Q3 2019 Earnings Call

Company Participants

- Carlos Alberto Bezerra De Moura, Chief Financial and Investor Relations Officer
- Lorival Luz, Global Chief Executive Officer
- Patricio Rohner, Vice President of International Market
- Sidney Rogerio Manzaro, Vice President of Commercial Brazil Market

Other Participants

- Antonio Barreto, Analyst
- Henrique Brustolin, Analyst
- Isabella Simonato, Analyst
- Joao Soares, Analyst
- Leandro Fontanesi, Analyst
- Luca Cipiccia, Analyst
- Lucas Ferreira, Analyst
- Luciana Carvalho, Analyst

Presentation

Operator

Good morning, ladies and gentlemen, and welcome to the BRF Conference call. This conference is being -- it is -- this is where this presentation is available in the webcast platform. Currently all participants are connected on listen-only mode, and after the presentation, we will start a Q&A session, when instructions will be provided. We request all participants to ask only one question. (Operator Instruction)

Forward-looking statements within this conference call regarding the Company's business, outlook, projections and results, and the Company's growth potential are purely assumptions based on management's expectations regarding the Company's future. These expectations are highly dependent on market changes and overall economic performance of the country and the sector and international markets and are subject to changes.

We would like to remind you that this conference call is being recorded. This conference call will be presented by Mr. Lorival Luz, Global Chief Executive Officer; Mr. Carlos Moura, Chief Financial and Investor Relations Officer; Mr. Sidney Manzaro, Vice President, Market Brazil; and Mr. Patricio Rohner, Vice President from the International Market.

Now, we will give the floor to Mr. Lorival Luz, that he will initiate the conference.

Lorival Luz {BIO 16180455 <GO>}

Well, first and foremost, good morning to everyone. Thank you for participating in our conference call and earnings conference recall. I would also like to inform you that in addition to the precedence, we have other people that will make presentations. All the other VPs are here with us and they will be available to answer your questions.

Well, initially I would like to comment and going to Page number 4 that would be the first data of our Company. And I would like to talk about the net revenue of the Company, that is BRL8.5 billion, and first and foremost, we -- during the second consecutive quarter, we had gross margins at the level of 25%. Now, this also demonstrates a trend of raising our margins and this is something that we have seen since the end of last year and we have seen this, this year, and this has stabilized during the last two quarters. I'm talking about the second and the third quarter. And we're talking about a level of 25%.

Now when we talk about the EBITDA, the adjusted EBITDA of the Company is BRL1.6 billion. This is a 19% margin, but we would like to highlight that we had throughout this quarter as you saw in the release, we had a tax-related event regarding the ICMS based on the PIS/COFINS. And excluding this tax-related event, we're talking about an adjustment EBITDA of BRL1.142 million, and an EBITDA margin that is adjusted of 13.5%.

And I would like to strengthen that the Company during the second quarter of last year, they had EBITDA margin of around 7%, and this went up to 10% during the first quarter, and now during the second quarter and third quarter where we had a 14%. Now is specifically in this quarter with 13.5% of EBITDA margin that demonstrates the evolution of the actions that have been carried out in the Company, and the Company's current level because we're increasing our EBITDA margin.

Now, moreover, during this quarter, just strengthening this fact that regarding a BRL1.142 million [Ph] during this quarter, we had an additional BRL111 million in provisions. These provisions were carried out in the Corporate segment. Here we include provisions of public civil actions, demobilizations and also an adjustment of Lucas do Rio Verde, and also regarding the Housing Program, we have BRL19 million, and we also have provisions of closing our labor lawsuits that represented 70 -- 57 -- [Ph] within this BRL1 billion, a BRL142 million, we have BRL168 million [Ph] that correspond to provisions.

Now throughout the year, we totaled BRL3.9 billion. We would like to remind you that like in the third and the second quarter, we also adjusted the PIS/COFINS base and, even though we exclude -- if we exclude this figure, we will total BRL3 billion. Another very important factor that we would like to highlight, it would be the consistency of the profitability of the Company. Throughout this Company, BRL446 million and accumulated BRL523 million.

Now, we also had losses in the year of 2018. And what is very important is free cash generation of the Company, a robust generation of BRL1.4 billion during the third quarter, totaling BRL3 billion in 2019. We would also like to remind you that within this BRL3 billion, we include the DA [Ph] investment plan that was announced last year and that was executed in the beginning of this quarter. But this strengthens our commitment, our financial discipline with operational cash generation that is very robust, and everything is being used in order to reduce our debt and to deleverage the Company. This is one of our priorities.

Now on the following page, Page number 5, our cash position is very solid and robust of BRL7.7 billion, a net debt reduction of BRL13.8 billion, and an average maturity of 4.4 years. And now our financial situation is better than what it was last year. And now regarding our leverage, we had a guidance of 3.15 times at the end of this year, and we have updated to 2.75 times by the end of this year. And we are reporting currently 2.90 times at the end of this quarter. And here we are considering the effect of the IFRS 16, and this would be 3.21 times. But what I would like to highlight here is the trajectory. One -- exactly one year ago during the third quarter of 2018, we reported an EBITDA of 6.74 times [Ph] and now we are at a level of 3 times [Ph] and we are pursuing to drop this leverage to around to -- as we mentioned in our strategic planning last year, this was during the BRF Day last year. So we are going toward our priorities. And within the 2.75 times, we still have three months till the end of the year there. And the exchange rate is volatile and as we have 57% of our debt in foreign currency, we may see volatility regarding this. And this can affect our balance sheet, but not the operations. This is why this leverage is up 2.75 times now.

Now, speaking about events possibilities and opportunities that we have ahead of us. And the prospects for 2019 -- 2020, throughout this quarter and very recently we have three plants for the Chinese market here that are licensed. Here we have Lucas do Rio Verde, that is for pork and poultry, and they were licensed by the end of September. So we still do not see any effects in the results of the third quarter with the possibility or great potential to export 40% of our valuables. And 20% -- 40% of exported in porks and 20% in poultry.

And during this last week, we also licensed our plant of Santa Catarina of Campos Novos to export offals for China as well, and with the potential of at least 5,000 tons a year of these products that demonstrates a great opportunity. The Company has worked together with -- the Ministry of Agriculture has worked together with the Chinese market in order to license these plants, in order to supply this market. And we have observed this throughout these months and this has generated a greater volume potential and a greater opportunity for BRF.

And in -- on Page number 6. During the last week, we signed an MOU with SAGIA in Saudi Arabia, with an investment of around $120 million in order to build a plant to supply the Saudi market. But this can also be an export hub for the region, therefore this is a plant that will have an installed capacity of 50,000 tons a year that will produce industrialized product -- breaded, marinated products, hamburgers that are the objective of the Company, to grow more and more in the products of greater added value, and also trying to reduce the result volatility and greater stabilization of margins and results.

Saudi Arabia, as all of you are aware, is a market that is a priority market like all the Halal Market for BRF. We have been present in this market for over 40 years. We have a leading process. We have a very strong brand. We already have excellent distribution in this region, mainly in Saudi Arabia. And we want to participate more and more of this moment and the 2030 [Ph] view of this country.

I would also like to highlight and to clarify that we, there are no negotiations or no counterparts with SAGIA or with the Saudi government. Well, we do have is a strategic plan of BRF according, it has been mentioned beforehand of investing and to continue growing and to maintain our leading position in this market. Therefore, there is no type of counterpart, as there is no obligation that in terms of raw material that the raw material for this plant should be come from the local market.

What we do -- what we are committed with the final quality of our product and all the raw material that is necessary, that will be used in this plant, should meet all the quality requirements that reassured the quality of our commitment, that is our product that is our greatest commitment. We have the good quality raw material that is locally competitive, we will buy locally. If not, we will have to balance this with the import of the products that we have. And with these products, we can reassure the quality of the products that come from Brazil.

So this is part of our alignment and our strategic alignment.

Now going to our next page and we will talk about our view in terms of grains that something that strongly impacts our cost that is the cost of protein. And this is the message that I would like to convey. Now, unlike last year where we had a very strong spike in terms of cost of soybean and corn, what we can see here, yes, there is a volatile situation, because of trade wars, because of delays of the crops in the U.S., but this is intrinsic volatility within a certain level. And this is something that we have observed in 2019. We have seen greater stability in this level. And with this volatility, there can be a slight increase for the beginning of 2020. The Company is dealing with this, not as a financial position but yes, as an absolutely relative input. And we do not use this as a financial instrument in order to add race to the Company.

When we observe protein's prices, we see that there is a higher volatility, especially in swines, and now we'll talk about that in the next slides. But in a much higher level in relation to 2018 and beginning of this year, therefore, there is a certain level of volatility and stability in protein's price, but in a much healthier level than the one we had last year. And that can be seen in the Company's results showing an improvement in our margins, especially gross margins.

Therefore our scenario as to costs to proteins that is a much more positive than what we had during the first half of this year, and especially during last year. And we forecast that this is will be kept throughout the next two quarters and that we will even increase positively. And why is that? Especially if we consider our next Slide number 8, there is still a ASF impact, the African Swine Fever. On the left, we see relevant information where we have information from the Chinese Agriculture Ministry is stating a reduction of swine [Indecipherable] in amounting 45% to 50% to China, is responsible to 50% of the worldwide production amounting 115, 120 tons, that represents a very significant and relevant impact.

And the main curve, let me highlight those breeders. Such a drop is constant. What is that they are is still slaughtering the females. The more we slaughter the females animals, the longer it will be the recovery time and the crop reposition. And more, we will delay the fact of the effect of protein shortage because there is a continuous slaughter, and the offer is still at the local markets. And even if we anticipate that the curve on the right conveys that local impact as to prices.

That yellow curve of the breeders, they will stabilize, and once they reestablish the crop, there will be a shortage of products for consumption. Here we have the piglets and sow herd, and live hog, getting to a higher impact offer demand. When will that happen? We thought that could happen during the second quarter, third quarter. But is still that will take place just once the African swine fever is controlled and hold. So every month or every quarter, this scenario or this date gets closer.

And due to the number of 50% reduction, there is a likelihood to see that happening during the first half of 2020, and that will be increased, leading to a higher volatility and significant impact in regards into prices. Next slide, please let me just emphasize that later on, we will address future perspectives, our BRF Day, which will be carried out next Tuesday, November 12, in Sao Paulo, and November 14th, BRF Day in New York. So you are all invited to participate at BRF Day.

And with that, now I'd like to introduce our CFO, Mr. Carlos Moura who has just joined the Company. And now, thanks to Carlos Moura, we have a complete VP team. He now has joined other Vice Presidents who have been working together for one year. So this team has been together for one year, and Carlos just came to reinforce and close this team.

Now you have the floor. Thank you.

Carlos Alberto Bezerra De Moura {BIO 16675187 <GO>}

Thank, Lorival, and good morning to all of you. It's a great honor. I'm very glad to be part of this team. Under Lorival's reliability, we have a very united team, thanks to solid and sustainable results. And if we -- and we have a positive future perspective.

Figures will be commented by Sidney and Patricio, so while we will address our net revenue, which has increased 8% in comparison to the same time last year, that was due to the cost of a stable sold [Ph] product in comparison to last year, a gross profit of 28.4%, BRL2 billion. [Ph] This is a stronger development of our gross profit, gives us an adjusted EBITDA and margin of 178%. That represents a very important leap and now we have BRL172 million in the comparable base.

Once that we are highlighting the effect of BRL467 million, excluding ICMS in the calculation base as to SAGIA, considering the harvest of this revenue. As a consequence of SAGIA's revenue, we have a positive effect of our financial results of BRL1,500 million which collaborated for the second half of the year. We have emphasizing our expenditures metrics, management where we reached the organized set of actions to keep our expense -- expenditures under control.

And Slide number 12 now. We see a improvement, operational performance going from 17% to 18% last year, progress into 28%, reaching a level in the next two-semester. In comparison to the past nine months, our absolute gross margin rose 10.3% year-after-year. Adjusted EBITDA also tells us that we started from a level of 7% or 8% moving to 10%, and now we are around 14% as Lorival just mentioned. Once we are comparing that to the exclusion of PIS/COFINS over the ICMS calculation base same period last year, and this year, this leap or the growth is of almost 97% year-after-year.

Next Slide 13, wanted to highlight on quarter -- three quarter. We had a growth of our net profile going down from BRL16.32 billion to BRL13.8 billion in the third quarter of 2019. Such a drop vector of this BRL2 million of the net profit takes place due to operating cash flow. In our investment cash flow, there is a CapEx flow chart, which is very structured by the Company, and the Company is keeping its pace of investment capital, especially in biological assets in relation to our market efficiency, Industry 4.0, which is a new industry where we see new actions in our industrial complexes. IT support, we have to mention the implementation of -- the integrated business planning, which will allow and optimization of our integrated planning process.

And the cash flow from investments due to our debts, and also the currency exchange that we faced at that same period, taking our check-in currency to BRL4.16, and now where financial cycle as well has been highly optimized in all its components, clients, suppliers, inventories, I mean, the Company has been managing the Company in a very coherent way, especially working in revising processes, and in sustain all practices trial to the following months.

Slide 14, next, I would like to highlight and detail leverage and debt profile. On the chart -- on the left, we have financial leverage, already addressed here before. But let me highlight that with the IFRS 16, we will have a leverage of 3.21 times. The profile of our gross that on the right chart of BRL21.5 billion amount 58% addressing international currency and 22% in -- 42%, sorry, in BRLs.

The net debt below, we can see a clear evolution of two components. We went from 3.2 to 4.2 years, [Ph] and now our cash profile associated to debt maturity -- average maturity. We had a stronger demand in -- for 2030. The repurchase of bonds with the due time between 2020 and 2024, and also in domestic markets and that's up BRL1.6 billion, [Ph] and the previous amortization of lines amount to BRL700 million in the domestic market. All of that allowed us to reduce our debt associated to an average extension time to national and international currencies.

With that, I would like now to give the floor to Sidney, who will address the Brazil market. Thank you.

Sidney Rogerio Manzaro {BIO 17678250 <GO>}

Thank you, Carlos. It's wonderful to have you with us here today. And now here I am to talk about the Brazil segment. Good morning. Let me share with you our positive results in the Brazil segment in aligned to the strategic planning, that's exactly what we have been talking about in our past meetings.

Our net revenue up to 6.3%, gross margin reaching a level closer to the idea of 24.6%, reflecting to significant growth, adjusted EBITDA of BRL541 million with 12.3% margin. There is also a continued focus on leverage is that will support us in the future. Our continuous growth throughout our new pipeline and new projects, which will build up our future results, as well as our -- getting back to our investments, brands recognized in the Top of Mind award such as the Sadia's campaign, Qualy, and Deline all of them awarded and recognized by the markets, thanks to the awards that we got.

Now Slide 17. Results, they become more evident and clear once we see a consistent growth of margins and there is a rise in profitability in the past three terms with the level of 24.6%. Adjusted year-to-date, we see a significant growth from 19.9% last year, moving to 23.3% this year. That reflects a constant growth and a recovery of our bottom line EBITDA in the Brazil market amounted 12.3% in the last period.

And now, Page 18, and here is where I would like to elaborate a little bit more in the explanation. We can see that in volume, we still see a drop vis-a-vis last year. This is a reflection of our profitability policy and because we are adapting our chain to the new reality of the inventories, therefore pressure for liquidation has ended.

Now, when we see, for example, this market, we can also observe that the growth or the drop is driven by -- in natura products where we concentrate our great efforts to regulate our chain, see -- when we see processed products, we can see that there is slight drop vis-a-vis last year of 1.1%, and when we analyze the past period, and we compare it to the last quarter, we grew almost 10%. This has generated an ever-growing revenue of 6%. When we compare it to the last period, that was 7%, and therefore our margin is growing in a consistent fashion. And also, this has reflected on our EBITDA.

Now this also impacts our market share. Our market share presents a drop of 1.3%. And it is also important to understand what has happened here. This is different between categories that we work with because it's reflected in a different way. So there are categories where the past effect of liquidation had a greater impact and this suffers more.

Now the segments where there were no major impacts we suffer less. So we can clearly see that, that within the cold segments, we grow 0.6% vis-a-vis the last year. Cold cuts here is where we have a market share of 50%. Other Segments that we also follow in a positive way would be margarines and reaching a level -- and a significant level when we compare it to our history would be 54.2%, and this is a growth of 1.3 percentage point, and where we have the greatest impact regarding the balanced policy of the chain and the recovery of our margins because of the transfer price.

We have a negative impact, especially when we talk about cold cuts where we dropped 2.7%, where we regulated our inventory. And now in -- with more consistent margins, we are already recovering our growth and the same thing with frozen product, and frozen products where the impact. The self-service operation is impacting our prices, but I believe we already have the retail driving colds and margarines.

Now when we see the scenario, we are highly optimistic. We are also consistent regarding our strategy, and we will continue having more gains because of better execution and operational efficiency. We will work a lot with innovation, improving our services, investing in our brands, so that we can have -- so we can provide our consumers the desired brands.

I will give the floor to Patricio, so he can talk about the positive results in the international market.

Patricio Rohner {BIO 19686996 <GO>}

Thank you very much, Sidney. Good morning. Now let's see the international market. We are on Page 20. Here we can see an increase in volume practically at the same level of last year, but a slight drop vis-a-vis the last quarter, especially because of Turkey that ended their exports to Iraq, and this impacted volume that represented more or less 30% of our export. This is an important volume. Nonetheless, it was managed by other markets.

Now, when we go to our revenue, our revenue was 4.8% lower than the last period when we see the gross profit, it was almost 8%. Now, when we see the EBITDA, it was only 2% less. And I would like to explain this effect in the upcoming slides.

So when we analyze things per geography, Halal is very important, it has 59% and non-Halal represents 41%. And if we analyze per protein, 79% will be poultry, 8% swine, and 13% would be other products, especially industrialized products. When we analyze this category per product, here we have poultry hold 37% and most of them have the Banvit [Ph] and the Sadia brand. The poultry parts represent 41%, swine represent 9%, and FPP 12%. That are the main focus of our moment that would be for whole poultry, then we go poultry part, industrialized swine, and FPP.

Here we have a picture of the Halal. Here you can see the important percentage of processes. Years ago, we had 4%, now we have 14%, and poultry have 86% and I believe the poultry parts have been cannibalized. And this has been cannibalized when we compare it to whole poultry when we see the net revenue, this is what -- was mostly impacted. Here you can see a drop of 11.6% vis-a-vis the last period.

And what happened with the EBITDA, well, it dropped, but not so much because of the control of the expenses and the good management of the prices of the volume per channels. And this is something that we have done in the Gulf in order to improve the situation that presented in Turkey. We would like to remind you that Turkey represents the 30% of that total volume that is sent to Iraq, and Iraq was closed almost totally. Only the northern part of Iraq was open, that was highly saturated because of the exports of the Turkish producers.

So this exerted pressure on the Turkish market to sell products that are not ideal for the Turkish market, these are smaller poultries, and that were frozing and they have -- and this was to sell poultry that buys fresh product. So this has impacted a lot. So Turkey is the main Halal market, nonetheless, Saudi Arabia, together with the Gulf countries, especially, the Emirates had better prices in order to maintain an EBITDA of 17.9%, totally aligned with the former period. The only thing that this generated a little bit less cash because of the volume.

Now, when we go to the international markets, the volume at the end was better, especially when we compare with the mix evolution process products are growing when we see swines, here we have 18% in comparison to 70% poultry -- 70%, the revenue grew 5%. But as the other international markets represent 40% of the total, they weren't able to generate all the volume and the revenue that Halal had lost because of Turkish -- Turkey.

When we see the EBITDA, we can see an expressive improvement in the total period from 20% to 23% of EBITDA, that was the growth of 20%. So when we compare year-on-year, the sales price was 32% higher, they were higher shipped volumes, this was 5%. And the new plants haven't been opened yet, and there is a 23% margin, that has been the best margin in the past years within all of these market groups.

So I would like to give the floor once again to Lorival.

Lorival Luz {BIO 16180455 <GO>}

So thank you very much, Patricio. Just to bring this presentation to an end and before we start our Q&A session, I would like to state that the strategy outlined by the Company has presented very positive results. Our Company now is in a new level, when we see the margins, when we see its cash generation always reminding you of our commitment. This is a commitment with the profitability and sustainable and continuous growth, always with our eyes on the long-term and the trajectory of the Company.

We are operating in a very efficient fashion with our inventories at very low levels, something that allows us to have a proper management of our exports, of our sales in the local market, always with the objective of adequating ourselves at the long-term. And now the recovery and the results are appearing as it was planned and as I can see things are happening in an accelerated fashion faster than what we had last year.

Though we've seen, the net result of the cash or the deleveraging of the Company, our cash generation is a result of all of this. And our prospects are very strong because of all the structural effort that has been carried out and the impact that we will have with the new licenses, within the last quarter that will generate new results as of the upcoming quarters.

Now, our leverage guide and deleveraging guidance perhaps may be affected by certain volatility in the exchange. What is important is the trajectory of the Company's management that it is to take the Company to 1.52 times and to recover the growth, not only in the foreign market, but in the local market with innovation, the launching of products and also the expansion of our plants.

This is just a summary and a conclusion of the first part of our presentation. With no further ado, we will open to our Q&A session.

Questions And Answers

Operator

Ladies and gentlemen, we will initiate our Q&A session. (Operator Instruction) Our first question comes from Isabella Simonato, Bank of America.

Q - Isabella Simonato {BIO 16693071 <GO>}

Good morning to everyone. Good morning, Lorival. I have two questions -- local questions. Well, one would be when we see processed products, what draws our attention here would be the improvement of sequential volume when we compare the second and the third quarter. Although the average price was maintained while the price of the poultry was lower. If you can give us an idea of how you see the dynamics, especially in these segments. Do you believe how would your consumer responding to the price?

And my second question would be connected to the local poultry production. We see the data that has been accelerated. So how do you see, supply and demand, mainly because of this uncertainty of when the foreign market is going to accelerate in a more consistent fashion? So I don't know if you can elaborate and tell us what do you see on the side of production.

A - Lorival Luz {BIO 16180455 <GO>}

Well, thank you very much, Isabella. I'm going to briefly answer your second question, and then I will give the floor to Sidney.

Once again, here, what we can observe here would be a context in a general way and the prospect, now, when you talk about housing, especially for 2020. Now the data exists and you can see it, but yes, there will be a need for more proteins. We have already seen shipments towards China -- chicken breasts, something that -- well, this market really didn't buy a lot of chicken breast. So this demonstrates that there is a greater demand, and so what we are observing, and yes, this is a new opportunity as you can see. The chicken breast market was mainly for Europe.

So the effects of the protein need is making China and other countries to import these products. So I do see this increase. I believe that the production and the results will be seen throughout 2020. And I believe here that during this period, we will have a demand for these types of products. So yes, as I already said, perhaps, there will be some type of price volatility, we recently saw in natura. But this is short-term volatility with a high trend. And as I said, we did our homework and we can properly manage these facts to see when is the best moment to sell. Because we have a low inventory now the long-term trajectory, perhaps, during a certain month, we will have an impact in volume. But what we see is that there is a positive perspective in the mid-term, and this is where the Company wants to find its profitability.

I will give the floor to Sidney now.

A - Sidney Rogerio Manzaro {BIO 17678250 <GO>}

Good morning, and thank you for your question. As to in natura or to poultry, as you have asked differently from our markets forecast, third quarter showed in the poultry market in Brazil, a decrease in prices, differently from what the market forecast agencies had said. And that is still a vulnerable market, considering that the export flow not been quite regulated as to some new actions that are taking place systematically. And as this is pulverized the market with more players, there is a certain change oscillation in prices, being responsible for a poultry prices during the third quarter, lower than what we were expecting in terms of higher prices. The idea was to keep our prices, and this is the reason why we had a drop in the volume. As that was a situation. And thanks to a higher export flow, prices or the recover. They would get back to normal and this is exactly what is happening lately.

With the pressure of some of the prices swine, bovine and now the recovery of poultry prices are going back to the traditional levels and market-level prices. So there was a poultry price drop in the Brazilian market in a certain specific time. And that is no longer the problem. That will be recovered, and it will go back to the previous level in a few months. So we had some price problems. We suffered a little bit, but that does not to change our future demand scenario.

Q - Isabella Simonato {BIO 16693071 <GO>}

Thank you.

Operator

Our next question is from Lucas Ferreira, bank J.P. Morgan.

Q - Lucas Ferreira {BIO 16552031 <GO>}

About processed meat food, there was a price repositioning in the beginning of the year, the swine exports, they are now a much more consistent in terms of volume and prices in comparison to poultry. Do you see room for a new prices spike, if so if yes, in which categories, and if not, because consumers are not still able to absorb to capture such an increase?

And now my question to Patricio. What would be a scenario once the China reopens to the United States, and then it imports poultry again from the United States? What sort of challenge would that represent to you, and what sort of opportunities would that represent to other markets, maybe China would absorb a higher volume? So these are my two questions. Thank you.

A - Lorival Luz {BIO 16180455 <GO>}

Hello, Lucas. How are you? Thank you for your question. As to in natura markets, I guess I had answered in the previous questions. We see room to market price recovery and that should grow. We are really sticking to our yield strategy, so we might have compatible prices to our policies.

So, now, let's talk about processed products. I guess that the price level, I mean the rebalance -- the price rebalance that we did back in the beginning of the year, that was concluded back then. And now what we are measuring is the fellowship of our competitors, which is slowly, is getting closer to our levels. We still have a fellowship gap in relation to the competition, but we hold to our policy. And considering the competitor's price increase, we have increased in the volume of our products in the Brazilian market.

We see the possibility of new actions, according to the market's behavior. We had certain stability in the previous season, allowing stable costs. Now looking ahead, we see -- we foresee a new perspective, a different scenario, which will be related to higher costs due to inflation going back to normal price policies. What we did at the beginning of the year was just a correction of what was handy. And due to this stabilized chain, we had squeezed the margins, but thanks to a new regulated process, we will go back to a market dynamic where we have competitors, where we have grain pressures and external market demand. And with that analysis in mind, we may reach the conclusion, if it will be necessary to have a new price increases. But so far, what we have in terms of prices is within our politics -- our policies, I mean. And that's exactly what we did and what we said in the beginning of the year, this is the line to follow and we will keep with this normal prices and costs policies.

A - Patricio Rohner {BIO 19686996 <GO>}

Hello, Lucas. What would happen if China opens poultry to the United States? Well, I don't see that as the main problem. That will depend on how much the -- on how that will be done, if that will be done gradually or not. And the United States just import -- exports everything throughout brokers in Africa, in some Eastern countries and other countries in Russia or around.

If China opens, there would be a volume reallocation. They do not have too much wings and or breasts, and China has a higher demand for this food than what we are able to export. I don't see that as a longer run problem. On the contrary, that would help our strategy to sell the mix where we sell different parts of the animal, and sometimes we find difficult to sell like legs when we have a Japan excess. And an example to illustrate it is the Canadian one. The Canada was closer to China and they end up dealing with the Japan that increases their frozen food inventory, impact in poultry and export legs and wings exports.

To have open and stable markets, it's important to allow us to better prepare ourselves. Of markets volatility, those markets, which open and close, that is an obstacle. But swine as they are suffering -- they suffered a little bit in the beginning of November, but now prices are more stable. Poultry protein, they have lower prices. But there is a market for everything. I don't see that as any problem.

Q - Lucas Ferreira {BIO 16552031 <GO>}

Thank you.

Operator

Our next question is from Luca Cipiccia from Goldman Sachs.

Q - Luca Cipiccia {BIO 6914452 <GO>}

Hello. Good morning. I also would like to go back and talk about Brazil markets. Lorival, you -- we had two quarters with a gross margin of 25%, a much healthier than what we had in the past two years. Despite that, it's interesting seem to say that the Brazil margin and international markets margins, they were above in the first quarter in terms of Brazil profitability, letting aside the short-run volatility. There was a premium for gross profitability margin due to the Brazilian mix, market share, distribution, et cetera, et cetera. And I have the feeling that still Brazil market is below of what it could be a high 20s [Ph] of gross margin. which, I believe it should be much more achievable in a scenario where we have a healthy international market with good demand.

I would like to hear from you, if you still have that perception, that domestic profitability margin could keep growing. There would be a spike, maybe not on a short run, but maybe on mid-run. And if there is that financial urgency by international markets, which can be not considered, at what extent will the Company focus to innovation into the domestic markets, with a focus in product mix or at least talk about some of those issues that were not taken -- has been a priority as part of the financial debates that we had in the past one year and a half?

A - Lorival Luz {BIO 16180455 <GO>}

Thank you, Luca, for your comments. First of all, about the Brazil, within a context of a general margin, yes, there is room for improvement. Let's not forget though that historically speaking, and if we go back in the past, the processed products mix and in natura, they would reach 80% to 85% of processed products, and 20% to 25% of in natura.

Today, we have 30% of in natura with lower margins and 70% of processed products. That may improve from two different perspectives. First, 2020, if we see a economic growth, a revenue increase that will take more to the processed products side, allowing better margins. And that may also improve under a second perspective, once international demand, when China, we are embarking poultry to China with reasonable prices. I mean, the higher the demand -- the higher the external demand, the greater will be the -- local in natura price.

Having said that, yes, there is a chance for Brazil market's improvement always, and that's not just limit such an improvement to external prices, but to everything that has been done in Brazil. And we will talk a little bit more about that next BRF Day on Tuesday about commercial improvements, distribution, customer service, efficiency, and operational cost efficiencies. These are all frameworks that once we add to our market movement allows us to feel more confident to reach a new level with a positive perspective about that.

And now go into your second question. That allows us to feel more confident to feel that there is a robust investment and business. We had invested more in the Saudi Arabia, and we also have to invest more in other markets like the Brazilian markets. That is a priority. We are deploying more resources and investments, throughout different initiatives, searching -- always searching to go back to what we had in the past, to be pioneers in releasing new products, -- new categories of products, and to have a relevant position in the markets, always after greater margins and products participations for processed products and a better balance for our outcomes.

Q - Luca Cipiccia {BIO 6914452 <GO>}

Very good. I have a quick question, this too along these lines. Could you elaborate or clarify your brand strategy between Sadia and Perdigao? It's been a while that we saw that exchange. What can you tell us? What can you share? And how do you see that brand development? At what expands is that's part of, A, there is a new setting or a structure? It's quite a while that we do not talk about those two main brands and its different segments.

A - Lorival Luz {BIO 16180455 <GO>}

Okay. Luca. This is what we have done. We want to improve our brands in a nutshell in BRF. We can explain this in details, but, well, in a nutshell, the brand territory, Sadia for example is the brand that presents more quality, more practicality and driving more and more because it's innovative brand. Now on the other is Perdigao has a very important role because it has an important flavor. We work with indulgence and we also work with special moments and occasions, where people are sitting at the table and we have people at the table that are connected to this brand.

Of course, Qualy, -- Qualy, that is the brand that we're working within our spread markets. So I believe that these two territories are our focus. And if you analyze our campaigns, you will see this present. And we also work a lot with the attributes of Sadia like a real pizza lasagna without preservatives. And that is a brand that talks to this consumer. And this is a consumer that want superior quality in his foods, once innovation and practicality. And on the other side, you see this in our campaigns. Here you have a campaign -- the barbecue campaign or you can see people eating at the table eating a bean casserole.

So we work with two brands, that we're very close. But now they are fitted into cliff territories, and I believe that the value proposal of the consumer is different for each one of these moments.

Operator

Our next question comes from Luciana Carvalho, Banco do Brasil.

Q - Luciana Carvalho {BIO 18724665 <GO>}

Okay. Good morning to everyone, and thank you for taking my question. My question is regarding the Halal market. We've seen that the volumes have dropped and there have been lower prices, and we have seen the effort of the companies to control costs and expenses that allowed you to sustain your margin. I would like to know how much more can you do in this aspect, if perhaps we can see that this low double-digit, this new level of margin for the region? Or can we expect a progress in the short and mid-term?

A - Lorival Luz {BIO 16180455 <GO>}

Okay. Good morning. Thank you very much. When we analyze the Halal margins, Halal is present in two major regions, Turkey that represents 40% of the total amount and the Gulf region where we have Saudi Arabia, and this represent 60%. The problem here was very specific in Turkey because of exports, all the Turkish market exports 30% of the production that goes toward Iraq. Now Iraq that was closed, and this is the country that consumes a lot Baghdad, and Al-Basra. Only Kurdistan was open and this is in the Northern region. And this is why we had to sell the volumes because we have our products scheduled.

We schedule this six months in advance when we -- so we have to sell a great part of this volume to Turkey, and this impacted a lot the prices. The Turkish market was giving us the best result of the Halal product. And at the end of the line, it represented the lowest result in the quarter. But when you see the Gulf region, that is pressured by consumer, there is an increase of costs. Light fuels were at a high price level. We are above our budget. And we are able to -- we believe that the volumes -- we are placing our volumes with no problems. There our certain markets like Egypt and Yemen that delayed prices from -- delayed payments from one month to the other, but the impact was mainly in the Turkish exports. And this is where -- but to sell this volume within this -- within Turkey impacts. Now if you see the total EBITDA, regarding the percentage, I believe we're at the same level. This is more or less 17%. This is a high level.

The only thing that there is pressure here because once again, China is not taking these volumes. Africa still presents problems of currencies in some markets like, for example, Angola that is undergoing certain changes in their import format. And I believe that because of all of this, we have to place greater volumes. All the industry has to place more volumes in the Middle East.

But in reality, I am very reassured that the prices that we have today, now the cost of distribution, the mix of products and the allocation per channels, well, I believe that all of this is very positive. And I see the same situation for the next year. And I believe it will even improve because there are producers that are going from grillers to heavier poultry, and we have new markets that are opening.

Q - Luciana Carvalho {BIO 18724665 <GO>}

Just the second question, in the region, if you could elaborate regarding your expectations for Saudi Arabia. Do you believe that there will be an increase of -- an increase after the government visited this country, perhaps they will open their country?

Or do you believe that your growth in the region will be because of the new partnerships as you announced with Saudi? [Ph]

A - Lorival Luz {BIO 16180455 <GO>}

Well, Saudi Arabia has a clear target. They want their local production to be 60%. Well, last year when they closed many companies at Brazil, they only -- they almost reached 60% during a couple of months, and this year it's 50%. Yes, I believe that our President's visit was very important to show, our commitment with these countries. This was a very intense visit to these countries. And also for the governments to see Brazil as an additional partner and that helps them with their security -- food security target. Ukraine isn't exporting to Saudi Arabia, so there we can see improvements.

We have had an excellent conversation with the officials, with the government. But the target is clear, they want to reach 60% to reinforce their food security. And this is why we're following these lines. We have brand, we have distribution. Only in Saudi Arabia, we have 500 people working us, and our distribution is very efficient. So yes, we are going to be part of this 60%.

Q - Luciana Carvalho {BIO 18724665 <GO>}

Okay. Thank you very much.

Operator

Our next question from Leandro Fontanesi, Bradesco BBI.

Q - Leandro Fontanesi {BIO 20270610 <GO>}

Good morning and thank you for the opportunity. There are two points that I would like to clarify. Regarding the result, what would be the adjusted EBITDA? There are two effects that you mention that would be BRL57 million in legal expenses and BRL111 million that would come from provisions and the mobilization expenses that you do not adjust in your adjusted EBITDA. I would like to know if you believe that these two effects will be non-recurring effects and that they should also be adjusted.

And my second point regarding your guidance, your review of the -- your reviewed guidance of 2.75 times, with this represent BRL1.1 billion during the fourth quarter. That doesn't suggest that we will have an improvement. I would like to understand if I'm understanding this correctly. And I would like to know about your expectations for the Christmas season, and how this can add on to your EBITDA.

A - Carlos Alberto Bezerra De Moura {BIO 16675187 <GO>}

Okay. This is -- Leandro, Carlos speaking. I will - okay. I will answer your question, and Sidney will talk about celebration. When we talk about the corporate effects, we decided not to highlight, this is non-recurring item because provision, the exclusion for civil cost, well, this is part of our business. You do know that we do have a labor force of over 88,000 workers, and moreover, you have effects of legal lawsuits and a flow that has been reducing. But we are investing in the improvement of internal processes in order to avoid new legal lawsuits. But in some regions of the countries, as we're present in many regions, there is a demand effect and the balance has to be ready to respond to this. And this is something that is part of the business.

Now the expense -- the expenses with the asset, the mobilization, we are trying to optimize our asset base, and with this, you can find the adjustments that you will have to carry out throughout the way. I don't consider this as non-recurrent, because perhaps you may have moments where you have an impairment adjustment or the devaluation of an asset, and you have to recognize this.

And the third point is a provision for the municipality of Lucas do Rio Verde, this is a housing project that we had -- this is a reserve that we have here. And we didn't see it as non-recurring because this is the matter that is common to our business. And as we also have a different amount of employees in the regions, we consider this intrinsic.

Regarding our guidance, for example, our approach is always geared to reducing our debt. I would like to highlight the financial discipline. Our target is between 1.5, 2 times the EBITDA. Now, 2.75 times is a reflection of a number of components between exchange rate variation, margin shocks. So really, we prefer to show a relevant reduction when we compare it to the 3.15 times that we had in the past. And it's not only to do the -- to make these -- see these numbers backward, forward, we have to consider here other FX when we see the net debt.

We have to see that we have more cash generation. But we also have FX within our debt. Of course, here we have the exchange rate variation [Indecipherable] This -- we improved a lot our financial cycle as you have been able to see, but at the end of the year, you always have the effect -- a compressive effect on this. So these combined factors resulted in this guidance. And we are reassured, and we believe that we will achieve this because the financial discipline that Lorival mentioned.

So Sidney will talk about the celebration products.

A - Sidney Rogerio Manzaro {BIO 17678250 <GO>}

Okay. Thank you very much for the question. We're really reassured and optimistic with the Christmas products at the end of the year. I think there is a combo of factors here that make us feel reassured.

Now, number one, I believe that for example, the -- our fund, when you have next lower debt from the consumer, I believe this is transferred to the consumption and short-term consumption. I believe that this combo of scenario with a more favorable short-term economic possibility gives us a good -- we have the exchange rate. The exchange rate is above BRL4, so one of the proteins has greater pressure that is codfish that is always present during these festivities. Perhaps it will be more expensive and combined with cattle because of the scarcity and prices. Well, I believe that the environment -- so I believe that now the consumers will buy more poultry.

Now, we also have swine and beef. And last year because of all the surplus of the market, swines, I believe, or pork was a very good opportunity for the consumer for the Christmas dinner. Before the foreign scenario, I believe that porks have lost momentum and this combination, well, it makes poultry the smart choice for Christmas. And during your Christmas dinner, you have a product that will cost BRL70, -- BRL75. And this is for six and eight people. And now the other proteins are very distant for -- distant from these consumer expenses. So I believe that the scenario leaves us very optimistic for the end of the year.

Q - Leandro Fontanesi {BIO 20270610 <GO>}

Okay. Thank you very much.

Operator

Our next question is from Mr. Barreto, Itau BBA.

Q - Antonio Barreto {BIO 17449798 <GO>}

Good morning and thank you for the question. Lorival mentioned that cash flow generation was more robust than in the past quarters, and that's the fact. But let me clarify some aspects here to better understand that.

First, as to the non-recurrent such as ICMS, I understood that there was no cash effect. Can you confirm? Second, was there any change with interests of working capital gain, receivables or anything like that? And third, as to hedge operation, the Company has a balanced hedge with a long dollar position of $400 million with a BRL125 million cash in the quarter. Does that make any sense at all, so we can have a better idea about the interest component during the quarter?

A - Lorival Luz {BIO 16180455 <GO>}

Antonio Barreto, thank you for your questions. So answering to the effect of PIS/COFINS adjustment as to the ICMS, over the PIS and COFINS calculation, please correct to himself. There is no cash flow effect, so, your perception is confirmed. Interest rates, we have withdrawn operations continuously, as well as physique operations. And as to had, that has a longer effect. There is no immediate effect in the quarter as to the position, which is just a prospective one so far.

We had also and just about the investment hedge methodology reducing the consumption of derivatives with a financial consumption, some new opportunities are being assessed and will be available later on to go into details about this calculation if that is necessary. Thank you.

Q - Antonio Barreto {BIO 17449798 <GO>}

I would like to ask now a second question to Patricio. In fact, I would like to clarify something about opening the USA to China. It's always a honor to hear from you. But it's not quite clear, when we think about United States opening. We understand that once we talk to the local industry, you have a very good prices for legs in China, $3,000, the tone, superior higher price than the one we get for breast -- chicken breast. Once you open to the American market, you open competition to a premier -- in a premier market on some components. And on the other hand, you decrease that participation on less premium markets. And we have the feeling that, that is a negative impact to the Company. But according to Patricio's comments, it seems he believes exactly the opposite.

A - Patricio Rohner {BIO 19686996 <GO>}

Well, we are participating at several meetings with the experts who are analyzing the market. So they want to understand more about the [Indecipherable] and those, of course, that monitor prices and so on. We have a higher migration of beef to poultry, especially considering the price per kilo. Therefore the leg demand is much higher than the one that we were able to produce and export. And by that, I mean Brazil as a whole.

There is such a high gap of swine proteins in the market, that first of all, I do not see any volume above 20,000 tons or 30,000 tons per month, which is the capacity the American market could export. So we have to understand about that plan to migration. But I see that cattle proteins and the issue that we won't be able to pay for pork in the markets and then migrate to poultry, well, million tons missing and the price difference even if that is $3,000, that is much lower than what would be represented by one kilo of pork meat in the market. So we are very optimistic in that sense.

Q - Antonio Barreto {BIO 17449798 <GO>}

That's clear. Thank you, Patricio.

Operator

Our next question is from Joao Soares from Citibank.

Q - Joao Soares {BIO 17386703 <GO>}

Good morning, everyone. I have two questions -- two follow-ups, actually. First, it's to Sidney about processed products prices for the fourth quarter considering that over the second, you said before that you would assess several variables. So what are the main obstacles for new price increase? If there are any obstacles, would that be local demand? Consumers, they still have a pressed wallet or possibly, there is no fellowship by competition. Let me just understand what is preventing price increase?

And the second question about cash flow. I'd like to understand more about working capital. is that sustainable? Those 18 days of financial interest, just can we expect an improvement, because you keep mentioning about finished products line. From a working capital standpoint, what to expect to from these measures effectively, and what to expect for the quarter?

A - Sidney Rogerio Manzaro {BIO 17678250 <GO>}

Hello, Joao, good morning and thank you for your question. We have here two different contexts. First one, first scenario, in natura. We believe that with this scenario that Patricio has just mentioned, a greater demand for poultry can see during this scarcity of pork and that migration to poultry, that will take the markets to higher levels of price in Brazil, and consequently, that will open a window of opportunity to repass. The fact that that did not happen before, does not mean that it will not happen in the future. We believe it well. And considering that equation of export flow, the last quarter was different from our forecast, but we believe that pressure will go on. This is the in natura scenario.

As to processed products, we have a different scenario. We have elasticities, we have competitors, and we have offer and demand, and in the end, we have an equation that will allow better profitability and higher market share. There is a market share look or -- and the fellowship of competition is closer to our movement. And we as market leaders, we understand that we had our first initiative to provide the positioning. But that fellowship is taking place, therefore, there is an equation versus the competition fellowship versus the margins that we designed in our strategic plan. So that is an equation between market share and profitability designs for Brazil market as part of our budget.

This is a broader calculation. Anytime that we say that Brazil will export more raw material, that is correlated to that. That allows price opportunity and also opportunities to build up a portfolio with our products, which are left. This is a market analysis that we have to be very careful about, objective margins and market share equation versus export costs.

Okay, Joao? Let me just add to Lorival's comments.

Q - Joao Soares {BIO 17386703 <GO>}

A quick follow-up, please.

A - Sidney Rogerio Manzaro {BIO 17678250 <GO>}

Now you may talk, Joao. Go ahead.

Q - Joao Soares {BIO 17386703 <GO>}

Talking about Christmas products, but maybe you should conclude your reasoning.

A - Lorival Luz {BIO 16180455 <GO>}

Yes, just adding fest, we have to highlight the BRF integration level, and to processed food industry that is key. So once you have pro order proteins prices, especially the beef price increasing, there is a migration to our proteins, definitely. And in addition to that, our possibility to capture that considering that our integration levels of 100% for poultry and over 90% for swines, so that represents a differential and an opportunity that BRF has to generate and work well in that market.

Would you like to add anything?

Q - Joao Soares {BIO 17386703 <GO>}

No, that's very clear now. Thank you, Lorival. We -- talking with smaller players, it seems that there was a balance in the past year, where smaller players, they reduced their volume of categories for Christmas products, and it seems now that the market is much more adjusted where big players, they are well-positioned in terms of Christmas market share products. Do you see a greater occupancy in relation to the past two years, maybe that would help with that price calculation?

A - Lorival Luz {BIO 16180455 <GO>}

This is a short-run operation, right? So I may, -- I guess that by the end of the year, we can give you a clear statements or explanation. Last year, we grew in market share, thanks to a combination of factors, poultry and pork. However, this year's scenario is totally different than last year's. We are rather pressured over the chain considering the raw material left in Brazil. And now players in the market, they operate, is still working with the raw material left. But this year, we have a totally different markets. We have exchange pressure -- currency exchange pressures, we have swine scarcity, we have a price repositioning for beef, poultry, and swines, taking that to level of much higher prices in comparison to last year.

But conversely, we have a positive aspect which is guarantee funds, a short-run investment injection. And we believe that the poultry markets will grow. There will be a spike considering that's reasonable growth in this category, 1 to 2 percentage points, this is a soft and mild growth. But poultry in composition swine, beef, cattle, and poultry, poultry we have grown more than beef and swine. So for those of us who have a higher concentration in poultry, we have to be optimistic as we hope to get an year with results and volume, higher than the one we got last year.

Joao, just to close to your second question about the financial cycle and investments, the balance has to work on behalf of the Company. And we have different cycles, a long and complex chain. But we had reached that level of a net financial cycle, but you may need to raise inventories considering the grain cycles or also the client base behavior. And for that, you have to allow different offers and talking about consumers relationship and a purchase success where we have to get the best business and financial negotiation to the Company.

Therefore, today we -- I have 18 days in average for liquid time -- for net time, and we have to ensure that leading to cash flow, as well as administration of the working capital in a very efficient way to the Company. So I believe that in the next quarters, we'll be around 18 to 22 days max. But I believe that we are in the proper level.

Q - Joao Soares {BIO 17386703 <GO>}

Thank you very much for answering my question.

Operator

Our next question from Henrique Brustolin, BTG Pactual.

Q - Henrique Brustolin {BIO 20879960 <GO>}

Good morning to everyone, and thank you for taking my question. I would like to go back to Saudi Arabia and to talk about your new plant. Lorival, you mentioned that there is nothing defined regarding raw material. If this would be exported from Brazil, if you would buy local raw material as you have a part of local purchases, I would like to know how you see the margin of this new plant, and also just to clarify, if there is something to be -- is going to be defined?

And the second question regarding the region, if you could tell us how you see the supply and demand with this plan together with Abu Dhabi? Thank you very much.

A - Lorival Luz {BIO 16180455 <GO>}

Thank you, Henrique. Now talking about the sourcing of our new plant, nothing has been defined yet because this will all depend on the products that we make, and many times it's not even a matter of price. It would be the competitiveness between their market and the Brazilian markets. There they only produce the griller that is the small poultry. If you need to marinate the breast, well, mandatorily you're going to have to import the breast from Brazil because of the size of it. So it's not even a matter of competitiveness price, but yes, it would be the adequation, where we need the right product so that we have the proper product at the end to guarantee our quality. And this is something that we are going to pay attention to.

And I will give the floor to Patricio, and he will talk about how the gizzard plant will work when it will be ready, and he will talk about the market dynamic. Okay. Good morning. And also to, -- I would like to strengthen that today that our Abu Dhabi plant buys from the two or three main producers of Saudi Arabia. We develop this together with them. Because you have to remember that you cannot package the entire chicken, and Saudi Arabia is the market that has greater penetration of whole poultry because women weren't in this market in the past and this has changed.

So when you cut the poultry, because you have a dislocated leg or wing, this was a problem for the producers so it ends up being a problem because they cannot sell the entire poultry. There are local raw materials that are cheaper than what we import from Brazil. And we have developed good quality with these local producers. Today we already buy from them. And as Lorival said, we -- now if you need something of a bigger size and you need a chicken of over 2.5 kilograms, and I believe that the local market cannot produce this type of poultry. And they won't able to produce these poultries in the mid.

Now regarding the two plants. Today, with the gizzard plant that is in Abu Dhabi, well, in a certain way, we haven't able to hire many foodservice customers. One, because there are less flexibilities in terms or lines -- our lines are very robust from -- for the market. And number two is because we ended up producing for our brand Sadia. Now, this would be for the retail market. So to have a plant in Saudi Arabia, was one of the needs that we had analyzed in the past two years, that would be to have a more flexible plant, in order to reach more channels, especially in the foodservice, because this is something that they need more and more.

And number two, we -- what I always say is, you know, about consumer -- driven for consumer driver, it would be to develop more categories. And we are seeing a very interesting opportunity in Saudi Arabia. You see more women in the labor market, you see more women outside of their households and they need more convenient products, and today, do not have the supply locally. So yes, we do -- well, I believe that the scenario is making our life easier, and I believe that both plants will be able to complement themselves. So this is more or less the scenario for two plants and for raw material.

Q - Henrique Brustolin {BIO 20879960 <GO>}

Thank you very much.

Operator

So our Q&A session has come to an end. I would like to give the floor to Mr. Lorival Luz.

A - Lorival Luz {BIO 16180455 <GO>}

So thank you very much to everyone. Thank you very much for posing your questions. I would like to thank the entire team of BRF. I would like to strengthen once again our trust on -- in the results that represented and how we trust all the effort. And I believe this makes our result very consistent. And I would like to draw your attention to the future prospects when we see not only the impact of the international market but also everything that has been done in Brazil.

And I believe that this reassures us and we'll be able to advance -- and advance our trajectory of financial discipline, lowering our leverage and see prospects of growth and to recover the investments according to what was recently announced.

So I would like to thank everyone and I would like to wish a good end of the year to everyone. Thank you very much.

Operator

BRF's earnings result has come to an end. I would like to thank the participation of everyone. And have a very good day.