Y 2019 Earnings Call

Company Participants

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

Other Participants

- Analyst
- Isabella Simonato
- Joao Soares
- Luca Cipiccia
- Lucas Ferreira
- Luciana Carvalho
- Thiago Duarte

Presentation

Operator

Good morning, ladies and gentlemen. Welcome to BRF Fourth Quarter 2019 Earnings Results Conference Call. We would like to inform you all that this conference is being webcast at brf-br.com/ir, and a presentation to support this webcast is also available. At this time all participants are connected in a listen-only mode. Later, we will start the Q&A session when further instructions will be provided. (Operator Instructions)

Forward-looking statements during this conference call regarding the company's business outlook, projections and results and the company's growth potential are merely assumptions based on management's expectations regarding the company's future. These expectations are highly dependent on market change, the overall economic performance of the country and the sector, and on international markets that are subject to change. I would like to remind you all that this call is being recorded.

This call will be presented by Mr.Lorival Luz, Global CEO; by Mr.Carlos Moura, VP, CFO and IRO; by Mr.Sidney Manzaro, VP for the Brazilian market; and Mr.Patricio Rohner, VP of the international market.

Now I would like to turn it to Mr.Lorival Luz, who will begin the conference call. Mr.Luz, please go ahead.

Lorival Luz {BIO 16180455 <GO>}

Thank you very much. I'd like to start by thank you -- by thanking you for joining us for our fourth quarter earnings release and also to discuss 2019 results. On Page 4, for those of you who are following the presentation, we are sharing our strategic planning as well as the metrics used and what we had expected for 2019 and what to expect for 2020 and 2021 to 2023.

I can say that we are very proud for delivering 2019 with results that led us to achieving historical levels. Actually, we have excelled the margins to historical levels, and we have also now reverted our losses of BRL2 billion, and you can see that today, we have a profit that goes above BRL1 billion. This is really the consequence of hard work guided by discipline, financial discipline, strategic alignment throughout the company and also with our Board of Directors. The Board has always supported us throughout the entire path. So we have surpassed the goals for 2019. And now for 2020, we also expect to see the growth that we -- first, we had expected only in 2021. Obviously, we have a long-term vision. All is marked by financial discipline. Our goal is to manage the company and to achieve a leverage of 1.5 to 2 times the net debt based on EBITDA.

On the following page, we have an overview of our results. First, gross margin of 24.1% in 2019, an 8 percentage point increase year-on-year. We have achieved margins above 20% in every single quarter of 2019, and for the last three quarters, solid margins achieving 25%, which demonstrates the effectiveness of our commercial strategy in Brazil and abroad. And it's also very important to highlight the fact that for the second half of the year, more specifically, when we had the impact of the African swine fever and that led to a price increase and also increased demand.

But that certainly -- that supplemented all initiatives that had already been implemented in 2018 and at the beginning of 2019. As for adjusted EBITDA, we delivered BRL5.3 million more than double of what was delivered in 2018, an EBITDA margin of approximately 16%. I would like to clarify the fact that, throughout 2019 the company also had an impact of some tax-related proceedings, ICMS and PIS and COFINS, in which we won at the court and that had this impact. But the net result was positive BRL884 million.

So the EBITDA -- and we are being very clear. So the EBITDA result that tax-related impact was of BRL4 billion. And adjusted EBITDA margin of 13.3%, also above our historical margins. I also would like to clarify and highlight the fact that for 2020, we don't expect a tax-related impact of such scope. Also regarding net income, which is a very important metric for all of us. As for continued operations, we had a loss of BRL2.1 billion to a profit of BRL1.2 million in 2019. Once again a very relevant result, indicating that we are on the right path. And according to our financial discipline and regarding our leverage, net leverage, we can see that -- and going back to 2018.

At the end of 2018, we had a leverage of 5.12, in which we already included and I think you remember the impact of our divestiture plans and that took place in the first quarter of 2019. So we had published 5.12. And without that, the company leverage was approximately 5.97. And now it went down to 2.5 times, so according to what we had planned, and we want to achieve a number below 2 in the long term. And I think you already saw that we also have a new material fact today.

And our -- my colleague is going to talk about that later on, Mr.Moura. But when we consider once again the number of 2.5 in net leverage reduction, we had that impact of BRL884 million coming from tax-related proceedings, so we expect to see also improvement regarding of our EBITDA out of BRL4.4 million. So for 2020, we expect to continue with our debt leverage process.

On the next slide, it's also very important for us, and as I have said before a lot on our BRF, it's a priority for our company. And I don't believe there might be any other successful company with results above the average, with high performance, without a culture that is very strong. So along 2019, we have launched BRF Essence and we work in a very effective way to build a culture in the company, building a strong culture that is based on our commitments and in our values. Along 2019, already as an effect of the work that we have been conducting internally, we have had a significant reduction of our turnover by about 7%, and in leadership of a reduction of 50%, which provides the stability and continuity of our management so that we may make long-term decisions respecting the long chain that we are managing.

So we are seeking to align with many initiatives, with training and preparing our succession plan too. Also as a consequence of that, we have had and have conducted an internal engagement survey following an international methodology with more than 38,000 responders where we have reached more than 90% engagement in the company, which is a very positive result. And in some items of the survey we evolved 14 points, which is really a landmark.

And it's outstanding, all the evolution that we could track along 2019, which makes us only stronger and more confident to deliver our performance in 2020. Also, I am very proud to say that we have gone back to -- we are again included in ISCB3 index. We are the only food company that is part of the ISCB3 index, and this shows our commitment with sustainability, with corporate sustainability at all shares of the company, so we are very proud of that, really honored to have gone back to this index.

Along 2019, we have also worked on innovation. We launched more than 120 SKUs globally. And in the first quarter, we already have many launches, and in March, you will hear, Sidney is going to mention in his presentation, you will hear about new products, new categories that we're going to launch in the market to meet the needs of our clients and customers. We have also worked and defined for the company as a whole a strategy and execution of operational and logistics excellence, reducing losses, efficiency in the supply chain.

We are completing the rollout of our SEO and our +Excellence Program in all our plants and distribution centers that have supported us and have made it possible for us to have new licenses for exports during the year. All these programs are effective. They follow methodologies and pillars, and they are broken down for the company as a whole. And they assure consistent and effective management of all these processes.

Now going to Page number 7. I would like to mention a few highlights, and continuing what we've been talking about growth. In 2019, we opened a new distribution center in Londrina in the state of Parana in Brazil, which is going to provide great efficiency in distribution for us, especially in the state of Mato Grosso do Sul, Sao Paulo and Parana, and we have also announced late last year, the new processing plant in Saudi Arabia.

And we have recently resumed the production of margarines in our Uberlandia production plant with a capacity of 120,000 tons per year. And we will be manufacturing Qualy, but not only -- all other brands that we have, catering not just to the retail market, but also for the services market. We are still investing on our digital transformation, and we believe that all this work is essential for the company to grow and for us to have the ideal and appropriate management with many tools and even considering Industry 4.0, the SEO of human resources, compliance and all other areas.

There is a whole work of transformation that has been led by Alessandro Bonorino and the IT team. Also in terms of innovation, which is one of the priorities for this year, there have been internal initiatives, also working on BRF Hub with start-ups that seek processes, product initiatives that are innovative and we will be launching along this year. And our objective, as I said before, is that innovation will produce at least -- will account for at least 10% of our revenues in the future years.

Now going to Slide number 8. I will be talking about grains and prices, drawing a scenario of the industry. But the highlight is that for 2020, what we expect undoubtedly, is a year with great volatility and lots of uncertainty, and I'm going to go through everything. But now with regards to the prices of soybean and corn, and especially corn, which is one of our main inputs, the main inputs in our industry.

2019 was the year where price stability, especially in the third or fourth quarters of last year. And then there has been a significant increase, as you can see, of almost 35% until the first quarter of this year -- until the current prices. What I can say is that the company is monitoring closely these prices because this is very important to us. And as I said before, it's very important for us to manage this input, something that is essential for us. We do not speculate and we want to manage it so as to have better working capital in order to assure the correct and the best supply of our production.

And in this manner, we have built a very solid foundation along 2019, so that the cost and inventory in the turn from 2019 to '20, including the first quarter of 2020 and a little bit of the second quarter of 2022. So that we have very favorable conditions. Now talking a little bit about the future, I think that 2020 is a year that we will be monitoring. As usual, we are expecting volumes in terms of exports that is lower than what happened in 2019. So we are expecting a drop of almost from 42 million tons to 31 million tons, and the Brazilian crop remaining at the same levels of 100 million tons.

And as we have seen, as an effect of likely lower exports during the year, the results that were published yesterday, comparing the February exports, comparing to the year before with a reduction of 78%. Well, we will be monitoring that, but we believe that, yes, there will be a lot of volatility. The company is structured to make the most of the times of volatility of making the most of appropriate prices, not just in Brazil but in the different regions of Brazil, as we are doing. We want to build a hedge, but we have the capacity of having good supply in different regions.

And as for the price of proteins internationally and we know that, that also has an impact in Brazil, what we saw is that there was an increase, particularly for pork and a lower increase in the price of chicken. But we also saw an increase in the price of corn in the last quarter, but was also a price recovery starting also this year, in January, February according to market information, so considering that corn is our major input in all the other commodities, what we see is that we will have to then pass on these costs to our final products.

As for next slide, Slide number 9. I would like to highlight some of the facts that we have to date. I am talking about the African swine fever. So on the left-hand side, when we see the impact on pork, sows and the sires, what we see is a significant drop. And I would like to kindly ask that you please observe that because I'm going to comment on that later on. But we see a 50% decrease in the number of the pork, sows and the sires, and even more recent information we obtained regarding the number of these animals for production, the sows do not really generate many piglets. So we may see a decreased number of sires.

So we are at the level you can see on the chart, and this is not going to be resolved in 2020. We are not going to see a solution in 2020, so we will not see production at the previous levels. So what may happen is that during the year, we may also have some other information that will enhance volatility. But here, we are considering the mid and the long-term scenarios, and they are marked by this information we are sharing.

On the right-hand side, we see a price increase in China, mainly because of decreased production. As for our next slide, and this is more updated information regarding coronavirus and the avian flu. So let me start talking about coronavirus. I would like to make clear that to-date, we did not have any impact on our exportations based on coronavirus. We have a long-term relationship with carriers, logistics companies, and we also have teams at these countries. And that actually allows us to fulfill the contracts and also in the prioritization of all these goods.

So to-date, we have seen no impact of these two issues. But we are monitoring the progress of what's going on, particularly regarding coronavirus and also the future impact. But we know that there is still a lot of uncertainties, but we are closely monitoring that.

On the right-hand side, we address the avian flu. So we have had confirmed cases. We have also seen that many animals had to be slaughtered in Asia, in the Middle East and in Europe. And in Europe, even in Poland, which is the largest chicken producer in that region. So we are also monitoring for that. And we know that, that may lead to an increased demand for Brazilian products.

As for my final slide, I would like to share this balance and invite you to think it over. So I'm talking about China. So what we see from 2018 to 2019, we saw an increased consumption of beef, also of chicken and that was actually met by importing this meat. And we also had a decrease in the pork consumption because of domestic production, mainly because of the ASF. So these data indicated decreased consumption by 10,000 tons, but has consumption really dropped by 10,000 tons, or was that replaced something else by carbohydrates or by some other type of proteins?

On the right-hand side, what we see is that production dropped by 12,000 tons, based mainly on the drop in pork product production. So you can see that 12.1% change in production, well, what we see is that this additional production of chicken does not offset for that. So imports were very important to China of all proteins. So for beef, chicken and pork, but not enough in order to meet that demand of -- to offset the 10 -- 10,000 tons, so for 2020, we did not see changes regarding that.

So if production is dropping 23% regarding pork, and as you saw previously, the number of animals dropped by 50% and that's because we see a decrease in the herds.

So -- and we see that also, this is -- this decreasing pork consumption. So for 2020, we will still see a decrease in production and that's going to keep the gap and generate relevant demand, this is not going to change. There is nothing that can change that actually. We may have a less -- the strength maybe lower, but the gap will still be there, and even if there is production in other countries, that's not going to be enough to meet China's demand.

Another point I'd like to highlight is related to the consumption of wild animals that take place in China. Unfortunately, we do not have enough data in order to understand the size of this market. We know that there is the wildlife animal consumption, but we do not know exactly the size of that consumption. And also, with regard to that drop in 10,000 tons consumption, we do not know also if that -- part of that was replaced by the consumption of wild animals.

But now with coronavirus, the Chinese government has recently banned wildlife trade. With that, we will see a decrease in the consumption of that type of meat. What about the size of this market? It's uncertain because we do not have enough information that actually confirms the size of the market. We know that it's a relevant market. It's a part of that consumption from traditional protein may have been replaced by wildlife. But -- so once again, for 2020, our forecast is that we will still see decreased production, so we will have a in production for meeting the market demand.

We also have coronavirus impacting China. And we believe we will see an increased demand for frozen products, also branded products, quality products. We are also enhancing food safety. So this is something highly positive. And we are paying close attention to this motion that's going on in China, so now in this manner, I close my part. Once again, I would like to express my -- to say thank you again to all our employees and contracted employees, suppliers, vendors and the Board of Directors that has always supported us. And I would like to reinforce that I'm proud to deliver 2019 for all of us, for the whole team with a profit of BRL1.2 billion.

Now I'd like to turn the conference over to Carlos Moura, and then I'll come back for the closing remarks.

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

Good morning, everyone. Thank you very much, Lorival. Now moving to Slide 13, please. Here, we would like to highlight that the company's performance is, in fact, at a new level. If we compare the volumes performed in Q4, we have already shown growth. Although in a comparison basis, in the fourth quarter of 2018, there was an effect that also occurred in 2018 and we see a drop of 1.5% in volumes as compared to 2019.

We can see the quality of the volume in fact, is much better. And how this improvement translated in net revenue? Our net revenue has grown 12.1% in the fourth quarter of 2019 vis-a-vis Q4 '18, so we have been monitoring this very closely. In a year, we have a high of 10.8% in net revenue. Once again, with the benefit of our competitive advantage, a positive diversification of our channels, regions and products that we offer with our strong brands as well as a better mix of channels, which is a prove -- proof, sorry, that our strategy is right, our gross profit and margin.

And as you will be able to see along our presentation, the main vectors of growth. In Q4 '19, our gross profit was 51.1%, above the same period in the year before, reaching a gross margin of 25.5%. So this is clearly a new level, and this is for the whole year. And if we see the year numbers, we have grown 65.9%, reaching a margin of 24.1%. And this is, once again a result -- this was driven by our net revenue. It's a result of good management of production costs.

Now going to Slide number 14. As Lorival has mentioned before, you can see the evolution of our margins. The evolution of our margin, you can see that after the transition from the fourth quarter of 2018 to the first quarter of '19, we got at a level of 20% and now we are at 25%, which has proven to be sustainable. In addition to -- this being driven by revenue, there was a growth in COGS of 2.2 in the quarter, although we have a high in some items such as energy, personnel and freight.

In the year, we had a high of just 1.8% in those costs, once again demonstrating how good our operational efficiency is. Adjusted EBITDA and the adjusted EBITDA margin demonstrates a strong correlation with the gross margin. If we compare the two curves, excluding tax effect, so we had a margin without tax in the fourth Q '18 of 7.5 -- 7.4% and we -- it evolved to 14.3% in Q4 '19. In absolute terms this margin grew 114%. In the year, we had 7.4% of -- our margin went from 7.4% to 13.3% and our adjusted EBITDA grew 98.2%.

Now going to the slide on our net income. The net income of our continued operations in Q4 has reached BRL690 million with a net income in the year of BRL1.213 billion. In addition to the gross margin, it's important to highlight that we have had highs or peaks in our expenses with sales, with marketing, reinforcing our channels according to our strategy, admin expenses and fees. We had some reviews in labor issues, but we managed it very well. And 2019 was a year where -- when we matured our program.

And in 2020, we are going to continue working very intensely. As to our operational expenses, we have balanced it out. And then in the fourth quarter 2018, when we compare, it's a much more linear number. And we took the initiative of showing our financial result in a more detailed way to provide more visibility about this -- these numbers. These numbers had a high of 51% as a result of the effect of charges on liabilities, labor and contingent liabilities.

And also, we booked the variation of the option that we have in the operation of Banvit against minority shareholders, this number is going to vary. It depends on the performance of the operation, whether it behaves positive or negatively. These numbers are going to change, so in terms of net income, we can see stability in spite of a high of the FX rate if we compare with the same period last year.

Now moving on to our corporate. In net income on the right-hand side, we can see a BRL4.8 billion growth, reaching BRL297 million. The company also had in 2019 tax loss that generated tax credits, but we have been able to demonstrate a capacity of realizing our tax credits a long time.

On Slide 16, you can see our debt and the evolution of the debt. Lorival has shown how much we have evolved in this area. Our leverage has been dropping with -- as a trend in Q4 '19 for the FX, 4.3. Our net debt was BRL13.269 billion with a leverage according to the criteria that we mentioned before of 2.5 times for the last 12 months. On the right-hand side at the top, you can see our gross debt. It has dropped substantially and the company has directed its generation of operating cash to support and invest in the business and also to optimize our gross debt and to reduce its size.

Our balance between currencies is 59%, other currencies for foreign currencies and 41% in dollar, and 69% of our debt in the capitals market. Another very important thing, an accomplishment in 2019 was a debt schedule that is much better for the company, much smoother, with an average time of 4.6 years., and now the liquidity bar is more -- is better for us with a very cautionary administration of cash. We have BRL7 billion extended cash, BRL1.5 billion refer to our evolving credit facility that we hired at the end of last year.

Now moving to Slide number 17. I would like to reinforce something that Lorival said about financial discipline. Our long-term view for the financial discipline is to operate between 1.5 to 2 times EBITDA for the last 12 months, and the numbers for 2019 showed the strong evolution of our operating cash flow. I mentioned 4.7 but this is 204% compared to the same period in the year before.

The growth of BRL1.9 billion, once again, as said before, in many different projects, the company will evolve in this area as an evidence of our confidence in the business in Brazil with a free cash generation of BRL2.9 billion, and including BRL1.1 billion of divestment, a prepayment that we made more intensely between Q3 and Q4 2019, about BRL2.1 billion with our local banks and this is going to reduce the cost of debt in BRLs, obviously a strong evolution of our financial cycle.

Our average financial cycle is about 28 days, we reduced it to 19 days as compared to 2018. So there has been an alignment in commercial areas. And we worked very hard to make this happen, and so there is a contribution of the (inaudible) very intensely involved to deliver these results. Finally, I would like to highlight the guidance and I have reinforced our long-term vision.

And I'd like to say that here, we have tax effects over the EBIT of the last 12 months in net debt or the indicator for 2019. I am sorry, but we also have the effect of the high FX rate that has been proven true in the last 12 months, the effect of swine fever and coronavirus. And I would also like to highlight a material fact that we have just announced, we have expressed our net debt algorithm so that it is very clear to the market how the company has been measuring these effects.

Now I would like to turn it over to Sidney Manzaro to talk about the Brazilian market. Thank you.

Sidney Rogerio Manzaro {BIO 17678250 <GO>}

Good morning, everyone. Once again, it's a great pleasure to be here talking to you and talking about the Brazilian market. So following the positive results, again, as mentioned by Lorival and Carlos, so our strategy was very successful. A package of initiatives that were implemented at the end of 2018 and we realized that in 2019. And with that we achieved our gross margin target.

I would like to highlight also that we have improved our strategy. Commercially speaking, we have also improved our product mix with increased demand for more profitable products, and we have also improved on our sales channels, so foodservice is also increasing compared to 2018. We also have the smaller retailers. We have now 237,000 customers in Q4, so an increase by 5,000 customers compared to 2018. We also had improvement on the mix considering the different regions. So now Sao Paulo has resumed growth compared to 2018.

But it was also supported by improving logistics efficiency. Lorival has already talked about our new distribution center in Londrina, and they have also improved our production, so our gross margin now achieved the target established for that year. And in the fourth quarter, it achieved 27.2% the best margin for 2019. We also saw a repositioning of our prices, and we saw an average price increase of 11.2%, so above cost so supporting the margin growth. But also considering the product mix, sales channels that also pulled prices up and that was also supported by better operating strategy.

I would like also to highlight our work on innovation. So last year, we resumed our goal in really becoming strong in innovation. So we have relaunched more than 90 items in 2019, and they have also built a very important pipeline for 2020 and 2021. You have already seen the launch of new products so the -- and we are going to keep this pipeline strong. And finally, for the last quarter of 2019, we had a commemorative campaign and the campaign was conducted with excellence. We saw an increase in volume and customers, that was the best performance since 2015 with zero balance.

Now moving to Page 20 and going over the numbers. Here, we see a revenue increase -- a net revenue increased by 7.3% comparing 2019 to 2018. As for volume, we see a decrease, a slight decrease particularly regarding in Natura products. So in 2018, we had surplus inventory and then we implemented many initiatives in order to really drop that inventory level, and that led our prices and margins to undesirable numbers. But in 2019, we repositioned the prices, but in Natura segment was the one that suffered the highest impact. But on the other hand, we also saw an increase with regard to profitability. So not only have we repositioned prices but we have also launched innovative products.

So we have now launched as many SKUs, so adding value to our portfolio and thus, increased the profitability. As for processed products and spreads, we also led the price increase. That also had a high-impact on self-service, so when we increased prices slightly above what was expected, we obviously see decrease demand by major retailers and we also see the competition then working hard.

And that's what happened in the first six months, in which we saw also impact on self-service But for the second half of the year, we also saw a progress in that. And when we consider the largest portion or the major part of our work is on the increase and the preference for our brands, so you can see the last chart, gross profit. Well, the margin increased to 27.2% out of 20.9%. And consolidated, we increased from 20.3% to 25%, what was our target. As for adjusted EBITDA, that's more relevant, we increased from 7% to 7.8% to 12.2%.

So next slide, you can also see the progress and how consistent the numbers are. So here, we have a gross margin and systematic increase, so we have repositioned prices in the first half of the year. And then we saw consistent numbers, always achieving the 25%, and as for EBITDA we also see progressive increase. So when we compare the fourth Q of 2018, when we -- in which we also had the same campaigns, but we had that number going from 7% to 14% in the fourth quarter of 2019.

Page 22, in the cash and self-services where we had more of that cost transfer, so this is also the channel that's more sensitive and that suffers highest impact, and that's why we saw some decreased participation but now we see a slight recovery. So for margarines, in which the price repositioning had no impact, we did not lose any market share. For Franks & Sausages, what we see is that we have also now recovered. As for Frozen Meals, we see that we are now at a flat level, and for Food Services, for Cold Cuts, you will see that we had the lowest decrease.

And finally, just to close, I would like to highlight the work on our brands, so we have been working in order to reposition our brands. So the value proposition for Sadia, the more you know, the better Sadia gets. So we achieved a 27.6% preference, so 2 percentage points above the first month. So Perdigao, with the value proposition of, shared meals taste like Perdigao, once again increased by 2 percentage points, and Qualy, we see a 51.4% of preference, a very significant in spreads.

And so before turning the conference over to Patricio, I would like to highlight that the set of initiatives that we have taken in to improve our operational efficiency and our sales has driven us to evolve significantly. And together, with better cost control, as Carlos Moura said, and higher efficiency of our expenses, which has contributed for Brazil to have the most robust margins and has driven us to have, again in Brazil the recovery of a sustainable commercial relationship that prepares us to evolve more consistently, always with financial discipline of our gross margins.

That's it. Patricio, now the conference -- you should take over the floor.

Patricio Rohner {BIO 19686996 <GO>}

So thank you. Patricio. I am very happy to share with you our internationals of 2019, especially to show on Page 25 that we are delivering the international diversification and profitability that have favored the evolution of results.

When we see on the next slides, you see that Halal accounted for 48% of EBITDA in international market, and other markets accounted for 52%, which doesn't mean that other markets have grown as compared to Halal. Halal has grown 34% year-on-year, so -- which is an evidence of the diversification and we worked intensively on contingency plans.

We are thinking of more pressure in the Halal region, which places us in a much better position than we used to have two -- three or four years ago, so the main news were the licensing, 25 blends licensed in different markets with a highlight in China. Obviously, we have very big plans with a good product mix, which help a lot in allocating volumes in international markets.

In the Halal market, as I said before, it was a return of recovery of margins. We are going back to normal. But normality means, for us, volatility in a certain way. It's been three years that we have been having different news, both for Brazil and other markets, such as Ukraine and others with plants being closed down, and we have been able to implement contingency plans looking not just on the short term, but also with a strategic vision.

And we also announced and made announcements in our strategic pillars. We announced plans, so we're replicating products in Abu Dhabi and Saudi. And so we're evolving with our factories and in other international markets, we're driven by the African swine fever. We have also reached very good results in markets such as Japan, Chile, Mexico and even in Africa.

Now going to the numbers on Slide number 26, you can see a stable volume for the total of the year, if we compare 2019 to 2018, especially because of the allocation of volumes that we made, especially considering the contingency plan should we hear any other news, whether positive or negative, such as, for example, the shutting down of factories. But in the last quarter, as you can see here, in spite of all the difficulties, we had a growth of 6.3% in volume.

And now going briefly, trying to focus more on Halal in other markets. You can see an overall growth in all our numbers. And the EBITDA and the EBITDA in the last quarter had growth of 185% in contrast, with -- or -- and also a 158% growth for the whole year, so we grew a lot and especially in the last quarter, which places us for a good start in 2020.

Now going into more details about the Halal market. And though we don't have so much time, and I would like to mention some more specific issues. Profitability has been affected by the challenging scenario in some markets, but it was also offset by depreciation in FX rate, so we could keep our dollar prices at very high levels. And when we look at the evolution in volumes, this 1.1% suffered the impact, especially of Turkey in the last quarter because we could not export to Iraq.

So in Turkey, not just banned it, so we had 0.6% drop quarter-on-quarter or comparing the last quarter of 2019 to the last quarter of 2018. And in categories that are not really profitable that we saw this drop. So we have been able to put these products in Turkey and exports to other markets because of the positive scenario in some countries on the Gulf and the African swine fever -- or the avian fever, rather. And I can't say much about 2020 yet, but we started the year in a much more positive way.

So when we look at the EBITDA and net income or gross profit, you can see an evolution if you compare one year to the other, a very positive evolution. In the last quarter, there are some positive and negative things internally. So we are talking about the prohibition in Saudi Arabia to export from our Abu Dhabi factory, there was a ban, which made us expedite our partnership blends in the country to replicate products that we manufacture in Abu Dhabi for the Saudi market.

And then there was an avenue of growth by building a local factory in the last quarter of the year, and we are evolving very well with our plans, we are 100% investing in the factory. And there are some other positive indications. Some countries that position themselves and gain market, as for example, Ukraine were affected by the avian fever -- or the avian flu, rather. So we have created good supply in Saudi with products such as breast, that is something that is more used both by the consumer market and food services, and especially for local processing.

So this is a very -- in this scenario, that are good things and bad things, so we don't see a much of a negative points for next year because we have contingency plans that we implemented in 2019, and they worked at the right time.

Now moving to our last slide, so that we have more time for questions. In other international markets, the news is that we were very fast in licensing factories and products and boarding less than one week. After the factory had been licensed, we were shipping products to China and also in Latin America, Africa, Mexico especially. That made the results to be very positive and sustainable with higher volumes as much as possible, considering capacity.

But you can see how the last quarter represents much more of the year as a percentage, so we are 17% versus 3% and comparing the two years. Same thing for revenue, when we look at the EBITDA, especially in the last chart here, a 1,000% growth or rather 1,600%. So in other international markets, a total EBITDA of 1.2 in contrast, with Halal of 1.1.

And so this is what I wanted to say, how we have been able to implement this thing of migrating products to markets where there is more opportunity and not to lose the long-term strategic track that we are working to keep our leadership in the Halal markets, and to expedite the growth, developing products, adding value in markets where we have good opportunities to develop brands with local teams and local production as the Asian markets and other markets in the second phase, which is Latin America. Thank you all very much.

And I think I will turn -- give the floor to Lorival for the closing remarks.

Questions And Answers

Operator

(Question And Answer)

A - Lorival Luz {BIO 16180455 <GO>}

Ladies and gentlemen, we will now start our Q&A session.

Operator

(Operator Instructions) Our first question Luca Cipiccia from Goldman Sachs.

Q - Luca Cipiccia {BIO 6914452 <GO>}

Well, good morning, everyone. Thank you very much for taking my question, and for the presentation. Lorival, I have one question. So can you please elaborate on what you already commented about the impact of coronavirus? If I got you right, you have explained that, so far, you do not see any changes, that the impact would actually be positive considering China's strategy for reducing the consumption of some other proteins. But I'd like to really understand where is the company focusing on, so where would you see direct or indirect impact not only in China, but also in some other markets? So we saw that increased demand in 2019. But I want to ask you about how confident are you regarding this increased demand for 2020 not only in China, but also international markets, particularly the half -- first half of the year?

A - Lorival Luz {BIO 16180455 <GO>}

Well, thank you, Luca, and good morning. What I can share is that regarding the impact of coronavirus and supply, considering products we buy, import or anything we buy from China and also considering sales. It's true, we have not seen any relevant impact to date. Now the only -- actually, we did not see that on the last quarter of 2019 or in January or February of 2020.

Our entire importation and exportation processes are taking place as usual, so obviously, we need to wait to see what's going to happen. But to date, we did not see any negative impact. And why are we confident regarding the supply and demand structure? Well, we do not know whether hog production is going to suffer any change in China, considering that the number of herds is now 50% of what it used to be.

So I don't know whether that cycle has ended. Well, I know that, that will come to end eventually.

And considering also the biology of animals, it's impossible to reduce as much as you used to produce having just 50% of animals. So we need to understand that I don't think they are going to reach the same production levels they had before in 2020. To me, that's physically impossible. And the second aspect regarding the ban that the Chinese government has in place now for wildlife trade.

Well, we do not have any concrete information about the size of that market. But once you ban that, we -- what we see is a decrease in supply. And obviously, what you will see is the decrease in the supply. So once you combine these two factors, so reduce the herds and also decrease supply or decrease consumption, what we will see is also scarcity of proteins and that will lead to increased demand.

But how big is that going to be? I don't know, but we will need to manage that. So to me, that is a positive thing. It's an opportunity that we will see in 2020. Considering our capacity to meet the demand, the quality of our products, the good relationships we have with our customers from the retail, with retailers and food services, so that's why I have that optimistic view.

Q - Luca Cipiccia {BIO 6914452 <GO>}

Now Lorival, do you see any risk of having bottlenecks such as peak when we think about supply or own delivery? Or what other factors could actually hamper this process, do you have any backup plan, Lorival?

A - Lorival Luz {BIO 16180455 <GO>}

Once again, Luca, things may change in the future if the scenario becomes more severe, if we see more lockdowns. We may obviously have some impairments considering, let's say, how you are going to move the goods. So let me call that the flow of containers, so as we export to these markets, and let's say if -- I am just assuming, let's say, if we have any impairment, those containers will be returned to the country that is exporting that, so what I can tell is that I feel very confident.

I know that all countries and now governments are paying close attention to that in order to avoid any hurdles regarding commercial trade. So that's why I told you that to me, I think that is an opportunity and should any logistic restrictions come up, we need to really have solutions for that.

Q - Luca Cipiccia {BIO 6914452 <GO>}

Thank you very much for that.

Operator

Our next question comes from Isabella Simonato from Bank of America.

Q - Isabella Simonato {BIO 16693071 <GO>}

Good morning, everyone. I have two fast questions to ask. First one about Brazil. Could you give us more details of your pricing strategy, especially for processed products considering the cost injuries that the industry as a whole has been dealing with after the significant price increase that you had in 2020. Do you think consumers can still take on price increases in this category? Or maybe the transfer of grain prices would be more through a product mix and channel mix rather than actual prices to consumers?

Secondly, the leverage, when we look at range versus what you reported in 2019 and there is a leverage that is higher year-on-year. Could you just give us some more detail underlying the assumption regarding the foreign exchange rate? How do you get to that estimate of net debt over EBITDA?

A - Lorival Luz {BIO 16180455 <GO>}

So I am going to answer your first question first. I am going to ask Sidney to answer your first question, and then Carlos will answer the leverage question. But as a reminder, when we calculate leverage all take into account that a material fact, as I said in the beginning of the presentation, we do not expect a tax effect that will be relevant as we had in 2019 when we had a tax effect of BRL884 million that favored leverage, so we should not consider that effect. But I will turn the conference over to Carlos.

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

Isabella, thank you for your question about Brazil. We have a goal or a target gross margin, and this drives our decisions. In terms of definition of prices, what we had to do in terms of correcting prices we have already done that. Now there's a market analysis and segment analysis, and then this is related to what you said, is an impact of corn. So the impact of corn will be addressed. Looking at the gross margin, that is passed through to the market, if necessary.

So we have a grain policy that is well structured in order to reduce our volatility in the market, but we will always be paying attention to that. There is an equation in prices that measures costs, and also our market, our price positioning, and whenever this allocation permits, in terms of raw materials, considering market demand, whenever that is possible we are going to pass that through. And looking into the future, we see prospects of increasing corn prices and the pass-through of prices in line -- and always looking at our gross margin strategies.

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

Isabella, this is Carlos answering now. Thank you for your question. Just complementing what Lorival said. I'd like to highlight that the trajectory of our net debt, we will observe strictly that band of 1.5 times to 2 times. This is where we are headed towards. This is our direction, this is what the company has been doing, this is not just words. We are not just saying it. We are going through a notable evolution of our gross debt and net debt, too.

And initially, we thought of having an FX rate band, thinking that the FX rate could fluctuate in January between 4 20, 4 30. However, as February evolved, we noted that it was impossible for us to forecast what would be the FX interval for us to calculate an estimate of net debt at the end of 2020. So we have taken out this price. Unfortunately, that had been marked, and we are not considering the FX effect or the exchange effect in information that we are giving to you.

So what I mean is that we are subject to FX variation. Just last year, we had the benefit of BRL330 million by the FX effect last year. You can imagine the effects we have had in January because of the evolution that FX went from 4.03 to 4.27 in one month. In addition, there is an effect of our tax gains. So the company has accumulated tax gains along 2018 and 2019 in order to form reserve or value that can help us in the future, either in a reduction of the next burden of the company or possible monetization.

And therefore, when you do the math of the expected behavior in 2020, without that effect we may also come to the conclusion that -- of that trajectory within that time interval. Of course, everything is going to depend on now and generation of taxes during the period. And lastly, we have a growth agenda that we are recovering, we have already talked about our investments in Saudi Arabia. We have also said that we want to grow, increase our investments in many different segments of the company. So that once again, our growth agenda is a priority so that, that number is just in the past.

Q - Isabella Simonato {BIO 16693071 <GO>}

Thank you.

Operator

Our next question comes from Lucas Ferreira from JPMorgan.

Q - Lucas Ferreira {BIO 16552031 <GO>}

Hello. Good morning. I am going to have just one question. I would like to go back to corn. So if you expect a slightly higher FX effect to lower exports, what is your corn inventory today? How much bigger is it than usual? Are you working with risk management? Could you mention numbers? What's the price variation, spot prices? What do you see on the screen today? They have gone up a lot, especially in Mato Grosso, so no matter how much corn may drop over the next few weeks or months, what can we see in terms of impact in the company costs in -- and if you can see the impact on costs?

A - Lorival Luz {BIO 16180455 <GO>}

Thank you for your question, Lucas. Your question is excellent, but I will not be able to answer them because, obviously, they are very strategic to us. So all I can say...

Q - Lucas Ferreira {BIO 16552031 <GO>}

Can I ask another question then, Lorival?

A - Lorival Luz {BIO 16180455 <GO>}

Well, I will answer part of it. Well, what I can tell you is that we have closed at a very favorable position. Once again, our financial capacity, our logistics, our storage capacity and our risk management have enabled us to have a quite favorable position which provides us very safe conditions, especially for the first quarter. So once again, always with the strategy that is input is of utmost importance, and we are always working on the market, making the most -- making the most of opportunities that come up, not just in terms of prices, but also the proximity we have in a different regions and with farmers, too.

So we always want to work in the market buying at the right time. So we are very optimistic with that regard. We will be monitoring the prospects for production, again, is -- of the slowdown in prices. And we are likely to suffer the impact less than the market will suffer and our average cost will be below or well below our -- the cost or raw cost. So I'll leave it to our colleague to ask further questions.

Operator

Well, our next question comes from Thiago Duarte, BTG Pactual.

Q - Thiago Duarte {BIO 16541921 <GO>}

Hello, good morning, everyone. I have three questions, very three quick questions. First, can you tell us anything about this year's CapEx considering investments in Saudi Arabia, also maintenance? And Carlos also talked about growth, so can you please share a lot a bit more about investment?

My second question is to Sidney. Sidney, you have talked about an increase in number of customers a very important growth. So can you please elaborate on that and also comparing to numbers we had in previous years? I understand that there was a drop in number of customers in recent years, and now you are starting to see a growth again, so do you think that, that number is going to grow even further in 2020?

And for Patricio, I have a question regarding margins. So when we go over this margin above 23% considering that now you have a consolidation of markets. Can you please tell us about margins in most relevant markets, Japan, China, Russia, more specifically, so that we understand how each market responds or is responding?

A - Lorival Luz {BIO 16180455 <GO>}

Okay. Thiago, so let me start and having Carlos responding in the first part of your question.

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

Well, Thiago, good morning. As for CapEx, as part of our growth strategy and considering selectivity. So I am talking about stringent governance regarding CapEx and also our diligence. We don't have a guidance, so to speak, but it's approximately BRL2.2 billion to BRL2.5 billion. So that's investment for this year considering growth. Now let me turn it to Sidney.

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

Thiago, I like your question. So if we were to compare number of customers and the best number we had in 2015, our direct customers, okay. So directly by our sales reps. So today, we have achieved the number above 2015. In 2015, we had approximately 193,000 customers. Today, we have approximately 235,000, so I am talking about a monthly average. But if we think about the fourth quarter 2015, we had 2015 to 2017 so we have more customers.

And in addition to that in the P5A, we also have an accessibility strategy. So we are enhancing access to our customers. So today, we have different channels, sales channels so for example, as for our distribution, we have partners. We have distributors that are our partners. So in the past, we had 5,000 customers that we're seeing by using this model. Today, it's above 15,000, so 15,000 customers more. And another modality is regarding marketplace, so supplementing our distribution, so that's what we call a fractional -- fractionated service, customers we do not see directly.

And we also have food service. Today, 2019 -- or the numbers for 2015, we have -- compared to 2015, increased the revenue, increased the number of customers and increased the volume. And we have not only increased the direct basis, we have also increased 10,000 more customers using this indirect model. So we started doing this in 2019. And there's a lot to be done in the future considering different service modalities.

Our portfolio, considering retail and food service and direct service, we have 500,000 potential customers. And I would say that our major challenge is the average volume for each customer, and we are focusing on that, considering our brands, our productivity, and then I see a lot of opportunities.

A - Patricio Rohner {BIO 19686996 <GO>}

Now well, should I answer now about the international market, . All right. So the question was about margins of China, Japan and Russia. Obviously, I do not have an answer per market. That's another lab. But I can tell you that the margins are at the same level of Africa, Latin America and European markets when we talk about percentages, because we had the China demand, we also had the recovery of Japan.

But when we compare to Africa and Latin America, we have many industrialized product. So the margins are very similar, considering all markets, but we have increased the volume in Japan and in China, so I really do not -- cannot tell the number of margin per market. But I can tell you that we have more volume for these larger markets.

Q - Thiago Duarte {BIO 16541921 <GO>}

Thank you very much. Just a follow-up for Carlos. Carlos, that CapEx are you including IFRS 16 or not?

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

Yes, I am including it.

Q - Thiago Duarte {BIO 16541921 <GO>}

Okay. Thank you very much.

Operator

Our next question comes from John Grandy from Bradesco.

Q - Analyst

Well, actually, this is (inaudible). I would like to ask, could you please clarify the guidance and the FX? We talked about 2.35 -- 2.35 to 2.75, but what of the FX rate that you have taken into account? And also, which variables are you considering and why, considering the uncertainties? You have also talked about the leverage level of 1.5 to 2. And also, considering that we will probably see this peaking consumption protein, so which should be the major drivers of leverage for 2020? Thank you.

A - Lorival Luz {BIO 16180455 <GO>}

Well, thank you for your question. So just to clarify, well, the guidance does consider FX impact considering also our debt, 60% of that is in foreign currency. So what we could not do was to estimate the FX range for this guidance. But this range, the 2.35 to 2.75, one of the variables is exchange rate and the second is our growth pattern. Third is related to tax impact, what we had in 2019 and that's -- that we're not going to in see 2020.

Not to mention investments that will be made on -- in our new plant in Saudi Arabia, not to mention some other exogenous factors that will also bleed EBITDA. And just complementing -- and complementing the company's cash generation from now on will be a determining factor for the reduction of our leverage. We do not have any plan of any other divestments or monetizations, and this is going to come from cash generation. And the result that we also capture more effectively with the implementation of SEO and the Excellence programs, efficiency programs that will start and then will be at full steam from now on.

Q - Analyst

Thank you. This is clear. What you said about coronavirus and the possible impact that might lead to higher demand and with an impact on supply in China, this is not reflected in your guidance. You are not considering that? Is that right?

A - Lorival Luz {BIO 16180455 <GO>}

Yes, it is. We are not considering that. Our guidance doesn't consider that.

Operator

Our next question comes from Luciana de Carvalho from BB.

Q - Luciana Carvalho {BIO 18724665 <GO>}

Thank you very much for the opportunity. My question regards the Halal market. I think Patricio was very clear about the current situation, what about future and your negotiations with Saudi Arabia? Do you think the plants that have been recently limited will be released?

And the timing of the vision, could you give us more details about the partnership to build a plant in Saudi Arabia? When should we expect the plant in Saudi to be offsetting a more challenging scenario?

A - Lorival Luz {BIO 16180455 <GO>}

Thank you for your question, Luciana. So for the factory, we're working very closely to the government FDA and also very close to the Ministry of Agriculture of Brazil, because they need to communicate to each other and they are talking for us to license and approve the factories in Brazil as soon as possible. As to the plant in Abu Dhabi, we have scheduled the visit of Saudi Arabia delegation to go visit our plant and to license it so that we may export again.

And in parallel, we are involving local partnerships to develop or replicate our products. And because with -- as every crisis means opportunity, sometimes we focus more on this, at these times. We are evolving greatly in food service in other Gulf countries with specific products for them, that we can't supply everything because the volume was going all to Saudi Arabia. So there's an avenue that opens, and they have high cost of living and Food Services cannot generate visas or pay the visas to marinate products, cut and release. So in a nutshell, we're working closely with governments both Brazilian and Saudi governments to license and approve the plants in Brazil and Abu Dhabi, too.

With the construction of the factory, we are advanced very much. We have a project through engineering project, choosing a location and everything. Building licenses and operations it takes more than one year, 1.5 years, so we are estimating for 2021. If possible before the end of 2021, we will be manufacturing our own factory regardless whether we have partners manufacturing our products.

Q - Luciana Carvalho {BIO 18724665 <GO>}

Thank you very much, Patricio. You're very clear.

Operator

Our next question comes from Joao Soares from Citibank.

Q - Joao Soares {BIO 17386703 <GO>}

Good morning, everyone. Thank you for the question. I have a question about Halal. What is the balance between supply and demand in Saudi Arabia? In spite of the restriction, there are many plants in Brazil suspended. It seems -- sounds like the balance should be slightly more favorable for pricing, how do you see the balance?

And question number two is for Sidney, the question about innovation. You said that you have the intention of increasing net revenue to 10% coming from innovation by 2023. Could you share more with us about the strategic aspects? What should we think about the evolution? How much does that account for today? And maybe in the short-term, could that lead to a cost increase in expenses so that we accelerate innovation?

A - Lorival Luz {BIO 16180455 <GO>}

In answering about Halal and supply-demand balance. It's quite unfavorable for Saudi Arabia this balance, because as you must have read, we had an avian flu. There's an increase in imports of eggs to make up for the local production. At the same time, in Ucrania, they had taken the place of French with a significant volume, and adding and combining all of this to the closing or to the ban of our factories, there is an imbalance.

If you see what happened before the announcement of our plants, the prices in January, February and March, increased a lot especially for chicken breast and the deboned chicken, too. So this unbalance is reflected in prices and that has been the case since January and even more intensely, in February and now in March.

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

Hi, Joao. As to your question about innovation, this is a recovery process in 2018, revenue coming from new products accounted for 2.5%. Last year, they closed at 3%. And we are going to evolve to 10% as we are forecasting P5A. In P5A, we have structured all our plans, our CapEx investments, and we might show the details to you of which are the lines, the business lines that we are going to invest in, both existing business lines and new business lines. As to the cost impact, every analysis that we conduct, we analyze how much value it adds to the business.

So all the products that we launched, they have a positive margin. And even if maybe there is cost, it's totally offset by higher margin. So the strategic equation where CapEx is directed is part of our budget, it's allocated and expected, the analysis follows assessment criteria so that whatever is approved effectively adds value to our business and also related to our brand positioning. Of course, there are brands that are present in 95% of Brazilian homes.

And today, consumers are increasingly more demanding. They have their preferences. And with our brands that are as robust and capillary as we have, we need to pay attention to we effectively capture the movements and offer a portfolio that new consumers are demanding.

Q - Joao Soares {BIO 17386703 <GO>}

Thank you very much, Sidney. Thank you for answering my questions.

A - Lorival Luz {BIO 16180455 <GO>}

Let me just take the opportunity before we move to our closing remarks, I think I should clarify what we said about our guidance range. I think this is generating some uncertainty. More than 60% of our debt is in dollar. Today, if we look at the dollar in December, it was 4. Today's it's 4.50. So this has a significant effect.

There maybe even more variation in the FX rate. So the marking of our debt of the company, when we calculate it, only this marking based on FX variation may account for 0.4 times, for example, or in verification. So that's why we mentioned a range, because there is a huge volatility, and the range is huge for the FX rate in addition to the BRL884 million that had a positive impact on EBITDA of 2019.

So this effect will not happen in 2020. So the operation in itself, the effective generation of the company's operations and our gross margin will grow, EBITDA will likewise follow the same trend. And there is volatility and an impact of 0.40 on FX rate. These two factors together alone caused an impact of 0.50, slightly more within this leverage range. So when we talk that the leverage range maybe 2.35 to 75, the foreign exchange rate has a huge effect on that because once again, it is a verification FX rate.

Depending on when it happens, once again, our EBITDA is slowly, it's going to happen. EBITDA might be slower in the year because of the FX rate. So it's important to make this very clear. Another aspect, just for us to do the math together, EBITDA of 2019 that you can see, of BRL4 billion, of 5.3 and taking out the effect of the BRL884 million is for BRL4.433, right? If we use our net debt, doing that without the tax effect, you wouldn't have a leverage of 3.

And what do I mean? Without the effect of leverage and the tax effect, our operational leverage is dropping consistently and effectively. It may go down to 2.75 if the FX rate is higher, more than 4.50 We have designed scenarios for that. We ran deterministic scenarios, stochastic scenarios to assess the variation, and it can be well below that, with numbers that will be lower than this range. So that's why we already had our guidance of 2.75 and we are adjusting this range to contemplate that.

So I wanted to try to clarify that so that it doesn't generate the misperception that the results are likely to get worse, this is a cycle that is ending, that is not the case. It's important to clarify what lies behind the guidance and I am open if you want to ask any other questions about that, I am available to answer any questions you may have. And then , I don't know, whatever.

Operator

Our next question comes from Luca Cipiccia from Goldman Sachs.

Q - Luca Cipiccia {BIO 6914452 <GO>}

Lorival, just as a follow-up on this discussion that I think it's generating some confusion, so what is the FX rate that you are considering for having a leverage of 2.35, 2.75?

A - Lorival Luz {BIO 16180455 <GO>}

Well, as I mentioned, we ran some stochastic scenarios and some other scenarios. So have also scenarios in which the FX rate is above 4.50, and then we are going to have the upper range. So 2.75 is for an FX rate that's above what we have today.

Q - Luca Cipiccia {BIO 6914452 <GO>}

And what about the 2.35?

A - Lorival Luz {BIO 16180455 <GO>}

2.35 is for an FX rate that is below what we have today.

Q - Luca Cipiccia {BIO 6914452 <GO>}

And 2.75 is -- are we talking about what?

A - Lorival Luz {BIO 16180455 <GO>}

About the current FX rate.

Q - Luca Cipiccia {BIO 6914452 <GO>}

Okay. Thank you very much for this follow-up.

Operator

With that, this Q&A session comes to an end. I would like to turn it over to Mr.Lorival Luz.

A - Lorival Luz {BIO 16180455 <GO>}

Well, once again, I would like to thank you all for your participation. I believe this was a long call, but I hope we have clarified your questions. Our Investor Relations team is available to answer any further questions you may have. I would like just to highlight the fact that these are the results we have, and we have been very diligent. The gross margins, the net margins above historical levels. And that is a result of the hard work, considering this complex and long chain, and we are seeking for efficiency in each step along that, and this is also the result of a team that is highly motivated and passionate for what we do. Thank you very much, and hope you all have a great day.

Operator

With that, we close the BRF S.A. conference call. Thank you very much, and have a great day.