



Earnings

# Conference

Call 2Q23

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# Well prepared to navigate through the cycle

## Sales Volume

Pulp:

**2.5 million tons**

(vs. 2.7 million tons 2Q22 and 2.5 million tons 1Q23)

Paper<sup>1</sup>:

**263 thousand tons**

(vs. 291 thousand tons 2Q22 and 249 thousand tons 1Q23)

Pulp Inventory:

**Below optimum operational levels**

## Operating Performance

Adjusted EBITDA:

**R\$3.9 bn**

(vs. R\$6.3 bn 2Q22 and R\$6.2 bn 1Q23)

Operating Cash Generation<sup>2</sup>:

**R\$2.2 bn**

(vs. R\$5.1 bn 2Q22 and R\$4.7 bn 1Q23)

Cash cost ex-downtimes:

**R\$918/ton**

(vs. R\$854/ton 2Q22 and R\$ 937/ton 1Q23)

## Financial Management

Liquidity<sup>3</sup>:

**US\$6.3 bn**

(vs. US\$5.2 bn 2Q22 and US\$6.1 bn 1Q23)

Net debt:

**US\$11.3 bn**

(vs. US\$10.5 bn 2Q22 and R\$10.9 bn 1Q23)

Leverage<sup>4</sup>:

**2.2x in US\$**

(vs. 2.3x in US\$ 2Q22 and 1.9x in US\$ 1Q23)

## Strategic Avenues



### Cerrado Project:

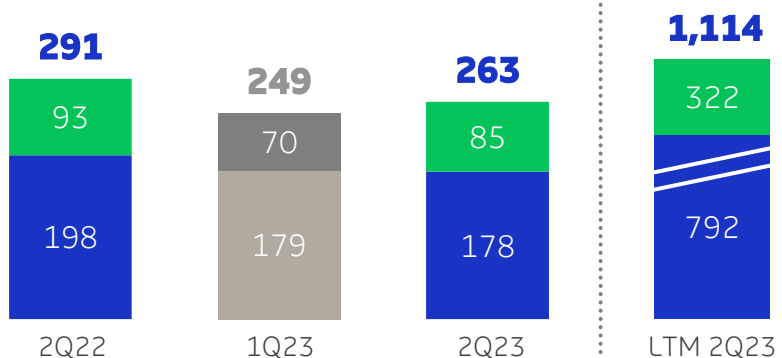
Paving the way for start-up



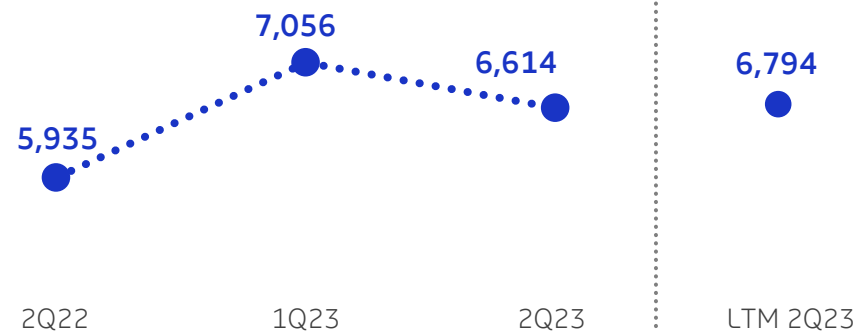
**Closing of Kimberly Clark's** tissue assets deal in Brazil

# Stable EBITDA y-o-y, despite more challenging markets

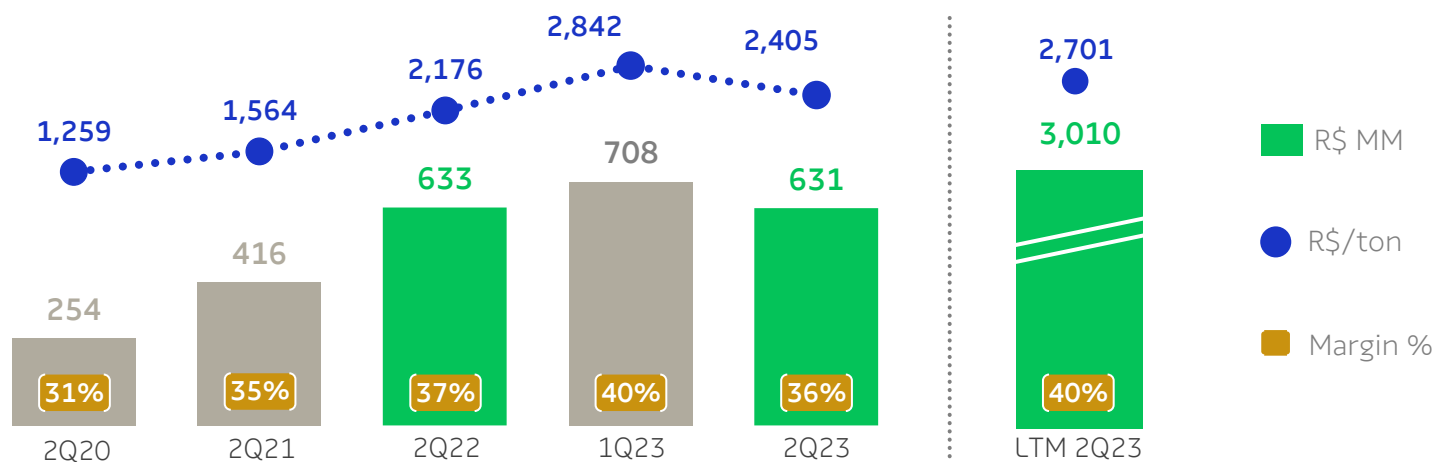
**Paper Sales<sup>1</sup>** ('000 tons) Exports Domestic



**Average Net Price** (R\$/ton)



**Paper Adjusted EBITDA and EBITDA Margin<sup>2</sup>**

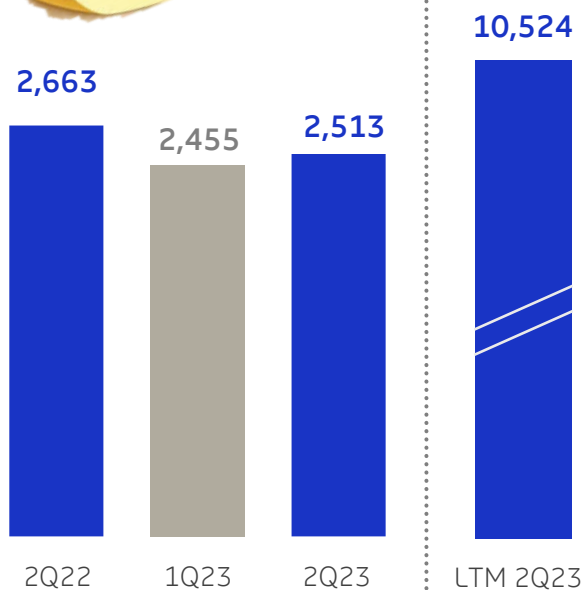


<sup>1</sup> Excluding Consumer Goods. | <sup>2</sup> Excluding impact of Management LTI 2Q20: - R\$22/ton; 2Q21: - R\$22/ton; 2Q22: R\$23/ton; 1Q23: - R\$10/ton; 2Q23: - R\$17/ton; LTM 2Q23: - R\$11/ton

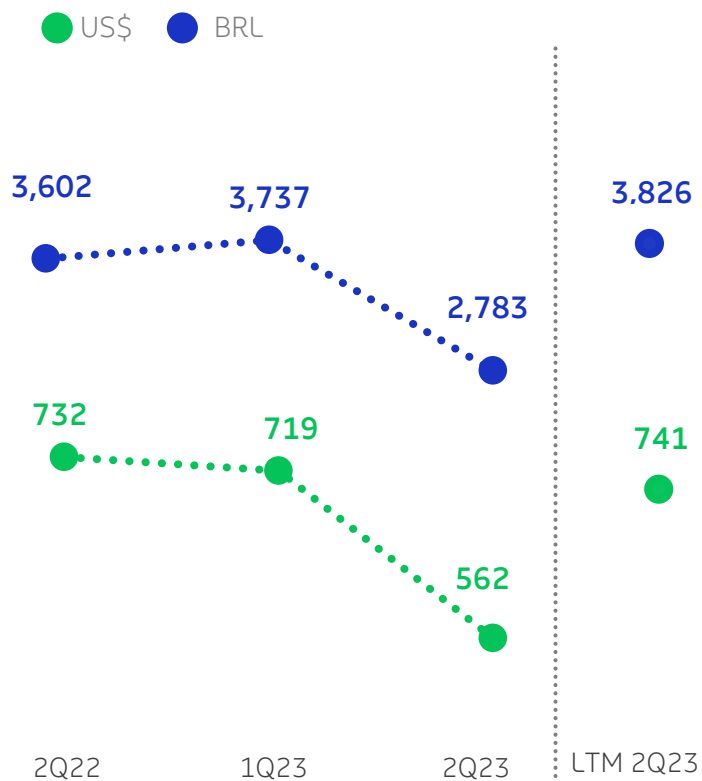
# Commercial strategy geared to market conditions

## Sales Volume ('000 tons)

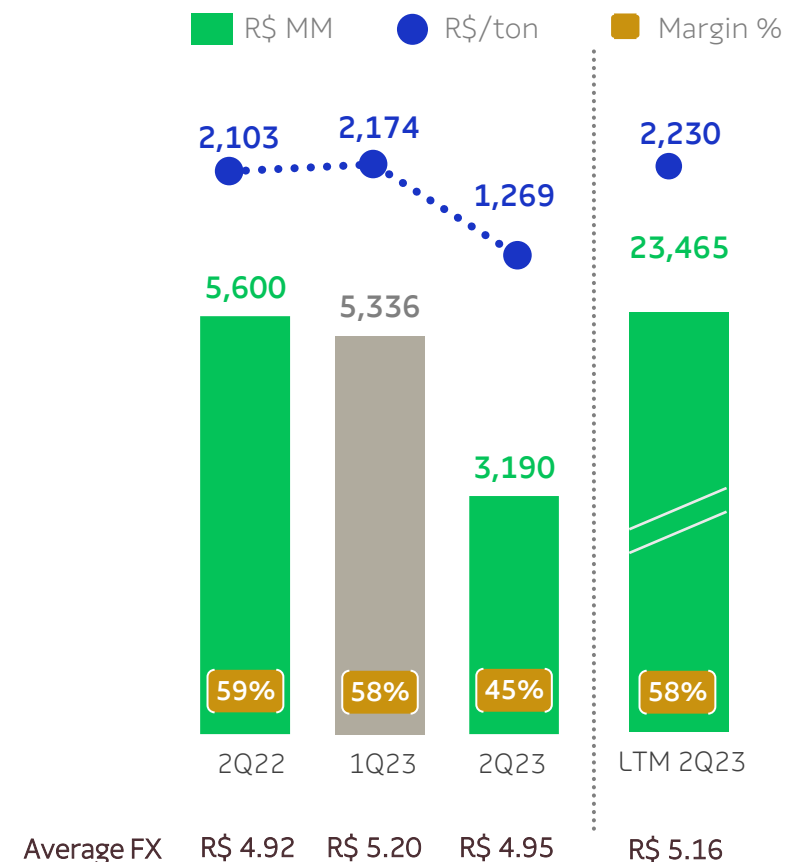
**Inventories:**  
Below optimum  
operational  
levels



## Average Net Price – Export Market (/tons)



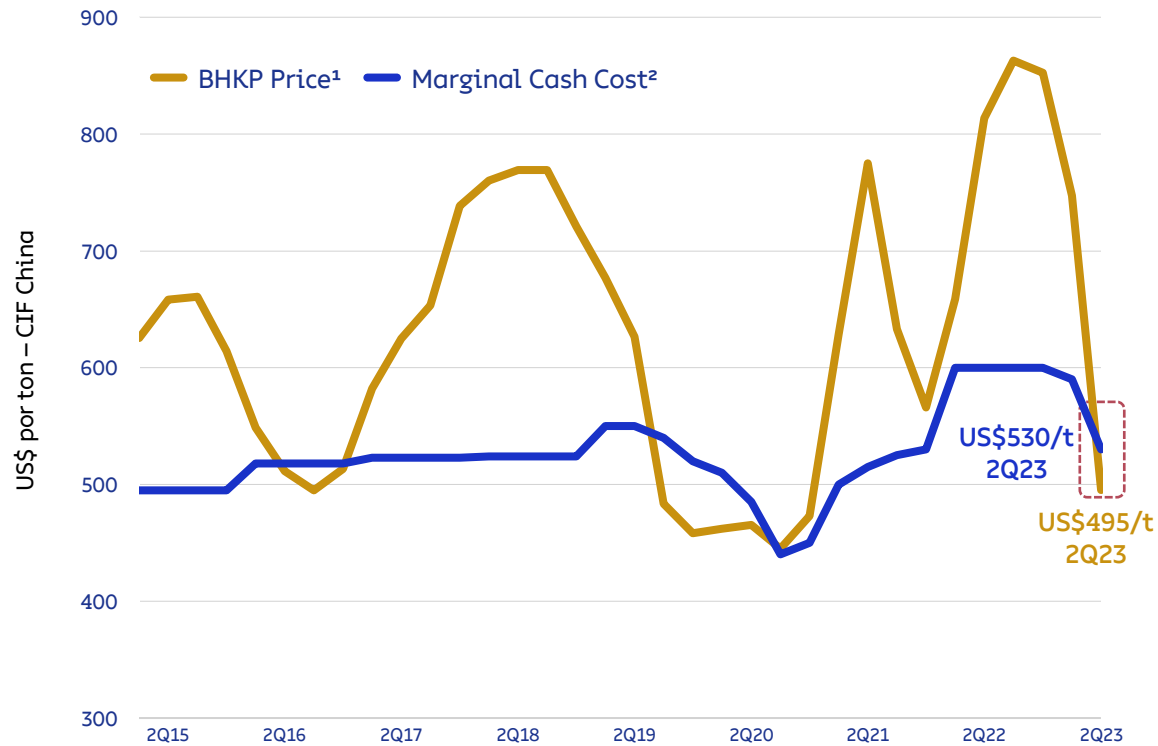
## Adjusted EBITDA and EBITDA Margin



# Already unsustainable price level for an important share of the industry

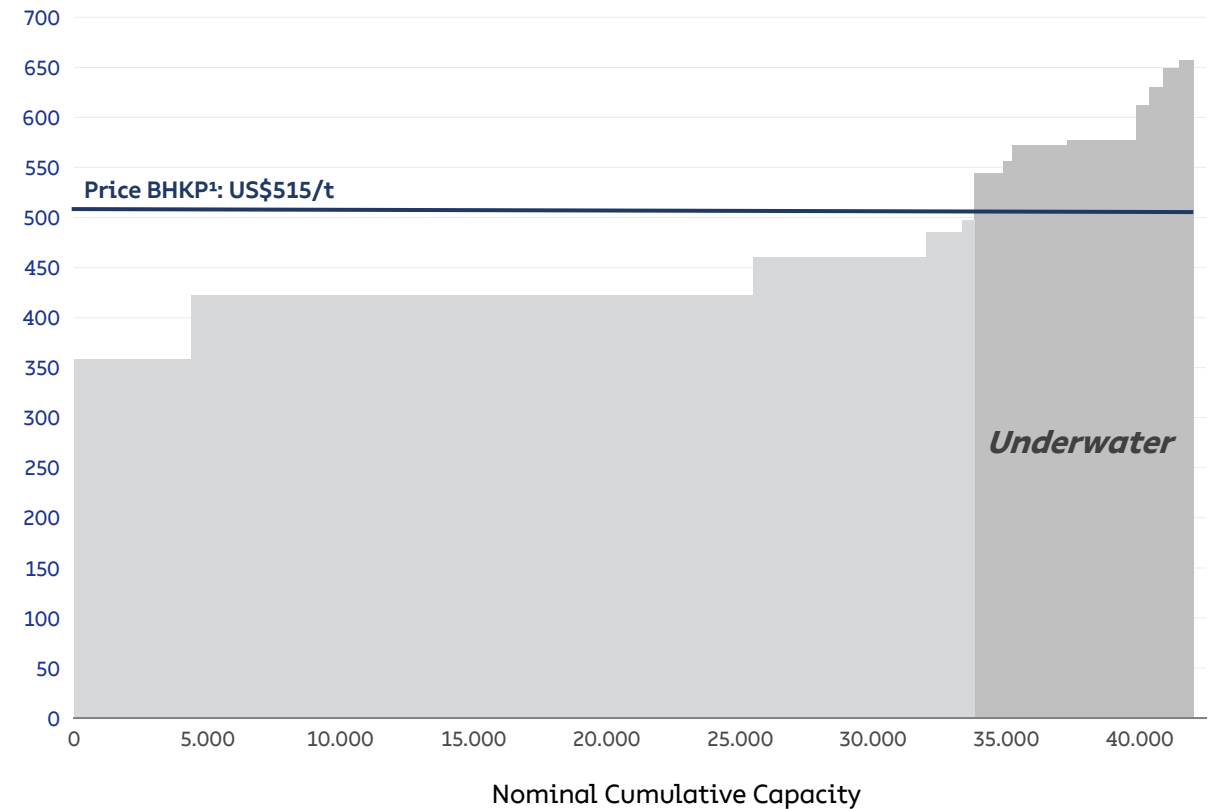
## Marginal BHKP production cost vs. BHKP price

(average closing months of 2Q23)



## 2023 Cash Cost CIF China<sup>2</sup> - BHKP Market pulp

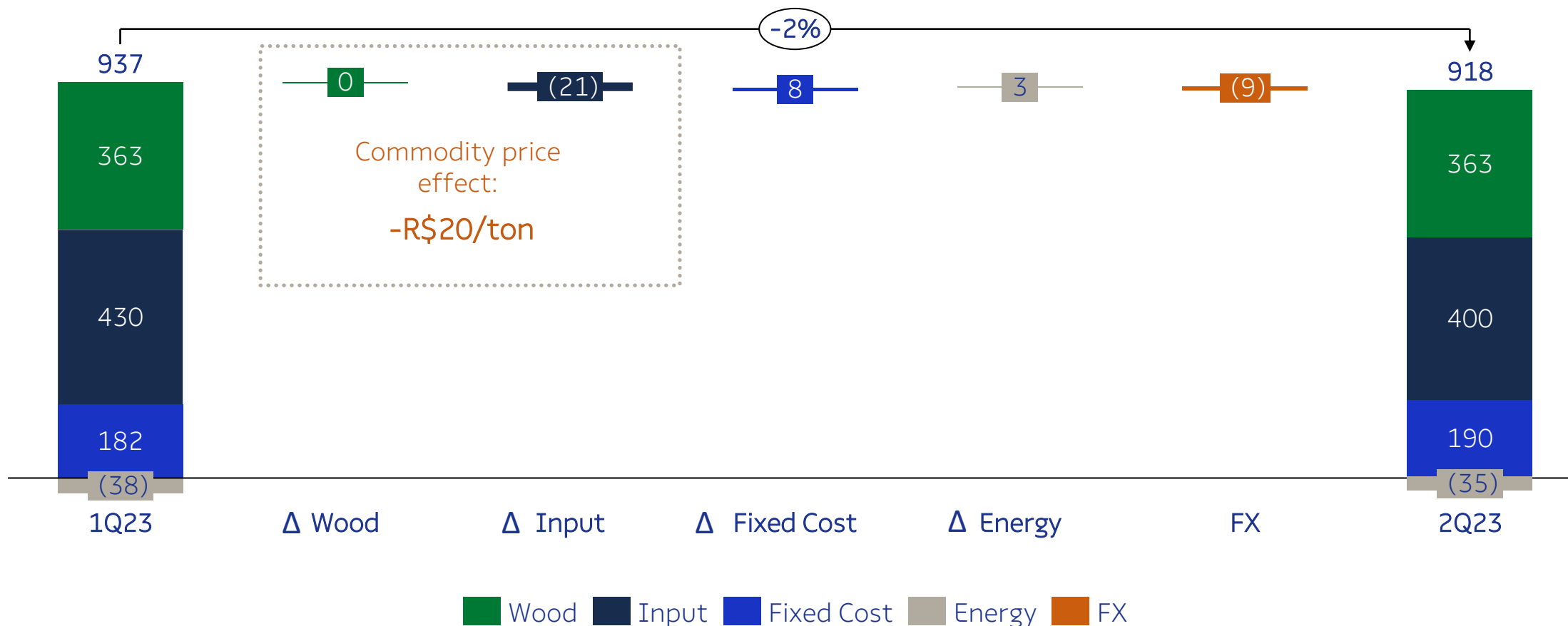
USD/t, Kt



<sup>1</sup> China average price (Fastmarkets FOEX) using quotations from the last weeks of each month. | <sup>2</sup> Hawkings Wright.

# Improved performance with lower commodities prices and conclusion of most annual maintenance downtimes

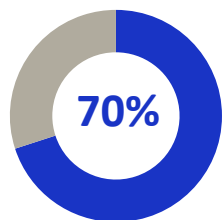
**Pulp Cash Cost - 2Q23 vs. 1Q23** (ex-downtimes – R\$/ton)



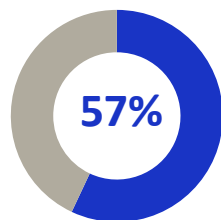
# Significant progress allowing better start-up visibility



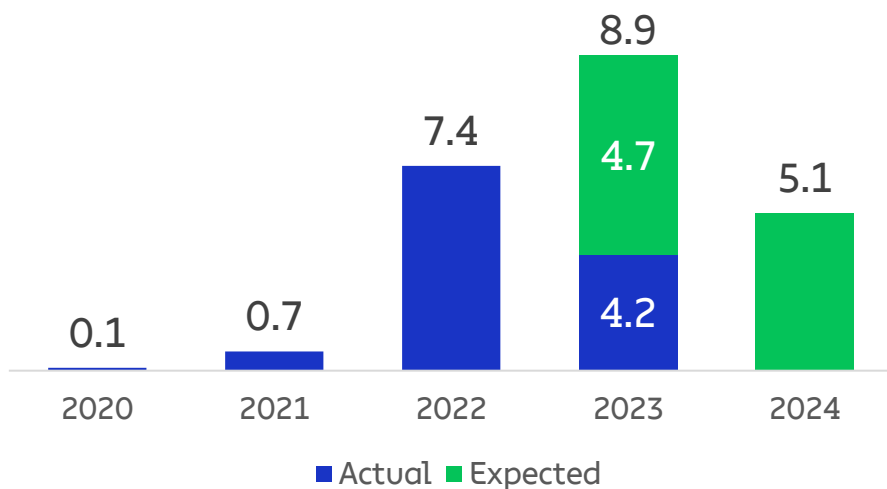
Physical Progress  
(inside the fence<sup>1</sup>)



Financial Progress  
(inside the fence<sup>1</sup>)



Capex timeline (R\$ billion)



**Start-up:  
by June 2024**



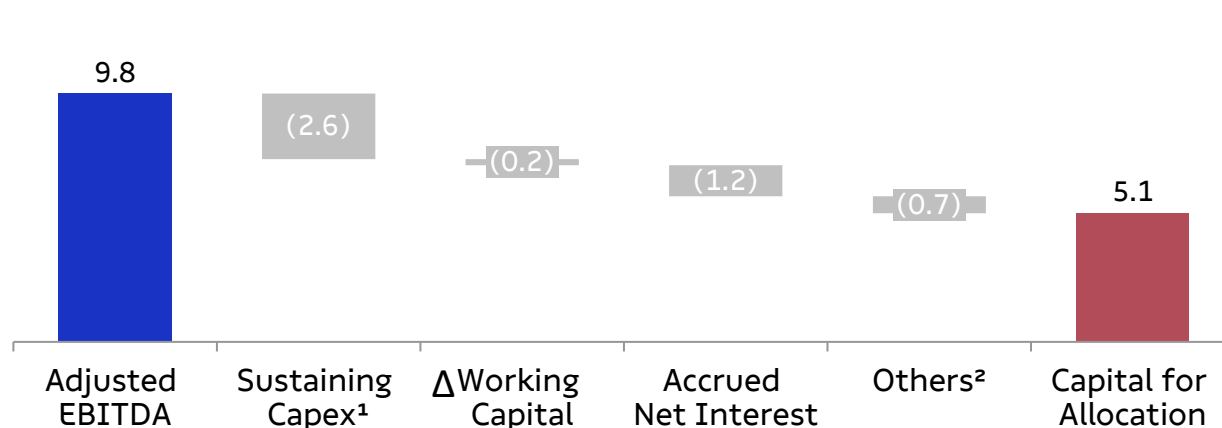
<sup>1</sup> Inside the fence includes investments in industrial and infrastructure.



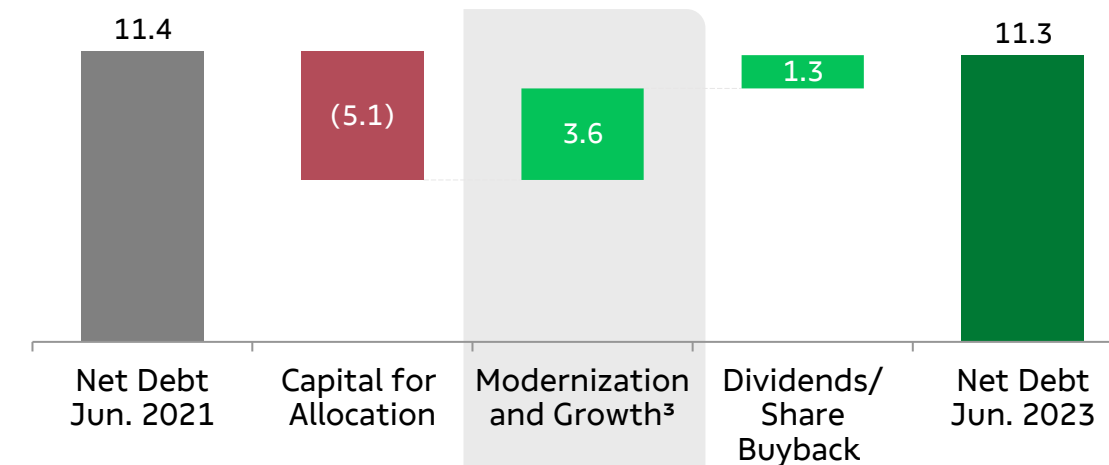
# Disciplined capital allocation to deliver shareholder value



**Accumulated Cash Generation - 2H21 to 1H23 (US\$ billion)**



**Net Debt (US\$ billion)**



- Cerrado Project
- Parkia and Caravelas
- Expansion and modernization projects
- Expansion of forestry base
- Itaqui Port



- Cerrado Project



- Acquisition of Kimberly Clark's tissue business in Brazil
- Tissue converter in Espírito Santo



- Woodspin
- MFC

Average cost of debt (in US\$): **4.9% p.a.**

Average term of debt: **75 months**

Liquidity position<sup>4</sup>: **US\$6.3 billion**

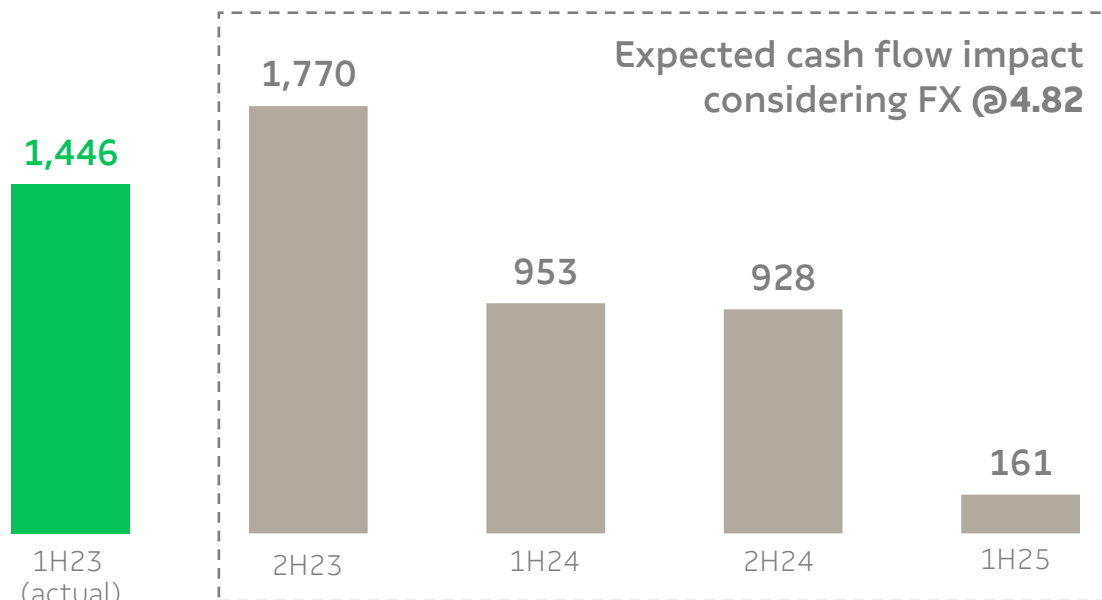
Leverage: **2.2x in US\$ and 2.0x in R\$**

<sup>1</sup> Considers capex on accrual basis. | <sup>2</sup> Considers leasing expenses (IFRS 16), derivative cash adjustments, cash advances for wood acquisition, among others. | <sup>3</sup> Considers capex ex-maintenance and KC deal. | <sup>4</sup> Considers Finnvera credit line.

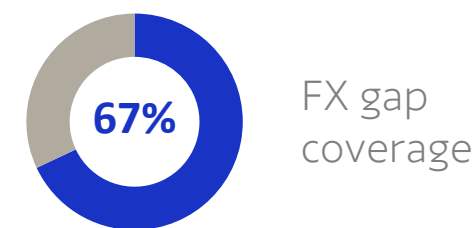
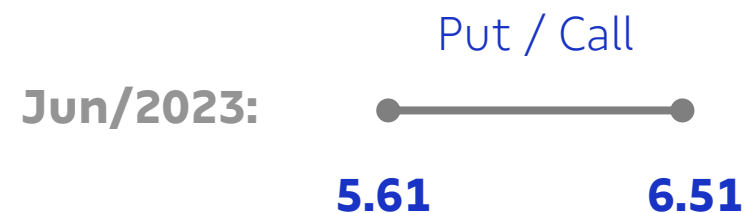
# Hedging strategy mitigates impact of currency appreciation on EBITDA

## Cash Adjustments (ZCC)

R\$ million



## Portfolio Average



## ZCC Notional<sup>1</sup>

Mar/2023: US\$6.3 billion



Jun/2023: US\$4.8 billion

<sup>1</sup> Considers EUR/USD hedge with notional of EUR394MM and 1.03 average FX.

# Takeaways

- **Cycle proof** asset portfolio and business model;
- Cash production cost on a **downward trend**;
- **Opportunities** for liability management on the radar;
- **Financial discipline** and long-term **value creation** through capital allocation;
- **Significant progress** in strategic avenues.



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 **27.10**



# Q&A

## 2Q23

Investor Relations  
[www.suzano.com.br/ir](http://www.suzano.com.br/ir)  
[ri@suzano.com.br](mailto:ri@suzano.com.br)

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