



**Earnings Conference**  
**Call 2Q20,**  
August 2020

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# Historical Net Profit and Free Cash Flow record

**Consolidated  
Net Revenue**

**R\$ 18.9  
billion**

+54% vs 2Q19

**Consolidated  
EBITDA<sup>AJ</sup>**

**R\$ 4.1 billion  
Margin 21.5%**

+266% vs 2Q19  
+ 1,230 bps vs 2Q19

**Net Profit**

**R\$ 1.6  
billion**

+1,743% vs 2Q19

**Free Cash Flow**

**R\$ 3.3  
billion**

**North America**

**Best historical  
result**

Revenues US\$ 2.7 bi  
EBITDA<sup>aj</sup> Margin 23.7%

**América do Sul**

**Best historical  
result**

Revenues R\$ 4,4 bi  
Margem EBITDA<sup>aj</sup> 13,9%

**Completion of Term  
Loan**

**US\$ 500  
million**

Term of 3 years

**Leverage  
in USD**

**1.79x**

Leverage  
in BRL 2.07x

**Release**

**PlantPlus  
Foods**

JV with ADM

**Release**

**Marfrig  
commitment**

Addressing and sustainability  
solutions

**Customers  
Responsibility**

**TMJ Program**

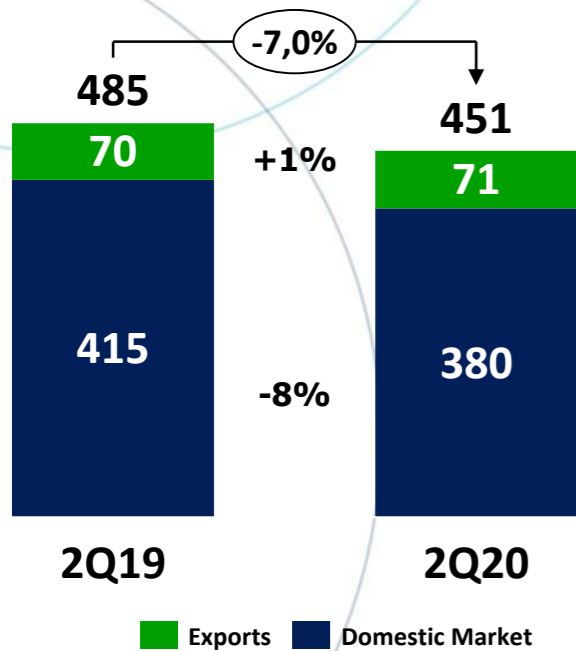
R\$ 50 million in term  
extension and 3x more limit

# Operational Results

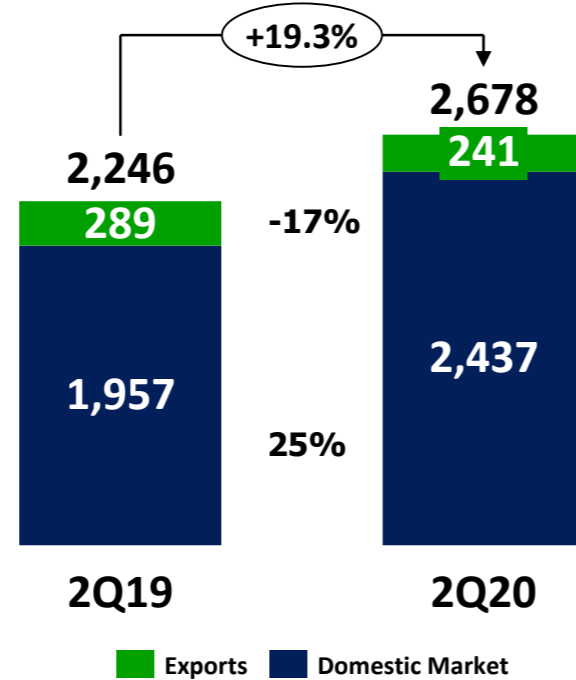


# North America– 1/2

**Volume**  
(thousand tons)

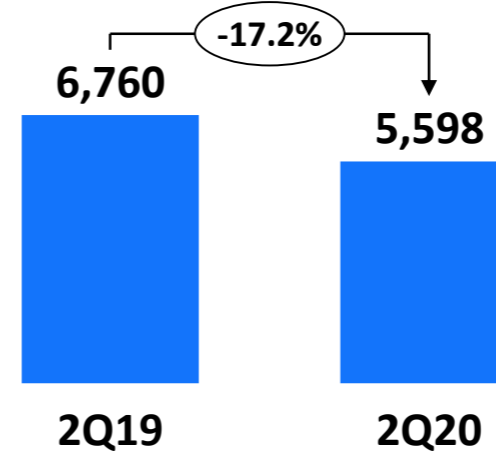


**Net Revenue**  
(US\$ million)

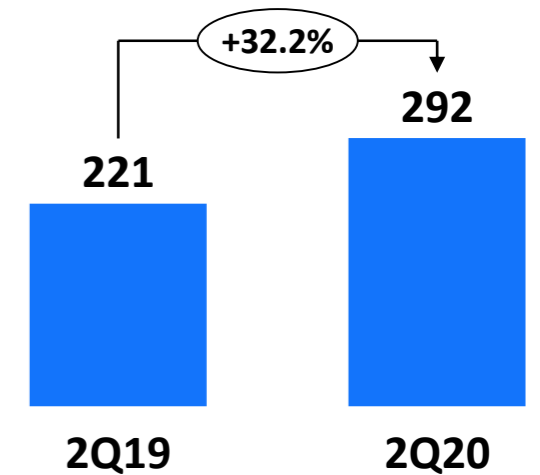


**Market Data**

**Kills**  
(USDA F.I. Steer/Heifer Kill)

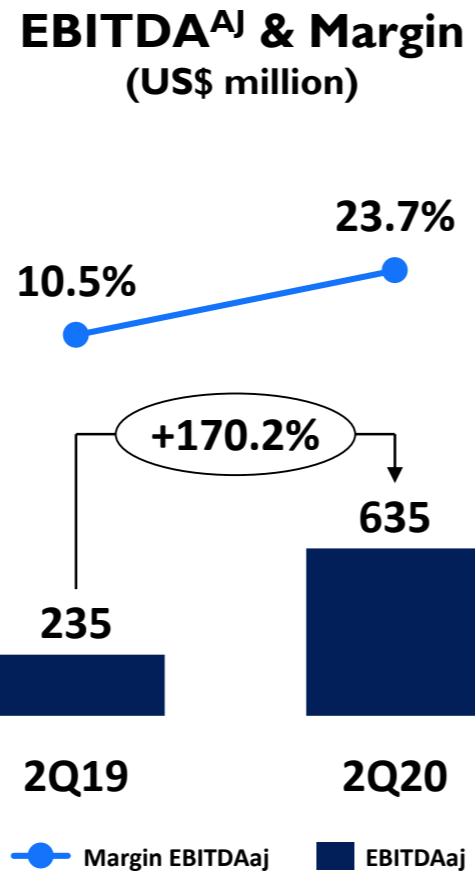
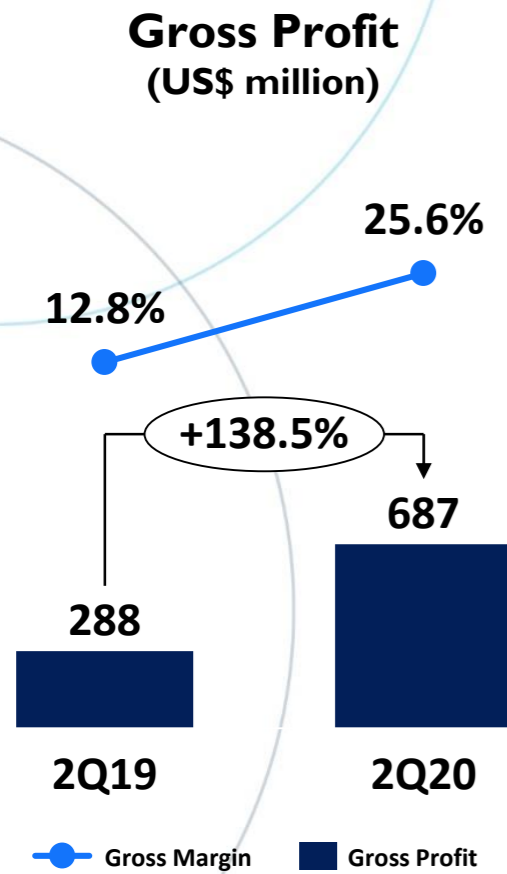


**Domestic Price**  
(USDA Comprehensive Cutout \$/cwt)



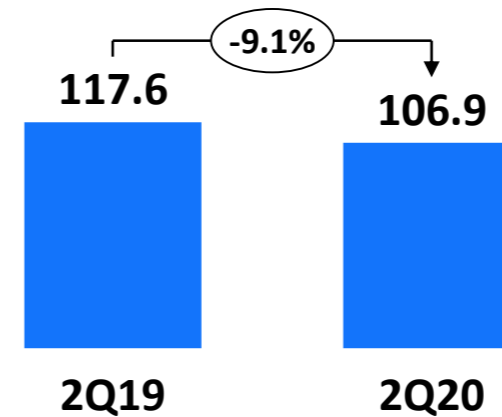
- The North America Operation posted net revenue of US\$2.678 million, an increase of 19,3% compared to 2Q19. The increased revenue is primarily due to higher average selling prices for beef products. These effects were offset, in part, by lower production volumes. Unprecedented employee absenteeism related to the coronavirus pandemic resulted in the temporary closure of our Iowa plant for two weeks in April and a significant reduction in throughput at both of our Kansas plants during late April and May.
- The USDA Comprehensive Cutout value averaged US\$292.24/cwt, up 32.2% versus Q219, while the USDA Drop value was down 16.8% to US\$7.14/cwt.

# North America – 2/2

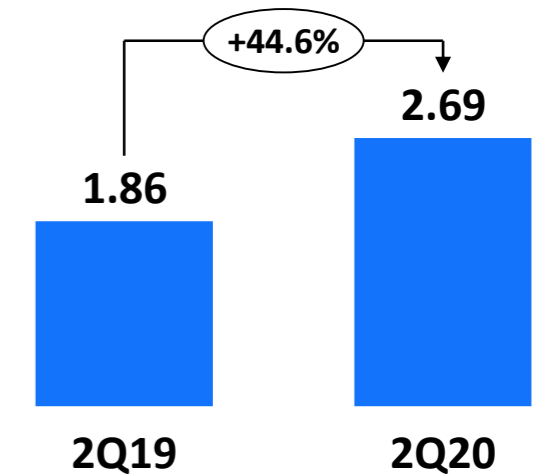


## Market Data

### Cattle Prices (USDA KS Steer \$/cwt)



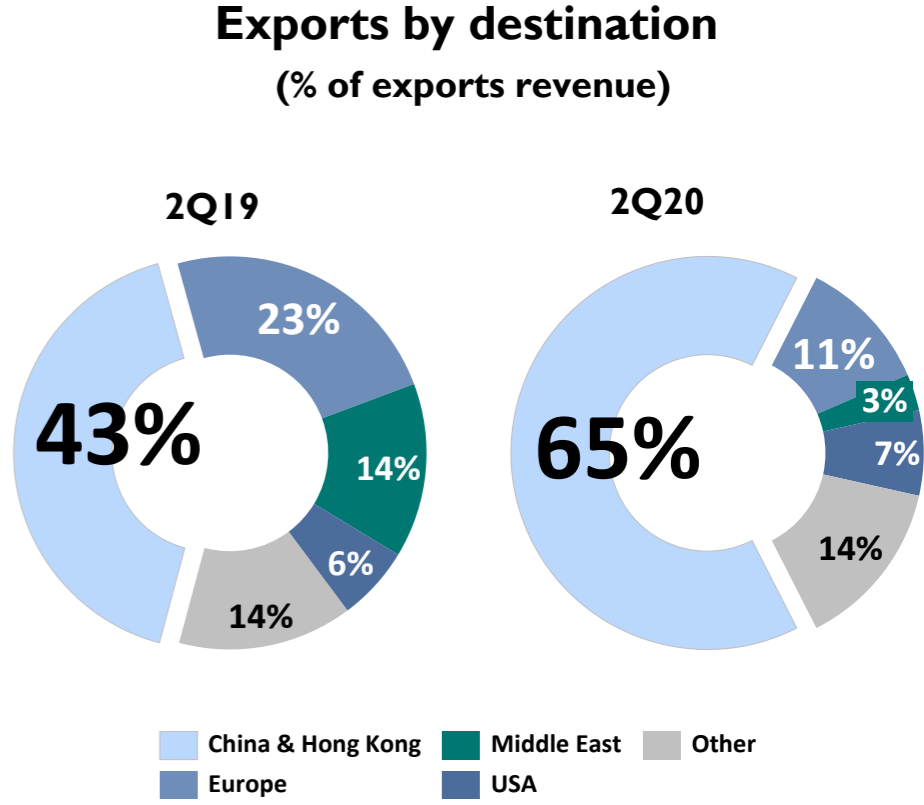
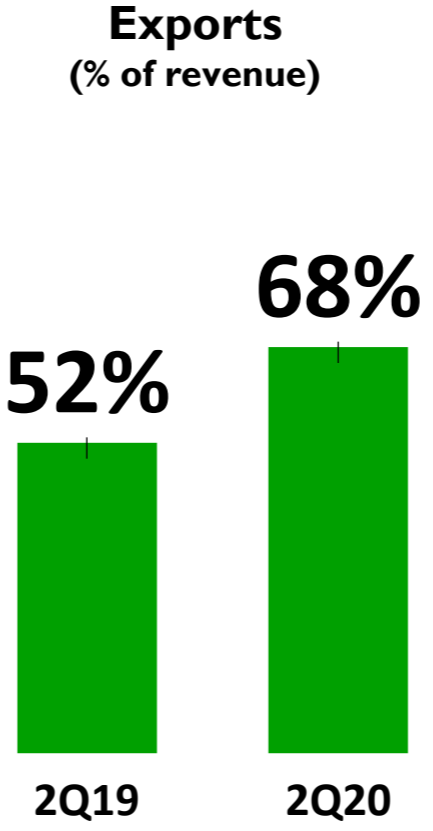
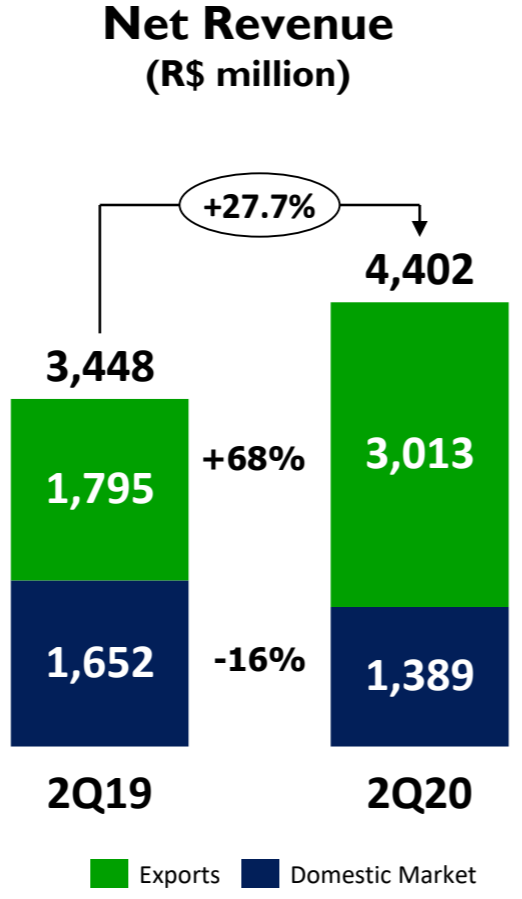
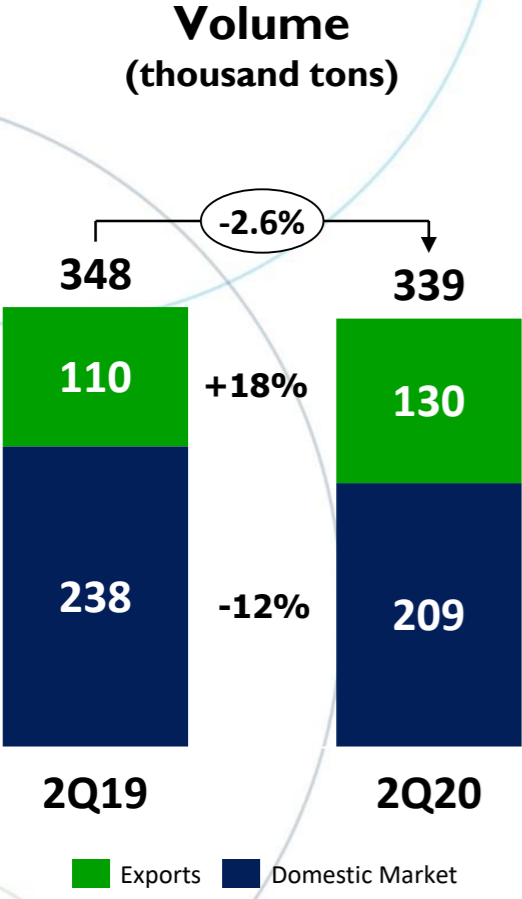
### Spread (Cutout Ratio)



- The USDA reported fed cattle prices averaged US\$106.92/cwt in the quarter, down 9.1% versus Q219.
- Higher average values for beef products combined with lower cattle prices resulted in increased per unit beef processing margins and led to an increase in overall profitability despite lower production volume

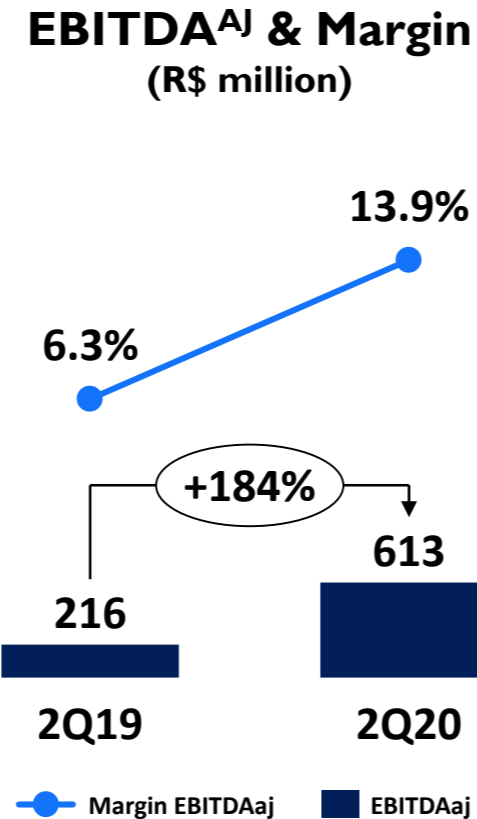
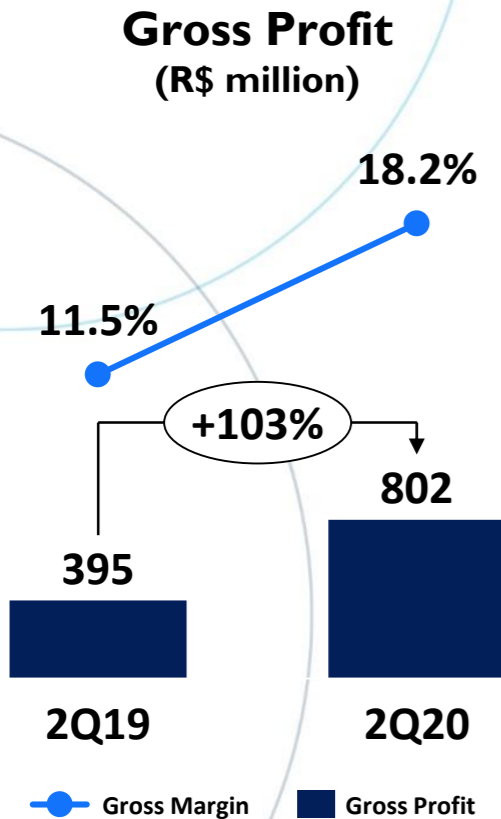
\* cutout ratio: average USDA reported prices for beef price divided by average USDA reported live prices for fed cattle  
 "USDA KS Steer": cattle price reference in the U.S. state of Kansas  
 A "hundredweight," or Cwt, is a weight-measuring unit used in certain commodity contracts. In North America, a hundredweight equals 100 pounds.

# South America – 1/2



□ Net revenue from the South America Operation was R\$ 4,402 million in 2Q20, 27.7% higher when compared to 2Q19, explained (i) by the 18% increase in the volume of exports; (ii) the 30% increase in sales volume in processed food; and (iii) the 37.5% devaluation of the real against the dollar (R \$ 5.39 in 2Q20 vs R \$ 3.92 in 2Q19).

# South America – 2/2



## Melhoria Operacional & Gestão de Custos



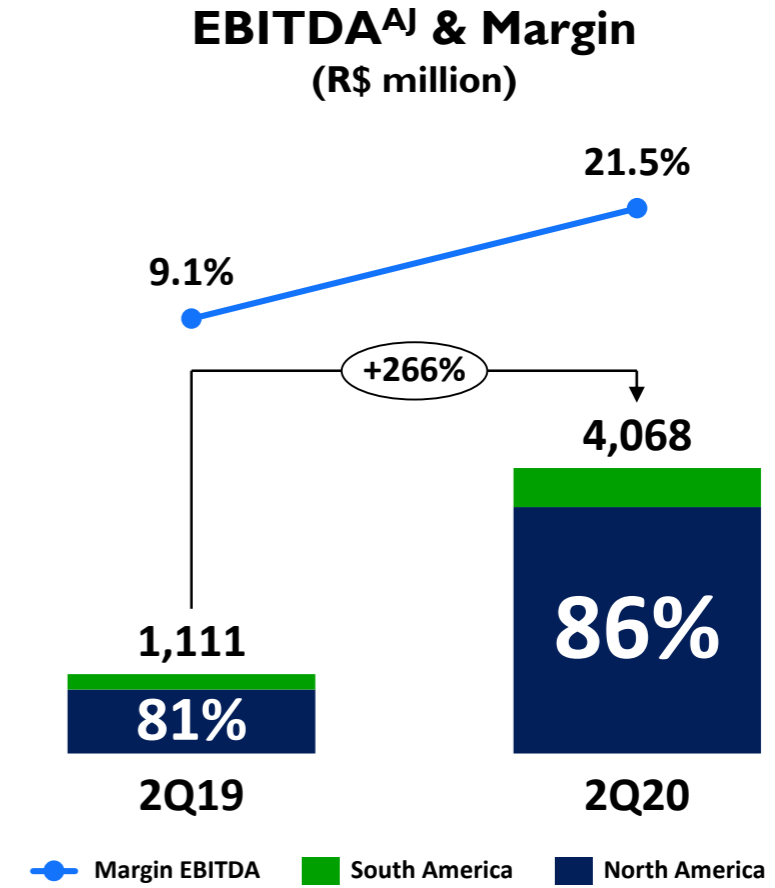
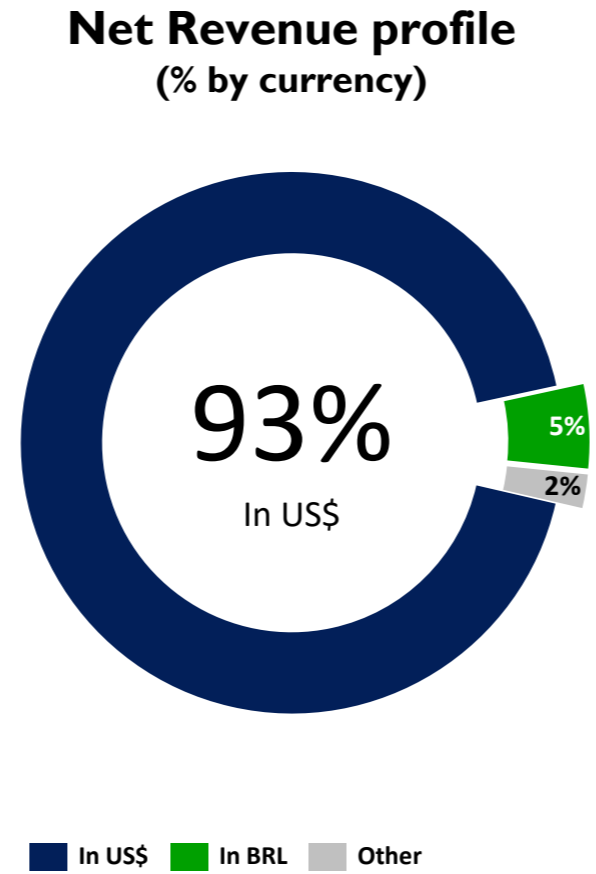
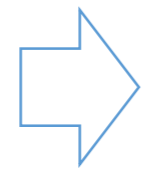
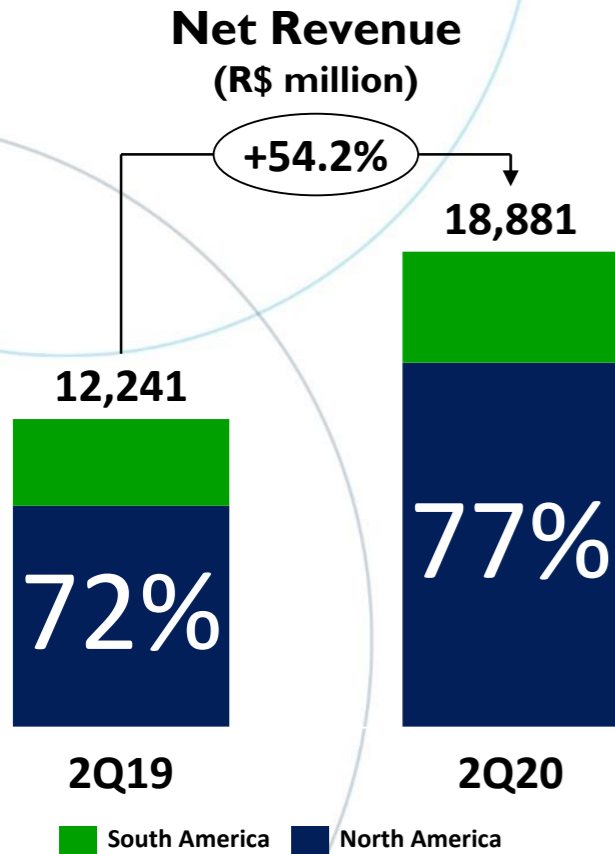
- + 0.5% in flank yield performance
- + 1.5% in front yield performance
- 0.7% in the “cold break”
- 7.7% in packaging cost per ton
- + 12.1% in slaughtered head per man hour
- + 12.1% deboning kg / man hour
- 17.7% in fixed cost in R\$ per cattle processed
- Increased productivity and reduced industrialization costs (US\$ 1.9m)
- Improves mix of cattle purchase and production (US\$ 1.0m)
- Better yield of boneless and small products (US\$ 0.3m)
- Increase in slaughter VM unit x capex realized (US\$ 0.4m)
- Higher production of value-added products and certified meat (US \$ 1.1m)
- Better yield of boneless and small products (US \$ 2.0m)
- New Distribution Center with qualification for export, allowing greater efficiency
- Fixed cost adjustments adapted to actual market conditions (US\$ 0.35mm)

- The South American operation also had its best historical quarter, reaching an EBITDA<sup>aj</sup> margin of 13.9% and an EBITDA<sup>aj</sup> of R\$ 613 million, as a result (i) of the excellent performance of exports, including the increase in organic products in the mix, and (ii) continuing to capture savings through the operational improvement and efficiency program initiated in 2019.

# Consolidated Results



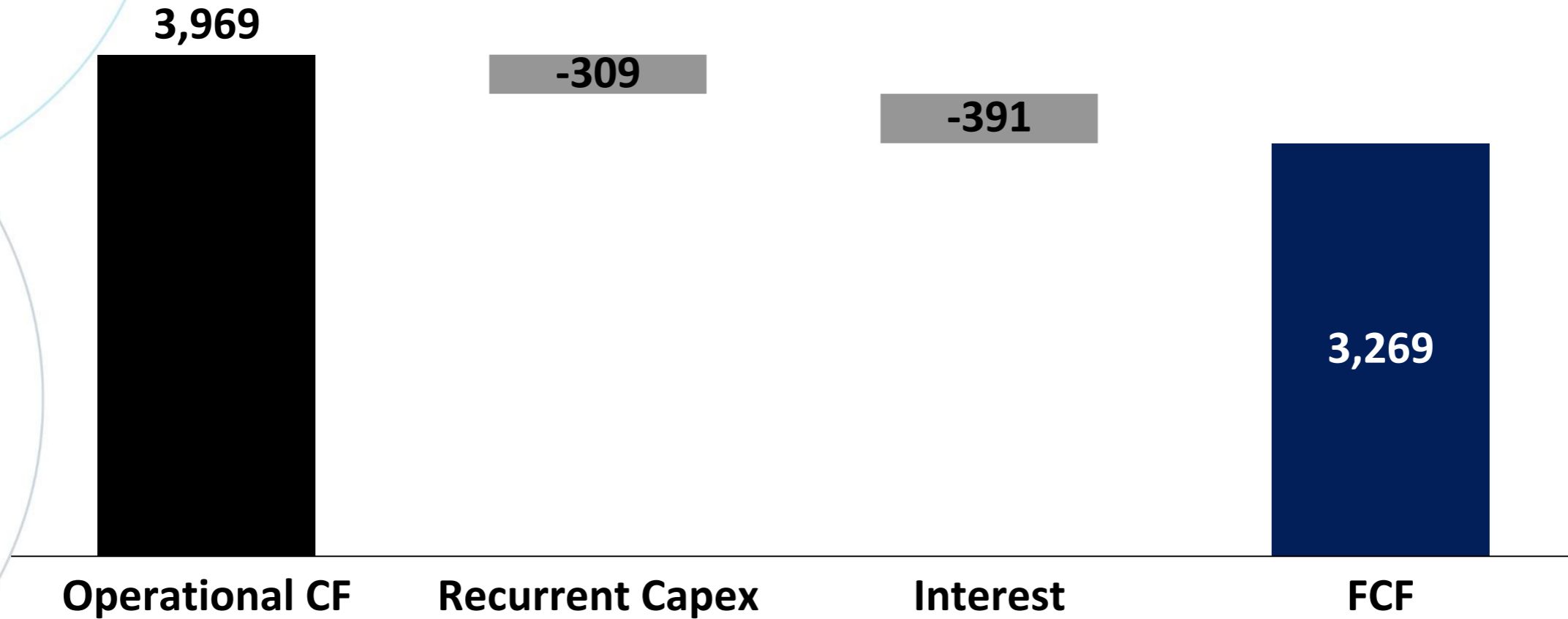
# Net Revenue & EBITDA



- In 2Q20, consolidated net revenue was R\$ 18,881 million, 54.2% higher than 2Q19. This increase is due to higher prices, mainly in the domestic market in Operation North America and higher volumes and export prices in Operation South America.
- In 2Q20, net revenue in dollars represented 93% of total revenue, a relevant factor resulting from the sum of “natural” revenue generation in North America and exports from South America. Only 5% of the revenue originated in Brazilian reais.
- EBITDA<sup>aj</sup> was more than 266% higher than in 2Q19, reflecting our operational efficiency, the good moment of the industry and the devaluation of the real in the period.

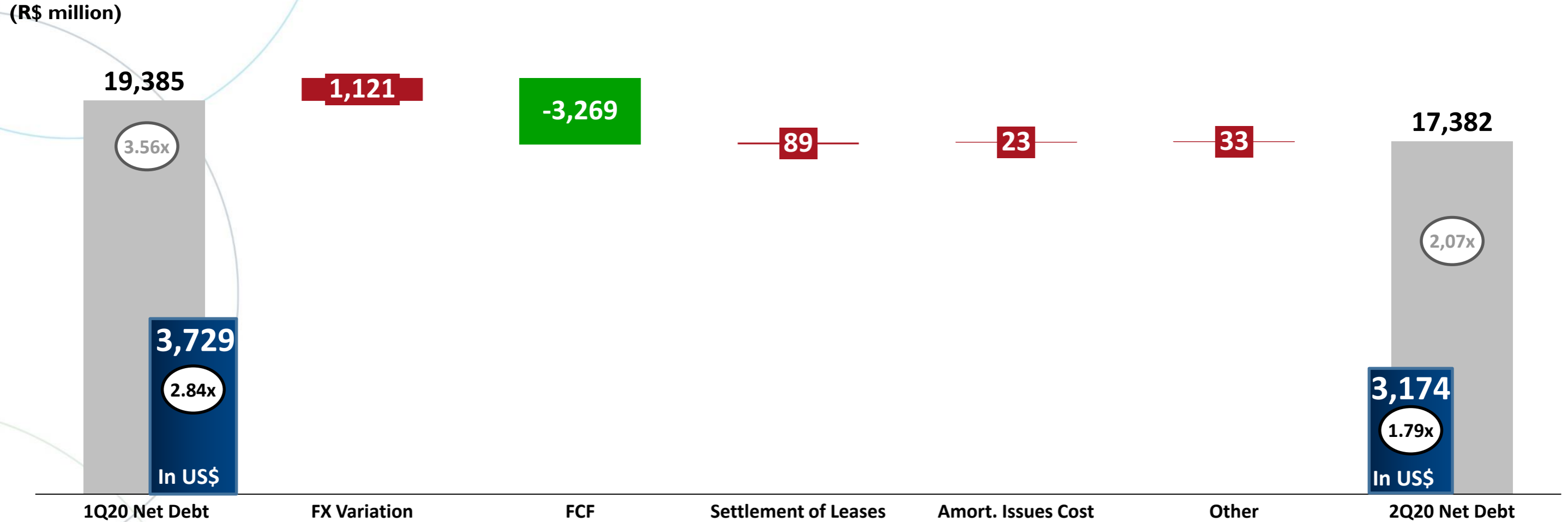
# Cash Flow

(R\$ million)



- ❑ The excellent performance of the operation resulted in a cash flow of R\$ 3,969 million, a historic record.
- ❑ Better inventory management in the period offset the effects of (i) accounts receivable, impacted by higher sales prices in North America and exports in South America; and (ii) from suppliers, increased by the effect of the increase in the price of cattle.
- ❑ In the quarter, National Beef paid a R\$ 54M distribution to its minority members.

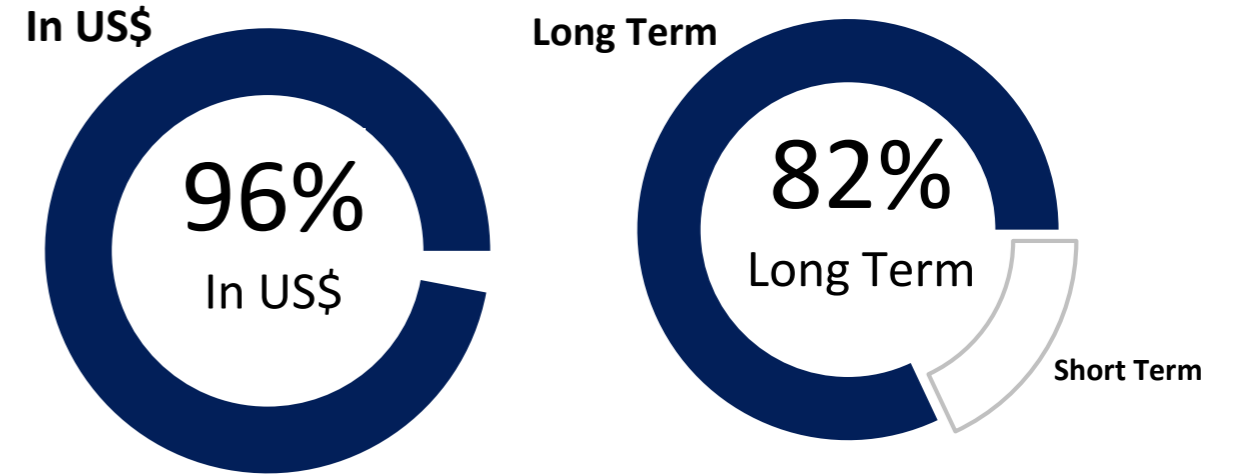
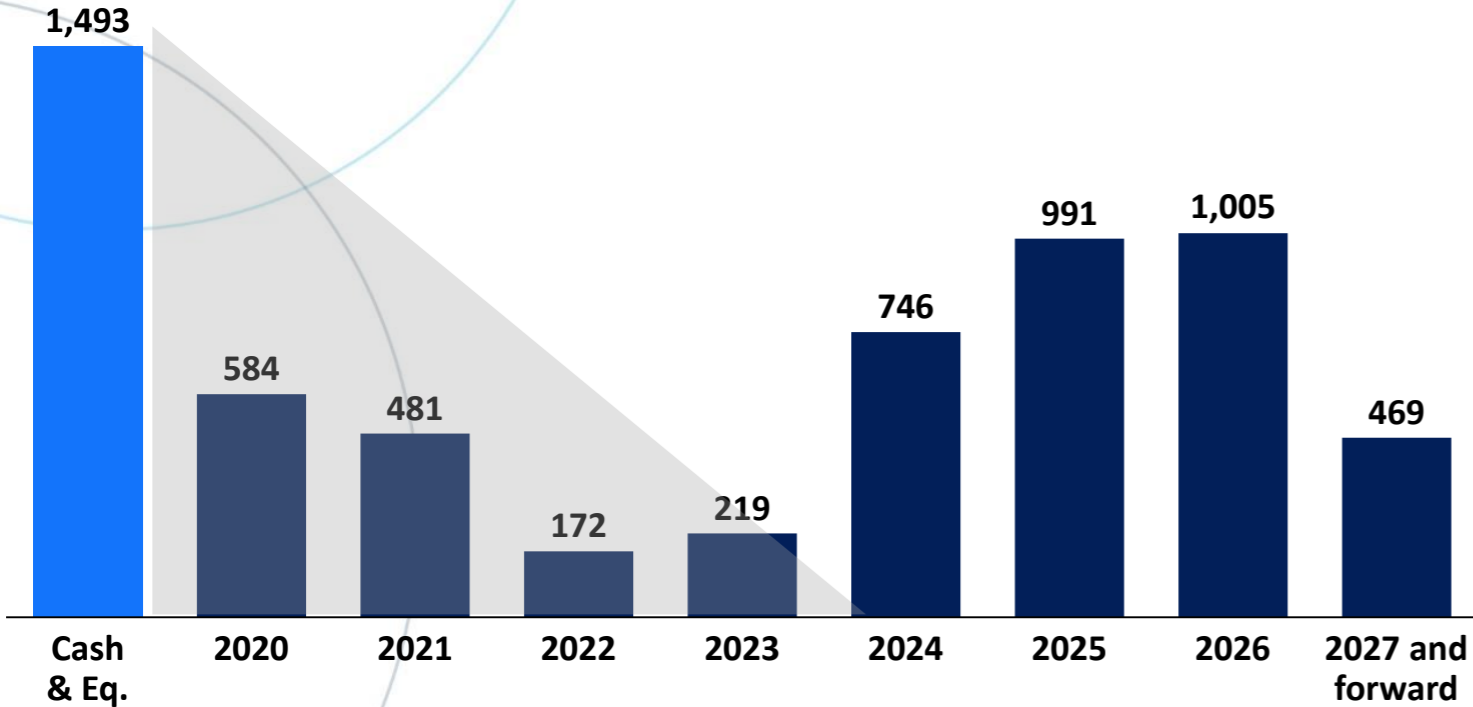
# Evolution of Net Debt & Leverage



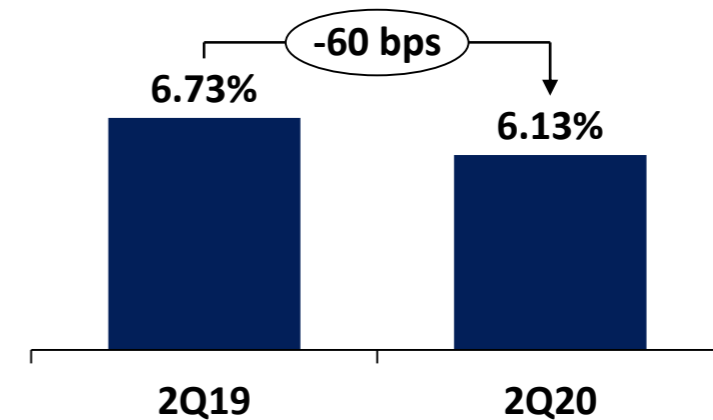
- The net debt in 2Q20 was US\$ 3,174 million, a reduction of US \$ 555 million or 15% compared to 1Q20. The reduction is explained by the strong cash generation in the period.

# Debt Profile

**Cash Position and Debt Schedule**  
(In US\$)



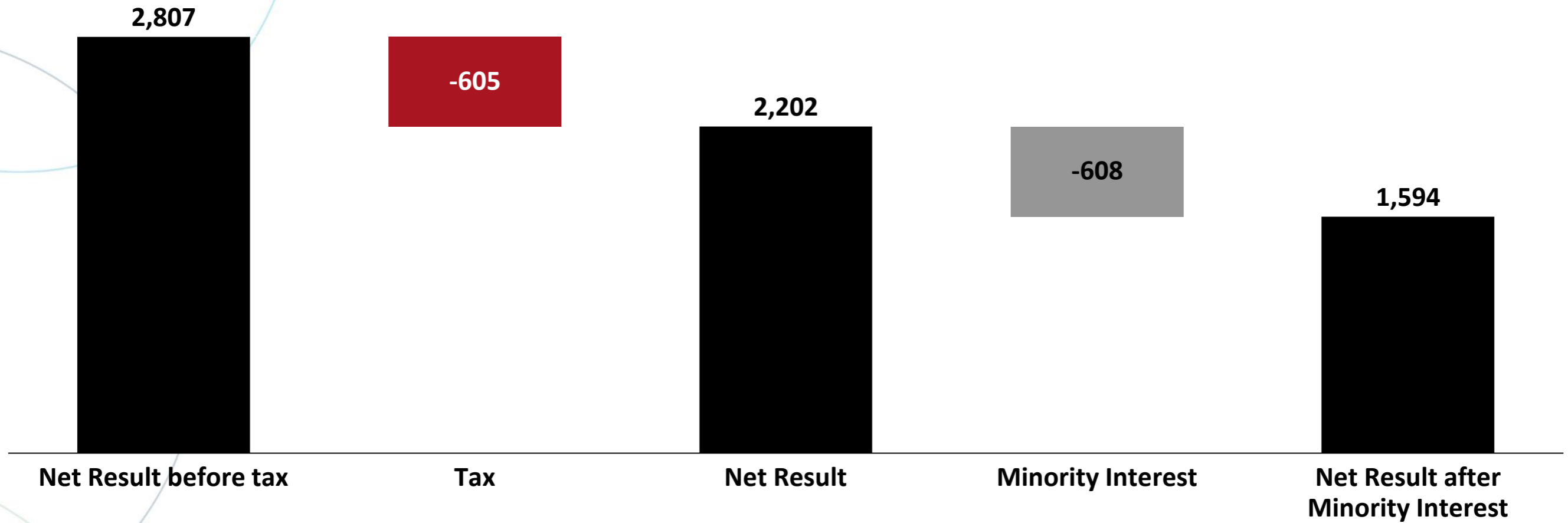
**Average Cost of Debt**  
(% a.a.)



- The cash position covers the maturities of the next 36 months
- The average cost of debt at the end of the quarter was 6.13%, 60 bps lower than 2Q19.

# Net Result

(R\$ million)



- ❑ No cash effect for the calculation on US tax;
- ❑ In 2Q20, the net result of continuing operations was a profit of R\$ 1.6 billion, a record and the highest historical result for the Company.

**Thank You!**

