

MINERVA

Investor Day 25: Solid today, brighter tomorrow

LatAm Meatpackers

Main takeaways:

(i) Trust shoring repositions Brazil: the US-China trade war has consolidated Brazil as a reliable supplier; **(ii) US supply collapses:** smallest herd in 75Y (~87mn head), atypical slaughter of females (~1.1mn/m), Beef production is expected to fall by 400–500kt 25E (-6% y/y), driving imports to ~2.5Mt (+47% in 2A); **(iii) Historical spreads favor Latin America:** beef carcasses in the US (~US\$9/kg) are ~2x higher than the average South American cost, generating spreads of ~100% — even with tariffs of 10–26%. Minerva leads with 10 plants approved in Mercosur (vs. 1–4 peers), including high-capacity units; **(iv) Brazil with structural productivity gains:** slaughter at historic highs (~41mn head 25E) sustained by greater efficiency, not herd destruction. Gap of ~100kg/carcass vs. the US still to be captured, with DDG (corn ethanol by-product) driving cheaper and more predictable diets; **(v) Global contraction increases arbitrage:** the US, Europe, and China are expected to reduce production simultaneously in 2025–26, creating space for Latin America to maintain firm spreads. China has already lost 10mn females in 3A, stocks have fallen to <60 days, and imports are rising (+25% in 2025, +8–9% expected in 2026); **(vi) Expansion in key markets: China:** Minerva already has >20 licensed plants, flexibility in premium cuts and niches (grain-fed, grass-fed, free-hormone); **Europe:** record spreads (~€7/kg), trade agreements (EFTA and EU–Mercosur) should release +100Kt in quotas, with Minerva as the central capturer; and **Mexico:** Brazilian meat share jumped from 3% (2023) to 38% (2025), and could reach 60% in 2A; Local operation already structured in Monterrey; **(vii) MSA integration completed quickly:** all plants incorporated in <9M; **(viii) Minerva as price maker:** integration transformed the company into a benchmark for arbitrating origins (BR, AR, UY, PY, CO) and destinations (US, China, Europe, Mexico); **(ix) Robust financial results:** 2025 should end with >5mn head slaughtered, gross revenue of R\$47bn, and EBITDA of R\$4.5bn. Run-rate suggests R\$1.5–1.6bn/y from the new plants alone, reducing the effective acquisition multiple to <4x EV/EBITDA (vs. 5x announced); **(x) Deleveraging and FCF as drivers:** Net debt/EBITDA already at 2.7x adjusted, with a target of 2.5x by 1Q–2Q26E. Inventory regularization in the US could free up up to R\$2bn in WC in 2H25, sustaining FCF of R\$0.5–1.0bn (vs. R\$650mn Genial Est.).

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Company

BEEF3 BZ Equity

Neutral

Price: R\$6.75 (30-Sep-2025)

Target Price 12M: R\$ 7.50

We attended the edition of **Minerva Day 2025** held in São Paulo (SP) today, **Sept. 30**. This edition brought together the management team with investors and analysts in a classic format, consisting of technical presentations, a Q&A session, and direct interaction with management. The executive team present included **Mr. Fernando Queiroz** (CEO), **Mr. Edison Ticle** (CFO), **Mr. Alexandre Mendonça de Barros** (Consulting Partner at MB Agro and board member), **Mr. Marcos Troyjo** (former president of BRICS bank and board member), **Mr. Martin DiGiacomo** (CCO), and **Mr. Luis Ricardo Alves Luz** (COO Latam), in addition to other members of senior management, reinforcing the emphasis on integrating commercial, operational, and financial perspectives.

Investor Day 25: In detail!

US tariffs: Brazil as the big winner. Mr. Troyjo highlighted the impact of the **trade war between the US and China** on food security supply. Since 2018, restrictions imposed by the US have drastically reduced US grain and protein exports to China (soybeans, corn, pork, chicken, and beef). In this vacuum, Brazil has taken over as China's main food supplier. This substitution is not just circumstantial but signals a **structural reconfiguration of global protein chains**. The central concept here is that of **“trust shoring”**: in food, trust, stability, and predictability outweigh tariff or logistical advantages alone. Brazil is emerging as a reliable long-term supplier, with the scale, quality, and agility to meet Chinese demand and, by extension, that of other emerging markets. For Minerva, this framework enhances the legitimacy of its global presence and strengthens the thesis that the company can capture tailwinds derived from the strategic repositioning of food security in international trade.

Mr. Mendonça de Barros's intervention is, from start to finish, material for thesis: it connects the geopolitical reconfiguration of food trade, the structural supply deterioration in developed hubs, and a silent leap in productivity in Brazil. The starting point is the tariffs ripple effect and the relative closure of the US to global trade. We see that the US market oscillates between industrial/commercial measures with a stagflationary bias and the creation of pro-growth bases (de-bureaucratization and corporate tax cuts). Therefore, the future would be more focused on self-consumption of grains, reducing its predictability as an exporter. In practice, this forces China, Europe, Mexico, and Japan to diversify their sources for food security reasons.

The high tariffs imposed by the Trump administration on Europe and Canada have accelerated an unexpected repositioning, opening space for South America in the global supply chain. Mexico, traditionally closed to Brazil in the beef trade, has already made a move. Japan appears to be the next step for Brazil to increase its range of negotiations, while the US “frees” third parties to buy from other sources; and once the purchase becomes institutionalized, **there is no turning back without reputational cost** — Mr. Mendonça de Barros notes that no one admits to having compromised their own food security to return to a single supplier.

A deep dive at US beef cycle. There is a labor shortage in the agricultural sector. U.S. government subsidies are expected to increase in the coming years, but management sees fiscal insufficiency given the problem's size. At the same time, the redirection of grains to biofuels is shrinking exportable supply. With **the smallest herd in 75Y** (~87 million head), vs. 40 million more people than in 1953, rural producers continue to send **~1.1 million females/month to slaughter**, atypical behavior for the current cycle phase, leaving no room for breeding and replenishing this increasingly scarce supply. The price of fat cattle has been rising exponentially (+24% in 12M), while the price of feeder cattle has basically reached the peak of the historical series (+45% in 12M) — yet females' retention is well below what it should be. The cattle supply for slaughter will likely continue to fall in 2026 and is not expected to return to historical levels in the medium term.

The direct consequence is a **drop of 400–500Kt** (-6% y/y Est.) in beef production in 2025, with demand still strong. This dynamic has caused **beef imports in the US** to jump to **~2.5Mt** (+47% in 2Y). The main beneficiaries of this movement have been Brazil, Argentina, Uruguay, and, more recently, Paraguay — the latter only approved in 2024.

Minerva is the only company with 10 plants approved in the Mercosur region (1-4 plants on average among peers), including high-capacity units such as Rosario (Argentina) and Belén (Paraguay), both with a capacity of over 2k heads/day. The economic differential is equally significant: the price of North American beef carcasses is ~US\$9/kg, which is basically 2x the average production cost in South America. In other words, the spread is currently almost 100%, something that has never been seen before, opening up room for extraordinary gains — including in premium cuts.

On the cut-out side, for example, filet mignon is sold at US\$7.5/lb in South America (vs. US\$15.4–15.5/lb in the US). With this differential, even paying tariffs of 10-26%, the competitiveness of South American beef remains intact. The company has also begun a move to gain ground in the high-value chilled meat segment, replacing American cuts and developing niches such as grain-fed, grass-fed, hormone-free, and Angus programs, which have historically been under-exploited by Latam suppliers.

Brazil has a great opportunity to extend productivity. According to the company, Brazil continues to increase its cattle supply when many expected the cycle to turn. Slaughter, which reached almost 40 million head in 2024 (a historic record), is expected to reach ~41 million this year, continuing to peak. Mr. Mendonça de Barros maintains that this is not indiscriminate destruction of livestock, but rather a gain in productivity masked by imperfect statistics. He points out that there is no data that accurately shows the herd size — IBGE estimates ~240 million heads, while field consultants estimate ~200 million — with Brazil being one of the few regions capable of growing both herd size and productivity at the same time. The didactic comparison with the US is striking: if we applied north American productivity rates to the Brazilian herd, potential slaughter would jump to 68–75 million heads/year (+70% vs. current mark). And even without expanding headcount, just increasing carcass weight changes the game: the US is expected to produce ~12Mt with ~30 million head (~400kg/carcass), while Brazil is approaching ~12Mt with ~40 million heads (~300kg/carcass). Thus, the delta is close to a **100kg/carcass surplus**, which is a large productivity gain yet to be captured.

The mechanism that accelerates this capture is **DDG** — a by-product of corn ethanol. Brazil is expected to grind ~30–36Mt of corn this year and, in 3–4Y, reach ~40 million, which generates **>12Mt of DDG**. This input **(i)** lowers the cost and standardizes diets, **(ii)** allows lean cows to be fattened, **(iii)** shortens the cycle, and **(iv)** increases average daily gains: cattle in **feedlots/semi-feedlots** achieve weight gains of **+1.6–2.0kg/day** (4.5x more than on pasture). The trend is to see feedlots attached to biorefineries, closing the logistics circuit, giving flow to DDG and feeding back into the expansion of ethanol itself (because it creates stable demand for corn in regions where the cereal, on its own, would not be viable). The consequence is direct on the meatpacking industry: heavier carcasses, more predictable supply, lower average cost, and less seasonality.

The decline in global cattle supply benefits South America. China is estimated to have reached ~7.7Mt of meat production – the third largest global producer – for a consumption of ~12Mt, similar in magnitude to that of the US. After peaking, local production would tend to decline by between 0.7–1.0Mt 26E, with high domestic prices and market specificities between domestic and imported meat; the US could fall by -0.4Mt over the same period; and Europe would continue to reduce its herd.

The world is likely to experience a **shrinkage in global supply** precisely in the markets with the greatest demand elasticity, which would open windows for exports and price support — a favorable wind for South America, which has scale and competitive costs in price arbitrage.

With feeder cattle already in high demand, the pendulum is shifting to breeding: more calves per cow through genetics and, crucially, food — better pastures and cheap supplementation with DDG. The earlier entry of females into the reproductive phase would reduce the biological capital downtime. In the fattening process, a cheaper diet would increase average carcass weight, improve returns in feedlots; and, in a scenario of global scarcity, everything can go up — the entire chain passes on the prices. We believe that for export platforms such as Minerva, arbitrage between origins and destinations preserves spreads, especially when qualifications expand and new markets enter the roadmap.

It is no coincidence that Brazil has repeatedly achieved export records with and without tariffs. For the investment thesis, this translates into firm international prices, a more premium market mix, more predictable FCF, and superior arbitrage capacity in 2025–27E, when the US and China are expected to be short on supply and Europe is still reorganizing. The multi-origin footprint strategy is not aesthetic: it is what maintains continuity for the end customer and anchors bargaining power with global retailers, food service, and processors.

China: Domestic meat production in decline, Brazil gains ground. In China, the diagnosis is equally challenging for domestic production. The region is expected to lose 10 million females in 3Y, with a structural impact on feeder cattle and productivity, a cycle that is difficult to reverse. According to management, Chinese production is falling more sharply than USDA models project. Despite this, demand remains resilient, and the drop in inventory to less than 60 days—the lowest level since 2018/2019—indicates strong pressure on prices. In 2025, imported beef rose +25% y/y in the Chinese market, and a further increase of 8–9% y/y is expected in 26E, returning prices to levels close to those seen during the pandemic. With countries such as Argentina, Uruguay, and the US prioritizing shipments to the North American market, there is room for Brazil — and, consequently, for the company to expand its presence in China.

The average price of Brazilian beef in the Chinese market has already risen to ~US\$6/kg in 2Q25 (+20% YTD). In addition, a structural shift is taking place: imported meat, previously restricted to processors, is now entering the retail market. The company currently has more than 20 plants approved for China exports, which ensures flexibility to serve both niche markets for chilled and bone-in cuts via Argentina and Uruguay and frozen boneless products via Brazil and Colombia.

Europe: Attractive spread, Minerva with advantages. In Europe, the herd has been declining for over 10Y, and the female slaughter rate remains at ~45% per year, with no prospects for reversal. The result is a structural deficit that has increased imports, especially from Brazil, Uruguay, and Australia. The average price of European carcasses is currently ~€7/kg, a record high, while production costs in South America remain much lower. This historic spread opens room for unprecedented penetration.

After more than 15Y of resistance, only this year have British supermarkets such as the Asda chain started selling meat from Paraguay and Uruguay, finally breaking the paradigm. The EFTA–Mercosur and European Union–Mercosur trade agreements, both in the final stages of completion, are expected to add +100Kt in quotas distributed among Argentina, Uruguay, Paraguay, and Brazil, of which Minerva is expected to capture the largest share due to the number of authorized plants. The company is already operating in little-explored niches, such as cooked meat for “manufacturing beef,” taking advantage of special quotas with reduced tariffs (20%), which have been used again for the first time since 2001 and have already yielded 2Kt in 2025.

Mexico: Expansion in sight. We believe that Mexico is emerging as one of the fastest-growing markets. Traditionally dependent on the US—which accounted for 70% of Mexican imports in 2021—the region has begun to rapidly open up space for Brazil. The share of Brazilian meat jumped to 38% in 2025 (vs. only 3% in 2023) and could reach 60% in 2Y, according to Mr. DiGiacomo. This advance is supported by extremely favorable regulatory conditions: zero import tariffs and VAT (0%), in contrast to the US, where rates of up to 50% apply. In 3Q25, Mexico had already become the second-largest destination for Brazilian exports, behind only China. The company has set up a new local operation, with an office in Monterrey and a team of 7–8 people, including logistics specialists, to accelerate its penetration into the Mexican retail market. Paraguay's approval as an eligible source for exports to Mexico, scheduled for Oct, is likely to further reinforce this expansion.

Integration of new MSA assets: complex but well executed. During the presentation, it was highlighted that the assets integration inherited from Marfrig (MSA) was marked by significant complexity but had already reached a stabilization phase in 3Q25. Mr. Alves Luz classified the process as record-breaking in pace terms: in less than 9M, all plants were incorporated into the Minerva's system, with operational ramp-up completed and performance in line with plans. The start of operations in Brazil and Argentina required contingency solutions for inputs, packaging, and labeling — often without prior support from the former operator — but the company managed to overcome the obstacles through logistical planning and alignment with the Ministry of Agriculture (MAPA). The result is a standardized operation with significant gains in supply scale, renegotiation of terms with suppliers, and working capital (WC) optimization.

The integration brought tangible synergies. In supplies, consolidated purchasing management and regional distribution ensured standardization of packaging and inputs, reducing costs. In terms of WC, renegotiation with suppliers increased the average payment term for cardboard to 105 days. In the production field, the company has already achieved a record slaughter rate in Brazil, around 370k heads/month in Oct, and estimates that ramp-up and technical improvements could expand total slaughter capacity by +10%. The company has also been gaining strategic approvals: Tangará da Serra (MT) has already been authorized to export to the US, and new approvals include markets such as Mexico, Japan, Israel, Indonesia, and Russia. This seems to reinforce the view that global supply shortages are pressuring countries to speed up approvals.

Increasing penetration in the domestic market. Another highlight was the shift in domestic markets, especially in Brazil, which is expected to end 2025 with +90% growth vs. 2024 and consolidate itself as the company's largest individual market. Today, Minerva already serves 80k points of sale and fulfills 120k of orders per month, of which almost 40% are via e-commerce, generating R\$100mn/month. The penetration of premium products is significant: 40% of sales in the Brazilian domestic market come from higher value-added cuts. This same strategy of distribution and proximity to clients is being replicated in other countries: in Uruguay, the company's share of the domestic market rose to 14% (+8p.p. y/y); in Paraguay, to 30% (+10p.p. y/y). Part of this gain in penetration in domestic markets also comes from the mix diversification, which includes foodstuffs not produced by the company (fish, lamb, and breaded products), increasing Minerva's relevance with key customers.

Finally, Mr. Alves Luz reinforced that the integration of MSA's assets transformed Minerva into a price maker, both in the cattle purchase from producers and in the beef sale point. The company now operates as a benchmark for arbitrating origins (Brazil, Argentina, Uruguay, Paraguay, Colombia) and destinations (US, China, Europe, Mexico), with the flexibility to accelerate or slow down operations according to cattle availability and external demand. In the 2026–2027 scenario, management emphasized that international cattle supply will be structurally insufficient to meet demand, making these years “the years of sales,” in which the great opportunity will be in capturing margins via price, rather than worrying about costs.

Our Take on Minerva

A new Minerva. Mr. Ticle pointed out that the company is expected to end 2025 with **>5 million heads slaughtered** (5.2 million in LTM), with **gross revenue of R\$47bn** and **EBITDA of R\$4.5bn**, multiplying EBITDA by ~30x since 2008. The leap from a single-plant company in Brazil to a leading position in seven regions (BR, CO, UY, PY, AR, CL, and AU). The integration of the new assets (MSA) is ahead of schedule: in **3Q25**, the company already achieved **almost 100% of the expected synergies** vs. the plan for 4Q25, allowing it to operate the rest of the year at a utilization rate of **75–80%** of consolidated capacity.

The results reflect this turnaround: record net revenue of R\$14bn and EBITDA of R\$1.3bn in 3Q25 – margin of 9.4%. The new assets on a standalone basis contributed **R\$+450mn** to **EBITDA**, but extrapolating from the Sept run rate suggests between **+R\$350–400m/quarter**, or **R\$1.5–1.6bn/year** — above the initial estimate (even without the Uruguay plants). This reduces the effective multiple of the acquisition to <4x EV/EBITDA vs. 5x communicated in the deal announcement in 2023, making the transaction more accretive than initially planned. On the financial front, proforma leverage (4M included) closed 3Q25 at 3.2x Net Debt/EBITDA, but adjusted for 3Q25 annualized EBITDA, the level falls to 2.7x — reverting in 9M to the pre-deal level. The company remains focused on deleveraging: it carried out a follow-on offering of +R\$2bn, with 100% participation, repurchased bonds at an average discount of 15% vs. face value and incorporated an additional mandate of up to R\$1bn for 3Y. Management argued that the **2.5x target** should be achieved between **1Q–2Q26E**.

Solid today, better tomorrow. We believe the company is at a strategic turning point in the global protein sector. We share the same view as management that several key consumer regions around the world face a **structural cattle supply deficit**, mainly in the US, Europe, and China, while demand remains resilient. South America is only region with the scale, competitiveness, and flexibility to meet the global supply gap.

We believe the company is well positioned to respond to this market shift, as it is now a multi-origin platform with a footprint in seven countries, **+20 plants approved for China, the US, Europe, and Mexico**, accelerated ramp-up of new assets inherited from Marfrig (MSA), synergies almost fully captured, and growing EBITDA margin. Geographic flexibility allows it to arbitrate between origins and destinations, sustaining record spreads — such as the current gap of almost 100% between the average cost in South America vs. the price of beef carcasses in the US. In addition, it is worth mentioning that the integration of MSA assets was completed faster than expected, now being finalized in 3Q25 (vs. 4Q25E).

However, we emphasize that, although it was faster than anticipated by the market, the reality shock at the beginning of this year was greater in terms of execution complexity than the company itself had anticipated when structuring the deal in 2023 — expectation of “plug & play” vs. reality of WC consumption of ~R\$500mn in 25E — In addition, we reiterate that the **≤2.5x Net debt/EBITDA leverage guidance** remains a **trigger for dividends**, which are likely to resume **from 26E**. Management also argued that potential **divestments in non-core assets** (real estate and biodiesel) could release between **+R\$1–2bn** in value.

These points reinforce our view that the company is no longer solely exposed to the domestic cattle cycle and has taken on the role of a **global price maker** linked to the investment thesis of **price arbitrage in different geographies**. Management described 2026–27E as “the years of sale,” i.e., increasing shipments to fill this global deficit with declining cattle supply. In summary, we see the thesis as **very virtuous in the medium term**— (i) integrated production structure, (ii) diversified footprint, (iii) ongoing deleveraging, and clear FCF drivers (release of inventories retained in the US, removing pressure from WC). However, we emphasize that most of these vectors are structural maturation and **not short-term triggers that justify immediate rerating**, although we have adjusted our **12M Target Price** to **R\$7.50** (vs. R\$6.00 previously), implying an **upside of +11.1%**. Our TP increase was driven by the adoption of management's stated assumptions regarding the WC release, improving FCF and gains in domestic market share, so that we are now targeting the top of the net revenue guidance (R\$50-58bn).

Appendix: Minerva

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

Income Statement	2025E	2026E	2027E	2028E
Net Revenue	57.996	52.403	54.238	56.136
(-) COGS	(50.776)	(45.292)	(46.806)	(48.369)
Gross Profit	7.220	7.112	7.432	7.766
(-) Expenses	(2.174)	(1.814)	(1.843)	(1.870)
Adjusted EBITDA	5.046	5.298	5.589	5.897
(-) D&A	(973)	(1.010)	(1.045)	(1.082)
EBIT	4.073	4.288	4.544	4.815
(+/-) Financial Result	(2.683)	(2.011)	(2.015)	(2.045)
(-) Taxes	1.050	356	361	366
Net income	(2.451)	(915)	2.890	3.136
Profitability				
Net margin (%)	-4,2%	-1,7%	5,3%	5,6%

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

Cash Flow (FCFF)	2025E	2026E	2027E	2028E
Net Revenue	57.996	52.403	54.238	56.136
(-) COGS	(50.776)	(45.292)	(46.806)	(48.369)
Adjusted EBITDA	5.046	5.298	5.589	5.897
EBIT	4.073	4.288	4.544	4.815
(-) Taxes	1.050	356	361	366
(+) D&A	973	1.010	1.045	1.082
(+/-) Δ WK	(1.108)	59	(165)	(167)
(-) Capex	(951)	(1.048)	(1.043)	(1.038)
FCFF	4.038	4.665	4.743	5.058

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	Definition	Coverage
Buy	Expected return above +10% in relation to the Company's sector average	49%
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under Review	Under review	5%

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