Mosaic Capital
RESEARCH

LEVERAGED FINANCE & HIGH YIELD CREDIT RESEARCH

INEOS

Stressed Credit – Investment Pitchbook

Senior Secured Complex | INEOS Group Holdings (IGH) & INEOS Quattro

Recommendation: BUY / OVERWEIGHT — INEOS senior SECURED

Multiple Strategies. One Goal.

Prepared by: Mandev Gill | Prospective Fixed Income Analyst | 1 June 2026

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Executive Summary

BUY / Overweight INEOS senior secured: world-class assets at a cyclical trough, sponsor adding equity, EBITDA already inflecting.

INVESTMENT THESIS

Buy secured claims on irreplaceable, low-cost chemical assets at the bottom of the cycle, at a discount, backed by a deep-pocketed owner injecting equity. Two independent ways to win — the cycle mean-reverts and/or the 2027 maturities clear — neither requires a restructuring.

Expected outcome

Base case: cyclical recovery + Project One start-up drive de-leveraging from ~9x (2025) toward ~4.7x (2027E); secured paper pulls to par. Mid-teens to ~20%+ total return on secured at current levels.

CREDIT STRENGTHS

- World-scale, low-cost integrated assets; top cost-curve position
- Q1'26 EBITDA inflection (EUR421m vs EUR212m Q4'25 trough)
- Predominantly SECURED debt with hard-asset coverage
- Supportive sponsor injecting equity (EUR200m + EUR500m new funds)
- Near-term maturities modest and largely pre-funded
- Headline leverage overstated by pre-revenue Project One debt

CREDIT RISKS

- High trough leverage (~9x) and tight coverage (1.4x)
- Prolonged chemicals downturn / China overcapacity
- Multi-silo structure → structural subordination
- 2028-29 maturity tower into uncertain spreads
- Sponsor could pursue asset transfers / coercive LME (tail)
- Split ratings (Moody's B2 / Fitch BB-) → forced-seller technicals

9.0x → 4.7x	1.4x	~15%	Mid-teens–20%+

Source: Company trading statements; rating-agency commentary; financial press; analyst estimates. Figures approximate / illustrative; forward years are estimates.

Investment Thesis

Stressed, not distressed — the analytically valuable zone where credit work changes the call.

"Buy world-class, low-cost chemical assets at the bottom of the cycle – secured, asset-backed paper at a discount, backed by a sponsor adding equity, with a Q1'26 earnings inflection already visible."

1 · Cycle inflection underway

Q4'25 €212m trough → Q1'26 €421m (+98% QoQ), led by O&P Europe.

2 · Predominantly secured

First-lien claims on hard assets; secured recovers 78-100% in stress.

3 · Supportive sponsor

Ratcliffe injected €200m equity + €500m new funds (Jan-26) — not asset-stripping.

4 · Maturities pre-funded

Near-term (2026-27) modest; bulk of the wall is 2028-31.

5 · Leverage overstated

~€3.5bn pre-revenue Project One debt flatters reported ~9x; underlying lower.

6 · Paid to wait

Secured YTWs ~9-18% with pull-to-par optionality as the cycle heals.

Source: Company trading statements; rating-agency commentary; financial press; analyst estimates. Figures approximate / illustrative; forward years are estimates.

Key Takeaways

A genuine two-sided debate resolving to the secured paper: asymmetric, catalyst-rich, investable.

Key credit KPIs, 2021-2028E (shaded = forecast)

Source: Company trading statements; rating-agency commentary; financial press; analyst estimates. Figures approximate / illustrative; forward years are estimates.

BUY

Senior secured — core position

4.7x

Net leverage by 2027E (base)

~€20bn

Public debt complex (IGH+Quattro)

Source: Company trading statements; rating-agency commentary; financial press; analyst estimates. Figures approximate / illustrative; forward years are estimates.

Company Overview

INEOS is not one borrower but ring-fenced financing silos — IGH and Quattro carry the liquid public debt.

Entity	Businesses	Role for creditors
INEOS Group Holdings (IGH)	O&P North America, O&P Europe, Chemical Intermediates	Core rated public-debt entity
INEOS Quattro	Styrolution (styrenics), Inovyn (PVC/chlor-alkali), Aromatics & Acetyls	Second financing silo
Project One	Antwerp ethane cracker (~€4bn, ~70% built)	Ring-fenced growth project, pre-revenue
Wider INEOS Group	Automotive (Grenadier), Energy, Hygienics, Trading	Outside analysis; common owner

1998
Founded by Sir Jim Ratcliffe via carve-outs

Top-tier
Global scale; low cost-curve position

Private
Founder-controlled; no listed equity

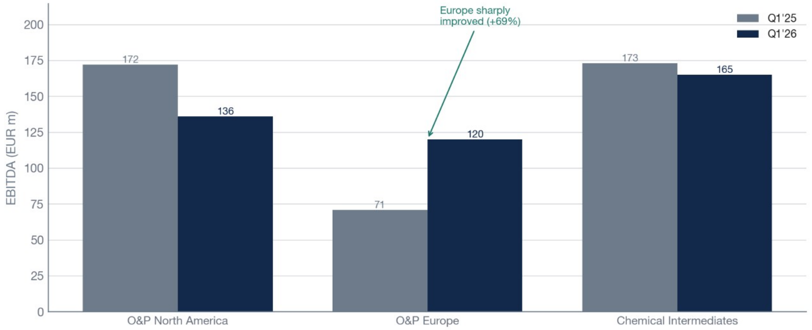
Source: Company trading statements; rating-agency commentary; financial press; analyst estimates. Figures approximate / illustrative; forward years are estimates.

Business Segments

Spread (price less feedstock), not company effort, drives EBITDA — cyclicality is the issue, not the assets.

Platform	Entity	Key products	End-markets	Margin character
O&P North America	IGH	Ethylene, polyethylene	Packaging, film	Cost-advantaged (shale)
O&P Europe	IGH	Ethylene, polyolefins	Packaging, industrial	High-cost; pressured
Chemical Intermediates	IGH	Oxide, nitriles, phenol	Diverse industrial	Mid-cycle, diversified
Styrenics (Styrolution)	Quattro	Styrene, PS, ABS	Auto, appliances	Highly cyclical
Inovyn	Quattro	PVC, caustic soda	Construction, water	Construction-levered
Aromatics & Acetyls	Quattro	PTA, acetic acid	Polyester, solvents	Asia-competitive

EUR m — recovery led by the previously weakest region (O&P Europe)



Source: Company trading statements; rating-agency commentary; financial press; analyst estimates. Figures approximate / illustrative; forward years are estimates.

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Industry Overview

A cyclical trough — bad for equity, good for buying the secured debt of the lowest-cost survivors.

WHAT'S DRIVING THE TROUGH

- Chinese overcapacity floods global markets (ethylene, PVC, styrene, PTA)
- Weak demand: construction, autos, durables; US output ~-0.2% in 2026
- High European energy/feedstock cost → permanent cracker closures
- Venator (TiO_2) into administration; ICIS: “chemicals are in crisis”

WHY THE CYCLE MAY BE TURNING

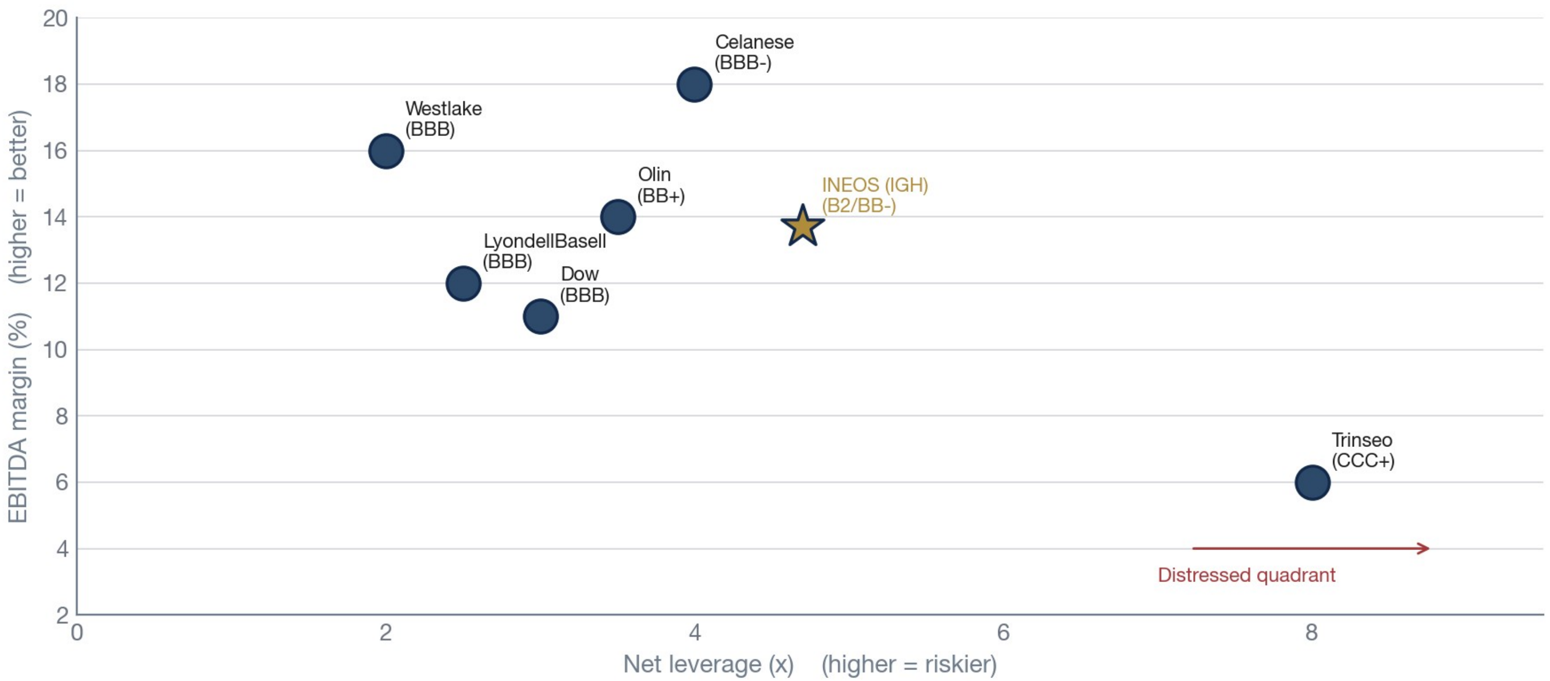
- Supply discipline: closures + deferred projects tighten the high-cost tail
- EU curbs cheap imports (Feb-26) → INEOS bonds rallied
- Middle East conflict cuts exports → tighter global supply
- Margins mean-revert: deep troughs precede multi-year recoveries

Source: Company trading statements; rating-agency commentary; financial press; analyst estimates. Figures approximate / illustrative; forward years are estimates.

Competitive Positioning

Mid-pack on normalised metrics — INEOS's problem is the cycle and the balance sheet, not asset quality.

Net leverage vs EBITDA margin (illustrative) — INEOS mid-pack ex-trough



Source: Analyst estimates / approximate peer figures. INEOS at 2027E base case.

Top quartile

Cost-curve position (scale + shale)

B2 / BB-

Split rating vs IG peers

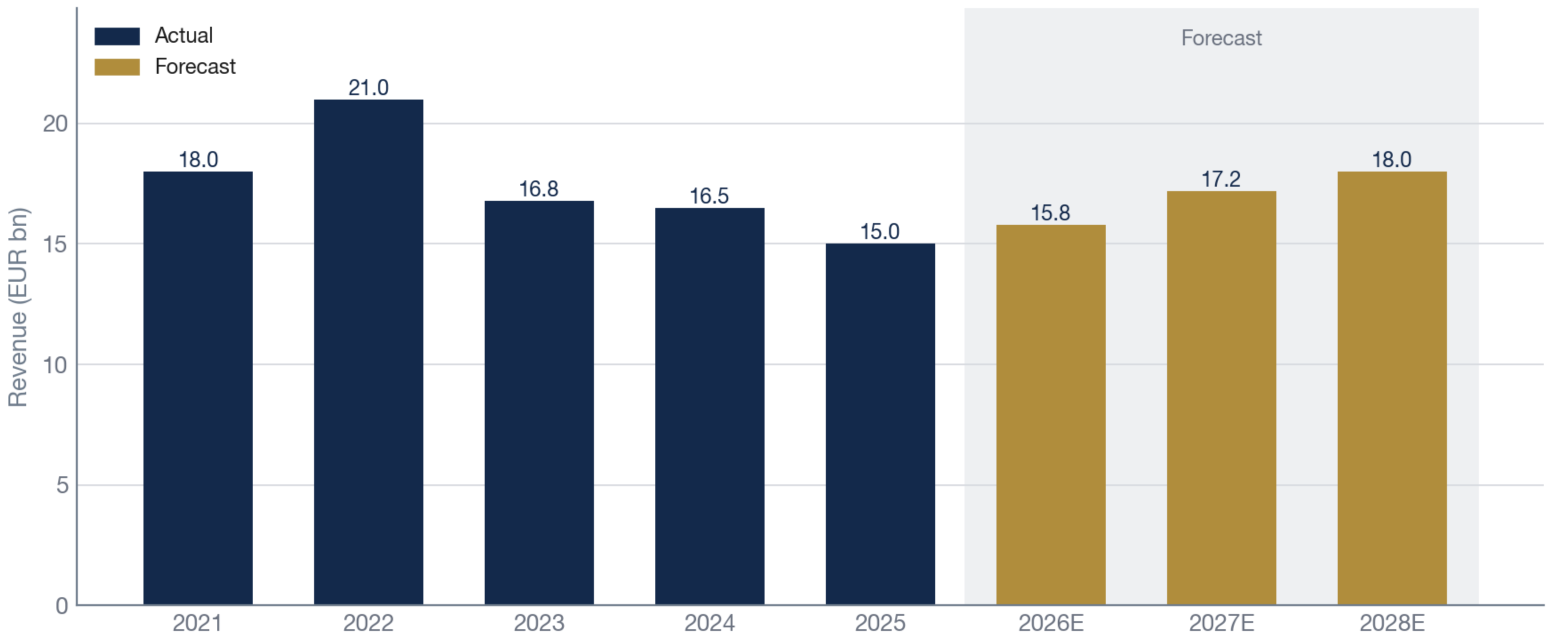
Cyclical

Not structurally disadvantaged

Historical Revenue Analysis

Revenue fell ~29% from the 2022 peak to the 2025 trough; recovery driven by price/volume + Project One.

EUR bn — modest price/volume recovery + Project One volumes from 2027E



Source: Company trading statements; rating-agency commentary; financial press; analyst estimates. Figures approximate / illustrative; forward years are estimates.

€21bn

2022 peak revenue

€15bn

2025 trough revenue

€18bn

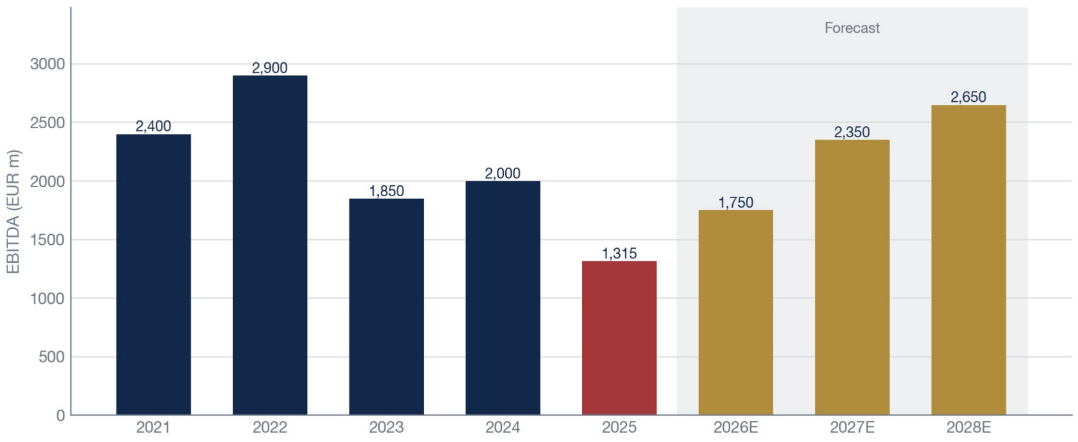
2028E recovery

Source: Company trading statements; rating-agency commentary; financial press; analyst estimates. Figures approximate / illustrative; forward years are estimates.

Historical EBITDA Analysis

Q4'25 (€212m) was the trough; Q1'26 (€421m, +98% QoQ) is hard evidence the cycle is turning.

EUR m — recovery to ~EUR2.65bn by 2028E on cycle + Project One



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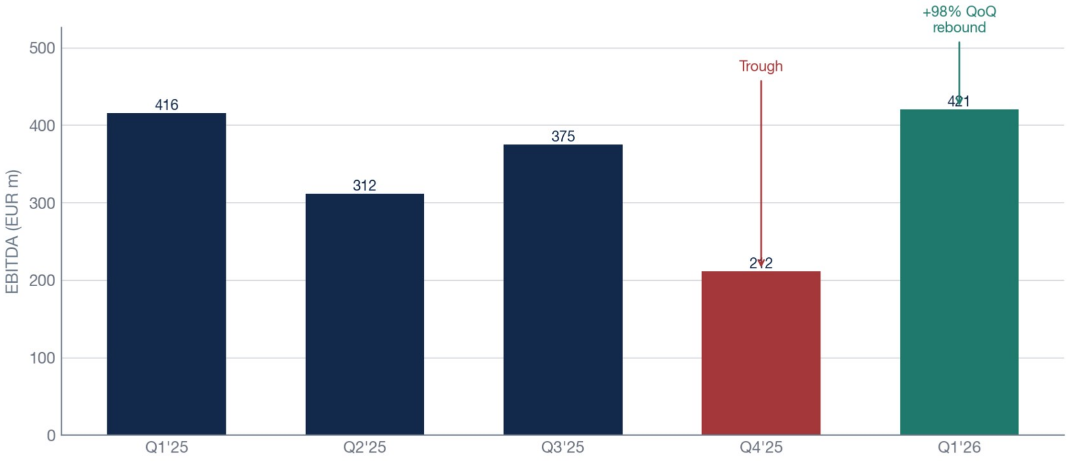
IGH quarterly EBITDA, EUR m — Q1'26 rebound off the Q4'25 trough



Source: Company trading statements; rating-agency commentary; financial press; analyst estimates. Figures approximate / illustrative; forward years are estimates.

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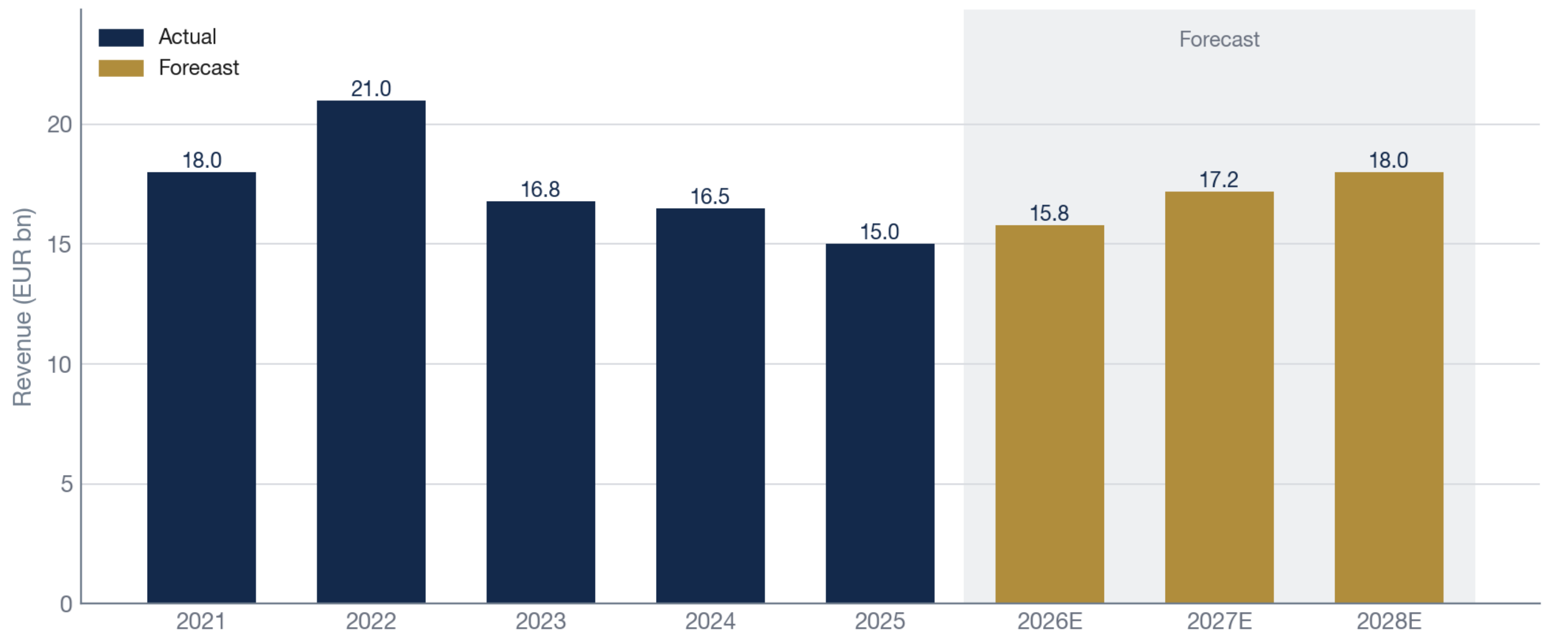
Revenue Forecast

Base case: revenue recovers to ~€17.2bn (2027E) / ~€18bn (2028E) on normalising prices and Project One volumes.

EUR bn — modest price/volume recovery + Project One volumes from 2027E



Source: Company trading statements; rating-agency commentary; financial press; analyst estimates. Figures approximate / illustrative; forward years are estimates.

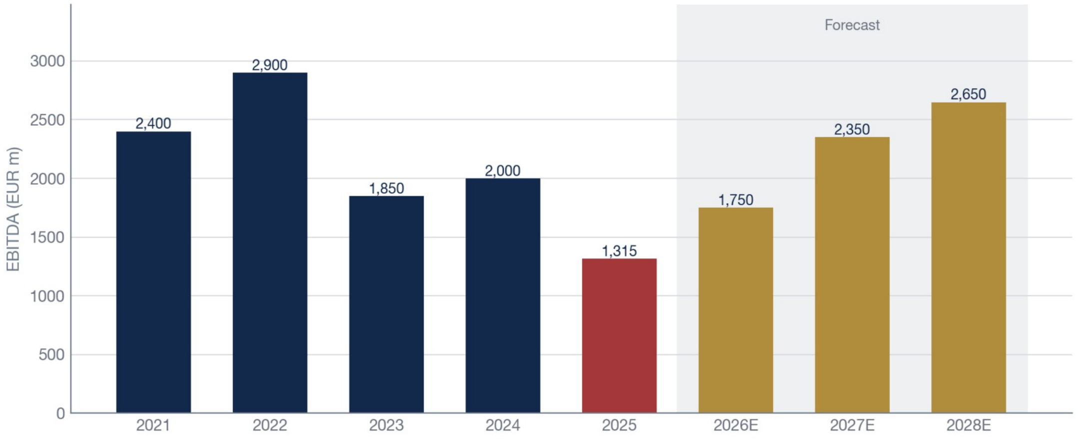
Assumption	Base
Price/volume recovery	Gradual from 2026
Project One volumes	From 2027E
2026E revenue	€15.8bn
2027E revenue	€17.2bn
2028E revenue	€18.0bn

Source: Company trading statements; rating-agency commentary; financial press; analyst estimates. Figures approximate / illustrative; forward years are estimates.

EBITDA Forecast

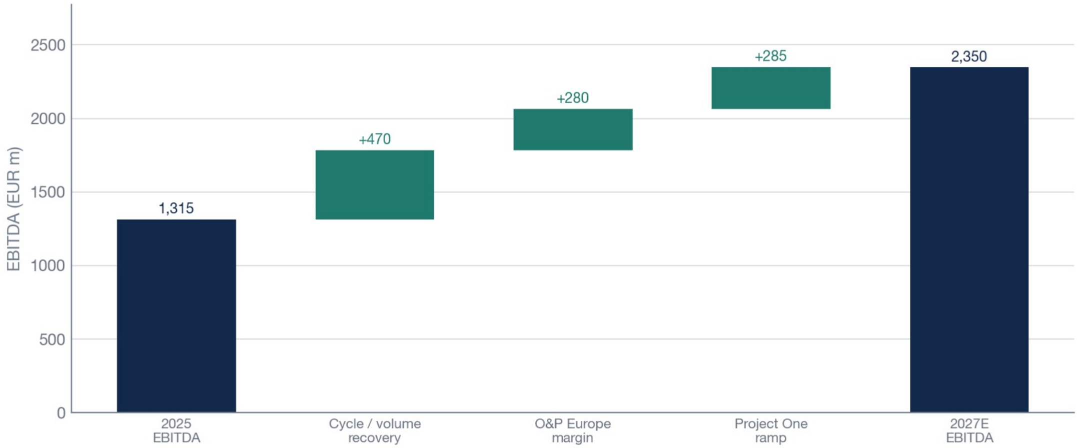
EBITDA rebuilds to ~€2.35bn (2027E) and ~€2.65bn (2028E) — cycle, European margin and Project One ramp.

EUR m — recovery to ~EUR2.65bn by 2028E on cycle + Project One



Source: Company trading statements; rating-agency commentary; financial press; analyst estimates. Figures approximate / illustrative; forward years are estimates.

EUR m — drivers of the recovery from cyclical trough



Source: Company trading statements; rating-agency commentary; financial press; analyst estimates. Figures approximate / illustrative; forward years are estimates.

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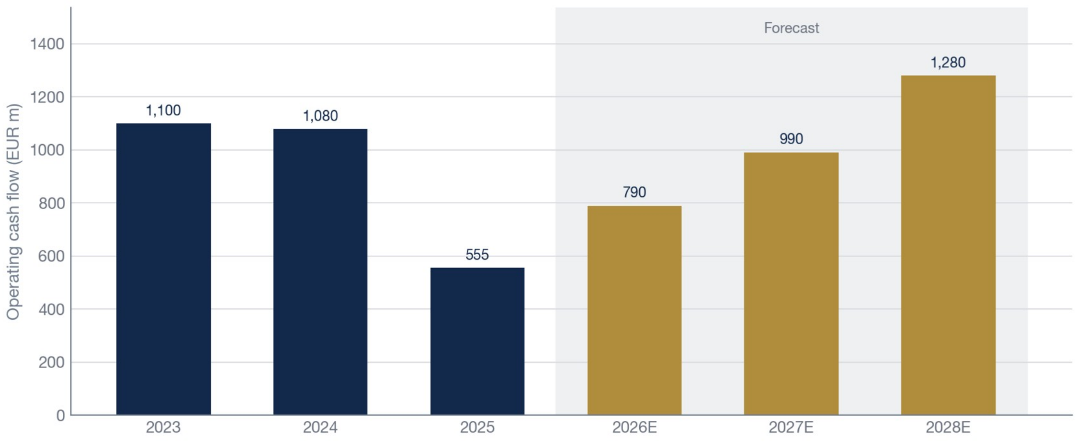
Cash Flow Analysis

FCF is deeply negative at the trough (capex + low EBITDA) but inflects positive from 2027E.

EUR m — EBITDA less cash interest, tax and working capital



Source: Company trading statements; rating-agency commentary; financial press; analyst estimates. Figures approximate / illustrative; forward years are estimates.

EUR m — deeply negative at the trough, inflecting positive from 2027E

Source: Company trading statements; rating-agency commentary; financial press; analyst estimates. Figures approximate / illustrative; forward years are estimates.

Capital Structure Overview

Most public debt is first-lien secured with hard-asset coverage — the foundation of the recommendation.

INEOS public credit complex by seniority, EUR bn — predominantly secured

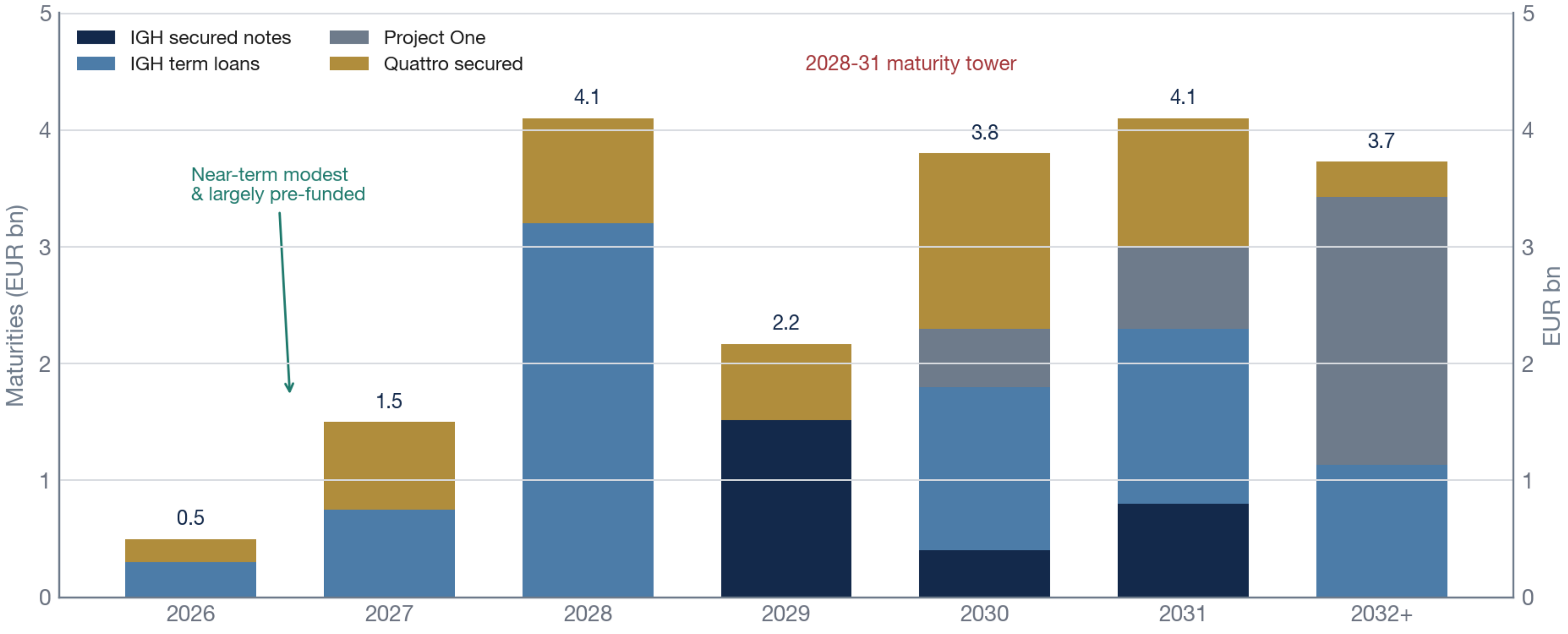
Source: Public instruments + analyst grouping. Combined ~EUR19.9bn gross.

Source: Company trading statements; rating-agency commentary; financial press; analyst estimates. Figures approximate / illustrative; forward years are estimates.

Debt Maturity Wall

2026-27 maturities are modest and largely pre-funded; the maturity tower is 2028-31 — years of runway.

INEOS public credit complex, EUR bn — by instrument category



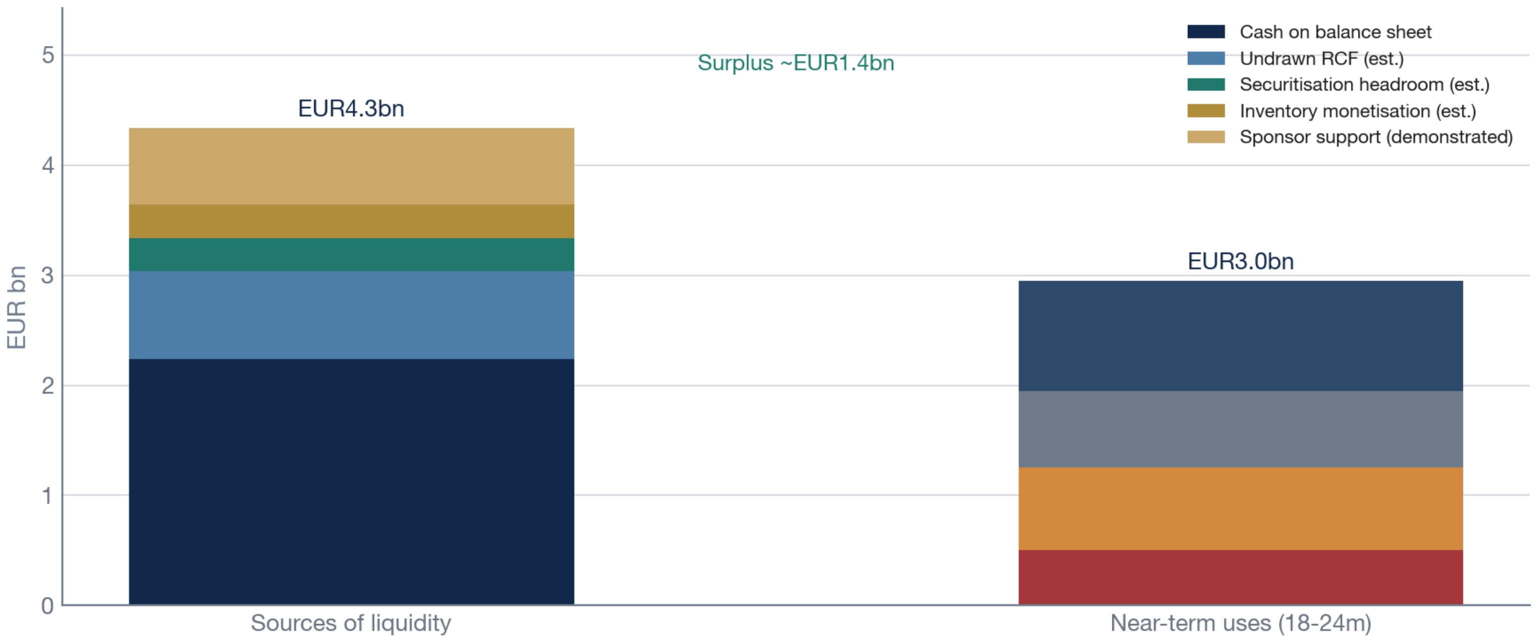
Source: Public bond/loan instruments; analyst grouping (illustrative). Combined IGH + Quattro complex ~EUR19.9bn.

Source: Company trading statements; rating-agency commentary; financial press; analyst estimates. Figures approximate / illustrative; forward years are estimates.

Liquidity Analysis

Cash + facilities + monetisation + sponsor support comfortably cover near-term uses — a ~€1.4bn surplus.

Sources vs near-term uses, EUR bn — comfortable near-term coverage



Source: Company trading statements; rating-agency commentary; financial press; analyst estimates. Figures approximate / illustrative; forward years are estimates.

€2.24bn

Cash on balance sheet (Mar-26)

~€4.3bn

Total near-term liquidity sources

+€0.7bn

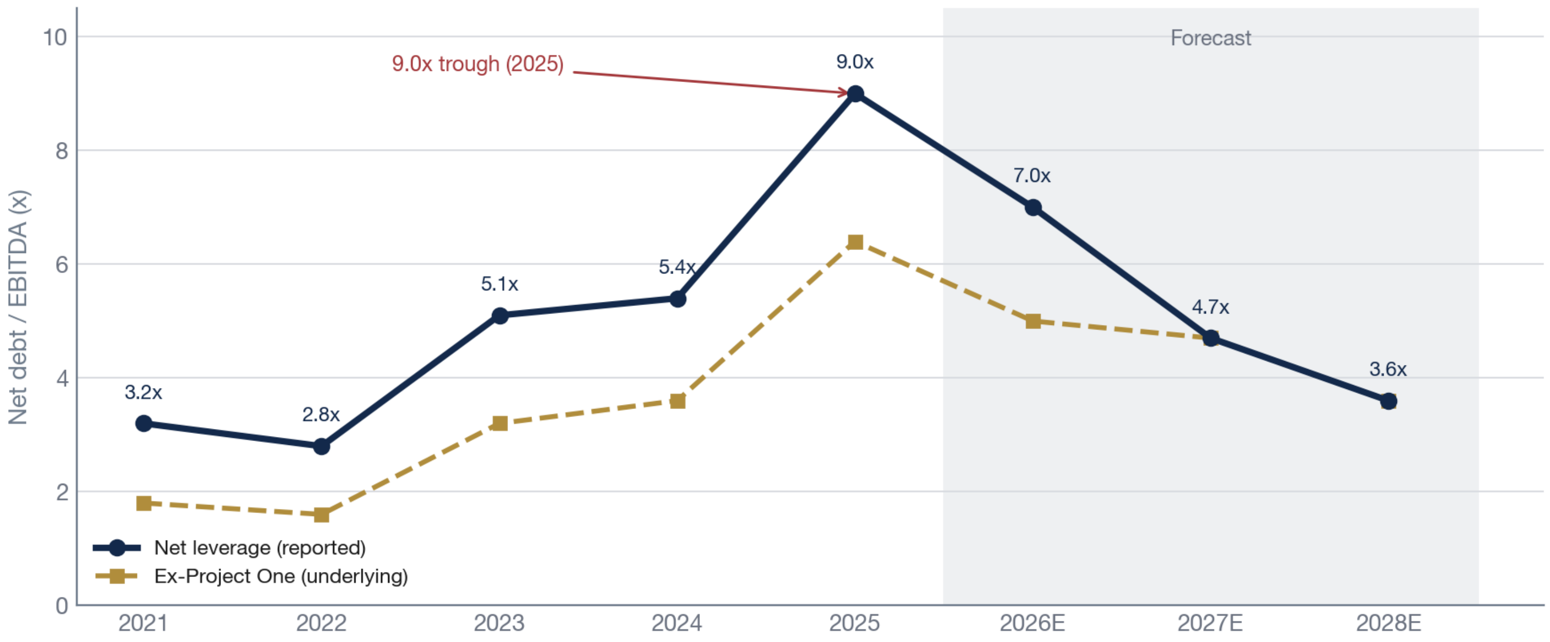
Sponsor equity & new funds (Jan-26)

Source: Company trading statements; rating-agency commentary; financial press; analyst estimates. Figures approximate / illustrative; forward years are estimates.

Leverage Analysis

Net leverage falls from ~9.0x (2025) to ~4.7x (2027E); underlying is lower ex pre-revenue Project One debt.

Net debt / EBITDA (x) — de-levering from trough; underlying lower ex-Project One



Source: Company trading statements; rating-agency commentary; financial press; analyst estimates. Figures approximate / illustrative; forward years are estimates.

9.0x

2025 trough (Moody's ~8.6x)

4.7x

2027E base case

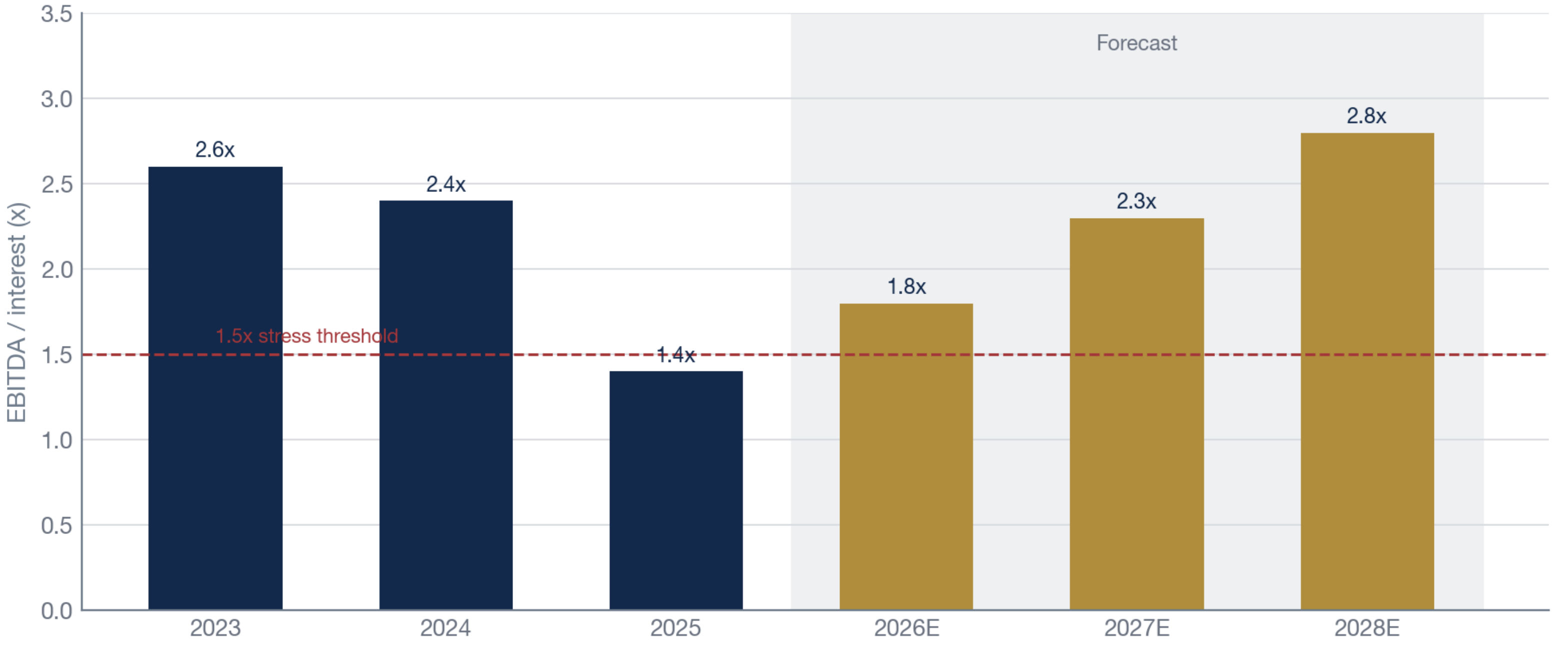
3.6x

2028E — toward peer range

Interest Coverage Analysis

Coverage troughs at 1.4x (2025) as cash interest rises, then recovers to ~2.8x by 2028E.

EBITDA / cash interest (x) — troughs at 1.4x (2025), recovering



Source: Company trading statements; rating-agency commentary; financial press; analyst estimates. Figures approximate / illustrative; forward years are estimates.

1.4x

2025 coverage (trough)

2.3x

2027E coverage

Rising

Cash interest on ~€14-15bn debt

Credit Strengths

Asset quality, sponsor alignment and security combine to cushion downside while the cycle heals.

World-scale, low-cost assets

Top cost-curve position; hard to replicate

Q1'26 EBITDA inflection

€421m vs €212m Q4'25 trough (+98% QoQ)

Predominantly secured debt

First-lien, hard-asset coverage

Supportive sponsor

€200m equity + €500m new funds (Jan-26)

Near-term maturities pre-funded

2026-27 modest; wall is 2028-31

Leverage overstated by Project One

~€3.5bn pre-revenue debt flatters ~9x

Source: Company trading statements; rating-agency commentary; financial press; analyst estimates. Figures approximate / illustrative; forward years are estimates.

Credit Risks

Two failure modes: a prolonged cycle (financial risk) and sponsor/structure risk — both have mitigants.

High trough leverage
~9x net; tight 1.4x coverage in 2025

Prolonged chemicals downturn
China overcapacity; demand relapse

Structural subordination
Multi-silo IGH / Quattro / Project One

2028-29 maturity tower
Refi into uncertain spreads

Sponsor / transfer tail-risk
Asset moves or coercive LME (cf. Altice)

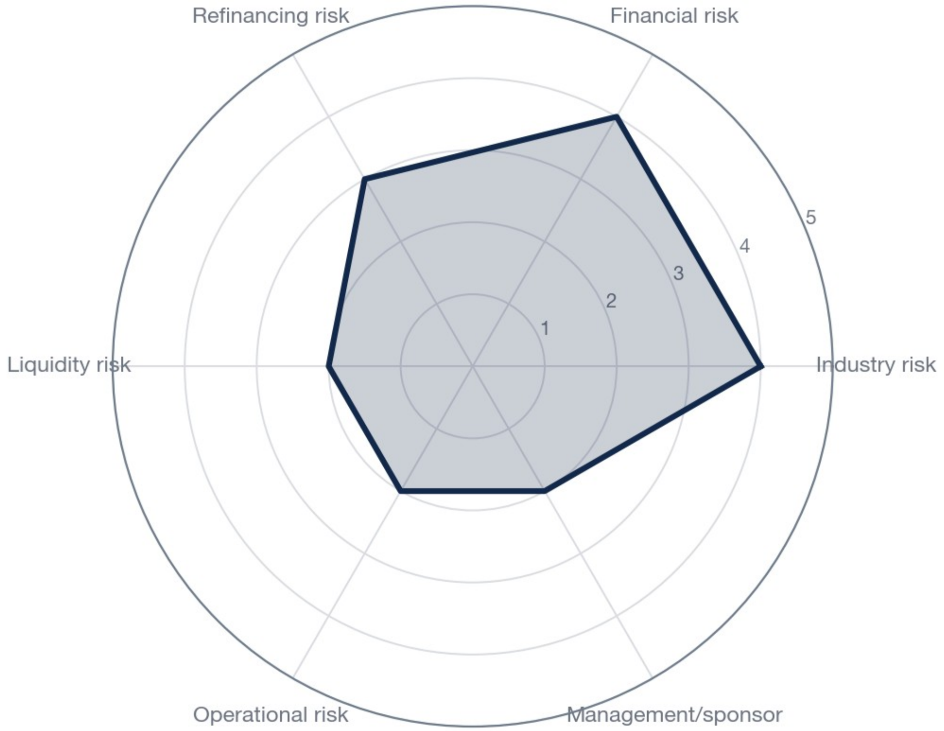
Split ratings (B2 / BB-)
Forced-seller technical pressure

Source: Company trading statements; rating-agency commentary; financial press; analyst estimates. Figures approximate / illustrative; forward years are estimates.

Probability of Default Assessment

Weighted ~2.8/5 (Moderate) → base-case 5yr PD ~15%, consistent with a single-B/BB- profile.

Six-factor credit risk assessment (radar) and implied default probability



Scoring (1 = low risk, 5 = high)

Industry risk	4
Financial risk	4
Refinancing risk	3
Liquidity risk	2
Operational risk	2
Management/sponsor	2

Weighted score: 2.8 / 5 (Moderate)

Implied base-case 5yr PD: ~15%
Consistent with Moody's B2 / Fitch BB-

Source: Company trading statements; rating-agency commentary; financial press; analyst estimates. Figures approximate / illustrative; forward years are estimates.

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Bull Case

Strong recovery: EBITDA ~€3.0bn, net leverage ~3.3x, secured pulls to par; ~20%+ total return.

- Chinese supply discipline + demand recovery lift margins sharply
- Project One starts on time (early-2027), adding EBITDA and de-levering
- EU trade defence sustains European margins; utilisation rises
- Bonds re-rate from distressed/stressed spreads toward par
- Sponsor continues to support; clean refinancing of 2027-28

FY2027E	Bull
Revenue	€19.0bn
EBITDA	€3.0bn
Net leverage	3.3x
Coverage	3.0x
5yr PD	7%
Sec. recovery	100%

Source: Company trading statements; rating-agency commentary; financial press; analyst estimates. Figures approximate / illustrative; forward years are estimates.

Base Case

Most-likely path: EBITDA ~€2.35bn, net leverage ~4.7x by 2027E; carry + modest pull-to-par.

- Cycle normalises gradually; European margins lead the recovery
- Project One completes and begins contributing in 2027
- Net leverage de-levers from ~9x (2025) to ~4.7x (2027E)
- Near-term maturities cleared; 2028-29 termed out opportunistically
- Secured paper earns high-single/low-double-digit YTW with upside

FY2027E	Base
Revenue	€17.2bn
EBITDA	€2.35bn
Net leverage	4.7x
Coverage	2.3x
5yr PD	15%
Sec. recovery	100%

Source: Company trading statements; rating-agency commentary; financial press; analyst estimates. Figures approximate / illustrative; forward years are estimates.

Bear Case

Downside: EBITDA stuck ~€1.4bn, leverage ~8.9x; secured still recovers ~78%, unsecured impaired.

- China capacity keeps coming; demand stays weak — Q1'26 a head-fake
- Leverage stays ~9x; cash interest pressures coverage (~1.4x)
- 2028-29 tower looms with spreads wide; refi only on tough terms
- Sponsor pursues asset transfers / coercive LME (Altice playbook)
- Secured cushioned by asset coverage (~78%); unsecured ~0%

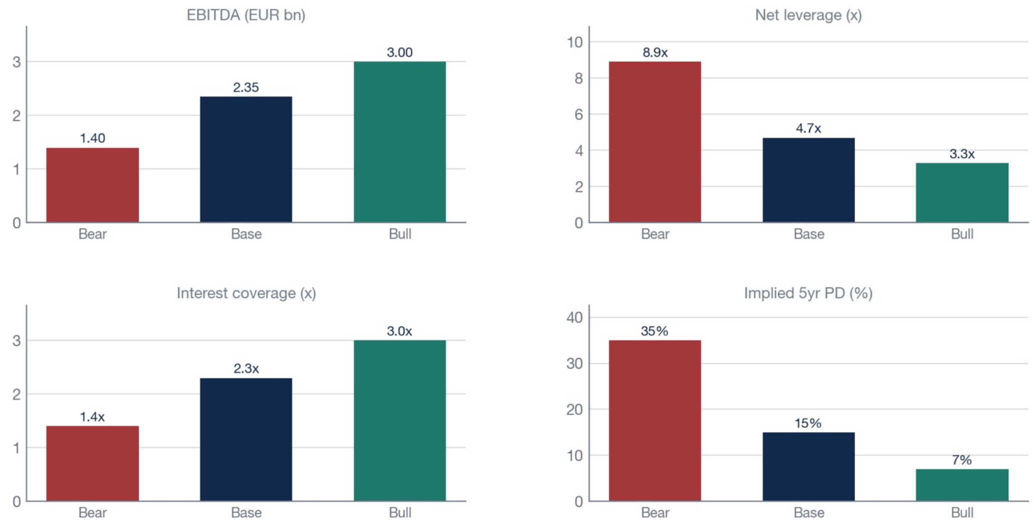
FY2027E	Bear
Revenue	€14.5bn
EBITDA	€1.4bn
Net leverage	8.9x
Coverage	1.4x
5yr PD	35%
Sec. recovery	78%

Source: Company trading statements; rating-agency commentary; financial press; analyst estimates. Figures approximate / illustrative; forward years are estimates.

Scenario Comparison

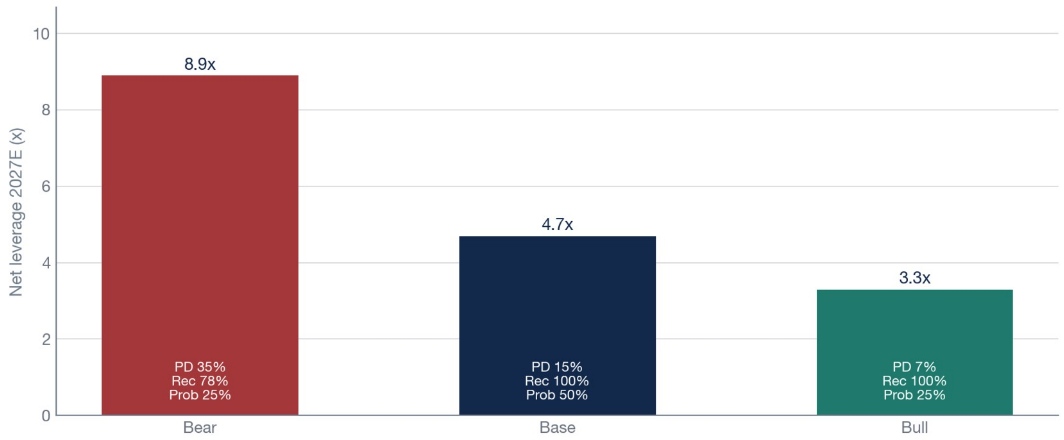
Asymmetry favours the secured: limited downside (78% recovery) vs equity-like upside as the cycle heals.

FY2027E target year — Bear / Base / Bull across key credit metrics



Source: Company trading statements; rating-agency commentary; financial press; analyst estimates. Figures approximate / illustrative; forward years are estimates.

Net leverage, implied default probability, secured recovery & weight



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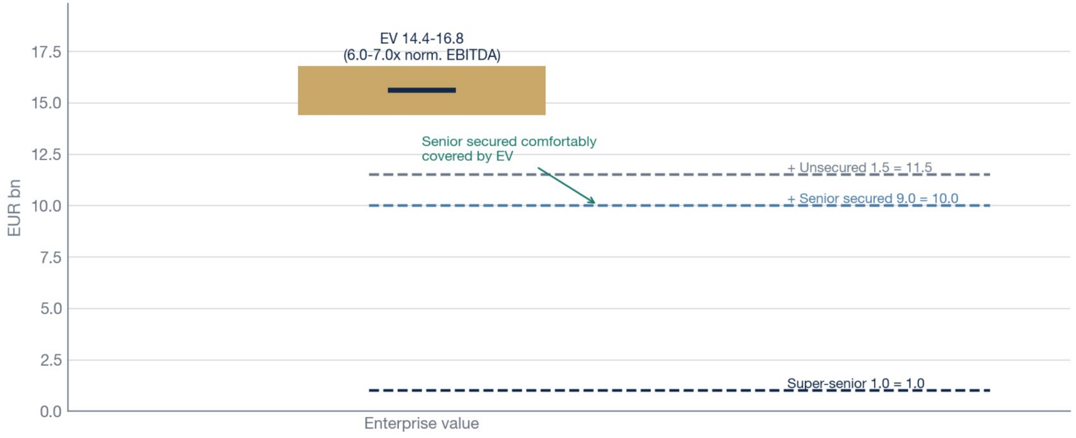
Valuation Analysis

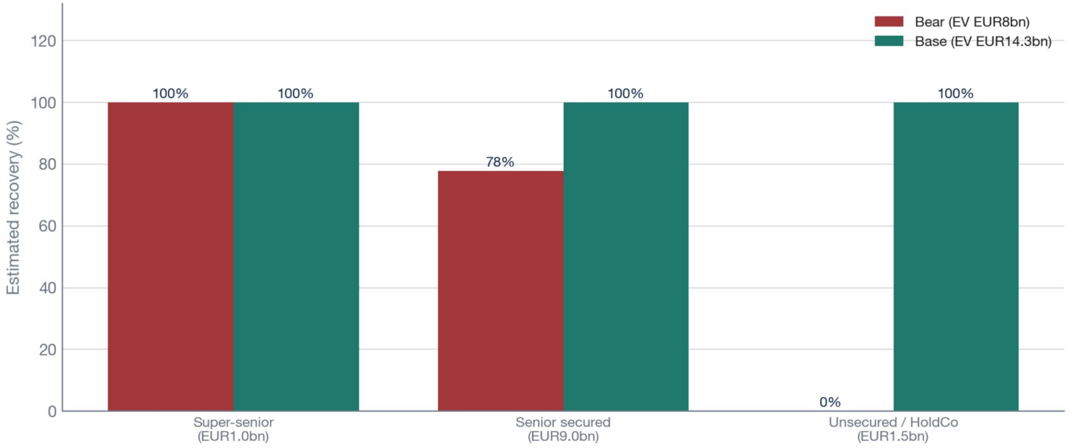
Mid-cycle EV (~€15.6bn) covers senior secured with cushion; secured recovers 78-100% — own the secured.

EUR bn — mid-cycle EV covers senior secured with cushion to unsecured



Source: Analyst estimates. Normalised EBITDA ~EUR2.4bn; EV 6.0-7.0x. Illustrative.

Estimated recovery by tranche — own the secured: 78-100% vs unsecured 0-100%

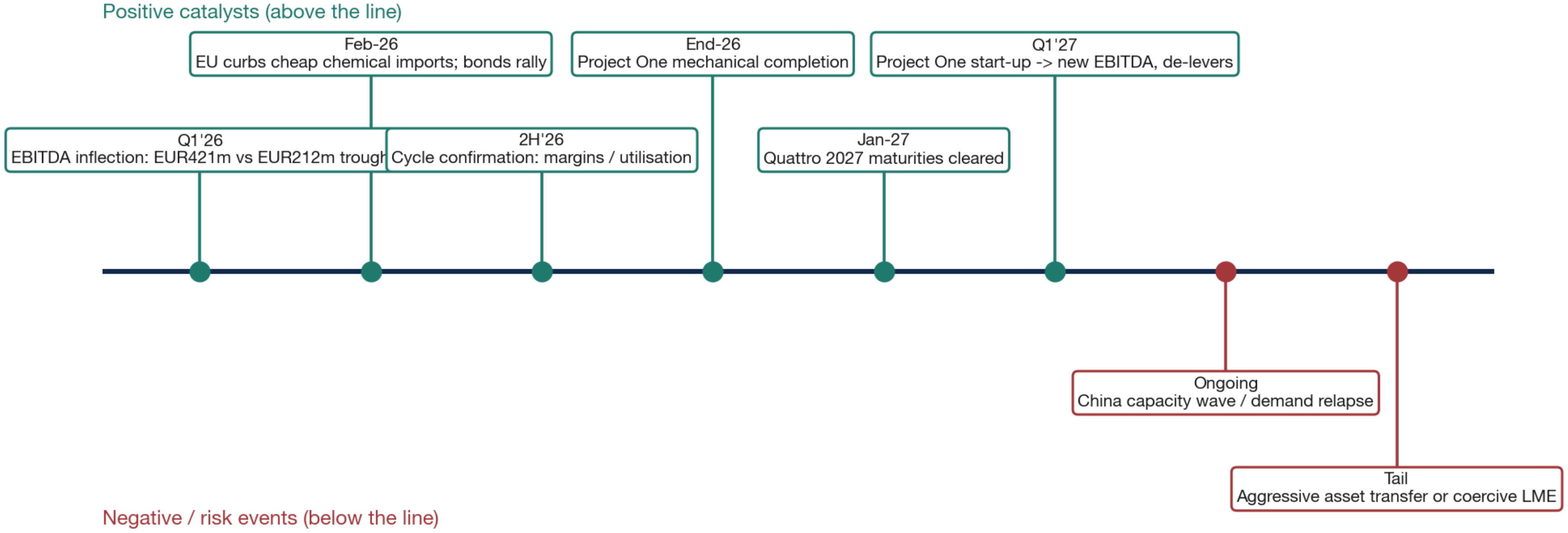


Source: Analyst estimates. EV = distressed/going-concern multiple x stressed EBITDA. Ex ring-fenced Project One. Illustrative.

Catalysts

Near-term catalysts (cycle, EU trade, Project One, 2027 maturities) give the thesis defined milestones.

Key positive catalysts and downside triggers, 2026-2027



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Monitoring Indicators

Clear bullish confirmations and bearish triggers — the sponsor red flag is any asset transfer or coercive LME.

Indicator	Bullish confirmation	Bearish trigger (reduce / exit)
Quarterly EBITDA	Builds on €421m (Q1'26)	Rolls back toward €212m trough
Chemical margins / China	Spreads widen; closures continue	Fresh Chinese capacity wave
Refinancing	2027 cleared; 2028-29 pre-funded	Tower unaddressed into wide spreads
Project One	On-time start-up early-2027	Cost overruns / delay
Sponsor conduct	**Continued equity support**	**Asset transfers / coercive LME (red flag)**
Ratings	Stabilise / outlook revised up	Further downgrades; more silos affected

Source: Company trading statements; rating-agency commentary; financial press; analyst estimates. Figures approximate / illustrative; forward years are estimates.

Investment Recommendation

Core: IGH secured notes. Higher-beta: Quattro secured. Avoid HoldCo/unsecured until recovery confirmed.

Instrument	Entity	Cpn	Mat	Px	YTW	View
7.500% Sr Sec Notes ($725m)	**IGH**	**7.50%**	**2029**	**90**	**11.2%**	**BUY — core**
6.375% Sr Sec Notes	**IGH**	**6.38%**	**2029**	**92**	**9.0%**	**BUY — core**
5.625% Sr Sec Notes	**IGH**	**5.63%**	**2030**	**88**	**8.8%**	**BUY — core**
7.250% Sr Sec Notes	IGH	7.25%	2031	87	10.6%	Add
Senior Secured Term Loans	IGH	E/S+	2027-30	96	9.4%	Hold / Add
9.625% Sec Notes ($)	Quattro	9.63%	2029	78	17.8%	Higher-beta
Secured Notes 2030	Quattro	sec	2030	78	13.5%	Higher-beta
Euro Term Loan B	Quattro	E+	Jan-27	97	8.5%	Hold

Source: Company trading statements; rating-agency commentary; financial press; analyst estimates. Figures approximate / illustrative; forward years are estimates.

Appendix

First-pass credit work for internal discussion — refresh all prices/yields and verify against filings.

METHODOLOGY & DATA

- Entity focus: INEOS Group Holdings (IGH); Quattro shown as second silo
- 2024-25 anchored to reported trading statements / press; pre-2024 & forward years are analyst estimates
- Model in supporting_model.xlsx; charts generated from the same calculations (reconcile by construction)
- Leverage = net debt / EBITDA; coverage = EBITDA / cash interest; PD = six-factor framework
- Maturity wall & cap structure ~€19.9bn (public instruments + analyst grouping)

KEY DISCLAIMERS

- For internal credit discussion only — not investment advice or a solicitation
- Figures approximate / illustrative; bond prices & yields indicative — refresh before execution
- INEOS is private and multi-entity; verify entity-level data against primary documents
- Forecasts are scenarios, not guidance; actual results will differ
- No legal / covenant opinion; structural subordination discussion is conceptual

Source: Company trading statements; rating-agency commentary; financial press; analyst estimates. Figures approximate / illustrative; forward years are estimates.