

## Q1 2018 Earnings Call

### Company Participants

- Carlos Anibal de Almeida, Executive Officer, Pulp Business
- Fabio Prado, Executive Officer, Consumer Goods
- Leonardo Grimaldi, Executive Officer, Paper Business
- Marcelo Feriozzi Bacci, Chief Financial Officer and IR Director
- Walter Schalka, Chief Executive Officer

### Other Participants

- Carlos De Alba, Analyst
- Ivano Westin, Analyst
- Jonathan Brandt, Analyst
- Juan Tavaréz, Analyst
- Leonardo Correa, Analyst
- Lucas Ferreira, Analyst
- Marcos Assumpcao, Analyst
- Renato Maruichi, Analyst
- Thiago Lofiego, Analyst

### Presentation

#### Operator

Good morning, ladies and gentlemen. Thank you for waiting. Welcome to the conference call of Suzano Pulp and Paper to discuss the results for the first quarter of 2018.

Participants will be in a listen-only mode during the presentation of Mr. Walter Schalka, Chief Executive Officer; Mr. Marcelo Bacci, Financial and Investor Relations Executive Officer; Carlos Anibal, Pulp Executive Officer; Leonardo Grimaldi, Paper Executive Officer; and Mr. Fabio Prado, Consumer Goods Executive Officer. Afterwards, we'll begin the question-and-answer session when further instructions will be provided.

(Operator Instructions)

We inform that this communication contains certain statements that are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934, as amended. Some of these forward-looking statements are identified with words like belief, make, could, would, might, possible, will, should, expect, intend, plan, anticipate, estimate, potential, outlook or continue, the negative of these words or other terms of similar meaning or the use of future dates.

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Forward-looking statements in this communication include, without limitation, the statements regarding the declaration of payment or payment of dividends, the implementation of principal operating and financing strategies and capital expenditure plans, the direction of future operations and the factors or trends affecting financial condition, liquidity or results of operations are example of forward-looking statements.

Such statements reflect the current views of management and are subject to a number of risks and uncertainties. Such statements are qualified by the inherent risks and uncertainties surrounding future expectations generally, and the actual results could differ materially from those currently anticipated due to a number of risks and uncertainties. There is no guarantee that expected events, trends or results will actually occur. These statements are based on many assumptions and factors, including general economic and market conditions, industry conditions and operating factors.

Any changes in such assumptions or factors could cause actual results to differ materially from current expectations. Suzano does not undertake any obligation to update any forward-looking statements as a result of new information, future developments or otherwise, except as expressly required by law. All forward-looking statements in this communication are qualified in their entirety by the cautionary statement.

No offer or solicitation. This communication is for informational purposes only, and is neither an offer to sell nor a solicitation of an offer to subscribe for or buy share, nor is it a substitute for any offer materials that Suzano will, if required, file with the US Securities and Exchange Commission, the SEC. No offer of securities will be made in the United States except by means of a prospectus meeting the requirements of Section 10 of the US Securities Act of 1933, as amended, or pursuant to an exemption therefrom.

Additional information and where to find it. In connection with the proposed business combination transaction with Fibria Celulose S.A., Fibria, Suzano may file with the SEC relevant materials, including the case of our registered offering in the US, as a registration statement on Form F-4, unless an exemption from registration is available, containing a prospectus and other documents regarding the proposed transaction.

Investor are urged to read the Form F-4 and other documents that may be filed with the SEC carefully and in their entirety when they become available because they will contain important information about Suzano, Fibria and the proposed business combination transaction and related matters.

The Form F-4, if and when filed, and other documents filed with the SEC in connection with the proposed transaction, will be available when filed, free of charge, on the US SEC's website at [www.sec.gov](http://www.sec.gov). In addition to the Form F-4, if and when filed, all other documents filed by Suzano with the SEC in connection with the proposed business combination transaction, will be made available, free of charge, on Suzano's website at [www.suzano.com.br](http://www.suzano.com.br).

I will now hand over the call to Mr. Bacci, who will begin. Thank you.

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## Marcelo Feriozzi Bacci {BIO 17648865 <GO>}

Good morning, everyone. This is Marcelo Bacci speaking. I'd like to make a statement to begin with. To inform you that we will be very restrictive during the presentations and during the Q&A session in regards to providing projections and other forward-looking statements. As you know, we are in the process of registering our shares and ADRs with the SEC in connection with the Fibria transaction and therefore, we are subject to regulatory restrictions. We apologize in advance for any frustration this may cause, but we are sure that you all will understand that we are focused on making sure the implementation of the announced deal with Fibria goes smoothly.

I now invite Walter to tell us about the highlights of the quarter.

## Walter Schalka {BIO 2099929 <GO>}

Good morning, everyone. Thank you very much for participating in this event. We are very happy and pleased to announce the results of the first quarter 2018 of Fibria's -- of Suzano Pulp and Paper. I'd like to start telling about the major relevant events that we had in this first quarter. We had -- we closed two major M&A transactions this quarter, the small hydropower plant in Chagas, Mucuri.

The consumer goods assets of Facepa. That is a very important milestone for us. We signed the acquisition of some land and forests from Duratex, and that was a very positive move towards in the Sao Paulo state. We had the refinance of one syndicated loans that we have.

We were upgraded by Standard & Poor's and -- to investment grade, and now we have two different agencies as we are investment grade. And we had -- and we announced on March 16, a major and relevant transaction with the controlling shareholders of Fibria to business combination asset of Suzano and Fibria after the precedent conditions.

And before we start the financing highlight, I think it is quite important that it was a very important quarter for us on several different activities on different areas of company. The major KPIs that we have that we would like to highlight to you during this quarter, the first one is our operational cash flow.

There is adjusted EBITDA, less sustaining CapEx. That was a record this year. This quarter, it was BRL1.265 million (sic) billion. That is more than a 100% from the same quarter last year. Our EBITDA was a record EBITDA of BRL1.5 billion, that is 7% higher than the previous quarter and 80% higher than the first quarter of last year.

We had extremely good EBITDA per ton on our pulp business, that is BRL1,467 per ton and that related to our improvement on pulp prices. And Carlos will detail more about that. We had extremely good results on paper -- major development on the paper side as well, with higher production and better return on capital employed, and higher EBITDA per ton that is BRL855 per ton.

If you analyze our return on capital invested of the first quarter, it's going to be close to 21%, 20.8%. And top of that, we have been deleveraging the company now to a level that we are even more comfortable to advance on the Fibria transaction with 1.7 times net debt over EBITDA. I think the major KPI is addressed in the result of the efforts that 8,000 people in the organization is doing to improve our organization every single day and we are very pleased with that.

Now, I'm going to pass to Leonardo Grimaldi that is going to show a little bit some numbers on the paper side.

## Leonardo Grimaldi

Thanks, Walter, and good morning, everyone. This is Leonardo, and I'm going to present the paper business unit's result for the first quarter of 2018. The figures presented on the next two slides are specific to the paper business units. Therefore, excluding Suzano's Consumer Goods, our tissue business results for the quarter.

We have produced 289,000 tons of paper and paperboard in the first Q '18. This is a 5.5 production increase compared to the same quarter last year. We have sold 279,000 tons in the first Q '18, which is a 5.3% growth when compared to the first Q '17.

In Brazil, EBA has just presented the figures for the first Q '18, in which they report that the domestic sales of printing and writing grades and paperboard have grown 2.4% compared to the first Q '17. In line with the domestic market scenario, we have sold 184,000 tons in the first Q '18. However, as we have stated previously, our priority has been the effective implementation of price increases across all of Suzano's paper and paperboard grade.

Our international sales have totaled 95,000 tons, achieving a 13% growth compared to the first Q '17. We have sold our products and brands in more than 60 countries worldwide. As a consequent of stability in production, positive sales volumes and ongoing price increases, our EBITDA margin for the quarter was BRL888 per ton. This is a 27% increase in our margin when compared to the first Q '17, and a 14% increase compared to the fourth Q '17. The paper business unit's ROIC has also increased significantly, reaching 14.4%.

Now, on the next slide, we present the price increases we have seen so far. The green line represents our average price in Brazil. Up to now, they have increased 4.1% compared to the fourth Q '17 and 4.4% compared to the same quarter last year. The blue line shows our average export prices in US dollars. They have increased 4.2% compared to the fourth Q '17, and almost 11% compared to the same quarter last year.

As per recent publications during the same period, prices of imported printing and writing papers have risen in most countries in the world. These international price movements, due mostly to the increase in production costs, support our pricing strategy both in international markets and also in Brazil.

I would now like to invite Carlos Anibal to present the results for the pulp business unit.

## **Carlos Anibal de Almeida** {BIO 19090865 <GO>}

So, thanks, Leo, and good morning, everyone. So, turning to the pulp business result in slide number six. The pulp business delivered a solid Q1 result and performance, and we continue to see healthy demand and solid fundamentals across our major markets. Operationally, we executed very well. Production amounted 918,000 tons, which is up 4% Q1 quarter-on-quarter and 5% year-on-year.

Before talking about sales, I would like to remind you what we said on our last conference call in February. At that time, we said that we would need to build up stocks once we had closed December '17 with extremely low inventory.

Our sales reached 876,000 tons. What means now our stock went up roughly 40,000 tons. Despite this minor increase, we are still running below 30 days of production and that brings some operational challenge for us. We will continue to build stocks in the coming quarters in order to normalize our product levels.

Cash costs, as we can see, we can realize a downward strength, Q1 is near what, 587. And the major challenge that we have right now are related to chemicals, fuels, mainly, and also a lower energy sales price. Higher pulp price allowed us to increase EBTIDA per ton.

Our net price averaged \$731 per ton, that is up \$52 quarter-on-quarter and \$226 year-on-year. Our EBITDA per ton amounted BRL1,467, a bit over \$450. And that was driven mainly by higher pulp price and good operational execution. Total EBITDA for the pulp business was about 1.38 billion. We are very pleased with our operating performance and our ROIC reached 18.8% in the last 12 months.

Having said that, now I'd like to turn it over to Fabio, who will cover our consumer goods business results.

## **Fabio Prado**

Good morning to you all. In the consumer business, we are working on two fronts: consolidating our brands, Max Pure and Mimmo, and integrating Facepa brands into our stable. What -- we launched them in Max Pure in the first quarter, and we are launching now Mimmo in the second quarter.

In both cases, we are building distribution with greater focus on North and Northeast regions of Brazil. Next steps are the integration of operations with Facepa, and finalizing the commissioning of the last two lines in Bahia and Maranhao. Segmented results from consumer business will be presented from the second half onwards.

Now, I will hand it over to Marcelo Baaci.

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## Marcelo Feriozzi Bacci {BIO 17648865 <GO>}

All right. Let's talk about CapEx. Our CapEx during the quarter was BRL700 million, pretty much in line with the projections that we had. The maintenance CapEx was 300 million, which is in the right place to reach 1.2 billion in the year.

The other projects of structural competitiveness and additional business are running according to schedule, 200 million. And we made the payment for the acquisition of Facepa during this first quarter, totaling 700 million. Our expectation for the year remains the same, 2.4 billion, that will include the payment for the forest that we acquired from Duratex

On the next slide, we discuss our financial situation. We ended the quarter with a net debt of \$2.8 billion, with an average debt maturity of 85 months, and an average cost of debt swapped into dollars of 4.6% a year. This is a very positive and competitive situation in terms of our debt that's allowed the company to go through the transformational moves that we are going through.

During this process, we achieved Investment Grade from Standard & Poor's, and now as Walter mentioned in the beginning, we have two rating agencies giving us Investment Grade, which is very positive for the company and for our future.

Our leverage is now at 1.7 times, coming from 2 times measured in dollar terms, also according to our expectations. We have a very comfortable amortization schedule in our debt and a very sizable cash position of BRL3.4 billion. So, we are showing continued improvements in our financial metrics.

We will talk in a sequence about the timelines for Fibria transaction. So, as you all know, we announced the deal on March 16th, the agreement between Suzano and Fibria. And since then, we have been able to achieve some of the milestones that we have for the transaction as a whole.

First, there was the approval by the Fibria Board for Fibria to join the agreement, that's already done. A second important step was the syndication of the debt. As you remember, we took \$9.2 billion of debt with four banks to finance this transaction. And in the sequence, these four banks distributed this deal to another eight -- to other eight banks. So, we now have 12, and this was made in a record period of five days only. So, we now are in the situation that was planned from the beginning, in terms of the syndication of the debt.

In addition, on the antitrust side, we have hired all the lawyers and other advisors that we need in the different regions that we need to file, and we have initiated the proceedings to file in those regions. And we are working together with our auditors and some other advisors to prepare the company to file for a registration with the SEC to list our ADRs in the New York Stock Exchange. We expect to file in the month of May.

So, after the final, just to remember what the sequence of events, after we have the filing and after we have the approval by the SEC, we're going to be able to call the Shareholder Meeting probably of Suzano and Fibria to finally approve the transaction from the statutory point of view. And then there will be still pending the regulatory approval by the antitrust authorities to get us to the closing of this transaction. So, everything is going according to schedule in terms of the transaction timeline.

With that, we finish the presentation and we are open to Q&A session.

## Questions And Answers

### Operator

(Operator Instructions) Our first question comes from Lucas Ferreira, J.P. Morgan.

#### Q - Lucas Ferreira {BIO 16552031 <GO>}

Hi. Good morning, everyone. My first question to Carlos Anibal. Carlos, you mentioned about some inventory building. Do you think that will continue in the second quarter? Have you already reached a comfortable inventory level, or you think you should be building more inventories in the second quarter?

And if you could -- can comment on what you're seeing in, especially, China, if prices have been stable or your competitors have been increasing prices, in your perspectives for the coming months?

And my second question is regarding the merger. If you can comment also, if there is a timeline on expectation on whether when you should submit your application to the antitrust authorities, if you can give us an update on that front? Thank you very much.

#### A - Carlos Anibal de Almeida {BIO 19090865 <GO>}

Sorry. We were in mute. So, Lucas, good morning. Thank you for your question. This is Carlos speaking. So, regarding your first question related to inventory, it is true that we are going to increase inventories again in Q2, and that has to do with the fact that we are running right now below 30 days of production. We cannot give our customers a reasonable service level with that level of inventory. So, we are going to see again some stock to be built up during Q2.

Regarding supply and demand, the market fundamentals, we see the demand as solid and healthy across the major regions. The Chinese customers are back to the market after Chinese New Year, and the volumes there in China are currently according to our expectations.

On the supply side of the equation, a combination of planned maintenance shutdown and several unexpected events across the major production regions and adapt, limiting the pulp supply in Q1. Also very important to mention, the impact of the softwood situation in

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Europe, weather-related events limited the wood supply in the Nordic countries, creating fiber shortage and subsequently, a huge pressure on the long fiber market that has been reflected by new price announcements. Some long fiber producers just announced \$1,200 for May in Europe, open up a gap of around \$150 between long fiber and BKP.

Regarding pricing, I'm going to share with you our view on Q1. So the dynamics that I described before supported two price announcements for BKPs. One there was in Feb, \$30 more, then another one that was effective April 1st, taking the list price in Europe to 1,050.

**A - Walter Schalka** {BIO 2099929 <GO>}

On the merger side, Lucas, your question, it's Walter answering. We expect it to help supplies to pre-file in all jurisdictions till the end of May. This is what -- we are working on this track. I think we are on the right track to do it. We check with other jurisdictions and we need to file in three other jurisdictions that is going to be Mexico, Turkey and Argentina. Argentina is the only one that we need to do it post-closing and then, all the remaining, we need to do it immediately pre-closing and the idea is to file that till the end of May.

**Q - Lucas Ferreira** {BIO 16552031 <GO>}

Thank you very much.

**Operator**

The next question comes from Mr. Carlos De Alba with Morgan Stanley.

**Q - Carlos De Alba** {BIO 15072819 <GO>}

Yeah. Thank you very much, everyone. So, there is this trend in the market going on where paper producers are trying to increase prices and successfully, in many cases. You've seen the argument that raw material costs for prices have been increasing and therefore, they need to increase price to customers.

This is a little bit of a clear situation where that creates an incentive for paper prices, perhaps, not to push back on higher pulp prices as strongly as they would otherwise do. Otherwise, it would basically kill the argument that they need to increase prices.

So, could you explain given that you are in the position of seeing what is happening in paper and also in pulp, could you explain how sustainable is this strategy, given that, I'd [ph] say at least, if this will be far what is going on right now? Thank you.

**A - Carlos Anibal de Almeida** {BIO 19090865 <GO>}

Okay, Carlos. This is Carlos Anibal speaking. We have learned about paper price announcement across the major markets. As a trend, we can say paper price are going up at different pace for different grades and regions.

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In China, I'd like to draw the attention to the very healthy paper margins for printer and writing. We have seen some improvements for packaging and we believe that tissue will follow that as well. So, it is true that we see some support from our customers all over the places. But they need -- there have to be needing some stability, so they can try to increase their price as well.

## Operator

The next question comes from Leonardo Correa, BTG Pactual.

### Q - Leonardo Correa {BIO 16441222 <GO>}

Yes. Good morning, everyone. Thank you. My first question, maybe to Walter and to Bacci, going back still to the initial points on the transaction and on the bureaucratic part. The market has obviously been speculating a lot on how antitrust regulators would be viewing this merger. A lot of people have been looking at past transactions, the VCP and Aracruz merger.

So, guys, in that context of what could potentially come from the antitrust regulators, I just wanted to hear your thoughts on how the conversations with the lawyers and how all of the analysis that you have been doing, how those -- how that process has been evolving and your expectations on how antitrust regulators will perceive the merger?

My second point to Anibal, just some tidbits on the pulp markets. First of all, Anibal, I wanted to hear your thoughts on how likely you see potential price increases from here? We've been seeing a trend of relative stability over the past weeks. And as you mentioned, supply-demand continues very tight, inventory is low. In some regions, paper margins are high.

So, I just wanted to see with you on the probability, you see more price increases in May and June for hardwood, especially in the context of rising softwood prices that we've been seeing lately. Also recently, we've been hearing a lot on Chenming, a potential new capacity addition in China, which came a bit surprising to many market observer. I wanted to hear your thoughts on that. So, those are the points. Thank you very much, gentlemen.

### A - Walter Schalka {BIO 2099929 <GO>}

Leonardo, it's Walter. Thanks very much for your question. Related with the antitrust filing that we are going to have on several jurisdictions. We are -- since we are in the early stages to discuss about this, this is very -- not very clear to us what is going to be the reaction of the authorities on the different jurisdictions. The perception of our lawyer are very positive, but should be tested with the authorities on the different areas. Then we are not ready to make any specific comments how we are going to perform on every single area since we are in the early stages.

### A - Carlos Anibal de Almeida {BIO 19090865 <GO>}

Leonardo, this is Carlos. As Marcelo said in the beginning, we are not giving at this time any guidance, any view on future price. So, I have to apologize for that. Regards

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Chenming, the information that we have is that we're going to have by the end of this year, about 600,000 tons of pulp capacity. We have several questions about wood availability and environmental permits to run those two new machines. Also important to say that we are planning to add more uncoated per ship paper capacity and therefore, that new pulp capacity would be fully integrated. This is all we know about this case.

**Q - Leonardo Correa** {BIO 16441222 <GO>}

Thank you very much, guys. And just a final question, just to check. So if we look at the entire transaction, on the best estimate guys, at this point, when you think the transaction would be closed if everything works out? And has anything on the dates and the final dates changed? Is there any update on that front?

**A - Walter Schalka** {BIO 2099929 <GO>}

No, no. This is Walter. We do not see any major changes from what we mentioned during the presentation of this transaction. At that time, we thought that it would be between 8 to 10 months, we think it's continued to be the same. But it's just a matter of checking with other transactions to see that the -- how did the other transactions were structured was roughly this period of time, then we understand that it could be the same. We do not have any major change on that.

**Q - Leonardo Correa** {BIO 16441222 <GO>}

Thank you very much.

**Operator**

Our next question comes from Marcos Assumpcao with Itau BBA.

**Q - Marcos Assumpcao** {BIO 7474402 <GO>}

Okay. Good morning, everyone. First question on the tissue business. We saw some volumes coming from this business in the past few quarters. If you could comment a bit more, if you could give us a little bit more color in terms of volumes, prices. Also on the cost side, I know that in the beginning of the operation, probably, cost a little bit higher and the margins that you're expecting for the business in 2018. Also if you could differentiate how much of these volumes were coming from Suzano and how much were coming from Facepa, would be useful?

And the second question to Walter, a bit more broad and strategic. I know you're 100% focused on the closing of the Fibria deal right now. But like, how do you want to see Suzano positioned, let's say, in five years' time? In terms of integrating more pulp into paper, or in terms of being a bit more diversified in terms of businesses, how do you want to see the company in the future? Thank you.

**A - Fabio Prado**

Hi. It's Fabio here. Thanks for your question. From Facepa, I mean, so far, nothing because the closing was at the end of the first quarter. And from Suzano side, what we are seeing

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here is a good progress in terms of getting the right distribution. But of course, and I don't think you understand, I cannot comment on volumes and margins now due to competitive reasons.

#### **A - Walter Schalka** {BIO 2099929 <GO>}

Marcos, thanks very much for your question. This is Walter. I think we have three pillars on our strategy. The first pillar of our strategy is competitiveness -- structural competitiveness. And we have been working on this direction in the last many years. We are very pleased with the developments that we had. Even last year, we had 5.3 productivity gain every -- on a CAGR basis from the last five years and we are very pleased with that.

Of course, on this pillar specific, it is very difficult to comment right now. We do not have any granular information related with Fibria to discuss about the synergies and how we are going to implement that. And when we have the combination of that, it's after that we are going to announce to the market what is the next step and the next opportunities, and we are going to set new targets in terms of cash cost to the new entity. Then we will be extremely pleased to share with the market after the closing of this combination of assets.

The second part of our -- pillar of our strategy is what we call adjacent business. We have been working on tissue. We have been working on Lignin, on fluff, on set [ph], on GMOs [ph] through 2018 [ph]. And we will continue to follow and supply new alternatives and new rules for the future. We understand that we need to maximize our asset base, and we will look for opportunities to use the quality of assets that we have to enter on our business that could create value for our shareholders.

The third part of our strategy, I think you'll remember, is to reshape this industry and to reshape -- and the combination of assets of Suzano and Fibria is part of that. We understand that we are going to play an important role on the pulp market worldwide. And we will -- at the first moment, Marcos, tried to deleverage the company as fast as possible using this window of opportunity of higher pulp prices and FX that is helping us as well, not in the first quarter but it's going to help, for sure, in the second quarter and the next coming quarters, as I understand. And this could lead us to deleverage the company that then we are going to come back to you later on to discuss after closing, to discuss what would be the further alternative -- strategic alternatives to the company for the future.

#### **Q - Marcos Assumpcao** {BIO 7474402 <GO>}

Perfect. Thank you very much, Walter. And just a follow-up on the potential growth in the future. Regarding Duratex forestries, is there a possibility of expanding the call option that you have for the additional -- the additional, the second tranche in terms of land and forest acquisition?

#### **A - Walter Schalka** {BIO 2099929 <GO>}

We didn't discuss with Duratex above extending the call option. This call option, at this point of time finished at July 2nd, if I'm not wrong. And we are considering what we are going to do if we are going to exercise or not this option. And we are going to announce just close to the option date.

**Q - Marcos Assumpcao** {BIO 7474402 <GO>}

Okay. Thank you very much.

**Operator**

Our next question comes from Jon Brandt, HSBC.

**Q - Jonathan Brandt** {BIO 5506998 <GO>}

Hi. Good morning, gentlemen. Two questions for me. First, just coming back to the merger, Baccia, I don't know if there is any update you can give us on the tax benefits, if you've looked into that in more detail. Also, I was wondering what the feedback has been from clients. I'm sure you've discussed this and there has been some discussion around the merger with clients. I wonder what their feedback is.

And then, I guess my second question is for Carlos. It seems that a lot of market observers are pretty bullish on pulp prices. Certainly the investors that I speak to are very bullish. I know a lot of the sell-side analysts have (inaudible) on Suzano. I'm wondering what is the risk, as you see it to the pulp side of things? Where could the market be some things? I think we have a pretty good idea on the larger supply coming in. Is there a risk that we see increasing supply from debottlenecking of smaller producers? Do you see a risk that some of the integrated producers start selling market pulp? I guess, what could the market be missing? Thank you.

**A - Marcelo Feriozzi Bacci** {BIO 17648865 <GO>}

Jon, this is Marcelo speaking. Thank you for your questions. On the tax side, I think the most important benefit that we are going to have is related to the goodwill creation in the deal. This -- we have not advanced in terms of having a better understanding of this because this will basically depend on the purchase price allocation, which is a very complex work that has to be done that hasn't started yet. So, as soon as we have more details, we are going to get back to you, but it's not going to be so soon.

**A - Walter Schalka** {BIO 2099929 <GO>}

Related to customers, Jon, thank you very much for the questions. We have been talking to customers. Until now we had positive reactions from them. I think we understand the benefit of this transaction in terms of health [ph] -- could improve product, could improve service to the customers and could, through a combination of the R&D team, create more competitiveness for them in the future. And then we have been talking to some of them and they have extremely positive reaction from the market tune-up.

**A - Carlos Anibal de Almeida** {BIO 19090865 <GO>}

So, Jon, this is Carlos. As Marcelo Bacci said at the beginning of our conference call, we have some restrictions on commenting about future market developments. So, I'll ask you again to apologize me for not taking your question. The risk that we -- that I can say that I can share with you at this point in time, I'd say are related to macroeconomics and geopolitical risks. Those are the ones that we believe that could effect the pulp price in the future.

**Q - Jonathan Brandt** {BIO 5506998 <GO>}

Okay. Thank you very much.

**Operator**

The next question comes from Thiago Lofiego with Bradesco.

**Q - Thiago Lofiego** {BIO 16359318 <GO>}

Hi. I have one question for Leonardo Grimaldi. Leonardo, do you see a room for further paper price hike initiative in Brazil, especially considering the currency has been on a depreciating trend, while demand has been improving as well?

And actually, I have a second question to Carlos Anibal. Carlos, how have been the discounts negotiations with -- renegotiations with clients? We noticed your realized pulp prices were quite solid in the quarter, I'm talking about the discounts here. So, how were the negotiations, if you could give us some color? Thank you.

**A - Leonardo Grimaldi**

Thiago, thank you for your questions. We have seen an upward trend in paper and paperboard prices in most markets in the world. And as we all know, we may need to increase production costs. We have managed to increase our prices in Brazil more than 4% this quarter and similarly in international markets. But at this time, as per Marcelo's opening statements, we are not giving guidance on our expectations for the next quarter. I am sorry.

**A - Carlos Anibal de Almeida** {BIO 19090865 <GO>}

So, Lofiego, this is Carlos. At this time, we will not make any comments about our commercial policy.

**Q - Thiago Lofiego** {BIO 16359318 <GO>}

Thank you.

**Operator**

The next question comes from Renato Maruichi with Santander.

**Q - Renato Maruichi** {BIO 17847481 <GO>}

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Hi. Good morning. I have two questions. First, I'd like you to discuss the forest productivity in Maranhao state. I understand that in (inaudible) is a new frontier and that there is room for improvement in terms of food productivity when compared to the metros in Sao Paulo and Bahia states, for example.

And also if you could share with us how much of your guidance of cash cost comes from Brazil? And secondly, my second question is regarding some credit [ph] lines that could be breached, either by changing control of Fibria or by downgrading Suzano's investment grade. So, how is this strategy to avoid an anticipation of debt amortization? And if you already talked to some of those creditors, how was the feedback? So, these will be my two questions. Thank you.

#### **A - Walter Schalka** {BIO 2099929 <GO>}

Renato, thanks very much for your questions. It's Walter answering. I'm going to start with your question related to the forest productivity in Maranhao. Right now, we are facing lower productivity in Maranhao comparing with Bahia and Sao Paulo. We have been working on the clones and we have been working on silviculture as well to improve the productivity and the yields in Maranhao.

We have been improving, but it's something that we are not going to have the benefits short-term. We are going to see the benefits long-term. We are very pleased with the developments that we are doing, but we are not going to see any major impact on these coming quarters.

On the other hand, it's very unfortunate that the drought that we had in Maranhao last year affected our -- and this was reflected on our biological assets of last year and affected ROU, and we are working over there to have clones much better prepare for the drought, if happens for the future.

Related with the cash cost guidance, we are not giving any guidance to the market right now. As I mentioned during the call, our idea is that after closing of this transaction, we will discuss in the light of the synergies that we are going to create with the combination of assets, the possibility to have a lower cash cost. And after a deep analysis on that, after closing, we will come back to the market with a new cash cost target for the next coming months.

#### **A - Marcelo Feriozzi Bacci** {BIO 17648865 <GO>}

Renato, this is Marcelo speaking. In terms of that debt acceleration, we have two separate situations here. In the case of this existing debt of Suzano, the risk is very small. Most of our debt is not under any clause of change of control. It is -- some of the transactions that have change of control, we have talked to the creditors and we see no risk of acceleration. Most of the banks involved in those deals are the same banks that are supporting us on the Fibria transaction. So, it wouldn't make sense to accelerate.

On the capital market side, our bonds are not subject to early redemption because of change of control. On the Fibria side, we have three different situations. This is all public

information that I'm mentioning. On the bond side, the Fibria bonds would be accelerated only if there is a downgrade following the M&A. There was no downgrade following the M&A announcements, so no risk on that.

And there are the Brazilian capital markets transactions, the CRA, that have an acceleration clause that has some way out and this will be up to Fibria to work on the coming months to see how -- or what's the best action they're going to take. But this is not a major number and will not materially affect the financial situation of the combined entity.

**Q - Renato Maruichi** {BIO 17847481 <GO>}

Okay. Thank you.

## Operator

The next question comes from Ivano Westin with Credit Suisse.

**Q - Ivano Westin** {BIO 17552393 <GO>}

Hi. Good morning, Walter, Bacci and all your Directors. So, thanks for the questions and congratulations on good results. First question on ADR Level 3. In New York. Bacci, you mentioned the filing at SEC. You received the green light or after you received a green light, you called general shareholders meeting to approve it? You get this approval. But even after all approvals, I understand you have the option to list it immediately or to wait until the conclusion of the deal? So, I just wonder if you have made a decision on it.

Second question, funding. You have this, just over \$90 billion guaranteed, but I believe you issued new bonds, maturing in 7, 10 years. So, can you please comment on your affiliated [ph] plans on the new bond issuance you expect for second half of the year? Thank you.

**A - Marcelo Feriozzi Bacci** {BIO 17648865 <GO>}

All right, Ivano. Thank you for the questions and they are linked somewhat. In the process of the ADRs, we need to file and we need to get the approval first. Once we get the approval, we need to make this decision whether or not we're going to list Suzano immediately or only after the closing of the Fibria deal. In principle, we understand that we only list Suzano after the closing, but it's not a decision that we have made.

**A - Walter Schalka** {BIO 2099929 <GO>}

At the closing.

**A - Marcelo Feriozzi Bacci** {BIO 17648865 <GO>}

At the closing. But we haven't made that decision and we'll discuss this further. On the funding side, this is linked also to the registry process because we cannot issue any bonds before we finish working on our pro forma financial statements of the combined entity, which is more or less the same kind of document that we have to present to the SEC. And given the size of the transaction that we need to do in the future for refinancing the loan,

it is important to be able to issue registered bonds in the US market, which also depends on the SEC registration.

So, our strategy at this point is to get ready as soon as possible on the formalities to be able to issue bonds in the market or to be able to have the flexibility to go to the market whenever there is a good window. It's difficult to, at this point, say exactly when we're going to go. But we will consider the possibility of taking out the bridge loan even before closing.

**Q - Ivano Westin** {BIO 17552393 <GO>}

Thank you, Bacci. Very clear.

## Operator

The next question comes from Juan Tavaréz with Citi.

**Q - Juan Tavaréz** {BIO 15083199 <GO>}

Hi. Thank you. Good morning, everyone. So, my first question, I may have missed it. But Carlos Anibal, if you just remind us how the April pulp price hike is going? Is there any specific region that has been easier to implement, if you could just give us an update there?

And second, just sort of talking about your paper profitability. I know you mentioned in your press release that your margins were affected by costs and expenses generated by the consumer goods business. I'm curious, when do you expect that consumer goods business to be fully ramped up in order not to see this type of drag on expenses?

**A - Carlos Anibal de Almeida** {BIO 19090865 <GO>}

So, Juan, good morning. This is Carlos. Thanks for the question. At this time, as Marcelo said in the beginning of our conference call, I'm going to limit my comments on Q1, so apologize me for that.

**A - Leonardo Grimaldi**

And, Juan, this is Leonardo. Regarding our consumer goods business unit, as per Fabio's presentation, we will start giving full disclosure on that in the second half of this year, separating it from the paper business unit.

**Q - Juan Tavaréz** {BIO 15083199 <GO>}

But do you have a sense of -- because I guess the point in the press release that you mentioned is that the reason why you're seeing paper margins under pressure is because it is not fully ramped up or it's still in the ramp-up phase. Is there kind of a timeline when you expect that should be fully ramped up or...

**A - Marcelo Feriozzi Bacci** {BIO 17648865 <GO>}



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It's Marcelo speaking. There are two parts of business. The first, there is going to be the integration of the Facepa numbers into our numbers that will start in the second quarter, but still under the paper division. As soon as we have higher volumes and higher occupation of our machines -- the new machines, the greenfields that we did in Mucuri and in (inaudible), which we expect to be in the second half of this year, we are going to segregate completely the business unit, the consumer goods business units, including Facepa, from the tissue operation -- from the paper operations. So, this is for the second half.

**Q - Juan Tavaréz** {BIO 15083199 <GO>}

Thank you very much. Thank you.

## Operator

We're now closing the question-and-answer session. I will pass the call back over to Mr. Walter Schalka for the closing remarks. Please go ahead, sir.

**A - Walter Schalka** {BIO 2099929 <GO>}

Ladies and gentlemen, I'd like to apologize, individually, the frustration that we have been caused to you because we are not able to answer some of your questions. I think you understand the reason behind that. But being very transparent and honest with you, we are very pleased with the development that we have been doing in our operational bases.

In Suzano, we have been improving and delivering extremely good results. On the other hand, we are very pleased with the developments that we have seen in our Fibria combination assets. All of the key steps are on track and on time at this point of time. And we will continue to work on this direction.

I would like to thank you very much for that, and hope you have a very nice and good day. Thank you very much.

## Operator

That concludes the conference call of Suzano Pulp and Paper. Thank you very much for participating. Have a good day.

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