Q1 2019 Earnings Call

Company Participants

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

Other Participants

- Alan Alanis, Analyst
- Alessia Maria Apostolatos, Analyst
- Benjamin Theurer, Analyst
- Carla Casella, Analyst

Presentation

Operator

Good morning, everyone, and welcome to JBS Conference Call. During this call we will present and analyze the result for the First Quarter of 2019. As requested by JBS, this event is being recorded. The recording will be available this afternoon and can be accessed by following the instructions posted on Company's website at www.jbs.com.br/ir. Taking part on this call, we have Gilberto Tomazoni, JBS Global CEO; Guilherme Cavalcanti, Global CFO and Investor Relations Officer; Andre Nogueira, JBS USA CEO; and Wesley Batista Filho, President of JBS South America.

Now, I will turn the conference over to Mr. Gilberto Tomazoni. Please go ahead, sir.

Gilberto Tomazoni {BIO 2090061 <GO>}

Good morning, everybody. Thank you for your presence in this conference call. I'm very happy to announce our results in this first quarter of 2019. The results show our discipline and commitment to our value creation strategy.

Go to the numbers. Net revenue was 40.4 -- BRL44.4 billion, up 11.5% and the consolidated EBITDA increased by 14.4% and increase in margin as well. Our leverage was, in dollars, 3.1 times, and our reported net income was BRL1.1 billion and EPS was BRL0.41. Before I pass it to Guilherme, I wanted to emphasize some points. First, our financial position, leverage reduction, lower cost of debt, lower amount of interest paid, better debt profile, cash position and cash generation, all of these efforts means that the company only needs to assess the market in 2026.

In our commitment with transparency, we released our policy related liquidity, indebtedness, and dividend (inaudible). Later, Guilherme will be explaining more about these two policies. Third, our good margin conditions. We are in a favorable cycle of protein, favorable supply/demand in a low cost of grain, combined with the consumption of protein in Asia has been growing for some times. In line with this, the company announced a sign its agreement of BRL3.4 billion in China, I think in the previous quarters.

Now with the African swine fever, this demand -- the demand is boosting. This is a -- it's a point that I want to stress here. The other point is the global footprint, I think JBS has built a truly global footprint, which is practically impossible to replicate. We have our operations in four continent and we operate with five types of proteins. We have a strong management team. Adjust for this because if I summary this, our financial conditions, our favorable market conditions, our footprint, our strong management team, JBS is ready to accelerate growth inside their market opportunity. To believe in U.S. is in our priority to unlock value and boosted the growth.

I will now hand over the call to Guilherme, who will detail the results.

Guilherme Perboyre Cavalcanti {BIO 2181205 <GO>}

Thank you, Tomazoni. Before I start, I'd like to remember the disclaimer on Page 2 about future events that are subject to risks and uncertainties, beyond our ability to control or predict.

Now please let's move to Page 4, where we show the evolution of our figures. Net revenue increasing 11.5% to BRL44.4 billion. Gross profit increasing 13.3% reaching BRL5.8 billion, and EBITDA increasing 14.4% to BRL3.2 billion and EBITDA margin passing from 7% to 7.2%. Net profit of BRL1.1 billion and earnings per share at BRL0.41. It's worth mentioning that this net profit was impacted by a deferred income tax that is generated because of the tax loss on the Brazilian operations due to the FX depreciation becomes an asset that improves the results. This accounting effect becomes a cash tax savings as it offsets future profits and decrease the usage of tax credits that can be used in the future.

For the shareholders, this means higher minimum dividends as Brazilian Corporate Law requires at least 25% of net profit and higher base of accumulated profit for future business.

Now please let's move to Page 5, where we show that our operational cash flow increased to BRL750 million, given the higher EBITDA as explained before. And free cash flow reached a negative BRL712 million. It's worth mentioning that the first quarter of the year is characterized by a seasonality effect of concentration of supplier's payment and inventories recomposition. So every first quarter, we have cash consumption and this quarter was not different. It's worth mentioning that the first quarter 2018, we had BRL110 million negative only because we had BRL924 million of asset sales in the quarter -- in the first quarter of 2018. So this considering the divestment in the first quarter of 2018, our cash consumption decreased almost by half in the first quarter.

Even we investing, we think we're coming back to our normal levels of cap expenditures of BRL750 million, because in the first quarter '18 we were contingent to the CapEx for -- that was BRL414 million. So we could increase our CapEx to normal levels. And at the same time, decrease the cash consumption of the first quarter. And also it's worth mention that despite the cash consumption of the first quarter 2018, we generated BRL5.7 billion in free cash flow or $1.5 billion.

Now moving to Page 6, we see the evolution of our debt profile. Our gross debt decreasing from $17 billion to $14 billion. Our net debt in reais, coming from BRL45 billion to BRL49 billion due to the FX depreciation on the debt when translated to reais. However, the strong free cash flow that the company presented in the last two year, despite this FX impact, the leveraging reais decreased from 3.24 to 3.20. Leveraging dollars stayed at 3.1 times.

Now please let's move to Page 7, where we'll talk about the liability management that was done as a subsequent event of the quarter. This liability management took the average maturity from 4.3 years to six years. We had $7.5 billion maturing until 2022. This number decreased to $2.7 billion, of which $1.6 billion is loans with banks under their, that we already started the process of renegotiation to extend maturities, decrease the interest rates and release guarantees.

Cash on hand, plus revolving lines covered maturities up to 2023. On the other hand, cash generation plus cash on hand covered maturities up to 2026. This means a very, very low refinancing risk. This financial strength is already reflecting on the yields-to-maturity of our bonds negotiated on the secondary market. From the beginning of the year to today, our bonds had -- is negotiating an yield-to-maturity around 1.5% lower. This means lower financial expenses for the future, and consequently higher free cash flow to shareholders.

Our other positive points of this liability management was a decrease -- decrease on the gross debt. This liability management was leveraging the (inaudible). We increased the liquidity of our bonds, and consequently the price discovery. And we decreased our level of secured debt in around $2.5 billion from $6 billion of secured debt to $3.5 billion of secured debt. This gives the company another cushion, given that you can use the guarantees to quick raise net debt if needed. It's worth mentioning that yesterday, as Tomazoni said, we uploaded policies we revised and approved by the Board of Directors. More specifically, any liquidity and indebtedness policy and a dividend policy.

The liquidity policy states that the leverage rate to be pursued in long-run is to be between two times and three times net debt-to-EBITDA. Dividends are limited to 3.75 net adjusted EBITDA as the dividend policy. As an investment's policy, mergers and acquisition could be two quarters over 3.75, as long as a contingent plan is presented to the finance committee. This shows our commitment to the financial strength of the company and to higher governance and transparency. To finish, it's worth mentioning that our leverage rate to finish the first quarter at 3.1, and the positive free cash flow will take us to the long-term target in the next quarters.

Now let's talk about the business unit's performance. Please move to Page 9, where we talk about Seara. Net revenue totaled BRL4.2 billion, 5.6% higher than the first quarter '18, essentially due to price increases of 13.9% and 18.4% in the domestic and export markets, respectively. Total volumes were lower than the first quarter mainly in fresh chicken, partially as a result of the decertification of certain facilities to export to Saudi Arabia and the Company's focus on price increases.

Domestic prepared foods volumes increased by 5.2%. EBITDA in the first quarter reached BRL278 million with an EBITDA margin of 6.6%, impacted by higher raw material costs, partially offset by higher sales price. With continuous focus on innovation, Seara recently launched new products that have a healthy and convenient appeal. The Seara nature line which is made of natural ingredients, noble meats, without artificial food preservatives, reduced sodium and no lactose. Additionally, Seara Gourmet launched the Incredible Burger, an option for vegans with an unmistakable meat flavor, but with 100% vegetable ingredients and also the long-awaited Seara Organic Chicken.

JBS Brazil on Page 10, please. Net revenues of BRL6.8 billion, which corresponds to an increase of 7.4% over the first quarter '18, with the number of bovine processed growing 2.9% in the period. EBITDA for the quarter was BRL195 million with a 2.9% margin reversing the negative result posted in the same period last year. In the domestic markets, net revenue was BRL3.8 billion, a 2.7% increase when compared to the first quarter '18. A positive highlight was the 7.1% price increase in fresh beef. In the export market, which represents 44% of this business unit sales, net revenue increased by 13.9% to BRL3 billion, with an increase of 8.8% in the volume and 4.7% in average sales price.

Please let's move to Page 11 for JBS USA Beef. Net revenue increased by 1.4%, excluding 5 Rivers net revenue sold at the end of the first quarter '18. Average sales prices for the quarter increased by 0.4% and our production volume grew by 1.8%, mainly due to the U.S. Exports increased both in volume and prices when compared to the first quarter 2018. In the United States, this quarter results were affected by climate events that impacted the activities of delivering and slaughtering cattle in some of the Company's facilities in the country. Nevertheless, cattle availability and demand for beef continue improving, while the industry capacity remains stable, which indicates the continuation of a positive and growing margin scenario for upcoming quarters. In Australia, results were higher than some -- than the same quarter last year, with a significant growth in exports posted an impressive -- with a significant growth in exports that posted an impressive growth with Asia and notably, China and South Korea being the main highlights.

Now please move to Page 12 for JBS USA Pork. JBS USA Pork net revenue was $1.3 billion in the first quarter '19, a 8.9% decrease in relation to the first quarter '18. This result was mainly due to the 13% decrease in average sales price, impacted by a 4% increase in pork production during the period. EBITDA was $105.4 million with a 7.9% EBITDA margin. The increase in pork supply in the U.S. during the first quarter 2019 limited the potential to reach a margin level comparable to the first quarter '18, while lower exports also pressured domestic prices.

Additionally, although hog production in the U.S. continues to grow, news about the evolution of the African swine fever in China and Europe contributes to an increase in this spot of future prices of live hogs. Management continues to closely monitor the events related to African swine fever in Asia and believes that the environment for our global trade of pork and potentially other animal proteins may change with the magnitude of the impacts from the disease in the Chinese hog herd yet to be confirmed. Plumrose continues to excel in the execution of its strategy to increase production capacity, grow its sales and develop branded products. Its performance for the quarter was one of the best since its acquisition in 2017.

Now please let's move to Page 13 for Pilgrim's Pride. Net revenue from U.S. operation increased by 2.3% as a result of a 1.4% higher sales prices and a 0.9% higher volumes. Still in the U.S., a more favorable environment was experienced during the first quarter 2019 with future activities normalized to seasonal levels in retail and foodservice and a recovery in the commodity poultry prizes.

In Mexico, net revenue was 9.7% lower in comparison to the same period last year, mainly due to the 9.4% decrease in sales prices, as a result of a softer demand for chicken combined with a more availability of imported pork from the U.S. Nevertheless, management believes chicken demand will continue to grow in line with historical rates long-term.

In Europe, net revenue decreased by 5.4% as a result of an unfavorable FX rate impact and 4.2% lower volumes, which were partially compensated by a 5.3% higher sales prices.

With that, I would like to turn over for the question-and-answer session, please.

Questions And Answers

Operator

Ladies and gentlemen, we will now begin the question-and-answer session. (Operator Instructions) Our first question comes from Alan Alanis from UBS.

Q - Alan Alanis {BIO 15998010 <GO>}

Hello everyone. Thank you for taking my question and congrats on the results. I have a -- I mean a lot of my questions were answered on the Portuguese call, but I do have a follow-up to that one, and it has to do with the benefit that you will get in margins from the -- on the U.S. Pork business. I'm just trying to understand how the level of integration that you have in the U.S. Pork business should translate into a margin expansion on the back of higher U.S. pork prices. I don't know if you can elaborate on that, and then I have a very brief follow-up on another topic. Thank you.

A - Gilberto Tomazoni {BIO 2090061 <GO>}

Andre, are you in the call?

A - Andre Nogueira {BIO 19941317 <GO>}

Yes, Tomazoni, I'm here.

A - Gilberto Tomazoni {BIO 2090061 <GO>}

Please could you answer because you are answering in Portuguese that he is following the answer in Portuguese.

A - Andre Nogueira {BIO 19941317 <GO>}

Okay. So Alan, thanks for the question. And the benefit obviously is twofolds. One is, there is more exports from U.S., even if we don't export directly to China. We opened a station now with the traditional U.S. (inaudible) in Korea, you should see margin expansion in the processing side. And as we have 30% to 35% integrate, if hog price are higher, we'll get the benefit on the hog issue. So we have some levels of integration, around 30% to 35% integration. And I think that we're going to see a wide processing margin in the process side just because we saw expansion there, we saw new clients come online, the hog production essentially grow in U.S. and we should see in the remaining of this year and for next year, better balance between supply of hogs and capacity issue, considering even more how labor have been difficult in the U.S., so the level of the production, I think that's where we are going to keep a discipline just because on the labor side. So I think that's twofold. The processing side, you should see exceptional margin and we saw level of integration get the benefit of the (inaudible).

Q - Alan Alanis {BIO 15998010 <GO>}

Got it. That's very clear. So for around 60% to 70% of your production in the U.S., I mean some of that -- since you're not integrated on that, some of that, the increase in prices will be -- should be shared, let's put it that way, with third party suppliers of pork, correct?

A - Andre Nogueira {BIO 19941317 <GO>}

No question, hog producing in the U.S. having good margin now and they will continue to have good margin. No question of that.

Q - Alan Alanis {BIO 15998010 <GO>}

Okay. Thank you so much. And the second question is more on the consolidated level. If you could just explain a bit more what happened with the taxes, with the negative effective tax rate that we saw in the first quarter? And what should be the effective tax rate that JBS consolidated we should be expecting for the full year 2019, please? Thank you so much.

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

Okay. Thank you. Okay, the first, let's explain what happened in the first quarter. The Brazilian company basically generated a loss, the parent company generated a loss given the FX depreciation on the dollar-denominated debts when translated to reais. This loss becomes a credit because we can offset in future tax payments. So it becomes an asset that translates and impacts positively the results. So that's what's happened. And again, we can offset throughout the year as we generated profit depending on the FX, for example. So it's difficult to say how much it's going to be the effective tax rate for '19, because it depends on several factors that makes the volatility very high like the effect swings, for example.

What I can say is that currently the effective tax rate in U.S. is 9.1% and this -- it's more predictable in someway. For the long-term, we probably -- in the U.S. operations is the main part of the result of the company, we have new tax law in U.S., which the income tax came to 21%. So I think -- but again, it is difficult to predict what's going to be the effective tax rates going forward.

Q - Alan Alanis {BIO 15998010 <GO>}

Got it.

A - Andre Nogueira {BIO 19941317 <GO>}

Just to add in your point about all the JBS outside of Brazil. What you should put in your model, Alan, is around 19% of the effective tax rates going forward, 19%, you're right...

Q - Alan Alanis {BIO 15998010 <GO>}

Yeah, that makes sense. Okay, cool. Thank you so much, I really appreciate it. Congrats.

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

And also it's worth to mention, Alan, that in Brazil we will probably we will not have cash taxes for a long period given the good reamortization tax loss carryforwards and tax credits.

Q - Alan Alanis {BIO 15998010 <GO>}

Yeah, that's important, okay that's important. So this level of taxation may be slightly lower on a cash basis?

A - Gilberto Tomazoni {BIO 2090061 <GO>}

Yes.

Q - Alan Alanis {BIO 15998010 <GO>}

Got it. Really appreciate it. Thank you so much.

Operator

Our next question comes from Alessia Apostolatos, HSBC.

Q - Alessia Maria Apostolatos {BIO 18896534 <GO>}

Yes, hi, good morning. Thank you for taking my question. So you clearly outlined a lot of things you have already done on liability management. You paid down debt, you cut your cost of debt, released guarantees, strengthen maturities, but it seems that the next thing you need to do -- the next things you need to do, the real big ones, require a U.S. domicile and a New York Stock Exchange listing. You need it for investment-grade bonds, new commercial credit lines in the U.S. with lower rates than you can get in Brazil, a lower cost of equity, a better governance platform for attracting cheaper capital. So my question is what else do you need to do? Or is this listing and redomicile the next big step? And if so, when? Why not now when the investors are focused on your industry more than ever before?

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

Okay. Thank you, Alessia. Let's first talk about what can be done going forward in terms of liability management and reducing interest rates. I think one of the -- I think, the first task that we have to do is continue to show the investors the financial strength of the Company, as we try to demonstrate in this presentation. Because if you look at the average BB- industry in U.S. or even the average BB- food industry in U.S., they all pay lower interest rates than us. And again, so I think we have still room to improve with the same rating peers.

However, going to between -- to be between two and three times net-debt EBITDA is what rating agencies requires for a food industry to be investment grade. So I think we have also an second effect that would be a ratings improvement. And what you talked about the redomicile or the least in U.S. for example, we -- (inaudible) we are studying different structures but the target is really to continue to decrease the cost of capital. And these, of course, can be reached from several ways. First of all, the Brazilian operations today embedded 35% of the total debt of the Company, but only 18% of our free cash flow. And that in Brazil is around, if you look at our bonds that are trading on the secondary market, it's around 1% is still higher than our U.S. bonds. So I think there is also room that this part of the debt because it is the same risk. So I think the list in U.S. will help to show that the risk is the same. So we shouldn't have easy spreads.

And of course, the list in U.S., as I mentioned, further, we're decreasing the cost of debt and the risk perception of the investors on the company, we will consequently decrease the cost of capital, the cost of -- and including the cost of equity and the WAC. So that's why, we won the listing, will probably decreasing the cost of the average cost of capital. It means higher multiples. So I think this will create an opportunity for us to have multiples more in line with our U.S. peers.

It's worth mentioning that today we had a record LTM EBITDA in reais of BRL15.25 billion. And if you look going forward, the perspective of the company and in considering current enterprise value of the company, we still traded at lower than six times net debt EBITDA -- enterprise value to EBITDA, while our peers created at least an 8.5 times or 10 times enterprise value to EBITDA, so I think that would be the opportunity. And you're asking why we are down to this now, because we don't need to do first. In the past, we needed to list in U.S. to raise capital to pay down debt. We don't have business strategy anymore. So we can go deeply in different structures that was which and to choose which one will be the best to maximize the value of the company. And of course, if we have the perspectives of the next quarters are better, -- postponing the listing after these results appears in our results can mean a better pricing.

Q - Alessia Maria Apostolatos {BIO 18896534 <GO>}

Very clear Guilherme, thank you very much.

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

Thank you, Alessia.

Operator

Our next question comes from Benjamin Theurer, Barclays.

Q - Benjamin Theurer

Hey, good morning. Can you hear me? Just to make sure because I'm on the cell phone. Hello?

A - Gilberto Tomazoni {BIO 2090061 <GO>}

Yes, we can hear you very well. Go ahead.

Q - Benjamin Theurer

Alright. Thank you very much for taking the questions. So one question I had to start off, I mean, obviously, with the whole trade dispute and you've mentioned and you've talked a little bit about it between the United States and China, we're seeing input costs, I mean, just particularly soy prices basically collapsing over the last couple of days. So just to understand, I mean clearly it's going to be positive for your PPC operations in the U.S. But is that also something you believe is going to basically further allow attractive pricing on other segments such as cattle? And is there some way that you can lock in that price from the chicken operations considering the significant sell-off in that, so what prospects for margins you might have just because of the input cost coming down, so that would be my first question, if you could elaborate on that?

A - Gilberto Tomazoni {BIO 2090061 <GO>}

Andre, please could you answer the questions?

A - Andre Nogueira {BIO 19941317 <GO>}

Yes, Ben, you're right, if this trade dispute continues, probably grain price in the U.S. would be below the global grain price. And this will be positive direct (inaudible) and this will be positive for cattle producers that will reduce their input cost of cattle producing and direct benefits are going to be also for the hog producers and for a level of integration. So the grain price will be positive. On the other hand Ben, we should continue to raise this tariffs in very important goods, that can represent some traction costs and some upfront build of materials that we use at the Brent level. Of course, it is much less relevant than the grain price. But you're going to see some pressure in packaging in some other areas, in CapEx, that part will offset the benefit.

Q - Benjamin Theurer

Okay. Perfect. Very clear. And then, you've mentioned and you've talked about obviously some of the cost pressure in Brazil, but could you elaborate what your expectation is for Seara going into the remainder of the year? And what's your strategy is? Because it sounds like you've been trying to be very proactive in terms of price increases but still had a lot of input cost pressure and hence the roughly 170 basis points contraction on the margin in Seara. So are there any initiatives you've been doing? Be it cost-cutting, be it pricing, in order to kind of get margins back on track? So what's the strategy for that? That would be great if you could elaborate on that.

A - Gilberto Tomazoni {BIO 2090061 <GO>}

Ben, we are expecting to be in track margin in Seara in the next quarter because to explain the Seara weak result is simple. It's just two factors. One factor was related to when Seara lost some position for some plants to export to Saudi Arabia. And now, but still some are open, but before, some plants were not dedicated produced for Saudi Arabia, it produced for other markets. Now, less plants were allowed to export. They focus on to push all the production from that plant for this, if it is compliant, that is allowed to export. That takes time because we need to organize your live operation because the size of the chicken are different, and you need to organize the locality as well. But this is on, is already done.

The second, we had two operational problems in two plants, just two plants. Remember, Seara, and there is -- some plants, 28 plants, there is two plants we had a problem and the plants -- and the problem was fixed. We believe that the common months we have to keep track against Seara in the center. This two what will be the -- if you put all the impact together, what will be the size of the impact is around 2% of EBITDA, is around 2% of EBITDA. And the cost of the grain decreased, the conditions of the crops in Brazil are going very well. I think is all is in favor, (inaudible) to the price, with the value of the brand increased in terms of the preference on the consumer, we launched a new campaign. Everything is going, we have two specific point in our status.

Q - Alan Alanis {BIO 15998010 <GO>}

Okay. Perfect. And then last but not least, I mean we've all seen obviously the alternative meat, IPO, beyond meat happening in the U.S. with a lot of interest very strong, and you'd mentioned actually in your prepared remarks that you've launched as well a vegan product and so on. Could you elaborate a little bit of how you think you can basically position yourself and how you can develop product that is basically a meat alternative, plant based? And what's your strategy on that in Brazil, in the U.S. and as an international Company? So, just to understand how you think of those alternative offerings more going forward.

A - Gilberto Tomazoni {BIO 2090061 <GO>}

Ben, first, I'd like to say to you that we are -- if you are -- maybe you are not happy with me, but we are not disclosing our strategy on this part of the segment. But I can tell you what we are doing so far, in terms of in the market. We have our global team for innovation based in Chicago. This team is tracking all of the consumer trends and we have all of the all. And we are put together all of our team from different regions to accelerate the growth and the innovation. We have innovation one side of the -- one country. We can accelerate this innovation in other country. This is one thing. And we are looking for all of this trend that you have mentioned before. And Seara launched last week a line of meat-less product in Brazil, a hamburger and other kinds of products, meat-less. This is launched, I think, is two weeks ago. This we're doing now but we are really deep involving in understanding the market strength about this.

Q - Benjamin Theurer

Okay. Perfect. Well, thank you very much and congratulations.

Operator

Our next question comes from Carla Casella, JP Morgan.

Q - Carla Casella {BIO 2215113 <GO>}

Hi. We've seen a couple of retailers bring more of their own production in-house. Can you just say if you see that trend continuing? And/or if it's impacted any of your U.S. beef or pork business?

A - Gilberto Tomazoni {BIO 2090061 <GO>}

Andre, would you like to comment?

A - Andre Nogueira {BIO 19941317 <GO>}

Yes, Carla, I don't think that these are strength, Carla. We saw some movement, but that's normal, that retailers try to understand about each segments. What's functional is very, very small. One of the retailers that did that movement is a great partner to us, so we're going to help him as much as we can. We're going to continue to serve his business in a very strong way. So I'm not really concerned if that evolve. I don't think that's a trend, I think that's a normal. We saw that in other parts of the globe, just now saw that become a real big trend on that.

Q - Carla Casella {BIO 2215113 <GO>}

Okay, great. And then on the ASF, is it more concerning that it's moved to Hong Kong from China? Is that -- does that make a big change in your kind of thoughts about the risk of that crisis coming to the U.S. or Brazil?

A - Andre Nogueira {BIO 19941317 <GO>}

Well, of course, the spread is pretty serious in Asia right now. It's in China, it's in Vietnam, it's in Hong Kong, it's in Cambodia, so it's spreading in a very aggressive way and very fast. It is a concern that it can come to U.S. I think that we are -- talk in the industry or talk with the government and take all the measure that we can and the governments take all the measures that they can to try to prevent that. I think that we ask for the very strong bio-security. This disease has been in Europe and also many years have spread more in the wild hog, through the wild hog, that's not the issue, that can really impact your health, there is no way that the wild hogs can cross the ocean. But the towns that have good security in Europe still being able to protect and not being impact until now. We did not see this disease in Germany, in Netherlands. So I think that's a risk that the (inaudible) is a relevant risk. The industry is -- we care about that, discuss about that, reach the government to take the action that we can take to cut back the U.S. from this infection and it is happening. How the way that the industry and the government will react to that. So I think that's in our plan, to avoid and have a plan if it happens, how we can contain that. And I'm comfortable that we will have good plan and the governments move in the right direction to protect the border and if it happens how to act immediately to avoid the spread and the impact for the industry.

Q - Carla Casella {BIO 2215113 <GO>}

Thanks a lot.

Operator

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

A - Gilberto Tomazoni {BIO 2090061 <GO>}

Finally, I would like to emphasize, first, we are in a favorable market moment. JBS has really a global footprint. JBS has a strong financial position and proven management team. JBS is positioned to seize the global opportunities. I would like to thank you each, all of our team members who have made a difference. And thank you, all of you, for attending this conference call.

Operator

This concludes JBS audio conference call for today. Thank you very much for your participation, and have a good day.