

SLC (SLCE3)

Watered Down

SLC 2026/27 Crop Year Projections

What Happened? SLC Agrícola released its initial projections for the 2026/27 crop year alongside an updated view for the 2025/26 season. The company expects planted area to increase 2.2% YoY to 854k hectares, driven mainly by the expansion of second-crop cotton supported by its irrigation investment program. Budgeted costs per hectare are expected to rise 2.2%, reflecting higher fertilizer prices and inflation, partially offset by lower agrochemical prices and a stronger BRL. The company also updated its hedge position, with meaningful portions of soybean and cotton production already priced at attractive levels.

Our View. We view the announcement as negative for 2026/27. While the expansion in planted area is welcomed, the updated guidance suggests lower profitability across key crops (i.e., soybeans and cotton), though the largest negative revision came from second-crop corn where costs increased 3.8% vs. XPe.

Combined with yields below our assumptions, we now estimate cash burn of approximately BRL 312mn in 2026/27, compared with a near break-even cash generation profile vs. XPe.

The silver lining remains the company's hedging strategy, both on the commodity and FX. Management has continued to lock in a meaningful portion of soybean and cotton volumes at attractive levels while still maintaining relevant unhedged exposure. In our view, this reduces downside risk while preserving upside should commodity prices remain constructive going forward.

All in all, **today's guidance leaves a somewhat bitter aftertaste from an operational standpoint.** Although we had already incorporated higher costs and slightly lower yield assumptions on our base case, which limited the divergence between the company's guidance and our estimates, the updated outlook still points to weaker profitability.

More importantly, the expected cash burn in 2026/27 should keep leverage at elevated levels, leaving the company increasingly dependent on a more meaningful deleveraging event, such as the sale-and-leaseback transactions management has been discussing for some time. In our view, this dynamic is likely to weigh on the stock's performance in the near term, reinforcing our Neutral rating.

SLC (SLCE3)	Neutral
Target Price (BRL/sh.)	17.0
Current Price (BRL/sh.)	17.7
Upside/(Downside) (%)	-4.0%
Market Cap (BRL bn)	7.8
# of shares (million)	443

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Fig. 1. XPe Estimate Revisions

	XPe Model		Material Fact		Current vs. Old	
	2026E	2027E	2026E	2027E	2026E	2027E
Macro						
Selic - EoP - Brazil	14.4%	12.8%	14.4%	12.8%	0bps	0bps
FX Rate (USDBRL) ¹	5.1	5.2	5.1	5.2	0%	0%
Consolidated (BRL mn)						
Net Revenue (BRL mn)	9,157	9,036	9,233	9,354	0.8%	3.5%
Gross Profit (BRL mn)	2,920	2,814	2,935	2,736	0.5%	-2.8%
Gross Mg.	31.9%	31.1%	31.8%	29.2%	-10bps	-189bps
Adj. EBITDA (BRL mn)	2,694	2,907	2,708	2,812	0.5%	-3.3%
Adj. EBITDA Mg.	29.4%	32.2%	29.3%	30.1%	-9bps	-211bps
Net Income (BRL mn)	471	550	476	453	1.0%	-17.7%
Net Mg.	5.1%	6.1%	5.2%	4.8%	1bps	-125bps
Operations						
Cotton Lint						
Production (k tons)	391	396	405	408	3.5%	2.8%
Yield - Cotton 1st Crop (kg/ha)	2,079	2,100	2,066	2,075	-0.6%	-1.2%
Cotton Prices (BRL/ton)	10,692	9,832	10,722	10,321	0.3%	5.0%
Net Revenue (BRL mn)	3,171	3,463	3,247	3,598	2.4%	3.9%
Costs - Cotton 1st Crop (kg/ha)	13,846	13,934	13,846	14,102	0.0%	1.2%
Adj. Gross Profit (BRL mn)	945	1,073	979	979	3.6%	-8.7%
Adj. Gross Mg.	29.8%	31.0%	30.2%	27.2%	36bps	-375bps
Soybean						
Production (k tons)	1,761	1,761	1,734	1,804	-1.5%	2.4%
Yields (kg/ha)	4,146	4,146	4,036	4,080	-2.7%	-1.6%
Prices (BRL/bag)	123	122	125	124	1.4%	1.8%
Net Revenue (BRL mn)	3,413	3,578	3,385	3,732	-0.8%	4.3%
Costs (BRL/ha)	5,181	5,201	5,181	5,292	0.0%	1.7%
Adj. Gross Profit (BRL mn)	1,213	1,370	1,158	1,392	-4.5%	1.7%
Adj. Gross Mg.	35.5%	38.3%	34.2%	37.3%	-131bps	-96bps
Corn 2nd Crop						
Production (k tons)	1,196	1,244	1,225	1,230	2.4%	-1.1%
Yields (kg/ha)	7,680	7,987	7,738	7,957	0.8%	-0.4%
Prices (BRL/bag)	47	46	48	46	0.8%	-0.1%
Net Revenue (BRL mn)	846	904	879	893	3.9%	-1.2%
Costs (BRL/ha)	4,346	4,380	4,346	4,510	0.0%	3.0%
Adj. Gross Profit (BRL mn)	169	222	191	196	12.9%	-11.9%
Adj. Gross Mg.	20.0%	24.6%	21.8%	21.9%	174bps	-265bps

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