

MINERVA

1Q26 Review: Beat lands, FX bites, thesis waits

LatAm Meatpackers

Main takeaways:

(i) Net Revenue of R\$13.4bn (+2.8% vs. Est.; -5.6% q/q; +19.8% y/y), beating our forecast on the back of stronger price realization, with the **realized price of R\$27.8/kg** (+3.7% vs. Est.; -2.4% q/q) supported by a firm export pricing environment, with Brazilian fresh beef export prices averaging US\$5.7/kg (+7.7% y/y); **shipments of 482Kt** (-0.8% vs. Est.; -3.2% q/q; +16.2% y/y) came in line, with the sequential softening consistent with typical 1Q seasonality, while the key geographic surprise was South America ex-Brazil, accounting in aggregate for R\$5.3bn (+20% vs. Est.), more than compensating for Brazil's weaker-than-expected performance driven by lower sales volumes than anticipated; **(ii) COGS/kg of R\$23.1/kg** (+0.1% vs. Est.; -2.4% q/q; +4.9% y/y), in line with our estimates and marking a welcome sequential softening even as Brazilian cattle prices tracked at R\$338/arroba (+6% q/q; +6% y/y), with SG&A of 10.8% of net revenue (-0.2p.p. vs. Est.; +0.1p.p. q/q; -1.5p.p. y/y) adding a further tailwind to the margin beat; **(iii) Adj. EBITDA of R\$1.1bn** (+10.1% vs. Est.; -4.6% q/q; +16.2% y/y), with a margin of **8.3%** (+0.6p.p. vs. Est.; +0.1p.p. q/q; -0.3p.p. y/y), a clean beat driven by price realization upside and in-line cost execution, with the y/y margin erosion reflecting cattle cycle pressure into COGS/kg, partially absorbed by SG&A leverage, a dynamic we expect to persist through 26E; **(iv)** We therefore maintain our **NEUTRAL** rating with a **12M Target Price of R\$4.75**, implying an **upside of +20%** (high, but due to the depreciated level of the shares in nominal terms).

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Company

BEEF3 BZ Equity

Neutral

Price: R\$ 3.97 (06-May-2026)

Target Price 12M: R\$ 4.75

Table 1. Income Statement Minerva (1Q26 vs. Genial Est.)

(R\$ millions)	1Q26			4Q25		1Q25	
	Reported	Genial Est.	% R/E	Reported	% q/q	Reported	% y/y
Net Revenue	13,409	13,042	2.8%	14,204	-5.6%	11,196	19.8%
COGS	(11,114)	(11,196)	-0.7%	(11,768)	-5.6%	(9,121)	21.9%
Adjusted EBITDA	1,118	1,015	10.1%	1,172	-4.6%	963	16.2%
EBITDA Margin (%)	8.3%	7.8%	0.6p.p	8.2%	0.1p.p	8.6%	-0.3p.p
EBIT	858	753	14.0%	923	-7.0%	720	19.1%
EBIT Margin (%)	6.4%	5.8%	0.6p.p	6.5%	-0.1p.p	6.4%	0p.p
D&A	(260)	(261)	-0.2%	(247)	5.5%	(242)	7.5%
Financial Result	(766)	(648)	18.2%	(953)	-19.6%	(509)	50.6%
Net Income	87	69	26.7%	85	2.7%	185	-52.8%
Net Margin (%)	0.7%	0.5%	0.1p.p	0.6%	0.1p.p	1.7%	-1p.p

Source: Minerva, Genial Investimentos

Minerva released its **1Q26** results yesterday, **May 6**, after the market closed. The figures came in better than expected, with **(i)** a stronger-than-modeled price realization driving a topline surpassed and **(ii)** in-line cost execution, resulting in **Adj. EBITDA** of **R\$1.1bn** (+10.1% vs. Est.; -4.6% q/q; +16.2% y/y), with a margin of **8.3%** (+0.6p.p. vs. Est.; +0.1p.p. q/q; -0.3p.p. y/y). The quarter's narrative is one of operational resilience in a more challenging environment, with cattle costs rising (+6% y/y), the USD/BRL FX rate tailwind (-10% y/y) that powered 2025's exceptional results now running in reverse, and seasonal volume softness weighing on the topline sequentially, yet the company delivered a **clean beat on both revenue and EBITDA**.

This results were transferred to the **FCF line**, even that the company reported a **burn** of **-R\$806mn** (-20% vs. Est.; worsening 98% q/q and 57% y/y), it came better than our model predicted, with not just the EBITDA doing its work, but also contributed by a lower WC consumption (-4% vs. Est.) and financial expenses (-9% vs. Est.), while **leverage ticked up** modestly to **2.7x** Net Debt/EBITDA (+0.1x q/q).

Returning to the trends of 1Q26, **Net Revenue** totaled **R\$13.4bn** (+2.8% vs. Est.; -5.6% q/q; +19.8% y/y), beating our forecast on the back of stronger price realization, with the **realized price** of **R\$27.8/kg** (+3.7% vs. Est.; -2.4% q/q; +3.1% y/y), supported by a firm export pricing environment, with Brazilian fresh beef export prices averaging US\$5.7/kg (+7.7% y/y), underpinned by robust demand from China (a rush to fill the quota as soon as possible) and the USA, the latter facing one of the most severe domestic cattle cycle contractions in its history. In addition, **shipments** reach **482Kt** (-0.8% vs. Est.; -3.2% q/q; +16.2% y/y) came in line, with the sequential softening consistent with typical 1Q seasonality.

In costs, **COGS/kg** clocked in at **R\$23.1/kg** (+0.1% vs. Est.; -2.4% q/q; +4.9% y/y), in line and marking a welcome sequential softening even as Brazilian cattle prices tracked at **R\$338/arroba** (+6% q/q; +6% y/y), also with **SG&A** of **10.8%** of net revenue (-0.2p.p. vs. Est.; +0.1p.p. q/q; -1.5p.p. y/y) adding a further tailwind to the margin overpass. On the bottom line, **Net Income** came in at **R\$87mn** (+26.7% vs. Est.; +2.7% q/q; -52.8% y/y), with the beat reflecting the stronger EBIT and a financial result of -R\$766mn that, while 18.2% worse than modeled, came in less negative than 4Q25's.

1Q26 Review: In detail!

Net Revenue: Price drives topline surprise; but still down q/q. The company reported total net revenue of R\$13.4bn (+2.8% vs. Genial Est.; -5.6% q/q; +19.8% y/y), beating our forecast on the back of a stronger-than-modeled price realization, with shipments coming in line with estimates. The realized price reached R\$27.8/kg (+3.7% vs. Genial Est.), dropping -2.4% q/q, but growing +3.1% y/y, supported by a firm export pricing environment, with Brazilian fresh beef export prices averaging US\$5.7/kg (-0.1% q/q; +7.7% y/y), underpinned by robust demand from China and the USA, the latter facing one of the most severe domestic cattle cycle contractions in its history.

In addition, shipments totaled 482Kt (-0.8% vs. Genial Est), decreasing -3.2% q/q, but up +16.2% y/y, with the sequential volume softening consistent with typical 1Q seasonality, with consolidated cattle slaughter totaling 1.35 million head (-8.4% q/q; -5.3% y/y).

By origin, Brazil accounted for R\$7.4bn (-8% vs. Est.; -14.3% q/q; +19.3% y/y), followed by Uruguay at R\$1.9bn (+23.6% q/q; +64.5% y/y), Paraguay at R\$1.8bn (+19.1% q/q; +9% y/y), and Argentina at R\$1.6bn (+6.1% q/q; +45.7% y/y), the latter benefiting from stronger pricing and volume recovery. In aggregate terms, South America (ex. Brazil) accounted for R\$5.3bn (+20% vs. Est.), being the greater surprise that more than compensated the Brazil weaker-than-expected performance driven by lower sales volumes than anticipated.

On a y/y basis, the expansion was driven by volume growth (+16.2% y/y) from the ramp-up of the acquired MSA assets and broader geographic diversification, with a modest price contribution realized R\$/kg (+3.1% y/y), partially offset by the meaningful USD/BRL FX rate breeze (-10% y/y), compressing the BRL value of export realizations relative to 1Q25.

EBITDA: Above estimates, up double digits y/y. In terms of cost, COGS/kg clocked in at R\$23.1/kg (+0.1% vs. Genial Est.; -2.4% q/q; +4.9% y/y), in line with our estimates, and marking a welcome sequential softening, even as cattle input costs continued to rise across operating geographies, with Brazilian cattle prices tracking at R\$338/arroba (+6% q/q; +6% y/y) in spot markets, likely reflecting a more favorable geographic mix, with a higher relative contribution from South American ex-Brazil operations where the cattle cycle is at a comparatively less acute stage, compounded by operational efficiency gains from the integration of the acquired units (MSA assets).

In addition, SG&A represented 10.8% of net revenue (-0.2p.p. vs. Est.; +0.1p.p. q/q; -1.5p.p. y/y), slightly under our estimate, reflecting the benefits achieved from the integration of the MSA assets, enabling a more efficient dilution of the cost structure over 12M. As a result, Adj. EBITDA reached R\$1.1bn (+10.1% vs. Genial Est.; -4.6% q/q; +16.2% y/y), with a margin of 8.3% (+0.6p.p. vs. Est.; +0.1p.p. q/q; -0.3p.p. y/y), a clean beat driven by price realization upside and in-line cost execution. The y/y margin erosion reflects cattle cycle pressure (+6% y/y) into the COGS/kg (+4.9% y/y), partially absorbed by SG&A leverage, a dynamic we expect to persist through 26E as Brazilian cattle prices continue their upward trajectory.

Net Income: Better operational offset higher financial expenses. On the bottom line, Net Income clocked in at R\$87mn (+26.7% vs. Genial Est.), growing +2.7% q/q, but falling -52.8% y/y, with a margin of 0.7% (+0.1p.p. vs. Est.; +0.1p.p. q/q; -1.0p.p. y/y), with the better result stemmed from two concurrent factors: **(i)** EBIT of R\$858mn (+14.0% vs. Est.; -7.0% q/q; +19.1% y/y) came in above our prediction as a direct consequence of the EBITDA beat, while **(ii)** the financial result of -R\$766mn (18.2% worse vs. Est.; -19.6% q/q; +50.6% y/y) came more negative than modeled, driven by the lower FX variation line swinging to a positive R\$251mn (reversing from -R\$240mn in 4Q25), reflecting USD/BRL EoP FX rate downtrend to R\$5.16 (vs. R\$5.50 in 4Q25), partially offset by FX hedge losses of -R\$243mn consistent with the company's policy of hedging at least 50% of its long-term USD debt.

As is always the case with Minerva, bottom-line results remain heavily shaped by non-cash FX and derivative mechanisms and should not be read as a reliable proxy for underlying operational performance.

Our Take on Minerva

FCF: Burn better than feared. The company reported **FCF burn** at **-R\$806mn** (-20% vs. Est.), worsening 98% q/q and 57% y/y, but still better than our model pointed out, reflecting **(i) EBITDA** above expected of **R\$1.1bn** (+10.1% vs. Est.; -4.6% q/q; +16.2% y/y), as discussed earlier; **(ii) working capital (WC) consuming -R\$957mn** (-4% vs. Est.; +60% q/q; +5.6x y/y), reflecting the typical seasonal inventory rebuild at the start of the year, compounded by a R\$1.1bn reduction in trade payables, and **(iii) net financial expenses** on a cash basis totaling **-R\$678mn** (-9% vs. Est.; +15% q/q; -38% y/y), coming in less intense than expected, consistent with the improved financial result dynamics discussed in earlier as well by lower interest expenses given the lower total debt at R\$24.5bn (-12% q/q). These effects more than compensate for a **(iv) higher CAPEX at R\$289mn** (+3% vs. Est.; -26% q/q; +25% y/y), slightly higher than predicted (R\$229mn to maintenance; R\$60mn to organic expansion).

Leverage ticked up a bit. The company closed 1Q26 with **Net debt** of **R\$13.7bn** (+7.3% q/q; -12.2% y/y), with the sequential increase reflecting the **FCF burn** of **-R\$806mn**, partially offset by a positive FX variation effect of -R\$122mn on the debt stock. **Net Debt/EBITDA** ticked up to **2.7x** (+0.1x q/q), a modest deterioration from 4Q25's, even with a **record LTM EBITDA** of **R\$5.0bn** (+44% y/y). On the liability management front, the company remained active in 1Q26, repurchasing **US\$229mn** (R\$1.2bn) in **2028** and **2031 bonds** since the beginning year, while the **issuance** of a **US\$600mn** (R\$3bn) in **2036 bond** in **Apr**, which attracted demand 2.5x the offering, meaningfully extended the debt maturity profile.

China quota exhaustion as de-risk to 2H26 cattle prices. The China beef import quota is tracking **toward full exhaustion around Jul-Aug** (maybe even sooner), with the fill rate running well ahead of expectations, partly because central government ruled that volumes already in transit at year-end counted toward the 2026 allocation, front-loading consumption in a way the market did not fully anticipate. Critically, the widely held expectation of voluntary quota flexibilization appears misguided as we believe that **China objective** is precisely to **keep beef prices elevated** to sustenance domestic pork and chicken producers, making relaxation self-defeating, with the only exception being a scenario of genuine social concern, **not our base case**.

The downstream implications for cattle prices are significant and underappreciated. China represents **~55-60%** of Brazilian beef exports in 2025, meaning a full cutoff would remove **~5% of directional Chinese beef consumption** with full reallocation to alternative destinations assessed as very difficult to accommodate, supporting cattle prices around **R\$340-350/arroba** through 2Q26E and into early 3Q26E, after which a gradual softening, rather than a collapse, is the **our base case**, underpinned by simultaneously contracting global cattle supply across Brazil, USA, Australia, and Europe.

Full-year 2026 outlook with flat EBITDA and stronger FCF. Our view for the full-year ahead is composed by modestly higher revenue, compressed margins, and approximately flat EBITDA in absolute terms, yet meaningfully **stronger FCF generation**, driven by a **step-down in CAPEX to R\$950mn 26E** (-21% y/y) and **lower financial expenses** declining toward **R\$2.5bn** (-17% y/y), reflecting the R\$3bn gross debt reduction executed last year and on current movement in 2026.

We emphasize, however, that the company reported a **leverage ticked up to 2.7x** (+0.1x q/q), even with a **record LTM EBITDA of R\$5.0bn** (+44% y/y), demonstrating **how much in debt** the company still is.

On the topline, the company soft guided the market to **Net Revenue of R\$50bn-high to R\$60bn 26E** (+8-9% y/y), anchored almost entirely in price (+5-7% y/y), with volume growth of only **+1-2%** driven solely by new assets reaching normalized utilization. Finally, **EBITDA margin** is guided at **7.5-8.5% 26E** (We're modeling ~8% Est. vs. 8.9% in 2025), reflecting cattle cost inflation and a difficult domestic Brazilian market.

Deleveraging path and liability management. Capital allocation priority remains unambiguously deleveraging, with the company communicating a **revised long-term leverage target of 1.5x Net Debt/EBITDA** in our recent conversations, a meaningful step-down from the **historical 2.5x reference**, which the board increasingly views as too high given persistently elevated South American interest rates and market volatility.

Year-end leverage is soft guided to **2.2-2.3x 26E** (what we think might be a little difficult to get there), with the journey toward 1.5x framed as a 2027-28E story. Two liability management levers are actively being pursued: **(i)** CRA issuance in Brazil, where the tax exemption for domestic investors allows the company to issue 7-10Y maturity at an all-in cost that, when set against the adj. cost of offshore bonds being repurchased, generates **+70-80bps of net financial cost savings**, what we believe to be the best option for the company at this time; and **(ii)** opportunistic repurchase of the 2033 bond (8.875% coupon), which can be expensive relative to current market access at 7%-high to 8%-low when windows are open, making repurchase and refinancing economically attractive.

Middle East exposure & logistics cost risk. Direct commercial exposure to the most acutely impacted conflict zone (UAE, Qatar, Bahrain, Iraq, and Oman) is limited to **~1% of total revenue**, with those markets effectively inaccessible for over a month and excluded from our near-term model. The more meaningful and less immediately visible risk is logistics cost inflation as the **freight contracts** are typically **12-18M in duration** with bunker oil-linked triggers, meaning the full impact of higher spot freight rates will only crystallize at contract renewal in 3Q26E.

At current scale, **logistics** represent **12-13% of SG&A**, or **R\$700-800mn/year** in absolute terms. A second-order domestic risk worth flagging is that if South American **chicken supply** gets partially **redirected** toward the **Middle East** to fill the regional demand gap, it would **compete with Brazilian domestic market**, adding **pressure** to an already **difficult domestic beef** pricing environment.

Beat lands, FX bites, thesis waits. The cattle cycle gusts flagged in our last call are playing out as anticipated as input cost inflation is building, USD/BRL FX rate softening continues to erode the export arbitrage, and EBITDA margin is compressing toward **~8% 26E** (vs. 8.9% in 2025). In addition, **leverage** ticked up to **2.7x** Net Debt/EBITDA (+0.1x q/q) despite a record LTM EBITDA of **R\$5.0bn** (+44% y/y), a reminder of how much debt overhang remains even at peak earnings. That said, the **FCF burn came in better than feared**, supported by a better EBITDA and lower-than-expected financial expenses, and the **forward FCF trajectory** demonstrates to be more **constructive** as well, as the **CAPEX step-down** and financial expenses also decline.

Furthermore, one underappreciated near-term support deserves our attention. **China's beef import quota** is tracking toward **full exhaustion around Jul-Aug** (maybe even sooner), with the fill rate running well ahead of expectations and the widely held assumption of **voluntary quota flexibilization appears misguided**, as China's objective is precisely to keep beef prices elevated to sustain domestic pork and chicken producers. The downstream implication is meaningful, with China representing ~55–60% of Brazilian beef exports, a **full cutoff** wires cattle prices at ~**R\$340–350/arroba** through 2Q26E and into early 3Q26E, after which a **gradual softening**, rather than a collapse, is **our base case**, underpinned by simultaneously **contracting global cattle supply** across Brazil, USA, Australia, and Europe.

In the absence of a near-term re-rating catalyst, with **(i)** cattle price stabilization at an elevated close; **(ii)** a USD/BRL FX rate reversal from the R\$5.85 in 4Q24 levels; or **(iii)** a leverage soft guided to 2.2–2.3x 26E, what we think might be a little difficult to get there, our view is that the **risk-reward remains balanced** at current levels, even as the FCF and liability management trajectory improves, with shares already depreciating **-26% YTD**. We therefore maintain our **NEUTRAL rating** with a **12M Target Price of R\$4.75**, implying an **upside of +20%** (high, but due to the depreciated level of the shares in nominal terms).

Appendix: Minerva

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

Income Statement	2026E	2027E	2028E	2029E
Net Revenue	59,595	60,729	61,422	62,637
(-) COGS	(50,696)	(51,832)	(51,963)	(52,364)
Gross Profit	8,898	8,897	9,459	10,273
(-) Expenses	(5,211)	(5,069)	(5,434)	(5,855)
Adjusted EBITDA	4,842	4,998	5,208	5,625
(-) D&A	(1,146)	(1,162)	(1,175)	(1,198)
EBIT	3,687	3,828	4,025	4,418
(+/-) Financial Result	(2,542)	(2,256)	(2,040)	(1,894)
(-) Taxes	(389)	(471)	(556)	(631)
Net income	756	1,100	1,429	1,893
Profitability				
Net margin (%)	1.3%	1.8%	2.3%	3.0%

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

Cash Flow (FCFF)	2026E	2027E	2028E	2029E
Net Revenue	59,595	60,729	61,422	62,637
(-) COGS	(50,696)	(51,832)	(51,963)	(52,364)
Adjusted EBITDA	4,842	4,998	5,208	5,625
EBIT	3,687	3,828	4,025	4,418
(-) Taxes	(922)	(957)	(1,006)	(1,104)
(+) D&A	1,146	1,162	1,175	1,198
(+/-) Δ WK	(745)	(759)	(768)	(783)
(-) Capex	(950)	(960)	(969)	(979)
FCFF	2,225	2,323	2,465	2,758

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	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%
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under Review	Under review	5%

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