International Conference Call
JBS S/A
Fourth Quarter 2015 Results
March 17th, 2016

Operator: Good morning everyone and welcome to JBS conference call. During this call we will present and analyze the results for the year of 2015 and for the fourth quarter.

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 Mr. Wesley Batista, Global CEO of JBS, Mr. Tarek Farahat, Global Marketing and Innovation Officer, Mr. André Nogueira, CEO of JBS USA, 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. I'd like to thank all of you for being with us this morning in our 2015 earnings call.

Before I start discussing our results I'd like to take this opportunity to thank all of our partners, customers, suppliers, investors and stakeholders for their support and trust in JBS.

I'd like to express my gratitude to each one of our more than 230,000 team members: those ambassadors of our culture and our values who make a daily contribution towards the development and sustainable growth of JBS.

So now starting discussing our 2015 numbers I'd like to start with our net sales, we ended up with R$162.9 billion in revenue, which represent 35% growth year-on-year and represents R$42.4 billion in incremental revenue year-on-year.

I'm going to refer to the pages on our presentation. Talking about page 3, so our gross profit we ended up 2015 with R$22.9 billion gross profit, which means 20% growth year-on-year comparing to 2014 that the gross profit was R$18.6 billion.

So moving to page 4 our consolidated Ebitda we, again, ended up with R$13.3 billion in the consolidated Ebitda, which represents 20% growth year-on-year.

Important to mention that in our R$13.3 billion Ebitda it's not included around R$1.5 billion in a *pro-forma* base that was generated – or was part of the earnings – in the companies that we acquired during 2015. So, again, R$13.3 billion not included 1.5. If we annualize in a run rate base our annual 2015 Ebitda is close to R$15 billion.

Our net income we post R$4.6 billion in net income, which represent R$1.6 per share comparing to R$2 billion in net income in 2014 and comparing to R$0.70/0.71 per share in net income in 2014. So we more than doubled our net income year-on-year.

So moving to page 5 to discuss our operating cash flow and our free cash flow, so we generate R$21.2 billion in operating cash flow; a very strong growth year-on-year. When we compare 2014 we post R$8.9 billion on operating cash flow.

So free cash flow, free acquisition we did 4 relevant acquisitions in 2015 that was the Primo acquisition in Australia, the Moy Park acquisition in Europe, the chicken acquisition in Mexico that we acquired from Tyson, and the pork acquisition in the end of last year that we acquired from Cargill, and on top of these 4 major acquisitions we did some other smaller acquisitions in our Seara business in Brazil.

So before these acquisitions we generated R$17 billion in free cash flow. This R$17 billion – again, to make clear – is before acquisition, but after Capex.

So moving to page 6 to talk about leverage, we end up 2015 with 2.9 times leverage when we look our numbers in a *pro-forma* base, annualizing the R$1.5 billion that I mentioned before that was generated in these acquisitions that we did during 2015. We believe is the right way to analyze our leverage, but if you exclude this, our leverage… if we exclude R$1.5 billion our leverage closed 2015 in 3.1 times leverage.

So I already mentioned the major acquisitions we did in 2015 – that was the acquisition New Mexico, Primo, Moy Park, the pork business in US and some others in Brazil; Big Frango, Anhambi – and, again, we spent around US$1.5 billion in these acquisitions and we were able to generate and to acquire all this business with cash that we generated inside of our operations, so was exactly the same amount that we spent was the amount that we generated in our operation.

So moving to page 7 to discuss our share buyback program. So during 2015 we repurchased 96.7 million shares, which represents a total amount of R$1.4 billion that we spent buying back these 96.7 million shares.

Inside of this number that was during 2015, during the 4th quarter we acquired almost 64 million shares and we spent US$900 million… reais (R$), I apologize, in the 4th quarter. But of course this R$900 million is included in the R$1.4 billion in the total annual repurchase, share buyback.

So our cash position and our debt profile we ended up 2015 with R$18.8 billion in cash. On top of that we have a credit of lines available in our ABL facility in US, so very strong cash position. Our debt profile 1/3 of our debt today is in short-term debt and 2/3 of our debt is long-term debt.

Here below in page 7 we can see the breakdown of our debts in terms of which currency the debt is seated; 91% of our debt is US dollar denominated debt and 9% is reais denominated debt.

So almost half of the debt is in the capital market and half of the debt is with commercial banks, and almost half of the debt is in JBS S/A and almost half is in JBS USA.

So moving to page 8, here we'd like to show our track record since we did the IPO in 2007 in JBS. So we are pleased that we have been able to expand our business in a strong way, top line growth, but more than our expansion in terms of our revenue, we were able to improve more and to expand more our margin than our sales.

So I have been mentioning this before: JBS is very focused in, you know, growing our prepared business, our packaged food business, our branded business, we feel that this is the right approach for us to be able to create value and to improve our profitability.

So to finalize my remarks here, I'm going to comment in page 9 what is going to be our priorities for 2015…

Mr. O'Callaghan: 16!

Mr. Batista: …16, I apologize! So before I handle to Jerry O'Callaghan to discuss the 4th quarter numbers and as well the business unit numbers, so our priorities for 2016 is going to be very clear: It's going to be organic growth.

And why organic growth? Very simple: We don't see where we can invest the money that we are generating in JBS that is going to deliver a better return to our shareholders than investing in JBS.

So we see that clear the best return for our shareholders is investing inside of our company through equity and through debt. We see opportunities to use our share buyback program and as well to buyback debt. So this is where we see the best return for JBS before any M&A.

I am elaborating more on this part because, you know, you all know we have a long track record in M&A, but today I cannot see any M&A that can be done that is not more than almost 2 times more expensive than the opportunity that we see inside of our company.

So moving here in our priorities, operational excellence is part of our culture, it is in the heart of JBS so we are going to keep being focused on operational excellence. Focus on prepared and branded products – I mentioned this before, Tarek Farahat is here with us, he's fully focused on this and fully dedicated to this – we have many many opportunities in South America, Brazil, Argentina, we have strong brands, we have a very strong portfolio, we have strong opportunity in Australia, in Asia, the Primo acquisition was clear acquisition in this direction to expand our prepared and branded products in Asia and also in Australia.

In Europe the same: we see a big opportunity to expand our prepared business in Europe, we acquired Moy Park; great opportunity for us to do that. In Mexico we acquired the… we increased our business there and, again, the same thing in US: we are looking all the opportunities to expand our value-added portfolio and as well investing in our core brands.

So keep going in our priorities: reducing… reduction in working capital; we see opportunities to improve our cash cycle to reduce the amount of work capital that we are using in our business, and for sure doing that we are going to generate a better return on equity.

Automatically we are very focused on free cash flow generation; a consequence of working capital reduction. Free cash flow we see our leverage opportunity to reduce our leverage. Also our priority is going to be more efficiency in terms of our taxes structure and we are very focused on our return on equity.

So, again, thank you. We are going to be… I'm going to pass to Jerry here to discuss the 4th quarter numbers and the business units, and after that we are going to open to Q&A. Jerry, please.

Mr. Jerry O'Callaghan: Thank you Wesley. Thank you. Good morning everybody and thank you for being with us today.

So, I'm going to refer to our presentation and go through the numbers for the 4th quarter and talk a little bit about each one of the business units before we open up for Q&A.

Starting on page 11, just looking at the consolidated net sales for the 4th quarter, we had just north of R$47 billion in sales; up 37.5% from the same period in 2014. We had gross profit of almost R$6 billion with the gross profit margin of 12.1%, which was down from 15.8% in the later part of 2014.

Regarding our Ebitda for the quarter we had an Ebitda of R$3.132 billion with an Ebitda margin… consolidated Ebitda margin of 6.6%, and when we look at this by business units here through the presentation that was down from an Ebitda margin of 9.6% in the corresponding quarter in 2014.

Consolidated net income in the period we had a loss of R$275 million in the 4th quarter of 2015 against a net income of R$619 million in the 4th quarter of 2014. That loss was associated with nonrecurring expenses which we had in the 4th quarter of a total of just over R$460 million; so that's nonrecurring and should be excluded when we look at the numbers on an ongoing run rate basis.

Moving on to our operation cash flow and our free cash flow in the quarter we had R$3.57 billion in operating cash flow in the period; it was down 32.7% from the corresponding quarter in 2014.

Free cash flow ex-acquisitions we made a payment for an acquisition in the 4th quarter, ex-acquisitions was R$2.55 billion in the 4th quarter, so we continue to generate quite a lot of free cash in the period, and that's free cash after ongoing Capex.

Looking at the business units one by one and just having a quick look at these business units on a yearly business and then on a quarterly basis and moving on to page 15 in our presentation and starting with JBS Foods in Brazil – and just as a reminder, JBS Foods in Brazil is our poultry and pork and all our prepared foods business in Brazil based upon poultry and pork products, so a lot of branded products here and a lot of value-added products.

In 2015 (in the year 2015) we had R$18.7 billion in sales; up from R$12.9 billion in sales the previous year, 45+ percent increase in the sales. Ebitda was up R$2 billion to R$3.37 billion with an Ebitda margin increasing from 15.9% to 18%. It's a very strong revenue growth performance improvement and very strong Ebitda growth and Ebitda margin growth.

We launched during the year more than 100 new products in Brazil and focusing obviously on innovation and in convenience, and when we look at all the metrics around the quality of our service we've had substantial improvement in all those metrics also in 2015.

Looking specifically at the 4th quarter of 2015 for the JBS Foods business, net revenue was R$5.36 billion; up from R$3.65 billion in the corresponding period in 2014, 47% increase year-on-year.

Ebitda went from 656 million to 926 million; 41+ percent increase in Ebitda. Ebitda margin in the quarter was 17.3%, and it was 18% in the 4th quarter of 2014.

Moving on to our next business unit, which is what we call JBS Mercosul, which is our beef business in South America – Brazil, Paraguay, Uruguay and Argentina – and all the related businesses related to the beef industry – one of which is our high-processing capacity in South America, which is quite substantially, and then there are other byproducts which we further process as well, so within JBS Mercosul we have all those businesses – we had R$28.6 billion in revenues in the 4th quarter; up almost 10% from R$26.1 billion in the 4th quarter of 2014… sorry, in the year 2014; this is 14 against 15, annual comparison.

Ebitda for the year was R$2.3 billion; practically stable in relation to the Ebitda in 2014. Ebitda margin 8.1% against 8.9% in 2014.

If we look at the year, we see that there was a decline in profitability, but if we look at the 4th quarter on the next page, page 18, we see when we compare the 4th quarter of 2014 with the 4th quarter of 2015 we see a substantial increase, meaning that the profitability of this business increased through 2015 much stronger towards the end of the year. So we had R$7.5 billion in sales, again flat against the 4th quarter 2014, but much improved Ebitda; R$921 million in the 4th quarter of 15 against R$534 million in the corresponding quarter in 2014.

Ebitda margin of 12.3%; that's a 72+ percent increase in Ebitda year-on-year. Obviously strong finish to the year.

Moving on to our businesses outside of South America, starting with what we call our JBS USA beef business unit; and here is included all our beef business in the US, in Canada and all our businesses in Australia as well.

For the year 2015 we had sales of just north of US$22 billion and this business up 2.5% basically from net sales the previous year. Ebitda was US$586 million against US$916 million in the previous year, so we had a decline in Ebitda and a decline in Ebitda margin from 4.2% to 2.7% in this business unit, which is basically as a result of the continuing retention of cows and heifers in the US, which is rebuilding the herd, which is a very positive signal for the business on a medium and long-term basis, but which represents a sacrifice in the short-term in order to build up that pipeline of cattle supply.

We also should take into consideration the devaluation of the Australian dollar against the US dollar. When we look at revenue year-on-year there was quite a lot of decline in the value of the Australian dollar against the US dollar when we are consolidating numbers in US dollars here.

In the 4th quarter of 2015 sales in this business unit were US$5.25 billion; down from US$5.92 billion in the corresponding quarter in 2014. We had a negative Ebitda of US$25 million, but a negative Ebitda margin of [0:24:02 unintelligible]; that's down from an Ebitda margin of 5.5% in the 4th quarter, and for the reasons I just mentioned: basically the continuity of the retention of cows and heifers, the issue of the aussie dollar and the fact that we are sacrificing cattle supply today in order to build up the herd with substantial herd increase last year, and our expectations are that the herd will continue to grow in the US in 2016 and in the coming years.

That's the availability of cattle would be… would come on stream 2 to 3 years later.

Our pork business, page 21 in our presentation, in 2015 we had US$3.43 billion in sales in our pork business in North America; down US$3.82 billion in sales the previous year. Basically we had a decline in feed costs and thus created decline in hog prices; this applies also to the poultry business in North America year-on-year and it doesn't necessarily translate into a decline in profitability.

We have US$347 million in Ebitda in the year; down from US$405 million in 2014, and Ebitda margin above 10% in 2015, 10.6% and 14.1% in 15.

Then moving on to the 4th quarter into the pork business in North America what is relevant here is: we incorporated a relevant acquisition on the 1st of

November, so we have 2 months of the performance of the acquisition within this business unit when we compare quarter on quarter.

Sales went from US$964 million in the 4th quarter 14 to almost US$1.1 billion in sales in the 4th quarter 2015; largely due to the incorporation of the acquisition.

Ebitda; strong increase in Ebitda from US$96 million to US$241 million with an Ebitda margin of 13% against an Ebitda margin of just under 10% in the 4th quarter of 2014.

So basically 2 items to keep our eye on: it's the capturing of synergies associated with this business, which initiated with the acquisition and will be ongoing in 2016, and also the recovery of exports in the pork business out of North America quite relevant.

A lot of demand coming out of Asia, but also out of a very traditional market we have, which is Mexican market, so we have a strong distribution network ourselves within Mexican market as a result of our poultry business.

Speaking of our poultry business, Pilgrim's Pride Corporation, which we call JBS USA chicken, 2015 these numbers are already public, we had almost US$8.2 billion in sales; down from US$8.58 billion in sales the previous year. And again as a result of the decline in feed; there was a decline in the average price of products sold.

We had an Ebitda of US$1.2 billion in 15 against an Ebitda of US$1.35 billion the previous year; still an Ebitda margin of just under 15% last year and 15.8% the previous year.

We've identified in this business for 2016 US$185 million in operational improvements and we will be reporting these as they go through the quarters in 2016.

For the 4th quarter of 2015 speaking of Pilgrim's Pride (of JBS USA) we had sales of just under US$2 billion, 1.96 dollars; down 7% from the corresponding quarter in 2014. Ebitda of US$150 million with an Ebitda margin of 7.6% against Ebitda of US$368 million, and the corresponding quarter in 2014 with an Ebitda margin of 17.4%.

Moving on to JBS Europe, which is Moy Park, this business we acquired at the end of the 3rd quarter, so we are reporting the 1st quarter under our own management of this business, basically 80% of revenues coming from business in the United Kingdom and 20% coming from continental Europe, so we have some euro to sterling kind of version in the results, and as it declined as a result of a decline in the euro to the sterling we've had… this has affected revenues in this business.

Revenues in the 4th quarter 2015 was £378 million (pounds sterling) against 372 million in the previous… in the corresponding quarter in 2014.

Ebitda margin of 7.9%, £30 million in Ebitda against 31 million in Ebitda in the 4th quarter of 2014 with an Ebitda margin of 8.3%.

And as Wesley mentioned a lot of investments in innovation and expansion of this business; this is a business that is very focused on innovation and Research & Development in partnership with our customers across the United Kingdom and Europe itself.

So with that we will close our comments here and we will open for questions and answers. Operator.

Question & Answer Session

Operator: Thank you. 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 1st question comes from Farah Aslam, Stephens Inc.

Ms. Aslam: Hi, good morning!

Mr. Batista: Hi Farha, good morning!

Ms. Aslam: Good morning. Two questions; first focused on the beef business: Was the issue in the quarter more related to FX coming out of Australia or was it more the US business and the lack of cattle supply, or was it in Canada?

Could you just give us a little bit more color the issues in the quarter and then your outlook going forward to that business?

Mr. Batista: I will make a comment Farha and I will ask André to add more on my comment.

So a combination, you know; for sure the Australian business was performing better in the 1st, 2nd and 3rd quarter last year compared to 4th quarter, but also our US beef business did not perform well in the 4th quarter. So a combination in Australia and also in the US.

I mentioned in our previous call the beef business in US is still a challenge business. For sure the cattle herd rebuild is very positive; 3 million heads more that the industry adds or the gross in 2015 is very positive for the industry going forward. The question is about timing: when we are going to start seeing this translating in a better margin, in a better spread.

Our view is that we are going to start seeing this in the 2nd half of this year this increase in the herd in US translating a better margin.

So André, may you… can add some more comments on that.

Mr. André Nogueira: You covered most everything Wesley. Just to add Farha the quarter was weak for us and was weak for the industry, but when you finish the year and compare ourselves with our competitors we are not happy with the results, but we still outperformed all the competitors for the full year.

So for us and for the industry the 4th quarter, the 4th and the 1st quarter is always more challenging, but for us was to 4th quarter very challenging and was related to cattle availability and volatility.

When you ask about US, US and Canada go in the same direction; the markets are very similar in both countries, so was challenging in both. And Australia was better, but was weaker than the previous quarter, as Wesley highlighted.

Ms. Aslam: Okay. That's very helpful. And just as my follow-up, it is on Pilgrim's Pride. Wesley you mentioned that you were focused at JBS on internal organic growth and did not see much value right now in terms of M&A.

Does that pertain to Pilgrim's as well? And how you're thinking about a potential threshold dividend at Pilgrim's?

Mr. Batista: Farha, you know, it's not secret; we have been discussing inside of Pilgrim's and – as well the market knows – in the last 2 years we have been looking and trying some M&A opportunities in Pilgrim's, but even in Pilgrim's today is hard to make a case that you are going to buy a business when an opportunity that can appear in the market seems that is much more expensive than our current business.

So, again, we did a share buyback in Pilgrim's in the 4th quarter. Pilgrim's already mentioned about the share buyback, we are still having more shares approved in our share buyback program, and also dividend; a special dividend is an option and it's a clear option. We are seated around US$500 million in cash and it's a clear option.

So, we are discussing. We're not seeing real real opportunities in terms of M&A comparing, again, comparing to how much the market is pricing ourselves in Pilgrim's. And if we cannot find anything that is going to deliver better return for our shareholders, a special dividend is going to be an option.

Ms. Aslam: Great. Thank you for that added color. I appreciate it.

Mr. Batista: Thank you.

Mr. O'Callaghan: Thank you Farha.

Operator: Our next question comes from Andrew Muench, HSBC.

Mr. Muench: Hi guys, hey, thanks. I guess this is a kind of a high-level question about management here.

Maybe you could help us understand the newly-created strategy in corporate development role that was announced in February.

And I guess specifically, what is your key objective for Russ? And I guess in which ways does adding this role sort of advanced JBS' strategic vision? Thanks.

Mr. Batista: Thank you for the question Andrew. You know, we announced the hiring of Russ and Russ is going to be dedicated to strategy and, you know, if you look at JBS Andrew, our history and our background, so 2007 when we did an IPO in JBS we were one company and now we have been able to transform this company in a clear international and a multinational player in our sectors and, you know, we have many opportunities.

We just finished corporate restructure in the end of 2015 (December) and we are looking and Russ is 100% dedicated and he is focused in where and how we can improve and create value in our operation, in our business, in our corporate structure.

So this is where Russ is looking and focusing inside of JBS.

Mr. Muench: Cool, it sounds good. Thank you.

Mr. Batista: It's okay Andrew.

Operator: The next question comes from José Yordan, Deutsche Bank.

Mr. O'Callaghan: José?

Mr. Yordan: …[0:37:17 unintelligible]… day, Jerry.

I have my follow-up on the beef business in the US and in Australia. It's not clear to me why Australia is doing badly just because of the devaluation if anything… the exports to the US should be more profitable under devalued Aussie dollar. But maybe it's the same reason; the heifer retention in Australia is just like in the US.

So it's just to confirm whether that's the main reason why you're signing Australia as a result of… as a cause of the negative Ebitda in the quarter.

And I guess… I also was under the impression that the cattle cost had already big under reversal in the US, so just to get… I mean, I understand that the 1st half was still a bit difficult, but I just wanted to get some sense from you whether you thought it was going to be, you know, also negative Ebitda throughout the

1st half of the year or just somewhere between the result you had in 1Q and the normalized 3-4% margin that you had indicated in prior quarters.

And then I just have a follow-up about the pork business later.

Mr. Batista: I will, again, make some comments and I'll ask André to comment more.

You know, it's a combination: Australia is not doing bad and did not bad in the 1st quarter, but usually the 4th quarter in Australia is the weakest quarter. Usually Australia shut down plants in the end of the year and cattle price went up in Australia and offset a portion of the devaluation of the Australian dollar.

So on US, like I mentioned, there herd rebuild is very positive. No doubt that the industry's going to see better margin and better days, and this is in front of us.

The discussion for sure is about when. I and JBS believe that the 2nd half of 2016 we are going to start seeing margin improve and recover, and 2017 everything is set to be a very good year and so.

When I see in an annual base I see us delivering, you know, around… not the normalized, but the normal margin on the beef business for 2016. When I say normal in the low part of the range that is… I see 3%, 3 to 4%. I see this annualizing the year very doable and I think if we look only the 2nd part of this year we are going to see – my opinion and JBS opinion – higher margin than the average.

So this translating that we are going to see a weak 1st quarter, more weaker than the 3rd and the 4th quarter, so 1st and 2nd quarter in our opinion is going to be weaker and the 2nd and the 3rd… sorry, the 3rd and the 4th quarter.

André?

Mr. Yordan: Okay, great. On the pork business…

Mr. O'Callaghan: José…

Mr. Yordan: Yes, go ahead.

Mr. O'Callaghan: Just a second, André had an additional comment to make there.

Mr. Nogueira: I'd rather think that we can see the year along 3 and 4%, will be more in the 2nd part of the year for sure. Cattle price, again, was moved, but with a lot of volatility.

I think the market is trying to anticipate the new volume that we are going to see in the 2nd part of the year, and beef price moves very dramatically; that makes much more challenge for the quarter to deliver performance.

But, again, the perspectives are positive for the 2nd quarter of the year. Australia, Wesley commented, has a normal seasonal… the performance is weak in the 4th quarter, but Australia continues to perform in good level. The question is just the size of Australia compared to the size of our beef business in US. They are relatively small, so they are not able to offset a weaker performance in US.

Mr. Yordan: Okay, sounds good. And then my follow-up was just on the pork business. Obviously would just saw the 1st consolidation of the Cargill business and there is a huge sequential increase in margins and even year-on-year, so I'm just wondering how much of that, you know, 13% margin in the 4th quarter is really sustainable going forward in spite of the synergies from the Cargill deal.

So if you had to give us some color about where you would see the full year margin going that would be appreciated.

Mr. Batista: André?

Mr. Nogueira: For the quarter José it's a very small impact in any of the synergies. We just acquired and started to run the business in the last 2 months of the year.

Fourth quarter is a strong quarter for pork and was strong for us and was strong for the industry, but close to the normal level that the industry have been running and close to the level that we have been running.

We expect that we will capture the full synergy for the year; we'll be completely integrated in the next 2 months and we expect that pork will deliver another strong year for us, and it has been this way for several years now. So I think pork is very stable and will continue to be this; we don't see any change on that.

For us it will be the benefit of integration, the synergy of integration. That we are going to capture during the year. We didn't see any of the synergies…[0:43:37 unintelligible – voice overlap]…

Mr. Yordan: Are you comfortable with…[0:43:38 unintelligible – voice overlap]…?

Mr. Nogueira: Sorry?

Mr. Yordan: So you're saying you could be comfortable with low teens margins, if not exactly 13, you know, somewhere in the low teens?

Mr. Nogueira: Yes, that's the performance that we had in the last 2 years and that's the performance that we expect for this year.

Mr. Yordan: Okay, great. Thanks a lot.

Mr. Batista: Thank you.

Operator: The next question comes from Jeromino De Guzmán, Morgan Stanley.

Mr. Guzmán: Hi, good morning.

Mr. O'Callaghan: Hi Jeronimo!

Mr. Guzmán: I had a question on the free cash flow. You mentioned you see opportunities in working capital improvement. I just wanted to see if you could give more details on where you still see those opportunities.

And then more in general, I just wanted to get a sense of where you think you can take the leverage to by year-end and get a better sense of how much you think you need to reinvest on Capex and any guidance on kind of how you balance the repurchases of shares versus the buyback… the repurchases of debt as well for the deleveraging.

Mr. Batista: So Jeronimo, we are giving to be of course looking opportunities in terms of buyback and debt; buying back some of our debts with our cash generation and with our leverage.

So we are going… we are not going to decouple one to the other. For sure we went to bring this well balanced, so we see over leverage in the… by the end of this year in the hand of, you know, 2.5 times leverage that we feel comfortable. But this for sure is going to depend on how much opportunity we see in this front; in the share buyback and, you know, in the debt opportunity.

But what I can tell you that we are going to be handling this in a balanced way, you know; we are not going to accelerate buyback if we are going to jeopardize leverage and, you know, we are not going to… if we are not generating enough free cash flow we are going to be, you know, looking how to bring this together.

And working capital, you know, the opportunity is basically in Accounts Receivables, Inventory and Account Payables; normal opportunities. We see opportunities to reduce inventory, we see opportunities to increase terms in our Accounts Payable, so we see it a quite viable opportunity in working capital overall.

Mr. Guzmán: Okay thanks. And in Capex any sense of how much investment in Capex for the year?

Mr. O'Callaghan: I'd say Jeronimo is always… as a percentage of revenue it's always somewhere between 1.6 and 1.8-1.9% of our revenues. So that's a good range, you know, because we are incorporating acquisitions as an absolute number it's kind of difficult to give you an absolute number.

But if you work with it as a percentage of our revenues that's probably the best way you can estimate it.

Mr. Guzmán: Perfect, thanks. And just a follow-up on Mercosul. Obviously the margins have been very strong, but I just wanted to get a sense of where you see volumes, I mean, when do you think you can start seeing some growth in volumes now that you are already starting to lap quarters of volume declines?

Mr. O'Callaghan: Mercosul the business is not so much about volume as it is about having a good balance between supply and demand.

The fact is that there is some headwinds in demand in Brazil, but there are good tailwinds in the international market. So, one is pretty much balancing out the other.

We've had good access to new markets for the beef business in South America in the last 6 months, which is translated into the better results in this business unit in the 2nd half of 2015 and we are coming into 16 basically with that same sort of environment.

Some headwinds in Brazil, but improvements in the international markets and expectations about the continuity of expanding our capacity to export more through the opening up of incremental markets.

Mr. Guzmán: Okay.

Mr. Batista: But in some… I want to add more: we see volume stable, not any meaningful change in volume in our Mercosul business, because you need to remember some places, you know, Uruguay, Paraguay we are increasing our volume, Argentina we have a bullish view now about Argentina and we are going to see volume increase in Argentina, Paraguay and Brazil may… some small reductions, but when you put all together we see volume stable.

Only to add one more point on the Capex, if you look our Capex in 2015, so we spent R$4.250 billion, our projection for 2016 is 3.5. And why this reduction? Because, you know, we have been investing in our business in the last many years and in some point, you know, we'll start to see less project that has great and quick paybacks.

Mr. Guzmán: Okay, thank you.

Mr. Batista: Thank you.

The next question comes from Ronan Clarke, Deutsche Bank.

Mr. O'Callaghan: Hey Ronan!

Mr. Clarke: Hi there! Hello, hey there! Happy St. Patrick's Day Jerry!

Mr. O’Callaghan: Thank you!

Mr. Clarke: I just wanted to know; could you talk a bit please about the synergy opportunity at Moy Park? I think back in June you said US$50 million, so I’m just wondering: Is that still the right number, and what's the latest thinking on timing?

And then for the latest, I'm wondering if your comments about M&A and better opportunities organic rather than external; does that also apply to the European platform?

Mr. Batista: We are still seeing these US$50 million opportunity in synergy. We think that we can add something more on top of these 50 million, but I think it's early; we are going deeply in every area to understand what more synergy we can capture. But at this point we’re still running with the US$50 million assumption for synergy.

In terms of M&A, again, like I mentioned before, you know, we don't see acquisition that we can do that is going to deliver better return for us than investing inside of JBS for now.

So it's hard to justify any M&A until we have a better opportunity inside of our current business.

Mr. Clarke: Okay. And just to go back to the synergies and to help me better understand; I would’ve assumed it was heavily weighted towards procurement, so… in which case we’d expected to be fairly front-loaded and we’d start to see it pretty much immediately. Is that not the right way to think?

Mr. Batista: Yes, yes. You know, we are working with the assumption to capture the 50… the full 50 million in 2016.

So of course it's a ramp-up process, but coming from purchasing and coming from agriculture and, you know, operation. These are the 3 main areas that is not very difficult to implement.

So because of this we see this being captured the full number in 2016.

Mr. O’Callaghan: Just to add to that, we have a couple of our procurement team members from the US and from South America at Moy Park this week working on those synergies; so it's ongoing as we are talking.

Mr. Clarke: Okay, super. That's very helpful, thank you.

Mr. Batista: Thank you.

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: I'd like to thank you all for being in 2015 earnings call with us and I'd like to thank again our 230,000 team members that have been working, holding our culture, our mission and they are the team that is responsible for us to be where we are.

Thank you, have a good day to you all!

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