

# Suzano

March 05, 2015

**Pulp & Paper**

## 4Q14 Results: strong volume and higher prices

Suzano released strong results in 4Q14 led by the growing in pulp production, by higher prices in the paper segment and also by the dollar appreciation, which improved its exports. The company has been also presenting a healthier balance sheet in a deleveraging process that has started early in 2014.

**Pulp: successful performance in Maranhão.** In 4Q14, pulp sales volume were 3.4% lower QoQ but 54.9% higher than same period last year (the start up of the Maranhão pulp mill occurred on December 30, 2013). Despite the drop in the average net pulp price in USD by 8.0% YoY, the average price in BRL positively increased to BRL 1,438/t (+12.9% QoQ and +2.9% YoY). Thus, Suzano ended 4Q14 with pulp revenues of BRL 1,192 million. In that period, while sales shipments to Europe rose to 31.0% (where prices are higher), sales to Asia fell to 42.0%.

**Paper: higher average prices improved results.** Paper sales drop by 1.4% YoY mostly due to a decrease in paperboard in the domestic market (-8.6%). Added to the average paper price hike in USD of 2.7% YoY, the Brazilian real depreciation led to an increase by 9.5% in the average price in BRL. Hence, Suzano ended 4Q14 with revenues of BRL 958 million (+7.9% YoY).

**Costs and Operating Results.** Cash cost of pulp production decreased by 15.0% YoY and reached BRL 484/t. That drop was a result of revenues from surplus energy sales and higher dilution of fixed costs, partially offset by higher wood costs due to greater purchases and higher average supply distance from third part at Mucuri Plant. Following the rise in sales, costs and SG&A increased QoQ and YoY but, since the company registered a consistent growth in average prices, adjusted EBITDA reached a record of BRL 826 million (+34.3% QoQ and +52.1% YoY), with margin of 38.0%.

**Indebtedness and Financial Results.** Despite the rise in gross debt to BRL 13.8 billion (+5.1% QoQ), the Net Debt/EBITDA fell to 4.1x (from 4.5x in 3Q14), showing that Maranhão mill is on track and the company has been consistently improving its balance sheet. Moreover, since its financial results were negative at BRL 737 million mostly influenced by exchange rate variation, Suzano recorded a net loss of BRL 197 million.

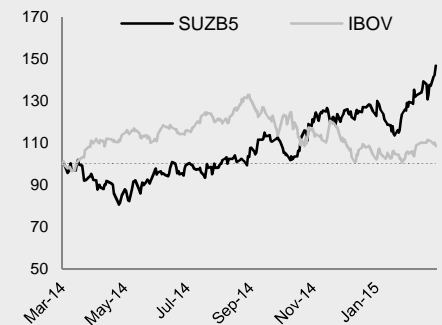
**Outlook.** We do believe Suzano will continue to improve its results in the upcoming quarters and consequently reduce its debt level, mainly due to the good momentum the pulp and paper sector has been experiencing. In the conference call with analysts and investors hosted this morning, the company affirmed its intention to increase paper exports, with focus on Latin America. Suzano also confirmed the price hike by USD 20/t for hardwood pulp consumers, in order to absorb the good economic environment for the hardwood market at least in the first half of 2015. Thus, we have updated our SUZB5 target price to BRL 14.00 for YE2015, with Outperform recommendation.

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SUZB5	Outperform
Last Price 03/03/2015 (BRL)	12.90
Target Price 12/2015 (BRL)	14.00
Upside	8.5%
Market Cap (BRL million)	14,010
1 Month Change	13.7%
LTM Change	47.6%
YTD Change	14.7%
52w Low (BRL)	7.00
52w High (BRL)	13.09

Multiples	2105e	2016e	2017e
EV/EBITDA	7.2x	6.5x	6.9x
P/E	12.6x	10.1x	10.8x
EPS (BRL)7	1.03	1.28	1.20



Source: Bloomberg and BB Investimentos

BRL million	4Q14	QoQ	YoY	2014	YoY
Net Revenue	2,177	10.0%	31.1%	7,265	27.7%
Gross Profit	641	28.7%	40.4%	1,909	27.4%
Gross Margin (%)	29.4%	4.3 p.p.	2.0 p.p.	26.3%	-0.1 p.p.
Adjusted EBITDA	826	34.3%	52.1%	2,452	37.6%
EBITDA Margin (%)	38.0%	6.9 p.p.	5.2 p.p.	33.8%	2.4 p.p.
Net Income	-197	-45.5%	240.1%	-262	-
Net Margin (%)	-	-	-	-	-

Estimates (BRL million)	2013	2014	2015 (E)	2016 (E)	2017 (E)
Net Revenue	5,689	7,265	8,917	9,810	9,171
Gross Profit	1,496	1,909	2,639	3,072	2,846
Gross Margin (%)	26.3%	26.3%	29.6%	31.3%	31.0%
Adjusted EBITDA	1,781	2,452	3,211	3,557	3,348
EBITDA Margin (%)	31.3%	33.8%	36.0%	36.3%	36.5%
Net Income	-220	-262	1,116	1,386	1,300
Net Margin (%)	-	-	12.5%	14.1%	14.2%

Source: Suzano and BB Investimentos

<b>Production (kt)</b>	<b>4Q14</b>	<b>QoQ</b>	<b>YoY</b>	<b>2014</b>	<b>YoY</b>
<b>Pulp</b>	<b>822</b>	<b>2.2%</b>	<b>70.2%</b>	<b>2,982</b>	<b>54.3%</b>
<b>Paper</b>	<b>322</b>	<b>-1.8%</b>	<b>-3.6%</b>	<b>1,301</b>	<b>0.6%</b>
Paperboard	61	-6.2%	-7.6%	250	0.0%
Coated	64	-4.5%	1.6%	256	14.3%
Uncoated	196	0.0%	-4.4%	795	-2.9%
<b>Sales (kt)</b>	<b>4Q14</b>	<b>QoQ</b>	<b>YoY</b>	<b>2014</b>	<b>YoY</b>
<b>Pulp</b>	<b>829</b>	<b>-3.7%</b>	<b>54.9%</b>	<b>2,850</b>	<b>50.4%</b>
<b>Paper</b>	<b>375</b>	<b>10.2%</b>	<b>-1.4%</b>	<b>1,322</b>	<b>0.8%</b>
Paperboard	62	-1.9%	-4.8%	247	-2.0%
Coated	60	-11.0%	-2.3%	248	14.6%
Uncoated	247	21.3%	0.8%	806	0.5%
<b>Indebtedness (BRL million)</b>	<b>4Q14</b>	<b>QoQ</b>	<b>YoY</b>		
Gross Debt	13,761	5.1%	6.9%		
Net Debt	10,074	3.0%	9.7%		
Net Debt / EBITDA	4.1x	-0.4x	-1.0x		

Source: Suzano and BB Investimentos

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