

## Q3 2020 Earnings Call

### Company Participants

- Marco Antonio Spada, Chief Financial and Investor Relations Officer
- Marcos Antonio Molina dos Santos, Chairman of the Board
- Miguel Gularte, Chief Executive Officer & Member of Board of Executive Officers
- Paulo Pianez, Director, Sustainability and Communication
- Tang David, Chief Financial and Investor Relations Officer
- Timothy M. Klein, Chief Executive Officer, President and Director
- Unidentified Speaker

### Other Participants

- Andre Hachem
- Felipe Vieira
- Guilherme Palhares
- Luciana de Carvalho

### Presentation

#### Operator

(Foreign Language) Good morning, everyone, and thank you for waiting. Welcome to Marfrig Global Foods S.A. Second Quarter of 2020 Results Conference Call. With us here today we have Mr.Marcos Molina, Founder and Chairman; Tim Klein, Chief Executive Officer of North America Operation; Mr.Miguel Gularte, Chief Executive Officer of South America; Mr.Tang David, Chief Financial and Investor Relations Officer; Mr.Paulo Pianez, Sustainability and Communications Director and Mr.Rafael Braz, Investor Relations Director. This event is being recorded, and all participants will be in a listen-only mode during the company's presentation. After Marfrig [ph] remarks, there will be a question-and-answer session. (Operator Instructions)

This event is also being broadcast live via webcast and may be accessed through Marfrig website at <https://ri.marfrig.com.br/>, where the presentation is also available. Participants may view the slides in any order they wish. The replay will be available shortly after the events conclude. Those following the presentation via webcast may post their questions on our website. They will be answered by the IR team after the conference is finished.

Before proceeding, let me mention the forward statements are based on the beliefs and assumptions of Marfrig Global Foods S.A. management and our information currently available to the company. They involve risks and uncertainties because they relate to future events, and therefore, depend on circumstances that may or may not occur.

Investors and analysts should understand the conditions related to macroeconomic conditions industry and other factors could also cause results to differ materially from those expressed in such forward-looking statements. (Foreign Language)

Now I'll turn the conference over to Mr. Marcos Molina. Mr. Molina, you may begin your presentation.

**Marcos Antonio Molina dos Santos** {BIO 15363967 <GO>}

(Foreign Language)

**Timothy M. Klein** {BIO 16522695 <GO>}

Thank you, Marcos. Good morning, everyone. Let's begin on Slide number 5. In the third quarter, National Beef posted net revenue of USD2.2 billion, down 0.6% from a year ago. As we began the quarter, the effects of the COVID pandemic had softened and both cattle and boxed beef markets returned to more normal, cyclical and seasonal levels. For the quarter, industry slaughter, shown in the third graph from the right-hand side, was up slightly from a year ago as all plants returned to normal schedules. During the same period, our slaughter was also up slightly, allowing our market share to remain flat with a year ago. Beef demand, both domestic and international, remain strong, allowing the industry to maintain stable cutoff prices and operate at near full capacity.

Please move now to Slide 6. The backlog of cattle resulting from reduced slaughter levels in the second quarter allowed package to gain marginal leverage and widen the spread between cutout values and cattle prices. For the quarter, we posted an adjusted EBITDA of USD321 million, relatively flat with a year ago. These results are particularly impressive given they include USD31.7 million of incremental COVID-related expenses, and if you remember, Q3 of 2019 was positively impacted by a fire at one of Tyson's beef plants. I believe these results compare favorably with those of our peers. Our team is ready and able to manage through any future unusual or unexpected shocks as they may occur.

As we move into the fourth quarter, plentiful supply of cattle and the continued strong demand for beef should provide the opportunity to manage historically wide margins for the foreseeable future. USDA monthly cattle inventory data continues to suggest that Fed cattle supplies will not peak until sometime in 2022. Our top priority continues to be the safety of our employees. We continue to work with government agencies, industry groups and others to ensure our best practices are implemented in our plants. The learnings of the past several months will serve us well in the event there is a resurgence of COVID in our facilities. If that were to occur, I am confident we will again manage our way through it effectively.

Now I'll pass to Miguel.

**Miguel Gularte** {BIO 20767495 <GO>}

(Foreign Language)

**Tang David** {BIO 18672578 <GO>}

(Foreign Language)

**Paulo Pianez**

(Foreign Language)

**Marcos Antonio Molina dos Santos** {BIO 15363967 <GO>}

(Foreign Language)

## Questions And Answers

### Operator

(Question And Answer)

(Foreign Language) Thank you. The floor is now open for questions. (Operator Instructions) (Foreign Language) Our next question comes from Luciana Carvalho from Banco de Brasil.

**Q - Luciana de Carvalho** {BIO 18724665 <GO>}

(Foreign Language)

**A - Marco Antonio Spada** {BIO 20767498 <GO>}

(Foreign Language)

**Q - Luciana de Carvalho** {BIO 18724665 <GO>}

(Foreign Language)

**A - Marco Antonio Spada** {BIO 20767498 <GO>}

(Foreign Language)

**Q - Luciana de Carvalho** {BIO 18724665 <GO>}

(Foreign Language)

**A - Marco Antonio Spada** {BIO 20767498 <GO>}

(Foreign Language)

**Q - Luciana de Carvalho** {BIO 18724665 <GO>}

(Foreign Language)

**A - Marco Antonio Spada** {BIO 20767498 <GO>}

(Foreign Language)

**Q - Luciana de Carvalho** {BIO 18724665 <GO>}

(Foreign Language)

**A - Marco Antonio Spada** {BIO 20767498 <GO>}

(Foreign Language)

**Operator**

(Foreign Language) Our next question comes from Mr. Guilherme Palhares from Bank of America.

**Q - Guilherme Palhares** {BIO 21271598 <GO>}

(Foreign Language)

**A - Marco Antonio Spada** {BIO 20767498 <GO>}

(Foreign Language)

**A - Unidentified Speaker**

(Foreign Language)

(Foreign Language)

**Q - Guilherme Palhares** {BIO 21271598 <GO>}

(Foreign Language)

**Operator**

(Foreign Language) Our next question comes from Andre from Itau.

**Q - Andre Hachem** {BIO 20209966 <GO>}

(Foreign Language) Tim, good morning. So congratulation on the results. My question to you would be your expectations for results regarding 2021 and maybe even 2022. When we look into cattle prices, we're seeing cattle prices still at low levels. Targets weights are still higher. So 2021 looks like a very solid year. What are your expectations going forward? I mean, when we think about disposable income and when we think about consumer preference, how should we think that results evolving maybe post-2021?

**A - Timothy M. Klein** {BIO 16522695 <GO>}

Well, it's pretty difficult to project out that far, but I can say that 2021, based on what we see in the data that we get from USDA as far as cattle supplies is all going to be in our favor. We're on the right side of the cycle yet. With the backlog that occurred in Q2, we expect the peak supplies not to occur until sometime in 2022. The backdrop to all that has been very good demand for beef, both domestic and international that, I think, will provide a margin structure that's very favorable for the beef industry in 2021.

**Q - Andre Hachem** {BIO 20209966 <GO>}

Just a follow-up here. When we think about 2021, I mean, 2020 is probably an off-the-chart year, but 2019 would be a good comparable base. Would that be a fair assessment?

**A - Timothy M. Klein** {BIO 16522695 <GO>}

Yes.

**Q - Andre Hachem** {BIO 20209966 <GO>}

Perfect. I'll now ask my question to Miguel. Miguel, (Foreign Language)

**A - Miguel Gularte** {BIO 20767495 <GO>}

Andre, (Foreign Language)

**Q - Andre Hachem** {BIO 20209966 <GO>}

(Foreign Language)

**Operator**

(Foreign Language) Our next question comes from Felipe Vieira from Credit Suisse.

**Q - Felipe Vieira** {BIO 21817128 <GO>}

(Foreign Language) (inaudible) to follow. So Tim, I would like to start my question with you, please [ph]. You mentioned in previous calls, that does not make sense greenfield projects in the U.S. currently, given the actual stage of the cattle side of the U.S., right? But with specifically for National Beef, does make sense, new strategic acquisitions of plants, given the favorable supply in the next quarters that you previously commented in the last question, like mentioned on the (inaudible) the last year?

**A - Timothy M. Klein** {BIO 16522695 <GO>}

Yes. Good question. We would certainly be interested in an acquisition of a beef processing facility if one was available for sale to further our footprint and lessen their geographic concentration. So that's certainly a possibility. Beyond that, our CapEx dollars are going to be spent on projects that add value to our commodity products. So it would be things like further processing, case ready, which we're already doing, hamburger patties. Those all allow us to convert commodity products to value added. So that's where we're looking for strategic opportunities to expand but certainly, if there was a processing facility available, we would look at that as well.

**Q - Felipe Vieira** {BIO 21817128 <GO>}

Miguel, (Foreign Language)

**A - Miguel Gularte** {BIO 20767495 <GO>}

(Foreign Language)

**Q - Felipe Vieira** {BIO 21817128 <GO>}

(Foreign Language)

## Operator

(Foreign Language) Excuse me. This concludes today's question-and-answer session and thus concludes Marfrig Global Foods S.A. conference call for today. Thank you very much for your participation, and have a nice day.

*This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP. © COPYRIGHT 2022, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.*

FINAL

Bloomberg Transcript