International Conference Call
JBS S/A
First Quarter 2020 Results
May 15th, 2020

Operator: Good morning everyone and thank you for waiting. Welcome to **JBS first quarter of 2020** results conference call.

With us here today we have **Gilberto Tomazoni, Global CEO of JBS, Guilherme Cavalcanti, Global CFO of JBS, André Nogueira, CEO of JBS USA, Wesley Batista Filho, CEO of JBS South America, 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.

Mr. Tomazoni: Good morning and welcome to JBS first quarter 2020 earnings conference call.

The world is facing an unprecedent challenge and we are collectively fighting the coronavirus pandemic. Therefore, our primary focus is the commitment towards the health and safety of our team members and the purpose of safely producing food for millions of families around the world.

Our more than 240,000 team members around the globe are doing the best to ensure that food remain available at the time when ourselves global food is needed most. I truly believe that men and women of JBS are heroes for their service. I thank our team for serving the greater food and helping society during this moment.

JBS has adopted and implemented an enhanced preventive measures in health protocols to safeguard the safety and protection to our team members in every facility around the world. We have partnered with health professionals in disease spread to review and validate our procedures. Importantly, we have continuously involved our operation to reflect the best available science expert guidance. Our entire approach to mitigate the potential introduction of the spread of coronavirus in our facilities has been managed by our COVID-19 Crisis Committee, which is led by the company global leadership team.

We are facing this crisis at our best moment. Financially, we are extremely solid, liquidity at the end of the first quarter was 4.6 billion, and reached 3.5 billion in cash, representing more than 5 times our short-term obligations and enough to pay all of our debts until 2025.

The second, diversification production platform by region and by type of products, which by itself represents a great competitive advantage, but with all of this volatility that the markets are facing, it has become vital to mitigate setbacks in one or another market or even from one protein to another.

The third, people and culture. This binomial made up by a culture that prioritizes an attitude of ownership, the sense of urgency and determination to make this happen and by a very experienced leadership team will be decisive to navigate a market in which great changes are happening.

We are presenting a quarter of solid results, revenues of R$56 billion, which represents a year-over-year growth of 27.3%, and when we discount the exchange rate, growth was around 10%. R$3.9 billion of adjusted EBITDA, adjusted net income of R$800 million and reported net loss of 5.9 billion, which considers no cash effects in part of R$8.2 billion. Our leverage ratio of 2.17 times in dollar and 2.77 times in real.

The world is going through a humanitarian crisis in the area of health and social assistance. Conscious of our responsibility of good corporate citizens, JBS is committed to making a positive impact in the lives of people and support the communities where we live and work. JBS Board of Directors approved a R$700 million donation to help combat the effects of COVID-19 pandemic. Our social responsibility, investment will extend to all regions at the global where we are present and we will be overseen by advisory committee comprised by expert medical advisors and audited by Grant Thornton, which waived to participate in the program.

We are confident that this moment will eventually end. When this is over, we will live knowing that we have done our best to protect the health and the safety for our team members, that we fulfilled our mission to feed the world during the most challenging moments of our generation and that we have stood side-by-side with the society when we were needed most.

Now, I'll ask Guilherme to go through the numbers and talk about the business operations. Guilherme, please.

Mr. Guilherme Cavalcanti: Thank you, Tomazoni.

Please, let's start on page 13 of the presentation where we compare the first quarter 2020 results with the first quarter 2019, when we have an 18% FX depreciation between those quarters. Even though our revenues in reais increased 27% reaching R$56.5 billion, our gross profit reached R$7.3 billion and our adjusted EBITDA reached R$3.9 billion with an EBITDA margin of 6.9%.

Also in this page, we see our reported net loss of R$5.9 billion, which is impacted with the FX variation on the US dollar debt when translated into the real balance sheet. This generated an impact of R$8.2 billion, which is enough cash impact. And if we take this out in the tax effects, so excluding the FX variation, we should have reported a net profit of R$800 million.

Now, please, moving to page 14, we see that our operational cash flow increased in 43% reaching R$1.1 billion and our net interest expenses decreased in US$26 million in the quarter compared to the quarter of last year. So this is in line of our decrease in our cost of debt that forecasts a saving for the year of around US$100 million, which could be a little less depending on how long I will continue to work with my cash position above normal levels as an insurance for the volatility that we are facing.

Also in this page, we see our free cash flow, which is a cash consumption of R$637 million, which is a lower consumption than the same quarter last year. It's worth mentioning that every first quarter we have a cash consumption, it is a seasonal effect mainly because of a concentration of suppliers' payment in the beginning of the year, inventories building and tax payments.

Now, please, let's move to page 15, where we talk about our debt profile. On the left-hand, we see that our leverage – that we should look in dollars given that 90% of our cash generation are in dollars and 94% of our debt are also in dollar –, so we ended the quarter with a 2.17 times net debt to EBITDA. This compared to the end of the year that we had 2.13 times, it's mainly a maintenance level of our leverage ratio with a very small increase and keeping us on a very comfortable level of net debt to EBITDA. I think you can easily calculate how much you need that the EBITDA for the next quarters should fall in order for you to reach 3 times. It's a very improbable scenario. So we will continue probably on this comfortable range of leverage.

The leverage in reais rose from 2,16 at the end of the year to 2.77 in the end of the quarter, again, because of the impact of the debt translation into the balance sheet in reais, which was done by the FX of the end of the quarter, which was 5.19. At the same time, the EBITDA in reais for the last 12 months was being generated in dollar but translated into an average FX of 4.1, so this difference from the average effect of the last 12 months and the FX of the end of the quarter increased this leverage greater momentarily.

Once the FX stabilizes at some level, our EBITDA is a generated in dollars and then translated into reais into a higher-level, it starts to convert this real leverage with the dollar leverage.

Now on the right-hand side, we see what Tomazoni mentioned, our robust liquidity position of US$$4.6 billion. We had at the end of the year US$4.5 billion in liquidity, so be kept this comfortable liquidity position despite the small cash consumption of the quarter. And it's worth mentioning that we withdraw US$850 million in revolving credit facilities in the US and we've been raising almost US$500 million in trade finance in Brazil, both just to build up cash. If we didn't have withdrawn this revolving and if we didn't raise this trade finance, we still have more than US$2 billion in cash position.

So this capital raising was just to improve our cash position in uncertainty times, and we can prepay at any time when we think that the volatility will start to become lower.

Now, this liquidity it's enough to cover all the amortizations of the debt up to the middle of 2025, and this cash liquidity at the end of the quarter if we add up the expenses already announced after the end of the first quarter – which is the acquisition of the Empire Packing; the R$1.4 billion dividends that we paid; the R$750 million acquisition of the margarine; and the 700 million of donation announced this year –, even adding these announced expenses our liquidity is still enough to take us up to the end of 2024.

On the bottom of the page, we see that we increased from the end of last year our exposure to commercial banks (that was only 8%) we increased to this 15%. It's worth mentioning that the bond markets are less favorable now, so we are using the credit limits that we have available for the company with the commercial banks.

On this page still, we see that we decreased from the first quarter 2019 we had an average cost of debt in dollars of almost 6% and we ended this quarter with an average cost of debt of 5.28%, as we saw on the interest expenses savings.

Now let's talk about the business units' performance. We will begin talking about Seara. So the main first quarter highlights for Seara was a net revenue of R$5.8 billion, 39% higher than the first quarter 2019 boosted by a 14.5% growth in sales volume and 22.2% in average sales price. EBITDA for the quarter was R$983 million, an impressive 254% increase with an EBITDA margin of almost 17%.

On the domestic market, net revenue was R$2.9 billion, a 24.7% increase over the first quarter of 2019 with a 3.8% higher volume and 17.5% higher prices. Processed food category was the highlight, posting an increase of 8.4% in volumes sold and 8.1% in average sales price to this period.

Seara continues increasing its preference with the Brazilian consumer through a strategy based on quality, innovation, and execution. For the 5th consecutive Nielsen assessment, Seara maintained its market leadership in the frozen food category with 23.4% of share versus the second… so 1.7 percentage points above the second brand and reached the leadership in the meatless product market with the *Incrível Seara* line.

In addition to growing in the organic chicken category with the *Seara Orgânico* line, additionally Seara has consolidated its innovation launched in 2019 and has been delivering record results in *Incrível Seara*, *Seara Gourmet*, and *Seara Nature* product lines.

In the export market, net revenues were R$2.9 billion, a 64% growth over the first quarter 19 boosted by an increase at 27.7% in volumes sold and 28.5% in higher prices.

Now please, let's move to page 18 to talk about JBS Brazil. First quarter highlights were net revenues were R$8.2 billion, which corresponds to a 20.6% increase in relation to the first quarter 2019, EBITDA for the quarter was R$338 million, which corresponds to a 73% growth over the first quarter 2019 with a 4.1% margin.

In the domestic market, net revenue was R$4.9 billion, a 28.6% increase over the first quarter 2019 due to a growth of 7.2% in volumes and 19.9% in prices.

Friboi continues to consolidate its position as the main beef brand in the Brazilian market and has been expanding its strategic partnership through the *Açouque Nota 10* program, a new model of beef sale which aims to develop a special sales channel in retailers and help them manage their butchers training professionals, avoiding wastes and differentiating their products at the point of sale.

In the export market, net revenues increased 10.6% reaching R$3.3 billion due to a growth of 27% in prices, partially offset by a reduction of 13 in volumes sold. The company is also investing in initiatives to offer products with higher value-added in the export market, and in February this year launched during Gulfood 2020 (the largest food and beverage fair in the world held in Dubai) the *Farms Friboi* brand.

Now let's move to the next page where we talk about JBS USA first quarter highlights. The net revenues ware US$5.2 billion for the quarter, an increase of 3.1% compared to the first quarter 2019 driven by an increase of 4.2% in volumes sold which more than offset a reduction of 1.1% in average sales price. EBITDA was US$244 million with EBITDA margin of 4.7% in the first quarter 2020.

JBS USA beef improved its product mix and continued to grow the volume of value-added products. After the end of the quarter, JBS USA concluded the acquisition of Empire Packing in the United States announced at the end of last year, reinforcing its performance in case ready segments. This acquisition has an additional capacity to the existing case ready business and places JBS USA as one of the 3 main case ready operators in the country.

Beef exports for JBS USA beef in the United States performed above the American market rates, which grew 10.5% compared to the exported volumes for the same period in 2019. The main import markets for the US beef products in the period were Japan, South Korea, Mexico, and Canada.

In Australia, the challenging cattle availability scenario coupled with temporary and seasonal shutdown at some plants in the northern region of the country, which occurred due to the rains, impacted production and volumes for the quarter. JBS Australia international sales posted 4% growth in the annual comparison due to higher prices and FX rate impact.

Primo Foods prepared food operation continues to exceed its production volumes diversifying the portfolio with new innovative launches, mainly in the snack segment.

Now let's please move to the next page, to JBS USA Pork first quarter highlights. Net revenue was US$1.5 billion in the first quarter 2020, an 11% increase in relation to the first quarter 2019 due to a 6.1% growth in average prices and 4.9% in volumes sold for the period. EBITDA was US$129 million for the first quarter 2020, an increase of 22% in annual comparison with EBITDA margin of 8.7%.

JBS USA pork results were due to a good supply of hogs in the United States and the solid pork demand in domestic and international markets as well as the strong operational performance of this business unit. In the first quarter 2020, JBS USA pork sale exports grew 56% compared to the first quarter 2019, highlighting the increase in exported volumes to the Chinese market, which started importing pork in addition to the traditional offal.

The country reopening following the effects of COVI-19 and the continued impact of the African swine fever indicates that China will continue to lead the global pork imports for some time.

Plum Rose continues to expand its presence in the prepared food segment in the United States as a result of a strong operational performance and volume growth. In April, this business unit began the construction of a new plant for the production of precooked and cooked bacon in Moberly, Missouri, with a capacity of 24 million pounds per year, which will start operating in 2021.

Now moving to Pilgrim's Pride first quarter highlights, net revenues totaled US$3.1 billion, 13% higher than first quarter 2019. EBITDA was US$166 million, 19% lower than the same period last year while EBITDA margin was 5.4%.

In the USA, the market tracked normal seasonality initially during the first quarter before wider implementation at travel and movement restrictions due COVID-19, disrupted retail, and food services channel demand. The large bird deboning market was especially volatile during the quarter and remained challenged compared to 2019.

PPC continued to improve its relative performance versus the industry across all its business units. The units also adapted quickly to the change in channel demand by shifting the mix of its production capabilities supported by its close partnership with key customers, strong focus in execution by PPC team members, the geographic diversity and its food print and its presence across all bird size categories.

In Mexico, revenue was stable. Market environment during the first quarter was difficult as weak market conditions persisted longer than expected contributing to uncertainties in consumer spending. PPC increased share of non-commodity products with stronger execution and growth in prepared foods have helped and partially offset the weakness.

In Europe, the legacy operations once again delivered robust results in the first quarter and the newly acquired European operations also performed well and continued to generate positive EBITDA.

Now on the next page, we just have our unique global platform, which Tomazoni mentioned in his speech, and in the last page we have our exports breakdown by region.

With that, I would like to open to the question and answer session.

Question and Answer Session

Operator: Ladies and gentlemen, we will now begin the question and answer session.

If you have a question, please press the star key followed by the 1 key on your touchtone phone now. If at any time you would like to remove yourself from the questioning queue, please press star 2.

Our first question comes from Leandro Fontanesi, Bradesco BBI.

Mr. Fontanesi: Hi, good morning. Thank you for the opportunity. I have 2 questions. The first one, I appreciate the comments that you provided in the Portuguese conference call, I was trying to ask the question in a different way. When we look into the US market – and I you understand that you mentioned that protein spread based on the spot today is not very good reference given the volatility –, but if we consider April, for example, I understand that the data, even if it's not perfect, suggests some improvement in terms of margins.

And just to understand if this is enough, if you think this is enough to compensate for the higher operating costs that you have with [unintelligible] the year, idleness and also the bonus that you mentioned. So just to understand if these movements would be positive in the absolute terms for EBITDA in April, for example, in comparison to March. So if you can give us a direction not any further details.

And the second question is, I understand that there is a difference between the impact of coronavirus for integrated businesses in comparison to nonintegrated businesses, and I understand that in Brazil we are just beginning to see some impacts in some of the plants that you have. So just to understand what's the impact, what’s the difference in terms of impacts, the negative impacts of coronavirus in integrated businesses in comparison with nonintegrated and if in Brazil you are doing the adjustments in chick placement, for example, in the industry in anticipation to any potential impacts from coronavirus. Thank you.

Mr. Tomazoni: Thank you, Leandro, for your questions. I will ask André, please, could you answer Leandro about the US beef? And then, Wesley, maybe I think you can answer about the integrated business in Brazil.

Mr. André Nogueira: Good morning, Leandro. Leandro, just to add a little bit more. So the spot market in the US (that the USGA reported and most of the analysts cover) probably responds for something around 20% of the total meat that we sell. That's my point that they stopped especially in a time with high, volatility right now, and it's not a good one.

On the cost side, it's very tough for us to have a clear view at this point considering how fast we are implementing all the actions to protect our workers. So, again, we have been doing this now for a little bit longer than 2 months and we are taking actions every day. And to be honest, we probably put so much effort in the safety of our workers that costs now for us is secondary. So I’m not looking at [unintelligible - muffled sound] fast, because and now there is big, big priority with the safe approach.

So we are implementing actions every day, it's very hard to have a full visibility how this will be for the quarter, some items are easy when we decide to pay an extra thank-you bonus for the team members, this is easy to calculate, but how fast we are implementing the actions, how this impacts our operations, how this slows down the normal production facility, on top of the cost to stop some plants, on top of what we have done in the US that we take vulnerable population, the most vulnerable population out of our plant and that represents around 10% of the team members, so it's a little bit frustrating, I understand that, but we don't have the full visibility of the cost.

We added around 1000 people divided in 2 groups; one is to the extra cleaning that we are doing, and the other one, kind of half to half, the other one just to enforce the new policy related to COVID and educate our team under this COVID.

So, so many actions at the same time in several different plants, it's hard to have a visibility. On top of that, the stoppage of a small piece of the market that does not represent in a market with the volatility that we have right now the full picture. And, as I said before, on top of that we are taking in some export, food in the domestic market. Too much volatility for me to try to give you any direction.

But I expect overall that we will follow the normal trend in terms of second quarter being much better than the first quarter at this point probably yes. We expect that this normal trend will continue to apply for this year for the second quarter to be better than the first quarter, as it is pretty much every year.

Mr. Wesley Batista: Leandro, this is Wesley.

Mr. Tomazoni: Leandro…

Mr. Batista: Sorry, Tomazoni, go ahead.

Mr. Tomazoni: No, no, go ahead. I thought that you were not on the line. Okay, go ahead.

Mr. Batista: Leandro, so regarding COVID effect in Seara and being integrated, we have, since the beginning of the spread of the COVID-19 in Brazil, we have been working in a very, very strong protocol to cover our team members, we are working in partnership with specialists and the best hospitals and infectologists in Brazil to make sure that we have a safe environment in our plans. We moved very fast to implement all those protocols in our plants and we are very, very confident of the safety we are providing to our team members in our plants.

That being said, we are not working with a scenario of reducing in a significant way our chick placements and predicting any sort of disruption in our plants ahead of time. So we are not working with that scenario given the protocol we have implemented in our plants.

Mr. Fontanesi: Perfect, thank you very much. I appreciate the effort in explaining the situation.

Operator: Our next question comes from Rafael Fommer, Logus Capital.

Mr. Fommer: Good morning, Tomazoni and Guilherme. Thanks for taking my question. I understand that the moment's predictability is very low and the company's focused on other fronts, but could you please give us an update on the listing of the US operations, please? Any news on this would help. Thanks.

Mr. Tomazoni: Sorry, I lost the end part of your question. Could you repeat that, please?

Mr. Fommer: Oh, yes, sure. I understand that the predictability is very low. The company is focused on other fronts, but could you give us an update on the listing of the US operations, please?

Mr. Tomazoni: Oh, okay. Now I understood. Well, the listing is our priority because there is a lot of value to unlock to all the shareholders, but at this moment, really, we are not looking at this project; we are focused on to protect our team members and to provide food for the world.

But the project is in the top priority of the company. Sorry if I cannot be specific, but this is what I can tell you now.

Mr. Fommer: Okay, thank you very much.

Operator: Our next question comes from Brian Hunt, with Wells Fargo securities.

Mr. Hunt: Thank you for your time. I was wondering if you could discuss the migration of your beef and pork capacity to retail products from food service products, particularly and/or export products, particularly in the US operations, you know, given the dramatic slowdown in food service operations around the world.

Mr. Tomazoni: André, maybe you start to answer the question.

Mr. Nogueira: Hi Brian, thanks for the question.

Mr. Hunt: Hey, good morning!

Mr. Nogueira: Here in the US the migration is very simple for us, Brian. We do not have any plant fully dedicated to food service in the beef and pork side, so I'd say that the migration for us was very similar; adjusting products, but really, really easy migration.

And you are right, there was a slowdown in food service that, by the way, is picking up in the last 2 weeks, Brian. It surprised me a little bit the pace of the pickup in food service, still way below the normal, but starting to pick up.

The only area, Brian, that we have a little bit is in the further processed, bacon line that we have that is dedicated to food service. That line is hard to convert for retail. But we are running the other lines in our further processed more, so we are not going to have any less volume even in the prepared food side because we are not running food at food service line. I'd say that the volume will be higher despite of that.

So no impact, no material impact in the US at all to change from food service to retail. Very easy.

Mr. Hunt: And then my second…

Mr. Tomazoni: And Brian…

Mr. Hunt: I'm sorry, go ahead.

Mr. Tomazoni: No, no, go ahead, Brian!

Mr. Hunt: And then my second question is, you know, you all invested in [unintelligible] technology several years ago because the automation, you got a fully-automated sheep processing facility in Australia. You know, how can you take that technology and roll it out as quick as possible maybe to improve social distancing and/or in the problems with attendance and absenteeism, you know, where do you kind of stand in that timeline and what kind of improvements should we expect in automation in the next 12 to 24 months?

Mr. Tomazoni: Brian, automation and digitalization has been a priority for the company for the last years. We are focused on that because we strongly believe that it will help to improve the productivity of the [unintelligible]. Now I think we have one more incentive to accelerate the project, but we are not in a condition to give you a program and a time when it will be put in place.

Mr. Hunt: I will hand it off to somebody else and thank you for your time and best of luck. Stay safe.

Mr. Tomazoni: Okay, thank you.

Operator: Our next question comes from Carla Casilla, with JP Morgan.

Ms. Casilla: Hi, I was wondering if you could give us a sense for what level of capacity you think the US beef, pork and chicken markets are currently running given the plant shutdowns. I guess industry-wide and then your own business as well.

Mr. Tomazoni: Sorry, I had difficulty to understand your question, the connection is not so good. Could you repeat that, please?

Ms. Casilla: Yes. I'm wondering what capacity the US is running currently for the beef industry, the pork industry and the chicken industry given the plants' shutdowns that we've had. And then what you are running at in terms your percentage of or capacity.

Mr. Tomazoni: I don't know, I think the line in the US dropped. André, are you in the line?

I think the line dropped. But I will answer that. What we know that the industry, the last information was about last week that the industry is working around 70% in beef and pork, and around [unintelligible] percent in chicken, and we are running a little bit more than this in our operation now. All our factories now are running.

Ms. Casilla: Okay great, that's helpful and I can ask André next week on the US call too. Thank you.

Mr. Tomazoni: Okay, maybe it will be better. You can get more up-to-date information.

Ms. Casilla: That's great, thank you.

Mr. Tomazoni: Thank you.

Operator: Our next question comes from Ben Theurer, with Barclays.

Mr. Theurer: Hey, good morning, Tomazoni, team. Thanks for taking my questions. Couple of ones. I'd like to start off with the Brazilian business. I mean, clearly, we've seen very strong performance on the EBITDA side in JBS Brazil, but also in the case of Seara it was obviously an impressive quarter.

Now, can you give us a little bit of sense of what you expect for the rest of the year in terms of the domestic market and the export markets just considering that obviously FX for export has been very favorable, but what could that mean for pricing domestically and then ultimately consumer reacting to that facing a more challenging microeconomic conditions in Brazil? That would be my first question.

Mr. Tomazoni: Wesley, would you like to answer this question?

Mr. Batista: For sure. Hi Ben, how are you?

Mr. Theurer: Fine, thank you.

Mr. Batista: The current situation makes it tough to make long-term predictions like this, right? We know that COVID makes the scenario unstable and I guess no one knows and is able to do an accurate prediction right now of how we are going to perform until the end of the year.

What I can tell you is that the performance we had on the first quarter, yes, there were some fundamentals in the market that helped us, such as the exchange rate, but a lot of it comes from performance and execution and a lot of the fruits that we are harvesting from work from previous years. So quality, innovation, execution with our team. So when I look forward, I see a lot of those scenarios, a lot of those fundamentals still… I do still believe that they will still hold and our performance we are expecting that to continue and improve.

What I can tell you is that. It's very difficult to make a very precise prediction, but we believe these fundamentals and execution should continue as strong.

Mr. Theurer: Okay, perfect. Thank you very much for that.

Mr. Tomazoni: Ben, and this for all of our operations; it's too early to make a prediction or forecast for the year. We are facing a really high volatility in the market, we need more time, we need more weeks, more months to give a more stable… a more stable reaction to predict the consumer behavior or the demand, what will change from one chain to the other chain or what will happen with the COVID in the different regions. It's really tough to predict.

I know that you are not comfortable with this answer, but unfortunately, it's not because we want to avoid to answer the question, it's because it's unpredictable this information yet now.

Mr. Theurer: That's okay, Tomazoni. And then I'm not sure if Andres back, but maybe you can answer my second 2 follow-up questions as well.

With the capacity in the US, be it in beef and pork, as you said you're running at about 70%, so clearly there is a lot of cattle and a lot of hogs that are not getting slaughtered right now, and my math suggests that we are running roundabout about 3 million hogs and almost 1 million cattle that have been backed up and not slaughtered.

So the question really is: Do you think from this low slaughter activity and the impact it has on farmers, which basically get all the backlog and have all these animals are ready to slaughter but can't put them into processing, do you think this is going to have a medium to more long-term impact disruption on cattle and hogs supply way beyond what the current situation around COVID is – and the uncertainty here obviously I am really thinking more of like to 1 to 2 years out what it could mean –, and also in light of the Australian business connecting that end to it that you got, I think, one plant suspended for exports to China, you highlighted how pork exports to China are strong, so you're going to offset that out of the US or out of Brazil?

Just to understand a little bit that Australia piece, but particularly my question would be on this medium/long-term impact from cattle and hog supply.

Mr. Tomazoni: André?

Mr. Nogueira: Thanks for the question, Ben.

Mr. Tomazoni: Oh, you are back. Okay, go ahead.

Mr. Nogueira: Thanks for the question, Ben. I think that one thing that is very important is all this situation that we are right now, this crisis that we are fighting together does not change, in my perspective, the great outlook in terms of consumption of protein in a global base at this moment. We still have a deficit of protein in Asia that I think that the US, Brazil, Australia will be the ones that will supply for that deficit.

So demand in the med to long-term perspective, in my view, continues to be very positive. So you are right, the production at this moment has been [unintelligible] some of the beef and pork. Again, my perspective is that we are running the industry in what is now 75% in the beef and 84% in the pork. Of course, depending on how this virus will behave will define how fast we can ramp up this production. The ramp-up has been pretty good in the last 2 weeks in terms of increasing, and this will define how much we can catch up in terms of this production for the remainder of this year.

I think that cattle is easier, a little bit easier than hogs. You hold the cattle in the farmers longer, the feed lock can slow down. So I don't anticipate any big disruption in the cattle supply. The other way around this, that cattle will have plenty of supply. So I don't think that changes anything in the supply perspective, we think it's positive in cattle.

In the hog side, we are seeing a little bit of people need to eliminate hogs at the farms, I don't think that at this point it's a huge movement, but they exist.

What will be the impact in terms of supply for the long-term in the hog I think that will be related with how the government will support this farm. Everything that I hear from the government is a concern, a huge intention to support the farms, and as they support the farms, as we can run more, as the demand in Asia continues to be pretty strong – just remember that the growth in exports from the US in the first quarter, so before they were hit by this virus, was 500% higher than last year in the same quarter –, the demand is there, there are agreements in place, I have the confidence that if the virus continues to go down we will be able to ramp-up this production back so I think that the perspective for the mid to long-term continues to be very positive.

We need to get through this situation that we are right now, the US government has been very, very supportive for the farmers overall, I think that they will find a way to give support to the hog producers, and if the hog producers have the perspective and have the demand out there, I don't think that they are going to see any big reduction, we are not seeing any big reduction and I don't think that we are going to see any big reduction that could compromise the supply for 2 years ahead.

Again, it's too early, I'm just sharing with you my expectation and what we're seeing and talking with hog producers.

Mr. Theurer: And on Australia plant that have suspended exports to China?

Mr. Nogueira: This is one of dozens of plants that we have globally that can export to China. We never like to have a plant suspended, but what is the material impact of that in [unintelligible] for JBS overall? None. What we don't stream from that plant, we send from others, that plant can send more, can supply more Japan and Korea.

Again, it's not very good, but the real material impact for us considering the global footprint, we had from the US a lot of good discussions and a lot of good perspectives in sales from beef from the US and from Canada to China, we just slowed down because of the availability now, but the availability comes back, we have plenty of plants available to export to China.

So, no material impact from that.

Mr. Theurer: Okay. And then one quick last one for you, André. Do you think with social distancing having to be put in place, more investments into safety of workers, facemasks, all that kind of stuff, do you think there is a substantial and relevant impact on operating cost and collect cost associated with human resources in the future as a result of the pandemic we are going through right now?

Mr. Nogueira: There is, [unintelligible] 5 or 4 plants in the last 2 weeks and I am amazed how the workers embraced the new safety protocol that we put in place; the use of mask, use a face shield, it's not comfortable using it in the office all the time, every day, but they embraced there, I think now there is a very good level of understanding how this is relevant and why that's important, and I think they are adjusting really, really fast. I was very positively surprised in these 5 plants that I visited in the last 2 weeks; the acceptance, the embrace and how they understand what we are doing.

So the use of PP&E in terms of productivity, I don't think we will have an impact. I think it will be more cost. No question. We are using disposable facemask. There is the cost related to that, and it's not only one facemask per day, we are using an average of 1.5 per day for each of our team members in a global base.

We hired in the US 1000 extra people, around 500 for extra cleaning in all the common areas and 500 for education related with COVID and enforcement of the new policy. There is an extra cost that will be with us until we have a vaccine, until this pandemic changes course and goes away.

How much it will be this cost? It's hard to say right now, but there is… We announced here in the US that only in the US and Canada we expect to invest or invested right now (from now until the end of the year) over US$100 million. And this is investment, this is safety investments, it's not related to additional cost because we stopped a plant. It's the cost like masks, it's the cost like taking the vulnerable population out, it’s the cost like the extra thousand people, it’s the cost like put physical barriers between the workers in the line when 6 feet is not possible.

So this cost will be with us during this time of this pandemic.

Mr. Theurer: Okay. Perfect. I'll leave the [unintelligible] alone. Thank you very much.

Operator: Our next question comes from Lucas Ferreira, with JP Morgan.

Mr. Ferreira: Hi, good morning everyone. I just wanted to ask Guilherme: Guilherme, if you have an updated view on the Capex for the year, if you have already revised budget and what is the… if you have at least a range for expectation for the full year for the Capex.

And what all this volatility means to the working capital for the company? Just also expectation on the working capital as well. Thank you.

Mr. Cavalcanti: Thank you, Lucas. On the first, as Tomazoni mentioned, we have a very robust liquidity position, so we don't have a need to revise our Capex budget for the year, so we didn't have any Capex restrictions because of that. So we have still the same guidance of around US$1.2 billion for the entire company for the year.

Second, the working capital we don't have also great variations, except on the balance sheet in reais given the FX translation of Accounts Receivables and Accounts Payables, but this is only on the translation. We are not having any pressure from the supply side or Accounts Receivables. I think in fact, as we have credit limits with bank, we've been especially from the second semester of last year increasing our terms of payments and at the same time we were decreasing our discounts of receivables given that we don't need to incur in additional interest expenses when the Accounts Receivables discount becomes very expensive in situations where the market is in turbulence.

But so on, one month, on thing is offsetting the other, so we don't have main variances in capital for the rest of the year.

Mr. Tomazoni: And Lucas, about the Capex, we didn't change the Capex. We keep the Capex because the fundamentals of the business are very positive for the future and we need to keep doing our strategic investments.

Mr. Ferreira: Perfect. And if I may, another quick question. In the chicken market, what is the price differential that you have for exporting from Brazil and from the US? How do you see these dynamics of the export market for chicken in China when you export through Pilgrims and when you export through Seara? How do you see the US competing with Brazil – that would be my question – in China from the US and Brazil? Thank you.

Mr. Tomazoni: I think the answer is not only for chicken, it's for all proteins. Each country has its own market there because the position of the products is different. And, for example, answering your question about chicken, [unintelligible] I can say the market is very huge, we don't need to compete. There is a market for everyone in there, no need to be competing one country to another country. The market is huge, lots of markets.

When you go to other mix, the products, the US is more focused on commodity issues and Brazil is more focused on more value-added products in terms of deboning, small portion. The US is more commodity, is more leg quarters. Then in the end, there is no competition. Of course, we compete for all protein markets, but we compete in different layers.

Mr. Ferreira: That's clear, Tomazoni. Thank you, Guilherme as well. Thank you.

Mr. Cavalcanti: Thank you.

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.

Mr. Tomazoni: I am extremely grateful for our team of 240,000 around the world who are dedicated to providing food to the world when it needs it most. Thank you for your service and commitment. Thank you for all of you having participated in this conference. Thank you.

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