KLABIN

4Q24 Review: Integration weighs, leverage rises, and pulp helps

LatAm Pulp & Paper

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Company

KLBN11 BZ Equity
Buy

Price: R$ 20.51 (26-Feb-2025)
Target Price 12M: R$ 27.00

(i) Kraftliner: Shipments of **137kt**, growth of +2.8% q/q and +38.1% y/y, driven by demand recovery and PM28 ramp-up; **(ii)** Price of **R$4,285/t**, up +12.6% q/q, exceeding expectations due to stronger-than-expected price adjustments; **(iii) Paperboard**: Sales of **203kt**, down -1.9% q/q, but up +2.7% y/y, driven by sustainable packaging and higher beverage consumption; **(iv)** Price of **R$5,533/t**, up **+1.5% q/q**. **(v)** Corrugated Boxes: Sales of **234kt**, up +3% q/q and +8.7% y/y, supported by export demand and the Figueira Project; **(vi)** Price of **R$5,973/t** (-0.1% vs. Genial Est.), up +3% q/q. **(vii) Industrial Bags**: Shipments of **40kt**, up +14.6% q/q and +25.7% y/y, driven by the construction sector; **(viii)** Price of R$9,060/t (-0.5% vs. Genial Est.), stable at -0.1% q/q. **(ix) BHKP** shipments of **291kt**, strong recovery of **+30.1% q/q**, but down **-2.4% y/y**; **(x)** BHKP price at **R$3,558/t**, down **-13.9% q/q**; **(xi)** BSKP + Fluff price at **R$5,592/t**, up **+0.1% q/q**. **(xii)** Consolidated **Net revenue** of **R$5.3bn** (+3.1% vs. Genial Est.), up +5.4% q/q and **+17.1% y/y**; **(xiii)** COGS/t of pulp ex-downtime at **R$1,172/t** (-1.8% vs. Genial Est.), up +1.3% q/q and down **-**11.1% y/y, due to **(xiv)** FX pressure (USD/BRL), offset by fixed cost dilution with volume expansion; **(xv) COGS/t of pulp incl. stoppages** at **R$1,201/t** (-19.6% vs. Genial Est.), down -29.1% q/q and -8.9% y/y, benefiting from synergies from the **Caetê Project** and process optimization. **(xvi) EBITDA** at **R$1.8bn** (-3.1% vs. Genial Est.), up **+1% q/q** and **+8.3% y/y**; **(xvii) Paper & packaging underperformed**, with EBITDA at **R$1bn** (-18.7% vs. Genial Est.), down -6.4% q/q and -8.6% y/y, **impacted by integration costs**, and SG&A; **(xviii) Pulp outperformed** expectations, with EBITDA at **R$796mn** (+11.5% vs. Genial Est.), up **+12.5% q/q** and **+60.7% y/y**, driven by higher volume after the **Ortigueira (PR) restart**, despite lower prices; **(xix)** Integration costs for the paper & packaging unit were **higher than expected**; **(x)** We reiterate our **BUY rating**, with a **12M Target Price of R$27.00**, representing an **upside** of **+32.2%**.

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

(Thousand Tonnes - kt)	Reported	Genial Est.		Reported		Reported	
Summary (Shipments)	**4Q24A**	**4Q24E**	**% R/E**	**3Q24A**	**% q/q**	**4Q23A**	**% y/y**
Kraftliner	137	136	**0,8%**	133	**2,8%**	99	**38,1%**
Paperboard	203	201	**1,0%**	207	**-1,9%**	198	**2,7%**
Corrugated boxes	234	228	**2,9%**	236	**-0,7%**	215	**8,7%**
Industrial Bags	40	39	**2,7%**	35	**14,6%**	32	**25,7%**
BHKP Pulp	291	272	**6,9%**	224	**30,1%**	298	**-2,4%**
BSKP + Fluff Pulp	109	110	**-0,8%**	98	**11,4%**	114	**-4,6%**

Source: Genial Investimentos, Klabin

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

(R$ millions)	Reported	Genial Est.		Reported		Reported	
Income Statement	**4Q24A**	**4Q24E**	**% R/E**	**3Q24A**	**% q/q**	**4Q23A**	**% y/y**
Net Revenue	5.268	5.112	**3,1%**	4.999	**5,4%**	4.500	**17,1%**
Adjusted EBITDA	1.823	1.881	**-3,1%**	1.805	**1,0%**	1.683	**8,3%**
Net Income	543	400	**35,8%**	729	**-25,5%**	375	**44,8%**

Source: Genial Investimentos, Klabin

Klabin released its **4Q24 results** on **February 26**, showing a positive performance on several operational fronts. **Realized prices** for kraftliner (+12.6% q/q), paperboard (+1.5% q/q) and corrugated boxes (+3.0% q/q) **were in line with or above our expectations**, driven by resilient demand in the **packaging segment** and a more favorable sales mix. All product lines **increased shipments y/y**, especially kraftliner, which benefited from the **PM28 ramp-up**. However, with the exception of kraftliner, **volumes showed a moderate q/q slowdown**, reflecting seasonal effects between 3Qs and 4Qs and the expected impact of the maintenance stoppage at Monte Alegre (PR).

In the **Pulp division**, shipments of **BHKP** (+6.9% vs. Genial Est.; +30.1% q/q) **exceeded our estimates**, while BSKP + Fluff advanced +11.4% q/q (+0.8% vs. Genial Est.) driven by stable demand for fibers in most of the company's exposure segments **after last quarter's maintenance stoppages**, especially in Ortigueira (PR). However, **realized prices fell sharply**, with **BHKP** down -13.9% q/q (-7.1% vs. Genial Est.), reflecting not only the downward trend in the reference curve (-12.3% q/q), given the expected entry of new capacity into the market, but also additional pressure, possibly linked to hedge accounting effects. On the other hand, **BSKP + Fluff** prices (+0.1% q/q; +3.2% vs. Genial Est.) **showed greater resilience**, sustained by the curve pricing differential in Europe and positive adjustments to the sales mix.

These factors resulted in consolidated **Net Revenue** of **R$5.3bn** (+3.1% vs. Genial Est.), up +5.4% q/q and +17.1% y/y, driven by the good performance of paper sales and the resumption of pulp shipments. **COGS/t of pulp ex. stoppages** stood at **R$1,172/t** (-1.8% vs. Genial Est.), with a gentle rise of +1.3% q/q, but down -11.1% y/y, showing **(i)** greater optimization of processes, **(ii)** lower losses in chemical consumption and **(iii)** greater dilution of fixed costs vs. Genial Est. **Pulp COGS/t incl. stoppages** was reported at **R$1,201/t** (-19.6% vs. Genial Est.), a compression of -29.1% q/q and -8.9% y/y, benefiting from the **capture of synergies** from the **Caetê Project** y/y and a lower than expected maintenance stoppage cost (R$30/t) helping the sequential movement. However, the **cost of integration** with the **paper & packaging business** was **higher than expected**, reducing the profitability we anticipated for the segment.

Consolidated **adjusted EBITDA** have clocked in at **R$1.8bn** (-3.1% vs. Genial Est.), **basically flat q/q and in line with consensus**, up +1.0% q/q and +8.3% y/y, with Pulp segment standing out, which surprised positively (+11.5% vs. Genial Est.), offsetting a weaker result in the Paper & Packaging segment (-18.7% vs. Genial Est.) impacted by higher integrated costs. **Net income** reached **R$543mn** (+35.8% vs. Genial Est.), down -25.5% q/q and up +44.8% y/y, reflecting greater pressure from financial expenses and exchange rate variations, although better than we had expected.

4Q24 Review: In detail!

Kraftliner: Slightly better volume, price increase surpasses expectations. The company reported Kraftliner shipments of 137Kt (+0.8% vs. Genial Est.), reflecting +2.8% q/q growth and a strong annual acceleration of +38.1% y/y. This performance is primarily attributed to **(i)** the gradual demand recovery and operational mix adjustments, signaling a marginal improvement in logistical bottlenecks that still constrain more significant volume expansions, combined with **(ii)** the PM28 ramp-up.

Realized price came in at R$4,285/t (+7.2% vs. Genial Est.), marking a sharp increase of +12.6% q/q and +26.0% y/y. The upside vs. our estimates occurred because **(iii)** we expected price adjustments implemented throughout 2024 to be partially limited due to old orders in the backlog, processed before some price hikes. On the other hand, **(iv)** the reduction in carry-over effects in the quarter was stronger than anticipated, enabling a more effective capture of previously announced price increases. The company is executing its strategy of prioritizing kraftliner over paperboard in the PM28 ramp-up, as restrictions on gradually shifting production to paperboard remain due to pending certifications.

Paperboard: Sales slow due to seasonality; prices rise slightly due to mix. In the paperboard segment, sales totaled 203Kt (+1% vs. Genial Est.), reflecting a slight deceleration of -1.9% q/q but still expanding +2.7% y/y, driven, in our view, by **(i)** the ongoing gradual transition of PM28 to paperboard production. This transition remains prolonged due to pending customer certifications. We highlight **(ii)** the growing demand for sustainable packaging, driven by the replacement of single-use plastics with recyclable solutions, and **(iii)** increased beverage consumption, especially beer, due to year-end festivities and the start of the summer season in Brazil. We believe the market remains favorable, but this momentum was only partially captured due to the lack of significant additional volume from PM28. Regarding price realization, the company reached R$5,533/t (+1% vs. Genial Est.), slightly improving sequentially, rising +1.5% q/q due to a better mix, and remaining virtually flat y/y (-0.4%). Despite the moderate price gains, we believe the company could seize additional pricing opportunities as more paperboard grades are certified and the continued PM28 ramp-up gains traction in 2025E.

Corrugated Boxes: Slight sequential improvement above estimates. Sales of corrugated boxes totaled 234Kt (+2.9% vs. Genial Est.), recording a growth of +3% q/q and +8.7% y/y, supported by **(i)** strong seasonal demand in export fruit segments, proteins, mainly beef, and hygiene products, reinforcing the resilience of packaging demand, especially in essential goods consumption and the increase in protein exports, which reached records in 2024, driven by favorable exchange rates, and **(ii)** the positive impact of the Figueira Project, driven by the ramp-up of the conversion plant in Piracicaba (SP), as well as **(iii)** incremental demand for durable goods due to year-end festivities, not fully absorbed in 3Q. The realized price was R$5,973/t (-0.1% vs. Genial Est.), showing an increase of +3% q/q and +2.6% y/y, consistent with our previous view of a price hike driven by a more premium product mix and previously implemented price adjustments. It's important to note that the SELIC rate hike to around 15% could eventually impact durable goods consumption in 1H25, which should be closely monitored to assess whether this trend persists throughout the year.

Industrial bags: Shipments rise, prices stable. Shipments totaled 40Kt (+2.7% vs. Genial Est.), with a strong acceleration of +14.6% q/q and +25.7% y/y, reflecting increased activity in the construction sector and higher cement shipments in the domestic market (+4.2% y/y, according to SNIC), in line with our total volume projection for 2024, close to 2023 levels (~142Ktpa) of operational usage, nearing the company's maximum capacity. Price realization reached R$9,060/t (-0.5% vs. Genial Est.), with a slight change of -0.1% q/q and +0.2% y/y, reflecting the influence of **(i)** carry-over and **(ii)** demand, which, while stronger, still lacks the strength to support more significant price increases. As such, we continue to expect prices to follow inflation in 2025E, with greater predictability in margin capture, supported by a more favorable environment in the construction sector and stable demand in other markets, such as food and animal nutrition.

Pulp: BHKP shipments offset BSKP; the reverse for prices. BHKP shipments totaled 291Kt (+6.9% vs. Genial Est.), reflecting a strong recovery of +30.1% q/q, but still showing a slight decline of -2.4% y/y, driven, as expected, by the normalization of production at the Ortigueira (PR) and Correa Pinto (SC) units, which were halted for maintenance in the previous quarter, in addition to the gradual improvement in logistical bottlenecks. For BSKP + Fluff, shipments were 109Kt (-0.8% vs. Genial Est.), showing growth of +11.4% q/q but a decline of -4.6% y/y.

The realized price for BHKP was reported at R$3,558/t (-7.1% vs. Genial Est.), reflecting a decrease of -13.9% q/q, but still up +23% y/y, due to the steeper price drop in 2023 compared to 2024, weakening the y/y base. However, the sequential drop was stronger than expected. The **(i)** pressure from the slowdown in the Chinese market and **(iv)** the sharp contraction in global reference prices (-12.3% q/q) due to the entry of significant supply capacity created a notable price drop q/q. Interestingly, the price drop realized (-13.9% q/q) was greater than the drop observed in the BHKP curve in China in USD (-12.3% q/q), yet we didn't see any mitigating effect from the acceleration of the USD/BRL exchange rate. We believe a possible explanation is related to hedge accounting methods. For BSKP + Fluff, the realized price was reported at R$5,592/t (+3.2% vs. Genial Est.), with a slight increase of +0.1% q/q and a significant rise of +24.9% y/y, influenced by **(vi)** alignment with the European curve, due to the price spread vs. China, and **(vii)** positive adjustments in the sales mix.

Net Revenue with positive surprise and recovery in shipments. Consolidated net revenue came in at R$5.3bn (+3.1% vs. Genial Est.), representing a +5.4% q/q increase and a strong +17.1% y/y growth, with advances across all business units. The paper segment contributed R$1.7bn (+4.1% vs. Genial Est.), showing a +4.7% q/q and +19.2% y/y acceleration, mainly driven by strong Kraftliner performance. In the packaging division, revenue was R$1.8bn (+2.4% vs. Genial Est.), increasing +4.1% q/q and +13.8% y/y, supported by growth in total sales, which reached 274Kt (+2.8% vs. Genial Est.) due to favorable market conditions in the 4Q. Finally, the pulp segment reported revenue of R$1.7bn (+0.4% vs. Genial Est.), with a +11.8% q/q and +19.7% y/y increase, explained by the strong total shipments reaching 400Kt (+4.7% vs. Genial Est.) and higher prices in BSKP + Fluff (+3.2% vs. Genial Est.).

Table 3. Net Revenue Klabin (4Q24 vs. Genial Est.)

(R$ Millions)	4Q24A Reported	4Q24E Genial Est.	3Q24A Reported	% q/q	4Q23A Reported	% y/y
Net Revenue	**5.268**	**5.112**	**4.999**	**5,4%**	**4.500**	**17,1%**
Paper	1.712	1.645	1.635	4,7%	1.436	19,2%
Packaging	1.755	1.714	1.686	4,1%	1.542	13,8%
Pulp	1.644	1.638	1.471	11,8%	1.373	19,7%
Wood	145	47	128	13,6%	46	218,3%
Others	13	67	79	-83,6%	103	-87,4%

Source: Genial Investimentos, Klabin

COGS/t: Fixed cost dilution in progress, but integration expenses increase. Pulp COGS/t ex. downtimes were R$1,172/t (-1.8% vs. Genial Est.), up +1.3% q/q and down -11.1% y/y, aligning with our prior assumptions of a moderate sequential increase. This was driven by **(i)** FX pressure on the USD/BRL rate, mainly affecting USD-priced chemical inputs, which offset **(ii)** the fixed cost dilution effect from higher pulp volumes (+24.4% q/q; +4.7% vs. Genial Est.) and **(iii)** excess energy generation. The only expected mitigating factor that did not materialize was **(iv)** wood costs (+7.4% vs. Genial Est.).

On the other hand, pulp COGS/t including downtimes reached R$1,201/t (-19.6% vs. Genial Est.), a drop of -29.1% q/q and -8.9% y/y, mainly benefiting from synergies captured through the Caetê Project, which reduced fiber costs (-R$149/t vs. 4Q23). Additionally, process optimization and lower chemical consumption losses, combined with lower caustic soda prices over 9M24, more than offset the higher fuel costs. This quarter’s maintenance downtime costs in Monte Alegre (PR) were R$30/t, well below our expectations, explaining the larger variance vs. our estimates. However, integration costs for the paper & packaging business exceeded expectations, impacting on the division’s profitability.

EBITDA: Pulp division surprises, Paper and Packaging disappoint. The consolidated adjusted EBITDA was reported at R$1.8bn (-3.1% vs. Genial Est.), with a slight increase of +1% q/q and an impressive +8.3% y/y growth. The modest sequential increase is explained by **(i)** the impact of service inflation, acceleration of the USD/BRL exchange rate on the cost base, higher freight expenses, IT services, consulting, and increased scope (Figueira and Caetê Projects). Contrary to expectations, the Paper & Packaging segment was not the main driver of the result, reaching R$1bn (-18.7% vs. Genial Est.), with a decline of -6.4% q/q and -8.6% y/y. The number was negatively impacted by higher variable costs and SG&A expenses, which offset the improvement in the top line during the period. The Pulp unit registered an EBITDA of R$796mn (+11.5% vs. Genial Est.), advancing +12.5% q/q and an impressive +60.7% y/y, reflecting the sequential volume increase after the resumption of activities in Ortigueira (PR), which more than offset the sequential price decline, partially differing from our expectations.

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

(R$ Millions)	4Q24A Reported	4Q24E Genial Est.	3Q24A Reported	% q/q	4Q23A Reported	% y/y
Adjusted EBITDA	**1.823**	**1.881**	**1.805**	**1,0%**	**1.683**	**8,3%**
Paper & Packaging	1.027	1.263	1.098	-6,4%	1.124	-8,6%
Pulp	796	714	708	12,5%	495	60,7%

Source: Genial Investimentos, Klabin

Net Income higher than expected. The company reported a net income of R$543mn (+35% vs. Genial Est.), a decrease of -25.5% q/q but a significant increase of +44.8% y/y, mainly driven by **(i)** higher financial expenses related to the fair value adjustment of USD-denominated debt (87% of total debt), impacted by the acceleration of the USD/BRL exchange rate (-R$181mn vs. R$64mn in 3Q24). Additionally, financial revenues reached R$146m (-50% y/y), explained by the lower cash balance (R$7.5bn in 4Q24 vs. R$10.7bn in 4Q23), and financial expenses amounted to R$848m (+53% q/q), driven by the higher gross debt balance at the end of 2024 (R$40.8bn; +R$3.8bn vs. 3Q24) and the higher cost of debt in local currency (10.1% q/q; +0.9p.p y/y).

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

(R$ Millions)	4Q24A Reported	4Q24E Genial Est.	3Q24A Reported	% q/q	4Q23A Reported	% y/y
Net Revenue	**5.268**	**5.112**	**4.999**	**5,4%**	**4.500**	**17,1%**
COGS	(3.688)	(3.193)	(3.468)	6,3%	(3.181)	15,9%
Adjusted EBITDA	**1.823**	**1.881**	**1.805**	**1,0%**	**1.683**	**8,3%**
EBITDA Margin (%)	34,6%	36,8%	36,1%	-1,51p.p	37,4%	-2,79p.p
EBIT	**1.260**	**1.088**	**1.220**	**3,3%**	**866**	**45,6%**
EBIT Margin (%)	23,9%	21,3%	24,4%	-0,49p.p	19,2%	4,68p.p
D&A	(1.094)	(1.161)	(1.014)	7,9%	(953)	14,9%
Financial Result	(884)	(570)	(403)	119,3%	(324)	172,6%
Net Income	**543**	**400**	**729**	**-25,5%**	**375**	**44,8%**
Net Margin (%)	10,3%	7,8%	14,6%	-4,28p.p	8,3%	1,97p.p

Source: Genial Investimentos, Klabin

Our Take on Klabin

For 2025, we expect deceleration in some segments, with resilience in others. The outlook for 2025 indicates a mixed scenario across the company's various segments. In the **(i) corrugated boxes** market, we believe demand will remain strong for essential sectors—such as food and daily consumer products—even in the face of risks from reduced demand for durable goods (appliances and electronics, for example) due to the acceleration of the SELIC rate, which may lead to a contraction in credit supply. In contrast, for the **(ii) industrial bags** segment, we project slight growth in both volume and price, driven by the recovery observed in the cement and construction sectors in 2H24, a trend that may extend into 2025E, supported by increased infrastructure activity and the sequencing of the Minha Casa, Minha Vida (MCMV) program, which is less dependent on interest rates.

As for **(iii) Paperboard**, the company will continue focusing on the approval of new specific grades throughout 2025, which will likely lead to higher prices as these products are less commoditized and more tailored to clients, particularly in the food industry. For **(iv) Kraftliner**, we expect continued positive performance, with price stabilization following successive increases in 2H24. It is important to note that we should see the realized price increase both in 4Q24 and 1Q25 due to the carry-over effect, as a portion of sales will still be made at outdated prices, agreed upon before several rounds of price rises.

Pulp: We have hit the bottom of this cycle, recovery signs on the horizon. Price volatility in pulp intensified in 2H24, especially in BHKP, reflecting the deterioration of margins for Chinese paper manufacturers, notably in the tissue segment, as well as the entry of new production capacities. The startup of Suzano's **Cerrado Project** in Ribas do Rio Pardo (MS) and the new integrated line at **Liansheng** in Zhangpu (China) added approximately 4Mtpa to the market, reigniting concerns about oversupply, which exerted strong downward pressure on prices between 3Q24-4Q24. However, at the beginning of 2025, the commodity was surprised with an unexpected recovery in prices. Thus, we project stabilization of **BHKP China** around **US$570/t** in April, advancing to **US$630/t** (Genial Est.) by 2Q25, supported by a gradual demand recovery and potential capacity cuts in outdated plants by global players—though the sustainability of this trend will need to be monitored. We believe the floor for this cycle was reached in December, at **US$550/t**. In the case of **BSKP Europe**, the spread against BHKP has been narrowing in recent months, but we see room for recovery in 2H25, driven by reduced supply of long fiber and high costs in the paper industry in the US and Europe, factors that are likely to sustain a positive realignment of prices.

USD/BRL Fx rate heading back up. The -7% YTD depreciation of the USD/BRL exchange rate reinforces our expectation that volatility may increase throughout 2025. Recently, the exchange rate has started to rise again, up about +1.8% in ~10 days, ending a consistent downward trend since January. As mentioned earlier, Brazil began the year amid the parliamentary recess, and potential fiscal and political developments could reignite pressures on the currency. Given this context, we forecast a reversal in the exchange rate trajectory, with USD/BRL fluctuating near **R$6.00 in 1H25**, directly impacting export competitiveness. As a result, the **pulp** and **Kraftliner** markets are likely to feel the effects of this dynamic, reflecting in the company's consolidated operating margin. On the external front, lower-than-expected announcements regarding new tariffs under the Trump administration have alleviated inflationary expectations in the US. However, risks associated with fiscal expansion and uncontrolled debt trajectory remain due to the intensification of public policies in Brazil.

Leverage in BRL is rising but remains flat in USD. Leverage, which we believed would fall slightly to 4x Net Debt/EBITDA in BRL in 4Q24 (vs. 4.1x in 3Q24), reached 3.7x in USD. However, the influence of the appreciation of the USD/BRL Fx rate on gross debt ended up increasing leverage to 4**.5x Net Debt/EBITDA** in **BRL**, accelerating the indicator compared to what we expected, since we underestimated this effect in our model. However, leverage ended up **remaining** at **3.9x in USD** (+0.2x vs. Genial Est.), at the same level vs. 3Q24, even though EBITDA rose +8.3% y/y, helping to improve the LTM indicator.

Looking ahead, we continue to expect a deleveraging path but now heading down to **3.5x Net Debt/EBITDA 25E** in **USD** (vs. 3.3x Est. previous), leading to a **-0.5x reduction** over the **next 12M**.

FCFE showed mild burn. The company reported an FCFE burn of **-R$8mn** in 4Q24 (ex-Project Caetê), with a CAPEX outflow of -R$794mn (vs. R$733mn Genial Est.) in the quarter. The increase, due to a slight deviation in CAPEX, explains part of our expectation for a slightly positive FCFE, as anticipated in our preview. Still, we had previously warned that **FCFE would remain under pressure**, with a more elastic improvement expected only in 1Q25. The mild cash flow burn in the quarter was driven by **(i)** higher tax payments, fueled by net income growth above our expectations, and **(ii)** FX impact on interest payments of foreign currency debt, leading to an outflow of -R$624mn (-5.2% Genial Est.), up +87% q/q, exactly as we expected. Considering the disbursement of **-R$6.3bn** in 3Q24 and **-R$26mn** in 4Q24 for Project Caetê, the annual FCFE burn reached **-R$6bn**.

Dividends are higher than expected, in line with the middle range of the new policy. Klabin announced **(i)** JCP (equity interest) of **R$0.21/share** (unit) on December 11, payable on March 12, and **(ii)** a dividend of **R$0.04/share** (unit) today, payable on March 14. This distribution amounted to 16.6% of Adjusted EBITDA for 4Q24, contrary to our expectation that the company would pay out at the low end of the new policy (10-20% of Adjusted EBITDA). This explains why the company reported a **2024 dividend yield** above our expectation, at **6.1%** (+0.4pp y/y). We believe **it would have been more prudent for the company to have paid at the low end of the policy,** considering that the **FCFE is still under pressure in the short term**, and the leverage in BRL has jumped more than we anticipated.

Integration weights, leverage rises, and pulp helps. In 4Q24, the company was able to overcome the increase in nominal COGS in the Paper and Packaging segment by expanding shipments in Pulp (+24.4% t/t; +4.7% vs. Genial Est.), even during a period of strong pressure on prices, especially in BHKP (-13.9% t/t), for example. **This ended up allowing the impacts of the company's higher nominal COGS to be mitigated** (+15.5% vs. Genial Est.), which was driven by higher-than-expected integration costs. As already mentioned, we expect a mixed scenario for **2025**, with **moderate growth in some segments and challenges in others.** The **USD/BRL exchange rate has risen again recently**, ending a downward trend since January, and we expect it to reach **~R$6.00** in **1H25**, which should **increase the competitiveness of exports** and **have a positive impact on Klabin's profitability**, especially in Pulp and Kraftliner.

In financial terms, **leverage in BRL rose more than expected**, **ending 4Q24 at 4.5x Net Debt/EBITDA**, influenced by the appreciation of the exchange rate. However, the indicator in **USD remained stable at 3.9x**, reflecting the positive impact of operating cash generation and contributing to a **gradual reduction to 3.5x in 2025E**, as the company continues to focus on deleveraging. As a relief, we expect the **(i)** resumption of **FCFE** generation of **R$4.4bn 25E**, supported by the addition of +R$1.8b from the Plateau project, added to the **(ii) deleveraging trajectory**, which even though it has risen in BRL, was precisely due to an **exchange rate effect**. Given this scenario, we reiterate our **BUY rating**, with a **12M Target Price** of **R$27.00**, representing an **upside** of **+32.2%.**

Appendix: Klabin

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

Income Statement	2024E	2025E	2026E	2027E	2028E
Net Revenue	**19.489**	**20.909**	**22.128**	**22.465**	**22.698**
(-) COGS	(12.848)	(13.821)	(14.190)	(14.562)	(14.813)
Gross Profit	**7.569**	**8.556**	**8.816**	**8.747**	**8.555**
(-) Expenses	(3.259)	(5.199)	(5.210)	(4.691)	(4.408)
Adjusted EBITDA	**7.397**	**7.082**	**7.049**	**7.009**	**7.391**
(-) D&A	(4.021)	(5.494)	(4.322)	(3.797)	(3.915)
EBIT	**4.301**	**3.357**	**3.606**	**4.056**	**4.147**
(+/-) Financial Result	(1.914)	(908)	(1.094)	(1.041)	(569)
(-) Taxes	(493)	(532)	(546)	(386)	(455)
Net income	**1.908**	**1.932**	**1.981**	**2.643**	**3.137**
Profitability					
Net margin (%)	9,79%	9,24%	8,95%	11,77%	13,82%

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

Cash Flow (FCFF)	2024E	2025E	2026E	2027E	2028E
Net Revenue	**19.489**	**20.909**	**22.128**	**22.465**	**22.698**
(-) COGS	(12.848)	(13.821)	(14.190)	(14.562)	(14.813)
Adjusted EBITDA	**7.397**	**7.082**	**7.049**	**7.009**	**7.391**
EBIT	**4.301**	**3.357**	**3.606**	**4.056**	**4.147**
(-) Taxes	(493)	(532)	(546)	(386)	(455)
(+) D&A	4.021	5.494	4.322	3.797	3.915
(+/-) Δ WK	(558)	(208)	(159)	(70)	(14)
(-) Capex	(3.282)	(3.279)	(2.849)	(2.836)	(2.588)
FCFF	**3.989**	**4.832**	**4.374**	**4.560**	**5.005**

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