genial Equity Research

JBS
Dual listing: Trade-off between voting power and liquidity

LatAm Meatpackers

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Company

JBSS3 BZ Equity
Buy

Price: R$ 47.34 (23-Apr-2025)
Target Price 12M: R$ 54.50

(i) SEC and timetable: On April 22, 2015, JBS obtained a **"declaration of effectiveness" from the SEC** for its dual listing. Class A shares of JBS N.V. await listing on the NYSE; Level II BDRs will trade on B3. We assess as **highly probable the approval at the EGM** on **May 23** of the **plan for dual listing** by minority shareholders (~30% of the capital), enabling a **debut on the US stock market** on **June 12**; **(ii) Two steps and dividends**: 1st step-JBS Participações incorporates 100% of the ordinary shares not held by it at R$20.19/share (PL of R$44.8bn), exchanging 2 ordinary shares for 1 redeemable PN. 2nd stage - these PNs will be redeemed for 1 BDR each, backed by 1 Class A Share. Beforehand, an extraordinary dividend of R$1.00/share (R$2.2bn; ~9% yield 25E, already considering dividends via FCF) will be paid, reinforcing immediate return; **(iii) Conversion and free float**: From the 1st trading session on the NYSE (June) to December 31, 2026, **shareholders can convert** up to **55% of Class A** into **Class B**, maintaining a **minimum of 20% of Class A free float**. Excess in the last quarter will be prorated to ensure liquidity; **(iv) Dual-class governance**: JBS N.V. adopts three classes: Class A (1 vote/share, negotiable); Class B (10 votes/share, controlling, non-negotiable); Conversion Shares (legal support). Meets CVM and SEC disclosure standards; **(v) Voting power (~85% in the hands of the controlling shareholders)**: Via LexCo (the Batista family's holding company), **we outlined a scenario** where the **controlling shareholders will hold 100% of Class B** and **29% of Class A**, adding up to **~85% of the voting capital**; **(vi) Minority shareholder 's dilemma**: 2 shares → 1 BDR → 1 Class A. The minority investor can convert up to 55% into Class B (with more voting power, but no market to buy and sell the shares) or keep 100% in Class A (and gain liquidity). Our scenario considers that almost all minority shareholders will remain Class A; **(vii) Potential for reclassification via multiples**: We see JBS trading at **6.3x EV/EBITDA 25E** vs. Tyson (8.4x) and Pilgrim's (6.6x). Going to **7.5x** (which is the global average for the sector) implies **+19% upside**. Entry into the Russell 1000 (and future S&P 500) should support the multiple due to the increase in flow, with **more passive funds interested in buying** the stock; **(viii**) We maintain our **BUY rating** with the **12M Target Price** revised **upwards** to **R$54.50** (vs. R$48.50 previously), implying an **upside** of **+15.2%.**

What is the process like? BDRs, Class A and Class B shares

Two-stage financial/equity mechanism. In the **first stage**, JBS Participações will incorporate 100% of the common shares of JBS S.A. not held by it, at a book value of **R$20.19/share** on December 31, 2024 (PL of R$44.8bn). For every **2 common shares**, 1 redeemable preferred share was exchanged. In the **2nd stage**, these preferred shares must be immediately redeemed for Level II BDRs, each BDR backed by a Class A Share of JBS N.V. In this way, each **minority** shareholder **receives 1 BDR for every 2 shares** they own, traded on **B3 in Brazil**, maintaining their economic participation, except for the sale of any fractions.

Previously, the company distributed **extraordinary dividends** of **R$1.00/share** (R$2.2bn total and **25E yield** of **~9%**, already considering the current annual projection) conditional on the approval of the Merger of Shares at the EGM, reinforcing the immediate return to the investor who exercises the operation.

The **conversion period** runs from each **first trade on the NYSE in the US** (probably dated 12 of June) until **December 31, 2026**. Shareholders will be able to **convert up to 55%** of their **Class A into Class B**, preserving a **minimum free float of 20% of Class A**. If excessive conversion threatens this floor, the company will proportionally reduce conversions in the last quarter of 2026. This mechanism will ensure continuous liquidity of Class A shares, mitigating the risk of shortages in the market.

Equity changes and visibility corporate governance via SEC rules. The creation of JBS N.V. consolidates a **split that began in 2023**, converting JBS B.V. into a public limited company (PLC) under Dutch law. With this, the company adopts a dual-class share system: **Class A Shares** (1 vote/share), listed on the NYSE and backed by BDRs on B3; **Class B Shares** (10 votes/share), held by controlling shareholders, not traded on the stock exchange and convertible into Class A; and Conversion Shares, which legally support this conversion. JBS N.V. will issue two classes of shares with identical economic rights, with Class B shares holding **10x the voting power of Class A** shares. Only Class A shares will be made available on the market.

Shareholders will be able to convert their Class A into Class B **by December 2026**, with a **limit of 55%** per investor (excluding controlling shareholders), and there will be a **minimum free float of 20%** for Class A. Although this structure theoretically gives them greater influence, economically it is unattractive for minority shareholders: Class B will not have secondary liquidity, so those who convert would be left with "shares in hand" with **no market to trade them**. Thus, we anticipate that **almost no non-controlling shareholders will exercise this right** - preserving the free float and fluidity of Class A, while concentrating decision-making power in J&F Investimentos.

Controlling shareholders can have up to 85% voting power. Our understanding is that the controlling shareholders will have a percentage linked to the **voting power of ~85% of the total outstanding shares** - Class A, Class B and BDRs, through the investment vehicle called **LexCo**, a holding company in turn owned by the Batista family (founders of JBS). Following this path, LexCo would hold **100% of the Class B shares**. This is because, conditional on the assumptions of exercising the conversion from Class A to Class B of the controlling stake - to leave **at least 20% free float Class A** - it would mean that the rest of the percentage that **J&F + JBS Participações** currently owns of JBS. S.A. would have to be positioned in Class A shares, until they amounted to **48.34% of the total capital**. When we do the extra math, we arrive at **29% of the Class A** capital in the hands of the controlling shareholders. As the voting power of the Class B share is 10x that of the Class A share, a simple equation gives us 85% voting power over LexCo (1x 29% Class A + 10x 100% Class B).

We believe that this arrangement balances the **trade-off between voting power and liquidity**, as it decisively reinforces the controllers' dominance, without compromising the appeal of the shares to investors who value active trading and dividend distribution, for example, while raising disclosure standards to CVM and SEC foreign issuer requirements.

Minority shareholder decision tree

1. **Starting Point - JBSS3 Shares**: The investor owns 2 ordinary shares in JBS S.A. (JBSS3).

2. **Exchange for BDR Level II**: On the last day of trading on B3, these 2 shares are converted into 1 BDR Level II of JBS N.V.

3. **Receipt of Class A Share**: By canceling the BDR with the custody agent, the investor obtains 1 Class A Share on the NYSE.

4. **Conversion Decision (until Dec 31, 2026)**: During the Conversion Period, the holder of Class A Shares has two options:

4.1 Converting up to 55% of Class A to Class B

Motivation: To gain greater voting power (10x per share converted).

Result: **0.55 share** converted into Class B (illiquid) **+0.45 share** remaining in Class A (fully tradable)

4.2 Maintain 100% in Class A

Motivation: To preserve **full liquidity** and economic rights.

Result: 1.00 share in Class A (fully tradable)

Practical Consequence: In the **"Convert" branch**, the investor gives up liquidity in exchange for more votes but keeps part of the shares without a secondary market; in the **“Maintain " branch**, the ability to trade 100% of the shares is preserved, keeping the economic value intact.

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Why do we believe that most minority shareholders will opt for "Maintain"?

- Class B Shares will have no liquidity on the stock exchange: converting them means "being left with shares with no market for buying and selling".

- So, even if the conversion right exists, economically it makes more sense to keep 100% in Class A, guaranteeing freedom to buy and sell.

- Control, therefore, remains effectively concentrated in the hands of the controlling shareholders (J&F Investimentos), while the minority shareholders maintain their economic participation and liquidity.

Our take on JBS

Repricing via multiples would lead to a rise of almost 20% in the shares. JBS trades at **6.3× EV/EBITDA 25E** (already considering the rise in EV from the stock's pullback in today's trading session). This is still below North American peers such as **Tyson Foods** (8.4×) and **Pilgrim's Pride** (6.6×). In Europe, Food & Beverage companies listed in Frankfurt and London trade on average at **7.2× EV/EBITDA**, while Asian players are at 6.8×. Convergence to the **global average of 7.5×** would imply an **upside of +19.3% on** JBS's **current multiple.** We believe that this rerating is plausible as the company enters indices such as the Russell 1000 and, potentially, the S&P 500. To reach the **S&P 500**, the **road seems longer to us**, because one of the requirements is that the company has at least **50% free float** (today it has ~30%). Therefore, we continue to stress that **there is a high probability that BNDES will dismantle its position** (~21% of total capital) in the coming months. Increased interest in buying the shares by passive funds could help BNDES sell blocks of shares to buyers, without the share price suffering a significant drop.

Trade-off between voting power and liquidity. As we commented throughout the report, the controlling shareholders, through the **LexCo** holding company (owned by the Batista family), **will be able to concentrate ~ 85% of the total voting power** - combining 29% in Class A and 100% of Class B (10× voting power). This design of the corporate structure would ensure that the controlling block preserves robust decision-making power, without sacrificing the liquidity and appeal of the shares to investors focused on active trading and dividends (i.e. minority position), as well as raising the level of disclosure to the standards required by the SEC. Therefore, **from the minority shareholder's point of view**, we believe that the **trade-off really on voting power** (given up by not converting Class A into Class B)**, and the shares liquidity** (since Class B will not be publicly traded).

In addition, if we look at the timeline, we expect the **next steps**: (**i**) final approval of the BDR Program by the CVM and B3 by June/25; (**ii**) F-4 Form and listing on the NYSE (probably by June 12); (**iii)** Class A→B conversion exercise throughout 2026; and (**iv**) quarterly disclosure of results under new reporting standards. In addition, we believe that the **dual listing** (Brazil-B3 via BDRs and US-NYSE via primary shares) represents the pinnacle **of unlocking value** through the internationalization of JBS. By combining dual-class share structure (A and B shares, as mentioned); access to global capital (passive funds and listing on indices such as the Russell 1000 and S&P 500); and an immediate extraordinary dividend (R$1.00/share), the company is positioned for a valuation rerating.

We maintain our **BUY rating**, given a **12M Target Price revised upwards** to **R$54.50** (vs. R$48.50 previously), implying an **upside** of **+15.2%**. We emphasize that our valuation is attributable to **(i)** our DCF model, plus **(ii)** the value gain we see from repricing via multiple. From now on, we suggest that investors monitor the approval of BDRs at CVM/B3, listing on the NYSE, the evolution of the free float (BNDES releted) and macro scenarios that impact the cost of capital.

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**

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under Review	Under review	**5%**

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