

Research Update:

Metsa Board Corp. 'BBB-/A-3' Issuer Credit Rating Affirmed; Outlook Remains Negative

May 13, 2026

Rating Action Overview

- Metsa Board Corp.'s financial performance deteriorated sharply in 2025 due to adverse FX movements, weak demand, and higher fixed costs (from recent capacity expansions). Its S&P Global Ratings-adjusted EBITDA declined to €25 million, and adjusted debt to EBITDA increased to 10.3x.
- We expect adjusted EBITDA to improve to €128 million in 2026 due to cost savings and leverage reduced below 2x. However, this improvement is contingent on there being no material deterioration in consumer confidence and the company being able to pass potential cost increases (mainly due to the situation in the Middle East) onto customers.
- We therefore affirmed the 'BBB-' long-term and 'A-3' short-term issuer credit ratings on Metsa Board and kept the negative outlook unchanged. We also affirmed the 'BBB-' rating on senior unsecured notes due 2027.
- The negative outlook reflects our view that we could lower our rating on Metsa Board in the next 12 months if we no longer believe that leverage will recover to below 2x. Key to this will be the duration and impact of the conflict in the Middle East, in particular on input costs--especially chemicals and transportation--and consumer confidence.

Primary Contact

Lina Sanchez
Frankfurt
4901622104469
lina.sanchez
@spglobal.com

Secondary Contact

Desiree I Menjivar
London
44-20-7176-7822
desiree.menjivar
@spglobal.com

Rating Action Rationale

Our rating on Metsa Board remains supported by our expectation of a recovery in 2026. This presumes no material deterioration in market conditions. Metsa Board's 2025 financial performance was weak due to the devaluation of the U.S. dollar, persistent weak demand, paperboard oversupply in Europe (55% of Metsa Board's paperboard sales), and lower exports to the U.S. (30% of paperboard sales in 2024) due to the implementation of import tariffs. The decline in EBITDA margins in 2025 also reflected higher fixed costs from recent capacity expansions, which so far remain underutilized. This resulted in credit metrics that we view as weak for the current rating: S&P Global Ratings-adjusted debt to EBITDA of 10.3x (2.1x in 2024) and FFO to debt of 3% (37% in 2024). The rating remains unchanged as of now, as we expect adjusted EBITDA to improve to roughly €130 million in 2026 (from €25 million in 2025) due to the implementation of cost-saving initiatives (€100 million savings forecast for 2026). With year-end

2026 leverage estimated at 1.7x and FFO to debt forecast at 41%, this would return credit metrics to levels that we would consider consistent with our 'BBB-' issuer credit rating.

The negative outlook reflects the risk that leverage could remain above 2.0x in 2026 if market conditions weaken. We believe that this could happen if the conflict in the Middle East is more prolonged than anticipated. This would most likely dent consumer confidence and lead to material increases in logistics and chemical costs, which account for 27% of Metsa Board's costs. Profitability could weaken if the group is unable to pass such cost increases on to customers in a timely manner.

We continue to see limited headroom under our 'bbb-' assessment of Metsa Group's credit quality. Our rating on Metsa Board is constrained by our assessment of Metsa Group ('bbb-'). We view Metsa Board as a strategically important subsidiary of Metsa Group, benefiting from close operational integration and a strong commitment of parent entity support. We forecast Metsa Group's S&P Global Ratings-adjusted debt to EBITDA will improve to around 2.5x in 2026 from 4.5x in 2025. However, the group's financial performance remains pressured by subdued demand for its paperboard, pulp, and wood products. We anticipate further deleveraging to 1.5x by 2027 as Metsa Group reaps the benefits of the cost-saving initiatives and operational efficiency programs implemented since 2025.

Outlook

The negative outlook reflects our view that we could lower our rating on Metsa Board in the next 12 months if we no longer believe that leverage will recover to below 2x. Key to this will be the duration and impact of the conflict in the Middle East, in particular on input costs--especially chemicals and transportation--and consumer confidence.

Downside scenario

We could consider lowering our rating on Metsa Board within the next 12 months if we revised down our group credit profile assessment of Metsa Group to 'bb+' or lower. We could also consider a downgrade if we no longer expected Metsa Board's S&P Global Ratings-adjusted debt to EBITDA to recover below 2.0x. This could happen if Metsa Board's profitability didn't improve with the cost-saving initiatives or its operational performance continued to weaken due to, for example, sustained muted demand for paperboard products; a further increase in chemicals, logistics, and freight costs; or operational challenges.

Upside scenario

We could revise the outlook to stable if Metsa Board successfully delivered on its cost-reduction initiatives and efficiency program, materially strengthening EBITDA and funds from operations (FFO) generation. This should result in adjusted debt to EBITDA improving to below 2x on a sustained basis.

We wouldn't revise the outlook to stable unless Metsa Group's financial performance also strengthened such that its credit metrics came back in line with its 'bbb-' assessment, including adjusted debt to EBITDA decreasing and staying below 2x.

Company Description

Metsa Board is a Finland-based company that produces folding boxboards (56% of 2025 sales), white kraftliners (26%), and market pulp (12%). Electricity sales and by-product sales from pulp production account for the remaining 6% of its revenue. Its paperboards are used in packaging applications in the consumer goods, retail, and food service industries. Metsa Board has the capacity to produce 2.1 million tons of paperboard and 1.7 million tons of pulp and bleached chemothermal mechanical pulp a year. The company has seven production units in Finland and Sweden and about 1,900 employees. It is listed on Nasdaq Helsinki. Metsa Board generated €1.7 billion in sales in 2025, mostly from Europe and the U.S.

Our Base-Case Scenario

Assumptions

- Real GDP growth of 1% in 2026 and 1.2% in 2027 in Europe; 2.2% in 2026 and 2.0% in 2027 in North America; and 4.4% in 2026 and 4.3% in 2027 in Asia-Pacific.
- Broadly flat revenues in 2026. We assume that higher paperboard prices (as we expect Metsa Board will pass through most of the increase in transportation and chemicals costs onto customers) and marginally higher paperboard volumes offset the impact of adverse currency movements. We also anticipate broadly stable pulp sales in 2026. In 2027, we assume 2%-3% revenue growth, supported by a modest recovery in the demand for paperboard and pulp.
- S&P Global Ratings-adjusted EBITDA margin of around 7.0% in 2026 (1.4% in 2025), largely driven by €100 million in cost savings from internal initiatives. We forecast a further increase in margins toward 10% in 2027 due to more cost reductions and volume gains (better fixed-cost absorption).
- Capex of about €80 million-€90 million per year in 2026-2027, which includes around €50 million annually for maintenance activities.
- Working-capital outflows of €5 million in 2026 and €10 million in 2027.
- No dividend payments in 2026 and a minimal cashout of €7 million in 2027.
- No acquisitions.

Key metrics

Metsa Board Corp.--Forecast summary

Period ending	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027
(Mil. EUR)	2022a	2023a	2024a	2025a	2026e	2027f
Revenue	2,480	1,942	1,939	1,776	1,770	1,813
EBITDA (reported)	615	215	176	(4)	159	218
Plus/(less): Other	(163)	(0)	(13)	29	(31)	(32)
EBITDA	452	214	163	25	128	186
Less: Cash interest paid	(12)	(13)	(17)	(17)	(19)	(18)
Less: Cash taxes paid	(67)	24	(17)	(0)	(18)	(24)
Funds from operations (FFO)	373	225	129	8	91	143
EBIT	476	72	39	(174)	30	80
Interest expense	12	14	17	20	19	18
Cash flow from operations (CFO)	224	341	38	240	117	180

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Metsa Board Corp.--Forecast summary

Capital expenditure (capex)	266	216	164	136	80	90
Free operating cash flow (FOCF)	(42)	124	(126)	104	37	90
Dividends	157	230	89	25	--	6
Share repurchases (reported)	8	--	--	--	--	--
Discretionary cash flow (DCF)	(207)	(105)	(215)	79	37	84
Debt (reported)	437	425	510	551	539	528
Plus: Lease liabilities debt	20	17	20	13	13	13
Plus: Pension and other postretirement debt	3	3	1	2	2	2
Less: Accessible cash and liquid investments	(356)	(292)	(183)	(309)	(331)	(411)
Plus/(less): Other	2	2	1	1	1	1
Debt	106	156	350	257	224	132
Equity	2,255	2,053	1,908	1,757	1,769	1,831
Cash and short-term investments (reported)	356	292	183	309	331	411
Adjusted ratios						
Debt/EBITDA (x)	0.2	0.7	2.1	10.3	1.7	0.7
FFO/debt (%)	352.2	144.6	36.9	2.9	40.6	108.2
FFO cash interest coverage (x)	32.0	18.0	8.8	1.4	5.9	8.8
EBITDA interest coverage (x)	36.9	15.0	9.6	1.2	6.8	10.1
CFO/debt (%)	210.9	218.8	10.8	93.1	52.4	136.5
FOCF/debt (%)	(39.9)	79.8	(36.1)	40.3	16.6	68.4
DCF/debt (%)	(195.5)	(67.7)	(61.4)	30.6	16.6	63.6
Annual revenue growth (%)	19.0	(21.7)	(0.2)	(8.4)	(0.3)	2.5
EBITDA margin (%)	18.2	11.0	8.4	1.4	7.2	10.2

Liquidity

We assess Metsa Board's liquidity as strong and believe that liquidity sources will cover uses by more than 1.5x in the 12 months started March 31, 2026. Our view on the company's liquidity is underpinned by an available cash balance of €264 million, an undrawn revolving credit facility (RCF) of €250 million, and forecast cash FFO of €135 million.

Principal liquidity sources	Principal liquidity uses
• €264 million in cash on the balance sheet; • €250 million under the undrawn RCF; • Forecast cash FFO of €135 million; and • Access to loans from pension funds of about €20 million.	• Debt amortizations and repayments of about €106 million; • Capex of €82 million; and • Working capital needs of €45 million–€50 million (of which €40 million are seasonal).

Covenants

The documentation of the €200 million RCF specifies a maximum net gearing ratio of 100%, tested on a quarterly basis. We expect Metsa Board will comply with its covenant over 2026-2027.

Issue Ratings--Subordination Risk Analysis

Capital structure

As of March 31, 2026, Metsa Board's debt comprised a €250 million senior unsecured bond due 2027, a €200 million bond due in 2031, and some bilateral bank loans due 2030--all issued by Metsa Board Oyj.

Analytical conclusions

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

Rating Component Scores

Component	
Foreign currency issuer credit rating	BBB-/Negative/A-3
Local currency issuer credit rating	BBB-/Negative/A-3
Business risk	Fair
Country risk	Low risk
Industry risk	Moderately high risk
Competitive position	Fair
Financial risk	Modest
Cash flow/leverage	Modest
Anchor	bbb-

Modifiers

Diversification/portfolio effect	Neutral/Undiversified
Capital structure	Neutral
Financial policy	Neutral
Liquidity	Strong
Management and governance	Neutral
Comparable rating analysis	Neutral
Stand-alone credit profile	bbb-

Related Criteria

- [Criteria | Corporates | General: Sector-Specific Corporate Methodology](#), July 7, 2025
- [Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities](#), Jan. 7, 2024
- [Criteria | Corporates | General: Corporate Methodology](#), Jan. 7, 2024
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021

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

Ratings List

Ratings List

Ratings Affirmed

Metsa Board Corp.

Issuer Credit Rating	BBB-/Negative/A-3
Senior Unsecured	BBB-

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