

**International Conference Call**  
**Marfrig Global Foods S.A.**  
**4<sup>th</sup> Quarter 2019 Earnings Results**  
**February 20, 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 fourth 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, obrigado pela participação de mais um call de resultados da Marfrig.*

**Interpreter:** good afternoon everyone and thanks for another call of results of Marfrig.

**Mr. Marcos Molina:** *Graças a uma série de movimentos compatíveis com nossa estratégia, conseguimos firmar nossa posição no mercado global de carne proteínas.*

**Interpreter:** thanks to the number of movements very compatible with our strategy we were able to firm our position as a global beef position... Market sorry.

**Mr. Marcos Molina:** *Fizemos vários movimentos estratégicos e significativos durante o ano, entre eles a conclusão da aquisição da Quickfood, dona de algumas das marcas mais reconhecidas no mercado argentino.*

**Interpreter:** we have made important and significant movements throughout the year, between them the acquisition of Quickfood, the owner of some of the most important brands in the Argentinian market.

**Mr. Marcos Molina:** *Também voltamos a atuar fortemente no segmento de processados, de hambúrgueres para food service, após cinco anos de non-compete devido à venda para a Seara com a aquisição da planta de BRF no Mato Grosso.*

**Interpreter:** also we returned to operate strongly in the processed food, hamburgers for food service after five years of noncompete given the sale of Seara and after the acquisition of the Varzea Grande plant from BR Foods in Mato Grosso.

**Mr. Marcos Molina:** *Também demos um passo importante na produção de proteína vegetal. Fizemos uma parceria com a americana ADM para a produção de carne vegetal de altíssima qualidade. Desde então a Marfrig passou a produzir em suas plantas também os hambúrgueres vegetais e atender às maiores cadeias de food service no Brasil e globalmente.*

**Interpreter:** in addition to that we have made important steps towards the client base protein. We made a partnership with the American company ADM for the production of high-quality products in these areas. Since then Marfrig started producing in its factories, facilities veggie burgers to meet the requests for the needs of a number of food service chains and also we launched our own brand called Revolution and this brand is now exported to other countries.

**Mr. Marcos Molina:** *também lançamos a marca própria Revolution e já exportamos para vários mercados. Em 2020 também vamos dar independência a esse negócio vegetal com a ADM para ter mais foco e avançar rapidamente para ser líder global nesse segmento.*

**Interpreter:** in 2020 our intent is to provide even more dependence for this plant-based business with ADM in order to provide even more focus and lead the segment in the global market.

**Mr. Marcos Molina:** *Já na América do Norte destacamos a aquisição de uma planta em Iowa e a ampliação do controle acionário da National Beef. Fizemos tudo isso sem nos afastar em momento nenhum de nosso compromisso com o crescimento sustentável, manutenção de estrutura de capital sólido e geração de caixa livre, o compromisso que, aliás, renovamos para 2020 e o futuro.*

**Interpreter:** now moving to the North America operations I would like to highlight the acquisition of an operation in Iowa and the increase of all participation in National Beef. All that was done without compromising our commitment with the sustainable growth and the maintenance of a solid capital structure and cash generation. Both commitments I would like to renovate for 2020 and the future.

**Mr. Marcos Molina:** *Para 2020 também temos muito trabalho. Vamos integrar mais nossas operações da América do Sul que são Argentina, Uruguai, Chile e Brasil e também uma maior integração com a divisão América do Sul e América do Norte buscando mais sinergias.*

**Interpreter:** for 2020 we also have a lot of work to integrate the operations inside South America which include Uruguay, Argentina, Chile and Brazil. Also we need to do better integration with our operations in North America.

**Mr. Marcos Molina:** *vamos aumentar o processamento de produtos processados com base bovina e a nossa expectativa para 2020 tanto para a América do Sul quanto para a América do Norte é muito positiva, e podemos registrar nos próximos anos resultados significativos e históricos.*

**Interpreter:** regarding the operations we intend to increase our production of processed, industrialized products based on beef and our expectation for 2020 for both, South America and North America, is very, very positive and we expect to generate in the coming years significant and historic marks.

**Mr. Marcos Molina:** *a carne bovina, após sofrer por anos com questões relacionadas à sanidade e custos, ela se adequou ao processo de rastreabilidade e normas, que consolidou como uma proteína de maior controle, e agora ela se apresenta como uma das mais seguras e comprovadamente uma excelente fonte de proteína e saúde, de acordo com artigos publicados na imprensa.*

**Interpreter:** after suffering for years with questions related to quality, cost, beef has adjusted its process regarding its norms and has consolidated itself as a go-to protein. So now it is a lot more secure and is, according to a number of publications, one of the key sources for protein and health.

**Mr. Marcos Molina:** *Ainda no Brasil temos um grande desafio na carne bovina em escala na área da Grande Amazônia. Eu pessoalmente tenho empenhado grande parte do meu tempo para a produção de carne sustentável.*

**Interpreter:** back to Brazil we have big challenge is related to the production of beef products in scale, especially because of the Amazon. I have spent a big deal of my time in order to develop sustainable production in the country.

**Mr. Marcos Molina:** *na minha visão temos uma grande oportunidade nessa área, pois a comunicação de nossos ativos ambientais é um grande potencial para nós, para o Brasil. Podemos produzir um boi a pasto e preservar a floresta amazônica.*

**Interpreter:** it is my vision that we have a great opportunity in front of us related to communication of our environmental assets as a great potential for the country, and we can produce a sustainable beef grass-fed and at the same time preserve the Amazon forest.

**Mr. Marcos Molina:** *nosso dever é ajudar o Brasil em melhor se comunicar e a Marfrig em ser reverência e líder do setor.*

**Interpreter:** our duty is to help Brazil in improving its communication to the world and be the company, be seen as a reference-company and a leader in this sector in this area.

**Mr. Marcos Molina:** *Diante desse ano que tivemos todas essas conquistas e temos certeza que estamos com a proteína certa e no momento certo, gostaria de agradecer a todos os nossos 30.000 colaboradores e toda a diretoria executiva pelo grande trabalho feito em 2019.*

**Interpreter:** to finish I believe that we have a lot of work throughout the year and that we are in certain the right protein in the right moment. I would like to thank all our 30,000+ employees and also the executive directory for the great job done in 2019.

**Mr. Marcos Molina:** *Agradeço também a todos os nossos clientes, fornecedores e investidores e em especial a nosso acionista pela parceria e confiança em nossa gestão.*

**Interpreter:** I would like to also thank our clients, suppliers and investors and in special the shareholders for the partnership interest in our management.

**Mr. Marcos Molina:** *Seguiremos firmemente em fazer o melhor para manter sempre a Marfrig à frente e ser referência no setor global de proteína bovina.*

**Interpreter:** we will continue working extremely hard to do the right thing and to keep Marfrig ahead and be the reference in the global beef protein sector.

**Mr. Marcos Molina:** *Temos muito ainda para fazer e contamos com a ajuda e parceria de todos.*

**Interpreter:** there is still a lot to do and we count on the help and partnership everyone, thank you.

**Mr. Marcos Molina:** *passo a palavra a Eduardo Miron.*

**Mr. Eduardo Miron:** I would like to pass now the word to Mr. Miron. Thank you Marcos good afternoon. I would like to start by thanking everyone for participating in another earnings conference call of Marfrig Global Foods. Here with us today are our global CFO Marco Spada and our CEO for the South America operation Miguel Gularte and Tim Klein from the North American operation.

Moving on to slide number three let us start by the quarter highlights. We once again posted net income. This quarter our net income was 27 million BRL compared to a net loss of 1.3 billion BRL in the same period of 2018. Net revenue was 14.2 billion BRL, a new record for the company growing 23.5%, there to the same period of 2018. Adjusted Ebitda came to 1.6 billion BRL, record high for the company and 70.5% from 4Q 18 with margin of 11.4%.

An important highlight of the quarter was cash generation. We generated 1.1 billion BRL in free cash flow, which enabled us to begin the process of reducing working capital operations of the company. We reduced approximately 500 million BRL in operations aiming to decrease financial costs.

In operations new plant authorizations in Brazil expanded export capacity to China significantly, giving us important competitive advantage considering the countries took which Marfrig already exports.

Another highlight was the launch of our new client base beef patty brand, Revolution Burger. The new product already has an important partner, Outback Steak House, which has launched its vegan beef patty with the Revolution seal. Soon the brand will be sold to the end consumers in supermarkets.

In terms of capital structure two important operations marked the quarter: the increase by 30.73% in the interest held in National Beef with the acquisition of Jeffries' interest amounting to 81.73% of the total interest and consolidating our footprint in the relevant US market.

And the primary offering of shares which raised 900 million BRL for the company followed by a secondary offering in which BNDES sold its total interest in the company and as a result our investor base and the volume traded in the stock exchange grew significantly with floating increasing by 150%.

These two operations resulted in more axes and flexibility in the US debt market with lower interest rates via National Beef; increase in the flow of dividends for Marfrig, which will help reduce its debt more rapidly; puts an end to some noise on Marfrig's shares such as the put option related to noncontrolling shareholders

of National Beef and the imminent sale of BNDES interest. Now over to Spada, he will provide some details on the operations.

**Mr. Marco Spada:** thank you Miron. On the following slide I will comment on the operations results highlights. Going to page 5 and talking about the North American operation to help you really changes the amounts reported year are in USD and also consider the pro forma result in 4Q 18 including the hamburger facility in Ohio and also idea what Premium for comparative effects.

In 4Q 19 we posted growth in both volume and revenue reached with revenue reaching 2.33 9 billion USD, an increase of 10.2% against 4Q 18 due to the increase in average prices in the domestic market and thanks to solid and continues growth in demand for beef protein in the United States.

Gross profit was 343 million USD, up 92 million USD in in 4Q 18. This better performance is due to the increase in beef protein prices in the domestic market and also the decline of the cost of cattle. The cutout ratio, which is the ratio between average beef price and the average cost of cattle, was 1.96 and for Q 19 as in comparison to 1.82 in 4Q 18.

Starting this quarter after the acquisition of additional interest in National Beef we will also start to disclose Ebitda per operation. Ebitda for the North American operation was 290 million USD in 4Q 19, an increase of 32.8% from the same period of the previous year. Margin was 12.9%.

Moving to slide number six where I will comment on the results of the South American operation. Net revenue is from the South American operation increased 34.4% from 4Q 18 reaching over 4.5 billion BRL. The growth in exports combined with higher average selling price was the main drivers of this growth. Revenues here are impacted, even though still partially, by the new facilities approvals to exports to China in Brazil during the quarter as mentioned by Miron.

Gross profit was 655 million BRL, 91.5% higher than 4Q 18 driven by the increase in export price and volume and also the operational improvement implemented throughout 2019, mainly the greater optimization of our production facilities where we have close three plants and increase the usage of other facilities with greater potential, such as Varzea Grande.

Moving on to slide number eight we will talk about companies consolidated performance. We had a performance record in the quarter. Net revenue grew 23.5% to 14.2 billion BRL, a record for the company. This performance is mainly caused by revenue growth at the South American operation as explained earlier and by the continuous, sound demand in the North American market, apart from the exchange variation during the period.

Adjusted Ebitda was 1.6 billion BRL, another record and was 70.2% higher than 4Q 18 with margin of 11.4%. Another highlight was the profit for another quarter.

In 4Q 19 we registered profit of 27 million BRL compared to a 1.3 billion loss in 4Q 18. Note that the quarterly result was impacted by plant closures and consequent asset write-offs. In the year we registered net income of 218 million BRL.

Moving on to the next line where we will talk about our cash flow. Operating cash flow reached 1.7 billion BRL reflecting the healthy moment in the operations. This enabled us to take a decision in 4Q to revert working capital operations in order to reduce our financial costs.

With this we ceased to discount receivables totaling 531 million BRL in South America. Here the presentation we are making this adjustment showing the situation before this decision when the operation generated free cash flow of 1.1 billion BRL in the quarter, which helped us to achieve the target for the year.

For Capex the funds allocated to recurring Capex, that is those used for maintenance and small improvements, reached 323 million BRL. This greater amount in 4Q comes from the benefits of climate conditions in the United States, where National Beef to the advantage of the weather conditions to perform maintenance and improvements in water treatment in reuse stations and also the adjustment of slaughtering volume at Varzea Grande in Brazil, as mentioned earlier.

Interests expenses on debt totaled 301 million BRL, impacted in this quarter by the additional costs related to the bridge loan for the acquisition of the additional shares in National Beef and also by the higher exchange rate, which directly affects interests on our dollar debt. As such free cash flow before M&A operations, payment of dividends to minorities and before the decision to reverse the working capital operations was 1.1 billion BRL.

Moving to the next slide I will comment on company's net debt and leverage. We started the quarter with 10.7 billion net debt. The free cash flow generated in the quarter, the 1.1 billion BRL presented on the previous slide, was used to settle working capital transactions as mentioned before (the 531 million BRL) and also the acquisition of the interest in National Beef.

In addition we have paid dividends to noncontrolling shareholders. Such dividend payment included Jeffries' dividends referring to the period they still held the interest in National Beef; also dividends to other noncontrolling shareholders for 4Q 19; and also an advance of discretionary dividends, which is the excess cash, that would be distributed early in 2020. These payments were partially offset by funds raised in the primary offering of the shares. Therefore, net debt ended the year at 13.3 billion BRL or with a 2.77x leverage ratio, very close to our expectations when the transaction was closed.

Looking the numbers in USD, since 98% of our debt and 90% of our revenue are denominated in currencies other than the BRL, net debt ended the quarter at 3.3 billion BRL with 2.74x leverage ratio.

I would like now to talk about the guidance we presented last year. Due to the primary offering of the shares we had to officially cancel our guidance; however, we maintained our monitoring for management purposes and I would like to share with you that we surpassed the maximum band of our guidance in terms of revenue with net revenue of 49.9 billion BRL for the year.

Likewise, we exceeded the maximum band for the Ebitda margin closing the year at 9.6% margin. Finally we also achieved the targets of free cash flow generation in ending the year with a generation of 1.3 billion BRL in the period. Now over to Miron again for his closing remarks.

**Mr. Miron:** thank you Spada. In the next slide you let us talk about the outlook for 2020. Our focus on value creation and you is based on three major fronts: beef processing, which is accounts for approximately 90% of our business; processed foods which account for approximately 10%; and the third front of is represented by products we launched in 2019, our plant-based protein line.

Looking our main front, beef processing, we had very positive expectations for 2020. The US market in 2020 as you know is election-year and the economy should remain strong. In addition the foundations of the business did not change. No increase in production plentiful supply of raw material.

In South America we believe the foundations for exports to China remain unchanged. The region will continue to play an important role in the international market where demand remains high. We believe the domestic market will improve continuously, especially in Brazil.

I combine with that we have been working to improve our South American operations making them more efficient and productive and improvements made along 2019 will be fully utilized in 2020.

In processed foods front we will continue to increase our production. For example, you last year we announced investments in the Promissao plant increasing our capacity in this front.

Finally as to plant-based products we will further improve our partnership with ADM and should launch new products this year, such as quibe, meatballs and ground meat. We will continue focusing on reducing our financial costs, now in a more positive environment.

2019 was certainly of extraordinary year for Marfrig and everyone who participated in this journey should feel proud of the results. There is still a lot to

be done; but I understand that the decision to have independent-oriented operational structures was key to this success.

We should obviously consider that the timing of the industry was important and helped us. Growing economies and changing habits were important factors. Our agility, thanks to the simplicity applied to management, made a difference. Congratulations to everyone. In closing I invite you now to participate in our Q&A 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 star one and to remove yourself please press star two.

Our first question comes from Ben Theurer, Barclays. You may proceed please.

**Mr. Ben Theurer:** good afternoon Marcos, Eduardo and Spada. Just to questions and I apologize, I was not able to listen to the Brazilian call in. So for your outlook for 2020 which you have just presented, Eduardo, are you providing a range similar to what you have been doing for 2019 in terms of sales and Ebitda or is that something you are not guiding for? And then I have a follow-up question.

**Mr. Miron:** thanks for your question. Yes, we are not planning to provide guidance this year. There is a why we provided 2019, it was because we were in the middle of a change in our strategy and without it would be important to provide some kind of direction where we are trying to get. Having said that we believe 2020 will be pretty similar to 2019. So therefore although we are not providing any guidance we believe the fundamentals of the business will remain unchanged.

**Mr. Theurer:** okay perfect and then in the light of coronavirus something that has come up a lot was logistical restrictions in China basically disembarking ships, distributing products. Is that something you have encountered as well issues somehow? Are you seeing currently demand for shipments, be it from South America or North America over to China and how do you think this is going to evolve? Because clearly one of the big advantages has been significant demand from China for our product.

**Mr. Miron:** yes thanks again. I believe there is different ways to approach your question. So the first one is we should expect a slow movement at the beginning of the year in China as business as usual. So therefore the events happen during a period where the operation is down, which I think helps somehow. We, the way

we see it we have been talking to our groups and China has a... The impact of China is more on South America where we export a lot to China than any other place. We are seeing the movements coming back especially this week so there was a delay; there was a movement where the holidays, everything everybody knows; but we are seeing the movement coming back from our plan and by the end of the year 2019 we were already planning to reduce our exposure to this period of time to China.

So therefore our strategy was pretty well for us because we have in sales anticipated throughout February or we ended up selling to other destinations. So the impact for us has been so far not that important. Having said that it is hard to predict the intensity of the situation, although we are pretty positive that it is more a question of time and not a question of direction. So directionally things will remain exactly the same, very strongly China will find its way to get the logistics result and have the meat, the beef delivered to their ports.

**Mr. Theurer:** thank you perfect, thank you very much for that clarification.

**Mr. Miron:** thanks.

**Operator:** the next question comes from Marcel Moraes with Santander.

**Mr. Marcel Moraes:** hi good morning guys. Two questions here, the first one is Marfrig has become a single protein business and the financial leverage should be going down with cash flow generation. So would it be feasible for us to think of M&A in 2020? And if so would it be for diversifying the protein base or get into more processed food or even increase the exposure to other markets like Asia? So can we think of M&A in 2020? Thank you.

**Mr. Miron:** thanks Marcel. I think you attended the Portuguese call and Marcos I think was very clear that he wants to focus the company in beef and he wants to turn this company as a leader and the best beef company and the global. So having said that I do not see any possibility to have any other protein in our portfolio. So in terms of M&A is not necessarily other proteins. I think we do not have anything in our pipeline as we speak, which does not mean that we will not see any specific opportunity if it is (incomprehensible 35:40) for the current portfolio and helps us to achieve our strategy.

Having said that is important to mention that we have diversified somehow having the plant base. So it is part of our strategy to continue to develop and to grow on the plant-based business and in order to do that we expect to enhance the relationship with ADM and create an even more independent type of business for the plant base in 2020.

**Mr. Moraes:** very clear Miron, thank you and just a final question if you allow me, it is about Uruguay. So we saw in 4Q very solid margins for the South American business, double digit margin and I understand that Uruguay has been facing

some issues with cattle availability, so I would assume that the Ebitda margin in Uruguay is very low.

If that is the case can you give us some color about in the two main markets for South America, Uruguay and Brazil, in terms of Ebitda margin? Thank you.

**Mr. Miron:** sure, although as you know we do not provide specifics in terms of margins. So we have already provided the Ebitda by operations, which I believe is in line to the request from the markets; but we are not expecting to provide by country. Having said that and talking specifically about Uruguay and Brazil I would step back and start saying that it is great to have South America operations with that diversified country base.

So we can benefit from some countries, the same time we can see compensate some challenges we have in other places. Uruguay is a fantastic place and it is a country that can sell through most of the best, most destinations around the globe and the best this nations. So it is a great place to be. Marfrig is the number one company in Uruguay.

The issue they have been facing his related to the cost of cattle and this issue is happening or happened throughout 2019. It is getting better and better and so whatever happened in 2019 for 2020 we should expect better margins and the business coming back to more normal margins. At the same time I can tell you that although the margin suffered because of the cattle they continue to be very consistent. So although they were not as strong as in the past because of this whole issue of selling exports of light cattle the margins they were consistent and now they are improving.

Another key points about Uruguay - and it is a strength for us: we have a very strong interaction with our North American operations because of the organic, Japan. So there was a number of things that they share, they can work together. So although we may be facing some issues in some medium cost and we are doing great improvements on sales. So one thing compensates the other.

In terms of Brazil what I may say is certainly it is the biggest animal across all the geographies, Brazil across the countries you. It is the place where we have more opportunities in order to capture efficiencies. Miguel as you know has focused on this throughout the year capturing a bunch of positive results because of the work done on the efficiency. We should continue to capture, to benefit from these efficiencies in 2020. Margin wise as you saw we had 10% and I think for the year it was 9.6 or something like that. Our range continues to be between 8.7 and 9.5. I think Brazil, because it is the main animal in this whole region, should be the driver for this margin.

So we are very positive because of the cycle and because of the improvements in the operations, not to mention that we are today a leader in the number of

plants approved to export to China, which is something that we did not have in 2019. So we have other plans were approved more towards the end of the year and therefore I think we have a number of positive things that can happen in 2020 that can benefit the results especially in Brazil.

**Mr. Moraes:** ok that is quite clear, thank you very much Miron.

**Operator:** next question comes from Gustavo Gregori, Bradesco BBI.

**Mr. Gustavo Gregori:** hi good afternoon everyone and congratulations on the strong results. I have a quick question on the outlook for your debt. Obviously the operational outlook is very strong and your credit metrics has improved a lot. In the Portuguese call you did mention that one of the main focuses is going to be to reduce debt cost. What I wanted to check with you is if that would be an absolute priority or if you would perhaps consider taking on slightly higher costs if it also meant that you could increase the duration of the debt?

**Mr. Spada:** hi Gustavo this is Spada here speaking. In terms of duration we are very comfortable and very happy with what we have today. So definitely our strong position and what we are really seeking here is the reduction of the cost.

**Mr. Gregori:** all right perfect very clear, thank you.

**Operator:** our next question comes from Declan XXX from the webcast. What is expected net debt/Ebitda in 2020? It was one of the strategies concerning additional liability management activities in the coming months?

**Mr. Spada:** well, we do not provide guidance such for leverage, so not saying anything related to expectation in terms of leverage. What I can tell you is that we really, we are really comfortable with the levels that we are and according to our plans and what we have. The idea is really to have the leverage to drop in 2020. So if everything goes as planned definitely we should and 2020 with lower leverage than it is today.

Regarding the projections for liability management in the coming months there is nothing really in the pipeline right now, although we are looking at some good opportunities in the market and of course, if there is a window, if there is an opportunity to do something we will be there.

**Mr. Miron:** I would like just to complement, this is Miron. Is on the leverage if you remember we put as a target in 2019 to get at 2.5, we ended up with 2.4 and in you. For 2019 we ended up having an opportunity to acquire an additional stake in National Beef. Without that our leverage would be reduced, with lower than what we had in the 2018. So therefore the direction for us is very clear: so we expect this number to continue to reduce and see you in and to continue to pay him to have a lower carry cost. So there is no secret; so that for us is top priority.

**Operator:** Thank you. This concludes today's question-and-answer session. I would like to invite the company to proceed with its closing statements. Please go ahead.

**Mr. Miron:** Again I would just like to repeat that 2019 was an outstanding year for the company. I would like to thank everyone for your support for the company and see you in the next call for 1Q 20, thanks.

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

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