genial | Equity Research

KLABIN

4Q25 Review: Less cyclical than it looks

LatAm Pulp & Paper

(i) Kraftliner: Sales of **143Kt** (-8.9% vs. Est.; -12.6% q/q; +4.3% y/y), below expectations due to weaker-than-anticipated export demand; price of **R$3,712/t** (-2.0% vs. Est.; -2.8% q/q), pressured by softer international benchmarks and a less favorable geographic mix; **(ii) Paperboard:** Shipments of **210Kt** (+2.1% vs. Est.; -0.8% q/q; +3.3% y/y), slightly above projections, supported by stronger domestic absorption offsetting seasonal export decline; price at **R$5,668/t** (+0.4% vs. Est.; +0.7% q/q), reflecting contract stability and favorable mix; **(iii) Corrugated boxes:** Sales of **231Kt** (-4.4% vs. Est.; -7.4% q/q; -1.0% y/y), below estimates due to sharper seasonal slowdown; price of **R$6,526/t** (+2.1% vs. Est.; -0.4% q/q), exceeding expectations on stronger mix; **(iv) Industrial bags:** Sales of **37Kt** (-1.9% vs. Est.; -9.4% q/q; -5.9% y/y), slightly below projections reflecting weaker exports amid tariff impacts; price of **R$9,225/t** (-0.4% vs. Est.; -1.0% q/q); **(v) BHKP pulp:** Sales of **296Kt** (+1.0% vs. Est.; +0.3% q/q; +1.7% y/y); price reached **R$2,933/t** (-0.7% vs. Est.; +2.1% q/q), reflecting benchmark recovery q/q but still pressured y/y; **(vi) BSKP + Fluff:** Shipments of **108Kt** (+4.9% vs. Est.; +1.8% q/q; -0.9% y/y); price at **R$5,050/t** (-2.1% vs. Est.; -7.4% q/q); **(vii) Cash COGS/t ex-stoppages** reported at **R$1,274/t** (+4.9% vs. Est.; -3.8% q/q; +8.7% y/y), with higher fiber and fixed costs, partially mitigated by stronger energy sales; **(viii) EBITDA** reached **R$1.8bn** (+1.0% vs. Est.; -13.5% q/q; +0.5% y/y), broadly in line at consolidated level, with Paper & Packaging outperforming expectations and offsetting weaker pulp profitability; **(ix)** Accordingly, added to the fact that the company currently trades at **6.2x EV/EBITDA 26E** (vs. historical ~7x), we reiterate our **BUY rating**, with a **12M Target Price of R$23.50**, even with implied **upside** of **+12%**.

Analysts

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

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

Ygor Araújo
+55 (11) 3206-8244
ygor.bastos@genial.com.vc

Company

KLBN11 BZ Equity
Buy

Price: R$ 21.02 (11-Feb-2026)
Target Price 12M: R$ 23.50

Table 1. Shipments Summary (4Q25 vs. Genial Est.)

(Thousand Tonnes - kt)	Reported	Genial Est.		Reported		Reported	
Summary (Shipments)	**4Q25**	**4Q25E**	**% R/E**	**3Q25**	**% q/q**	**4Q24**	**% y/y**
Kraftliner	143	157	**-8,9%**	163	**-12,6%**	137	**4,3%**
Paperboard	210	206	**2,1%**	212	**-0,8%**	203	**3,3%**
Corrugated boxes	231	242	**-4,4%**	250	**-7,4%**	234	**-1,0%**
Industrial Bags	37	38	**-1,9%**	41	**-9,4%**	40	**-5,9%**
BHKP Pulp	296	293	**1,0%**	295	**0,3%**	291	**1,7%**
BSKP + Fluff Pulp	108	103	**4,9%**	106	**1,8%**	109	**-0,9%**

Source: Genial Investimentos, Klabin

Table 2. Income Statement Summary (4Q25 vs. Genial Est.)

(R$ millions)	Reported	Genial Est.		Reported		Reported	
Income Statement	**4Q25**	**4Q25E**	**% R/E**	**3Q25**	**% q/q**	**4Q24**	**% y/y**
Net Revenue	5.165	5.216	**-1,0%**	5.426	**-4,8%**	5.268	**-2,0%**
Adjusted EBITDA	1.832	1.813	**1,0%**	2.117	**-13,5%**	1.823	**0,5%**
Net Income	168	514	**-67,2%**	478	**-64,7%**	543	**-69,0%**

Source: Genial Investimentos, Klabin

Klabin released its **4Q25** results today, **Feb. 11**. The company reported operating figures that were mostly below our estimates in the paper division, with **Kraftliner performing particularly poorly**. On the cost side, **higher-than-expected cash COGS/t** also contributed to weaker EBITDA for pulp business.

Breaking down by product in **Paper & Packaging** division, **volumes** were the **main negative driver**. Starting with the highest sequential compression intensity with **Kraftliner**, reported at **143Kt** (-8.9% vs. Est.; -12.6% q/q; +4.3% y/y), explained by tighter demand windows abroad. **Corrugated boxes** also came in below projections at **231Kt** (-4.4% vs. Est.; -7.4% q/q; -1.0% y/y), reflecting remained pressured domestic demand due to restrictive credit conditions and softer consumption of durable goods, despite resilient exposure to proteins, processed foods, and hygiene segments. **Industrial bags** totaled **37Kt** (-1.9% vs. Est.; -9.4% q/q; -5.9% y/y), modestly pressured by weaker exports. On the other hand, **Paperboard** slightly exceeded estimates at **210Kt** (+2.1% vs. Est.; -0.8% q/q; +3.3% y/y), supported by stronger domestic absorption.

On **pricing**, dynamics remained **mixed**. Kraftliner clocked in below anticipated, with a realization of **R$3,712/t** (-2.0% vs. Est.; -2.8% q/q; -13.4% y/y), as the company expanded further into markets with lower average ticket prices. Corrugated boxes, however, posted **R$6,526/t** (+2.1% vs. Est.; -0.4% q/q; +9.3% y/y), supported by stronger mix composition than anticipated and the maintenance of price increases, particularly in higher value-added packaging grades. Other product lines did not experience significant changes in sequential view.

In **Pulp** business, **shipments** totaled **404Kt** (+2.0% vs. Est.; +0.7% q/q; +1.1% y/y), slightly above expectations despite scheduled stoppages at Ortigueira (PR) and Correia Pinto (SC). In terms of fibers, **BHKP** realized **R$2,933/t** (-0.7% vs. Est.; +2.1% q/q; -17.5% y/y), benefiting from sequential benchmark recovery, while **BSKP + Fluff** reached **R$5,050/t** (-2.1% vs. Est.; -7.4% q/q; -9.7% y/y), reflecting lower-than-anticipated exposure to Europe combined with a softer fluff dynamic during the quarter.

The company reported **Net revenue** of **R$5.2bn** (-1.0% vs. Genial Est.), declining -4.8% q/q and -2.0% y/y, reflecting weaker-than-expected performance in Paper & Packaging, partially offset by a modest upside in Pulp and a strong contribution from Wood. On costs, **Cash COGS/t ex-stoppages** reached **R$1,274/t** (+4.9% vs. Est.; -3.8% q/q; +8.7% y/y), above projections, pressured by higher fiber and fixed costs, partially offset by stronger energy sales. **Including stoppages**, COGS/t reached **R$1,510/t** (+7.5% vs. Est.; +14.0% q/q; +8.2% y/y), reflecting a higher effect from the concentration of maintenance and weaker fixed-cost dilution.

As a result, consolidated **Adjusted EBITDA** totaled **R$1.8bn** (+1% vs. Genial Est.; -13.5% q/q; +0.5% y/y), with stronger performance in Paper & Packaging offsetting a materially weaker Pulp contribution. Finally, **Net Income** reached **R$168mn** (-67.2% vs. Genial Est.; -64.7% q/q; -69.0% y/y), pressured by softer EBIT and a higher financial loss, as financial expenses increased to **R$1.0bn** (+25% q/q), limiting bottom-line conversion despite relative operational resilience.

4Q25 Review: In detail!

Kraftliner: Volume and price misses estimates. Containerboard (Kraftliner + recycled) shipments totaled 143Kt (-8.9% vs. Genial Est.), declining -12.6% q/q, but advancing +4.3% y/y, significantly below our projections. We assess the negative deviation was mainly explained by tighter demand windows abroad than previously anticipated, with foreign markets (FM) coming in weaker than expected (-8% vs. Est.). The sequential contraction reflects a back-to-normal trend after the exceptionally strong export performance in 3Q25. On an annual basis, volumes remained supported by the company's ongoing commercial strategy focused on geographic diversification, with greater penetration in markets such as China, India, and Ecuador.

The operational flexibility of PM28 continues to allow production redirection toward external geographies, sustaining a structurally higher shipment base compared to last year, even though part of the quarter's volumes appears to have been rebalanced toward other segments. The realized price reached R$3,712/t (-2.0% vs. Genial Est.), declining -2.8% q/q and -13.4% y/y, coming in slightly below our projection as the company expanded further into markets with lower average ticket prices. The quarterly drop reflects continued pressure from international reference prices and a less favorable regional mix.

Paperboard: Sales and prices almost flat q/q, with stronger domestic absorption. Sales totaled 210Kt (+2.1% vs. Genial Est.), almost flat sequentially (-0.8% q/q), but accelerating +3.3% y/y. The positive deviation vs. our estimate appears to be explained by stronger domestic absorption than previously modeled, totaling 134Kt (+6% vs. Est.), partially offsetting lower export level due to seasonality. Despite competitive pressure from Asian imports, we believe that domestic demand proved to be more resilient, likely supported by better order flow toward year-end and improved commercial allocation, allowing the company to sustain volumes above our base-case assumption.

On the price side, the company reported R$5,668/t (+0.4% vs. Genial Est.), rising +0.7% q/q and +2.4% y/y, marginally in line with our expectations. The marginal upshift reflected contract stability combined with favorable mix in the q/q basis. On an annual basis, pricing continues to benefit from adjustments implemented in 1H25, helping preserve margin discipline amid a still competitive environment.

Corrugated Boxes: Volumes below estimates, better-than-expected pricing. The division reported shipments of 231Kt (-4.4% vs. Genial Est.), dropping -7.4% q/q and -1.0% y/y, below our expectations, reflecting a sharper sequential back trend due to negative seasonality between 3Q-4Qs. The industry prepares in advance for the end-of-year festivities, so consumption falls in 4Qs. Despite resilient exposure to proteins, processed foods, and hygiene segments, we assess that domestic demand remained pressured by restrictive credit conditions and softer consumption of packaging for durable goods, limiting volume expansion. Important, on a full-year basis, market data from Empapel indicated flat y/y industry volumes, while the company reported +4% y/y growth, reinforcing that performance may still imply incremental market share gains.

On the other hand, the realized price reached R$6,526/t (+2.1% vs. Genial Est.), above our projection despite slightly contraction of -0.4% q/q, and also advancing +9.3% y/y.

The upside reflects a stronger mix composition than anticipated and the maintenance of price increases implemented throughout the year, particularly in higher value-added packaging grades. Even with lower volumes, we believe that pricing discipline remained solid, supported by exposure to export-oriented segments and the continued maturation of the Figueira Project (SP), which has increased conversion flexibility and premium product penetration.

Industrial Bags: Sales suffer compression due to tariffs. For industrial bags, the company reported shipments of 37Kt (-1.9% vs. Genial Est.), modestly below our projections by decreasing -9.4% q/q and -5.9% y/y. The sequential contraction reflects a standardization after two stronger quarters, but also a more visible impact from weaker export volumes, as tariff measures throughout 2025 continued to affect key external markets. Although SNIC data indicated cement dispatches in Brazil grew +3.1% y/y in 4Q25 (business days), company's efforts to redirect bagged cement to the domestic market were not enough to fully offset the export shortfall, explaining the gap vs. our estimate. Looking ahead, we believe that the company should work to reallocate part of these volumes to alternative destinations, in addition to the option of not converting the bags, selling the paper as sack kraft.

The realized price reached R$9,225/t (-0.4% vs. Genial Est.), down -1.0% q/q, but up +1.8% y/y. We assess the mild sequential compression reflects mix rebalancing toward the domestic market and the gradual accommodation of prior price increases. Even so, pricing discipline remained intact, supported by higher unit revenues in Brazil and greater penetration in construction-related applications, partially mitigating the volume contraction at the revenue level.

Pulp: Shipments above estimates; prices marginally lower. Total pulp shipments reached 404Kt (+2.0% vs. Genial Est.), advancing +0.7% q/q and +1.1% y/y, slightly above our projections, even in a quarter that included scheduled stoppages at Ortigueira (PR) and Correia Pinto (SC). We believe the performance reflects **(i)** improved operational stability after setbacks at the start of the year; **(ii)** better inventory management across the supply chain; and **(iii)** geographic flexibility in reallocating volumes toward markets with better commercial conditions.

Breaking down by fiber, BHKP shipments totaled 296Kt (+1.0% vs. Est.), up +0.3% q/q and +1.7% y/y, marginally above our expectations, with realized price reaching R$2,933/t (-0.7% vs. Genial Est.), rising +2.1% q/q but declining -17.5% y/y, likely reflecting a greater exposure to China than we had modeled. The sequential improvement mirrors the recovery in FOEX BHKP references (+6% q/q in China), partially offset by USD/BRL FX softening (-1% q/q), while the y/y decline still reflects a lower base of international benchmarks. Conversely, BSKP + Fluff shipments clocked in at 108Kt (+4.9% vs. Est.), increasing +1.8% q/q but declining -0.9% y/y, surprising positively vs. our estimates, which considered some typical negative trends toward year-end. On the other hand, the realized price was marked below expectations, reaching R$5,050/t (-2.1% vs. Genial Est.), down -7.4% q/q and -9.7% y/y. Although we were already counting on less exposure to fluff in the sales mix, which would naturally drive the price down, the weaker performance likely reflects a lower-than-anticipated shipments share to Europe, with price adjustments observed in RISI benchmarks, despite the structurally higher spread vs. BHKP at ~US$825 (+1% q/q). Even so, long fiber/fluff represented 27% of total volume and 39% of net revenue, reinforcing the benefit of company's diversified pulp portfolio.

Net Revenue: Slight miss, pressured by Paper & Packaging. Consolidated Net revenue totaled R$5.2bn (-1.0% vs. Genial Est.), declining -4.8% q/q and -2.0% y/y, slightly below our projections, mainly driven by weaker-than-expected performance in Paper & Packaging, partially offset by a positive surprise in Wood and a modest upside in Pulp. In Paper business, net revenue reached R$1.7bn (-2.0% vs. Genial Est.), decreasing -5.2% q/q and remaining stable y/y (+0.5%), chiefly explained by weaker Kraftliner performance, which more than offset the slight upside in Paperboard. In Packaging, net revenue totaled R$1.9bn (-2.3% vs. Genial Est.), declining -8.3% q/q but advancing +5.6% y/y, reflecting lower volumes in both Corrugated Boxes and Industrial Bags, which more than offset stronger pricing in corrugated.

On the other hand, the Pulp division posted net revenue of R$1.4bn (+1.2% vs. Genial Est.), down -0.9% q/q and -14.0% y/y, slightly surprising us despite the sharp y/y decline. The positive deviation was mainly volume-driven (+2.0% vs. Est.), partially compensating for realized prices that came in slightly below expectations in both fibers, especially BSKP + Fluff. Finally, it is important to point out that Wood net revenue reached R$222mn (+30.8% vs. Est.), rising +41.4% q/q and +53.3% y/y, representing one of the main positive surprises of the quarter alongside Pulp, suggesting stronger export dynamics and improved commercial allocation than previously modeled.

Table 3. Net Revenue Klabin (4Q25 vs. Genial Est.)

(R$ Millions)	4Q25 Reported	4Q25E Genial Est.	% R/E	3Q25 Reported	% q/q	4Q24 Reported	% y/y
Net Revenue	**5.165**	**5.216**	**-1,0%**	**5.426**	**-4,8%**	**5.268**	**-2,0%**
Paper	1.720	1.755	-2,0%	1.815	-5,2%	1.712	0,5%
Packaging	1.854	1.898	-2,3%	2.021	-8,3%	1.755	5,6%
Pulp	1.413	1.396	1,2%	1.425	-0,9%	1.644	-14,0%
Wood	222	170	30,8%	157	41,4%	145	53,3%
Others	(44)	(3)	1455,5%	8	-	13	-

Source: Genial Investimentos, Klabin

Pulp COGS/t: Stoppages weighed on. Cash COGS/t ex-stoppages was reported at R$1,274/t (+4.9% vs. Genial Est.), declining -3.8% q/q but rising +8.7% y/y, coming above our projections. Although sequential relief was observed, the negative deviation vs. our estimate should have reflected higher fiber expenses (+10% vs. Est.) and fixed costs (+7% vs. Est.), partially offset by stronger energy sales, which reached R$96/t (+25% vs. Genial Est.), helping mitigate the overall cost pressure. On an annual basis, we point that the increase was mainly driven by **(i)** upshift in fiber costs (+R$90/t y/y), influenced by logistics pressures and climatic events throughout the year; **(ii)** higher chemical costs (+R$16/t), reflecting increased consumption amid stronger production pace; and **(iii)** fuel expenses, including the gasification stoppage impact. When including stoppages, pulp cash COGS/t reached R$1,510/t (+7.5% vs. Genial Est.), increasing +14.0% q/q and +8.2% y/y, materially above our estimate.

When we compare the total Cash Cost/t including maintenance stoppages (MS) of R$3,300/t with the one excluding the MS effects (R$3,064/t), the difference summed up R$236/t (+24% vs. Est.), which was higher than we expected.

The company directly points out the figure of R$485/t, which contrasts from the spread between the two cost lines that we usually calculate (R$485/t vs. R$236/t). As quoted in the release, this particular figure reflects a greater impact from the concentration of scheduled maintenance at the Ortigueira (PR) unit. Of this amount, 61% referred to direct maintenance materials and services, while 39% was related to restart costs and lower fixed-cost dilution (idle capacity effect). In this context, the gap vs. our estimate appears to be primarily explained by higher-than-modeled stoppage impacts and weaker fixed-cost dilution, despite the sequential improvement observed on an ex-stoppages basis. Even so, in the full-year view (2025), the company remained at the top of its cost guidance (including MS), at R$3,150/t, in line with our expectations.

EBITDA: Paper & Packaging outperforms; Pulp disappointed. Consolidated adjusted EBITDA totaled R$1.8bn (+1.0% vs. Genial Est.), with a strong slowdown of -13.5% q/q and remaining flat y/y (+0.5%), in line with our estimates, pointing towards a significant performance in Paper & Packaging, which more than offset the weaker-than-expected result in Pulp business. In Paper & Packaging, EBITDA reached R$1.3bn (+19% vs. Est.), declining -6.6% q/q but up +27.6% y/y, materially above our expectations, mainly driven by stronger pricing in corrugated boxes, better paperboard sales, and healthier cost performance on integrated verticals, particularly in packaging operations. Additionally, the positive contribution land sales under the Caetê Project helped sustain margins despite softer volumes in some segments.

On the other hand, the Pulp division reported EBITDA of R$521mn (-27% vs. Est.), down -27.0% q/q and -34.6% y/y, significantly below our projections. Although net revenue slightly exceeded our estimate on stronger volumes, the result was materially pressured by higher-than-expected Pulp COGS/t, particularly reflecting the concentration of scheduled maintenance stoppages and weaker fixed-cost dilution. The downtime impact, combined with fiber and variable cost pressures, more than offset the modest volume upside and sequential improvement in BHKP prices. Overall, the quarter once again highlights the diversification of the portfolio: while Pulp faced cost-driven margin compression, the strength of Paper & Packaging cushioned consolidated EBITDA, keeping results broadly aligned with our expectations at the group level.

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

(R$ Millions)	4Q25 Reported	4Q25E Genial Est.	% R/E	3Q25 Reported	% q/q	4Q24 Reported	% y/y
Adjusted EBITDA	**1.832**	**1.813**	**1,0%**	**2.117**	**-13,5%**	**1.823**	**0,5%**
Paper & Packaging	1.311	1.093	19,9%	1.404	-6,6%	1.027	27,6%
Pulp	521	719	-27,6%	713	-27,0%	796	-34,6%

Source: Genial Investimentos, Klabin

Net Income: Financial results dragged the bottom line. Net income totaled R$168mn (-67.2% vs. Genial Est.), declining -64.7% q/q and -69.0% y/y, materially below our projections, primarily driven by a significantly softer operating performance at the EBIT level (-16.7% vs. Genial Est.), combined with a higher net financial result loss (42% worst vs. Est.). The deterioration in financial results was mainly explained by uptrend in financial expenses, which reached R$1.0bn (+25% q/q), reflecting the accounting realization of financial instruments under the hedge accounting program, as well as present value adjustments on working capital. Although FX variation generated a positive impact of +R$43mn, this effect was not sufficient to offset the increase in financial charges.

Table 5. Income Statement (4Q25 vs. Genial Est.)

(R$ Millions)	4Q25 Reported	4Q25E Genial Est.	% R/E	3Q25 Reported	% q/q	4Q24 Reported	% y/y
Net Revenue	**5.165**	**5.216**	**-1,0%**	**5.426**	**-4,8%**	**5.268**	**-2,0%**
COGS	(4.027)	(3.822)	5,4%	(3.931)	2,4%	(3.688)	9,2%
Adjusted EBITDA	**1.832**	**1.813**	**1,0%**	**2.117**	**-13,5%**	**1.823**	**0,5%**
EBITDA Margin (%)	35,5%	34,7%	0,7p.p	39,0%	-3,6p.p	34,6%	0,9p.p
EBIT	**909**	**1.091**	**-16,7%**	**1.358**	**-33,1%**	**1.260**	**-27,8%**
EBIT Margin (%)	17,6%	20,9%	-3,3p.p	25,0%	-7,4p.p	23,9%	-6,3p.p
D&A	(1.244)	(1.204)	3,3%	(1.321)	-5,8%	(1.104)	12,7%
Financial Result	(707)	(498)	42,0%	(670)	5,6%	(884)	-20,0%
Net Income	**168**	**514**	**-67,2%**	**478**	**-64,7%**	**543**	**-69,0%**
Net Margin (%)	3,3%	9,9%	-6,6p.p	8,8%	-5,5p.p	10,3%	-7p.p

Source: Genial Investimentos, Klabin

Our Take on Klabin

FCF: Burn driven by WC consumption; deleveraging frustration. The company reported **FCF burn** of **-R$644mn** (vs. generation of +R$64mn Genial Est.), reversing it from the strong +R$699mn generated in 3Q25 and deteriorating -8x y/y, marking it, obviously, below our prospects, mainly driven by **(i)** Working Capital (**WC**) consumption of **-R$272mn**, withdrawing our expectation of a lower, but positive release vs. +R$404mn at 4Q24; **(ii)** net interest payments of -R$639mn, increasing +165% q/q and +2% y/y; and **(iii)** disbursements related to AD operations, including the closing of SPV/SCP structures, which also impacted.

We point out that these effects were partially offset by **(iv)** EBITDA of R$1.8bn (+1% vs. Est.) and **(v) CAPEX** of **-R$1.0bn** (-6% vs. Est.), slightly below our estimate despite the seasonal concentration of maintenance and modernization investments following an unusually low investment base in the 9M25, as anticipated on our preview. We think it is important to emphasize that this FCF does not consider both the effects of the remaining receipt of the installments from Plateau Project, including the +**R$300mn** balance and the **+R$900mn earn-out**, adding up **+R$1.2bn** in **4Q25**, and the inflow of **+R$300mn** from the sale of 25% of the new SPV, adding a total amount of **+R$1.5bn.**

In other hand, even if the preference for capital allocation supports a deleveraging trajectory, this was not seen as we previously assumed. **Leverage stayed** flat q/q at **3.3x Net Debt/EBITDA** in **BRL** (+0.3x vs. Genial Est.), not converging toward our **3.0x 25E** by year-end, mainly driven by **(i)** a higher gross debt, reaching R$37bn (+6% vs. Est.), growing +3% q/q, combined with a **(ii)** FCF burn (vs. almost flattish q/q Est.). On the other hand, we point out that the Net Debt/EBITDA ratio measured in **USD**, ended also at **3.3x**, but contracted -0.3x q/q. Still, it is worth mentioning that this is purely due to the acceleration in the USD/BRL FX rate EoP to R$5.50 (+3% q/q). In other words, nothing intrinsic to the company's operational capacity to deleveraging, **which ended up frustrating us a bit**. Additionally, **Dividend Yield 25** stayed at **6%**.

BHKP China: Pulp prices soften in Jan amid weak demand. In Jan, the China pulp market showed a clear loss of momentum, particularly in BSKP, as weak demand conditions reasserted themselves. Early in the month, spot prices edged higher, supported by rising import offers and spillover from **BHKP price hikes**. However, from mid-Jan onward, we note that pulp futures began to fluctuate lower, and in the **absence of any meaningful improvement** in **downstream demand**, spot prices adjusted downward in line with futures contract movements. As a result, BSKP prices also weakened visibly toward late Jan. To recap, **BHKP** pricing was initially supported by **(i)** tighter availability (reduced shipment levels y/y from Brazil and Chile) and a **(ii)** further +US$20/t (Dec) + US$10/t (coming in Feb) upsurge in new import offers from some overseas suppliers (Suzano leading passthroughs), which helped sustain relatively bullish sentiment.

Conversely, we have always been more cautious, indicating that **price increases** would be **difficult to sustain**. That said, from late Jan, the arrival of previously contracted shipments at ports reduced downstream mills' urgency to purchase spot volumes, limiting the execution of transactions at elevated prices. Even so, supported by cost pressure and still-tight supply, the **downside in BHKP prices remained contained** and did not fully reverse earlier gains.

Even so, we do not disregard that cost-side support remains a partial buffer. Import offers continued to rise in December and given a shipping lead time of ~2 months, Feb spot availability will largely reflect overseas orders placed in Dec/25. During that period, **BHKP** import offers increased by **+US$20/t**, lifting theoretical arrival costs. These higher costs should help slow the pace of price corrections that will probably lay ahead.

China Demand: Lower paper industry operating rates weaken pulp appetite. Operating rates across major downstream paper grades have declined since the beginning of Jan, reflecting softer demand conditions and more cautious production planning. By end of Jan, utilization rates squeezed further by **(i)** -6.1p.p. m/m in coated paper; **(ii)** -1.9p.p. m/m in uncoated paper; **(iii)** -0.7p.p. m/m in tissue; and **(iv)** -1.4p.p. in ivory board. We believe the broad-based nature of these declines highlights the extent of operational adjustments across the paper industry. As we have already mentioned in our sector reports and in our earnings preview, this deterioration in downstream operating conditions will likely have direct impact on the enthusiasm for pulp purchases by paper mills. With production plans scaled back and sales momentum slowing, paper industry starts to **limit purchases to essential demand**, reinforcing a more defensive buying pattern.

We expect downstream demand to weaken further heading into the **Chinese New Year's Eve** (17-Feb-3-Mar), as paper mills gradually enter holiday shutdowns from Feb onward. Based on historical patterns, while leading producers may maintain relatively normal operations, many small and mid-sized mills typically begin suspending production around two weeks before the holiday, resulting in a **phased contraction in pulp demand**. This seasonal slowdown is likely to exert increasing downward pressure on pulp prices and reduce support for further price increases in the near term. Therefore, we maintain our bet on the **downward trend** in **pulp prices** at **2Q26E**, towards our projected average of **US$550/t 26E** (vs. US$570/t on spot market).

Less cyclical than it looks. As we pointed out, **4Q25** was marked by **FCF burn** and a **higher-than-expected Pulp COGS/t** that also contributed to a weaker EBITDA for pulp business (-27% vs. Est; -27% q/q; -34% y/y). However, it is important to display that this was seen more as punctual situation than an underlying problem, largely driven by maintenance concentration and weaker fixed-cost dilution than dysfunctional operational sight. In addition, it is also important to say that the vertical integration factor, a key sensitivity in the market's perception of the investment thesis, came in better than expected, partially offsetting the deviation and allowing the company to remain within full-year cost guidance.

In this regard, EBITDA for Paper & Packaging exceeded expectations (+19% vs. Est.), and despite the slight sequential decline linked to the negative seasonality typical of the period, it remained up +27% y/y, so that its performance offset the pulp business and, once again, stabilized consolidated EBITDA, remaining within our estimates and the consensus.

More importantly, this compensatory achievement between the two business units is often overlooked by the market. Despite **pulp prices** declining by **-5% y/y** basis (weighting between BHKP and BSKP sales mix), company's **EBITDA stands** with a slight **upshift** of **+1.4% y/y**, a clear indication of the **defensive profitability profile**. In our view, this dynamic illustrates the benefits of its integrated and diversified model, which reduces direct sensitivity to volatility relative to more concentrated market pulp producers (which reported a double-digit y/y decline in 4Q25). While the market tends to group Klabin alongside other pulp names whenever sentiment turns bearish on the cycle, the underlying earnings behavior suggests a structurally lower exposure to downside swings.

Given our conservative assumption of **US$550/t average in 26E** (vs. US$570/t at spot market), we believe this **defensive characteristic** becomes even more relevant. In a more uncertain and bearish-leaning pulp environment, the company offers greater EBITDA predictability and a remaining deleveraging trajectory proposition comparable to what they did in at the year-end 2025 vs. 2024 (3.3x vs. 4.5x in 4Q24). We are even witnessing stocks doing some catch up, with the **shares rising +18% in ~3M**, but we still see some room for this trend to continue. Accordingly, added to the fact that the company currently trades at **6.2x EV/EBITDA 26E** (vs. historical ~7x), we reiterate our **BUY rating**, with a **12M Target Price of R$23.50**, even with implied **upside** of **+12%**.

Appendix: Klabin

Figure 1. Klabin – Income Statement in R$ Millions (Genial Est. 2026-2029)

Income Statement	2026E	2027E	2028E	2028E
Net Revenue	**21.578**	**22.657**	**23.111**	**23.573**
(-) COGS	(13.594)	(14.274)	(14.560)	(14.851)
Gross Profit	**7.984**	**8.383**	**8.551**	**8.722**
(-) Expenses	(3.388)	(3.489)	(3.467)	(3.536)
Adjusted EBITDA	**8.092**	**8.497**	**8.666**	**8.840**
(-) D&A	(4.531)	(4.758)	(4.853)	(4.950)
EBIT	**4.596**	**4.894**	**5.084**	**5.186**
(+/-) Financial Result	(1.942)	(2.039)	(2.080)	(2.122)
(-) Taxes	(849)	(914)	(961)	(981)
Net income	**1.805**	**1.941**	**2.043**	**2.084**
Profitability				
Net margin (%)	8,4%	8,6%	8,8%	8,8%

Figure 2. Klabin– Cash Flow in R$ Millions (Genial Est. 2026-2029)

Cash Flow (FCFF)	2026E	2027E	2028E	2029E
Net Revenue	**21.578**	**22.657**	**23.111**	**23.573**
(-) COGS	(13.594)	(14.274)	(14.560)	(14.851)
Adjusted EBITDA	**8.092**	**8.497**	**8.666**	**8.840**
EBIT	**4.596**	**4.894**	**5.084**	**5.186**
(-) Taxes	(849)	(914)	(961)	(981)
(+) D&A	4.531	4.758	4.853	4.950
(+/-) Δ WK	108	113	116	118
(-) Capex	(3.300)	(2.800)	(2.500)	(2.500)
FCFF	**5.086**	**6.052**	**6.592**	**6.774**

Disclosure Section

1. GENERAL DISCLAIMER

This report has been produced by the research department ("Genial Institutional Research") of Genial Institutional Corretora de Câmbio, Títulos e Valores Mobiliários S.A. ("GENIAL INSTITUTIONAL CCTVM"). Genial Institutional is a brand name of Genial Investimentos CCTVM.

Genial Rating

	Definition	Coverage
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%**

This report may not be reproduced or redistributed to any other person, in whole or in part, for any purpose, without the prior written consent of GENIAL INSTITUTIONAL CCTVM. GENIAL INSTITUTIONAL CCTVM accepts no liability whatsoever for the actions of third parties in this respect.

This research report is for distribution only under such circumstances as may be permitted by applicable law. This research report has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient, even if sent only to a single recipient. This research report is not guaranteed to be a complete statement or summary of any securities, markets, reports or developments referred to in this research report. Neither GENIAL INSTITUTIONAL CCTVM nor any of its directors, officers, employees or agents shall have any liability, however arising, for any error, inaccuracy or incompleteness of fact or opinion in this research report or lack of care in this research report's preparation or publication, or any losses or damages which may arise from the use of this research report

GENIAL INSTITUTIONAL CCTVM may rely on information barriers, such as "Chinese Walls" to control the flow of information within the areas, units, divisions, groups, or affiliates of GENIAL INSTITUTIONAL CCTVM.

Investing in any non-U.S. securities or related financial instruments (including ADRs) discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the United States.

The value of any investment or income from any securities or related financial instruments discussed in this research report denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

Past performance is not necessarily a guide to future performance and no representation or warranty, express or implied, is made by GENIAL INSTITUTIONAL CCTVM with respect to future performance. Income from investments may fluctuate. The price or value of the investments to which this research report relates, either directly or indirectly, may fall or rise against the interest of investors. Any recommendation or opinion contained in this research report may become outdated as a consequence of changes in the environment in which the issuer of the securities under analysis operates, in addition to changes in the estimates and forecasts, assumptions and valuation methodology used herein.

The locally listed shares of Brazilian companies may only be purchased by investors outside of Brazil who are "eligible investors" within the meaning of applicable laws and regulations.

2. ANALYST(S) DISCLOSURES AND CERTIFICATION

The principal analyst, IGOR GUEDES, is responsible for the content of this report and for meeting the requirements of Securities and Exchange Commission of Brazil (CVM) Instruction 598/2018.

The analysts hereby certify that the views expressed in this research report accurately reflect their personal views about the subject securities or issuers and it was prepared in an independent manner, including with respect to the person and to GENIAL INSTITUTIONAL.

The analyst hereby certifies that he (she) has no connection with any individual who works for the issuer(s) discussed in this report.

The analyst hereby certifies that he (she), or his (her) spouse or companion, either directly or indirectly, in his or her own name or on behalf of a third party, does not hold any of the securities covered in this report.

The analyst hereby certifies that he (she), or his (her) spouse or companion, is not directly or indirectly involved in the purchase, disposal or brokering of the securities covered in this report.

The analyst hereby certifies that he (she), or the his (her) spouse or companion, has no direct or indirect financial interest in the issuer covered in this report (other than trading shares in investment funds, in which the analyst cannot control, directly or indirectly, the administration or management of the fund, or which do not concentrate investments in sectors or companies that are covered by reports produced by the analyst).

The analyst's compensation is, directly or indirectly, determined by income from GENIAL INSTITUTIONAL´s business and financial operations.

In addition, the analysts certify that no part of their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

The compensation of the analyst who prepared this report is determined by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking revenues, however, compensation may relate to the revenues of GENIAL INSTITUTIONAL CCTVM, its affiliates and/or subsidiaries as a whole, of which investment banking, sales and trading are a part. Compensation paid to analysts is the sole responsibility of GENIAL INSTITUTIONAL CCTVM.

The analyst hereby certifies that he (she), or his (her) spouse or companion, does not serve as an officer, director, or advisory board member of the subject company.

The principal analyst is responsible for the content of this report and for meeting the requirements of Securities and Exchange Commission of Brazil (CVM) Instruction 598/2018.

Unless otherwise stated, the individuals listed on the cover page of this report are research analysts.

3. ADDITIONAL DISCLOSURE

(i) This document was prepared by GENIAL INSTITUTIONAL Research and is hereby supplied for the sole purpose of providing information about companies and their securities.

(ii) The information contained herein is provided for informational purposes only and does not constitute an offer to buy or sell, and should not be construed as a solicitation to acquire, any securities in any jurisdiction. The opinions expressed herein regarding the purchase, sale or holding of securities, or with respect to the weighting of such securities in a real or hypothetical portfolio, are based on careful analysis by the analysts who prepared this report and should not be construed by current or future investors as recommendations for any particular investment decision or action. The investor's final decision should be made considering all of the risks and fees involved. This report is based on information obtained from primary or secondary public sources, or directly from companies, and is combined with estimates and calculations prepared by GENIAL INSTITUTIONAL CCTVM. This report does not purport to be a complete statement of all material facts related to any company, industry, security or market strategy mentioned. The information has been obtained from sources believed to be reliable, but GENIAL INSTITUTIONAL CCTVM does not make any express or implied representation or warranty as to the completeness, reliability or accuracy of such information. The information, opinions, estimates and projections contained in this document are based on current data and are subject to change. Prices and availability of financial instruments are indicative only and subject to change without notice. GENIAL INSTITUTIONAL CCTVM is under no obligation to update or revise this document or to advise of any changes in such data.

(iii) The securities discussed in this report, as well as the opinions and recommendations contained herein, may not be appropriate for every type of investor. This report does not take into account the investments objectives, financial situation or particular needs of any particular investor. Investors who wish to buy, sell or invest in securities that are covered in this report should seek independent financial advice that takes individual characteristics and needs into consideration, before making any investment decision with respect to the securities in question. Each investor should make independent investment decisions after carefully analyzing the risks, fees and commissions involved. If a financial instrument is denominated in a currency other than an investor's currency, changes in exchange rates may adversely affect the price or value of, or the income derived from the financial instrument, and the reader of this report assumes all foreign exchange risks. Income from financial instruments may vary, and therefore their price or value may rise or fall, either directly or indirectly. The information, opinions and recommendations contained in this report do not constitute and should not be interpreted as a promise or guarantee of a particular return on any investment. Past performance does not necessarily indicate future results, and no representation or warranty, express or implied, is made herein regarding future performance. Therefore, GENIAL INSTITUTIONAL CCTVM, its affiliated companies, and the analysts involved in this report take no responsibility for any direct, indirect or consequential loss resulting from the use of the information contained in this report, and anyone using this report undertakes to irrevocably indemnify GENIAL INSTITUTIONAL CCTVM and its affiliates from any claims and demands.

(iv) Prices in this report are believed to be reliable as of the date on which this report was issued and are derived from one or more of the following: (i) sources as expressly specified alongside the relevant data; (ii) the quoted price on the main regulated market for the security in question; (iii) other public sources believed to be reliable; or (iv) GENIAL INSTITUTIONAL CCTVM's proprietary data or data available to GENIAL INSTITUTIONAL CCTVM.

(v) No representation or warranty, either express or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein, except with respect to information concerning GENIAL INSTITUTIONAL CCTVM, its subsidiaries and affiliates. In all cases, investors should conduct their own investigation and analysis of such information before taking or omitting to take any action in relation to securities or markets that are analyzed in this report.

(vi) GENIAL INSTITUTIONAL CCTVM makes no representations herein that investors will obtain profits. GENIAL INSTITUTIONAL CCTVM will not share with investors any investment profits nor accept any liability for any investment losses. Investments involve risks and investors should exercise prudence in making their investment decisions. GENIAL INSTITUTIONAL CCTVM accepts no fiduciary duties on behalf of recipients of this report and in communicating this report is not acting in a fiduciary capacity. This report is not to be relied upon in substitution for the exercise of recipient's independent judgment. Opinions, estimates, and projections expressed herein constitute the current judgment of the analyst responsible for the substance of this report as of the date on which the report was issued and are therefore subject to change without notice and may differ or be contrary to opinions expressed by other business areas or groups of GENIAL INSTITUTIONAL CCTVM as a result of using different assumptions and criteria. The information, opinions and recommendations contained in this report do not constitute and should not be interpreted as a promise or guarantee of a particular return on any investment.

(vii) Because the personal views of analysts may differ from one another, GENIAL INSTITUTIONAL CCTVM, its subsidiaries and affiliates may have issued or may issue reports that are inconsistent with, and/or reach different conclusions from, the information presented herein. Any such opinions, estimates, and projections must not be construed as a representation that the matters referred to therein will occur. Prices and availability of financial instruments are indicative only and subject to change without notice. Income from financial instruments may vary, and therefore their price or value may rise or fall, either directly or indirectly.

(viii) This document may not be: (a) photocopied or duplicated in any manner, in whole or in part, and/or (b) distributed without GENIAL INSTITUTIONAL CCTVM's prior written consent. GENIAL INSTITUTIONAL CCTVM accepts no liability whatsoever for the actions of third parties in this respect.

(ix) Neither GENIAL INSTITUTIONAL CCTVM nor any of its affiliates, nor any of their respective directors, employees or agents, accepts any liability for any loss or damage arising out of the use of all or any part of this report.

(x) GENIAL INSTITUTIONAL CCTVM (or its affiliates, officers, directors or employees) may, to the extent permitted by law, have acted upon or used the information herein contained before the publication of this report and may have a position in securities issued by the companies mentioned herein and may make a market or act as a principal in any transactions in any such securities. Genial Institutional may from time to time perform investment banking or other services to, or solicit investment banking or other business from, the companies mentioned herein.

4. IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by Genial Institutional CCTVM, a company authorized to engage in securities activities in Brazil. Genial Institutional CCTVM is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to “major U.S. institutional investors” in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”) and is not being provided pursuant to a soft-dollar arrangement.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through Auerbach Grayson & Company LLC ("AGCO"), a registered broker dealer in the United States with an office at 20 West 55th Street New York, NY 10019, (212) 453-3523 . Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through Genial Institutional CCTVM.

If the report is to be distributed to anyone other than Major U.S. Institutional Investors in the United States. AGCO accepts responsibility for the contents of this report as provided for in relevant SEC releases and SEC staff no-action letters.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority (“FINRA”) and may not be an associated person at Auerbach Grayson & Company LLC ("AGCO") and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

The disclosures contained in research reports produced by GENIAL INSTITUTIONAL CCTVM and distributed by Auerbach Grayson & Company LLC ("AGCO") in the U.S. shall be governed by and construed in accordance with U.S. law. This report may not be reproduced or redistributed to any other person, in whole or in part, for any purpose, without the prior written consent of GENIAL INSTITUTIONAL CCTVM. Additional information relative to the financial instruments discussed in this report is available upon request.

UK Disclaimer:

(i) This document is STRICTLY CONFIDENTIAL to the recipient, may not be distributed to the press or other media and may not be reproduced in any form. this document is directed only at persons who are “INVESTMENT PROFESSIONALS” falling within article 19(5) of the FSMA 2000 (FINANCIAL PROMOTION) ORDER 2005, or HIGH NET WORTH BODIES falling within ARTICLE 49(2) of that order (together THE “RELEVANT PERSONS”). This document must not be acted on or relied on by persons who are not RELEVANT PERSONS.

(ii) The distribution of this document in other jurisdictions may be restricted by law and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the laws of any such other jurisdiction.