genial Equity Research

# KLABIN

## 1Q25 Review: The order of factors does not alter the product

**LatAm Pulp & Paper**

### Main takeaways:

**(i) Kraftliner:** Sales of **124Kt** (-5.2% vs. Genial Est.; -9.4% q/q; +14.4% y/y) and realized price of **R$4,184/t** (+1.5% vs. Genial Est.; -2.4% q/q); **(ii) Paperboard:** Shipments of **187Kt** (-1.6% vs. Genial Est.; -8.0% q/q; -5.4% y/y) and price of **R$5,625/t** (+0.5% vs. Genial Est.; +1.7% q/q); **(iii) Corrugated cardboard boxes:** Sales of **216Kt** (-6.1% vs. Genial Est.; -7.6% q/q; +0.3% y/y) and average price of **R$6,285/t** (+4.4% vs. Genial Est.; +5.2% q/q); **(iv) Industrial bags:** Shipments of **34Kt** (in line with Genial Est.; -14.3% q/q; +4.3% y/y) and price of **R$9,845/t** (+8.2% vs. Genial Est.; +8.7% q/q); **(v) BHKP pulp:** Sales of **238Kt** (-4.6% vs. Genial Est.; -18.1% q/q; -5.6% y/y) and realized price of **R$3,286/t** (-6.5% vs. Genial Est.; -7.6% q/q); **(vi) BSKP pulp + Fluff:** Shipments of **107Kt** (-2.7% vs. Genial Est.; -1.8% q/q; -2.3% y/y) and price of **R$5,562/t** (+0.2% vs. Genial Est.; -0.5% q/q); **(vii) Net Revenue** reached **R$4.9bn** (-1.1% vs. Genial Est.; -7.8% q/q); **(viii) Pulp COGS/t** of **R$1,268/t** (+0.8% vs. Genial Est.). In the comparison without stoppages (+8.2% q/q; +0.4% y/y), in comparison with stoppages (-11.9% q/q; -10.3% y/y); **(x) EBITDA** reached **R$1.9bn** (+3.1% vs. Genial Est.; +2.0% q/q; +12.5% y/y); **(xiii) Net income** reported at **R$446m** (-35.4% vs. Genial Est.; -17.8% q/q; -3.0% y/y), penalized by worse-than-expected financial results; **(xiv) FCF** of **+R$492mn** (vs. expected marginal burn), with relief in working capital and lower CAPEX; **(xv) Leverage in BRL** reaching **4.0x Net debt/EBITDA** (vs. 4.5x in 4Q24), benefiting from the exchange rate effect; **(xvi) Dividends announced** of **R$279mn** – equivalent to 15% of EBITDA, in line with the new policy – with an annualized **dividend yield** of **~5.0%**; **(xvii)** We reiterate our **BUY rating**, with a **12M Target Price of R$23.50**, implying an **upside** of **+22.5%**.

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### Company

**KLBN11 BZ Equity**
Buy

**Price:** R$ 19.18 (07-May-2024)
**Target Price 12M:** R$ 23.50

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

| (Thousand Tonnes - kt) | Reported | Genial Est. | | Reported | | Reported | |
|---|---|---|---|---|---|---|---|
| **Summary (Shipments)** | **1Q25** | **1Q25E** | **% R/E** | **4Q24** | **% q/q** | **1Q24** | **% y/y** |
| **Kraftliner** | 124 | 131 | **-5,2%** | 137 | **-9,4%** | 108 | **14,4%** |
| **Paperboard** | 187 | 190 | **-1,6%** | 203 | **-8,0%** | 198 | **-5,4%** |
| **Corrugated boxes** | 216 | 230 | **-6,1%** | 234 | **-7,6%** | 215 | **0,3%** |
| **Industrial Bags** | 34 | 34 | **0,0%** | 40 | **-14,3%** | 33 | **4,3%** |
| **BHKP Pulp** | 238 | 250 | **-4,6%** | 291 | **-18,1%** | 252 | **-5,6%** |
| **BSKP + Fluff Pulp** | 107 | 110 | **-2,7%** | 109 | **-1,8%** | 110 | **-2,3%** |

*Source: Genial Investimentos, Klabin*

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

| (R$ millions) | Reported | Genial Est. | | Reported | | Reported | |
|---|---|---|---|---|---|---|---|
| **Income Statement** | **1Q25** | **1Q25E** | **% R/E** | **4Q24** | **% q/q** | **1Q24** | **% y/y** |
| **Net Revenue** | 4.859 | 4.912 | **-1,1%** | 5.268 | **-7,8%** | 4.430 | **9,7%** |
| **Adjusted EBITDA** | 1.859 | 1.803 | **3,1%** | 1.823 | **2,0%** | 1.652 | **12,5%** |
| **Net Income** | 446 | 690 | **-35,4%** | 543 | **-17,8%** | 460 | **-3,0%** |

*Source: Genial Investimentos, Klabin*

Klabin released its **1Q25** results today (**May 7**). In **kraftliner**, shipments reached **124Kt** (-5.2% vs. Genial Est.), down -9.4% q/q, reflecting the greater effect of typical 1Q seasonality and persistent logistical bottlenecks. On an annual basis, we saw an acceleration of +14.4% y/y. As a **negative highlight**, we highlight the weak performance of **sales** in **corrugated boxes**, with volume declining to **216Kt** (-6.1% vs. Genial Est.), reflecting a more intense drop in demand (-7.6% q/q, +0.3% y/y), partially offset by the realized price of **R$6,285/t** (+4.4% vs. Genial Est.), driven by premium mix pass-throughs, causing a +5.2% q/q increase. **Industrial bags** also **surprised positively** in terms of price, reaching **R$9,845/t** (+8.2% vs. Genial Est.), supported bypass-throughs above inflation (+8.7% q/q; +10.3% y/y). In the pulp division, we found that **BHKP had a negative bias**, with shipments totaling **238Kt** (-4.6% vs. Genial Est.), expressing a sharp drop of -18.1% q/q and -5.6% y/y, justified by high operational instability in Ortigueira (PR). The realized price reached **R$3,286/t** (-6.5% vs. Genial Est.), pressured by the carry-over effect. As for **BSKP + Fluff**, shipments totaled **107Kt** (-2.7% vs. Genial Est.), reflecting weaker European demand.

In the **consolidated view,** the company reported **Net Revenue** of **R$4.9bn** (-1.1% vs. Genial Est.), indicating a decline of **-7.8% q/q** and growth of **+9.7% y/y**. On the cost side, **Pulp COGS/t** reached **R$1,268/t** (+0.8% vs. Genial Est.). We highlight that this was a quarter with **no maintenance downtimes**. This influences comparisons. If we use the comparative basis excluding the effects of stoppages, both in sequential and annual terms, COGS/t rose +8.2% q/q and +0.4% y/y, with the increase influenced by **(i)** higher chemical costs (+18.9% q/q) and **(ii)** higher fuel expenses (+23.4% q/q). Even so, **including maintenance costs in the comparison bases**, pulp COGS/t showed a **compression** of **-11.9% q/q** and **-10.3% y/y**, in line with expectations.

**Adjusted EBITDA** totaled **R$1.9bn** (+3.1% vs. Genial Est.; +2.0% q/q; +12.5% y/y), reaching a margin of **38.3%** (+1.6 p.p. vs. Genial Est.). The positive surprise came from the **Paper & Packaging** division, with EBITDA of **R$1.2bn** (+19.5% vs. Genial Est.; +13.5% q/q; +17.8% y/y). On the other hand, EBITDA for the **pulp division** was **R$693mn** (-16.2% vs. Genial Est.; -13.0% q/q; +4.7% y/y). Finally, **net income** was **R$446mn** (-35.4% vs. Genial Est.; -17.8% q/q; -3.0% y/y), pressured by a **negative financial result of -R$158mn**, explained by lower-than-expected foreign exchange gains and still high financial expenses. The margin stood at **9.2%**, down **-1.1 p.p. q/q** and **-1.2 p.p. y/y**.

The company's **FCF** totaled **+R$492mn** (vs. marginal burn Genial Est.), **which was surprising positively** in a typically cash-burning quarter (vs. -R$454mn in 1Q24). The result was driven by an increase in EBITDA of +R$200mn y/y (vs. +R$150mn Genial Est.) and by the decompression of working capital (WC) by +R$164mn instead of the usual tightening. **CAPEX** stood at **+R$605mn** (-22% vs. Genial Est.), slowing down by -24% q/q and -35% y/y. **Leverage** in **BRL eased**, closing at **4.0x Net debt /EBITDA** (vs. 4.5x in 4Q25, and in line with expectations), but remained **stable** at **3.9x** in **USD**, indicating that much of the reduction came from the slowdown in the USD/BRL EoP FX rate (5.74 vs. 6.19).

## 1Q25 Review: In detail!

**Kraftliner: Seasonality, ramp-up of PM28, and carry-over reduction.** The company reported shipments of 124Kt (-5.2% vs. Genial Est.), indicating a sequential decline (-9.4% q/q), but with an increase of +14.4% y/y. Although slightly below our expectations, the strong annual performance reflects gains associated with the ramp-up of PM28, whose strategic focus favors kraftliner, given the still healthy demand in the segment—even considering seasonality—and operational constraints related to technical approvals for the conversion into paperboard option. The sequential decline is related to seasonal effects typical of the beginning of the year and logistical bottlenecks that persist and continue to restrict a more significant expansion in volume sold.

The realized price was R$4,184/t (+1.5% vs. Genial Est.), with a slight decline of -2.4% q/q and robust growth of +29.9% y/y. The positive surprise compared to our expectations is partly explained by a stronger-than-expected reduction in the carry-over effect, allowing for a more effective capture of the adjustments announced throughout 2H24. We expected that a more significant backlog will still reflect contracts with outdated prices. We believe that this dynamic mitigated the negative effect of the change in the geographic sales mix, justifying the contraction in the quarterly base, with a redirection to lower-priced markets in response to trade distortions caused by the escalation of tariffs between the US and China.

**Paperboard: Inventory buildup in the last quarter reduced shipments. Prices rose slightly.** As for paperboard, the company totaled shipments of 187Kt (-1.6% vs. Genial Est.), indicating a decline of -8.0% q/q and -5.4% y/y. The performance reflects **(i)** the impact of high inventories on the buying side at the end of 2024, reducing client's momentum to buy during 1Q25, in addition to **(ii)** the slowdown in domestic demand — a trend already signaled in our projections — additionally pressured by **(iii)** a more prominent volume of imports (notably from China) and a more cautious macro environment. It is worth noting that shipments remain conditioned to a slow pace in relation to PM28 approvals with clients, which limits the transition to larger-scale paperboard production, especially in higher-value grades, such as appliances for food segment. Despite this scenario, we note that increased beverage consumption during the summer created some resilience for volumes at the beginning of the year, but still did not prevent the sequential decline.

The realized price has clocked in at R$5,625/t (+0.5% vs. Genial Est.), reflecting a slight increase of +1.7% q/q and growth of +4.7% y/y. The positive quarterly variation reflects a more favorable mix, with greater exposure to markets and products with better profitability. Despite the moderation in the pace of price adjustments, the sequential acceleration (albeit modest) reinforces that, as new price grids are approved, the company may explore additional pricing space throughout 2025E.

**Corrugated Boxes: Volume reflects lower demand, but prices are above estimates.** Looking at corrugated box volume, we came across shipments of 216Kt (-6.1% vs. Genial Est.), reflecting a -7.6% q/q decline, but with a slight increase of +0.3% y/y. Performance was below expectations, with the usual seasonal decline in demand for boxes between the 4Qs and 1Qs, linked to the end of festivities season (Nov-Dec), which temporarily boosts the packaging market. However, we note that the company still shows resilience compared to the market average, which declined slightly in the period according to Empapel (-0.7% y/y). We believe that the marginal growth on an annual basis reflects the strength of the protein, fruit, and hygiene segments, supported by the competitiveness of the USD/BRL FX rate in exports. In addition, the ramp-up of the conversion unit in Piracicaba II (Figueira Project) contributed to logistical gains and the expansion of the strategic customer base. It is important to note that in terms of sqm, the volume shipped grew +1.6% y/y, while shipments in tons remained virtually flat, indicating the success of the conversion strategy to Eukaliner, which allows for a reduction in grammage without loss of performance, benefiting costs and operating margin.

The realized price was R$6,285/t (+4.4% vs. Genial Est.), above our estimates and accelerating +5.2% q/q and +9.5% y/y, consistent with the pass-throughs made throughout 4Q24 and with a greater effect than anticipated in the advance of the premium mix. Despite the still uncertain macro scenario and higher interest rates (with the SELIC at 15% at the end of the 25E cycle), the company maintains a defensive portfolio, which mitigates the strength of the reduction in demand for packaging from the durable goods industry.

**Industrial Bags: Price surprises positively.** For industrial bags, the company reported shipments clocking in at 34Kt (totally in line with Genial Est.), with a sharp decline of -14.3% q/q and an increase of +4.3% y/y. The quarterly decline reflects the slowdown in construction activity, impacted by the typical rainy season in the 1Qs, reducing demand for bagged cement. The data is in line with SNIC figures, which indicated a +5.9% y/y increase in cement shipments in Brazil. On the price side, we saw a realization of R$9,845/t (+8.2% vs. Genial Est.), with a strong rise of +8.7% q/q and +10.3% y/y. The figures were above our expectations, indicating a very noticeable improvement in the business unit's profitability — including growth above inflation on an annual basis — supported by more robust operating margins due to the upward bias in prices, even with the unfavorable seasonality at the beginning of the year impacting volumes.

**Pulp: The impacts of operational instability were greater than expected.** BHKP shipments totaled 238Kt (-4.6% vs. Genial Est.), marking a decline of -18.1% q/q and -5.6% y/y. Although the sequential decline was slightly stronger, some level of reduction was already expected, and associated with production instability at the Ortigueira (PR) unit, the company's largest pulp manufacturing plant. Despite gradual improvements in logistics, we saw that bottlenecks persist, especially at the port of Paranaguá (PR), partially restricting shipments. On the price front, BHKP was sold with a realization of R$3,286/t (-6.5% vs. Genial Est.), a decline of -7.6% q/q, but still with a slight increase of +0.8% y/y.

The sequential decline was greater than expected and stems from 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). In addition, it seems to us that the increases already contracted in some regions, especially in Europe, have not yet been fully reflected in this quarter, mainly because their respective references declined -2.1% q/q. As for BSKP + Fluff, shipments clocked in at 107Kt (-2.7% vs. Genial Est.), with a slight decline of -1.8% q/q and a drop of -2.3% y/y, because of seasonality in the production mix and weaker demand in Europe. The realized price was R$5,562/t (+0.2% vs. Genial Est.), reflecting stability of -0.5% q/q and a robust increase of +18.4% y/y. Even with a more favorable commercial mix and acceleration in the USD/BRL FX rate on an annual basis (R$5.85 vs. R$4.95 in 1Q24), sequential performance was hampered by high exposure to the European FOEX curve, whose prices fell -1.1% q/q in USD.

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

| (R$ Millions) | 1Q25 Reported | 1Q25E Genial Est. | % R/E | 4Q24 Reported | % q/q | 1Q24 Reported | % y/y |
|---|---|---|---|---|---|---|---|
| **Net Revenue** | **4.859** | **4.912** | **-1,1%** | **5.268** | **-7,8%** | **4.430** | **9,7%** |
| Paper | 1.570 | 1.603 | -2,0% | 1.712 | -8,3% | 1.411 | 11,3% |
| Packaging | 1.693 | 1.694 | 0,0% | 1.755 | -3,6% | 1.526 | 10,9% |
| Pulp | 1.378 | 1.488 | -7,4% | 1.644 | -16,2% | 1.337 | 3,1% |
| Wood | 226 | 78 | 188,7% | 145 | 56,1% | 82 | 174,7% |
| Others | -8 | 49 | -116,4% | 13 | -163,8% | 74 | -110,9% |

*Source: Genial Investimentos, Klabin*

**Revenue was in line with expectations, with a worse-than-expected pulp division and resilience in packaging.** The company reported consolidated net revenue of R$4.9bn (-1.1% vs. Genial Est.), indicating a decline of -7.8% q/q, but significant growth of +9.7% y/y. In the paper segment, revenue totaled R$1.6bn (-2.0% vs. Genial Est.), down -8.3% q/q but up +11.3% y/y, with the sequential decline explained by the downturn in kraftliner performance, while annual growth reflected higher volumes and prices. In the packaging division, revenue was R$1.7bn (0.0% vs. Genial Est.), representing a decline of -3.6% q/q and an increase of +10.9% y/y, with the negative variation in the quarter resulting from the sales reduction of corrugated paperboard and industrial bags, both affected by seasonality. Even so, annual growth was driven by price increases passed on at the end of 2024 and resilient demand in export segments such as proteins and fruits.

Finally, the pulp unit reported revenues of R$1.4bn (-7.4% vs. Genial Est.), slowing down -16.2% q/q, with the decline concentrated in the weaker performance of BHKP, affected by external price pressures and production bottlenecks. On the other hand, the +3.1% y/y increase was sustained by higher prices for BSKP + Fluff and the positive impact of the appreciation of the USD vs. BRL.

**COGS/t declined due to the absence of shutdowns. Input costs rose.** Pulp COGS/t was reported at R$1,268/t (+0.8% vs. Genial Est.), representing an increase of +8.2% q/q and stability of +0.4% y/y. As anticipated, there were no scheduled downtimes this quarter, which equalizes the unit cost when comparing with and without maintenance. Despite annual stability – a positive factor for the company's operational efficiency – the sequential increase was driven mainly by all factors that make up the company's costs. That is, by **(i)** pressure on chemical inputs (+18.9% q/q) – with acceleration in caustic soda prices and FX rate exposure on items priced in USD – added to **(ii)** inflation in fixed costs driven by lower dilution capacity (+2.3% q/q), **(iii)** higher fuel expenses (+23.4% q/q) and **(iv)** wood consumption (+2.3% q/q).

On the other hand, total pulp COGS/t benefited from the comparison base with inclusion of stoppages in previous periods. Considering that the value with and without downtimes was the same (R$1,268/t), this implies a significant decline of -11.9% q/q and -10.3% y/y, due to the inflated comparison base in both 4Q24, a period that had been pressured by significant shutdowns at the Ortigueira (PR) and Correia Pinto (SC) and on the PM27/28 lines, as well as in 1Q24 – when there was a stoppages in Otacílio Costa (SC) – even though the company demonstrated the capture of synergies from the use of fibers, reducing its cost by -10.8% y/y.

**EBITDA basically flat q/q, with paper & packaging offsetting the decline in pulp.** Adjusted Consolidated EBITDA was reported at R$1.9bn (+3.1% vs. Genial Est.), representing a slight increase of +2.0% q/q and significant growth of +12.5% y/y. In the sequential comparison, the breakdown by vector shows that, despite the positive price effect (+R$89mn), there was partial dilution due to the decline in volumes (-R$190mn). Even so, the impact was more than offset by operating gains such as improvement in COGS (+R$40mn) and SG&A (+R$96mn). Our previous forecast that the positive highlight could be the pulp division, given the absence of stoppages in this quarter vs. the comparative base, ended up having a more subdued effect than we expected, while the real positive surprise was the Paper & Packaging segment, which totaled R$1.2bn (+19.5% vs. Genial Est.), accelerating +13.5% q/q and +17.8% y/y, to the detriment of the pulp division, which recorded EBITDA of R$693mn (-16.2% vs. Genial Est.), with a sharp compression of -13.0% q/q despite the +4.7% y/y increase.

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

| | 1Q25 | 1Q25E | | 4Q24 | | 1Q24 | |
|---|---|---|---|---|---|---|---|
| (R$ Millions) | **Reported** | **Genial Est.** | **% R/E** | **Reported** | **% q/q** | **Reported** | **% y/y** |
| **Adjusted EBITDA** | **1.859** | **1.803** | **3,1%** | **1.823** | **2,0%** | **1.652** | **12,5%** |
| Paper & Packaging | 1.166 | 976 | 19,5% | 1.027 | 13,5% | 990 | 17,8% |
| Pulp | 693 | 827 | -16,2% | 796 | -13,0% | 662 | 4,7% |

*Source: Genial Investimentos, Klabin*

**Net income is below expectations due to financial results.** The company reported Net Income of R$446mn (-35.4% vs. Genial Est.), representing a decline of -17.8% q/q and a slight deceleration of -3.0% y/y, with a net margin of 9.2% (-1.1 p.p. q/q; -1.2 p.p. y/y). The result was below expectations, largely due to the decline in operating income (-9.5% vs. Genial Est.) linked to the greater negative impact of financial income (+107.1% vs. Genial Est.). On the financial line, the loss of -R$158mn was mainly explained by lower foreign exchange gains vs. Genial Est.

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

| | 1Q25 | 1Q25E | | 4Q24 | | 1Q24 | |
|---|---|---|---|---|---|---|---|
| (R$ Millions) | **Reported** | **Genial Est.** | **% R/E** | **Reported** | **% q/q** | **Reported** | **% y/y** |
| **Net Revenue** | **4.859** | **4.912** | **-1,1%** | **5.268** | **-7,8%** | **4.430** | **9,7%** |
| COGS | (3.612) | (3.386) | 6,7% | (3.688) | -2,1% | (2.995) | 20,6% |
| **Adjusted EBITDA** | **1.859** | **1.803** | **3,1%** | **1.823** | **2,0%** | **1.652** | **12,5%** |
| EBITDA Margin (%) | 38,3% | 36,7% | 1,6p.p | 34,6% | 3,7p.p | 37,3% | 1p.p |
| **EBIT** | **926** | **1.023** | **-9,5%** | **1.260** | **-26,5%** | **1.000** | **-7,3%** |
| EBIT Margin (%) | 19,1% | 20,8% | -1,8p.p | 23,9% | -4,9p.p | 22,6% | -3,5p.p |
| D&A | (1.299) | (972) | 33,7% | (1.104) | 17,7% | (857) | 51,6% |
| Financial Result | (158) | (77) | 107,1% | (884) | -82,1% | (378) | -58,1% |
| **Net Income** | **446** | **690** | **-35,4%** | **543** | **-17,8%** | **460** | **-3,0%** |
| Net Margin (%) | 9,2% | 14,1% | -4,9p.p | 10,3% | -1,1p.p | 10,4% | -1,2p.p |

*Source: Genial Investimentos, Klabin*

## Our Take on Klabin

**Positive surprise in FCF and reduction in leverage in BRL.** The company reported **FCF** of **+R$492mn** (vs. Genial Est. marginal burn), positively surprising us in a period historically marked by cash burns – as was the case in 1Q24, which had recorded FCF of -R$454mn, for example. The increase in **EBITDA y/y** was higher than we expected, reaching **+R$200mn** vs. +R$150mn Genial Est. (+34%); in addition, the company reported **working capital decompression** (WC) of **+R$164mn** vs. the typical tightening expected in 1Qs and **CAPEX** that reached **R$605mn** (-22.7% Genial Est.).

Given this, added to the fact already indicated in our preliminary report regarding the reduction of **-R$4bn** in the nominal value of USD-denominated 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), and the **advance payment**, in February, of Export Credit Notes (NCE) in the amount of R$1.6bn, the **Net Debt/EBITDA** indicator in **BRL** fell to **4.0x** (vs. 4.5x in 4Q24), in line with our expectations. Leverage measured in USD remained constant at **3.9x** (+0.2x vs. Genial Est.).

The company approved the distribution of R$279mn in dividends for 1Q25, with payment scheduled for May 22, 2025. The shares will be traded ex-dividends as of May 14, 2025. The company's annualized **dividend yield** stands at **4.9%** vs. 5.0% Genial Est., indicating profitability in line with expectations given the company's new distribution policy announced on October 2024, which sets a target percentage for the payment of earnings between **10-20%** of **Adjusted EBITDA**. Specifically, for **1Q25**, the percentage reached **15%** vs. the same **15% 25E Genial Est.**

**Packaging: Diversified product mix should mitigate domestic slowdown further ahead.** For **Corrugated Boxes**, with conversion capacity stabilized at ~1.1Mtpy (Figueira + Horizonte), we expect that starting in 2H25, positive seasonality and logistics routes will 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 **upside potential** vis-à-vis **downward pressure** in the domestic segment stemming from a rise in the SELIC rate (15% terminal in 25E), which is likely to **lower consumption of durable goods** and reduce demand for boxes in this segment throughout the year. This has already been confirmed by the 1Q25 results. 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 the prospect of **higher sales volume** vs. 2024 (145Kt vs. 143Kt) should contribute to a possible **dilution of fixed costs** and, as a result, we estimate that the unit margin should rise gradually throughout 2025.

**The order of the factors does not alter the product.** As discussed throughout the report, our preliminary forecast was that the absence of stoppages in 1Q25 would boost the pulp division's operating results when compared on a quarterly basis and y/y. We highlighted that both quarters (4Q24 and 1Q24) maintenance costs were higher than usual. However, the factors that make up revenue, mainly in BHKP (both volume and price), fell short of expectations, contributing to the **negative momentum** for the **pulp division**. On the other hand, some dynamics helped the packaging segment, with **corrugated boxes** and **industrial bags** both reporting **realized prices well above expectations**, which indicated a more positive bias vs. Genial Est. Thus, the company's consolidated result was in line with our expectations, if the **benefit of the diversification effect** contributed to the **stabilization of EBITDA sequentially** and in line with consensus, even with the pulp segment performing poorly, indicating that the **order of factors did not change the product**.

This is verified by the fact that the trends for the divisions for 2025 are distinct and, even so, we expect that there will always be a natural hedge for the company regardless of the future economic environment. For example, after the bottom of **US$550/t** in Dec-24, we project a rebound for **BHKP** to **US$630/t** in **2Q25** and **US$615/t 25E**, supported by capacity cuts in China (~200Kt per month), three adjustments of +US$20/t, and firm demand in the hygiene (tissue-related) and premium packaging segments.

For BSKP + Fluff, we project that the **average spread of ~US$300/t vs. BHKP** will show an upward trend after the recent decline, with the Europe–China gap recovering to **+5.4% q/q** in **2Q25E** and remaining at positive levels in 25E, thanks to the **closure of obsolete capacity** in the US and Europe.

For **Kraftliner**, despite recent volatility and sequential decline in shipments in 1Q25, the outlook for 2025 remains **constructive**: **(i)** contracts retained in key markets, **(ii)** share gains in new regions, **(iii)** the onset of positive seasonality in 2H25, added to the shift in the ramp-up of MP28 for higher-value paperboard grades throughout the year, which should smooth out the company's composite price fluctuations, **(iv)** while logistics normalization and the carry-over of contracted volumes will allow for **higher margins**, even in the face of US tariffs. In Paperboard, although sales declined in the quarter, we expect **(v) price appreciation** — supported by inflation-indexed agreements in premium niches (pharmaceuticals, for example) as demand for high-specification applications regains strength and **(vi)** shipments recover with the **de-stocking of volume** purchased in 4Q24 by clients, **therefore rebalancing the orderbook**. Given the company's natural cushion, we reiterate our **BUY rating**, with a **12M Target Price** of **R$23.50,** implying an **upside** of **+22.5%**.

# 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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