# Food & Beverage

## 2Q26 Results: North America Arrived, The Payables Left

Food & Beverage

**Q: How did the results compare vs. expectations?**

A: In line at the headline and softer underneath, and the distinction governs the note. Adjusted EBITDA of R$3.2bn (+1.1% vs. Est; +3.5% q/q and +5.4% y/y) matched the Bloomberg consensus to the decimal, but it carries R$158mn of add-backs against R$38mn a year earlier. Stripped of them, underlying EBITDA advanced 1.5% y/y and the underlying margin receded to 7.5% — the whole of the reported margin gain is reclassification rather than operation. Gross profit fell short of our number and gross margin compressed in every division, so wherever the quarter beat, it beat below the gross line; the same holds for the earnings line, whose annual advance rests largely on other operating income turning positive. As to the market, we anticipate a muted reaction and would not discard a mildly adverse one: the print offers nothing to reprice at the headline, the shares closed near the floor of a 52-week band down which they have fallen a quarter, and the cash statement reads considerably worse than the profit statement.

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

A: The highlights were: **(+)** Beef North America answered the test we published in July, delivering EBITDA of US$26mn (+17.5% vs. Est; +152.4% q/q and +2.5% y/y) and a positive margin while the two US peers that reported before it remained in loss; the differential reaches roughly 2pp, precisely the figure we subscribed, and it originated in volume, with carcass weight sustaining shipments against industry slaughter down 7.3% y/y. **(+)** Sadia Halal delivered a record margin of 16.1%, against single digits a year earlier, and is the engine behind BRF's annual margin expansion. **(=)** BRF beat (+3.0% vs. Est; +4.8% q/q and +3.8% y/y), but the beat is composition rather than core, inasmuch as gross margin compressed 233bps y/y and what expanded was mix and expense discipline. **(−)** South America ceded on cattle cost, as we anticipated, (−4.2% vs. Est; −7.4% q/q and +22.1% y/y) consuming a commercially favourable quarter. **(−)** Free cash flow consumed R$864mn, and the semester consumed R$2.1bn against generation a year earlier. **(−)** The drain is payables, not inventory: suppliers reversed R$1.6bn year-on-year while inventories drained materially less, and the balance of invoices under the reverse factoring programme fell R$471mn in the semester — the company is funding a rising share of its own payables.

**Q: Has the outlook ahead changed?**

A: The operating outlook has not changed; our numbers have, and in a single line. We are raising Beef North America's 2027 margin to 2.0%, from the 1.5% our model carried — a level the division last delivered in 2024, and one it reached in a year when cattle availability was already tightening. The quarter supplied the first evidence that the trough is behind it, with margin advancing 40bps sequentially while industry slaughter fell 7.3% y/y; the division improved into a shrinking kill rather than because of a generous one, which is the harder way to do it and the more durable. The structural relief is still ahead of us: withdrawn capacity is permanent and Mexican cattle reach the kill floor in 1H27, although it bears qualifying that the port authorised so far accounts for roughly a seventh of the historical flow, so the relief arrives later and smaller than the announcement suggested. That takes our 2027 EBITDA to R$13.3bn, above the consensus, and it is where the differentiation of this call now sits. What has not improved is the balance sheet: leverage rose for a second consecutive quarter while the company repurchased its own shares, and notwithstanding management's framing of the working-capital outflow as seasonal, the reverse factoring balance says otherwise. The conference call takes place tomorrow morning.

**Q: Valuation and recommendation**

A: We reiterate BUY and the 12-month target price of R$23.00. It bears setting out what changed, because it is not the target: until today our estimates sat on top of the consensus and our target was the exact median of nineteen houses, which is no differentiation at all — the recommendation rested on a re-rating rather than on a view, and a re-rating is not something an analyst can underwrite. Raising 2027 North America places us above the street on the one line that decides this name, and converts the call into an estimates thesis, which is a materially better place to stand. The target derives from multiple, inasmuch as the shares trade at an 11% discount to the peer set against a two-year average of 2%; reverting to that own history implies 6.4x over our revised 2027 EBITDA, which net of twelve-month forward debt and minority interests returns the target above. What would move us the other way is cash rather than the cycle, and the distinction matters: the drain is structural, and a company funding a rising share of its own payables has less room to absorb a slower recovery. We would revisit the recommendation should third-quarter free cash flow stay negative and leverage advance beyond 3.41x.

In short, North America arrived and the payables carried the cash out with them: BUY, 12M target price of R$23.00, now carried by 2027 estimates above the street rather than by a re-rating, with third-quarter free cash flow as the condition that would move us.

### ANALYSTS

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

### COMPANY

**MBRF3 BZ Equity**
**BUY**
Price: R$ 16.35 (Aug 13)
12M Target Price: R$ 23.00 (maintained)

| MARKET DATA | |
|---|---|
| Market cap | R$ 22.6bn |
| Free float | 56.8% |
| ADTV (3m) | R$ 117mn |
| 52-wk range | 14.49–27.66 |
| Net debt (2Q26) | R$ 45,008mn |
| Net debt/EBITDA | 3.41x (2Q26) |
| **MULTIPLES** | |
| EV/EBITDA 26E | 5.2x |
| EV/EBITDA 27E | 5.2x |
| Div. Yield 26E | 0.4% |
| Disc. vs. peers | −11% |
| **PERFORMANCE** | |
| Year to date (YTD) | −18.2% |
| 12 months (LTM) | −24.8% |
| **2Q26 REPORTED** | |
| Net revenue | R$40.7bn |
| Adj. EBITDA | R$3.2bn |
| Adj. EBITDA margin | 7.9% |
| Beef NA EBITDA | US$26mn |

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

| MBRF (R$ mn; IFRS) | Reported vs. Est. | | | q/q change | | y/y change | |
|---|---|---|---|---|---|---|---|
| 2Q26 financial scorecard | 2Q26 | 2Q26E | Δ vs. Est. | 1Q26 | q/q | 2Q25 | y/y |
| **INCOME STATEMENT** | | | | | | | |
| **Net revenue** | **40,720** | **40,176** | **1.4%** | **39,453** | **3.2%** | **38,802** | **4.9%** |
| (−) COGS | (35,852) | (35,135) | 2.0% | (34,683) | 3.4% | (33,987) | 5.5% |
| **Gross profit** | **4,868** | **5,041** | **(3.4%)** | **4,770** | **2.0%** | **4,815** | **1.1%** |
| *Gross margin* | *12.0%* | *12.5%* | *(0.6 pp)* | *12.1%* | *(0.1 pp)* | *12.4%* | *(0.5 pp)* |
| (+) D&A | 1,652 | 1,734 | (4.8%) | 1,610 | 2.6% | 1,866 | (11.5%) |
| **EBIT** | **1,393** | **1,401** | **(0.6%)** | **1,388** | **0.4%** | **1,107** | **25.8%** |
| **Adjusted EBITDA** | **3,203** | **3,169** | **1.1%** | **3,096** | **3.5%** | **3,039** | **5.4%** |
| *Adj. EBITDA margin* | *7.9%* | *7.9%* | *(0.0 pp)* | *7.8%* | *0.0 pp* | *7.8%* | *0.0 pp* |
| (+/−) Financial result | (1,776) | (1,736) | 2.3% | (1,390) | 27.8% | (1,436) | 23.7% |
| EBT | (382) | (335) | — | (2) | — | (329) | — |
| (−) Income tax | 423 | (2) | n/a | (27) | n/a | 502 | (15.8%) |
| (+/−) Minorities | 28 | (137) | n/a | 141 | (80.1%) | (112) | n/a |
| **Net income (attributable)** | **69** | **(200)** | **n/a** | **111** | **(38.0%)** | **85** | **(19.0%)** |
| **CASH AND BALANCE SHEET** | | | | | | | |
| (−) CAPEX | (1,411) | (1,400) | 0.8% | (1,174) | 20.2% | — | — |
| **Free cash flow** | **(864)** | **(400)** | **116.0%** | **(1,262)** | **(31.5%)** | **—** | **—** |
| Net debt | 45,008 | — | — | 43,967 | 2.4% | 37,606 | 19.7% |
| *Net debt/EBITDA* | *3.41x* | *—* | *—* | *3.37x* | *0.04x* | *2.71x* | *0.70x* |

## 2. Operating scorecard by division — volume, price and margin

| MBRF — by division | Reported vs. Est. | | | q/q change | | y/y change | |
|---|---|---|---|---|---|---|---|
| 2Q26 operating scorecard | 2Q26 | 2Q26E | Δ vs. Est. | 1Q26 | q/q | 2Q25 | y/y |
| **BRF** | | | | | | | |
| Volume ('000 tons) | 1,219 | 1,250 | (2.5%) | 1,205 | 1.2% | 1,221 | (0.1%) |
| Net revenue | 15,428 | 15,595 | (1.1%) | 14,933 | 3.3% | 15,266 | 1.1% |
| Price (R$/kg) | 12.66 | 12.47 | 1.5% | 12.40 | 2.1% | 12.51 | 1.2% |
| Gross profit | 3,776 | 4,045 | (6.6%) | 3,712 | 1.7% | 4,092 | (7.7%) |
| Gross margin | 24.5% | 25.9% | (1.5 pp) | 24.9% | (0.4 pp) | 26.8% | (2.3 pp) |
| **Adjusted EBITDA** | **2,596** | **2,520** | **3.0%** | **2,477** | **4.8%** | **2,500** | **3.8%** |
| *EBITDA margin* | *16.8%* | *16.2%* | *0.7 pp* | *16.6%* | *0.2 pp* | *16.4%* | *0.4 pp* |
| **BEEF SOUTH AMERICA** | | | | | | | |
| Volume ('000 tons) | 273 | 267 | 2.2% | 271 | 0.6% | 251 | 8.8% |
| Net revenue | 6,389 | 6,155 | 3.8% | 6,154 | 3.8% | 5,055 | 26.4% |
| Price (R$/kg) | 23.40 | 23.04 | 1.6% | 22.68 | 3.2% | 20.14 | 16.2% |
| Gross profit | 915 | 967 | (5.4%) | 985 | (7.1%) | 773 | 18.4% |
| Gross margin | 14.3% | 15.7% | (1.4 pp) | 16.0% | (1.7 pp) | 15.3% | (1.0 pp) |
| **Adjusted EBITDA** | **570** | **595** | **(4.2%)** | **616** | **(7.4%)** | **467** | **22.1%** |
| *EBITDA margin* | *8.9%* | *9.7%* | *(0.8 pp)* | *10.0%* | *(1.1 pp)* | *9.2%* | *(0.3 pp)* |
| **BEEF NORTH AMERICA** | | | | | | | |
| Volume ('000 tons) | 477 | 458 | 4.1% | 473 | 0.9% | 468 | 2.0% |
| Domestic market ('000 tons) | 421 | 403 | 4.5% | 414 | 1.8% | 411 | 2.4% |
| Export market ('000 tons) | 56 | 55 | 1.3% | 59 | (5.1%) | 56 | (0.5%) |
| Net revenue | 18,904 | 18,426 | 2.6% | 18,366 | 2.9% | 18,481 | 2.3% |
| **Adjusted EBITDA** | **131** | **111** | **17.8%** | **53** | **146.2%** | **144** | **(8.8%)** |
| *EBITDA margin* | *0.7%* | *0.6%* | *0.1 pp* | *0.3%* | *0.4 pp* | *0.8%* | *(0.1 pp)* |
| **BEEF NORTH AMERICA — IN US$ (mn)** | | | | | | | |
| Net revenue (US$mn) | 3,748 | 3,650 | 2.7% | 3,491 | 7.4% | 3,263 | 14.9% |
| Price (US$/kg) | 7.86 | 7.96 | (1.3%) | 7.38 | 6.4% | 6.98 | 12.6% |
| COGS (US$/kg) | (7.69) | (7.78) | (1.2%) | (7.26) | 5.9% | (6.80) | 13.1% |
| Gross profit (US$mn) | 80 | 83 | (3.3%) | 57 | 39.9% | 84 | (4.7%) |
| **Adj. EBITDA (US$mn)** | **26** | **22** | **17.5%** | **10** | **152.4%** | **25** | **2.5%** |
| *EBITDA margin* | *0.7%* | *0.6%* | *0.1 pp* | *0.3%* | *0.4 pp* | *0.8%* | *(0.1 pp)* |
| **CORPORATE AND ELIMINATIONS** | | | | | | | |
| **Adjusted EBITDA** | **(94)** | **(58)** | **62.4%** | **(49)** | **90.3%** | **(71)** | **32.0%** |

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

| MBRF (R$ mn) | 2Q26 | | |
|---|---|---|---|
| Reported vs. consensus | Reported | Consensus | Δ |
| **Net revenue** | **40,720** | **39,446** | **3.2%** |
| **EBIT** | **1,393** | **1,502** | **(7.3%)** |
| **Adjusted EBITDA** | **3,203** | **3,203** | **0.0%** |
| *EBITDA margin* | *7.9%* | *8.1%* | *(0.3 pp)* |
| **Net income (attributable)** | **69** | **126** | **(45.2%)** |

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

| MBRF (R$ mn) | Genial Est. | | | | |
|---|---|---|---|---|---|
| Annual projections | 2025A | 2026E | 2027E | 2028E | 2029E |
| **Net revenue** | **163,778** | **163,900** | **170,200** | **176,200** | **181,200** |
| **Adjusted EBITDA** | **13,151** | **12,950** | **13,250** | **14,850** | **16,950** |
| *EBITDA margin* | *8.0%* | *7.9%* | *7.8%* | *8.4%* | *9.3%* |
| **Net income** | **358** | **295** | **650** | **1,980** | **2,450** |
| **BLOOMBERG CONSENSUS** | | | | | |
| Net revenue | 163,778 | 164,585 | 170,890 | 176,786 | 181,856 |
| Adjusted EBITDA | 13,151 | 13,002 | 12,864 | 14,786 | 17,091 |
| Net income | 358 | 380 | (27) | 1,714 | 1,646 |

## 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, LUCA VELLO, 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.