International Conference Call
JBS S/A
Second Quarter 2019 Results
August 15th, 2019

Operator: Good morning everyone and welcome to JBS conference call. During this call, we will present and analyze the results for the Second Quarter of 2019.

As requested by JBS, this event is being recorded. The recording will be available this afternoon and can be accessed by following the instructions posted on the company's website at: www.jbs.com.br/ir.

Taking part on this call we have Mr. Gilberto Tomazoni, JBS Global CEO of JBS, Guilherme Cavalcanti, Global CFO of JBS, André Nogueira, CEO of JBS USA, Wesley Batista Filho, CEO of JBS South America, and Cristiane Assis, Investor Relations Director.

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

Mr. Gilberto Tomazoni: Good morning and welcome to our conference call to present the results for the second quarter of 2019. I apologize for the delay. Our service provider had a technical problem.

We are very happy to announce another quarter of solid results. In the last 24 months, we have delivered consistently quarter after quarter everything that we have set out to do. This quarter we have completed 2 years since we have set 5 priorities for JBS, which have been confirmed every quarter: Continuous focus on operational excellence; organic growth of our business; continuous investment in quality and innovation; deleverage; robust global compliance program.

Mission accomplished. All of them exceeded our expectations. The record result of the second quarter shows that we have made the right choice and reinforced the company operational excellence and the execution ability of our management team.

This quarter, net revenue was over R$50 billion, an increase of 12.5% over the second quarter of 2018. Net income for the quarter was R$2.2 billion with an earnings-per-share of R$0.82. Year to date, net income reached R$3.3 billion, record Ebitda of R$5.1 billion, 20% higher than the second quarter of 2018 with a 10% margin, the third largest in the last 10 years.

Operating cash flow was R$5.2 billion and free cash flow was R$3.7 billion. This strong cash generation and debt reduction resulted in a leverage of 2.78 times in reais and 2.81 times in dollars. And it wasn't just the leverage ratio that improved, our debt profile improved significantly, increasing our average debt maturity from 4.3 years to 7 years.

In the last 24 months, from the second quarter of 2017 until the second quarter for 2019, we have reduced our gross debt by US$5.3 billion, which reduced our interest expenses by US$400 million per year.

During the same period, we paid more than R$80 billion of debt with banks in Brazil. The company is an excellent financial conditions and future prospects are even more encouraging. This fact has already been perceived by a large portion of the market and it can be seen by the company's strong actual appreciation, as well as the issuance of our last bonds, when after 4 hours of launching we have demands for US$7 billion, more than 4.5 times initial offer.

As you have noticed, I am very optimistic about the company's future, I see very favorable market, the increase in population, urbanization and fixed income, among other factors, has resulted in an increase in global protein consumption, especially in Asia.

In addition, the industrial cycle is very positive. The events of African swine fever in many countries, in addition to increase in exports flows, should create opportunities to accelerate the growth of our branded and value-added products. This favorable market conditions encountered JBS that its best moment in history.

Our financial situation is already, as already commented, externally solid. Operationally, the company is very strong, with an experienced and motivated management team. We have a diversified production platform by geographies and by protein types, which is already a great advantage that became even more important considering the health and tariff discussions events.

The US listing of our international assets, in addition to unlocking tremendous value, will be an important driver for accelerating the growth. Lastly, the evolution of our governance and the publication of our financial policy clearly demonstrate our commitment towards financial discipline. All of these reasons JBS is a very prepared for capturing market opportunity. Organic growth alone is no longer a priority.

In addition, I want to highlight the advances in our ability to innovate. The effort in qualifying our market and R&D team, the creation of a global innovation team, and investments in Research Center made in recent years have already brought excellent results, confirmed by awards at national and international fairs and by the large number of new products launched in different geographies where we are present.

Two of these releases introduced the company into the vegetable protein segment. In Brazil, with the launch of the Incredible Burger by Seara, a vegetable burger made by soy and other vegetables, which has been sold in Brazil market for over 60 days.

In Australia, Primo has launched a line of vegetarian sausages, a mix of vegetables and animal protein. Most importantly, these products were created by our research within our development labs, and I have [unintelligible] technology.

Now, I will pass it on to Guilherme, who will detail the financial and business results. Guilherme, please.

Mr. Guilherme Cavalcanti: Thank you, Tomazoni. Please, let's go to slide 4 of the presentation. We see that our net revenue increased in 12.5%, higher than the FX devaluation that was 8.5%. Fixed cost dilution in productivity made our Ebitda increase in 20%, reaching a record of R$5.1 billion. Our net profit reached R$2.2 billion and the net profit accumulated in 2019 is already R$3.3 billion.

It's worth mentioning that the Brazilian corporate law required that we pay 25% minimum of the net profits.

Now please move to page 5. We can see that our operational cash flow increased in 46%, the double of Ebitda given the improvement in working capital, both on the accounts receivable and on the days of payment. Also our net financial expenses decreased and US$20 million quarter over quarter due to the payment of debt with free cash flow. We generated from the second quarter 18 to the second quarter 19 we generated US$1.4 billion and all of these resources were used to pay down debt.

Since we expanded the maturities of our debt, we used part of our cash position to pay down gross debt, decreasing the caring of this position, and we also issued new debt cheaper than the debt that we paid, but most of these movements were done in the second quarter, so we will continue to see improvements going forward.

Then we reach to our free cash flow of R$3.7 billion, which means that 71% cash conversion related to the Ebitda. In dollars, we generated a free cash flow of US$950 million this quarter and the accumulated free cash flow of the year is US$750 million.

Now please move to slide 6, where we have our debt profile. So on the left-hand side, we can see that we decreased our gross debt in US$3 billion, half of that with free cash flow generation, and half of that, as I mentioned, using cash position to pay gross debt.

Our net leverage decreased to 2.8 times net debt to Ebitda, and moving to the left pie of the chart, we see that our average interest rate is for a six-year average period, that in June 30th it was 6%. So comparing to our bond that is maturing in 2025, so is the payment average period of our debt, this bond is trading 1% lower than my average cost of debt, so we see that at the margin we have the potential to continue decreasing interest expenses.

And more than that, even these bonds in 25 if you compare to the same tenor of the average double B- industry, we are still 0.5% higher, so there is room also compared to the same companies with our same rating.

And if you consider our financial metrics, we could compare to a double B+ industry, then we would have around almost 1% difference. So this shows that we can have around 2% decrease in our average cost of debt, and if you compare to food companies in the US with the same leverage, with the same debt that we have, you will see that we can get this 2% difference in our average cost of debt releasing free cash flow to our shareholders.

Now please move to page 7, where we will talk about liability management that was done after the closing of the quarter. So you can see on the left-hand side the photograph of our payment schedule is June 30th and what we did after that: First, we got to US$200 million from the US free cash flow to pay down debts; we bring in today more US$300 million from the US free cash flow using to pay down debt; we issued a bond in Brazil of US$750 million, which we are using to pay down debt; we issued US$1.25 billion from the US we issued to call our 24-bond and half of our 23-bond.

So the result was the repayment schedule that we see on the right-hand side, where our average term came from 5.8 years to 7 years, and our cash position plus our revolving lines they are enough to pay the amortization of the debt in full up to 2025. So it is a very comfortable liquidity position that the company has today.

And the market is recognizing that, and you see that since the beginning of the year we have around 2% decrease in the rates that our bonds trade.

Now let's talk about the business and performance, let's move to page 9 and we will start with Seara. So net revenue of R$5.1 billion, an increase in 24% year over year with an increase of 18.3 in average in prices and 5.6% in volumes. In the domestic market, net revenue was driven by a 25% growth in prices when compared to the second quarter 18.

In the export market, net revenue totaled R$2.5 billion, 29% higher than the second quarter 18 as a result of 11.6% increase in sales price and 15.6% higher volumes. Ebitda then totaled R$563 million with 11.1 margin, an increase of 150% when compared to the second quarter last year.

Now please move to page 10, where we will talk about JBS Brazil. So net revenues of R$7.2 billion for the quarter, a growth of 15% in relation to the second quarter last year with the processed volumes increasing in 12.2%. In the domestic market, net revenue was R$4.2 billion, a 17% increase when compared to last year with an increase in 16% in volumes and 1.6% in price.

In exports market, which represents 41% of this unit sales, net revenue grew 12%, reaching R$2.9 billion due to an increase in 6.5% in volumes and 5.3% in prices.

Despite the temporary suspension of the Brazilian beef exports to China, sales to this region improved 32% when compared to the second quarter 18. Ebitda then for the quarter was R$336 million with a 4.7 margin, a recovery of 72% when compared to the first quarter 19.

Now please let's move to page 11, where we will talk about JBS USA Beef. Ebitda was US$503 million, 11.8% lower than the previous period impacted by lower US exports and higher cattle prices. Nevertheless, Ebitda margin was a robust 8.9%.

In the domestic market, despite the delayed start of the grilling season due to atypical weather conditions for this period, demand for beef in the second quarter 19 remained strong, boosting sales, notably in the second half of the quarter.

In Australia, the main highlight was the increase in beef and lamb exports directly to China, which grew 68% in volumes and 85% in sales year to date when compared to the first half of 2018.

Now please let's move to page 12, where we talk about JBS USA Pork. Net revenues totaled R$1.6 billion with an increase of 9.1% in relation to the second quarter 18 mainly due to a 10.4% growth in average prices with stable volumes, a relevant Ebitda margin of 8.3%.

The JBS US Pork has been able to differentiate itself from the competition due to its outstanding operational performance and to its ability to transform primary products into higher value-added products, earning sales premium and increase in margins.

In June, exports grew 9.3% when compared to the same month last year, which signals the recovery considering an expected increase in imports by China and Mexico.

Now please let's move to page 13, where we will talk about highlights of Pilgrim's Pride. Ebitda of US$350 million, 24% to higher than the same period last year, while Ebitda margin was 12.3%.

Significant operational recovery in the US reflecting higher market featuring and promotional activity of chicken in retail and food service, supporting better demand for the commodity segment combined with US portfolio, which continues to deliver strong results in higher value-added segments.

In Mexico, the reduction of chicken supply alongside the growth of demand coupled with less competition of other proteins contributed to better pricing at chicken cuts and consequently to stronger operational performance of PPC.

Now on page 14, we show our global footprint, that despite trade barriers, we always have several angles to sell our products. With that, the second quarter exports revenue was US$3.3 billion, representing 25% of our sales and almost 50% of that was directed to Asia.

Now I will pass the word to Tomazoni for the final considerations.

Mr. Tomazoni: Thank you, Guilherme. Before opening the questions, I would like to highlight our priorities: Organic and inorganic growth; financial discipline and cost of capital reduction; operational excellence; innovation; quality; and compliance.

JBS is ready to grow in a sustainable way and advance in our strategy in brand and value-added products.

Now we can open for questions.

Question-and-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 1 key on your touchtone phone now. If at any time you would like to remove yourself from the questioning queue, press star 2.

Our first question comes from Brian Hunt, Wells Fargo securities.

Mr. Hunt: Thank you. My first question is: You all have mentioned that you would like to begin growing in organically or through acquisition. What level of leverage are you willing to endure to execute that part of your growth strategy?

Mr. Cavalcanti: Okay, thank you for the question. Last quarter, we just announced that in the long-term we pursue to be between 2 and 3 times net debt Ebitda, which we consider a comfortable level, especially on an environment of decreasing interest rates and also considering that we are expanding significantly the maturities of our debt.

And again, we have a limit of 3.75 in order to pay extraordinary dividends and the limit of 4.25 for acquisitions, but it's worth mentioning that if we pass 2 quarters above 3.75, the Executive Board has to present to the Board of Directors a contingency plan to bring down leverage ratios.

So we have these parameters, but our willingness is to pursue be between 2 and 3 times net debt to Ebitda.

Mr. Hunt: Given your market cap now and your overall global scale, the level of Ebitda, your free cash flow metrics, is investment grade rating in accords for the company? Is that a financial objective?

Mr. Cavalcanti: Yeah, I think for sure our strong free cash flow generation will continue to make our deleveraging path. However, our commitment is to reduce cost of capital. Investment rate should be consequence of that.

We want to maximize value to our shareholders so we will be considering that. So, if we maximize value to our shareholders on a double B+ level, we will be fine with that as long as we have a low cost of debt and a low cost of capital.

So we don't have an objective of investment grade, we have an objective of creating value to our shareholders and investment grade could be a consequence of that.

Mr. Hunt: Looking at in the US, one of your competitors lost one of their plants due to a fire, takes about 5% out of the US market. Can you talk about the flexibility you may have within your operations maybe to operate on extra Saturdays or over time to absorb additional sales?

Mr. Tomazoni: André, please, could you make a comment?

Mr. André Nogueira: Hi Brian, thanks for the question. I don't want to speculate around the issues that happened with Tyson, I'm very happy that the fire did not impact [unintelligible - muffled sound] of the Tyson team member.

For us, we are planning to run our business as we originally planned, I think we always talk about the second part of the year being very strong and we are going to have some [unintelligible - muffled sound], I don't think that we expect to run [unintelligible - muffled sound] because of the labor situation, all the Saturdays [unintelligible - muffled sound] US has today is a little bit different, so we are not going to say there is no plan, but we are willing to meet that customers' demand, if it's possible to run from Saturdays and sell a little bit more, we can do that as long as does not affect the safety and health of our team members.

So, at this point, we are not [unintelligible – muffled sound] our plan, I think that the second part of the year will be very strong and that was the thought since we started the year because of cattle availability, because of strong demand, and that means that exports will start to pick up, the recent events [unintelligible - muffled sound].

Mr. Hunt: And my last question is: Could you tell us what struggles that the company has to come over, has to overcome to complete their listing, IPO on the US market? Thank you and good luck.

Mr. Cavalcanti: The listing in US continues in our plans and we are continuing to study the models. It's worth mentioning that, as I mentioned before, the strong free cash flow generation we don't need primary resources, so we are talking about a listing in US, and since we don't have the urgency to pay down debt anymore, we have time to think the best structure that this listing will unlock value to our shareholders.

Mr. Tomazoni: But Brian, I want to emphasize, this is one of our main priorities because of the potential to unlock value to the company and a driver to accelerate the growth.

Mr. Hunt: Are there any settlements that you have to make either with the Brazilian government or the US Federal Trade Commission to get that done? Are those hurdles or not? That's my last question, thank you.

Mr. Cavalcanti: No, those are not hurdles for an SEC listing.

Mr. Hunt: Thank you very much.

Operator: Our next question comes from Carla Casilla, J.P. Morgan.

Ms. Casilla: Hi, this is Sarah Clark on for Carla Casilla. I was wondering if we could talk a little bit about pork. How much of the worldwide pork supply has been wiped out from ASF? Thanks.

Mr. Tomazoni: Carla, could you repeat the question, please?

Ms. Clark: Yes, how much of the worldwide pork supply has been wiped out from ASF?

Mr. Tomazoni: It's a really difficult question. We have market information; we don't have the details of that. I think the market is talking about could be 30, could be more than 30, could be 40. I don't know, we don't know exactly. I know it is important, the situation, not just in China or in other countries, is becoming worse in Europe, but we don't have really numbers to say to you what's the size of this.

Mr. Nogueira: Let me try to help a little bit here. The official numbers published is around 4 million hogs; 1.5 million inside of China and 3 million in countries in Asia. The main one was Vietnam. The official numbers from the Chinese government, from the Ministry of Agriculture in China is that the heard in China reduced this year compared to last year around 25% both in the [Unintelligible muffled sound] and the hog numbers. That's the official number, that’s the number that we use to plan. It's the official number from China, around 25%.

You have a lot of speculation in the market, all the numbers that are speculated are bigger than that, we really don't know [unintelligible - muffled sound], and this is around 35%.

Ms. Clark: Great, thank you.

Operator: The next question comes from Marcel Moraes, Santander.

Mr. Moraes: Hi, good morning everyone. Just some detail about Seara and what has been going on with ASF. We saw very strong margin gain in the quarter, and we can also see export volumes going up around 16%, so what do you think would be kind of bottleneck for you to continue increasing the export volumes mainly into China, I guess? But what do you think are going to be the next bottlenecks, if you may say? Thank you.

Mr. Wesley Batista: Marcelo, this is Wesley. I think we have very good facilities approved to export to China, we have a good number of plants approved to export to China. For us to increase our volume to China, I guess the biggest barrier or the biggest bottleneck we would have would be having raw material, so it would be having enough growers to increase the production.

But today, our industrial capacity for that market is good, is well-suited for increase in demand.

Mr. Moraes: Thank you. And looking forward, when we evaluate what is going on and, let's say, in July/August, do you think that the number that we saw in this quarter in terms of performance is sustainable? Do you see those numbers trending even higher? How do you compare what we are going to see in the second half with what we saw in the second quarter? Thank you.

Mr. Batista: We don't give a specific guidance, but we can expect that the main drivers that let to this improvement in results will continue. So exports still continue to be strong and you have domestic further processed, prepared foods prices have continued to be high, we continue the same prices and we probably have a further increase, and you also have the grain situation, that we think would be stable to some small potential upside.

Mr. Moraes: Just a final question on the prepared food and Seara. I saw in the domestic market the average prices up 25%, very strong number, but how much of the prepared foods are contributing to the 25? I guess it's less than that, but, you know, is it kind of strong double-digit price increase on prepared food?

Mr. Batista: The increase in prices for further process is around 18-20%.

Mr. Moraes: All right, thank you very much.

Operator: The next question comes from Alan Alanis, UBS.

Mr. Alanis: Hello, thank you so much for taking the question and congratulations on both the operating and the financial results.

You are a very big company, I mean, you are selling easily north of US$15 billion per year, and you are making this big investment on the… my question has to do with the vegetable meat, with the nonmeat meat, the vegetable meat that you mentioned.

How much do you think you can sell of these new products next year and the years afterwards? And what is the anticipated margins that you can sell? I know it's small relative to the overall size of the company, but I'm interested in terms of how much management, what's the size of the opportunity for you. And you think that in 2020 or 2021 you could be selling how much of this product worldwide?

Mr. Tomazoni: Thank you for the question. Look, we are following this market very closely, I think there is a trend, a lot of new companies entering in this market, we are already 60 days in the market in Brazil with the name of *Incrível Burger* launched by Seara, and we are in Australia by Primo a vegetarian range of sausages and, look, we are developing this market, we see in US it grew a lot, we are entering in this market for sure and we are just defining what is the best time to enter.

To quantify the size of the market now it's difficult because there is a trend, it is clear, but it depends on the supply. If you see the amount of companies entering in the market, we don't know really the size of this market. There is much information, you know, information in the market, we don't have clear numbers about what the size of the market is, but I believe that we have a really good opportunity in our market because we have already distribution capacity, we have sales capacity, we have relation with retails, then we have now technology to produce the product, because we have already products in the market.

If you combine our technology to produce the product, to develop the product with the ability to sell and distribution and the relationship with the existing base of customers, I strongly believe that we can play a big role in this market.

But to advance to you now what will be the size, it's too early.

Mr. Alanis: Got it, now I understand. When do you think you will have a product in the US? I mean, because you already have a product in Brazil, correct?

Mr. Tomazoni: Yes. We are not opening this information, sorry for that. But we are working on that.

Mr. Alanis: Got it. I understand. A different question, changing topics completely, and I appreciate the answers. I don't know what you can comment regarding BNDES. It is still a large shareholder of JBS, they've been selling shares of other companies in Brazil. I know I'm asking a question about one of your key shareholders, but what are the different scenarios that the US management sees for that stake of BNDES?

Mr. Cavalcanti: I think this question you should make to BNDES… [laughter]

Mr. Alanis: [laughter]

Mr. Tomazoni: [laughter]. I understand your question, but we don't have answer for that…

Mr. Alanis: Got it…

Mr. Tomazoni: … I think it's better to talk directly to BNDES.

Mr. Alanis: [laughter] Yeah, we will do that again. We will do that again.

I mean, I guess that one of the possibilities, I don't know the structure, but given the very strong financial position and the excellent work that did in refinancing all of this, how much… I guess if I can ask a question that you can answer, how do you think about share buyback programs? I mean, let me make more a direct question that would be more straightforward for you, guys.

Mr. Cavalcanti: Okay. Returning capital to shareholders is also on the agenda. As I mentioned in the presentation, we are presenting a big profit, which in Brazilian corporate laws it is required to distribute at least 25% of my net profit, so I have to take this into consideration, but, of course, as long as we are generating a lot of free cash flow, we will (and again) have the leverage and the free cash flow enough to grow and to pay dividends or share buybacks, and those decisions will be done depending on the market situation, the company value in the stock market, the minimum dividends that I have to distribute.

So this is a decision that we will make ahead, but we need time to decide.

Mr. Alanis: Got it. It's good that you have that flexibility. Thank you so much for taking my questions and again congratulations on the results.

Mr. Tomazoni: Thank you.

Operator: Our next question comes from Antonio Hernandez, Barclays.

Mr. Hernandez: Hi, good morning. First of all, congratulations on your results and thank you for taking my question. Well, actually, 2 questions. The first one is on USA Pork. Can you give more light on the outstanding resources that you have there, especially on top line?

And second, could you please give more light also on JBS Brazil on the impact on profitability and what should we expect for the second half? Thanks.

Mr. Tomazoni: André, please, answer the question about our pork business there and then Wesley will be answering Brazil.

Mr. Nogueira: Just making sure that the question is about the results in the pork division…

Mr. Hernandez: Yes, on the pork division, can you give more light on the solid top line we saw that you have there, I mean, you were posting a very good price, a very good volume growth. Can you please explain how sustainable is that and maybe more light on that? Thanks.

Mr. Nogueira: My line here is really bad. I did not understand the question. Is it about pork or chicken?

Mr. Tomazoni: André, yes, the connection is really bad here. We are having some difficulty to understand as well. But André, I don't know if you can hear me better, the question is about our pork operation in the US.

Mr. Nogueira: Okay. So about pork.

Mr. Tomazoni: He is asking if it is strong, is stronger result, he asked if it is sustainable the results of the last quarter.

Mr. Nogueira: The results in the last quarter strong in pork was strong, the market was very challenging, with a lot of volatility in the quarter, it's more related to execution from our team, the structure of the business, the plants, the efficiency and the converted items, the value-added items that we continue to grow. This is very sustainable, the structure of our business is great, so that's why we outperformed the market and we have outperformed the market for several years.

I'm just expanding this out performance, I don't see that changing. In reality, I expect that in the second part of this year and for next year the nice conditions [unintelligible - muffled sound] will be better, that should increase the margins [unintelligible - muffled sound].

Again, the quarter was strong for us and more related with the execution of our team and the strength of our business in very challenging market conditions because of the volatility, but we expect that this will improve for the second part of this year and for next year. And I think that our team is doing extremely well.

Mr. Batista: So, Antonio, here in Brazil when it comes to Seara a few drivers to give you some idea what we are expecting. So on the domestic side, we still think that there is price to be increased, we still think that from previous cost increases that we weren't able to pass on to price increased previous periods, we still have some that a catch-up. Domestically, our exports we still think that there is potential to increase volume in exports due to better prices in the fresh and frozen side. So on the sales side, we expect that we can increase exports.

When it comes to grain, we think that until the end of the year we are comfortable and we are confident with the position we have, and we think that we will have stable and better situation in grains. So overall, we are confident with Seara and expecting a good second half of the year.

When it comes to *beef*, or actually to JBS Brazil more specifically talking about beef, we have a second quarter that we think will be a good second half of the year, we think it will be a good cattle supply, there will be enough cattle supply. We still have a little bit of a question mark for the first half of next year, we still have to wait and see a little bit how that will play out.

Like I mentioned before in the previous call, we have capacity to… we are increasing capacity to export to China, about 15 to 20% in the next second half of this year, which will allow us to export more to that country.

So overall, we expect to utilize our capacity better in the beef plants in Brazil and be able to export more cattle supply for this rest of the year, and we still need to see what is going to happen for the first half of next year.

Mr. Hernandez: Perfect, thanks a lot.

Operator: The next question comes from Walid Bellaha, Safra Sarasin.

Mr. Bellaha: Hi, good morning, thank you very much for the presentation and congratulations on the results. I have 3 questions. So just regarding Capex, could you give us an idea if there was any change in terms of what you're expecting in Capex for the second half of the year? You mentioned that you were going to increase your capacity to export to China in Brazil. Is there any Capex involved as well in increasing the supply in the US as we have short supply for the second half? So this is the first question.

The second question is regarding dividends. You have this dividend policy which applies to most of Brazilian companies. I just wanted to know whether it is possible for you [unintelligible] exceptional dividend if you have a record here in terms of profits.

And last question, you mentioned at the beginning of the call that in terms of rating you would be fine with a double B+ rating as long as you can unlock value for shareholders. You are right now at double B-/double B, so does it imply that you would like first to reach that level of double B+, or you are still find remaining at the rating that you have right now?

Mr. Cavalcanti: Beginning with the ratings, again, as I mentioned, our target is to decrease our cost of capital, our cost of debt and the ratings must come as a consequence. So the level that we'll be comfortable is the level that I reach these objectives. It could be investment grade or not. But for sure we want to continue to decrease of our cost of debt and improve our metrics, and I think our metrics already deserve higher ratings.

In terms of dividend, it is too early to say. I think it's something that we should decide later on because we don't even know what's going to be the profits of the whole year, and again, Brazilian is not a policy, the Brazilian corporate laws that required the 25% minimum, so we have first to know what is going to be this number for then decide if we are going to pay more dividends or not.

Mr. Batista: Regarding Capex in Brazil to increase export to China, though our Capex in JBS is really refocused in China, it's not relevant to the overall size of Capex of JBS globally.

Mr. Tomazoni: André, can you make some comments about the Capex in the US?

Mr. Nogueira: There is no relevant changes in the Capex considering what we projected when we started the year. We already started giving guidance about the Capex for the year considering the growth and the organic growth that we are creating. So there is no relevant change in the guidance that we gave in terms of Capex for the operations.

And there is the payment of 600 and US$650 million as we announced when we started the year.

Mr. Bellaha: Thank you very much.

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

Mr. Tomazoni: Before I make the final remarks, I want to point that when we talk about organic growth, we are talking to grow in the market that when we have operating, and we have synergy with our existing business. For example, in Brazil, we bought a small pork plant, it's a lot of synergy with Seara operations and according to the trend, and it is aligned with the trend of increasing the consumption of pork meat.

Besides of this, our focus is increasing the size of our value-added and branded business, in line with our long-term strategy. This is the focus of our organic growth.

For finalizing, I want to thank each one of you to participate in this conference call, and a special thank you to our 230,000 team members, with their daily work and dedication have made this company better each day. And thank you to all who stood by us and wished for our success. Thank you.

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