



**Operator:**

Good morning. Welcome to Minerva's 3Q21 results conference call. Today with us we have Mr. Fernando Galletti Queiroz, Chief Executive Officer; and Mr. Edison Ticle, CFO and Investor Relations Officer.

We wish to inform you that this presentation is being recorded, and all participants will be on listen-only mode during the Company's presentation. Next, we will start the Q&A session for analysts and investors, when further instructions will be provided. If you need any assistance during the call, please press \*0 to reach the operator.

The audio and slideshow of this presentation are available through a live webcast at [www.minervafoods.com/ir](http://www.minervafoods.com/ir). You can find the presentation for download on the webcast platform, IR section.

Before proceeding, we wish to mention that forward-looking statements may be made during this presentation relating to Minerva's business prospects, operating and financial estimates and goals. They are based on beliefs and assumptions of the Company's management, as well as on information currently available. They involve risks, uncertainties and assumptions because they relate to future events and therefore depend on circumstances that may or may not occur. Investors should understand that general economic conditions, industry conditions and other operating factors can also affect the future results of Minerva and could cause results to differ materially from those expressed in such forward-looking statements.

We would now like to turn the conference call to Mr. Fernando Queiroz, CEO, who will begin the presentation. Please, Mr. Queiroz, you may start the presentation.

**Fernando Galletti de Queiroz:**

Good morning, everyone, and thank you for participating in Minerva's earnings conference call for the 3Q21.

Minerva Foods reaches the end of the 9M21 reporting an outstanding operating and financial performance, with revenue and EBITDA at record levels, consistent net income and cash generation, in addition to maintaining a balanced capital structure. Even in the face of a challenging scenario, the Company's performance in this quarter reflects the good fundamentals of the global beef market, resulting in an accumulated growth of 42% in our gross revenue and 10% in our EBITDA when compared to the previous year.

Our geographic diversification plays an essential role in our performance, because it allows us to arbitrate markets with greater agility, accelerating our operations when necessary, and thus reducing risks and volatility, maximizing our operating efficiency and potential profitability.



In this context, the operation of Minerva ex-Brazil continues to be highlighted this year, with its gross revenues reaching R\$10.8 billion in the 9M21, an expressive growth of 69% when compared to the previous year.

Our operational footprint distributed throughout South America is one of the main pillars of our business model, playing a key role in maintaining our profitability, and also acting as an important risk mitigation agent.

In line with the maintenance of this strategy and as previously informed to the market, in the 3Q21, we evolved with our first initiative in the Oceania market, in partnership with Salic, announcing the acquisition of two lamb slaughter plants in Australia. This initiative is in line with Minerva Foods strategic direction, and uniquely complements our operations in South America, maximizing commercial opportunities and operational synergies, reducing risks and contributing to our strategy of consolidation in the animal protein export market, always respecting our commitment to financial discipline and a solid and balanced balance sheet.

The covid 19 pandemic is not over yet, and it continues posing challenges to the world population. However, the global beef market remains in high demand, with emphasis on Asia, which remains firm as a major demand driver and largest global beef importer, in a scenario that should become even more stressed in the coming months due to recovery of the global economy, which opens up more opportunities for exporters in South America.

Prospects for the end of the year and beginning of 2022 are increasingly positive, with a global scenario returning to normality and the advance of vaccination stimulating reopening of economies and supporting the resumption of important segments such as tourism and food service.

We see a scenario of consumption acceleration not only in the foreign market, but also in the domestic markets in South America, reflecting in an extremely positive situation for products, and especially for beef exporters in our continent.

In the 3Q21, we made progress in the innovation area, where we launched My Beef em Casa, our online sales platform within iFood, where we started to make our products available to users of the app. In this first moment, My Beef em Casa will continue serving customers here in the city of Sao Paulo, and yet, another movement that brings Minerva closer to the final consumer of beef.

We also announced another corporate venture capital initiative with investment in Traive, a startup in the agricultural sector that, with the support of artificial intelligence, advanced data analysis, seeks to offer a set of financial solutions such as credit, insurance and other services for small and medium sized rural producers, reducing bureaucracy and contributing to more transparency and less risk in the agri market.



Currently, with operations in the United States and Brazil trades, Traive's product portfolio encompasses solutions for the supply chains of the main agricultural commodities such as soybeans, corn, cotton, sugarcane, coffee and wheat, and supported by many have a track record and expertise of Minerva Foods, we are also going to advance in the new opportunities in livestock and the beef chain.

Now let us move on to slide two, to start the presentation of Minerva Foods 3Q21 results. We started with net income, which remains positive for the eighth consecutive quarter, reaching approximately R\$73 million in 3Q21. Year to date, net income is positive by R\$449 million. Considering the last 12 months, Minerva's net income totals approximately R\$563 million.

Free cash flow, which is one of our priorities, has been positive for the 15th consecutive quarter, totaling R\$83 million in the quarter and R\$849 million in the 12 month period. In 2021, our free cash generation totaled R\$817 million.

Since 2018, the Company has accumulated more than R\$4 billion in free cash generation, confirming the consistency of our operational and financial management, which reflects a robust cash generation, which we continue to report quarter after quarter.

Gross revenue reached a record level of R\$7.8 billion in the quarter and R\$26.6 billion. In the last 12 months, a strong growth on annual basis of 43% and 36%, respectively.

I would like to highlight the performance of our exports, which accounted for approximately 70% of our gross revenue, both in the quarter and the past 12 months, as a natural result of the strong international demand for beef and a reflect of our export DNA at Minerva Foods.

Talking a bit about our operating profitability in 3Q21, our EBITDA also reached a record level, reaching R\$648 million, an increase of 17% year on year, with an EBITDA margin of 8.8%. In the past 12 months, Minerva Foods EBITDA has also been record, totaling approximately R\$2.3 billion and delivering a solid a bit of margin of 9.1% in the period.

As in previous periods, another highlight of this quarter and one of the main pillars of our management continues to be the solidity of our balance sheet. We ended 3Q21 with net leverage stable at 2.4x net debt over EBITDA, in line with Minerva Foods capital discipline.

Our liquidity also remains very comfortable, with R\$8 billion raised in cash at the end of the period, which combined with a duration of 5.6 years of our debt and guarantees us great tranquility and flexibility in the face of future challenges and opportunities.

Still talking about our balance sheet, I want to stress that we continue to improve our capital structure. In this context, I want to mention some initiatives, such as the reopening of Bond 2031 at the beginning of the quarter; and now, more recently, in October, we also had the eleventh issue of debentures of the Company, in addition to the redemption



and cancelation of approximately R\$384 million related to a portion of 2028 bond, as we announced this week.

In the overall presentation of results, Edison will provide a little more detail about all these initiatives.

Now let us talk about the other highlights of the quarter. As approved by our Board of Directors, and as a result of the good operational and financial performance of Minerva Foods, we announced a payment of prepaid dividends in the amount of R\$200 million, or approximately R\$0.35 cents per share, representing approximately 45% of the year to date profit.

When we add the current distribution with the proceeds paid previously throughout 2021, we reached R\$304 million, or 1.4 per share in earnings distributed to our shareholders in the current year. This represents an expressive dividend yield of approximately 12% based on the closing of October.

The recent distributions of earnings reflect Minerva Foods commitment to generating value for its shareholders, while respecting our capital structure, as it is worth noting that the Company's financial leverage remains stable around 2.5x, even after the payment of the aforementioned interim dividends.

Another interesting highlight, which took place in the exercise in the beginning of October, was a cash reinforce of R\$252 million, referring to warrants subscribed or undertaken by the controlling group, further improvement Minerva Foods liquidity position.

It is worth remembering that we still have R\$60 million in subscription warrants that are available in the market that should enter the Company's cash by end of 2021.

Finally, I must talk about the evolution of our sustainability agenda, and I would like to highlight two main initiatives. The first was the launch of the app PROSPEC, which allows rural producers throughout Brazil to carry out geospatial surveys and access historical and socioenvironmental analysis of supplier farms.

This way, we are transferring the highest technology used in our analysis and monitoring systems to the producers' palm of hand, contributing to the reduction of deforestation risk and livestock change.

The second highlight goes to results of the audit by the federal public ministry in the state of Pará, where Minerva Foods received 110 socioenvironmental compliance, being the only company among the major players in the sector to present such excellent performance.

It is noteworthy that the federal public ministry's audit is the main public tool for transparency on practices to combat illegal deforestation in the Amazon. In addition for



being very proud, the excellent results achieved at Minerva Foods confirmed the pioneering spirit and seriousness of our work when the topic is sustainability.

During the presentation, Taciano will bring further details about this and other important advances by Minerva in relation to the ESG agenda.

Now, let us move to the next slide to comment on Minerva's operating performance in the quarter, starting with exports. 3Q21 consolidated our leadership position as the largest beef exporter in South America. With approximately 20% market share in the continent, Minerva's leading role in beef exports is the result of our geographic diversification in the region, which is supported by 16 international offices, now providing us with a great competitive advantage and prominent position in the international market.

It is worth mentioning that the geographic consolidation of Minerva Foods in South America protects our profitability from the long lasting and consistent upward movement in international grain prices. This is due to the model of cattle raising, predominant in our continent. And thus, the upward movement of grains in the international market ends up having a reduced impact on our operations.

On the right side of the slide, we have the performance of exports by region. Asia is still a highlight, representing around 63% of the export revenue in the past 12 months in Brazil, an expansion of 7 p.p. compared to the same period of the previous year.

It is worth highlighting here the 10% share that we place in the NAFTA region, as the main destination, USA, which reflects the strengths of this market and the reopening to Brazilian beef.

In the case of the operation of Athena Foods, further down on the slide, the Asian market has been the main destination for our export, 37% of the total exported by the division in the past 12 months, followed by the Americas region, which accounted for 29% of the total exported.

I want to take the opportunity to highlight the assertiveness of our geographic diversification strategy and the benefits of our operational footprint in the main beef producing in exporting countries here in South America.

You all know that the end of 3Q21 was impacted by China's restriction to Brazilian beef, and this ended up reflecting on our operational and financial performance. However, as a result of our geographic diversification, we redirected Chinese demand to four of our plants in Argentina and Uruguay, which include a daily slaughter capacity of around 6,000 heads a day, approximately 60% of Minerva's consolidated exposure.

This way, we continue to serve customers in China through operations outside Brazil, which has allowed us to reduce risks and mitigate impacts inherent to this type of jurisdiction. Worth mentioning that we are still awaiting the resumption of exports to China from Brazil, and we expect this situation to normalize soon.





Returning to the quarter's results, the performance of exports makes increasingly evident the growing international demand for beef and the unique competitiveness of South America, especially from Asia, where we noticed that the consumption of beef protein has increased consistently, and as a reflection of changes in the population's eating habit, which increasingly considers beef as an essential item in their daily diet.

Another highlight in our portfolio is the growing exposure to the North American market, especially here in Brazil, a market with high income capacity and which, due to the advanced stage of vaccination, has already been showing consistent signs of the resumption of economic activity and consumption level.

Finally, I emphasize once again that the fundamentals and prospects of the global beef market remain very solid in the short and long term. We have a combination of factors that are very positive for the coming periods, which will benefit beef producers in our continent.

Demand for beef protein remains quite consistent in emerging markets, especially in Asia. In addition, we have the advance of vaccination and recovery of the global economy, which gains strength week after week with the reopening of markets, and it prints a strong recovery movement in consumption, especially in tourism and foodservice, segments that were strongly impacted since the beginning of the pandemic, that we already have signs of strong recovery in most developed countries.

Finally, the rise of grains and the persistent restriction in the supply from Australia, which continues unbalancing the world market, and particularly benefiting exporters.

In this promising horizon, Minerva Foods strategy is to continue to maximize our competitive advantages, investing in innovation, niche opportunities, risk management, market intelligence, to achieve increasingly efficient and profitable commercial and logistical solutions, always trusting a corporate culture, the work of our team, and respecting our commitment to ethics and sustainability.

Now I hand over to Taciano, who will talk a bit more about the sustainability agenda of Minerva Foods.

**Taciano Custódio:**

Good morning, everyone, and thank you, Fernando. When it comes to sustainability, combating illegal deforestation and climate change, Minerva Foods stands out with results.

Our backing is not advertisements and long term goals. Our balance is a measurable result, publicly disclosed and supported by the main public audit processes in Brazil. The audit of the commitment in beef, the audits supervised by the Federal Public Ministry or General Attorney's Ministry, the only official third party verification audit in Brazil, where



all the data for analysis is provided by the government. All the results are publicly disclosed and can be verified on the website of the General Attorney Ministry, as well as in the presentation link.

And for the third consecutive year of the audit, Minerva Foods stands out for its results with 100% compliance to verify illegal deforestation, land grabbing, slave labor, invasions of environmental conservation units, indigenous and *quilombola* lands, environmental and land tenure regularization.

This is the real commitment to combat illegal deforestation in the Amazon, result of the commitment of the Minerva Foods team and rural producers, a commitment that extends to all state we operate and also outside Brazil.

In Paraguay, we geographically monitor 98% of all purchases, and we maintain our commitment to reach 100% of the purchases monitored by the end of the year.

On slide five, we present SMGeo Prospec. In partnership with Niceplanet Geotecnologia, we launched on October 21st, the most innovative agribusiness application. It is the transfer of technology from those who have the best results in geographic monitoring of the chain to the hands of producers. The application allows you to carry out detailed geospatial service throughout the national territory with the simple use of QR code of the Rural Environmental Registry.

Producers can now verify the social environmental compliance of their business partners with simplicity and agility, with no complications. The app is available on the App Store and Google Play. It is worth checking the launch of the application on Minerva Foods YouTube channel with the details of how the tool works.

On slide 16, we will talk about Minerva Foods low carbon emissions program in the production change. The world demand changes and the rule is to keep renewing. The Renove program accompany this changes and goes beyond. It is to engage and collaborate with the production chain in the implementation of low carbon production practices. It is measuring and monitoring the carbon balance of farms. It is to facilitate the access to payment for ecosystem services and the carbon market. It is recognizing the advances of modern tropical livestock, which protects the environment and develops people and geographies.

All this in collaboration with research institutions, agents of organized civil society, companies and producers, using internationally recognized methodologies.

We are proud of the path Minerva Foods is taking in sustainable meat production. We will be at COP telling more about Renove. Follow Minerva Foods on social media and learn more.

I will now hand over to Edison, who will detail the operating and financial results.



#### **Edison Ticle:**

Thank you, Taciano. Let us move on to slide seven to talk about operating performance and the breakdown of divisions' shares and Minerva's gross revenue. In 3Q, as has been the case throughout the year, Athena Foods continues to stand out. Once again, it expanded share in the revenue account, 56% of consolidated gross revenue for the quarter, while Brazil Division reached 38%, and the trading, 6%, complementing our total revenue.

Now talking about capacity utilization, in 3Q21, we operated on a consolidated basis with a capacity of approximately 77%, still reflecting the operational limitations imposed by the pandemic.

At Athena Foods, the level of utilization grew almost 5 p.p. compared to the previous quarter. This is the result of our geographic diversification, which at the end of the quarter allowed us to redirect the part of production that would have been destined for China from plants from Uruguay and Argentina since exports via Brazil were restricted in September, and thus we accelerated operations at Athena Foods and kept supply our main destination market.

As Fernando commented, this move confirms one of Minerva's main competitive advantages, geographic diversification, which gives us a unique opportunity to arbitrate markets, always in search of operational and commercial optimization of the production chain.

In the Brazilian division, we had a slight drop, 17.4%, mainly impacted by the lower volume for the Chinese market at the end of the quarter. As we have mentioned previously, consolidated utilization remains below our historical level of 80%, and should be resumed over the next few periods with the event vaccination process, recovery of the global economy, and the end of the pandemic.

It is worth mentioning that in our analysis, we considered the concept of net utilization, reflecting working days on operation of each of the plants operating in our portfolio.

On the right hand side of the slide, we highlight our consolidated exports by region for 3Q21 and last 12 months. As Fernando mentioned, Asia continues to be the major client, with a major role, representing 46% of exports in the quarter. In the past 12 months, the share of the Asian continent remained at 47% of our Minerva Foods exports. That is, it continues to be our main export destination.

Moving on to slide eight, let us talk a bit about financial results, starting with net revenue, which reached the record level of R\$7.4 billion on 3Q21, a strong expansion of more than 43% compared to year over year.

When we look at it from the past 12 months, we have a robust year on year growth of nearly 36%, totaling more than R\$25 billion in net revenue in the past 12 months. In the





composition of this revenue, as I mentioned previously, it is worth highlighting the good moment for exports, which reached a share of approximately 70% of total revenue, both in the quarter and the past 12 months.

Speaking of profitability, Minerva's EBITDA reached a record level this quarter, reaching R\$648 million, an increase of 70% year on year. In the past 12 months, our EBITDA totaled approximately R\$2.3 billion, an increase of approximately 8% on an annual basis, and once again, record level for the past 12 months.

It is very clear on this slide the operational dynamics of our Company, which basically is basically a business spread, which is our profitability is based on the ability to transfer price, especially when we have a scenario of cost pressure.

Despite recent increases in cattle prices corresponding to 80% to 85% of our total cost, the Company has been very efficient in transferring these increases to customers, especially in the export market, which is the main focus of Minerva.

As a result, we have been able to deliver consistent level profitability over the past quarters, despite the upward movement in animal prices, especially in July, August and September.

We want to highlight again the benefit of our geographic diversification, especially when we talk about Athena Foods, which, despite the more complicated situation Brazil in terms of cattle supply, Athena has a smoother situation and continues to contribute a lot to the growth of the Company's revenue, and also profitability, which I mentioned on the previous slide. This division represented 56% of consolidated revenue in the quarter.

In 3Q21 Athena Foods was even more important. With the restrictions imposed by China at the end of the quarter, blocking exports from Brazil, we continue to serve our customers through Athena Foods operations in both Uruguay and Argentina. This makes clear the fundamental role that our geographic diversification has had and continues to play in Minerva Foods business model.

Before moving on to the next slide, due to this temporary movement in China, which partially impacted the numbers for the quarter, I want to talk a bit more about the month by month performance in the 3Q.

As you know, the end of 3Q turned out to be atypical due to China's restriction to Brazilian beef, and this ended up impacting the performance in the quarter as a whole. When we stratified the analysis month by month, we can see a very positive performance both in Brazil and in Athena Foods operation. If we take month by month, for example, July, the consolidated budget margin was already running at a low two-digit level, impacted by the strong demand and reflecting the acceleration of beef prices in the international market.

This scenario ended up being maintained in August, with a slight negative variation in Brazil due to the off season period, which ended up pushing the price of the animal in



August. But Athena Foods continued operating in a very resilient way, and thus operating profitability in August also ended up at a very attractive levels, very close to the low double digit level.

And then we get to September, and China ended up blocking Brazilian beef, which ended up impacting the end of the quarter. I will be repetitive and comment again, but in the case of Minerva Foods, we have the benefit of the operational footprint distributed by the main beef producing countries in South America, and thus, due to this geographic diversification, we were able to mitigate the impact of the absence of China to Brazil, and redirect a large part of Chinese demand to Athena Foods.

However, even with this initiative to mitigate risks, the Brazil operation ended up feeling some effects. So some cargo or freights had to be redirected to less profitable markets, and we also had impacts on the cost of expenses, such as the entire rescheduling and export logistics.

In addition, the price of the animal has an inertia. It does not recede immediately right at the beginning of the season. So part of the cattle we had already bought ended up being purchased at a much higher price, and this meat produced was not for a market that was as profitable as the Chinese market. We had to redirect to other markets, and with that, the profitability was somewhat compromised.

All of this affected the EBITDA margin in September specifically, and it impacted our profitability in the quarter. So in September, Brazil had a major drop in the EBITDA margin of about 50 bps to 70 bps, but at Athena Foods, we managed to keep the margin levels above double digits.

So when we look at the quarter as a whole, we managed to maintain a very healthy EBITDA margin, and more importantly, EBITDA cash generation much higher than what we were planning at the beginning of the year.

Looking now at the last quarter, in October, we continued with the absence of China for Brazilian exporters, but we already have an important recovery scenario, with margins returning to the high-single digit levels in August, talking about Brazil. Why this happens? Because the sales operational schedule is already better reflecting the restriction imposed by China.

We had a major drop in the price of animals at the end of September and throughout October, which ended up being absorbed by the industry, and obviously ended up benefiting our profitability level. In Brazil, the profitability level in September, which was very low, has returned to the levels of July and August.

In this contest, it is obviously still early, we still have November and December to follow, but we have great expectations of delivering in the last quarter of the year a performance higher to what was seen in the 3Q, because it will reflect, first, positive impact of yearend seasonality; two, strong price movement in the international market; and three, the price



of cattle here in Brazil, which ended up dropping between 15%, 20%, 30% depending on the market during the month of October, and compared to the previous quarter, it is at a much more attractive level for the industry.

So in the worst case scenario, we think that the 4Q, even considering restrictions imposed by China, will have a profitability level at least the same level, but very likely higher than the profitability we have seen in the 3Q.

We are still awaiting for the resumption of Chinese exports. We still believe that this will happen soon, but given the scenario I have explained above, even considering that China does not return, we remain very confident to have a 4Q even better than the past quarter.

Let us move on to slide nine to talk about financial leverage. We show our leverage ratio measured by the net debt to EBITDA ratio for the last 12 months. It remains stable at 2.4x. The Company's net leverage indicator has remained stable before beginning of 2020, even considering disbursement R\$210 million in the share buyback program and another R\$541 million in distribution of dividends paid throughout this period.

Minerva's current level of leverage reflects our commitment to sticking and maintaining a more efficient capital structure less costly, with lower risk profile, fully aligned with our financial strategy.

It is worth mentioning that discounting the amount of R\$200 million related to early dividends, which would effectively be paid now by the end of November, the Company's net leverage remains practically stable between 2.4x and 2.5x in the ratio of net debt over EBITDA.

Let us move on to the next slide to talk about net income and operating cash flow. 3Q21 was another quarter of positive results. Net income reached approximately R\$72 million in the quarter and has already accumulated approximately R\$450 million in the 9M21. If we consider accumulated the past 12 months, net income totaled R\$563 million.

This result is a reflection of our commercial financial strategy over the past months and quarters, total focus in free cash flow generation, risk management, especially reducing indebtedness, pillars that have been a priority for the Company and have contributed to a way relevant to the results that we have achieved quarter after quarter.

Moving now to the right hand side of the slide, we see operating cash flow, positive in the 3Q, reaching R\$412 million, even considering a variation of working capital that consumed R\$204 million in cash this quarter, where the main impact came from the accounts receivable growth. In the last 12 months, cash flow from operating activities totaled R\$1.8 billion positive.

On slide 11, we talk about the greatest priority of the Company, which is free cash flow. On slide 11, we see that in the 3Q, free cash flow remained positive for the 15th



consecutive quarter, reaching R\$83 million after the result of the foreign exchange hedge, thus being more almost four years in a row with positive cash generation.

Making the free cash flow in the quarter, we started with an EBITDA before non-recurring items, R\$639 million, CAPEX of approximately R\$179 million, concentrated on investment in maintenance and expansion of some of our plants, and also reflecting the anticipation of some investments foreseen in the schedule for the next quarters, such as additional investment in the modernization expansion of operational capacity in Colombia.

Then we have the working capital account, which consumed R\$204 million as I mentioned previously, impacted by the accounts receivable growth. And in the cash base, financial result, which was R\$-212 million. Of the non-recurring effects to approximately R\$9 million due to social expenses charges that we have, we reached a positive recurring free cash flow of R\$53 million in 3Q, which after positive cash result of R\$30 million due to the foreign exchange hedge policy, we reached the free cash flow in the quarter of R\$83 million.

Talking about the past 12 months, free cash flow totaled approximately R\$150 million, starting from EBITDA of R\$2.3 billion, CAPEX in the past 12 months, R\$400 million, which was impacted by the expansion improvement of several plant in our operational chain, and also by our corporate venture capital initiative, and in addition to the working capital variation negative by R\$148 investments in past 12 months, and cash based financial results negative by approximately R\$898 million. We also have R\$32 million non-recurring items related to the pandemic, and adding up, we reach free cash flow of approximately R\$850 million positive in the past to avoid, reflecting an excellent operational and financial performance of the Company on this period.

On slide 12, we present the bridge of the net debt. At the end of the previous quarter, net debt totaled R\$5.3 billion, and now, we recently had a cash inflow of R\$252 million, referring to the exercise of controlling group subscription bonus as a subsequent event, which obviously adjusts the net debt down. During the quarter, the cash flow before the result of the foreign exchange hedge was positive, R\$53 million. We also had the impact of the hedging instrument that ended up reducing our debt by R\$30 million in the cash concept, and other R\$170 million positive with accounting effect only.

We also have a cash effect negative impact of R\$759 million related to exchange variation on the portion of our debt that is paid to USD. So adding all these accounts and setting up the bridge, Minerva ended quarter with a net debt approximately flat around R\$5.5 billion, even considering that the exchange rate moved from R\$5 to R\$5.49 at the end of the quarter.

I want to emphasize once again that our current hedge policy continues to require that we have at least 50% protection for long term passive or liability exchange exposure, and this can be seen in our explanatory note to our financial standards. As well as our balance sheet, our foreign exchange exposure is also highly protected, making us more



confident to continue focusing on the Company's operational and financial execution, seeking a path of generating value to our shareholders.

On our next slide, we will talk about the capital structure and Minerva foods recently liability management initiative. As we said before, our leverage ratio measured by the net debt over EBITDA ratio for the past 12 months ended up the quarter with 2.4x. Our cash position at the end of the quarter remained very comfortable around R\$8 billion, adjusted by the inflow of subscription warrants from the controlling group, but also impacted by the repurchase and partial cancelation of the 2028 bond, as highlighted on this slide.

Speaking of indebtedness, about 71% of our debt is exposed to exchange variation. As I mentioned previously, this management is committed to protecting our balance sheet. So we have a hedge policy that determines that the Company must have at least 50% of its long term foreign exchange exposure hedged, and this has proven to be very efficient, given this recent foreign exchange volatility in Brazil.

Currently, our duration is around 5.6 years, with almost 90% of our indebtedness in the long term and 65% of amortization concentrated only from 2028, as you can see in the chart below.

On the right hand side of the slide, I also present a few more details on the liability management efforts that we have been implementing since mid-2020. More recently, we can highlight the buyback and cancelation of US\$70 million, or approximately R\$785 million of the 2028 bond, contributing to the reduction of our gross debt, and obviously the cost of debt.

In July, we had the 2031 bond retap, raising an additional R\$400 million, in order to anticipate a more expensive debt rollover that would occur in the short term in our balance sheet. Following, in October, we had the 11th issuance of debentures by the Company in the amount of R\$400 million, maturing in five years, yielding CDI + 1.6% per year.

It is worth mentioning that the proceeds from this area will be used to pay our sixth issue of debentures maturing on May 2020, and yielding CDI +1.8% per year. Therefore, we are going to have an extension of the debt profile and a reduction of the annual cost of our debt, which ends up translating into a lower level of financial expense.

The result of all of this we are doing, in addition to reduction in the cost of our debt and gross leverage, also reflected on the stretching of our debt profile, with most relevant maturities being consecrated in 2028 and 2031. The liability management efforts reinforce our commitment to financial discipline, pursuit of a capital structure sounder, less costly, with lower risk profile, especially well aligned with our shareholder value creation strategy.





Let us move on to the last slide of the presentation, to talk about early distribution of dividends, which is obviously one of the ways to generate and deliver value to our shareholders.

On slide 14, as Fernando commented at the beginning of the presentation, generating value to our shareholders is one of the main priorities of this management. Thus, in line with the excellent operating and financial performance we have achieved in the recent quarters, with a consistent execution in our leverage reduction process, we announced yesterday the distribution of interim dividend in the amount of R\$200, which gives a dividend of approximately R\$0.35 cents per share.

If we take the earnings already distributed over 2021, we have first JCP in January in the net amount of R\$19 million, two complimentary dividends in April, in the order of R\$384 million, and now this dividend distribution of R\$200 million. We reach a total of approximately R\$600 million, or R\$1.12 per share in dividends effectively paid in 2020. We are talking about a significant dividend yield of over 12% considering the asset price at the end of October.

This scenario has only been possible with all dedication and effort of the Minerva team in the recent years, and our priority has always been very clear: focus on cash generate, reduce debt and level of leverage, and create conditions for Minerva Foods to manage and deliver value consistently and relevantly to its shareholder.

Finally, it is worth emphasizing that this scenario of distribution of complimentary dividend does not compromise Minerva's strategy of maintaining a healthy and balanced level of leverage.

You can see on the bottom right of the slide there, if we do the leverage account considering the cash outflow related to these R\$200 million dividends, the net debt over EBITDA ratio for the past 12 months is stable at 2.5x, as I mentioned earlier. In other words, with this distribution, we still have a comfortable balance sheet, a solid balance strategy, with much less cost, with lower risk profile, which ends up providing opportunities like this to generate and distribute even more value to our shareholders.

Let us move on to our Q&A session. Thank you very much.

**Ricardo Alves, Morgan Stanley:**

Good morning. Thank you for the call. I think the result itself was a positive surprise. We wanted to know about the strengths, and considering your comments on the performance of October, it was really impressive. In this sense, considering that demand is so strong, our base case in the market is that there will be a normalization of China in 2022.

When you think about next year, in addition to this volatility of the 4Q, in 2022, do you see a scenario that is doable of more margin, operating at low double digit, a bit above over 10%, considering that the Brazil margin is running at the pre-suspension levels,



considering that you have very sound levels? In this sense, speaking about margin of the year a bit ahead, if you have some specific of global prices of beef, this would help you. Thank you.

**Edison Title:**

Ricardo, first, I would like to take the opportunity of your question to make a correction. I have described the performance of the Company in the quarter, month by month, something that I do not usually do either, because I thought this quarter it makes sense, because the ban on China occurred in September.

To recap, in July and August, we had Athena operating at two digit and Minerva one high digit. When we have had the ban in September, because the cattle price was high, we had to reprogram logistics, and Minerva margins in Brazil fell 500 bps and 700 bps, not as I mentioned previously in the call. So they were levels of 9% and moved to levels below 4% in September.

On the other hand, the margins of Athena continue a very healthy, sound, a level of low two digit. We closed the quarter at 8.8%, with quite important performance.

When we moved to October, the margins in Brazil recovered to levels of July and August, and Athena kept the same level. Therefore, in October, we had a margin that was very similar to July and August, which were the best month in the 3Q.

Even assuming a scenario in which we do not have China in the 4Q, we should have a performance in the worst case scenario like the 1Q, but better than the 3Q, if the conditions given now were given now in October are kept until the end of the year.

So how do we look at 2022? Very difficult to give you a prospective margin for 2022, because there are many things happening. For example, we have major pressure in terms of freight prices reflected in this quarter in some renegotiations of contract and maturities in our expenses and sales. We are in the process of drafting our budget.

I cannot give you a reference or margin prospect, but if everything happens, the way it is happening, we will repeat in 2022, the performance of 2021, in the worst case scenario. So the balance of supply and demand of beef tends to get worse, tighter. Economies tend to recover more strongly. Removing the Brazilian economy, economies abroad, we see, especially in Asia, a greater movement next year than in 2021. So this certainly drives more consumption of beef, which reflects on price.

Second point, we have a major change in terms of livestock cycle next year. We have been mentioning this since 2018, 2019, that our base scenario from the 2H22, we would have a change in the cycle. The good news is that we see a huge number of animals that were born in this period that probably will be available to the market before we expected. This should support a scenario of cattle prices on average in 2022, lower than 2021, even assuming this recent drop of September, which prices move from that level



of \$315, \$320, and came close to \$260, \$270. Even considering this in the average, we are going to have cheaper cattle than we had in 2021.

With these drivers put on the table, it is very difficult for us to have a scenario for 2022 in which the margins would be worth in 2021. It is exactly the contrary. The amount of improvement is hard to measure at the moment.

**Fernando Galletti de Queiroz:**

Adding to what Edison said, we have noticed in our thesis of investment based in South America, how much we are making in markets worldwide. So apart the part, the thesis of producing beef in the region of the planet which is most competitive, gains strength and it has increased.

We have a favorable cycle in Brazil for next year, as Edison has described, and we have the recovery of economies with a stronger demand, especially driven by the southeast of Asia.

So we are very optimistic, not mentioning the margins, with indication that the next two, or three years, we are going to have a reality that is quite favorable in South America.

**Ricardo Alves:**

Perfect. Thank you, Fernando, thank you, Edison, for the clarifications.

**Rodrigo Almeida, Santander:**

Good morning. Thank you for your presentation. I would like to touch some points. First, talking about capital allocation, you have very a sound cash position. Even considering the bond buyback and dividends announced, your position is quite strong. I was just trying to understand what you can think in terms of capital structure from now on. Additional dividends, so to have a more robust buyback? I would like to hear from you on cash allocation focus, and the strategy in terms of reduction of gross debt, going back to the point of the previous question.

So prospects for 4Q, short term? How can we think about your level of growth levels for Athena? Can we think that you can have a higher level at Athena Foods? How do you think this can impact the cattle prices in countries like Uruguay?

And still on this point, in terms of expenses, it has grown a lot quarter against quarter. You talked about logistics, and I would like to understand how this impacts the normalization, if this has a relation to a more challenging global scenario. I would like to understand how all of it is impacted, possibilities, and if you have any sort of views on M&As, et cetera, and Athena Foods. Could you comment on that?

**Edison Ticle:**



I am going to answer the first and the third, and then Fernando will answer the second. Talking about the third, SG&A, what drove the prices were freight expenses. You can see that throughout the world. We have logistics costs. We had some contracts that were signed that matured. In the 3Q, we resigned a contracts at a higher level, so therefore we have an effect that happens once in the quarter.

From now onward, we should not expect additional increases. That was an increase of expenses with freight, and so last quarter, we locked them in the contract, and this is going to be permanent, or maintained in the next quarter.

So in terms of capital structure, R\$8 billion that we have in cash, our commitment of US\$400 million is debt buyback, or rollover. US\$400 million is something like R\$2.2 billion. This will be used in the next few months and quarters in buyback/rollout.

When I say we have issued the bond, I am going to use the money to amortize the debt. And then I have R\$400 million with debentures that we have issued that are going to be used to redeem a series that will mature in May, and we are going to have anticipated redemption probably by the end of November. The specific date will depend on the best economic ratio in terms of fee and anticipated redemption.

There is a clause that from a certain date in November, the fee drops significantly. We are just waiting for the date because from the financial standpoint, it is worthwhile waiting for three weeks to redeem the amount.

Mostly, the excess cash, we have the policy of cash that we have about three months of cattle. We should have between R\$4.5 billion and R\$5 billion. We have R\$8 billion, and the R\$3.5 billion, R\$3 billion additional billion, R\$2.6 billion, R\$2.8 billion, will be used for pre-payment of debt/rollover, and anticipation and amortization.

Regarding dividends, we are anticipating payment of dividends following the policy defined by the board previously. We will wait for the end of the year, and depending on the conditions of capital structure, leverage and net income at yearend, we should have a complimentary distribution of dividends after the disclosure of close balance sheet of 2021.

I am going to hand over to Fernando to answer the second question.

**Fernando Galletti de Queiroz:**

Rodrigo, what I highlight here is the ability and instruments Minerva has of arbitration, the various sources, origins and various plans. We have made an administrative change that we are going to add a bit more color as of next year, which is Latam North, Brazil, Paraguay and Colombia, and Latam south between Uruguay and Argentina.



So this division has to do with market access, and especially the type of raw materials type of cattle we have in those markets. With this change, we have gained great speed, more integration between the portfolios, between the possibility of allocating from one country to the other.

So what we have seen at Athena is that we have had some countries that were highlighted, or stood out in this allocation. This happens weekly based on the cattle price, currency, access to markets, and obviously, as we have mentioned here in the presentation, with sanitary changes that we have had, as was the case of China.

The speed we moved, and that today we prepare through the instruments of analytics and portfolio analysis, they allow us to allocate and reallocate when events happen, very quickly our portfolios and production, especially operating area.

So our action is very strong. If China is back, we have contingency plans already established. If it does not resume, we move on. We are prepared for whatever scenario we face ahead.

**Rodrigo Almeida:**

Perfect. Thank you very much. Have a good day.

**Thiago Duarte, BTG Pactual:**

Good morning. I think that more than the discussion of the margin that was being discussed on one of the previous questions, I think one of the points that has been drawing attention the most this year is dynamics of top line, the strength and growth in revenue.

In this context, I would like to discuss two points. First, when we talk about export mix to the market, to Asia, obviously without China, it has been showing strength in the past few quarters, and when we look at Brazil and Athena, the performance of NAFTA in the case of Brazil and Americas, in the case of Athena. And this helps to explain, in addition to Asia, a lot this dynamics of the average price quite strong in the past quarter. I would like you to comment, if you can, about which markets in these various geographies. It seems that the U.S. has had a great performance in terms of beef demand, which is an important part of the answer, but if you could comment a bit on this, I think these are two geographies that are drawing our attention in addition to Asia.

Edison made an interesting comment regarding top line, on his presentation he showed the evolution of EBITDA and margins over the past quarters, mentioning that, as a level spread, you operate this very well, you have been operating quite well over the past years, and in this dynamic of top line that is very strong, margins showing some performance regarding top line, quite strong. I would like you to discuss about the space that you have, if you have, for average profits to continue growing as they have. It is quite impressive, especially average prices in USD at a high that is quite steep for the past





quarters. I would like to hear in this level of spread, on a revenue that is very strong, if it makes sense that the revenue has more space to grow or not.

Because if we take Brazil, the recent drop in the price of cattle, we assume that this is going to impact average prices of beef. I would like to ask you this question on the top line in a couple of aspects, geographies, space for high and additional prices.

And the other one was CAPEX. We have seen the CAPEX of growth. If you can give some direction on sustainable levels of CAPEX in the next quarters and next year.

**Edison Ticle:**

Thank you. I am going to talk about CAPEX, and then Fernando can give a better color. For CAPEX, we acquired Colombia a year ago, and now we discovered that we were going to invest to increase capacity and production in those plants, as we have made in the first acquisition, in the investments we made.

We increase lines and slaughter, and also we can double production capacity in a one to two year period. We are adopting exactly the same tactics. Colombia has become a market that is quite important to us in terms of top line, in terms of profitability. It started accessing some markets that it did not before. Now we have become an even more relevant player there, and it makes more sense from the standpoint of attracting synergies, having more value in the operation to anticipate this CAPEX that is going to be made this year and next year. We decided to bring it earlier for the 3Q and probably 4Q.

We continue with this head of maintenance CAPEX in this range of approximately, if you take our history, R\$300 million roughly a year, plus something of expansion that was programed for Colombia a little over two years that we are bringing forward for the 4Q, and probably the 1Q22.

**Fernando Galletti de Queiroz:**

Adding to what Edison has said, this organic growth that we see in some of the origins, balancing a bit more each one of the countries that we have in a proportion of the available cattle and market access. This highlight of Colombia Edison gave it is quite relevant.

On your two questions, Minerva has always had this DNA of risk management, and this leads to a strategy of opening the more openings that are possible of markets. China is very important. We consider that Southeast Asia is quite relevant. So other markets like Malaysia, Philippines, Indonesia, Singapore, Vietnam are relevant to us as well.



With diversification in the Middle East, we have a base for various countries where we operate. In NAFTA and Americas, especially Chile, also became very important destinations. Going back to Colombia, Colombia has had recently the approval to export meat and beef to Chile. We are not only pioneers, but with the branding of Minerva, you can quickly leverage markets in those places.

So, geographic diversification in both origin and destination, considering internal or domestic markets, are quite relevant. All of this within this business spread, moving to your second question, allows us to have options. Allows us to have alternatives to redirect our production and our sales, according to the market.

So what do you have in this matrix? Great opportunity with the investments we have made. In the past two years of analytics, they allow us to identify opportunities, and the opportunities are quickly transferred to our operational areas, changes and keep stability of margins.

The other thing you have mentioned about prices on the international markets, it is not us, it is the market itself. We are seeing food inflation, beef aversion on all areas, in all consumer markets.

We believe that there is an imbalance, but looking at what happened in other producing countries, we have a reduction of supply, which maintains beef at high levels.

Just to reinforce one of the positive surprises that we have had has been how China has changed its habit quickly, and less sensitive to price. If you analyze what is happening, beef has become an item that is aspirational of the middle class in China. And you can imagine the power this has.

So even with rising prices, demand maintains reasonably stable. So we see good prospects from now onwards. I reinforce what I have said in a previous question, the strength that arbitration has, so that within the spreads, we can be increasingly more efficient.

**Thiago Duarte:**

Very good. Thank you very much.

**Gustavo Troiano, Itaú BBA:**

Good morning. My question is more focused on the impact of exports from Brazil to China, looking at the use of capacity and level of slaughter in Brazil. You just covered quite well the dynamics of profitability month by month. I would like to know about the use of capacity, if you can give it month by month, considering that the use of Brazil had a slight drop in the 4Q, considering the 3Q. Can you give us a more granular view over



the 3Q, especially focusing on September, where we should see an impact of the ban of China on the slaughter?

And I would like to know qualitatively about the use in Brazil in October, to know about the impact, the risk of the end of a 4Q, is it worst in October, or is it a bit flatter October, November? Thank you very much.

**Edison Ticle:**

Look. Capacity utilization has been analogous to the revenue curve. The number is as close, so we have average capacity for the quarter in Athena, and average was over 80% on the three months. I cannot give you a precise number. On average, over 80%. Accumulated, 81%.

Brazil did not. Brazil had a greater utilization in July and August, dropped a bit below 70%, the levels were above 72%, dropped below 70% in September, but in October it got back to the September level, and in October we operated at an average that was the previous quarter.

And considering seasonality, it is accelerating. This is what I can tell you, because we actually have a quarter seasonably more favorable in Brazil in the 4Q.

Again, just making the various disclaimers, the use of capacity is always calculated, adjusted by the working days of each month, each quarter.

**Gustavo Troiano:**

Thank you, Edison. Perfect.

**Edison Ticle:**

I am going to read for your questions from the webcast and try to answer them. First question, an agreement to revenue margin in the 4Q considering China and Brazil.

I think I have answered this question over the presentation. The buyback of debentures will happen in November, yes. The date will be considering the subscription, so we have a date from which we have the fees that are lower. We are going to look at that, and we are going to inform the date that is most conveniently economically for the Company, or financially for the Company.

How much can be directed to between geographies?

This is a decision we make quickly, as Fernando said. We have a matrix of optimization that is weekly where we take all the prices that we can sell, all the cuts produced in all Minerva plants weekly, so we make this optimization of this matrix, and then we get to



the ideal point, considering all the variables involved in logistic costs, working capital, foreign exchange rate, freight, and specially conditions of each one of the plants.

When I put Brazilian plants to run the matrix with the ban of China, obviously, China is no longer a possible destination. China becomes a possible destination to be maximized from other geographies.

So I cannot give you a color as to volume. All volumes are produced weekly. They are sent to the geographies, according to the optimization matrix.

The impact of the ocean freight for the Company.

We use ocean freight, as I said, and there has been increases. We have some contracts, we have been renegotiating some of them. In the 4Q, we could have an impact on our financial status of increase in SG&A.

An additional point on ocean freight, of all the proteins, the most expensive is beef. So therefore, in terms of percentage, the impact is lower on beef than, for example, on chicken and other animal proteins.

The situation of China and also pork, the pork price has increased, we were seeing this two weeks ago, so there was a drop in pork. It is no longer true. Beef is still at a level that is quite high, and pork has started to increase again. So we continue having the same outlook for supply and demand for next year, especially considering consumption growth that should continue to happen in Asia.

Just a question on lamb. It is not in Brazil. Lamb is not in Brazil, it is in Australia. We do not intend to have lamb in Brazil.

So a comment on the swine cattle in China, some mentioned that it dropped 30% of what it was because of a crisis, and they had a great recovery in 2019, 2020, just reflected by the way of the increased consumption of grains in China to feed the herd. The herd issue has reached 75%, 80% of what you used to be before the ESF crisis. It is still 20%, 25% lower, but there has been a major recovery.

Why is this good? Because the effect of this important recovery of the swine herd, the growth of beef does not stop despite of that, based on volumes and prices practiced in the domestic Chinese market.

he asked whether the drop of prices in beef brings an impact in volume in Brazil. Beef has very high income, so the price needed is lower. What happens when the protein prices grow, so we have replacement between proteins. Since all proteins became expensive, so you have this happening to the domestic market.



If beef drops and other proteins may keep the same level, you have an increase in volume due to arbitration and replacement. If the movement is more or less equal and coordinated, then what will determine the volumes is the income volume.

If the ban from China is over, if the purchase price of China will improve in Athena. If the ban of China is over, considering that Brazil can export to China. What will happen? More volumes from Brazil will be directed to China, and in Athena, the volumes that were for other countries, for example, the U.S. and Chile that were sold by Brazil, will continue to be sold by the Athena plants, and the final mix in terms of margin will be better than what we had in September. I think I made this very clear during my presentation.

When everything was open and all the plants maximizing their return, we had Athena operating at low double digit and Brazil at high single digit. When China closed, Athena continued operating at low double digit, and Brazil had a drop in the single digit. In October, Brazil continued banned by China, but with the drop in cattle prices, the low single digit in Brazil became high single digit, and we had margins in October close to what we had in July and August.

Therefore, if we have China scenario that we have seen in July and August, it should happen in November and December with a positive factor of seasonality on one hand, and also another positive point, which is the drop in cattle prices on the other side.

I think this is it. Thank you.

**Operator:**

Ladies and gentlemen, we thus conclude the session of Q&A. I would like to give the floor to Mr. Fernando kudos for the final remarks.

**Fernando Galletti de Queiroz:**

I would like to close this conference call by thanking the entire Minerva teams for their dedication, outstanding performance during this period, especially how they face this difficult scenario.

This is a commitment to our values based on focus, on results. Commitment, sustainability and all the part of innovation, they make Minerva a company that is differentiated, regardless of the environment that we have.

The moment is still challenging. We will continue to face this together, the way we conducted our business with our DNA.

Prospects for the world, the vaccination should advance faster and fills us with hope, with the expectation of the end of the pandemic and a new normality and the new market. We are dedicating increasingly towards abroad, closer to suppliers, to our customers, regardless of where they are in terms of geographies.





One of those pillars that I have mentioned to our culture is sustainability. This is a differential for companies that want to be global players, for companies that are placed in different markets, in different geographies.

So we keep on paying attention to the global market of beef and, more than ever, confident in the power that we have in South America. Our corporate values will reinstate our commitment to capital discipline, ethical and sustainable practices. We believe this is the best way to generate sustainable value in the long term.

Thank you very much for your interest in Minerva Foods, and we remain at your disposal for any questions and clarifications, so that we can be increasingly stronger and closer to you.

Thank you all very much.

**Operator:**

Minerva's conference call has ended. We thank you for your participation, and we wish you a very good day.

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