

Arctic Paper

Q3 slightly above, Q4 likely flat/slightly better

- Paper EBITDA PLN 49m, above ABGSCe PLN 47m
- Group EBITDA beat driven mainly by Paper
- Outlook remains muted, Q4 likely flat/slightly better (seasonally)

Slight beat driven by Paper

Q3 group EBITDA came in at PLN 77m, which compares to ABGSCe of PLN 74m. Paper EBITDA came in at PLN 49m, slightly above ABGSCe PLN 47m (i.e. beat is explained by better from Paper). Key to Q3 was soft demand (largely driven by Germany and Poland), higher pulp costs, and maintenance. Paper EBIT was PLN 25m vs. ABGSCe PLN 27m. Group EBIT came in at PLN 46m, +12% vs. ABGSCe of PLN 41m (lower Other). EPS came in at PLN 0.44 vs our estimate of PLN 0.35.

We expected Q3 paper EBIT of PLN ~27m, flat vs. PLN 27m in Q2'24. The main effects q-o-q were likely: PLN +15m from higher volumes, and PLN -15m from higher pulp prices. UWF and CWF prices remained flat q-o-q. Pulp EBIT would likely be slightly better q-o-q (PLN ~2m), driven by higher pulp prices. Hence, we expected Q3 group EBIT of PLN ~41m.

Paper market better, but still not good enough

The paper markets are helped by 15% supply cuts in '24-25, but demand growth has abated lately, which leaves the utilisation rate lower vs. historically (~89%). The utilisation rate reached ~70% in '23, but the expected cuts (~3.8mt for '24-'25), combined with the potential +1-3% rise in demand during '24e suggested by our demand model (due to lower prices), point to a utilisation rate of 78-80% in '24e. Note that demand is up 4-5% so far in '24, but mostly for fine paper (which is positive for Arctic Paper). The expected utilisation rate is still weak in historical terms, but the good news is that higher fibre input costs push output prices higher. Arctic Paper is well-positioned, as it is a leading premium design/book paper player with a decent overall position on the cash cost curve.

Outlook remains muted, Q4 likely flat/slightly better

CEO reiterates that the recovery may take time and that they "expect the current market situation to persist throughout the year". Q4 should be flat/slightly better than Q3 driven by seasonally better volumes, and we see Q4 paper EBIT of PLN 50-60m.

Fast comment

Commissioned research

Not rated

Pulp & Paper

ARP-SE/ARP SS

Share price (SEK)	6/11/2024	46.92
MCap (SEKm)		3,220
MCap (EURm)		276
No. of shares (m)		69.3
Free float (%)		31.7
Av. daily volume (k)		5

Next event Q3 Report 7 November 2024

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Deviation table

PLNm	Q3'23	Q2'24	Actual	ABGSCe	Dev (%)
Paper sales	591	573	562	583	-3%
Paper EBITDA	97	45	49	47	4%
Group EBITDA	125	71	77	74	5%
Paper EBIT	77	27	25	27	-7%
Group EBIT	95	42	46	41	12%
Net income	58	25	37	31	17%
EPS	0.74	0.26	0.44	0.35	24%

Source: ABG Sundal Collier, Company information

PLNm	2022	2023	2024e	2025e	2026e
Sales	4,894	3,549	3,518	3,732	3,957
<i>Sales growth (%)</i>	43.4	-27.5	-0.9	6.1	6.0
EBITDA	974	475	333	436	466
<i>EBITDA margin (%)</i>	19.9	13.4	9.5	11.7	11.8
EBIT adj.	843	357	204	300	326
<i>EBIT adj. margin (%)</i>	17.2	10.1	5.8	8.0	8.2
Pretax profit	928	341	185	285	311
EPS	9.11	3.57	2.03	2.81	3.04
<i>EPS growth (%)</i>	<i>nm</i>	-60.8	-43.1	38.5	8.2
EPS adj.	9.11	3.57	2.03	2.81	3.04
DPS	2.70	1.07	0.61	0.84	0.91
EV/EBITDA (x)	0.1	0.0	0.3	-0.1	-0.4
EV/EBIT adj. (x)	0.6	0.2	1.9	-0.8	-2.6
P/E (x)	0.4	1.1	2.0	1.4	1.3
P/E adj. (x)	0.4	1.1	2.0	1.4	1.3
EV/sales (x)	0.02	0.00	0.03	-0.01	-0.05
FCF yield (%)	205.5	157.3	63.2	112.3	121.4
Le. adj. FCF yld. (%)	204.9	156.5	62.5	111.7	120.7
Dividend yield (%)	67.2	26.7	15.2	21.0	22.7
Net IB debt/EBITDA (x)	-0.5	-0.8	-0.9	-1.0	-1.3
Le. adj. ND/EBITDA (x)	-0.3	-0.7	-0.8	-1.0	-1.2

Source: ABG Sundal Collier, Company Data

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