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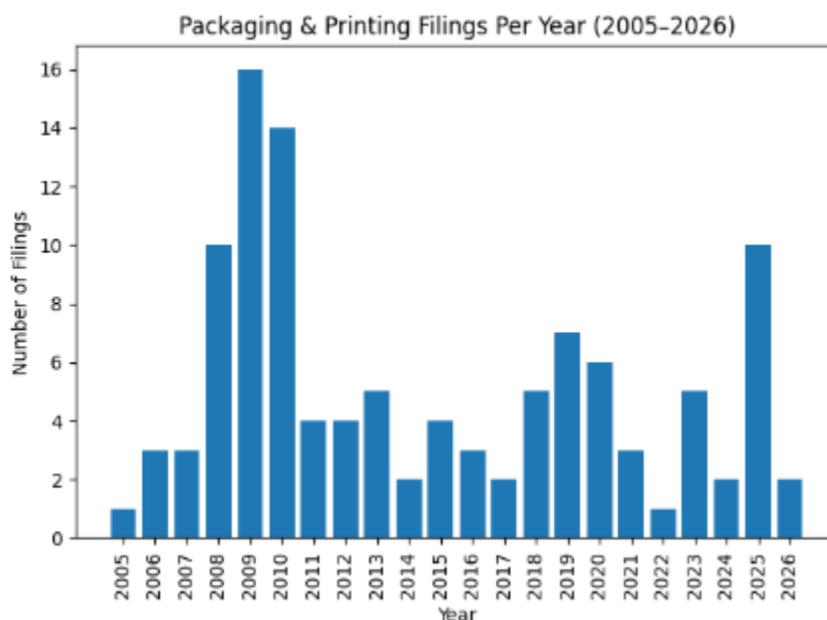
The Packaging Debt Wall: Boxes, Bankruptcies, and Ozempic

For decades, the packaging and printing industry was the quintessential defensive asset class. Predictable cash flows, sticky customer relationships, and low technological obsolescence made it an ideal candidate for aggressive leveraged buyout (LBO) models. The world perpetually needed cardboard boxes and plastic film, allowing financial sponsors to comfortably finance these companies with extraordinary amounts of debt.

In the first quarter of 2026, however, the sector is undergoing a profound structural realignment. While the broader economy celebrates a soft landing, manufacturers of corrugated boxes, specialty film, and packaging materials are navigating a localized financial shock driven by converging macroeconomic pressures that are actively breaking legacy capital structures. BankruptcyData tracking of sector filings shows distress beginning to reaccelerate after more than a decade of relative stability.

Figure 1: Packaging & Printing Bankruptcy Filings by Year (2005–2026)

Source: BankruptcyData sector filings database



The previous cycle provides an important reference point. Sector bankruptcies accelerated sharply between 2007 and 2010 as highly leveraged industrial issuers collided with collapsing demand and tightening liquidity conditions.

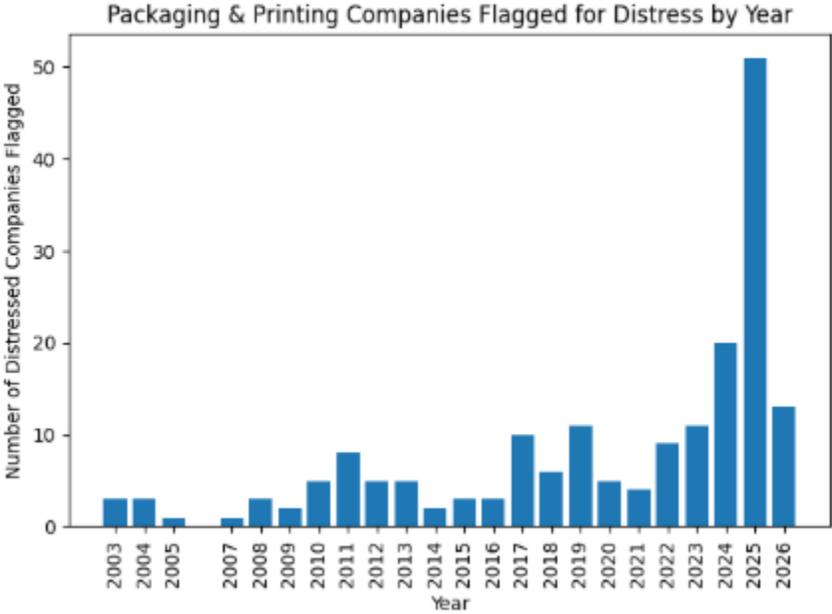
Importantly, the dataset reflects a **broad mix of companies categorized within packaging and printing**, including traditional paper and pulp manufacturers, specialty packaging companies, label businesses, and commercial printing operations. Historically, many of the

largest bankruptcy waves in the sector were driven by **legacy paper and pulp manufacturers**, whose capital-intensive mills and commodity exposure made them particularly vulnerable during downturns. The **recent increase in filings, however, appears increasingly influenced by packaging and label-oriented businesses**, where elevated leverage, floating-rate debt structures, and demand normalization following the pandemic are now colliding.

Distress Signals Are Accelerating

Bankruptcy filings themselves are inherently backward-looking indicators of financial stress. By the time a company files for Chapter 11, the underlying financial deterioration has typically been unfolding for months or years. To capture earlier warning signals, **BankruptcyData** tracks **41 distinct categories of distress events**, including distressed debt trading levels, credit rating actions, refinancing pressure, liquidity stress, liability management transactions, advisor engagements, covenant pressure, and other restructuring indicators. Because the platform tracks **distress events rather than simply distressed companies**, a single issuer may generate multiple indicators over time as its financial condition deteriorates.

Figure 2: Distress Events Among Packaging & Printing Companies
Source: BankruptcyData distress monitoring



The number of distress indicators within the sector has increased sharply in recent years, with a particularly notable acceleration beginning in 2023. While some issuers appearing in the dataset may have been flagged in prior years, the **frequency of new distress events across the sector has risen materially**, suggesting financial pressure is spreading across a broader portion of the industry. The divergence between **distress signals and formal bankruptcy filings** suggests the restructuring pipeline may continue to build as leveraged capital structures

adjust to higher interest rates and weaker operating conditions. Rather than a single systemic shock, the current cycle appears to be driven by **three structural forces simultaneously compressing margins and straining balance sheets across the industry.**

Destocking and Under-Absorbed Costs

The industry is suffering from a brutal post-pandemic hangover. During the supply chain crisis, brand owners panic-ordered to ensure product availability. Once interest rates rose and the cost of holding inventory spiked, this triggered a massive destocking cycle. As customers burned through stockpiles, packaging converters were hit with a sudden volume vacuum. This created massive under-absorbed costs, where fixed manufacturing overhead had to be spread across significantly fewer units, severely compressing EBITDA margins just as debt service obligations peaked.

The Green CapEx Mandate

Regulatory frameworks have transitioned from aspirational ESG goals to immediate balance-sheet liabilities. The European Union recently passed the **Packaging and Packaging Waste Regulation (PPWR)** mandating that all packaging be recyclable by 2030. At the same time, governments globally are rolling out **Extended Producer Responsibility (EPR)** fee structures, which in some jurisdictions have reached nearly €4 per kilogram for certain composite materials. Legacy converters are now being forced into mandatory **“Green CapEx” investment cycles**, upgrading equipment to produce mono-material packaging or incorporate post-consumer recycled content. These investments are arriving precisely when liquidity profiles are already under pressure.

Tariffs and the Floating-Rate Trap

The traditional LBO playbook relied on two assumptions: cheap floating-rate debt and stable input costs. Both assumptions evaporated simultaneously. The cost to service variable-rate capital structures skyrocketed as interest rates surged, while volatility in input costs reduced the ability of manufacturers to pass price increases through to customers. The pressure was exacerbated by a **50% U.S. import tariff on steel and aluminum introduced in 2025**, widening the domestic-global packaging cost gap by approximately \$300 per metric ton and undermining the economics of certain packaging inputs.

Case Study: Living on the Factoring Edge

Klöckner Pentaplast (kp), an SVP-backed specialty film producer, illustrates the fragility of these capital structures. When volumes dropped in 2025, an out-of-court amend-and-extend transaction collapsed after the sponsor withdrew equity support, forcing kp into a prepackaged Chapter 11 filing in November 2025. First-day declarations revealed the extent of the company's liquidity tightrope. kp relied on **14 separate accounts receivable factoring facilities**, within a broader \$443 million program, to generate approximately **\$5.6 million of daily liquidity.**

Without these arrangements, the company would have faced an immediate **\$280 million liquidity shortfall**. In the restructuring, first-lien lenders ultimately wiped out sponsor equity and assumed ownership, supported by a **€984 million DIP financing facility**.

The Del Monte Creditor Brawl

Del Monte Foods, which filed for bankruptcy in July 2025, highlights how distress can propagate upstream from consumer brands to the packaging ecosystem. Burdened with roughly **\$1.2 billion of debt from a 2014 leveraged buyout**, Del Monte's annual interest expense nearly doubled to **\$125 million by 2025**. Demand forecasting errors and inventory buildup ultimately pushed the company into bankruptcy. The ensuing **Section 363 sale to Fresh Del Monte for \$285 million** triggered fierce intra-creditor litigation. A minority secured lender group alleged that a prepetition liability management exercise and DIP rollout violated sharing provisions in the credit agreement. The dispute culminated in a January 2026 global settlement that carved out **\$8 million of recovery for general unsecured creditors**.

The Tuck-In Economy and Article 9 Alternative

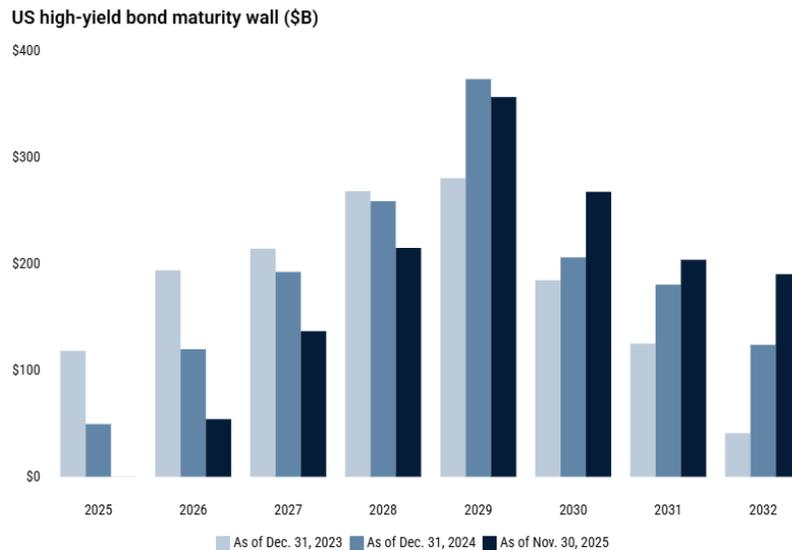
In the commercial printing sector, distress frequently takes a quieter form. With the historical reliance on large paper catalogs effectively eliminated by the rise of e-commerce, traditional commercial printers are — as restructuring practitioner Ken Rosen describes — **“dying by the dozen.”** Unable to fund the capital expenditures necessary to remain competitive, many smaller printers lose their top salespeople, who simply take their customer relationships to healthier competitors. These companies rarely pursue Chapter 11 restructurings. In the printing industry, a bankruptcy filing can trigger immediate customer flight due to supply chain concerns. Instead, lenders increasingly pursue **Article 9 foreclosures**, quietly transferring assets to competitors outside of court. Private equity firms such as Atlas continue to acquire these distressed manufacturing assets opportunistically, provided acquisition prices reflect the structural decline of the industry.

The Corrugated Exception and Niche Profitability

Not all segments of the industry are struggling. The **corrugated box sector remains structurally supported by e-commerce growth**, where the ubiquitous brown box remains a core logistics component. However, this strength has triggered significant consolidation. Major players continue pursuing acquisitions both domestically and internationally as regulatory constraints limit further concentration in certain markets. Profitability increasingly depends on **specialized niche applications**, such as high-margin retail display packaging or highly specific shipping formats like waxed poultry boxes used in cold-chain logistics.

The GLP-1 Factor vs. the Pragmatists

Looking forward, the sector faces an additional macroeconomic overhang. By 2026, maturities for **CCC and C-rated leveraged debt are expected to increase roughly 27% year-over-year to \$62 billion**, forming the leading edge of a **\$1.2 trillion leveraged debt maturity wall approaching by 2029**.



Average middle-market leverage remains near **7x EBITDA**. Some distressed investors have begun questioning whether widespread adoption of **GLP-1 weight-loss drugs such as Ozempic** could structurally reduce global food consumption and therefore packaging demand. Industry veterans largely dismiss this thesis. The population currently prescribed these drugs remains too small, and insurance coverage too limited, to meaningfully alter global packaging volumes. Instead, investors appear more concerned about capital structures than consumption patterns. Financial sponsors are increasingly walking away from underwater equity positions, while asset-based lenders tighten borrowing bases and liquidity support.

The packaging industry is therefore undergoing a **structural balance-sheet reset**. Companies that survive will likely be those with the financial flexibility to adapt toward digital printing, short-run manufacturing, and specialized e-commerce formats — while heavily leveraged legacy issuers are absorbed through restructuring, distressed M&A, or quiet Article 9 liquidations.

AUTHOR NOTE

Josh Merriam, intern analyst and student at NYU Stern, produced research and initial draft of this report.

Data Sources: BankruptcyData sector filings database; BankruptcyData distress monitoring