Equity Research

KLABIN

2Q25 Preview: Paper ahead, pulp on standby

LatAm Pulp & Paper

(i) Kraftliner: Shipments at **139Kt Genial Est.** (+12.3% q/q; -1.6% y/y), driven by the partial recovery in demand and greater geographic. The realized price is estimated at **R$4,096/t Genial Est.** (-2.1% q/q); **(ii) Paperboard:** Shipments at **201Kt Genial Est.** (+7.4% q/q; -5.9% y/y), reflecting the gradual recovery of demand after the impact of high inventories. The price is **R$5,614/t Genial Est.** (-0.2% q/q); **(iii) Corrugated Boxes:** Volumes should reach **228Kt Genial Est.** (+5.5% q/q; +0.8% y/y), sustained by resilient performance in food and fruit exports. The **realized price** is **R$6,273/t Genial Est.** (-0.2% q/q); **(iv) BHKP pulp:** Volumes are projected at **260Kt Genial Est.** (+9.4% q/q; +2.5% y/y) with the resumption of production in Ortigueira (PR). The price should reach **R$3,315/t Genial Est.** (+0.9% q/q), influenced by carry-over effects; **(v) BSKP + Fluff:** Sales estimated at **118Kt Genial Est.** (+10% q/q; +0.7% y/y), and realized price at **R$5,626/t Genial Est.** (+1.2% q/q); **(vi) Consolidated Net Revenue** estimated at **R$5.1bn Genial Est.** (+4.1% q/q; +2.2% y/y), with sequential acceleration driven by all divisions and more modest annual expansion due to the decline in the pulp unit; **(vii) COGS/t ex-stoppages** should reach **R$1,250/t Genial Est.** (-1.4% q/q; +3.7% y/y), with relief via dilution of fixed costs; **(viii) Consolidated EBITDA** of **R$2.0bn Genial Est.** (+9.6% q/q; -0.7% y/y), with improvement driven by paper & packaging; y/y decline should reflect compression in pulp; **(ix)** In 1H25, Klabin's shares fell -18.5% YTD, a move considered exaggerated given the fundamentals; the **quarter reinforces the company's diversification thesis**: while pulp should remain under pressure from high inventories in China and falling prices (-10% YTD), the paper should show an acceleration in volumes, better cost dilution, and a more premium mix, sustaining EBITDA growth of +21.5% q/q; we maintain our **BUY rating**, with a **12M Target Price** of **R$23.50,** implying **upside** of **+25.8%**.

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Company

KLBN11 BZ Equity
Buy

Price: R$ 18.68 (30-Jul-2025)
Target Price 12M: R$ 23.50

Table 1. Shipments Summary (2Q25 Genial Est.)

(Thousand Tonnes - kt)	Genial Est.	Reported		Reported	
Summary (Shipments)	**2Q25E**	**1Q25**	**% q/q**	**2Q24**	**% y/y**
Kraftliner	139	124	**12,3%**	141	**-1,6%**
Paperboard	201	187	**7,4%**	214	**-5,9%**
Corrugated boxes	228	216	**5,5%**	226	**0,8%**
Industrial Bags	34	34	**0,6%**	35	**-3,2%**
BHKP Pulp	260	238	**9,4%**	254	**2,5%**
BSKP + Fluff Pulp	118	107	**10,0%**	117	**0,7%**

Source: Genial Investimentos, Klabin

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

(R$ millions)	Genial Est.	Reported		Reported	
Income Statement	**2Q25E**	**1Q25**	**% q/q**	**2Q24**	**% y/y**
Net Revenue	5.060	4.859	**4,1%**	4.949	**2,2%**
Adjusted EBITDA	2.038	1.859	**9,6%**	2.052	**-0,7%**
Net Income	361	446	**-19,1%**	315	**14,6%**

Source: Genial Investimentos, Klabin

Klabin will release its **2Q25 results** on **August 5,** before the market opens. We believe the company will report a **sequential improvement**, mainly driven by higher volumes, with all business units performing above last quarter's results. However, in a **y/y comparison**, we believe that **only BHKP shipments** should show a **more prominent expansion** (+2.5% y/y Est.), linked to the backlog retained from 1Q25, when the company experienced some operational bottlenecks at the Ortigueira plant (PR). The shipping tailback was resolved this quarter— unlocking retained volume— which in turn will exceed the asset's quarterly installed capacity, driving not only sequential acceleration but also y/y growth. Meanwhile, the **Corrugated boxes** division is likely to show **very modest growth** (+0.8% y/y Est.). Nevertheless, the packing market is contracting (-0.7% y/y Empapel data), so we can consider this a victory. All other divisions are projected to shrink in volume vs. the same period last year, with **Paperboard standing out negatively** (-5.9% y/y Est.).

After successive quarters of sequential acceleration for Kraftliner, we project a realized price of **R$4,096/t Genial Est.** (-2.1% q/q), reflecting the **change in geographies mix** (greater exposure to India, China, and Ecuador), as the company attempts to redirect volumes to maintain shipment resilience in less saturated markets, despite a lower average ticket. On the **Pulp** side, for **BHKP**, even with the -3.7% q/q decline in the China PIX curve and the softness in the average USD/BRL FX rate (-3% q/q), we estimate a realized price of **R$3,315/t Genial Est.** (+0.9% q/q), due to both **(i)** the carry-over effect and **(ii)** the company's greater exposure to the European market, whose curve advanced +10.5% q/q. For **BSKP + Fluff**, our model points to a realized price of **R$5,626/t Genial Est.** (+1.2% q/q). Paperboard and Corrugated boxes should see basically flat realized prices.

These trends should result in a **Net revenue** of **R$5.1bn Genial Est.** (+4.1% q/q; +2.2% y/y), marked by an almost mid-single sequential growth in the company's three main units and lower expansion on annual base impacted by the downturn in the pulp line (realized price of BHKP down -14% y/y Est.). The **Pulp COGS/t ex-stoppages** is projected at **R$1,250/t Genial Est.** (-1.4% q/q; +3.7% y/y), adjusted for a slight sequential relief.

We expect **Paper & Packaging EBITDA** to be **R$1.4bn Genial Est.** (+21.5% q/q; +18.5% y/y), reflecting greater dilution of fixed costs, given the shipments increase and products mix with higher added value, such as specialized and premium packaging for exports. In addition, we estimate that the company will report a **Pulp EBITDA** of **R$622mn Genial Est.** (-10.3% q/q; -27.5% y/y), explained by the downtime inclusion in Otacílio Costa (SC), with an assessed impact of ~R$27.5mn on costs. This should increase COGS/t including stoppages by +4.3% q/q (note that 1Q25 had no schedule maintenance), partially offsetting the unit's operating profitability. The **Consolidated EBITDA** should remain at **R$2.0bn Genial Est.** (+9.6% q/q; -0.7% y/y). **Net income** is expected to reach **R$361mn Genial Est.** (-19.1% q/q; +14.6% y/y), explained by the worsening financial results, with more interest payments q/q going through the P&L.

2Q25 Preview: In detail!

Kraftliner: Geographical diversification sustains volumes, but puts pressure on prices. We project that shipments of Containerboard (Kraftliner + recycled) will reach 139Kt Genial Est. (+12.3% q/q; -1.6% y/y), reflecting the company's geographic expansion strategy. The sequential improvement should be associated with **(i)** a partial recovery in demand during the period, coupled with **(ii)** greater exposure to markets such as India, China, and Ecuador, which should favor a marginal growth in sales volume, bringing them closer to 2Q24 levels. The realized price should reach R$4,096/t Genial Est. (-2.1% q/q; +22.0% y/y), with a moderate decline in the quarterly comparison, most likely explained by the shift in the geographic mix — as the volume strategy led to greater penetration into markets with lower average ticket prices. On an annual basis, we should see a significant double-digit increase, reflecting the effects of the adjustments implemented throughout 2H24.

Paperboard: Gradual recovery, nonetheless, macro should still limit expansion. Our model points to Paperboard shipments of 201Kt Genial Est. (+7.4% q/q; -5.9% y/y), reflecting a slight recovery in demand after last quarter was impacted by high customer inventories and a spike in imports from Asia, especially China. The sequential improvement should also reflect the positive effects of seasonality, although performance remains below 2Q24, which was marked by atypically strong volumes. On the price side, we estimate a realization of R$5,614/t Genial Est. (-0.2% q/q; +3.0% y/y), practically flat in sequential comparison, with a marginal variation that should be explained by fluctuations in the average USD/BRL FX rate (-3% q/q) and by the export mix. In annual terms, growth should reflect the adjustments implemented at the beginning of the year, traditionally concentrated in the first quarters, especially in contracts linked to the inflation index.

Corrugated Boxes: Resilience withstands volume and prices at high levels. We estimate that sales of corrugated boxes will put out a moderate expansion on a yearly basis at 228Kt Genial Est. (+5.5% q/q; +0.8% y/y), showing a still robust performance even in a challenging macroeconomic environment – data from Empapel points to a decline in packaging sales of -0.7% y/y in 2Q25. In other words, although the acceleration in the company's shipments should be modest, we still highlight it as positive, considering that the rest of the market is shrinking.

Therefore, we reinforce the support for volumes through diversification, for example, with exposure to packaging directed to fruits, proteins, and other foods for export — loosening sensitivity to the economic slowdown in the domestic market, which is beginning to be affected by quite high interest rates (SELIC at 15%), mainly affecting corrugated boxes for brick-and-mortar retail and e-commerce. In addition, following the inauguration of the Figueira project in Piracicaba (SP), the company has achieved greater flexibility in serving customers and supporting the speed of the logistics chain. In terms of price, we project a realization of R$6,273/t Genial Est. (-0.2% q/q; +9.8% y/y), remaining at an elevated level and basically stable in sequential comparison, reflecting the success of the pass-through rounds at the end of last year and the continued focus on higher value-added segments.

Industrial Bags: Sequentially flat after a strong quarter. We believe that industrial bag shipments totaled 34Kt Genial Est. (+0.6% q/q; -3.2% y/y), indicating stability in sequential movement, compared to the already high level observed in the previous quarter, with a partial adjustment in the pace of civil construction, a sector responsible for a significant portion of industrial bag consumption, focused on the cement market. On the price side, we believe there will be slight contractions in the quarterly comparison to R$9,697/t Genial Est. (-1.5% q/q; +8.7% y/y), explained by the sales mix and the accommodation of adjustments already implemented at the beginning of the year. Even so, the level remains high when compared annually, reflecting the company's commercial strategy of capturing value in segments with greater specialization and lower price elasticity.

Pulp: Return on volume availability and higher prices via delayed adjustments. With the return to full operating levels at the Ortigueira (PR) plant, following production instability at the company's largest pulp mill, we estimate that BHKP shipments will accelerate to 260Kt Genial Est. (+9.4% q/q; +2.5% y/y). In addition, although the BHKP China reference curve declined by -3.7% q/q, we project a realized price of R$3,315/t Genial Est. (+0.9% q/q; -14.6% y/y), basically flat on sequential baseline due to the adjustments implemented at the beginning of the year. This is because the carry-over effect is still relevant, with shipments still being made this quarter at prices set last quarter, mitigating the greater consequences of the contraction in the Chinese PIX reference. In addition, the company's sales mix is more exposed to the European curve, which in turn rose +10.5% q/q. The average USD/BRL FX rate softened by -3% q/q, but the impact on BRL price is neutralized by adjustments in USD.

For BSKP + Fluff, we project shipments of 118Kt Genial Est. (+10.0% q/q; +0.7% y/y), reflecting a relevant sequential increase, albeit on a weak basis. The increase is likely tied to the dispatch resumption after the maintenance shutdown cycle and operational constraints, coupled with improved container availability on the logistics front. Our model points to a realized price of R$5,626/t Genial Est. (+1.2% q/q; +19.8% y/y), with a slight sequential increase.

Net Revenue: Seasonality supports q/q acceleration; Paper higher prices backing y/y. We project a consolidated Net revenue of R$5.1bn Genial Est. (+4.1% q/q; +2.2% y/y), with sequential growth sustained by a simultaneous advance in the three main operating divisions. On an annual basis, however, growth should be more modest, impacted by the downturn in the pulp segment, reflecting the sharp decline in realized prices for BHKP (-14.6% y/y). The Paper division´s revenue is estimated at R$1.7bn Genial Est. (+8.1% q/q; +3.6% y/y), driven by higher volumes of both Kraftliner (+9.4% q/q) and Paperboard (+10% q/q).

We estimate that the Packaging segment will reach a revenue of R$1.8bn Genial Est. (+4.1% q/q; +9.6% y/y), with performance sustained by strong sales of Corrugated boxes (+5.5% q/q) — whose shipments grew even in the face of a more restricted domestic market — and by the maintenance of prices at high levels. Finally, the Pulp division should also contribute positively to the sequential analysis, with revenue projected at R$1.5bn Genial Est. (+10.8% q/q; -3.9% y/y). We believe that the sequential recovery will reflect the shipments returning to normal after last quarter was impacted by operational constraints and volume restrictions.

Table 3. Net Revenue Klabin (2Q25 Genial Est.)

(R$ Millions)	2Q25E Genial Est.	1Q25 Reported	% q/q	2Q24 Reported	% y/y
Net Revenue	**5.060**	**4.859**	**4,1%**	**4.949**	**2,2%**
Paper	1.698	1.570	8,1%	1.639	3,6%
Packaging	1.761	1.693	4,1%	1.607	9,6%
Pulp	1.526	1.378	10,8%	1.588	-3,9%
Wood	47	226	-79,3%	65	-28,5%
Others	29	(8)	-	49	-41,2%

Source: Genial Investimentos, Klabin

Pulp COGS/t: Fixed costs dilution and FX should ease cost pressure. The Pulp COGS/t ex-stoppages is projected at R$1,250/t Genial Est. (-1.4% q/q; +3.7% y/y), reflecting slight sequential relief, mainly driven by **(i)** greater dilution of fixed costs from increased consolidated pulp shipments (+9% q/q); **(ii)** a softening of the USD/BRL FX rate (-3% q/q), which should help ease pressure on USD-denominated inputs (~15% of the total — COGS + SG&A — is exposed to the USD); and **(iii)** a reduction in the cost of fuel oil, in line with the decline in Brent crude oil prices (-4.3% q/q). Conversely, the Pulp COGS/t including stoppages is projected at R$1,323/t Genial Est. (+4.3% q/q; +9.8% y/y), with sequential increase explained by the accounting of a downtime of low materiality, estimated at R$27.5mn vs. 1Q25, which did not have any shutdowns. It is also worth noting that, although its inclusion increases COGS/t, we do not believe there was a significant impact on volumes, which reinforces the limited nature of the intervention.

EBITDA: Paper & Packaging strong growth; Pulp slows it down. Our model points to consolidated adjusted EBITDA of R$2.0bn Genial Est. (+9.6% q/q; -0.7% y/y). The sequential improvement should be explained by the strong expansion in profitability in the Paper & Packaging division, benefiting from robust shipments acceleration — especially in Kraftliner and Corrugated boxes. At the same time, the slight annual decline should reflect the significant drop in EBITDA in the pulp division, penalized by price compression, especially in BHKP (-14% y/y Est.).

The Paper & Packaging division should report EBITDA of R$1.4bn Genial Est. (+21.5% q/q; +18.5% y/y), with expansion on both bases, justified by the combination of sequentially growing volumes in all segments related to better seasonality and realized prices expanding annually all across the board. On the other hand, EBITDA for the Pulp division is projected at R$622mn Genial Est. (-10.3% q/q; -27.5% y/y), with a significant decline in both comparisons, reflecting the increase in COGS/t (+4.3% q/q; +9.8% y/y) and double-digit price contraction in BHKP on a yearly basis.

Table 4. EBITDA Klabin (2Q25 Genial Est.)

(R$ Millions)	2Q25E Genial Est.	1Q25 Reported	% q/q	2Q24 Reported	% y/y
Adjusted EBITDA	**2.038**	**1.859**	**9,6%**	**2.052**	**-0,7%**
Paper & Packaging	1.416	1.166	21,5%	1.195	18,5%
Pulp	622	693	-10,3%	857	-27,5%

Source: Genial Investimentos, Klabin

Net Income: Decline should be driven by sequential deterioration in financial results. We believe that Net income will reach R$361mn Genial Est. (-19.1% q/q; +14.6% y/y), reflecting a decline in the sequential base, explained by the worsening of the financial result, which should reach -R$305mn Genial Est. (+92.2% q/q). Although EBITDA is expected to grow +9.6% q/q, the negative effects of the financial line should more than offset the operating gain in the bottom line. The margin should reach 14.1% (+3.8p.p. q/q; +3.7p.p. y/y), signaling a deterioration in the conversion of operating and financial results into profit.

Table 5. Income Statement (2Q25 Genial Est.)

(R$ Millions)	2Q25E Genial Est.	1Q25 Reported	% q/q	2Q24 Reported	% y/y
Net Revenue	**5.060**	**4.859**	**4,1%**	**4.949**	**2,2%**
COGS	(3.514)	(3.613)	-2,8%	(3.194)	10,0%
Adjusted EBITDA	**2.038**	**1.859**	**9,6%**	**2.052**	**-0,7%**
EBITDA Margin (%)	40,3%	38,3%	2p.p	41,5%	-1,2p.p
EBIT	**789**	**926**	**-14,9%**	**994**	**-20,6%**
EBIT Margin (%)	15,6%	19,1%	-3,5p.p	20,1%	-4,5p.p
D&A	(1.111)	(1.299)	-14,5%	(989)	12,3%
Financial Result	(305)	(158)	92,2%	(563)	-45,9%
Net Income	**361**	**446**	**-19,1%**	**315**	**14,6%**
Net Margin (%)	7,1%	9,2%	-2,1p.p	6,4%	0,8p.p

Source: Genial Investimentos, Klabin

Our Take on Klabin

Plateau Project: 2nd installment receipt of over R$700mn. To date, the company has received from TIMO the amount of +R$1.5bn in contributions related to the Plateau project, divided between the first installment of +R$800mn, received in Feb, and the **second installment of +R$700mn**, received in **2Q25**. A third installment of +R$300mn remains scheduled for 2H25, which is part of the total amount originally committed of +R$1.8bn. In addition, we note that negotiations are underway involving an **additional contribution of +R$900mn** (earn-out), but this was already **left as an option** when the deal was announced in Oct last year. However, although the company believes that negotiations are progressing positively, we reiterate that we have not yet incorporated the earn-out cash-in into our model, adopting a conservative stance to avoid distortions in leverage and FCF indicators. If the amount is paid, it will generate an additional reduction of -0.1x in the Net Debt/EBITDA ratio, due to upside potential in FCF.

FCF ex. Plateau in sequential decay, but leverage should also decline. According to our calculations, the company should report **FCF generation** of **+R$390mn Genial Est.** (-20% q/q; +39% y/y) – excluding the receipt from the Plateau Project (non-recurring) –, justified by **(i)** CAPEX, which should reach R$870mn Genial Est. (+24% q/q; -9% y/y), in addition to interest expenses, which accelerate on a sequential basis to R$555mn Genial Est. (+18% q/q), due to the payment of semi-annual coupons.

On y/y basis, we believe that the dividend payments reduction should expand FCF, given the new version of the distribution policy. We reiterate our estimate of a **Dividend Yield** of **5.5% 25E** (vs. 6% in 2024), prioritizing the deleveraging trajectory. So, regarding leverage, we expect the indicator to slightly decline (-0.1x q/q Est.) to **3.8x Net Debt/EBITDA** in **USD**, due to three congruent factors: **(i)** the inflow of **+R$700mn** from the **Plateau Project**, **(ii)** generation of **+R$390mn** in **FCF**, and **(iii)** acceleration of EBTIDA y/y in USD. The reduction in the nominal value of debt issued in foreign currency derived from the reduction in the USD/BRL EoP FX rate in the sequential movement (R$5.46 vs. R$5.74 in 1Q25), added to these previous effects, should contribute to a **decline in leverage** (BRL), to **3.6x** (-0.4x q/q Est.).

Pulp Market: COGS/t reduction for Chinese players puts pressure on supply control in Europe. The scenario in China remains bleak, with **investor sentiment still bearish**, as the market is conditioned by a perception of **excess supply**, hindering a consistent turnaround in the pulp cycle in the short term. We estimate that the Chinese paper industry's lower propensity to restock is anchored in two main factors: **(i)** port inventories remain high in BHKP (2.2Mt, +21% YTD), which maintains the sense of immediate availability; and **(ii)** growing local production capacity, which reduces appetite for imports in the short term.

Among the new projects, we highlight the commissioning last year of **Liansheng** (1.6Mtpy, 50% of integrated capacity), in addition to BHKP capacities coming online in the coming months, such as **Huatai** (600 Ktpy); **Xianhe Co.** (400Ktpy); **Nine Dragons Paper** (650Ktpy) and **Shandong Huatai** (700Ktpy) still in 2025. It is worth noting that the new **Sun Paper** plant in Yandian (600Ktpy) remains on an uncertain schedule, with start-up considered for 4Q26. However, we estimate that the cash **COGS/t** of local producers **in southern China** is currently estimated at **US$450–500/t** (vs. above US$550/t in 24A), resulting in a margin of between US$50-100/t currently, as new capacities are more efficient. In addition, pulp inventory levels at ports are above normal, indicating that immediate supply is feasible. Consequently, the paper industry benefits from postponing pulp inventory replenishment for as long as possible. Therefore, the cycle inflection point is pushed forward. In this context, we believe that any **supply rebalancing**—with capacity shutdowns—is more likely to **come from Europe**, where some producers are operating at ~95% utilization rates but with **margins close to zero**.

BHKP China: Imports continue to increase. In the specific case of **BHKP China**, the **acceleration in imports** was even more significant, registering an uplift of **+8% y/y** in **1H25**. A significant part of this increase came from Brazil and Chile, reflecting the entry of substantial new capacity. On the other hand, monitored data points to a weakening of Chinese domestic demand, with apparent consumption in the 1H25 falling -3.2% y/y, signaling difficulties in selling the additional volume. The combination of **(i)** increased supply and **(ii)** softer demand resulted in a **significant build-up of port inventories** in China, which reached record levels in a 5Y period — **2.2Mt at the end of June** (+7% m/m). As a result, the **price of BHKP fell -10% YTD**, reflecting the persistent imbalance, especially in Asia.

Kraftliner: Capacity cuts in the US are stabilizers, not disruptive. We note that the main US Kraftliner producers — including International Paper, Georgia-Pacific, and Smurfit Westrock — announced at the beginning of the year combined cuts of -2.1Mt (in 12M), equivalent to ~2% of global capacity and representing a historic retraction in North America plants.

The closure of old capacity tends to **mitigate oversupply**, acting as a stabilizing anchor for prices — **but we do not expect a recovery**. We remind investors that even though Kraftliner is a paper product, it follows slightly more commoditized trends linked to global supply. We believe that the asymmetry between the volume cut and the still weak recovery in consumption cools down the power of Kraftliner producers to promote further price adjustments beyond those made between 4Q24 and 1Q25.

On the demand side, growth expectations remain moderate. According to our estimates, **apparent consumption** in the Kraftliner market should rise **+5% y/y** in the North American market. However, although the structural vector (sustainability, plastic substitution, environmental regulation) is favorable, we still believe that the timing of the recovery in demand remains uncertain, with cuts in old capacity serving more to purge the **excess of supply**, which rose **+10% in 2Y** in the US.

Paperboard: Stability disguised as progress. The trajectory of the Paperboard division should remain marked by a **contained recovery dynamic**, with early signs of improvement still lacking broad-based support. The expected closure of **820Kt** in **2025** (entirely to be made by International Paper in the US market) indicates an oversupply, contributing to a slightly more commoditized relationship in non-specific grades and a more pressured market in the short term. We highlight that in the last quarter; we saw a higher volume of paperboard imports—mainly from China—reaching the Brazilian market. However, it seems to us that this level of penetration has slightly declined on a sequential basis.

At the heart of this equation is the approval of the **new grades produced by PM28**, especially for higher value-added applications, such as bleached cardboard. However, even though the development of this application in the approval process with the client’s portfolio tends to reposition PM28's production towards more sophisticated markets, the company should still experience a **smaller shift than initially expected** between **Kraftliner vs. Paperboard** tradeoff**,** since macroeconomic conditions are not so encouraging. In the domestic market, we are seeing the effects of high interest rates (SELIC at 15%) and uncertainties related to US government tariff interventions. Therefore, we have lowered our estimate for **Paperboard shipments** to **846Kt 25E** (+3.5% y/y vs. +5.5% y/y previously).

Corrugated Boxes: Resilience for now, but tariffs may have an impact. Even in the face of a challenging macroeconomic environment, established by the maintenance of a high terminal interest rate in Brazil, the performance of the corrugated box division shows resilience, at least for now. In scenarios where consumption of durable goods tends to decline — typical behavior in high interest rate cycles — diversification through **(i)** market niches and **(ii)** the export bias of a significant portion of the company's client base, which is closely linked to the **food sector** (mainly fruits and proteins), ends up acting as a natural mechanism for absorbing specific sectoral shocks. On the other hand, we believe that the impact of the **50% tariffs imposed by the US** on all Brazilian products is likely to be felt, given that Brazil is a major supplier of fruit and protein to the US. Yesterday (June 30), the **US government granted exemptions from the tariffs for certain products**, including pulp and orange juice. However, beef and coffee were not listed, meaning that the tariffs remain in place.

Brazil is currently the world's largest beef exporter and ranked second among the main suppliers to the US in 2024, with shipments exceeding 229Kt and revenue of ~US$1.4bn (or ~R$7.8bn). It is worth mentioning that the US's dependence on imported beef is spread across other supplier countries, with Brazil accounting for ~15% of this demand. However, in 2025, the impetus for meatpackers to export beef to the US was increasing, given the cattle cycle at the peak of its negative phase and the very high cost of slaughter acquisition in North America. Brazilian exports grew by more than **+3x y/y between Jan-Apr**, even temporarily surpassing Australia as the main monthly supplier. It is possible that with the tariffs, part of this volume that would have been exported to the US will be **directed to the domestic market**, but even so, **the need to pack meat in corrugated boxes** will remain, **perhaps at a lower price**, given that packaging for exports tends to be more on the premium grades side.

In the short term, the 2H25 should bring more favorable conditions (holidays, increased consumption, unemployment at a historic low in Brazil). This growth vector is also anchored in **logistical advances**, such as the intensification of domestic maritime transport and the expansion of the company's regional presence in agro-industrial distribution hubs — elements that we believe will reduce inefficiencies. A significant part of the increase in service levels comes from the **ramp-up of the Figueira project**, a new plant located in Piracicaba (SP).

Paper ahead, pulp on standby. In a 1H25 marked by intense noise—from global risk aversion to tariff wars, FX rate compression, and skepticism about domestic consumption—**Klabin's shares sank deeper than its foundations could hold**. We continue to emphasize that the **-18.5% YTD** contraction seems **unjustifiable** to us. Looking at the fundamentals, 2Q25 should reinforce the investments thesis of business diversification, with the **paper division setting the pace while pulp waits for the right market timing**. Considering what we have seen happen since the beginning of the year until now, the Pulp division faces headwinds: the combination of higher global supply and still subdued demand resulted in record port inventories in China, reaching 2.2Mt at the end of June (+7% m/m). With excess product weighing on the supply-demand balance, the **price of BHKP** has fallen **-10% YTD**, limiting the segment's profitability potential, with EBITDA expected to decline (-10.3% q/q; -27.5% y/y).

In the opposite direction, the **Paper & Packaging** segment is moving at a fast pace, driven by **higher sequential volumes**, dilution of fixed costs, and gains in the **mix of premium products for export** (at least for now). The expected result is an accelerating EBITDA (+21.5% q/q; +18.5% y/y), showing that while pulp awaits the cycle turnaround, paper division continues to drive the quarter's performance. If the investors are still uncertain to increase long positions even with market valuation down (6x EV/EBITDA 26E vs. 7x historical average), it is because they are listening to the noise—but **value extracted by diversification, as always, continues to be built in silence** (and is often not appreciated as it should). Given this scenario, we reiterate our **BUY rating** with a **12M Target Price** to **R$23.50**, implying an **upside** of **+25.8%**.

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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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%**

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