genial Equity Research

# KLABIN

## 1Q25 Preview: Was the drop in share prices exaggerated?

LatAm Pulp & Paper

### Main takeaways:

**(i) Kraftliner:** shipments are expected to reach **131Kt Genial Est.** (-4.5% q/q; +20.6% y/y), supported by the ramp-up of MP28. The **realized price** is estimated at **R$4,122/t Genial Est.** (-3.8% q/q; +27.9% y/y); **(ii) Paperboard:** shipments are projected at **190Kt Genial Est.** (-6.5% q/q; -3.8% y/y), with an estimated **price** of **R$5,594/t Genial Est.** (+1.1% q/q; +4.1% y/y); **(iii) Corrugated Boxes:** volumes should reach **230Kt Genial Est.** (-1.6% q/q; +6.9% y/y), supported by the Figueira Project. The projected **realized price** is **R$6,019/t Genial Est.** (+0.8% q/q; +4.9% y/y), reflecting a higher quality mix; **(iv) Industrial Bags:** should total **34Kt Genial Est.** (-14.3% q/q; +3.4% y/y). **Price** at **R$9,106/t Genial Est.** (+0.8% q/q; +2.5% y/y); **(v) BHKP pulp:** volumes projected at **250Kt Genial Est.** (-14.2% q/q; -1.0% y/y), affected by operational bottlenecks. For **BSKP + Fluff**, we estimate **110Kt Genial Est.** (+1.0% q/q; +0.4% y/y; **(vi) BHKP** at **R$3,516/t Genial Est.** (-1.2% q/q; +7.8% y/y), pressured by carry-over. **BSKP + Fluff** should reach **R$5,552/t Genial Est.** (-0.7% q/q; +18.2% y/y); **(vii) Consolidated Net Revenue:** estimated at **R$4.9bn Genial Est.** (-6.8% q/q; +10.9% y/y), with seasonal decline, but robust y/y growth; **(viii) Pulp COGS/t** should reach **R$1,258/t Genial Est.** (-12.6% q/q; -11.0% y/y), benefiting from the absence of stoppages and efficiency gains in wood and energy; **(ix) Consolidated EBITDA** at **R$1.8bn Genial Est.** (-1.1% q/q; +9.1% y/y); **(x) Net Income:** should reach **R$690mn Genial Est.** (+27.2% q/q; +50.1% y/y), driven by the reversal of FX losses in the financial result for 4Q24; **(xi)** Despite the **-18.5% YTD** drop in **share prices**, we believe that the **movement was exaggerated given the fundamentals**. We continue to reiterate our **BUY rating**, with a **12M Target Price cut to R$23.50** (vs. R$27.00 previously), implying **an upside** of **+25.3%**.

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**Company**

**KLBN11 BZ Equity**
**Buy**

**Price:** R$ 18.76 (02-May-2024)
**Target Price 12M:** R$ 23.50

**Table 1. Shipments Summary (1Q25 Genial Est.)**

| (Thousand Tonnes - kt) | Genial Est. | Reported | | Reported | |
|---|---|---|---|---|---|
| **Summary (Shipments)** | **1Q25E** | **4Q24** | **% q/q** | **1Q24** | **% y/y** |
| **Kraftliner** | 131 | 137 | **-4,5%** | 108 | **20,6%** |
| **Paperboard** | 190 | 203 | **-6,5%** | 198 | **-3,8%** |
| **Corrugated boxes** | 230 | 234 | **-1,6%** | 215 | **6,9%** |
| **Industrial Bags** | 34 | 40 | **-14,3%** | 33 | **4,3%** |
| **BHKP Pulp** | 250 | 291 | **-14,2%** | 252 | **-1,0%** |
| **BSKP + Fluff Pulp** | 110 | 109 | **1,0%** | 110 | **0,4%** |

*Source: Genial Investimentos, Klabin*

**Table 2. Income Statement Summary (1Q25 Genial Est.)**

| (R$ millions) | Genial Est. | Reported | | Reported | |
|---|---|---|---|---|---|
| **Income Statement** | **1Q25E** | **4Q24** | **% q/q** | **1Q24** | **% y/y** |
| **Net Revenue** | 4.912 | 5.268 | **-6,8%** | 4.430 | **10,9%** |
| **Adjusted EBITDA** | 1.803 | 1.823 | **-1,1%** | 1.652 | **9,1%** |
| **Net Income** | 690 | 543 | **27,2%** | 460 | **50,1%** |

*Source: Genial Investimentos, Klabin*

Klabin will release its **1Q25 results** on **May 7**, before the market opens. **Excluding seasonal effects**, we believe that from a year-on-year perspective, **operating results should be mostly positive**, with volume growth in all segments except paperboard and BHKP. In addition, we expect the **Net Debt/EBITDA in BRL** ratio to **decline** to **4.1x** (-0.4x q/q) due to three congruent factors: **(i)** the receipt of +R$900mn in FCF from the Plateau Project and **(ii)** an increase of +R$150mn in EBITDA y/y, in addition to **(iii)** a reduction in the nominal value of foreign debt derived from the reduction in the USD/BRL EoP exchange rate in the sequential movement (R$5.74 vs. R$6.19 in 4Q24).

In the **consolidated view**, total **Net Revenue** is projected at **R$4.9bn Genial Est.** (-6.8% q/q; +10.9% y/y), marked by a sequential seasonal decline in both Pulp and Paper volumes, but with significant year-on-year growth driven by better realized prices and operational ramp-up (mainly on PM28). The **Pulp COGS/t** is estimated at **R$1,258/t Genial Est.** (-12.6% q/q; -11.0% y/y), benefiting from the absence of stoppages, marginal efficiency gains in wood costs (via the Plateau project) and lower energy expenses. This scenario should result in **consolidated EBITDA** of **R$1.8bn Genial Est.** (-1.1% q/q; +9.1% y/y). **Net income** should clock in at **R$690mn Genial Est.** (+27.2% q/q; +50.1% y/y), reflecting the partial reversal of financial losses in 4Q24.

The **Paper & Packaging** division is expected to report on **Net Revenue** of **R$3.3bn Genial Est.** (-4.9% q/q; +12.2% y/y). In the **sequential comparison**, the decline reflects the **impact of seasonality** on paperboard volumes (-6.5% q/q) and industrial bags (-14.3% q/q), in addition to flat realized prices. On an **annual basis**, growth is sustained by the **ramp-up of PM28** (kraftliner +20.6% y/y) and increased domestic demand for packaging, especially corrugated boxes (+6.9% y/y), with higher prices across all products. In this context, the division's **EBITDA** is estimated at **R$971mn Genial Est.** (-5.0% q/q; -1.4% y/y), pressured **by lower fixed cost dilution** (sequential volume decline) and **higher integration costs** on an annual basis.

The **Pulp** division is expected to report **Net Revenue** of **R$1.5bn Genial Est.** (-9.5% q/q; +11.3% y/y), with a sequential decline driven by lower BHKP shipments (-14.2% q/q), affected by operational and logistical bottlenecks, while annual growth reflects both the increase in the price of BHKP (+7.8% y/y) and BSKP (+18.2% y/y), driven by the appreciation of the USD/BRL FX rate. The unit's **EBITDA** is estimated at **R$823mn Genial Est.** (+3.4% q/q; +24.3% y/y), with sequential improvement explained by the sharp reduction in COGS/t (-12.6% q/q) in the absence of scheduled shutdowns in 1Q25.

## 1Q25 Preview: In detail!

**Kraftliner: Seasonality impacts q/q, but ramp-up of PM28 continues to drive y/y growth.** We estimate that Containerboard (Kraftliner + recycled) shipments totaled 131Kt Genial Est. (-4.5% q/q; +20.6% y/y), reflecting advances associated with the ramp-up of PM28. On a sequential basis, the decline should result from seasonal effects typical of the beginning of the year, in addition to logistical constraints that are still present. We project a realized price of R$4,122/t Genial Est. (-3.8% q/q; +27.9% y/y), a level that remains robust and sustained by the consolidation of price adjustments implemented in previous quarters, especially in the external market. We believe that the slight sequential decline should be related to the change in the geographic sales mix, with shipments being redirected to regions where prices were already lower, in response to distortions caused by the intensification of the tariff dispute between the US and China, which has changed international trade relations.

**Paperboard: Shift from PM28 continues with grid approval, with no further progress.** According to our projections, paperboard shipments will total 190Kt Genial Est. (-6.5% q/q; -3.8% y/y), reflecting the consequences of a possible movement from the last quarter of high inventory by customers, in addition to a more uncertain macroeconomic environment, which led to greater caution in orderbook. The approval process for new grades for paperboard production in PM28 continues, especially in higher value-added segments, such as food packaging, which continues to limit faster volume growth. Regarding prices, we project R$5,594/t Genial Est. (+1.1% q/q; +4.1% y/y), slightly above the previous quarter, suggesting a slight improvement in the mix. Despite the temporary limitation in price capture, we believe that the company may expand the space for adjustments over the coming quarters, as new grades are approved and the ramp-up of PM28 progresses more consistently in 2025E.

**Corrugated Boxes: Figueira project drives shipments acceleration y/y.** We project that corrugated box shipments will reach 230Kt Genial Est. (-1.6% q/q; +6.9% y/y), showing robust performance even in the context of unfavorable seasonality at the beginning of the year. The sequential decline, albeit modest, is due to the lower economic activity typical of the period, but annual growth demonstrates the resilience of domestic demand for packaging, sustained mainly by consumption of essential goods and strong exports of proteins and fruits. We highlight that the company's commercial performance in the segment remains outstanding, benefiting from the strategic location of the Figueira (SP) and Horizonte (CE) units, which have expanded their logistical reach and improved client service quality. We believe that this positioning has enabled significant gains in market share.

As for the realized price, our model points to R$6,019/t Genial Est. (+0.8% q/q; +4.9% y/y), reflecting a favorable portfolio positioning, with a focus on higher value-added segments, in addition to pass-throughs made last quarter.

Even with demand still strong, we do not expect further price adjustments in the short term, given the more uncertain macroeconomic scenario and the potential impact of high interest rates on durable goods consumption (SELIC 15% Est. for year-end), which would reduce demand for corrugated boxes.

**Industrial Bags: Seasonal rains affect sales to the cement industry.** We estimate that sales will total 34Kt Genial Est. (-14.3% q/q; +3.4% y/y), reflecting a normalization of volumes after an atypically strong 4Q24, when the company managed to sell part of its backlog due to operational bottlenecks. The correction in the current quarter also incorporates the typical weather effects of the beginning of the year—with higher rainfall—which historically slows down civil construction, affecting demand for bagged cement. Excluding seasonality, on an annual basis, we believe that demand in the domestic market appears to remain strong, especially in the larger-scale housing segment, through the Minha Casa, Minha Vida (MCMV) program, while the external environment still brings uncertainties related to US tariff policy, which may affect exports, also related to other bagged products.

We project a realized price of R$9,106/t Genial Est. (+0.8% q/q; +2.5% y/y), indicating stabilization on a quarterly basis and with a positive bias on y/y. In our view, prices should advance in line with inflation throughout 2025, sustaining healthy margins even with more limited volume growth in the short term.

**Pulp: Bottlenecks hamper, especially in BHKP.** We estimate that BHKP shipments will reach 250Kt Genial Est. (-14.2% q/q; -1.0% y/y), reflecting a decline in the sequential movement after last quarter’s stronger base. We believe that part of the decline in the current quarter is related to operational instability at the Ortigueira (PR) unit, the company's largest pulp manufacturing plant. In addition to operational issues, logistical bottlenecks continue to impact shipments, particularly limitations at the port of Paranaguá (PR). Even so, the company's integrated pulp's international exposure remains a competitive advantage, favoring shipments to other routes and alternative markets.

In terms of realized prices, we project R$3,516/t Genial Est. (-1.2% q/q; +7.8% y/y), with the quarterly decline mainly explained by the carry-over effect, which continues to prevent the full capture of the adjustments implemented at the beginning of the year reflected in the BHKP China reference curve (+3.8% q/q in USD). We believe that the increases already contracted in some regions, especially in Europe, should not yet be fully reflected in this quarter. On an annual basis, the increase is related to the appreciation of the USD/BRL FX rate (5.85 in 1Q25 vs. 4.95 in 1Q24) and its effect on the conversion of prices into BRL.

For BSKP + Fluff, we project shipments of 110Kt Genial Est. (+1.0% q/q; +0.4% y/y). The still moderate performance should reflect the seasonality of the production mix and the more subdued demand dynamics in Europe. In terms of price, we project R$5,552/t Genial Est. (-0.7% q/q; +18.2% y/y), with a slight sequential contraction, in line with the logic of the downturn in the BSKP Europe reference curve (-1.1% q/q), although partially offset by a favorable sales mix and exposure to markets with greater pricing stability.

**Net Revenue accelerating y/y, but with sequential decline due to seasonality.** We project Consolidated Net Revenue of R$4.9bn Genial Est. (-6.8% q/q; +10.9% y/y), reflecting the trend of sequential deceleration due to typical seasonality between 4Qs and 1Qs in the paper segments (such as Kraftliner and Paperboard), in addition to the expected q/q contraction in the Pulp division, albeit with significant growth in the year-on-year comparison due to the USD/BRL FX rate conversion. The Paper unit is expected to report Revenue of R$1.6bn Genial Est. (-6.4% q/q; +13.6% y/y). In the Packaging segment, our model points to revenue of R$1.7bn Genial Est. (-3.5% q/q; +11.0% y/y). For the Pulp unit, we project revenue clocking in at R$1.5bn Genial Est. (-9.5% q/q; +11.3% y/y).

**Table 3. Net Revenue Klabin (1Q25 Genial Est.)**

| (R$ Millions) | 1Q25E Genial Est. | 4Q24 Reported | % q/q | 1Q24 Reported | % y/y |
|---|---|---|---|---|---|
| **Net Revenue** | **4.912** | **5.268** | **-6,8%** | **4.430** | **10,9%** |
| Paper | 1.603 | 1.712 | -6,4% | 1.411 | 13,6% |
| Packaging | 1.694 | 1.755 | -3,5% | 1.526 | 11,0% |
| Pulp | 1.488 | 1.644 | -9,5% | 1.337 | 11,3% |
| Wood | 78 | 145 | -45,9% | 82 | -4,9% |
| Others | 49 | 13 | 290,2% | 74 | -33,7% |

*Source: Genial Investimentos, Klabin*

**Pulp COGS/t declines on a comparative basis as there are no stoppages.** This quarter will be marked by the absence of scheduled shutdowns. As such, Pulp COGS/t ex. stoppages or including them should remain the same. That said, Pulp COGS/t ex. stoppages should reach R$1,258/t Genial Est. (+7.3% q/q; -0.4% y/y), reflecting a moderate increase in the sequential comparison, mainly driven by (**i**) pressures on chemical inputs (mainly caustic soda), whose cost increased due to international adjustments and greater exposure to the USD/BRL FX rate, and (**ii**) an upsurge in the fuel oil, in line with the rise in thermal energy prices during the quarter.

It is worth noting that, although the USD/BRL FX rate remained flat on average vs. 4Q24, we believe that the effect on outstanding contracts and spot purchases should still contribute to marginal increases in items sensitive to exchange rate variations in the cost structure (~15% of total — COGS + SG&A — is exposed to the USD). In addition, (**iii**) the effect of lower fixed cost dilution, given the reduction in volume, should also add pressure, although partially offset by gains from surplus energy and lower wood costs. On the other hand, COGS/t on a comparative basis including stoppages should remain at R$1,258/t Genial Est. (-12.6% q/q; -11.0% y/y), and although this is the same figure mentioned above, the comparison percentages change, showing a significant decline on a sequential basis, since 4Q24 was heavily impacted by large-scale scheduled shutdowns at the Ortigueira (PR) and Correia Pinto (SC) units and on the MP27/28 lines.

**EBITDA should remain flat on a quarterly basis.** We project Consolidated Adjusted EBITDA of R$1.8bn Genial Est. (-1.1% q/q; +9.1% y/y) representing a significant increase on an annual basis – due to the increase in the Pulp division justified by the appreciation of BSKP prices (+18% y/y) and a reduction in COGS/t (-11% y/y) correlated with stoppages absence vs. the comparative base where there were shutdowns. Even so, performance should indicate a slight sequential decline, driven by the Paper & Packaging division – due to the slowdown in shipments in all segments – even if partially offset by a solid performance in the Pulp division, justified by the -12.6% q/q decline in COGS/t, with no scheduled maintenance shutdowns (as we have mentioned).

We estimate that Pulp EBITDA will reach R$823mn Genial Est. (+3.4% q/q; +24.3% y/y) and Paper & Packaging EBITDA to reach R$971mn Genial Est. (-5.4% q/q; -1.9% y/y), penalized by seasonal effects on volume – especially in paperboard and industrial bags – and more subdued price dynamics.

**Table 4. EBITDA Klabin (1Q25 Genial Est.)**

| | 1Q25E | 4Q24 | | 1Q24 | |
|---|---|---|---|---|---|
| (R$ Millions) | **Genial Est.** | **Reported** | **% q/q** | **Reported** | **% y/y** |
| **Adjusted EBITDA** | **1.803** | **1.823** | **-1,1%** | **1.652** | **9,1%** |
| Paper & Packaging | 971 | 1.027 | -5,4% | 990 | -1,9% |
| Pulp | 823 | 796 | 3,4% | 662 | 24,3% |

*Source: Genial Investimentos, Klabin*

**Net income recovers amid lower pressure on financial results.** Net income should be R$690mn (+27.2% q/q; +50.1% y/y). In sequential comparison, the increase should reflect the reversal of the impact of exchange rate variation on USD-denominated debt, which had weighed on 4Q24—when the financial result was -R$884mn—compared to -R$77mn now in 1Q25E, which should more than offset the expected operating decline of -18.8% q/q. In the annual comparison, the idea is the same. Performance should reflect a gradual improvement in the operating environment (+2.3% y/y) and lower pressure from net financial results (-79.8% y/y). The margin should reach 14.1% (+3.8 p.p. q/q and +3.7 p.p. y/y), signaling a resumption of the conversion of operating and financial results into the bottom line.

**Table 5. Income Statement (1Q25 Genial Est.)**

| (R$ Millions) | 1Q25E Genial Est. | 4Q24 Reported | % q/q | 1Q24 Reported | % y/y |
|---|---|---|---|---|---|
| **Net Revenue** | **4.912** | **5.268** | **-6,8%** | **4.430** | **10,9%** |
| COGS | (3.386) | (3.688) | -8,2% | (2.995) | 13,1% |
| **Adjusted EBITDA** | **1.803** | **1.823** | **-1,1%** | **1.652** | **9,1%** |
| EBITDA Margin (%) | 36,7% | 34,6% | 2,1p.p | 37,3% | -0,6p.p |
| **EBIT** | **1.023** | **1.260** | **-18,8%** | **1.000** | **2,3%** |
| EBIT Margin (%) | 20,8% | 23,9% | -3,1p.p | 22,6% | -1,7p.p |
| D&A | (972) | (1.104) | -12,0% | (857) | 13,4% |
| Financial Result | (77) | (884) | -91,3% | (378) | -79,8% |
| **Net Income** | **690** | **543** | **27,2%** | **460** | **50,1%** |
| Net Margin (%) | 14,1% | 10,3% | 3,8p.p | 10,4% | 3,7p.p |

*Source: Genial Investimentos, Klabin*

## Our Take on Klabin

**FCF ex. Plateau marginally negative. Leverage should decline.** The company should report **marginal burn** of **FCF** vs. -R$454mn in 1Q24 – excluding the inflow of +R$900mn from the Plateau Project – justified by (**i**) an increase of **+R$150mn** in **EBITDA y/y** (+9.1% y/y) and (**ii**) a lower level of cash disbursement for dividend payments than in 1Q24. Both factors should be offset by (**iii**) working capital (WC) tightening typical of 1Qs and (**iv**) **CAPEX** spending **still at high levels**, with a marginal sequential compression to **R$783mn Genial Est.** (-1% q/q). Following changes to our model, we expect the **Net Debt/EBITDA 1Q25E in USD** ratio to decline to **3.7x** (-0.2x q/q) due to two congruent factors: the receipt of **+R$900mn** in **FCF** from the **Plateau Project** and the expansion in EBITDA y/y. The reduction in the nominal value of external debt derived from the reduction in the USD/BRL EoP FX rate in the sequential movement (R$5.74 vs. R$6.19 in 4Q24), added to these previous effects, should contribute to a decline in the **BRL leverage** marking to **4.1x** (-0.4x q/q).

**The BSKP vs. BHKP premium should resume its upward trend.** For **BHKP,** as mentioned in our last report, after the downward pressure in 2Q24, when the entry of ~4Mtpy of new capacity (Cerrado Project + Liansheng) and the deterioration of Chinese tissue margins **drove the price** to a **bottom** of **US$550/t** in **Dec-24**, we expect an **increase** to **US$630/t** already in **2Q25** and **US$615/t** in **25E**. This rebound is supported by **expected capacity cuts** in China (~200Kt/month) linked to **3 passthroughs** of **+US$20/t**, in addition to continued strong demand from the hygiene and premium packaging sectors, combined with the elimination of **logistical carry-over**, which should be fully reflected starting **in 2Q25**.

For **BSKP + Fluff,** the average **spread** of **~US$300/t** vs. BHKP should persist, supported by global capacity shortages and long-term contracts in premium niches (senior hygiene). Although **the Europe–China spread** has been narrowing at a faster pace (-10.3% q/q in 4Q24 and -4.7% q/q in 1Q25), we expect it to **recover to a positive level starting in 2Q25E** (+5.4% q/q) and for the **rest of 25E**, supported by the **withdrawal of obsolete capacity** justified by the production inefficiency of industries in the US and Europe. Therefore, we believe that the company is well positioned to capture this premium recovery.

**Kraftliner suffers impact from tariffs but shift from PM28 and removal of bottlenecks may improve profitability.** For **Kraftliner**, despite the volatility observed in the last quarter and the expected decline in performance in 1Q25E, the outlook for the year remains constructive. Medium-term contracts in key markets and the **flexibility of PM28**—with a shift toward a greater representation of paperboard volume in 2H25 with higher-value grades—should mitigate sharp price variations. Furthermore, although the expected influx of **Kraftliner shipments to the US did not materialize** in 1Q25E due to the **Trump Administration's tariffs**, we maintain the view that, with logistics stabilization and the **carry-over of contracted volumes**, the company will be able to capture opportunities for higher margins vs. the market, especially in higher value-added segments.

As for **Paperboard**, even with the expected decline in sales for this quarter, we expect a slight increase in prices, given the relevance to the **"**premium" segments (pharmaceutical, for example) due to predefined agreements linked to at least inflation adjustments. We expect that with the carryover elimination in **2Q25**, the **realized price will tend to accelerate**, benefiting from the recovery in demand for high-specification applications and the long-term contracts.

**Packaging: Diversified exposure of the mix should mitigate domestic slowdown.** For **Corrugated Boxes**, with capacity stabilized at ~1.1Mtpy (Figueira + Horizonte), we expect the logistical carry-over effect to slightly pressure volumes in 1Q25E (-1.6% q/q), but from **2Q25E** onwards, the **pace regularization of stockpiling** and logistical routes should drive **sales growth** and **realized prices**. The high market share of ~24% in the domestic corrugated box market and exposure to the USD/BRL FX rate in **protein and fruit exports** should provide **additional upside** in revenue vis-à-vis **expected growth** in the domestic segment stemming from a rise in the SELIC rate (15% terminal in 25E), which will likely **lower consumption of durable goods** and reduce demand for boxes throughout the year.

As for **Industrial Bags,** which are more aligned with the agribusiness cycle (for coffee and other grains) and construction (for cement), they tend to be adapted to the **flexibility of PM28** according to the profitability of the mix. We expect that, even with 1Q25E returning to seasonal normality, the prospect of **higher sales volume** vs. 4Q24 (145Kt vs. 143Kt) should contribute to a possible **dilution of fixed costs** and, therefore, we estimate that the unit **margin should rise gradually** throughout 2025.

It is noteworthy that the company's **shares have fallen sharply since the beginning of the year**, accumulating a loss of **-18.5% YTD**. We believe that the following factors explain the **increased bearish sentiment among investors**: **(i)** potential slowdown in domestic consumption for the packaging segment (related to the SELIC's upward bias), **(ii)** risks connected to the Trump administration's tariffs and their many effects (on Pulp and kraftliner, for example), and **(iii)** compression of the USD/BRL FX rate vs. levels at the beginning of the year. On the other hand, while we do not deny that these factors are **correlated with fundamentals softening a bit**, we believe that **this level** of **drop** in share prices **is unjustified**.

In **1Q25E**, we expect the company to report **robust operating improvement year-on-year**, anchored by the gradual recovery of profitability in the Pulp division (+24.3% y/y EBITDA), benefiting from the appreciation of the average USD/BRL FX rate (5.85 in 1Q25 vs. 4.95 in 1Q24) and the absence of scheduled shutdowns in the quarter, which should contribute to a significant reduction in Pulp COGS/t (-12.6% q/q; -11% y/y). We believe that Klabin should maintain its solid operating strength, with emphasis on **price stability in packaging**. We believe that **on a quarterly basis**, **EBITDA** is expected to basically **remain flat** (-1.1% q/q), which should not compromise the **company's positive trend throughout 2025**. The sequential slowdown is widely expected given the **typical seasonality of 1Qs**, showing that the company is able to maintain its results even in the face of a negative trend of declining volumes between quarters.

Even so, due to the adverse effects of the **US-China trade war**, we have revised our projections (**i**) reducing the **25E** and **26E shipments of Corrugated Boxes**, even with the mix varied disposition, in addition to (**ii**) cutting sales of **kraftliner** due to the risks of **reciprocal tariffs** and (**iii**) lowering the USD/BRL FX rate (currently 5.65 vs. 6.20 at the beginning of the year). Given this scenario, even with the improvement in the financial structure on a path to rebalancing, we reiterate our **BUY rating**, but with a **cut** in the **12M Target Price** to **R$23.50** (vs. R$27.00 previously), implying an **upside** of **+25.3%**.

## Appendix: Klabin

### Figure 1. Klabin – Income Statement in R$ Millions (Genial Est. 2025-2028)

| Income Statement | 2025E | 2026E | 2027E | 2028E |
|---|---|---|---|---|
| **Net Revenue** | **21.053** | **22.264** | **22.678** | **22.998** |
| (-) COGS | (14.984) | (15.043) | (14.853) | (14.873) |
| **Gross Profit** | **7.140** | **7.991** | **8.561** | **8.714** |
| (-) Expenses | (2.875) | (3.056) | (3.131) | (3.192) |
| **Adjusted EBITDA** | **8.402** | **8.881** | **9.149** | **9.044** |
| (-) D&A | (4.137) | (3.945) | (3.720) | (3.522) |
| **EBIT** | **4.265** | **4.936** | **5.429** | **5.522** |
| (+/-) Financial Result | (2.225) | (2.043) | (2.046) | (1.938) |
| (-) Taxes | (404) | (584) | (415) | (422) |
| **Net income** | **1.851** | **2.324** | **2.983** | **3.176** |
| **Profitability** | | | | |
| Net margin (%) | 8,8% | 10,4% | 13,2% | 13,8% |

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

| Cash Flow (FCFF) | 2025E | 2026E | 2027E | 2028E |
|---|---|---|---|---|
| **Net Revenue** | **21.053** | **22.264** | **22.678** | **22.998** |
| (-) COGS | (14.984) | (15.043) | (14.853) | (14.873) |
| **Adjusted EBITDA** | **8.402** | **8.881** | **9.149** | **9.044** |
| **EBIT** | **4.265** | **4.936** | **5.429** | **5.522** |
| (-) Taxes | (404) | (584) | (415) | (422) |
| (+) D&A | 4.137 | 3.945 | 3.720 | 3.522 |
| (+/-) Δ WK | (490) | (66) | (77) | (37) |
| (-) Capex | (3.098) | (2.670) | (2.658) | (2.412) |
| **FCFF** | **4.411** | **5.562** | **5.999** | **6.172** |

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|---|---|---|
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