

SUZANO

4Q24 Review: Operationally better, but the costs worry us

LatAm Pulp & Paper

(i) Above operational estimates, with **pulp shipments** reaching **3,284Kt** (+12.6% vs. Genial Est.), driven by exports (+25% q/q, +19% y/y) and **Ribas do Rio Pardo (MS) ramp-up**; (ii) performance may have been favored by lower utilization of Cerrado in 3Q24 than our projections in 3Q24 (~200Kt Genial Est.), allowing more room in 4Q24 to **reach +900Kt guidance** in 2H24, and a possible release of **accumulated inventories**; (iii) The **pulp realized price** was **US\$584/t** (+2.1% vs. Genial Est.), declining -13% q/q but falling **less than the reference**; (iv) appreciation of the USD/BRL Fx rate (+5.3% q/q) mitigated the impact on BRL conversion, with a **realized price of R\$3,409/t** (-8% q/q); (v) Paper sales also outperformed, reaching 430Kt (+13,9% vs. Genial Est.), driven by the incorporation of Suzano's Pine Bluff unit; (vi) realized paper price stood at R\$6,926/t (-1.2% vs. Genial Est.), remaining almost flat (+1% q/q); (vii) Pulp cash **COGS/t ex. stoppages** was reported at **R\$807/t** (+4.7% vs. Genial Est.), dropping -9.1% q/q (**-6.5% q/q** ex. one-off costs from 3Q24), though **deceleration on yearly bases was mild** (-1.1% y/y); (viii) **input costs** came in **above expectations**, reflecting the impact of Fx rate on **USD-denominated inputs**, such as chemicals and an **efficiency gain** with the **ramp-up of the Ribas do Rio Pardo (MS) plant below our expectations**, reflected in a **fixed cost that contracted more modestly**; (ix) Although the **USD/BRL Fx rate** is in fact **cooling down recently**, having contracted by **-8% YTD**, we believe that the fiscal scenario and Brazilian political noises will **bring the rate back to ~R\$6.00** over the course of 1H25; (x) Trading at an **EV/EBITDA 25E** of **6.2x** (below the historical average of 7x), a discount that, in our view, **does not fully reflect the projected efficiency gains**. We will closely monitor the **subsequent contraction in COGS/t** before jumping to conclusions about **guidance not being met**. We maintain our **BUY rating**, with a **12M Target Price** of **R\$72.00**, implying an **upside** of **+24.20%**.

Analysts

Igor Guedes
+55 (11) 3206-8286
igor.guedes@genial.com.vc

Luca Vello
+55 (11) 3206-1457
luca.vello@genial.com.vc

Isabelle Casaca
+55 (11) 3206-8244
isabelle.casaca@genial.com.vc

Company

SUZB3 BZ Equity
Buy

Price: R\$ 57.97 (13-Feb-2025)
Target Price 12M: R\$ 72.00

SUZ US Equity
Target Price 12M: US\$ 12.65

Table 1. Shipments Summary (4Q24 vs. Genial Est.)

(Thousand Tonnes - kt)	Reported	Genial Est.					
Summary	4Q24A	4Q24E	% Diff.	3Q24A	% q/q	4Q23A	% y/y
Pulp Shipments	3.284	2.917	12,6%	2.635	10,7%	2.761	18,9%
Paper Shipments	430	378	13,9%	360	4,9%	386	11,3%

Source: Suzano, Genial Investimentos

Table 2. Income Statement Summary (4Q24 vs. Genial Est.)

(R\$ millions)	Reported	Genial Est.					
Income Statement	4Q24A	4Q24E	% Diff.	3Q24A	% q/q	4Q23A	% y/y
Net Revenue	14.177	12.381	14,5%	12.274	15,5%	10.372	36,7%
Adjusted EBITDA	6.481	6.147	5,4%	6.523	-0,6%	4.505	43,9%
Net Income	(6.737)	(2.526)	166,7%	3.238	-	4.515	-

Source: Suzano, Genial Investimentos

Suzano released its **4Q24** results yesterday, **February 12**, after market close. The company reported **a quarter that outperformed market estimates** on the **operational side**. The main highlight was **(i) volume**, with **pulp shipments** totaling 3.3Mt (+12.6% vs. Genial Est.), **above consensus** (+8.7% vs. BBG). The performance of the paper division was also stronger than we expected **(+13.9% vs. Genial Est.)**. Although the **BHKP China pulp curve slowed** to US\$553/t (-14% q/q), with **Europe** compressing by -20% q/q, the company also surprised us by achieving an **average realized price** with a **smaller decline** vs. benchmark prices (+1% diff.), reaching **US\$584/t** (+2.1% vs. Genial Est.), **down -13% q/q**. As the **USD/BRL Fx rate** accelerated throughout the quarter, the conversion of the realized price into **BRL** also softened the decline, reaching **R\$3,409/t** (+2.1% vs. Genial Est.), **slightly above our projections**.

This dynamic resulted in consolidated **Net Revenue** of **R\$14.2bn** (+14.5% vs. Genial Est.), marking a **strong increase** of **+15.5% q/q** and **+36.7% y/y**, despite the contraction in **BHKP** prices. We attribute this achievement primarily to the **ramp-up** of the **Ribas do Rio Pardo (MS) plant**, as well as an **almost negligible impact on sales from the -4% production volume cut (ex. Cerrado)** announced in September, which ran counter our expectations (more on this further down on the report).

On the cost side, **pulp COGS/t ex. stoppages** clocked in at **R\$807/t** (+4.7% vs. Genial Est.), and although it decreased **-6.5% q/q** (already excluding one-off effects from **Cerrado's start-up** costs **+R\$25/t**), the **efficiency gains** from the Ribas do Rio Pardo (MS) ramp-up came in **slightly below our estimates**. As a result, the positive deviation in Net Revenue vs. Genial Est. was not fully captured in **consolidated EBITDA**, which reached **R\$6.4bn** (+5.4% vs. Genial Est.), with a **margin of 45.7%** (-3.9p.p vs. Genial Est.).

At the bottom line, we had already anticipated an **accounting loss**, but the magnitude was higher, **reaching -R\$6.7bn** (2.6x larger vs. Genial Est.). We attribute this effect to a **stronger-than-expected adjustment** in **(i) hedge contracts** and **(ii) FX variation** on gross debt, both of which we already expected to weigh on the bottom line, but with a lower impact. However, as we highlighted in our preview, these adjustments **do not affect FCF** and, therefore, **should not lead to penalization by investors**.

4Q24 Review: In detail!

Pulp sales beat estimates. Pulp shipments reached 3,284Kt (+12.6% vs. Genial Est.), with a slight decline in the domestic market more than offset by strong export growth, leading to an impressive +25% q/q and +19% y/y increase, surpassing both our estimates and consensus. In our view, this stronger-than-expected performance may have been driven by two factors: **(i)** a miscalculation in our 3Q24 capacity utilization estimate for the new Ribas do Rio Pardo (MS) plant (~200Kt Genial Est.), leaving more room in 4Q24 to reach the 900Kt guidance; **(ii)** potential inventory release from the previous quarter, as sales were held back during the first 2/3 of the quarter due to the Chinese paper industry's strategy of waiting for price drops before restocking order books.

We note that BHKP China prices declined to ~US\$570/t in September vs. ~US\$740/t in July (-23% in 3M), which may have led to inventory buildup during the first 2M of 3Q24. These two factors may have played a key role in offsetting the impact of the -4% capacity cut in annual production (ex. Cerrado), announced by the company in September.

Pulp realized price declines slightly less than the benchmark curve. The realized pulp price was US\$584/t (+2.1% vs. Genial Est.), down -13% q/q and up +2% y/y. We highlight that the BHKP China reference curve slowed by -14% q/q, while Europe saw a steeper decline of -20.2% q/q. Still, Suzano's negotiated price with clients averaged slightly above both curves, contracting -13% q/q (+1% gain vs. the benchmark curve). The USD/BRL Fx rate appreciation of +5.3% q/q also helped mitigate the impact on BRL-converted prices, resulting in a realization of R\$3,409/t, with a more moderate decline of -8% q/q.

Sales volume also surprises in the paper segment. Surpassing both our projections and the street, paper shipments rose sharply to 430Kt (+14% vs. Genial Est.), up +20% q/q and +11% y/y. Of this total, 293Kt (+12% q/q and +9% y/y) were sold in the domestic market, driven by growth in Printing & Writing segment, while 137Kt (+41% q/q and +17% y/y) were exported, benefiting from the new volumes added from Suzano US Packaging since October 2024, following the acquisition of coated board production assets in Pine Bluff (KS).

Paper realized price remained mostly flat. The realized price for the paper segment came in slightly below our estimates, reaching R\$6,926/t (-1.2% vs. Genial Est.), with a mild increase of +1% q/q and +2.9% y/y. This was mainly due to sequential mix effects, which slightly lowered domestic market prices, as well as price adjustments throughout the year impacting the annual comparison. Additionally, the realized price reflected the USD/BRL Fx rate appreciation during the quarter, particularly in exports, following the incorporation of new volumes from Suzano US Packaging division, balancing out mix-related effects and keeping prices essentially stable sequentially.

Net revenue went up strongly. As a result mainly of (i) the significant increase in shipments, (ii) the acceleration of the USD/BRL Fx rate (+5% q/q; +18% y/y), and (iii) the realized price contracting slightly less than the reference curve, Pulp Net revenue reached R\$11.2bn (+15% vs. Genial Est.), growing +14.2% q/q and +44.1% y/y. Net revenue from the Paper business totaled R\$2.9bn (+12.6% vs. Genial Est.), an increase of +20.7% q/q and +14.6% y/y, with an expansion of +20% q/q in volume sold and flat prices. As a result, Consolidated Net revenue clocked in at R\$14.2bn (+14.5% vs. Genial Est.), up +15.5% q/q and +36.7% y/y.

Table 3. Revenue Suzano (4Q24 vs. Genial Est.)

(R\$ millions)	4Q24A			3Q24A		4Q23A	
	Reported	Genial Est.	% R/E	Reported	% q/q	Reported	% y/y
Net Revenue	14.177	12.381	14,5%	12.274	15,5%	10.372	36,7%
Pulp	11.196	9.734	15,0%	9.803	14,2%	7.770	44,1%
Paper	2.981	2.648	12,6%	2.471	20,7%	2.602	14,6%

Source: Suzano, Genial Investimentos

COGS/t slowing less than expected is a point of concern. The pulp COGS/t ex. stoppages was reported at R\$807/t (+4.7% vs. Genial Est.), down -9.1% y/y (ex. 3Q24 one-off costs, down -6.5% y/y). However, taking seasonality into consideration, the reduction was mild in our view, with a slowdown of only -1.1% y/y. COGS/t including stoppages was R\$880/t (+3.5% vs. Genial Est.), down -5.6% q/q (or -3.0% q/q if ex. 3Q24 one-off costs). The year-on-year comparison including stoppages is not valid, since there was no scheduled maintenance in 4Q23.

The company surprised us with higher-than-expected fixed costs, indicating a point of concern in relation to the fixed cost dilution capacity brought about by the ramp-up of the Ribas do Rio Pardo (MS) plant. Consolidating a more robust volume than expected, which rose by +10.7% q/q +18.9% y/y, we also believe that the line of fixed costs/t should have regressed by more than -5.9% y/y, especially considering that the base is already expunging the effect of the acceleration of the USD/BRL Fx rate for all categories of outlays, as we will deal with below.

Be careful, things are not what they seem. In the category breakdown, Suzano indicates that input costs reached R\$359/t, implying a -1.4% q/q reduction. However, the company removes the Fx rate effect from cost components in its statement, which would otherwise add back +R\$11/t to total outlays. We believe caustic soda had a significant increase, especially in USD, impacting input costs in BRL. If we reinstate the FX effect, assuming ~85% of the +R\$11/t cost returns to the input category, the adjusted cost would be R\$368/t, representing an actual increase of +1.2% q/q (rather than a -1.4% q/q reduction). A positive highlight was wood (-6.2% y/y), driven by a lower average radius in the period and a decline in Brent prices. The trajectory to reach the 25/26E projection of ~R\$500/t with the full ramp-up of Cerrado is expected to be long.

EBITDA indicates caution with margin compression. Despite the top-line attracting attention, on the cost side, pulp COGS/t ex. stoppages came in slightly higher than expected. Thus, the vast positive impact of the surprise in net revenue vs. Genial Est. was not fully reflected in consolidated EBITDA, which reached R\$6.4bn (+5.4% vs. Genial Est.), contracting slightly by -0.6% q/q, but with a strong increase of +43.9% y/y. Even so, we would point out that the margin was below what we had projected, reaching 45.7% (-3.9p.p vs. Genial Est.), not only that, but also compressed -7.4p.p q/q, despite the +2.2p.p y/y gain.

For the pulp segment, EBITDA was R\$5.7bn (+8.9% vs. Genial Est.), accelerating gently by +0.6% q/q, and more prominently by +52.5% y/y, mainly driven by the appreciation of the Fx rate and the increase in volume due to the Cerrado ramp-up. The paper business had an EBITDA of R\$751mn (-15% vs. Genial Est.), coming in lower than expected with higher integration costs at the Pine Bluff (KS) unit, but still accelerating +7.0% q/q and +0.4% y/y.

Table 4. EBITDA Suzano (4Q24 vs. Genial Est.)

(R\$ millions)	4Q24A			3Q24A		4Q23A	
	Reported	Genial Est.	% R/E	Reported	% q/q	Reported	% y/y
Adjusted EBITDA	6.481	6.147	5,4%	6.523	-0,6%	4.505	43,9%
Pulp	5.730	5.264	8,9%	5.697	0,6%	3.756	52,5%
Paper	751	883	-14,9%	825	7,0%	748	0,4%

Source: Suzano, Genial Investimentos

Loss 2.6x higher than expected, with no cash effect. The company reported a -R\$6.7bn loss (+2.6x higher vs. Genial Est.), reversing the net income recorded in both 3Q24 and 4Q23. Significantly above our projections, both **(i)** hedging losses and **(ii)** the strong negative impact of Fx variation on gross debt heavily affected the company's bottom line via financial loss. As we highlighted in our preview, we remind once again that 85% of the company's debt is USD-denominated. When the USD/BRL EoP Fx rate rises, the balance increases through the P&L, but without a cash flow impact—similar to what we observed in 2Q24 results. The 4Q24 EoP Fx rate reached R\$6.19 (vs. R\$5.45 in 3Q24), a +13.7% q/q surge, amplifying FX exposure effects.

Table 5. Income Statement Suzano (4Q24 vs. Genial Est.)

(R\$ millions)	4Q24A			4Q24E		3Q24A		4Q23A	
	Reported	Genial Est.	% R/E	Reported	% q/q	Reported	% y/y	Reported	% y/y
Net Revenue	14.177	12.381	14,5%	12.274	15,5%	10.372	36,7%		
COGS	(6.218)	(7.251)	-14,2%	(6.848)	-9,2%	(6.776)	-8,2%		
Adjusted EBITDA	6.481	6.147	5,4%	6.523	-0,6%	4.505	43,9%		
EBITDA Margin (%)	45,7%	49,6%	-3,93p.p	53,1%	-7,43p.p	43,4%	2,28p.p		
EBIT	4.109	3.753	9,5%	4.110	0,0%	3.158	30,1%		
EBIT Margin (%)	29,0%	30,3%	-1,33p.p	33,5%	-4,5p.p	30,4%	-1,46p.p		
D&A	(2.542)	(2.394)	6,2%	(2.303)	10,4%	(1.788)	42,2%		
Financial Result	(15.556)	(6.279)	147,7%	868	-	2.269	-		
Net Income	(6.737)	(2.526)	166,7%	3.238	-	4.515	-		
Net Margin (%)	-47,5%	-20,4%	-27,12p.p	26,4%	-	43,5%	-		

Source: Suzano, Genial Investimentos

Our take on Suzano

BHKP reference curve to remain without major moves ahead. As we highlighted in our preview report ([Preview 4Q24: The first quarter of a new era!](#)), despite the significant supply volume that is expected to be added to the market this year, with the entry of both Cerrado and the Lienshang projects, which are expected to add +3.9Mtpy, we believe that the price of BHKP should remain stable in the short term, with a slight drop in January and February, reflecting the seasonal slowdown with the Chinese New Year, followed by the resumption of normal production in March, as indicated by market data.

Throughout the year, we expect smooth price upshifts to be supported by: **(i)** a global demand that appears to be heating up, which may be catalyzed by the urbanization of tier II and III cities in China and by the potential of other Asian countries, based on GDP and population growth prospects; **(ii)** pulp already trading below the marginal cost of players in the Northern Hemisphere; **(iii)** logistical challenges and stoppages, which are frequent in this industry, usually lead to delivery delays and affect supply occasionally; **(iv)** we will not see new capacity additions beyond what is already on the radar; **(v)** we should expect capacity readjustment with mild shut-downs of old machinery by the majors, and **(vi)** the advance of fiber-to-fiber substitution, which keeps demand for BHKP hot, with capacity closures expected for BSKP. We remain attentive to the absorption of additional supply as new projects enter the market in 2025.

Fx rate cooled down, as did Suzano shares. It is important to comment that although the USD/BRL Fx rate is in fact cooling down recently, having contracted by -8% YTD, and driving the very similar -7% YTD drop in the company's shares, we still remind investors that Brazil went through its parliamentary recess period at the beginning of the year and more volatility may occur now after the recess returns.

On the international side, the announcements about tariffs applied by the recent Trump administration ended up raising inflation expectations in the US, with the Fed adopting a “higher for longer” stance, influencing the interest rate differential between Brazil (which is on a trajectory of increasing the SELIC) and the US (which will only have a cut of -25bps by the end of the year). Apart from that, we believe that the fiscal scenario and Brazilian political noises will **bring the rate back to ~R\$6.00** over the course of 1H25.

Operationally better, but costs worry us. We see the ramp-up of the new Ribas do Rio Pardo (MS) plant as an important catalyst for the investment thesis given Suzano's expected optimization of FCF generation by the significant reduction in **cash COGS/t guidance**, which should decelerate (on a 100 basis) to **R\$66/t in 32E** (vs. R\$100/t in 24E), with **~78% of this drop** to be incorporated as **early as 2025**. However, in our opinion, the 4Q24 result indicates that the **efficiency gain may be a little slower than ideal**, which causes us momentary concern about possible upward revisions to the cost guidance. **It's still too early to say anything**, since this was the first quarter with a slightly more advanced level of volume coming from the Ribas plant and efficiency gains may soon be lurking in 1H25.

As we have commented, we believe that the **USD/BRL Fx rate should rise again**, pressured by the fiscal scenario and by discussions of the Brazilian political environment throughout the year. This should continue to act as a **catalyst for the company's shares**, with the conversion of export revenue offsetting any inflationary pressures. Suzano trades at an **EV/EBITDA 25E** of **6.2x** (below the historical average of 7x), a discount which, in our view, **does not fully reflect the projected efficiency gains**. We will closely monitor the subsequent contraction in COGS/t before jumping to conclusions about not achieving guidance. We maintain our **BUY rating**, with a **12M Target Price** of **R\$72.00**, implying an **upside of +24.20%**.

Appendix: Suzano

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

Income Statement	2024E	2025E	2026E	2027E	2028E
Net Revenue	45.609	54.797	56.976	58.213	59.341
(-) COGS	(25.722)	(25.494)	(24.369)	(23.563)	(23.055)
Gross Profit	19.887	29.303	32.607	34.650	36.286
(-) Expenses	(5.259)	(6.448)	(6.741)	(6.901)	(7.267)
Adjusted EBITDA	23.838	32.682	29.428	30.358	33.250
(-) D&A	(8.808)	(9.828)	(9.256)	(9.529)	(9.203)
EBIT	15.030	22.854	20.172	20.829	24.047
(+/-) Financial Result	(19.525)	(2.871)	(3.660)	(2.049)	(821)
(-) Taxes	(1.495)	(9.287)	(6.888)	(7.918)	(9.752)
Net income	(5.990)	10.696	9.624	10.862	13.474
Profitability					
Net margin (%)	-13,13%	19,52%	16,89%	18,66%	22,71%

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

Cash Flow (FCFF)	2024E	2025E	2026E	2027E	2028E
Net Revenue	45.609	54.797	56.976	58.213	59.341
(-) COGS	(25.722)	(25.494)	(24.369)	(23.563)	(23.055)
Adjusted EBITDA	23.838	32.682	29.428	30.358	33.250
EBIT	15.030	22.854	20.172	20.829	24.047
(-) Taxes	(1.495)	(9.287)	(6.888)	(7.918)	(9.752)
(+) D&A	8.808	9.828	9.256	9.529	9.203
(+/-) Δ WK	(2.498)	(550)	(996)	341	(738)
(-) Capex	(13.300)	(11.034)	(7.470)	(7.178)	(7.316)
FCFF	6.545	11.811	14.074	15.603	15.444

Disclosure Section

1. GENERAL DISCLAIMER

This report has been produced by the research department (“Genial Institucional Research”) of Genial Institucional Corretora de Câmbio, Títulos e Valores Mobiliários S.A. (“GENIAL INSTITUTIONAL CCTVM”). Genial Institucional is a brand name of Genial Investimentos CCTVM.

Genial Rating

	Definition	Coverage
Buy	Expected return above +10% in relation to the Company's sector average	49%
Neutral	Expected return between +10% and -10% relative to the Company's industry average	41%
Sell	Expected return below -10% in relation to the Company's sector average	5%
under Review	Under review	5%

This report may not be reproduced or redistributed to any other person, in whole or in part, for any purpose, without the prior written consent of GENIAL INSTITUTIONAL CCTVM. GENIAL INSTITUTIONAL CCTVM accepts no liability whatsoever for the actions of third parties in this respect.

This research report is for distribution only under such circumstances as may be permitted by applicable law. This research report has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient, even if sent only to a single recipient. This research report is not guaranteed to be a complete statement or summary of any securities, markets, reports or developments referred to in this research report. Neither GENIAL INSTITUTIONAL CCTVM nor any of its directors, officers, employees or agents shall have any liability, however arising, for any error, inaccuracy or incompleteness of fact or opinion in this research report or lack of care in this research report’s preparation or publication, or any losses or damages which may arise from the use of this research report

GENIAL INSTITUTIONAL CCTVM may rely on information barriers, such as “Chinese Walls” to control the flow of information within the areas, units, divisions, groups, or affiliates of GENIAL INSTITUTIONAL CCTVM.

Investing in any non-U.S. securities or related financial instruments (including ADRs) discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the United States.

The value of any investment or income from any securities or related financial instruments discussed in this research report denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

Past performance is not necessarily a guide to future performance and no representation or warranty, express or implied, is made by GENIAL INSTITUTIONAL CCTVM with respect to future performance. Income from investments may fluctuate. The price or value of the investments to which this research report relates, either directly or indirectly, may fall or rise against the interest of investors. Any recommendation or opinion contained in this research report may become outdated as a consequence of changes in the environment in which the issuer of the securities under analysis operates, in addition to changes in the estimates and forecasts, assumptions and valuation methodology used herein.

The locally listed shares of Brazilian companies may only be purchased by investors outside of Brazil who are “eligible investors” within the meaning of applicable laws and regulations.

2. ANALYST(S) DISCLOSURES AND CERTIFICATION

The principal analyst, IGOR GUEDES, is responsible for the content of this report and for meeting the requirements of Securities and Exchange Commission of Brazil (CVM) Instruction 598/2018.

The analysts hereby certify that the views expressed in this research report accurately reflect their personal views about the subject securities or issuers and it was prepared in an independent manner, including with respect to the person and to GENIAL INSTITUTIONAL.

The analyst hereby certifies that he (she) has no connection with any individual who works for the issuer(s) discussed in this report.

The analyst hereby certifies that he (she), or his (her) spouse or companion, either directly or indirectly, in his or her own name or on behalf of a third party, does not hold any of the securities covered in this report.

The analyst hereby certifies that he (she), or his (her) spouse or companion, is not directly or indirectly involved in the purchase, disposal or brokering of the securities covered in this report.

The analyst hereby certifies that he (she), or the his (her) spouse or companion, has no direct or indirect financial interest in the issuer covered in this report (other than trading shares in investment funds, in which the analyst cannot control, directly or indirectly, the administration or management of the fund, or which do not concentrate investments in sectors or companies that are covered by reports produced by the analyst).

The analyst's compensation is, directly or indirectly, determined by income from GENIAL INSTITUTIONAL's business and financial operations.

In addition, the analysts certify that no part of their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

The compensation of the analyst who prepared this report is determined by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking revenues, however, compensation may relate to the revenues of GENIAL INSTITUTIONAL CCTVM, its affiliates and/or subsidiaries as a whole, of which investment banking, sales and trading are a part. Compensation paid to analysts is the sole responsibility of GENIAL INSTITUTIONAL CCTVM.

The analyst hereby certifies that he (she), or his (her) spouse or companion, does not serve as an officer, director, or advisory board member of the subject company.

The principal analyst is responsible for the content of this report and for meeting the requirements of Securities and Exchange Commission of Brazil (CVM) Instruction 598/2018.

Unless otherwise stated, the individuals listed on the cover page of this report are research analysts.

3. ADDITIONAL DISCLOSURE

- (i) This document was prepared by GENIAL INSTITUTIONAL Research and is hereby supplied for the sole purpose of providing information about companies and their securities.
- (ii) The information contained herein is provided for informational purposes only and does not constitute an offer to buy or sell, and should not be construed as a solicitation to acquire, any securities in any jurisdiction. The opinions expressed herein regarding the purchase, sale or holding of securities, or with respect to the weighting of such securities in a real or hypothetical portfolio, are based on careful analysis by the analysts who prepared this report and should not be construed by current or future investors as recommendations for any particular investment decision or action. The investor's final decision should be made considering all of the risks and fees involved. This report is based on information obtained from primary or secondary public sources, or directly from companies, and is combined with estimates and calculations prepared by GENIAL INSTITUTIONAL CCTVM. This report does not purport to be a complete statement of all material facts related to any company, industry, security or market strategy mentioned. The information has been obtained from sources believed to be reliable, but GENIAL INSTITUTIONAL CCTVM does not make any express or implied representation or warranty as to the completeness, reliability or accuracy of such information. The information, opinions, estimates and projections contained in this document are based on current data and are subject to change. Prices and availability of financial instruments are indicative only and subject to change without notice. GENIAL INSTITUTIONAL CCTVM is under no obligation to update or revise this document or to advise of any changes in such data.
- (iii) The securities discussed in this report, as well as the opinions and recommendations contained herein, may not be appropriate for every type of investor. This report does not take into account the investments objectives, financial situation or particular needs of any particular investor. Investors who wish to buy, sell or invest in securities that are covered in this report should seek independent financial advice that takes individual characteristics and needs into consideration, before making any investment decision with respect to the securities in question. Each investor should make independent investment decisions after carefully analyzing the risks, fees and commissions involved. If a financial instrument is denominated in a currency other than an investor's currency, changes in exchange rates may adversely affect the price or value of, or the income derived from the financial instrument, and the reader of this report assumes all foreign exchange risks. Income from financial instruments may vary, and therefore their price or value may rise or fall, either directly or indirectly. The information, opinions and recommendations contained in this report do not constitute and should not be interpreted as a promise or guarantee of a particular return on any investment. Past performance does not necessarily indicate future results, and no representation or warranty, express or implied, is made herein regarding future performance. Therefore, GENIAL INSTITUTIONAL CCTVM, its affiliated companies, and the analysts involved in this report take no responsibility for any direct, indirect or consequential loss resulting from the use of the information contained in this report, and anyone using this report undertakes to irrevocably indemnify GENIAL INSTITUTIONAL CCTVM and its affiliates from any claims and demands.
- (iv) Prices in this report are believed to be reliable as of the date on which this report was issued and are derived from one or more of the following: (i) sources as expressly specified alongside the relevant data; (ii) the quoted price on the main regulated market for the security in question; (iii) other public sources believed to be reliable; or (iv) GENIAL INSTITUTIONAL CCTVM's proprietary data or data available to GENIAL INSTITUTIONAL CCTVM.

- (v) No representation or warranty, either express or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein, except with respect to information concerning GENIAL INSTITUTIONAL CCTVM, its subsidiaries and affiliates. In all cases, investors should conduct their own investigation and analysis of such information before taking or omitting to take any action in relation to securities or markets that are analyzed in this report.
- (vi) GENIAL INSTITUTIONAL CCTVM makes no representations herein that investors will obtain profits. GENIAL INSTITUTIONAL CCTVM will not share with investors any investment profits nor accept any liability for any investment losses. Investments involve risks and investors should exercise prudence in making their investment decisions. GENIAL INSTITUTIONAL CCTVM accepts no fiduciary duties on behalf of recipients of this report and in communicating this report is not acting in a fiduciary capacity. This report is not to be relied upon in substitution for the exercise of recipient's independent judgment. Opinions, estimates, and projections expressed herein constitute the current judgment of the analyst responsible for the substance of this report as of the date on which the report was issued and are therefore subject to change without notice and may differ or be contrary to opinions expressed by other business areas or groups of GENIAL INSTITUTIONAL CCTVM as a result of using different assumptions and criteria. The information, opinions and recommendations contained in this report do not constitute and should not be interpreted as a promise or guarantee of a particular return on any investment.
- (vii) Because the personal views of analysts may differ from one another, GENIAL INSTITUTIONAL CCTVM, its subsidiaries and affiliates may have issued or may issue reports that are inconsistent with, and/or reach different conclusions from, the information presented herein. Any such opinions, estimates, and projections must not be construed as a representation that the matters referred to therein will occur. Prices and availability of financial instruments are indicative only and subject to change without notice. Income from financial instruments may vary, and therefore their price or value may rise or fall, either directly or indirectly.
- (viii) This document may not be: (a) photocopied or duplicated in any manner, in whole or in part, and/or (b) distributed without GENIAL INSTITUTIONAL CCTVM's prior written consent. GENIAL INSTITUTIONAL CCTVM accepts no liability whatsoever for the actions of third parties in this respect.
- (ix) Neither GENIAL INSTITUTIONAL CCTVM nor any of its affiliates, nor any of their respective directors, employees or agents, accepts any liability for any loss or damage arising out of the use of all or any part of this report.
- (x) GENIAL INSTITUTIONAL CCTVM (or its affiliates, officers, directors or employees) may, to the extent permitted by law, have acted upon or used the information herein contained before the publication of this report and may have a position in securities issued by the companies mentioned herein and may make a market or act as a principal in any transactions in any such securities. Genial Institucional may from time to time perform investment banking or other services to, or solicit investment banking or other business from, the companies mentioned herein.

4. IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by Genial Institucional CCTVM, a company authorized to engage in securities activities in Brazil. Genial Institucional CCTVM is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to “major U.S. institutional investors” in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”) and is not being provided pursuant to a soft-dollar arrangement.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through Auerbach Grayson & Company LLC ("AGCO"), a registered broker dealer in the United States with an office at 20 West 55th Street New York, NY 10019, (212) 453-3523 . Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through Genial Institucional CCTVM.

If the report is to be distributed to anyone other than Major U.S. Institutional Investors in the United States. AGCO accepts responsibility for the contents of this report as provided for in relevant SEC releases and SEC staff no-action letters.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority (“FINRA”) and may not be an associated person at Auerbach Grayson & Company LLC ("AGCO") and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

The disclosures contained in research reports produced by GENIAL INSTITUTIONAL CCTVM and distributed by Auerbach Grayson & Company LLC ("AGCO") in the U.S. shall be governed by and construed in accordance with U.S. law. This report may not be reproduced or redistributed to any other person, in whole or in part, for any purpose, without the prior written consent of GENIAL INSTITUTIONAL CCTVM. Additional information relative to the financial instruments discussed in this report is available upon request.

UK Disclaimer:

(i) This document is STRICTLY CONFIDENTIAL to the recipient, may not be distributed to the press or other media and may not be reproduced in any form. this document is directed only at persons who are “INVESTMENT PROFESSIONALS” falling within article 19(5) of the FSMA 2000 (FINANCIAL PROMOTION) ORDER 2005, or HIGH NET WORTH BODIES falling within ARTICLE 49(2) of that order (together THE “RELEVANT PERSONS”). This document must not be acted on or relied on by persons who are not RELEVANT PERSONS.

(ii) The distribution of this document in other jurisdictions may be restricted by law and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the laws of any such other jurisdiction.

Copyright 2024 GENIAL INSTITUTIONAL CCTVM