FINAL

Bloomberg Transcript

Y 2013 Earnings Call

Company Participants

- Edison Ticle de Andrade Melo e Souza Filho, Chief Financial Officer
- Fernando Galletti de Queiroz, Chief Executive Officer

Other Participants

- Alessandro Arlant, Analyst
- Dennis Harrison, Analyst
- Erik Holm, Analyst
- Jose Yordan, Analyst
- Unidentified Participant
- Wes Lord, Analyst

Presentation

Operator

Good morning, ladies and gentlemen, and thank you for waiting. At this time, we would like to welcome everybody to Minerva's Fourth Quarter and Full Year of 2013 Results Conference Call. Today with us we have Fernando Galletti, Chief Executive Officer; Edison Ticle, Chief Financial Officer, and Eduardo Puzziello, Investor Relations Officer.

We wish to inform you that this event is being recorded and all participants will be in listen-only mode during the company's presentation. (Operator Instructions) The audio and slide show presentations are available through a live webcast at www.minervafoods.com/ir. The slide show can also be downloaded from the webcast platform in the Investor Relations section of this website.

Before proceeding, we wish to mention that forward-looking statements may be made during this presentation relating to Minerva's business prospects, operating and financial estimates and goals. They are based on the beliefs and assumptions of company management and on information currently available. They involve risks, uncertainties and assumptions because they relate to 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 Minerva and could cause results to differ materially from those expressed in such forward-looking statements.

I will now turn the conference call over to Mr. Fernando Galletti, CEO, who will begin the presentation. Mr. Galletti, you may start the presentation.

Fernando Galletti de Queiroz {BIO 15387377 <GO>}

Thank you and good morning everyone. First I would like to thank you for participating in Minerva's conference call on the results of the fourth quarter and full year of 2013.

Before we begin the presentation, let me mention that the year of 2013 was marked by an extremely favorable environment for beef products producers in South America. The results presented today confirm Minerva's right strategy of believing in the competitive advantage of this region. In 2013, Brazilian and Paraguayan beef exports picked up again, reaching a record. In this context, the company started to capitalize on this scenario, driven by heated demand from emerging countries, especially China and reduced beef production by certain competitor countries.

Note that the solid results recorded by Minerva were not limited to our operating performance. It includes significant progress in the debt management and in our investment plan, both as announced to the market in the end of 2012.

On slide number two, we will discuss the highlights of our results. Slide two, 4Q 2013 and 2013 highlights. In 2013, the company recorded operating cash flow of BRL475 million. Considering investments and payment of financial expenses, free cash flow totaled BRL$14 million in the year. This reflects the company's focus on working capital management, which resulted in a cash conversion cycle of 15 days in 2013, and increased return on invested capital to 21%, 300 basis points higher than in 2012.

Net revenue climbed to BRL5.5 billion in the year, 25% higher than in 2012. As a result, EBITDA grew by 16% over 2012 to BRL551 million with a margin of 10.1%. Considering that beef exports reached a record in 2013, we adjusted our sales mix through our risk management tools and our efficient logistics, which increased our revenues from exports in the beef division by 29% compared to 2012. Additionally, the increase in domestic demand increased the division's revenue by 17% year-on-year.

Our capacity utilization stood at 75% in 2013, remaining an industry benchmark, thanks to the combination of operational excellence and heated demand from both the domestic and export markets. Note that despite a deterioration in the foreign exchange scenario, free cash flow was enough to offset the non-cash foreign exchange effect on our dollar denominated debt. We closed the year with a net debt below that's recorded in the third Q of 2013. Our leverage measured by the net debt to EBITDA ratio stood at 3.3 times at the end of 2013.

In line with our expansion strategy and investment plans already announced to the market, we opened two distribution centers in 2013, aiming to improve our logistics and increase efficiencies in the distribution of our products. In November, we announced the acquisition of two slaughtering and deboning plants from BRF in the state of Mato Grosso, allowing Minerva to increase its footprint in this state where we have the biggest cattle herd in Brazil. Our controlling shareholder has also signed a shareholder's agreement and a supply agreement with BRF that would be valid after the approval by CADE, the Brazilian Antitrust Authority.

We also improved in terms of covenants by signing a 10-year long agreement with IFC, part of the World Bank, which became an important shareholder of the company. Lastly, we recently acquired the Janauba plant in Minas Gerais state, which represents an excellent opportunity for the company to expand its presence in the state with the second largest cattle herd in Brazil, allowing more rationality for our industrial units in Brazil.

Let's move to slide three where we will discuss the industry overview and the cattle supplies over the quarter and in the last year. Industry overview of Brazil cattle supply. In 2013, cattle slaughter volume moved up by 11% in Brazil while the arroba price grew by 8%. This confirms the high cattle supply and high beef demand both in the domestic and export markets. However, despite the increase in the cattle prices at the close of 2013, Brazil still has the most competitive raw material cost among other major global players, including the United States, Australia, Argentina and Uruguay, as shown in the chart on the lower right. This represents an important competitive advantage for Brazilian beef in relation to other countries and justifies increase in the country's market share in beef export as presented on slide four.

On slide four, we have an overview of the Brazilian exports. Brazilian beef exports reached record volumes and revenues in 2013. As presented in the chart on the upper left, fresh beef exports totaled $5.4 billion, 19% higher than in 2012 with a 25% increase in export volume. The main highlight was a change in the export mix with the China/Hong Kong representing the second main destination for Brazilian beef exports, accounting for 18% of the total exports in 2013 versus 11% in 2012.

Beef imports by China were not leaned to Brazil. As you can see on the chart on the lower right, imports in the region doubled from 2012 to 2013 and is expected to increase by a further 20% in 2014. This shows a change in the protein consumption patterns in the region and confirm our view that demand growth has become a reality.

Reduced beef supply by other global players was another factor that contributed to Brazil's outstanding performance, increasing the market share of South American countries, especially Brazil, Paraguay and Uruguay. The USDA projects a reduction of 5% in beef production in the United States in 2014. Last but not least is the depreciation of the real against the dollar, which benefits the industry, particularly Minerva, as around 70% of its revenues are coming from exports.

Let's move on to slide five, which presents our performance in the domestic market. Slide five, industry overview. Domestic beef consumption increased considerably in 2013. According to data from Scot Consultoria, beef construction per capita grew by 8% from 43 kilos in 2012 to 47 kilos per person per year in 2013. This is due to the higher income of the C and B social classes and the sharp increase in the price of the other proteins, mainly pork due to the adjustments in raw material production in 2013, which resulted in more competitive beef prices in relative terms, triggering beef consumption. Consequently, beef prices remained higher in 2012 through the year, as you can see on the chart on the upper right.

Let's move to slide six where we discuss the industry in Paraguay. Industry overview, Paraguay. Paraguay recorded a 32% growth in beef exports revenue in 2013 with a record slaughter volume, 36% higher than in 2012. In the fourth quarter, the slaughter volume declined slightly due to the increase of 8% in cattle price. Note that despite this increase, cattle price remained lower than before the outbreak of foot-and-mouth disease.

Russia remained a main destination of Paraguayan exports, though Chile has been gaining share, thanks to the reopening of its market in the second quarter of 2013. As was the case with Brazil, Paraguayan beef exports to China and Hong Kong increased significantly from 6% in 2012 to 9% in 2013.

Let's move to slide seven that's where we will have an overview on the Uruguayan industry. Industry overview, Uruguay. After a period of imbalance in slaughter volume which extended from the beginning of 2013 until mid-third quarter, pressuring the industry operating margins, a margin rebuilding trend was observed in the 4Q of 2013, led by the higher slaughter volume combined with lower cattle price, benefiting the performance of beef producers and exporters.

In relation to exports, China was also an important destination with its share in Uruguayan exports growing more than two times from 6% in 2012 to 20% in 2013. The United States were the second main destination of the country exports. Note that Uruguay is the only South American country authorized to export to the United States.

Let's move to slide number eight with Minerva's operating results. Operating highlights. Minerva recorded a strong slaughter volume in 2013, growing by 17% over 2012. (Technical Difficulty) and totaling more than BRL2 million. As a result, our capacity utilization moved up from 70% to 75%, remaining an industry benchmark.

This confirms our focus on operating excellence, combined the investments made in recent years. In this context, we allocated a significant share of our production to the export market in order to profit from this extremely favorable scenario for Brazilian beef exports. Exports grew by 20% in relation to 2012, representing 67% of the company's total gross revenue.

Moving to slide nine, let's go into the company's export strategy in detail. Minerva, Results from exports. In 2013, the company remained the second largest beef exporter in Brazil with an 18% market share. In Uruguay, we are also the second largest exporter with 10% share. In Paraguay, we consolidated our market share of 18% with acquisition of Frigomerc in the fourth Q of 2012.

As I mentioned before, in 2013, there was a change in the consumption pattern in important Asian countries, especially China. In line with this trend, the company prioritized sales in this region with Asian share in Minerva's exports growing by 500 basis points to 12%. The Commonwealth of Independent States, especially Russia, has historically been the main destination of our exports. It represented 26% of Minerva exports in 2013, 400 basis points lower than in 2012 as we relocated part of the volume exported to the country, to markets with higher margins, especially in the Middle East.

As a result, export to this region rose from 16% in 2012% to 18% in 2013, mainly reflecting the reduction in sanctions in the Middle East area, which accounts for a significant share of our exports and upturn in exports to Lebanon and Israel, to which we sell higher value added products.

In 2013, the company focused on exporting special beef cuts, with higher profitability to Europe. This increased the region's share in Minerva exports by 100 basis points, despite the lower demand in the region due to the current economic scenario. In relation to the north of Africa, we decreased exports to this region in 2013, focusing company's higher profitability, in line with our risk management strategy.

Let's move to slide 10, presenting the revenue growth on Minerva main business units. Minerva gross revenue trends by segment. Gross revenue grew by 24% over 2012. The beef division sales moved up by 25%, led by 25% upturn in exports and the 17% growth in domestic sales. Revenues from other division expanded 22%, mainly due to MFF's solid performance. 2013 was particularly important for this business unit, which registered a record capacity utilization of 85% and a 52% revenue growth in the year. These results justify the company's investment to double MMF's production capacity. This division remains focused on the domestic food service segment, especially aligning ourselves with Subway.

The leather segment also performed remarkably well with 54% increase in gross revenues and a focus on market niche. Distribution in the domestic market and the resale of third-party products accounted for a significant share of gross revenue, growing by 20% over 2012, led by the expansion of the food service segment in our client base.

I would now turn to Edison who will comment on the financial highlights. Edison?

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

Thank you, Fernando. Good morning, everyone. So let's start on slide 11, presenting our financial highlights. So as you can see on the left side, net revenue reached a record BRL5.5 billion in 2013, 25% increase when compared to 2012. In the fourth quarter of '13, net revenues reached 1.4 billion, more than 1.4 billion, a growth of 20% when compared to the fourth quarter of '12.

EBITDA also increased and reached 551 million in 2013, a growth of 16% when compared to 2012 and represented a margin of 10.1%, relatively flat when compared to 2012. In the fourth quarter, EBITDA reached 153 million, a growth of 26% when compared to the fourth quarter of '12, reaching a margin of 10.6%, 50 basis points higher than in the fourth quarter of '12.

Moving to slide 12, you can see our operating and financial indicators. The company also again posted an increase in return on invested capital, which stood at 21%, 300 basis points higher than in 2012. In relation to leverage, the highlight in the quarter was a reduction in the net debt to EBITDA ratio to 3.3 times despite the 5% appreciation of the dollar against the real during the quarter, which directly impacts our dollar-denominated debt, which is around 70% of our total debt. This reflects the strong cash flow generation in the quarter that we will present further on the following slides.

Another important highlight was the reduction in our average cash conversion cycle in 2013 to 15 days. In the fourth quarter, we managed to decrease (inaudible) in the year, mainly through the decline in accounts receivables and an increase in the payment terms to our suppliers. As a result, our cash conversion cycle reached 11 days in the fourth quarter of '13. Important to mention also, the operating cash flow has increased to BRL475 million in 2013, more than BRL25 million higher than in 2012.

Let's move now to slide 13 to present the company's capital structure. Our cash position ended 2013 at approximately BRL 1.6 billion, enough to pay down all the debt till 2022, as you can see in the presented chart. Short-term debt represented 15% of total debt, and as I have already mentioned, around 67% of our debt was exposed to dollar variation. Thus we remain with our policy of keeping a natural hedge in relation to the breakdown of our exports revenues, which were around 70% in 2013.

Moving to slide 14 to present a bridge reconciliating the net debt between September and December 2013. So net debt stood at 1.853 billion at the end of September. You have to add non-cash expense due to the FX depreciation of BRL132 million in the fourth quarter. Then you add 142 million of positive free cash flow during the quarter and then you get BRL1.846 billion of net debt at the end of the year. So net debt decreased around BRL7 million and obviously the main driver for this reduction was the free cash flow generation of the quarter.

Moving to slide 15 to present the details of the free cash flow for the quarter. Free cash flow to the shareholders after investments and payment of cash financial expenses reached 142 million in the quarter. As mentioned before, EBITDA reached 153 million in the fourth quarter and we had a positive contribution from the working capital needs of BRL136 million. This positive result was mainly due to the reduction in receivables and extension of the payment terms with our suppliers in the fourth quarter.

Investments reached BRL53 million. This 53 can be broken into 35 million for maintenance and 18 million for expansion. And we also had cash financial expenses of BRL94 million. So in the fourth quarter, we had BRL142 million of positive free cash flow, and for the full year of 2013, the free cash flow reached BRL14 million. Another important highlight is the operating cash flow that reached 279 million in the fourth quarter '13 and 475 million in the full year 2013.

Now I will turn back to Fernando who will comment on Minerva's investment plans.

Fernando Galletti de Queiroz {BIO 15387377 <GO>}

Thank you, Edison. If you look at slide 16, you are going to see our investment plans accomplished. We once again presented you our investment plan, which in accordance with the company's strategy, is based on three fronts. First, opening of six distribution centers by 2015. In 2013, we opened two distribution centers, one in Uberlandia and another in Rolim de Moura. We continue with our plan to open another four DCs and two will be inaugurated in (inaudible) this year.

Second, extension of our ready-to-eat food line. Minerva Fine Foods increasing our capacity by 2,000 tons per month. We are investing in the MFF capacity expansion, which has been presenting a solid performance, as I mentioned in the beginning, resulting aligning ourselves with Subway fast food chain.

The third phase of our plan is the geographic diversification of our operations in the South America. In this context, in 2013, we announced the acquisition of two slaughtering and deboning plants from BRF located in Mato Grosso, the state with the largest cattle herd in Brazil where Minerva has no footprint yet.

Well, recently we had the opportunity to acquire a slaughtering and deboning plant in

Janauba City, Minas Gerais state in a judicial auction of Kaiowa's assets as we will explain in the next slide. Both the acquisitions are carried out in a manner to maintain the company's deleveraging, as presented on the next slide. The acquisition of BRF plants will contribute to reducing our debt as we will consolidate their results, maintaining synergies gains and expanding these operations. The company remains in the outlook for expansion opportunities in South America.

Moving on to slide 16, we have an update to the sensitivity analysis presented last quarter with acquisition of our BRF plants, which is subject to approval by the Brazilian Antitrust. Acquisition of BRF's plants. Based on the results of these plants in 2012, which generated net revenue of 1.2 billion and EBITDA estimated at BRL50 million.

We consolidated Minerva's figures in 2013, as you can see, for four different EBITDA margin scenarios, varying from 5% which is literally BRF's current margin to 12.5%. Our leverage measured by the net debt to EBITDA ratio will decline from 3.3 to something between 2.6 and 3 times. This represents one more step in growth through acquisitions, aligned with the company's financial discipline in the last four years with a capital structure that prioritizes growth with profitability, but deleveraging and discipline above all.

On the next slide, we will discuss the company's latest acquisitions. In slide 18, have a look on Janauba plant in the north of Minas Gerais state. On February 20, we announced the acquisition of a slaughtering and deboning plant in the City of Janauba, Minas Gerais state from Kaiowa Group. Although we had affirmed that we would no longer acquire plants in Brazil, we believe this transaction is an opportunity to expand our presence in Minas Gerais and to streamline production in our units in the country. I'd like to point that the plant is located in the north of Minas Gerais state, which has the second largest cattle herd in Brazil with roughly 24 million heads and excellent sanitary conditions.

In operational terms, the plant's capacity is estimated at up to 900 heads per day. Based on Minerva's results in 2013, we project our annual revenue of 500 million and EBITDA of BRL45 million to BRL50 million. Investments and working capital are estimated at 50 million and acquisition value at 40 million. Due to the figures presented, we believe that this operation is fully in line with the company's strategy to expand via acquisition that do not affect its deleveraging process, but which helps reduce our debt, as explained earlier.

Now let's move on to the last slide of the presentation to comment on the outlook for 2014. Outlook, what we expect for 2014. We believe 2014 will be another extremely positive year for the industry in South America. Limited beef supply by some of our major producers should continue to benefit South American producers.

In terms demand, we believe that consumption will continue to increase mainly in Asia, Middle East and north of Africa and in the reopening of some markets. The opening of US market has also been widely discussed recently as it would represent access to the NAFTA countries, including Mexico, Canada, South Korea, Japan and Taiwan, among others, which are important consumer markets. In Brazil, we expect a good performance, thanks to the FIFA World Cup and the elections, we plan to maintain beef consumption at stable levels. South America will continue benefiting from its competitive cost in relation to the major global players, especially Brazil with the dollar appreciation.

Regarding the cattle cycle cuts production, reached a record in 2012 and 2013 in Brazil, which will be reflected in high cattle supply in the coming years. Paraguay will also continue benefiting from a positive cycle in the short term. In Uruguay, the fourth quarter results point to the beginning of the positive cycle for the industry with a margin rebuilding trend, higher slaughter volumes and lower cattle price.

In order to profit from this extremely favorable environment in 2014, the company will maintain its strategy based on three pillars that should be the key to boosting our profitability. First, focus on costs through operational excellence, maintaining the high capacity utilization, promoting benchmarking among our units and focus on efficiencies.

Second, we also prioritize risk management by using and improving our tools, which represent a competitive advantage as they allow us to make the best decisions in raw material purchase and in the sales of products. Third, we will diversify our distribution channels to meet our clients' demand with great deficiency and agility. These three pillars are based on the continuous improvement of internal controls and process development and capacity of our team in order to guarantee the sustainable growth of our business.

We will continue with our expansion plan in South America with a focus in Paraguay and Uruguay, which present an excellent growth opportunity. After the CADE, the Brazilian Antitrust approval, we will devote our (inaudible) plant acquired from BRF with a view to capturing synergies. We will also remain committed to financial discipline in order to deleverage. The combination of all these factors should increase free cash flow and return to our shareholders.

Thank you. I will now turn over to the operator to begin the Q&A session.

Questions And Answers

Operator

Thank you. We will now start the question-and-answer session for investors and analysts. (Operator Instructions) Our first question comes from Dennis Harrison of Deutsche Bank. Please go ahead.

Q - Dennis Harrison {BIO 20897118 <GO>}

Hi, thanks for the call and thank you very much for taking my question. I have two questions actually. One, obviously a lot of your free cash flow generated by a very large return on working capital. You mentioned some elements of it quite rightly in your presentation, quite an achievement. I'm wondering though, given the size of the delta, the turnaround from one quarter to the next, how sustainable that is. I presume part of it is seasonal although flat fourth quarter of 2012 that was -- the working capital was actually a use of cash, but I'm just wondering how sustainable and should we expect a bit of a reinvestment of working capital especially rolling out some of the new capacity in the next couple of quarters, and if you could discuss a little bit magnitudes -- potential magnitudes with us?

And then the other question I have is in terms of seasonality of volumes and revenues. In the past couple of years, you had positive seasonality in the fourth quarter in line with the industry in general, generally the holidays of first quarter, towards the end of the fourth quarter are quite positive. And you actually have a pretty significant quarter-over-quarter decline in volumes and revenues of a positive on a year-over-year basis. Could you address that for us, please?

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

Dennis, this is Edison. Talking about working capital, if you take a look on what's happening to the company in the past three, four years, we are able to reduce our working capital needs, reduce our cash conversion cycle to a level around 12 days. And it has been sustainable since then. Obviously there are some volatilities and variations during the quarter, but it is important because as we have little room for leverage, we can manage well our working capital needs in order to enhance profitability of the operation and enhance the return on invested capital.

A good example of 2013 was during the fourth quarter, working capital need increased a lot, but return on invested capital also increased a lot. And during the year, we promised the market that we would bring down the cash conversion cycle back to the 12 or 11 days level and this is what we did during the year and we reached 11 days at the end of the fourth quarter.

So what I can say is that we will continue growing, keeping the responsibility and the discipline in working capital management. So the level of 11-12 days is pretty sustainable. If you take a look at our recent results, you will see that although there is volatility obviously, we are always managing the working capital account to be the most efficient as possible and reaching this level of cash conversion cycle. Talking about the other --

Q - Dennis Harrison {BIO 20897118 <GO>}

Do you think we can expect then -- sorry, just want to -- before you move on to the second question, I just want to follow up a little bit. Can we expect then an average of around 11, 12 days for 2014 then?

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

Yes, this is the main target for the company, is to bring the average to something around 12 days.

Talking about the acquisitions, you asked about working capital needs. In the case of BRF's plants, we are buying two plants that are already running. So the working capital that we will need to run those operations is already in the acquisitions. So it's inside the balance sheet of the company. So there is no working capital additional need for starting operating the BRF plants.

In the case of Janauba Plant, we have already released -- we estimate something around BRL30 million, BRL35 million of working capital needs to put this plant to run at almost 90% of capacity utilization, considering a total slaughter capacity of 900 heads per day. The second question, I'll move to Fernando.

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

Dennis, in terms of seasonality in the volumes, we have on this business seasonality because that's differently, different units. Normally, we have the first Q with less demand in the local market and more demand from the export market. So this is another thing that, going back to the question answered by Edison, that can affect the working capital.

But what is relevant on that is that we are always measuring the return on invested capital versus the expansion, the possible expansion of the cash conversion cycle. So yes, the business has seasonality. This year we are seeing less rain in the first quarter that -- this only delays the willingness of the farmers to sell because they await the cattle get to regain weight, but what is important is that the market scenario where we had in Brazil, in 2012, a record number of cuts produced and this record was broken again in 2013 according to our estimates. So you may see some seasonality, you may see some volumes moving around the year, but the market scenario in Brazil and in South America is very positive.

Q - Dennis Harrison {BIO 20897118 <GO>}

Okay. So are you saying then that actually we saw volumes decline, both domestic volumes and export volumes in the fourth quarter. Are you saying basically that you were really targeting profitability over volume? You just didn't show all the orders that might have perhaps been little less profitable because of the increase in the cost of cattle and you're just more selective? Is that what you're saying?

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

Well, we always had the flexibility of increasing or decreasing the volumes in exchange of profitability. That's our main target. So our prior target is profitability. Of course that -- but as you can see that our risk management tool allows us to have a consistent and indeed a benchmark on capacity utilization of the industry, but yes, the answer for your question is that we are monitoring on a daily basis what the profitability versus the volume that -- it's been ideal for the particular moment.

Q - Dennis Harrison {BIO 20897118 <GO>}

Great. Thanks a lot.

Operator

Our next question comes from Jose Yordan of Deutsche Bank. Please go ahead.

Q - Jose Yordan {BIO 1496398 <GO>}

Hi, good morning. I had a couple of questions. One, if you could explain the impairment charge. In the financial statements, it's said that for strategic reasons there is one plant that's much less utilized. So any color you can give us on that and what might happen to that plant eventually?

And then if you can just clarify the amount of CapEx for 2013. You said in the previous call that it was going to be the same in 2014 as in '13, but does that include the recent acquisitions or just the -- or is it just the maintenance CapEx?

And then my last question is more in general, you had mentioned and you still have in your presentation, potential expansion to Colombia, but you don't appear to be too close on that. What's happening with the potential expansion in Colombia or why the delay? Thanks.

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

First I want to comment on Goias plant, what we are doing is that again I think is economic decision of increasing the volume in Palmeiras plant that we are diluting more fixed cost in exchange of the plant of (inaudible). So the impairment is only to reflect the real market value of that. On CapEx, yes, we expect basically the same numbers of CapEx in 2014 as in 2013. The additional CapEx for acquisition is treated separately as is in the case of Janauba plant, the new plant in Minas Gerais.

On Colombia, we are checking the market, we are doing some live cattle exports out of there to understand the change, to understand further the market and doing some research on possible targets, some possible plants that are there. So it's the third largest herd in South America where we see some potential. What we need to understand is that the government policies regarding exports, how feasible, how much efforts they will put on making a sanitary agreement with the importing countries. So Colombia is something that, yes, we are looking.

Q - Jose Yordan {BIO 1496398 <GO>}

Understood. Thanks a lot.

Operator

Our next question is from Wes Lord of GMP Securities. Please go ahead.

Q - Wes Lord

Hi, good morning guys and thank you for the call. I just wanted to see if you can give some guidance for 2014, revenue growth, EBITDA, expected free cash flow and also if you could talk a bit about what your expectations are for cattle prices in Brazil and other regions?

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

We normally don't give any guidance in terms of our revenues, but what I can tell you about the scenario is that it's more favorable than ever for South American producers. Australia has been putting some pressure in the market because of the drop. They've been in slaughtering record numbers without the replacement of costs. So we expect that especially as from the middle of the year onwards, Australia will be very short of production and export markets.

The United States is in a situation that there is no reversion, there is no inflection point, and so, zero. So we see a growing and a stable demand -- a growing demand from -- especially from emerging markets, a growing demand from the developed markets that are decreasing their local production. And we see South America taking further steps on consolidating its position of the first and the biggest beef supplier in the world. So with that, beef prices will also depend on the currency, but we see a very favorable and the pricing power that the sellers have shall get high and increasing for the year 2014.

Q - Wes Lord

Okay. And in terms of free cash flow, you guys don't give guidance for that?

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

No.

Q - Wes Lord

Okay. Thank you very much.

Operator

(Operator Instructions) Our next question comes from Alessandro Arlant of Bank of America. Please go ahead.

Q - Alessandro Arlant {BIO 15732215 <GO>}

Thank you. Good morning, everybody. The first question is regarding the potential opening of new markets for Minerva and Brazilian beef. You mentioned that you have potential in the US and the NAFTA countries and also we see a big increase in Asia, particularly China. Is there any timeline that you can give us in 2014 where this can materialize?

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

What I can tell you is that, first, that United States and the NAFTA market, they are not included in our budget. If it comes, it will be a big bonus for the South American producers, especially for Brazil. According to the optimistic scenario, if we talk to the main negotiators from the Brazilian side, they expect US to be open by the third Q of this year, but it's not only the NAFTA market that is on the radar. There are some markets in the Middle East, some markets in southeast of Asia like Indonesia, there are markets like Nigeria, Turkey, a few other markets that will represent a big difference.

Also there are markets that were open to Brazil that are in the process of being reopened, just like recently South Africa was -- just agreed, in the new (inaudible)agreement with Brazil. So South Africa will be there soon. Saudi is another market that will be relevant and the main one is Mainland China because most of the exports out of Brazil to China today are going to Hong Kong. So there is a great, great opportunity on new markets to be opened.

Q - Alessandro Arlant {BIO 15732215 <GO>}

Thank you, Fernando. And can we expect delegations to come to Brazil and inspect our market or it's reopening of these countries and these regions that you talked about does not rely on sanitary delegations or any more complex process for them to be open?

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

Depends on location. Some of the countries don't need to have delegation coming. Some countries have delegation coming. Some countries already sent their delegations, they visited us. Malaysia was here one month ago, Indonesia sent some delegation already. So -- United States is a complex process that has to be through a public consultation, a public hearing. So depends on the market, depends on the case, there is not a rule. Some of them only allow Brazil by trusting the Brazilian authorities or delegate it to Brazilian authorities the control. Some of them want to see. So it's case-by-case.

Q - Alessandro Arlant {BIO 15732215 <GO>}

Okay, Fernando. Thank you. And then my second question would be within that backdrop and you have some bright prospects for 2014, you're already ramping up three plants, two from Brasil Foods and then the other one from Janauba. Are there any more opportunities that you see in 2014? I know you just mentioned what's going on in Colombia, but looking at the Southern cone, any particular country that you see that are still assets or opportunities to take advantage of this scenario that you're talking about?

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

Definitely we see some opportunities in the Southern cone and we are looking at them.

Q - Alessandro Arlant {BIO 15732215 <GO>}

Okay. Thank you, Fernando.

Operator

Our next question comes from Philippe Gleason [ph] of Mitsubishi Securities. Please go ahead.

Q - Unidentified Participant

Yes, good morning, gentlemen. Thanks for taking my questions. Actually I have two of them, if I may. The first one is with regard to the 15.2% stake of JBS, do you view that as a strategic stake or could they over time monetize them? And then kind of related to that, I did not have a chance to read the shareholders agreement, but is there a clause in there that would allow them to increase that stake over time if they wish to do so?

And then my second question is related to CADE. In light of CADE's tougher stance when they were viewing (inaudible) transaction a number of years ago, do you think that going forward CADE will take a more kind of stricter view with regard to potential further consolidation for the protein space in Brazil? Many thanks.

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

Well, first just a correction. You mentioned that JBS who has a stake. It's not JBS. It's BRF that --

Q - Unidentified Participant

Sorry, sorry.

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

So BRF, we cannot -- up to have -- before -- until having the approval of CADE, we cannot give much details about our shareholders agreement with them, but I can tell you that in the main lines, they represent some alignment on the macro view that doesn't interfere on the day-to-day management. So this is a positive, we see it as a positive partnership.

Regarding the approach that CADE will have to the beef sector, I don't think that will be any more strict than it is now. They will see if we're following the rules and keeping the standards, the standard procedure to analyze the impact of the market. I don't think that they will see -- they will take any further step on making it harder or easier for any of us. Of course, I believe that they want to see the market more balanced and more healthy and this is their main goal.

Q - Unidentified Participant

Okay, great. Very helpful. Thank you.

Operator

Our next question comes from Erik Holm of Citi. (Operator Instructions)

Q - Erik Holm {BIO 20633297 <GO>}

Yes, hi. Good morning, good afternoon, everyone. My question just has to do on this Australian drought and how it could impact global prices. We saw a couple of years ago when the US had a drought and they were sort of flooding markets with cattle and with inexpensive meat and prices down, are you at all concerned about that happening from the Australian drought? What is the expectation on beef prices in the export market? Thank you.

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

The drought in Australia has been going on for some time. So the effect on putting the price is down. It's already there. So what we will see the turning point that shall happen by the middle of the year where we are going to see the opposite with much less availability, with less slaughter in a situation that there will be no other country that will fulfill the markets where they are in. So we expect a scenario that the prices shall move further up because of that.

Q - Erik Holm {BIO 20633297 <GO>}

Okay. Great. Thank you.

Operator

Our next question is a follow-up question from Dennis Harrison of Deutsche Bank. Please go ahead.

Q - Dennis Harrison {BIO 20897118 <GO>}

Hi, thanks for taking my follow-up. I'm just wondering in terms of potential future expansion, would you finance that with cash on the balance sheet? Would you potentially do other capital markets transactions? Just wondering if we're very likely to see you back in the capital markets sometime in 2014?

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

Any acquisition that we should take will not be something that we will need much cash than we already have in our balance sheet. So that is to use our cash and a structure that we show in a way that the leverage will continue going down. So in part of the acquisition, using shares in order to have acquisition of cash lower than the multiple of leverage that we have today in our company.

Talking about capital markets transactions, important to highlight that we don't have any additional info fund. We are pretty well done in terms of financially -- financially speaking, in terms of funding, in terms of maturity of our debt. So it would only make sense to go to the capital markets if there is a scenario where we can reduce the cost of capital for the company, which is not the case right now.

Q - Dennis Harrison {BIO 20897118 <GO>}

Understood. Thank you very much for that.

Operator

And our next question comes from (inaudible) of Santander. Please go ahead.

Q - Unidentified Participant

Yes, we noticed that your cash position reached, it looks like an all-time high of $660 million or 1.2 -- BRL1.5 million. That looks above what you typically have for your liquidity, which is I think between 300 million and 400 million. Are you planning on using some of that to pay down debt? What should we expect your tax position to look like 12 months from now?

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

It's a good question. In fact, we have already paid down some debt because we were very active in the market buying back our bonds, the 23 bonds. They were in a price that we considered very, very under-valued, especially below par. So we decided to go to the market and use these opportunities to reduce our gross debt by buying back those bonds. And also reducing our FX exposure into that because we were taking part of our cash that was denominated in reais and putting into an asset that is obviously denominated in dollars. So part of this additional cash that you see in our balance sheet is invested in our own bonds, the 23 bonds.

Q - Unidentified Participant

Right. So would you be canceling those bonds out or are those bonds -- is the cash and the debt still reflected on the balance sheet?

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

Cash on the balance sheet, it's an option, something that we haven't decided yet.

Q - Unidentified Participant

Okay. So the money should still be cash and debt or do you offset it?

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

Well, as we haven't decided yet what to do, yes, the money will be invested in the bonds and we will have the debt and the cash in the balance sheet.

Q - Unidentified Participant

Okay. So again, what kind of cash level are you looking to have on a medium term basis?

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

If you follow our financial policy, we should have at least two months of purchase of cattle, which is something around BRL700 million today. After the Janauba plant and BRF acquisition, the 700 million will be around 800, 850 million. So this is the minimum cash that we should keep in our balance sheet.

Anything additional to this number is the start-off of our risk management strategy. The best way to protect the company against the credit crisis or the volatility in the macroeconomic scenario or volatility in the sector is to keep more cash. And part of this is our strategy of, let's say, liability and cash management, using this additional cash to take advantage of some opportunities that we see in the (inaudible) market as the one that I have just mentioned of buying back our bonds at an undervalued price.

Q - Unidentified Participant

Okay. And finally, I guess the Janauba, Mato Grosso and BRF, assuming everything does go through, and other strategic things, how much of your cash would you expect to spend this year in CapEx, working capital and acquisitions?

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

The CapEx for 2014 will be practically at the same level of 2013. Working capital needs for Janauba were already released to the market, will be around BRL30 million and working capital need for BRF will be zero because the plants that we are buying are already running. So the working capital needed is completely 100% inside the operations when we start operating the plants.

Q - Unidentified Participant

And Mato Grosso?

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

Mato Grosso is a BRF plant.

Q - Unidentified Participant

All right, I am sorry about that. Finally I'm not sure if that's asked, how much bonds would you buy back?

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

It's information that the company doesn't like to share with the market, but what I can tell you is that something, that amount is a considerable part of our cash balance in dollars.

Q - Unidentified Participant

Okay. Thank you very much.

Operator

This concludes the question-and-answer session. At this time, I would like to turn the floor back over to Mr. Fernando Galletti for any closing remarks.

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

Thank you. To conclude this presentation, I would like to thank Minerva team who devoted their efforts to achieving these solid results in 2013 and who have been continuously committed in the pursuit of sustainable growth, greater efficiency and opportunities that lead us to better results.

We remain very optimistic about the industry overlook, given the strong beef protein demand in the domestic and export markets, the reopening of our producing -- of other producing markets and the positive cattle supply scenario in Brazil, Paraguay and Uruguay. This confirms extremely favorable scenario in the beef industry which, coupled with the depreciation of the real and Minerva's commercial strategy, will bring even more positive results to our shareholders. We remain at your disposal for any necessary clarifications. Thank you.

Operator

Thank you. This concludes today's presentation. You may now disconnect your line at this time and have a nice day.