

27 November 2020 – 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 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 Companies at BBB+. In this report we also refer to the 2018 Report, which contains further essential information concerning the Kerry Group.

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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
- One of the largest competitors in a rather granulated market for ingredients & nutrition
- Granularity of customers
- Low entry barriers and highly competitive environment
- Dependence on availability of raw materials, high level of price volatility
- Dependence on changing consumer trends
- High currency translation and currency transaction risks
- Further acquisitions and synergies
- Innovations in product range
- Integration risks linked to future acquisitions
- Possible leverage increase in connection with acquisitions
- Continuously volatile emerging markets
- Economic distortions due to the COVID 19 pandemic, which also characterize the business development of the Kerry Group in 2020
- The renewed lock-down in autumn 2020 due to the COVID-19 pandemic in many countries worldwide, which may result in additional uncertainties regarding the economic situation and the further economic development of the companies

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 factor with significant influence.

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:

<https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/The%20Impact%20of%20ESG%20Factors%20on%20Credit%20Ratings.pdf>

Rating result

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 32 countries, has 151 manufacturing locations worldwide and sales in more than 150 countries and employs approx. 26,000 people.

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. The company is registered under the 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 Kerry Group, e.g. BBB+ with stable outlook.

Despite the fragile consumption trends worldwide, the general uncertain and volatile environment in the developing markets as well as uncertainties related to the impending "Brexit", the Company looks set to continue its stable business development. Relevant rating factors include the dominant 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 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 furthermore identified a high reputational risk for the hypothetical event that the Company should fail to comply with safety measures. The current business development could be impaired by an economic slowdown in mature and / or emerging markets as well as by significant political risks that are not negligible.

Uncertainties result in particular from the dependency on economic cycles, the risks related to the COVID 19 pandemic for the whole of 2020, which cannot be accurately assessed, and a high level of competitive pressure, resulting in increased risks for the operative business of Kerry. Otherwise, the Company's favorable fundamental factors, a high diversification and the leading market position are convincing and support the rating. Although the nine-month figures for 2020 show sales below the corresponding period of the previous year due to the COVID 19 pandemic, as well as a result below the corresponding period of the previous year, the Kerry Group's figures for the third quarter of 2020 show an economic recovery as compared to the second quarter of the year. However, the renewed lock-down in autumn 2020 due to the COVID 19 pandemic in many countries around the world, which may lead to additional uncertainties regarding the economic situation and the further economic development of the companies, will also affect Kerry.

Outlook

The one-year outlook of the rating is stable. The operating performance of the consolidated group should not be diluted despite the upcoming Brexit, new acquisitions and currency volatility. It is subject to the assumption of an overall economic recovery in an economy which is currently mainly characterized by the negative economic consequences of the COVID 19 pandemic. However, Kerry should continue to assert itself well in the market and be able to overcome the economic weaknesses resulting from the dislocations of the COVID 19 pandemic in view of the diversified structures. However, since the food industry is less susceptible to the expected negative economic effects compared to other industries, the outlook is also confirmed as stable.

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 the expansion in the APMEA region, which resumed in the third quarter of 2020, consolidates without breaking the stable balance sheet ratios. Acquisitions do not incur 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 slump - particularly due to uncertainties arising from the COVID 19 pandemic - the business of Kerry Group would also be increasingly affected and lead to a noticeable decline in sales and earnings. The expected synergies from acquisitions take longer than expected to materialize, which is reflected in the Group's operating performance. To a significant extent, the entire whole business is adversely affected by cautious consumer behavior and currency impact as a result of Brexit.

Business development and outlook

During the financial year 2019 consolidated revenue increased on a reported basis by 9.6% to EUR 7.2 billion, of which 2.8% represents the business volume growth year-on-year. The Group completed 11 acquisitions during 2019, the most significant of which was Fleischmann's (FVC) business, Southeastern Mills (SEM) and Ariake U.S.A., at a net cost of EUR 561.7m. Business acquisitions contributed 4.7% to the Group's revenue growth. The Group's trading margin increased by 30bps to 12.5% while Group trading profit increased by 12.1% to EUR 903 million (2018: EUR 781.3m).

The two main business units of Kerry Group developed differently in 2019.

The Taste & Nutrition Division grew to EUR 5.9 billion (82% of total sales), reflecting volume growth of 4.0% and a 0.1% net pricing increase. Trading profit grew by 20bps to 15.3% (2018: 15.1%). The division achieved solid growth in all the main regions: Americas (2.7%), Europe (2.0%) and especially APMEA (10.3%).

The Consumer Foods Division decreased by 2.4% to EUR 1.31 billion (2018: 1,34bn) on a reported basis. The volume decreased by 2.2%, prices by 0.5%. Trading profit grew by 10bps to 7.6% (2018: 7.5%).

The following table shows the business situation of Kerry in the 2019 fiscal year using selected key figures:

Table 1: Financials of Kerry Group | Source: Kerry Group plc annual report 2019, standardized by CRA

Kerry Group plc Selected key figures of the financial statement analysis Basis: Annual accounts and report of 31.12. (IAS, Group)	CRA standardized figures ¹	
	2018	2019
Sales (million EUR)	6,607.60	7,241.30
EBITDA (million EUR)	875,40	985,00
EBIT (million EUR)	685.20	726.90
EAT (million EUR)	540.50	566.50
EAT after transfer (million EUR)	540.50	566.50
Total assets (million EUR)	7,123.15	8,172.60
Equity ratio (%)	44.33	43.68
Capital lock-up period (days)	71.03	69.40
Short-term capital lock-up (%)	5.04	8.24
Net total debt / EBITDA adj. (factor)	3.79	3.70
Ratio of interest expenses to total debt (%)	1.70	1.78
Return on Investment (%)	8.53	7.93

Since the beginning of the year, the Group's performance has been negatively impacted by the economic turmoil of the COVID-19 pandemic, especially in the food service sector. Nevertheless, Kerry's business model has proven to be resilient.

In the current fiscal year 2020, revenues, sales volumes and margins improved again in the third quarter compared to the second quarter, with volumes almost back at the level of the previous year. Notwithstanding, Group sales were down 4.7% (Q3 2020: -2.1%) year-on-year, with Taste & Nutrition at -4.4% and Consumer Foods -6.1%. Sales prices could be increased again by 0.3%. The Group's trading margin was 130 basis points (Q3: -70bpn) below the previous year's level, of which Taste & Nutrition was at -140bps and Consumer Foods +10bps.

The Taste & Nutrition division is now showing a steady recovery in the food service sector and an improvement of its economic situation in the retail sector. Consumer Foods also shows a recovery in the third quarter of 2020.

Overall, the profit forecasts for the full year 2020 communicated in 2019 have been resumed at a restrained level without, however, providing any concrete figures.

During the third quarter Kerry reached an agreement to acquire Bio-K Plus International probiotics in Canada and Jining Nature Group, a leading savoury taste business in China.

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.

At the end of September, net debt was EUR 1.8 billion. The Group's consolidated balance sheet remains strong which will facilitate the continued organic and acquisitive growth of the Group.

¹ 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, e.g. BBB+ with stable outlook.

Issue rating

The rating objects of this issue rating are exclusively the long-term guaranteed notes due 2029 issued by Kerry Group Financial Services, 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 prospectus as of 18 September 2019 the issue is 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 and a cross default mechanisms.

Table 2: Overview of Kerry Group debt issuance programme | Source: Kerry Group, prospectus dated 18 September 2019

Issue Details			
Volume	EUR 750,000,000	Maturity	Depending on respective bond
Issuer	Kerry Group Financial Services plc	Coupon	Depending on respective bond
Arrangers	BofA Merrill Lynch, HSBC, Nat-West Markets, Rabobank	Currency	Depending on respective bond
Credit Enhancement	Guaranteed by Kerry Group plc	ISIN	Depending on respective bond

Overview

Table 3: Summary of CRA Ratings | Source: CRA

Rating-Objects	Detail Information	
	Date	Rating
Kerry Group plc (Issuer)	27.11.2020	BBB+ / stable
Kerry Group Financial Services (Issuer)	27.11.2020	BBB+ / stable
Long-term local currency senior unsecured issues	27.11.2020	BBB+ / stable
Other	--	n.r.

We assign a rating of BBB+ to the EUR debt securities, issued by Kerry Group Financial Services. The decision is mainly based on the corporate rating of the Kerry Group, taking into account the specific credit enhancement of the issue, namely the irrevocable and unconditional guarantee of Kerry Group plc for this issue. All future LT LC senior unsecured notes that will be issued or guaranteed by Kerry Group plc, denominated in euro, will, until further notice, receive the same

ratings as the current rating of LT LC senior unsecured notes. Other types of debt instruments or issues denominated in other currencies 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. 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 2: 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 3 Corporate Issuer Rating of 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 4: LT LC senior unsecured issues issued 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 rating² was not endorsed by Creditreform Rating AG (Article 4 (3) of the CRA-Regulation).

The present rating is an unsolicited rating in the regulatory sense. 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

² 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
Accounting and controlling
<ul style="list-style-type: none"> Annual Reports 2018 and 2019 of Kerry Group plc Quarterly figures January to September 2020 Press release of the Q3-figures 2020
Finance
<ul style="list-style-type: none"> Presentation Q3-figures 2020 Prospectus of the debt issuance programme of EUR 750 million
Additional documents
<ul style="list-style-type: none"> Websites of Kerry Group

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	Website
Corporate Ratings	2.3	29.05.2019	https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/Rating%20Methodology%20Corporate%20Ratings.pdf
Non-financial Corporate Issue Ratings	1.0	October 2016	https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/Rating%20Methodology%20Non-Financial%20Corporate%20Issue%20Ratings.pdf
Rating Criteria and Definitions	1.3	January 2018	https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/CRAG%20Rating%20Criteria%20and%20Definitions.pdf

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
Artur Kapica	PAC	A.Kapica@creditreform-rating.de

On 27 November 2020, the analysts presented the rating to the rating committee and the rating was determined. The rating result was communicated to the company on 27 November 2020. There has not been a subsequent change to the rating.

The rating will be monitored until withdrawn by Creditreform Rating AG. 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:

<https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/The%20Impact%20of%20ESG%20Factors%20on%20Credit%20Ratings.pdf>

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.

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: <https://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>

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.

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