Food & Beverage

Thematic: Australia is worth 8.2x inside a company at 6.1x

Food & Beverage

Q: What are we changing, and why?

A: We are changing neither the rating nor the target price; we are changing how we arrive at them, on two fronts. The first is mechanical and already applied before the transaction: our enterprise value now adds minority interests. EBITDA fully consolidates Pilgrim's Pride, of which JBS owns 82.2%, and the third-party stake is worth US$1.2b at market — omitting it cheapens the multiple artificially and would have the note assert a discount that does not exist. Corrected, EV/EBITDA 26E moves from 5.5x to 6.1x with nothing having happened to the business, and it is on that basis that everything below is computed. The second front is one of estimate: we raise Australia to US$909m Est. for this year, as the second quarter's seasonal deviation reaches +3.5pp over the annual margin and the period's spread damage amounts to a third of that observed in the prior quarter. Against that backdrop, Danantara adds what the thesis lacked: an independent third-party mark on a portfolio asset, rather than arithmetic of our own. We expect a positive yet incomplete reaction — the shares rose 4.2% on the announcement session, vs. the 8% to 11% the mark justifies.

Q: What are the most noteworthy areas?

A: The highlights were: **(+)** The mark is the fact, and it is generous. DIM subscribes for a quarter of the JV for US$2.5b, placing the vehicle at US$10.0b post-money and Australia and New Zealand standalone at US$7.5b — 8.2x last year's EBITDA, against 6.1x for JBS consolidated. **(+)** Liquidity was reinforced on the eve of a tight year: group revolving availability rose to US$4.2b and average debt maturity reaches fifteen years, in a year when the cash breakeven nearly equals the EBITDA we project. **(=)** No cash reaches JBS, and the headline misleads anyone reading a sale. It is a primary subscription: proceeds enter the JV, earmarked for acquisitions in Indonesia over the first two years, so that leverage of 2.8x does not move a dollar. **(–)** The exchange right is latent dilution — absent a JV listing by the sixth year, DIM converts into newly issued JBS shares at JBS's own multiple, and the bill grows precisely if the re-rating leg of our thesis works, an internal tension worth making explicit. **(–)** DIM holds deemed economics of a quarter for three years having funded barely over 9%, plus veto rights over leverage and material asset disposals; Australia is no longer a balance sheet JBS steers alone.

Q: Does the outlook ahead change?

A: The business outlook does not change; the valuation outlook does, and that is where the benefit lies. With Australia marked at US$7.5b and accounting for roughly a sixth of this year's EBITDA, the residual — Beef North America, USA Pork, Pilgrim's, JBS Brazil and Seara — sits implicitly at 5.7x, whereas peers trade at 7.0x. It is the first time our discount thesis rests on a transaction rather than on our own arithmetic; the distinction matters, as a transaction is a price someone actually paid. We should note the conclusion depends on the EBITDA we assign to Australia, which is why we size it: even were the division to deliver US$1.0b, above our own number, the mark still places it at 7.5x against 5.8x for the residual. The direction survives the entire tested range, and no scenario returns Australia to the conglomerate multiple; what varies is intensity. Ahead, the company states its intention to list the JV, and that is the trigger converting a mark into a price. Absent it by the sixth year, the exchange right takes its place — a materially less favourable mechanism for shareholders.

Q: Valuation and recommendation

A: We maintain BUY with a 12M target price of US$18.50, and the novelty is that it now carries a derivation of its own: our target equates to valuing the residual at 6.7x, when the market pays 5.7x. We do not extend the global peer multiple to the residual, and the reason is substantive. The set carries Beef North America operating at a negative margin this year, and a group losing money at one end does not deserve the multiple of one that does not; the discount we embed is modest and compresses as the US herd enters its rebuilding phase, not before it. We should note, moreover, that the value assigned to Australia is a minority subscription price, carrying vetoes and an adjustment mechanism, and not a control price nor a liquid quotation; it serves as an anchor, not as a valuation. We would revisit the target price should results confirm Australia above an 11.5% margin, or should the JV listing advance from stated intention to a process underway — it is the listing that converts a mark into a price, and neither sits in our number.

In short, Indonesia paid 8.2x for the asset the market values at 6.1x: BUY, 12M target price of US$18.50, with the JV listing as the trigger that converts a mark into a price.

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COMPANY

JBS US Equity / JBSS32 BZ Equity
BUY
Price: US$14.26 (07-Aug-26)
Target Price 12M: US$18.50 | BDR: R$95.50

MARKET DATA	
Market cap	US$15.8b
Free float	~30%
ADTV (3m)	US$93m
52-wk range	US$11.49–18.65
Net debt	US$17.9b (1Q26)
Net debt/EBITDA	2.8x (1Q26)
MULTIPLES — IFRS	
EV/EBITDA 26E	6.1x
EV/EBITDA 27E	5.6x
P/E 26E	11.3x
Div. Yield 26E	6.1%
PERFORMANCE	
YTD	–1.1%
LTM	–3.7%
DANANTARA TRANSACTION	
DIM stake	25%
Investment	US$2.5b
ANZ value (pre-money)	US$7.5b
Implied multiple	8.2x

The transaction and what it marks — IFRS, US$

Term	Value	Read
DIM stake in the JV	25%	post-money, funded over up to 3 years
Total investment	US$2.5b	US$800m at completion (9.6% of the JV)
JV value (post-money)	US$10.0b	US$2.5b ÷ 25%
ANZ value (pre-money)	**US$7.5b**	**what ANZ is worth standalone**
ANZ EBITDA in 2025	US$916m	IFRS, reported
Implied ANZ multiple	**8.2x**	**on 2025 EBITDA**
JBS consolidated	6.1x	EV/EBITDA 26E, IFRS, incl. minorities
Residual ex-ANZ	**5.7x**	**implied at the US$14.26 share price**

Valuation ladder — residual multiple ex-Australia

Residual multiple	Value per share	Reference
5.7x	US$14.26	where the market pays today
6.0x	US$15.53	—
6.7x	**US$18.50**	**Genial 12M target price**
7.0x	US$19.85	normalised cattle-cycle scenario

Repricing bridge — what the announcement justifies

Step	US$/share	Read
Close before the announcement (6-Aug)	13.69	ANZ carried at the conglomerate multiple
(+) ANZ mark from the transaction	+1.84	from US$5.5b to US$7.5b of value
(−) Execution risk	−0.37	approvals pending; completion not assured
(−) JV structure	−0.34	deemed economics, vetoes and exchange right
Rational price post-announcement	**14.82 to 15.19**	**depending on completion odds**
Where it trades (7-Aug)	14.26	+4.2% on the announcement session
Left to close	**+3.9% to +6.5%**	**what the market has yet to capture**

Sensitivity to Australia's 26E EBITDA (Genial Est.)

Australia 26E EBITDA	ANZ multiple	Residual EBITDA	Residual multiple	Justified repricing
US$800m	9.4x	US$4,900m	5.6x	+17.8%
US$850m	8.8x	US$4,850m	5.6x	+15.8%
US$909m Est.	**8.3x**	**US$4,791m**	**5.7x**	**+13.5%**
US$950m	7.9x	US$4,750m	5.8x	+11.8%
US$1,000m	7.5x	US$4,700m	5.8x	+9.9%

Australia — the evidence behind the projection

Quarter	EBITDA margin	Slaughter ('000 hd)	Steer (c/kg)	90CL/steer
1Q25	9.9%	1,552	346	0.88
2Q25	14.7%	1,710	355	0.87
3Q25	11.4%	1,826	402	0.82
4Q25	9.5%	1,721	441	0.81
1Q26	6.2%	1,645	448	0.83

Calendar and triggers

When	Event	What it tests
10-Aug-26	2Q26 results	Australia above an 11.5% margin
to be defined	JV completion	regulatory approvals; completion not assured
after full funding	JV 26-27 average vs. 2025	DIM stake adjustment, up to 30%
by year 6	JV listing	converts the mark into a price
after year 6	Exchange right	dilution into newly issued JBS shares

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under Review	Under review	**5%**

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