

MINERVA

2Q25 Review: A long way to the top

LatAm Meatpackers

Main takeaways:

(i) **Net Revenue of R\$13.9bn** (+5.1% vs. Genial Est.; +24.3% q/q; +81.6% y/y), driven by a shipped volume of **507Kt** (+11.5% vs. Genial Est.; +22% q/q; +52% y/y), which more than offset lower-than-expected prices (R\$27.4/kg; -5.7% vs. Genial Est.); (ii) **COGS/kg reached R\$22.6/kg** (-1.4% vs. Genial Est.; +2.8% q/q), benefiting from cost dilution at the newly integrated plants, even in the face of high cattle costs (R\$315.4/arroba; +40% y/y); (iii) **EBITDA of R\$1.3bn** (+7.7% vs. Genial Est.; +35.3% q/q; +74.9% y/y), a new quarterly record, reflecting continued progress in the integration of Marfrig's assets; margin of **9.4%** (+0.2p.p. vs. Genial Est.; +0.8p.p. q/q; -0.4p.p. y/y), sustained by operating gains, scale leverage and a more qualified export mix; (v) **FCF with a slight burn of -R\$26mn** (vs. -R\$15mn Genial Est.); the main pressure vector was working capital, with net use of **-R\$903mn**, reflecting the tactical stockpiling strategy in the US in view of the tariff reconfiguration; **CAPEX of R\$241mn** (flat vs. Genial Est.), while the financial result, on a cash basis, was within normal ranges, reaching **-R\$185mn**; (vi) Leverage measured by us at **3.6x EBITDA** (-0.9x q/q), reflecting the combination of cash inflows via follow-on (+R\$2.0bn), bond repurchases (US\$240mn) and robust EBITDA generation; the company reported **3.2x as a proforma ratio**; (vii) Despite the strong numbers, we maintained **our cautious stance** on the equity story, given a significant risks still present; we highlight the resilience in trade arbitrage in the face of the US tariff impact, but we believe that the **robust volume performance tends to be one-off**; we believe that a more constructive repricing would require higher margins, which does not seem likely in the **context of rising prices** (R\$340-350/arroba Genial Est.) and a **possible slowdown in exports**; The thesis remains **dependent on consistent execution** and greater predictability in FCF conversion, still pressured by working capital; we have decided to maintain our **NEUTRAL rating**, with a **12M Target Price of R\$6.00**, implying an **upside of +14.3%**.

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Company

BEEF3 BZ Equity

Neutral

Price: R\$ 5.25 (06-Aug-2025)

Target Price 12M: R\$ 6.00

Table 1. Income Statement Minerva (2Q25 vs. Genial Est.)

(R\$ millions)	2Q25	2Q25E	% R/E	1Q25	% q/q	2Q24	% y/y
	Reported	Genial Est.		Reported		Reported	
Net Revenue	13.918	13.242	5,1%	11.196	24,3%	7.666	81,6%
COGS	(11.473)	(10.439)	9,9%	(9.121)	25,8%	(6.001)	91,2%
Adjusted EBITDA	1.303	1.209	7,7%	963	35,3%	745	74,9%
EBITDA Margin (%)	9,4%	9,1%	0,2p.p	8,6%	0,8p.p	9,7%	-0,4p.p
EBIT	1.059	954	11,0%	720	47,0%	595	77,9%
EBIT Margin (%)	7,6%	7,2%	0,4p.p	6,4%	1,2p.p	7,8%	-0,2p.p
D&A	(244)	(255)	-4,6%	(242)	0,6%	(149)	63,1%
Financial Result	(597)	(535)	11,6%	(509)	17,4%	(493)	21,2%
Net Income	458	217	111,2%	185	147,7%	95	380,2%
Net Margin (%)	3,3%	1,6%	1,7p.p	1,7%	1,6p.p	1,2%	2p.p

Source: Minerva, Genial Investimentos

Minerva released its **2Q25 results** yesterday, **August 6**, after the market closed. We believe that the company delivered a **robust operating performance**, both relative to our expectations and compared to the consensus, which was more bearish than ours. **FCF** was **-R\$26mn** (vs. -R\$15mn Genial Est.), slightly above the expected neutrality, contrary to the strong operating performance evidenced in the period. **Net revenue** totaled **R\$13.9bn** (+5.1% vs. Genial Est.), exceeding our projection and advancing +24.3% q/q and +81.6% y/y, sustained by higher-than-expected shipments, reaching **507Kt** (+11.5% vs. Genial Est.), accelerating +22% q/q and +52% y/y (due to the integration of new assets), which offset prices of **R\$27.4/kg** (-5.7% vs. Genial Est.), slightly lower than projected.

EBITDA was recorded at **R\$1.3bn** (+7.7% vs. Genial Est.; +15% vs. BBG Consensus), rising sharply by +35.3% q/q and +74.9% y/y, and **margin** of **9.4%** (+0.2 p.p. vs. Genial Est.), accelerating **+0.8 p.p. q/q** despite the contraction of **-0.4 p.p. y/y**. This ended up reflecting the combination of operating leverage, progress in the integration of Marfrig's recently incorporated assets, and control over **COGS/kg**, which stood at **R\$22.6/Kg** (-1.4% vs. Genial Est.), with a more moderate increase of +2.8% q/q and +25.8% y/y (vs. +40% y/y in the price of cattle per arroba).

As for **leverage**, the company reported a ratio of **3.2x Net Debt/EBITDA**, already considering the Proforma EBITDA of the newly integrated assets of **R\$456mn** (4M), but we reiterate our preference for a metric based exclusively on effective generation within the LTM base, counted only from consolidation in November 2024. Thus, we calculate the company's **actual leverage** at **3.6x** (-0.9x q/q), the lowest level since the beginning of the integration of Marfrig's assets, benefiting from the entry of funds from the **follow-on** offering of **+R\$2.0bn** (more on this below).

2Q25 Review: In detail!

Net revenue: Volume exceeds projections and mitigates lower-than-expected prices. Net revenue totaled R\$13.9bn (+5.1% vs. Genial Est.), exceeding our estimate, reflecting a significant increase of +24.3% q/q and +81.6% y/y, as a result of better-than-expected operating performance, especially in shipment volume, which totaled 507Kt (+11.5% vs. Genial Est.), accelerating +22% q/q and +52% y/y (due to the integration of new assets), fully mitigating the effects of lower-than-expected prices, which reached R\$27.4/kg (-5.7% vs. Genial Est.; +1.6% q/q; +19.5% y/y). The quarter saw a strategic reconfiguration of the geographical distribution of revenue share, with a notable increase in penetration in NAFTA (US + Canada), which reached 24% (+9p.p. y/y), while Asia's share also rose slightly to 26% (+5p.p. y/y). On the other hand, Brazil and Chile saw a slight decline in their share, with other South American countries experiencing more significant declines.

Exports remained the main driver of growth, accounting for 60% of consolidated gross nominal value, contributing most to the increase in revenue. However, the domestic market also expanded, albeit from a weaker base than exports, reaching R\$5.9bn (+86.5% y/y), driven both by resilient demand in Brazil and by the production allocation strategy of the newly integrated units, which are still in the process of obtaining export licenses. Despite the USD/BRL devaluation during the period (-3% q/q), export spreads remained attractive, supported by efficient arbitrage between markets and the monetization of inventories previously destined for the US, which were sold at historically high prices.

EBITDA: Operational improvement and cost control drive margins. The company reported EBITDA of R\$1.3bn (+7.7% vs. Genial Est.), the highest level ever recorded by the company, with robust growth of +35.3% q/q and +74.9% y/y, reflecting more efficient operating dynamics and continued progress in the integration of the recently acquired Marfrig (MSA) assets. In addition, the margin stood at 9.4% (+0.2p.p. vs. Genial Est.), also exceeding our projections, accelerating +0.8p.p. q/q despite a contraction of -0.4p.p. y/y, remaining close to the company's historically highest levels. We highlight that, despite the pressure on cattle costs in Brazil – average of R\$315.4/arroba (+40% y/y), reported COGS/kg reached R\$22.6/kg (-1.4% vs. Genial Est.), demonstrating operational control and efficiency. Although the indicator rose +2.8% q/q and +25.8% y/y, performance was below projections, contributing positively to the expansion of profitability compared to our expectations.

The dilution of fixed expenses in the newly integrated units, combined with a more favorable geographic mix — with greater exposure to higher value-added markets, such as NAFTA and the Middle East — also contributed to mitigating the impacts of the depreciation of the average USD/BRL FX rate (-3% q/q) and volatility in international prices given the uncertainty inherent in the international macroeconomic environment. We therefore highlight that the company continues to promote gains in scale that should intensify as the integration of assets progresses, despite the cost of cattle being at high levels vs. 2024.

Net income: strong operating performance combined with accounting effects. Net income totaled R\$458mn (+1.1x vs. Genial Est.), exceeding our projections and registering considerable growth of +1.5x q/q and +3.8x y/y. In addition, the company recorded a net margin of 3.3% (+1.7p.p. vs. Genial Est.), also exceeding our estimates, up +1.6p.p. q/q and +2p.p. y/y, reflecting a more solid operating performance combined with one-off accounting effects. Although the company reported a more challenging financial result than expected, reaching -R\$597mn (+11.6% vs. Genial Est.) – which expanded +17.4% q/q and +21.2% y/y –, even with the recognition of a gain of +R\$128mn in FX rate variation vs. -R\$1.0bn in 2Q24, its **(i)** high EBIT of R\$1.1bn (+11% vs. Genial Est.) and **(ii)** low income tax expenses more than offset this.

Our Take on Minerva

FCF: Slight burn due to pressure on WC. The company reported an **FCF burn of -R\$26mn** (vs. -R\$15mn Genial Est.), slightly above expectations, although still in line with the outlook. We highlight that this result contrasts with the robust operating performance for the period — especially **EBITDA of R\$1.3bn** (+7.7% vs. Genial Est.) — and reflects, above all, the high need for **working capital (WC)** of **-R\$903mn**, well above what we had considered in our model, reflecting the continuation of the **tactical storage strategy focused on the North American** market (more on this below), in response to the current tariff reconfiguration. In addition, the acceleration of **new assets** will require **additional consumption** of **WC** between **R\$400-600m 25E**, with greater pressure in 1H25 (we are more inclined towards the upper end of this range).

In addition, **CAPEX** totaled **R\$241mn** (flat vs. Genial Est.), reflecting continued investments in manufacturing infrastructure, especially in the units recently added to the portfolio. The specific case of a plant with unforeseen CAPEX (collapse of the roof in one of the slaughterhouses) was also addressed and will be incorporated into performance from 2Q25 onwards. With the maturation of assets, the need for WC is expected to ease starting in 3Q25. In addition, cash financial expenses stood at **-R\$185mn**, also within normal ranges and without major deviations from our expectations.

Defensive strategy for tariffs on shipments to the US. As we mentioned in last quarter's review report, the company adopted a **tactical strategy of advancing shipments to the US**, even before the **announcement of the 10% tariff** (which was implemented on liberation day in April), based on a cost-benefit analysis that included the downside of pressure on working capital (WC) as demurrage costs. The rationale was that the **price increase in the US market** would outweigh these temporary shipping costs. The company began phasing out these inventories **throughout the second quarter of 2025**, with complete depletion expected by the end of the year, taking advantage of the tax differential between products already internalized and new shipments previously subject to the full rate of up to 36% (10% + 26% extra quota, before the 50% tariff). Now, given the current context, the total tariff rises to 76% (26% extra quota + 50% from August).

Therefore, we see that the company has opted to return storing meat shipped to the US and kept in cold storage without having received full payment for the sale of these volumes, trying to avoid a more complex tariff environment. Inventories rose again (+21% q/q), also accelerating accounts receivable (+62% q/q), which indicates additional WC pressure, as this resource was not transferred to cash flow (despite being captured in revenue on an accrual basis). Although this leads to a reduction in FCF, considering the more conservative situation and the importance of the North American market, we note that the **decision seems correct**, mainly because beef did not appear among the 700+ items that were exempted from the US tariff increase on Brazilian products (50%).

Deleveraging gains traction, but the level remains challenging. The company ended the quarter with **net debt** of **R\$14.2bn**, representing a significant decrease of **-9.1% q/q**, driven by two main factors: **(i)** the inflow of **+R\$2.0bn** via a **follow-on** offering; and **(ii)** progress in more controlled liability management, notably the **repurchase and cancellation of bonds** in the amount of **US\$240mn** (~R\$1.3bn). This movement, coupled with robust operating EBITDA generation, resulted in a decline in leverage as measured by the **Net Debt/EBITDA** ratio to **3.6x** (-0.9x q/q), the lowest level since the conclusion of the deal with Marfrig. This does not include the additional value of the remaining EBITDA between July and October 2024, a four-month period in which these assets were still under Marfrig's operating regime. Since the company only began operating the assets in November, we do not agree that leverage should be measured using the pro forma indicator.

Even so, the company reported its **Net Debt/EBITDA** ratio at **3.2x** (-0.5x q/q; -0.4x regular LTM EBITDA), incorporating **+R\$456mn** of **EBITDA related to these 4M** of estimated contribution from the newly integrated assets. We maintain a more cautious view, choosing to base our analysis exclusively on actual figures, since the effects of the full integration of these assets have not yet fully materialized on the regular LTM base.

In our view, progress in the deleveraging process is significant and positive, but the current level still imposes restrictions on capital allocation in the short term. The continuation of the downward trend depends, above all, on an improvement in FCF generation after additional working capital (WC) pressures and the maintenance of resilient operating performance in the coming quarters (EBITDA increase expected in 26E).

Two phases of synergy capture from new assets. We believe that the company has made visible progress in integrating the **assets acquired from Marfrig** (MSA), with simultaneous gains in utilization rates and scale, and mix improvement through the incremental release of export licenses to more regions, which strengthened the foundation for revenue growth and structure dilution. In Brazil, the **catch-up of the company's international** exposure was already reflected in 2Q25, with **60% of revenue coming from exports** (+5p.p. q/q), demonstrating slightly more concrete progress in the positioning strategy with price arbitrage in different regions and in capturing premiums vs. the rest of the international market. Quarterly market data show that beef exports totaled **701Kt** (+20% q/q; +14% y/y). This combination of consistent external demand, even with a downward trend in the USD/BRL FX rate, and greater operational efficiency created the basis for record revenues and margins.

We can divide the **integration of assets** into **two phases**: Phase **(i)**, which is more operational, with the company focused on getting the assets up and running, but still operating at a basic level, as it continues with the ramp-up and expects to reach normal operating levels between Q3 and Q4. Phase **(ii)**, on the other hand, is more strategic but also longer in duration, aiming to capture synergies with gains in slaughter scale, commercial predictability, and bargaining power. We believe this will begin to become feasible as the operation stabilizes and delivers predictability in terms of production, market, and logistics. This differentiation reinforces that efficiency gains are not yet fully captured, which opens room for **y/y margin expansion** only **starting in 26E** in our proprietary model.

A step forward toward a new operating reality. Last quarter, Minerva justified the increase in its **2025E net revenue** guidance to **R\$50-58bn** — which was well above what the consensus was pricing — based on three pillars: **(i)** higher prices across all geographies and destinations, even with the softening of the USD/BRL FX rate, which had not been fully reflected in market models. External prices averaged **US\$5.2/kg** (+6% q/q; +16% y/y); **(ii)** growing volumes from newly acquired assets; and **(iii)** persistent strong slaughter volumes, despite the theoretically unfavorable cycle. In 2Q25, the number of cattle slaughtered in Brazil totaled 7.4 million (+4% q/q; +2% y/y). According to management, there was an asymmetry between what sell-side firms (including us) projected based on 4Q24 data (in terms of supply and prices) and what materialized last quarter. This misalignment allowed the company to revise its own estimates upward with greater conviction.

The company achieved record net revenue and EBITDA. We believe that the prominent acceleration in volumes (+22% q/q; +55% y/y) enabled further dilution of fixed costs, converting any losses in gross margin into operational efficiency gains, reflected in a **higher EBITDA margin**, which reached **9.4%** (+0.2p.p. vs. Genial Est.; +0.8p.p. q/q; flat y/y), sustained by prices that evolved despite the milder USD/BRL FX rate, in addition to slight sectoral pressure.

It is important to note that 2Q25 already represented a significant advance in the **asset utilization rate**, which, according to our understanding, stood between **60–65%** (vs. ~40% on average in 1Q25). In **3Q25E**, we expect a **reading closer** to the **“new operating reality”**, with the MSA asset utilization rate coming in line with the average of the company's other assets (~75%) by the end of the year, depending on market dynamics. This phasing creates a point of attention for the growth model, as the full capture of capacity and the reflection in results are still ongoing.

A more subdued cycle turnaround than anticipated, but prices will rise in 2H25.

We have anticipated the **turnaround in the cattle cycle** in Brazil **since 3Q24**, with the price per arroba of cattle rising +50% in 5M (Jul-Nov), which led us to downgrade the company to Neutral. However, due to events that we were unable to map at the time, the cycle transition is occurring gradually and in a more balanced manner than previously anticipated. Despite the forecast reduction in total market slaughter volume of -5% y/y in 25E, we believe that availability is still sufficient to sustain the ramp-up of the new MSA plants. The price of cattle for slaughter should move to the range of **R\$340–350/arroba** in **2H25** – currently trading at **~R\$300/arroba** due to the one-off effects of the **50% tariff imposed by the US** on Brazilian products.

At this point, we expected a curve closer to R\$320/arroba, showing that the catalyst for the reduction in cattle prices – after peaking at R\$352/arroba in November – was in fact the imposition of tariffs by the Trump administration, which created uncertainty about future shipments and abruptly slowed exports to the US market. We emphasize that the US is a major destination for Brazilian meat shipments, being the second most important (12% of total exports). The uncertainty generated by the tariffs, in turn, slowed down the slaughter sequence and ended up expanding the supply of cattle, **causing price drops**. This move led large meat packers to suspend purchases, reallocate destinations and, in some cases, place plants on collective vacation. In the domestic market, the combination of **higher supply of feedlot animals** and **longer slaughter schedules** (which now exceed nine business days on average) has allowed meatpackers to renegotiate lower prices paid to producers. At this point, we are still seeing a considerable level of slaughter of **reproductive females**, which in turn have lower carcass yields. However, the tide should turn.

In 1Q25, female slaughter reached a record high, accounting for 47% of the total herd. However, we believe that this trend will reverse in 2H25, with the **percentage of females slaughtered** cooling to **43% Genial Est.** (vs. 45% in 2H24), and then falling more sharply from 26E onwards, given the withdrawal for breeding to ensure the replacement of calves. With fewer females on the slaughter scale in the coming months, the supply available to meatpackers will shrink and the price per arroba will tend to rise again. So, although the cycle turnaround is indeed slower, it is still structural and part of the nature of the business. Tariffs may have slowed the pace of the increase, but the turnaround in the Brazilian cattle cycle is evident given the combination of structural factors that limit the supply of animals for slaughter and **put pressure on costs** throughout the chain.

A long way to the top. Despite the robust figures reported in 2Q25—with record net revenue and EBITDA, as well as significant progress in the deleveraging process — we **remain cautious about the equity story**. In our view, the current valuation already captures much of the benign short-term operating scenario, while the risk drivers remain substantial and still insufficiently addressed to support a rating upgrade. In our assessment, the company has indeed demonstrated greater competence in executing its **price arbitrage strategy**, mitigating the impacts of the new tariff policy imposed (first 10% and now 50%) by accumulating inventories in cold storage in the US for later sales. However, we believe that the **effective impact of the new tariff**, although limited in financial terms (~5% of net revenue), **raises the level of noise** and perception of regulatory risk on the investment thesis.

In addition, the strong volume performance observed in the quarter — sustained by high inventories and anticipated shipments — tends to be temporary, with less capacity to perpetuate the same intensity throughout 2H25. A more bullish repricing would require structurally higher operating margins, a **scenario that we do not consider likely** given the resumption of the process of **raising the price of cattle** (R\$340–350/arroba in 2H25 –vs. ~R\$300/arroba currently) and the possible **cooling of beef export dynamics**, especially considering global tariff realignment. Although 2Q25 does represent a milestone in terms of greater operational visibility for the newly integrated assets — which should be operating at ~75% of their potential capacity in 3Q25 — we believe that pricing a bolder thesis **requires a more consistent track record of delivery** (too early to tell). In our view, the credibility of the case remains conditional on an uninterrupted trajectory of quarter-on-quarter execution, with greater predictability in the conversion of operating results into **FCF generation**, which **remains very low** due to pressure on WC, in addition to continued progress in the capital structure. We also believe that, although the company has shown a trajectory of deleveraging, there is still a long way to go. Until then, we prefer to adopt a more conservative stance. Therefore, we have decided to maintain our **NEUTRAL rating**, with a **12M Target Price of R\$6.00**, implying an **upside of +14.3%**.

Appendix: Minerva

Figure 1. Minerva – Income Statement in R\$ Millions (Genial Est. 25-28)

Income Statement	2025E	2026E	2027E	2028E
Net Revenue	49.900	52.331	54.162	56.058
(-) COGS	(40.129)	(41.921)	(43.284)	(44.690)
Gross Profit	9.771	10.410	10.878	11.368
(-) Expenses	(5.061)	(5.360)	(5.550)	(5.747)
Adjusted EBITDA	4.710	5.050	5.328	5.621
(-) D&A	(962)	(1.009)	(1.044)	(1.080)
EBIT	3.749	4.042	4.183	4.413
(+/-) Financial Result	(2.756)	(2.534)	(2.539)	(2.577)
(-) Taxes	(298)	(422)	(428)	(435)
Net income	694	1.086	1.216	1.401
Profitability				
Net margin (%)	1,4%	2,1%	2,2%	2,5%

Figure 2. Minerva– Cash Flow in R\$ Millions (Genial Est. 25-28)

Cash Flow (FCFF)	2025E	2026E	2027E	2028E
Net Revenue	49.900	52.331	54.162	56.058
(-) COGS	(40.129)	(41.921)	(43.284)	(44.690)
Adjusted EBITDA	4.710	5.050	5.328	5.621
EBIT	3.749	4.042	4.183	4.413
(-) Taxes	(298)	(422)	(428)	(435)
(+) D&A	962	1.009	1.044	1.080
(+/-) Δ WK	(1.380)	109	(165)	(167)
(-) Capex	(873)	(1.047)	(1.041)	(1.036)
FCFF	2.160	3.691	3.592	3.855

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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%

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