Ipsos credit and downside analysis

George Dharma

For this hypothetical Ipsos buyout, I would decline the €1.64bn acquisition debt package. In the downside case the company covers scheduled debt service only 1.07 times at its weakest point. Removing the junior tranche and sizing senior debt at €1.09bn raises that floor to 1.51×.

The analysis starts with €363.4m of FY2025 underwriting EBITDA after cash rent. The proposed financing adds a 4.0× senior loan and a 0.5× junior loan. The alternative uses 3.0× senior debt. Both receive the same operating assumptions, €150m cash reserve and €150m revolving facility.[1]

Which structure can pay on time

Case	Proposed minimum cover	Senior-only minimum cover	First cash breach, proposed	First cash breach, senior-only
Base	1.65×	2.40×	None	None
Downside	**1.07×**	**1.51×**	**None**	**None**
Severe	0.34×	0.44×	Y2	Y5

Coverage uses cash available after tax, capex, working capital and restructuring. The denominator includes cash interest, mandatory senior principal and repayment of the revolver when it expires. An uncommitted refinance cannot fill an earlier operating cash shortfall.[2]

In severe stress even the smaller structure falls below its required cash reserve. It buys three additional years before the first shortfall. I would pair it with an agreed liquidity backstop sized against that stress or revisit the borrowing level.

1 Ipsos FY2025 audited consolidated accounts · Ipsos FY2025 results presentation

2 George Dharma, Ipsos credit and downside analysis, Excel workbook, Loan comparison and operating cases.

What is left if the business is sold

A lender can be paid in full in the base case and still face a material loss in distress. At a 5.0× sale in year two, the proposed senior loan recovers 45.1% in the severe operating case. On the senior-only structure, the same business and sale multiple return 70.3%.

Recovery at 5.0×	Year-two EBITDA	Proposed senior	Senior-only loan	Proposed junior
Base	€393m	100.0%	100.0%	100.0%
Downside	€299m	98.8%	100.0%	0.0%
Severe	€190m	45.1%	70.3%	0.0%

I deduct 5% of distressed enterprise value for sale and administration. Only cash above the operating reserve is available. Hypothetical rescue financing, the €47m pension claim and the revolver rank ahead of the senior loan in this waterfall. The actual ranking would depend on the agreed security documents.[3]

Senior recovery in a year-two severe sale

Severe EBITDA retained	4.0× sale	5.0× sale	6.0× sale	7.0× sale
75%	19.8%	29.3%	38.8%	48.3%
85%	24.9%	35.6%	46.4%	57.2%
100%	32.5%	**45.1%**	57.8%	70.5%
115%	40.1%	54.6%	69.2%	83.8%

The smaller loan leaves fewer competing claims on the same operating value and needs less cash interest before the sale. The improvement comes from both effects. Taking a better security position by itself would leave the business with the same cash debt service.

The grid fixes the proposed financing and the severe operating case. At the outlined cell, year-two earnings receive no additional haircut and the sale takes place at 5.0× EBITDA. The operating case determines the starting EBITDA and outstanding debt, so a low sale price can be tested on top of an already weak business.

3 George Dharma, Ipsos credit and downside analysis, Excel workbook, Accounts, Terms and Recovery.

Repayment at legal maturity

Positive annual cash flow does not guarantee repayment of the remaining balance in year seven. I size a replacement loan against both leverage and debt-service cover, and then deduct the issuance fee to identify cash available to retire the old senior loan.

Year-seven test	Net refinancing capacity	Senior balloon	Refinancing gap
Proposed · downside	€1,239m	€972m	€0m
Proposed · severe	€865m	€1,352m	€487m
Senior-only · downside	€1,417m	€310m	€0m
Senior-only · severe	€1,043m	€998m	€0m

The replacement screen assumes 4.0× maximum total leverage, 1.25× minimum debt-service cover, an 8% replacement coupon and 1% scheduled amortisation. It uses year-seven operating cash as the reference. On the severe proposed package, the refinance gap reaches €487m. Earlier operating cash shortfalls would already require support.[4]

I would reopen the decision on the €1.09bn senior-only loan once the sponsor identifies cash support for the severe case, agrees to track operating liquidity and accepts a repayment plan through maturity. These terms address when cash is needed as well as what the lender could recover in a sale.

4 George Dharma, Ipsos credit and downside analysis, Excel workbook, Terms and Loan comparison.