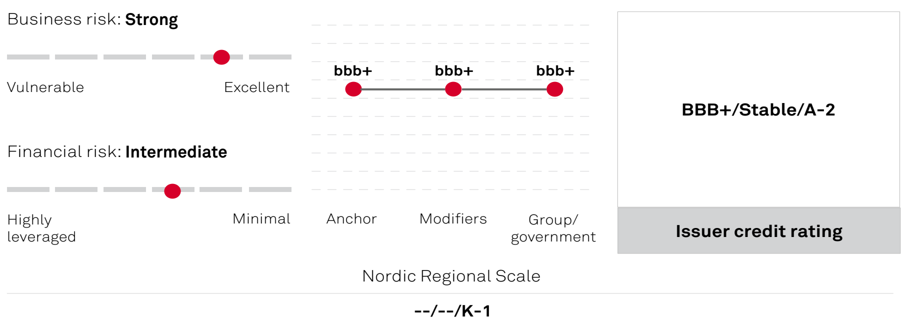
Essity AB

June 26, 2025

Ratings Score Snapshot



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Credit Highlights

Overview

Key strengths	Key risks
A product portfolio supported by favorable market trends, such as a growing and aging population and greater awareness of hygiene and health, and not dependent on discretionary consumer spending.	Intense competition in the consumer tissue and personal care markets, especially with large global players Kimberly-Clark and Procter & Gamble. Increasing penetration of private label offerings, mainly in Europe, in the tissue and baby care segment (37% of Essity's revenue as of March 31, 2025).
Positioned as number one or two in branded products (about 90% of its sales)--leads the incontinence care and professional hygiene markets globally, with its TENA and TORK brands respectively.	Exposure to volatile input costs, such as those of pulp and recycled paper. These can be mitigated only ex-post through price increases, and could translate into potential swings in the credit metrics.
A well-balanced geographic footprint, although exposure to emerging markets has reduced to about 19% following the divestment of shares in Asian hygiene company Vinda.	Large, opportunistic acquisitions could lead to an increase in S&P Global Ratings-adjusted debt to EBITDA, which we expect will remain close to 2x over the next two years.
Ample liquidity buffer, with Swedish krona (SEK) 9.8 billion of cash on balance sheet as of March 31, 2025, and sound FOCF generation of SEK9.7 billion-SEK10.7 billion over 2025-2026, implying high flexibility for mergers and acquisitions (M&As) and discretionary spending.	

We anticipate broadly flat revenue in 2025, given soft demand in professional hygiene in North America and increased competition in tissue and baby care. Essity's net organic sales increased by 0.4% in first-quarter 2025, while its volumes were flat. Though the group's organic revenue increased by 2.1% thanks to favorable price and mix trends, currency translation negatively affected total revenue generation in the quarter.

Higher volumes in the health and medical segment (20% of group sales as of March 31, 2025) and consumer goods, excluding baby care (50%), were offset by a 6.5% decline in volumes in baby care (5%) and a 3.6% decline in professional hygiene (25%). S&P Global Ratings understands lower demand in food services in North America weighed on volumes in the professional hygiene segment. We remain cautious around the development of the hotel, restaurant, and catering sector in North America over the next few quarters, as weakening consumer sentiment could translate into lower discretionary spending in the U.S. and a decline in away-from-home consumption in 2025.

In our base case for 2025, we also factor in competitive pressure in tissue and baby care (about 37% of Essity's sales as of March 31, 2025). This reflects our view that despite the essential nature of the segment's products, consumers place more value on price rather than premium offerings. We also see increased penetration of private labels in the segment. In our view, innovation and premiumization remain more relevant in health and medical as well as incontinence care. We forecast Essity's revenue will increase by 1%-3% in 2026, driven by higher volumes and targeted pricing actions, after flat growth in 2025.

Adjusted EBITDA margin will modestly increase to 18% in 2025-2026 by our estimates, as Essity reinvests cost savings to step up spending on advertising and promotion (A&P) and IT. In 2024, Essity's S&P Global Ratings-adjusted EBITDA margin expanded by more than 100 basis points to 17.7%, supported by a 3.1% increase in gross margin and cost savings of about SEK1.5 billion. We believe Essity's branded product proposition and pricing power enable the group to mitigate potential swings in prices of inputs such as pulp and recovered paper.

We also note the group's strategy to focus on bringing innovation to the market and reduce its exposure to the more volatile tissue business--accounting for 31% of group sales as of March 31, 2025 versus 40% in 2021--will support long-term profitability. At the same time, Essity is increasingly focusing on its cost base, following the restructuring of the professional hygiene division and its exit from low-margin incontinence care contracts in the health care segment. The group guided for SEK500 million-SEK1 billion in cost savings in 2025, of which it achieved SEK82 million in the first quarter. We anticipate a ramp-up over the next three quarters and forecast cost savings of SEK600 million-SEK700 million for the year.

In our view, Essity will increase its A&P spending to support product launches; we also include a rise in IT expenses, also financed through cost savings, in our base case for 2025. This implies the group's S&P Global Ratings-adjusted EBITDA margin will slightly expand to 18%.

We anticipate limited impact from U.S. trade tariffs on Essity's credit metrics and competitive position. The U.S. and Canada accounted for 17% of Essity's sales as of year-end 2024. We recognize the group has manufacturing capabilities in the U.S. and relies on local sourcing, providing a natural hedge to any potential tariffs and a competitive advantage over its peers. We also note Kimberly-Clark (A/Stable/A-1) lowered its 2025 profit outlook in April 2025 due to the potential impact of tariffs and exposure to goods imported from China. Essity, in contrast, produces 90% of its professional hygiene products (25% of group sales as of March 31, 2025) sold in the U.S. under the brand TORK in North America itself, and relies on local suppliers for sourcing recycled fiber (the main raw material). The group also manufactures its incontinence care products in the U.S. for the health care and retail channels. We view positively that incontinence care products are currently exempt from tariffs due to the United States-Mexico-Canada Agreement.

In our view, Essity could shift production and sourcing to countries less impacted by trade tariffs, revise product prices or rely on a combination of these to offset any potential increase in costs and protect its margins. We note Essity has sufficient headroom under the current rating, with S&P Global Ratings-adjusted debt to EBITDA well below 3.0x. We also do not anticipate a deterioration in the company's competitive position, as its branded product proposition is well perceived by customers.

S&P Global Ratings believes there is a high degree of unpredictability around policy implementation by the U.S. administration and possible responses--specifically with regard to tariffs--and the potential effect on economies, supply chains, and credit conditions around the world. As a result, our baseline forecasts carry a significant amount of uncertainty. As situations evolve, we will gauge the macro and credit materiality of potential and actual policy shifts and reassess our guidance accordingly (see our research here: spglobal.com/ratings).

Outlook

The stable outlook reflects our view that Essity's established brand portfolio and product innovation will continue to support sales in 2025. S&P Global Ratings-adjusted EBITDA margin should modestly expand to about 18% in 2025 from 17.7% in 2024, underpinned by Essity's ability to mitigate the volatility of input prices, notably of pulp and recovered paper, primarily via timely price increases. We also expect management will focus on cost base, translating into savings of SEK500 million-SEK1 billion. Our base case factors in additional discretionary spending, notably for shareholder remuneration and M&As. We anticipate S&P Global Ratings-adjusted debt to EBITDA will remain close to 2x in 2025 and 2026, up from 1.4x in 2024.

Downside scenario

We could consider lowering the rating if we see consumers becoming more price-sensitive and shifting to private label products, causing Essity to lose market share or engage in expensive promotions that depress profitability. In this scenario, we would expect Essity's market position and operating performance to deteriorate, translating into adjusted debt to EBITDA of more than 3.0x.

We could also consider a negative rating action if we were to observe Essity adopting a more aggressive financial policy, with high shareholder remuneration and bolt-on acquisitions leading to accelerated discretionary spending and pushing debt to EBITDA above 3.0x for a prolonged period.

Upside scenario

We could consider a positive rating action if Essity generated solid FOCF across its three divisions and used it to improve its leverage ratios, with debt to EBITDA approaching 2.0x. Under this scenario, the group would need to evaluate its debt-funded acquisitions to ensure that it can maintain leverage at this level.

Our Base-Case Scenario

Assumptions

- Real GDP growth of 1.7% in 2025 in the U.S. compared with 2.8% in 2024; lower real GDP growth of 0.8% in the eurozone, largely in line with 2024 levels. Inflation of 1.9% in the eurozone in 2025 compared with 2.4% a year earlier; 2.9% in the U.S--broadly aligned with 3% in 2024.
- A decline in pulp prices in 2025 in Europe and China, given the ramp-up of newly built plants as well as supply and demand growth remain sluggish amid macroeconomic uncertainty. The U.S., where we forecast a slight increase in prices due to the inflationary effect of tariffs, is a notable exception. We anticipate a progressive increase in prices globally from 2026, thanks to reduction in supply and acceleration in demand, as we expect macroeconomic conditions will improve.
- Broadly flat sales in 2025 due to foreign exchange fluctuations. For 2025, we forecast 1.0%-1.5% volume growth for the group and anticipate price and mix growth of 1.0%-1.5%. We expect sluggish volume growth in professional hygiene in 2025, given softness in the North American market, notably in food services. Consumer goods to see a similar trend, as customers prioritize value over premium products. We forecast revenue will expand by 1%-3% in 2026 and 2027.
- S&P Global Ratings-adjusted EBITDA margin slightly increasing to about 18% in 2025 and 2026 from 17.7% in 2024. We expect targeted increase in prices of some products, such as consumer tissue, given an anticipated increase in pulp prices and Essity's focus on profitable growth and margin protection. Furthermore, the company aims to realize savings in different areas, such as energy and raw material rationalization, improved sourcing conditions, and waste reduction.
- Capital expenditure (capex) of about SEK7.6 billion in 2025 and 2026 (5.2% of sales). This includes investment in key areas of focus for Essity, such as incontinence care and feminine care.
- Dividends of about SEK5.7 billion in 2025 and of about SEK5.9 billion in 2026.
- A SEK3 billion outflow for share buybacks. Essity's share buyback program, launched in April 2025, will run until March 2026. We understand Essity intends to make share buybacks a recurring component of shareholder remuneration.
- We include discretionary spending for in-fill M&As as we believe Essity will selectively look at inorganic growth opportunities.

Key metrics

Essity AB--Forecast summary

Period ending	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027
(Mil. SEK)	**2021a**	**2022a**	**2023a**	**2024a**	**2025e**	**2026f**	**2027f**
Revenue	121,867	156,173	147,147	145,546	145,177	147,747	148,341
EBITDA	19,958	20,112	23,760	25,821	26,278	26,710	27,150
Funds from operations (FFO)	15,486	16,824	17,684	17,488	20,176	20,736	20,780
Cash flow from operations (CFO)	14,389	12,212	19,104	16,695	17,317	18,443	18,485
Capital expenditure (capex)	7,263	6,872	6,835	7,428	7,586	7,668	7,7207
Free operating cash flow (FOCF)	7,126	5,340	12,269	9,267	9,731	10,775	10,778
Dividends	5,312	5,312	5,094	5,466	5,685	5,940	6,237

Essity AB--Forecast summary

Period ending	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027
(Mil. SEK)	**2021a**	**2022a**	**2023a**	**2024a**	**2025e**	**2026f**	**2027f**
Share repurchases	--	--	--	2,224	3,000	3,000	3,000
Discretionary cash flow (DCF)	1,814	28	7,175	1,577	1,047	1,835	1,541
Debt	54,931	66,554	55,756	35,317	41,890	48,507	55,409
Adjusted ratios							
Debt/EBITDA (x)	2.8	3.3	2.3	1.4	1.6	1.8	2.0
FFO/debt (%)	28.2	25.3	31.7	49.5	48.2	42.7	37.5
FOCF/debt (%)	13.0	8.0	22.0	26.2	23.2	22.2	19.5
Annual revenue growth (%)	0.1	28.2	(5.8)	(1.1)	(0.3)	1.1	1.1
EBITDA margin (%)	16.4	12.9	16.1	17.7	18.1	18.2	18.3

SEK--Swedish krona. a--Actual. e--Estimate. f--Forecast.

Company Description

Essity is a Swedish health and hygiene group that was created when Svenska Cellulosa spun off its hygiene division in 2017. Essity produces and sells personal care, tissue, and health and medical products. In the 12 months ended March 31, 2025, Essity posted roughly SEK145.7 billion in sales and reported EBITDA of about SEK25.8 billion, with an EBITDA margin of 17.7%.

Essity operates through three main divisions:

- Consumer goods (55% of Essity's sales as of March 31, 2025). Sells adult incontinence care (leads the global market with the TENA brand), baby care (such as diapers and pants), feminine care (pads, panty liners, and tampons), and consumer tissue (toilet paper, household towels, facial tissues, wet wipes, napkins, and face masks) products via retail trade and online channels.
- Professional hygiene (25% of sales). Develops and markets complete hygiene solutions under the leading global brand TORK. These include toilet paper, paper hand towels, napkins, hand sanitizers, tissues, and dispensers. The division also provides services and maintenance solutions to companies and office buildings, universities, health care facilities, restaurants, hotels, and other public venues.
- Health and medical (20% of sales). Offers incontinence care products, and health care and medical solutions (wound care, compression therapy, and orthopedic products). Essity has established a solid presence in this market following its acquisition of BSN in 2017. Its global and regional brands include TENA, Leukoplast, and Jobst.

Essity is present in more than 150 countries globally, with Europe accounting for 62% of total sales as of March 31, 2025, Latin America 18%, North America 16%, and other countries for the remaining 4%. Essity is listed on the Nasdaq Stockholm exchange; its largest shareholder, AB Industrivärden, held about 10.6% stake as of March 31, 2025. The group had a market capitalization of about SEK178.87 billion ($18.94 billion) as of June 26, 2025.

Peer Comparison

U.S.-based Kimberly-Clark Corp. (KC) is Essity's closest peer and the No. 2 player in tissues and hygiene products globally, while Essity is No. 3. KC's S&P Global Ratings-adjusted EBITDA margin was about 20% on average over 2023-2024, higher than Essity's 17% in 2024 and 16.1% in 2023. We believe KC's higher profitability is partly owing to its presence in the U.S., its domestic market, which is more profitable than several European countries in which Essity operates. In fact, private labels have a lower penetration in the U.S. than in Europe, allowing U.S. players to maintain higher prices. KC has five "billion-dollar" brands, while Essity has two (TENA and TORK). We anticipate KC's S&P Global Ratings-adjusted debt to EBITDA will remain below 2.0x over 2025-2027.

Germany-based Henkel AG is larger and more diversified than Essity in terms of product categories. It competes in home care, personal care, and adhesive technologies. Henkel is the global leader in adhesive technologies, while it usually ranks No.2, No.3, or lower in home care and personal care, behind large players such as Procter & Gamble (P&G), Unilever, or L'Oreal. Henkel's profitability is less vulnerable to volatility of raw material prices than Essity's. However, competitive pressures in the consumer brands division, mainly in beauty care, as well as inflationary pressures, resulted in Henkel delivering margin of 15.6% in 2024, lower than Essity's 17.7%. Henkel maintains a very conservative financial risk profile and its adjusted debt to EBITDA is well below 1.5x. However, our 'A' rating incorporates Henkel's ambition for external growth and a potential increase in leverage.

U.S.-based Procter & Gamble Co. (P&G) competes with Essity in many countries in the personal care market. However, it is markedly larger and operates with a more extensive personal care and household products portfolio, so we see it as significantly more diversified. These factors, coupled with higher profitability--reflected by its S&P Global Ratings-adjusted margin of about 28% in 2024--support our more favorable view of P&G's performance. P&G also has slightly stronger metrics, with debt to EBITDA of 1.0x-1.2x, compared with that of Essity at 1.5x-2x.

Essity AB--Peer Comparisons

	Essity AB	Kimberly-Clark Corp.	Henkel AG & Co. KGaA	Procter & Gamble Co.
Foreign currency issuer credit rating	BBB+/Stable/A-2	A/Stable/A-1	A/Stable/A-1	AA-/Stable/A-1+
Local currency issuer credit rating	BBB+/Stable/A-2	A/Stable/A-1	A/Stable/A-1	AA-/Stable/A-1+
Period	Annual	Annual	Annual	Annual
Period ending	2024-12-31	2024-12-31	2024-12-31	2024-06-30
Mil.	SEK	SEK	SEK	SEK
Revenue	145,546	221,993	247,341	890,715
EBITDA	25,821	44,126	42,167	247,387
Funds from operations (FFO)	17,488	34,457	34,410	191,427
Interest	1,106	3,405	1,409	10,216
Cash interest paid	2,473	3,173	1,180	9,717
Operating cash flow (OCF)	16,695	37,043	35,154	206,668
Capital expenditure	7,428	7,980	7,173	35,209
Free operating cash flow (FOCF)	9,267	29,064	27,981	171,459
Discretionary cash flow (DCF)	1,577	(409)	18,941	19,705

Essity AB--Peer Comparisons				
Cash and short-term investments	10,962	13,469	33,103	100,498
Gross available cash	13,262	13,469	39,256	100,498
Debt	35,317	80,898	12,180	275,150
Equity	88,741	10,791	250,045	535,866
EBITDA margin (%)	17.7	19.9	17.0	27.8
Return on capital (%)	14.8	34.1	13.5	26.5
EBITDA interest coverage (x)	23.3	13.0	29.9	24.2
FFO cash interest coverage (x)	8.1	11.9	30.2	20.7
Debt/EBITDA (x)	1.4	1.8	0.3	1.1
FFO/debt (%)	49.5	42.6	282.5	69.6
OCF/debt (%)	47.3	45.8	288.6	75.1
FOCF/debt (%)	26.2	35.9	229.7	62.3
DCF/debt (%)	4.5	(0.5)	155.5	7.2

Financial Risk

Essity's commitment to the 'BBB+' rating translates into financial flexibility and allows for additional discretionary spending. A healthy free operating cash flow (FOCF) of SEK9.7 billion-SEK10.7 billion over 2025-2026 should enable the group to self-fund its shareholder remuneration. In our base case for 2025-2026, we include annual divdend payments of SEK5 billion-SEK6 billion and share repurchases of SEK3 billion. Essity's share buyback program runs until the next annual general meeting in March 2026, but we understand share buybacks will remain a recurring part of Essity's capital alllocation.

We note the company views selective M&As as an integral part of its growth strategy, and we anticipate the group will focus on value accretive transactions that could either expand its product offerings into adjacent categories or strengthen the company's route-to-market capabilies. While we have no visibility about the timing and potential size of future acquisitions, we assume the group will not consistently maintain debt to EBITDA at 1.5x as it did in 2024. In our view, Essity will use the financial flexibility offered by its high cash balances and solid FOCF generation to fund M&As over the coming years. We therefore forecast S&P Global Ratings-adjusted debt to EBITDA will return to about 2x in the medium term, in line with the 'BBB+' rating and Essity's commitment to a solid investment grade rating.

Uncertainty remains around the potential early repayment of Essity's notes, but we believe the group is prudently handling liquidity risk. In October 2024, few bondholders demanded early repayment of a minority part of Essity's bonds maturing in 2029, 2030, and 2031, claiming that following the disposal of its stake in Vinda, an event of default occurred on the group's medium-term loan program, with a total outstanding amount of SEK28.1 billion (total size: €6 billion). On Dec. 16, 2024, the company announced that some of these bondholders, whose holdings represented a small portion of the outstanding bonds, have initiated proceedings in an English court. The company continues to reject claims of right to early repayment under the terms of its bonds and maintains the demand is unfounded.

We do not have visibility on the possible outcome and timing of the court ruling, but recognize the group signed committed credit facilities to offset any potential liquidity pressure emerging from the bondholders' demand. As of March 31, 2025, the group had access to liquidity of about

SEK52.4 billion (about €4.9 billion), comprising SEK42.6 billion (about €4 billion) of committed credit facilities and about SEK9.8 billion (about €900 million) of cash and cash equivalents.

Debt maturities

As of March 31, 2025, Essity had the following notes outstanding:

- €500 million notes with 3.0% coupon due 2026
- €500 million notes with 1.625% coupon due 2027
- €600 million notes with 0.250% coupon due 2029
- €300 million notes with 0.5% coupon due 2030
- €700 million notes with 0.25% coupon due 2031

Essity AB--Financial Summary

Period ending	**Dec-31-2019**	**Dec-31-2020**	**Dec-31-2021**	**Dec-31-2022**	**Dec-31-2023**	**Dec-31-2024**
Reporting period	2019a	2020a	2021a	2022a	2023a	2024a
Display currency (mil.)	SEK	SEK	SEK	SEK	SEK	SEK
Revenues	128,975	121,752	121,867	156,173	147,147	145,546
EBITDA	21,973	24,120	19,958	20,112	23,760	25,821
Funds from operations (FFO)	19,755	19,311	15,486	16,824	17,684	17,488
Interest expense	1,126	912	815	997	1,503	1,106
Cash interest paid	1,088	892	838	862	2,461	2,473
Operating cash flow (OCF)	18,337	17,756	14,389	12,212	19,104	16,695
Capital expenditure	5,811	6,544	7,263	6,872	6,835	7,428
Free operating cash flow (FOCF)	12,526	11,212	7,126	5,340	12,269	9,267
Discretionary cash flow (DCF)	8,152	6,399	1,814	28	7,175	1,577
Cash and short-term investments	2,928	4,982	3,904	4,288	5,159	10,962
Gross available cash	2,928	4,982	3,904	4,288	5,159	13,262
Debt	51,769	44,011	54,931	66,554	55,756	35,317
Common equity	62,801	63,342	68,507	76,564	79,405	88,741
Adjusted ratios						
EBITDA margin (%)	17.0	19.8	16.4	12.9	16.1	17.7
Return on capital (%)	12.9	15.2	11.2	8.9	12.3	14.8
EBITDA interest coverage (x)	19.5	26.4	24.5	20.2	15.8	23.3
FFO cash interest coverage (x)	19.2	22.6	19.5	20.5	8.2	8.1
Debt/EBITDA (x)	2.4	1.8	2.8	3.3	2.3	1.4
FFO/debt (%)	38.2	43.9	28.2	25.3	31.7	49.5
OCF/debt (%)	35.4	40.3	26.2	18.3	34.3	47.3
FOCF/debt (%)	24.2	25.5	13.0	8.0	22.0	26.2
DCF/debt (%)	15.7	14.5	3.3	0.0	12.9	4.5

Reconciliation Of Essity AB Reported Amounts With S&P Global Adjusted Amounts (Mil. SEK)

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Financial year	Dec-31-2024									
Company reported amounts	42,771	88,314	145,546	25,800	18,295	1,043	25,821	17,169	5,466	7,435
Cash taxes paid	-	-	-	-	-	-	(5,860)	-	-	-
Cash interest paid	-	-	-	-	-	-	(2,473)	-	-	-
Trade receivables securitizations	2,070	-	-	-	-	-	-	(467)	-	-
Lease liabilities	4,327	-	-	-	-	-	-	-	-	-
Postretirement benefit obligations/ deferred compensation	-	-	-	73	73	24	-	-	-	-
Accessible cash and liquid investments	(11,244)	-	-	-	-	-	-	-	-	-
Capitalized interest	-	-	-	-	-	39	-	-	-	-
Capitalized development costs	-	-	-	(7)	32	-	-	(7)	-	(7)
Dividends from equity investments	-	-	-	33	-	-	-	-	-	-
Income (expense) of unconsolid. cos.	-	-	-	(78)	-	-	-	-	-	-
Nonoperating income (expense)	-	-	-	-	593	-	-	-	-	-
Noncontrolling/ minority interest	-	427	-	-	-	-	-	-	-	-
Debt: Derivatives	(3,114)	-	-	-	-	-	-	-	-	-
Debt: Earnouts and deferred consideration for business acquisitions	507	-	-	-	-	-	-	-	-	-
D&A: Impairment charges/ (reversals)	-	-	-	-	222	-	-	-	-	-
Total adjustments	(7,454)	427	-	21	920	63	(8,333)	(474)	-	(7)

Reconciliation Of Essity AB Reported Amounts With S&P Global Adjusted Amounts (Mil. SEK)

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
S&P Global Ratings adjusted	Debt	Equity	Revenue	EBITDA	EBIT	Interest expense	Funds from Operations	Operating cash flow	Dividends	Capital expenditure
	35,317	88,741	145,546	25,821	19,215	1,106	17,488	16,695	5,466	7,428

Liquidity

The short-term global scale rating is 'A-2' and the short-term Nordic scale rating 'K-1'. We assess Essity's liquidity as strong because we expect liquidity sources to cover uses by more than 1.5x over the next 12-24 months. Our assessment is supported by Essity's high standing in credit markets, solid relationship with diverse and creditworthy banking groups allowing frequent bond issuance, and access to commercial papers. Essity relies on its SEK15 billion commercial paper and €1.2 billion commercial paper programs (not included in the liquidity sources listed below). The commercial paper program was unused as of March 31, 2025.

Principal liquidity sources

- Access to cash of about SEK9.8 billion as of March 31, 2025.
- Cash funds from operations of SEK18.5 billion-SEK19.0 billion.
- Three undrawn bank lines totaling SEK42.6 billion (about €4 billion), maturing beyond 12 months.

Principal liquidity uses

- Debt maturities of about SEK1.2 billion in the 12 months from March 31, 2025.
- Annual capex of SEK7.5 billion-SEK8.0 billion.
- Working capital outflows, including a seasonal expense of SEK1 billion-SEK3 billion annually. We anticipate an increase in cost of inventory.
- Annual dividends of about SEK5.5 billion-SEK6.0 billion.
- Share repurchases of about SEK3 billion.

Issue Ratings--Subordination Risk Analysis

Capital structure

We do not see any structural subordination because the debt mainly comprises unsecured notes issued by Essity AB and the financial vehicle Essity Capital B.V.

Analytical conclusions

We rate Essity's debt 'BBB+' in line with our issuer credit rating.

Rating Component Scores	
Foreign currency issuer credit rating	**BBB+/Stable/A-2**
Local currency issuer credit rating	**BBB+/Stable/A-2**
Business risk	**Strong**
Country risk	Low
Industry risk	Low
Competitive position	Strong
Financial risk	**Intermediate**
Cash flow/leverage	Intermediate
Anchor	**bbb+**
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Strong (no impact)
Management and governance	Positive (no impact)
Comparable rating analysis	Neutral (no impact)
Stand-alone credit profile	**bbb+**

Related Criteria

- 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: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- EMEA Consumer Goods And Retail: U.S. Tariffs Will Hit Alcohol And Luxury Goods Hardest, April 7, 2025
- Tear Sheet: Kimberly-Clark Corp., April 24, 2025
- Industry Credit Outlook 2025: Consumer Products, Jan. 14, 2025

- Essity AB, Dec. 20, 2024
- EMEA Consumer Goods: Credit Stories Unfolded, Dec. 12, 2024

Ratings Detail (as of June 26, 2025)*

Essity AB		
Issuer Credit Rating		BBB+/Stable/A-2
Nordic Regional Scale		--/--/K-1
Senior Unsecured		BBB+
Issuer Credit Ratings History		
10-Apr-2017		BBB+/Stable/A-2
10-Apr-2017	*Nordic Regional Scale*	--/--/K-1
Related Entities		
Essity Capital B.V.		
Senior Unsecured		BBB+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.