

Marfrig

Earnings Conference Call

1Q19



May, 2019



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1Q19 Highlights



Financial Highlights:

- ❑ **More detailed reporting of financial and operational information**
- ❑ In 1Q19, Marfrig posted a **net revenue of R\$10.1 billion**, 8% up vs. 1Q18¹. **gross profit reached R\$927 million** with **consolidated margin of 9.2%**
- ❑ **EBITDA^{aj} came in at R\$571 million**, a **16% growth** compared to 1Q18¹, the **EBITDA margin was 5.7%**. **Net income reached R\$4.3 million**
- ❑ **2019 Guidance**

Strategy:

In line with Company's strategy to increase the exposure to higher value added products and the establishment of a single beef patties production base, we highlight:

- ❑ We concluded the **Quickfood** (ARG) and **Várzea Grande** (BRA) acquisitions.
- ❑ We announced, **together with National Beef's minority shareholders**, the **acquisition of Iowa Premium**, in Tama – Iowa, USA.
- ❑ **Marfrig has the largest number of plants accredited (9) to export to China** and poised to capture the gains of the new world protein scenario following events in China.

Governance:

- ❑ **Review and establishment of corporate governance policies supported by an external consultant (KPMG).**
- ❑ **Creation of Sustainability Committee.**

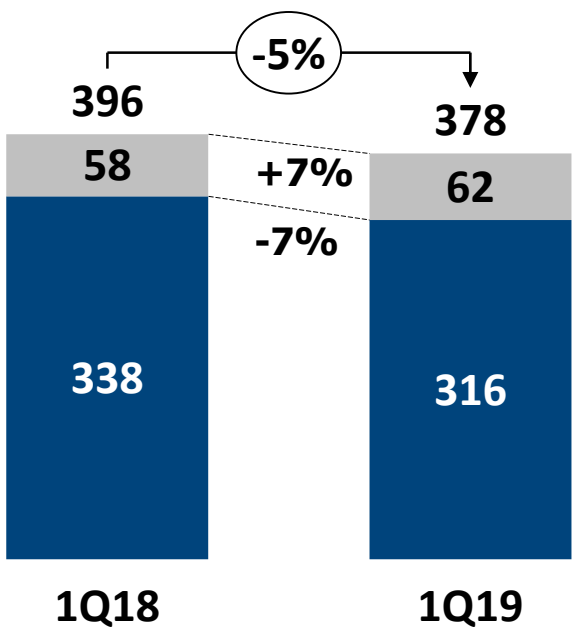
¹ 1Q18 figures on a proforma basis for comparison purposes – Includes National Beef, Ohio and Quickfood in 1Q18



OPERATIONS' RESULTS

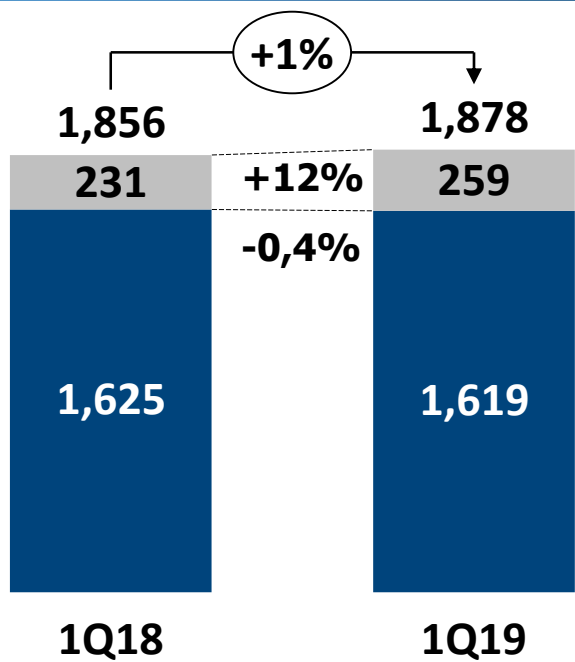
North America's Operational Highlights

Volume ('000 tons)



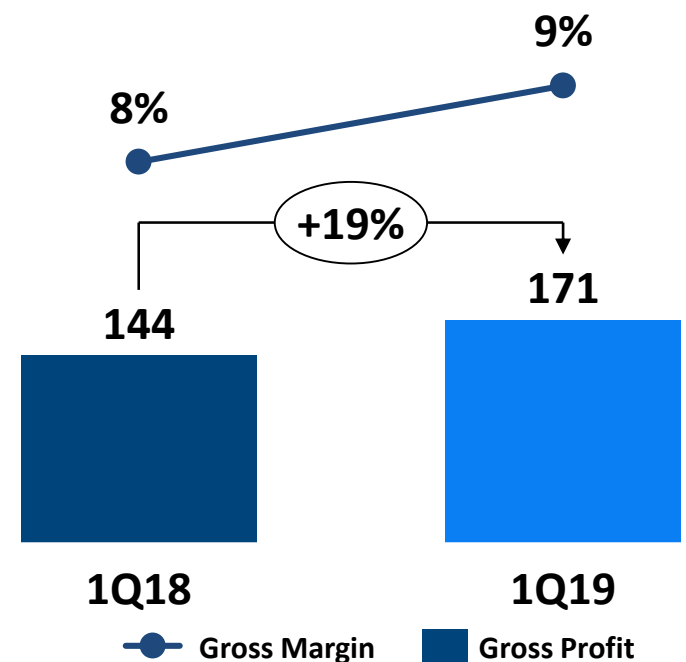
Exports Domestic

Net Revenue (US\$ Million)



Exports Domestic

Gross Profit (US\$ Million)



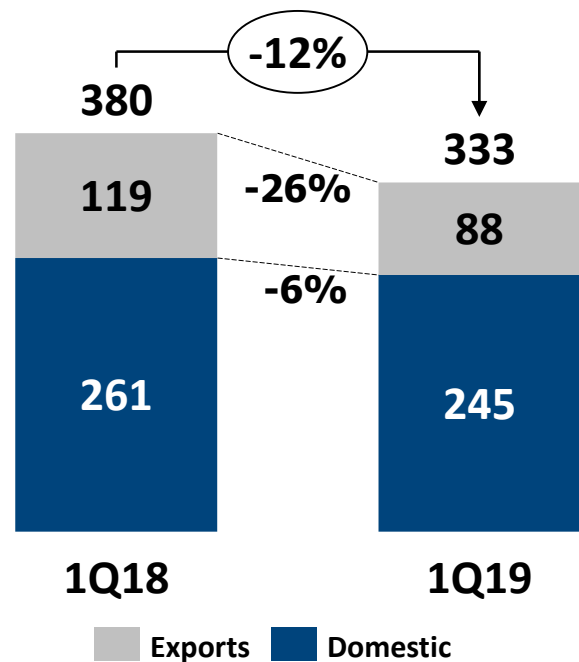
Gross Margin Gross Profit

Highlights:

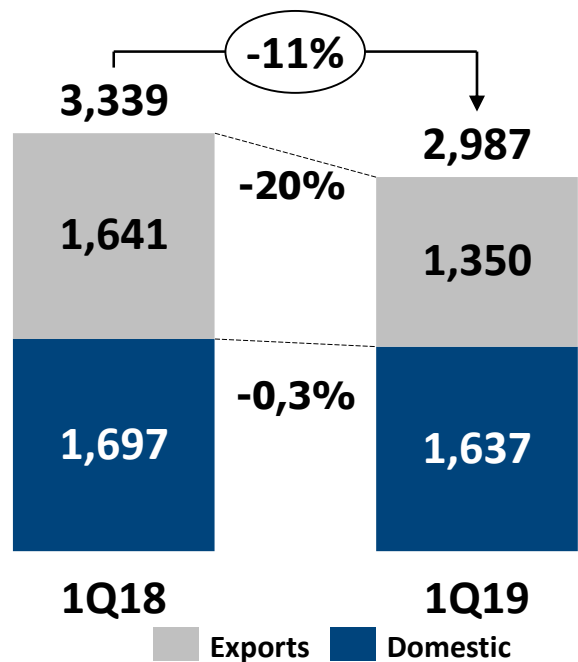
- Cattle prices remained roughly stable and demand remained solid in spite of the severe winter, attesting the positive beef cycle in the USA, what impacted margins positively.
- Cutout Ratio of 1.74 was 3% higher than the 1Q18's 1.69, due to the average sale price increase of ~3% (*comprehensive cutout*), partially mitigated by the 0.2% cattle price increase.

South America's Operational Highlights

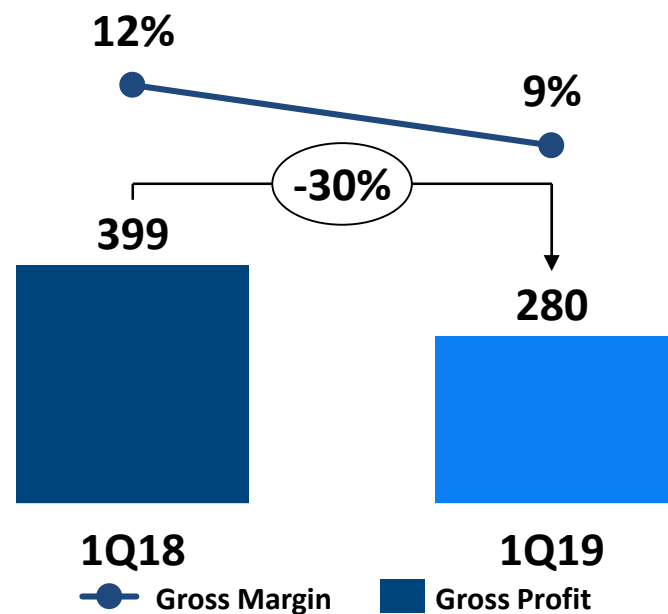
Volume ('000 tons)



Net Revenue (US\$ Million)



Gross Profit (US\$ Million)



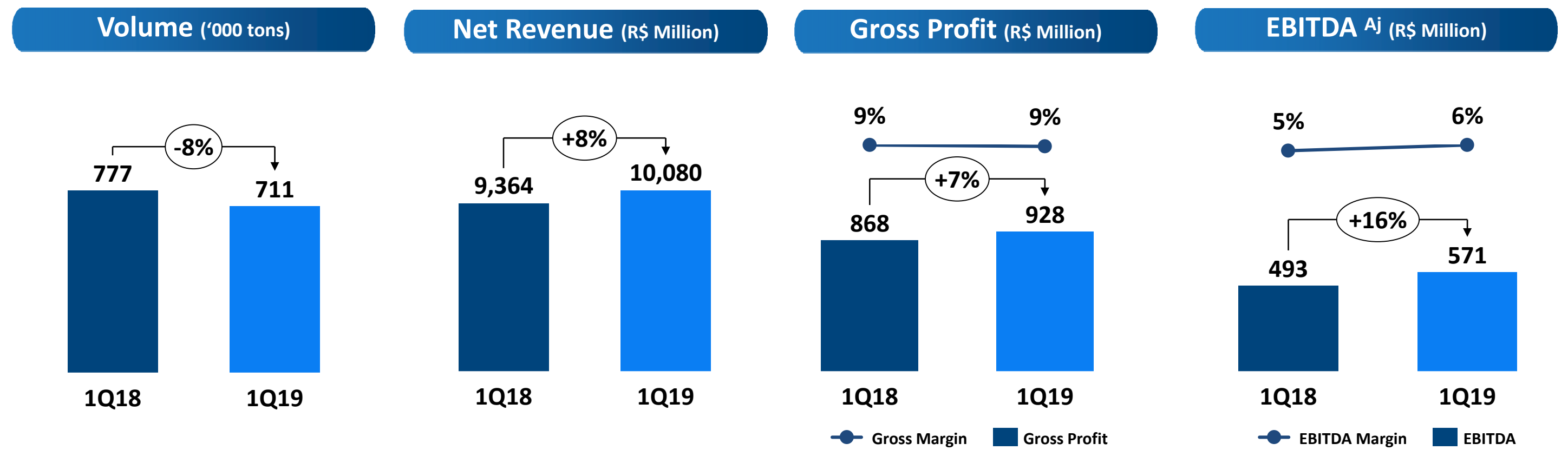
Highlights:

- Lower exports sales and lower average sales price in U.S. dollar (US\$4,067 /ton in 1Q19 vs. US\$4,384 in 1Q18), reflecting the less favorable country mix.
- Lower gross margin is due to the cattle price increases in the region due to the lower cattle availability. Cattle producers due to more favorable weather conditions kept the cattle in the pasture
- An important highlight of the quarter was the strong margin improvement in Quickfood (Arg) division, due to operational and business improvements.

A close-up photograph of a business meeting. In the foreground, a person's hand is holding a silver calculator. Another person's hand is holding a pen, poised to write on a document. A third person's hand is visible, holding a pen. The background is blurred, showing other people in business attire. A green banner with rounded corners is overlaid at the bottom, containing the text "CONSOLIDATED RESULTS 1Q19" in blue, italicized, sans-serif font. There are also some blue and green geometric shapes on the left side of the banner.

CONSOLIDATED RESULTS 1Q19

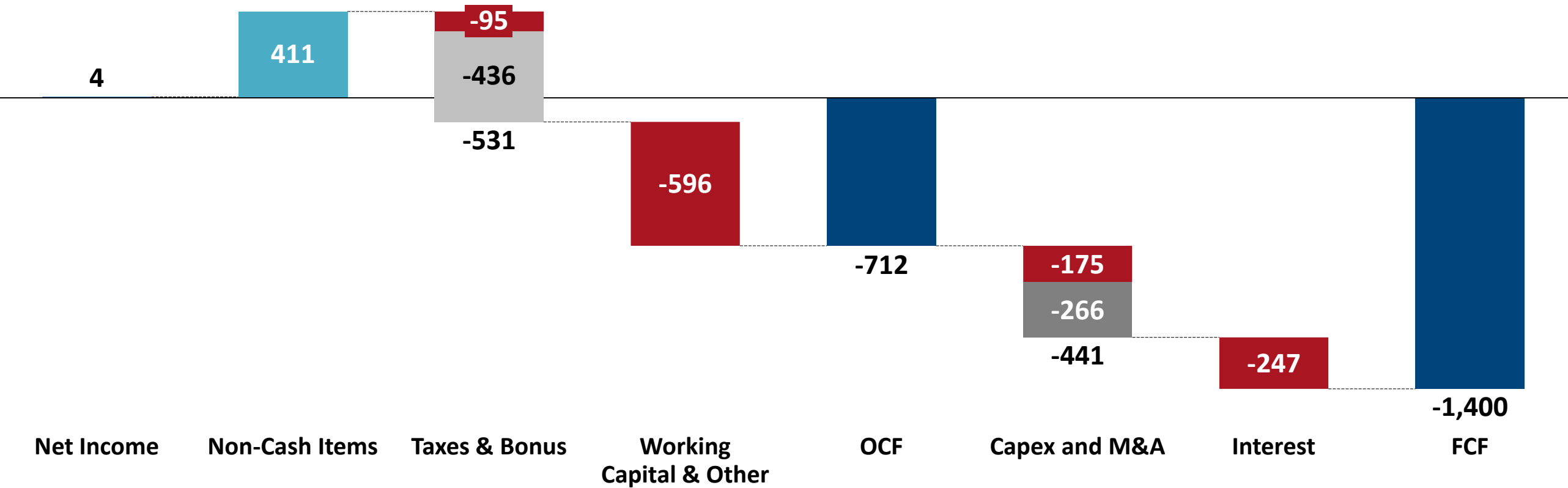
Consolidated Highlight



Highlights:

- The Company sustained its gross margin level and improved EBITDA Margin in spite of lower sales volumes caused by climatic conditions.
- Margin improvement in the North America operation and in the Argentina (Quickfood) division, combined with stronger USD (vs. BRL) mitigated the lower sales volumes.

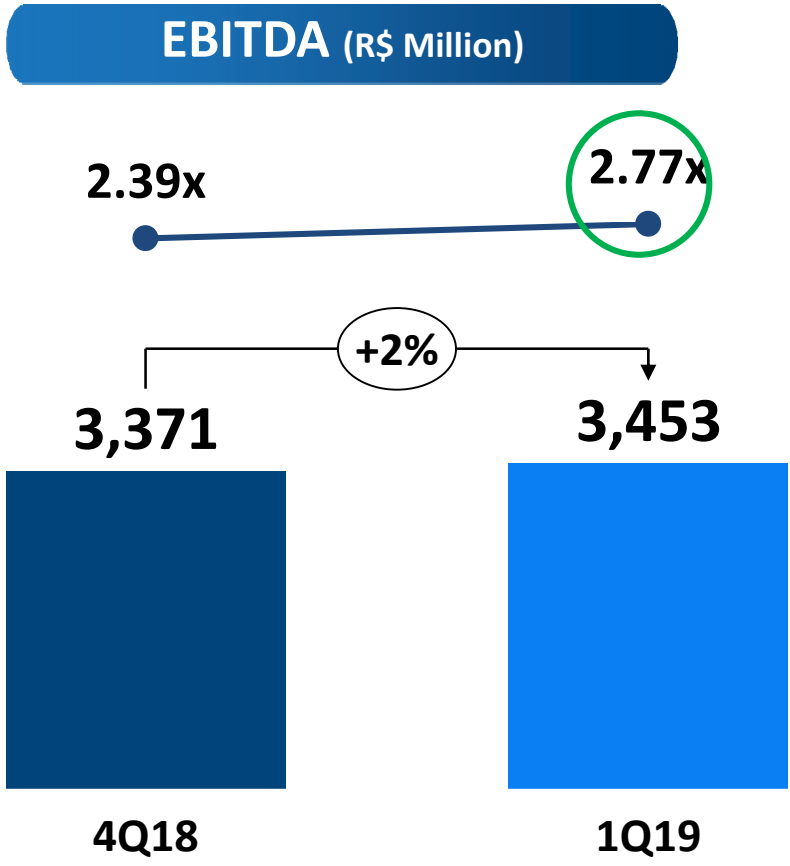
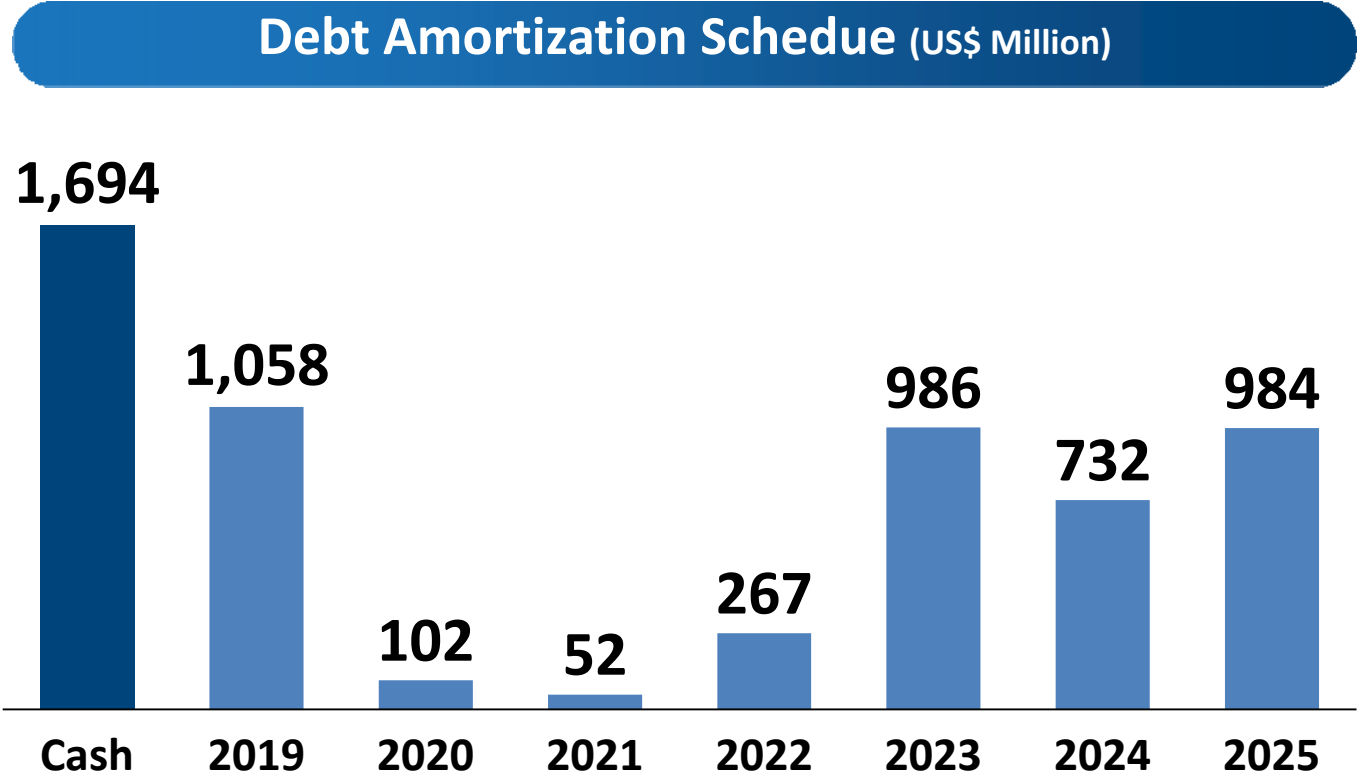
Cash Flow – 1Q19



- ❑ Taxes: related to North American 2018's results; Bonus – also related to North American 2018 performance.
- ❑ Working Capital, mostly due to: inventories of R\$393 million – (i) longer cycle (days) due to higher exports in the end of the quarter, (ii) typical seasonality at the lambs' division in Chile, (iii) inventory build up due to the Quickfood acquisition in South America, (iv) inventory build up in North America due to due to the larger volume in transit as a result of the higher exports sales; and suppliers of R\$175 million - due to the reduction of payment postponement operations.
- ❑ Capex and M&A: Quickfood and Várzea Grande (R\$266 million) acquisitions; the remaining was spent on maintenance capex.
- ❑ Excluding extraordinary impacts (namely bonus and M&A payments) the Free Cash Flow would have been -R\$698 million.

Debt and Leverage – 1Q19

Longer debt structure and cost reduction actions



- US\$ 4,181 million gross debt, up 6% vs. 4Q18, due to new debt raised to replace working capital operations.
- US\$ 1,694 million cash position, 9% lower compared to 4Q18, due to higher disbursements on the operations. In *reais* (BRL), the cash position totaled R\$ 6,602 million.

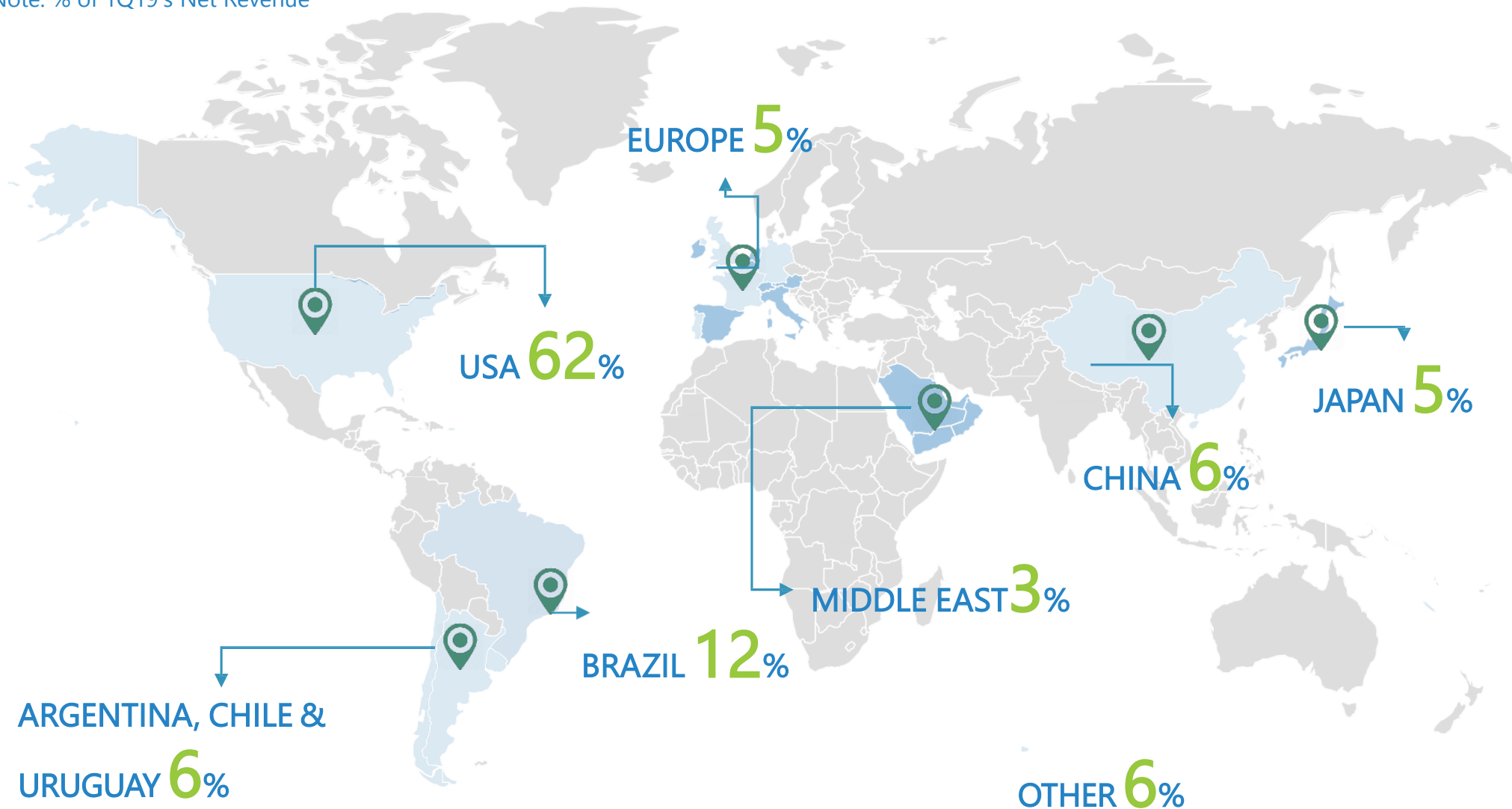
● Leverage ■ EBITDA



FINAL REMARKS

Revenue by Destination – Global Reach

Note: % of 1Q19's Net Revenue



- Broad revenue mix, with wide exposure to the best destinations
- Solid client base in the most diversified distribution/sales channels

IMPORTANT CLIENTS IN DIVERSIFIED DISTRIBUTION

Channels



2019 Perspective

**Sustainable Value
Creation: Positive
Cash Flows**

**Sustainability efforts
enhanced**

**Financial Discipline:
continuity in the
liability management
efforts**

**Value added:
Conclusion of Iowa
Plant acquisition**

**Leverage below
2018's levels**

**Commercial Leverage:
Access to the main
markets: USA, Japan,
South Korea and China**

**Operational Improvements
in the North and South
America Operations**



GUIDANCE 2019

2019 Guidance	Range	
	from	to:
Consolidated Net Revenue	R\$ 47 billion	R\$ 49 billion
EBITDA Margin	8.7%	9.5%
Free Cash Flow (before dividends)	R\$ 1 billion	R\$ 1.5 billion

- ❑ We are confident in the favorable moment for the Company and its markets.
- ❑ Based on the results obtained in the first quarter and considering an exchange rate of R\$ 3.90 / US\$ 1.00, we believe in:
 - ❑ a better year for the operation in North America, and
 - ❑ Given the new global protein scenario, we believe that our operations in South America are well positioned to capture better results.

Investor Relations



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