Y 2021 Earnings Call

Company Participants

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

Other Participants

- Isabella Simonato, Analyst
- Ricardo Alves, Analyst
- Rodrigo Almeida, Analyst
- Thiago Bortuluci, Analyst
- Unidentified Participant

Presentation

Operator

Good morning, and welcome to Minerva Foods conference call to disclose the results of the fourth quarter of 2021 and the year 2021. Today with us are Mr. Fernando Galletti de Queiroz, CEO; Mr. Edison Ticle, IRO and CFO; and Mr. Taciano Custodio, Sustainability Director.

We would like to inform you that the presentation is being recorded and all participants will be connected in listen-only mode during the company's presentation. (Operator Instructions) The audio and the slides of this conference call are being presented simultaneously on the Internet at www.minervafoods.com/ir. You will also be able to find the respective presentation for download on the platform of the webcast on the IR Relations.

Before proceeding, we would like to clarify that any forward-looking statements that may be made during this conference call relating to the company's business outlook, projections, operating and financial targets are based on the premises and assumptions on the part of the company's management and on information currently available. They involve risks, uncertainties and assumptions because they refer to future events and therefore depend on circumstances which may or may not materialize. Investors should understand that general economic conditions, industry conditions and other operational factors may affect the performance of Minerva in the future, thus conducting to results which differ materially from those expressed in such forward-looking statements.

I now turn the floor over to Mr. Fernando Queiroz, CEO. You may proceed, sir.

Fernando Galletti de Queiroz {BIO 15387377 <GO>}

Good morning to all and thank you for attending this conference call to disclose the results of Minerva for Q4 and the year 2021. Minerva ends 2021 and reports very sound results. This strengthens our corporate strategy and consolidates our leadership in South America as one of the main players in the global beef market. Despite the very challenging scenario, 2021 was an year of achievements for Minerva Foods. Again, we delivered strong operating results and financial performance with record revenue and EBITDA very close to BRL600 million in net income, strong free cash flow and a sound balance sheet.

Our geographic diversification has proven to be one of the main drivers of our business strategy. It is essential to mitigate against risks and increase opportunities. It was also fundamental in an year with challenges and a lot of volatility. At the end of 2021, we implemented yet another part of our strategy and began operations in our Australian plant. They complement our South American operations, allowing us to maximize commercial opportunities and operational synergies, thus reducing the risks and contributing to consolidate our position as a global -- in the global animal protein market.

Our innovation agenda moves forward based on our corporate venture capital pillar and the investments in start-ups linked to our business such as Shopper, (inaudible) and Traive. We also focused on our e-commerce and marketplace initiatives thus enhancing our presence in online sales platforms and improving our distribution to the domestic market. These are initiatives of Minerva Foods to maximize commercial opportunities and further create value. These are initiatives that seek to create value for our business.

We also focused on our sustainability agenda where we have major achievements and taken on commitments throughout the year. We have consolidated our position as a benchmark in the animal protein sector and we have further endorsement for the quality and integrity of our products, which gives us increasing access to the domestic and international beef market.

Finally, creating value for our shareholders was once again a major achievement. We paid out substantial dividends and disbursed more than BRL600 million in 2021, that is BRL1.12 per share. The payout has been consistent for two consecutive years and is a major driver of our strategy to create shareholder value.

On Slide 2, I'm going to talk a little bit about the main highlights of Q4 and 2021. I start with net income, which was positive for the nineth consecutive quarter and totaled BRL150 million in Q4 and BRL599 million in 2021. The result of the year attests to our strategy towards creating value for shareholders. Company has quarter-after-quarter delivered to the market exactly what we promised, financial discipline, profitability, free cash flow and creation of value for the shareholders.

As a reflex of the good financial performance in 2021, Minerva's management will propose, in the shareholders meeting, the approval of a complementary dividend totaling BRL200 million or BRL0.34 per share to be paid in the beginning of May. When added to the BRL200 million in early dividends which were paid in November last year mean that the company will have paid out nearly 70% of the income reported in 2021 in the year and if we consider everything that was factored will paid out in 2021, Minerva has distributed over BRL600 million in dividends which illustrates the company's focus on generating value for the shareholders.

Going back to the results, we are now going to talk about free cash flow, one of our priorities. This was positive for the 16th consecutive quarter and totaled BRL213 million in the quarter and BRL1 billion in 2021. The company has generated more than BRL4.5 billion in free cash in the last three years which attest to the excellence of our operating financial management.

The consolidated net revenue was record in the quarter BRL8 billion and in the year where we reached BRL28.6 billion, nearly 40% increase relative to last year. In this context, it is important to highlight the performance of our exports which accounted for 64% of our gross revenue in the quarter and about 70% in the year 2021. This is a consequence of the consistent global demand for beef and this attest to our exporting vocation.

In terms of operating profit, our EBITDA was record and was BRL735 million in Q4, 19% increase year-on-year and with an EBITDA margin of 9.8%. In 2021, EBITDA totaled BRL2.4 billion, the highest ever recorded by Minerva, and this was despite the challenges in volatility we saw in 2021. In line with our commitment to capital discipline, we closed Q4 with a stable net leverage at 2.4 times net debt over EBITDA. Our liquidity was also at a comfortable level at year-end, we had BRL7.3 billion in cash. Together with a debt duration of 5.8 years, we have plenty of flexibility to tap the opportunities in the next few years.

And speaking of our balance sheet, we continue to improve our capital structure. In Q4, we carried out the 11th debenture issue for a total of BRL400 million. We use these funds to pay for the sixth issue and this allowed a reduction in the cost of this debt. Additionally in Q4, we've repurchased $83 million in bonds maturing in 2028 and 2031, totaling USD172 million in repurchases in 2021. These initiatives attest to our commitment towards a sound capital structure which is well balanced and less costly. In our presentation, Edison is going to give you a little bit more color about these operations.

Moving onto the other highlights of Q4. At the end of the quarter, in the end of November, we paid out BRL200 million in early dividends, which added to the amounts paid beforehand totals the expressive amount of BRL604 million distributed in 2021, that is a dividend yield of 11%, one of the highest in the Brazilian market. We continue to create value for our shareholders. As I said and abiding by our policy for dividends, we are going to propose complementary dividends for BRL200 million which is going to submitted to the approval at the shareholder meetings at the end of April. Edison is going to talk about our efforts to maximize the creation of value for Minerva shareholders.

As regards to sustainability, we saw important achievements and we championed initiatives that position ourselves as a reference in the sector of animal protein. We have joined the carbon credit market through our subsidiary MyCarbon. At Athena Foods, we have become the first company in the sector to monitor 100% of the suppliers in Paraguay and thus achieving one more target of our commitment to sustainability.

In Brazil, we continue to move forward in terms of monitoring our suppliers by expanding and integrating Visipec to our monitoring system. As a reflex of our leadership in the sustainability agenda, we are the only company in beef protein sector to be part of the Corporate Sustainability Index of B3 for the second consecutive year. This is a recognition of the longstanding work to achieve sustainability that we have been developing. Taciano, our Sustainability Director is going to give you more details about our ESG agenda in 2021.

On Slide 3, I'm going to comment on the operational performance of Minerva in the quarter and in the year. I'll start with the exports. At the end of 2021, once again we were leaders as exporters of beef in South America and we had 23% market share in the continent at the end of Q4. Our protagonism in terms of beef exports is a result of our geographic diversification and our international offices. This allow us to have large competitive advantage and prominent position in the international market.

On the right side hand of the slide, you see the performance by region. In Brazil, Asia accounted for 52% of the export revenue in 2021 despite the Chinese restrictions to Brazilian beef at the end of the year. For Athena Foods, it was no different, with the Asian continent remaining as the main destination of our products, Asia accounts for 40%. Still speaking in terms of Brazil, I would like to highlight the growth of the NAFTA region, which has now been consolidated as our second major export market and accounts for 16% of the exports originating from the Brazilian division. This reflects not only the reopening of United States to the Brazilian beef in the beginning of 2020, but also the competitiveness of our product and the commercial and logistics capacity of Minerva Foods.

As for Athena Foods, exports to the Americas reached 30% of the total exported by the division. The Chilean market is extremely important, it is one of the most profitable destinations in our continent and since 2020 has been supplied by our operations from Colombia.

Once again, I would like to highlight the success of our strategy towards geographic diversification and the benefits for the operational and financial performance of the company. This has become even more clear at the end of 2020 when we've reorganized the company's portfolio. Argentina and Uruguay are increasing the pace of their operations and served the Chinese market during the restrictions in Brazil, whilst our plants in Brazil increase their supply to other markets such as the U.S. Chile, Russia and the Middle East. I'll give you some more color in the next few slides.

And finally, I highlight that the fundamentals and the outlook in the global beef market are still very sound in the short- and long-term. We have a conjunction of factors which is very positive for the next few periods, and this will benefit the producers of beef in our continent. The international demand is consistent in emerging markets especially in Asia.

We are heading towards the end of the pandemic and the global economy is going to recover, which allows consumption to recover as well especially in tourism and foodservice. Additionally, climate issues are pushing up the prices of grains in the international market which will maximize the competitiveness of South American producers.

And finally, the restriction in the global offer of beef not only in Australia but also Europe in a scenario where there is a reduction in the number of animals which is going to impact North Americans in 2022. There is therefore a difficulty resume in supply given the strong demand and this creates imbalance in the market thus benefiting especially South American exporters. I draw your attention to the good outlook for the beginning of the cattle cycle in Brazil. There should be a greater availability of animals throughout the year, which will further contribute to the performance of our industry in 2022.

This is a promising outlook and our strategy is to maximize our competitive advantages by investing in innovation, niche markets, risk management, market intelligence so that we can design and achieve commercial and logistic solutions that are increasingly efficient and profitable. We have a strong corporate culture, a strong team and we respect our commitment towards ethics and sustainability.

And before I turn the floor over to Taciano, I would like to talk about the great work we have been developing to improve our corporate management. We have made important steps to improve our organizational culture which is increasingly solid and is aligned and integrated into the Minerva Foods business strategy. During the year of 2021, several projects were consolidated, for example, our leadership development program, we now offer a model to deal with organizational culture, workshops and training, a series of initiatives focusing on the development of our main assets, our associates.

Our organizational culture is an essential pillar of our management model. To continue to grow and go further, we have to strengthen our five values; one, orientation towards results; commitment; three, sustainability; four, innovation; and fifth, the recognition of our team of our people. In 2022, we will continue committed to the sustainable future of food in the planning and we work to provide quality food bringing together competitive innovation ethics and sustainability. This is our purpose and the strengthening of our organizational culture is essential for the success of this strategy.

I now turn the floor over to Taciano, who is going to talk about sustainability.

Taciano Custodio

Good morning. Thank you, Fernando. 2021 was an year of great achievements in our ESG agenda. We undertook the commitment to reach to 2035 with zero net emissions, which is aligned to one of the five values of our company.

Sustainability, widely publicized results attest to our target, which prove our leadership in monitoring the chain of supplies in the South America and combating illegal deforestation, we have relevant results to share. For scopes 1 and 2, we aim at reducing our emissions by 30% in 2030, and to achieve this target, we developed a decarbonization plan for industrial operations. Minerva Foods is the only company in the segment which is carbon-neutral on the scope 2, that is those emissions relating to the energy portfolio. On the scope 3, we have two fronts ending illegal deforestation throughout the supply chain and engage 50% of our suppliers in the low-carbon emission program by 2030.

We achieved two important targets: First, we have mapped 100% of our direct suppliers in Paraguay and monitored 100% of the purchases in 2021 relative to illegal deforestation and other criteria. In Brazil and Paraguay, we monitor more than 26 million of hectors, an area the size of the UK in all regions and biomes. Second target, we increased the use of risk analysis tools of indirect suppliers in Brazil. Third, we carried out a carbon balance of supplying range in all the countries using scientific methodology that is internationally recognized.

On Slide 6 we present the geographic monitoring criteria in Brazil and Paraguay. We aim at monitoring 100% of purchases in Paraguay by year-end. Then the results of the audit carried out by the federal prosecution service in Para, this is the main public tool to ensure transparency for fighting illegal deforestation in the Amazon. The Office carries out a reliable and transparent audit which includes third-parties as well. Minerva achieved 100% conformity and, as you can see, our commitment is backed up by concrete data, the QR code gives you access to the data.

Given the challenges in the indirect suppliers, we have achieved our target of risk analysis in the Amazon using Visipec. We have more than 99% of conformity with all the results disclosed in our site. In addition to analyzing risks, we use SMGeo prospect for purchasing cattle. We work with nice planet to transfer technology to rural producers throughout the country. All they have to do is download the app to assess geographically those farms before buying cattle, for example. With this collaboration, we encourage our suppliers to monitor their purchases, thus ensuring a deforestation free chain.

On Slide 7, we are going to talk about innovation. The low carbon emission program is called Renove. Renove engages with ranches to implement practices for a more sustainable and profitable business. We developed three pilot projects in 2021 with surprising results. Together with Embrapa, we measured the carbon balance of 22 ranches in Brazil, which supplied more than 10% of our volumes in the country, and they are below the national average in terms of emission of greenhouse gases. 10 farms have a negative carbon balance that is they sequester more carbon than they emit.

In partnership with Imaflora, we measure the carbon balance of 25 ranches in the five countries where we operate. These producers emit 44% less than the world average. These results were not obtained with any intervention in production systems. We just measure the carbon balance of our partners using robust scientific methodology. The results demonstrate that sustainable cattle raising with profitability and environmental responsibility is not a strategy, it is already here. More than 50,000 animals were processed last year, which came from carbon negative production systems. This is only possible if we have technology in the supply chain.

And then with Santos Lab and Biofilica, we assessed more than 380 ranches as regards their environmental assets. We used satellite images and state-of-the-art technology. 60 ranches were selected to determine the carbon balance and the potential generation of carbon credits from these properties.

On Slide 8, you see MyCarbon, our subsidiary for the development of carbon projects and trading of carbon credits. It's objective is to support companies to fulfill their targets and become carbon-neutral by compensating offsetting the carbon in a sustainable way. MyCarbon is part of the efforts that the company has been carrying out to implement initiatives that promote practices which are more sustainable and low carbon. We support ranches throughout Latin America to adopt high-tech systems to contribute to the reduction of emissions in the value chain. Our carbon credit portfolio is certified and ensures traceability and high quality of the units. MyCarbon is the result of the innovation spirit and our pioneerism in the worldwide carbon credit market. We recognize the need to fight climate change and to support ranches and companies to reduce their emissions.

On Slide 9, we present the decarbonization plan of the company. We are working with transparent targets to mitigate our greenhouse gas emissions under scopes 1, 2 and 3 using the projects that I have talked about. We use methodology of science-based target initiative to establish our targets, measure our carbon footprint and plan the decarbonization of our operations. These are feasible projects and the results will be disclosed in this year.

Then on Slide 10, we have a summary of our sustainability recognitions. We are the only company listed in the Corporate Sustainability Index of B3 for '21-'22. This recognizes our commitment to best practices at the environmental, social and governance level. We have also included in the Carbon Efficient Index of B3 and have improved our position in the Carbon Disclosure Project. In the ranking Forest 500, Minerva was considered as one of the companies in the protein sector with the lowest risk in connection with deforestation. We are also the first Brazilian company to receive the Renewable Energy stamp for all of our operations. We continue to focus on sustainability as a fundamental pillar of our strategy by reducing our carbon footprint and our water consumption.

We have material results to show today and we contribute now to the sustainable future of food in our planet. I now turn the floor over to Edison.

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

Thank you, Taciano. Let's move onto Slide 11. I'll start by talking about the operational performance and the breakdown per divisions of the gross revenue of Minerva. Athena Foods is a highlight and accounts for 52% of the consolidated gross revenue in Q4, whereas the Brazilian division was 41% and the Trading Division 7%.

In terms of capacity utilization in Q4, our consolidated utilization rate was 71%, which reflects some operational limitations because of the pandemic. At Athena Foods, the level of utilization was 76%. This was impacted by the reorganization of the operation at the end of October due to a shutdown of one of our plants in Paraguay. In Brazil, the utilization was 65% as a result of the restriction of exports to China.

Consolidated utilization is lower than our historical level of 80%. However, with the resumption of exports to China at the end of the pandemic and the recovery of global economy, we expect it to go back to 80%, 85% during 2022, which is our optimal level. We always considered the concept of net utilization, that is the working days of operation in each of the plants in activity. On the right side of the slide, you have the exports consolidated per region for Q4 in 2021. Even with the restriction of exports to China in large part of the quarter, Asia is one of our main destination markets and accounts for 32% of the exports in the period, this was only possible because China was served by operations in Argentina and Uruguay.

The scenario of strong demand for beef in Asia is even more clear now with the share of the continent accounting for 43% of the consolidated exports of Minerva Foods and it's still our main export destination. I also draw your attention to the excellent performance in the region of NAFTA for the Brazilian division, and this is essentially represented by the U.S. Whilst the restrictions to exports to China were still on, North America was the biggest driver for exports in Brazil and accounted for 30% of the total exports in the semester -- in the quarter, sorry. Brazilian beef was again deemed proper for exports to the U.S. in being beginning of 2020, and now it is at higher levels which contributed for the good performance in the period.

One of the main competitive advantages of Minerva is our geographic diversification. This allows us not only to redirect production according to international demand but also to arbitrate markets so that we can optimize margins, operations and commercial strategy. In the beginning of 2022, even with China back onstream, North American demand is strong and the prospect is excellent. This attests to our assessment of a supplier market, demand will outstrip supply.

On Slide 12, I'm going to talk about financial results, beginning with net revenue which was record and reached BRL7.5 billion in Q4, 32% growth year-on-year. Although we are a company that essentially exports, the domestic operation in Brazil had a very sound performance in the quarter and made a relevant contribution to our revenue. The distribution in the domestic market is marked by seasonality and consumption increases markedly at the end of the year because of the holiday season.

Net revenue in the year reached a growth of 40% relative to 2020 and totaled BRL27 billion, a record for the company. The breakout of the revenue includes the exports which now account for 70% of the yearly revenue and 64% in the quarter.

In terms of profitability, EBITDA was record in Q4 and reached BRL735 million, a 13% increase relative to Q3 2021 and 19% year-on-year, totaling an EBITDA margin of 9.8%, the highest in the year of 2021. Our EBITDA in 2021 totaled BRL2.4 billion, a 13% increase on an annual basis and record for 12 months. In the longer-term, our EBITDA practically doubled in the last five years, and this reflects not only the positive outlook in the international market for beef but also our excellence in terms of financial, operational management and risk management.

Here you can see clearly the efficiency of our business model. Our profitability is in the ability to pass prices on to clients especially when we have a cost push. Despite the recent rate rises in the price of cattle which accounts for 85% of our total costs, the company has been able to pass on those increases to the clients especially in the export markets, which is what we focus on. This is why we have been able to deliver consistent profitability despite the higher prices of cattle in Brazil.

I remind you that this is a spread business and therefore our capacity to generate value relies on our capacity to pass on any cost pushes throughout the year to clients.

Additionally, the geographic diversification has been essential, especially when we talk about Athena Foods which in terms of supply of cattle enjoys a more favorable situation than Brazil and has been contributing to increase our revenue and profitability. So in addition to the fundamental role of geographic diversification, I would also like to highlight our risk management, we have a very defined model to map risks -- manage risks, we focus on arbitration, and this helps us increase profitability especially in moments of great volatility, which we see as opportunities for us to extract value.

And finally, as I said in Q3's conference call, we expected the performance of Q4 to be good despite the uncertainties relating the Chinese market. This has materialized and here we are delivering sound financial and operational performance, record revenue and EBITDA, the best EBITDA in the year and this in a quarter where the operation in Brazil could not export to China.

Our geographic diversification which mitigates risks, the positive seasonality in the domestic market and the good prices in international market were fundamental for us to achieve these results. When we look at 2022, the scenario is extremely positive. Demand and prices for beef internationally are very attractive, China will resume the import of Brazilian beef very strongly. As you can see in the public data, issued by SICEX and also the expectation is that there is going to be more availability of cattle in Brazil. In our opinion, these are some of the main drivers that should contribute for the current year of 2022 to allow us to deliver an equally good performance or even better than what we delivered in 2022.

On Slide 13, you can see our leverage rate measured as net debt to EBITDA including the early dividends which was stable in 2.4 times. Net leverage of the company has been stable since the beginning of 2020 even if we consider BRL1.8 billion disbursed to repurchase shares and debt and BRL742 million effectively paid out to our shareholders in the last two years. I'll give you more about those numbers. The current level of leverage reflects our commitment to maintain an efficient less costly and lower risk capital structure which is totally aligned with our financial strategy.

On Slide 14, we are going to talk about net income and operating cash flow. We focus on capital discipline and cash generation and risk management. We closed the year with a net income of BRL150 million in Q4, that is a net income of approximately BRL600 million for 2021. This reflects our commercial and financial strategy, our total focus on generating free cash flow, risk management and reduction of debt. This is essential for Minerva and have contributed to the results we have been posting quarter after quarter. On the right hand side of the slide, you see the operating cash flow in Q4 which was positive by BRL650 million. Operating cash flow in the year reached BRL2.6 billion.

And now let's talk about free cash flow, one of our priorities. Free cash flow was positive for the 16th quarter and achieved BRL213 million after the FX hedge. If we build up the free cash flow in the quarter, we start with an EBITDA of BRL735 million, CapEx was BRL231 million and investments in maintenance and expansion and also the recent investment we made in Australia. Then we have working capital, which burned BRL63 million in the quarter, this was affected by the inventories and the financial result which was negative by BRL331 million. Then we have a recurring free cash flow of BRL110 million in Q4. Then if we add BRL103 million which was due to our hedge policy, we have a free cash flow in the quarter of BRL213 million.

And speaking of the whole year, free cash flow totaled BRL1 billion, EBITDA at first was BRL2.4 billion, annual CapEx BRL569 million affected by the enlargement and upgrading of plans, corporate venture capital and the acquisitions of the plants in Australia. The variation of the working capital in the year was positive by BRL15 million in the last 12 months and the financial result was negative by BRL846 million. If we add everything up, the FCF was BRL1 billion in 2021 as a consequence of excellent operational performance and of discipline and consistency in the financial management.

On Slide 16, you will see a little bit about our net debt. At the end of the quarter, net debt was BRL5.8 billion not taking into account the effect of BRL252 million referring to the exercise of subscription warrants by the controlling group which takes our net debt down. Another movement was the payment in November of BRL200 million in early dividends which increases our net debt. This money went straight to the hands of our shareholders.

Going back to the bridge, a positive result of BRL110 million in free cash flow before the hedge which was also positive by BRL103 million and this decreased our debt. Then we have the adjustment of BRL59 million relative to non-cash transactions which impacts debt and finally a negative impact of BRL493 million which has to do with the FX variation in the debt-denominated in foreign currency.

If we put the bridge together, Minerva closed the quarter with a net debt of approximately BRL6.1 billion. The hedging policy protects our balance sheet and is in line with our policy. We must have at least 40% of hedge for FX exposure in the long-term. This can be seen in the explanatory notes. Our balance is very much protected and we feel more comfortable to continue to focus on operational and financial execution to generate value for our shareholders.

On the next slide, I'm going to comment a little bit more about the capital structure and our liability management strategies. On Slide 17, you can see that the leverage measured as net debt over EBITDA in the last 12 months and adjusted for the dividends paid in

November closed the quarter at 2.4 times. According to our cash policy, our position is very comfortable at BRL7.3 billion. In terms of debt, 73% of our debt is exposed to FX variation, but we do have a policy, a hedging policy and we protect 40% of our position. This has been very efficient given the recent FX volatility in Brazil. The duration of our debt is 5.8 years and practically 90% of our debt matures in the long-term after 2022.

Then, we give you a bit more color about liability management efforts that the company has been implementing since 2020. In October, we issued our 11th debenture, totaling BRL400 million maturing five years at CDI plus 1.60. 100% of these proceeds were used to liquidate our sixth emission of debentures which was paid at CDI plus 1.8. So we paid it early to extend debt profile and reduce the cost of the debt. We are also active in the secondary market for bonds, we are repurchasing bonds maturing '28 and '31 whenever there is an opportunity. We have repurchased USD83 million in Q4, and in 2021, we've repurchased USD172 million. Most of these bonds were canceled in 2021 and a small amount was canceled in January 2022.

As a result of these initiatives, we have reduced the cost of our debt, our gross leverage and we have also been able to extend the profile of the debt. So most debt will mature in 2028 and 2021 (sic) [2031]. This liability management attests to our commitment to financial discipline with a less costly capital structure with a view to generating value.

The last slide of the presentation focuses on value generation for the shareholder, which is one of the priorities of this management. In line with the excellent operating and financial performance we had in 2021, the consistent execution of the plan to reduce leverage, we decided to propose a distribution of complementary dividends for BRL200 million, a dividend of approximately BRL0.34 per share and which will be paid in May pending the approval by the shareholders meeting. The company has always tried to maintain a balance between healthy capital structure and the capacity to generate value for the shareholders.

You can see here what we distributed in 2021, considering 2020, total dividends were BRL542 million, a payout of nearly 80% of the net income and a dividend yield of 10%. For 2021, dividends will total BRL400 million, that is 70% of the net income. In the last two years, we have distributed dividends in line with our policy which is 50% of the net income whenever the net debt over EBITDA is equal or lower than 2.5 times. If we look at the dividends effectively paid in 2021, they were BRL1.12 per share, which is a dividend yield of close to 12%. In the two periods 2020 and 2021, the total distribution of dividends will be close to BRL1 billion or BRL1.72 per share. Additionally, considering 2020-2021, we disbursed BRL1.8 billion in the repurchase of shares and bonds in the secondary market, which consolidated our commitment towards maximizing value for our shareholders.

Financial discipline and the commitment to a balanced capital structure have been respected in the last few years as you can see in the stability of our leverage levels, even though we have distributed value. This is not going to change, because even with the complementary distribution of BRL200 million from -- expected in May, our leverage remains in the comfortable level of 2.5 times to 2.56 net debt over EBITDA. This strategy of making Minerva Foods pay dividends was only possible with the dedication of the team.

We have created conditions for Minerva Foods to generate and distribute value in a consistent manner.

I now turn the floor over to the operator so that we can begin the Q&A session. Thank you.

Questions And Answers

Operator

(Operator Instructions). Our first question comes from Ricardo Alves from Morgan Stanley.

Q - Ricardo Alves {BIO 16840901 <GO>}

Good morning, Fernando, Edison. Thanks for the call. The numbers are really impressive. I have three questions, the first one has to do with Athena. Since September, we have seen that Argentina and Uruguay have become more relevant and I would like to have a little bit more color about these markets especially Uruguay in Q4. The expressive increase in revenue in dollars, is this because of the Chinese exports, how is this sustainable in 2022? Have you seen a deceleration in January or February? It's very easy for you to shift production between the countries, there's arbitration in the region and so on.

Second question regards Brazil, your volume of products exported in Brazil, you saw a 7% drop so can you give us a little bit more color about the performance in Brazil. Are there any markets that you should be focusing on, should you go to other markets.

And then if I'm allowed about the allocation of capital, as Edison was saying, the company has distributed a lot of dividends and we believe that demand is very strong in 2022 the margins should be better, the price of cattle should go down in the second semester. What is your view on cash generation in 2022, you're prioritizing deleveraging and giving returns to the shareholders, is this going to continue, do you have other priorities. And as regards liability management, is there anything you can do in 2022? Thank you very much for the call.

A - Unidentified Speaker

Thank you for attending the call, Ricardo. As regard to the first question about the operations in Latin America and especially Argentina and Uruguay, this analysis is carried out on a weekly basis. And that's when we shift production. We developed in the last two years instruments based on artificial intelligence, analytics and this allows us to work in a faster manner.

One of our investment purposes is to have this geographic diversification. This allows us to arbitrate the seasonality of the cattle cycles, currency and other sanitary issues. So this is one of the -- our differentials, our competitive advantages and we have been investing very heavily in terms of being more agile. This will continue. And what we see for 2022 and 2023 is that volatility is going to stay here, but can be a big opportunity if the company has the instruments available. And this is what we have been telling our team, we have empowering people to have more agility.

As regards to Brazil, slaughter has decreased by 20%, Minerva has decreased by 7%. So yes, it is yet one more example of this cycle. We see now in Brazil a change in the cycle. There were many births in the last three years and these herds are going to reach the market and also some females are going to be disposed of in the market. So Brazil is going to be a more prominent place, but this will happen and we analyze situation on a weekly or monthly basis to allow us to make the best option in terms of where to produce and where to sell, arbitration on both ends.

Ricardo, you asked me to comment about the generation of cash and capital allocation. So I cannot talk about 2022 because this could be a guidance. But let's look at 2021, in 2021, we made an investment in CapEx of BRL600 million and yet we generated BRL1 billion in free cash flow. If I double the CapEx, I would still generate BRL500 million, BRL400 million in free cash flow.

If I triple the CapEx, then the free cash flow will be zero in the year. This is assuming that in 2022 we would have the same performance as 2021. I think this is very conservative given what we're seeing now. The prices in dollars in the main markets we export to are higher than they were in Q4. We have an expectation especially towards the end of the year that the capital cycle in Brazil will give us a larger availability of animals and the price should drop. If you look at the futures market, there are projections regarding the spot price. How much the drop will be in price, it's very hard to say, but the average in 2022 will not be BRL340, the price based in Sao Paulo which we see today.

So if you look at these drivers, EBITDA in 2022 should be higher than in 2021 because of all these factors that I'm telling you about. And then the other lines in the cash flow will probably be very similar to what we saw in 2021, and I'm being conservative here. And then we can talk about CapEx, we can look some for some expansion cycle, but in a responsible way without increasing the company's leverage. The cycle of growth that we saw in the last 10 years where the leverage was above 4%, 5%. This will not happen again, it was a different situation, the market was consolidating, we had to become consolidators in that market and we had to compete with two companies that had access to very cheap capital for reasons you all know, I don't have to go into details. But we had to position ourselves, we had to be part of that and we were extremely aggressive in terms of leverage.

The size of the leverage but not a profile. If you look at our profile, we have always been conservative, our cash position and liquidity were high and the duration of debt has always been the longest amongst the companies in the industry. But today the situation is different, we can start a new cycle of expansion by using only the operating cash flow generation which has been strong in the last few years. So I would invite you to look at the variation of CapEx whilst maintaining the other cash flow items constant with an upside bias, and you see that in the EBITDA account, we can invest up to BRL1 billion more than we invested in 2021, that is our CapEx account could be BRL1.5 billion, you take out BRL300 million in maintenance and the difference could be an expansion CapEx. And this would not compromise our debt, would not compromise our leverage metrics, our ability to pay out dividends or the company's capital structure. We do have the capacity to grow using exclusively the free cash that we generate.

And additionally in terms of liability management we have been very active in trying to exchange that papers and extending the debt profile. The major initiative now would be to repurchase our bonds in the international market, the prices are very good, we have actively been doing that and this contributes to reduce our gross leverage, financial expenses going forward. So we should continue to be very active in the bonus market. And in terms of other liability management operations, we may roll over debentures, where you extend but reduce the cost for the same type of debt.

So this is a summary of what I said in the call and I think I was able to answer your question.

Q - Ricardo Alves {BIO 16840901 <GO>}

Yes, that was very good. Thank you very much. Thank you for the details Edison and Fernando. Have a good day.

Operator

Our next question comes from Isabella Simonato from Bank of America.

Q - Isabella Simonato {BIO 16693071 <GO>}

Good morning, Fernando, Edison. Thanks for the call. My question has to do with profitability, it was above what we expected in a difficult scenario. So can you comment on the margins throughout the quarter, especially Brazil and can you give us a little bit more color about the differential of profitability between Athena Foods and Brazil? As much as you can if you can give us numbers, this would help us understand the numbers that feed into the consolidated results?

A - Unidentified Speaker

As I said to Ricardo when answering the previous question. With the scenarios of increasing volatility and we decided to diversify in terms of geography, I'm going to further explain this. There was a moment in one of the major markets closed their doors to Brazil. So Brazil could no longer export to China. So what we did was we reallocated our portfolio from -- our Chinese portfolio to Argentina and Uruguay, and this made them stronger.

Then in the meantime, Brazil was approved again for exporting. So we did the opposite, we reallocated the portfolios to Brazil. Meanwhile, when Brazil could not export to China, we have reallocated portfolios from Chile, the Middle East and especially America to the Brazilian operation. So if you want to Athena, Minerva, Brazil, this doesn't make much sense. We have to look at the portfolio of plans, the footprint that we have in South America and we do the best we can with the opportunities that we have.

In the last three years, especially in the last two years, we invested a lot in technology, in analytics so that we can have more predictability and we can act faster in doing this. What we did with China was a good example, and you can see our performance reflects that ability. So just to conclude the volatility should continue. We have Russia, we have volatility around the world, but we are very confident and we are ready to tap the opportunities and extract value from a very volatile environment. Minerva is unique in terms of geographic diversification, this cannot be replicated by other companies.

Q - Isabella Simonato {BIO 16693071 <GO>}

I understand. Thank you.

Operator

(Operator Instructions). Our next question comes from Mr. Almeida from Santander.

Q - Rodrigo Almeida {BIO 20698362 <GO>}

Good morning, Fernando, Edison. Congratulations for the good results. You were very able to adapt to new scenarios. I would like to touch on a more current issue, this conflict between Russia and Ukraine. I would like to understand, if there are sanctions, for example, in terms of exporting beef to Russia and there is this imbalance of supply and demand, what could you do with the exports? What is your understanding about the current situation, and Paraguay, if I'm not mistaken, is the country that has the most relative exposure to Russia. So what is your take in terms of a potential impact? What do you expect if the situation affects global trading more severely?

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

Thank you for your question. Very good question. The first impact we are going to see in the market will be an increase in the price of grains. Ukraine is a major producer of grains and this makes other proteins less competitive. So the cost push for poultry and pig is going to be a lot higher. Also in the Northern Hemisphere, cattle is raised in confinement and this opens -- this makes South America more competitive.

As regards embargoes, we don't know what's coming. Our experience says that, although there might be embargoes, the humanitarian issues food and medication is usually accepted for obvious reasons from embargoes. So medication and food from our experience in the past receive a special treatment. We don't know what that is going to look like. But in a more globalized market, there is a greater arbitrage, a greater arbitration if there is a raise in one place because of the embargo, this has an effect in the market as a whole.

And also in third place, this raises the alarm in terms of food security. So countries focused on having strategic inventories, strategic stocks. Whenever there is conflict, our experience tells us that countries are more conservative in terms of having inventories to ensure food security of their people. We are watching the situation from a very close range. I hope the effects won't be too severe, but these are the main effects; increase in the price of grains, the exception whenever there is an embargo and food security which becomes even more relevant.

Q - Rodrigo Almeida {BIO 20698362 <GO>}

Very clear, Fernando. Thank you very much.

Operator

Our next question comes from Mr. Thiago Bortuluci from Goldman Sachs.

Q - Thiago Bortuluci

Hello. Good morning to all. Congratulations for the results. I would like to talk about China in terms of the exports. By looking at the first numbers of 2022, I see there is an effect of the resumption. But going forward, there is a debate about how structural these per capita levels are. I would like to hear from you, what is your expectation regarding the demand in China, given this comparison basis which is quite strong and what can we explain expect in terms of different geographies this year?

A - Unidentified Speaker

In terms of growth in geographies of origin, we want to increase our footprint in Colombia and Australia. It depends on a correct valuation, but M&A is under the radar -- is in the radar. And in terms of China, we had a very interesting experience. Unlike all the countries, the switch from poultry to beef did not happen, regardless of the price. So beef no longer follows, no longer tracks the price of beef and of poultry and pork.

Beef -- actually pork was regarded as a less healthy protein after the swine fever, and this is what justifies the independence of beef. Regardless of the increase in prices, the consumption was strong, stable and it grew. There is less elasticity for the price of beef, the consumption of beef in China is now non-elastic, which is understandable.

The middle class is growing and there is more demand. And beef becomes an aspirational product, so we are seeing a very positive outlook which we expect will continue. The per capita consumption of China is half of what it is in Japan, less than half of what it is in Korea. So we believe that the consumption in China will remain stable. This is what happened with soy in the '80s, China was the price leader in the market and we see the same type of movement for beef. China will drive the prices, consumption continues irrespective of the prices.

Operator

(Operator Instructions). Ladies and gentlemen, the next questions will be the ones posted on the webcast.

A - Unidentified Speaker

I'm going to read and answer the first one comes from Carlos Herrera. Do you feel any difficulty exporting to the east of Europe?

No that has not impact impacted us, no additional difficulty so far.

How do you see the costs for 2022? What will the gross margin be like?

I talked about the drivers for 2022 and we look in terms of the prices in dollars for export. The scenario is very good and this could help us expand the gross margin. And in terms of costs, specifically in Brazil, there is an important change in the cattle cycle which could help us increase the gross margin. So the levers that we have, the drivers that we have could allow us to have a gross margin into 2022, which is going to be better than the margin we have in 2021.

How can margins be impacted with the increase of imports after Ukraine. Can these amounts be passed on to clients?

As Fernando said, the impact will be on the grains market and this is good for the cattle market because beef prices go up as well. Because cattle in South America do not depend on grains, 90% is raised in pastures, this arbitration makes the market even more favorable to us. So it tends to be a positive impact for us, whenever there is an increase in the imports for the competing proteins.

Mattias (inaudible) asks about an article in the VALOR newspaper. Do you have details about what you're going to do in Australia in terms of cattle and beef?

We do have a plan that has been communicated to the market. We are thinking about expanding in 2022. We have two sheep to land plants in Australia. We invested USD220 million and we want to increase our operation in Colombia after an acquisition 18 months ago. And in Australia, we should look at assets and maybe make some ad-hoc operations which will not compromise leverage, capital structure and the dividend policy of the company. So this will be expansion that will be cherry picking type in 2022 and 2023, but these expansion should not compromise our debt profile, our leverage and our dividend policy.

Operator

Our next question comes from the phone by Mr. (inaudible) from Bank of America.

Q - Unidentified Participant

Good morning. You talked about the outlook for 2022, the scenario should improve, and I would like to explore the issue of taxes, the company has had accumulated loss and what is the potential of using these accumulated loss going forward. If the operations improve, you still have a buffer so that this can revert in profit and cash generation for the company because of the tax impact. Could you give us a little bit more color about it?

A - Unidentified Speaker

It's very simple. Our balance sheet carries some tax losses from previous years and this allows us to differ tax assets. As we generate cash and profit, this buffer decreases, we still have some. But if you are worried about the cash basis for income tax, I can tell you that our long-term model and the fact that we generate credits when we export, our effective rate for payment of income tax is never above 20%, so I suggest between 15% and 20% in your models.

As Edison said, you can see that Minerva is the company that exports the most, and this makes us generate tax credits which has positive impact in terms of reducing effective cash paid to as income tax. We did some tax planning internally and this allows us to have a cash flow recurrence in our tax credits, and this goes very fast in all the countries where we operate, not only in Brazil.

Q - Unidentified Participant

Thank you. That was very clear.

Operator

The Q&A session has now ended. I would now like to turn the floor over to Mr. Queiroz for his final remarks.

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

I would like to end this conference call by highlighting the commitment of every one of our associates throughout the 30 years that we will celebrate in April. Their commitment and dedication was essential for us to celebrate this 30 years as leaders of beef exporters in Latin America. Minerva has always been known as a company that focuses on risk management and this has been fundamental for the company to have tools to extract values even in challenging and volatile scenarios.

We continue to focus on innovation and sustainability. Innovation in terms of how we relate to providers, to suppliers, to clients, how we do business, how we are able to operate in niches. And also sustainability, which is a competitive advantage for a global company, such as ours. We begin 2022 with confidence that there will be volatility, but that volatility will create value for us and we always focus on sustainable, ethical practices because this is how we can generate value in the long-term. We, Minerva Foods, a company committed to the sustainable future of food in the planet.

Thank you so much for your interest in our company, and we remain available should you have any questions or require further clarification.

Operator

Minerva's conference call has now ended. Thank you very much for participating, and have a good day.