genial Equity Research

SUZANO

3Q25 Review: Temporary noise in FCF

LatAm Pulp & Paper

Main takeaways:

(i) Pulp Shipments totaled **3.2Mt** (-0.8% vs. Est.; -3.2% q/q; +20.1% y/y), flow nominal capacity cut of -3.5% in Aug/25; **(ii) Realized price** reached **R$2,859/t** (+2.9% vs. Est.; -9.2% q/q), slightly above expectations, but still pressured by lower international benchmarks and FX depreciation; **(iii)** Consolidated **Net revenue** totaled **R$12.2bn** (+2.2% vs. Genial Est.; -8.6% q/q; -1.0% y/y); **(iv) Cash COGS/t ex-stoppages** clocked in at **R$801/t** (+0.1% vs. Genial Est.; -3.7% q/q; -7.2% y/y), fully in line, reflecting lower wood and chemical costs and the beneficial effect of the USD devaluation vs. BRL (-4% q/q) on dollarized items. Including stoppages, the cost was **R$812/t** (+1.5% vs. Est.; -3.2% q/q; -10.5% y/y), with a slight deviation due to technical boiler cleaning (NR-13), without changing the trend of operational efficiency; **(v)** Consolidated **adjusted EBITDA** reached **R$5.2bn** (+3.7% vs. Genial Est.; -14.6% q/q; -20.3% y/y), slightly above expectations. Pulp EBITDA reached **R$4.5bn** (+6.2% vs. Est.; -17.0% q/q; -21.7% y/y), and paper EBITDA reached **R$739mn** (+1.2% vs. Est.; +4.1% q/q; -10.5% y/y); **(vi) Weak FCF** of **R$300mn** (-45% vs. Genial Est.), down **-70% q/q** and **-107% y/y**, **below estimates**, reflecting higher financial outflows (almost all of them no recurring) and slightly higher-than-expected CAPEX; **(vii)** We maintained our **FCF Yield** forecast at **16% 26E**, which continues to appear robust. Coupled with the fact that the company continues to trade at an **EV/EBITDA 25E** of **5.8x** (vs. historical average of 7x), which we believe is **excessively discounted**, we reiterate our **BUY rating**, with a **12M Target Price** of **R$63.50**, implying an **upside** of **+30.5%**.

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Company

SUZB3 BZ Equity
Buy

Price: R$ 48.65 (06-Nov-2025)
Target Price 12M: R$ 63.50

SUZ US Equity
Target Price 12M: US$ 11.75

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**
Pulp	3.165	3.192	**-0,8%**	3.269	**-3,2%**	2.635	**20,1%**
Paper	436	415	**5,0%**	411	**6,0%**	360	**21,2%**

Source: Suzano, Genial Investimentos

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	12.153	11.895	**2,2%**	13.296	**-8,6%**	12.274	**-1,0%**
Adjusted EBITDA	5.200	5.015	**3,7%**	6.087	**-14,6%**	6.523	**-20,3%**
Net Income	1.961	3.368	**-41,8%**	5.012	**-60,9%**	3.238	**-39,4%**

Source: Suzano, Genial Investimentos

Suzano released its **3Q25 results yesterday**, Nov. 6, after the market closed. Operating figures were broadly in line with expectations, with **EBITDA** of **R$5.2bn** (+3.7% vs. Est.; -14.6% q/q). However, for us, the highlight leans toward the **negative side**, with **FCF** clocking in at **R$300mn** (-45% vs. Est.), retracting **-70% q/q**, reflecting financial disbursements — some of them **only one-off** — and CAPEX slightly above expectations (more on that further down).

Pulp shipments totaled **3.2Mt** (-0.8% vs. Est.), in line with our projection, falling **-3.2% q/q**, reflecting the **-3.5%** cut in nominal capacity over the next 12M (counting from Aug/25), and the geographical shipments reallocation, with less exposure to Europe and greater participation from North America. The **realized price** reached **R$2,859/t** (+2.9% vs. Est.), with **strong compression** of **-9.2% q/q** and **-23.1% y/y**, due to **(i)** the decline in both reference curves — with BHKP China reaching US$502/t (-8% q/q) and BHKP Europe at US$1,077/t (-8.4% q/q) —, added to the effect of **(ii)** USD/BRL FX rate softening (-4% q/q).

For the **paper** business, sales totaled **436Kt** (+5.0% vs. Est.), up **+6.0% q/q** and **+21.2% y/y**, driven both by the domestic market (+6% q/q), reflecting the performance and expansion in all paper segments served in the Brazilian domestic market, and by the operational recovery in Pine Bluff (AR-US), which this quarter began to have a positive contribution margin, reaching breakeven. The **realized price** was **R$7,117/t** (-2.3% vs. Est.), down **-2.7% q/q,** reflecting the FX effect and the lower value-added mix of operations in Brazil, which in turn offset the better composition of the new operation in the US.

Consolidated **Net Revenue** was recorded at **R$12.2bn** (+2.2% vs. Genial Est.), down **-8.6% q/q** and **-1.0% y/y**, with both divisions (Pulp & Paper) contributing to the slight positive deviation from estimates. Although we emphasize that, operationally, the contraction in pulp prices continues to be the negative highlight, the result reflected a slightly milder slowdown than we had expected, in addition to support from higher-than-expected volumes in the paper division.

On the cost side, **COGS/t ex-stoppages** was reported at **R$801/t** (+0.1% vs. Est.), in line with projections, falling **-3.7% q/q** and **-7.2% y/y**, reflecting **(i)** lower levels of spending on wood and chemical inputs, **(ii)** gains in logistics efficiency, and **(iii)** the USD/BRL devaluation (-4% q/q), which cooled USD-indexed costs. COGS/t including stoppages reached R$812/t (+1.5% vs. Est.), impacted by technical boiler cleaning (NR-13), but still in line with the downward trend in the cost curve (-3.2% q/q; -10.5% y/y). Thus, **Adjusted EBITDA** totaled **R$5.2bn** (+3.7% vs. Genial Est.), down **-14.6% q/q** and **-20.3% y/y**, with performance slightly above estimates. Although COGS/t slowed, it was insufficient to offset the contraction in pulp prices. Therefore, the margin was squeezed to 42.8% (-3p.p. q/q).

Finally, **Net Income** was reported at **R$2.0bn** (-41.8% vs. Genial Est.), declining **-60.9% q/q** and **-39.4% y/y**, penalized by financial result of -R$1.1bn (-64.9% vs. Est.), well below expectations, reflecting higher interest expenses, given the increase in debt issued in BRL to R$23.9bn (+9.6% q/q) and premiums paid in liability management. Even with non-cash FX and derivative gains (+R$1.1bn), the bottom line was marked by temporary financial pressures – which do **have an effect on FCF** this time – in addition to non-recurring accounting adjustments.

3Q25 Review: In detail!

Pulp: Shipments slow down, in line with capacity cuts. Pulp sales totaled 3.2Mt (-0.8% vs. Genial Est.), in line with our projection, falling -3.2% q/q, but advancing +20.1% y/y, a movement that reflects selective adjustments in supply and strategic shipments reallocation between regions. As anticipated, the quarter was marked by a more rational production stance, in accordance with the -3.5% cut in nominal capacity in 12M, announced in Aug/25 — a measure aimed at optimizing the use of wood and preserving margins in a still challenging price environment, although it may also influence other majors to be more disciplined in supply control.

In addition, we highlight that there was a lower contribution from shipments to Europe, partially offset by an expansion in sales to North America and Asia, regions that benefited from the logistics network regularization and the slowdown in port inventories in China (-12.7% q/q), which had been overflowing in the previous quarter. We believe this drove the demand recovery throughout 3Q25. Despite a slight sequential contraction, significant annual growth was sustained by Cerrado Project (MS) ramp-up, which is already operating close to nominal capacity and is consolidating its position as the main driver of results.

Pulp: Price above estimate, but still falling sharply. The pulp realized price was R$2,859/t (+2.9% vs. Genial Est.), slightly above our estimates, but still reflecting significant compression of -9.2% q/q and -23.1% y/y, amid **(i)** the devaluation of international reference curves and **(ii)** the USD/BRL FX rate softening (-4% q/q). In USD, the price point reached US$525/t (-6.0% q/q; -22.0% y/y), signaling continued pressure on the PIX/FOEX curves, with the BHKP China index falling to US$502/t (-8.0% q/q) and the BHKP Europe to US$1077/t (-8.4% q/q), in an environment of excess supply and still high inventories in Asia — although they slowed in 3Q25, the base was very elevated. We emphasize that the above-projection performance reflected, in addition to the aspects mentioned, the improved geographic mix, with greater penetration of sales in North America, which trades at a price premium vs. China.

Paper: Pine Bluff at breakeven, volumes rise. We note that paper sales totaled 436Kt (+5.0% vs. Genial Est.), exceeding expectations and advancing +6.0% q/q and +21.2% y/y, driven by solid performance in the Brazilian domestic market and the operational recovery in Pine Bluff (AR-US), which this quarter began to have a positive contribution margin, reaching breakeven. In Brazil, sales clocked in at 248Kt (+5.5% q/q), with higher delivery volumes to PNLD, in addition to resilience in the graphic and institutional channels.

We also highlight the improved performance in the paperboard segment, in line with the positive seasonality and the orders anticipation for the end-of-year festivities. In the international market, portfolio reorganization and the increase in exports reinforced growth, especially with Suzano Packaging US, which maintained a significant share of the consolidated mix after the better production pace in Pine Bluff (AR) plant.

On the other hand, the good volume dynamics were not repeated on price side, which stood at R$7,117/t (-2.3% vs. Genial Est.), slightly below expectations, down -2.7% q/q, but with a slight increase of +3.7% y/y, impacted by **(i)** effect of regional mix and **(ii)** the USD/BRL FX rate softening (-4% q/q).

We emphasize, however, that portfolio diversification and the growing integration of the North American operation, which has already reached operational break-even, should confirm the progress of the international expansion strategy and focus on higher value-added products.

Net Revenue: Pressured by pulp prices. Consolidated Net revenue was R$12.2bn (+2.2% vs. Genial Est.), down -8.6% q/q and -1.0% y/y, with both divisions contributing to the positive gap compared to projections. The performance reflected realized prices with a smaller-than-expected contraction in pulp and higher volumes in paper. The pulp business totaled revenue of R$9.1bn (+2.0% vs. Genial Est.), down -12.0% q/q and -7.7% y/y, pressured by the realized price of R$2,859/t (-9.2% q/q; +2.9% vs. Est.), and by the slight drop in shipments (-3.2% q/q), although the more favorable geographic mix — with a greater share from North America — helped the price slowdown not be as intense as our model indicated.

Revenue from the paper segment reached R$3.1bn (+2.5% vs. Genial Est.), rising +3.2% q/q and +25.6% y/y, sustained by higher-than-expected volumes, which reached 436Kt (+5% vs. Est.), given the full operation in Pine Bluff (US) after maintenance in the last quarter and the positive seasonality in the domestic market, with emphasis on deliveries to PNLD and the resilience of the graphic and institutional channels, factors that offset the lower realized price (-2.7% q/q).

Table 3. Revenue Suzano (3Q25 vs. Genial Est.)

(R$ millions)	3Q25 Reported	3Q25E Genial Est.	% R/E	2Q25 Reported	% q/q	3Q24 Reported	% y/y
Net Revenue	**12.153**	**11.895**	**2,2%**	**13.296**	**-8,6%**	**12.274**	**-1,0%**
Pulp	9.050	8.869	2,0%	10.288	-12,0%	9.803	-7,7%
Paper	3.103	3.026	2,5%	3.008	3,2%	2.471	25,6%

Source: Suzano, Genial Investimentos

COGS/t: Gradual slowdown. Cash COGS/t ex-stoppages was reported at R$801/t (+0.1% vs. Genial Est.), fully in line with projections, presenting a reduction of -3.7% q/q and -7.2% y/y, following the trend of gradual deceleration compared to previous quarters. The performance reflected **(i)** lower costs of wood and chemical inputs, benefiting from lower specific consumption — a result of higher basic density and efficiency in harvesting and logistics —, in addition to **(ii)** lower energy and fuel prices, mainly natural gas, following the decline in Brent prices; and **(iii)** the FX rate effect with the devaluation of the USD vs. BRL (-4% q/q), alleviating the USD-indexed cost structure, such as caustic soda expenses.

The COGS/t including stoppages reached R$812/t (+1.5% vs. Genial Est.), being delivered only slightly worse than estimates, but still declining -3.2% q/q and -10.5% y/y, due to an additional impact of +R$11/t related to technical boiler cleaning required by Regulatory Standard 13, carried out at the Três Lagoas (MS), Mucuri (BA), and Ribas (MS) units, in addition to operational adjustments in Limeira (SP) and Aracruz (ES), linked to the resume of biomass boilers and the start-up of new equipment. Even with this one-off effect, we note that 3Q25 maintained the direction of cost convergence and reinforced the trend of operational efficiency, supported by improved forest productivity and input management.

EBITDA: Double-digit contraction, as expected. The company achieved a consolidated adjusted EBITDA of R$5.2bn (+3.7% vs. Genial Est.), slightly above projections, although down -14.6% q/q and -20.3% y/y. We observed the same dynamics linked to revenue, with the contraction in realized pulp prices being the main factor responsible for the compression of results, even though the company has managed to reduce COGS/t.

Analyzing by segment, the pulp division posted EBITDA of R$4.5bn (+6.2% vs. Genial Est.), contracting -17.0% q/q and -21.7% y/y, with results above expectations, precisely because the level of price contraction was milder vis-à-vis the more favorable geographic mix, with greater exposure than expected to North America. In the paper division, EBITDA reached R$739mn (+1.2% vs. Genial Est.), growing +4.1% q/q, but down -10.5% y/y, in line with expectations, following the path of revenue progress, which was sustained by volumes supported by positive seasonality in the domestic market and the full resumption of operations in Pine Bluff (USA), which reached breakeven.

Table 4. EBITDA Suzano (3Q25 vs. Genial Est.)

	3Q25	3Q25E		2Q25		3Q24	
(R$ millions)	Reported	Genial Est.	% R/E	Reported	% q/q	Reported	% y/y
Adjusted EBITDA	**5.200**	**5.015**	**3,7%**	**6.087**	**-14,6%**	**6.523**	**-20,3%**
Pulp	4.462	4.201	6,2%	5.378	-17,0%	5.697	-21,7%
Paper	739	730	1,2%	709	4,1%	825	-10,5%

Source: Suzano, Genial Investimentos

Net Income: Missing estimates, adjustments with cash effect. Net income was reported at R$2.0bn (-41.8% vs. Genial Est.), down -60.9% q/q and -39.4% y/y, significantly below the projection, due to a financial result well beneath estimates, which offset the slight positive deviation in EBITDA. Operating performance, although slightly above expectations — with EBITDA of R$5.2bn (+3.7% vs. Genial Est.) — was not enough to offset the sharp drop in financial results, which totaled R$1.1bn (-64.9% vs. Genial Est.), falling -76.2% q/q.

We understand that the sharp compression in the financial result line reflected higher expenses in local currency, resulting from the increase in the average CDI (14.9%) and interest expense flow linked to the increase in gross debt in BRL (R$23.9bn; +9.6% q/q), in addition to premiums paid on liability management operations — with the repurchase of 2026/2027 bonds and local debentures from the 8th issue.

Although the quarter still benefited from non-cash effects of the USD/BRL devaluation (-4% q/q), which generated foreign exchange and derivative gains of +R$1.1bn, the amount was significantly lower than in the previous quarter, reducing the accounting support observed in 2Q25. As a result, the bottom line reached a margin of 16.1% (-12.2p.p. vs. Est.), retracting -21.6p.p. q/q and -10.2p.p. y/y, marked by temporary financial pressures that affected FCF, in addition to non-recurring accounting adjustments.

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

(R$ millions)	3Q25 Reported	3Q25E Genial Est.	% R/E	2Q25 Reported	% q/q	3Q24 Reported	% y/y
Net Revenue	**12.153**	**11.895**	**2,2%**	**13.296**	**-8,6%**	**12.274**	**-1,0%**
COGS	(8.454)	(8.237)	2,6%	(8.608)	-1,8%	(6.848)	23,5%
Adjusted EBITDA	**5.200**	**5.015**	**3,7%**	**6.087**	**-14,6%**	**6.523**	**-20,3%**
EBITDA Margin (%)	42,8%	42,2%	0,6p.p	45,8%	-3p.p	53,1%	-10,4p.p
EBIT	**1.970**	**2.226**	**-11,5%**	**2.875**	**-31,5%**	**4.110**	**-52,1%**
EBIT Margin (%)	16,2%	18,7%	-2,5p.p	21,6%	-5,4p.p	33,5%	-17,3p.p
D&A	(2.890)	(2.705)	6,8%	(2.839)	1,8%	(2.303)	25,5%
Financial Result	1.052	2.996	-64,9%	4.425	-76,2%	868	21,2%
Net Income	**1.961**	**3.368**	**-41,8%**	**5.012**	**-60,9%**	**3.238**	**-39,4%**
Net Margin (%)	16,1%	28,3%	-12,2p.p	37,7%	-21,6p.p	26,4%	-10,2p.p

Source: Suzano, Genial Investimentos

Our take on Suzano

Weak FCF due to interest, premiums paid, and CAPEX. The company reported **weak FCF** of **R$300mn** (-45% vs. Genial Est.), down **-70% q/q** and **-107% y/y**, **below estimates**, reflecting higher financial outlays and higher-than-expected CAPEX. Operating performance, although slightly above projections, was overshadowed by **(i)** a significant increase in **interest paid**, which totaled **-R$1.6bn** (+33% vs. Est.), explained by the **higher gross debt balance** in BRL (R$23.9bn; +9.6% q/q), in addition to **(ii)** premiums rewarded in liability management operations — repurchase of 2026/27 bonds and debentures issued in local currency.

In addition, **(iii) CAPEX** clocked in at **R$3.5bn** (+7% vs. Genial Est.) also remained at a high level, expanding **+9% q/q**, but contracting **-55% y/y**, since the comparative base y/y included the financial execution of the Cerrado Project. The sequential increase is mainly due to the disbursement of **R$878mn** regarding the **1st installment** related to the **agreement with Eldorado,** which in turn enables the **temporary wood swap** (more on this further down). We found that this offset the smaller-scale industrial maintenance expenses and the gradual reduction in disbursements for the Cerrado Project — according to schedule — and lower investments in expansion and modernization linked to other growth initiatives, such as the new tissue plant and the competitiveness project in Limeira (SP), adding fluff capacity.

Wood swap: Expenditure of R$878mn. As exemplified above, the company revised last quarter its **CAPEX 25E** to **R$13.3bn** (+7% vs. previous) after signing a **biological asset swap** with **Eldorado**, involving **18 million m3 of wood**. The transaction provides for the receipt of mature timber (2025–27) and future delivery of young timber (2028–31), in addition to a payment of **R$1.3bn**, with **67% concentrated in 2025E**, which raises the CAPEX for **"land and forests"** to **R$3.1bn** (vs. R$2.2bn). This 25E payment was, in fact, made in full now (3Q25) via a **CAPEX** increase of **+R$878mn**.

Still on the deal, we note that the move reinforces the search for forestry efficiency close to the Ribas do Rio Pardo (MS) plant, reducing logistics costs and dependence on third parties to supply wood for the 2.55Mtpy pulp capacity. As we have been commenting for some time in previous publications, **COGS/t could decompress more quickly**, but the still insufficient penetration of wood in the cutting phase within the vast expanse of planted area around the Cerrado project did not constitute a short-term reducing effect. On the contrary, the average radius was still higher than other company assets, if we consider the weighting by volume, which slowed the pace of cost reduction. Therefore, we understand the rationale and agree with the approach of the swap with Eldorado.

Leverage in line with expectations. Leverage measured by **Net Debt/ EBITDA** ended at **3.1x** in BRL (+0.1x q/q) and **3.3x** in USD (+0.2x q/q), both slightly higher sequentially, exactly as expected, reflecting **(i)** partial decompression of financial liabilities and **(ii)** EBITDA contraction of -23.1% y/y affecting the LTM base. **Net debt** reached **R$69.1bn** (-2% q/q), with the reduction driven by the USD/BRL FX rate softening (-4% q/q) and the expansion of the **cash position** to **R$23.9bn** (+15% q/q), in a quarter marked by liquidity management and rollover of liabilities. We note that, although FCF was quite weak, the cash and equivalents position rose, mainly due to debt issuance inflow (~R$9.7bn, which was not included in FCF). Our outlook remains similar to what we had already anticipated, which reinforces the assumption that the **Net Debt/EBITDA** ratio will converge to **~2.7x 26E in BRL** (excluding the payment of US$1.7bn for the acquisition of KC International's tissue assets).

China: Pulp market in fragile balance, with still high inventories. The BSKP and BHKP prices in China moved in opposite directions again in **Oct**, reflecting a global market still marked by oversupply and heterogeneous demand among consumer segments. We are still seeing stable global production—when it would be natural to perceive coordinated production cuts by other players besides Suzano—given normal mill utilization rates and consistent foreign shipments. Even so, supply pressure remains quite elevated, sustained by large domestic inventories and the presence of old lots that continue to weigh on recent contracts. Our monitoring data indicates that **Chinese port inventories** rose again in **Oct**, reaching **2.1Mt** (+0.3% m/m; +15% y/y) — reflecting the steady pace of shipments in Qingdao and a slight reduction in Changshu, after outflows >80Kt.

According to data released in mid-Oct by the China General Administration of Customs, imports totaled **3Mt** in Sept (+11.3% m/m; +10.3% y/y), totaling ~**27Mt** in the **9M25** (+5.6% y/y). Within this volume, we highlight that **BHKP** reached **1.4Mt** (+7.8% m/m), reinforcing the **vast supply** and limiting the space for new passthroughs. On the demand side, the scenario remains uneven among the main segments. The **paperboard** market, for example, showed a slight improvement in margins and volumes, while the **printing & writing** market remains weak, with an operating rate below the historical average.

Although the tissue segment is more resilient, partially sustaining prices, there is still not enough strength to boost aggregate paper consumption. Inelastic demand and caution in resale keep the pulp trading environment tepid, with compressed margins and sporadic purchases by the paper industry.

In summary, our understanding remains that the Chinese market will remain under pressure in the short term, with prices fluctuating at low levels in view of: **(i)** persistently high port stocks; **(ii)** expanding imports; and **(iii)** uneven demand with a lukewarm trading environment.

China: Expansion of tissue capacity increases supply slack. Between **Jan-Oct/25**, the Chinese tissue industry added **+1.1Mtpy** in **new capacity** (-19% y/y), still enough to keep the market in oversupply. This expansion followed a clear seasonal pattern in the paper industry, with concentrations in **Jan, May, and Oct** — months when demand usually heats up due to the pre-Spring Festival (Lunar New Year) and e-commerce events such as “6.18” and “Double 11.” Even so, we believe that the increase in production during these periods has neutralized the traditional effect of price upshifts, reflecting an increasingly saturated market.

In our view, data for **2025** clearly illustrates this imbalance; in **Jan**, tissue price reached only **US$860/t** (+0.3% m/m), even with costs rising more (+4.5% m/m); In **May**, the movement was opposite, with the price point down to US$805/t (-3.8% m/m), while in **Oct** the average remained virtually stable at US$793/t (+0.3% m/m) — all results significantly below historical seasonal patterns (+5% m/m, on average). In practice, we understand that the increase in capacity prevented the market from responding positively to the period of higher consumption, undermining the potential for pass-through. Furthermore, the outlook for **Nov-Dec** also **does not seem promising**. An additional +**200Ktpy** of **new capacity** is expected (to be commissioned at year-end) — mainly in the Hebei, Jiangxi, and Guangxi regions — which should further increase the supply gap.

Although there will be some temporary restocking before “Double 11,” consumption tends to slow down afterwards, with an estimated decline in **Dec.** (-4% m/m Est.), leading to a potential new accumulation of paper products in distribution channels. On the cost side, the environment is also not supportive. The entry of new pulp mills, combined with the ramp-up of already inaugurated units and regular imports, maintains ample availability of BHKP, leaving us with a bearish sentiment.

Pulp: We continue to see more supply than demand. The global pulp market is likely to face greater pressure on prices in 4Q25E, amid an environment of depressed margins in the paper industry in China and faster growth in supply relative to demand (almost 2x more in 25E). According to our market assessment, the low profitability level of paper producers remains the main contractionary factor, leading market pulp mills to adopt aggressive discounts to reduce inventories. The **gross margin** of the **paper industry** is expected to contract **-2.5-3p.p. q/q** in **4Q25E**, which should exert further downward pressure on pulp prices.
Despite this, there are some marginals supporting factors in the short term. The gradual entry of new paper machines in China—both those that began ramp-up in 3Q25 and those scheduled for the yer-end —should increase **pulp demand** by **+3.5% q/q** in **4Q25E**, partially mitigating the consolidated decline pace. Even so, we believe that the supply expansion will tend to outpace this increase in demand. New units at Nanning Sun Paper, Guangxi Jianhui Paper, and the return of Chenming's capacity should upsurge domestic paper production, while imported pulp volumes should also grow, driven by increased shipments from Brazil and Chile. In total, we believe that the **flow of imports** should rise **+11% q/q** in **4Q25E**, accentuating the picture of **excess supply**.

Finally, average **import** costs for **4Q25E** should be **~US$611/t**, slightly above spot prices, which may offer **limited support** to falling prices. However, we still consider the supply-demand balance to be weak, and the upside potential remains limited, so we cannot characterize these increases in BHKP (3 transfers of +US$20/t each to China since Aug.) as a pulp bullish cycle.

Temporary noise in FCF. In our assessment, the company's investment thesis continues to be anchored in the concept of **adaptive support via costs**, which would serve as the main driver of resilience in the face of the pulp downturn. We believe that the increase in import costs for the non-integrated paper industry in China — projected at **~US$611/t** in **4Q25E**, above spot levels — should act as a **technical cap for global prices**, limiting the scope for further declines. In addition, the company's cost reported in 3Q25 (flat vs. Genial Est.) showed that the convergence of **COGS/t** to **~R$815/t 25E** (-2% y/y) — still conservative vs. soft guidance of R$807/t 25E — should reinforce the company's ability to adapt amid challenging conditions, allowing it to mitigate margin pressure even under restricted price dynamics, as in the current environment. In other words, although the **short term remains under pressure** from **imbalances** in the balance between **supply vs. demand**, we believe that support will come from costs, whether **internal** (reduction in COGS/t) or **external** (technical price floor by high-cost producers), creating a favorable scenario for adaptability and sustaining our constructive view of the equity story.

Even with **FCF** generation **falling short of expectations**, a significant part of the explanation is associated with **one-off dynamics**, such as the premiums paid on the repurchase of 2026/27 bonds and debentures issued in BRL and high **CAPEX** outlays, mainly due to the disbursement of **R$878mn** related to the **agreement with Eldorado.** Were it not for these one-off items, it would be reasonable to assume that the company would be able to generate something close to our expectations (FCF R$650mn Est.), even in a highly depreciated pulp price environment.

As such, we maintained our **FCF Yield** forecast at **16% 26E**, which continues to appear robust. Coupled with the fact that the company continues to trade at an **EV/EBITDA 25E** of **5.8x** (vs. historical average of 7x), which we believe is **excessively discounted**, we reiterate our **BUY rating**, with a **12M Target Price** of **R$63.50**, implying an **upside** of **+30.5%**.

Appendix: Suzano

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

Income Statement	2025E	2026E	2027E	2028E
Net Revenue	**50.009**	**53.260**	**55.124**	**55.951**
(-) COGS	(28.505)	(29.559)	(30.318)	(29.374)
Gross Profit	**21.504**	**23.701**	**24.806**	**26.576**
(-) Expenses	(4.501)	(4.527)	(4.961)	(6.994)
Adjusted EBITDA	**24.004**	**25.831**	**27.011**	**27.975**
(-) D&A	(9.502)	(10.119)	(10.473)	(10.631)
EBIT	**17.003**	**19.173**	**19.845**	**19.583**
(+/-) Financial Result	3.940	(2.010)	(2.771)	(7.335)
(-) Taxes	(4.230)	(4.770)	(4.937)	(4.872)
Net income	**16.713**	**7.195**	**9.488**	**6.518**
Profitability				
Net margin (%)	33,4%	13,5%	17,2%	11,6%

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

Cash Flow (FCFF)	2025E	2026E	2027E	2028E
Net Revenue	**50.009**	**53.260**	**55.124**	**55.951**
(-) COGS	(28.505)	(29.559)	(30.318)	(29.374)
Adjusted EBITDA	**24.004**	**25.831**	**27.011**	**27.975**
EBIT	**17.003**	**19.173**	**19.845**	**19.583**
(-) Taxes	(4.230)	(4.770)	(4.937)	(4.872)
(+) D&A	9.502	10.119	10.473	10.631
(+/-) Δ WK	1.500	1.598	1.158	1.287
(-) Capex	(13.200)	(12.695)	(12.456)	(12.587)
FCFF	**10.575**	**13.426**	**14.082**	**14.042**

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