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Food & Beverage

2Q26 Results: Beat on the Headline, Cut on the Year

Food & Beverage

Q: How did the results compare vs. expectations?

A: The beat is narrower than the headline. Adjusted EBITDA of US$1.4bn came in 2% above our estimate on revenue 5% above, but operating profit missed by 28% — cost of sales ran 7% ahead of our number and gross margin landed a full point below what we carried. What lifted EBITDA over the line was depreciation, 17% above our figure and not a cash item. The quarter was operationally weaker than we projected and rescued at precisely the line the market watches. Below that, the reported result was a loss of US$102mn against adjusted net income of US$218mn, the gap almost entirely non-recurring: tender premiums on the bond and CRA repurchases, antitrust settlements, and a bargain purchase gain on Mantiqueira running the other way. The mix compounds it: five of the six units came in ahead of us and the one that missed was the one nobody was watching. We expect a muted reaction — the shares fell 6% into the print alongside the entire protein complex, and the EBITDA line is offset by leverage crossing the company's own threshold.

Q: What were the most noteworthy areas in the results?

A: The highlights were: **(+)** Beef North America improved 2.4pp y/y to a −1.0% margin, ahead of the −1.6% we carried, and the improvement is idiosyncratic rather than cyclical: two plants closed and the three US beef units merged into one, while cattle spreads stayed at record lows. **(+)** Seara delivered a 14.9% margin against the 13.6% we projected, and JBS Brazil 5.9%, both helped by export prices as the Chinese quota was filled. **(=)** Pilgrim's Pride landed at US$503mn, above us, but the sequential recovery came from productivity and completed plant upgrades rather than from the market, as US poultry spreads weakened through the period. **(−)** USA Pork is the quarter's real news: a 5.6% margin against 12.3% a year earlier, on softer domestic demand. The unit we treated as structurally stable surrendered nearly half its margin in four quarters. **(−)** Leverage reached 3.10x, above the long-term target range the company set for itself.

Q: Has the outlook ahead changed?

A: It has, and we are cutting. First-half adjusted EBITDA of US$2.6bn means the US$5.7bn we published for the year would require a 6.5% second-half margin, against the 5.6% just delivered and 7.8% a year ago — in a half where US poultry spreads already sit 10% below the second-quarter average and Pork is structurally impaired. We therefore lower 2026E to US$5.4bn while raising revenue, and hold 2027E, where the Mexican cattle reopening from 24 August and the US herd rebuild should begin to tell. On cash the direction is the opposite, and it is being misread: free cash flow turned positive at US$237mn, with working capital draining only US$331mn against US$1.6bn in the first quarter as supplier payables reversed. Leverage rose in spite of that, on a US$1.0bn dividend and a falling trailing base — not because the company burned cash. Succession changes none of our numbers and reads as continuity rather than rupture: Wesley Batista Filho takes over in January with a five-month overlap and Tomazoni stays as Vice Chairman. Promoting the executive who ran the US through the trough treats Beef North America as a cyclical problem rather than a managerial one. It bears on the multiple, not the earnings: the family returning to the executive chair is a governance datapoint for precisely the institutional base the NYSE listing was built to attract, and the shares underperformed the protein complex by some two points on the session.

Q: Valuation and recommendation

A: We are cutting the target price to US$17.50 from US$18.50 and keeping BUY. Two things moved. We lowered 2026E EBITDA, and we now derive the target from year-end net debt rather than the spot figure — a twelve-month target belongs on twelve-month-forward leverage, and pairing full-year EBITDA with a second-quarter balance sheet was an inconsistency in our method. On that basis the target values the business ex-Australia at the same multiple we published three days ago, with the Australian asset carried at the mark an independent third party set on it. We still do not extend the global peer multiple to a group carrying Beef North America at a negative margin. What the target deliberately excludes is the joint venture itself: it will hold US$2.5bn of cash plus debt capacity for Southeast Asian acquisitions, and the company states it intends to list it. That is real optionality and we are choosing not to pay for it in advance, which is a different statement from not seeing it. BUY implies 30% upside. We would revisit the recommendation should leverage fail to retreat below the top of the company's own target range by year-end: it is their threshold rather than ours, and the cleanest falsifiable test the story now offers.

In short, EBITDA beat, operations did not, and the year came down with them: BUY, 12M target price of US$17.50, with second-half free cash flow as the test.

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COMPANY

JBS US Equity / JBSS32 BZ Equity
BUY
Price: US$13.41 (10-Aug-26)
Target Price 12M: US$17.50 (from US$18.50) | BDR: R$89.40

MARKET DATA	
Market cap	US$14.9bn
Free float	~28%
ADTV (3m)	US$91mn
52-wk range	US$11.49–18.65
Net debt (2Q26)	US$19.0bn
Net debt/EBITDA	3.1x (2Q26)

MULTIPLES — IFRS	
EV/EBITDA 26E	6.5x
EV/EBITDA 27E	5.6x
P/E 26E	12.4x
Div. Yield 26E	7.5%

PERFORMANCE	
YTD	−7.0%
LTM	+0.6%

2Q26 REPORTED	
Net revenue	US$23,900mn
Adj. EBITDA	US$1,429mn
EBITDA margin	6.0%
Free cash flow	US$237mn

Table 1 — JBS 2Q26 Earnings Review

JBS (US$mn; IFRS)	Reported vs. Est.			Change q/q		Change y/y	
2Q26 Earnings Review	2Q26	2Q26E	Δ vs. Est.	1Q26	q/q	2Q25	y/y
Net revenue	**23,900**	**22,688**	**+5%**	**21,609**	**+11%**	**20,998**	**+14%**
(–) COGS	(21,312)	(20,008)	+7%	(19,284)	+11%	(18,165)	+17%
Gross profit	**2,588**	**2,680**	**–3%**	**2,325**	**+11%**	**2,833**	**–9%**
Gross margin	*10.8%*	*11.8%*	*–1.0pp*	*10.8%*	*+0.1pp*	*13.5%*	*–2.7pp*
(–) Selling expenses	(1,411)	(1,312)	+8%	(1,303)	+8%	(1,207)	+17%
(–) G&A expenses	(588)	(557)	+6%	(556)	+6%	(522)	+13%
(+/–) Other expenses	(20)	0	—	(24)	–17%	18	n/a
(+/–) Other income	28	23	+22%	42	–33%	(16)	n/a
(=) Operating expenses	(1,991)	(1,847)	+8%	(1,840)	+8%	(1,727)	+15%
Operating profit	**597**	**833**	**–28%**	**484**	**+23%**	**1,105**	**–46%**
Operating margin	*2.5%*	*3.7%*	*–1.2pp*	*2.2%*	*+0.3pp*	*5.3%*	*–2.8pp*
(+) Finance income	136	146	–7%	172	–21%	69	+97%
(–) Finance expenses	(831)	(685)	+21%	(486)	+71%	(446)	+86%
(+/–) Equity income	(124)	40	n/a	138	n/a	8	n/a
EBT	**(222)**	**334**	**n/a**	**309**	**n/a**	**736**	**n/a**
(–) Current income tax	(18)	(36)	–50%	(34)	–47%	(166)	–89%
(+/–) Deferred income tax	144	7	+1957%	(33)	n/a	23	+526%
Effective tax rate	*56.7%*	*8.8%*	*+47.9pp*	*21.7%*	*+35.0pp*	*19.3%*	*+37.4pp*
Net income	**(96)**	**304**	**n/a**	**242**	**n/a**	**594**	**n/a**
(–) Minorities	(6)	(23)	–74%	(21)	–71%	(66)	–91%
Net income to JBS	**(102)**	**281**	**n/a**	**221**	**n/a**	**528**	**n/a**
Net margin	*–0.4%*	*1.2%*	*–1.7pp*	*1.0%*	*–1.4pp*	*2.5%*	*–2.9pp*
EPS (US$)	*(0.10)*	*0.25*	*n/a*	*0.21*	*n/a*	*0.48*	*n/a*
Adj. net income	**218**	**—**	**—**	**259**	**–16%**	**577**	**–62%**
Adj. EPS (US$)	*0.20*	*—*	*—*	*0.23*	*–13%*	*0.52*	*–62%*
EBITDA reconciliation — IFRS and US GAAP							
(+) D&A	639	546	+17%	617	+4%	565	+13%
EBITDA	**1,236**	**1,379**	**–10%**	**1,102**	**+12%**	**1,670**	**–26%**
EBITDA margin	*5.2%*	*6.1%*	*–0.9pp*	*5.1%*	*+0.1pp*	*8.0%*	*–2.8pp*
Adj. EBIT — IFRS	**790**	**856**	**–8%**	**516**	**+53%**	**1,188**	**–34%**
Adj. EBITDA — IFRS	**1,429**	**1,401**	**+2%**	**1,133**	**+26%**	**1,754**	**–19%**
Adj. EBITDA margin	*6.0%*	*6.2%*	*–0.2pp*	*5.2%*	*+0.7pp*	*8.3%*	*–2.4pp*
Adj. EBIT — US GAAP	**866**	**—**	**—**	**544**	**+59%**	**1,034**	**–16%**
Adj. EBITDA — US GAAP	**1,257**	**—**	**—**	**916**	**+37%**	**1,368**	**–8%**
Adj. EBITDA margin	*5.3%*	*—*	*—*	*4.2%*	*+1.0pp*	*6.5%*	*–1.3pp*

Table 2 — JBS 2Q26 Operational Review

JBS — by business unit	Reported vs. Est.			Change y/y	
2Q26 Operational Review	2Q26	2Q26E	Δ vs. Est.	2Q25	y/y
Beef North America (IFRS)					
Net revenue (US$mn)	7,770	7,199	+8%	6,805	+14%
Adj. EBITDA (US$mn)	**(78)**	**(114)**	**+36**	**(233)**	**+155**
EBITDA margin	*−1.0%*	*−1.6%*	*+0.6pp*	*−3.4%*	*+2.4pp*
Pilgrim's Pride (IFRS)					
Net revenue (US$mn)	4,623	4,599	+1%	4,755	−3%
Adj. EBITDA (US$mn)	**503**	**479**	**+24**	**818**	**−315**
EBITDA margin	*10.9%*	*10.4%*	*+0.5pp*	*17.2%*	*−6.3pp*
USA Pork (IFRS)					
Net revenue (US$mn)	2,079	2,099	−1%	2,059	+1%
Adj. EBITDA (US$mn)	**117**	**216**	**−99**	**254**	**−137**
EBITDA margin	*5.6%*	*10.3%*	*−4.7pp*	*12.3%*	*−6.7pp*
Australia (IFRS)					
Net revenue (US$mn)	2,565	2,400	+7%	1,973	+30%
Adj. EBITDA (US$mn)	**231**	**224**	**+7**	**290**	**−59**
EBITDA margin	*9.0%*	*9.3%*	*−0.3pp*	*14.7%*	*−5.7pp*
JBS Brazil (IFRS)					
Net revenue (US$mn)	4,585	4,300	+7%	3,581	+28%
Adj. EBITDA (US$mn)	**269**	**249**	**+20**	**229**	**+40**
EBITDA margin	*5.9%*	*5.8%*	*+0.1pp*	*6.4%*	*−0.5pp*
Seara (IFRS)					
Net revenue (US$mn)	2,560	2,501	+2%	2,166	+18%
Adj. EBITDA (US$mn)	**380**	**340**	**+40**	**392**	**−12**
EBITDA margin	*14.8%*	*13.6%*	*+1.2pp*	*18.1%*	*−3.3pp*

Table 3 — Annual projections vs. Bloomberg consensus

Annual projections (US$mn; IFRS)	Actual	Genial Est.			
Annual projections	2025A	2026E	2027E	2028E	2029E
GENIAL EST.					
Net revenue	86,184	94,500	95,200	97,100	98,800
Adj. EBITDA	**6,831**	**5,400**	**6,200**	**7,280**	**7,620**
BLOOMBERG CONSENSUS					
Adj. EBITDA	**6,831**	**5,586**	**6,056**	**7,145**	**7,564**
Genial vs. consensus	*+0%*	*−3%*	*+2%*	*+2%*	*+1%*
WHAT WE ARE CHANGING					
Adj. EBITDA — previous	6,831	5,700	6,200	7,280	7,620
Change	—	*−5%*	—	—	—

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under Review	Under review	**5%**

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