

## Q1 2021 Earnings Call

### Company Participants

- Aurelio Pavinato, Chief Executive Officer
- Ivo Marcon Brum, Chief Financial and Investor Relations Officer

### Presentation

#### Operator

Good morning, ladies and gentlemen, and thank you for waiting. At this time, we'd like to welcome everyone to SLC Agricola's First Quarter of 2021 Earnings Conference Call. Today we have with us Mr.Aurelio Pavinato, CEO; and Mr.Ivo Marcon Brum, CFO and Investor Relations Officer.

We'd like to inform you that this event is being recorded. And all participants will be in a listen-only mode during the company's presentation. After the company's remarks are completed, there will be a question-and-answer session, at that time further instructions will be given. (Operator Instructions). Also, today's live webcast, both audio and video, slide show may be accessed through SLC Agricola at - website at [ri.slcagricola.com.br/](http://ri.slcagricola.com.br/), in the Investor Relations section, by clicking on the banner webcast first Q '21. The following presentation is also available to download on the webcast platform. The following information is available in thousands of Brazilian reais and IFRS, except when otherwise indicated.

Before proceeding, let me mention that forward-looking statements are based on the beliefs and assumptions of SLC Agricola's management and all information currently available to the company. They involve risks, uncertainties and assumptions, because they relate to future events and therefore depend on circumstance 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 the company and could cause results to differ materially from those expressed in such forward-looking statements.

Now, I will turn the conference over to Mr.Aurelio Pavinato, CEO. You may proceed.

#### Ivo Marcon Brum {BIO 16639894 <GO>}

Good morning, everyone. Thank you for participating in SLC Agricola's earning conference call for the first quarter 2021 [ph].

Let's turn to slide 3 please. I want to start by going over our currency strategy, which is based on these four pillars: asset light growth, distance from the average on efficiency, financial strength, and value creation for the shareholders, and ESG Stewardship. We will

explain over the following slides how the main operational and financial deliveries in this quarter connected to these pillars?

Let's move now to slide four. We advances in our business combination with Terra Santa on March 26. We gave notice to the market on the signing of the final documents for review. The next steps for business combination as we can see on this slide are the extraordinary general meeting for both companies to occur in June. As well as the course offers 60 days period for any opposition by Terra Santa creditors. With that, we expect that the closing to occur in early July. When we will effectively take over the operation.

We can change to slide five please. In addition to the deal with Terra Santa on April 8 which closed another relevant deal in line with our asset lights growth plan. The lease agreement with Agricola Xingu through which we assessed an area of 39,000 hectares distributed within the municipality of Correntina/BA and Unai in Minas Gerais state with total planting potential of 43,000 hectares. As you can observe in the slide six, we estimate that this operation combined should increase our total planned area potential for 2020 [ph] crop by 40%. That is, we expected to achieve 660,000 hectares for the upcoming crop.

Moves on the slide seven, it shows the location of current farms together with the production units of Terra Santa and Agricola Xingu following integrated view of geographical footprint, activities, important transaction.

You can now advance to slide eight please. Here we make the point that our product mix after the TS incorporation should remain virtually unchanged, given that on this new areas the same crops we were already been planted.

On slide nine. We have connected two views to another of our strategic pillars, ESG Stewardship. The leased areas resulting from the transaction with Terra Santa and Agricola Xingu are fully aligned with our expansion strategy based on the mature areas, with high production potential and in compliance with our environmental criteria. The companies that are on our resource to ensure its activity are sustainable and responsible by implementing global best practice for large-scale agriculture to cause positive environmental and social impacts where it's operating. Supported by its low carbon production model, which helps to minimize climate change in line with its big drip.

On that note, it's worth mention that on our earnings release on the ESG section, we explore implemented effort toward better communication is stated, which today is present in all our company's disclosure material. We invited all (inaudible) the data in order to better understand how we have been working on this front.

To go into section on slide 10, I will comment on the pillar distance from the average and inefficiency. For the four strength year we present a new record in deciding yields. For 2020 to 21 crop for each harvest was already concluded, productive on Soybean was 5.7% above our initial projection and 12.7% above the national average.

FINAL

Let's go to slide 12, please, where we bring some figures from our income statement for the first quarter of the year. The net revenue advanced 31% in first quarter '21 compared to first quarter '20. For cotton lint, a higher-value product, the volume invoiced in the first quarter '21 was 23% higher than in first quarter '20. Also, all crops reported higher unit prices compared to the same quarter last year. Adjusted EBITDA was BRL272.5 million, representing growth of 49% on first quarter '20. The main factors contributing to this variation were the higher realized gross income for soybean and cotton seed in the comparison periods.

Net Income advanced 141% in first quarter '21 compared to first quarter '20, to BRL376.8 million. The main factor contributing to the increase was the variation in the fair value of biological assets for soybean which increases BRL425.7 million in first quarter '21 versus first quarter '20. The variation in biological assets reflect margin expectation for the crops harvested on the period, this is explained by higher price and yields on the soybean crop if compared to the previous year.

Let's move to slide 13 now, where we presented the company's adjusted net debt, which ended the first quarter at BRL918 million, increasing BRL209.5 million from the end of 2020. The increase in the average was due to the negative free cash flow in the first quarter (inaudible) the higher working capital needs due to the payment of inputs for the current crop, which is natural at the time of the year. The Net Debt/EBITDA ratio (inaudible) at 0.87 times.

To conclude this part of the presentation, let's advance to slide 14. The company's good financial results with significant free cash flow enabled to maintenance of healthy leverage ratios and also distribution of dividends. Also, to date we were paying BRL200 million to our shareholders, which added to the BRL32 million paid in November as an interest on net capital reach a total of BRL232 million distributed and related to the 2020 fiscal year results.

I will now hand the call back over to Pavinato for the briefing overview of the commercial market and also outlook of remainder of 2021 crop year.

**Aurelio Pavinato** {BIO 16456795 <GO>}

Thank you, Ivo. Let's turn to slide 16, where we present a chart with the comparison of the international prices (inaudible) for our main products from January 2020 through April 2021. For cotton, the scenarios of downward revisions in US production over the previous month is still regarding the 2021 crop combined with the initial expectation of the crop losses on the country for the '21, '22 season, given the drought on the main productive region having been the main factors behind the pricing model [ph] on the supply side. The recovery in global cotton consumption with the surmounting of the last year uncertainties related to the pandemic is the fact that most of it contributes for the global supply and demand balance to close this cycle again with a deficit of approximately 5 million bales according to USDA data.

Bloomberg Transcript

FINAL

But in soybean the market expectation is that the balance will also close the second year with tighter big inventories with consumption surpassing output in a volume of you around 6.4 million tons. This occurs after a deficit of 18.1 million tons over the '19, '20 crop year. In addition to that, we have a new whether marked which focuses now on the evolution of the planting and crop conditions for the USA.

As for corn, over the last quarter 2020 and first months of '21, the scenario of strong demand continued to support prices in Chicago, uncertainty on the scale of the U.S. export program, and now so on the size of the Brazilian crop should remain as quiche points behind price volatility on the external and internal market.

In Brazil, first crop corn producing regions in the South faced adverse weather conditions and significant uncertainties on the size of the second-crop remain. In both cases (inaudible) downward revisions on yield are expected. After this brief remarks update, let's advance to slide 18 where we presented an update of yields for our crops on the current season. We had already commenced on the excellent performances for soybeans. In Cotton, we are maintaining our initial expectation given the crops current good production potential. For corn second crop, however, we are revising our yield expectations downward 20%, delayed soybean planting in Mato Grosso, and the dry climates in April mainly on the farms in Mato Grosso do Sul where the reason behind this loss of production potential.

On the relative comparison, our yields in cotton should be 2% higher than the national average. And in corn 9% above in Brazils average for second crop. According to CONAB current estimate, which is -- which is expected to be revised downwards. Despite loss in corn, however, we will be fully offset by better sales price, given the continuous improvement in quotations over the previous months, that far no impacting margin charge this year.

We can now go to slide 19, where I will conclude (inaudible) our current rank position. Next level of international prices for all of our products combined with still weak Brazilian Reals, rather enabled good progress in heading for the 2021 crop year. As for the '21, '22 season, at this point we already consider the expected production from Agricola Xingu to calculate value positions. With regard to input purchases for the '21 and '22 crop year, to date, we have acquired all the phosphate and potash fertilizers needed for this crop year, as well as most of the chemicals. Considering the current scenario for dollar-denominated costs and prices, as well as the current FX rate, we expect to maintain our good profitability levels '21, '22. Thank you.

And now we will open the call for questions.

## Questions And Answers

### Operator

(Question And Answer)

Ladies and gentlemen, we will now initiate the Q&A session. (Operator Instruction)

Thank you. This concludes today's presentation. You may disconnect your lines at this time and have a nice day.

FINAL

*This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP. © COPYRIGHT 2022, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.*