

Packaging Group Huhtamaki Upgraded To 'BBB-' On Strong Credit Metrics And Expected Financial Prudence; Outlook Stable

May 7, 2025

Rating Action Overview

- Finland-based Huhtamaki improved its leverage last year, reaching S&P Global Ratings-adjusted debt to EBITDA of 2.3x (from 2.4x in 2023), alongside stronger funds from operations (FFO) to debt of 32% (versus 31.4% in 2023). These credit metrics are commensurate with our 'BBB-' rating.
- We expect Huhtamaki's credit metrics will further improve this year, on the back of cost improvement programs that will underpin modest EBITDA growth, and that the group's financial policy will sustain the metrics at these stronger levels.
- We therefore raised our ratings on Huhtamaki and the group's unsecured notes to 'BBB-' from 'BB+'.
- The outlook is stable, reflecting our expectations that, despite weak economic conditions, Huhtamaki's resilient operating performance and prudent financial policy will uphold credit metrics commensurate with an investment-grade rating. For 2025, we forecast adjusted debt to EBITDA of 2.2x and FFO to debt near 34%.

Primary contact

Lina Sanchez
Frankfurt
49-0-1622104469
lina.sanchez
@spglobal.com

Secondary contact

Desiree I Menjivar
London
44-20-7176-7822
desiree.menjivar
@spglobal.com

Rating Action Rationale

We project that Huhtamaki will sustain its credit metrics in line with our 'BBB-' issuer credit rating following the improvements achieved in 2024. We forecast S&P Global Ratings-adjusted EBITDA to improve to €600 million-€605 million in 2025, from €581 million in 2024, thanks to efficiency gains, based on our assumptions of broadly stable volumes and slightly higher selling prices. We also anticipate net debt will remain somewhat steady near €1.3 billion in 2025. This should yield a modest improvement in credit metrics in 2025, with adjusted debt to EBITDA of 2.2x (2.3x in 2024, 2.4x in 2023, and 2.7x in 2022) and FFO to debt of approximately 34.0% (from 32.0% in 2024, 31.4% in 2023, and 30.6% in 2022).

Huhtamaki's prudent financial policy supports an investment-grade rating. This is backed by Huhtamaki's reported leverage target range of 2.0x-3.0x, which corresponds to an S&P Global Ratings-adjusted leverage of 2.2x-3.2x. We estimate that Huhtamaki's reported leverage will

remain at the lower end of this range. Although we view an increase in reported leverage to above 3.0x as unlikely, we have not ruled out the possibility if, for example, the group pursued a large debt-funded acquisition. Nevertheless, we assume that any deviation from the target leverage would only be temporary and that Huhtamaki would seek credit metrics commensurate with an investment-grade rating in a timely manner. Our current base case does not include any acquisition--besides the purchase of Zellwin Farms completed in April 2025. However, we do not rule out bolt-on acquisitions that would not have a material impact on leverage.

We forecast a drop in free operating cash flow (FOCF) to roughly €160 million in 2025 from €178 million in 2024. This decline is primarily attributed to an expected working capital outflow of about €30 million in 2025, in contrast to last year's €3 million inflow. Although we anticipate higher EBITDA, it will only partly compensate higher working capital needs in 2025.

We expect a limited impact from tariffs on exports to the U.S. Huhtamaki generates 35% of its sales in the U.S. in 20 manufacturing sites in the country, which creates a strong nationwide presence. Products sold in the U.S. are almost entirely produced within the country. Furthermore, we understand that tariffs levied by the U.S. pose minimal risks to Huhtamaki's value chain since the majority of the group's suppliers are local and have a limited exposure to imported inputs. That said, S&P Global Ratings believes there is a high degree of unpredictability around policy implementation by the U.S. administration and responses--specifically with regard to tariffs--and the potential effects on economies, supply chains, and credit conditions around the world.

Outlook

The stable outlook reflects our expectations that, despite economic headwinds, Huhtamaki's credit metrics will remain commensurate with an investment-grade rating, supported by the group's resilient operating performance and cautious financial policy. We forecast an adjusted debt-to-EBITDA ratio of 2.2x at end-2025, alongside FFO to debt of approximately 34%.

Downside scenario

We could lower the rating if operating performance is weaker than expected or the company pursues a more aggressive financial policy that results in adjusted net debt to EBITDA exceeding 3x and FFO to debt below 30% without any expected improvement.

This could happen in the event of sizable debt-funded shareholder distributions or growth investments (including acquisitions). Lower demand for food packaging and difficulty in passing through higher raw material prices in a timely manner could also weaken credit metrics.

Upside scenario

We could consider a positive rating action if:

- Our view of Huhtamaki's business risk profile strengthened, for example, thanks to an improved scale and stronger EBITDA margins and FOCF; or
- The group's financial policy supported adjusted debt to EBITDA remaining below 2.0x and FFO to debt above 40%.

Company Description

Huhtamaki is a Finland-based provider of packaging for food and consumer products. The products target several end-markets: quick service restaurants, food delivery, fast moving consumer goods, and retail. Sales are equally split between food-on-the-go and food-on-the-shelf. The company reported revenue of €4.1 billion and S&P Global Ratings-adjusted EBITDA of €581 million in 2024. The group is publicly listed on the Nasdaq Helsinki.

Huhtamaki operates through the following segments: fiber packaging and foodservice in Europe, Asia, and Oceania; North America; and flexible packaging. Each of these three segments accounts for about one-third of sales. In 2024, sales were split between the U.S. (35%), Germany (11%), the U.K. (8%), and India (6%); all other countries accounted for less than 5% of sales individually in 2024. Huhtamaki's main raw materials are paperboard, recycled fiber, and plastic resins.

Our Base-Case Scenario

Assumptions

- Growth of 1%-2% in 2025 assuming broadly stable volumes and somewhat higher selling prices (mainly in fiber packaging, as higher recycled fiber prices are passed through). We assume higher volumes in fiber packaging, stable volumes in foodservice packaging, and declining volumes in the North American segment. In 2026, we assume 3% growth, as demand for foodservice packaging improves.
- In 2025, S&P Global Ratings-adjusted EBITDA margin of about 14.3% (14.1% in 2024) as Huhtamaki reaps the benefits from efficiency programs put in place in November 2023. We expect this to offset higher costs, such as labor and transportation. In 2026, we forecast adjusted EBITDA margins to improve toward 14.6%, supported by a recovery in volumes and efficiencies.
- We expect capital expenditure (capex) of €250 million per year in 2025 and 2026, including about €80 million in annual maintenance capex and €170 million for growth initiatives (mainly in the U.S). The company could reduce its growth capex if market conditions deteriorate.
- A €30 million working capital outflow in 2025, reflecting volume growth and a modest inventory increase. We assume €20 million outflow in 2026, in line with revenue growth.
- Dividends of €127 million in 2025 and €132 million in 2026, in line with the company's target dividend payout ratio of 40%-50% of net income.

Key metrics

Huhtamaki Oyj--Forecast summary

Period ending	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026
(Mil. EUR)	2021a	2022a	2023a	2024a	2025e	2026f
Revenue	3,575	4,479	4,169	4,126	4,200	4,327
EBITDA (reported)	470	615	621	596	596	625
Plus/(less): Other	(9)	(32)	(44)	(15)	6	6
EBITDA	461	583	578	581	602	631

Huhtamaki Oyj--Forecast summary

Less: Cash interest paid	(25)	(36)	(59)	(70)	(70)	(74)
Less: Cash taxes paid	(83)	(71)	(84)	(87)	(84)	(89)
Funds from operations (FFO)	352	476	435	424	448	468
Capital expenditure (capex)	259	319	319	248	250	250
Free operating cash flow (FOCF)	(37)	3	260	178	161	186
Dividends	96	98	105	121	127	132
Discretionary cash flow (DCF)	(148)	(95)	155	57	34	54
Debt (reported)	1,509	1,617	1,493	1,396	1,396	1,297
Plus: Lease liabilities debt	176	159	161	166	167	169
Plus: Pension and other postretirement debt	104	71	78	72	72	72
Less: Accessible cash and liquid investments	(179)	(309)	(348)	(317)	(322)	(268)
Plus/(less): Other	19	21	--	7	7	7
Debt	1,628	1,558	1,384	1,324	1,321	1,277

Adjusted ratios

Debt/EBITDA (x)	3.5	2.7	2.4	2.3	2.2	2.0
FFO/debt (%)	21.6	30.6	31.4	32.0	33.9	36.7
FFO cash interest coverage (x)	14.9	14.2	8.4	7.1	7.4	7.3
EBITDA interest coverage (x)	18.3	15.0	7.5	8.1	8.3	8.3
CFO/debt (%)	13.7	20.6	41.8	32.2	31.1	34.2
FOCF/debt (%)	(2.3)	0.2	18.7	13.4	12.2	14.6
DCF/debt (%)	(9.1)	(6.1)	11.2	4.3	2.6	4.3
Annual revenue growth (%)	8.3	25.3	(6.9)	(1.0)	1.8	3.0
EBITDA margin (%)	12.9	13.0	13.9	14.1	14.3	14.6

Liquidity

We assess Huhtamaki's liquidity as adequate and expect liquidity sources to cover liquidity uses by more than 1.2x in the 12 months started April 1, 2025. Our view is supported by €402 million available under the revolving credit facility (RCF), our forecast FFO, and cash available on balance sheet.

Principal liquidity sources

- Cash FFO of about €430 million;
- €402 million available under the €450 million RCF maturing in November 2029; and
- Available cash and cash equivalents of €277 million.

Principal liquidity uses

- Capex of €250 million;
- Debt maturities and amortization of about €210 million;
- A €127 million dividend; and
- Working capital-related outflows of €60 million (including seasonal needs).

Covenants

Huhtamaki's €450 million RCF due in 2029 is subject to a 3.75x net leverage covenant (tested quarterly). We forecast the company will have ample headroom under this covenant for the next 12 months.

Environmental, Social, And Governance

Environmental, social, and governance (ESG) factors are an overall neutral consideration in our credit rating analysis of Huhtamaki. Since two-thirds of its packaging is sustainably sourced and recyclable, we see the company's exposure to environmental and social risks as comparable with the broader industry. However, about one-third of Huhtamaki's production is plastic resin-based, and we view plastic packaging companies with single-use or single-serve applications as exposed to substitution risk from other substrates. As a producer of single-use plastic products that are under scrutiny, the company may be subject to future restrictive policies and regulations.

Issue Ratings--Subordination Risk Analysis

Capital structure

As of March 30, 2025, Huhtamaki's debt maturities mainly comprise:

- €72 million of outstanding commercial paper due in 2025;
- €116 million in Schuldscheins (€86 million maturing in 2025 and €31 million in 2027);
- €125 million term loan due in 2026;
- €175 million of senior unsecured bonds maturing 2026;
- €500 million of senior unsecured bonds maturing 2027;
- €300 million of senior unsecured bonds maturing 2028; and
- €450 million of RCF (€402 million undrawn as of March 31, 2025) maturing 2029.

Analytical conclusions

The long-term issue rating on Huhtamaki's senior unsecured notes is 'BBB-', in line with the issuer credit rating. This is because, in our view, no significant subordination risk is present in the capital structure.

Rating Component Scores

Rating Component Scores

Component	
Foreign currency issuer credit rating	BBB-/Stable/--
Local currency issuer credit rating	BBB-/Stable/--
Business risk	Satisfactory
Country risk	Low
Industry risk	Intermediate
Competitive position	Satisfactory
Financial risk	Intermediate
Cash flow/leverage	Intermediate
Anchor	bbb-
Modifiers	
Diversification/portfolio effect	Neutral/Undiversified
Capital structure	Neutral
Financial policy	Neutral
Liquidity	Adequate
Management and governance	Neutral
Comparable rating analysis	Neutral
Stand-alone credit profile	bbb-

Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, April 4, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Ratings List

Ratings list

Upgraded; Outlook Action		
	To	From
Huhtamaki Oyj		
Issuer Credit Rating	BBB-/Stable/--	BB+/Positive/--
Upgraded; Recovery Rating Withdrawn		
	To	From
Huhtamaki Oyj		
Senior Unsecured	BBB-	BB+
Recovery Rating	NR	3(65%)

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at <https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria> for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourcelid/504352>. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

Copyright © 2025 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Some of the Content may have been created with the assistance of an artificial intelligence (AI) tool. Published Content created or processed using AI is composed, reviewed, edited, and approved by S&P personnel.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.spglobal.com/ratings (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.spglobal.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.