Minerva Foods

3Q16 Earnings Conference Call

November 09, 2016

MINERVA
3Q16 Highlights

OPERATING AND FINANCIAL HIGHLIGHTS

- **Net Income** 3Q16: R$47.4 million | 2016 YTD: R$182.7 million
- **ROIC** 3Q16: 24.8% (+354 bps yoy)
- **Gross revenue**
  - **3Q16:** R$2,695 million (+7.4% yoy)
  - **LTM3Q16:** R$10,422 million (+10.2% yoy)
- **Domestic Market** 3Q16: 40% of total revenue | Beef Division (+43% yoy)
- **EBITDA**
  - **3Q16:** R$249.3 million (+4.5% qoq) | EBITDA Margin: 9.8% (-0.9 p.p. qoq)
  - **LTM3Q16:** R$1.076 billion (+22.4% yoy) | EBITDA Margin: 10.9% (+1.0 p.p. yoy)

CAPITAL STRUCTURE

- **Leverage measure by the Net Debt/LTM EBITDA ratio:** 3.2x
- **Cash Position:** R$3.2 billion
- **Debt denominated in US$:** 76%
- **Duration:** 6.1 years
- **Issue of US$1 billion in Notes** maturing in 2026 and with a coupon of 6.50% p.a.

OTHER HIGHLIGHTS

- Weakening of Australian exports in 9M16: (-21% yoy)
- Opening of the U.S. market to Brazilian beef
- Perspective of higher cattle availability in 2017 (cattle cycle turnover)
- Purchase Agreement related to the acquisition of Frisa

INDUSTRY OVERVIEW

BRAZIL

HIGHLIGHTS

- 3Q16 slaughter volume: -7.5% qoq | -5.5% yoy
- Average arroba price: -3.0% qoq
- Supply of animals for slaughter higher than expected
- Higher availability of pasture supplementation animals

EXPORT MARKET AND DOMESTIC MARKET

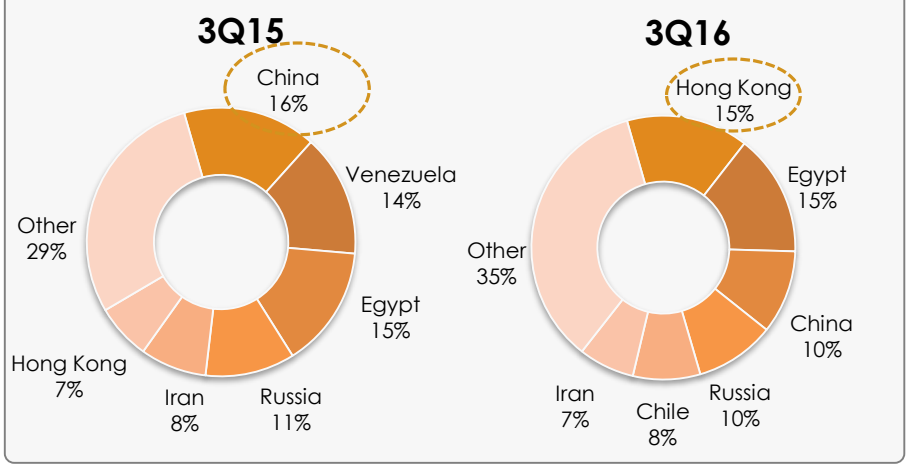
EM:

- 3Q16 fresh beef volume: -6.6% yoy
- Export highlights: Asia (25% of total exports)

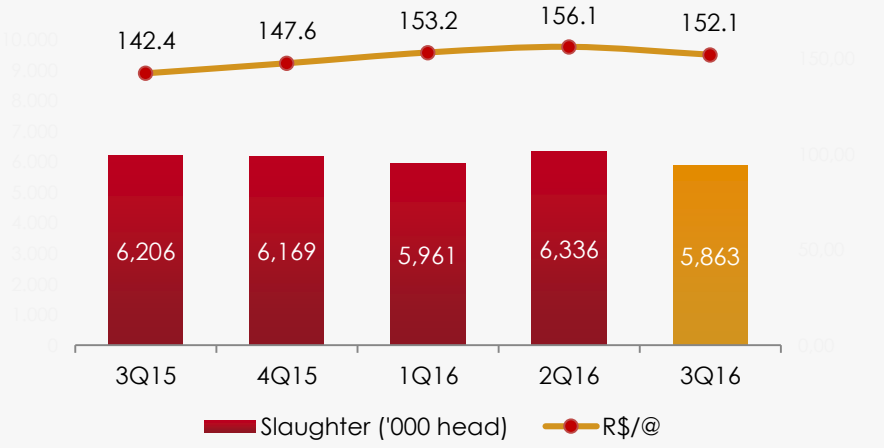
DM:

- The Brazilian economy's negative effects are still impacting beef consumption
- Consumers migrating to alternative proteins / cheaper cuts

BEEF EXPORTS (% OF REVENUE)



SLAUGHTERING AND AVERAGE CATTLE PRICE



Source: Ministry of Agriculture, Livestock and Supply and Secex

BRAZIL'S ACCESS TO THE INTERNATIONAL MARKET

EVOLUTION AND IMPACT OF THE OPENING OF THE U.S. MARKET

MAIN BEEF IMPORTERS				BRAZIL'S EVOLUTION			
RANK	COUNTRY	2015*	% of global beef imports	2014	2015	2016	2017E
1	USA	1,559	20.6%				✓
2	Japan	707	9.3%				
3	China	663	8.7%		✓	✓	✓
4	Russia	625	8.2%	✓	✓	✓	✓
5	South Korea	414	5.5%				
6	European Union	363	4.8%	✓	✓	✓	✓
7	Egypt	360	4.7%	✓	✓	✓	✓
8	Hong Kong	339	4.5%	✓	✓	✓	✓
9	Canada	280	3.7%				
10	Chile	245	3.2%	✓	✓	✓	✓
11	Malaysia	235	3.1%	✓	✓	✓	✓
12	Mexico	175	2.3%				
13	Venezuela	169	2.2%	✓	✓	✓	✓
14	Saudi Arabia	155	2.0%			✓	✓
15	Iran	148	2.0%	✓	✓	✓	✓
	Other	1,146	15.1%	✓	✓	✓	✓
	TOTAL	**7,583**	**100%**	**47%**	**56%**	**58%**	**78%**

Source: USDA
* Million tonnes combining fresh, frozen and chilled beef

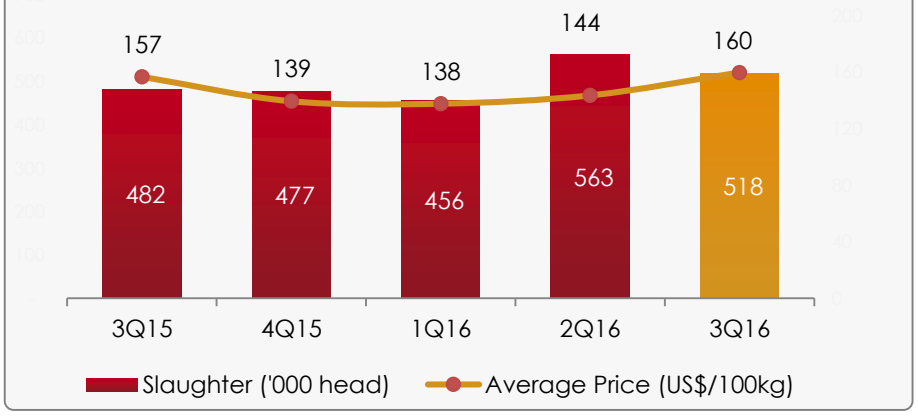
INDUSTRY OVERVIEW

PARAGUAY

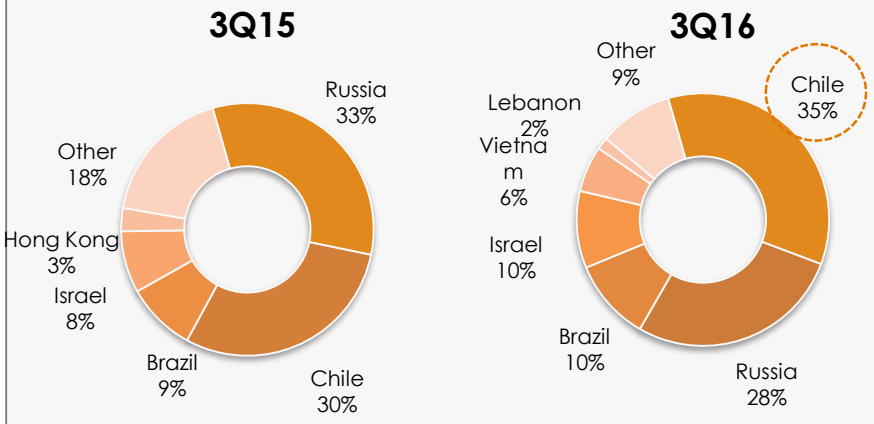
HIGHLIGHTS

- 3Q16 slaughter volume: +7% yoy | -8% qoq
- 3Q16 average cattle price: +2% yoy
- Export volume: +7% yoy | Stable qoq
- Main destinations: Chile, Russia and Brazil

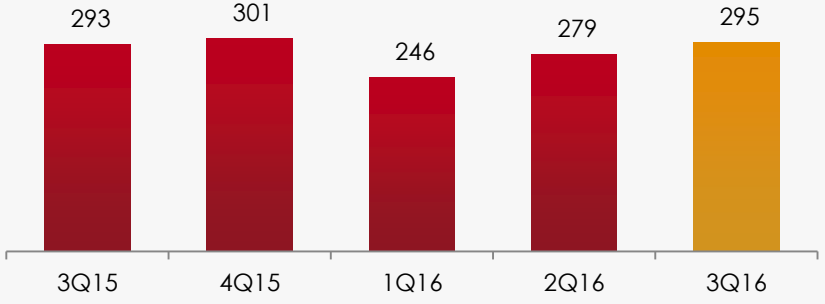
SLAUGHTERING AND AVERAGE CATTLE PRICE



BEEF EXPORTS (% OF REVENUE)



FRESH BEEF EXPORTS (US$ MILLION)



Source: Minerva and SENACSA

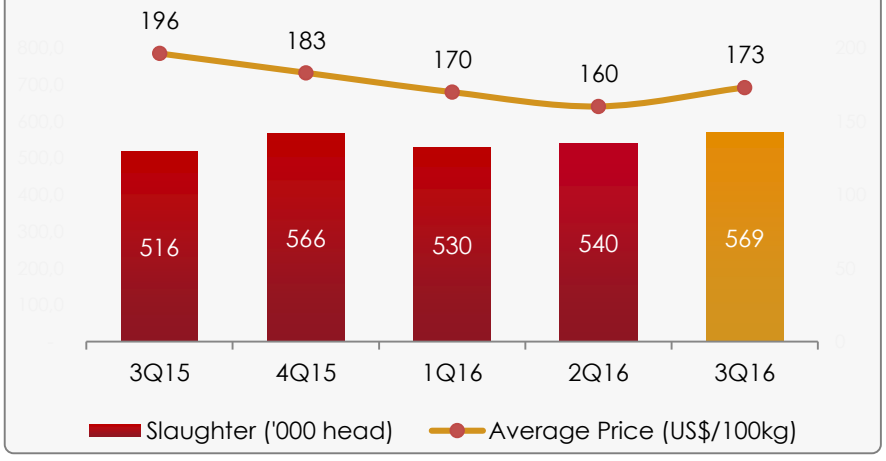
INDUSTRY OVERVIEW

URUGUAY

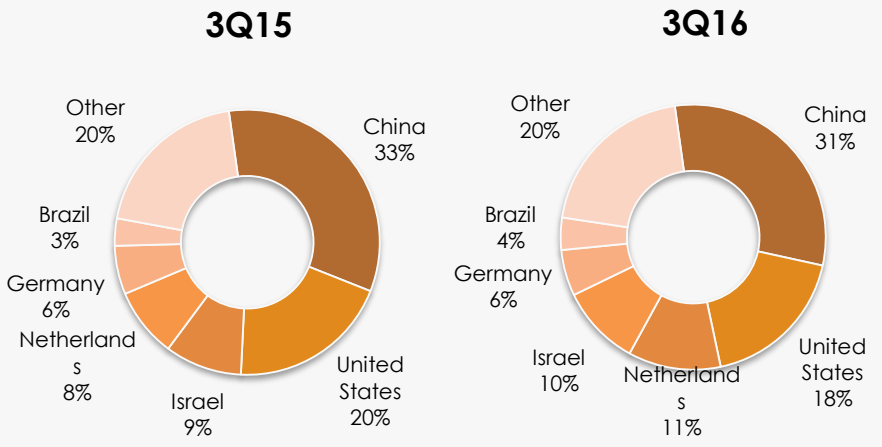
HIGHLIGHTS

- 3Q16 slaughter volume: +10% yoy | +5% qoq
- High animal availability in July and August
- Average cattle price: -12% yoy | +8% qoq
- Export revenue: +11% yoy | +19% qoq

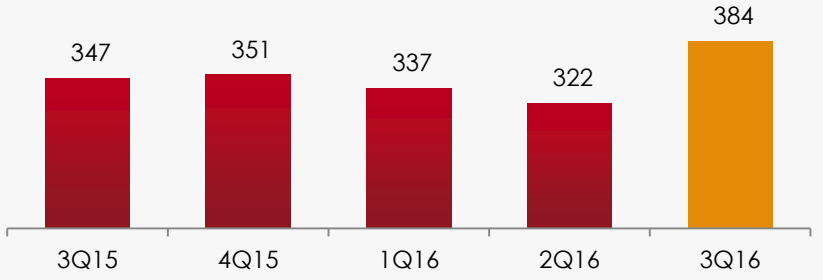
SLAUGHTERING AND AVERAGE CATTLE PRICE



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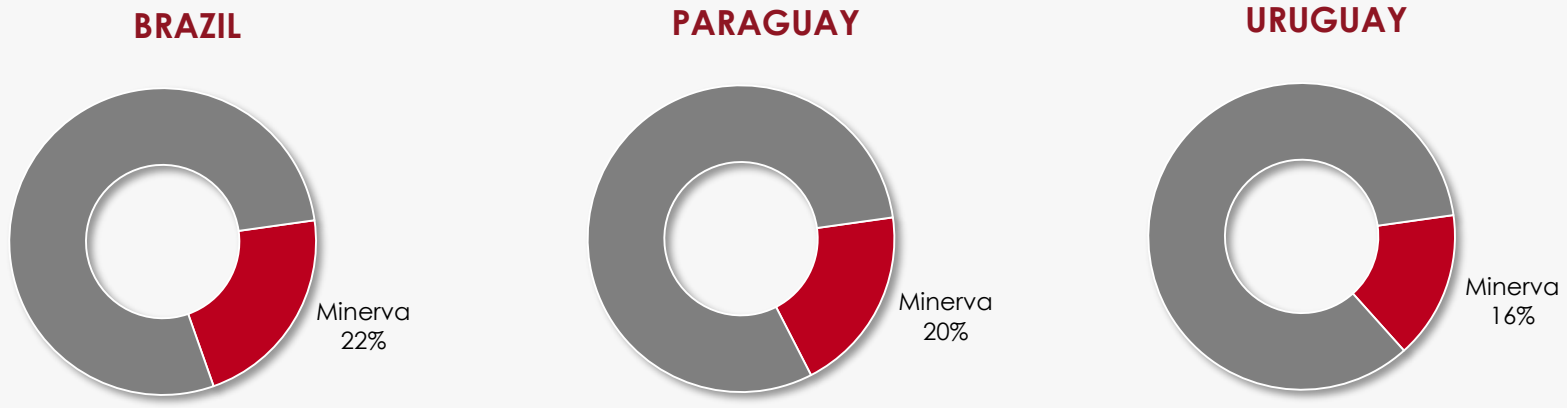


Source: Minerva and INAC

MINERVA

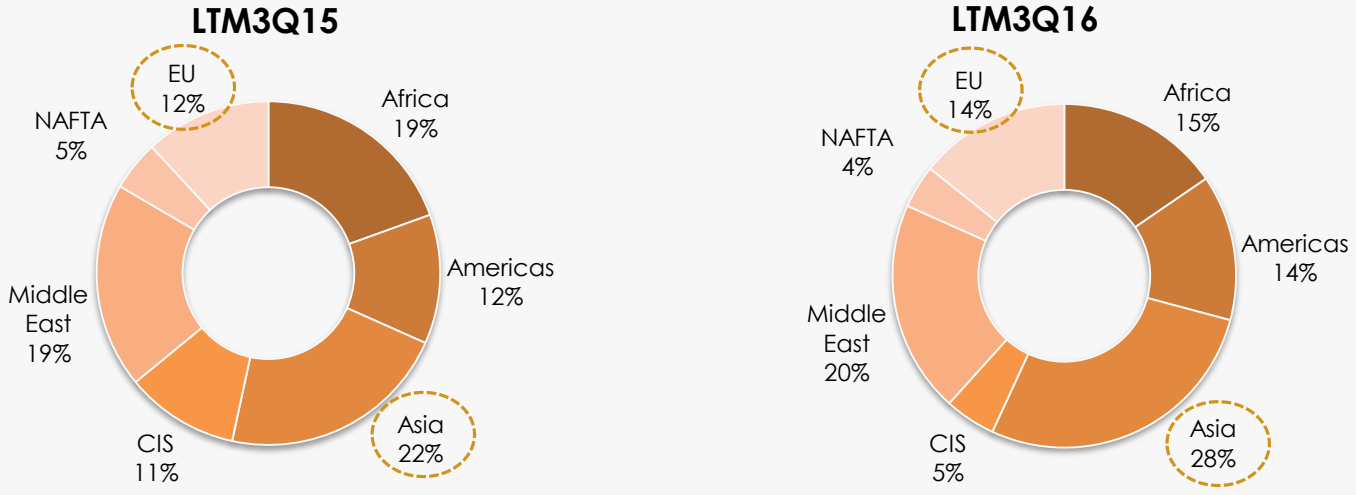
SHARE ON EXPORTS

MARKET SHARE (% OF REVENUE PER COUNTRY) 3Q16



BREAKDOWN OF EXPORTS - BEEF DIVISION

% OF REVENUE



Source: Minerva, Secex, INAC and SENACSA

Efficiency Programs

OPERATIONAL PROGRAM

- **Objectives**
  - Standardize processes
  - Increase output and productivity
  - Minimize the volatility of operating results
- **Main Programs**
  - "Osso Branco" Project
  - "Bíblia" and "Atitude Campeã" Program
- **Prospects of benefiting from an annual increase of approximately 10% in the Company's EBITDA when fully implemented.**

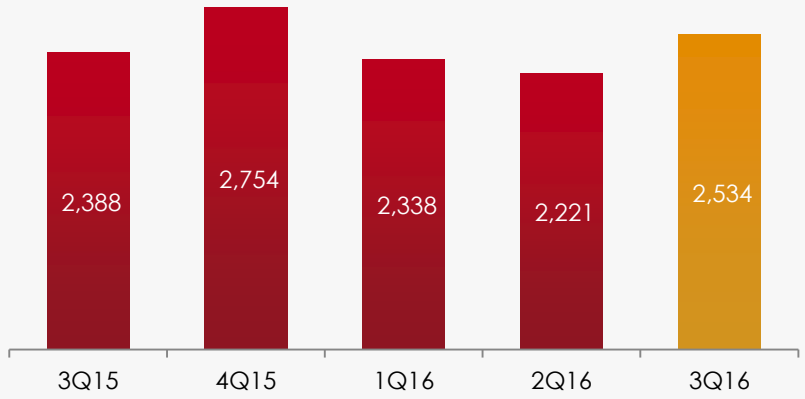
COMMERCIAL PROGRAM

- **Channels**
  - **Brazil**
    - Focus on food service and small and medium retailers
    - Improvement of the Go to Market strategy
    - Result: increase in the number of items per order and the operation's margin
  - **Paraguay**
    - Improvement in distribution
  - **Colombia and Chile**
    - Opening of DCs based on the same characteristics as that of Brazil's DCs
  - **Own trading companies (Brazil, Uruguay and Australia)**
    - Third-party product sourcing strategy
    - Way of capturing commercial opportunities through efficient distribution channels

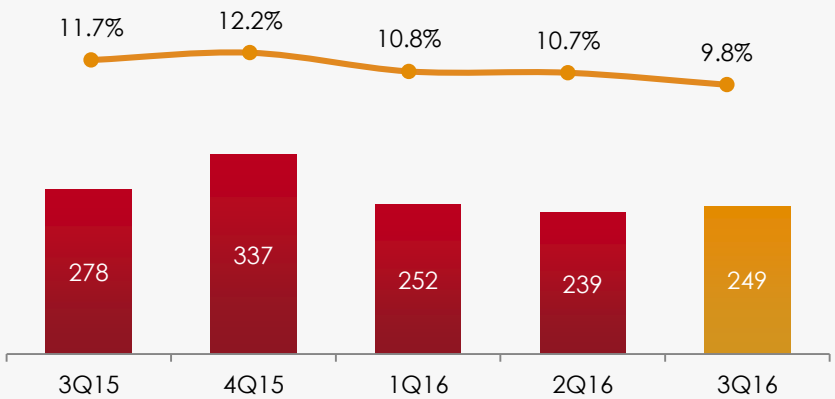
Operational Efficiency + Focus of the Commercial Strategy = generation of better, less volatile and more predictable results.

OPERATING AND FINANCIAL RESULTS

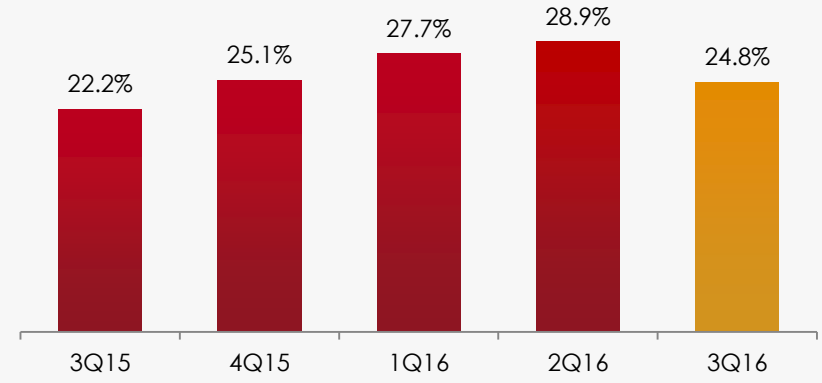
NET REVENUE (R$ MILLION) – 3Q16



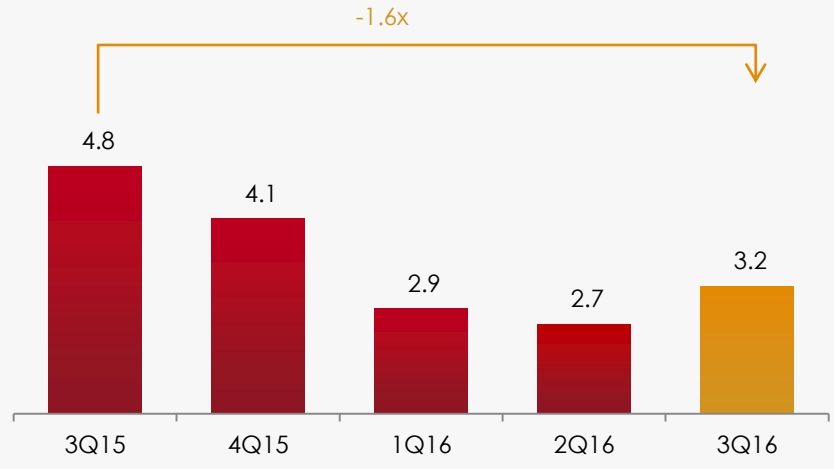
EBITDA (R$ MILLION) AND EBITDA MARGIN (%) – 3Q16



ROIC (%)[1]



NET DEBT / LTM EBITDA (x)



[1]ROIC: LTM EBITDA/(total assets – cash – (short-term liabilities – short-term debt))

ADJUSTED NET RESULT

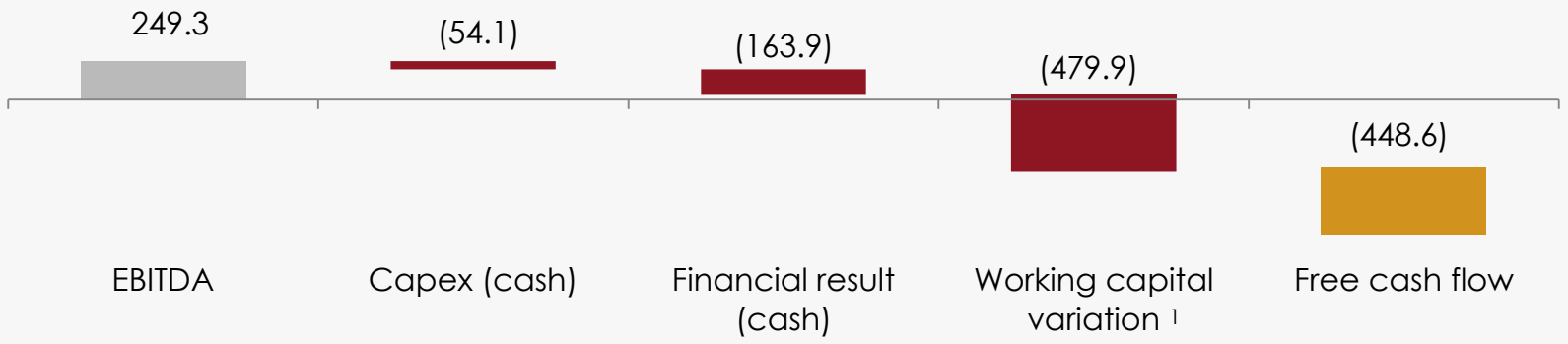
R$ Million	3Q16	LTM3Q16	2016
Net (loss) income	**47.4**	**249.2**	**182.7**
(+) Asset impairment	0.0	23.5	0.0
(+) FX Variation	-4.2	-642.1	-602.0
(+) FX Hedge Result	19.9	480.6	445.8
(+) Income and Social Contribution Taxes	-32.3	94.9	81.4
Adjusted Net Income (Loss)	**30.9**	**206.1**	**107.9**

OPERATING CASH FLOW

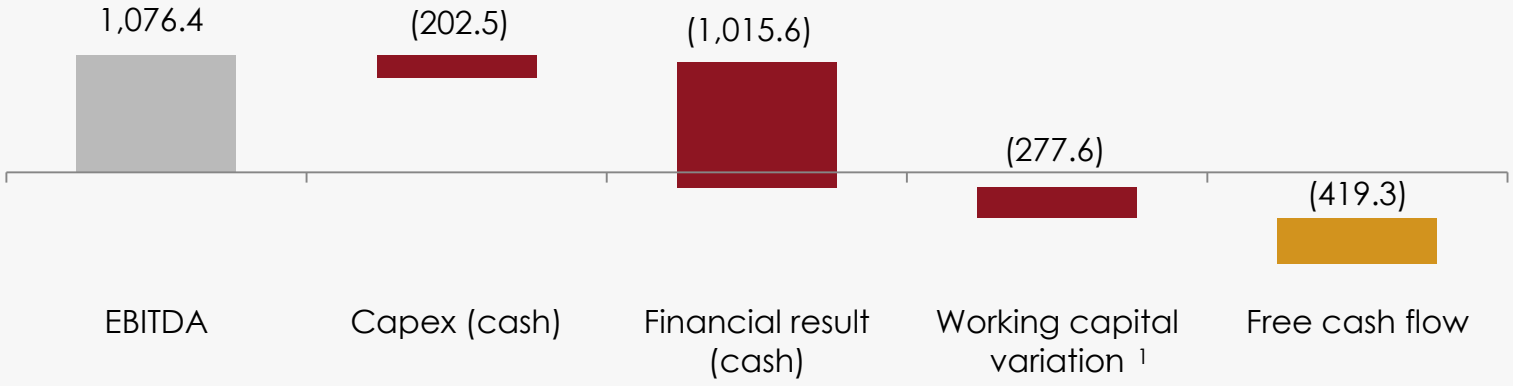
R$ Million	3Q16	LTM3Q16	2016
Net (loss) income	**47.4**	**249.2**	**182.7**
(+) Net income adjustments	281.5	324,8	126.7
(+) Changes in working capital requirements	-479.9	-277.6	-223.0
Operating cash flow	**-151.0**	**296.4**	**86.4**

FREE CASH FLOW

3Q16 (R$ MILLION)



LTM3Q16 (R$ MILLION)



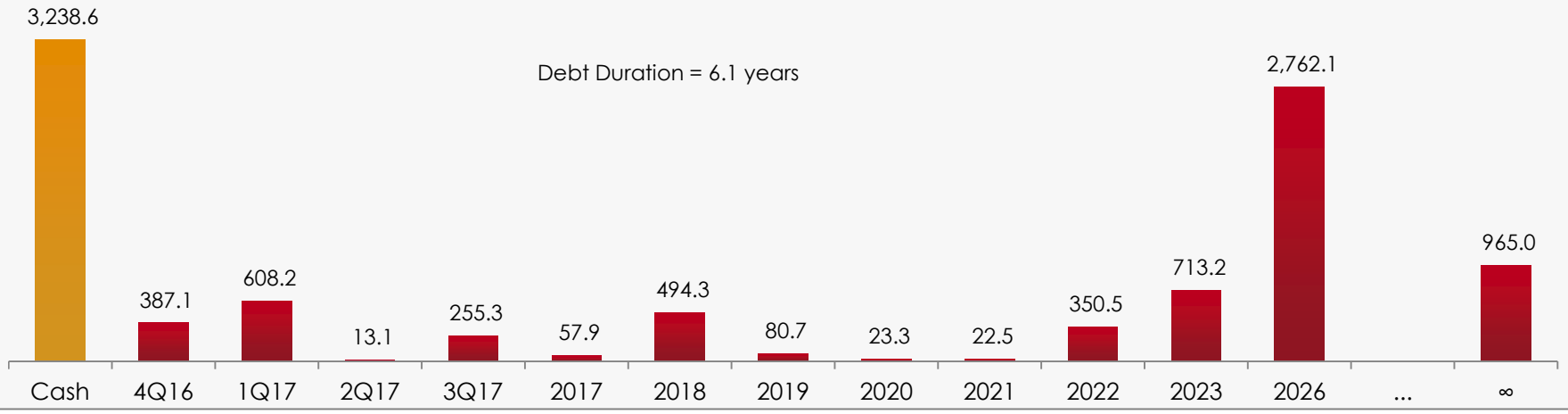
[1]Working capital excludes equity valuation adjustments and cumulative conversion amounts

CAPITAL STRUCTURE

HIGHLIGHTS

- Net Debt/LTM EBITDA: 3.2x
- Cash Position: R$ 3.2 billion
- At the end of 3Q16, approximately 76% of total debt was exposed to the dollar variation
- Debt Duration: 6.1 years
- Liability management:
  - Exercising of the call of the 2019 Bonds (annual coupon of 10.785%) in September 2016 (US$55 million)
  - Issue of US$1.0 billion in 2026 Bonds (annual coupon of 6.50%) which were/will be allocated to:
    - Tender of the 2023 Bonds (face value of US$618 million / annual coupon of 7.75%) Annual savings of US$4.3 million in financial expenses
    - Exercising of the Call of the 2022 Bonds in 1Q17 (US$106 million / annual coupon of 12.25%)
    - Redemption upon maturity (Jan/17) of the 2017 Bonds (US$23 million / annual coupon of 9.50%)

DEBT AMORTIZATION SCHEDULE (R$ MILLION) – SEP/16



NEW ACQUISITION IN BRAZIL

FRISA



Capacity per Country	Heads/Day
Brazil	13.580
Paraguay	2.300
Uruguay	2.300
Colombia	850

RATIONALE

- Opportunist and strategic acquisition
- Complementary location (MG/ ES/ BA)
- Complementary distribution operation (RJ / ES / MG)
- Daily slaughter capacity of 1,700 head
- Consolidated capacity increases to 19,000 head/day
- Units with export certification – including USA and China

ABOUT THE TRANSACTION

- Acquisition of three meatpacking units (MG/ES/BA)
- Distribution Center and office in Niterói (RJ)
- Acquisition cost - R$205 million:
  - R$80 million on demand (after approval by Brazil's antitrust authority and at an ESM)
  - R$25 million in 12 months
  - R$50 million in 24 months
  - R$50 million in 36 months
- Estimated revenue for 2016: R$1,050 million / EBITDA R$52 million / Export: 33%
- Pre-acquisition FV/LTM EBITDA ratio: 3.9x
- Estimated synergy gains in the EBITDA margin:
  - G&A: +120 bps
  - Commercial, plant and purchase of cattle: +250 bps
- FV/LTM EBITDA ratio expected after synergy gains: lower than 2.5x

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