Q2 2021 Earnings Call

Company Participants

- Andre Nogueira, President and Chief Executive Officer - JBS USA
- Gilberto Tomazoni, Global Chief Executive Officer
- Guilherme Perboyre Cavalcanti, Chief Financial Officer and Investor Relations Officer

Other Participants

- Analyst
- Benjamin Theurer
- Ricardo Alves

Presentation

Operator

Good morning, everyone, and thank you for waiting. Welcome to JBS Second Quarter of 2021 Results Conference Call. With us here today, we have Gilberto Tomazoni, Global CEO of JBS; Guilherme Cavalcanti, Global CFO of JBS; Andre Nogueira, CEO of JBS USA; Wesley Batista Filho, CEO of JBS South America; and Christiane Assis, Investor Relations Director.

This event is being recorded and all participants will be in a listen-only mode during the company's presentation. After JBS' remarks, there will be a question-and-answer session. At that time, further instructions will be given. (Operator Instructions)

Before proceeding, let me mention that forward-looking statements are based on the beliefs and assumptions of JBS' management. They involve risks and uncertainties because they relate to future events, and therefore, depend on circumstances that may or may not occur.

Now, I'll turn the conference over to Gilberto Tomazoni, Global CEO of JBS. Mr.Tomazoni, you may begin your presentation.

Gilberto Tomazoni {BIO 2090061 <GO>}

Thank you. Good morning, everyone. Thank you for being part of our conference of results. In the second quarter of 2021, we produced yet another robust financial results. The best quarter results in the history of the company. While it is true, the market conditions in North America favored several of our businesses, our focus all the time is on operational excellence. A constant across our business is the excellence with which we carry out our operations, focusing on people and foster a culture of ownership. And this operational excellence perseveres irrespective of market conditions.

What makes us confident regarding the soundness of our sustainable growth are the pillars on which we have built our trajectory: the team, the financial discipline, innovation, value-add and the brand. We have taken important steps at JBS with an eye towards the future, without losing sight of the short-term. Market recognition of these strategic movements can be seen in our share price, which we believe is at the beginning of a promising cycle.

I will now speak about what is outlined in the Slides 1 through 17. Looking to the future, we have placed sustainability at the core of our strategy. We are the first major company in our sector to make the commitment to be net zero by 2040, in other words, to achieve net zero greenhouse gas emissions across our entire value chain. We have a zero tolerance for illegal deforestation and we are advancing our monitoring system well beyond our suppliers, using blockchain technology in our Transparent Livestock Farming Platform and creating Green Offices to support farmers in improving environmental performance of their properties.

Because we recognize that our social responsibility goes well beyond our value chain, we created the JBS Fund to the Amazon, dedicated to fostering and financing the sustainable development of the Biome, with an emphasis on communities and the smallholders. The first six projects were rolled out this quarter, we are intended to promote low-carbon farming, reforestation and development of the bioeconomy to include smallholders in what we believe can be the new green revolution.

On ESG front, we continue to support communities and other communities with COVID-19 pandemic, with new investment on the Fazer O Bem Faz Bem program in Brazil. In United States, JBS isand Pilgrim are building the largest free college tuition program in North America for better future.

And we are moving forward in initiatives with inclusion and diversity, with a new Diversity Committee, affinity group and our participation in MOVER the Movement for Racial Equality, which brings together nearly 50 companies in the consumer goods sector in Brazil.

Still under same governance, I want to advise that our Board of Directors already at 55 of independent Board Directors, and 22 of women. Our long-term strategy is already underway. It is also visible in our investment for building both geographical and portfolio diversification.

We have prioritized investments in our brands and value-added products by accelerating the expansion of Seara in Brazil, the new Italian specialty meats plant in United States, the acquisition of Meats and Meals businesses of Kerry Consumer Foods in United Kingdom and Ireland, and Rivalea in Australia. It can also be seen in the investment in diversifying proteins, like plant-based and aquaculture, following the acquisition of Vivera in Europe, the creation of Planterra in United States, the advancement of the Incrivel brand in Brazil, and the proposed acquisition of Huon Aquaculture in Australia.

We continue to make investments focused in the the circular economy, generate value from the byproducts and protein production, announcing from results of our industrial process. The construction of new collagen and peptides plant, a new biodiesel plant, as well as first organic fertilizer plant in Brazil.

Since 2020, factoring shareholder returns $2.3 billion in dividends and share buybacks, the acquisitions announced $2.2 billion, the expansion and modernization in our operations around $1 billion. And our ESG investments $970 million amounted to $6.4 billion. Despite this robust investment, our financial prudence has allowed us to end the second quarter with a leverage of 1.73 times in U.S. dollars, and we have been less than 2 times for 12 consecutive months, below our financial policy that we have made two years ago.

The company's long-term growth and the perpetuity strategy go hand-in-hand with our focus on the short-term and as shown by the results presented today.

All of these strategic initiatives, the committed manner in which we carry out our business and the fruits of the labor of our more than 250,000 team members have also been recognized by the rating agencies. In June of this year, we achieved investment grade from Fitch, which among other factors, highlighted the company's strong business profile, low leverage, strong liquidity and positive free cash flow generation. Moody's also have raised the rating of JBS, due to company's continuing strong operating performance, which has resulted in an improvement in liquidity and lower financial risk.

The steps we are taking have shown that it is not only possible, but also absolutely necessary, to protect the planet with a robust operation that can grow in a consistent and sustainable manner, create value for all of the stakeholders in the society. We remain optimistic regarding the future and steadfast in our aspiration to feed the world with the best dairies and in an increasingly sustainable manner.

I pass now to Guilherme Cavalcanti who will give the details of our results.

Guilherme Perboyre Cavalcanti {BIO 2181205 <GO>}

Thank you, Tomazoni. Please let's move to Slide 18 with our financial management achievements. And where I would like to highlight that we continue advance in our long-term strategy evolving towards value-added products, delivering growth combined with financial discipline at the same time that we advance in our ESG strategy.

Starting on Slide 19, I would like to highlight that from the beginning of 2020 until now, we have invested $6.4 billion or BRL34 billion with the following breakdown. We returned $2.3 billion to shareholders through share buybacks and dividend distribution, including the anticipation of dividends announced yesterday. We invested $2.2 billion in acquisitions this includes the recently concluded acquisition of Vivera, the third largest plant-based producer in Europe as well as the announced acquisition of Kerry which is a leading producer of the ready to eat meals in the UK. Rivalea, the second largest hog breeding and pork processing company in Australia. And Huon, the second largest salmon aquaculture company in Australia. We also invested $1 billion in the modernization and expansion of our production units. And finally, we have invested globally more than $1 billion in sustainability.

Therefore, we continue to advance in our long-term strategy in delivering returns to the shareholders. At the same time that we were able to reduce our leverage from 2.1 times to 1.7 times net debt to EBITDA, thanks to the EBITDA expansion from $5 billion in 2019 to $6.3 billion in the last 12 months ended in the second quarter. The prospects of free cash flow generation and EBITDA for the second half of 2021 indicate that we are able to anticipate the dividend and conclude the acquisitions without increasing that leverage.

Now, please let's move to Slide 21, where we will present the financial and operational highlights for the quarter. In the second quarter of 2021, we achieved net revenues of $16 billion, which represents an increase of 27% in the annual comparison. The adjusted EBITDA was a record of $2.2 billion or equivalent to BRL11.5 billion or BRL11.7 billion, which represents an EBITDA margin of 13.7% in the quarter. In the last 12 months, EBITDA totaled $6.3 billion or equivalent to BRL33.6 billion, also our record.

Net income was a record of BRL4.4 billion in the quarter; excluding the impact of provisions for legal settlements in the U.S., the adjusted net income would have been BRL5.7 billion. In the last 12 months, net income was $2.5 billion or BRL13.6 billion. Excluding the same impact, the adjusted net income for the last 12 months would have been BRL15 billion. This value indicates a good profit for the year of 2021, and consequently, a good minimum dividend to be paid in 2022. And remembering that the reduction in the balance sheet exposure to foreign exchange rate includes the predictability of our net income, thus, we announced the anticipation of interim dividends totaling BRL2.5 billion, which represents BRL1 per share to be paid in August 24th.

If we consider the BRL2.5 billion of dividend anticipation, in addition to the BRL2.5 billion of dividends paid in relation to the year of 2020, we have a dividend yield of 6.4% [ph] already in 2021. In addition, if we consider the repurchase of shares of BRL3.8 billion carried out this year until June, we have a total yield of 10.8% for the year so far. Thus, the carry of JBS shares remain extremely positive to the shareholder.

Free cash flow for the quarter was BRL3.2 billion or $600 million, where I highlight that there was a negative impact from working capital lines, such as the negative valuation of BRL2.2 billion in the accounts receivable due to the increase in the average sales price for the business units, combined with an increase in the volume exported, mainly from Brazil, as well as there was a negative valuation of BRL3 billion in inventories line, mainly impacted by the slowdown in ports of Brazil and United States. Thus, part of this impact should revert positively to working capital valuation in the third quarter.

Exclude these two impacts, free cash flows in the second part of 2021 would have been in line with the second quarter 2020 as it was the EBITDA. The net leverage was 1.73 in dollars

in dollars and 1.61 times in reais. As the leverage to be pursued in long-term by our liquidity management policy is between 2 and 3 times net debt to EBITDA, we were able to return capital to shareholders via share buybacks and dividends in a more significant way, and we still have space for future opportunities of growth and shareholder return.

The financial discipline combined with growth and operational efficiency allowed JBS to maintain investment grades from Fitch in June of this year, with an upgrade in the rating

from BB+ to BBB-. If another credit rating agency gives us an upgrade of one notch, we will go from cross ratings to full investment grade.

To conclude this slide, I would like to emphasize that once again we demonstrate our leadership and commitment to ESG issues through the issuance of $1 billion in sustainability linked bonds to and showing the company's commitment to reduce greenhouse gas emissions until 2030, in line with our net zero by 2040, that was -- which was announced in March of this year. It is worth mentioning that the bond was 25% allocated to ESG funds and the coupon of 3.6% per year was the lowest in the company's history. We also settled on May 5th another successful local debenture scrap in the amount of BRL1.65 billion maturing in 2021.

Moving on to Slide 22, we highlight the 27% growth in net revenue in the annual comparison. The consolidated EBITDA margin contracted by 2 percentage points in the second quarter, mainly due to a margin reduction at Seara, JBS [ph] Brazil and JBS USA Pork business unit, which in turn, were impacted by the increase in grain costs for Seara and the cost of live animals for JBS Brazil and JBS USA Pork. Reported net income increased 30% year-over-year to BRL4.4 billion. It's worth factorizing that excluding the impact of provisions for legal settlements in the United States., the adjusted net income would have BRL5.7 billion.

Now moving to Slide 23. We can see in the graph on the top right that we continue to reduce net interest expenses quarter-over-quarter. In the second quarter 2021 the reduction amounted to $30 million compared to the second quarter of 2020, despite the net debt increase in $800 million. All things being equal, we project a net interest expense of around $630 million for the year of 2021, which represents a savings of more or less $100 million compared to 2020.

We have also increased the investment in the company's organic growth. In the graph on the left bottom slide, we show the 60% increase in our capital expenditures for the quarter, totaling BRL2 billion, of which more than half is related to investments in modernization and expansion. Free cash flow was impacted by working capital, as I mentioned earlier, and for that reason decreased year-over-year comparison.

Now, please let's move to Slide 24, where we have the evolution of our debt profile. Net debt for the second quarter was $10.8 billion, which represents a net leverage of 1.73 times in dollars and 1.61 times in reais. Although EBITDA grew $954 million compared to the first quarter, leverage increased 0.06 times. This is was due to an increase of $800 million in the net debt due to the valuation in the working capital explained earlier, the acquisition of Vivera, payment of dividends and finally reclassification of BRL1.3 billion or $242 million from cash to margin cash line, which is no longer considered in the calculation of net leverage.

We made this change this quarter to be in line with JBS USA and other U.S. company's reporting standards. It is important to highlight our comfortable increase position. We ended second quarter with a cash position of BRL17 million or equivalent to $3.4 billion, together with a revolving line of BRL9.6 billion or $2 billion allowed JBS to end the quarter with a total availability of $5.3 billion, which is more than 3 times the short-term debt and enough to pay the debt until mid 2030.

Moving to the pie chart at the bottom of the slide, I would like to highlight that our average cost of debt of 4.6% per year is the lowest ever record by the company. However, it's still almost 1.3% above the interest on our bonds for a same average term of 6.3 years. And therefore, it means that we still have a potential opportunity to reduce around $180 million in financial expense. If, for example, we consider the coupons on the newly launched JBS USA and JBS USA bonds of 3.75% and 3.62%, respectively, they show the potential for interest reduction in the next year, when the three bonds will coupon at 7%, 5.75% and 5.8% become callable. If we receive investment-grade from an order rating agency, the potential for interest reduction is even greater.

Now, let's move to the business units performance. Starting with Seara on Slide 25, we have the second quarter 2021, net revenue growing 40% in the annual comparison, reaching BRL9 billion. In the domestic market, which represents 47% of the total business revenue, the category of prepared products has remained in the highlight, posting a growth of 4.7% in sales volumes and 22% in sales price. Seara continued to lead the innovation in the sector. An example of this Delicia Seara, which was launched in the first quarter, and it has been exceeding sales expectations and bringing new customers to Seara brands.

Seara also consolidated its leadership in the plant-based and burger with the increase of Seara brand, which has more than 50% market share and in frozen pizzas with 40% market share. Also, Seara completed 24 consecutive months in the leadership of frozen food combined with an improvement in the price gap in relation to the competition. In the exports market, Seara posted growth of 25% in volume and 8% in average sales price. The scenario of production costs remains challenging, with the average cost of soybean meal and corn rising by 50% and 90% year-over-year respectively, according to ESALQ data. As a result, adjusted EBITDA reached BRL800 million with the margin of 9%.

Now, moving to JBS Brazil on the Slide 26. We see the revenue for the quarter growing by 46% year-over-year, reaching $13 billion in the quarter. The growth was driven by a 17% increase in the number of animals processed in the period. In the domestic market, net revenue grew by 69% year-over-year, driven by the fresh beef category, which posted an increase of 24% in volume and 35% in prices.

In the export market, net revenues was BRL5.5 billion, which is 24% higher than the second quarter last year, mainly due to an improved performance of meat sales with an increase of 41% in volumes and 17% in prices. The performance for this business unit continues to be impacted by the increase in the average price of cattle, which according to data published by ESALQ increased 55% in the annual comparison. As a result, EBITDA for JBS Brazil totaled BRL439 million in the quarter, 63% lower compared to the previous year, despite being 86% higher when compared to the first quarter of 2021.

Moving to Slide 27 at JBS USA Beef, and now speaking in dollar terms and U.S. GAAP, JBS USA Beef's revenues reached $6.7 billion in the second quarter, an increase of 21% year-over-year, with EBITDA of $1.4 billion and a margin of 21%. In North America, the quarter was marked by strong demand, both in the domestic and international markets, which sustained beef prices at high levels providing good margins for the region.

The availability of cattle remained stable, the price of cattle ready to be processed increased compared to the first quarter of the year, given the growing demand and the higher number of cattle harvest in the period. The performance of Australia beef business continues to be impacted by the lower availability of cattle, but has been showing sequential improvement in the quarterly results.

Now, moving to JBS USA Pork, Slide 28. Net revenue was $2 billion an increase of 28% year-over-year, mainly due to an increase of 26% in the sales price. EBITDA was $160 million with an 8%. EBITDA margin. Margins in this business remained under pressure in the period, mainly due to an increase in hog prices, which was mainly impacted by the increase in price of grains and other input costs. On the other hand, the shortage of labor impacted pork production and deboning capacity, which coupled with higher demand caused the pork price in the domestic market to also increase, partially offsetting the impact of the increase in hog prices. It's worth mentioning that Swift Prepared Foods, formerly Plumrose, officially opened its pre-cooked and cooked bacon processing plant in Moberly, Missouri.

Pilgrim's Pride on Slide 29, we had a net revenue of $3.6 billion in the quarter, an increase of 29% year-over-year. The EBITDA was significantly higher, boasting 231% increase, totaling $372 million with an EBITDA margin of 10%.

In United States, there was an improvement in the foodservice business, both year-over-year and sequentially and retail volumes remain strong. As a result, operations posted solid operating performance despite higher and volatile costs. The business in Mexico posted another strong quarter driven by a balance of supply/demand equation and continuous improvement in the operational performance. In Europe, despite the increasing grain costs Moy Park continued to deliver operational efficiency and a better agricultural performance, which contributed to offset grain costs and labor challenges.

To conclude in Slide 30, I would like to show that our exports amounted $4.2 billion in the second quarter with Greater China representing 32%, and Asia as a whole representing 52% of exports.

With that, I would like to open to our question-and-answer session.

Questions And Answers

Operator

(Question And Answer)

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. (Operator Instructions) Our first question comes from Ben Theurer, Barclays.

Q - Benjamin Theurer

Hey, good morning and thanks for taking my question. Tomazoni, first of all, congrats on the strong results. Two questions. First one, I guess, for Andre, and it was asked on the Portuguese call, but I didn't get it completely. Could you remind me on the performance North America versus like Canada, and then ultimately, Australia, New Zealand from a profitability perspective, because clearly, we saw only a minor improvement on a year-over-year basis? And just to understand like how much Australia was still a drag on results, if you could share how was the U.S. business on a standalone basis from and EBITDA contribution? That would be my first question.

A - Andre Nogueira {BIO 19941317 <GO>}

Right. Ben, thanks for the question. Ben, we do not publish the results separately. What I can tell you is, our Australia business, so Australia combined with New Zealand, that combine both the beef, the land and the prepared food business all combined, they represent around 20% to 25% dependent of the currency, dependent of the volume of the total what you call this U.S. business, right, so the combined business, Australia represents between 20% and 25%. Canada represents between 10% and 12%, again dependent of the volume and dependent of the currency at that point. So that's ballpark the size of the business.

And having in U.S., as you know, we have two main business. One we call fed beef business, and one we call regional business that's more hostings. What I can tell you is Canada, in terms of margin, very similar to U.S., both in the fed beef, that today is the highest margin business, cow business is below that. But Canada is very similar to U.S., both the fed and of the process in the fed and what we call in the process in hosting.

Australia is way, way. Australia is below what was the normal margin from Australia business. It's an improvement quarter-over-quarter, so Q2 compared with Q1. It's not improvement for Australia Q2 compared to the Q2 last year. But is an improvement Q2 compared with Q1. But still Australia is still way below what we consider normal margin for the combined Australian business. One thing that I'd like to use your question to highlight then and I think that's very important. I don't think that the analysts are with full visibility of this, it's the improvement and this is more in beef, but you can apply in beef, pork and chicken.

And you can apply in how the geography that's on under my responsibility for beef, so the operational side of Brazil. It's the improvement in all the byproducts area. So only the improvement of the byproducts areas. In the beef, for example, Ben, of the 20% margin that we show, the improvement in the byproducts responsible for 4% of this 20%. With the improvement in all areas, hides are better, the rendering, it's much better. In my mind is very sustainable, just improvements in rendering, because of the new lab [ph] of oil, fact and oil, because of renewable fuel. And all the variety meats are better. So only in the beef, we have improvement of more than $100 per head when you compare quarter-over-quarter last year. And that's a very sustainable improvement in my mind.

Q - Benjamin Theurer

So would you say your margin in the U.S. is somewhat similar to what peers are reporting in the U.S.? So just to understand, and then obviously, it's like slightly dragged down because of the Australian impact?

A - Andre Nogueira {BIO 19941317 <GO>}

I did comment on this in the prior call, that we with what we can see of the published numbers of the other companies, we outperformed all the other companies in all the business that we could compare by a pretty good margin. So mark by mark, what I can compare and I see what people publish in beef U.S., we outperformed all the competitors. And that's been a trend, Ben. That has happened in the last five years we have year-over-year increase in our gap to our competitors and that trend has continued. And in this Q2 and year-to-date, we have one of the highest gap in history. We continue to grow this gap between us and our competitors.

Q - Benjamin Theurer

Okay. Perfect. Thanks for that, Andre. And then my second question is around the Seara business. And I mean, obviously, we saw margin pressure and you have in your prepared remarks and commentary around the grain cost pressure you're seeing. Now, you've done quite some steps forward when it comes to price increases, maybe a little less than I was initially expecting. So what are you seeing on your potential to actually put through pricing, particularly on Seara down in Brazil, considering that there's general inflation coming up, and how do you think about that going forward in the midst to offset that input cost pressure that still seems to be prevailing?

A - Guilherme Perboyre Cavalcanti {BIO 2181205 <GO>}

Ben, good morning. For our cost increase in grains in Brazil, we see this at least in the

for the -- until the next winter season, which is the main season for corn harvest here in Brazil. We see that there is a structural change and this will be a normal scenario that we're going to have to operate under this new cost structure. So we believe that the market will adjust to that.

On top of the market and the adjustment that might happen in the market, we also have something that's only related to Seara and which is the price gap decrease and the pricing improvement that is due to brand strength and the evolution of our brand here. So we are optimistic that we're going to be able to adjust our -- to this new cost scenario.

Q - Benjamin Theurer

Okay. Perfect. Thank you very much and congrats on the results.

A - Gilberto Tomazoni {BIO 2090061 <GO>}

Thank you.

Operator

Our next question comes from Ricardo Alves, Morgan Stanley.

Q - Ricardo Alves {BIO 16840901 <GO>}

Good morning again everyone. Thanks for the call. I joined this one a little bit late. So I apologize. My apologies, if this was ready asked. But two quick comments -- two quick questions. One, if you could just comment a just comment a little bit more on your recent moves into Australia, both in terms of the relevance of the country when it comes to strategic -- the strategic M&A angle. But maybe more importantly, I wanted to pick your brains around the recently announced acquisition, obviously, the most relevant one. Both from an industry profile, I mean of course, you're moving into a different protein into fish. So curious to hear what you have to say about the industry overall. But also, within the company, itself, if there's a significant turnaround to be made, any major efficiencies that you guys were able to identify? That's the first question.

Second question, a very quick one on the USA Pork division. Just wanted to -- just a quick update, looking a little bit more into the third and the fourth quarter, margins are still relatively pressured, so just wanted to see if you see a scenario of better profitability ahead given that or maybe not given where hog prices are and considering the feeding issues, so just a quick update looking into the second half in the USA Pork division. I appreciate the time.

A - Gilberto Tomazoni {BIO 2090061 <GO>}

Thank you for the question Ricardo about the Australia. I just thought it's about the seafood strategy of JBS. We decided to enter a new category and the reason for that is because - I can't make any of this. But we want to development a new platform for growth inside of JBS. And we want to build a strong position in this category, like we have made in chicken and pork. We start in chicken in 2009, we are the number one. We started pork; we are the number two. And we will do the same with the aquaculture.

We talk aquaculture, because sea food there is two categories: one in the captured fish, one in aquaculture. We have not seen that the catch fish is to grow, and we see that just the aquaculture grow. And this gives us opportunity, because the category keeps growing. If you look for -- because the consumer perspective is high in fishing and health benefit from fish. You look for is that consumer is contribute in division's restrictions that is efficient feed conversion is advantage in terms of costs, in terms of feed cost. Hence -- and the order is a more environment could bring than the order needs.

And why Australia? Because Australia was the opportunity. We look for this category, all of your order book possibility. Australia was -- bring this possibility, it gives this advantage, as Andre mentioned in the call that it's one of the advantage of JBS, we are a global presence. We can look for the opportunity globally. And this opportunity in Australia was one -- was a really great opportunity, because they have a high standards in welfare of animal and environment, they are -- really standard. They have great technology.

And we have a team in Australia. We have a team there, we have management, we know the consumer, we know the customers, we know the market. It is perfect fit to our strategy to grow in another category in a place that we have already a strong presence. And I think this answers your first question.

And the second question, Andre is related to the Pork in U.S. if you can answer to Ricardo?

A - Andre Nogueira {BIO 19941317 <GO>}

Ricardo, we are year-to-date in pork around the 8% margin. When I look at the dynamic of the market, not only especially third and fourth quarter stronger for pork business in U.S. and I don't think that this will be different this year. I think that they are going to have strong. Demand is very strong (inaudible) Hog price is high, but I think that we will start to slow down a little bit because we are entering the phase that we have higher availability of hog. So I'm pretty bullish for the second part of the year.

When I look global demand, strong export for several different markets. Strong demand in U.S., you see the price of belly, the price of trimmings in the U.S. domestic market. So I think that we're going -- I said last year that we believe that pork could be inside of the normal range, that we have seen our pork business for quite a period of time between 8% and 10%. I think that will be inside of this range, but much closer to the high level of this range for the full year. So, I'm pretty bullish for the second part of the year into our pork business.

Q - Ricardo Alves {BIO 16840901 <GO>}

Very helpful color, Andre. Thanks for that, and thanks Tomazoni as well.

Operator

Our next question comes from (inaudible) Bank of America.

Q - Analyst

Good morning, everyone. Thank you for having my question. A quick question on the working capital account. So we see that the inventory of the company actually was a setback in terms of cash flow consumption, and we're trying to understand that with the perspective in terms of normalization of the logistics disruption that we saw in Brazil. And more range, more detail around this topic, and how much EBITDA was left on the table, given that inventories were stiff in the ports? And what is the perspective of these results coming in, in the second half of the year? So just trying to get a sense of how much earnings were postponed to the second half. Thank you.

A - Guilherme Perboyre Cavalcanti {BIO 2181205 <GO>}

Okay. Thank you, (inaudible). . On the working capital side, as I mentioned, if you look at the cash flow statements on the financial, on the balance sheet, you'll see that we consumed around BRL3 billion ingredient inventories and BRL3 billion in accounts receivable. So accounts receivable was mainly due to higher prices and higher volumes. As you can see an increase in net sales, this tends to increase EBITDA and free cash flow going forward. Net sales, I would say, was not impacted by the logistics, just inventories, during the delay in the ports. So inventories with every winter it starts rolling. We will see it improve. We already seen improvement in cash flow in Brazil, and the perspectives of free cash flow in U.S. For the quarter, it's always good, given that this delay in cash.

Q - Analyst

Just a quick follow-up here. Just trying to understand if we were to see normalized levels of inventory, so not having any issues with shipments, do you have any sense of how much EBITDA, the turnaround in Brazilian operation could achieve -- (Technical Difficulty) -- inventories at values? Thank you.

A - Guilherme Perboyre Cavalcanti {BIO 2181205 <GO>}

Yeah. As I mentioned before, we sold the products, our sales was not impacted. Therefore, I would say there is no significant impact in EBITDA, just on the working capital.

Q - Analyst

Thank you.

Operator

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

A - Gilberto Tomazoni {BIO 2090061 <GO>}

I would like to thank you all of you to be part of this conference call. And I want to thank our entire team members who made it possible to release today these excellent results. Thank you.

Operator

That does concludes the JBS audio conference for today. Thank you very much for your participation. Have a good day. And thank you for using Chorus Call.