

ISSUER COMMENT

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Essity Aktiebolag

Acquisition of additional stake in Asaleo Care is credit positive

On 16 February, [Essity Aktiebolag](#) (Baa1 stable) confirmed its plan to increase its ownership share in Asaleo Care Ltd., a personal care and hygiene company active in the feminine, incontinence and baby care, consumer tissue and professional hygiene product categories. Essity currently owns 36.2% of Asaleo Care's share capital and will effectively acquire the remaining shares to fully control the company at the conclusion of the transaction.

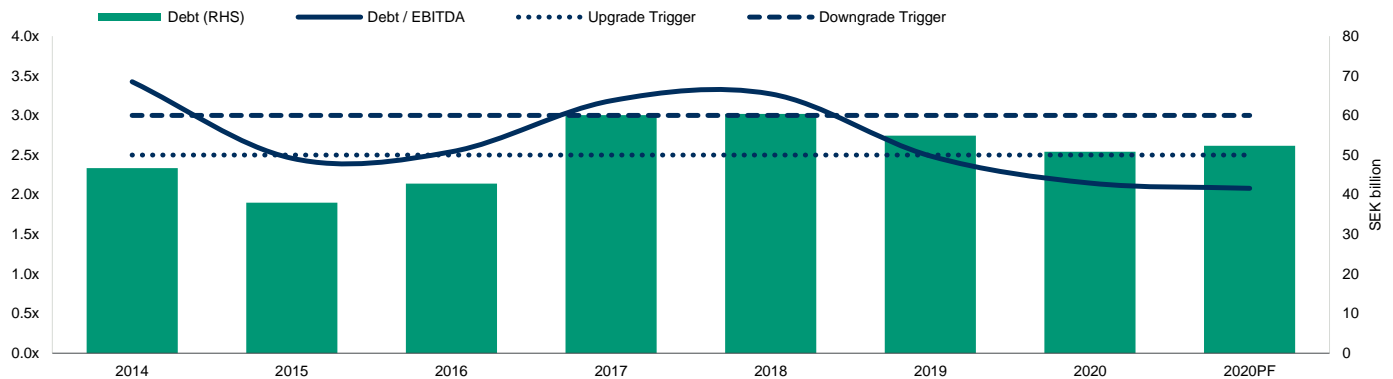
The acquisition of additional shares of Asaleo Care is credit positive since Asaleo Care's additional contribution will enhance Essity's business profile and strengthen its personal care, consumer tissue and professional hygiene divisions while expanding its geographical footprint and distribution network to the Australasia region, improving its geographical diversification. Asaleo Care already has various commercial arrangements with Essity for the supply and purchase of personal care and professional hygiene products, and licensing of certain trademarks.

The transaction is at an advanced stage and the parties have agreed on terms and conditions, including a purchase price for a total cash consideration of around AUD580 million (SEK3.7 billion) or AUD1.4 per share for the remaining 63.8% of Asaleo Care's share capital, which equates to an enterprise value of AUD855 million (approximately SEK5.5 billion). Essity expects to fund the acquisition with its own funds and will include the payment of a certain share dividend.

We expect that Essity will use part of the proceeds from the €700 million notes issued in early February 2021 along with excess cash to finance the acquisition. Asaleo Care reported revenue of AUD419 million (SEK2.7 billion) and EBITDA of AUD89 million (SEK574 million) as of 2020. Pro forma for the acquisition, we expect Essity's Moody's-adjusted debt/EBITDA to remain stable to around 2.1x as of 2020, while its Moody's-adjusted debt will slightly increase to SEK52.3 billion (Exhibit 1), which still positions Essity strongly within its current Baa1 issuer rating.

Exhibit 1

Essity's leverage will remain well below our downgrade trigger after the acquisition of additional shares of Asaleo Care



All ratios incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.

Source: Moody's Financial Metrics™

Moody's related publications

Issuer research:

[Essity Aktiebolag: Update following H1 2020 results](#)

[Moody's announces completion of a periodic review of ratings of Essity Aktiebolag](#)

Sector Research:

[Consumer packaged goods and beverages –Global, Consumer durables and food – US](#)

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