genial Equity Research

JBS
3Q24 Review: The barbecue is served, enjoy it soon!

LatAm Meatpackers

Analysts

Igor Guedes
+55 (11) 3206-8286
igor.guedes@genial.com.vc

Luca Vello
+55 (11) 3206-1457
luca.vello@genial.com.vc

Isabelle Casaca
+55 (11) 3206-8244
isabelle.casaca@genial.com.vc

Company

JBSS3 BZ Equity
Buy

Price: R$ 36.43 (13-Nov-2024)
Target Price 12M: R$ 42.00

Main takeaways:

(i) Beef North America: Results still under pressure, but better on a sequential basis, reflecting better seasonality; **(ii) USA Pork:** Strong performance with EBITDA of R$1.3bn, driven by increased sales and exports; **(iii) PPC:** EBITDA of R$4.3bn, with slight margin compression, benefiting from domestic demand and protein trade down; **(iv) JBS Australia:** Weak performance, still below expectations, with EBITDA of R$966mn and increased costs impacting margins; **(v) JBS Brazil:** Impressive results, with revenue of R$18bn and EBITDA of R$2bn, due to price pass-through and increased volume; **(vi) Seara:** Highlight with revenues of R$12.2bn and EBITDA of R$2.5bn, favored by protein trade down and higher value portfolio; **(vii)** Dividend distribution announcement and guidance; **(viii)** Strong **FCF** generation of **+R$5.5bn** and **leverage falling** to **2.15x Net Debt/EBITDA**, showing financial stability; **(ix)** Congruence of the negative cattle cycle in both Brazil and the US from 4Q24 onwards; **(x)** We reiterate our **BUY rating** and are **moving upwards** our **12M Target Price** to **R$42.00** (vs. R$40.00 previously). Despite an excellent result, in the preview report, we raise doubts about the ability to **sustain such aggressive margins for next year** at **JBS Brazil**, in the face of the **reversal of the cattle cycle**.

JBS released its results yesterday, **November 13**, after the market closed. The company once again **surprised positively**, delivering **results above forecasts** in the **main business divisions**, surpassing outlooks that were already optimistic. We will monitor the speed of the potential margin squeeze in coming quarters for possible changes. For now, we are still bullish, and **we except a favorable reaction from the investors**.

Table 1. Income Statement JBS (3Q24 vs. Genial Est.)

(R$ millions)	3Q24 Reported	3Q24E Genial Est.	R/E	2Q24 Reported	% q/q	3Q23 Reported	% y/y
Net Revenue	**110.497**	**109.906**	**0,5%**	**100.606**	**9,8%**	**91.409**	**20,9%**
COGS	(92.309)	(90.202)	2,3%	(85.094)	8,5%	(80.357)	14,9%
Adjusted EBITDA	**11.939**	**10.559**	**13,1%**	**9.882**	**20,8%**	**5.277**	**126,2%**
EBITDA Margin (%)	10,8%	9,6%	+1.2p.p	9,8%	+1p.p	5,8%	+5p.p
EBIT	**8.619**	**7.201**	**19,7%**	**5.917**	**45,7%**	**2.611**	**230,1%**
EBIT Margin (%)	7,8%	6,6%	+1.2p.p	5,9%	+0.7p.p	2,9%	+3.8p.p
D&A	3.010	2.990	0,7%	2.850	**5,6%**	2.616	15,1%
Financial Result	(2.002)	(534)	274,9%	(390)	**413,3%**	(674)	197,0%
Net Income	**3.842**	**4.213**	**-8,8%**	**1.715**	**124,0%**	**573**	**570,5%**
Net Margin (%)	3,5%	3,8%	-0.3p.p	1,7%	+2.1p.p	0,6%	+3.2p.p

Source: JBS, Genial Investimentos

3Q24 Review

Main 3Q24 figures. The company reported a **Net revenue** that reached **R$110.5bn** (+0.5% vs. Genial Est.), accelerating +9.8%q/q and +20.9%y/y. **EBITDA** was **R$11.9bn** (+13.1% vs. Genial Est.), up +20.8% q/q and +126.2% y/y, with a **margin of 10.8%**, up **+1p.p q/q** and **+5p.p y/y.** On the bottom line, the company achieved a **Net income** of **R$3.8bn** (-8.8% vs. Genial Est.), slightly below our estimates, impacted by an increase in financial expenses, but indicating an advance of +124% q/q and a level +5x higher y/y. The main **positive highlights** were **Seara**, **PPC** and **JBS Brazil**, which more than offset the **negative performance of Beef North America** and the **Australian** operations, as anticipated in our preview report.

Beef North America: Performance still under pressure, but better than expected. Beef North America's results remained under pressure but slightly exceeded our expectations. Net revenue was R$35b (+12% q/q; +20.5% y/y), with the figures also boosted by the depreciation of the BRL and more robust volumes due to the typical seasonality of the summer period (barbecue season). Adjusted EBITDA stood at R$650mn, with the margin reaching 1.9% (vs. 1.5% Genial Est.), expanding +1.4p.p q/q and +0.2p.p y/y.

Performance was impacted by warmer demand in the quarter, which helped mitigate the challenges arising from complicated price dynamics, with the low availability cattle cycle putting pressure on acquisition costs for slaughter. We believe it is important to highlight that the negative cattle cycle in the US looks set to move at a slower, but at least more progressive pace, towards lower cattle costs. We project a more forceful turnaround in late 2026 and early 2027. Last quarter's basically zero margin is gradually being reversed. This is a good sign.

USA Pork: Trade down and seasonality drive volume increase. The US pork business unit posted solid results, with EBITDA of R$1.3bn (+9.1% q/q; +34% y/y), in line with our estimates, with a margin of 12.1% (+1p.p q/q; +1.8p.p y/y). The performance was driven by: **(i)** an increase in domestic sales, benefiting from the protein trade down; **(ii)** growth in exports, especially to Mexico, South Korea and Colombia; **(iii)** a reduction in grain costs; and **(iv)** the positive effects of the depreciation of the BRL/USD exchange rate for translation purposes in the consolidation of results.

PPC: Strong momentum. The North American poultry unit, Pilgrim's Pride (PPC), a subsidiary of JBS which had already released its results during the US earnings season, contributed an EBITDA of R$4.3bn to the consolidated figure, resulting in a margin of 16.9% (-0.3p.p q/q; +6.6p.p y/y), with a slight compression. This robust performance, mainly on a year-on-year basis, was driven by: **(i)** the depreciation of the BRL/USD exchange rate and **(ii)** strong demand from the domestic market, motivated by the protein trade-down scenario, with American consumers migrating to cheaper proteins amid the inflationary scenario in the food consumption basket.

In the US, profitability improved due to high demand, greater efficiency and lower production costs. We highlight that the poultry portfolio grew above the market. In Mexico, despite the seasonal challenges that we believe were responsible for the sequential margin slowdown, PPC focused on capturing market opportunities, strengthening partnerships and expanding private label products.

JBS Australia: The disappointment of the quarter. JBS Australia recorded an EBITDA of R$966mn (-13.7% vs. Genial Est.), with a margin of 9.8% (-3.9p.p q/q; +1.2p.p y/y), with even worse figures compared to the slowdown we had already projected. The main negative factor was the +19.8% y/y increase in the cost of acquiring cattle for slaughter, which led to an EBITDA drop of -17.9% y/y and margin compression of -3.9 p.p y/y, which was partially mitigated by the benefit of the BRL/AUD exchange rate devaluation. We believe that this performance not only could not be considered the disappointment of the quarter, but also puts a warning sign about a faster reversal of the cycle of high cattle availability that we were seeing until last quarter.

As the cattle cycle in the US is still very negative and was putting pressure on *cutout* prices, importers have increased their impetus to purchase *fresh* meat from countries such as Brazil and Australia. As in Brazil, we believe that the increase in Australian export shipments may be increasing the pace of slaughter more intensely, reducing the supply of cattle that was previously conducive to lower costs.

JBS Brazil: Continues strong, with rising prices and volume. JBS Brazil reported an impressive performance, exceeding our expectations, which were already positive. The segment recorded net revenues of R$18bn (+16.2% q/q and +25.0% y/y), comprising an adjusted EBITDA of R$2bn (+77% t/t; 4x higher y/y). This robust performance indicates a margin of 11.6% (vs. 8% Genial Est.), equivalent to an expansion of +4p.p q/q and +8.2p.p y/y. The positive results were driven by: **(i)** an increase in volumes sold, both in the domestic and international markets; **(ii)** successful price pass-throughs, with food retailers already identifying an increase of +2.92% y/y in September and +8.33% y/y in October in the average price of beef cuts, according to IBGE data, as well as **(ii)** capturing the positive effects of the BRL/USD exchange rate depreciation, increasing the competitiveness of exports and favoring volumes.

In addition, although the price of arroba for cattle has risen sharply in recent weeks, we have identified that the rise only affected the last month of 3Q24, putting the average price at ~R$239 per arroba for the quarter, which is still a very decent cost level. However, we are concerned about the impact of the increase in the cost of cattle over the coming quarters, given that the price of the arroba has risen by +50% in 5M.

Seara: Golden goose. We believe that Seara was the goose that laid the golden eggs, recording Net revenue of R$12.2bn (+4.9% q/q and +19.2% y/y), with EBITDA of R$2.5bn (+26.7% q/q; 4.5x y/y), with a margin of 21%, an aggressive expansion of +3.6p.p q/q and 15.5p.p y/y, with a strong emphasis on the in natura category. The surprising figures were driven by **(i)** consumers trading down in search of cheaper proteins in the face of rising beef prices, as we've already mentioned, **(ii)** strong global demand for exports, and **(iii)** expansion of the company's higher value-added portfolio with the sale of prepared products.

Our take on JBS

Extraordinarily divided distribution and upward revision to guidance. JBS announced two important updates: **(i)** The distribution of R$2.22bn in dividend payments, corresponding to R$1.00/share, and a yield of 2.7%. Last month, in October, the company had already distributed R$4.4bn in dividends. **(ii)** Guidance for 2024E of net revenue of R$411.8bn and EBITDA of R$37bn - R$38bn, figures well above our estimates and the market consensus, based, according to the company, on current operating performance.

FCF generation remains strong! The **CAPEX** spending was **R$1.78bn**, a slight retraction q/q and y/y, supporting a cash flow generation (**FCF)** of **R$5.5bn** (+12% vs. Genial Est.), ending the quarter with R$46.9bn in cash and cash equivalents. With strong EBITDA expansion y/y and a reduction in net debt for the period, the company's **leverage fell** to **2.15x in USD** (vs. 2.77x in 2Q24). We emphasize that the pace of the company's deleveraging has been faster than we had anticipated.

Negative cycle in both BR and USA is a warning point. The negative cycle in the US led to a drop in margin from 9.4% in 2022 to 1.5% in 2Q24, with market projections indicating that this **adverse cycle** should **last until ~2Q27**, as herds are taking longer than expected to be replenished. However, JBS's diversification thesis has proved effective in mitigating these results, reflected in the robust figures presented last quarter. However, the anticipation of the **reversal of the cycle in Brazil worries us**, with cattle prices reaching an all-time **high of R$334 an arroba** this week (vs. ~R$239 average in 2Q24). This change was driven by **(i)** an exceptionally drier winter, which caused cattle ranchers to keep more animals on pasture in 2H24, taking them out of the slaughter pipeline and contributing to a reduction in supply, and **(ii)** record exports, which have contributed to a ~53% rise in prices since June.

The barbecue is served, enjoy it soon! Consolidating figures that were generally above expectations, JBS once again proved its **ability to execute** and the **strength of its diversification thesis**, both in terms of geographical regions and the different proteins in its portfolio. Even so, we recommend “eating the barbecue” soon, while the beef is still hot. In other words, we suggest that investors take advantage of the consolidation of figures above expectations and surf the positive momentum of stock appreciation as soon as possible, since we raise doubts about the ability to **sustain such aggressive margins**, especially at **JBS Brazil.**

Considering that beef historically has a low elasticity of demand, with price increases leading **consumers to migrate to more affordable proteins** (trade down), we don't expect the cut-out transfers we saw in September and October to be sustained so emphatically next year, which **could negatively impact the company's margins in 2025E**. For the time being, we are in line with the view that **diversification will promote neutral margins**, but we will have to monitor potential signs of more aggressive contraction that may arise from performance over the course of 2025. For now, we reiterate our **BUY rating** and are **raising** our **12M Target Price** to **R$42.00** (vs. R$40.00 previously), indicating an **upside of +15.29%**. We will monitor the speed of possible margin compression in the next results for possible changes.

Appendix: JBS

Figure 1. JBS – Income Statement in R$ Millions (Genial Est. 2024-2028)

Income Statement	2024E	2025E	2026E	2027E	2028E
Net Revenue	**361.480**	**420.455**	**432.208**	**452.549**	**473.916**
(-) COGS	(314.488)	(370.000)	(373.428)	(391.003)	(409.464)
Gross Profit	**46.992**	**50.455**	**58.780**	**61.547**	**64.453**
(-) Expenses	(13.512)	(20.345)	(27.991)	(26.949)	(18.458)
Adjusted EBITDA	**33.480**	**30.110**	**30.789**	**34.598**	**45.995**
(-) D&A	12.257	12.328	12.528	11.912	11.789
EBIT	**21.223**	**17.782**	**18.261**	**22.686**	**34.206**
(+/-) Financial Result	(8.200)	(3.707)	(4.187)	(4.661)	(3.722)
(-) Taxes	(3.820)	(4.801)	(4.930)	(6.806)	(10.180)
Net income	**9.203**	**9.274**	**9.144**	**11.219**	**20.304**
Profitability					
Net margin (%)	2,55%	2,21%	2,12%	2,48%	4,28%

Figure 2. JBS – Cash Flow in R$ Millions (Genial Est. 2024-2028)

Cash Flow (FCFF)	2024E	2025E	2026E	2027E	2028E
Net Revenue	**361.480**	**420.455**	**432.208**	**452.549**	**473.916**
(-) COGS	(314.488)	(370.000)	(373.428)	(391.003)	(409.464)
Adjusted EBITDA	**33.480**	**30.110**	**30.789**	**34.598**	**45.995**
EBIT	**21.223**	**17.782**	**18.261**	**22.686**	**34.206**
(-) Taxes	(3.820)	(4.801)	(4.930)	(6.806)	(10.180)
(+) D&A	12.257	12.328	12.528	11.912	11.789
(+/-) Δ WK	(1.586)	(3.400)	(986)	(1.033)	(1.102)
(-) Capex	(7.278)	(8.359)	(8.836)	(8.135)	(8.135)
FCFF	**20.796**	**13.550**	**16.036**	**18.624**	**26.578**

Disclosure Section

1. GENERAL DISCLAIMER

This report has been produced by the research department ("Genial Institutional Research") of Genial Institutional Corretora de Câmbio, Títulos e Valores Mobiliários S.A. ("GENIAL INSTITUTIONAL CCTVM"). Genial Institutional is a brand name of Genial Investimentos CCTVM.

Genial Rating

	Definition	Coverage
Buy	Expected return above +10% in relation to the Company's sector average	**49%**
Neutral	Expected return between +10% and -10% relative to the Company's industry average	**41%**
Sell	Expected return below -10% in relation to the Company's sector average	**5%**
under Review	Under review	**5%**

This report may not be reproduced or redistributed to any other person, in whole or in part, for any purpose, without the prior written consent of GENIAL INSTITUTIONAL CCTVM. GENIAL INSTITUTIONAL CCTVM accepts no liability whatsoever for the actions of third parties in this respect.

This research report is for distribution only under such circumstances as may be permitted by applicable law. This research report has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient, even if sent only to a single recipient. This research report is not guaranteed to be a complete statement or summary of any securities, markets, reports or developments referred to in this research report. Neither GENIAL INSTITUTIONAL CCTVM nor any of its directors, officers, employees or agents shall have any liability, however arising, for any error, inaccuracy or incompleteness of fact or opinion in this research report or lack of care in this research report's preparation or publication, or any losses or damages which may arise from the use of this research report

GENIAL INSTITUTIONAL CCTVM may rely on information barriers, such as "Chinese Walls" to control the flow of information within the areas, units, divisions, groups, or affiliates of GENIAL INSTITUTIONAL CCTVM.

Investing in any non-U.S. securities or related financial instruments (including ADRs) discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the United States.

The value of any investment or income from any securities or related financial instruments discussed in this research report denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

Past performance is not necessarily a guide to future performance and no representation or warranty, express or implied, is made by GENIAL INSTITUTIONAL CCTVM with respect to future performance. Income from investments may fluctuate. The price or value of the investments to which this research report relates, either directly or indirectly, may fall or rise against the interest of investors. Any recommendation or opinion contained in this research report may become outdated as a consequence of changes in the environment in which the issuer of the securities under analysis operates, in addition to changes in the estimates and forecasts, assumptions and valuation methodology used herein.

The locally listed shares of Brazilian companies may only be purchased by investors outside of Brazil who are "eligible investors" within the meaning of applicable laws and regulations.

2. ANALYST(S) DISCLOSURES AND CERTIFICATION

The principal analyst, IGOR GUEDES, is responsible for the content of this report and for meeting the requirements of Securities and Exchange Commission of Brazil (CVM) Instruction 598/2018.

The analysts hereby certify that the views expressed in this research report accurately reflect their personal views about the subject securities or issuers and it was prepared in an independent manner, including with respect to the person and to GENIAL INSTITUTIONAL.

The analyst hereby certifies that he (she) has no connection with any individual who works for the issuer(s) discussed in this report.

The analyst hereby certifies that he (she), or his (her) spouse or companion, either directly or indirectly, in his or her own name or on behalf of a third party, does not hold any of the securities covered in this report.

The analyst hereby certifies that he (she), or his (her) spouse or companion, is not directly or indirectly involved in the purchase, disposal or brokering of the securities covered in this report.

The analyst hereby certifies that he (she), or the his (her) spouse or companion, has no direct or indirect financial interest in the issuer covered in this report (other than trading shares in investment funds, in which the analyst cannot control, directly or indirectly, the administration or management of the fund, or which do not concentrate investments in sectors or companies that are covered by reports produced by the analyst).

The analyst's compensation is, directly or indirectly, determined by income from GENIAL INSTITUTIONAL´s business and financial operations.

In addition, the analysts certify that no part of their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

The compensation of the analyst who prepared this report is determined by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking revenues, however, compensation may relate to the revenues of GENIAL INSTITUTIONAL CCTVM, its affiliates and/or subsidiaries as a whole, of which investment banking, sales and trading are a part. Compensation paid to analysts is the sole responsibility of GENIAL INSTITUTIONAL CCTVM.

The analyst hereby certifies that he (she), or his (her) spouse or companion, does not serve as an officer, director, or advisory board member of the subject company.

The principal analyst is responsible for the content of this report and for meeting the requirements of Securities and Exchange Commission of Brazil (CVM) Instruction 598/2018.

Unless otherwise stated, the individuals listed on the cover page of this report are research analysts.

3. ADDITIONAL DISCLOSURE

(i) This document was prepared by GENIAL INSTITUTIONAL Research and is hereby supplied for the sole purpose of providing information about companies and their securities.

(ii) The information contained herein is provided for informational purposes only and does not constitute an offer to buy or sell, and should not be construed as a solicitation to acquire, any securities in any jurisdiction. The opinions expressed herein regarding the purchase, sale or holding of securities, or with respect to the weighting of such securities in a real or hypothetical portfolio, are based on careful analysis by the analysts who prepared this report and should not be construed by current or future investors as recommendations for any particular investment decision or action. The investor's final decision should be made considering all of the risks and fees involved. This report is based on information obtained from primary or secondary public sources, or directly from companies, and is combined with estimates and calculations prepared by GENIAL INSTITUTIONAL CCTVM. This report does not purport to be a complete statement of all material facts related to any company, industry, security or market strategy mentioned. The information has been obtained from sources believed to be reliable, but GENIAL INSTITUTIONAL CCTVM does not make any express or implied representation or warranty as to the completeness, reliability or accuracy of such information. The information, opinions, estimates and projections contained in this document are based on current data and are subject to change. Prices and availability of financial instruments are indicative only and subject to change without notice. GENIAL INSTITUTIONAL CCTVM is under no obligation to update or revise this document or to advise of any changes in such data.

(iii) The securities discussed in this report, as well as the opinions and recommendations contained herein, may not be appropriate for every type of investor. This report does not take into account the investments objectives, financial situation or particular needs of any particular investor. Investors who wish to buy, sell or invest in securities that are covered in this report should seek independent financial advice that takes individual characteristics and needs into consideration, before making any investment decision with respect to the securities in question. Each investor should make independent investment decisions after carefully analyzing the risks, fees and commissions involved. If a financial instrument is denominated in a currency other than an investor's currency, changes in exchange rates may adversely affect the price or value of, or the income derived from the financial instrument, and the reader of this report assumes all foreign exchange risks. Income from financial instruments may vary, and therefore their price or value may rise or fall, either directly or indirectly. The information, opinions and recommendations contained in this report do not constitute and should not be interpreted as a promise or guarantee of a particular return on any investment. Past performance does not necessarily indicate future results, and no representation or warranty, express or implied, is made herein regarding future performance. Therefore, GENIAL INSTITUTIONAL CCTVM, its affiliated companies, and the analysts involved in this report take no responsibility for any direct, indirect or consequential loss resulting from the use of the information contained in this report, and anyone using this report undertakes to irrevocably indemnify GENIAL INSTITUTIONAL CCTVM and its affiliates from any claims and demands.

(iv) Prices in this report are believed to be reliable as of the date on which this report was issued and are derived from one or more of the following: (i) sources as expressly specified alongside the relevant data; (ii) the quoted price on the main regulated market for the security in question; (iii) other public sources believed to be reliable; or (iv) GENIAL INSTITUTIONAL CCTVM's proprietary data or data available to GENIAL INSTITUTIONAL CCTVM.

(v) No representation or warranty, either express or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein, except with respect to information concerning GENIAL INSTITUTIONAL CCTVM, its subsidiaries and affiliates. In all cases, investors should conduct their own investigation and analysis of such information before taking or omitting to take any action in relation to securities or markets that are analyzed in this report.

(vi) GENIAL INSTITUTIONAL CCTVM makes no representations herein that investors will obtain profits. GENIAL INSTITUTIONAL CCTVM will not share with investors any investment profits nor accept any liability for any investment losses. Investments involve risks and investors should exercise prudence in making their investment decisions. GENIAL INSTITUTIONAL CCTVM accepts no fiduciary duties on behalf of recipients of this report and in communicating this report is not acting in a fiduciary capacity. This report is not to be relied upon in substitution for the exercise of recipient's independent judgment. Opinions, estimates, and projections expressed herein constitute the current judgment of the analyst responsible for the substance of this report as of the date on which the report was issued and are therefore subject to change without notice and may differ or be contrary to opinions expressed by other business areas or groups of GENIAL INSTITUTIONAL CCTVM as a result of using different assumptions and criteria. The information, opinions and recommendations contained in this report do not constitute and should not be interpreted as a promise or guarantee of a particular return on any investment.

(vii) Because the personal views of analysts may differ from one another, GENIAL INSTITUTIONAL CCTVM, its subsidiaries and affiliates may have issued or may issue reports that are inconsistent with, and/or reach different conclusions from, the information presented herein. Any such opinions, estimates, and projections must not be construed as a representation that the matters referred to therein will occur. Prices and availability of financial instruments are indicative only and subject to change without notice. Income from financial instruments may vary, and therefore their price or value may rise or fall, either directly or indirectly.

(viii) This document may not be: (a) photocopied or duplicated in any manner, in whole or in part, and/or (b) distributed without GENIAL INSTITUTIONAL CCTVM's prior written consent. GENIAL INSTITUTIONAL CCTVM accepts no liability whatsoever for the actions of third parties in this respect.

(ix) Neither GENIAL INSTITUTIONAL CCTVM nor any of its affiliates, nor any of their respective directors, employees or agents, accepts any liability for any loss or damage arising out of the use of all or any part of this report.

(x) GENIAL INSTITUTIONAL CCTVM (or its affiliates, officers, directors or employees) may, to the extent permitted by law, have acted upon or used the information herein contained before the publication of this report and may have a position in securities issued by the companies mentioned herein and may make a market or act as a principal in any transactions in any such securities. Genial Institutional may from time to time perform investment banking or other services to, or solicit investment banking or other business from, the companies mentioned herein.

4. IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by Genial Institutional CCTVM, a company authorized to engage in securities activities in Brazil. Genial Institutional CCTVM is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to “major U.S. institutional investors” in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”) and is not being provided pursuant to a soft-dollar arrangement.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through Auerbach Grayson & Company LLC ("AGCO"), a registered broker dealer in the United States with an office at 20 West 55th Street New York, NY 10019, (212) 453-3523 . Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through Genial Institutional CCTVM.

If the report is to be distributed to anyone other than Major U.S. Institutional Investors in the United States. AGCO accepts responsibility for the contents of this report as provided for in relevant SEC releases and SEC staff no-action letters.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority (“FINRA”) and may not be an associated person at Auerbach Grayson & Company LLC ("AGCO") and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

The disclosures contained in research reports produced by GENIAL INSTITUTIONAL CCTVM and distributed by Auerbach Grayson & Company LLC ("AGCO") in the U.S. shall be governed by and construed in accordance with U.S. law. This report may not be reproduced or redistributed to any other person, in whole or in part, for any purpose, without the prior written consent of GENIAL INSTITUTIONAL CCTVM. Additional information relative to the financial instruments discussed in this report is available upon request.

UK Disclaimer:

(i) This document is STRICTLY CONFIDENTIAL to the recipient, may not be distributed to the press or other media and may not be reproduced in any form. this document is directed only at persons who are “INVESTMENT PROFESSIONALS” falling within article 19(5) of the FSMA 2000 (FINANCIAL PROMOTION) ORDER 2005, or HIGH NET WORTH BODIES falling within ARTICLE 49(2) of that order (together THE “RELEVANT PERSONS”). This document must not be acted on or relied on by persons who are not RELEVANT PERSONS.

(ii) The distribution of this document in other jurisdictions may be restricted by law and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the laws of any such other jurisdiction.