Q4 2014 Earnings Call

Company Participants

- Augusto Ribeiro, Chief Financial & Investor Relations Officer
- Christiane Assis, Director-Investor Relations
- Pedro de Andrade Faria, Chief Executive Officer

Other Participants

- Alexander Robarts, Analyst
- Fernando Ferreira, Analyst
- Jeronimo De Guzman, Analyst
- Jose J. Yordan, Analyst
- Lauren Torres, Analyst

MANAGEMENT DISCUSSION SECTION

Operator

Good morning, ladies and gentlemen, and welcome to BRF SA Conference Call to discuss Fourth Quarter 2014 Earnings. This conference call is being transmitted via webcast in our website, www.brf-br.com/ir. The presentation is available to download in our website.

At this time, all participants are in a listen-only mode. And after the presentation, we will conduct a question-and-answer session. Instructions will be given at that time.

Forward-looking statements related to the company's businesses, perspectives, projections, results and the company's growth potential are provisions based on expectations of the management as to the future of the company. These expectations are highly dependent on market changes, economic conditions of the country and the sector and internal markets, thus, are subject to changes. As a reminder, this conference is being recorded.

At this conference are Mr. Pedro Faria, Global Chief Executive Officer; Mr. Augusto Ribeiro Jr., Chief Financial and Investor Relations Officer; and Mrs. Christiane Assis, Investor Relations Director.

I would now like to turn the call over to Mrs. Christiane Assis, who will open the conference call of the fourth quarter 2014.

Christiane Assis {BIO 16226621 <GO>}

Good morning and welcome to BRF's fourth quarter and annual results conference call. At this moment, I would like to hand over the call to Pedro Faria, BRF Global CEO. Pedro?

Pedro de Andrade Faria {BIO 15115819 <GO>}

Good morning, everyone. Thank you for participating in our 2014 earnings call. 2014 was an extremely important year for BRF. It was a year of transformation, the structural changes within the organization. We focused a lot on execution with implementation of a number of projects aimed at improving the company's operating performance in Brazil, as well as in international markets.

The company's consolidated revenues for the year, including discontinued dairy operations, amounted to BRL 31.7 billion, an increase of 4% over 2013. Consolidated EBITDA was BRL 4.9 billion in 2014, some 56% higher than the accumulated figure for 2013, which resulted in an EBITDA margin of 15.4% compared to 10.3% in 2013.

Our net income reached BRL 2.2 billion compared with BRL 1.1 billion in 2013, which translates into an increase of 109%. The company's cash flow, our favorite metric, amounted to BRL 4.1 billion in the year, triple the amount of 2013. And to finalize, our return on investment capital, ROIC, was to the tune of 11.8% in 2014, which is a substantial improvement of 4.6 percentage points regarding the return registered in 2013.

Talking about our Brazil operations. Throughout 2014, we focused our efforts in Brazil on making structural improvement in both logistical and distribution area. We diversified and improved our channel management in areas the company did not reach or did not serve directly, leading to an increase in active clients, as well as a reduction in inventory losses and higher profitability.

As of June, we started a strong and intensive campaign training the sales force with the view of increasing productivity per salesperson, enhancing the tools and expanding cross-sales. This led to some very good results, an increase of 22% in the number of clients in small retail in Brazil, reaching 160,000 points of sale by the end of the year with also an increase in our cross-sales amongst our brands from 53% to 77%.

In terms of our level of service provided to our clients, we focus a lot and we think we have a meaningful improvement of 12 percentage points in our OTIF index, on time in full, by the end of the year. Despite this achievement, we still think there's a long way for us to go to better service our clients.

At the beginning of 2014, we changed our strategy in international market, cutting volumes in markets that no longer represented profitable opportunities to focus more and more on selected clients, geographies, channels and markets that we think we can better serve.

Additionally, we introduced a series of initiatives which translated in improvement in our operation. We have lengthened and improved some contractual terms with our clients. We clearly have better inventory management. We reduced operating expenses, and we also improved the pacing of shipments through the month which reduced our sea freight cost, for instance, and their impacts were felt throughout the entire P&L of the company. We also think those initiatives have led to reduce the volatility of our international markets.

In line with our international expansion strategy which aimed at gaining access – increasing access to our clients and consumers and strengthen our brands, we have continued our move of integrating the distribution arm into our operations. We have acquired 100% of the economic rights of our United Arab Emirates distributor, 40% of our Oman distributor and 75% of our longtime distributor in Kuwait. Those have all led to a substantial improvement in our operations, which can be translated by increase in market share in those markets.

We have also announced the signing of a binding memorandum of understanding with PT Indofood in Indonesia, creating a joint venture that will explore opportunities in poultry and processed foods in Indonesia. This is a strategic step that opens the door for a market which consists of 250 million people where protein consumption is increasing substantially.

In terms of our financial management, with a view of maximizing working capital, the company financial team has done a great job, resulting in an increase of our accounts payable, decrease in our accounts receivables, as well as inventory management, which all contributed to a reduction of our financial cycle by almost 11.3 days.

The company cash flow resulted of this improvement in working capital but also the operating improvement and optimized CapEx policy generated cash to the tune of BRL 4.1 billion, as mentioned before. This was three times higher than the accumulated of 2013. These results have allowed us to distribute BRL 824.3 million in dividends and into some equity, which is a record in the history of BRF.

Following the strategy to focus on assets that are the company's core business, we have signed an agreement with Lactalis Group to sell our dairy division. The consort (8:07) was signed in December with the amount of the transaction fixed in dollar terms of BRL 1.8 billion, approximately $700 million at the time.

Also in order to optimize our return on investment, we signed a partnership agreement with Minerva relating our beef business. We have exchanged two of our slaughtering facilities in the state of Mato Grosso for a stake of 15.2% in the company with a right to appoint two members to their board of directors.

The company cash-rich position at the end of 2014 allowed us to take opportunity to sit in (8:43) market, and we announced the share buyback program of BRL 1 billion already executed, which meant that the purpose of the program was to ensure the efficient use of the available cash resources in a way that maximizes our returns and the allocation of the company's capital.

More importantly, we promoted in the fourth quarter of 2014 a large event for all of our leadership called the Viva BRF in which we brought 4,000 people under a same roof with a purpose of consolidating the company's new culture, Viva BRF, which (9:22) high performance linked to our remuneration tools as one of its fundamental pillars.

We are very pleased with the transformation occurred in the company in 2014 and the strategy that has been carefully executed until now. It is important, though, to mention that 2015 is shaping up as a very challenging year for the Brazilian companies, given the slowdown in the economy, the structural adjustments needed in the economy, and in this week, the potential impacts we are facing off a strike of truckers, which is blocking the roads in Brazil and affecting our operation, as well as the likes of all of the Brazilians.

I will now hand over the call to Augusto, our CFO, who will provide more details on the financials. And I will have to excuse myself, I'll take one or two questions before I have to go take at trip to Brasília.

Augusto Ribeiro {BIO 18485971 <GO>}

Good morning to everyone. All the results that we present here refer to the company's continued operations, excluding results from discontinued dairy operations, which are in the process of being sold to Lactalis as we announced in December 2014.

The consolidated net operating revenue in the fourth quarter of 2014 amounted to BRL 8 billion, up 6.8% against last year. All the company's business unit made a positive contribution to these results through higher volume in Brazil and in Food Service, as well as better average price in the international market.

Talking more specifically about Brazil, the year 2014 was strategically important for the company, as we started implementing our strategy for Brazil. The result in the fourth quarter which is seasonably stronger, as well as for the results of 2014 as a whole, show that even against a challenging year for consumption and an economic slowdown, we have successfully implemented our strategic goals, anticipating consumption trends and seeking growth in the small retailer sectors.

Net operating revenue in Brazil amounted to BRL 3.9 billion in the fourth quarter, up 7.6% when compared to the fourth quarter of 2013.This was mainly driven by an increasing volumes of 10.6% resulting from an improved performance in commemorative products, our seasonal products, combined with better execution in the sales points, as well as our growth in the small retailer channel.

So, now moving forward into the international market. The strategy of optimizing volume within some regions of the international market paid off in 2014, combined with the structural change such as improvement in contract terms, better inventory management, reduced operating expenses and balanced volumes, boosted the returns in the regions.

Net operating revenue from international operations in the fourth quarter was BRL 3.6 billion, up 5% compared to the fourth quarter of last year, boosted by an average price that was almost 18% higher in reais terms against last year and 5.5% in dollar terms. Accumulated net operating revenue from international operations in 2014 came to BRL 13.3 billion, an increase of 1.5% compared with 2013.

When we talk about our Food Service segment, the results for the fourth quarter of the year continue to show growth trends in both revenues and volumes, despite the challenging backdrop in the segment of outdoor food consumption. The discipline in execution shown by all the teams ensured an increase in sales for the fast-food chains, industrial kitchens and in small businesses throughout the country.

We have also achieved extremely positive results in this period with the Christmas Kits campaign. Sales of more than 2 million units were recorded, sustained by an improved management model which guaranteed that the execution went according to the plan.

Net operating revenue for Food Service reached BRL 573 million in the fourth quarter, an increase of 13.3% compared to the fourth quarter of 2013, which was mainly driven by the growth in volumes, 16%, although average prices fell slightly by 2.3% in the last quarter compared to the same quarter of 2013.

As mentioned previously, BRF increased its operation efficiency, presenting stronger results which stemmed from strategies carried out in Brazil and international market. Coupled with that, we also had an important cost reduction in the price of grains versus 2013. This led to gross income of BRL 2.7 billion in the fourth quarter of 2014, an increase of 38.3% compared to the same period in 2013. The gross margin was 33.4% in the last quarter of 2014 compared with 25.8% in the fourth quarter of 2013. Therefore, the company's gross income in accumulated terms for the year was BRL 80.5 billion, 23% higher than the previous year.

Talking about our operating expenses, it came to BRL 1.3 billion in the fourth quarter following the downward trend we started seeing at the end of last year. It decreased 1.9% period against period. This was mainly due to the better management of expenses, reflecting the results obtained from the zero-based budget project that we initialized at the beginning of the year. The accumulated operating expenses for the year were relatively stable, showing a slight increase of 1.1%. This was a result of higher spending on marketing and trade marketing, in line with our strategy of giving greater focus to the finer consumers and strengthening our brands. In percentage terms, bear in mind the company's growth, the operating expenses fell in the year and came to 15.9% of our net operating revenue compared with 16.4% in 2013.

It is important here in the summation that in the other operational results line, we had a positive impact of BRL 179 million due to the capital gain obtained with the beef asset transaction with Minerva, as mentioned in October. This value offset almost 100% of all other expenses of the period.

Therefore, the result of the company's operating improvement can be seen in the company's net income for the period. When you look at the continued operations alone, net income sums up to BRL 991 million in the fourth quarter of 2014, almost BRL 1 billion, showing an increase of 334% against last year. The accumulated net income for the year obtained from continued operations totaled BRL 2.1 billion, an increase of 110% compared 2013.

When we considered both continued and discontinued operations, the company's total EBITDA was BRL 1.8 billion in the fourth quarter, 135% higher than the same period in 2013, with a margin of 20.9% compared with 9.4% in the fourth quarter of 2013. Accumulated EBITDA from continued and discontinued operations came to BRL 4.9 billion, an increase of 56% in comparison to 2013, representing a gain of 5.1 percentage points in the margin.

Investments. The investments in growth support and efficiency amounted to BRL 342 million in the quarter, representing a reduction of 9.1% year-over-year. We are also considering this amount, BRL 135 million investment in biologic assets or breeders.

Including the amount of BRL 387 million of investment and acquisition and others, we reached a total of BRL 729 million in investment in the fourth quarter of 2014. Therefore, the investment for the year totaled BRL 1.5 billion and were in line with the guidance provided, directed towards building the processed food plant in the Middle East and the (18:13) automation project, process improvements and IT support projects. This number, BRL 1.5 billion, also includes the BRL 517 million of investment in biological assets.

For 2015, we estimate that our investment will amount to BRL 1.3 billion, plus an additional BRL 550 million in biological assets. (18:41) as following: BRL 500 million for a change in the operation footprint; BRL 400 million for improvement automation in the plants; and BRL 400 million for sustainable growth projects.

Well, the result achieved in 2014 was a testament that we have chosen a solid strategy for the company, which we believe will bring us the gains expected in the coming years. We will continue to vividly work on our long-term projects such as the go-to-market, GTM, seeking continual improvement in our level of service and further implementing structural changes in logistic distribution with a view to eliminating redundancies, optimizing our industrial footprint and implementing a new pricing model.

We believe that all these projects, combined with superior products conquered through innovation, will boost the potential for growth in the regions where we operate and continue to bring superior results for BRF in the future.

I would like to thank you all for participating in this conference call. We are now ready for the question-and-answer session. Thank you.

Q&A

Operator

Excuse me, ladies and gentlemen, we will now begin the question-and-answer session. Each participant may ask only one question. Our first question comes from Jeronimo De Guzman, Morgan Stanley. Mr. De Guzman, you may proceed.

Q - Jeronimo De Guzman {BIO 15888043 <GO>}

Oh, sorry, I was on mute. Hi. Good morning. I had two questions. One of them was on the provisional measure that was announced today regarding payroll taxes and then increasing those. Just wanted to see if you could tell us what the potential impact could be on those.

And then a separate question on international. Just wanted to gauge how much – is there any easy way you can help us gauge how much of the margin improvement is coming from some of the cyclical factors that we've talked about, like the low raw material prices, better FX versus some of the more structural changes you've made, including the freight expenses and the simplification of the organizational structure?

A - Pedro de Andrade Faria {BIO 15115819 <GO>}

Thank you, Jeronimo. Thanks for the questions. Well, first of all, regarding the tax issue, it's pretty new, the outcome of that today, so we are still analyzing, still seeing the impact for the company and for the industry. So, we don't have a number to share with you right now. It's something that we're still working with. We've been trying to understand actually how it's going to be implemented throughout the year. First of all, I guess, I think it's valid only from June, July of this year, so we still have to go through the details of that for which product does it apply, et cetera. So there's no news right now on that specific topic.

Regarding our margin expense in 2014, and what is structural and what is other factors like grains, like forex, et cetera, currency, what is sure to the market in the last three months of the last year is that we made a lot of improvements in terms of our supply chain, in terms of our relationship with the main clients, in terms of how we've been dealing with specific regions of the world.

So the majority of the benefits, actually, we believe that they are here to stay. We improved – just giving a couple of examples – our audit to cash cycle, our freight per kilo of our freight when renegotiated based on our better supply chain provided to those companies. We are delivering better products on a sustainable period of the month (23:00) with a very certain frequency. We decreased our SG&A in order to have a better and lean structure within the company. So when you take all that in consideration, we believe that is going to stay.

Regarding currency, I'll just share you some of the examples. If you look at the Middle East, for example, we are in a much better shape regarding our results. We have lower inventory levels currently. We invested – increased our distribution capability in the region. And that, coupled with our extra facilities that we are starting to decommission at the end of last year, will provide us better leverage to be able to sustain price levels to at least decrease the volatility in those markets.

So far, looking ahead for 2015, what we are seeing is that the prices has been falling, but our ability to sustain our margins, our ability to sustain our profitability based on what we did last year are very strong and will be sustained. That's our main targets for the year.

Q - Jeronimo De Guzman {BIO 15888043 <GO>}

Okay. Yeah, great. Thank you very much.

Operator

Our next question comes from Jose Yordan, Deutsche Bank.

Q - Jose J. Yordan {BIO 1496398 <GO>}

Hi. I just have a quick clarification on the position of the payroll tax. Were you one of the companies that chose to pay based on revenues, or were you following – doing it the traditional way?

A - Pedro de Andrade Faria {BIO 15115819 <GO>}

We are following the percentage of revenues currently. We're applying that.

Q - Jose J. Yordan {BIO 1496398 <GO>}

Oh, okay. So, in a few weeks or in a few days, I guess, you'll be able to share more of the impact on this?

A - Pedro de Andrade Faria {BIO 15115819 <GO>}

Yes, for sure.

Q - Jose J. Yordan {BIO 1496398 <GO>}

Okay. And I guess my other question was just how sustainable – I mean, you had a huge increase in the gross margin this quarter that, as far as I can tell, was about 3.3 percentage points above what's the consensus of everybody. So, it was a complete surprise, and I get it that some of the factors are structural, et cetera. But, I mean, how should we think of gross margin going into 2015? How much of this is sustainable, how much is not? Any kind of idea you could share with us about where gross margin will be based on the real at 2.90, wherever we are now, obviously, that makes a big difference, but just assuming stable currency where we are today.

A - Augusto Ribeiro {BIO 18485971 <GO>}

2015 is going to be a tough year for the company if you think about the economy in Brazil, if you think about the truckers' strike currently that affects us in the short term. All the industry – all Brazil actually has been affected by that.

But we implemented so many changes in the last year that we believe – now we are sure that we are much more structurally prepared to deal with all those issues in 2015. If you think about last year, we increased the number of point-of-sales on the moms-and-pops, the small retail channel, more than 22% from 130,000 point-of-sales to 160,000 point-of-sales at the end of the year. For 2015, it's a strong year for us to work out the productivity, how to increase the productivity on those new point-of-sales that we obtained until last year.

We will also continue to look for new point-of-sales but – and plus, all those projects that we will continue to monitor and to put a lot of strength behind it. In Brazil, for example, we had a new structure implemented by the end of the year. We created five new regions within the country with a full P&L responsibility. We have marketing and trade marketing and accounting. All of those functions are actually being put with more detail, more focus on those regions. So therefore, I believe our focused ability, our deployment ability in 2015 will be even better than 2014.

Put that in perspective, the year is going to be a challenged one for us, but we believe we have everything that we need, at least from our side, in place for the year.

A - Pedro de Andrade Faria {BIO 15115819 <GO>}

Yes. Let me add to Augusto's points. Of course, 2015, we're just in the start of the year but it's shaping up as a quite challenging year, as I said. On one hand, we see Brazil having a significant weakening of the economy, which is being felt in the marketplace. On the other hand, this last week crisis with the roads being blocked presents a threat to our sustained operations in which I'm very pleased to say that our team has done a remarkable job sustaining our operations and doing everything that they can.

As Augusto mentioned, I think we have a solid plan. More importantly, I'm very impressed with our capability in terms of management, disciplined execution in Brazil, the granularity of our focus in channels, categories and regions, providing us as a stronghold in the marketplace.

On the international market, we see opportunities for continued expansion. Of course, we have a slightly positive trend with the weakening of the Brazilian real still sustaining our margins on the international markets, which coupled with all of the results and the impact of the transformation we had in 2014, makes us carefully optimistic for 2015.

I would like to thank you very much for participating in this call. Augusto will be here with Chris to tackle any pending questions. And I look forward to speaking to you on our next quarterly meeting, okay? Thank you very much.

Q - Jose J. Yordan {BIO 1496398 <GO>}

Thank you.

Operator

Our next question comes from Lauren Torres, UBS.

Q - Lauren Torres {BIO 7323680 <GO>}

Yes. Hi. Good morning. Just a follow-up on the truck strike. I know you keep mentioning that there's going to be an impact or you're dealing with it. I don't know if there's anything that could help us quantify what's happening and what you're doing to rectify or at least deal with it at this point, just more color on that.

And then secondly on your Brazil business, you've done a good job with rationalizing SKUs, working down just to the product mix that you need. I was just going to ask for further color on that, if you believe you are where you need to be with respect to your product mix.

And then with the Perdigão re-launch coming later this year, how are you thinking about that re-introduction and investment behind that? Thank you.

A - Augusto Ribeiro {BIO 18485971 <GO>}

Thank you. Thank you for the question. Regarding the truck strike, that's something that actually affects Brazil. It will depend how long they will hold their current position. The government is involved. There have been negotiations. So far, we have only two plants that we stopped, one is today. So we are operating one shift. Maybe sometimes another shift is closed. So, actually, it's hard for us to tell you what is exactly the impact in our operations, probably depends when it's going to be – when will they stop their current manifestation. But again, it's something that had a potential of damaging the entire economy in the short term depending on the delays of what is happening right now.

So far, we've been working very closely to our operations. They have scattered in Brazil. We have participation in Northeast, we have participation in the Center East, participation in the South. So we are one of the companies in Brazil that is more diversified when you think about factory footprint. So from that sense, we have kind of advantage regarding how to move production from a place to another. If we can do that, based on SKUs, its characteristics, (31:30) et cetera.

So that's something that remains to be seen. If that, for example, by the end of the next week, we still have this strike going on, that's hard for us to imagine what's going to happen with the cities, with the entire country, with the lack of fuel in some places. That's something that actually bother us regarding the – we are actually not sure how it's going to be deployed for the next week. Let's see what's going to happen until today and throughout this weekend.

Regarding the SKUs rationalization, regarding Perdigão coming back by the middle of the year, we have a strong plan to reintroduce back the chief (32:16) categories from Perdigão, ham and sausage, in July this year. We started the advertisement of the Perdigão brand, broadly speaking, in some channels. We are already discussing with our main key accounts and some clients to reintroduce the brand. We look forward actually to have Perdigão back and those chief (32:42) categories. As you know, we are playing only with the idea, (32:45) very strong brand, premium brand, premium prices.

But as the economy goes through a slowdown process probably still in 2015, to have a second brand with the strength of Perdigão is a huge asset. Actually, we are putting a lot of efforts in re-launching – to have a good re-launch of Perdigão by the middle of the year.

Q - Lauren Torres {BIO 7323680 <GO>}

Thank you.

A - Augusto Ribeiro {BIO 18485971 <GO>}

You're welcome.

Operator

Our next question comes from Fernando Ferreira, Bank of America.

Q - Fernando Ferreira {BIO 2389113 <GO>}

Thank you. Thanks for taking my question. I just had a follow-up from the Portuguese call. I mean, you mentioned that you still had to see a lot of potential improvements right in your internal efficiencies, the service of clients, industrial footprint. But in your – just wanted to understand, in your internal controls, I mean, how advanced are you on your BRF 2017 plan or on your synergy plan, right? Are you two-thirds done or less than half? I mean, just wanted to get a more qualitative answer here. Thank you.

A - Augusto Ribeiro {BIO 18485971 <GO>}

Thank you, Fernando. Yeah, if you think about the BRF 2017, we are slightly ahead given the good results of 2014. It was really a good year for the company. Everything that we did was trying to implement actions that could be sustained independently of the cyclicality of the market. So that we believe we have a lot of things in place to ensure that we definitely decreased the volatility of our business, specifically we're talking about the external market.

But going back to your question, regarding where are we. We are slightly above our ambitions in terms of BRF 2017, which is good news for us, and we are creating and implementing new projects as we move forward. (34:44) for example, our BRF 2017 plan, we didn't plan at that time this movement that we did by the end of last year, which was the creation of the regionals with P&L responsibility. We believe this will increase the capture of those projects that are still going on, like a strategic pricing to be implemented to be capturing Brazil, like the improvement in our quality of deliver or service level. Now with a regional approach which will – we believe is going to help us a lot. So that's where we are currently.

The factory footprint, for instance, is something that we just started, okay, is a three to four years plan. It takes time. It involves fixed asset investments, so that's why – the main reason for taking time to be fulfilled. And those figures will be throughout 2016-2017 as we complete these improvements and modifications that we are planning to do.

Q - Fernando Ferreira {BIO 2389113 <GO>}

Makes sense. Thank you.

A - Augusto Ribeiro {BIO 18485971 <GO>}

You're welcome.

Operator

Our next question comes from Alex Robarts, Citibank.

Q - Alexander Robarts {BIO 1499637 <GO>}

Thanks. Hi, everybody. I also wanted just to follow up on something that you spoke about in the Portuguese call that was interesting. I mean, taking a look at your investments in CapEx this year, stripping out the piece that goes through the breeding stock, it looks like you've got about a 30%, 40% increase slated this year for CapEx. And I guess BRL 500 million of this and the increment is coming from the footprint rationalization program that I guess started in January. I mean, when you think about this incremental investment, how do you look at the returns on this type of project? I would imagine that over the medium term, the NPV could actually be higher than your general maintenance CapEx.

But the second piece of the question is, as you engage this project, do you have a feeling or have you allocated some charges for restructuring or expenses should we be thinking about, and do you expect to have some one-offs this year related to that footprint rationalization project? Thanks very much.

A - Augusto Ribeiro {BIO 18485971 <GO>}

Thank you, Alex, for the question. The CapEx – those numbers we shared with you, the majority of them – actually, they're more than 80% value-enhancing in the sense that they are – supposed if we are right in our assumptions, to increase our ROIC, to increase our costs to have an important gain in our productivity.

Of course, we have those projects that are more related with the environment and are more related with the new regulations, that are more involved with the new labor requirements in Brazil. So, those projects, even though we made some calculations, some of them, you do not have specifically a return to approve it. You have to do it actually in order to keep your standards above the average or for you to see if there is a new law you have to comply with.

But the majority of them, more than 80%, are ROIC improvement, okay? We have a strong ROIC (38:40) calculation. We are very conservative on that sense. As we saw the ROIC improvement last year against 2013, it is something that we continuously monitor. It's going to be still an issue for the company for the coming years, and the factory footprint is one important role in order to help us improve that.

Said that, this 20 percentage increase is a portion that we believe is going to be extended in 2015. More will come probably in 2016, 2017 as we move forward in our strategy.

Q - Alexander Robarts {BIO 1499637 <GO>}

But at this point, you're not seeing any specific or material one-offs, restructuring charges this year as you complete and execute the footprint rationalization project?

A - Augusto Ribeiro {BIO 18485971 <GO>}

Actually, no. We are not forecasting that. If that happens, we will communicate the market. And as usual, as we did throughout, just remember that last year, we extended the margin BRL 200 million of extraordinary expenses laid off, et cetera, restructuring of people within the company. So as long as we are seeing a lot of value, we will continue to do restructuring project. Said that, we are not forecasting any major event for the year.

Q - Alexander Robarts {BIO 1499637 <GO>}

Okay. Very helpful, thank you.

A - Augusto Ribeiro {BIO 18485971 <GO>}

Thank you. You're welcome.

Operator

This concludes today's question-and-answer session. I would like to pass the floor to Mr.

Augusto Ribeiro for his final statement.

A - Augusto Ribeiro {BIO 18485971 <GO>}

I would like to thank you for this opportunity to thank all our contributors and all of those who made BRF a great company and whose efforts actually have brought about a milestone result 2014. It is important to mention that even though we are looking 2015 with certain apprehension, we in BRF believe that we have everything that is needed to sustain our good performance.

Of course, challenges will be ahead of us being the economic slowdown, being strikes (41:00) Those things will happen in Brazil, but we made so many changes in BRF in 2014 and made some improvements in the way that we look at our management. We went through a lot of improvements (41:15) in our Viva BRF movement. The corporate culture, we started to change it, to improve it, to align with our strategy that we believe the current (41:28) is actually in place in the company and will help us to go through whatever comes in 2015. And therefore, the company is relatively optimistic for what we can do next year – actually in this year, 2015.

Thank you all for your attention, and see you in the next call for the first quarter meeting. Bye.

Operator

That does conclude our BRF SA conference call. Thank you very much for your participation. Have a good day.