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Agribusiness
2Q26 Results: The Crop Turned, The Balance Sheet Did Not

Agribusiness

Q: How did the results compare vs. expectations?
A: Mixed, and the split falls where it matters: the crop delivered, the cash did not. Gross income and net income both landed on our estimates — R$941mn and R$245mn — yet Adjusted EBITDA came in at R$580.6mn (−13.3% vs. Est; −16.5% q/q and +4.3% y/y). The entire gap sits between those two lines, and two things put it there. Non-cash marking of biological assets contributed R$278mn of that gross income, nearly triple a year ago, which is why Adjusted EBITDA printed below the operating result, having printed comfortably above it a year ago. The rest is the cost of serving a bigger crop, with selling expenses up 61% y/y on freight and storage. The market modelled neither: consensus sat within 4% on revenue and 1% on the bottom line, and 18% too high on Adjusted EBITDA — the same shape as our own miss. Into tomorrow's session we expect a negative but contained reaction: the shares already sit a tenth off the floor of a 52-week band they have fallen through all year, and management paired the miss with the best cotton crop it has disclosed in years, none of it yet invoiced.

Q: What were the most noteworthy areas in the results?
A: The noteworthy areas were: **(+)** Cotton answered the question our preview asked. Unit gross income reached R$3,634/t, ahead of our estimate and on a lower unit cost, and the first crop is now tracking 2,220 kg/ha, a fifth above last year and above budget — none of it yet invoiced. **(+)** Soybean landed exactly on the R$530/t we carried, closing a record harvest. **(=)** The 2026/27 input book advanced further than we expected, nitrogen going from nothing at the first quarter to 70% purchased, and the phosphate and potash book closed at a 4% rise against a Brazilian basket up 22% — procurement is where this management separates itself, and it matters into a crop the market already fears. **(−)** Corn was cut hard: the second-crop yield fell to 6,798 kg/ha, 12% below budget, on a planting window that closed late and rain that stopped early — the first place the coming El Niño has shown up in the numbers rather than in the forecasts. **(−)** And leverage went the wrong way, to 3.09x against the 2.9x the company itself guided in July, and it went there on debt rather than on the earnings denominator.

Q: Has the outlook ahead changed?
A: It has, on the financial leg rather than the agricultural one. Start with the cash, which is what the target price rests on: first-half operations generated R$1.3bn and working capital absorbed R$1.8bn, so the crop consumed more than the business produced before a single real of capital expenditure. We cut 2026 Adjusted EBITDA to R$2.6bn, and the reason is not the crop — cotton bills into the second half against an excellent yield — but the cost of serving it. The consequence is the deleveraging path, and here we part company with the guidance. Exiting this year at the 2.4x management still carries would require net debt to fall by roughly R$1.3bn from here, while the company also settles R$669mn for the Mato Grosso block, both instalments of which fall in the second half. That is a call on cash of nearly R$2.0bn against a half that should generate R$1.3bn of EBITDA. The only precedent, the second half of 2025, delivered R$745mn with no land bill; scaled to this year's crop it still leaves the year nearer 2.8x. Against that, the commodity moved our way: today's WASDE cut world cotton stocks-to-use to 56.7%, a further 1.7 points in a month, on precisely the crop of which SLC has yet to invoice a tonne.

Q: Valuation and recommendation
A: We reiterate HOLD and the R$18.00 target, because the two legs moved in opposite directions and roughly cancelled. What changed underneath is the entry point: on spot net debt the shares now trade at 5.4x our 2026 EBITDA, against 4.8x on the same basis in July — the multiple rose without the price moving, because the balance sheet did. Our take is that SLC remains an asset story the market keeps pricing as an earnings story, and this quarter shows why that matters. The market's own screen says the opposite — a premium to comps on forward EV/EBITDA where the two-year average is a discount — but those comps correlate below 0.25 with SLC, which is why we price the assets, not the peer set. The company disclosed net asset value of R$27.12 per share, and the land behind it has compounded 8.4% a year in real terms over five years; the shares trade at half of it. That gap is the thesis, and it will not close while leverage rises and the second half has to fund a land purchase struck above the company's own average hectare — which is precisely why we are not upgrading on a cotton crop we agree is excellent. We would revisit the rating if third-quarter net debt falls by more than R$700mn, and the target if 2026/27 cost per hectare lands within the guided range.

In short, the crop turned and the balance sheet did not: HOLD, 12M target price of R$18.00, with third-quarter net debt and the 2026/27 cost per hectare as the two tests.

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COMPANY

SLCE3 BZ Equity
HOLD
Price: R$13.23 (Aug 12)
12M Target Price: R$18.00

MARKET DATA	
Market cap	R$6.6bn
Free float	44.6%
ADTV (3m)	R$44mn
52-wk range	12.58–19.48
Net debt (2Q26)	R$7.5bn
Net debt/EBITDA	3.09x (2Q26)
MULTIPLES	
EV/EBITDA 26E	5.4x
EV/EBITDA 27E	5.0x
Div. yield 26E	4.0%
P/NAV (2Q26)	0.49x
PERFORMANCE	
Year to date (YTD)	−7.3%
12 months (LTM)	−13.6%
2Q26 REPORTED	
Net revenue	R$2.2bn
Adjusted EBITDA	R$581mn
Adj. EBITDA margin	26.7%
Cotton unit gross (R$/t)	3,634

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

SLC Agrícola (R$ mn; IFRS)	Reported vs. Est.			q/q change		y/y change	
2Q26 scorecard	**2Q26**	**2Q26E**	**Δ vs. Est.**	**1Q26**	**q/q**	**2Q25**	**y/y**
Net revenue	**2,176**	**2,220**	**(2.0%)**	**2,268**	**(4.1%)**	**1,862**	**16.8%**
(+/−) Biological assets and NRV	590	—	—	398	48.4%	393	50.2%
(−) COGS (incl. biological realisation)	(1,824)	—	—	(1,722)	6.0%	(1,599)	14.1%
Gross income	**941**	**940**	**0.1%**	**943**	**(0.2%)**	**656**	**43.5%**
Gross margin	*43.3%*	*42.3%*	*1.0 pp*	*41.6%*	*1.7 pp*	*35.2%*	*8.1 pp*
(−) Selling expenses	(143)	—	—	(155)	(7.5%)	(89)	61.4%
(−) General and administrative	(94)	—	—	(118)	(20.7%)	(89)	5.2%
(−) Management fees	(4)	—	—	(13)	(67.7%)	(4)	0.0%
(+/−) Other operating	(23)	—	—	(33)	(31.4%)	(21)	9.1%
Operating result	**677**	**—**	**—**	**624**	**8.5%**	**453**	**49.4%**
Operating margin	*31.1%*	*—*	*—*	*27.5%*	*3.6 pp*	*24.3%*	*6.8 pp*
(+) D&A	107	—	—	81	31.2%	105	1.4%
(+) Right-of-use D&A (IFRS-16)	75	—	—	70	6.7%	96	(22.0%)
EBITDA	**859**	**—**	**—**	**776**	**10.7%**	**655**	**31.3%**
(−) Biological assets, net	(278)	—	—	(100)	178.2%	(104)	166.5%
(+/−) Other adjustments	(0)	—	—	19	—	6	—
Adjusted EBITDA	**581**	**670**	**(13.3%)**	**695**	**(16.5%)**	**557**	**4.3%**
Adj. EBITDA margin	*26.7%*	*30.2%*	*(3.5 pp)*	*30.7%*	*(4.0 pp)*	*29.9%*	*(3.2 pp)*
(+/−) Financial result	(357)	—	—	(296)	20.9%	(275)	29.8%
Pre-tax profit	**320**	**—**	**—**	**329**	**(2.6%)**	**178**	**79.8%**
(−) Income tax	(75)	—	—	(93)	(19.1%)	(38)	96.3%
Effective tax rate	*23.4%*	*—*	*—*	*28.2%*	*(4.8 pp)*	*21.4%*	*2.0 pp*
Consolidated net income	**245**	**245**	**0.0%**	**236**	**3.8%**	**140**	**75.3%**
Net margin	*11.3%*	*11.0%*	*0.3 pp*	*10.4%*	*0.9 pp*	*7.5%*	*3.8 pp*
Cash and capital structure							
Cash generated from operations	**570**	**—**	**—**	**734**	**(22.3%)**	**548**	**4.1%**
(+/−) Changes in assets and liabilities	(628)	—	—	(1,219)	(48.5%)	(444)	41.2%
(−) Net cash from investing activities	(372)	—	—	(831)	(55.2%)	(267)	39.6%
Net cash before financing	**(430)**	**—**	**—**	**(1,316)**	**(67.4%)**	**(163)**	**163.0%**
(−) Acquisition of stake	0	—	—	0	—	(103)	n/a
(−) Leases paid	(376)	—	—	(38)	—	(360)	4.6%
Adjusted free cash flow	**(805)**	**—**	**—**	**(1,354)**	**(40.5%)**	**(626)**	**28.6%**
Adjusted net debt	**7,539**	**—**	**—**	**6,564**	**14.8%**	**5,989**	**25.9%**
Adj. net debt/Adj. EBITDA (LTM)	*3.09x*	*2.90x*	*0.19x*	*2.72x*	*0.37x*	*2.33x*	*0.76x*

2. Operational scorecard by crop — 2Q26, revenue adjusted for FX hedge

SLC Agrícola — by crop	Reported vs. Est.			q/q change		y/y change	
2Q26 operational scorecard	**2Q26**	**2Q26E**	**Δ vs. Est.**	**1Q26**	**q/q**	**2Q25**	**y/y**
COTTON LINT							
Net revenue	**908**	—	—	**879**	**3.3%**	**736**	**23.4%**
Volume invoiced (Kt)	93	92	1.6%	92	0.6%	76	21.9%
Unit price (R$/t)	9,757	9,730	0.3%	9,504	2.7%	9,638	1.2%
Unit cost (R$/t)	(6,123)	(6,130)	(0.1%)	(6,272)	(2.4%)	(6,313)	(3.0%)
Unit gross income (R$/t)	**3,634**	**3,600**	**0.9%**	**3,232**	**12.4%**	**3,325**	**9.3%**
Gross margin	*37.2%*	*37.0%*	*0.2 pp*	*34.0%*	*3.2 pp*	*34.5%*	*2.7 pp*
COTTONSEED							
Volume invoiced (Kt)	30	30	0.4%	62	(51.1%)	30	1.1%
Unit price (R$/t)	898	1,000	(10.2%)	976	(8.0%)	1,081	(16.9%)
Unit cost (R$/t)	(677)	(760)	(10.9%)	(549)	23.3%	(605)	11.9%
Unit gross income (R$/t)	**221**	**240**	**(7.9%)**	**427**	**(48.2%)**	**476**	**(53.6%)**
Gross margin	*24.6%*	*24.0%*	*0.6 pp*	*43.7%*	*(19.1 pp)*	*44.0%*	*(19.4 pp)*
SOYBEAN							
Net revenue	**1,060**	—	—	**1,227**	**(13.6%)**	**966**	**9.7%**
Volume invoiced (Kt)	568	570	(0.3%)	646	(12.1%)	518	9.8%
Unit price (R$/t)	1,865	1,862	0.2%	1,898	(1.7%)	1,867	(0.1%)
Unit cost (R$/t)	(1,335)	(1,332)	0.2%	(1,086)	22.9%	(1,359)	(1.8%)
Unit gross income (R$/t)	**530**	**530**	**0.0%**	**812**	**(34.7%)**	**508**	**4.3%**
Gross margin	*28.4%*	*28.5%*	*(0.1 pp)*	*42.8%*	*(14.4 pp)*	*27.2%*	*1.2 pp*
CORN 2ND CROP							
Volume invoiced (Kt)	103	102	1.4%	9	—	61	69.5%
Unit price (R$/t)	791	790	0.1%	874	—	823	(3.9%)
Unit cost (R$/t)	(569)	(562)	1.2%	(390)	—	(468)	21.6%
Unit gross income (R$/t)	**222**	**228**	**(2.6%)**	**484**	**—**	**355**	**(37.5%)**
Gross margin	*28.0%*	*28.9%*	*(0.9 pp)*	*55.4%*	—	*43.1%*	*(15.1 pp)*
CATTLE							
Volume invoiced (k head)	13	12	6.6%	9	—	8	52.3%
Unit price (R$/head)	7,351	7,813	(5.9%)	6,538	—	6,402	14.8%
Unit cost (R$/head)	(6,126)	(6,563)	(6.7%)	(6,330)	—	(5,380)	13.9%
Unit gross income (R$/head)	**1,225**	**1,250**	**(2.0%)**	**208**	**—**	**1,022**	**19.9%**
Gross margin	*16.7%*	*16.0%*	*0.7 pp*	*3.2%*	—	*16.0%*	*0.7 pp*

3. Reported vs. Bloomberg consensus — 2Q26, R$ mn

SLC Agrícola (R$ mn)	2Q26		
Reported vs. consensus	Reported	Consensus	Δ
Net revenue	**2,176**	**2,254**	**(3.5%)**
Adjusted EBITDA	**581**	**705**	**(17.6%)**
Adj. EBITDA margin	*26.7%*	*31.3%*	*(4.6 pp)*
Net income to shareholders	**226**	**229**	**(1.3%)**

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

SLC Agrícola (R$ mn)	Genial Est.			
Annual projections	2025A	2026E	2027E	2028E
Net revenue	**9,759**	**10,100**	**10,200**	**10,900**
Adjusted EBITDA	**2,665**	**2,600**	**2,800**	**3,150**
Net income	**556**	**500**	**700**	**950**
BLOOMBERG CONSENSUS				
Net revenue	9,759	9,699	9,500	10,422
Adjusted EBITDA	2,665	2,795	2,819	3,217
Net income	556	709	654	1,007

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