ABG SUNDAL COLLIER

# Arctic Paper

Fast comment

Commissioned research

Not rated

Pulp & Paper

## More paper cuts: Rottneros profit warning

- Rottneros Q4 EBITDA of SEK -180m vs. our SEK -80m
- Challenging markets for Rottneros and Arctic Paper
- Far-sighted is better than myopic

### Rottneros PW: "Significantly weaker" Q4

Late yesterday evening, Rottneros published a profit warning. The company now estimates Q4 EBITDA of SEK -180m, which compares to our estimate of SEK -80m and SEK 10m in Q4'24. Rottneros comments on a continued weak market and lower realised prices. Lower pulpwood costs has materialised in the P&L, however not enough to counteract the lower pulp prices in SEK. The earlier implemented savings program is reportedly going according to plan, and had full impact during Q4 (annual savings of SEK 45m). Note that Q4 also was affected by maintenance at Vallvik (guided SEK 70-80m impact on income).

### Challenging markets for Rottneros and Arctic Paper

The pulp market has suffered from increased uncertainty and geopolitical tensions the last year, but there's been a gradual improvement in data points for the sector recently (wood, pulp). Macro growth is weaker though. Wood costs will drop into '26 on the back of higher stocks. Nordic pulpwood prices are down 20-25% since the peak in mid-'25. Suzano has hiked hardwood prices five times, or +20%. Our in-house pulp price models point up for '26 due to a better utilisation rate (89%) and a weaker USD. Chinese integrated pulp capacity could cap the upside though when prices rise above the cash cost levels in China. The paper market is more problematic due to weak utilisation rates vs historical averages. Paper is at 75-80% vs 89% (there are 4% supply cuts in '26, but we need 3 mill t cuts to get back to the historical level).

### Far-sighted is better than myopic

The market will remain challenging for some time, but far-sighted is better than myopic. The P&P market has its short term issues, but pulp prices are already below the marginal producers' cash cost (typically not long-lasting) and paper capacity cuts could follow post UPM x Sappi JV completion. The group will also likely see tailwinds once lower wood prices takes hold.

**ARP-SE/ARP SS**

| | | |
|---|---|---|
| **Share price (SEK)** | 19/1/2026 | 22.60 |
| MCap (SEKm) | | 1,625 |
| MCap (EURm) | | 152 |
| No. of shares (m) | | 69.3 |
| Free float (%) | | 31.7 |
| Av. daily volume (k) | | 14 |

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| PLNm | 2023 | 2024 | 2025e | 2026e | 2027e |
|---|---|---|---|---|---|
| Sales | 3,549 | 3,434 | 3,187 | 3,342 | 3,496 |
| *Sales growth (%)* | *-27.5* | *-3.2* | *-7.2* | *4.9* | *4.6* |
| EBITDA | 475 | 299 | 99 | 191 | 250 |
| *EBITDA margin (%)* | *13.4* | *8.7* | *3.1* | *5.7* | *7.1* |
| EBIT adj. | 357 | 185 | -77 | 49 | 112 |
| *EBIT adj. margin (%)* | *10.1* | *5.4* | *-2.4* | *1.5* | *3.2* |
| Pretax profit | 341 | 193 | -129 | 14 | 86 |
| EPS | 3.57 | 2.23 | -0.58 | 0.25 | 0.86 |
| *EPS growth (%)* | *-60.8* | *-37.5* | *nm* | *nm* | *nm* |
| EPS adj. | 3.57 | 2.23 | -0.58 | 0.25 | 0.86 |
| DPS | 1.07 | 0.00 | 0.00 | 0.07 | 0.26 |
| EV/EBITDA (x) | 1.3 | 3.1 | 11.9 | 6.5 | 5.0 |
| EV/EBIT adj. (x) | 1.8 | 5.0 | -15.3 | 25.4 | 11.1 |
| P/E (x) | 2.5 | 4.0 | nm | 36.1 | 10.4 |
| P/E adj. (x) | 2.5 | 4.0 | nm | 36.1 | 10.4 |
| EV/sales (x) | 0.18 | 0.27 | 0.37 | 0.37 | 0.36 |
| FCF yield (%) | 52.6 | -37.0 | -42.4 | -13.3 | -2.7 |
| Le. adj. FCF yld. (%) | 51.0 | -38.4 | -43.3 | -14.0 | -3.5 |
| Dividend yield (%) | 12.0 | 0.0 | 0.0 | 0.8 | 2.9 |
| Net IB debt/EBITDA (x) | -0.8 | -0.1 | 1.9 | 1.2 | 0.9 |
| Le. adj. ND/EBITDA (x) | -0.7 | -0.0 | 1.9 | 1.4 | 1.0 |

*Source: ABG Sundal Collier, Company Data*

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