International Conference Call

Marfrig Global Foods S.A.

Increase Equity Interest in National Beef

November 18, 2019

Operator: Good morning ladies and gentlemen. At this time we would like to welcome everyone to Marfrig Global Foods SA conference call to present and discuss the Marfrig increased equity interest in National Beef.

The audio for this conference is being broadcast simultaneously through internet in the website www.marfrig.com.br/ir. In that address you can also find the slideshow presentation available for download.

We inform you 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 require assistance during this call please press star zero four 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 no guarantee of performance. They involve risks, uncertainties and assumptions because they relate to future events and therefore dependent 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.

Our message from Mr. Eduardo Miron, Marfrig Global Food’s CEO. Please Mr. Miron you may now begin the conference.

Mr. Eduardo Miron: thanks, good morning everyone. Thanks for attending this call. Also with me today on this call is Tim Klein, CEO of our North American operation and Marco Spada, CFO of the company. As informed we have put together some slides to help us during this call.

So going to slide number two we are here today to announce that we are increasing our equity interest in National Beef. We are acquiring together with existing shareholders a total equity interest held by Jeffries of 31.17%. Jeffries held a 31.17% interest in the capital of National Beef, of which we are acquiring 30.73 - Marfrig 30.73% while BPI and TMK - Tim Klein company, other non-controlling shareholders they are acquiring and the remaining 0.44%.

The transaction amount is 860 million USD, what we consider to be a fair value given the recent acquisitions by National Beef in the past 17 months; for example Iowa, Ohio and the recent performance combine with our future perspective. For example using 2018 results this transaction would represent a multiple of around 4x.

It is important to mention that the interest held by other minority shareholders demonstrates the commitment to the operation and especially the confidence that it will continue to generate strong results over the coming years. From now on all shareholders in the company are from the industry, are connected to the operation and participate in the company's daily operations.

So under this new corporate structure on slide number three, the interest held in National Beef will be as follows: Marfrig will hold 81.73%; USPB, the company's main cattle supplier will continue to hold 15.07%; BPI, a company that purchases by products from National Beef will increase its interest to 2.44%; and Tim Klein, the company's CEO and founder, will increase its interest to 0.76%.

Going to the next slide, slide number four, note also that the company that we acquired back in 2018 was a company that operated two primary processing plants and today we are expanding our interests in an even larger company that has three primary processing plants with production capacity of 13,100 head/day and that has a well-developed relationship with the food service channel due to its large and best beef patty plant in the United States.

The company in which we are increasing our interest has all the qualities that we saw when we acquired 51% interest back in 2018; and now combine with new strategic businesses that we have no doubt it will increase its market value.

Go to slide number five we are absolutely certain that the strong results delivered by National Beef will continue in the long run. The supply of cattle to the operation remains solid and should continue that way. The net remains strong and is expected to stay as well. Our outlook is for an up cycle with the cattle herd and beef production growing in 2020, even with the very strong comparison base in 2019. And that outlook is shared by all shareholders of the company.

The transaction value reflects the increase in value I mentioned on the previous slide, which shows how National Beef has expanded its portfolio with businesses that have added value to the company such as Ohio and Iowa.

The way we are funding this transaction raising part of the capital using funds from National Beef itself, it is more competitive in terms of interest rates as a reference. So the cost of capital, the cost of debt over there is Libra +1.75, which is really competitive. The transaction does not significantly impact our leverage ratio and even will help us to accelerate our deleveraging process, since it will increase our share of the dividends generated.

Going to slide number six let me explain how the transaction will be paid. As mentioned previously the transaction value is 860 million USD. The portion corresponding to Marfrig is 849 million USD; and approximately talking about the 840 million USD approximately half of this amount will be paid using existing credit facilities available to National Beef at a very attractive cost. The remainder will be paid using funding raised at competitive costs as it is being negotiated with banks, or will be paid using Marfrig's cash.

Going to slide number seven to go over the impact of the transaction on our leverage ratio and debt level. In view of the new scenario emerging from the company and fully aligned with our guidance announced by the end of 1Q 19, I will be using pro forma figures assuming that our results for 3Q will be replicated in 4Q, so the same number that we got in 3Q we are using as a proxy for 4Q.

So on this basis pro forma Ebitda would be 4.7 billion BRL or based on average USD exchange rate in the year till November 14, that is what we used, 3.91/USD, BRL/USD, it would be 1.2 billion USD. Net debt reported at the end of 3Q was 2.6 billion USD and simply adding the transaction value of 860 million USD without considering any cash generation in the quarter we would reach a pro forma net debt of 3.4 billion USD. This represents a pro forma leverage ratio of 2.87x representing an increase in net debt/Ebitda ratio of 0.44x compared to 3Q 19. Remember also that we are using 3Q figures for this exercise, which not yet reflect any of the benefits from China's recent authorization of our 4 Marfrig plant in Brazil, 2 approved late September and 2 approved last week.

Besides that data from our SECEX show record export volumes and prices in October. The performance of the North American operation, which based on USDA data for cattle prices and especially beef sales, continues in line with the previous quarter. So this increase in the leverage ratio would be offset by the increase in dividends flow for Marfrig, what will speed the deleveraging process for the company. So the math is we believe that the additional dividend that we are going to add to the company, again the cost of the debt will be positive and that will help us to continue deleveraging the company.

Going to slide number eight to close our conference call I want to reinforce our conviction in our current strategy and our outlook for strong results over the coming years. Meanwhile we are maintaining our firm commitment to financial discipline. This transaction puts us in a privileged position in terms of cash flow receivables for Marfrig, which accelerates the organic deleveraging process. The higher interest stake in National Beef facilitates our access to the US credit market, which offers more competitive rates, thereby helping to reduce company's financial costs and expenses, and lastly it shows that in a short period we have been able to add value to an operation that already was extremely efficient. I will now open the conference call for the Q&A session, thank you.

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 and to remove yourself from the questions press star two. As

Our first question comes from Andrew de Luca, Barclays.

Mr. Andrew de Luca: thanks for taking my questions, just a few to clarify the loan that you have a National Beef to fund this is that a term loan, is that a bridge loan? And also related to that is this a facility at National Beef or is it at NBM US Holdings?

And then the second question I have is if we think about going forward the capital structure and these facilities at National Beef are short-term in nature, how do we think about this in the medium term? So anything that you can help to remind us in terms of restrictions you have in place for issuing debt at National Beef would be helpful, thanks.

Mr. Miron: the structure in National Beef is based on revolver and term loans. So that is what we have with a group of, a number of syndicated banks that support the company. That is the current structure in National Beef. Your second question was about any restriction?

Mr. de Luca: yes if we can think about this in the medium term and you look to potentially issue bonds out of National Beef and not out of the NBM US Holding entity are there any limitations you have in terms of issuing that out of the box?

Mr. Miron: now. We are going to certainly increase the debt inside National Beef because of this transaction. I think we have, in terms of limitation of issuing that no, there is no limitation in terms of issuing a bond in terms of any of the companies. We have been using NBM as you have just mentioned.

We do not have any plan to do anything relating to that in the short run; but as we always mention we are open to the best opportunities in order to deleverage the company and to improve the capital structure. So we continue to explore the best opportunities possible for us to add value to the business and generate better returns for the shareholders.

Mr. de Luca: ok great and just to clarify right now you have about I think it is 220 million USD of debt at National Beef; is that correct?

Mr. Miron: well, the one, the estimated number that we… For the end of the year assuming some of the dividends we need to pay still within the month and before we add this additional leverage for this operation.

Mr. de Luca: sure okay and then the last question I have is on the Marfrig, on the USA funding portion of it. Can you clarify how much cash you need to run the business? Because if you look at the end of 3Q you had about 2 billion USD in cash on a consolidated basis. So it seems to us that there is probably enough capacity there to fund that using cash; but you are mentioning using potentially more funding. So if you can help us understand what is the level of cash that you now need to run the business going forward and then any sort of medium term funding strategy for the USA side of the business as well, thank you.

Mr. Miron: we have a couple of metrics that are imposed by our financial committee which reports to our board in terms of governance. So we have been following this and during some periods of time when it is based on risk and we have to have more cash or less cash. So I think you have to consider that the last two years they were extremely volatile and there was a lot of events and therefore there was a determination that we would keep the higher level of cash.

I think as things move on and we have a more stable situation this cash should be reduced. So the number that we have today is considered on the top of the range and I think the utilization of cash for this transaction is a signal that we see that we can reduce this size of cash.

In terms of how much we need to do that as I mentioned to you we have a couple of metrics; but one of them is that we have two have at least more than 1x, 1.5 or 2x the short-term obligations. So the short-term obligations we normally have close to 1 billion USD of short-term debt and so our cash would be something above 1 billion USD if we continue with that metrics, 1.5 would be the ideal if we continue with the same metrics.

Mr. de Luca: that is helpful thank you.

Mr. Miron: you are welcome.

Operator: the next question comes from Marcel Moraes, Santander.

Mr. Marcel Moraes: hi good morning guys. Does this transaction change in any way taxation or the way National Beef has been distributing dividends? Should we expect any change on that?

Mr. Miron: no you should not. Just to refresh we have a distribution of 54% and we called this tax distribution, and this tax distribution is fully related to the way the shareholders, not the corporations they pay their tax. So we help them to pay their taxes. It would continue the same way. So this transaction does not change anything related to the tax, to these distributions.

Mr. Moraes: thanks Miron and the final question about the shareholders' agreement. I would assume that it ceases to exist; is this right and there is the termination of this agreement are not, because of the other minority shareholders and you still have an agreement with them?

Mr. Miron: we have a LLC agreement. Certainly there were specifics that were related to Jeffries that they disappeared. So everything we had related to the participation of Jeffries they disappeared and then we had just a normal agreement with the other shareholders.

Mr. Moraes: thank you very much and congratulations for the acquisition.

Mr. Miron: thank you very much.

Operator: the next question comes from Monica Lango, Larrain Vial.

Ms. Monica Lango: hi and thank you for the call. I was just wondering does this transaction mean that Jeffries exercised the put option or is it something entirely apart from that?

Mr. Miron: the put option goes away with this transaction; but that is… It was the negotiation. We were approached by Jeffries, so they had interest to negotiate their participation and so once we close this deal obviously the put option disappears. But it was negotiation directly with them so it was not in anticipation of the put option for everyone. It was a specific one-to-one negotiation that took place given that they had a specific interest to move this forward.

Ms. Tango: okay perfect thank you.

Mr. Miron: you are welcome.

Operator: This concludes today's question-and-answer session. I would like to invite Mr. Eduardo Miron receive with his closing statements. Please go ahead sir.

Mr. Miron: Well thanks again for attending this call thanks for your support for the company. Ae do believe that this is absolutely the right direction. I would like to thank all the help during this process that Tim Klein that is in this call provided throughout the conversations and we look forward to continue to work very close to our friends at National Beef. Thank you.

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