Y 2015 Earnings Call

Company Participants

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

Other Participants

- Andrew DeLuca, Analyst
- Jeronimo De Guzman, Analyst
- Pedro Leduc, Analyst

Presentation

Operator

Good morning, ladies and gentlemen, and thank you for waiting. At this time, we would like to welcome everybody to Minerva's Fourth Quarter and Full Year of 2015 Results Conference Call.

Today with us we have Fernando Queiroz, Chief Executive Officer; Edison Ticle, Chief Financial Officer; and Eduardo Puzziello, Investor Relations Officer. We wish to inform you that this event is being recorded and all participants will be in listen-only mode during the Company's presentation. (Operator Instructions) The audio and slide show of this presentation are available through a live webcast at www.minervafoods.com/ir. The slide show can also be downloaded from the webcast platform in the Investor Relations section of this website.

Before proceeding, we wish to mention that forward-looking statements may be made during this presentation relating to Minerva's business prospects, operating and financial estimates and goals. They are based on the beliefs and assumptions of Company management and on information currently available. They involve risks, uncertainties and assumptions because they relate to future events, and therefore, depend on circumstances that may or may not occur in the future.

Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of Minerva and could cause results to differ materially from those expressed in such forward-looking statements.

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

FINAL

Bloomberg Transcript

Fernando Galletti de Queiroz {BIO 15387377 <GO>}

Thank you. Good morning everyone and thank you for participating in the teleconference on Minerva 2015 fourth quarter results. I'd like to start this presentation by highlighting that through this year, Minerva was able to identify several operational, financial and commercial opportunities. As we will see during the presentation, we had achieved great results.

Even though the economic scenario in Brazil has offered challenges for the beef industry, the real elevation against the dollar combined with the imbalance between world supply and demand for beef, favorable to South America, have opened countless options for a greater exposure in the foreign markets, allowing high profitability for players with commercial flexibility to shift from the local to the international market. In this scenario, Minerva which over the years have been constantly improving its risk management instrument, increasing its geographic footprint as well as improving distribution channels, once again chose the correct moves to extract values from the opportunities. The result of these movements was shown through the -- our operational and financial achievements, which we will be highlighting, we start on Slide 2 of this presentation.

Highlight to -- Slide 2, you have the highlights of the 4Q of '15 and 2015 the whole year. In 2015, Minerva generated a free cash flow of R$212 million. In the 4Q15, the free cash flow was positive at R$44 million, both result of a disciplined execution of our operational and commercial strategies. This also allow us to increase the return on the Company invested capital to 25% through the year, 400 basis points higher than the 2014 ROIC, which hold us as the reference in the industry.

We achieved the revenue guidance for 2015 announced last year, which resulted in a total net revenues of R$9.525 billion for the year, 36% higher than in 2014 revenues. In the fourth quarter of 2015, the net revenue reached R$2.754 billion, 29% higher than the net revenues of the same period in 2014; both revenues were records.

The reason for this goal is related to our exports, which represented 70% of our total sales. The fresh beef exports revenue was 58% higher than in 2014 revenues. The 2015 EBITDA reached R$1.020 billion, 34% higher than in 2014 EBITDA, with a margin of 10.7% in the 4Q of 2015, the EBITDA reached the highest margin since the Company was listed of 12.2%, 300 basis points higher than the 4Q of '14 margin and 60 basis points higher than the previous quarter margins, totaling R$337 million which is approximately 72% higher than the 4Q of '14 EBITDA and 21% higher than the 3Q15 EBITDA.

The leverage, measured by the net debt/EBITDA ratio for the last 12 months was 4.1 times at the end of 2015. If we use the annualized EBITDA in order to exclude the impact of the currency variation and capture the benefit of the recent integration, leverage closed 2015 at 3.1 times. As we will further detail, if we add the SALIC proceeds, which resulted from approximately R$750 million, the net debt/EBITDA ratio for the last 12 months would reach 3.4 times, while by using the annualized EBITDA of 4Q15, it would be of 2.6 times.

As we came to [ph] the bonds in late 2015, we closed the cash position with R$2.7 billion, which still leave us on a comfortable position to handle our difficult and volatile macroeconomic scenario. At the end of the 4Q of '15, approximately 76% of the total debt was exposed to the US dollar and its duration is currently 5.2 years.

Finally, the Company is fully capable of facing any scenario and extract value from the opportunities by choosing flexible and correct movements as we have been doing over the past years. On the export side, the international market continues to present a favorable outlook, with the possibility to open new markets as it's with the case of United States, which started its opening process in the middle of 2015 and seemed to be closer to be achieved in 2016. Besides the US, Canada, Mexico and Japan as well as some other Asian countries have a great chance to follow the American commercial moves and allow Brazil to have more access to the global beef demand. It's worth highlight that not only Brazil, but also Colombia, Paraguay and Uruguay have chances to reach new markets.

We will remain faithful to focusing on the discipline and the consistency of the execution, which has been the Company's great differential as well as the financial deleveraging. In 2016, we will also keep our focus on the South American growth in order to diversify further in the region, therefore mitigating the risk of our operations.

Now turning on to Slide 3, we will be talking about the global demand for beef and the prospects for these scenarios. We have been emphasizing the reduction of the cattle herd in -- of the two main players in the global beef market; United States and Australia, as well as the chances of South American exporters to enter in this market -- in these players' markets. In this scenario, we had two important factors that supported our more favorable environment to South American producers in 2015.

The first was the announcement through the USDA in July last year of the American intention to open their markets for beef produced in Brazil. The second was the re-opening of the Chinese market to Brazilian beef, starting in the second half of 2015, which improved further their exports out of Brazil and also the opening of new markets to Paraguay, Colombia and Uruguay. For the year 2016, the trend remains positive as we already have the re-opening of another important market like Saudi Arabia and the possibility for the opening of other markets that are likely to follow the same trend and health policy as the United States.

As we can see in the chart on the bottom left side on Slide 3, the USDA estimates that Australia, which has been going through a period of re-composition of their herd, will present a decrease of approximately 10% in the volumes of beef exported in 2016 against 2015. While Brazil, Paraguay, Uruguay and Argentina continue with very positive trends. On the charts, we can see the situation in the United States, with projection from USDA is still showing a net importer trend to the country in 2016.

This fact is primarily explained by the US cattle decrease in recent years, that reached its lowest level in the last 60 years and it is still under a period of recomposition. We directly impact the beef production and exports. This factors the Australia situation and the recomposition of the American cattle together show chances of growth from the export players located in South America, who are increasingly more able to meet the imbalance between growing demand for beef and short of global supply.

We'll now move on to Slide 4, in which we will talk about the Brazil sector overview. On Slide 4, we can see Brazil, in 2015 there was an adjustment of the industry due to the retraction of the Brazilian consumption. We noticed a drop of around 8% in the total slaughtering volume against 2014. However, if we analyze the average cattle price throughout the year from the first quarter, this adjustment had a positive impact and allowed the prices to remain at a stable level in a year of negative cycle for the industry.

It's worth adding that there was a greater use of technology and pastor supplementation, which resulted in healthier animals and allowed for more productivity gains for the industry.

On exports, we highlight the sales growth to the Asian countries, we together accounted for the -- approximately one-fourth of Brazilian exports in 2015. During the second half of the year, we observed a movement of recovering the Brazilian exports. As we can see in the charts on the lower right, the exports revenue totaled 1.3 billion in the 4Q of '15. 5% higher than the 3Q of '15 revenues. This performance is mainly due to the real devaluation against the dollar, which benefits the competitiveness of the exporters. The average price of Brazilian beef in 2015 dropped 8% against the average price in 2014 due to the sales mix change.

However in the 4Q of '15, the price reached historical record of 16.2 kilos -- R$16.2 per kilo, increasing more than 30% against average price in the 4Q of '14, as a result of the strong appreciation of the dollar against the real. On the domestic market side, we noticed a substitution movement for low-end cuts or even for the other proteins in response to the Brazilian economic scenario, as detailed in the following slides --

on the following slide.

Slide 5, on Slide 5, we refer [ph] the chart in the upper right corner to analyze how real -- income of the Brazilian population was affected by the 2015 economic scenario. Thus we can notice a 3% drop in real wage bill. The domestic market consumption stood out to be directly impacted by the high inflation, the high interest rates, then employment growth and the reduced household consumption intention, which combined new consumers to immigrate to cheaper cuts such as forequarter cuts or to other proteins, such as poultry pork or processed foods among others.

However during the 4Q of '15, the Brazilian industry went to the opposite direction of the last months and was positively impacted by the period's seasonality, showing a higher consumption of noble cuts given [ph] the holiday celebration and the Thirteenth salary earned. We had already begun to feel the high prices and the high consumption at the end of third quarter and noticed that this trend continues during 4Q providing an excellent return for the local industry.

Let's now turn to Slide 6, in which we'll be talking about the sector overview in Paraguay. In Slide 6, you can see Paraguay experienced a positive cattle cycle in 2015, we together with the favorable scenario for exports lead the total slaughtering volume to be 7% higher than in 2014. Even in the scenario of high prices in the exports, the average price of cattle in 2015 was 14% lower than in 2014. In this context, the country exports continue to be benefited, reaching a total turnover of $1.2 billion. We highlight Chile's increasing demand, which accounted for 28% of the total exports of Paraguay, 8 basis points higher than the total exports in 2014. Besides Chile, Brazil and Russia remain as the main destinations for Paraguayan exports.

It's also worth noting that in 2015, Paraguay took an important step towards the internationalization, with the opening of the European market for its beef.

We'll now turn to Slide 7 that we talk about Uruguayan market. In Uruguay, in 2015, 2.2 million herds of cattle were slaughtered in Uruguay, a volume that's 5% higher than in 2014 and the cattle price remained stable over the same period. The country's industry performance was affected by the general strikes that occurred in Uruguay in the third quarter of 2015, but those were normalized in the 4Q of '15. However the regularity of the raining and more availability of cattle, the slaughtering volume in the 4Q of '15 was 10% higher than the volume we recorded in the 3Q '15, with the average cattle price decreasing 7% against the previous quarter and reflecting the positive cycle in the country.

On the export side, the country had a 7% increase in fresh beef exported volume in 2015, totaling 260,000 tons. The two main highlights in exports as we can see on the chart in the lower left corner were China shares increasing 14% -- 14 percentage points against 2014, accounting for 33% on the total revenues of the Uruguayan exports and the steady growth of exports to the United States, which went from 15% in 2014 to 20% in 2015. On the other hand, some countries in Europe reduced their share in the country's exports, causing this new sales mix to directly impact the average beef prices, which declined 6% against 2014.

We'll be moving onto Slide 8 to analyze Minerva's performance this year, starting with the exports. In 2015, we remained as one of the main beef exporters in the countries where we operate as shown in the chart below. Minerva's share of the Brazilian exports increased significantly and reached 22%, 50 basis points higher than in 2014. In the opposite side of Brazil, (inaudible) we reported a growth of 70% [ph] in the exports volume over 2014. Meanwhile, the Brazilian exports volume dropped 12% as we can see on the table at the bottom right. This is an indicator of our commercial ability to adjust to scenarios of beef demands by making effective use of our risk management tools.

In Paraguay, we also had a significant increase of 500 basis points in 2015, reaching our market share of 20% in Uruguay. Our market share remained stable compared to the previous years, with a total of 70% of exports.

On this slide, we also be presented Minerva export mix by region. In 2015, as we have been mentioning in the previous quarterly presentation, the region that stood out the most amount the Company's export was Asia. Also starting in 2015, we had the official opening of Brazilian exports to Mainland China, which used to be carried out only by our operations in Uruguay.

Over the last 12 months, ending December 2015, the region increased its share to 24% of total exports, again 16% in 2014. In the analyzed period, China and Hong Kong together grew by 60% of the Company's total imports. Other rising markets including South Korea, Singapore, Malaysia and Philippines, what shows that the growth in the import potential of that region.

Another growth highlight in 2015 was the share of the Middle East countries, which increased from 16% in 2014 to 21% in 2015, especially in Iran, Israel and the United Arab Emirates. It's worth noting that Saudi Arabia had already indicated its intention to open its market to Brazilian Beef in 2015. However, it was only earlier this year that the exports to this country effectively started.

It's worth mentioning that by 2012, when Saudi Arabia was still open to Brazil, exports already accounted for 5% of Brazilian exports, a market the size of Chile practically. Therefore there is an enormous growth potential for sales to Saudi Arabia, especially if you consider the recent partnership that the Company announced with Arab investor, SALIC.

I will now give the floor to Edison who will comment on our financial and operational highlights. Edison?

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

Thank you, Fernando. Good morning, everyone. Financial and operational highlights starts in Slide 9 of this presentation. As Fernando has already mentioned in the presentation highlights, in 2015 we were able to achieve the net revenue guidance announced to the market in March last year. We had net revenues of R$9.5 billion, 36% higher than 2014, another record for the Company. By analyzing our growth from 2012 as it is on the upper left chart, we noticed annual compounded growth of 30%.

In 4Q15, we had another net revenue record, reaching R$2.7 billion, 29% higher than the fourth quarter of '14 revenue and 15% higher than the revenue from 3Q15 as you can see on the lower left chart. Our yearly EBITDA reached 1.020 billion, a 34% growth over 2014, with a margin of 10.7%, 120 basis points higher than 2014. In 4Q15, we generated R$337 million of EBITDA, another record for the Company, 72% higher than the 4Q14 EBITDA and 21% higher than the previous quarter's EBITDA with historical margin of 12.2%, 300 basis points higher than the same period in 2014.

Let's now move to the next slide and continue analyzing the Company's performance. So on the Slide 10 as the end of '15, we recorded a high return on invested capital of 25%, which is the main metric of efficiency of our operations in our opinion. Four percentage points higher than the ROIC recorded at the end of 2014, keeping our status as a factor benchmark. Cash flow from operations in 2015 reached R$1.2 billion, much higher than the previous years, mainly if we compare to the year of 2014.

On the right side of this slide, there are two leverage scenarios. The first is the current scenario, with the net debt-to-EBITDA of the last 12 months ending in December 2015, which stood at 4.1 times. Alongside the annualized EBITDA trek through the effect of the exchange rate variation of the last 12 months, which stood at 3.1 times.

It's also worth mentioning that besides an annual devaluation scenario of 47% of the real against the dollar, the leverage measured by the LTM EBITDA increased only 0.4 times, result of the management risk policy adopted during the year. On the second chart at the bottom, we also added a scenario with considering SALIC's capital injection, considering -- have in mind that the proceeds from the cap [ph] transaction, we're already subscribers in the first quarter of '16, actually they were subscribed in February, 25 and the R$715 million is already in our cash balance.

So taking into consideration the SALIC funds, net debt-to-EBITDA ratio considering LTM EBITDA was at 3.4 times, but -- and if we annualize the 4Q15 EBITDA, leverage would be at 2.6 times at the end of 2015.

Now moving to the Slide 11, we'll talk about the net results. In 2015, the Company reported a net loss of around R$800 million. However, if we exclude the effect of exchange rate variation, that had no cash impact, but alone resulted in R$1.1 billion of expenses, with excluding also the impairment adjustment of R$23 million and also the impact of income tax and social contribution, the Company's adjusted net result would be positive in R$404 million. In 4Q15 net income was R$66.5 million and if we make the same adjustment, it would have been R$63.5 million.

Let's move to Slide 12 to talk about operational cash flow. In 2015, cash flow from operations reached R$1.2 billion as a result of adjustments that reconcile net income with operating activities of R$2.1 billion and also the working capital needs that were around R$120 million. In 4Q15, the operating cash flow reached R$210 million. The working capital consumed approximately R$55 million, the main impact came from the receivables line. The other accounts payable line had a positive impact on the working capital, as it is in this line that we account all the pre-payment of some foreign market clients, as we have already explained in previous results and is also fully explained in our earnings release.

It's also important to mention that from this quarter on, according to CVM new requirements, we started to recognize the amounts corresponding to our Securities Fund Subordinated Shares as financial liabilities and also reclassified the amounts in 2014 in order to keep the comparison basis. Thus there was a non-cash impact in the working capital account in the both periods that we are analyzing. In the year of 2015, the variation impact was negative, roughly R$3 million. So not relevant for the analysis.

Let's now move to Slide 13 to talk about free cash flow generation. In 4Q15, the free cash flow was positive at R$44 million. CapEx with cash effect reached R$43 million. Financial expenses with cash impact were R$195 million and the working capital needs were R$55 million in the quarter. In the last 12 months ended in December '15, CapEx reached 234 million, including not only the investments allocated to maintenance, but also expansion and payment installments for the Carrasco plants acquisition in the amount of R$27 million and R$19 million regarding the acquisition of Red Carnica in Colombia. The net financial result of cash effect reached R$461 million in 2015 and the working capital needs were R$113 million. As a result, free cash flow for the full year was R$212 million.

So, now let's move to Slide 14 to talk about leverage and capital structure. Our leverage ratio at the end of the quarter using the annualized EBITDA was 3.1 times. If we use the ratio for the last 12 months including SALIC proceeds, it was 3.4 times. Cash position was R$2.7 billion. It was reduced when we compare it to the third quarter, because of the cancellation of the bonds that we had repurchased in the market in the past 24 months. The amount of the cancellation was R$831 million and it reduced our gross debt and also our cash balance.

As we can see, we remain in a very comfortable liquidity situation, liquidity position allowing us to mature all debt until 2022. Moreover, the cash balance that we have is roughly two times higher than the short-term maturities that we have in 2016. Our exposure to dollars in our debt at the end of the year was R$76 million, in line with the breakdown of our revenues between exports and domestic market. And at the end of the quarter, in spite of the cancellation of the bonds of the long-term bonds, our debt duration remained very long at 5.2 years or roughly 64 months.

Now let's move to Slide 15 and present you some pro forma data considering SALIC's investments. This slide shows the Company's pro forma data considering the positive impact of SALIC's resources. We can see there the Company's cash position would grow from 2.7 billion to 3.5 billion. The net debt currently at 4.2 billion would decrease to 3.5 billion. So using the annualized EBITDA, the net debt-to-EBITDA ratio would go down to 2.6 times comparing to 3.4 times -- sorry comparing to 3.1 times before SALIC. There is also an important impact on the booked value of our balance sheet, that is currently at R$383 million negative, turning to a positive R$364 million after SALIC's deal.

It's important to highlight that our focus on using these proceeds is to continue deleveraging the Company's balance sheet. So we're going to use the proceeds from SALIC to put the Company in a more comfortable position in terms of leverage and more important, to reduce cost of debt and reduce financial expenses in the short and medium term.

Let's move now to Slide 16 and discuss the industry overview. As Fernando has already mentioned, on the global demand side, we have seen the steady growth of beef consumption especially in the emerging countries, following the movement for greater organization, population development, change in eating habits and so on. But there is also growth in consumption coming from developing countries that are demanding more quality, better diversification, traceability which is in line with our niche strategy.

Meanwhile, in the supply side, we have seen a great gap left by the two main players in the world market, which are United States and Australia, both have been facing issues with slaughter conditions, operational efficiencies that have directly impacted on the reduction of their cattle herds. On the other hand and taking advantage of these commercial opportunities, South American countries continue with very positive trends for beef production through a natural advantage, further rationalization among the industry players, production consolidation and especially, the dollar strengthening, which has -- that has been benefiting the exports from the region.

So in this scenario, Minerva remains focused on executing its business plans that we announced in 2012 and shared with all the markets. This business has been already -- has been partially accomplished following the Company's goals to have a more geographic diversification. So we started operations in Colombia. We increased operations in Paraguay, in Uruguay. So now Brazil that used to be 90% of our Company in 2010, now is only 65%. And looking further, we expect to continue increasing our operations in Colombia. We expect to have new operations in Argentina, we are starting to take some steps at this country. So Brazil relatively to the other regions will lose ground in terms of presentation for our revenues looking in the short to the medium-term.

Regarding our capital structure, we will remain focused on financial deleverage through cash flow generation and also efficient liability management, taking opportunity that the market -- taking the opportunity on the windows of the market to reduce the cost of capital and put our debt in a more long and favorable profile. The focus on cost control and excellence in operational execution obviously continues with benchmark progress among our units and optimization of our sales channels.

And finally, taking advantage of this very positive period for beef exports, we continue -- we will continue directing most of our sales to foreign markets, continue focus on having more efficient sales channels in the export market in order to have better profitability and therefore, better return for our shareholders.

So now I'll give the floor back to the operator to start the Q&A session. Thank you very much.

Questions And Answers

Operator

(Operator Instructions) Our first question will come from Pedro Leduc of JPMorgan. Please go ahead.

Q - Pedro Leduc {BIO 20979981 <GO>}

Hi. Hello everyone, thank you for taking the question. Congrats on the results. Quickly two-fold, if you could give us also now talk more -- mentioned it already, but on the sustainability of the gains that you've had on profitability this end of '15, if you see it continuing in '16 granted the seasonality for the quarters, especially in the light of the recent BRL strength that we've had and if you can elaborate what your pricing outlook is for dollar exports, that will be great. Thank you.

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

Pedro, the scenario -- the basic scenario that there is a shortage of beef in the world produced by -- the decrease of production in some of the traditional ex-exporting countries. And the demand that is growing is what are giving us more pricing power, and this is allowing us to keep the margins at the levels that we saw in the fourth quarter.

Traditionally, in the first quarter of the year you have decrease on the margins, is normally the worst quarter of the year and from the results that we saw, they are -- there we have positive surprise from it. So despite of the BRL volatilities, not that is strengthening today and tomorrow it's getting weaker, the volatility will keep present. And we now have developed tools as we reinforced it in other calls and with those that know the company that the -- dealing with volatility is one of the strengths that we now have in our risk management, is in the DNA of the Company.

Q - Pedro Leduc {BIO 20979981 <GO>}

Okay, thanks. And then the second question would be regarding your organic cash flow outlook for '16, should be at a year in which you will continue your movements we saw in '15 or will you take the SALIC money to deleverage and work your internal cash flow for other things? Thank you.

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

As we have already stated, we will continue working to focus on deleveraging the Company, we strongly believe the operational cash flow will continue increasing in 2016, comparing to '15. Many investors are worried about the effect, just remind you that the average FX in 2015 was 333 and in this environment, we were able to have margins above 10.7% during the year, having operational cash flow, free cash flow of R$212 million and operational cash flow of more than R$1 billion in the year. So even though if we see the currency appreciating during 2016, we are not worried about the capacity of the Company of generating more free cash flow, generating more operational cash flow and also continue the deleveraging process that the Company is in place since in 2013.

Q - Pedro Leduc {BIO 20979981 <GO>}

Great. Thank you very much.

Operator

(Operator Instructions) Our next question will come from Andrew DeLuca of Credit Suisse. Please go ahead.

Q - Andrew DeLuca

Hi, good morning and thanks for taking my questions. The first one is based on Uruguay. I was wondering if you could just provide some color around what the operating environment has been like and you've continued increase your market share, but can you specifically address how profitability has been in the fourth quarter this year versus 2014?

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

Sorry, the profitability of -- in the fourth quarter of '15 comparing to fourth quarter of '14?

Q - Andrew DeLuca

Right, just the significance with expense [ph] of what the profitability is like in Uruguay versus on average in 2014?

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

In Uruguay, we had a decrease on the profitability in the whole year of 2015 versus 2014. The main reason was the cycle of the cattle that there was a retention of females in Uruguay reducing the kills. So Uruguay, not only on the fourth quarter -- one fourth quarter versus the other, but if you compare the whole year, there was a year that was worse in Uruguay -- 2015 was a worse year than 2014.

Q - Andrew DeLuca

Great and what are your expectations for that improving? Have you seen any improvement so far in 2016 or is there going to be continued pressure at least in the --

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

Yeah, the cycle is changing there. We don't see it going back to 2014, but we believe that it will be better than 2015.

Q - Andrew DeLuca

Okay, great. And then on Paraguay, you increased your market share from 15% to 20%. And I was wondering if you could break that down into how much of it is from the contribution of the leased assets versus taking market share from competitors?

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

In Paraguay, we are using -- the main policy on Paraguay is placing Paraguayan beef in the same markets that we are placed in Brazil, increasing the prices, bringing the -- Paraguay used to have a discount over Brazilian beef. We showed to the market that the Paraguayan beef is as good as Brazilian beef. So this allowed us to increase the outlets, to increase the prices and to increase Minerva share. So it was a very positive result, commercial result that brought from Paraguay.

Q - Andrew DeLuca

Great, so it seems like it's mostly organic growth that you're seeing for your market share gains in Paraguay?

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

No, we are gaining share. I think the market like any other market has been more consolidated and the most efficient and most professional companies, they are gaining market share from these -- from these small -- not these smaller, the less professional companies.

Q - Andrew DeLuca

Okay, great. And then just one last question. You mentioned that you continue to look at options in Argentina and I was wondering if you can just give us a sense of what size of the presence are you looking at in the market, maybe on a herd per day basis?

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

We decided to be out of Argentina in the past because of the political environment. Now, we see the political environment changing. We are studying different options in Argentina. We will not discuss and we will not be limited to size. We are much more looking at what opportunity will create value for the shareholders.

Q - Andrew DeLuca

Okay. Great. Thank you very much and congratulations on the results.

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

Thank you.

Operator

(Operator Instructions) Our next question will come from the Jeronimo De Guzman of Morgan Stanley. Please go ahead.

Q - Jeronimo De Guzman {BIO 15888043 <GO>}

Hi, good morning. I had a couple of questions. Number one was on the -- what you mentioned that the opening of Saudi Arabia and the big opportunity there. Just wanted to get a sense of how you think that you -- important your -- can help you with the opening in this market and what kind of opportunities it can give you access to?

And then the second question, unrelated, I mean, as you've seen bigger exports, you did see higher selling expenses in the quarter and I just wanted to see kind of how you see the pressure on SG&A going forward? If we should expect that pressure on selling expenses to continue?

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

First so, we definitely -- as we mentioned it will be our important market, it used to be a very important market, a market basically the size of Chile. So it will be around the seven or the eight biggest markets that Brazil have -- once the position of Brazil is consolidated. What SALIC team brings on board to us is the knowledge of the market. So more and more the market is becoming more specific, more niches, more opportunities. So we are counting on them much more to have a bigger knowledge in the market.

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

Your question about selling expenses. If you take a look at our earnings release, we explained the increase on selling expense in the fourth quarter was due to more CIF contracts than FOB. So it was pretty punctual, it's not a trend. And if you take another look at release and see the figures for the end for 2015, the whole year compared to 2014, you will see there the selling expenses were flat at 7.3%.

Q - Jeronimo De Guzman {BIO 15888043 <GO>}

So was there a reason for more CIF in the quarter that would be specific to the quarter?

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

Yeah, we are diversifying further to small and medium sized importers that gives us much more pricing power and we benefit from the -- we can provide them a servicing charge for that.

Q - Jeronimo De Guzman {BIO 15888043 <GO>}

Okay, thanks.

Operator

(Operator Instructions) This concludes the question-and-answer section. At this time, I would like to turn the floor back to Mr. Fernando Queiroz for any closing remarks.

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

To conclude our presentation, I would like to thank Minerva' team who devoted theirs [ph] for to achieving these solid results in 2015 and who have been continuously committed with the pursuit of sustainable growth, greater efficiency and opportunities that lead to better results.

We remain very optimistic about the industry outlook, given the strong beef demand in the export markets, the potential opening of new markets, the industry rationalization, the weakening of the main producer countries and the positive capital supply scenario in Brazil, Paraguay, Colombia and Uruguay.

This confirms the extremely favorable scenario in the beef industry which coupled with the depreciation of the real and Minerva's commercial strategy will bring even more positive results to our shareholders. We remain at your disposal for any necessary clarifications. Thank you very much.

Operator

Thank you all for attending. This concludes today's presentation. You may disconnect your line at this time. Have a nice day.