

Rating Action: Moody's assigns a Ba2/Aa2.br senior unsecured rating to Suzano; positive outlook

Global Credit Research - 20 Mar 2015

Sao Paulo, March 20, 2015 -- Moody's America Latina has today assigned a Ba2 global scale and Aa2.br National Scale Rating (NSR) senior unsecured rating to Suzano Papel e Celulose S.A. with a positive outlook.

Ratings assigned:

Issuer: Suzano Papel e Celulose S.A.

CFR: Aa2.br (national scale rating)

BRL 74.9 million CCI due 2024: Ba2 (global scale) / Aa2.br (national scale)

The outlook for all ratings is positive.

For further information on related ratings and Global Scale Rating, please see the ratings tab on the issuer/entity page for the respective issuer on www.moody's.com

RATINGS RATIONALE

The Aa2.br national scale rating reflects the standing of the company's credit quality relative to its domestic peers.

Suzano's Ba2 ratings incorporate the company's position as a low cost producer of bleached eucalyptus kraft pulp (BEKP) and paper, with leading stakes in the global BEKP market and Brazilian printing and writing paper and paperboard sectors. The company benefits from a high level of vertical integration with substantial self-sufficiency in wood fiber and energy, in addition to the proximity of its pulp mills to its own forests and port facilities as well as the favorable location of its paper plants within Brazil's most industrialized region. Furthermore its diversity towards pulp and paper translates into exposure to different market dynamics and contributes to strong operating margins even amid a lower growth outlook for the paper industry in Brazil.

Additional rating positives are the company's comfortable liquidity profile, with cash balance at the end of 2014 sufficient to cover short term debt maturities by 2.0 times and our expectations that leverage and credit metrics will improve in the medium term with the additional EBITDA stream coming from the 1.5 million tons hardwood plant in the state of Maranhão, now running at full-capacity.

Constraining the ratings are the volatile nature of the pulp industry, which should represent around 60-65% of Suzano's revenues onwards and the still high leverage related mostly to its pulp expansion in the state of Maranhão. Furthermore, there is still new hardwood projects ramping up in the next two years in Latin America, which will add approximately 2.5 million tons of capacity in the market, and could pressure pulp prices if we see a deceleration in demand. To the extent the growth in demand from China's paper manufacturers and pulp capacity shutdown do not materialize, pulp prices could decline.

The positive outlook incorporates our expectations that Suzano's credit metrics will improve in the next 12-18 months thanks to the improved cash flow generation supported by the additional pulp capacity in Maranhão and our outlook of flat pulp prices in the same period, which will contribute to a positive free cash flow generation from 2015 onwards and gradual deleverage. The maintenance of a robust liquidity position is also incorporated in the positive outlook.

The ratings could be upgraded if Suzano's leverage decline while the company maintains a comfortable liquidity position. Quantitatively, that would require leverage - as measured by Total Adjusted Gross Debt to EBITDA -- to approach 3.5x and interest coverage - expressed by Adjusted EBITDA to Interest Expense - to remain above 4.0x on a consistent basis.

Negative pressure on the rating could result if adjusted leverage remains above 4.5x for a prolonged period without prospects for reduction, or in case the company's liquidity position is insufficient to cover near term debt service

requirements.

Headquartered in Salvador - Brazil, Suzano Papel e Celulose S.A. is a leading low-cost producer of bleached eucalyptus market pulp, printing and writing paper and paperboard, having reported consolidated net revenues of BRL 7.3 billion (about USD 3.2 billion) in 2014. The sales mix (53% pulp and 47% paper) gives the company cash flow stability due to the different supply-demand and pricing dynamics for each of the segments. The company benefits from its vertical integration and 70% self-sufficiency in wood and 100% in energy on a consolidated basis (with excess capacity of 48MW) and also from prudent financial management, solid liquidity position and good risk management practices.

The principal methodology used in this rating was the Global Paper and Forest Products Industry Methodology published in October 2013. Please see the Credit Policy page on www.moodys.com.br for a copy of this methodology.

Moody's National Scale Credit Ratings (NSRs) are intended as relative measures of creditworthiness among debt issues and issuers within a country, enabling market participants to better differentiate relative risks. NSRs differ from Moody's global scale credit ratings in that they are not globally comparable with the full universe of Moody's rated entities, but only with NSRs for other rated debt issues and issuers within the same country. NSRs are designated by a ".nn" country modifier signifying the relevant country, as in ".za" for South Africa. For further information on Moody's approach to national scale credit ratings, please refer to Moody's Credit rating Methodology published in June 2014 entitled "Mapping Moody's National Scale Ratings to Global Scale Ratings".

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