Tear Sheet: CANPACK's $1.1B-Equiv 2025/2027 Senior Notes

Global manufacturer of can, glass containers and metal closures for the beverage industry, CANPACK, has launched an offering of $1.1 billion-equivalent dollar and euro denominated senior notes through co-issuers Canpack S.A. and Canpack U.S. The issuance will have a euro tranche of seven years to feature non-call three protection and a dollar tranche of five years with non-call two protection.

Proceeds will be used to (i) repay $200 million of amounts currently drawn under the RCF, without cancellation; (ii) redeem all outstanding private placement notes and (iii) for general corporate purposes including capex requirements to construct a new plant in Pennsylvania, US.

Investors meetings will be taking place until Thursday, Oct 15, with pricing thereafter.

A capital structure prepared by Reorg can be found at the end of this tearsheet.

All grower amounts used in basket calculations are based on the Adjusted EBITDA figure of $389.6 million as of twelve months ended June 30, 2020.

Debt Explained's tear sheet below is a synthesized legal and financial tool that quickly provides a concise summary of covenant capacities. In the next few hours the Reorg team will publish a detailed contextual covenant and structural analysis for investors. Please contact questions@reorg.com for an in-depth analysis.

Summary Covenant Facts

• **Significant priming debt incurrence availability at issuance**:
  ○ **Secured debt** is permitted if consolidated senior secured leverage is 2x. Given there is no secured debt at issuance, there is approximately $779.2 million of secured debt capacity available immediately at issuance.
  ○ Approximately $664.8 million (171% of EBITDA) is available at issuance for incurrence by non-guarantor restricted subsidiaries, all of which would be **structurally senior** to the notes.
• **Value Leakage Risk**:
  ○ **Ratio-capped restricted payments available at issuance**: Uncapped restricted payments are permitted if consolidated net leverage is 3x - which is higher than the 1.6x opening net leverage as calculated by Reorg and as disclosed in the OM. This provides approximately $545.4 million of restricted payments capacity at issuance under a basket that is typically not accessible on issue.
  ○ **Ratio-capped permitted investments at issuance**: Uncapped permitted investments are allowed if consolidated net leverage is 4x. This provides approximately $935.0 million of permitted investments capacity at issuance under a basket that is not standard in the European market.
  ○ **Starter Amount**: A starter amount of $50 million is also included for immediate use in the restricted payments build-up basket.
• Additional guarantee provision will be suspended upon the notes being rated investment-grade, subject to no default or event of default.

Clarifications Required: The definition of "*Senior Secured Debt*" refers to clause (x) under paragraph (2) of the debt covenant. No such clause (x) exists - investors may wish to clarify.

Debt Explained's legal analysts will separately publish a thorough analysis of the covenants, structure and the legal loopholes in the next few hours. For regulatory reasons, this tear sheet contains only key covenant facts and basket capacities. *Please email questions@reorg.com to request a copy of the in-depth analysis.*

How Much Leverage Can Be Added over Time? **$779.2 million secured debt capacity under the ratio debt basket *with a further* $553.7/$543.7 million in debt capacity under the non-ratio baskets of 2027/2025 notes**	
Ratio Debt	• 2.0x Fixed Charge Coverage Ratio • Senior Secured Debt Incurrence: 2.0x Consolidated Senior Secured Leverage Ratio ($779.2 million of headroom at issuance given no secured debt at issuance)
Minimum Debt Capacity at Issue[1]	€ 2027 Notes: $553.7 million (equivalent of 1.4 turns of leverage) • Credit Facilities Basket: $550 million plus the greater of $115 million and 30% of Consolidated EBITDA ($666.9 million) with Headroom of $200.4 million • Capitalised Lease Obligations/Purchase Money obligations - Greater of $135 million and 35% Cons. EBITDA ($136.4 million at issuance) • General Debt - Greater of $115 million and 30% Cons. EBITDA ($116.9 million at issuance) • Management advances - $40 million ($5 million/per annum) • Qualified Joint Ventures - Greater of $60 million and 15% Cons. EBITDA $ 2025 Notes : $543.7 million (1.4x turns of leverage) due to shorter maturity. Not included in the above aggregates, non-guarantor restricted subsidiaries may incur debt up to the greater of $115 million and 30% of Consolidated EBITDA ($116.9 million at issuance) under the ratio debt; acquired/acquisition debt; general debt and contribution debt baskets.
Headroom under the Credit Facility Basket at Issue	$200.4 million Calculated as $550 million plus $116.9 million less the €320 million RCF and PLN 342.1 million facility. *Credit Facilities Basket Headroom calculated using exchange rate of €1.00 = $1.18 and PLN1.00 = $0.26 as on Oct. 12, 2020.*
Value Extraction through Restricted Payments or Permitted Investments	
Build-Up Basket Start Date	July 1, 2020

[1] This aggregate does not include any amounts that will be available under the 2x FCCR ratio test mentioned above

Starter Amount in the Build-Up Basket	Yes - $50 million
Any Accrued Build-Up Basket Capacity	N/A
Ratio-capped baskets	Ratio-capped Restricted Payments: 3.0x Consolidated Net Leverage Ratio ($545.4 million of headroom at issuance given 1.6x net leverage at issuance) Ratio-capped Junior debt repayments: N/A Ratio-capped Permitted Investments: 4.0x Consolidated Net Leverage Ratio ($935.0 million of headroom at issuance)
Minimum Restricted Payments (payments to equity)	€ 2027 Notes: $690 million (1.8x turns of leverage) ● Free and Clear Amount in CNI build-up basket - $50 million ● Equity Repurchases - $160 million (Greater of $20 million and 5% Consolidated EBITDA/12-month period, with two-year carry forward and back) ● General Restricted Payments - $480M (Greater of $60M and 15% Cons. EBITDA/per annum, with unlimited carry forward) $ 2025 Notes : $530 million (1.4x turns of leverage) due to shorter maturity.
Minimum Permitted Investments at Issue	€ 2027 Notes: $352.8 million (0.9x turns of leverage) ● Management Advances - $40 million ($5 million/per annum) ● Minority Investment in Qualified Joint Ventures/Unrestricted Subsidiaries - Greater of $135 million and 35% Cons. EBITDA ($136.4 million) ● Loans/advances to directors/ employees of any Parent to fund the purchase of Capital Stock - $40 million ($5 million/calendar year with unlimited carry forward and back) ● General Permitted Investments - Greater of $135 million and 35% Cons. EBITDA ($136.4 million) $ 2025 Notes: $332.8 million (0.9x turns of leverage) due to shorter maturity
Risk of Value Leakage from Asset Sales proceeds	
Can Asset Sale proceeds create Restricted Payments capacity?	No
Risk of Effectively Senior Debt (Secured on non-Collateral)	
Ratio-capped Permitted Liens	2.0x Consolidated Senior Secured Leverage Ratio ($779.2 million of headroom at issuance)
Minimum Permitted Liens at Issue	$136.4 million (0.4x turns of leverage)

Debt Explained's legal analysts will separately publish a thorough analysis of the covenants, structure and the legal loopholes in the next few hours. For regulatory reasons, this tear sheet contains only key covenant facts and basket capacities.

	• CLO/PMO - Greater of $135 million and 35% Cons. EBITDA ($136.4 million)
Risk of Collateral Dilution	
Ratio-capped Permitted Collateral Liens	N/A
Minimum Permitted Collateral Liens at Issue	N/A
Minimum Permitted Super Senior Collateral Liens	N/A
Portability	
Portability	No
Portability Ratio test	N/A
Cost Savings/Synergies Adjustments	
Are Cost Savings / Synergies capped?	Yes - 20% of Consolidated EBITDA
Any time horizon for Cost Savings / Synergies to be realised?	18 months
Cost Savings / Synergies limited to certain contexts	Broadly applied
Credit Support	
Guarantor Coverage on Issue	As of Dec. 31, 2019 • 84% of unaudited Adjusted EBITDA • 75% of total assets, on a consolidated basis after eliminations
Security and Guarantee Coverage	• The Notes and guarantees are unsecured • Guarantees will be provided by subsidiaries in Brazil, Colombia, England and Wales, the Netherlands, Poland, Romania, Russia and the UAE

A capital structure, prepared by Reorg's financial analysts, is below:

CANPACK S.A.				
(USD in Millions)	06/30/2020 Amount	Maturity	Rate	EBITDA Multiple Book
Can-Pack Indian Private Ltd. $40m USD Investment Loan [1]	27.9	Nov-30-2022		
Total OpCo Senior Unsecured Debt	**27.9**			**0.1x**
Multicurrency Revolving Credit Facility [2]	119.0	Jun-14-2024		
New $1.1B Equivalent Senior Unsecured Notes [3]	1,100.0			
Total Senior Unsecured Debt	**1,219.0**			**3.2x**
Lease Liabilities	1.0			
Total Lease Liabilities	**1.0**			**3.2x**
Total Debt	**1,247.9**			**3.2x**
Less: Cash and Equivalents	(606.0)			
Plus: Restricted Cash	0.8			
Net Debt	**642.7**			**1.6x**
Operating Metrics				
LTM Reported EBITDA	389.6			
Liquidity				
Other Liquidity	118.0			
Plus: Cash and Equivalents	606.0			
Less: Restricted Cash	(0.8)			
Total Liquidity	**723.2**			
Credit Metrics				
Gross Leverage	3.2x			
Net Leverage	1.6x			

Notes:
Liquidity available has been calculated using exchange rates as of 12 Oct. 20. The company has $160 million outstanding under non-recourse factoring related to receivables. Other Liquidity comprises availability under the group's multicurrency RCF, after giving effect for the transaction; On or around the issue date, the RCF Agreement will be amended and restated to allow for financial reporting on a combined basis and to accede CANPACK U.S. as a guarantor.
1. Can-Pack India Private Limited is the borrower under the USD Investment Loan, a non-guarantor subsidiary. The Guarantors and CANPACK S.A. represented 84% of the group's Adjusted EBITDA for the year ended December 31, 2019 and 75% of the group's total assets, on a consolidated basis after eliminations, as of December 31, 2019. As of June 30, 2020, the outstanding balance under the USD Investment Loan was $27.9 million.
2. The multicurrency revolving credit facility is split into facility A: €320m Revolving Credit Facility and facility B: PLN 342m Revolving Credit Facility B. Facility was amended on Oct 9, details not disclosed aside from $118M of availability.
3. The newly issued notes comprise of USD notes due 2025 and USD Equivalent EUR Notes due 2027. The notes will rank pari passu in right of payment with all existing and future senior unsecured indebtedness of each co-issuer, including indebtedness incurred under the RCF and will be guaranteed by 13 of the groups key subsidiaries across Europe, South America and the Middle East representing (along with the co-issuers) 84% of adjusted EBITDA and 75% of total assets.

Please contact Reorg at questions@reorg.com if you wish to speak to the legal analyst or credit analyst who prepared the above tear sheet for you. We actively welcome your questions and feedback.
Debt Explained's legal analysts will separately publish a thorough analysis of the covenants, structure and the legal loopholes in the next few hours. For regulatory reasons, this tear sheet contains only key covenant facts and basket capacities.

Reorg will also publish an in-depth covenant report and credit analysis tear sheet on this bond. We are happy to share our comprehensive legal and financial analysis with you, just email questions@reorg.com for a copy.