Research Update:

Holmen AB 'BBB+/A-2' And 'K-1' Ratings Affirmed Despite Higher Leverage; Outlook Remains Stable

October 28, 2026

Rating Action Overview

- In 2026 we anticipate Holmen AB will distribute shareholder returns of Swedish krona (SEK) 2.4 billion, while free operating cash flow (FOCF) will amount to only SEK1.5 billion.
- We forecast a slight deterioration in credit metrics, with an increase in S&P Global Ratings-adjusted debt to EBITDA to 1.8x by December 2026 and funds from operations to debt (FFO) down to 49% in 2026, although our key credit ratios remain commensurate with our thresholds for the rating.
- We therefore affirmed our 'BBB+/A-2' long- and short-term issuer credit ratings on Holmen and our 'K-1' short-term Nordic regional scale rating.
- The outlook remains stable and reflects our view that Holmen's credit metrics will remain in line with our rating thresholds over 2026 and 2027 and that Lundberg's influence will continue to provide a one-notch rating uplift.

Primary Contact

Andrey Strebezh
Frankfurt
491735633706
andrey.strebezh
@spglobal.com

Secondary Contact

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

Rating Action Rationale

S&P Global Ratings anticipates that shareholder returns will continue to exceed FOCF in 2026 and 2027. This will be the third year in a row that Holmen will at least partially fund shareholder returns with debt. The company's debt-to-equity ratio was 11% on Sept. 30, 2026, well below its stated ceiling of 25%. Holmen thereby has the flexibility to fund shareholder returns (dividends and share buybacks) or investments with incremental debt. In 2026 and 2027 we anticipate annual shareholder returns of SEK2.4 billion and SEK2.1 billion respectively, well above our estimated FOCF of SEK1.5 billion in 2026 and SEK1.7 billion in 2027. As a result, adjusted leverage will continue to increase to 1.8x per year in 2026-2027 (from 1.4x in 2025) and FFO to debt will decline to 47%-50% per year over the same period (from 67% in 2025).

We forecast credit metrics to remain commensurate with our current rating, albeit with lower headroom. Our assessment implies that adjusted leverage remains below 2.0x and that adjusted FFO to debt remains above 45% in the next two years. That said, a substantial increase in shareholder returns beyond our base case absent improved earnings--for instance, due to a slower recovery in end markets--could exert pressure on our rating.

Soft market conditions will weigh on revenue in 2026-2027. We forecast a 2%-3% revenue decline for 2026, as weakness in board, paper, forest, and wood products outweighs incremental energy sales. In 2026 the board and paper division (65% of sales) is facing weak prices and flat volumes, while low construction activity is undermining wood products (18% of sales). We anticipate lower forest products revenue (12% of sales) due to lower harvesting rates and weaker prices. Conversely, the energy division (5% of sales) will benefit from the new Blisterliden wind farm and high electricity prices. We expect a 2%-3% revenue recovery in 2027 thanks to slightly higher demand in the board and paper, forest, and wood products divisions.

We anticipate EBITDA margins to contract in 2026-2027 on the back of cost inflation. In 2026 EBITDA margins will contract in all divisions--except renewable energy--due to rising energy and other costs that cannot be passed through given subdued end-market demand. We anticipate S&P Global Ratings-adjusted EBITDA margins of 14.0% for 2026 (15.9% in 2025) and 14.5%-15.5% for 2027. The slight recovery in margins in 2027 reflects a better fixed cost absorption (as volumes improve) in the board and paper, wood products, and forest segments.

FOCF generation remains strong and supported by limited capital expenditure (capex) and working capital needs. We project annual FOCF of SEK1.5 billion-SEK1.7 billion for 2026-2027 (SEK1.7 billion in 2025). Following the completion of the Blisterliden wind farm in 2025, capex is expected to decline to SEK1.4 billion in 2026 and SEK1.1 billion-SEK1.2 billion in 2027 (SEK2 billion in 2025), consisting primarily of maintenance and minor facility improvements. Additionally, we expect working capital inflows of about SEK50 million in 2026 and working capital outflows of SEK100 million in 2027, replicating revenue dynamics.

Outlook

The stable outlook reflects our view that, despite weak volumes and prices in its end markets and a generous shareholder returns policy, Holmen's credit metrics will remain in line with the rating in 2026-2027. Specifically, we expect adjusted leverage below 2.0x and that adjusted FFO to debt remains above 45% over this period. Our outlook assumes that influence from controlling owner Lundberg will continue to provide a one-notch rating uplift.

Downside scenario

We could lower the rating if:

- Holmen increased its debt to EBITDA to above 2x over a sustained period or FFO to debt fell below 45% on a sustained basis, for example, as a result of a debt-funded transformational acquisition; or
- Holmen pursued a more aggressive financial policy via, for instance, large debt-funded shareholder distributions.

Upside scenario

We see the possibility of an upgrade as limited, due to Holmen's business risk profile positioning relative to peers. That said, we would consider raising the rating if Holmen's scale and geographic diversification improved in line with those of higher-rated peers, without deterioration of its financial policy.

Company Description

Holmen is a large, Sweden-based player in the forest, paper, and paperboard industry. It owns 1.3 million hectares of forest land in Sweden, of which over 1.0 million hectares are productive. Holmen produces premium virgin fiber-based paperboard for packaging applications such as cosmetics, pharmaceuticals, electronics, food, and luxury consumer goods, as well as publishing paper products. The group also manufactures timber and processed wood products for construction and other industries. In addition, it generates renewable energy from hydro- and wind power assets.

Holmen has been listed on the Stockholm Stock Exchange (Nasdaq Stockholm) since 1936. Its main shareholder L E Lundbergforetagen (Lundberg)--a Swedish investment holding company--held 36.0% of Holmen's capital and 63.2% of votes as of June 30, 2026.

Holmen generated adjusted revenue of about SEK24 billion and adjusted EBITDA of SEK3.8 billion in 2025. In 2025 about 25% of its revenue was generated in Sweden, followed by 12% in Germany, 10% in the U.K., 37% in the rest of Europe, and 16% in the rest of the world.

Our Base-Case Scenario

Assumptions

- Real GDP growth in Europe of 1.5% in 2026 and 1.7% in 2027; real GDP growth in Sweden of 2.5% in 2026 and 2.2% in 2027; real GDP growth in Asia-Pacific of 4.4% in 2026 and 4.6% in 2027.
- Revenue contraction of 2%-3% in 2026, as declines in board and paper, wood products (driven by soft market conditions), and the forest segment (driven by resources redirection to storm-affected areas) will only be partially offset by higher energy sales from the full ramp-up of electricity production at the Blisterliden wind farm, and very favorable electricity prices. In 2027, we anticipate revenue growth of around 2%-3% due to slightly higher demand for board and paper, forest, and wood products. We assume a normalization of energy sales in 2027, down from the record high levels achieved in 2026.
- S&P Global Ratings-adjusted EBITDA margins will decline to around 14.0% in 2026 (15.9% in 2025) due to higher energy and other costs. We expect margins to recover to 14.5%-15.5% in 2027, as higher volumes in board and paper, wood products, and forest segments support the absorption of the group's fixed costs.
- Capex of SEK1.4 billion in 2026, and SEK1.15 billion in 2027, well below the SEK2.1 billion registered in 2025. Most of this will relate to maintenance.
- Working capital inflows of SEK50 million in 2026 and outflows of SEK100 million 2027, reflecting revenue dynamics.
- Dividend payments of SEK1.45 billion in 2026 and SEK1.2 billion (around 50% of preceding year's net income) in 2027.
- Estimated share buybacks of SEK945 million in 2026 and SEK950 million in 2027.

Key metrics

Holmen AB--Forecast summary

Period ending	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027	Dec-31-2028
(Mil. SEK)	2022a	2023a	2024a	2025a	2026e	2027f	2028f

Holmen AB--Forecast summary							
Revenue	26,661	24,776	24,821	24,048	23,446	23,995	24,772
EBITDA	8,406	5,532	4,174	3,823	3,278	3,564	3,800
Less: Cash interest paid	(48)	(83)	(123)	(195)	(197)	(224)	(247)
Less: Cash taxes paid	(1,639)	(160)	(425)	(60)	(228)	(331)	(357)
Funds from operations (FFO)	6,719	5,289	3,626	3,568	2,853	3,009	3,196
Cash flow from operations (CFO)	5,484	5,802	3,298	3,820	2,876	2,882	3,019
Capital expenditure (capex)	1,391	1,702	2,096	2,108	1,400	1,150	1,150
Free operating cash flow (FOCF)	4,093	4,100	1,202	1,712	1,476	1,732	1,869
Dividends	1,862	2,592	1,831	1,888	1,458	1,166	1,316
Share repurchases (reported)	--	1,119	647	1,649	945	950	950
Discretionary cash flow (DCF)	2,231	389	(1,276)	(1,825)	(927)	(383)	(397)
Debt (reported)	3,934	2,920	3,455	5,405	5,638	6,159	6,697
Plus: Lease liabilities debt	247	251	227	226	228	231	233
Less: Accessible cash and liquid Investments	(1,835)	(1,102)	(134)	(290)	(50)	(50)	(50)
Plus/(less): Other	--	--	(21)	(1)	(1)	(1)	(1)
Debt	2,346	2,069	3,527	5,340	5,816	6,339	6,879
Adjusted ratios							
Debt/EBITDA (x)	0.3	0.4	0.8	1.4	1.8	1.8	1.8
FFO/debt (%)	286.4	255.6	102.8	66.8	49.1	47.5	46.5
FFO cash interest coverage (x)	141.0	64.7	30.5	19.3	15.5	14.5	13.9
EBITDA interest coverage (x)	137.8	67.5	44.4	27.5	16.6	15.9	15.4
CFO/debt (%)	233.8	280.4	93.5	71.5	49.5	45.5	43.9
FOCF/debt (%)	174.5	198.2	34.1	32.1	25.4	27.3	27.2
DCF/debt (%)	95.1	18.8	(36.2)	(34.2)	(15.9)	(6.0)	(5.8)
Annual revenue growth (%)	27.9	(7.1)	0.2	(3.1)	(2.5)	2.3	3.2
EBITDA margin (%)	31.5	22.3	16.8	15.9	14.0	14.9	15.3

Liquidity

We assess Holmen's liquidity as strong and anticipate that sources of liquidity will exceed uses by more than 1.5x in the 12 months started Oct. 1, 2026, and more than 1.0x in the subsequent 12 months, supported by cash balance, availability under revolving credit facilities, and FFO generation. Holmen has a track record of liquidity sources exceeding uses by more than 1.5x in the past three years, significant cash accumulated in recent years, and a decreased reliance on commercial paper, which reduces its recourse to short-term funding.

Principal liquidity sources	Principal liquidity uses
• SEK224 million of cash on the balance sheet; • Availability of about SEK5.1 billion under committed credit facilities; and • Our forecast of FFO of about SEK3.0 billion.	• SEK1.9 billion of debt maturities; • About SEK100 million of working capital requirements; • About SEK1.2 billion in capex over the next 12 months; and • About SEK1.2 billion for the payment of dividends based on net income in 2026.

Covenants

Holmen's debt is not subject to any covenants.

Rating Component Scores	
Component	
Foreign currency issuer credit rating	BBB+/Stable/A-2
Local currency issuer credit rating	BBB+/Stable/A-2
Business risk	Satisfactory
Country risk	Low risk
Industry risk	Moderately high risk
Competitive position	Satisfactory
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	Negative
Stand-alone credit profile	bbb

Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology - July 07, 2025, July 7, 2025
- Criteria | Corporates | General: Corporate Methodology - January 07, 2024, Jan. 7, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities - January 07, 2024, Jan. 7, 2024
- General Criteria: National And Regional Scale Credit Ratings Methodology, June 8, 2023

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- 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: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

Ratings List

Ratings List	
Ratings Affirmed	
Holmen AB	
Issuer Credit Rating	BBB+/Stable/A-2
Nordic Regional Scale	--/--/K-1

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

Copyright © 2026 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Some of the Content may have been created with the assistance of an artificial intelligence (AI) tool. Published Content created or processed using AI is composed, reviewed, edited, and approved by S&P personnel.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.spglobal.com/ratings (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.spglobal.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.