

Operator:

Good morning, ladies and gentlemen. Welcome to Minerva's 1Q earnings release conference call. Joining us today are Mr. Edison Ticle, CFO and IRO; and Mr. Martin Di Giacomo, International Commercial Officer.

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Should you wish to pose a question by audio, please click on the Q&A icon, type in your name and affiliation. When your name is announced, a prompt to unmute your microphone will appear on the screen. Please unmute your microphone and proceed with your question. If you wish to ask a question in English, please do so in writing by clicking on the Q&A button.

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To begin the earnings release video conference for the 1Q, I will now turn it over to Mr. Ticle, CFO and IRO, for his presentation. Please go ahead, Mr. Ticle.

Edison Ticle:

Good morning, everyone. Thank you for joining Minerva Foods 1Q25 earnings conference Call.

Minerva has started 2025, delivering solid operating and financial results, thereby reaffirming the consistency and discipline of our business strategy. Performance in 1Q ratifies the importance of our geographic diversification strategy as a key pillar to the operating and commercial execution of our business model, reducing risks and maximizing our arbitration capacity.

This quarter, we posted a record gross revenue of R\$11.9 billion, delivering a record EBITDA of R\$963 million and an EBITDA margin of 8.6%. Looking at the last 12 months ending in March, gross revenue added up to approximately R\$40.6 billion and EBITDA of R\$3.5 billion, a record high for a 12-month period.

Before we discuss the results, I would like to briefly go over the integration process. In the 1Q, we have continued to ramp up the new assets, seeking to increase the number of synergy sources, bringing the operating and commercial model of the new assets increasingly closer to our standard, in addition to continuing to align the new facilities with the Company's strategy, culture and management. During the presentation, we will discuss the performance of the new assets in more detail in the beginning of 2025.

Lastly, it's worth noting that the Company is still waiting to hear back from the local Uruguay authority on the new structure proposed in February 25 regarding the 3 target assets. We predict we should probably have a decision by the end of July 2025. Over the next few quarters, we will continue to update the market on the progress of the integration, as well as the performance of the new assets.

Let's now circle back to our performance on 1Q on slide 2. Starting with gross revenue, which added up to R\$11.9 billion in 1Q and R\$40.6 billion LTM. As I said previously, an all-time record high for both periods. Exports accounted for roughly 56% of consolidated gross revenue in the quarter and year-to-date LTM. They remain one of the Company's main operating drivers and confirm our arbitration capacity and access to many different destinations through our Latin America production platform.

Moving on to operating earnings, EBITDA in the 1Q reached a record high R\$963 million with a margin of 8.6%. Last 12 months, EBITDA was R\$3.5 billion, also a record high for a period of 12 months with a 9.1% margin. Considering performance of 7 months of the new assets, we would have had an EBITDA of R\$4.3 billion.

Doing the math for our capital structure, we get to a net leverage of 3.7x net debt over EBITDA at the end of the quarter. Our cash position remains robust at R\$11.9 billion, which puts us in a comfortable position to face challenges over the next few quarters.

Let's now move on to slide 3 to talk about operating highlights. In keeping with our commitment to provide greater transparency into the operations of new assets since 4Q, we have been disclosing and separating the revenue and volume performance from Minerva's historical assets and newly acquired assets.

In 1Q, Brazil has continued to be the main highlight with a consolidated revenue of R\$6.2 billion with new assets R\$1 billion, R\$2.2 billion and Argentina consolidated gross revenue, R\$1.1 billion, R\$269 million coming from new plants. In Chile, with the start-up of Patagonia operation, revenue was R\$18.7 million. Other countries follow the normal course of operations. There have been no changes to the asset base and Paraguay had a good performance.

Consolidating all sources, we totaled R\$11.9 billion gross revenue, R\$9.9 billion coming from Minerva Foods historical assets and R\$1.5 billion from new assets, a 95% increase compared to 4Q24. It's worth mentioning that this has been a record high, even excluding the contribution from new assets.

Looking at the performance of the new assets more closely, it's worth mentioning that the Company continues to advance the integration process, ramping up utilization and maximizing the efficiency of new plants. Volumes increased by 106% and revenue has increased by 95% in the quarter. It's worth mentioning that there are still challenges. For instance, Pontes e Lacerda plant in Brazil was under operating restrictions for the whole 1Q and only went into operation in April.

Despite this remarkable progress, assets are still with a utilization below our historical average of 70% to 75%, which is to be expected given the operational ramp-up process. We have made progress in issuing a considerable number of export licenses for the new assets in 1Q, contributing to the plant's improved performance, although they are still less-efficient than our historical assets. These results are in line with our plan, and we believe that as the integration process progresses over the next 2 quarters, it will make a significant contribution to the Company's operating and financial performance.

Let's now move on to slide 4 and discuss other highlights from the 1Q in more detail. In 1Q, we concluded the 16th debenture issue totaling R\$2.3 billion in 5 series, thereby strengthening our cash position and improving our capital structure. Still on the balance sheet, we have bought back and canceled \$69 million of 2031 bonds at face value with a 13% discount in yet another initiative aimed at pursuing a more balanced and less costly balance sheet. I would also like to highlight the approval of a capital increase of up to R\$2 billion in the shareholders' meeting held on April 29. This is an important move aimed at accelerating our leverage reduction process and strengthening Minerva Foods capital structure. Yesterday, we released a material fact with the Company's projected net

revenue for the end of 2025 with a revenue range between R\$50 billion and R\$58 billion for the whole of 2025. And later on in the presentation, we will discuss the guidance.

Moving on to sustainability, for the fifth consecutive year, Minerva Foods has been included in the ISE and ICO2 portfolios. The 2 main sustainability indicators at B3, therefore, ratifying the Company's commitment to sustainable livestock farming. It is worth noting that Minerva Foods is the only beef protein company in these portfolios. In addition, we have made significant progress in the business benchmark on farm animal welfare, having obtained the best animal welfare rating in the beef sector across Latin America.

Now let's turn to slide 6 to talk about Minerva Foods export performance in 1Q. We have continued to lead beef exports from South America in the 1Q with more than 21% market share in the continent, reaffirming the efficiency of our geographic diversification strategy and our expertise in the international market.

Quadrants at the top of the slide shows gross revenue breakdown by destination for 1Q. Americas was the main gross revenue driver with 32% share, Brazil being the highlight with 17%, Chile with 6%. Next, NAFTA with 26% of total gross revenue, U.S. accounting for 23%. Third top region was Asia with 18%, China being the main destination with 11% share.

It's worth mentioning that a large part of our sales go through our distribution channel in the U.S., which helps penetrate the local market and increases our commercial reach, thereby ensuring great competitive advantage to our North American operation.

The United States, while facing one of its worst ever cattle cycles, continues to have resilient demand which has an impact on the whole global beef chain. China is beginning to experience restrictions on domestic production, which, as a consequence, is weakening global demand for beef imports and should put even more pressure on the global supply and demand scenario.

The charts below on the left show beef operation exports in 1Q25, NAFTA being the most relevant region for our export revenue with 38% share, U.S. with expressive 35%, followed by Asia with 21%; China in Asia with 15%. Then we have the Americas with 12%; Middle East, 11%; Europe, 8%; Eastern Europe and Africa with 5% each. As I mentioned previously, NAFTA and Asia continue to have a relevant performance, adding up to close to 60% of Minerva Foods beef export revenue.

Last 12 months, NAFTA has become the main export destination with 30%; U.S., the main destination country with 27%; Asia, 26%; China being the main destination with 19%; Americas, 13%; Middle East, 12%; Europe, 8%; Eastern European countries with 7%; Africa, 4%.

Two charts on the right. We have our lamb operations export in Australia and Chile. This quarter, NAFTA has remained the main destination with a 41% share, U.S., the largest market with 39%; Asia, 19%, Middle East with 17%; Europe, 16%. Last 12 months, NAFTA has remained the main region with 44%, then Asia with 22%, Europe, 14%; Middle East with 12%.

Before going into financial highlights, I would like to say that we are optimistic for 2025, especially because of the opportunities we have been seeing in the global protein market. Mismatch between supply and demand continues to create a favorable scenario for South American beef exporters. As I mentioned, this mismatch is mainly influenced by the cattle cycle in the U.S., which continues to show reduced supply, while domestic demand remains resilient, contributing to higher prices and encouraging imports.

China, one of the largest consumers of beef, continues to show considerably stable demand and also going through a period of uncertainty and restrictions on domestic supply due to the turnaround in the cattle cycle in the country, putting even more pressure on the international market.

It's also worth highlighting geopolitical tensions and recent volatility in international trade in the 1Q25, already causing a significant impact on export prices. They present a great opportunity for South American players who, due to their historical geopolitical neutrality, end up benefiting from moments of high volatility like this.

In this context, Minerva Foods with its distinctive footprint and support provided by its international offices is uniquely positioned to capture opportunities in the global beef market, especially because we are very agile and have commercial flexibility.

Now on slide 6, we will talk about financial and operating performance. International market accounted for 61% gross revenue in the quarter, 63% in the year, excluding others. Breaking it down by region, exports in the Brazilian operations reached 51% in the quarter and 53% in the last 12 months. In Latin American operations ex-Brazil, exports accounted for 72% of gross revenue in the quarter, 71% last 12 months. Lamb operation in Australia and Chile was no different. Exports reached 80% of gross revenue, both at the end of the 1Q and last 12 months.

On the right-hand side of the slide, we have the breakdown by origin. Brazil continues to stand out, representing 52% of the gross revenue in the quarter and 48% LTM, followed by Paraguay with 14%, Uruguay with 10% in the quarter and last 12 months; Argentina, 9% in the quarter and 12% last 12 months. Australia, with 6% in the quarter and LTM, Colombia, 4% in our revenue breakdown in the quarter and last 12 months. And the other line item, which refers to the former trading division contributed with 5% of the revenue in the quarter and last 12 months.

On the next slide, we are going to discuss net revenue and EBITDA. Starting with net revenue, R\$11.2 billion 1Q, once again, a record for the quarter, up 56% year-on-year and 4% quarter-on-quarter. Last 12 months, net revenue totaled R\$38.1 billion, a record for the annual period. Now speaking of profitability, EBITDA in 1Q was R\$963 million, again, the highest ever recorded in a quarter and a 53% increase year-on-year and 2% quarter-on-quarter, a margin of 8.6%.

Historical seasonality at the start of the year should be pointed out, a weaker 1Q in terms of volume, revenue, and profitability, but the Company has delivered an outstanding performance with record revenue and EBITDA in 1Q. Last 12 months, consolidated EBITDA was R\$3.5 billion. EBITDA margin, 9.1%.

And as I always say, we are maintaining a stable margin even with the challenges of the integration process, ratifying once again the benefits of our geographic diversification strategy, and risk management, maximizing our ability to arbitrate the market and has contributed to maintaining good operating financial execution despite the volatility in margin and cash flow.

I would like to highlight the operating performance of the new assets. New plants operated at about 60% to 65% utilization rate, progress compared to 4Q, but still below the optimal utilization rate of around 70%, 75%, which should occur in the next few quarters. One of the plants remained closed, opened only in April, and the process of issuing exports progressed throughout the quarter. So, we are going to go into 2Q with an even better scenario when it comes to integrating the new assets and the pursuit of a normalized level of operation, efficiency, and profitability.

As you know, our business model focuses on arbitration. That's a tool to maximize results. Therefore, it makes it difficult to assess each asset's profitability separately. But to make your analysis easier in a management exercise, in 1Q, we could say that these assets performing with an operating margin of roughly 250 bps below the consolidated level. So, our assets were operating at an EBITDA margin of roughly 6%. The trend over the next few quarters, and we can already see that in 2Q, is that production speed and efficiency in the operation of new assets will continue to increase, which will benefit the volume curve, revenue recognition, and operating profitability.

Slide 8, financial leverage. Our leverage ratio as measured by net debt over adjusted EBITDA last 12 months ended the quarter stable at 3.7x. EBITDA was adjusted by the 7-month pro forma of the new assets, totaling approximately R\$788 million.

As I have been sharing with you since we announced the acquisition, this is an initial effect of the integration process. And as soon as we are able to move forward the operation of new assets, driving volumes and revenue, capturing synergies and maximizing revenue and cash generation, the Company should begin to consistently decrease leverage and indebtedness.

I would like to point out, as I said at the start of this presentation, that a capital increase has been recently approved at the shareholders' meeting. And as soon as it is concluded, it should make an even bigger contribution to the process of improving our capital structure already at the end of the 1H25.

Let's turn to the next slide to discuss the net profit and operating cash flow. We had a positive net result of R\$185 million in the quarter, reversing the loss of the previous quarter. Last 12 months, the Company recorded a negative net result of R\$1.2 billion, especially impacted by the non-cash FX variation in the 4Q24.

On the right-hand side of the slide, we see the operating cash flow in the quarter, which was positive R\$48 million, and last 12 months, totaling approximately R\$5.2 billion in operating cash. That R\$48 million was affected mainly by the working capital line item, inventories, which we will discuss later on in the presentation.

Now on slide 10, we are going to discuss free cash generation. Building up the cash flow this quarter, we started with an EBITDA of R\$963 million. Working capital line consumed R\$145 million in the quarter, mainly influenced by the movement of inventories due to the greater exposure to the U.S. This tactical increase in inventories in the U.S. happened in January to make the most of the quota. The quota is completely filled in January. You can export without paying import tariffs. So, we made the most of that and made a tactical move in the U.S., which we hope to reverse over the next few quarters, providing an improvement in working capital, and mainly bringing greater profitability to operations. We also have a CAPEX of approximately R\$230 million concentrated in investments in maintenance, and the organic expansion of our operations.

Cash financial result was negative R\$642 million, with the cash impact of derivatives consuming R\$459 million. Thus, we reached a negative free cash flow of approximately R\$514 million in the 1Q, particularly impacted by the Company's current debt.

Looking at the year-to-date result, free cash flow remains positive at R\$1.5 billion. Building up our cash generation for the year, we started with an EBITDA of R\$3.5 billion, a CAPEX of R\$803 million, then we have considerable working capital freed up this year, totaling R\$472 million, and financial result on a cash basis, which was negative at R\$1.6 billion. Adding up the variables, we had a positive free cash flow of R\$1.5 billion last 12 months.

As you can see, the Company's performance has been very consistent in free cash flow generation. Since 2018, it has generated more than R\$8.4 billion in free cash flow.

Now on slide 11, we will discuss the bridge of our net debt. At the end of the previous quarter, net debt added up to R\$15.6 billion. For the debt bridge, 1Q, we have a negative free cash flow of R\$514 million, which ends up increasing our debt, the effect of FX variation with a positive impact of R\$844 million and also the effect of approximately R\$274 million related to noncash derivatives which end up increasing the debt. Adding up the variables, we have R\$15.6 billion at the end of the quarter, which is stable compared to 31st of December 2024.

On the next slide, I am going to comment on the Company's capital structure. As I mentioned, net leverage measured by net debt over adjusted EBITDA was 3.7x. This EBITDA is adjusted by the pro forma 7 months of the new assets. And following our conservative cash management strategy, we concluded the 1Q with a comfortable position, approximately R\$11.9 billion in cash and a debt duration of approximately 4.2 years, approximately 89% long-term debt, as you can see in the amortization flow at the bottom of the slide.

As for our debt profile, roughly 70% of the debt is exposed to FX variations. And to remind you, we follow our hedging policy to the latter, which currently establishes that the Company must hedge a minimum of 50% of long-term FX exposure.

In March, we repurchased and canceled the 2031 bond in the amount of R\$69 million at a 13% discount on the face value, another step towards a more balanced and efficient capital structure. Also in that context, we recently concluded the 16th debenture issue totaling with a craft issue totaling R\$2.3 billion in 5 series with a term of up to 10 years. The net proceeds from the transaction will strengthen our cash position and will be used to amortize our debt.

I would like to reiterate that at the end of April, a capital increase of at least R\$2 billion was approved at the shareholders' meeting, half of which is already guaranteed by the controlling shareholders. This is another important step towards accelerating the deleveraging process and an even more solid balance sheet.

Finally, as I mentioned at the beginning of our conference call, over the next few quarters, we will continue to advance the integration of new assets, ramping up new plants, capturing operating and commercial synergies, always focusing on maintaining consistent results for the Company. which will help us to deleverage.

Let's now move on to slide 13 to talk about the net revenue guidance, which we announced last night. So last night, we released a material fact with our revenue prospects and guidance for 2025. Moving on to the figures. We expect a net revenue ranging from R\$50 billion to R\$58 billion for the next 12 months ending December 2025. Naturally, this range includes the advances of the integration of the new assets, ramping up utilization levels, increasing operating volumes and maximizing access of the new plants to international markets.

Moreover, and naturally, all of you are following the recent trends that have an organic impact on our industry, such as strong international demand, supply restriction on major producers, rising volumes and prices in countries with production capacity, especially in South America, and others. So, this positive context in the global beef trade also supports our revenue projection for 2025.

To conclude, I would like to highlight a couple of points. First, obviously, this dynamic is naturally impacted by the ramp-up process of the new assets. What I mean is that once the new plants are fully-integrated and operations are normalized, expectations will be even more positive for the year as a whole. The second is that we can expect in terms of operating profitability.

In the chart at the bottom of the slide, we have Minerva Foods range for the annual EBITDA margin over the last 10 years. As you can see, our geographical diversification strategy and risk management have been key to maintaining very stable profits, very little volatility even in a highly volatile business like ours.

Thus, the Company has been able to deliver an average operating margin of 9.5% in recent years with a drop in 2017, precisely when we started integrating the acquired assets in Mercosur, and the peak in 2020, clearly connected to the effects of the pandemic.

And of course, it's worth remembering the 9.1% EBITDA margin that we delivered in 2024. Within that context and considering the integration challenges throughout 2025, the recent performance and the global beef market scenario, it seems reasonable to assume that for this type of business, based on our history of the last 10 years, an operating margin range between 8.5% to 9.5%, maybe 10%, looking at the industry structural performance over the next two years.

Looking at 2025, more specifically, maybe the range between 8.5% and 9.5% is more adequate given the integration challenges, which take away part of the potential EBITDA margin precisely because of the ramp-up process that is ongoing and should come to an end at the end of the 3Q.

So, I think this is a good benchmark of what's expected for our business and our operation, considering our revenue guidance for 2025.

To conclude, I would like to take this opportunity to thank the Minerva Foods team for their efforts and dedication in this long integration process, for remaining focused and in line with our management model. We will continue to work on integrating the new assets and remain confident in our business plan.

I will turn it over to the operator so we can start the Q&A session. Thank you.

Gustavo Troyano, Itaú:

Good morning. Thank you for taking my questions. Edison, I would like to talk about the guidance that you have announced. It's quite broad. You have given us some granularity on the implicit assumptions, but if we can talk about capacity utilization of the acquired plants and try to understand the current capacity utilization right now and what you plan to get to at the end of the year, and how that relates to the different ends of the guidance in terms of capacity utilization by the new assets.

Another question about the guidance and the new assets based on the price assumption, the average price of the new assets seem to be less efficient compared to the historical assets, maybe given the sales allocation to the domestic market because there are fewer approvals. So, what should we think about the average prices of the acquired assets throughout 2025? And how does that relate to the 6% margin and unexpected margin for the end of the year, considering the sales allocation? Thank you.

Edison Ticle:

Thank you for the question, Gustavo. We will start with the capacity utilization rate. The historical assets ended the quarter above 70% utilization, at an average of 72%. The new assets had an average of 50% to 55%, and at the end, they were very close to 60%. So that average utilization rate, one of the plants was closed during the quarter, leading to that volume and revenue results that we published. We will be correcting those to Minerva's levels over the next couple of quarters and we reiterate our plan that these assets will be operating closer to 75% in the 3Q25.

And based on our estimates that were based on price and potential volume of those assets, let's not forget that the Pontes e Lacerda has just reopened. It was closed. It did not go into operation during the 1Q. So, we think these new assets can more than double the revenue that we saw in the 1Q.

So doing some quick math, and you can replicate that considering the average price, and I will go back to your question about profitability, but looking at volume and price ramp-up only, the potential revenue would be R\$3 billion to R\$3.5 billion per quarter, only considering the new assets. And let's not forget that we are not considering the Uruguay plants, which are still under discussion. We should get an answer by the end of July.

So just considering the new assets that are in operation, we should have a R\$3 billion to R\$3.5 billion revenue per quarter. The main differences are the volume ramp-up, more uniform prices. Minerva's historical assets had higher prices than those of the new assets. Export licenses, sales channels, the new assets were more focused on the domestic market rather than export markets because of the ramp-up, because of normal integration issues and that were part of the plan when we acquired the assets. It was all to be expected.

In the 2Q, we will have a lot more flexibility when it comes to the sales from these new assets. So that price gap should decrease considerably. By the end of the 3Q, not only in terms of capacity, but also in terms of pricing, things should become a lot more even. Now, doing the math based on these figures that we announced, considering more even prices, the potential EBITDA of these new assets alone that are in operation, we are talking about R\$1.3 billion EBITDA a year or in 12 months, when these plants go into operation at a 70% to 75% capacity and using the same commercial tools that we use at Minerva.

Another interesting point about those figures, and I read some of the reports, very few people mentioned. Our SG&A has been considerably diluted already. It's important to highlight that especially an administrative expense that is considerable is already being considered 100% for these new assets, but they are still operating at a 50% capacity. So, SG&A should be further diluted in the next few quarters.

This quarter, the dilution was about 100 bps as a percentage of the net revenue, which we achieved at consolidated Minerva comparing results of 1Q25 and 1Q24. The SG&A went from 13.6% to 12.5%, and the costs can be even further diluted and are being further diluted.

So, we are very comfortable with our revenue guidance. If you want to build it up, just doing some quick math, the 1Q usually accounts for 22% to 23% of the annual performance. So, if we say 22.5% and we annualize the net revenue of the 1Q accounting for 22.5% of the year, that will give you R\$50 billion, which is the low end of our guidance.

But there will be the ramp-up of the new operations. The pricing scenario looks very optimistic looking forward. In the 1Q, for instance, we did not include the increase in prices of exports to China and the U.S., mainly. FX is roughly at the same level in 1Q. So there will be a net effect of prices that will affect the revenue and EBITDA.

So if you build that up, I would say that R\$50 billion, which is the lower end of the guidance is highly conservative if we take these elements into consideration that will take place over the next couple of quarters.

Thiago Duarte, BTG Pactual:

Good morning. It's a pleasure talking to you. Can we go back to your buildup of the revenue of the new plants, just to make sure I got it right. And if we could focus on volume, because price will tend to converge with the historical assets, I just want to make sure I have got the right figures. The average utilization rate should be around 50% and can go up to 75%, or close to that when they are running at full capacity. That's your average for the other plants, right? So, we are talking about a volume gain of about 50%, right? Is that correct?

Edison Ticle:

No, the gain is higher because one plant is down. When you talk about utilization, you are talking about operations. And if that plant is shut down, it's not being considered. So, it will be an even higher production.

I think you may be getting mixed up because we had an inventories increase. So sales level were well below what was produced. And that was tactical. I mentioned that during my presentation, but that has to do with the U.S. market dynamics. About 30% of our exports go to the U.S., and that number might even go up during the year. The opportunity is to send volumes making the most of the quota as quickly as possible. So, we had a high level of production. We did not sell as much, and those sales will normalize our inventory level over the 2Q and 3Q. So, you have to take that component into consideration as well.

Thiago Duarte:

It makes sense. So 415,000 tonnes worth of sales of the new assets do not have anything to do with the 50% utilization capacity.

Edison Ticle:

Yes, exactly because of the inventories.

Thiago Duarte:

That's clear. My second question is about working capital management. There are 2 lines that you have always used actively, but in the last 2 quarters, they have gained more traction when it comes to revenue percentage, agreements and others and accounts payable. The agreement has increased and accounts payable is a percentage of days of revenue. It's very similar to that of the 4Q. In the last quarter, you mentioned that these levels should remain stable as a proportion of your cash. Do you feel comfortable with that looking forward?

Edison Ticle:

Again, Thiago, nothing has changed. The Company's revenue growth will decrease in days of operation. I mentioned that before. That's exactly what we expect to happen. As I said in the 4Q, we have brought forward some working capital tools to improve with the suppliers or our clients' accounts, advanced payments to prepare the Company for the considerable volume increase we are going to have this year, and therefore, a considerable revenue increase.

Since we brought that forward, the impact is higher on the first few quarters when you are ramping up the operation, but it will be diluted. So, if you look at the same figures in the 4Q, the financial number will be the same in the balance sheet. It might vary a bit because of the USD. This is in USD, a considerable part of that. The client advances, almost 100% of that is in USD. So, depending on the FX variation, that will change.

And that's got nothing to do with the Company's commercial cycle. It's just a currency issue. But because the Company will be ramping up revenue in days of operation, this will be diluted throughout the year. It's the same thing I said in the 4Q.

Leonardo Alencar, XP:

Good morning. Marting, good to see you again. Actually, let me take the opportunity that you are here and talk about the U.S. and understand the quota dynamics. So, you concentrated your shipments to make the most of the quota, and you were benefited by that before the tariff increases. And you mentioned that you will be making the most of that over the next couple of quarters. So, the inventory dynamics in the U.S., those products have not been sold. So, you have a long position in the U.S. in terms of pricing dynamics, which seems to make sense.

But please help me with this. Last year, if I am not mistaken, you did something similar, but your position was much more sold. In 2023, you were less sold. There is demand in the market, that's clear, but being sold or not being sold, does that have to do with consumers, cautious consumers or cautious importers because of the tariffs? If you could give us more granularity about what's going on in the U.S.

And my second question, still on exports, is about China. SECEX is delayed and China prices have gone up considerably as of March. Perhaps we are not seeing that significantly in SECEX, but I would like to understand more about that. Do you think the portfolios have long positions, and we will see that now in May? Do you think that Chinese demand was the way China positioned itself considering the tariffs? Or is it really a demand that is remaining after that concern cools down? And we also heard that there was good demand in Europe as well. If you could touch on those 3 markets, U.S., China and Europe, that would be great. Thank you.

Martin Di Giacomo:

Good morning. As you mentioned, we made a tactical move to bring the inventories in the U.S. forward to make the most of the quota. So, we used more than 40% of the quota. The quota ended, and we performed about 45% of that volume.

The market is very strong. There's a lot of demand, and we increased that tactical move in March. We are not doing that now because of the tariffs. We did the right thing by moving these inventories to make the most of the quota.

So, we had a strong inventory position in the U.S. where there's enough demand and the pricing scenario looks good. We were quite sold last year. But this year, there has been an increase in prices because there's not enough supply, so we took on a bit more risk.

So, this is going on right now. We will monitor prices in the U.S. market, and we think things will be stronger in the next quarter. So higher volumes, we took on a bit more risk because we were confident about what was going to happen in terms of prices, and it's happening now. And what will happen in China is also reflex of what's happening in the U.S. Edison will talk about that.

Edison Ticle:

Given the considerable demand, China first stopped importing from the U.S. It's 200,000 tonnes, so a considerable volume. So that's an opportunity for South America. And the cattle cycle in China had quite a turnaround last year, reduction in internal supply, considerable demand. And so that has continued either because of the cattle turnaround or because they will reduce their imports from the U.S.

So, the situation in China is positive. Prices have not been reflected in the SECEX yet. What we know is that inventories in China were quite low as well. We monitor that in our BI, and it had been a while since we saw such low inventory levels.

So, Trump's trade war really affected the beef industry and China did not have the inventories, which has created a thriving and constructive demand scenario for volumes. And obviously, that affected the prices. So, there should be more price increases than you have seen in SECEX so far.

Leonardo Alencar:

So just to conclude, you are a lot less short in the U.S. and reducing your short position in China. And where does Europe come into it?

Martin Di Giacomo:

In China, inventories are below 60 days, about 50. Those are pre-pandemic levels, 2019 levels. It's been a while since China had such low inventory levels. At the beginning of March, the amounts were closing. As Edison said, China liquidated its inventories in the new year. And as of March, there was a considerable price surge in China. Second half of April and May is when we saw most of the impact.

In Europe, it's the same thing. I would say that even more accelerated than in the U.S. and China. Cattle Prices have been going up consistently in the last 2 weeks. We have had prices for our cuts and lines that are record prices. We have never had it before.

So, our position in Europe is very short. Every week, prices are going up significantly, both for processing. I mean, Argentina, Uruguay, Brazil and Paraguay. So, all 3 markets are showing the same trends, China, U.S. and Europe. And I would reiterate, things in Europe are even more accelerated. Prices are going up even faster than in China and the U.S.

Guilherme Palhares, Santander:

Good morning. A quick question. Considering the increase in export approvals and your allocation to the domestic market, Edison, how are you seeing consumption in Brazil in the 1Q? Seasonally, it tends to be weaker, but prices are still quite high. So, what's happening to consumption here in your opinion?

Edison Ticle:

As you know, 1Q tends to be weaker. It's seasonal. But this year, the expected weakness in the 1Q was less than usual. That's why prices did not go down as much and volumes were higher in the domestic market.

I think the effect of the increases in interest rates have not affected nondurable goods. I think we will see that happening as of the 3Q. That's why consumption seasonally speaking, was higher comparing to other 1Qs. The domestic market was stronger. Inflation rates started to go down, employment went up, and I think interest rates will affect demand as of the 2Q and 3Q. So, the domestic market will become a bit weaker, which is no bad news considering its correlation with the price of cattle. There's a strong relation between internal demand and the price of cattle in Brazil.

But yes, it's true. The market was a bit more dynamic in 1Q than usual given its seasonality.

Guilherme Palhares:

What about your operations in Rio Grande do Sul? They are quite different. They focus more on the domestic market. What is your strategy for those plants? Do they follow the same strategy to increase exports or are there any opportunities to have a better marketing for those products, or maybe a difference in the animal mix? How are you dealing with the operations in the South?

Edison Ticle:

Great question. Yes, there's a great opportunity. We are working on it and the management of the plants in the South are very similar to how we manage plants in Uruguay and Argentina. They are much more similar to those operations than our operations in Brazil because of the difference in cattle quality.

That means there's a great opportunity to improve the prices of the cuts that come from those plants and to bring that closer to the Argentinian and Uruguay cuts, especially new cuts. Martin is here, and he knows, it's his responsibility to improve those prices, especially for the export market.

Lucas Mussi, Morgan Stanley:

Good morning. Thank you for taking my question, which is more about Argentina. A large part of your operation in Argentina has been focusing more on the domestic market, given the export issues and the FX restrictions over the last 2 years. What is the appetite for exports like now given the FX restrictions? I do not know if there have been any changes in the 1Q in exports percentage. Ex-Brazil, it was quite strong. I do not know if there have been any more increases. How should we think about Argentina and exports? What is your appetite looking forward?

Edison Ticle:

Argentina has an export vocation. It's highly competitive. It's got great product quality, great market penetration. If it weren't for the macroeconomic distortions that took place in the country in the last few years, it would have continued with that vocation. Now, the macroeconomic scenario is becoming more normal, and we believe that exports will become the main results driver and the main sales driver in Argentina.

But it is a process. It started at the end of last year. In the 1Q, things started to settle, but that should happen this year. We believe margins will still be tight in Argentina this year compared to the rest of the Company. It will be one of the worst margins in Minerva, but we are very optimistic when it comes to Argentina, especially considering the macro changes we have been seeing. And that's going to benefit an industry that has the vocation to be a massive exporter.

Lucas Mussi:

Very clear. Thank you, Edison. I have a quick question, a short-term question. There's been a recent increase in cattle prices in Paraguay, maybe because of seasonal issues, precipitation. Did anything strike your attention in the short-term? Do you think there's been a change in margins?

Edison Ticle:

No. it's a one-off. It's highly seasonal. It's got to do with the rains. If you look at our overview that we published at the beginning of the year, we highlighted Paraguay as the best region in terms of cattle cycle, and that will continue for the rest of the year. Let's not forget that now Paraguay can export to the U.S. So, an important player for the U.S. The U.S. is becoming an important market to make the operations in Paraguay more profitable. So, it's a one-off and it's seasonal.

Participant (via webcast):

Can you talk about the Japanese market? Any prospects for opening?

Edison Ticle:

As I said in the call for the 4Q, we think that now there's a real chance that Japan will open to beef exports from Brazil. We think that could happen by September, October. The process has a few stages. It had come to a halt, but now there have been visits and it's moving again. We believe things will move forward, and probably by September, October, we should have some good news. So, Brazil will have the approval to export and Argentina as well. Argentina has made considerable progress to export to Japan. So, in the next few months, Argentina should also get the approval.

Participant (via webcast):

Could you talk about Korea and Japan?

Edison Ticle:

I have already answered about Japan, and Korea follows the same protocol. If Japan opens up, Korea will open up practically automatically.

Operator:

This concludes the Q&A session. I will now turn it over to Mr. Edison Ticle for his closing remarks.

Edison Ticle:

I want to thank the Minerva team again. This acquisition process and the integration process have been very long. There have been a lot of delays. but we have remained committed. Our team has remained focused on building an even better, more efficient company with the ability to create even more value.

So, my heartfelt thanks to the employees. We are here to answer any additional questions, and we remain committed to create value, deleverage the Company and to go back to pay out major dividends like we had in this last growth cycle and to deleverage. Thanks, everyone.

Operator:

Minerva's earnings release video conference call is now concluded. For further questions, please contact the Investor Relations team at ri@minervafoods.com. Thank you for joining us, and have a great day.

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