Q4 2014 Earnings Call

Company Participants

- Andrew Murchie, Chief Executive Officer
- Frank Ravndal, Chief Executive Officer
- Janet McCollum, Chief Executive Officer
- Marcelo Secco, Chief Executive Officer
- Marcos Molina, Chief Executive Officer
- Martin Secco, Cheif Financial Officer
- Ricardo Florence, Chief Financial Officer
- Richard Wong, Executive Vice President
- Unidentified Speaker

Other Participants

- Enrico Grimaldi, Analyst
- Pedro Leduc, Analyst
- Unidentified Participant

Presentation

Unidentified Speaker

(Foreign Language) Good morning to all. You're all very welcome to another Apimec Sao Paulo meeting. And it's a great pleasure to be here with Marfrig Global Foods on their day and doing their event again with Apimec Sao Paulo, keeping in mind that Apimec Sao Paulo, as well as other institutions, are an independent group where we emphasize this relationship with our clients, investing -- investments, analysts, buy side and sell side and for my frequent people who have been following us, they are part of a new market and they're here represented by their main executives.

And I emphasize that this is a great day and I want to take advantage that -- of this moment because it's not every day that we have executives from different companies so that we can clarify all our questions. We have Mr. Marcos Molina here, the CEO of -- Marcelo Secco, CEO of Marfrig Global Foods; Ricardo Florenco, CEO of Marfrig Beef; Marcelo Marsh; and Martin Secco; and the CEO of Marfrig Global Foods; and Janet McCollum from Moy Park, and Frank Ravndal from Keystone Foods, and the Vice President of Keystone APMEA, Dr. Richard Wong.

So, I'm going to leave the floor to Mr. Marcos Molina so he can initiate our presentation. And I want to keep in mind that all of you have a questionnaire in front of you and please fill it out and hand it out at the end of the event. I hope you all have a good meeting. Thank you.

Marcos Molina {BIO 15363967 <GO>}

Good morning, everyone. Thank you so very much for being here at Marfrig Day. And this is a very important meeting for our Group. We finished our 2014 year with many, many realizations, but the guidelines were the most important thing that applied to our seven sectors of the group that was our model.

In this year we managed to reach $21 billion with an organic growth in every division of the group and also to integrate in a better way each division, managing a better synergy in all sectors.

Nowadays, we are simply Marfrig, more objective, with more focus on the business and better prepared for the next years ahead with the consolidated platform and well positioned. We have great opportunities ahead of us to generate value for the company as the strength is recognized, the strength of our divisions is recognized, and the strength of all our international units.

We are present in very solid markets in with great growth potential, especially in the Moy Park IPR, or Moy Park IPO, and Moy Asia IPO which has been present for the last 20 years and that gives us very important opportunity and highlights.

Marfrig Beef is important because we are very important in Uruguay and have a small presence in Argentina and Chile. And here, Brazil, which represents 35% of our profits, we have the second greatest operation -- beef operation in the Brazilian market.

And my provision for the next few years, in a very short time we will have important markets opening up for the Brazilian meat and with the meat price in dollars, Marfrig will become more competitive to export our product. And I have a vision that our interim market will be a bit weaker. So we've been advancing in our corporate governance and that was something very important for us, so it makes me very, very happy.

Inside all of our Group's divisions we have a special focus on food service and also in a narrow vision DNA in all areas, in the social environment area and the productive chain, to take to all of our clients intelligent solutions and innovative solutions. And I would like to thank very much all collaborators that work 24/7 while we're sleeping.

Dr. Richard in Asia is working very hard. And also for all of the Board members, all the committees, all the shareholders and all our commercial partners and financial partners, I want to give you my very sincere thanks for all your support in the last few years.

So I hand the floor to Martin Secco. Thank you so much.

Martin Secco {BIO 18098476 <GO>}

Good morning to all. I have to apologize because of my reporting to all and I promise to work hard in my language skills for the next events. For us it's a pleasure and a huge responsibility and a matter of great pride to be here with you today. It's -- I wanted to apologize because we are going to cover today the strategic plan for each unit. We're also going to cover the results for the third trimester and for 2014.

And we also are going to give some space for you to do your Q&A's at the end and you can make your questions to any speaker or any of the CEOs, Ricardo Florence and also to myself. And we are going to be keeping our schedule tight here then because we have a limited time slot for us. Today is a very special day.

All the Company's Directors and Chairmen are present here today. All the Directors from the different divisions like Moy Park, Keystone Beef, also the CFOs for each division. And basically representing all the managers here that are also present here and over 40,000 -- 45,000 employees that we have all over the world.

And to give support of our commitment, unconditional commitment to make Marfrig a company that becomes even better company and we are aligned in a long-term objective. But we have focus on our professional execution in each unit that's related to the business, respecting something that has also been commented by Marcos, our corporate governance policy.

Just to refresh a little bit, Marfrig Day is a very important platform and that has a huge significance for us, because it involves many people and it touches many people around the world. Marfrig basically is divided into three units, which is Marfrig Beef, where we are today, the third largest company -- beef producer in the world and one of South America's largest lamb suppliers in South America.

And we have this division here separated in Brazil in the South called Keystone Foods with units here in the United States as well as in Asia. It's one of the world's largest providers of processed foods for the major QSRs. And Moy Park, it's one of the largest processed product suppliers in the UK and in the Europe. And it's not only a company that is focused on poultry alone, but it has a huge portfolio of processed products.

And as we are -- I mentioned before, we are a company that has more than 45,000 employees. We're divided into commercial production and distribution units. We are present in 16 countries, but we serve global retail and food chains in over 110 countries.

Our corporate governance structure, Marfrig's, and also an enhancement, a commitment of ours, it's simple, transparent and easy to read. We have an administrative counsel, a Board of Directors, which Mr. Marcos Molina is the main Chairman and he has the support of many committees.

And me as the main CEO of the Company have to report on Marfrig Beef in South Cone and support and constant -- constant support in four different sectors, which are very important to us in the whole of Marfrig, which are the financial sector, planning, and human resources and legal.

And in 2013, we have been simply standing in the same place and I think many of us have shared that day. And it is important to me and it was important for me to place the same thing here to share with you on the screen.

We have a simple organization that is very focused with great clarity and with the individual segment reporting of each of the businesses reports to improve the quality of the beef and the result of the beef, which is -- stands for 50% of our company. Not only Beef Brazil, but also to do an exchange that it's very important to do with Uruguay beef, which we have been improving very much so in that country.

And to improve the performance and growth of Keystone and Moy Park, and to meet all the goals for 2014 which I will be sharing with you right now. And our commitment with our governance policy and we share that with all the CEOs of the company. All of these points that we are going to share, all of them have been met 100%.

As well, all the guidance of 2014 and we met many of those that we have shared with you, especially these four, which is all of the profitability of the company. We have reached 21. If you remember Marfrig with different units that we have sold, we already were getting to that level of profit.

The EBITDA margin is between 7.5% to 8.5%. We've reached the top of that goal. And CapEx investment of $600 million, we reached $639 million with a little variation. But keeping in mind and knowing that this variation was important for the future.

And especially, the last point which was to generate a positive free cash flow and we made this commitment to you at that moment. It was a huge challenge from -- coming from the place where we have and in 2014 we have met $56 million of positive cash flow in Marfrig Food.

Let me invite Janet McCollum, CEO from Moy Park to share with you his vision, his strategy and Moy Park's results which we've achieved.

Janet McCollum {BIO 17090604 <GO>}

(Foreign Language) Just to touch on a little bit about the overview of Moy Park. Moy Park has over 70 years' experience in agriculture excellence providing high quality, locally farmed fresh poultry and convenience foods right across the UK, Ireland and Continental Europe. Today our revenues are $5.5 billion and we represent about 26% of overall Marfrig Global Foods' revenues.

We have a unique vertically integrated production platform for poultry in the UK which delivers locally sourced products. And it's unique in that we have three generations of stock; our grandparents, our parents' stock and our broilers.

And together with our mills, hatcheries and processing facilities this allows for greater control of our input costs and operating costs, and also traceability of supply. We partner with over 750 farmers in England and Northern Ireland with 14 processing facilities and employing about 12,000 people right across the UK, Ireland and Continental Europe.

Our people are very much at the heart of our Moy Park business. We have people with such passion and energy in our business. And we see ourselves very much as a responsible and values-led business with our core principles focused on integrity, accountability and teamwork. It's these core principles that sum up Moy Park and that really make us special. In addition, we are the market leader and a highly regarded manufacturer of convenience food products in the UK retail market.

Looking at our business operating model we have two geographic business units; our UK and Ireland business which today represents 78% of revenues and our continental business which represents 22%. You will see that we have a broad portfolio of high quality, innovative products ranging from our poultry products in fresh poultry and convenience such as our ready to eat and coated categories. And that includes products such as roast whole birds, cooked sliced meats, chicken nuggets and kievs.

And we also sell -- have a multi-protein offering selling beef patties, bacon and also canned beef products into the UK and across Europe. And we have our meat free category where we sell donuts, apple pies and also spring rolls. We like to think that we have a portfolio that absolutely ranges from starters to desserts.

Looking at our market channels, you can see that we serve both the retail and food service channels. And today the retail represents in total about 60% of our revenues with food service representing about 30%.

One of the key differentiators between the two geographic business models is that the UK and Ireland business is largely fresh products sold to retail environments and our Continental European business is focused on food service and frozen products.

So you can see that there exists very much cross-selling opportunities to continue to provide growth. And we are an established high quality partner with leading retail and food service clients across Europe.

Moving onto our financial results and looking first of all at our net revenues. Just before commenting on our revenues, I know that many of you will be aware that the UK grocery market for the first time in many years saw a flat year in 2014.

We have seen retailers with a strong value proposition set the pace and also premium end retailers grow ahead of the market with the big four retailers losing some share, but importantly still remaining 66% of the overall UK retail market.

Within this challenging market, the Moy Park team have continued to deliver strong revenue growth performance with underlying growth reaching 3% in 2014 and delivering an overall revenue of BRL5.5 billion. And this strong performance has very much been underpinned by our focus on our quality and our service and collaborating closely with our customers.

Looking at our SG&A, you'll see in the fourth quarter that our SG&A reduced by 20 basis points, reaching 8%. And for the year we saw an increase of 60 basis points from 7.8% up to 8.4%. Just to explain that our SG&A consists of three key components.

Firstly, our general and administration costs, our distribution costs where we incur the costs from our factory production facilities to our customers' depots, and also our commercial related costs. In 2014, our distribution costs have increased given the increase in our sales activity.

And the increase in percentage terms is largely driven by our investment in innovation, consumer insight and customer marketing to continue to boost our sales. And we continue to focus on opportunities to reduce SG&A cost below the 8% as we move into 2015.

Quarter four 2014, in terms of our EBITDA margin performance, provided a record performance for Moy Park reaching 8.3%. And this included our turkey campaign which was very successful in the last quarter. Full-year EBITDA has increased by 34% to BRL409 million, with, as you can see, a strong improvement in margin by 90 basis points.

And this margin enhancement has been positively impacted by both sales volume growth and our sales mix improvement, benefiting from our close collaboration with our customers through innovation, insight and customer marketing efforts.

And we've also been lowering our operating costs and improving operational efficiency with a clear focus on our flesh yield and also we've introduced new shift optimization patterns across the business, both improving our service levels and reducing our average cost of production. And the year also included some benefit from the lower grain cost.

Let's now revisit the four key strategic goals which we shared when together in October 2013. Firstly, we want to grow our UK and Ireland fresh poultry ahead of the market. We want to expand multi-protein convenience retail sales and we want to boost our presence in food service. And our fourth is to strengthen Marfrig's global platform in Europe.

Just introducing our first key strategic goal, to continue to grow our UK and Ireland retail fresh poultry and ahead of the market. And the UK poultry market has shown strong growth, 3% compound annual growth, over the last four years and is forecast to continue to grow ahead of all other proteins at around 3% to 4%. And this very much reflects our customers' preference for chicken meat as a versatile, affordable and healthy protein.

You'll see also that poultry imports represent about 38% of total UK meat consumption. And we have seen both retailer and customers' preference for UK provenance most particularly following the 2013 horse meat scandal and other food scares. And this very much presents an opportunity to continue to grow penetration. From 2008 we have seen at Moy Park our poultry processing capacity increase from 3 million birds per week up to 5 million in the first quarter of 2015.

Moving on to our second key strategic goal, expanding our multi-protein convenience retail sales. Today Moy Park has a leading market position in these high growth categories, UK retail value-added convenience categories and more specifically in the fresh, ready to eat and coated categories. The value-added market is very much driven by the growing trends in convenience. Meals which provide a quick and easy solution for the consumer and very much reduce the time at home for preparing food.

Both the ready to eat and the coated categories in the UK have shown strong growth over the last five years and continue to show growth potential of over 6% as we look forward. And, also, you can see that fewer than half households today purchase into these categories, so there is further growth potential for penetration.

In Moy Park we are very much invested in capability and talent in our marketing and insight. And we are actively growing in these new channels such as online, convenience store formats and discount store channels.

We have also a strong brand presence in Ireland with over 50% of households in Ireland today purchasing the Moy Park brand. And we are seeking to maximize the potential of our Moy Park brand in a very considered way, entering into the GB market through these online and convenience store format channels, which does provide for further geographic reach.

We also at Moy Park have a very strong focus on innovation, particularly around new products and also consumer trends, collaborating with our customers to enhance their category management and engagement with the consumers, and driving innovation in retail.

And you can see there some of our new products which have resulted in new product launches such as the Moy Park Snacking and also the Moy Park Kitchen Good to Go ranges. And I was absolutely delighted to hear while in Sao Paulo this week that the Moy Park team won the Developer of the Year Award for the UK Meat and Poultry Awards last week.

We also recognize the opportunity to establish a strong presence in retail multi-protein in Continental Europe, leveraging our capabilities in the domestic retail market.

Our third strategic goal is boosting our presence in food service. And today almost 30% of Moy Park revenues, as I mentioned, are in food service, and this is a significant increase on previous years. Moy Park is well positioned in the fast food segment in the UK and in France with established relationships with key food service and QSR chains. And the industry continues to demonstrate resilient growth with chicken, as you can see, representing a large component, 58%, of the total menu items.

And most importantly, we also see the opportunity to grow our presence in food service in the UK market. And I can report that over the last two years, we've seen 36% compound aggregate growth improvement in our UK food service and fast food revenues.

Our final strategic goal reflects the opportunity for Moy Park to continue to strengthen Marfrig's global distribution platform in Europe. And there have been a number of key initiatives over the past year, consolidating Moy Park's position in Europe.

Firstly, we've had the integration of the Keystone Welsh Foods in Ireland and also McKey in France into our legal entity structure in 2014. And we've also integrated Marfrig's beef processing operations in the UK within the Moy Park business and see opportunity to continue to expand processed beef sales across Europe.

We are also actively exploring the opportunity to grow international sales across Europe and into Africa and Asia, connecting with our commercial colleagues in both Keystone and Marfrig Beef, and building upon those relationships that we've established during a very successful Marfrig Global commercial conference last year.

Our financial projections remain firmly in line with those presented in October 2013 with the Moy Park business targeting 8.5% to 10% compound aggregate growth on sales revenue line over the next four years to 2018 and with EBITDA margins ranging between 7.5% and 8.5%. And you can see that our first year in 2014 of our Focus to Win plan demonstrates a strong performance towards meeting these expectations.

So, in closing, I'd just like to leave you with a few final remarks. Moy Park is very much a leading player in a unique market with strong attractive structural growth trends. Our strive to deliver world-class operating excellence remains an absolute key priority within the business, with a strong focus on our safety, quality, service and cost to enable us to deliver consistent margin growth enhancement. And we will continue our efforts on the productivity agenda and focusing on SG&A costs, and enhancing value to our customers.

I firmly believe in Moy Park's vision to become a world-class leading European food company. And I believe and trust in our senior management and leadership team, who are absolutely committed to continuing to deliver our focus to win plan.

Finally, in 2014 Moy Park accessed the public debt market in the UK for the very first time securing a bond of GBP200 million bond offering. And you will be aware that our parent, Marfrig has stated their intention to take Moy Park public in 2015 with a key priority that they would retain a majority shareholding. Moy Park very much is a strong growth story and the company is ready and able to IPO should the market permit in 2015.

These are very much exciting times for Moy Park and I'm very proud of the management team and the achievements that they have had in 2014. And I would like to thank the team, all of the team, for their contribution and huge efforts in realizing our results for 2014. And we look forward to continuing to drive forward and to realize our focus to win plans.

So I'd now like to introduce to you , CEO of Keystone Foods. Thank you.

Unidentified Speaker

Morning. Pleasure to be here with you today, to be able to share our fourth quarter results and also to review our key strategic focus areas that will take us into 2015 and beyond.

Let me introduce my colleague on the stage here of course which is Dr. Richard Wong. And Richard is our Executive Vice President in charge of the Asia Pacific, Middle East, Africa business unit in Keystone. And Richard will walk you through part of the presentation today. So, let's start with a short overview of Keystone and then we'll dive into the fourth quarter results in a little bit more detail.

So we're a leading supplier of value-added protein products to the food service industry in the US, Asia Pacific and the Middle East with a focus on quick service restaurants, or QSRs. Our product range extends from beef, chicken and fish on a global basis, and then in Asia, we have some other products as well like pork and bakery items. And with 2014, sales of over BRL5.8 billion we make up 28% of the consolidated Marfrig Group.

Now, in terms of customer relationships, we are very privileged to have had a 40 plus year relationship of a strategic nature with McDonalds. More recently, we've also established some very strong relationships with companies like Wendys, Subway, Campbell Soup and Iceland Foods. 2014, our revenue breakdown was roughly 60% McDonalds on a global basis and 40% key accounts and others.

Our model in the US in poultry is a vertical integration model and that integration produces about 70% of our overall raw material needs.

On the right-hand side you can see an overview of our geographic footprint. And I won't go into details on that, but I will point out that in the Asia Pacific section, you'll see that those assets that are represented there are located in five different countries.

Now, moving from the big picture company overview, let's now talk about the fourth quarter results in more detail. The net revenue was up 21% over the fourth quarter of 2013. In US dollar terms, it was an increase of 7.8% and the key driver to that growth was Asia led by double-digit growth in China. For the full-year 2014, revenue increased by 10%. In dollar terms it was flat.

Moving to the right side you'll see that volume for the full year was up by 2.5%. Now our sales are broken down in 2014 by protein category and 73% of those sales are in poultry, 23% is beef and the 4% are the other items. By region 71% of our 2014 sales were in the US and 29% in APMEA.

We continue to focus on opportunities to reduce and control costs. An SG&A of BRL44 million in the quarter represented a 3% reduction from the same quarter last year. In US dollar terms, it was a 12.8% reduction. And a reduction of post-retirement medical benefits was the key driver to that change.

Again moving to the right, as you can see on the full-year 2014 results, SG&A as a percentage of sales declined by 100 basis points to 2.5%. Now, some of these reductions reflect more of a one-time impact. We believe that 3% represents a more normalized rate going forward.

Turning to the EBITDA, the fourth quarter was the highest in 2014. EBITDA of BRL140 million was a 46% increase over the fourth quarter in 2013. The resulting margin of 8.3% represents a 140 basis point increase over the prior year's quarter and for the full-year 2014, EBITDA increased by $97 million and the margin increased 100 basis points to 7.4%. And that improvement was driven by a couple of factors.

A major one was the lower grain cost in the US in our key account business. And we also saw volume gains in China and also overall key account growth throughout APMEA. The margin was also benefited by the SG&A reduction that we just spoke about.

2014 overall was a very strong year. It ended on a very good high note. And I want to thank and recognize the entire Keystone team. It overcame some very significant challenges throughout the year both in terms of increased meat costs in the US through part of the year, and some of the situations that we saw in different markets, in China, through the end of the summer.

And through those difficult times, one thing that I always saw about the team was that they kept the customers' interests very much front of mind and made those interests their own. They overcame some long odds and ultimately delivered on the results that we had set for our Focus to Win.

Now let's review our strategic focus areas. The first is to leverage poultry -- global poultry demand and take advantage of the favorable trends that exist for chicken across the world.

The second is to further our key account penetration and build on the successes we've had there. And the third is about geographic expansion of our footprint and extending our business model.

Global trends and the outlook for poultry are favorable. Poultry is the fastest growing protein in developed and emerging markets. On the left you can see it's the only protein to grow in the last 25 years in the United States.

And on the right, you see that growth in developing markets is expected to more than double the growth in developed markets. Now that strong consumer demand is due to poultry's low fat profile, versatility in preparation, and also cost advantages relative to other proteins.

Part of our strategy to capitalize on that attractive market dynamic is to continue to focus on our operations and investments that will make us more competitive than the marketplace and provide the opportunity to grow margin. And this includes actions like increasing bird weights at two of our complexes in the US which drives efficiency by putting more pounds through the existing primary processing lines.

We'll also continue to optimize our asset footprint and look to add existing lines where possible. We'll also look to increase volumes and add capabilities where we don't currently have them, whether that be Par-Fry lines or additional IQF capacity.

We have a continuous improvement mindset and look always to improve productivity, and to also find benchmarks that will help us identify the biggest areas of continued opportunity. So, if you look at the overall macro drivers for poultry growth, that market opportunity, combined with our operational positioning and our excellent customer relationships are what will allow us to continue to grow with McDonalds, to continue our recent double digit growth in key account business, and also provide the opportunity to increase margins.

I just mentioned double digit growth in key accounts, so let's take a little bit of a closer look at the key account outlook. First, to be clear, key accounts for us means further processed and value-added sales to companies other than McDonalds. As you can see at the bottom of the page, we do significant business with major companies and brands across multiple channels.

Now, looking at the bar charts, you can see that key account sales have more than doubled in the past six years from $264 million to last year's level of $563 million and that represents a CAGR of 16.4% over that period.

In the US, we see three principal channels for our key account business. Traditionally, our focus has been on the left side, on the food service and, more specifically, within that, the QSR space, and that's a high value channel that's very deep and broad.

Chicken-focused QSRs, as well as chicken items and traditional QSRs, continue to grow. Now, this channel will continue to be a core focus area for us. More recently, we've grown into the retail channel as well with private label products and supermarket deli and fresh areas.

And the deli growth in those stores is leading and outpacing the chicken growth overall, so we are able to offer retailers a branded quality product that they can sell under their own labels. And, finally, in the industrial channel, we will continue to focus on strategic alliances with key partners, driving stable, predictable volumes.

Now, the industrial channel provides less growth opportunity, but it's a very important pillar for the overall US key account strategy.

In APMEA, Keystone is uniquely positioned. We have a mix of domestic focused and export-oriented businesses in our different operations. Thailand is very much export-oriented and sells into Japan, Singapore and the UK principally. Now, Thailand has, within APMEA, the deepest key account history and we've been at it for a long time there and the team has developed some very deep relationships.

Malaysia is both a domestic and an export-focused business selling into the Middle East and Singapore in addition to the Malaysian market. China is largely domestic currently. Last year, and in prior years, there has also been a significant amount of business done into Japan but, towards the end of last year, the Japanese market was basically shut to Chinese suppliers and so, currently, that is largely a domestic focus on the key account business.

Korea also has a domestic focus, and Australia, though it has a big beef business also domestically, the key account business is very much export-focused. So, overall, Keystone Foods is very well positioned in APMEA.

Now, I'd like to ask Richard to go through our third strategic focus area and then I'll come back and close up the presentation.

Richard Wong {BIO 7398516 <GO>}

Good morning. Now allow me to present the third Keystone strategic goal which is geographical expansion in high growth markets. The spread of fast food products originating in the US to the rest of the world started in the 1970s. Here you can see on the screen in 2013, the global fast food market has grown to US$635 billion and will expand to US$860 billion in five years' time, averaging a 6.2% growth.

North America is still by far the largest QSR market with Asia Pacific set to rival in size in 2018 with its fast growing, middle income consumer notably in China.

A little bit background information here. When our key customer McDonald's expanded globally, Keystone Foods was one of the earliest pioneer that dare to take up the challenge and venture internationally into the QSR food manufacturing business in the late 1980s in France, Malaysia and China.

We grew with our key customers and, 25 years on, we are proud to be the global leading supplier of a multitude of products and services to global QSR brands in the Asia Pacific region.

With 25 years of local operating experience, we have developed over the years a team of talented people in APMEA with a good mix of on panel, a new brand products providing us with a good balance between deep experience and understanding of doing business in APMEA, while also incorporating new top leadership from the more recently appointed key managers.

In all the markets that we have production presence, you see the chart on the left, we have local joint venture partners. We are proud to say that we continue to have very strong relationship with our local partners and they are fully committed to growing with us. In China and Thailand particularly, we have strong local partners who support our growth strategy and help deliver the commitment to our customer we serve.

While most of our production facilities are domestic market focused, over the years we have developed export sales for poultry and beef products to other destination in APMEA. On the left-hand chart, you can see our plants in APMEA export its product to more than 13 countries in the region. Japan, UK and the Middle East country are the key markets.

One of the unique features of our production facilities in APMEA is that they are all multi-specialty plants capable of manufacturing multi-protein products. In addition, three of our plants, namely Thailand, Malaysia and Australia are Halal plants, supplying product to markets in the Middle East and other Muslim nations.

With all the right ingredients for success, as stated above, deep clinical knowledge, customer focus and an experienced team of management, coupled with the right food safety quality culture, Keystone Foods is ready to expand further geographically where it makes good economic sense.

Middle East is our highest priority. As you can see from the slide, the market growth chart and the QSR unique growth chart on the screen, the Middle East has all the right dynamics for us to take to the next logical step. We are working to finalize our joint venture agreement with our selected partner in Saudi Arabia.

Now, I would like to pass the mic back to Frank for the next section. Thank you.

Frank Ravndal {BIO 17222037 <GO>}

Thank you, Richard. We just reviewed the three strategic focus areas of leveraging the global poultry demand, key account penetration, and Richard just walked us through the geographic expansion, so I see those as the three what's of the strategy. Maybe let's spend a little bit of time talking about the how. A few of the things that are key enablers, but what will ultimately drive to successful execution of that strategy.

So at Keystone, our focus on excellence has always started with food safety and quality, and we are leaders, and have always been leaders, in the food safety and quality space. We share best practices, take leadership roles on different industry councils and always set our standards above those set by regulatory bodies, either nationally or locally.

Another area that is integral to Keystone is our corporate social responsibility or CSR umbrellas and programs and it defines who we are and how we operate. And it covers everything from areas such as sustainability, animal welfare, as well as employee safety.

And you can see on that lower bullet point on the right that we have a very good safety record, an excellent employee safety record and so we're way, while we're quite proud of that, we are never satisfied on such a critical component as in employee safety.

So innovation is another one of those key enablers; the how of how we will execute on our strategy. And we partner with our customers to develop customized and innovative food solutions, and sometimes that idea will generate with our customers and sometimes it will bring new product ideas from the beginning.

We have a state-of-the-art facility that's been up and running in the US for several years and that we're very excited to have just recently launched the opening of a Shanghai innovation center focused on China, and we're also opening a regional innovation center in Thailand.

Now, let's move to the financial projections and see where those different strategic goals are going to take us from a results perspective. On the left, you can see our actual results for 2013 and 2014 and then on the right is our projection for 2018.

On the net sales line, we are looking for a CAGR of 7.5% to 9% through 2018. And from an adjusted EBITDA margin perspective, we're looking at a range of 8% to 9%. And in both of these cases, those projections are a reaffirmation of what we talked about over a year ago.

So a few final remarks. We're very well positioned for continued growth with both McDonald's and key accounts. We believe that most of that growth will take place in poultry. We have had recent very good success with key accounts and we will continue to strengthen that business.

We have several attractive geographic expansion plans in mind and we'll be looking to execute on those soon. And our innovation and food safety track records will ultimately be the key to our success. So the Keystone team of 11,500 employees around the world is ready to tackle the challenges and the opportunities and to deliver on the Focus to Win plan.

And now I'd like to introduce Andrew Murchie, CEO of Marfrig Beef Brazil. Thank you.

Andrew Murchie {BIO 18098471 <GO>}

Good morning to all. It's very good to be here again as I have in 2014 on our first Marfrig day in order to tell you a little bit about our results and our expectations for 2015.

I have been in the Group since 2013 - 2003, I'm sorry, so almost 12 years and in the beef industry for over 15 years. And Marcelo Secco, which is the CEO for the South Cone, is with a vast experience in the cattle industry.

In this slide my intention is to review our intentions in South America. As Marcos has commented, we have a strong presence in Argentina, Uruguay, Brazil and Chile. With this footprint, which is composed of 30 producing units and seven distribution centers, we have reached our greatest level of competitiveness and a better management of risk, either sanitary risk, political risk or economic risk. And with this structure, we're the third largest beef producer in the world. We are the second in Brazil and the first in Uruguay.

In 2014 we have sold 1.4m tons and these 80% originated -- of this, 80% originated in Brazil, 14% originated in Uruguay and Chile, and 6% in Argentina. The total profit was $9.7 million which represents 43% of the whole Group. And the constant search for excellence of our products, as well as the vast commercial channels, without a doubt has been the growth pillars for management in 2014.

In the next three slides we will be showing you the main operational and financial indicatives. We have to highlight that volume has grown 14% in 2013, between these two years 2013 and 2014. And the revenue has reached a 14% growth. 46% of this growth is destined for the international market and with our strategy to increase this channel last year, 54% was -- stayed in the local market. Expenditures represented 8.8%, which is the SG&A, in comparison to 9.4% of last year, and this was an equivalent of 60 million in growth annually for last year.

And more impressive was the difference of the third trimester of 2013 with the fourth trimester of 2014, which lowered a further 230 points to 7.7% over sales and the result was reached by our productivity agenda which was produced by the Group as a whole.

And finalizing on our plan which is made to win, the EBITDA margin went up from 9.2% in 2013 to 9.7% in 2014 with a 17% growth.

As we have done last year, the definition of growth pillars were more important and showed very efficient in seeking these results, so we decided to not plan the same strategy and define the four pillars in order to seek new numbers for 2013, 2015. Growth in volume and average prices continue its focus on cash generation.

Of these four, if I can highlight one, generation of funds and cash flow would be the main one maximize South America's exporting platform and our productivity agenda.

When we talk about growth we understand that the international market will be a great driver, a great player this year. Our factory meets the highest sanitary standards and we are approved by most importing countries. And among these countries are Russia, Egypt, Iran, Venezuela, Chile, Europe and Asia.

In Asia, we can mention Hong Kong, Philippines, Malaysia and Singapore. And we do believe that during the first semester of 2015, the Saudi Arabian market as well as China will regain exports with Brazil. And these are countries that were very important in all exports in the Marfrig Group. And we also believe that in the year 2015 there are the barriers of the American market should open their doors to the beef market.

We know that the whole of the United States and all other [ph] countries follow this same protocol and once the United States opens their frontier, these other countries should follow through and do the same. Nowadays, these countries are supplied by Australia and Dubai.

And facing these growth challenges in the international area, we have established an office in Dubai in 2014 not only to meet this country's needs, but also all of that region which does mainly imports in China, which is a very promising country. We have also transferred our sales team that has been there for the last -- for almost a year.

And down below, we have some graphs and I highlight the one on the right which shows the participation of the Group which started in 2012, reaching 45.5% in 2014. So just as important as exports, the internal market is fundamental to all our businesses.

In 2014, we have made different -- and we have taken different actions, and restructuring food service and retail. We increased the participation of these channels in our profit to 43% and it represents a growth of 6%. At the same time, we have optimized our sales team.

As we have seen in the graph here on the slide, the revenue per sales rep has increased almost 70% because we have done the client segmentation correctly. We have reviewed our routes. They are more intelligence, and we have taken better coverage of all areas.

And it's a very pulverized channel with low volume. So the level of service and logistics are essential for the success in order to attain our goals in 2015 besides keeping focus on this channel. The level of service and logistics will be a main priority of ours.

In order to support this growth, distribution is fundamental. We have today a distribution center in the state of Sao Paulo that covers the capital. It covers all areas going from coast to the interior of Sao Paulo and the Rio Grande do Sul State which covers the Santa Catarina State. And we started a distribution center in Curitiba in order to meet all the demands in Parana. And the North and Northeast still represents a huge opportunity. And, today, we are working on it by having partnerships with distributors.

A substantial move was done in our product portfolio in 2014. We launched some atmosphere products which have become a reality in the retail markets in Brazil. The diversity and constant seeking of knowledge of different cuts for all the (inaudible) are one of our main challenges promoting different actions for trading and increasing volumes of all our lines of premium cuts.

We have also developed canned products that have a Mexican flavor and these have been exported to the American market and in the month of March we're going to be doing the first exports to the European market.

Recently, the Marfrig Group has introduced a Marfrig plus [ph] plan which wants to increase the productivity of meat cuts of high quality, using highly skilled technology for breeding and technology that was used only on elite cattle, and now Marfrig brings that to a commercial level. So we see a huge opportunity for Brazil here using genetic in technology in order to improve our results and have a raise in our production.

The benefits for our partners go beyond the low cost of implementation, gain in productivity and this production of producing only the male bulls and reducing the cattle cycle and improving the cash flow for the grower. And the benefits go beyond having greater predictability for slaughter, better productivity of feeds, improved weight and standardization and a guarantee of softer beef, softer, more tender beef.

As mentioned before, the growth of our cash flow is our main focus. Just as in 2014, focus on all these cycles will be maintained. The level of stock, planning of demand, optimization of product mix and simplifying the sales strategy, these will be constant in focus.

Then we can mention the reduction of our lower SKUs in 2013 which were above 20,000, above 30,000 and were going down to 5,000 in 2014 and we're going to be seeking the reduction of these numbers to be down 2,500 and 3,000. As a consequence, obviously, we'll be a less complexity in the whole chain.

The commercial terms and -- were worked thoroughly in 2014. Reduction in cash conversion cycles with great gains, especially in the retail chains. We are going to be segmentation of all channels and on the sales end, we have done several processes through bids where the time for payment was one of the main drivers for our suppliers and with this we have raised our payment terms.

And following our productivity agenda, in 2015 the productivity agenda is our main focus. The focus on efficiency of all industrial operations and follow-through of all main KPIs and definitions of all the internal benchmarks and seeking all of this with greater capacity not only with slaughter and deboning, this will determine our operational excellence and this is part of all our agenda for the main leaders in the industry.

The second trimester 2014 was improve the budget methodology and we were able to aggregate this with 60 million in the second semester. In 2015, we will maintain on the same routine and see how we go with our monthly meetings where all the main deviations will be explained and this meeting is done with all of the members and main leaders and with all the packages and budgets.

The group units we constantly assessed. We take into consideration the availability of cattle in the region, availability of labor and their capacities. The survey is made and then we make a decision to move on or not working in this unit.

We cannot forget to mention the aspects of water and power. We have a sustainability program which has been developed for many years and so the hydro footprint is a reality for us. Our operations are supplied by catchment areas, or by surface waters, underground waters and so far we have seen no impact, no limitations.

However, we do understand the responsibility of our group in consuming water wisely and in the last few years we have already deployed a few actions with reduction of holes in all units, reuse waters that we use for washing the animals, water we use in terms of the deicing of the machine areas and cleaning of the cattle areas in dry mode.

In terms of power, we have a park for diesel power generation that meets 45% of all our needs, electrical power needs, and this will protect us in case we are to face blackouts. And also 45% of the electricity consumption is at a fixed price contract negotiated in the free market and these prices are fixed still for a few months.

I would like to now call Marcelo Secco, who is going to talk about our operation in the Southern Cone. December 2015. I'm sorry I said the contracts were negotiated until December of 2015, that's what I meant.

Marcelo Secco

(Foreign Language) Good morning. Just a little bit more of a mixture of Portuguese and Spanish. I am the CEO for the Southern Cone covering Uruguay, Argentina and Chile, basically focused on generation of beef, lamb and distribution and import for Chile. I have been with the Company since 2006 when Marfrig started its expansion move and in this beef business, I have been for more than 20 years.

Just one aspect is that we are right placed. Marfrig has its platform for generation in the best place, the right place. We cover a geographic area with high natural resources and in spite of everything that's happening around the world, this region of ours shows a growing trend in terms of cattle raising, excellent know-how and the health and sanitation has been improving very much in the last few years.

The potential capacity still has a lot of room for growth. Our production base is still grazing. This on one hand has a potential value because it has access throughout the world and also the agri business is potentializing the generation of beef and makes beef production more efficient in the region. The indicators show that our cattle raising still has a huge gap, a huge room for growth together with agri business and most importantly, all this in a scenario where almost 50% of the beef in the world is produced here, in our region.

And what we are doing, and this is part of what I wanted to tell you, is the strategic combination. We're positioned in Brazil where we have volume, quality volume, with all the changes that Brazil has undergone and Uruguay, Argentina, Chile. And this combination, this mix, basically focuses on growth and value axis.

Value axis, or value addition, is -- represents market penetration. This leadership, I mean Uruguay, is privileged in this sense because we mix with the Brazilian infrastructure to tackle, to get closer to our customers and to offer to any country in the region or in the world this combination of access and product is what is going to be the spearhead of our growth in terms of exports.

Some of the examples can be seen in Uruguay in the 481 grain beef produced to Europe. Almost 20% of Uruguay's production is organic beef. In Uruguay, we have fresh beef. Last week we finished the auditing procedures to provide fresh beef to Japan. So we are combining different strategies to increase our growth.

And this combination is very dynamic. This capturing of value needs those dynamics. We need to be in different markets, seeking the best position in terms of depth in the market and also knowing when to switch and how to switch and in what product lines. So this regional process of ours added to our background to our market knowledge, because we have other companies which are in Europe, in the US, in Asia, so all this is what we are going to focus on in order to promote this growth year after year in our exports business.

The financial projections are here. I'd like to say that in terms of net sales, we've grown between 2013 to 2014. We have grown and we are going to keep on growing until 2018 at the same pace. In terms of EBITDA margin, we are really above the former levels between 8% and 10%.

And my final remarks are here. I would like to say that the international demand for beef will have a key role and it's going to contribute to keep margins at reasonable levels considering the very strong pressure that we have today on beef prices.

So in this scenario, the exports which will be around 50% would be at a comfortable level. For us, in terms of our productivity agenda, we will keep on pursuing more savings, but we want to deploy the same agenda in Argentina, Uruguay and Chile.

In Uruguay, we should keep on observing excellent performance. And now, just like I did last year, I would like to assure you that myself and my whole team are totally aligned, motivated, and focused as we were in 2014 when we delivered the strategies and we are clearly focused right now as well.

I will like to come now -- to call to the stage, our CFO, Ricardo Florence who will go on with the presentation. Thank you very much.

Ricardo Florence {BIO 20008948 <GO>}

(Foreign Language) Good morning to you all. So maybe I have the most accurate part of the presentation, figures for the Company. At the same time these are figures that make us very proud of the work we have delivered last year and now we are posting our results and disseminating them to you.

As Martin said at the beginning, we met all the targets in our guidance which was our commitment when we told you about the strategy Focus to Win.

The cash flow was the main focus last year. We switched radically our profile and we delivered a positive flow BRL56 million for the year.

Operating performance consistency. We improved our performance in all business units and this can be seen by the significant EBITDA improvement. The fourth quarter presented the best consolidated results for our recent history. And we must not forget that our cost reduction focus is very important. We had an agenda of productivity and for the whole year we delivered BRL31.5 million in terms of cost reductions, which translates into more than BRL60 million if we annualize these results.

Talking now about the fourth quarter. What happened to revenue? We had a growth of 19% vis-a-vis the fourth quarter in 2013. In other words, BRL5.9 billion, an increase based on volume and also with a certain component of exchange rate variation in all units. Marfrig Beef grew in terms of exports. Moy Park grew internally, especially in the retail channel which is very strong in the UK. And Keystone grew in the fourth quarter, especially in Asia and net sales volumes.

Our EBITDA for the fourth quarter increased very significantly both in Moy Park and at Keystone and Marfrig. The EBITDA margin of 9.2% for the quarter was reached due to a number of reasons. All business units contributed to this increase reducing costs, working on productivity, especially in Brazil. And the margins of 8.3% in Moy Park, 8.3% for Keystone and 10.3% for Marfrig are among the best margins ever presented by the company.

Now looking at a breakdown on a quarter-by-quarter basis let's see what happened in 2014. The company's global growth in revenue, if you compare the fourth quarter of 2014 to the fourth quarter of 2013, you see a growth of 19%. YTD, we are talking about 12%, $21.1 billion. Again, I am not going to go in to minute details, but this growth was verified in all the business units.

What's the breakdown in terms of business units in terms of sales volume? Well, it's more or less the same between 2013 and 2014. In other words, 46% Marfrig Beef, 35% in Brazil and 11% for Southern Cone, Keystone accounting for 28% and Moy Park accounting for 26% of total sales for the Group.

Gross margin and gross profit. Gross margin produced two positive movements in the business units last year and Marfrig Beef was impacted by a higher cost, beef cost in Brazil. For the whole year we had a growth of 30 base points. In the fourth quarter there was a drop of 30 base points exactly due to this reason that I have just explained to you, 180 base in Marfrig Beef. This had to be offset somehow given the market conditions as the higher costs which have deteriorated the margins in Marfrig Beef.

So what did we do? We worked very strong to improve productivity, sales. SG&A dropped from 7.3% to 6.9% during the year vis-a-vis sales. But what's important is the comparison between the fourth quarter last year and the fourth quarter in 2014. We are talking about 110 base points, 7.5% vis-a-vis 6.4% and the greatest contribution was by Marfrig Beef where the expenses on sales dropped from 10% in the fourth quarter of 2013 to 7.7% in the fourth quarter of 2014. So, this is the result of hard work on a daily basis and a reduction in expenditures and cost.

As a consequence, our EBITDA for the quarter was 9.2% vis-a-vis 8.5% for the same period last year. So, an increase of 30 base points and for the whole year 8.5% against 7.7% in 2013. So an increase of 80 basis points.

We are still not in the positive area in the next slide in terms of net profits. Last year we had BRL815 million in terms of passive exchange rate fluctuations due to our net debt. So we still have to work to improve our operating performance and, therefore, in the next years, we'll try to post positive results in this line. This is of course the objective of any company with shares traded in the market.

Our gross debt was at BRL11.1 billion, a 2.7 billion cash, a debt of BRL8.4 billion. As I said, an impact of BRL800 million. However, if we consider this net debt in dollars, we see that it's constant throughout the year at $3.1 billion. This is not on the screen. This is a just a bit of information I'd like to give to you.

So it's important to see that the snapshot we have at the end of the year when we had the exchange rate at 2.66, so at this point the EBITDA of our business units abroad was still considered at 2.35. This is going to be offset in the next few months and we are going to balance our cash generation.

Liquidity and debt indicators. First, let's have an acid test. The EBITDA of the fourth quarter annualized, the indicator of the net debt divided by this annualized EBITDA would be 3.8 times. If we consider LTM, it would be 4.8 times. So we are still a leveraged Company, like 4 times. But the cash flow is stable and we are growing very fast our base in order to keep on with our multi-annual process of deleveraging. So we've been working in several fronts in terms of liability management last year.

The average term of our debt is around 49 months, 15% short-term BRL1.7 billion and 91% of our debt is long-term or rather is with a different currency other than real. It's important to highlight that all our covenants regarding debt exclude exchange rate variation and so if still measured, it would be at 3.4 times at the end of 2014.

This is the schedule for our maturities of the debt. We don't have any important maturity until 2018. So everything that we have in the short-term has to do with our capital in the Company, our working capital. So it's part of our daily operations and the renewal is almost immediate. And regarding the cash flow in the fourth quarter, value from our net results and items does not affect cash items like depreciation, amortization, provision.

In the three accounts that make up for the working capital, we managed BRL224 million in the fourth quarter mainly due to the seasonal reduction of inventories which occurs at the end of the year after the season, after the holidays.

So we were at BRL31 million but the cash generation amounted to BRL436 million as you can see in the grey column in the middle accounting for 83% of our EBITDA. Our CapEx is under control at BRL193 million. It has been slightly impacted by the conversion of investments in pounds and dollars which were at 255 in this quarter. Financial expenses of

BRL258 million and a free cash flow of 14 million. So for the whole year, we were at BRL56 million.

This slide is a good snapshot of what happened to Marfrig between 2013 and 2014. You see a free cash flow that is much more stable now. Some quarters which were negative, some positive ones, but always stable. And we closed the year with a slight positive figure vis-a-vis the previous year. So this slide basically shows the team's effort in along these slides.

Financial projections. I'd say that these are some guidelines of what you should expect. The debt currency profile should balance the sales currency breakdown. Today, we have around 80% of our sales in other currencies, currencies other than real.

Short-term debt should not exceed 20% of the total debt. I think this is a good policy. We are at 15% right now. And the minimum cash level should be around 8% to 10% of annual sales. In other words, enough to cover for the short-term debt.

So this has been an exhaustive work by our financial committee, our risk management team and I'm part of this team and all the CFOs of the different units are also part of this team.

What about 2018, what can you expect from us? Well this continuous work that we've been engaged in tries to reach a financial leverage close to 2.5 times. In other words, the net debt of EBITDA for the last 12 months. A coverage in index for interest rates around 3.5 which is rather comfortable, it's a lot of work. With our strategy, I think we are headed to the right place.

I'd also like to remind you that the conversion of debentures which will occur in January 2017, with that we're going to add to our cash flow BRL270 million per year, which is what we have just paid for in January and we have only two other installments to go. So, from February 2017 on, this amount will be part of our cash flow. And all this mix, we expect to achieve a rating for our bonds and for the corporations as a whole, a rating of BB as a minimum for 2018.

Let me now give the floor to Martin for his final remarks and for the presentation of our guidance. Thank you.

Martin Secco {BIO 18098476 <GO>}

I would like to comment here with you that when the meeting is over and the exit, you will have all this material printed and available which Ricardo mentioned here as well as the final guide which I will share with you here.

Just to resume here what we have talked about 2015, we will continue with an administration in Central Asia experience and with our center, centering our focus on quality execution, we're going to continue to grow organically with positive results and this whole scenario is completely predictable for this 2015 year. We will continue to have a strict financial discipline, strict working capital over all our capex management and working capital in our expenditures.

We'll have great challenges in each of our business units and I would like to mention a few of each of these. In the case of Moy Park, any time market conditions are the ones we have been expressing we will do IPO operations. In the Keystone division, we will continue to have this increase in tendency of growth and especially focusing on APMEA and Marfrig Beef will continue to meet the results. But the greatest challenge, that it's not only Marfrig's challenge, but we'll have a strong focus on our international relations of the meat complex in Brazil.

It's something Brazil is not going to be doing alone. It's a country strategy that we think is vital for all the cattle industry and for the Brazilian industry. Therefore, we are going to be placing this with the new government authorities in regards to all the beef market in Brazil and the whole complex of Brazil.

What is our vision for 2018? To grow in double digit with the international operations by Marfrig. We'll have 60% of our resource. As Ricardo has mentioned, the level of leveraging over 2.5 times supported by a free cash flow in excess of BRL650 million per year. And a young team, and also a very skilled management team with solid execution and I think Marfrig here has a very special feature that is very hard to evaluate and to know exactly what we do here in this company.

We have a huge history of de-leveraging, a continuous deleverage, that will be completed in two or three years. We can't guarantee much with the results we are having, but we plan to improve our performance in operations and we're going to be doing investments in these sectors and we're going to lower the interest and expenditures as we generate the cash flow.

All of this, we will be doing without taking our focus from factors that we consider very important which is the respect for sustainability and the respect for social responsibility which the company has and considers very important. It's very present on the day-to-day of every decision.

And to share with you our wide goal and I use an exchange rate of 2.70, which is also related with the pound of 4.30 and for projections for 2015 is a process of 23 billion, EBITDA of 9.0%, a CapEx of 650 million and free cash flow of 100 million to 200 million as well as our goal for 2018 will be 7.5% to 9.5% with a margin of 28 million and a cash flow above 650 million.

Now I'd like to leave open for Q&A now. So I would ask a microphone to be placed here, right here on this table on the front where most of the answers will be given. And after all our questions, just raise your hands so we can take the microphone to you.

Questions And Answers

Operator

(Operator Instructions)

A - Unidentified Speaker

(Foreign Language) I thought I was clear, but maybe I wasn't completely clear. Ricardo is pointing out the questions can come also through the Internet because the transmission is being done online also. Good morning, Martin. I have a question here from the webcast. I'll wait. Our first question comes from JPMorgan, Pedro Leduc.

Q - Pedro Leduc {BIO 20979981 <GO>}

Good morning to you all. Thank you very much for the question. This is more related to two points. First, if we can manage to see this net savings especially in the cattle industry and gross margin. In regards to the guidance, thank you very much for sharing this right away. But would you have any visibility in regards to the evolution of the expenses for 2015 without the FX effect because we have seen that there has been some loss and I know that one of the goals of the Company was to improve the financial.

A - Unidentified Speaker

(Foreign Language) I'm going to comment on the first part of the question and then I'll pass to Ricardo for the second part. It is effectively we expect greatest results for the results of these. We do have a commitment from our division and our own commitment also in regards to expenses, financial expense we have presented.

They are a total of last year it was around BRL980 million and this was mainly a conversion into a lower exchange rate than what we had this year. That financial expense that's in dollars perhaps will not have a great variation.

On the contrary, it will have a small reduction. When converted to reais, it would probably be close to BRL1.1 billion within this year. But, Pedro, you can count on the effort of all us here in operation. Everyone, or anything that can be done to any of the units in the company with efforts and continuous efforts in order to reduce these numbers not only this year but also for the next few years. There's a question here in the room.

Q - Unidentified Participant

Good morning, Martin. It's Gabriel from Bradesco. In this guidance which you have given of growing 8% to 10% of Keystone and 7% or 9% in Moy Park, how does this balance if we maintain between price and volume inside this revenue growth?

And my second question, Martin is, if you could mention a little bit about Brazil in regards to the cattle in 2015 for beef and exporting. Do all markets in Brazil, Iran, Venezuela and Russia in many ways they are facing a very adverse scenario in regards to exports in their part and I know the pound has gone down. So what's the vision, the vision for you for beef Brazil 2015? Thank you.

A - Unidentified Speaker

In regards to the first question, this guidance is not only from Moy Park, it's for all of Marfrig and it has the combination of price and volume. As you have seen in the previous presentations, it has this combination of the growth. It's a mix component and we also believe very much, especially in the case of Moy Park, that the growth will be given by the aggregation of new products within our portfolio.

You are 100% right in regards to Brazil. It's a really important challenge and we have been able to see that there's room in the reduction of the beef price. So the level of price of the products we do sell will be leveled. So, it's very important that Brazil, that Brazil has access to countries that pay the best price.

Russia is not, does not hold 10% of all sales of Marfrig's products, but right now it's not the moment, or the adequate moment, to evaluate how much this will impact the market because generally this time of year the exports in Russia are frozen and of course all commerce is very low.

And we're starting to do business again with Russia with a lower price level than what we have done in October and November of last year and the market started heating up slowly. But always it's a flow on market this time of year.

So just going back to Brazil, Brazil has to follow through because there is a better price. It's important for the Brazilian government also to place this thing in the first lines of their agenda in regards to all of the business is done.

Q - Unidentified Participant

Good morning to all. I'm from BBA. My question is about beef. If we look at the working capital for 2015, what do you expect in terms of improvement year-to-year? This is the first question.

A - Unidentified Speaker

Hi, Giovana [ph]. Four to five days. Today, our working capital for the total of the company, it's around 35 days. So it would make sense to close the year to something around 30 to 31 days.

Q - Unidentified Participant

Thank you. My second question has to do with the operations in Argentina. You talked about the possibility of more flexible policies, the restrictive policies that they have. How do you see the timing? Do you see this possibility in the short-term? What would be the most important contribution from Argentina in terms of the combined EBITDA?

A - Unidentified Speaker

Well, we have only wishes. We cannot really project materially what the improvements will be or when the policies will improve, especially in terms of beef. We expect that there will be a change in government because they have new elections this year. But all our projections do not consider a different scenario for Argentina.

Today, we have small activities there with two units only. We're very happy with the results that we've reached in 2014 from these units. And we do believe that Marfrig, with its global beef platform, Marfrig needs to be in this market, must be in this market because it is the most prestigious market for beef in the world. So, it's important to have our footprint there not only with products that are exported to Brazil, but also because we cater to very high value markets like Europe and Israel and obviously we have a footprint for other products which are not exported.

There are no exporting restrictions right now. There is a rate that you have to pay over the sales price and there is a process for licensing. But it's never denied, right, the license to export.

Q - Unidentified Participant

Good morning everybody. I am Martinez from Merrill Lynch. Two questions. First, you said that Moy Park's IPO could occur this year. This would be one of the ways to de-leverage the company. Do you see other alternative sales of assets? Do you have anything else in mind, any other possibilities?

And in terms of the guidance and the cash flow for this year, BRL100 million to BRL200 million, does this include the interest that you have to pay to BNDES of 270 million from the loan that you just contracted?

A - Unidentified Speaker

Yes, we have already paid the installment for this year and it is included in the results projected. Regarding the IPO, we together with our strategic department, we have considered different possibilities, different choices, because one of the aspects that is very important is the quality of the assets.

But the only concrete gain would be the IPO for Moy Park. But, this would not be done just at any price. One of the reasons being that it is part of our agenda in order to de-leverage to do it in the second or third quarters of this year.

Q - Enrico Grimaldi {BIO 17277738 <GO>}

My name is Enrico Grimaldi from BTG Pactual. Can you give us a breakdown of the CapEx for 2015 in terms of different divisions? And does this include the expansion CapEx for Moy Park? What would it be for 2015 and for the next two years?

A - Unidentified Speaker

We don't break down our CapEx by the different divisions. I should say that it is very close to the CapEx last year and you can also see Moy Park's growth and beef also, but especially Moy Park's growth. And with this CapEx, the CapEx we're pointing to, we're very comfortable with the growth rates projected for each one of the business units.

This does not require very important investments in the plants. We are just creating new lines and the CapEx is something that we have requested and we are committed to this year.

Q - Unidentified Participant

My name is (inaudible) First of all congratulations, (inaudible) Martin and Ricardo. This is my first year as a partner of Apimec who no longer has to pay, because I've been there for 35 years. So, today I am an analyst and I don't have to pay for the contribution. I see some old friends from Apimec here. And Martin, I remembered some of the very first presentations at the end of the '70s and how much we have grown since then.

Second. Regarding Marfrig, I had the opportunity to visit a producer of confined cattle and strategy is strategic today. We are going to have a brutal increase in the price of this commodity. And when I visited (inaudible) production of confined cattle, I noticed that he uses the confined cattle's produce to convert into energy and for the system. So I would like to see what the possibility is to use the manure to produce energy.

Could you talk a little bit about Marfrig Plus because it seems to be something revolutionary and I think Andrew didn't talk much about it? Could you please tackle this topic?

And there is also another question. One year ago, you told me you should be actually something about promise because I produce sheep. And you closed the slaughterhouse for sheep and it was a promise of production. You said you were about to open it again in one year.

So we have a new CEO, more in line with production. My question is, are you going to open up the slaughterhouse?

A - Unidentified Speaker

The meat packing industry is open but there is no lamb or no sheep to slaughter. This is a production that we have given a lot of thought to and it's not within our plans to pursue this line. We know that this has caused some disruption for some of our partners, especially in the southern region. But we could not keep this plant open in terms of production of, or processing of sheep. All our processes are analyzed in depth, so this was the case and I would recommend that you don't go back to raising sheep.

Andrew talked about energy and I agree with you. I've been to this place where they have confined cattle and they use manure. And I would like for him to comment.

You're again with this topic of sheep. So the Marfrig plus program, I don't know if you have a specific question about it. Would you ask a specific question?

Okay, Marfrig's profit is exactly like that. It starts in different phases. So we have 20,000 inseminated matrixes and so we have the guarantee that these animals are going to come back to Marfrig, due to the fact that they are high quality animals. I have standards and I have, I know exactly how much the beef is going to be how much. I have the guarantee how much softer beef because it's very high quality cattle.

So we have a traditional program in Brazil, which provides the semen from the male which is usually inseminated in a cow. So in this case, we inseminate the semen so both cattle has elite. And so we use the best semen from those parts. We have the embryo which will be inseminated into the cow. But the eggs are also from high performance heads, or cows.

What about the manure used? Well, we have in Burmacell [ph] a plant which operates on the gas, on sugar cane gas and along the same lines as this confined cattle raising that you've mentioned. We still have a study along these lines, but it's worth engaging in this strategy because we are protected by the diesel generation in any case. But I think it's a good idea to try and gather some more information and to learn about this possibility because we could use this for ourselves and for the people who raise confined cattle in the Group.

Talking about the Marfrig plus, program, we conducted some tests. So today we have some males with 23 arroba [ph] for 23 months. A normal production would be 50% female and 50% male in terms of birth rate. So after 24 months you would have around 16 arroba.

So it's a hike in terms of productivity, both in terms of carcass kilos and time. So it's a huge gain and this is one of the one of the aspects, one of the great advantages that we have against the US and Australia.

Let me just say a few more words about power, about energy. In Uruguay in line with an investment policy by the country, Marfrig has started the building of a wind farm to a power wind plant. And if things run as we project, we will go on and deploy this for the three different -- three other units.

It has a high impact in terms of costs and also it's having back to the government because we're going to sell our excess energy to them. We have already started building this wind farm in the north of the country.

[Foreign language] Ladies and gentlemen, if you have no more questions, we have to go back to work to reach the targets. So thank you very much for your attention and we are at your disposal. We would love to answer your questions. You can access us through the IR department or the other channels. And I would like to thank everybody who helped promote this event. We are very comfortable and your professional level was more tested. Thank you very much.

(Foreign Language) Just two more minutes, I'd like to thank the folks for the opportunity to get here, exchange the ideas and always trying to clarify our issues and also to include in our reports that we can project. And it's very important to be here face to face.

Let me call it (inaudible) family because it's going to give an award after three years of relationship, which goes beyond any call just to report results. Thank you very much to all. I hope you all have a wonderful day and good work.