KEMIRA OYJ

0109823-0 CORPORATE

BBB+ ISSUER RATING
LongTerm

OUTLOOK
Negative

EF1 ISSUER RATING
ShortTerm

Initiation date	28/11/2022
Rating Date	10/11/2026

Contacts

Lead analyst
Reda Mouaacha
reda.mouaacha@ethifinance.com

Committee chair
Thomas Dilasser
thomas.dilasser@ethifinance.com

Rating Action And Rationale

- EthiFinance Ratings affirms Kemira Oyj's long-term rating at BBB+, changing the outlook from Stable to Negative. Concurrently, EthiFinance Ratings affirms Kemira Oyj's short-term rating at EF1.
- Kemira Oyj is a Finnish chemicals company specializing in chemical solutions for water-intensive industries and applications, including pulp and paper, industrial water treatment, and fibre-based packaging and hygiene applications.
- The outlook revision from Stable to Negative reflects the deterioration in Kemira's operating performance and credit metrics in FY25 and 9M26, driven by persistently weak demand across its key end-markets and sustained raw material and logistics cost pressures. It also incorporates our expectations of potential sustained pressure on credit metrics over the next 12 to 18 months due to continued negative cash flow amid ongoing investment requirements, shareholder distributions, and bolt-on acquisitions, with no early signs of a profitability recovery.
- The rating affirmation remains supported by Kemira's established competitive positioning in water treatment and specialty chemicals, diversified geographical footprint and customer base. It is also driven by a still solid financial risk profile, despite a deterioration since our previous review. As it stands, credit ratios remain solid on average over our analysis period from FY24 to FY28e, and within the thresholds of the BBB rating category (Net adjusted debt/ adjusted EBITDA < 2.0x; Equity/Total adjusted debt > 170%; Adj EBITDA/interest > 11.0x). Following an already challenging FY25, when revenue declined by 6.6% and EthiFinance's adjusted EBITDA decreased by 12.4% to €485m, profitability weakened further throughout 2026. In 9M26, reported EBITDA declined by 15% yoy to €338m, with the corresponding margin contracting to 16.3% from 19.1% in 9M25. The accelerated margin deterioration in Q3 prompted Kemira's management to reiterate its downward-revised operative EBITDA guidance for FY26e of €400m-€500m, compared with the initial range of €470m-€570m, indicating a weaker earnings trajectory than previously anticipated.
- In light of the 9M26 results, we expect revenue to remain flat in 2026 with management anticipating no major improvement in Q4. Municipal water remains stable, but industrial water is rather volatile, and pulp and packaging remain weak. Against this backdrop, we forecast a flat Q4 in 2026. We expect revenue growth to resume from 2027, with total revenue growth of 3% in each of FY27e and FY28e. The adjusted EBITDA margin is projected to deteriorate to a range of 16.0% to 16.5% over FY26e-27e, before improving to around 17.0% from 2028 on the back of potential recovery in profitability. We project Kemira's net adjusted leverage, as calculated by EthiFinance Ratings, to deteriorate to 1.7x, resulting from the expected yoy decline in EBITDA and negative FCF generation (post-dividends, equity movements and investments). As of 9M26, negative FCF primarily reflected €94m of share buybacks, €50m of cash outflows for bolt-on acquisitions (AquaBlue, Clear Water Tech, ANMAC, and Repur) and, to a lesser extent, a 5% decline in operating cash flow. We also expect the interest coverage ratio to deteriorate on average to a level of 11.0x (vs 13.2x in FY25), reflecting lower EBITDA and rising interest rates.
- Our ratings remain constrained by the industry's currently weak dynamics and Kemira's modest scale relative to larger investment-grade peers. Persistent weakness in the pulp and paper industry, particularly in Europe, continues to limit demand visibility and growth prospects, as reflected in lower customer production volumes and capacity reduction. These pressures are compounded by geopolitical uncertainty, volatile raw material and logistics costs, and Kemira's limited ability to fully pass through cost inflation in a subdued demand environment. Global pulp and paper markets remain exposed to structural overcapacity, particularly in Asia, and intensifying international competition. Expanding Chinese production capacity and rising imports of low-priced paper and board into Europe continue to weigh on European producers' competitiveness and capacity utilisation.
- Under our methodology, the materials & chemicals industry faces high ESG risks (heatmap score of between 4 and 5) given its impact on the environment, which constrains our industry assessment. Regarding environmental factors, the industry has a significant environmental impact through high GHG emissions and risks associated with air and water pollution and hazardous waste. The company has a positive ESG score (between 1.0 and 1.5). While the company's ESG profile continues to partially offset industry-related environmental risks, the overall ESG assessment remains negative.

KEMIRA OYJ

0109823-0 CORPORATE

Issuer Description

Kemira is a Finnish chemicals company serving customers in the pulp & paper and water-intensive industries. The company develops and commercializes solutions for pulp & paper, as well as a range of paper wet-end products, including packaging and board, and tissue products. Its Industry & Water segment offers coagulants, polymers, and fiber essentials. Founded in 1920 and headquartered in Helsinki, Finland, Kemira operates in 40 countries, with 58 manufacturing sites, and sells its products in over 100 countries. Its four core product areas are (i) polymers, (ii) coagulants, (iii) sizing chemicals, and (iv) bleaching and pulping chemicals.

In FY25, the group reported revenue of €2.75bn, EthiFinance's adjusted EBITDA of €485m, and a net adjusted leverage ratio of 1.3x. As of end-September 2026, LTM revenue was €2.74bn (-2.5% vs LTM at end-September 2025), and EthiFinance's adjusted LTM EBITDA was €426m (-17% vs LTM at end-September 2025). Kemira's largest shareholder is Oras Invest, with a stake of 25.0%. The free float represents c. 74% of its total shareholding with a total market capitalisation of c. €2.27bn as of 9 November 2026.

Liquidity

We assess the liquidity profile of Kemira Oyj as "Superior" reflecting its strong refinancing profile and its high level of liquidity.

Credit Metrics Expected Evolution (CMEE)

Our Stable CMEE reflects our expectation that credit metrics will remain broadly flat over the next twelve months.

Main Financial Figures

Main financial figures. millions of EUR	FY24	FY25	FY26e	FY27e	FY28e	25vs24
Turnover	2948.1	2753.5	2750.0	2832.5	2917.5	-6.6%
Adj EBITDA (1)	553.8	485.4	448.0	461.2	504.0	-12.4%
Adj EBITDA margin (1)	18.8%	17.6%	16.3%	16.3%	17.3%	-1.2pp
EBIT	363.0	274.4	236.6	243.4	279.7	-24.4%
EBIT Margin	12.3%	10.0%	8.6%	8.6%	9.6%	-2.3pp
EBT	336.1	250.2	212.2	213.6	248.3	-25.6%
Total Assets	3381.0	3133.8	3264.1	3415.6	3511.1	-7.3%
Equity	1803.5	1696.1	1648.3	1711.1	1800.3	-6.0%
Total Adjusted Debt (2)	923.8	849.9	963.6	1036.4	1026.5	-8.0%
Net Adjusted Debt (2)	404.6	607.6	756.0	803.8	754.7	50.2%
Equity/TAD (2)	195.2%	199.6%	171.1%	165.1%	175.4%	4.3pp
NAD/ Adj EBITDA (1) (2)	0.7x	1.3x	1.7x	1.7x	1.5x	0.5x
Funds From Operations	441.7	410.5	364.6	372.0	404.0	-7.1%
FFO/NAD (2)	109.2%	67.6%	48.2%	46.3%	53.5%	-41.6pp
Adj EBITDA/Interest (1)	12.9x	13.2x	11.4x	10.3x	10.8x	0.3x

(1) EthiFinance Ratings' adjusted EBITDA is based on accounting EBITDA, adjusted for non-recurring operating income and expenses, with non-cash share-based payments expenses excluded.
(2) The total adjusted debt includes factoring and pension benefits

Credit Rating

Credit Rating	
Business Risk Profile	**BBB-**
Industry risk assessment	*BB*
Industry's ESG	*Negative*
Competitive Positioning	*BBB-*
Governance	*BBB+*
Financial Risk Profile	**A**
Cash flow and leverage	*A-*
Capitalisation	*A*
Company's ESG	*Positive*
Anchor Rating	**BBB+**
Modifiers	-
Final Rating	**BBB+**

Rating Sensitivity

- List of ratings:

LT Rating: BBB+

ST Rating: EF1

Factors that may (individually or collectively) impact the ratings:

- **Positive factors (↑).**

Given the negative outlook, an upgrade of our long-term rating is currently unlikely. However, a significant improvement in the group's credit metrics from 2027, resulting from an unexpected event or strategic decision, would support an outlook change and a potential upgrade. Specifically, a sustained reduction in adjusted net leverage below 0.5x, combined with an interest coverage ratio of at least 20.0x, would constitute a potential trigger. For this uncertain scenario to materialise, demand in Kemira's end markets would need to materially recover and input cost inflation would need to ease, alleviating the current strong pressure on the group's profitability margins. We could change the outlook from Negative to Stable should the group restore its profitability metrics while generating positive internal cash flows.

With an unchanged CMEE and liquidity profile, an upgrade of the short-term rating to EF1+ would require at least a 2-notch upgrade of the long-term reference rating.

- **Negative factors (↓).**

Given the negative outlook, a downgrade of our long-term rating could result from a sustained deterioration in Kemira's financial profile, particularly if credit metrics evolve in line with our expectations. In our view, this scenario is likely given (i) weak demand in pulp and paper markets, which materially affects capacity utilisation and profitability; and (ii) a high payout ratio, share buybacks, and continuous bolt-on acquisitions, constraining the internal cash generation capacity amid weak end markets. In addition, a downgrade of the business risk profile to BB+ due to a more aggressive financial policy or a loss of market share would cap the long-term rating at BBB.

A downgrade of our short-term rating to EF2 would follow a one-notch downgrade of the long-term reference rating, combined with either (i) a Negative CMEE, regardless of the liquidity profile; or (ii) a Stable CMEE and a deterioration in the liquidity risk assessment from 'Superior' to 'Weak'.

Sources of information

The credit rating issued in this report is unsolicited. The credit rating is based exclusively on public information, being the main sources the following:

1. Annual Audit Report.
2. Corporate Governance Report.
3. Corporate Website.
4. Information published in the Official Bulletins.

The information was thoroughly reviewed to ensure that it is valid and consistent, and is considered satisfactory. Nevertheless, EthiFinance Ratings assumes no responsibility for the accuracy of the information and the conclusions drawn from it.

Level of the rated entity participation in the rating process

Unsolicited Credit Rating	
With Rated Entity or Related Third Party Participation	NO
With Access to Internal Documents	NO
With Access to Management	NO

Additional information

- The rating was carried out in accordance with Regulation (EC) N°1060/2009 of the European Parliament and the Council of 16 September 2009, on credit rating agencies. Principal methodology used in this research are :
  - Corporate Rating Methodology - General : https://www.ethifinance.com/download/corporate-rating-methodology-general/?wpdmdl=35203
  - Corporate Rating Methodology - General : https://www.ethifinance.com/download/corporate-rating-methodology-general/?wpdmdl=35203
- The rating scale used in this report is available at https://www.ethifinance.com/en/ratings/ratingScale.
- EthiFinance Ratings publishes data on the historical default rates of the rating categories, which are located in the central statistics repository CEREP, of the European Securities and Markets Authority (ESMA).
- In accordance with Article 6 (2), in conjunction with Annex I, section B (4) of the Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009, it is reported that during the last 12 months EthiFinance Ratings has not provided ancillary services to the rated entity or its related third parties.
- The issued credit rating has been notified to the rated entity, and has not been modified since.

Conditions of Use for this document and its content:

For all types of Ratings that ETHIFINANCE RATINGS, S.L. (the "AGENCY") issues, the User may not, either by themselves or via third parties, transfer, sublease, sublicense, sell, extract, reuse, or dispose of in any other way the content of this Document to a third party, either for free or for consideration.

For the purpose of these Conditions of Use, any client who might have subscribed for a product and/or a service that allows him to be provided with the content of this Document as well as any privileged person who might access the content of this Document via www.ethifinance.com shall be considered as a User.

Nor may they alter, transform or distort the information provided in any way. In addition, the User will also not be permitted to copy and/or duplicate the information, nor create files which contain the information of the Document, either in its entirety or partially. The Document and its source code, regardless of the type, will be considered as the elaboration, creation, or work of the AGENCY and subject to the protection of intellectual property right regulation. For those uses of this Document which are permitted, the User is obliged to not allow the removal of the copyright of the AGENCY, the date of the Document's issuance, the business name as established by the AGENCY, as well as the logo, brands and any other distinctive symbol which is representative of the AGENCY and its rights over the Document. The User agrees to the conditions of Use of this Document and is subject to these provisions since the first time they are provided with this Document no matter how they are provided with the document. The Document and its content may not be used for any illicit purpose or any purpose other than those authorised by the AGENCY. The User will inform the AGENCY about any unauthorised use of the Document and/or its content that may become apparent. The User will be answerable to the AGENCY for itself and its employees and/or any other third party which has been given or has had access to the Document and/or its content in the case of damages which arise from the breach of obligations which the User declared to have read, accepted and understood upon receiving the Document, without prejudice to any other legal actions that the AGENCY may exercise in defence of its lawful rights and interests. The Document is provided on the acceptance that

the AGENCY is not responsible for the interpretation that the User may make of the information contained. Credit analyses included in the Document, as well as the ratings and statements, are to be deemed as opinions valid on the date of issuance of the reports and not as statements of fact or recommendations to purchase, hold or sell any securities or to make any investment decision. The credit ratings and credit rating prospects issued by the AGENCY are consider to be its own opinion, so it is recommended that the User take it as a limited basis for any purpose that it intends to use the information for. The analyses do not address the suitability of any value. The AGENCY does not act as a fiduciary or an investment advisor, so the content of the Document should not be used as a substitute for knowledge, criteria, judgement or experience of the User, its Management, employees, advisors and/or clients in order to make investment decisions. The AGENCY will devote every effort to ensure that the information delivered is both accurate and reliable. Nonetheless, as the information is elaborated based on data supplied by sources which may be beyond the control of the AGENCY, and whose verification and comparison is not always possible, the AGENCY, its subsidiaries, and its directors, shareholders, employees, analysts and agents will not bare any responsibility whatsoever (including, without any limitations, loss of revenue or income and opportunity costs, loss of business or reputational damage or any other costs) for any inaccuracies, mistakes, noncorresponding information, incompleteness or omission of data and information used in the elaboration of the Document or in relation to any use of its content even should it have been warned of potential damages. The AGENCY does not make audits nor assume the obligation of verifying independent sources of information upon which the ratings are elaborated. Information on natural persons that may appear in this document is solely and exclusively relevant to their business or business activities without reference to the sphere of their private life and should thus be considered. We would like to inform that the personal data that may appear in this document is treated in accordance with Regulation (EU) 679/2016, on the protection of natural persons with regard to the processing of personal data and the free movement of such data and other applicable legislation. Those interested parties who wish to exercise the rights that assist them can find more information in the link: https://www.ethifinance.com/ in the Privacy Policy page or contact our Data Protection Officer in the mail dpo@ethifinance.com. Therefore the User agrees that information provided by the AGENCY may be another element to consider when making business decisions, but decisions will not be made based solely on it; that being the case the AGENCY will not be held responsible for the lack of suitability. In addition, the use of the information before courts and/or tribunals, public administrations, or any other public body or private third party for any reason shall be solely the User's responsibility and the AGENCY shall not be held responsible for any liabilities on the grounds of inappropriateness of the information's contents. Copyright © 2023 ETHIFINANCE RATINGS, S.L. All Rights Reserved. C/ Velázquez nº18, 3º derecha, 28001 - Madrid