

# Earnings Release Conference Call

3<sup>rd</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**

**4. Hedge Position**

**2. Production Costs**

**5. Ethanol Scenario**

**3. Indebtedness**

# Financial Highlights

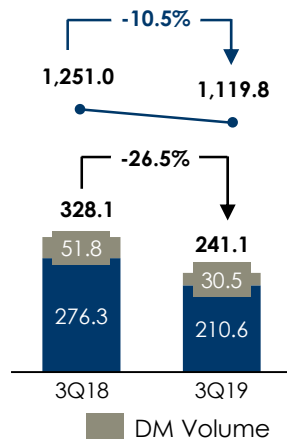
Table 1  
R\$ '000

Executive Summary	3Q18	3Q19	Chg. (%)	9M18	9M19	Chg. (%)
Net Revenue <sup>1</sup>	899,679	842,562	-6.3%	2,503,746	2,257,155	-9.8%
Adjusted EBITDA	497,440	417,320	-16.1%	1,364,365	1,134,948	-16.8%
Adjusted EBITDA Margin	55.3%	49.5%	-5.8 p.p.	54.5%	50.3%	-4.2 p.p.
Adjusted EBIT	277,821	157,751	-43.2%	758,134	478,710	-36.9%
Adjusted EBIT Margin	30.9%	18.7%	-12.2 p.p.	30.3%	21.2%	-9.1 p.p.
Net Income before taxes	216,454	78,838	-63.6%	430,439	291,595	-32.3%
Net Income	168,483	65,929	-60.9%	338,371	228,435	-32.5%
Cash Income	215,872	81,170	-62.4%	613,186	303,322	-50.5%
Net Debt / EBITDA	1.61 x	1.80 x	12.4%	1.61 x	1.80 x	12.4%

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

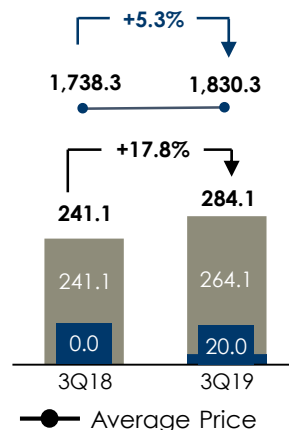
Graph 1 **SUGAR**

('000 tons - R\$/ton)



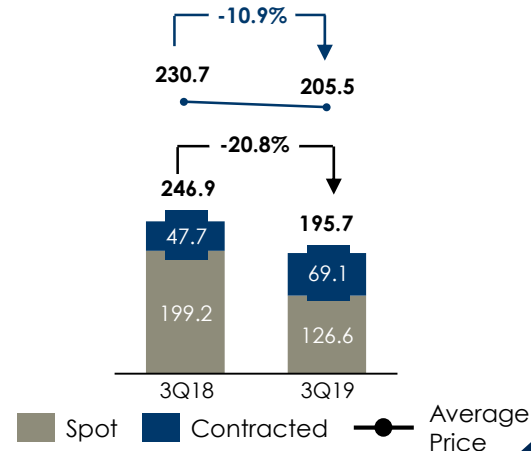
Graph 2 **ETHANOL**

('000 m³ - R\$/m³)



Graph 3 **COGEN**

('000 MWh - R\$/MWh)

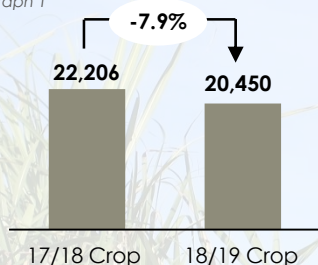


# Production Cost: Lower dilution of costs due to lower crushing

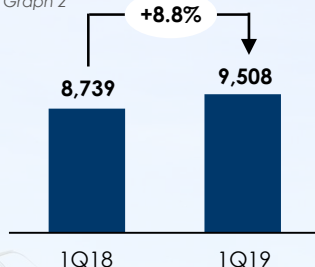
## Crushed Sugarcane

('000 tons)

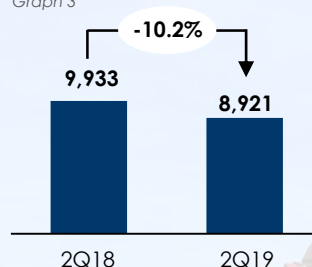
Graph 1



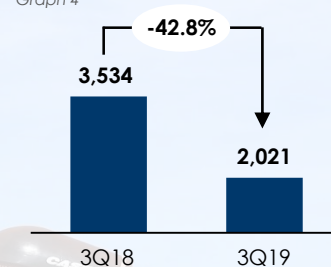
Graph 2



Graph 3



Graph 4

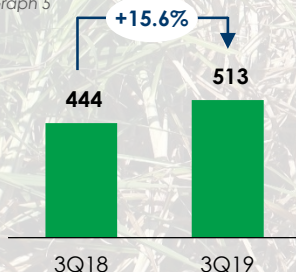


The Company has not defined the Operational Guidance for the 2019/2020 harvest. Considering the current climatic conditions, the crushing may be ~5% higher than the 2018/2019 harvest

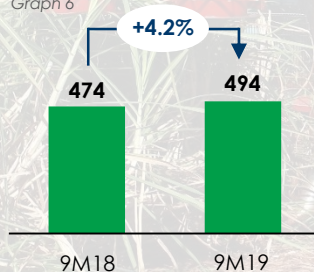
## Cash Cost - Sugar

(R\$/ton)

Graph 5



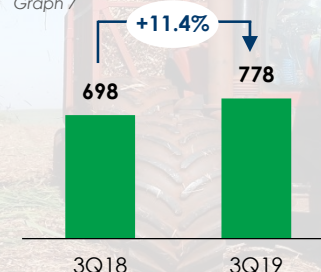
Graph 6



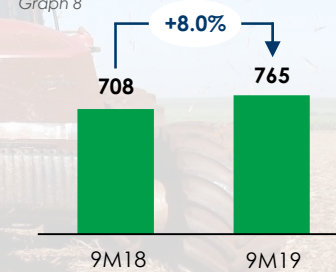
## Cash Cost - Ethanol

(R\$/m³)

Graph 7



Graph 8



✓ Lower amount of the Reintegra benefit

✓ Sales concentration in the SP mills (higher production cost than Goiás) – effect to be normalized



# Indebtedness

Table 1

	Mar/18	Dec/18	Chg.%
R\$ '000			
<b>Gross Debt</b>	<b>3,975,153</b>	<b>4,326,349</b>	<b>8.8%</b>
Cash and Cash Equivalents	1,512,385	1,221,133	-19.3%
<b>Net Debt</b>	<b>2,462,768</b>	<b>3,105,216</b>	<b>26.1%</b>
Net Debt / LTM EBITDA - R\$	1.26 x	1.80 x	42.9%
Net Debt / LTM EBITDA - USD <sup>1</sup>	1.22 x	1.64 x	34.0%
<b>Adjusted EBITDA LTM</b>	<b>1,949,994</b>	<b>1,720,577</b>	<b>-11.8%</b>

1 - Net Debt PTAX;  
March/18: R\$ 3.32  
December/18: R\$ 3.87

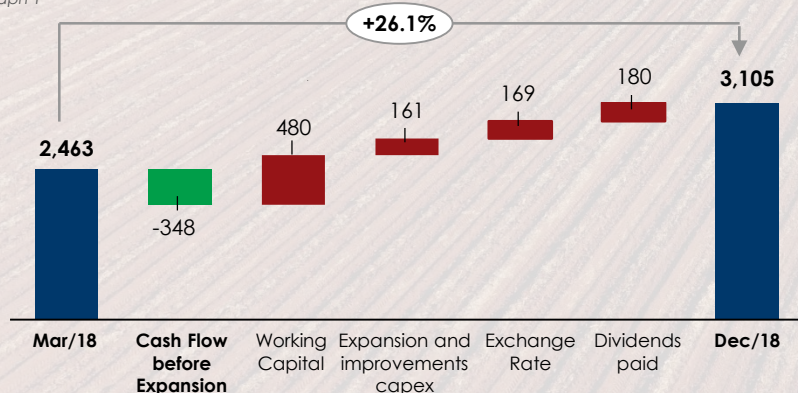
LTM EBITDA Daily Average PTAX;  
March/18: R\$ 3.22  
December/18: R\$ 3.66

Considering the current market and exchange conditions, the Company's net debt at the end of the 2018/2019 harvest can be similar to the closing of the previous harvest, ~R\$ 2.4 billion

## Debt Evolution

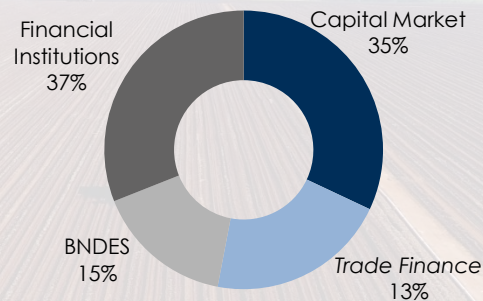
R\$ - '000 000

Graph 1



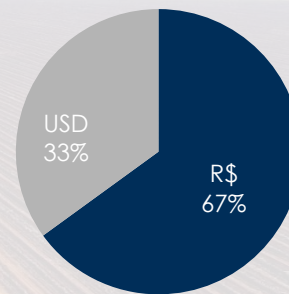
## Debt Profile

Graph 2



## Currency - Net

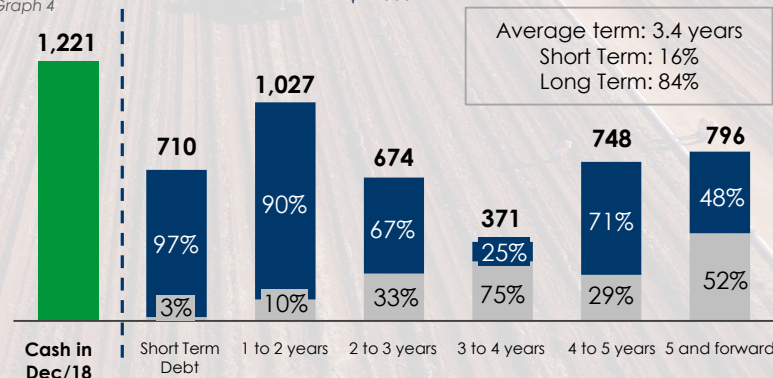
Graph 3



## Debt Schedule

R\$ - '000

Graph 4



# Hedge Position

SUGAR	Volume Hedged (ton)	Average Price (US\$ c/p)	Average Price <sup>1</sup> (R\$/ton)	
Crop Year 2018/2019	307,413	13.61	1,087	→ 94% of own cane hedged
Crop Year 2019/2020	367,352	13.34	1,180	→ 50% <sup>2</sup> of own cane hedged

1 - Considering the hedged volume in sugar and MTM of dollar volume to be hedged

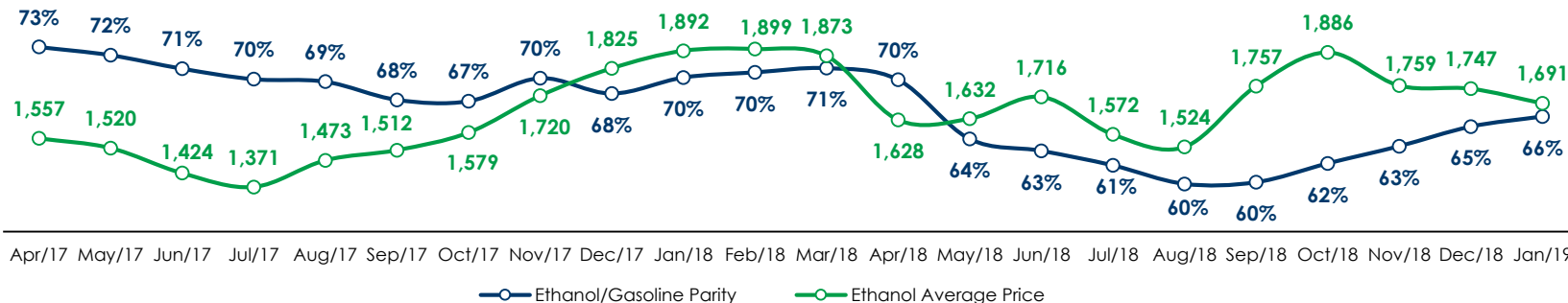
2 - Considering that the Company has not yet defined the Operational Data Guidance for the 2019/2020 harvest, for reference purposes and a better understanding of the market, we assumed the same production mix of the 2018/2019 harvest, ie ~1 million tons of sugar, to demonstrate that the volume hedged would represent 50% of the own cane.

# Ethanol Scenario

## Ethanol Average Price (R\$/m³) and Ethanol/Gasoline Parity (SP/MG/Goiás)

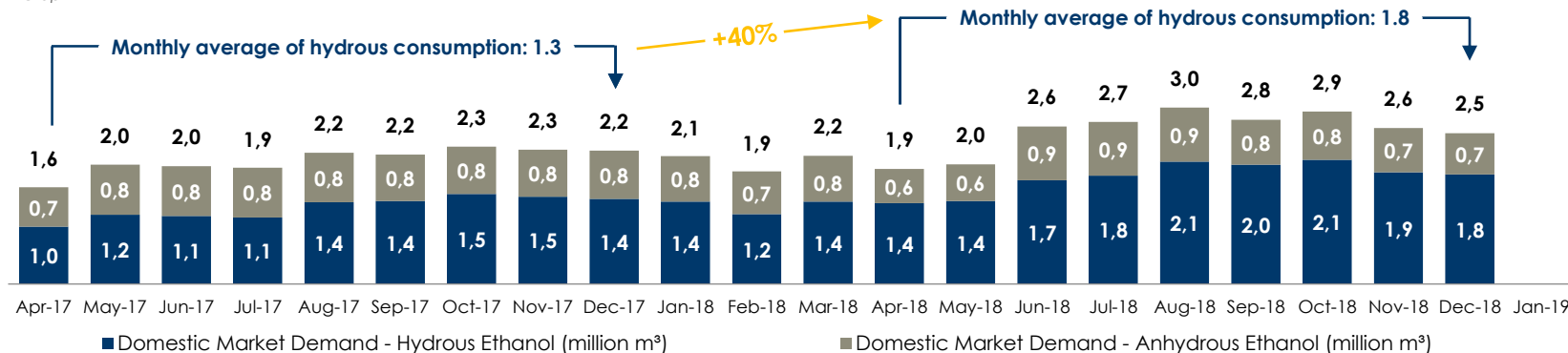
Graph 1

**Hydrous Ethanol  
+4%  
(Feb/08)**



## Ethanol Consumption

Graph 2





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