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JBS

1Q26 Review: Spreads at the bottom, index at the door

LatAm Meatpackers

(i) Seara: EBITDA of **US$369mn** (+5% vs. Est.; -11% q/q; -13% y/y), with a margin of **15.5%** (-0.2p.p. vs. Est.), contracting -1.1p.p. q/q and -4.3p.p. y/y, as domestic poultry oversupply following HPAI-driven volume redirection weighed on wholesale prices, partially offset by stronger-than-expected export recovery toward higher-value destinations; **(ii) JBS Brazil:** EBITDA of **US$168mn** (flat vs. Est.; -42% q/q; +28% y/y), with a margin of **4.4%** (-0.2p.p. vs. Est.), contracting -2.1p.p. q/q and expanding +0.3p.p. y/y, delivering near the highest 1Q margin in the company's historical series, but capped by cattle costs reaching R$338/arroba (+6% y/y) with female slaughter ticking back to 42% of total herd; **(iii) Beef North America:** EBITDA of **-US$230mn** (+30% vs. Est.; vs. US$6mn in 4Q25; -104% y/y), with a margin of **-3.2%** (-0.7p.p. vs. Est.), deteriorating -3.3p.p. q/q and -1.5p.p. y/y, as the cattle cost cycle entered its most acute phase, compounded by severe winter weather disruptions in Jan-Feb; **(iv) JBS Australia:** EBITDA of **US$152mn** (-9% vs. Est.; -23% q/q; -10% y/y), with a margin of **7.1%** (-1.9p.p. vs. Est.), contracting -1.6p.p. q/q and -3.3p.p. y/y, as the largest revenue surprise of the quarter (+16% vs. Est.) was absorbed by cattle costs rising +29% y/y and adverse USD/AUD conversion, with nominal EBITDA stable y/y in local currency; **(v) USA Pork:** EBITDA of **US$204mn** (-5% vs. Est.; -12% q/q; -8% y/y), with a margin of **10.0%** (-0.5p.p. vs. Est.), contracting -0.7p.p. q/q and -1.1p.p. y/y, as two-sided spread compression from rising hog procurement costs and a retreating cutout pressured results despite resilient domestic demand; **(vi) PPC:** EBITDA of **US$308mn** (flat vs. Est.; -26% q/q; -42% y/y), with a margin of **6.8%** (flat vs. Est.), contracting -2.4p.p. q/q and -5.2p.p. y/y, reflecting planned CAPEX-related plant downtime, weather disruptions, and US$23mn in litigation costs, with input costs essentially flat confirming a spread- and disruption-driven miss; **(vii)** We have decided to maintain our **BUY rating** with a **12M Target Price** of **US$18.50** for JBS (NYSE) and **R$90.80** for BDRs (B3) – just following the adjustments caused by the USD/BRL closing FX rate at R$4.89, implying an **upside** of **+21%**.

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Company

JBS US Equity
Buy

Price: US$ 15.27 (12-May-2026)
Target Price 12M: US$ 18.50 (NYSE)

JBSS32 BZ Equity
Target Price 12M: R$ 90.80 (B3)

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

(US$ millions)	1Q26 Reported	1Q26E Genial Est.	% R/E	4Q25 Reported	% q/q	1Q25 Reported	% y/y
Net Revenue	**21,609**	**21,018**	**2.8%**	**23,063**	**-6.3%**	**19,527**	**10.7%**
COGS	(19,284)	(18,713)	3.0%	(20,193)	-4.5%	(16,902)	14.1%
Adjusted EBITDA	**1,133**	**1,233**	**-8.1%**	**1,715**	**-34.0%**	**1,528**	**-25.8%**
EBITDA Margin (%)	5.2%	5.9%	-0.6p.p	7.4%	-2.2p.p	7.8%	-2.6p.p
EBIT	**485**	**601**	**-19.4%**	**953**	**-49.1%**	**883**	**-45.1%**
EBIT Margin (%)	2.2%	2.9%	-0.6p.p	4.1%	-1.9p.p	4.5%	-2.3p.p
D&A	(618)	(611)	1.1%	(624)	-1.0%	(536)	15.3%
Financial Result	(314)	(315)	-0.1%	(580)	-45.8%	(192)	64.0%
Net Income	**242**	**267**	**-9.7%**	**435**	**-44.5%**	**556**	**-56.6%**
Net Margin (%)	1.1%	1.3%	-0.2p.p	1.9%	-0.8p.p	2.8%	-1.7p.p

Source: JBS, Genial Investimentos

JBS released its **1Q26** results today, **May. 12**, after the market closed, delivering a quarter of top-line momentum across every single division, and **profitability under pressure** from two **concentrated sources** (mainly PPC and Beef North America). Consolidated **Net Revenue** reached **US$21.6bn** (+2.8% vs. Est.; -6.3% q/q; +10.7% y/y), beating our forecast in almost all divisions, with record top line for a 1Q reported at **Beef North America**, **JBS Brazil**, and **USA Pork**, and strong export-driven growth at **Seara** and **JBS Australia**.

As we have noted in previous reports, **the problem is not demand** (for either chicken or beef), **but rather costs**. All protein cycles across all regions are either in the process of reversing or have already reversed some time ago (as is the case with Beef North America), and although we have seen **record-high beef prices** around the world, cattle acquisition costs continue to put significant pressure on the company's spreads, with all divisions reporting **y/y margin compression** (with the exception of JBS Brazil). Given **(i)** the lower-than-expected results and **(ii)** the news that Brazil has been removed from the European Union's list of authorized meat exporters (more on that further down), we believe **investors are likely to react negatively** during the trading session.

The Consolidated **Adj. EBITDA** totaled **US$1.1bn** (-8.1% vs. Est.; -34.0% q/q; -25.8% y/y), missing our prediction and the street (-15.4% vs. BBG Consensus), with **margin declining** to **5.2%** (-0.6p.p. vs. Est.; -2.2p.p. q/q; -2.6p.p. y/y), driven by **Beef North America**, where the cattle cost cycle entered its most acute phase yet, with margin collapsing (-3.2%; 0.7p.p. worse vs. Est.; 1.5p.p. y/y worse), compounded by severe winter weather disruptions in Jan-Feb that further compressed already-negative spreads; and **PPC**, where planned CAPEX-related plant downtime, weather disruptions, and litigation costs drove margin down (6.8%; -5.2p.p. y/y). By contrast, **Seara** (15.5%; -0.2p.p. vs. Est.; -4.3p.p. y/y), **USA Pork** (10.0%; -0.5p.p. vs. Est.; -1.1p.p. y/y)), and **JBS Brazil** (4.4%; -0.2p.p. vs. Est.; +0.3p.p. y/y)) all performed near expectations, with **JBS Australia** (7.1%; -1.9p.p. vs. Est.; -3.3p.p. y/y)) delivering the quarter's largest revenue beat but missing on profitability due to FX headwinds as the adverse USD/AUD conversion eroded what was a stable result in local currency terms.

Finally, **Net Income** reached **US$242mn** (-9.7% vs. Est.; -44.5% q/q; -56.6% y/y), with a margin of **1.1%** (-0.2p.p. vs. Est.; -0.8p.p. q/q; -1.7p.p. y/y), coming in below our projection, primarily due to a worse-than-estimated EBIT (-19.4% vs. Est.; -49.1% q/q; -45.1% y/y). The net financial result clocked in line with predictions at -US$314mn (flat vs. Est.; 45.8% better q/q; 64% worse y/y), with a great increase against last year, reflecting the combination of higher gross debt levels and FX-related financing costs.

1Q26 Review: In detail!

Beef North America: Cattle costs deepen losses. The division reported record net sales for a 1Q, with Net Revenue reaching US$7.2bn (+2% vs. Est.; -6% q/q; +12% y/y), reflecting a resilient US consumer demand sustaining cutout values at historically elevated levels at US$371/kg (+17% y/y). However, the top-line strength once again failed to translate into profitability, as Adj. EBITDA clocked in at -US$230mn (+30% vs. Est.; vs. US$6mn in 4Q25; -104% y/y), with margin deteriorating to -3.2% (-0.7p.p. vs. Est.; -3.3p.p. q/q; -1.5p.p. y/y), a result that came in materially worse than we had already modeled as a loss quarter, confirming that the cattle cost cycle is now in its most acute phase.

In addition, the negative impact of severe winter weather in Jan-Feb it was also felt, which constrained workforce mobility and compressed processing throughput across the region during the two lowest-spread months of the quarter. We believe the divergence between record top-line revenues and deeply negative margins is the clearest possible expression of a cost-cycle problem, not a demand one. With herd rebuilding still in its early stages and no imminent catalyst for border reopening, we expect this dynamic to persist through 26E.

PPC: Planned downtime and pricing weakness. Pilgrim's Pride (PPC) had already reported 1Q26 results, with Net Revenue of US$4.5bn (flat vs. Est.; flat q/q; +2% y/y), in line with our estimate, as deterioration in U.S. commodity chicken pricing was anticipated, with the Jumbo Cutout, Boneless/Skinless Breast, Tenders, and Wings all trading below year-ago and 5Y average levels, while broiler placements grew +2% y/y, providing volume support but limiting any meaningful price recovery. Adj. EBITDA clocked in at US$308mn (flat vs. Est.; -26% q/q; -42% y/y), with margin reaching 6.8% (flat vs. Est.; -2.4p.p. q/q; -5.2p.p. y/y), landing exactly where we projected, though for a more operationally specific set of reasons than pure spread compression alone.

Beyond the **(i)** severe winter weather that disrupted processing across the US, we note that PPC absorbed a **(ii)** deliberate plant downtime associated with the installation of multiple large CAPEX projects during, and the **(iii)** SG&A line was further inflated by US$23mn in litigation settlement costs, both transitory in nature. That said, the underlying strategic picture offers a more constructive medium-term read. The planned downtime, while margin-dilutive in 1Q26, is expressly designed to enhance operational efficiencies in big bird processing and deepen key customer partnerships, a foundation that should reduce portfolio volatility and lift returns as the projects ramp. In addition, input costs remained relatively contained with both USDA corn and soybean essentially flat q/q, confirming that the margin compression was primarily spread and disruption-driven rather than cost-driven.

JBS Brazil: Cattle costs cap profitability at near historical 1Q levels. The division delivered another record for a 1Q on the top line, with Net Revenue reaching US$3.8bn (+4% vs. Est.; -14% q/q; +20% y/y), supported by robust export dynamics as geographic diversification toward China and other Asian markets continued to absorb strong Brazilian beef demand, while export volumes surged +21% y/y (SECEX data) and export prices advanced +14% y/y, reflecting sustained international appetite.

Domestic market prices also moved higher (+5% y/y), contributing positively across both channels. Adj. EBITDA clocked in at US$168mn (flat vs. Est.; -42% q/q; +28% y/y), with margin of 4.4% (-0.2p.p. vs. Est.; -2.1p.p. q/q; +0.3p.p. y/y), landing slightly under our projection, staying near the highest margin for a 1Q in the company's historical series (4.5%), still a meaningful operational achievement given the cost backdrop.

In our view, the central constraint still lies in cattle acquisition costs. According to CEPEA-ESALQ data for 1Q26, the average live cattle price reached R$338/arroba (+6% y/y), continuing the upward trajectory that spot data had already signaled entering the year. We note that the female slaughter ratio ticked back up to 42% of total herd (+10p.p. q/q), which we interpret as a function of tightening availability of cattle at processing weight rather than a structural reversal of the herd rebuilding trend, with export demand and supply scarcity pulling animals to market earlier in the finishing cycle. We continue to expect female retention to reassert itself in 2H26E as the cycle tightens further.

Seara: Domestic weakness and cost inflation compress margins. The division reported Net Revenue of US$2.4bn (+7% vs. Est.; -5% q/q; +11% y/y), beating our top-line estimate by a meaningful margin as export dynamics proved stronger than modeled, benefiting from the **(i)** progressive reopening of key markets following the HPAI outbreak (avian flu) in Rio Grande do Sul (RS) in May last year, **(ii)** the resumption of EU pre-listing for Brazilian poultry facilities, and **(iii)** the EU-Mercosur agreement signed in Jan, which introduced a new tariff-exempt annual quota. Total slaughter expanded +4% y/y (MAPA data), providing the volume base to sustain growth.

However, Adj. EBITDA clocked in at US$369mn (+5% vs. Est.; -11% q/q; -13% y/y), with margin of 15.5% (-0.2p.p. vs. Est.; -1.1p.p. q/q; -4.3p.p. y/y), coming modestly under our profitability estimate, despite the stronger revenue surprise. We noted a more challenging operating environment in key Middle East markets resulting from the ongoing conflict in Iran, which added logistical friction to what was otherwise a strong export quarter.

On the domestic side, pricing deteriorated meaningfully, with wholesale poultry prices declining y/y as volumes originally destined for export during the avian flu restrictions were redirected inward, generating an oversupply dynamic that continued to push prices down. corn and soybeans provided only modest relief on costs, insufficient to offset the sharp decline in domestic selling price realizations. The y/y margin contraction confirms the cycle slowdown we anticipated in our preview, even as the export channel continued to improve toward higher-value destinations, including the resumption of chicken feet sales to China.

USA Pork: A two-sided spread compression. We approached 1Q26 with a cautious stance on USA Pork, modeling spread compression from both a retreating cutout and rising hog procurement costs. Still, the result was a bit disappointing. Net Revenue reached US$2.0bn (flat vs. Est.; -6% q/q; +2% y/y), reflecting weaker q/q dynamics as total slaughter declined seasonally and the lean hog cutout retreated sequentially, as anticipated, even with a still solid domestic demand, sustained by consumers tendency to trade down to more affordable proteins as record beef prices put a strain on family budgets.

Adj. EBITDA clocked in at US$204mn (-5% vs. Est.; -12% q/q; -8% y/y), with margin reaching 10.0% (-0.5p.p. vs. Est.; -0.7p.p. q/q; -1.1p.p. y/y), missing our estimate, but still delivering a double-digit margin.

Our analysis confirms the two-sided dynamic we flagged in the preview: gross processor spreads declined through Feb and ran below year-ago levels per USDA data, as **(i)** limited breeding inventory expansion and **(ii)** persistent winter disease risk kept hog procurement costs elevated in 1H26E, even as the cutout softened from 4Q25 levels. The division's continued expansion of its value-added and branded portfolio also contributed positively to mix, though the magnitude of that effect remained modest.

JBS Australia: FX overwhelms strong operational execution. Net Revenue reached US$2.1bn (+16% vs. Est.; -6% q/q; +32% y/y), the largest positive revenue surprise among all divisions, driven by higher prices in both domestic and export markets, with meat export volumes also surging (+30% y/y) as USA import pull intensified given the multi-decade low in domestic US slaughter rates, and cutout prices advancing (+21% y/y) across key destinations. Total slaughter also expanded by +6% y/y (MLA data), consistent with record production expectations for 26E as elevated turnoff rates and seasonal support provided the volume base. Even so, Adj. EBITDA clocked in at US$152mn (-9% vs. Est.; -23% q/q; -10% y/y), with margin of 7.1% (-1.9p.p. vs. Est.; -1.6p.p. q/q; -3.3p.p. y/y), missing meaningfully our profitability estimate despite the substantial revenue outperformance.

Two forces absorbed the commercial gains, as **(i)** cattle acquisition costs, with National Heavy Steer price rising (+29% y/y), advancing nearly in lockstep with cutout price appreciation, reflecting export-driven processing demand keeping competition for cattle intense even at elevated throughput, the same structural cost constraint running through every beef division this quarter; and **(ii)** critically for the revenue-to-EBITDA translation, the adverse movement of the USD/AUD FX rate (-9.5% y/y) impacting the conversion of results. Nevertheless, we feel it is important to note that nominal EBITDA would have remained stable (y/y) in AUD.

Our take on JBS

FCF: Seasonal burn deepens. The 1Q is structurally characterized by FCF consumption, and 1Q26 was no exception, though the magnitude came in considerably worse than modeled. **FCF** reached **-US$1.5bn** (52% worse vs. Est.; 60% worse y/y), driven predominantly by a far weaker-than-expected **(i) CFO** (operational cash flow) of **-US$449mn** (3x worse vs. Est.; 57% worse y/y), as working capital (**WC**) consumption proved substantially heavier than projected, reflecting the concentration of deferred livestock supplier payments settling in 1Q (the direct reversal of the WC tailwind that had inflated 4Q25 CFO) in accounts payable (27x higher y/y); and **(ii) CFI** (investment cash flow) of **-US$677mn** (+37% vs. Est.; +87% y/y), with **CAPEX** of **US$566mn** more than doubling (+1.1x y/y; +46% vs. Est), reflecting the deliberate acceleration of growth investments across the platform, but mainly in PPC. Net Interest of -US$341mn was the one line coming in slightly better than our estimate (-5% vs. Est.), providing a marginal offset.

Excluding the additional deferred livestock payments (US$252mn), WC would have been **23% better vs. 1Q25**. We therefore expect WC dynamics to stabilize going forward. Furthermore, although we had already expected an uplift in CAPEX, we did not think it would be that much higher, tied to the same large projects driving PPC's planned downtime and capacity expansion initiatives. We also disclose that **leverage** ticked up to **2.8x Net Debt/EBITDA** (+0.2 vs. Est.; +0.4p.p. q/q), reflecting both the EBITDA compression (-25.8% y/y) on the LTM basis and the quarter's FCF burn. For 26E, we will be watching WC normalization and CAPEX cadence closely, particularly as cattle costs continue to rise across geographies, a dynamic that could sustain elevated livestock payment obligations and keep CFO under pressure through the cycle.

Beef North America: The darkest quarter vs. 2Q26E expectation. As already said in our preview**,** the division report on its most challenging quarter in recent memory (-3.2% on EBITDA margin) as negative processing spreads persisted through Jan-Feb before showing some recovery in Mar. USDA data market show that U.S. cattle availability remains severely constrained (lowest in 75Y), with the **national herd** now processing **29 million head annually** (-15% vs 4Y ago).

We would like to emphasize that the reduction in slaughter figures is still less pronounced vs. supply tightening. This means that restocking through the retention of female cattle is still insufficient to replenish the herd. Therefore, we believe that the industry will inevitably **have to reduce capacity** in order to drive cattle slaughter even lower. One example is **Tyson's Nebraska plant** (~5% total US daily beef slaughter), which **exited the supply system** at the end of Jan. The combination of record-low cattle throughput and heightened price volatility in both live cattle and cutout values weighted materially on the division's 1Q26 EBITDA margin, consistent with what we had estimated as described by the company as the toughest market environment the industry has faced in a very long time.

However, we can highlight a few areas for improvement: **(i)** the cow slaughter in **full-year 2025** falling to **2.3 million head** (-41% vs. 4Y ago), consistent with **herd retention activity**, even if rebuilding is progressing slower than market participants had anticipated;

(ii) the potential reopening of Mexican cattle imports, currently suspended (May/25) and representing **1.2–1.5 million head annually**, characterized as the **single most important short-term catalyst** for the U.S. supply-demand equation, though **no timeline could be offered**; and **(iii)** the conclusion of a national labor agreement covering 14 union locals in red meat, including the reintroduction of a variable pension plan, that should **reduce operational uncertainty** at JBS USA plants heading into **2Q26E**, even as the Greeley Strike (Apr/26) situation remains unresolved.

JBS Brazil: Well-positioned for 2H26E inflection. Heading into 2026, management expressed confidence that the Brazilian division could **sustain performance in line with 2025A** at **6.2%** EBITDA margin, navigating the China quota exhaustion dynamic without material deterioration, underpinned by the expectation that competing origins would fall short of their own quotas, partially redirecting Chinese demand toward Brazilian beef, and that feedlot cattle supply would increase precisely as the duty expires, compressing live cattle prices and improving processing spreads.

However, we emphasize that the story should be told in a **more cautious way**. Rather than a manageable transition, Brazil should face a **binary inflection in 2H26E as China quota exhaustion**, now expected May–Jun or even earlier, triggers a **sharp drop in Brazilian beef exports** to China. We believe full volume reallocation to alternative destinations is unlikely. While the US emerging as the primary offset and above-quota transactions at China's 55% tariff represent genuine upside optionality, our base case points to only a **gradual soft in cattle price** that ended at R$338/arroba in 1Q26 (+6% q/q; +6% y/y).

Adding to our caution outlook, the female slaughter ratio reached **42%** of total in **1Q26** (+10p.p. q/q), a level that warrants attention, as sustained female offtake at this pace should **work against herd retention** and constrains the supply recovery that management's **2H26E spread improvement thesis depends upon**. That said, we believe that the spike is likely being partially driven by **meatpackers accelerating slaughter ahead of China quota exhaustion**, front-loading exports while the window remains open (702Kt; +21% y/y in 1Q26), which, if true, implies the **ratio should normalize post-quota**, but also reinforces our view that the 2H26E inflection needs to be sharper than management's base case suggests.

PPC: A constructive setup yet? Heading into 1Q26, the division was expected to deliver a constructive quarter, supported by favorable supply-demand dynamics in U.S. chicken and early verticalization benefits from the completion of three plant transformation projects. Instead, results came in **below our estimates**, as a broad-based normalization of U.S. commodity chicken spreads relative to the exceptionally strong 1Q25 comparable, compounded by weather-related disruptions and capex installation downtime, pressured both revenue and margins more than anticipated.

However, with USDA Chicken Placement running above prior-year levels (+2% y/y) and USDA Whole Breast prices rising (+24% q/q) despite that volume growth, the company views the **current supply-demand balance as favorable**, noting that the USDA's official **+2% y/y in 26E supply growth forecast** implies a positive pricing environment if placements continue at the current pace.

In addition, Just Bare brand surpassed US$1bn/annual in retail sales and continues to attract investment in new production facilities, reinforcing **PPC's premiumization strategy** within the high-value prepared food category. That said, even with lower-than-expected results from the division, our bias continues to be inclined to the managements summarizing that **2026 should be a good year for the division**, supported by **(i)** favorable supply-demand dynamics in U.S. chicken; **(ii)** continued verticalization benefits accruing to the prepared food segment; and **(iii)** ongoing brand momentum.

Seara: Top-line drivers. China represents the **premium destination for chicken feet and wings**, and that the partial benefit recognized in 4Q25 should be amplified as volumes normalize during 1H26 and premium pricing on these cuts is fully reflected (Net Revenue already grew +11% y/y in 1Q26) after shipments resumption based on the authorization granted last Nov. We also flag that Seara's investment cycle is also expected to **reach completion in 2026**, unlocking **+10–13%** of **additional volume capacity**, a meaningful top-line driver that, combined with improved fixed-cost dilution, should **support further margin expansion** over the course of the year.

On the cost side, the **feed outlook should be divergent**. Management foresees **(i)** higher corn costs in 2026, citing tighter global inventories, elevated ethanol demand, fertilizer cost pressure, and climate risk around Brazil's second crop; and **(ii)** well-supplied soybean meal, by contrast, given positive crush margins and weak Chinese demand for raw soybeans, with management maintaining a bearish price outlook. On the domestic consumer side, we note that Jan started soft, but **sales have since recovered** and are running above the prior-year level. Management also emphasize that they are actively repricing the domestic prepared food portfolio to close the margin gap with in-natura exports, a process it described as continuous and ongoing, suggesting gradual, rather than step-change, **improvement in domestic prepared margins through 2026.**

Brazil: USA and EU imports developments. Two points to highlight: **(i)** the Trump Administration signaled it will **suspend the annual tariff-rate quota on beef imports**, Minerva being the most beneficiated from it (19% of fiscal 2025 sales to the USA), with our model pointing to a **mid-single-digit EBITDA 26E uplift**, while **JBS** and **MBRF** should face **spread compression** from increased imported supply. **(ii)** The **Europe Union** (EU) **excluded Brazil** from its list of **authorized exporters** of meat and animal-origin products, effective in **3/Sep**, citing lack of guarantees over antimicrobial use in livestock. Brazil exported **~117Kt to EU** in 2025. This figure represented **3.7% of total export volume** and 5.9% of revenue last year. We emphasize, however, that Brazil's government has scheduled talks with EU sanitary authorities for **13/May** to contest the decision and chart a path back to authorization.

Spreads at the bottom, index at the door. 1Q26 delivered **top-line momentum across every division**, with record revenue at Beef North America, JBS Brazil, and USA Pork confirming that demand is not the problem, but **profitability missed** as cattle acquisition costs entered their most acute phase yet, compressing spreads across geographies in a way that the revenue beat could not offset. The forward setup, however, in our view should be seen as improving.

Beef North America recorded the **2nd worst margin ever**. Still, we see some areas for improvement moving forward: Tyson's Nebraska permanent capacity exit can help reduce slaughter rhythm and relieve pressure on the narrow herd supply and the potential **reopening of Mexican cattle imports** (1.2–1.5 million head annually) remaining the single most important near-term supply catalyst. In **JBS Brazil**, the China quota exhaustion represents the central 2H26E binary risk, though the **female slaughter spike** in 1Q26 likely reflects front-loading ahead of quota closure rather than herd retention breakdown, pointing to **normalization post-quota**. We believe **PPC** and **Seara** both carry constructive forward setups, underpinned by U.S. chicken supply-demand dynamics and China shipment normalization, respectively. On the **trade front**, Brazil's EU export exclusion, representing **3.7% of total export volume**, introduces a near-term headwind.

We emphasize we have said that the **rerating thesis** was maturing, and in fact, **is accelerating**. The company announced (May. 12) a voluntary transition to 10-Q/10-K SEC reporting beginning in 3Q26E, explicitly **paving the path toward S&P500 eligibility** alongside the near-term Russell 1000 catalyst. With **(i)** 74% of the free float already held by U.S. investors and **(ii)** third-party research estimating passive demand of 14 million shares upon inclusion, the **underlying re-rating appears well underway** as the investment case was never primarily about near-term earnings, suggesting that the current discount trading at **5.7x EV/EBITDA 26E**, a **-24% discount** vs. international peers (**~7.5x**), should narrow to **-15%** (assuming that Tyson and other peers are still going to trade with some premium), converging to our conservative assumption that nonetheless implies a re-rating from current levels.

Therefore, we have decided to maintain our **BUY rating** with a **12M Target Price** of **US$18.50** for JBS (NYSE) and **R$90.80** for BDRs (B3), just following the adjustments caused by the USD/BRL closing FX rate at R$4.89, implying an **upside** of **+21%**.

Appendix: JBS

Figure 1. JBS – Income Statement in R$ Millions (Genial Est. 2026-29)

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. 2026-29)

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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	Definition	Coverage
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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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