

# Earnings Release Conference Call

4<sup>th</sup> Quarter Harvest 2018/2019



# Disclaimer

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- 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.



# Agenda

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**1. Financial Highlights**

**5. Hedge Position**

**2. Margin by Product**

**6. Ethanol Market**

**3. Indebtedness**

**7. Projects**

**4. Production Guidance**

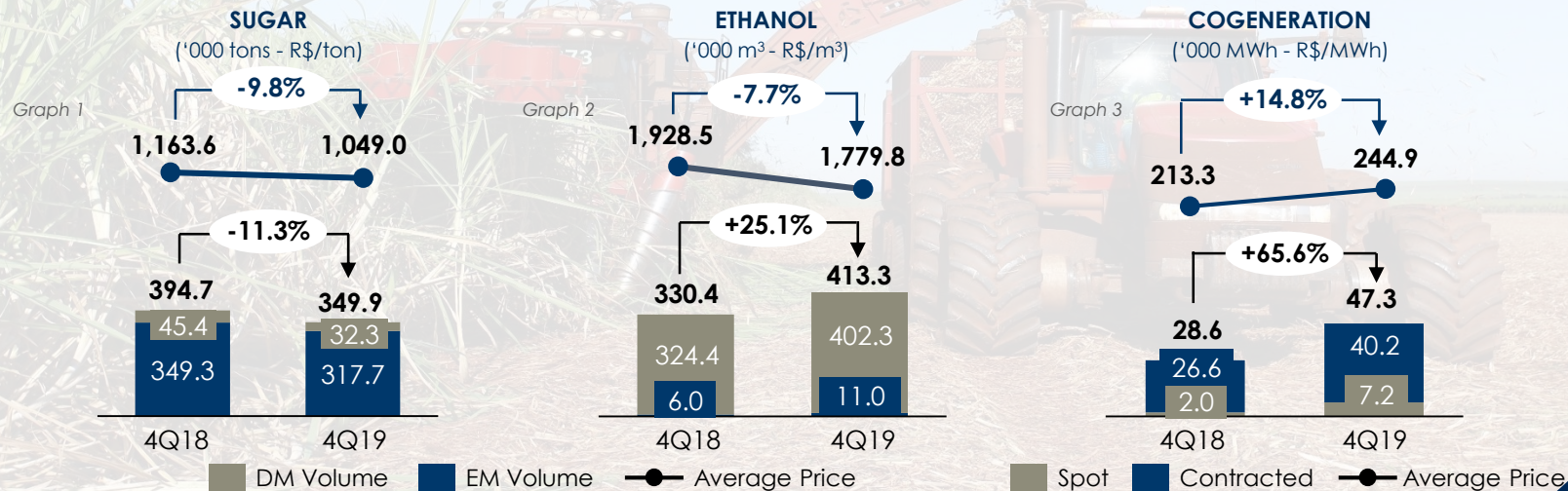
**8. Dividends & Buyback**

# Financial Highlights

R\$ '000

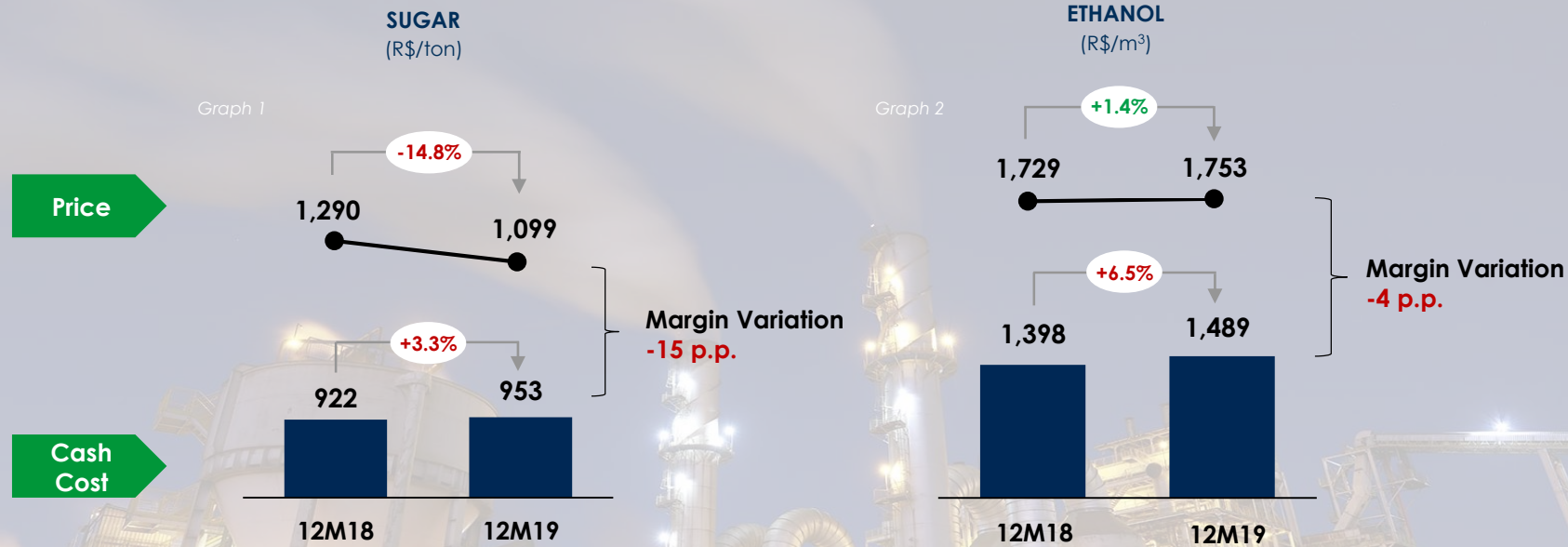
Executive Summary	4Q18	4Q19	Chg. (%)	12M18	12M19	Chg. (%)
Net Revenue <sup>1</sup>	1,118,241	1,124,508	0.6%	3,621,987	3,381,663	-6.6%
Adjusted EBITDA	585,629	509,586	-13.0%	1,949,994	1,644,534	-15.7%
Adjusted EBITDA Margin	52.4%	45.3%	-7.1 p.p.	53.8%	48.6%	-5.2 p.p.
Adjusted EBIT	296,278	121,050	-59.1%	1,054,412	599,760	-43.1%
Adjusted EBIT Margin	26.5%	10.8%	-15.7 p.p.	29.1%	17.7%	-11.4 p.p.
Others Operating Revenues - Copersucar Credits	106,499	(1,834)	n.m.	106,499	(2,386)	n.m.
Net Income before taxes	192,107	87,639	-54.4%	622,546	379,234	-39.1%
Net Income	153,335	85,610	-44.2%	491,706	314,045	-36.1%
Cash Income	233,176	158,048	-32.2%	846,362	461,370	-45.5%
Net Debt / EBITDA	1.26 x	1.46 x	15.6%	1.26 x	1.46 x	-13.5%

1- Excludes the Hedge Accounting effect of foreign-denominated debt and PPA USC





# Margin by Product – 12M18 x 12M19



- ✓ 8% crushing reduction compared to the previous harvest
- ✓ Reduction of Reintegra benefit on sugar
- ✓ Inflation impact

# Indebtedness

Table 1

	Mar/18	Mar/19	Chg.%
R\$ '000			
<b>Gross Debt</b>	<b>3,975,153</b>	<b>4,491,205</b>	<b>13.0%</b>
Cash and Cash Equivalents	1,512,385	2,089,213	38.1%
<b>Net Debt</b>	<b>2,462,768</b>	<b>2,401,992</b>	<b>-2.5%</b>
Net Debt / LTM EBITDA - R\$	1.26 x	1.46 x	15.6%
Net Debt / LTM EBITDA - USD <sup>1</sup>	1.22 x	1.32 x	7.9%
<b>LTM Adjusted EBITDA</b>	<b>1,949,994</b>	<b>1,644,534</b>	<b>-15.7%</b>

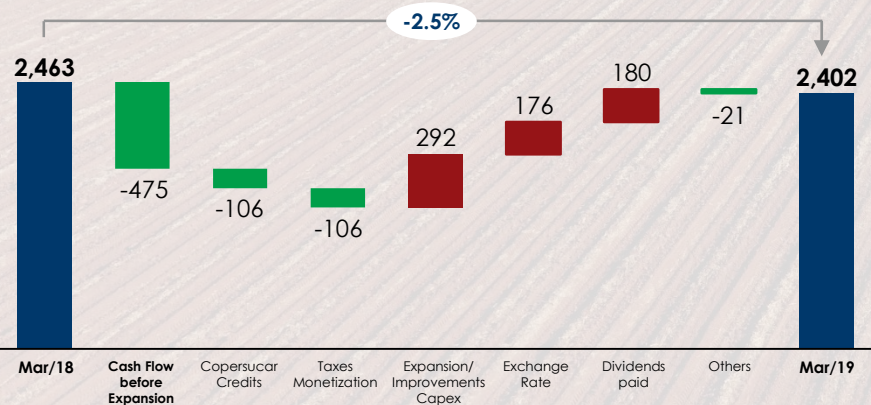
1 - Net Debt PTAX:  
March/18: R\$ 3.32  
March/19: R\$ 3.90

LTM EBITDA Daily Average PTAX:  
March/18: R\$ 3.22  
March/19: R\$ 3.78

Graph 1

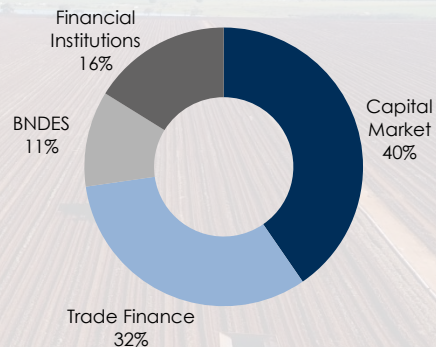
## Debt Evolution

R\$ - '000 000



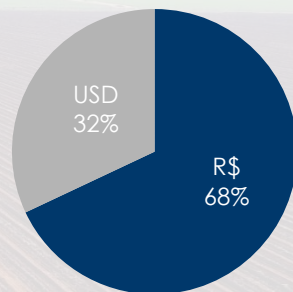
## Debt Profile

Graph 2



## Currency - Gross

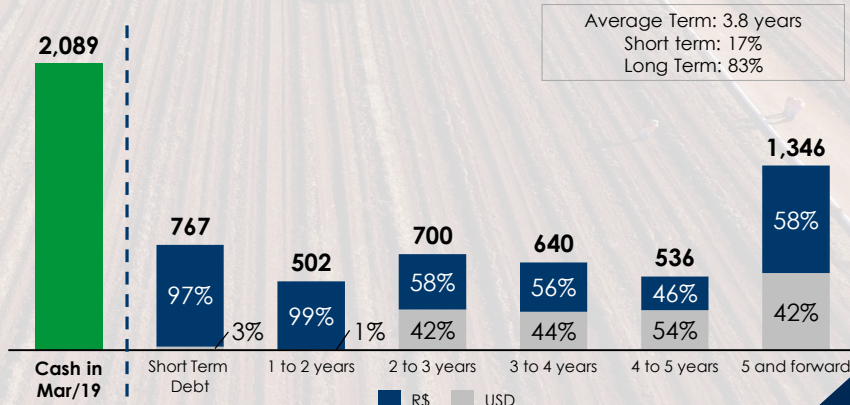
Graph 3



Graph 4

## Debt Schedule

R\$ - '000





# Production Guidance: 19/20 Harvest

	18/19	19/20 Guidance	Chg. (%)
<b>OPERATIONAL DATA</b>			
Crushing ('000 tons)	20,450	22,000	8%
Average TRS (Kg/Ton)	142.2	139.0	-2%
<b>Production Mix Scenarios</b>			
		<b>Max Sugar</b>	<b>Max Ethanol</b>
Sugar ('000 tons)	992	1,415	1,055
Ethanol ('000 m³)	1,097	915	1,145
Cogeneration ('000 MWh)	829	905	910

# Hedge Position

SUGAR	Volume Hedged (ton)	Average Price (US\$ c/p)	Average Price (R\$/ton)	68% of own sugarcane hedged <sup>1</sup>
2019/2020 Harvest	574,220	13.54	~1,190	
DOLLAR	Volume Hedged (US\$ '000)	Average Price (R\$/US\$)	71% of own sugarcane hedged <sup>1</sup>	
Sugar	165,451	3.98		

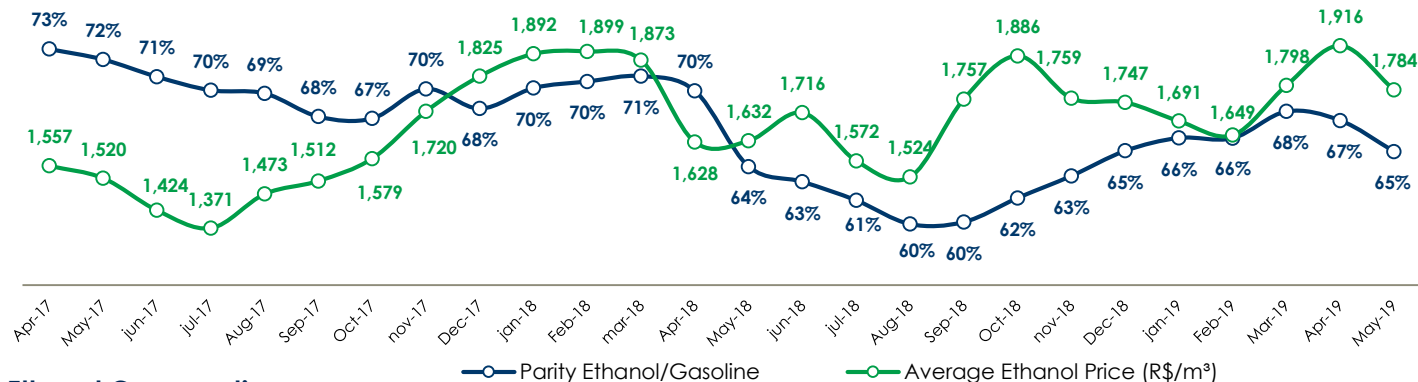
<sup>1</sup> - Considering the minimum range for the sugar production, according to Material Fact about the harvest guidance



# Ethanol Market

## Ethanol Average Price and Ethanol/Gasoline Parity (SP/MG/Goiás)

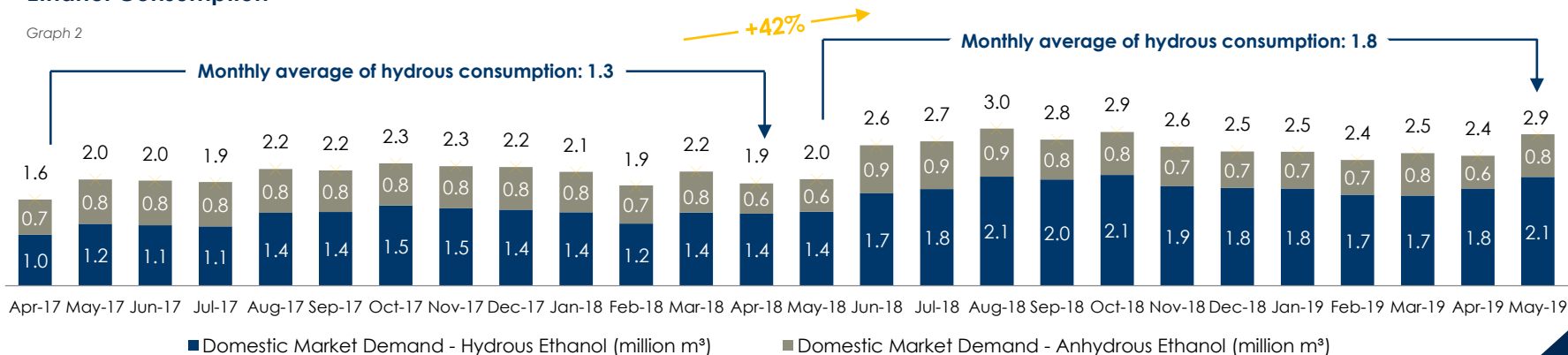
Graph 1



- Consumption of ethanol in the 18/19 crop grew 18%, with a 42% increase in hydrous ethanol
- Parity at the pump was still below the 17/18 harvest given the strong mix change
- In the first two months of the 19/20 harvest, we observed an average price increase of 13% Y/Y

## Ethanol Consumption

Graph 2



# Projects

## Projects - 18/19 Harvest

Description	Amount invested	Value Creation
Planting - Furlan Acquisition	R\$40 million	Acquisition of Furlan's biological assets
Planting - Boa Vista Mill Expansion	R\$23 million	Expansion of crushing capacity to 5.2 million tons
<b>Total Cane Planting: R\$63 million</b>		
Agricultural Automation (COA)	R\$24 million	Reduction in agricultural costs of ~R\$ 2 to R\$ 3 per ton as of the 21/22 crop year after rollout to all mills
Vinasse Application - São Martinho and Santa Cruz Mills	R\$17 million	Reduction in average cost with mineral fertilization and increase in cane yields
Furlan Acquisition - Industry	R\$14 million	Expansion in crushing capacity without expanding planted area
Ethanol Tanks	R\$12 million	Ethanol carryover possibility and increased sales flexibility
Ethanol Production	R\$12 million	Greater flexibility in production mix to increase the profitability of products
Compliance with Brazilian NRS	R\$10 million	Compliance with mandatory procedures related to occupational safety and health
PSS & Meiosi	R\$7 million	Reduction of 20% in direct production costs with transportation and increase in crushing volume by processing the cane used for setts
Other Projects	R\$26 million	Projects aimed at improving agricultural productivity
<b>Total of Projects: R\$122 million</b>		
<b>GRAND TOTAL: R\$185 million (Average IRR: ~28%)</b>		

## Projects - Future

- COA - Agricultural Automation
- PSS+Meiosi
- Yeast in the Boa Vista Mill
- Sugar and ethanol production

**R\$ 80 million** (Average IRR: ~30%)

**+ Corn Ethanol<sup>1</sup>: R\$ 350 million**

**Total: R\$ 430 million**



# Dividends & Buyback

## Dividends & Buyback<sup>1</sup>

- **Dividends: R\$ 110 million**
  - **Payout of 35.0%**  
(above historical average)
- **Share Buyback of up to 10 million shares**
  - **Deadline: 18 months**

**Equivalent to ~100% of  
18/19 Harvest Earnings**

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