MOODY'S
RATINGS

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Application of Moody's Ratings' Rating Methodologies

Agenda

Application of Moody's Ratings' Rating Methodologies - Case Study, May 2025
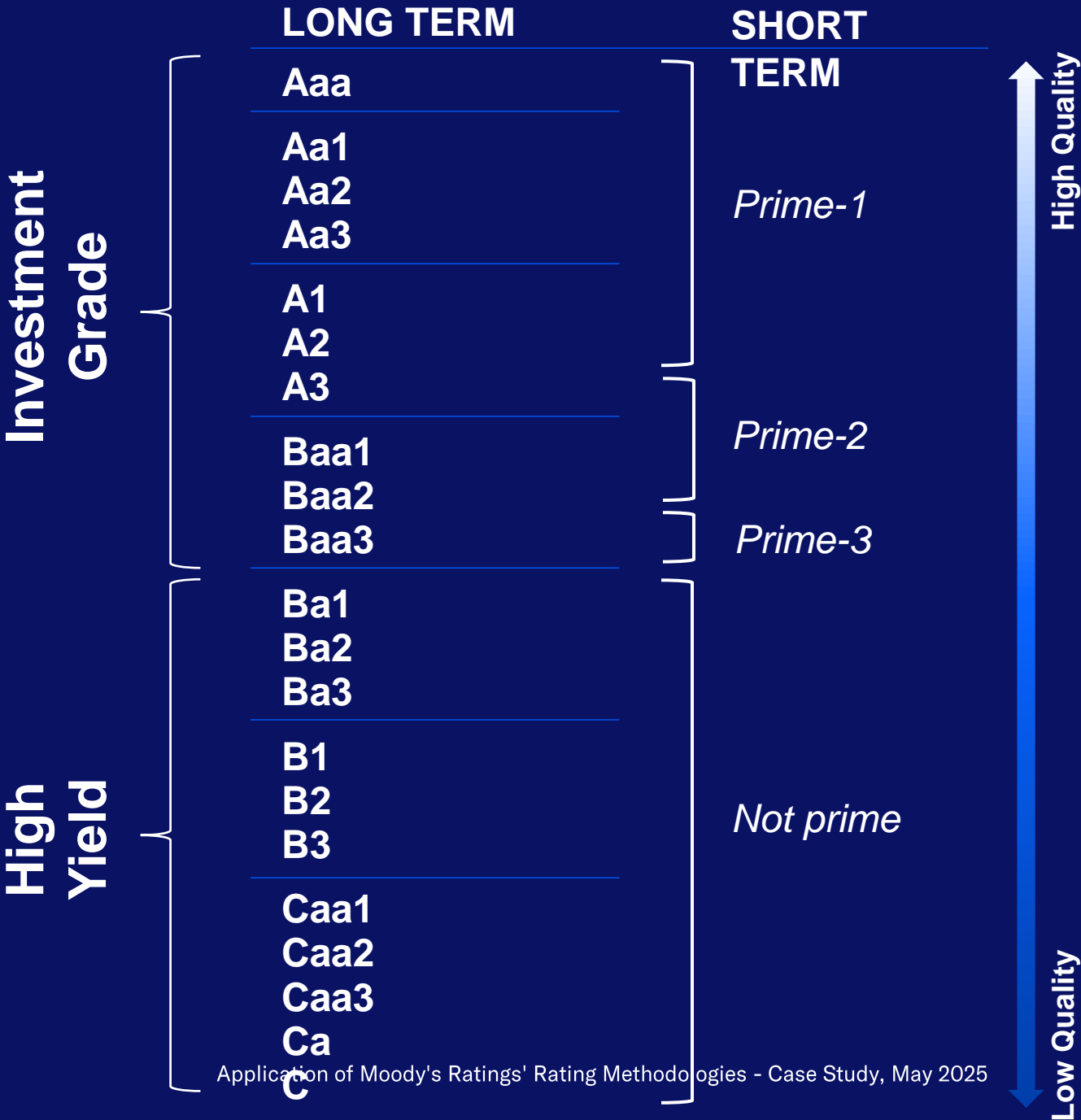
MOODY'S
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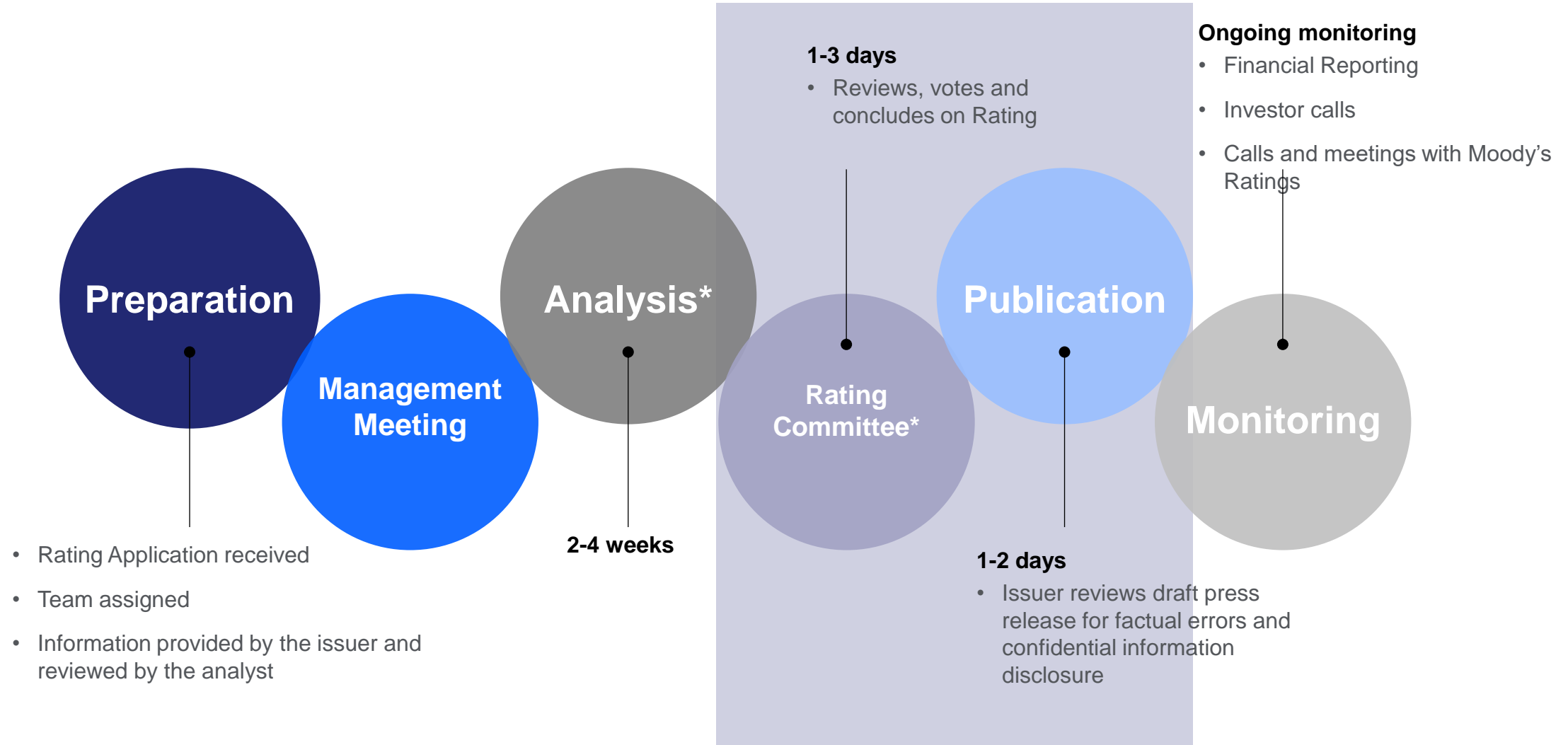# Moody's Ratings' Credit Rating Process

Moody's Global Rating Scale

Moody's long-term obligation ratings are opinions of the relative credit risk of fixed- income obligations with an original maturity of one year or more.
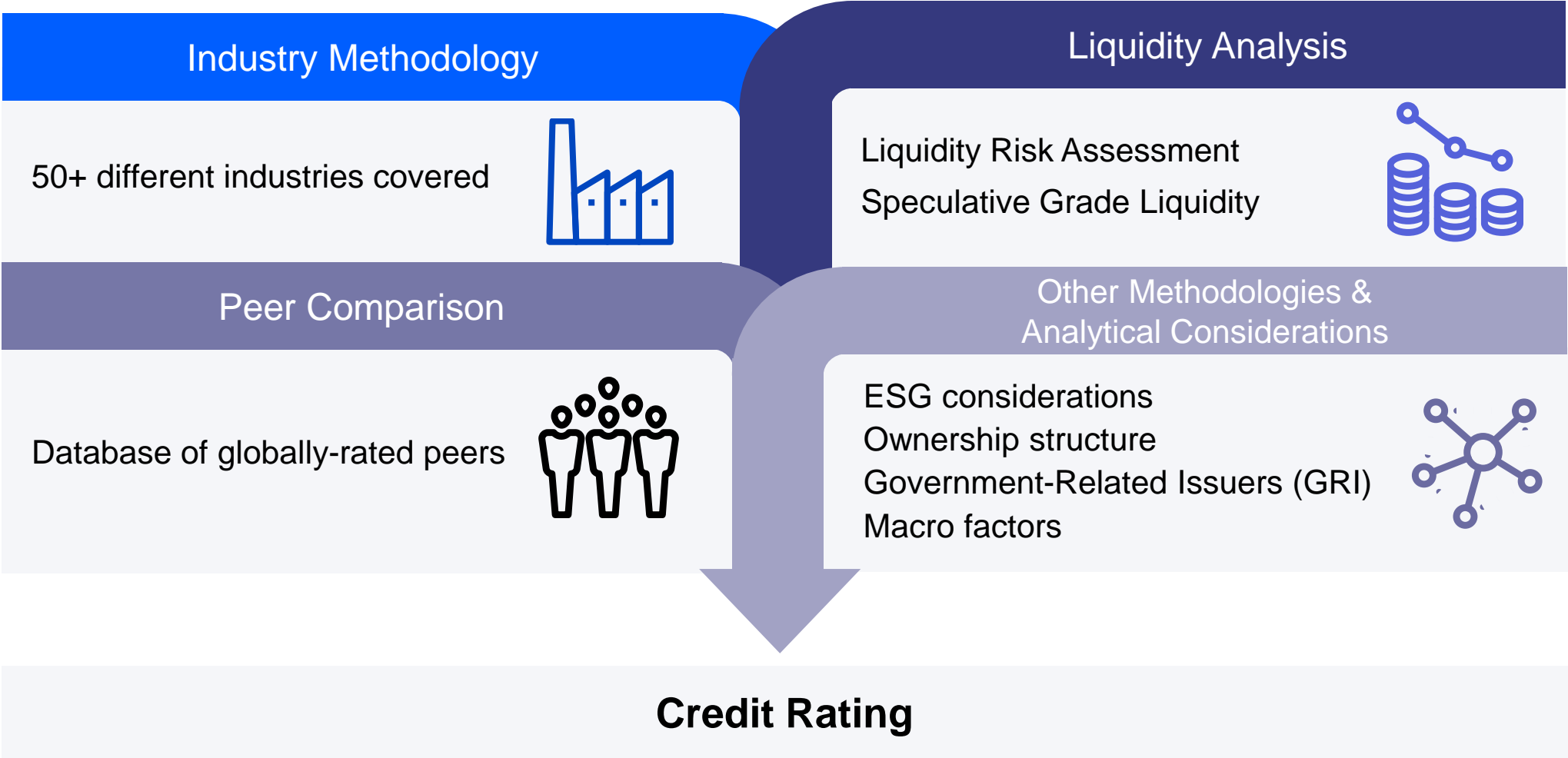
They address the possibility that a financial obligation will not be honored as promised. Such ratings reflect both the likelihood of default and any financial loss suffered in the event of default.

Application of Moody's Ratings' Rating Methodologies - Case Study, March 2025

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	LONG TERM	SHORT TERM
Investment Grade	Aaa	Prime-1
	Aa1 Aa2 Aa3	
	A1 A2 A3	
	Baa1 Baa2	Prime-2
	Baa3	Prime-3
High Yield	Ba1 Ba2 Ba3	Not prime
	B1 B2 B3	
	Caa1 Caa2 Caa3 Ca C	

High Quality → Low Quality

First Time Rating Process with Approximate Timeline

Preparation

Management Meeting

Analysis*

1-3 days
- Reviews, votes and concludes on Rating

Rating Committee*

Publication

Ongoing monitoring
- Financial Reporting
- Investor calls
- Calls and meetings with Moody's Ratings

Monitoring

2-4 weeks

1-2 days
- Issuer reviews draft press release for factual errors and confidential information disclosure

- Rating Application received
- Team assigned
- Information provided by the issuer and reviewed by the analyst

MOODY'S
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Key Elements of Moody's Corporate Ratings

Industry Methodology

50+ different industries covered

Liquidity Analysis

Liquidity Risk Assessment

Speculative Grade Liquidity

Peer Comparison

Database of globally-rated peers

Other Methodologies & Analytical Considerations

ESG considerations

Ownership structure

Government-Related Issuers (GRI)

Macro factors

Credit Rating

Ongoing Monitoring

Close dialogue maintained with issuers for timely and relevant ratings

Main Information Sources:

Annual audited accounts

Annual issuer meeting

Budgets

Early notice of significant events e.g.

→ **M&A activities**

→ Divestments

→ Management changes

→ **Capital structure changes and refinancing**

Investor calls

Update call after quarterly reporting

Covenant compliance certificates

Any other information circulated to investors

→
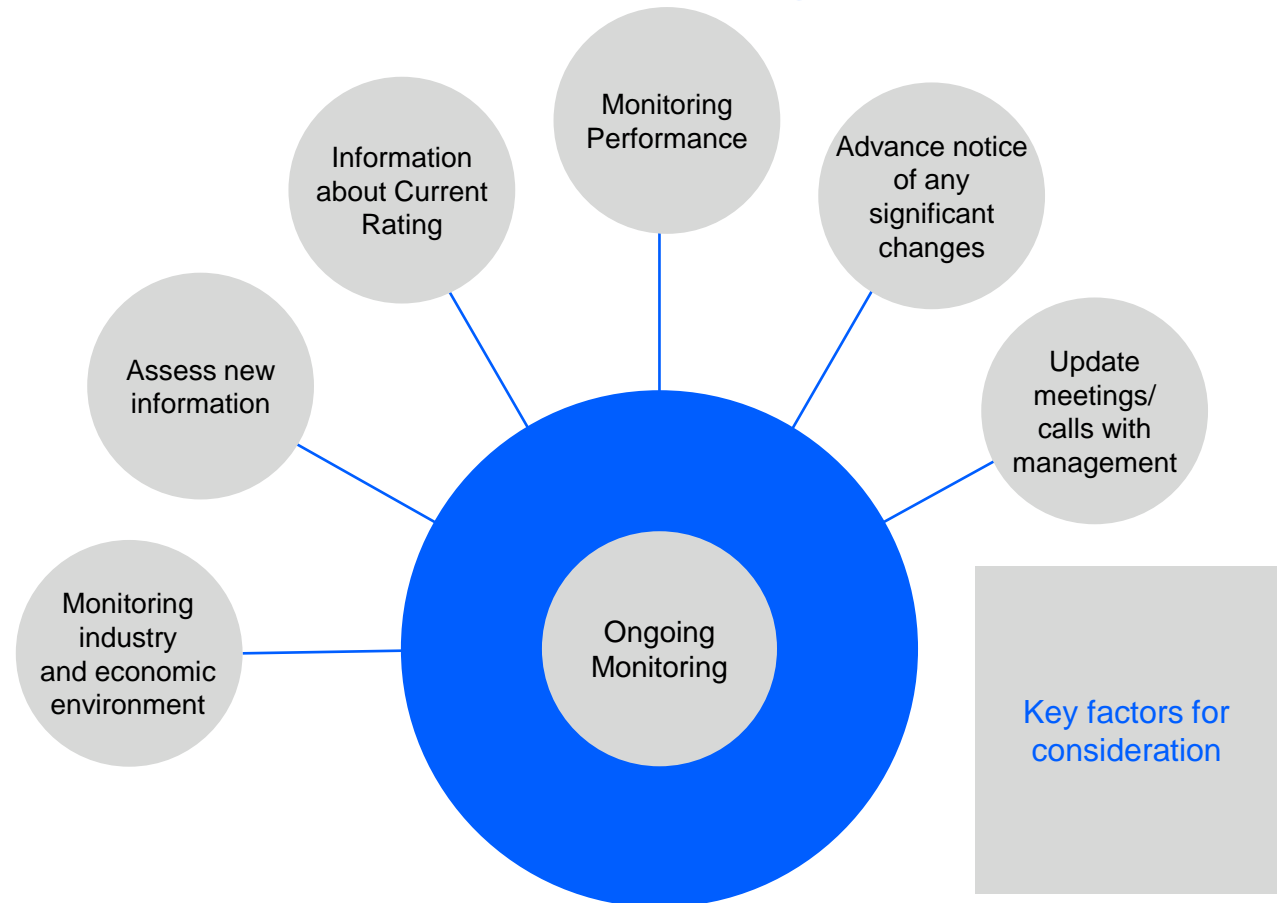
Typical Rating Committee Attendees

Attendance varies based on the nature and complexity of the credit

- **Composition to be determined by lead analyst together with the chair, minimum composition is three members**
- **Credit ratings are determined through rating committees, by majority vote of rating committee's members, and not by any individual analyst**

Lead Analyst

→ Presents his/her recommendation and supporting analysis.

Rating Committee Chair

→ Moderates the committee

Other participants as appropriate

→ One or more analysts from the same Rating Group and/or

→ Global/Regional members of broader Analytical Team and/or

→ Analysts from other Rating Groups and/or

→ Specialist (s) – Accounting/Governance/Operational Risk/Legal Analysts

→ Relevant Credit Officer(s) from Ratings and Process Oversight

MOODY'S

Moody's Ratings' Environmental, Social and Governance ("ESG") Considerations

Four Components to Moody's Ratings Integration of ESG

New ESG scores will assist in transparently and systematically demonstrating the impact of ESG on credit ratings

Credit Ratings & Research

How is ESG integrated into credit ratings?

ESG factors taken into consideration for all credit ratings. Greater transparency in PRs, as well as Credit opinions. Credit Impact Score (CIS) is an output of the rating process that indicates the extent, if any, to which ESG factors impact the rating of an issuer or transaction.

ESG Classification

What is ESG?

Our classification reports describe how we define and categorize E, S and G considerations that are material to credit quality. New environmental classification sharpens focus on physical climate risks.
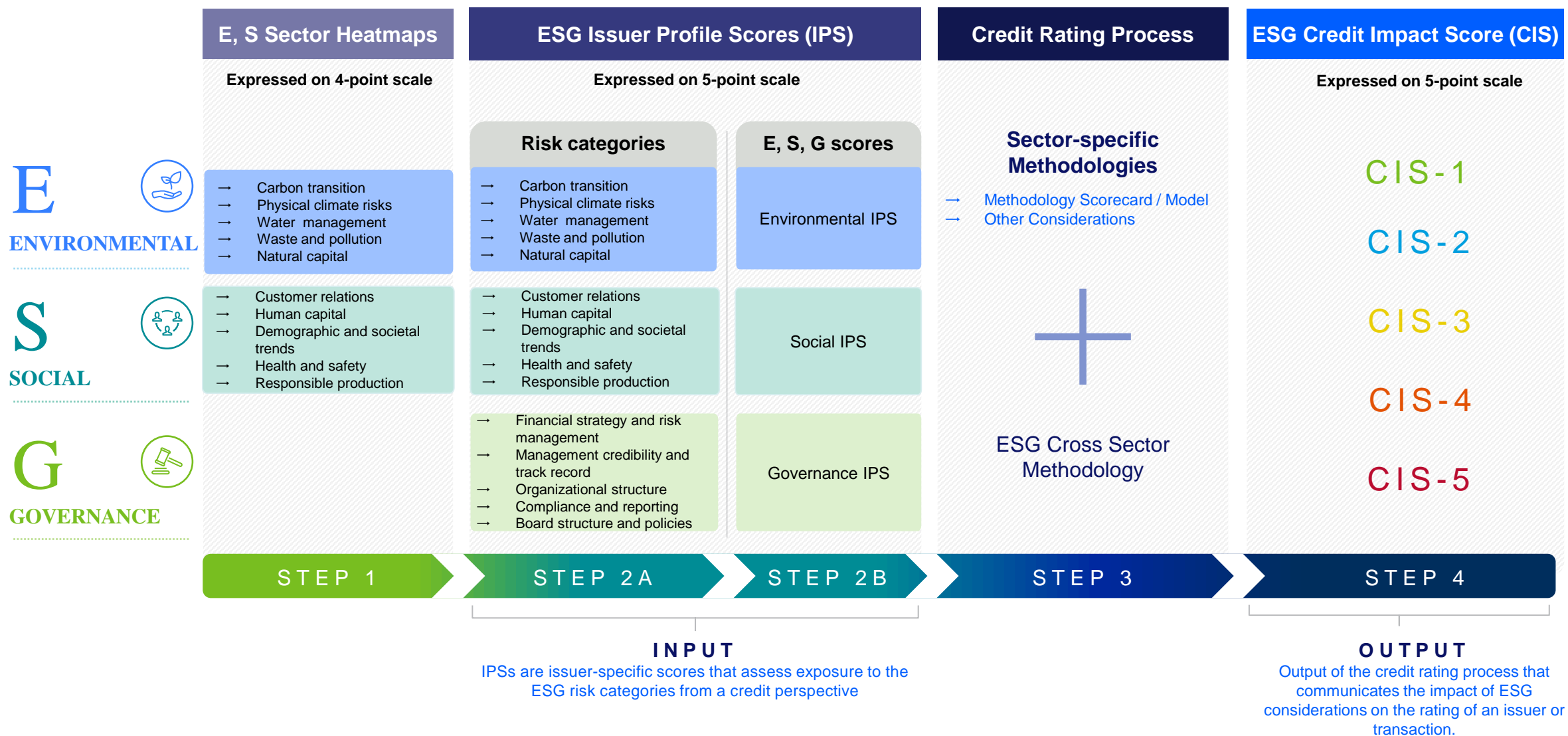
ESG Scores

How is a specific issuer exposed to ESG risks/benefits?

Issuer Profile Scores (IPS) are issuer-specific scores that assess an entity's exposure to the categories of risks in the ESG classification from a credit perspective. IPSs, where available, are inputs to credit ratings.

Heat Maps

Is ESG material to credit quality?

Heat maps provide relative ranking of various sectors along the E and S classification of risks.

ESG Analytical Tools

MOODY'S RATINGS

ESG Integration into Credit Ratings: Overview

E, S Sector Heatmaps	ESG Issuer Profile Scores (IPS)		Credit Rating Process	ESG Credit Impact Score (CIS)
Expressed on 4-point scale	Expressed on 5-point scale			Expressed on 5-point scale

E

ENVIRONMENTAL

S

SOCIAL

G

GOVERNANCE

E, S Sector Heatmaps
- → Carbon transition
- → Physical climate risks
- → Water management
- → Waste and pollution
- → Natural capital

- → Customer relations
- → Human capital
- → Demographic and societal trends
- → Health and safety
- → Responsible production

ESG Issuer Profile Scores (IPS)

Risk categories
- → Carbon transition
- → Physical climate risks
- → Water management
- → Waste and pollution
- → Natural capital

- → Customer relations
- → Human capital
- → Demographic and societal trends
- → Health and safety
- → Responsible production

- → Financial strategy and risk management
- → Management credibility and track record
- → Organizational structure
- → Compliance and reporting
- → Board structure and policies

E, S, G scores

Environmental IPS

Social IPS

Governance IPS

Credit Rating Process

Sector-specific Methodologies
- → Methodology Scorecard / Model
- → Other Considerations

+

ESG Cross Sector Methodology

ESG Credit Impact Score (CIS)

CIS-1

CIS-2

CIS-3

CIS-4

CIS-5

STEP 1	STEP 2A	STEP 2B	STEP 3	STEP 4

INPUT

IPSs are issuer-specific scores that assess exposure to the ESG risk categories from a credit perspective

OUTPUT

Output of the credit rating process that communicates the impact of ESG considerations on the rating of an issuer or transaction.

Case Study

Disclaimer

1   **The purpose of this presentation is to increase the transparency of Moody's Ratings' practices**

2   **The case study included in this presentation is designed to demonstrate how Moody's credit rating methodology is applied by Moody's Ratings. It is fictitious, hypothetical, and not exhaustive**

3   **For the purpose of the demonstration, we created two fictional companies and an imaginary transaction that is taking place between the two companies. <u>Numbers and ratios presented in the case study are artificial</u>, as well. Any resemblance to actual companies or events is purely coincidental**

MOODY'S RATINGS

Manufacturing Methodology

→ Filter coffee & Co. Ltd is rated under the Manufacturing Methodology and we apply the same methodology to assess the impact of the transaction

→ The methodology provides the framework for our analytical discussion but there are also other relevant topics considered in addition to the scorecard (e.g., Liquidity, ESG)

→ The scorecard-indicated outcome provides a starting point for ratings but does not determine the final rating

Scorecard Overview

- The scorecard incorporates qualitative and quantitative factors with different weights, using historical and forward-looking data. Each qualitative and quantitative factor is composed of subfactor(s) with different weights

- Moody's ratings are forward-looking and reflect our expectations for future financial and operating performance

- The scorecard-indicated outcome is not expected to match the actual rating for each company.

35%
LEVERAGE AND COVERAGE

25%
BUSINESS PROFILE*

20%
SCALE

5%
PROFITABILITY AND EFFICIENCY
EBITA Margin 5%

Debt/EBITDA 10%
RCF/Net Debt 10%
FCF/Debt 5%
EBITA/ Interest Expense 10%

15%
FINANCIAL POLICY*

Revenue 20%
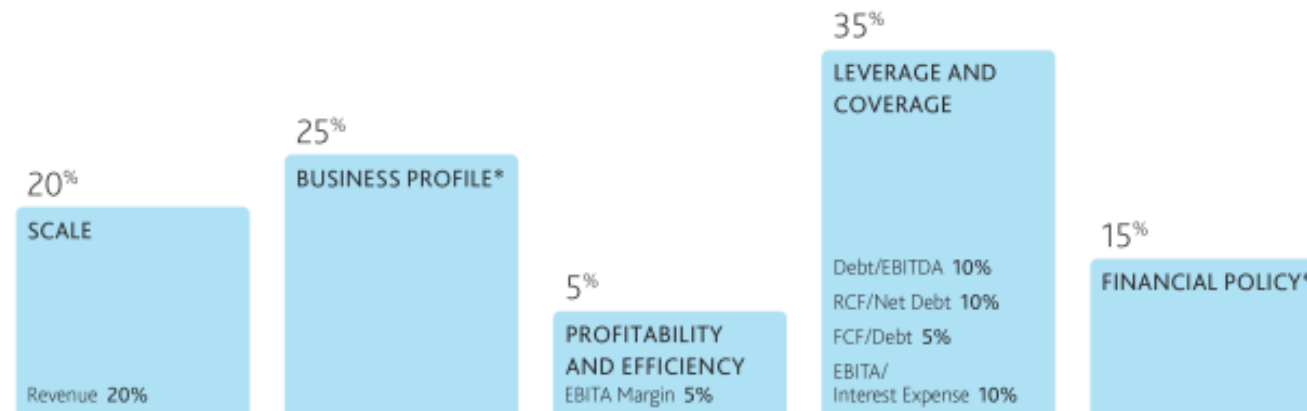
* This factor has no sub-factors
*Source: Moody's Ratings, Rating Methodology – Manufacturing, updated 10 September 2021. Please refer to the segment **Discussion of the Scorecard Factors** for individual factors' description*

MOODY'S RATINGS

Filter Coffee & Co. plc - The Acquirer (1/3)

Company Profile

→ Founded back in 1978, Filter Coffee & Co. is one of the leading manufacturers of vending machines and filter coffee machines. The company sells products in 105 countries, operates more than 20 production plants, and counts around 4,500 employees

→ Listed on London Stock Exchange for over 20 years with market capitalization at £1.9 billion

→ Majority-owned (around 70%) by the Kelly family

→ Filter Coffee & Co. organizes its operations in two divisions – **Vending Machines** and **Filter Coffee Machines**

Vending Machines

» #2 Global manufacturer of vending machines with 13% market share by volumes and fragmented customer base (mainly international operators) with no single customer accounting for more than 3% of revenue generated

» Rising participation of several small Chinese manufacturers due to **(1)** more advanced technology for vending machines and **(2)** ability to lower their cost base to levels which are not competitive for US and European counterparts

Revenue Breakdown by end-markets and products

Other 4%
Supermarkets 14%
Other 1%
Frozen/ Refrigerated Foods 4%
Snacks 25%
Coffee 36%
Offices 61%
Malls 21%
Other Hot/Cold Beverages 34%
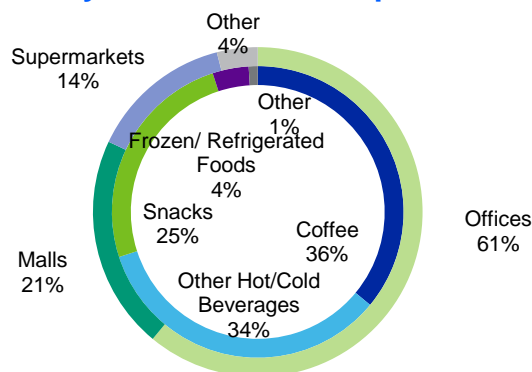
Source: Company

Filter Coffee Machines

» #4 Global manufacturer of filter coffee machines with 7% of market share. Top 10 customers account for a significant portion of revenues (around 52% of revenues in 2024)

» Challenging market conditions with **(1)** several established players that continuously launch new products and venture into strategic partnerships and M&As, **(2)** new competitive entrants from China and India, and **(3)** shift of end-customer preferences to espresso coffee machines

Top 10 Customers (% of Revenue)

Customer	%
Customer #1	10.0%
Customer #2	8.0%
Customer #3	7.5%
Customer #4	7.0%
Customer #5	5.5%
Customer #6	5.0%
Customer #7	3.0%
Customer #8	2.6%
Customer #9	2.3%
Customer #10	1.1%

Source: Company

MOODY'S RATINGS

Filter Coffee & Co. plc - The Acquirer (2/3)

Operational Performance

Legend:
- Vending Machines - Revenue (LHS)
- Filter Coffee Machines - Revenue (LHS)
- Vending Machines - Company EBITDA Margin (RHS)
- Filter Coffee Machine - Company EBITDA Margin (RHS)

Y-axis (LHS): In GBP million — 1,200 / 1,000 / 800 / 600 / 400 / 200 / -
Y-axis (RHS): 25% / 20% / 15% / 10% / 5% / 0%
X-axis: 2020, 2021, 2022, 2023, 2024

Source: Company

Key Credit Metrics

Key Indicators*	2020	2021	2022	2023	2024
Revenue (£ million)	1,258	1,417	1,493	1,541	1,594
Revenue (USD billion)	1.6	1.8	2.1	1.9	2.0
EBITA Margin	10.6%	14.5%	14.4%	14.4%	14.2%
Debt/EBITDA	2.2x	1.5x	1.5x	1.6x	1.3x
RCF/Net Debt	124.7%	135.0%	436.8%	222.5%	-818.2%
FCF/Debt	12.2%	37.2%	26.7%	31.9%	33.4%
EBITA/Interest Expense	8.4x	12.2x	14.6x	12.7x	14.4x

- All ratios are based on adjusted financial data and incorporate *Moody's Global Standard Adjustments for Non-Financial Corporations.*
- *RCF = Retained Cash Flow; FCF = Free Cash Flow; EBITDA = Earnings Before Interest, Tax, Depreciation & Amortization*
Source: Moody's Investors Service

Rating Triggers

Upgrade Triggers
» Substantial revenue and profitability growth, with Moody's-adjusted EBITA margin above 15% on a sustained basis
» Moody's-adjusted **debt/EBITDA below 1.75x** on a sustained basis
» Maintaining Moody's-adjusted FCF/Debt above 25% on a sustained basis
» Maintaining excellent liquidity

Downgrade Triggers
» Prolonged revenue and profitability decline, with Moody's-adjusted EBITA margin below 10% on a sustained basis
» Moody's-adjusted **debt/EBITDA above 2.75x** on a sustained basis
» Moody's-adjusted FCF/Debt below 10% on a sustained basis
» Deterioration in liquidity

Negative pressure could increase if the company engages in large debt-funded acquisitions, or an aggressive shareholder return policy

Rating Outlook

The stable outlook on Filter Coffee & Co. plc (Filter Coffee) reflects our expectation that the company will maintain credit metrics consistent with its current Baa2 rating level and that it will be able to maintain continued positive free cash flow and keep Moody's-adjusted debt/EBITDA below 2.0x despite the global economic slowdown, current commodity inflation, and weak consumer sentiment and purchasing power.

Filter Coffee & Co. Ltd - The Acquirer (3/3)

ESG Considerations - **CIS Score 3** (Moderate Impact)

→ **Environmental Risk -** **IPS Score E-3** (Moderate Credit Exposure)
- **Environmental heatmap for Manufacturing sector:** Moderate Risk
- **Use of natural capital**: Filter coffee machines are durable products with a lifetime of ~8 years. Raw materials used for production are widely available, but price risks exist.
- **Carbon transition, waste and pollution**: Production of coffee machines leads to limited carbon emissions, waste and pollution. Filter coffee & Co. is responsible for the recycling of old machines if returned by customers; history of less than 10% used machines returned; relatively low recycling cost; filter coffee can be recycled as organic waste

→ **Social Risk -** **IPS Score S-3** (Moderate Credit Exposure)
- **Social heatmap for Manufacturing sector:** Moderate Risk
- **Human capital risks**: Manufacturing operations mainly in the United States, access to skilled workforce is relatively good
- **Health & safety risks**: Only six minor accidents in manufacturing over the past five years; no workers seriously injured
- **Responsible production:** Coffee beans mainly produced in emerging countries in Africa and LatAm, where social standards are relatively low; supply chains with for coffee and for raw materials used for machine production are fragile
- **Demographic and societal trends**: End consumers are 55+ (on average), a generally stable customer group with a high retention rate and good affordability

→ **Governance Risk -** **IPS Score G-3** (Moderate Credit Exposure)
- **Financial strategy and risk management**: History of retaining net profits within the company, but also no equity injections by owners; no clearly articulated leverage target, but history of debt/EBITDA <1.5x (absent impact from covid-19 in 2020); no major M&A in the last five years
- **Board structure, policies and procedures:** Company is family owned; considerable key man risks exist: founder (80 years old) is also CEO; no succession plan articulated; majority of board members are non-independent (6 out of 8 in total)
- **Compliance and reporting**: Since listing on London Stock Exchange, company has been committed to transparency and improved corporate governance standards

Espresso Maker LLC - The Target

Unrated

Company Profile

» Family-owned private company established in 1924, based in Seattle. Strong brand with focus on premium quality has facilitated international expansion

» Second largest manufacturer of Premium Espresso coffee machines in North America with 35% local market share

» Growing presence in Asia-Pacific

» Strong topline growth (14% CAGR in 2021-2024) and resilient increase in profitability with EBITDA margin (around 19%)

» Growing demand for gourmet and specialty coffee that has stronger and richer flavour compared to filter coffee machines

Operational Performance

Legend:
- Espresso Coffee Machines - Revenue (LHS)
- Espresso Coffee Machines - Company EBITDA Margin (RHS)
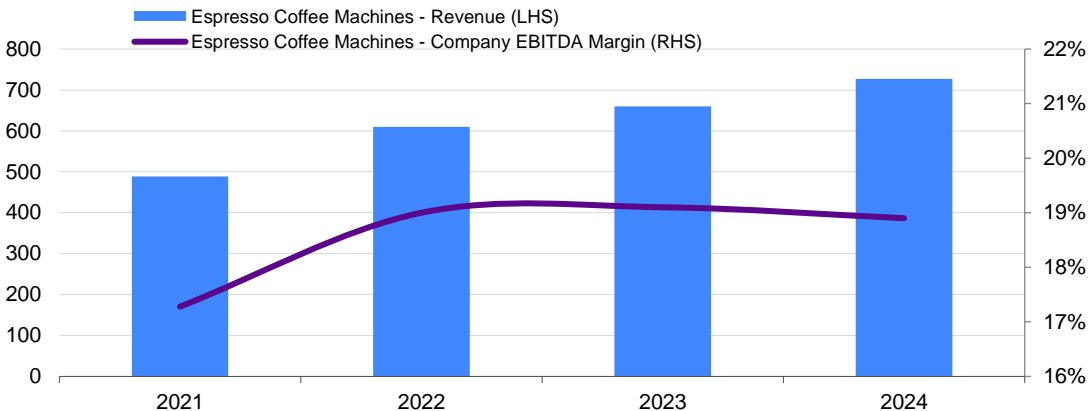
Revenue - Regional Breakdown

- US 40%
- Europe 40%
- Canada 10%
- Asia 7%
- Other 3%
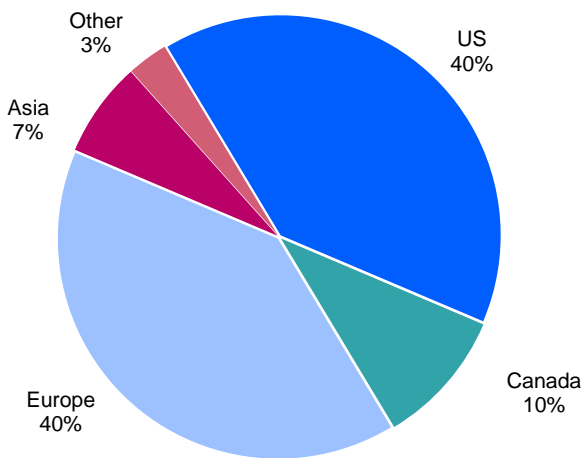
Source: Company

Key Credit Metrics

Key Indicators*	2021	2022	2023	2024
Revenue (£ million)	489	610	660	727
Revenue (USD billion)	0.6	0.8	0.8	0.8
EBITA Margin	14.2%	16.3%	16.0%	16.0%
Debt/EBITDA	2.3x	1.6x	1.6x	1.6x
RCF/Net Debt	44.5%	96.6%	285.9%	-264.2%
FCF/Debt	5.5%	28.8%	31.9%	32.5%
EBITA/Interest Expense	6.9x	11.2x	10.8x	9.9x

- *All ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations*
- *RCF = Retained Cash Flow; FCF = Free Cash Flow; EBITDA = Earnings Before Interest, Tax, Depreciation & Amortization*

Source: Moody's Investors Service

The Acquisition

Summary of the transaction

Filter Coffee & Co. plc

Acquisition of 100% for £1,100 million in cash →

Espresso Maker LLC

→ Filter coffee & Co. announced the acquisition of Espresso Maker LLC for a total cash price of £1.1 billion

→ Purchase price represents a multiple of 8.0x pre-synergies on 2024 company's EBITDA

→ The acquisition is expected to be funded entirely by debt through a guaranteed term loan due 2030 (£900 million) and cash on hand. In addition, the company has access to a £50 million revolving credit facility that will remain undrawn following the transaction

→ Given anticipated cost synergies and earnings the company expects to pay dividends going forward

→ Combined group's debt/EBITDA will weaken **from** 1.3x in 2024 **to** 3.1x pro forma the transaction

£m	As of Dec-24 (Prior to Transaction)		Adj	As of Dec-24 (Pro Forma Transaction)		Coupon	Maturity	Leverage impact
	Amount	xLTM EBITDA		Amount	xLTM EBITDA			
Cash and Cash Equivalents [1]	399		(250)	149				
RCF (~£50m)	-			-		SOFR+2.0%	Dec-29	
Senior Secured Fixed Rate Notes	300			300		4%	Dec-27	
Lease Liabilities	10			10				
Pension Liabilities	60			60				
New Senior Secured Term Loan	0		900	900		SOFR+2.0%	Jun-30	
Moody's-Adjusted Gross Debt	370	1.3x	900	1,270	3.1x			1.7x
Moody's-Adjusted Net Debt	(29)	-0.1x	1,150	1,121	2.7x			2.8x
Moody's-Adjusted EBITDA [2]	277		137	414				

Summary of Transaction

SOURCES	USES
£250 million in cash and equivalents as of December 2024	Full purchase price for Espresso Maker: £1,100 million
Senior secured Term Loan totaling £900 million maturing in 2030**	Transaction Fees & Expenses amounting £15 million
	Closing cash balance of £35 million following the transaction*
TOTAL: approx. £1,150 million ✅	TOTAL: approx. £1,150 million ✅

Source: Moody's Ratings

* Transaction expected to close by the end of July 2025
** Bridge financing in place

MOODY'S RATINGS

Key Financial Metrics (Moody's Adjusted Metrics)

Numbers are purely fictional and do not include any confidential or proprietary materials

As Adjusted*	Filter Coffee & Co. plc						Filter Coffee & Co. plc	Company Business Plan		
	N/A	N/A	N/A	Baa2 / STA	Baa2 / STA		N/A			
GBP (£)'millions	31-Dec-20	31-Dec-21	31-Dec-22	31-Dec-23	31-Dec-24		31-Dec-24 PF	31-Dec-25	31-Dec-26	31-Dec-27
Net Sales/Revenue	1,258	1,417	1,493	1,541	1,594		2,321	2,466	2,639	2,821
% Change in Sales	-11.2%	12.6%	5.4%	3.2%	3.5%		50.7%	6.2%	7.0%	6.9%
EBITDA	180	251	262	270	277		414	461	544	603
Exceptional Items incl. in EBITDA								*20*	*70*	*30*
EBITA	133	206	215	221	227		344	391	472	529
EBIT	121	197	203	207	213		324	371	448	504
Interest Expense	16	17	15	17	16		81	81	81	81
Total Debt	388	385	380	426	370		1,270	1,270	1,270	1,270
Cash & Cash Equivalents	278	238	330	325	399		147	284	480	720
Net Debt	110	147	50	101	-29		1,123	986	790	550
Funds from Operations (FFO)	137	198	216	224	236		236	313	376	421
Changes in Working Capital Items	(10)	(20)	(30)	(20)	(40)		(40)	(20)	(10)	5
CASH FLOW FROM OPERATIONS	127	178	186	204	196		196	293	366	426
Additions to P.P. & E. (Capital Expenditures)	(80)	(35)	(85)	(68)	(73)		(73)	(108)	(103)	(103)
Proceeds from Disposal of P.P. & E.	0	0	0	0	0		0	0	0	0
Business Acquisition	0	0	(42)	(158)	(40)		(1,175)	(1,135)	0	0
Long-term Debt Proceeds	0	0	0	25	0		900	900	0	0
Long-term Debt Payments	0	0	0	0	(3)		(3)	0	0	0
Cash Dividends – Common	0	0	0	0	0		0	(50)	(67)	(84)
Retained Cash Flow (RCF)	137	198	216	224	236		236	263	309	338
Free Cash Flow (FCF)	47	143	101	136	123		123	135	196	240
Methodology Specific Accounts/Ratios										
Net Sales/Revenue	1,258	1,417	1,493	1,541	1,594		2,321	2,466	2,639	2,821
EBITA Margin %	10.6%	14.5%	14.4%	14.4%	14.2%		14.8%	15.8%	17.9%	18.8%
Debt / EBITDA	2.2x	1.5x	1.5x	1.6x	1.3x		3.1x	2.8x	2.3x	2.1x
RCF / Net Debt	124.7%	135.0%	436.8%	222.5%	-818.2%		21.1%	26.6%	39.2%	61.3%
FCF / Debt	12.2%	37.2%	26.7%	31.9%	33.4%		9.7%	10.6%	15.5%	18.9%
EBITA/ Interest Expense	8.4x	12.2x	14.6x	12.7x	14.4x		4.3x	4.8x	5.8x	6.6x

Source: Moody's Ratings

Key Rating Considerations Post Acquisition
Rating Factors – Global Manufacturing

Manufacturing Industry Scorecard [1][2]	Current FY 12/31/2024 (Standalone)		Moody's 12-18 Month Forward View as of February 2025 [4]	
Factor 1 : Scale (20%)	**Measure**	**Score**	**Measure**	**Score**
a) Revenue (USD Billion)	$2.0	Ba	$3.0 - $3.2	Ba
Factor 2 : Business Profile (25%)				
a) Business Profile	Baa	Baa	Baa	Baa
Factor 3 : Profitability and Efficiency (5%)				
a) EBITA Margin	14.2%	Baa	15.0% - 17.0%	Baa
Factor 4 : Leverage and Coverage (35%)				
a) Debt / EBITDA	1.3x	A	2.5x – 3.0x	Baa
b) Retained Cash Flow / Net Debt	-818.2%	Aaa	25.0% - 35.0%	Baa
c) Free Cash Flow / Debt	33.4%	Aaa	10.0% - 13.0%	Baa
d) EBITA / Interest Expense	14.4x	A	4.5x – 5.0x	Ba
Factor 5 : Financial Policy (15%)				
a) Financial Policy	Baa	Baa	[Baa/Ba]	[Baa/Ba]
Rating:				
a) Scorecard-Indicated Outcome		Baa1		[Baa3/Ba1]
b) Actual Rating Assigned		Baa2		**[Baa2/Baa3]**

[1] All ratios are based on 'Adjusted' financial data and incorporate Financial Statements Adjustments in the Analysis of Non-Financial Corporations Methodology October 2024
[2] As of 12/31/2024. Net Debt is negative.
[3] This represents Moody's forward view, not the view of the issuer, and unless noted in the text, does not incorporate significant acquisitions and divestitures.
Source: Moody's Financial Metrics™ and Moody's Investors Service estimates

→ The actual rating assigned is one notch below the scorecard-indicated outcome as the scorecard does not take into consideration several factors including:
- Increasing competition from China in the vending machine market;
- Shift in consumers' preferences to espresso machines, which may require investments to develop new products or the acquisitions of new companies;
- High execution and integration risk, considering the large acquisition size and different management styles/business culture
- Key man/succession risk
- New financial policy on dividend distribution

Evolution of Selected Ratios

Acquisition impact on relevant ratios
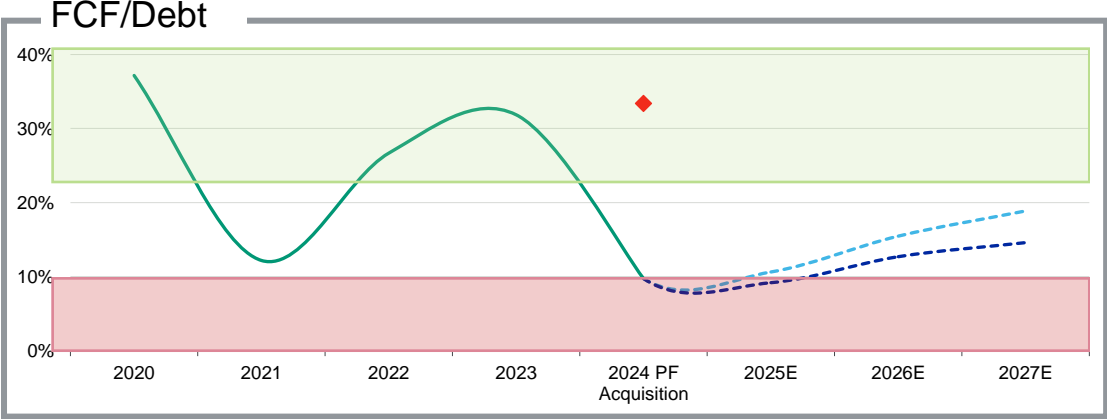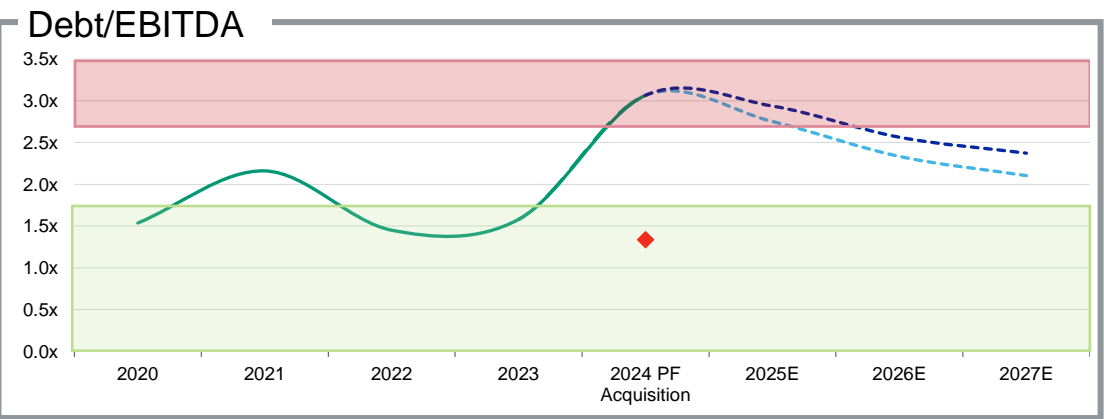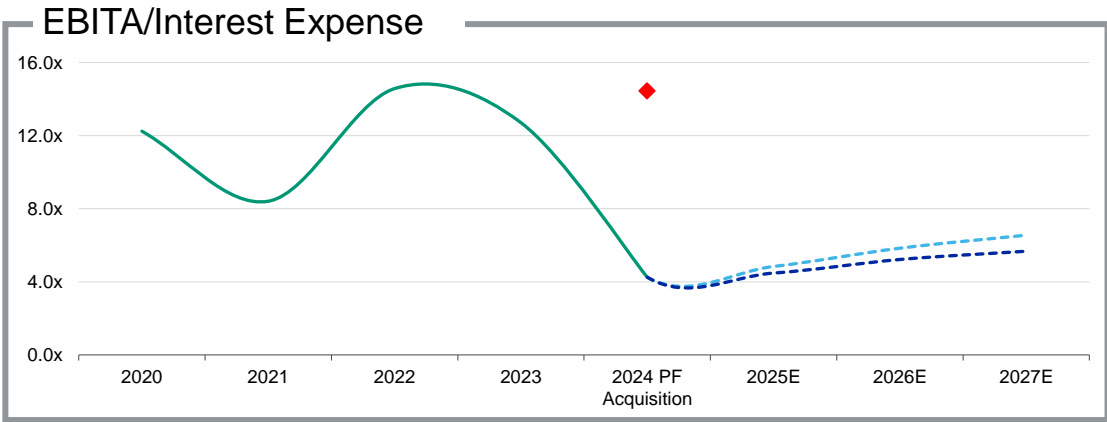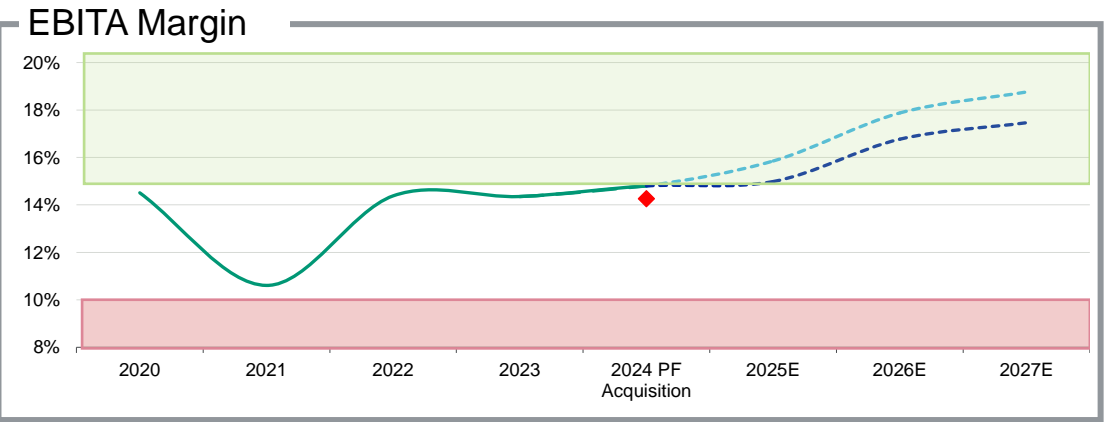
Source: Moody's Ratings

RCF = Retained Cash Flow; FCF = Free Cash Flow; EBITDA = Earnings Before Interest, Tax, Depreciation & Amortization

⚠ Metrics may be weaker depending on the development of the integration plan and potential future acquisitions

Peer Comparison – Post Acquisition

Peers are purely fictional and do not include any confidential or proprietary materials

Moody's 12 -18 Month Froward View

Company	Current LT Rating	Outlook	Revenue ($ Billion)	Business Profile	EBITA Margin	EBITA/Interest Expense	Debt/ EBITDA	RCF/Net Debt	FCF/Debt	Financial Policy
Filter Coffee & Co.	**Baa2**	**STA**	**3.0 – 3.2**	**Baa**	**15.0% - 17.0%**	**4.5x – 5.0x**	**2.5x – 3.0x**	**25% - 35%**	**10% - 13%**	**[Baa/Ba]**
Fortune Brands Innovations, Inc.	Baa2	STA	5.0	Baa	17.9%	6.7x	2.8x	30.2%	16.0%	Baa
GEA Group Aktiengesellschaft	Baa1	STA	5.8 – 6.3	Baa	10.5% - 11.5%	11.0x – 13.0x	1.2x – 1.4x	55.0% - 75.0%	5.0% - 10.0%	Baa
PERI SE	Baa2	STA	2.0 – 2.1	Baa	6.8% - 7.5%	4.7x – 5.3x	0.9x – 1.2x	75.0% - 80.0%	-1.0% - 2.0%	Baa
Barry Callebaut AG	Baa3	STA	13.8 – 14.4	Baa	N/A	N/A	3.7x – 4.8x	10.0% - 19.7%	N/A	Baa
JDE Peet's N.V.	Baa3	STA	9.4 – 9.7	Baa	13.6% – 14.1%	10.9x -11.4x	3.3x – 3.8x	16.9% - 19.0%	N/A	Baa
ALI HOLDING S.R.L.	Baa3	POS	4.6 – 4.7	A	21.0% - 22.0%	6.0x – 8.0x	1.3x – 1.7x	60.0% - 70.0%	20.0% - 30.0%	Baa

Source: Moody's Ratings, as of March 2025

RCF = Retained Cash Flow; FCF = Free Cash Flow; EBITDA = Earnings Before Interest, Tax, Depreciation & Amortization

Filter Coffee & Co Ltd compares best to Fortune Brands Innovations, Inc., JDE Peet's N.V., and Ali Holding S.r.l.

Liquidity Assessment

Sources vs. Uses Analysis (2025 Forecast)

Sources (488):
- Unused Committed Revolving Credit Facility
- Cash on B/S post-transaction
- FFO

Uses (247):
- Minimum Working Cash
- Dividend
- Changes in Net Working Capital
- Capex (Inc. Leases Repayment)

in GBP million

Debt Maturity Profile

in GBP million

Years: 2025, 2026, 2027, 2028, 2029, 2030, 2031+
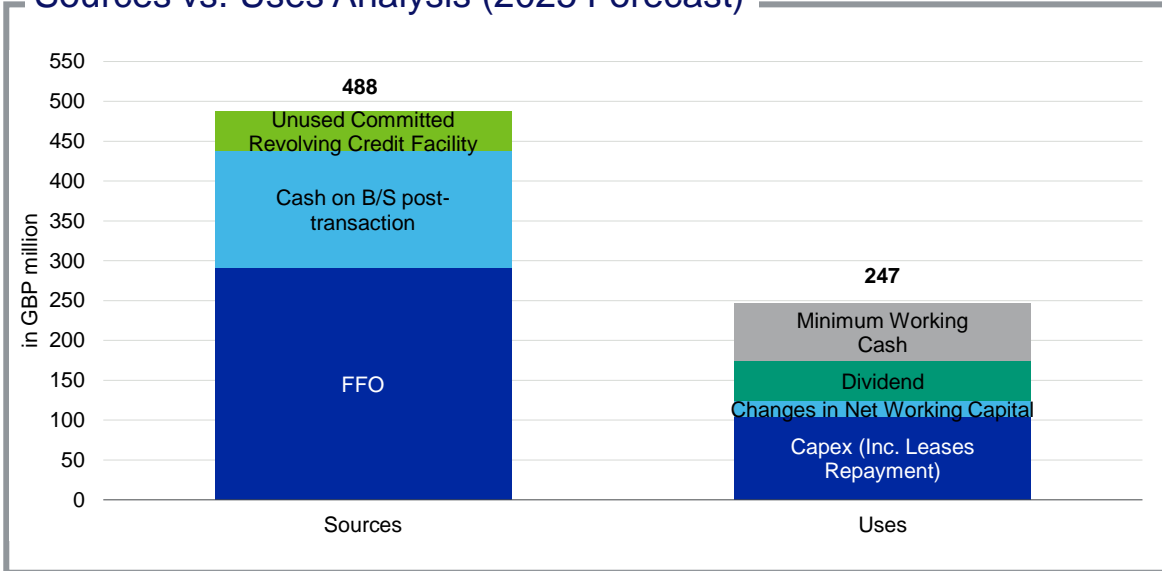
Source: Moody's Ratings
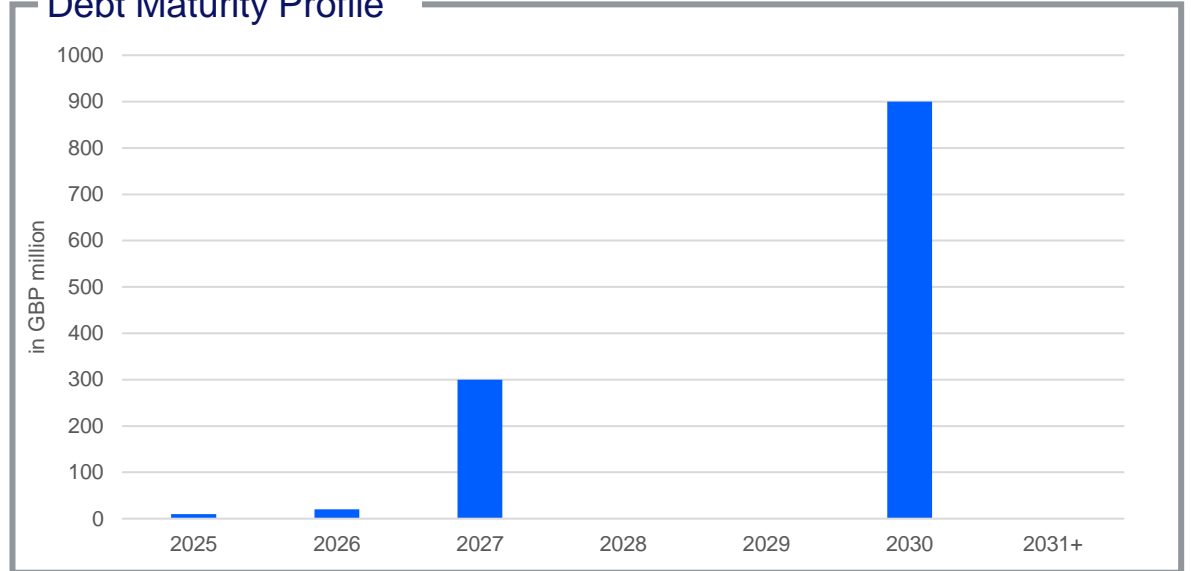
→ We expect Filter Coffee & Co to keep the Revolving Credit Facilty (£50 million) undrawn following the transaction

→ Filter Coffee & Co faces its first large maturity in December 2027, when £300 million senior secured fixed rate notes come due

→ Following the acquisition, Filter Coffee & Co will face a maturity wall in 2030 when the £900 senior secured term loan comes due

MOODY'S RATINGS

Potential Rating Actions

Affirmation of Baa2, outlook remains stable:

The business profile is materially stronger following the acquisition and the metrics remains within the range of the current rating level

Affirmation of Baa2, outlook changed to negative:

Key credit metrics deteriorate towards our negative triggers but are expected to improve more in line with the current rating from 2026; benefits from stronger business profile

Place the Baa2 rating on review for downgrade:

Transaction is subject to execution risks and further analysis is needed to determine the credit impact of the transaction

Downgrade to Baa3 with a stable outlook:

Deterioration of leverage and cash flow metrics towards our negative trigger and high integration risk may delay improvement towards the level required for the current rating; Introduction of the dividend payments will weaken FCF and underlies increasing shareholder orientation

The rating action will be determined by the rating committee

Additional Analytical Information Relevant for the Case Study

Key Financial Metrics (Moody's Adjusted Metrics)

Numbers are purely fictional and do not include any confidential or proprietary materials

As Adjusted*	Filter Coffee & Co. plc						Filter Coffee & Co. plc	Company Business Plan		
	N/A	N/A	N/A	Baa2 / STA	Baa2 / STA		N/A			
GBP (£)'millions	31-Dec-20	31-Dec-21	31-Dec-22	31-Dec-23	31-Dec-24		31-Dec-24 PF	31-Dec-25	31-Dec-26	31-Dec-27
Net Sales/Revenue	1,258	1,417	1,493	1,541	1,594		2,321	2,466	2,639	2,821
% Change in Sales	-11.2%	12.6%	5.4%	3.2%	3.5%		50.7%	6.2%	7.0%	6.9%
EBITDA	180	251	262	270	277		414	461	544	603
Exceptional Items incl. in EBITDA								*20*	*70*	*30*
EBITA	133	206	215	221	227		344	391	472	529
EBIT	121	197	203	207	213		324	371	448	504
Interest Expense	16	17	15	17	16		81	81	81	81
Total Debt	388	385	380	426	370		1,270	1,270	1,270	1,270
Cash & Cash Equivalents	278	238	330	325	399		147	284	480	720
Net Debt	110	147	50	101	-29		1,123	986	790	550
Funds from Operations (FFO)	137	198	216	224	236		236	313	376	421
Changes in Working Capital Items	(10)	(20)	(30)	(20)	(40)		(40)	(20)	(10)	5
CASH FLOW FROM OPERATIONS	127	178	186	204	196		196	293	366	426
Additions to P.P. & E. (Capital Expenditures)	(80)	(35)	(85)	(68)	(73)		(73)	(108)	(103)	(103)
Proceeds from Disposal of P.P. & E.	0	0	0	0	0		0	0	0	0
Business Acquisition	0	0	(42)	(158)	(40)		(1,175)	(1,135)	0	0
Long-term Debt Proceeds	0	0	0	25	0		900	900	0	0
Long-term Debt Payments	0	0	0	0	(3)		(3)	0	0	0
Cash Dividends – Common	0	0	0	0	0		0	(50)	(67)	(84)
Retained Cash Flow (RCF)	137	198	216	224	236		236	263	309	338
Free Cash Flow (FCF)	47	143	101	136	123		123	135	196	240
Methodology Specific Accounts/Ratios										
Net Sales/Revenue	1,258	1,417	1,493	1,541	1,594		2,321	2,466	2,639	2,821
EBITA Margin %	10.6%	14.5%	14.4%	14.4%	14.2%		14.8%	15.8%	17.9%	18.8%
Debt / EBITDA	2.2x	1.5x	1.5x	1.6x	1.3x		3.1x	2.8x	2.3x	2.1x
RCF / Net Debt	124.7%	135.0%	436.8%	222.5%	-818.2%		21.1%	26.6%	39.2%	61.3%
FCF / Debt	12.2%	37.2%	26.7%	31.9%	33.4%		9.7%	10.6%	15.5%	18.9%
EBITA/ Interest Expense	8.4x	12.2x	14.6x	12.7x	14.4x		4.3x	4.8x	5.8x	6.6x

MOODY'S
RATINGS

Scale & Business Profile (1/2)

Factor 1 & 2 - Scale and Business Profile (45%)

Filter Coffee & Co. plc

SIZE & DIVERSIFICATION

» Relatively small size company
» Operates +20 production plants with products sold in +100 countries
» Broad customer base in Europe, representing the biggest chunk of revenues (65%), with international geographic diversification into the UK and Americas
» Long-standing and successful presence in the vending machine and filter coffee industry with low risk of technology obsolescence
» Limited product diversification

Espresso Maker LLC

SIZE & DIVERSIFICATION

» Relatively small size company with regional manufacturing presence mainly in the US
» Strong footprint in North America (50% of revenue) with growing exposure to Europe (40% of revenue) and efforts to enter Asian market
» Leading global espresso machine producer
» Strong brand recognition supported by the premium quality of its product

Scale & Business Profile (2/2)

Factor 1 & 2 – Business Profile & Scale (45%)

Sub-Factor	Weight	Aaa	Aa	A	Baa	Ba	B	Caa	Ca
Business Profile	25%	Unassailable market positions across essentially all of its business segments globally and extremely stable revenue and margins, supported by extremely stable end-markets; a highly diverse portfolio of products in multiple business segments; and entire cost structure is extremely efficient and effective.	Commanding and defensible market positions across most of its business segments globally and highly stable revenue and margins, supported by highly stable end-markets; a highly diverse portfolio of products in multiple business segments; and a highly efficient and effective cost structure.	Extremely strong and defensible market positions across its core business segments and stable revenue and margins, supported by mostly stable end-markets; a diverse portfolio of products in multiple business segments; an efficient and effective cost structure.	Strong and defensible market positions in most of its core business segments and moderately stable revenue and margins, supported by end-markets that are characterized by solid long-term demand but subject to short-term volatility; a diverse portfolio of products in only one or two business segments; some volatility in input costs, but cost management that substantially mitigates the margin impact.	Operates in one or few business segments with leading market positions that are defensible in the near term but are subject to long-term competitive threats and revenue and margin volatility due to end-markets that are characterized by moderate short-term volatility; a somewhat concentrated portfolio of products; input costs that are volatile and cost management that only partially mitigates the margin impact.	Operates in a highly competitive and fragmented market with a moderate ability to defend its position and is subject to high revenue and margin volatility due to end-markets that are characterized by high short-term volatility; a concentrated portfolio of products; input costs that are volatile and the company has little ability to mitigate the margin impact.	Operates in a highly competitive and fragmented market characterized by product substitution and is subject to extremely high and unpredictable revenue and margin volatility due to weak and highly volatile end-markets; offers one or few products; input costs are volatile, and the company essentially has no ability to mitigate the margin impact.	Operates in an intensely competitive market that is approaching obsolescence.

🟨 Standalone   ⬜ Post acquisition

MOODY'S
RATINGS

Profitability

Factor 3 – Profitability (5%)

Filter Coffee & Co. Ltd

→ Highly variable cost structure resulting in consistent margins in periods of both volume growth and decline
→ Ability to pass through raw material price increases to customers
→ Limited capital requirements
→ Mature market and declining demand for Filter coffee
→ Increasing competition form China

Espresso Maker LLC

→ Strong footprint in North American market and growing exposure to EMEA
→ Reliable customer base and strong brand recognition
→ Attractive growth opportunities in emerging markets especially in China

Sub-Factor	Weight	Aaa	Aa	A	Baa	Ba	B	Caa	Ca
EBITA Margin	5%	>=35%	25% - 35%	17% - 25%	12% - 17%	7% - 12%	2.5% - 7%	0% - 2.5%	<0%

Standalone ⬜   Post acquisition

MOODY'S RATINGS

4. Coverage & Leverage

Factor 4 – Coverage & Leverage (35%)

→ Financial metrics will deteriorate as a result of the transaction, leverage (Debt/EBITDA) will be increasing from 1.3x in 2024 to 3.1x proforma the acquisition

→ We expect Free Cash Flow will improve; however high debt load will reduce FCF/Debt from 33.4% in 2024 to 9.7% proforma the acquisition

Sub-Factor	Weight	Aaa	Aa	A	Baa	Ba	B	Caa	Ca
Leverage and Cash Flow									
Debt/EBITDA	10%	<0.5x	0.5x - 1x	1x - 1.75x	1.75x - 3.25x	3.25x - 4.75x	4.75x - 6.25x	6.25x - 7.75x	>=7.75x
RCF/Net Debt	10%	>=60%	45% - 60%	35% - 45%	25% - 35%	15% - 25%	7.5% - 15%	0% - 7.5%	<0%
FCF/Debt	5%	>=25%	20% - 25%	15% - 20%	10% - 15%	5% - 10%	0% - 5%	-5% - 0%	<-5%
Coverage									
EBITA/Interest Expense	10%	>=20x	15x - 20x	10x - 15x	7x - 10x	4x - 7x	1.5x - 4x	0.75x – 1.5x	<0.75x

▢ Standalone   ⬚ Post acquisition

MOODY'S RATINGS

5. Financial Policy (Post Acquisition)

Factor 5 – Financial Policy (15%)

→ Commitment to an investment-grade rating

→ There is a risk of limited share buybacks

→ Announcement of dividend payments

Sub-Factor	Weight	Aaa	Aa	A	Baa	Ba	B	Caa	Ca
Financial Policy	15%	Expected to have extremely conservative financial policies (including risk and liquidity management); very stable metrics; essentially no event risk that would cause a rating transition; and public commitment to a very strong credit profile over the long term.	Expected to have very conservative financial policies (including risk and liquidity management); stable metrics; minimal event risk that would cause a rating transition; and public commitment to a strong credit profile over the long term.	Expected to have predictable financial policies (including risk and liquidity management) that preserve creditor interests; although modest event risk exists, the effect on leverage is likely to be small and temporary; strong commitment to a solid credit profile.	Expected to have financial policies (including risk and liquidity management) that balance the interests of creditors and shareholders; some risk that debt-funded acquisitions or shareholder distributions could lead to a weaker credit profile.	Expected to have financial policies (including risk and liquidity management) that tend to favor shareholders over creditors; above-average financial risk resulting from shareholder distributions, acquisitions or other significant capital structure changes.	Expected to have financial policies (including risk and liquidity management) that favor shareholders over creditors; high financial risk resulting from shareholder distributions, acquisitions or other significant capital structure changes.	Expected to have financial policies (including risk and liquidity management) that create elevated risk of debt restructuring in varied economic environments.	Expected to have financial policies (including risk and liquidity management) that create elevated risk of debt restructuring even in healthy economic environments.

🟨 Standalone   ⬛ Post acquisition

MOODY'S RATINGS

Peer Comparison

Numbers are purely fictional and do not include any confidential or proprietary materials

Source: Moody's Ratings

MOODY'S RATINGS

Peer Comparison
Numbers are purely fictional and do not include any confidential or proprietary

Debt/EBITDA, times

FCF/Debt, %

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RATINGS
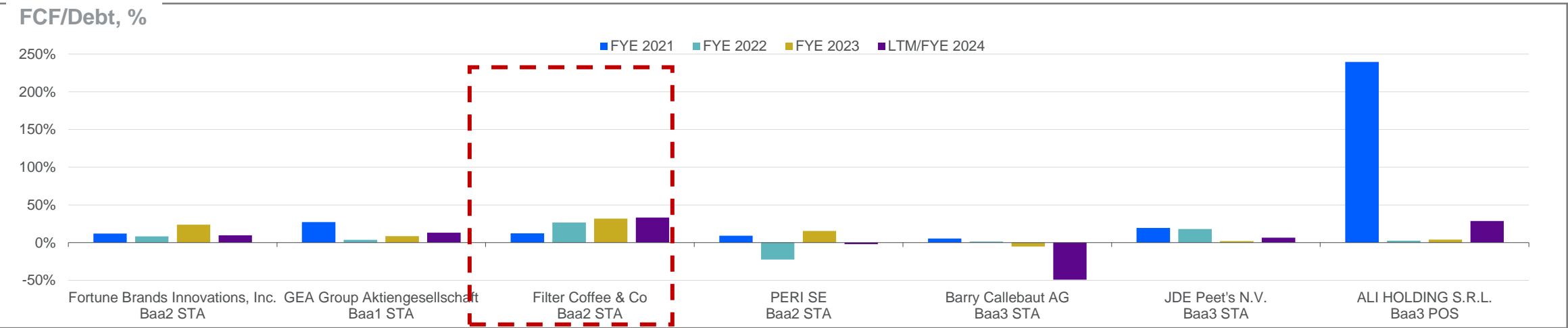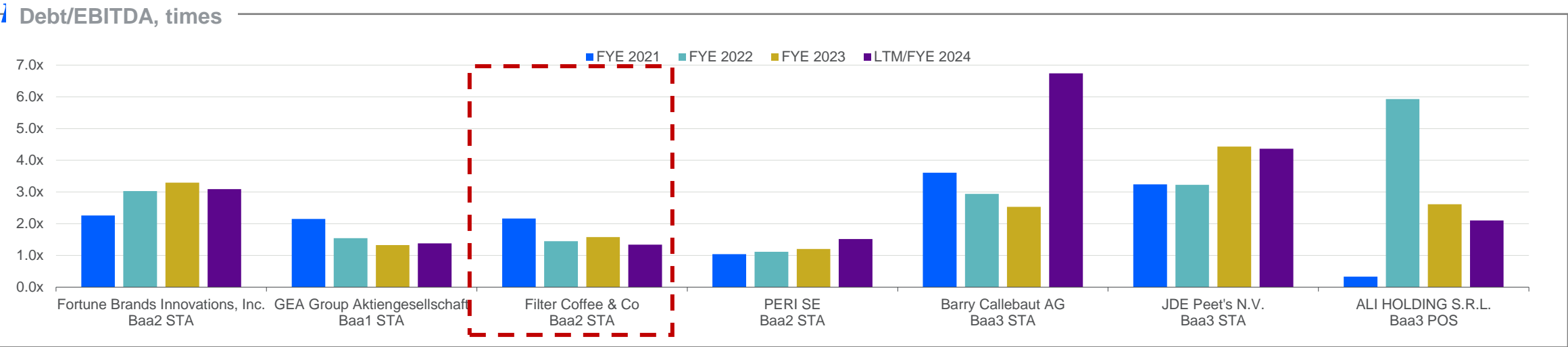
Potential Analytical Conclusions

Topics for Analytical Discussion

Business Profile & Strategy
Larger scale
Increased regional and product diversification

Execution and integration risk
Execution risks in achieving synergies as planned
Potential cultural risk may delay the integration process

Financial risk
Debt funded transaction (leverage doubles to 3.0x); leverage to exceed negative rating trigger; deleveraging will be depending on synergies execution

ESG
Low impact of environmental and social risks;
Corporate Governance and Financial Policy (M&A activity, start of dividend payments) changed

Potential Takeaways From the Analysis

Positive factors

Increased product diversification and scale improve the business profile ✓

Deleveraging expected from 2026 ✓

Liquidity remains good thanks to continued positive Free Cash Flow generation ✓

Filter Coffee & Co. has track record of solid revenue growth and strong Free Cash Flow generation ✓

Negative factors

✗ Weakening of the key credit metrics including an increase in leverage to over 3.0x

✗ Material integration and execution risks, which may delay deleveraging

✗ Increasing shareholder orientation as evidenced by the decision to start paying dividends

Appendix

Issuer Profile Scores are Inputs to Credit Ratings

Sector category scores from heat map serve as reference point

COMPONENTS

E

Environmental

S

Social

G

Governance

SECTOR CATEGORY SCORES
Expressed on 4-point scale
(V.High, High, Moderate, Low)

- Carbon transition
- Physical climate risks
- Water management
- Waste and pollution
- Natural capital

- Customer relations
- Human capital
- Demographic and societal trends
- Health and safety
- Responsible production

Step 1

ISSUER CATEGORY SCORES
Expressed on 5-point scale
(1 – 5)

- Carbon transition
- Physical climate risks
- Water management
- Waste and pollution
- Natural capital

- Customer relations
- Human capital
- Demographic and societal trends
- Health and safety
- Responsible production

- Financial strategy and risk management
- Management credibility and track record
- Organizational structure
- Compliance and reporting
- Board structure and policies

Step 2*

ISSUER PROFILE SCORES
Expressed on 5-point scale
(1 – 5)

E Issuer Profile Score

S Issuer Profile Score

G Issuer Profile Score

Step 3

* Category scores incorporate mitigants specifically
related to that risk category

MOODY'S
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E, S and G Issuer Profile Scoring Scale

Assessed on a five-point scale from positive to negative exposure

	Score	Definition
POSITIVE	**E-1** **S-1** **G-1**	Issuers or transactions with a Positive E or S issuer profile score typically have exposures to E or S issues that carry material credit benefits. For G, issuers or transactions typically have exposure to G considerations that, in the context of their sector, positions them strongly, with material credit benefits.
NEUTRAL-TO-LOW	**E-2** **S-2** **G-2**	Issuers or transactions with a Neutral-to-Low E or S issuer profile score typically have exposures to E or S issues that are not material in differentiating credit quality. In other words, they could be overall slightly credit-positive, credit-neutral, or slightly credit-negative. An issuer or transaction may have a Neutral-to-Low score because the exposure is not material or because there are mitigants specifically related to any E or S risks that are sufficient to offset those risks. Issuers or transactions with a Neutral-to-Low G issuer profile score typically have exposure to G considerations that, in the context of their sector, positions them as average, and the exposure is overall neither credit-positive nor negative.
MODERATELY NEGATIVE	**E-3** **S-3** **G-3**	Issuers or transactions with a Moderately Negative E or S issuer profile score typically have exposures to E or S issues that carry moderately negative credit risks. These issuers may demonstrate some mitigants specifically related to the identified E or S risks, but they are not sufficiently material to fully offset the risks. Issuers or transactions with a Moderately Negative G issuer profile score typically have exposure to G considerations that, in the context of the sector, positions them below average and the exposure carries overall moderately negative credit risks.
HIGHLY NEGATIVE	**E-4** **S-4** **G-4**	Issuers or transactions with a Highly Negative E or S issuer profile score typically have exposures to E or S issues that carry high credit risks. These issuers may demonstrate some mitigants specifically tied to the E or S risks identified, but they generally have limited effect on the risks. Issuers or transactions with a Highly Negative G issuer profile score typically have exposure to G considerations that, in the context of their sector, positions them weakly and the exposure carries overall highly negative credit risks.
VERY HIGHLY NEGATIVE	**E-5** **S-5** **G-5**	Issuers or transactions with a Very Highly Negative E or S issuer profile score typically have exposures to E or S issues that carry very high credit risks. While these issuers or transactions may demonstrate some mitigants specifically related to the identified E or S risks, they are not meaningful relative to the magnitude of the risks. Issuers or transactions with a Very Highly Negative G issuer profile score typically have exposure to G considerations that, in the context of their sector, positions them very poorly and the exposure carries overall very high credit risks.

MOODY'S RATINGS

ESG Credit Impact Score (CIS) Scale

	Score	Definition
POSITIVE	CIS-1	For an issuer scored CIS-1 (Positive), its ESG attributes are overall considered as having a positive impact on the rating. The overall positive influence from its ESG attributes on the rating is material.
NEUTRAL-TO-LOW	CIS-2	For an issuer scored CIS-2 (Neutral-to-Low), its ESG attributes are overall considered as having a neutral-to-low impact on the current rating; i.e., the overall influence of these attributes on the rating is non-material.
MODERATELY NEGATIVE	CIS-3	For an issuer scored CIS-3 (Moderately Negative), its ESG attributes are overall considered as having a limited impact on the current rating, with greater potential for future negative impact over time. The negative influence of the overall ESG attributes on the rating is more pronounced compared to an issuer scored CIS-2.
HIGHLY NEGATIVE	CIS-4	For an issuer scored CIS-4 (Highly Negative), its ESG attributes are overall considered as having a discernible negative impact on the current rating. The negative influence of the overall ESG attributes on the rating is more pronounced compared to an issuer scored CIS-3.
VERY HIGHLY NEGATIVE	CIS-5	For an issuer scored CIS-5 (Very Highly Negative), its ESG attributes are overall considered as having a very high negative impact on the current rating. The negative influence of the overall ESG attributes on the rating is more pronounced compared to an issuer scored CIS-4.

Systematic Consideration of ESG Factors as part of Credit Rating Process

→ Analysts are required to incorporate all material credit considerations, including ESG risks, into credit ratings
- ESG integration into credit analysis is governed by the cross-sector methodology "General Principles for Assessing Environmental, Social and Governance Risks" ("**ESG Methodology**") which applies to all sectors.
- The ESG Methodology provides the framework to analyze ESG issues systematically and in a globally consistent manner
- Rating analysts who produce credit ratings are also responsible for producing ESG scores
- Specialist ESG team serves as subject matter experts, participates in rating committees and issuer / investor meetings as required

→ As part of credit rating process, analysts must document in credit rating committee memorandum the impact and materiality of ESG factors on credit rating.

- Rating committee memorandum templates also contains specific sections relevant for ESG discussion.

→ ESG considerations are disclosed systematically in press releases where material to the outcome

Assignment of ESG Scores

ESG Scores can be determined in rating committees or in discussion forums

<u>Assigning IPS and CIS</u>

→ For new, first-time credit ratings, ESG scores are assigned during the first-time credit rating committee

→ For existing credit ratings, first-time assignment of IPS and CIS takes place in a discussion forum with a focus on peer comparison. Such discussions are independent from a rating committee

- Typically, benchmark issuers in each sector will be scored first, followed by other issuers in one or several batches

<u>Reviewing IPS and CIS</u>

→ IPS' are monitored continuously, i.e., new data will be analyzed in the same way as other inputs in the credit rating process

- If new information does not require a review of the rating, the impact on the IPS will be considered independent of a rating committee
- Where an IPS exists, IPS materials should be included as part of rating committee materials.

→ If a rating committee is held, the CIS must be reviewed after the rating committee has finalized the vote on the credit rating

Useful Links

→ Moody's [Rating Symbols & Definitions](#), published Jan 2025

→ Moody's [Basic Definitions for Credit Statistics](#), published April 2023

→ [Financial Statement Adjustments in the Analysis of Non-Financial Corporations](#), published October 2024

→ Rating Methodology for [Manufacturing](#), published September 2021

→ [General Principles for Assessing Environmental, Social and Governance Risks](#), published Jan 2025

→ [Environmental heat map](#), published Nov 2024

→ [Social heat map](#), published Jan 2025

Thank you

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