

## Essity

### Breaking headwinds with record earnings

- ATH EBITA in Q2 - higher pulp costs for Q3
- Tissue prices usually follow pulp - 10% price hikes from peers
- Buyback and new targets - share seems undervalued

#### ATH EBITA in Q2, higher pulp costs in Q3

Clean EBITA of SEK 5.4bn marked an ATH, +12% above Infront cons. Key to the beat were lower raw material costs (~45% less pulp exposure post the Vinda sale) and exits of some low-margin contracts. The EBITA margin landed at 14.7% vs. 14% in Q1 (12.5% in Q2'23). Pulp costs are rising, which will lower margins in Q3. Essity claims that the current tissue price momentum is positive, and that it now only takes 1-2 quarters to hike prices vs. 4 before. Higher prices will mitigate some costs in Q3, more for Q4 and '25, but Essity is a bit secretive about the size of its price hikes.

#### Tissue prices usually follow pulp

Pulp has advanced from better demand and less supply growth. Prices have already risen by 40-80% to a new ATH, but may have peaked short-term (reduced Chinese demand/restart of Finnish mills/more supply from Suzano/lower futures). Essity is a large buyer of pulp (1.8mt), and its margin is inversely linked to the pulp price (headwind in '24). However, tissue prices usually follow pulp prices with a lag of three quarters (86% corr.). Navigator has announced a tissue price hike of 8-10%. Sofidel and Metsa Tissue have announced hikes, too. Further, Essity's gas hedges are more favourable now, which should have a positive effect on EBITA.

#### Buyback and new targets - share seems undervalued

In June, Essity announced a share buyback programme of SEK 3bn (set to be recurring) and new targets. It is targeting organic growth of >3% p.a. (~2% previously excl. Vinda) and an EBITA margin of >15% (~14% prev.). The new targets imply an adj. EPS of ~SEK 19.4 in '24e (P/E ~14.6x) and ~SEK 23.4 in 5 years (P/E ~12x). Essity is trading ~30% below the peer average, and it appears under-priced vs. its long-term potential, as peer pricing would point to SEK 370-460/sh. BUY, TP of SEK 335 (295).

**Analyst(s):** martin.melbye@abgsc.no, +47 22 01 61 37  
ali.shemmari@abgsc.no, +47 40 22 48 74

SEKm	2022	2023	2024e	2025e	2026e
Sales	156,173	147,147	146,246	150,536	156,100
EBITDA	20,077	24,753	26,296	27,333	27,811
EBITDA margin (%)	12.9	16.8	18.0	18.2	17.8
EBIT adj.	11,942	17,790	19,006	19,640	19,878
EBIT adj. margin (%)	7.6	12.1	13.0	13.0	12.7
Pretax profit	8,109	12,793	17,185	17,691	18,048
EPS	7.93	13.55	17.18	18.05	18.72
EPS adj.	11.43	17.31	16.81	18.05	18.72
Sales growth (%)	28.2	-5.8	-0.6	2.9	3.7
EPS growth (%)	-35.4	71.0	26.8	5.0	3.7

Source: ABG Sundal Collier, Company Data

Reason: Post-results comment

BUY ● HOLD ○ SELL ○

#### Consumer Goods

Estimate changes (%)

	2024e	2025e	2026e
Sales	0.2	0.2	0.1
EBIT	7.9	11.7	16.5
EPS	11.4	16.9	23.4

Source: ABG Sundal Collier

#### ESSITY.B-SE/ESSITYB SS

Share price (SEK)	17/7/2024	282.60
Target price	(295.0)	335.0

MCap (SEKm)	198,445
MCap (EURm)	17,205
No. of shares (m)	702.3
Free float (%)	92.6
Av. daily volume (k)	948

Next event Q2 Report 18 July 2024

#### Performance



	2024e	2025e	2026e
P/E (x)	16.4	15.7	15.1
P/E adj. (x)	16.8	15.7	15.1
P/BVPS (x)	2.20	2.01	1.84
EV/EBITDA (x)	8.6	8.0	7.7
EV/EBIT adj. (x)	11.8	11.1	10.8
EV/sales (x)	1.54	1.45	1.37
ROE adj. (%)	15.9	14.8	14.0
Dividend yield (%)	2.8	2.9	3.0
FCF yield (%)	6.8	5.3	4.0
Le. adj. FCF yld. (%)	6.8	5.3	4.0
Net IB debt/EBITDA (x)	1.1	0.9	0.8
Le. adj. ND/EBITDA (x)	1.1	0.9	0.8

## Company description

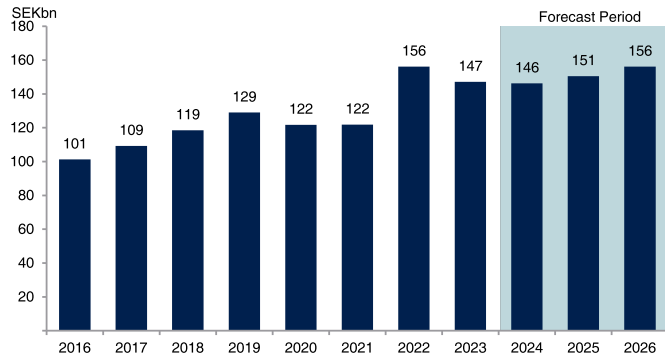
Essity is engaged in the development and production of hygiene products, where it has a strong global market position. It operates through the following business areas: Personal Care, Consumer Tissue and Professional Hygiene.

[Sustainability Information](#)

## Risks

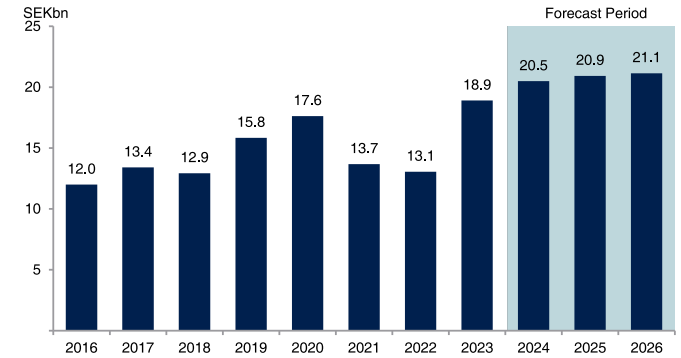
Risks include FX-movements (a stronger SEK is negative), input costs (higher pulp and recycled paper prices are negative). There are also risks related to new market entrance, where margins tend to be low initially.

### Revenue (SEKbn)



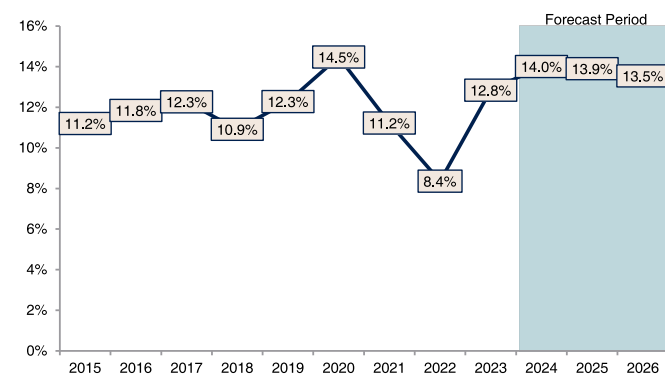
Source: ABG Sundal Collier, Company data

### Clean EBITA (SEKbn)



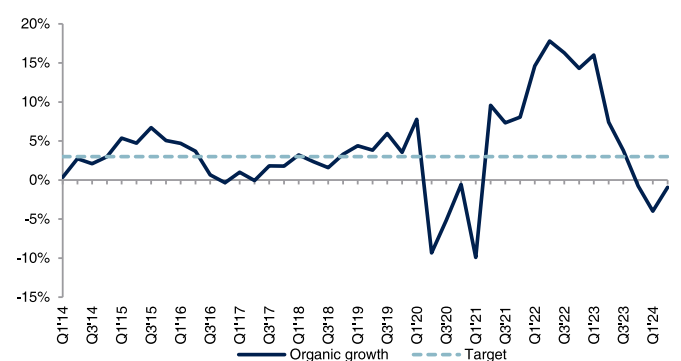
Source: ABG Sundal Collier, Company data

### Clean EBITA margin



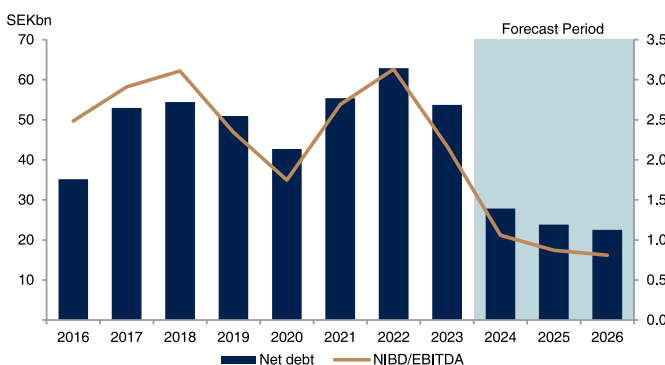
Source: ABG Sundal Collier, Company data

### Organic growth (%)



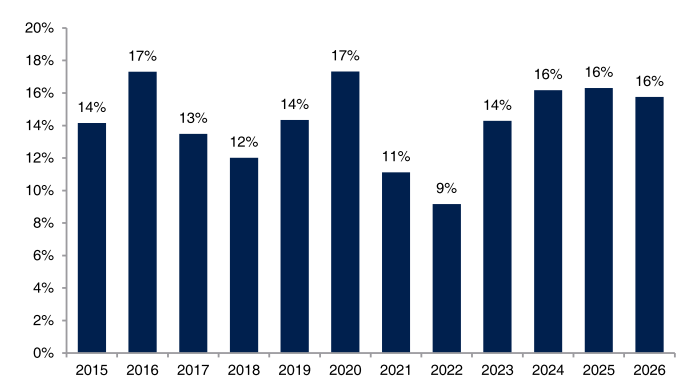
Source: ABG Sundal Collier, Company data

### NIBD (SEKbn) and NIBD/EBITDA



Source: ABG Sundal Collier, Company data

### ROCE (%)



Source: ABG Sundal Collier, Company data

# Quarterly figures

P&L, SEKm	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24e
Health & Medical	6,145	6,544	6,589	6,665	6,905	7,158	7,001	6,842	7,213	7,216
Consumer Goods	22,970	23,825	20,454	20,257	20,056	19,729	19,870	19,338	19,672	19,890
Professional Hygiene	8,811	9,733	9,617	9,422	10,123	10,184	9,752	8,686	9,729	10,114
Other	3	7	-31	8	-6	21	2	-16	3	-10
<b>Total sales</b>	<b>37,929</b>	<b>40,109</b>	<b>36,629</b>	<b>36,352</b>	<b>37,078</b>	<b>37,092</b>	<b>36,625</b>	<b>34,850</b>	<b>36,617</b>	<b>37,211</b>
Health & Medical	673	673	719	777	947	1,188	1,125	1,290	1,472	1,448
Consumer Goods	1,861	1,460	2,293	2,400	2,417	2,395	2,585	2,545	2,434	2,264
Professional Hygiene	916	1,096	1,405	1,288	1,582	1,887	1,531	1,332	1,868	1,662
Other	-292	-239	-305	-184	-329	-323	-388	-287	-376	-320
<b>Clean EBITA</b>	<b>3,158</b>	<b>2,990</b>	<b>4,112</b>	<b>4,281</b>	<b>4,617</b>	<b>5,147</b>	<b>4,853</b>	<b>4,880</b>	<b>5,398</b>	<b>5,054</b>
One-offs	-508	-206	-294	87	-486	-1,650	-242	-357	-161	0
<b>Reported EBITA</b>	<b>2,650</b>	<b>2,784</b>	<b>3,818</b>	<b>4,368</b>	<b>4,131</b>	<b>3,497</b>	<b>4,611</b>	<b>4,523</b>	<b>5,237</b>	<b>5,054</b>
<b>Clean EBIT</b>	<b>2,882</b>	<b>2,703</b>	<b>3,824</b>	<b>3,999</b>	<b>4,338</b>	<b>4,870</b>	<b>4,583</b>	<b>4,134</b>	<b>5,140</b>	<b>4,816</b>
One-offs	-515	-212	-305	87	-519	-1,967	-242	426	-162	0
<b>Reported EBIT</b>	<b>2,367</b>	<b>2,491</b>	<b>3,519</b>	<b>4,086</b>	<b>3,819</b>	<b>2,903</b>	<b>4,341</b>	<b>4,560</b>	<b>4,978</b>	<b>4,816</b>
Net financial items	-224	-368	-561	-625	-588	-644	-499	-607	-478	-500
<b>PTP</b>	<b>2,143</b>	<b>2,123</b>	<b>2,958</b>	<b>3,461</b>	<b>3,231</b>	<b>2,259</b>	<b>3,842</b>	<b>3,953</b>	<b>4,500</b>	<b>4,316</b>
Taxes	-470	-499	-736	-809	-786	-696	-984	-1,050	-1,166	-1,118
<b>Net Profit</b>	<b>1,485</b>	<b>1,567</b>	<b>2,222</b>	<b>2,652</b>	<b>2,445</b>	<b>1,563</b>	<b>2,858</b>	<b>2,477</b>	<b>3,334</b>	<b>3,078</b>
EPS	2.11	2.23	3.16	3.78	3.48	2.23	4.07	3.53	4.75	4.39
<b>EBITA margins</b>										
Health & Medical	11.0%	10.3%	10.9%	11.7%	13.7%	16.6%	16.1%	18.9%	20.4%	20.1%
Consumer Goods	8.1%	6.1%	11.2%	11.8%	12.1%	12.1%	13.0%	13.2%	12.4%	11.4%
Professional Hygiene	10.4%	11.3%	14.6%	13.7%	15.6%	18.5%	15.7%	15.3%	19.2%	16.4%
<b>Total</b>	<b>8.3%</b>	<b>7.5%</b>	<b>11.2%</b>	<b>11.8%</b>	<b>12.5%</b>	<b>13.9%</b>	<b>13.3%</b>	<b>14.0%</b>	<b>14.7%</b>	<b>13.6%</b>

## Clean EBITA at ATH and +12% vs. cons

Essity reported an all-time-high clean EBITA of SEK 5.4bn, 12% above Infront consensus of SEK 4.82bn (ABGSC SEK 4.62bn). The key drivers of the beat were lower raw material costs (likely driven by ~45% lower pulp exposure due to Vinda sale) and the fact that the company has exited some low-margin contracts. Essity has not officially announced a price hike, but it states that it has had good price discipline (prices up ~1.4% q-o-q). Its clean EBITA margin was 14.7% vs. cons at 13.3% (14% in Q1), not far from its margin target of >15% (announced in June). One-offs were SEK -161m on EBITA, i.e., reported EBITA was SEK 5.24bn vs. cons at SEK 4.73bn. Net sales were SEK 36.62bn vs. consensus at SEK 36.37bn. Reported EPS was also an ATH, at SEK 4.72 vs. cons at SEK 4.32. Essity announced that it will host a CMD in December at its production facility for hygiene products in Spain.

## Better from all segments

Health & Medical's EBITA was 16% above cons., Consumer Goods was 3% above, and Professional Hygiene was 23% above. In a y-o-y bridge, the positives from raw materials (SEK 1,677m), currency (SEK 79m), and volume (SEK 106m) more than offset the negatives from Sales & Admin (SEK -417m), lower price/mix (SEK -442m), and lower other (SEK -222m). Organic growth was -0.9% (cons had -0.6%), of which volume growth was 0.4% (cons -0.1%) and price/mix was -1.3% (cons -0.5%). Note that volume growth was +2.9% excluding the exited contracts. Essity has previously said that organic growth will be lower than previous quarters, as it will now focus on improving its margins. Cash flow was weaker than in Q1 (higher WC), but net debt decreased (higher earnings) to ~SEK 33.21bn vs. ~SEK 34.26bn ending Q1.

## Higher pulp prices, but price hikes by peers

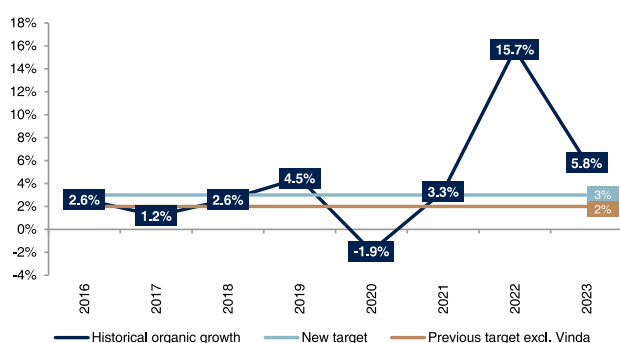
Pulp prices have now moved +40-80% from the trough and continue to be one of the major cost headwinds in '24. This should hurt the Q3 numbers. However, tissue prices usually follow pulp, and we have seen several price hikes: Navigator has announced a tissue price hike of 8-10%. Sofidel and Metsa Tissue have announced hikes, too. Note that Essity hedged energy prices at their peak, in '22, but will have more spot exposure in '24, which should have a positive effect on EBITA. Consensus has Q3 clean EBITA of ~SEK 5.0bn. Essity's new targets (org. growth of 3% and a clean EBITA margin of >15%) imply adj. EPS of ~SEK 19 in '24e (P/E ~15x) and ~SEK 23 in 5 years (P/E ~12x). Note that Essity is already trading at a ~30% discount to peers (KMB and PG).

## New targets and share buybacks

Essity has announced new financial targets, aiming for organic growth of >3% p.a., compared to the previous target of >5% p.a. (organic growth >3%, acquisitions of ~2%). Note that the previous organic growth target included ~1% from Vinda (i.e. ~2% excl. Vinda). Consequently, the new target represents a +1pp increase vs. previously (core business). Acquisitions remain part of the company's strategy but are no longer included in the annual growth target. From '16-'23, Essity grew by ~4% p.a. organically (on average). It should therefore not have large issues reaching this target.

In addition to its organic growth target, Essity is targeting an adj. EBITA margin of >15% vs. ~14% previously (implied based on previous ROCE target of ~17% incl. Vinda). Essity sees the new targets as achievable with the current portfolio (no exits required). Historically ('90-Q2'24), Essity has returned an average adj. EBITA margin of ~10%. Isolating the period Q1'17-Q2'24 (spun off from SCA in '17), the company averaged an adj. EBITA margin of ~12%. Essity has achieved an adj. EBITA margin of >15% once before (Q1'20, 15.8%).

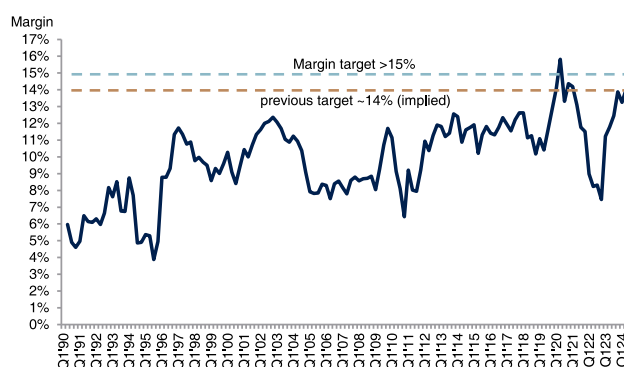
### Historical organic growth and targets



Source: ABG Sundal Collier, Essity

Footnote: \*Previous target was set in '21

### Historical EBITA margin and targets



Source: ABG Sundal Collier, Essity

Below we provide a P&L assuming the EBITA margin target of 15%, as well as the P&L in five years assuming an organic growth rate of 3% p.a. The starting point is our '24e sales estimate. Adj. EPS would rise from ~SEK 19.4 in '24e to ~SEK ~23.4 in five years and P/E would drop from ~14.4x to ~12x.

### P&L now and in 5Y assuming targets

Implied P&L	Margin target	In 5 years*	Multiples	Margin target	In 5 years*
Sales	146,246	169,539			
EBITDA	28,963	32,457	EV/EBITDA	8.0x	7.1x
D&A	-7,026	-7,026	EV/EBIT	11.1x	9.5x
<b>EBITA</b>	<b>21,937</b>	<b>25,431</b>	P/E	14.6x	12.1x
Margin	15.0%	15.0%			
PPA amortisation	-1,003	-1,003			
EBIT	20,934	24,428			
Finance	-2,085	-2,085			
PTP	18,849	22,343			
Tax	-4,912	-5,586			
Minorities	-666	-666			
Net profit	13,271	16,091			
EPS	18.0	22.0			
<b>Adj. EPS</b>	<b>19.4</b>	<b>23.4</b>			

\* Targeted 3% organic growth and >15% EBITA margin

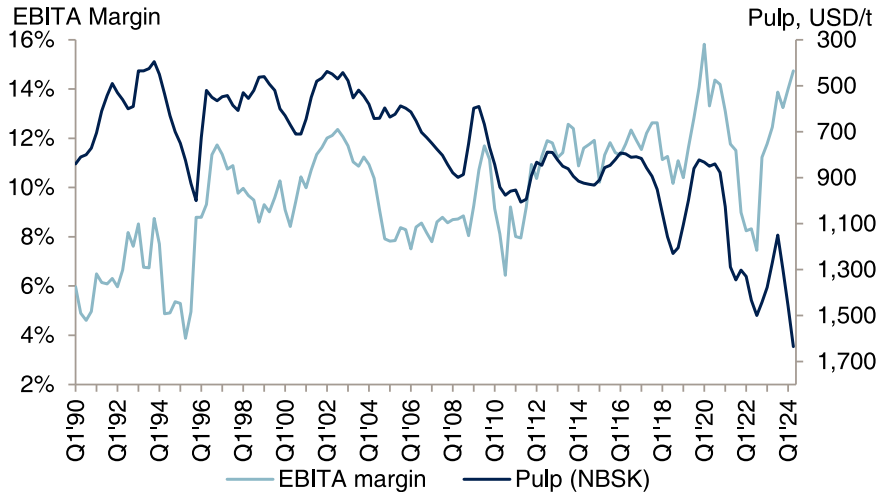
Source: ABG Sundal Collier, Essity

In addition to the new targets, Essity has also announced a share buyback programme of SEK 3bn (~10m shares at current share price) in class B shares (from 17 Jun'24 to AGM '25). The share repurchase will be financed using cash flow from current operations (after dividends), and the repurchased shares are expected to be cancelled. Share buybacks are expected to be a recurring part of the company's capital allocation policy, and more buybacks are therefore likely to be announced after the AGM in '25.

## Essity is a counter-cyclical share

Essity is one of the largest buyer of pulp in the world, but with the divestment of Vinda it reduced its exposure to 1.8mt, down from 3.3mt (-45%). The company's margin is linked to the inverse direction of the pulp price, and the downward pressure on pulp seen the last year has benefited Essity. However, pulp continues to be in good shape as prices are +40-80% vs. trough. Essity's pulp cost tailwind is set to become a headwind in H2 '24, but it already seems to outperform based on the chart below.

### EBITA margin vs. Pulp



Source: ABG Sundal Collier, RISI, Company data

Essity's MTM EBITA is ~SEK 17.9bn and the adj. EPS is currently SEK 16.1 (P/E 18x). We use the European list price for pulp in our calculation. Chinese pulp prices are up 26-60% from the trough and hardwood prices in Europe are up ~80% (softwood +42%).

If we apply a 10% tissue price hike as announced by peers, our MTM EBITA would rise to SEK 23.8bn and EPS of SEK 22.4

## Essity: MTM table

SEKm	'23 opex	'23 opex, %	Δ MTM, %	Δ MTM
<b>Raw materials</b>	<b>-49,270</b>	<b>38%</b>	<b>10%</b>	<b>-4,917</b>
Pulp	-14,234	11%	35%	-4,980
RCP	-5,176	4%	-13%	672
Super absorbants	-2,588	2%	-2%	47
Non-woven	-2,588	2%	-3%	84
Other raw materials*	-24,685	19%	3%	-741
<b>Energy</b>	<b>-8,809</b>	<b>7%</b>	<b>-14%</b>	<b>1,246</b>
<b>Other</b>	<b>-71,318</b>	<b>55%</b>	<b>2%</b>	<b>-1,555</b>
<b>Total opex effects</b>	<b>-129,397</b>	<b>100%</b>	<b>4%</b>	<b>-5,226</b>
FX (net)				-384
Acquisitions/volumes				567
Other				0
<b>SEKm</b>	<b>'23 sales</b>	<b>'23 sales, %</b>	<b>Δ MTM, %</b>	<b>Δ MTM</b>
<b>Pricing (const. FX)</b>	<b>147,147</b>	<b>100%</b>	<b>3%</b>	<b>4,014</b>
Health & Medical	27,729	19%	3%	832
Consumer Goods	79,912	54%	3%	1,998
Professional Hygiene	39,481	27%	3%	1,184

## Summary

<b>'23 clean EBITA</b>	<b>18,898</b>
Δ raw materials	-4,917
Δ energy	1,246
Δ other opex	-1,555
Δ fx	-384
Δ acquisitions/volume	567
Δ other	0
Δ pricing	4,014
<b>MTM EBITA</b>	<b>17,870</b>
'24e cons adj. EBITA	19,793
Price hikes needed	1%
MTM EPS	14.6
<b>MTM EPS adj.</b>	<b>16.1</b>
Adj. P/E	18x

Source: ABG Sundal Collier, RISI, Company data

## Essity: MTM sensitivity

EPS		Pulp price change						
		-40%	-30%	-20%	-10%	0%	10%	20%
Price hikes	0.0%	21	19	18	16	15	13	12
	3.0%	25	24	22	21	19	18	16
	6.0%	30	28	27	25	24	22	21
	9.0%	35	33	32	30	29	27	26
	12.0%	39	38	36	35	33	32	30

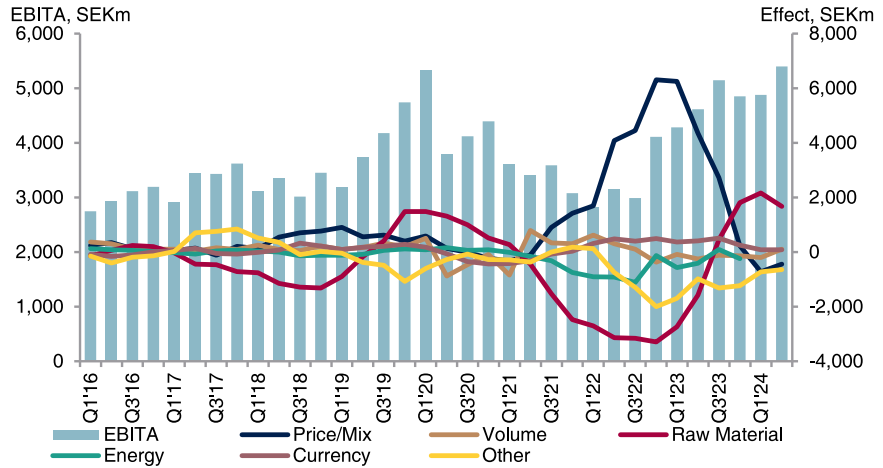
P/E		Pulp price change						
		-40%	-30%	-20%	-10%	0%	10%	20%
Price hikes	0.0%	14	16	17	18	20	23	25
	3.0%	12	12	13	14	15	17	18
	6.0%	10	10	11	12	12	13	14
	9.0%	9	9	9	10	10	11	12
	12.0%	8	8	8	9	9	9	10

Source: ABG Sundal Collier, Company data

# 14.7% EBITA margin in Q2'24

The EBITA margin of 7.5% in Q3'22 was among the weakest performances in the last 25 years for Essity. The margin has risen gradually every quarter since then, driven by price increases and lower input costs. The EBITA margin came in at 14.7% in Q1'24 (vs. 14% in Q1'23).

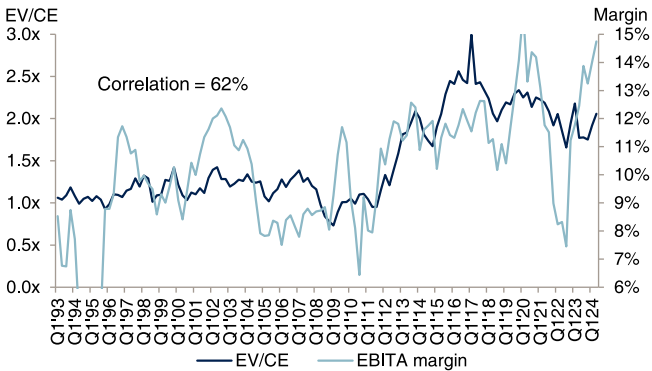
## EBITA margin by key driver



Source: ABG Sundal Collier, Company data

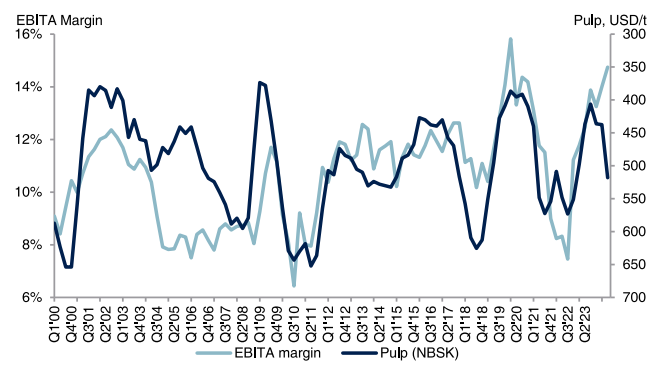
Essity's hygiene margins tend to move down when pulp prices head up (negative correlation of 0.5). The logic is that tissue prices are 'sticky' vs. pulp prices and Essity is short ~1.8m tonnes of pulp. This means that Essity's margins tend to outperform when the cycle weakens. The share typically trades in line with changes in the margin (positive correlation ~0.6), meaning that the share is trading with the inverse of the pulp price.

## EV/CE vs. EBITA margin



Source: ABG Sundal Collier, Company data

## EBITA margin vs. real pulp price

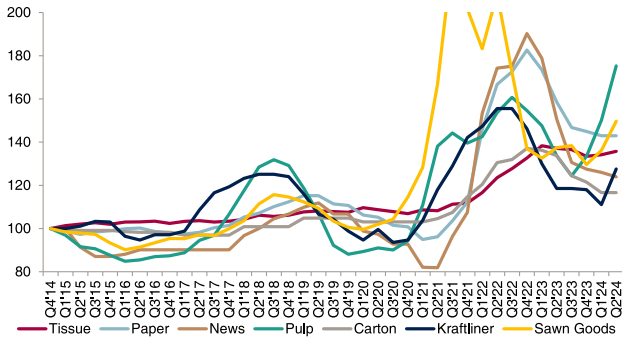


Source: ABG Sundal Collier, RISI, Company data

# Late-cyclical tissue prices

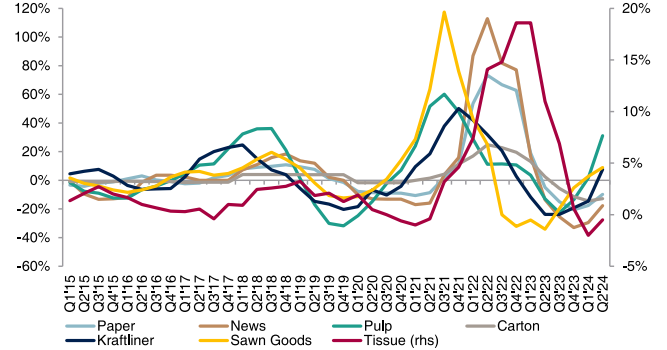
By mapping Essity’s tissue price increases over time and comparing them to the other pulp & paper grades, the late-cyclical pattern is visible. Pulp prices are at ATHs, but tissue prices usually follow pulp prices with a 3Q lag (86% corr.). The Navigator Company has announced a tissue price hike of 8-10%. Sofidel and Metsa Tissue have announced hikes too.]

Prices: early-cyclical vs. late-cyclical grades



Source: ABG Sundal Collier, RISI, Company data

Early-cyclical vs. late-cyclical grades, y-o-y



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%

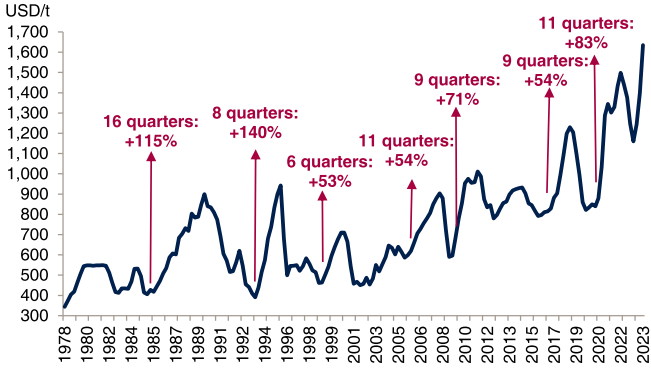
Source: ABG Sundal Collier

## 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 recent up-cycle ('19-'22) 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 prices have dropped the normal 34% (23-46%) in this cycle too, and are now pointing up. Softwood prices are up +40% from the trough in only 3 quarters this round. A normal "up-cycle" tends to last longer with a larger price increase.

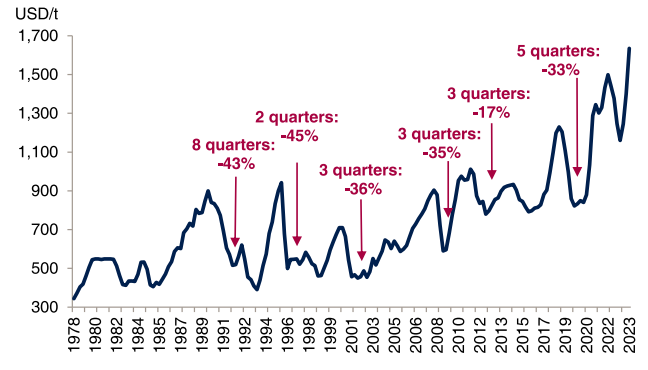


**Pulp “up-cycles”: last 9-10 quarters (+81%)**



Source: ABG Sundal Collier, RISI

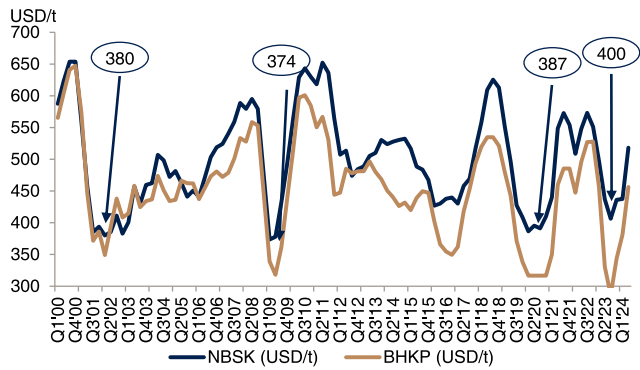
**Pulp “down-cycles”: last 3-4 quarters (-34%)**



Source: ABG Sundal Collier, RISI

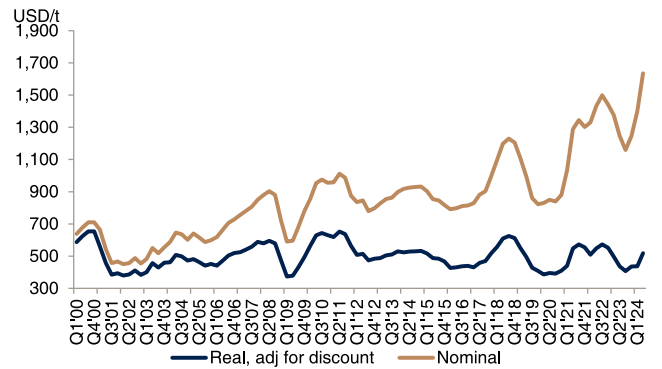
Pulp prices have risen from 2000, but the typical discount increased from 8% in '00 to ~42% in '24. Nominal softwood prices are now ~90% above the historical average since '00, but the discounted adjusted price in real terms is only 3% above the historical average.

**Real pulp price adjusted for discounts**



Source: ABG Sundal Collier, RISI

**NBSK: nominal vs. real price adjusted for discounts**

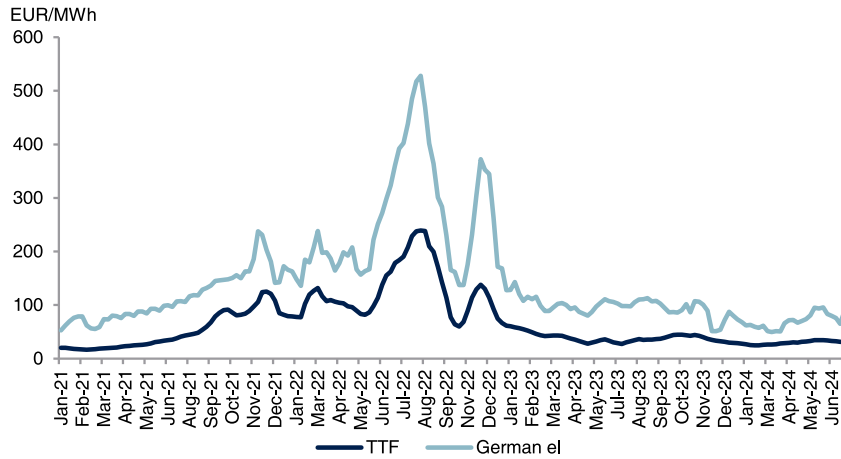


Source: ABG Sundal Collier, RISI

# Falling energy prices

Energy prices have surged to unprecedented levels following the Russian invasion of Ukraine. After a proposal from the German authorities to curb 70% of gas-related industrial consumption at EUR 70/MWh. The NG price has plunged and electricity prices have followed. Energy prices are down >70% from their peak in Q3'22.

## Energy prices (TTF vs. german el.)



Source: ABG Sundal Collier, Bloomberg

Essity is short ~7TWh natural gas (of which ~23% in Germany) and ~5TWh electricity. We note that ~55% of the energy exposure is hedged/regulated, and most of the spot exposure is in Continental Europe. As such, plunging spot prices for energy in Europe are highly beneficial for Essity. However, Essity had ~25% of its 2022 energy consumption hedged at very attractive 2020 price levels, and the hedges rolled to a significantly higher level in '23. As such, energy costs were higher in '23 compared to '22 despite lower spot prices. However, Essity will have more spot exposure in '24, which should lower energy costs.

# Vinda out, private label stays

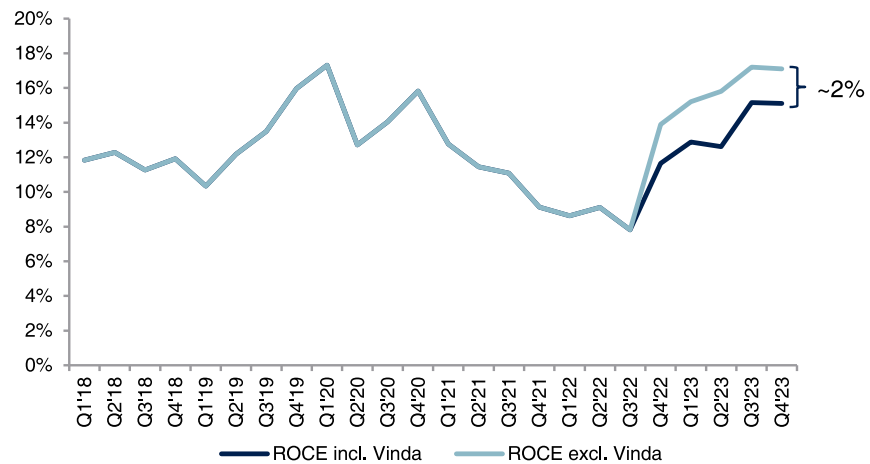
Essity has sold its 51.59% stake in Vinda to Asia Pacific (APRIL) for a price of HKD 23.50/sh, a premium of 13.5% to Vinda's closing price at the time. The sale follows the conclusion of a strategic review that was initiated in Q1'23. The deal was officially closed 21 March. Essity's stake in Vinda was worth ~SEK 24/sh, but with this offer, the stake was valued at ~SEK 27. Essity is now completely out of China (less geopolitical risk).

The transaction generated cash of ~SEK 19.5bn and reduced net debt from SEK 53bn to SEK 34bn. This will have a positive effect on Essity's leverage ratio, reducing NIBD/EBITDA to 1.71x (down from 2.47x). We find that the sale will have a positive ROCE effect of 1-2% but the effect on '24 EPS is neutral and growth could be lower going forward.

With the sale of Vinda, Essity's net pulp short position drops to ~1.8mt from 3.3mt, reducing Essity's overall exposure to raw materials. However, the sales may have a negative effect on its competitive position. Essity sells Vinda to a large pulp producer (APRIL is long 2.2mt pulp). This can give a new tissue pricing dynamics as all major tissue players (KMB, PG) are short pulp to make tissue.

Besides the sale of Vinda, Essity had plans to divest its private label business. The rationale behind the divestments was to reduce Essity's pulp exposure. However, Essity has decided to retain the private label segment. The market in general seems disappointed with this decision, but it could be a smart move to keep both the branded and the private label leg considering that brand awareness for toilet paper is not that strong. Furthermore, when looking at the tissue market, Europe needs a higher degree of consolidation on tissue, not lower. The top 5 players have ~73% market share in North America vs. 58% in Europe, and North American players have better margins.

## Divestment increases ROCE by ~2%



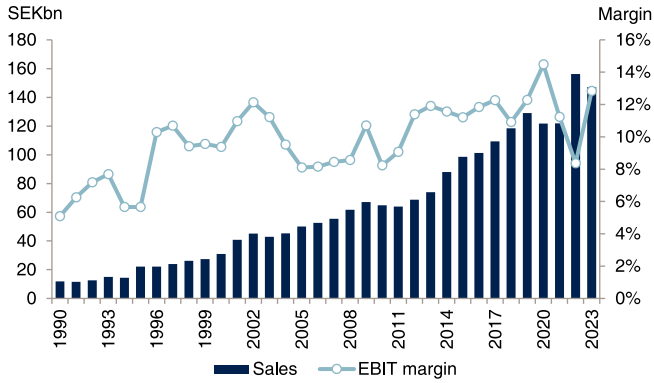
## Leverage calculations of divestment

Vinda run rate as of Q3 (SEKm)	Essity with Vinda	Essity excl. Vinda
Revenue	26,205	148,368
EBITDA	2,570	24,548
NIBD	3,718	60,633
Market cap	28,277	2.47x
	NIBD/EBITDA	2.47x
		NIBD/EBITDA
		1.71x

Source: ABG Sundal Collier, Essity, Vinda, Factset

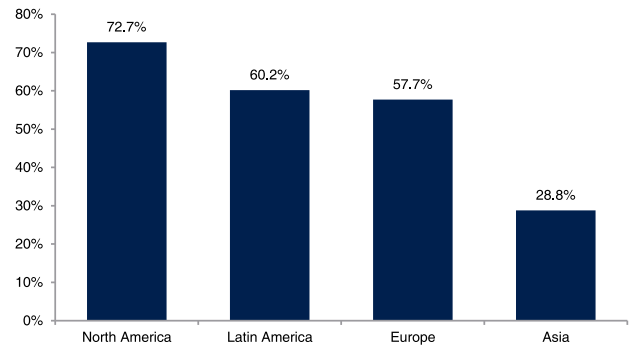
Footnote: \*As of deal announcement date

**Essity sales and EBIT margin**



Source: ABG Sundal Collier, Essity

**Tissue market share of top 5 players by region**



Source: ABG Sundal Collier, Smithers

**Vinda: Historical P&L and profitability metrics**

P&L - SEKm	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	CAGR
Revenue	2,053	2,739	3,341	3,975	5,261	5,710	7,070	10,551	13,298	14,784	16,517	19,409	19,596	20,626	25,095	20%
Gross profit	430	929	972	1,066	1,600	1,629	2,075	3,118	4,011	4,165	4,405	5,723	7,090	6,980	6,698	22%
EBITDA	273	623	525	536	801	780	1,035	1,445	1,860	1,896	2,182	3,286	4,189	3,523	2,619	18%
EBIT	190	506	404	403	625	549	699	940	1,126	1,020	1,165	1,947	2,826	2,145	943	12%
Net profit	141	393	342	338	469	456	525	342	721	681	721	1,374	2,224	1,809	912	14%

Profitability metrics	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Avg.
Gross profit, %	21%	34%	29%	27%	30%	29%	29%	30%	30%	28%	27%	29%	36%	34%	27%	29%
EBITDA, %	13%	23%	16%	13%	15%	14%	15%	14%	14%	13%	13%	17%	21%	17%	10%	15%
EBIT, %	9%	18%	12%	10%	12%	10%	10%	9%	8%	7%	7%	10%	14%	10%	4%	10%
Net profit, %	7%	14%	10%	9%	9%	8%	7%	3%	5%	5%	4%	7%	11%	9%	4%	8%
ROCE, %	9%	21%	15%	12%	15%	11%	10%	10%	10%	7%	8%	12%	17%	12%	5%	12%

Source: ABG Sundal Collier, Factset

# Valuation

Essity is trading at a discount to Kimberly-Clark and Procter & Gamble on its EV/EBITDA, P/E and EV/EBIT multiples. If we apply an average of these three multiples to our Essity estimates, we get a share price of ~SEK 460, while P/E points to ~SEK 370.

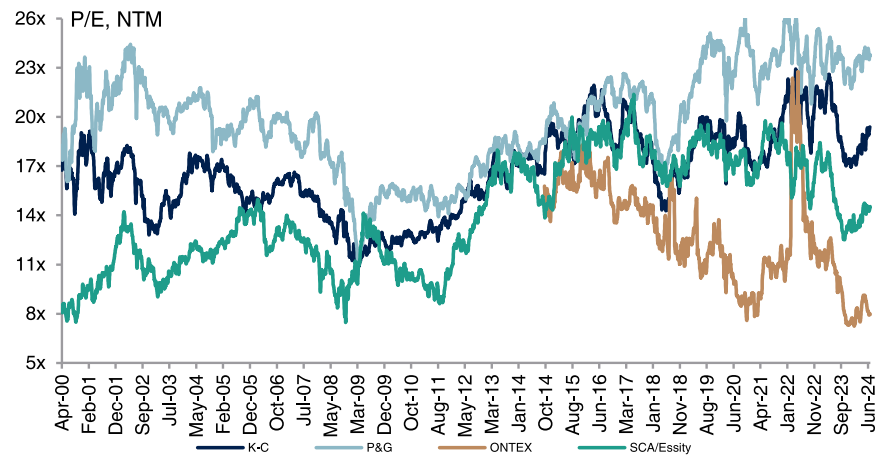
## Multiples vs. peers

Hygiene	EV/EBITDA			EV/EBIT			P/E			Average	
	2024e	2025e	2026e	2024e	2025e	2026e	2024e	2025e	2026e	All	P/E
K-C	13.9	13.3	12.7	17.3	16.6	15.7	20.2	19.2	18.3		
P&G	18.5	17.2	16.0	21.0	19.7	18.4	25.9	24.3	22.7		
Ontex	6.2	5.6	4.9	9.8	8.5	7.3	8.8	7.6	6.9		
Beiersdorf	17.7	15.9	14.3	22.1	19.7	17.5	31.4	28.3	25.8		
<b>Average, K-C, P&amp;G</b>	<b>16.2</b>	<b>15.3</b>	<b>14.3</b>	<b>19.2</b>	<b>18.1</b>	<b>17.0</b>	<b>23.0</b>	<b>21.8</b>	<b>20.5</b>		
Essity	9.2	8.5	7.9	12.8	11.6	10.8	16.5	14.7	13.8		
Premium, Essity	-43%	-44%	-45%	-33%	-36%	-37%	-29%	-32%	-33%	-37%	-31%
<b>Implied share price</b>	<b>572</b>	<b>550</b>	<b>515</b>	<b>484</b>	<b>458</b>	<b>422</b>	<b>396</b>	<b>370</b>	<b>337</b>	<b>456</b>	<b>368</b>
Consumer goods											
Orkla	10.5	10.2	9.7	14.3	13.7	12.9	14.4	14.0	13.1		
Unilever	13.1	12.3	11.7	15.1	14.2	13.5	19.6	18.3	17.2		
Nestle	15.1	14.1	13.3	18.5	17.2	16.3	19.0	17.7	16.7		
<b>Average</b>	<b>12.9</b>	<b>12.2</b>	<b>11.6</b>	<b>16.0</b>	<b>15.0</b>	<b>14.2</b>	<b>17.7</b>	<b>16.7</b>	<b>15.7</b>		
Essity	9.2	8.5	7.9	12.8	11.6	10.8	16.5	14.7	13.8		
Premium, Essity	-28%	-30%	-31%	-20%	-23%	-24%	-7%	-12%	-12%	-21%	-10%
<b>Implied share price</b>	<b>446</b>	<b>432</b>	<b>412</b>	<b>397</b>	<b>375</b>	<b>348</b>	<b>304</b>	<b>283</b>	<b>258</b>	<b>361</b>	<b>282</b>

Source: ABG Sundal Collier, FactSet

Since before the spin-off from SCA, Essity has mostly traded in line with Kimberly-Clark on 12-month forward P/E. The current multiple is lower though as Essity trades at a 25% discount to Kimberly-Clark.

## P/E vs. peers

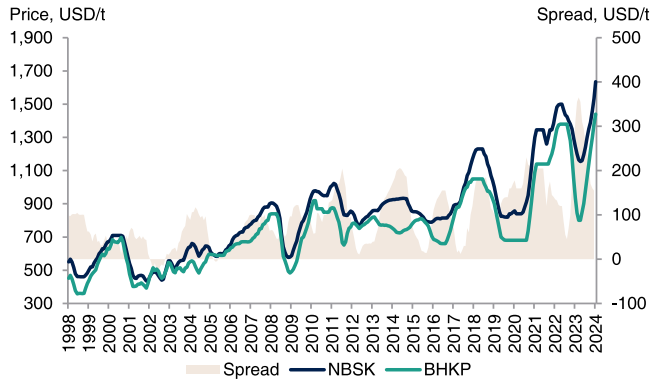


Source: ABG Sundal Collier, Factset

# Pulp: Prices at all-time-high

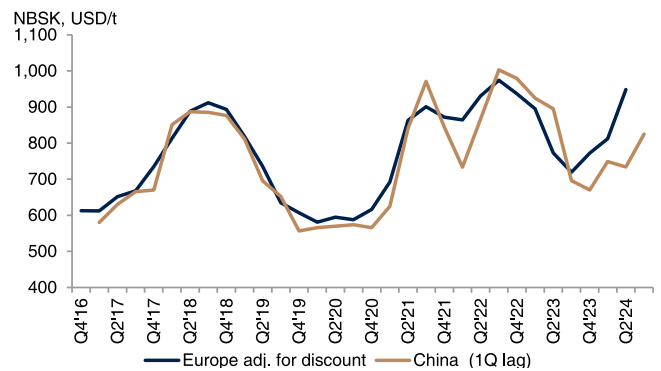
The Chinese hardwood pulp price dropped 46% from its peak to its nadir in May, but it fell too much too quickly as it landed below cash cost. Prices rebounded and have now risen ~60% (European hardwood +80%). European softwood list pulp prices moved up to ATH levels in Q2, at USD 1,635/t (+42% from trough), after having dropped only 23% from the peak (good news for the Nordic players). The momentum seen in Q1 has continued into Q2, driven by better demand, less supply growth, and price hikes. However, note that prices may have peaked short-term due to recent triggers (reduced Chinese demand, restart of Finnish mills/more supply, lower futures).

## European pulp prices (USD/t)



Source: ABG Sundal Collier, RISI

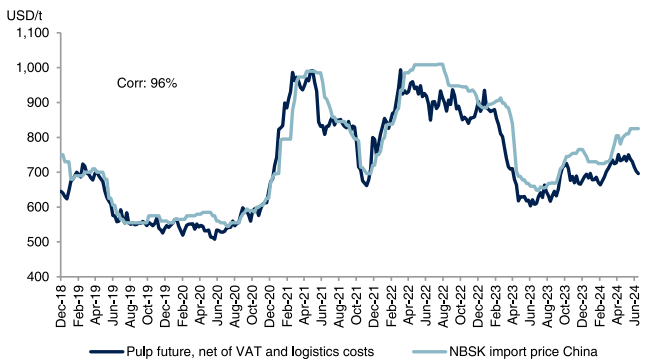
## Net NBSK price Europe and China



Source: ABG Sundal Collier, RISI

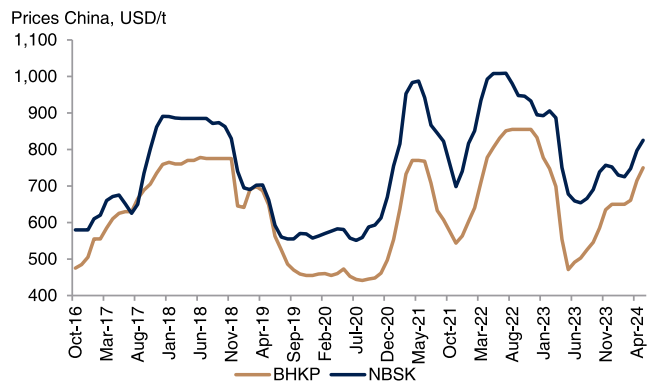
The Shanghai pulp future bottomed in June (-35% vs. the peak). Since then, it is up ~19% (but pointing down recently). The pulp future net of VAT/transport typically leads the NBSK import price to China. Chinese prices tend to lead the European markets. The Chinese are good traders as always – buying at the trough, selling at the peak.

## Shanghai pulp future



Source: ABG Sundal Collier, Bloomberg

## Chinese pulp prices (USD/t)



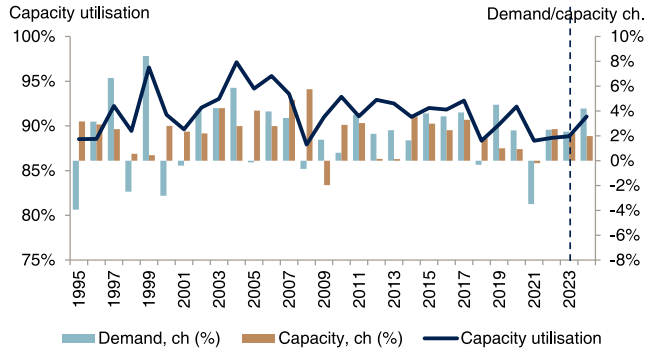
Source: ABG Sundal Collier, RISI

## Shipments: ROW strong, China retracts

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.

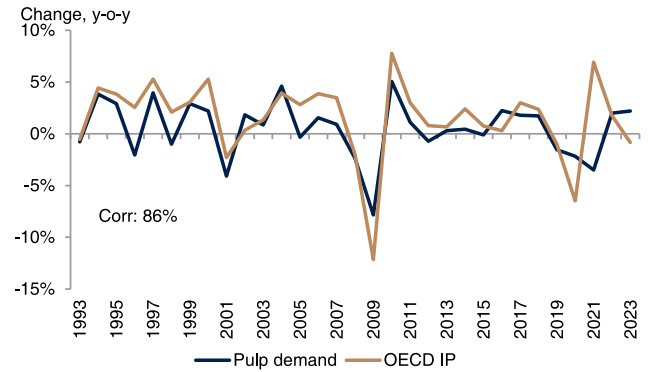
Pulp demand tends to follow OECD IP growth (86% correlation). However, although OECD IP growth was negative in '23, pulp demand increased by ~2%, mainly driven by returning Chinese demand in H2'23. The rest of the world have followed into '24.

**Capacity utilisation versus supply/demand**



Source: ABG Sundal Collier, PPPC, RISI

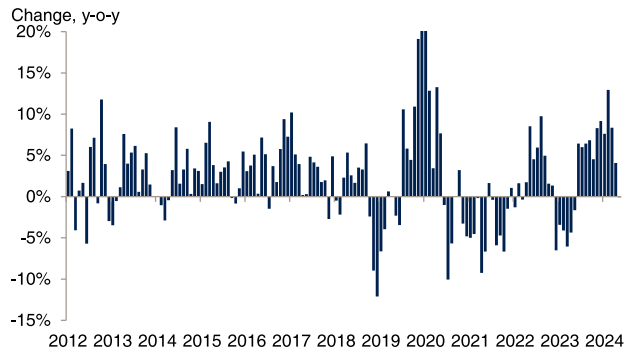
**Pulp demand vs. OECD IP growth**



Footnote: ABG Sundal Collier, PPPC, RISI

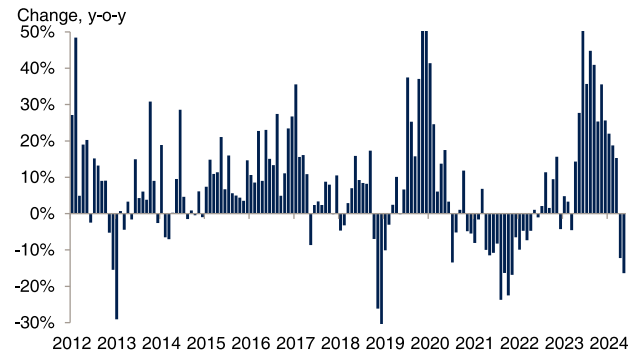
Pulp shipments were strong in Q1 (+10% y-o-y), but the trend has shifted into more negative territory in Q2. The Chinese demand has faded with shipments to China is down ~14% y-o-y so far in Q2, after having grown by 15-50% y-o-y every month since Apr'23. Global shipments excl. China (ROW) have improved though, up 12% so far in Q2 (vs. +5% in Q1) and +8% YTD. This was driven by higher shipments y-o-y to Western Europe (+20%), Eastern Europe (+17%), and North America (+6%). The strong ROW demand has helped mitigate the reduced Chinese demand.

**Global monthly pulp shipments**



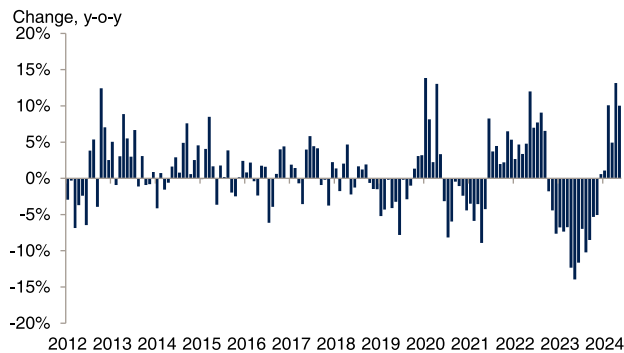
Source: ABG Sundal Collier, PPPC

**Monthly pulp shipments to China**



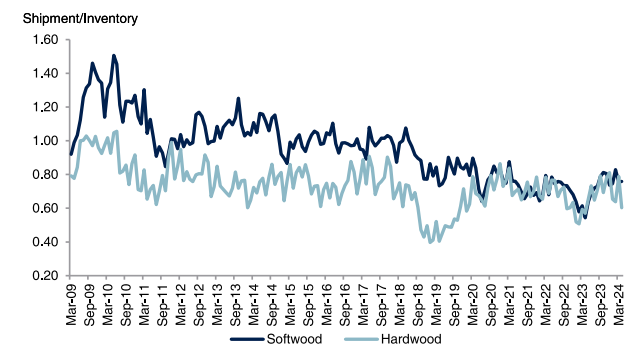
Source: ABG Sundal Collier, PPPC

**Monthly pulp shipments RoW**



Source: ABG Sundal Collier, PPPC

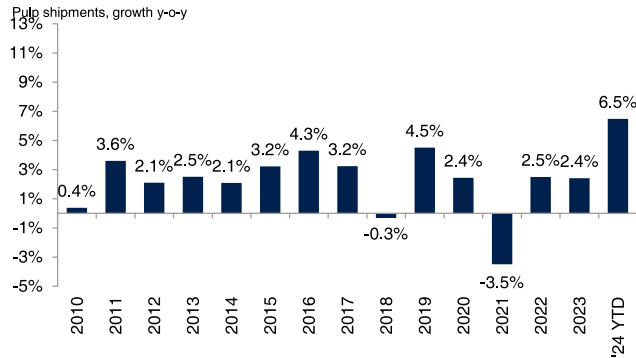
**Global monthly ship. over inventory**



Source: ABG Sundal Collier, PPPC

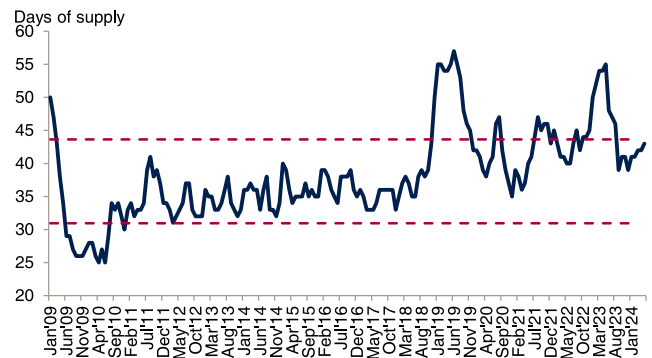
Inventories remained increased m-o-m in May (43 days), and are down 19% from the peak in May'23. However, inventories are still ~15% above the historical average (corresponding to ~6.3m tonnes). The capacity utilisation rate of 83% in May fell +4pp y-o-y. Hardwood shipments fell 4% y-o-y while softwood shipments fell 12%.

**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 ~2% in '24 and ~4% in '25**

We have updated our detailed pulp market data in this report using fresh data from RIS, and while '24 should still see a net supply growth of ~2% (1.5% earlier), we now expect a gross supply growth of +3.7% in '25 vs. +4.7% in our previous report (project cancellations in Russia/China).

Some of the projects that are expected to come on stream are Suzano's Cerrado project (total of 2.55mt, ~950kt in '24), and Metsä Fibre's Kemi expansion (+725kt in '24). Some closures are expected as well, notably International Paper's Riegelwood and Penascola mills (~500kt in '24), Stora's closure of the Sunila mill (~270kt in '24), and Heinzl ~100kt reduction at its Pols mill ('25).

**Large pulp projects and capacity changes**

Company	Country	Grade	2019	2020	2021	2022	2023	2024	2025	capacity	Status
APP	Indonesia	BHK	130	145	180	0	0	0	0	5,165	Producing/Planned
SCA	Sweden	BSK	325	70	0	0	0	200	0	595	Producing
Chenming	China	BHK/DP	300	250	0	0	0	0	0	550	Producing
Bracell	Brazil	BEK/DP	0	0	550	1,800	-165	-365	450	2,800	Producing
Arauco	Chile	BHK	0	0	0	0	1,000	480	0	1,480	Producing
UPM	Uruguay	BHK	0	0	0	0	1,325	750	0	2,075	Producing
Södra	Sweden	NBSK	0	0	0	0	115	35	0	150	Planned
Metsä Fibre	Finland	BHK/BSK	0	0	0	0	155	725	130	1010	Construction
CMPC	Brazil	BEK	0	0	0	0	45	305	0	350	Construction
Paper Excellence	Canada	BSK	0	0	0	0	250	-170	0	80	Curtailment
Stora Enso	Finland	NBSK	0	0	0	0	-100	-270	0		Restructuring
Vietracimex	Vietnam	BHK	0	0	0	0	85	133	133	350	Construction
Canfor Pulp	Canada	BSK/UKP	0	0	0	0	-315	-300	0	620	Curtailment
Suzano	Brazil	BEK	0	0	0	0	0	950	1,450	2,550	Planned
Kaicell	Finland	BSK	0	0	0	0	0	200	400	600	Planned
Oji	China	BHK	0	0	0	0	0	-100	0	2500	Curtailment
Sun Paper	China	BHK/UKP	0	0	0	0	-175	-10	0	5144	Curtailment/expansion
Taison Group	China	BHK/BSK	0	0	0	0	60	290	0		Construction
Domtar	Canada	BSK	0	0	0	0	-280	0	0		
International Paper	USA	BSK	0	0	0	0	0	-505	0	2,700	
AV Group	Canada	BSK	0	0	0	0	0	-335	0		
Heinzl	Austria	BSK	0	0	0	0	0	0	-100		
APRIL	Indonesia	BHK	0	0	0	0	0	-140	-175		
<b>Announced capacity changes selected companies</b>			<b>755</b>	<b>465</b>	<b>730</b>	<b>1,800</b>	<b>2,000</b>	<b>1,873</b>	<b>3,088</b>		
Other projects			(10)	240	(885)	148	(268)	(289)	(73)		
<b>Total announced capacity changes</b>			<b>745</b>	<b>705</b>	<b>(155)</b>	<b>1,948</b>	<b>1,733</b>	<b>1,584</b>	<b>3,015</b>		
<i>Total capacity change, y-o-y</i>			<i>1.0%</i>	<i>0.9%</i>	<i>-0.2%</i>	<i>2.5%</i>	<i>2.2%</i>	<i>2.0%</i>	<i>3.7%</i>		

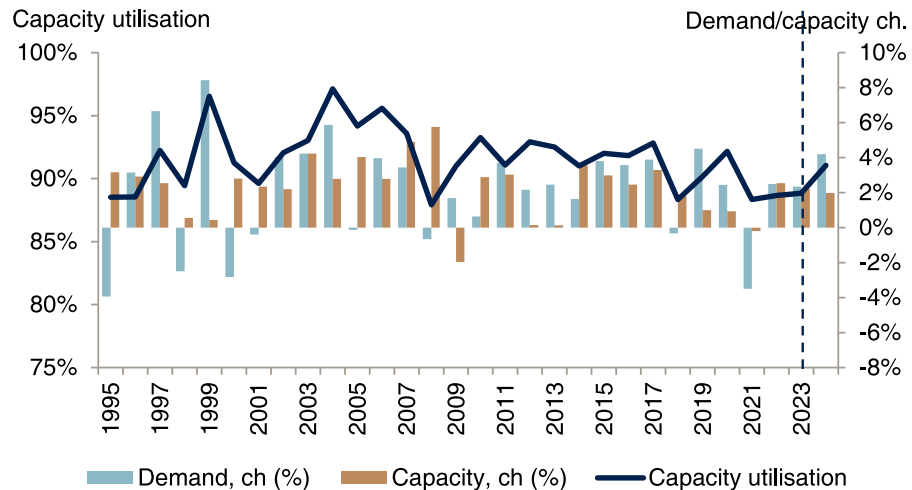
Source: ABG Sundal Collier, RISI

**Pulp market balance likely to improve in '24**

The pulp utilisation rate could reach +91% in '24 vs. ~89% in '23 (historical average 91.5%). The improvement is mainly driven by higher pulp demand (~4%) and ~2% supply growth. Note that actual supply growth in '24 could be lower if we factor in unplanned, temporary capacity disruptions like the Finnish strike and Metsä Fibre's 1.5mt Kemi mill (12 weeks out due to accident). Kemi represents ~2% of the global market pulp capacity and ~5% of the global softwood capacity. Demand could also surprise on the upside (the +8% YTD is strong).



## Capacity utilisation versus supply/demand



Source: ABG Sundal Collier, PPPC, RISI

## The '26-'30 pulp outlook

We have looked deeper into the pulp market balance for '26-'30 and find that there are several expansion projects in the pipeline that could significantly lift the total market pulp capacity (most of them hardwood). Among the largest projects are Suzano's Cerrado Project (2.55mt, start-up in H2'24e, full capacity from '25e), and Arauco's Sucuriú Project (2.5mt, expected start-up in '28e, construction in '25e). Additionally, APP has announced +4mt expansion of its OKI mill (Indonesia), but these projects have received media backlash, and we see it as unlikely that the full capacity expansion will be reached.

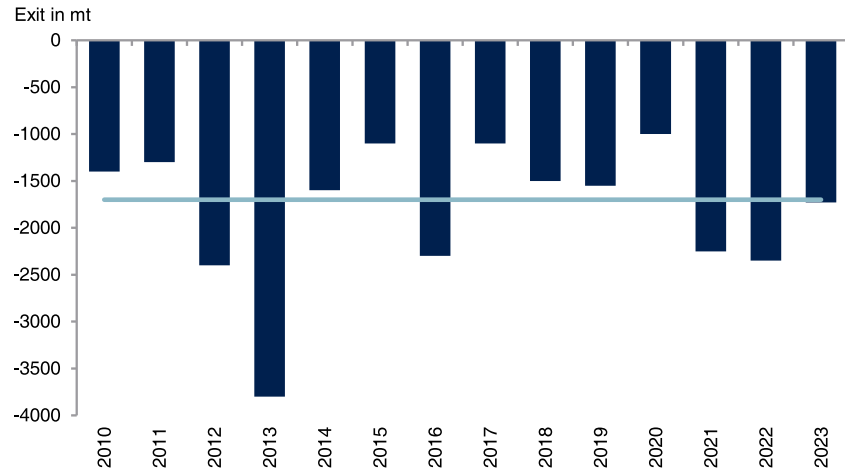
## New capacity incoming in '26-'30, but demand uncertain

Major capacity changes ('000t/y)		2026	2027	2028	2029	2030	Planned capacity	Status
APP	Indonesia BHK	500	500	1000	1000	1000	4,000	Planned
Paracel	Paraguay BEK	0	900	900	0	0	1,800	Planned
Suzano	Brazil BEK	150	0	0	0	0	2,550	Planned
Arauco	Brazil BEK	0	0	1250	1250	0	2,500	Planned
Norske Skog	Norway BCTMP	50	200	50	0	0	300	Planned
Billerud	Norway BCTMP	50	200	50	0	0	300	Planned
Eldorado	Brazil BEK	1000	500	1000	0	0	2,500	Postponed
Langhai	China BHK	1000	400	0	0	0	1,400	Planned
CMPC	Brazil BHK	0	0	750	925	925	2,600	Planned
<b>Announced capacity changes selected companies</b>		<b>2750</b>	<b>2700</b>	<b>5000</b>	<b>3175</b>	<b>1925</b>		
Other projects		0	0	0	0	0		
<b>Total announced capacity changes</b>		<b>2750</b>	<b>2700</b>	<b>5000</b>	<b>3175</b>	<b>1925</b>		
<b>Total capacity change, y-o-y</b>		<b>3.2%</b>	<b>3.1%</b>	<b>5.5%</b>	<b>3.3%</b>	<b>2.0%</b>		
<b>Capacity utilisation</b>								
<i>Assuming</i>								
2.5% demand growth		89.1%	88.6%	85.5%	84.7%	85.2%		
3.5% demand growth		91.1%	91.6%	89.5%	89.7%	91.2%		
4.0% demand growth		92.1%	93.1%	91.5%	92.2%	94.2%		
4.5% demand growth		93.1%	94.6%	93.5%	94.7%	97.2%		

Source: ABG Sundal Collier, RISI

There are many smaller pulp mills with a high technical age and supply cuts take place every year. The historical average exit rate for hardwood and softwood combined is ~1.7mt p.a., or ~2%. Hence, anticipated new pulp capacity could be partially offset by market exits.

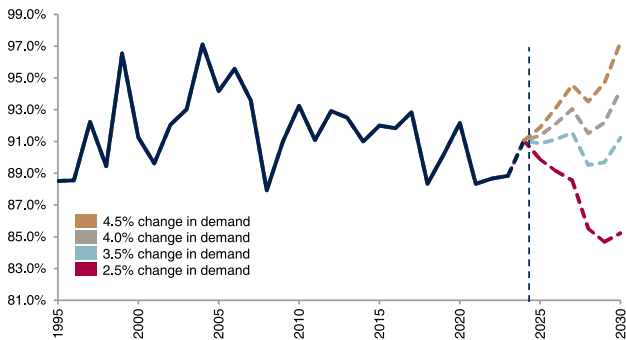
**Average exit rate of BHKP and BSKP at 1.7mt**



Source: ABG Sundal Collier, Suzano

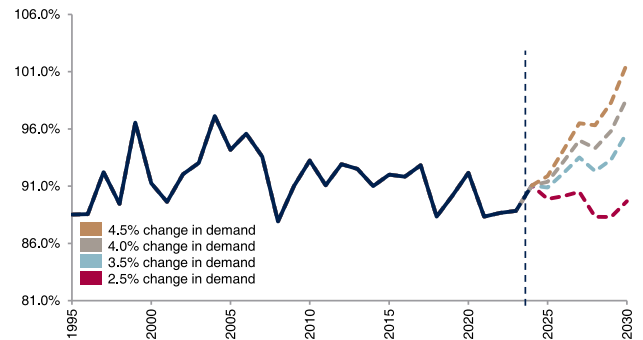
We have analysed what the capacity utilisation rate could be under varying scenarios of annual demand growth. To provide a nuanced perspective of the actual potential, we have made a distinction between the gross and net changes in pulp capacity. Given the uncertainty surrounding the future exit rate of market pulp, we have based our assumptions on an annual exit of 0.8mt (i.e. half of the historical 1.7 mt). The first graph below shows pulp utilisation rates for various demand scenarios assuming gross supply growth (from the table above) while the second graph assumes 50% of the historical pulp exits.

**Utilisation rate at different change in demand p.a**



Source: ABG Sundal Collier, RISI

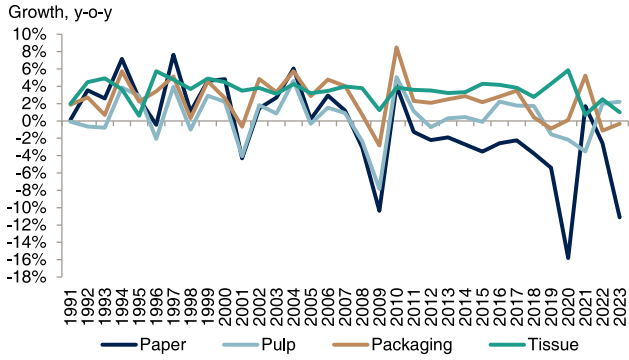
**Utilisation rate assuming pulp exit at hist. avg.**



Source: ABG Sundal Collier, RISI, Suzano

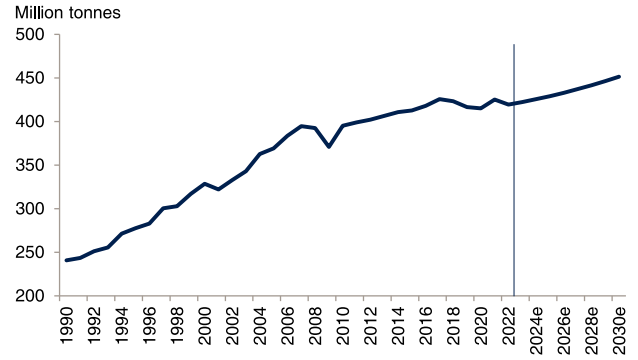
Long-term fibre consumption growth is likely to increase, driven by rising demand for packaging and tissue at +2-4%. Paper's structural drop means that there is less RCP available and few companies build integrated pulp capacity now. Therefore, an increasing amount of the fibre needs to be covered by 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)



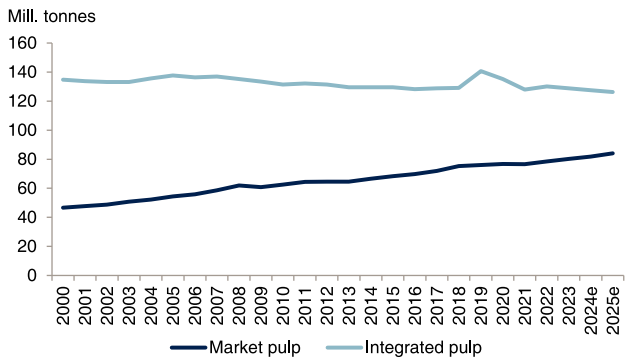
Source: ABG Sundal Collier, RISI

### Global fibre consumption



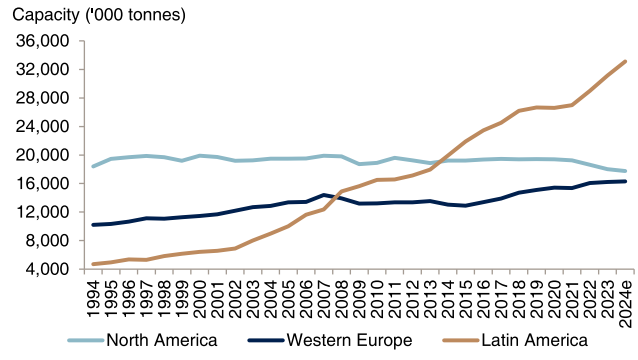
Source: ABG Sundal Collier, RISI

### Global integrated vs. market pulp capacity



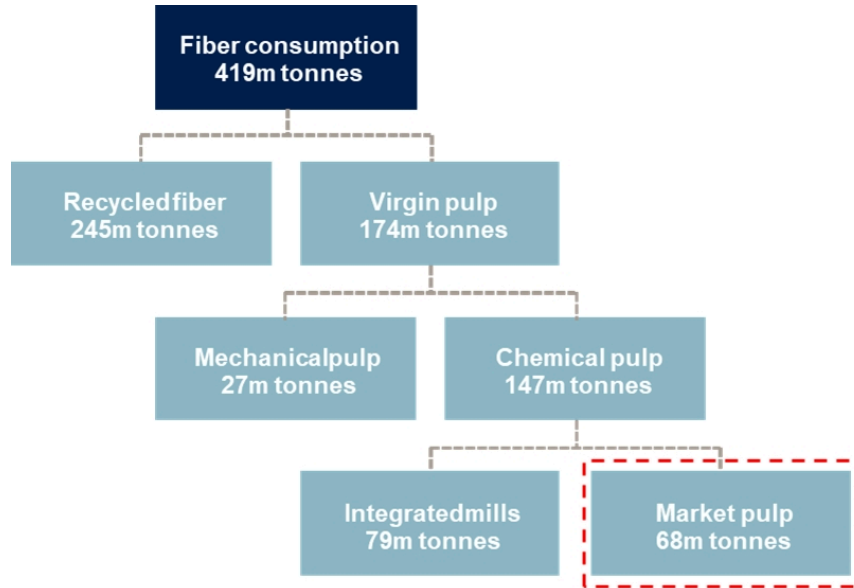
Source: ABG Sundal Collier, RISI

### Capacity by largest regions



Source: ABG Sundal Collier, RISI

### Global fibre consumption



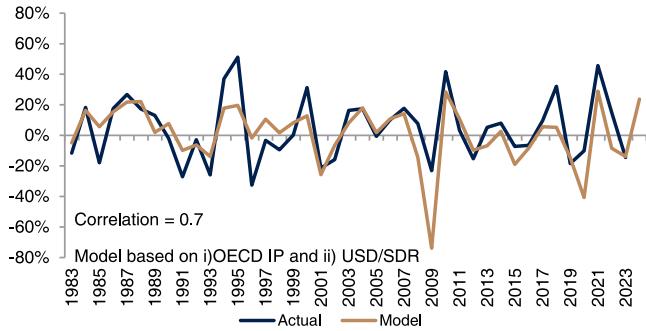
Source: ABG Sundal Collier, RISI

## ABGSC pulp price model points up in '24

Our pulp price model is driven by OECD IP growth and the USD/SDR. Weaker macroeconomic growth and a stronger USD pointed to prices -20% into '23, but the model points up 20-25% for '24.

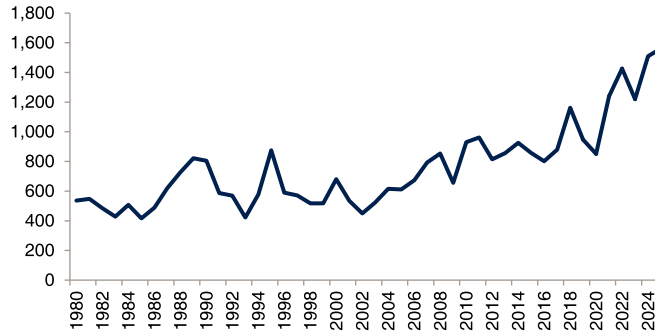
1. Pulp prices are IP cyclical and usually follow OECD IP growth with a lag.
2. A stronger USD vs. SDR is negative for pulp prices.

### ABGSC pulp price model



Source: ABG Sundal Collier, RISI

### Pulp price, historical and forecast



Source: ABG Sundal Collier, 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% (23-46%) in this cycle, 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 reached unsustainable levels

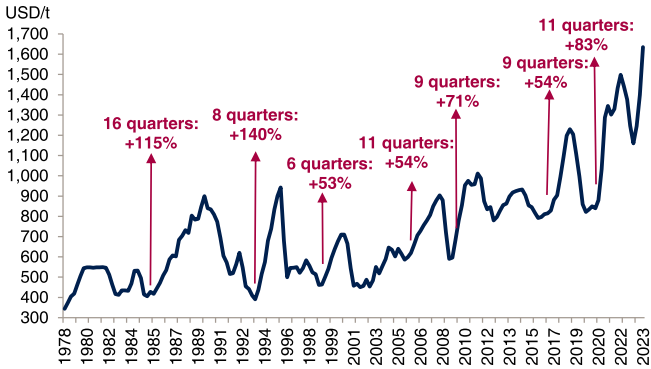


Source: ABG Sundal Collier, Suzano

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

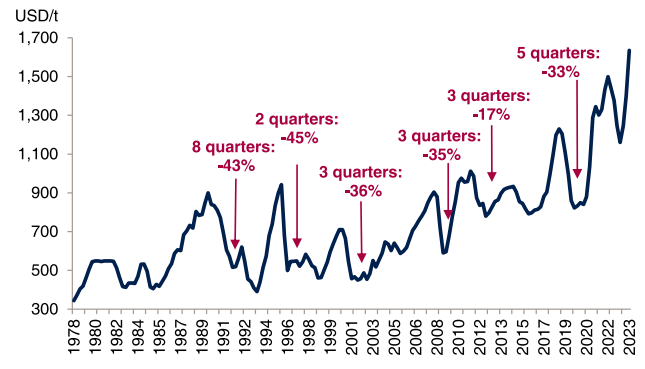
A pulp “up-cycle” tends to last 9-10 quarters with prices rising ~81%. In the recent up-cycle ('19-'22) the pulp price rose 83% over 11 quarters. In a normal pulp “down-cycle”, prices tend to drop ~34%. In the graphs below, we have analysed pulp cycles with price data going back to 1978. The prices dropped ~33% from their '18 peak following the IP recession in H2'18-'20, which is the same drop as in the financial crisis. Pulp prices have dropped the normal 34% (23-46%) in this cycle too, and are now pointing up. Softwood prices are up +40% from the trough in only 3 quarters this round. A normal “up-cycle” tends to last longer with a larger price increase.

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



Source: ABG Sundal Collier, RISI

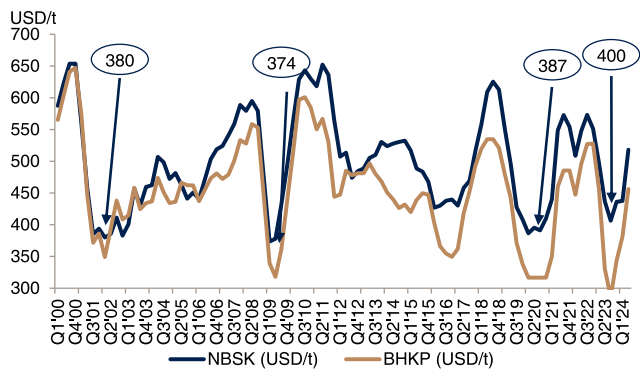
**Pulp “down-cycles”: last 3-4 quarters (-34%)**



Source: ABG Sundal Collier, RISI

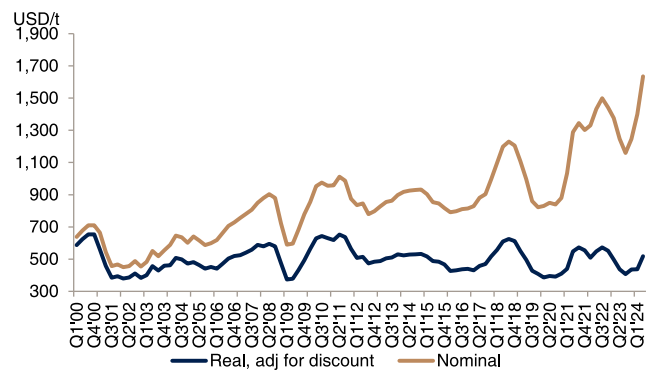
Pulp prices have risen from 2000, but the typical discount increased from 8% in '00 to ~42% in '24. Nominal softwood prices are now ~90% above the historical average since '00, but the discounted adjusted price in real terms is only 3% above the historical average.

**Real pulp price adjusted for discounts**



Source: ABG Sundal Collier, RISI

**NBSK: nominal vs. real price adjusted for discounts**



Source: ABG Sundal Collier, RISI

Income Statement (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Sales	109,265	118,500	128,975	121,754	121,867	156,173	147,147	146,246	150,536	156,100
COGS	-91,076	-101,000	-107,239	-97,325	-101,277	-136,096	-122,394	-119,950	-123,203	-128,290
Gross profit	18,189	17,500	21,736	24,429	20,590	20,077	24,753	26,296	27,333	27,811
Other operating items	0	0	0	0	0	0	0	0	0	0
<b>EBITDA</b>	<b>18,189</b>	<b>17,500</b>	<b>21,736</b>	<b>24,429</b>	<b>20,590</b>	<b>20,077</b>	<b>24,753</b>	<b>26,296</b>	<b>27,333</b>	<b>27,811</b>
Depreciation and amortisation	-5,724	-6,009	-6,667	-6,783	-6,495	-9,225	-6,861	-6,023	-6,405	-6,665
<b>EBITA</b>	<b>13,405</b>	<b>12,935</b>	<b>15,840</b>	<b>17,626</b>	<b>13,680</b>	<b>13,315</b>	<b>18,899</b>	<b>20,009</b>	<b>20,928</b>	<b>21,146</b>
Impairment and PPA amortisation	-560	-732	-778	-809	-852	-1,373	-1,109	-1,003	-1,288	-1,268
<b>EBIT</b>	<b>12,845</b>	<b>12,203</b>	<b>15,062</b>	<b>16,817</b>	<b>12,828</b>	<b>11,942</b>	<b>17,790</b>	<b>19,006</b>	<b>19,640</b>	<b>19,878</b>
Net financial items	-1,182	-1,157	-1,309	-958	-662	-1,370	-2,356	-2,085	-1,949	-1,830
<b>Pretax profit</b>	<b>10,723</b>	<b>9,602</b>	<b>13,040</b>	<b>15,800</b>	<b>12,537</b>	<b>8,109</b>	<b>12,793</b>	<b>17,185</b>	<b>17,691</b>	<b>18,048</b>
Tax	-1,938	-1,050	-2,828	-4,053	-2,727	-2,045	-3,275	-4,479	-4,529	-4,620
<b>Net profit</b>	<b>8,785</b>	<b>8,552</b>	<b>10,212</b>	<b>11,747</b>	<b>9,810</b>	<b>6,064</b>	<b>9,518</b>	<b>12,707</b>	<b>13,162</b>	<b>13,427</b>
Minority interest	-669	-666	-996	-1,519	-1,190	-497	0	-666	-680	-668
<b>Net profit to shareholders</b>	<b>8,116</b>	<b>7,886</b>	<b>9,216</b>	<b>10,228</b>	<b>8,620</b>	<b>5,567</b>	<b>9,518</b>	<b>12,041</b>	<b>12,482</b>	<b>12,759</b>
EPS	11.56	11.23	13.12	14.56	12.27	7.93	13.55	17.18	18.05	18.72
EPS adj.	12.89	13.28	14.14	14.65	11.75	11.43	17.31	16.81	18.05	18.72
Total extraordinary items after tax	-940	-1,444	-713	-59	371	-2,463	-2,641	264	0	0
Leasing payments	0	0	0	0	0	0	0	0	0	0
Tax rate (%)	18.1	10.9	21.7	25.7	21.8	25.2	25.6	26.1	25.6	25.6
Gross margin (%)	16.6	14.8	16.9	20.1	16.9	12.9	16.8	18.0	18.2	17.8
EBITDA margin (%)	16.6	14.8	16.9	20.1	16.9	12.9	16.8	18.0	18.2	17.8
EBITA margin (%)	12.3	10.9	12.3	14.5	11.2	8.5	12.8	13.7	13.9	13.5
EBIT margin (%)	11.8	10.3	11.7	13.8	10.5	7.6	12.1	13.0	13.0	12.7
Pre-tax margin (%)	9.8	8.1	10.1	13.0	10.3	5.2	8.7	11.8	11.8	11.6
Net margin (%)	8.0	7.2	7.9	9.6	8.0	3.9	6.5	8.7	8.7	8.6
<b>Growth Rates y-o-y</b>	-	-	-	-	-	-	-	-	-	-
Sales growth (%)	7.9	8.5	8.8	-5.6	0.1	28.2	-5.8	-0.6	2.9	3.7
EBITDA growth (%)	28.5	-3.8	24.2	12.4	-15.7	-2.5	23.3	6.2	3.9	1.7
EBITA growth (%)	11.8	-3.5	22.5	11.3	-22.4	-2.7	41.9	5.9	4.6	1.0
EBIT growth (%)	8.6	-5.0	23.4	11.7	-23.7	-6.9	49.0	6.8	3.3	1.2
Net profit growth (%)	107.1	-2.7	19.4	15.0	-16.5	-38.2	57.0	33.5	3.6	2.0
EPS growth (%)	nm	-2.8	16.9	11.0	-15.7	-35.4	71.0	26.8	5.0	3.7
<b>Profitability</b>	-	-	-	-	-	-	-	-	-	-
ROE (%)	21.5	17.6	18.2	18.9	15.1	8.8	13.8	15.0	13.4	12.7
ROE adj. (%)	25.5	22.5	21.1	20.5	15.9	14.8	19.2	15.9	14.8	14.0
ROCE (%)	12.8	9.8	12.5	14.7	11.1	7.0	10.7	14.5	15.1	14.8
ROCE adj. (%)	14.4	11.8	13.8	15.5	11.5	9.8	13.4	15.0	16.1	15.8
ROIC (%)	12.4	10.9	11.1	11.9	9.3	7.6	10.3	11.8	13.0	12.7
ROIC adj. (%)	12.4	10.9	11.1	11.9	9.3	7.6	10.3	11.8	13.0	12.7
<b>Adj. earnings numbers</b>	-	-	-	-	-	-	-	-	-	-
EBITDA adj.	18,189	17,500	21,736	24,429	20,590	20,077	24,753	26,296	27,333	27,811
EBITDA adj. margin (%)	16.6	14.8	16.9	20.1	16.9	12.9	16.8	18.0	18.2	17.8
EBITDA lease adj.	18,189	17,500	21,736	24,429	20,590	20,077	24,753	26,296	27,333	27,811
EBITDA lease adj. margin (%)	16.6	14.8	16.9	20.1	16.9	12.9	16.8	18.0	18.2	17.8
EBITA adj.	13,405	12,935	15,840	17,626	13,680	13,315	18,899	20,009	20,928	21,146
EBITA adj. margin (%)	12.3	10.9	12.3	14.5	11.2	8.5	12.8	13.7	13.9	13.5
EBIT adj.	12,845	12,203	15,062	16,817	12,828	11,942	17,790	19,006	19,640	19,878
EBIT adj. margin (%)	11.8	10.3	11.7	13.8	10.5	7.6	12.1	13.0	13.0	12.7
Pretax profit Adj.	12,223	11,778	14,531	16,668	13,018	11,945	16,543	17,924	18,979	19,316
Net profit Adj.	10,285	10,728	11,703	12,615	10,291	9,900	13,268	13,446	14,450	14,695
Net profit to shareholders adj.	9,616	10,062	10,707	11,096	9,101	9,403	13,268	12,780	13,770	14,027
Net adj. margin (%)	9.4	9.1	9.1	10.4	8.4	6.3	9.0	9.2	9.6	9.4

Source: ABG Sundal Collier, Company Data

Cash Flow (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
EBITDA	18,189	17,500	21,736	24,429	20,590	20,077	24,753	26,296	27,333	27,811
Net financial items	-1,182	-1,157	-1,309	-958	-662	-1,370	-2,356	-2,085	-1,949	-1,830
Paid tax	-1,938	-1,050	-2,828	-4,053	-2,727	-2,045	-3,275	-4,479	-4,529	-4,620
Non-cash items	0	0	0	0	0	0	0	0	0	0
Cash flow before change in WC	15,069	15,293	17,599	19,418	17,201	16,662	19,122	19,733	20,855	21,360
Change in working capital	-1,818	-1,189	390	-44	-501	-2,906	-316	1,096	-195	-284
<b>Operating cash flow</b>	<b>13,251</b>	<b>14,104</b>	<b>17,989</b>	<b>19,374</b>	<b>16,700</b>	<b>13,756</b>	<b>18,806</b>	<b>20,829</b>	<b>20,661</b>	<b>21,076</b>
Capex tangible fixed assets	-33,684	-7,165	-5,707	-6,439	-7,304	-6,875	-6,850	-7,409	-10,409	-13,409
Acquisitions and Disposals	0	0	0	0	0	0	0	0	0	0

Cash Flow (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
<b>Free cash flow</b>	<b>-20,433</b>	<b>6,939</b>	<b>12,282</b>	<b>12,935</b>	<b>9,396</b>	<b>6,881</b>	<b>11,956</b>	<b>13,420</b>	<b>10,252</b>	<b>7,667</b>
Dividend paid	0	-4,038	-4,038	-4,354	-4,741	-4,916	-5,092	-5,443	-5,574	-5,664
Share issues and buybacks	0	0	0	0	0	0	0	0	0	0
Leasing liability amortisation	0	0	0	0	0	0	0	0	0	0
Other non-cash items	2,667	-4,366	-4,780	-329	-17,400	-9,401	2,302	17,889	-680	-668
Balance Sheet (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Tangible fixed assets	107,098	112,121	120,314	111,529	124,047	139,580	116,102	120,299	120,299	120,299
Fixed assets	107,098	112,121	120,314	111,529	124,047	139,580	116,102	120,299	120,299	120,299
Inventories	13,739	15,234	15,764	16,383	19,339	28,888	17,546	19,607	20,116	20,859
Receivables	17,607	18,687	19,864	17,825	19,871	25,990	25,311	24,166	24,794	25,709
Other current assets	4,465	5,216	3,425	3,926	7,889	11,854	38,875	8,908	8,908	8,908
Cash and liquid assets	4,107	3,008	2,928	4,982	3,904	4,288	5,159	10,442	10,442	10,442
<b>Total assets</b>	<b>147,016</b>	<b>154,266</b>	<b>162,295</b>	<b>154,645</b>	<b>175,050</b>	<b>210,600</b>	<b>202,993</b>	<b>183,422</b>	<b>184,558</b>	<b>186,217</b>
Shareholders equity	42,289	47,141	54,125	54,352	59,874	67,346	70,846	89,639	96,547	103,642
Minority	7,281	7,758	8,676	8,990	8,633	9,218	8,559	453	453	453
<b>Total equity</b>	<b>49,570</b>	<b>54,899</b>	<b>62,801</b>	<b>63,342</b>	<b>68,507</b>	<b>76,564</b>	<b>79,405</b>	<b>90,092</b>	<b>97,000</b>	<b>104,095</b>
Long-term debt	57,046	57,412	53,868	47,670	59,337	67,157	58,862	38,279	34,282	32,947
Accounts payable	27,317	28,703	30,800	29,336	33,837	46,599	34,262	36,274	37,216	38,590
Other current liabilities	13,083	13,252	14,826	14,297	13,369	20,280	30,464	18,777	16,061	10,585
<b>Total liabilities and equity</b>	<b>147,016</b>	<b>154,266</b>	<b>162,295</b>	<b>154,645</b>	<b>175,050</b>	<b>210,600</b>	<b>202,993</b>	<b>183,422</b>	<b>184,558</b>	<b>186,217</b>
Net IB debt	52,939	54,404	50,940	42,688	55,433	62,869	53,703	27,837	23,840	22,505
Net IB debt excl. pension debt	52,939	54,404	50,940	42,688	55,433	62,869	53,703	27,837	23,840	22,505
Net IB debt excl. leasing	52,939	54,404	50,940	42,688	55,433	62,869	53,703	27,837	23,840	22,505
Capital employed	106,616	112,311	116,669	111,012	127,844	143,721	138,267	128,371	131,282	137,042
Capital invested	102,509	109,303	113,741	106,030	123,940	139,433	133,108	117,929	120,840	126,600
Working capital	-4,589	-2,818	-6,573	-5,499	-107	-147	17,006	-2,370	541	6,301
<b>EV breakdown</b>	-	-	-	-	-	-	-	-	-	-
Market cap. diluted (m)	198,470	198,470	198,470	198,470	198,470	198,470	198,470	196,906	194,028	191,150
Net IB debt adj.	52,939	54,404	50,940	42,688	55,433	62,869	53,703	27,837	23,840	22,505
Market value of minority	7,281	7,758	8,676	8,990	8,633	9,218	8,559	453	453	453
Reversal of shares and participations	0	0	0	0	0	0	0	0	0	0
<b>EV</b>	<b>258,690</b>	<b>260,632</b>	<b>258,086</b>	<b>250,148</b>	<b>262,536</b>	<b>270,557</b>	<b>260,732</b>	<b>225,196</b>	<b>218,321</b>	<b>214,108</b>
Total assets turnover (%)	83.6	78.7	81.5	76.8	73.9	81.0	71.2	75.7	81.8	84.2
Working capital/sales (%)	-3.7	-3.1	-3.6	-5.0	-2.3	-0.1	5.7	5.0	-0.6	2.2
<b>Financial risk and debt service</b>	-	-	-	-	-	-	-	-	-	-
Net debt/equity (%)	106.8	99.1	81.1	67.4	80.9	82.1	67.6	30.9	24.6	21.6
Net debt / market cap (%)	26.7	27.4	25.7	21.5	27.9	31.7	27.1	14.1	12.3	11.8
Equity ratio (%)	33.7	35.6	38.7	41.0	39.1	36.4	39.1	49.1	52.6	55.9
Net IB debt adj. / equity (%)	106.8	99.1	81.1	67.4	80.9	82.1	67.6	30.9	24.6	21.6
Current ratio	0.99	1.00	0.92	0.99	1.08	1.06	1.34	1.15	1.21	1.34
EBITDA/net interest	15.4	15.1	16.6	25.5	31.1	14.7	10.5	12.6	14.0	15.2
Net IB debt/EBITDA (x)	2.9	3.1	2.3	1.7	2.7	3.1	2.2	1.1	0.9	0.8
Net IB debt/EBITDA lease adj. (x)	2.9	3.1	2.3	1.7	2.7	3.1	2.2	1.1	0.9	0.8
Interest coverage	11.3	11.2	12.1	18.4	20.7	9.7	8.0	9.6	10.7	11.6

Source: ABG Sundal Collier, Company Data

Share Data (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Actual shares outstanding	702	702	702	702	702	702	702	697	687	676
Actual shares outstanding (avg)	702	702	702	702	702	702	702	697	687	676
All additional shares	0	0	0	0	0	0	0	-6	-10	-10
Actual dividend per share	5.75	5.75	6.20	6.75	7.00	7.25	7.75	8.00	8.25	8.50
Reported earnings per share	-	-	-	-	-	-	-	-	-	-

Source: ABG Sundal Collier, Company Data

Valuation and Ratios (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Shares outstanding adj.	702	702	702	702	702	702	702	697	687	676
Diluted shares adj.	702	702	702	702	702	702	702	697	687	676
EPS	11.56	11.23	13.12	14.56	12.27	7.93	13.55	17.18	18.05	18.72
Dividend per share	5.75	5.75	6.20	6.75	7.00	7.25	7.75	8.00	8.25	8.50
EPS adj.	12.89	13.28	14.14	14.65	11.75	11.43	17.31	16.81	18.05	18.72
BVPS	60.22	67.12	77.07	77.39	85.25	95.89	100.88	128.65	140.62	153.23
BVPS adj.	60.22	67.12	77.07	77.39	85.25	95.89	100.88	128.65	140.62	153.23
Net IB debt/share	75.38	77.47	72.53	60.78	78.93	89.52	76.47	39.95	34.72	33.27
Share price	282.60	282.60	282.60	282.60	282.60	282.60	282.60	282.60	282.60	282.60

Valuation and Ratios (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Market cap. (m)	198,470	198,470	198,470	198,470	198,470	198,470	198,470	196,906	194,028	191,150
<b>Valuation</b>	-	-	-	-	-	-	-	-	-	-
P/E (x)	24.5	25.2	21.5	19.4	23.0	35.7	20.9	16.4	15.7	15.1
EV/sales (x)	2.37	2.20	2.00	2.05	2.15	1.73	1.77	1.54	1.45	1.37
EV/EBITDA (x)	14.2	14.9	11.9	10.2	12.8	13.5	10.5	8.6	8.0	7.7
EV/EBITA (x)	19.3	20.1	16.3	14.2	19.2	20.3	13.8	11.3	10.4	10.1
EV/EBIT (x)	20.1	21.4	17.1	14.9	20.5	22.7	14.7	11.8	11.1	10.8
Dividend yield (%)	2.0	2.0	2.2	2.4	2.5	2.6	2.7	2.8	2.9	3.0
FCF yield (%)	-10.3	3.5	6.2	6.5	4.7	3.5	6.0	6.8	5.3	4.0
Le. adj. FCF yld. (%)	-10.3	3.5	6.2	6.5	4.7	3.5	6.0	6.8	5.3	4.0
P/BVPS (x)	4.69	4.21	3.67	3.65	3.31	2.95	2.80	2.20	2.01	1.84
P/BVPS adj. (x)	4.69	4.21	3.67	3.65	3.31	2.95	2.80	2.20	2.01	1.84
P/E adj. (x)	21.9	21.3	20.0	19.3	24.1	24.7	16.3	16.8	15.7	15.1
EV/EBITDA adj. (x)	14.2	14.9	11.9	10.2	12.8	13.5	10.5	8.6	8.0	7.7
EV/EBITA adj. (x)	19.3	20.1	16.3	14.2	19.2	20.3	13.8	11.3	10.4	10.1
EV/EBIT adj. (x)	20.1	21.4	17.1	14.9	20.5	22.7	14.7	11.8	11.1	10.8
EV/CE (x)	2.4	2.3	2.2	2.3	2.1	1.9	1.9	1.8	1.7	1.6
<b>Investment ratios</b>	-	-	-	-	-	-	-	-	-	-
Capex/sales (%)	30.8	6.0	4.4	5.3	6.0	4.4	4.7	5.1	6.9	8.6
Capex/depreciation	5.9	1.2	0.9	0.9	1.1	0.7	1.0	1.2	1.6	2.0
Capex tangibles / tangible fixed assets	31.5	6.4	4.7	5.8	5.9	4.9	5.9	6.2	8.7	11.1
Depreciation on tangibles / tangibles	5.34	5.36	5.54	6.08	5.24	6.61	5.91	5.01	5.32	5.54

Source: ABG Sundal Collier, Company Data



## Analyst Certification

We, ABGSC Pulp & Paper Research, Martin Melbye and Ali Shemmari, analyst(s) with ABG Sundal Collier ASA, ABG Sundal Collier Denmark, filial af ABG Sundal Collier ASA, Norge, ABG Sundal Collier AB and/or ABG Sundal Collier Limited (hereinafter collectively referred to as “ABG Sundal Collier”), and the author(s) of this report, certify that notwithstanding the existence of any such potential conflicts of interests referred to below, the views expressed in this report accurately reflect my/our personal view about the companies and securities covered in this report. I/We further certify that I/We has/have not been, nor am/are or will be, receiving direct or indirect compensation related to the specific recommendations or views contained in this report.

This report is produced by ABG Sundal Collier, which may cover companies either in accordance with legal requirements designed to promote the independence of investment research (“independent research”) or as commissioned research. Commissioned research is paid for by the subject company. As such, commissioned research is deemed to constitute an acceptable minor non-monetary benefit (i.e., not investment research) as defined in MiFID II.

## Stock ratings distribution

### ABG Sundal Collier Ratings and Investment Banking by 7/18/2024

Total of Rating	Research Coverage	Investment Banking Clients (IBC)	
	% of Total Rating	% of Total IBC	% of Total Rating by Type
<b>BUY</b>	63.91%	16%	6.90%
<b>HOLD</b>	30.85%	4%	3.57%
<b>SELL</b>	4.68%	1%	5.88%

IBC: Companies in respect of which ABG SC or an affiliate has received compensation for investment banking services within the past 12 months.

## Analyst stock ratings definitions

**BUY** = We expect this stock’s total return to exceed the market’s expected total return by 5% or more over the next six months.

**HOLD** = We expect this stock’s total return to be in line with the market’s expected total return within a range of 4% over the next six months.

**SELL** = We expect this stock’s total return to underperform the market’s expected total return by 5% or more over the next six months.

## Analyst valuation methods

When setting the individual ratings for investment research (“independent research”), ABG Sundal Collier assumes that a normal total absolute return (including dividends) for the market is 8% per annum, or 4% on a 6-month basis. Therefore, when we rate a stock a BUY, we expect an absolute return of 9% or better over six months. Volatility and low trading volumes mean that we have a wider range for expected returns on small cap stocks than for large caps.

ABG Sundal Collier’s analysts publish price targets for independent research and may publish valuation ranges for commissioned research. These price targets or valuation ranges rely on various valuation methods. One of the most frequently used methods is the valuation of a company by calculation of that company’s discounted cash flow (DCF). Another valuation method is the analysis of a company’s return on capital employed relative to its cost of capital. Finally, the analysts may analyse various valuation multiples (e.g., the P/E multiples and the EV/EBITDA multiples) relative to global industry peers. In special cases, particularly for property companies and investment companies, the ratio of price to net asset value is considered. Price targets and valuation ranges are changed when earnings and cash flow forecasts are changed. They may also be changed when the underlying value of a company’s assets changes (in the cases of investment companies, real estate companies or insurance companies) or when factors impacting the required rate of return change.

## Expected updates

ABGSC has no fixed schedule for updating its research reports. Unless expressly stated otherwise, ABGSC expects (but does not undertake) to issue updates when considered necessary by the research department, for example following the publication of new figures or forecasts by a company or in the event of any material news on a company or its industry.

## Stock price, company ratings and target price history

Company: Essity

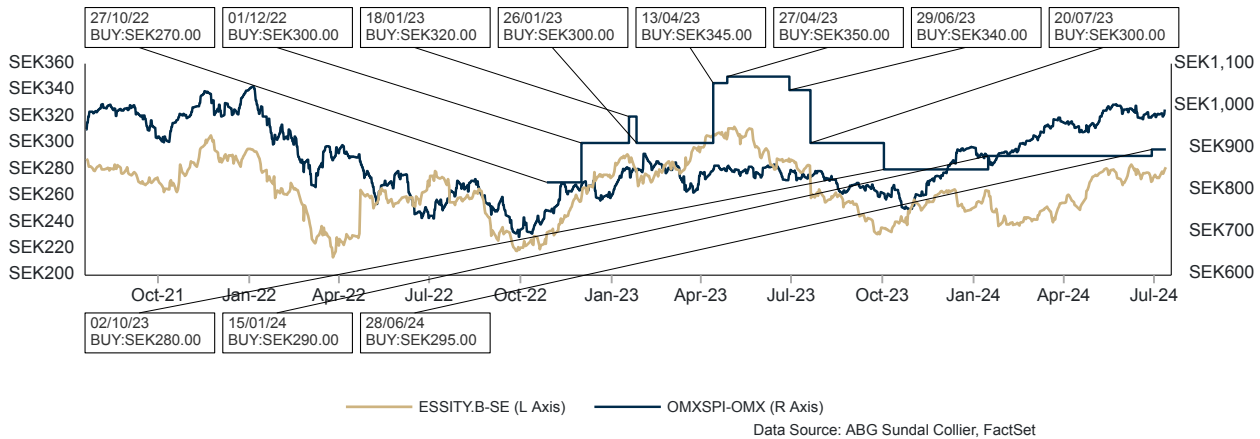
Currency: SEK

Current Recommendation: BUY

Date: 17/7/2024

Current Target price: 335.0

Current Share price: 282.60



### Important Company Specific Disclosure

The following disclosures relate to the relationship between ABG Sundal Collier and its affiliates and the companies covered by ABG Sundal Collier referred to in this research report.

Unless disclosed in this section, neither ABG Sundal Collier nor any of their affiliated or associated companies and their directors, officers, representatives, and employees have any required regulatory disclosures to make in relation to an ownership position for the analyst(s) and members of the analyst's household, ownership by ABG Sundal Collier and/or its affiliates, ownership in ABG Sundal Collier Holding ASA by the company(ies) to whom the recommendation(s) refer(s) to, liquidity provision/market making agreement, managed or co-managed public offerings, compensation for provision of certain services, directorship of the analyst, or a member of the analyst's household, or in relation to any contractual obligations to the issuance of this research report.

ABG Sundal Collier is not aware of any other actual, material conflicts of interest of the analyst or ABG Sundal Collier of which the analyst knows or has reason to know at the time of the publication of this report.

Production of recommendation: 7/18/2024 15:50.

All prices are as of market close on 17 July, 2024 unless otherwise noted.

For full details of recommendation and target price history for the subject company, please see company page on Research Web.

For details of recommendations and target prices for ABG Sundal Collier coverage universe, please see coverage page on ABG Sundal Collier's Research Web.

### Disclaimer

This report has been prepared by ABG Sundal Collier ASA, ABG Sundal Collier Denmark, filial af ABG Sundal Collier ASA, Norge, ABG Sundal Collier AB and/or ABG Sundal Collier Limited and any of their directors, officers, representatives and employees (hereinafter collectively referred to as "ABG Sundal Collier"). This report is not a product of any other affiliated or associated companies of any of the above entities.

This report is provided solely for the information and use of professional investors, who are expected to make their own investment decisions without undue reliance on this report. The information contained herein does not apply to, and should not be relied upon by, retail clients. This report is for distribution only under such circumstances as may be permitted by applicable law. Research reports prepared by ABG Sundal Collier are for information purposes only. The recommendation(s) in this report is (are) has/ have no regard to specific investment objectives and the financial situation or needs of any specific recipient. ABG Sundal Collier and/or its affiliates accepts no liability whatsoever for any losses arising from any use of this report or its contents. This report is not to be used or considered as an offer to sell, or a solicitation of an offer to buy. The information herein has been obtained from, and any opinions herein are based upon, sources believed reliable, but ABG Sundal Collier and/or its affiliates make no representation as to its accuracy or completeness and it should not be relied upon as such. All opinions and estimates herein reflect the judgment of ABG Sundal Collier on the date of this report and are subject to change without notice. Past performance is not indicative of future results.

The compensation of our research analysts is determined exclusively by research management and senior management, but not including investment banking management. Compensation is not based on specific investment banking revenues, however, it is determined from the profitability of the ABG Sundal Collier group, which includes earnings from investment banking operations and other business. Investors should assume that ABG Sundal Collier ASA, ABG Sundal Collier Denmark, filial af ABG Sundal Collier ASA, Norge and/or ABG Sundal Collier AB is seeking or will seek investment banking or other business relationships with the companies in this report.

The research analyst(s) responsible for the preparation of this report may interact with trading desk and sales personnel and other departments for the purpose of gathering, synthesizing and interpreting market information. From time to time, ABG Sundal Collier and/or its affiliates and any shareholders, directors, officers, or employees thereof may (I) have a position in, or otherwise be interested in, any securities directly or indirectly connected to the subject of this report, or (II) perform investment banking or other services for, or solicit investment banking or other services from, a company mentioned in this report. ABG Sundal Collier and/or its affiliates rely on information barriers to control the flow of information contained in one or more areas of ABG Sundal Collier, into other areas, units, groups or affiliates of ABG Sundal Collier.

Norway: ABG Sundal Collier ASA is regulated by the Financial Supervisory Authority of Norway (Finanstilsynet)

Denmark: ABG Sundal Collier Denmark, filial af ABG Sundal Collier ASA, Norge, is regulated by the Financial Supervisory Authority of Norway (Finanstilsynet) and the Danish Financial Supervisory Authority (Finanstilsynet)

Sweden: ABG Sundal Collier AB is regulated by the Swedish Financial Supervisory Authority (Finansinspektionen)

UK: This report is a communication made, or approved for communication in the UK, by ABG Sundal Collier Limited, authorised and regulated by the Financial Conduct Authority in the conduct of its business.

US: This report is being distributed in the United States (U.S.) in accordance with FINRA Rule 1220 by ABG Sundal Collier Inc., an SEC registered broker-dealer and a FINRA/SIPC member which accepts responsibility for its content and its compliance with FINRA Rule 2241. Research reports distributed in the U.S. are intended solely for "major U.S. institutional investors," and "U.S. institutional investors" as defined under Rule 15a-6 of the Securities Exchange Act of 1934 and any related interpretive guidance and no-action letters issued by the Staff of the U.S. Securities and Exchange Commission ("SEC") collectively ("SEC Rule 15a-6"). Each major U.S. institutional investor and U.S. institutional investor that receives a copy of this research report, by its acceptance of such report, represents that it agrees that it will not distribute this research report to any other person. This communication is only intended for major U.S. institutional investors and U.S. institutional investors. Any person which is not a major U.S. institutional investor, or a U.S. institutional investor as covered by SEC Rule 15a-6 must not rely on this communication. The delivery of this research report to any person in the U.S. is not a recommendation to effect any transactions in the securities discussed herein, or an endorsement of any opinion expressed herein. Any major U.S. institutional investor or U.S. institutional investor receiving this report which wishes to effect transactions in any securities referred to herein should contact ABG Sundal Collier Inc., not its affiliates. Further information on the securities referred to herein may be obtained from ABG Sundal Collier Inc., on request.

Singapore: This report is distributed in Singapore by ABG Sundal Collier Pte. Ltd, which is not licensed under the Financial Advisors Act (Chapter 110 of Singapore). In Singapore, this report may only be distributed to institutional investors as defined in Section 4A(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) ("SFA"), and should not be circulated to any other person in Singapore.

Canada: This report is being distributed by ABG Sundal Collier ASA in Canada pursuant to section 8.25 of National Instrument 31-103 or an equivalent provision and has not been tailored to the needs of any specific investor in Canada. The information contained in this report is not, and under no circumstances is to be construed as, a prospectus, an advertisement, a public offering or an offer to sell the securities described herein, in Canada or any province or territory thereof. No securities commission or similar regulatory authority in Canada has reviewed or considered this report, the information contained herein or the merits of the securities described herein and any representation to the contrary is an offence. Under no circumstances is this report to be construed as an offer to sell such securities or as a solicitation of an offer to buy such securities in any jurisdiction of Canada. Any offer or sale of the securities described herein in Canada may only be made in accordance with applicable securities laws and only by a dealer properly registered under such securities laws, or alternatively, pursuant to an applicable dealer registration exemption, in the Canadian jurisdiction in which such offer or sale is made.

This report may not be reproduced, distributed, or published by any recipient for any purpose whatsoever without the prior written express permission of ABG Sundal Collier.

**Additional information available upon request. If reference is made in this report to other companies and ABG Sundal Collier provides research coverage for those companies, details regarding disclosures may be found on our website [www.abgsc.com](http://www.abgsc.com).**

© Copyright 2024 ABG Sundal Collier ASA

---

<b>Norway</b>	<b>Sweden</b>	<b>Denmark</b>	<b>United Kingdom</b>	<b>USA</b>	<b>Germany</b>	<b>Singapore</b>
Ruseløkkveien 26, 8th floor 0251 Oslo Norway Tel: +47 22 01 60 00 Fax: +47 22 01 60 60	Regeringsgatan 25, 8th floor 111 53 Stockholm Sweden Tel: +46 8 566 286 00 Fax: +46 8 566 286 01	Forbindelsesvej 12, 2100 Copenhagen Denmark Tel: +45 35 46 61 00 Fax: +45 35 46 61 10	10 Paternoster Row, 5th floor London EC4M 7EJ UK Tel: +44 20 7905 5600 Fax: +44 20 7905 5601	140 Broadway, Suite 4604 New York, NY 10005 USA Tel. +1 212 605 3800 Fax. +1 212 605 3801	Schillerstrasse 2, 5. OG 60313 Frankfurt Germany Tel +49 69 96 86 96 0 Fax +49 69 96 86 96 99	10 Collyer Quay Ocean Financial Center #40-07, Singapore 049315 Tel +65 6808 6082