact, but an opinion. For this reason, Creditreform Rating AG cannot be held liable for the consequences of decisions made on the basis of any of their ratings. Neither should these ratings be construed as recommendations for investors, buyers or sellers. They should only be used by market participants (entrepreneurs, bankers, investors etc.) as one factor among others when arriving at corporate or investment decisions. Ratings are not meant to be used as substitutes for one's own research, inquiries and assessments.

We have assumed that the documents and information made available to us by the client are complete and accurate and that the copies provided to us represent the full and unchanged contents of the original documents. Creditreform Rating AG assumes no responsibility for the true and fair representation of the original information.

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Creditreform Rating AG

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