

**International Conference Call  
Marfrig Global Foods S.A.  
1<sup>st</sup> Quarter 2019 Earnings Results  
May 15, 2019**

**Operator:** Good Morning ladies and gentlemen. At this time we would like to welcome everyone to Marfrig Global Foods S.A. conference call to present and discuss its results for the first quarter 2019.

The audio for this conference is being broadcast simultaneously through the Internet in the website [www.marfrig.com.br/ir](http://www.marfrig.com.br/ir). In that address you can also find the slideshow presentation available for download.

We inform that all participants will only be able to listen to the conference call during the Company's presentation. After the Company's remarks are over there will be a Q&A period. At that time further instructions will be given. Should any participant need assistance during this conference please press star zero for an operator.

Before proceeding, let me mention that forward-looking statements are being made under the Safe Harbor of the Securities Litigation Reform Act of 1996. Forward-looking statements are based on the beliefs and assumptions of Marfrig's management, and on information currently available to the Company.

Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions because they relate to future events and therefore depend on circumstances that may or may not occur in the future.

Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of Marfrig and could cause results to differ materially from those expressed in such forward-looking statements.

And now a message from Mr. Marcos Molina, Founder and Marfrig Global Foods Chairman.

Please Mr. Molina you may now begin the conference.

**Mr. Marcos Molina:** *Boa tarde a todos. Gostaria de agradecer a participação de todos vocês em mais uma conferência de resultados.*

**Interpreter:** Good afternoon everyone. I would like to thank you all for your interest in participating in Marfrig's 1Q 19 earnings release call.

**Mr. Molina:** *Antes de começar a apresentação e comentários eu gostaria de deixar meus sentimentos ao nosso CEO Eduardo Miron, que não está conosco hoje devido ao falecimento de seu pai. Minhas considerações a ele e toda sua família.*

**Interpreter:** before we start the presentation I would like to send my condolences to our CEO Eduardo Miron, who was not here today because his father passed away last night. My sincere respects to Eduardo and his family at this moment.

**Mr. Molina:** *Agora gostaria de começar destacando a performance da Marfrig no 1T19,*

**Interpreter:** now first of all I would like to highlight 1Q 19 Marfrig's performance

**Mr. Molina:** *que foi melhor em praticamente tudo comparado ao 1T18.*

**Interpreter:** which was much better compared to 1Q 18 on a pro forma basis.

**Mr. Molina:** *Destaco também a conclusão das aquisições da operação da QuickFood na Argentina e da unidade de Varzea Grande no Brasil,*

**Interpreter:** also I would like to highlight the conclusion of QuickFood in Argentina and Varzea Grande transaction in Brazil

**Mr. Molina:** *importantes passos em nossa estratégia de atuação em produtos de valor agregado, que fortalecem nossa posição em líder mundial na produção de hambúrguer,*

**Interpreter:** which represents relevant steps towards one of the pillars of our strategy, to focus on value-added and industrialized beef products and strengthen our position as a global leader on beef and patty production

**Mr. Molina:** *e o relacionamento com importantes clientes, principalmente no food service.*

**Interpreter:** and also serving the major food service customers, demonstrating our relationship with this specific channel.

**Mr. Molina:** *Ainda sobre a QuickFood, desde que assumimos já revertemos as margens negativas e já estamos entregando resultados positivos.*

**Interpreter:** still talking about QuickFood, since we acquired the company we reverted negative profitability to strength in 1Q 19.

**Mr. Molina:** *Esses ativos, somados à nossa operação da América do Sul, nos colocam em excelente posição para capturar os ganhos do novo cenário global,*

**Interpreter:** these assets, added to our current capacity in South America put ourselves on an excellent position to capture the gains in the profitability of this scenario for global proteins due to the events in China,

**Mr. Molina:** *afetados pelos eventos que estão ocorrendo na China, que realmente são impactantes no comércio global de proteínas e altamente positivos para a Marfrig.*

**Interpreter:** reinforcing that the events in China are changing the global protein sector on a global basis and they create significant opportunities for the company in the near future.

**Mr. Molina:** *Por fim comento o sólido e robusto resultado da operação da América do Norte,*

**Interpreter:** last but not least I comment about the robust results for North America operations,

**Mr. Molina:** *que demonstra mais uma vez nosso acerto da estratégia global, que conforme nosso guidance de 2019*

**Interpreter:** which demonstrate our assertive strategy to acquire the North American asset and maintain the global presence of the company

**Mr. Molina:** *de ser uma empresa global*

**Interpreter:** of being a global company,

**Mr. Molina:** *Sustentável*

**Interpreter:** sustainable

**Mr. Molina:** *rentável e com geração de caixa*

**Interpreter:** profitable and looking for cash flow generation.

**Mr. Molina:** *muito obrigado a todos, passo a palavra ao vice-presidente financeiro e de RI, Marco Spada.*

**Interpreter:** thank you all and I have to work to Marco Spada, CFO and VP of finance, thank you.

**Mr. Marco Spada:** thank you Marcos, good afternoon everyone. I want to start by thanking everyone for participating in another earnings conference call for Marfrig Global Foods. Today we will comment on the results of 1Q 19. Also present here in the call with me Mr. Fabio Vasconcelos, our vice president of planning and management and also I would like to introduce and welcome our new investor relations director Mr. Vitor Pini.

On slide three I want to start with the highlights of the quarter and comment on some points to consider important. Before starting the financial highlights I would like also to mention that from this quarter on we will disclose the financial and operating information separately for North America and South America operations.

Going to the financial highlights in 1Q 19 we have generated more than 10 billion BRL in revenue, an increase of 8% over 1Q 18, already adjusted on a pro forma basis, which means it already includes the results of QuickFood and National Beef for the numbers used for comparison of 1Q 18.

Gross profit was 927 million BRL and we have maintained the margin that the same levels of 2018, around 9%, even in a more challenging scenario due to the most adverse weather conditions both in the United States and in South America.

We have increased our Ebitda by 16% compared to 1Q 18 reaching 571 million BRL. The margin was 5.7%, an increase of 0.4 p.p. compared to 1Q 18. In this quarter net income was 4.3 million BRL, which shows and conference that our strategy adopted in 2018 was correct. A positive result in 1Q, which is seasonally the worst one, leaves us with a very positive feeling for a great year of 2019 ahead of us.

In order to further assist the projections and confident in our strategy given a positive momentum for the bovine cycle posted by the New World proteins scenario in the results of our operations, the company has disclosed a material fact of last night and decided to provide the guidance for the year of 2019.

Commenting on the recent strategic moves, late last year we had announced the acquisition of QuickFood in Argentina and also the acquisition of the assets in Varzea Grande in the Brazilian State of Mato Grosso, both from BRF. QuickFood, as we have already commented, has some of the most recognized brand in Argentina including Paty, which is synonymous of high-quality beef patties in Argentina, and also Vienissima!, Another well-known brand and sausage, among other products.

We hired as CEO of this operation Mr. Gustavo Kahl, who is Argentinian and has over 29 years of experience in the industry, including Minerva and Cargill. He knows very well the

local market and will play a fundamental role in the success of our strategy, and he has already managed to reverse the results of the operation in just one quarter.

In another move to boost our strategy of growing in higher value products we are assuming the processed products operations in Varzea Grande, MT under a long-term contract with BRF in which we will supply beef patties, quibes 12:09 and other products that they will sell under the Sadia and Perdigao brands.

This operation will be further strengthened by our long-term partnership with McDonald's since the times of Keystone, which we have maintained this relationship that our beef patty plant in Ohio, which today is ran by our National Beef in the North America division. This relationship with McDonald's is fundamental to our strategy of working with key clients in the food service channel and strengthening our position as one of the world's leading beef patties producers, with production capacity of over 230,000 tons per year.

In corporate governance to increase transparency we revised our established compliance policies which included the revision of the anticorruption policy and the establishment of the policy for conflicts of interest, free competition and relations and communication with government officials, which will reinforce our commitment to compliance and ethical conduct.

In the sustainability front, which is a fundamental pillar of our strategy, we have created the sustainability committee, which is formed by prominent and highly respected professionals. We have also hired a sustainability officer, Mr. Paulo Pianes, which is responsible for incorporating in our routine activities the actions planned by the committee and for further improving the good practices that the company already has in place.

Moving to slide number five, in this slide we will explain the highlights of the North American operation with further financial and operational details in this quarter. We had a very severe winter in North America, which affected our carcass yield and consequently reduced our sales volume; however, despite the scenario cattle prices were stable and demand remain solid, reinforcing the favorable moment of the cycle in the United States.

The indicator for this is the cutout ratio, which the USDA selling price over the carcass price, which was 1.74 or 3% higher than 1Q 18, reflecting the 3% increase in average sales price. Consequently net revenue grew by 1% and gross revenue in USD advanced 19%.

Let us move now to the South American division. At the South American division we also had the first weather that affected the supply of cattle. For example, because of the prolonged rainy season producers kept their cattle in the pasture for longer, which pressured cattle prices and cattle availability.

Uruguay also experienced adverse weather and also with the sale of life cattle for exports. The primary processing fell 5% on the prior year period according to IMEC. These events had a negative effect on the mix of export destinations and directly impacted the volume of sales and justify the fall 12% seen in the first chart on the left.

Revenue accompanied sales volume falling by 11%. Gross margin was 9% reflecting the higher cattle prices in Brazil and Uruguay, due to the reasons I have just mentioned. An important highlight on this quarter is the turnaround in margins at QuickFood, which were negative by the time we had acquired the assets. After adjustments to the operation to streamline the cost structure, we maximized the utilization and we strategically started to focus on exports. Now the asset is presenting very positive margins already in 1Q.

Let us move now to slide number eight. On this slide we comment on the consolidated performance of the company and I would like to start with our positive results, a net profit of 4.3 million BRL. Although the number is not big, we believe that the fact that it is a positive number in 1Q, which is seasonally the worst one, brings us a very positive message: the strategic moves made in 2018 were in the right direction.

It is important to note that despite to the lower sales volume due to the seasonal and whether factors as mentioned earlier, the company was able to keep its gross margin stable and to expand its Ebitda margin. We have posted growth of 8% in net revenue, 7% in gross income and over 16% in Ebitda, which is explained by the margin improvement in the North American division, recovery of profitability in Argentina and also the depreciation of the BRL against the USD.

Moving to slide number nine hear a comment on cash flow. We had operating cash flow negative of 712 million BRL impacted mainly by two factors: the cash effect of results obtained in 2018, specifically the payment of income tax and bonus payment in the North American operation; also changes in working capital mainly due to the increase in inventories.

The payment of this bonus in the North American operation is related to the excellent result generated in the operation in 2018 and it was paid in this 1Q 19. The variation of stocks... Of inventory is justified by some factors: the addition of the QuickFood operation and it is inventories in our balance sheet; the seasonal effect due to the use of our slaughtering facility in Chile; and also in most important the effect of inventory increase mainly in Brazil in preparation to face the new global scenario of proteins, preparing us to export more since the end of March onwards.

The export-created production itself has a larger cycle, which automatically increases the inventories. This inventory buildup movement in fact has a negative cash impact in 1Q; but leaves us in a very good position to take advantage of the new global crisis that are presented, especially for China. Not to mention here the potential qualification for new plants for exports to this market.

We also had cash consumption in suppliers of 175 million BRL, which are due to reduction in working capital operations, which also reflect the reduction in the 'other' line of or financial expenses. On top of the operating cash flow there were interest expenses and capital expenditures, which in this quarter had the impact of QuickFood and Varzea Grande acquisitions leading to a free cash flow generation of -1.4 billion BRL. Only for illustrative purpose, if we excluded the nonrecurring effects of the payment of bonuses and acquisitions the free cash flow would be -690 million BRL instead of the 1.4 billion.

Moving to slide number 10 where we show our debt profile and leverage ratio. Marfrig in 1Q with gross debt of 4.1 billion USD, up 6% over the prior quarter mainly due to the securing of new credit facilities to replace working capital operations and cash consumption, which allowed for reducing working capital operations that typically have higher costs.

The leverage ratio in BRL stood at 2.76x. It is important to note also the improvement in the debt maturity profile with the larger maturity is coming during the long-term. In this sense, in early May we issued a new 1 billion USD bond maturing 2026 with interest of 7% per year combine with the tender offer for bonds maturing in 2021 and 2023, which the interests of 11.25 and 8% per year respectively, which will further lengthen our maturity profile and reduce our cost of debt. The liability management effort is part of the company's commitment to have low financial leverage and an adequate debt structure.

Moving to slide number 11, this slide provides Marfrig's sales profile and exposure to countries. Today 62% of the revenue comes from the United States and 12% from Brazil, which shows how our base is diversified in our exposure to the best destinations.

China in 1Q accounted for 6% of our revenue, and here should mention that in the new global scenario for animal protein due mainly to the African swine fever, sales share to China should increase; Japan accounts for 5% of revenue and also presents potential to be explored given the recent authorization of exports from Uruguay. We are already taking advantage of the sales structure of the National Beef has in Japan to sell products from Uruguay. This is all part of our map of opportunities and commercial actions that will leverage our sales to the best destinations, by drawing on our global coverage to drive all results.

I also should mention the various sales channels and client relations, such as the relationship with McDonald's, which National Beef did not have prior to their beef patty business in Ohio, which now it is run by the National Beef. In April we began to produce and sell beef patties to McDonald's in Brazil as well through our new plant in Varzea Grande. We already sell to McDonald's in Uruguay and also now in Argentina we are selling as well. Today we have clients such as Sam's Club, Topco, leading supermarket chains. All of this leaves Marfrig well-positioned to capture opportunities generated by this new global scenario.

Moving to slide 13 in this slide you can see the main actions and fronts on which we are focused in line with our strategic pillars, and which will guide Marfrig on delivering the guidance that we will comment shortly. Our strategic direction and expectations for the year is to generate positive cash flow, to reduce our leverage compared to 2018-end and to continue our liability management actions to reduce our cost of debt and lengthen our maturity profiles.

Another fundamental action is to conclude the acquisition that we made jointly with other shareholders of National Beef in the state of Iowa. We will also advance in the synergies between North and South America operations. We will continue to implement operational improvements and actions with KPIs in South America.

I also highlight our actions in sustainability. Marfrig has always had this very strong bias in our culture and we will go deeper into the subject with the recent creation of the committee; the hiring of the sustainability director Mr. Paulo Pianes; the partnership with Embrapa, the beef carbon issue regarding low-carb and neutral carbon beef; and many other projects, which demonstrates our commitment to this theme.

Before proceeding with the presentation... Sorry. Going to slide number 14 I will talk about our guidance for 2019. In order to provide or transparency, and to further assist market projections and as we are confident in our strategy, given a positive momentum for the North American operation that has already shown improvement in 1Q compared to 2018 - and that was already a very good result, it is important to mention that - and with the more favorable perspective for South America given the new global protein scenario, we are sharing our more optimistic view for 2019 result.

As you can see in the table we are projecting net revenue of 47 to 49 billion BRL in 2019; we also project Ebitda margin of 8.7 to 9.7... Or 9.5%; and also free cash flow before dividends to minority shareholders of above 1 billion BRL of between 1 and 1.5 billion BRL.

Our projections are based on an exchange rate of 3.9 BRL/USD and the results... starting from the results reported in this 1Q; we reiterate our confidence in the timing of the cycle and believe in our strategy and the adequate footprint capturing opportunities of this new global protein scenario that is already present, always showing improvement since the end of March.

Finally I would like to thank everyone for following our presentation and invite you for the question-and-answer session.

### Q&A Session

**Operator:** thank you. Ladies and gentlemen we will now begin the question-and-answer session. To pose a question please press the star key followed by the one key on your touchtone phone. To remove yourself from the questions you press star two.

Our first question comes from Barbara Halberstadt, Bank of America.

**Ms. Barbara Halberstadt:** hi thank you for taking my question and for the results for this quarter. I actually just have a very quick question. I am trying to understand a little bit better what we can expect for working capital for the upcoming quarters and you said this one was a typical. So I am just wondering when we can see a more normalized level and what level with that we? Thank you.

**Mr. Spada:** hi Barbara thank you for your question. Well, regarding working capital going forward I think we have not achieved a level of working capital usage that is already considering the new exports increase scenario, especially in Brazil. So we do not really expect an increase in terms of working capital utilization going for. You should see stability in that sense to the end of the year.

**Ms. Halberstadt:** okay thank you and just a follow-up regarding - I do know if you mentioned this at the beginning of the call - but given the escalation of the trade war between the US and China do you expect any negative impact for your US operations for the portion that is exported?

**Mr. Spada:** no. Well, China out of the United States does not represent a significant volume in terms of exports for our North American operation. So in that sense we do not expect any impact of this trade war for our operation there. And your first question I reaffirm what I said in case there is no increase in terms of export volumes okay? So in the case there is new

qualifications of new plants in order to be able to exports to China for example, we might have a small impact in terms of working capital, a little bit more.

**Ms. Halberstadt:** okay understood thank you.

**Mr. Spada:** thank you.

**Operator:** our next question comes from Richard Santovaki, Bradesco.

**Mr. Richard Santovaki:** hi guys thanks for the call. Just a couple of quick questions. I appreciate the guidance for 2019; but just an update on what you expect Capex to be and also taxes and if we should consider this level of the bonus payment something, a level you would expect to continue in the future?

**Mr. Spada:** hi Richard thank you for the question. Regarding Capex our expectation is to be around 1 billion BRL for the year. So this is already including the acquisitions that we had mentioned already in this 1Q, so that is the number.

Regarding the second question regarding taxes well, the impact of taxes we do not expect really to have a huge payment in terms of taxes as we do have an credits here in Brazil. Most you can consider around 30 or 40 million USD. That is probably the total amount that we should spend in terms of tax, for taxes in 2019.

**Mr. Santovaki:** okay and just in terms of the bonus payment, is that, the 436 million, is that a level you would expect to remain fairly steady in 19? So as we try to model out free cash?

**Mr. Spada:** I really hope that this number is going to be repeated or even increased in 2020 actually. So that would mean that we had very big and huge results for the North American operations. So for 2019 that is the number that was paid and there is nothing else to be paid in this year; but as I mentioned we really do expect in our intention is really to pay even more next year.

**Mr. Santovaki:** okay and just one last question. You mentioned liability management efforts in the presentation. So should we expect that... pay then the short-term bank debt or do you think you would call the bond? And just how should we think about your cash levels going forward with the liability management that is ongoing right now?

**Mr. Spada:** our current liability management is an exercise, it is still going on; I mean our tender offer is still open. So we do not have the final result for it yet, the early settlement has already gone but we are still open. So after the conclusion we are going to analyze and see what other debts we are going to be liquidating. I am not sure yet if we are going to call the bond, I am not going to state this at this moment - but it is a possibility.

**Mr. Santovaki:** okay great thanks for much.

**Mr. Spada:** thank you.

**Operator:** as a reminder to ask a question please press star one.

This concludes today's question-and-answer session. I would like to invite Mr. Marco Antonio Spada to proceed with his closing statements. Please go ahead sir.

**Mr. Spada:** Thank you. First I would like to thank all board team here for the effort in bringing this result of 1Q. Also I would just like to reinforce our commitment to our guidance, our confidence in our two operations to keep bringing some very good results, especially in this new global protein environment. Thank you all for the participation and we are available through our investor relations team here to assist you going forward, thanks.

**Operator:** Thank you. That does conclude our Marfrig conference call. Thank you very much for your participation and have a nice day.

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