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Pulp, not a fictional win!

CFA Research Challenge Team 4

suzano

Equity Research | Nov. 17th, 2023

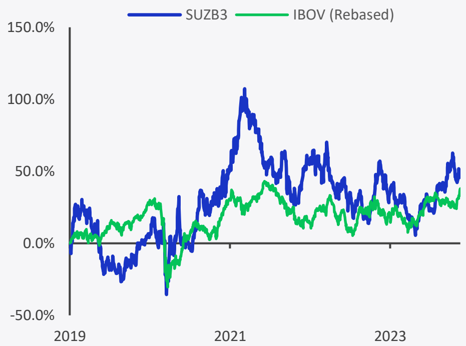
Recommendation	**BUY**
12M Price Target	BRL 66.67
1 Month VWAP	BRL 52.55
Current Price	BRL 52.94
Ticker	B3: SUZB3 | NYSE: SUZ

Stock Data

Sector	Pulp & Paper
Market Cap (mn)	BRL 68,258.30
Enterprise Value (mn)	BRL 126,335,60
LTM Performance	-8.87%
Avg Daily Volume (mn)	BRL 6.25

Last Update: 11/17/2023

Exhibit 1: SUZB3 Performance vs IBOVESPA (%)



Source: Factset

Exhibit 2: Key Price Catalyst

Date	Event	Price Catalyst
jan/2024	China's 2023 GDP Release	Stronger Chinese Economic data creating optimistic expectations for the Pulp market.
sep/2024	Suzano's 2Q24 Release	Conclusion of Cerrado CapEx and more clarity on future capital allocation.
2H 2024	Cerrado Roll-Out	Market absorbing new pulp capacity with less price downturn than forecasted.
Undf	MSCI ESG Re-Rating	Greater exposure to ESG capital markets, especially equity markets.

Source: Team 4

EXECUTIVE SUMMARY

We are initiating coverage of Suzano (B3: SUZB3 ; NYSE: SUZ) with a **BUY** recommendation and a target price of BRL 66.7, implying a 25.8% upside on the 1-month Volume Weighted Average Price (VWAP). The target price is based on a blended valuation of a DCF (50%), SOTP (25%) and Relative (25%) methodologies. Our recommendation lays on four main catalysts that we believe the market has failed to incorporate, and lead us to forecast a 2023-2025 EBITDA CAGR of 14.1% (vs. 11.1% consensus): (i) Suzano's irreplicable low-cost position in the pulp market, that still doesn't seem priced, considering EV/EBITDA premium to international peers (ii) overly pessimistic expectations on the pulp market oversupply, creating notable upside risks to current price levels (540 USD/tn implicit in Suzano share price vs. 600 USD/tn historical average); (iii) a more resilient and dominant company post Cerrado project; (iv) still underrecognized ESG position, that has potential to increase benefits from green capital markets.

1. Market Dominance: Mastering Productivity

Suzano is one of the best-positioned Pulp & Paper companies globally. With its production focused on Brazil, the company leverages better soil conditions, climate, and topographies to enhance productivity, significantly surpassing its peers. Additionally, Suzano boasts an unparalleled scale, with an outstanding footprint of 1.4 mn hectares of planted land in Brazil, which we estimate would take at least 4 years to the closest peer to acquire, considering EBITDA generation, making it nearly impossible for any player to catch up. This extensive land area provides the company with an abundant supply of wood ideal for pulp production, giving it a distinct advantage over competitors and subsequently lowering production costs. All these aspects ensure an essential competitive advantage in margins, primarily driven by its low cost per ton, making it best-in-class and more resilient, when compared to other players. With increasing competitiveness and land scarcity, we see the use of GMOs as a necessity in the future. Hence, Suzano stands out among its peers, investing substantially in recent years and pioneering innovation and productivity through FuturaGene. This positions Suzano as an industry frontrunner, primed to reap notable benefits from this market turning point.

2. Lower Pulp Prices Are Not Here to Stay

International pulp prices behave in a cycle of over and undersupply, which is self-regulated, with high-cost players getting out of the market in lower price environments and new projects being announced in good moments. After supply chain disruptions in 2021 and 2022 that pushed pulp prices to new historical highs, we watched a significant (already anticipated) correction in price levels to nearly industry marginal costs. Although we recognize challenges in short-term supply-demand dynamics, we see current consensus pricing for a longer bearish cycle than what we find reasonable due to two key points:

Wood Supply: Followed by the hardwood supply additions, we forecast that no country in LatAm will have enough productive land available to fit new projects from a wood supply standpoint. Thus, even though we recognize ST uncertainties regarding a possible oversupply, LT demand drivers of higher tissue consumption per capita in EMs and fossil fuels substitution will more than offset the new capacity, and pulp prices will tend to stabilize at higher levels due to higher costs of players that aren't as integrated on wood as Suzano.

Gap in Pulp to Paper Prices: A large part of the capacity comes from high-cost integrated Asian paper makers that can switch their facilities to pulp or paper production, depending on price levels. We believe current prices should reduce China's pulp production and increase demand, bringing market prices back to the historical average.

3. Cerrado Project: Resilient Cash Harvesting, Even in Dry Seasons

Commodity price fluctuations make operational results in the Pulp & Paper sector very cyclical - with constant costs and variable revenues, companies in the sector tend to suffer greatly during low price periods, therefore being punished by the market. However, through the new Cerrado project, we see significant potential for Suzano to acquire a capacity that is currently nonexistent in the sector: resilient results, even in low cycles. With an expected cash cost of BRL 500 - after the learning curve - Suzano will be able to maintain solid margins, protecting itself during downturns and capitalizing on strong results during an upswing cycle, a competitive advantage that creates a large moat for Suzano, when compared with other companies in the sector. In addition, the project was built without an increase in leverage, different from what has happened in other pulp mill projects, which was possible by great capital allocation from the company.

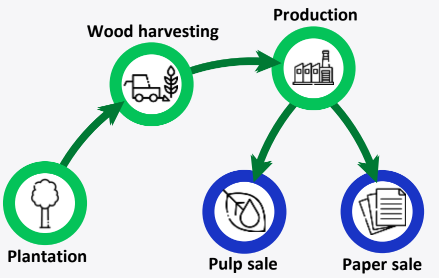
4. Underrecognized ESG Efforts Opening Room for Appreciation

Recognizing Suzano's ESG initiatives, we believe they are not fully acknowledged by the leading rating agency, MSCI, which critiques aspects where the company excels, particularly in environmental and governance practices. We perceive Suzano has significant projects yet to receive full recognition, coupled with outstanding corporate governance that is undervalued, positioning the company for a potential re-rating soon, enhancing the company's value, in addition to a growing pool of ESG investors, particularly those with mandates to MSCI. As we perceive ESG as a measure of future risk and sustainability, it is crucial to incorporate it into firms' cost of capital. Therefore, we view Suzano with a discount on its Cost of Equity due to the initiatives undertaken over the years. Furthermore, the company leverages its strong ESG positioning to issue Green Bonds and Sustainability Linked Bonds (tied to reducing water usage, diversity, and inclusion targets) at highly competitive rates, much lower than its traditional bonds and competes robustly with its European counterparts. Additionally, we identify the carbon market as an upside risk, aligned with Suzano's ESG commitments, especially with upcoming regulations shortly.

KEY FINANCIALS

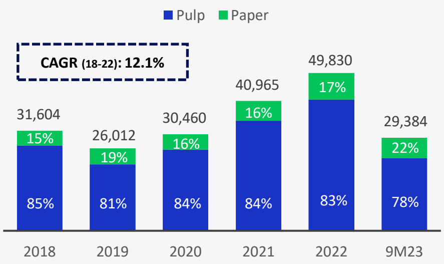
Key Financials (IFRS 16)	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Revenue	26.013	30.460	40.965	49.831	38.939	42.466	49.420	53.387	56.262	58.318	60.448	62.656	64.945	67.317
YoY	93,6%	17,1%	34,5%	21,6%	-21,9%	9,1%	16,4%	8,0%	5,4%	3,7%	3,7%	3,7%	3,7%	3,7%
EBITDA	10.650	15.124	25.166	29.365	18.872	20.104	24.559	26.476	27.850	28.863	29.914	31.003	32.132	33.479
EBITDA Margin %	40,9%	49,7%	61,4%	58,9%	48,5%	47,3%	49,7%	49,6%	49,5%	49,5%	49,5%	49,5%	49,5%	49,7%
Net Income	(2.815)	(10.715)	8.636	23.395	10.924	5.890	11.567	13.192	14.071	14.746	15.423	16.082	16.759	17.593
Net Margin %	-10,8%	-35,2%	21,1%	46,9%	28,1%	13,9%	23,4%	24,7%	25,0%	25,3%	25,5%	25,7%	25,8%	26,1%
EPS	(2,1)	(7,9)	6,4	17,9	8,5	4,6	9,2	10,7	11,7	12,6	13,5	14,5	15,5	16,6
Pulp EBITDA/tn (USD)	242	234	396	460	310	293	314	323	331	340	348	357	366	378
YoY		-3,3%	68,7%	16,3%	-32,6%	-5,4%	7,1%	2,8%	2,6%	2,5%	2,5%	2,5%	2,5%	3,2%
Paper EBITDA/tn (USD)	304	190	354	526	590	555	571	603	627	643	659	676	693	711
YoY		-37,6%	86,6%	48,8%	12,2%	-5,9%	2,8%	5,6%	4,0%	2,5%	2,5%	2,5%	2,5%	2,5%

Exhibit 3: Vertically Integrated Operation



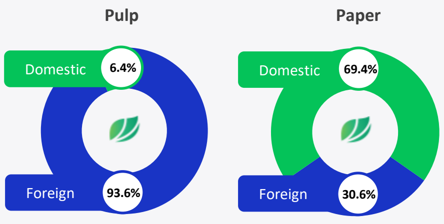
Source: Suzano IR, Team 4

Exhibit 4: Net Revenue Evolution (BRL mn)



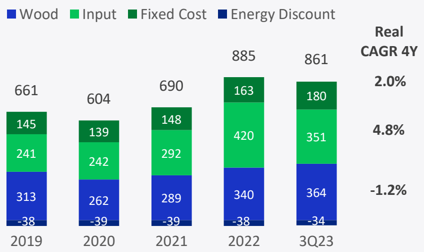
Source: Suzano IR

Exhibit 5: Domestic x Foreign Markets



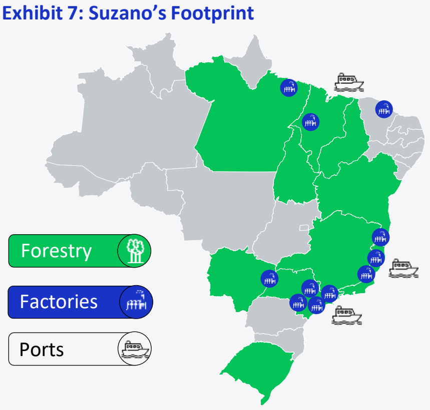
Source: Suzano IR

Exhibit 6: Cash Cost Composition (BRL/tn)



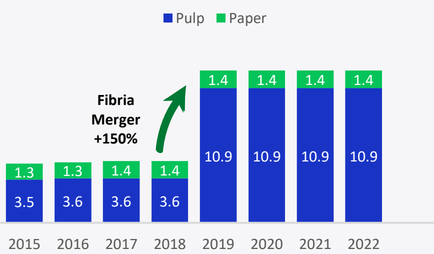
Source: Suzano IR, Team 4

Exhibit 7: Suzano's Footprint



Source: Suzano IR, Team 4

Exhibit 8: Production Capacity (mn tn)



Source: Suzano IR, Team 4

BUSINESS DESCRIPTION

Suzano (B3: SUZB3; NYSE: SUZ) stands as the largest Pulp & Paper company in Latin America and holds the world-leading position in eucalyptus hardwood pulp production. Founded in 1924 by Ukrainian immigrant Leon Feffer, Suzano maintains its identity as a family-owned enterprise, with the Feffer family continuing to play an active role in its operations to this day. The company has a vertical operation, meaning it oversees every step, from cultivating and harvesting eucalyptus trees to processing and manufacturing pulp-based products.

Products – How Does Suzano Make Money?

Suzano divides its operations into two significant pillars: (i) Pulp and (ii) Paper, each with further subdivisions. Since 2013, the company has primarily focused its efforts on the Pulp segment, which accounted for 83% of net revenue in 2022 (Exhibit 4).

(i)(a) Market Pulp: Selling more than ten mn tn annually, Suzano's core business is the sale of pulp as a commodity itself. The company sells to manufacturers, who use the raw material to produce paper. It is the main product of the company, contributing to more than 83% of total net revenue.

(b) Fluff Pulp: Used to produce diapers and pads, fluff pulp is renowned for its superior softness and flexibility. In 2016, Suzano introduced its brand for this sector, Eucafluff, marking it as the world's first eucalyptus-based fluff product. Nevertheless, Eucafluff contributes with merely 0.8% to the company's net revenue.

(ii)(a) Printing & Writing Paper: The P&W category is Suzano's primary emphasis within the paper segment, contributing to 11.6% of its total net revenue. In this sector, the company offers both coated paper (used in magazines) and uncoated paper (used for commercial printing and books).

(b) Cartonboard: Known for being thicker and more robust, paperboards are used for primary and secondary packaging for many items, including food and medicine. It accounts for 2.9% of the company's total net revenue.

(c) Tissue: This is a segment that Suzano is actively looking to grow, currently accounting for 2.3% of its total net revenue. Suzano's presence in this sector involves the production of items such as toilet paper, wet wipes, and paper towels under various brand names, including Mimmo, Floral, La Vie Blanc, Max Pure, and, more recently, Neve (further detailed analyses will follow).

Domestic x Foreign Market – Who Buys From Suzano?

In 2022, 82.9% of Suzano's net revenue was directed towards the international market. Asia emerged as the largest buyer, followed by Europe, North America, Latin America, and Africa. Notably, the pulp segment played a substantial role in the company's foreign market presence, accounting for 93% of its sales (Exhibit 5). Given that most of its revenue is denominated in USD, Suzano has implemented a currency hedging strategy and issues debt in dollars as a safeguard against potential foreign currency devaluations.

Unveiling the Financial Core: Suzano's Cash Cost Dynamics

In recent years, Suzano has grappled with a notable surge in its cash cost, reflecting the direct expenses incurred in manufacturing each product until the final sale. This increase is attributed to factors such as rising Brent crude oil prices, a spike in caustic soda prices, and elevated logistics costs linked to heightened tariffs in transportation contracts. Within the cash cost breakdown, the most substantial components includes the input section (Brent crude oil and caustic soda), and wood, collectively constituted over 83% of the total in the third quarter of 2023. Notably, these components exhibited distinct inflation-adjusted CAGR of 4.8% and -1.2% for the input section and wood, respectively, providing insights into the nuanced dynamics shaping Suzano's financial landscape.

On the Move: Suzano's Logistics Network Driving Growth

Suzano possesses 1.4 mn hectares of planting area and an additional 1.1 mn hectares of preserved land, establishing itself as the company with the largest eucalyptus forest in the world. This extensive infrastructure is intricately linked to 11 strategically positioned factories across Brazil, located within an average radius of 156 kilometers from plantations. Following comprehensive processing of both pulp and paper at these industrial units, a well-organized logistic comprising 21 distribution centers and an expansive railway system efficiently transports the products to their ultimate destinations, whether for the domestic market or for exportation through the company's three ports in the states of Maranhão, São Paulo, and Espírito Santo. The pulp intended for export embarks on dedicated or partially chartered vessels under long-term maritime charter contracts, extending its reach to 86 countries across all continents.

Building Empires: Suzano's Impressive M&A Legacy

Suzano has a long history of successful mergers and acquisitions, which have, in our opinion, certainly contributed to the company's success today. Among the main ones, the following stand out:

Ripasa: In 2004, Suzano, in conjunction with VCP (Votorantim Celulose e Papel, which later merged with Aracruz to create Fibria), jointly acquired equal stakes in Ripasa, a leading Pulp & Paper producer during that era. Subsequently, in 2011, Suzano completed the full acquisition, successfully outbidding international competitors.

Fibria: Marked as the consolidation of a focused on the pulp segment business model, the merger between Suzano and Fibria resulted in the creation of Suzano S.A., which now stands as the world's largest pulp producer. Suzano disbursed BRL 27.8 bn at the transaction and its effective synergy was valued at BRL 1.2 bn. Moreover, it boosted the company's pulp capacity (Exhibit 8), reaching 10.9 million tons in 2019, what remains the same until now, but is expected to grow for more 2.55 million tons with Cerrado project in 2025 (further detailed analysis will follow).

Kimberly Clark: In October 2022, Suzano conquered a milestone by acquiring Kimberly Clark's tissue business in Brazil. The acquisition encompasses a facility located in São Paulo and includes ownership of the brands "Neve", one of the leading toilet paper brands, and "Grand Hotel", known for its napkins. The transaction was valued at around BRL 900 mn and represented Suzano's main foray into the tissue segment.

Suzano's Innovation Odyssey: Pioneering R&D Initiatives

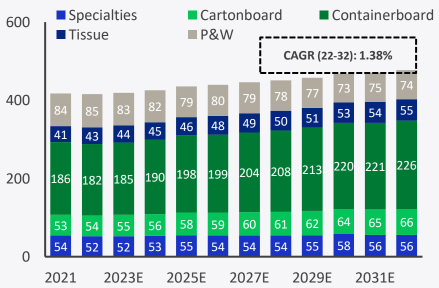
The company's research and development endeavors are centered on cost reduction alongside the goals of enhancing productivity and sustainability. Suzano employs advanced eucalyptus cloning techniques, ensuring the highest quality of pulp and wood through cutting-edge technologies like genetic recombination via controlled pollination. This ensures the shortest possible time to harvest and the highest wood quality. The following are additional noteworthy initiatives that Suzano has undertaken to expand through research and development:

FuturaGene: Company specialized in the development of plant technologies applicable in the forestry, bioenergy, biofuels, and biomaterials. In 2015, it was acquired by Suzano, thereby granting the opportunity to expedite gains in forest productivity, enhance harvest efficiency, and concurrently reduce inputs and carbon footprint.

Spinnova: Suzano and the Finnish startup Spinnova (of which Suzano has ownership participation of 19%) have jointly invested around BRL 100 mn in constructing a factory named Woodspin, located in Finland. This industrial facility will focus on textile fiber projects utilizing microfibrillated pulp, representing the first sustainable pulp of its kind.

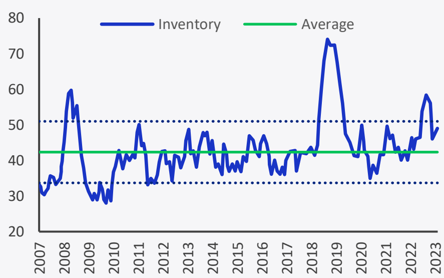
Suzano Ventures: The Suzano Ventures Fund has more than BRL 300 mn available for investments in startups. Its primary goal is to expedite innovation within the bioeconomy sector by investing in biomass technology and applications, agrotechnology companies that enhance agroforestry productivity, and pulp packaging.

Exhibit 9: Pulp Demand by Segment (mn tn)



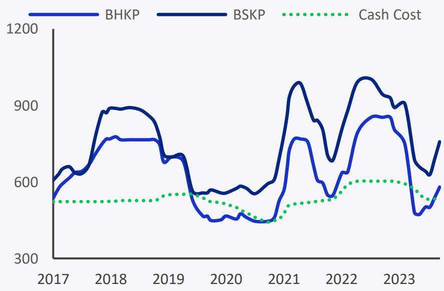
Source: AFRY

Exhibit 10: Hardwood Inventories (days)



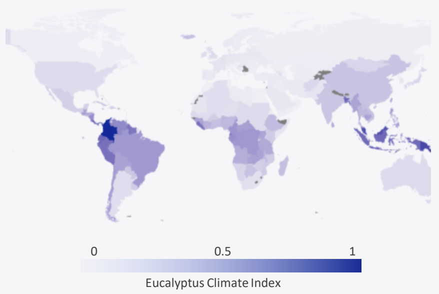
Source: PPPC

Exhibit 11: Pulp Prices vs Marginal Cost (USD/tn)



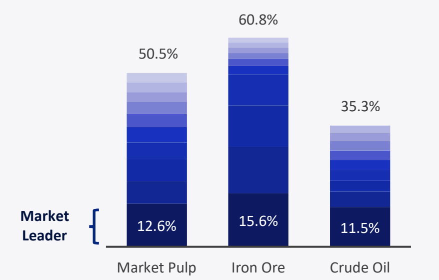
Source: RISI, Hawkings Wright.

Exhibit 12: Attractiveness Climate Index



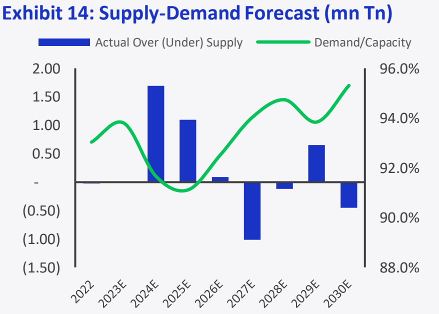
Source: Team 4

Exhibit 13: Concentration in Top 10 Companies



Source: Team 4

Exhibit 14: Supply-Demand Forecast (mn Tn)



Source: Team 4

INDUSTRY OVERVIEW

Suzano operates in the Pulp & Paper industry, a demanding yet promising sector. Long-term demand drivers, embedded with worldwide ESG transition, represent a positive outlook for the company, but current supply and demand dynamics still represent a challenge for Suzano. Although we recognize the unfavorable short-term outlook, with pulp prices testing new lows during due to major supply additions, we see market consensus already pricing for the worst-case scenario. Thus, we view the P&P industry with many upside risks to current expectations and a still unchanged long-term position to benefit from fossil fuels substitution.

P&P Demand Growth: Usage Will Continue to Boost Volume Demanded

In the ever-increasing shift towards sustainable consumption, few industries benefit as much as paper. It stands as a direct alternative to fossil fuel-based products across a wide array of applications related to end-user demand, boasting a total demand of over 400 mn tn. However, a significant portion of paper production comes from recycled materials (Appendix AA). Approximately 44.6% of the demand is for virgin pulp (first-use raw material), with 8.7% pertaining to Suzano's primary market of BHKP (Bleached Hardwood Kraft Pulp). This translates to a direct addressable market of over 36 mn tn and a market size of around USD 20 bn. The products that compose this demand are also key for the expected demand growth (Exhibit 9).

Containerboard: Predominantly used in the production of corrugated boxes, this segment leads to production demand. Due to its modest quality requirements, however, it leans heavily on recycled paper for the majority of its supply chain.

Cartonboard: Serving as a primary resource for packaging boxes, cartonboard offers a smoother texture compared to containerboard. This segment stands to gain considerably from the rise of e-commerce and the transition from plastic bags to eco-friendly paper shopping bags.

Tissue: A predominantly consumer-oriented segment, it encompasses products like toilet paper, napkins, paper towels, bathroom hand towels, and more. This sector extensively demands BHKP due to its requirements for superior color quality and a softer texture. We anticipate it to spearhead demand growth for Suzano's pulp business, especially as consumption per capita in emerging markets lags behind that of developed countries.

P&W (Printing & Writing): This is perceived as the industry's vulnerable link. As digital materials increasingly permeate daily consumer activities, we forecast a decline in this segment's contribution to the overall market demand.

Pulp Demand Dynamic: China is Back, But Europe’s Lackluster is Holding the Market

A significant share of pulp demand comes from Chinese and European papermakers (around 68%), that generally try to time the pulp market prices while maintaining a minimum inventory level to sustain operations. These dynamics create a cycle where prices can stay below or above the industry’s marginal cost for only a short period of time, depending on factors such as wood prices, capacity additions, and demand fluctuations.

Current Outlook: With ECB's hawkish tone during 2023, demand in pulp markets has been disappointing. In this context, we have seen an accumulation of pulp inventory at Europe’s main ports, while China's demand caught up to initial expectations after the fall in pulp prices, signalizing some level of restocking (Exhibit 10).

What to Expect: Chinese integrated players tend to continue boosting demand in the next two years, especially in the high wood chip costs. However, the hawkish monetary policy in Western countries tends to slow down demand, but we see most of the downside already aready reflected in market expectations.

Pulp Cycle 101: China CIF Cash Cost, the Lower Bound of the Downward Spirals

With all firms trying to maximize profits in fully competitive markets, equilibrium is set to equal prices to marginal costs of production. Although real-world markets differ substantially from the theoretical perfect, some of the dynamics are widely seen in pulp equilibrium, especially in market downturns. Observing 2019’s bearish cycles, we see a recurring pattern of little time with pulp prices being below industry marginal cost, the reason for this being the self-regulating high-cost plants of integrated players. Therefore, with low pulp prices, many plants have to be shut down due to the loss of economic viability, rebalancing supply and demand.

Cash Cost Dynamics: The overall marginal cost of market pulp tends to be affected by several factors, but notably, wood prices, utilization, and freight are the most determinant aspects. With the soaring demand of 2022, many unviable economic plants were put into production, raising the overall industry cost together with the boom in wood prices due to 2021’s huge shortage. The current scenario, however, is very different: the normalization of wood supply and significant net capacity additions in LatAm low-cost plants have been bringing the overall industry marginal cost down to 530 USD/tn.

Chinese Integrated Paper Producers: The majority of BHKP demand comes from Chinese paper producers, but those paper plants can be converted to pulp plants when prices are high enough to justify this movement. In the current bear cycle, we have been seeing unprecedented Chinese imports of pulp due to the ramped-up post-COVID demand. This is leading to a rebound in prices that we see as very asymmetric in terms of risk-reward.

Going Hard or Going Home: Why Hardwood is the Real MVP in the Future of Pulp

Market pulp is generally produced by two types of trees: hardwood (Eucalyptus, Oak, Birch) and softwood (Pine, Spruce, Fir). Based on world climate data, we built a proprietary attractiveness ratio for those types of trees around the world, identifying significant hardwood advantages in South American climate, which elevate forest productivity to an outstanding level when compared to the optimal softwood environments (Exhibit 12). Another important aspect of the type of wood from which the pulp is produced is its end usage: softwood is directed to produce long fiber pulp (BSKP), typically applied in materials that require a harder texture, while hardwood produces short fiber pulp (BHKP), more commonly utilized in softer materials such as tissue.

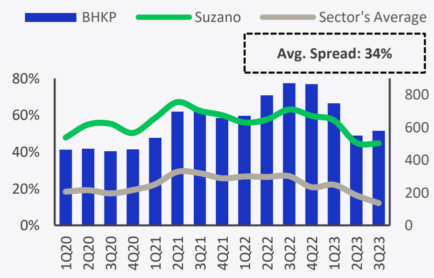
Fiber-to-Fiber Growth Avenues: The premium usage of BSKP historically has yielded a price premium over BHKP (Exhibit 11). However, with advances in industry technology (Appendix Z), an increasing number of producers are substituting softwood with hardwood, dominated by Suzano. Since 2022, there has been an approximate 1.5 mn tn substitution, primarily from tissue and cartonboard, and we expect this effect to generate an additional two mn tn by 2026 in demand for hardwood pulp.

BHKP Offers an ESG Option for Paper: To make paper, you need to cut down trees, but the way trees are harvested, and their origin are key determinants of the environmental impact of the operation. Due to the low productivity of softwood trees, many producers resort to cutting native forests to make their operations viable. In contrast, Suzano and several other hardwood operators source wood from environmentally efficient engineered forests, which have a positive carbon impact.

The Big Supply Additions: Flooding the Market Does not Seem as Likely as Priced

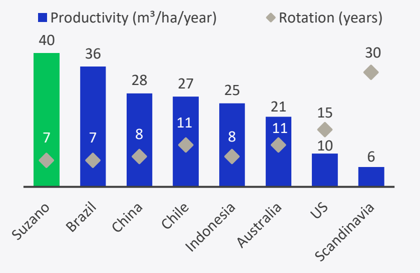
The production of market pulp is very concentrated, with the top 10 players accounting for over 50% of the total demand, a larger number when compared to semi-monopolistic commodities such as crude oil (Exhibit 13). In this context, new initiatives from UPM (Paso de los Toros), Arauco (MAPA), and Suzano (Cerrado) tend to make the market even more concentrated, avoiding the race to the bottom in oversupply (Exhibit 14). We see that the market is currently missing three key aspects of this current cycle: (i) Inventory levels are not as high as the ones we had in 2019, and there is a larger visibility on supply additions entering the market. (ii) Wood costs are at historical highs, triggering frequent Chinese restocking at higher price levels. (iii) Paper prices are still at very high levels, ensuring high economic profit for integrated producers to focus on paper and recur to market pulp.

Exhibit 15 : BHKP (USD) x EBITDA Margin (%)



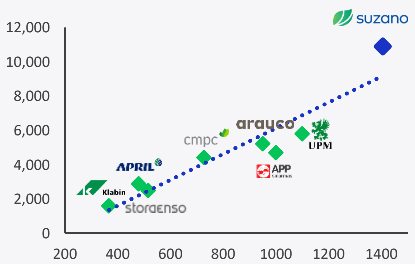
Source: Suzano IR, Factset

Exhibit 16: Suzano's Eucalyptus Productivity



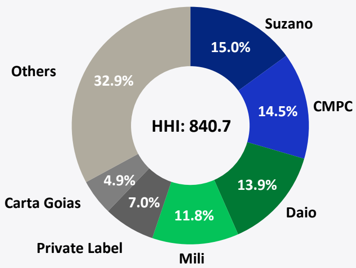
Source: Suzano IR, IBÁ

Exhibit 17: Capacity (mn tn) x Area (mn ha)



Source: Companies IR, Team 4

Exhibit 18: Tissue HHI Index (After KC)



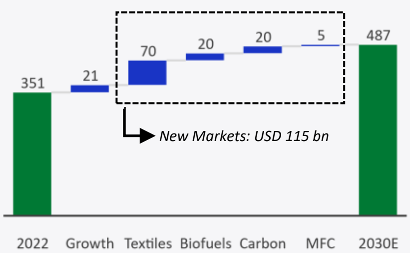
Source: Euromonitor

Exhibit 19: GMO Productivity Gains (%)

	Before GMO		Expected 2023
Soy	2.2 tn/ha	59%	3.5 tn/ha
Cotton	2.2 tn/ha	23%	2.7 tn/ha
Corn	3.6 tn/ha	64%	5.9 tn/ha
Possible gains with GMO			
Eucalyptus	40m³/ha	40%	56m³/ha

Source: Conab, Team 4

Exhibit 20: Pulp Addressable Market (USD bn)



Source: Statista, Suzano IR

COMPETITIVE POSITIONING

Analyzing the competitive landscape of the Pulp & Paper industry, we see Suzano as the best-positioned company. Firstly, it boasts superior efficiency, operating in a region with the highest productivity globally and low cash costs. Moreover, the company possesses substantial scale, with production areas and capacity that cannot be matched. Finally, Suzano has a long-term strategic vision of identifying opportunities in other markets and pursuing R&D initiatives.

In a Commodity Industry, the Lowest Cash Cost is the Game-Changer

Being situated in a commodity sector, Suzano consistently faces revenue fluctuations due to changes on hardwood pulp prices. In this context, we see that the real game-changer for Suzano to maintain healthy profit margins and ensure a competitive edge, regardless of BHKP fluctuations (Exhibit 15), lies in its ability to minimize production costs, a capability mastered by the company. With a substantial scale, Suzano leverages (i) its own forests, (ii) high productivity levels, (iii) an integrated logistics network, and (iv) self-generated energy production to achieve one of the lowest cash costs in the market.

Own Forests: In its pulp production, Suzano's involvement begins at the very start of the supply chain, with a land area of 1.4 mn hectares dedicated to eucalyptus cultivation, which enables the company to source only 36% of its wood from third parties, while competitors outsource, on average, 59% (Appendix AC). For us, this strategy places the company in a prominent position, granting them control over the wood used in production, mitigating supply interruptions, and yielding significant cost savings through verticality, scale, and protection against price increases, advantages which cannot be achieved by competitors.

Productivity: Not only are Suzano's forests more cost-effective, but they are also among the most productive in the world. Exploring the potential of Brazil's soil and climate, Suzano achieves a productivity of 40m³/ha/year, one of the highest in the sector. Additionally, Eucalyptus planted in Brazil reaches maturity in only 7 years, while European species take more than 30 years (Exhibit 16). With this advantage, Suzano achieves greater efficiency, being allowed to shorten its planting cycle and be more aggressive in expansion projects.

Integrated Logistics: In addition to forests, we also see significant strength in Suzano's integrated logistics network, which is responsible for connecting all points of its operations, enabling its high-volume production and generating a positive impact in the reduction of the company's cash cost. Starting with the forest-to-mill connection, Suzano employs (i) a reduced average structural radius of 156 km (Appendix AI), (ii) railways, and (iii) initiatives like "hexatrens" (Appendix AD) to cut costs. Lastly, at the final point of its operation, Suzano relies on robust export logistics, having three ports in strategic regions of Brazil, along with 12 vessels under exclusive contracts with the company.

Energy: Another crucial factor that we see in cash cost reduction is the energy generation through lignin, a substance that was initially seen as waste in the pulp production process but, through R&D efforts, started to be a source of bioenergy generation. Suzano has made substantial investments in the utilization of this compound, and through them, the company is now capable of generating enough energy to meet its own needs and still produce an energy surplus, which is sold in the market. As a result, the company achieves an average reduction of BRL 34.00/tn in cash cost, further strengthening its economy (Exhibit 6).

Suzano's Unreachable Size: How Does Suzano Achieve Advantages No One Can?

An essential aspect of Suzano's dominance in this market is that the advantages derived from its size and scale are unreachable by competitors. With a production capacity and forested area far exceeding all of its peers, Suzano holds an unmatchable position (Exhibit 17). To measure that, in our proprietary Land Valuation analysis, considering the current market value of land in Brazil, we concluded that for a company to buy the amount of land held by Suzano, it would require a BRL 50.7 bn CapEx, which represents 4.20x of IP's and 4.29x of Copec's LTM EBITDA - its largest competitors - (Appendix X), making it almost impossible to achieve a similar size.

Capacity Comparison: After the merger with Fibria, Suzano became the world's largest pulp producer, with a much larger capacity than its competitors - 5.1 mn tn more than the second-ranked company. This remarkable volume is derived from its 11 factories located within the national territory. Consequently, to meet this extensive production capacity, the company oversees a substantially larger expanse of forested hectares—300 mn hectares more than the second-ranked entity.

Paper Business: a Mix of Diversification and Growth Opportunities

Despite the emphasis on pulp, we also see extreme relevance in Suzano's paper operations, with an EBITDA of BRL 3.1 bn in 2022. The paper business plays a vital role in the company's portfolio, serving as a source of diversification in both product and geographic aspects, given its focus on the domestic market. Additionally, it represents a significant source of both organic and inorganic growth for the company, specifically regarding the tissue product line.

Tissue Opportunities: With the acquisition of Kimberly Clark's operations in Brazil, Suzano has firmly entered the tissue market, achieving a 130,000 tn increase in the production and commercialization of the "Neve" brand. We perceive this movement to be very strategic, considering that this segment of the paper business presents the most relevant growth trends, both in market size – expected CAGR of 2.5% - and in Suzano's share (Appendix AG). Regarding the local tissue market, there is considerable potential for expansion within the Brazilian context, since per capita consumption in Brazil is significantly lower than other countries, standing at 6 kg while US numbers are approximately 27 kg. This indicates a possible market gain with changes in consumer behavior. This expansion is also made possible by a market that is currently fragmented (Exhibit 18) with an HHI index of 840.7, underscoring Suzano's potential to capitalize on robust growth through brand consolidation.

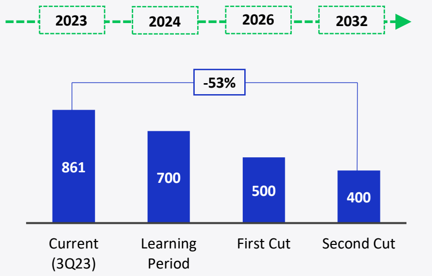
Blue Chip Structure, but a Small Cap Soul: Initiatives to Create New Markets

Since its foundation, the company has been a benchmark for innovation within the Pulp & Paper sector being, for instance, the pioneer in eucalyptus exploration for pulp production in Brazilian territory. Today, we can see that the entrepreneurial spirit still thrives within the company, which has consistently made significant R&D investments - BRL 187 mn in 2022 - to develop genetically modified eucalyptus and has continuously fostered new markets to expand its Total Addressable Market (TAM).

R&D: In our view, an essential component of Suzano's long-term innovation strategy lies in its efforts in researching and developing genetically modified organisms (GMOs). Through FuturaGene, the company has been enhancing eucalyptus species, optimizing growth, pulp quantities, and wood quality. Today, the cultivation of these new organisms is not utilized for commercial purposes due to the lack of FSC certification recognition (Appendix AH), which is essential not only regarding ESG aspects, but also considering Suzano's exporting requirements for this certification. However, in the long term, we believe that the company's current investments may evolve into a significant competitive advantage, with 40% potential productivity gains associated with these species, as occurred with other products, raising productivity to 56m³/ha/year (Exhibit 19).

New Markets: Suzano has also made notable progress in its exploration of new bio-business markets (Appendix AF). Among the four major initiatives in development, Textiles and MFC (partnership with Spinnova) utilize cellulose as a raw material for developing fibers, already used by leading clothing brands capable of replacing cotton in a more sustainable process. On the other hand, Carbon and Biofuels utilize forests and wood, better positioning the company in an increasingly sustainability-driven market. We believe that the key differentiator of this expansion is the strategic alignment with the company's current operations, leading to an increase in TAM (Exhibit 20) and creating new demand for the products that constitute the company's core operations.

Exhibit 21: Cash Cost Evolution w/ Cerrado (BRL)



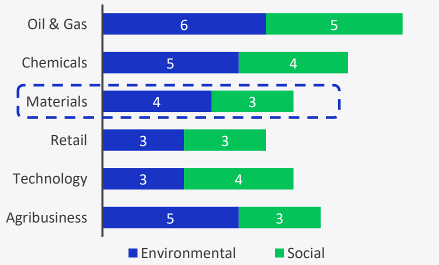
Source: Suzano IR

Exhibit 22: ESG Scoreboard

Company	ESG Score	Risk-Adjusted Score	E	S	G	FC
suzano	4.5	4.7	4.5	4.5	4.5	4.5
Klabin	4.5	4.8	4.7	4.4	4.3	4.5
cmpc	4.2	4.4	4.5	4.0	4.2	4.2
arauco	4.0	4.2	4.2	4.0	3.4	4.3
International Paper	4.3	4.5	4.3	4.1	4.3	4.4
UPM	4.4	4.7	4.9	4.1	4.2	4.5

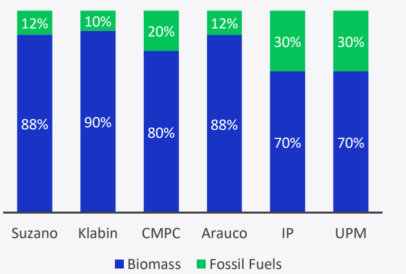
Source: Team 4

Exhibit 23: S&P Risk Atlas (Score 1 to 6)



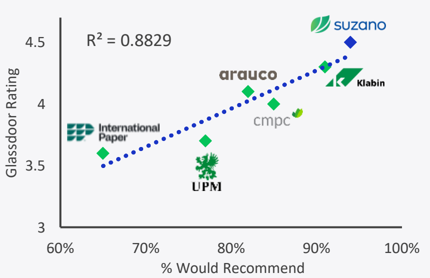
Source: S&P Global

Exhibit 24: Energy Sources



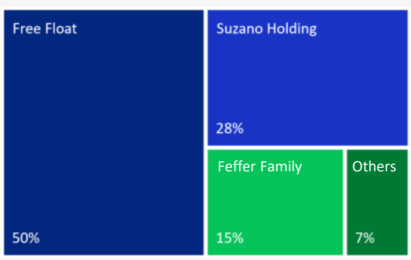
Source: MSCI ESG, Companies IR

Exhibit 25: Glassdoor Assessment



Sources: Glassdoor, Team 4

Exhibit 26: Ownership Structure



Source: Suzano IR

Cerrado Project: more, better and cheaper

Cerrado is the largest project in Suzano's history and is currently the most significant one in the global Pulp & Paper industry. With a BRL 22 bn CapEx, the project entails the construction of a new pulp mill in the municipality of Ribas do Rio Pardo, situated in the Brazilian state of Mato Grosso do Sul, with a conclusion scheduled for the first half of 2024. For us, this facility represents a significant advancement for the already massive Suzano: not only will it surpass the company's previous projects in terms of size, production efficiency, and cost reduction, but it will also outperform similar initiatives undertaken by its competitors, being more, better, and cheaper.

More: With the initiation of the Cerrado project, Suzano intends to add 2.55 mn tn per year to its production, representing an increase of over 20% in capacity for the world's largest pulp producer. Furthermore, Cerrado also represents a capacity increase surpassing that of major competitors' projects: Arauco's MAPA with an addition of 1.56 mn tn per year and UPM's Paso de los Toros with 2.10 mn tn per year.

Better: However, Cerrado represents more than an increase in capacity, as it is vastly superior to Suzano's current mills and competitors' new projects. In comparison, for the Cerrado project, Suzano will achieve (i) an average radius from forest to mill of 65km, a significant reduction from the current 156km, and (ii) a superior energy generation of 0.63 MWh/tn compared to current 0.14 MWh/tn. Moreover, there will be advantages when compared to energy produced by other peers' projects, such as MAPA and Paso de Los Toros, with 0.57 and 0.48 MWh/tn, respectively. Therefore, these aspects place Suzano's project as the most efficient on the market.

Cheaper: Finally, with these efficiencies, Cerrado also presents a cost advantage compared to Suzano's current levels. Despite the high CapEx required for the project implementation, cash cost expectations for Cerrado (Exhibit 21) justify the investment. During the initial phase of operational implementation, the company anticipates achieving a cash cost of BRL 708. Following the learning curve period, the expectations are of BRL 500 for the first forest cycle and BRL 400 for the second. These figures represent a 53% reduction from the company's current cash cost level and are expected to further enhance Suzano's competitive advantages in the future.

ESG INVESTMENT FRAMEWORK

Over the past few years, the ESG agenda has become increasingly prominent and integrated into corporate decision-making. Therefore, analyzing these highly relevant aspects for companies is crucial, which mitigates risks and maximizes opportunities in line with stakeholder capitalism. Consequently, ESG can be understood as a measure of potential risk and sustainability for the future. Bearing this in mind, we developed a proprietary ESG index (Exhibit 22), evaluating the primary aspects based on P&P companies' materiality and following SASB, GRI, and PRI guidelines. The index considers current and future efforts in each ESG topic, assigning scores ranging from 0 to 5, adjusted for risk (measured by Sustainalytics). In our assessment, Suzano is attractively positioned when compared to its peers. Further details regarding the criteria and scores can be found in Appendix P.

Environmental: Planting a Greener Tomorrow

Top-Notch Supply-Chain Management: Suzano's extensive operations require the company to source part of its wood externally and use its own resources for eucalyptus extraction. Outside supplier selection is crucial, with a strong emphasis on ESG alignment. Suzano enforces robust ethical procurement standards, requiring FSC and PEFC wood norms. Approximately 91% of their suppliers actively reduce greenhouse gas emissions. Moreover, the company maintains a zero-deforestation policy and refrains from land clearing for eucalyptus production.

First Class Nature-Based Solutions: While the Pulp & Paper sector may appear to be a high-risk industry (Exhibit 23), Suzano's initiatives defy the norm. The company boasts the most extensive forest education program globally, planting approximately 1.2 mn seedlings daily. Suzano sets the benchmark in preservation, conserving more than 93,000 hectares of HCVA, surpassing the mandated requirement by 10%. Despite the company's operation being linked to extractivism and having been involved in biodiversity issues in the past, it has been enhancing its performance. The native vegetation found in Suzano's conservation areas within Cerrado, Atlantic Forest, and Amazon had a 17% increase between 2010 and 2020. Furthermore, the company has embarked on implementing three biodiversity corridors, the most ambitious project ever undertaken by a corporation worldwide, with a goal to remove and avoid 900 mn tCO_2e over the next 20 years. Yet, we believe this project still has a significant gap to bridge, with a mere 10% expected achievement by the end of 2023.

Streamlined Water & Energy: By implementing new technologies, Suzano achieves water savings of 532 mn liters per 100,000 planted hectares. Moreover, approximately 80% of the water resource is captured and recycled within the production process. Since 2018, the company has been steadily reducing its water intake intensity, achieving a 13% reduction. Additionally, 100% of Suzano's operations are in less water-stressed regions related to peers. Regarding energy utilization, Suzano sets the standard. They rely on over 88% renewable energy sources, being self-sufficient in energy across all their facilities, above most competitors (Exhibit 24). The company also generates a surplus of 90 MWm of renewable energy, sufficient to power a city of 1.4 mn inhabitants for a month. With new technologies introduced due to the Cerrado project, another 180 MWm will be added.

Carbon Cutters: Comparatively, we see Suzano as well-positioned regarding its emissions and disclosure. Since 2020, the company has removed 22 mn tCO_2e from the atmosphere, firmly committing to a 15% reduction in emission intensity for scopes 1 and 2 greenhouse gas emissions per ton of production by 2030. Given the impressive track record of Suzano's ESG efforts in recent years, we are confident in achieving this target. The company has also entered a contract with Eneva to replace fuel oil with natural gas at the Imperatriz (MA) pulp mill, resulting in a 13% reduction in greenhouse gas emissions. To this extent, Suzano is a leader in emission reduction initiatives, fully aligned with the UN SDGs, particularly goals 12 and 13.

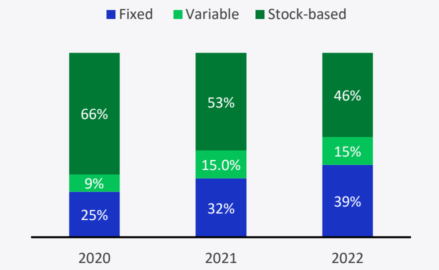
Social: Empowering Teams, Enriching Futures

Diversity Matters: Diversity within teams boosts their capacity to foster creativity and innovation and yield results. In this regard, we see untapped potential for Suzano to enhance organizational diversity. The company currently holds 23.6% women and 20.9% people of color in leadership positions, committed to reaching 30% in both categories by 2030. Moreover, Suzano actively promotes the inclusion and engagement of women and people of color, with 64% of trainee program participants being women and 56.2% of the workforce comprising individuals from black backgrounds. Additionally, the company aims to have a 100% LGBTQIA+ friendly environment and to provide total accessibility to people with disabilities, all by 2025. We perceive the company's effort to enhance representativity as a favorable business attribute, although we acknowledge that a considerable journey still lies ahead.

Employee Satisfaction Champion: Suzano fosters growth by implementing vital initiatives to ensure employee satisfaction. Apart from prioritizing their workforce's technical development amassing 755,000+ training hours, the company maintains an active ombudsman channel with independent management, ensuring confidentiality of information. All these policies contribute to heightened employee satisfaction, as evidenced in the Glassdoor Assessment (Exhibit 25). Furthermore, Appendix Q provides a comparative breakdown of employment relations by categories such as stability, salaries, and cultural alignment, among others, highlighting Suzano's outstanding position in labor management. However, we still see room for improvement regarding work safety, as the Total Recordable Injury Frequency Rates (TRIFR) surpassed the reference number in 2021. Although the figures have returned to normal in 2022, close monitoring remains essential.

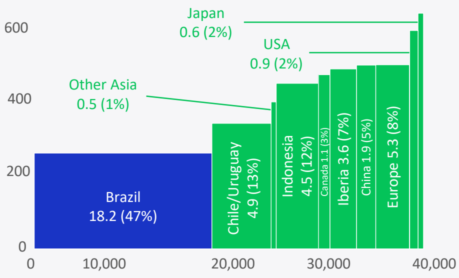
Giving Back to the Community: Suzano takes the role of active social transformation agent very seriously. The company already continues to pursue its goal of lifting 200,000 people out of poverty by 2030, having uplifted around 30,000 individuals since 2020 (including 18,000 in 2022). Additionally, the Suzano Education Program positively impacts approximately 205,000 students in public schools through educator training.

Exhibit 27: Executive Compensation Policy



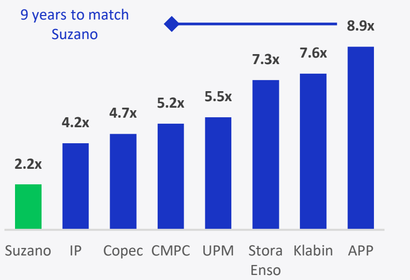
Source: Suzano IR, Team 4

Exhibit 28: CIF China (USD/tn) | Capacity (mn tn)



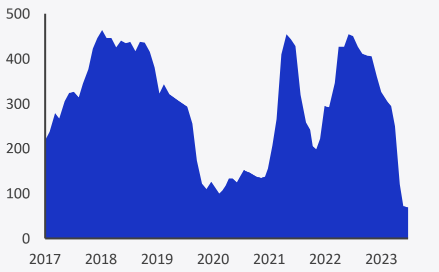
Source: Hawkins Wright

Exhibit 29: Land Valuation to Peers EBITDA (LTM)



Source: Team 4, Companies IR

Exhibit 30: Spread Wood Chip to BEKP (USD/tn)



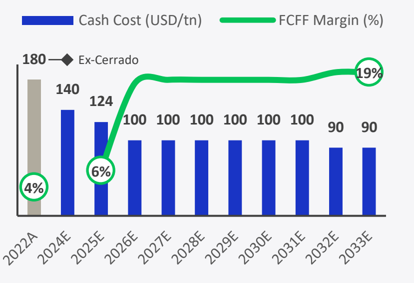
Source: RISI, Team 4

Exhibit 31: Available Wood Post Cerrado

	Brazil	Other LatAm
Eucalyptus Plantations (mn ha)	3.0	2.4
Max Pulp Capacity (mn tn)	26.5	14.9
Post Cerrado Capacity (mn tn)	25.1	12.7
Available Capacity (mn tn)	1.4	2.2
Number of "Cerrados"	**0.6**	**0.8**

Source: Team 4, Ibá, FAO

Exhibit 32: Cerrado FCFF Yield (BHKP at USD 450)



Source: Team 4, Suzano IR

This evidences Suzano's preoccupation with a more inclusive and developed future for Brazil and decreases the probability of conflicts with communities surrounding Suzano's operations.

Governance: Navigating Stakeholder-Driven Capitalism

High Governance Standards: Suzano is listed on B3's "Novo Mercado", the highest level of governance on the Brazilian stock exchange, and Level II on NYSE. This ensures a range of benefits for minority stakeholders and establishes guidelines for transparency and ethics.

Outstanding Ownership Structure: Suzano's founding family holds a 44.5% stake in the company, following buybacks in the last two years, divided among four family members (Exhibit 26). Despite being a significant position, we perceive this as an alignment in long-term decision-making, posing no threat of harmful or arbitrary decisions for minority shareholders since the controller does not have the majority of votes and steering the company with an ownership culture. Additionally, we hold a positive view of the family, which is synonymous with pioneering spirit, innovation, coupled with its entrepreneurial DNA and highly regarded by the market. Although acknowledging the positive governance aspects, we recognize an opportunity to further refine a comprehensive family succession strategy, especially given the large number of company shares.

Unique Board of Directors: Suzano's BoD consists of 9 members, including 3 women. This composition earned the company the Women on Board certification, recognizing and appreciating organizations that advocate for diversity in the corporate sphere through female representation in board committees. Additionally, the company proudly maintains an impressive 55.6% of independent members on the BoD, exceeding the "Novo Mercado" listing requirement by more than double. We perceive this structure as empowering the Board to effectively fulfill its crucial role in overseeing management on behalf of shareholders, surpassing the industry average by 7% and 6% in the proportion of women and independents on the Board of Directors, respectively.

Commitment in the Long Run: Suzano ensures that its management is closely aligned with the company's objectives, as the salaries of Executive Officers are tied to both short and long-term goals, aligning with personal and company objectives. In this regard, variable compensation for executives averaged 68% over the last 3 years, encompassing both short-term and stock-based incentives (Exhibit 27). Another significant aspect is that 10% of executive compensation is linked to ESG objectives, ensuring the company's sustainability in the future. In addition to its excellent compensation policy, Suzano also boasts an exceptional team, a result of the decision to professionalize the workforce, exemplified by the hiring of Walter Schalka, who has been elected the best CEO in the Pulp & Paper industry seven times by Fastmarkets RISI while at the helm of the company.

INVESTMENT SUMMARY

THESIS 1: Market Dominance - Mastering Productivity

What is Unique About Suzano? With over 2.5 mn hectares in Brazil, Suzano gains immense advantages over foreign peers. Besides enjoying significantly lower costs due to production benefits, self-owned timber, and favorable climate conditions (Exhibit 28), the eucalyptus production cycle in Latin America is shorter than in other countries, making it extremely competitive. Productivity is a key factor in the sector, and Suzano achieves productivity of $40m^3$/ha/year, whereas countries like the USA only achieve $10m^3$/ha/year. This highlights the significant strengths of the company.

What About Competition? In a scenario of increased land scarcity and competition, Suzano's size becomes unparalleled. The company stands out as the player with the largest capacity and availability of land at this level of productivity as major paper industry players were pressured to sell their lands to enhance profitability ratios in the early 2000s. Furthermore, numerous regulations restrict the acquisition of Brazilian land by foreign corporations (Appendix V). Based on our proprietary Land Valuation analysis (Appendix X), encompassing the assessment of over 4,200 farms for sale, Suzano's 2.5 mn hectares of land translate to over BRL 50.7 bn. This underscores that the current competitive land scenario is highly favorable for Suzano, making it very challenging for another player to match the company without a substantial investment (Exhibit 29).

What About the Cost of Wood? Given its extensive land holdings in Brazil, Suzano stands out as a leader in securing its own wood - a critical factor in the industry, as the expense of obtaining wood constitutes a significant portion of the overall cash cost. By relying on its own wood resources and not on third-party, Suzano remained unaffected by the recent surge in wood prices (Appendix AK). Furthermore, considering the current scenario of decreasing availability of wood and land, the use of genetically modified organisms (GMOs) becomes a real necessity. In this regard, we see Suzano well-positioned in this transition with various investments in genetic improvement carried out through FuturaGene, which although currently not deployable, showcase the company's leadership.

THESIS 2: Lower Pulp Prices are Not Here to Stay

What is Different from Past Cycles? Pulp prices behave in cycles, as pointed out earlier, but each of them has different peculiarities and challenges. The current downturn has been largely seen as a reaction to compounded effects of normalization on supply chain disruptions and low-cost supply additions. Nonetheless, in our proprietary forecast, we see an oversupply by 2024, although currently inventory levels are not as near as we had in up comings of past bearish cycles (Exhibit 10). Moreover, differently from past periods, the pulp industry has been seeing increased transparency regarding capacity additions, lowering incentives to unforecasted additions.

How Likely is it for Pulp Prices to Remain Low? To address this question, we made proprietary estimates about aspects we consider the most important for the duration of this bearish cycle, such as integrated pulp viability and challenges to LatAm capacity additions. Looking at the integrated pulp, we estimate based on theoretical wood required to produce tn of pulp (around 4 tn of dried wood). Current price levels are at a historically low spread (Exhibit 30), and considering still high paper prices, this should trigger ST restocking, especially to Chinese producers. On the supply side, we also see challenges for new pulp plants, as we estimate that post MAPA, Paso Del Los Toros, and Cerrado no country in LatAm has enough wood supply to fit a big pulp plant, with Brazil only leaving space for 0.6 new "Cerrados" and all the other LatAm having space for 0.8 (Exhibit 31).

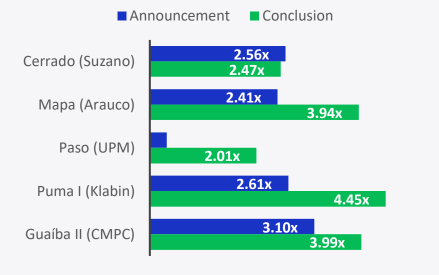
What is Priced into Suzano's Pulp Business? We see the market currently pricing for a 540 USD/tn terminal price level to Pulp sale in Suzano's current price. In our forecast, we see a challenge to ST price levels, but considering the historical average of 610 USD/tn and a balanced Pulp market by 2026 with little to no space for new capacities in Latin America, we see 540 as a very pessimistic number for Suzano.

THESIS 3: Resilient Cash Harvesting, Even in Dry Seasons

What is the Impact of BHKP Variations on the Sector? The dynamics of the Pulp & Paper sector, like in all commodity markets, are highly dependent on the cyclical price of BHKP. In low markets, pulp prices fall until they reach the level of the sector's marginal cash cost, when high-cost companies, due to negative results, cease production and reduce supply, thereby normalizing prices. Consequently, fluctuations in pulp strongly impact companies' revenues and given stable production costs, significantly compress cash generation. In this sense, we observe that only those companies capable of minimizing their cash cost below marginal levels will ensure positive results in any market context and truly excel in this industry.

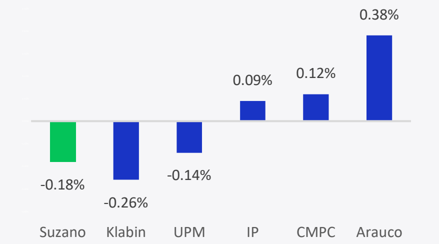
How can Suzano Master the Cycles with Cerrado? The new Cerrado project initially represents a significant increase of 2.5 mn tn in Suzano's productive capacity, resulting in a direct boost to the company's revenue results. However, for us, the main advantage of Cerrado, setting it apart from other projects in the industry, lies in its efficiency in lowering cash costs. The cash cost estimates for the project are USD 124 during the learning phase, USD 100 during the first planting, and USD 90 during the second planting. Therefore, Suzano will be able to reach

Exhibit 33: Project's Net Debt/EBITDA



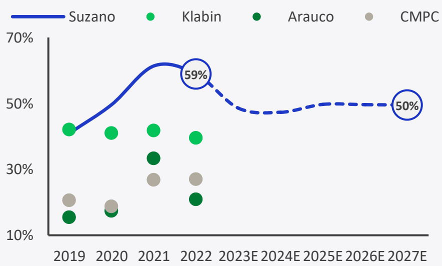
Source: Companies IR, Team 4

Exhibit 34: ESG Discount | Premium



Source: Team 4

Exhibit 35: EBITDA Margin Evolution (%)



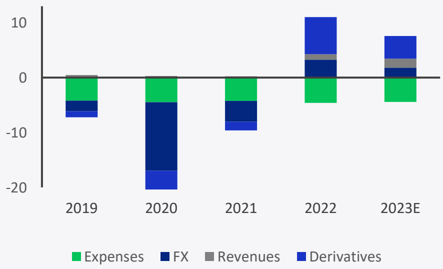
Source: Companies IR, Team 4

Exhibit 36: EBITDA 2025 to USD Sensitivity

USD	Var. USD	EBITDA	Var. EBITDA
4.1	-20%	16,896	-31.2%
4.4	-15%	18,812	-23.4%
4.6	-10%	20,728	-15.6%
4.9	-5%	22,644	-7.8%
5.2	-	24,559	-
5.4	5%	26,475	7.8%
5.7	10%	28,391	15.6%
6.0	15%	30,307	23.4%
6.2	20%	32,223	31.2%

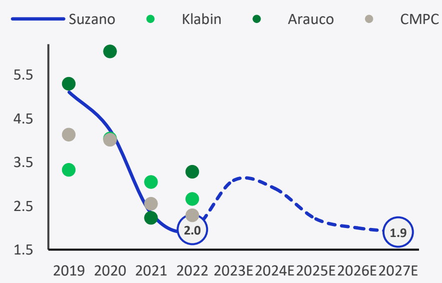
Source: Team 4

Exhibit 37: Financial Results Breakdown (BRL bn)



Source: Suzano IR, Team 4

Exhibit 38: Net Debt/EBITDA



Source: Companies IR, Team 4

a cash cost by 56% below current levels, setting Cerrado's costs as the lowest in the world. For us, this creates an enormous advantage for Suzano: a strong cash generation regardless of the pulp price cycle (Exhibit 32).

So, Does the Market Vision of the Project Make Sense? Market concerns regarding Cerrado are related to leverage as, historically, pulp mill projects of great capacities have led to substantial indebtedness. This is primarily attributed to the extensive CapEx requirements, which significantly elevated companies' Net Debt/EBITDA ratios. However, we see that Suzano managed to avoid a similar scenario due to effective capital allocation strategies (Appendix AB), ensuring that the company did not incur an increase in debt.

THESIS 4: Underrecognized ESG Efforts Opening Room for Appreciation

Is Cerrado the Only Undervalued Aspect of Suzano? No, we also believe that rating agencies do not accurately price Suzano's ESG initiatives, especially concerning Environmental and Governance matters. Despite recognizing the significant environmental impact of Suzano's operations, we have seen sustainable growth over the years, including native forest restoration and ambitious biodiversity projects. Moreover, Suzano's land use is a critical aspect - rating agencies, especially MSCI, undervalue its positive practices towards local communities considering past controversies, which have been and are being resolved in the best and most peaceful manner. Governance is also underrated, as we view an accretive ownership at Suzano. The Feffer family is well-regarded in the market and widely recognized for their commitment to quality, innovation, and sustainability. They also provide compensation aligned with short and long-term objectives, valuing the company's long-term preservation, undermined by MSCI.

How Can this Lack of Recognition Affect Suzano? All these initiatives and qualities of Suzano lead us to believe that a re-rating is possible soon. Through a proprietary analysis calculating the one-year return of over 60 assets with high ESG exposure (Appendix T), considering both positive and negative re-ratings by MSCI, we observed a positive correlation between a positive re-rating and stock appreciation, with an average return of 18%. Conversely, for stocks that experienced a negative re-rating, there was an average devaluation of 9%. Thus, we see that Suzano could greatly benefit from a re-rating, opening opportunities for new investments, particularly ESG-related ones.

How Can Suzano Benefit from its ESG Position? As ESG can be utilized as a potential measure of risk and sustainability for the future, it is helpful to incorporate this risk measure into the firms' cost of capital (Appendix P). In this context, based on our proprietary index and weighted by Sustainalytics' Risk, we applied a discount of -0.18% to Suzano's Cost of Equity (Exhibit 34), mitigating its future risk due to its strong sustainability practices. Suzano also boasts one of the lowest cost of debt in the sector and stands as one of the prominent issuers of Sustainability Linked Bonds. Through our analysis, which evaluates Suzano's and its peers' debt linked to sustainability commitments (Appendix R), Suzano is highly competitive. The company robustly competes with its European counterparts, with highly competitive rates, notably lower than its traditional bonds.

Are There More Growth Options? We still see an upside potential for Suzano in terms of carbon credits (Appendix S). The company stands out as one of the few in Brazil that have already submitted certifications, with 22 mn tCO_2e eligible for commercialization and still with plans to further explore this market, especially as more explicit regulations governing its operation are established.

FINANCIAL ANALYSIS

Suzano does not have 100% comparable Brazilian peers, since its business model highly differs from other P&P players in the country. Nonetheless, we employed three companies for comparison purposes in our financial analysis: Klabin is the Brazilian peer that comes closest, although with only 30% of its revenue originating from pulp, compared to Suzano's 83% pulp revenue; in addition to Klabin, we will also consider the Chilean companies Arauco and CMPC, both of which are esteemed players in the pulp industry, uses eucalyptus for productive purposes, and despite being international firms, also have forest operations in Brazil.

Outperforming the Competition: Suzano's Sector-Leading Margins

Gross and EBITDA Margin: Suzano achieved an impressive gross margin of approximately 50% in 2022, which we consider to be an excellent figure within its industry. However, what truly distinguishes Suzano is its remarkable EBITDA margin, which reached 58.9% in the same year, a substantial lead over its peers (the EBITDA is higher than the gross profit, especially due to high levels of depreciation). Beyond simply having a high margin, Suzano has demonstrated its ability to continually expand this margin over the years, marking an impressive increase of 18 p.p. from 2019 to 2022, showcasing the company's operational efficiency. Nevertheless, it's important to note that this margin expansion was also influenced by the appreciation of the USD during this period, which significantly boosted Suzano's EBITDA margin, given that a significant portion of its revenue is tied to the dollar, while its costs are primarily denominated in BRL. Consequently, we anticipate an EBITDA margin of 50% by the end of 2027, as we do not factor into our forecast's fluctuations in the price of pulp, which substantially affect margins (as seen in 2021 and 2022), neither the USD fluctuations, which also has huge impacts (Exhibit 36).

Hedging Unveiled: Suzano's Key Financial Safeguard

Robust Derivative Approach: In order to shield its financial outcomes from the impact of market price and rate volatility, Suzano engages in derivative transactions linked to currency exchange rates, interest rates, pulp, and freight fuel. These transactions involve instruments such as swaps, non-deliverable forwards, and zero-cost collars. We believe this approach aligns with prudent risk management, as these instruments do not introduce leverage to the company and are exclusively used for risk mitigation purposes. Financial results have had a strong impact on the company's figures in the past few years, being mainly influenced by FX variation and their derivative strategy (Exhibit 37), sparking fears among the market that Suzano could be involved in derivative misuse. However, we do not see it in this direction, mainly due to their mentioned preference for plain vanilla instruments to hedge its debt and cash flow, and positive relevance for the company's figures in the last quarters.

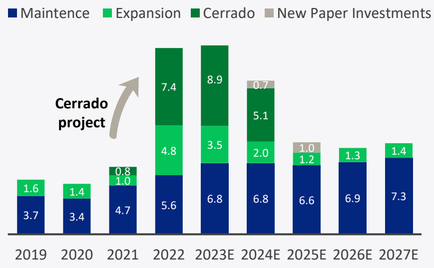
Natural Hedging 101: Around 80% of Suzano's revenue is generated through exports and is thus linked to USD. Conversely, most of the company's expenses are in BRL. The significance of this aspect in its business operations is one of the reasons why Suzano opts to finance itself in USD, creating an inherent cash hedge for these obligations. We view this approach as a favorable element of the company, complementing their derivative strategy, particularly given the impact that foreign exchange rates have on Suzano's financial outcomes.

A Closer Look at Suzano's Debt Structure

Funding Sources and Structure: Suzano finances itself with 46% in debt and 54% in equity. The majority of the equity comes from international capital markets. Regarding the debt, there is also a strong presence abroad, with 79% of it being international. The company opts for working capital financing through export financing operations, as discussed while outlining the company's hedge strategy, being responsible for 25% of total debt. On the other hand, for project financing, the company has secured loans from Development Banks and other financing institutions, in addition to issuing senior notes (bonds) in the international market, which account solely for 59% of the debt. The domestic market fraction is structured through issuing debentures and agricultural receivables certificates (CRAs) as debt instruments – however, they are not nearly as significant as international bond emissions for the company. Furthermore, 39% of total debt is tied to ESG factors, highlighting the integration of this agenda into Suzano's operations, which will be discussed in more detail later.

Strategic Debt Management: Suzano maintains one of the most competitive costs of debt in the Pulp & Paper industry, hovering around 8% p.a. (in USD). This achievement is a result of its well-executed debt management strategy - as highlighted earlier, a significant portion of its debt comes from bonds and export financing, with

Exhibit 39: CapEx Breakdown (BRL bn)



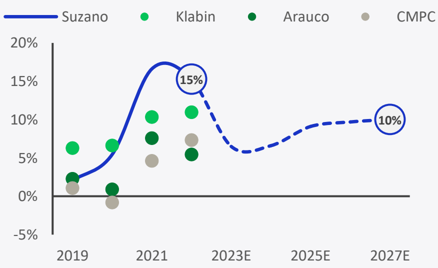
Source: Team 4

Exhibit 40: Cerrado Project IRR (%)

BHKP (USD/tn) \ BRL/USD	4.4	4.7	5.0	5.3	5.6
515.0	9.2%	10.5%	11.7%	12.8%	13.9%
545.0	11.0%	12.3%	13.4%	14.5%	15.5%
575.0	12.7%	13.9%	15.1%	16.0%	17.0%
605.0	14.2%	15.4%	16.4%	17.5%	18.5%
635.0	15.6%	16.7%	17.8%	18.8%	19.8%

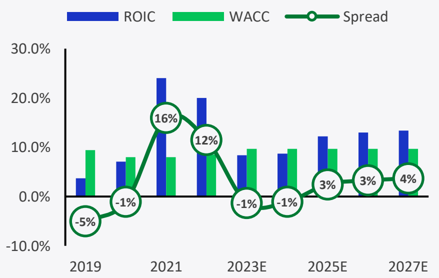
Source: Team 4

Exhibit 41: ROCE (%)



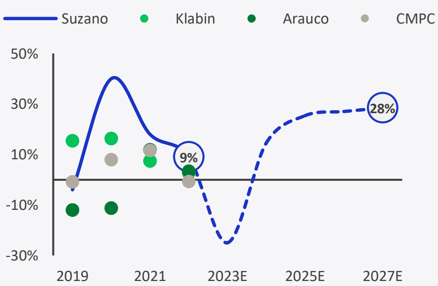
Source: Team 4

Exhibit 41: ROIC vs WACC Spread (%)



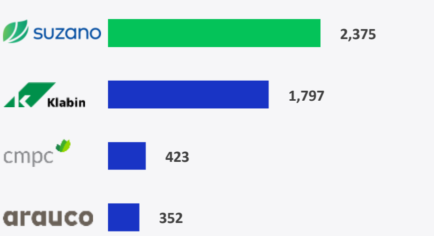
Source: Team 4

Exhibit 42: FCF Yield (%)



Source: Team 4

Exhibit 43: Pulp EBITDA per ton Sold 2022 (BRL)



Source: Team 4

average annual interest rates of 4.99% and 5.87% in 2022, respectively. Therefore, we perceive that Suzano's management makes sound decisions by directing its debt internationally. This approach not only provides the natural hedge for working capital, but also significantly reduces costs regarding project financing debt, when compared to the domestic market, which had an average cost of approximately 12% in 2022. Additionally, Suzano maintains a healthy average term of debt, of around 77 months, demonstrating what we perceive as excellent overall financial management.

Charting Leverage Waters: In 2019, after the merger with Fibria, the company's leverage climbed to levels exceeding 5x Net Debt/EBITDA. However, Suzano managed to swiftly reduce its debt burden (Exhibit 38). Even during periods of elevated leverage, such as in 2019 and 2020, Suzano's performance surpassed that of significant peers in the industry, showcasing the company's robust financial discipline. By the end of 2021, thanks to this disciplined approach, Suzano was able to distribute dividends and initiate share buybacks. Despite the financial outlays linked to the Cerrado project, we foresee Suzano maintaining prudent control over its leverage in the coming years, ensuring it stays near the 1.9x Net Debt/EBITDA by 2027 threshold established by the company.

Blending Business with Conscience: Regarding Suzano's issued bonds, a significant portion of them are linked to ESG aspects, further showcasing the company's commitment to sustainable development for the planet and communities. The Green Bond (constituting 8% of the total debt), originating from the former Fibria, is exclusively allocated to sustainable projects, a commitment that is audited. As for their Sustainability-Linked Bonds (making up 31% of the total debt), the coupon payment varies based on Suzano's ability to achieve specific sustainable KPIs, including the reduction in water intensity captured in industrial operations, increasing the number of women in leadership positions within the company, and reducing greenhouse gas emissions intensity. Therefore, the financial structure of these instruments is tied to the fulfillment of tangible goals that benefit the environment and society, and a step-up of the coupon shall be triggered if the company's actions are not aligned with the KPIs, creating a powerful behavior incentive. Another essential aspect of this strategy is that they also come at an exceptionally low cost: the average coupons stood at 3.71%, remarkably low even when compared to Suzano's already small debt cost of 8%. Consequently, the company can align concrete ESG goals and translate them into significant operational benefits, which mirrors the concept of 'achieving multiple goals with a single effort', and demonstrating how Suzano makes sustainability both impactful and economically viable.

Cerrado Project: Defying CapEx Odds with an Exceptional IRR

A Massive Turn in CapEx: in the Pulp & Paper sector, substantial capital expenditures are common, particularly in new projects aimed at expanding production capacity. Suzano is no exception to this tendency, as evidenced by its development of Cerrado, the largest initiative in the Pulp & Paper industry worldwide, estimated to exceed BRL 22 bn in total CapEx. This investment is anticipated to be financed between 2021 and the end of 2024, with operations commencing in mid-2024. The unveiling of Cerrado has significantly impacted Suzano's Capital Expenditures (Exhibit 39), garnering close attention and discussion in the market. As previously noted, we view Cerrado as an ambitious venture with promising prospects and anticipate a return to normalized PP&E CapEx figures following its completion in 2024, which will be explained in detail in the next section. Hence, we consider this specific uptick in the company's CapEx as both sustainable and non-recurring, posing no significant threat to Suzano's financial performance.

There Still is Uncovered Potential: Cerrado is expected to start generating positive cash flow from 2025 onwards. Consequently, we have calculated current NPV (only considering future CapEx) of BRL 26 bn for the project. However, to accurately assess its internal return, we have computed its IRR of the overall investment, resulting in a value of 15.1% (Exhibit 40), which surpasses the project's WACC of 9.9%. This means that not only is Cerrado viable, it also materially aggregates value to the company, corroborating our thesis in multiple scenarios.

What is Behind Suzano's Fiscal Benefits?

Fiscal Benefits: Suzano leverages the government programs SUDAM and SUDENE, which offer fiscal incentives, resulting in a reduction of up to 75% in the effective tax rate for companies operating in the North and Northeast regions. Consequently, Suzano benefits from this incentive in its production facilities located in Mucuri, Imperatriz, and Aracruz, which collectively account for approximately 40% of the company's total production. So, in 2022, Suzano maintained an effective tax rate of 17.5%, while Klabin reported 28.9%. For the Chilean companies, the tax law is different, so comparing to them would be imprecise. Keeping this in mind, we anticipate an effective tax rate of 25% by 2033, eventually increasing to 34% in perpetuity. This is due to the absorption of the Cerrado project (which lacks fiscal benefits) and the expiration of the existing SUDAM and SUDENE contracts.

Suzano's Financials Are Solid, But Can The Company Deliver Return To Shareholders?

The Answer to that Question is Yes. We conducted a 5-step DuPont Analysis (Appendix O), which consolidated Suzano with an impressive ROE of 70.5%, almost double of Klabin, the closest peer, and substantially above Chilean peers. However, as previously noted, Suzano's net profit experiences significant fluctuations owing to its derivatives strategy. Therefore, we believe that ROE may not be the most suitable metric for making comparisons. Instead, we calculate ROCE (calculated here by dividing NOPAT by the difference between total assets and current liabilities), which is a more precise metric for the P&P sector. ROCE measures the efficiency of capital employed by measuring the company's ability to generate returns on its total capital employed. In 2022, Suzano achieved a remarkable ROCE of 15.2%, surpassing all its industry peers.

Return on Invested Capital: However, Return on Invested Capital (ROIC) proves to be a significantly more precise indicator of whether the company is genuinely creating value for its shareholders. Suzano's ROIC, calculated by considering NOPAT as a fraction of Invested Capital (calculated through the liabilities side, as the sum of the net debt and total equity), stood at 20% in 2022. This figure represents a spread of 12% when compared to the company's cost of capital, signifying that it is indeed generating value. Nevertheless, given its status as a well-established company with a focus on value rather than growth, we anticipate an ROIC of 13.4% for the upcoming years. This projection still surpasses the Weighted Average Cost of Capital, highlighting the company's ability to generate value.

Returns + Efficiency: A Winning Formula

Cash Generation: Suzano reported a Free Cash Flow (FCF) of BRL 4.6 bn in 2022, affirming an impressive FCF Yield of 9%, a figure significantly above the industry norm. Nevertheless, the surplus cash generated by the company serves as vital support for the substantial capital expenditures (CapEx) required for its expansion projects, such as Cerrado. Notably, Suzano's high cash generation surpasses that of its peers. Klabin and Arauco, for instance, maintain FCF Yields of approximately 3%, whereas CMPC records a negative yield. With that being said, we anticipate a lower FCF Yield by 2023 and 2024, with higher Cerrado project CapEx, but we estimate a normalization with the end of the project's payment and it starting to generate cash, so we see a FCF Yield of 28% by the end of 2027. Furthermore, the company manages to present an extremely profitable operational efficiency, enabling it to maximize profitability from its production. This proficiency is clearly demonstrated as Suzano achieves an astounding EBITDA per ton of pulp sold at BRL 2,375 (Exhibit 43), a figure significantly surpassing both Klabin and Chilean companies.

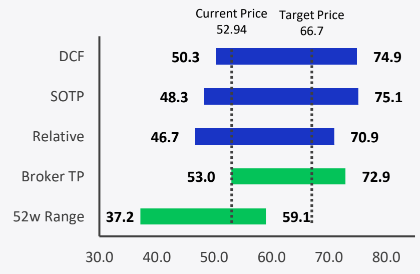
Working Capital Dynamics: In an industry characterized by substantial financing and a multitude of assets, the evaluation of companies' financials is greatly influenced by their working capital management. Suzano currently maintains a cash conversion cycle of 63 days, slightly trailing behind its Brazilian counterpart, Klabin, which stands at 50 days, but ahead of Arauco and CMPC (135 and 141, respectively). We anticipate a CCC also of 63 days in 2027 for Suzano, as we don't see any trigger for improvement in that specific topic.

Exhibit 45: Consolidated Methodologies

	Target Price	Weight	Upside
Overall	66.7		25.85%
DCF	67.6	50%	27.65%
SOTP	66.8	25%	25.94%
Relative	64.7	25%	22.13%

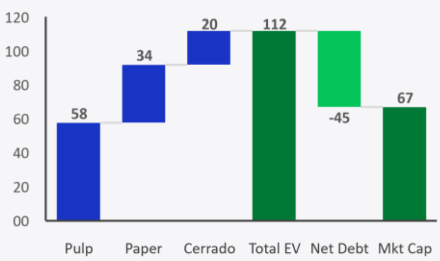
Source: Team 4

Exhibit 46: Football Field (Bull and Bear Case)



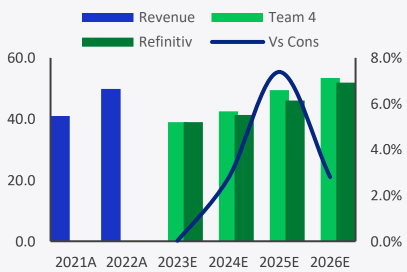
Sources: Team 4, LSEG Refinitiv

Exhibit 47: SOTP Target Price Decomposition



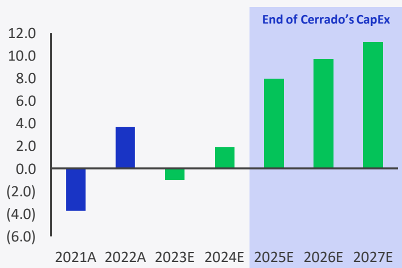
Source: Team 4

Exhibit 48: Revenue Forecast (BRL bn)



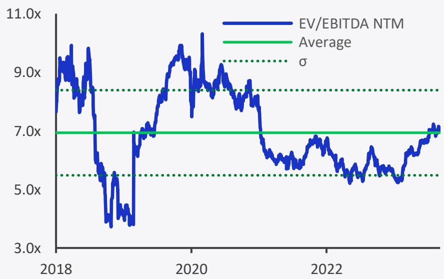
Source: Team 4, LSEG Refinitiv

Exhibit 49: Adj FCFE Forecast (BRL bn)



Source: Team 4

Exhibit 50: SUZB3 Historical Fwd. EV/EBITDA



Source: Factset

VALUATION

To properly evaluate the pricing of Suzano's operations, we used a three-way mixed approach, combining DCF (Discounted Cash Flow), SOTP (Sum of the Total Parts), and Relative methodology, estimating a fair multiple of EV/EBITDA based on a historical premium to a global peer set. Our target price of 66.7 BRL reflects a weighted average of those three approaches with the following weights: DCF-50%, SOTP-25%, and Relative-25%. The mix choice reflects a balance of consensus, priced into the overall P&P industry, and the idiosyncratic catalysts for Suzano's operation in the upcoming fiscal years to our target price. That way, we see from different perspectives that the current market valuation still offers a very attractive risk reward in several aspects of the business.

Consolidated Discounted Cash Flow

Structure: The DCF valuation was based on a 10-year nominal projection of the free cash flow to equity (FCFE) adjusted for the cash payment of lease liabilities, and reconciliation of non-cash income-statement expenses such as FX variation and accrued interest, computing a fair stock price of 66.7 BRL representing a 27.6% upside to the latest closing price (11/17/2023) and a 23.4% upside to the current 1-month VWAP. We used a 13.2% cost of equity (Ke) as a discount rate, calculated using CAPM with a risk-free rate of 4.5%, equity risk premium of 5.0%, a leveraged beta of 0.85, a country risk premium of 2.97%, and a long-term growth rate of 3.5%, consensus for long term Brazilian CPI (Appendix F).

Sum of Total Parts

Structure: Our sum of the total parts was based on separate 10-year free cash flow to firm (FCFF) projections of three different parts of the business: Suzano's Paper Business, Suzano's Pulp Business, and Cerrado. In our base case assumptions, we see a fair price of 66.8 BRL for the sum of the three operations, with an EV per share of 34.2 BRL, 57.6 BRL, and 20.0 BRL for the paper, pulp, and Cerrado part of the business added against a -45.0 BRL per share of current Net Debt (Exhibit 47). The WACC (Weighted Average Cost of Capital) used considered the current weight of Suzano's capital structure, 46% debt to 54% equity, a pre-tax BRL cost of debt of 8.0%, calculated with the weighted average YTM of the bonds issued by Suzano, and a personalized Ke for each line of business as we see a different profile of volatility in the standalone pulp business, requiring a more significant risk premium than the paper operation. Therefore, we used a 13.1% Cost of Equity for the paper business and a 13.9% for both pulp and Cerrado (Appendix D).

Base Case Assumptions

Pulp Prices: The assumption of pulp prices is vital for both the revenue of the pulp division and for the return rate of Suzano's investment in Cerrado (Exhibit 40). We expect more resilient than expected prices for 2025, seeing it finishing the year at the 570 USD/tn level, and dropping to 560 USD/tn level with the market absolving new supply capacity and a long-term real price level of 575 USD/tn, while Suzano current valuation price for an unreal 540 USD/tn in the long run. Our assumption is based on two key catalysts: (i) a structural lack of wood that makes it unlikely to see new big projects in LatAm post-Cerrado, amplified by our proprietary Supply Demand model showing a balanced market by 2026; (ii) A very small gap of wood chip costs (proxy for integrated Chinese paper producers' marginal costs) and pulp prices that tend to boost short term demand for market pulp and supporting higher prices.

Volume: The volume assumption was divided into three parts: volume of paper sold, volume of pulp (Ex Cerrado project) sold, and volume from Cerrado project sold. We assume, in our base case, a partial comeback of Suzano's volume cut given more attractive market conditions, reaching this stable level of 10.2 mn tn per year from 3Q 2024 onwards. For Cerrado, we assumed a maturation curve starting at 5% of the quarterly maximum capacity of 0.64 mn tn, selling 0.73 mn tn in 2024, in line with management guidance. Finally, for the paper volume, we forecast a constant utilization rate of the current capacity since it sits in line with the historical average and include the new Aracruz tissue plant to mature linearly, starting 1Q 2026 with a 30% utilization.

CapEx: One of Suzano's most debated points is its massive capital expenditures in the expansion of the pulp business, as opposed to other allocation strategies such as debt amortization, buybacks, or dividends. In our forecast, we see the end of the remaining BRL 7.7 bn CapEx of Cerrado in 4Q 2024. For the remaining years, we incorporate the recently announced 1.7 bn BRL investment of the tissue factory of Aracruz and the fluff conversion of the Limeira Plant. We forecast a maintenance CapEx/tn to grow by Brazilian inflation, staying at a real level of 450 BRL/tn, and other expansion and modernization CapEx to grow as a percentage of revenue.

OpEx: Suzano's operational expenditures are also a key assumption of our model. We forecast the cash cost of Suzano's current pulp business and Cerrado project from separate perspectives, seeing a long-term real cash cost of 182.9 USD/tn for the current pulp operation (above the historical average of 160 USD/tn) and a real 500 BRL/tn for the mature Cerrado project in the first cut cycle (in line with management guidance). With this data, we estimated a freight cost of 72 USD/tn for Cerrado. We calculated the cash COGS of each business unit added against our depreciation forecast to reach the consolidated COGS of the different parts of the business. For the SG&A expenses, we forecasted a constant percentage of revenue to each line at an average level decreasing to 8.4%, almost the same as Suzano's historical average of 8.9%. For the paper business unit, we forecasted cash cost to increase at the same rate as pulp cash cost and SG&A as a percentage of paper revenue of 13.8%.

BRL to USD Exchange Rates: Being a global company, 86% of Suzano's debt is denominated in USD, acting as a capital structure hedge against their 75% dollarized revenues. However, our proprietary analysis of Suzano's financials suggests that a 10% variation in dollar has a 15.6% impact on Suzano's EBITDA due to the mismatch of costs denominated in the local currency to dollarized revenues. Our assumption was based on the differential of inflation rates during each period, assuming no real exchange rate changes in the long term. In our base case, we expect a nominal depreciation of the BRL in relation to USD, seeing it finish the year at a 4.9 level and gradually rising to a 5.6 level in 2033; in real terms exchange terms, our base case is 5.0 BRL/USD for the long term.

Relative Valuation

Structure: Our relative valuation is based on our proprietary NTM quarterly projections, supported by the assumptions stated above, where we took the expected NTM EBITDA and applied an EV/EBITDA multiple of 7.04x, calculated from the average historical premium to the median of 3 peer sets (LatAm P&P, EU P&P, North America P&P), reaching a fair stock price of 64.7 BRL. Within our base case estimates, we see Suzano currently trading at 6.3x NTM EV/EBITDA. This level is below the company's historical average of 7.0x post the acquisition of Fibria, corroborating our view that the company still has much value to unlock. (Appendix D)

Peer Set Selection: The selection of comparable companies to Suzano is quite challenging due to a few reasons: (i) the unmatched scale of Suzano in the P&P industry; (ii) its large concentration in the pulp part of the P&P chain, as opposed to the largest players, typically vertically integrated to serve the end consumption in paper and packaging. To minimize this problem, we balanced all the segments within the P&P industry across different geographies and took the median of those peers to compare against Suzano (Appendix H).

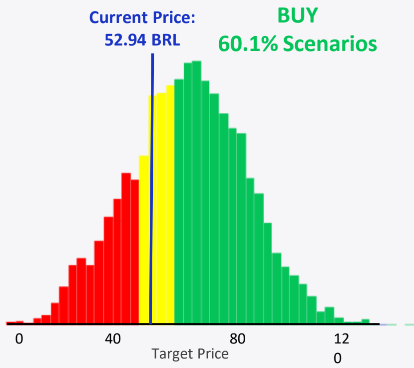
Current Position: The historical EV/EBITDA NTM of Suzano ranges from 5x to 10x, with the average after the acquisition of Fibria sitting at 7.0x. Although it may appear that the current multiple levels are in line with historical levels (Exhibit 50), we see the NTM EBITDA 7.5% above the current market consensus, so within our estimates, Suzano seems to be trading at 6.3x, below the historical average and the median of all the peer sets that we selected. In summary, Suzano's current implied multiple appears to fully price a long oversupply in the pulp business disproportionate to our estimates and the improvements in Suzano's operation.

Exhibit 51: Upside Sensitivity to FX and BHKP

BHKP (USD/tn) \ BRL/USD	4.4	4.7	5.0	5.3	5.6
525.0	-51.3%	-30.3%	-10.4%	8.0%	25.4%
550.0	-34.5%	-12.7%	7.3%	25.7%	43.7%
575.0	-17.1%	4.9%	25.9%	44.0%	61.9%
600.0	0.4%	22.4%	42.8%	62.0%	80.2%
625.0	17.8%	40.0%	60.6%	80.0%	98.4%

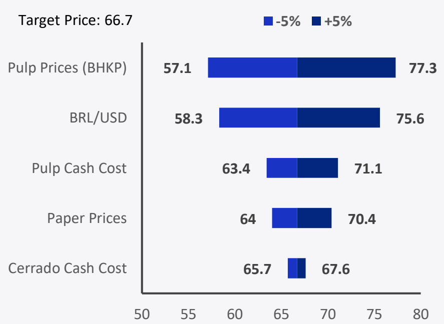
Source: Team 4

Exhibit 52: Montecarlo Simulation



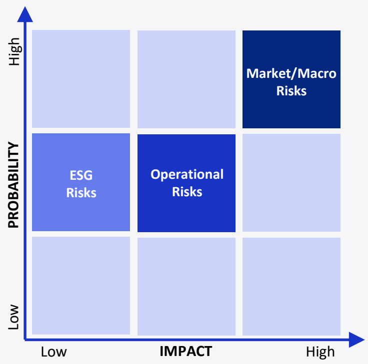
Source: Team 4

Exhibit 53: Tornado Analysis



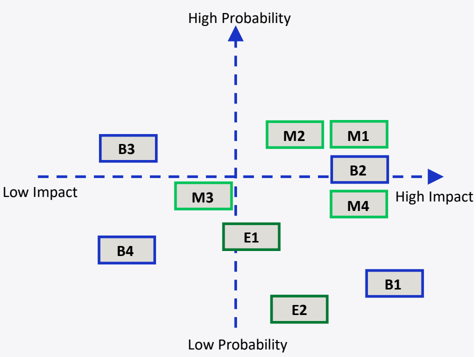
Source: Team 4

Exhibit 54: Macro Risk Matrix



Source: Team 4

Exhibit 55: Micro Risks Matrix



Source: Team 4

Bull and Bear Case (Scenario Sensitivity)

To increase the robustness of our forecast, we also accounted for different possible outcomes in some key assumptions, namely pulp prices and BRL/USD exchange rates. With these sensibilizations, we reached a TP of 73.9 BRL, representing a 39.5% upside in our bullish assumption, and a 48.9 BRL, representing a -7.7% downside to our more pessimistic outcome.

Bull Case: In the best outcome, we forecasted a faster normalization of pulp prices to the historical average of 610 USD/tn, reaching this level in the 3Q 2024 and maintaining a terminal real price level of 590 USD/tn, as our sensitivity analysis shows (Appendix L), has an implied increase of over BRL 1 bn in Suzano's EBITDA, boosting free cash flow generation. In this scenario, we also expect a nominal depreciation of the BRL at a more robust pace, seeing it stabilize at a real level of 5.1 USD/tn, releasing even more upside potential.

Bear Case: The bear case assumes that our expectations of a softer oversupply do not come through. This way, in our forecasts, BHPK prices stay at near marginal cost levels for longer, only returning to the 600 USD/tn level at 1Q 2030, remaining at a 550 USD/tn real level. In this scenario, we also took a more conservative approach to our FX projections, maintaining a 4.9 exchange rate. Considering the expected reduction yield differential of the Fed Funds to Brazil Central Bank target interest rate - we judge that this assumption is a very conservative approach. In this scenario, both our revenue and EBITDA forecasts are in line with Bloomberg consensus estimates, highlighting the current pessimism regarding pulp prices that we see as an overreaction of market participants.

INVESTMENT RISKS

In this section, we will take a closer look at the main risks associated with our Investment Thesis. Suzano's risks can be broken down into three major topics: Business and Operational Risks (B), Market and Macroeconomic Risks (M), and ESG Risks (E). To evaluate the impact on our price target from each risk, we conducted a Monte Carlo Analysis (Exhibit 52) and Tornado Analysis (Exhibit 53). Also, for better understanding, the risks in each section are listed in order from most relevant to our Investment Thesis to least.

Business and Operational Risks (B)

B1. (-) Bad Capital Allocation Regarding Excess Cash Generation. Probability: Low | Impact: High

Description: Suzano is historically adept at cash generation, a trend set to intensify with the Cerrado project. However, the company's inclination to reinvest rather than distribute dividends raises concerns about potential market oversaturation (Appendix AJ). This strategic choice could exert downward pressure on pulp prices, particularly given Suzano's already formidable position in the industry.

B2. (-) Increased Capital Requirement or a Delay in the Cerrado Project. Probability: Medium | Impact: High

Description: Suzano aims to begin operations of the Cerrado project in the first half of 2024, with an anticipated total CapEx of approximately 22 bn. Any construction delays or additional investment requirements related to it could potentially disrupt the company's operational schedule, thereby affecting its short-term results.

B3. (-) Natural Disasters and Illegal Invasions in Suzano's Forestry. Probability: Medium | Impact: Low

Description: As a biological asset, Suzano is vulnerable to potential disasters that could occur in its plantations, such as droughts, wildfires, pests, diseases or illegal invasions. These events could lead to a decrease in the wood supply or an increase in wood prices that Suzano must buy.

B4. (-) Scheduled or Unscheduled Production Pauses Above Bearable Limit. Probability: Medium | Impact: Low

Description: Production stoppages in factories substantially impact productivity and could result in significant revenue losses per manufacturing unit. These interruptions can be caused by factors such as equipment failures, interruptions or failures in information systems, accidents, and so on.

Market and Macroeconomic Risks (M)

M1. (-) Lower Pulp Prices for Longer. Probability: Medium | Impact: High

Description: Although Suzano has a low cash cost in pulp production, when pulp prices fall, the company experiences a drop in revenue growth. Lower pulp prices for longer could harm its financials, considering that more than 80% of total net revenue is from market pulp, and paper prices are correlated in the long term.

M2. (-) BRL Appreciation. Probability: Medium | Impact: Medium

Description: While Brazil is often viewed as a country with a relatively fragile economy and a weaker currency compared to the USD, a potential scenario of the Brazilian local currency gaining strength could have adverse effects on Suzano's financial performance. In 2022, over 80% of the company's revenue came from exports, and these exports are typically priced in foreign currencies. If the USD were to depreciate and the BRL were to appreciate, it could impact the pricing of Suzano's products and, consequently, its profitability**.** However, Suzano's hedging strategy reduces impact in its results.

M3. (-) Higher COGS due to Inputs Inflation and Higher Wood Costs. Probability: Medium | Impact: High

Description: One of Suzano's most significant strengths lies in its low cash cost. However, it's important to note that the components comprising this cost could experience substantial increases due to rising prices resulting from potential inflation, particularly considering Brazil's vulnerability to it. Furthermore, another factor impacting the company's COGS would be the escalation in input prices. When coupled with wood prices increased, this could potentially erode the company's financial performance and exert pressure on its profit margins.

M4. (-) Slower Recovery in Demand in China and Europe. Probability: Medium | Impact: High

Description: China currently represents most of the pulp demand, with Europe following closely behind. We anticipate that both China and Europe will eventually revert to their previous levels of high demand, which existed prior to the decline in pulp prices. However, should the recovery in demand take longer than expected, it may pose a potential risk to our thesis (M1).

ESG Risks (E)

E1. (-) Falling Short of Prescribed Environmental Targets. Probability: Medium | Impact: Medium

Description: The company has established ambitious environmental goals, including a 15% reduction in gas emissions, as detailed in the "Carbon Cutters" component of the ESG section. If the company is unable to achieve these objectives or if the current situation deteriorates, there is a possibility that its ESG rating may be downgraded, leading to a diminished market perception of its environmental performance. Moreover, it could impact the completion of Sustainability Linked Bonds' KPIs, potentially triggering coupon step-ups, and consequently raising the company's cost of debt.

E2. (-) Conflict of Interest within the Controlling Family. Probability: Low | Impact: Medium

Description: Although we maintain optimism about the Feffer family's commitment to managing Suzano, it is evident that there are inherent risks. With a family holding a substantial portion of the company's control, the potential for conflicts of interest with minority shareholders exists, which could result in actions that may not align with the family's intentions but could negatively affect the interests of other shareholders.

Appendix Index

Appendix A: Summary Suzano's Financial Statements: Balance Sheet, Income Statement and Cash Flow Statement

Income Statement	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Revenue	**40,965**	**49,831**	**38,939**	**42,466**	**49,420**	**53,387**	**56,262**	**58,318**	**60,448**	**62,656**	**64,945**	**67,317**	**69,776**
COGS (-)	(20,616)	(24,821)	(24,839)	(26,865)	(27,881)	(29,553)	(30,994)	(32,074)	(33,196)	(34,361)	(35,571)	(36,651)	(37,948)
Gross Profit	**20,350**	**25,010**	**14,099**	**15,602**	**21,538**	**23,834**	**25,268**	**26,244**	**27,252**	**28,296**	**29,375**	**30,667**	**31,828**
SG&A (-)	(2,222)	(3,071)	(2,987)	(3,366)	(3,561)	(3,929)	(4,180)	(4,333)	(4,491)	(4,655)	(4,825)	(5,002)	(5,184)
EBIT	**18,128**	**21,938**	**11,112**	**12,235**	**17,977**	**19,905**	**21,088**	**21,911**	**22,761**	**23,640**	**24,549**	**25,665**	**26,644**
Financial Result (-)	(9,347)	6,433	3,166	(4,467)	(2,554)	(2,316)	(2,326)	(2,249)	(2,197)	(2,197)	(2,204)	(2,207)	(2,209)
EBT	**8,781**	**28,371**	**14,278**	**7,769**	**15,423**	**17,589**	**18,761**	**19,662**	**20,564**	**21,443**	**22,345**	**23,458**	**24,435**
Tax (-)	(146)	(4,976)	(3,354)	(1,879)	(3,856)	(4,397)	(4,690)	(4,915)	(5,141)	(5,361)	(5,586)	(5,864)	(6,109)
Net Income	**8,636**	**23,395**	**10,924**	**5,890**	**11,567**	**13,192**	**14,071**	**14,746**	**15,423**	**16,082**	**16,759**	**17,593**	**18,326**
Adj EPS	**6.4**	**17.9**	**8.5**	**4.6**	**9.2**	**10.7**	**11.7**	**12.6**	**13.5**	**14.5**	**15.5**	**16.7**	**17.8**
EBITDA	**25,166**	**29,365**	**18,872**	**20,104**	**24,559**	**26,476**	**27,850**	**28,863**	**29,914**	**31,003**	**32,132**	**33,479**	**34,699**

Balance Sheet	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Cash & ST Investments	21,099	17,053	20,528	22,379	26,781	28,081	29,558	31,061	32,076	32,785	33,589	34,569	35,630
Accounts Receivable	6,531	9,607	5,918	6,455	7,511	8,114	8,551	8,864	9,188	9,523	9,871	10,232	10,605
Inventories	4,637	5,728	6,412	6,935	7,198	7,629	8,001	8,280	8,570	8,871	9,183	9,462	9,797
Other Current Assets	1,835	4,735	4,624	4,624	4,624	4,624	4,624	4,624	4,624	4,624	4,624	4,624	4,624
Current Assets	**34,103**	**37,123**	**37,483**	**40,393**	**46,115**	**48,450**	**50,735**	**52,829**	**54,458**	**55,804**	**57,267**	**58,887**	**60,657**
Biological assets	12,249	14,632	18,187	20,578	22,013	23,373	24,790	26,259	27,782	29,360	30,996	32,691	34,449
PP&E	38,170	50,657	59,815	64,982	66,523	67,717	69,047	70,488	72,040	73,704	75,481	77,373	79,380
LT investments	17,780	18,050	17,511	17,511	17,511	17,511	17,511	17,511	17,511	17,511	17,511	17,511	17,511
Other non current assets	16,673	12,737	10,778	10,857	11,045	11,280	11,534	11,793	12,056	12,324	12,598	12,880	13,168
Total Assets	**118,975**	**133,198**	**143,775**	**154,321**	**163,207**	**168,330**	**173,618**	**178,881**	**183,847**	**188,703**	**193,854**	**199,342**	**205,165**
Short Term Borrowings	3,656	3,335	4,614	4,692	4,717	4,742	4,770	4,799	4,828	4,858	4,887	4,917	4,947
Payables	4,219	7,330	7,004	7,543	7,813	8,258	8,641	8,928	9,227	9,536	9,858	10,145	10,490
Other ST Liabilities	3,677	3,827	1,884	1,895	1,895	1,888	1,875	1,857	1,834	1,803	1,765	1,719	1,663
Current Liabilities	**11,551**	**14,493**	**13,502**	**14,130**	**14,425**	**14,888**	**15,287**	**15,585**	**15,889**	**16,197**	**16,511**	**16,781**	**17,100**
LT Debt	75,973	71,240	73,848	75,101	75,496	75,893	76,353	76,817	77,283	77,752	78,224	78,698	79,176
Other LT Liabilities	16,276	14,299	13,214	15,990	16,150	15,592	15,625	15,668	15,669	15,624	15,525	15,364	15,134
Total Liabilities	**103,800**	**100,032**	**100,565**	**105,221**	**106,071**	**106,372**	**107,265**	**108,069**	**108,841**	**109,573**	**110,259**	**110,844**	**111,411**
Shareholder's Equity	15,075	33,061	43,097	48,987	57,023	61,845	66,240	70,698	74,894	79,017	83,482	88,385	93,641
Minority Interests	100	105	113	113	113	113	113	113	113	113	113	113	113
Total Liabilities & Equity	**118,975**	**133,198**	**143,775**	**154,321**	**163,207**	**168,330**	**173,618**	**178,881**	**183,847**	**188,703**	**193,854**	**199,342**	**205,165**

Cash Flow Statement	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Cash from operating activities	**17,644**	**21,647**	**18,784**	**20,878**	**21,367**	**22,776**	**24,715**	**25,761**	**26,636**	**27,497**	**28,378**	**29,420**	**30,365**
Depreciation Depletion Amortization	7,038	7,427	7,759	7,869	6,582	6,571	6,762	6,953	7,153	7,363	7,583	7,814	8,055
Changes in working capital	(3,219)	(1,165)	2,728	(521)	(1,049)	(590)	(426)	(304)	(315)	(327)	(339)	(352)	(364)
Cash from investing activities	**(10,359)**	**(17,016)**	**(28,520)**	**(14,723)**	**(8,837)**	**(8,377)**	**(8,729)**	**(9,048)**	**(9,378)**	**(9,720)**	**(10,075)**	**(10,443)**	**(10,824)**
Additions to PP&E	(2,151)	(9,791)	(11,719)	(8,607)	(5,166)	(4,897)	(5,103)	(5,289)	(5,482)	(5,682)	(5,890)	(6,104)	(6,327)
Additions to Biological Assets	(2,849)	(3,392)	(3,808)	(4,957)	(6,389)	(6,117)	(3,671)	(3,480)	(3,627)	(3,759)	(3,896)	(4,038)	(4,186)
Cash from financing activities	**(1,574)**	**(8,107)**	**2,551**	**(4,304)**	**(8,127)**	**(13,099)**	**(14,509)**	**(15,210)**	**(16,242)**	**(17,067)**	**(17,500)**	**(17,997)**	**(18,480)**
Dividends Paid	(10)	(4,151)	(2)	-	(1,531)	(6,370)	(6,876)	(7,288)	(7,628)	(7,958)	(8,294)	(8,691)	(9,070)
Shared Issued (Repurchased)	-	(1,904)	(881)	-	(2,000)	(2,000)	(2,800)	(3,000)	(3,600)	(4,000)	(4,000)	(4,000)	(4,000)
Net Debt Issued (Repaid)	510	(2,226)	4,496	(4,304)	(4,596)	(4,729)	(4,834)	(4,922)	(5,014)	(5,109)	(5,206)	(5,306)	(5,410)
Net change in chash	**12,052**	**(4,046)**	**3,475**	**1,851**	**4,403**	**1,300**	**1,476**	**1,503**	**1,016**	**709**	**803**	**980**	**1,061**

Segments	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Pulp Revenue	**34,715**	**41,384**	**30,067**	**32,915**	**39,520**	**41,149**	**42,607**	**44,164**	**45,778**	**47,451**	**49,185**	**50,982**	**52,845**
% Total	84.7%	83.0%	77.2%	77.5%	80.0%	77.1%	75.7%	75.7%	75.7%	75.7%	75.7%	75.7%	75.7%
Pulp EBITDA	**22,735**	**25,179**	**15,267**	**16,357**	**20,643**	**21,577**	**22,341**	**23,155**	**23,999**	**24,874**	**25,781**	**26,897**	**27,878**
% Total	90%	85.7%	81%	81%	84%	81%	80%	80%	80%	80%	80%	80%	80%
Paper Revenue	**6,250**	**8,447**	**8,872**	**9,551**	**9,899**	**12,238**	**13,656**	**14,154**	**14,670**	**15,206**	**15,760**	**16,335**	**16,932**
% Total	15.3%	17.0%	22.8%	22.5%	20.0%	22.9%	24.3%	24.3%	24.3%	24.3%	24.3%	24.3%	24.3%
Paper EBITDA	**1,518**	**1,570**	**2,486**	**3,523**	**3,605**	**3,747**	**3,916**	**4,899**	**5,509**	**5,708**	**5,915**	**6,129**	**6,352**
% Total	6.0%	5.3%	13.2%	17.5%	14.7%	14.2%	14.1%	17.0%	18.4%	18.4%	18.4%	18.3%	18.3%

Ratios	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Net Debt/EBITDA	2.3x	2.0x	3.1x	2.9x	2.2x	2.0x	1.9x	1.8x	1.7x	1.6x	1.5x	1.5x	1.4x
Gross Margin	49.7%	50.2%	36.2%	36.7%	43.6%	44.6%	44.9%	45.0%	45.1%	45.2%	45.2%	45.6%	45.6%
EBITDA Margin	61.4%	58.9%	48.5%	47.3%	49.7%	49.6%	49.5%	49.5%	49.5%	49.5%	49.5%	49.7%	49.7%
Net Margin	21.1%	46.9%	28.1%	13.9%	23.4%	24.7%	25.0%	25.3%	25.5%	25.7%	25.8%	26.1%	26.3%
Payout	0.1%	17.7%	0.0%	0.0%	13.2%	48.3%	48.9%	49.4%	49.5%	49.5%	49.5%	49.4%	49.5%
ROE	57.3%	70.8%	25.3%	12.0%	20.3%	21.3%	21.2%	20.9%	20.6%	20.4%	20.1%	19.9%	19.6%
ROCE	16.6%	15.2%	6.5%	6.6%	9.1%	9.7%	10.0%	10.1%	10.2%	10.3%	10.4%	10.5%	10.6%
ROIC	24.2%	20.0%	8.4%	8.7%	12.2%	13.0%	13.4%	13.6%	13.7%	13.8%	13.8%	14.0%	14.1%
Effective Tax Rate	1.7%	17.5%	23.5%	24.18%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%

* Change in cash and cash equivalents for **past periods** doesn't add to net change in cash as balance sheet line includes ST investments, that is not part of the cash flow statement bottom line.

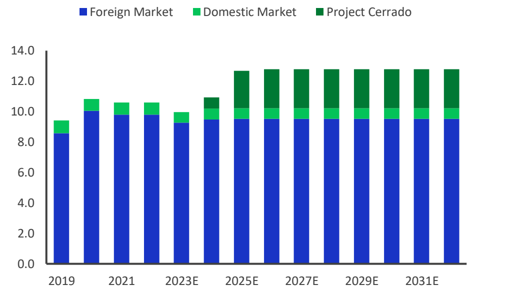
Source: Team 4

Appendix B: Valuation Assumptions

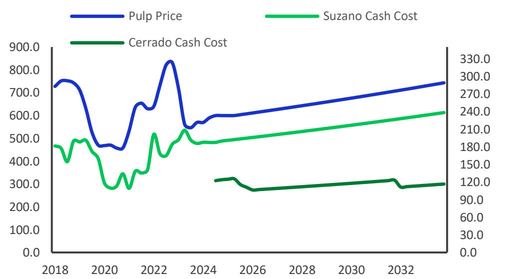
Line Item	Assumptions
Pulp Volume	We assumed a comeback of utilization to the 5Y average of 94% for the overall pulp business and a maturation of Cerrado in line with company guidance. Futhermore, we do not assume capacity additions post Cerrado conclusion.
Paper Volume	Gradual straight-lined utilization with the addition of the new tissue capacity in Aracruz of 340,000 tn, starting to ramp up in the 1Q 2024.
Pulp Prices	We assumed a nominal price to remain flattish at price of 570 USD/tn and up to 2025 and a real terminal price level of 575 USD/tn, which is in line with our proprietary supply-demand model equilibrium price.
Paper Prices	Assumed to normalize to a real level of 1000 USD/tn the international markets and straight-lined at the current level of 1400 USD/tn on the domestic market, as Suzano grows its tissue mix in Brazil with new factories and convertions.
Pulp Cash Cost	Percentage of USD and BRL denominated costs straght-lined, and next period reflecting the previous period cash cost (Ex. Maintenance Downtime Impact) weighted by FX impact, US inflation and BZ inflation, resulting in a 183 USD/tn for the current pulp production and a 100 USD/tn in real terms, in line with company guidance.
Paper Cash Cost	Forecasted with the growth in pulp cash cost.
COGS	Variable costs (Cash Cost; Forest Cost, Freight) times the production volume, plus fixed costs adjusted for inflation each year. Added to the depreciation forecast to reach the consolidated COGS for each line of business.
SG&A	Forecasted as a % of revenue converging to historical average, as production and prices normalize.
CapEx	Maintenance CapEx/tn at a level of 450 BRL/ tn (includes forest and wood costs); Expansion CapEx (Ex new projects Straight lined as 5% of Revenue); Cerrado CapEx to finish the remaining 7 BRL bn on 4Q 2024. We also incorporate recently announced of Aracruz and Limeira CapEx of 1.7 BRL bn to our forecast.
D&A	Depreciation of PP&E forecasted as percentage of CapEx with a ramp-up of 0.5p.p per year as asset base matures; Depletion of biological assets forecasted as 10% of additions, in line with historical average.
Dividends and Buybacks	Assumed to remain at 0% up to 2025 due to demanding CapEx in terms of cash generation, only assuming already announced distributions. For the longer run, we assume 50% net income payout due still undefined capital allocation strategy by Suzano's management.
Debt	We assume no major issuance of new debt with the increase only accounting for the accrued interest on debt and FX variation of non hedged foreign debt;
Financial and FX Result	Interest on cash in line with historical average normalizing at 4% level; Average interest on debt forecasted in line with historical average at 5.2%; FX Result calculated by the non hedged portion of debt multiplied by FX variation on the period; Derivative result estimated with FX variation and notional value sensitivity.
BRL/USD	Forecasted at real exchange rate of 5.00 (Adjusted by the inflation differential between US CPI and BZ IPCA).

* Assumptions stated as "real" were adjusted by inflation (US CPI or BZ IPCA, depending on currency)

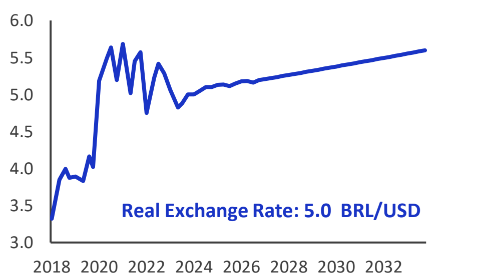
Yearly Pulp Volume (mn tn)



Pulp prices and Cash Cost (USD/tn)



BRL/USD Nominal Exchange Rate



DCF Target Price (BRL)

Ke \ g (perpetuity)	2.5%	3.0%	3.5%	4.0%	4.5%
14.2%	58.7	59.8	60.9	62.2	63.6
13.7%	61.6	62.8	64.1	65.6	67.2
13.2%	64.8	66.1	67.6	69.3	71.2
12.7%	68.2	69.8	71.5	73.5	75.6
12.2%	72.0	73.8	75.9	78.1	80.7

Source: Team 4

Appendix C: FCFE DCF

		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Perpetuity
Net Income		**(2,815)**	**(10,715)**	**8,636**	**23,395**	**10,924**	**5,890**	**11,567**	**13,192**	**14,071**	**14,746**	**15,423**	**16,082**	**16,759**	**17,593**	**18,326**	**16,127**
D&A		8,053	6,716	7,038	7,427	7,759	7,869	6,582	6,571	6,762	6,953	7,153	7,363	7,583	7,814	8,055	**8,055**
CapEx		(5,224)	(4,810)	(6,437)	(17,784)	(19,303)	(14,723)	(8,837)	(8,377)	(8,729)	(9,048)	(9,378)	(9,720)	(10,075)	(10,443)	(10,824)	**(10,824)**
Investment in WC		(1,421)	874	(3,219)	(1,165)	2,728	(521)	(1,049)	(590)	(426)	(304)	(315)	(327)	(339)	(352)	(364)	**(364)**
Other		(14,336)	(19,528)	(16,466)	(3,128)	(6,963)	2,005	(749)	(1,547)	(1,015)	(1,048)	(1,134)	(1,229)	(1,332)	(1,445)	(1,569)	**(1,569)**
Change in Debt		27,947	9,216	6,729	(5,054)	3,888	1,331	419	422	489	492	495	498	501	504	507	**507**
Adj FCFE		**12,204**	**(18,247)**	**(3,719)**	**3,691**	**(967)**	**1,851**	**7,934**	**9,670**	**11,152**	**11,791**	**12,243**	**12,668**	**13,097**	**13,671**	**14,132**	**127,861**
Time Step						0.25	1.25	2.25	3.25	4.25	5.25	6.25	7.25	8.25	9.25	10.25	10.25
Ke	13.2%																
g (perpetuity)	3.5%																
PV of FCFE						**(242)**	**2,313**	**6,007**	**6,471**	**6,594**	**6,161**	**5,654**	**5,170**	**4,723**	**4,357**	**3,980**	**36,011**
Equity Value	**87,200**																
Number of Shares	1,289																
Target Price	**67.6**																
Upside	**27.7%**																

Perpetuity: $\frac{FFCE\ (Tax\ rate\ of\ 34\%)*(1+g)}{Ke-g}$

Others: Refers to cash payment of lease liabilities minus lease financial expenses (IFRS 16)

Change in Debt: Includes accrued interest on Debt and FX variation.

Source: Team 4

Appendix D: Relative Valuation

Methodology: To reach a fair EV/EBITDA multiple for Suzano, we assembled a peer set of P&P companies segregated by geography present in Appendix H. After the peer selection, we built a data set with the historical forward EV/EBITDA of each peer and calculated the premium/(discount) of Suzano to the trailing median of each geographical peer set showed in Appendix I. Then we took the current EV/EBITDA 2024 multiple of each company based on Refinitv consensus estimates and applied the historical premium of Suzano to the current median of each geographical peer group. Taking the average of each geographical peer set premium adjusted multiple, we reached a fair 2024 EV/EBITDA multiple of 7.04x, which aligns with Suzano's historical average.

2024 EV/EBITDA	LatAm	Europe	North America
Current EV/EBITDA median:	6.9x	8.1x	8.5x
Historical Premium/(Discount):	(1.0%)	(10.6%)	(10.4%)
Premium Adj EV/EBITDA:	6.9x	7.3x	7.6x
Weighted Average:		**7.04x**	

Source: Team 4

Appendix E: SOTP Valuation

Pulp Business		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Perpetuity
EBIT		**1,498.6**	**7,413.9**	**16,297.6**	**18,440.9**	**8,195.3**	**8,364.7**	**11,219.8**	**11,643.1**	**12,053.7**	**12,502.1**	**12,964.6**	**13,441.9**	**13,934.4**	**14,442.9**	**14,968.1**	**14,968.1**
Tax Rate		20.0%	20.0%	20.0%	20.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	34.0%
NOPAT		**1,198.9**	**5,931.1**	**13,038.1**	**14,752.7**	**6,146.5**	**6,273.6**	**8,414.9**	**8,732.3**	**9,040.2**	**9,376.6**	**9,723.5**	**10,081.4**	**10,450.8**	**10,832.2**	**11,226.1**	**9,878.9**
D&A		7,575.6	6,232.4	6,437.8	6,737.9	7,071.7	6,637.6	4,893.4	4,883.3	5,057.6	5,231.8	5,414.8	5,606.8	5,808.1	6,018.9	6,239.4	6,239.4
CapEx		(4,792.8)	(4,385.8)	(5,101.1)	(9,803.1)	(9,613.8)	(7,740.2)	(6,071.3)	(6,345.2)	(6,600.1)	(6,841.0)	(7,090.7)	(7,349.5)	(7,617.7)	(7,895.7)	(8,183.9)	(8,183.9)
Investment in WC			(638.8)	(3,431.7)	(4,028.8)	4,225.6	(93.1)	(173.6)	(166.5)	(182.8)	(195.1)	(202.2)	(209.6)	(217.3)	(225.2)	(233.4)	(233.4)
Others		(14,413.7)	(19,519.3)	(16,053.6)	(3,128.4)	(4,159.5)	(687.3)	(909.4)	(1,041.3)	(1,144.1)	(1,224.9)	(1,313.0)	(1,409.3)	(1,514.5)	(1,629.7)	(1,755.8)	(1,755.8)
FCFF		**(10,432.0)**	**(12,380.5)**	**(5,110.6)**	**4,530.3**	**3,670.5**	**4,390.6**	**6,153.9**	**6,062.5**	**6,170.9**	**6,347.4**	**6,532.4**	**6,719.9**	**6,909.4**	**7,100.4**	**7,292.3**	**95,623.1**
Time step						0.25	1.25	2.25	3.25	4.25	5.25	6.25	7.25	8.25	9.25	10.25	10.25
Wacc	9.9%																
g (perpetuity)	3.5%																
PV of FCFF						**896.1**	**3,900.4**	**4,972.8**	**4,456.2**	**4,125.9**	**3,860.4**	**3,613.9**	**3,381.6**	**3,162.8**	**2,956.5**	**2,762.0**	**36,217.9**

NPV of Pulp business **74,306.5**

Paper Business		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Perpetuity
EBIT		**1,001.9**	**1,029.5**	**1,882.6**	**2,853.2**	**2,917.4**	**3,123.8**	**3,456.8**	**4,440.4**	**5,033.8**	**5,216.9**	**5,406.5**	**5,602.8**	**5,806.2**	**6,016.9**	**6,235.1**	**6,235.1**
Tax Rate		25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	34%
NOPAT		**751.4**	**772.2**	**1,412.0**	**2,139.9**	**2,188.0**	**2,342.9**	**2,592.6**	**3,330.3**	**3,775.3**	**3,912.7**	**4,054.9**	**4,202.1**	**4,354.7**	**4,512.7**	**4,676.3**	**4,115.2**
D&A		516.4	540.5	603.9	670.1	687.9	623.3	459.5	458.6	474.9	491.3	508.5	526.5	545.4	565.2	585.9	585.9
CapEx		(431.1)	(424.2)	(506.7)	(613.6)	(752.2)	(732.7)	(623.4)	(757.7)	(840.4)	(871.1)	(902.9)	(935.8)	(970.0)	(1,005.4)	(1,042.1)	(1,042.1)
Investment in WC			114.6	(529.3)	(631.9)	280.0	(103.3)	(52.9)	(355.5)	(215.4)	(75.7)	(78.5)	(81.4)	(84.3)	(87.4)	(90.6)	(90.6)
Others																	-
FCFF		**836.7**	**1,003.0**	**979.9**	**1,564.5**	**2,403.7**	**2,130.1**	**2,375.8**	**2,675.8**	**3,194.4**	**3,457.1**	**3,582.0**	**3,711.4**	**3,845.8**	**3,985.1**	**4,129.6**	**61,481.0**
Time step						0.25	1.25	2.25	3.25	4.25	5.25	6.25	7.25	8.25	9.25	10.25	10.25
Wacc	9.5%																
g (perpetuity)	3.5%																
PV of FCFF						**587.4**	**1,901.5**	**1,936.7**	**1,991.9**	**2,171.5**	**2,146.0**	**2,030.5**	**1,921.2**	**1,817.9**	**1,720.2**	**1,627.9**	**24,235.5**

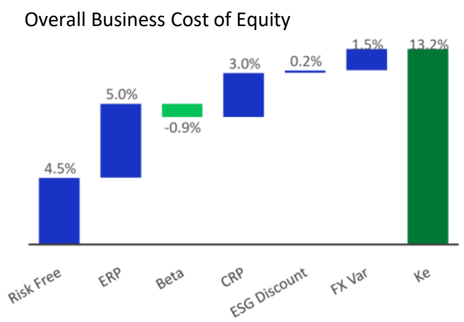
NPV of paper business **44,088.4**

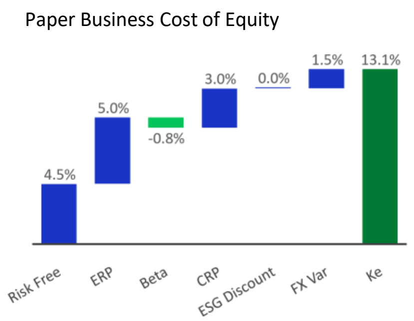
Cerrado Project		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Perpetuity
EBIT		**-**	**-**	**-**	**-**	**-**	**746.7**	**3,300.5**	**3,821.3**	**4,000.5**	**4,191.7**	**4,390.0**	**4,595.5**	**4,808.5**	**5,205.4**	**5,440.7**	
Tax Rate		34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	
NOPAT		**-**	**-**	**-**	**-**	**-**	**492.9**	**2,178.3**	**2,522.1**	**2,640.3**	**2,766.5**	**2,897.4**	**3,033.0**	**3,173.6**	**3,435.6**	**3,590.8**	
D&A		-	-	-	-	-	607.7	1,229.6	1,229.6	1,229.6	1,229.6	1,229.6	1,229.6	1,229.6	1,229.6	1,229.6	
CapEx		-	-	(829.0)	(7,367.0)	(8,937.0)	(5,506.1)	(1,156.7)	(1,244.6)	(1,288.9)	(1,335.9)	(1,384.6)	(1,435.2)	(1,487.5)	(1,541.8)	(1,598.1)	
Investment in WC			-	-	-	-	(353.4)	(838.4)	(85.4)	(44.9)	(48.0)	(49.7)	(51.5)	(53.4)	(54.0)	(57.3)	
Others																	
FCFF		**-**	**-**	**(829.0)**	**(7,367.0)**	**(8,937.0)**	**(4,758.8)**	**1,412.8**	**2,421.6**	**2,536.1**	**2,612.3**	**2,692.6**	**2,775.9**	**2,862.3**	**3,069.3**	**3,165.0**	**50,907.0**
Time step						0.25	1.25	2.25	3.25	4.25	5.25	6.25	7.25	8.25	9.25	10.25	10.25
Wacc	9.9%																
g (perpetuity)	3.5%																
PV of FCFF						**(2,182.0)**	**(4,227.5)**	**1,141.6**	**1,780.0**	**1,695.7**	**1,588.8**	**1,489.6**	**1,396.9**	**1,310.2**	**1,278.0**	**1,198.8**	**19,281.4**

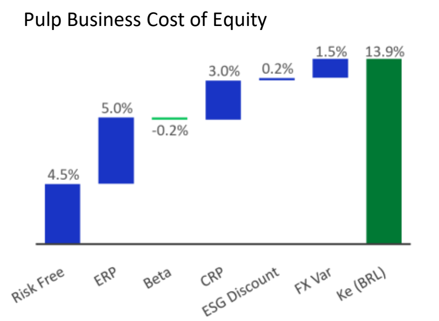
IRR 15.08%
NPV of Cerrado **25,751.5**

Source: Suzano IR, Team 4

Appendix F: Segments Discount Rates







Methodology: To estimate Suzano's appropriate cost of equity, we used the Capital Asset Pricing Model (CAPM) with proprietary estimates for the company's idiosyncratic operation. Using this methodology, we reached an overall cost of equity in BRL of 13.2% for the combined CGUs (Cash Generating Units) and a specific hurdle rate of 13.9% and 13.1% for the respective pulp and paper CGUs.

Equity Risk Premium (ERP): We used a 5.0% equity risk premium that is in line with the expected excess return of mature equity markets. The premises evolve the historical SP500 excess return and the GDP growth rate. When we add the country risk premium our total equity risk premium for Suzano is 7.1% which is in line with estimates of LSEG Refinitiv.

Risk-Free Rate: We used a 4.5% risk-free rate, reflecting the current 10Y United States Treasury Bond YTM.

Beta: For the paper business, we used a beta of 0.8 as paper business, 0.9 for the pulp business, and an overall beta of 0.85 for Suzano's operation.

CRP: We used a 2,97% country risk premium, reflecting Suzano's exposure to Brazil especially in production side.

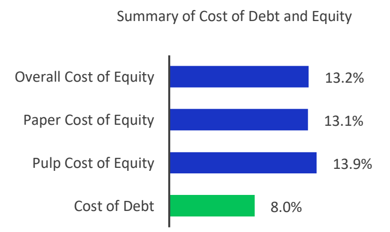
ESG Premium: We applied a 0.18 p.p discount to USD cost of equity as to reflect the premium ESG position Suzano occupies within its industry (Appendix P).

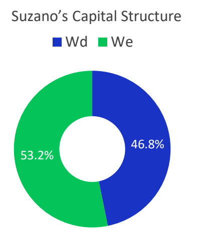
FX Variation: For the FX variation, we used an annualized rate of nominal depreciation of BRL concerning USD, with a long-term inflation rate of 3.5% for Brazil and 2.5% for the United States.

Source: Team 4

Appendix G: Cost of Debt & WACC

Debt Structure	Type/Index	YTM (BRL)	Value	Weight
Foreing Currency				
BNDES	UMBNDES	9.0%	1,076	0.00%
Bonds	Fixed	6.5%	41,842,073	53.27%
Export credits ("export prepayments")	SOFR/Fixed	8.3%	17,736,147	22.58%
Assets financing	SOFR	5.6%	219,208	0.28%
IFC - International Finance Corporation	SOFR	8.0%	2,968,867	3.78%
Others			13,909	0.02%
Local Currency				
BNDES	TJLP	8.4%	265,218	0.34%
BNDES	TLP	11.6%	2,417,644	3.08%
BNDES	Fixed	4.0%	5,023	0.01%
BNDES	SELIC	13.9%	915,063	1.16%
CRA ("Agribusiness Receivables Certificates")	CDI/IPCA	11.6%	726,678	0.93%
NCE ("Export credit notes")	CDI	13.5%	103,661	0.13%
NCR ("Rural producer certificates")	CDI	11.6%	2,035,327	2.59%
Export credits ("export prepayments")	Fixed	8.4%	775,387	0.99%
Debentures	CDI	12.5%	8,525,757	10.85%
		8.0%	78,551,038	





$$WACC = (1 - 34\%) \times Kd \times Wd + Ke \times We$$

Paper Wacc	Pulp Wacc	Suzano's Wacc
9.5%	9.9%	9.6%

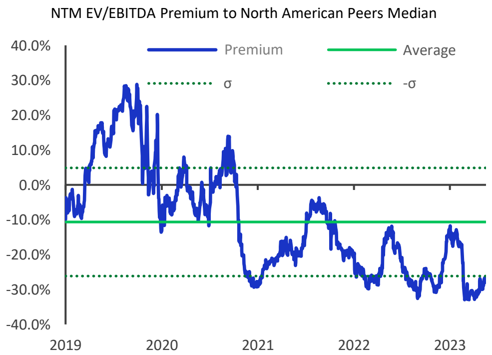
Source: Suzano IR, Team 4

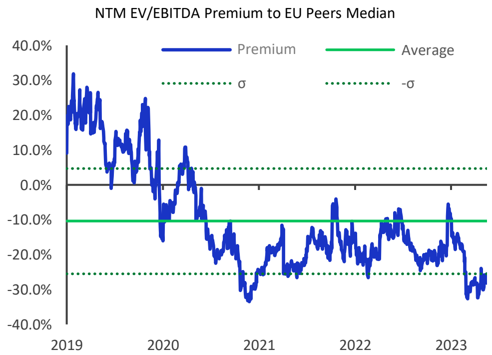
Appendix H: Trading Comps

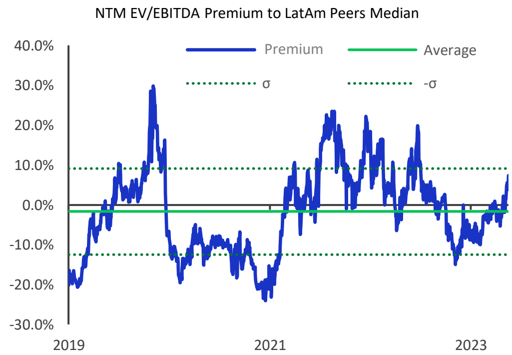
	Enterprise Value	Net Debt	EV/EBITDA 2022	EV/EBITDA 2023	EV/EBITDA 2024	P/E 2022	P/E 2023	P/E 2024
Suzano	**27,819.1**	**12,071.5**	**4.30x**	**6.70x**	**6.29x**	**3.2x**	**6.9x**	**12.9x**
LatAm P&P								
CMPC	9,691.9	4,183.9	4.3x	6.6x	6.7x	5.3x	12.3x	13.7x
Klabin	10,609.7	4,663.1	6.7x	8.3x	7.5x	8.1x	11.9x	11.5x
Irani	803.3	144.4	6.8x	7.9x	6.9x	10.3x	9.6x	12.2x
Dexco	2,290.1	855.0	6.7x	7.9x	6.7x	12.3x	24.6x	15.8x
Copec	19,489.4	8,893.3	5.0x	8.5x	7.2x	5.5x	16.3x	13.3x
Average			**5.9x**	**7.8x**	**7.0x**	**8.3x**	**14.9x**	**13.3x**
Median			**6.7x**	**7.9x**	**6.9x**	**8.1x**	**12.3x**	**13.3x**
EU P&P								
UPM-Kymmene	21,816.4	2,932.4	8.1x	13.0x	9.2x	10.6x	23.8x	14.0x
Stora Enso R	13,624.3	2,077.3	4.8x	12.9x	9.1x	7.6x	58.8x	20.1x
Smurfit Kappa Group	12,306.4	3,227.7	5.0x	5.6x	5.9x	7.6x	9.6x	10.1x
Mondi	10,123.0	1,567.9	5.2x	8.1x	8.1x	8.8x	16.9x	16.5x
Canfor Pulp Products	1,476.1	(247.3)	1.1x	54.5x	4.9x	2.4x	(8.7x)	(36.9x)
ALTRI SGPS	1,372.9	440.2	4.3x	10.0x	8.2x	5.4x	31.8x	15.9x
Average			**4.8x**	**17.4x**	**7.5x**	**7.1x**	**22.0x**	**6.6x**
Median			**4.9x**	**11.5x**	**8.1x**	**7.6x**	**20.3x**	**15.0x**
North America P&P								
International Paper	16,153.1	4,775.0	5.9x	7.4x	7.5x	8.4x	15.6x	16.7x
WestRock	17,845.7	8,207.5	6.0x	6.6x	5.7x	12.7x	16.2x	10.8x
Packaging of America	15,745.0	2,081.1	8.3x	10.0x	10.3x	13.3x	18.3x	19.5x
Graphic Packaging Holding	12,279.3	5,104.0	7.6x	6.5x	6.6x	10.0x	8.1x	8.6x
Mercer	1,866.0	999.8	3.5x	93.3x	9.6x	3.3x	(4.6x)	(9.4x)
Rayonier	6,057.1	1,521.5	19.1x	20.7x	19.7x	48.5x	97.7x	60.2x
Average			**8.4x**	**24.1x**	**9.9x**	**16.0x**	**25.2x**	**17.7x**
Median			**6.8x**	**8.7x**	**8.5x**	**11.4x**	**15.9x**	**13.7x**

Source: LSEG Refinitiv

Appendix I: Historical EV/EBITDA Premium of Suzano







Source: Factset

Source: Team 4; Factset

Appendix J: Montecarlo Simulation

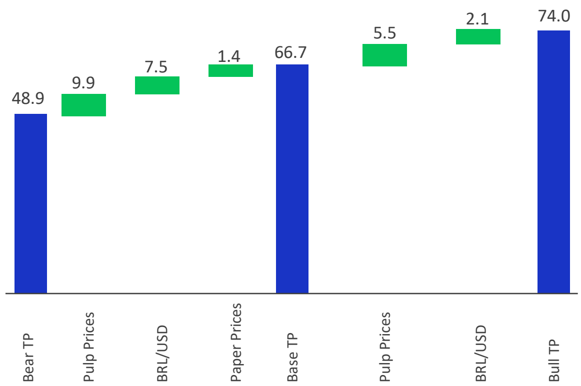
Variable	Distribution	Mean	Std Dev
Real Pulp Prices (USD/tn)	Normal	575.0	150.0
Real Paper Prices (USD/tn)	Normal	1300.0	300.0
Real Pulp Cash Cost (BRL/tn)	Normal	800	50
Real BRL/USD	Normal	5.0	0.5

Methodology: We assumed the above distributions for key variables and simulated over 5,000 scenarios sampled randomly from those distributions and stored the resulting price target for each simulation.

Results: The results show us that, in the majority of scenarios, Suzano's current price level offers a very attractive risk-reward to the uncertainty of the pulp market and exchange rates that are largely unpredictable.

Source: Team 4

Appendix K: Base, Bull and Bear Assumptions



Variable	Bear Case	Base Case	Bull Case
Pulp Prices	550.0	575.0	590.0
Paper Prices	900	1200	1200
BRL/USD	4.8	5.0	5.1

Bear Case: This represents a scenario in which the market fails to absorb the new market pulp capacity due to slower forecasted demand, leading to lower structural pulp prices for the long term. In this scenario, we also include a real appreciation of BRL against the USD that may occur if we face stagflation with a lower FED funds rate in the United States.

Bull Case: Our Bull case represents a scenario in which the world wood supply limits the additional pulp capacity, and supply-side disruptions soften the short-term oversupply, bringing pulp prices back to the 600 level sooner than expected. In this case, we also assume a real depreciation of BRL in relation to USD, possibly due to reduced interest rate differential and fiscal uncertainties in Brazil.

Source: Team 4

Appendix L: Industry Data and Sensitivity

Suzanos's 2024 EBITDA

BHKP (USD/tn) \ BRL/USD	525.0	550.0	575.0	600.0	625.0
4.6	13,884	15,085	16,285	17,485	18,686
4.8	15,090	16,343	17,596	18,849	20,102
5.0	16,296	17,602	20,104	20,212	21,517
5.2	17,503	18,860	20,218	21,575	22,933
5.4	18,709	20,119	21,528	22,938	24,348

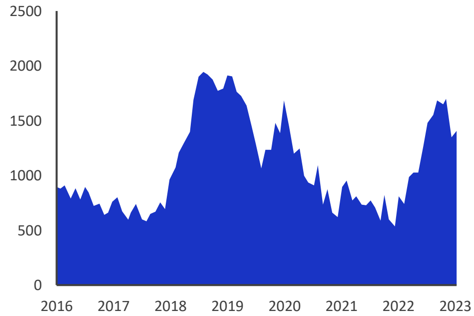
Suzanos's 2024 EV/EBITDA

BHKP (USD/tn) \ BRL/USD	525.0	550.0	575.0	600.0	625.0
4.6	8.9x	8.2x	7.6x	7.1x	6.6x
4.8	8.2x	7.6x	7.0x	6.6x	6.2x
5.0	7.6x	7.0x	6.3x	6.1x	5.8x
5.2	7.1x	6.6x	6.1x	5.7x	5.4x
5.4	6.6x	6.2x	5.8x	5.4x	5.1x

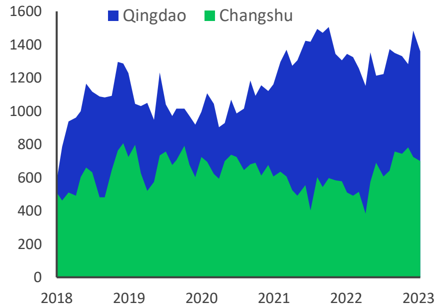
Suzanos's 2024 Net Debt/EBITDA

BHKP (USD/tn) \ BRL/USD	4.4	4.7	5.0	5.3	5.6
525.0	4.3x	3.7x	3.3x	3.0x	2.7x
550.0	3.9x	3.5x	3.1x	2.8x	2.6x
575.0	3.6x	3.2x	2.9x	2.6x	2.4x
600.0	3.4x	3.0x	2.7x	2.5x	2.3x
625.0	3.2x	2.8x	2.6x	2.3x	2.1x

Pulp Inventory at EU Ports ('000 tn)



Pulp Inventories at China Ports ('000 tn)



Gap of Softwood and Hardwood Pulp Prices (USD/tn)

Source: RISI, PPPC, Team 4

Appendix M: Supply Demand Model

BCP Demand (mn tn)	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	CAGR (2022-2027)
Demand	**65.72**	**60.00**	**60.50**	**63.60**	**64.96**	**66.16**	**67.26**	**68.36**	2.5%
China	27.87	22.26	21.54	24.04	24.78	25.38	25.88	26.38	4.1%
YoY		*-5.61*	*-0.73*	*2.50*	*0.75*	*0.60*	*0.50*	*0.50*	
Western Europe	13.53	13.79	14.15	14.29	14.44	14.58	14.73	14.87	1.0%
YoY		*0.26*	*0.37*	*0.14*	*0.14*	*0.14*	*0.14*	*0.14*	
North America	7.76	7.59	7.71	7.79	7.87	7.94	8.02	8.10	1.0%
YoY		*-0.17*	*0.13*	*0.08*	*0.08*	*0.08*	*0.08*	*0.08*	
LatAm	3.75	3.77	3.93	4.01	4.09	4.17	4.25	4.33	2.0%
YoY		*0.02*	*0.16*	*0.08*	*0.08*	*0.08*	*0.08*	*0.08*	
Eastern Europe	2.90	2.94	2.90	2.95	2.99	3.04	3.08	3.13	1.5%
YoY		*0.04*	*-0.04*	*0.05*	*0.05*	*0.05*	*0.05*	*0.05*	
Japan	1.86	1.92	2.15	2.15	2.15	2.15	2.15	2.15	0.0%
YoY		*0.06*	*0.23*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	
Oceania	0.36	0.34	0.41	0.41	0.42	0.43	0.44	0.45	1.9%
YoY		*-0.02*	*0.07*	*0.01*	*0.01*	*0.01*	*0.01*	*0.01*	
Other Asia/Africa	7.72	7.40	7.73	7.97	8.22	8.47	8.72	8.97	3.0%
YoY		*-0.32*	*0.32*	*0.25*	*0.25*	*0.25*	*0.25*	*0.25*	

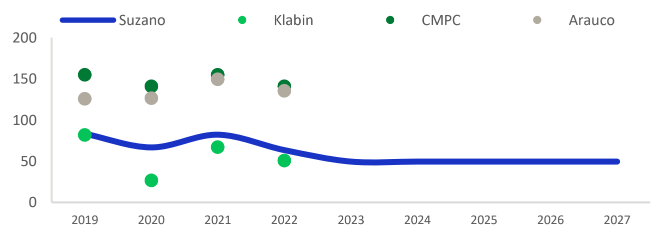
BCP Supply (mn tn)	2020	2021	2022	2023E	2024E	2025E	2026E	2027E
Supply	**0.00**	**59.99**	**60.48**	**63.59**	**66.65**	**67.25**	**67.35**	**67.35**
Capacity	**67.25**	**66.00**	**65.03**	**67.81**	**70.86**	**72.61**	**72.70**	**72.70**
BHKP	38.19	37.07	37.15	39.93	42.98	44.73	44.82	44.82
BSKP	28.75	28.62	27.58	27.58	27.58	27.58	27.58	27.58
Sulphite	0.305	0.305	0.305	0.305	0.305	0.305	0.305	0.305
"UnderWater" Capacity		6.01	4.55	4.213	4.213	5.354	5.354	5.354
Utilization Rate		90.9%	93.0%	93.8%	94.1%	92.6%	92.6%	92.6%
Forcasted Additions				2.78	3.06	1.74	0.10	0.00
Suzano				-0.62	0.97	1.74	0.10	
ARAUCO				0.784	0.745			
UPM				1.006	0.989			
Kemi				0.62	0.59			
Bracell				0.208				
Stora Enso				-0.119	-0.238			
Temporary disruptions				0.9				

Source: Team 4

Appendix N: Working Capital

Working Capital Dynamics: Suzano maintains a good level of cash conversion cycle, just behind Klabin but well ahead of the Chilean companies Arauco and CMPC. The key differentiator that put it behind is Suzano's higher Days Sales Outstanding (DSO) of 70 compared to Klabin's 48. Nevertheless, we have yet to discern any specific driver or catalyst that would significantly incentivize Suzano to enhance its cash conversion cycle. Therefore, our projection for the company's Cash Conversion Cycle (CCC) in 2027 is aligned with its current state. This leads us to retain a certain level of skepticism when evaluating any signs of improvement in its Working Capital. However, it is worth noting that we acknowledge the company's commendable performance in this regard, surpassing its Chilean peers by a substantial margin.

Cash Conversion Cycle (days)



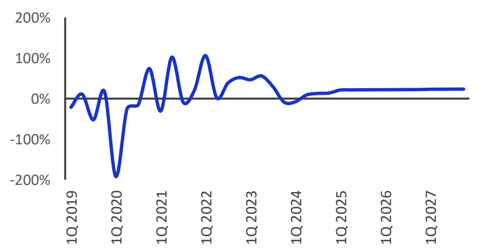
Suzano	2019	2020	2021	2022	2023	2024	2025	2026	2027
DSO	42.60	34.93	58.20	70.37	55.50	55.50	55.50	55.50	55.50
DIO	82.45	77.16	82.11	84.23	94.20	94.20	94.20	94.20	94.20
DPO	41.82	45.44	58.23	91.27	85.90	85.90	85.90	85.90	85.90
CCC	83.23	66.65	82.07	63.34	63.80	63.80	63.80	63.80	63.80

Source: Suzano IR, Team 4

Appendix O: Net Margin & DuPont Analysis

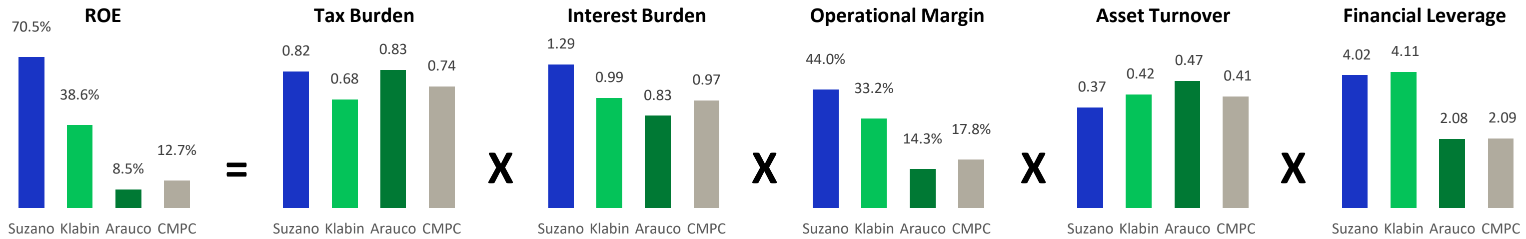
Net Margin: Despite consistently maintaining high operating margins, Suzano experiences significant fluctuations in its net margin over time. These fluctuations can occasionally lead to the company reporting a net loss due to its financial results at the end of a given period. Consequently, when significant changes occur in the value of the USD, for instance, the outcomes may fluctuate positively or negatively, depending on the variable's behavior. For example, in the first quarter of 2020, the USD appreciated by over 30% against the BRL, benefiting the company's regular dollar-priced operations but adversely affecting the hedging result, negatively impacting the net margin. Suzano, a prominent player in the Brazilian pulp and paper industry, operates in a sector susceptible to substantial fluctuations in commodity prices, notably pulp, which directly impacts the company's bottom line. To shield themselves against these price fluctuations and to mitigate associated risks, Suzano employs intricate financial hedge strategies. While these financial instruments are designed to minimize risks, the accounting treatment of these transactions can introduce substantial volatility into the company's net margin. This can result in significant fluctuations from one reporting period to another, rendering Suzano particularly vulnerable to adverse effects on its financial performance in the face of sudden and dramatic movements in the commodity markets.

Suzano's Quaterly Net Margin



Source: Suzano IR, Team 4

DuPont Analysis: We conducted a 5-step DuPont Analysis, which consolidated Suzano with an impressive ROE of 70.5%, almost double Klabin, the closest peer, and substantially above Chilean peers. The key differentiator between Brazilian and Chilean companies lies in their financial leverage, with Suzano and Klabin exhibiting approximately double the financial leverage compared to international counterparts. This substantial indicator implies a business model characterized by a high debt position. Suzano also stands out with an operational margin of 44%, surpassing Klabin's 33.2%. The Interest Burden, at 1.29, is also noteworthy, mainly due to the positive impact stemming from Suzano's derivatives, which play a vital role in the company's hedging strategy.



Source: Suzano IR, Team 4

Appendix P: ESG Index and Premium

	Criteria	Suzano	Klabin	CMPC	Arauco	IP	UPM	Grade Criteria	Mean	Median
	ESG Score	**4.5**	**4.5**	**4.3**	**3.8**	**4.2**	**4.4**		**4.3**	**4.3**
	Environmental	**4.5**	**4.7**	**4.5**	**4.2**	**4.3**	**4.9**		**4.5**	**4.5**
E1	Does the company have good emission initiatives? Is it transparent and has good disclosure about its practices?	4.5	4.5	4.3	4.2	4.0	4.8	Relevance given to reducing carbon emissions and emissions reduction targets	4.4	4.4
E2	Does the company take initiatives in relation to biodiversity and environmental issues?	3.5	4.5	4.0	4.0	4.0	4.5	Relevance given to biodiversity and environmental issues	4,1	4,0
E3	Does the company make good use of and manage water and energy? Does it have reutilization pratices?	4.8	5.0	4.5	3.8	4.3	5.0	Efficiency in water and energy use management	4.6	4.7
E4	Does the company carry out complete monitoring of its supply chain? Is there transparency about suppliers' water consumption, energy, emissions and ESG practices?	4.7	4.5	4.8	4.0	4.3	5.0	Suppliers' requirements, in line with sustainable practices	4.6	4.6
E5	Does the company have commitments to major institutions?	5.0	5.0	5.0	5.0	5.0	5.0	Association with ESG-related entities.	5.0	5.0
	Social	**4.5**	**4.4**	**4.0**	**4.0**	**4.1**	**4.1**		**4.2**	**4.1**
S1	Does the company have good awareness of its employee's safety, wellbeing and health?	4.4	4.8	4.2	4.0	4.6	4.0	Relevance given to workers health and safety in operations	4.3	4.3
S2	What is the employment perception of the Company? (Glassdoor "% of people who'd recommend it")	4.7	4.6	4.3	4.1	3.3	3.9	Glassdoor "% of people who'd recommend it"	4.1	4.2
S3	Is there a high level of diversity and inclusion in the company?	4.5	4.1	3.7	3.7	3.6	3.6	Glassdoor "Diversity and Inclusion" grade	3.9	3.7
S4	Does the company have a good labor management?	4.3	4.2	4.0	4.0	3.8	4.0	Score on proprietary index (Appendix O)	4.1	4.0
S5	Does the company have a clear policy of investments focused on its community?	4.5	4.5	4.0	4.0	5.0	5.0	Community relations and local development	4.5	4.5
	Governance	**4.5**	**4.3**	**4.2**	**3.4**	**4.3**	**4.2**		**4.1**	**4.3**
G1	How is the company's board made up of women and independents?	4.5	4.0	3.5	2.0	5.0	5.0	Board diversity and independency	4.0	4.3
G2	What is the company score in sites such as Infojobs, Indeed or Glassdoor?	4.5	4.3	4.0	4.1	3.6	3.7	Infojobs BoD approval grade	4.0	4.1
G3	Is the compensation aligned with long-term sustainability?	4.7	4.1	4.6	3.7	4.8	4.0	Compensation aligned with long-term sustainability	4.3	4.4
G4	Does the company have adequate transparency over its policies?	4.5	4.5	5.0	4.0	4.5	4.5	Level of governance and transparency	4.5	4.5
G5	Are shares concentrated in the hands of a few?	4.2	4.6	4.0	3.0	3.5	4.0	Company's Equity Concentration	3.9	4.0
	Future Commitments	**4.5**	**4.5**	**4.2**	**4.3**	**4.4**	**4.5**		**4.4**	**4.5**
FC1	Does the company have clear plans for consolidation and growth in the future?	5.0	5.0	4.0	5.0	4.5	5.0	Well-Structured Future Plans	4.8	5.0
FC2	Is the company's management aligned with the company's sustainability and will it be able to guide it in the long term?	4.5	4.5	4.5	4.0	4.8	4.0	Long-Term Aligned Management Guiding the Company's Future	4.4	4.5
FC3	Is there an explicit path to achieving ESG commitments in the coming years?	4.0	4.0	4.0	4.0	4.0	4.5	Clear Paths to ESG Commitments	4.1	4.0
Risk Score	Sustainalytics ESG Risk Score Rating (0-100)	18.0	13.3	22.2	23.9	24.5	16.3		19.7	20.1
Environmental Score		4.5	4.7	4.5	4.2	4.3	4.9		4.5	4.5
Social Score		4.5	4.4	4.0	4.0	4.1	4.1		4.2	4.1
Governance Score		4.5	4.3	4.2	3.4	4.3	4.2		4.1	4.3
Present Efforts Score	Weight of 70%	4.5	4.5	4.3	3.8	4.2	4.4		4.3	4.3
Future Commitments Score	Weight of 30%	4.5	4.5	4.2	4.3	4.4	4.5		4.4	4.5
ESG Score		4.5	4.5	4.2	4.0	4.3	4.4		4.3	4.4
Risk-Adjusted ESG Score		4.7	4.8	4.4	4.2	4.5	4.7		4.5	4.6
Deviation from the Mean		0.2	0.3	-0.1	-0.4	-0.1	0.1		0.0	0.0
ESG Risk Premium		-0.18%	-0.26%	0.12%	0.38%	0.09%	-0.14%		0.0	0.0

Grade	Meaning
0	No information released or available concerning the criteria
1	Management has mentioned the criteria, but no concrete actions can be found
2	Management has mentioned the criteria, but actions on the subject are significantly underdeveloped
3	Present efforts are intermediate, but there is a structured guideline for the future
4	Very well-structured plan for action, but impacts have not reached their full potential
5	Plans are already implemented and showing large impacts

Sustainalytics Grade	Risk Meaning
0-10	Negligible Risk
10-20	Low Risk
20-30	Medium Risk
30-40	High Risk
40+	Severe Risk

Methodology: We've created an ESG index based on Suzano's disclosed materiality points following Sustainability Accounting Standards Board (SASB), Principles for Responsible Investment (PRI), and Global Responsible Initiatives (GRI), covering 5 topics from each criteria and 3 future issues. Suzano is strongly positioned in Social and Governance, aligning with future commitments. Adjusting with Sustainalytics ESG Rating, we consider ESG as an indicator of potential sustainability risk. Applying a discount to Suzano's Cost of Capital based on a 1% deviation from the sector mean results in a 1% premium in the Cost of Equity. Given Suzano's unique and above-sector positioning, it deserves a discount.

Equations:

$$WeightedRisk_{ESG} = \frac{1}{\left(\frac{Risk_i}{Risk_{mean}}\right)\beta} ESG_{mean} + ESG_i$$

$$\beta = \frac{100\ (maximum\ risk\ score)}{5\ (maximum\ ESG\ score)}$$

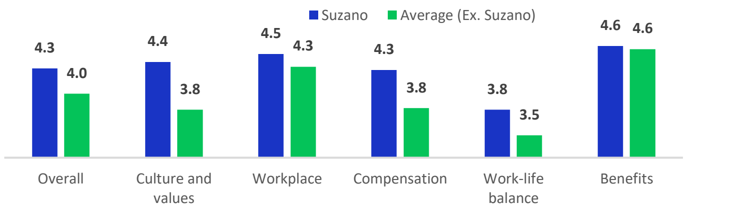
$$ESG_{RP} = (ESG_i - ESG_{mean}) * 1\%$$

Source: Suzano IR, Team 4

Appendix Q: Labor Management Analysis

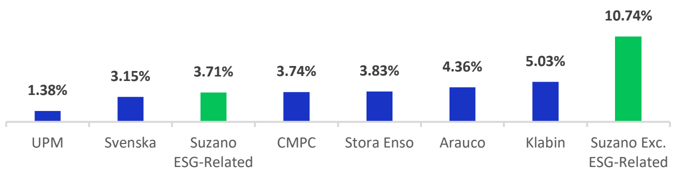
Competitive Analysis Regarding Labor Management: Upon reading "New Frontiers of Risk and Return," we have found that employee satisfaction is a central point for increased productivity and an enhanced internal environment within a company. As a result, we conducted a competitive analysis among Suzano and its peers, focusing on culture and values, work environment, compensation, benefits and salary, and work-life balance. Based on our analysis, we see that Suzano is significantly better positioned than its competitors, surpassing the average across all indicators and demonstrating superior management of employees. This comparison was conducted based on rating data extracted from Infojobs, Indeed, and Glassdoor.

Indicator	Suzano	Klabin	CMPC	Arauco	International Paper	UPM
Overall	4.3	4.2	4.0	4.0	3.8	4.0
Culture and Values	4.4	4.1	3.9	3.9	3.3	3.8
Workplace	4.5	4.4	4.3	4.3	4.4	4.3
Compensation	4.3	4.1	4	3.7	3.8	3.5
Work-life Balance	3.8	3.7	3.6	3.6	2.9	3.6
Benefits	4.6	4.7	4.4	4.4	4.6	4.7



Source: Suzano IR, Team 4

Appendix R: Green Bonds and Sustainability Linked Bonds



Green Bonds and SLBs: Suzano stands out for its competitive debt costs, utilizing its size, global reach, and ESG commitments to lower its capital expenses. We compared Suzano's Green Bonds and SLBs costs with its peers, analyzing issued bonds, coupons, and primary values. Suzano allocates around 39% of its debt to Green and Sustainability Linked Bonds, resulting in a highly competitive 3.71% cost compared to its 10.74% traditional debt cost. Additionally, Suzano competes effectively with European counterparts, leveraging its ESG efforts, scale, and global presence.

Source: Suzano IR, Team 4

Appendix S: Carbon Credit Market

Period	Emissions/Sequestration (mn tn)	Mean Price tCO_2e - regulated market (BRL)	Value in the regulated market (BRL mn)	Mean Price tCO_2e - voluntary market (BRL)	Value in the voluntary market (BRL mn)	Total Difference (mn BRL)
2020	-15.20	148.90	2,263.41	27.84	423.18	**1,840.22**
2021	-8.89	339.01	3,015.93	31.29	278.45	**2,737.49**
2022	2.08	447.08	-932.06	29.93	-62.41	**-869.65**
2023E-2025E	-18.00	280.50	5,049.00	30.27	1,211.04	**3,837.96**

Carbon Credit Market and its Benefits for Suzano: The establishment of the carbon credit market is one of the current global efforts toward sustainability. However, Brazil only has a voluntary market, with the regulated market being a project under consideration within the country's political circles. Suzano generates surplus carbon captured from the atmosphere (22 mn tn since 2020, with the goal of 40 mn tn by 2025), and the commercialization of these carbon credits could represent a new revenue stream for the company. Despite political efforts, it will still take time for the regulated market to be fully operational due to the regulatory and operational adaptation period. We believe the company's decision to await the regulation of the Brazilian market is prudent, considering the significant differences in the amount of revenue generated between the voluntary and regulated markets, as depicted in the adjacent table – without future estimates (2023E-2025E), we consider the difference in revenues with figures around 3,708.06 mn BRL, utilizing mean prices of tCO_2e for both the regulated and voluntary markets.

Source: Investing, Ember, Team 4

Appendix T: Re-Rating ESG Analysis

Positive Re-rating			
Company, Rating, Date (Other Commodities)	**One-Year Return After**	**Company, Rating, Date (Pulp)**	**One-Year Return After**
Vale (CCC - B) Nov/22 - Now	1%	Suzano (B --> BB) - Jan/23 - Now	7.25%
Gerdau (CCC - B) Oct/20 - Oct/21	33%	Klabin (BB) - Dec 2022 - Now	20.05%
Gerdau (B - BB) Oct/21 - Oct/22	4%	CMPC (BB --> BBB) - Dec 2022	13.60%
Gerdau (BB - BBB) Jun/23 – Now	2%	IP (BBB - A) Oct 20 - Out 21	39.46%
Nippon Steel (BBB - A) Oct/21 Oct/22	12%	IP (A - AA) Dec 22 - Now	3.60%
Hyundai Steel Co (CCC - B) Dec/22 Now	24%	COPEC (BBB - A) Dez/22 - Now	5.80%
JFE Steel (A - AA) Apr/22 Apr/23	3%	Stora Enso (AA - AAA) Sep/21 - Sep/22	3.30%
Chevron (BBB - A) Jun/22 - Jun/23	2%	Smurfit Kappa (A-AA) Sep/21 - Sep/22	-35.00%
TotalEnergies (A - AA) Aug/23 – Now	14%	Westrock (BB - BBB) Mar/21 - Mar/22	10.03%
Conoco (A-AA) May/23 Now	24%	Westrock (BBB - A) Mar/22 - Mar/23	-23.83%
Sinopec (B - BB) Nov/21 Nov22	10%	Oji Holdings (BB - BBB) Sep/20 - Sep/21	24.27%
Shell (BBB - A) Sep/18 Sep/19	-1%	Marubeni Corp (BBB - A) Mar/20 - Mar/21	88.28%
Shell (A-AA) Sep/21 Sep/22	64%	Marubeni Corp (A - AA) Dec/21 - Dec/22	49.12%
BP (BBB - A) Nov/21 Nov/22	33%		
Marathon (BB - BBB) Dec/20 Sep/21	43%	Average	15.8%
Marathon (BBB - A) Sep/21 Sep/22	58%	Median	10.0%
Marathon Oil (BBB - A) Oct/22 Now	13%	Standard Deviation	21.8%
Valero (BBB - A) Oct/21 Oct/22	35%		
Average	20.73%		
Median	13.69%		
Standard Deviation	16.5%	**Weighted Average:**	**18.68%**

Negative Re-rating			
Company, Rating, Date (Other Commodities)	**One-Year Return After**	**Company, Rating, Date (Pulp)**	**One-Year Return After**
Baosteel (BB - B) Mar/21 Sep/21	-4.08%	Klabin (BBB - BB) - Out/21 - Out/22	-10.71%
Ultrapar (AA - A) Oct/21 Oct/22	-17.84%	CMPC (BBB - BB) - Dec/20 - Dec/21	-26.27%
Natura (AAA - AA) Dec/20 Dec/21	-41.83%	COPEC (A - BBB) Jun/21 - Jun/22	-12.70%
WEG (BBB - BB) Mar/23 Now	-10.00%	APP (BB - B) Mar/23 Now	25.11%
Bristol Myers (AA - A) Mar/23 Now	-18.56%		
Petronet (BBB - BB) Jan/20 Jan/21	-14.13%		
Petronas (AA - A) May/23	-1.84%	Average	-6.14%
Offshore Oil (BBB - BB) Jul/21 Jul/22	-10.82%	Median	-11.71%
Tongling Nonferrous Metals (B - CCC) Nov/21 Nov/22	-16.76%	Standard Deviation	15.6%
Zhaonjing Mining (B - CCC) Mar/22 Mar/23	8.22%		
CGN Power (BB - B) Sep/22 Aug/23	4.83%		
China Gas Holdings (BBB - BB) Dec/21 Nov/22	-13.60%		
GD Power (B - CCC) Aug/20 Aug/21	11.37%		
Daigas Group (AA - A) Dec/20 Dec/21	-0.95%		
Suntory (AA - A) Mar/23 Now	-7.80%		
Wens (BB - B) Nov/22 Now	-8.97%		
Lotte Chemicals (BBB - BB) Oct/20 Oct/21	-9.84%		
Sekisul (AAA - AA) Dec/20 Dec/21	-1.28%		
LG Chem (BBB - BB) Dec/20 Dec/21	-24.64%		
EMS Chemie (BB - B) Sep/20 Sep/21	1.97%		
COSCO Shipping Energy (B - CCC) Dec/20 Nov/21	-22.54%		
COSCO Shipping Energy (BB - B) Sep/23 Now	-3.23%		
COSCO Shipping Ports (BB - B) Sep/21 Sep/22	-22.40%		
Shipping Dev (BB - B) Feb/20 Feb/21	6.87%		
Zheijiang Wheixing (A - BB) Jan/23 Now	-13.54%		
Zhejiang China Commodities (BB - B) Aug/21 Aug/22	4.97%		
Jointown Pharma (BB- B) Aug/21 Aug/22	-22.55%		
Yifeng (BB - B) Jan/23 Now	-16.42%		
Average	-9.26%		
Median	-9.92%		
Standard Deviation	9.5%	**Weighted Average:**	**-9.06%**

Re-Rating Analysis: We conducted an analysis wherein we isolated over 60 peer companies that experienced either a positive or negative re-rating by MSCI. Subsequently, we compared the stock returns one year after the re-rating event. We categorized the positive and negative re-ratings into two groups: companies within the Pulp & Paper sector and other commodities. Following this, we charted the average performance of each group of shares and then calculated the weighted average. This approach allowed us to more precisely quantify the potential benefits Suzano could derive from a positive re-rating, leading us to a figure of 18%.

Source: MSCI, Team 4

Appendix U: CTNBio Register Analysis

Company	CTNBio Register
Suzano	36
IP	19
ArborGen	12
Stora Enso	5
Alellyx	3
Monsanto	1
Bioagro	1

Suzano	3
FuturaGene	25
Fibria	8
Total	36

Methodology: To find out how engaged Suzano is in the sustainable field, specifically regarding genetically modified organisms, we analyzed to discover the number of registrations in CTNBio for each Pulp & Paper company. As a result, we found that by far, Suzano is the company that is most engaged in the release of GMOs, with 36 total registrations (here considering all of Suzano's segments such as Fibria and FuturaGene), followed by International Paper, ArborGen, etc. We perceive this effort as an indicator of Suzano's preoccupation with innovation and the sector's future, signaling a possible competitive advantage once GMO use is regulated in the Pulp & Paper Sector.

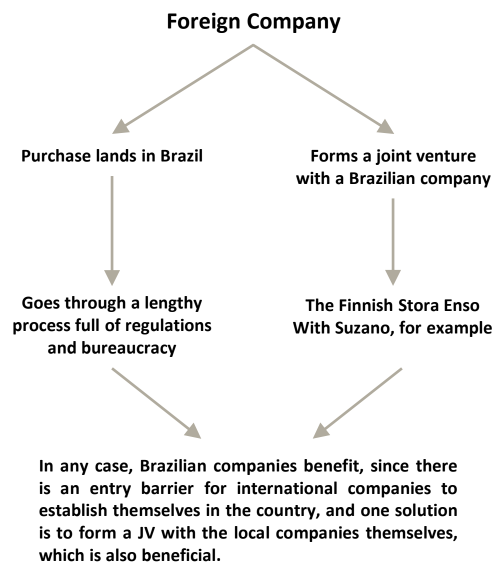
Source: CTNBio, Team 4

Appendix V: Land Purchase by Foreigners

Bill No. 5,709/1971 serves as the primary Brazilian legislation governing the acquisition of rural lands by foreigners within the country. This law establishes specific requirements and restrictions designed to regulate foreigners' purchase of rural lands while safeguarding national interests. Below, we outline some of the critical points associated with this law:

1. **Definition of Foreigners:** The law defines foreigners as both foreign individuals and legal entities, including companies controlled by foreigners. This signifies that the law applies not only to foreign individuals but also to foreign companies seeking to acquire rural lands in Brazil.
2. **Prior Authorization:** The law mandates that foreigners obtain prior authorization from the Brazilian government to acquire rural lands. This authorization is granted by the National Institute for Colonization and Agrarian Reform (INCRA) in collaboration with the Ministry of Agriculture, Livestock, and Supply. The application process entails the submission of documents and information about the purchaser and the purpose of the acquisition.
3. **Area Limits:** The law sets maximum area limits that a foreign individual or company controlled by foreigners can acquire in Brazil. These limits can vary based on the geographical location and type of land but typically amount to 25% of the total area of the municipality where the land is situated.
4. **Productive Purposes:** The acquisition of rural lands by foreigners must be dedicated to productive purposes. This implies that the acquired land must be used for agricultural, livestock, agro-industrial, or other activities related to the country's economic development.
5. **Reversion Clause:** The law stipulates that if the land acquired by a foreigner is not used for the purposes specified in the authorization, the Brazilian government may demand the reversion of the property, meaning the return of the land to the government, which can then allocate it to third parties.
6. **Control and Oversight:** INCRA is responsible for overseeing and enforcing compliance with Law No. 5,709/1971 provisions. This includes the examination of purchase authorizations, monitoring land use, and imposing penalties in cases of violations.

It is important to note that while the law restricts the purchase of rural lands by foreigners, it does not outright prohibit this practice. However, it establishes stringent conditions and requirements to ensure that foreigners' acquisition of rural lands aligns with national interests, security, and Brazil's sovereignty. Additionally, regulations may evolve over time, making it essential to consult with authorities and seek updated legal counsel when considering the purchase of rural lands in Brazil as a foreigner.

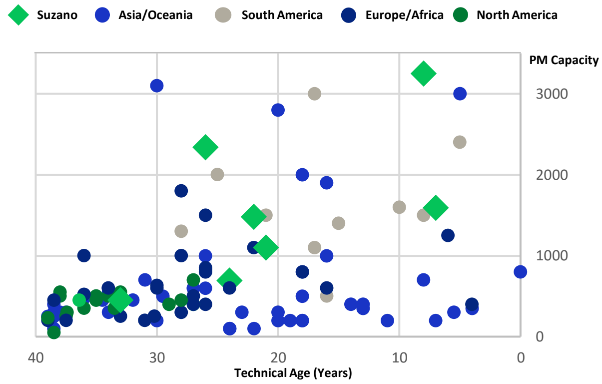


Source: Team 4

Appendix W: Technical Age Analysis

Methodology: We conducted an analysis to evaluate the productivity and useful life of Suzano's factories and thus compare it with peers. It is worth mentioning that "technical age" does not refer to the factory's age but the internal machinery's useful life. Therefore, it is understood that the maximum technical age would be approximately 40 years, and after this period, the factory will be restricted from functioning. When analyzing the data, we see Suzano as very well positioned, with most of its factories having a low technical age and good productivity, placing it above its peers.

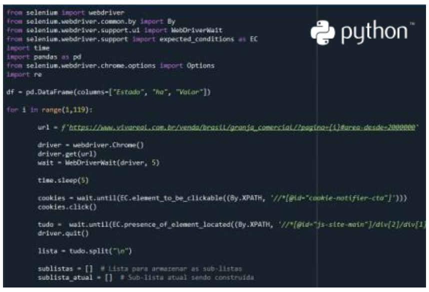
Suzano's Factories		
Name	**PM Capacity**	**Technical Age**
TLS	3250	8
Imperatriz	1590	7
Mucuri	1480	22
Aracruz	2340	26
Limeira	690	24
Jacareí	1100	21
Suzano	450	33



Source: Companies IR, Team 4

Appendix X: Land Valuation Analysis

Methodology: We carried out a web scraping using Python that identified the average price per square meter of farms around Brazil. There were 4,231 farms analysed in the states where Suzano operates. This way, we were able to establish an average price per hectare of what the value of the land is in each location. We then multiply this price by the area of forest that Suzano has, both preserved and planted, and both owned and leased. Thus, we arrived at a land valuation that Suzano owns at BRL 88 bn, with approximately BRL 50.7 bn being owned land. Furthermore, we compared the Land Valuation results with other pulp companies, and we see Suzano extremely well positioned, with a Land Valuation representing more than 3.8x of peers' EBITDA, which evidences how Suzano's size is almost unreachable.



State	Planted Area (ha)	Preserved Area (ha)	Others (ha)	Total (ha)	Total (%)	Avg Land Value (BRL/ha)	Valuation
São Paulo	215,000.00	129,000.00	16,000.00	360,000.00	13%	67,625.6	24,345,213,183
Rio de Janeiro	2,000.00	1,000.00	-	3,000.00	0%	27,789.9	83,369,555
Mato Grosso do Sul	496,000.00	257,000.00	108,000.00	861,000.00	32%	35,674.6	30,715,823,620
Espírito Santo	152,000.00	109,000.00	12,000.00	273,000.00	10%	28,436.4	7,763,136,643
Bahia	267,000.00	207,000.00	24,000.00	498,000.00	18%	21,947.6	10,929,925,834
Minas Gerais	22,000.00	37,000.00	2,000.00	61,000.00	2%	36,920.9	2,252,172,912
Rio Grande do Sul	10,000.00	1,000.00	-	11,000.00	0%	28,378.4	312,162,057
Tocantins, Maranhão, Pará e Piauí	252,000.00	359,000.00	54,000.00	665,000.00	24%	18,845.9	12,532,532,493
Total	**1,416,000.00**	**1,100,000.00**	**216,000.00**	**2,732,000.00**	**100%**	**33,202.4**	**88,934,336,300**
				Owned		**57%**	**50,692,571,691**
				Terceirized		43%	38,241,764,609

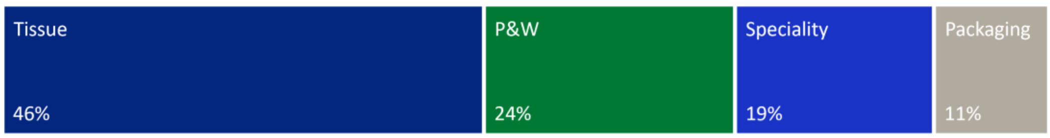
Company	EBITDA LTM (mn R$)	Land Valuation/EBITDA
Suzano	23,118.79	2,19x
International Paper	**12,070.68**	**4,20x**
Empresas Copec	**10,886.56**	**4,66x**
Empresas CMPC	**9,848.68**	**5,15x**
UPM-Kymmene	9,268.17	5,47x
Stora Enso	6,970.05	7,27x
Klabin	6,688.91	7,58x
APP	5,704.43	8,89x
Nine Dragons Paper	1,368.14	37,05x
Dexco	1,298.84	39,03x
Svenska Cellulosa	934.74	54,23x

Source: Companies IR, Team 4

Appendix Y: Pulp Demand by Product

BSKP Breakdown of Shipments by End-Use

BHKP Breakdown of Shipments by End-Use

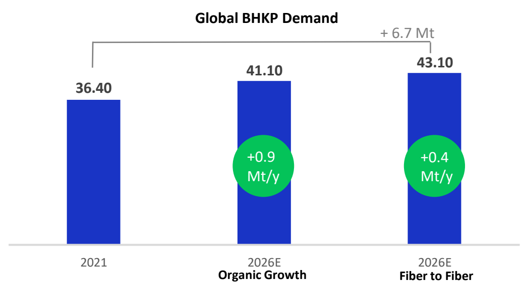


Upon analyzing the chart, it becomes evident that the primary end-use for both types of cellulose is "Tissue." However, a notable distinction arises as BSKP displays a substantial 24% demand for "Fluff," a demand category not observed in BHKP. This divergence stems from the well-established characteristic of BHKP, featuring shorter fibers predominantly utilized in commercial paper applications, while "Fluff" is renowned for its heightened softness. In a broader context, the rankings for the third to fifth highest demands consistently align for both cellulose types, with "Printing & Writing," "Specialty," and "Packaging" following the same order.

Source: Hawkins Wright, Team 4

Appendix Z: Fiber to Fiber Opportunities

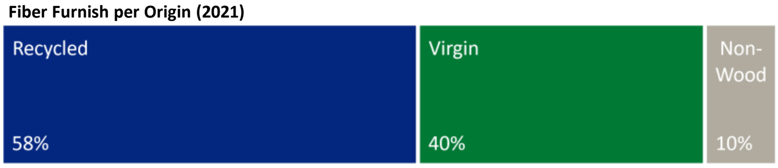
BSKP Substitution: Besides the organic growth in hardwood consumption, there is a coupled movement of increasing demand from fiber to fiber. This trend involves short fiber gaining market share from long fiber, with an estimated addition of +2 mn metric tn of Bleached Hardwood Kraft Pulp (BHKP) by 2026 stemming from this opportunity. The primary penetration of hardwood is through the tissue and cartonboard markets due to fiber improvements through R&D, limited availability of RCP, cost competitiveness vs. BSKP, etc. Regarding the cartonboard market, for instance, we observe new initiatives concerning kraftliner papers made from virgin fiber obtained from softwood but also incorporating short fiber in their composition. For instance, one of the key market players, Klabin, is investing in a new project called Eukaliner, a kraftliner paper made exclusively from eucalyptus fiber, aligned with the development of Puma II. Consequently, we are witnessing BHKP gaining market share from Bleached Softwood Kraft Pulp (BSKP), presenting an opportunity for Suzano, which specializes precisely in this type of fiber and can meet these new demands.



Source: Suzano IR, Klabin IR, Team 4

Appendix AA: Fiber Furnish

Fiber Furnish per Origin (2021)

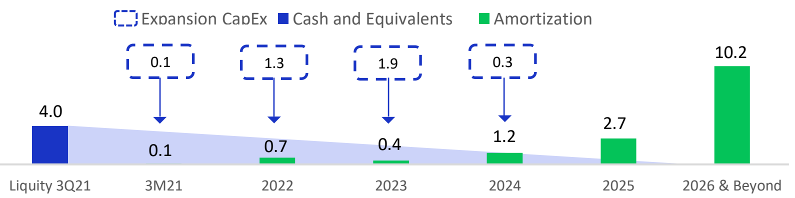


Fiber Consumption: In terms of total fiber consumption for paper and board production, it is evident that most of its raw materials are derived from recycled sources. Nevertheless, this segment has a noticeable trend towards Bleached Hardwood Kraft Pulp (BHKP) substituting recycled paper. This shift is occurring primarily because Printing and Writing, the primary source of recyclable paper, is experiencing decreased production due to reduced demand caused by digitalization.

Source: Suzano IR, Team 4

Appendix AB: Funding Strategy Cerrado Project

We posit that upon the announcement of the completed project, Suzano found itself in a highly favorable liquidity position. The company is capable of meeting its amortization schedule until 2025, translating to an average amortization period of 90 days. Additionally, while the average cost of amortization stands at 4.3% per annum, it exerts minimal impact on the company due to its robust liquidity position. Suzano's advantageous financial standing, coupled with the substantial cash it generates annually, further strengthens its ability to comfortably handle repayments.



Source: Suzano IR, Team 4

Appendix AC: Wood - Owned vs Third-Party

	Own Wood	Third-Party Wood
April	84%	16%
Suzano	**64%**	**36%**
UPM	57%	43%
Arauco	56%	44%
Klabin	51%	49%
CPMC	46%	54%
Stora Enso	20%	80%
APP	14%	86%

Analysis: In the Pulp & Paper industry, wood procurement plays a pivotal role in a company's cash cost, a crucial factor for maintaining competitiveness in a market dominated by commodity products. Achieving a lower cash cost is essential for companies to secure a competitive edge within a similar price range. Those excelling in managing their wood supply, particularly optimizing the ratio of self-owned to externally purchased wood, can substantially reduce cash costs. April stands out as an industry leader with a remarkable percentage of self-owned wood, granting it a significant competitive advantage. Suzano closely follows with an impressive 64% of self-owned wood, creating a substantial moat and positioning the company as a frontrunner in the industry, thanks to its noteworthy cost advantage.

Appendix AD: Hexatrains

Source: Companies' IR, Team 4

Hexatrains, 52-meter-long trucks with 6 compartments and a 200-ton transport capacity, significantly enhance Suzano's production chain. Estimated to provide a 52% productivity gain and a 21% fuel reduction per trip compared to tritrains, these vehicles play a crucial role in transporting harvested logs within Suzano's farms to the factory. Here, the logs are processed into pulp, contributing to the production of paper, hygiene products, and various consumer goods.

Appendix AE: Brands

Source: Suzano IR, Team 4

Suzano markets its products through a portfolio of brands, some of which it owns outright, while others have been acquired throughout its history. Here is a comprehensive list of all these brands: **Pulp:** Suzano® and Eucafluff®; **PaperBoard:** Supremo Alta Alvura®, TP White Plus®, and Super 6 plus®; **Uncoated paper:** Pólen®, Pólen Natural®, Alta Alvura®, Reciclato®, Paperfect®, and Prisma Bright®; **Coated paper**: Couché Suzano®, Couché Fit®, Couché Design®, and Couché Press®; **Printing & Writing**: Report®, Artwork®, Eclipse® and One®; **Packging**: Bluecup®, Greenpack®, Loop®, Greenbag® and Lin Suzano®; **Toilet Paper:** Mimmo®, Floral®, La Vie Blanc®, Max Pure® and Neve®; **Wet Wipe**: Mimmo®; **Napkins**: Scala®; **Diapers**: Maxx Baby®; **Lignin**: Ecolig®.

Among the brands mentioned, the following deserve a more detailed explanation, as they are much more relevant within their segments:

Suzano® is the company's core business, representing more than 80% of the company's entire revenue. It consists of selling market pulp.

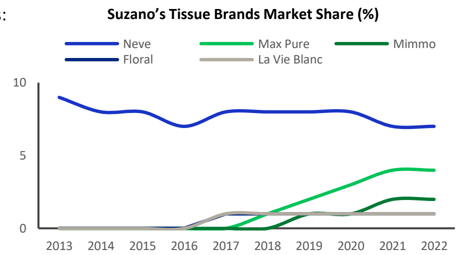
Eucafluff® is a brand created by Suzano itself, with the aim of increasing sustainability, as it has a smaller carbon footprint and uses raw materials from renewable sources. It is much softer, intended for pads and diapers.

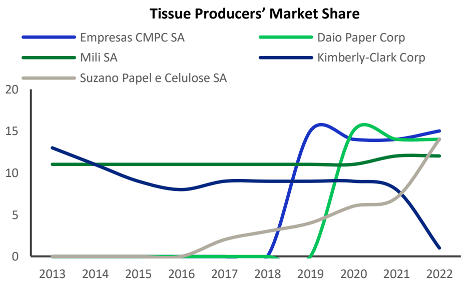
Neve® Known for being a premium toilet paper brand, Neve was owned by Kimberly Clark until it was acquired by Suzano in 2022. It currently has a market share of 7.2% among toilet paper companies.

Max Pure® It is known to be a low-cost toilet paper. Founded in 2018, it is its brand launched by Suzano and has a market share of 3.6%.

Mimmo® is a toilet paper brand launched by Suzano itself in 2018. Focused on the northeast of Brazil, Mimmo brought the double sheet option and marked Suzano's entry into the tissue segment. It currently has a market share of 2.0% in the toilet paper business.

Report® is a printing & writing paper brand that has over 30 years of history. It is Suzano's main bet for the P&W segment and is one of the most consolidated within its segment.

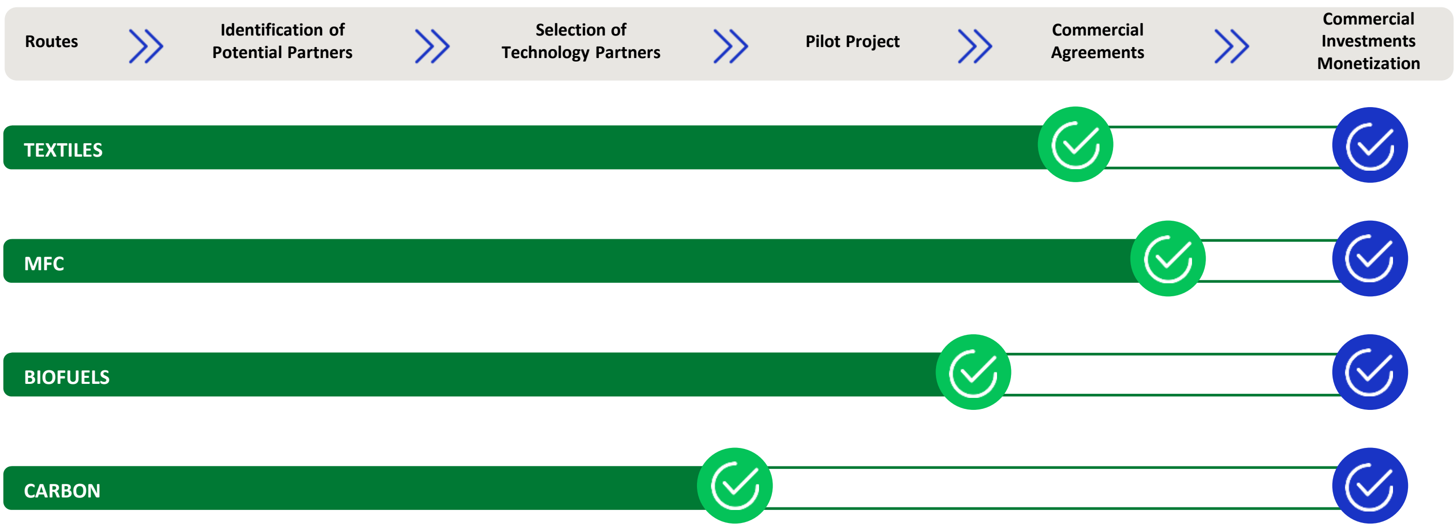




Appendix AF: Suzano's New Markets

Source: Suzano IR, Team 4

Suzano has an expansion agenda for new markets regarding four main areas: Textiles, MFC, BioFuels, and Carbon. The company divides its progress into six phases, from routes to commercial investment monetization, and the current development for each new segment is detailed below.



We perceive Suzano's entry into these new markets as advantageous since it will provide competitive advantages ahead of its peers. These initiatives also reinforce the company's sustainable bias, as they carry the environmentally friendly agenda in their DNA. A detailed explanation of each enterprise is presented below, which combined have an **addressable market of BRL 115 bn**.

(i) Textiles: Suzano has a 19% ownership of Spinnova, a Finnish startup, and jointly, they are investing in WoodSpin, a factory that produces textile fiber from trees. The modern facility can produce zero-emission textile fiber and has a comprehensive approach to circularity and sustainability. As the only by-product of Spinnova® production is heat, the unit does not need a license to operate. Using an advanced energy recovery system, excess heat is recycled to the district system, estimated to save 2.4kg CO_2e per kilogram of fiber produced. Combined with an environmentally friendly production process, Woodspin's pioneering large-scale facility saves more emissions than it generates. It has an addressable market of **BRL 70 bn**.

(ii) MFC: Microfibrillated cellulose (MFC) is obtained through a mechanical fibrillation process of cellulose fibers. The obtained fibrils are much smaller in length and diameter than the original fibers. They can form a network or a web-like structure, resulting in unique features that enable better performance and quality in several market applications. It is also prepared in the Woodspin facility, with the joint venture between Suzano and Spinnova. It has an addressable market of **BRL 5 bn.**

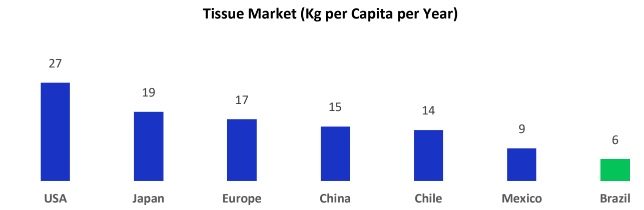
(iii) Biofuels: Suzano presents a considerable initiative to use renewable fuels instead of traditional fuels for harvesting and similar processes. This is done through FuturaGene, a company acquired in the past by Suzano, which carries out all types of R&D to guarantee genetic improvements for seedlings to increase the productivity of eucalyptus-cultivated areas, in different climatic scenarios with a focus on ensuring the supply of production of cellulose, paper, bioenergy, and biofuels. It has an addressable market of **BRL 20 bn.**

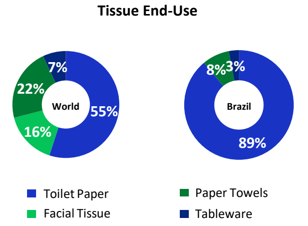
(iv) Carbon: The objective of voluntary carbon credits is to mitigate emissions voluntarily; carbon credits or Certified Emissions Reduction are audited by an independent third party with no link to the UNFCCC. Suzano intends to issue carbon credits considering its operations in the main sectors: forestry, industrial, and logistics. Among the established methodologies, we can mention the issuance of carbon credits through biological sequestration, considering the sustainable forest management of eucalyptus cultivation in areas of expansion, that is, places where, before Suzano's operations, there was pasture or degraded area. It has an addressable market of **BRL 20 bn.**

Source: Suzano IR, Team 4

Appendix AG: Tissue Trends

Tissue Market trends: We see three main trends for the future of the tissue market: per capita consumption of tissue increasing and with good projections, expansion of consumer portfolio and a greater demand for premium quality pipelines.





CAGR 2023-2032

Total: 1.5%

Tissue: 2.5%

Specialities: 0.8%

Cartonboard: 2.0%

Containerboard: 2.2%

P&W: -1.3%

We perceive a greater expected global demand for tissue when compared to other types of paper, as explained at the beginning of this section and highlighted in the segment demand graph, where Tissue presents a higher expected CAGR than all other segments. Furthermore, we see Brazil as having enormous potential for Tissue, as per capita usage is substantially lower than other countries in America, evidencing unveiled potential. Finally, we believe Suzano is very well positioned regarding these trends, constantly growing its market share, having gained 11.4% in 4 years, consolidating itself as Brazil's 3rd largest Tissue player.

Source: Euromonitor, Team 4

Appendix AH: FSC Recognition

FSC is the acronym for Forest Stewardship Council. Created in the early 1990s, FSC is an independent, non-governmental non-profit organization that promotes environmentally appropriate, socially beneficial, and of the economically viable management of forests around the world. Today, the FSC is present in more than 80 countries and is considered the most recognized green seal in the world. This is because it is the only system created and maintained by representatives of the environmental, economic, and social sectors. Suzano is aligned with FSC policies and other environmental monitoring bodies throughout its production chain, such as the Brazilian Forest Code and British, American, and Australian regulations. This ensures responsible wood sourcing and transparency in the production process, safeguarding the judicious use of natural resources, and fostering human relations characterized by engagement and dedication. Moreover, this alignment holds particular importance due to the company's export-oriented nature, necessitating adherence to international sustainability demands, facilitated, for instance, by compliance with FSC standards. In this regard, despite Suzano's R&D efforts in GMOs, they still need to be employed due to the absence of certifications for GMO use in the pulp sector. We anticipate market trends will lead to their approval in the coming years, providing Suzano with a significant competitive advantage. However, adherence to key international policies remains indispensable.

Source: FSC, Team 4

Appendix AI: Average Radius Analysis

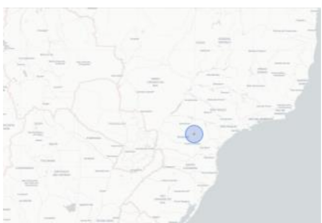
Methodology: The average radius measures the distance between the critical points of operation for Pulp & Paper companies, precisely the distance from the forests to the mills and from the mills to the ports where production is exported. To reduce their cash costs, companies aim to minimize these distances, thereby saving on logistics and fuel expenses. Currently, Suzano operates in various regions across Brazil, with vast geographical dimensions, resulting in larger average radius than its industry peers (156 kilometers from the forest to the mill and approximately 240 kilometers from the mills to the ports). In practical terms, this might seem disadvantageous. However, since these values remain competitive, the impact is insignificant, and the company can maintain its prominent position in terms of cash costs.

With the Cerrado project, the average radius of Forest-Mills **decreases to 140 km**.

	Forests - Mills	Mills - Ports
CPMC (Chi)	146.0	186.2
Arauco (Chi)	143.0	203.0
Suzano	156	243.20
Klabin	85	267
UPM	127	184

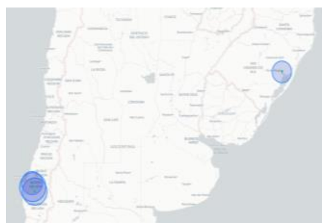
Suzano's Average Radius

Klabin's Average Radius



Arauco's Average Radius

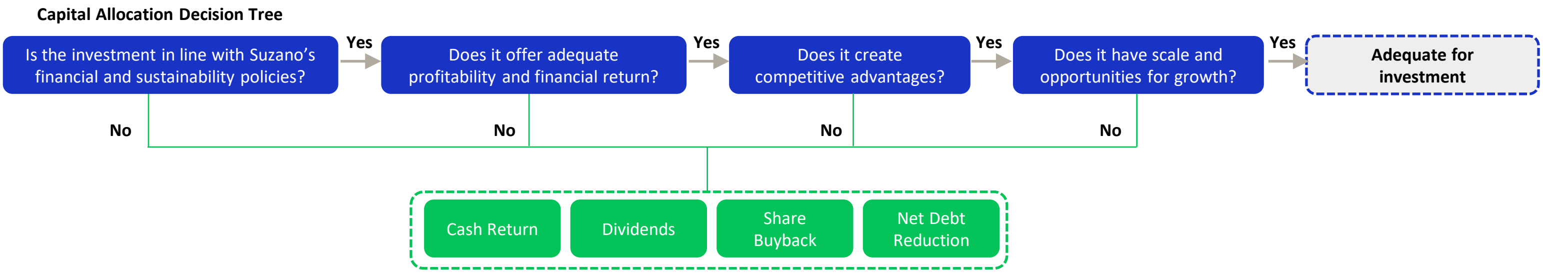
CMPC's Average Radius



Normal Factory   Cerrado

Source: Companies' IR, Team 4

Appendix AJ: Capital Allocation

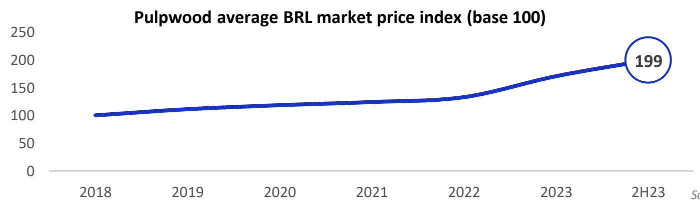


Our View: Suzano excels as a strong cash generator, with ongoing discussions about capital allocation. The decision tree alongside highlights the consistent efficiency gains from new projects, reinforcing the company's leadership in the Pulp and Paper segment. However, we are cautious about Suzano's preference for fresh CapEx over returning investments to shareholders through dividends. Given historical patterns, we don't anticipate a shareholder return policy until at least 2025, considering the ongoing investments in the Cerrado project. Looking forward, as the Cerrado project contributes to increased cash flow, Suzano may explore diverse allocations, potentially including shareholder remuneration like dividends. As a result, we project a long-term net income payout ranging from 50% to 70%.

Source: Team 4

Appendix AK: Wood Average Price Index

Our View: From 2018 to the present, the average price of eucalyptus wood has nearly doubled. This means that a significant element of the cash cost for companies in the Pulp and Paper sector is now considerably more expensive. Consequently, Suzano possessing a substantial portion of wood of their own becomes a substantial advantage, eliminating the necessity to procure large quantities from third parties. This reduction in cash costs consequently leads to increased profit margins. Therefore, we observe Suzano holding a distinct advantage over its peers precisely due to this strategic approach.



Source: POYRY