

JBS

4Q25 Review: Costs bite, but thesis survives.

LatAm Meatpackers

Main takeaways:

(i) Seara: EBITDA of **US\$413mn** (+7% vs. Est.; +28% q/q; -8% y/y), with a margin of **16.6%** (+1.6p.p. vs. Est.), expanding +2.9p.p. q/q and contracting -3.2p.p. y/y, as China's reopening drove mix normalization toward premium-value and record export volumes; **(ii) JBS Brazil:** EBITDA of **US\$288mn** (+5% vs. Est.; -6% q/q; +25% y/y), with a margin of **6.6%** (+0.1p.p. vs. Est.), contracting -0.8p.p. q/q and -0.1p.p. y/y, executing well on volumes, exports and brand, but increasingly constrained by cattle costs rising to R\$317/arroba (+4% q/q), with spot already at R\$355/arroba (+12% vs. 4Q25); **(iii) Beef North America:** EBITDA of **US\$6mn** (-15% vs. Est.; +114% q/q; -93% y/y), with a margin of **0.1%** (flat vs. Est.), expanding +0.7p.p. q/q and contracting -1.2p.p. y/y, with the improvement largely explained by hedging normalization rather than genuine spread recovery; **(iv) JBS Australia:** EBITDA of **US\$198mn** (-4% vs. Est.; -13% q/q; +90% y/y), with a margin of **8.7%** (-1.4p.p. vs. Est.), contracting -1.7p.p. q/q and expanding +2.8p.p. y/y, delivering the quarter's largest revenue beat (+12% vs. Est.) yet still missing our EBITDA estimate, as Australian cattle procurement costs rose +30% y/y; **(v) USA Pork:** EBITDA of **US\$231mn** (+35% vs. Est.; +1% q/q; +20% y/y), with a margin of **10.7%** (+2.5p.p. vs. Est.), expanding +0.5p.p. q/q and +1.1p.p. y/y, as hog procurement costs declined more sharply than modeled; **(vi) PPC:** EBITDA of **US\$415mn** (flat vs. Est.; -34% q/q; -21% y/y), with a margin of **9.2%** (flat vs. Est.), contracting -4.1p.p. q/q and -2.8p.p. y/y, reflecting the sharpest margin compression among all divisions, driven by softer chicken spreads; **(vii) FCF** of **US\$990mn** (+9% vs. Est.; +16x q/q; +9% y/y), predominantly driven by a strong CFO of **US\$2.2bn** (+10% vs. Est.; +69% q/q; +24% y/y), which more than absorbed higher-than-estimated CAPEX of **US\$946mn** (+11% vs. Est), though the quality of the beat is partially diluted by a transitory WC tailwind; **(viii)** We reiterate our **BUY rating**, with a **12M Target Price** of **R\$98.00** for **BDRs-B3** and **US\$18.50** for **JBS-NYSE**, implying an **upside** of **+17.4%**.

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Company

JBS US Equity
Buy

Price: US\$ 15.75 (25-Mar-2026)
Target Price 12M: US\$ 18.50 (NYSE)

JBS32 BZ Equity
Target Price 12M: R\$ 98.00 (B3)

Table 1. Income Statement JBS (4Q25 vs. Genial Est.)

(US\$ milhões)	4Q25		% R/E	3Q25		4Q24	
	Genial Est.	Reported		Reported	% q/q	Reported	% y/y
Net Revenue	23,063	22,505	2.5%	22,597	2.1%	19,974	15.5%
COGS	(20,193)	(19,625)	2.9%	(19,625)	2.9%	(16,997)	18.8%
Adjusted EBITDA	1,715	1,678	2.2%	1,835	-6.5%	1,847	-7.1%
EBITDA Margin (%)	7.4%	7.5%	0.0p.p	8.1%	-0.7p.p	9.2%	-1.8p.p
EBIT	953	996	-4.4%	1,219	-21.9%	966	-1.4%
EBIT Margin (%)	4.1%	4.4%	-0.3p.p	5.4%	-1.3p.p	4.8%	-0.7p.p
D&A	(624)	(600)	4.0%	(584)	6.8%	(556)	12.2%
Financial Result	(580)	(330)	75.8%	(408)	42.1%	(360)	61.0%
Net Income	435	536	-18.9%	644	-32.5%	458	-5.1%
Net Margin (%)	1.9%	2.4%	-0.5p.p	2.9%	-1.0p.p	2.3%	-0.4p.p

Source: JBS, Genial Investimentos

JBS released its **4Q25** results today, **Mar. 25**, after the market closed, reinforcing what we have been arguing throughout 2025: **demand has not been the problem**. Across virtually every division, the company delivered **robust top-line performance**, record revenues in Beef North America, JBS Brazil, USA Pork and JBS Australia, historic export volumes at Seara. However, profitability continued to be systematically absorbed by **cattle costs upshifts across geographies**. The Beef units (Brazil and Australia) saw their margins decline q/q, while North America's margin increased sequentially due to the unwinding of the cattle price hedge. The **Adj. EBITDA** totaled **US\$1.7bn** (+2.2% vs. Est.; -6.5 q/q; -7.1% y/y), and although it was only **slightly better than we had expected**, it beat the street by a wider diff (+6.1% vs. BBG Consensus), with **margin down to 7.5%** (flat vs. Est.; -0.7p.p. q/q; -1.8p.p. y/y).

Consolidated **Net Revenue** reached **US\$23.1bn** (+2.5% vs. Est.; +2.1% q/q; +15.5% y/y), beating our prediction, driven by broad-based outperformance across almost all divisions, primarily sustained by the stronger-than-expected performance of **JBS Brazil** (+5% vs. Est.), **JBS Australia** (+12% vs. Est.), **Beef North America** (+3% vs. Est.) and **USA Pork** (+3% vs. Est.) which more than offset the softer dynamics in **Seara** (-3% vs. Est.). On an annual basis, Net revenue expansion remained vigorous across all beef stations – JBS Brazil (+26% y/y), Beef North America (+20% y/y) and JBS Australia (+30% y/y) –, reflecting strong demand and elevated global beef prices, with Seara (+10% y/y) and USA Pork (+7% y/y) also contributing positively.

As we mentioned earlier, the **Adj. EBITDA** totaled **US\$1.7bn** (+2.2% vs. Est.; +6.1% vs. BBG Consensus), coming slightly above our estimates and the street, but decreasing **-6.5% q/q** and **-7.1% y/y**, with a margin of **7.5%** (flat vs. Est.; -0.7p.p. q/q; -1.8p.p. y/y), landing exactly where we projected, but for vaguely different reasons than anticipated. The **profitability beat** came from **USA Pork** (10.7%; +2.5p.p. vs. Est.; +0.5p.p. q/q; +1.1p.p. y/y), where hog procurement costs declined more sharply than modeled, and **Seara** (16.6%; +1.6p.p. vs. Est.; +2.9p.p. q/q; -3.2p.p. y/y), where China's reopening drove mix normalization toward premium-value export destinations, diluting COGS/kg and more than compensating for a slightly softer price realization vs. our assumptions.

These were offset by **Beef North America** (0.1%; flat vs. Est.; +0.7p.p. q/q; -1.2p.p. y/y), where record revenue still could not overcome the structural cattle cost constraint, with the sequential improvement largely explained by hedging normalization rather than genuine spread recovery, and **JBS Australia** (8.7%; -1.4p.p. vs. Est.; -1.7p.p. q/q; +2.8p.p. y/y), which delivered the quarter's largest revenue beat, but still missed our EBITDA estimate, as Australian cattle procurement costs rose +30% y/y. **JBS Brazil** (6.6%; +0.1p.p. vs. Est.; -0.8p.p. q/q; -0.1p.p. y/y) came in line, executing well on volumes, exports and brand, but facing a cattle cost trajectory that is unambiguously tightening into 26E, with spot already at R\$355/arroba (+12% vs. 4Q25).

On an **annual** basis, the consolidated margin contraction (-1.8p.p. y/y) reflected the gradual normalization of protein profitability cycles following the exceptionally strong margins of 2024, particularly in poultry and hog operations. Finally, **Net Income** reached **US\$536mn** (-18.9% vs. Est.; -32.5% q/q; -5.1% y/y), with margin of **2.4%** (-0.5p.p. vs. Est.; -1.0p.p. q/q; -0.4p.p. y/y), coming in below our projections, mainly driven by significantly worse-than-estimated net financial result at -US\$580mn (+75.8% vs. Est.; +42.1% q/q; +61% y/y).

4Q25 Review: In detail!

Beef North America: Record revenue, but cattle costs remain a concern. The division reported record quarterly sales, with Net revenue reaching US\$7.7bn (+3% vs. Genial Est.; +6% q/q; +20% y/y), reflecting **(i)** resilient domestic demand in the US and **(ii)** historically elevated retail beef prices, with cutout values remaining at record levels. However, we believe that the strong top line failed to translate into meaningful profitability, as Adj. EBITDA clocked in at US\$6mn (-15% vs. Genial Est.), with margin of 0.1% (flat vs. Est.; +0.7p.p. q/q; -1.2p.p. y/y). The sequential improvement, while directionally positive, was largely supported by hedging normalization rather than any genuine recovery in cattle spreads, as we already anticipated in our preview report. Stripping that effect out, the underlying operating environment remained genuinely challenged.

Therefore, the core issue remains unchanged, with the US cattle herd at its smallest level in 75Y and live cattle imports from Mexico restricted since May 2025, the increase in cattle procurement costs continued to outpace the rise in cutout values, keeping spreads compressed regardless of how strong demand-side dynamics were. The divergence between a record top line and near-zero margins is precisely the signature of a cost-cycle problem, not a demand one, and with herd rebuilding still in its early stages, we expect this dynamic to persist through 2026E, with margins recovering only gradually toward ~1–2% and a more meaningful inflection pushed to 2027E.

PPC: Chicken spreads compress due to lower prices. Pilgrim's Pride (PPC) had already reported 4Q25 results, with Net revenue of US\$4.5bn (flat vs. Genial Est.; -5% q/q; +3% y/y), reflecting softer pricing dynamics in the US chicken market. Despite still resilient demand across retail and foodservice channels, the USDA National Composite Whole Bird Price contracted -12% q/q, while key cuts such as wings and leg quarters also traded below prior-year levels, pressuring spreads. With broiler placements slightly above y/y basis, supply remained relatively elevated, limiting price recovery. As a result, Adj. EBITDA reached US\$415mn (flat vs. Genial Est.; -34% q/q; -21% y/y), with margin of 9.2% (flat vs. Est.; -4.1p.p. q/q; -2.8p.p. y/y), the sharpest sequential margin contraction among all company's divisions this quarter.

That said, the underlying strategic picture offers some counterbalance. In the US, the Fresh portfolio outpaced industry growth and the branded segment reached a notable milestone, with Just Bare brand achieving US\$1bn in annual sales, a sign that consumers are increasingly turning to premium products, as the strategy is gaining traction and providing partial insulation from commodity spread volatility. In Europe, results continued to improve, supported by manufacturing optimization and a better product mix, while Mexico increased both sales and volumes y/y, despite a challenging commodity environment. Input costs were basically stable (USDA corn -2% q/q; soybean +2% q/q), meaning the margin compression was primarily spread-driven rather than cost-driven, a distinction that we believe matters a lot for the forward outlook, as any normalization in chicken pricing should translate relatively directly into profitability recovery.

JBS Brazil: Record operations, but cattle costs increasingly bite. The division delivered a strong top-line performance, with Net revenue reaching US\$4.4bn (+3% vs. Genial Est.; +5% q/q; +26% y/y), supported by robust export dynamics, as geographic diversification toward China and other Asian markets effectively mitigated the impact of higher US tariffs on Brazilian beef, alongside solid domestic execution, with stronger brand equity and commercial momentum under the Friboi platform, including record barbecue cuts demand during year-end. Slaughter volumes also reached a historic high for the company. Adj EBITDA clocked in at US\$288mn (+5% vs. Genial Est.), with margin of 6.6% (+0.1p.p. vs. Est.; -0.8p.p. q/q; -0.1p.p. y/y), a slight beat on profitability, but in a way, relatively restrained considering the cost backdrop.

In our view, the central tension is straightforward, as the culprit is cattle costs, which rose to R\$317/arroba (+4% q/q) during the quarter, and with spot already at R\$355/arroba (+12% vs. 4Q25; +2% vs. preview at 13/Mar). For us, the trajectory into 2026E is unambiguously upward. Female slaughter declining to 32% of total herd confirms that herd rebuilding is already underway, which works directly against meatpacker margins in the near term. In short, Brazil division is executing well across every dimension it controls (volumes, mix, exports, brand), but the cattle cycle is increasingly the binding constraint, and its tightening path into 26E suggests sequential margin pressure should persist regardless of operational quality.

Seara: Shipments rise as China returns; prices probably lower than estimates.

The division delivered a quarter where the top-line and profitability dynamics told different stories: Net revenue came in at US\$2.5bn (-3% vs. Genial Est.; +6% q/q; +10% y/y), missing our estimate despite the company achieving its highest export volume in history, suggesting that average price realizations came in below our forecasts, likely reflecting a mix that had not yet fully normalized toward premium-value destinations. Yet, Adj. EBITDA reached US\$413mn (+7% vs. Genial Est.; +28% q/q; -8% y/y), with margin expanding to 16.6% (+1.6p.p. vs. Est.; +2.9p.p. q/q; -3.2p.p. y/y), beating our profitability forecast meaningfully. Since the company does not disclose volume breakdowns in its release, our interpretation is that China's reopening allowed Seara to redirect cuts (paws, wings, and whole chicken) back to their highest-value destination, driving a cost efficiency gain (by diluting COGS/Kg) that more than offset the softer average price, resulting in a better-than-expected margin profile.

So, **(i)** volumes remained strong, **(ii)** the mix improved toward higher-value channels, and **(iii)** domestic performance contributed positively, with CEPEA/ESALQ chilled chicken prices rising +9% q/q and festive season demand supporting processed foods consumption. With 93% household penetration and record repurchase rates reinforcing brand equity, we believe Seara should enter 2026 with operational momentum. However, the key variable to monitor remains on costs, while the poultry cycle is likely to continue slowing down vs. peak in 3Q24, and the stability of export market access, particularly China.

USA Pork: Costs surprised on the positive side. We approach the figures in our preview report with a cautious stance on USA Pork, expecting margin compression driven by weaker pork cutout prices and a less profitable export mix amid ongoing US-China trade restrictions. The result proved us wrong on the profitability front: Net revenue reached US\$2.2bn (+3% vs. Genial Est.; -3% q/q; +7% y/y), coming in modestly above our top-line estimate, while Adj. EBITDA reached US\$231mn (+35% vs. Genial Est.; +1% q/q; +20% y/y), with margin expanding to 10.7% (+2.5p.p. vs. Est.; +0.5p.p. q/q; +1.1p.p. y/y), and we emphasize that is the division's strongest margin performance in the last couple of quarters.

Our analysis suggests that the beat was primarily cost-driven rather than price-driven. While the USDA National Daily Negotiated Pork cutout declined -14% q/q as anticipated, the decline in hog procurement costs was sharper than we modeled, more than offsetting the revenue headwind from weaker selling prices. Solid domestic demand, sustained by consumers trading down from record beef prices toward more affordable proteins, provided additional top-line support. The strategic expansion of the value-added and branded portfolio, including the acquisition of a bacon and breakfast sausage plant in Iowa (IA), also contributed incrementally to mix improvement, though these effects remain early-stage.

JBS Australia: Cattle prices push margins below expectations. If one passage were to crystallize the defining tension across company's beef operations, it would be this one. Net revenue reached US\$2.3bn (+12% vs. Genial Est.; +4% q/q; +30% y/y) — the largest positive revenue surprise among all divisions — driven by higher prices in both domestic and export markets and supported by increased volumes, reflecting strong commercial execution and firm international demand, particularly from the US, Japan, South Korea, and China. Even so, despite the strongest top-line beat of the quarter, Adj. EBITDA clocked in at US\$198mn (-4% vs. Genial Est.; -13% q/q; +90% y/y), with margin of 8.7% (-1.4p.p. vs. Est.; -1.7p.p. q/q; +2.8p.p. y/y), missing our profitability estimate despite the revenue outperformance.

The explanation is the same one running through every beef division this quarter: cattle costs. According to MLA data, Australian cattle procurement costs rose +30% y/y, reflecting tight herd conditions, fierce competition at auctions, and structural female retention by producers, the same supply contraction dynamic we have been flagging in Brazil and North America. The commercial side of the operation delivered; the cost side absorbed the gains. The y/y profitability improvement (+90% EBITDA; +2.8p.p. margin) is real but largely a low-base effect from salmon-related adversities in 2H24, and should not be read as a structural inflection. In short, the Australia division is the most direct evidence that the cattle cost cycle is a global constraint, and no level of commercial excellence fully offsets it while the supply pipeline remains this tight.

Our take on JBS

FCF: Strong generation but WC timing deserves a caveat. Solidly above expectations, **FCF** reached **US\$990mn** (+9% vs. Est.; +16x q/q; +9% y/y), predominantly driven by an exceptionally **(i)** strong CFO of **US\$2.2bn** (+10% vs. Est.; +69% q/q; +24% y/y), which proved sufficiently robust to more than absorb the drag from **(ii)** higher-than-estimated **CAPEX**, clocked in at **US\$946mn** (+11% vs. Est. ; +44% q/q; +49% y/y) and **(iv)** net interest of -US\$301mn (+13% vs. Est.; +7% q/q; +11% y/y), both coming in above our predictions. In other words, we believe the outperformance in cash flow driven from operations (FCO) was the decisive variable, overwhelmingly offsetting the incremental cash outflows on both the investment and financing fronts to deliver a headline FCF figure that exceeded our forecasts across the board.

We emphasize that the key nuance, however, lies in the composition of the CFO beat. The quarter's FCF improvement is primarily linked to Working Capital (**WC**) dynamics, with a **release** of **+US\$629mn** (+7% vs. Est.; reversing the -US\$392mn consumption of 3Q25). In our assessment, the cause of this stronger WC release was an upshift in **deferred livestock payments** (cattle supply purchase on credit), a timing effect that **inflated CFO in 4Q25** but **will likely reverse in coming quarters as those payment obligations are settled**. Therefore, the headline FCF is strong, but its **quality is partially diluted** by a **transitory WC tailwind**. Stripping that effect out, the underlying FCF capacity remains solid but less exceptional than the reported figure suggests. For 26E, we will be watching WC normalization closely, particularly as cattle costs continue to rise across geographies, which could generate the opposite WC dynamic (accelerating cash outflows) as the cycle tightens further.

Dividend Yield post at 13% 26E. The company announced that its Board of Directors approved a cash dividend of **US\$1.00 per share** on 25/Mar, to be distributed on **17/Jun** to shareholders of record as of **18/May**. At current market cap, the declared dividend implies a **6.3% dividend yield** on a per-payment basis. Should the company sustain a **semi-annual distribution** cadence at this level, the **annualized** dividend yield would reach **13% 26E**, a very strong amount, even for a company that prioritizes cash retention due to leverage, which remained stable at **2.4x** Net debt/EBITDA.

Greeley Strike: Growing worker pressure. Approximately **3,800 workers went on strike**, walked out over wages at **JBS's Greeley** (CO) facility (UFCW Local 7), one of the largest slaughter plants in the U.S., with proposed increases of less than +2% y/y, and rising healthcare premiums, the latter largely structural given ACA subsidy expiration and ~US\$1tn in Medicaid cuts under the Trump administration. The company countered by noting +46% cumulative wage growth since 2019, in line with the 2025 national UFCW agreement.

We view labor cost pressures in meatpacking as increasingly structural rather than cyclical. For the company specifically, the work stoppage at a major processing facility adds **near-term operational risk**, compressing margins at a moment when the company is already navigating a tight cattle supply environment.

That said, a key second-order effect deserves attention: **prolonged strike activity curtails slaughter throughput**, which mechanically **allows the cattle herd to rebuild**. A larger herd, over time, points to softer cattle prices — a meaningful input cost tailwind that could partially offset margin headwinds as the disruption unwinds. Nevertheless, we emphasize that in the near term, the strike is a margin headwind. Medium-term, reduced slaughter activity may prove inadvertently supportive of input costs. Labor relations remain a key sector variable, and the Greeley outcome could set a precedent for industry-wide negotiations. We recommend investors monitor contract resolution timelines closely.

Middle East conflict: Primarily through Seara's channel. At the consolidated level, **Africa & Middle East** represented **~3%** of **JBS's total net revenue** in the 3Q25 LTM, a figure that on its face appears modest. However, the composition of that exposure matters: the risk is not evenly distributed across segments, but rather **concentrated in Seara**, where the Middle East is structurally the most important export corridor. According to SECEX data, **Saudi Arabia** (11%) and the **UAE** (9%) are ranked as the #1 and #2 destinations for Brazilian poultry exports by value as of Sep/25, making the Gulf region Seara's single **most relevant international market** for halal-certified chicken and processed foods.

The ongoing **conflict involving Iran** and the effective disruption to **Strait of Hormuz transit**, now in its third week, therefore poses a more meaningful operational risk to Seara than the consolidated revenue share suggests. We believe that the primary channel of impact is logistical: with major ocean carriers having suspended Hormuz transits and rerouted vessels via the Cape of Good Hope — adding an estimated **10-14 days to voyage times and triggering war-risk surcharges** — the cost and reliability of delivering perishable protein to Gulf markets has deteriorated sharply. Seara's halal-certified poultry is a temperature-sensitive product with limited tolerance for extended transit, making route disruption a margin hazard rather than merely a revenue risk. Secondly, indirect channel affects all segments through **higher bunker fuel costs** feeding into freight rates across every route, and through potential fertilizer cost inflation given the Gulf's role as a major urea supplier.

The net assessment is asymmetric in terms of scenarios. If the disruption proves temporary, the direct impact on JBS is likely manageable: **(i)** Seara can partially redirect volumes to alternative markets; **(ii)** JBS's geographic diversification, with 50% of net revenue generated in the US, provides a natural buffer; and **(iii)** the company's strong MENA operational presence suggests established contingency relationships in the region. On the other hand, a prolonged closure would structurally **(iv)** impair Seara's most profitable export corridor, compress margins through sustained freight cost inflation, and could force volume reallocation into more competitive or lower-margin markets. We will continue to monitor the situation closely, with particular attention to Seara's export volumes and freight cost evolution.

Brazil: Contracting supply pipeline, confirming cycle turnaround. The cattle cycle transition, while more gradual than we initially anticipated, has now clearly asserted itself in price dynamics. In **3Q25**, the cattle cost averaged **R\$305/arroba** (-7% vs. Apr peak), partially weighed down by the transitory uncertainty generated by **US trade policy**, which temporarily disrupted shipment flows and cooled slaughterhouse momentum.

That headwind proved **short-lived**: large meatpackers quickly reallocated volumes toward China and Mexico, and the underlying structural drivers reasserted themselves.

In **4Q25**, the cattle cost recovered to **R\$317/arroba** (+4% q/q), above the **~R\$335/arroba** range we had conservatively projected at the time. In addition, current spot levels of **R\$355/arroba** (+12% vs. 4Q25) resume that the cycle's supply-tightening logic is now fully visible, and the key driver for us is straightforward: the **supply pipeline is contracting**. Based on the data we have access to, female slaughter continued its structural decline, reaching **32% of total herd in 4Q25** (-6p.p. q/q) and well below the **45%** peak seen in 2Q25. This accelerated withdrawal of reproductive females from the slaughter scale is precisely the signal that confirms **herd rebuilding is underway**, with calf replacement becoming the priority across the chain. As fewer females enter slaughter schedules in coming quarters, we believe available supply to meatpackers will continue to shrink structurally, providing a durable floor — and likely a **ceiling-raising effect** — on arroba pricing into 26E.

On the volume side, total slaughter came in at **7.6mn head in 4Q25** (-6% q/q), consistent with tighter animal availability and shorter feedlot pipelines. Export beef sales reinforced the demand picture, reaching **937kt in 4Q25** (+10% q/q), a record pace that continues to drain the domestic supply of finished cattle efficiently, preventing any meaningful price correction even as seasonal factors shift. With the global cattle cycle turning simultaneously across major producing countries, and Brazilian beef remaining competitively priced internationally, **external demand is set to remain a fundamental price floor rather than a cyclical tailwind**. Therefore, the conclusion continues unchanged from our prior thesis, but the conviction is higher: the Brazilian cattle cycle turnaround is under way, supply-driven, and now confirmed by the data. The arroba **trajectory into 26E** should continue to reflect **(i)** the compounding effect of female retention; **(ii)** shorter slaughter schedules; and **(iii)** sustained export absorption.

North America: Cycle still in its late negative phase. We believe the 4Q25 result in Beef North America division (0.1% EBITDA's margin) coming in slightly above what pure market conditions would have implied — with the cutout retreating to US\$366/cwt (-5% q/q) faster than cattle costs eased to US\$232/cwt (-3% q/q) — prove our previous point that profitability improvement was partly supported by hedging normalization rather than a genuine spread recovery. Stripping that effect out, the underlying spread environment should have remained genuinely challenging, consistent with the broader industry picture.

The more concerning forward signal, in our view, is the slaughter dynamic: with the US cattle herd at its **smallest level in 75Y**, total slaughter still grew to **7.5mn head in 4Q25** (+2% q/q) — suggesting the industry accelerated the depletion of an already scarce supply base. This pulls forward cattle availability that would otherwise exist later in 2026, **tightening the pipeline further** and sustaining upward pressure on live cattle procurement costs even as the herd attempts to stabilize. Near-term, we predict a modest potential **recovery in 1Q26E**, with fed cattle averaging **US\$234–238/cwt Est.** and the choice **cutout at US\$375–385/cwt Est.** — implying somewhat wider spreads vs. 4Q25, though absolute margin levels should remain thin.

We therefore expect 2026 to remain a difficult year overall, with margins likely recovering gradually toward **~1-2%** but constrained by structurally tight cattle supply. We even note that the first annual increase in beef replacement heifers in a decade should be insufficient to drive meaningful herd growth in 2026 or likely even 2027 — keeping the recovery shallow. **Capacity rationalization** across the industry, in which JBS is both subject and agent alongside Tyson and Cargill, should **gradually support spreads** over time. We see a more meaningful inflection **beginning in 2027**, with **margins** recovering toward **3-4% Est.** and a stronger recovery approaching 2028 (~6%).

Costs bite, but thesis survives. 4Q25 reiterated the **margin compression** trend observed throughout 2025, with **EBITDA margin** of **7.5%** (flat vs. Est.; -0.7p.p. q/q; -1.8p.p. y/y), and the forward picture suggests pressure will persist. The cattle cycle across company's two largest beef geographies confirms a challenging 2026E. In **Brazil**, the **cycle turnaround** is now unambiguously confirmed, **female slaughter** declined to **32%** of total herd in 4Q25, herd rebuilding is underway, and cattle spot has already reached **R\$355/arroba** (+12% vs. 4Q25), but the supply contraction that supports the long-term thesis works directly against meatpacker margins in the near term, as tighter animal availability and sustained export demand should keep slaughter costs structurally elevated.

In **North America**, with the **US cattle herd** at its **smallest in 75Y** and industry slaughter still accelerating in 4Q25, the supply base is being depleted faster than it recovers, sustaining cost pressure even as cutout prices face sequential headwinds, full-year margins should remain thin at **~1-2% 26E**, with a meaningful **inflection** only expected from **27E onwards**. Both cycles are moving in the same direction: tightening supply, elevated input costs, and compressed spreads, making 26E a year where beef operations should remain a consolidated profitability headwind.

On the rerating front, despite accumulating over **9M of NYSE trading history** and progressively building the liquidity track record required for index eligibility, the valuation gap remains wide, with JBS currently trading at **6x EV/EBITDA 26E**, a **35% discount vs. international peers**. We continue to interpret the still-modest fund absorption not as a rejection of the repricing thesis, but as a temporal misalignment between the structural change in listing and the rebalancing mechanics of global funds. With the Russell 1000 inclusion window now concrete and near **(i)** Jun/26 reconstitution (Rank Day: Apr 30) and **(ii)** the new Nov/26 semi-annual reconstitution introduced by FTSE Russell, during our preview report we have reduced our discount rate to reflect this short-term catalyst, upgrading our TP premised on JBS converging to a **15% discount vs. international peers** (vs. 35% currently), a conservative assumption that nonetheless implies a meaningful rerating from current levels. Therefore, we reiterate our **BUY rating**, with a **12M Target Price** of **R\$98.00** for **BDRs-B3** and **US\$18.50** for **JBS-NYSE**, implying an **upside** of **+17.4%**.

Appendix: JBS

Figure 1. JBS – Income Statement in R\$ Millions (Genial Est. 26-29)

Income Statement	2026E	2027E	2028E	2029E
Net Revenue	89,150	91,825	94,120	96,238
(-) COGS	(78,006)	(79,887)	(80,943)	(81,321)
Gross Profit	11,144	11,937	13,177	14,917
(-) Expenses	(7,310)	(7,759)	(8,188)	(8,613)
Adjusted EBITDA	6,330	6,749	7,624	8,517
(-) D&A	(2,496)	(2,571)	(2,635)	(2,213)
EBIT	3,833	4,178	4,988	6,304
(+/-) Financial Result	(1,783)	(1,745)	(1,694)	(1,636)
(-) Taxes	(410)	(422)	(433)	(443)
Net income	2,050	2,342	3,106	4,379
Profitability				
Net margin (%)	2.3%	2.6%	3.3%	4.6%

Figure 2. JBS– Cash Flow in R\$ Millions (Genial Est. 26-29)

Cash Flow (FCFF)	2026E	2027E	2028E	2029E
Net Revenue	89,150	91,825	94,120	96,238
(-) COGS	(78,006)	(79,887)	(80,943)	(81,321)
Adjusted EBITDA	6,330	6,749	7,624	8,517
EBIT	3,833	4,178	4,988	6,304
(-) Taxes	(410)	(422)	(433)	(443)
(+) D&A	2,496	2,571	2,635	2,213
(+/-) Δ WK	(1,783)	(1,745)	(1,694)	(1,636)
(-) Capex	(2,200)	(2,000)	(1,950)	(1,900)
FCFF	1,937	2,582	3,547	4,538

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