Q1 2017 Earnings Call

Company Participants

- André Nogueira de Souza, President & Chief Executive Officer- JBS USA
- Jeremiah Alphonsus O'Callaghan, Director of Investor Relations
- Wesley Mendonça Batista, Chief Executive Officer & Vice Chairman

Other Participants

- Bryan C. Hunt, Analyst
- Carla Casella, Analyst
- Farha Aslam, Analyst
- Lauren Torres, Analyst

MANAGEMENT DISCUSSION SECTION

Operator

Good morning, everyone, and welcome to JBS Conference Call. During this call, we will present and analyze the results for the first quarter of 2017. As requested by JBS, this event is being recorded. The recording will be available this afternoon and can be accessed by following the instructions posted on company's website at www.jbs.com.br/ir.

Taking part on this call, we have Mr. Wesley Batista, President and CEO of JBS; Mr. André Nogueira, President and CEO of JBS USA; and Mr. Jerry O'Callaghan, Investor Relations Officer.

Now, I'll turn the conference over to Mr. Jerry O'Callaghan. Please go ahead, sir.

Jeremiah Alphonsus O'Callaghan {BIO 19817115 <GO>}

Thank you and good morning, everybody. Welcome to our earnings call for the first quarter of 2017. We posted the presentation on our website a little bit earlier this morning and I would follow the slides in the presentation, as I speak about our consolidated results and also about our results by business unit.

So to get started, and on page 3 of this presentation, we have the first numbers which are consolidated net sales and gross profit for the period of the first quarter 2017. Net sales were down from BRL 43.9 billion in the first quarter of last year to BRL 37.6 billion, a decline of 14% which is explained basically by the FX and the translation of our results outside of Brazil into Brazilian reais.

The Brazilian real had an average value of BRL 3.91 to the dollar in the first quarter of last year and BRL 3.14 to the dollar average in the first quarter of this year. So there's quite a substantial appreciation of the real which affects the translation of all our numbers from outside of Brazil. Gross profit also was down 7.2% at BRL 4.42 billion, down from BRL 4.76 billion, though gross margin was up 10.8% to 11.8% in this first quarter of 2017.

Moving on in our presentation to page 4, EBITDA was flat year-on-year, basically to BRL 2.14 billion this first quarter of this year against BRL 2.13 billion in the first quarter of last year. But again, EBITDA margin was up from 4.9% to 5.7% in the recent period. Net income came in at BRL 422 million or BRL 0.15 per share, a substantial difference in relation to the negative income that we had in the first quarter of 2016.

Moving on to page 5 in the presentation, a little bit about our net debt and leverage. The company ended the quarter with BRL 10.7 billion in cash. That is excluding about $1.4 billion that the company has in fully available lines in the U.S. It's not contemplated in the BRL 10.7 billion. And just to bear in mind also that in the first quarter of 2017, we disbursed about BRL 1.1 billion for the acquisition of GNP up in the Upper Midwest of the U.S.

Net debt at the end of the quarter was BRL 47.8 billion and so leverage flat from 4.16 times at the end of the year last year to 4.2 times at the end of the first quarter.

Moving on to the next page and a little bit more about our debt profile at the end of the first quarter in 2017. 92% approximately of our debt is in U.S. dollars, 8% in Brazilian reais. Average cost in dollars just north of 5%, and the average cost in reais at 12.5%. The breakdown by source, 62% approximately in commercial banks, 38% in the debt capital markets; and by company, balanced between JBS USA, JBS S.A. with 11.5% of the debt at Seara.

In terms of short term and long term, very similar to previous quarters: 31% in the short-term, 69% in the long term. And as we always mention, the short-term debt is made up primarily of trade finance, primarily out of Brazil. It is the cheapest source of financing out of Brazil, and we are very relevant exporters out of Brazil. 75% of that short-term debt is made up of trade finance in Brazil.

Moving on now to our business units and speaking about each one of them individually for the first quarter of 2017, starting with Seara in Brazil. Just to remember, Seara is our poultry, pork, and prepared foods business in Brazil. Net revenue came in at just over BRL 4 billion for the period, down 4.7% from the same period last year. EBITDA came in at BRL 216 million, down from BRL 580 million in the first quarter of last year.

Basically, as this is a relevant export business, the 24.4% appreciation of the real impacted not only the net revenue, but also the margin in our export business. We had increases in volumes in all our segments in the domestic market especially in the prepared foods category which was up 11.5% in the comparable periods.

We also had a relevant increase in our customer base, in our active customer base in Brazil. We now serve 152,000 customers actively on the domestic market in Brazil. We had lower export volumes as a result of the appreciation of the real and the lack of competitiveness of the Brazilian product as a result of that.

Moving on to the next page, JBS Mercosul, which is our beef business and related activities in all of South America, primarily in Brazil but it also includes Paraguay, Uruguay and Argentina. Net revenue came in at BRL 6.2 billion, down from BRL 6.98 billion in the first quarter of last year. Again, FX is a big factor here, down 11.1%. EBITDA came in at just under BRL 60 million, down from BRL 761 million in the comparable period last year. EBITDA margin at 1%, down from 10.9% in the first quarter of last year.

And basically, net revenue was impacted by the decrease in sales prices both in the domestic and in the export markets. The exchange rate variation again, just mentioning, it went from BRL 3.91 to BRL 3.14 when we compare the average rate of the first quarter of 2017 against the average FX rate of the first quarter of 2016.

Moving on to our North American business, the JBS USA Beef, which includes our Australian business and our Canadian business; and these numbers are all in U.S. dollars now. We had a net revenue of $4.92 billion in the first quarter of 2017, up almost 6% from $4.65 billion in the same period last year. EBITDA margin came from a negative $214 million to a positive $183 million, with EBITDA margin of 3.7% in the first quarter of 2017.

We had an increase in our sales volumes in both the domestic and the export markets. And greater cattle availability during the quarter favored a reduction in the cost per head, although we had an increase in the spread as a result of beef prices remaining more stable.

Beef exports grew by 25% in the period. The North American cattle situation and the availability of beef in North America is making that market more competitive on the international market. In Australia, we had an increase in prices and in volume in the domestic market as a result of the operations and of the investments we've made in Primo, which is our branded business in Australia; and also in Andrews Meats, which is our fresh meat distribution business, domestically in the Australian market.

Our pork business in the U.S. on page 11 of our presentation, our revenue for the quarter came in at $1.4 billion, up from $1.25 billion; 11.2% increase when comparing the first quarter of this year with the first quarter of last year. EBITDA came in at just under $160 million, up from $102 million in 2016. EBITDA margin at 11.4%, up from 8.1%.

We had an increase in the number of hogs processed in the period. We had higher sales prices in both the domestic and the international market. And we had an increase in our EBITDA due to continuous improvements in production, product mix and our customer relationship. We also concluded the Plumrose acquisition on the 2nd of May. So it's a subsequent event which will be reported on our second quarter earnings later on.

JBS USA Chicken, our Pilgrim's Pride business, already reported. But just quickly here the numbers. Just over $2 billion in revenue for the period, up almost 3% from the same period last year. EBITDA came in at $204 million, down from $233 million in the first quarter of 2016, with EBITDA margin of 10.1% against 11.9% last year. We had an increase in our net revenue due to higher poultry sales prices, as well as the inclusion of the net revenues from GNP for the majority of quarter. The GNP acquisition was closed on 6th of January.

EBITDA was impacted by costs and G&A expenses related to the GNP assets and higher marketing expenses associated with the launching of prepared further-processed products in the U.S. We had low operational costs in our Mexican operation, and we are perceiving an increase of $10 million annualized in the synergies associated with the GNP acquisition. We had initially indicated $20 million in synergies. We are now upping that estimate to $30 million.

With regard to our European business, JBS Europe, which is basically our Moy Park operation, and these numbers are in pound sterling. We had revenue of £370 million in the quarter, up from £347 million in the corresponding quarter last year, an increase of 6.6% year-on-year. EBITDA came in at £30.2 million, down marginally from £30.6 million in the corresponding period last year. EBITDA margin at 8.2% this year against 8.8% last year. We had an increase in volume and strong operational performance of this business.

The reduction in EBITDA was basically due to non-recurring expenses associated with SOX compliance in that business. We have a focus, as always, on cost control, stronger customer relationship, and we have a very strong innovation center in our European business.

So with that, that concludes our prepared remarks on our consolidated results and on our performance per business unit. I will now hand you over to Wesley Batista for his comments. Thank you.

Wesley Mendonça Batista {BIO 15243148 <GO>}

Thank you, Jerry. Good morning to you all. Thank you for joining our first quarter earnings call this morning. So, like Jerry mentioned about our consolidated numbers and our consolidated results, and as well about each one of our business unit, I'm going to discuss with you here about what we saw in the first quarter and what we are seeing in the second quarter and going forward during 2017.

So, as you saw, we're still facing challenge in our Mercosul business in both business Seara and as well in our beef business. Seara, you all have been following the challenge that the industry and as well our business Seara, is facing challenges since last year due many different factors. Grain price went up a lot in Brazil last year and exchange rate is going down and getting stronger the real and this was hurting the export margin and as well the domestic market is not a strong as you all know in the Brazilian domestic market.

So, we post 5% margin. And what we are seeing now actually is much more positive going forward. We strongly believe and we are seeing margin getting better. We expect quarter-by-quarter, we are going to see improvement in our Seara margin. We expect second quarter being better, third better than second, and effectively each quarter being better and basically because grain price now is in a more normalized level in Brazil, especially corn, only to remind you all corn was ramped to BRL 50 per bag and now is about BRL 20 – between BRL 25 and BRL 28 per bag. But given the fact that we are a fully integrated industry, so the animals that we are processing now still with higher feed costs than we've fed these animals.

So going forward, we are going to see the benefit of this much cheaper corn price, and as well we are seeing a recovery in international sales price. So chicken price in different markets is getting through a better recovery. We are getting better price for our chicken export sales.

So, also the Brazilian industry, the chicken industry in Brazil is taking volume down – is reducing volume, and this is going to also benefit price in both markets, domestic and international. So we are positive about Seara even though we recognize and we know that the first quarter was not in the level that we expect and the level that we believe the industry needs to run and is going to run. So I fully expect, by second half of this year, margin back to a double-digit margin, and I think it's doable and possible.

So moving to our beef business in South America, primarily Brazil, you all know that we had a problem in March due to the fact the operation by the name Carne Fraca or weak meat.

Meat. And this hurt our Brazilian beef business. We reduced volume, cost went up, and we incurred in a lot of expense due to this problem. So, we feel, not still, but April we were impacted. And now, our business is on a normal level, is back in a normal level. And we expect that we are going to see a recovery in margins from now on for us to be able to put this business in a more normalized margin level.

So, this is the Mercosul business. The good news and the good thing, our international business, U.S., Mexico, Canada, Australia and Europe, is performing really well. We are satisfied with the results of the first quarter, but more so, we are pretty optimistic going forward, second, third, fourth quarter. When you look our numbers in dollars term, we performed much better the first quarter comparing to first quarter last year.

When we translate the results on our international business, due to the fact that the real appreciated a lot, the magnitude of the improvement is not that great. But in dollars term, we performed much better this quarter compared to the same quarter last year.

So, go specifically here, our beef business, we did 3.7% margin. Seasonally, the first quarter is not the strongest quarter during the year. So, we came in as we expect, 3.7%, we believe that is in line with our expectation. And we believe that we are going to see margins improving during the year and probably the third quarter is going to be the strongest quarter for the year in our beef business. So pretty optimistic, really positive about the performance of what our beef business is going to deliver this year.

So, our pork business pretty stable, double-digit margin, and we don't see any change during the year. We believe that we are going to keep delivering this kind of margin in our pork business. We have a well-established pork business in the U.S. And like Jerry mentioned, we just closed the Plumrose acquisition. This is going to add on in our pork business and is going to bring more value-added business to our U.S. business in our portfolio in the U.S.

So Pilgrim's already reported the numbers, came in double-digit to margin, such a slide even though we see space for strongest results. And we are seeing a very positive outlook for the chicken industry for the rest of the year. Second quarter is finally, that is going to come very, very strong. And we believe that is going to last for this whole 2017, very, very strong margins in our chicken business.

So our European business, Moy Park, is performing as expected, in line with our plans. We are making improvements, and we see opportunity to keep improving the Moy Park business. So, overall, when we look at our business in a consolidated basis, we came in with BRL 2.1 billion in EBITDA, BRL 488 million in net income impacted by our Mercosul business. And in the positive side, our international business performed well.

So we expect strong numbers in this coming quarter in our consolidated numbers. Leverage came in flat comparing to fourth quarter to this first quarter, 4.2 times. And I want to reminded you all that we acquired GNP, that we paid $350 million, that is about BRL 1.1 billion. So we are confident the amount of cash that we are going to generate in these coming quarters, and we are confident that we are going to be able to deleverage our balance sheet in these coming quarters and being able to generate cash and reducing our leverage profile.

So with that, I'm going to stop here and ask the operator, please, open to the Q&A. Operator? Thank you.

Q&A

Operator

Ladies and gentlemen, we'll now begin the question-and-answer session.

Our first question comes from Bryan Hunt, Wells Fargo.

Q - Bryan C. Hunt {BIO 1530288 <GO>}

Thank you very much for your time. I was...

A - Jeremiah Alphonsus O'Callaghan {BIO 19817115 <GO>}

Hi, Bryan.

Q - Bryan C. Hunt {BIO 1530288 <GO>}

Hello. I was wondering if you could potentially quantify the impact from the Weak Flesh investigation on quarter end and whether the impact in the month of April was greater or less than what happened in March?

A - Wesley Mendonça Batista {BIO 15243148 <GO>}

Bryan, basically, we are not going through each part of the breakdown on that cost that this whole Carne Fraca impacted our business. But when you look, volume went down, cost went up, sales price went down. So the combination of all this impact put the normal margin that I consider for the first quarter from about mid-single digits to 21%. So you can calculate the amount of impact that we got hit in the first quarter.

And in April, basically was similar to the first quarter. Now, May, the business is back to a more normalized level. So I expect that we are going to see a impact again in the second quarter. And I expect in the second half of this year, the business back to a more normalized level with the environment that we have today in the Brazilian beef market. The real is pretty strong. So this is in some extent - not in some extent, in a lot of extent is hurting export. And as well, the Brazilian domestic market is not strong as it was in the past years.

Q - Bryan C. Hunt {BIO 1530288 <GO>}

Great. My next question is, we had some recent storms and late season storms in the Midwest here, a lot of snow, it impacted the movement of cattle to slaughter facilities. Can you talk about the potential impact from those storms or whether you saw any delays, capacity utilization in your facilities?

A - Wesley Mendonça Batista {BIO 15243148 <GO>}

André, can you answer?

A - André Nogueira de Souza {BIO 20244486 <GO>}

Yes. Well, I think that the storm is really painful for the ranches and farms and feed lots that lost cattle. So we feel really sorry about the producers that was involved on that. But in reality, for the industry, I think that the impact is not meaningful. It's a little bit of disruption for a few days, but the amount of cattle that was lost is not relevant to them. So I don't expect any material impact for the supply of cattle.

Q - Bryan C. Hunt {BIO 1530288 <GO>}

All right. And then my last question is when you look at the Plumrose acquisition now, could you talk about, one, the amount of synergies you could see out of that? And then, two, the potential new channels and products it brings to the business? And that's it for me. Thank you.

A - Wesley Mendonça Batista {BIO 15243148 <GO>}

André?

A - André Nogueira de Souza {BIO 20244486 <GO>}

So, it's a great acquisition for us as a part of the strategy to grow more in the value-added branded business. So, it, as we announced, was acquisition that brings $500 million. Plumrose was independent in U.S. so the connection of the raw material will bring synergies. The connections, the procurement side will bring synergy. The relationship with customers in U.S., considering the size that we have and the strong relationship that we have with some key customers, I think that would be beneficial for Plumrose.

And for the business itself, we already have the bacon business side of JBS that came with the Cargill acquisition that combines Plumrose with us as a strong player in the bacon business. So I think that we announced, Bryan, around $20 million synergy, and we believe that can be even more than that.

So we have just started on the second week after the acquisition is complete, but we're very excited with the opportunity. We are very excited to have this business open to us in terms of more value-added, more brand. And for sure, the combination with the supply in JBS, the combination with the strong procurement team that we have in the U.S. and the combination with sales side can be really positive for us.

Q - Bryan C. Hunt {BIO 1530288 <GO>}

Thank you for your time this morning, and best of luck.

A - Wesley Mendonça Batista {BIO 15243148 <GO>}

Thank you, Bryan.

Operator

The next question comes from Carla Casella, J.P. Morgan.

Q - Carla Casella {BIO 2215113 <GO>}

Hi. I'm wondering if you could give us the number of cattle slaughtered or in the U.S. business, how that trended year-over-year and the pork as well.

A - Wesley Mendonça Batista {BIO 15243148 <GO>}

André, please, can you answer?

A - André Nogueira de Souza {BIO 20244486 <GO>}

Yes. We are not releasing more, Carla, the number of cattle processed in U.S., but was higher than the first quarter of last year, a little bit higher. The volume came more when compared to last year's second quarter. In Canada, it was much higher given our business this year and the first quarter, in a much more efficient way and the margins were much better. So, we ran 10% more than last year in Canada. So that influenced the total cattle process overall. So we run higher volumes than last year. But the big driver in the total volumes that we are now seeing that was 5% more in sales was more coming from Canada and a little bit more from Australia than come from U.S..

Q - Carla Casella {BIO 2215113 <GO>}

Okay, great. That's helpful.

A - André Nogueira de Souza {BIO 20244486 <GO>}

In the fourth, the volume is higher too. It's a little bit higher than last year but the big driver was sales.

Q - Carla Casella {BIO 2215113 <GO>}

Okay, great. And then you mentioned your focus on debt reduction. And this year, you also recently repriced your term loan at Pilgrim's Pride. Are there other opportunities to reduce the cost of interest or do you think the cost just comes down as you pay down higher costs debt over time?

A - Wesley Mendonça Batista {BIO 15243148 <GO>}

André?

A - André Nogueira de Souza {BIO 20244486 <GO>}

Carla, I think that the matures of the bonds that we have, that we're supposed to refinance some point, they will help us reduce the costs. So in the right time, we're doing some loop that the next maturities that we have. I think that the term loan did a pretty good job when you refinance it in lower in the first quarter of this year in JBS. We just did again in Pilgrim extend the matures of the term loan and reviewing the cost. The next step will be the bonds. I do not anticipate that this will be short term, but at some point, we are going to look at the bond and look for opportunity to refinance the bonds that we can't refinance now.

Q - Carla Casella {BIO 2215113 <GO>}

Okay, great. Thank you.

A - Wesley Mendonça Batista {BIO 15243148 <GO>}

Thank you.

Operator

The next question comes from Farha Aslam, Stephens, Incorporation.

Q - Farha Aslam {BIO 6151888 <GO>}

Hi. Good morning.

A - Jeremiah Alphonsus O'Callaghan {BIO 19817115 <GO>}

Hi, Farha.

A - Wesley Mendonça Batista {BIO 15243148 <GO>}

Hi, Farha.

Q - Farha Aslam {BIO 6151888 <GO>}

I'm going to focus on the pork business. The margins were quite good. Could you talk about the sustainability of those margins, particularly given that we have increased slaughter capacity coming on line in the U.S.?

A - Wesley Mendonça Batista {BIO 15243148 <GO>}

André?

A - André Nogueira de Souza {BIO 20244486 <GO>}

Hi, Farha. You should look at the increase in the supply side, Farha, that's happened in the last year or so and what is projected to come on line for the next six months is more than enough to face the new production that we have in the slaughter side. So, I think that we are more than keeping the pace of growing the hogs compared in the past. The big driver will be can we sell all those pork meat and the strong demand that we're seeing for the U.S. pork globally? At this moment, the answer is yes, we can. We are growing export in a very strong base. The U.S. is more competitive than ever in the global market. Demand outside the U.S. is in a pretty good shape.

So, we grew – the industry grew export in the first few months of this year, 17% compared to last year. So, U.S. is exporting more; U.S. is importing less. So, pretty good balance. So, I think that in terms of the hog supply, I think, that it's growing on a pretty good pace more than to offset any growth in the capacity on the slaughter side. The question for the future will be, can we continue to grow export in the level that keep this supply and demand in a good shape? The answer at this point is, yes. It seems that we can do. And I think that the industry will be – I think that the margin in the industry inside of U.S. would be very different player by player.

I think that they're going to charge some players with a lot of capacity to create new products, to create more value-added. We have one level of margin. The industry, the player that are more commodities have another level of margin. I think that the margin in the industry to be very different and expect export continue as strong as it is now, demand global continue as stronger it is now, it's absolutely sustainable.

Q - Farha Aslam {BIO 6151888 <GO>}

That's helpful. And...

A - Wesley Mendonça Batista {BIO 15243148 <GO>}

Just to add one comment, Farha, that I think – we should think about and take in account is how the ramp-up on this new CapEx is going to – how fast is this ramp-up, do all the labor constraints in U.S., all these things? So in my personal view, I think this is going to take longer than before to ramp up volume in this new plant that is coming in the market.

Q - Farha Aslam {BIO 6151888 <GO>}

So slow start on the pork side. And then, if we just move on to beef, the U.S. looks like we might get access to China and our beef exports overall have been strong. How do you expect that to impact or benefit your U.S. business versus Canada, Australia, and Brazil?

A - Wesley Mendonça Batista {BIO 15243148 <GO>}

André?

A - André Nogueira de Souza {BIO 20244486 <GO>}

Well, Farha, I think that China open will be important for U.S. in terms of margins. I don't think that the volume will be any dramatic because China just take care (35:42), and that's a small part of the cattle slaughter in U.S. It's just the natural beef. We are the largest supplier of natural beef for the U.S. market. We have two very strong programs that sell natural beef. But the number of natural cattle in U.S. is relatively small, and I don't think that this will change the market anytime soon.

We sell from Canada. Canada sells direct to China today, but with the same constraints, only the natural beef. So it's important in terms of margin and scale help you to balance well that carcass. For sure, you have some incentive to grow that a little bit more. But I don't think that in terms of volume from U.S. that would be dramatic. It will the help the margins, but it will not be a game changer for the industry in the near future.

Q - Farha Aslam {BIO 6151888 <GO>}

That's helpful.

A - Wesley Mendonça Batista {BIO 15243148 <GO>}

Farha, just to add on André's comments. So looking on our business overall, Brazil or Canada or U.S. or Australia, we see positive. This is going to be positive for margin overall. Because if you look Brazil and U.S., Brazil and U.S. is not going to compete in China. It's going to be a different segment, where U.S. is going to sell the U.S. beef and Brazil is a different type of beef. It's a grain-fed beef and Brazil is a grass-fed beef. So all-in, we see this positive overall for JBS.

Q - Farha Aslam {BIO 6151888 <GO>}

That's helpful. And my final question relates to Mexico. We started to hear about high-path AI in Mexico. Is that a factor for your Pilgrim's business in Mexico? Is that a benefit or a risk?

A - Wesley Mendonça Batista {BIO 15243148 <GO>}

André?

A - André Nogueira de Souza {BIO 20244486 <GO>}

At this point, it's no impact, sorry. I think that the margins, as Bill said in the conference call, in Mexico in the second quarter will be very strong. There is constraint in the production. But in our operation, I think, that's more positive than negative at this point and is not widespread. So we have some instance, but not widespread. And if it become widespread again because of capacity produced there and because of capacity export from U.S., probably is more positive than negative. But at this point, it does not affect. What has affected is the second quarter number is very strong in Mexico and this quarter is showing very strong.

Q - Farha Aslam {BIO 6151888 <GO>}

Okay. Thank you very much.

A - Wesley Mendonça Batista {BIO 15243148 <GO>}

Thank you, Farha.

Operator

The next question comes from Lauren Torres, UBS.

Q - Lauren Torres {BIO 7323680 <GO>}

Yes. Hi. Good morning, everyone. My first question...

A - Wesley Mendonça Batista {BIO 15243148 <GO>}

Hi, Laura.

Q - Lauren Torres {BIO 7323680 <GO>}

Hi. My first question is just a housekeeping item. I noticed I think the first time in this release you're not giving some segment volume and pricing data by division. I'm just curious if this is something that we won't be seeing going forward and why you made that decision?

And second question has to do with the IPO. I know we're all seeing headlines this morning about proceeding and maybe it's more of a second half event. But can you talk a little bit about your thought process on proceeding where you are in the standings? And once again, not to bring it up, but in light of investigations and other things that are going on, how do you feel about progression of the IPO?

A - Jeremiah Alphonsus O'Callaghan {BIO 19817115 <GO>}

Lauren, on your first question, we've reported compressed financials this quarter for the first time, which is in line with our peers internationally; and our press release basically reflects our financials. So this will be standard practice, as it is with most of our peers around the world, the disclosure we make about each business unit.

A - Wesley Mendonça Batista {BIO 15243148 <GO>}

Yeah. Basically, Lauren, we decided to report more in line with our peers in the U.S., and we compressed the report. And also, in any point, when we are a public company and report any risk, we are going to do this anyway to be in line with our U.S. peers. So inside should start now.

So, the second part of your question about the IPO, about timing, like I mentioned in our Portuguese earnings call, we are – the intention to lift JBS Foods International is to create value for our shareholders. So, the timing to do that is going to be the time that investors don't have in front of them any doubt about what's going on.

And due to this Carne Fraca and some obvious things that is going on, we've tried to – we keep working, but now the first part of this year is not realistic anymore. So we're going to see a window for the second part of this year is the market there if investors are comfortable. Yeah, we are going to be ready until third. But the timing, the market is going to tell us, not tell us specifically but we're going to be looking at the market to decide the right time to go.

Q - Lauren Torres {BIO 7323680 <GO>}

And where are you now in the process with the SEC?

A - Wesley Mendonça Batista {BIO 15243148 <GO>}

We did not re-file our first quarter. And also, we did not re-file – after the Carne Fraca, we did not re-file our first quarter. And we are waiting to finalize this to re-file in the moment that we are ready to file. But we are keep working, implementing SOX. We are keeping work internally here. And all this that we are doing is COB compliant. And all these things to update the file anytime that we decide to do so.

Q - Lauren Torres {BIO 7323680 <GO>}

Okay. All right. Thank you.

A - Wesley Mendonça Batista {BIO 15243148 <GO>}

Thank you.

A - Jeremiah Alphonsus O'Callaghan {BIO 19817115 <GO>}

Thank you, Lauren.

Operator

This concludes today's question-and-answer session. I'd like to invite Mr. Wesley Batista to proceed with his closing statements. Please go ahead, sir.

A - Wesley Mendonça Batista {BIO 15243148 <GO>}

Thank you. So, I'd like to thank you all for joining our earnings call this morning. And like I mentioned in the beginning, we are very positive about all of our four international business and their earnings capacity on all of our international business. But we are very positive that Seara is going to get back in a more normal margin level, and as well even though the impact on our beef business, and we expect second half of this year be in a normalized level as well. So, we are looking for a good year overall, and we are going to keep looking for opportunities to create and add value to our shareholders.

With that, thank you all and good morning.

Operator

This concludes the audio conference for today. Thank you very much for your participation and have a good day.