# Metsa Board Corp.

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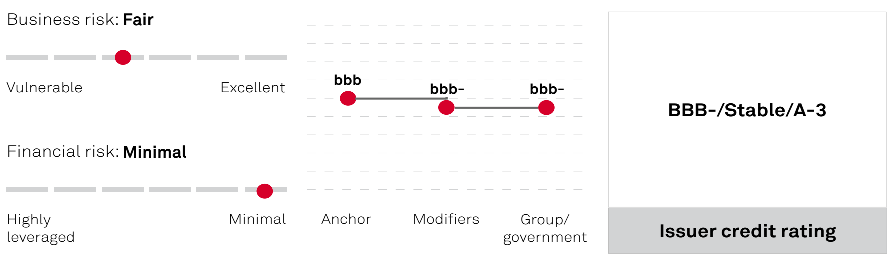
## Ratings Score Snapshot




## Credit Highlights

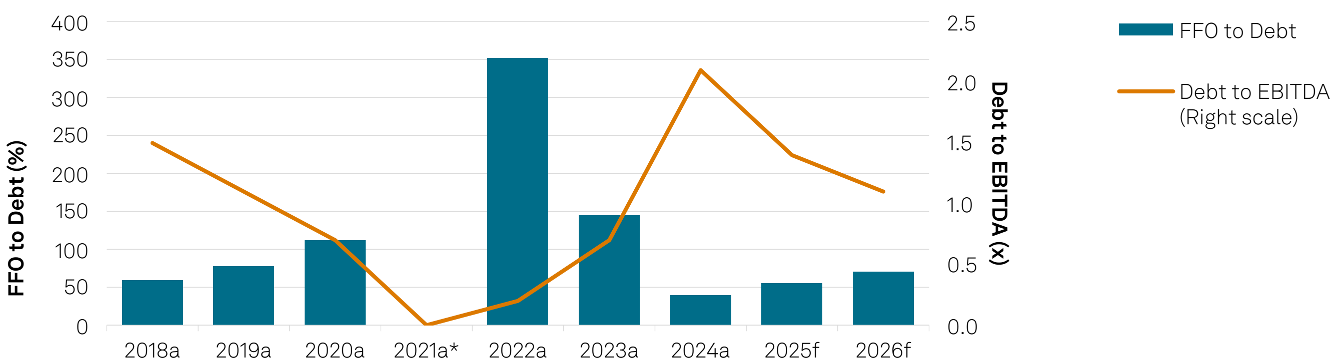
### Overview

| Key strengths | Key risks |
|---|---|
| Leading market positions in folding boxboard and white kraftliner segments. | Cyclical and capital-intensive industry. |
| Vertical integration (into pulp and energy) limits exposure to input cost volatility. | Limited product and geographic (sales and asset base) diversification. |
| Premium positioning of products. | Financial policy allows for additional leverage. |
| | Rating capped by our assessment of parent Metsa Group's credit quality. |

**Metsa Board's 2024 credit metrics are weak for its current rating.** A sharp deterioration in S&P Global Ratings-adjusted EBITDA to €163 million in 2024 from €214 million in 2023 reflected lower dividends from Metsa Fibre (€10 million in 2024 versus €83 million in 2023), lower folding boxboard (FBB) prices, and an increase in wood prices. Metsa Board's adjusted EBITDA was also depressed by a series of one-off events. These included strikes at Finland's ports (which delayed deliveries), as well as an explosion at Metsa Fibre's Kemi mill, which interrupted production. This was only partly offset by higher paperboard volumes and pulp prices. S&P Global Ratings-adjusted debt more than doubled to €350 million as the group raised debt to address a free operating cash flow (FOCF) deficit of €126 million and fund dividends of €89 million. The increase in debt resulted in adjusted debt to EBITDA surging to 2.1x (from 0.7x in 2023) and funds from operations (FFO) to debt reducing to 37% (from 145% in 2023).

### Adjusted leverage and FFO-to-debt trajectory

*Adjusted debt was <0 in 2021




Source: S&P Global Ratings.

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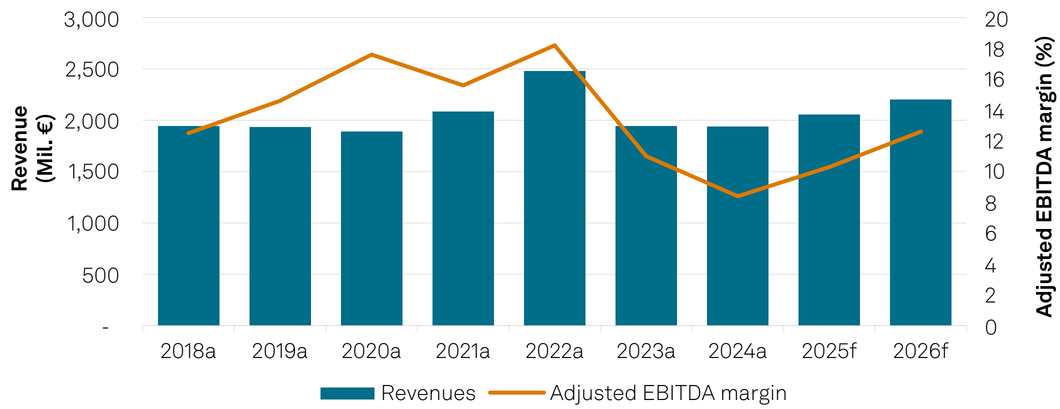
At negative €126 million, FOCF was also weaker than in 2023 (€214 million). In 2024, Metsa Board's adjusted EBITDA did not cover capital expenditure (capex) of €164 million, a €96 million working capital-related cash outflow, and about €17 million each of cash interests and taxes. These credit metrics led to a reduction in headroom under the rating.

**The rating is underpinned by our expectation of a strong recovery in credit ratios in 2025 and 2026.** We estimate S&P Global Ratings-adjusted EBITDA will improve to €212 million in 2025 (from €163 million in 2024). This improvement would imply the nonrecurrence of prolonged strikes in Finland or operational issues at the Kemi mill. We believe this will result in higher production volumes and improve fixed-cost absorption. We do not assume any dividends from Metsa Fibre in 2025 due to its weak operational performance a year earlier.

We expect adjusted EBITDA to expand to €270 million–€280 million in 2026 as demand improves with better economic conditions and the company continues to ramp up FBB production at its Husum mill (capacity was expanded in 2023). We assume dividend payouts of €7 million-€9 million from Metsa Fibre in 2026.

### Topline and adjusted EBITDA margin through the years




a-actual; f-forecast

Source: S&P Global Ratings.
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**We forecast positive, albeit modest, FOCF in 2025-2026.** We estimate FOCF at about €50 million in 2025 (versus negative €126 million in 2024) and €65 million in 2026. This is underpinned by EBITDA expansion, lower growth capex, and moderate working capital outflow of €20 million (versus €96 million in 2024). We now anticipate capex to remain around €150 million in 2025 and rise to about €200 million in 2026 (from €164 million in 2024).

# Outlook

The stable outlook reflects our view that Metsa Board's leading market positions in Europe will help contain weighted-average adjusted debt to EBITDA at less than 2x over the next 24 months.

## Downside scenario

We could lower our rating on Metsa Board if we no longer anticipate that it can sustainably maintain S&P Global Ratings-adjusted debt to EBITDA at less than 2.0x on a weighted-average basis. This could happen if Metsa Board's operational performance weakened, for example, due to a significant fall in paperboard prices, a material increase in wood prices, or operational challenges. We could also downgrade Metsa Board if we revised downward our group credit profile assessment on Metsa Group to 'bb+' or lower.

## Upside scenario

We view an upgrade as unlikely, as it would require Metsa Board to publicly commit to a more conservative financial policy, including capping S&P Global Ratings-adjusted debt to EBITDA at 1.5x. An upgrade would also require adjusted FFO to debt to sustainably exceed 60%.

We would not raise our rating on Metsa Board unless we revised upward our group credit profile assessment on Metsa Group to 'bbb' or higher. This would imply a low risk of leverage increasing, for example, through major debt-funded investments. It would also imply that our assessment of the business risk profile remains unchanged.

# Our Base-Case Scenario

## Assumptions

- Real GDP growth rates of 1.2% in 2025 and 1.3% in 2026 in Europe; 2.6% in 2025 and 1.9% in 2026 in North America; and 4.5% in 2025 and 4.3% in 2026 in Asia-Pacific.
- Revenue growth of 6% in 2025, underpinned mainly by recovering paperboard volumes (which account for roughly 80% of Metsa Board's revenue). Higher volumes will be bolstered by operating conditions returning to normal, as we do not anticipate further strikes or unexpected shutdowns. The increased kraftliner capacity at the Kemi mill will also support volume growth. We only anticipate a minor increase in paperboard prices. The pulp division (around 15% of sales) will expand by 13%, as Metsa Board's volumes improve and prices increase slightly. In 2026, we forecast further revenue growth of 7% thanks to the full ramp-up at the Husum mill. We assume a marginal increase in pulp volumes, and pulp and paperboard prices in 2026.
- S&P Global Ratings-adjusted EBITDA margin to increase to 10.0%-10.5% in 2025 (from 8.4% in 2024) despite no dividends expected from Metsa Fibre (versus €10 million received in 2024). The improvement assumes that higher sales volumes will strengthen fixed cost absorption. In 2026, we forecast further volume growth and therefore see the adjusted EBITDA margin improving to 12.5%-13.0%, underpinned also by minor dividends from Metsa Fibre.
- Capex of €150 million in 2025, including €60 million for maintenance activities and €90 million for the upgrade of paperboard machines in Simpele, as well as IT and other projects. We forecast capex of €200 million in 2026, including investments related to the modernization of Simpele's FBB mill and the potential replacement of Husum's pulp drying machines.
- Annual working capital outflows of €20 million in 2025 and 2026 in line with sales growth.
- No dividends from Metsa Fibre in 2025, followed by €8 million–€10 million in dividends in 2026.
- Dividends of about €25 million in 2025 and roughly €100 million in 2026.
- No acquisitions.

## Key metrics

**Metsa Board Corp.--Forecast summary**

| Period ending | Dec-31-2021 | Dec-31-2022 | Dec-31-2023 | Dec-31-2024 | Dec-31-2025 | Dec-31-2026 |
|---|---|---|---|---|---|---|
| (Mil. EUR) | 2021a | 2022a | 2023a | 2024a | 2025f | 2026f |
| Revenue | 2,084 | 2,480 | 1,942 | 1,939 | 2,057 | 2,202 |
| EBITDA (reported) | 466 | 615 | 215 | 176 | 257 | 330 |
| Plus: Operating lease adjustment (OLA) rent | -- | -- | -- | -- | -- | -- |
| Plus/(less): Other | (142) | (163) | (0) | (13) | (46) | (46) |
| EBITDA | 324 | 452 | 214 | 163 | 212 | 284 |
| Less: Cash interest paid | (15) | (12) | (13) | (17) | (16) | (16) |
| Less: Cash taxes paid | (31) | (67) | 24 | (17) | (24) | (38) |
| Plus/(less): Other | -- | -- | -- | -- | -- | -- |
| Funds from operations (FFO) | 278 | 373 | 225 | 129 | 172 | 230 |
| EBIT | 347 | 476 | 72 | 39 | 113 | 193 |
| Interest expense | 11 | 12 | 14 | 17 | 16 | 17 |
| Cash flow from operations (CFO) | 326 | 224 | 341 | 38 | 198 | 264 |
| Capital expenditure (capex) | 210 | 266 | 216 | 164 | 146 | 196 |

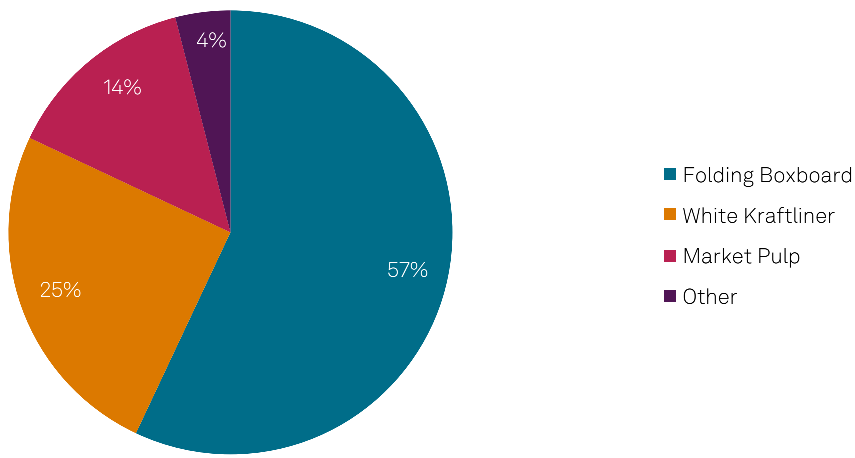
| Metsa Board Corp.--Forecast summary | | | | | | |
|---|---|---|---|---|---|---|
| Free operating cash flow (FOCF) | 116 | (42) | 124 | (126) | 52 | 68 |
| Dividends | 92 | 157 | 230 | 89 | 25 | 90 |
| Share repurchases (reported) | -- | 8 | -- | -- | -- | -- |
| Discretionary cash flow (DCF) | 24 | (207) | (105) | (215) | 27 | (22) |
| Debt (reported) | 431 | 437 | 425 | 510 | 494 | 494 |
| Plus: Lease liabilities debt | 16 | 20 | 17 | 20 | 21 | 21 |
| Plus: Pension and other postretirement debt | 1 | 3 | 3 | 1 | 3 | 3 |
| Less: Accessible cash and liquid Investments | (524) | (356) | (292) | (183) | (218) | (223) |
| Plus/(less): Other | 2 | 2 | 2 | 1 | 2 | 2 |
| Debt | -- | 106 | 156 | 350 | 302 | 297 |
| Equity | 1,846 | 2,255 | 2,053 | 1,908 | 2,086 | 2,169 |
| Cash and short-term investments (reported) | 524 | 356 | 292 | 183 | 218 | 223 |
| **Adjusted ratios** | | | | | | |
| Debt/EBITDA (x) | -- | 0.2 | 0.7 | 2.1 | 1.4 | 1.0 |
| FFO/debt (%) | NM | 352.2 | 144.6 | 36.9 | 56.9 | 77.4 |
| FFO cash interest coverage (x) | 19.3 | 32.0 | 18.0 | 8.8 | 11.8 | 15.1 |
| EBITDA interest coverage (x) | 29.7 | 36.9 | 15.0 | 9.6 | 13.1 | 17.2 |
| CFO/debt (%) | NM | 210.9 | 218.8 | 10.8 | 65.4 | 89.0 |
| FOCF/debt (%) | NM | (39.9) | 79.8 | (36.1) | 17.1 | 22.9 |
| DCF/debt (%) | NM | (195.5) | (67.7) | (61.4) | 8.8 | (7.4) |
| Annual revenue growth (%) | 10.3 | 19.0 | (21.7) | (0.2) | 6.1 | 7.0 |
| EBITDA margin (%) | 15.6 | 18.2 | 11.0 | 8.4 | 10.3 | 12.9 |
| Return on capital (%) | 20.0 | 22.6 | 3.1 | 1.7 | 4.8 | 7.9 |

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. EUR--euro.

# Company Description

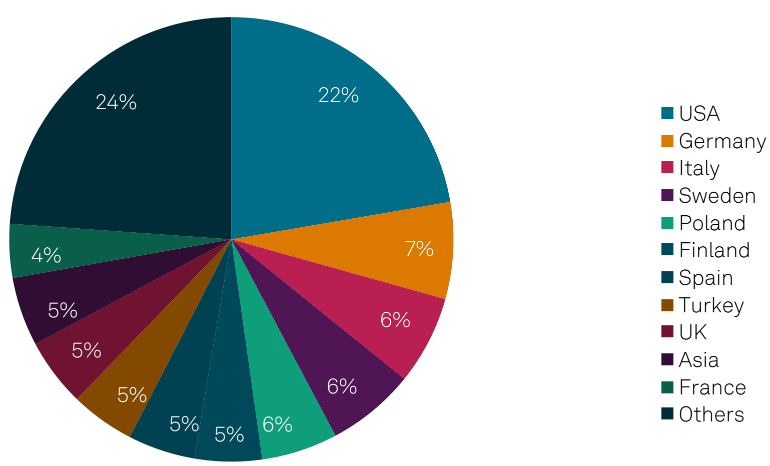
Finland-based paperboard and pulp producer Metsa Board generated €1.9 billion in sales in 2024, mostly from Europe and the U.S. The company produces folding boxboards (57% of sales), white kraftliners (25%), and market pulp (14%). Electricity sales and by-product sales from pulp production account for the remaining 4% of its revenue. Its paperboards are used in packaging applications in the consumer goods, retail, and food service industries. Metsa Board has the capacity to produce 2.3 million tons of paperboard and 1.7 million tons of pulp and bleached chemi-thermo mechanical pulp a year. The company has eight mills (in Finland and Sweden) and about 2,300 employees. It is listed on Nasdaq Helsinki.

**Metsa Board's revenue by segment in 2024**




Source: Metsa Board Oyj 2024 annual report

**Metsa Board's revenue breakdown by region in 2024**




Source: Metsa Board Oyj 2024 annual report

# Peer Comparison

**Metsa Board Corp.--Peer Comparisons**

| | Metsa Board Corp. | Holmen AB | Svenska Cellulosa AB SCA | UPM-Kymmene Corp. |
|---|---|---|---|---|
| Foreign currency issuer credit rating | BBB-/Stable/A-3 | BBB+/Stable/A-2 | BBB/Stable/A-2 | BBB+/Stable/A-2 |
| Local currency issuer credit rating | BBB-/Stable/A-3 | BBB+/Stable/A-2 | BBB/Stable/A-2 | BBB+/Stable/A-2 |
| Period | Annual | Annual | Annual | Annual |

**Metsa Board Corp.--Peer Comparisons**

| Period ending | 2024-12-31 | 2023-12-31 | 2024-12-31 | 2024-12-31 |
|---|---|---|---|---|
| Mil. | EUR | EUR | EUR | EUR |
| Revenue | 1,939 | 2,229 | 1,766 | 10,339 |
| EBITDA | 163 | 498 | 465 | 1,646 |
| Funds from operations (FFO) | 129 | 476 | 387 | 1,369 |
| Interest | 17 | 7 | 50 | 156 |
| Cash interest paid | 17 | 7 | 52 | 133 |
| Operating cash flow (OCF) | 38 | 522 | 302 | 1,352 |
| Capital expenditure | 164 | 153 | 188 | 596 |
| Free operating cash flow (FOCF) | (126) | 369 | 114 | 756 |
| Discretionary cash flow (DCF) | (215) | 35 | (54) | (64) |
| Cash and short-term investments | 183 | 108 | 116 | 892 |
| Gross available cash | 183 | 108 | 116 | 892 |
| Debt | 350 | 186 | 1,164 | 3,340 |
| Equity | 1,908 | 5,121 | 9,079 | 11,540 |
| EBITDA margin (%) | 8.4 | 22.3 | 26.3 | 15.9 |
| Return on capital (%) | 1.7 | 7.1 | 2.7 | 7.4 |
| EBITDA interest coverage (x) | 9.6 | 67.5 | 9.3 | 10.6 |
| FFO cash interest coverage (x) | 8.8 | 64.7 | 8.5 | 11.3 |
| Debt/EBITDA (x) | 2.1 | 0.4 | 2.5 | 2.0 |
| FFO/debt (%) | 36.9 | 255.6 | 33.3 | 41.0 |
| OCF/debt (%) | 10.8 | 280.4 | 26.0 | 40.5 |
| FOCF/debt (%) | (36.1) | 198.2 | 9.8 | 22.6 |
| DCF/debt (%) | (61.4) | 18.8 | (4.7) | (1.9) |

# Business Risk

Our business risk assessment of Metsa Board is underpinned by its leading positions in premium fresh fiber boards and vertical integration into pulp and energy. Metsa Board is the leading producer of white kraftliners and folding boxboards in Europe where it has market shares of more than 30%. Metsa Board is vertically integrated into pulp via its 24.9% stake in Metsa Fibre and its own pulp production operations. In 2024, the group sold about 400,000 tons of pulp, which accounted for 14% of its sales.

Our assessment is undermined by Metsa Board’s small size, narrow product range, and limited geographical scope relative to rated peers such as Mondi Group and UPM. The group’s production assets are mainly located in Finland and two-thirds of its sales come from Europe, the Middle East, and Africa. Our analysis also reflects the cyclical nature of the pulp business. Our calculation of the S&P Global Ratings-adjusted EBITDA margin excludes Metsa Board’s share of Metsa Fibre’s income and includes the dividends received from Metsa Fibre. Metsa Fibre’s income and dividend distribution varies with pulp prices.

# Financial Risk

Our financial risk assessment of Metsa Board remains unchanged despite its weak performance in 2024. S&P Global Ratings-adjusted EBITDA dropped by around 25% in 2024 (to €163 million) due to lower dividends from Metsa Fibre (€10 million in 2024, €83 million in 2023), the negative impact of strikes in Finland, and an explosion at the mill in Kemi. It also reflected lower folding boxboard prices and increased wood prices.

This resulted in a sharp increase in adjusted debt to EBITDA to 2.1x in 2024 (from 0.7x in 2023)--a level above our expectations for its rating. That said, our assessment remains underpinned by our expectations of EBITDA recovery in 2025 (despite no dividends from Metsa Fibre), which will reduce debt to EBITDA to about 1.4x.

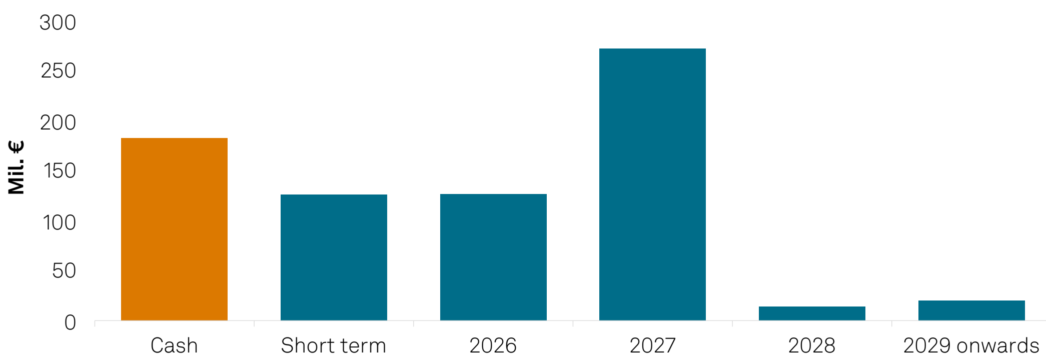
S&P Global Ratings-adjusted debt as of Dec. 31, 2024 (€350 million; net of the company's cash balance) included about €17 million of lease liabilities and minimal adjustments for pension liabilities.

When calculating adjusted credit ratios, we removed the share of results of Metsa Fibre (negative €8.8 million in 2024) from reported EBITDA and added the dividends received from that entity (€9.8 million in 2024). We also removed €33 million of gains on asset disposals from EBITDA.

Although Metsa Board's tolerance for public financial leverage allows for an increase in reported debt to EBITDA to 2.5x (S&P Global Ratings-adjusted debt to EBITDA of 2.5x-3.0x), we do not anticipate that the company will use all of this headroom. That said, we apply a one-notch negative financial policy modifier to account for the risk that Metsa Board could releverage above its minimal financial risk profile.

**Metsa Board's debt maturities**

As of Dec. 31, 2024




Source: Metsa Board Oyj 2024 annual report

**Metsa Board Corp.--Financial Summary**

| Period ending | Dec-31-2019 | Dec-31-2020 | Dec-31-2021 | Dec-31-2022 | Dec-31-2023 | Dec-31-2024 |
|---|---|---|---|---|---|---|
| Reporting period | 2019a | 2020a | 2021a | 2022a | 2023a | 2024a |
| Display currency (mil.) | EUR | EUR | EUR | EUR | EUR | EUR |
| Revenues | 1,932 | 1,890 | 2,084 | 2,480 | 1,942 | 1,939 |

**Metsa Board Corp.--Financial Summary**

| | | | | | | |
|---|---|---|---|---|---|---|
| EBITDA | 282 | 332 | 324 | 452 | 214 | 163 |
| Funds from operations (FFO) | 247 | 275 | 278 | 373 | 225 | 129 |
| Interest expense | 15 | 11 | 11 | 12 | 14 | 17 |
| Cash interest paid | 16 | 12 | 15 | 12 | 13 | 17 |
| Operating cash flow (OCF) | 201 | 308 | 326 | 224 | 341 | 38 |
| Capital expenditure | 94 | 154 | 210 | 266 | 216 | 164 |
| Free operating cash flow (FOCF) | 106 | 154 | 116 | (42) | 124 | (126) |
| Discretionary cash flow (DCF) | 3 | 68 | 24 | (207) | (105) | (215) |
| Cash and short-term investments | 134 | 214 | 524 | 356 | 292 | 183 |
| Gross available cash | 134 | 214 | 524 | 356 | 292 | 183 |
| Debt | 319 | 246 | 0 | 106 | 156 | 350 |
| Common equity | 1,338 | 1,384 | 1,846 | 2,255 | 2,053 | 1,908 |
| **Adjusted ratios** | | | | | | |
| EBITDA margin (%) | 14.6 | 17.6 | 15.6 | 18.2 | 11.0 | 8.4 |
| Return on capital (%) | 10.1 | 13.0 | 20.0 | 22.6 | 3.1 | 1.7 |
| EBITDA interest coverage (x) | 18.5 | 29.4 | 29.7 | 36.9 | 15.0 | 9.6 |
| FFO cash interest coverage (x) | 16.2 | 24.7 | 19.3 | 32.0 | 18.0 | 8.8 |
| Debt/EBITDA (x) | 1.1 | 0.7 | 0.0 | 0.2 | 0.7 | 2.1 |
| FFO/debt (%) | 77.7 | 112.1 | NM | 352.2 | 144.6 | 36.9 |
| OCF/debt (%) | 62.9 | 125.2 | NM | 210.9 | 218.8 | 10.8 |
| FOCF/debt (%) | 33.3 | 62.5 | NM | (39.9) | 79.8 | (36.1) |
| DCF/debt (%) | 1.0 | 27.8 | NM | (195.5) | (67.7) | (61.4) |

**Reconciliation Of Metsa Board Corp. Reported Amounts With S&P Global Adjusted Amounts (Mil. EUR)**

| | Debt | Shareholder Equity | Revenue | EBITDA | Operating income | Interest expense | S&PGR adjusted EBITDA | Operating cash flow | Dividends | Capital expenditure |
|---|---|---|---|---|---|---|---|---|---|---|
| Financial year | Dec-31-2024 | | | | | | | | | |
| Company reported amounts | 510 | 1,743 | 1,939 | 176 | 62 | 17 | 163 | 38 | 89 | 164 |
| Cash taxes paid | - | - | - | - | - | - | (17) | - | - | - |
| Cash interest paid | - | - | - | - | - | - | (17) | - | - | - |
| Lease liabilities | 17 | - | - | - | - | - | - | - | - | - |
| Incremental lease liabilities | 3 | - | - | - | 0 | 0 | (0) | (0) | - | - |
| Postretirement benefit obligations/ deferred compensation | 1 | - | - | 0 | 0 | - | - | - | - | - |
| Accessible cash and liquid investments | (183) | - | - | - | - | - | - | - | - | - |

**Reconciliation Of Metsa Board Corp. Reported Amounts With S&P Global Adjusted Amounts (Mil. EUR)**

| | Debt | Shareholder Equity | Revenue | EBITDA | Operating income | Interest expense | S&PGR adjusted EBITDA | Operating cash flow | Dividends | Capital expenditure |
|---|---|---|---|---|---|---|---|---|---|---|
| Share-based compensation expense | - | - | - | 1 | - | - | - | - | - | - |
| Dividends from equity investments | - | - | - | 10 | - | - | - | - | - | - |
| Asset-retirement obligations | 1 | - | - | - | - | - | - | - | - | - |
| Income (expense) of unconsolid. cos. | - | - | - | 9 | - | - | - | - | - | - |
| Nonoperating income (expense) | - | - | - | - | 9 | - | - | - | - | - |
| Noncontrolling/ minority interest | - | 165 | - | - | - | - | - | - | - | - |
| EBITDA - Gain/(loss) on disposals of PP&E | - | - | - | (33) | (33) | - | - | - | - | - |
| Total adjustments | (160) | 165 | - | (13) | (24) | 0 | (34) | (0) | - | - |
| **S&P Global Ratings adjusted** | **Debt** | **Equity** | **Revenue** | **EBITDA** | **EBIT** | **Interest expense** | **Funds from Operations** | **Operating cash flow** | **Dividends** | **Capital expenditure** |
| | 350 | 1,908 | 1,939 | 163 | 39 | 17 | 129 | 38 | 89 | 164 |

# Liquidity

We assess Metsa Board's liquidity as strong and believe that liquidity sources will cover uses by more than 1.5x in 2025, and more than 1.0x in the subsequent 12 months. Our view on the company's liquidity is underpinned by a cash balance of €183 million, forecast cash FFO of €212 million, access to loans from pension funds (about €217 million), and an undrawn revolving credit facility (RCF) of €200 million due in January 2027.

We include the €200 million RCF in our assessment (as a liquidity source) for 2025 and exclude it for the subsequent 12 months (from January 2026) as the facility is due to mature within a year.

### Principal liquidity sources

- €183 million of cash on balance sheet includes about €179 million of short-term deposits with Metsa Group Treasury under a cash pooling arrangement that Metsa Board has access to at short notice;
- Forecast cash FFO of €212 million;
- Access to loans from pension funds (€217 million); and
- €200 million under its undrawn RCF (until January 2026).

### Principal liquidity uses

- Capex of €150 million;
- Working capital outflows of €60 million, including seasonal expenses of about €40 million;
- Debt amortization of about €42 million, including a €30 million repayment of commercial papers; and
- Dividend payments of about €25 million.

# Covenant Analysis

## Requirements

The documentation of the €100 million term loan due 2026 and the €200 million RCF specify a maximum net gearing ratio of 100%, tested on a quarterly basis.

## Compliance expectations

We expect Metsa Board will comfortably comply with its covenant over 2025-2026.

# Environmental, Social, And Governance

ESG factors are an overall neutral consideration in our credit rating analysis of Metsa Board Corp. Its exposure to environmental and social risks is comparable with that of its industry peers. Metsa Board as a pure-play paperboard producer has benefited from environmental trends as paper packaging, which is recyclable, is progressively replacing plastic. Metsa Board owns a 24.9% stake in Metsa Fibre, which produces pulp, sawn timber, biochemicals, and bioenergy. It does not own any forest assets but is part of a group with extensive forest assets (Metsaliitto Cooperative, parent company of Metsa Group, is owned by 90,000 Finnish private forest owners). We see some environmental (notably pollution) risks from Metsa Board's operations, since the production of pulp and paper requires significant amounts of energy, water, and chemicals. We believe that pollution incidents could result in compensation and corrective action costs. The company continually monitors its emissions to air and water. Metsa Board did not report significant environmental effects, claims, or compensation related to the pollution of air, water, and soil in 2024.

# Group Influence

We consider that Metsa Board cannot be rated higher than our assessment of the creditworthiness of Metsa Group (bbb-) given the close integration between the two entities.

We assess Metsa Board as a highly strategic subsidiary of Metsa Group and its parent company Metsaliitto Cooperative. In our view, Metsa Group is unlikely to sell Metsa Board in the near term given that it provides forward integration in the forest and paper products value chain. Metsa Group's senior management has a track record and a long-term commitment of supporting

Metsa Board. Metsa Board accounts for about 30% of group sales. In addition, Metsa Board's reputation, brand, name, and treasury management are closely tied to those of Metsa Group.

We assess Metsa Group's group credit profile at 'bbb-'. This is bolstered by Metsa Group's low weighted-average consolidated leverage, modest growth prospects in paperboard and pulp divisions, and strong product diversification. However, we believe this is partly offset by volatility in profitability in its pulp, sawn timber, and tissue operations. Our assessment is also constrained by Metsa Group's stated leverage tolerance (minimum equity ratio of 40%), which allows it to increase leverage beyond current levels.

After weak financial performance in 2024, Metsa Group's headroom under our assessment has reduced. In 2024, consolidated S&P Global Ratings-adjusted debt to EBITDA reached 2.3x (versus 1.1x in 2023) due to a contraction in EBITDA in most segments. That said, our assessment remains underpinned by our expectation of an improvement in credit metrics in 2025, with debt to EBITDA projected to reduce toward 1.8x by year-end.

# Issue Ratings--Subordination Risk Analysis

## Capital structure

As of Dec. 31, 2024, Metsa Board's debt comprised a €250 million senior unsecured bond due 2027, a €100 million senior unsecured syndicated term loan due 2026, and some bilateral bank loans due 2030--all issued by Metsa Board Oyj.

## Analytical conclusions

We rate the €250 million senior unsecured fixed-rate notes due 2027 issued by Metsa Board Corp. 'BBB-', the same as the long-term issuer credit rating, as we have not identified any sources of significant subordination.

**Rating Component Scores**

| | |
|---|---|
| **Foreign currency issuer credit rating** | **BBB-/Stable/A-3** |
| **Local currency issuer credit rating** | **BBB-/Stable/A-3** |
| **Business risk** | **Fair** |
| Country risk | Low |
| Industry risk | Moderately High |
| Competitive position | Fair |
| **Financial risk** | **Minimal** |
| Cash flow/leverage | Minimal |
| **Anchor** | **bbb** |
| Diversification/portfolio effect | Neutral (no impact) |
| Capital structure | Neutral (no impact) |
| Financial policy | Negative (-1 notch) |
| Liquidity | Strong (no impact) |
| Management and governance | Neutral (no impact) |
| Comparable rating analysis | Neutral (no impact) |
| **Stand-alone credit profile** | **bbb-** |

# Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

**Ratings Detail (as of March 18, 2025)***

| | |
|---|---|
| **Metsa Board Corp.** | |
| Issuer Credit Rating | BBB-/Stable/A-3 |
| Senior Unsecured | BBB- |
| **Issuer Credit Ratings History** | |
| 28-Feb-2018 | BBB-/Stable/A-3 |
| 24-Feb-2016 | BB+/Positive/B |
| 18-Feb-2015 | BB/Stable/B |

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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