Södra Skogsägarna ekonomisk förening

Rating Action Report

LONG-TERM RATING

BBB+

OUTLOOK

Stable

SHORT-TERM RATING

N2

PRIMARY ANALYST
Elisabeth Adebäck
+46700442775
elisabeth.adeback@nordiccreditrating.com

SECONDARY CONTACTS
Andreas Kindahl
+46702053453
andreas.kindahl@nordiccreditrating.com

Sean Cotten
+46735600337
sean.cotten@nordiccreditrating.com

Södra Skogsägarna ekonomisk förening 'BBB+' long-term issuer rating affirmed; Outlook stable

Nordic Credit Rating has affirmed its 'BBB+' long-term issuer rating on Sweden-based forestry cooperative Södra Skogsägarna ekonomisk förening. The outlook is stable. NCR has also affirmed the 'N2' short-term issuer rating and the 'BBB+' senior unsecured issue rating.

Rating rationale

The affirmation reflects our expectation that Södra's profitability will gradually recover from current weak levels, supported by slowly improving market conditions. The sale of the company's Baltic forest assets in early 2026 restored a strong balance-sheet position and credit metrics and provides significant protection against continued earnings volatility in the cyclical pulp and sawn wood markets. Södra's SEK 2bn net debt position at the end of 2025 has shifted to net cash of SEK 4bn as of end-September.

The projected recovery in profitability is also expected to be supported by the implementation of its cost savings programme launched in early 2025 combined with adjustments to wood purchase prices. As a result, we expect NCR-adjusted EBITDA to increase to about SEK 0.9bn in 2026 from SEK 0.2bn in 2025, and we forecast net cash to be sustained well above SEK 4bn over 2026–2028. Reduced dividends in 2026, and our estimate over 2027-2028, has supported cash retention and demonstrate alignment between the company and its member owners during a weaker phase of the cycle.

The rating remains constrained by the forestry sector's historically volatile earnings profile. Södra remains exposed to cyclical pulp and sawn wood markets, commoditised products and a concentrated customer base, which together limit pricing power and increase earnings sensitivity to market prices and currency movements. Recent weak pulp prices, high input costs and adverse currency movements have pressured profitability. However, Södra's net cash position has supported its financial risk profile through the downturn and provides capacity to absorb weaker earnings while profitability recovers. We also note that Södra's financial policy permits materially higher leverage than currently reported, which constrains our financial risk assessment.

Stable outlook

The stable outlook reflects our expectation that Södra's profitability will gradually recover from current weak levels while its financial ratios remain strong, supported by a sustained net cash position and conservative capital structure. We expect recovering market pulp prices and construction activity to support demand for Södra's pulp and sawn wood products over 2026-2028, leading to improved earnings and margins from current depressed levels. At the same time, the company's strong balance sheet provides resilience through the recovery period and capacity to absorb continued market volatility.

We view a rating upgrade as unlikely over the medium term due to the sector's earnings volatility and continued sensitivity to macroeconomic developments and commodity prices.

We could lower the rating if profitability fails to recover as expected, resulting in EBITDA margins remaining below high-single-digit levels over the near term, if net debt/EBITDA exceeds 1x on a sustained basis, or if unexpected long-term mill outages materially increase investment requirements, raise costs or reduce production volumes.

Rating list	To	From
Long-term issuer credit rating:	BBB+	BBB+
Outlook:	Stable	Stable
Short-term issuer credit rating:	N2	N2
Senior unsecured issue rating:	BBB+	BBB+

Figure 1. Södra rating scorecard

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

Figure 2. Capital structure ratings

Seniority	To	From
Senior unsecured	BBB+	BBB+

Type of credit rating:	Long-term issuer credit rating Short-term issuer credit rating Issue credit rating
Publication date:	The rating was first published on 20 Apr. 2021.
Office responsible for the credit rating:	Nordic Credit Rating AS (NCR), Oslo, Norway. NCR is a registered credit rating agency under Regulation (EC) No 1060/2009.
Primary analyst:	Elisabeth Adebäck, +46700442775, elisabeth.adeback@nordiccreditrating.com
Rating committee chairperson responsible for approval of the credit rating:	Sean Cotten, +46735600337, sean.cotten@nordiccreditrating.com
Were ESG factors a key driver behind the change to the credit rating or rating outlook?	No.
Methodology used when determining the credit rating:	NCR's Corporate Rating Methodology published on 8 May 2023 NCR's Rating Principles published on 14 Feb. 2024 NCR's Group and Government Support Rating Methodology published on 14 Feb. 2024 The methodology and principles documents provide analytical guidance to NCR's rating activities including but not limited to, assumptions, parameters, cash flow analysis, and stress-testing. NCR's methodologies and principles can be found on our website nordiccreditrating.com/governance/policies. The historical default rates of entities and securities rated by NCR will be viewed on the central platform (CEREP) of the European Securities and Markets Authority (ESMA).
Materials used when determining the credit rating:	Annual- and quarterly reports of the rated entity, Bond prospectuses, Company presentations, Data provided by external data providers, External market reports, Meetings with management of the rated entity, Non-public information, Press reports/public information, Website of rated entity.
Potential conflicts of interest:	The rating is NCR's independent opinion of the rated entity's relative creditworthiness. The rating is solicited, i.e. it is prepared for a fee paid by the rated entity. At the time of analysis and publication neither NCR nor any of the analysts or persons involved in the rating process held any interest, ownership interest or securities in the rated entity. NCR does not have any direct or indirect shareholder with a holding of more than 5% of NCR's shares and votes. For further information, please refer to NCR's conflict of interest policy which is available on: https://nordiccreditrating.com/governance/policies
Additional information:	Prior to publication, the rating was disclosed to the rated entity. The issuer was given 24 hours (of which 8 business hours) to remark on factual errors and/or the inadvertent inclusion of confidential information, if applicable. The rating was not amended after the review by the issuer. No stress test was performed. Standard cash flow forecasting was performed. NCR's rating is an opinion regarding the relative creditworthiness of an entity or an instrument. It is not a prediction, guarantee or recommendation to buy, hold or sell securities. NCR assigns outlooks to issuer ratings to indicate where they could move in the near term, normally 12–18 months. Further information on the rating process, rating definitions and limitations is available on our website: nordiccreditrating.com/governance/policies.
Ancillary services provided:	No ancillary services have been provided in the last 12 months.
Regulations:	This rating was issued and disclosed under Regulation (EC) No 1060/2009.
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