

Research Update:

Suzano Outlook Revised To Positive On Acquisition Of Majority Stake In Kimberly-Clark's International Tissue Assets

June 6, 2025

Rating Action Overview

- Brazilian pulp and paper producer Suzano S.A. announced yesterday the acquisition of a controlling stake of [Kimberly-Clark Corp.](#)'s international tissue assets for \$1.7 billion.
- The acquisition will bolster Suzano's business and geographic diversification, along with its scale through the addition of 22 production assets in 14 countries with total capacity of 1 million tons of tissue.
- We believe lower exposure to market pulp should also reduce Suzano's cash-flow volatility
- On June 6, 2025, S&P Global Ratings revised the global scale rating outlook on Suzano to positive from stable. We also affirmed our 'BBB-' global scale and 'brAAA' national scale ratings. The outlook on the latter rating remains stable.
- The positive global scale rating outlook reflects a possible upgrade of Suzano in the next two years, if after the closing of the transaction, its leverage is consistently about or below 3.0x.

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Rating Action Rationale

The announced acquisition will increase Suzano's scale, and business and geographic diversification, lowering risks of cash-flow volatility. On June 5, Suzano announced the acquisition of a 51% stake in a new joint venture (JV) that will hold the international tissue business of Kimberly-Clark, which will retain a 49% stake. The JV's assets are spread across 14 countries with total production capacity of 1 million tons of tissue, and it generated pro forma \$3.3 billion in net revenue and \$525 million EBITDA in 2024. This compares with Suzano's revenue of about \$8.8 billion and EBITDA close to \$4.4 billion in 2024.

The deal boosts Suzano's scale and, more importantly, reduces its exposure to market pulp, given a more diversified portfolio of products that increases its presence in the less volatile

tissue market. Suzano is the largest pulp producer in the world, and following the acquisition, it will become the eighth-largest tissue producer. The deal also includes the transfer of Kimberly-Clark's strong regional brands and royalty-free licensing of its global brands (such as Kleenex and Scott) for 30 years. The structure of the deal, which includes the JV, reduces integration risks, in our view, allowing a smooth transition of the operations. Suzano estimates its annual efficiency gains and synergies will be about \$175 million after three years, considering its operations of Kimberly-Clark's Brazilian tissue assets that it acquired two years ago.

Total acquisition value is \$1.7 billion. Our forecast considers a disbursement of \$1.2 billion by mid-2026, assuming the JV will raise \$1 billion in debt prior to the closing, which would reduce the acquisition payment. Considering the company's sound liquidity position and expected cash flow until the closing, we believe that Suzano won't need to raise new debt for the acquisition. The company will also have a call option to acquire Kimberly-Clark's 49% stake starting on the third anniversary of the closing, with no due date. We currently don't consider this in our base-case scenario.

Lower pulp prices forecasted for 2025 will be partly compensated by higher pulp volumes and the Brazilian real's depreciation. Given a full year of Cerrado's plant operation this year, we forecast Suzano's total volume to rise to about 12.8 million tons of pulp from 10.8 million last year. This partly compensates for the sharp decline in prices to an average of \$550 per ton from \$642 last year. The company's cash flow will also likely benefit from the real's weakness, as a large portion of costs are denominated in that currency. As a result, we forecast adjusted debt to EBITDA to fall to 3.7x at the end of 2025 from 4.0x at the end of 2024. Assuming pulp prices improve to about \$650 per ton next year, we forecast leverage to decrease to close to 2.5x in 2026, incorporating the JV's pro forma revenue, EBITDA, and expected debt.

Outlook

The positive global scale rating outlook reflects at least one-in-three chance of an upgrade in the next 24 months, given the company's business and geographic diversification stemming from the announced deal, which would reduce cash-flow volatility through business cycles.

Downside scenario

We could revise the outlook to stable in the next 24 months, assuming the closing of the deal, if we were to expect adjusted leverage at about or above 3.5x for the next few years. This could occur amid consistently low pulp prices of about \$550 per ton and/or higher capital expenditure (capex). We don't assume any new mergers and acquisition (M&As) going forward, as indicated by management.

Upside scenario

We could raise the ratings after the deal closes if we believe the company will maintain leverage at about or below 3x through business cycles. The upgrade would also require the maintenance of net debt to EBITDA below 3.5x across business cycles. An upgrade would also depend on the maintenance of comfortable liquidity cushion, with the ability to pass a stress test related to potential restrictions on access to foreign exchange to cover its operating and financial needs, given our 'BBB-' transfer and convertibility assessment of Brazil.

Company Description

Suzano is the world's largest bleached eucalyptus kraftwood pulp (BEKP) producer--with capacity of 13.4 million tons per year--and total paper capacity of 2.0 million tons. The company has 11 production facilities across Brazil and one in the U.S. Suzano also holds a 50% interest in Veracel, a joint operation with Stora Enso, in Bahia, Brazil, which has pulp production capacity of 1.2 million tons. Suzano benefits from access to proprietary rapidly growing forests, with about 2.9 million hectares of land (of which about 1.7 million hectares are planted forests).

Our Base-Case Scenario

Assumptions

- Average exchange rate of R\$5.8 per \$1 in 2025, R\$5.83 per \$1 in 2026, and R\$5.88 per \$1 in 2027.
- Average sales prices of about \$550 per ton in 2025, and \$650 per ton in 2026 and 2027.
- Annual pulp volumes of about 12.8 million tons in 2025 and close to 13.0 million tons in 2026 and 2027.
- Annual paper volumes from current operations of 1.85 million - 1.90 million tons in the next few years.
- Pulp cash cost close to \$150 per ton in the next few years.
- In 2025, we assume maintenance capex of about R\$7.8 billion, expansion and modernization capex of about R\$3.7 billion and R\$863 million for Cerrado. Total capex declines to less than R\$10 billion in the next few years, mostly for maintenance.
- Dividends of 10% EBITDA minus maintenance capex.
- We assume the acquisition payment of \$1.2 billion in 2026 and for the JV to report revenue, EBITDA, capex, and debt starting in 2026.

Key metrics

Suzano S.A.--Forecast summary

Period ending	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027	Dec-31-2028
(Mil. BRL)	2021a	2022a	2023a	2024a	2025e	2026f	2027f	2028f
Revenue	40,965	49,831	39,756	47,403	54,421	82,743	83,343	83,963
EBITDA (reported)	25,170	29,631	19,537	24,915	26,411	34,249	34,528	34,597
Plus/(less): Other	(1,650)	(1,406)	(1,538)	(1,317)	(1,759)	923	1,193	1,491
EBITDA	23,520	28,225	17,999	23,599	24,652	35,172	35,720	36,089
Less: Cash interest paid	(3,232)	(4,378)	(5,889)	(6,201)	(6,874)	(7,304)	(6,579)	(5,746)
Less: Cash taxes paid	(106)	(306)	(308)	(366)	(1,928)	(4,122)	(4,529)	(4,959)
Funds from operations (FFO)	20,181	23,540	11,802	17,031	15,850	23,746	24,612	25,383

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EBIT	16,787	22,062	12,440	16,098	16,931	27,197	27,682	28,106
Interest expense	4,084	4,501	5,085	5,941	6,938	7,778	7,055	6,223
Cash flow from operations (CFO)	11,504	20,520	18,816	17,097	18,805	22,259	25,125	25,726
Capital expenditure (capex)	6,225	14,389	16,397	15,573	11,621	9,867	8,668	9,508
Free operating cash flow (FOCF)	5,279	6,130	2,419	1,524	7,183	12,392	16,457	16,218
Dividends	10	4,151	193	1,625	2,500	1,860	2,555	2,588
Share repurchases (reported)	--	1,904	881	2,807	--	--	--	--
Discretionary cash flow (DCF)	5,269	75	1,346	(2,907)	4,683	10,532	13,902	13,629
Debt (reported)	79,629	74,575	77,173	101,436	98,253	95,674	86,643	76,785
Plus: Lease liabilities debt	5,893	6,183	6,244	6,973	7,329	7,658	7,926	8,164
Plus: Pension and other postretirement debt	446	456	550	476	476	476	476	476
Less: Accessible cash and liquid investments	(21,099)	(17,053)	(21,170)	(21,990)	(22,793)	(23,452)	(22,140)	(25,492)
Plus/(less): Other	6,527	8,952	4,461	6,821	6,821	12,671	12,721	12,721
Debt	71,396	73,113	67,258	93,715	90,086	93,028	85,627	72,654
Equity	15,175	33,166	44,810	32,416	38,233	49,279	60,251	71,820
Cash and short-term investments (reported)	21,099	17,053	21,170	21,990	22,793	23,452	22,140	25,492
Adjusted ratios								
Debt/EBITDA (x)	3.0	2.6	3.7	4.0	3.7	2.6	2.4	2.0
FFO/debt (%)	28.3	32.2	17.5	18.2	17.6	25.5	28.7	34.9
FFO cash interest coverage (x)	7.2	6.4	3.0	3.7	3.3	4.3	4.7	5.4
EBITDA interest coverage (x)	5.8	6.3	3.5	4.0	3.6	4.5	5.1	5.8
CFO/debt (%)	16.1	28.1	28.0	18.2	20.9	23.9	29.3	35.4
FOCF/debt (%)	7.4	8.4	3.6	1.6	8.0	13.3	19.2	22.3
DCF/debt (%)	7.4	0.1	2.0	(3.1)	5.2	11.3	16.2	18.8
Annual revenue growth (%)	34.5	21.6	(20.2)	19.2	14.8	52.0	0.7	0.7
EBITDA margin (%)	57.4	56.6	45.3	49.8	45.3	42.5	42.9	43.0
Return on capital (%)	20.5	22.9	11.4	13.5	13.3	20.1	19.2	19.4

Suzano S.A.--Forecast summary

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

Liquidity

We assess Suzano's liquidity as exceptional, given its high cash holdings, low debt costs, and extended debt amortization profile. We expect the company to maintain a sources-to-uses ratio above 2.0x in the next two years. In addition, we think that Suzano has enough cushion to allow for a positive sources-to-uses ratio even if EBITDA drops 50%, as well as the ability to absorb high-impact events without refinancing. Moreover, the company has access to funding from several banks, and we consider its standing in credit markets as favorable. Suzano has no financial covenants on its debt.

Principal liquidity sources

- Cash position of R\$16.4 billion as of March 31, 2025;
- Stand-by credit facility of \$1.3 billion (about R\$ 7.3 billion) available until February 2027;
- Contracted credit lines of \$758 million (about R\$ 4.7 billion) from Finnvera; and
- Forecast funds from operations of R\$20.5 billion in the 12 months following March 2025.

Principal liquidity uses

- Short-term debt maturities of R\$3.4 billion as of March 31, 2025;
- Capex of R\$11.7 billion in the 12 months following March 2025;
- Working capital needs of about R\$1 billion in the next 12 months;
- Acquisition payment of \$1.2 billion; and
- Dividend payments and shares buyback totaling about R\$1.0 billion in the next 12 months following March 2025.

Rating Component Scores

Rating Component Scores

Component	
Foreign currency issuer credit rating	BBB-/Positive/--
Local currency issuer credit rating	BBB-/Positive/--
Business risk	Satisfactory
Country risk	Moderately high
Industry risk	Moderately high
Competitive position	Satisfactory
Financial risk	Significant
Cash flow/leverage	Significant
Anchor	bbb-
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Exceptional (no impact)
Management and governance	Neutral (no impact)
Comparable rating analysis	Neutral (no impact)
Stand-alone credit profile	bbb-

Related Criteria

- [Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities](#), Jan. 7, 2024
- [Criteria | Corporates | General: Corporate Methodology](#), Jan. 7, 2024
- [General Criteria: National And Regional Scale Credit Ratings Methodology](#), June 8, 2023
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments](#), April 1, 2019
- [Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings](#), March 28, 2018
- [Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers](#), Dec. 16, 2014
- [General Criteria: Country Risk Assessment Methodology And Assumptions](#), Nov. 19, 2013
- [General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions](#), Nov. 19, 2013
- [General Criteria: Methodology: Industry Risk](#), Nov. 19, 2013
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

Ratings List

Ratings list

Ratings Affirmed; Outlook Action		
	To	From
Suzano S.A.		
Issuer Credit Rating	BBB-/Positive/--	BBB-/Stable/--
Ratings Affirmed		
Suzano S.A.		
Issuer Credit Rating		
Brazil National Scale	brAAA/Stable/--	
Senior Unsecured	brAAA	
Suzano Austria GmbH		
Suzano International Finance B.V.		
Senior Unsecured	BBB-	

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