International Conference Call
JBS S/A (JBSS3)
3Q22 Earnings Results Call
November 11th, 2022

Operator: Good morning, everyone and thank you for waiting. Welcome to **JBS S/A and JBS USA third quarter of 2022** results conference call.

With us here today we have **Gilberto Tomazoni, Global CEO of JBS, Guilherme Cavalcanti, Global CFO of JBS, Wesley Batista Filho, Global President of Operations, and Christiane Assis, Investor Relations Director.**

This event is being recorded and all participants will be in a listen-only mode during the Company's presentation. After **JBS'** remarks, there will be a question-and-answer session. At that time further instructions will be given. Should any participant need assistance during this call, please press *0 to reach the operator.

Before proceeding, let me mention that forward-statements are based on the beliefs and assumptions of **JBS'** management. They involve risks and uncertainties because they relate to future events and therefore depend on circumstances that may or may not occur.

Now, I'll turn the conference over to **Gilberto Tomazoni, Global CEO of JBS**. Mr. **Tomazoni**, you may begin your presentation.

Gilberto Tomazoni: Good morning and thank you for your presence in this call to review the results for the third quarter for 2022.

I would like to note that after many years André Nogueira is not the here with us today, the transition of his role to Wesley Batista Filho has been completed. I want to take this opportunity to thank André once more for his immeasurable contribution to the company over the years. He remains with us in our Advisory Board in the US and our Pilgrim's Pride Board. I would also like to wish Wesley Filho success in his new role as a Global President of Operations.

We recorded the highest net revenue in our history for a quarter at R$98.9 billion, our annualized revenue is already close to R$400 billion, a major milestone for JBS, which is now the largest food company in the world in terms of revenue. We are experiencing a period of rising costs, such as electricity, grain, and others are causing increase in inflation in several countries impacting our cost structure and the consumer behavior, especially in Europe. In addition, our beef business in the US is returning to the normalized margin, in 2021 this margin experienced historic highs. This return to normalize margins was already anticipated by the market.

Despite the circumstance, our numbers for the quarter once again demonstrate our ability to produce solid results. During the quarter we posted a net profit of R$4 billion and reducing our gross debt by US$1 billion compared to the second quarter of 2022, as we are detailing later. The strength and resilience of our global presence once again made difference, this is the results of our solid geographical and multiprotein strategy diversification, the high quality of our team, our agile leadership, and our disciplined management.

Looking at our geographic and protein diversification, I believe that the market has not yet understood our competitive advantage, but I'm glad that some analysts have already recognized this. I've high hope that soon it will be evident to all market. Guilherme will present later, our liability management strategy has placed us in a comfortable cast position, we have created a leverage ratio of 1.7 times in U.S. dollars and increase average terms of our debts from 6.2 to 10 years. In addition, we have no significant maturities until 2027 and we have reduced our costs and our debt.

Our solid financial conditions allow us to navigate through the challenging market scenario leaving us well-positioned to take advantage of the opportunities that may arise while maintaining conservative position that is necessary considering the global economic scenario. Since 2021, we have invested more than R$26 billion in the expansion of our business, including more than R$50 billion in greenfield project in Brazil and United States, most of these new plants will be operated by the end of this year and throughout 2023.

We're strengthening our presence in relevant markets with the expansion of our plants of Seara business in Brazil, in the prepared food business in US will remain a core strategy of the company and we're confident in the value creation opportunity of these investments (unintelligible) including the ability to strengthen our free cash flow.

In this period, we have further diversified our business with our entry in the salmon market after one acquisition in Australia, our expansion in the pork market in Australia and the acquisition of Rivalea with relevant investment in alternative proteins with acquisition of Vivera and our investment in technology with cultivated proteins. Aware of the responsibility to the future generation and society, we have made progress in our net zero 2040 commitment focusing on actions that make the company more sustainable and the same time more competitive, more productive, increase the efficiency in our process and reducing waste across our value chain.

Consistent to meet our sustainability focus, in the quarter we have launched Genu-in, which produces peptides and gelatin for the nutraceutical industry by making use of bovine skin, waste become raw-materials for another process, increase efficiency and reducing emissions. In the US, Pilgrim's made an important investment to convert methane in renewable energy in Louisiana. In Europe, Pilgrim's UK is investing to improve energy efficiency projects across several of its facilities, our journey to net zero will make JBS more efficient, more competitive, and more sustainable.

Our focus remains putting the best people in the right place to succeed and grow, maintain efficiency, and streamline management structure, reinforce our culture of ownership in execution and the constant improvement of our unique diversified business platform. This is what has given us the opportunity to face different scenarios and market conditions.

Thank you for your time this morning and I will now pass to Guilherme, who will give details of our results. Guilherme, please.

Guilherme Cavalcanti: Thank you, Tomazoni. Let's go over the operational and financial highlights for the third quarter starting on slide 17, please.

I'd like to start highlighting all the liability management that we carried out throughout the quarter and the significant benefits obtained with the reopening and pricing of US$2 billion of senior notes with maturities in 2028, 2033 and 2052 with which JBS used the net proceeds to pay in full the term loan B. With this payment the company reduced its secure debt from 15% to 4%, remaining in its balance sheet only the secure debt of Pilgrim’s Pride. Moreover, the proceeds were also used to redeem the 2028 and 2029 bonds with coupons of 6.75% and 6.5% respectively in addition to the payment of other short-term debts.

At the beginning of October, we conducted the issuance of agribusiness receivables certificates in the amount of US$289 million in 3 series with maturities of 27, 32 and 37. We also announced last week the net expansion of US$600 million in availability of revolving credit lines, we currently have a total amount of US$3.2 billion, of which US$2.8 billion at JBS USA and US$550 million at JBS Brazil.

In the quarter, other important highlights where the registration rights of our senior notes with the US Security Exchange Commission, the simplification of the debt structure through the consolidation of the issuance of all the notes and the removal of collateral from the subsidiaries of all JBS USA’s indebtedness. These steps are essential to expand the potential investor base, the liquidity of the notes, and the investors’ confidence in addition to improving comparability with the companies with investment grade credit risk due to the permanent removal of all high yield governance from the notes.

The impact of all these liability management led JBS to increase its average debt term from 6.2 years to 10 years in the third quarter 2022 while reducing the cost of debt with a positive net present value impact of the interest reduction of the last 2 liability management of US$75 million. Our financial leverage in dollars remained at very comfortable levels of 1.76 times. Yesterday we announced that we will pay the interim dividends in November 2022 in the total amount of US$433 million, which represents US$0.20 per share.

Finally, I would like to point out the return on invested capital was 22% considering the third quarter last 12 months results.

Now moving on to slide 18, where we present the financial and operational highlights for the quarter. In the third quarter of 2022 we achieved net revenues of US$19 billion, which represents an increase of 7% in the annual comparison. The adjusted EBITDA for the quarter was US$1.8 billion, which represents and EBITDA margin of 9.6%. Net income was a total of US$765 million in the quarter, which represents an earnings per share of US$.30 per share. I would also like to highlight that considering the third quarter of 2022 last 12 months, net revenue was a record of US$72 billion, adjusted EBITDA of US$8.2 billion and net income of US$3.7 billion, and the earnings per share of US$1.63.

Please, now moving to slide 19, the operating cash flow in the quarter was US$1.3 billion, free cash flow for the quarter was US$615 million, in the quarterly comparison free cash flow generation was positively impacted by the lower consumption of working capital mainly given the improvements in accounts receivable of US$280 million considering the better flow of sales to China with less restrictive measures in relation to COVID-19 during the quarter. Additionally, we had a reduction in tax payments of US$242 million quarter over quarter.

In the third quarter of 2022 last 12 months, the operating cash flow was US$4.1 billion, free cash flow generation was US$1.2 billion. Excluding non-recurring payments of US$486 million and expansion Capex in the amount of US$1.2 billion, free cash flow of the last 12 months would have been US$2.9 billion, which represents a cash conversion of 35% of the adjusted EBITDA.

We have also increased investments in the company's organic growth. In the graph on the bottom of the slide total Capex was US$566 million, of which US$286 million was expansion Capex mainly given investment expansion at the Seara and prepared food plants in the US.

Now please let's move just like 20, where we have the evolution of our debt profile. Net debt in the third quarter 2022 was US$14.5 billion, which represents a decrease of US$432 million from the second quarter on the back of the higher free cash flow generation and also positive reversion of operating working capital. Our gross debt was reduced in US$1 billion from the second quarter to the third quarter. Net leverage was 1.76 times in dollars and 1.81 times in reais while interest coverage was 10.2 times in the third quarter of 2022, both extremely comfortable ratios.

In addition, it is important to highlight our comfortable liquid position. We ended the quarter with a cash position of US$3.1 billion, which together with all revolving credit facilities available of US$3.2 billion allows us a total liquidity of US$6.3 billion. Finally, as mentioned above, with all liability management carried out in the period, the average debt term increased from 6 to 10 years.

Let's move to the business units' performance. Starting with Seara on the last 21, net revenue grew 22% in Q3, mainly as a result of the 20% increase in the average sales price and 2% growth in volume. In the domestic market the main highlight was the prepared food category with 11% increase in prices while volumes remained stable compared to the third quarter 2021.

Seara continued to invest in innovation, capacity expansion, commercial and operational execution, thus, the Seara brand continues to increase its preference penetration in the Brazilian households and repurchases by consumers. In the export market, net revenues in dollars increased 36% compared to third quarter 2021. It is worth mentioning the strong growth of poultry sales in the period with a 29% growth in prices and 13% volumes in the annual comparison.

In the third quarter 2022, the higher production cost was offset by price passed through combined with a better mix of markets, channels, and products in addition to the management's focus on operational efficiency and innovation, thus, adjusted EBITDA reached R$1.8 billion with an EBITDA margin of 15.1%.

Now moving to JBS Brazil on slide 22, we see the revenue for the quarterly growing by 5% year over year reaching US$3.1 billion. In the export markets strong international demand mainly from Asia contributed to a 12% growth in net revenues in dollars with a growth of 4% in volume and 7% in the average price. In the domestic market, even with a challenging macroeconomic scenario, sales in the fresh beef category grew 4.3% year over year as a result of higher volumes following the strategy of increasing the number of clients through the loyalty programs and approach in the Friboi and Swift brands to the end-consumers.

Finally, I would like to highlight an important achievement: the Friboi brand was once again chosen as Top-of-Mind brand; that is the most remembered and preferred brand by Brazilians according to the Instituto Datafolha.

Moving to slide 23, at JBS Beef North America – and now we're speaking in dollars and in USGAAP – JBS Beef North America revenue reached US$5.6 billion in the third quarter, a decrease of 5.2% year over year and the adjusted EBITDA totaled US$403 million with a 7.3% margin.

This quarter beef margin North America faced a relevant impact year over year given the acceleration of expected changes in the market conditions. In the domestic market wholesale beef prices declined sequentially incentivizing retails to promote sales and promotions are likely to accelerate going forward. On the other hand, live cattle remained at high levels during the quarter increasing 15% year over year. In the markets year-to-date, the US beef exports continue to outperform 2021 in volumes, 5% more, and in prices 14% more as a result of better international demand a significant improvement of logistics in the American ports.

Moving on to July 24, we have JBS Australia. Net revenue was US$1.7 billion, an increase of 19% compared to third quarter 2021 and adjusted EBITDA of US$59 million with a margin of 3.6%. Sales in the domestic market represented 41% of total revenue in the period, were 26% higher in the third quarter 2021 driven by the additions of Huon and Rivalea which have a strong focus on the domestic market and by the recovery in demand in the retail and food service channels. In the export market, net revenue increased 15% compared to the third quarter 21 explained by higher average prices.

Now moving on to JBS USA Pork, in the third quarter 22 net revenue was US$2.1 billion, an increase in 1.6% year over year, adjusted EBITDA reached US$92.7 million with a 4.4% EBITDA margin. In the domestic market, the results year over year what impacted by an increase in cost given the lower availability of live animals, as well as the increase in the cost of grains, as well as higher labor and logistics costs. On the other hand, demand sustained prices at high levels. In the international market, the USDA figures show that the US exports volumes fell 13.3% year over year from January to September given the lower volume exported to keep customers markets.

For JBS Pork, net revenue increased due to the higher volumes from the value-added portfolio of Swift Prepared Foods business unit. Swift Prepared Foods margin grew 56% in the third quarter compared to the last year; therefore, the company continues to make important investments to expand its plants while expanding its value-added portfolio.

Pilgrim's Pride on slide 26 presented a net revenue of US$4.5 billion in the quarter, an increase of 17% year over year, adjusted EBITDA totaled US$461 million with and EBITDA margin of 10.3%. In the US, quarterly results continue to reflect the benefits of the consistent execution of the strategy and focus on key customers having a very a value-added portfolio and the relentless pursuit of operational excellence.

In Mexico, a more challenging macroeconomic scenario affected sales in the quarter, in addition, seasonal disease impacted production, especially broiler breeders. To mitigate these risks, the company has focused on service level and key customers. In Europe, despite the weak consumption environment and high-cost inflation, the gradual recovery of results was a consequence of production optimization and the focus on partnerships with key customers promoting innovation and a better service level.

To finish, I would like to move on to slide 27 that shows that our exports totaled US$5.4 billion in the third quarter with approximately 190 countries being reached by these exports.

With that I would like to open to our question-and-answer sessions.

<u>Question and Answer Session</u>

Operator: Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question, please press star key followed by the one key on your telephone number. If at any time you would like to remove yourself from the questioning queue, please press star 2.

And our first question comes from Ben Terrell, with Barclays.

Ben Terrell: Good morning, thank you very much for the space of questions. Two questions if I may. First, could we go a little bit into the outlook and not so much into what the most recent quarter was, but really looking ahead into maybe a little bit of next year what your expectations are, particularly in beef and pork in North America. I mean, we all noticed, it’s a tough comp versus what it is was last year and we're seeing still a relatively good operating income environment, but given what we're seeing in the market live cattle prices you've called it out these going up, how do you feel about the levels of profitability into next year? Just very particular US Beef and USB Pork. That would be my first.

Wesley Batista Filho: Hi, Ben, good morning. You know we see that beef margins in the US will come back to normal history, which is around mid-single digits, we think that a good perspective of what beef margins should… the range it should have is whatever what has always been the history of the historical of the beef margin, which is about that; mid-single digit.

So, we expect this to this adjustment to a normal cycle to be happening, but this is just talking about beef before I move on to pork, we don't take that as a surprise, we've seen that coming and this is something we've been talking on the call, it’s coming back to normal beef margin range, so we take that as very normal for us, but more than that, I think that this will… this highlights this change in cycles that we we're analyzing, we'll highlight a very big advantage that JBS has which is the geographic and the platform, the different protein diversification we have, right.

So, we have been highlighting this very much and I think that this adjustment to a normal beef cycle is going to highlight that even more and it is going to make that advantage that JBS has even more clear. So, we're very positive that this is going to be a big highlight in our strategy because, again, it's not just one characteristic of our company, I think one of the fundamentals of our business is that cycles in our business happen and they are sometimes more positive, sometimes more challenging, but our diversification allows our margin to have a more stable profile.

Regarding pork, we're also very confident about our business in pork going forward, our pork business in the US is probably one of the most consistent businesses we have in margin, very consistent in their performance, it reflects their performance, so on our live production, our pork processing plants, it's probably one of the most consistent businesses we have, and on top of that business, Ben, we have been building a lot on value added. So, I mentioned on the on the Portuguese call a while ago that inside of this specific business unit that we look at, which is the JBS Pork USA, we already have a 1.5, reaching US$1.5 billion prepared foods business in this business unit. So, this is a business that we've been growing a lot on top of the Plumrose acquisition and we've done a lot of investments on that field, some acquisitions, but a lot of greenfield, we have more coming online, so we have an expansion of our Moberly plant in Missouri, we have the new plant in Columbia that's going to do salamis and prosciutto.

So, on top of that very consistent business, we have been growing a lot on this prepared business that will add value to our overall pork business. So, overall, we're confident that business will perform well going forward, and on top of that, just to complement, we have new capacity going online and we'll be able to continue to add value.

Gilberto Tomazoni: Wesley, just to add to add to what you said, Ben, when Wesley say “return to normal margin”, it's important to take in consideration what normal margin is and what is the difference in terms of what is business today and what was before. If you look for the past, export to US was really not significant. Today exporting from US international market become important. How this will affect the margin in the future, I don’t know. and other things taken into consideration of JBS, we are invested in our facility, we are investing in value added programs and all of this will be part in the margins.

But for sure it's too early to understand what the scale of the impact of this initiative is.

Ben Terrell: OK, perfect. So, thanks for that Tomazoni. My second question was on Seara. Definitely how strong this quarter was, price increase, very strong volume. It sounds like the domestic market was a little softer maybe on the volume (unintelligible – background noise) […] volume, what you're seeing, maybe specificities to kind of get a…

Wesley Batista Filho: Ben, I'm sorry to interrupt, we had bad disconnect here and we couldn't hear your question. Do you mind repeating that question about Seara again?

Ben Terrell: Sure, no problem. So, the question Seara is if you could elaborate (unintelligible – background noise) […] just to get a little better understanding what's been driving growth price offset by volume and how you think about the Brazilian economy and the consumer going forward.

Wesley Batista Filho: Ben, it cut off again, but I'll talk about Seara and if I miss anything, please let me know and I'll follow up. So, we are very positive about the Seara. Seara has been performing quite well and all of the basis of our performance, our current performance is not something that's short-term, it's not something that has been something of work of a few years, it's been since the very beginning is of our foundation of our business, which is we’ve been investing in quality, we've been investing in mix, innovation, we have done a lot of improvements in our facilities and we've been performing quite well on operation side. So, going forward, we expect Seara to continue to perform very well independent of… again, we obviously are aware of what's going on from a macroeconomic perspective, but that's not in our plans, we don't plan or quality, our product launches, we don't plan our efficiencies, we focus based on that if there is going to be… what's going to happen on the macroeconomic, we're going to focus on our basics and on our foundation, which has been what brought us here.

Having said that, we don't see the domestic market as being soft, we think that it has been performing well and we're very confident that we'll continue to perform well in the next year and will be a source of strength for Seara.

To add to that, Ben, I think when we're looking at Seara and when we’re looking at how Seara is going to perform going forward and growth in Seara, you know that we have been investing quite a lot in Capex for Seara, we're going to expand our capacity in Seara, these are all projects that are not only approved, but they are in process of or being done, finished, then we're going to start production pretty soon, we have invested to increase our capacity in Seara which probably will be around 20% increase in our volumes going forward and we're going to be investing, we have invested on the items that we see that we can most add value and in the items that we see that there is biggest demand and biggest potential in the domestic market, especially in the domestic market.

So, we're very confident at on Seara we will continue to perform well, but the company will grow to a different level.

Ben Terrell: Thank you very much, Wesley.

Operator: The next question comes from Carla Casella, with JP Morgan.

Carla Casella: Hi, thank you. I'm wondering your thoughts, is there any change in your thoughts around potential US listing and what hurdles remain to get there

Gilberto Tomazoni: Hello, Carla, can you hear me

Carla Casella: Hello. Yes, I can hear you.

Gilberto Tomazoni: Yeah. Carla, the listing is our man priority, we continue to work on the process and seek for the best structure that unlocks great value for shareholders, and we are not talking about the market conditions, is not a variable that we is being considered because will be not an IPO, it will be a listing, and we have done some works in this way, we are listing our bonds, all of the work we have from on that and will be helped for the listing. We keep working, it's not a question of if, but when will listed. But for sure we keep it as a priority.

Carla Casella: OK, great. And then can you just remind us, you were talking about listing in the US. Would Seara be part of the US business as well?

Gilberto Tomazoni: Carla, this is the discussion we are working on, and so far in the past Seara was included and we are not (unintelligible) that Seara will be not included, but we are not defined yet.

Carla Casella: OK. And then you talked about the success you've had in the prepared business, you called out 1.5 billion already have the business you have in prepared pork. Can you give us where you stand in prepared foods in the other key segments?

Gilberto Tomazoni: Sorry, could you repeat, Carla?

Carla Casella: Yes. So, pork has about a billion five of prepared foods and growing. Can you just stay where you stand in the other businesses in terms of how much of their business is now in prepared foods?

Gilberto Tomazoni: Carla, we do not release this if information so far, this year we opened the information about Australia and maybe in the future will be releasing this information about prepared because we have prepared in different business, we have prepared in Seara, we have prepared in Pilgrim's, we have prepared in the pork US, as Wesley mentioned, we have prepared in Europe, we have prepared in Australia, we have prepared in Mexico, and we are looking for how we can disclose this information, it's difficult to say to you now how will be the amount of debt because it comes from different business that will be changed all of the way that we release our results.

Carla Casella: OK, that's helpful. And then just one more, can you give us a sense for what percentage of your business today is food service versus retail and it does that vary dramatically by category, by protein I should say?

Gilberto Tomazoni: Wesley? I don't know if we have that information, it would be the same challenge I mentioned about prepared. I don't know if Wesley has better information, better answer for this.

Wesley Batista Filho: No, Carla, I don't have that information right here, we can follow up, but actually, it's not something that we manage that way, we don't look at that exposure that way. Food service is a relevant part of our business, but we don't look at our information of channels by total company, we look by business unit. So, we could follow up with that, but that's not how we operate our business and look at our operations.

Carla Casella: OK, great, thank you so much for the answers.

Gilberto Tomazoni: Thank you Carla.

Operator: The next question comes from Ken Zaslow, with Bank of Montreal.

Ken Zaslow: Hey, good morning, guys. Hello?

Wesley Batista Filho: Good morning, we can hear you, Ken.

Ken Zaslow: OK, perfect. I just have two questions. my first one is: can you walk us through your capital investments this year as well as next year? Just giving us kind of a flavor of how you're going to be spending the money, which division you think that will have the greatest impact? I know you did say that Seara's volume is going to be up 20% I think in 2023 based on the capital investment. Could you put a little bit more color on this stuff? I think this is really key.

Gilberto Tomazoni: I'll let Guilherme to make details of this, but I want to say that a huge investment we have made in a greenfield, it's already done. We still have some investment to finalize, to finalize investment, but the main part of the greenfield that the expansion of Seara, expansion in US prepared foods is already done. But I let Guilherme to explain more in details.

Guilherme Cavalcanti: Thank you, thank you Ken. So, Ken, in 2021 our expansion Capex was US$1 billion, this year's expansion Capex will probably be on the range of US$850 million, so for next year, if we don't announce any other greenfield, will be something lower than that. So, given that we are in the process of getting ready and commissioning the plants, this number tends should decrease. In terms of business units, most of these Capex was at Seara, with the expansion in Seara, and another relevant was the Italian meat's plant in the US and the bacon plant in the US.

Ken Zaslow: Great. My next question…

Guilherme Cavalcanti: In terms of the maintenance Capex, just to give you an idea, we've had around US$1.2 billion maintenance Capex in the last years, now with the Rivalea, Huon and other acquisitions, we will be probably forecasting US$1.4 billion in maintenance Capex for next year, but we don't have the budget ready yet, so these final numbers will still be in approval process.

Gilberto Tomazoni: Ken, I don't know if it was clear for you, but our main investment in the greenfield was done, we need to finish the investment, but you need to mature the investment, huge investment in Seara, investment in the US, now we are seeing in the future low investment in the greenfield because you need to mature all of this investment.

Ken Zaslow: What do you think the return will be on your growth Capex in 2023 as you think about it, as you're harvesting investment?

Guilherme Cavalcanti: Our business is cyclical, so to talk about a return on a specific year is difficult. I would say that, for example, for M&As we have a hurdle rate of around 14% so we don't do any M&A unless we have at least a

14% return when we forecast, but what I can say is what we've been generating in return on invested capital, if you look the last 12 months our return on invested capital was 22%, so given that we are talking about expansion of operations which will increase free cash flow and dilute our fixed costs, this tends to improve, but of course, it all depends on market prices of our products as well.

Ken Zaslow: OK. My second question is: on US Pork, the margins sequentially improved while actually, (unintelligible) margins didn't really do that much different, so I'm assuming that there's internal improvements, and I know you did talk about the value added, what do you think the key driver sequentially was to improve your pork margins in the US business? It just seemed like it really did kind of improve pretty dramatically sequentially.

Wesley Batista Filho: Ken, our pork business in the US is performing pretty consistent but going forward we expect it to perform as well as we have performed this year. Now more specifically getting into details, yeah, we think that we're going to probably have a little bit more hogs next year due to better health and we expect that there is a potential for the cut out of pork to improve given the that there is going to be a reduction in overall in protein production especially because of beef in the United States.

Now those are some of the details, but overall, we think that we're going to have a pretty good year going forward for pork in the United States next year.

Ken Zaslow: Right, I appreciate, thank you guys.

Operator: The next question comes from Priya Ohri-Gupta, with Barclays.

Priya Ohri-Gupta: Hi, thank you for taking our questions. This is Orgus in for Priya. Two questions from our end. Can you talk a bit about the increased promotions you're seeing at retail on beef given that they are accelerating? How much of this activity is pulling from demand from pork products?

Wesley Batista Filho: Sorry, can you repeat that question?

Priya Ohri-Gupta: Yes, can you just talk a little bit about the increased promotions that you're seeing at retail on beef considering that those promotions have been accelerating? Are you seeing beef pulling demand from pork products?

Wesley Batista Filho: No, look, we see that obviously going forward there could probably be more features, more ads, we have been looking at that and we're following that, but that doesn't necessarily have been pulling the demand from pork to beef, we don't we see that necessarily, so that's not something that we look like that. What will happen in the United States next year – and that's more given to supply – is we're going to have a reduction in the production of beef and a slight increase in the production of pork and chicken. So, that probably will be something that we're going to see from a consumption perspective, but that's more related to the supply of those 3 proteins more sold and the demand and the retailer ads and promotions.

Priya Ohri-Gupta: Thank you. And one more question from our end. Now that you have simplified your capital structure, how are you thinking about the medium-term rating subjective?

Guilherme Cavalcanti: Yeah, if you look at our financial metrics, for sure we would be higher than a Triple B minus that we are today, I think just looking at the final financial metrics we would be around Triple B plus. So, we still have some work to do in order not quantified metrics including management and governance, we still have one discount factor, sector volatility that's another discount factor, which we intend to show that our business diversification makes the consolidated margin much mor stable, so maybe we could also take this volatility sector notch down, and if we manage to do that, I think we can put our ratings to a Triple B plus level, which would be a good target because with that level we have access to very cheap commercial papers, Triple B plus companies can raise commercial papers at sopher +5 bps, while Triple B flat is sopher +45 bps, and a Triple B minus is sopher +90 bps. So, if we can increase our ratings, we can have also a significant reduction in our cost of capital as well.

Priya Ohri-Gupta: Great, thank you for your answer.

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

Gilberto Tomazoni: Thank you for all of you for the presence. I would like to stress that I recognize the importance of discussing the beef margin in the US because of the size of the business, because of the importance in our portfolio, but I would like to put light on our diversified platform; we are not just beef in US, in US we have chicken, we have pork, we have prepared foods, we have presence in Australia, we have presence in Brazil, we have presence in Europe, I think JBS has a diversified platform that is practically unmatched globally and this allowed us to navigate in these different cycles, the natural cycles of our business.

I believe that market still not recognizes this as a huge competitive advantage that JBS has because this you can neutralize to one cycle to the other cycle, one geography to the other protein business. I think this is really a huge competitive advantage and I hope market will be recognized as soon as possible because I think this stress as the market will be shown how important this is, this is diversified platform.

And I will take you to opportunity to thank you our 250,000 team members that this great hard work and commitment that leave us to deliver great results as we are releasing today. Thank you.

Operator: That does conclude the JBS audioconference for today. Thank you very much for your participation, have a good day and thank you for using Chorus Call.