

Operator:

Hello, ladies and gentlemen. Good morning. Welcome to Minerva's earnings release presentation for the 2Q25. Joining us today are Mr. Fernando Galletti de Queiroz, Chief Executive Officer; and Mr. Edison Ticle, Chief Financial and Investor Relations Officer.

Please note that this presentation is being recorded and interpreted simultaneously. Interpretation is available by clicking on the 'interpretation' button. For those listening to the English channel, you may mute the original Portuguese audio by clicking 'mute original audio'.

The presentation is also available for download at ri.minervafoods.com/en under 'presentations'. During the presentation, all participants will be muted. We will then begin the Q&A session. To ask a question via audio, please click the 'Q&A' icon and type your name and company. Once your name is called, a prompt will appear on your screen to unmute yourself, and you may then unmute and ask your question. Please note that questions in English should be submitted in writing only. To send a written question, type it into the Q&A box.

We remind you that any forward-looking statements made during this call regarding Minerva's business outlook, operational and financial targets are based on the Company's management expectations and projections and are subject to risks and uncertainties. A number of political, macroeconomic and operational factors may affect future results and lead to outcomes that differ materially from those expressed in such forward-looking statements.

To begin the 2Q25 earnings release presentation, I will now hand it over to Mr. Fernando Queiroz, our Chief Executive Officer. Mr. Fernando, please go ahead.

Fernando Galletti de Queiroz:

Good morning. Thank you for joining Minerva Foods earnings release presentation for the 2Q25. Minerva closed the 1H25 with a solid set of operational and financial results, stressing the consistency and discipline in executing our business strategy.

The 2Q results reinforce the importance of our geographic diversification as one of the pillars of our operational and commercial model. This strategy has been essential to mitigating risks and enhancing our ability to operate between markets, especially during the changes in tariffs by the U.S. administration.

In 2Q25, we recorded an all-time high gross revenue of R\$14.7 billion, with EBITDA also hitting a record of R\$1.3 billion and an EBITDA margin of 9.4%. Over the last 12 months ended in June, gross revenue totaled approximately R\$47.1 billion, and EBITDA reached R\$4 billion, the highest level ever recorded by the Company over a 12-month period.

Before we discuss our results, I would like to briefly comment on our integration process. In 2Q25, we continued advancing the ramp-up of our new assets, accelerating volume and revenue and expanding synergy opportunities. Our goal has been to connect these assets to the Company's operational and commercial model while aligning them strategically, culturally and managerially with the Minerva Foods model.

Throughout the presentation, we will go into more detail about the performance of these assets over the past quarter. Through the end of 2025, we will keep the market updated on the integration process and performance of the new assets.

Now let's return to our 2Q25 performance. Moving on to slide 2. Starting with gross revenue. As I mentioned earlier, we reached R\$14.7 billion in the 2Q and R\$47.1 billion over the last 12 months, both representing all-time highs for the Company.

Exports accounted for approximately 60% of consolidated gross revenue in the quarter and 57% in the last 12 months ended in June. These figures reinforce the importance of exports as one of Minerva's main operational drivers and demonstrate once again our ability to operate and efficiently access a wide range of global markets through our production platform in South America.

Turning now to our operational profitability. 2Q EBITDA also hit a record level of R\$1.3 billion with an EBITDA margin of 9.4%. Over the last 12 months of 2Q25, Minerva Foods EBITDA surpassed R\$4 billion, a record for a 12-month period with a margin of 9.1%. As a result of strong operational and financial performance, 2Q25 net income also set a record, reaching R\$458.3 million and totaling approximately R\$654.3 million in the first 6 months of the year.

Finally, regarding our capital structure and considering the pro forma 4-month performance of the new assets, we ended the quarter with a reduced net leverage of 3.16x our net EBITDA over adjusted EBITDA, in line with our ongoing focus on improving the Company's capital structure. Also in the 2Q, we maintained a solid cash position, ending 2Q with R\$12.5 billion, which gives us confidence to face market challenges in the coming periods.

Let's move on to slide 3 and dive into our operational performance. In line with our commitment to increasing transparency around the operations of the new assets, since 4Q24, we have been detailing and separating volume and revenue performance between Minerva's legacy assets and newly acquired assets.

This quarter, Brazil remained the standout with consolidated revenue of R\$8.2 billion, with new assets contributing R\$2.7 billion. In Argentina, consolidated gross revenue was R\$1.1 billion, with new plants contributing R\$255.8 million, while in Chile, the new sheep plant in Patagonia reported revenue of R\$32 million. Operations in other countries remained unchanged as no asset base changes occurred.

Consolidating all origins, we reached R\$14.7 billion in gross revenue in 2Q with R\$10.5 billion coming from Minerva Foods legacy assets and R\$3 billion coming from new assets. This represents strong growth of 104% in revenue from new assets compared to 1Q25. It's worth noting that revenue reached a record level even without the contribution of newly acquired assets.

Focusing more closely on the performance of the new assets, the Company continues progressing in its integration process, increasing utilization rates and maximizing plant efficiency. Volumes grew approximately 50%. And as mentioned, revenue increased 104% in the quarter. It's important to note that despite this clear progress, our assets still operate below our historical average utilization rate of 75%, which is expected during our operational ramp-up.

Additionally, we made progress in securing export licenses for the new assets. Something that began at the end of 2024 and was completed during the 2Q25, thus contributing to stronger planned performance during the period. We believe the results are aligned with our planning, and we expect that the continued progress of the integration process through the end of 2025 will contribute significantly to the Company's operational and financial performance.

On slide 4, we will see other highlights in the 2Q. In 2Q25, we completed the 16th and 17th issuances of debentures totaling R\$4.3 billion, reinforcing our cash position and enhancing our capital structure. We also bought back and canceled \$240 million in bonds maturing in 2028 and 2031, totaling \$309 million canceled in the 1H25. This is another step toward a more balanced and cost-efficient balance sheet. I would also like to highlight the R\$2 billion capital increase approved at the shareholders'

meeting held at the end of April with the potential for an additional R\$1 billion to be raised over the coming years through subscription warrants. This is another key initiative to accelerate our deleveraging and to strengthen Minerva Foods capital structure.

On the sustainability front, Minerva continues to consolidate its position as a benchmark in the beef protein sector. For the fifth consecutive year, we were included in B3's ISE and ICO2 indices, reaffirming our commitment to corporate sustainability.

Also, for the fifth year in a row, all of our operations in Brazil were powered by certified renewable energy, ensuring 0 Scope 2 greenhouse gas emissions. In terms of traceability, we achieved 100% compliance in the audit conducted by the Federal Prosecutor's Office in the Amazon, confirming the reliability of our supplier chain.

On slide 5, we will discuss export performance in 2Q. We remained the leading beef exporter from South America in 2Q25 with approximately 23% market share, reinforcing the efficiency of our geographic diversification strategy and reaffirming our expertise in international markets. At the top, we see gross revenue by destination in 2Q25. The Americas led with 30% of gross revenue with Brazil accounting for 17% and Chile for 6%. Next was Asia, which represented 26% of our revenue for the period, China being the top destination in the region with 17%. Then came the NAFTA block, which accounted for 24% of gross revenue with the United States being the highlight with a 19% share.

The charts in the lower left show export performance for our beef operations in 2Q25. The NAFTA region was the top destination, representing 32% of export revenue in the quarter, with the U.S. contributing 25%. Asia followed with 30%, driven mainly by China at 23%. Next came the Americas with 13%, the European Union with 8%, the Middle East and Eastern Europe with 7% each; and finally, Africa with 3% of export share.

Looking at the last 12 months ended in 2Q25, NAFTA remained the top destination with 33% of exports, the U.S. accounting for 28%. Asia followed with 27%, led by China at 19% on its own. The Americas maintained a 13% share, the Middle East, 10%; the European Union, 8%; Eastern Europe, 6%; and Africa had 3% of our total export revenue.

On the right side of the slide, we show the export profile of LAM operations in Australia and Chile. In 2Q, NAFTA remained the top destination with a 42% share with the U.S. as the largest market, accounting for 38%. Asia followed with 24%, Europe with 19% and the Middle East with 7% of exports for the quarter. Over the last 12 months ended in 2Q25, the trend remained similar. NAFTA led with 45% of export revenue, Asia with 23%, Europe with 16% and the Middle East with 8%.

Before we dive into financial highlights, I want to emphasize our optimism regarding the 2H25 and the opportunities in the global animal protein market. The supply-demand imbalance continues to create favorable conditions for South American beef exporters. This imbalance is mainly driven by challenges in the livestock cycle in various producing regions. While South America continues to ramp up production and deliver higher volumes, key regions such as the U.S. face severe restrictions with limited supply and resilient demand, which contributes to higher prices and boosts imports, especially from our continent.

Additionally, China, one of the world's main beef consumers has resumed import growth due to uncertainties and limitations in its domestic supply, also caused by shifts in its livestock cycle. Combined with supply restrictions in the European Union, this has placed additional pressure on the global beef market.

It is also worth noting that geopolitical tensions and recent volatility in international trade intensified by the tariff wars that began earlier this year continue to have an impact on the dynamics of export

prices. Minerva's geographic diversification strategy and its ability to operate and trade across markets are key factors in mitigating risks and maximizing opportunities in this highly volatile environment.

The new U.S. tariff policy for Brazilian exports, including beef, is a strong example of the effectiveness of our diversified export platform, as it allows Minerva Foods to redirect its U.S. exposure to operations in Argentina, Paraguay and Uruguay, thus limiting the impact of the new tariffs on our consolidated performance as long as the tariffs recently announced remain unchanged.

As previously disclosed, our Brazil-based operations have little exposure to the U.S. market, around 5% of total revenue. However, our strategic footprint across the continent, where 100% of our operations in Argentina, Uruguay and Paraguay are approved for export to the U.S. places Minerva in a uniquely advantageous position. Therefore, our geographic diversification strategy is key to risk reduction, enabling faster response to market challenges, enhancing competitiveness for Minerva even if we are in a volatile global environment, and this contributes to stronger operational and financial performance.

I will now hand it over to Edison to discuss the financial highlights of the quarter.

Edison Ticle:

Thank you, Fernando. Let's go to slide 6. The international market continued to be the main driver of our performance. Exports accounted for 66% of gross revenue in 2Q and 63% in the last 12 months, excluding the others category. Looking at individual operations, Brazil exported 63% of its production in the quarter and 55% over the LTM ended in 2Q.

In LatAm operations, excluding Brazil, the figure was even higher, 70% in the quarter, 71% in the LTM. In our lamb operations in Australia and Chile, exports were 70% of gross revenue in the quarter and 77% in the LTM.

On the right, we see revenue by origin. Brazil remains our main operational driver with 56% of gross revenue in the quarter and 51% over the LTM. Next, Uruguay and Paraguay, each with 11% in the quarter, but Paraguay is slightly ahead in the LTM, 13% versus 10% for Uruguay. Argentina accounted for 7% in the quarter and 10% in the LTM. Australia had 5% in the quarter and 6% in the LTM, while Colombia had a 3% share in the quarter and 4% in the LTM. In the others category in the trading division, we represented 8% of revenue in the quarter and 6% in the LTM.

Now, net revenue and EBITDA. Our net revenue reached R\$13.9 billion in 2Q, once again, a quarterly record. This represents 82% year-over-year growth and 24% increase over the previous quarter. In the 12 months ended in June, net revenue totaled R\$44.3 billion, also a record high for a 12-month period.

On profitability, our EBITDA in 2Q was R\$1.3 billion, the highest ever for a quarter, representing a 75% increase year-over-year and a 35% increase compared to 1Q with an EBITDA margin of 9.4%. It's important to remember that the 1H of the year is usually weaker due to seasonality. But even so, we delivered record net revenue and EBITDA, reflecting the strong international market environment and especially the ongoing progress of integrating new assets.

Over the last 12 months, consolidated EBITDA considering the pro forma 4-month contribution of the new assets reached R\$4.5 billion. I would like to highlight the stability of our operating profitability. We maintained stable margins even amid rising cattle prices in several regions and during the integration of new assets. This reinforces the benefits of our geographic diversification strategy, which is a key lever for maximizing our opportunities and ensuring operational and financial efficiency.

Another key factor behind our performance is our increasingly efficient cost structure. Operating expenses decreased to 10.1% of net revenue in 2Q, a direct benefit from the growing contribution of new assets. As volume and revenue ramp up, they enable better cost dilution. This is a trend that should continue until the end of the year when the integration is expected to be completed.

Still on the topic of new assets, as Fernando mentioned, the new plants continued progressing in 2Q. Volumes were increasing by about 50% over the previous quarter. This reflects an average utilization rate of 60% to 65%, a significant improvement compared to the beginning of the year, though still below the optimal level of 75%, which should be reached by the end of the year, but most likely in the 3Q.

This performance translated into higher revenue and better expense dilution, as mentioned earlier, naturally contributing to improved operating and net margins. As you know, our business model focuses on arbitration and maximizing results, which makes it difficult to isolate profitability by asset. However, for reference, in a managerial estimate, we could say that the new assets operated in the 2Q with an operating margin 200 bps below the consolidated level. That is around 7% to 7.5%.

The trend for the coming quarters is to gain speed in production and efficiency in operating the new assets, which will naturally support volume growth, revenue growth, cost dilution and consequently, operating profitability.

On slide 8, we talk about financial leverage. As we have shared in the previous quarters, the progress of the integration process, along with higher volumes and revenue, is enabling a more consistent deleveraging path for the Company.

In 2Q, we see this effect more clearly. We ended the quarter with net leverage of 3.16x in our net debt over the adjusted EBITDA ratio. It's worth noting that our EBITDA was adjusted to include the pro forma 4-month contribution from the new assets, which totaled approximately R\$456 million. This metric reflects strong operational performance in 2Q and the recent private capital increase, and 100% of the latter went into paying off our debt, both of which contributed meaningfully to strengthening our capital structure and advancing our deleveraging.

The operating performance and capital reinforcement in 2Q put us in an even stronger position to continue capturing value from the integration of recently acquired assets, leading us to an even better deleveraging.

Everyone knows our industry is seasonal, with stronger performance typically in the 2H of the year in terms of volume, prices and, of course, revenue. We expect the same for the 2H25. In addition to the seasonal trend, we also have the ongoing progress of the integration process, better utilization, more volume, more revenue and better cost dilution. In other words, we have a highly favorable scenario for operating profitability in the 2H of the year and consequently for financial leverage rates.

However, taking a conservative approach, if we annualize 2Q25 EBITDA of R\$1.3 billion, we get approximately R\$5.2 billion in annualized EBITDA. With this annualized EBITDA and the net debt at the end of 2Q around R\$14.1 billion, our net leverage would be 2.7x net debt over EBITDA, the same level or even slightly lower than what we had when we announced the acquisition of the new assets in mid-2023.

This means that we did the acquisition, we started the integration and around 3 quarters later, or less than that, after around 8 months of operations with these new assets, if we look at the margins of these assets, annualize them and calculate our leverage, we will see that we have already returned to the level of financial leverage or even slightly lower that we had before buying our new assets.

I would like to highlight that the private capital increase completed at the end of June, which added R\$2 billion to the Company's cash, could bring an additional R\$1 billion through the exercise of subscription warrants over the next 3 years. So, we have another R\$1 billion to add to the capital, further improving the Company's leveraging and capital structure.

On the next slide, we will discuss our net results and our operational cash flow. We posted a positive net income of R\$458 million for the quarter, the highest level ever for a single quarter. Year-to-date, net income has already reached R\$643.3 million. Over the last 12 months, due to the noncash impact of exchange rate variation at the end of 2024, net income was negative at R\$830 million. However, as we exclude the months of 2024 and start accounting for the months of 2025, we expect to see a very positive, very significant net income for the year.

On the right side of the slide, we see operational cash flow for the quarter, which was positive at R\$320 million in spite of the R\$900 million investment made in working capital, especially for inventory in the U.S. as we are discussing and we will continue discussing during this presentation. Over the last 12 months, operating cash flow totaled approximately R\$4.8 billion.

Let's move on to slide 10 to discuss free cash flow generation. Building up cash flow in 2Q, we start from a record EBITDA of R\$1.3 billion. Then we have working capital, which consumed R\$902 million during the period, impacted by inventory changes due to greater exposure to the U.S. market.

As I mentioned last quarter, over the past 2 quarters, we tactically increased inventory in the North American market, which should be sold down over the coming quarters, especially now given the new U.S. tariff policy that may raise beef prices domestically. So, we will be able to actualize this inventory at a higher level of price and profitability compared to our forecast when we decided to follow this path. As a result, our U.S. inventory should benefit from this upward price movement and contribute significantly to revenue growth and profitability in the coming quarters, especially 3Q and 4Q.

Continuing our cash flow buildup, our CAPEX came in at approximately R\$241 million, mainly related to investments in maintenance and a small contribution from the organic expansion of our operations, around R\$48 million. Financial result on a cash basis was negative at R\$590 million with cash impact from derivatives generating R\$405 million. All in, we ended with a relatively stable or slightly negative free cash flow of R\$26 million in 2Q.

Looking at the year-to-date figure, free cash flow remains positive at R\$1.1 billion. Let's also build up that. We start with an EBITDA of R\$4 billion, a CAPEX of R\$840 million. And then we have the working capital release of about R\$269 million. And finally, a negative financial cash basis result of around R\$2.3 billion. Summing it all up, free cash flow for the year was R\$1.1 billion. The Company has consistently generated strong free cash flow, totaling nearly R\$9 billion in free cash flow since 2018.

On slide 11, we understand our debt. At the end of the previous quarter, net debt stood at R\$15.6 billion. With the debt bridge, we see the slightly negative free cash flow of R\$26 million, which increases our debt, exchange rate variation reduced debt by R\$137 million and noncash derivatives added R\$691 million. Lastly, we have a R\$2 billion capital increase, which naturally reduces our net debt. As a result, our net debt ended the period at R\$14.1 billion, down 10% from the previous quarter.

Let's go to the next slide to talk about the Company's capital structure. As mentioned earlier, net leverage ended the quarter at 3.16x. With the progress of integration and the positive seasonality of the 2H of the year, we expect to continue reducing leverage, especially in 3Q and 4Q25.

Maintaining our conservative cash management approach, we ended 2Q with a strong cash position of approximately R\$12.5 billion and debt duration of above 4 years at about 4.2 years with 81% of our debt being long term, as shown in the amortization schedule at the bottom of the slide.

Regarding our debt profile, approximately 73% of debt is exposed to exchange rate variation. I will remind you again that we strictly follow our hedging policy, which requires the Company to hedge at least 50% of its long-term foreign exchange exposure.

In June, we bought back and canceled a portion of the 2028 and 2031 bonds totaling \$240 million, bringing the total repurchases so far this year to \$309 million. This is another step toward a more balanced and efficient capital structure. We recently completed 2 issuances of debentures totaling R\$4.3 billion with the net proceeds further strengthening our cash position and mainly being utilized to roll out our short-term maturities.

As you know, at the end of June, we completed the private capital increase approved by the shareholders' meeting, adding R\$2 billion to our cash. This was very important for us to accelerate our deleveraging efforts. It's important to note that according to our structure, we may still receive an additional R\$1 billion over the next 3 years from the subscription warrants that were issued and granted as additional benefits to shareholders.

Finally, last night, we called a new extraordinary shareholders meeting for the end of August to approve a R\$577 million reduction in capital stock solely to absorb accumulated losses. This is entirely in line with our business plan.

As we integrate assets, scale volumes and revenue and improve cost and expense dilution, we are delivering better operating profitability, contributing to faster deleveraging over the coming periods. In short, this move is fully aligned with our strategy. More than that, it will give the Company greater flexibility for future allocation decisions and the payment of dividends to our shareholders.

To wrap up, I would like to thank the Minerva Foods team for their effort and dedication this quarter, always working with strong focus and alignment with our management model. We will continue advancing the integration of new assets, seizing opportunities in the global beef market and executing our geographic diversification strategy and our business plan with confidence.

I will now hand it back to the operator so we can begin the Q&A session. Thank you very much.

Gustavo Troyano, Itaú BBA:

Good morning. Thank you for taking my questions. I would like to address 2 things. First, U.S. tariffs. You have mentioned the strategy of using your inventory throughout the year. What do you think was done in the 2Q, and what should be done in the next quarters? I want to understand if most of the inventory you put together is still to come, and if you have better margins. I want to understand what's been done and what's to be done.

My second question has to do with your sales mix. I am focusing on domestic and exports. In the 2Q, you had lots of exports, especially compared to the 1Q. So, when we look at your mix, it looks like Brazil is exporting a lot more. Is this related to optimizing sales with the new assets? Is this an evolution of your mix coming from your new assets? And looking ahead, how should we expect working capital to be consumed by the ramp-up? Because in this quarter, it seems that you had exports and increased capacity. So how is this going to have an impact on your working capital in the next quarters? What should we expect?

Edison Ticle:

Good morning, Gustavo. I will start addressing inventory, and then we can talk about the working capital. Many of you may have a question about the working capital. In the 1Q and in the 2Q, we said that we were strategically increasing our inventory in the U.S. First, because of increased prices. Secondly, because of tariffs. This ended up being a lot more advantageous than what we expected. Of course, we see increasing prices for beef, but with the whole tariff situation, this meant that our decision was even better than what we expected.

We decided to increase our inventory, and this was around R\$1.7 billion for our cash. So, if we split it by days of revenue to then take into account the new size of our Company, we had around 34 days of inventory, and now we have 46 days of inventory. So, we have an additional 12 days of inventory. It's the R\$1.7 billion that I mentioned. This is an extraordinary level of inventory, an unusual inventory that we created to make the most out of the profitability and pricing situation in the 2Q.

If we look at other working capital accounts, here's what's interesting. Accounts receivable went from 37 to 44 days. So, it's worse by 7 days. And with suppliers, we go from 63 to 70 days, so it gets better by 7 days. In money, accounts receivable is minus R\$2.5 billion. And for suppliers, it's plus R\$2.7 billion. If we look at normal levels, previous levels from before the expansion in terms of days, we can work with accounts receivable going back to 37 days. Suppliers could go back to 63 days and inventory could go back to something around 44 to 45 days.

How is this going to have an impact on our working capital for the 2H of the year? Accounts receivable will release R\$2.5 billion, the 7 days. This will be canceled out by suppliers, which will get worse by 7 days, which is around R\$2.6 billion. So, one cancels the other one out. And we are going to have an inventory release of around 12 to 13 days or 12 to 11 days, which is R\$1.7 billion.

So what we expect for the 2H of the year, not only for the working capital, Gustavo, but also for cash flow overall, is that if you look at the EBITDA for the 2H of the year, based on our 2Q performance, our EBITDA will be R\$2.2 billion, R\$2.3 billion to R\$2.5 billion, R\$2.6 billion. So, let's say R\$2.3 billion to R\$2.5 billion for the 2H. If we see the same CAPEX from the 1H of the year, we have around R\$500 million in CAPEX for the 2H.

Our cash financial expenses, if we repeat the 1H25, we have R\$1.3 billion in expenses for the 2H. With R\$2.3 billion of EBITDA at the low range, we have a pre-working capital free cash flow of R\$500 million. With R\$2.5 billion or R\$2.6 billion, it's R\$700 million to R\$800 million. If we add the working capital to the metrics that I just mentioned, we will have a release from our inventory accounts of R\$1.6 billion.

But let's say we are unable to sell all this inventory during the 2H of the year or that we roll out some of the accrual to the next year. Worst-case scenario, and we can do the math here, for the worst-case scenario, we expected to consume R\$400 million of working capital. And so far, we consumed around R\$1 billion, R\$1.05 billion. So, with simple math here, we see that our working capital will be released in the 2H of the year from R\$600 million, which is worst-case scenario, and we will reach the R\$400 million of consumption, or R\$1.7 billion, which takes us back to an inventory level of 46 days going to 34 to 35 days.

So, if we see a cash generation between R\$500 million and R\$800 million pre-working capital, so around R\$600 million as an average, if our inventory release between R\$600,000 and R\$1.6 billion, we are going to have R\$1.2 billion to R\$2.2 billion, R\$2.3 billion in this release. So, this is what we are working on for the 2H25 if we think about the strategic decisions that we had for the U.S. regarding inventory. Fernando will be talking about this operation over there.

From a financial standpoint, these are the metrics that we have been working with. And there's no magic recipe here. You need to go back to operational accounts and the working capital accounts. And I also mentioned accounting receivables, suppliers, et cetera.

Fernando Galletti de Queiroz:

Let me talk about our investment hypothesis. Having geographic diversification in South America allows for us to survive volatility because of tariffs, because of issues, because of FX. We are able to replace something with something else.

This has always been our hypothesis. This is what we have done for 30 years. No one expected such major impacts from tariff changes as they have been. But we are very okay. We know that our production footprint and our downstream work regarding the distribution of our destinations are very robust tools, very powerful tools that are available to us. Tariffs create volatility. However, they also test our risk management models. And I believe that Minerva is a leader in that. I believe we are masters in working with our model. We are very efficient.

As for your second question regarding the mix between domestic and exports, yes, we see a ramp-up, especially with the new assets for exports. Many of the export licenses were granted somewhere in the 1H of the year or the 2Q. So, it is only natural for us to ramp up exports. But I think you should look at this in a different way. It is more about the mix. In Brazil, especially with our model of distribution in our domestic market is a big destination for other countries like Argentina, Uruguay and Paraguay.

So, this internal arbitration or this internal coordination, the work that we do to pick the best options for distribution, whether that's in Argentina, Brazil or Uruguay leads to efficiency. So, our domestic sales are not only for Brazil. There is a significant share of it that is selling products that we actually brought from other places in Latin America or South America to sell them in Brazil. This reinforces our hypothesis of our internal coordination.

Leonardo Alencar, XP:

Good morning. Thank you for taking my questions. Congratulations. This was a very strong quarter, of course. I would like to understand the new plants. In this quarter, you had better volume. Of course, this has a big impact on revenue, but also dilution. Could you please talk about synergies and the reduction of your SG&A regarding volume and revenue?

And Edison, you said that you have had reductions, and you still have more reductions in your future. So, could you please talk about this? I would love to understand the target of your efficiencies and what volume it's going to bring. And not only volume, but you have the closing of the pricing gap. Is this a reflection of this more favorable market? Is it about the demand from international markets? Is this because you are getting licenses more quickly? I want to understand how this has been having an impact on your plans to understand what we should expect as a balance for the year. And does this rely on dynamic demand or other things?

And there's something else that I want to ask about. You were talking about exports and domestic operations, and things coming from other geographies to Brazil. Uruguay also had very good growth. Argentina was flat. If we think about the U.S. tariff dynamics, why is Uruguay doing so well? And why is Argentina not progressing so much? Thanks.

Edison Ticle:

Let me tackle the first part, and Fernando will talk about the second. First, on SG&A dilution. When we had the acquisition, we focused a lot on the fact that we were working with the plants and variable costs. We were working with plant operators. We were not onboarding admin personnel, management personnel. We would be using Minerva. So consequently, you have a cost dilution there. Our SG&A is usually 14% of our net revenue.

From the 4Q24, when we started using the new assets, we had a decreasing curve here. We had 13.5%, 12.5%, and now we have 10%, which was our initial target for when we had every plant running at an optimal capacity. So, we have 10.1% with plants that are not fully filled yet. We have around 65% of utilization rate for the new plants. So, our EBITDA margin is around 200 bps to 250 bps below our margin overall.

So, let's think about the evolution from now on. If we increase our capacity, the EBITDA margin is probably going to converge into Minerva's margin overall. And then cost dilution, of course, is not going to be as steep from now on. So, if we have any additional gains here, it's going to be maybe 20 to 30 bps because 12% of the net revenue was our target when we talked about adding volume compared to not bringing these expenditures and using our current structure at the time.

Fernando Galletti de Queiroz:

Leo, regarding a price gap, it is only natural for us to become closer to our existing plants and bringing these plants closer to a standard. This has to do with our management system. This has to do with our specs in our markets. What matters here is that everything is already plugged into our sales structure. That includes international offices, that includes international distribution, and that includes internal markets. So, it is likely that the gap will be reduced and that one day, this gap will no longer exist.

If you recall, we said that we would have 18 months to reach full integration. We are seeing positive signs of that. We will continue working on this with more efficiency and more swiftness. We want to complete this process before the 18 months.

Of course, it is important to highlight the positive environment we are at. We have the U.S., and Leo, I know you are keeping a close eye on this, but the U.S. still has not started retentions. Now we have increased margins in the U.S. for calves. So, we are going to have female retention that is going to be really high.

This is going to mean significant impact, very robust impact on the internal availability for slaughter in the U.S. To that, we have to add more capacity from plants that got investments at the end of the pandemic or during the pandemic. So, in addition to a reduction in slaughter, the U.S. will have higher availability. This creates lots of opportunities for imports.

We are going to see record highs in Europe. If you see prices of GATT, which was almost 0 last year, they are reaching their maximum limits, which means that there is a demand for imports in Europe. So, Europe will be very strong. And China is also going to have an impact on this.

So, we see a reduction for the Northern Hemisphere. So, we have a pricing gap, which is going to be positive, not only because of our domestic market, but also because of the international market.

And yes, Uruguay had a ramp-up. Argentina had a ramp down. It's also about the FX rate. For many products in Argentina, they got to become an importer, not an exporter. They became a destination, not an origin.

So, this is why we talked about the internal coordination of our distribution. This really reinforces the hypothesis that we have always been working on.

Laura Hirata, Santander:

Good morning. Congratulations on your results. I have 2 questions. First, the competitiveness of beef from other countries in South America like Uruguay, Paraguay and Argentina in the environment of tariffs. What's the rate that should be used for these countries from now on, especially for the U.S.

Also, I would like to pick your brains on the cycle of cattle in Brazil. What retention do you expect? And what do you expect for the cattle price from now on? Thank you.

Edison Ticle:

Laura, regarding competitiveness in the U.S., you have negotiation rounds. Of course, some countries are in more ideological alignment with the U.S. So, in the new policies, they tend to have lower tariffs for them. They may even enjoy greater benefits. For South America, there is clear alignment for Argentina and Paraguay with the U.S.

Now, what tariffs are going to become? Well, nobody knows. This is under negotiation. But it looks like Brazil will face some restrictions, of course. Different industries are making their efforts, there are certain favorable conditions. But what we see is that when countries are in more ideological alignment with the U.S., they then enjoy additional benefits.

Let me tell you how we are going to set our mix and where we sell. It all depends on the price of raw materials in each of these countries. And of course, we are going to see the tariff gap comparing countries. This is going to be key. This is something we are going to assess at least once a week.

Regarding the cycle, we were positively surprised in Brazil. We have a slaughter that is close to the records of last year, which goes to show that we are productive. We are well positioned in Brazil. And we are going to keep on being well-positioned as a big supplier for the world.

If we think about the countries where Minerva operates in South America, we have 350 million heads of cattle. If you think about this number and you think about the herd in other places, you realize how strong we are internationally speaking. This is one of the last commodities to go international with this kind of pace, and it is a commodity that actually showcases the competitive advantages that we have in our part of the world.

Henrique Brustolin, Bradesco BBI:

Good morning. Thank you for answering my questions. I have 2. First, I want to understand the revenue under others. It grew a lot in this quarter. It's doubling quarter-by-quarter. We saw volatility in your history. So, I want to understand what's behind it. What's the recurrence that we should expect for this operation? What's the contribution margin?

Also, could you please talk about the gross margin for this quarter? We had SG&A dilution, we had efficiencies, that's all clear, but the gross margin was a bit below our expectations. Maybe this has to do with the mix or this operation. So, could you please talk about the others category, its recurrence and whether or not this had an impact on your gross margin for the quarter?

Edison Ticle:

Henrique, the others category is trading third-party goods. And in this quarter, we increased trading from third parties. We bought more products. We bought more beef to sell and to create inventory abroad. We have a lower contribution margin, a lower EBITDA margin for this compared to the rest of the country. So, it brings the gross margin a bit down. There's also an impact from increasing cattle prices compared to the same quarter of the previous year.

Regarding what to expect in the future from the others category, it all depends on our revenue. As we make more, as we sell more, of course, we are going to trade more, especially third-party products. So, this number is probably going to go up compared to before the acquisition. But we have to remember that this is a bit more volatile because it is about opportunity.

Ricardo Alves, Morgan Stanley:

Good morning. Thank you again for this opportunity. Most of my questions were answered, but I would love to dive deeper into the U.S. I have 3 follow-ups regarding the U.S. First, I think Fernando said that we have other opportunities in South American markets, and we have been hearing a lot about Paraguay. I do believe you have a big edge in Paraguay to deal with the U.S. Since 2024, with the opening of Paraguay, could you please talk about your ramp-up towards the U.S.? Are you more focused on exports than the domestic market? I would love to pick your brains on that. How do you compare to the competition? How do you compare to logistics when it comes to using Paraguay to reach the U.S.?

Second question. Now Brazil is the big supplier of trimmings to the U.S., and they may be out. So naturally, we think about Australia supply in the U.S., and it's also a big player in Asia. Do you think that the conversation between Brazil and the U.S. right now could trigger an opening of the Brazilian market for other big buyers like Japan and South Korea that pop first into my head? I would love an update on this potential.

Finally, more specifically regarding Brazil, I think we have 200,000 tons. This number could be wrong, but I think it's 200,000 tons from Brazil to the U.S. How easy is it for you to find a market, a very specific market for these trimmings? How would you be able to reallocate what you are exporting to the U.S. on to other countries? How would you be able to reallocate this volume? And would other competitors in Brazil be able to do that? Could we see excessive supply in the Brazilian market? This is what I wanted to know.

Edison Ticle:

This is an interesting question. We ask this question in-house once a week. We have our portfolio allocation. We have our destinations. And we discuss it once a week in our meetings. And our allocation varies according to prices and tariffs. Of course, it is more complex now. We have AI modeling. We have predictive modeling. We have models that help us understand what opportunities are ahead of us.

Of course, in a macro level, Paraguay becomes a bit more important because of the U.S. But markets arrange themselves. Think about soybeans in the '80s. This market became extremely international, and this coordination happened very quickly. This is why we have our investment hypothesis. We believe that Paraguay is going to reap the benefits if tariffs are higher for Brazil compared to Paraguay or Argentina, which we believe are going to become more competitive countries here.

And then I am sure that a reduction in supply for the Northern Hemisphere is going to lead countries to look for more options. Recently, we saw a mission from the Ministry of Agriculture with the private sector in Japan and Korea. There are other markets. There's Vietnam, it's now included in the process of new permits for plants. So, we see certain new markets that are now opening up not only to Brazil, but to other countries as well.

Fernando Galletti de Queiroz:

Regarding a reallocation in Brazil for what used to go to the U.S., yes, some of it will be reallocated. And some of it will be replaced with what Argentina or Uruguay would sell, and they are going to be selling more to the U.S.

So, we are going to replace things with other things. And there is a trend for markets to have a different coordination, a different arbitration. But supply and demand, especially as of 2026, will be much closer. It will be more of a seller's market, globally speaking. And this arbitration will depend on FX policies and variations.

Thiago Duarte, BTG Pactual:

Thank you. Good morning. Let me go back to your strategic decision to create inventory for the U.S. market. Let's go back to what Edison said in the first question regarding normalizing inventory. Here's my simple question. Is there any reason for this inventory not to be normalized in the 2H25? Meanwhile, as inventories go back to normal, would this change your tools in any way, for instance, advanced payments, risks, should any of this change?

Edison Ticle:

This has to do with the first question that was asked here, when this strategic decision gives all the fruit. Well, in theory, the answer is no, Thiago. What could happen is that during the 2H25, we may feel an even steeper price increase for the 1H26, and we may decide to sell our inventory, sell what's there, but keep it at a higher level. Maybe not 46 days, which is what we have right now, but maybe we do not go back to 34, maybe we stay at 38 to 40. This is why we have a range here.

If you paid close attention to my first answer, our working capital for the year was consumed at R\$400 million. If you look at my explanation, you returned R\$1.7 billion. If strategically speaking, we decide not to go back to normal inventory levels, then our range may be a positive R\$600 million to R\$1.6 billion, R\$1.7 billion.

So it is as if we were keeping our inventory not at R\$46 million, but closer to R\$38 million, R\$39 million, R\$40 million. So, this is included in my simulation. Of course, I cannot tell you how we are going to do that. Of course, we want to sell this inventory in the next 2 quarters. But this is a marathon.

If prices continue rising and if we have opportunities to improve our profitability even further, we do not have any capital restrictions. We could keep higher levels. What I am telling you is that the peak when it comes to revenue is behind us, which is 46 days at the end of the 2Q. And by the way, let me add something before you continue. And we have other accounts, for example, client advances. We have changed our mix. And the results from that already reflect our new mix. So, we do not expect big variations from that. We should be seeing big changes from accounts receivable and suppliers. One should be better by 7 days and the other should be worse by 7 days.

Thiago Duarte:

Perfect. I have one follow-up, maybe you could give me an indication. When we think about the additional volume that you were able to capture in the 2Q regarding your production volume and regarding the normalization of inventory levels initially during the 2H of the year, how much comes from your goods and how much comes from third-party goods?

Edison Ticle:

I want to connect this to the conversation about the others category, 99% of it is our goods because 'others' is buying and selling. There's no accrual. Actually, we are just buying and selling to not use my product, which is kept in inventory.

Julia Vieira (via webcast):

Regarding this decision in the shareholders' meeting on the 28th of August regarding reducing social capital to R\$577.3 million for accrued losses, I would like to understand how this is going to have an impact on compensation policies for shareholders.

Edison Ticle:

We are absorbing accumulated losses until the end of 2024, so that we have space to go back to paying dividends based on the results that we are having in 2025 and beyond. So, this is exactly what we want to do. We want to have our balance accounts in order. So, if everything goes according to plan, we want to go back to having good dividend payments as of the end of this year.

Eduardo Lazaretti (via webcast):

Could you please talk about your current expectation for consuming working capital for the year?

Edison Ticle:

I think I have answered this one. It's going to be in the 2H of the year most likely, and I went into details.

Eduardo Lazaretti:

Could you please talk about the margin for new assets versus the consolidated assets?

Edison Ticle:

With the new assets, we had a margin below other Minerva assets around 200 bps to 250 bps. With the ramp-up, of course, these margins are going to get closer and the whole Company will reach the same margin level.

Ricardo (via webcast):

What do you expect from the approval of the acquisition of plants in Uruguay?

Fernando Galletti de Queiroz:

Given that the commission has until the 24th of September to give us their opinion, we believe that this is only normal for the antitrust operations in Uruguay.

Operator:

This concludes the Q&A session. I will now hand it over to Mr. Fernando Galletti for his closing remarks. Please go ahead.

Fernando Galletti de Queiroz:

Thank you, ladies and gentlemen, for being here for our earnings release presentation. I would like to highlight a few important points for Minerva. First, we have our coordination, or arbitration capacity. Even with a significantly bigger company, we are always trying to protect our swiftness, our commercial intelligence and our ability to adapt. Volatility is the new name of the game. This is going to be even more pronounced. So, our diversified structure and our risk management DNA will become increasingly important.

Secondly, I would like to highlight the work done by our team in the ramping up of our operations in the onboarding of these operations onto the Minerva platform and management system, not only regarding risk management, but also production origination and everything that we do. We are consolidating a strategy that was split and something that we have been sharing with you for 30 years.

So finally, I would like to say a big, big thank you to the whole Minerva team. You have been amazing. You have been extremely driven. It's been hard. It's been challenging to fulfill all of our goals, to be disciplined and to be committed. And this is one of our biggest values.

To stakeholders and investors, we are available should you have any questions. We would love to listen to you. So please reach out, talk to us and stay with us throughout this work. Thank you.

Operator:

The earnings release presentation is now concluded. If you have further questions, please reach out to our IR Team at ir@minervafoods.com. Thank you for joining us, and have a great day.

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