S&P Global
Ratings

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Essity AB

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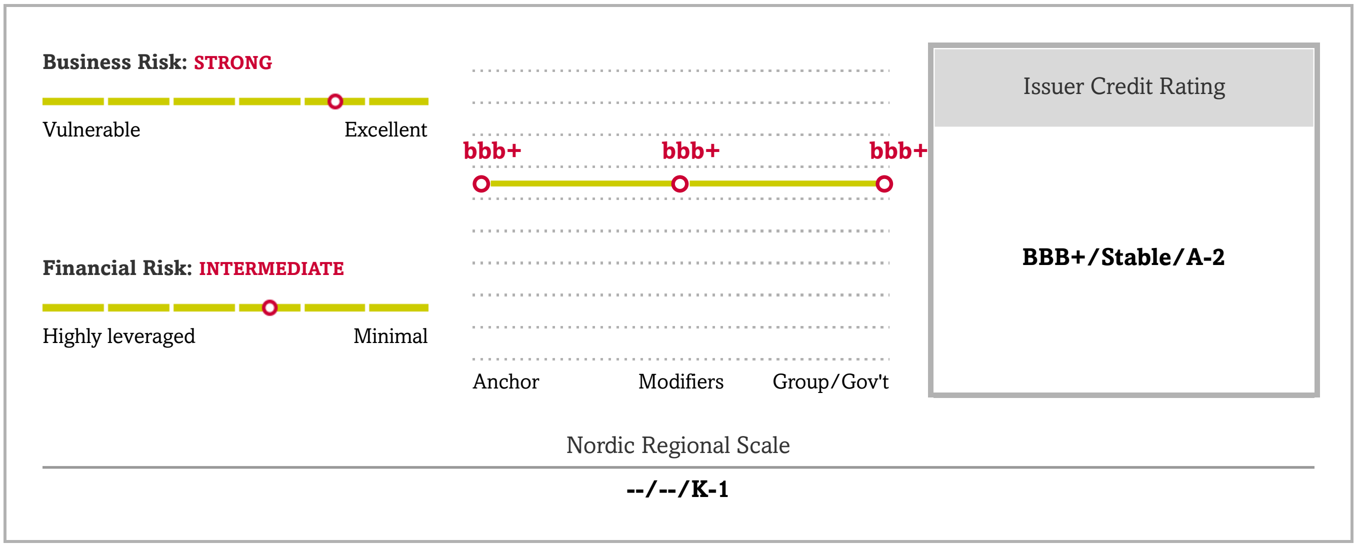
Essity AB



Credit Highlights

Overview

Key Strengths	Key Risks
Well-diversified product portfolio, competing in personal care, consumer tissue, and professional hygiene product categories.	Experiencing a decline in operating margin due to raw material cost increases.
Global leader in incontinence products and European leader in consumer tissues.	S&P Global Ratings-adjusted debt to EBITDA will rise above the 3x threshold in 2018 as EBITDA contracts and cash generation falls.
Exposed to different distribution channels--retail comprises 59%, health care sector 17%, and business-to-business 24%.	Exposed to volatile input costs, including pulp and oil.
Global presence, with about 65% exposure to mature markets and about 35% to emerging ones.	The tissue market in Europe is characterized by overcapacity and fierce price competition.

Swedish hygiene company Essity AB has been experiencing a contraction in operating margin since 2017. This is largely driven by the sharp increase in pulp prices that started in 2017 and continued for most of 2018. To date, virgin pulp prices have risen by more than 40%. The steepness of the rise in pulp prices has been exceptional and most forecasts for the sector do not expect prices to rise at a similar pace in the next quarters. The increase in oil price over the first nine months of 2018 also contributed to the pressure on Essity's margins, because the incontinence division is exposed to this input cost. The spike in oil prices has largely been reversed, however. Because of these increases in the cost of raw materials, we expect Essity's 2018 S&P Global Ratings-adjusted EBITDA margin to decline by about 200 basis points (bps) to 15% and financial leverage to temporarily rise above the 3x target.

Essity maintains strong leadership in the incontinence products market. We see this as a supporting factor for the business risk profile. Demographic trends suggest an aging population in mature markets and average incomes in new markets are forecast to rise. We therefore anticipate that both incontinence product markets will grow. That said, Essity faces fierce competition from both branded peers like Kimberly-Clark Corp. (KC) and Proctor & Gamble (P&G) and also from white label products, which are gaining market share everywhere.

Like other branded consumer goods companies, Essity has had to cope with an extensive transformation of the retail sector. About 60% of Essity's sales are through retailers; of the rest, 17% comes through the health care channel, and about 25% through the business-to-business channel. In our view, this diversity is positive, because consumers are changing the way they purchase items. Instead of making periodic visits to supermarkets, consumers are favoring home deliveries for long-life goods. Traditional retailers have had to completely revise their "bricks and mortar" supermarket base to cope with the disruption created by e-commerce. They are integrating the physical network with the digital one and looking for profitable solutions, such as the increasing diffusion of white label products.

Outlook: Stable

The stable outlook on Essity reflects our expectation that in 2018, it will report a deterioration in operating margin due to the sharp increase in pulp prices experienced during the year. We assume that as a result, cash generation will be lower than in 2017, and adjusted debt to EBITDA will be about 3.2x for this year. Nevertheless, we expect this to be a temporary situation. In 2019, we expect increases in the cost of raw materials to have a much weaker impact, so that Essity will be able to improve its operating margin and report a financial leverage ratio below 3x.

Downside scenario

We could consider lowering the rating if the expected stabilization in pulp price does not happen or if there is a sudden spike in other raw material costs, such as oil, and this erodes Essity's operating result and cash generation. This would cause the adjusted debt-to-EBITDA ratio to deteriorate further, preventing the expected reversal in the trend to below 3x.

We could also consider lowering the rating if Essity's revenue and profitability were to weaken materially due to a significant deterioration in its market position in key markets and products. An aggressive financial policy that leads to increased financial leverage, due to large debt-funded acquisitions or unexpectedly large shareholder distributions, and pushes funds from operations (FFO) to adjusted debt markedly below 30% and debt to EBITDA above 3x for a prolonged period could also trigger a negative rating action.

Upside scenario

We could consider an upgrade if, thanks to a consistently solid track record in its three divisions, Essity generates very solid free operating cash flow and uses it to improve the leverage ratios, with FFO to debt improving to close to 40% and debt to EBITDA approaching 2x. Achieving these targets consistently also depends on the company's willingness to adapt its future debt-funded acquisitions to these targets.

Our Base-Case Scenario

Assumptions

- Essity's sales growth in 2018 will be sustained by organic growth of about 2.0%-2.5%, supported by emerging markets, which constituted about 37% of total sales in the first nine months of 2018. We expect currency movements to have a positive impact and also to see growth stemming from the minor acquisitions, including BSN. Total growth could be about 5%-6%, depending on the final impact of currency movements.
- The personal care division is likely to perform better than the others, as incontinence products continue to perform well. Total sales are expected to increase by 1%-3% from 2019 onward, primarily because of increasing demand for personal care products. Growth in sales of consumer tissue and professional hygiene products will continue to face very tough competition. Low growth rates in mature markets will be offset by price increases implemented to recover the rise in raw material costs.
- The adjusted EBITDA margin is likely to be about 15% in 2018, more than 200 bps below the 2017 level, hindered by the negative impact of raw material costs, particularly pulp prices. However, we expect this margin to recover gradually in 2019, as the cost of raw materials normalizes. In the medium term, we expect the gradual increase in revenues from lower-margin emerging markets could have a slight dilutive impact on the group's operating profit.
- Capital expenditure (capex) of about 6% of revenues in 2018 and beyond.
- Dividends of about Swedish krona (SEK) 4.2 billion in 2019 based on a 3%-4% increase in the dividend already paid in 2018.
- No significant acquisitions in 2018 and 2019 as we assume that Essity's priority is to reduce leverage after the spike caused by the changing cost of raw material. We anticipate the group has spent about SEK500 million in bolt-on acquisitions in 2018. In our view, it is unlikely to spend more than SEK1 billion on acquisitions in 2019.

Key Metrics

	2017A	2018E	2019E
EBITDA	17.3%	About 15%	About 16%
Debt to EBITDA (x)	2.9	3.2	2.7-3.0
FOCF to debt (%)	14.1	12-13	15-16

All amounts are as adjusted by S&P Global Ratings. FOCF--Free operating cash flow. A--Actual. E--Estimate.

Base-case projections

The operating margin is expected to decline sharply in 2018, in line with trends seen in the first nine months of the year. In 2019, the pressure caused by the rising cost of raw material is expected to ease.

S&P Global Ratings-adjusted leverage is expected to rise above 3x in 2018. We consider this likely to be only temporary; as EBITDA rises again, leverage should fall back below 3x in 2019.

Company Description

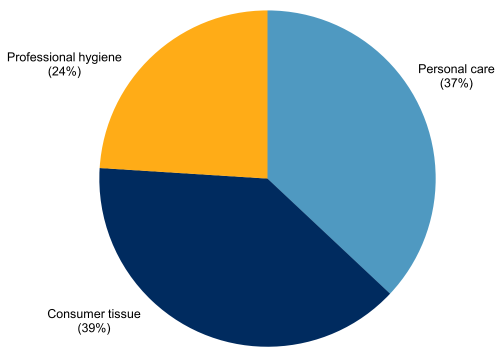
Essity is a Swedish health and hygiene company created when Svenska spun off its hygiene division. It produces, markets, and sells personal care and tissue products in over 150 countries around the world. Its top brands include TENA for incontinence products, Tempo for consumer tissues, and Tork for Away from home (Afh) tissues. Essity AB is the third-largest tissue and hygiene company, after P&G and KC by revenues.

Essity operates through three main divisions:

- Personal care (37% of 2017 sales). Essity is a global leader in personal care, including incontinence, baby care, and feminine care products, and medical solutions. Its global and regional brands include Libero, Libresse, Nosotras, Saba, and TENA, and it also offers retailers' brands. It distributes personal care products through the retail trade, online sales, pharmacies, and care institutions.
- Consumer tissue (39% of 2017 sales). Essity is the second-largest supplier of consumer tissues and offers toilet paper, household towels, handkerchiefs, facial tissues, wet wipes and napkins. Its own brands include Lotus, Tempo, Zew, Edet, and Vinda, and it also offers retailers' brands. It distributes consumer tissue products through the retail trade, online sales, and distributors.
- Professional hygiene (24% of 2017 sales). The group develops and markets complete hygiene solutions, including toilet paper, paper hand towels, napkins, hand soap, hand lotion, hand sanitizer, tissue, soap, hand lotion, hand sanitizers, dispensers, cleaning and wiping products, service and maintenance for institutions and companies, under the globally leading brand Tork.

Chart 1

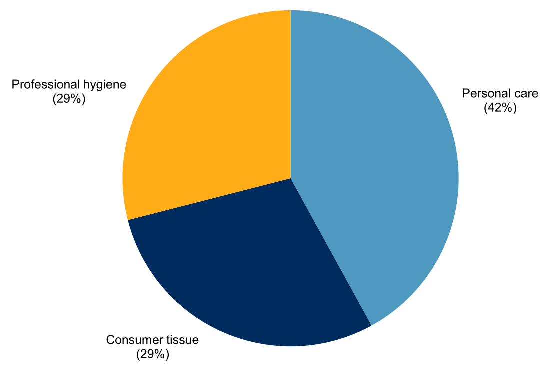
Essity AB 2017 Net Sales By Division



Source: Company annual report.

Chart 2

Essity AB 2017 Adjusted EBITDA By Division



Source: Company annual report.

Business Risk: Strong

Essity has leading positions in incontinence products, consumer tissues and away-from-home professional products. It also produces diapers and feminine care products, for which it has some local leading positions. We see the tissue sector as mature in Western Europe and North America, but it is still growing in emerging markets. The incontinence products growth is supported by the aging population in mature countries and by the increasing average income in emerging markets. Both tissues and incontinence products are exposed to the volatility of raw materials costs, mainly pulp and oil-based raw materials.

Because tissues and diapers are highly commoditized and white label competitors have increased their presence in the hygiene market, it has become very competitive and crowded. Essity is among the leading players because it has strong brands supported by the group's high rate of innovation. The company launched 41 innovations in 2017 and 23 in the first nine months of 2018.

Essity's active management of its cost structure is crucial to counterbalance the negative impact of the raw material cost increase. On average, it generated about 37% of its sales in emerging markets as of the end of September 2018, but its presence in consumer tissues was much larger at 44% and its presence in professional hygiene was lower at 18%. Over time, Essity has adjusted its exposure to emerging markets--exiting specific segments in specific countries (for example, diapers and feminine care in India in 2017) that were not giving satisfactory returns, while investing to enlarge its presence in more promising markets. For example, in China, it completed the Vinda acquisition in 2016 to expand its presence in consumer tissues.

According to Euromonitor, Essity has a 19% market share of the global adult incontinence products market, where it has the leading brand. This brand alone, TENA, enjoyed an 18% market share at year-end 2017.

Essity competes fiercely with KC, whose market share is similar across its three main brands (Depend, Poise, and Plenitud). Although there is a risk that Essity's position may be eroded by the increasing penetration of white labels, in an expanding market, loss of market share may not translate into decreasing sales.

In diapers and feminine care, Essity leads the market in certain regions, but not globally. For example, it is a leader in the European Nordic region and in Latin America. Given the commoditized nature of these products and the strong presence of white labels in mature markets, we consider that gaining market share may be tough. That said, the market for such products is expanding in emerging markets, where the company has limited exposure to date.

Essity is also increasingly present in medical solutions. Since it completed the BSN acquisition in 2017, its exposure to these products has increased to about 6% of the group's sales. We share the company's view that demand should structurally increase in mature markets as it is directly linked to the aging population.

Essity leads the consumer retail tissue market in Western Europe, where it has a market share of about 14% according to Euromonitor. It is followed by KC, which has about 10% of the market. Essity gained market share in the Chinese consumer retail tissue market by acquiring Vinda in 2016. We note that the consumer tissue division suffered the most in 2017 and 2018, due to the increase in virgin pulp prices.

The commoditized nature of the product makes the competition very fierce in Western Europe, a problem that is exacerbated by structural overcapacity. Essity has constantly reduced capacity by shutting down plants in the past three years. We do not think the full effects have filtered through to the company's cost structure. However, the long-lasting low interest rate environment has not favored similar discipline in the rest of the industry and other players have invested in building new plants. Therefore, we anticipate that the industry will still be affected by the overcapacity issue. In Western Europe, Essity competes in both the consumer tissue branded segment (66% of consumer tissues sales) and in the unbranded one (33% of consumer tissues sales). This helps to optimize its cost structure.

In professional products, Essity again competes with KC and P&G and maintains strong positions in North America and Western Europe, particularly in the Nordic countries.

In 2017 and 2018, Essity had to deal with a sharp spike in the price of pulp that had a direct negative effect on the group's operating profit, especially in the tissue division in 2018. We realize that it is not possible to mitigate this by using different raw materials--the only solution was to impose very stringent discipline on other costs, use raw materials as efficiently as possible, and increase prices to compensate for the increase in raw material costs. We appreciate that Essity has maintained a strong cost discipline, adopting several measures under three different plans started between 2017 and end of 2018, the most recent of which was announced in October 2018. Discipline across the industry on price increases has been good because all players had to deal with similar difficulties. However, the price increases will only have an impact in the next quarters--there is a temporal lag between the movement of costs and prices.

In addition, it is possible to revise prices one or more times a year in the retailer channel (59% of sales), but this is not possible in the health care sector (17% of sales). This sector uses an auction system and contracts that usually lasts three years, during which prices cannot be renegotiated. In the business-to-business sector (24% of the sales) the situation depends on the contract with each customer. Retailers are accepting the proposed price increases and raising prices for the end consumers.

Despite the price increases and cost initiatives, the reported adjusted EBITA margin decreased to 10.9% in the first nine months of 2018 from 12.1% in the same period of 2017. This is net of all restructuring initiatives, which Essity considers to be exceptional items, but we see as recurrent costs, given the need to constantly adopt new measures to reduce costs. We estimate restructuring costs in 2018 of at least SEK1.7 billion, up from about SEK900 million in 2017.

Essity estimates that the spike in raw material costs cost it about SEK4 billion. We assume that the year-end results will confirm the erosion in operating margin observed in the first nine months of the year. We also assume that any improvement in operating profit will only start in 2019, if the cost of raw materials increases less steeply than in 2018 and we see the full effect of the price increases.

Peer comparison

U.S.-based Kimberly Clark (KC) is Essity's closest peer. It is the No. 2 player in tissues and incontinence products, while Essity is No. 3 globally. KC's EBITDA margin is has structurally higher at about 23%-24% than Essity's at about 17%-18%. We attribute this, in part to KC's more profitable domestic market compared with several of the European countries in which Essity operates. Private labels have a lower market share in the U.S. than in Europe, which allows U.S. players to maintain higher prices. KC has five "billion-dollar" brands, while Essity has two billion-dollar brands (TENA and Tork). KC maintains more-conservative credit metrics--its adjusted debt to EBITDA is close to 2x on average, but Essity's is closer to 3x.

German company Henkel is larger and more diversified than Essity in terms of products--it competes in the homecare, personal care, and adhesive technologies sectors. Henkel has a global leading position in adhesive technologies and in homecare and personal care it usually ranks No. 2, No. 3 or lower, behind big peers like P&G, Unilever, or L'Oreal. Henkel's profitability has slowly improved over time. Today, its adjusted EBITDA is about 19%, above Essity's. Henkel maintain a very conservative financial risk profile and its adjusted leverage is below 1.5x, but it has external growth ambitions.

U.S.-based P&G competes with Essity in almost all products. It has a very solid positioning in diapers and feminine care, but a weaker position in incontinence products, where it is investing heavily to gain market share. The hygiene business is only one of P&G's businesses and this diversity supports its adjusted EBITDA margin at about 25%. This translates into strong cash generation and conservative adjusted leverage of below 2x.

Table 1

Essity AB -- Peer Comparison

Industry Sector: Personal Care and Household Products

	Essity AB	**Kimberly-Clark Corp.**	**Henkel AG & Co. KGaA**	**Procter & Gamble Co.**
	--Fiscal year ended Dec. 31, 2017--			**--Fiscal year ended June 30, 2018--**
(Mil. $)				
Revenues	13,353.3	18,259.0	24,052.2	66,832.0
EBITDA	2,306.6	4,466.5	4,552.0	16,897.0
Funds from operations (FFO)	1,805.5	3,229.5	3,681.7	14,878.5

Table 1

Essity AB -- Peer Comparison (cont.)				
Net income from cont. oper.	991.9	2,278.0	3,025.0	9,750.0
Cash flow from operations	1,676.5	3,023.5	2,791.8	14,931.5
Capital expenditures	747.8	777.0	840.6	3,663.0
Free operating cash flow	928.7	2,246.5	1,951.2	11,268.5
Discretionary cash flow	893.9	887.5	1,067.4	3,958.5
Cash and short-term investments	501.9	801.0	1,100.0	11,850.0
Debt	6,617.7	8,171.5	5,201.9	28,236.8
Equity	6,129.4	996.4	18,826.7	52,883.0
Adjusted ratios				
EBITDA margin (%)	17.3	24.5	19.0	25.3
Return on capital (%)	13.6	37.5	17.3	15.5
EBITDA interest coverage (x)	15.7	10.8	41.3	21.5
FFO cash int. cov. (x)	18.1	10.1	56.5	26.9
Debt/EBITDA (x)	2.9	1.8	1.1	1.7
FFO/debt (%)	27.3	39.5	70.9	52.7
Cash flow from operations/debt (%)	25.4	37.0	53.8	52.9
Free operating cash flow/debt (%)	14.1	27.5	37.6	39.9
Discretionary cash flow/debt (%)	13.5	10.9	20.6	14.0

Financial Risk: Intermediate

As a consequence of the BSN acquisition, Essity's adjusted debt-to-EBITDA ratio rose to 2.9x at year-end 2017 from 2.3x at year-end 2016, after the spin-off from SCA. In our previous forecasts for 2018, we were expecting this ratio to improve slightly. We assumed only a moderate increase in raw material costs in 2018, because they had already increased for most of 2017. However, in the past few months the increase in raw material costs, in particular for virgin pulp, has been significantly higher than we expected. This translates into weaker adjusted EBITDA and a weaker leverage ratio (we now expect this to be about 3.2x).

We assume that the increase in raw material costs cannot continue at the 2018 pace because global economic growth is expected to decelerate during 2019. On this basis, we expect a significantly lower rate of increase in raw material costs next year, that EBITDA will grow, and that the adjusted leverage ratio will return below 3x. We assume that Essity retain its focus on cash generation and that after FOCF fell in 2018 it will return to a healthy level in 2019, above SEK6.5 billion, which will comfortably cover dividend distributions. We assume that Essity will not embark on any significant acquisition in the next year.

Financial summary

Table 2

Essity AB -- Financial Summary			
Industry Sector: Personal Care and Household Products			
	--Fiscal year ended Dec. 31--		
(Mil. SEK)	**2017**	**2016**	**2015**
Revenues	109,265.0	101,238.0	98,519.0
EBITDA	18,899.5	16,219.0	14,909.0
Funds from operations (FFO)	14,791.0	10,636.8	11,738.6
Net income from continuing operations	8,116.0	3,800.0	6,129.0
Cash flow from operations	13,736.0	13,318.8	11,276.6
Capital expenditures	6,119.0	6,289.0	5,632.0
Free operating cash flow	7,617.0	7,029.8	5,644.6
Discretionary cash flow	7,332.0	2,801.8	2,291.6
Cash and short-term investments	4,107.0	4,244.0	4,828.0
Debt	54,150.1	37,008.4	31,343.2
Equity	50,154.5	40,061.3	49,111.6
Adjusted ratios			
EBITDA margin (%)	17.3	16.0	15.1
Return on capital (%)	13.6	13.3	12.7
EBITDA interest coverage (x)	15.7	14.2	10.9
FFO cash int. cov. (x)	18.1	12.7	11.1
Debt/EBITDA (x)	2.9	2.3	2.1
FFO/debt (%)	27.3	28.7	37.5
Cash flow from operations/debt (%)	25.4	36.0	36.0
Free operating cash flow/debt (%)	14.1	19.0	18.0
Discretionary cash flow/debt (%)	13.5	7.6	7.3

SEK--Swedish krona.

Liquidity: Strong

The short-term global scale rating is 'A-2' and the short-term Nordic scale rating is 'K-1'. We assess Essity's liquidity as strong. We project that Essity's sources of liquidity will cover uses by more than 1.5x for the next 12 months. We consider that Essity has demonstrated a high standing in credit markets. The group frequently issues bonds and has access to the commercial paper market (SEK15 billion Swedish program and €800 million Belgian program). Also, we believe Essity maintains solid relationships with its diverse and creditworthy banking groups.

Principal Liquidity Sources	Principal Liquidity Uses
• Cash available of SEK3.0 billion at Sept. 30, 2018; • Cash FFO of about SEK13.5 billion-SEK14.0 billion annually; and • Two undrawn bank lines maturing in 2021 and 2023 totaling SEK20.6 billion.	• Debt maturities amounting to about SEK13.0 billion in the 12 months from Sept. 30, 2018; • Working capital outflow of about SEK500 million; • Annual capex of about SEK6.5 billion-SEK7.0 billion; • Dividends of SEK4.0 billion in 2018 and SEK4.2 billion in 2019; and • SEK500 million acquisitions in 2018 and SEK1 billion in 2019.

Debt maturities

As of Dec. 31, 2017

- 2018: SEK7.0 billion
- 2019-2020: SEK10.8 billion
- 2020-2022: SEK18.3 billion
- Beyond 2022: SEK21.3 billion

Issue Ratings - Subordination Risk Analysis

All existing bonds have been issued by Essity AB, the rated entity. There is no relevant financial debt in other subsidiaries or vehicles and there are therefore no structural subordination issues.

Reconciliation

Table 3

Reconciliation Of Essity AB Reported Amounts With Our Adjusted Amounts (Mil. SEK)

	--Fiscal year ended Dec. 31, 2017--							
Essity AB reported amounts								
	Debt	**Shareholders' equity**	**EBITDA**	**Operating income**	**Interest expense**	**EBITDA**	**Cash flow from operations**	**Capital expenditures**
Reported	54,838.0	42,289.0	18,015.0	11,905.0	882.0	18,015.0	12,729.0	6,160.0
Our adjustments								
Interest expense (reported)	--	--	--	--	--	(882.0)	--	--
Interest income (reported)	--	--	--	--	--	158.0	--	--

Table 3

Reconciliation Of Essity AB Reported Amounts With Our Adjusted Amounts (Mil. SEK) (cont.)								
Current tax expense (reported)	--	--	--	--	--	(2,815.0)	--	--
Operating leases	1,894.9	--	543.5	147.6	147.6	395.9	395.9	--
Postretirement benefit obligations/deferred compensation	1,882.2	584.5	29.0	29.0	136.0	(351.9)	652.1	--
Surplus cash	(3,507.0)	--	--	--	--	--	--	--
Capitalized interest	--	--	--	--	41.0	(41.0)	(41.0)	(41.0)
Non-operating income (expense)	--	--	--	158.0	--	--	--	--
Non-controlling Interest/Minority interest	--	7,281.0	--	--	--	--	--	--
Debt - Derivatives	(958.0)	--	--	--	--	--	--	--
EBITDA - Income (expense) of unconsolidated companies	--	--	(169.0)	(169.0)	--	(169.0)	--	--
EBITDA - Gain/(Loss) on disposals of PP&E	--	--	(69.0)	(69.0)	--	(69.0)	--	--
EBITDA - Restructuring costs	--	--	550.0	550.0	--	550.0	--	--
D&A - Impairment charges/(reversals)	--	--	--	386.0	--	--	--	--
EBIT - Income (expense) of unconsolidated companies	--	--	--	169.0	--	--	--	--
Total adjustments	(687.9)	7,865.5	884.5	1,201.6	324.6	(3,224.0)	1,007.0	(41.0)
Our adjusted amounts								
	Debt	**Equity**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from operations**	**Cash flow from operations**	**Capital expenditures**
Adjusted	54,150.1	50,154.5	18,899.5	13,106.6	1,206.6	14,791.0	13,736.0	6,119.0

SEK--Swedish krona.

Ratings Score Snapshot

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+

Modifiers

- **Diversification/Portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Neutral (no impact)
- **Liquidity:** Strong (no impact)
- **Management and governance:** Satisfactory (no impact)
- **Comparable rating analysis:** Neutral (no impact)

Related Criteria

- Criteria - Corporates - General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria - Corporates - Industrials: Key Credit Factors For The Branded Nondurables Industry, May 7, 2015
- Criteria - Corporates - General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: National And Regional Scale Credit Ratings, Sept. 22, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Stand-Alone Credit Profiles: One Component Of A Rating, Oct. 1, 2010
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

Business And Financial Risk Matrix

Business Risk Profile	Financial Risk Profile					
	Minimal	Modest	**Intermediate**	Significant	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	a-	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	**a-/bbb+**	bbb	bb+	bb
Satisfactory	a/a-	bbb+	bbb/bbb-	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

Ratings Detail (As Of December 21, 2018)

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

*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.

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