

MBRF

1Q26 Preview: Market prices the pain but miss the gain

LatAm Meatpackers

Main takeaways:

(i) BRF Domestic: Sales of 655Kt Est. (-19.9% q/q; -4.7% y/y), pressured by a price increase at the start of the year and above-historical retailer inventories concentrated in Jan-Feb; **realized price at R\$11.8/kg Est.** (-3.3% q/q), reflecting festive-season mix normalization; **(ii) BRF External: Shipments of 580Kt Est.** (-1.0% q/q; +5.4% y/y), driven by full-quarter China resumption, EU reopening after 8Y, and Ramadan/conflict-driven Middle East tailwinds; **price at R\$13.4/kg Est.** (+1.8% q/q); **COGS/kg at R\$9.5/kg Est.** (-1.0% q/q; +3.7% y/y), benefiting from early grain tailwind and mix normalization; **Adj. EBITDA of R\$2.4bn Est.** (-8.7% q/q; -12.4% y/y), with margin of **15.6%** (+0.6p.p. q/q; -2.3p.p. y/y); **(iii) North America: Realized price at US\$7.7/kg Est.** (+2.8% q/q), with **shipments of 480Kt Est.** (-1.9% q/q; -4.3% y/y), reflecting weather-disrupted Jan-Feb, partially offset by sharp Mar recovery driven by Tyson Nebraska closure and Greeley-CO strike; **COGS/kg at US\$7.5/kg Est.** (+3.3% q/q; +18.2% y/y), pressured by tight cattle supply; **Adj. EBITDA of US\$15mn Est.** (-44.0% q/q; +1.6x y/y), with margin of **0.4%** (-0.3p.p. q/q; +0.2p.p. y/y); **(iv) South America: Shipments of 277Kt Est.** (-6.9% q/q; +11.3% y/y), reflecting seasonal step-down but firm annual expansion on plant ramp-up and strong exports (+21% y/y); **realized price of R\$21.1/kg Est.** (-3.1% q/q); **COGS/kg at R\$18.0/kg Est.** (-1.6% q/q; +6.6% y/y), pressured by cattle arroba prices; **Adj. EBITDA of R\$544mn Est.** (-20.2% q/q; +19.2% y/y), with margin of **9.3%** (-1.2p.p. q/q; +0.2p.p. y/y); **(v) Adj. EBITDA of R\$2.9bn Est.** (-13.6% q/q; -4.4% y/y), with margin of **7.2%** (-0.5p.p. q/q; -0.6p.p. y/y), reflecting contraction in both divisions; **(vi) With the market still appearing to price a sharper margin deterioration than our model indicates,** added to the fact that South America China quota cliff in 2H26E should represent a **manageable rather than catastrophic headwind** given globally constrained cattle supply, we decided to maintain our **BUY rating** with a **12M Target Price of R\$23.00**, implying an **upside of +35%**.

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Company

MBRF3 BZ Equity

Buy

Price: R\$ 17.01 (07-May-2026)
Target Price 12M: R\$ 23.00

Table 1. Shipments Summary (1Q26 Genial Est.)

(Thousand Tonnes - kt)	Genial Est.	Reported		Reported	
Summary (Sales)	1Q26E	4Q25	% q/q	1Q25	% y/y
North America	480	490	-1.9%	502	-4.3%
South America	277	298	-6.9%	249	11.3%
BRF	1,235	1,404	-12.1%	1,237	-0.2%

Source: MBRF, Genial Investimentos

Table 2. Income Statement Summary (1Q26 Genial Est.)

(R\$ millions)	Genial Est.	Reported		Reported	
Income Statement	1Q26E	4Q25	% q/q	1Q25	% y/y
Net Revenue	40,730	43,915	-7.3%	39,480	3.2%
Adjusted EBITDA	2,947	3,410	-13.6%	3,083	-4.4%
Net Income	(327)	(43)	669.4%	425	-

Source: MBRF, Genial Investimentos

MBRF will report its results for **1Q26** on **14/May**, after the market closes. We expect **Adj. EBITDA** to reach **R\$2.9bn Est.** (-13.6% q/q; -4.4% y/y), with a margin of **7.2% Est.** (-0.5p.p. q/q; -0.6p.p. y/y), reflecting a subsequent **contraction driven by both divisions**, though for distinct reasons.

For **Marfrig**, we estimate **Adj. EBITDA** of **R\$625mn Est.** (-24.7% q/q; +27.3% y/y), as the North America operation bore the brunt of a weather-disrupted Jan-Feb that generated negative margins, only partially offset by a sharp Mar recovery. South America, in turn, should follow its typical seasonal step-down in volumes while cattle cost pressures will probably limit the degree of margin expansion. For **BRF**, we project **Adj. EBITDA** of **R\$2.4bn Est.** (-8.7% q/q; -12.4% y/y), with margin at **15.6% Est.** (+0.6p.p. q/q; -2.3p.p. y/y), expanding consecutively despite the domestic volume downtrend, supported by a more favorable cost structure as the early grain price tailwind begins to flow through the P&L and higher-margin international channels (China, EU, Middle East) contribute a richer revenue mix. We project

Consolidated **Net Revenue** of **R\$40.7bn Est.** (-7.3% q/q; +3.2% y/y), with the subsequent decline reflecting weaker dynamics across both divisions. On the **BRF** side, **Net Revenue** is expected at **R\$15.5bn Est.** (-12.4% q/q; +0.4% y/y), as domestic volumes contract sharply following the **(i)** post-festive demand (4Qs) normalization and retailer inventory drawdown concentrated in Jan-Feb, while the **(ii)** external division should provide a partial offset through firm USD pricing and structural market reopenings in China, the EU, and Japan.

On the **Marfrig** side, **Net Revenue** is set in our model at **R\$25.2bn Est.** (-3.8% q/q; +4.9% y/y), with **North America** clocking in at **R\$19.4bn Est.** (-1.8% q/q; +1.8% y/y), growing modestly in BRL terms despite lower volumes, as the repass of the higher cattle prices should strengthen USD revenue. We expect **South America** to report revenues at **R\$5.8bn Est.** (-9.7% q/q; +17.0% y/y), easing sequentially on seasonal volume patterns and USD/BRL FX rate softening (-3% q/q), but delivering strong annual growth reflecting the continued operational build-out of the platform. Finally, we project a Consolidated **Loss** of **-R\$327mn Est.** (+6.7x q/q; vs. +R\$425mn in 1Q25), due to weaker operating profitability and still elevated financial expenses, with the financial result at **-R\$1.7bn Est.** (-19.6% q/q; +27.3% y/y) adding further pressure at the bottom-line level.

1Q26 Preview: In detail!

BRF — Domestic: Volume and prices downshift. We estimate domestic shipments of 655Kt Genial Est. (-19.9% q/q; -4.7% y/y), reflecting a sequential and annual decline. In our view, the contraction should be explained by two concurrent dynamics: **(i)** a price increase implemented at the start of the year that cooled near-term demand; and **(ii)** retailers entering 2026 with above-historical inventory levels, opting to draw down existing stocks rather than place new orders, a pattern that weighed disproportionately on Jan-Feb volumes.

It is important to note that Mar recovered to levels in line with the prior year, meaning the full-quarter y/y shortfall is concentrated in the first 2M of the period.

It is also worth noting that the 1Q25 comparison base is particularly demanding, as that quarter delivered strong results (COGS/kg related) despite being typically weaker sequentially on EBITDA, so we believe the y/y softness will reflect mean reversion to normal seasonality between 4Q-1Qs.

On the pricing side, our model points to a realized domestic price of R\$11.8/kg Genial Est. (-3.3% q/q; +1.2% y/y), declining sequentially as the commemorative product mix that supported 4Q25 realizations normalizes into a more standard portfolio. The absence of year-end festive (which carry higher average ticket) naturally should compress the mix-adjusted price in 1Q26E.

BRF — External: New market and firm USD pricing drive. Volumes probably will show a slight sequential decline, as we project external shipments of 580Kt Genial Est. (-1.0% q/q; +5.4% y/y), expanding on an annual basis. In our view, international volumes should be undermined by a combination of market reopenings and firm demand across company's core export corridors: **(i)** China resumed for the full quarter following the Nov/25 approval, with Rio Grande do Sul (RS) plants (which received specific clearance in Jan) contributing with **(ii)** particularly high-value mix anchored in chicken legs and other cuts with premium prices for Asia.

In parallel, BRF resumed **(iii)** exports to the European Union for the first time in 8Y (12 factories were barred in 2018), with first shipments dispatched in 1Q26 following pre-listing approval at end-2025, opening access to a premium destination for breast meat. We note that Japan also delivered better performance, with inventories normalized and the pricing environment supportive. As for the Middle East, **(iv)** Ramadan-driven demand in Jan-Feb, followed by conflict-related regional supply tightening (favoring price hikes in the short term).

Our model points to a realized external price of R\$13.4/kg Genial Est. (+1.8% q/q; -0.7% y/y), supported by broad-based USD price increases across most chicken cuts that largely neutralized the USD/BRL FX rate downtrend (-3% q/q). Logistics presented an operational challenge, as the company restructured its shipping routes over the period (incorporating new lines, alternative ports, and terrestrial transport legs), though production continuity was maintained throughout, with sufficient inventory buffers to absorb the disruption. The main residual drag remains Türkiye.

BRF — Consolidated: Margin holds above cycle average. We project COGS/kg at R\$9.5/kg Genial Est. (-1.0% q/q; +3.7% y/y), declining slightly on a sequential basis as the early benefit of lower corn prices begins to appear in the P&L. We consider this a lag effect, given that in 4Q25 the cost reduction had not yet been absorbed. However, the y/y increase reflects a still-elevated input cost base relative to 1Q25. Beyond grains, we believe the normalization of the domestic product mix away from festive season provides an additional sequential relief on COGS/kg, as commemorative and special processed food lines carry higher production costs. We believe these dynamics should more than offset the logistical friction from route restructuring (Strait of Hormuz related) in the international division, keeping the sequential COGS trajectory modestly favorable.

Given this dynamic, we estimate Adj. EBITDA to reach R\$2.4bn Genial Est. (-8.7% q/q; -12.4% y/y), with margin growing to 15.6% (+0.6p.p. q/q; -2.3p.p. y/y) given that, despite the top-line volume decline in the domestic market, it should reflect the combination of a more favorable cost structure and the contribution of higher-margin international channels (particularly China, the EU, and the Middle East). The y/y margin compression, by contrast, should reflect standardization from a particularly strong 1Q25 base, when BRF delivered above-seasonal profitability.

Table 3. Net Revenue & EBITDA BRF (1Q26 Genial Est.)

BRF (R\$ millions)	1Q26E Genial Est.	4Q25 Reported	% q/q	1Q25 Reported	% y/y
Net Revenue	15,488	17,683	-12.4%	15,425	0.4%
Domestic	7,720	9,973	-22.6%	8,006	-3.6%
External	7,768	7,710	0.8%	7,420	4.7%
Adjusted EBITDA	2,410	2,639	-8.7%	2,752	-12.4%
Margin (%)	15.6%	14.9%	0.6p.p	17.8%	-2.3p.p

Source: MBRF, Genial Investimentos

Marfrig — North America: Near-breakeven margin. Our model points to a realized price of US\$7.7/kg Genial Est. (+2.8% q/q; +18.2% y/y) with shipments reaching 480Kt Genial Est. (-1.9% t/t; -4.3% a/a), reflecting a quarter shaped by two distinct phases. According to our data collection, Jan-Feb were severely impacted by winter weather, suppressing processing activity and generating negative margins.

On the other hand, the situation has improved substantially in Mar, with margins at 5–6% range, driven by two concurrent supply-side events: **(i)** the permanent closure of Tyson's Nebraska plant (announced in Nov/25 and effective late Jan) and **(ii)** the Greeley-CO strike (JBS plant), both of which tightened industry processing capacity and meaningfully improved the competitive environment for remaining operators. Revenue should grow in USD terms despite the volume decline, as the repass to cutout support the top-line as it remains constrained by the ongoing tight supply cycle (pushing up prices).

On the cost side, we project COGS/kg still increasing at US\$7.5/kg Genial Est. (+3.3% q/q; +18.2% y/y), as U.S. herd levels near historical lows dragged the cattle availability. Given the front-loaded weakness in Jan-Feb, EBITDA is expected to reach US\$15mn Genial Est. (-44.0% q/q; +1.6x y/y), with margin at 0.4% (-0.3p.p. q/q; +0.2p.p. y/y), just a bit down on quarterly basis. Looking ahead, the Tyson Nebraska plant remains permanently closed, providing a continuing structural supply tightening tailwind into 2Q26E and supporting full-year margin soft-guidance of 1–2% 26E, an improvement over the ~1% delivered in 2025. Nevertheless, we believe that the weak seasonal start makes it difficult for the market to price in much upside beyond flat at this stage.

Marfrig — South America: Ramp-up volumes, higher cattle costs. We expect shipments to reach 277Kt Genial Est. (-6.9% q/q; +11.3% y/y), declining sequentially in line with the typical 1Q seasonal pattern while expanding firmly on an annual basis.

Looking at an annual basis, the operational build-out of the South American platform It's clear to us: **(i)** continued ramp-up in Brazilian plants; **(ii)** consolidation of higher utilization rates across the region; and **(iii)** strong export momentum as confirmed by SECEX data (+21% y/y), which remained resilient despite concerns around Trump administration tariffs. The China beef quota dynamic, notably, remained a support rather than a constraint in 1Q26. It is important to note that Brazil was still actively exporting to China under quota, underpinning both volumes and price realizations during the quarter, with the quota ceiling more relevant as a 2Q26E risk.

On pricing, we project a realized level of R\$21.1/kg Genial Est. (-3.1% q/q; +5.2% y/y), easing sequentially, mostly due to the USD/BRL FX rate downtrend (-3% q/q), but still expanding annually, supported by firm export conditions and relatively resilient beef demand across South American markets. On the cost side, COGS/kg is estimated at R\$18.0/kg Genial Est. (-1.6% q/q; +6.6% y/y), with cattle arroba prices in Brazil remaining the primary pressure point (+6.4% q/q; +5.8% y/y), though the q/q restraint suggests more diluting power of the fixed costs (~15% of total COGS). Even so, we are assuming that the uptrend in cattle acquisition costs will continue to limit the degree of margin expansion that higher sales volumes and fixed cost dilution would otherwise allow. As a result, we expect EBITDA to reach R\$544mn Genial Est. (-20.2% q/q; +19.2% y/y), with margin at 9.3% (-1.2p.p. q/q; +0.2p.p. y/y), returning toward the 1Q25 level.

Table 4. Net Revenue & EBITDA Marfrig (1Q26 Genial Est.)

Marfrig (R\$ millions)	1Q26E	4Q25	% q/q	1Q25	% y/y
	Genial Est.	Reported		Reported	
Net Revenue	25,242	26,233	-3.8%	24,055	4.9%
North America	19,393	19,752	-1.8%	19,055	1.8%
South America	5,849	6,480	-9.7%	5,000	17.0%
Adjusted EBITDA	625	830	-24.7%	491	27.3%
Margin (%)	2.5%	3.2%	-0.7p.p	2.0%	0.4p.p

Source: MBRF, Genial Investimentos

Our Take on MBRF

North America: Tyson's exit as a durable tailwind for 2Q26E. The North America beef division enters 2Q26E with underlying tailwinds absent at the start of 1Q26. Two concurrent supply shocks in Mar, with the permanent closure of Tyson's Nebraska facility (effective late Jan) and the Greeley plant strike (JBS facility), drove margins to **5-6% after two deeply negative months**. Critically, the Tyson **closure is permanent** (5k heads/day of slaughter capacity), carrying forward as a **reduction in ~5% of US beef processing volume**.

We also note that there still exist closures that are expected to take place among smaller meatpackers (outside the top-4, which control ~85% of US market share), each **incrementally tightening the supply-demand** balance for the remaining large integrated players. Full-year soft guidance for margin stands at **1-2% 26E** (vs. 1% in 2025), with the team expressing confidence in a path toward the upper end given fundamental capacity reduction and firm cattle demand, though the **weak 1Q26 starting point** limits near-term market pricing power.

South America: China quota cliff looms over 2H26E. The South America division should face a binary inflection in 2H26E centered on **China quota exhaustion**, as we expect to be around **May-Jun** (or even earlier), after which Brazilian beef exports to China should drop sharply. Our take is that **full volume reallocation to alternative destinations is unlikely**, pointing to **gradual cattle price softening** as the base case rather than a collapse, underpinned by globally constrained cattle supply. Full-year volumes are soft guided to grow **+5-10% 26E**, driven by capacity additions over the past 2Y, with segment revenue moving toward **R\$25-26bn 26E** (+15% y/y).

On the upside, **above-quota transactions** at China's 55% tariff were flagged as a genuine **optionality scenario**. The US is emerging as the primary offset, with Argentina's quota **incising 4x to 80Kt** and Paraguay in advanced discussions for a dedicated share structure, both directly benefiting company's footprint. Full-year EBITDA margin is soft guided at **9.1-10.5% 26E** (we're at 9.8% Est.; -0.2p.p y/y), bracketed by 1Q25 at the low end and 4Q25 at the high end, implicitly assuming China-related 2H26E softness is only partially offset by US volume gains.

BRF: April momentum and three new market doors. We believe BRF should exit 1Q26 at **peak momentum**, with Apr already tracking ahead of Mar, itself the strongest month of the quarter. Based on the data we've gathered, the trajectory within the quarter was unambiguously improving with Jan-Feb volumes ran below 1Q25 levels, weighed by a price increase at the start of the year and above-historical retailer inventories, before Mar fully recovered to match Mar. With domestic market normalization now largely complete and the atypical 1Q25 base effect dissipating from 2Q26E onward, the focus shifts to the **underlying international growth story**.

Three new permanent market access developments underpin the outlook: **(i)** China, with all three Rio Grande do Sul (RS) plants now shipping for a full quarter following Jan clearance, a **high-margin corridor** given the chicken feet mix; **(ii)** EU, with exports resumed for the **first time in 8Y in 1Q26**, adding an incremental premium-priced volume stream; and **(iii)** Japan, with demand remaining strong with normalized inventories and a supportive pricing environment.

The **HPDC/Saudi** (Sadia Halal JV) sovereign partnership progressed to closing (as published by the company 3/May), with an **IPO possible as early as 1H27E**, a potential re-rating catalyst **not yet in consensus**. On the other hand, Turkey remains near breakeven but is no longer EBITDA-negative and improving directionally. In addition, alongside **corn cost deflation** (-7% since Apr.) beginning to flow through the P&L in coming quarters should provide an additional margin tailwind through 26E.

Iran conflict: Near-term windfall, medium-term watch. It seems to us that the Iran conflict's **1Q26 impact on BRF was net positive**, with strong Ramadan demand in Jan-Feb followed by regional **supply disruptions** that allowed **price increases to outpace cost inflation**, generating a net margin benefit in the Middle East corridor. Logistics were successfully restructured (new shipping lines, alternative ports, additional terrestrial legs), production was never interrupted, and **current regional inventory buffers are sufficient** at the conflict's current geographic scope.

However, we emphasize that the risk framework shifts with duration if the conflict extends into 3Q26E and beyond (but there is a chance that peace will be achieved in the coming days), two second-order effects should become material: **(i)** fertilizer cost inflation feeding through to grain costs in 2027–28E (given agricultural cycle lags); and **(ii)** freight contract renewals at higher spot-linked rates as existing long-term agreements expire. **Neither is a near-term P&L event** but both warrant inclusion in medium-term modeling.

For the **South America division**, we assume that the indirect risk should be domestic, with **Middle East-redirected**, South American chicken supply comes out of the Brazilian domestic market, **increasing competitive intensity** and potentially capping domestic beef price recovery, a 2H26E dynamic to monitor that reinforces our view of a structurally difficult Brazilian domestic beef market throughout 26E.

Market prices the pain but miss the gain. We believe BRF faced post-festive demand normalization and above-historical retailer inventories compressing domestic volumes. Critically, the exit trajectory within the quarter was unambiguously improving, with Mar recovering strongly across both divisions and Apr already tracking ahead of Mar, itself the strongest month of 1Q26.

Looking ahead is where the thesis should gain conviction. For Marfrig, in **North America**, Tyson's permanent Nebraska facility closure carries forward a reduction in US processing capacity, combined with additional smaller packer exits flagged by the company, **progressively tightens the supply-demand balance** for the remaining large integrated players into 2Q26E and beyond. For **BRF**, three new permanent market access developments underpin the international growth outlook: China's RS plants returning to full shipments level at a high-margin mix, EU exports resumed for the first time in 8Y, and Japan demand remaining firm with normalized inventories, channels that are structurally additive rather than cyclical.

In addition, the **HPDC/Saudi** (Sadia Halal JV) sovereign partnership progressing **toward a potential 1H27E IPO** adds a **re-rating optionality**, in our view, **not yet in consensus**. Finally, on the **cost side**, corn **deflation** beginning to flow through the P&L in coming quarters should provide an **additional margin buffer through 26E**, partially offsetting the poultry cycle compression already embedded in our model.

With all that said, our view stance at the **merger synergy** as our central anchor. With the market still appearing to price a **sharper margin deterioration than our model indicates**, likely overlooking the **+R\$1bn** in cumulative integration gains over **3Y** (shares have already depreciated -13.3% YTD), added to the fact that South America China quota cliff in 2H26E should represent a **manageable rather than catastrophic headwind** given globally constrained cattle supply, we decided to maintain our **BUY rating** with a **12M Target Price of R\$23.00**, implying an **upside of +35%**.

Appendix: MBRF

Figure 1. MBRF – Income Statement in R\$ Millions (Genial Est. 2026-2029)

Income Statement	2026E	2027E	2028E	2029E
Net Revenue	165,895	172,531	179,432	183,021
(-) COGS	(144,827)	(149,757)	(154,850)	(156,666)
Gross Profit	21,069	22,774	24,582	26,355
(-) Expenses	(16,092)	(17,426)	(18,840)	(19,949)
Adjusted EBITDA	14,101	15,528	17,046	17,845
(-) D&A	(7,465)	(7,764)	(8,074)	(8,236)
EBIT	4,977	5,348	5,742	6,406
(+/-) Financial Result	(5,143)	(4,831)	(4,486)	(3,843)
(-) Taxes	1,327	1,380	1,435	1,464
Net Income	1,161	1,898	2,691	4,026
Profitability				
Net margin (%)	0.7%	1.1%	1.5%	2.2%

Figure 2. MBRF – Cash Flow in R\$ Millions (Genial Est. 2026-2029)

Cash Flow (FCFF)	2026E	2027E	2028E	2029E
Net Revenue	165,895	172,531	179,432	183,021
(-) COGS	(144,827)	(149,757)	(154,850)	(156,666)
Adjusted EBITDA	14,101	15,528	17,046	17,845
EBIT	4,977	5,348	5,742	6,406
(-) Taxes	(1,244)	(1,337)	(1,435)	(1,601)
(+) D&A	7,465	7,764	8,074	8,236
(+/-) Δ WK	(995)	(949)	(933)	(915)
(-) Capex	(6,000)	(5,500)	(5,500)	(5,000)
FCFF	5,862	7,742	9,178	10,328

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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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