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Ratings

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# Suzano S.A.

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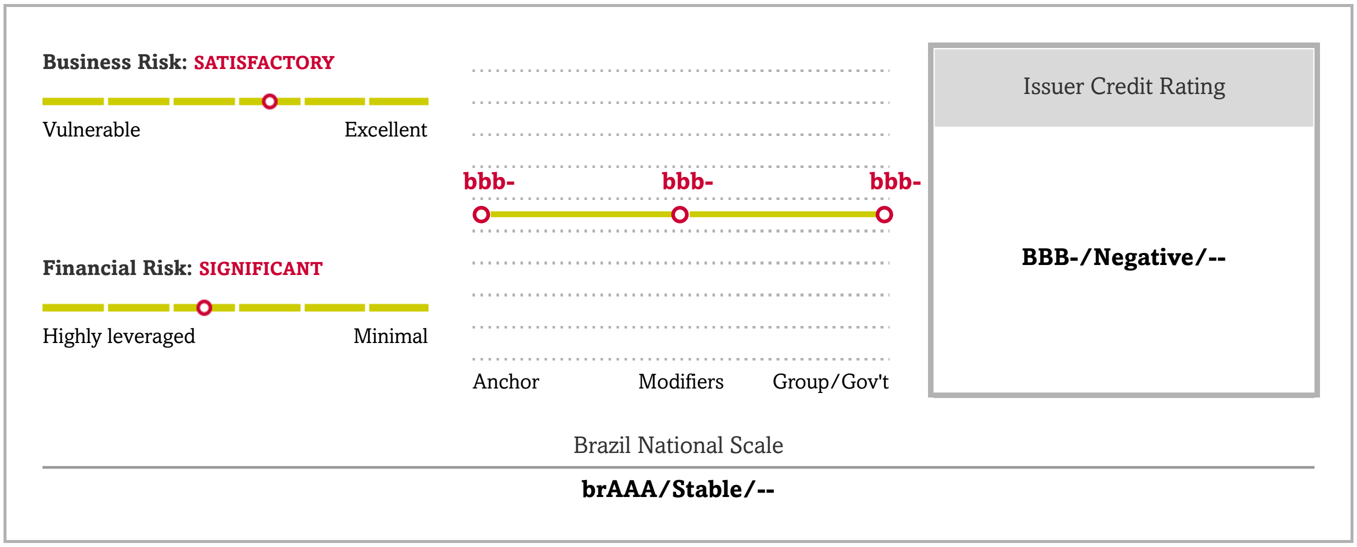
# Suzano S.A.




## Credit Highlights

### Overview

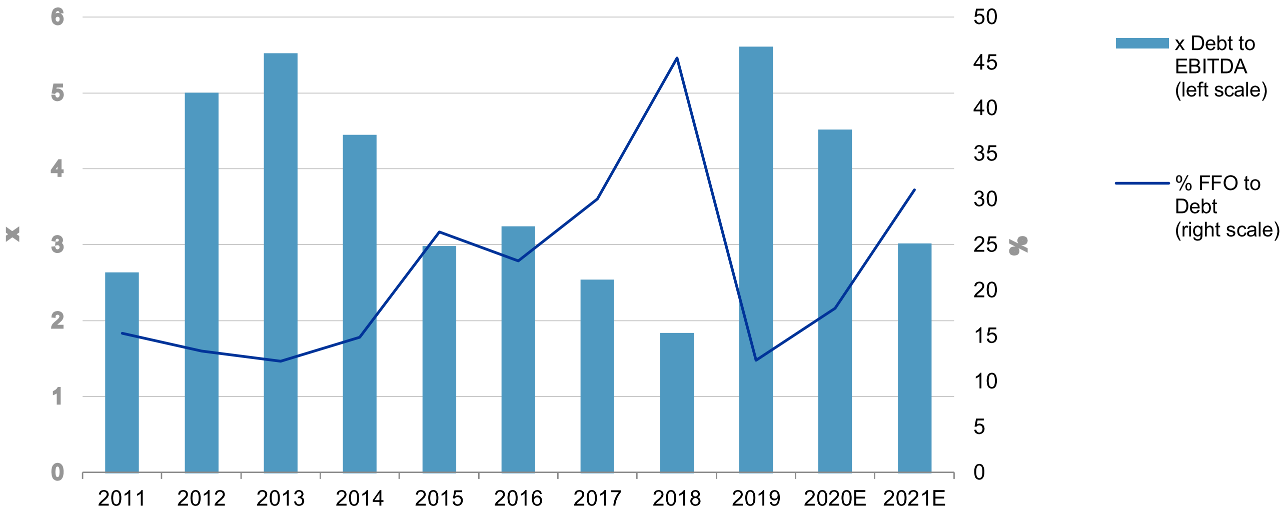
| Key strengths | Key risks |
|---|---|
| Leading position in hardwood pulp production. | Industry cyclicality and primarily capital-intensive business model could expose the company to substantial volatility. |
| Solid liquidity. | Leverage currently above the financial policy's limits. |
| Very competitive cost structure among the global pulp producers. | Limited product range and geographic concentration, with ratings capped at one notch above the transfer and convertibility (T&C) assessment for Brazil. |

***Persistently high leverage metrics.*** Due to weaker-than-expected pulp prices since 2019, Suzano has been posting high leverage. While we previously expected a gradual recovery in pulp prices starting in the third quarter of 2020, the lower demand stemming from the COVID-19 outbreak prompted us to revise our expectations for recovery to the fourth quarter this year. As a result, Suzano should post leverage metrics above the limit for the current rating by year-end. We understand that management is committed to debt reduction. Working capital improvements, non-core asset sales, capex reduction to maintenance levels, and no dividend payments underscore that commitment. Nevertheless, we estimate debt to EBITDA to fall only to 4.2x-4.7x this year from 5.3x in 2019. The company's still high leverage this year, the uncertainty over global economy for the next 12 months because of COVID-19, and how it will impact the pulp supply and demand still pose important risks to Suzano's debt reduction in 2021.

***We expect earnings and cash flow to increase in the next 12 months.*** Despite these risks, our base-case scenario assumes that average pulp prices for 2021 will be 15%-20% higher than in 2020 and the depreciation of the Brazilian real, which raises the company's margins, this year will bolster cash flows. Suzano's results for 2021 will likely benefit even more from the real's recent slide because we expect lower exchange volatility next year leading to better hedging results. We expect EBITDA to rise to R$19 billion – R$21 billion in 2021 from R$14 billion – R$16 billion this year and free operating cash flow (FOCF) to R$11 billion – R$13 billion from R$4 billion – R$7 billion. Our estimates incorporate company's efficiency-related actions such as the synergies obtained from Fibria's integration and no expansionary investments or dividend payments.

**Chart 1**

**Suzano's Leverage**




Source: S&P Global Ratings. E--Estimated.



## Outlook: Negative

The negative outlook on Suzano reflects that company's leverage should remain higher than expected in 2020, with debt to EBITDA at 4.2x-4.7x. Also, if we don't see the recovery in demand and/or reduction in supply as expected over the next quarters, there's a considerable risk that the company won't reach our expectations for deleveraging in 2021.

### Downside scenario

We would downgrade Suzano in the next 6-12 months if we were to expect debt to EBITDA above 3.5x and funds from operations (FFO) to debt below 20% in 2021 due to weaker-than-expected cash flows. This could happen if pulp prices fall below our base-case forecast and the company's countercyclical measures to reduce leverage are not sufficient. For example, average realized pulp prices below $700 per ton (BHKP Europe) in 2021 leading to the above-mentioned leverage metric, could trigger a downgrade.

### Upside scenario

We could revise our outlook to stable in the next 12 months if there's a stronger rebound in pulp prices than we currently predict. This scenario would be consistent with average realized pulp prices 20%-25% higher than in 2020. Additionally, we could revise the outlook to stable if Suzano implements countercyclical measures that reduce its leverage below 3.5x in the next few quarters.

## Our Base-Case Scenario

Lower prices since 2019 have pushed back Suzano's deleveraging after the completion of Fibria's acquisition. We expect that the company's measures to increase cash flows, along with a weaker real, and gradual recovery in prices in 2021 will help reduce Suzano's debt.

### Assumptions

- An average exchange rate of R$4.94 per $1 in 2020 and R$4.97 per $1 in 2021.
- 2020 average listed Europe BHKP pulp prices of $700 per ton, down from $836 in 2019, and increasing about 15% in 2021, reflecting a better demand and supply balance in the global market.
- Our net realized price assumptions are R$2,380 per ton in 2020, R$2,780 per ton in 2021, and 2,800 per ton in 2022;
- The abovementioned expected prices incorporate a 30%-32% average discount in the next few years.
- Annual pulp volumes sold of about 11 million tons, according to the company's current production capacity.
- Cash costs to remain between R$580 and R$600 per ton, driving adjusted EBITDA margins to 48%-52% in 2020. For 2021, margins to increase to 57%-62% given a whole year of a sliding real, stronger pulp prices, and cost reductions, mainly driven by lower selling, general, and administrative expenses (SG&A) and a broader forest portfolio that should result in shorter distances between forest and mills, as well as in lower logistics costs.
- Investments close to maintenance levels of around R$4.2 billion in 2020 and 2021.
- No dividend payment until the company reaches its leverage targets.

### Key Metrics

| | 2019A | 2020E | 2021E |
|---|---|---|---|
| EBITDA margin (%) | 40.9 | 48-52 | 55-60 |
| FFO to debt (%) | 12.3 | 15-20 | 27-32 |
| Debt to EBITDA (x) | 5.6 | 4.2-4.7 | 2.5-3.0 |

All figures are S&P Global Ratings adjusted. A--Actual. E--Estimate.

### Base-case projections

***We expect deleveraging for 2021*** Low pulp prices tend to pressure Suzano's margins and cash flows. Nevertheless, the real's depreciation helps ease that effect because most of the company's revenues are in dollars, while about 80% of its costs are in the domestic currency. Still, the real's weakening also raises the company's debt (mostly in dollars), leading to a temporary mismatch between cash flow and balance sheet figures. We assume that Suzano will continue focusing on integrating Fibria in 2020, with capex at maintenance levels. As a result, despite the sharp economic and industry downturn in 2020, we forecast the company's FOCF at R$4 billion - R$7 billion, supporting gradual deleveraging.

***We expect better industry dynamics starting in the fourth quarter.*** In our view, the persistently low pulp prices should cause supply shutdowns or prolonged maintenance stops among less efficient pulp producers. Also, the pandemic prompted most of the industry players to shift planned maintenance stoppages towards the end of this year. This should also reduce pulp supply. All these factors should contribute to the gradual recovery in prices in the next 12 months.

## Company Description

Suzano is the world's largest bleached eucalyptus kraftwood pulp (BEKP) producer--with a capacity of 11 million tons per year--and a leading player in the printing and writing paper business in Brazil, with a total capacity of 1.4 million tons (including tissue capacity). The company has ten pulp mills across Brazil, including in Sao Paulo, Bahia, Maranhão, Mato Grosso do Sul, and Espírito Santo. Some of those plants also produce paper. Suzano also holds a 50% interest in Veracel, a joint operation with Stora Enso located in Bahia, which has market pulp capacity of 1.2 million tons. Suzano also benefits from access to proprietary rapidly growing forests, with more than 2.2 million hectares (with about 1.3 million hectares of planted forests).

## Business Risk: Satisfactory

After acquiring Fibria in 2019, Suzano became the global leader in BEKP. Although the global market is very fragmented, with total pulp demand surpassing 170 million tons per year, Suzano now commands about 20% of the global pulp supply and more than 30% of hardwood fiber production. Pulp represents for about 85% of the company's revenue. We believe the company's significant scale and better forest portfolio management than most competitors will provide Suzano with further cash-cost improvements, allowing for stronger EBITDA margins. Suzano also benefits from leading positions in the Brazilian printing and writing market (around 40% market share) and paperboard (25%).

The company's asset base benefits from Brazil's favorable climate for eucalyptus trees, resulting in the shortest harvest cycle in the industry, of seven years, compared with cycles of 10-12 years in most of the other pulp producing countries. In addition, its facilities outfitted with modern technology allow the company to be sufficient in its energy consumption. This favorable cost structure positions Suzano among the top players in the global industry cost curve. Mitigating these business strengths are the risks arising from the industry's inherent volatility, the currency swings' severe impact on cash flows, and Suzano's limited product range and geographic diversification.

### Peer comparison

**Table 1**

| Peer Comparison | | | | | |
|---|---|---|---|---|---|
| | **Suzano S.A.** | **Klabin S.A.** | **UPM-Kymmene Corp.** | **Empresas CMPC S.A.** | **Celulosa Arauco y Constitucion S.A.** |
| Ratings as of Sep. 2, 2020 | BBB-/Negative/-- | BB+/Stable/-- | BBB/Stable/A-2 | BBB-/Stable/-- | BBB-/Negative/-- |
| | **--Fiscal year ended Dec. 31, 2019--** | | | | |

**Table 1**

**Peer Comparison (cont.)**

| | Suzano S.A. | Klabin S.A. | UPM-Kymmene Corp. | Empresas CMPC S.A. | Celulosa Arauco y Constitucion S.A. |
|---|---|---|---|---|---|
| **(Mil. $)** | | | | | |
| Revenue | 6,471.5 | 2,555.4 | 11,488.9 | 5,670.3 | 5,329.2 |
| EBITDA | 2,648.3 | 931.9 | 2,055.8 | 1,122.2 | 1,150.4 |
| Funds from operations (FFO) | 1,809.0 | 579.1 | 1,821.3 | 572.8 | 529.8 |
| Interest expense | 847.7 | 369.8 | 50.5 | 199.1 | 253.4 |
| Cash interest paid | 741.9 | 301.8 | 37.0 | 146.4 | 290.8 |
| Cash flow from operations | 1,883.8 | 730.3 | 2,068.2 | 500.4 | 424.7 |
| Capital expenditure | 1,210.1 | 633.4 | 447.8 | 248.1 | 1,223.4 |
| Free operating cash flow (FOCF) | 673.7 | 96.8 | 1,620.4 | 252.4 | (798.7) |
| Discretionary cash flow (DCF) | 522.6 | (143.3) | 842.8 | 49.5 | (980.8) |
| Cash and short-term investments | 2,338.5 | 2,420.8 | 1,723.7 | 619.6 | 1,560.0 |
| Debt | 14,751.6 | 3,696.1 | 258.1 | 3,579.6 | 4,676.9 |
| Equity | 4,499.9 | 1,617.4 | 11,417.1 | 8,135.6 | 7,369.4 |
| Adjusted ratios | | | | | |
| EBITDA margin (%) | 40.9 | 36.5 | 17.9 | 19.8 | 21.6 |
| Return on capital (%) | 6.0 | 12.9 | 12.7 | 5.3 | 5.5 |
| EBITDA interest coverage (x) | 3.1 | 2.5 | 40.7 | 5.6 | 4.5 |
| FFO cash interest coverage (x) | 3.4 | 2.9 | 50.2 | 4.9 | 2.8 |
| Debt/EBITDA (x) | 5.6 | 4.0 | 0.1 | 3.2 | 4.1 |
| FFO/debt (%) | 12.3 | 15.7 | 705.6 | 16.0 | 11.3 |
| Cash flow from operations/debt (%) | 12.8 | 19.8 | 801.3 | 14.0 | 9.1 |
| FOCF/debt (%) | 4.6 | 2.6 | 627.8 | 7.1 | (17.1) |
| DCF/debt (%) | 3.5 | (3.9) | 326.5 | 1.4 | (21.0) |

Suzano is larger than its regional peers, with revenue of $6.5 billion and EBITDA of $2.6 billion in 2019. In general, given the access to more favorable natural resources, Brazilian players tend to have a better cost position for pulp making than their international peers. However, margins vary not only because of the cost position, but also depending on products mix. Compared with Klabin S.A. (BB+/Stable/--), Empresas CMPC S.A. (BBB-/Stable/--), Celulosa Arauco y Constitución S.A. (BBB-/Negative/--), and UPM-Kymmene Corp. (BBB/Stable/A-2), Suzano has less exposure to value-added products, with a big focus on the commoditized pulp business. Even though this translates into higher absolute margins for Suzano, its performance volatility also tends to be more pronounced, driven by commodity prices, economic cycles, and currency fluctuations.

Since Suzano implemented a tighter financial policy in mid-2017, the company has first missed its targets in the third quarter last year, with net debt to EBITDA above 3.5x. In response, management disclosed an action plan to increase cash flow generation, which incorporated capex and dividend reduction, working capital management, and land sales. The company's commitment and capacity to maintain low leverage metrics distinguish it from its regional peers. For instance, Klabin's recently announced financial policy is more lenient than that of Suzano (leverage target of 2.5x-3.5x and can reach 4.5x during investment phase), and the company has yet adhere to such commitment. Chilean and European players tend to generate more stable cash flows, because they're less exposed to currency fluctuations and commodity products.

**Chart 2**

**Debt To EBITDA Comparison**

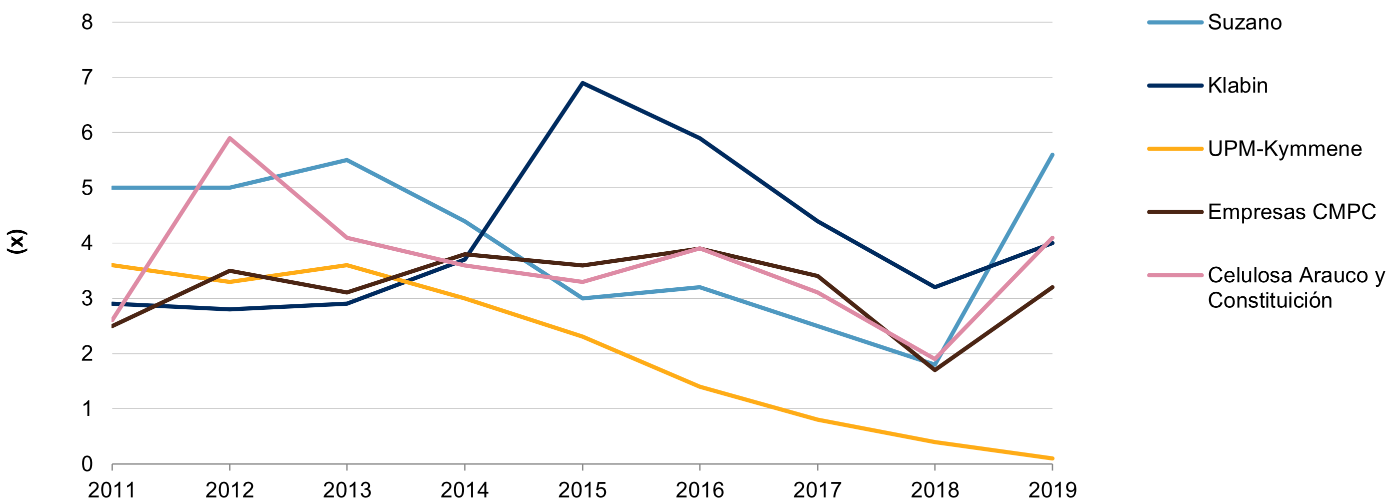
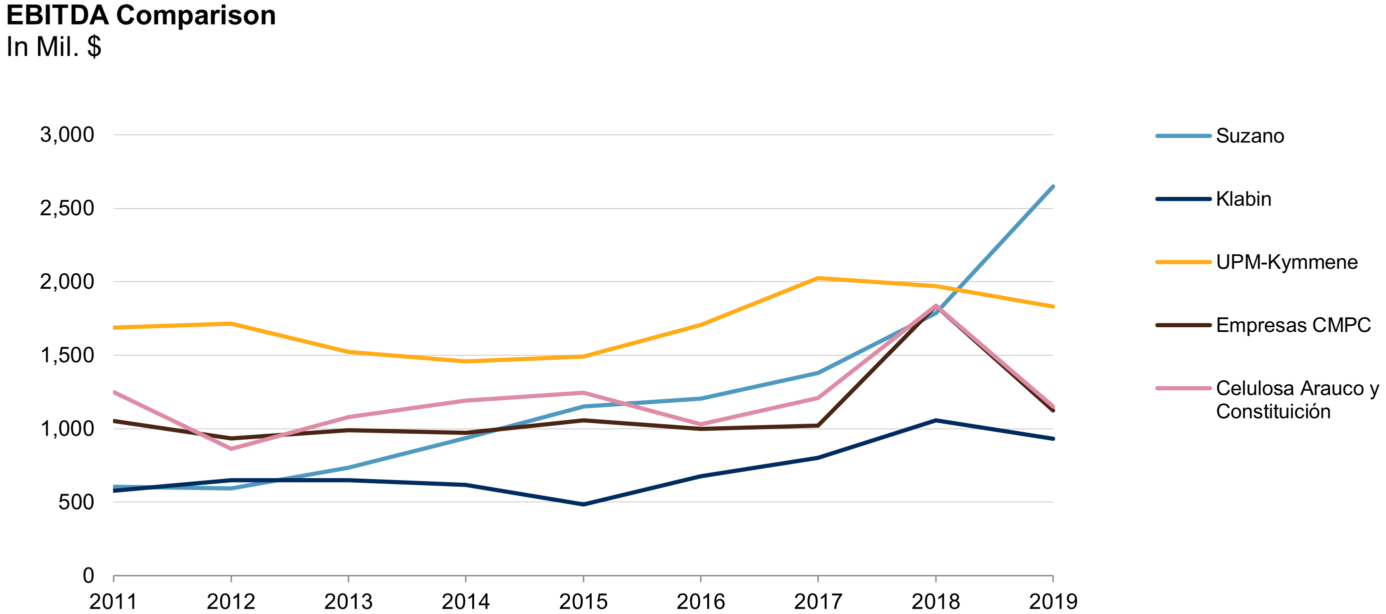


**Chart 3**






## Financial Risk: Significant

Our financial risk assessment incorporates significantly higher FOCF generation in the next three years, based on our assumption of gradually improving pulp prices starting in the fourth quarter this year, capital spending largely at maintenance levels, and focus on leverage reduction to below 3.5x. As a result, Suzano's metrics should improve in 2020 and 2021, with debt to EBITDA of 4.2x-4.7x this year and below 3.5x in 2021, and FFO to debt of 15%-20% in 2020 and 25%-30% in 2021.

### Financial summary

**Table 2**

**Suzano S.A. -- Financial Summary**

**Industry Sector: Paper/Forest Products**

| | --Fiscal year ended Dec. 31-- | | | | |
|---|---|---|---|---|---|
| | **2019** | **2018** | **2017** | **2016** | **2015** |
| **(Mil. R$)** | | | | | |
| Revenue | 26,013.0 | 13,437.3 | 10,520.8 | 9,882.3 | 10,224.4 |
| EBITDA | 10,645.4 | 6,913.1 | 4,572.4 | 3,920.6 | 4,561.4 |
| Funds from operations (FFO) | 7,271.5 | 5,737.4 | 3,438.2 | 2,808.8 | 3,450.5 |
| Interest expense | 3,407.5 | 1,274.2 | 1,188.7 | 1,137.8 | 1,247.3 |
| Cash interest paid | 2,982.2 | 848.5 | 1,013.1 | 1,111.7 | 1,110.9 |
| Cash flow from operations | 7,572.2 | 5,232.8 | 3,081.4 | 3,013.1 | 2,361.3 |

**Table 2**

| Suzano S.A. -- Financial Summary (cont.) | | | | | |
|---|---|---|---|---|---|
| **Industry Sector: Paper/Forest Products** | | | | | |
| | **--Fiscal year ended Dec. 31--** | | | | |
| | **2019** | **2018** | **2017** | **2016** | **2015** |
| Capital expenditure | 4,864.2 | 2,414.4 | 1,769.5 | 2,306.8 | 1,451.5 |
| Free operating cash flow (FOCF) | 2,708.0 | 2,818.5 | 1,311.9 | 706.4 | 909.8 |
| Discretionary cash flow (DCF) | 2,100.5 | 2,616.8 | 749.8 | 415.0 | 648.3 |
| Cash and short-term investments | 9,399.8 | 25,486.0 | 2,708.3 | 3,695.3 | 2,448.1 |
| Gross available cash | 9,399.8 | 25,486.0 | 2,708.3 | 3,695.3 | 2,448.1 |
| Debt | 59,296.1 | 12,609.1 | 11,577.0 | 12,661.5 | 13,525.1 |
| Equity | 18,088.0 | 12,025.9 | 11,621.6 | 10,143.5 | 9,192.1 |
| **Adjusted ratios** | | | | | |
| EBITDA margin (%) | 40.9 | 51.4 | 43.5 | 39.7 | 44.6 |
| Return on capital (%) | 6.0 | 24.1 | 15.1 | 12.5 | 15.5 |
| EBITDA interest coverage (x) | 3.1 | 5.4 | 3.8 | 3.4 | 3.7 |
| FFO cash interest coverage (x) | 3.4 | 7.8 | 4.4 | 3.5 | 4.1 |
| Debt/EBITDA (x) | 5.6 | 1.8 | 2.5 | 3.2 | 3.0 |
| FFO/debt (%) | 12.3 | 45.5 | 29.7 | 22.2 | 25.5 |
| Cash flow from operations/debt (%) | 12.8 | 41.5 | 26.6 | 23.8 | 17.5 |
| FOCF/debt (%) | 4.6 | 22.4 | 11.3 | 5.6 | 6.7 |
| DCF/debt (%) | 3.5 | 20.8 | 6.5 | 3.3 | 4.8 |

## Liquidity: Strong

Our assessment of Suzano's liquidity as strong reflects the maintenance of high cash holdings, reduced cost of debt, an extended amortization profile, and lack of sizable investment plans. We expect the company to maintain the cash sources-to-uses ratio above 2x in the next two years, even if we assume high working capital outflows as seen in the past few years. Also, Suzano has comfortable cushion to maintain higher sources than uses even if EBITDA drops 30%, as well as the ability to absorb high-impact events without refinancing.

Moreover, the company has access to several banks and a high standing in credit markets, in our view. Also, Suzano has generally prudent risk management, ensuring strong liquidity even amid market volatility and through consistent liability management.

| Principal Liquidity Sources | Principal Liquidity Uses |
|---|---|
| • Cash position of R$12.6 billion as of June 30, 2020;<br>• Available committed credit facilities totaling about R$3.7 billion; and<br>• FFO between R$12 billion and R$14 billion in 2020 | • Short-term debt maturities of R$5.5 billion as of June 30, 2020;<br>• Annual capex of R$4.2 billion; and<br>• Working capital outflows peaking at R$750 million – |

| | |
|---|---|
| and R$17 and R$19 billion in 2021. | R$1 billion. |

**Debt maturities**

As of June 30, 2020, Suzano's debt maturities are as follows:

- Short-term: R$5.5 billion
- second half of 2021: R$362 million
- 2022: R$4.6 billion
- 2023: R$12.1 billion
- 2024: R$12.6 billion
- 2025 on: R$45.5 billion

## Covenant Analysis

The company has no financial covenants.

**Environmental, Social, And Governance**

We believe Suzano's overall exposure to environmental and social risks is comparable with that of other pulp producers. Suzano has a good track record in sustainable forest management and achieving energy efficiencies, currently generating about 90 megawatts in annual surplus electricity. The company benefits from ideal climate conditions for pulp planting and harvesting, and has a solid forestry research and development, which bolsters operating efficiency through the industry price cycle when compared with higher cost producers in other regions. These initiatives lead to high forest yields and short harvesting periods, and support the company's above-average profitability, with pulp cash cost.

## Rating Above The Sovereign

Our long-term global scale issuer credit rating on Suzano is currently three notches above our 'BB-' foreign currency rating on Brazil, reflecting our view that there's an appreciable likelihood that the company won't default even in the simulated stress scenario of a sovereign default.

We believe that Suzano operates in an industry with moderate sensitivity to Brazil, given its partly export-oriented business model and flexibility to redirect paper products to international markets in order to mitigate the impact of a domestic downturn. As a result, we rate Suzano above the sovereign rating, subject to the company's ability to pass a stress test related to the restrictions on access to foreign exchange to satisfy its operating and financial needs (which translates to the sovereign's T&C assessment, currently at 'BB+').

Currently, we limit the rating on Suzano at one notch above the T&C assessment, due to the company's high asset concentration in Brazil and the export nature of its business. In a scenario of T&C restrictions, the company's available cash outside Brazil and 25% of its export revenues would support the short-term debt and interest payment in hard currency.

We stressed the company under a sovereign default scenario for the next 12 months, using the following assumptions:

- GDP to decline 10% in 2020, which would dent volumes in the local market;
- The Brazilian real's 50% depreciation would boost Suzano's liquidity by increasing the pulp exports' cash flows and paper exports in domestic currency, while having a lesser impact on production costs. It would also elevate debt.
- Doubling of inflation. The inflation rate directly affects the domestic price for paper products and the domestic components of the production cost.
- Pulp prices to drop to $550 per ton (BEKP delivered in Europe, as seen at a historical low three-month average in mid-2009), from the base-case level of $700 per ton for 2020.
- Haircut of 10% applied to bank deposits and 70% of face value for securities denominated in domestic currency, which is the bulk of Suzano's cash and cash equivalents.
- No dividend distribution in the period.

Under this hypothetical scenario, the company would maintain liquidity sources over uses of more than 1x in the first 12 months.

## Issue Ratings - Subordination Risk Analysis

### Capital structure

Suzano's capital structure mainly consists of senior unsecured debt (about 85% of total debt) issued by the financing vehicles Suzano Austria and Fibria Overseas Finance, which the parent company guarantees. There's no material secured debt collateralized by real assets.

### Analytical conclusions

The ratings on Suzano's debt are the same as our issuer credit rating on the company, because Suzano has limited secured debt. Even if this debt ranked behind the debt issued by subsidiaries in the capital structure, we believe the risk of subordination is mitigated by a priority debt ratio that's far less than 50% and the parent's considerable earnings. We rate the financing vehicles' unsecured debt the same as our issuer credit rating on Suzano based on the guarantee of this debt.

## Reconciliation

**Table 3**

## Suzano S.A.--Reconciliation Of Reported Amounts With S&P Global Ratings' Adjusted Amounts

| | --Rolling 12 months ended June 30, 2020-- | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Suzano S.A. reported amounts (mil. R$)** | | | | | | | | | |
| | **Debt** | **Shareholders' equity** | **Revenue** | **EBITDA** | **Operating income** | **Interest expense** | **S&P Global Ratings' adjusted EBITDA** | **Cash flow from operations** | **Capital expenditure** |
| | 80,628.6 | 2,491.4 | 28,625.3 | 12,004.9 | 5,393.4 | 3,292.9 | 12,027.6 | 10,085.5 | 4,173.5 |
| **S&P Global Ratings' adjustments** | | | | | | | | | |
| Cash taxes paid | -- | -- | -- | -- | -- | -- | (49.2) | -- | -- |
| Cash interest paid | -- | -- | -- | -- | -- | -- | (3,197.7) | -- | -- |
| Reported lease liabilities | 5,174.0 | -- | -- | -- | -- | -- | -- | -- | -- |
| Postretirement benefit obligations/deferred compensation | 491.1 | -- | -- | 201.0 | 201.0 | 53.3 | -- | -- | -- |
| Accessible cash and liquid investments | (12,504.3) | -- | -- | -- | -- | -- | -- | -- | -- |
| Capitalized interest | -- | -- | -- | -- | -- | 10.6 | (10.6) | (10.6) | (10.6) |
| Income (expense) of unconsolidated companies | -- | -- | -- | 8.5 | -- | -- | -- | -- | -- |
| Nonoperating income (expense) | -- | -- | -- | -- | 381.9 | -- | -- | -- | -- |
| Noncontrolling interest/minority interest | -- | 120.0 | -- | -- | -- | -- | -- | -- | -- |
| Debt: Derivatives | 10,819.9 | -- | -- | -- | -- | -- | -- | -- | -- |
| Debt: Other | 658.1 | -- | -- | -- | -- | -- | -- | -- | -- |
| EBITDA: Gain/(loss) on disposals of PP&E | -- | -- | -- | (54.1) | (54.1) | -- | -- | -- | -- |
| EBITDA: Fair value changes of contingent consideration | -- | -- | -- | (5.6) | (5.6) | -- | -- | -- | -- |
| EBITDA: Valuation gains/(losses) | -- | -- | -- | (185.4) | (185.4) | -- | -- | -- | -- |
| EBITDA: Other income/(expense) | -- | -- | -- | 90.0 | 90.0 | -- | -- | -- | -- |
| EBITDA: Other | -- | -- | -- | (31.7) | (31.7) | -- | -- | -- | -- |
| Total adjustments | 4,638.9 | 120.0 | 0.0 | 22.7 | 396.0 | 64.0 | (3,257.5) | (10.6) | (10.6) |
| **S&P Global Ratings' adjusted amounts** | | | | | | | | | |
| | **Debt** | **Equity** | **Revenue** | **EBITDA** | **EBIT** | **Interest expense** | **Funds from operations** | **Cash flow from operations** | **Capital expenditure** |
| | 85,267.4 | 2,611.4 | 28,625.3 | 12,027.6 | 5,789.4 | 3,356.9 | 8,770.1 | 10,074.9 | 4,162.9 |

## Ratings Score Snapshot

**Issuer Credit Rating**

BBB-/Negative/--

**Business risk: Satisfactory**

- **Country risk:** Moderately high
- **Industry risk:** Moderately high
- **Competitive position:** Satisfactory

**Financial risk: Significant**

- **Cash flow/leverage:** Significant

**Anchor: bbb-**

**Modifiers**

- **Diversification/portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Neutral (no impact)
- **Liquidity:** Strong (no impact)
- **Management and governance:** Fair (no impact)
- **Comparable rating analysis:** Neutral (no impact)

**Stand-alone credit profile : bbb-**

## Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- General Criteria: Methodology For National And Regional Scale Credit Ratings, June 25, 2018
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | Industrials: Key Credit Factors For The Forest And Paper Products Industry, Feb. 12, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013

- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

## Business And Financial Risk Matrix

| | Financial Risk Profile | | | | | |
|---|---|---|---|---|---|---|
| **Business Risk Profile** | Minimal | Modest | Intermediate | **Significant** | Aggressive | Highly leveraged |
| Excellent | aaa/aa+ | aa | a+/a | a- | bbb | bbb-/bb+ |
| Strong | aa/aa- | a+/a | a-/bbb+ | bbb | bb+ | bb |
| **Satisfactory** | a/a- | bbb+ | bbb/bbb- | **bbb-/bb+** | bb | b+ |
| Fair | bbb/bbb- | bbb- | bb+ | bb | bb- | b |
| Weak | bb+ | bb+ | bb | bb- | b+ | b/b- |
| Vulnerable | bb- | bb- | bb-/b+ | b+ | b | b- |

## Ratings Detail (As Of September 4, 2020)*

| | | |
|---|---|---|
| **Suzano S.A.** | | |
| Issuer Credit Rating | | BBB-/Negative/-- |
| *Brazil National Scale* | | brAAA/Stable/-- |
| Senior Unsecured | | |
| *Brazil National Scale* | | brAAA |
| **Issuer Credit Ratings History** | | |
| 02-Dec-2019 | | BBB-/Negative/-- |
| 16-Mar-2018 | | BBB-/Stable/-- |
| 07-Aug-2017 | | BB+/Positive/-- |
| 16-Aug-2017 | *Brazil National Scale* | brAAA/Stable/-- |
| 07-Aug-2017 | | brAA+/Positive/-- |
| 12-Aug-2016 | | brAA+/Stable/-- |
| 14-Mar-2016 | | brAA/Stable/-- |

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.