genial Equity Research

Pulp & Paper

2Q26 Results: The Cash Is Real; The Discount Is Not

Pulp & Paper

Q: How did the results compare vs. expectations?

A: Broadly in line with the market and ahead of us, on a headline that needs cleaning before either reading means anything. Reported EBITDA of R$5.9bn carries R$1.2bn of biological-asset revaluation; the adjusted figure of R$4.7bn (+6.8% vs. Est; +2.7% q/q and −22.7% y/y) matched the consensus median, and sits below only a mean that a wide dispersion pulled higher. The same one-off flatters the line beneath it, where reported operating profit cleans to roughly R$1.6bn — so what screens as a comfortable beat there is in substance a miss. The gap that matters is ours rather than the market's, and it was not where we assumed: realized export pulp did print US$601/t above the figure we carried, the commercial discount having narrowed where we had it widening, but price accounts for under half the beat. The remainder sits beneath the disclosed cost line — freight, overheads and the inventory actually costed into COGS — where our model runs too heavy. We expect a positive but capped reaction: the shares sit barely a tenth off the floor of a 52-week range they have fallen 25% through, so the cash lands on a price that already discounts a great deal. What the print does not settle is the second half, which is where the doubt sits.

Q: What were the most noteworthy areas in the results?

A: The noteworthy areas were: **(+)** The condition we published in July held. Cash cost excluding downtimes came to R$843/t, essentially flat against a year ago, while the downtime effect widened to R$129/t from almost nothing — so the annual margin compression is the maintenance calendar and the currency, not deterioration in the underlying cost base. **(+)** Cash was the quarter: free cash flow of R$2.3bn against the R$1.4bn our corrected bridge carries, with working capital releasing rather than draining and the hedge portfolio contributing R$824mn. **(+)** The buyback finally moved, at an average of R$42.68 — above today's quote — having sat untouched since February. **(=)** The price beat came from European mix, where the benchmark rose four times faster than in China. **(−)** Leverage rose to 3.4x in dollars even as net debt fell, because trailing earnings are contracting faster than the debt, and the venture adds more next quarter. **(−)** Management reaffirmed cash cost of approximately R$800/t for the year on an oil assumption the quarter itself overshot, having averaged US$97 a barrel. **(−)** And the executive who set it leaves on August 28: Aires Galhardo, who ran pulp operations for two decades, with Carlos Aníbal absorbing the role.

Q: Has the outlook ahead changed?

A: It has, and in the one place management says it has not. We cut 2026 EBITDA to R$22.0bn and 2027 to R$24.8bn, both below the market, and the reason is the second half rather than the quarter just reported. On cost we decline to follow the guidance, and the arithmetic is why: the first half ran near R$823/t, so the full-year target requires the second half at roughly R$780/t while oil runs well above the assumption that target rests on. We carry R$815/t instead — above the company, below our own prior figure, because the heaviest maintenance year is now behind and higher output dilutes the fifth of the cost base that is fixed. On price the evidence has turned against the second half: the Chinese benchmark has drifted lower since June and the spread between fibers has collapsed, capping hardwood's pricing power more durably than any inventory cycle. Against that, the venture consolidates from the third quarter and brings scale the market already counts.

Q: Valuation and recommendation

A: We reiterate BUY and the R$60.00 target, and we owe the reader the assumption it now rests on. Our own treatment of the perimeter argues for less: once the acquisition debt and the minority interest enter enterprise value, the shares trade near 6.3x our 2026 EBITDA rather than the multiple we published in July, and the peer discount that supported the target narrows materially. Against twelve-month-forward net debt, R$60.00 asks for roughly 6.1x on 2027 earnings versus the 5.5x at which they trade — so the target embeds a modest re-rating, and we would rather say so than let it hide inside a multiple. We are not repricing on a perimeter we have yet to see consolidated: the venture settled at US$1.3bn against the US$1.7bn announced last year and is still subject to adjustment, so that balance sheet should set the value, not our arithmetic. What sustains the rating meanwhile is cash — an adjusted free cash flow yield of 19.2%, from an investment-grade balance sheet on positive outlook. We would revisit the target if the third quarter confirms our adjustment, and the rating if full-year cash cost settles above R$820/t.

In short, the maintenance calendar explained the margin and the cash statement did the rest: BUY, 12M target price of R$60.00, with the third-quarter balance sheet and full-year cash cost as the two tests.

ANALYSTS

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

COMPANY

SUZB3 BZ Equity
BUY
Price: R$41.45 (Aug 12)
12M Target Price: R$60.00

MARKET DATA	
Market cap	R$51.1bn
Free float	49%
ADTV (3m)	R$240mn
52-wk range	39.17–59.65
Net debt (2Q26)	R$66.1bn
Net debt/EBITDA	3.4x (2Q26, US$)
MULTIPLES	
EV/EBITDA 26E	6.3x
EV/EBITDA 27E	5.5x
Div. yield 26E	3.5%
FCF yield (LTM)	19.2%
PERFORMANCE	
Year to date (YTD)	−19.4%
12 months (LTM)	−25.0%
2Q26 REPORTED	
Net revenue	R$11.6bn
Adjusted EBITDA	R$4.7bn
Adj. EBITDA margin	40.6%
Pulp cash cost (R$/t)	843

1. Financial scorecard — 2Q26 reported vs. Genial Est., R$ mn

Suzano (R$ mn; IFRS)	Reported vs. Est.			q/q change		y/y change	
2Q26 scorecard	2Q26	2Q26E	Δ vs. Est.	1Q26	q/q	2Q25	y/y
Net revenue	**11,590**	**11,394**	**1.7%**	**10,968**	**5.7%**	**13,296**	**(12.8%)**
(−) COGS	(8,762)	(8,422)	4.0%	(7,808)	12.2%	(8,608)	1.8%
Gross profit	**2,829**	**2,973**	**(4.8%)**	**3,161**	**(10.5%)**	**4,688**	**(39.7%)**
Gross margin	*24.4%*	*26.1%*	*(1.7 pp)*	*28.8%*	*(4.4 pp)*	*35.3%*	*(10.9 pp)*
(−) Selling expenses	(813)	(782)	3.9%	(752)	8.1%	(838)	(3.0%)
(−) General and administrative	(557)	(655)	(15.1%)	(683)	(18.5%)	(648)	(14.0%)
(+/−) Other operating	1,335	(54)	n/a	70	—	(155)	—
(+/−) Equity equivalence	(5)	(56)	(90.8%)	(20)	(74.5%)	(172)	(97.0%)
EBIT	**2,789**	**1,425**	**95.7%**	**1,775**	**57.1%**	**2,875**	**(3.0%)**
EBIT margin	*24.1%*	*12.5%*	*11.6 pp*	*16.2%*	*7.9 pp*	*21.6%*	*2.4 pp*
(+) D&A	3,133	2,786	12.4%	2,807	11.6%	2,839	10.3%
EBITDA	**5,921**	**4,212**	**40.6%**	**4,582**	**29.2%**	**5,714**	**3.6%**
(−) Non-recurring	1,217	(196)	n/a	2	—	(373)	—
Adjusted EBITDA	**4,705**	**4,407**	**6.8%**	**4,580**	**2.7%**	**6,087**	**(22.7%)**
Adj. EBITDA margin	*40.6%*	*38.7%*	*1.9 pp*	*41.8%*	*(1.2 pp)*	*45.8%*	*(5.2 pp)*
(+/−) Financial result	(10)	(332)	(96.9%)	4,616	n/a	4,425	n/a
Pre-tax profit	**2,778**	**1,093**	**154.1%**	**6,392**	**(56.5%)**	**7,300**	**(61.9%)**
(−) Income tax	(971)	(356)	172.9%	(2,080)	(53.3%)	(2,288)	(57.6%)
Effective tax rate	*34.9%*	*32.5%*	*2.4 pp*	*32.5%*	*2.4 pp*	*31.3%*	*3.6 pp*
Net income	**1,808**	**738**	**145.1%**	**4,312**	**(58.1%)**	**5,012**	**(63.9%)**
Net margin	*15.6%*	*6.5%*	*9.1 pp*	*39.3%*	*(23.7 pp)*	*37.7%*	*(22.1 pp)*
Cash and capital structure							
(−) CAPEX	(2,504)	(2,501)	0.1%	(3,002)	(16.6%)	(3,203)	(21.8%)
(+/−) Working capital	483	100	383.0%	(75)	n/a	(864)	n/a
(−) Net interest	(670)	(680)	(1.5%)	(1,726)	(61.2%)	(652)	2.8%
Free cash flow	**2,296**	**1,400**	**64.0%**	**(2,093)**	**n/a**	**989**	**132.2%**
Adjusted free cash flow	**3,317**	**—**	**—**	**586**	**466.0%**	**2,622**	**26.5%**
FCF yield (LTM)	*19.2%*	*—*	*—*	*13.6%*	*5.6 pp*	*20.3%*	*(1.1 pp)*
Net debt	**66,089**	**67,325**	**(1.8%)**	**68,056**	**(2.9%)**	**70,840**	**(6.7%)**
Net debt/EBITDA (R$)	*3.3x*	*3.4x*	*(0.1x)*	*3.2x*	*0.1x*	*3.0x*	*0.3x*
Net debt/EBITDA (US$)	*3.4x*	*—*	*—*	*3.3x*	*0.1x*	*3.1x*	*0.3x*

Reported EBITDA of R$5.9bn includes R$1.2bn of non-recurring items, essentially the revaluation of biological assets booked under other operating income; the same amount inflates reported EBIT, which cleans to approximately R$1.6bn. Adjusted EBITDA is the company's own CVM 156/22 figure and governs this note. Free cash flow follows the company's bridge; the adjusted line is stated before growth capex, dividends and buybacks. The free cash flow ESTIMATE is recalibrated rather than the one published on 23 July: five assumptions were identifiably wrong — interest is concentrated in the 1st and 3rd quarters rather than the 2nd; our own model had production exceeding sales in the heaviest maintenance quarter of the year; leases sat below run-rate; the buyback line was blank despite a programme announced in February; and the hedge line ignored a collar struck well above spot. Corrected, the bridge gives R$1.4bn against the R$2.3bn reported; we published R$170mn. Net debt and leverage carry no estimate column because the model does not project them.

2. Operational scorecard by segment — reported perimeter, ex-Arbex

Suzano — by segment	Reported vs. Est.			q/q change		y/y change	
2Q26 operational scorecard	2Q26	2Q26E	Δ vs. Est.	1Q26	q/q	2Q25	y/y
PULP							
Net revenue	**8,756**	**8,651**	**1.2%**	**8,346**	**4.9%**	**10,288**	**(14.9%)**
Sales volume (Kt)	2,897	2,904	(0.2%)	2,835	2.2%	3,269	(11.4%)
Realized export price (US$/t)	601	591	1.7%	562	6.9%	555	8.3%
Cash cost ex-downtimes (R$/t)	843	837	0.7%	802	5.1%	832	1.3%
Cash cost w/ downtimes (R$/t)	972	935	4.0%	882	10.2%	838	16.0%
Adjusted EBITDA	**4,184**	**3,935**	**6.3%**	**4,056**	**3.2%**	**5,378**	**(22.2%)**
Adj. EBITDA (R$/t)	*1,444*	*1,355*	*6.6%*	*1,431*	*0.9%*	*1,645*	*(12.2%)*
PAPER (includes consumer goods and Suzano Packaging US)							
Net revenue	**2,834**	**2,743**	**3.3%**	**2,623**	**8.1%**	**3,008**	**(5.8%)**
Sales volume (Kt)	406	393	3.4%	378	7.4%	411	(1.2%)
Average price (R$/t)	6,974	6,973	0.0%	6,933	0.6%	7,315	(4.7%)
Adjusted EBITDA	**521**	**472**	**10.4%**	**524**	**(0.6%)**	**709**	**(26.5%)**
Adj. EBITDA (R$/t)	*1,281*	*1,201*	*6.7%*	*1,385*	*(7.5%)*	*1,725*	*(25.7%)*

3. Reported vs. Bloomberg consensus — 2Q26

Suzano (R$ mn)	2Q26		
Reported vs. consensus	Reported	Consensus	Δ
Net revenue	**11,590**	**11,895**	**(2.6%)**
Adjusted EBITDA	**4,705**	**4,992**	**(5.8%)**
Adj. EBITDA margin	*40.6%*	*42.0%*	*(1.4 pp)*
EBIT (reported)	**2,789**	**2,480**	**12.4%**
Net income	**1,808**	**1,614**	**12.0%**

4. Annual projections — Genial Est. vs. Bloomberg consensus, R$ mn

Suzano (R$ mn)	Genial Est.				
Annual projections	2025A	2026E	2027E	2028E	2029E
Net revenue	**50,116**	**53,000**	**59,500**	**60,500**	**62,000**
Adjusted EBITDA	**21,736**	**22,000**	**24,800**	**25,200**	**26,200**
Net income	**13,438**	**8,900**	**6,900**	**7,000**	**7,700**
BLOOMBERG CONSENSUS					
Net revenue	—	54,061	61,554	62,026	63,692
EBITDA	—	23,010	26,223	26,474	27,574
Net income	—	9,307	7,529	7,491	8,164

Segment table on the reported perimeter: paper already includes the consumer goods (tissue) unit and Suzano Packaging US, as it always has; the Kimberly-Clark venture closed on July 1 and does not touch the second quarter. Consensus lines carry 7 to 11 contributors; gross margin is excluded, at 3. Reported EBIT is shown as published and is inflated by the non-recurring item described on the previous page. The consensus column is the mean; the median stood at R$4.7bn, which the quarter matched. The two consensus panels do not agree with each other either — the annual carries R$23.0bn for 2026 against R$21.6bn implied by summing the quarters — so our distance to the street depends on which one is used: 4% below the annual, 2% above the quarterly. Annual estimates and our enterprise value both include the venture, which is why the sum of quarterly estimates does not reconcile with the full year.

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