Equity Research

# Meatpackers

## **Year Ahead 2025:** Opportunities and challenges with reversing cycles

**LatAm Meatpackers**

### Main takeaways on BRF (Our Top Pick)

**(i)** The higher **tariffs under the Trump** administration could benefit BRF's commercial relations with other regions like Mexico and Canada, as Brazil emerges as an alternative export source; **(ii)** Although BRF historically benefits from the **USD/BRL exchange rate**, we believe that **depreciated prices** in markets like **Japan and Saudi Arabia will neutralize this effect** in 4Q24, with price negotiations expected to restore margins in 1Q25; **(iii)** Rising soybean oil costs (for margarine production), the **recent spike in corn prices**, and a stronger USD/BRL rate for inputs are factors expected to impact costs in the short term; **(iv)** The company managed to implement a **5% price increase**, which was adopted by its peers but will not fully offset higher production costs; **(v)** We expect a **slight margin compression** in 2025E (-0.5p.p vs. 2024E), still at an attractive level (17-18% in 2025E); **(vi)** We adjusted our model for a **~R$4bn CAPEX** in **2025E** (+17% vs. previous Est.); **(vii)** We expect the company to operate with a **1.5-2x Net Debt/EBITDA** ratio in 2025E-2026E (vs. 0.72x in 3Q24), still making it the least leveraged company in the sector; **(viii)** We maintain our **BUY rating**, but made a **slight reduction** in the **12M Target Price** to **R$28.00** (vs. R$29.00 previously), reflecting an **upside** of **+29.93%.**

### Main takeaways on JBS (Our second choice)

**(i)** In the U.S., the Beef North America segment is expected to maintain very low margins in **2025-26**, close to breakeven, due to **high cattle costs**; **(ii)** For **PPC** and **USA Pork**, we believe the **trade-down** trend will favor consumption due to **high beef prices** in the U.S. and **depreciated corn prices** compared to historical averages; **(iii) PPC** is expected to remain resilient in **2025-26**, with no impact from **HPAI avian flu**; **(iv)** For **JBS Australia**, we believe margins will remain solid despite one-offs in **3Q24**. For 2025, **exports to the U.S.** should offset higher cattle costs; **(v)** In **Brazil**, the reversal of the cattle cycle is expected to keep margins slightly pressured, reaching **7% in 2025E** (-1p.p vs. **2024E**); **(vi)** We project that **Friboi** will reach nearly **60% exports** in **2025**, compared to **40%** in the domestic market (vs. ~**50%** in both markets historically); **(vii) JBS's entry into the egg market** with a **50% acquisition** of **Mantiqueira Brasil** for **R$920mn** (+1% net debt increase) is a positive point for the diversification thesis; **(viii)** Regarding **Seara**, we found that **corn costs rose +18.7% q/q** in **4Q24**, which seems like a significant increase. Therefore, we anticipate margin compression to **15% 2025E** (-2p.p vs. 2024E); **(ix)** We maintain our **BUY rating** with a **12M Target Price of R$42.50** (vs. R$42.00 previously), implying an **upside** of **+19.92%**.

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### Companies

**BRFS3 BZ Equity**
Buy

**Price:** R$ 21.55 (03-Feb-2025)
**Target Price 12M:** R$ 28.00

**JBSS3 BZ Equity**
Buy

**Price:** R$ 35.64 (03-Feb-2025)
**Target Price 12M:** R$ 42.50

**BEEF3 BZ Equity**
Neutral

**Price:** R$ 4.82 (03-Feb-2025)
**Target Price 12M:** R$ 5.70

**MRFG3 BZ Equity**
Neutral

**Price:** R$ 15.10 (03-Feb-2025)
**Target Price 12M:** R$ 16.00

### Main takeaways on Minerva

**(i)** Approval of the **Uruguayan plants remains difficult to materialize.** Therefore, the EBITDA from these plants is not part of our projections, and the company is expected to incur a **break-up fee of R$150mn**; **(ii)** Company is focus on **integrating the 13 plants** acquired in Brazil, Chile, and Argentina, without providing new guidance for 2024/25, and claims to have captured efficiency gains; **(iii)** BRL/USD depreciation boosts revenue, but the effect is offset by increased debt costs due to currency pressure and rising interest rates, worsened by **high leverage** (4.5x Net Debt/EBITDA in 4Q24E); **(iv)** Despite the **discounted valuation**, the company has **no share buyback plans**, prioritizing the integration of new assets (the 13 remaining plants, ex. Uruguay) and maintaining a **cash position** to reduce leverage (or at least, try it reduce it); **(v)** Brazil is expected to benefit from the US-China **trade war**, supporting strong beef export momentum; **(vi)** Domestic fresh red meat inflation is likely to **cool demand** in 2H25; **(vii)** The company expressed **moderate optimism**, suggesting **cattle prices** could reach R$310 per arroba as average max. However, we believe the **cattle cycle in Brazil will remain under pressure**, hitting the lowest levels in 4Q25 (higher prices). Thus, we maintain our 2025E projection at **R$330 per arroba**; **(viii)** Given the **lack of consistent catalysts**, we maintain our **NEUTRAL rating**, lowering the **12M Target Price to R$5.70** (vs. R$6.80 previously), with an **upside** of **+18.26%**.

### Main takeaways on Marfrig

**(i)** Marfrig projects that half of its revenue in 2025 will come from higher value-added products; **(ii)** The **16% dividend yield** paid in 3Q reflects the company's confidence in its **expected cash flow**; **(iii)** Marfrig recently secured the renewal of Brazilian beef access to Mexico without tariffs, enabling cost pass-through to the market; **(iv)** In South America, we expect stable margins YoY, with stronger results in 1H25 and weaker in 2H25; **(v)** In North America, operations remain resilient but face a challenging cycle, with an expected 2% margin; **(vi)** Marfrig should benefit from its 50% stake in BRF, which is expected to deliver solid FCF and EBITDA in 25E; **(vii)** Marfrig is trading at **4.5x EV/EBITDA 2025E** (near pre-BRF levels). We reiterate our **NEUTRAL rating**, with a **slightly less bearish view**, raising our **12M Target Price** to **R$16.00** (vs. R$14.35 previously), representing an **upside** of **+6.17%**.

## Demand outlook

In the near term, following **record** red meat **production** in Brazil during 3Q24—driven by **strong exports** and solid **domestic consumption**—we expect 4Q24 results from meatpackers to reflect sustained demand. Key drivers include: **(i)** an earlier Chinese New Year in January 2025 (compared to February 10 in 2024), boosting restocking ahead of the holiday, and **(ii)** favorable year-end seasonality in the domestic market, supporting shipment volumes.

However, we anticipate a **slowdown in 1Q25** due to weaker seasonal factors both **(i)** domestically, with typical start-of-year expenses (property taxes, vehicle taxes, school supplies) reducing household disposable income, and **(ii)** internationally, as the Chinese New Year and winter in the U.S. temper Brazil's export momentum.

This scenario should **reverse from 2Q25 onward**, with stronger export activity driven by a **relative tighter global meat supply** among major producers (-0.8% y/y according to USDA data) and potential **market expansion** into Japan, Vietnam, Turkey, and South Korea. These countries together account for 30% of global beef imports, with Japan in advanced negotiation stages. For **domestic consumption**, we expect **rising meat prices to constrain demand**, as detailed below.

## Will meat get pricier in 2025?

On the pricing front, two interconnected factors should shape the **domestic market** in 2025: **(i) stronger export demand**, which tends to tighten domestic supply as it also drives up food inflation, and **(ii) high cattle prices**, which recently hit R$325 per arroba (vs. ~R$215 at the cycle's low in June). While beef cuts have already seen notable price hikes in consumer baskets, the increase has been less steep than that of cattle prices since September (+15.4% for IPCA red meat basket vs. +48% for cattle).

As such, we expect **further price pass-throughs in 2025**, though not enough to fully offset rising cattle costs. This implies tighter margins for **meatpackers focused on beef in Brazil**. Even with partial cost pass-throughs, these factors will likely fuel food inflation, eroding consumer purchasing power and prompting a **shift toward more affordable** proteins like **chicken, pork, and processed meats.**

## Potential import tariffs from China.

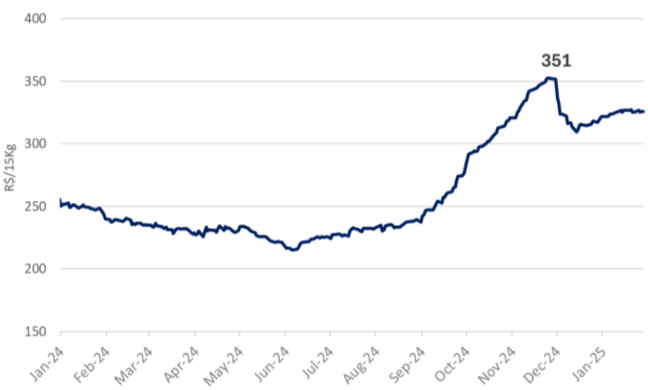
China is considering new import tariffs on beef from Mercosur countries to protect its domestic cattle industry, following a 48% surge in beef imports in 2024. While this news surfaced in December, we view the **risk** of such measures being implemented in 2025 **as low.** Despite China's per capita beef consumption still lagging behind OECD averages, the overall demand volume is massive. With a population of 1.4 bn, China's **domestic agriculture cannot meet demand** without relying heavily on imports.

## Reversal in Brazil's cattle cycle.

In **October 2024**, beef exports totaled 301.2kt (+43.2% y/y), with cattle prices reaching **R$350 per arroba**, forcing Brazilian companies to scale back slaughter volumes due to intense margin pressure domestically. This will be reflected in **4Q24 earnings.** Several companies indicated that the **spike in cattle acquisition costs** is seasonal rather than structural. Their forecasts for 2025 average around BRL 310-315 per arroba—still elevated compared to historical norms. **Strong export momentum** in 2Q24 (+16% q/q; +30% y/y), **driven by BRL depreciation** and robust US demand, coupled with local climate impacts, contributed to these **price peaks.**

However, market data suggests a **structural shift** in the cattle cycle, with **reduced female slaughter** rates due to **rising calf prices** in 4Q24. We expect bullish cattle price trends to accelerate through 2025, peaking towards year-end. Our 2025 **projection maintains** an average price of R$330 per arroba, trending down to ~**R$310 in 1H25** (vs. the current R$350) before **sharply rising** again in 2H25, reaching ~R$350-360.

**Graph 1. Cattle price (Boi Gordo)**

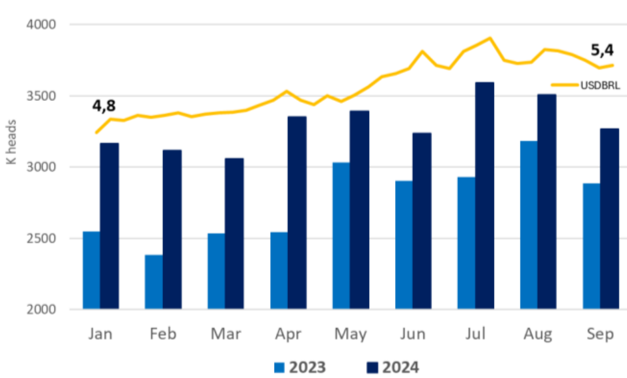



*Source: ESALQ, Genial Investimentos*

**Graph 2. Calf price**


*Source: ESALQ, Genial Investimentos*

**Graph 3. Number of cattle slaughtered (2023-2024)**




*Source: IBGE, Bloomberg and Genial Investimentos*

## BRF

## Growth and high margins of our top pick

For **BRF**, our **top pick in the sector**, the key points highlighted in the conversation with the company for the year are:

**What's next?** The company logged a record year in 2024, posting an EBITDA margin of 19.1% in 3Q24, mainly driven by **(i)** increased market share in the processed foods category (now representing 70% of the portfolio), helping to price in R$/kg due to its higher added value. Additionally, **(ii)** we saw volume expansion, supported by high domestic and export demand, which was sustained by idle capacity after investments made between 2020-2021. Furthermore, we witnessed **(iii)** expansion into higher-ticket markets, such as Egypt.

To meet the growing demand, the previously idle capacity is now being utilized. Therefore, the strategy for 2025 will involve new capacity expansion investments to enable future growth. This shift is supported by the company's current low leverage of **0.72x Net Debt/EBITDA** in **3Q24** (well below the 3x cap). With these new investments, we expect leverage to rise to **1.5x Net Debt/EBITDA** in **2025E**, which would still be in a healthy range and lower than peers (e.g., **JBS** at **2.2x** in **3Q24**).

According to our proprietary model, BRF will end 2024 with a CAPEX of R$3.1bn. When we asked the company about its willingness to invest more in 2025, the response was that an **incremental CAPEX** of around **+R$1bn** would be a good indicator. This resource would be allocated to expanding operations in **Brazil** (**87%** of current capacity) and the **Middle East** (**12.6%**), with a focus on growing the processed foods segment. Therefore, we adjusted our model to a **CAPEX** of **~R$4bn** in **2025E** (+17% vs. previous Est.).

**Costs are rising, but price increases are happening.** Indeed, there will be an increase in COGS/t in 2025. We observe an uptick in soybean oil costs (for margarine production). Additionally, **(i)** accelerated corn prices, and **(ii)** a stronger **USD/R$** exchange rate for inputs are factors expected to impact the company's costs in the short term. For 4Q24, SG&A expenses (bonuses and commercial expenses) are expected to put additional pressure on margins. Looking ahead to normalized 2025, we believe that the demand shift and the trade-down trend (as mentioned earlier in this report) will be crucial for implementing prices passthroughs. We found that in January, the company was able to raise chicken prices by +5%.

As noted earlier, the chicken market is currently more rational with prices, as players are less sensitive to gaining market share at any cost and are more proactive in passing on adjustments when price makers make changes. Therefore, we found that the initial price increase implemented by BRF at the start of the year was adopted by its peers.

**Will margins remain at this level?** As we have noted in our coverage of the company, the main concern for investors seems to be the **inflection point for margins.** Following the narrative described above, we updated our estimates and now believe that margin peaks were likely reached in **3Q24**. While prices have increased, cost acceleration is expected to outweigh this in the short term.

On the other hand, the company's stock has fallen **-23% over the past 60 days**. As a result, we believe there will be a **slight margin compression in 2025E** (-1p.p. vs. 24E), but still at an attractive level (16-17% in 25E). However, we assess that this will have less impact on the fundamentals compared to the **new discount applied to the stock** due to the recent decline. Our margin calculation already includes the resumption of operations at the Rio Verde (GO) plant, which has an export premium for China, and should help mitigate the deceleration impact, as previously mentioned.

## Our take on BRF

Focused on chicken and pork, the company is **currently our top pick in the meatpacking sector**, as we believe that the trade-down trend (consumers shifting from more expensive proteins like beef to cheaper ones like chicken and processed foods) will be a dominant characteristic in 2025 (domestic and abroad), and BRF will be the major winner in this storyline.

It is true that the company's stock has already risen significantly over the last **12 months** (+60%), but we still believe there is potential for additional growth, supported by **(i)** an attractive valuation with strong expected **FCF** generation for **25E** (~**15% FCF yield**), as well as **(ii)** a recent change in management (**2023**) that has brought better dynamics to the company's commercial strategy through scale gains; and **(iii)** its position as the least leveraged company in the Brazilian sector, with just **0.72x Net Debt/EBITDA** in **3Q24**, making it less vulnerable to rising SELIC rates and higher for longer Fed's tendency.

As a counterpoint, the company's strategy moving forward is to invest in capacity expansion to enable continued growth. Therefore, we expect this leverage indicator to rise slightly. Our expectations are that the company will operate with a **1.5-2x Net Debt/EBITDA** ratio in **2025E-2026E**. Even with this anticipated increase, we believe these parameters are perfectly healthy and will remain below peers. We maintain our **BUY rating**, but as described throughout the report regarding changes in assumptions, we have made a **slight reduction** in the **12M Target Price** to **R$28.00** (vs. R$29.00 previously), reflecting an **upside** of **+29.93%.**

## JBS

## In diversification thesis, one swallow doesn't make a summer

For JBS, **our second choice in the sector**, the main points highlighted in the conversation we had with the company regarding the year's trends were:

### Beef North America

**A long road ahead.** In the U.S., margins for the beef segment are expected to remain pressured through **2025 and 2026** (**close to breakeven**) due to high cattle costs, **despite higher retail beef prices**. We believe this scenario reflects low heifer retention, as ranchers have taken advantage of high prices to intensify sales, and we also see a trend in the U.S. of fewer ranchers compared to past cattle cycles, contributing to a tightening cattle supply for slaughter. A recovery in margins is only expected when the cycle turns, projected for 2027. Meanwhile, JBS's performance will continue to be driven by its other business segments, benefiting from its diversification strategy. As usual, seasonal impacts will be observed, with 2Q and 3Q being more favorable for demand due to high consumption during the summer barbecue season.

### PPC and USA Pork

**It should be as good as 2024.** For the chicken division through Pilgrim's Pride Corporation (PPC) and pork (USA Pork), we believe 2025 will remain favorable, driven by the trade-down trend. Our analysis suggests that due to the high retail price of beef pushing further the trade down and also the compressed corn cost vs. historical averages, margins should remain similar to those seen in 2024. We expect **PPC margins** to stabilize at **16% in 2025E**, while **USA Pork margins** are modeled at **11.5% in 2025E**. Despite slower consumption in Mexico, about 60% of PPC's sales come from the U.S., providing resilience for its operations (also US tariff hikes relative shield - 25% for Mexico). Despite recent concerns related to avian flu (HPAI) in the U.S., we believe PPC will not be affected, as none of its poultry plants are under surveillance, and only 5% of production is directed to the external market.

### Australia

**Cost dilution via volume increase.** We believe JBS's Australia division will continue to deliver solid results, with margins showing a +3.2p.p y/y expansion through 3Q24. Despite some one-offs negatively impacting the 3Q24 result, the unit is expected to continue reporting good results due to the absence of structural issues. We project that 2025 will **maintain margins at similar levels to 2024** (~**10%**), with higher cattle costs offset by revenue growth from increased exports to the US. This is supported by favorable export rates to this market, along with a larger volume allocation to be fulfilled in quota system, even greater than Brazil's.

## JBS Brazil

**50/50% or 40/60%?** Looking at Friboi, JBS's main business in Brazil, we understand that high cattle costs will impact the unit in 2025, causing a slight **margin contraction** to **~7% in 2025E** (-1p.p vs. 24E). Although robust exports and BRL/USD depreciation may benefit the company's top line, the higher cattle acquisition cost and the challenge of fully passing on the acceleration in beef prices will compress margins in the domestic market. We also believe that Friboi will lose significant domestic volume due to the trade-down trend in protein consumption.

Regarding **exports**, while there is a risk of volume decline if the **Trump administration taxes Brazilian products**, this is not our base case for now. Therefore, with a favorable exchange rate for international competitiveness and a prolonged cattle cycle in the U.S., we expect strong export volumes to continue. As we believe the number of slaughtered cattle will be similar to 2024 and the domestic market will shrink in demand, we project Friboi's export share to reach nearly **60% in 2025**, compared to **40% for the domestic market** (vs. ~50% in both markets historically). This redirection towards exports could help partially mitigate margin compression in the domestic segment.

## Seara

**Margins will drop a little, but still great.** We found that **corn costs rose +18.7% q/q** in 4Q24, which seems like a significant increase and will impact margins. It's important to highlight that even companies with growth drivers from chicken products (BRF and JBS) were surprised by the results of their poultry units in 3Q24. For Seara, the margin was 21% (+4.5x y/y), which was truly impressive. Therefore, as mentioned in the BRF section, we assess that sustaining such margins will be difficult without absorbing higher costs.

Seara benefited from low grain prices in 2024 with a hedge in place, but this effect will be felt in 2025. Additionally, the higher USD/BRL exchange rate is beneficial for export competitiveness but also affects domestic cost dynamics, such as **(i)** logistics, **(ii)** USD-priced inputs, and **(iii)** packaging. Consequently, we expect a **margin compression** to **15% in 2025E** (-2p.p vs. 24E). As with BRF, we believe the trade-down trend will help increase shipments YoY, which should mitigate some of the margin decline due to higher costs going through the P&L.

**JBS's recent entry into the Egg market.** Recently, JBS expanded its product portfolio by entering the egg market with a 50% acquisition of Mantiqueira for R$920mn (annual revenue of R$2bn). The deal will have a minimal financial impact on JBS, increasing **net debt by ~1%**. We view JBS's entry into a market with strong growth potential, driven by changing dietary habits that have led to increased protein consumption over the years. The egg market has been growing at **double digits annually**. Furthermore, the complementarity of products in the egg market may lead to **operational synergies**, both in input supply and in expanding JBS's distribution chain. This reinforces the company's thesis, which is undeniably based on geographic and protein diversification.

## Our take on JBS

The company is **our second choice in the sector**, distinguished by its **geographical** (U.S., Brazil, Australia) and **protein** (beef, chicken, and pork) diversification, providing **resilience against the cyclical nature of cattle cycles**. Although the stock has already appreciated significantly over the past year (+48% LTM), we still see room for further growth in 2025. However, there are risks involved, such as **(i)** the potential taxation of Brazilian exports to the U.S., which would reduce Friboi volumes, and **(ii)** a more substantial slowdown in the domestic margin than we currently project. This could occur due to a sharper drop in beef demand driven by the **cattle cycle change**, which would pressure **food inflation** (as discussed throughout the report).

In summary, we still believe the valuation remains attractive, supported by **(i)** a **4.2x EV/EBITDA 25E** multiple (vs. a 4.9x historical average), **(ii)** a **~14% FCF yield** in 25E, and **(iii)** potential value unlocking with the completion of dual listing on the NYSE. We maintain our **BUY rating** with a **12M Target Price increase** to **R$42.50** (vs. R$42.00 previously), implying an **upside** of **+19.92%**.

## Minerva

## Discounted, but without major catalyst

For **Minerva**, the key points highlighted during our conversation with the company for the year were:

**Uruguayan plants: what if all appeals are exhausted?** On December 17, it was officially announced that Uruguay's Ministry of Economy and Finance **rejected Minerva's appeal**, upholding the CPDC's (Uruguayan antitrust authority) decision, which deemed the acquisition of the three Marfrig plants (valued at **R$675mn**) unfeasible from a competition standpoint. Minerva stated it is still exploring alternatives; however, given multiple rejections and limited legal recourse at this stage, the **approval is not part of our projections**. The R$675mn is currently held in an escrow account, and if the transaction falls apart, Minerva will incur a **R$150mn break-up fee** deducted from the escrow, with the plants returning to Marfrig.

**Focus on asset integration**. As highlighted, the company's current focus is on integrating and optimizing the 13 plants acquired in Brazil, Chile, and Argentina. Minerva recently announced it will no longer disclose EBITDA, leverage, and net revenue estimates, consistent with the guidance provided during the 2023 Investor Day for 2024. In other words, the company **canceled its previously indicated guidance** without offering new figures, creating a gap. When asked about the reasons for this decision, the company explained it is still in the learning curve phase regarding plant operations, working on ramping up these facilities, which began on October 29.

Despite not providing new guidance, Minerva noted that it has already captured cost synergies, with improvements in logistics, supply chain, and service provider relations. Considering the company's strong execution capabilities and position as the largest red meat exporter in South America, we believe the operational performance will yield **incremental EBITDA from the new plants** above Marfrig's projection (**R$750mn**) but slightly below Minerva's previous forecast (**R$1.5bn**). We had projected **R$1.1bn**, excluding the Uruguayan plants, and we now revise it down to **~R$960mn Genial Est.** (-12.7% vs. previous Est.) due to **increased cattle cycle pressures**. We will continue monitoring the reported results.

**FX and Interest rate pressures impact leverage**. While the BRL/USD depreciation favors the company's top line by boosting revenue due to the export-driven nature of its business and the increased competitiveness of Brazilian beef in global markets, we observe an adverse effect on the bottom line. The company faces **high leverage**, with ~77% of gross debt tied to USD (as of September 2024), while its hedge policy covers only 50-55% of the FX exposure. The Fed's chosen path of higher for longer shouldn't be much help either.

This scenario is exacerbated by expectations of high-interest rates throughout 2025, with the SELIC rising to 13.25% (+1p.p. at the last COPOM meeting), and the Central Bank of Brazil signaling another hike of the same magnitude in the next meeting. This will raise the cost of **CDI-indexed debts** (~35% of BRL-denominated debt), leading to compressed net income and higher financial expenses, negatively impacting FCFE.

**No share buyback plans**. We expect the company's **leverage to increase in 4Q24**, driven by the **-R$5.6bn deal outflow**, reducing the **cash position** and raising **Net Debt/EBITDA to ~4.5x Genial Est.** (vs. 2.6x in 3Q24). During our discussion, it was clear that the company's priority is integrating and optimizing the new assets. Thus, despite acknowledging that the shares are undervalued, Minerva has no share buyback plans, which we consider a prudent capital allocation decision, given the current focus on asset optimization to generate FCF and reduce leverage.

**US Tariffs on Brazil pose a risk to the "Export Platform"**. The potential for an escalation of Trump's protectionist measures against Brazilian products represents a risk to the investment thesis, given Minerva's high dependency on export conditions, with the US accounting for 15% of its current export revenue. While it's still too early to assess concrete impacts, potential restrictions could affect the company's commercial dynamics, requiring strategic adjustments to mitigate possible adverse effects.

## Our take on Minerva

Following our discussion, we reassessed whether the sharp decline in the stock price has decoupled from fundamentals. Despite identifying still-discounted multiples and believing the market has overly penalized the stock, we do not see consistent fundamental catalysts for significant appreciation. Considering headwinds such as the **reduced EBITDA expected from the Brazilian plant portfolio**, we **reiterate our NEUTRAL rating**, lowering our **12M Target Price** to **R$5.70** (vs. R$6.80 previously), indicating an **upside** of **+18.26%**.

## Marfrig

## Improved perception, but still not hot enough

We believe Marfrig is positioned to begin a **deleveraging cycle**, but the still challenging US. environment, despite operational resilience, and higher costs consolidated by the cattle cycle reversal in Brazil make us still adopt a **neutral stance**. And although BRF is expected to post solid results, these factors continue to limit the stock's upside potential in 2025, in our view. We continue to recommend that **investors expose themselves to BRF shares rather than those of Marfrig** (its parent company).

### North America

**Resilient operations, but the cycle remains challenging**. National Beef’s portfolio is more **defensive** than peers, with ~80% of production focused on premium cuts, increasingly favored by U.S. consumers. Additionally, factors that may support the investment case include: **(i)** Operational efficiency gains expected in 25E, and **(ii)** a potential easing of cattle supply constraints due to market shifts. Indications of this easing include **(iii)** smaller players reducing volumes due to profitability challenges amid high costs; **(iv)** reduction of Saturday slaughter shifts in the US (now at 2% vs. 10%+ previously).

Tyson, one of the largest global meat producers, recently announced the closure of a processing plant in Kansas (MO), and we believe the next step could be the closure of capacity in slaughter plants. This could generate an excess of unprocessed cattle, increasing availability and driving acquisition prices lower. In summary, we believe these factors will **partially mitigate the negative U.S. cattle cycle**, with our **25E EBITDA margin forecast at ~2.5%** (vs. 2.4% in 3Q24 and ~5% historical average).

## South America

**New strategic direction.** Although the most challenging cycle is expected for 2H25, we believe these impacts will be partially offset by a more favorable top-line, with: **(i)** USD/BRL exchange rate still favorable for exports, coupled with **(ii)** higher **cut-out levels** in both domestic and external markets; **(iii) volume growth**, with the incorporation of slaughter and boning capacity expansions, and **(iv)** a portfolio with greater **cut dispersion and value perception assimilation** in the product mix, through well-known brands in Brazil and internationally (such as Bassi, for example), as well as its exposure to processed products and a joint **commercial strategy** with BRF in this product chain.

The new configuration of Marfrig (post-deal with Minerva) brings a **more favorable balance** between a commoditized business and one with added value, which should generate higher and less volatile margins compared to the historical average. We expect results to be somewhat better in 1H25, especially due to a weaker comparison base in 1H24, and more challenging in 2H25, which should result in **margin stability y/y**, with higher revenues being partially offset by higher costs.

## Our take on Marfrig

We believe Marfrig is effectively adopting strategies to modernize operations and enhance productivity to navigate the beef cycle downturn, focusing on **expansion into premium markets**. The company has invested in mechanization and boosted exports to Asia, aiming for sustainable margins. We expect **solid FCF generation in 2025E** (mainly driven by BRF), supporting **controlled leverage** (still high at 2,5x Net Debt/ EBITDA 25E, but in deleveraging path). With Marfrig trading at **4.5x EV/EBITDA 25E** (near pre-BRF levels), we reiterate our **NEUTRAL rating**. Given our **slightly less bearish outlook**, we **raised** our **12M Target Price** to **R$16.00** (vs. R$14.35 previously), representing an **upside** of **+6.17%**.

## Appendix: BRF

**Figure 1. BRF – Income Statement in R$ Millions (Genial Est. 24-27)**

| Income Statement | 2024E | 2025E | 2026E | 2027E |
|---|---|---|---|---|
| **Net Revenue** | **60.280** | **65.767** | **67.539** | **70.995** |
| (-) COGS | (44.246) | (49.523) | (54.031) | (55.021) |
| **Gross Profit** | **16.034** | **16.244** | **13.508** | **15.974** |
| (-) Expenses | (8.768) | (8.906) | (9.265) | (9.821) |
| **Adjusted EBITDA** | **10.871** | **10.142** | **9.556** | **9.588** |
| (-) D&A | (3.673) | (3.526) | (3.768) | (3.555) |
| **EBIT** | **7.198** | **6.616** | **5.788** | **6.033** |
| (+/-) Financial Result | (1.933) | (3.560) | (4.331) | (1.163) |
| (-) Taxes | (786) | (1.088) | (1.567) | (1.741) |
| **Net Income** | **4.073** | **3.962** | **3.343** | **3.214** |
| **Profitability** | | | | |
| Net margin (%) | 7% | 6% | 5% | 5% |

**Figure 2. BRF– Cash Flow in R$ Millions (Genial Est. 24-27)**

| Cash Flow (FCFF) | 2024E | 2025E | 2026E | 2027E |
|---|---|---|---|---|
| **Net Revenue** | **60.280** | **65.767** | **67.539** | **70.995** |
| (-) COGS | (44.246) | (49.523) | (54.031) | (55.021) |
| **Adjusted EBITDA** | **10.871** | **10.142** | **9.556** | **9.588** |
| | | | | |
| **EBIT** | **7.198** | **6.616** | **5.788** | **6.033** |
| (-) Taxes | (786) | (1.088) | (1.567) | (1.741) |
| (+) D&A | 3.673 | 3.526 | 3.768 | 3.555 |
| (+ -) ΔWC | 2.050 | 956 | (34) | 1.765 |
| (-) Capex | (3.157) | (4.188) | (3.735) | (3.900) |
| **FCFF** | **8.978** | **5.822** | **4.220** | **5.712** |

# Appendix: JBS

**Figure 1. JBS – Income Statement in R$ Millions (Genial Est. 24-27)**

| Income Statement | 2024E | 2025E | 2026E | 2027E |
|---|---|---|---|---|
| **Net Revenue** | **418.941** | **456.771** | **472.193** | **486.098** |
| (-) COGS | (360.289) | (392.823) | (406.086) | (418.044) |
| **Gross Profit** | **58.652** | **63.948** | **66.107** | **68.054** |
| (-) Expenses | (13.512) | (20.345) | (27.992) | (26.949) |
| **Adjusted EBITDA** | **37.053** | **36.063** | **33.515** | **36.978** |
| (-) D&A | (11.761) | (12.609) | (13.217) | (12.755) |
| **EBIT** | **25.292** | **23.454** | **20.298** | **24.223** |
| (+/-) Financial Result | (8.200) | (3.707) | (4.187) | (4.661) |
| (-) Taxes | (6.449) | (8.375) | (7.279) | (8.829) |
| **Net Income** | **10.643** | **11.372** | **8.832** | **10.733** |
| **Profitability** | | | | |
| Net margin (%) | 3% | 2% | 2% | 2% |

**Figure 2. JBS– Cash Flow in R$ Millions (Genial Est. 24-27)**

| Cash Flow (FCFF) | 2024E | 2025E | 2026E | 2027E |
|---|---|---|---|---|
| **Net Revenue** | **418.941** | **456.771** | **472.193** | **486.098** |
| (-) COGS | (360.289) | (392.823) | (406.086) | (418.044) |
| **Adjusted EBITDA** | **37.053** | **36.063** | **33.515** | **36.978** |
| | | | | |
| **EBIT** | **25.292** | **23.454** | **20.298** | **24.223** |
| (-) Taxes | (6.449) | (8.375) | (7.279) | (8.829) |
| (+) D&A | 11.761 | 12.609 | 13.217 | 12.755 |
| (+ -) ΔWC | (1.584) | (3.890) | (2.757) | (1.033) |
| (-) Capex | (7.088) | (8.416) | (7.441) | (9.214) |
| **FCFF** | **21.932** | **15.382** | **16.038** | **17.902** |

# Appendix: Minerva

**Figure 1. Minerva – Income Statement in R$ Millions (Genial Est. 24-27)**

| Income Statement | 2024E | 2025E | 2026E | 2027E |
|---|---|---|---|---|
| **Net Revenue** | **32.701** | **46.092** | **47.203** | **46.306** |
| (-) COGS | (26.324) | (37.058) | (37.998) | (37.276) |
| **Gross Profit** | **6.377** | **9.034** | **9.205** | **9.030** |
| (-) Expenses | (3.686) | (4.352) | (4.032) | (3.901) |
| **Adjusted EBITDA** | **2.953** | **4.050** | **4.141** | **4.106** |
| (-) D&A | (769) | (946) | (854) | (764) |
| **EBIT** | **2.184** | **3.104** | **3.287** | **3.342** |
| (+/-) Financial Result | (2.011) | (2.044) | (1.987) | (2.266) |
| (-) Taxes | (114) | (700) | (858) | (710) |
| **Net Income** | **59** | **360** | **442** | **366** |
| **Profitability** | | | | |
| Net margin (%) | 0,2% | 0,8% | 0,9% | 0,8% |

**Figure 2. Minerva– Cash Flow in R$ Millions (Genial Est. 24-27)**

| Cash Flow (FCFF) | 2024E | 2025E | 2026E | 2027E |
|---|---|---|---|---|
| **Net Revenue** | **32.701** | **46.092** | **47.203** | **46.306** |
| (-) COGS | (26.324) | (37.058) | (37.998) | (37.276) |
| **Adjusted EBITDA** | **6.377** | **9.034** | **9.205** | **9.030** |
| | | | | |
| **EBIT** | **2.953** | **4.050** | **4.141** | **4.106** |
| (-) Taxes | 114 | 700 | 858 | 710 |
| (+) D&A | (769) | (946) | (854) | (764) |
| (+ -) ΔWC | (230) | (198) | 32 | (20) |
| (-) Capex | (5.083) | (1.088) | (1.177) | (1.099) |
| **FCFF** | **(3.015)** | **2.518** | **3.000** | **2.933** |

## Appendix: Marfrig

**Figure 1. Marfrig – Income Statement in R$ Millions (Genial Est. 24-27)**

| Income Statement | 2024E | 2025E | 2026E | 2027E |
|---|---|---|---|---|
| **Net Revenue** | **145.799** | **169.697** | **166.003** | **174.489** |
| (-) COGS | (125.387) | (145.939) | (144.423) | (151.805) |
| **Gross Profit** | **20.412** | **23.758** | **21.580** | **22.684** |
| (-) Expenses | (4.071) | (3.452) | (4.363) | (5.721) |
| **Adjusted EBITDA** | **10.687** | **11.284** | **10.490** | **10.920** |
| (-) D&A | (3.950) | (3.388) | (3.595) | (5.703) |
| **EBIT** | **6.737** | **7.896** | **6.895** | **5.217** |
| (+/-) Financial Result | (6.384) | (7.220) | (2.719) | (1.971) |
| (-) Taxes | (233) | (577) | (2.756) | (2.142) |
| **Net Income** | **120** | **99** | **1.420** | **1.104** |
| **Profitability** | | | | |
| Net margin (%) | 0,1% | 0,1% | 0,9% | 0,6% |

**Figure 2. Marfrig– Cash Flow in R$ Millions (Genial Est. 24-27)**

| Cash Flow (FCFF) | 2024E | 2025E | 2026E | 2027E |
|---|---|---|---|---|
| **Net Revenue** | **145.799** | **169.697** | **166.003** | **174.489** |
| (-) COGS | (125.387) | (145.939) | (144.423) | (151.805) |
| **Adjusted EBITDA** | **20.412** | **23.758** | **21.580** | **22.684** |
| | | | | |
| **EBIT** | **6.737** | **7.896** | **6.895** | **5.217** |
| (-) Taxes | (233) | (577) | (2.756) | (2.142) |
| (+) D&A | 3.950 | 3.388 | 3.595 | 5.703 |
| (+ -) ΔWC | 1.307 | 484 | 1.384 | (390) |
| (-) Capex | (5.869) | (4.801) | (4.118) | (3.901) |
| **FCFF** | **5.892** | **6.390** | **5.000** | **4.487** |

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