Arctic Paper

Fast comment

Rottneros: Impairment of SEK 140m

Commissioned research

Not rated

Pulp & Paper

ARP-SE/ARP SS

Share price (SEK)	6/8/2025	28.30
MCap (SEKm)		1,932
MCap (EURm)		173
No. of shares (m)		69.3
Free float (%)		31.7
Av. daily volume (k)		14

Next event Q2 Report 12 August 2025

Analyst(s):
henrik.bartnes@abgsc.no, +47 22 01 61 90
nikola.kalanoski@abgsc.se, +46 8 566 286 04

- Rottneros reports SEK 140m impairment ahead of Q2
- Challenging markets for Rottneros and Arctic Paper
- Far-sighted is better than myopic

Rottneros reports SEK 140m impairment ahead of Q2

Rottneros has announced an impairment of SEK 140m (~PLN 53m) related to fixed assets at its Rottneros Mill, citing persistently weak market conditions for CTMP that have curtailed the mill's operational capacity. In our Q2 preview, we highlighted that the weaker pulp market and continued high wood costs will limit the pulp EBIT, and our bridge pointed to a clean Q2e pulp EBIT of PLN -25m. Rottneros has announced SEK 35-40m annual cost savings, with effect from H2. Furthermore, the first signs of lower wood costs have emerged (down 10% in Norway for H2), which could provide some tailwinds for Rottneros from Q4'25/Q1'26.

Challenging markets for Rottneros and Arctic Paper

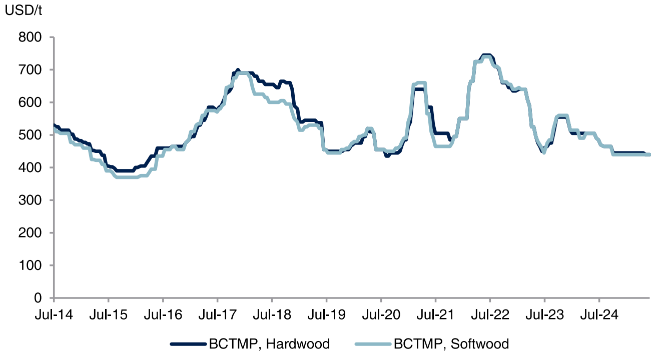
The pulp market has suffered from increased uncertainty and geopolitical tensions, and European softwood and hardwood prices are down ~10% since March, while Chinese prices are down ~15%. Regarding CTMP, Rottneros is positioned at the far right of the global cost curve, i.e margins are structurally more pressured. Paper markets are helped by 9% supply cuts in '25-'26, but with slow demand, we see the utilisation rate reaching only 75-80% in '25e. We need +3mt more cuts (12%) to reach the historical average of ~88%. Note that paper prices fell 2% m-o-m in July. Price hikes were initially announced for Q2, but we understand that these hikes did not go through, as the market balance is soft.

Far-sighted is better than myopic

The market will remain challenging for some time, but far-sighted is better than myopic. The pulp market has its short term issues, but hardwood prices are already below the marginal producers' cash cost (typically not long-lasting). The group will also likely see some tailwinds once lower wood prices takes hold. Rottneros has completed a SEK 300m rights-issue and Arctic has a leverage of 0.7x, i.e there should be headroom for now. Arctic paper is trading at an EV/CE multiple of ~0.6x and a '26e-'27e EV/EBIT ~15% below core peers. We have applied three valuation methodologies, and arrive at a fair value range of SEK 25-70. The fair value range implies an EV/CE range of 0.4x-1.0x.

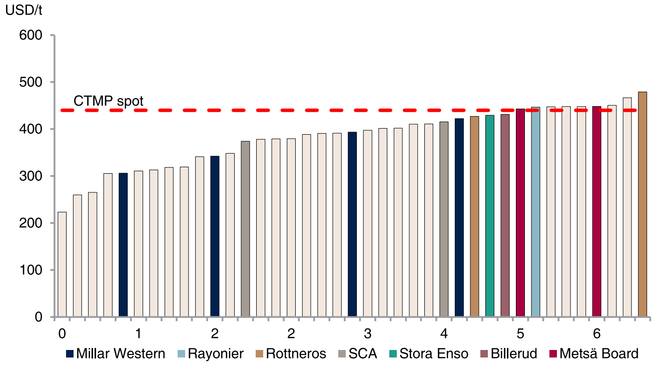
Disclosures and analyst certifications are located on pages 4-5 of this report.

CTMP prices



Source: ABG Sundal Collier, RISI

Global CTMP cash cost curve



Source: ABG Sundal Collier, RISI

PLNm	2023	2024	2025e	2026e	2027e
Sales	3,549	3,373	3,153	3,664	3,880
Sales growth (%)	*-27.5*	*-5.0*	*-6.5*	*16.2*	*5.9*
EBITDA	475	291	111	244	300
EBITDA margin (%)	*13.4*	*8.6*	*3.5*	*6.7*	*7.7*
EBIT adj.	357	142	-15	118	179
EBIT adj. margin (%)	*10.1*	*4.2*	*-0.5*	*3.2*	*4.6*
Pretax profit	341	157	-49	94	159
EPS	3.57	1.77	-0.18	0.88	1.50
EPS growth (%)	*-60.8*	*-50.5*	*nm*	*nm*	*71.6*
EPS adj.	3.57	1.77	-0.18	0.88	1.50
DPS	1.07	0.53	0.00	0.26	0.45
EV/EBITDA (x)	1.6	3.2	11.1	5.0	4.0
EV/EBIT adj. (x)	2.1	6.6	-83.9	10.3	6.6
P/E (x)	3.0	6.1	nm	12.4	7.2
P/E adj. (x)	3.0	6.1	nm	12.4	7.2
EV/sales (x)	0.21	0.28	0.39	0.33	0.31
FCF yield (%)	43.2	-14.1	-22.4	1.6	8.4
Le. adj. FCF yld. (%)	41.9	-15.3	-23.5	0.4	7.3
Dividend yield (%)	9.9	4.9	0.0	2.4	4.2
Net IB debt/EBITDA (x)	-0.8	-0.6	1.4	0.5	0.2
Le. adj. ND/EBITDA (x)	-0.7	-0.5	1.7	0.6	0.3

Source: ABG Sundal Collier, Company Data

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Norway
Ruseløkkveien 26, 8th floor
0251 Oslo
Norway
Tel: +47 22 01 60 00
Fax: +47 22 01 60 60

Sweden
Regeringsgatan 25, 8th floor
111 53 Stockholm
Sweden
Tel: +46 8 566 286 00
Fax: +46 8 566 286 01

USA
140 Broadway, Suite 4604
New York, NY 10005
USA
Tel. +1 212 605 3800
Fax. +1 212 605 3801

Germany
Schillerstrasse 2, 5. OG
60313 Frankfurt
Germany
Tel +49 69 96 86 96 0
Fax +49 69 96 86 96 99

Denmark
Forbindelsesvej 12,
2100 Copenhagen
Denmark
Tel: +45 35 46 61 00
Fax: +45 35 46 61 10

United Kingdom
10 Paternoster Row, 5th floor
London EC4M 7EJ
UK
Tel: +44 20 7905 5600
Fax: +44 20 7905 5601

Singapore
10 Collyer Quay
Ocean Financial Center
#40-07, Singapore 049315
Tel +65 6808 6082

Switzerland
ABG Sundal Collier AG
Representative Office
Schwanenplatz 4
6004 Lucerne
Switzerland
Tel +41 79 502 33 39