Arctic Paper

Reason: Post-results comment

Currency slips, wood chips

- Q1 challenging, expect the same trends for Q2e
- Soft paper demand
- Fair value range of SEK 30-70

Q1 challenging, expect the same trends for Q2e

Q1 was another challenging quarter, as group EBITDA came in at PLN 22.9m (ABGSCe PLN 23m). Paper EBITDA was PLN 33m, slightly below ABGSCe of PLN 34m. Paper EBIT was PLN 12m vs. ABGSCe PLN 15m. Group EBIT came in at PLN -10m vs. ABGSCe at PLN -7m. We highlight the unfavourable currency rate development and high Scandinavian wood prices, which pressured pulp profitability, while global trade turbulence contributed to a hesitant paper market. The CEO expects the current situation to persist at least during the first half of 2025, and hence we expect a flattish development in Q2e, with EBIT in the range of PLN 12-18m. Note that on Thursday evening Arctic Paper announced it would scrap the previously announced dividend proposal, as the weak Q1 results and market uncertainty prompt a focus on costs and financial resilience.

Soft paper demand

Paper prices fell 8.5% in '24 (-20% in '23), and the negative trend continued into '25 as prices fell -1.5% q-o-q in Q1 (-0.7% in Q4 q-o-q). Paper markets are helped by 16% supply cuts in '24-'25, but slow demand leaves the utilisation rate low at 80%. We need 2mt more cuts (10%) to reach the historical average of ~89%. Our paper price model points to prices increasing by ~5-10% in '25e, but we expect demand to stay relatively flat. 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.

Fair value range of SEK 30-70

The company is trading at an EV/CE multiple of ~0.7x and a '25e EV/EBITDA of ~5.0x. We apply three valuation methodologies, and arrive at a fair value range of SEK 30-70. The fair value range implies an EV/CE range of 0.5x-1.05x.

Commissioned research

Not rated

Pulp & Paper

Estimate changes (%)

	2025e	2026e	2027e
Sales	-5.8	-2.5	-1.2
EBIT	-18.5	-7.0	-4.6
EPS	-35.5	-13.7	-9.1

Source: ABG Sundal Collier

ARP-SE/ARP SS

Share price (SEK)	15/5/2025	34.35
Fair value range		30.0-70.0

MCap (SEKm)	2,710
MCap (EURm)	249
No. of shares (m)	69.3
Free float (%)	31.7
Av. daily volume (k)	14

Next event Q2 Report 12 August 2025

Performance

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PLNm	2023	2024	2025e	2026e	2027e
Sales	3,549	3,373	3,349	3,733	3,897
EBITDA	475	291	244	310	372
EBITDA margin (%)	13.4	8.6	7.3	8.3	9.5
EBIT adj.	357	142	118	184	251
EBIT adj. margin (%)	10.1	4.2	3.5	4.9	6.4
Pretax profit	341	157	84	159	230
EPS	3.57	1.77	0.92	1.60	2.31
EPS adj.	3.57	1.77	0.92	1.60	2.31
Sales growth (%)	-27.5	-5.0	-0.7	11.5	4.4
EPS growth (%)	-60.8	-50.5	-47.7	73.0	44.9

Source: ABG Sundal Collier, Company Data

	2025e	2026e	2027e
P/E (x)	14.5	8.4	5.8
P/E adj. (x)	14.5	8.4	5.8
P/BVPS (x)	0.60	0.56	0.53
EV/EBITDA (x)	5.4	4.1	3.2
EV/EBIT adj. (x)	11.2	6.9	4.7
EV/sales (x)	0.40	0.34	0.30
ROE adj. (%)	2.1	7.0	9.4
Dividend yield (%)	0.0	3.6	5.2
FCF yield (%)	-6.4	7.1	13.1
Le. adj. FCF yld. (%)	-7.3	6.2	12.2
Net IB debt/EBITDA (x)	0.2	-0.1	-0.4
Le. adj. ND/EBITDA (x)	0.3	-0.1	-0.3

Company description

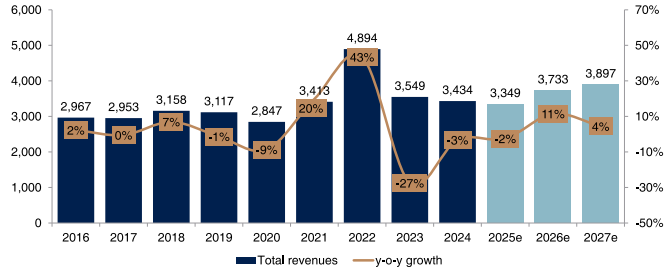
Arctic Paper is a paper production company focusing on high quality coated and uncoated paper products. The company currently consist of three paper mills and five brands: Amber, Arctic, Arctic Volume, Munken and G. With a majority ownership of the Rottneros AB Group, the company complements their product portfolio with pulp production. Arctic Paper's main clients are printing houses, publishers and wholesalers, serving industries such as advertising and design indirectly.

Sustainability Information

Risks

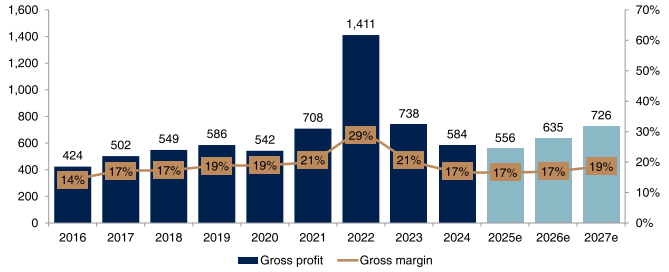
Key risks include: (i) cyclicality of both pulp and paper demand, (ii) Arctic Paper's net short position on pulp, pulpwood, energy and chemicals prices, (iii) a structural decline in paper demand, (iv) potential losses stemming from hedging against electricity and pulp prices and (v) production facility-related issues such as risk of injuries, machinery breakdown, fires and other accidents that can adversely impact the company's production capabilities.

Revenue and growth (PLNm)



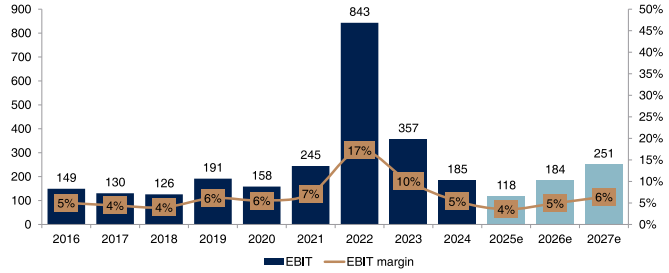
Source: ABG Sundal Collier, Company data.

Gross profit and margin (PLNm)



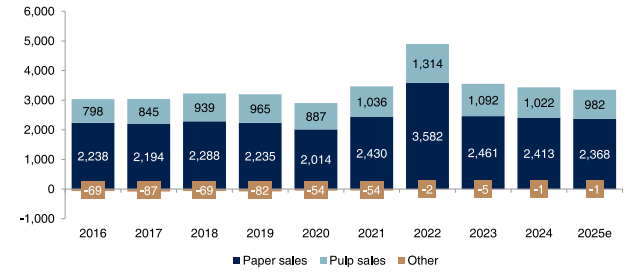
Source: ABG Sundal Collier, Company data.

EBIT and margin (PLNm)



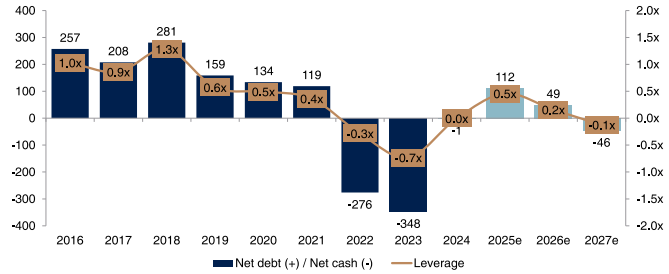
Source: ABG Sundal Collier, Company data.

Revenue split (PLNm)



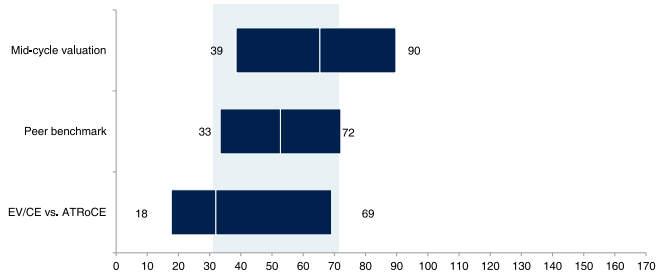
Source: ABG Sundal Collier, Company data.

Net debt (+) / Net cash (-) (PLNm)



Source: ABG Sundal Collier, Company data.

Valuation summary



Source: ABG Sundal Collier, FactSet

Results and estimate changes

Miss driven by Pulp

Q1 group EBITDA was PLN 23m, which was in line with ABGSCe. Paper EBITDA came in at PLN 33m, slightly below ABGSCe at PLN 34m. Paper EBIT was PLN 12m vs. ABGSCe PLN 15m. Group EBIT came in at PLN -10m vs. ABGSCe of PLN -7m. We highlight the unfavourable currency rate development and high Scandinavian wood prices, which pressured pulp profitability, while global trade turbulence contributed to a hesitant paper market. EPS came in at PLN -0.19 vs our estimate of PLN 0.16.

Outlook remains muted

Arctic Paper expects the tough market conditions to continue through H1'25, and highlights an increased focus on cost control and financial resilience. The CEO expects the current situation to persist at least during the first half of 2025, and hence we expect a flattish development in Q2e, with EBIT in the range of PLN 12-18m.

Quarterly results and estimates

Profit & Loss statement PLNm	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25	Q2'25e
Paper sales	949	1,043	770	723	567	591	581	701	573	562	576	579	574
Pulp sales	348	360	316	313	270	264	245	264	266	257	234	244	265
Total revenues	**1,296**	**1,402**	**1,085**	**1,032**	**836**	**855**	**826**	**965**	**839**	**819**	**810**	**823**	**839**
Gross profit	**455**	**415**	**240**	**269**	**142**	**193**	**134**	**207**	**152**	**159**	**66**	**114**	**102**
SG&A	-158	-157	-144	-123	-114	-107	-121	-156	-113	-116	-84	-124	-123
Other income	22	13	29	26	24	19	61	19	22	9	83	23	34
Other opex	-21	-11	-17	-17	-12	-10	-15	-16	-18	-4	-24	-23	-17
Paper EBITDA	231	213	121	113	50	97	120	113	45	49	46	33	34
Pulp EBITDA	103	93	18	75	21	30	-22	6	26	31	4	-10	-5
EBITDA	**330**	**298**	**140**	**186**	**69**	**125**	**96**	**112**	**71**	**77**	**39**	**23**	**26**
EBITDA margin	25%	21%	13%	18%	8%	15%	12%	12%	8%	9%	5%	3%	3%
D&A	-32	-39	-31	-30	-30	-29	-29	-28	-29	-30	-28	-33	-32
Paper EBIT	211	193	101	93	30	77	98	94	27	20	30	12	14
Pulp EBIT	91	74	8	66	12	21	-29	-3	15	22	-10	-23	-17
EBIT	**298**	**260**	**109**	**156**	**39**	**95**	**67**	**84**	**42**	**48**	**11**	**-10**	**-5**
EBIT margin	23.0%	18.5%	10.1%	15.1%	4.7%	11.1%	8.1%	8.7%	5.0%	5.8%	1.4%	-1.2%	-0.6%
Net financials	4	83	2	-1	12	-11	-16	15	-10	-6	10	-18	-4
Pre-tax profit	302	342	111	154	51	84	51	99	32	41	21	-28	-9
Taxes	-48	-61	-37	-23	-4	-26	-16	-17	-8	-5	-2	4	2
Net income	**254**	**282**	**75**	**132**	**47**	**58**	**35**	**82**	**25**	**37**	**19**	**-24**	**-7**
Minorities	-38	-60	-2	-24	-7	-7	13	0	-7	-6	5	-10	-6
Net income to parent shareholders	**216**	**222**	**73**	**108**	**40**	**52**	**48**	**82**	**18**	**31**	**24**	**-13**	**-1**

Source: ABG Sundal Collier, Company data

Estimate changes

	OLD			NEW			Changes		
PLNm	2025e	2026e	2027e	2025e	2026e	2027e	2025e	2026e	2027e
Revenues	**3,555**	**3,828**	**3,943**	**3,349**	**3,733**	**3,897**	**-6%**	**-2%**	**-1%**
Reported EBITDA	**269**	**324**	**387**	**244**	**310**	**372**	**-10%**	**-4%**	**-4%**
Paper EBITDA	230	252	304	196	229	287	-15%	-9%	-6%
Pulp EBITDA	59	92	102	56	91	101	-4%	0%	-2%
Reported EBIT	**145**	**198**	**263**	**118**	**184**	**251**	**-19%**	**-7%**	**-5%**
Pre-tax profit	**131**	**183**	**251**	**84**	**159**	**230**	**-36%**	**-13%**	**-8%**
Net income	**106**	**148**	**203**	**66**	**129**	**186**	**-37%**	**-13%**	**-8%**
Net income to shareholders	**99**	**128**	**176**	**64**	**111**	**160**	**-36%**	**-14%**	**-9%**
EPS	**1.43**	**1.85**	**2.55**	**0.92**	**1.60**	**2.31**	**-36%**	**-14%**	**-9%**

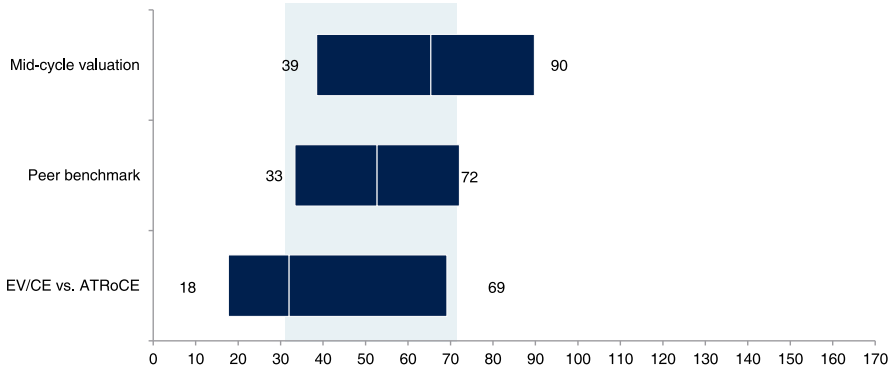
Key figures	2025e	2026e	2027e	2025e	2026e	2027e	2025e	2026e	2027e
EBITDA margin	11%	12%	14%	10%	12%	13%	0%	0%	0%
EBIT margin	6%	7%	9%	5%	7%	9%	-1%	0%	0%

Source: ABG Sundal Collier, Company data

Valuation

We have utilised three valuation methodologies to estimate a fair value range for Arctic Paper on a per-share basis. The first method involves using mid-cycle, normalised earnings and cash flows based on the company's cost of capital. The second benchmarks peers against Arctic Paper, and the third is an EV/CE vs. ATRoCE benchmark that sets both the company's historical and estimated after-tax return on capital employed in relation to the ratio of the company's market enterprise value and book value of the employed capital. Arctic Paper is currently trading at an EV/CE of ~0.71x. We estimate a fair value range of SEK 30-70 per share, implying an EV/CE range of 0.5x-1.05x.

Valuation summary

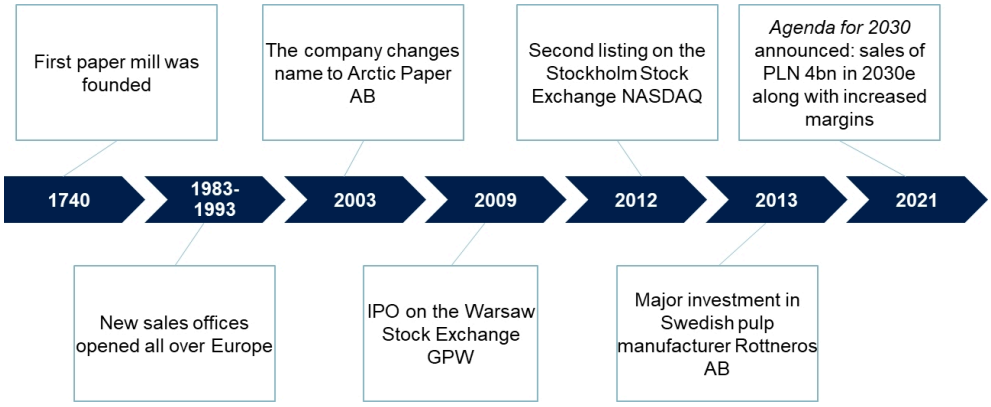


Source: ABG Sundal Collier, FactSet

Introduction to Arctic Paper

Arctic Paper is a paper production company that focuses on high-quality coated and uncoated paper products. The company currently consists of three paper mills and five brands: Amber, Arctic, Arctic Volume, Munken and G. With a majority ownership of the Rottneros AB Group, the company complements their product portfolio with pulp production. Arctic Paper's main clients are printing houses, publishers and wholesalers, serving industries such as advertising and design indirectly.

Company timeline

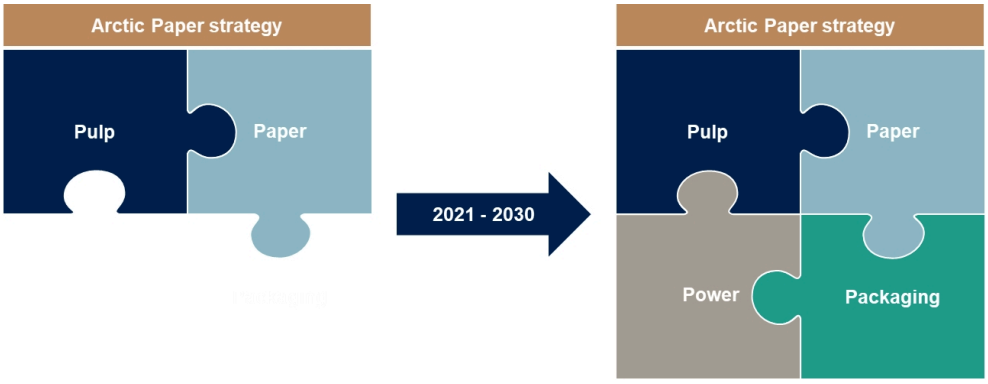


Source: ABG Sundal Collier, Company data.

Company history

With a history dating all the way back to 1740, Arctic Paper has become a large paper production player with a combination of acquisitions and organic growth. Arctic Paper is currently the market leader within premium design and book paper production. With roots in Grycksbo, Sweden, the company today has 13 offices in 13 European countries and three paper mills in Sweden and Poland. In 2009, the company went public on the Warsaw stock exchange followed by a second listing on the Stockholm stock exchange NASDAQ in 2012. The company's shares are traded on Nasdaq Stockholm's Mid Cap Segment, having moved up from the Small Cap Segment. In conjunction with the second listing, the company bought a majority ownership of the Swedish pulp manufacturer Rottneros AB, expanding their business with two pulp mills based in Sweden. In 2021, the company announced a new strategy called *Agenda for 2030* (link), with the ambition to combine the existing business pillars of paper and pulp with investments in packaging and power to reduce earnings volatility and raise margins.

Agenda for 2030 (A four pillar strategy)



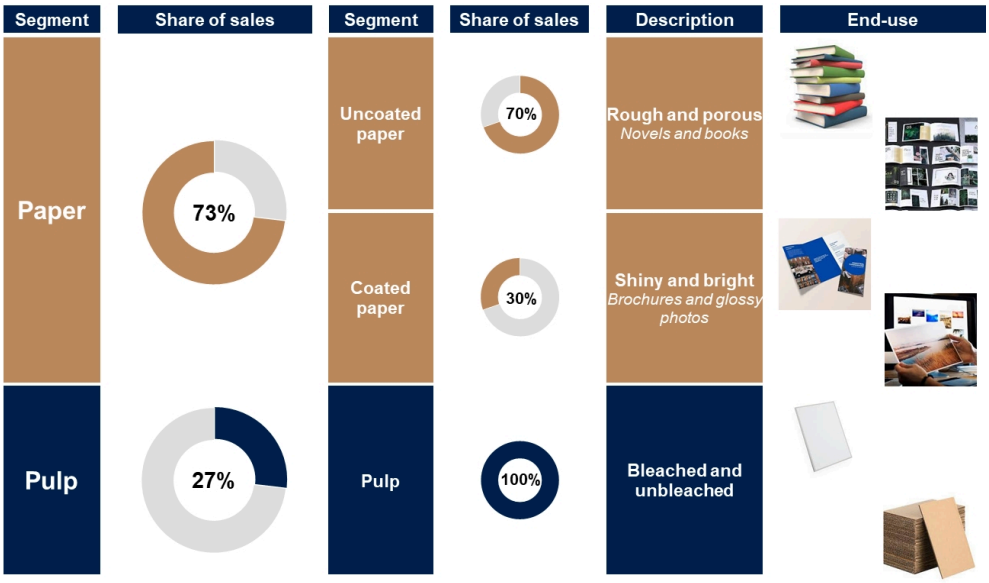
Source: ABG Sundal Collier, Arctic Paper

Business segments

Arctic Paper divides its revenue into three segments: Uncoated Paper (~60-70% of total revenue), Coated Paper (~20-30% of total revenue) and Pulp (~25-30% of total revenue). The Uncoated Paper segment focuses on producing paper for printing and other graphic purposes, i.e paper for printing books, catalogues, etc. The Coated Paper segment also focuses on producing paper for printing or other graphic design, but paper with a smoother surface and a more luxurious touch. The company also produces kraft and packaging papers (~15kt).

In 2013, Arctic Paper acquired a ~51% ownership in the pulp manufacturer Rottneros. Rottneros recorded ~90% of their total revenue in sales of pulp in 2023, reducing Arctic Paper's short position on pulp from its paper operations. The Pulp segment produces bleached and unbleached sulphate pulp mainly used for production of filters, board products, printing and writing paper and packaging, as well as Chemi-Thermo-Mechanical Pulp (CTMP) used for production of board and packaging. The combination of having both paper and pulp production inside the business has historically created a hedge against fluctuations in profitability over the years.

Overview of business segments



Source: ABG Sundal Collier, Arctic Paper

The mills

As of 2024 Arctic Paper runs its business with three paper mills and two pulp mills. The paper mills are Munkedals, Grycksbo and Kostrzyn. The pulp mills are Rottneros Bruk and Vallvik.

Arctic Paper Munkedals manufactures uncoated graphical paper under the Munken and Amber brands. The mill is medium-sized in terms of production and volume with a capacity of ~160,000 tonnes/year. It has its own hydropower plant and a new waste/biomass boiler, making energy self-sufficiency in the production high. The mill produces ~100kt of premium design and book paper. As an example, the Harry Potter books were printed on Munkedals high-quality book paper, according to the management team.

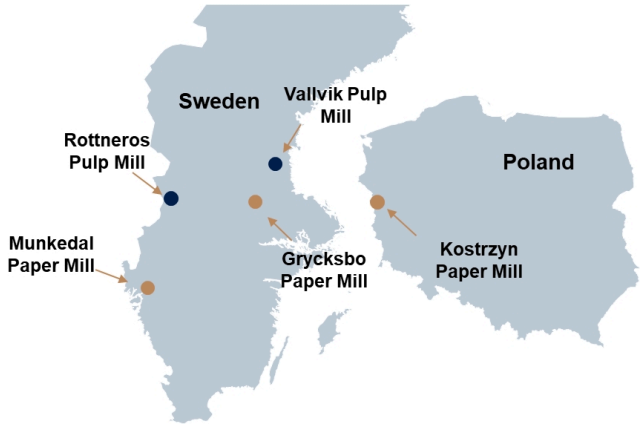
Arctic Paper Grycksbo produces coated graphical wood free paper under the brands G, Arctic and Arctic Volume. The mill has a capacity of ~220,000 tonnes/year (~25kt per year of premium production). Like Munkedals, Grycksbo is a non-integrated paper mill meaning that it uses dried pulp as the starting point of the production. The mill has a pellets boiler and utilises electricity from the grid.

Arctic Paper Kostrzyn manufactures uncoated graphical paper under the Amber brand. The mill has a capacity of ~315,000 tonnes/year, making it the largest producer of wood free

offset paper in Poland. External energy is mainly sourced from a CHP power plant (natural gas source), but excess energy from the production is sold to the grid.

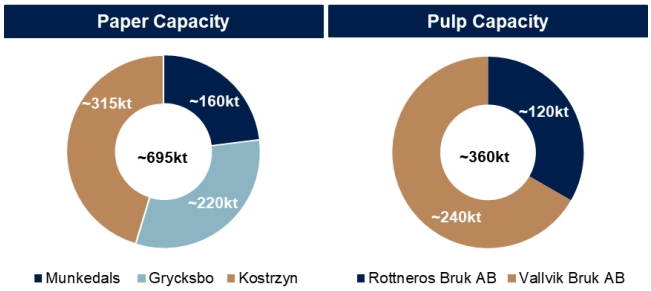
Rottneros Bruk develops and produces Chemi-Thermo-Mechanical Pulp (CTMP) with a capacity of ~120,000 tonnes/year. The capacity will increase to ~160,000 tonnes/year in 2024. Vallvik produces long-fibre chemical sulphate pulp with a capacity of ~240,000 tonnes/year. All external energy is sourced from the national grid.

Geographical overview of the mills



Source: ABG Sundal Collier, Arctic Paper

Current mill capacity (2024)



Source: ABG Sundal Collier, Arctic Paper

Markets and buyers

Arctic Paper has a strong presence in Europe, which accounted for ~90% of its total revenue in 2023. The largest individual geographical markets for the company are Germany, Poland, United Kingdom and France that accounted for a combined ~46% of the total.

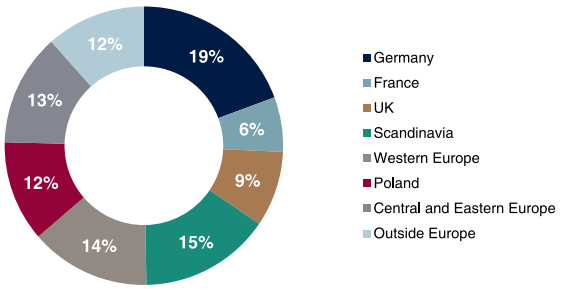
Arctic Paper divides its customers into direct and indirect buyers. The groups of direct and indirect buyers are the following: printing houses, wholesalers, publishers, advertising agencies and final buyers. Direct buyers are the customers buying paper straight from the Group's paper mills. Indirect buyers do not buy Arctic Paper's products on their own, but still constitute an important target group of marketing activities since they recommend the products to direct buyers.

Revenues from pulp mill products are mainly generated by customers that produce paper for printing, paper hygienic products and cardboard as well as electrical devices and filters. Pulp is supplied to entities that do not have the capacities to produce pulp themselves, for example non-integrated paper mills, and are also used in the Group's own paper production.

Customer overview

Buyers	Description of buyers
Printing houses	Direct buyers straight from the Groups Paper Mills
Wholesalers	Direct buyers of paper manufactured by the Group for further re-sale
Publishers	Direct and indirect buyers. They buy directly for their publishing businesses and indirectly when instructing or recommending the Groups paper to printing houses
Advertising agencies	Indirect buyers recommending the Groups products to printing houses, in particular high-quality paper
Final buyers	Direct and indirect buyers that buys the products directly as well as recommending the products to printing houses

Geographical end-markets (2023)



Source: ABG Sundal Collier, Arctic Paper

The company has a market-leading offering of premium quality design paper that is purchased by printing houses, advertising and design agencies. In particular, the company highlights that its quality design papers are special thanks due to their *unique tactile and natural, authentic appeal*. While some types of paper will inevitably face structural decline, high quality design paper is characterised by higher stability and a non-declining, luxury market.

For the customers, which are predominantly premium brands, it is highly important that the corporate identity is carefully tended to and that includes a thoughtful selection of paper in printed materials, much like the selection of typography, colour and logotype. In order to cater demanding premium brands, Arctic Paper offers ten types of design paper with different types of shade, surface, smoothness, coating and glossiness.

Strategy for future growth - Agenda for 2030

In 2021 Arctic Paper set strategic goals for 2030, called *Agenda for 2030*. With limited growth potential in the graphic paper market it is essential for the company to invest in other areas for future growth. *Agenda for 2030* is a strategic plan to grow using the synergies between the existing business' pillars (paper and pulp), combined with investments in packaging and power. Together this will create a less cyclical business overall with higher margins and better profitability.

By investing in paper-based packaging the company is entering a growing market while broadening its product portfolio. The company believes that the trend to use less plastic in packaging (due to legislation combined with e-commerce growth) will drive future growth in the paper-based packaging market. A new 50/50 joint venture with Rottneros has recently been agreed, to invest in the production of fibre trays in Poland. Capacity is expected to reach ~80m units per year and a turnover of ~60 million PLN when at full production. The packaging business is expected by management to reach an annual revenue of PLN 800m in 2030.

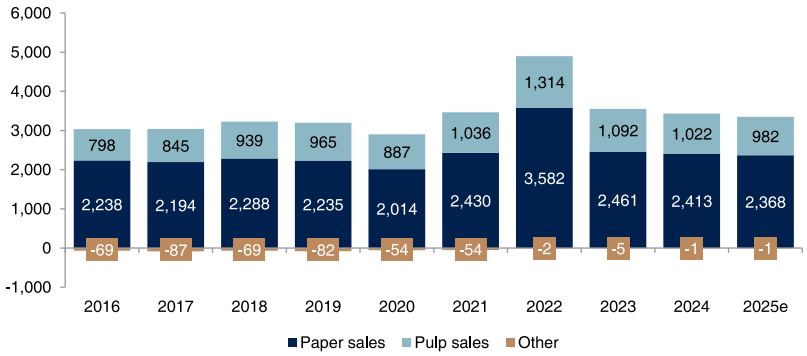
With the paper and pulp industry being highly energy intensive, investments in renewable energy are also a priority in the long-term strategy. With the ongoing decarbonisation of the European power generation sector and what seems to be a structural increase in electricity prices, the company believes that investments in becoming a net producer of green energy will be key to sustaining its competitive position on the market. Planned investments in solar power, biomass and wind power will help reach the goal to become carbon dioxide neutral in 2035. Additionally, Arctic Paper will be involved in the process of energy management and trading to third parties.

Even though most of the investments going forward will be focused on packaging and energy, the paper and pulp segment will remain important parts of the business. The paper segment's share in group revenue is estimated to drop to ~46% and the pulp segment's share in group revenue is estimated to ~30% in 2030, with packaging and energy (power) estimated to make up ~18% and ~7% respectively.

Historical financials and performance

Below, we highlight key historical financials of Arctic Paper, namely revenue and the corresponding product split, EBIT and the company's capital employed and the return on capital employed.

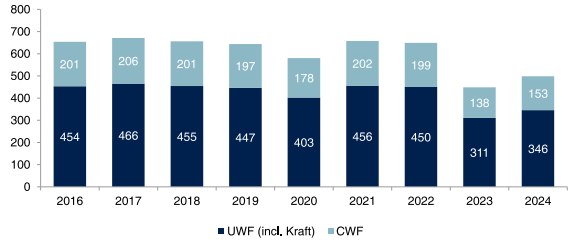
Revenue split (PLNm)



Source: ABG Sundal Collier, Company data.

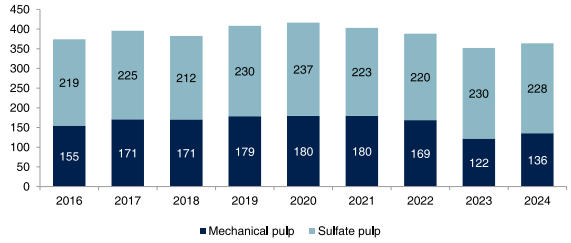
Presently, Arctic Paper's two key segments Paper and Pulp generate ~70% and ~30% of the company's total revenue, respectively. Paper and pulp sales are both dependent on commodity prices, and in years where prices are relatively high (e.g. '22), y-o-y growth is exceptional, while in years where prices fall (e.g. '23), growth falls. That said, revenue tends to be relatively stable, when perceived over a multi-year period, and is driven by capacity utilisation and prices.

Arctic Paper - Paper volumes split (kilotonnes)



Source: ABG Sundal Collier, Company data.

Rottneros - Pulp volumes split (kilotonnes)

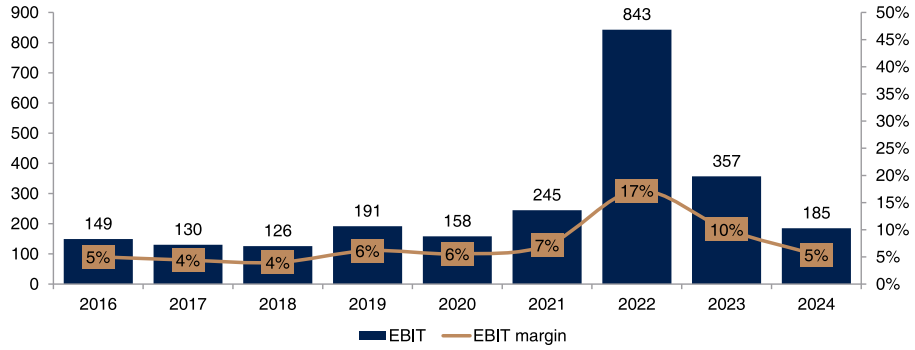


Source: ABG Sundal Collier, Company data.

Paper volumes are generally stable, around 650kt. Paper demand is in structural decline to the tune of +3% per year, and Arctic Paper expects paper volumes to come down to ~580kt in 2030. Arctic Paper reduced its Paper volumes in '23, driven by destocking and weaker demand in general. The company could have increased production, but price is prioritised above volume in the current market environment.

Rottneros has had a strategy to increase production over time at a rate of >3%, driven by increased operational efficiency. Rottneros closed down its groundwood pulp line in Q4'22 (64kt ’21 production, heavy on electricity consumption) and that explains the lower volumes in 2022. The current pulp capacity is 360kt.

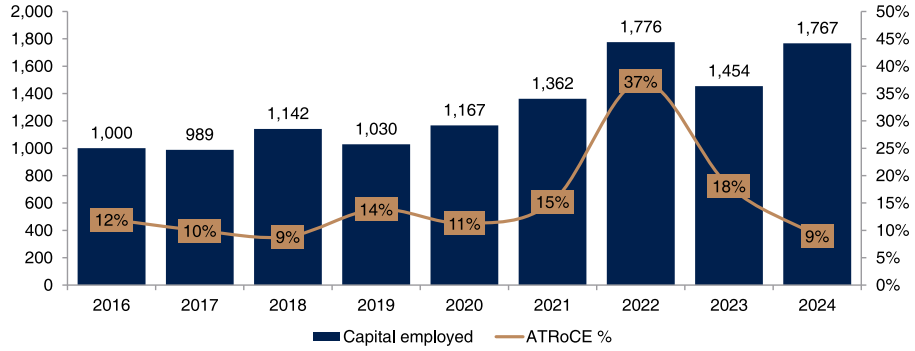
EBIT and EBIT margin (PLNm)



Source: ABG Sundal Collier, Company data.

In the period 2016-2020 Arctic Paper's EBIT has been relatively stable in terms of absolute numbers, and the EBIT margin was in the range of 4-6%. In mid-2021, paper and pulp prices began increasing and thanks to the company's operating leverage (e.g., hedged/fixed energy prices) it earned an EBIT margin of ~7%. The price impact was even more evident in 2022, as the EBIT margin reached 17% - approx. 11-13pp above a mid-cycle margin. This discrepancy highlights the company's operating leverage during periods when prices change dramatically. '23 was a challenging year due to lower demand and lower prices, and margin fell to 10%.During 2024, the margin fell to 5%, reaching pre-covid levels.

Capital employed and ATRoCE (PLNm)



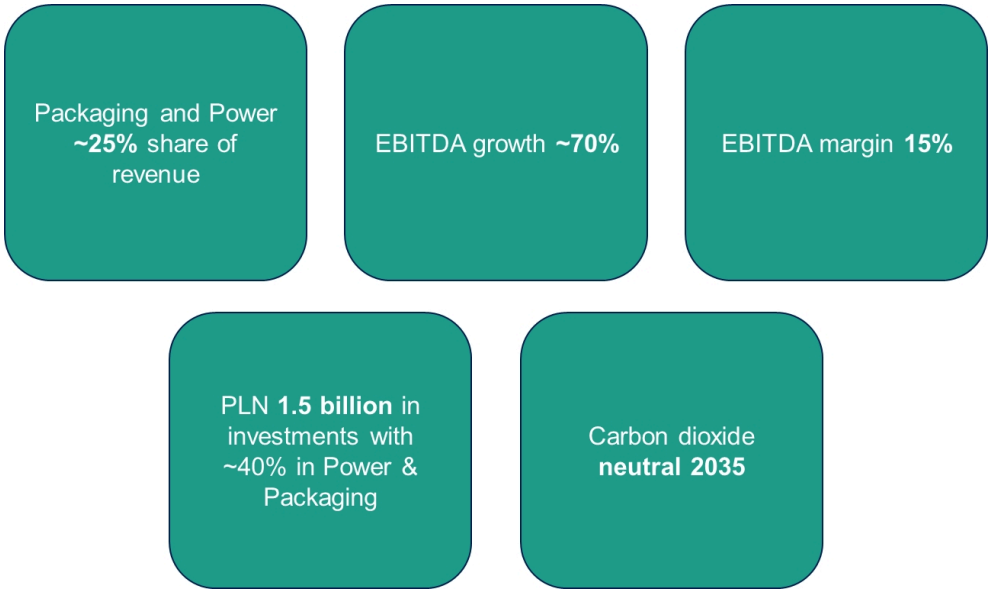
Source: ABG Sundal Collier, Company data.

Arctic Paper has a balance sheet that primarily consists of tangible fixed assets and positive net working capital, which are required to maintain the company's strategic competitive advantage and its operating capabilities during a given year, respectively. Given Arctic's asset base and the cyclical nature of the pulp and paper business, it is relevant to see the company's earning in relation to the capital that it employs in order to measure how efficiently capital is deployed. One such metric is the after-tax return on capital employed (ATRoCE), which sets EBIT in relation to capital employed (fixed assets plus net working capital and cash). During 2016-2021 the company earned between 9% and 15% on capital employed. However, in 2022, the company's operating leverage facilitated a large increase in the company's earnings relative to the capital employed. Thus, the earnings increase more than offset the commensurate increase in capital employed to generate a relatively outsized return.ATRoCE fell in '23 due to lower earnings but was still above the '16-'21 levels. The 2024 ATRoCE took a hit, and fell down to 9%, reflecting the challenging year.

Financial targets

In 2022 Arctic Paper made it clear that there will be a strong focus on increasing profitability going forward. The company’s profitability goal is to reach a EBITDA margin of 15% in 2030, growing 70% between 2021 and 2030. The company also excepts the total investments between 2022 and 2030 to be 1.5 billion PLN, with ~40% entering the new business areas.

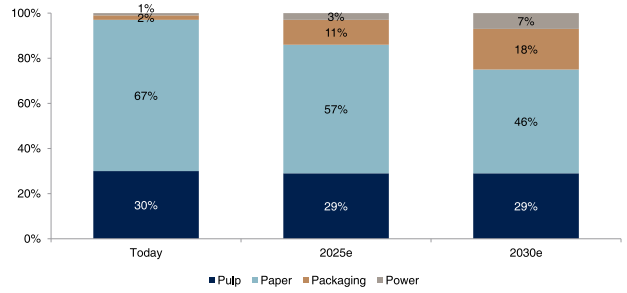
Financial targets



Source: ABG Sundal Collier, Company data.

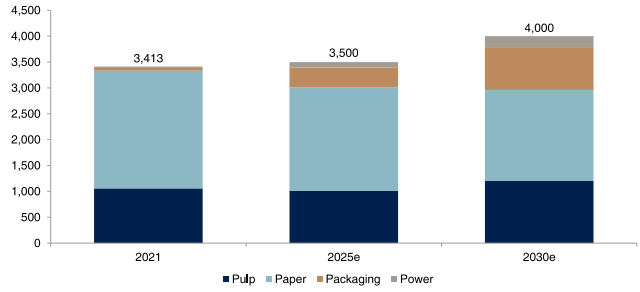
The financial targets, set forth in the *Agenda for 2030* strategy memorandum from October 2021, were based on known information at that time. 2022 was an exceptional year in many ways for Arctic Paper, as the company generated revenue of PLN ~4.9bn, exceeding the 2030e goal by more than 20%. However, due to the cyclical nature of the business, we believe that an analysis of the goals from a mid-cycle perspective remains relevant.

Revenue split - Today vs. 2025e vs. 2030e



Source: ABG Sundal Collier, Company data.

Revenue - 2021 vs. 2025e vs. 2030e (PLNm)



Source: ABG Sundal Collier, Company data.

The company's long-term strategy involves diversifying cash flow streams to reduce the volatility of cash flows over time. Pulp (Rottneros) is expected to continually constitute ~30% of the total revenue until 2030e. However, the company's largest segment today, Paper, is expected to constitute less than half of revenues by 2030e, implying a reduction of ~20 percentage points. On one hand, this means that Paper will have a relatively smaller importance in the Group, but on the other hand, more lucrative and future-proof segments such as Packaging and Power will constitute a larger share of the business - from ~3% today to ~25% in 2030e.

Pulp

Thanks to the company's ~51% ownership of Rottneros, Arctic Paper has the capability to maintain its position in the market and grow at an inflationary rate of ~3% per year on a normalised basis. The ownership in Rottneros also reduces the company's short pulp exposure from 430kt gross to 223kt net. The production volume is currently ~360kt but management expects that to reach over 500kt by 2030e due to growth in packaging, tissue and technical pulp sub-segments.

Paper

Arctic Paper's core Paper segment has a leading position in books and design paper, but a shrinking market for graphical paper due to digitalisation poses a threat to the company's

present position. That calls for a diversification of the company's operations. Consequently, the company expects to invest ~540m in the period 2022-2030e to maintain its three paper mills. The paper production volume of ~650kt is expected to decrease to some 580kt but an additional 120kt will originate from the company's growing packaging paper segment instead, meaning that production capacity has to be expanded slightly.

Packaging

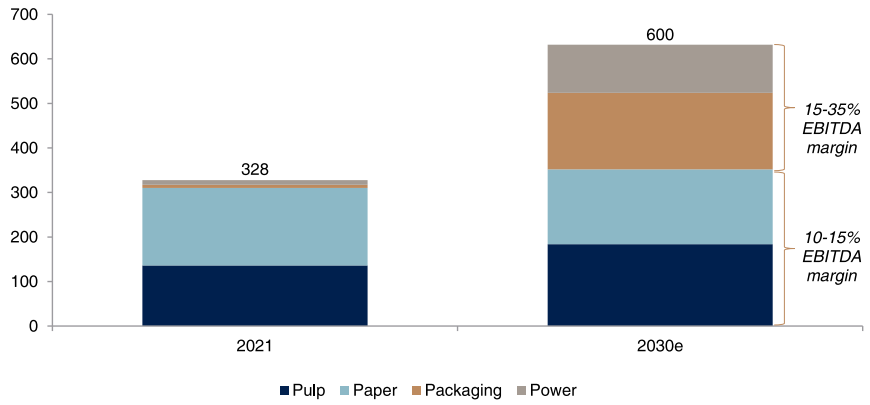
Several secular trends work in favour of the up-and-coming Packaging segment: (i) a growing e-commerce market that drives demand for packaging, (ii) a global shift from the use of plastic to the use of smart fibre-based packaging solutions, and (iii) a general demand for more sustainable packaging solutions. The company projects that the increased demand for sustainable packaging solutions will lead to a 5-6x increase of the Packaging segment's share of revenues by 2025e and by 9x until 2030e, implying a '22-'30e sales CAGR of ~23%.

Currently, the company is only producing ~20kt of packaging kraft papers that are more or less in a development phase. However, by 2030e, Arctic Paper anticipates that it will produce fibre-based products, barrier paper and microflute totalling a volume of ~120kt. Assuming that the current addressable European market for flexible packaging paper is ~1,300kt and will grow at ~8% per year, the company's estimated 2030e packaging volume of ~120kt would correspond to a market share of ~4-5%, up from ~1% today.

Power

Given the relatively energy-intensive nature of the company's operations, an expansion into energy generation is seemingly natural. Today, only 1% of the company's revenue stems from this segment, but by 2025e that share is expected to be 3% and by 2030 that is expected to be 5-7%. In essence, the strategic plan involves investing in renewable energy projects, namely solar and wind, to reach a new installed capacity of 25 MW by 2026e (previously 40 MW) and 80 MW by 2030e (previously 116 MW). We recognise that large macroeconomic trends such as (i) a decarbonisation of the European economy, (ii) higher electricity costs and (iii) higher emission rights prices are simple yet tangible drivers that incentivise energy independence for actors such as Arctic Paper

EBITDA 2021 vs. targeted EBITDA 2030e



Source: ABG Sundal Collier, Company data.

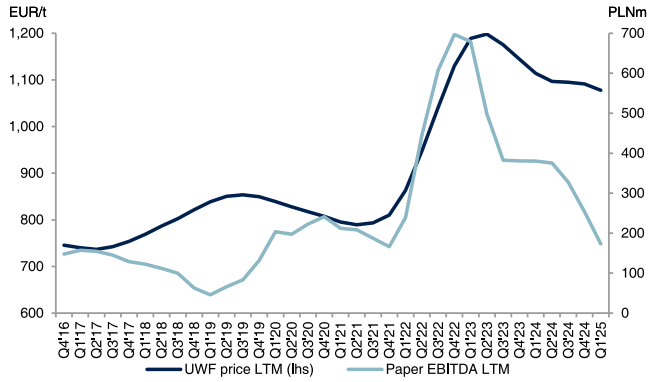
A structural change in the company's offering will not only diversify cash flow streams but also increase the company's profitability at a Group level. Arctic Paper estimates that the Pulp and Paper segments, together, earn a normalised EBITDA margin in the range of 10-15%. However, the Packaging and Power segments can generate normalised EBITDA margins of 15-35%, depending on scale and positioning.

Input and output prices

Fine paper prices the main earnings driver for Arctic Paper

The key earnings drivers for Arctic Paper are Uncoated Wood-Free (UWF) and Coated Wood-Free (CWF) fine paper prices. Pulp and paper prices are cyclical by nature and follow the development of OECD industrial production with a lag. Pulp and fine paper prices are 80% correlated without any lags and have a cyclical price response.

Paper EBITDA vs. UWF paper price



Source: ABG Sundal Collier, RISI, Company data

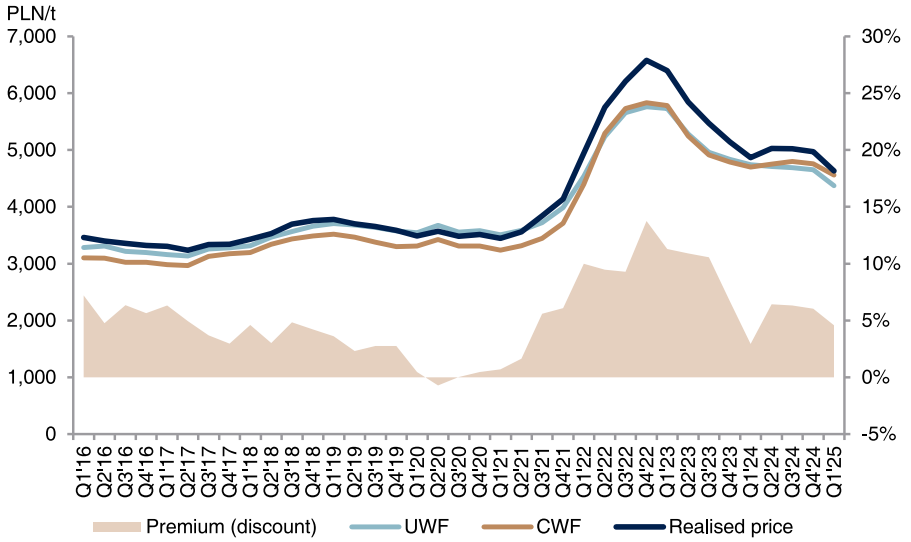
Correlation analysis between P&P grades, macro and product prices

Correlation analysis			Time lag (quarters)				
Product price	vs	variable	0	1	2	3	4
P/BV paper stocks		OECD IP q-o-q	60%				
Pulp (NBSK)		OECD IP q-o-q				65%	
Sawn goods		Pulp (NBSK)	79%				
Containerboard		Pulp (NBSK)	85%				
Coated fine paper		Pulp (NBSK)	80%				
Uncoated fine paper		Pulp (NBSK)	80%				
Kraft paper		Pulp (NBSK)		81%			
Magazine paper (LWC)		Pulp (NBSK)		65%			
Magazine paper (SC)		Pulp (NBSK)			65%		
Cartonboard		Pulp (NBSK)			57%		
Newsprint		Pulp (NBSK)				80%	
Tissue		Pulp (NBSK)				86%	
			Early cyclicals	Late cyclicals			

Source: ABG Sundal Collier

Historically, Arctic Paper's implied realised price has tended to be roughly on par with fine paper list prices from RISI. However, the price premium to list prices rose to ~11% during 2022, which is likely explained by improved pricing for premium papers. During 2024, the premium fell to ~6%. 90-95% of volumes are sold on short-term contracts of one month, i.e. there is only a small lag between list prices and the realised price for Arctic Paper.

Realised paper prices vs. fine paper list prices

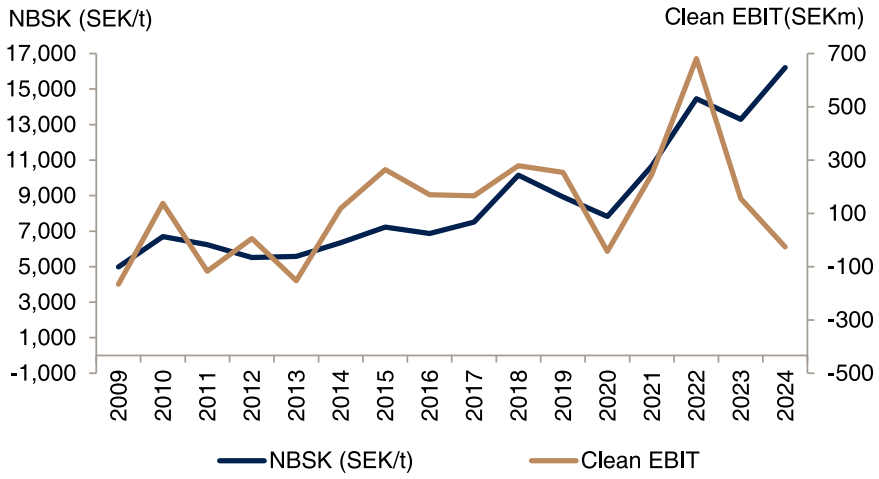


Source: ABG Sundal Collier, RISI, Company data

The pulp price is a key earnings driver for Rottneros

The key earnings driver for Rottneros is naturally the pulp price. Below, we show the price of Northern Bleached Softwood Kraft pulp (NBSK) in SEK compared to Rottneros clean EBIT. The pulp price explains a great deal of the variation in clean EBIT from year to year.

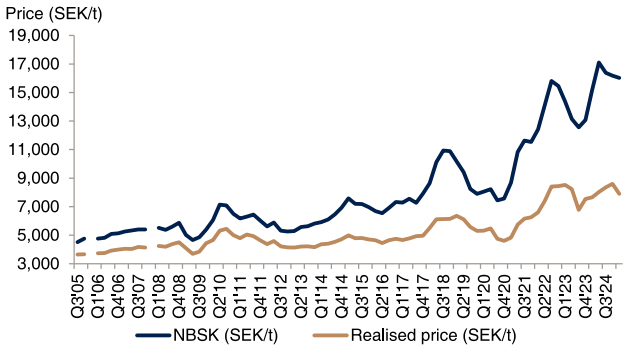
Rottneros clean EBIT compared to the pulp price



Source: ABG Sundal Collier, Company data

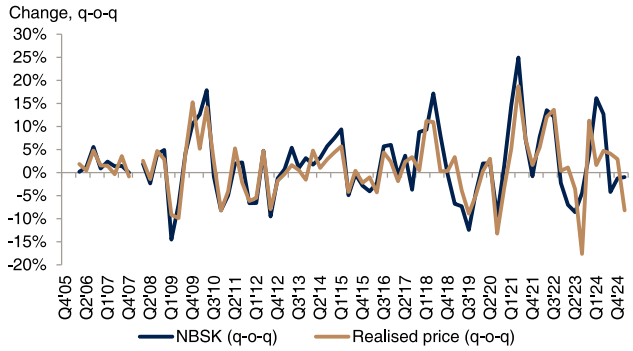
Historically, Rottneros' implied realised price has tended to be 30-50% lower than the NBSK list price (see below). This could be explained by 1) European buyers usually receive a discount to the official list price and 2) Rottneros has a mix of both chemical and mechanical pulp. Note that Rottneros also sells non-pulp products, and this has a slight impact on the calculated realised price.

NBSK list price vs. Rottneros realised price



Source: ABG Sundal Collier, RISI, Rottneros

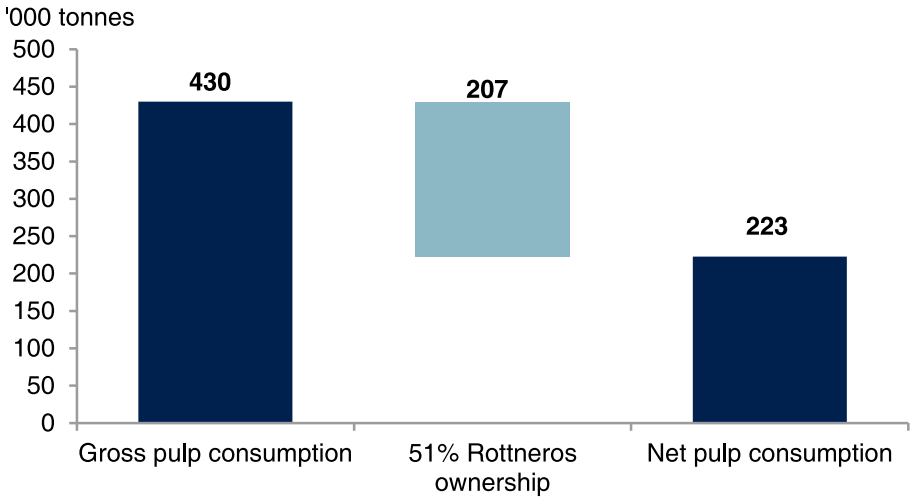
NBSK vs. realised price, change q-o-q



Source: ABG Sundal Collier, RISI, Rottneros

The key rationale of Arctic Paper's 51% ownership in Rottneros is to lower the net short position on pulp and thus to reduce margin cyclicality and volatility. The Paper operations consume ~430kt of pulp, of which ~300kt is hardwood and ~130kt is softwood. Rottneros is long ~360kt of pulp after the closure of the groundwood pulp line at the Rottneros mill (64kt '21 production, heavy on electricity consumption) in 2022. The pulp capacity will increase to ~400kt as the new CTMP project is finalised in and increases Rottneros' CTMP capacity to ~165kt. Arctic Paper's current net short position on pulp is reduced to ~223kt when taking the ownership in Rottneros into account.

Arctic Paper: net pulp position

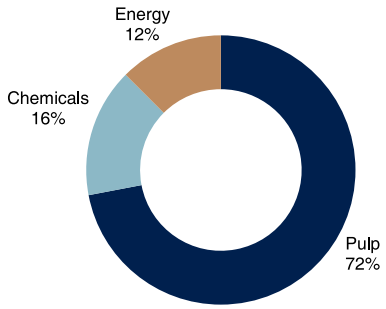


Source: ABG Sundal Collier, Company data

Input costs

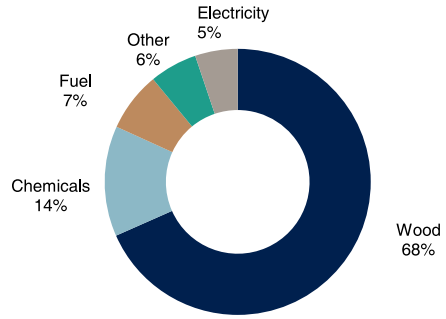
Raw materials account for ~70% of Arctic Paper's cost base. The key raw material for the Paper segment is pulp, which makes up ~70% of the segment's raw materials cost. Chemicals (~16%) and Energy (~12%) are the other key input cost items for the Paper operations. For Rottneros, pulpwood makes up 60-70% of the raw material cost base.

Paper segment: raw material cost split



Source: ABG Sundal Collier, Company data

Pulp segment (Rottneros): raw material cost split

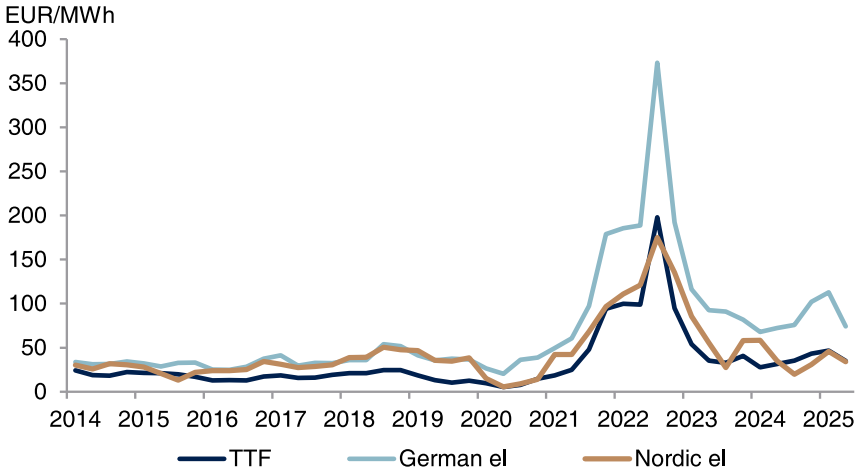


Source: ABG Sundal Collier, Company data

Energy costs - efficient hedges in place

Energy prices rose to unprecedented levels in 2022, and were the main driver of the surge in pulp and paper prices throughout the year. Arctic Paper benefited significantly from this as both the Paper segment and Rottneros were practically fully hedged at attractive levels, while taking full advantage of the steeper cash cost curves and higher product prices. Energy prices have dropped >70% from the peak.

Energy prices: electricity and natural gas



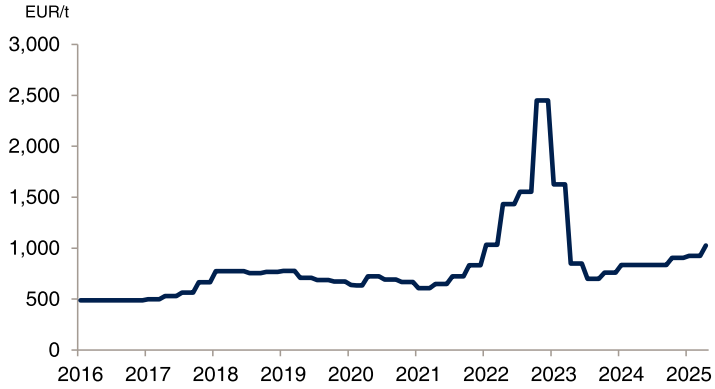
Source: ABG Sundal Collier, Bloomberg

Arctic Paper purchases ~500 GWh of external electricity and ~800GWh of natural gas for its Paper operations annually. Rottneros consumes ~220 GWh of external electricity after the closure of the groundwood pulp line. ~3TWh of energy (internal and external) is used for paper and pulp production in total. Note that Rottneros has hedged 33% of its electricity exposure for between 2025 and 2033, at ~EUR 50/MWh (~PLN 213/MWh).

Chemical prices have come down

Chemicals make up ~16% of raw material costs for the Paper business and ~14% for Rottneros. Caustic soda prices in Western Europe surged to unprecedented levels in Q4'22 (+275% y-o-y). Caustic soda rose 2% in Q1'25 vs. Q4'24.

Caustic soda price - Western Europe

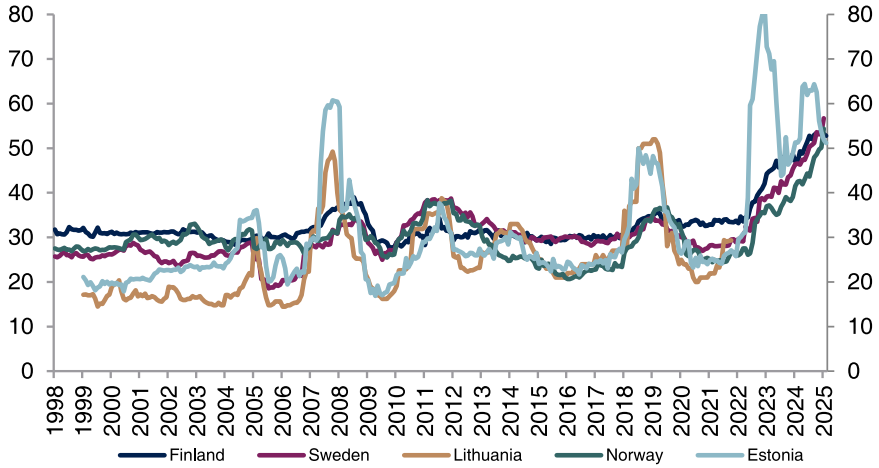


Source: ABG Sundal Collier, Bloomberg

Pulpwood prices still on the rise

Pulpwood is one of the main cost items for Rottneros and it accounts for 60-70% of the raw material costs. Rottneros does not own any forest assets, but it has two subsidiaries, Nykvist Skog AB and SIA Rottneros Baltics, which strengthen Rottneros' ability to procure pulpwood. Nordic pulpwood prices have risen sharply, up 80-90% since the start of '22. In Q1, pulpwood prices were up ~25% y-o-y in Sweden and ~30% y-o-y in Norway. In Finland, prices were up ~11% y-o-y (but down 1% m-o-m in Feb), while Estonian prices were flat y-o-y (-1% m-o-m in Feb).

Pulpwood prices



Source: ABG Sundal Collier, Company data

Input and output sensitivities

Below we show the key input and output sensitivities and the impact on EBIT and proportionate EBIT. The proportionate EBIT adjusts the consolidated effects for Arctic Paper's 51.3% ownership stake in Rottneros.

Sensitivity table: output and input prices (PLNm)

Paper segment	Price change	EBIT sensitivity consolidated	EBIT sensitivity proportionate
Output prices			
Paper price	10%	241	241
Costs			
Pulp price	10%	-160	-160
Chemicals	10%	-34	-34
Energy	10 EUR/MWh	-59	-59
Other			
Volume	10%	84	84
EURPLN	10%	184	184
USDPLN	10%	-124	-124
SEKPLN	10%	-58	-58

Pulp segment (Rottneros)	Price change	EBIT sensitivity consolidated	EBIT sensitivity proportionate
Output prices			
Pulp price	10%	102	52
Costs			
Pulpwood price	10%	-37	-19
Chemicals	10%	-12	-6
Energy	10 EUR/MWh	-10	-5
Other			
Volume	10%	51	26
USDSEK	10%	71	37
SEKPLN	10%	24	12

Source: ABG Sundal Collier, Company data. Note: Based on 2022 prices and financials.

- **Paper price:** The total paper capacity is ~685kt, of which ~475kt is UWF and kraft paper and ~210kt is CWF. Arctic Paper's realised price is usually 0-10% above fine paper list prices price. A 10% price change has an annualised impact of ~PLN 241m on EBIT .
- **Pulp price:** Arctic Paper is short ~430kt pulp in its Paper segment, of which ~2/3 is hardwood and ~1/3 is softwood pulp. A 10% price change has an EBIT impact of ~PLN 160m. However, the net short position on pulp is reduced by the 51.3% ownership stake in Rottneros, which is long ~400kt pulp. Adjusted for the ownership stake, Arctic Paper's share of the pulp production capacity is ~200kt, i.e. the company's net short pulp exposure is ~225kt. A 10% change in the pulp price has a total EBIT impact of ~PLN -100m on a proportionate basis.
- **Chemicals:** Chemicals is a large variable cost for both the Paper and Pulp segments. Chemicals make up ~15% of the variable costs in both the Paper segment and the Pulp segment. A 10% change to chemicals prices has an EBIT impact of ~PLN -35m for the Paper segment and ~PLN -40m for Arctic Paper on a proportionate basis.
- **Energy:** Arctic Paper purchases ~500 GWh of external electricity and ~800GWh of natural gas for its Paper operations annually. Rottneros consumes ~220 GWh of external electricity after the closure of the groundwood pulp line. A 10 EUR/MWh change to energy prices (ex. hedges) has an EBIT impact of ~PLN 60m for the Paper operations and ~PLN 65m including the proportionate share of Rottneros. Note that Rottneros has hedged100% and 80% of its electricity exposure for 2024 and 2025, respectively, at ~EUR 30/MWh (~PLN 135/MWh). Regarding the Paper operations, Munkedals' electricity exposure is 100% hedged for 2024, and Grycksbo's exposure is 50% hedged for 2024. The hedging levels are similar to Rottneros.
- **Pulpwood:** Rottneros conumses ~1.4mt of pulpwood per year, and 60-70% of the variable cost base stems from pulpwood. A 10% change to pulpwood prices has an EBIT effect of ~PLN 20m on a proportionate basis. Pulpwood prices are still on the rise in Sweden, which is negative for Rottneros' profitability.
- **FX:** 60-70% of Paper revenue is EUR-based and European paper prices are set in EUR. Hence, Artic Paper has a large long exposure to the EUR. 40-45% of the Paper cost base is USD-based (mainly pulp), and roughly 25% is EUR and ~20% is SEK. Rottneros is long USD, which offsets some of the short position towards USD from the Paper operations. In addition, there is translation exposure to the SEK through Rottneros. Arctic Paper's FX exposures have historically cancelled each other out, and total annual FX effects are seldom higher than PLN 10m-15m. Arctic Paper has chosen to not hedge FX exposure as the total business has a natural hedge embedded in its operations.
- **Volumes:** A 10% change to volumes has an annual impact of ~PLN 125m for the Paper operations. Arctic Paper has reduced its Paper volumes from the normal of ~160kt per quarter to ~115kt driven by destocking and weaker demand in general. The company could have increased production, but price is prioritised above volume in the current market environment. The illustration below shows a volume sensitivity for a generic paper company at normalised margins. A 20% volume drop leads to a reduction in the EBIT margin of >50%. The effects work both ways - a volume increase would increase EBIT.

Illustration: Accounting effect of 10-20% volume drop

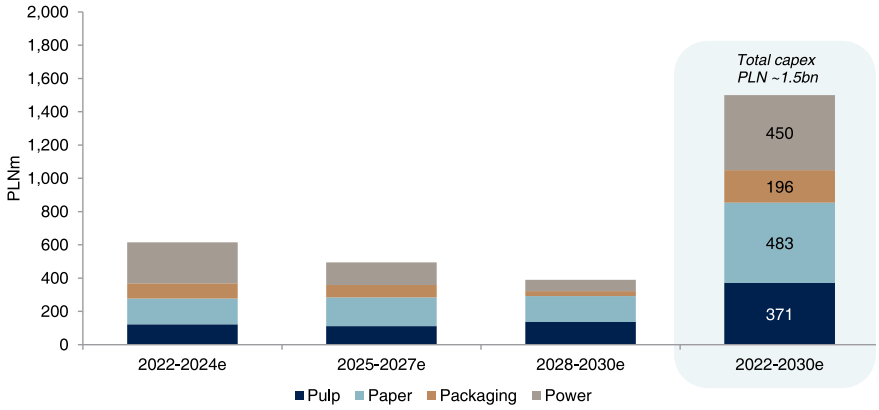
	Volume drop sensitivities		
Accounting illustrations	**0%**	**-10%**	**-20%**
Production capacity per year (units)	100	100	100
Price / unit	100	100	100
Variable cost / unit	68	68	68
Fixed / unit (100% capacity utilsation)	23	23	23
Margin (100% capacity utilsation)	10	10	10
Fixed costs per year	2,250	2,250	2,250
Deliveries / capacity	**100%**	**90%**	**80%**
Production / capacity	**100%**	**90%**	**80%**
Units sold	100	90	80
Units produced	100	90	80
Inventory change	0	0	0
Revenues	10,000	9,000	8,000
Variable costs to sold units	6,750	6,075	5,400
Fixed costs to sold units	2,250	2,025	1,800
Fixed costs to P&L directly	0	225	450
Profit	**1,000**	**675**	**350**
Margin	**10.0%**	**7.5%**	**4.4%**

Source: ABG Sundal Collier

Investing in future growth

Arctic Paper will invest ~PLN 1.5bn in new growth projects towards 2030. The investments will be directed towards the existing business of pulp and paper, but also new initiatives within power generation and packaging.

Projected long-term investment requirement*



Source: ABG Sundal Collier, Company data.

Footnote: (*) Figures based on the company's Agenda for 2030 (a four pillar strategy) 2022-2030 released 4 October, 2021.

Power segment

As part of Arctic Paper's Agenda for 2030 strategy that was launched in 2021, the company has invested resources in its Power segment. The aim of the investments is to become a net producer of renewable energy and become increasingly independent of external sources of energy. Presently the Power segment constitutes 1% of the company's revenues, but by 2030 the goal is for the power segment to constitute 5-7% as 80 (previously 116) MW of energy generation capacity through wind and solar is installed. From an ESG perspective, the company has also communicated that it aims to be carbon-neutral on a Group level by 2035.

The overarching strategy

As part of Arctic Paper's ambition to diversify cash flow streams, achieve a more stable operating model and ultimately produce less volatile cash flows, the company has embarked on a nearly decade-long investment strategy. Presently, the company generates almost 70% of its revenue from the Paper segment, but a successful implementation of the long-term strategy would reduce that share to below ~45%. More specifically, one reason behind the envisaged reduction is the Power segment growing from 1% of revenues to 5-7%. Initially, ARP expected the renewable energy capacity to reach 116 MW by 2030, but this target was adjusted in Q3'23, down to 80 MW in 2030.

The company has expressed a goal to be carbon-neutral by 2030 in its Paper and Packaging segments, and to be carbon-neutral at a Group level by 2035. Therefore the company must, among other things, source energy from renewable sources while growing and increasing its margins. According to Arctic Paper, several trends underpin a clear potential to significantly grow the Power segment from current levels: (i) a decarbonisation of both the European and the Polish energy generation sector, (ii) an increasingly costly dependence on fossil fuels due to growing carbon emission allowances prices, and (iii) a significant increase of electricity prices.

Munkedal

In Munkedal, western Sweden, Arctic Paper runs a hydroelectric and a waste/biomass power plant. The hydroelectric power plant became operational in 2021, whereas the new waste/biomass power plant, which is operated by Adven, became operational in Q3'22. According to Adven, the plant is built to utilise recycled waste wood, paper and plastic, but it is also capable of handling other types of fuels in the future. The annual estimated CO_2 emission reduction from this plant is ~30,000 tonnes per year. The two, relatively new plants

act as replacements of the decommissioned liquid natural gas power plant. There is also an installed solar panel capacity of 0.1 MW in Munkedal.

The newly launched waste/biomass power plant is a so called 'flexible multifuel boiler' that is designed to handle solid fuels. In the near future, the main fuel source will be Refuse Derived Fuel (RDF), also known as sorted waste. RDF is waste that cannot currently be used to recycle materials and is therefore best used as fuel. At full capacity, the steam production is calculated to an equivalent of 23,900m3 of heavy fuel oil, which is equivalent to 72,000 tonnes of CO_2 emissions. Arctic Paper states that RDF could be recycled and that in such a scenario, the alternative source of fuel could be virgin biomass (and, in turn, that is considered 100% renewable).

Grycksbo

In Grycksbo, south-central Sweden, Arctic Paper operates a biomass power plant that produced over 15 GWh of green energy and 200 GWh of green heat in 2022. Grycksbo made an investment in a biomass boiler in 2008 in order to make steam generation at the mill fossil-free. Moreover, the company has installed a limited set of solar panels in Grycksbo with a capacity of 0.5 MW.

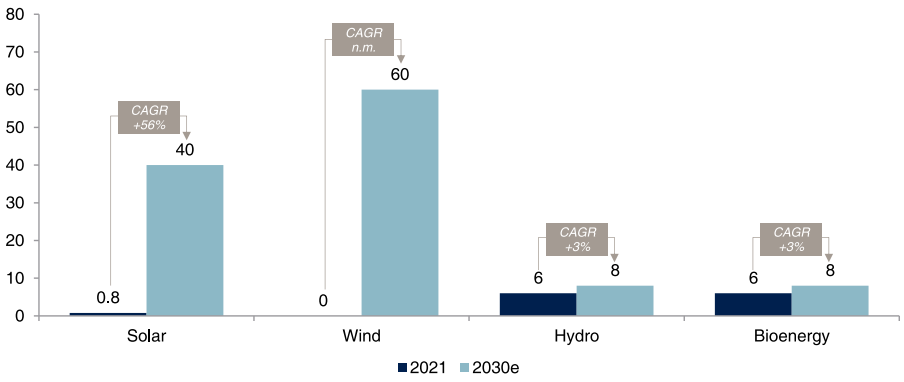
Kosrtzyn

In Kostrzyn, Poland, Arctic Paper has installed a solar farm that has run since August 2021. In 2022, the solar farm produced 1.4 GWh of green energy. Presently, most of the energy supply at the Kostrzyn mill is derived from a local natural gas supplier with which the company has a contract until 2026.

Rottneros

Rottneros will also invest SEK 86m in renewable electricity at the Rottneros mill. The investment includes a solar park and battery storage for grid optimisation, and the planned start-up is in 2024. The solar park is expected to generate ~3 GWh per year, which compares to the Rottneros' annual purchased electricity of ~220 GWh.

Energy generation capacity - The present vs. the goals

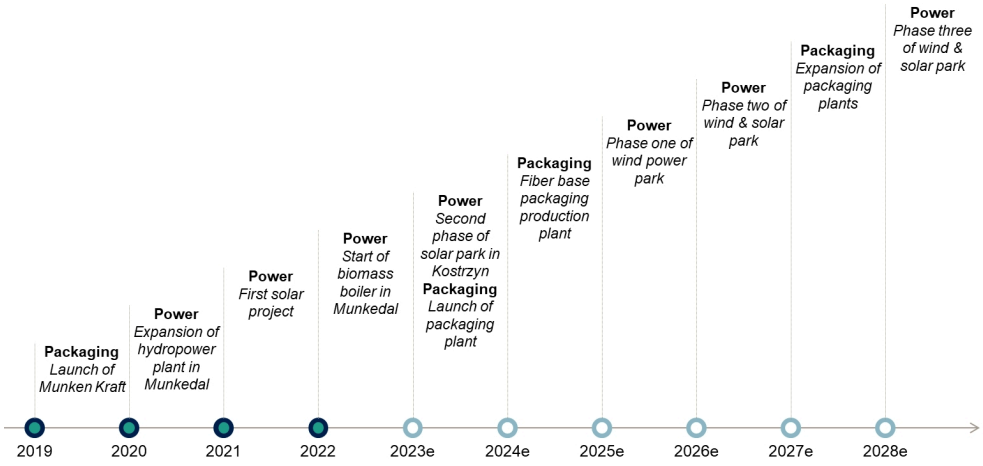


Source: ABG Sundal Collier, Company data.

Arctic Paper's annual energy usage amounts to ~3 TWh and is expected to increase to ~4 TWh (through both generation and trading) by 2030e. Presently the company has an energy generating capacity of nearly 13 MW, but has an ambition to ramp up the Power segment to produce approx. 115 MW, mostly through solar and wind power. During the period 2022-2030 the company expects to invest some PLN 450m in order to ramp up capacity and fulfil its ambitions of becoming increasingly energy independent.

Over time, the company will replace natural gas with renewable sources. Presently, the company is sourcing ~800 GWh of energy through natural gas in Poland. This sourcing will continue until 2026e, after which Arctic Paper will have to source that capacity from other sources.

Corporate road map 2019-2028e



Source: ABG Sundal Collier, Company data.

Arctic Paper's near-decade-long strategy is primarily focused on two segments: Packaging and Power. Between 2022 and 2028 the company aims to invest PLN ~600m in both the Packaging and Power segments. More specifically, management expects to develop a solar park in Kostrzyn and to launch a packaging plant in the near term. Over time, the strategy spans fibre base packaging production plant and further expansions to meet customer demand. With respect to the Power segment, a further expansion and development of solar and wind parks are on top of the agenda.

Rottneros' CTMP expansion project

Rottneros closed its groundwood pulp line at the Rottneros mill (64kt '21 production, heavy on electricity consumption) at the end of 2022, and will invest SEK 180m into a new CTMP line. The investment will increase the company's CTMP capacity by ~40kt. The new line was finalised in 2024. We believe the new CTMP capacity can add SEK ~40m to EBIT on a mid-cycle basis and >20% ROCE. SCA invested SEK 1.45bn into 300kt gross new CTMP capacity and 200kt net (after closure of a different line) at the Ortviken mill. SCA expected SEK 300m in increased EBITDA, or SEK 1.5m per tonne, which compares to our SEK 48m EBITDA (1.2m per tonne) assumption for Rottneros' CTMP expansion. CTMP is mainly used for growing segments such as tissue, packaging and other special applications, while groundwood is mainly used for paper production.

Economics: CTMP expansion project

CTMP project	
Capex, SEKm	180
Additional capacity, kt	40
Price, USD/t	**550**
Cash cost, USD/t	**430**
USD/SEK	10.9
Depr time	25
LTV	50%
Interest rate	5%
Tax	21%
WACC	10%
Terminal growth	2%

Indicative project P&L, SEKm	
Sales	**240**
Cash cost	187
EBITDA	**52**
Depreciation	7
EBIT	**45**
Interest	5
PTP	**41**
Tax	9
Net income	**32**
ROCE	**25%**
EV/EBITDA	**3.4x**

Mid-cycle DCF, SEKm	
EBITDA	**52**
Maintenance capex	-7
Unlevered tax	-10
After-tax CF	**35**
Multiple	13x
EV	**440**
Capex	180
Equity value	**260**
Minorities	-127
Equity value per share	1.9
Equity value per share (PLN)	0.8

Source: ABG Sundal Collier, Company data

Joint venture with Rottneros within packaging

Arctic Paper announced a joint venture investment in February 2023, together with Rottneros, to build a factory that will produce moulded fibre trays. The two companies each own a 50% stake in the joint venture. Arctic Paper will let premises in the existing plant in Kostrzyn, Poland, while Rottneros will contribute with pulp and fibre tray manufacturing know-how. The project launched in the end of 2023. In the table below we summarise the economics of the joint venture. Arctic Paper should generate run-rate sales of PLN ~60m and an EBITDA margin of 30%. Assuming a required capex amount of ~PLN 90m, we estimate that ~PLN 65m debt will be incurred at an interest rate of 5%.

Joint venture economics

Income statement PLNm	100% PLNm	Arctic Paper share (50%)
Sales	54	27
EBITDA	16	8
D&A	4	2
EBIT	12	6
Interest	2	1
PTP	10	5
Tax	2	1
Net income	8	4

Assumptions PLNm	Amounts	Unit
Capex	88	PLNm
Sales	54	PLNm
EBITDA margin	30%	
Financing		
Debt	63	PLNm
Interest rate	5%	
Tax rate	22%	

Source: ABG Sundal Collier, Arctic Paper & Rottneros press releases.

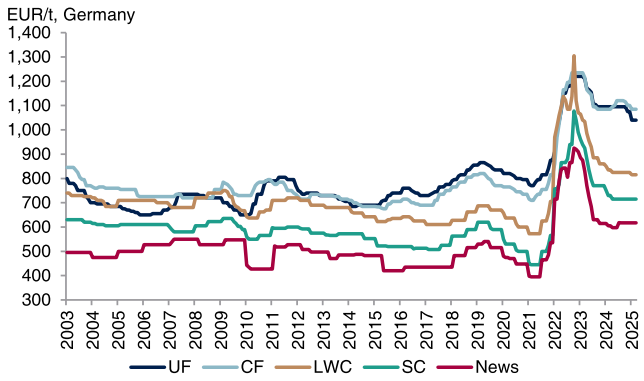
The paper market

European paper prices: Prices down, but price hikes announced

Paper prices fell 8.5% in '24 (-20% in '23), and the negative trend continued into '25 as prices fell -1.5% q-o-q in Q1 (-0.7% in Q4 q-o-q). Note, however, that following pulp price hikes, paper price hikes have also been announced. Perlen Papier announced an 8-10% price hike on newsprint, while Burgo announced a 7% price hike on woodfree paper (both for Q2).

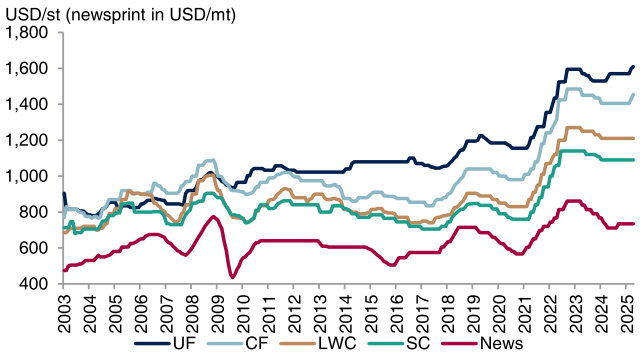
Coated fine fell -11% from peak, rose +3% from trough, but has since come down -3%. Newsprint declined -35%, but is now +3% from trough (prices have remained flat since July). Uncoated fine is down -15%, while magazine is down -37% (both yet to see a price increase).

European paper prices



Source: ABG Sundal Collier, RISI

US paper prices



Source: ABG Sundal Collier, RISI

Prices set by NG and RCP costs ST

All P&P prices rose to extreme levels in '21-'22, driven by much steeper cash cost curves and very supportive macro growth. Pulp prices rose 80%, paper by 100% and packaging by 30-100%, all of which led to another super-profit cycle for the Nordic companies. Most of the price increases (+2x) in this period were due to very expensive gas (NG, +4-10x) as well as recovered fibre (RCP, +1-2x) input costs. This effectively doubled the marginal producers' cash cost, which meant that paper/packaging prices doubled. However, what goes up too fast must come down: OECD IP growth fell from +4% to -4% during '22, which lowered both input costs and paper and packaging prices in '23.

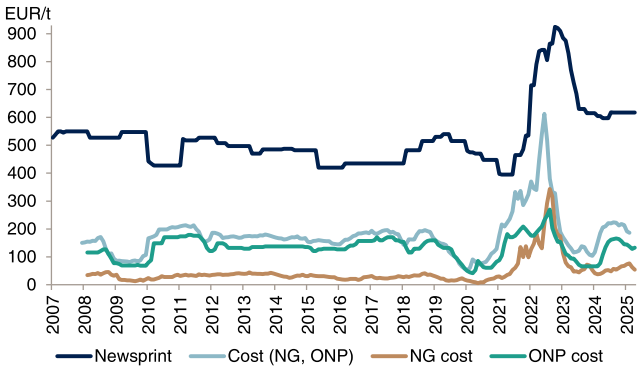
Input costs rose materially in Q2-Q3 '24 (following pulp/wood), with RCP +60-90% in Q2 q-o-q and +15-25% in Q3, while natural gas rose 25% in Q2 and 8% in Q3. The cost increases pointed to ~20% higher testliner and newsprint prices, and indeed this played out:

- Testliner/kraftliner prices rose 25%/21% vs. the trough in Jan
- Late-cyclical newsprint price only rose +3% from trough (Jun'24).

In Q4, RCP dropped 4-25% q-o-q (natural gas rose ~20%), and as a result, testliner and kraftliner prices fell -14% and -7%, respectively (newsprint flat). However, amid several price hikes (e.g. from Smurfit Westrock and SCA), kraftliner and testliner prices are now on the rise:

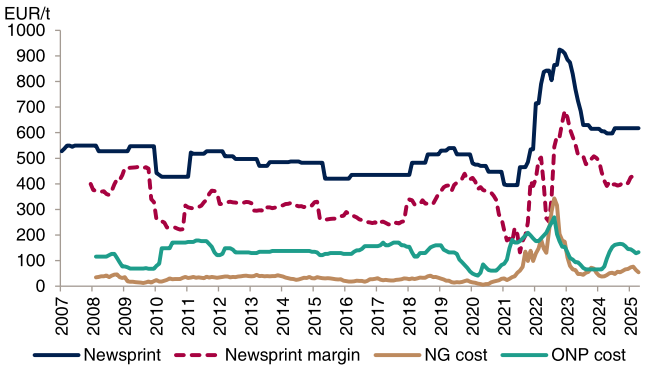
- Testliner prices are +13% vs. the trough in Jan'25 while kraftliner prices (which follow testliner) are +7%.
- Late-cyclical newsprint prices have remained flat, but Perlen Papier has announced an 8-10% price hike from Q2 (usually follow with a 3Q lag).

Newsprint prices set by NG and ONP



Source: ABG Sundal Collier, Bloomberg, RISI

Paper prices and margins (newsprint)



Source: ABG Sundal Collier, Company data

The Nordic sweet spot fades

In the '21-'22 period, the marginal producers in continental Europe needed price increases to compensate for more expensive energy and fibre (a steeper cost curve), and they got them. Key prerequisites here were of course a high utilisation rate and that the marginal producers in continental Europe make up a significant part of the installed capacity. This situation benefited the Nordic players due to lower Nordic energy and fibre costs. They got the higher prices set by the marginal producers, but did not experience the same cost increase (Nordic sweet spot).

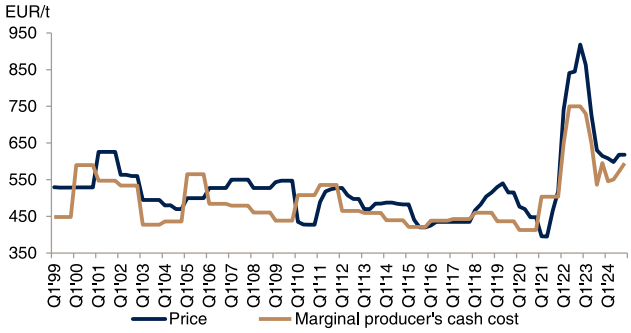
Lower input costs and weaker utilisation rates have been negative for the Nordic players. They get the lower prices, but do not experience the same drop in costs as the marginal producers in continental Europe. Additionally, Nordic wood costs have become very problematic. Hence, the Nordic sweet spot has weakened overall vs the marginal producer.

Costs up 2x for the marginal producer

	% share	2020	% chg	2022
Variable costs				
Fibre	22%	22	200%	67
Energy	12%	12	450%	64
Chemicals	11%	11	40%	15
Distribution	12%	12	40%	17
Other variable costs	7%	7	10%	7
Total variable costs		64	168%	170
Fixed costs				
Personnel	16%	16	3%	16
Other fixed costs	13%	13	2%	13
Depreciation	8%	8	0%	8
Sum	**100%**	**100**	**107%**	**208**

Source: ABG Sundal Collier

Price vs the marginal producers cash cost



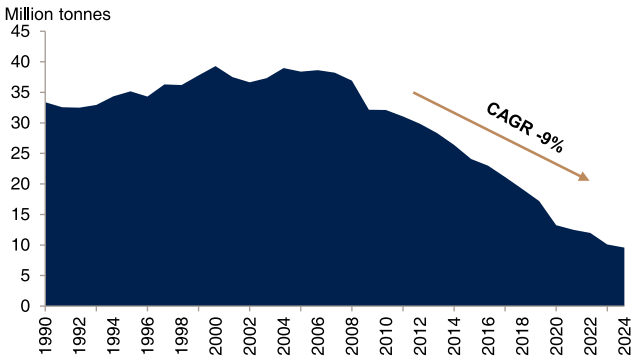
Source: ABG Sundal Collier, RISI

Paper demand growth is abating

Newsprint demand down 9% p.a. the last 10Y

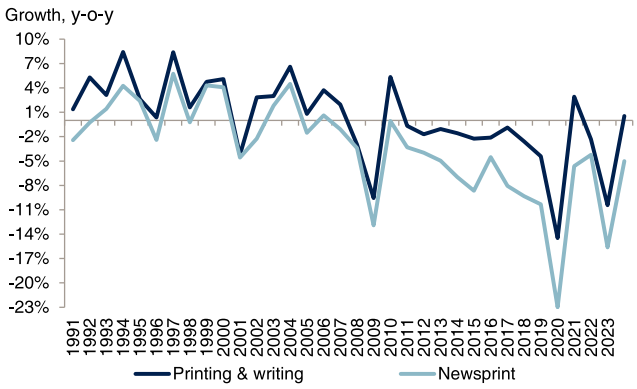
Global demand for newsprint reached a peak of 39 million tonnes in 2000 and has been declining ever since due to conversion from printed newspapers to online services. The structural decline is clearly visible from 2006/2007 in Europe, but happened already in 1999 for North America. The structural decline between 2009 and 2019 was ~6% p.a. However, the COVID-19 pandemic facilitated a shift in demand (-23% decline y-o-y in 2020), and global consumption was 11 million tonnes in 2023 vs 12 million tonnes in 2022 (10Y CAGR -9%).

Global newsprint demand



Source: ABG Sundal Collier, RISI, Bloomberg

Consumption growth, y-o-y



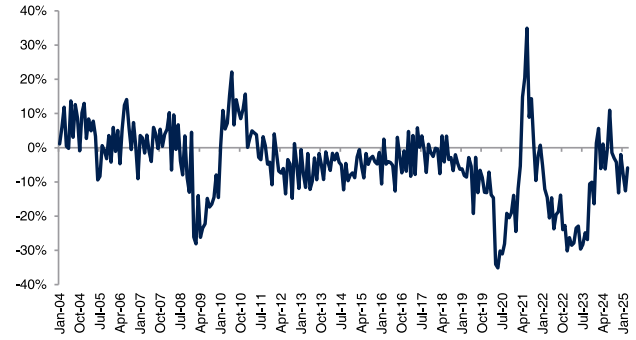
Source: ABG Sundal Collier, RISI, Bloomberg

Magazine paper shipments in Europe decreased -3% y-o-y in '24 (-8% y-o-y in Q4 vs. +3% in Q3). Shipments for LWC, the more expensive magazine grade, increased +1% y-o-y (-7.5% y-o-y in Q4 vs. +6% in Q3), while SC fell -8.5% (-8.5% y-o-y in Q4 vs. -3% in Q3). There is a substitution effect between the grades, as consumers switch from the high-end paper grades to cheaper lower-end grades when prices increase too much (and vice-versa). This is also one of the arguments behind the strong correlation between the publication product grades.

European fine paper shipments increased 7% y-o-y in '24, although it shifted into a negative territory in Q4 (-6% y-o-y vs. +5% in Q3).

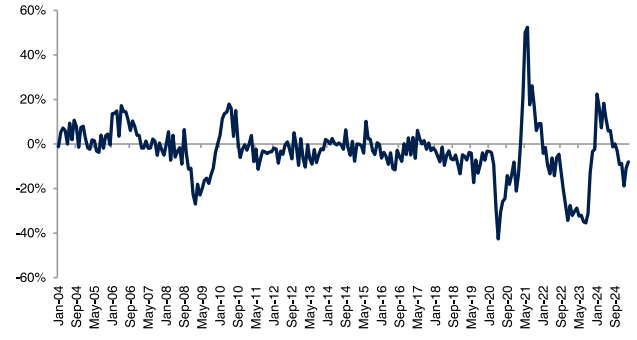
Total paper shipments increased +2% y-o-y in '24 (-5% in Q4 vs. +1% in Q3), which compares to the -22% y-o-y decrease in '23).

European magazine paper shipments, y-o-y



Source: ABG Sundal Collier, Euro-graph

European fine paper shipments, y-o-y



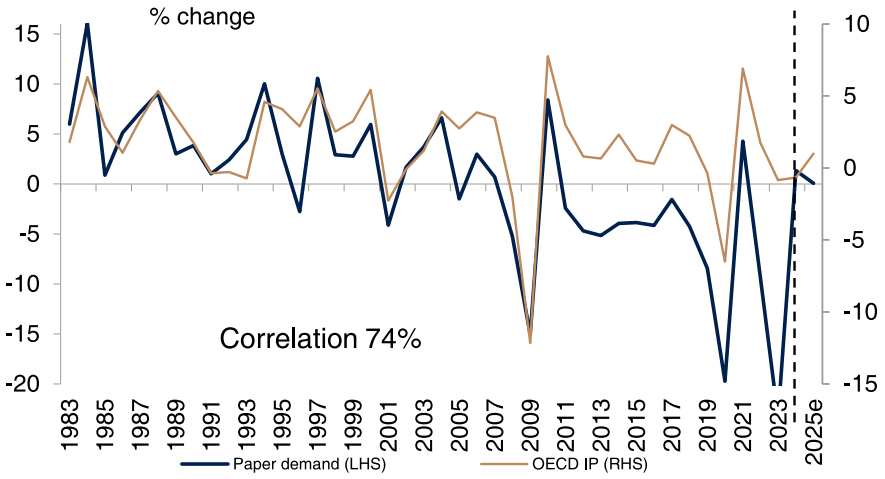
Source: ABG Sundal Collier, Euro-graph

The ABGSC paper demand model: flat in '25

Paper demand is cyclical and driven by advertising spending, which can fluctuate significantly from year to year due to the global business cycle (macro growth). We find

that OECD industrial production (IP) growth is the best measure/proxy of the cyclical paper demand characteristics.

Paper demand vs. OECD IP growth



Source: ABG Sundal Collier, RISI, Macrobond

We rely heavily on this relationship in our paper demand model. However, we also include a price factor (elasticity) and a time effect (structural decline).

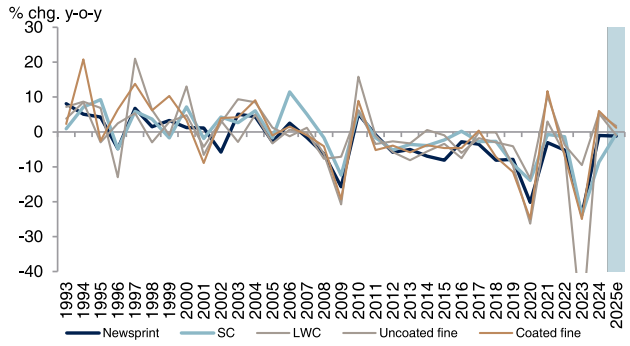
Paper demand can be well approximated by this approach, and the model explains 70-80% of the variation in paper prices

1. **The business cycle factor** – or the growth in OECD industrial production (no time lags): As Western Europe is a net exporter of paper, global economic growth better explains its shipment growth than European economic growth. A 1% higher OECD IP growth leads to ~1.1% higher paper shipments.
2. **The price factor** – or the change in paper price in the previous year: A decrease in the price in the previous year should be positive for demand in the subsequent year, and vice versa. A 1% paper price increase tends to decrease next year's paper shipments by ~0.3%.
3. **Structural decline factor** - To capture the structural decline in paper demand, we include a time variable (year). The data shows that shipment growth tends to drop by ~0.3pp per year (over the entire period).

Putting the model to action, the overall demand picture in 2025 looks relatively unchanged compared to 2024. For 2024, our model pointed to demand up 1-3%, and indeed this played out. For 2025, our model points to demand largely flat.

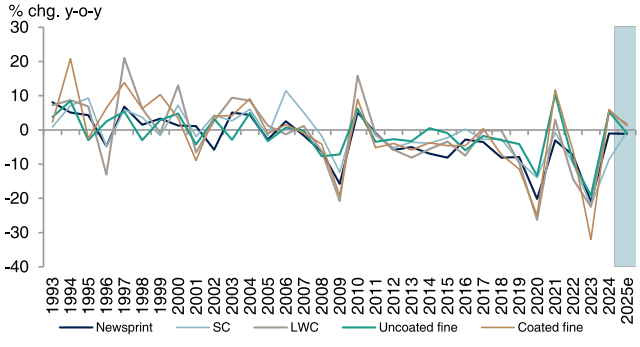
Note that paper prices rose 40-89% in 2022, which put significant pressure on demand in 2023. In the chart to the left below, we assume the actual paper price decrease in 2023. This is driven by lower energy/RCP costs as previously discussed. In the chart to the right, we assume ABGSC's paper price model instead of actual prices for '22-'23 as a measure to capture the normalised price excluding the energy price effect in 2022. We note that the unprecedented surge in paper prices in 2022 is out of the sample range for the parameters of our demand model, and the model estimate is naturally more uncertain than normal.

ABGSC paper demand model



Source: ABG Sundal Collier, RISI

ABGSC demand model: normalised paper prices



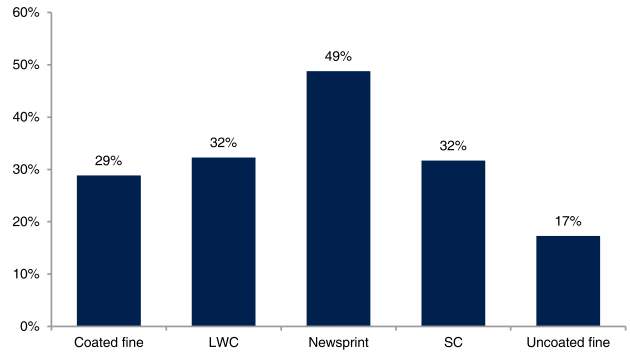
Source: ABG Sundal Collier, RISI

More capacity cuts for '25: -5% vs. -4% previously

Capacity cuts for '24 landed at 11%, an improvement vs. the 3% cuts in '23 (compared to the actual demand decline of 20-25 in '23). We have updated our detailed capacity data, and following UPM's announced closure (Mar'24) of its 270kt SC mill at Ettringen, Germany (~8% of W-European SC capacity, ~1% of all capacity), we now expect capacity cuts of ~5% in '25 vs. ~4% previously. The other expect cuts are mainly driven by UPM's permanent closures of its Hürth newsprint mill (330kt or 9% of W-European supply) and one uncoated fine paper machine at Nordland Papier (280kt or 5% of W-European supply), as well as Heinzel's closure of its 350kt Laakirchen mill (SC).

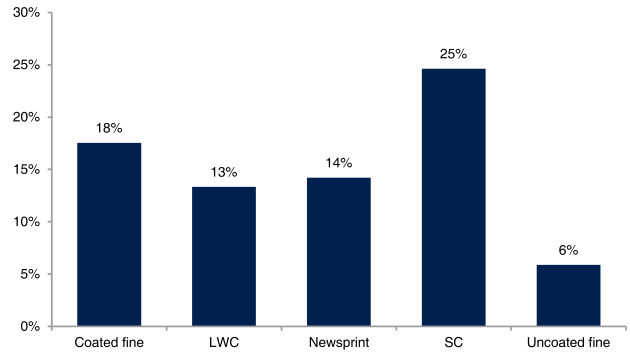
A total of ~3.5mt of paper capacity cuts have been announced for '24-'25. The majority of the cuts were announced by UPM, Stora Enso, Burgo, and Sappi. Furthermore, several paper producers have announced that they will convert their paper mills to packaging. Norske Skog plans to convert 360kt of newsprint capacity to containerboard. Stora Enso, VPK, Ilim, Smurfit Kappa and Heinzel have all announced conversions. UPM has sold its Shotton newsprint mill and its Steyrermühl mill for conversion. Below, we list the recently announced capacity cuts in Europe.

Significant paper capacity cuts in '20-'22



Source: ABG Sundal Collier, RISI

...but too small cuts for '24-'25

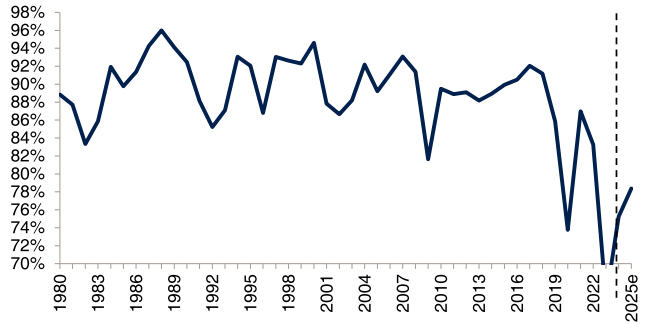


Source: ABG Sundal Collier, RISI

Capacity utilisation better in '25, but not good

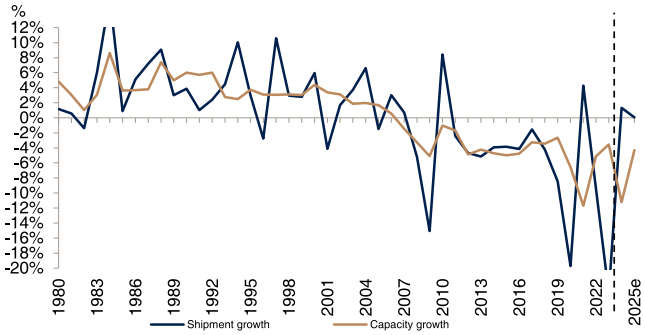
The utilisation rate landed at ~75% in '24, an improvement vs. 68% in '23. However, it is still challenged compared to the historical average of ~89%. The expected ~5% cuts in '25e show that the market is moving in the right direction, and we see the utilisation rate reaching 79-80% in '25e as the full capacity cuts are visible. Additional cuts of ~2.1mt (~10%) are needed to bring the utilisation rate back to historical levels, all else equal.

Paper: capacity utilisation



Source: ABG Sundal Collier, RISI

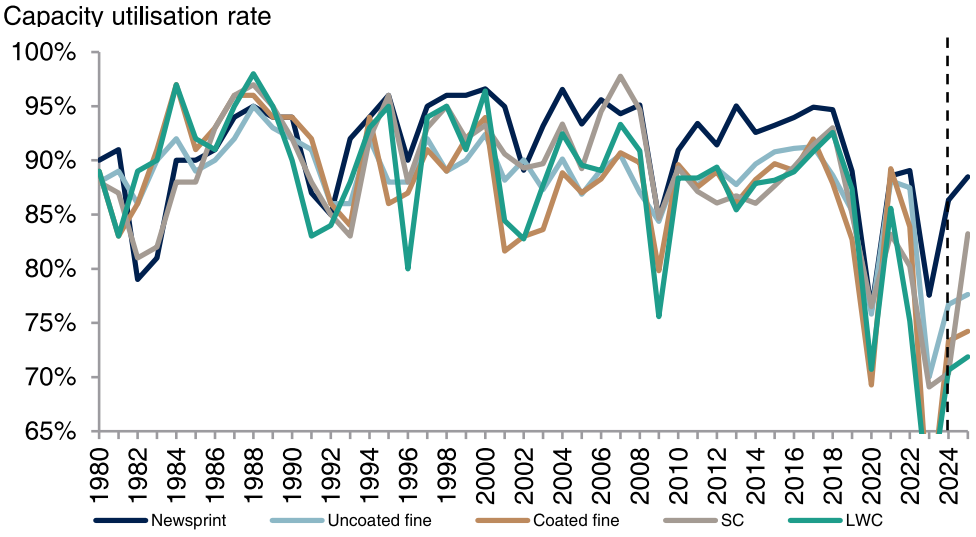
Paper: capacity cuts vs. shipment growth



Source: ABG Sundal Collier, RISI

Newsprint stands out with the strongest market balance compared to the other paper grades. Coated fine is hurt by too few capacity cuts, while uncoated fine is better (decent demand/UPM cuts). Within magazine, LWC is still weak, while SC is better (capacity cuts).

Capacity utilisation rate per grade



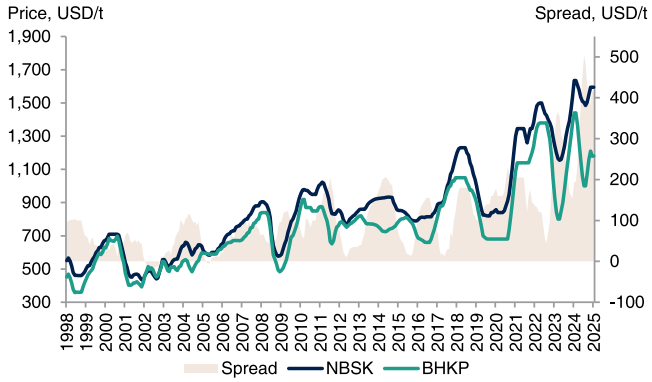
Source: ABG Sundal Collier, RISI

Pulp market

Pulp prices down lately

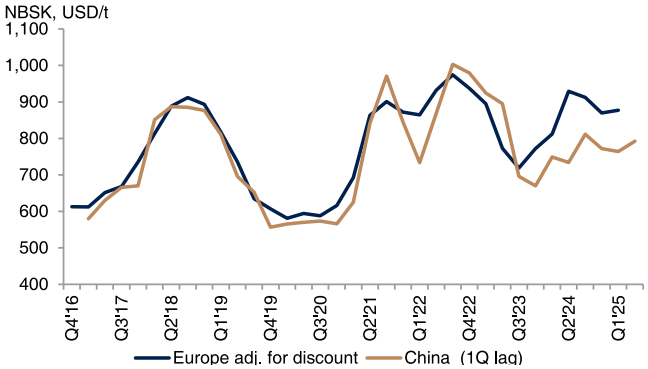
After pulp price increases early '25, momentum has turned and prices are down. Chinese softwood is down ~8% and European hardwood is down 2% since Mar'25. This follows Arauco's announced price cuts of ~8% to China (40-55 USD/t) and the recent drop in Chinese futures. The pulp future net of VAT/transport typically leads the NBSK import price to China. Chinese prices tend to lead the European markets. The Chinese are good traders as always – buying at the trough, selling at the peak.

European pulp prices (USD/t)



Source: ABG Sundal Collier, RISI

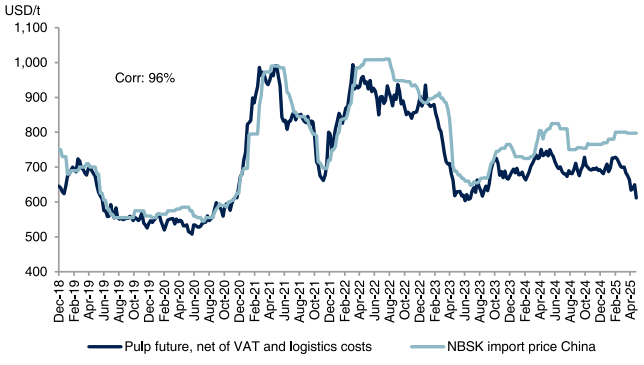
Net NBSK price Europe and China



Source: ABG Sundal Collier, RISI

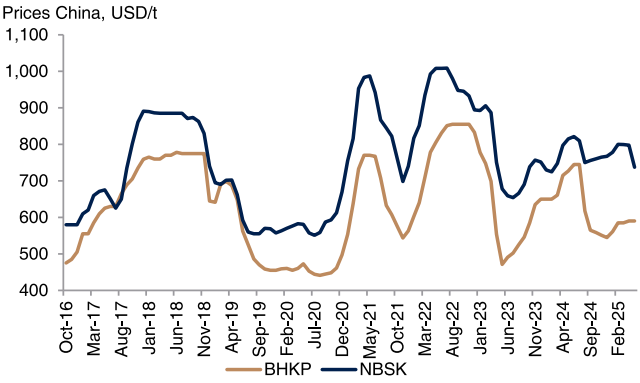
The Shanghai pulp futures are down 15% in the last months, but up ~5% vs trough now. The pulp future net of VAT/transport typically leads the NBSK import price to China. Chinese prices tend to lead the European markets. The Chinese are good traders as always – buying at the trough, selling at the peak.

Shanghai pulp future



Source: ABG Sundal Collier, Bloomberg

Chinese pulp prices (USD/t)

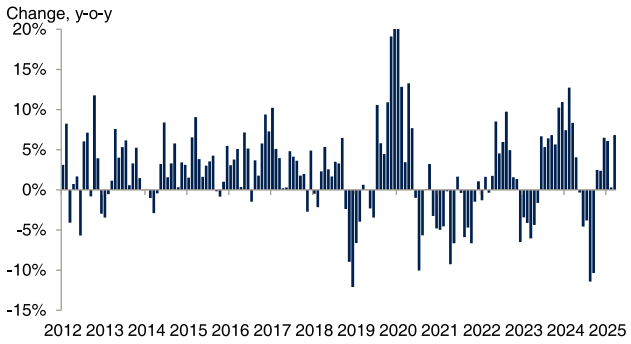


Source: ABG Sundal Collier, RISI

Demand and inventories

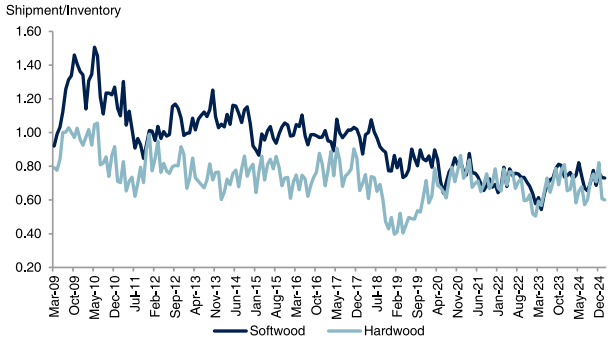
Given that it takes a long time to plan and build a new pulp mill, we have relatively good visibility on supply in the next two to three years. Forecasting price movements therefore often comes down to a question of demand. Pulp demand tends to follow OECD IP growth (86% correlation). Note, however, that although OECD IP growth was negative in '23, pulp demand increased by ~2% (returning Chinese demand in H2'23).

Global monthly pulp shipments



Source: ABG Sundal Collier, PPPC

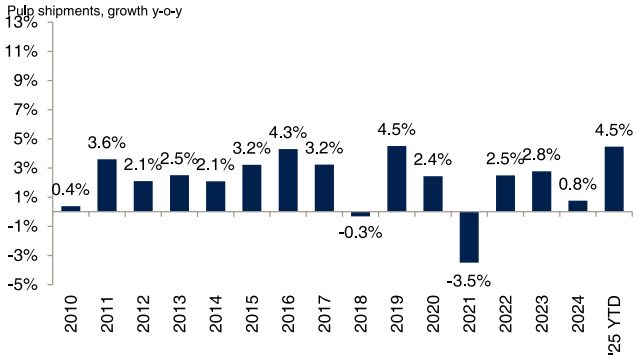
Global monthly ship. over inventory



Source: ABG Sundal Collier, PPPC

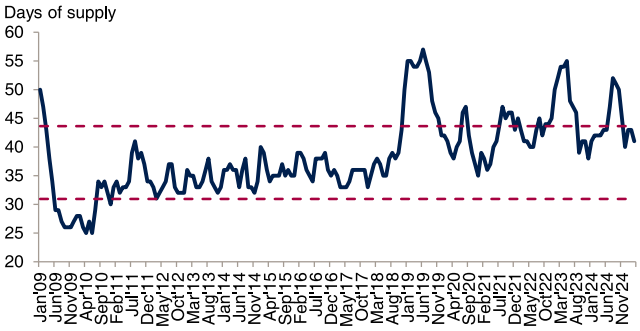
Inventories were down to 41 days (43 days in Feb) and are down -25% from peak in May'23 (+10% vs. the historical average), corresponding to ~6.4mt. The capacity utilisation rate was 96% (+4pp y-o-y). Softwood shipments were up ~12% y-o-y, while hardwood shipments were up ~3%.

Global shipments of market pulp, chg. y-o-y



Source: ABG Sundal Collier, PPPC

Producer inventories of market pulp

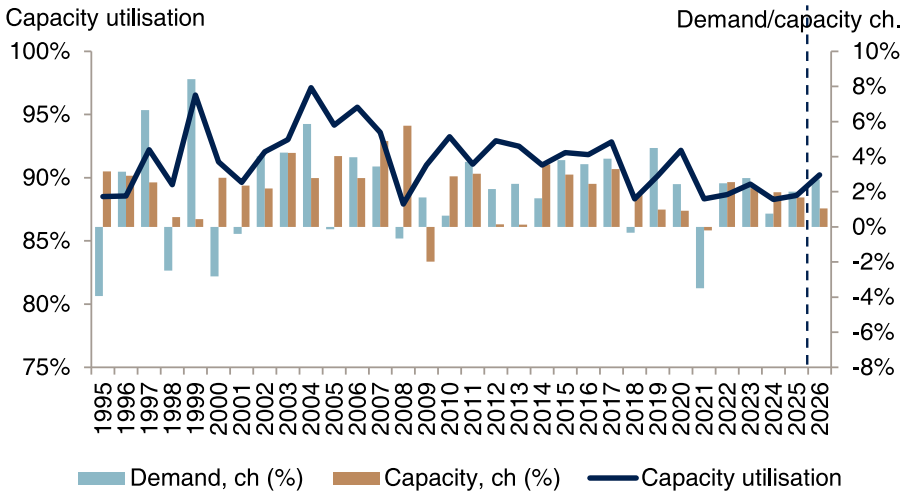


Source: ABG Sundal Collier, PPPC

Supply growth of ~4% in '25 and ~1% in '2

Our detailed pulp marked data still indicates gross supply growth of +3.7% in '25 and +1% in '26. However, note that the normal market exit rate is ~1.7mt per year (or ~2%), meaning that net supply growth could be closer to ~2% in '25. Suzano's Cerrado project (came on-stream in July'24) is expected to reach full capacity in '25. Other expansions in '25 include Bracell (450kt in Brazil), and Kaicell (400kt in Finland), while closures are expected from Heinzel (100kt) and APRIL (175kt).

Capacity utilisation versus supply/demand

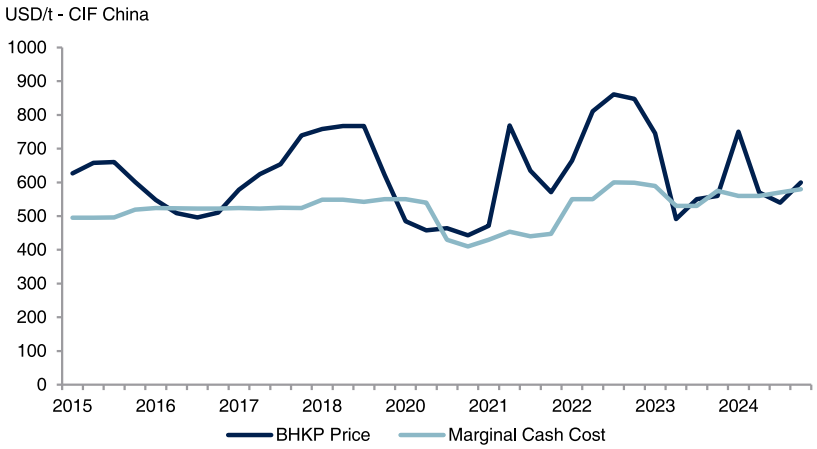


Source: ABG Sundal Collier, PPPC, RISI

Pulp has ticked the normal “down-cycle boxes”

When looking at the data, pulp has ticked most normal “down-cycle boxes”: 1) Pulp prices have dropped the normal 34%, 2) The hardwood pulp price dropped below the marginal producer's cash cost, and 3) The discounted adjusted price in real terms was on par with historical troughs.

Prices reaching unsustainable levels

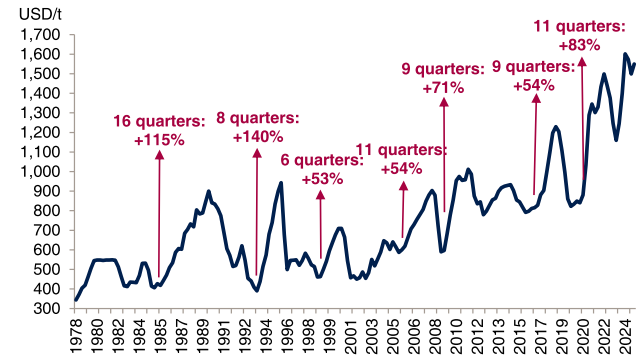


Source: ABG Sundal Collier, Suzano

Trough to peak in 11 quarters, peak to trough in 3 quarters

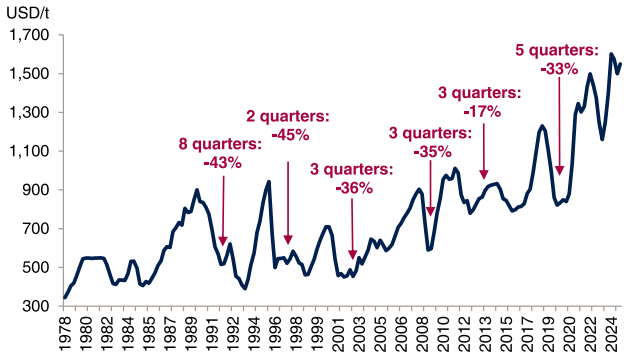
A pulp “up-cycle” tends to last 9-10 quarters with prices rising ~81%. In the '19-'22 up-cycle the pulp price rose 83% over 11 quarters. In a normal pulp “down-cycle”, prices tend to drop ~34%. In the graphs below, we have analysed pulp cycles with price data going back to 1978. The prices dropped ~33% from their ’18 peak following the IP recession in H2’18-’20, which is the same drop as in the financial crisis.

Pulp “up-cycles”: last 9-10 quarters (+81%)



Source: ABG Sundal Collier, RISI

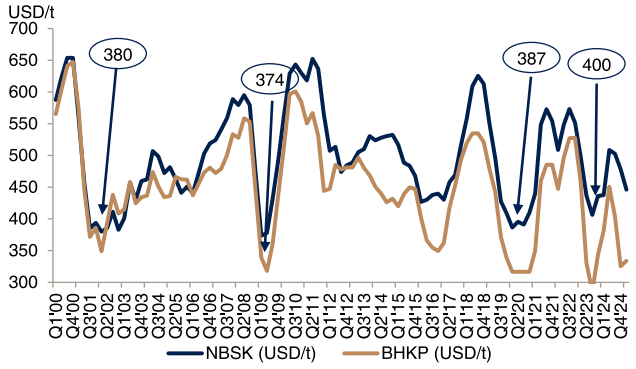
Pulp “down-cycles”: last 3-4 quarters (-34%)



Source: ABG Sundal Collier, RISI

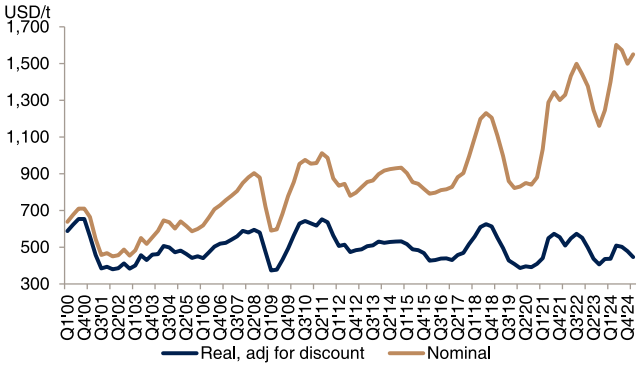
Pulp prices have risen from 2000, but the typical discount vs the list price has increased from 8% in ’00 to ~45% in '25. Nominal softwood prices are now ~75% above the historical average since ’00, while the discounted adjusted price in real terms is ~11% below the historical average.

Real pulp price adjusted for discounts



Source: ABG Sundal Collier, RISI

NBSK: nominal vs. real price adjusted for discounts

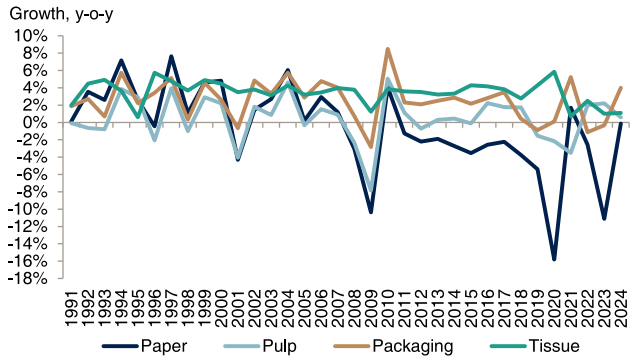


Source: ABG Sundal Collier, RISI

Packaging and tissue to drive pulp demand

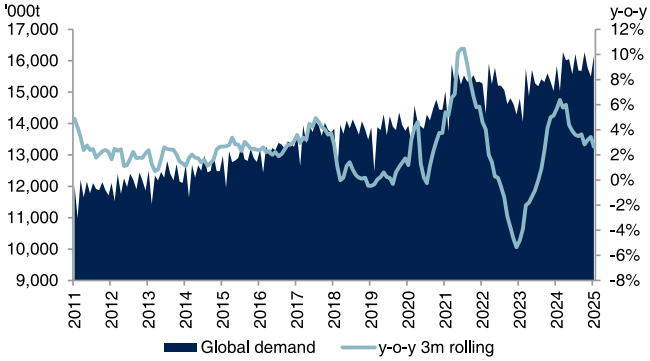
Long-term fibre consumption growth is likely to increase, driven by rising demand for packaging and tissue at +2-4%. Paper's structural drop means that there is less RCP available and few companies build integrated pulp capacity now. Therefore, an increasing amount of the fibre needs to be covered by market pulp (which is only 15-20% of the fibre consumption). This mathematics at work could imply pulp demand growth of 3-5% longer-term vs. the historical average of ~2.5%.

Consumption by grade (growth y-o-y)



Source: ABG Sundal Collier, RISI

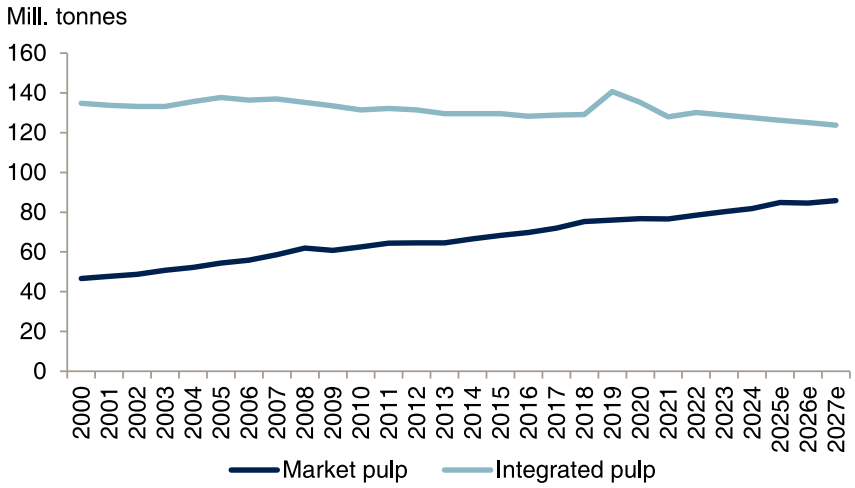
Global containerboard demand



Source: ABG Sundal Collier, Bloomberg

The decline in paper consumption, combined with rising demand for packaging and tissue, has led paper's share of fibre demand to decline from 40% in 2007 to <25% in 2023, while packaging has grown to more than 60%. Global fibre consumption seems to have reached an inflection point at which increased demand from the growing segments outweigh the shrinking segments

Global integrated vs. market pulp capacity



Source: ABG Sundal Collier, RISI

Integrated pulp capacity is slowly losing ground to market pulp. Market pulp capacity is growing at ~2% per year, while integrated pulp is declining by 0.5-1% per year. The decline in integrated capacity is likely caused by several factors like assets reaching the end of their lifecycle, closures of integrated paper mills, environmental regulations and poor competitiveness.

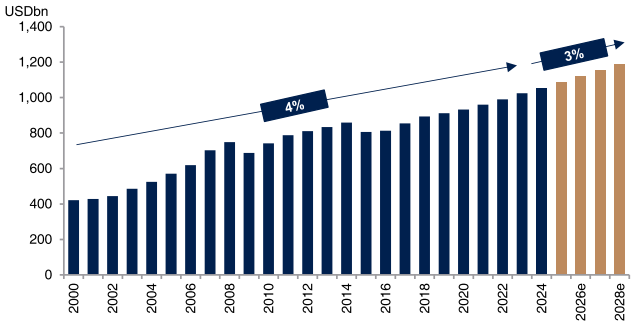
Strong long-term packaging outlook

Rottneros has started production at its new packaging plant where it will produce 7-10 million moulded fibre trays per year. The trays are primarily intended for food and as a replacement for disposable plastic articles, but also for electronic products and other components. The replacement of plastic packaging items with disposable, organic material such as fibre packaging is a topical subject and has received increased public attention due to the focus on plastics polluting our oceans. Fibre packaging only accounts for a very small share of Rottneros' sales today, but Rottneros will invest to further increase its capacity. Rottneros and Arctic Paper will invest EUR 15m to start up a new factory in Poland (50/50 joint venture). The factory started up towards the end of 2023 and have a capacity of 80m trays p.a.

The long-term case for packaging is strong, driven by several megatrends

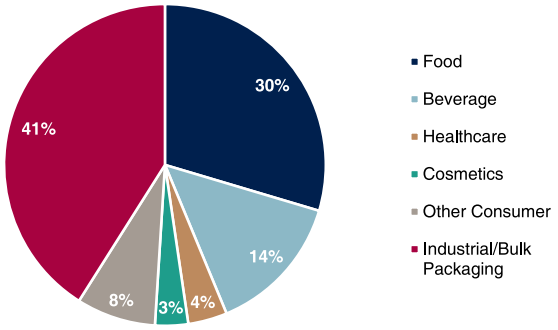
According to Smithers Pira (a worldwide authority on the packaging, paper and print industry supply chains), the global packaging market has grown at a CAGR of 4.2% since 2000. The growth has been helped by several megatrends, and was valued at ~USD 1bn in 2023. Smithers Pira expects a slightly lower growth rate of ~3% p.a. The two largest packaging end-markets are food and beverages, with 38% of total packaging consumption, and industrial packaging, with 44% of total packaging consumption.

Global packaging market (USDbn)



Source: ABG Sundal Collier, Smithers Pira

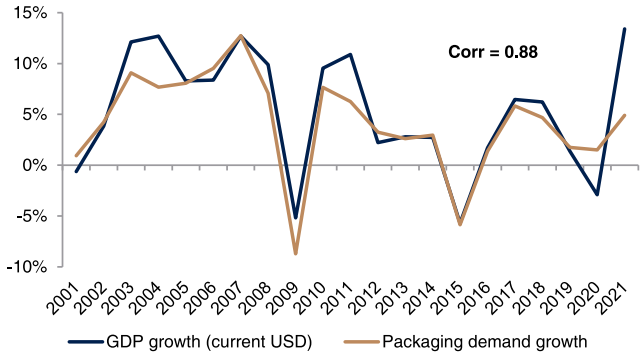
Packaging consumption by end-use market



Source: ABG Sundal Colliers, Smithers Pira

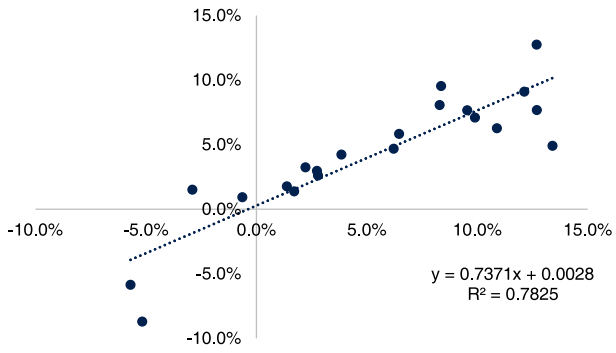
Packaging consumption growth follows nominal GDP growth over time. This relationship has been very strong historically with a correlation of 0.93 and an R^2 of 0.88.

Packaging demand vs. nominal GDP growth



Source: ABG Sundal Collier, Smithers Pira, World Bank

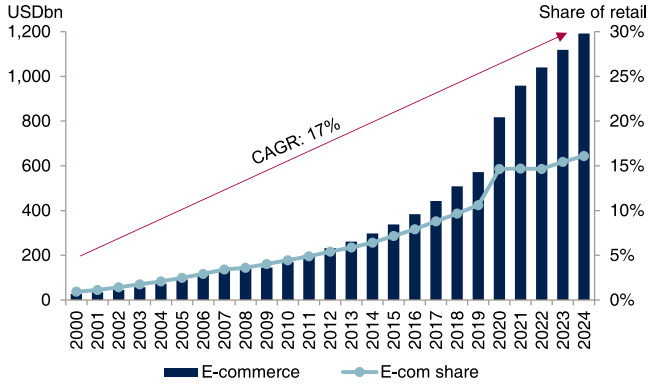
Packaging demand vs. nominal GDP growth



Source: ABG Sundal Collier, Smithers Pira, World Bank

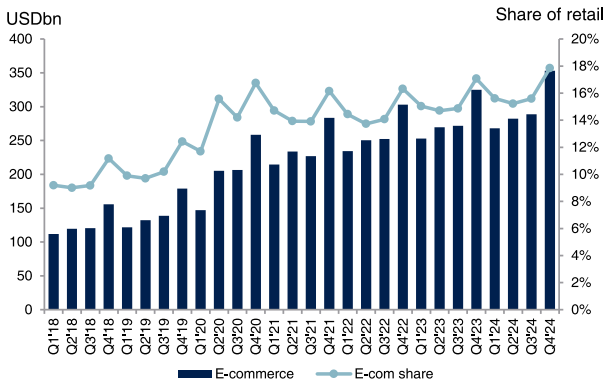
One of the key megatrends driving global packaging demand is the high growth in e-commerce sales. In the US, total e-commerce sales are growing at a CAGR of 17% p.a. E-commerce sales accounted for 16% of all US retail sales in 2024 (18% in Q4'24 vs. 16% in Q3'24), which were up from 11% in 2019. COVID had a positive impact in 2020-2021, but US e-commerce sales continued their strong growth at 7% y-o-y in 2024 (+9% in Q4'24 y-o-y vs. +6% in Q3'24).

US: E-commerce sales and share of retail sales (annual)



Source: ABG Sundal Collier, US Census Bureau

US E-commerce sales and shares of retail sales (quarterly)



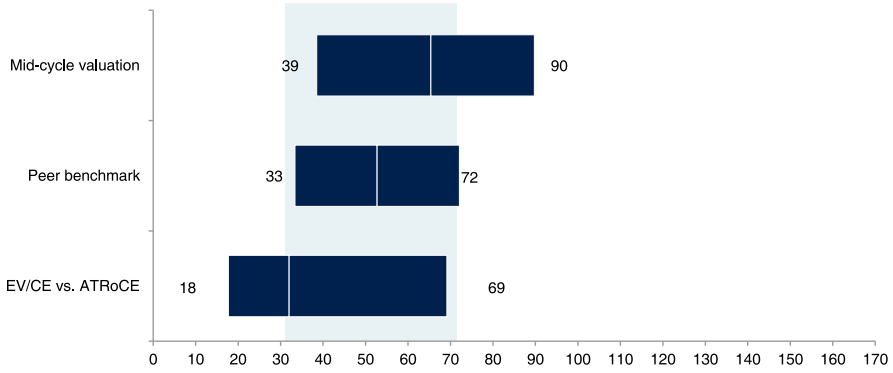
Source: ABG Sundal Collier, US Census Bureau

Valuation

Arctic Paper is currently trading at an EV/CE of ~0.71x. We estimate a fair value range of SEK 30-70 per share, implying an EV/CE range of 0.5x-1.04x. We arrive at this range based on a mid-cycle valuation given normalised earnings, traded peers and an EV/CE vs. ATRoCE benchmark.

We utilised three primary valuation methodologies to estimate the fair value range of Arctic Paper on a per-share basis. The first method involves using mid-cycle, normalised earnings and cash flows based on the company's cost of capital. The second method is a benchmark of peers against Arctic Paper, and the third method is an EV/CE vs. ATRoCE benchmark that sets both the company's historical and estimated after-tax return on capital employed in relation to the ratio of the company's market enterprise value and book value of the employed capital.

Valuation summary



Source: ABG Sundal Collier, FactSet

Peer benchmark

The most comparable peers to Arctic Paper are the Nordic pulp & paper companies. These companies are exposed to pulp and paper prices and have a presence in the Nordics. However, we make a distinction within the Nordic pulp & paper peer group: namely between the companies that hold large forest assets and those that do not. Large forest asset owners include Holmen, SCA and Stora Enso, and they have somewhat different value drivers compared to the companies that do not own significant forest assets. Given that Arctic Paper does not own forest assets, we deem the most appropriate peer sub-group to consist of Billerud, Metsä Board, Norske Skog, UPM-Kymmene and Nordic Paper.

Arctic Paper is smaller than the average peer, but it is governed by similar business drivers, primarily commodity and energy prices. This can be observed by both Arctic Paper's and the peers' sales and earnings growth for the period '24-'27e. Core peers are expected to earn ~7% on capital employed, in line with the 9% we estimate for Arctic Paper, and we note that Arctic Paper has a solid leverage position whereas peers has somewhat higher leverage.

Peers - Key financial metrics

Nordic pulp and paper peers		Sales (SEKm)	Growth	EBIT growth	EBIT margin	ATROCE	Leverage
Company	Segments	2024	CAGR '24-'27e	CAGR '24-'27e	'25e-'27e	'25e-'27e	'25e
BillerudKorsnäs	Packaging, paper	43,453	2%	11%	7%	7%	0.8x
Holmen	Forestry, paper, packaging, sawmills, energy	22,759	2%	5%	17%	5%	0.7x
Metsä Board	Pulp, packaging	21,933	3%	48%	8%	6%	1.7x
SCA	Forestry, pulp, packaging, sawmills	20,232	5%	10%	27%	4%	1.7x
Norske Skog	Paper & packaging	10,790	8%		1%	2%	8.9x
Stora Enso	Forestry, pulp, paper, packaging, sawmills	101,705	5%	20%	8%	5%	3.1x
UPM	Forestry, pulp, paper, wood products, energy	117,226	1%	12%	14%	9%	1.7x
Nordic Paper	Packaging papers	4,694	0%	-8%	11%	14%	1.6x
Average		**42,849**	**3%**	**14%**	**12%**	**6%**	**2.5x**
Average (large forest owners)		**48,232**	**4%**	**12%**	**17%**	**5%**	**1.8x**
Average (excl. large forest owners)		**39,619**	**3%**	**16%**	**8%**	**7%**	**2.9x**
Arctic Paper*	**Pulp, paper, packaging, power**	**8,801**	**4%**	**11%**	**5%**	**7%**	**0.5x**

*ABGSC estimates

Source: ABG Sundal Collier, Company data, FactSet

Peer valuation

The entire peer group trades at a '25e-'27e EV/EBITDA of 8.9-6.2x. More specifically, large forest asset owners trade at a '25e-'27e EV/EBITDA of 10.2-8.2x, while the sub-group that is the most relevant to Arctic Paper trades at a '25e-'27e EV/EBITDA of 8.1-5.0x. On EV/CE multiples for '25e, large forest owners trade at 0.8x, while the sub-group trades at 1.0x

Based on our present estimates, Arctic Paper trades ~38% below its core peer group on '25e EV/EBITDA and ~35% below with respect to '25e EV/CE.

Peer valuation table

Nordic pulp and paper peers	EV/EBITDA			EV/EBIT			P/E			P/B	EV/CE
Company	2025e	2026e	2027e	2025e	2026e	2027e	2025e	2026e	2027e	2025e	2025e
BillerudKorsnäs	5.5x	5.1x	4.8x	11.2x	9.9x	9.2x	13.7x	12.3x	11.8x	0.9x	0.9x
Holmen	10.0x	9.2x	9.0x	13.6x	12.2x	11.9x	21.9x	19.3x	19.3x	0.8x	0.8x
Metsä Board	7.0x	4.8x	4.1x	15.2x	7.7x	6.2x	18.0x	9.4x	7.7x	0.6x	0.7x
SCA	13.1x	11.2x	10.5x	18.6x	15.1x	14.0x	24.5x	19.8x	18.3x	0.8x	0.8x
Norske Skog	13.0x	7.5x	4.1x							0.3x	0.6x
Stora Enso	7.6x	5.8x	5.1x	15.1x	9.8x	8.2x	19.6x	12.2x	10.2x	0.5x	0.7x
UPM	8.9x	7.0x	6.3x	13.6x	9.7x	8.5x	14.9x	10.6x	9.0x	1.2x	1.2x
Nordic Paper	6.2x	6.4x	5.5x	7.5x	8.5x	7.1x	7.4x	10.1x	9.2x	1.8x	1.5x
Average	**8.9x**	**7.1x**	**6.2x**	**13.5x**	**10.4x**	**9.3x**	**17.1x**	**13.4x**	**12.2x**	**0.9x**	**0.9x**
Average (large forest owners)	**10.2x**	**8.7x**	**8.2x**	**15.8x**	**12.4x**	**11.3x**	**22.0x**	**17.1x**	**15.9x**	**0.7x**	**0.8x**
Average (excl. large forest owners)	**8.1x**	**6.2x**	**5.0x**	**11.9x**	**9.0x**	**7.8x**	**13.5x**	**10.6x**	**9.4x**	**1.0x**	**1.0x**
Arctic Paper*	**5.0x**	**3.9x**	**3.0x**	**10.4x**	**6.6x**	**4.5x**	**14.8x**	**9.0x**	**6.2x**	**0.6x**	**0.6x**
vs. Core peers**	**-38%**	**-37%**	**-40%**	**-12%**	**-27%**	**-43%**	**10%**	**-16%**	**-34%**	**-35%**	**-35%**

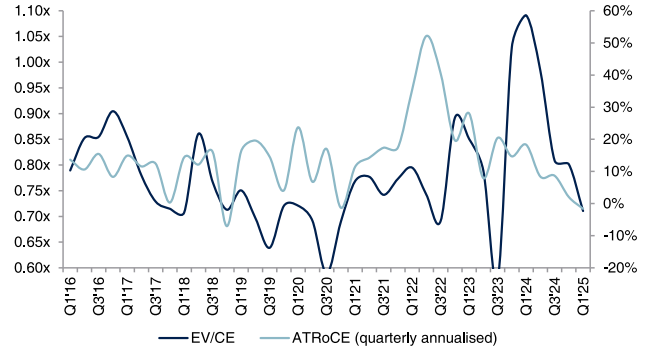
Source: ABG Sundal Collier, Company data, FactSet

Footnote: (*): ABGSC estimates. (**) Core peers are BillerudKorsnäs, Metsä Board, Norske Skog, UPM and Nordic Paper

EV/CE vs. ATRoCE

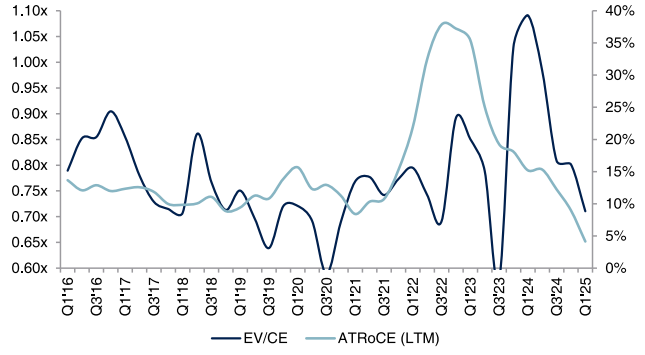
Arctic Paper is currently trading at an EV/CE of ~0.71x, which compares to the historical average of 0.8x. The company's after-tax return on capital employed (ATRoCE) in Q1'25 was -2% (vs. 2% in Q4'24), compared to the average of 15% since 2016 (12% ex. 2022).

EV/CE vs. ATRoCE (quarterly annualised)



Source: ABG Sundal Collier, Company data, FactSet

EV/CE vs. ATRoCE (LTM)



Source: ABG Sundal Collier, Company data, FactSet

By using a WACC of 10% and a weighted average structural growth rate of -2% (paper -3%, pulp +2%), we derive a fair EV/CE of ~1.5x using the historical five-year (2018-2023) ATRoCE of 17%. By using our ATRoCE estimate for '25e-'27e, we derive a fair EV/CE of ~0.6x. By using the Q1'25 capital employed of ~SEK 4.9bn, we arrive at a fair value range of SEK 32-90 per share, based on these two data points. By assuming the historical average EV/CE multiple of 0.8x, the fair value is ~SEK 44 per share. However, the methodology is sensitive to assumptions made regarding both cost of capital (WACC) and the return on capital employed. Therefore, we also include a sensitivity analysis to show a broader fair value range.

Valuation based on ATRoCE vs. EV/CE

ATRoCE vs. EV/CE	2018-2023	2025e-2027e	2025e-2027e
ATRoCE	17%	7%	7%
Implied EV/CE*	1.5x	0.6x	n.a.
Historical EV/CE	n.a.	n.a.	0.8x
CE (SEKm)**	4,932	4,932	4,932
Implied EV (SEKm)	7,162	3,016	3,854
Net debt (SEKm)**	372	372	372
Minority share Rottneros	-428	-428	-428
Implied equity value (SEKm)	**6,363**	**2,217**	**3,055**
Implied equity value (SEK/share)	**92**	**32**	**44**

**WACC 10%, growth -2%, ** Q4'24*

Source: ABG Sundal Collier, Company data

Sensitivity - Avg. '25e-'27e ATRoCE and WACC

Sensitivity analysis		'25e-'27e ATRoCE				
		3%	*5%*	*7%*	*9%*	*11%*
WACC	*8%*	12	26	41	55	69
	9%	10	23	36	49	62
	10%	8	20	32	44	56
	11%	7	18	29	40	51
	12%	5	16	26	36	46

Source: ABG Sundal Collier

Mid-cycle valuation

2022 was an unprecedented year for Arctic Paper as energy hedges and a favourable cost position in the Nordics led to super profits amid surging product prices. Prices have now dropped, and a valuation based on the over-the-cycle earnings capacity is highly relevant. We believe Rottneros' mid-cycle EBITDA is SEK 345m-375m (PLN 130m-140m) and that the Paper over-the-cycle EBITDA is PLN 300m-325m. We arrive at a fair value range of SEK 60-65 per share based on the mid-cycle valuation methodology. However, we also include a broader range in the sensitivity table below to capture changes in mid-cycle EBITDA and uncertainty regarding the FCFF multiple, and that yields a range of SEK 43-96.

Mid-cycle valuation

Mid-cycle valuation	PLNm
EBITDA	**440**
Maintenance capex	-130
Tax	-62
FCFF	**248**
WACC	*10%*
Terminal growth	*-2%*
Implied FCFF multiple	8x
EV	**2,067**
Net debt	145
Market value minorities	165
Equity value	**1,756**
Equity value per share (PLN)	25
Equity value per share (SEK)	65

Source: ABG Sundal Collier

Sensitivity analysis

Sensitivity analysis

EBITDA (PLNm)	FCFF multiple				
	6.0x	7.0x	8.3x	9.0x	10.0x
470	49	59	73	80	90
455	47	56	69	76	85
440	44	53	65	72	81
425	41	50	62	68	76
410	39	47	58	64	72

Source: ABG Sundal Collier

Risks

Economic slowdown

Pulp and paper demand are closely linked to the general economic cycle. A slowdown in the economy could therefore have a large effect on Arctic Paper's earnings. A 10% volume drop for both the Paper and Pulp segment will have a negative impact on proportional EBIT of ~ PLN 160m.

Raw materials

Arctic Paper has a net short position towards pulp, pulpwood, energy and chemicals prices. Higher prices lead to higher input costs and lower profitability.

Structural decline in paper demand

Paper demand is in structural decline of >3% per year. A more rapid decline in paper demand would be negative for Arctic Paper's earnings.

Hedging risk

Arctic Paper has hedged most of its electricity exposure for both 2023 and 2024. Through Rottneros, the company also has some hedges related to the pulp price. The purpose of the hedging is to protect Rottneros' future electricity costs from large fluctuations and to achieve more predictable electricity prices. Note that hedging could also lead to hedging losses.

Production risk

Arctic Papers' production facilities are subject to the risk of injuries, machinery breakdown, fires and other accidents that could harm its production.

Management team

Management team details

	**Michal Jarczyński** CEO and Managing Director at Arctic Paper Kostrzyn S.A.	Previous CEO of Radpol S.A. and Enea Operator. Between 2009-2013 he served as the CEO of Arctic Paper S.A. He first joined the organisation in 1998 M.Sc. in Mechanical Engineering from Poznan University of Technology. Postgraduate degree in finance and controlling from Poznan University of Economics **Holdings in Arctic Paper incl. related parties: -**
	**Katarzyna Wojtkowiak** Chief Financial Officer	Previous experience as Chief accountant and Group Treasury at Arctic Paper for >11 years. Previous experience includes accounting and finance roles at Flexlink in Poland. M.Sc. In Capital Investments and Corporate Financial Strategies from the Poznan University of Economics. **Holdings in Arctic Paper incl. related parties: -**
	**Fabian Langenskiöld** Executive VP Sales & Marketing	Previously General Manager within the Umur Group, Senior Vice President of Sales and Marketing at Stora Enso and General Manager at Chenming Europe - **Holdings in Arctic Paper incl. related parties: -**
	**Jacek Łoś** Executive VP Procurement	More than 26 years of experience in the Arctic Paper organisation, taking on many different roles since 1996 Graduate of the University Gdansk department of Economics and Transportation **Holdings in Arctic Paper incl. related parties: -**
	**Wolfgang Lübbert** Executive VP Strategy and Sustainability	Worked several years as Managing Director of Arctic Paper Deutschland GmbH. Joined Arctic Paper right after graduation in 1989. Graduate in National Economics from the University of Hamburg **Holdings in Arctic Paper incl. related parties: -**
	**Kaj Hansson** Group HR Manager	Former Managing Director of Svenska Skidspelen AB. Joined the Arctic Paper organisation in 2004 CEB HR Leadership Council **Holdings in Arctic Paper incl. related parties: -**
	**Kent Blom** Managing Director at Arctic Paper Munkedal AB and Arctic Paper Grycksbo AB	9 years of experience from Atlas Copco in various roles including CEO of Atlas Copco GIA AB and Vice President of operations M.Sc. in Mechanical Engineering from the Institute of Technology at Linköping University, Executive Leadership Program from Stockholm School of Economics **Holdings in Arctic Paper incl. related parties: -**

Source: ABG Sundal Collier, Company data.

Board of directors

Board of directors details

	**Per Lundeen** Chairman of the Supervisory Board	20 years of experience in the A&R Packaging Group, whereof 12 years as CEO. Former CEO and current Chairman of the Board at Rottneros AB M.Sc. in Chemical Engineering and Paper Technology from Chalmers University **Holdings in Arctic Paper incl. related parties: -**
	**Roger Mattsson** Deputy Chairman of the Supervisory Board	Former Group Finance Controller at Arctic Paper. Currently chairman of the board for Nemus Holding AB and Munkedal Skog AB. M.Sc. in Business Administration and Economics from University of Gothenburg **Holdings in Arctic Paper incl. related parties: -**
	Thomas Onstad Member of the Supervisory Board	Founder of Nemus Holding AB, the majority owner of the Arctic Paper Group Graduate of London School of Foreign trade **Holdings in Arctic Paper incl. related parties: 47,205,107 shares**
	**Zofia Dzik** Member of the Supervisory Board	Several years of board member experience including positions at CCC S.A., PKP Cargo and Benefit Systems S.A. Former CEO and founder of Humanities Inst. MBA from Manchester Business School. Executive Leadership Programs at Stanford University and INSEAD Business School. **Holdings in Arctic Paper incl. related parties: -**
	**Anna Jakubowski** Member of the Supervisory Board	Experience as Sales Manager and Business Development Manager at Procter and Gamble. Former General Manager at the Coca-Cola Company and Avon Bachelor of Business and Administration from Wilfrid Laurier University, Waterloo, Ont. Canada **Holdings in Arctic Paper incl. related parties: -**

Source: ABG Sundal Collier, Company data.

Income Statement (PLNm)	2018	2019	2020	2021	2022	2023	2024	2025e	2026e	2027e
Sales	3,158	3,117	2,847	3,413	4,894	3,549	3,373	3,349	3,733	3,897
COGS	-2,610	-2,532	-2,306	-2,705	-3,484	-2,811	-2,743	-2,792	-3,098	-3,172
Gross profit	549	586	542	708	1,411	738	630	556	635	726
Other operating items	-330	-307	-270	-380	-437	-263	-339	-313	-325	-354
EBITDA	**219**	**278**	**271**	**328**	**974**	**475**	**291**	**244**	**310**	**372**
Depreciation and amortisation	-93	-87	-113	-83	-131	-118	-119	-126	-126	-121
of which leasing depreciation	0	0	0	0	0	0	0	0	0	0
EBITA	**126**	**191**	**158**	**245**	**843**	**357**	**172**	**118**	**184**	**251**
EO Items	0	0	0	0	0	0	30	0	0	0
Impairment and PPA amortisation	0	0	0	0	0	0	0	0	0	0
EBIT	**126**	**191**	**158**	**245**	**843**	**357**	**172**	**118**	**184**	**251**
Net financial items	-37	-33	-36	-21	85	-16	-15	-34	-25	-21
Pretax profit	**89**	**158**	**122**	**223**	**928**	**341**	**157**	**84**	**159**	**230**
Tax	-33	-33	-19	-47	-171	-69	-25	-17	-31	-44
Net profit	**56**	**125**	**104**	**176**	**757**	**272**	**132**	**66**	**129**	**186**
Minority interest	-48	-42	7	-49	-126	-25	-10	-35	-18	-25
Net profit discontinued	0	0	0	0	0	0	0	0	0	0
Net profit to shareholders	**8**	**83**	**111**	**127**	**631**	**247**	**122**	**31**	**111**	**160**
EPS	0.11	1.19	1.60	1.84	9.11	3.57	1.77	0.92	1.60	2.31
EPS adj.	0.11	1.19	1.60	1.84	9.11	3.57	1.77	0.92	1.60	2.31
Total extraordinary items after tax	0	0	0	0	0	0	30	0	0	0
Leasing payments	-24	-9	-11	-12	-7	-10	-9	-8	-8	-8
Tax rate (%)	*37.4*	*21.1*	*15.3*	*21.2*	*18.4*	*20.1*	*15.8*	*20.8*	*19.3*	*19.3*
Gross margin (%)	*17.4*	*18.8*	*19.0*	*20.7*	*28.8*	*20.8*	*18.7*	*16.6*	*17.0*	*18.6*
EBITDA margin (%)	*6.9*	*8.9*	*9.5*	*9.6*	*19.9*	*13.4*	*8.6*	*7.3*	*8.3*	*9.5*
EBITA margin (%)	*4.0*	*6.1*	*5.6*	*7.2*	*17.2*	*10.1*	*5.1*	*3.5*	*4.9*	*6.4*
EBIT margin (%)	*4.0*	*6.1*	*5.6*	*7.2*	*17.2*	*10.1*	*5.1*	*3.5*	*4.9*	*6.4*
Pre-tax margin (%)	*2.8*	*5.1*	*4.3*	*6.5*	*19.0*	*9.6*	*4.6*	*2.5*	*4.3*	*5.9*
Net margin (%)	*1.8*	*4.0*	*3.6*	*5.2*	*15.5*	*7.7*	*3.9*	*2.0*	*3.4*	*4.8*
Growth Rates y-o-y	-	-	-	-	-	-	-	-	-	-
Sales growth (%)	*7.0*	*-1.3*	*-8.7*	*19.8*	*43.4*	*-27.5*	*-5.0*	*-0.7*	*11.5*	*4.4*
EBITDA growth (%)	*-9.4*	*27.1*	*-2.4*	*20.8*	*197.2*	*-51.2*	*-38.8*	*-16.2*	*27.3*	*19.8*
EBITA growth (%)	*-3.3*	*51.9*	*-17.3*	*54.6*	*244.7*	*-57.7*	*-51.9*	*-31.3*	*56.0*	*36.2*
EBIT growth (%)	*-3.3*	*51.9*	*-17.3*	*54.6*	*nm*	*-57.7*	*-51.9*	*-31.3*	*56.0*	*36.2*
Net profit growth (%)	*-39.0*	*123.4*	*-16.9*	*69.8*	*330.2*	*-64.1*	*-51.5*	*-49.7*	*93.8*	*44.3*
EPS growth (%)	*-78.9*	*nm*	*34.3*	*14.5*	*nm*	*-60.8*	*-50.5*	*-47.7*	*73.0*	*44.9*
Profitability	-	-	-	-	-	-	-	-	-	-
ROE (%)	*1.4*	*14.0*	*16.4*	*15.3*	*50.5*	*16.3*	*8.5*	*2.1*	*7.0*	*9.4*
ROE adj. (%)	*1.4*	*14.0*	*16.4*	*15.3*	*50.5*	*16.3*	*6.4*	*2.1*	*7.0*	*9.4*
ROCE (%)	*9.9*	*14.6*	*11.7*	*16.8*	*49.4*	*17.7*	*8.9*	*5.9*	*8.3*	*10.6*
ROCE adj. (%)	*9.9*	*14.6*	*11.7*	*16.8*	*49.4*	*17.7*	*7.3*	*5.9*	*8.3*	*10.6*
ROIC (%)	*7.7*	*14.5*	*12.5*	*15.8*	*47.3*	*18.9*	*9.6*	*5.3*	*7.7*	*10.2*
ROIC adj. (%)	*7.7*	*14.5*	*12.5*	*15.8*	*47.3*	*18.9*	*7.9*	*5.3*	*7.7*	*10.2*
Adj. earnings numbers	-	-	-	-	-	-	-	-	-	-
EBITDA adj.	*219*	*278*	*271*	*328*	*974*	*475*	*261*	*244*	*310*	*372*
EBITDA adj. margin (%)	*6.9*	*8.9*	*9.5*	*9.6*	*19.9*	*13.4*	*7.7*	*7.3*	*8.3*	*9.5*
EBITDA lease adj.	195	269	261	316	967	465	252	235	302	364
EBITDA lease adj. margin (%)	*6.2*	*8.6*	*9.2*	*9.2*	*19.8*	*13.1*	*7.5*	*7.0*	*8.1*	*9.3*
EBITA adj.	126	191	158	245	843	357	142	118	184	251
EBITA adj. margin (%)	*4.0*	*6.1*	*5.6*	*7.2*	*17.2*	*10.1*	*4.2*	*3.5*	*4.9*	*6.4*
EBIT adj.	126	191	158	245	843	357	142	118	184	251
EBIT adj. margin (%)	*4.0*	*6.1*	*5.6*	*7.2*	*17.2*	*10.1*	*4.2*	*3.5*	*4.9*	*6.4*
Pretax profit Adj.	89	158	122	223	928	341	127	84	159	230
Net profit Adj.	56	125	104	176	757	272	102	66	129	186
Net profit to shareholders adj.	8	83	111	127	631	247	92	31	111	160
Net adj. margin (%)	*1.8*	*4.0*	*3.6*	*5.2*	*15.5*	*7.7*	*3.0*	*2.0*	*3.4*	*4.8*

Source: ABG Sundal Collier, Company Data

Cash Flow (PLNm)	2018	2019	2020	2021	2022	2023	2024	2025e	2026e	2027e
EBITDA	219	278	271	328	974	475	291	244	310	372
Net financial items	-37	-33	-36	-21	85	-16	-15	-34	-25	-21
Paid tax	-5	-10	-12	-31	-65	-87	-46	-69	-31	-44
Non-cash items	17	6	34	-30	-229	31	34	-45	-25	-21
Cash flow before change in WC	194	241	258	245	764	403	264	96	230	286
Change in working capital	-45	102	-46	-7	-157	68	-77	113	-0	0

Cash Flow (PLNm)	2018	2019	2020	2021	2022	2023	2024	2025e	2026e	2027e
Operating cash flow	**149**	**342**	**211**	**238**	**607**	**471**	**187**	**209**	**230**	**286**
Capex tangible fixed assets	-185	-122	-141	-160	-156	-147	-293	-269	-165	-165
Capex intangible fixed assets	0	0	0	0	0	0	0	0	0	0
Acquisitions and Disposals	0	0	0	0	0	0	0	0	0	0
Free cash flow	**-37**	**220**	**70**	**79**	**452**	**324**	**-106**	**-60**	**65**	**121**
Dividend paid	-14	0	0	-21	-28	-187	-69	0	0	-33
Share issues and buybacks	0	0	0	0	0	0	0	0	0	0
Leasing liability amortisation	-24	-9	-11	-12	-7	-10	-9	-8	-8	-8
Other non-cash items	-8	-134	-51	-4	83	-111	-18	-142	25	15
Balance Sheet (PLNm)	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025e**	**2026e**	**2027e**
Goodwill	9	9	10	9	9	8	8	8	8	8
Other intangible assets	68	54	68	71	69	62	47	55	55	55
Tangible fixed assets	906	984	1,088	1,158	1,127	1,168	1,322	1,588	1,627	1,670
Right-of-use asset	0	0	0	0	0	0	0	0	0	0
Total other fixed assets	55	34	28	63	167	54	29	21	21	21
Fixed assets	1,038	1,081	1,195	1,302	1,372	1,292	1,405	1,672	1,711	1,754
Inventories	479	354	365	403	601	445	514	547	594	603
Receivables	366	302	298	403	503	415	451	493	545	567
Other current assets	73	33	24	114	296	70	51	78	85	88
Cash and liquid assets	201	266	256	168	482	500	364	313	394	489
Total assets	**2,156**	**2,036**	**2,137**	**2,389**	**3,254**	**2,723**	**2,786**	**3,102**	**3,329**	**3,502**
Shareholders equity	577	607	750	912	1,588	1,443	1,443	1,538	1,640	1,759
Minority	285	264	283	331	465	358	327	337	355	374
Total equity	**861**	**871**	**1,033**	**1,243**	**2,052**	**1,802**	**1,769**	**1,875**	**1,995**	**2,134**
Long-term debt	250	263	241	190	162	104	124	98	98	98
Pension debt	0	0	0	0	0	0	0	0	0	0
Convertible debt	0	0	0	0	0	0	0	0	0	0
Leasing liability	0	0	0	0	0	0	0	0	0	0
Total other long-term liabilities	192	214	223	234	233	176	142	144	144	144
Short-term debt	232	162	148	97	43	49	103	278	278	278
Accounts payable	517	435	379	507	551	448	529	590	684	713
Other current liabilities	105	91	111	119	212	145	118	119	131	136
Total liabilities and equity	**2,156**	**2,036**	**2,137**	**2,389**	**3,254**	**2,723**	**2,786**	**3,102**	**3,329**	**3,502**
Net IB debt	227	127	108	56	-443	-402	-165	43	-39	-134
Net IB debt excl. pension debt	227	127	108	56	-443	-402	-165	43	-39	-134
Net IB debt excl. leasing	227	127	108	56	-443	-402	-165	43	-39	-134
Capital employed	1,343	1,295	1,423	1,530	2,258	1,954	1,996	2,250	2,371	2,509
Capital invested	1,088	997	1,141	1,299	1,609	1,400	1,604	1,917	1,956	2,000
Working capital	296	162	196	294	637	337	369	409	409	409
EV breakdown	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Market cap. diluted (m)	925	925	925	925	925	925	925	925	925	925
Net IB debt adj.	281	159	134	119	-276	-348	-137	63	-19	-114
Market value of minority	285	264	283	331	465	358	327	337	355	374
Reversal of shares and participations	0	0	0	0	0	0	0	0	0	0
Reversal of conv. debt assumed equity	-	-	-	-	-	-	-	-	-	-
EV	**1,490**	**1,347**	**1,342**	**1,375**	**1,113**	**935**	**1,114**	**1,324**	**1,261**	**1,186**
Total assets turnover (%)	156.2	148.7	136.5	150.8	173.4	118.7	122.5	113.8	116.1	114.1
Working capital/sales (%)	8.0	7.3	6.3	7.2	9.5	13.7	10.5	11.6	11.0	10.5
Financial risk and debt service	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net debt/equity (%)	26.4	14.6	10.5	4.5	-21.6	-22.3	-9.3	2.3	-2.0	-6.3
Net debt / market cap (%)	24.5	13.7	11.7	6.1	-47.9	-43.4	-17.9	4.6	-4.2	-14.5
Equity ratio (%)	39.9	42.8	48.3	52.0	63.1	66.2	63.5	60.4	59.9	60.9
Net IB debt adj. / equity (%)	32.6	18.3	13.0	9.6	-13.5	-19.3	-7.7	3.4	-0.9	-5.3
Current ratio	1.31	1.39	1.47	1.51	2.33	2.23	1.84	1.45	1.48	1.55
EBITDA/net interest	5.9	8.3	7.6	15.3	11.5	29.4	19.5	7.1	12.6	18.1
Net IB debt/EBITDA (x)	1.0	0.5	0.4	0.2	-0.5	-0.8	-0.6	0.2	-0.1	-0.4
Net IB debt/EBITDA lease adj. (x)	1.4	0.6	0.5	0.4	-0.3	-0.7	-0.5	0.3	-0.1	-0.3
Interest coverage	3.3	5.6	4.3	10.0	114.5	11.9	9.7	3.0	6.0	9.2

Source: ABG Sundal Collier, Company Data

Share Data (PLNm)	2018	2019	2020	2021	2022	2023	2024	2025e	2026e	2027e
Actual shares outstanding	69	69	69	69	69	69	69	69	69	69
Actual shares outstanding (avg)	69	69	69	69	69	69	69	69	69	69

Share Data (PLNm)	2018	2019	2020	2021	2022	2023	2024	2025e	2026e	2027e
All additional shares	0	0	0	0	0	0	0	0	0	0
Issue month	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assumed dil. of shares from conv.	0	0	0	0	0	0	0	0	0	0
As. dil. of shares from conv. (avg)	0	0	0	0	0	0	0	0	0	0
Conv. debt not assumed as equity	0	0	0	0	0	0	0	0	0	0
No. of warrants	0	0	0	0	0	0	0	0	0	0
Market value per warrant	0	0	0	0	0	0	0	0	0	0
Dilution from warrants	0	0	0	0	0	0	0	0	0	0
Issue factor	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Actual dividend per share	0.20	0.00	0.30	0.40	2.70	1.07	0.53	0.00	0.48	0.69
Reported earnings per share	0.11	1.19	1.60	1.84	9.11	3.57	1.77	0.92	1.60	2.31

Source: ABG Sundal Collier, Company Data

Valuation and Ratios (PLNm)	2018	2019	2020	2021	2022	2023	2024	2025e	2026e	2027e
Shares outstanding adj.	69	69	69	69	69	69	69	69	69	69
Diluted shares adj.	69	69	69	69	69	69	69	69	69	69
EPS	0.11	1.19	1.60	1.84	9.11	3.57	1.77	0.92	1.60	2.31
Dividend per share	0.20	0.00	0.30	0.40	2.70	1.07	0.53	0.00	0.48	0.69
EPS adj.	0.11	1.19	1.60	1.84	9.11	3.57	1.77	0.92	1.60	2.31
BVPS	8.32	8.76	10.82	13.16	22.91	20.83	20.82	22.20	23.68	25.39
BVPS adj.	7.22	7.85	9.70	12.00	21.79	19.82	20.03	21.29	22.76	24.48
Net IB debt/share	4.05	2.29	1.93	1.72	-3.99	-5.02	-1.98	0.91	-0.27	-1.64
Share price	34.35	34.35	34.35	34.35	34.35	34.35	34.35	34.35	34.35	34.35
Market cap. (m)	925	925	925	925	925	925	925	925	925	925
Valuation	-	-	-	-	-	-	-	-	-	-
P/E (x)	nm	11.2	8.3	7.3	1.5	3.7	7.6	14.5	8.4	5.8
EV/sales (x)	0.47	0.43	0.47	0.40	0.23	0.26	0.33	0.40	0.34	0.30
EV/EBITDA (x)	6.8	4.8	4.9	4.2	1.1	2.0	3.8	5.4	4.1	3.2
EV/EBITA (x)	11.8	7.0	8.5	5.6	1.3	2.6	6.5	11.2	6.9	4.7
EV/EBIT (x)	11.8	7.0	8.5	5.6	1.3	2.6	6.5	11.2	6.9	4.7
Dividend yield (%)	1.5	0.0	2.2	3.0	20.2	8.0	4.0	0.0	3.6	5.2
FCF yield (%)	-4.0	23.8	7.6	8.5	48.8	35.1	-11.4	-6.4	7.1	13.1
Le. adj. FCF yld. (%)	-6.5	22.9	6.5	7.2	48.1	34.0	-12.4	-7.3	6.2	12.2
P/BVPS (x)	1.60	1.52	1.23	1.01	0.58	0.64	0.64	0.60	0.56	0.53
P/BVPS adj. (x)	1.63	1.55	1.25	1.02	0.59	0.64	0.64	0.60	0.57	0.53
P/E adj. (x)	nm	11.2	8.3	7.3	1.5	3.7	7.6	14.5	8.4	5.8
EV/EBITDA adj. (x)	6.8	4.8	4.9	4.2	1.1	2.0	4.3	5.4	4.1	3.2
EV/EBITA adj. (x)	11.8	7.0	8.5	5.6	1.3	2.6	7.9	11.2	6.9	4.7
EV/EBIT adj. (x)	11.8	7.0	8.5	5.6	1.3	2.6	7.9	11.2	6.9	4.7
EV/CE (x)	1.1	1.0	0.9	0.9	0.5	0.5	0.6	0.6	0.5	0.5
Investment ratios	-	-	-	-	-	-	-	-	-	-
Capex/sales (%)	5.9	3.9	5.0	4.7	3.2	4.1	8.7	8.0	4.4	4.2
Capex/depreciation	2.0	1.4	1.2	1.9	1.2	1.2	2.5	2.1	1.3	1.4
Capex tangibles / tangible fixed assets	20.4	12.4	13.0	13.8	13.8	12.6	22.2	16.9	10.1	9.9
Capex intangibles / definite intangibles	--	--	--	--	--	--	--	--	--	--
Depreciation on intang / def. intang	--	--	--	--	--	--	--	--	--	--
Depreciation on tangibles / tangibles	10.24	8.80	10.40	7.18	11.63	10.12	9.04	7.95	7.77	7.26

Source: ABG Sundal Collier, Company Data

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