International Conference Call
JBS S/A
First Quarter 2015 Results
May 14th, 2015

Operator: Good morning everyone and welcome to JBS conference call. During this call we will present and analyze the results for the first quarter of 2015. As requested by JBS, this event is being recorded. The recording will be available to listeners 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 Mr. Wesley Batista, global CEO of JBS, Mr. André Nogueira, CEO of JBS USA, Mr. Gilberto Tomazoni, CEO of JBS Foods and Mr. Jerry O'Callaghan, Investor Relations Officer.

Now, I'll turn the conference over to Mr. Wesley Batista. Please, go ahead Sir.

Mr. Batista: Thank you. Good morning all of you and thank you for being with us this morning.

I will pass you over to Jerry to go through our presentation and I will get back to you from my comments before we open to Q&A. Jerry, please.

Mr. Jerry O'Callaghan: Thank you. Thank you Wesley, thank you and good morning everybody.

We make reference to our presentation, which we posted on our webpage this morning and I will page numbers as we go through the presentation before I'll hand you back to Wesley Batista.

So starting on page 2 just to mention of the disclaimer on page 2 I recommend that you read that as you go through the presentation. On consolidated results for 1Q15 and on page 4 of our presentation we have our consolidated net sales and our consolidated Ebitda. Firstly, on sales, we had a 28% increase when compared with the first quarter of 2014 going from R$26.4 billion in sales last year to R$33.8 billion in sales in the first quarter of this year.

Ebitda went from R$1.75 billion to R$2.5 billion; that's an increase of almost 58% year on year Ebitda, and the Ebitda margin went from 6.6% consolidated to 8.2% in the first quarter of 2015. This was the highest revenue and the highest Ebitda for the company in a first quarter ever.

And as we know the Ebitda increased substantially more than the revenue increased from the 28% compared to the 58% Ebitda increase. That represented 160 basis points expansion in the Ebitda margin when compared with the first quarter 2014.

Moving on to our cash generation and our consolidated net income, on page 5 of our presentation, our cash generation went from R$505 million in the first quarter of last year to R$4.5 billion in the first quarter of this year; almost 800% increase year on year, and net income went from R$70 million in the first quarter of 2014 to R$1.394 billion in the first quarter of 2015. Again, a substantial increase in net income representing an increase of 0,02 per share to 0,48 per share.

Again, cash generation reached the historical high for this first quarter and our free cash flow prior to acquisitions – and we are going to talk more about these acquisitions in a couple of minutes – our free cash flow prior to those acquisitions were R$3.8 billion and essentially our effect of hedging strategy for the period protected the result of the company.

Moving on to page 6 of our presentation, net debt and leverage. Firstly, on our net debt here we are showing it in US dollars as the majority of our revenues and income and of our debt is in US dollars. So if you look at our debt in US dollars in the first quarter of 2014 it was $10.46 billion dollars, if we exclude those acquisitions and those extraordinary dividends, which we paid at the beginning of 2015, our net debt in US dollars would have reduced $8.64 billion.

We did have expenditures nonrecurring of $1.7 billion in the first quarter of 2015 and we will talk about that in a minute. Leverage, which was at 3.3 times at the end of the first quarter in 2014, reduced to 2.3 times after acquisitions and prior to the acquisitions it would have been 1.9 times.

Net debt went from 23.6 to R$27.7 billion prior to the acquisitions and there was another R$5.5 billion associated with the acquisitions and the dividends.

There was a $1.8 billion reduction in net debt compared with the first quarter of 2014 and, as I mentioned, leverage would have been under 2 times, at 1.9 times if we exclude the acquisitions.

Also it's important for us to remember here that although we are accounting for the payment of the Primo acquisition nowhere here are we using any pro-forma numbers of the revenue or Ebitda to calculate any of these metrics that we are talking about.

Moving on to page 7 in our presentation and looking back over a longer period of time from 2007 up until this quarter we can see that there has been a very consistent and constant improvement in revenue, in Ebitda and in Ebitda margin. But before we get to that just if we look at our last 12 months of revenues and Ebitda last 12 months revenue was R$128 billion and Ebitda for the period R$12.1 billion, and this is equivalent to 9,5% Ebitda margin with a net income of R$3.36 billion for the last 12 months.

And if we take our LTM numbers and if we translate them at the FX at the end of the first quarter of 2015 we would have had R$154 billion in sales and an Ebitda LTM at the FX at the end of the period R$14.5 billion

Moving on now we are looking at our business units one by one and a starting with JBS Foods in Brazil. We had substantial revenue and Ebitda improvement in this business from R$2.78 billion in the first quarter of last year to 3.87 billion in the first quarter of this year; practicably be 40% increase year on year in revenues.

Ebitda also improved quite substantially from R$380 million to R$616 million; 62+ percent increase and Ebitda margin, again, 13.7% last year to 15.9% this year, so we saw a strong revenue growth both organically and inorganically.

We’ve been integrating successfully and capturing synergies in the acquisitions that we've made prior to this period and during the last 12 months. We've seen a continuous improvement in our quality indicators level of service and execution, and indicator would be the number of new customers that we reached over the last 12 months; more than 10,000 new customers over the last 12 months.

We've seen market share gains in several product categories and we've seen a strong appreciation and recognition of our strongest brand; the Seara brand in this business unit.

Moving on to our business in North America JBS USA beef, which includes our Canadian and our Australian business. We saw revenues in this business grow from $4.52 billion in the first quarter of last year to $5.2 billion in the first quarter of 2015; almost 15% increase in dollar revenues year on year.

Ebitda went from -22.5 million to positive 186.6 million also when comparing the periods. From a negative Ebitda margin of 0.5% to a positive of 3.6%. Important regarding this business; we've seen a strong recovery in the US cattle herd, we saw some of that last year, we've had news flow recently about heifer and cow retention again this year and expectations for the strong herd growth through this year.

In the short term that restricts availability of adult cattle, but in the medium and long-term it is very positive for our business.

Our diversification in Australia, in Canada and in the US separating our fed cattle, our feedlot cattle business and our regional business unit provides us a greater flexibility and agility to adapt to the varies market conditions.

The acquisition of the Primo Group, which will be part of this business unit, is a leader in the production of prepared and processed products in Australia and New Zealand and it will help expand this business unit into the value-added and branded categories.

Moving on to our pork business, JBS USA pork, page 11 of our presentation we saw a decline in revenues about 15% year on year, but we saw an improvement in the performance of the business. We've been from $83 million in Ebitda first quarter of last year to above $93 billion in Ebitda first quarter of this year. Ebitda margin going from 9.2 to 12.2%.

Basically we've seen in increase in the availability of hogs in the US so our volumes have actually increased and average price have reduced back to levels similar to prior to 2014, which was a non-year in the business because of a lack of availability of finished hogs in the US.

We've seen substantial organic growth in the ready-to-cook and convenient product segment in this category and we have some examples in the photographs which we present in our presentation on page 11.

Moving on to JBS USA chicken business, which is Pilgrim's Pride Corporation, which we control, annuals numbers are already public, but just as a reminder revenues went from $2 billion to R$2.05 billion when comparing first quarter 2014 with first quarter 2015; almost 2% increase in revenues. Ebitda increased quite substantially from 205 million to $363.5 million; 77% increase in Ebitda and Ebitda margin went from 10.2% to 17.7% in the first quarter of this year.

As many of you would know, Pilgrims continues to have a relentless focus on operational excellence; it has an effective strategy in its product portfolio and management of sales channels and it also has demonstrated growth in sales and its value-added products category.

Moving on to JBS Mercosul, which is our beef business in South America primarily in Brazil, it also includes our hides and leather business and other associated businesses associated with the beef industry. We had revenues going from R$5.7 billion in the first quarter of last year to 6.78 billion in the first quarter of this year.

The Ebitda decreased from 596 million to 376 million comparing the same period; a decrease of almost 37%. Ebitda margin reduced to half approximately from 10.4% to 5.6%.

Profitability has been affected in this business unit because of a decrease in availability of finished cattle in Brazil; there was cow retention in Brazil and, again, perspectives to see the herd grow in Brazil in the coming years, but we also saw some substantial decline in exports out of Brazil in the first quarter of 2015, basically because of a degree of concentration into markets that had their economies reduced because of the reduction in oil prices.

We've been focusing our sales expansion into higher value-added products in these categories as well in we've been investing quite substantially for those of you in Brazil you would be very much aware of this in our Friboi brand and we've created a substantial differentiation of our products as a result of the recognition of this brand in the Brazilian domestic market.

Moving onto exports, page 15 of our presentation, although we had a decline in exports of our beef business out of Brazil, as I mentioned just now, over all when we look at our global exports out of Australia, out of North America and out of South America including our poultry business out of South America, we had an increase of 13% year on year in exports going from $3.1 billion in the first quarter of last year of exports to more than $3.5 million in exports in the first quarter of 2015.

Basically the same destinations, but with some repositioning; South America being our number one destination, many countries around South America, Africa, the Middle East always a very strong region for our poultry and our beef business, greater China particularly out of Australia, Mexico that we service particularly out of our North American business, the US itself is a relevant destination because we export quite a lot of product out of Australia and then Japan, the European Union, perhaps mention of Russia, we can say that the Russian participation declined from 6.4% first quarter of last year down to 3.7% in the first quarter of this year.

We've seen some improvement in that in the second quarter of 2015, but there was quite a substantial decline in the beginning of the year.

Moving on now to speak about Capex, cash generation and our debt profile making reference to slide 17 in our presentation. We had a total Capex of R$4.6 billion in the first quarter of which R$3.9 billion was associated with the acquisitions have the Primo's small goods group in Australia and of the Big Frango acquisition, both of which were concluded in the first quarter of 2015.

In terms of ongoing Capex, we had an ongoing Capex of R$705 million of which approximately 42% was associated with expansion and modernization of facilities and 58% focused upon maintenance.

Cash generation in the first quarter of 2015 the company generated net cash flow from operations of R$ 4.5 billion and free cash flow generation after Capex and prior to the acquisitions we mentioned was R$ 3.8 billion.

Looking at our debt profile on page 18 of our presentation, as we mentioned, net debt declined from 3.3 times to 2.3 times. When including all the acquisitions it would have been 1.9 times where not for the acquisitions.

Net debt in US dollars again decline from US$10.46 billion in the 1Q of last year to $8.64 billion when excluding the acquisitions and the dividends, which summed $1.71 billion dollars.

The breakdown of our debt by currency; 88% in US dollars – and that is the reason why we present our debt in that currency – 12% in Reais, breakdown by origin basically 55% in the debt capital market and 45% in commercial banks, and the breakdown by companies; 50% at parent company in Brazil, JBS S/A, 36% at our USA operations and 14% at our JBS foods business.

Cash at the end of the first quarter was R$14.1 billion; that's more than 100% of our short-term debt. If we add on the $1.5 billion in fully available commitment lines that we have in the US our cash plus committed lines would represent about 140% of the totality of our short-term debt, which declined from 34% of our total debt at the end of 2014 to 29% at the end of the first quarter.

And in terms of maturity of our debt one can see at the bottom of page 19 that during this period of low interest rates we've extended the maturity of our debt quite substantially having relevant amount of our debt maturing 2020 onwards.

And so with that I would like to pass you back (making reference to slide 20 of our presentation) I would like to pass you back to our global CEO Mr. Wesley Batista, for his comments before we open for Q&A.

Mr. Batista: Thank you Jerry. So, I'd like to summarize our performance, and our business talking about what we did in these past years and who we are today and where we are going in our future.

So, looking JBS today we are a global food company, we did in this past many years a lot of things, including: We internationalized our company substantially in this past many years, we made several transformational acquisitions that was not a consensus in the market at the time we did, but we are proud to say that all these acquisitions that we did in these past several years – that was not consensus – has been working very well for our company and our shareholders and we are very proud that we were able to integrate these acquisitions and we were able to deliver better results to the market and to our shareholders than we initially indicated to the market when we did.

So we created a global protein player operating our business in the most competitive regions to produce protein around the world. So this is a quite unique position for JBS being able to operate in the most competitive markets to produce protein around the globe.

So we built and we professionalized our company and would build a very very strong team and we are very proud about them. Our whole management team is completely focused on delivering, executing our strategy, plans and in our search for excellence.

So this is what we did in this past several years that we are very proud about.

So today JBS is the largest private company in Brazil in terms of revenue, we are the second largest food company globally, a global and leader animal protein player with a diversified in terms of geographic very well diversified and with the product mix and operating several different proteins that this combination of geographic diversification plus product portfolio plus the diversification in several proteins create a very well balance business and operation today and bringing to our company a stable and consistence in our earnings having this diversification.

So we feel very good about that. So today our revenues is more than 80% in dollars that is also as the dollar is getting stronger this is very positive and we have a very solid culture and we have a very well integrated business across all of our operations.

So a lot of people have been asking me where we are going and about our future. We are still very focused in our priorities and our priorities include improving our debt portfolio, reduce the cost of our debt, improving our ratings, our corporate ratings and delivering a higher return to our shareholders.

So we are very focused on that, we are very focused on expanding our customer base, we are investing in our brands and expanding our business in more value-added type of product.

So we are very focused on that consolidating our position as a global food company even more. So this is where we are going.

So, again, thank you all for being in this call with us and now I'd like to ask the operator to open for Q&A. Please.

Question & Answer Session

Operator: Ladies and gentlemen we will now begin the question-and-answer session. If you have a question please press the star key followed by the one key on your touchtone phone now. If at any time you would like to remove yourself from the questioning queue press star two.

Our first question comes from Farha Aslam, with Stephens Incorporated.

Ms. Aslam: Hi, good morning.

Mr. O'Callaghan: Hi Farha.

Mr. Batista: Hi Farha, good morning.

Ms. Aslam: Congratulations on the great quarter.

Mr. Batista: Thank you.

Ms. Aslam: When you look at fresh beef from Brazil that has recently been approved to enter the US, how long do you think it would take for the plants themselves to be approved? And what quantities do you think will flow to the US?

Mr. Batista: Farha, realistically I think it's possible us seeing the agreement between US and Brazil this year, but realistically I think products flow into US will start and will be more in 2016. So I don't see this year any big or any meaningful volume going into US.

So I think if the agreement happens – that I believe it will happen – I think in 2016 is the year that we are going to see Brazil shipping products to US.

In terms of quantity, Farha, I don't see huge amounts of volumes; I see moderate amount of volume, perhaps, I don't know, 50,000 tons or in this range. I think it's a good and positive thing for the Brazilian beef sector, but also it's not anything that is going to change, you know, the structure of the Brazilian beef sector.

It is positive, but you know, the market today is globalized and this is going to change hands; so Brazil is going to ship products to US and Australia's going to ship more products to Asia and this is going to be accommodated…

Mr. O'Callaghan: Accommodated (0:26:38 unintelligible)…

Mr. Batista: … Yes, this is how we see.

Ms. Aslam: That's helpful, thank you. And then, as a follow-up, you did not mention acquisitions in terms of your current focuses. Could you give us your thoughts on M&A and if you are seeing any opportunities that are compelling?

Mr. Batista: Well Farha, look, we have been looking at opportunities and of course we are still looking where are and what is the opportunity, but you know, like I mentioned in our last quarter in the end of the year, we are very focused on our current business; this does not mean that we are not going to do anything, but, you know, you never know.

There are still opportunities for sure to do M&A, and I think this will never end, but, you know, we never know when these things can happen and can be doable.

But currently we are focused on our current business and still looking what is going on in our sector and if we see opportunities that is acquitive we are going to be analyzing, but this doesn't mean we are engaging anything as we speak.

Ms. Aslam: Right, thank you so much.

Mr. Batista: Thank you.

Mr. O'Callaghan: Thank you Farha.

Operator: Our next question comes from Brian Hunt, with Wells Fargo.

Mr. Hunt: Thank you for taking the question. Wesley you mentioned, you know, you're very focused on your credit and your ratings, I was wondering can you give us an idea what your ratings target is and the time to get there; do you want to achieve investment grade rating across or debt structures? Thank you.

Mr. Batista: Yes Brian, we have been talking with all the rating agencies and, you know, our target is clear being an investment grade company and if we look at our metrics today we think that we are going clear to this direction and for sure we have been talking with them and we believe we are going to see improvements in our rating.

It's hard to predict the time, but, you know, a couple of months or a month ago and we got an upgrade from one of the agents and, you know, we are working to keep going in this direction.

Perhaps I think it is doable… or not doable, but I think it's realistic in the next 12 months or inside of this year seeing more upgrades in our rating.

Mr. Hunt: Great, I appreciate that. Second, I was wondering if you could talk a little bit about, you know, you talked about the cattle, you know, supply to US building due to heifer retention that has occurred in the last 12 months.

Can you give us an idea what the supply demand balance is in the Australian market?

Mr. Batista: Andre, if you can handle this question, I appreciate.

Mr. Nogueira: Brian, Australia continues with a very good supply at the moment, we are running our plant in Australia in a very good level, Australia has a very unique position in terms of exports, of access of different markets.

Of course US price of beef and the shortage of lean trim in US was a big jump for the Australia price and plus the currency in Australia.

So it is a good moment in Australia business and it is a good moment in terms of Australia in supply. The herd in Australia was rebuilt in the last few years and seems that is in a much higher level than everyone thought before.

So supply is it still in very good shape in Australia and I don't see any sign that this will change anytime soon. I don't think that in the second part of the year we are going to see a big growth in Australia production the way that we saw in the last year; I think that in the second part of the year we will probably see in the same level or a little bit less in terms of production, but we will probably finish this year ahead of last year in terms of production.

Mr. Hunt: That's great, thank you. And in my last question is: If you were to look at the China we've heard that on farm pig population is down, you know, double digit percentage, I think it's 13 or 14% depending on what part you are looking at, you know, that in our opinion should dictate very strong export demand to the United States and maybe on finished products out of Australia from the new acquisition of Primo.

Can you talk about what your expectations are for export demand for both US pork and products out of Australia in the Asian in 2015? I appreciate your time. Thanks.

Mr. Nogueira: We're seeing the same data that you are seeing in terms of the liquidation of sales in China seems that it's strong, we have the issue that the data in China you never know how reliable is a data, but it looks like that there is a strong, solid liquidation, the pig numbers is much less, consumption in China is a question mark; that's not clear for us. I think that in the long-term the trend will continue in the same direction, in the short term we need to see.

I need to say that demand on this first part of this year is much weaker than we expect, we have the same expectations that with this liquidation that is going on now there and maybe that's to reason why demands from import in the US have been relatively weak. We think in that the second part it will be much stronger and next year will be much stronger for pork and meet from US.

That's the expectation that we are, that's the expectation that the industry is now. I think that again when you see China liquidating a number of sales in US in the last 12 months is a pretty impressive number.

From Australia, beef export to China I think that the Australian has, again, a very good position; I think that China consumption will continue to grow up and Australia will continue to export in the beef side.

In the pork side and the food processed I think that this is more a medium to long-term possibility. I don't think that Australia will export any relevant volume in the short term in food processed part.

Mr. Hunt: I appreciate your time this morning. Thank you so much.

Mr. Batista: Thank you.

Operator: Our next question comes from Lauren Torres, from UBS.

Ms. Torres: Yes, hi, good morning everyone.

Mr. Batista: Hi Lauren.

Mr. O'Callaghan: Hi Lauren.

Ms. Torres: Good morning. I appreciate the fact that we are talking a lot about to be in a global company and focusing on value-added brand, but I was hoping you could put that in perspective of what we're seeing in your home market, you know, with respect to how consumers are behaving, JBS Foods had another great quarter, I don't know if we could break down a bit what percentage of that growth was organic versus acquisition.

And also, you know, we have seen you take pricing in the prepared and processed food side of the business, now I was curious as if, you know, in light of the consumer environment potentially getting weaker, you know, is there ability to take pricing or if we see trading down at the consumer level and if you are already seeing that how do you react or will you react based on that change of behavior?

Mr. Batista: Lauren this is Wesley, look, the first part of your question our growth and JBS foods 60% is coming from acquisition and 40% is organic.

And inside of these 40% vast majority of this growth is coming from our packaged food business, so that is a counting inside of these 40% to around 85% and this growth is coming from prepared food and a branded products.

As we all know, the Brazilian economy is not strong and it is actually week, but we have not seen big impact in our business as we are in the food sector. We have not seen any impact in terms of consumption and as well in terms of consumers trading down, buying cheaper products; actually we are growing more in our more value-added categories and, you know, for sure some sectors are suffering more in Brazil, like the automobile industry, like the durable goods industry; these are the sectors that are suffering more and we're not seeing consumers trading down or changing a lot.

So we keep growing and we will keep gaining market share and we keep seeing a relative positive demand growth or a moderate demand growth for food product in Brazil.

We have a separate division that is our dairy business and it is the same; we are seeing actually the other way around, we are seeing a trading up. For example, we launched and we are the leader player in the Greek Yogurt in Brazil and actually it's growing the Greek Yogurt more than the regular products that are cheaper.

So we are not seen a big impact of what is going on in the economy in Brazil in terms of food consumption.

Ms. Torres: Great, that's very encouraging to hear. And if I can ask just one other question on your Mercosul division. You mentioned lower demand in some main importing countries. You know, you touched upon that, but can you just talk about what you are seen in those countries, if we should expect any changes for this year?

Mr. Batista: Look, we saw a big declining beef exports overall in Brazil. For you to have an idea January and February the Brazilian beef export declined more than 30% and this is recovering, March the decline was below 10% and in April is around 7%.

So this is getting better, but the main markets are the markets that are more dependent on oil price and also Russia we saw a big decline in Russia imports due to the fact that the Rublo devaluated a lot, so our products became much more expensive in local currency and so the volume that was given to Russia declined quite a lot, and some other markets as well in the Middle East declined.

But we are seeing improvements and getting back to a more normalized volume, but in the first quarter as the exports declined in a meaningful way we saw a big pressure in terms of meat price in both sides; in exports and as well on the domestic part of our business.

Ms. Torres: Okay, very good. Thank you.

Mr. Batista: Thank you.

Mr. O'Callaghan: Thank you Lauren.

Operator: Excuse me, as a reminder, if you would like to make a question, please, press the start one.

Our next question comes from José Yordan, from Deutsche Bank.

Mr. Yordan: Hi, good morning everyone. I guess my question was about your export business in Mercosul. I mean, all of your… your two other main competitors in this business saw a margin decline during the quarter, but it wasn't quite as large.

I was wondering if you could give us any color as to what is different about your business, your geographic or product mix that made the margin decline a little more pronounced than for what's obviously a problem for the whole… temporary problem for the whole industry?

And then my second question was for André: Given that the 1Q margin in the USA beef and now is pretty close to the bottom end of your previously stated guidance for the year and given that the first quarters are always seasonally weak quarter, should we still be looking at a 4 to 5% margin for the year or is there any reason to think that you could break the top end of that range?

Mr. Batista: José, this is Wesley. The first part of your question, look, I will not talk about our competitors, so I don't know what they are doing exactly in their business, so I can speak about ourselves.

So we saw a pressure in cattle price in 1Q as we're seeing cattle retention in Brazil and as well a big decline in export put pressure in prices for exports, and as well in the domestic market as much more volume was in Brazil, we were selling more volume in Brazil.

So what I can say is that we have a very very competitive beef operation actually, I strong believer that in terms of location we have the best the structure in the sector in Brazil; we are located in the main and the most competitive estate to produce and to process beef in Brazil and we have a very well diversified product mix and as well markets that we sell our products.

So this is what I can say. André, if you can handle the other part.

Mr. Nogueira: Okay. José, for this year I think that margin is still the right margin. We can be surprised in the second part of the year if the condition in the US beef improves faster than we expect, but I think that for this year is still that.

For next year we need to reassess as come close. Conditions in the US are still challenging now and I think that you will continue to be challenging, I think that the worst is behind us now; I think that the conditions will improve going forward, but I think that the big improvement for the US beef will be for next year.

I think that for this time it's reasonable to think about the normal range for the margin for the year.

Mr. Yordan: Okay, great. And if I can just follow up real quick on the cattle cost in Brazil. We've heard that the spot prices have been actually coming back a bit, coming down a bit recently. Have you… what is your read on the cattle cost in the short-term as we get into the winter in Brazil?

Mr. Batista: We are seeing a moderate reduction in cattle price, not a lot, but we are seeing more supply coming through and we are seeing a softening in the cattle price, and this is helpful, and as well export is getting back.

So I think that the business is going to be, you know, normalizing as we go through during this year.

Mr. O’Callaghan: I think, you know, just to add to that, we are close to the end of the rainy season so there is plenty of pasture so there would be a tendency towards having a little bit more pasture fed cattle coming to the market in April, may and into June.

And then for the second half of the year the dynamic would be to some extent influenced by cattle on feed in Brazil. Feed is relatively cheap again this year in Brazil, so we should see an increase in cattle coming off feed, the second half of the year we had about 4 million heads of cattle last year, some of the forecasts for this year are that we could have as many as 5 million heads of cattle coming off feed basically between August and November, so that should help balance supply and demand during the second half of the year.

Mr. Yordan: That was great. Thanks.

Operator: This concludes today's question and answer session. I'd like to invite Mr. Wesley Batista to proceed with his closing statements. Please, go ahead Sir.

Mr. Batista: So, again, thank you all for being in the call during this morning with us and, like I mentioned in the beginning, we feel that we have a well-positioned structure today, well diversified business in terms of location, in terms of product mix, portfolio and in the different proteins that we operate that we can deliver sustainable and are stable earnings in our business.

Again, thank you all and have a good morning.

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