Minerva S.A.

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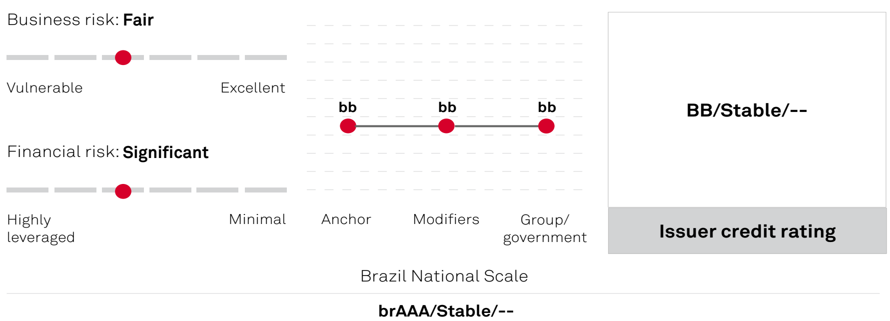
Ratings Score Snapshot



Credit Highlights

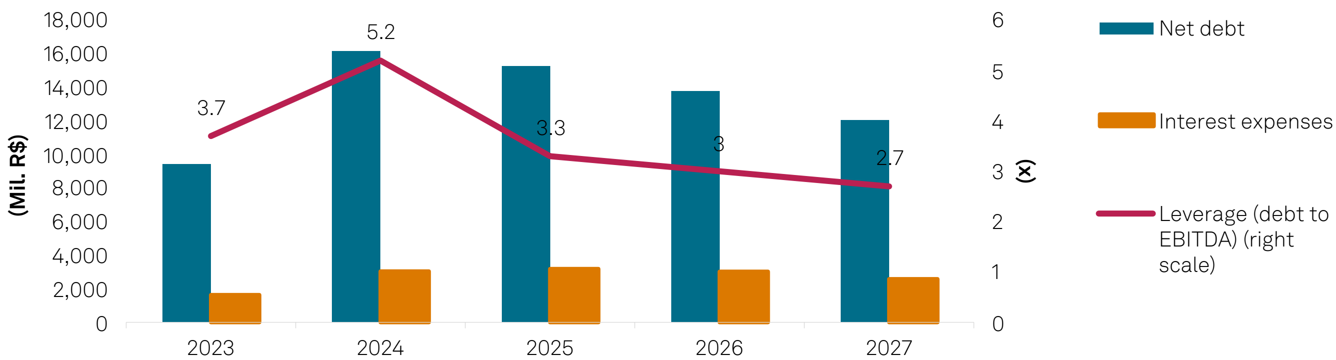
Overview

Key strengths	Key risks
Latin America's largest beef exporter, with potential market share of 35% after acquisition of Marfrig's assets.	Exposure to volatile global beef supply and demand, as well as foreign exchange swings and export barriers.
History of solid operational performance, along with quick ability to adapt to industry changes. Robust liquidity.	Execution risks of integrating Marfrig assets, largest historical acquisition, amid very high interest rates that pressure credit metrics. Lower product diversification than higher-rated global peers.

Higher nominal debt and a higher interest burden have weakened Minerva's leverage. S&P Global Ratings-adjusted leverage hit a peak of 5.2x by the end of 2024, while pro forma, estimated leverage was about 3.6x. The higher debt stemmed from Minerva's newly acquired plants, including the ones in Brazil, which it received approval to start operating in October 2024 but ultimately could operate for only 40 days last year. The cattle slaughter volume from the new assets accounted for about 4% of the total slaughtered volume of 4.413 million heads in 2024.

We expect the new plants' ramp-up process to continue in 2025, with the volume contribution boosting net revenue and EBITDA. Consolidated net revenue and EBITDA reached Brazilian real (R$) 34 billion and R$3.1 billion, respectively, in 2024, and we forecast these figures will exceed R$48 billion and R$4.5 billion in the coming years, keeping margins around 9%.

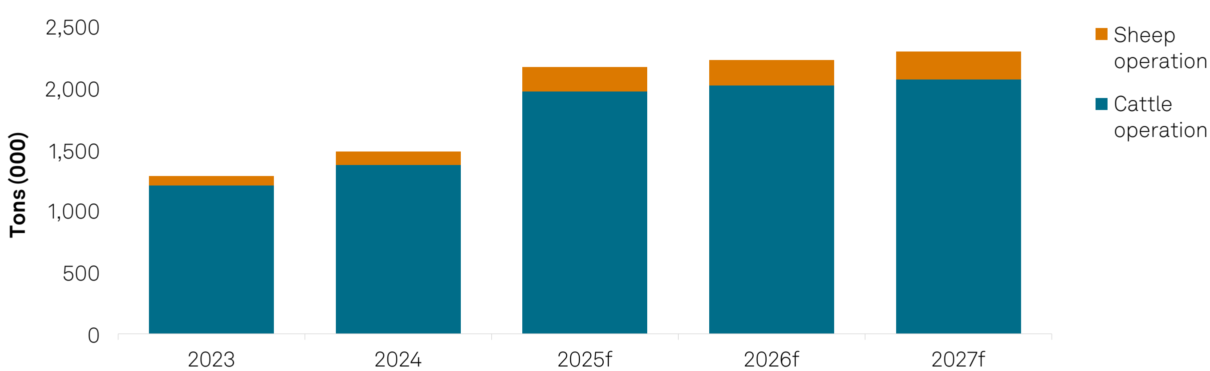
Chart 1: Minerva debt, interest expenses, and leverage



Source: S&P Global Ratings.

While leverage will take longer to improve than previously anticipated, the company will likely continue employing countercyclical measures and financial discipline to address leverage constraints. Such measures include adjusting capital expenditure (capex), dividends, and working capital. Minerva has a sound record of integrating new assets and improving their margins. Management is committed to reducing leverage to around 2.5x. The company's solid cash position and access to credit and capital markets are key to alleviating the higher leverage.

Chart 2: Minerva cattle and sheep volume contribution



f--Forecast. Source: S&P Global Ratings.

However, high capex and working capital consumption, along with sizable interest expenses, hinder cash flow generation and the ability to reduce debt. Given rising interest rates--particularly in Brazil, where the company holds 30%-40% of its debt--we expect interest payments of R$2 billion-R$3 billion per year for the next three years. We thus forecast funds from operations (FFO) to debt will remain below 12% in 2025, then gradually increase to 15% in 2027 before hitting close to 20% by 2028. In addition, capex will be approximately R$1 billion in 2025, alongside higher working capital in the combined business, especially in a scenario of higher cattle prices and volumes.

Moreover, we forecast Minerva will generate positive free operating cash flow (FOCF). Its FOCF was robust at R$4 billion in 2024, given effective commercial and operational strategies that significantly improved working capital release. In 2025, we expect free cash flow generation around R$1.3 billion. As capex decreases to R$800 million-R$900 million and working capital normalizes, the company should achieve cash flow generation of nearly R$2 billion in 2026 and more than R$2 billion afterward, which we estimate it will use mostly to reduce debt.

The volume increase amid solid export prices should sustain margins. Given Minerva’s strategic position in South America, which helps mitigate weaker cattle cycles by allowing arbitration of prices in different export destinations; newly opened export destinations; growing and robust demand from the U.S.; and resilient Chinese demand, we expect Minerva's profitability will remain solid over the coming years.

Outlook

The stable outlook reflects Minerva's commitment to achieving adjusted net debt to EBITDA around 2.5x, which we anticipate will occur in 2027, after peaking at 3.6x pro forma at the end of 2024. It also reflects that we expect the company to maintain positive free cash flow generation and strong liquidity to manage sizable interest payments, higher working capital, and higher capex while it digests the recent acquisition.

Downside scenario

We could lower our ratings on Minerva in the next 12-18 months or sooner if we don’t see a gradual improvement in credit metrics. This could happen under weaker industry conditions, with higher cattle costs or much lower beef prices, alongside high capex and working capital requirements to run a much larger asset base. In this scenario, net debt to EBITDA would remain above 3.0x and FFO to debt would remain below 20% for longer than we currently expect, while liquidity would weaken.

Upside scenario

Although it is unlikely, we could raise our ratings following broader business scale and geographic diversification, particularly if the company successfully captures synergies from the new assets. This could enable Minerva to achieve 10%-13% EBITDA margins, exceeding our current expectations, even during unfavorable industry cycles that may significantly increase costs. For an upgrade, Minerva would also have to significantly reduce its nominal debt, thereby alleviating its substantial interest expenses--which would help keep adjusted net debt to EBITDA below 2.0x, FFO to debt above 45%, and FOCF to debt above 45%--and maintain strong liquidity.

Our Base-Case Scenario

Assumptions

- Brazil's GDP increasing 1.9% in 2025, 2.1% in 2026, and 2.2% from 2027 onward.
- Argentina's GDP increasing 3.8% in 2025 and 2.5% from 2026 onward.
- Australia's GDP increasing 2.1% in 2025, 2.2% in 2026, and 2.4% from 2027 onward.
- Colombia's GDP increasing 2.5% in 2025, 2.8% in 2026, and 2.9% from 2026 onward.
- Paraguay's GDP increasing 3.0% in 2025 and 2.8% from 2026 onward.
- Uruguay's GDP increasing 2.5% in 2025 and 2026 and 2.8% from 2027 onward.
- Inflation in Brazil of about 4.2% in 2025, 3.7% in 2026, and 3.5% in 2027.
- Inflation in Argentina of about 65% in 2025, 40% in 2026, and 40% in 2027.
- Inflation in Australia of about 3.1% in 2025, 2.9% in 2026, and 2.8% in 2027.
- Inflation in Colombia of about 3.9% in 2025, 3.4% in 2026, and 3.1% in 2027.
- Inflation in Paraguay of about 4.0% in 2025 and 3.5% from 2026 onward.
- Inflation in Uruguay of about 5.9% in 2025 and 5.8% from 2026 onward.
- Average-of-period exchange rate of R$5.8-R$5.9 per $1 for next few years.
- Average reference cattle prices in Brazil at R$330–R$350 per arroba in 2025 and 2026, but prices to vary across regions.
- Capex of R$1 billion in 2025 and R$800 million-R$900 million for the following years.
- No dividend payments in 2025 and a dividend payout of 25% of the previous year's net income from 2026 on.
- Cash outflow of about R$35 million for final payment for acquisition of Australian Lamb Co. (ALC) and around R$300 million for Uruguayan plants from Marfrig acquisition, subject to regulatory approval and already assuming the sale of one plant as disclosed by the company Feb. 2, 2025.

Key metrics

Minerva S.A.--Forecast summary

Period ending	**Dec-31-2021**	**Dec-31-2022**	**Dec-31-2023**	**Dec-31-2024**	**Dec-31-2025**	**Dec-31-2026**	**Dec-31-2027**	**Dec-31-2028**
(Mil. BRL)	2021a	2022a	2023a	2024a	2025e	2026f	2027f	2028f
Revenue	26,965	30,978	26,892	34,069	48,223	48,637	48,303	47,640
Gross profit	4,992	6,152	6,026	7,672	12,876	12,926	12,645	12,412
EBITDA (reported)	2,382	2,838	2,563	3,130	4,579	4,564	4,543	4,437
Plus: Operating lease adjustment (OLA) rent	--	--	--	--	--	--	--	--
Plus/(less): Other	(5)	(71)	(16)	(6)	--	--	--	--
EBITDA	2,377	2,767	2,547	3,125	4,579	4,564	4,543	4,437
Less: Cash interest paid	(1,014)	(1,223)	(1,639)	(1,837)	(3,183)	(3,022)	(2,578)	(2,365)
Less: Cash taxes paid	--	--	--	--	(100)	(100)	(100)	(100)
Plus/(less): Other	--	--	--	--	--	--	--	--
Funds from operations (FFO)	1,363	1,544	908	1,287	1,296	1,442	1,865	1,972
EBIT	2,180	1,692	2,089	4,618	4,452	4,680	4,334	4,178

Minerva S.A.--Forecast summary								
Interest expense	1,014	1,221	1,631	3,038	3,183	3,022	2,578	2,365
Cash flow from operations (CFO)	1,659	2,244	1,139	4,773	2,304	2,621	3,045	3,125
Capital expenditure (capex)	468	764	693	717	1,047	830	859	889
Free operating cash flow (FOCF)	1,191	1,480	446	4,056	1,257	1,791	2,186	2,236
Dividends	603	328	295	--	--	301	394	751
Share repurchases (reported)	--	--	--	--	--	--	--	--
Discretionary cash flow (DCF)	588	1,152	150	4,056	1,257	1,490	1,793	1,486
Debt (reported)	13,405	13,766	21,557	30,082	30,455	28,960	26,839	24,572
Plus: Lease liabilities debt	40	38	28	36	36	37	37	37
Plus: Pension and other postretirement debt	--	--	--	--	--	--	--	--
Less: Accessible cash and liquid Investments	(7,302)	(7,071)	(12,679)	(14,461)	(15,689)	(15,582)	(15,187)	(14,339)
Plus/(less): Other	223	329	513	507	471	378	378	378
Debt	6,365	7,063	9,420	16,164	15,273	13,792	12,067	10,648
Equity	654	1,062	660	87	1,292	2,566	3,840	4,812
FOCF (adjusted for lease capex)	1,187	1,471	437	4,033	1,244	1,779	2,173	2,223
Interest expense (reported)	1,014	1,221	1,631	3,038	3,183	3,022	2,578	2,365
Capex (reported)	468	764	693	717	1,047	830	859	889
Cash and short-term investments (reported)	7,302	7,071	12,679	14,461	15,689	15,582	15,187	14,339
Adjusted ratios								
Debt/EBITDA (x)	2.7	2.6	3.7	5.2	3.3	3.0	2.7	2.4
FFO/debt (%)	21.4	21.9	9.6	8.0	8.5	10.5	15.5	18.5
FFO cash interest coverage (x)	2.3	2.3	1.6	1.7	1.4	1.5	1.7	1.8
EBITDA interest coverage (x)	2.3	2.3	1.6	1.0	1.4	1.5	1.8	1.9
CFO/debt (%)	26.1	31.8	12.1	29.5	15.1	19.0	25.2	29.3
FOCF/debt (%)	18.7	21.0	4.7	25.1	8.2	13.0	18.1	21.0
DCF/debt (%)	9.2	16.3	1.6	25.1	8.2	10.8	14.9	14.0
Lease capex-adjusted FOCF/debt (%)	18.6	20.8	4.6	25.0	8.1	12.9	18.0	20.9
Annual revenue growth (%)	39.0	14.9	(13.2)	26.7	41.5	0.9	(0.7)	(1.4)
Gross margin (%)	18.5	19.9	22.4	22.5	26.7	26.6	26.2	26.1
EBITDA margin (%)	8.8	8.9	9.5	9.2	9.5	9.4	9.4	9.3
Return on capital (%)	32.8	22.3	23.0	35.1	27.1	28.4	26.9	26.6
Return on total assets (%)	11.8	8.2	8.4	13.1	10.0	9.9	9.3	9.2
EBITDA/cash interest (x)	2.3	2.3	1.6	1.7	1.4	1.5	1.8	1.9
EBIT interest coverage (x)	2.1	1.4	1.3	1.5	1.4	1.5	1.7	1.8
Debt/debt and equity (%)	90.7	86.9	93.5	99.5	92.2	84.3	75.9	68.9
Debt fixed-charge coverage (x)	2.3	2.3	1.6	1.0	1.1	1.0	1.0	1.0
Debt/debt and undepreciated equity (%)	90.7	86.9	93.5	99.5	92.2	84.3	75.9	68.9

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. R$--Brazilian real.

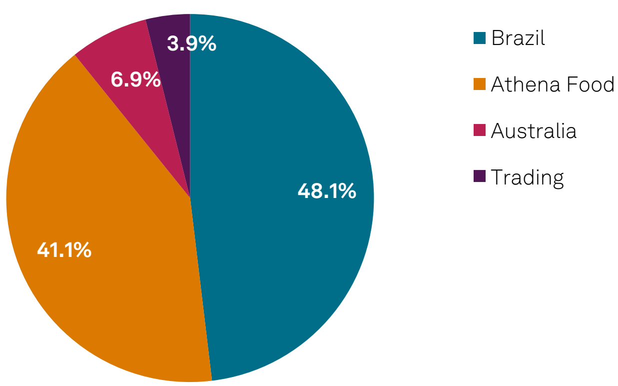
Company Description

Minerva is the largest beef exporter in Latin America, accounting for about 20% of the regional beef trade and exporting products to over 100 countries, with room to increase its market share by nearly 35% with the new assets. The company has 46 industrial units, including three protein processing plants, 38 cattle slaughtering and deboning plants, and five sheep processing plants. The company has presences in Brazil, Argentina, Colombia, Paraguay, Uruguay, and recently Chile through its fully owned subsidiary Athena Foods, which contributed about 41% of Minerva's total revenue in 2024. The company also operates four lamb slaughtering units in Australia that generated 8% of total revenue last year.

Minerva is a public company traded on B3 (the São Paulo stock exchange). Its largest shareholders are investment fund Saudi Agricultural and Livestock Investment Co. (SALIC; not rated), with a 30.55% stake, and family-owned holding company VDQ Holdings S.A. (not rated), with 22.36%. Although SALIC has the largest stake, VDQ controls the company under a shareholders' agreement between both parties that is valid until 2031.

Chart 3: Minerva revenue breakdown per division

As of December 2024



Source: Company's data.

Peer Comparison

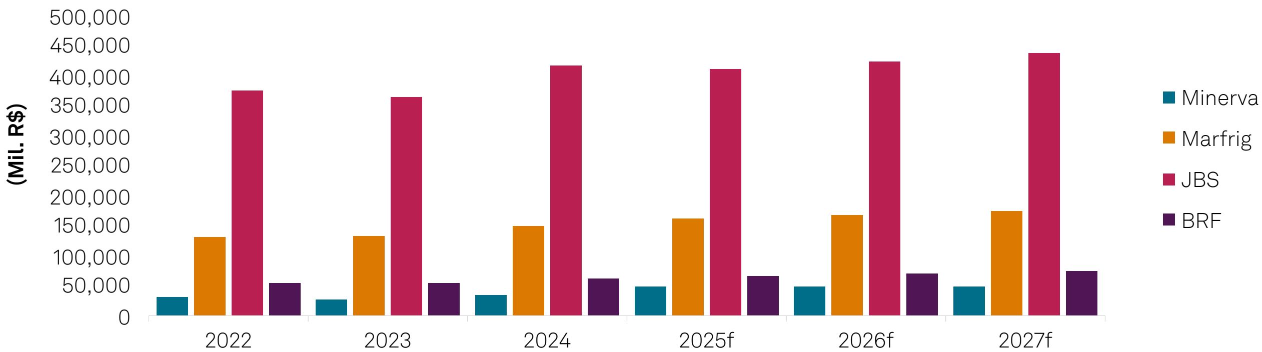
Minerva has been growing organically and inorganically, reinforcing its leadership position in South America. The company primarily operates in the beef segment, which accounts for over 90% of its revenue, but has been diversifying into the sheep business. This diversification allows Minerva to access premium markets such as the U.S. and Japan, with profitable margins of 10%-15% in the sheep segment.

While Minerva's Brazilian operations account for more than 50% of its total operations, the company is well diversified in other countries in the region, enabling it to arbitrate its sales and strategically reach export destinations. However, compared with peers JBS S.A. (BBB-/Stable/--; brAAA/Stable/--) and Marfrig Global Foods S.A. (BB+/Stable/--; brAAA/Stable/--), Minerva has much smaller scale and a smaller product portfolio.

JBS and Marfrig have significant presences in the U.S. market, which contributed significantly to earnings from 2020 to 2022. However, this market has faced challenges due to low cattle supply in recent years. Nonetheless, all three companies are diversifying into other regions and proteins, such as pork, poultry, and processed foods, to navigate industry volatility, and generating solid cash flow that will allow them to reduce leverage.

Frigorifico Concepcion S.A. (B/Negative/--), which is much less diversified and smaller, is experiencing liquidity pressure due to high working capital needs that are hindering cash flow generation, but it has also grown consistently.

Chart 4: Minerva peer comparison of revenue generation



f--Forecast. Source: S&P Global Ratings.

Minerva S.A.--Peer Comparisons

	Minerva S.A.	Marfrig Global Foods S.A.	JBS S.A.	Frigorifico Concepcion S.A.	BRF S.A.
Foreign currency issuer credit rating	BB/Stable/--	BB+/Stable/--	BBB-/Stable/--	B/Negative/--	BB/Positive/--
Local currency issuer credit rating	BB/Stable/--	BB+/Stable/--	BBB-/Stable/--	B/Negative/--	BB/Positive/--
Period	Annual	Annual	Annual	Annual	Annual
Period ending	2024-12-31	2024-12-31	2023-12-31	2023-12-31	2023-12-31
Mil.	R$	R$	R$	R$	R$
Revenue	34,069	148,861	363,817	7,906	53,822
EBITDA	3,125	13,091	16,971	845	4,058
Funds from operations (FFO)	1,287	8,263	10,178	602	2,322
Interest	3,038	5,669	8,647	231	2,537
Cash interest paid	1,837	4,828	6,438	201	1,737
Operating cash flow (OCF)	4,773	7,938	12,004	(645)	4,120
Capital expenditure	717	3,773	7,492	258	2,192
Free operating cash flow (FOCF)	4,056	4,165	4,512	(903)	1,928
Discretionary cash flow (DCF)	4,056	(820)	2,264	(903)	1,928
Cash and short-term investments	14,461	22,520	22,122	276	9,713
Gross available cash	14,461	22,520	22,122	276	10,033

Minerva S.A.--Peer Comparisons

Debt	16,164	47,415	91,406	3,032	16,165
Equity	87	19,938	46,998	1,829	15,644
EBITDA margin (%)	9.2	8.8	4.7	10.7	7.5
Return on capital (%)	35.1	11.4	5.6	20.0	2.9
EBITDA interest coverage (x)	1.0	2.3	2.0	3.7	1.6
FFO cash interest coverage (x)	1.7	2.7	2.6	4.0	2.3
Debt/EBITDA (x)	5.2	3.6	5.4	3.6	4.0
FFO/debt (%)	8.0	17.4	11.1	19.9	14.4
OCF/debt (%)	29.5	16.7	13.1	(21.3)	25.5
FOCF/debt (%)	25.1	8.8	4.9	(29.8)	11.9
DCF/debt (%)	25.1	(1.7)	2.5	(29.8)	11.9

Business Risk

Minerva has historically grown through acquisitions and by improving the operational efficiency of its acquired plants. The company continues to diversify its business and strengthen its presence in South America, most recently acquiring 16 new assets from Marfrig, three of which are still pending Uruguayan antitrust approval.

The company's large presence in South America enables it to reach global protein consumers while providing operational flexibility and commercial advantages that increase entry into new markets and mitigate exposure to potential trade or sanitation barriers.

Additionally, all the company's industrial units are strategically located close to its main exporting ports and domestic markets, as well as its broad base of cattle suppliers. Over past years, Minerva has accessed the Chinese market from Colombia; Mexico from Brazil and Argentina; and the U.S. from Argentina, Paraguay, and, recently and on a growing scale, Brazil.

In addition to its beef operations, Minerva operates five sheep processing plants--four in Australia and one in Chile. Considering the approval of its Uruguayan plants expected in the second half of this year, Minerva will increase its beef and lamb slaughtering capacity to 28% and 34%, respectively. In our projections, acquired assets from Marfrig will be fully consolidated in the company's 2025 results.

As cattle supplies remain at historical lows in the U.S. and U.S. demand remains strong, Minerva's results will continue to benefit from cash inflows from this country, as demonstrated by an increase in the region's share of export revenue to 25% in 2024 from 10% in 2023. This proportion could further increase with the acquisition of seven plants in Brazil that already export to the U.S.

Profitability remains sound despite the high import tariffs to export beef to the U.S. from Brazil, and prices should remain supportive as long as the low point of the cattle cycle in the U.S. persists. Moreover, demand from China will remain robust, boosting results. The Chinese market remains the main export destination of Minerva's volumes, with a market share of 51% in 2024.

Margins are volatile due to the exposure of production to live animal prices, which correlate with herd cycles and feed costs that depend on global soybean and corn harvests, in addition to weather conditions for grass-fed cattle in the majority of South America. Furthermore, the industry's growth capacity and global demand dictate prices. Working capital is intensive due to the animal life cycle, payments to farmers, inventory costs, and export receipts, which are expected to increase as operations expand.

Financial Risk

Minerva's current financial metrics have narrow downside cushion, reflecting the elevated leverage from the recent acquisition. As previously forecast, the debt incurred to finance the acquisition has pushed leverage over our downside trigger of 3.0x. S&P Global Ratings-adjusted leverage rose to 5.2x by the end of 2024 (pro forma, considering 12 months of contribution from the new assets, 3.6x), and we anticipate it will take longer than first expected to recover to roughly 2.5x.

The company's nominal debt has significantly increased, and the growing interest burden will pressure cash flow generation, limiting the company's ability to pay down debt as the new plants' integration will require higher working capital and capex.

However, Minerva has no relevant debt maturities until the end of 2028, which we consider a credit strength. We expect the company will maintain a solid cash position, providing liquidity cushion amid industry challenges and enhancing its financial flexibility to manage the recent acquisition. We also expect Minerva will maintain a conservative dividend payment at the minimum 25% of the previous year's net income, then return to historical levels as leverage falls.

Debt maturities

Minerva's adjusted gross debt was R$30.6 billion at the end of 2024:

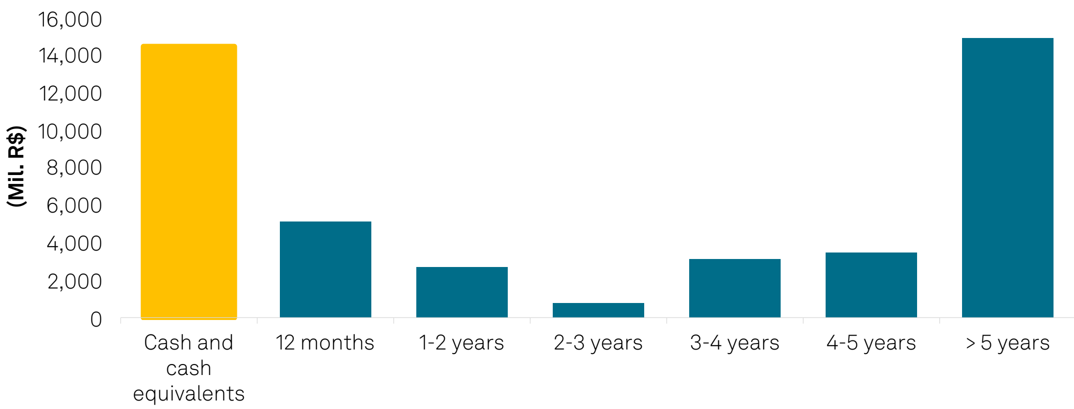
- R$30.1 billion of reported gross debt,
- R$36 million of reported lease liabilities,
- R$10 million of tax liabilities, and
- R$497 million from its receivables investment fund.

The company's debt primarily consists of bonds, debentures, Certificados de Recebíveis do Agronegócio (CRAs), working capital credit lines, trade finance lines, and other domestic lines such as bank credit notes, rural product notes, and export credit bills.

About 76% of debt was in dollars as of December 2024, made up largely of bonds.

The company maintains a long-term debt maturity schedule, with close to 83% of total debt maturing beyond the next 12 months. It has a sufficient cash position to meet its obligations until 2028.

Chart 5: Debt maturities
As of December 2024



Source: Company's data.

Minerva S.A.--Financial Summary

Period ending	Dec-31-2019	Dec-31-2020	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024
Reporting period	2019a	2020a	2021a	2022a	2023a	2024a
Display currency (mil.)	R$	R$	R$	R$	R$	R$
Revenues	17,123	19,406	26,965	30,978	26,892	34,069
EBITDA	1,724	2,104	2,377	2,767	2,547	3,125
Funds from operations (FFO)	733	1,057	1,363	1,544	908	1,287
Interest expense	952	1,046	1,014	1,221	1,631	3,038
Cash interest paid	990	1,047	1,014	1,223	1,639	1,837
Operating cash flow (OCF)	1,155	2,201	1,659	2,244	1,139	4,773
Capital expenditure	242	327	468	764	693	717
Free operating cash flow (FOCF)	913	1,874	1,191	1,480	446	4,056
Discretionary cash flow (DCF)	915	1,526	588	1,152	150	4,056
Cash and short-term investments	4,470	6,391	7,302	7,071	12,679	14,461
Gross available cash	4,470	6,391	7,302	7,071	12,679	14,461
Debt	6,247	5,415	6,365	7,063	9,420	16,164
Common equity	(282)	840	654	1,062	660	87
Adjusted ratios						
EBITDA margin (%)	10.1	10.8	8.8	8.9	9.5	9.2
Return on capital (%)	21.5	37.5	32.8	22.3	23.0	35.1
EBITDA interest coverage (x)	1.8	2.0	2.3	2.3	1.6	1.0
FFO cash interest coverage (x)	1.7	2.0	2.3	2.3	1.6	1.7
Debt/EBITDA (x)	3.6	2.6	2.7	2.6	3.7	5.2
FFO/debt (%)	11.7	19.5	21.4	21.9	9.6	8.0
OCF/debt (%)	18.5	40.7	26.1	31.8	12.1	29.5
FOCF/debt (%)	14.6	34.6	18.7	21.0	4.7	25.1

Minerva S.A.--Financial Summary						
DCF/debt (%)	14.7	28.2	9.2	16.3	1.6	25.1

Reconciliation Of Minerva S.A. Reported Amounts With S&P Global Adjusted Amounts (Mil. R$)

	Debt	**Shareholder Equity**	**Revenue**	**EBITDA**	**Operating income**	**Interest expense**	**S&PGR adjusted EBITDA**	**Operating cash flow**	**Dividends**	**Capital expenditure**
Financial year	Dec-31-2024									
Company reported amounts	30,082	(479)	34,069	3,130	2,462	3,038	3,125	6,556	-	717
Cash interest paid	-	-	-	-	-	-	(1,837)	-	-	-
Lease liabilities	36	-	-	-	-	-	-	-	-	-
Accessible cash and liquid investments	(14,461)	-	-	-	-	-	-	-	-	-
Nonoperating income (expense)	-	-	-	-	2,162	-	-	-	-	-
Reclassification of interest and dividend cash flows	-	-	-	-	-	-	-	(1,837)	-	-
Noncontrolling/ minority interest	-	566	-	-	-	-	-	-	-	-
Debt: Tax liabilities	10	-	-	-	-	-	-	-	-	-
Debt: other	497	-	-	-	-	-	-	-	-	-
EBITDA - Gain/(loss) on disposals of PP&E	-	-	-	(6)	(6)	-	-	-	-	-
OCF: Taxes	-	-	-	-	-	-	-	54	-	-
Total adjustments	(13,918)	566	-	(6)	2,156	-	(1,837)	(1,783)	-	-
S&P Global Ratings adjusted	**Debt**	**Equity**	**Revenue**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from Operations**	**Operating cash flow**	**Dividends**	**Capital expenditure**
	16,164	87	34,069	3,125	4,618	3,038	1,287	4,773	-	717

Liquidity

We view Minerva's liquidity as strong. For the 12 months from December 2024, sources over uses of cash will exceed 1.5x, and it will remain above 1.0x over the subsequent 12 months. We expect sources would be comfortably higher than uses even if EBITDA were to decline by 50% from our base-case expectation over the next two years.

We expect cash flow generation to be solid in the next 12 months, supported by the new assets' contribution and resilient export prices. Although we expect high interest payments and higher capex, as well as higher working capital required to integrate the new plants, the company will maintain a solid cash position and smooth debt amortization schedule.

Furthermore, Minerva has well-established relationships with banks and a high market standing, given its solid operations and historical access to credit lines. It also exercises prudent financial risk management and constant debt refinancing for liability management.

Principal liquidity sources

- Cash and short-term investments totaling R$14.5 billion as of Dec. 31, 2024.
- Cash FFO of about R$2.8 billion in 2025.
- New debt of R$2 billion issued after Dec. 31, 2024.

Principal liquidity uses

- Short-term debt of R$5.1 billion as of Dec. 31, 2024.
- Working capital outflows of R$400 million-R$500 million, plus a seasonal working capital outflow of R$500 million in the next 12 months.
- Capex of R$1 billion-R$1.2 billion, including expansion and maintenance capex for current and new assets.
- Cash outflows of R$335 million for the acquisition of Uruguayan plants from Marfrig and for a final payment related to the ALC acquisition in 2025.
- No dividend payment or share repurchases in 2025.

Covenant Analysis

Requirements

Minerva has recurring financial covenants on its bonds and CRAs that require it to keep net debt to EBITDA below 3.5x, measured on a quarterly basis. In our covenant calculations, we adjust our figures to consider only the company's financial debt. Our metric calculations differ according to the adjustments detailed in the debt maturities section. Additionally, the covenant calculation excludes foreign exchange variation on dollar-denominated debt since its issuance.

Compliance expectations

Minerva was in compliance with all its financial covenants in the past few quarters. Given the company's high debt to support the integration of new assets, we expect a cushion of more than 50% in 2025 and following years, factoring in the full EBITDA contribution from the acquired assets starting in 2025.

Environmental, Social, And Governance

As with other protein companies, environmental factors are a negative consideration in our credit rating analysis of Minerva. The company's operations are exposed to weather conditions that could cause feed costs to spike and sanitation regulations that could restrict exports, particularly from China, which is Minerva's main export destination.

Additionally, natural capital poses a significant risk for beef producers that operate in Brazil, given the exposure to cattle supply from the Amazon and Cerrado regions. Significant efforts and resources are deployed to trace the entire supply chain, and Minerva has reached 100%

monitoring of its direct suppliers' farms in Uruguay. In Brazil, Argentina, Paraguay, and Colombia, 100% of the direct suppliers' farms are already monitored based on socioenvironmental criteria.

Issue Ratings--Recovery Analysis

Key analytical factors

The recovery rating for Minerva's senior unsecured debt is '4', which reflects our expectation of average recovery (30%-50%; rounded estimate: 40%) in a hypothetical default scenario. This scenario anticipates a payment default in 2030 and contemplates a combination of rising cattle prices, feeble beef demand globally, disruptions in global demand for protein, and tightening access to credit markets.

Our proposed recovery analysis includes R$2.5 billion of new contracted debt after December 2024. Although subsidiary Athena currently has limited debt, any increase--however unlikely--could hurt Minerva's recovery prospects because Athena doesn't guarantee the bonds at the parent's level, and Athena would benefit from priority cash flows to pay down its debt.

We analyze the default scenario on a going-concern basis, and we apply a 5.0x multiple to our projected emergence-level EBITDA, in line with the standard multiple for the agribusiness sector. The projected emergence-level EBITDA is about R$3.1 billion, resulting in an estimated gross emergence value of about R$15.5 billion, net of administrative expenses, which is finally distributed among each debt instrument according to the structure of guarantees and subordination.

Simulated default assumptions

- Simulated year of default: 2030
- EBITDA at emergence: R$3.1 billion
- Implied enterprise value multiple: 5.0x
- Estimated gross enterprise value at emergence: R$15.5 billion

Simplified waterfall

- Net enterprise value after 5% administrative costs: R$14.7 billion
- Priority and secured debt: R$933 million (export financing lines and secured loan agreement)
- Senior unsecured debt: R$32.6 billion
- --Recovery expectation: 30%-50% for its unsecured debt (rounded estimate: 40%)

Rating Component Scores	
Foreign currency issuer credit rating	**BB/Stable/--**
Local currency issuer credit rating	**BB/Stable/--**
Business risk	**Fair**
Country risk	Moderately High
Industry risk	Intermediate
Competitive position	Fair
Financial risk	**Significant**
Cash flow/leverage	Significant
Anchor	**bb**
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Strong (no impact)
Management and governance	Neutral (no impact)
Comparable rating analysis	Neutral (no impact)
Stand-alone credit profile	**bb**

Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, April 4, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- General Criteria: Methodology For National And Regional Scale Credit Ratings, June 25, 2018
- Criteria | Corporates | General: Recovery Rating Criteria For Speculative-Grade Corporate Issuers, Dec. 7, 2016
- Criteria | Corporates | Recovery: Methodology: Jurisdiction Ranking Assessments, Jan. 20, 2016
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions,, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Ratings Detail (as of March 27, 2025)*		
Minerva S.A.		
Issuer Credit Rating		BB/Stable/--
Brazil National Scale		brAAA/Stable/--
Senior Unsecured		
Brazil National Scale		brAAA
Issuer Credit Ratings History		
15-Oct-2020		BB/Stable/--
23-Mar-2020		BB-/Stable/--
17-Jan-2020		BB-/Positive/--
15-Oct-2020	*Brazil National Scale*	brAAA/Stable/--
23-Mar-2020		brAA+/Stable/--
17-Jan-2020		brAA+/Positive/--

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.