KLABIN

3Q24 Review: Green shade like money

LatAm Pulp & Paper

(i) Kraftliner sales driven by the ramp-up of PM28, reaching **133.3Kt** (-1.7% vs. Genial Est.), marking -5.6% q/q and +30.5% y/y; **(ii) Realized prices** were above expectations, reaching **R$3,807/t** (+13.4% q/q); **(iii) Paperboard** maintained solid performance with +24.8% y/y growth despite a -3.2% q/q decline, totaling **206.8Kt** (+1.1% vs. Genial Est.); **(iv) Corrugated box** sales increased by +4.2% q/q and +4.0% y/y, reaching **235.8Kt** (-0.4% vs. Genial Est.); **(v) Industrial bags** shipments came to 34.9Kt (-1.2% q/q; 2.7% y/y); **(vi)** In the **Pulp segment**, maintenance-related downtimes impacted shipments, with **BHKP** at **223.6Kt** (-7.6% vs. Genial Est.) and **BSKP + Fluff** at **97.9Kt** (-2.9% vs. Genial Est.); **(vii)** Lower volumes were offset by higher prices, reaching **R$4,134/t** for **BHKP** (+8.2% vs. Genial Est.), up +6.5% q/q and **R$5,585/t** for **BSKP** (+7.2% vs. Genial Est.), accelerating +8.3% q/q; **(viii)** Consolidated **Net revenue** reached **R$5.0bn** (+2.3% vs. Genial Est.), rising +1.0% q/q and +13.6% y/y; **(ix) COGS/t, ex. stoppages**, improved to R$1,157/t (-5.4% vs. Genial Est.), down -4.0% q/q and -11.9% y/y; **(x) EBITDA reached R$1.8bn** (-2.9% vs. Genial Est.), with -12.0% q/q decline but +33.5% y/y growth; **(xi) Net income** reached **R$729mn** (-0.3% vs. Genial Est.), up +131% q/q and +198% y/y; **(xii) Leverage** rose to **3.9x Net Debt/EBITDA** (+0.7x vs. 2Q24) after the **Caetê project payment** (-R$6.3bn), projected to end 4Q24 at 3.7x, but **decreasing further in 2025** with R$1.8bn FCF boost from the **Plateau Project; (xiii)** Reduced exposure to BHKP China and strong paper diversification provide a competitive edge; **(xiv) FCFE** burn of **-R$5.3bn** was largely due to Caetê project. Excluding this, **FCF** generation stood at +R$485mn (+8% vs. Genial Est.) with **CAPEX down to R$767mn** (-9.3% vs. Genial Est.); **(xv)** Trading at **6.2x EV/EBITDA 25E** (vs. historical 7x average), Klabin presents a compelling allocation opportunity. We reiterate our **BUY rating**, with a **12M Target Price** of **R$27.00,** offering a **+22.5% upside.**

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Company

KLBN11 BZ Equity
Buy

Price: R$ 22.04 (04-Nov-2024)
Target Price 12M: R$ 27.00

Table 1. Shipments Summary (3Q24 vs. Genial Est.)

(Thousand Tonnes - kt)	Reported	Genial Est.					
Summary (Shipments)	**3Q24A**	**3Q24E**	**% R/E**	**2Q24A**	**% q/q**	**3Q23A**	**% y/y**
Kraftliner	133,3	135,6	**-1,7%**	141,2	**-5,6%**	102,1	**30,5%**
Paperboard	206,8	204,7	**1,1%**	213,7	**-3,2%**	165,8	**24,8%**
Corrugated boxes	235,6	236,5	**-0,4%**	226,2	**4,2%**	226,5	**4,0%**
Industrial Bags	34,9	37,2	**-6,1%**	35,3	**-1,2%**	35,9	**-2,7%**
BHKP Pulp	223,6	242,0	**-7,6%**	253,6	**-11,8%**	314,8	**-29,0%**
BSKP + Fluff Pulp	97,9	100,7	**-2,9%**	117,2	**-16,5%**	111,1	**-11,9%**

Source: Genial Investimentos, Klabin

Table 2. Income Statement Summary (3Q24 vs. Genial Est.)

(R$ millions)	Reported	Genial Est.					
Income Statement	**3Q24A**	**3Q24E**	**% R/E**	**2Q24A**	**% q/q**	**3Q23A**	**% y/y**
Net Revenue	4.999	4.885	**2,3%**	4.949	**1,0%**	4.400	**13,6%**
Adjusted EBITDA	1.805	1.860	**-2,9%**	2.052	**-12,0%**	1.352	**33,5%**
Net Income	729	731	**-0,3%**	315	**131,4%**	245	**198,1%**

Source: Genial Investimentos, Klabin

Klabin released its **3Q24 results** today, **November 4**. Shipments in the **pulp segment** contracted significantly, by -11.8% q/q and -29.0% y/y for **BHKP** (-7.6% vs. Genial Est.) and -16.5% q/q and -11.9% y/y for **BSKP + Fluff** (-2.9% vs. Genial Est.), as a result of the **general maintenance stoppage** in Ortigueira (PR), whose **impact was even more intense than we anticipated**. This was more than **offset by a higher-than-expected realized price**, due to greater exposure to the Europe curve, which rose +2% q/q and +64% y/y for BHKP and +7% y/y and +36% BSKP and by a depreciation of the BRL/USD.

On a consolidated basis, **paper sales** (Paperboard + Containerboard) fell by **-4% q/q** and expanded by **+27% y/y**, reflecting **(i)** a strong comparison base with 2Q24 for these segments, **(ii)** maintenance at important plants which restricted volume, partially offset by **(iii)** the ramp-up of **PM28** and **PM27**. We believe that **this slight sequential slowdown should be temporary**, reflecting lower pulp production due to maintenance (already regularized in 4Q24) and logistical obstacles (still uncertain). In addition, we observed a change in the percentage composition between kraftliner and paperboard, showing an ongoing transition of production to paperboard under PM28. This adaptation is a positive sign, as it increases the portfolio with higher value-added products. For packaging, the sales volume of **corrugated boxes** increased +4.2% q/q and +4.0% y/y.

The better-than-expected pulp performance due to better realized prices offsetting weak volumes, together with a resilient paper and packaging segment, generated consolidated **Net revenues** of **R$4.9bn** (+2.3% vs. Genial Est.), up **+1.0% q/q** and **+13.6% y/y**. The **COGS/t of pulp including stoppages** rose significantly to **R$1,695/t** (-8.1% vs. Genial Est.), representing an increase of +40.7% q/q and +19.7% y/y. Although it showed an upward movement, we **expected a higher intensity**, reflecting the **company's ability to optimize costs**, which offset the restriction in the dilution of fixed expenses, which in turn was limited due to the lower shipments. As the **effect of maintenance is temporary**, costs should cool down in 4Q24.

On the other hand, integration costs for the paper and packaging business were higher than we had projected, offsetting the better pulp prices in **consolidated EBITDA**, which closed at **R$1.8bn** (-2.9% vs. Genial Est.), a contraction of **-12.0% q/q** and expressive growth of **+33.5% y/y**. **Net income** came in in line with what we expected, with a recovery to **R$729m** (-0.3% vs. Genial Est.), expanding **+131% q/q** and **+198% y/y**, mainly due to the company's good operation and the cooling of the financial result with the debt exchange variation line.

3Q24 Review: In detail!

Kraftliner shipments remain robust, despite logistical restrictions. The company reported Containerboard sales (kraftliner + recycled) of 133.3Kt (-1.7% vs. Genial Est.), down -5.6% q/q, but with robust growth of +30.5% y/y. We attribute the result to the following factors: **(i)** the ramp-up of the PM27 and PM28 machines, which are maintaining a satisfactory rate of production; and **(ii)** the increase in exports, which helped to partially offset the **(iii)** impacts of logistical delays in container operations.

Despite the quarterly drop, the significant year-on-year growth demonstrates a solid recovery of the market, benefiting from the normalization of supply and greater demand in the packaging sector for the non-integrated industry. This annual performance confirms Klabin's successful mix adjustment strategy in PM28, even in the face of persistent logistical challenges, especially with containers. We continue to believe that, were it not for the logistical bottlenecks, the reported volume would have been even more robust, signaling a sustainable recovery in the segment.

Kraftliner realized prices continued to rise, in line with expectations. The realized price of kraftliner stood at R$3,807/t (+4.7% vs. Genial Est.), an increase of +13.4% q/q and +13.0% y/y. This increase partially reflects the implementation of **(i)** price adjustments announced throughout the year, but with less intensity in the pass-throughs due to the order book having orders that were processed before the announcements. We found that this delay is mainly due to restrictions on shipments involving logistical bottlenecks.

In addition, we observed that the **(ii)** carry-over effect decreased this quarter, allowing for a more robust capture of the readjustments previously implemented in a warmer market context, after a prolonged period of price discounts. The normalization of the kraftliner market, especially in the face of lower surplus pressure from the US, contributes to a more solid price and profitability trajectory.

Paperboard maintains good performance amid focus on Kraftliner. Paperboard shipments were reported at 206.8Kt (+1.1% vs. Genial Est.), reflecting a slight slowdown of -3.2% q/q, but still showing significant growth of +24.8% y/y. This result confirms the **(i)** adaptive capacity of PM28, which allowed for flexibility in production, even with the prioritization of kraftliner to capture the positive momentum of this market; the **(ii)** boost in consumption of sustainable packaging with the replacement of single-use plastic with recyclable and biodegradable solutions from renewable sources; and **(iii)** higher consumption of beverages, especially beer, along with the preparation process for the Christmas festivities.

However, the PM28 ramp-up is still facing a gradual shift from kraftliner to paperboard, especially due to the progress of homologation with the customer portfolio for more specific and higher value-added grades, mainly for the food packaging segment, added to the return of the production rhythm after the PM28 maintenance stoppage.

Paperboard price was flat. Regarding the realized price of Paperboard, the company recorded R$5,452/t (-1.0% vs. Genial Est.), remaining completely stable in the sequential movement and with a slight contraction of -0.3% y/y. We believe that the limited variation in price was since **(i)** the most significant pass-throughs were made earlier, while current market conditions were favorable; and **(ii)** that the sales mix was slightly worse than we expected. Looking ahead, we expect the PM28 ramp-up to continue to add value to the paperboard segment, especially as more grades are approved, and the realized price potential is fully captured.

Corrugated boxes with strong demand and price stabilization. Sales of corrugated boxes were marked at 235.6Kt (-0.4% vs. Genial Est.), representing an increase of +4.2% q/q and +4.0% y/y, driven by **(i)** heated demand in the seasonal period for the export-oriented fruit, protein and hygiene segments. We see this continued growth as a reflection of **(i)** demand strengthening above GDP and **(ii)** the positive impact of the Figueira Project, linked to the ramp-up at the conversion plant in Piracicaba (SP).

Regarding the realized price, the company recorded R$5,802/t (-0.8% vs. Genial Est.), a slight increase of +1.6% q/q, but a small drop of -1.0% y/y. Although there was a slight increase, we believe that the company is showing signs that it is focusing on a product mix with lower added value. Previous transfers have allowed prices to remain stable, while Klabin takes advantage of the increase in volume to maximize its presence in the market, increasing its share in a segment that is experiencing heated demand.

Industrial bags react moderately amid logistical challenges. Shipments of industrial stocks stood at 34.9Kt (-6.1% vs. Genial Est.), lower than expected and indicating a slight decline of -1.2% q/q and a fall of -2.7% y/y. Despite a reactive market, with occasional heated demand in the cement sector, **(i)** logistical bottlenecks and **(ii)** the carry-over effect continue to affect the segment's performance, limiting the capacity for expected volume growth.

As for the realized price, it was R$9,125/t (+2.2% vs. Genial Est.), up +2.3% q/q and +2.1% y/y. The data we follow from the cement market indicates a slight improvement in demand. We believe it is possible that there will be a recovery in shipments in the next quarter. However, we would point out that a possible improvement in the level of sales has not yet translated into a significant increase in the prices charged. Therefore, we believe that the reason for the increase in price realization was due to the appreciation of the USD/BRL exchange rate and not to a transfer that the company has managed to implement. We note that the challenges in logistics and the foreign market remain, especially with higher sales of 25kg bags abroad.

Pulp: Volumes impacted by logistical bottlenecks and maintenance, while prices remain firm Shipments of BHKP totaled 223.6Kt (-7.6% vs. Genial Est.), down -11.8% q/q and -29.0% y/y, reflecting the **(i)** impact of maintenance stoppages in Ortigueira (PR) linked to the **(ii)** one-off 6-day stoppage at recovery boiler 1, in addition to **(iii)** persistent logistical challenges, such as problems at the port of Paranaguá (PR). These factors negatively affected volume, which was lower than expected, but in line with the logistical and operational difficulties that were already predicted for the quarter and known by the market.

As for the realized price of BHKP, the company reported R$4,134/t (+8.2% vs. Genial Est.), representing an increase of +6.5% q/q and a significant increase of +57.6% y/y. This performance reflects better demand with prices following the rounds of adjustments made throughout 1H24, which resulted in a positive spread against the market benchmark, especially in relation to the weakening in China. We pointed out that Klabin's greater exposure to the European market would bring more resilience to the price compared to local pulp peers, such as Suzano, which is more exposed to China. Even so, the realized price surprised us, accelerating much more than we expected.

For BSKP + Fluff pulp, shipments amounted to 97.9Kt (-2.9% vs. Genial Est.), with a retraction of -16.5% q/q and -11.9% y/y. The realized price was reported at R$5,585/t (+7.2% vs. Genial Est.), showing an increase of +8.3% q/q and +20.8% y/y, driven by **(i)** adjustments to the sales mix and **(ii)** the continued impact of previous transfers. This price spread, especially in European markets, remained higher compared to BHKP, as the price adjustment against China took longer to occur, as we anticipated in our preview report.

Net revenue with significant annual growth, despite volume restrictions. Consolidated net revenue stood at R$5.0bn (+2.3% vs. Genial Est.), registering a slight increase of +1.0% q/q and significant growth of +13.6% y/y. The Paper business unit contributed R$1.6bn (+0.9% vs. Genial Est.), with a slight decrease of -0.2% q/q, but a significant expansion of +29.8% y/y, driven mainly by the robust performance of kraftliner. The Packaging division reached R$1.7bn (-1.7% vs. Genial Est.), showing growth of +4.9% q/q and +2.3% y/y, supported by the increase in sales of corrugated cardboard boxes.

The Pulp segment recorded revenues of R$1.5bn (+1.5% vs. Genial Est.). We note that, although it fell by -7.4% q/q, impacted by maintenance stoppages and logistical restrictions that affected the volume of shipments, on the other hand, the business division showed an increase of +9.8% y/y, with realized prices that surprised, even at levels much higher than those practiced y/y.

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

(R$ Millions)	3Q24A Reported	3Q24E Genial Est.	% R/E	2Q24A Reported	% q/q	3Q23A Reported	% y/y
Net Revenue	**4.999**	**4.885**	**2,3%**	**4.949**	**1,0%**	**4.400**	**13,6%**
Paper	1.635	1.620	0,9%	1.639	-0,2%	1.260	29,8%
Packaging	1.686	1.715	-1,7%	1.607	4,9%	1.648	2,3%
Pulp	1.471	1.449	1,5%	1.588	-7,4%	1.339	9,8%
Wood	128	46	176,6%	65	95,2%	51	151,9%
Others	79	54	47,2%	49	63,3%	102	-22,5%

Source: Genial Investimentos, Klabin

Table 4. EBITDA Klabin (3Q24 vs. Genial Est.)

(R$ Millions)	3Q24A Reported	3Q24E Genial Est.	% R/E	2Q24A Reported	% q/q	3Q23A Reported	% y/y
Adjusted EBITDA	**1.805**	**1.860**	**-2,9%**	**2.052**	**-12,0%**	**1.352**	**33,5%**
Paper & Packaging	1.098	1.288	-14,8%	1.195	-8,1%	913	20,3%
Pulp	708	571	23,9%	857	-17,4%	439	61,2%

Source: Genial Investimentos, Klabin

Net profit was boosted by the decompression of financial results. The company achieved a net profit of R$729mn (-0.3% vs. Genial Est.), marking an expressive increase of +131.4% q/q and +198.1% y/y. This strong performance was driven by **(i)** an increase in operating income which offset a lower capacity to dilute fixed costs; and **(ii)** a decompression in financial income (-28.4% q/q), benefiting from a reduction in the exchange rate variation of debt. Although the average USD/BRL exchange rate rose during the quarter, the closing value (EoP) contracted to 5.45 (vs. 5.56 2Q24), reducing the pressure on debt. Net margin was reported at 14.6%, an expansion of +8.2p.p. q/q and +9.0p.p. y/y, reflecting a significant advance in the company's profitability.

Table 5. Income Statement Klabin (3Q24 vs. Genial Est.)

(R$ Millions)	3Q24A Reported	3Q24E Genial Est.	% R/E	2Q24A Reported	% q/q	3Q23A Reported	% y/y
Net Revenue	**4.999**	**4.885**	**2,3%**	**4.949**	**1,0%**	**4.400**	**13,6%**
COGS	(3.468)	(2.817)	23,1%	(3.194)	8,6%	(3.239)	7,1%
Adjusted EBITDA	**1.805**	**1.860**	**-2,9%**	**2.052**	**-12,0%**	**1.352**	**33,5%**
EBITDA Margin (%)	36,1%	38,1%	-1,95p.p	41,5%	-5,35p.p	30,7%	5,38p.p
EBIT	**1.219**	**1.071**	**13,8%**	**994**	**22,7%**	**631**	**93,3%**
EBIT Margin (%)	24,4%	21,9%	2,47p.p	20,1%	4,31p.p	14,3%	10,05p.p
D&A	(1.014)	(851)	19,2%	(989)	2,5%	(869)	16,7%
Financial Result	(403)	(10)	3758,6%	(563)	-28,4%	(325)	24,1%
Net Income	**729**	**731**	**-0,3%**	**315**	**131,4%**	**245**	**198,1%**
Net Margin (%)	14,6%	15,0%	-0,38p.p	6,4%	8,22p.p	5,6%	9,03p.p

Source: Genial Investimentos, Klabin

Our Take on Klabin

Plateau Project: Deleveraging strategy, but with risk points. Klabin announced the Plateau Project, aimed at monetizing forestry assets and accelerating deleveraging, guaranteeing self-sufficiency in wood through a partnership with a TIMO (Timber Investment Management Organization). The structure involves the creation of four SPEs, with Klabin holding a 57% stake and TIMO providing R$1.8bn, divided into two installments by 2Q25, plus a possible additional contribution of +R$900mn. The capitalization aims to reduce the company's leverage, improving short-term liquidity, as well as generating synergies to optimize the cost of logging.

Despite seeing clear short-term benefits for Klabin, our perception is that the project presents medium and long-term risks. We understand that there is a possibility that **TIMO will demand a higher return** on the project **via the payment for the supply of wood,** if the dividend flows do not sustain a good level of NPV from TIMO's own perspective. If, on the one hand, the recent reduction in the dividend policy to 10-20% of adjusted EBITDA (vs. 15-25% previously) points to a greater commitment to deleveraging and reduces the implicit value that Klabin would be reimbursing TIMO for the injection of cash flow, on the other hand, this limits the return to shareholders. We would then have to be more open about **the price and availability of the wood** that the company is **buying from SPEs**. Klabin has not disclosed this to date. We suggest you read our report on the subject to get a better understanding of our point of view (link).

Pulp prices seem to have bottomed out this cycle. With several rounds of pass-throughs in 1H24, the price scenario for pulp changed dramatically at the end of 3Q24, with a sharp contraction in prices, especially for BHKP (US$560/t vs. US$720/t before the drop). This movement was caused by two main factors: **(i)** pressure on the margins of non-integrated paper producers in China, particularly in the *tissue* segment, and **(ii)** the start-up of major projects, such as Suzano's Cerrado project in Ribas do Rio Pardo (MS) and a new Liansheng pulp line in Fujian province, China. These capacity additions will add up to ~4Mtpy after ramp-up, increasing supply and leading the market to readjust prices downwards.

We expect prices to stabilize at US$570/t by the end of 2024 and recover to **US$620/t at the beginning of 2H25 in China**. In regions that follow the European FOEX index, prices rose by an average of +2% q/q for BHKP and +7% y/y. We would point out that this **European benchmark is particularly relevant for Klabin**, since the company is already more aligned with the European curve for domestic replenishment and has increasingly sought to reduce its exposure to the Chinese market in exports, where demand remained weak for 2/3 of the quarter.

Paper and Packaging: expansion and seasonality support good momentum. The paper segment continues to show resilience, driven by favorable seasonality and expansion with the **ramp-up of MP28** (Kraftliner and Paperboard). Both product categories saw a double-digit increase in sales on an y/y basis, showing that the company is at a new production level and that the market is absorbing high volumes, considering that prices have not fallen. On the contrary, we saw a significant increase in prices at Kraftliner, which returned to profitability. This is evidence of how different the paper and packaging business unit is from the pulp business, which succumbs when capacity additions occur, altering pricing, as it is a segment with more commoditized dynamics.

We are also particularly excited about the **packaging segment**, due to the **Figueira Project** (corrugated boxes). The volume of corrugated paper box shipments increased by +5.3% in m2 and +4.0% q/q in tons, highlighting Eukaliner's success in reducing grammage. Demand for packaging has been strong, with growth outstripping GDP. Turning to the Kraftliner market, the company announced a **price increase in August**, although the impact was partially delayed by an *orderbook* still recording sales at lagged prices. We believe that in 4Q24 the realized price should continue to rise.

Klabin vs. Suzano: more resilience to falling pulp prices. Even though they operate in the same sector, we believe that **Suzano and Klabin have considerable differences in their commercial strategy**. Klabin, due to its diversification into paper, packaging and pulp (with BHKP and BSKP in its portfolio), is more resilient compared to Suzano, which is focused on selling market pulp, only BHKP and is mostly exposed to the Chinese market. The expected fall in pulp prices in 2H24 should have a greater impact on Suzano, whose results are highly correlated with the price of the commodity, while **Klabin**, with its greater exposure to the European market, **should be better able to withstand the pressures in the sector**.

Although the timing of the cycle is not favorable (with pulp close to the producer's marginal cost), we believe that **both companies are discounted for different reasons**. Suzano's market valuation does not seem to contain the benefits of the increased FCF yield related to the Cerrado project. On the other hand, we believe that many investors do not clearly understand Klabin's *case* and the company's good momentum in the execution of paper and packaging projects, penalizing it irrationally for the pulp cycle.

FCFE burn of -R$5.4bn, in line with projections. The company faced a significant **cash flow burn** (FCFE) of **-R$5.4bn** (-3% vs. Genial Est.), due to the **payment of the Caetê Project** (acquisition of land from Arauco), which led to a disbursement of -R$6.3bn in 3Q24. Regarding CAPEX, we saw a reduction of -10% q/q to R$767mn (-9% vs. Genial Est.), while adjusted EBITDA slowed sequentially to R$1.8bn (-12% q/q), remaining in line with our projections, growing +33% y/y, coupled with a greater than anticipated release of working capital, at R$464mn (+8% vs. Genial Est.). These elements generated an **FCF** of **+R$485mn**, which partially mitigated the effect of the Caetê Project payment. Leverage in USD closed at **3.9x Net Debt/EBTIDA** (+0.7x vs. 2Q24). This increase was already predicted by us and should close the year at **3.7x Net Debt/EBTIDA 24E.**

Equity interest announced amid reduction in dividend policy. As anticipated in previous reports, the commitment of cash by the Caetê Project would make it difficult for the company to meet the higher levels of its dividend policy. Since the beginning of the year, we have warned investors that the company would probably stay out of, or at the very least meet, the *low* end of its previous dividend policy. In line with our previous analysis, Klabin recently adjusted the policy to 10-20% of adjusted EBITDA, reducing our **24E Dividend Yield** projection to **5.1%** (previously 5.5%). As we were already targeting the lower band of the policy, the dividend drop in 24E will be smaller. For next year, we forecast a **25E Dividend Yield of 5.5%** (vs. 7% previously). Klabin announced equity interest (JCP) of R$0.34/share for the units (6.3% annualized yield), with an ex-date of November 12.

Green shade like money. In our opinion, the company continues to offer a **unique combination of resilience** for local fund managers looking to gain exposure to the pulp and paper **sector** and growth in an environment of transition from direct market pulp sales to paper and packaging segments, with performance better navigating the turbulence of the commodity's low-price season. We know that FCF is a criticism from some investors with whom we have contact, but for us, **Klabin's green shade is like money**. The company is beginning a new phase of profitability, and yet it is trading at **6.2x EV/EBITDA 25E** (below the historical average of ~7x), indicating an **attractive valuation**.

Given the estimated **(i)** resilient performance in 3Q24, **despite the fall in pulp prices in China**, **(ii)** the imminent reduction in leverage by the **Pateau Project**, helping to re-evaluate the discount rates applied to the company, and **(iii)** continued progress in operations with the other projects that are **ramping up**, such as **Figueira** and **MP28**, we reiterate our **BUY rating**, with a **12M Target Price of R$27.00**, representing an **upside** of **+22.50%**.

Appendix: Klabin

Figure 1. Klabin – Income Statement in R$ Millions (Genial Est. 2024-2028)

Income Statement	2024E	2025E	2026E	2027E	2028E
Net Revenue	**19.341**	**20.440**	**21.627**	**21.924**	**22.142**
(-) COGS	(11.969)	(12.253)	(12.584)	(12.927)	(13.079)
Gross Profit	**7.690**	**9.118**	**10.025**	**9.496**	**9.213**
(-) Expenses	(3.562)	(5.046)	(5.065)	(4.552)	(4.273)
Adjusted EBITDA	**7.411**	**7.673**	**7.808**	**7.866**	**8.279**
(-) D&A	(3.715)	(4.833)	(3.830)	(3.421)	(3.489)
EBIT	**4.122**	**4.072**	**4.960**	**4.944**	**4.941**
(+/-) Financial Result	(1.173)	(904)	(573)	(491)	(244)
(-) Taxes	(903)	(981)	(1.381)	(1.089)	(1.125)
Net income	**2.061**	**2.202**	**3.020**	**3.378**	**3.587**
Profitability					
Net margin (%)	10,66%	10,77%	13,97%	15,41%	16,20%

Figure 2. Klabin– Cash Flow in R$ Millions (Genial Est. 2024-2028)

Cash Flow (FCFF)	2024E	2025E	2026E	2027E	2028E
Net Revenue	**19.341**	**20.440**	**21.627**	**21.924**	**22.142**
(-) COGS	(11.969)	(12.253)	(12.584)	(12.927)	(13.079)
Adjusted EBITDA	**7.411**	**7.673**	**7.808**	**7.866**	**8.279**
EBIT	**4.122**	**4.072**	**4.960**	**4.944**	**4.941**
(-) Taxes	(903)	(981)	(1.381)	(1.089)	(1.125)
(+) D&A	3.715	4.833	3.830	3.421	3.489
(+/-) Δ WK	(318)	(192)	(153)	(56)	(3)
(-) Capex	(3.368)	(3.086)	(2.972)	(2.510)	(2.075)
FCFF	**3.248**	**4.647**	**4.285**	**4.710**	**5.226**

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