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RATING ACTION COMMENTARY

Fitch Downgrades Ardagh Group to 'CCC-'; on Rating Watch Negative; Withdraws Rating

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Fitch Ratings - Dubai - 01 Apr 2025: Fitch Ratings has downgraded Ardagh Group S.A.'s (Ardagh) Long-Term Issuer Default Rating (IDR) to 'CCC-' from 'CCC'. Fitch has also placed Ardagh's IDR on Rating Watch Negative (RWN). All its ratings have been withdrawn. A full list of ratings is provided below.

The downgrade reflects the continued underperformance of Ardagh, its unsustainable debt structure, and poor liquidity in view of its upcoming August 2026 debt maturities of about USD2.5 billion, accompanied by expected negative free cash flows (FCF).

The RWN reflects our expectation that Ardagh would address its 2026 maturities through a restructuring. The group recently announced a proposal to both senior secured and senior unsecured bond holders, which could result in a distressed debt exchanges (DDE) and further rating downside. However, its capital structure post-restructuring remains uncertain.

The RWN was not resolved at withdrawal due to the expected restructuring.

Fitch has chosen to withdraw Ardagh's ratings for commercial reasons and will no longer provide ratings or analytical coverage for Ardagh.

KEY RATING DRIVERS

Excessive Refinancing Risk: Excessive refinancing risk persists for the group, which has been worsened by the lack of meaningful EBITDA recovery. High leverage, a large interest burden, and a complex capital structure limit financial flexibility. The group has material debt maturities due in August 2026, which we assume will be addressed via a debt restructuring.

Announced Proposals Viewed as DDE: Ardagh is in negotiations with senior secured and senior unsecured bond holders, having announced two early-stage proposals on 11 March 2025. Fitch views the execution under either of the proposals as DDE, as they would lead to a material reduction in existing terms and allow Ardagh to avoid a probable default.

Complex Restructuring Proposal: The proposed two options of restructuring are complicated, have not yet been agreed on or finalised, and lack a clear timeline. The restructuring potentially involves a full or partial exchange of debt for senior secured bond holders as well as various equity stakes for senior unsecured holders. Fitch would expect further downgrades of Ardagh's ratings in line with our DDE Criteria once restructuring decisions are made to address the August 2026 maturities.

Leverage Remains Disproportionate: Our rating case does not include the sale of Ardagh's stake in Trivium Packaging B.V. or shares in Ardagh Metal Packaging S.A (AMP). Fitch expects EBITDA recovery to be modest, while continuing high capex and working capital movements are expected to limit leverage improvement. Ardagh's Fitch-defined EBITDA leverage, including toggle notes issued at ARD Finance S.A., rose to 12.8x at end-2024, exceeding our expectation of 11.8x. We forecast leverage to remain high, above 10x during 2025-2028.

Market Challenges: Ardagh's operating performance was weaker-than-expected in 2024, due to the underperformance of its glass business. Ardagh's revenue in 2024 was eroded by lower sales volumes after factory closures in the US market. In Europe and Africa, revenue was affected as the group passed on less input costs to customers. We expect glass business demand will be subdued in 2025. Some secular trends, like declining alcohol consumption among young adults, may further pressure customer sales volumes.

Constrained EBITDA Recovery: In response to lower-than-expected demand for beer and wine, primarily in North America, Ardagh, like other peers in the industry, has closed some of its facilities to align its capacity in 2024 and at the beginning of 2025. This, along with destocking in the glass business, constrained EBITDA margins in 2024. EBITDA margins were flat year on year at 13.9% (management data), but lower than the 16%-17% reported before 2022. We have revised down our forecast Fitch-adjusted EBITDA margin for 2025 to 11% from 12.5% (10.8% in 2024), with a gradual recovery to 12.5% by 2028.

Negative FCF: We forecast that FCF will remain negative in 2025-2028, due to lower EBITDA generation. High interest expenses will weigh on FCF generation despite declining capex to 5%-6% of revenue after the completion of material investments

during 2021-2023. We do not forecast any dividend payments, apart from distributions to non-controlling interests in AMP.

Supportive Business Profile: Ardagh's business profile continues to benefit from a large scale and a focus on the comparatively non-cyclical beverage sector that generates about 85% of its revenue, with the remainder from food packaging. The group also enjoys substantial geographic diversification, with operations in the mature markets of Europe (45% of revenue) and North America (42%), plus a presence in Brazil and Africa. Its diverse customer base with its top 10 customers accounting for 46% of revenue in 2024 further underpins Ardagh's business profile.

PEER ANALYSIS

Fitch views Ardagh's business profile as strong and similar to that of peers, such as Ball Corporation, Smurfit Westrock plc (BBB/Positive) and CANPACK Group, Inc. (BB-/Positive). Ardagh is comparable to the majority of its higher-rated peers in size, geographical and customer diversification, and end-market exposure, with limited sensitivity to economic cycles. The group benefits from long-term contracts and a cost pass-through mechanism with its customers, like most of its investment-grade peers.

Ardagh's multi-tiered capital structure is highly leveraged, with EBITDA gross leverage above 12x at end-2024, which we forecast to remain at this level for 2025. This is far higher than the levels for a majority of speculative-grade packaging companies, such as Fedrigoni S.p.A. (B+/Negative) and Reno de Medici S.p.A. (B/Negative).

Fitch-forecast EBITDA margins of 11%-11.5% for Ardagh in 2025-2026 are comparable to higher-rated CANPACK's 10% and Reno de Medici S.p.A.'s, but slightly weaker than Fedrigoni S.p.A.'s 13%-14%.

KEY ASSUMPTIONS

Revenue flat in 2025, followed by low single-digit rise in 2026-2028, constrained by the modest performance of its glass business

Constrained EBITDA margin recovery at 11% in 2025, 11.5% in 2026, 12% in 2027, and 12.5% in 2028 on better production capacity utilisation

No cash interest paid on the toggle notes at ARD Finance, which will pay PIK interest

Dividends paid by AMP to its minority shareholders at around USD58 million p.a.

Capex as a share of revenue at around 5% in 2025 and 5.8% in 2026-2028

AMP's EUR250 million preference shares issued to Ardagh are excluded in consolidated accounts

No ordinary dividend payment from Ardagh

RECOVERY ANALYSIS

-As Ardagh's IDR is in the 'CCC' rating category, Fitch applies a bespoke recovery analysis, in line with its criteria. Recoveries for debt at Ardagh exclude debt issued by AMP, which are under separate agreements and effectively ring-fenced from Ardagh

-The recovery analysis assumes that Ardagh would be reorganised as a going concern (GC) in bankruptcy rather than liquidated

-A 10% administrative claim

-Fitch has revised the GC EBITDA of the glass business to USD550 million from USD630 million due to its ongoing underperformance, some of which is structural, and expectation that its recovery will be constrained in the next three to four years. The GC EBITDA reflects our view of a sustainable, post-reorganisation EBITDA on which we base the valuation of the group

-An enterprise value (EV) multiple of 5.5x is applied to GC EBITDA to calculate a post-reorganisation valuation. It reflects Ardagh's leading position in the glass beverage packaging industry, long-term relationship with clients, and a diversified customer base. This is in line with that of other packaging peers rated by Fitch

-Its GC EV includes the book value of USD198 million of a 42% shareholding in Trivium Packaging B.V.

-Under the capital structure prior to the proposed restructuring, our waterfall analysis generates a ranked recovery for Ardagh's senior secured notes (SSNs) in the 'RR3' category, leading to a 'CCC' rating. For Ardagh's senior unsecured notes, the ranked recovery is in the 'RR6' category, leading to a 'C' rating. For ARD Finance's SSNs, the recovery is 'RR6', leading to a 'C' rating

RATING SENSITIVITIES

Not applicable

LIQUIDITY AND DEBT STRUCTURE

At end-2024, Ardagh reported about USD848 million of Fitch-adjusted readily available cash. This is sufficient to cover short-term debt maturities of USD631 million (including factoring) and forecast negative FCF of about USD76 million in the next 12 months. The group has global asset-based loan facilities of USD257 million due in March 2027 (available to Ardagh; USD198 million was drawn at end-2024) and USD272 million (available to AMP and undrawn) due in August 2026.

Ardagh has a complex debt structure with a series of SSNs and senior unsecured notes with the nearest maturity of USD2.5 billion in August 2026. As a result, we view the group's liquidity as poor.

Following the transaction at AIHS, Ardagh ceased paying dividends for the ARD Finance's toggle notes debt service since 30 June 2024. This has preserved about USD100 million annually for Ardagh, while it continues to receive dividends from AMP.

ISSUER PROFILE

Ardagh is one of the largest producers of metal beverage cans and glass containers primarily for the beverage and food markets. With production facilities across Europe, the US, Africa and Brazil, turnover reached USD9.4 billion and Fitch-adjusted EBITDA of USD1 billion in 2024.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

MACROECONOMIC ASSUMPTIONS AND SECTOR FORECASTS

Click here to access Fitch's latest quarterly Global Corporates Macro and Sector Forecasts data file which aggregates key data points used in our credit analysis. Fitch's macroeconomic forecasts, commodity price assumptions, default rate forecasts, sector key performance indicators and sector-level forecasts are among the data items included.

ESG CONSIDERATIONS

Ardagh has an ESG Relevance Score of '4' for Management Strategy due to its complex funding strategy, which has a negative impact on the credit profile, and is relevant to the ratings in conjunction with other factors.

Ardagh has an ESG Relevance Score of '4' for Group Structure due to the complexity of ownership and funding structure, which has a negative impact on the credit profile, and

is relevant to the ratings in conjunction with other factors.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

RATING ACTIONS

ENTITY / DEBT	RATING TYPE	RATING	RATING ACTION	RECOVERY	PRIOR
Ardagh Holdings USA Inc.					
senior secured	LT	CCC Rating Watch Negative	Downgrade	RR3	B-
senior secured	LT	WD	Withdrawn		
senior unsecured	LT	C	Downgrade	RR6	CC
senior unsecured	LT	WD	Withdrawn		
Ardagh Group S.A.	LT IDR	CCC- Rating Watch Negative	Downgrade		CCC
	LT IDR	WD	Withdrawn		
ARD Finance S.A.					
senior secured	LT	C	Affirmed	RR6	C

senior secured	LT	WD	Withdrawn

VIEW ADDITIONAL RATING DETAILS

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APPLICABLE CRITERIA

Corporates Recovery Ratings and Instrument Ratings Criteria (pub. 02 Aug 2024) (including rating assumption sensitivity)

Corporate Rating Criteria - Effective from 6 December 2024 to 27 June 2025 (pub. 06 Dec 2024) (including rating assumption sensitivity)

Sector Navigators – Addendum to the Corporate Rating Criteria - Effective from 6 December 2024 to 27 June 2025 (pub. 06 Dec 2024)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Corporate Monitoring & Forecasting Model (COMFORT Model), v8.1.0 (1)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

ARD Finance S.A.	UK Issued, EU Endorsed
Ardagh Group S.A.	UK Issued, EU Endorsed
Ardagh Holdings USA Inc.	UK Issued, EU Endorsed
Ardagh Packaging Finance plc	UK Issued, EU Endorsed

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