MOODY'S
RATINGS

Rating Action: Moody's Ratings affirms Klabin's Ba1 rating, outlook stable

28 Jan 2026

New York, January 28, 2026 -- Moody's Ratings (Moody's) has today affirmed Klabin S.A.'s Ba1 Corporate Family Rating (CFR). The outlook remains stable.

RATINGS RATIONALE

Klabin's Ba1 rating reflects its position as one of Latin America's largest integrated producers of pulp, paperboard, and packaging, supported by strong and resilient profitability—its Moody's adjusted EBITDA margin averaged 43.2% over the past five years and reached 43.9% for the twelve months ended September 2025—and by solid liquidity and a well balanced revenue mix. As Brazil's leading paperboard manufacturer, Klabin benefits from extensive product diversification across market pulp, kraftliner, coated boards, industrial bags, and corrugated boxes, with meaningful exposure to stable end use segments such as tissue and food and beverage packaging. The company's fully integrated forestry to packaging model and diversified domestic and export channels enhance operating flexibility, allowing Klabin to adjust volumes and product mix as demand evolves, thereby mitigating sector cyclicality and supporting its competitive position.

The rating also incorporates Klabin's structurally improved profile following the Puma II expansion. The state of the art PM27 and PM28 machines—which together add approximately 900,000 tons per year of kraftliner and coated board capacity—combined with recent forestry acquisitions that enhance long term fiber security, collectively strengthen Klabin's cost visibility and operational stability while reducing execution risk. With major growth investments completed, Klabin has entered a post investment phase in which capital spending declines to materially lower, maintenance and efficiency oriented levels, enabling the company to transition to sustained positive free cash flow beginning in 2026. Leverage has already begun to improve—declining to 4.0x as of September 2025 from its 4.7x peak in 2023—underpinned by management's deliberate deleveraging strategy.

Klabin's credit profile also benefits from strengthening of its financial policy adopted in October 2024. Following the completion of its peak investment cycle, the company adopted a more conservative approach that materially reduces execution and shareholder return risk. Klabin now targets a dividend payout of 10%–20% of adjusted EBITDA, down from the previous 15%–25% range, and has tightened leverage guardrails by establishing a maximum net debt/EBITDA ceiling of 3.9x during investment cycles, compared with the prior 3.5x–4.5x range. These measures reinforce the company's commitment to maintaining stronger balance sheet discipline through future cycles.

Liquidity remains a core strength. As of September 2025, Klabin held BRL 9 billion ($1.6 billion) in cash—enough to cover roughly 41 months of debt maturities—and maintained a fully available $500 million revolving credit facility maturing in 2030. Liquidity is further supported by diversified funding sources, FX linked cash flows, and incremental financial flexibility from forestry monetization initiatives, which provided cash proceeds for debt reduction while preserving operational control and long term wood supply.

The rating is constrained by Klabin's smaller scale relative to global peers, leverage that remains elevated for the rating category, and continued exposure to cyclical segments. Market pulp accounted for about 39% of EBITDA in the twelve months ended September 2025, leaving the company exposed to pulp price volatility. Additionally, with 63% of revenues generated in Brazil, Klabin remains sensitive to domestic economic conditions and demand trends in key packaging end markets. These factors temper the benefits of the company's strong cost structure, integrated operations, and meaningful operating flexibility.

The stable outlook reflects the balance between Klabin's strengthened post expansion operating profile, robust liquidity, and reinforced financial policy discipline against these remaining constraints. The outlook assumes prudent capital allocation, continued preservation of strong liquidity, and gradual deleveraging as market conditions normalize through 2026–2027. We expect Moody's adjusted leverage to decline further and fall between 2.6x and 2.9x by year end 2027, supported by sustained positive free cash flow, lower capex, and improving operating performance.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATING

Klabin's rating could be upgraded if the company maintains a strong liquidity position and demonstrates conservative financial policies. An upward rating movement would also be subject to the relative position of the Government of Brazil's (Ba1 stable) sovereign rating. Quantitatively, an upgrade of the company's rating would depend on leverage below 3.0x adjusted total debt/EBITDA on an ongoing basis; improvement in retained cash flow to above 25% adjusted retained cash flow/net debt ; and positive free cash flow generation on a consistent basis.

The rating could be downgraded if Klabin's operating environment deteriorates significantly, leading to weaker operating performance and liquidity. Quantitatively, the rating could be downgraded if adjusted total debt/EBITDA exceeds 4.5x on a consistent basis, or free cash flow is persistently negative. A downgrade could be subject to the relative position of the Goverment of Brazil's sovereign rating.

The principal methodology used in this rating was Paper and Forest Products published in November 2025 and available at https://ratings.moodys.com/rmc-documents/454505. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

The net effect of any adjustments applied to rating factor scores or scorecard outputs under the primary methodology(ies), if any, was not material to the ratings addressed in this announcement.

Headquartered in São Paulo, Brazil, Klabin is an integrated and diversified pulp and paper packaging producer with 4.6 million tons of pulp capacity per year — 1.6 million tons of market pulp and 2.6 million tons of coated boards and containerboard, part of which is converted into 1.4 million tons of corrugated boxes and industrial bags. The company is the largest producer, exporter and recycler of packaging paper in Brazil, and one of the largest integrated producers in Latin America. The company is organized into four main business units: forestry, pulp, paper and packaging, which together generated $3.9 billion (BRL21.3 billion) in revenue and $1.7 billion (BRL9.4 billion) in EBITDA, as adjusted by Moody's, in the 12 months that ended September 2025.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

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