

Y 2020 Earnings Call

Company Participants

- Edison Ticle de Andrade Melo e Souza, Chief Financial Officer, Investor Relations Officer
- Fernando Galletti de Queiroz, Chief Executive Officer, Member of the Executive Board
- Taciano Custodio, Sustainability Director
- Unidentified Speaker

Other Participants

- Isabella Simonato
- Joao Soares
- Marcel Moraes

Presentation

Operator

Good morning. Welcome to Minerva's conference call, the result of the fourth quarter 2020. Today, with us, we have Mr. Fernando Galletti de Queiroz, Chief Executive Officer; and Edison Ticle, CFO and Investor Relations Officer. We wish to inform you that this event is being recorded and all participants will be on listen mode during the company's presentation. Next we're going to start the Q&A sessions for analysts and investors when further instructions will be provided. (Operator Instructions).

The slides of these presentation are being available through a live webcast at www.minervafoods.com/ir. In this address, you can find the presentation for download at the webcast platform in the Investor Relations section.

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 beliefs and assumptions of the company's management as well as 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. Investors should understand that general economic conditions and 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.

We would now like to give the floor to Mr. Fernando de Queiroz, CEO, who is going to begin the presentation. Please, Mr. Queiroz, you may start the presentation.

Fernando Galletti de Queiroz {BIO 15387377 <GO>}

Good morning, everyone, and thank you for participating in Minerva's earnings conference call for the fourth quarter and for the year 2020. This year will be marked in history. The new coronavirus pandemic has turned the world upside down and imposed a new reality on all of us. Despite many uncertainties and adversities, Minerva Foods ends 2020 to strengthened and consolidate its leadership position in South America. Since the beginning of the pandemic, Minerva has complied with the most restrictive protocols for the treatment and protection of its employees, reinforcing safety and acting in the prevention and protection of our main and most important asset, our associates.

In addition, we provide support to civil society with assistance, actions, donations and also financial support, actively contributing to the communities where we operate. So far, more than BRL43 million have been invested in support actions across the continent, including with the Instituto Butantan, one of the producers of the vaccine, so expected and necessary for everyone. Social responsibility is part of our DNA. Protecting people and ensuring food production were at the center of Minerva's efforts throughout 2020. Coping with the pandemic ended up generating greater complexity and volatility to markets directly affecting the beef industry.

Our geographical diversification was essential in 2020, reducing risks and expanding opportunities, reinstating the importance of our unique exports platform from South America. I highlight the ability to arbitrate, accelerating and decelerating operations, maximizing results and neutralizing volatility. One of Minerva's main highlights over the past few years has been the discipline of our financial management. And in 2020, it was no different. In a year marked by fluctuations, our risk management model was essential in protecting our balance sheet and our profitability.

Speaking of profitability, the generation of shareholder value was one of Minerva's greatest achievement in 2020 with emphasis to our expressive distribution of dividends at a level above BRL500 million, representing almost 80% of the year's profit. Despite so many challenges, 2020 has also enabled great strides in consolidating our long-term strategy. In 2020, we evolved with initiatives aimed at innovation and the final consumer. The development of advanced data analysis tools was one of them. Another was the e-commerce platform and marketplace. And finally, the investment arm and start-ups related to our supply chain. This is another initiative for Minerva to maximize opportunities and move forward in creating value for the business.

We have also improved our corporate governance and management with the implementation and updating of various management tools and policies, such as the integrity and corruption, destination of results, compensation and risk management policies in addition to the company's administration performance indication and assessment policy. In addition, we have made progress with our project to update and consolidate Minerva Foods' corporate culture, seeking to increasingly tune and integrate our values and business strategy. Transparency, equity, accountability and corporate responsibility are fundamental premises in Minerva's business model.

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To these efforts, we add Minerva's commitment and leadership in the environmental agenda. I highlight our maturity in aspects such as the traceability of our suppliers. We are the first and only company in the sector to use monitoring systems in 100% of Brazilian territory, and advance that positions Minerva Foods as a leader in the fight against illegal deforestation.

Also, during this conference call, our Sustainability Director will present a little more about the initiatives and achievements in 2020, in addition to our new ESG projects. For the next few years, we are working to further improve the company's business model with an increasingly balanced business strategy and management in line with our corporate values. The opportunities are enormous in the global beef market, which continues to be marked by restricted supply, competitiveness and seeks alternatives in supply of the product. In the terms of exports, we continue with the opening of new markets.

Yesterday, for example, we had the opening of the Mexican market for Argentine meat. And this raises our commercial frontiers and makes the penetration of South American products to be increasingly more relevant. Moreover, I highlight the opportunities in niche products where the degree of customization that we can have in South America puts us in a unique situation in any market in the world. I want to stress that in the so-called high-growth markets, such as Asia and Middle East, and in particular, the Chinese market, the fundamentals of demand for beef remain quite solid. And the appetite for the product continues to grow year after year, providing excellent prospects for exporters.

In the field of financial management, we continue to work towards a more efficient, less costly and less risky capital structure, always maintaining our commitment to healthy leverage and solid balance sheet. We will maintain our focus on generating free cash and creating shareholder value to essential drivers in the way we run our business and the main guidelines of this administration. And as it could not be otherwise, in 2021, we will remain committed to the sustainability agenda, a key path in our strategy and one of Minerva's main pillars and competitive advantages.

Now let's move on to Slide 2 to start our presentation. We start with net income, which reached BRL114.1 million in the quarter, totaled BRL697.1 million in 2020, a result more than 40x higher when compared to the previous year. The result here is another step in Minerva Foods' strategy to generate shareholder value. The company comes quarter after quarter delivering exactly what was promised to the market: financial discipline, profitability, free cash flow and creation of shareholder value. As a result of the good operational and financial performance of 2020, Minerva's management will propose to the shareholders' meeting the approval of complementary dividends totaling BRL384 million or BRL0.73 per share, thus considering the distribution of dividends anticipated in November of last year. And also, the interest on our own capital, January this year, the total amount to be distributed to the Minerva Foods' shareholder reaches BRL542 million, significant BRL1.03 per share.

Returning to our results, we're going to talk about the free cash flow, one of our priorities. Cash generation was positive for the 12th consecutive quarter, totaling BRL32 million in this period, after the result of foreign exchange hedge accumulating BRL1.9 billion in the year, ratifying the company's operating and financial efficiency. Minerva's consolidated

gross revenue was BRL6.1 billion in the Q4 2020 and BRL20.6 billion in the year. In this context, we highlight the performance of our exports, which accounted for approximately 67% of gross revenue in 2020 as a result of the strong international demand in Minerva Foods' great location in the export of beef.

Speaking of profitability, Q4 2020 are better even in the face of market challenges, totaled BRL617 million with an EBITDA margin of 10.8%. In the year, Minerva's EBITDA reached a record level of BRL2.1 billion, a strong growth of 22% year-over-year with an EBITDA margin of 11%. Throughout the year 2020, one of Minerva's highlights was the strength of our balance sheet. We ended the year with the leverage measured by the net debt over EBITDA indicator, 2.4x, much lower compared to the multiple of 2019. Our cash position also remains comfortable at BRL6.4 billion at the end of the year, a level that ensures us a lot of tranquility facing any of the current challenges. Just as with the payment of dividends, the execution of our share buyback program is more -- one more good news for Minerva's shareholders.

We acquired almost 20 million shares of the company and are currently held in treasury. As I emphasized in the beginning of the presentation, 2020 is marked by enormous challenges imposed by COVID-19, but also by the consistency and resilience of Minerva Foods and conducting its strategy, with the reduction of the leverage level and mainly with the creation of value for our shareholders, delivering one of the highest dividend yields in the Brazilian market in 2020. Finally, I'd like to highlight the recognition of our historic performance in the field of sustainability, with Minerva being elected to be part of the portfolio of 2 main indices of the Brazilian market: the ISE, the Corporate Sustainability Index; and ICO2, Carbon Efficient Index, a great recognition of our practices, our commitment and our leadership in this agenda.

We'll now move on to the next slide to comment on the operating performance, starting with the exports. In 2020, we consolidated our leadership position as the largest beef exporter in South America, with approximately 18% of market share in the continent. This result reflects our geographical diversification in the region. We're supported by our 16 international offices, provides Minerva with a great comparative advantage and a prominent position in the global export of beef. Let us now detail the performance of exports by region a little better. In the Brazilian Division, Asia accounted for 53% of the exports revenue, an expressive growth of 14% points compared to the previous year. Asia was also the main destination of Athena Foods exports in the period, accounting for 36% of the total exported by the division. You will see further that consolidated position between Minerva and Athena, there was a greater diversification of destinations for our exports.

The performance of exports makes the region's growing demand for beef increasing the evidence, especially from China, but also from other important markets in Asia, such as Indonesia, Thailand, the Philippines, among others, a consistent movement that should be even more -- be more accentuated over the next few years. To conclude, I think it's important to highlight the fundamentals and market prospects that remain very solid. We have a combination of very positive factors for the coming periods, with the demand for beef very heated in emerging markets, especially Southeast Asia. Where did this, the movement of return of the food service, which brings additional demand and not

calculated in 2020. In addition, problems in the production of beef from Australia accentuate the imbalance in the world supply and opens up opportunity for South American producers.

I highlight the impact of African swine fever on the global protein supply with new outbreaks being detected even today. Therefore, with great uncertainty for the availability of this product. In this view of promising horizon, Minerva's strategy is to continue maximizing our competitive advantages, investing in innovation, niche opportunities, risk management and market intelligence to attain our commercial and logistical solutions increasingly more profitable and efficient, always respecting our commitment with ethics and sustainability.

I'd now like to give the floor to Taciano, who's going to talk a bit more about our achievements and initiatives in the field of sustainability.

Taciano Custodio

Thank you very much, Fernando. Good morning, everyone, and thank you for participating in our results conference call. Sustainability is consolidated as a strategic pillar of Minerva Foods and becomes a value of the company. The year of 2020 was marked by significant material advances in the 3 pillars of sustainability, even in the face of a new and challenging scenario imposed by the pandemic. In dedication to the planet, our environmental pillar, we led the fight against climate change, especially emissions resulting from conversion of land use. We did this without any future promises, working with the best technology today to contribute to the sustainability of the value chain.

We are the first company in the industry to geographically monitor 100% of purchases throughout the national territory. There are more than 9 million hectares monitored in the Amazon and more than 2 million hectares monitored in the Savannah, Pantanal and Atlantic Forest. The Amazon region represents 35% of the volume of purchases, while the other regions account for 65% of the total produced. A material breakthrough against illegal deforestation, respect for indigenous land and environmental protection areas, which positions Minerva Foods as a leader in verifying the supply chain. Our pioneering spirit also met the challenge of evaluating indirect supply of farms.

We are the first company to address the issue through the Visipec tool. And the first test published in the third quarter 2020 earnings release, the indirect farms mapped and verified by the tool were 99.9% in compliance with the criteria defined by the indirect suppliers working group. In the second calibration test of the Visipec tool, the result was 99.3% of compliance, reaching a total in both tests of 3,689 indirect farms verified for 2,317 direct supplier farms, a proportion of 1.6 indirect suppliers for each direct supplier of the company, proportion that reinforce the supply chain of Minerva Foods more technologized producers, producing with high quality and accessing international markets.

In Paraguay, we expanded the geographic monitoring of suppliers beyond the border of the Chaco region, and we started monitoring the whole territory of the country. More than 1,200 farms are registered in the monitoring system, accounting for 75% of the total

animals monitored for illegal deforestation, overlapping with indigenous land and environmental protection areas in an area of over 3 million hectares. We joined the B3 Corporate Sustainability Index and also the Carbon Efficient Index, reflecting Minerva Foods' practices in transparency and sustainability. In addition, we remain with the best results in the audit of the Federal General Attorney's office against illegal deforestation in the Amazon, a process that best reflects the real commitment of the company. The data are public and can be accessed on our website and also in the presentation of this webcast.

In the prosperity of our people pillar, we acted quickly to mitigate the effects of the new coronavirus pandemic. And in the first quarter of 2020, we started a contingency plan in all countries, redesigning processes, activities and routines in compliance with the WHO guidelines and local authorities. We guarantee the safety and well-being of our associates and third parties in the value chain, and we work together with the communities through the donation of over BRL43 million in PPE, food, medical equipment and medicines, reiterating our commitment to protection of life. We guarantee the best safety and health indicators for our workers for more than 20,000 workers worldwide. And we supported more than 12,000 producers across South America, taking their production to customers in more than 100 countries in product quality and respect for life. Our pillar on food safety and animal welfare.

We maintained all operations in Brazil, Argentina, Paraguay and Uruguay, certified by the British Retail Consortium global standard. Minerva Foods' animal welfare program goes beyond compliance with regional legislation and adopts the standards of the North American Meat institute and the European Union Regulation 1099, with an average attendance of -- compliance above 99% in international welfare certifications and investments in excess of BRL1 million. We work with transparency in the management of indicators. Zero tolerance to maltreatment and acts of neglect to animals. Zero tolerance for prophylactic use of antibiotics and growth hormones, in addition to a lot of training throughout the value chain, reaching over 460 training courses in 2020.

On the second slide, we present our 2021 plan with a guidance to advance in low carbon production. In partnership with Wake Up [ph], we're going to make a plan to decarbonize our operations, focused on the environmental efficiency of our plants and also the energy matrix of renewable sources. Our goal is to reduce our carbon footprint in scopes 1 and 2, those directly related to our operations, in addition to preparing a water footprint study to address the issue. It is important to highlight that considering the value chain, the conversion of land use and production is the activity that concentrates the greatest risk related to climate change. Accordingly, by the end of the year, Minerva will monitor 100% of purchases across Paraguay's territory and start a geomonitoring system in Colombia.

In Brazil, we will keep monitoring throughout the national territory for 100% of purchases and will integrate the Visipec tool to verify indirect suppliers, farmers in the Amazon until December. Aimed at supporting the production chain, we signed a partnership with Embrapa to establish protocols that aim to assess the carbon balance and biodiversity of our partners, in addition to contributing to production practices that improve the productivity and profitability of producers. We will advance with the same objective in all

countries in which we operate, collaborating for the analysis of primary data, which reflect the sustainability practices of Minerva Foods' partner producers.

We launched the QR code for our Estância 92 and Minerva Angus line, bringing the consumer a new experience that goes beyond the quality and flavor and taste of our products. In scanning the image, consumers have access to information on the origin of animals and production system adopted, data on quality certifications, access to the results of sustainability audits to the characteristics of the cuts. Our plan is to expand the project to more products and take the information to our international consumers -- customers as well.

Human rights is also an extremely relevant issue for Minerva, and we are preparing a complete risk matrix in our entire operation in partnership with Institute Tehos [ph]. Finally, we will continue to engage with the value chain, sustainability in a material way, focused on reducing our carbon footprint, reducing our water footprint and mainly fighting climate change. Minerva Foods' commitment is demonstrated with the material results today, now contributing to the sustainability of our planet.

Now I give the floor to Edison, who's going to continue with the earnings results presentation.

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

Thank you, Taciano. We're going to start on Slide 7. Let's start talking about operating performance and the breakdown of the share of divisions of Minerva's gross revenue.

In Q4, Brazil Division was responsible for 50% of the total gross revenue generated by company, while Athena Foods division accounted 40% and Trading Division 7%. Since the previous year, we have observed significant improvement in production units in Brazil, and the capacity has increased 6 percentage points in the semester ending Q4, around 69%, a new level of the year.

At Athena Foods, we run at a stable capacity of approximately 77% supported by the growing volume of exports. Thus, the use of capacity of the company was 73% in the quarter. As we have indicated, this level of use is still slightly below our historical level of 80%, but it should be achieved over the next periods with the cooling of, the reduction of pandemic.

We highlight our consolidated exports by region, both for 4Q, 2020. As Fernando mentioned, Asia continued to play a major role. In Q4, the region accounted for 49% of consolidated exports. And in the 12 months, the share of Asian continent totaled 44% of Minerva's exports. And China was a major world market, representing 34%.

To conclude, in the lower left corner, result of our efficient operating execution and more balanced capital structure. Our return on invested capital continues to expand consistently, reaching 25% in 2020, the highest level of the last years and positions us as a reference in the sector.

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Moving now to Slide 8. We'll start with the net revenue, which reached BRL5.7 billion in the Q4, strong expansion, 17% compared to Q4 2019. 2020, net revenue was record totaling BRL19.4 billion, an increase of over 13% compared to the previous year. Speaking of profitability and EBITDA, Q4 reached BRL617 million, an increase of 2% year-over-year, accounting an EBITDA margin of 10.8% even in the face of a very challenging scenario of high cattle prices in Brazil, especially in the last month of the year. This scenario has been quite challenging, but the company has been very efficient in transferring this price increase, being able to maintain a good level of profitability. 2020, our EBITDA totaled around BRL2.1 billion, a record level for Minerva and EBITDA margin of 11%, almost 1% point higher than 2019.

Now let's move to Slide 9 to talk about Minerva's financial leverage. Our leverage ratio, measured by the net debt-to-EBITDA indicator for the last 12 months dropped 2.4x when compared to the end of 2019, even considering depreciation, almost 30% of the dollar against the real in 2020. Minerva's current level -- leverage reflects management's committed to seeking a more efficient, less costly and less risky capital structure. It is worth mentioning that this is something that we have been communicating since the beginning of 2020 when we concluded our follow-on in January 2020, and it has been carried out with great focus by this administration.

I'd like to highlight that we still have BRL356 million in warrants that should be exercised and reinforce our cash until the end of 2021. As soon as the fiscal year occurs, these funds go into cash. And if we adjust the cash due to the effect of these funds, Minerva's net leverage after this fiscal year ends up being reduced to 2.2.

Moving on to the next slide. Let's talk about net income and operating cash flow. 4Q was a positive result. Quarter attaining BRL114 million after calculation of tax, totaling BRL697 million in 2020. This result reflects our strategy and our financial strategy over the years, focusing total in free cash generation, risk control and reduction of indebtedness. These pillars have been priority for the companies and obviously have helped greatly in the results of 2020. Moving to generation -- operating cash generation. Q4 operating cash flow was negative BRL160 million. In fact, the impact in working capital consumed BRL227 million in Q4, seasonally happens in Q4, especially due to -- in this case of Q4 2020 was negative variation of BRL485 million in the line of other accounts payable. In the year, cash flow of activities totaled BRL3.2 billion.

Now let's move to Slide 11 to comment on greatest priority of the company, which is free cash flow. Q4 cash flow continued positive for the 12th quarter and totaled BRL32 million. If we exclude the foreign exchange hedge and generation of free cash flow recurring, it was BRL83 million in the quarter. Buildup of the free cash flow, we start from an EBITDA before the nonrecurring items of BRL610 million. CapEx BRL78 million, with great part, about BRL60 million related to maintenance. Working capital was negative BRL227 million. And financial results based on cash was BRL228 million negative. Excluding nonrecurring effects of BRL6 million due to social charges we had with pandemic, we get to free cash flow recurrent of BRL83 million in Q4.

For 2020, total free cash flow totaled BRL1.9 billion, EBITDA BRL2.1 billion, CapEx BRL347 million in the year. It's worth highlighting BRL75 million in the third quarter related to the

acquisition of the Vijagual plant in Colombia. Our maintenance CapEx was from 2020 to BRL250 million a year. Financial result. Base cash was negative BRL242 million a year. Variation in working capital was positive BRL355 million. We had an impact of BRL40 million in nonrecurring items. All of this thus added, we get to free cash flow of BRL1.9 billion in 2020, which reflects an excellent performance, financial performance of the company in the year.

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I draw your attention to these results of free cash flow compared to the previous 12 months. We generated BRL1.9 billion of free cash flow for an EBITDA of BRL2.1 billion. In other words, the conversion of cash superior to 90%. Our method EBITDA [ph] swift generation of free cash is quite adherent, and this is quite unprecedented in this industry. Ultimately, 2020, 90% of the EBITDA generated was effectively converted to cash to the company. This amount has been invested in our improvement of our capital structure and distribution of value to our shareholders.

Now let's move on to Slide 12 of our presentation and talk about the net debt. Our total net debt totaled BRL4.7 billion. This fourth quarter, we had 2 impacts to the debt: one, BRL210 million disbursed in our buyback program. We bought almost 20 million shares. Second, payment in November, BRL138 million related to early dividend distribution. And total impact BRL248 million nonrecurrent, increasing our net debt, but this money was directly to the hands of shareholders. Going to bridge, we had a result that was positive in terms of free cash flow of BRL83 million in the quarter, BRL52 million that were negative with the effect of the cash of instruments or hedge related to our hedge policy plus BRL410 million effect noncash merely accountable mark-to-market and our other hedge instruments.

In addition, we also had a positive impact, noncash foreign exchange variation. In the part of the debt, it is in foreign currency. Adding all these accounts and setting up bridge, Minerva ended 2020 with net debt of BRL5.1 billion against BRL6 billion at the end of 2019. Even considering foreign exchange depreciation of approximately BRL110 in 2020, we were able to reduce the size of our net debt. Adjusting net debt of Q4 by the impact of complementary dividends and share buyback, we total BRL4.8 billion debt that is practically stable regarding previous quarter. This position ratifies the commitment of this management and continues to reducing the level of indebtedness, especially including -- improving our capital structure.

We recently had recent updates from Fitch and S&P our credit rating, and this is constant search for strengthening our capital structure, reducing leverage, keeping our liquidity and especially considering generation of free cash. Reducing the profile risk of the company naturally reflects a better outlook in the mid and long term that ends up matching the assessment of risk agencies. Our current hedge policy continues imposing that we have at least 50% protection for foreign exchange exposure that is passive and long term. This is maintained, and this may be seen through our hedge instruments that we have been presenting in our financial statements. Well, having this foreign exchange exposure very well protected. We continue focusing our operating and financial, and we keep on generating to our shareholders focused especially on the efficiency of our operations.

On the next slide, we're going to talk a bit more about the capital structure. As we said, the net leverage level measured by net debt over EBITDA was -- in the 12 months was 2.4%, adjusted by the impact BRL348 million relative to dividends. Anticipated buyback, it was stable 2.2. At the end of the year, we have a position of cash with BRL6.4 billion. That gives us great confidence in modes of high volatility. Speaking of the profile of indebtedness, about 78% of our debt is exposed to foreign exchange flow. Then we have a duration of approximately 5 years. And lastly, I'd like to say that our commitment to our balance sheet and our hedge policy obliges us to project 50% long term.

Now moving to Slide 14. As Fernando mentioned in the beginning of the presentation, the cash generation or value generation for our shareholders is one of the great priorities of our management. In line with our excellent operating performance and financial results we've been attaining and consistent execution of the process of reducing leverage, the management of Minerva will propose the shareholders' meeting in April. Payment of complementary dividends and the value of BRL384 million dividends that are complementary or 0.73% per share actually, if we get or -- if we take this manual and this additional distributions that were BRL138 million or BRLO.26 per share, plus interest on own capital paid now in January, net amount of BRL19 million, which totaled BRL542 million in cash distributed to shareholders, which is about BRL1.3 per share, excluding, obviously, the shares in treasury.

We're talking about dividend yield that is record of almost 11%, certainly, among top 5 or top 10 in the share market or capital market in Brazil. This scenario was only possible due to the effort of Minerva's team in the past years. Our priority has always been clear. Prioritize free cash flow, reduce our debt, our leverage and provide conditions so that Minerva can distribute value in a consistent, relevant way to their shareholders. As we mentioned from the beginning of 2020, finally, this moment has arrived, and we are very happy to be able to announce this outlook of distribution of dividends to all the company's shareholders. You should remember that when we announced the policy of dividends in the early 2020, it said that the end of fiscal year if the net leverage EBITDA would be at level equal or lower 2.5, dividend memo would be 50%, 25% with compulsory dividend and 25% as complementary. In this year, we're going beyond the policy.

As I said, BRL384 million complementary dividends added to the previous distribution totals BRL542 million. In other words, BRL1.3 per share, distributing to shareholders of Minerva almost 80% of all the net income of the year after the considerations of mandatory reserves. The proposal will be submitted to the General Shareholders Meeting in April. Once approved, the shares should be negotiated x from the next day with payment expected for 20th of . To close, we should highlight that this scenario of distribution of dividends do not compromise the strategy of Minerva keeping a proper level of leverage. If we consider everything by the end of '21, the ratio, debt -- net debt EBITDA with the 12 months based on Q4 is still stable at 2.4%, even with this amount that is quite significant distribution of value to shareholders. We continue, therefore, to have a comfortable balance sheet position with a solid and balanced capital structure, much less costly with lower risk profile, which ultimately provides opportunities such as this to generate and distribute even more value to our shareholders. Well, with this, we conclude the earnings results presentation, and I'm going to give the floor to the operator to start our Q&A session.

Questions And Answers

Operator

(Question And Answer)

Ladies and gentlemen we are going to start the Q&A session for analysts and investors. Before we start we'd like to inform that the answers are going to be answered in Portuguese and in English only via webcast. (Operator Instructions) Our first question comes from Joao Soares from Citibank. Please Joao, you may proceed.

Q - Joao Soares {BIO 17386703 <GO>}

Good morning, everyone. I have two questions. First, I'd like to hear from you the plans regarding the announcement that you made with SALIC to related to Australia and back [ph]. How do you imagine the profile of assets? And more or less, the timing that you see of that or granularity required would help us here. A second point that drew our attention, I see the use of capacity in Brazil that is relatively smaller than we saw last year, about 76%, last year almost 80% and here, you see the model running at 70%. I'd like to hear a bit from you, and this is more a market division. Fernando, if you can help to understand what is availability? Is it something strategic? I see the volume of exports dropping 10% year after year. Is this reflects of less use of capacity? If you could give us a bit of view on the use of capacity and volume, that would be great help. Thank you.

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

Regarding the joint venture with SALIC, we have this idea of having geographical diversification, and diversify what we have in Uruguay (inaudible) and we have strong penetration in the Middle East and the Southeast of Asia. You maximize our commercial structures that are located there. So they are investments that are relatively small, and they actually replace a market of live animals that gradually reduces being replaced both by the economic part and sanitary part by the production in the stores. So this is the rationale behind this JV. As to exports, we've had the internal market that was quite stronger than domestic markets be surprised in the fourth quarter, you had -- we had significant growth that actually had several factors, the reduction of slaughter that created more power of pricing, especially domestically. So it has more inertia. So we see greater effect of exports for the first semester of '22 -- first quarter of '21, rather.

And so we have weekly -- we make the weekly decision of where to allocate our portfolios. And then due to foreign exchange market and all this, the decision is made based on all of these things. It is a decision that is a result of the most efficient way of maximizing the return for the dismantling of cattle. So this is what justifies it. So I should highlight that greater arbitration between the Latin American countries or South American countries had great effect. One of the features of Minerva is geographical distribution that allows that regardless of what happens in the market of beef, foreign exchange or being able to offset one source vis-à-vis the other, accelerating one and deaccelerating the other whenever necessary.

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Q - Joao Soares {BIO 17386703 <GO>}

I understand, Fernando. A follow-up regarding when we look at export markets, we see that some regions clearly -- no, we see this here, the up-down, the reduction in demand of foodservice. This -- I would assume that in the first quarter you continue seeing those dynamics looking outside or abroad to accelerating these volumes of exports. How do you see things in the short term?

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

Each country a different reality. Southeast Asia is resuming quite strongly good market. You have Middle East as well. Some countries quite at ease, and it's difficult for you to generalize. But no doubt, in general, the food is one of the industries that was most impacted, and we're going to have total recovery with vaccination plans that should occur, especially in developed country in the second semester. So you have a potential of even greater increase of food, the food market. Added to that, I think the scenario is valid for all analysts. We have the grain market. So what's happening? We have great broad pressure on soybean and corn and is actually increasing the price of competitive products, chicken, poultry and swine, both in terms of cost and pressure of the nonresolved crisis of ASF. China tried vaccinations, but vaccines seem to present problems. There are still outbreaks of ASF. And so there is quite productive scenario for beef not only in the world market, but also considering competitive proteins.

Q - Joao Soares {BIO 17386703 <GO>}

Okay. Thank you very much, Fernando. Have a good day.

Operator

Our next question is from Isabella Simonato from Bank of America. Please Isabella, you may proceed.

Q - Isabella Simonato {BIO 16693071 <GO>}

Good morning, Fernando.

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

Good morning.

Q - Isabella Simonato {BIO 16693071 <GO>}

Congratulations on your results. I'd like you to comment a bit on how you see this beginning of the year and the dynamics for over 2020, knowing that we have a lot of uncertainties regarding coronavirus. And if you could talk about cycle and pricing. What draws our attention is the price increase in the domestic market quarter-by-quarter. How do you see this in the beginning of this year? Thank you.

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

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Well, we believe that this year, we're going to have behaviors that are going to be quite different. We see the first quarter in domestic market quite sustainable with the increase we had in the fourth Q. This reversion is not happening. I think it's very much due to the drop in slaughter, less availability of meat in the domestic market. And the emergency grant may continue over the year for some time. There is this expectation. That should, this emergency grant should continue. So the domestic margin should be very much sustained. Exports, usually, they gain more drive in February, March. So in January and February, exports are weaker than last year.

We have an expectation that it should start increasing as of March in terms of volume and the improvement in volume will bring price improvement. This should happen over the year. To be quite honest with you, we believe that first and second quarter this year should be a bit weaker. and third and fourth quarters much stronger. More or less, on these levels we see -- we saw last year for the second, third and fourth, around what we saw last year, but very likely weaker than last year for some reasons. Exports, first. Exports will take longer to react. Second point, cattle price is significantly higher than last year. So this is something that we we've been talking about, the cattle raising market as of 2020. So this has been happening. So this is not bad news in terms of price because Brazil has great capacity. We have great capacity as exporters to transfer price. So there is some lag for this to happen.

So this should impact results first and second quarter, but we believe the third and fourth quarters, even at a capital level much higher than we've seen last year, we can generate margins that we generated last year in the second semester. Having said that, we have the rainfall in Brazil that have delayed start. This ended up reducing and delaying the offer of cattle. So that should come more strongly in April and May. It should be delayed and should be more distributed from May to July because of the late rainfall. This reflects cattle price to be higher. And on the other hand, we have a very well supported domestic market. As we usually don't see, this is a great positive surprise. And we see exports accelerating strongly. Fernando talked a lot about China, and it's worth highlighting the ASF, greater outbreaks, more outbreaks in ASF. It's happening in China. And our commercial power there said that prices started growing strongly and very likely we should have price increase in dollar to exports for China over the second quarter. This is the scenario we're working on.

Perhaps for second quarter, we have slightly weaker results, but they will be offset for sure in the third and fourth quarter of the year.

Q - Isabella Simonato {BIO 16693071 <GO>}

Very clear. Thank you.

Operator

(Operator Instructions) Our next question comes from Marcel Moraes from Santander. Please Marcel, you may proceed.

Q - Marcel Moraes {BIO 6696122 <GO>}

Good morning, Fernando.

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

Good morning.

Q - Marcel Moraes {BIO 6696122 <GO>}

Congratulations on your figures. I'd like to go back to this cattle availability question. You talked about Brazil. But at Athena, there was an expansion, right, in cattle slaughter. It was the first positive number since the third quarter 2019. Is this related to some improvement in the availability in these countries? Or is it linked to the fact that you -- well, you deaccelerated Brazil a bit and decided to pull a bit the other countries to meet foreign market demand? What is the environment of availability of cattle in the other countries? Thank you.

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

We have different realities in different places. So if you follow cattle price, Uruguay had a drop, showing more availability. Paraguay, too, with greater availability. And we should highlight that we made an investment in Colombia. We've increased our capacity, installed capacity to produce in Colombia. That has different seasonality than in Brazil. So this shows the capacity, our ability of arbitration, not vis-à-vis Minerva Brazil. There are individual countries that we accelerate or deaccelerate. Great part of the work done has been a checklist within Minerva. The whole procedure that allows us to speed up or slow down the plants very quickly at lowest cost possible. And it's not just the used capacity.

It's a speed at which you can add capacity or remove capacity at a market that we see that is increasingly volatile. Adding to what Edison said for Isabella's question, we see in the commodities market -- beef, we see much greater volatility. So the speed, the structure of diversification, geographical diversification that allows us to arbitrate markets and source and destination, they are fundamental for us to live in a more volatile market. Just to reinforce the volatile market question, you have regulated inventory by customer that reinforces the volatility. So we're preparing Minerva for the scenario. One of the features is risk management. So we're preparing ourselves for a more volatile scenario in 2021.

Q - Marcel Moraes {BIO 6696122 <GO>}

Perfect. I understand that Colombia may have -- has certainly contributed to this increase in slaughter. But do you think it's too soon for us to assume that the Athena slaughter will be in the positive field for 2021?

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

No doubt.

Q - Marcel Moraes {BIO 6696122 <GO>}

Right. In Argentina, if you could comment on it as well, what's about the availability there?

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

Argentina, you have a situation of reduction at this time in the first quarter, slowdown in slaughter. We have a value reserve for foreign exchange protection. But since the government is speeding up devaluation, so you start gradually having a normalization. Situation in Argentina is quite special due to the interference of the government. We also see Argentina going back to taking up greater space on the international scene, especially because Argentina is a natural substitute of Australia that is at the lowest slaughter in the past 30 years.

Q - Marcel Moraes {BIO 6696122 <GO>}

Thank you. Perfect. Thank you, Fernando.

Operator

I'd like to give the floor now to the speakers to answer the questions from the webcast.

A - Unidentified Speaker

Well, we have three questions from the webcast. The first from Antonio Carlos regarding the volume of exports, use of installed capacity, some sign early this year is to return to the level of 2019. When do you intend to leave these levels?

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

As we've mentioned during the presentation, quarter-by-quarter, we are gradually increasing our use of capacity. The idea is that company as a whole reaches 80% close. That was the pre-COVID-19 capacity use. We saw the drop from 80% to 71%, and it's been gradually growing. And now today it's 73%, 74%. And over the year, we expect to get to this level. All -- it will all depend on how the pandemic will evolve and all the measures we have to take of distancing within the plants. So it is an evolution on track, and it should happen at the end of the year.

A - Unidentified Speaker

Another question from Philipe. I'd like to note there is expectation of new share buyback program.

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

The decision is actually by the Board of Directors. We make the suggestion and obviously, due to the cash amount that is generated by the company and the price that we see of shares today, very depreciated, it makes sense the Board allow the new program of share buyback.

A - Unidentified Speaker

Ricardo Carnero, considering the great importance of China and exports, what the base scenario of meat demand in the Chinese market is?

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

It's what I answered to Isabella. We have quite optimistic scenario. Exports should resume more strongly as of March. The ASF outbreaks drive even more our demand and all the secular movement of increase of middle class, migration of consumption habits, makes the consumption of protein to beef to continue over the years in China, and this should continue to happen in 2021. So our base scenario is quite positive, increase in demand volumes and especially price increase over the year.

A - Unidentified Speaker

And the last question that came up here from Rosapedro for Athena Foods, you have this outlook?

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

No. We've mentioned it various times. We do not have any other intent of having the IPO of Athena. In the short to midterm, this has been discarded. That was one of the ways of speeding up the deleverage of our balance sheet and also block value. But with the results we've attained, we have no need whatsoever in terms of capital structure of doing that. We're only going to think about the Athena Foods operations, if it is something that is really worthwhile from the standpoint of generating value to our shareholders.

A - Unidentified Speaker

And the last question, Roger. I'd like to know if you believe that it is possible to maintain the current way the net debt EBITDA cash flow for forthcoming year?

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

90% is actually an extremely high level. But if you look historically and you do the math with our capital structure today with much more burden [ph] debt and maintenance CapEx, well controlled, the metrics of working capital, which are benchmark in the industry, I'd say that we can get the conversion EBITDA cash over 60 -- in this range of 60%, 90%.

Operator

(Operator Instructions) Since there are no more questions, we would now conclude the question-and-answer session. At this time, I would like to give the floor back to Mr.Fernando Queiroz for his final remarks. Please, Fernando.

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

I'd like to reinstate my great thanks to the Minerva team. If we look at what was the end of last year and what was the end of 2020, 2019 vis-à-vis 2020, we've transformed Minerva. We've changed the company at an extremely different scenario, which was during the pandemic. It allowed us to be more united, to be more in line and aligned, and be able to deliver the results you can see. So I would really like to give special highlight and acknowledgment to whole team, dedication, drive and resilience, which have been fundamental over 2020. Thank you, all the team, to all of you.

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To 2021, I would like to highlight that commitment of Minerva for value generation to shareholders, it will continue. It won't be a simple year. We are facing unknown territory. So we have a country at different stages of vaccination, development and economic impact. So we will have a lot of volatility, which we have learned within Minerva to turn volatility into value. So we are prepared for that, especially supported by this team that is so dedicated and so prepared. And I reiterate here our commitment of generating value to shareholders. I thank you all for your interest in Minerva. We remain at your disposal to clarify doubts and questions and to be closer to you with transparency, with clarity as to how we conduct our businesses.

And finally, I highlight all the work of culture that we're carrying out, all the work of alignment towards this new reality, making an ever increasingly more innovative, modern, always ahead of what happens to market. Thank you very much.

Operator

Minerva's webcast is completed. We thank you all for your participation, and we wish you a good day. You may now disconnect.

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