

MOODY'S

RATINGS

Rating Action: Moody's Ratings assigns Baa1 ratings to Carlsberg's proposed senior unsecured notes; outlook stable

17 Feb 2025

NOTE: On February 17, 2025, the press release was corrected as follows: The address of the releasing office was changed to "Piazza Luigi Einaudi no. 8, Milan, 20124". Revised release follows.

Milan, February 17, 2025 -- Moody's Ratings (Moody's) has today assigned Baa1 ratings to the proposed new senior unsecured notes due 2027, 2029, 2032, 2035 and 2039 to be issued by Carlsberg Breweries A/S (Carlsberg or the company) under its €11 billion EMTN programme. Carlsberg is the fifth largest beer manufacturer globally by revenue.

Carlsberg's Baa1 long term issuer rating and Baa1 ratings on its existing senior unsecured instruments are unaffected and so are the (P)Baa1 rating on the company's senior unsecured MTN programme, and the short-term issuer rating and Commercial Paper rating of Prime-2 (P-2). The outlook on Carlsberg is also unchanged and is stable.

Today's rating action reflects Carlsberg's planned issuance of senior unsecured notes, the proceeds of which will be principally used to refinance the £4.3 billion acquisition bridge facility which the company has drawn in January to fund the acquisition of Britvic PLC for a consideration of around £3.3 billion. Subject to market conditions, part of the proceeds may also be used for general corporate purposes, including the pre-funding of bond maturities this year.

RATINGS RATIONALE

Carlsberg Baa1 ratings are supported by the company's large scale as the world's fifth largest brewer by revenue and third-largest by volume, with leading positions in some key European and Asian markets, its track record of generating strong cash flow and its increasing product diversification following the Britvic acquisitions. The stable nature of the beverage industry and our expectation that the company's credit metrics

will recover to a level commensurate with its rating over the next 18 to 24 months, also support the rating.

Pro-forma for the Britvic acquisition, completed in early 2025, we estimate Carlsberg's gross financial leverage, to exceed the maximum of 3.0x tolerated by the company's rating. However, in line with the company's financial policy and in virtue of Carlsberg's robust cash generation, including the potential for cost savings and synergies with Britvic, we expect rapid deleveraging with the company's leverage ratio reducing to around 3.5x by the end of 2025 and back to towards 3.0x over the next 12 to 18 months. Until then, Carlsberg's rating would remain weakly positioned, leaving the company more vulnerable to potential demand fluctuations.

LIQUIDITY

Carlsberg's liquidity is good, underpinned by a cash balance of around DKK11 billion as of year-end 2024, our expectation that the company will continue to generate solid FCF (DKK1.3bln in 2024 under our definition and excluding Britvic) and the company's access to a committed bank facility of €2 billion, maturing in June 2029 (plus two one-year term out options) and not subject to any financial covenants (fully undrawn as of December 2024). To finance the Britvic acquisition, Carlsberg secured a £4.3 billion bridge loan which the company is in the process of refinancing in the market. The bridge loan has a maturity of 1 year with six months extension. Other debt maturities over the next twelve months are limited.

RATIONALE FOR STABLE OUTLOOK

The stable rating outlook reflects our expectation that, notwithstanding the softness in consumer spending and the still high commodity and labour costs, Carlsberg's credit metrics will improve over the next 12 to 18 months to a level commensurate with the rating. We also expect that the company will continue to pursue a conservative financial policy, adjusting its share buybacks according to its operating performance.

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

Despite Britvic's acquisition, Carlsberg's narrower geographic diversification than some of its peers and still relatively high reliance on emerging markets limit upward rating pressure. Success in further consolidating its position while maintaining solid credit metrics could eventually result in a rating upgrade. Upward pressure could develop if the company maintains its Moody's-adjusted retained cash flow/net debt above 25% and its Moody's-adjusted debt/EBITDA below 2.25x.

Downward pressure could develop on Carlsberg's rating if operating underperformance, large debt-financed acquisitions or more aggressive shareholder remuneration policies cause a sustained deterioration in credit metrics, such as retained cash flow/net debt falling below 15% or Moody's-adjusted gross

debt/EBITDA remaining well above 3.0x on a sustained basis. A sustained weakening in the liquidity profile could also lead to downward pressure on the rating.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Alcoholic Beverages published in December 2021 and available at <https://ratings.moodys.com/rmc-documents/360647>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

COMPANY PROFILE

Carlsberg Breweries A/S is the world's fifth-largest brewer by revenue and the third-largest by volume. The company produces and distributes a wide range of beer brands (including Carlsberg, Tuborg, Kronenbourg 1664 and Grimbergen, and regional premium brands such as Beerlao and Huda), soft drinks and bottled water, mainly across Europe and Asia. In 2024, Carlsberg reported net revenue of DKK75 billion (around €10 billion) and EBITDA of DKK15.8 billion (around €2.12 billion), both excluding contribution from Russian operations, which were disposed of at the end of 2024, and Britvic, acquired in January 2025. In 2024 Britvic generated £1.9 billion (DKK17 billion) of revenue and £250.9 million (DKK2.25 billion) of EBIT.

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For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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