

Arctic Paper

Bloomberg: ATC PW Equity, Reuters: ATC.WA

Sell, PLN 8.3

Initiation



Securities

11 September 2025, 07:30

Mea Pulpa

We are initiating coverage with a SELL recommendation and a TP of PLN 8.3 per share. The company is struggling against a lot of headwind: 1) graphic and printing paper structural oversupply resulted in price pressure; 2) unfavourable FX movement (USD/SEK on average -9.6% y/y in 2Q25); 3) elevated softwood costs in Sweden; 4) weak paper-BHKP pulp spread. We expect 2H25 to remain challenging for the group, with no material improvement in the industry landscape. It is likely to result in a large increase in financial leverage (3.5x ND/EBITDA at the end of 2025). We see the current valuation (2025F EV/EBITDA of 16.5x, 2026F of 7x) as unattractive.

Arctic Paper – a mid-sized paper producer

Arctic Paper is the fifth largest UWF paper producer in Europe (7% market share by production volume) with exposure to pulp production (55% stake in listed Swedish company Rottneros). The group operates in two main segments: UWF and CWF papers (~70% of sales) and pulp (~30% of sales), while gradually diversifying into packaging papers. Arctic's lack of vertical integration (no fully integrated pulp-paper and pulp-wood model) leaves it more vulnerable than peers.

Structurally challenged outlook

The company's sales mix is skewed toward graphic and printing papers, a structurally declining segment (2023-2028F CAGR -3%). Larger competitors benefit from greater exposure to growing categories such as packaging, board and tissue. While Arctic Paper's planned 120kt packaging capacity by 2030 is a step in the right direction, its limited scale is currently insufficient to offset the ongoing erosion in its core business.

Expensive on multiples

The stock is currently trading at 2025F and 2026F EV/EBITDA of 16.5x and 7x, translating into 134% and 4% premiums to its peers, respectively. The premiums are not particularly justified given the: 1) lack of integration; 2) weak product diversification; 3) low 2025-2026F FCF yields (-30% and 0% respectively); 4) increasing financial leverage.

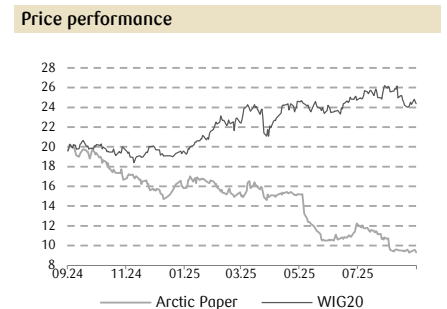
PLN mn	2023	2024	2025F	2026F	2027F
Revenues	3,549	3,435	3,180	3,283	3,467
EBITDA	475	298	62	146	257
EBIT	357	184	-130	-1	110
Net profit	247	154	-84	-7	54
P/E	5.4	9.2	nm	nm	11.9
P/BV	0.9	1.0	0.5	0.5	0.5
EV/EBITDA	2.8	4.1	16.5	7.0	3.8
EPS	3.57	2.23	-1.21	-0.10	0.78
DPS	2.70	1.00	0.00	0.00	0.00
FCF	278	-234	-196	2	69
CAPEX	200	424	270	154	164

Key data	
Market price (PLN)	9.31
Upside	-11%
No. of shares (mn)	69.29
Market Cap (PLNm)	645.07
Free float	32%
Free float (PLNm)	205
Free float (USDmn)	56
EV (PLNm)	1,015.53
Net debt (PLNm)	217.74

ESG	
ESG	6.6

Dividend	
Div yield	0.0%
Ex-div	-

Major Shareholders	% of shares
Thomas Onstad	68.26
-	-
-	-
-	-



	WIG20	Company
1 month	-7.0%	-14.1%
3 months	0.6%	-11.3%
6 months	8.6%	-39.6%
12 months	21.8%	-52.9%
Min 52 weeks PLN		9.28
Max 52 weeks PLN		20.24
Av. turnover/day PLN mn		0.72

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F - forecast by PKO BP Securities



Financial Forecasts

Profit and loss account	2020	2021	2022	2023	2024	2025F	2026F	2027F	2028F
Sales of products, goods and materials	2,847	3,413	4,894	3,549	3,435	3,180	3,283	3,467	3,656
Costs of sold products, goods and materials	2,306	2,705	3,483	2,803	2,846	2,867	2,869	2,924	3,057
Gross profit on sales	542	708	1,411	746	589	313	414	544	599
EBITDA	271	328	974	475	298	62	146	257	288
Operating profit	158	245	843	357	184	-130	-1	110	140
Financial expenses net	-36	-21	85	-17	8	-27	-21	-23	-22
Pre-tax profit	122	223	928	340	192	-157	-22	86	118
Income tax	19	47	171	69	31	-22	-4	17	24
Net profit (loss) attributable to non-controlling interest	-7	49	126	25	7	-51	-11	15	20
Net Profit (loss)	111	127	631	247	154	-84	-7	54	74
Balance Sheet	2020	2021	2022	2023	2024	2025F	2026F	2027F	2028F
Fixed assets	1,195	1,302	1,372	1,292	1,492	1,625	1,632	1,648	1,665
Intangible assets	43	57	64	58	38	38	38	38	38
Tangible assets	1,085	1,155	1,125	1,166	1,419	1,551	1,558	1,575	1,592
Investments	24	60	163	50	16	16	16	16	16
Other long-term assets	42	30	20	18	19	19	19	19	19
Current assets	942	1,088	1,883	1,431	1,265	1,138	1,170	1,248	1,302
Inventories	365	403	601	445	495	477	479	492	508
Receivables	298	403	503	415	429	417	407	425	449
Cash and cash equivalents	256	168	482	500	288	191	230	277	292
Other short-term assets	24	114	296	70	53	53	53	53	53
Total Assets	2,137	2,389	3,254	2,723	2,757	2,763	2,801	2,896	2,968
Equity capital	750	912	1,588	1,443	1,455	1,371	1,365	1,419	1,477
Non-controlling interests	283	331	465	358	313	262	251	266	287
Liabilities	1,104	1,146	1,202	921	988	1,129	1,185	1,211	1,205
Long-term liabilities	465	424	395	280	376	437	474	473	457
Loans and borrowings	241	190	162	104	225	286	324	322	307
Trade liabilities and other	223	234	233	176	151	151	151	151	151
Short-term liabilities	639	722	807	642	613	693	711	738	747
Loans and borrowings	148	97	43	49	61	123	139	138	131
Other provisions	11	4	55	29	18	18	18	18	18
Prepayments	99	114	148	114	106	106	106	106	106
Trade liabilities and other	379	507	551	448	427	446	448	476	492
Total Equity & Liabilities	2,137	2,389	3,254	2,723	2,757	2,763	2,801	2,896	2,968
Cash flow statement	2020	2021	2022	2023	2024	2025F	2026F	2027F	2028F
Cash flow on operating activity	211	238	607	471	188	79	160	237	241
Cash flow on investment activity	-141	-160	-156	-147	-417	-270	-154	-164	-166
Cash flow on financial activity	-101	-162	-125	-289	23	-27	-21	-23	-38
Indicators (%)	2020	2021	2022	2023	2024	2025F	2026F	2027F	2028F
ROE	16.4%	15.3%	50.5%	16.3%	10.7%	-5.9%	-0.5%	3.9%	5.1%
Net Debt	134.0	119.1	-276.2	-347.5	-1.4	217.7	232.4	182.3	145.7

Source: forecasts of PKO BP Securities

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min (max) 52 weeks: minimum (maximum) of the market share price during the previous 52 weeks

Capitalisation: product of the share market price and the number of shares

EV: sum of the company's capitalisation and net debt

free float (%): share of the total number of shares decreased by 5% stakes held by one shareholder and own shares held by the company in the total number of shares

Average trading/month: average trading per month calculated as total trading value over previous 12 months divided by 12

ROE: rate of return on equity

ROA: rate of return on assets

EBIT: operating profit

EBITDA: operating profit + depreciation and amortization

EPS: earnings per share

DPS: dividend per 1 share

CEPS: sum of net profit and depreciation and amortization per 1 share

P/E: quotient of share market price and EPS

P/BV: quotient of share market price and book value of one share

EV/EBITDA: quotient of capitalisation increased by the company's net debt and EBITDA

Gross sales margin: relation of gross sales profit to net sales proceeds

EBITDA margin: relation of the sum of operating profit and depreciation to net sales proceeds

EBIT margin: relation of operating profit to net sales proceeds

Net profitability: relation of net profit to net sales proceeds

Valuation methods applied

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Issuer:	Reservation
Arctic Paper	1: NO, 2: NO, 3: NO, 4: NO, 5: NO, 6: NO, 7: NO, 8: NO, 9: NO

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Company	Recommendation	Date of reco.	Target price	Relevant Market Price*	Market cap. (PLN mn)	P/E			EV/EBITDA			Analyst
						2024	2025P	2026P	2024	2025P	2026P	
Oponeo	Buy	2025-08-25	120,00	92,40	1006,7	8,9	11,6	9,8	6,3	7,7	5,8	Piotr Łopaciuk
Text	Hold	2025-09-10	57,00	53,45	1367,33	11,2	11,3	11,4	6,4	8,2	8,2	Andrzej Rembelski
Ryvu Therapeutics	Buy	2025-09-10	34	28,40	653,2	40,2	20,3	18,9	11,9	7,4	6,8	Dawid Górzyński
Arctic Paper	Sell	2025-09-11	8,3	9,31	645,1	9,2	nm	nm	4,1	16,5	7,0	Alicja Marcinkiewicz

*at the time of publication