

Containers and Packaging: Environment Concerns Drive Credit Improvements

January 2022

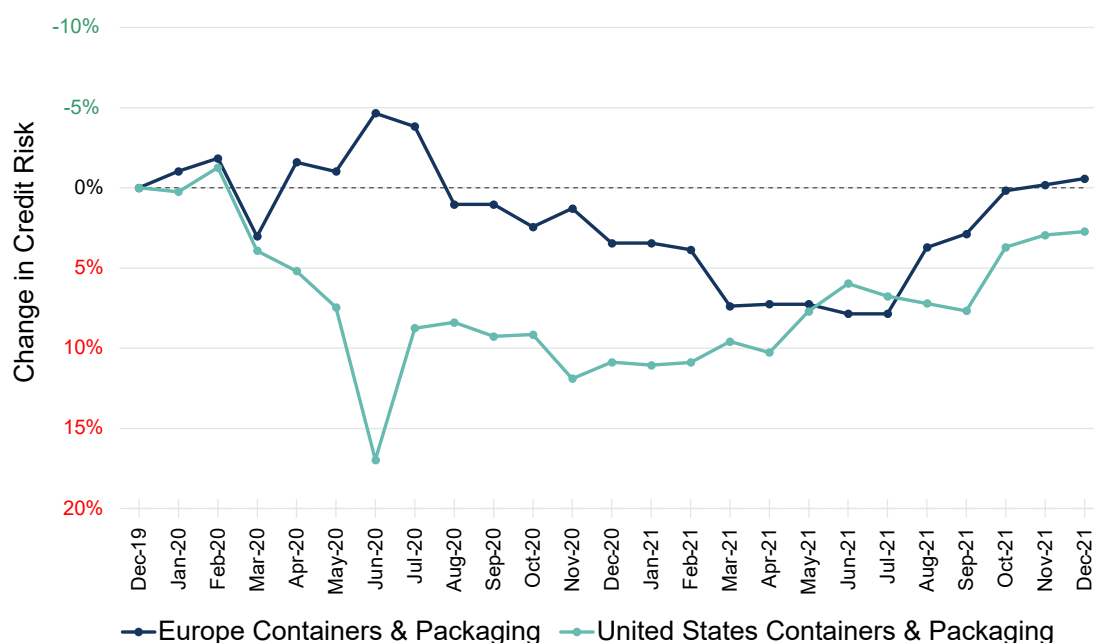
The Containers and Packaging Sector has boomed during the pandemic, with the side-effect that many consumers are now used to recycling large amounts of cardboard every week. But the sheer volume of paperboard and paper packing used by online retailers – especially Amazon – has put severe strain on recycling processes and upward pressure on packaging material prices.

This squeeze has been intensified as a growing number of countries legislate to substitute cardboard for plastic. In the EU, polystyrene food and drink containers were banned in 2021. The US is the [world's biggest plastic polluter](#); but this month New York state banned polystyrene foam containers and [‘packing peanuts’](#). Post-Brexit, UK legislation is behind the EU, but its Plastic Packaging Tax is [due in April](#).

While some cardboard products have a higher carbon footprint than the plastic equivalent, the shift is certainly better for the oceans, with the equivalent of one garbage truck of plastic dumped in the ocean every minute. And if current trends continue, by 2040 the weight of plastic in the ocean will [exceed the weight of fish](#).

Figure 1 shows credit trends for the Europe and United States Containers & Packaging sector.

Figure 1: Credit Trends, Europe and United States Containers & Packaging



The United States (US) Containers & Packaging sector has been on a steadily improving trend since Nov-20. Europe Containers & Packaging sector deteriorated until Jul-21 but has recently shown significant improvement.

Figures 2 and 3 show the change in credit distribution from Dec-19 to Dec-21 for the Europe and United States Containers & Packaging sector respectively.

Figure 2: Credit Distribution, Europe Containers & Packaging; Dec-19 vs Dec-21

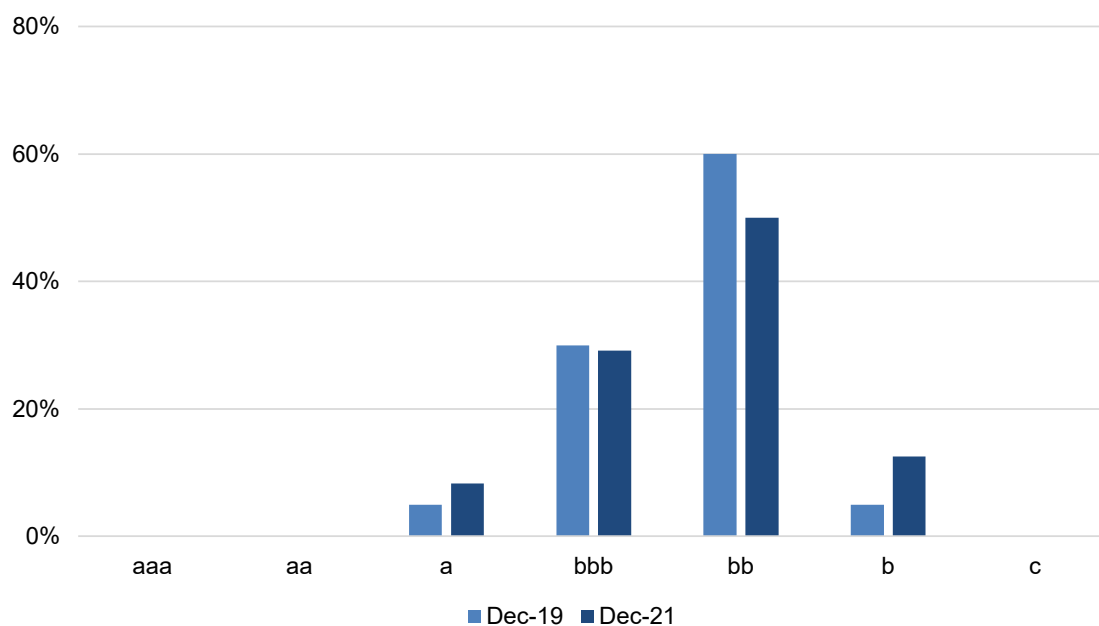
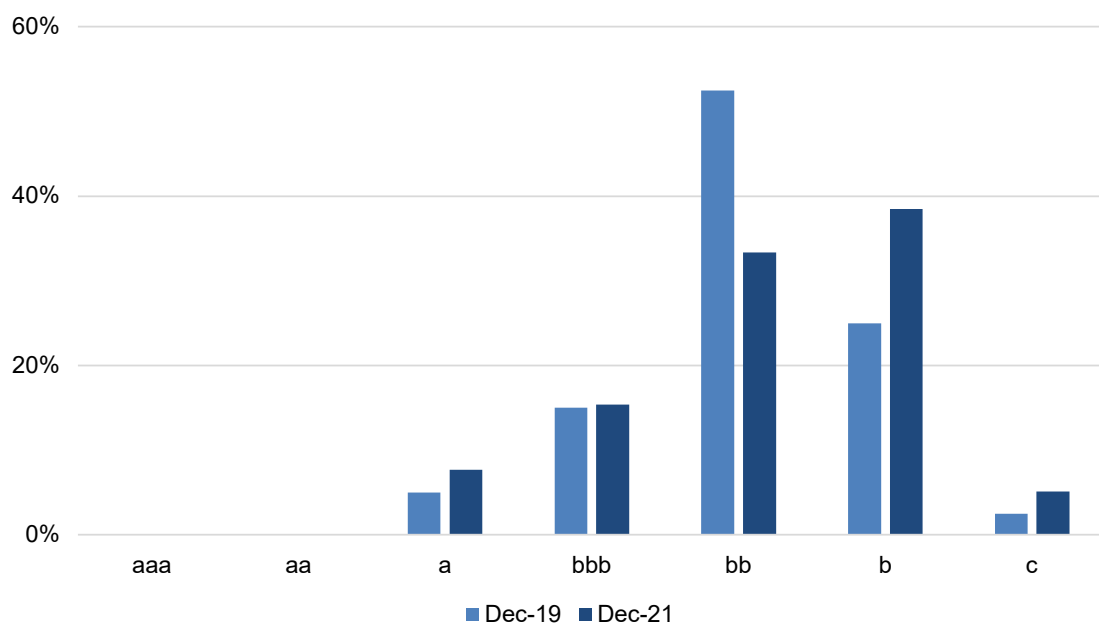


Figure 3: Credit Distribution, United States Containers & Packaging; Dec-19 vs Dec-21



Over the last 2 years, Europe and the US has shifted towards high yield, with a shift from **bb** to **b** credit category, however, there has also been a small increase in the **a** credit category.

Figures 4 and 5 show detailed credit trends for two Europe Containers & Packaging companies: Wasdell Holdings Ltd and Ardagh Group SA.

Figure 4: Wasdell Holdings Ltd

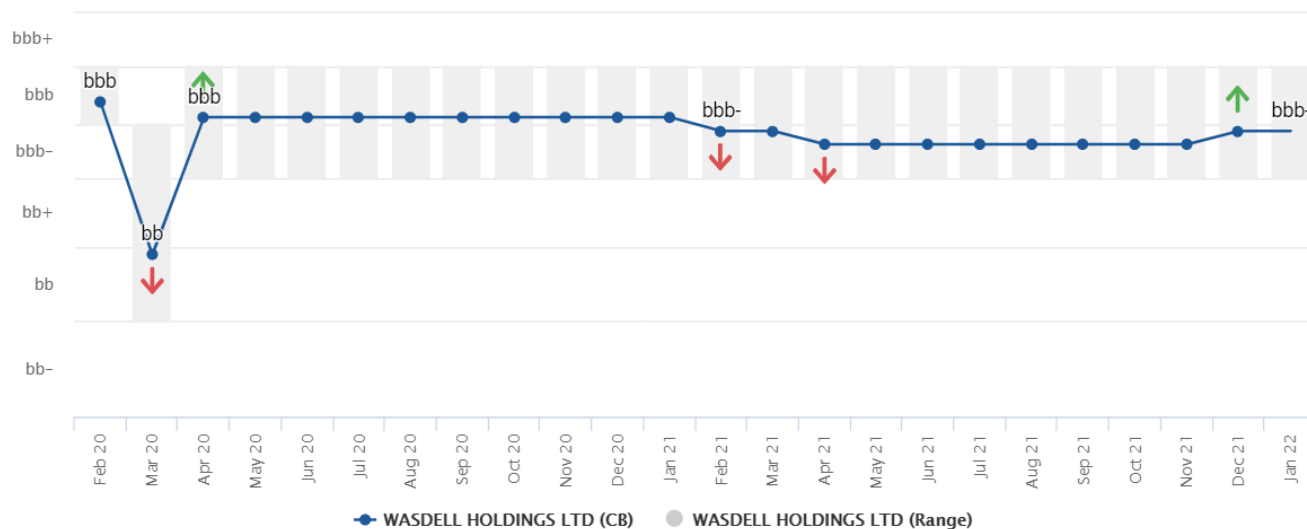
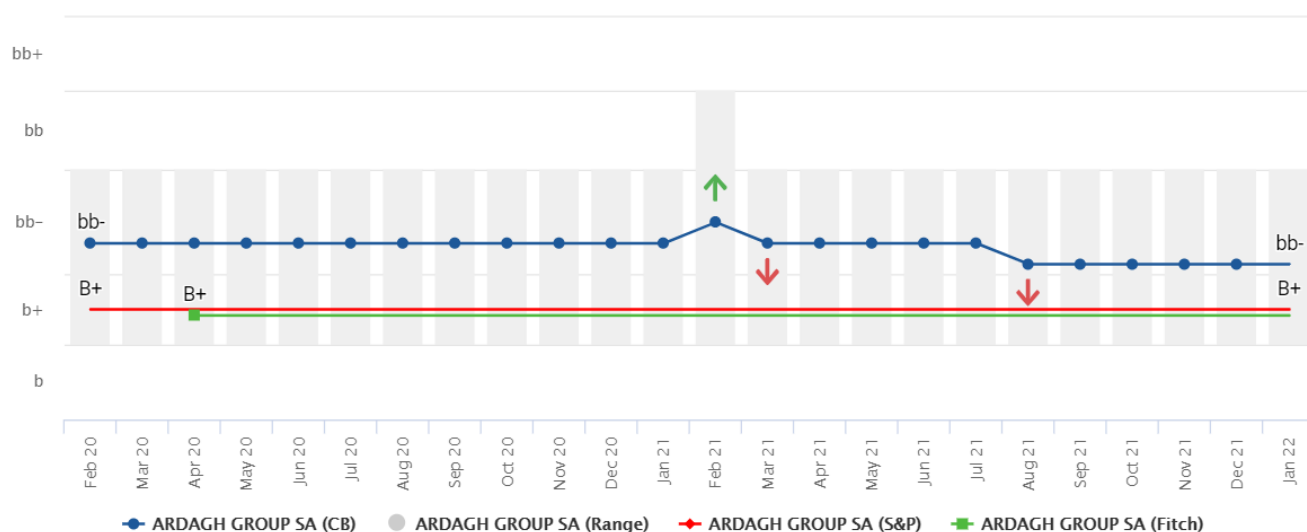


Figure 5: Ardagh Group SA



Wasdell (unrated by S&P) and Ardagh (better rating than S&P) both show a modest deterioration over this period; recent data have been stable to positive.

Figures 6-8 show detailed credit trends for three US Containers & Packaging companies: Liqui Box Holdings Inc, Closure Systems International Inc and Flex Acquisition Co.

Figure 6: Liqui Box Holdings Inc

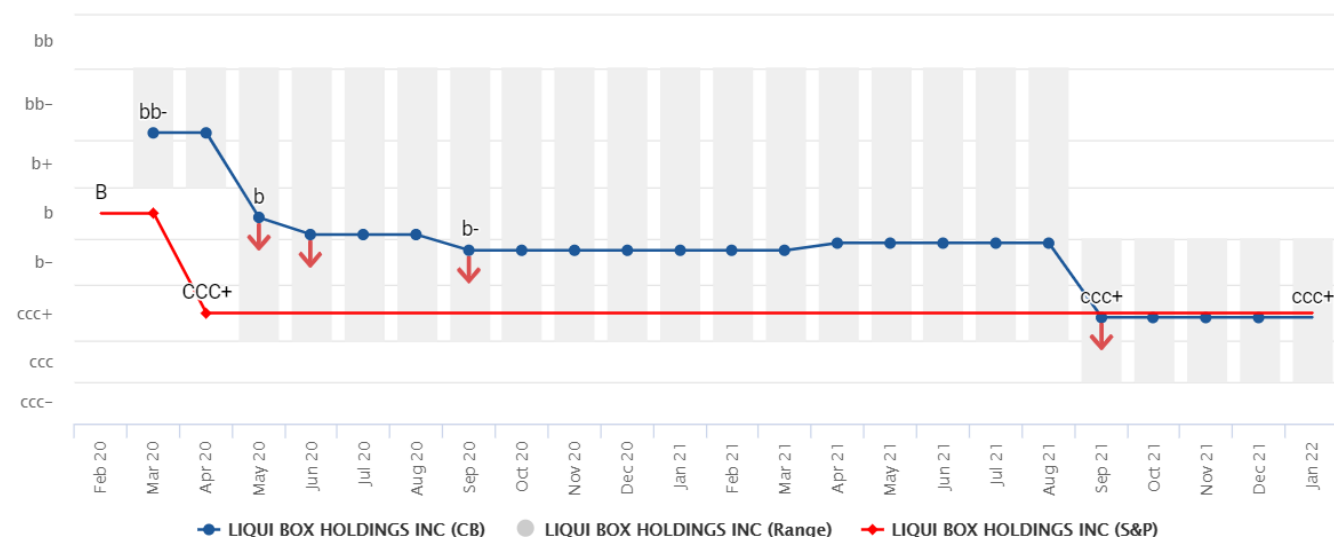


Figure 7: Closure Systems International Inc

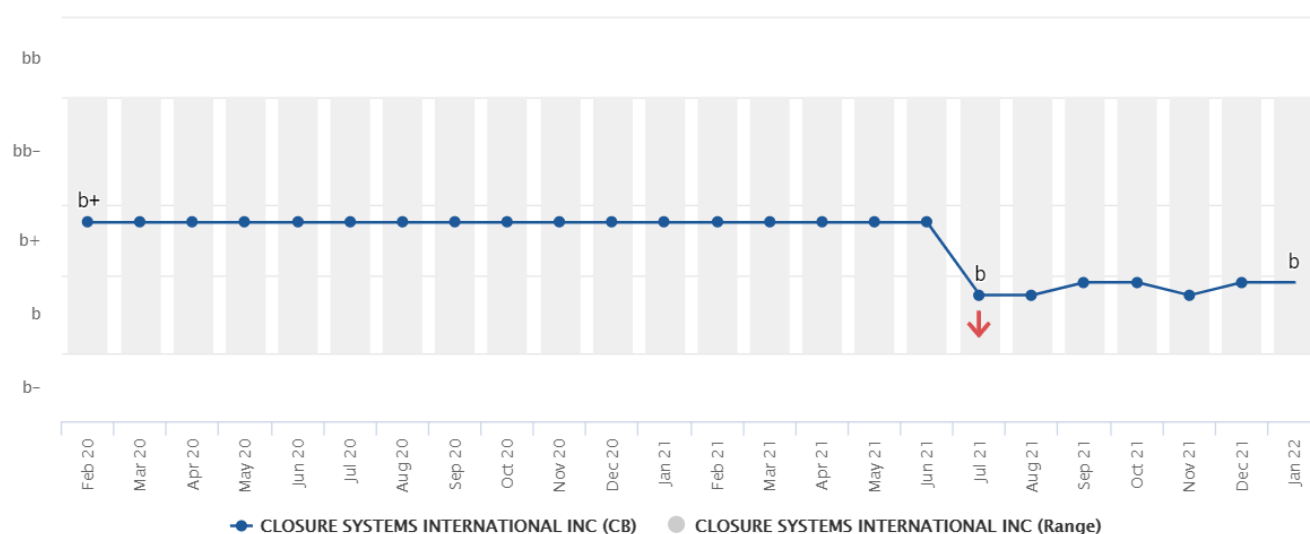
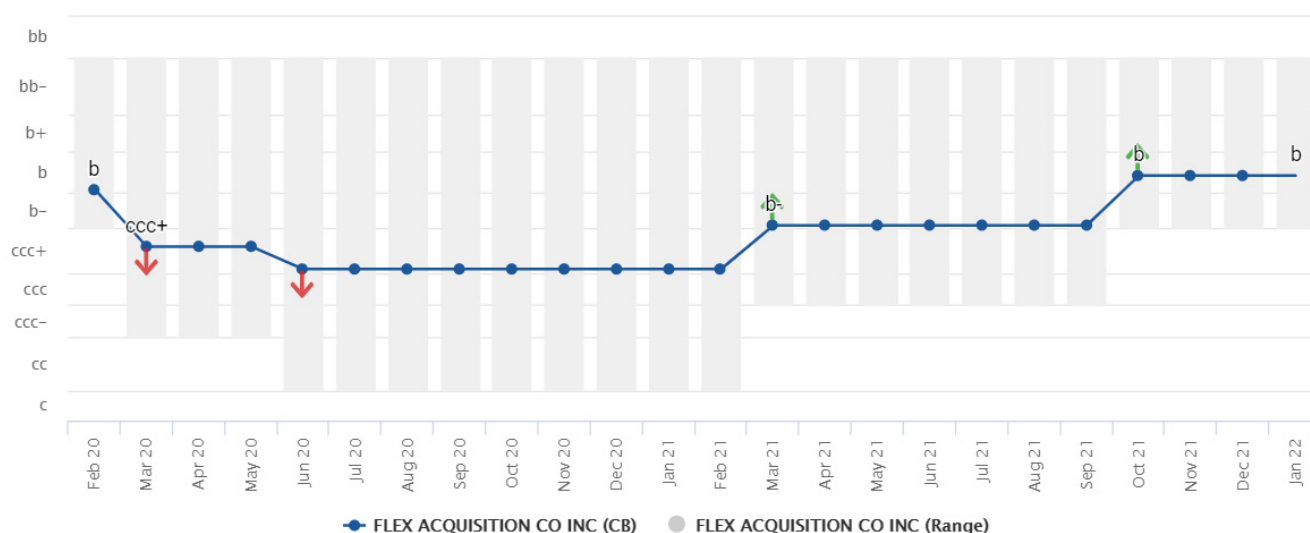


Figure 8: Flex Acquisition Co Inc



LiquiBox and Closure both deteriorated in the second half of 2021; but the Flex Acquisition consensus rating improved from ccc+ to b, with the most recent upgrade in October 21.

Sector Credit Outlook

The average credit risk in the container and packaging sectors in the US and in the EU show improvements in recent months, and a number of the companies covered here have consensus ratings that have stabilised or on an improving path. Recent earnings results have reflected strong demand across the sector, boosted by legislation. However, legislation will also require investment and capital expenditure – a temporary negative for balance sheets, but likely to be more than compensated by strong demand.

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Data Use Cases

- Counterparty Risk Management
- Credit Risk Management
- Systematic Credit Trading
- Securities Finance
- Supply Chain Risk
- Trade Credit Insurance
- Fund Management
- Regulation, RWA & Capital
- Onboarding, KYC & Relationship Management
- Point-in-Time (PIT) Impairments
- Accounts Payable & Receivable



10 Million

Contributed Credit Risk Estimates Per Year
40 Million+ Estimates Collected Since Launch



60,000+

Entities Covered



2x

Twice Monthly Frequency



75%

Unrated by Major Credit Rating Agencies



1,100+

Aggregates



100+

Countries



75+

Months of Data



50+

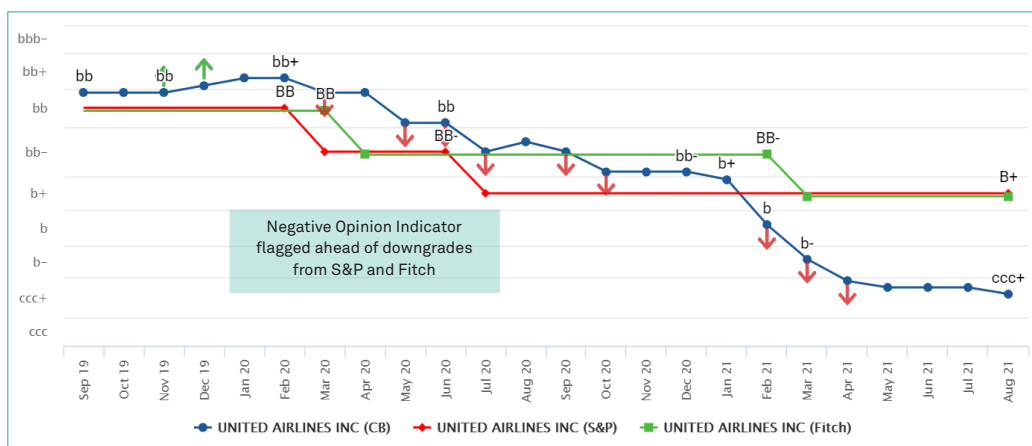
Data Metrics



40+

Contributing Financial Institutions Representing a Pool of 20,000+ Credit Analysts

Real-world risk views with unparalleled consensus coverage



Credit Consensus Rating:
Unique measure of creditworthiness based on the views of 40+ leading global financial institutions

Consensus Analytics:
Insights into the depth, dispersion, movement, and directionality of the Credit Consensus Rating's underlying views

Opinion Indicator: Month over month observation-level net downgrades or upgrades

Credit Benchmark Web App: Entity-Level Data Sample

Build screener with criteria below:

- ☒ S&P Rating is **Unrated**
- ☒ Fitch Rating is **Unrated**
- ☒ CCR is **aaa** **aa+** **aa** **aa-** **a+** **a** **a-** **bbb+** **bbb** **bbb-**

44,628 Entities found

Screen for public and non-publicly rated entities within specific geographies, industries, sectors and within your defined rating thresholds

CBID	Entity Name	Credit Consensus Rating	S&P Rating	Fitch Rating
CB0000000009	IHS GLOBAL CANADA LTD	bbb-	Unrated	Unrated
CB0000000025	GYP HOLDINGS III CORP	bb	Unrated	Unrated
CB0000000080	GESTIELLE CEDOLA DUAL BRAND	a-	Unrated	Unrated
CB0000000087	TRANE TECHNOLOGIES LUXEMBOURG FINANCE SA	bbb+	Unrated	Unrated
CB0000000088	TECK HIGHLAND VALLEY COPPER PARTNERSHIP	bbb	Unrated	Unrated

Credit Benchmark Web App: Data Screen Sample

Data that works for you:

Credit Benchmark data is available via our Web App, Excel add-in, API, flat-file download, and third-party channels including Bloomberg.

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