genial | Equity Research

MBRF

1Q26 Review: WC burns, but thesis doesn't

LatAm Meatpackers

(i) BRF Domestic: Volume at **650Kt** (-0.8% vs. Est.; -5.5% y/y), dragged by Jan-Feb retailer destocking and a year-start price adjustment, with Mar recovering to y/y levels; realized price at **R$11.7/kg** (-0.6% vs. Est.; -3.9% q/q), compressing sequentially as the festive mix normalized; **(ii) BRF External:** Shipments at **555Kt** (-4.3% vs. Est.; +0.9% y/y), below estimate despite new corridor openings in China, EU, and GCC; realized price at **R$13.2/kg** (-1.5% vs. Est.; flat q/q), pressured by USD/BRL FX headwind and Türkiye drag; **(iii) BRF Consolidated:** COGS/kg at **R$9.3/kg** (-2.3% vs. Est.; -2.8% q/q; +1.3% y/y), better than projected on grain relief, mix normalization, and MBRF+ captures; EBITDA of **R$2.5bn** (+2.8% vs. Est.; -6.1% q/q; -10.0% y/y) and margin of **16.6%** (+1.0p.p. vs. Est.; +1.7p.p. q/q; -1.3p.p. y/y), above the ~12% historical 5Y average; **(iv) North America:** Realized price at **US$7.4/kg** (-4.0% vs. Est.; -1.3% q/q; +13.5% y/y), below model; volume at **473Kt** (-1.6% vs. Est.; -5.8% y/y), hit by harsh winter and structurally low herd; EBITDA of **US$10mn** (-33.4% vs. Est.; -62.7% q/q; +71.7% y/y) and margin of **0.3%** (-0.1p.p. vs. Est.; -0.5p.p. q/q; +0.1p.p. y/y), near breakeven, with spreads expected to remain compressed through 26E; **(v) South America:** Realized price at **R$22.7/kg** (+7.6% vs. Est.; +4.3% q/q; +13.1% y/y), well above model on export strength; volume at **271Kt** (-2.2% vs. Est.; +8.8% y/y), in line; EBITDA of **R$616mn** (+13.2% vs. Est.; -9.7% q/q; +34.9% y/y) and margin of **10.0%** (+0.7p.p. vs. Est.; -0.5p.p. q/q; +0.9p.p. y/y), healthy double-digit despite cattle cost pressure; **(vi) Adj. EBITDA** of **R$3.1bn** (+5.1% vs. Est.; -9.2% q/q; -3.2% y/y), margin of **7.8%** (+0.6p.p. vs. Est.; flat q/q; -0.3p.p. y/y); **(vii)** We believe there are still **triggers not yet incorporated** that should serve as value drivers. We therefore maintain our **BUY rating**, with a **12M Target Price** of **R$23.00**, implying an upside of **+32%**.

Analysts

Igor Guedes
+55 (11) 3206-8286
igor.guedes@genial.com.vc

Luca Vello
+55 (11) 3206-1457
luca.vello@genial.com.vc

Company

MBRF3 BZ Equity
Buy

Price: R$ 17.42 (14-May-2026)
Target Price 12M: R$ 23.00

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

(Thousand Tonnes - kt)	Reported	Genial Est.		Reported		Reported	
Summary (Sales)	**1Q26**	**1Q26E**	**% Diff.**	**4Q25**	**% q/q**	**1Q25**	**% y/y**
North America	473	480	**-1.6%**	490	**-3.5%**	502	**-5.8%**
South America	271	277	**-2.2%**	298	**-8.9%**	249	**8.8%**
BRF	1,205	1,235	**-2.5%**	1,404	**-14.2%**	1,237	**-2.6%**

Source: MBRF, Genial Investimentos

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

(R$ millions)	Reported	Genial Est.		Reported		Reported	
Income Statement	**1Q26**	**1Q26E**	**% Diff.**	**4Q25**	**% q/q**	**1Q25**	**% y/y**
Net Revenue	39,453	40,730	**-3.1%**	43,915	**-10.2%**	39,480	**-0.1%**
Adjusted EBITDA	3,096	2,947	**5.1%**	3,410	**-9.2%**	3,199	**-3.2%**
Net Income	(29)	(327)	**-91.1%**	(43)	**-31.3%**	425	**-**

Source: MBRF, Genial Investimentos

MBRF reported its results for **1Q26** yesterday, **May. 14**, after the market closed. In Consolidated terms, the company posted **Net Revenue** of **R$39.5bn** (-3.1% vs. Est.), down **-10.2% q/q** and **flat y/y**, coming in below predictions as a reflection of a weaker-than-expected top line in both divisions. In contrast, **Adj. EBITDA** reached **R$3.1bn** (+5.1% vs. Est.), declining **-9.2% q/q** and **-3.2% y/y**, with a margin of **7.8%** (+0.6p.p. vs. Est.), flat q/q and -0.3p.p. y/y, coming in above our model and the street (+0.5p.p vs. BBG consensus), driven by **BRF's cost efficiency outperformance** and a Marfrig's **South America price beat**.

However, we still emphasize that **even smoother**, the **expected drop on y/y basis was confirmed**, mostly given BRF lower sales volume and slightly uplift in cost. The company reported a **Loss** at the **bottom line** of **-R$29mn** (91.1% better vs. Est.), softer q/q, but swinging from a profit in 1Q25, coming in above our model, mainly by a stronger-than-expected operating performance and a lower financial burden.

Breaking it down, **BRF** reached a **Net revenue** of **R$14.9bn** (-3.6% vs. Est.; -15.6% q/q; -3.2% y/y), pressured both by volumes and price dynamics. Total **shipments** (DM+FM) clocked in at **1,205Kt** (-2.5% vs. Est.; -14.2% q/q; -2.6% y/y), confirming a downturn in the domestic market (DM), reaching 650Kt (-0.8% vs. Est.; -5.5% y/y) and just a moderate growth in the foreign market (FM) at 555Kt (-4.3% vs. Est.; +0.9% y/y). **Realized price** (DM+FM) was reported down to **R$12.4/kg** (-1.2% vs. Est.; -1.6% q/q). Although the company implemented a price adjustment for FM, this was offset by the USD/BRL FX softening (-3% q/q). Prices in the domestic market fell sequentially, due to product mix, as the average ticket was higher during year-end festivities.

In contrast, the cost configuration came in better than projected, with **COGS/kg** of **R$9.3/kg** (-2.3% vs. Est.; -2.8% q/q; +1.3% y/y), supported by **(i)** lower grain prices, **(ii)** product mix with softer costs down on average ticket, and **(iii)** MBRF+ efficiency captures of +R$296mn. The **Adj. EBITDA** clocked in at **R$2.5bn** (+2.8% vs. Est.; -6.1% q/q; -10.0% y/y), with margin at **16.6%** (+1.0p.p. vs. Est.; +1.7p.p. q/q; -1.3p.p. y/y), representing mean reversion from a particularly strong 1Q25 base, yet still comfortably above the ~12% historical 5Y average.

Marfrig reached a **Net revenue** of **R$24.5bn** (-2.9% vs. Est.; -6.5% q/q; +1.9% y/y), dragged by **North America**, which missed on both price (-4% vs. Est.; -1.3% q/q) and volume at 473Kt (-1.6% vs. Est.; -5.8% y/y), amid a harsh winter that intensified seasonal spread compression. Meanwhile, **South America** delivered revenue whips, driven by a price upshift (+7.6% vs. Est.; +4.3% q/q), with shipments clocking in at 271Kt (-2.2% vs. Est.; +8.8% y/y). For us, rising cattle purchase costs remained the major issue. In North America, the **COGS/kg** reached **US$7.3/kg** (-3.6% vs. Est.), flat q/q but rising +13.9% y/y and in South America **COGS/kg** clocked in at **R$19.1/kg** (+5.9% vs. Est.), up +4.3% q/q and +13.0% y/y, worse than expected.

Therefore, Marfrig's **Adj. EBITDA** reached **R$669mn** (+7.0% vs. Est.; -19.5% q/q; +36.1% y/y), with a margin of **2.7%** (+0.3p.p. vs. Est.; -0.4p.p. q/q; +0.7p.p. y/y). It is worth noting that North America ended up with a margin of 0.3% (2nd -worst in the historical record). We expect that spreads remain very compressed through most of 26E (-3% y/y in 1Q26 already), with a more meaningful inflection anticipated from mi-2027 onward as the U.S. cattle cycle begins to normalize.

1Q26 Review: In detail!

BRF Domestic: Volume and price take a hit. Domestic volumes (DM) reached 650Kt (-0.8% vs. Est.), declining -20.6% q/q and -5.5% y/y, marginally below our model, reflecting the return of typical 1Q seasonality that was notably absent in 1Q25, making the y/y comparison particularly demanding. The shortfall was concentrated in Jan-Feb, driven by **(i)** a price adjustment implemented at the start of the year that cooled near-term purchasing appetite; and **(ii)** retailers entering 2026 with above-historical inventory levels, opting to draw down existing stocks rather than place fresh orders. We note that March, however, recovered to levels in line with the same month y/y, limiting the annual gap downtrend to the first 2M of the quarter.

In addition, the realized price (DM) clocked in at R$11.7/kg (-0.6% vs. Est.), contracting -3.9% q/q and +0.6% y/y, declining sequentially as the commemorative product mix related to the end-of-year holidays (Christmas and New Year's) that elevated 4Q25 average ticket softened into a back-to-normal base in a more standard portfolio composition, compressing mix-adjusted realizations as expected.

BRF External: New corridors support volumes; Price slightly misses. External shipments (FM) were reported at 555Kt (-4.3% vs. Est.), down -5.3% q/q but basically flat at y/y, coming in below our projection, despite meaningful progress across new export corridors. We assess that the shortfall reflected a slower-than-modeled ramp-up in newly opened markets, even as the directional narrative remained intact: **(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 a high-value mix of chicken feet and premium cuts; **(ii)** first EU shipments were dispatched during the quarter following pre-listing approval at end-2025, opening access to breast meat destinations after an 8Y absence; and **(iii)** Ramadan-driven demand across the GCC delivered record sales volumes, with BRF increasing its share of exports to Gulf countries (+12p.p. between Feb and Mar). Japan also performed constructively, with inventories normalized and the pricing environment supportive.

The realized price (FM) came in at R$13.2/kg (-1.5% vs. Est.), flat q/q, but dropping -2.2% y/y, with USD price increases across most chicken cuts largely neutralized by the USD/BRL FX downtrend (-10% y/y), though the slightly slip reflected a mix drag from the still-challenged Türkiye operation, where supply-demand imbalance continued to pressure in natura pricing.

BRF Consolidated: COGS/kg down; Margin inflects sharply. The COGS/kg clocked in at R$9.3/kg (-2.3% vs. Est.), down -2.8% q/q and rising +1.3% y/y, better than our projection, driven by **(i)** lower grain consumption costs, with corn (-11% y/y) and soybean meal (-8.5% y/y) on a 6M moving average basis, beginning to flow through the P&L with a lag effect that was not yet visible in last quarter; **(ii)** the normalization of the domestic product mix away from the festive season, which carries above-average production costs; **(iii)** continued MBRF+ program, which captured +R$296mn in efficiency gains across both BRF and beef operations; and **(iv)** a reduction in production costs at the Türkiye platform following periods of high inflation.

As a result, EBITDA reached R$2.5bn (+2.8% vs. Est.), and although it is still slowing down at -6.1% q/q and -10.0% y/y, it came above our model have suggested, with margin at 16.6% (+1.0p.p. vs. Est.), expanding +1.7p.p. q/q and contracting -1.3p.p. y/y, notable given the combination of a more favorable cost structure and the contribution of higher-margin international channels shipments, particularly China, the EU, and the Middle East. The y/y compression, by contrast, represented meant reversion from a particularly strong 1Q25 base, when BRF delivered above-seasonal profitability, in addition to the natural slowdown in the poultry cycle, following the historic peak reached in 3Q24 (19.2%, now is -2.6p.p below this level). Even so, we emphasize that margin nowadays (16.6%) remain comfortably above the ~12% historical 5Y average.

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

BRF (R$ millions)	1Q26 **Reported**	1Q26E **Genial Est.**	**% Diff.**	4Q25 **Reported**	**% q/q**	1Q25 **Reported**	**% y/y**
Net Revenue	**14,933**	**15,488**	**-3.6%**	**17,683**	**-15.6%**	**15,425**	**-3.2%**
Domestic	7,612	7,720	-1.4%	9,973	-23.7%	8,006	-4.9%
External	7,320	7,768	-5.8%	7,710	-5.1%	7,420	-1.3%
Adjusted EBITDA	**2,477**	**2,410**	**2.8%**	**2,639**	**-6.1%**	**2,752**	**-10.0%**
Margin (%)	16.6%	15.6%	1.0p.p	14.9%	1.7p.p	17.8%	-1.3p.p

Source: MBRF, Genial Investimentos

Marfrig North America: Margin near breakeven. The division reported a realized price of US$7.4/kg (-4.0% vs. Est.), declining -1.3% q/q but accelerating +13.5% y/y, below our projection, as the USDA Comprehensive cutout reached US$372.2/cwt (+14.5% y/y), a meaningful price recovery in annual terms, yet insufficient to be full realized as we have predicted and offset the impact of rising cattle acquisition costs during the same period. The seasonal compression typical of 1Q was further intensified by a harsh winter across the region during Jan-Feb, contributing to a decline in slaughter volumes (-9% y/y) per USDA data. Volume totaled 473Kt (-1.6% vs. Est.), down -3.5% q/q and -5.8% y/y, modestly below our model, consistent with the nationwide slaughter decline and the structurally low U.S. cattle herd, with 88% of processed beef volume directed to the domestic market.

The COGS/kg clocked in at US$7.3/kg (-3.6% vs. Est.), flat q/q but rising +13.9% y/y, slightly better than estimated, as the USDA KS Steer benchmark reached US$238.6/cwt (+17.9% y/y), reflecting persistently low cattle availability despite a modest late-quarter recovery in slaughter activity as market conditions improved in Mar. As a result, Adj. EBITDA was reported at US$10mn (-33.4% vs. Est.), falling -62.7% q/q and recovering +71.7% y/y from an extremely depressed 1Q25 base, with a margin of 0.3% (-0.1p.p. vs. Est.; -0.5p.p. q/q; +0.1p.p. y/y), as higher selling prices remained insufficient to offset the impact of elevated cattle acquisition costs, posting the 2nd -worst margin in the historical record. We expect that spreads remain very compressed through most of 26E (-3% y/y in 1Q26 already), with a more meaningful inflection anticipated from mi-2027 onward as the U.S. cattle cycle begins to normalize.

Marfrig South America: Prices upshift, costs on the rise. From what we've noticed, the realized price reached R$22.7/kg (+7.6% vs. Est.), up +4.3% q/q and +13.1% y/y, above our forecast, reflecting firmer export realizations supported by resilient global beef demand.

China and Hong Kong absorbed 45% (+1p.p. y/y) of total export revenue, the US lifted to 31% (+6p.p. y/y), and European countries stayed at 17% (flat y/y). Although exports (FM) remained strong, we believe domestic market (DM) weakened sequentially. Total shipments (DM+FM) clocked in at 271Kt (-2.2% vs. Est.), down -8.9% q/q but up +8.8% y/y, slightly below our prediction, yet consistent with **(i)** the continued capacity ramp-up at slaughter plants; and **(ii)** consolidation of higher utilization rates across Brazil, Argentina, and Uruguay.

The COGS/kg clocked in at R$19.1/kg (+5.9% vs. Est.), up +4.3% q/q and +13.0% y/y, worse than expected, reflecting continued cattle cost pressure across all geographies: Brazil at R$337.70/arroba (+5.8% y/y per CEPEA/ESALQ); Uruguay at US$5.48/kg (+26.9% y/y per INAC); and Argentina at US$5.28/kg (+29.4% y/y per IMAG). We emphasize that rising cattle purchase costs remain the major issue, and the spike was superior vs. what we have modeled, particularly in Uruguay and Argentina. Even so, the cutout price upshift more than compensated, resulting in a Adj. EBITDA at R$616mn (+13.2% vs. Est.), declining -9.7% q/q but accelerating +34.9% y/y, above our estimate, with a margin of 10.0% (+0.7p.p. vs. Est.; -0.5p.p. q/q; +0.9p.p. y/y).

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

Marfrig (R$ millions)	1Q26 **Reported**	1Q26E **Genial Est.**	**% Diff.**	4Q25 **Reported**	**% q/q**	1Q25 **Reported**	**% y/y**
Net Revenue	**24,520**	**25,242**	**-2.9%**	**26,233**	**-6.5%**	**24,055**	**1.9%**
North America	18,366	19,393	-5.3%	19,752	-7.0%	19,055	-3.6%
South America	6,154	5,849	5.2%	6,480	-5.0%	5,000	23.1%
Adjusted EBITDA	**669**	**625**	**7.0%**	**830**	**-19.5%**	**491**	**36.1%**
Margin (%)	2.7%	2.5%	0.3p.p	3.2%	-0.4p.p	2.0%	0.7p.p

Source: MBRF, Genial Investimentos

Our Take on MBRF

FCF burn, leverage up a bit. The company reported **FCF burn** at -**R$1.3bn** (vs. +R$75mn Est.), much worse q/q, reversing the generation of +R$183mn in 1Q25, mainly driven by a **(i)** compressed **FCO** (operational cash flow), that reached **R$1.4bn** (-49% vs. Est.; -60% q/q; -53% y/y), pushed down by inventories build up and biological assets, both pressuring working capital (WC), consuming ~R$1.0bn. We assume that the increased need to maintain higher inventory levels stemmed in part from strong demand for beef and in part from the conflict in Iran affecting BRF.

This effect was only partly offset by a lower **(ii) CAPEX** at **R$1.2bn** (-4% vs. Est.; -46% q/q; -18% y/y). If we break it down by business unit, BRF allocated projects aimed at expanding production capacity at the Lucas do Rio Verde (MT) facility and continuing the greenfield project in Jeddah (KSA). On the Marfrig side, we came across investments in the South American Beef operation, with processed meat products in Herval d'Oeste (SC), expansion projects at the Promissão (SP) facility and plant expansions in Argentina and Uruguay. In the North American Beef operation, projects remained focused on automation and modernization of production lines. Interest expenses came in line with prediction at R$1.5bn (flat vs. Est.; +1% q/q; +5% y/y).

In terms of **leverage**, the company reported an **increase** in **Net Debt/EBITDA** ratio to **3.4x**, in **BRL** (+0.3x vs. Est.; +0.1x q/q; +0.7x y/y), coming higher than expected – as we were expecting a reduction –, given the much worse FCF as previously discussed, more than compensating a lower gross debt at R$67bn (-2.4% q/q), in turn driven by USD/BRL FX EoP downtrend to R$5.18 (-6% q/q) that diminished the foreign currency debt in BRL (55% of total debt in 4Q25).

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.

WC burns, but thesis doesn't. Both Adj. EBITDA and margin came in above our and the street's predictions, with the compression landing at just **-0.3p.p y/y**, a move we **struggle to reconcile with the -11.3% YTD share depreciation**. In addition, we point out that the **FCF burn was significant**, pressured by WC (inventory buildup), pushing leverage to **3.4x** (+0.1x q/q). In our preliminary view, this inventory level should be transitory in nature, with a meaningful **WC release** expected **through 2H26E**, converting the current FCF drag into better generation going forward. For now, we believe that these factors will balance each other out before the year-end, so we are maintaining our **FCF Yield** at **24% 26E** (unleveraged). We are willing to extend the benefit of the doubt to management's conference call today.

For **Marfrig**, Tyson's permanent Nebraska closure and additional smaller meatpacker exits are progressively **tightening the North America supply-demand** balance for remaining integrated players, laying the groundwork for a **spread recovery** visible from **mid-2027** onward.

For **BRF**, three structurally additive developments underpin the international growth runway: China's RS plants back at full flow with a high-value cut mix, EU exports resumed after 8Y of absence, and Sadia Halal JV (now formally closed) already posting a record **15.6%** EBITDA margin in 1Q26 (+4.6p.p. y/y), with **a potential 1H27E IPO adding re-rating optionality**, as it remains outside consensus (at least, that's what it seems to us). On costs, corn deflation is beginning to flow through the P&L with a one-quarter lag, providing an **additional margin buffer through 26E** that should partially offset the poultry cycle normalization already embedded in our model.

On top of that, with the **merger synergy thesis intact** as our central anchor, and the market is still appearing to price an underlying deterioration on 26E margins that our figures do not support. We believe there are still **triggers not yet incorporated** that should serve as value drivers. We therefore maintain our **BUY rating**, with a **12M Target Price** of **R$23.00**, implying an upside of **+32%**.

Appendix: MBRF

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

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. 2026-29)

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**

Disclosure Section

1. GENERAL DISCLAIMER

This report has been produced by the research department (“Genial Institutional Research”) of Genial Institutional Corretora de Câmbio, Títulos e Valores Mobiliários S.A. (“GENIAL INSTITUTIONAL CCTVM”). Genial Institutional is a brand name of Genial Investimentos CCTVM.

Genial Rating

	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%**
Sell	Expected return below -10% in relation to the Company's sector average	**5%**
under Review	Under review	**5%**

This report may not be reproduced or redistributed to any other person, in whole or in part, for any purpose, without the prior written consent of GENIAL INSTITUTIONAL CCTVM. GENIAL INSTITUTIONAL CCTVM accepts no liability whatsoever for the actions of third parties in this respect.

This research report is for distribution only under such circumstances as may be permitted by applicable law. This research report has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient, even if sent only to a single recipient. This research report is not guaranteed to be a complete statement or summary of any securities, markets, reports or developments referred to in this research report. Neither GENIAL INSTITUTIONAL CCTVM nor any of its directors, officers, employees or agents shall have any liability, however arising, for any error, inaccuracy or incompleteness of fact or opinion in this research report or lack of care in this research report’s preparation or publication, or any losses or damages which may arise from the use of this research report

GENIAL INSTITUTIONAL CCTVM may rely on information barriers, such as “Chinese Walls” to control the flow of information within the areas, units, divisions, groups, or affiliates of GENIAL INSTITUTIONAL CCTVM.

Investing in any non-U.S. securities or related financial instruments (including ADRs) discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the United States.

The value of any investment or income from any securities or related financial instruments discussed in this research report denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

Past performance is not necessarily a guide to future performance and no representation or warranty, express or implied, is made by GENIAL INSTITUTIONAL CCTVM with respect to future performance. Income from investments may fluctuate. The price or value of the investments to which this research report relates, either directly or indirectly, may fall or rise against the interest of investors. Any recommendation or opinion contained in this research report may become outdated as a consequence of changes in the environment in which the issuer of the securities under analysis operates, in addition to changes in the estimates and forecasts, assumptions and valuation methodology used herein.

The locally listed shares of Brazilian companies may only be purchased by investors outside of Brazil who are “eligible investors” within the meaning of applicable laws and regulations.

2. ANALYST(S) DISCLOSURES AND CERTIFICATION

The principal analyst, IGOR GUEDES, is responsible for the content of this report and for meeting the requirements of Securities and Exchange Commission of Brazil (CVM) Instruction 598/2018.

The analysts hereby certify that the views expressed in this research report accurately reflect their personal views about the subject securities or issuers and it was prepared in an independent manner, including with respect to the person and to GENIAL INSTITUTIONAL.

The analyst hereby certifies that he (she) has no connection with any individual who works for the issuer(s) discussed in this report.

The analyst hereby certifies that he (she), or his (her) spouse or companion, either directly or indirectly, in his or her own name or on behalf of a third party, does not hold any of the securities covered in this report.

The analyst hereby certifies that he (she), or his (her) spouse or companion, is not directly or indirectly involved in the purchase, disposal or brokering of the securities covered in this report.

The analyst hereby certifies that he (she), or the his (her) spouse or companion, has no direct or indirect financial interest in the issuer covered in this report (other than trading shares in investment funds, in which the analyst cannot control, directly or indirectly, the administration or management of the fund, or which do not concentrate investments in sectors or companies that are covered by reports produced by the analyst).

The analyst's compensation is, directly or indirectly, determined by income from GENIAL INSTITUTIONAL´s business and financial operations.

In addition, the analysts certify that no part of their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

The compensation of the analyst who prepared this report is determined by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking revenues, however, compensation may relate to the revenues of GENIAL INSTITUTIONAL CCTVM, its affiliates and/or subsidiaries as a whole, of which investment banking, sales and trading are a part. Compensation paid to analysts is the sole responsibility of GENIAL INSTITUTIONAL CCTVM.

The analyst hereby certifies that he (she), or his (her) spouse or companion, does not serve as an officer, director, or advisory board member of the subject company.

The principal analyst is responsible for the content of this report and for meeting the requirements of Securities and Exchange Commission of Brazil (CVM) Instruction 598/2018.

Unless otherwise stated, the individuals listed on the cover page of this report are research analysts.

3. ADDITIONAL DISCLOSURE

(i) This document was prepared by GENIAL INSTITUTIONAL Research and is hereby supplied for the sole purpose of providing information about companies and their securities.

(ii) The information contained herein is provided for informational purposes only and does not constitute an offer to buy or sell, and should not be construed as a solicitation to acquire, any securities in any jurisdiction. The opinions expressed herein regarding the purchase, sale or holding of securities, or with respect to the weighting of such securities in a real or hypothetical portfolio, are based on careful analysis by the analysts who prepared this report and should not be construed by current or future investors as recommendations for any particular investment decision or action. The investor's final decision should be made considering all of the risks and fees involved. This report is based on information obtained from primary or secondary public sources, or directly from companies, and is combined with estimates and calculations prepared by GENIAL INSTITUTIONAL CCTVM. This report does not purport to be a complete statement of all material facts related to any company, industry, security or market strategy mentioned. The information has been obtained from sources believed to be reliable, but GENIAL INSTITUTIONAL CCTVM does not make any express or implied representation or warranty as to the completeness, reliability or accuracy of such information. The information, opinions, estimates and projections contained in this document are based on current data and are subject to change. Prices and availability of financial instruments are indicative only and subject to change without notice. GENIAL INSTITUTIONAL CCTVM is under no obligation to update or revise this document or to advise of any changes in such data.

(iii) The securities discussed in this report, as well as the opinions and recommendations contained herein, may not be appropriate for every type of investor. This report does not take into account the investments objectives, financial situation or particular needs of any particular investor. Investors who wish to buy, sell or invest in securities that are covered in this report should seek independent financial advice that takes individual characteristics and needs into consideration, before making any investment decision with respect to the securities in question. Each investor should make independent investment decisions after carefully analyzing the risks, fees and commissions involved. If a financial instrument is denominated in a currency other than an investor's currency, changes in exchange rates may adversely affect the price or value of, or the income derived from the financial instrument, and the reader of this report assumes all foreign exchange risks. Income from financial instruments may vary, and therefore their price or value may rise or fall, either directly or indirectly. The information, opinions and recommendations contained in this report do not constitute and should not be interpreted as a promise or guarantee of a particular return on any investment. Past performance does not necessarily indicate future results, and no representation or warranty, express or implied, is made herein regarding future performance. Therefore, GENIAL INSTITUTIONAL CCTVM, its affiliated companies, and the analysts involved in this report take no responsibility for any direct, indirect or consequential loss resulting from the use of the information contained in this report, and anyone using this report undertakes to irrevocably indemnify GENIAL INSTITUTIONAL CCTVM and its affiliates from any claims and demands.

(iv) Prices in this report are believed to be reliable as of the date on which this report was issued and are derived from one or more of the following: (i) sources as expressly specified alongside the relevant data; (ii) the quoted price on the main regulated market for the security in question; (iii) other public sources believed to be reliable; or (iv) GENIAL INSTITUTIONAL CCTVM's proprietary data or data available to GENIAL INSTITUTIONAL CCTVM.

(v) No representation or warranty, either express or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein, except with respect to information concerning GENIAL INSTITUTIONAL CCTVM, its subsidiaries and affiliates. In all cases, investors should conduct their own investigation and analysis of such information before taking or omitting to take any action in relation to securities or markets that are analyzed in this report.

(vi) GENIAL INSTITUTIONAL CCTVM makes no representations herein that investors will obtain profits. GENIAL INSTITUTIONAL CCTVM will not share with investors any investment profits nor accept any liability for any investment losses. Investments involve risks and investors should exercise prudence in making their investment decisions. GENIAL INSTITUTIONAL CCTVM accepts no fiduciary duties on behalf of recipients of this report and in communicating this report is not acting in a fiduciary capacity. This report is not to be relied upon in substitution for the exercise of recipient's independent judgment. Opinions, estimates, and projections expressed herein constitute the current judgment of the analyst responsible for the substance of this report as of the date on which the report was issued and are therefore subject to change without notice and may differ or be contrary to opinions expressed by other business areas or groups of GENIAL INSTITUTIONAL CCTVM as a result of using different assumptions and criteria. The information, opinions and recommendations contained in this report do not constitute and should not be interpreted as a promise or guarantee of a particular return on any investment.

(vii) Because the personal views of analysts may differ from one another, GENIAL INSTITUTIONAL CCTVM, its subsidiaries and affiliates may have issued or may issue reports that are inconsistent with, and/or reach different conclusions from, the information presented herein. Any such opinions, estimates, and projections must not be construed as a representation that the matters referred to therein will occur. Prices and availability of financial instruments are indicative only and subject to change without notice. Income from financial instruments may vary, and therefore their price or value may rise or fall, either directly or indirectly.

(viii) This document may not be: (a) photocopied or duplicated in any manner, in whole or in part, and/or (b) distributed without GENIAL INSTITUTIONAL CCTVM's prior written consent. GENIAL INSTITUTIONAL CCTVM accepts no liability whatsoever for the actions of third parties in this respect.

(ix) Neither GENIAL INSTITUTIONAL CCTVM nor any of its affiliates, nor any of their respective directors, employees or agents, accepts any liability for any loss or damage arising out of the use of all or any part of this report.

(x) GENIAL INSTITUTIONAL CCTVM (or its affiliates, officers, directors or employees) may, to the extent permitted by law, have acted upon or used the information herein contained before the publication of this report and may have a position in securities issued by the companies mentioned herein and may make a market or act as a principal in any transactions in any such securities. Genial Institutional may from time to time perform investment banking or other services to, or solicit investment banking or other business from, the companies mentioned herein.

4. IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by Genial Institutional CCTVM, a company authorized to engage in securities activities in Brazil. Genial Institutional CCTVM is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to “major U.S. institutional investors” in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”) and is not being provided pursuant to a soft-dollar arrangement.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through Auerbach Grayson & Company LLC ("AGCO"), a registered broker dealer in the United States with an office at 20 West 55th Street New York, NY 10019, (212) 453-3523 . Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through Genial Institutional CCTVM.

If the report is to be distributed to anyone other than Major U.S. Institutional Investors in the United States. AGCO accepts responsibility for the contents of this report as provided for in relevant SEC releases and SEC staff no-action letters.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority (“FINRA”) and may not be an associated person at Auerbach Grayson & Company LLC ("AGCO") and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

The disclosures contained in research reports produced by GENIAL INSTITUTIONAL CCTVM and distributed by Auerbach Grayson & Company LLC ("AGCO") in the U.S. shall be governed by and construed in accordance with U.S. law. This report may not be reproduced or redistributed to any other person, in whole or in part, for any purpose, without the prior written consent of GENIAL INSTITUTIONAL CCTVM. Additional information relative to the financial instruments discussed in this report is available upon request.

UK Disclaimer:

(i) This document is STRICTLY CONFIDENTIAL to the recipient, may not be distributed to the press or other media and may not be reproduced in any form. this document is directed only at persons who are “INVESTMENT PROFESSIONALS” falling within article 19(5) of the FSMA 2000 (FINANCIAL PROMOTION) ORDER 2005, or HIGH NET WORTH BODIES falling within ARTICLE 49(2) of that order (together THE “RELEVANT PERSONS”). This document must not be acted on or relied on by persons who are not RELEVANT PERSONS.

(ii) The distribution of this document in other jurisdictions may be restricted by law and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the laws of any such other jurisdiction.