UPM

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COMPANY PROFILE

UPM-Kymmene is a Finland-based forest-industry group operating through seven business areas: UPM Fibres (pulp and sawn timber), UPM Energy (hydro and nuclear power generation), UPM Adhesive Materials (self-adhesive labeling), UPM Specialty Papers, UPM Communication Papers (graphic and newsprint papers), UPM Plywood, and Other Operations (biofuels, biochemicals, forest assets). The company is repositioning its portfolio toward renewable fibres, advanced materials and decarbonization solutions, including a planned graphic-paper joint venture with Sappi and continued ramp-up of its Leuna biochemicals biorefinery, while a strategic review is underway for its Plywood business.

RECOMMENDATION	CURRENT PRICE	TARGET PRICE
HOLD	22.88 EUR	23.40 EUR
12-month horizon	as of report date	12-month fundamental

IMPLIED UPSIDE	MARKET CAP	ENTERPRISE VALUE
+2.3%	EUR 12.1 bn	EUR 15.2 bn
vs. current price	shares × price	mcap + net debt

P/E 2026E	EV/EBITDA 2026E	FCF YIELD 2026E	DIVIDEND YIELD 2026E	NET DEBT / EBITDA 2026E
17.7×	8.4×	9.9%	4.5%	1.5×

RESEARCH SNAPSHOT

The call, the math, and the three reasons why

02

A one-page summary of the recommendation and the evidence behind it; the following pages provide the detail.

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MARKET CAP	ENTERPRISE VALUE	P/E · EV/EBITDA 2026E	FCF · DIV YIELD 2026E
EUR 12.1 bn	**EUR 15.2 bn**	**17.7× · 8.4×**	**9.9% · 4.5%**
shares × price	mcap + net debt	history + peers, see p. 18–19	

01 Fibres South Mill Utilization

UPM Fibres South's Paso de los Toros mill runs at a $280/t cash cost against $650/t pulp prices, and 90% utilization on 3.0m tonnes drives the EBIT recovery underpinning the target.

`$370/t spread`

02 Communication Papers EV Overstatement

Communication Papers is fallback-valued at EUR 2.65bn EV, but the Sappi JV prices it at just EUR 1.1bn (4.6x EBITDA), a EUR 1.55bn overstatement masking value elsewhere.

`EUR 1.55bn gap`

03 Group EBITDA and Leverage Normalization

Group EBITDA rises from EUR 1.35bn in 2025 to EUR 1.60bn by 2027, while net debt stays contained at 1.87x EBITDA, supporting the 10.0x EV/EBITDA-based target.

`EUR 1.60bn 2027e EBITDA`

THESIS BREAKER

The thesis breaks if pulp stays flat at $600/t, Fibres North losses persist, and Leuna suffers a 50% impairment.

SHARE PRICE DEVELOPMENT

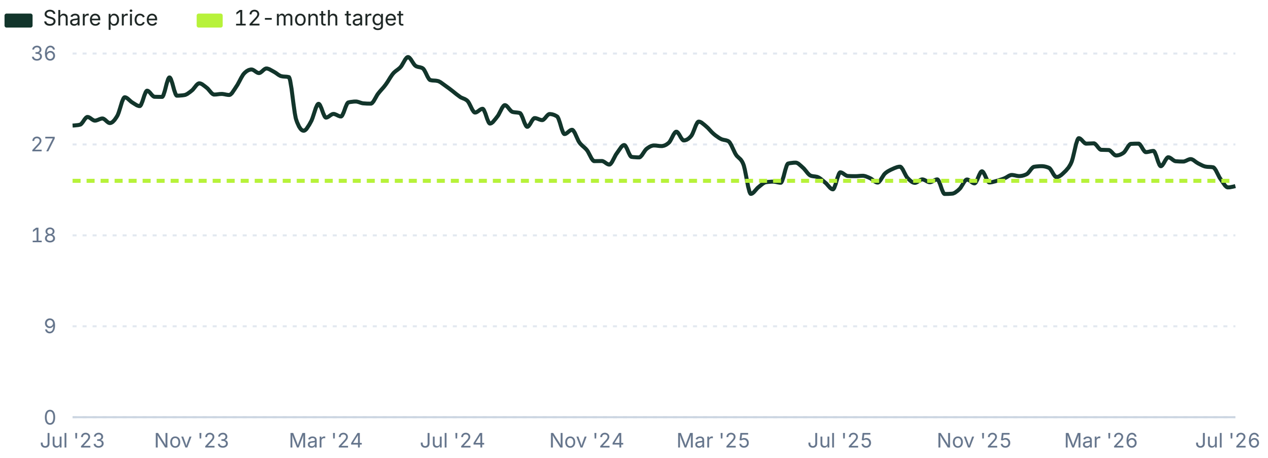
Price trajectory and valuation anchors

03

Monthly closing prices over 24 months with the 12-month target price, alongside key market data.

Share price — last 24 months

EUR per share, with 12-month target line



CURRENT PRICE **22.88 EUR** 8 July 2026	TARGET PRICE **23.40 EUR** 12-month	IMPLIED UPSIDE **+2.3%** vs. current	52-WEEK HIGH **27.94 EUR** past 12m
52-WEEK LOW **21.72 EUR** past 12m	1-YEAR CHANGE **−3.9%** price only	3-YEAR CHANGE **−17.7%** price only	REPORT DATE **8 July 2026**

VALUE BREAKDOWN · PART 1

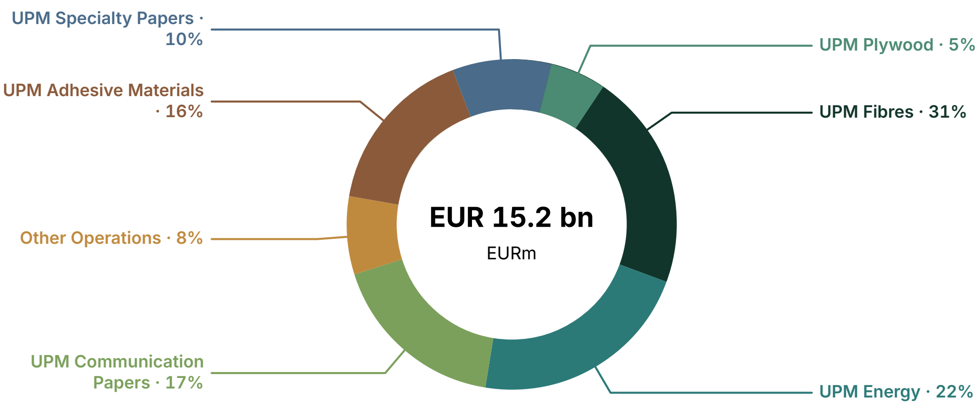
Enterprise-value allocation by segment

04

Each segment's contribution to group revenue, comparable EBIT and enterprise value.

Enterprise value by segment

EUR millions



SEGMENT ECONOMICS

	REVENUE	SHARE OF REVENUE / DIV.	COMP. EBIT	SHARE OF EBIT / DIV.	EV	EV %	ARCHETYPE
UPM Fibres	3,283	34.0%	130	17.2%	4,652	30.6%	Commodity
UPM Energy	579	6.0%	260	34.3%	3,324	21.9%	Regulated
UPM Communication Papers	1,931	20.0%	290	38.3%	2,659	17.5%	Declining
Other Operations	386	4.0%	-49	-6.5%	1,163	7.7%	Emerging option
UPM Adhesive Materials	1,642	17.0%	140	18.5%	2,493	16.4%	Scaling
UPM Specialty Papers	1,352	14.0%	100	13.2%	1,496	9.8%	Scaling
UPM Plywood	483	5.0%	50	6.6%	831	5.5%	Restructuring
Total	**9,656**	**100.0%**	**921**	**121.7%**	**16,618**	**109.3%**	—

VALUE BREAKDOWN · PART 2

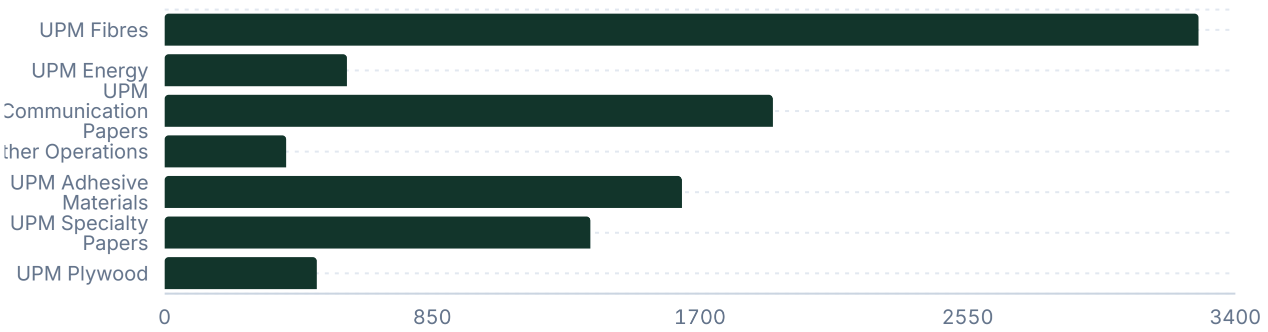
05

Net sales and EBIT by segment

Where the group's revenue and comparable EBIT originate, by segment.

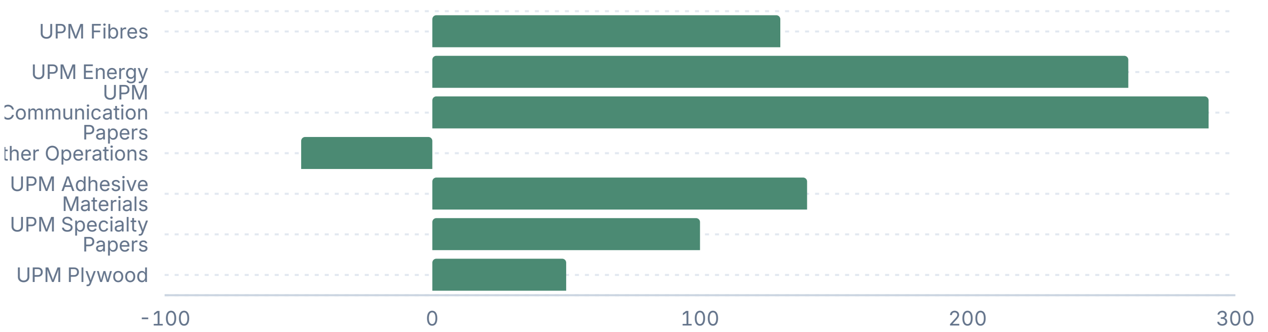
Net sales by segment

EUR millions, latest reported



Comparable EBIT by segment

EUR millions, latest reported



INTERPRETATION

The EV allocation shows a gap: a mechanical fallback assigns €2.65bn to the declining Communication Papers segment based on current EBIT, but the pending Sappi JV explicitly prices it at €1.1bn. This €1.55bn gap implies the market is applying structurally higher multiples to UPM Fibres' South American pulp capacity, UPM Energy's infrastructure cash flows, and the Leuna biorefinery's future optionality.

RECOMMENDATION

Why we land on the call we do

06

The rationale for the rating, the decision summary, and the three principal supporting arguments.

The stock is currently trading at EUR 22.88 and sits close to fair value, supporting a HOLD rating with a target price of EUR 23.4, implying roughly 2.3% upside over the next 6 months.

The single most decision-relevant driver is the cyclical recovery of UPM Fibres, where 2025 comparable EBIT of just €130m sits far below the €450–550m required to justify its €4.65bn allocated EV. Fibres South's Paso de los Toros mill produces at a $280/t cash cost against a $650/t Chinese hardwood spot price — a spread that generates over $1.1bn in gross cash margin at 90% utilization.

The core mispricing in consensus models is the mechanical valuation of Communication Papers. A fallback allocation values the segment at €2.65bn EV, but the pending Sappi JV explicitly prices it at just €1.1bn (4.6x EBITDA). This €1.55bn gap implies the market is applying structurally higher implied multiples to UPM Fibres, UPM Energy, and the Leuna biorefinery optionality than simple EBIT distributions suggest.

HOLD

TARGET PRICE
23.40 EUR

CURRENT PRICE
22.88 EUR

IMPLIED UPSIDE
+2.3%

12-MONTH VIEW
The stock is currently trading close to fair value, with a target price of EUR 23.4 supported by pulp cycle recovery offset by execution risks in Leuna and Nordic structural headwinds.

MAIN DRIVER
Pulp price cycle recovery and Uruguay mill utilization.

MAIN RISK
Permanent Nordic wood cost impairment.

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`$370/t spread`

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CORE ANALYSIS · EXECUTIVE MAP

07

How the company creates economic value

The framework underlying the segment deep dives that follow.

UPM-Kymmene operates as a diversified forest-industry and bio-materials group. A mechanical review of its consolidated income statement shows a business generating €9.65 billion in net sales and €921 million in comparable EBIT (adjusting the €757 million reported statutory EBIT for one-off impairments, fair-value changes, and restructuring). However, the consolidated figures hide a sharp structural split in the company's underlying economics.

UPM is effectively a high-margin, low-cost South American pulp producer combined with a Finnish nuclear/hydro energy portfolio, obscured by a structurally challenged Nordic wood-sourcing footprint and a mature graphic paper business in terminal decline. The group enterprise value of €16.61 billion bridges to the equity market capitalization of €13.10 billion via €3.08 billion of net debt and approximately €436 million of implied other senior claims.

Targeted transaction evidence reveals a large gap in the baseline EV allocation. The fallback method mechanically assigns €2.65 billion to UPM Communication Papers. Yet, UPM's recently signed definitive agreement for a joint venture with Sappi explicitly values the business at an enterprise value of only €1.1 billion. This means the market must be applying structurally higher implied multiples to UPM Fibres, UPM Energy, and the Leuna biorefinery.

ANALYTICAL ANCHOR

The core analytical task is not to defend the fallback allocation, but to re-underwrite the true economic engines: the cyclical recovery in South American pulp, the infrastructure-like cash flows of zero-carbon power, and the €1.3 billion bet on biochemicals.

CORE ANALYSIS · SEGMENT DEEP DIVES

08

UPM Fibres

Segment deep dive — Commodity.

The market values UPM Fibres on a mid-cycle recovery basis, driven by the large capital base the company has deployed in South America. The fallback EV allocation of €4.65 billion implies an EV/EBIT multiple of nearly 36x on depressed 2025 trough earnings of €130 million. Investors look past this trough because the €2.7 billion investment in the 2.1-million-tonne Paso de los Toros eucalyptus pulp mill in Uruguay has fundamentally altered the segment's capacity and cost position. The market is pricing the cash-generation potential of this expanded, low-cost asset base once global pulp prices revert to historical means, rather than capitalizing the current depressed earnings.

The global pulp market is a highly cyclical, supply-driven commodity market. Hardwood pulp (mainly eucalyptus) is the primary growth driver. UPM's position is split across two entirely different economic realities. Fibres South operates two highly competitive eucalyptus mills in Uruguay with captive plantation wood supply. Fibres North operates three mills in Finland, which have been structurally impaired by the cessation of Russian wood imports following the invasion of Ukraine, driving up domestic Baltic and Nordic wood costs.

UPM's competitive position relies entirely on its geographical split. In South America, UPM competes directly with Suzano, the global low-cost leader. The Paso de los Toros mill was designed to achieve a cash cost of approximately $280 per delivered tonne. At a $650 per tonne market price, this asset generates a gross cash spread of $370 per tonne, placing it firmly in the first quartile of the global cost curve. In stark contrast, Fibres North operates in a structurally tight wood market where margins are compressed. The economic moat exists only in the Southern hemisphere.

The economic math for UPM Fibres is a volume × spread equation. Fibres South alone is capable of generating €350–€400 million in mid-cycle EBIT given its $280/t cash cost and large scale. Therefore, the bridge is mathematically consistent and plausible, provided Fibres North can be restructured to stop burning cash. The bridge requires a permanent solution to the Baltic wood supply shock, which is a structural constraint rather than a cyclical one.

UPM FIBRES FACT SHEET

COMMODITY

2025 NET SALES	**€3,283m**
2025 COMP. EBIT	**€130m**
FIBRES SOUTH CAPACITY	**3.4m tonnes**
FIBRES SOUTH CASH COST	**~$280 / tonne**
FIBRES NORTH CAPACITY	**3.3m tonnes**

CORE ANALYSIS · SEGMENT DEEP DIVES

08 UPM Energy

Segment deep dive — Regulated.

The market values UPM Energy as a quasi-infrastructure asset. UPM holds significant stakes in Finnish power companies, primarily Pohjolan Voima (PVO) and Kemijoki Oy, which operate under the unique Finnish 'Mankala' principle. Under this model, shareholders receive electricity at cost price and can sell it at market price. UPM effectively owns low-cost, zero-carbon hydro and nuclear generation capacity. The valuation is anchored both by the high-margin recurring cash flow and the substantial balance-sheet fair value of these assets.

The Nordic electricity market is driven by hydro reservoir levels, nuclear baseload, and increasingly volatile wind generation. UPM's portfolio is uniquely defensive because it consists of firm, dispatchable capacity. Because the assets deliver power at cost, UPM's margin is effectively the spread between the Finnish wholesale electricity price and the low, fixed cost of generation.

The balance sheet reports the fair value of UPM's energy shareholdings at €2.19 billion (Level 3 DCF valuation using a 7.23% discount rate). The fallback EV allocation of €3.32 billion represents a €1.13 billion premium to this book value. This premium is mathematically supported by the cash flow: €260 million in EBIT on a €3.32 billion EV is an implied multiple of 12.8x EV/EBIT, which is highly conservative for long-duration, zero-carbon infrastructure assets.

There is no valuation gap. The current comparable EBIT and the disclosed Level 3 fair value of the assets adequately support the allocated enterprise value. UPM Energy is a highly defensive, cash-generative segment. The premium over the stated balance sheet fair value is justified by the extremely high cash conversion and the structural scarcity of zero-carbon baseload generation in the Nordic region.

UPM ENERGY FACT SHEET

REGULATED

2025 NET SALES	**€579m**
2025 COMP. EBIT	**€260m**
EBIT MARGIN	**44.9%**
ASSET FAIR VALUE	**€2,193m**

CORE ANALYSIS · SEGMENT DEEP DIVES

08

UPM Communication Papers

Segment deep dive — Declining.

The mechanical fallback allocation of €2.65 billion is demonstrably false when tested against direct transaction evidence. In late 2025/early 2026, UPM signed a definitive agreement to form a 50/50 graphic paper joint venture with Sappi. The transaction explicitly values UPM's contribution to the JV at an enterprise value of €1.1 billion, representing a 4.6x multiple on trailing EBITDA.

This creates a wide €1.55 billion gap between the fallback allocation and the market reality. The market is not assigning a €2.65 billion value to a structurally declining graphic paper business. The business is in harvest mode. The JV allows UPM to crystallize value—extracting €475 million in cash proceeds, €98 million in shareholder loans, and offloading pension liabilities—while reducing capital employed.

The EV of Communication Papers should be anchored at €1.1 billion based on the Sappi JV transaction. The remaining €1.55 billion of enterprise value mechanically assigned to this segment by the fallback method actually belongs to the growth and optionality segments (Fibres, Adhesive Materials, and Other Operations). The JV is a highly accretive strategic move, removing structural capacity from the European market (targeting €100m in synergies) and de-risking UPM's balance sheet.

UPM COMMUNICATION PAPERS FACT SHEET

DECLINING

2025 NET SALES
€1,931m

2025 COMP. EBIT
€290m

SAPPI JV EV ANCHOR
€1,100m

VALUATION VARIANCE
+€1,559m overstatement

CORE ANALYSIS · SEGMENT DEEP DIVES

08

Other Operations

Segment deep dive — Emerging option.

UPM has invested approximately €1.18 billion to €1.33 billion in a first-of-its-kind biochemicals biorefinery in Leuna, Germany. The plant is designed to produce 220,000 tonnes of wood-based biochemicals (BioMEG, BioMPG, and renewable functional fillers) to replace fossil-based chemicals in plastics, textiles, and rubber.

The €1.16 billion EV allocation effectively prices this segment at roughly 1.0x sunk capital. The market is giving UPM credit for the capital deployed but is not yet pricing in a significant growth premium or future ROIC spread until the facility proves it can operate profitably.

The facility has reached commercial operations in 2026 but expects to reach full production and positive EBIT during 2027. The critical threshold is technical execution and commercial adoption: can UPM achieve a price premium for renewable BioMEG over fossil-based MEG? If Leuna hits its 2027 profitability targets, this segment will transition from an emerging option to a scaling current business, warranting a material re-rating.

OTHER OPERATIONS FACT SHEET

EMERGING OPTION

2025 NET SALES
€386m

2025 COMP. EBIT
-€49m

LEUNA SUNK CAPEX
€1.3bn

TARGET CAPACITY
220,000 tonnes

CORE ANALYSIS · SEGMENT DEEP DIVES

08

Smaller segments — grouped deep dives

Segments that don't warrant a full deep dive — a short fact strip each.

UPM Adhesive Materials

Scaling — 2025 Net Sales: €1,642m · 2025 Comp. EBIT: €140m · EBIT Margin: 8.5%

UPM Specialty Papers

Scaling — 2025 Net Sales: €1,352m · 2025 Comp. EBIT: €100m · EBIT Margin: 7.4%

UPM Plywood

Restructuring — 2025 Net Sales: €483m · 2025 Comp. EBIT: €50m · EBIT Margin: 10.4%

CORE ANALYSIS · CROSS-SEGMENT BRIDGE

09 Putting the segments back together

How the segment valuations aggregate to the group, and the re-rating the target price requires.

The mechanical forecast bridge from €757 million in 2025 reported EBIT to €1.04 billion in 2027 depends entirely on two factors: the cyclical recovery of UPM Fibres and the successful commercialization of the Leuna biorefinery. UPM Energy is expected to remain a stable cash generator.

Communication Papers will undergo a structural shift. Once the Sappi JV closes, Communication Papers will likely be deconsolidated and accounted for via the equity method. Its €290 million operating profit contribution will vanish from the consolidated operating line, replaced by share-of-profit from the JV.

Therefore, to hit the €1.04 billion 2027 EBIT target, UPM Fibres must step up massively to replace the lost paper earnings, underscoring the critical importance of solving the Nordic wood cost issue and maximizing Paso de los Toros output.

> **BRIDGE MECHANICS**
>
> To hit the 2027 EBIT target, UPM Fibres must step up massively to replace the lost paper earnings once Communication Papers is deconsolidated into the Sappi JV.

The valuation reality check reveals a robust, asset-backed investment case, but one that demands a reallocation of the fallback EV logic. Using the direct transaction evidence, Communication Papers is worth €1.1 billion. UPM Energy's balance sheet fair value is €2.19 billion, and its cash flow easily supports a €3.3 billion valuation. Leuna accounts for ~€1.3 billion in sunk capital.

Subtracting these from the €16.6 billion group EV leaves approximately €10.9 billion of enterprise value to be supported by Fibres, Adhesive Materials, Specialty Papers, and Plywood.

Given that Fibres holds 3.4 million tonnes of top-tier Southern Hemisphere pulp capacity (replacement cost well over €4 billion) plus 3.3 million tonnes of Nordic capacity and extensive forest holdings (€1.8bn+ value), the residual valuation is highly defensible.

However, it requires investors to accept that current depressed Fibres EBIT is temporary, and that the €1.3 billion Leuna investment will not be permanently impaired. The valuation fails only if Nordic wood costs permanently destroy Fibres North, Leuna fails technically, and South American pulp enters a structural, multi-year price depression.

CORE ANALYSIS · SCENARIOS & VERDICT

10 Scenario logic and the bottom-line judgment

How the conclusion changes under less favourable scenarios.

The scenarios are driven almost entirely by the spread logic in UPM Fibres and the binary execution threshold at Leuna.

In the Bear scenario, if Baltic wood supply issues are permanent and Fibres North cannot stem its losses, it permanently drags down the world-class cash generation of Fibres South. Combined with a technical failure at Leuna, group EV would contract toward €13.5 billion, heavily pressuring the equity value.

Upside in the Bull scenario relies on global pulp tightness and the successful crystallization of the Sappi JV synergies, allowing UPM to cleanly transition into a pure-play bio-materials and energy company.

BOTTOM LINE

The central investment debate for UPM revolves around whether its world-class assets in South America and Finnish energy can outweigh the structural headwinds in its Nordic wood operations and the execution risk of its bio-materials pivot. The fallback segment allocation mechanically masks this reality by assigning too much value to the declining paper business. Direct transaction evidence proves the market is valuing the cash-cow paper business at a highly conservative 4.6x EBITDA, leaving the bulk of the €16.6 billion enterprise value supported by the recovery potential of Fibres, the infrastructure stability of Energy, and the optionality of Leuna.

FINANCIAL BRIDGE · PART 1

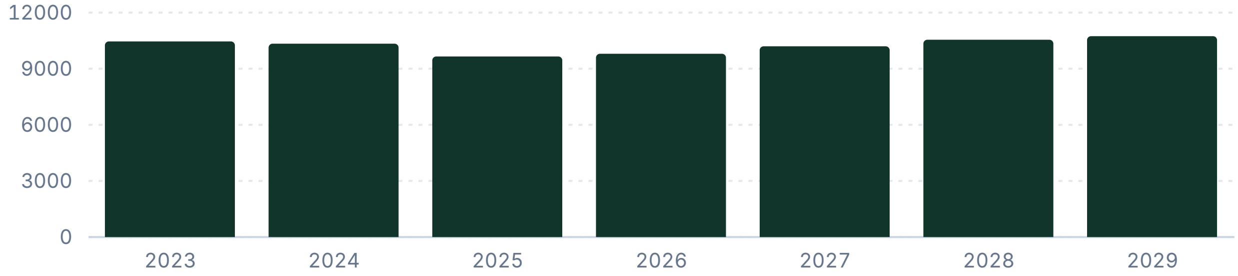
Net sales, EBITDA / EBIT, EBIT margin

14

Group-level trajectory for sales, earnings and margin; shaded bands mark forecast periods.

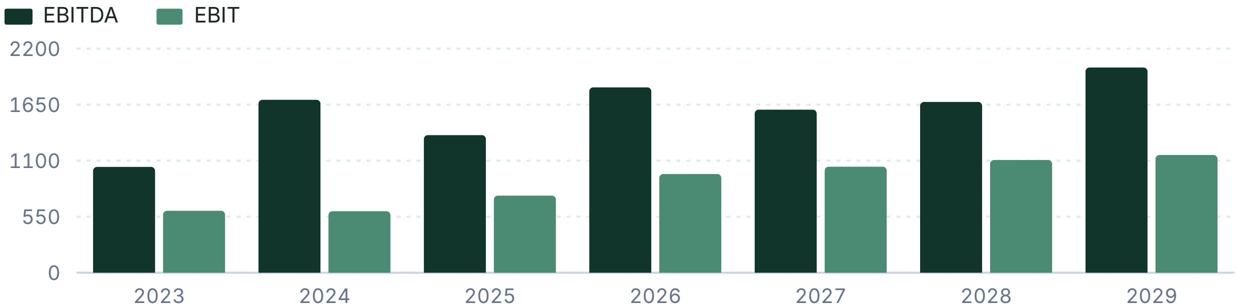
Net sales

EUR millions



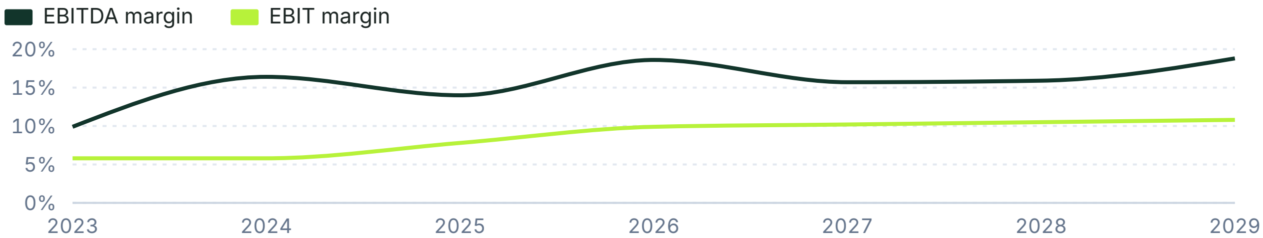
EBITDA & EBIT

EUR millions



EBIT and EBITDA margin

% of net sales



FINANCIAL BRIDGE · PART 2

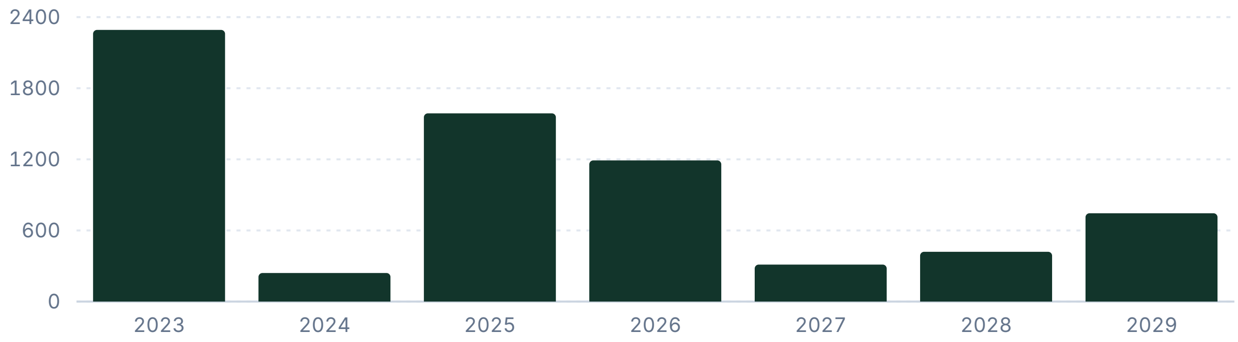
15

Free cash flow, leverage, and key financials

Cash generation and balance-sheet capacity.

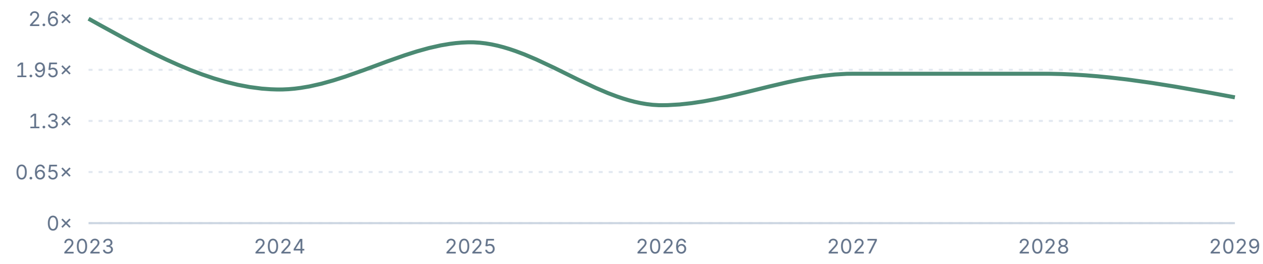
Free cash flow

EUR millions



Net debt / EBITDA

Ratio



KEY FINANCIALS

	2025	2026	2027	2028	2029
Net Sales	9,656	9,800	10,200	10,550	10,740
EBITDA	1,351	1,820	1,601	1,677	2,015
Comparable EBIT	757	969	1,041	1,107	1,156
Net Earnings	**491**	**682**	**740**	**793**	**865**
EPS (EUR)	0.9	1.3	1.4	1.5	1.6
DPS (EUR)	1.5	1	1.1	1.2	1.3

VALUATION

Target price derivation

16

The rationale for the chosen valuation method and multiple, with the company's historical multiples.

UPM is valued primarily on an EV/EBITDA basis due to its capital-intensive, cyclical nature and substantial forest and energy asset base. UPM currently trades at 9.7x 2027e EV/EBITDA versus a peer median of 7.5x and its own normalized historical average of 12.62x. The selected fair multiple of 10.0x reflects a premium over standard packaging-heavy peers due to UPM's low-cost Uruguay pulp platform and unique, higher-margin energy and biochemicals exposure, but remains conservatively below historical norms to account for ongoing market softness. The primary valuation risk is a deeper-than-expected commodity trough or delayed sector capacity absorption, which could compress multiples closer toward the peer average.

HISTORICAL AND FORECAST MULTIPLES

METRIC	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	NORM. AVG	SELECTED FAIR MULTIPLE
P/E	28.46x	13.62x	11.96x	45.99x	30.59x	26.69x	17.74x	16.34x	15.25x	26.22x	16.0x
P/FCF	23.30x	-15.54x	-9.48x	7.93x	58.70x	8.25x	10.15x	38.67x	28.73x	13.16x	
P/BV	1.74x	1.65x	1.49x	1.63x	1.27x	1.31x	1.22x	1.16x	1.14x	1.51x	
P/S	1.89x	1.82x	1.59x	1.74x	1.37x	1.36x	1.23x	1.18x	1.14x	1.63x	
EV/Sales	1.96x	1.98x	1.89x	2.05x	1.70x	1.72x	1.55x	1.52x	1.49x	1.89x	
EV/EBITDA	13.67x	9.61x	9.11x	20.68x	10.36x	12.30x	8.35x	9.67x	9.35x	12.62x	10.0x
Dividend yield	4.3%	3.9%	3.7%	4.4%	5.6%	6.1%	4.5%	4.9%	5.2%	4.7%	

VALUATION

Peers and target price bridge

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Validated peer multiples, each method's implied price and weight, and the sensitivity of the target.

PEER COMPARISON

COMPANY	COUNTRY	MKT CAP	P/E 2026E	P/E 2027E	EV/EBITDA 2026E	EV/EBITDA 2027E	P/BV	EBIT MARGIN	ROE	DIV YIELD
Stora Enso Oyj	Finland	7.4 EURbn	18.2x	13.0x	6.8x	7.1x	0.7x	7.4%	3.7%	6.2%
Mondi plc	United Kingdom/South Africa	3.1 GBPbn	n/a	n/a	8.3x	n/a	n/a	n/a	n/a	n/a
Smurfit Westrock Plc	Ireland/United States	22.0 USDbn	14.5x	12.1x	9.1x	7.9x	1.1x	8.7%	5.7%	n/a
Metsa Board	Finland	872 EURm	-38.4x	13.5x	4.9x	5.7x	0.6x	1.3%	-1.6%	6.6%
Suzano S.A.	Brazil	11.0 BRLbn	1.3x	1.2x	4.6x	4.6x	0.3x	27.5%	19.6%	n/a
Avery Dennison Corporation	United States	13.5 USDbn	15.0x	13.8x	9.5x	8.4x	3.3x	13.6%	24.6%	n/a
Holmen AB (publ)	Sweden	57.5 SEKbn	16.7x	15.9x	10.0x	9.3x	0.9x	17.6%	5.5%	n/a
Peer median			15.0x	13.2x	8.0x	7.5x	0.7x	8.7%	5.5%	6.4%
Peer average			13.1x	11.6x	7.5x	7.2x	0.7x	9.7%	5.0%	6.4%
Web-sourced: Mondi plc Mkt cap, EV/EBITDA 2026e.										

TARGET PRICE BRIDGE

METHOD	FORECAST METRIC	METRIC VALUE	SELECTED MULTIPLE	IMPLIED PRICE	WEIGHT
EV/EBITDA	2027e EBITDA	1,601 EURm	10.0x	23.9 EUR	60%
P/E	2027e EPS	1.40 EUR	16.0x	22.4 EUR	20%
Reverse Valuation	Market Implied	n/a	n/a	22.9 EUR	20%
Weighted target price				23.4 EUR	100%

SENSITIVITY — IMPLIED SHARE PRICE

2027E EBITDA (EURM)	MULTIPLE 9.0X	MULTIPLE 10.0X (BASE)	MULTIPLE 11.0X
1,281 (-20%)	15.41	17.84	20.27
1,441 (-10%)	18.14	20.87	23.61
1,601 (Base)	20.87	23.91	26.95
1,761 (+10%)	23.61	26.94	30.29
1,921 (+20%)	26.34	29.98	33.63

MULTIPLES & SENSITIVITY

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Forward multiples and EBITDA × multiple grid

How the implied valuation responds to changes in EBITDA and the applied multiple.

FORWARD MULTIPLES	2026
P/E	17.7×
EV/EBITDA	8.4×
EV/EBIT	15.7×
P/FCF	10.2×
P/BV	1.2×
Dividend Yield	4.5%
Net Debt / EBITDA	1.5×

EBITDA × EV/EBITDA sensitivity

2027E EBITDA EV/EBITDA →	8.0×	9.0×	**10.0×**	11.0×	12.0×
-20% EUR 1,456m	**EUR 11,648m** EUR 16.20 / sh	**EUR 13,104m** EUR 19.00 / sh	**EUR 14,560m** EUR 21.80 / sh	**EUR 16,016m** EUR 24.50 / sh	**EUR 17,472m** EUR 27.30 / sh
-10% EUR 1,638m	**EUR 13,104m** EUR 19.00 / sh	**EUR 14,742m** EUR 22.10 / sh	**EUR 16,380m** EUR 25.20 / sh	**EUR 18,018m** EUR 28.30 / sh	**EUR 19,656m** EUR 31.40 / sh
Base EUR 1,820m	**EUR 14,560m** EUR 21.80 / sh	**EUR 16,380m** EUR 25.20 / sh	**EUR 18,200m** EUR 28.70 / sh	**EUR 20,020m** EUR 32.10 / sh	**EUR 21,840m** EUR 35.60 / sh
+10% EUR 2,002m	**EUR 16,016m** EUR 24.50 / sh	**EUR 18,018m** EUR 28.30 / sh	**EUR 20,020m** EUR 32.10 / sh	**EUR 22,022m** EUR 35.90 / sh	**EUR 24,024m** EUR 39.70 / sh
+20% EUR 2,184m	**EUR 17,472m** EUR 27.30 / sh	**EUR 19,656m** EUR 31.40 / sh	**EUR 21,840m** EUR 35.60 / sh	**EUR 24,024m** EUR 39.70 / sh	**EUR 26,208m** EUR 43.90 / sh

SCENARIO VALUATION

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Bear / Base / Bull bridge

Revenue, EBITDA, multiple, EV, equity, value-per-share and upside in each scenario.

SCENARIO BRIDGE

	REVENUE	EBITDA	MARGIN	MULTIPLE	EV	EQUITY	VALUE / SHARE	UPSIDE
Bear	9,650	1,150	11.9%	11.7×	13,501	10,422	EUR 19.76	−13.6%
Base	10,200	1,601	15.7%	10.0×	16,010	12,931	EUR 24.52	+7.2%
Bull	10,550	1,820	17.2%	10.4×	18,928	15,849	EUR 30.06	+31.4%

KEY CONDITIONS

The scenarios are driven almost entirely by the spread logic in UPM Fibres and the binary execution threshold at Leuna.

THESIS BREAKER

The thesis breaks if pulp stays flat at $600/t, Fibres North losses persist, and Leuna suffers a 50% impairment.

CATALYSTS

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Monitoring checklist

Near-, medium- and long-term events that could change the recommendation.

CATALYST REGISTER

	TIMING	SEGMENT	INDICATOR	VALUATION IMPACT
Sappi JV Closing	NEAR-TERM	UPM Communication Papers	EU competition authority approvals	Crystallizes cash, transfers pension liabilities
Leuna Commercial Ramp	MEDIUM-TERM	Other Operations	Quarterly EBIT of 'Other Ops' turning positive	Validates €1.3bn capex transition to bio-chemicals
Fibres North Restructuring	NEAR-TERM	UPM Fibres	Fibres North EBIT margin	Stems €30m+ quarterly cash bleed
Pulp Cycle Normalization	NEAR-TERM	UPM Fibres	Chinese spot hardwood pulp prices	Restores group profitability and FCF

READ-THROUGH

The most easily observable catalyst is the Chinese spot hardwood pulp price, which dictates the leverage on Fibres South's 3.4 million tonnes of capacity. However, the most misunderstood catalyst is the Sappi JV closing. Once completed, the deconsolidation of Communication Papers will visually shrink UPM's top line and reported EBITDA, but will vastly improve the group's ROIC, carbon intensity, and growth profile.

RISKS

Risk register

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Each risk's segment, mechanism, early-warning trigger, impact band and structural type.

RISK REGISTER

	SEGMENT	MECHANISM	EARLY WARNING	IMPACT	TYPE
Permanent Nordic wood cost impairment	UPM Fibres	Permanent Baltic wood price elevation destroys Finnish asset competitiveness.	Declining Finnish forest harvest rates	HIGH	STRUCTURAL
Leuna technical scale-up failure	Other Operations	Ramp-up delays fail to generate positive ROIC on €1.3bn sunk capital.	Delayed commercial deliveries / impairment charges	MEDIUM	MANAGEABLE
Collapse in Nordic power prices	UPM Energy	Lower electricity wholesale prices compress infrastructure margins.	Forward electricity curves / reservoir levels	MEDIUM	MANAGEABLE
JV regulatory block	UPM Communication Papers	European competition authorities block the Sappi JV consolidation.	EU competition authority objections	MEDIUM	MANAGEABLE

READ-THROUGH

The most thesis-breaking risk is a permanent structural impairment of Fibres North. If the cessation of Russian wood imports permanently elevates Baltic pulpwood prices above global parity, UPM's Finnish mills will operate at a structural disadvantage. While Fibres South provides a large cash buffer, a permanent Nordic deficit would prevent the Fibres segment from ever reaching the mid-cycle multiples implied by the valuation framework. The execution risk at Leuna is already partially priced in, but a complete write-off of the €1.3 billion asset would damage management's credibility.

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APPENDIX

Income statement

INCOME STATEMENT — EUR MILLIONS	2023	2024	2025	2026 *E*	2027 *E*	2028 *E*
Net Sales	**10,460**	**10,339**	**9,656**	*9,800*	*10,200*	*10,550*
EBITDA	**1,039**	**1,698**	**1,351**	*1,820*	*1,601*	*1,677*
EBITDA margin	9.9%	16.4%	14.0%	*18.6%*	*15.7%*	*15.9%*
Depreciation	-431	-1,094	-594	*-851*	*-560*	*-570*
Operating Profit (EBIT)	**608**	**604**	**757**	*969*	*1,041*	*1,107*
EBIT margin	5.8%	5.8%	7.8%	*9.9%*	*10.2%*	*10.5%*
Net financial items	-143	-104	-67	*-60*	*-55*	*-50*
Pre-tax Profit	**465**	**500**	**690**	*909*	*986*	*1,057*
Net Earnings	**395**	**463**	**491**	*682*	*740*	*793*
PER SHARE						
EPS	0.7	0.9	0.9	*1.3*	*1.4*	*1.5*
DPS	1.5	1.5	1.5	*1*	*1.1*	*1.2*
Payout ratio	202.5%	172.8%	161.5%	*80.0%*	*80.0%*	*80.0%*

E = Valuatum estimate (not yet actualised)

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APPENDIX

Balance sheet

BALANCE SHEET — EUR MILLIONS	2023	2024	2025	2026 *E*	2027 *E*	2028 *E*
ASSETS						
Tangible assets	9,166	7,933	9,842	*9,125*	*9,497*	*9,823*
Intangibles	715	580	554	*562*	*585*	*605*
Goodwill	283	174	264	*264*	*264*	*264*
Non-current assets	**13,483**	**13,535**	**12,925**	***12,216***	***12,611***	***12,957***
Inventories	1,949	2,070	1,886	*1,931*	*2,010*	*2,079*
Receivables	1,873	2,073	1,593	*1,621*	*1,684*	*1,739*
Cash & equivalents	632	892	715	*768*	*799*	*826*
Current assets	**4,454**	**5,035**	**4,194**	***4,320***	***4,493***	***4,644***
Total Assets	**18,473**	**19,096**	**17,532**	***16,948***	***17,517***	***18,014***
EQUITY & LIABILITIES						
Equity	11,531	11,540	10,334	*10,223*	*10,418*	*10,618*
Long-term debt	2,444	2,945	3,638	*1,747*	*1,900*	*2,019*
Short-term debt	200	37	156	*1,747*	*1,900*	*2,019*
Long-term liabilities	**3,179**	**3,656**	**4,268**	***2,377***	***2,530***	***2,649***
Current liabilities	**2,441**	**2,395**	**2,237**	***3,656***	***3,877***	***4,056***
Total liabilities & equity	**18,473**	**19,096**	**17,531**	***16,948***	***17,517***	***18,014***
CAPITAL STRUCTURE & RATIOS						
Net debt	2,718	2,922	3,079	*2,726*	*3,001*	*3,211*
Capital invested	13,543	13,630	13,413	*12,950*	*13,419*	*13,829*
Equity ratio	62.4%	60.4%	58.9%	*60.3%*	*59.5%*	*58.9%*
Gearing	23.6%	25.3%	29.8%	*26.7%*	*28.8%*	*30.2%*
Net debt / EBITDA	2.6×	1.7×	2.3×	*1.5×*	*1.9×*	*1.9×*
Current ratio	1.8	2.1	1.9	*1.2*	*1.2*	*1.2*

E = Valuatum estimate (not yet actualised)

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APPENDIX

Cash flow

CASH FLOW — EUR MILLIONS	2023	2024	2025	2026 *E*	2027 *E*	2028 *E*
OPERATIONS						
CF from operations	1,488	1,353	1,473	*1,288*	*1,226*	*1,298*
Operating cash flow	1,660	1,411	1,652	*1,333*	*1,267*	*1,336*
Change in working capital	-605	204	-387	*245*	*74*	*65*
INVESTING & FREE CASH						
Gross capex	-576	1,146	-16	*142*	*955*	*916*
Capex (ex. M&A)	576	-1,146	16	*-142*	*-955*	*-916*
Free Operating Cash Flow	**2,291**	**241**	**1,587**	***1,191***	***312***	***420***
Free cash flow to firm	**2,292**	**241**	**1,588**	***1,191***	***312***	***420***
FINANCING						
CF from financing	-3,371	-14	-1,798	*-1,093*	*-239*	*-355*
Dividends paid	-693	-800	-800	*-793*	*-545*	*-592*
Net change in cash	**-1,307**	**193**	**-309**	***54***	***31***	***27***

E = Valuatum estimate (not yet actualised)

APPENDIX

25 Quarterly snapshot

HISTORICAL QUARTERS — LAST TWO COMPLETED YEARS, EUR MILLIONS

	Q1/24	Q2/24	Q3/24	Q4/24	Q1/25	Q2/25	Q3/25	Q4/25
Net Sales	2,640	2,546	2,521	2,632	2,646	2,400	2,298	2,312
EBITDA	490	349	438	559	350	248	251	177
EBITDA margin	18.6%	13.7%	17.4%	21.2%	13.2%	10.3%	10.9%	7.7%
Comparable EBIT	343	199	305	-105	198	107	125	2
EBIT margin	13.0%	7.8%	12.1%	-4.0%	7.5%	4.5%	5.4%	0.1%
Net Earnings	280	31	247	-95	143	71	18	258
EPS	0.5	0.1	0.5	-0.2	0.3	0.1	0	0.5

CURRENT YEAR — QUARTERLY, EUR MILLIONS

	Q1/26	Q2/26 *E*	Q3/26 *E*	Q4/26 *E*
Net Sales	2,505	*2,350*	*2,514*	*2,431*
EBITDA	379	*286*	*910*	*245*
EBITDA margin	15.1%	*12.2%*	*36.2%*	*10.1%*
Comparable EBIT	252	*151*	*557*	*9*
EBIT margin	10.1%	*6.4%*	*22.2%*	*0.4%*
Net Earnings	200	*111*	*195*	*176*
EPS	0.4	*0.2*	*0.4*	*0.3*

E = Valuatum estimate (not yet actualised)

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SOURCES & DISCLAIMER

Sources, assumptions, and standard disclaimer

SOURCES REGISTER

	VALUE	CATEGORY	USED IN
Current quote	EUR 22.88	MARKET DATA	Cover Page & Valuation Check
2027e EBITDA	EUR 1,601m	GENERATED ESTIMATE	Core Analysis & Investment Summary
Enterprise Value Allocation	EUR 16,618m	COMPANY VALUE MAP	Segment Breakdown & SOTP
Historical Income Statement	2025 Net Sales EUR 9,656m	FINANCIAL SNAPSHOT	Appendix & Historic Margin Benchmarking
Target EV/EBITDA Multiple	10.0x	MODEL OUTPUT	Valuation Summary
Sappi JV EBITDA Multiple	4.6x	CONSENSUS ESTIMATES	Communication Papers Valuation Gap

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