

Rating object

Kerry Group plc
 Kerry Group Financial Services
 Long Term Local Currency Senior unsecured issues of Kerry Group
 Financial Services

Rating incl. outlook / watch

BBB+ / stable
 BBB+ / stable
 BBB+ / stable

The present update is, in the regulatory sense, a public unsolicited rating.

Date of inception / disclosure to rated entity / maximum validity:

Rating object	Date of inception	Disclosure to rated entity	Maximum validity
Kerry Group plc	10.12.2021	10.12.2021	Until withdrawal of the rating
Kerry Group Financial Services	10.12.2021	10.12.2021	Until withdrawal of the rating
Long Term Local Currency Senior unsecured issues of Kerry Group Financial Services	10.12.2021	10.12.2021	Until withdrawal of the rating

There occurred no changes after the communication of the rating to the rating object.

Rating summary:

Creditreform Rating (CRA) has confirmed the ratings of the unsolicited corporate issuer rating of Kerry Group plc and Kerry Group Financial Services, as well as the unsolicited corporate issue rating of long-term local currency senior unsecured notes issued by the Companies at **BBB+** and **stable** outlook.

The current rating attests a highly satisfactory level of creditworthiness to Kerry Group, which represents a low to medium default risk in comparison with the sector and the overall economy. Our rating assessment reflects Kerry’s strong market position in Europe and other relevant markets and the stable economic development of the company in recent years - also against the background of the general negative impact of the COVID-19 pandemic.

Kerry Group produces and supplies ingredients and flavors for the global food, beverage and pharmaceutical industries as well as added-value branded and customer branded foods - in particular chilled foods - to the UK, Ireland and selective international markets. The Group was established in 1972 and has since grown organically and through strategic acquisitions. The Group operates in 31 countries, has 148 manufacturing locations worldwide and sales in more than 150 countries with approx. 22,000 employees. Kerry has a portfolio of more than 18,000 products and operates in the segments “Taste & Nutrition” and “Consumer Foods”.

Despite changing consumer trends worldwide, generally uncertain and volatile environment in developing markets, and uncertainties related to the consummated "Brexit", Kerry Group plc is expected to continue its overall stable business performance. Relevant valuation factors include the company's leading market position in the global ingredients and flavours market, its strong business model, and its highly diversified product range and global presence. In addition, the company's forward-looking strategy and innovative strength as well as its solid financial base, have a positive impact on our rating assessment.

Risk factors include fierce competition and high pressure to innovate against the backdrop of dynamic customer preferences, which require significant investment and intensive research and development.

Uncertainties arise in particular from the Group’s dependence on economic cycles, risks associated with the uncertainty of the related ongoing global COVID-19 pandemic, and intense competitive pressure, which may lead to increased risk for Kerry's operating business. Otherwise, the company's favourable fundamental factors - high diversification and leading market position - are convincing and support the rating.

The nine-month figures for 2021 show an overall increase in sales and earnings compared to the corresponding period of the previous year. Kerry's forecast for the full year 2021 also indicates that the business will continue to perform solidly.

Primary key rating drivers:

- + Worldwide presence
- + Leading market position with well-recognized brands

- + Diversified product portfolio
- + One of the largest competitors in a rather diversified market for ingredients & nutrition
- + Broad customer base
- + Further acquisitions and synergies
- + Innovations in product range
- + Stable economic development in the 2020 business year
- + Overall revenue and earnings increases in the first nine months of 2021

- 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

ESG-criteria:

CRA generally considers ESG factors (environment, social and governance) within its rating decisions. In the case of Kerry Group plc resp. Kerry Group Financial Services we have not identified any ESG factor 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. Kerry also aims to tailor its activities to customer needs in order to promote healthier, more sustainable diets. 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 aspects.

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 good and sound basis in the area of ESG factors, which must now be stringently pursued and implemented.

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 scenarios:

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.

Best-case scenario: A-

In our best-case scenario for one year, we assume a rating of A-, provided that the financial ratios improve markedly compared to previous years. In this regard, we continue to assume at least stable balance sheet ratios. Further acquisitions do not cause unexpectedly high integration costs.

Worst-case scenario: BBB

In our worst-case scenario for one year, we assume a rating of BBB. In the event of a prolonged economic downturn - particularly due to the uncertainties caused by the ongoing global COVID-19 pandemic - the Kerry Group's business could also be adversely affected, leading to a noticeable decline in sales and earnings. The expected synergies from acquisitions will come to bear later than expected, which will be reflected in the Group's operating performance. To a significant extent, the Group's overall business will be impacted by cautious consumer behavior and currency effects as a result of Brexit.

Analysts / Person approving (PAC):

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Initial rating:

Rating object	Event	Rating created	Publication date	Monitoring until	Result
Corporate Issuer Rating of Kerry Group plc	Initialrating	15.08.2018	21.08.2018	Withdrawal of the rating	BBB+/stable
Corporate Issuer Rating of Kerry Group Financial Services	Initialrating	15.08.2018	21.08.2018	Withdrawal of the rating	BBB+/stable
LT LC Senior Unsecured Issues issued by Kerry Group Financial Services	Initialrating	15.08.2018	21.08.2018	Withdrawal of the rating	BBB+/stable

Status of solicitation and information basis:

The present rating is, in the regulatory sense, a public **unsolicited** rating. The rating object participated in the creation of the rating as follows:

Unsolicited Corporate Issuer / Issue Rating	
With rated entity or related third party participation	No
With access to internal documents	No
With access to management	No

Rating methodology / Version / Date of application:

Rating methodology	Version number	Date
Corporate Ratings	2.3	29.05.2019
Non-financial Corporate Issue Ratings	1.0	October 2016
Rating Criteria and Definitions	1.3	January 2018

Regulatory requirements:

In 2011 Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG (CRA) is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation. The rating¹ was not endorsed by Creditreform Rating AG (Article 4 (3) of the CRA-Regulation).

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

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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.

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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.

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