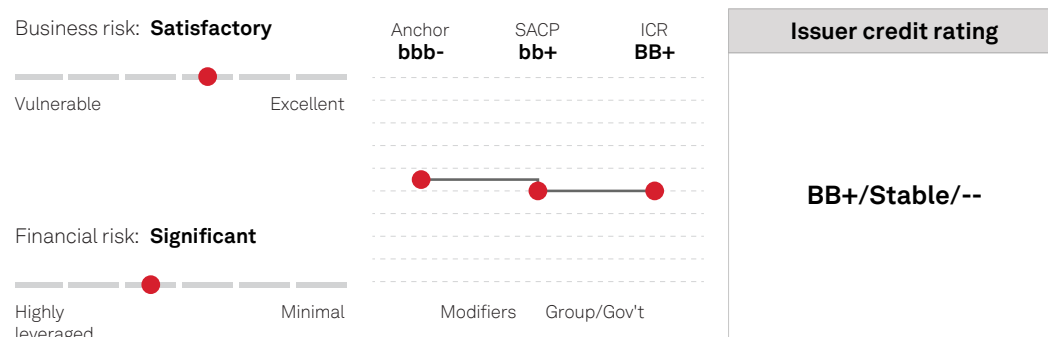


Klabin S.A.

June 12, 2026

This report does not constitute a rating action.

Ratings Score Snapshot



ICR--Issuer credit rating. SACP--Stand-alone credit profile.

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Credit Highlights

Overview

Key strengths

Diversified product portfolio and ability to convert paper into packaging helps protect cash flow when pulp prices are low.

Vertical integration supports solid profitability in the coming years.

Strong liquidity position with extended debt maturity profile.

Key risks

Exposure to cyclicality in the forest and paper products industry, which has volatile input costs and selling prices.

Historically higher tolerance for debt during investment cycles compared with larger peers.

Slower than expected deleveraging trajectory, driven by increased operational costs due to geopolitical conflicts and supply chain disruptions.

We expect Klabin to maintain its solid market position through its ability to adjust its product mix in response to demand shifts. In the pulp segment, we forecast volumes of approximately 1.57 million tons in 2026, stabilizing at about 1.48 million tons in 2027-2028. In the paper and packaging segments, we expect higher coated board volumes in the coming years due to the ramp-up of paper machine 28 (PM28).

Conversely, although we project kraftliner volumes to increase in 2026 to capture strong international demand, volumes will likely moderate from 2027 onward as PM28 shifts toward producing coated board and liquid packaging board (LPB). This flexibility to pivot between kraftliner, coated board, and corrugated boxes allows the company to optimize profitability and protect margins amid cyclical fluctuations.

We forecast EBITDA margins to remain stable over the next few years, consistent with the 36.7% margin in 2025. A disciplined cash cost management strategy should support this stability. We expect annual cash costs to range between Brazilian real (R\$) 3,200 per ton (/t) and R\$3,300/t, in line with the company's guidance.

While geopolitical tensions are driving volatility in energy and logistics costs, we expect Klabin to mitigate these impacts through active revenue management and potentially passing through costs to customers. Although expected weaker foreign exchange rates in 2026 will temper top-line revenue growth, the company's diversified portfolio and value-added products should help sustain profitability.

We expect Klabin to reduce leverage--measured as adjusted debt to EBITDA--consistently over the next several quarters. After concluding a major investment cycle, we expect Klabin to have capex of R\$3.3 billion in 2026, which will then fall to a sustaining level of R\$2.8 billion in 2027 and R\$2.5 billion in 2028. This reduction in cash outflows, combined with steady EBITDA, should support deleveraging, although more slowly than we previously expected, mainly due to the effect of exchange rates.

We forecast adjusted net debt to decrease by approximately R\$2.0 billion in 2026 to roughly R\$29.4 billion. Consequently, we expect adjusted debt to EBITDA to fall to 3.7x in 2026 (versus our previous expectation of 3.1x), and to 3.0x by 2028. To support this process, we assume Klabin will target a 15% payout of EBITDA, in the middle of its dividend policy range.

Klabin's scale and somewhat high leverage still limit the rating. While the company maintains a well-established competitive position and profitability, its scale is smaller than some industry leaders such as Suzano, CMPC, and Arauco. Additionally, Klabin's S&P Global Ratings-adjusted debt to EBITDA has been above 4.0x over the past three years. This is above the typical levels for an investment-grade company in a cyclical sector such as forest products, which has limited the rating at 'BB+'. We reflect this relatively higher leverage and smaller scale by applying a negative comparable rating analysis modifier.

We note, however, management's commitment to reducing leverage and implementing more conservative financial policies since the end of 2024. These policies established a leverage target of 2.5x to 3.5x out of investment cycles and below 3.9x in investment cycles.

Our adjusted leverage considers some debt-like obligations that result in debt to EBITDA generally around 1.0x above Klabin's reported metric. Regardless, the company's adherence to its financial policy with consistent reduction of adjusted leverage over the next few quarters could support potential upside for credit quality.

Outlook

The stable outlook indicates our view that Klabin's diversified operations, higher volumes from PM28, and controlled cash costs will balance lower pulp prices and inflationary pressures. We forecast debt to EBITDA at 3.5x-4.0x in 2026 from 4.2x in 2025, funds from operations (FFO) to debt of 20%-25%, and improving free cash flow.

Downside scenario

We could downgrade Klabin in the next 12-18 months if leverage metrics don't improve as we expect, with debt to EBITDA above 4x and FFO to debt below 20% on a three-year moving average. This could occur because of sharp declines in prices and appreciation of the Brazilian real, or due to higher investments or dividends.

Upside scenario

A positive rating action in the next 12-18 months could occur if leverage improves in the coming quarters in line with our base-case forecast, and Klabin maintains financial discipline across cycles, with debt to EBITDA below 3.5x on a three-year moving average. The leverage reduction would also leave enough room for industry cyclicality.

Our Base-Case Scenario

Assumptions

- Brazil's GDP growth of about 1.6% in 2026, 2.1% in 2027, and 2.2% in 2028
- Brazil's average inflation of 4.5% in 2026, 3.9% in 2027, and 3.6% in 2028
- Average exchange rates of about R\$5.33 per \$1 in 2026, R\$5.45 per \$1 in 2027, and R\$5.53 per \$1 in 2028
- Average bleached hardwood kraft pulp (BHKP) listing in Europe close to \$1,250 per ton in 2026 and 2027 and around \$1,150/ton in 2028. We apply a 35% discount to listed prices
- Stable demand for pulp to result in total volumes sold of about 1.5 million tons in 2026-2028
- Increasing paper production from PM28, especially coated boards, and supported by high demand
- Kraftliner prices at R\$3,600-R\$4,000 per ton in 2026-2027
- Price of coated boards at around R\$5,700- R\$5,900 per ton in 2026-2027
- Between 1.0 billion and 1.2 billion tons of corrugated boxes and industrial bags sold at about R\$6,900-R\$7,100 per ton in 2026-2027
- Annual cash costs at around R\$3,200-R\$3,300 per ton in the next couple of years, considering lower use of third-party wood, while other expenses related to chemicals, transportation, fuel, and energy generally follow inflation and volume expansion
- Gross debt reduction in 2026 and debt refinancing over the next few years
- Dividend distribution at 15% of EBITDA in the next few years

Key metrics

Klabin S.A.--Forecast summary

Period ending	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027	Dec-31-2028	Dec-31-2029
(Mil. BRL)	2022a	2023a	2024a	2025a	2026e	2027f	2028f	2029f
Revenue	20,033	18,024	19,645	20,698	21,548	21,691	21,740	22,270
Gross profit	12,633	10,124	11,267	12,220	12,621	12,716	12,743	12,810

Klabin S.A.

Klabin S.A.--Forecast summary

EBITDA (reported)	9,860	7,576	8,461	9,471	9,488	9,461	9,404	9,360
Plus/(less): Other	(2,059)	(1,288)	(1,055)	(1,880)	(1,559)	(1,464)	(1,446)	(1,546)
EBITDA	7,801	6,288	7,406	7,591	7,929	7,997	7,958	7,814
Less: Cash interest paid	(2,239)	(2,394)	(2,210)	(2,174)	(1,857)	(1,575)	(1,538)	(1,565)
Less: Cash taxes paid	(534)	(168)	(489)	(15)	(297)	(265)	(526)	(608)
Plus/(less): Other	--	695	778	782	766	739	979	1,272
Funds from operations (FFO)	5,027	4,421	5,484	6,184	6,541	6,896	6,872	6,913
EBIT	7,168	4,875	5,302	5,008	4,393	4,548	4,911	5,224
Interest expense	1,841	2,286	2,677	2,741	2,317	1,968	1,923	1,954
Cash flow from operations (CFO)	5,314	4,348	3,755	4,302	7,249	6,666	7,600	7,977
Capital expenditure (capex)	7,441	3,860	3,530	2,774	3,371	2,848	2,464	2,494
Free operating cash flow (FOCF)	(2,126)	489	225	1,528	3,878	3,818	5,136	5,483
Dividends	1,747	1,478	1,779	1,122	1,189	1,200	1,194	1,172
Discretionary cash flow (DCF)	(3,873)	(990)	(1,555)	406	2,688	2,618	3,942	4,311
Debt (reported)	27,541	31,341	39,704	36,721	31,307	31,738	32,014	32,014
Plus: Lease liabilities debt	1,645	1,923	1,858	1,738	1,809	1,821	1,825	1,870
Less: Accessible cash and liquid Investments	(6,502)	(10,715)	(7,530)	(10,891)	(7,722)	(10,234)	(13,557)	(17,362)
Plus/(less): Other	2,337	2,660	4,134	4,099	3,986	3,775	3,206	3,024
Debt	25,020	25,209	38,166	31,667	29,380	27,101	23,488	19,545
Equity	11,568	13,733	8,637	14,401	16,181	17,628	19,588	22,062
Adjusted ratios								
Debt/EBITDA (x)	3.2	4.0	5.2	4.2	3.7	3.4	3.0	2.5
FFO/debt (%)	20.1	17.5	14.4	19.5	22.3	25.4	29.3	35.4
EBITDA interest coverage (x)	4.2	2.8	2.8	2.8	3.4	4.1	4.1	4.0
CFO/debt (%)	21.2	17.2	9.8	13.6	24.7	24.6	32.4	40.8
FOCF/debt (%)	(8.5)	1.9	0.6	4.8	13.2	14.1	21.9	28.1

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Klabin S.A.--Forecast summary

DCF/debt (%)	(15.5)	(3.9)	(4.1)	1.3	9.1	9.7	16.8	22.1
Annual revenue growth (%)	21.5	(10.0)	9.0	5.4	4.1	0.7	0.2	2.4
Gross margin (%)	63.1	56.2	57.4	59.0	58.6	58.6	58.6	57.5
EBITDA margin (%)	38.9	34.9	37.7	36.7	36.8	36.9	36.6	35.1
Return on capital (%)	21.4	12.9	12.4	10.8	9.6	10.1	11.2	12.3
Return on total assets (%)	15.4	9.1	8.8	7.7	6.8	7.1	7.4	7.6
Debt/debt and equity (%)	68.4	64.7	81.5	68.7	64.5	60.6	54.5	47.0

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. R\$--Brazilian real.

Company Description

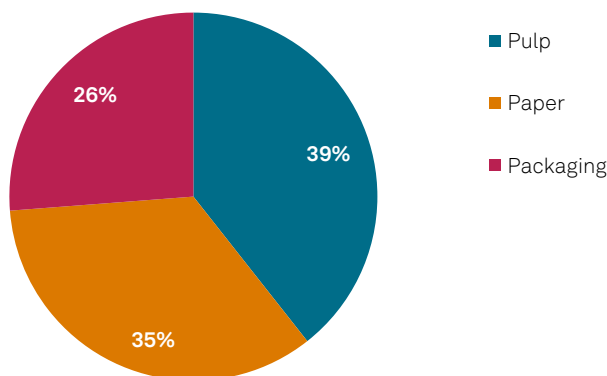
Klabin is one of Brazil's largest pulp and paper producers and the leading producer and exporter of paper packaging in the country. The company operates 21 plants in Brazil and one in Argentina. It owns 910,000 hectares (ha) of land, 413,000 ha of which is planted forests (241,000 ha destined for long fiber and 172,000 ha for short fiber). Klabin's business units consist of forestry (planted trees such as pine and eucalyptus), paper (coated boards and container boards), market pulp (hardwood, softwood, and fluff), and packaging (corrugated boxes and industrial bags).

The Klabin family controls the company with a 19.36% stake as of May 2026. The remaining stakes are either owned by funds with 3.9%-7.9% participation or free floating.

Chart 1

Klabin's volume sold per division

Fiscal year of 2025



Excludes wood. The volume sold of each segment is balanced in general. Source: S&P Global Ratings.

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Liquidity

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We view Klabin's liquidity as strong, based on our expectation that its cash sources will exceed uses by about 2.7x in the next 24 months. The company has historically maintained a large cash balance, providing financial flexibility to face unexpected downturns. We expect Klabin's revolving credit facility of \$500 million will continue enabling sufficient liquidity cushion over the coming years. In addition, Klabin isn't subject to financial covenants on its debt, and it enjoys well-established, solid relationships with banks as well as a generally high standing in credit markets.

Principal liquidity sources	Principal liquidity uses
<ul style="list-style-type: none">• Cash position of R\$8.9 billion as of March 2026• Cash FFO of about R\$7.5 billion in the next 12 months after March 2026• New debt issued in April 2026 totaling approximately R\$1.8 billion• Undrawn credit facility of \$500 million	<ul style="list-style-type: none">• Short-term debt maturities of R\$2.3 billion as of March 2026• Working capital outflows around R\$900 million in the next 12 months after March 2026• Capex of about R\$3.2 billion in the next 12 months after March 2026• Dividends of about R\$1.2 billion in the next 12 months

Environmental, Social, And Governance

Environmental factors are a neutral consideration in our credit rating analysis of Klabin. On one hand, pulp and paper production require significant amounts of energy, water, and chemicals, and the process generates greenhouse gas emissions, waste, and pollution. On the other hand, Klabin benefits from favorable climate conditions for eucalyptus and pine (which have the highest harvesting rates in the industry) as well as from owning the land. The company has advanced land management, with a high proportion of preserved and sustainably certified forest.

In addition, Klabin's vertical integration, the short distance to its pulp mills from forests, and its high degree of energy self-sufficiency (about 95% in 2025) result in a very competitive cost structure. Moreover, the company has been reducing consumption of chemicals and fossil fuels in the production process due to its biomass gasification plant.

We also see an accelerating trend of substituting plastic packaging with paper, which should favor demand growth for Klabin's products in the medium to long term. In terms of greenhouse gas emissions, Klabin has a goal to reduce emissions per ton of pulp, paper, and packaging by 42% by 2030 (2022 base year), and to have net-zero emissions by 2050. In 2024, scope 1 and 2 emissions fell 13.2% from the 2022 baseline, reflecting progress toward Klabin's decarbonization targets.

Rating Above The Sovereign

The ratings on Klabin are one notch above our 'BB' long-term foreign currency rating on Brazil, reflecting our view that the company wouldn't default upon a hypothetical sovereign default. In our view, Klabin has moderate sensitivity to the domestic economy due to its partly export-oriented business. As a result, and given the company's asset concentration in Brazil, we could rate Klabin up to three notches above the Brazilian sovereign rating and up to one notch above our transfer and convertibility assessment of Brazil.

Our main assumptions for a hypothetical Brazilian sovereign default scenario include:

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- GDP falls 10% in one year, resulting in the same decline in domestic volumes of pulp, paper, and packaging
- Inflation reaches 12.5%, and the company is unable to pass through all the resulting higher costs into prices
- A 50% depreciation of the Brazilian real, which would double Klabin's servicing costs on its foreign currency debt (in domestic currency terms) but would raise its export revenue
- Hardwood pulp prices of around \$550 per ton, in line with those in mid-2020, when prices dropped to a historical low
- Doubling of interest rates, increasing interest expenses of local floating-rate debt
- A haircut of 70% applied to investments in Brazilian government securities and 10% haircut for liquid bank deposits
- Capex at maintenance levels of about R\$1.4 billion

In this scenario, we think the company would maintain sufficient liquidity sources to cover its needs over 12 months. We consider that Klabin's partly export-oriented business--along with its ability to redirect its paper production to other markets if the domestic market deteriorates--insulate the company from a potential Brazilian economic downturn.

Issue Ratings--Recovery Analysis

Key analytical factors

- We rate Klabin's senior unsecured notes 'BB+'. The '3' recovery rating on these debts indicates our expectation of a recovery of about 50% for unsecured lenders in a hypothetical default scenario.
- We assume a scenario with eroding macroeconomic and industry conditions, with low pulp and paper prices for a long period, resulting in much weaker cash flow that isn't sufficient to cover the company's interest and principal payments and its maintenance capex.
- In our default scenario, EBITDA would plummet about 40% from our projected EBITDA for 2026.
- In a default scenario, we expect Klabin to reorganize, rather than liquidate, because of its solid market position in the paper and packaging segments.
- We value the company on a going-concern basis, using a 5.0x multiple applied to our projected emergence-level EBITDA, which results in an estimated gross emergence value of about R\$23.3 billion.

Simulated default assumptions

- Jurisdiction: Brazil
- Simulated year of default: 2031
- EBITDA at emergence: R\$4.7 billion
- Implied enterprise value (EV) multiple: 5.0x
- Estimated gross EV at emergence: R\$23.3 billion

Simplified waterfall

- Net EV after 5% administrative costs: R\$21.1 billion
- Senior secured debt: R\$9.7 billion (Finnvera, BNDES, BID Invest, IFC, and JICA)
- Unsecured debt: R\$24.8 billion (bank loans, senior notes, and debentures)
- Recovery expectation: 50%

All debt amounts include six months of prepetition interest.

Rating Component Scores

Foreign currency issuer credit rating	BB+/Stable/--
Local currency issuer credit rating	BB+/Stable/--
Business risk	Satisfactory
Country risk	Moderately High
Industry risk	Moderately High
Competitive position	Satisfactory
Financial risk	Significant
Cash flow/leverage	Significant
Anchor	bbb-
Modifiers	
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Strong (no impact)
Management and governance	Neutral (no impact)
Comparable rating analysis	Negative (-1 notch)
Stand-alone credit profile	bb+

Related Criteria

- [Criteria | Corporates | General: Recovery Rating Criteria For Corporate Issuers](#), March 31, 2026
- [Criteria | Corporates | General: Sector-Specific Corporate Methodology](#), July 7, 2025
- [Criteria | Corporates | General: Corporate Methodology](#), Jan. 7, 2024
- [Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities](#), Jan. 7, 2024
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments](#), April 1, 2019
- [Criteria | Corporates | Recovery: Methodology: Jurisdiction Ranking Assessments](#), Jan. 20, 2016
- [Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers](#), Dec. 16, 2014

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- [General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions](#), Nov. 19, 2013
- [General Criteria: Methodology: Industry Risk](#), Nov. 19, 2013
- [General Criteria: Country Risk Assessment Methodology And Assumptions](#), Nov. 19, 2013
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

Ratings Detail (as of June 08, 2026)*

Klabin S.A.

Issuer Credit Rating		BB+/Stable/--
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Issuer Credit Ratings History

29-Jun-2016	<i>Foreign Currency</i>	BB+/Stable/--
27-Oct-2015		BBB-/Negative/--
10-Sep-2015		BBB-/Watch Neg/--
29-Jun-2016	<i>Local Currency</i>	BB+/Stable/--
27-Oct-2015		BBB-/Negative/--
10-Sep-2015		BBB-/Watch Neg/--

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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