



# SCA – Making a Market

SCA appears to make up ~40% of the market it bases its valuations on.

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**January 30, 2024** – We have previously explained how SCA’s forest asset valuation model is entirely inappropriate and its unexplained premium in m3fo to competitors. **This results in a valuation that is completely dislocated from future cash flows, the only real purpose of the 2m hectares of productive forest land on SCA’s balance sheet.**

SCA appears to account for over 40% of transactions by area transacted according to our calculations.

Note: The following assumes a uniform m3fo/ha across SCA’s purchased and sold land.

SCA breaks down the market data it uses in its annual reports which gives us the total transaction volume in hectares for each year.

Norrland forest transactions per year				
	2019	2020	2021	2022
# Transactions	251	219	176	135
Average size (ha)	67	61	75	137
Transaction volume (ha)	16,817	13,359	13,200	18,495

Source: SCA Annual Reports

Figure 1 – Norrland forest transactions per year

Svefa publishes the average m3fo/ha for each county in Norrland each year.

SCA estimated hectares transacted per year				
	2019	2020	2021	2022
Forest acquired (m3fo '000s)	197	288	467	448
Forest divested (m3fo '000s)	192	319	255	602
Svefa average m3fo/ha Norrland	128	129	129	130
Estimated total land transacted (ha)	3,031	4,712	5,597	8,108

Source: SCA Annual Reports, Viceroy Analysis

Figure 2 – Average m3fo/ha Norrland<sup>1</sup>

Dividing the total m3fo transacted by SCA per its annual report by the average m3fo/ha reported by Svefa for Norrland provide an estimate of SCA’s transaction volume in hectares. The aggregate of these estimates for both acquisitions and divestments represents the area of land transactions SCA was either the buyer or seller in (under the assumption there are no situations where it is both the buyer and seller).

Average m3fo/ha Norrland				
County	2019	2020	2021	2022
Västmanland County	159	162	159	158
Västernorrland County	142	139	143	145
Gävleborg County	148	147	147	145
Jämtland County	124	126	127	128
Västerbotten County	108	109	108	110
Norrbottn County	89	90	90	91
<b>Norrland Average</b>	<b>128</b>	<b>129</b>	<b>129</b>	<b>130</b>

Source: Svefa Data, Viceroy Analysis

Figure 3 – SCA estimated hectares transacted per year

Dividing SCA’s hectares transacted by the total market shows the percentage of transacted area in which SCA was either the buyer or the seller.

<sup>1</sup> These figures differ from those in our first report as they are unweighted and use only Svefa data



Transactions in Norrland with SCA involvement (%)				
	2019	2020	2021	2022
<b>SCA in % of Norrland Transactions</b>	18.02%	35.27%	42.40%	43.84%

Source: SCA Annual Reports, Svefa Data, Viceroy Analysis

Figure 4 – Transactions in Norrland with SCA Involvement

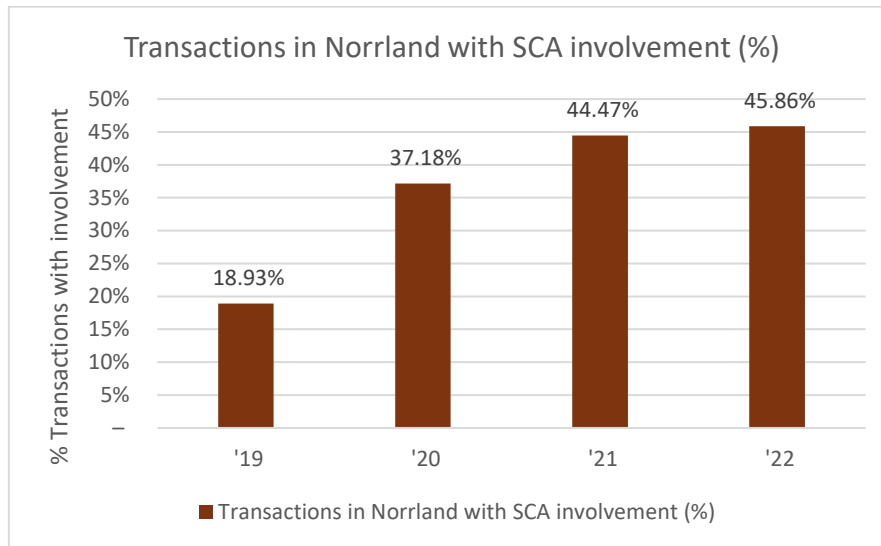


Figure 5 – SCA in % of Norrland Transactions

Note: A previous note published January 30, 2024 erroneously included Västmanland County, part of the traditional land of Svealand, in the average m3fo/ha data analysis of Norrland derived from Svefa data.

The impact of this correction on the estimated proportion of forest land transactions in Sweden that SCA is involved in is that the numbers in our report were understated. The corrected values and the delta between the stated and corrected values are depicted in figure 2.

Average m3fo/ha Norrland				
Stated	128.33	128.83	129.00	129.50
Corrected	122.20	122.20	123.00	123.80
Delta	-6.13	-6.63	-6.00	-5.70

Figure 6 – SCA in % of Norrland Transactions

SCA valuing its assets based on a market in which they account for over 40% of the transactions is clearly a problem, especially as this figure rises over time. This is yet another problem with the market valuation methodology: thin trading volumes dominated by players whose uses for the asset (forestry) is at odds with most buyers (leisure).

It's also unclear how these transactions flow back into the company's earnings through revaluation gains, especially on the back of the Q4 2023 earnings which were substantially supported by revaluations.



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