

Y 2019 Earnings Call

Company Participants

- Edison Ticle de Andrade Melo e Souza Filho, Chief Financial Officer and Investor Relations Officer
- Fernando Galletti de Queiroz, Chief Executive Officer
- Unidentified Speaker

Other Participants

- Isabella Simonato, Analyst
- Joao Grandi, Analyst
- Luciana Carvalho, Analyst
- Marcel Moraes, Analyst
- Pedro Leduc, Analyst
- Renato Faria, Analyst
- Thiago Duarte, Analyst

Presentation

Operator

Good morning. Welcome to Minerva's Fourth quarter of 2019 Results Conference Call. Today we have with us, Fernando Queiroz, Chief Executive Officer; Edison Ticle, CFO and Investor Relations Officer. We wish to inform that this event is being recorded, and all participants will be in listen-only mode during the company's presentation. And then we will have a Q&A for analysts and investors, where more information will be given.

(Operator Instructions) The audio is also on the Internet at www.minervafoods.com/ir and the MVIQ platform. The slide show can also be downloaded from the webcast platform in the Investor Relations section of this website.

Before proceeding, we wish to mention that forward-looking statements may be made during this presentation relating to Minerva's business prospects, operating and financial estimates and goals. They are based on beliefs and premises of the company management and on information currently available. They involve risks, uncertainties and assumptions that may or not happen.

Investors must understand that general economic conditions, industry conditions and other operating factors may also affect Minerva's future results and could cause results to differ materially from those expressed in these statements.

I will now give the call to Mr. Fernando Queiroz, CEO, who will begin the presentation. Mr. Queiroz, you may begin the presentation.

Fernando Galletti de Queiroz {BIO 15387377 <GO>}

Good morning, everyone and thank you for participating in Minerva's fourth Quarter 2019 earnings conference call.

Let's begin our presentation talking about our strategy, our business strategy and the perspectives through the coming years. Starting on slide two. 2019 was fundamental to consolidate Minerva's business model. The complete integration of our operations expanding the benefits of our geographical diversification and mitigating commercial sanitary risks, so common in our sector, combined with our risk management policy are fundamental pillars of the operational and financial performance the company has been presenting over the years.

Going forward, we are working to expand competitive advantages, which differentiate us from the market, also with increasing the balanced strategy. Implementing new programs on operational efficiency, improving our financial management to seek lower risks and greater profitability. Also we focus on people management through training, meritocracy and with great focus on succession and leadership program -- development program (Technical Difficulty) combination of factors to impact our industry in the coming years.

The first, the swine fever, which is ASF that continues to impact meat production in China. It is worth mentioning that the outbreak is not limited to that country. It has spread through Asia and part of Eastern Europe. Moreover, the structural shift on consumer habit in Southeast Asia, resulting from greater urbanization, middle class expansion and Western consumer habits. We also have to add Australia's lowest beef production, one of our main competitors.

This landscape results in the opening of new markets for South American exporting countries such as Brazil, Argentina, Uruguay, Paraguay and Colombia, and the opportunity to occupy the gap left by Australia. New markets, new qualifications are reality. Given this promising landscape, Minerva's strategy is to continue maximizing our competitive advantages, investing innovation, risk management, market intelligence to achieve more commercial and logistic solutions, arbitrating markets and waiting for disruptions to become opportunities.

In addition, we have a competitive advantage with our sustainability practices as an important to entry barrier for companies that do not follow these standards, opening doors to markets that value environmental, animal welfare, social practices marking a difference from the main competitors. In our market consolidation strategy, China is the key destination. It's a market with sustainable growth. Growing demand of proteins coming from South America. Therefore, from our JV of team's local footprint. We can have -- we are able to collect data, information and strengthen ties with clients, consumers and niche opportunities to become a more efficient player. This is a unique

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moment for the beef industry, and we at Minerva are very well prepared to develop and take advantage of these opportunities.

We will now move to slide three and start our results presentation. Slide three, we progressed on important fronts of our operation, always guided by our efficient management (inaudible) sustainability of our business model. All this progress was translated into excellent results for the 4Q and 2019. Let's start by presenting our cash performance, which is top priority for Minerva.

In this past fourth quarter, Minerva's operating cash flow totaled BRL241 million and closed the year at BRL1.8 billion. For the eight consecutive quarter, we presented positive cash flow generation with BRL92 million in free cash flow during the fourth quarter 2019 [ph] and 787 million in free cash flow for the year 2019. This is a key indicator, which reflects our operational and financial excellence.

Consolidated gross revenue in the fourth quarter totaled BRL5.2 billion, while in the last 12 months, it peaked a record of 18.2 billion. The breakdown of our gross revenue among our three divisions resulted in 51% for the Brazilian Industry Division or BRL2.6 billion; Athena Foods accounted for BRL2.1 billion, which is -- 41%; and the Trading Division was responsible for the remaining 8%, BRL414 million. Exports accounted for 68% of Minerva's consolidated gross revenue.

Revenue in the fourth quarter, which is an increase of 19% for the year 2019. Exports accounted for 66% of gross revenue mirroring the strong international demand for beef and consolidating our strategy to focus on export market, the most profitable market.

In the fourth quarter 2019, EBITDA attained BRL603 million the record against the company's historical quarters and a strong 30% growth on annual base. EBITDA margin reaching 12.4%, the highest ever recorded by Minerva and 230 bps higher than the previous quarter. For the year 2019, EBITDA totaled a record of BRL1.7 billion, with EBITDA margin at 10.2%.

Our operating performance for the year reflects not only the strong demand for beef and positive landscape for the industry, but also Minerva's excellence in managing its operations. Our bottom line result came in at BRL243.6 million in the fourth quarter in 2019, reverting the accumulated net loss and closing 2019 with a positive net result of BRL16.2 million. Besides Minerva's good operation and financial performance, we have to highlight the evolution of the company's capital structure.

Our leverage, measured by the net debt/EBITDA ratio and adjusted for the proceeds from the follow-on offering was reduced to 2.8, the lowest ratio on recent years. We ended the year with a strong cash position, which added to the proceeds from the follow-on totaled 5.5 billion [ph].

Also on this topic, our follow-on offering contributed to Minerva's deleverage plan, a commitment made by company's management a few years ago. The equity offering, which brought in approximately BRL1 billion in the new funds to the company, was a

second step on the plan that began at the end of 2018 through the private capital increase of BRL965 million, which was complemented by -- with the recent follow-on in which 80 million new shares issued with proceeds entirely dedicated to the reduction of Minerva's debt.

We also highlighted in the scope of 2018, private capital increase, there are approximately 121 million outstanding warrants in the market, which represent extra cash flow of roughly BRL779 million until the end of '21 improving our financial flexibility, improving our capital structure and reducing our risk profile.

Finally, I also highlight the Board of Directors approval of a new policy for income allocation, which increases Minerva's ability to pay dividend, as effect of its more balanced capital structure and in line with our strategy to generate value to our shareholders.

Let's go to slide four. Let's begin with exports. In 2019, Minerva ranked the largest beef exporter in South America, with a market share of approximately 20%. Our geographical diversification in South America and supported by our 15 international offices. This is an important competitive advantage for Minerva in the global beef market. We are market leaders in Argentina for exports. Paraguay and Colombia and second in Brazil and Uruguay. Now let's drill down at the regional performance.

At the Brazilian Industry Division, the two main export destinations were, Asia and Middle East, which together accounted -- account for more than half of the divisions export. Asia account for almost 40%, an increase of 12 percentage points compared to 2018, mirroring the new qualifications for China, which strongly impacted the fourth quarter of 2019.

As for Athena Foods, Asia also is its main export destiny accounting for almost 50% of the divisions exports, 10 percentage points higher compared to 2018, also impacting -- impacted by the strong and increasing demand from China.

It's also worth noting the strong demand from Asia, especially China, it's something it has grown -- is this is something that has been expanding organically and steadily over the past 10 years. In 2019, Demand hiked due to African swine fever causing beef imports to rise, a scenario that is expected to continue going forward. Given the seriousness of the outbreak and the fact that it has reached Europe.

Finally, the change in consumer habits in the region, especially in China. This is a structural movement that will result in great opportunities for beef exports mainly for South American players, due to their growing capacity and competitiveness. The JV -- JV with Chinese partners last -- since last October is expected to begin operations in 2020, early 2020, and it's important tool to maximize these opportunities and to position, Minerva as a prominent player in Asia, especially in China.

I'll now give the floor to Edison, he will speak a little bit more about Minerva's operation and financial highlights.

Edison Ticle de Andrade Melo e Souza Filho {BIO 15435343 <GO>}

Thank you, Fernando. Let us start at slide five. Now, Initially I talk -- I'd like to talk about our operating performance on the top left side corner is showing the breakdown of the company's gross revenue per division. In the fourth quarter of the Brazilian Industry Division was responsible for 51%, while Athena Foods contributed 41%.

And Trading Division with 8% of gross revenue for the year of 2019 and approximately 47% of Minerva's gross revenues was originated in the Brazilian division, 40% came from Athena Foods, 13 from the Trading Division. This way -- the capacity utilization rate was approximately 77% during the fourth quarter of '19, well at Athena Foods, it was approximately 80% [ph].

First, on the right side of the slide, we want to talk about the consolidated and installed capacity reached 78% in the fourth quarter of 2019. We have two new plants accredited since September. With this, a total of high-growth [ph] is 78 exported in the quarter, exported to china with an 26 percentage points at the annual basis. In the year 2019 [ph] totally to Asia was 43%, 34% to China compared to 21% in 2018, a growth of 13 percentage points. I would now like to talk about financial and operating results on the next Slide.

Slide six, please. Let us begin with net revenue results, which peaked 4.9 billion in the fourth quarter 2019, increasing by 5% in the annual basis and 8% compared to the third quarter of 2019. As Fernando said at the beginning of the presentation, we have an EBITDA of BRL603 million in the fourth quarter, increase of 30% compared to the quarter of '18 and third quarter of '19. Our EBITDA margin was a historical high reaching 12.4% reflecting Minerva's good market conditions and operating performance. The EBITDA for '19 was more than BRL1.8 billion, increase -- an increase of 13% and the highest level ever registered by the company.

Now, we will go to slide seven. Financial leverage. Over the past two years, the company's management made a very clear commitment with the market to reduce Minerva's debt levels. In this context, besides the company's excellent operational and financial performance and consequent cash generation, we also work towards the improvement of our capital structure.

We initially begin with a private capital increase in '18, which increased our cash by almost BRL1 billion and now, we recently raised approximately 1 billion through primary equity offering. BRL1 billion in January was concluded. As a result, we reduced our leverage to the last year's lowest level and our net debt-EBITDA ratio came in at 2.8 billion including the proceeds from the offering.

This slide illustrates the results achieved with this effort over the past few years. In summary, we had a strong EBITDA growth, which increased by 72% since 2015 [ph], along with a significant leverage reduction from 4.1 times in 2015. Even with the effects of the Brazilian real, the currency devaluation and the impact on our gross debt. I want to highlight the additional point. As you may know, we have approximately BRL779 [ph]

million to reinforce the company's cash position by the end of 2021, which is related to private capital increase and warrants not exercised -- not executed, which will contribute to further improve our capital structure.

Moving on to the next slide. Slide eight, we can see the fourth quarter of 2019, our net income was positive by BRL244 million, which allowed us to reverse accumulated loss for the year. Therefore Minerva's net income totaled BRL16.2 million in 2019. When adjusting this result for non-cash effect such as monetary restatements, exchange rate variations and hedge, the company recorded a profit of BRL325 million.

Now the cash generation, the cash flow from operating activities was BRL241 million in the quarter. The fourth -- the main impact on working capital in the fourth quarter was on the receivables account since it was just illustrated that 40% of our total sales were just into Asia, which has a longer cash conversion cycle. For the year, the improvement of working capital metrics allowed us to return approximately BRL370 that contributed to close the year with a little bit more than BRL1.8 billion of operating cash flow.

Now let's look at slide nine. In the fourth quarter 2019 free cash flow reached BRL92 million. EBITDA excluding non-recurring items was BRL598 million in the quarter. Investment totaled BRL63 million cash basis. Financial result was negative by BRL316 million, and finally working capital consumed BRL132 million as I just mentioned. Thus adjusted for non-recurring items, our free cash flow was positive by approximately BRL92 million in the quarter. In 2019, the expected free cash flow result of BRL787 million, the highest level ever for the company.

The build up of results is as follows: record EBITDA in '19, BRL1.7 billion with maintenance and expansion investments of BRL221 million; financial results on cash basis, including the hedge was 1.2 billion and a positive variation in working capital needs by BRL371 million, which added to this BRL61 million impact of that's non-recurring items amounted to a recurring free cash flow of BRL787 million.

For the biennium '18, '19, Minerva had an extensive free cash generation of approximately BRL1.5 billion.

I'd like to go to the last slide to talk about our capital structure. As we already said, the leverage ratio measured by net debt-EBITDA in the last 12 months, including proceeds from our follow-on offering was reduced to 2.8 times, the lowest level reported in recent years. The company's cash position was BRL4.5 billion at the end of 2019, and was reinforced by the proceeds from the equity offerings hitting 5.5 billion.

Talking about our debt profile, US dollar index debt represents approximately 77% of our total debt with a duration of approximately five years. It is worth mentioning that our balance sheet hedge policy requires protection of at least 50% of our long-term exposure. Finally at the end of 2019, around 30% of the debt was on short-term. However, considering the proceeds from the follow-on, we will reduce our short-term debt level to approximately 19% over the next month, in line with our commitment to dedicate a 100% of the follow-on proceeds to pay down short-term debt.

Well, with this we conclude our results presentation. I will now give the floor for the operator for our Q&A session. Thank you.

Questions And Answers

Operator

Thank you. We will now begin our Q&A session for investors and analysts. (Operator Instructions) First question is from Mr. Marcel Moraes from Santander.

Q - Marcel Moraes {BIO 6696122 <GO>}

Well, good morning. The question -- the first question I have is about Coronavirus. Could you give us some detail about the Coronavirus the COVID-19, how has this going to impact the first quarter, second, and in the consolidated of the semester, do you think this might have a price effect? This is my first question.

The second question is about how do you see 2020, the availability of cattle herd in each market.

A - Fernando Galletti de Queiroz {BIO 15387377 <GO>}

I'll first talk about Coronavirus, what we see in China currently is a bottleneck in the ports and the producers, so there was a consumption of all the beef that was already in China, the prices in China in the domestic market are hiking at levels never seen much higher than October, November when it reached its peak. And we have -- this is due to the lack of transport from the port to the final destiny. So Coronavirus is causing an imbalance between availability. Now, we must observe that structurally China continues to be short, they continue needing beef. So if you put the Australia's condition the situation happening there, it's a question of timing -- it's a question of a moment that this effect has in China.

So we're following. We have -- we have positive information coming this week and since the 10th of February, when the market -- Chinese market started flowing, they started taking things out of the containers, at least we have six tiny signaling that there is a possible positive recovery. There are some time gaps. But in macro, China continues short due to the swine fever, due to the lack -- due to the terrible situation in Australia and the sanitary issues that they have to solve first.

Now regarding the herds -- cattle herd availability, it varies from country to country. So we have Brazil, very favorable for retention. Our pastures and graze lands are very positive. Now, we must remember that in Brazil, the price is determined by the domestic market. So we have followed the domestic market. Argentina is in a positive moment, with the -- some competitiveness. Paraguay also has been very productive. And Uruguay is getting organized and structured.

Uruguay is going back to normality with a reduction of the price of a live cattle, so -- and Colombia, the same as Uruguay. So we see that is quite normal in South America, but the foreign market is going to have a very important weight. This is Minerva's strategy, focus

on the external market, foreign markets and you know most of our income comes from exports and this is where we begin that there's going to be an enormous gap and a big opportunity.

Q - Marcel Moraes {BIO 6696122 <GO>}

Thank you, Fernando. Would you allow me another question. It's not very clear to me the trading issue because there, the trading revenue has shrunk. Could you explain to me how this happened

A - Edison Ticle de Andrade Melo e Souza Filho {BIO 15435343 <GO>}

So Marcel, this is Edison, the CFO speaking. Well, it did shrink because of internal exports of live cattle in Brazil. The drop was totally due to the live cattle and also an important drop in the volume of our energy provider as compared the last two terms. These are the factors that caused trading operations to suffer the reduction that you saw on the fourth quarter.

Q - Marcel Moraes {BIO 6696122 <GO>}

Well, this reduction of live cattle, is there a specific reason. Is this just a momentary.

A - Edison Ticle de Andrade Melo e Souza Filho {BIO 15435343 <GO>}

Well, you see the operation of live cattle has been losing importance for Minerva as well as the market generally speaking. It's basically arbitrage and in certain periods, this arbitrage simply is not worth it based on the return on capital. So every trading operation, this -- it's to do with the opportunity. So there is a possibility of revenue and result, which is quite substantial, but it's nothing structural. And I wouldn't say that it's sort of timely. No, I'll say that it's just the situation of the market that we -- something that happened in the market in the fourth quarter.

A - Unidentified Speaker

Well, thank you then for the question. Now we have a question here from Pedro about dividend.

Q - Pedro Leduc {BIO 20979981 <GO>}

With a higher EBITDA, it will be below 2.5 times in -- is this attributable to dividend? Does it have to be below 2.5. Pedro Leduc is my name.

A - Edison Ticle de Andrade Melo e Souza Filho {BIO 15435343 <GO>}

Well, as our new policy for dividends is that to increase the payout of 25% to 50% is whenever the leverage in the year -- end of the year ends equal or lower than 2.5 times. So at the end of the year if it's 2.5 or below, the Board has decided will suggest an additional dividend of 25%, plus the 25% that the bylaws of the company demand.

So my answer to you is, no. According to the new policy, your question is no. Now the board who is -- the board decides on the dividend payments during the quarter, maybe

they might decide to make a dividend payment now at the end of the quarter. Now if you're going to follow the rule that was approved by the Board and it has been released its -- this will only happen at the end of the calendar year.

Operator

Our next question is from Isabella from Bank of America.

Q - Isabella Simonato {BIO 16693071 <GO>}

Thank you Fernando, Fernando and Edison. A follow-up of -- material about Coronavirus. I would like to get more information about what is being negotiated. In other words, there is a volume -- or things that you're holding back is there drop in demand of the Chinese besides the logistics issues that we know or is the demand weaker?

And the second question is the capacity in Brazil. We saw a drop in capacity because the export -- the price of the cattle at the end of November. I would like to know if there is any other reason? And how can we think of the use for 2020? Thank you.

A - Fernando Galletti de Queiroz {BIO 15387377 <GO>}

China has picked up since February 10th. So we have seen orders, bids coming from China now. So as I said at my sales question, we have clear signaling that there is a pick-up and a normalization of the flow. And this is also in Hong Kong and other markets, which are markets complementary to China. (Technical Difficulty). At the work weekly report, they talk about exactly this point that China is picking up their interest. So besides the fact that we feel this in Minerva, we see this in the market as a whole.

About the capacity we came close to 80% at the end of the year. But capacity building in 2020, I think we can close -- close to 85%, perhaps this would be the maximum in this industry because there is a time for stopping for maintenance reasons and hygiene reasons. So I would say 85% during this year.

Q - Isabella Simonato {BIO 16693071 <GO>}

Well, thank you. I understood that. Thank you.

Operator

Another question from Thiago from BTG Pacutal. Thiago, go ahead.

Q - Thiago Duarte {BIO 16541921 <GO>}

Good morning, Fernando -- Fernando, Edison. Good morning to everyone. I would like to ask you two questions. The first one of the EBITDA margin, the gross margin, more specifically, I would like to understand how much do you think that this positive result may be simply due to a gain in inventory. The speed that we saw -- the acceleration of the price of these in the last quarter and also the hike in the price of cattle. So from the slaughterhouse until maybe be there is an additional margin due to the speed of

slaughter and the increase of price, how much do you think you can return this in the first quarter because the price has been the opposite of what happened in the fourth quarter? This is my first question.

The second question is about working capital. I would just like to see what your reading is we're in that line, which is accounts payable just to understand, do you understand because it consumed a lot of working capital in the last quarter. Do you think this can improve because the deficit of export is improving a lot, with exports to Asia or not.

A - Edison Ticle de Andrade Melo e Souza Filho {BIO 15435343 <GO>}

Well, your first question, I will -- I illustrated with our working capital, it's one of the lowest in the -- in the industry. If you see the result of 2018 and '19, it dropped in BRLs, in reals, it went from BRL690 million to BRL610 million. So we do not have a policy to hold inventory to be more profitable and to improve and to have sort of timely opportunities for a better result.

No, we don't do that. The gross margin is on one side, the cattle and the price of sale. The price went much up of selling beef than the price of cattle. Although, there was a panic in the middle of the quarter with an increase, hiking in the beef price, and this happened. So we -- the carryover to cost -- the cost is what happened during the semester.

Although, the cattle price in average was worse than the third quarter, the sales price were way ahead, so the margin has expanded. Having said this, I may state that the fourth quarter was the first one that we had all our plans accredited to China from Athena Foods, it was the first quarter 2019. So of course, this allows us to say that 2020 we're going to have a similar performance that we saw in the fourth quarter in average. Now it's obvious, we have to respect seasonality in the year, which the first semester is usually weaker and the margin is worse than the average margin in the year and the second semester, where the margins are better, and therefore profitability, the revenue will be higher than the average margin of the year.

Having this in view and having a view, the performance of the fourth quarter, I would say, no, it was not something timely. And we -- we do not have this policy that you mentioned of holding back cattle slaughter, no. The picture is very close to what we'll see in average during this whole year of 2020.

Your second question is about working capital and the receivables account. Well, it depends on the customers profiles. If we sell to more customers that never bought previously new customers and clients, we'll have more anticipated payments. For example, Indonesia, Indonesia has started buying -- they are going to start buying with us their orders through the first and second quarter. So we're going to have a credit policy, which is going to be more conservative when exporting to Indonesia.

The others, the system is the same. It continues working based on the risk profile and the story of this company -- with this company. The worst situation is, I can tell you that in 2020, we may have a result, which is different from what we had in 2019 to -- for more

working capital, but nothing dramatic. It will be totally in line with the natural growth of volume you see from [ph] 80% to 85%.

Q - Thiago Duarte {BIO 16541921 <GO>}

Thank you, Edison. That was --

A - Fernando Galletti de Queiroz {BIO 15387377 <GO>}

Thank you for your question.

Operator

Next question from Mr. Renato Faria [ph] from Citibank.

Q - Renato Faria {BIO 18242079 <GO>}

Well, hi, guys. Well my question, what are the price perspective for the first quarter. Do you think it's going to drop a lot the price of beef or do you think if things will improve, as compared to last year.

A - Fernando Galletti de Queiroz {BIO 15387377 <GO>}

Well, Rena, it's difficult to have a market perspective. What we see is, as I said in my presentation that structurally, the supply demand is short in the market, in the international market. The demand continues to expand the supply, especially from Australia, according to Rabobank is suffering a reduction of 18% at least for the year of 2020. So this gap is going to be covered with South America. And you add a swine fever, you add the Coronavirus that's going to impact the domestic market in China, so, you'll see that the supply and demand will be very short. I would like to add something to this. The market, they usually complain. If you -- there is a system of quotas. There is a system of after holidays -- post holidays also. So the thermometer is going to be in March.

A - Edison Ticle de Andrade Melo e Souza Filho {BIO 15435343 <GO>}

I would like to make another comment as Mr. Queiroz, the month of February, for example, the export prices in dollars as compared to February last year are increasing around 21%. If you look at the prices in BRLs as compared to last year, they're growing 40%. The volume month-by-month in the same period is -- shows an increase of approximately 6%. So this gives us a good indication that what the first quarter closed as compared to the first quarter last year.

Operator

Next question from Mr. Joao Grandi [ph] from Bradesco Bank.

Q - Joao Grandi {BIO 21283233 <GO>}

Good morning, Fernando, good morning, Edison. Thank you for this opportunity. I have three questions. The first one is, how are you going to export chilled beef to these

countries also the problem of Coronavirus and also new orientation.

A - Fernando Galletti de Queiroz {BIO 15387377 <GO>}

Australia yes, each country has its rules regarding chilled beef. So we have this very much in our hand in the logistics that we have planned. Well, I can say that the big gap that Australia is going to -- that has is cattle on graze land because undoubtedly, unfortunately, it's going to be an opportunity for us.

About China nobody really knows what is going to happen. Through our offices and our people there, the level of information is very low. We know, there has been a big loss because of Coronavirus in poultry, and swine fever continues strong, and they don't -- there is no report. I mean, we don't know the numbers but generally speaking, I would say this only increases a short [ph].

The third question was -- what was it about? Authorizations. With a GAAP given by Australia, there are going to be new credentials for South America. We are almost opening our market to the US and Japan. We have other important markets like Turkey as well. But I would like to highlight something else. What we see is a clear movement of reducing import, reduction of tax imports with South America. They are controlling the price increase and something else, which is very favorable for us. The tax reduction of import of the countries we export to, with other countries that have an advantage. So there is two movements, new authorizations and a reduction on import taxes.

A - Unidentified Speaker

We have one more question from HSBC. Could you please give us some indication of your long-term target for EBITDA?

A - Edison Ticle de Andrade Melo e Souza Filho {BIO 15435343 <GO>}

We don't give guidance. What we do is the idea is that the company should, we'll continue deleveraging. This is from the slaughter of 2.5. We will increase the payment of dividend according to the new dividend policy. But we don't want to have a company under leveraged, so we believe that a leverage around two times should have a great target for a long-term capital.

Operator

One more question. From the Bank of Brazil, Luciana.

Q - Luciana Carvalho {BIO 18724665 <GO>}

Good morning, Fernando. My question is about like Isabella's question. With the IPO rights of Athena Foods, what is your strategy for 2020, '21 regarding the re-opening of plants, continuing the project of Athena Foods. Could you say a few words about this? Thank you.

A - Fernando Galletti de Queiroz {BIO 15387377 <GO>}

Well, the acquisition of Athena Foods as it was very clear during the road show of the IPO, it would only happen if there is a primary funding. Athena Foods, this is not going to happen. So there is no plans of acquisition at Athena or Minerva at least in the next two years. So the IPO, doesn't change anything, doesn't change the focus of our company. We continue focusing on growth opportunities and profitability, improvement at domestic level. But there is no project at Minerva or Athena Foods for any acquisition. Thank you.

Operator

(Operator Instructions) As there are no further questions, we conclude today's presentation. I will give the floor to Mr. Fernando Queiroz for closing remarks.

A - Fernando Galletti de Queiroz {BIO 15387377 <GO>}

Well, thank you all for attending our teleconference of the fourth quarter 2019, showing us how this year is a new phase for cattle in the world global cattle market. We prepared for this moment. Minerva has its strategy, which is very focused on export and in -- have special new niche. I would like to thank the whole Minerva team, 18,000 collaborators that brought us to this moment, and also they are certainly going to take us to the further steps.

And I would like to close saying that our biggest objective is to continue to create value for the shareholder. So our focus is to pay dividends, focus on financial discipline and the improvement of structure -- financial structure and paying more dividends to the shareholders. Thank you very much. And we are open to any further information, you may wish to ask for.

Operator

The teleconference is closed. Have a nice day.

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