

CREDIT OPINION

24 March 2026

Update



RATINGS

Essity Aktiebolag

Domicile	STOCKHOLM, Sweden
Long Term Rating	Baa1
Type	LT Issuer Rating - Fgn Curr
Outlook	Positive

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Essity Aktiebolag

Update following outlook change to positive

Summary

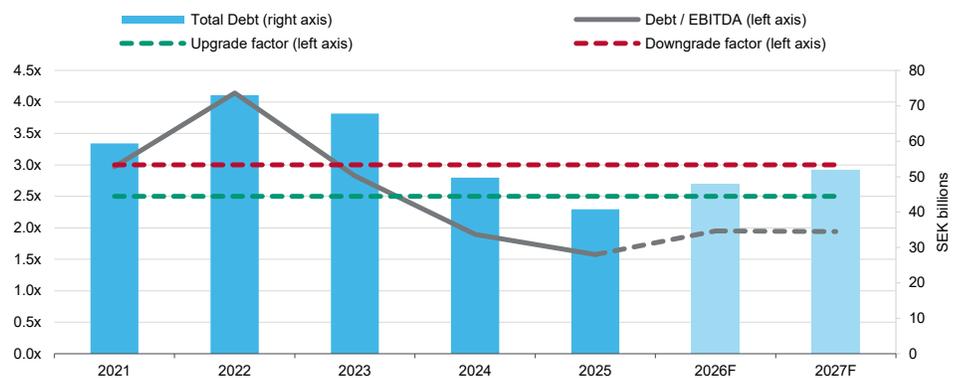
Essity Aktiebolag's Baa1/P-2 ratings primarily reflect its large scale with a global footprint and a broad product portfolio; its leading market positions globally, with well-recognised brands and a good track record of innovation; the fairly good underlying growth of and stable demand for its products; its prudent financial policy, aimed at protecting its solid investment-grade rating; and its track record of positive free cash flow (FCF), which has driven debt reduction and will support funding of future tuck-in acquisitions.

Essity's ratings are primarily constrained by its exposure - albeit recently reduced - to volatile input costs, pulp in particular, which can be passed through only with a delay; its somewhat below-average profitability compared with that of most of other single-A rated peers within the consumer packaged goods industry; and a certain degree of debt-funded M&A risk, which, however, is mitigated by the company's prudent financial policy and low leverage (see Exhibit 1).

In early 2026, the funds that had brought a legal action against Essity in the English courts in relation to the company's bonds maturing between 2029 and 2031 discontinued their claims, bringing the lawsuit to a close. While Essity had always maintained a strong liquidity position and had rapidly secured a temporary but large committed revolving credit facility, the discontinuation of the lawsuit is credit positive, as it removes contingent risk and uncertainty.

Exhibit 1

We expect adjusted leverage to remain below 2.0x supported by positive free cash flow



All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. Moody's forecasts are Moody's opinion and do not represent the views of the issuer. Sources: Moody's Ratings

Credit strengths

- » Strong business profile, with a broad portfolio of well-positioned global (Tork and Tena) and regional brands
- » Fairly good underlying growth of and stable demand for most of its products
- » A prudent financial policy that is aimed at protecting its solid investment-grade rating
- » Low financial leverage for the rating category, which grants additional flexibility to support future M&A spending and shareholders remuneration

Credit challenges

- » Exposure to volatile input costs, such as pulp and recycled paper
- » Still-difficult economic and operating environment increases risk of private-label competition
- » Event risks, such as shareholder-friendly actions and debt-funded M&A

Rating outlook

The positive outlook reflects our expectations that Essity's revenue and earnings will continue to grow both organically and via acquisitions, while sustaining or progressively improving profit margins and maintaining a low Moody's-adjusted gross leverage in the range of 1.6x-2.0x over the next 12-18 months. The positive outlook also assumes that shareholder remuneration and M&A will remain a key priority for Essity, but the company will maintain a prudent financial policy and strong commitment to its solid investment-grade rating.

Factors that could lead to an upgrade

- » Moody's-adjusted EBITA margin around 15%
- » Retained cash flow/net debt consistently above 25%
- » Moody's-adjusted debt/EBITDA well below 2.5x on a sustained basis
- » Continued strong FCF generation

Factors that could lead to a downgrade

- » Moody's-adjusted EBITA margin below 10%
- » Retained cash flow/net debt below 20% on a sustained basis
- » Moody's-adjusted debt/EBITDA above 3.0x
- » Negative FCF
- » Erosion of the company's solid liquidity

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

Key indicators

Exhibit 2

Essity Aktiebolag

(in SEK billions)	2021	2022	2023	2024	2025	2026F	2027F
Revenue	121.9	131.3	147.1	145.5	138.5	140.5	145.0
EBITA Margin	11.3%	9.2%	12.1%	13.9%	14.5%	13.3%	14.3%
Debt / EBITDA	3.0x	4.1x	2.8x	1.9x	1.6x	2.0x	1.9x
RCF / Net Debt	19.4%	16.3%	23.3%	32.0%	39.1%	32.4%	35.8%
EBITA / Interest Expense	16.5x	8.2x	6.6x	8.6x	11.7x	9.9x	9.7x
EBITDA Margin	16.4%	13.4%	16.3%	18.0%	18.7%	17.5%	18.5%
FCF / Debt	1.9%	2.1%	12.7%	5.7%	3.8%	1.6%	7.6%

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. Moody's forecasts are Moody's opinion and do not represent the views of the issuer.

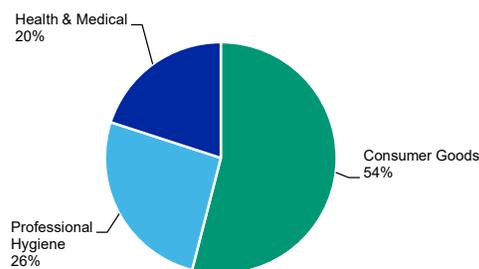
Sources: Moody's Ratings

Profile

Headquartered in Stockholm, Sweden, Essity Aktiebolag is one of the leading global hygiene and health companies, with sales of SEK138.5 billion in 2025. The company develops, produces and sells a wide range of products, including incontinence products, baby diapers, feminine care products, consumer tissue, away-from-home tissue, and products for wound care, compression therapy and orthopaedics. Essity operates across 150 countries worldwide under several well-recognised brands including Tena and Tork. It was formed in 2016 and spun off in June 2017 from Svenska Cellulosa Aktiebolaget. The company is listed on the Stockholm Stock Exchange, and had a market capitalisation of around SEK182 billion as of 31 December 2025.

Exhibit 3

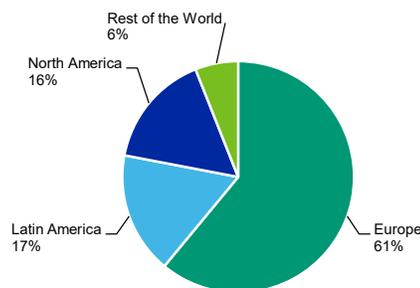
Consumer goods accounts for the largest portion of sales Revenue breakdown by business area (2025)



Source: Company data

Exhibit 4

Emerging markets represent roughly 25% of sales Revenue breakdown by geography (2025)



Source: Company data

Detailed credit considerations

Expansion into higher-margin or fastest-growing categories and additional cost savings will support stability in profit margins, despite still-challenging market conditions

Market conditions across all regions have remained challenging throughout 2025, reflecting subdued consumer spending and downtrading, intense price competition, and muted volume growth. Positively, Essity's topline was broadly resilient, with an organic sales growth of 0.9% year-on-year. Organic growth was driven primarily by price-mix, while volumes remained flat overall, as good performance in Health & Medical and Adult Incontinence mostly offset the soft trading volumes in other business divisions. Including foreign exchange rate impact, however, sales were down by 4.8% compared to 2024.

Health & Medical continued to be a key growth driver, supported by new product launches and strong focus on innovation in both Medical Solutions and in Incontinence Health Care. Within Consumer Goods, positive momentum in incontinence products and feminine care was partly offset by protracted volume weakness in baby care as well as in branded consumer tissue in Europe, where price competition is more intense given the limited product differentiation as opposed to other product categories. Ongoing macroeconomic uncertainty and soft demand have also put pressure on volumes in Professional Hygiene, given the division's high exposure to the cyclical HoReCa end-markets. However, despite the tough operating environment, Essity managed to marginally improve profit margins (on a Moody's-adjusted basis) in 2025 on the back of price discipline, better mix and continued focus on cost controls and savings. The company has just recently launched two initiatives aimed at accelerating further profitable growth while protecting margins in the current low volume-growth environment. These include a new operating model effective from the start of 2026 - in which the current Consumer Goods division was split into Personal Care and Consumer Tissue -, as well as an additional group-wide cost efficiency program which targets approximately SEK1 billion savings per annum (at run-rate) to be reinvested into marketing and advertising and promotions expenses.

Following the recent acquisition of [Edgewell Personal Care Company's](#) (Ba3 negative) feminine care business in North America (including Carefree, Stayfree, o.b., and Playtex globally), we expect that both M&A and some recovery in volumes will result in topline growth of 1.5% in 2026, while Moody's-adjusted EBITDA will temporarily decline to around SEK24.5 billion, from SEK25.9 billion in 2025, due to the implementation costs of the new operating efficiency measures just recently introduced. However, according to our forecasts, Moody's-adjusted EBITDA will grow to close to SEK27 billion by 2027. This reflects our expectation that A&P and marketing expense will need to remain substantial in a scenario of persistently weak consumer sentiment, and the benefits from the new organizational structure, as well as the improved product mix, and expansion into higher-margin product categories will become more visible over time.

Exposure to emerging markets is an additional growth driver for Essity. With a share of around 25% of its sales, Essity has a significant presence in emerging markets. We expect the company to further increase this exposure over the next years, both organically and through M&A, to secure long-term growth potential. Essity's products benefit from an overall stable demand that is recurring in nature and supported by strong underlying market fundamentals. In addition to the increasing share of people with chronic diseases, population growth and higher disposable income are key growth drivers in emerging markets, where per capita consumption of personal hygiene and health and medical products is significantly lower than that in mature markets.

Low leverage and free cash flow provide flexibility for future M&A spending and shareholder remuneration, while financial policy remains prudent

Essity's financial policies are centred around its commitment to retain a solid investment-grade rating, which drives its capital allocation priorities, including shareholder distributions and M&A strategy.

Over the past couple of years and since the disposal of its subsidiary Vinda in 2024, Essity has applied a large portion of its sale proceeds and free cash flow generation to debt repayment. This has led to a marked reduction in the Moody's-adjusted gross debt/EBITDA to 1.6x in 2025, further down from 1.9x and 2.8x as of end-2024 and 2023, respectively. Assuming no change in the current dividend policy and no transformational M&A, we believe Essity's financial leverage may remain low in the range of 1.6x-2x over the next 12-18 months, which is well below the 2.5x threshold we consider as compatible with a higher rating level. We also expect the company's M&A pipeline to regain momentum as a key driver to complement organic growth with selected acquisitions in higher-margin segments or in the fastest-growing product categories within the existing portfolio. Targeted acquisitions will help narrow the profitability gap with Essity's more profitable and larger competitors, especially [Kimberly-Clark Corporation](#) (K-C, A2 negative) and [The Procter & Gamble Company](#) (P&G, Aa3 stable), which benefit from a higher share of the more profitable personal care business and the generally more profitable US market. Given the currently low debt levels, Essity has built up ample financial flexibility to fund M&A spending with new borrowing while maintaining strong credit metrics and prudent financial policy. The rationale for the recent acquisition of Edgewell's feminine care business in North America is consistent with Essity's long-term growth strategy and marks the resumption of its M&A activity after being on hold since 2022.

Since 2024 the company has started a share buyback programme of SEK 3 billion annually as a recurring part of its capital allocation, which we expect will continue going forward. This reflects our assumption that Essity will continue to generate solid free cash flow (Moody's-adjusted) of around SEK 800 million in 2026 - which is lower than in the last few years due to the implementation of its new

cost-savings plan - and of roughly SEK 2 billion on average thereafter. We also assume that any decision to increase the remuneration to shareholders will be commensurate with the company's traditionally prudent financial policy.

Leading market positions globally, underpinned by strong brands and a wide product portfolio

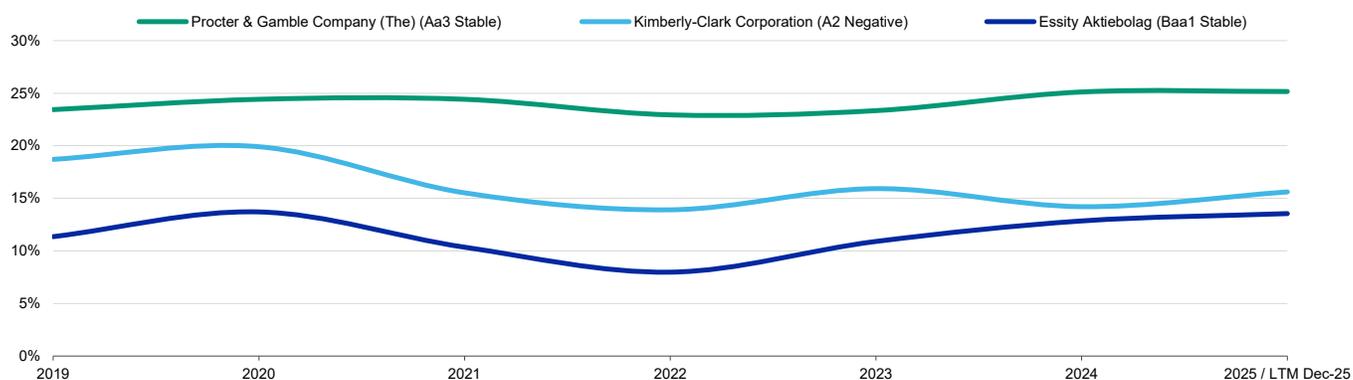
Essity is one of the leading global hygiene and health companies, with a strong market position in the branded product segments where it is present across around 150 countries, and track record of innovative product launches. The company is the global leader in incontinence products under the Tena brand and in professional hygiene under the Tork brand. In addition, the company has strong market positions globally within the markets for consumer tissue as well as baby diapers and feminine care, where it sells its products under both global and regional brands. Essity is also the second-largest global player in the medical solutions market — which includes wound care, compression therapy and orthopaedics products — with brands such as Jobst and Leukoplast.

The Consumer Goods and Health and Medical businesses are fairly competitive and subject to periods of temporary oversupply, which require producers to continuously focus on innovation to protect brand strength and optimise costs. While the market for low-technology medical devices, such as wound care and compression therapy, benefits from robust demand and above-average profitability, the tissue business is more competitive and less profitable because products are generally more commoditised. In the tissue business, Essity competes primarily with [Georgia-Pacific LLC](#) (A3 stable), Hengan International Group Company Limited, K-C and Sofidel S.p.A. In the Health and Medical business, Essity's key competitors are K-C, P&G and Unicharm Corporation.

Exhibit 5

Essity's margins have been lower than those of its main competitors, although improving

Moody's-adjusted EBIT margin



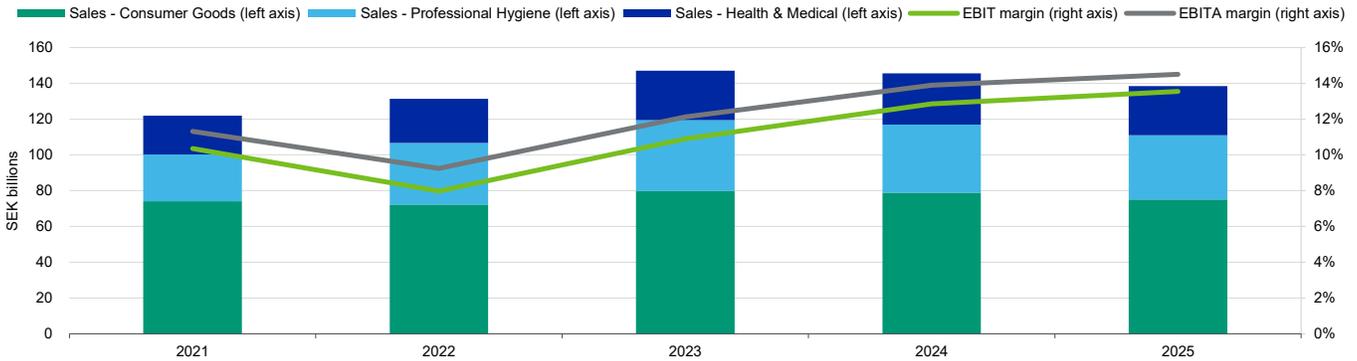
All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. LTM = Last 12 months.
Source: Moody's Ratings

Profitability exposed to volatile input costs

The demand for Essity's products, and its profitability, has historically been fairly stable through the cycle, even during severe global economic downturns. Its Moody's-adjusted EBIT margins have been around 11% on average over the last six years, including also the temporary but significant drop to 8% reported in 2022, when profit margins were hurt by inflationary pressures as raw material, energy and distribution costs increased significantly, and were not fully offset by higher volumes and selling prices.

Some of the company's input costs, such as pulp (around 30% of total raw materials and consumables, and 10% of total operating expenses on average) and recovered paper (less than 10% of total raw materials and consumables, and less than 5% of total operating expenses), have high volatility, and price increases can be typically passed on to customers only with a delay, which could be up to one year in the case of institutional customers. Positively, following the disposal of Vinda, the company's has reduced its exposure to pulp by almost 50% in terms of volumes. Although the exposure to highly volatile commodity prices is a credit constraint, the company has been able to manage its key input costs over the past years while protecting its profitability levels amid sometimes extreme fluctuations.

Exhibit 6
Essity has had fairly stable demand patterns and profitability through the cycle

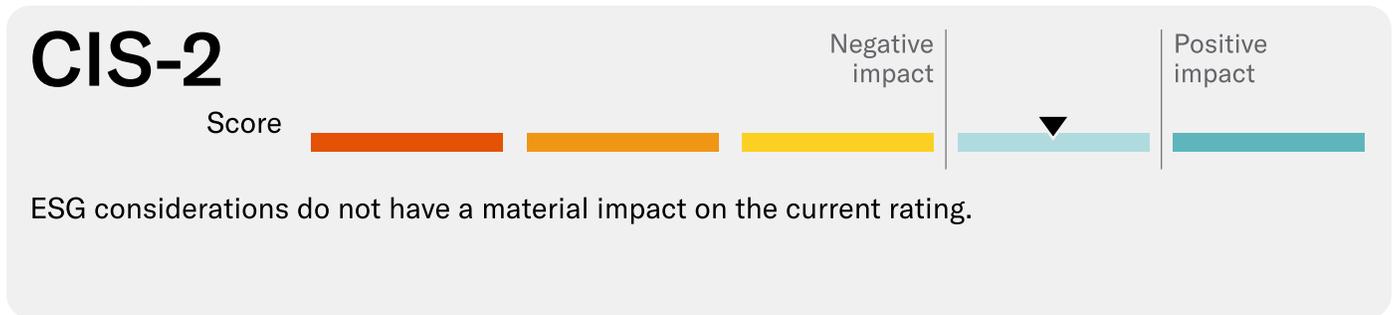


Data as reported by the company for the sales segments. All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology.
Sources: Company data and Moody's Ratings

ESG considerations

Essity Aktiebolag's ESG credit impact score is CIS-2

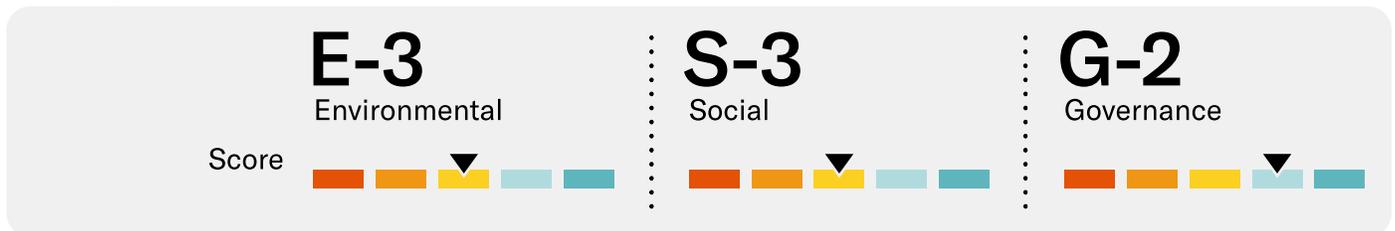
Exhibit 7
ESG credit impact score



Source: Moody's Ratings

Essity's **CIS-2** indicates that ESG considerations are not material to the rating primarily due to a conservative financial policy, aimed at protecting its solid investment-grade rating.

Exhibit 8
ESG issuer profile scores



Source: Moody's Ratings

Environmental

Essity's **E-3** reflects the company's exposure to natural capital and waste and pollution risks. Natural capital risk reflects the use of pulp in the production process in line with industry peers. Essity's exposure to waste & pollution stems from the release of air pollutants and hazardous waste.

Social

Essity's **S-3** IPS mirrors the industry-wide exposure to risks related to health & safety, responsible production and demographic and societal trends. The company's risk related to customer relations is low given that the majority of revenue is generated with retail chains. Also, sourcing of employees is not considered to be an issue for Essity.

Governance

Essity's **G-2** balances risk related to board structure and policies given it has A and B shares with different voting rights and a concentrated ownership against a conservative financial policy, aimed at protecting its solid investment-grade rating.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

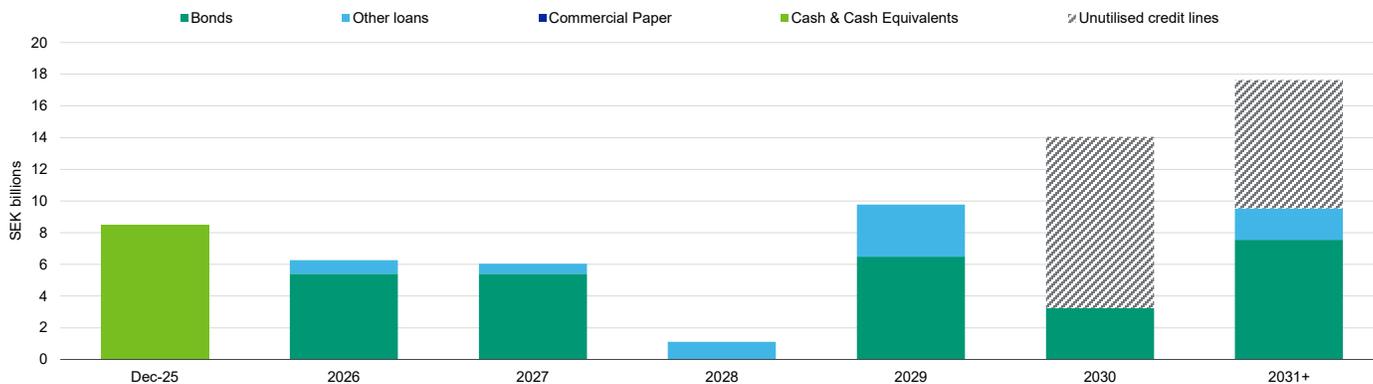
Liquidity analysis

Essity will maintain good liquidity over the next 12-18 months, supported by its ample cash reserves, access to its committed multi-year credit facilities and robust annual FCF generation which we estimate at around SEK 800 million in 2026 and SEK2 billion on average from 2027. As of the end of December 2025, the company reported cash and cash equivalents of around SEK8.5 billion (which includes roughly SEK1.7 billion cash retained in countries with currency restrictions). The company has also access to committed credit facilities, totalling around SEK19 billion (this excludes the temporary revolving credit facility negotiated in 2024, which Essity cancelled in early 2026 following the lawsuit discontinuation), currently fully undrawn. The external committed credit facilities are of high quality, without significant adverse change clauses and other conditionality language, and have also served as backstop facilities for the company's commercial paper programme, which has been a central source of its short-term funding needs. The company's debt maturity profile is generally well spread, with an average maturity of around 4 years.

Exhibit 9

Essity's debt maturity profile is generally well spread

As of 31 December 2025



Source: Company data

Rating methodology and scorecard factors

We use our Consumer Packaged Goods methodology as the primary methodology for analyzing Essity. The scorecard-indicated outcome for our forward view is A3, compared to the Baa1 rating assigned.

Exhibit 10

Essity Aktiebolag

Consumer Packaged Goods Industry Scorecard [1][2]	Current Dec 2025	Moody's 12-18 Month Forward View [3]		
Measure	Score	Measure	Score	
Factor 1: Scale (20%)				
a) Revenue (USD Billion)	14.2	A	14.4 - 14.8	A
Factor 2: Business Profile (30%)				
a) Geographic Diversification	A	A	A	A
b) Segmental Diversification	Baa	Baa	Baa	Baa
c) Market Position	A	A	A	A
d) Category Assessment	A	A	A	A
Factor 3: Profitability (10%)				
a) EBITA Margin	14.5%	Ba	13.5% - 14.0%	Ba
Factor 4: Leverage And Coverage (25%)				
a) Debt / EBITDA	1.6x	A	1.9x - 2.0x	A
b) RCF / Net Debt	39.1%	A	30.0% - 35.0%	Baa
c) EBITA / Interest Expense	11.7x	A	9.5x - 10.0x	A
Factor 5: Financial Policy (15%)				
a) Financial Policy	A	A	A	A
Ratings				
a) Scorecard-Indicated Outcome		A3		A3
b) Actual Rating Assigned				Baa1

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.

[2] As of December 31, 2025

[3] This represents Moody's Forward View; not the view of the issuer, and unless noted in the text, does not incorporate significant acquisitions and divestitures

Source: Moody's Financial Metrics™; Moody's Projections

Appendix

Exhibit 11

Peer comparison
Essity Aktiebolag

(in \$ millions)	Essity Aktiebolag Baa1 Positive			Procter & Gamble Company (The) Aa3 Stable			Kimberly-Clark Corporation A2 Negative		
	FY Dec-23	FY Dec-24	FY Dec-25	FY Jun-24	FY Jun-25	LTM Dec-25	FY Dec-23	FY Dec-24	FY Dec-25
Revenue	13,879	13,775	14,153	84,039	84,284	85,259	20,431	16,805	16,447
EBITDA	2,267	2,480	2,646	24,214	24,905	24,660	4,135	3,155	3,423
Total Debt	6,732	4,496	4,423	37,480	39,255	40,699	8,626	7,974	7,691
Cash & Cash Equivalents	460	809	741	9,482	9,556	10,825	1,093	1,010	688
EBIT Margin	10.9%	12.8%	13.5%	25.1%	25.9%	25.2%	15.9%	14.2%	15.6%
EBIT / Interest Expense	6.0x	7.9x	11.0x	18.8x	20.0x	20.9x	10.2x	8.1x	9.0x
Debt / EBITDA	2.8x	1.9x	1.6x	1.5x	1.6x	1.7x	2.1x	2.5x	2.2x
RCF / Net Debt	23.3%	32.0%	39.1%	36.5%	35.9%	34.3%	18.7%	21.7%	24.3%
FFO / Debt	29.2%	37.2%	46.6%	52.1%	52.3%	49.9%	35.2%	39.8%	44.1%
EBITA Margin	12.1%	13.9%	14.5%	25.5%	26.3%	25.5%	16.0%	14.2%	15.6%
EBITA / Interest Expense	6.6x	8.6x	11.7x	19.1x	20.3x	21.2x	10.3x	8.2x	9.0x

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. LTM = Last 12 months.

Source: Moody's Ratings

Exhibit 12

Moody's-adjusted debt reconciliation
Essity Aktiebolag

(in SEK millions)	2021	2022	2023	2024	2025
As reported debt	56,895.0	71,515.0	60,984.0	47,098.0	38,632.0
Pensions	2,499.6	1,452.6	1,352.2	2,578.0	2,146.0
Non-Standard Adjustments	-	-	5,508.0	-	-
Moody's-adjusted debt	59,394.6	72,967.6	67,844.2	49,676.0	40,778.0

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology.

Source: Moody's Ratings

Exhibit 13

Moody's-adjusted EBITDA reconciliation
Essity Aktiebolag

(in SEK millions)	2021	2022	2023	2024	2025
As reported EBITDA	20,689.0	17,562.0	23,407.0	26,139.0	25,900.0
Pensions	24.0	56.0	106.0	67.0	(5.0)
Unusual	(706.0)	-	524.0	-	-
Capitalized Development Costs	-	-	-	-	(6.0)
Moody's-adjusted EBITDA	20,007.0	17,618.0	24,037.0	26,206.0	25,889.0

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology.

Source: Moody's Ratings

Exhibit 14

Overview on selected historical Moody's-adjusted financial data Essity Aktiebolag

(in SEK millions)	2021	2022	2023	2024	2025	2026F	2027F
INCOME STATEMENT							
Revenue	121,867	131,320	147,147	145,546	138,494	140,516	145,013
EBITDA	20,007	17,618	24,037	26,206	25,889	24,554	26,748
EBIT	12,616	10,475	16,039	18,701	18,765	17,248	19,208
Interest Expense	836	1,487	2,694	2,357	1,711	1,899	2,131
BALANCE SHEET							
Cash & Cash Equivalents	2,508	1,937	4,638	8,944	6,830	8,397	13,334
Total Debt	59,395	72,968	67,844	49,676	40,778	47,778	51,778
Net Debt	56,887	71,031	63,206	40,732	33,948	39,381	38,444
CASH FLOW							
Funds from Operations (FFO)	16,365	16,517	19,829	18,502	19,019	18,758	20,271
Cash Flow From Operations (CFO)	14,616	12,874	21,596	16,801	15,445	18,387	19,457
Retained Cash Flow (RCF)	11,053	11,580	14,735	13,036	13,288	12,738	13,751
RCF / Debt	18.6%	15.9%	21.7%	26.2%	32.6%	26.7%	26.6%
Free Cash Flow (FCF)	1,102	1,503	8,614	2,831	1,535	767	3,937
FCF / Debt	1.9%	2.1%	12.7%	5.7%	3.8%	1.6%	7.6%
PROFITABILITY							
Change in Sales (YoY)	0.1%	7.8%	12.1%	-1.1%	-4.8%	1.5%	3.2%
EBIT Margin	10.4%	8.0%	10.9%	12.8%	13.5%	12.3%	13.3%
EBITDA Margin	16.4%	13.4%	16.3%	18.0%	18.7%	17.5%	18.5%
INTEREST COVERAGE							
(FFO + Interest Expense) / Interest Expense	20.6x	12.1x	8.4x	8.9x	12.1x	10.9x	10.5x
EBIT / Interest Expense	15.1x	7.0x	6.0x	7.9x	11.0x	9.1x	9.0x
EBITDA / Interest Expense	23.9x	11.8x	8.9x	11.1x	15.1x	12.9x	12.6x
LEVERAGE							
Debt / EBITDA	3.0x	4.1x	2.8x	1.9x	1.6x	2.0x	1.9x
Net Debt / EBITDA	2.8x	4.0x	2.6x	1.6x	1.3x	1.6x	1.4x

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Sources: Moody's Ratings

Ratings

Exhibit 15

Category	Moody's Rating
ESSITY AKTIEBOLAG	
Outlook	Positive
Issuer Rating	Baa1
Senior Unsecured	Baa1
ST Issuer Rating	P-2
ESSITY CAPITAL B.V.	
Outlook	Positive
Bkd Senior Unsecured -Dom Curr	Baa1

Source: Moody's Ratings

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