

Södra Skogsägarna ekonomisk förening

Full Rating Report

LONG-TERM RATING

BBB+

OUTLOOK

Stable

SHORT-TERM RATING

N2

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RATING RATIONALE

Our 'BBB+' long-term issuer rating on Swedish forestry cooperative Södra Skogsägarna ekonomisk förening reflects the company's strong balance sheet, growing net cash position, and healthy cash flows. The rating also reflects Södra's robust long-term profitability, cost-efficient operations, and extensive geographic reach. We assess the company's liquidity as strong and believe that the current business model and ownership structure help to moderate risk.

The rating is constrained by the forestry sector's historical earnings volatility, which is mainly due to the cyclical markets for market pulp and sawn wood products. Although Södra's credit metrics are strong, its financial policy allows for higher leverage, which we reflect in our financial risk assessment. The rating is also constrained by the company's exposure to commoditised end-products along with the large size of its customers, which effectively reduces the company's bargaining power.

STABLE OUTLOOK

The outlook is stable, reflecting our expectations that Södra's financial profile will remain strong. In our view, the company's balance sheet is sufficiently robust to withstand weaker market conditions than at present. The outlook also reflects our view that Södra will maintain its conservative capital structure and high levels of investment. We expect market pulp prices, which have recovered strongly in 2024, to remain high. We believe construction activity has reached a cyclical low, and that recovery in demand for sawn wood products will support product prices.

POTENTIAL POSITIVE RATING DRIVERS

- Increased diversity through investments in new value-added products.
- Long-term improvement in operating conditions, with EBITDA margins approaching 20%.
- A continued strong financial risk profile.

POTENTIAL NEGATIVE RATING DRIVERS

- Long-term net debt/EBITDA ratio above 1x.
- Regulatory changes that have a negative effect on the business risk profile or weaken credit metrics.
- Unexpected long-term mill outages, impacting investment, costs and volumes.

Figure 1. Key credit metrics, 2020–2026e

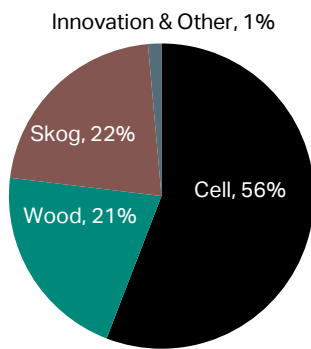
SEKm	2020	2021	2022	2023	2024e	2025e	2026e
Revenues	20,351	27,060	33,367	28,896	29,763	30,358	30,297
NCR-adjusted EBITDA	2,195	6,752	8,819	3,466	3,490	3,339	3,181
NCR-adjusted EBITDA margin (%)	10.8	25.0	26.4	12.0	11.7	11.0	10.5
NCR-adjusted FFO	2,068	5,924	8,170	3,399	3,260	3,088	2,970
NCR-adjusted net debt	4,114	911	-3,605	-820	-1,099	-1,576	-1,820
Total assets	29,253	33,429	41,433	40,494	41,479	42,131	42,690
NCR-adjusted net debt/EBITDA (x)	1.9	0.1	-0.4	-0.2	-0.3	-0.5	-0.6
NCR-adjusted EBITDA/net interest (x)	25.8	103.9	205.1	neg.	neg.	neg.	neg.
NCR-adjusted FFO/net debt (%)	50.3	650.3	neg.	neg.	neg.	neg.	neg.
NCR-adjusted FOCF/net debt (%)	23.3	294.0	neg.	neg.	neg.	neg.	neg.

Source: company and NCR. e–estimate. FFO–funds from operations. FOCF–free operating cash flow. neg.– net cash position or net interest income, resulting in non-meaningful descriptors of the key metric. All metrics adjusted in line with NCR methodology.

ISSUER PROFILE

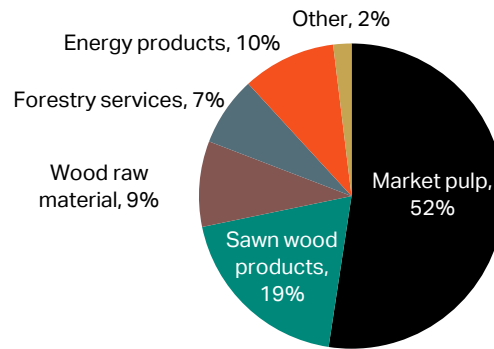
Södra is a leading Swedish forestry cooperative and exporter. It was founded in 1938 following a merger of regional forestry associations in southern Sweden, where its operations are still located. Södra is owned by more than 51,000 associate members, which own 2.8m hectares of forest land. The company is organised into four main segments: Cell, Wood, Skog (Forest), and Innovation, while some minor operations are bundled together as 'Other segments'. Cell, Wood and Innovation are manufacturing segments producing market pulp, sawn wood products, energy products, and biochemicals/biofuels. Skog is effectively a trading company, buying timber from associate members on behalf of the other three segments. The associate members operate in 19 regional units across southern Sweden and have an option to sell their timber to Skog. The segment also provides forestry and consulting services for its associate members.

Figure 2. External revenues by segment, 31 Dec. 2023



Source: company.

Figure 3. External revenues by product type, 31 Dec. 2023



Source: company.

BUSINESS RISK ASSESSMENT

Business risk

Our business risk assessment reflects the volatility of the operating environment as well as Södra's relative strengths in terms of scale, sector and regional concentrations. The company has satisfactory access to raw material from associate members and has robust operating efficiency. We consider the company's role on behalf of its members as a strength in terms of its business risk profile.

Company exposed to volatile pulp and sawn wood prices

Operating environment

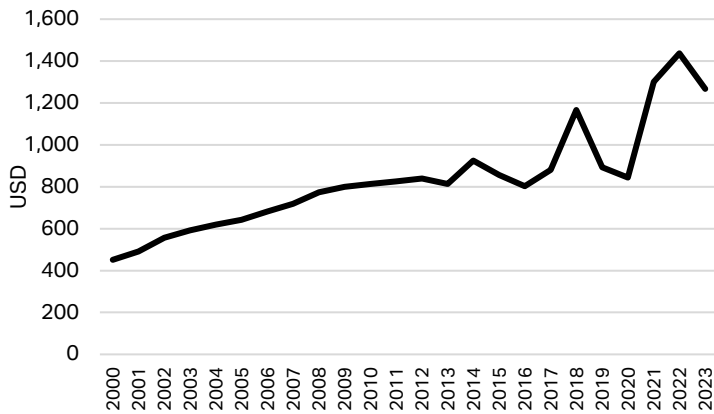
Our assessment of the operating environment focuses on the external business conditions for market pulp and sawn wood products. This is because Södra Skog is mainly a facilitator for the Cell and Wood segments, while Södra Innovation is a minor contributor to overall revenues and profits.

Södra Cell produces pulp of varying qualities and sells it on the open market. The most common end-uses of Södra's pulp are tissue paper (39% of 2023 revenues), special products (29%), and publishing and writing paper (15%). We take a favourable view of the exposure to tissue paper and special products due to relatively strong trends within these product types. Södra Cell competes with dedicated and integrated producers located in the Nordic region and elsewhere. It is a price taker in a market strongly characterised by volatile pulp prices. The segment's main pulp export markets are Europe and Asia, where China has a pronounced pricing impact.

The market for sawn wood products has lower barriers to entry than the pulp market, again making Södra Wood a price taker. Market prices tend to be volatile and sensitive to economic cycles, with recurring periods of low profitability and closure of less efficient sawmills. Södra Wood's main markets are the UK (34% of 2023 revenues), Sweden (23%), and the Netherlands (8%). A slowdown in construction and generally weaker economic conditions have lowered demand for sawn wood products, with prices declining from exceptional highs in 2021-22. Consequently, Södra Wood posted an operating loss in 2023. While demand remains subdued in most of Södra's markets, prices have strengthened somewhat in 2024 and operating results improved in the first nine months.

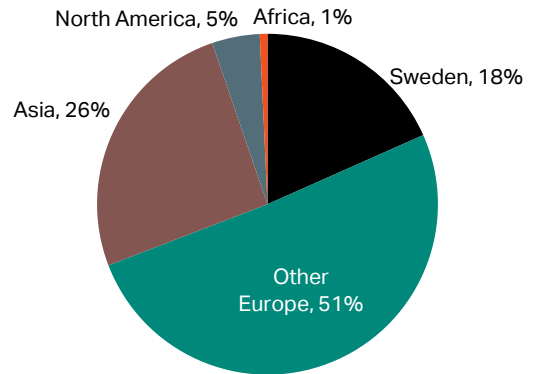
Although central banks globally have started to cut interest rates, we expect no quick turnaround for sawn wood products, which have limited price visibility compared with pulp. Pulp prices have rebounded since the third quarter of 2023, and we expect global pulp prices to remain at historical highs. The closure of mills in North America, replete customer inventories, and reduced access to raw materials are likely to keep pulp prices at elevated levels. The currently weak Swedish krona has provided a cushion against the negative impact of lower market prices on Södra's margins for the past two years. Profitability is highly sensitive to the USD/SEK exchange rate, where even a small shift could have a significant impact on profit, all other things being equal. Other material sensitivities include pulp prices, input prices, and production volumes, which explain the high volatility of Södra's profits.

Figure 4. Bleached softwood pulp prices (per tonne), 2000–2023



Source: company.

Figure 5. Revenues by location of end customer, 31 Dec. 2023



Source: company.

Solid market position confined by product homogeneity

Market position

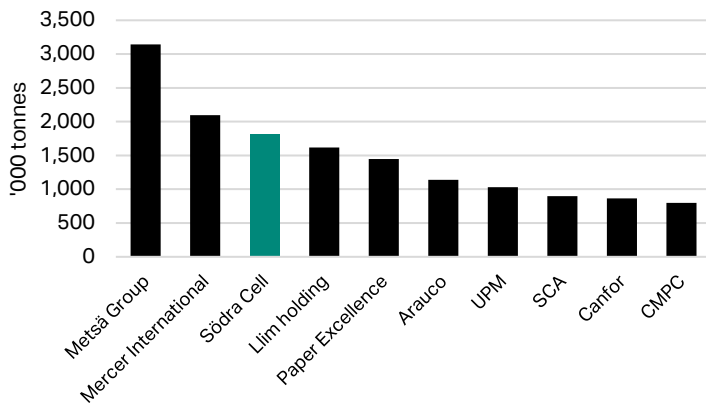
Södra's market position varies across its core markets and is supported by wood sourcing from members, large and efficient mills, and strong logistics connections. The company has a competitive advantage over its peers with its large member-base providing access to extensive forest resources. In addition, it owns forest land in Latvia with a book value of SEK 4.8bn.

Södra competes in a global market, although most of its sales go to European customers. The Cell segment is the global No. 3 producer of bleached softwood market pulp, producing about 1.9m tonnes a year. In the Nordic region, Södra Cell competes with companies such as Stora Enso, UPM-Kymmene, Svenska Cellulosa (SCA), Billerud, and Holmen. The segment is also a niche provider of electricity in southern Sweden as pulp mill co-generation produces surpluses that can be sold. In municipalities near the mills, the segment has a strong presence in energy sales as it sells hot water to district heating networks. The Wood segment is one of the leading producers of sawn wood products in Sweden and among the largest in Europe. However, it is dwarfed by the world's largest producers. The market for sawn wood is fragmented, with the top 25 producers globally typically accounting for about a quarter of global production.

Most of Södra's output is homogenous and consists of bulk products. Brands and trademarks are consequently of less importance than those of competitors with end-market exposure to paper and packaging. We regard the company's established customer relationships, specifically among hygiene and specialty product manufacturers, as offsetting some of the negative aspects of generic products. However, these customers generally have stronger negotiating positions as they are typically larger than Södra.

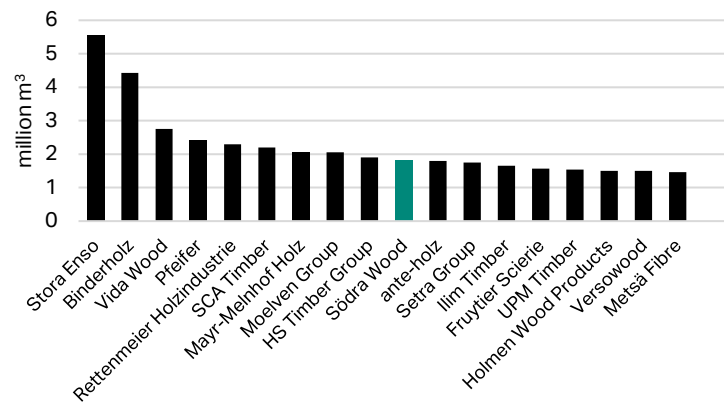
Södra's location in southern Sweden enables shorter transport distances to European markets and creates a competitive advantage over other domestic forestry companies.

Figure 6. Södra Cell global peers, 2023



Source: companies.

Figure 7. Södra Wood European peers, 2022



Source: Timber-Online.

Economies of scale create competitive edge, but diversity is limited

Size and diversification

Much of Södra's competitive edge lies in its operational scale, not least in the Cell segment as pulp production is complex and energy intensive. Södra Cell operates three modern pulp mills which are among the 10 largest in the Nordic region. Scale is critical in the pulp industry and the Cell segment is markedly larger than most domestic competitors.

The Wood segment has streamlined its operations over the past few years by restructuring and closing sawmills. In 2023, the segment produced 1.8m cubic metres of sawn wood products and, as of end-2023, operated eight sawmills, making it larger than most of its domestic peers. In 2024, three sawmills have been closed and required volumes obtained from more cost-efficient and modern facilities. Södra's largest sawmills are located at the sites of the Cell segment's pulp mill operations, enabling cross-utilisation of energy supply, manpower, warehousing, and transport, while reducing waste.

Södra's geographic diversity is limited given the locations of its forest assets and mills. While positive from a logistics perspective, we see this concentration as negative due to regional biological and/or weather-related risk and the possibility of unexpected mill outages. Customer profiles differ by product line. The Cell segment's customers are large companies such as European and other international tissue manufactures with production units in western Europe where relatively little softwood pulp is produced. The Wood segment's customer concentrations are significantly lower than those of the Cell segment. Revenues come from a mix of DIY customers, builders, and makers of wooden structures.

To increase product diversity and earn more from its existing processes, Södra has increased its focus on production of high-margin cross-laminate sawn wood products, biofuels, and biochemicals, as well as value-added services such as in-forest monitoring for members. Although these operations remain relatively small, we believe they could improve product diversity over the long term. In 2023, the company increased production of cross-laminate sawn wood products to 190,000 cubic metres from 6,300 a year earlier. It is also building a lignin plant at a cost of more than SEK 2bn, with completion scheduled for 2027. Agreements have been signed to supply Stora Enso and UPM-Kymmene with a large proportion of the planned output.

Operating margins average in a homogeneous industry

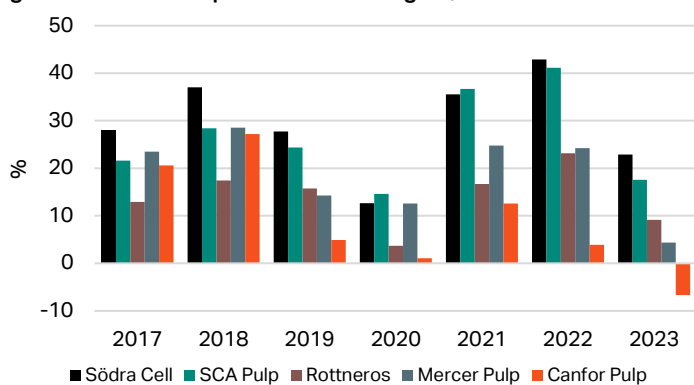
Operating efficiency

Södra's output mostly consists of commoditised products with prices set by the market, which results in a strong focus on lowering costs and improving operational efficiencies to drive profitability. All of the company's segments sell energy products (emanating from their production processes) and other by-products to maximise use of input material. The company is subject to significant working capital fluctuations as input prices and production vary according to prevailing market conditions.

As a major Nordic operator, Södra benefits from economies of scale in its two key areas of production. Efficiency is added by the proximity of premises to supplies of pulpwood and sawn timber, and sources of energy. Both the Cell and Wood segments operate at close to full capacity and generate high revenues and output per employee in comparison with their domestic peers.

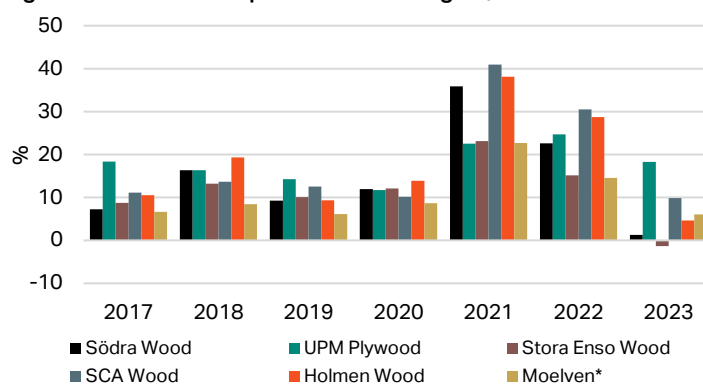
Södra's profitability margins vary from year to year but are typically close to its peer group average. Over the past four years, the company's EBITDA margin (excluding fair value changes) has averaged 20%, driven by an exceptionally strong market in 2021 and 2022. Margins, which reverted to historical levels in 2023, are volatile due to the cyclicity of the operating environment combined with significant earnings in euro and US dollars. The company's high fixed-cost base results in substantial dependence on volumes to meet its financial profitability targets, requiring high utilisation rates as inadequate production volumes could quickly translate into losses and negative cash flows. Competitive pressure further results in high investment needs to modernise factories and increase efficiency.

Figure 8. Södra Cell peer EBITDA margins, 2017–2023



Source: companies.

Figure 9. Södra Wood peer EBITDA margins, 2017–2023



Source: companies. *Twelve months ended 30 Sep. 2023.

FINANCIAL RISK ASSESSMENT

Financial risk

Our financial risk assessment reflects Södra's low leverage, strong cash flow and debt servicing capabilities. We assess the company's financial risk appetite as greater than warranted by our ratio analysis, reflecting the cyclical nature of its operations, as well as its financial policy, which allows for higher future leverage while the current capacity for equity injections is limited.

Ratio analysis

Net cash position enables Södra to deal with operational headwinds

Due to the cyclicity of the pulp business, Södra's key credit metrics (and profitability margins) tend to vary in line with prevailing market conditions. Exceptionally strong prices for pulp and sawn wood products in 2021 and 2022, alongside strong appreciation of the US dollar against the Swedish krona boosted the company's financial position, enabling a net cash position since end-2022. Over the next few years, we expect somewhat higher capital spending than over the past five as the company has revised its investment plans. We believe that high investment needs to remain competitive, and the volatile operating environment could impact the company's credit metrics adversely in the face of a deep recession.

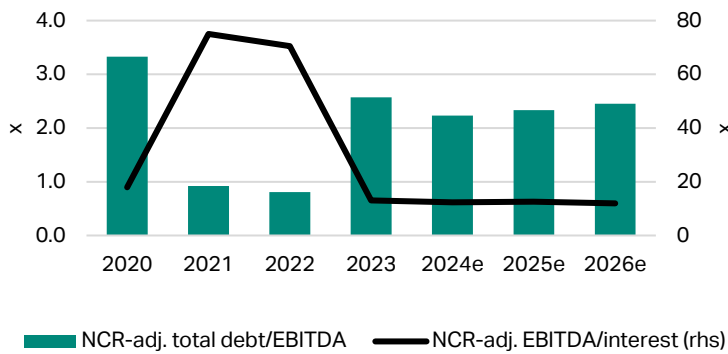
While we expect Södra's net cash position to remain strong, its total gross leverage relative to earnings is somewhat high and interest coverage (excluding interest income) moderate (see Figure 11).

Figure 10. Key base-case forecast assumptions and credit metrics, 2024e–2026e

SEKm	2024e	2025e	2026e
Revenue growth (%)	3.0	2.0	-0.2
EBITDA margin (%)	11.7	11.0	10.5
Capital spending (SEKm)	2,153	2,000	2,000
Dividends	1,336	901	800
Net debt/EBITDA (x)	-0.3	-0.5	-0.6
EBITDA/net interest (x)	-49.7	-249.1	-114.7
FFO/net debt (%)	-296.6	-195.9	-163.2
FOCF/net debt (%)	-125.0	-88.2	-57.6

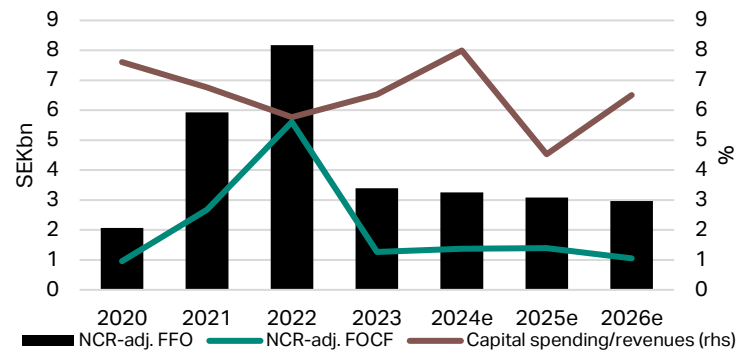
Source: NCR. e–estimate. All metrics adjusted in line with NCR methodology.

Figure 11. NCR-adj. total debt/EBITDA and EBITDA/interest, 2020–2026e



Source: Company and NCR. e–estimate.

Figure 12. NCR-adj. FFO, FOCF and capital spending/revenues, 2020–2026e



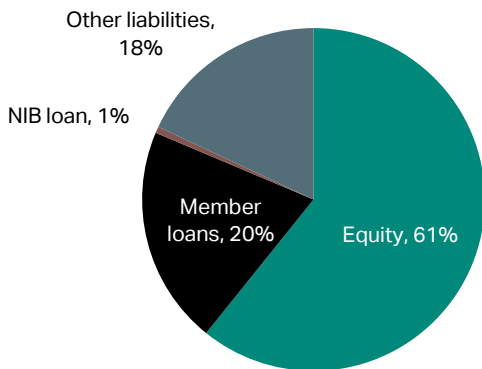
Source: Company and NCRa. e–estimate.

Cyclicality and volatile metrics constrain financial risk assessment

Risk appetite

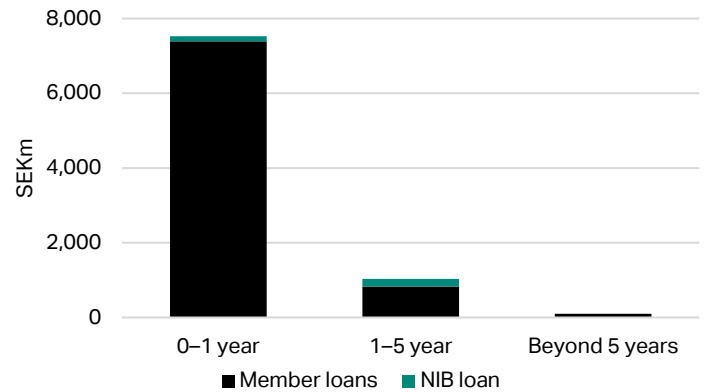
Södra finances its operations through a mix of equity, member loans, and a loan from the Nordic Investment Bank (NIB). As of 30 Sep. 2024, the company’s equity amounted to SEK 26.7bn, consisting of SEK 6bn in member capital and SEK 20.7bn in other equity. Gross interest-bearing debt stood at SEK 9.3bn, of which SEK 8.6bn was comprised of cancellable short-term member loans. These loans could appear to be a significant contributor to refinancing risk, but historically have been held well beyond their maturity dates. To meet the unlikely event of substantial withdrawals, Södra maintains a total of SEK 3bn in unutilised credit facilities. As of 30 Sep. 2024, the company had no outstanding market loans. We expect it to access the debt capital markets if necessary.

Figure 13. Funding profile, 30 Sep. 2024



Source: company.

Figure 14. Debt maturity profile, 31 Dec. 2023



Source: company.

Södra’s interest-bearing debt is governed by two covenants and we note that historically the company has maintained healthy covenant headroom. Corporate financial policy stipulates profitability, equity ratio and dividend targets (see Figure 15). In our assessment, the minimum 55% equity ratio target is adequate given the cyclicality of the sector. However, we note that the financial policy allows for significantly higher leverage than current levels and that Södra, as a member association, has no clearly outlined procedures for equity injections, reducing its ability to restore the equity ratio should it fall below target.

Södra aims to keep a liquidity buffer equivalent to 20% of revenues expected over the next 12 months. In our view, this could result in increased debt financing if markets deteriorate beyond our current expectations. We do not currently expect the company’s net cash position to become a permanent feature of its capital structure given its long-term financial targets. Södra’s total gross leverage relative to earnings is moderate and its interest coverage (excluding interest income) is sound. We expect gross leverage to range between 2.2x-2.5x and interest cost coverage of around 10x through 2026.

Figure 15. Financial covenants, policies and reported metrics

Metric	Common covenants	Financial policy targets	Reported 30 Sep. 2024
Net debt/equity ratio	≤0.7x	-	0.0x
Equity ratio	≥40%	≥55%	61%
Return on capital employed	-	≥10%	10%
Dividend, as percentage of profit before tax	-	≥50%	65%*

Source: company. *end-2023

Södra aims to pay 50% of pre-tax profit in dividends to members over the long term and has historically paid substantial dividends, even following years of reported losses. Dividends consist of three parts: interest on member capital; compensation for wood deliveries; and new issues of member capital. The latter is a form of value transfer, converting collectively owned equity to individually owned equity, and has no effect on liquidity. Dividends on member capital and wood deliveries are paid into member accounts with favourable interest rates. Members have an option to leave their dividends in their member accounts, thereby reducing any negative impact on cash flow. Typically, about 50% of dividends paid into member accounts remain there, effectively becoming loans to the company.

Pulp prices are denominated in US dollars, but many of Södra's paper-manufacturing customers are located in the euro area. Consequently, both currencies have a major impact on the company's financial performance. As the UK is an important market for sawn wood, Södra also has considerable exposure to sterling. Despite its significant currency exposure, the company does not typically hedge currency risk, other than as part of its regular translation exposure. In addition, price exposure to pulp and sawn wood products is also unhedged, which is common among most of the company's integrated peers. We view these currency and end-product price exposures as risks but believe that they are mitigated by Södra's strong balance sheet.

ADJUSTMENT FACTORS

Adjustment factors

Adjustment factors are assessed as neutral and have no effect on the rating.

Liquidity

Liquidity

Our 12-month liquidity analysis is based on a stressed scenario in which the company cannot access the capital markets or extend bank loans, and therefore has to rely on internal or committed external funding sources to cover its liquidity needs. We typically expect a company with an investment grade rating ('BBB-' or above) to cover its liquidity needs, with limited need for external funding over the coming 12 months.

We assess Södra's liquidity as adequate given the company's sources-to-uses ratio of 5.3x as of end-September 2024. Liquidity is supported by the company's strong net cash position following exceptionally strong performances in 2021 and 2022, as well as large unutilised credit facilities. We believe that substantial withdrawals from member accounts are unlikely despite theoretical short-dated maturities of SEK 8.6bn in member loans as of 30 Sep. 2024. Accordingly, we exclude member loans from our calculation of uses of liquidity. Södra's strong cash position (including commercial paper and large credit facilities) would provide adequate protection in the unlikely event of a run on member accounts.

Figure 16. Liquidity analysis (stressed scenario) 1 Oct. 2024–30 Sep. 2025

Liquidity, next 12 months	Amount (SEKm)
Cash and cash equivalents (100%)	2,788
Liquid financial investments	7,628
Adjusted FFO (75%)	2,475
Working capital	267
Unutilised credit facilities	3,000
Total sources	16,158

Dividends paid	901
Repayment of borrowings	0
Committed capital spending	2,153
Total uses	3,054
Sources/uses (x)	5.3x
Sources-uses (SEKm)	13,104

Source: company and NCR.

Environmental, social and governance factors

ESG factors

The main ESG issues that could affect our overall assessment of Södra's creditworthiness are factors that might contribute to increased regulation, negative media attention, fines, or loss of production (see Figure 17).

Södra publishes an annual externally audited sustainability report that follows the principles of the Global Reporting Initiative. Transparency is a major focus because of the high risk of direct environmental impact, especially in terms of sustainable forestry and resource efficiency.

Forestry is part of the EU taxonomy for sustainable activities, for which reporting requirements have been implemented for some of Södra's peers. Södra will not be affected by these requirements until its annual report for 2025 is published. All technical screening criteria were finalised in 2023. The criteria have been criticised by the industry because of their narrow scope and definitions, with few activities being classified as green or within the scope of the taxonomy. We expect the impact on Södra to be limited given the company's currently low reliance on capital markets and external capital. In our view, changes in EU regulations on deforestation and nature protection could negatively affect Södra's business profile through the resulting impact on its members.

Södra sources certified wood according to defined standards and carries out sustainable harvesting at levels that are well within approved limits. The company generally scores well in terms of its impact on soil and water and other parameters such as energy use have improved. Södra's own energy use generates net zero CO₂ emissions although external emissions such as those from transport are increasing. Importantly, Södra is a net producer and seller of fossil-free energy. In addition, the company's handling of residuals is becoming more efficient with increased focus on circularity.

Figure 17. ESG considerations

Issue	Risk	Mitigating efforts	Result
Direct impact on biodiversity and climate due to large-scale harvesting	Increased regulation or negative media attention affecting business opportunities.	Working actively with members and external forest-owners towards sustainable harvesting (targets 95% approved "green" harvest sites) through codes of conduct. Targets sourcing of only certified wood (FSC and PEFC). Active role in public debates.	High proportion of approved "green" harvest sites (above 75%). About two-thirds of wood sourced from members is certified.
Emissions from processes	Increased regulation, loss of licence to operate, or worsened relationships with stakeholders.	Investment, new processes, products and technology. Goal to reduce overall emissions and environmental impact.	Accounting for carbon reserves in member forests and substitution effects of end-customers using wood instead of e.g. plastic or concrete. Södra is net fossil fuel free, even though the company emits about 8.8m tonnes of CO ₂ (Scope 1, 2, and 3) annually.
Other direct regulatory risk including governance matters	Regulatory breaches and cancellation of approvals, certification, or licences, resulting in fines or negatively impacting production and exports.	Active dialogue with members and other stakeholders. Codes of conduct to mitigate conflicts of interest. External audits. Whistle blowing function.	During 2023, an EU investigation into the pricing of market pulp was closed, with no impact on Södra.
Incident and other health and safety risk	Fatal accidents and incidents which could halt production, increasing costs, possibly closing units, and lowering volumes.	Targets a lost time/accident rate of less than 5 by 2025.	The lost time/accident rate has decreased steadily but has been about 10 over the past four years and 7 in 2023.
Biological and weather-related risk	Insect infestation and unpredictable weather events, such as major storms, affecting timber supply and quality.	Actively working to help members counter serious infestation through selection of plants, monitoring, mechanical measures, and specific harvesting techniques.	Spruce beetle infestation remains an issue, although risks are mostly borne by members. Major storms continue to affect supply of timber.

Source: company. See [ESG factors in corporate ratings](#). FSC-Forest Stewardship Council. PEFC-Programme for the Endorsement of Forest Certification.

OWNERSHIP ANALYSIS

Ownership

We view Södra's ownership as supportive of the company's relatively low-risk strategy and solid financial position. In our view the cooperative structure generates solid financial results for the associate members while maintaining a balanced approach to risk. Generally, many of the associate members have little debt and a significant part of their wealth is tied up in forest assets with limited alternative use, suggesting they would obtain mutual benefit from supporting Södra should a need for new equity arise. However, as a member association, Södra does not have clearly outlined procedures for equity injections, clearly reducing its ability to obtain new equity if needed.

ISSUE RATINGS

As of 30 Sep. 2024, Södra had no outstanding debt instruments. If the company were to issue senior unsecured debt, we would likely rate such instruments in line with the 'BBB+' long-term issuer rating, reflecting Södra's flat debtor hierarchy and large proportion of unsecured debt.

SHORT-TERM RATING

The 'N2' short-term rating reflects the company's strong liquidity profile relative to the 'BBB+' long-term issuer rating.

METHODOLOGIES USED

- (i) [Corporate Rating Methodology](#), 8 May 2023.
- (ii) [Rating Principles](#), 14 Feb. 2024.
- (iii) [Group and Government Support Rating Methodology](#), 14 Feb. 2024.

Figure 18. NCR's adjustments to financials, 2020–2026e

SEKm	2020	2021	2022	2023	2024e	2025e	2026e
EBITDA	2,164	6,811	9,136	3,677	3,490	3,339	3,181
Non-EBITDA income/expenses	31	-54	-317	-211	0	0	0
NCR-adj. EBITDA	2,195	6,752	8,819	3,466	3,490	3,339	3,181
Net interest, incl. leases	-78	-60	-38	117	79	22	37
Interest on pension debt	-7	-5	-5	-8	-9	-9	-9
NCR-adj. net interest	-85	-65	-43	109	70	13	28
NCR-adj. EBITDA	2,195	6,752	8,819	3,466	3,490	3,339	3,181
NCR-adj. net interest	-85	-65	-43	109	70	13	28
Current taxes	-42	-763	-606	-176	-300	-265	-239
NCR-adj. FFO	2,068	5,924	8,170	3,399	3,260	3,088	2,970
Changes in working capital	439	-1,416	-639	-244	267	302	79
Capital spending	-1,549	-1,830	-1,924	-1,887	-2,153	-2,000	-2,000
NCR-adj. FOCF	958	2,678	5,607	1,268	1,374	1,390	1,049
Cash and cash equivalents	2,300	3,674	5,004	3,362	2,269	2,746	2,990
Financial investments	887	1,648	5,733	6,361	6,628	6,628	6,628
NCR-adj. cash and equivalents	3,187	5,322	10,737	9,723	8,897	9,374	9,618
Gross interest-bearing debt	6,483	5,785	6,896	8,655	7,550	7,550	7,550
Leasing liabilities	215	205	212	223	223	223	223
Pension provisions and other	603	243	24	25	25	25	25
NCR-adj. cash and equivalents	3,187	5,322	10,737	9,723	8,897	9,374	9,618
NCR-adj. net debt	4,114	911	-3,605	-820	-1,099	-1,576	-1,820

Source: company and NCR. e—estimate.

Figure 19. Södra key financial data, 2020–2023

SEKm	FY	FY	FY	FY
Period-end	31 Dec. 2020	31 Dec. 2021	31 Dec. 2022	31 Dec. 2023
INCOME STATEMENT				
Revenue	20,351	27,060	33,367	28,896
EBITDA	2,164	6,811	9,136	3,677
EBIT	891	5,316	7,805	2,226
Net interest expense	-64	-44	-20	135
Pre-tax profit	746	5,233	7,724	2,272
Net profit	142	4,483	6,835	2,121
BALANCE SHEET				
Property, plant and equipment	18,385	19,075	20,147	20,930
Intangible assets and goodwill	107	66	68	68
Other non-current assets	658	623	964	796
Total non-current assets	19,150	19,764	21,179	21,794
Cash and equivalents	2,300	3,674	5,004	3,362
Other current assets	7,803	9,991	15,250	15,338
Total assets	29,253	33,429	41,433	40,494
Total equity	16,759	21,088	27,065	26,083
Gross debt	6,483	5,785	6,896	8,655
Other liabilities	6,011	6,556	7,472	5,756
Total equity and other liabilities	29,253	33,429	41,433	40,494
CASH FLOW STATEMENT				
Pre-tax profit	746	5,233	7,724	2,272
Cash flow before changes in working capital	1,878	6,606	8,291	2,134
Changes in working capital	439	-1,416	-639	-244
Operating cash flow	2,317	5,190	7,652	1,890
Capital expenditure	-1,549	-1,830	-1,924	-1,887
Other investing activities	-122	-168	92	76
Cash from investing activities	-1,671	-1,998	-1,832	-1,811
Dividends	-901	-509	-1,657	-3,032
Share repurchases	-47	-42	-95	-94
Other financing activities	544	-1,277	-2,778	1,423
Cash from financing activities	-404	-1,828	-4,530	-1,703
Cash and equivalents beginning of year	2,072	2,300	3,674	5,004
Cash flow for year	228	1,374	1,330	-1,642
Cash and equivalents at end of year	2,300	3,674	5,004	3,362

Source: company. FY–full year.

Figure 19. Södra rating scorecard

Subfactors	Impact	Score
Operating environment	20.0%	bb
Market position	10.0%	bb+
Size and diversification	10.0%	bbb-
Operating efficiency	10.0%	bb+
Business risk assessment	50.0%	bb+
Ratio analysis		aa
Risk appetite		a-
Financial risk assessment	50.0%	a+
Indicative credit assessment		bbb+
Liquidity		Adequate
ESG		Adequate
Peer calibration		Neutral
Stand-alone credit assessment		bbb+
Support analysis		Neutral
Issuer rating		BBB+
Outlook		Stable
Short-term rating		N2

Figure 20. Capital structure ratings

Seniority	Rating
Senior unsecured	BBB+

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