MOODY'S
RATINGS

Rating Action: Moody's Ratings affirms Metsä Board's Baa3 LT Issuer Rating, changes outlook to negative from stable

17 Nov 2025

Frankfurt am Main, November 17, 2025 -- Moody's Ratings (Moodys) has today affirmed Metsä Board Corporation's (Metsä Board) Baa3 long term issuer rating and its Baa3 senior unsecured rating. The outlook has been changed to negative from stable.

RATINGS RATIONALE

Today's rating action was triggered by Metsä Board's Q3 results release, which was materially below our expectations. In addition, management's decision to no longer provide quarterly results guidance for the time being and the dismissal of CFO Henri Sederholm – a successor has been appointed, will assume the role no later than early February – raise questions on future operating performance. A revision of our projections indicates that the company will be challenged to turn around profitability and key credit metrics in the next 12 – 18 months to a level commensurate with the Baa3 rating.

Low production volumes, reflecting major maintenance and investment shutdowns and a weak market situation, made the period July to September 2025 the second quarter in a row for Metsä Board with a negative operating profit (€-29 million in Q3, €-13 million in Q2). At the same time, focus on cash generation and a €130 million working capital release allowed the company to reduce net debt by €92 million in the quarter to €345 million - all figures in this paragraph are Moody's-adjusted. For the twelve months that ended September 2025 we calculate €1,828 million of revenue, €67 million of EBITDA and a negative EBIT of €46 million.

Since 2020 Metsä Board invested €865 million in growth and development, around €58 million thereof during the last twelve months, absent of which free cash flow (€-11 million as of September) would have been positive. Key credit metrics are currently far outside of our expectations for the Baa3 rating: EBIT margin -2.5%, RCF/Net debt: 9.2%, debt/EBITDA: 8.4x.

The decision to affirm the ratings at Baa3 takes into account that Metsä Board benefits from market-leadership in its main market Europe, a well-invested asset base, good liquidity and integration into Metsä Group. At the same time, the outlook change to negative reflects very weak credit metrics for the current rating category and the lack of visibility on a required swift recovery in operating profitability and credit metrics to sustain the Baa3 rating. Metsä Board faces significant challenges ahead to successfully manage the company through a difficult market environment with overcapacity in Europe and limited ability to pass-on import tariffs to customers in the important US market where Metsä Board generated more than 20% of its revenue in 2024.

The rating continues to be mainly supported by (1) the company's market leadership in high-quality, fresh fibre paperboard packaging in Europe; (2) its good level of vertical integration into energy and pulp; and (3) its integration into the wider and more diversified Metsä Group, including via the direct 24.9% ownership stake in Metsä Fibre; (4) its robust liquidity.

However, the rating is primarily constrained by (1) its modest size and lower product diversification compared to most Investment Grade rated peers in paper packaging; (2) the company's exposure to cyclical market demand; (3) overcapacity leading to low capacity utilisation and fixed cost coverage; (4) financial policy allowing the company to operate above its self-imposed net leverage target of 2.5x; (5) lack of rating commitment as indicated by high dividend payout ratios in 2024 and 2025.

RATIONALE FOR NEGATIVE OUTLOOK

The negative outlook reflects the very weak point in time credit metrics and our concern that management will be challenged to improve profitability and key credit metrics within the next 12-18 months to a level required to defend the current rating level.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Negative rating pressure could intensify in case of indications that the measures taken by management may not be sufficient to reach a clear path towards achieving by 2027 (1) an EBIT margin above 10%; (2) a RCF / net debt ratio above 30% and (3) leverage sustainably below 3.0x debt / EBITDA.

Positive rating pressure could arise if Metsä Board; (1) achieves further significant improvements in its business profile, scale and diversification; (2) sustains an EBIT margin above 15% (including contributions from Metsä Fibre); (3) sustains a retained cash flow (RCF) / net debt ratio of 40% and (4) decreases its debt / EBITDA ratio sustainably below 2.0x.

LIQUIDITY

We view Metsä Board's liquidity profile as robust. As of September 2025, the company reported €213 million of cash and cash equivalents and no drawings under its €200 million revolving credit facility (RCF). Furthermore, Metsä Board had an internal short-term credit line of €150 million from the Metsä Group. In October the company renewed the RCF that matured in January 2027 by signing a €250 million 5-year facility with two one-year extension options which is linked to sustainability targets. We view the company's cash sources to be more than adequate to cover projected cash uses over the next 12-18 months.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Paper and Forest Products published in November 2025 and available at https://ratings.moodys.com/rmc-documents/454505. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

Metsä Board's Baa3 long term issuer rating is currently four notches above the B1 scorecard-indicated outcome. This is largely reflective of the current downturn experienced by the sector which we expect will reverse sometime during 2026. In addition, the scorecard does not capture the benefits of Metsä Board being a part of a larger and more diversified group.

COMPANY PROFILE

Headquartered in Espoo, Finland, Metsä Board Corporation (Metsä Board) is one of the leading European fresh fibre paperboard producers for consumer and retail packaging, focusing on folding boxboard and white kraftliners, including its own pulp production. In the last 12 months that ended in September 2025, the company generated €1.8 billion of revenue. Metsä Board has around 2,400 employees worldwide and while its production is located in Finland and Sweden, the company delivers paperboard to approximately 100 countries around the world. Metsä Board's shares are listed on Nasdaq Helsinki, with a current market capitalisation of around €1.05 billion.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions.

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