International Conference Call
JBS S/A
Third Quarter 2017 Results
November 14th, 2017

Operator: Good morning everyone and welcome to JBS conference call. During this call, we will present and analyze the results for the Third Quarter of 2017.

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. Gilberto Tomazoni, Global Chief Operating Officer of JBS S/A, Mr. André Nogueira, President and CEO of JBS USA, and Mr. Jerry O'Callaghan, Chairman and IR Officer.

Now, I'll turn the conference over to Mr. Jerry O'Callaghan. Please, go ahead Sir.

Mr. Jerry O'Callaghan: Thank you. Thank you, good morning all. Thank you for being with us again today to discuss our Third Quarter Earnings release.

We posted a presentation on our website a little while ago and we will make reference to that presentation during this conference and during our prepared remarks, and soon after we will open for Q&A.

So, please make reference to the presentation and to the disclaimer in that presentation as well. I will now hand you over to Mr. Tomazoni for his prepared remarks. Thank you.

Mr. Gilberto Tomazoni: Thank you Jerry, and good morning everyone. Please, turn to slide 2. This quarter, we saw one of our best operational performances to date: revenue was up in every one of our business units, except in our beef business in South America. Excluding the contribution of divestment in Argentina, Paraguay, Uruguay beef business, we achieved a 1.8 increase in net revenue year-on-year.

With Argentina, Paraguay and Uruguay transaction as well as our sales on Moy Park and Vigor after the end of the quarter, our divest program has generated nearly R$6 billion, which is in line with our stated target.

These proceeds have helped to the company to reduce debt and to further strengthen our balance sheet. Our leverage is now below 3.5 times; we now have the lowest leverage in our sector in Brazil, and at the end of the quarter, our total liquidity was higher than our short-term debt.

Our operation performance is very strong during the third quarter, we reported an impressive improvement in the free cash flow, the majority of which was generated by operation. Shortly, André will evaporate on the performance of our international operations, but before he does, I want to emphasize that this business is performing much better than the market.

In Brazil, we clearly have work to do in our beef business, where volumes have fallen short of our optimal levels. However, the improvement in our Seara business is positive and reflects the strength of the business and the brand.

Overall, we have achieved a record of Ebitda results with an impressive improvement year-on-year. This was supported by continued focus on strategic management, innovation and quality.

It is also important to highlight that this quarter results includes the impact in a special tax program, also known as PERT. Excluding the effect of PERT, net income for the quarter was R$1.5 billion…

Mr. O'Callaghan: 1.9.

Mr. Tomazoni: … 1.9, sorry! 1.9, thank you Jerry.

Moving to slide 4, I will now briefly discuss the performance of Seara in Brazil. Net revenue from Seara was relatively stable, solid domestic performance supported by increased volumes was offset by lower exports and a reduction in average domestic sales price compared to last year.

I want to point out that in our processed products in Seara we were able to cap price increase achieved in the second quarter while on increasing our volumes by 5.5% this last quarter.

This fact is very important as it clearly shows that the power of Seara is in a very competitive market, in impressive that speed of Seara has closed the price cap in most categories. Our strategy has always been to focus on the consumer and to improve the performance of our brand by offering innovative products and the best quality.

You can see on the next slide an example of these innovations. From the export perspective, all international markets have improved and we are starting to increase volume in those markets where we had reduced our production because of profitability.

Seara's Ebitda increased by 51.9, over R$500 million, and the margins have expended over 370 basis points to 11.1% supported by higher demand and a reduction in raw material cost.

Now, turning to our beef business in Brazil on slide 6, we reported a decline in net revenue due the Argentina, Uruguay and Paraguay divestments in operational challenge that led to a reduction in the processed cattle. However, our business has the 3 top-of-mind brands, it is very competitive placed locally and has an excellent team. Because of that, we have maintained our capacity and we are confident that we will achieve turnaround result in this business.

While this business unit is very important and relevant for Brazil, it only represents 12% of our global operations. This fact demonstrates the benefits of our diversification, both geographically and by proteins.

Before I hand over to André, I want to say again that from an overall JBS perspective, we are very pleased with our third quarter results. We have an experienced, a stable operational management team and a strong track record of excellent quality innovation across our products and services.

We are excited about the outlook of JBS in the future. Looking for [0:08:40 unintelligible], we see significant opportunities to continue to expand and grow our business.

Now, over to André.

Mr. André Nogueira: Thank you Tomazoni. Good morning everyone and thank you for your time this morning. Before getting in each business unit, let me give you a brief overview of JBS USA.

It encompasses all the company's operation outside Brazil, which is to say the United States, Canada, Mexico, the UK, Europe, Australia and New Zealand.

Please, note that all financial figures discussed from here on are in US dollars. In terms of performance of our international operations in the third quarter, sales were up 9.1%, volumes were up 4.8% and price increase by 3.6%. We achieved a record Ebitda; up 60% on the previous quarter.

Now I would like to go through the business units. Let's start with JBS USA beef. Please, turn to slide 6. I am pleased to report that our outstanding results were primarily supported by strong performance in USA and Canada. JBS USA beef operation achieved record results with Ebitda margins expending 229 basis points to 7.3%. This performance was underpinned by a 3.2% increase in net revenue to US$5.5 billion as domestic fire price increase by 4.1% and exports grew by 13.4%.

Operations in the US and Canada maintained their solid performance as a result of strong demand in both domestic and export markets, as well as favored supply dynamics.

Australia performance is still below our expectation and below historical levels, but at the same levels of last year, as the region continues to rebuild the herd following the drought.

Regardless this performance, was positive for the Primo Small Good. But let me emphasize that we are very proud about the work that Australian team is doing, the only circumstance that the performance is below the expectation is because of the cycle of the cattle, it's not related to the outstanding job that the team is doing there.

Ebitda for our JBS US beef business increased by 50%, to 405 million, and again reported record Ebitda margin of 7.3%. This positive trend is across the various regions where JBS US beef operates has reinforced our confidence in the outlook for the business.

Moving to slide 7, pork operation in the US outperformed strongly, reaching a 15.1% Ebitda margin and 116 basis points [0:11:43 unintelligible] highlight the consistence of the business. This was supported by a net revenue increase of 25% to 1.7 billion with strong domestic and export demand.

Ebitda was 255 million; 35% higher than the third quarter in 2016. This improvement was a result of great availability of supply and a 400 basis points increase in the operational margins of the plants acquired in 2015. When we acquired the plants at that time we said that it was an important cap between the legacy JBS operation and the new plants that we acquired. In these 2 years, we worked hard and we closed this gap, and we improved the margin in 400 basis points.

During the quarter, we completed the integration of Plumrose and started to capture the synergies we'd anticipated.

Finally, let's move to slide 8 and discuss our poultry operation. Pilgrim's Pride Corporation, which now also includes Moy Park and [0:12:48 unintelligible] in Europe, announced their third quarter results last week, and reported very solid performance.

Net revenue was 2.8 billion; a 12% increase compared to the same period last year. Please note that this figure includes Moy Park results in both quarters. Net revenue from US operation increased by 12% compared to the same period last year, driven part by the integration of GNP asset, which took place in May, and increase in poultry sales price in US. In Mexico, net revenue increased by 11% due to an increase in both volumes and price as we continue to ramp up our Veracruz operation.

Lastly, in the United Kingdom and Europe, net revenue also increased by 11%, driven by higher volumes. Ebitda for the quarter was 463.6 million; and 84% increase compared to the third quarter in 2016. This was mainly the result of a strong result for Pilgrim's domestic and international operation, which experiences strong market demand for poultry and stable production costs.

The diversification of Pilgrim's product portfolio continues to be source of strength, allowing the company to benefit from opportunities in each of its business units.

So, with that I want to reiterate that JBS USA has performed very well. Year-to-date we have outperformed the competition in each one of our business segments.

I am proud of our team's performance and I want to thank the team members and leaders in JBS USA for their hard work, which has made this such a successful quarter.

I'll now hand the call back to Jerry.

Mr. O'Callaghan: Thank you. Thank you, André, thank you, Tomazoni. Now, to finalize, to talk a little bit about our financial highlights making reference to page 10 in our presentation.

On a consolidated basis, we had R$41.1 billion in net sales very, very similar to the same number last year, remembering that there was the divestment of the operations in Paraguay, Uruguay and Argentina, and there was a depreciation of the real when comparing the quarters of about 9 cents.

Gross profit came in at 6.9 billion; that's up more than 28% from the corresponding quarter in 2016. Gross profit margin with 16.7%; up from 13% in the corresponding quarter. Ebitda came in at R$4.3 billion; again, a substantial increase from the corresponding quarter last year of 37% with an Ebitda margin of 10.5%, up from 7.6% in 2016. And net income, net income was affected by the tax plan to which we add recently, excluding the effect of the tax plan net income would have come in at R$1.9 billion; up and 100% from the corresponding last year. The Ebitda we reported… sorry, the net income we reported was R$3.23 million adjusted for the tax regularization plan, which actually announced last week.

Moving on to page 11 in our presentation to talk about cash generation, it's very strong cash generation in the quarter, we had R$2.8 billion of operational cash flow; up 91,5% from the corresponding quarter in 2016. And free cash came in at R$3.22 billion; up more than 300% from the corresponding period last year.

Moving on to debt and leverage, our net debt reduced by R$4.8 billion compared with the previous quarter, and leverage reduced from 4.16 times down to 3.42 times from the second quarter 17 to the end of the third quarter in 2017.

Cash at the end of the quarter was R$14.1 billion, and in addition to that cash position we had available unencumbered lines in the US of just north of US$1 billion, R$3.28 billion. So, our total liquidity at the end of the period was R$17.4 billion, and that is above our short-term debt for the period.

The breakdown of our debt profile firstly by currency: 94% of our debt is in US dollars with an average cost of 5.21%; 6% is in reais, with an average cost just under 10%, 9.87%; by source, 37.5% of our debt comes from the debt capital market and 62.5% from commercial banks; by company, just over 50% (54%) at

JBS USA, 36.3% at JBS S/A, and 9.6% at Seara. And the profile of the debt, the portion of the debt in the short-term has reduced from the previous quarter, down to 27% of the total debt. And of that short-term debt, 3/4 of that is in trade finance basically out of Brazil, where there are many lines available, which are all in the near term.

So, with these comments about our financials, this concludes our prepared remarks, and now we would like to open the call for Q&A, please. Thank you.

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 Brian Hunt, Wells Fargo.

Mr. O'Callaghan: Hi Brian!

Mr. Hunt: Good morning. Thank you for your time. I was wondering, first of all, I'd like to ask one question about fundamentals. When you look at the US hog market with all of the capacity that's come online in the last couple of quarters, it looks like hog prices have run up margins and tighten the business a little bit. How do you see the business playing out over the next 12 months? Do you expect hog prices to fall back to lower level and to get a little bit more normalized profitability as we go into 2018?

Mr. Nogueira: Brian, it's André. So, good morning. If you look the historical growth of the hogs in US, you see that what we grew in the last 3-4 years plus what we expect to grow for next year, should be enough to face the new capacity that's coming on line. So, yes, we expect normal margin normal level of margins for 2018.

Of course, the quarter was very, very strong, but we expect that 2018 we will play very similar with 2017 for the full year, despite of the new capacity that is coming online just because of the growth in the supply side that has been growing at pretty strong pace in the last 3 years and it's set up to grow again for the next year around 3%.

Mr. Hunt: Very good. My second question is, if you look at your debt structure, you know, the company has got US$1.7 billion maturities when you look at the long-term debt in the next 3 years and, you know, and there is another 1.2 billion, right behind that in 2021.

So, I was wondering, what's the thought process on addressing some of the longer-term debt that’s in the windshield and about to become current within the next 18 months?

Mr. Nogueira: So, the first real maturity that we have in terms of bonds, Brian, is just in 2020, right. So, we have 18 before this really becomes current in our balance sheet.

And if you look at the performance of this year, Brian, plus the perspective of the performance for 18 with the amount of free cash flow generation, I think that the process that we are thinking right now is generating cash and paying down debt to bring the total leverage of the company below the 3 times. That's the goal for the overall company.

So, we are not going to do anything for now, we have a lot of time before we think about this short-term maturity, that's just becoming 3 years from now, and if the perspective of the amount of cash that we are generating now and we will continue to generate next year it's too early to think about refinance debt.

For now, the processes pay down debt, not refinance the debt.

Mr. Hunt: Okay. And my last question along these lines, I believe you all just completed the sale of Vigor. Can you talk about what the net proceeds were there and how those proceeds [0:23:10 unintelligible]? And that's it for me. I’ll hand it off. Thanks for your time.

Mr. O’Callaghan: Yes, Brian. With regard to Vigor, that sale was concluded in the fourth quarter, so we will report it at the end of the year. From a JBS perspective, JBS owns 19.4% of Vigor, the net proceeds were just R$800 million, so that's about US$250 million. The majority of those proceeds will be used to pay down short-term debt in Brazil. In fact, have been used already to pay down short-term debt in Brazil.

Mr. Hunt: Thank you for your time. All hand it off.

Operator: The next question comes from Farha Aslam, Stephens Incorporation.

Ms. Farha: Hi, good morning.

Mr. O’Callaghan: Hi Farha!

Ms. Farha: Question for André. André, perhaps, you have one of the best insights into the global demand for beef, could you talk about 2018 demand for US beef? And then going into 2019, how do you see the Australian cattle supply recovering and demand for US beef developing?

Mr. Nogueira: So, Farha, the global demand has been very strong and very positive, to a point to surprise us in some aspects. Keep in mind that US is growing exports and it's not because of lower price, because in reality the price for exports is growing higher, so we are increasing the volume around 14% at the same time that we are increasing price. That shows how strong is the global demand.

I believe that part of this is explained by Japan and Korea, we are replacing domestic production because, in reality, they are importing from Australia pretty much the same the volume, it's not that Australia is declining in a relevant way for Japan and Korea and they import much more from the US. So, the best explanation that I have, if you look the data in each one of these countries, we are replacing domestic production and everything tells me that this dynamic will continue.

So, strong demand, China is a perspective for the US beef that can continue to grow. I don't think that we are going to see big volumes to China in the short-term, but in the second part of 18-19, I think that this will grow over time, and in some point, it will become relevant for US export.

Australia, Farha, we are this year probably at the lowest point in the same level that we were last year in terms of production. We think that this will continue in the first part of 18 and probably will start to recover in the second part of 18, but we are going to see Australia growing in an effective way probably in 19, Farha.

I don't think that when Australia grow, I think, again, the global demand has been so dynamic and so strong that will not affect in any relevant way the US export. I think US will continue to grow export, I saw the numbers that USGA projected for next years in terms of US export, I believe that this is way too conservative, I believe that we are going to the numbers bigger than what USGA reported.

Ms. Farha: That's helpful. And just as a follow-up on pork, Chinese cattle is recovering. How do you expect that to impact US pork export pricing?

Mr. Nogueira: I think that the more important dynamic for China specifically is about how competitive will be US pork compared with European pork, because if you see the volume today, the most important export to China is not US, is Europe. And I think that this balance with the level of price that we are seeing right now we change in benefit of US. So, the US is more competitive and will gain market share.

I think that this is more important for the total volume for China over time than specific production in China. I think that US is growing market share and will grow market share in all the export that we compete directly with Europe. We are seeing that in Australia right now. We import a lot of pork meat in Australia for our operation in Primo, if you go one year ago I was there looking at the inventory and it was pretty much European pork. You go today and it is probably 50-50 US and Europe.

I believe the next year it will be 80% US and 20% Europe. And that’s the dynamic we are going to see in most relevant markets.

Ms. Farha: That's very helpful. Thank you.

Operator: The next question comes from Luca Cipiccia, Goldman Sachs.

Mr. O'Callaghan: Hi Luca!

Mr. Cipiccia: Hi, good morning. Thanks for the question. Just a follow-up on the Australia's discussion. Just to get a sense how big of a dilution was it to the profitability for the US beef division this quarter compared to the previous quarter and how much of a drag do you expect it to be going forward? I'm just trying to size the profitability of the US standalone, just see if you can give us an idea of where were them if you were to exclude the Australia dilution.

And then secondly, question more on the Brazilian beef operation profitability looking ahead. I understand you have some capacity reduction as well in this quarter, the one that we are in, the fourth quarter. So maybe if you could benchmark the type of impact that you may see going to the end of year, in the last quarter of the year, or maybe the next year compared to the profitability that we see in the third quarter, that would be helpful. Thank you.

Mr. Nogueira: Luca, I'm not sure that I captured your question about Australia. I will answer, if it's not what you are asking, please, you ask again.

I understood that you're asking about how was the impact of Australia in the total results of JBS USA beef. Our JBS USA beef is US$20 billion revenue, Australia is 5 billion of that.

Remember that Australia has a very diverse business, so we have the beef business, that's the one that has been a drag, and you have Primo business, that is the further processed, you have several other smaller businesses there.

What I can say to you is in US we performed better than our competition when you put side-by-side, with that you can do some math and try to figure out how was the impact in Australia. It was a drag, but that's the beauty of the diversification of JBS: despite of Australia in the quarter being a drag, our performance in the year has been a drag, we are performing at a very high level, and that's why we built the business with the diversification that we have today.

Mr. O'Callaghan: The other question was regarding the beef business in Brazil capacity and expectation. Tomazoni will take that question.

Mr. Tomazoni: Our beef business in Brazil, if you look at the gross margin, the gross margin we are in line with the markets because we reduced the volume and we focused on the best channels, we have more volume to export, more volume to domestic market when we have competitive advantage, and we do not have a problem in terms of sales; our problem was in terms of the volume that we are processing.

Now because of that, we keep our capacity, we are not reducing in terms of shutdown the factories or anything, we keep the capacity and now we are recovering the volumes. To turn around the business in Brazil is just a question of time.

Mr. Cipiccia: Right. The sum, in a sense, some of the volume reduction that you saw in the third quarter should we expect some rebound, or catching up with those volumes?

Mr. Tomazoni: Sorry, we can see in the next quarters volume recovery, but to get the normal capacity it will take more than one quarter.

Mr. Cipiccia: Understood, okay. Thank you.

Mr. O'Callaghan: Thank you Luca.

Operator: Our next question comes from Lauren Torres, UBS

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

Mr. O'Callaghan: Hi Lauren!

Ms. Torres: Hi. Just a follow-up on Brazil. I think you said that you're seeing volumes already recovering, I just wanted to be sure about that because I guess there was some issues in discussion on supplier relationship and things like that. I mean, I've are things more normalized now or you're still seeing a challenge there?

Mr. O'Callaghan: Tomazoni… I'll take that question, Lauren. Things are more normalized in Brazil. Tomazoni, in his previous reply, talked about volumes recovering in the fourth quarter, but he also said that it will take more than a quarter for volumes to be back to levels whereby our cost will be diluted and margins would come back to a normalized level.

We do not have a relationship issue with suppliers in our beef business in Brazil, there were some issues in the middle of the year, but those either behind us now.

Ms. Torres: Good to hear it. Can I also ask about the Seara business? We saw this margin recovery in the quarter, just curious to get your perspectives, I don't know, maybe then looking into next year with respect to continuing recovery in margins, maybe how do you see grain prices, you know, what's the progression going into next year for Seara? Thank you.

Mr. Tomazoni: We are very positive in terms of Seara results. First, we talk about international market, all the markets we are selling Brazil in the market Brazil is important, we are recovering profitability mainly because of the balance between supply and demand. Before, Brazil is too much production that Brazil is more stable in terms of production, we are seeing recovery in prices all of the markets.

In some of the markets, we have reduced our volume because of the profitability of these markets, now we are increasing the volume in a controlled model. And when you look for Brazil and Seara processed products, we are seeing now the market recovering because the economy is much better than before, and we are very well-positioned in the market.

This month we are back in the communication to the market, we released a new innovation product and we are so excited with the power of the Seara's brand in this environment market, we are able to grow compared to last quarter 5.5% in terms of volume and we keep the price of the last quarter, it is really important in this really competitive environment.

Ms. Torres: And have you seen grain prices going into next year?

Mr. Tomazoni: We see in terms of grain price in Brazil not the level we had in the, say, best times, in May and June, but we are not seeing an increase in terms of what we have today.

We see 3.3-3.6 in terms of price per bushel.

Mr. O'Callaghan: Dollars per bushel.

Mr. Tomazoni: Dollars per bushel. Then we can… some effect in Brazil in terms of the currency, but not more than this.

Ms. Torres: Clear, thank you.

Operator: The next question comes from Isabella Simonato, Bank of America Merrill Lynch.

Ms. Simonato: Thank you. Good morning everyone. My question is on Seara too. If you could give us a little more detail how holiday season is evolving, I mean, the selling how has been that performing and how you are seeing competition in this environment in terms of prices. I understood that you had been able to close the price gap. I just wanted to understand if you are seeing any response from other competitors. And that would be my question. Thank you.

Mr. Tomazoni: For the end of the year, we are positive and we are forecasting to grow 5% in terms of volume

Ms. Simonato: That's processed food or that's everything in Seara?

Mr. Tomazoni: I talk more about the Christmas products.

Ms. Simonato: Ah, okay!

Mr. Tomazoni: And the other question was the competitive environment. We are focused on… to upgrade to the capacity. In reality, we are launching new products in order to get premium price in market, because we are very well-positioned in terms of regional brands, we bought some companies, we have strong regional brands, that are very competitive in each region and we are keeping our strategy to focus to get the preference of the consumer, offer really high quality of products and innovative products.

Ms. Simonato: Perfect, thank you.

Mr. O'Callaghan: Thank you.

Operator: The next question comes from Soummo Mukherjee, Mizuho.

Mr. O'Callaghan: Hi Soummo!

Mr. Mukherjee: Hi Jerry, good morning and congratulations for the results.

Mr. O'Callaghan: Thank you.

Mr. Mukherjee: My question was focused on the quiddity. I just wondering whether you could give us a sense of when you plan to… the 3 times that you hoped to get that more of an end-of-the-year or more like 2018 target.

In terms of the liquidity situation, if you could give an update in terms of how much of the divestments are really falling in the fourth quarter. You mentioned Vigor earlier, are there any other pieces of the 6 billion stabilization divestiture program that's also following the fourth quarter?

And then, if you could talk a little bit about the next steps in terms of the near-term renewal of the lines that expire in July. Looking into the first half, what is more or less the thinking and planning to short up your liquidity. Thanks.

Mr. O'Callaghan: Thank you. Thank you for your question. So, firstly, with regards to leverage, we had very robust of deleveraging now in the third quarter, under 3.5 times, the business continues to perform well and generate cash, and so our expectations are that we will reach of leverage in the 3 times range in the near term.

I do want to put a date to that, but we are definitely going in that direction and I would say well ahead of schedule, well ahead of what we'd indicated earlier on.

Your second question was with regards to…

Mr. Nogueira: What was the impact in the sales in the fourth quarter.

Mr. O'Callaghan: Oh, in the fourth quarter. So, basically, for the moment it's Vigor, we had almost R$800 million of cash coming into the company as a result of the divestment of Vigor in the fourth quarter, that is the only cash input from divestments that we can confirm to date.

And your last question…

Mr. Nogueira: All of the others were realized previously, in the second and third quarter. The only one that is for the fourth quarter is Vigor.

Mr. O'Callaghan: Vigor, precisely. And your last question was with regard to the stabilization plan in Brazil. Our numbers indicate that we are generating a lot of cash, that we are creating an environment where our liquidity is improving substantially and that obviously puts us in a different environment to where we were when we set down with the banks in the middle of the year.

So, we will continue to perform into the fourth quarter and this is something we will analyze as we produce these strong numbers and as we deleverage the company.

Mr. Mukherjee: Great. Just one follow-up on the JBS beef, if I wanted to get a sense of apples to apples comparison, because part of the decline you attribute to the sale of Mercosul to Minerva, but if we were to just try to have an apples-apples comparison, what would be the impact of JBS beef quarter over quarter?

Mr. O'Callaghan: The non-Brazilian portion of what we used to call JBS Mercosul was about just over 10% of the revenue.

Mr. Mukherjee: Okay, no, but I mean, the decline that you show on the slide it seems to be because you also sold Mercosul, the assets outside of Brazil, or is the decline already on a comparative basis taking into account the sale? That's my just clarification question.

Mr. O'Callaghan: No, it's not on a comparative basis, so we have not adjusted the third quarter 2016 numbers to reflect it not containing the Paraguay, Uruguay and Argentine revenue base.

We haven't broken down the Ebitda by country or region, what I can give you just help you is that the revenue generated by the businesses outside of Brazil and the legacy JBS Mercosul business unit was just north of 10% of the revenue base.

Mr. Mukherjee: Okay, thank you very much.

Operator: The next question comes from Carla Casilla, JP Morgan.

Mr. O'Callaghan: Hi Carla!

Ms. Casilla: Hi! You mentioned that the integration of Plumrose has started and you are starting to get the synergies. Can you give us a sense of the size of the synergies you realized in the quarter?

Mr. Nogueira: No, Carla, it's very small. We just acquired the Plumrose business. We completed the integration in our system, but during the quarter just had Plumrose for a month. So, we've started some, but not material at all for the third quarter.

We expect that this will grow in this fourth quarter, but really capture the whole synergy will be for the next year. In the third quarter was nothing, was just the full integration, we just had the company for 2 months in the quarter.

Ms. Casilla: Okay, great. And what do you expect for next year synergies from that?

Mr. Nogueira: Carla, we expect that we can generate with Plumrose at least US$25 million.

Ms. Casilla: Okay, thanks.

Mr. Nogueira: I'm not sure if we will be able to [0:43:41 unintelligible - voice over] next year, but that's the goal.

Ms. Casilla: Okay, great. And then just one clarification. So, I notice the South sales in your breakout of the export markets South Africa was a lot lower. Was that because of the businesses that you sold, was that the primary supply out of South Africa?

Mr. Nogueira: Sorry, Carla, can you repeat? I'm not sure if I understood your question.

Ms. Casilla: In the pie chart where you show where your exports are going, there was one decrease on one market in the South Africa; was that from the businesses that you sold?

Mr. Nogueira: Charts from who, Carla?

Mr. O'Callaghan: Consolidated.

Mr. Nogueira: From the consolidated?

Ms. Casilla: Yes.

Mr. Nogueira: The consolidate export the first thing.

Mr. O'Callaghan: I don't think South Africa is not broken, is it maybe South America?

Ms. Casilla: Oh, South America! Sorry about that!

Mr. Nogueira: Okay.

Mr. O'Callaghan: Okay. Yeah, in South America we had some spot sales around South America, those numbers come and go. It's not because of the divestments that we made that that number has changed. Basically, there are more attractive markets, particularly if you look at our sales to Asia, where we would be abdicating markets that would be less attractive.

So, it's a repositioning of our global exports to reflect the more attractive markets. It's not because of divestments.

Ms. Casilla: Okay, great. Excellent, thank you.

Mr. O'Callaghan: Thank you.

Operator: The next question comes from Juliana Oliveira, Bank of America.

Mr. O'Callaghan: Hi Juliana!

Ms. Oliveira: Good morning.

Mr. O'Callaghan: Hi Juliano!

Mr. Arlant: No, good morning, Jerry, André and Tomazoni, this is Alessandro Arlant.

Mr. O'Callaghan: Oh, Alessandro!

Mr. Arlant: Just a couple of questions from my end, if I may. I mean, clearly, from the consolidated standpoint, I mean, you have had strong operational results, asset sales have been executed quite well and the bank data refinancing gives you comfort until the middle of next year.

My 2 questions would be on the parent company in Brazil where we still see weak results. Looking here at the third quarter result, I think only 1/3 of the Moy Park proceeds were down streamed to Brazil, to JBS S/A, the Brazilian beef backing entity. When can we expect the other 2/3 of the Moy Park transaction to come down? That would be the first question, please.

Mr. O'Callaghan: You mentioned next week… next year stabilization plan?

Mr. Arlant: Next year, sorry! Yes, mid next year.

Mr. O'Callaghan: So, in fact, with regard to your question on Moy Park, the proceeds were captured by Pilgrim's late in September, those proceeds have been paid down to Brazil early in the fourth quarter.

Mr. Arlant: Okay, so we can expect the complement of that hitting the balance sheet of the Brazilian entity in the fourth quarter?

Mr. O’Callaghan: Yes.

Mr. Arlant: And then, Jerry, my second question would be, I mean, still have this proceed and even with additional asset sales, when you look at the liquidity position of the entity in Brazil, again, looking at the annual consolidated balance sheet, you still have cash below short-term debt.

Just to provoke the discussion here, is there any limit for you to downstream more of the money of the international operations (which are doing quite well) abroad down to Brazil? Is there any constraint?

Mr. O’Callaghan: No, there are no constraints basically. We think about cash liquidity leverage on a consolidated basis and we approach the market in Brazil and in the US wherever we are on a consolidated basis because of a lack of restrictions.

Mr. Nogueira: Let me just put emphasis here on Jerry's comment during the call, the cash on hand plus availability 17 billion; that is above the short-term debt. The total leverage of the company is 3.4 times; that is the lower leverage compared to all the Brazilian public companies in the sector.

Mr. Arlant: No, no, absolutely. But looking at the non-consolidated entity in Brazil, the liquidity situation we still need to receive the Moy Park proceeds and you would be still short, so I understand from a consolidated perspective that you are above the short-term debt, but, again, if there is no constrains you can get the money down to the Brazilian entity when and if needed, correct?

Mr. O’Callaghan: That is correct.

Mr. Arlant: Okay, great. Thank you so much.

Mr. O’Callaghan: Thank you Alessandro.

Operator: This concludes today's Q&A session. I'd like to invite Mr. Gilberto Tomazoni to proceed with his closing statements. Please, go ahead Sir.

Mr. Tomazoni: Thank you for participating in this call today. As demonstrated by our strong results this quarter, we remain focused in our operational performance and are excited about these [0:49:20 unintelligible] opportunities to see to continue to expand and to grow our business.

Importantly, we want to thank all our 235.000 team members who have demonstrated extraordinary resilience and a great ability to perform in a challenging environment. Thanks again and goodbye.

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