

KLABIN

3Q25 Review: Delivering cash amid the storm

LatAm Pulp & Paper

(i) Kraftliner: Sales of **163Kt** (+10.1% vs. Est.; +12.5% q/q; +22.3% y/y), exceeding expectations due to strong export demand from India, China, and Ecuador; price of **R\$3,820/t** (-5.0% vs. Est.; -6.4% q/q), impacted by a less favorable geographic mix and FX rate effects (-4% q/q); **(ii) Paperboard:** Shipments of **212Kt** (+1.9% vs. Est.; +6.0% q/q; +2.5% y/y), slightly above projections, driven by favorable seasonality; price at **R\$5,626/t** (flat vs. Est.; stable q/q), reflecting the maintenance of inflation-indexed contracts; **(iii) Corrugated boxes:** Sales of **250Kt** (+4.2% vs. Est.; +6.2% q/q; +6.1% y/y), exceeding expectations due to the expansion of the strategic customer base — proteins, fruits, and tobacco; price of **R\$6,554/t** (+1.6% vs. Est.; +1.9% q/q); **(iv) Industrial bags:** Sales of **41Kt** (+10.8% vs. Est.; +14.2% q/q; +17.4% y/y), price of **R\$9,320/t** (-0.9% vs. Est.; -3.4% q/q), marginally lower due to the gradual accommodation of price adjustments; **(v) BHKP Pulp:** Sales of **295Kt** (+4.6% vs. Est.; +5.8% q/q; +31.9% y/y), driven by regular operation of the Ortigueira (PR); price reached **R\$2,874/t** (-3.1% vs. Est.; -13.3% q/q), reflecting the downturn in FOEX curves; **(vi) BSKP Pulp + Fluff:** Shipments of **106Kt** (-7.8% vs. Est.; -8.5% q/q; +8.3% y/y), whose premium sustained the price at **R\$5,472/t** (+9.2% vs. Est.; -4.4% q/q); **(vii) Net revenue** of **R\$5.4bn** (+4% vs. Est.; +3.4% q/q; +8.5% y/y); **(viii) COGS/t ex. stoppages** reported at **R\$1,324/t** (+3.2% vs. Est.; +2.6% q/q; +14.4% y/y); **(ix) EBITDA** reached **R\$2.1bn** (+0.7% vs. Est.; +3.7% q/q; +17.3% y/y); **(x) Net income** totaled **R\$478mn** (-24.9% vs. Est.; -18.3% q/q; -34.4% y/y), with a margin of **8.8%** (-3.4 p.p. vs. Est.), below expectations due to a net financial loss of -R\$670m (+51.5% vs. Est.); **(xi)** We reiterate our **BUY** rating, with a **12M Target Price** of **R\$23.50**, implying an **upside** of **+27%**, anchored in deleveraging and FCF generation.

Analysts

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

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

Iago Souza
+55 (11) 3206-8244
iago.souza@genial.com.vc

Company

KLBN11 BZ Equity
Buy

Price: R\$ 18.51 (04-Nov-2025)
Target Price 12M: R\$ 23.50

Table 1. Shipments Summary (3Q25 vs. Genial Est.)

(Thousand Tonnes - kt)	Reported	Genial Est.		Reported		Reported	
Summary (Shipments)	3Q25	3Q25E	% R/E	2Q25	% q/q	3Q24	% y/y
Kraftliner	163	148	10,1%	145	12,5%	133	22,3%
Paperboard	212	208	1,9%	200	6,0%	207	2,5%
Corrugated boxes	250	240	4,2%	235	6,2%	236	6,1%
Industrial Bags	41	37	10,8%	36	14,2%	35	17,4%
BHKP Pulp	295	282	4,6%	279	5,8%	224	31,9%
BSKP + Fluff Pulp	106	115	-7,8%	116	-8,5%	98	8,3%

Source: Genial Investimentos, Klabin

Table 2. Income Statement Summary (3Q25 vs. Genial Est.)

(R\$ millions)	Reported	Genial Est.		Reported		Reported	
Income Statement	3Q25	3Q25E	% R/E	2Q25	% q/q	3Q24	% y/y
Net Revenue	5.426	5.219	4,0%	5.247	3,4%	4.999	8,5%
Adjusted EBITDA	2.117	2.103	0,7%	2.041	3,7%	1.805	17,3%
Net Income	478	636	-24,9%	585	-18,3%	729	-34,4%

Source: Genial Investimentos, Klabin

Klabin released its **3Q25** results today, **Nov. 4**. We believe the results had several positive points, but what stood out most was the generation of **FCF** of **R\$699mn** (+35% vs. Genial Est.), representing a **significant increase** of **+4x q/q** and **+44% y/y**, driving deleveraging to **3.3x Net Debt/ EBITDA** (-0.4x q/q in BRL) The company reported **net revenue** of **R\$5.4bn** (+4% vs. Genial Est.), up **+3.4% q/q** and **+8.5% y/y**, supported by the **paper & packaging** divisions, which continued to play a defensive role in the portfolio, more than offsetting the **strong price pressure** in the **pulp** business.

We believe that performance was predominantly **volume-driven**, with virtually all business lines **exceeding our shipment projections** — notably **kraftliner** at 163Kt (+10% vs. Est.; +22.3% y/y) and **corrugated boxes** coming in above the market at 240Kt (+4.2% vs. Est.; +6.1% y/y) vs. EMPAPEL data at only +0.3% y/y. The performance of industrial bags was also strong, at 41kt (+10.8% vs. Est.; +17.4% y/y).

We observed some **mitigating effects** on **realized prices**, with Kraftliner being priced at R\$3,820/t (-5% vs. Est.), given the -6.4% q/q contraction, reflecting the combined effect of **(i)** a less favorable geographic mix — with a greater weight of shipments in regions with lower average ticket prices — and **(ii)** the softening of the USD/BRL FX rate (-4% q/q). In the pulp division, BHKP realized R\$2,874/t (-3.1% vs. Est.), with a contraction of -13.3% q/q, reflecting the greater impact of the downturn in international curves (FOEX China: -9% q/q; FOEX Europe: -12% q/q) and the exchange rate (-4% q/q).

In terms of cost dynamics, **COGS/t ex-shuts** for pulp reached **R\$1,324/t** (+3.2% vs. Est.), accelerating +2.6% q/q and +14.4% y/y, pressured by higher fiber and chemical costs due to weather factors and the seasonality of synergies from the Caetê Project, partially offset by lower fuel costs and higher energy sales revenue. As a result, consolidated adjusted **EBITDA** totaled **R\$2.1bn** (+0.7% vs. Genial Est.), an increase of **+3.7% q/q** and **+17.3% y/y**, reflecting the good performance of the **less cyclical** divisions, which exceeded +2% vs. Genial Est., offsetting the decline in pulp (-2% vs. Est.), impacted by higher-than-expected costs. Finally, **net income** was **R\$478mn** (-24.9% vs. Genial Est.), down **-18.3% q/q** and **-34.4% y/y**, with a **margin** of **8.8%** (-3.4p.p. vs. Est.), pressured by a financial loss of -R\$670mn (+51% vs. Est.), influenced by the negative FX rate effect of -R\$111mn, which reduced gains from hedging and financial investments in foreign currency.

3Q25 Review: In detail!

Kraftliner: Volume above expectations but penalized by price. The containerboard unit (Kraftliner + recycled) shipped 163Kt (+10.1% vs. Genial Est.), registering an increase of +12.5% q/q and +22.3% y/y, significantly exceeding our projections due to strong exports to India, China, and Ecuador, combined with greater use of PM28, which continued to operate at a high level of efficiency, reinforcing the company's ability to quickly redirect production, taking advantage of regional demand windows. Although the move toward geographic diversification was already in our base scenario, the recovery intensity in external volumes was a positive surprise, showing market share gains in strategic regions.

The realized price reached R\$3,820/t (-5.0% vs. Genial Est.), down -6.4% q/q and stable y/y, below our estimates, reflecting the combined effect of **(i)** a less favorable geographic mix — with a greater shipments weight in regions with a lower average ticket — and **(ii)** the USD/BRL FX rate softening (-4% q/q), reducing the effect of BRL conversion on exports. Even so, we believe that the annual level remained resilient, sustained by adjustments implemented in 2H24 and the lower impact of carry-over in signed contracts. As anticipated in our preview, the strategic decision to expand the company's presence in alternative markets resulted in a one-off price dilution, but with a positive net effect on profitability and commercial turnover.

Paperboard: Seasonality supports sales; imports limit expansion. Sales totaled 212Kt (+1.9% vs. Genial Est.), registering an expansion of +6.0% q/q and +2.5% y/y, slightly above projections, driven by favorable seasonality and the partial restoration of demand amid the gradual return of orders in the domestic market, reinforcing the company's resilience in the face of a still adverse environment – apparent consumption from Jan-Aug declined -4% y/y – marked by competition from Asian imports.

On the price side, the company reported R\$5,626/t (flat vs. Genial Est.), stable q/q and up +3.2% y/y, in line with our assumptions, reflecting the maintenance of contracts indexed to inflation indices, partially offsetting the effect of the USD/BRL FX rate devaluation (-4% q/q), in addition to a more pressured competitive environment. We believe that the slowdown in the passthroughs' pace and the greater weight of exports within the mix contributed to containing additional headwinds, but the average level still shows consistency in pricing and margin protection in a segment that remains essentially defensive within the company's portfolio.

Corrugated Boxes: Above-average sector performance. The division reported shipments of 250Kt (+4.2% vs. Genial Est.), with acceleration of +6.2% q/q and +6.1% y/y, exceeding our expectations as a result of the expansion of the strategic customer base. We highlight once again the protein, fruit, and tobacco segments, which benefited from strong harvests and robust exports—especially in light of the redirection of beef flows to Mexico and China after the tariffs imposed by the US, as we had already mentioned in our previous report. We found that the ramp-up of the Piracicaba II unit (Figueira Project) was also decisive, allowing for greater logistical flexibility and expanding conversion capacity.

The realized price reached R\$6,554/t (+1.6% vs. Genial Est.), up +1.9% q/q and +13% y/y, also better than expected and reflecting the greater penetration of the premium packaging mix and the residual effect of the transfers implemented in 1H25, in addition to the maturation of the Figueira Project, which increased the proportion of higher value-added grades. Prices remained stable even with the softening of the USD/BRL FX rate (-4% q/q) and the slowdown in domestic consumption of durable goods, demonstrating the resilience of the export-oriented segments served. We emphasize that the above-average market performance – according to Empapel, the Brazilian market grew only +0.3% y/y – reinforces the company's ability to capture growth in a still challenging environment.

Industrial Bags: Volume above expectations; price slightly down. In relative terms, the company delivered strong shipments, reaching 41Kt (+10.8% vs. Genial Est.), up +14.2% q/q and +17.4% y/y, significantly exceeding our projections, sustained by stronger demand in the segments of **(i)** seeds, **(ii)** chemicals, and **(iii)** mortar, which offset the **(iv)** slowdown in civil construction. In addition, we saw a gain in new clients, both in the domestic and foreign markets, coupled with stability in the cement sector, whose domestic shipments grew +1% y/y, according to SNIC data. We emphasize that this performance reinforces the company's competitive position in this niche, supported by a well-distributed commercial network and the operational flexibility of its portfolio.

While the company outperformed the market in terms of volumes, the realized price was slightly affected, standing at R\$9,320/t (-0.9% vs. Genial Est.), with a decline of -3.4% q/q and an increase of +2.1% y/y, marginally below our projection due to a less favorable product mix and the gradual accommodation of the transfers implemented at the last year-end. Even so, the realization levels remain healthy, sustained by greater penetration in technical applications with lower price elasticity and active management of indexed contracts.

Pulp: BHKP surprises in volume; BSKP+Fluff in price. The company reported total sales of 401Kt (+1% vs. Genial Est.), the result of a strong performance in BHKP, whose shipments reached 295Kt (+4.6% vs. Est.), rising +5.8% q/q and 31.9% y/y, and a negative deviation in BSKP+Fluff, with 106Kt (-7.8% vs. Est.), contracting -8.5% q/q, but expanding +8.3% y/y. It was a quarter marked by the regular operation of the Ortigueira (PR) plant and the improvement in the logistics flow of exports.

We believe that demand remained healthy in the domestic market, supported by positive seasonality and the USD/BRL FX rate softening (-4% q/q). In Europe, we also witnessed resilience in the tissue segment, which operated at good utilization rates, offsetting the weakness observed in China. It is important to note that greater exposure to the European price curve – mature and less volatile markets – reaffirms the company's geographic flexibility.

Prices, on the other hand, behaved differently between fibers. In BHKP, the price was R\$2,874/t (-3.1% vs. Genial Est.), with a contraction of -13.3% q/q and -30.5% y/y, reflecting the greater impact of the downturn in international curves (FOEX China: -9% q/q; FOEX Europe: -12% q/q) and the FX rate (-4% q/q), partially offset by contracts indexed with a lag to FOEX Europe. In BSKP+Fluff, the realized price reached R\$5,472/t (+9.2% vs. Genial Est.), with a more moderate compression of -4.4% q/q and -2.0% y/y, which suffered from the decline in international curves (FOEX China: -7% q/q; FOEX Europe: -5% q/q), benefited from the greater representation of fluff, whose premium remained above the historical average.

Net Revenue: Packaging stands out in the consolidated figures. Net revenue totaled R\$5.4bn (+4% vs. Genial Est.), showing growth of +3.4% q/q and +8.5% y/y, reflecting the good performance in the paper & packaging division, reaffirming the natural cushioning characteristic of the company's portfolio, in which the less cyclical divisions continue to dampening the pressure on pulp – impacted by depressed international prices.

In the packaging division, revenue totaled R\$2.0bn (+6.6% vs. Genial Est.), advancing +8.7% q/q and +19.9% y/y, exceeding our projections mainly due to higher-than-expected volumes in corrugated boxes (+4.2% vs. Est.) and industrial bags (+10.8% vs. Est.), in addition to the positive effect on corrugated paper pricing (+1.6% vs. Genial Est.), reflecting the expansion of the strategic client base in export segments (proteins, fruits, and tobacco) and the maturation of the Piracicaba II unit (Figueira Project).

In the paper division, revenue reached R\$1.8bn (+2.8% vs. Est.), accelerating +5.8% q/q and +11% y/y, sustained by strong traction from kraftliner (+10% vs. Est.), supported by record volumes and superior commercial performance, which offset slight price pressure (-5% vs. Est.). Paperboard also contributed positively, given favorable seasonality and the gradual increase in domestic consumption, even amid persistent competition from Asian imports. In turn, the pulp business reported revenue of R\$1.4bn (+0.9% vs. Est.), down -10.2% q/q and -3.1% y/y, in line with our expectations of deterioration, as a result of the downturn in international curves for both fibers.

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

(R\$ Millions)	3Q25	3Q25E	% R/E	2Q25	% q/q	3Q24	% y/y
	Reported	Genial Est.		Reported		Reported	
Net Revenue	5.426	5.219	4,0%	5.247	3,4%	4.999	8,5%
Paper	1.815	1.766	2,8%	1.715	5,8%	1.635	11,0%
Packaging	2.021	1.896	6,6%	1.860	8,7%	1.686	19,9%
Pulp	1.425	1.412	0,9%	1.587	-10,2%	1.471	-3,1%
Wood	157	85	84,3%	83	90,2%	128	23,0%
Others	8	59	-86,5%	2	227,3%	79	-89,9%

Source: Genial Investimentos, Klabin

Pulp COGS/t: Above expectations; wood and chemicals weigh heavily. Pulp COGS/t ex-stoppages was reported at R\$1,324/t (+3.2% vs. Genial Est.), accelerating +2.6% q/q and +14.4% y/y, above our estimate. We believe that the factors that weighed negatively on efficiency were: **(i)** higher fiber costs — influenced by climatic factors and seasonality in capturing synergies from the Caetê Project — in addition to an increase in specific consumption at mills due to high humidity; and **(ii)** the higher volume of spot purchases of chemical inputs, due to planned maintenance of the lime kiln, in addition to the increase in the price of caustic soda, sulfur, and lime itself.

These factors were partially offset by **(iii)** lower fuel costs, resulting from minor BPF oil prices and reduced consumption due to improved mill performance; and **(iv)** more revenue from energy sales correlated with higher prices. The total comparative basis of pulp COGS/t remained at the same level, given that there were no significant downtimes of pulp mill machinery, showing a slight increase of +0.2% q/q and a decline of -21.9% y/y (where both comparative bases were influenced by maintenance shutdowns).

EBITDA: Non-cyclical divisions stand out. The company achieved consolidated adjusted EBITDA of R\$2.1bn (+0.7% vs. Genial Est.), up +3.7% q/q and +17.3% y/y, fully in line with our projections, reflecting compensatory effects between divisions — paper & packaging exceeding our estimates, while the pulp business showed a slight decline —, once again highlighting the structural balance of the company's portfolio. The paper & packaging division posted EBITDA of R\$1.4bn (+2.2% vs. Est.), growing to +19.3% q/q and +27.9% y/y, with results clearly volume driven.

We highlight that all segments exceeded shipment expectations, with corrugated boxes being the only product that also sold above the projected price. This performance was further amplified by COGS/t below estimates, both in paper (-4% vs. Est.), reflecting better operational dilution and economies of scale, and in packaging (-1% vs. Est.), which remained virtually stable, even in the face of shipment expansion. In contrast, EBITDA for the pulp division was R\$713mn (-2.2% vs. Est.), down -17.5% q/q, but stable at +0.8% y/y, reflecting the adverse effects of costs — mainly due to higher fiber expenses, in addition to increased specific consumption at pulp mills due to high humidity — which more than offset revenue and the good shipments level, which should have led to fixed cost dilution.

Table 3. EBITDA Klabin (3Q25 vs. Genial Est.)

(R\$ Millions)	3Q25			2Q25		3Q24	
	Reported	Genial Est.	% R/E	Reported	% q/q	Reported	% y/y
Adjusted EBITDA	2.117	2.103	0,7%	2.041	3,7%	1.805	17,3%
Paper & Packaging	1.404	1.374	2,2%	1.176	19,3%	1.098	27,9%
Pulp	713	729	-2,2%	864	-17,5%	708	0,8%

Source: Genial Investimentos, Klabin

Net Income: Pressure from financial losses. On the bottom line, we observed a Net income of R\$478mn (-24.9% vs. Genial Est.), representing a decline of -18.3% q/q and -34.4% y/y, with a margin of 8.8% (-3.4p.p. vs. Genial Est.), contracting -2.3p.p. q/q and -5.8p.p. y/y, coming below expectations. We believe that the biggest difference is in the financial loss of R\$670mn (+51% vs. Genial Est.), which exceeded our assumptions, mainly due to the negative exchange rate effect of R\$111mn, which reduced gains from hedging and financial investments in foreign currency.

Table 5. Income Statement (3Q25 vs. Genial Est.)

(R\$ Millions)	3Q25			2Q25		3Q24	
	Reported	Genial Est.	% R/E	Reported	% q/q	Reported	% y/y
Net Revenue	5.426	5.219	4,0%	5.247	3,4%	4.999	8,5%
COGS	(3.931)	(3.375)	16,5%	(3.474)	13,2%	(3.468)	13,3%
Adjusted EBITDA	2.117	2.103	0,7%	2.041	3,7%	1.805	17,3%
EBITDA Margin (%)	39,0%	40,3%	-1,3p.p	38,9%	0,1p.p	36,1%	2,9p.p
EBIT	1.358	1.405	-3,3%	1.286	5,6%	1.219	11,4%
EBIT Margin (%)	25,0%	26,9%	-1,9p.p	24,5%	0,5p.p	24,4%	0,6p.p
D&A	(1.321)	(1.006)	31,3%	(1.127)	17,2%	(1.014)	30,3%
Financial Result	(670)	(442)	51,5%	(566)	18,4%	(403)	66,2%
Net Income	478	636	-24,9%	585	-18,3%	729	-34,4%
Net Margin (%)	8,8%	12,2%	-3,4p.p	11,2%	-2,3p.p	14,6%	-5,8p.p

Source: Genial Investimentos, Klabin

Our Take on Klabin

FCF: Strong generation due to lower CAPEX, taxes, and interest. The company reported **FCF** generation of **R\$699mn** (+35% vs. Genial Est.), representing a **significant increase** of **+4x q/q** and **+44% y/y**, a result well **above expectations**, supported by combined operational and financial factors, such as: **(i)** lower **CAPEX**, which totaled **R\$554mn** (-15% vs. Genial Est.), falling -14.6% q/q and -27.8% y/y; **(ii)** lower tax payments; and **(iii)** lower net interest expenses compared to our model, but in line with the recent debt profile regularization. These components were offset by **(iv)** higher working capital (WC) consumption.

On the CAPEX side, we believe that the end of the expansion cycle and the **natural reduction in investments in large projects** after the ramp-up of the Figueira Project (SP) led to a stronger slowdown than initially projected – we note that the company did not consider investments in SPVs. In addition, we note a slower disbursements pace for forestry activities, in line with the modernization schedule for the Monte Alegre (PR) unit, whose peak execution is only expected in 2026.

On the fiscal side, taxes paid amounted to only R\$33mn (-78% vs. Genial Est.), benefiting from **temporary tax credits** and a lower incidence of IR/CSLL on non-recurring results, which reduced the impact on FCF. Net financial expenses, in turn, totaled -R\$241mn (-20% vs. Genial Est.), reflecting lower interest payments and the rebalancing of financial liabilities after the settlement of NCEs (export credit instruments) with swaps in 1H25. Finally, **WC** showed **consumption of -R\$220mn** (+83% vs. Genial Est.), because of the increase in accounts receivable due to strong sales traction in 3Q25.

Deleveraging trajectory underway. Leverage decreased to **3.6x Net Debt/EBITDA** (in USD), down **-0.3x q/q** and maintaining our projected deleveraging pace until year-end, reflecting the combination of **(i)** robust FCF generation of R\$699mn (+42% vs. Est.); and **(ii)** an extraordinary inflow of +R\$600mn (already forecast) related to the SPV land transaction, not included in the FCF in the previous point. In addition, **(iii)** the USD/BRL EoP FX rate softening (-3% q/q), which reduced the balance of USD-denominated debt with no cash effect, contributed to the decline in the **BRL** indicator, which reached **3.3x Net Debt/EBITDA** (-0.4x q/q). Gross debt totaled R\$35.8bn, stable q/q, with amortizations of R\$1.1bn offset by a new issuance of R\$1.5bn in CPR-Fs and a negative FX rate effect of -R\$500mn. The cash position reached R\$9.7bn (+R\$1.6bn q/q), driven by FCF and proceeds from structured operations, leading to net debt of R\$26.1bn (-7% q/q). In line with the preference for capital allocation that supports a deleveraging trajectory, the company announced a **dividend payment** in the amount of **R\$318mn** or **R\$0.05/share** (flat vs. Genial Est.), with an annualized value reaching **6.1% yield**, a factor that reinforces our projection of **Dividend Yield 25E** at **6%**. It is worth noting that the payment will be made on Nov. 19, and the shares will be traded ex-dividends as of Nov. 10.

Forest SPVs: +R\$600mn already received; +R\$300mn in 4Q25E. The company signed two Memorandum of Understanding (MoU) with institutional investors for the establishment of **SPVs** focused on the leasing and real estate exploitation of **30k ha** and **15k ha** of productive land located in the states of **Paraná (PR)** and **Santa Catarina (SC)**. Under the agreed structure, Klabin remains the **controlling shareholder**, contributing the land assets, while investors contribute cash in exchange for a minority stake.

The **first memorandum**, concluded in **3Q25**, resulted in a **contribution of +R\$600mn**, already fully received by the company, in line with the strategy of monetizing land assets and discipline in capital allocation.

The **second memorandum**, signed in **Oct. 2025**, provides for an additional contribution of **+R\$300mn**, to be received in **4Q25E**, through the sale of 25% of a new SPV that owns 15k ha in Paraná (PR), with subsequent leasing of the properties to Klabin itself and a call option at the end of 5Y. In practice, the transactions follow a similar dynamic to the **Plateau Project**, but with **collateral in agricultural land** instead of timber, reinforcing the company's commitment to reducing leverage through active management of its land portfolio. We emphasize that the receipt of +R\$600mn resulted in a reduction of **-0.1x** in the **Net Debt/EBITDA** ratio, ceteris paribus. The subsequent contribution to be received in 4Q25E (+R\$300mn) should steer the landing process to **3x 25E in BRL**.

Plateau Project: Projected decrease of -0.2x in leverage. As previously stated, the company has already received +R\$1.5bn in contributions related to the Plateau Project, with R\$800mn referring to the first installment (Feb.) and R\$651mn to the second, credited in 2Q25, totaling practically 80% of the **committed** amount of **R\$1.8bn**. We do not expect any new inflows in 3Q25, while the **remaining R\$300mn** and the **additional contribution of R\$900mn** (earn-out) should be **recognized in 4Q25E**, totaling **+R\$1.2bn** in expected FCF incursions. With the negotiations progressing quite well and the low risk of contractual breach, we have now incorporated the earn-out into our model. If full payment is made in 4Q25E, the combined funds should reduce the **Net Debt/EBITDA** ratio by **-0.2x**, reinforcing the upside in FCF via the total receipt of +R\$2.7bn as originally announced in Oct/24, and improving the leverage profile at year-end, which according to our current calculations should clock in at **3x Net Debt/EBITDA 25E** in BRL.

Delivering cash amid the storm. We believe that 3Q25 reinforced the consistency of the investment thesis centered on diversification and the countercyclical resilience of the company's portfolio. Even in the face of an **environment of depressed pulp prices** and costs still pressured by fiber and chemical inputs, the company confirmed its execution capacity, delivering predominantly **volume-driven** figures and **results above expectations**.

The shipments expansion in virtually all divisions and the **strong generation of FCF** of **R\$699mn** (+35% vs. Est.; +4x q/q) demonstrate the solidity of the operational conversion into cash flow. The performance of the **paper & packaging** divisions once again acted as a **natural counterweight to pulp volatility**, sustaining the growth trajectory of **EBITDA** (+17.3% y/y) and confirming the defensive nature of the portfolio strategy even amid the storm. The considerable increase in volumes of kraftliner, corrugated boxes, and industrial bags, combined with the maturation of the Figueira Project and the expansion of the export customer base, fully offset price compression in BHKP (-13.3% q/q and -30.5% y/y).

From a financial standpoint, **FCF generation and deleveraging** were the highlights. The decline in the Net Debt/EBITDA ratio to **3.3x in BRL** (-0.4x q/q), combined with the monetization of **+R\$600mn** in forestry SPVs and the expectation of an additional **+R\$1.5bn** in **4Q25E** (2nd SPV + Plateau Project), reinforces management's commitment to guiding towards our estimate of **3x 25E**, reinforcing the nature of capital discipline.

Combined with the CAPEX softening (-15% vs. Est.), we believe that the company is consolidating towards a lighter and more predictable balance sheet profile. Therefore, we reiterate our **BUY rating**, with a **12M Target Price** of **R\$23.50**, implying an **upside** of **+27%**, anchored in **(i)** deleveraging; **(ii)** strong FCF generation; and **(iii)** countercyclical proactivity of the portfolio capable of cushioning depressed pulp prices.

Appendix: Klabin

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

Income Statement	2025E	2026E	2027E	2028E
Net Revenue	20.821	23.144	23.506	23.824
(-) COGS	(14.305)	(14.717)	(14.383)	(14.340)
Gross Profit	8.240	9.054	9.711	9.963
(-) Expenses	(3.155)	(3.492)	(3.659)	(3.807)
Adjusted EBITDA	9.601	9.807	9.906	9.672
(-) D&A	(4.516)	(4.245)	(3.854)	(3.516)
EBIT	5.085	5.562	6.051	6.156
(+/-) Financial Result	(3.317)	(1.853)	(1.185)	(887)
(-) Taxes	(734)	(983)	(989)	(1.082)
Net income	1.251	2.745	3.896	4.207
Profitability				
Net margin (%)	6,0%	11,9%	16,6%	17,7%

Figure 2. Klabin– Cash Flow in R\$ Millions (Genial Est. 2025-2028)

Cash Flow (FCFF)	2025E	2026E	2027E	2028E
Net Revenue	20.821	23.144	23.506	23.824
(-) COGS	(14.305)	(14.717)	(14.383)	(14.340)
Adjusted EBITDA	9.601	9.807	9.906	9.672
EBIT	5.085	5.562	6.051	6.156
(-) Taxes	(734)	(983)	(989)	(1.082)
(+) D&A	4.516	4.245	3.854	3.516
(+/-) Δ WK	(268)	(185)	(72)	(35)
(-) Capex	(2.712)	(1.973)	(1.952)	(1.699)
FCFF	5.887	6.666	6.892	6.856

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