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Food & Beverage

2Q26 Results: The Decline Came In Line, The Cash Did Not

Food & Beverage

Q: How did the results compare vs. expectations?

A: A decline landing broadly where we expected it, and a cash bill that did not. Adjusted EBITDA came to R$1.2bn (+0.9% vs. Est; +10.1% q/q and −5.5% y/y), matching the Bloomberg consensus, but the small beat against us is entirely depreciation: D&A ran R$12mn above our figure while EBIT came in R$2mn below it, so the operation met our assumptions rather than exceeding them. Measured against last year the compression is the story, with the margin at 8.7% (−0.6pp y/y) and EBIT falling on revenue that still rose. The print is clean, carrying under R$1mn of adjustments, so the reported figure governs this note without any add-back. The miss sits below the operating line, where free cash flow burned R$611mn against the R$200mn we projected. We expect a contained reaction, and would not rule out a mildly adverse one, since the operating result offers little the market had not assumed while the balance sheet gives it something new to weigh.

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

A: The noteworthy areas were: **(+)** The effective tax rate printed 4.1% (−7.2pp vs. Est; −1.0pp q/q and +3.5pp y/y), a fraction of what our model carried, on the Uruguayan and Paraguayan mix; it is the most valuable disclosure of the quarter and the reason the bottom line held despite a weaker gross result. **(=)** The margin beat against us was not operational and should not be read as one: non-operating income and depreciation account for all of it, while the gross margin came in slightly below ours. **(=)** Cost dilution is a sequential story rather than an annual one — expenses fell to 10.1% of net revenue from 10.8% in the first quarter, but sat flat against a year ago, so the twelve-month gains from integrating the acquired units have stopped compounding. **(−)** The cash burn is a matter of mix rather than execution: management told us in July that concentrating on the United States expands margin while hurting working capital, and receivables duly consumed R$610mn on the longer terms those customers require. Read against that choice, the burn is the price of the mix, not a failure of control — but it is a price the balance sheet pays. **(−)** Leverage rose to 2.9x, a third consecutive increase, reached even as the company drew a further R$744mn of supplier financing.

Q: Has the outlook ahead changed?

A: We are keeping the company's framework, and changing only what the company did not guide. Revenue of R$58bn and an 8.4% margin remain our 2026 numbers: management described R$58bn as the conservative end of its own range and the margin band as 8.3–8.5%, and the first half landed inside both. It bears stating plainly that the two conditions we published in the preview have failed — the company concentrated into Brazil rather than substituting toward Argentina and Uruguay, and cattle prices recovered instead of consolidating their decline, with the CEPEA indicator back at R$348.55/@ and the company's own industry review now describing an inverted cycle. Neither failure breaks the annual framework, but both move the test into the third quarter, which management itself described as potentially somewhat more fragile: with China absent from Brazil until the shipping window reopens against the 2027 quota, the second half has to deliver close to R$29/kg on a volume broadly matching last year. The single change we make is net income, raised to R$620mn from R$580mn, because the tax load our prior figure embedded is contradicted by the effective rate the first half actually delivered. Estimates for 2027 to 2029 are unchanged.

Q: Valuation and recommendation

A: We reiterate HOLD and the R$4.75 target. On valuation the shares trade at 3.7x EV/EBITDA on our 2026 estimate; pairing a twelve-month target with twelve-month-forward leverage, rather than with a second-quarter balance sheet inflated by seasonal working capital, R$4.75 asks for 3.8x on 2027 EBITDA — approximately where the shares already trade, so the target requires delivery and not a re-rating. We should note that the upside is uncomfortably wide for a HOLD, and it is wide because the share price fell, not because our estimates rose. The condition we will measure against is the company's own, not ours: management stated in July that the second half would compensate the cash it had burned, and the first half burned R$1.4bn. Inventories closed the quarter at R$4.8bn against the R$4.5–4.7bn management calls a normal turn, so the release it intends is identifiable and datable. If the second half does not recover that burn and leverage does not turn down from 2.9x, the deleveraging this thesis rests on stops being late and starts being absent — and that, not the cattle cycle, is what would move our recommendation.

In short, the operating decline landed where we expected and the cash did not: HOLD, 12M target price of R$4.75, with the second-half cash recovery management promised as the test.

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COMPANY

BEEF3 BZ Equity
HOLD
Price: R$ 3.27 (Aug 11)
12M Target Price: R$ 4.75

MARKET DATA	
Market cap	R$3.3bn
Free float	45.8%
ADTV (3m)	R$50mn
52-wk range	3.42–7.58
Net debt (2Q26)	R$14.4bn
Net debt/EBITDA	2.9x (2Q26)
MULTIPLES	
EV/EBITDA 26E	3.7x
EV/EBITDA 27E	3.6x
P/B	1.5x
Div. Yield 26E	5.5%
PERFORMANCE	
Year to date (YTD)	−39.1%
12 months (LTM)	−33.7%
2Q26 REPORTED	
Net revenue	R$14.1bn
EBITDA	R$1.2bn
EBITDA margin	8.7%
Free cash flow	(R$611mn)

1. Financial scorecard — 2Q26 reported vs. Genial Est., R$ m

Minerva (R$ m; IFRS)	Reported vs. Est.			q/q change		y/y change	
2Q26 scorecard	2Q26	2Q26E	Δ vs. Est.	1Q26	q/q	2Q25	y/y
Volume (Kt)	506	491	3.2%	482	5.1%	507	(0.2%)
Net revenue	**14,102**	**14,299**	**(1.4%)**	**13,409**	**5.2%**	**13,918**	**1.3%**
Net price (R$/kg)	*27.86*	*29.15*	*(4.4%)*	*27.84*	*0.1%*	*27.45*	*1.5%*
(–) COGS	(11,757)	(11,911)	(1.3%)	(11,114)	5.8%	(11,473)	2.5%
COGS (R$/kg)	*(23.23)*	*(24.28)*	*(4.3%)*	*(23.07)*	*0.7%*	*(22.62)*	*2.7%*
Gross profit	**2,345**	**2,388**	**(1.8%)**	**2,296**	**2.1%**	**2,445**	**(4.1%)**
Gross margin	*16.6%*	*16.7%*	*(0.1 pp)*	*17.1%*	*(0.5 pp)*	*17.6%*	*(0.9 pp)*
(–) Selling expenses	(813)	(868)	(6.3%)	(860)	(5.4%)	(844)	(3.7%)
(–) General and administrative	(612)	(579)	5.6%	(584)	4.7%	(563)	8.6%
(+/–) Other operating	43	22	96.8%	6	630.5%	21	101.4%
EBIT	**962**	**964**	**(0.2%)**	**858**	**12.1%**	**1,059**	**(9.1%)**
EBIT margin	*6.8%*	*6.7%*	*0.1 pp*	*6.4%*	*0.4 pp*	*7.6%*	*(0.8 pp)*
(+) D&A	268	256	4.6%	260	2.8%	244	9.9%
EBITDA	**1,231**	**1,220**	**0.9%**	**1,118**	**10.1%**	**1,302**	**(5.5%)**
EBITDA margin	*8.7%*	*8.5%*	*0.2 pp*	*8.3%*	*0.4 pp*	*9.4%*	*(0.6 pp)*
(+/–) Financial result	(757)	(750)	1.0%	(766)	(1.2%)	(598)	26.7%
of which FX variation	*(35)*	*—*	*—*	*251*	*n/a*	*129*	*n/a*
Pre-tax profit	**205**	**214**	**(4.2%)**	**92**	**123.2%**	**461**	**(55.5%)**
(–) Income tax	(8)	(24)	(65.2%)	(5)	80.9%	(3)	174.2%
Effective tax rate	*4.1%*	*11.4%*	*(7.2 pp)*	*5.1%*	*(1.0 pp)*	*0.7%*	*3.5 pp*
Net income (consolidated)	**197**	**—**	**—**	**87**	**125.5%**	**458**	**(57.0%)**
(–) Minorities	(7)	—	—	(30)	(75.3%)	(16)	(52.9%)
Net income (attributable)	**190**	**190**	**(0.2%)**	**58**	**228.6%**	**443**	**(57.2%)**
Net margin	*1.3%*	*1.3%*	*0.0 pp*	*0.4%*	*0.9 pp*	*3.2%*	*(1.8 pp)*
Adjusted net income	**225**	**—**	**—**	**(194)**	**n/a**	**314**	**(28.4%)**
Adjusted net margin	*1.6%*	*—*	*—*	*-1.4%*	*3.0 pp*	*2.3%*	*(0.7 pp)*
Cash and capital structure							
(–) CAPEX	(206)	(257)	(19.9%)	(289)	(28.8%)	(241)	(14.5%)
(+/–) Working capital	(1,071)	—	—	(957)	11.9%	(902)	18.7%
Free cash flow	**(611)**	**(200)**	**205.1%**	**(806)**	**(24.2%)**	**(26)**	**2269.8%**
Net debt	**14,363**	**13,891**	**3.4%**	**13,690**	**4.9%**	**14,165**	**1.4%**
Net debt/EBITDA	*2.90x*	*2.84x*	*0.06x*	*2.75x*	*0.15x*	*3.52x*	*(0.62x)*
Advances from customers	4,883	—	—	5,056	(3.4%)	4,182	16.8%
Supplier financing	4,695	—	—	3,951	18.8%	2,926	60.5%
FIDC (receivables)	589	—	—	522	12.8%	394	49.4%

2. Operational scorecard by origin — gross revenue, volume and price

Minerva — by origin	Reported vs. Est.			q/q change		y/y change	
2Q26 operational scorecard	2Q26	2Q26E	Δ vs. Est.	1Q26	q/q	2Q25	y/y
BRAZIL							
Gross revenue (R$ m)	**8,597**	**8,194**	**4.9%**	**7,394**	**16.3%**	**8,228**	**4.5%**
Volume (Kt)	285	275	3.9%	258	10.4%	273	4.5%
Price (R$/kg)	*30.12*	*29.82*	*1.0%*	*28.60*	*5.3%*	*30.13*	*(0.0%)*
SOUTH AMERICA ex-BRAZIL							
Gross revenue (R$ m)	**5,153**	**5,402**	**(4.6%)**	**5,739**	**(10.2%)**	**4,625**	**11.4%**
Volume (Kt)	177	178	(0.9%)	188	(6.0%)	211	(16.4%)
Price (R$/kg)	*29.16*	*30.30*	*(3.7%)*	*30.54*	*(4.5%)*	*21.89*	*33.2%*
SHEEP — AUSTRALIA + CHILE							
Gross revenue (R$ m)	**748**	**730**	**2.4%**	**796**	**(6.1%)**	**702**	**6.5%**
Volume (Kt)	44	38	17.3%	35	25.0%	23	93.8%
Price (R$/kg)	*16.99*	*19.47*	*(12.7%)*	*22.62*	*(24.9%)*	*30.94*	*(45.1%)*
OTHERS — TRADING							
Gross revenue (R$ m)	**570**	**872**	**(34.6%)**	**551**	**3.6%**	**1,156**	**(50.6%)**

3. Reported vs. Bloomberg consensus — 2Q26

Minerva (R$ m)	2Q26		
Reported vs. consensus	Reported	Consensus	Δ
Net revenue	**14,102**	**14,445**	**(2.4%)**
EBIT	**962**	**961**	**0.1%**
EBITDA	**1,231**	**1,228**	**0.2%**
EBITDA margin	*8.7%*	*8.5%*	*0.2 pp*
Net income (attributable)	**190**	**190**	**(0.1%)**

4. Annual projections — Genial Est. vs. Bloomberg consensus, R$ m

Minerva (R$ m)	Genial Est.				
Annual projections	2025A	2026E	2027E	2028E	2029E
Net revenue	**54,830**	**58,000**	**59,100**	**60,400**	**61,500**
EBITDA	**4,825**	**4,870**	**4,850**	**4,980**	**5,290**
EBITDA margin	*8.8%*	*8.4%*	*8.2%*	*8.2%*	*8.6%*
Net income	**810**	**620**	**780**	**1,100**	**1,310**
BLOOMBERG CONSENSUS					
Net revenue	54,830	57,930	59,484	61,066	62,536
EBITDA	4,825	4,811	4,867	5,007	5,329
Net income	810	562	750	1,008	1,156

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under Review	Under review	**5%**

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