Post results | 28 August 2026

Tornator Oyj

H1 26: Better-than-feared report, chance of a new bond in the near term

Tornator delivered a better-than-feared H1 26, with revenue and adjusted EBIT proving more resilient than expected despite lower wood prices. Net LTV rose to 30.2% from 27.4% h/h on continued high forest acquisitions and dividend payments, but the balance sheet remains strong and consistent with the 'Baa3' requirements. While H2 26 faces tough comps, with recent pulpwood prices c. 20% below H2 25 average levels, the market outlook is cautiously positive as demand is improving and wood prices seem to have bottomed out. The 2031s are quoted slightly tighter than our 'BBB-' reference curve, leaving limited room for fundamental-driven spread tightening. The 2026s due in October are covered via back-stop bank facility, but we think Tornator could still opt for a bond refinancing and return to the primary market in September. Consequently, we keep Marketweight.

Revenue and adj. EBIT (i.e. EBIT excluding forest asset fair value changes) declined by 2% y/y to EUR103m and EUR72.5m, respectively, driven by lower wood prices. Wood delivery volumes were flat y/y. Headline development was better than we feared at -10% y/y, partly supported by the long-term sales agreement with the main customer (and shareholder) Stora Enso.

Total forest asset value was up 1% h/h to EUR3,848m driven by continued high new forest acquisitions at EUR60m (flat y/y), while forest asset fair value changes were small at EUR-4m as Tornator carries out the annual fair value update in the H2 26 report. Free cash flow was negative as the growth capex and EUR72m dividend payout exceeded the seasonally low EUR11m operating cash flow significantly, which drove adj. net LTV (net debt/forest asset value) to 30.2% from 27.4%. However, this remains a strong level.

Key figures

EURm	H1 25	H2 25	H1 26	y/y	h/h
Total sales	105	128	103	-1.7%	-19.6%
EBITDA (rep.)	86	216	73	-15.7%	-66.3%
EBITDA (adj.)	76	96	74	-2.3%	-22.5%
Net Income	58	160	45	-22.2%	-71.9%
FFO(rep.)	50	67	48	-4.5%	-28.7%
FFO (adj.)	50	67	48	-4.5%	-28.7%
Equity	2,241	2,325	2,289	2.2%	-1.5%
Net debt	1,031	1,041	1,163	12.8%	11.7%
Net debt (adj.)	1,031	1,041	1,163	12.8%	11.7%
Ratios	**H1 25**	**H2 25**	**H1 26**	**y/y**	**h/h**
EBITDA-margin	83%	169%	71%	-12pp	-98pp
Net debt / EBITDA	4.8	3.4	4.0	-0.7	0.6
Adj. net debt / Adj. EBITDA	6.0	6.0	6.8	0.8	0.8
FFO / Net debt	12%	11%	10%	-2pp	-1pp
Adj. FFO / Adj. net debt	12%	11%	10%	-2pp	-1pp
Adj. Total debt / Total capital	32%	33%	34%	2pp	1pp
Net debt / Total capital	31%	30%	34%	2pp	4pp

Source: Company data, Danske Bank Credit Research

Marketweight

Materials

Corporate ticker:

Equity ticker: 163230Z FH

Ratings:
Moody's: Baa3 / S

ESG rating:
Sustainalytics ESG Risk Rating: Not rat

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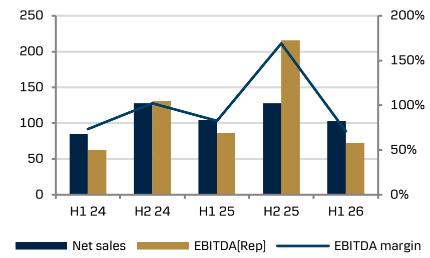
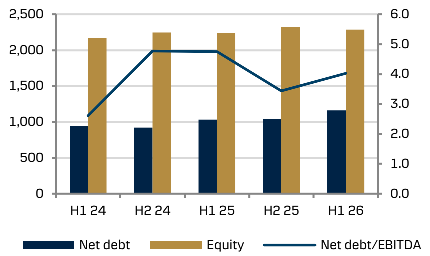
Profitability (EURm)



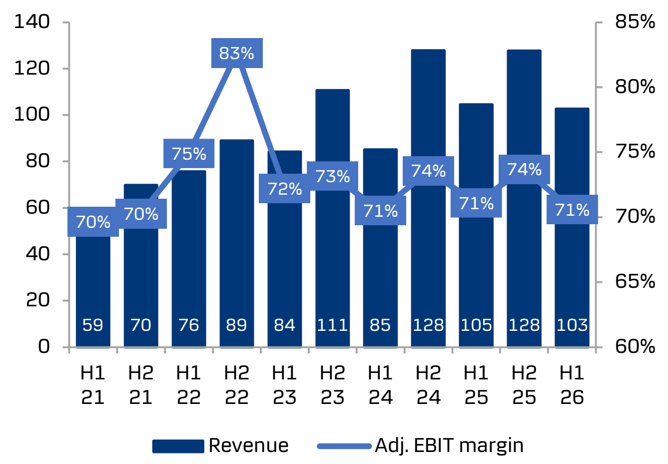
Source: Company data, Danske Bank Credit Research

Financial metrics (EURm)



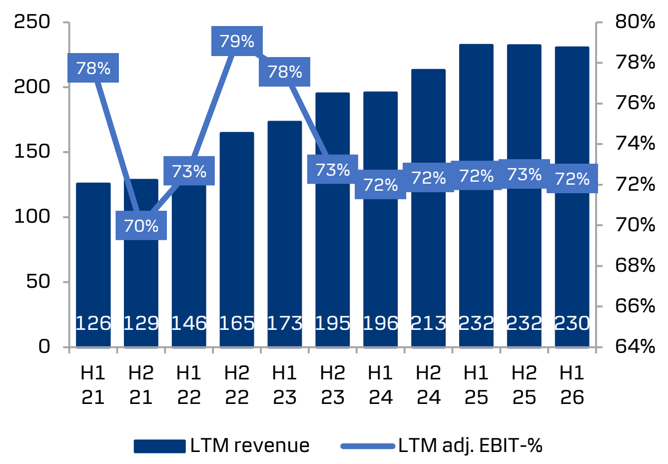
Source: Company data, Danske Bank Credit Research

Chart 1. Revenue (EURm) and adjusted EBIT margin



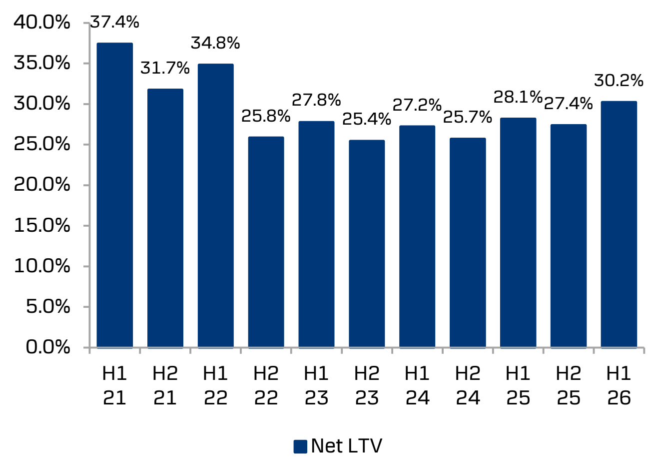
Source: Company data, Danske Bank Credit Research

Chart 2. LTM revenue (EURm) and adjusted EBIT margin



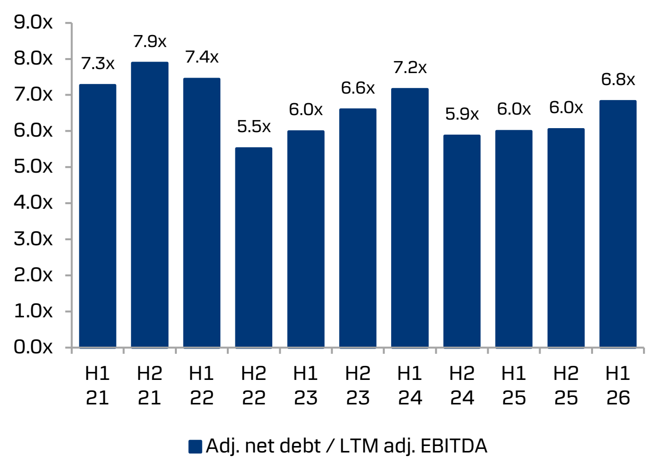
Source: Company data, Danske Bank Credit Research

Chart 3. Net loan to forest asset value



Note: Net LTV calculated as net debt/forest asset value
Source: Company data, Danske Bank Credit Research

Chart 4. Adjusted net debt/EBITDA

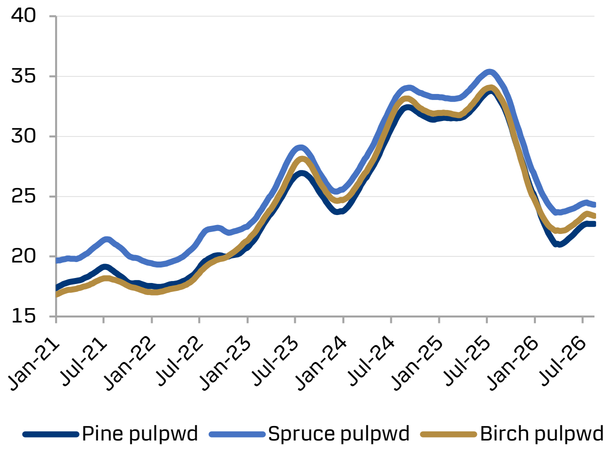


Source: Company data, Danske Bank Credit Research

Wood prices have stabilised and demand is improving, but comparison period is tough in H2 26

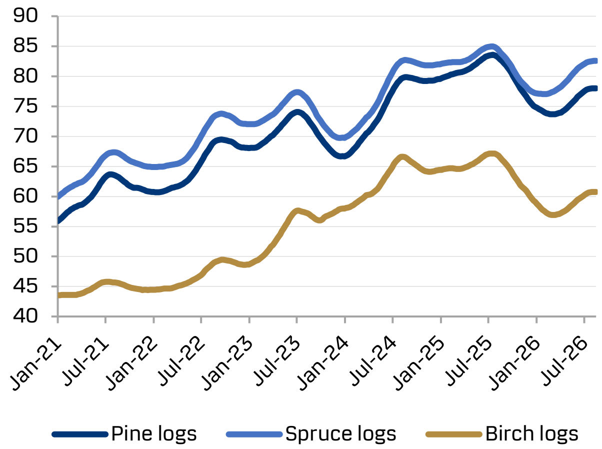
Tornator's H1 26 results confirmed that lower wood prices have started to feed through to revenue and earnings, although the impact has been mitigated by the company's long-term wood sales agreement with Stora Enso. The sales prices with Stora Enso – which represents the majority of Tornator's revenue and is also a 41% shareholder in Tornator – are calculated based on the average prices of the preceding four months, as published by the Natural Resources Institute Finland ('LUKE'). Sales prices were still down from the record-high levels seen in 2025, particularly for pulpwood that has historically formed 60% of Tornator's wood sales, while wood deliveries in H1 26 were in line with the company's plan at 1.6m cubic metres (flat y/y). Overall, management noted that demand for forest industry products remained weak, especially in pulp, board and paper products.

Chart 5. Pulpwood prices in Finland (EUR/m3, rolling 4-month)



Source: Natural Resources Institute Finland, Danske Bank Credit Research

Chart 6. Logwood prices in Finland (EUR/m3, rolling 4-month)



Source: Natural Resources Institute Finland, Danske Bank Credit Research

Looking into H2 26 and beyond, the outlook is improving somewhat. Tornator expects wood demand to strengthen from the weak start to the year, which is unsurprising given the small signs of recovery seen in the broader pulp and paper market environment. On the other hand, pulpwood prices remain clearly below 2025 levels: the average price in H2 26 so far is c.20% below the average price in H2 25. For logs, the same comparison indicates flat prices y/y for the main grade pine. This means that if pulpwood prices don't recover, Tornator's revenue and profitability are likely to decline in H2 26 y/y. However, prices appear to have stabilised, which is positive looking into 2027.

Growth capex (i.e. new forest purchases) is likely to remain high. In H1 26, Tornator acquired more than 12,000 hectares of forestland (+1.3% increase, bringing total hectares to 830,000) for c. EUR60m. This is consistent with the company's 2035 target of managing one million hectares by 2035. We would expect similar capex levels in the coming years.

New bond issue possible in September

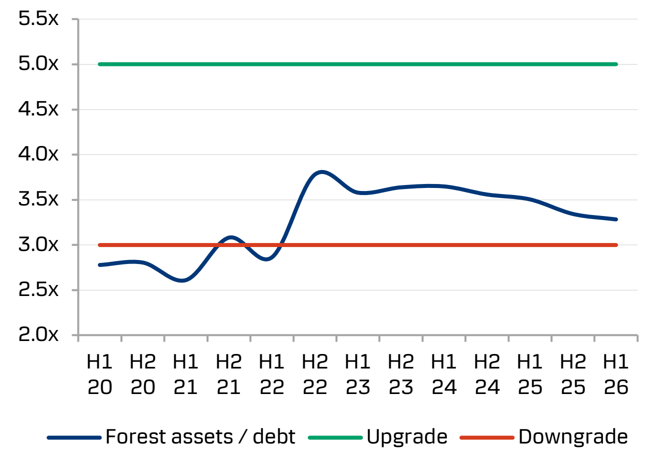
Tornator has a EUR350m bond due in October 2026. The company has already secured the refinancing of the bond with a combination of a EUR250m secured bank loan due in 2029, and an undrawn EUR200m RCF. However, refinancing with a secured bank loan and the RCF is not a fixed decision, in our understanding. Rather, the company could leave the term loan undrawn and instead refinance the bond with a new bond assuming market conditions are favourable. Given the tight spread levels, we do not rule out a new bond issue in the coming weeks. Moreover, we note that the company did not mention in the H1 26 report that it would tap into the back-stop bank facility to repay the 2026s, which could imply it is seeking to issue a new bond in the September window.

'Baa3' rating is still well supported

Tornator has a 'Baa3'/stable from Moody's. The key metrics followed by Moody's are forest asset value/gross debt (downgrade threshold 3.0x versus Tornator's 3.3x at end-H1 26, according to our estimate) and ICR (threshold

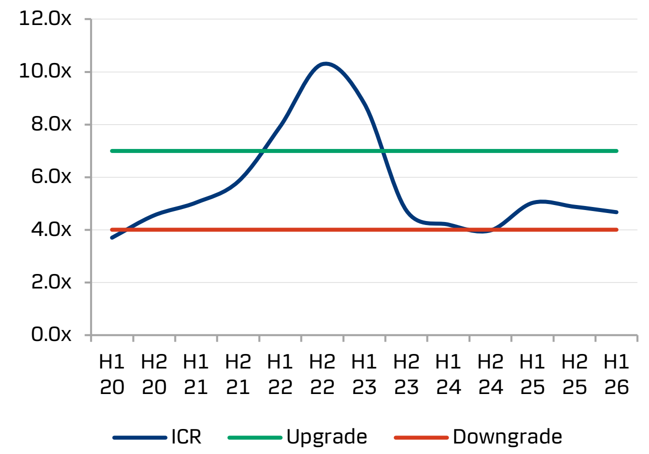
4.0x versus Tornator at 4.7-6.0x depending on the calculation method). Headroom in forest asset value/gross debt would allow around 9% forest value write-downs, all else being equal. The ICR calculation is not as straightforward, as Moody's states the metric is calculated as EBITDA/interest expenses. However, having only interest expenses, and excluding interest income, in the denominator is misleading because, for example, Tornator has some pass-through items related to the supply deal with Stora Enso in its interest income and expenses, which at least should be taken into account in the ICR calculation, in our view. Nevertheless, we see Tornator in line with Moody's 4.0-7.5x requirement range at end-H1 26.

Chart 7. Moody's forest assets / gross debt



Source: Moody's, company data, Danske Bank Credit Research estimates

Chart 8. Moody's ICR



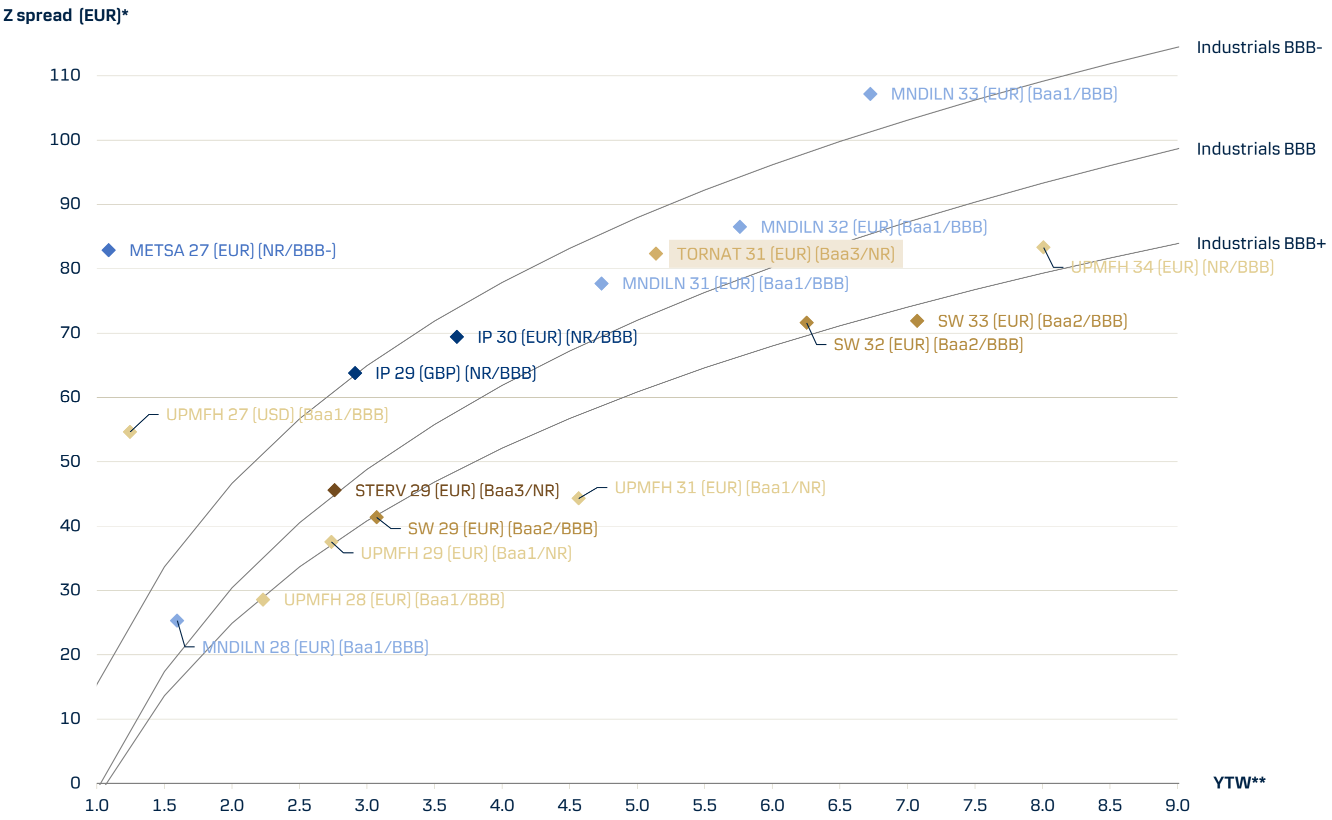
Source: Moody's, company data, Danske Bank Credit Research estimates

We see some rating pressure looming in the medium term as we estimate forest asset / gross debt to decline to 3.1x in 2026E and 3.0x in 2027E, and ICR to 4.0x in 2026E and 3.1x in 2027E, driven by lower wood prices negatively impacting revenue, adjusted EBITDA as well as forest valuation, as well as refinancing of the low-coupon 1.250% EUR350m 2026s that forms 30% of the company's EUR1,172m total debt. However, we note that Moody's has stated a downgrade could take place if the metrics fell below required levels *sustainably.* We assume the management, which has explicitly stated its commitment to maintaining an IG rating, would take measures (e.g. dividend cuts, forest disposals, lower growth capex) to defend the IG rating, if needed. In other words, we are not concerned yet about a potential downgrade.

Recommendation

We maintain our Marketweight recommendation on Tornator. The 2031s (ISIN FI4000578216; note that the EUR50m ISIN FI4000561931 also due in 2031 was issued as a private placement) are currently quoted between our 'BBB-' and 'BBB' industrials curves. The H1 26 report was better than feared and the company maintains a solid balance sheet, but valuation is relatively tight compared with the rating, and we see limited scope for near-term credit metrics improvement given the tough H2 26 comparison period due to lower wood prices. We also see possibility of a new bond in the near term, as discussed. Consequently, we find the valuation fair.

Chart 9. Relative value



* Swapped to indicated currency. ** Years-to-worst.
Note: Fair value curve(s) based on Danske Bank Credit Research's index group of EUR bonds.

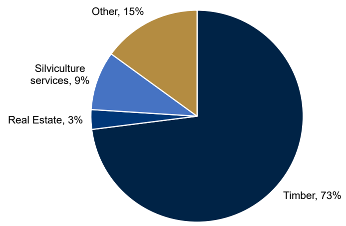
Source: Bloomberg, Danske Bank Credit Research

Company summary

Company description

Tornator is the largest private forest owner in Finland. The company's core businesses are timber sales, silvicultural services and sale of real estate. Stora Enso is Tornator's largest customer and owner.

EBITDA breakdown, segments



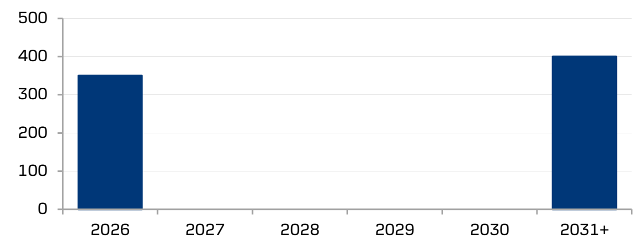
Key credit strengths

- Long-term wood sales agreement with Stora Enso provides a stable operating foundation
- Large tangible asset base and low LTV
- Structurally improved market fundamentals after discontinued Russian wood imports
- Leading market position in Finland with economies of scale advantage

Key credit challenges

- Significant exposure to one single customer
- Narrow geographical diversification with high exposure to Finland
- Exposed to cyclical end-markets with volatile demand swings
- Potential rebalance of Nordic wood market supply/demand if a peace deal is reached in Ukraine

Debt maturity profile, bonds only (EURm)



Main shareholders

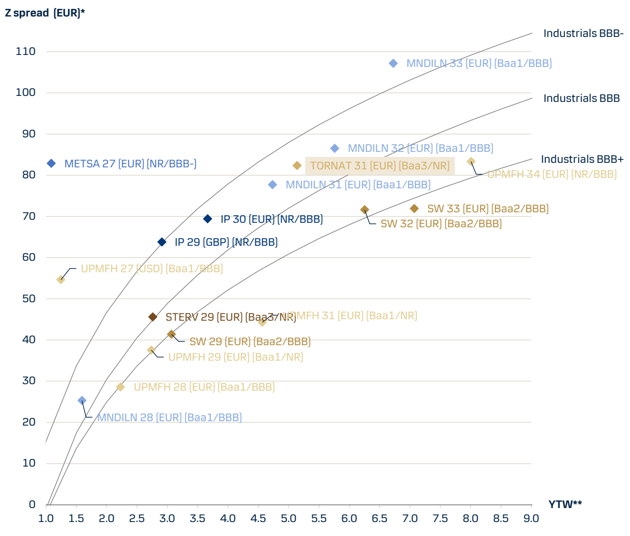
Name	Votes (%)	Capital (%)
Stora Enso Oyj	41.0%	41.0%
Ilmarinen Mutual Pension Insurance Compa	23.1%	23.1%
Varma Mutual Pension Insurance Company	16.4%	16.4%
OP Financial Group	14.4%	14.4%
Other shareholders	5.1%	5.1%

Selected outstanding bonds

Isin	Cupon	Currency	Maturity /Call	Seniority	Rating*
FI4000442108	1.25%	EUR	14/10/2026	Secured	Baa3/NR
FI4000578216	3.75%	EUR	17/10/2031	Secured	Baa3/NR
FI4000561931	4.972%	EUR	08/08/2031	Secured	NR/NR
FI4000557244	5.188%	EUR	17/04/2035	Secured	NR/NR

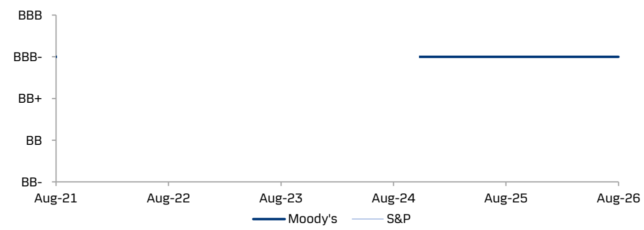
*Moodys/S&P

Relative valuation



* Swapped to indicated currency. ** Years-to-worst.
Note: Fair value curve(s) based on Danske Bank Credit Research's index group of EUR bonds.

Rating migration



Source: Company data, Bloomberg, Danske Bank Credit Research [all charts and tables]

Summary table

Income statement (EURm)	2024	2025	2026E	2027E	2028E
Total sales	213	232	223	215	215
Operating expenses	-59	-64	-63	-60	-60
EBITDA	193	302	9	7	9
EBITDA adjusted	158	172	164	159	159
Non-recurring items	0	0	0	0	0
Depreciation and amortisation	-3	-4	-4	-4	-4
EBIT	190	298	4	3	5
EBIT adjusted	154	168	160	155	155
Net interest	-33	-26	-36	-51	-53
Other financial items (net)	0	0	0	0	0
Pre-tax profit	156	272	-43	-48	-47
Tax	-24	-55	10	10	9
Net income	132	217	-34	-38	-38
Balance sheet (EURm)	**2024**	**2025**	**2026E**	**2027E**	**2028E**
Fixed assets	3,595	3,805	3,744	3,693	3,643
Goodwill	0	0	0	0	0
Associates	0	0	0	0	0
Other non-current assets	71	73	69	66	62
Working capital assets	44	48	41	38	38
Cash and cash equivalents	87	97	87	58	35
of which restricted cash	0	0	0	0	0
Other current assets	89	98	0	0	0
Total assets	3,798	4,023	3,941	3,855	3,779
Total assets (adj.)	3,798	4,023	3,941	3,855	3,779
Total interest-bearing debt	1,010	1,138	1,222	1,272	1,322
Total interest-bearing debt adjusted	1,010	1,138	1,222	1,272	1,322
Net interest-bearing debt	923	1,041	1,135	1,214	1,287
Net interest-bearing debt adjusted	923	1,041	1,135	1,214	1,287
Working capital liabilities	61	74	56	53	53
Other current liabilities	18	16	16	15	15
Other non-current liabilities	458	470	436	406	376
Total equity	2,250	2,325	2,211	2,109	2,013
Total equity and liabilities	3,798	4,023	3,941	3,855	3,779
Total equity and liabilities (adj.)	3,798	4,023	3,941	3,855	3,779
Cash flow statement (EURm)	**2024**	**2025**	**2026E**	**2027E**	**2028E**
EBITDA	158	172	164	159	159
Tax paid	-21	29	-25	-21	-20
Other cash flow from operations	-30	-84	-44	-51	-53
Funds from operations (FFO)	107	118	95	87	86
FFO (adjusted)	107	118	95	87	86
Change in working capital	14	8	-6	-2	0
Operating cashflow (CFO)	122	126	89	86	86
CFO (adjusted)	122	126	89	86	86
Capex	-99	-173	-110	-100	-100
Divestments/acquisitions of businesses	0	0	0	0	0
Free operating cashflow (FOCF)	22	-48	-21	-14	-14
FOCF (adjusted)	22	-48	-21	-14	-14
Dividend paid	-70	-70	-72	-64	-58
Share buyback	0	0	0	0	0
Free cashflow (FCF)	-48	-118	-93	-78	-73
Other investing activities	31	0	0	0	0
Debt repayment	-237	-72	-350	0	0
Funding shortfall	-254	-189	-443	-78	-73
New debt	300	200	434	50	50
New equity	0	0	0	0	0
Other financing activities	0	-0	-0	-0	-0
Change in cash	46	10	-10	-29	-23

Source: Company data, Danske Bank Credit Research estimates

Summary table

Adjusted ratios (EURm)	2024	2025	2026E	2027E	2028E
Sales growth	9%	9%	-4%	-3%	0%
EBITDA margin	73.9%	74.2%	73.8%	73.9%	73.9%
Adj. EBITDA margin	73.9%	74.2%	73.8%	73.9%	73.9%
EBIT margin	89.1%	128.5%	2.0%	1.4%	2.4%
Adj. EBIT margin	72.3%	72.5%	71.9%	72.0%	72.0%
EBITDA interest coverage (x)	5.2	8.8	0.3	0.1	0.2
Adj. EBITDA interest coverage (x)	4.3	5.1	4.1	3.1	3.0
EBIT interest coverage (x)	5.1	8.7	0.2	0.1	0.1
Adj. EBIT interest coverage (x)	5.1	8.7	0.2	0.1	0.1
FFO interest coverage (x)	3.0	3.6	2.5	1.7	1.6
Adj. FFO interest coverage (x)	3.0	3.6	2.5	1.7	1.6
CFO interest coverage (x)	3.4	3.8	2.3	1.7	1.6
Adj. CFO interest coverage (x)	3.4	3.8	2.3	1.7	1.6
Net debt/EBITDA (reported) (x)	4.8	3.4	131.8	168.8	138.9
Net debt/EBITDA (x)	5.9	6.0	6.9	7.6	8.1
Adj. net debt/adj. EBITDA (x)	5.9	6.0	6.9	7.6	8.1
Debt/EBITDA (x)	6.4	6.6	7.4	8.0	8.3
Adj. debt/adj. EBITDA (x)	6.4	6.6	7.4	8.0	8.3
Debt/EBITDA (reported) (x)	5.2	3.8	141.8	176.9	142.7
FFO/net debt	11.6%	11.3%	8.4%	7.2%	6.7%
Adj. FFO/adj. debt	10.6%	10.3%	7.8%	6.9%	6.5%
Adj. FFO/adj. net debt	11.6%	11.3%	8.4%	7.2%	6.7%
FFO/debt	10.6%	10.3%	7.8%	6.9%	6.5%
Adj. total debt/total capital	31.8%	33.8%	36.5%	38.3%	40.1%
Net debt/total capital	28.3%	30.1%	33.1%	35.9%	38.6%
Adj. net debt/adj. total capital	29.1%	30.9%	33.9%	36.5%	39.0%
Half-yearly overview (EURm)	**H1 24**	**H2 24**	**H1 25**	**H2 25**	**H1 26**
Net sales	85	128	105	128	103
EBITDA	62	131	86	216	73
Adj. EBITDA	62	96	76	96	74
EBIT	61	129	84	214	71
Net income	40	92	58	160	45
Capex	-52	-47	-61	-113	-60
FFO	39	69	50	67	48
Total debt	957	1,010	1,045	1,138	1,172
Net debt	949	923	1,031	1,041	1,163
Adjusted net debt	949	923	1,031	1,041	1,163
Equity (incl. minorities)	2,169	2,250	2,241	2,325	2,289
Ratios					
Net debt to EBITDA (x)	3	5	5	3	4
Adj. net debt to EBITDA (x)	7	6	6	6	7
FFO to net debt	9%	12%	12%	11%	10%
Adj. FFO to net debt	9%	12%	12%	11%	10%

Source: Company data, Danske Bank Credit Research estimates

Danske Bank – Credit research platform

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Changes to recommendation in the past 12 months:

Date	Old rec.	New rec.
4 Feb 2026	Overweight	Marketweight

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