



SSAB

Sweden | Nasdaq Stockholm | Large Cap | Industry

2026-02-16

Rating:

Hold

12 M Target price:	83,2 SEK
Current price:	75,3 SEK
Difference:	11%

Stabilizing Earnings, Limited Near-Term Re-Rating Potential

We initiate coverage of SSAB with a Hold recommendation and a target price of SEK 83.2, implying approximately 11% upside. Earnings have normalized significantly from peak-cycle levels, with adjusted EBITDA margins declining from approximately 17% in 2023 to 12% in 2024. While a gradual recovery in steel spreads could support improved free cash flow, the macro backdrop remains subdued. Eurometal forecasts that European steel demand remains below pre-pandemic levels and that meaningful recovery is unlikely before mid-2026. Global steel demand is expected to remain broadly flat before modest growth in 2026, limiting the probability of a strong cyclical rebound.

SSAB trades at a clear discount to global steel peers across EV/EBITDA and EV/EBIT multiples, reflecting its higher European exposure and elevated cyclicality. Although expectations have been revised downward, reducing near-term downside risk, meaningful upside would likely require a sustained improvement in European industrial demand or steel pricing.

Our valuation reflects a gradual normalization in the steel market toward mid-cycle profitability rather than a full supercycle recovery scenario. At current levels, we view the risk/reward profile as balanced, with moderate upside potential offset by cyclical uncertainty.

Key insights

Strong US Production Footprint

SSAB's Americas segment provides exposure to the structurally higher-margin US heavy plate market, which benefits from trade protections and infrastructure spending. This regional mix reduces reliance on weaker European demand and creates earnings leverage to any recovery in US steel spreads.

European Demand Remains Structurally Weak

Exposure to the European construction and industrial cycle continues to weigh on volumes and pricing stability. A prolonged period of subdued demand in Europe could delay margin normalization and cap near-term earnings recovery.

Balance Sheet Strength Enables Strategic Flexibility

The company maintains a solid balance sheet with relatively low net debt, providing resilience through cyclical downturns. This financial flexibility supports continued investment in fossil-free production while preserving optionality for shareholder returns in stronger market conditions.

Analyst

Nahom Yared Fund Analyst

Market Data

Exchange	Nasdaq Stockholm
Trading Currency	SEK
Share Class	Ordinary A
Shares OS	996 617 667
Market Cap	75 246,6 MSEK
EV	63 500 MSEK

Metrics & Drivers	2025	2026E	2027E
P/E	15,4x	14,4x	12,9x
EV/EBIT	10,4x	9,6x	8,6x
EV/EBITDA	6,3x	5,9x	5,5x
ROIC	10,5%	10,9%	12,1%
EV/Revenue	0,66x	0,64x	0,62x

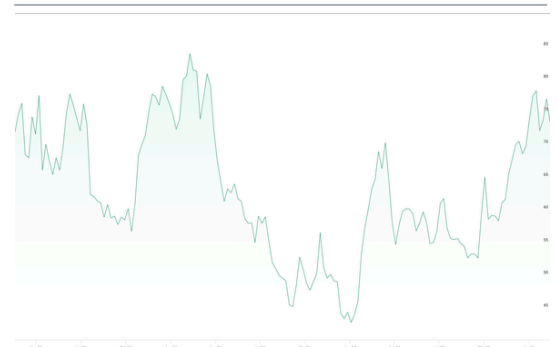
Major Shareholders (votes)

LKAB	10,9% (16,5%)
Government of Finland	6,5% (8,3%)
Vanguard	3,6% (3,7%)
BlackRock	2,2% (1,7%)
Folksam	2,1% (5,8%)

Management

Johnny Sjöström, CEO
 Leena Craelius, CFO
 Per Elfgrén, Division manager SSAB Special Steels
 Tony Harris, Division manager SSAB Europe
 Tom Cox, Division manager SSAB Americas

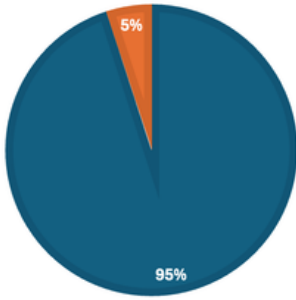
Stock Price Movement 3Y%



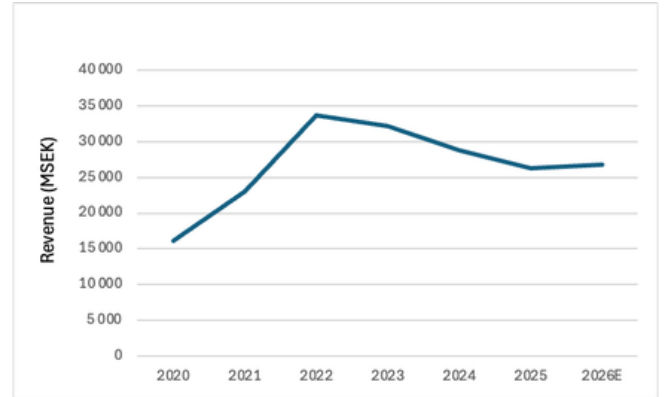
Investment Thesis Overview

Total revenue is close to only in the steel market

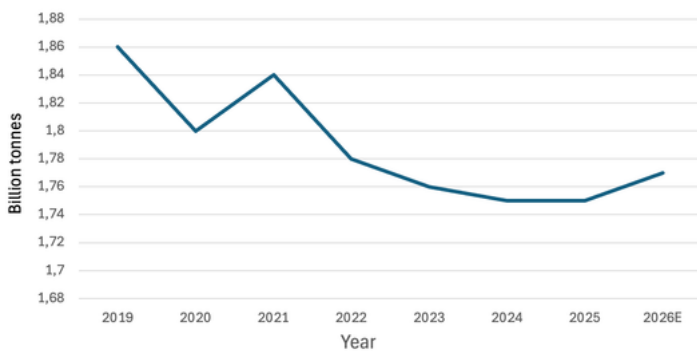
■ Steel production and steel distribution activities ■ Other (e.g steel construction)



SSAB Special Steels revenue between 2020-2026E

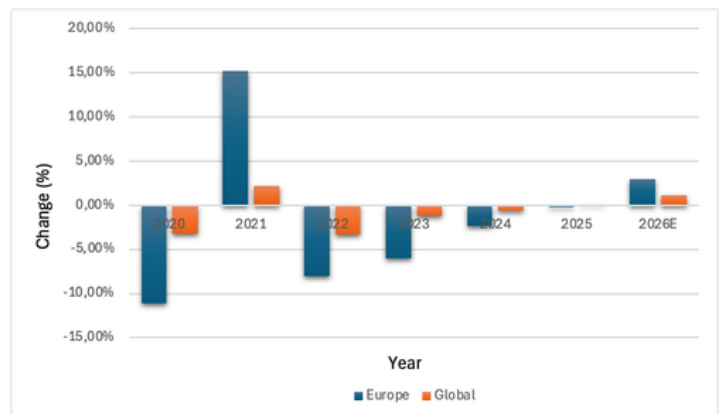


Global demand for steel 2019-2026



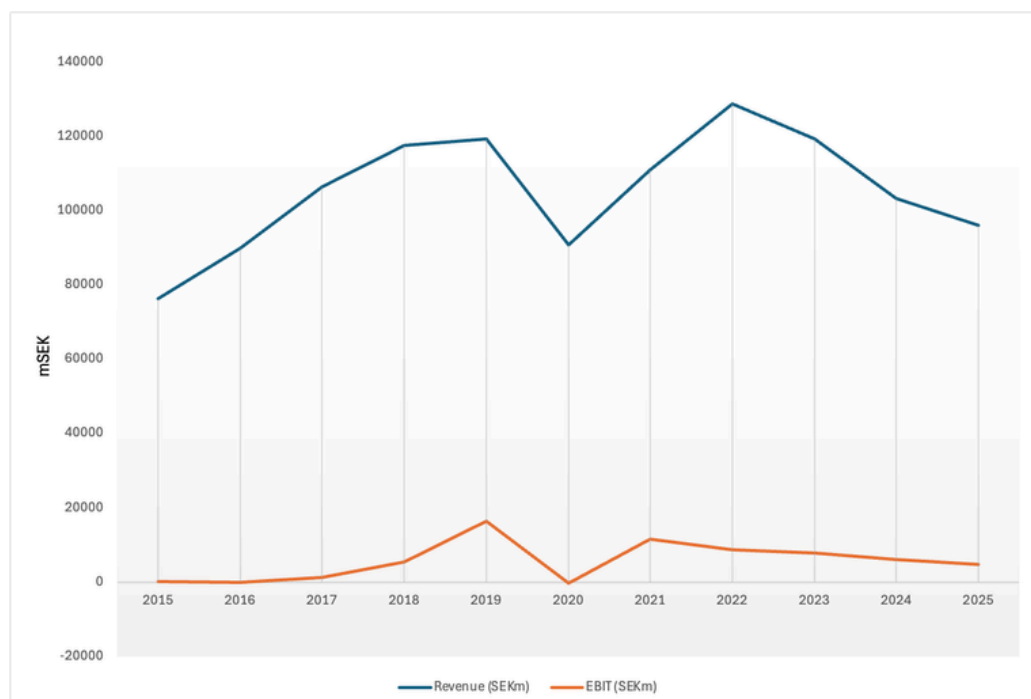
Source: Eurofer

Percentual change of steel demand 2020-2026



Source: Eurofer

Change of EBIT and Revenue between 2015-2025





Investment Thesis

1. Gradual Earnings Normalization Supports Moderate Upside

While SSAB's earnings remain below mid-cycle levels, the company is positioned to benefit from gradual stabilization in steel demand and pricing rather than a renewed acceleration. Profitability has already retraced materially from recent highs, with adjusted EBITDA margins declining from approximately 17% in 2023 to 12% in 2024, indicating that a significant portion of cyclical normalization has already occurred. A partial recovery toward estimated mid-cycle levels of 10–11% (as referenced by S&P) would meaningfully strengthen free cash flow generation, particularly given SSAB's high operating leverage. However, current macro and industry conditions do not support a sharp cyclical rebound.

The broader macroeconomic backdrop remains subdued and industry data reinforces this cautious outlook. The Global Steel Union expects demand to bottom out in 2025 with only moderate growth in 2026. Similarly, the AISU (Arab Iron and Steel Union) estimates that global steel demand remained flat in 2025 and will grow by only 1.3% in 2026, with much of that growth concentrated in India and China, markets where SSAB has limited exposure. Eurometal has stated that European steel demand remains below pre-pandemic levels and that meaningful recovery is unlikely before mid-2026. While some forecasts suggest European steel demand could grow around 3% in 2026, driven by lower interest rates and increased military spending, this is widely viewed as stabilization following several years of contraction rather than the beginning of a strong expansion phase.

Taken together, the data suggest that the most likely scenario is gradual normalization of spreads rather than a rapid margin expansion. With consensus estimates already revised downward, including approximately 2.7% cuts to 2026 sales forecasts and 2.6% reductions to EBITDA expectations, the hurdle for positive surprises has been lowered. However, absent clear signs of cyclical acceleration in either Europe or the US, near-term upside remains constrained, supporting a balanced risk/reward profile.

2. Premium and Fossil-Free Steel Strategy Enhances Long-Term Resilience

SSAB is pivoting to value-added products and fossil-free steel, which should support long-term resilience. For context, SSAB's Special Steels (which includes advanced AHSS products) accounted for around 30% of 2024 EBITDA, reflecting its focus on high-strength steel. The company is executing a massive HYBRIT investment plan – for example, converting its Luleå mill to electric arc (fossil-free) at a projected cost of 49 bkr (2025–28), plus SEK 6.2 bkr for Oxelösund. These heavy capex commitments reinforce that any profit benefit is multi-year. In the meantime, the shift supports pricing power (steelmaking premiums) but does not trigger near-term earnings leaps. This is a moat that gives advantages as long as sales increase and creates an edge against competitors. In the past years, revenue streams from the Special Steels segment have lagged, but a foreseeable change is visible.

Regulatory developments further reinforce this strategic shift. The EU's Carbon Border Adjustment Mechanism (CBAM), fully implemented from 2027, will impose carbon costs on imported steel, potentially narrowing the competitive gap between European producers and lower-cost imports. For SSAB, this could represent a structural advantage given its early move toward fossil-free production. However, CBAM may also increase overall steel pricing levels in Europe, which in a weak macro environment could weigh on end-market demand. As such, while the strategy strengthens SSAB's long-term moat, it does not fundamentally alter the near-term cyclical sensitivity of the business.

3. Post-Earnings Reset Creates Potential for Estimate Stabilization

Following the latest earnings release, market expectations have been materially reset. While Q4 results exceeded forecasts on several operational metrics, cautious 2025 guidance prompted analysts to revise forward estimates downward. Since the January 28 report, SSAB's share price has declined by approximately 5.6%, reflecting a repricing toward more conservative spread and demand assumptions. According to FactSet data, consensus 2025 revenue estimates were reduced by around 2.7%, while EBITDA forecasts were cut by roughly 1.6%, with similar adjustments extending into 2026. These revisions primarily reflect lower assumed steel spreads and muted European industrial activity rather than any structural weakening of SSAB's competitive position.

The reset in expectations meaningfully alters the forward-looking risk profile. With consensus now incorporating cautious assumptions, the hurdle for positive surprises has declined. Additional downgrades would likely require a renewed deterioration in steel prices or spreads, whereas even modest stabilization in US heavy-plate pricing or incremental improvement in European demand could support upward estimate revisions. While macro visibility remains limited and near-term catalysts are uncertain, the compression in expectations improves the asymmetry of outcomes: downside appears more contained relative to previous quarters, while stabilization alone may be sufficient to support gradual re-rating. At current valuation levels, this dynamic contributes to a more balanced risk/reward profile.

Company Overview

SSAB is a Nordic-based, globally operating specialty steel producer. The company focuses on high-strength steel, heavy plate, and value-added steel solutions, serving customers primarily within automotive, construction, infrastructure, energy, and industrial equipment sectors. With production facilities in Sweden, Finland, and the United States, SSAB combines European technological expertise with significant exposure to the structurally higher-margin North American plate market.

SSAB operates through three reporting segments: SSAB Special Steels, SSAB Europe and SSAB Americas. The group's strategy centers on premiumization and product differentiation, with a growing emphasis on advanced high-strength steel (AHSS) and fossil-free steel production. This transition aims to enhance pricing power, reduce commoditized exposure, and position the company as a first mover in the decarbonization of the steel industry.

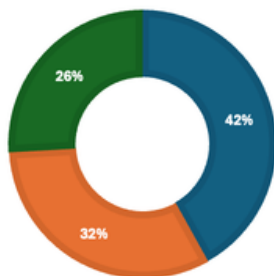
SSAB operates a structurally steel-focused business model. The Group is a pure-play steel producer, with all core operating segments engaged in the production, processing, or distribution of steel-based products. The company does not operate in other base metals such as aluminum or copper.

Approximately 94% of total revenue is directly attributable to steel production and steel distribution activities, with the remaining share primarily related to steel-based construction systems. The Group has no material recurring aftermarket or service revenue component, and earnings are therefore closely linked to steel market dynamics, including pricing, volumes, and input costs.

The company maintains a relatively strong balance sheet, supported by disciplined capital allocation and cyclical cash flow generation. While earnings are inherently volatile due to exposure to steel spreads and industrial demand cycles, SSAB's operational leverage allows for significant margin expansion during favorable market conditions. Long-term value creation is driven by margin normalization, structural mix improvement, and continued efficiency enhancements across the production footprint.

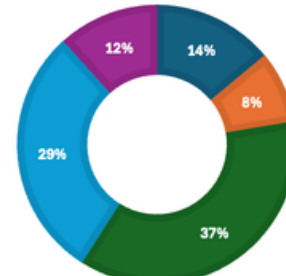
Sales by Division

■ SSAB Europe ■ SSAB Special Steels ■ SSAB Americas



Sales by Region

■ Sweden ■ Finland ■ Remaining Europe ■ USA ■ Remaining Global



Market Overview

SSAB operates within the global steel industry, a highly cyclical sector driven by industrial production, construction activity, automotive demand, and infrastructure investments. Steel pricing is largely influenced by supply-demand dynamics, raw material input costs (particularly iron ore and coking coal), and regional trade policies. As a result, earnings across the sector tend to fluctuate materially over economic cycles.

In Europe, demand has remained subdued amid weak construction activity and cautious industrial sentiment, contributing to margin compression across flat steel producers. In contrast, the United States heavy plate market has historically demonstrated more favorable pricing dynamics, supported by infrastructure spending, defense demand, and trade protections. Given SSAB's exposure to the US market through its Americas segment, steel spread developments in North America represent a key swing factor for group profitability.

Structurally, the industry is undergoing a gradual transformation driven by decarbonization initiatives and regulatory pressure. The implementation of mechanisms such as the EU Carbon Border Adjustment Mechanism (CBAM) increases the competitive relevance of low-emission steel production. This shift benefits producers with early investments in fossil-free or low-carbon steel technologies. While the near-term outlook remains sensitive to macroeconomic uncertainty and pricing volatility, long-term demand is supported by infrastructure renewal, electrification trends, and sustainability-driven material substitution toward advanced high-strength steel.

Valuation

Our valuation of SSAB is based on a combined discounted cash flow (DCF) and relative peer multiple framework, designed to capture both intrinsic value and prevailing market pricing dynamics. The DCF model reflects a gradual mid-cycle normalization scenario rather than a return to the extraordinary 2021–2022 supercycle conditions. We assume that EBITDA margins recover modestly from current trough-normalized levels of approximately 6–7% toward historical mid-cycle ranges around 10–11%, but do not incorporate peak-cycle profitability above 20%. This reflects continued macro uncertainty, subdued European demand, and the absence of clear evidence of a broad cyclical acceleration in steel markets.

Cash flows are discounted using a WACC of 8.58%, derived from a 2.5% risk-free rate, a 5.5% equity risk premium, and a beta of 1.3, reflecting SSAB's elevated cyclicality and high operating leverage. The capital structure assumes a balanced mix of equity and relatively modest net debt, consistent with the company's solid balance sheet. Under these assumptions, the DCF implies an equity value of approximately SEK 83.2 per share, corresponding to roughly 11% upside from the current share price. Importantly, the model is highly sensitive to mid-cycle margin assumptions, as even a 1 percentage point change in normalized EBIT margin materially impacts valuation due to the company's fixed cost structure.

From a relative valuation perspective, SSAB trades at a clear discount to global peers such as Nucor, Steel Dynamics, and ArcelorMittal across EV/EBITDA, EV/EBIT, and EV/Revenue multiples. This discount likely reflects its higher exposure to the structurally weaker European market, lower recurring revenue visibility, and greater earnings volatility. However, the magnitude of the discount suggests that the market is pricing in a structurally inferior margin profile rather than merely cyclical weakness. Given SSAB's meaningful exposure to the higher-margin US heavy plate market and its long-term positioning in fossil-free steel production, we believe a portion of this discount could narrow under stabilized steel spreads.

Overall, the valuation indicates moderate upside potential under a stabilization scenario, but not sufficient conviction to assume a strong re-rating without clearer evidence of cyclical acceleration. As such, we view the current risk/reward profile as balanced, supporting our Hold recommendation and 12-month target price of SEK 83.2.

Peer Valuation

Company Name	Valuation (LTM)			
	EV/Revenue	EV/EBITDA	EV/EBIT	P/E
SSAB	0,66	6,29	10,40	15,40
Steel Dynamics	1,73	14,87	22,36	24,05
Nucor	1,43	11,20	17,40	24,37
ArcelorMittal	0,90	8,04	19,40	15,63
Average	1,18	10,10	17,39	19,86
Median	1,17	9,62	18,40	19,84



Appendix

DCF

DCF	2021A	2022A	2023A	2024A	2025A	2026E	2027E	2028E	2029E	2030E
NOPAT		(6,443)	10,188	3,022	1,552	3,679	3,693	3,778	3,949	3,175
(+) D&A		4,200	3,674	4,208	4,072	4,200	4,358	4,432	4,400	4,500
(-) CapEX		(5,460)	(4,474)	(4,148)	(2,888)	(3,925)	(4,003)	(4,083)	(4,165)	(4,248)
(-) Change in OWC		(5,912)	(0,663)	-	4,540	(0,142)	(0,390)	(0,398)	(0,406)	(0,414)
Discount period						1,000	2,000	3,000	4,000	5,000
Unlevered FCF		(13,615)	8,725	3,082	7,276	3,812	3,659	3,729	3,779	3,013
Present Value of FCF						3,511	3,103	2,913	2,719	1,997
Terminal Value										46,720
Present Value of Terminal Value										30,958
Sum of FCF									0,315	14,243
TV									0,685	30,958
EV										45,201
(-) Debt										15,000
(+) Cash										22,766
Equity Value										82,967
Share outstanding										0,997
Equity Value per Share										83,249

WACC

WACC	
Market Cap	75,654
% of Equity	83,45%
Risk Free Rate	2,50%
Beta	1,3
Market Risk Premium	5,5%
Cost of Equity	9,65%
Debt	15,000
% of Debt	16,55%
Cost of Debt	4,00%
Tax Rate	21%
Total	91
WACC	8,58%

Data sources: SSAB Quarter & Annual Reports, Avanza, BörsData, Nasdaq.



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