

Company Presentation

December 2018



Disclaimer

- This presentation contains forward-looking statements relating to the business outlook, operating and financial projections, and the growth prospects of São Martinho S.A. These statements merely represent projections and as such are based exclusively on management's expectations about the future of the business.
- Forward-looking statements are no guarantee of performance. They involve risks, uncertainties and assumptions because they relate to future events and therefore depend on circumstances that may or may not occur in the future.
- Investors should understand that general economic conditions, industry conditions, climate and other operating factors could also affect the future results and could cause results to differ materially from those expressed in such forward-looking statements.

São Martinho at a Glance

Number of Mills

4

Maximum Production¹

Sugarcane Crushing

24.5 mn tons

Sugar

1.6 mn tons

Ethanol

1.3 bi liters

Energy

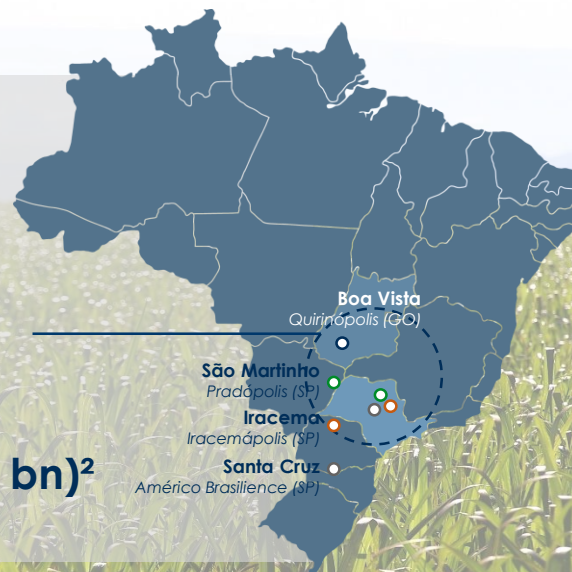
1 GWh

% Own Sugarcane/Third Parties

70%/30%

Own Land

55k ha (R\$ 3 bn)²



300,000 ha
Agricultural Area



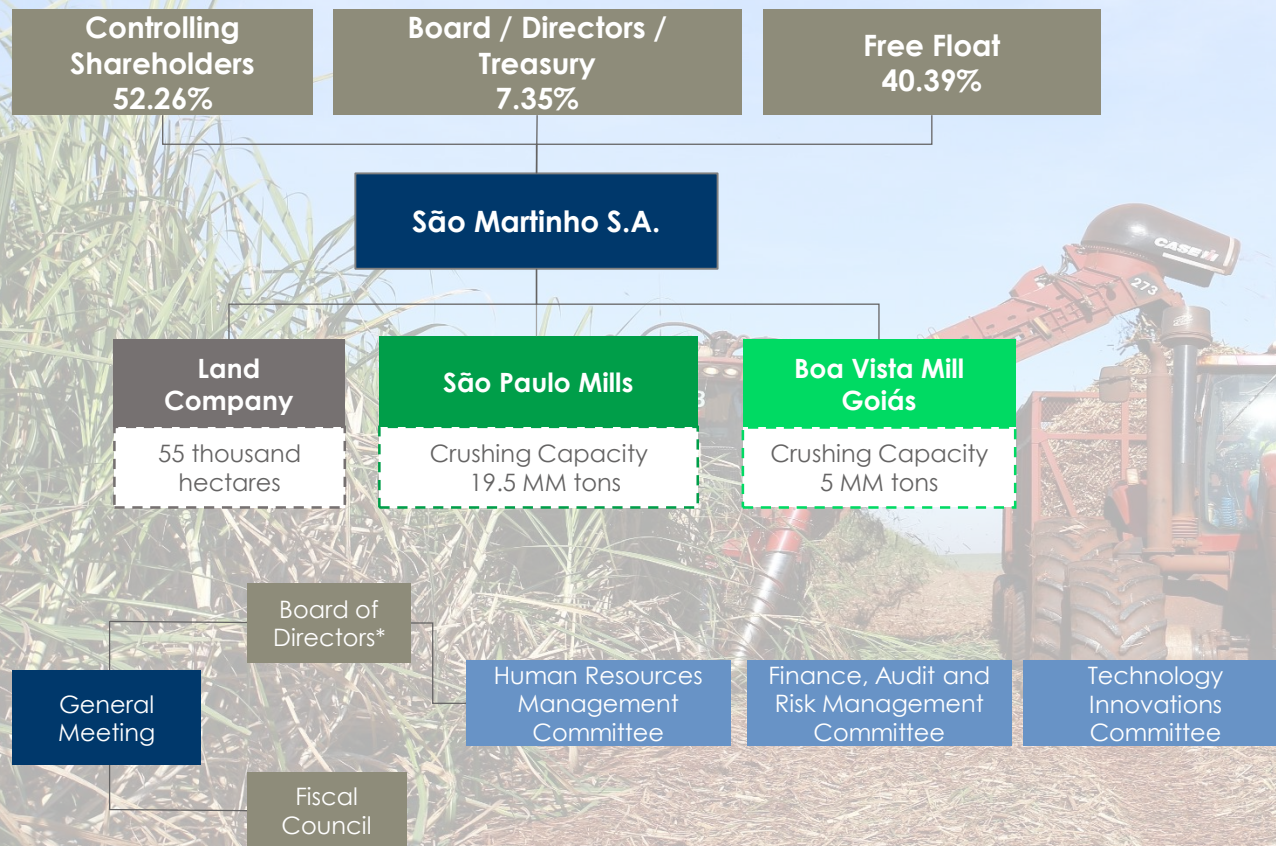
35% / 65%
mix
Between sugar
and ethanol



~ 100%
mechanization

-1 Productive potential with maximum production of sugar or ethanol; 2 - According to Deloitte's 2014 report

Corporate Governance



*Board of Directors

7 members

- ✓ 5 members elected by the Controlling Shareholders
- ✓ 2 independent members:

- **Murilo César L. dos Santos Passos**
Member of the Management Committee of the Board of Directors of Suzano Papel e Celulose S.A.
- **João Carlos Costa Brega**
President of Whirlpool Latin America and Executive Vice President of Whirlpool Corporation

Value Creation Strategy

Operational Excellence



- ✓ Sugarcane longevity of more than 8 years on average
- ✓ Harvester productivity 50% higher than its peers through the cycle
- ✓ Cogeneration capacity of 85% of sugarcane crushing
- ✓ Industrial scale: average of 6 mn tons/mill

People



- ✓ High performance environment
- ✓ "São Martinho way of being"



Technology and Innovation



- ✓ Digital transformation strategy
- ✓ Agricultural automation
- ✓ PSS / MEIOSI

São Martinho



Capital Allocation



- ✓ M&A strategy based on assets with agricultural synergies
- ✓ R\$ 3 billion invested over the last 7 years
- ✓ Resilient cash generation

Logistics and Commercial



- ✓ Capacity to store roughly 80% of sugar production and 70% of ethanol production¹
- ✓ 100% outflow of sugar exports by railroad

Key Takeaways

2018/19 Season

- ✓ Shift in production mix: 65% ethanol - Approx. 1.1 billion liters
- ✓ Ethanol carry strategy: 2/3 of sales will be allocated after sep/18
- ✓ Sugar Production: ~100% hedged (own sugarcane) at ~BRL 1,140/ton
- ✓ Solid Free Cash Flow Yield

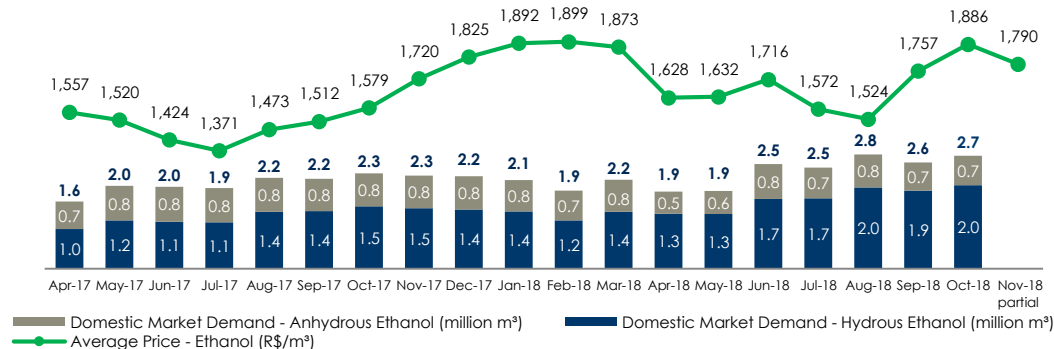
FY 18/19: Ethanol Will Play a Key Role in FCF

Ethanol Inventories for the intercrop

INVENTORIES	2Q19	2Q18	Chg. (%)
Ethanol (m³)	610,635	453,070	34.8%

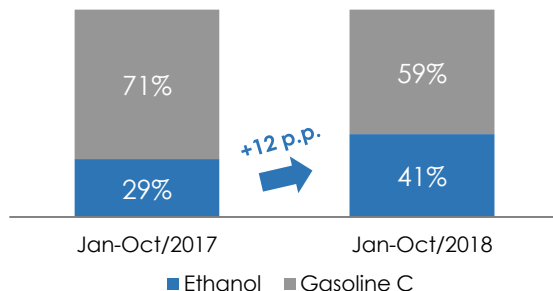
66% of the available volume for sale in the 2nd semester

Ethanol Consumption higher YoY



Source: CEPEA Esalq / São Martinho

Consumption Trend on SP/MG/GO States



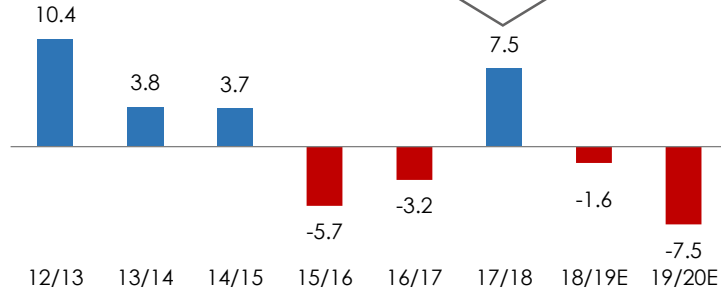
Highlights

- ✓ Ethanol/gasoline parity at the pump in SP (Nov/18): 63%
- ✓ Average ethanol prices should be higher than in the 17/18 crop
- ✓ Carry trade strategy will play out in 18/19 season

...And we are hedged to sugar scenario

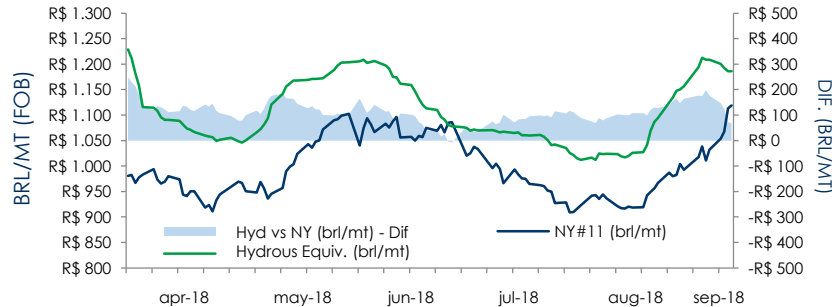
Global Supply / Demand

(million tons)



Source: Datagro

Return on ethanol higher than sugar during 2018/2019 harvest



Source: São Martinho

Sugar: Inventories

INVENTORIES	2Q19	2Q18	Chg. (%)
Sugar (tons)	514,448	565,886	-9.1%

61% of the available volume for sale in the 2nd semester

18/19 Exposure:

~100% lock in at
~R\$ 1,140/ton

19/20 Exposure:

~45% lock in at
~R\$ 1,200/ton

Highlights

- ✓ Resilient global sugar consumption growing 1.5% - 2% YoY
- ✓ Ethanol is outperforming sugar in Brazil despite recent spike on sugar prices
- ✓ Reduction of sugar production in India due to the white grub infestation in certain regions
- ✓ Poorer weather conditions in Europe with a high probability of El Niño occurring in the first half of 2019

Projects Focused on Reducing Costs and Higher Returns

Projects

Expected Gain

COA Project: Agricultural Automation
(R\$ 60 MM invested)

Savings of R\$ 2 to R\$ 3/ton
starting in the 21/22 harvest

**Pre-Sprouted Seedlings Project +
MEIOSI**
(R\$ 30 MM invested)

Full use of installed capacity starting
in the 21/22 harvest and 20%
reduction in direct production cost

Continuous Improvement Project

Savings from R\$ 2 to R\$ 3/ton after
implementation of all projects

Capital Allocation Strategy

NET CASH FLOW

✓ Dividends

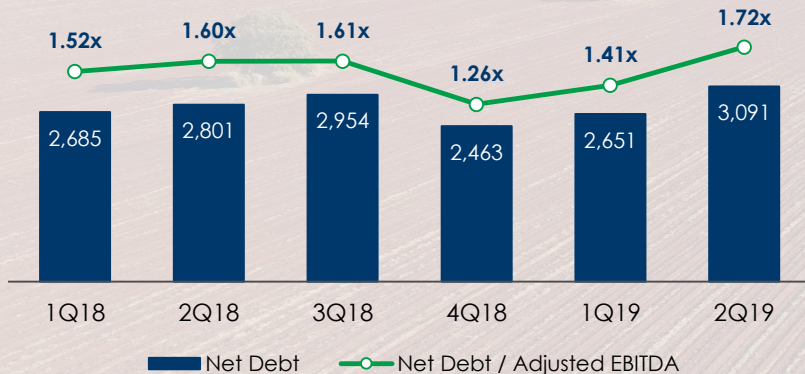
✓ Share Buyback

✓ PSS+MEIOSI /
COA Project

Indebtedness

Net Debt

(R\$ million)



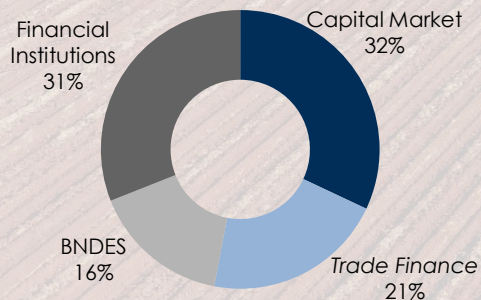
S&P Global

BB+
Global Scale
Positive Outlook

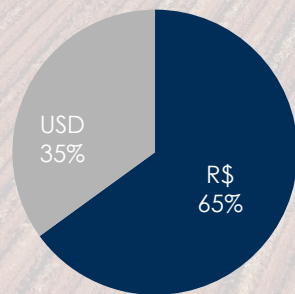
BrAAA
National Scale
Stable Outlook

Gross Debt - R\$ 4,434 million

Debt Profile

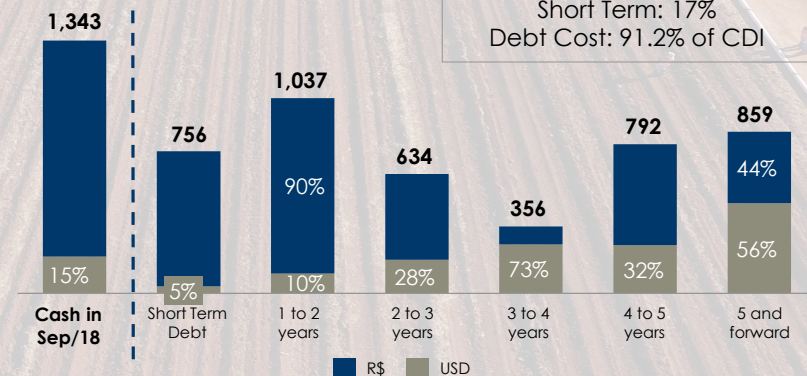


Currency - Net



Debt Schedule

(R\$ million)



Average Term: 3.4 years
Long Term: 83%
Short Term: 17%
Debt Cost: 91.2% of CDI

Potential Receivables (Copersucar Legal Claims)

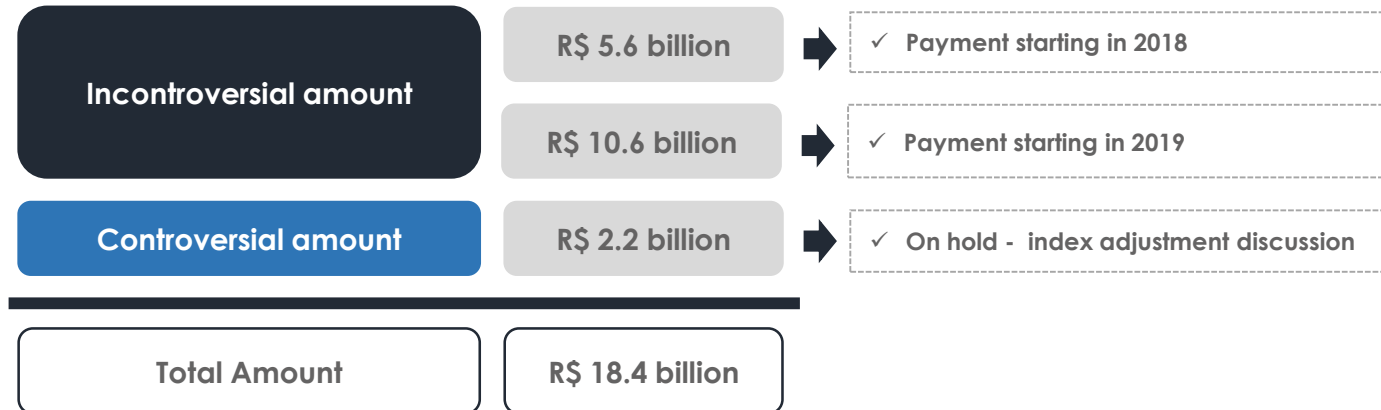
✓ What is it?

Potential indemnification as a consequence of sugar price gap below average costs of production calculated by the FGV between march/85 and october/89

✓ **Total amount of potential receivables:** R\$ 18.4 billion

✓ **SMTOs stake:** approx. 13% of the total amount

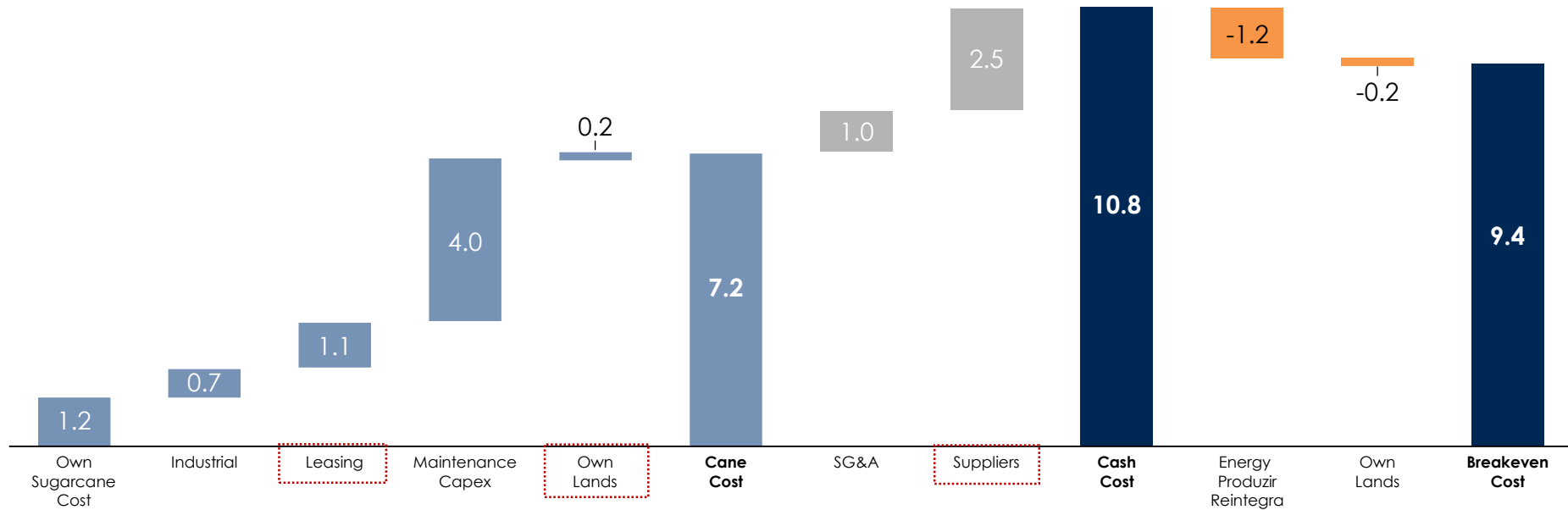
✓ **Receivables schedule:** 15% in current year / other 85% within the next 5 years in equal installments (adjusted by inflation + 6%)





Appendix

Cash Cost Breakdown



* In cents per pound considering FX of R\$ 3.75/USD



Projects

PSS+Meiosi Project



Higher productivity of the sugarcane cycle

Increased availability of sugarcane

Reduced planting cost

PSS Biofactory - February 2015



PSS Biofactory - September 2018



PSS Biofactory

Greenhouse Sprouting: 198 ha
Greenhouse Development: 317 ha
Bench Termination: 1,080 ha

Tank
Rainwater
harvesting
900 thd liters

Bench
1
(182 ha)

Bench
2
(182 ha)

Bench
3
(182 ha)

Bench
4
(125 ha)

Bench
5
(176 ha)

Bench 6
(70 ha)

Greenhouse
Development
1
(165 ha)

Greenhouse
Sprouting
(198 ha)

Greenhouse
Development
2
(152 ha)

Bench
Term.
7
(163 ha)

FULL CAPACITY: 1,595 ha

PSS+Meiosi Planting Area

2017/2018 Harvest

46%



2018/2019 Harvest

64%



2019/2020 Harvest

80%



PSS+Meiosi - Benefits and Gains

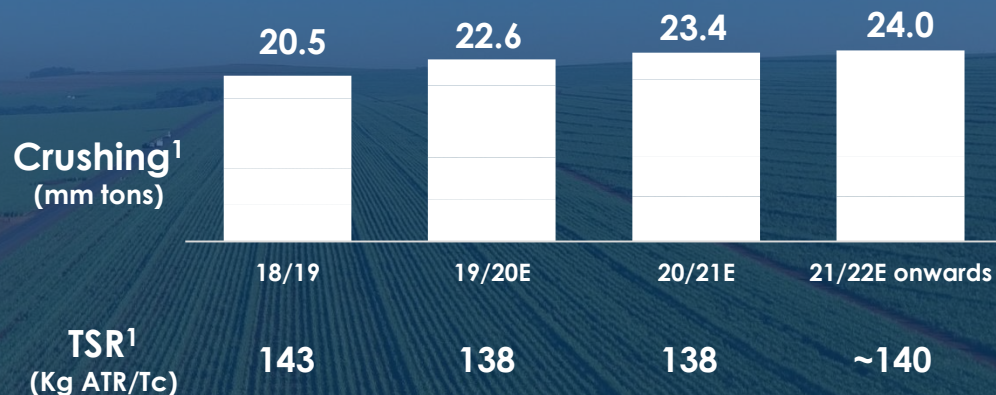
Crushing Increase

TCH Increase

Planting cost reduction

Reduction of planting area combined with
potential TCH increase =

Full use of installed capacity

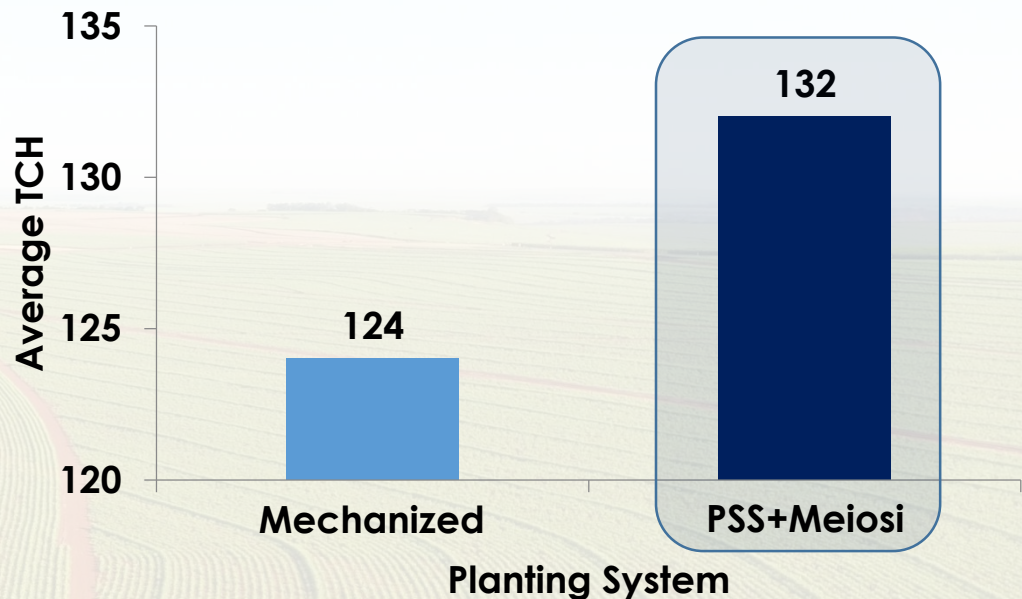


PSS+Meiosi - Benefits and Gains

Crushing Increase

TCH Increase

Planting cost reduction



Plant sanity

Genetic purity

Vigor

Stand

PSS+Meiosi - Benefits and Gains

Crushing Increase

TCH Increase

Planting cost reduction

Reduction of
20%
in direct
production cost

Less seed transportation

Reduced structure

Lower diesel consumption by area
Lighter Operations

Better use of time

COA Project: Agricultural Automation



Key Takeaways on Agricultural Automation



Remote diagnostics

Remote maintenance of machinery and equipment

Electricians and mechanics x time in displacement

Better equipment efficiency

Corrective, preventive and PREDITIVE maintenance

**Higher availability and RELIABILITY
of equipment**

COA Project - Schedule



We are on schedule

2017/2018	2018/2019	2019/2020	2020/2021
Technological validation of the 4G LTE 250 MHz network Start of network implementation at São Martinho mill	Completion of network implementation at São Martinho mill Field studies and beginning of implementation in the other mills	Operating network at São Martinho mill Network implementation in the other mills	Operating network in all São Martinho units

Gains starting in 2019

**Recurring R\$ 2 to R\$ 3/ton
after 2021/2022 harvest**



Continuous Improvement Project: The 7 Wastes

- ① Defect, Inspection, Rework, Loss
- ② Excess Production
- ③ Transport
- ④ Unnecessary Moves
- ⑤ Waiting
- ⑥ Stock
- ⑦ Unnecessary Processing



WASTE:

“EVERYTHING THAT CONSUMES RESOURCES,
BUT DOES NOT ADD VALUE”.



Continuous Improvement Project on Going

**KAIZEN
RANGE**

KAIZEN PROJECTS DEFINITION

WORKING
PHILOSOPHY

LEAN

MANUFACTURING

PROCESS
IMPROVEMENT

VALUE TO
COSTUMERS

WASTE
ELIMINATION

48

INITIATED
PROJECTS

Estimated cost reduction of
R\$ 2/ton after completion of
the 48 projects in all units

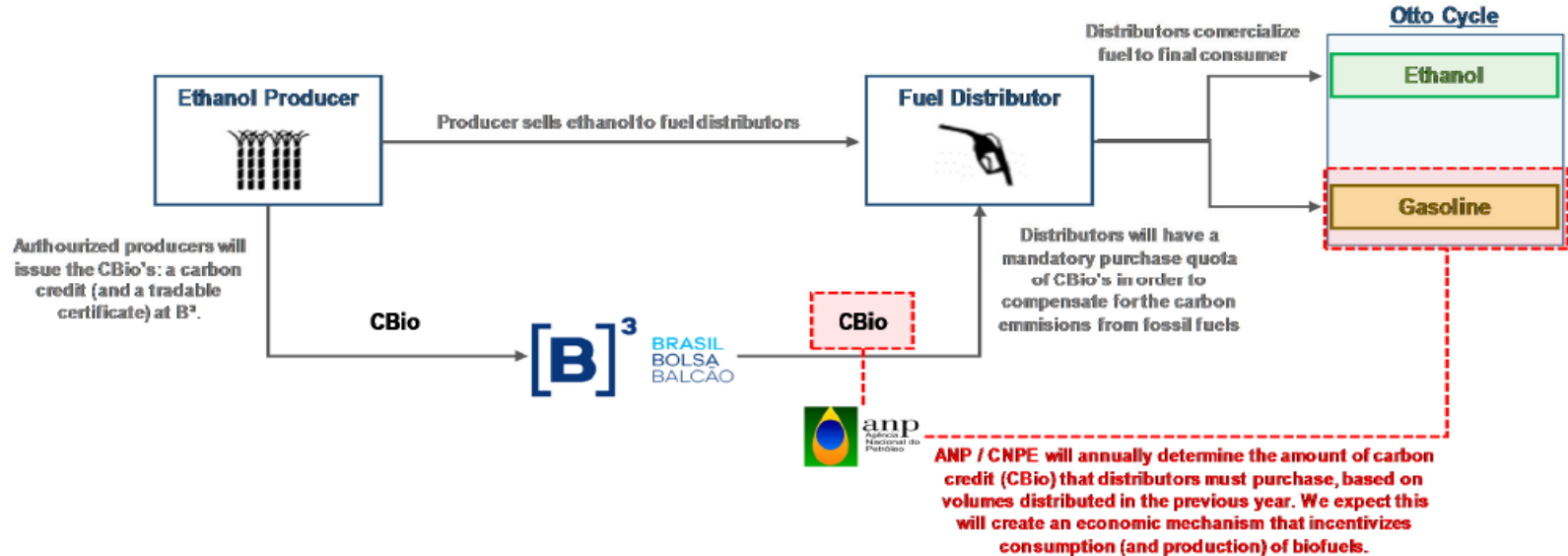
+57

ADDITIONAL
PROJECTS

Estimated cost reduction of
+ R\$ 1/ton after completion
of 57 projects in all units

RenovaBio - Long Term Sustainability to Ethanol

- ✓ Brazilian policy based on the expansion of biofuels production combined with the energy matrix decarbonization in the short, medium and long term;
- ✓ Potential to almost double ethanol consumption from 26 billion liters to 47 billion liters within the next 10 years;



RenovaBio - Main Assumptions

CBIOs Potential Impact on SMTO

FY 2020

- ✓ CBIO price (USD/Ton) 10
- ✓ CBIO in Ethanol Price Equiv. R\$ 53/m³
- ✓ SMTO Annual Cash Flow Impact* **+R\$ 60 MM**

*Considering 1.2 bi liters of production and FX: 3.50

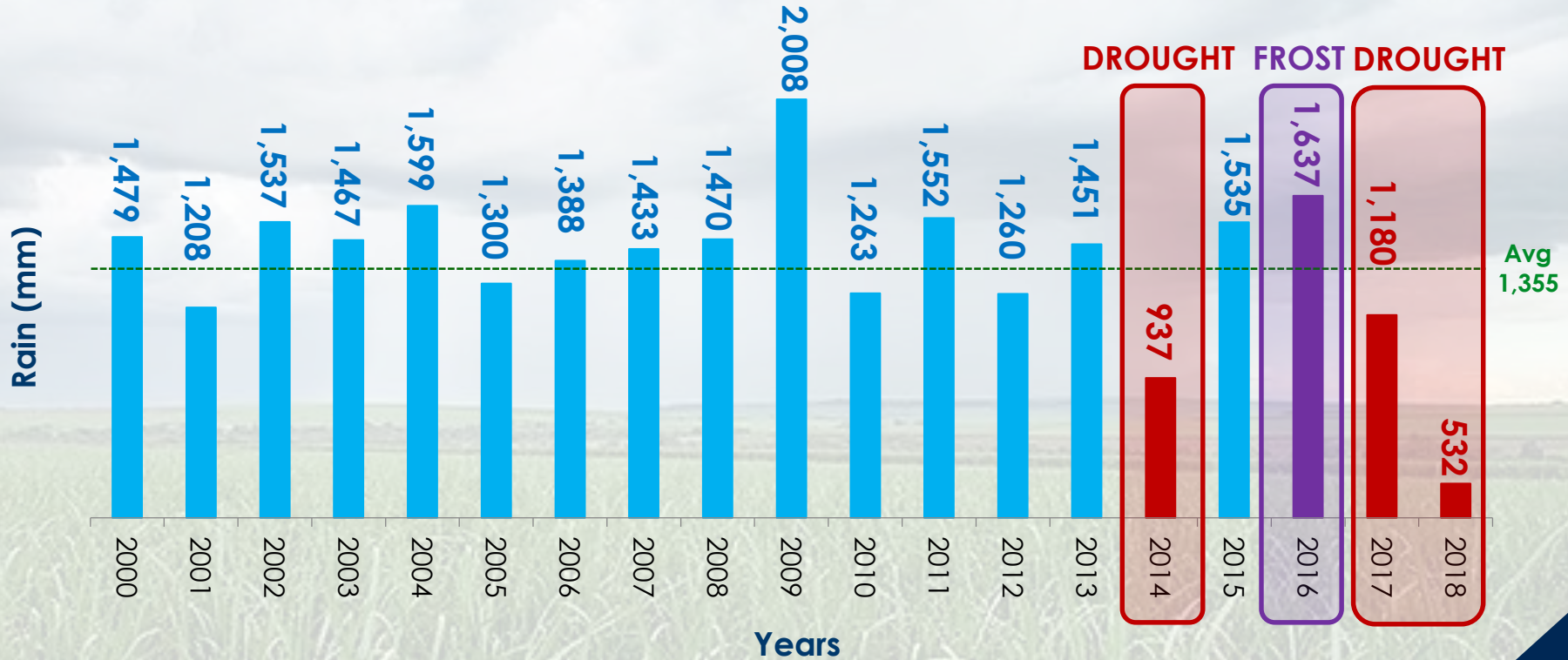
Main Assumptions

FY2018

FY2028

- ✓ Decarb. Target(annual) 0.9% 10.1%
- ✓ Flex fuel Fleet 74.1% 89.3%
- ✓ Annual Ethanol Demand (MM m³) 26.7 **47.1**

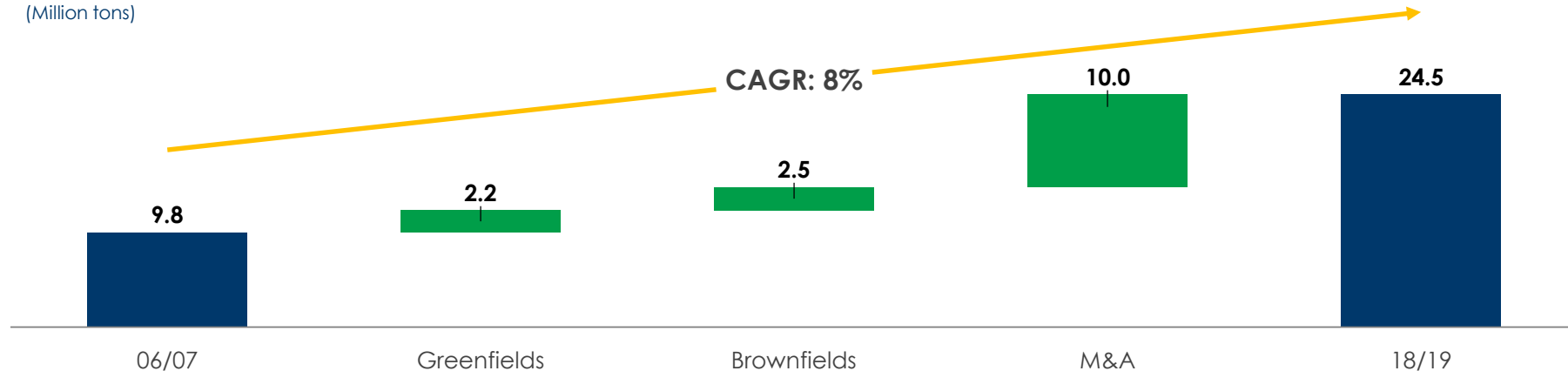
Historical Precipitation - 2000 to 2018



Crushing Capacity Expansion

Crushing Capacity

(Million tons)

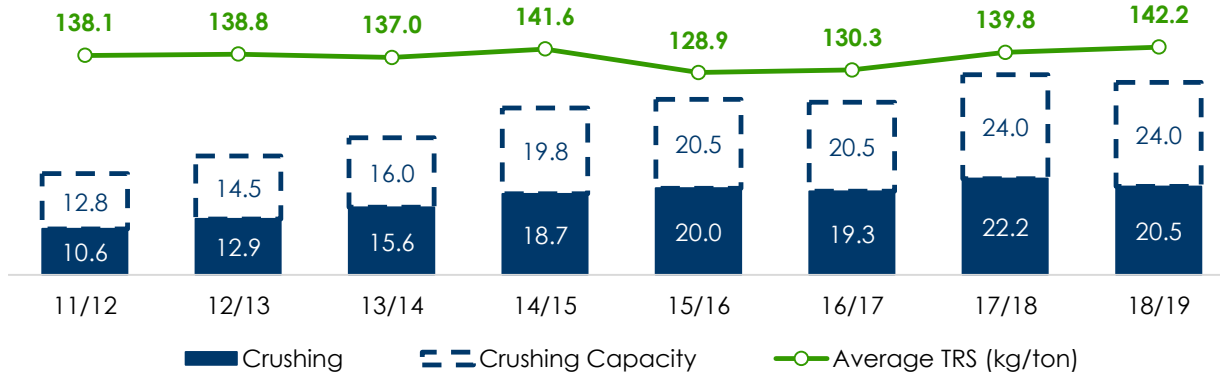


- ✓ Expansion focused mostly in São Paulo (assets with higher agricultural synergies)
- ✓ Growth based on efficient capital structure

Operational Performance: M&A + Brownfield Investments...



Crushing
(million tons)

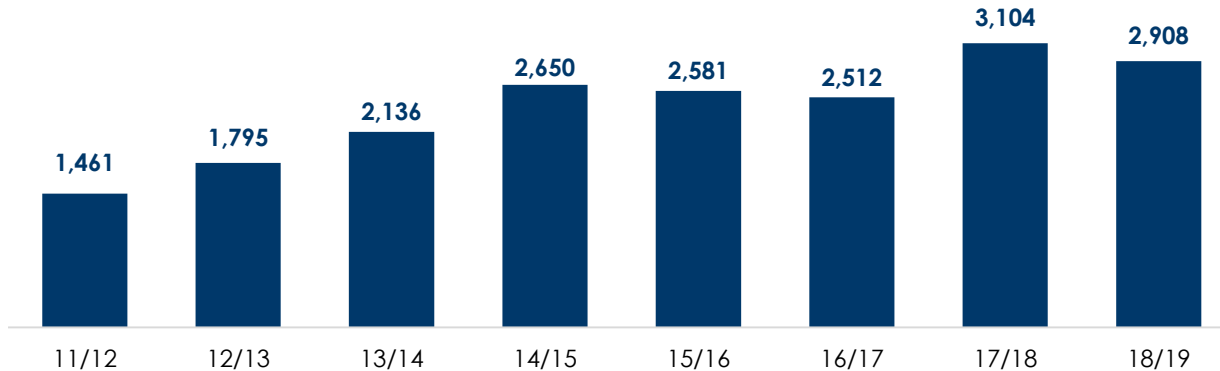


CAGR

+9.8%



Total TRS
(Kgs)

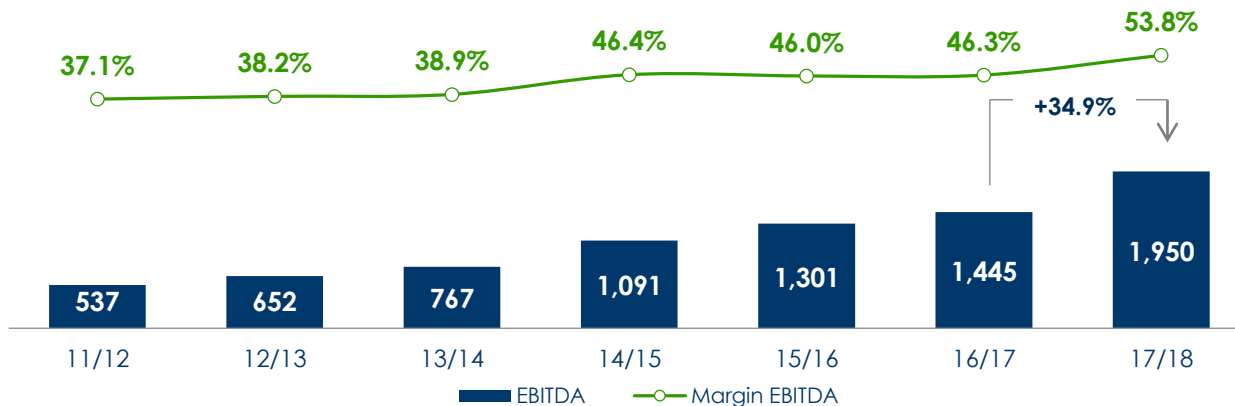


CAGR

+10.3%

...Boosted Operational Cash Generation

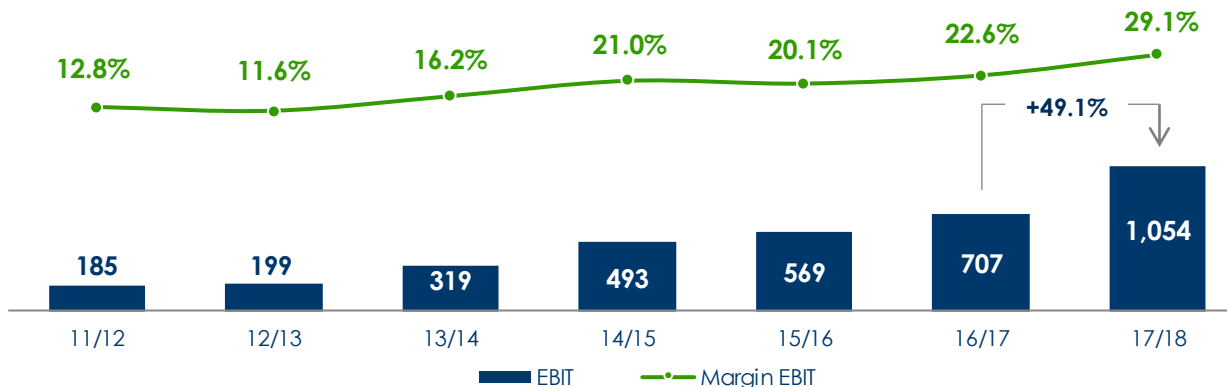
EBITDA and
EBITDA Margin



CAGR

+24.0%

EBIT and
EBIT Margin

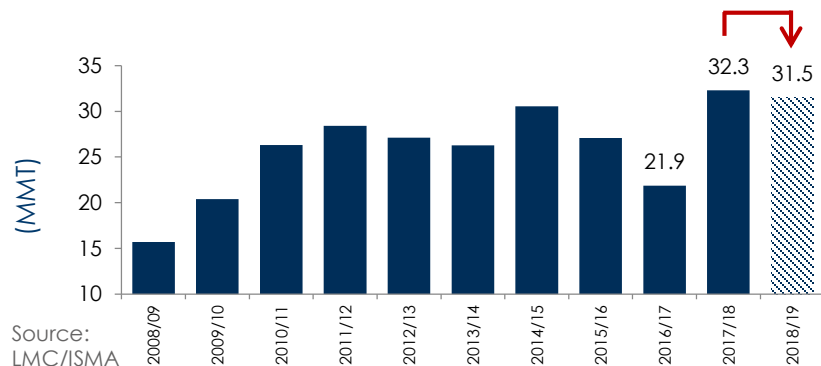


CAGR

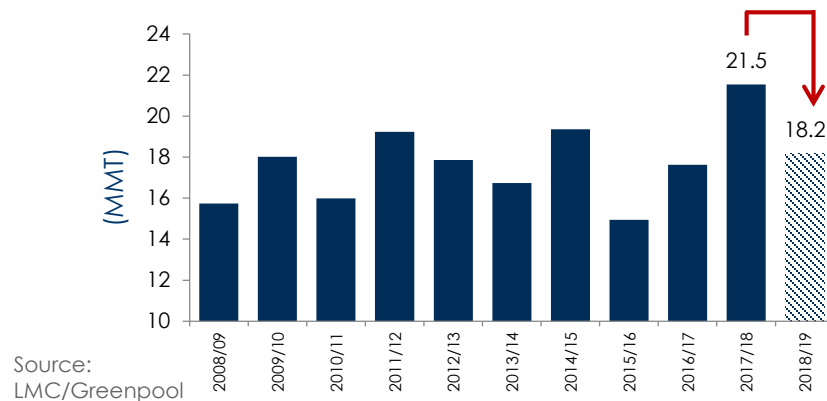
+33.6%

Climate condition in the spotlight...

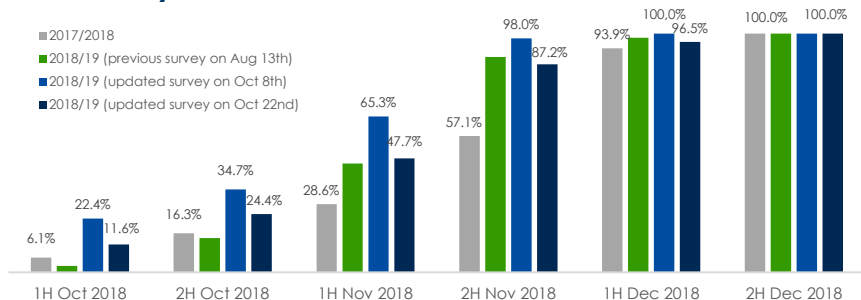
India: White grub infestation and weak monsoon decreasing the production forecasts



European Union: Projection of smaller Crop



Mills postpone end of crushing operations for few more days

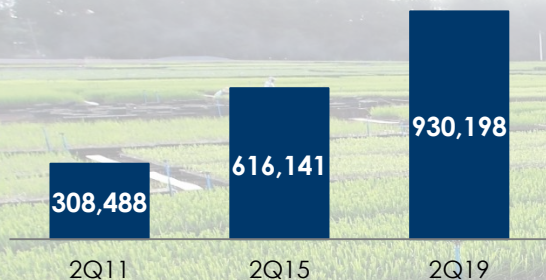


Highlights

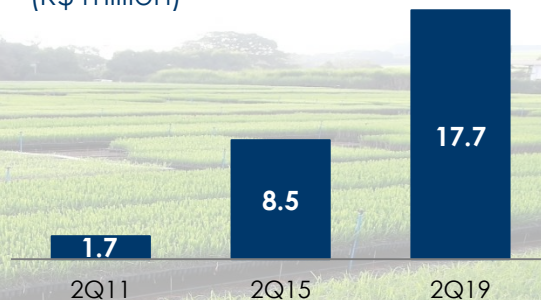
- ✓ **Brazil:** Rains reducing final sugar production whilst increasing crop perspective for the next season
- ✓ **EU:** Low prices, strong heat wave and planting delay should negatively impact beet productivity and thus reduce sugar production
- ✓ **India:** Ethanol program to consume part of surplus sugarcane - international prices do not encourage exports

Stock Performance

Average Daily Trades



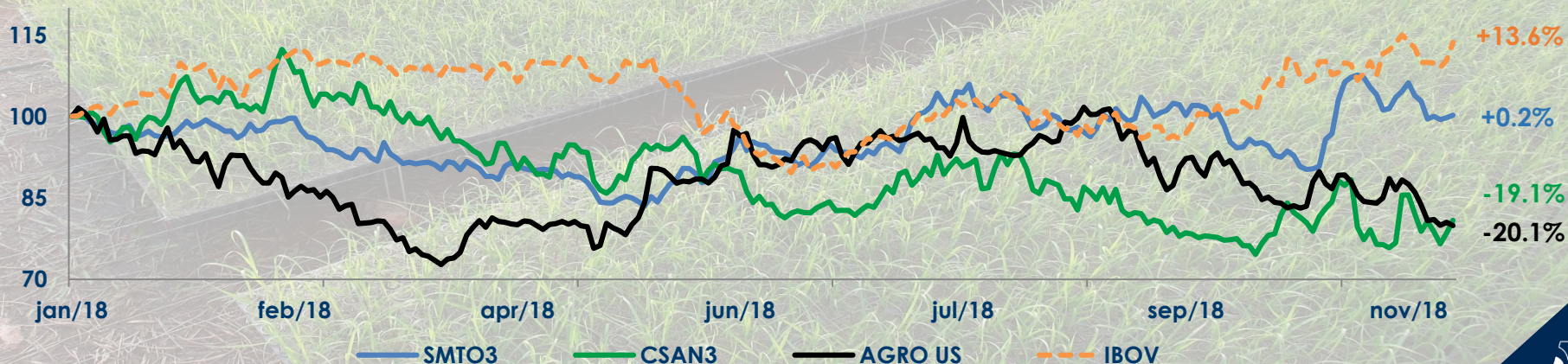
Average Daily Financial Volume (R\$ million)



Listed in Novo Mercado,
the highest level of
corporate governance
of B3, since IPO (2007)

Stock Performance

On a 100% basis



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