

## Q2 2021 Earnings Call

### Company Participants

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

### Presentation

#### Operator

Good morning, ladies and gentlemen, and thank you for waiting. At this time, we would like to welcome everyone to SLC Agricola the Second Quarter of 2021 Earnings Conference Call. Today are with us Mr.Aurelio Pavinato, CEO: Mr.Ivo Marcon Brum, CFO and Investor Relations Officer. We would like to inform you that this event is being recorded and all participants will be in listen-only mode during the company's presentation.

After the company's remarks are completed, there will be a question-and-answer session. At that time, further instructions will be given. (Operator Instructions)

Also, today's live webcast, both audio and slideshow, may be accessed through SLC Agricola's website at [ir.slccagricola.com.br](http://ir.slccagricola.com.br) in the Investor Relations section by clicking on the banner Webcast Second Quarter 2021. The following presentation is also available to download on the webcast platform. The following information is available in thousands of Brazilian reais in IFRS, except when otherwise indicated.

Before proceeding, let me mention that forward-looking statements are based on beliefs and assumptions of SLC Agricola management and on information currently available to the company. They involve risks, uncertainties and assumptions, because they relate to the future events, and therefore, depend on circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of the company, and could cause results to differ materially from those expressed in such forward-looking statements.

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

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

Hello. Thank you for participating SLCagricola's earnings conference call for the second quarter of 2021.

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Let's turn to Slide 1 please -- Slide 3 please. On August 2, we announced through a Material Fact note, the conclusion of the corporate acts related to the business combination with Terra Santa via the incorporation of shares in Terra Santa by SLC Agricola.

With the conclusion of this important transaction, as already announced, there is a potential to expand our planted area by around 145,000 hectares at end of the '21/'22 crop year.

And this is further complemented by the incorporation of the Agricola Xingu reach out was concluded and which will add another 43,000 hectares in potential planted area to our portfolio as of the next crop year.

Both the transactions are aligned with our strategic pillar of asset life growth and involves areas already developed and located close to our existent units and very long-term leasing agreements.

We truly believe that the successful execution of our strategy reflects the tripod formed by people, technology and processes. In this context, it's important to note that the key focus of our management has been integrating the people coming from the business combination. And we are very satisfied with the results so far.

Let's go to Slide 5, which shows our operational performance in the '20/'21 crop year. For soybean, for the first straight year, we set a new yield record, which is aligned with our current strategy of focusing on maximized operation -- operating efficiency. The yield was 5.8% higher than our initial projection and 12.5% higher than the national average, based on national average based on CONAB's estimate in July.

In Cotton, as of July 30, we had harvested 38% of the total area. Meanwhile, the estimated yield before cotton linked is 1,821 kilograms per hectare, down 1.7% from the initial forecast, but 3.7% higher than in the previous crop year, and 4% higher above the national edge based on July's estimates from CONAB.

Lastly, for second crop corn, with 67% of the area harvested as of July 30, the estimated yield is 22.5% below the initial forecast at 5.9 tons per hectare. Even so, the results is 25% above the national average for second crop corn published by CONAB. The lower yield for corn is mainly due to the irregular distribution of precipitation in March and April, especially at farms in the states -- in the state of Mato Grosso do Sul.

Let's go now, to Slide 7. Turning to the commodities market. And you start with cotton, for the '21/'22 crop year, a deficit in the supply-demand balance is expected. For the second year in a row, we still have kept cotton price between \$0.80 and \$0.90 per pound. The expectation of higher cotton consumption with greater clarity on the uncertainties provoked by the pandemic is fact that has been supporting the expectation of cotton demand surpassing 123 million bales in the '21/'22 crop years according to the USDA, which would be a new record.

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For soybeans, after prices on Chicago Board of Trade has surpassed \$16.5 per bushel, prices corrected which currently stands at around \$13.5 per bushel, which is significantly higher than the average prices of the last five years. The marketing is currently focused on the web and in the United States, where extreme and exceptional drought condition for certain crops could limit production and consequently the country's soybean supply.

However, for the current cycle of '21/'22, the supply-demand imbalance should after two straight years of deficits registered by slight surplus of around 4 million tons, which is still must be confirmed by crop (inaudible) in the United States, as well as -- and by the result of planting operations in the southern hemispheres, which are yet to be begin.

Lastly, in the case of corn, international prices in the second quarter of '21 also underwent a correction due to the U.S. weather map. Although the drought is still remains a factor to be monitored. In Brazil, however, corn prices found more support due to local supply-demand dynamics, mainly the effect from the significantly lower production of second quarter crop - crop corn, which also led to corn imports from Argentina.

In the global scenario, the difference in supply and demand should result in a surplus of 90 million tons after the first four straight cycles of deficits.

I will now pass the call over to my colleague Ivo Brum, our CFO and IRO, who will go over our financial performance in the quarter.

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

Hello, everyone. Let's turn to is Slide 9 please, which shows the highlight of our income statement. For the second quarter of 2021, net revenue, grew by 85% in the quarter and by 57% is the first six month against the same period of 2020.

The margin direct new growth were the higher unit price invoiced for all crops and the higher volume invoiced of quarter in soybean. Adjusted EBITDA in both the second quarter in the year-to-date set the record highs. In the quarter, adjusted EBITDA was BRL505 million with adjusted EBITDA margin of 48% representing growth of 248% year-over-year.

In the year-to-date, adjusted EBITDA was to us BRL777 million with adjusted EBITDA margin it expanded by 40.2 percentage point to 41.6%. The strong growth in the adjusted EBITDA in both periods also reflected the higher price in volumes invoiced, as well as the (inaudible) through of the cost per hectare in the good operational performance especially for soybean.

Net income grew by 134% in the year-to-date and by 105% in the quarter compared to the prior-year period. In addition to the factors mentioned above, the performance of net income also reflected the dynamics of the recognition of the large assets, given the expectation of higher-margin compared to the last crop year and the portion of the harvest yet to be invoiced as (inaudible)

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To conclude this section, the slide then show our debt position. We end the first half of 2021 with adjusted net debt of BRL1.4 billion, representing an increase of BRL694 in relation to the end of 2020. Net debt was affected mainly by the higher working capital needs, which in turn were influenced by the higher payments of the agricultural inputs for 2020 crop year. Note that an increase in debt in this period of the year is expected, given the cash conversion cycle of the business. The net debt/EBITDA ratio ended the period at 0.99x.

I will now pass the call the callback over to Pavinato who will comment on the outlook for 2021/'22 crop year?

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

Thank you, Ivo. Let's start with Slide 12 please. I want to conclude by saying that we have already purchased most of the inputs needs for the '21/'22 crop years. And as you can see in the table, we already have sold a significant percentage of your our estimated production at the price above those obtained in '21. This percentage already incorporates the estimated production of the areas of Terra Santa and Agricola Xingu. This scenario leaves as optimistic in -- on the outlook for the new crop year and on the -- on continuing to deliver very good results. Thank you. Let's now open the call for the questions and answer session.

## Questions And Answers

### Operator

(Question And Answer)

Ladies and gentlemen we will now end the question and answer section. (Operator Instructions) This is today's presentation. You may disconnect your lines. At this time. I have a nice day.

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