genial Equity Research

KLABIN

1Q24 Review: When the money tree sheds...

LatAm Pulp & Paper

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Company

KLBN11 BZ Equity
Neutral

Price: R$ 23.25 (25-Apr-2024)
Target Price 12M: R$ 27.00

Main takeaways:

(i) Restarted machines help higher shipments of Kraftliner and register a volume of 108.4Kt; **(ii)** Paperboard sales below expectations, but growing +15.1% y/y; **(iii)** Corrugated paper growing y/y, with higher consumption of packaging in the industrialized food and dairy segments; **(iv)** Industrial bags in line with our projections (+0.7% vs. Genial Est.); **(v)** Pulp sales down due to shipping restrictions, generating a carryover effect; **(vi)** Revenue down slightly q/q and declining by a high single y/y; **(vii)** Improvement in COGS/t surprising (-9.0% vs. Genial Est.); **(viii)** EBITDA in line with our analysis; **(ix)** Net income evolving on a sequential basis and falling high double digit y/y; **(x)** Trading at a **24E EV/EBITDA** of **~7x** (vs. a historical average of 7.3x), with almost no room from historical detachment, we believe that the shares may suffer slight short pressure or move sideways, oscillating marginally. We therefore reiterate our **Neutral rating**, with a **12M Target Price** of **R$27.00, after the downgrade we made in the earnings preview**. Implied **upside** is **+16.13%**.

Klabin **reported its 1Q24 results today**, April 25. **Operating figures came in mostly within expectations**, with an upside in Kraftliner shipments (+5.1% vs. Genial Est.), a reverse dynamic from last quarter, following improved market conditions. Although we were expecting a gradual recovery in volume, since the PMs that were disconnected from containerboard production (kraftliner + recycled) in 4Q23 were reactivated in January, the movement surprised us positively, with a greater intensity than initially expected.

Table 1. Shipments Summary (1Q24 vs. Genial Est.)

(Thousand Tonnes - kt)	Reported	Genial Est.					
Summary (Shipments)	**1Q24**	**1Q24E**	**% R/E**	**4Q23**	**% q/q**	**1Q23**	**% y/y**
Kraftliner	108,4	103,2	**5,1%**	99,2	**9,3%**	91,1	**18,9%**
Paperboard	197,6	203,1	**-2,7%**	197,7	**-0,1%**	171,7	**15,1%**
Corrugated boxes	215,3	215,0	**0,1%**	215,2	**0,0%**	205,3	**4,8%**
Industrial Bags	32,6	32,4	**0,7%**	31,8	**2,5%**	39,0	**-16,4%**
BHKP Pulp	252,1	262,3	**-3,9%**	298,0	**-15,4%**	271,1	**-7,0%**
BSKP + Fluff Pulp	109,5	110,5	**-0,9%**	114,2	**-4,1%**	102,0	**7,4%**

Source: Genial Investimentos, Klabin

Table 2. Income Statement Summary (1Q24 vs. Genial Est.)

(R$ millions)	Reported	Genial Est.					
Income Statement	**1Q24**	**1Q24E**	**% R/E**	**4Q23**	**% q/q**	**1Q23**	**% y/y**
Net Revenue	4.430	4.466	**-0,8%**	4.500	**-1,6%**	4.831	**-8,3%**
Adjusted EBITDA	1.652	1.677	**-1,5%**	1.683	**-1,8%**	1.942	**-14,9%**
Net Income	460	418	**10,2%**	375	**22,7%**	1.262	**-63,6%**

Source: Genial Investimentos, Klabin

Given the trade-off between PM28's production of paperboard vs. kraftliner, it is important to note that this higher production of kraftliner did not generate a big loss of intensity in the paperboard ramp-up. As a result, paperboard sales continued to show progress, growing by +15.1% y/y, although slightly below expectations (-2.7% vs. Genial Est.), and still showing stability q/q, since the PM28 ramp-up canceled out the decline that would normally be seen in sales, due to the departure from the seasonally more favorable period, marked by the 3Qs and 4Qs.

As a highlight in the P&L lines, we bring it up Net Income, which was reported at R$460mn (+10.2% vs. Genial Est.), above our expectations, showing a growth of +22.7% q/q despite the seasonal sequential reduction. However, it is necessary to point out the -63.6% y/y drop, driven by the level of interest expenses as an effect of a **higher financial leverage**. The company presented a **Net Debt/EBITDA** ratio of **3.5x** (vs. 3.3x in 4Q23 and 2.6x in 1Q23).

Valuation and rating. Our analysis reveals that, in line with the dynamics commented on in our preview report, even with the increase in Kraftliner and paperboard volumes, driven by the PM28 ramp-up, challenges persist in the cement market that affect demand and prices for industrial bags, as well as the deterioration in hardwood pulp (BHKP) price conditions that occurred during 2Q23 and 3Q23, making the annual base for pulp more difficult to beat, even with the sequential recovery movement.

These factors contributed to the worsening of results compared to the previous year, with net revenue reaching R$4.4bn (-0.8% vs. Genial Est.), marking a reduction of -1.6% q/q and -8.6% y/y. In addition, challenges in 2023, such as increasing Kraftliner's capacity and resolving post-pandemic logistical lockdowns, led to an oversupply and negatively impacted international market prices. In 4Q23, after enduring periods of low prices, the company reduced the capacity of several recycled paper machines (PM29, PM30 and PM17) and stopped production of the PM1 kraftliner machine due to weak margin dynamics.

In 2024, Klabin resumed operations in January with the aim of reducing fixed costs and improving COGS/t, despite anticipating a drop in Kraftliner prices in 1Q24. The company plans to implement price increases in 2Q24, with increases of €50/t in Europe and US$60/t in other regions. While kraftliner prices should recover, paperboard and corrugated box prices should remain stable, potentially underperforming inflation. However, we believe that Klabin's production volume growth will outpace the performance of its industry peers during the year.

In our previous report, we elaborated on the changes to some of the assumptions in our model. In addition to the inclusion of the Figueira project, the updating of our pulp curve also led to an improvement in valuation. Other changes to the assumptions we made also consider the continuous improvement in the PM28 ramp-up process + price pass-through in Krafliner for 2Q24. If we combine all the effects (Figueira project + new pulp curve + ramp-up of shipments + krafliner adjustment), our 12M Target Price is now R$27.00 (vs. R$26.35 previously). We explore these points further in the "Our Take" section of the report, which is attached. (Klabin 1Q24 Preview: Ahead of the curve).

As we described in the attached report, even in the face of the improvement in our Target Price, the strong performance of the shares in recent months still seemed to remove much of the margin of safety that we saw from a fundamentalist point of view for the shares within the 12M timeframe. Therefore, a few days ago, **just before the 1Q24 results**, we **downgraded the rating** from **Buy to Neutral**.

With **24E EV/EBITDA** of **~7x** (vs. a historical average of 7.3x), we don't dislike the Investment Thesis, but for now, we infer that the **EBITDA improvement movements for 2024** are **almost entirely priced in**, and with little detachment to the historical multiple. We reiterate our **NEUTRAL rating**, following our downgrade in the beginning of the week, with a **12M Target Price** of **R$27.00**, which implies an **upside** of **+16.13%**.

1Q24 Review: In detail!

Restarted machines help improve Kraftliner shipments. Containerboard sales (kraftliner + recycled) came in above our expectations and recorded a sales volume of 108.4Kt (+5.1% vs. Genial Est.), with an increase in shipments of +9.3% q/q and +18.9% y/y. This increase in sales was due to the reactivation in January of paper machines (PMs) that had been shut down in 4Q23, since until last quarter, the kraftliner scenario was one of oversupply, driving down prices, due to dynamics linked to the post-pandemic period and the elimination of logistical bottlenecks.

With Klabin's perception in the first few months of 2024 that the market will improve, given the opportunity to ship more kraftliner, the company preferred to change the mix of its machines to produce more containerboard. As for the realized price, in line with our expectations, there was a sequential drop of -5.3% q/q and -28.2% y/y, reaching R$3,223/t (-2.8% vs. Genial Est.), which was sequentially impacted by targeting sales in locations where Klabin did not have much market penetration, and was more aggressive in price. Although the company announced price increases of +€50/t (~R$280/t) for Europe and +US$60/t (~R$310/t) for other regions, this amount did not apply in 1Q24 and should only have an effect in 2Q24.

Paperboard sales slightly below expectations, but still strongly growing y/y. As a result of the PM28 ramp-up, we saw paperboard sales grow +15.1% q/q to 197Kt (-2.7% vs. Genial Est.), showing sequential stability of -0.1% y/y. We were expecting a slightly faster ramp-up, but it seems to us that there has been a change in mix, due to the opportune moment for kraftliner production, which has returned to slightly better market dynamics.

Therefore, from now on we still expect a sharper shift (paperboard vs. total PM28 production), due to the release of the machine's homologation process to the specifications of the company's various customers. In the realized price, paperboard suffered from the appreciation of the BRL/USD exchange rate and the slightly lower value-added sales mix, falling -3.3% q/q and -4.4% y/y to R$5,374/t (-1.3% vs. Genial Est.).

Corrugated boxes up y/y. As we had forecast, sales of corrugated boxes came in at 215Kt (+0.1% vs. Genial Est), down -0.1% q/q, but up +4.8% y/y, driven by higher packaging consumption in the industrialized food and dairy segments. In addition, Klabin's strategy was to give preference to a higher value-added mix, converting part of the higher kraftliner production into corrugated boxes, driven by the PM28 ramp-up. On the other hand, the processed food and dairy segments have a lower unit value, which led to a drop in the realized price to R$5,739/t (-1.8% vs. Genial Est.), down -1.5% q/q and -3.2% y/y.

Pulp sales down due to shipping restrictions. The sales of BHKP fell by -12.3% q/q and -3.1% y/y, being reported at 252Kt (-3.9% vs. Genial Est.), slightly lower than we had expected even though we had already drawn this outlook of a stronger sequential reduction. Therefore, the yearly reduction occurred in parallel with a non-recurring event of a maintenance stoppage on the production line and the carryover effect of a portion of the volume sold due to operational problems and overloading at the port of Paranaguá (PR). Shipments of BSKP + fluff were unaffected and were reported at 109Kt (-0.9% vs. Genial Est.), down -4.1% q/q and up +7.4% y/y.

Realized BHKP prices excel and BHKP prices disappoint. As for realized prices, due to the still heated demand and the supply problems resulting from **(i)** the droughts that affected the Panama Canal, generating ship congestion, **(ii)** the conflicts in the Suez Canal region, **(iii)** the strike in Finnish ports and **(iv)** the lower inventory levels, we observed price transfers by the main pulp players, both in Europe and Asia. As a result, Klabin reported a BHKP price increase of +12.8% q/q, reaching R$3,262/t (+8.9% vs. Genial Est.), which still represents a drop of -19.5% y/y. BSKP + fluff have clocked in at R$4,697/t (-7.4% vs. Genial Est.), which although up +4.9% y/y, was still more modest than we expected, and represents a fall of -21.8% y/y.

Table 3. Net Revenue Klabin (1Q24 vs. Genial Est.)

(R$ Millions)	1Q24 Reported	1Q24E Genial Est.	% R/E	4Q23 Reported	% q/q	1Q23 Reported	% y/y
Net Revenue	**4.430**	**4.466**	**-0,8%**	**4.500**	**-1,6%**	**4.831**	**-8,3%**
Paper	1.411	1.448	-2,6%	1.436	-1,7%	1.374	2,7%
Packaging	1.526	1.544	-1,1%	1.542	-1,0%	1.571	-2,8%
Pulp	1.337	1.346	-0,7%	1.373	-2,7%	1.711	-21,9%
Wood	82	44	86,9%	46	80,6%	21	292,2%
Others	74	84	-12,1%	103	-28,8%	154	-52,2%

Source: Genial Investimentos, Klabin

Revenue down slightly q/q and declining by a high single digit y/y. In line with our preview report, revenue followed the same trend we expected, reaching R$4.4bn (-0.8% vs. Genial Est,), falling slightly -1.6% q/q, with the decline expanding to -8.3% y/y. The paper segment, due to the PM28 ramp-up, was able to offset the seasonal effect, which led the Top Line to a milder drop than would potentially have occurred, reporting R$1.4bn (-2.6% vs. Genial Est.), falling -1.7% q/q and rising +2.7% y/y.

However, the packaging unit followed the opposite trend, heavily influenced by industrial bags as we had already warned, marking R$1.53bn (-1.1% vs. Genial Est.), with a slight compression of -1.0% q/q and -2.8% y/y. In pulp, although we saw favorable price dynamics from a sequential point of view, volume was more impacted due to non-program maintenance stoppages and carryover, in line with what we said in the preview. Therefore, pulp revenue fell to R$1.3bn (-0.7% vs. Genial Est.), down -2.7% q/q and -21.9% y/y.

Improvement in pulp COGS/t suppresses estimates. The pulp COGS/t fell even further in 1Q24, surprising us, and the justification was similar to that given in 4Q23. We saw a lower fiber cost as a result of **(i)** a reduction in the purchase of wood from third parties compared to our expectations and **(ii)** a drop in the cost of chemical inputs, due to greater efficiency in the biomass gasification, sulfuric acid, and potassium sulfate removal plants. The cost of caustic soda was also lower. As a result, COGS/t of pulp excluding stoppages stood at R$1,263/t (-9.0% vs. Genial Est.), reporting higher than expected efficiency, making up for a fall of -4.2% q/q and -6.8% y/y. It's worth remembering that there were operational interventions at the Ortigueira (SC) plant, which led to higher fuel costs, contracted services and lower fixed cost dilution. However, all the improvements in efficiency more than offset these effects.

Table 4. EBITDA Klabin (1Q24 vs. Genial Est.)

(R$ Millions)	1Q24 Reported	1Q24E Genial Est.	% R/E	4Q23 Reported	% q/q	1Q23 Reported	% y/y
Adjusted EBITDA	**1.652**	**1.677**	**-1,5%**	**1.683**	**-1,8%**	**1.942**	**-14,9%**
Paper & Packaging	990	1.150	-13,9%	1.168	-15,2%	998	-0,7%
Pulp	662	495	33,6%	515	28,6%	945	-29,9%

Source: Genial Investimentos, Klabin

Consolidated EBITDA in line, but with different dynamics than expected in the units. With a mix of cost situations different from our expectations, a worse performance was recorded for Paper & Packaging, where we saw EBITDA reach R$990mn (-13% vs. Genial Est.), down -15.2% q/q and -0.7% y/y. As for the pulp business unit, we saw EBITDA of R$662mn (+33% vs. Genial Est.), up sharply by +28.6% q/q, although still down by -29.9% y/y.

What's different? Our estimates differed from what was reported in relation to **(i)** the MP28 ramp-up, since we expected a slightly higher level in 1Q24, mainly of paperboard, which made it difficult to dilute fixed costs vs. Genial Est. for the Paper & Packaging business. On the other hand, **(ii)** we projected a lower realized price for BHKP pulp than disclosed, as well as a higher COGS/t of pulp, a mix of situations that ended up helping to drive the pulp business unit to a higher performance than we expected. All these factors combined generated an offsetting effect, which resulted in a reported consolidated EBITDA in line with estimates.

Net income progressing q/q and with a high double digit drop y/y. The financial result was -R$378mn (+8.1% vs. Genial Est.), in line with the reversal we predicted of the +R$58mn yearly gains, as the company took on more debt to acquire Arauco's assets, a move that became known as Project Caetê at the end of last year. With a more pressured financial result, Klabin reported a net income of R$460mn (+10.2% vs. Genial Est.), achieving growth of +22.7% q/q and a decline of -63.6% y/y. We emphasize once again that, as the company has become more leveraged due to the acquisition of the Caetê project, the trend is for higher interest accruals throughout the whole of 2024.

Table 5. Income Statement (1Q24 vs. Genial Est.)

(R$ Millions)	1Q24 Reported	1Q24E Genial Est.	% R/E	4Q23 Reported	% q/q	1Q23 Reported	% y/y
Net Revenue	**4.430**	**4.466**	**-0,8%**	**4.500**	**-1,6%**	**4.831**	**-8,3%**
COGS	(2.995)	(2.990)	0,2%	(3.181)	-5,8%	(2.858)	4,8%
Adjusted EBITDA	**1.652**	**1.677**	**-1,5%**	**1.683**	**-1,8%**	**1.942**	**-14,9%**
EBITDA Margin (%)	37,3%	37,6%	-0,26p.p	37,4%	-0,11p.p	40,2%	-2,91p.p
EBIT	**1.000**	**953**	**5,0%**	**866**	**15,5%**	**1.618**	**-38,2%**
EBIT Margin (%)	22,6%	21,3%	1,24p.p	19,2%	3,33p.p	33,5%	-10,92p.p
D&A	(857)	(869)	-1,5%	(953)	-10,1%	(711)	20,5%
Financial Result	(378)	(350)	8,1%	(324)	16,7%	58	-749,4%
Net Income	**460**	**418**	**10,2%**	**375**	**22,7%**	**1.262**	**-63,6%**
Net Margin (%)	10,4%	9,4%	1,03p.p	8,3%	2,05p.p	26,1%	-15,74p.p

Source: Genial Investimentos, Klabin

Our Take on Klabin

Pulp business was a positive highlight, excellent execution by the company on costs. We believe that the pulp business unit achieved a significant performance in the quarter, regardless of the involuntary restrictions on shipments caused by unscheduled maintenance stoppages. Operationally, even with a lower volume to dilute fixed costs, the pulp COGS/t was lower than we expected (-9.0% vs. Genial Est.), showing better efficiency than expected.

When analyzing the result, we attribute this situation to the company's efforts, which are mainly aimed at **(i)** smoothing the pace of increase in the penetration of third-party wood consumption, an important point for Klabin's investment thesis, since we are aware of the criticism of part of the investors aimed at cost progression; as well as **(ii)** greater efficiency in biomass gasification plants, showing less dependence on energy costs, which have risen in traditional markets.

Market conditions also helped. We believe that the improvement is also due to a recovery in market conditions, which in the case of pulp is mainly linked to **(i)** stronger demand than initially forecast for the beginning of 2024, both in China and Europe. In addition, on the supply side we see a **(ii)** slightly tighter situation, due to a series of events in Finland, such as the architecture of strikes at UPM plants, as well as a gas explosion that paralyzed a Metsä plant for ~12 weeks (~360Kt impact), and suspensions of ports and railroads.

Pulp prices may have short-term spikes, but movements shouldn't last much longer. Our view is that the bullish cycle in pulp may be closer to the end than the beginning, but we can still identify opportunities for further price jumps in the short term until the situation settles down in Finland and supply increases from large producers occur, with the entry of the Cerrado Project in June, for example, run by Suzano, which will add significant capacity to the commodity supply system. It's worth remembering that the price in 3Q23 was below the marginal cost of producers with fewer gains in scale. Therefore, the movement of price increases that has been taking place in recent months is, in fact, a recompositing of margins and not a real gain.

Our growth assumptions for the Figueira Project. Remember that we limited the modeling of the capacity utilization rate parameters, and slightly cut the potential for conversion to corrugated boxes, as we believe that the company may reduce production on older machines and/or additional production shifts, in line with the idea of adding net capacity to the Figueira project, safeguarding against the gross increase of +240ktpa given as guidance. Even so, we calculate an upside of +20Ktpa vs. 100Ktpa that the company also gave as guidance in net increase. So, net production totaling 120Ktpa Genial Est. (20Ktpa +100Ktpa).

Looking at it this way, the 24-28E revenues' CAGR of ~4% we've been forecasting could be revised upward over time if there isn't such a big difference between net and gross capacity. We discussed this in more detail in our earnings preview, attached here (Klabin 1Q24 Preview: Ahead of the Curve).

Company burned cash flow in 1Q24. Dividend in line with expectations. Cash flow (FCFF) was reported with a burn of -R$454mn (vs. +R$42mn in 4Q23 and burn of -R$202mn in 1Q23) due to **(i)** a decline in EBITDA of -1.8% q/q and -14.9% y/y and **(ii)** increased working capital pressure. In addition, the company informed shareholders of the distribution of R$330m in **dividends**, which translates to **R$0.29/share** for the units. We project a **24E dividend yield** of **~5%**, in line with the **lower limit of the payout policy**, based on our estimate of a **strong 24E FCFE cash burn** (more on this below).

Increase in leverage and debt raising. In line with our assumption that the company would continue to acquire more debt, we calculated the net value of the raising of +R$1.3b within the FCFE realized in 1Q24, as well as the positive effect of the appreciation of the USD/BRL exchange rate. Both factors more than offset the negative FCFF (-R$454m). The increase in funding justifies the rise in the leverage indicator, which now stands at 3.5x Net Debt/EBITDA (vs. 3.3x in 4Q23 and 2.6x in 1Q23). It is possible that the market will react negatively, since the shares opened lower in the trading session after the result.

Object of criticism from some investors, what about cash flow generation for 2024? Our model already includes a strong **cash flow burn** when considering the debt **(FCFE)** of **-R$4.4bn 24E**, driven by the **payment of R$5.8bn** related to the Caetê project, in the deal that involved the acquisition of Arauco's assets, as well as an increase in leverage due to the influx of more **interest payments (~R$2.5bn 24E)** in the cash flow.

It's important to mention that we calculated our **12M Target Price based on FCFE**, discounted by Ke of 14%. Therefore, this intense cash flow burns in "Year 1" (2024E) of our projection is already being taken into consideration in our fair value pricing for Klabin.

Deleveraging only for 2025 onwards. We advise investors to control their expectations and not to expect a reduction in the leverage indicator quarter by quarter during 2024. In our model, we consider that leverage may increase in the short term to cover the various projects that Klabin has underway. Leverage ended 2023 at 3.3x, and we expect it to go sideways until the end of the year, marking the same **3.3x in 4Q24E** in our model, even with the improvement in EBITDA 24E. For 2025 we estimate a slight cooling to **3.2x 25E**, starting the company's deleveraging process, which would reach **2.9x in 26E**.

When the money tree sheds. Trading at a **24E EV/EBITDA** of ~7x (vs. a historical average of 7.3x), with a discount level reduced to the historical average, we believe that the shares may suffer slight falls or go sideways, oscillating marginally, due to market uncertainties about the level of leverage and the pace and raising of debt. Of course, we know that this is part of the growing pains, and that on many occasions in the past we have criticized the attitude of the consensus, which is often impatient in relation to earnings, and we know that **"the money tree takes time to grow"**. We believe there is no more perfect analogy for this business.... pulp cycle is literally long. And right from the start of our coverage, we rated Klabin as a growth thesis.

Recapping our downgrade. We call it right once again. As we had seen the stock appreciate a lot in the last 5M, with gains of ~18% before our downgrade at the beginning of the week, we believe that the operational improvement was already priced in from a fundamentalist point of view. For that reason, there was a narrower safety margin for a long call on the stock. We got our call right once again, and since we downgraded the company's rating, the shares have fallen by -6% in 4 days. However, perhaps the pace at which the shares are falling is faster than it should be since the market is starting to **"cut down the money tree"** before harvesting the fruit.

We like the investment thesis. We may go back if the devaluation continues. Looking at the results, which are ramping up this year, with capacity additions linked to PM28 and the Figueira Project, **if the company manages to surprise in execution**, as it did with COGS/t of pulp this quarter, and vis-à-vis the market's rush to discount a stock that has initially reached fair value, we may revisit our recommendation, given the potential widening of the safety margin, since the upside to our **12M Target Price** has already risen in so few days. For now, we reiterate our **Neutral rating**, with a **12M Target Price** of **R$27.00**, which indicates an **upside** of **+16.13%**.

Appendix: Klabin

Figure 1. Klabin – Income Statement in R$ Millions (Genial Est. 2024-2029)

Income Statement	2024E	2025E	2026E	2027E	2028E	2029E
Net Revenue	**19.181**	**20.312**	**21.169**	**21.942**	**22.494**	**22.838**
(-) COGS	(12.076)	(12.372)	(12.650)	(12.302)	(12.146)	(11.961)
Gross Profit	**7.999**	**8.763**	**8.787**	**9.980**	**10.524**	**10.957**
(-) Expenses	(2.876)	(2.948)	(3.086)	(3.205)	(3.281)	(3.333)
Adjusted EBITDA	**7.432**	**7.446**	**7.896**	**8.881**	**9.501**	**9.941**
(-) D&A	(3.203)	(2.454)	(2.462)	(2.446)	(2.434)	(2.397)
EBIT	**5.123**	**5.814**	**5.701**	**6.775**	**7.244**	**7.624**
(+/-) Financial Result	(1.802)	(2.039)	(1.719)	(1.667)	(1.475)	(1.463)
(-) Taxes	(830)	(889)	(937)	(1.201)	(1.356)	(1.448)
Net income	**2.508**	**2.903**	**3.062**	**3.923**	**4.430**	**4.731**
Profitability						
Net margin (%)	13,07%	14,29%	14,46%	17,88%	19,69%	20,71%

Figure 2. Klabin– Cash Flow in R$ Millions (Genial Est. 2024-2029)

Cash Flow (FCFF)	2024E	2025E	2026E	2027E	2028E	2029E
Net Revenue	**19.181**	**20.312**	**21.169**	**21.942**	**22.494**	**22.838**
(-) COGS	(12.076)	(12.372)	(12.650)	(12.302)	(12.146)	(11.961)
Adjusted EBITDA	**7.432**	**7.446**	**7.896**	**8.881**	**9.501**	**9.941**
EBIT	**5.123**	**5.814**	**5.701**	**6.775**	**7.244**	**7.624**
(-) Taxes	(830)	(889)	(937)	(1.201)	(1.356)	(1.448)
(+) D&A	3.203	2.454	2.462	2.446	2.434	2.397
(+/-) Δ WK	(27)	(111)	(110)	(57)	(59)	(36)
(-) Capex	(3.126)	(2.975)	(2.555)	(2.650)	(2.411)	(2.315)
FCFF	**4.343**	**4.294**	**4.561**	**5.313**	**5.852**	**6.223**

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under Review	Under review	**5%**

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