

**Operator:**

Today with us we have Petros Diamantides, CEO, and Mr. Frederico Moraes, CFO and IRO.

Today's live webcast and earnings release may be accessed through Metafrio's website, at [www.metafrio.com.br/ir](http://www.metafrio.com.br/ir).

We would like to inform you that this event is recorded, and all participants will be in a listen-only mode during the Company's presentation. Should any participant need assistance during this call, please press \*0 to reach the operator.

We have simultaneous webcast that may be accessed through the Company's website. The slide presentation may be downloaded from this website. Please feel free to flip through the slides during the conference call.

Before proceeding, let me mention that forward-looking statements are based on beliefs and assumptions of Metafrio's management and on information currently available to the Company. They involve risks and uncertainties, because they relate to future events and therefore depend on circumstances that may or may not occur. Investors should understand that conditions related to the macroeconomic scenario, industry and other factors could also cause results to differ materially from those expressed in such forward-looking statements.

Now I will turn the conference over to Mr. Petros Diamantides. Mr. Petros, you may proceed.

**Petros Diamantides:**

Good morning, everyone. Thank you for your ongoing interest in our company and for joining us today for our 1H and 2Q20 results conference call. With me today is Frederico Moraes, our Chief Financial Officer, who is also responsible for our Investor Relations activities.

Before we start, we just want to express our hope that all of you and those close to you have managed to stay safe and well during this testing times. We continue to be amazed by the resourcefulness and determination, not only of our people, but also our partners and customers to keep finding new ways to keep working safely in this unprecedented environment.

Turning back to our slides, I know you will have looked through our press release and hopefully you have a presentation for this call in front of you. If not, you shall find both documents on the Investor Relations part of our website. Today, we shall briefly run through our highlights of the 1H and 2Q and provide some specific details on our operating segments. Following that, we would like to highlight some key initiatives that will continue to help drive the business forwards, and then we shall discuss cash flow and capital structure. We shall then conclude with our outlook for the rest of the year, together with a summary of our strategy priorities, before opening the call for any questions you may have.

At this point, we would like to caution you that today's conference call may contain sentiments making statements. In that regard, we direct you to the disclaimers about forward-looking statements on slide number two.

Let us start with a look at the highlights for both financial periods under review on slide number three. As reported in the 1Q, Metalfrío took early and decisive actions to protect the health and safety of its employees, suppliers and partners, whilst maintaining operations to continue effectively. At the same time, we initiated cash conservation and profit protection initiatives to help offset the near-term market challenges.

These actions, together with our compelling business model, led for the 1H20 that demonstrated our resilience and exceptional market conditions with gross profit and adjusted EBITDA down modestly against a 10% fall in revenues with margin expansion of 120 bps and 80 bps, respectively.

Clearly, the main effect of the knockdowns around the world was felt in the 2Q, with revenues down 22%. This was driven by an abrupt and significant loss of traffic in immediate consumption and on trade channels, leading to the deferral of orders by our customers.

However, this was partly mitigated by our strong positioning in future consumption channels, which showed good conditions and continued growth in our excellent refrigeration assets management and rental business.

Our services division presented significant resistance in this pandemic scenario, and revenues increased by 36% in the first six months of the year and 33% in the 2Q. This, in fact, reinforces our strategy of business diversification.

The financial items for the 1H20 were impacted significantly by the devaluation of our operational currencies against the hard currencies, notably the USD and the Euro, as well as the market to market adjustments in some of our financial assets.

These mainly non-cash, unrealized foreign exchange losses led to a net loss of R\$120 million. For the 2Q, net losses were modest at R\$12.6 million.

And finally, let us mention a key strategic highlight of the 2Q. Metalfrío maintains a strong focus on being a disruptive player, bringing innovative technology-based solutions to the market. Consistent with these, we announced in July our intention to Assets365, which will further strengthen our leadership in harnessing the IoT potential in this segment.

With Internet connectivity IP at the heart of our integrated cold solutions suite of products and services, we have created a truly disruptive, technology-driven business model to help global consumer brands meet their commercial challenges.

Let us take a closer look at our regions, starting with South America, on slide number four. Revenues fell 34% versus 2Q19, as the region began to be impacted by the effects of COVID-19 knockdowns. This began later than in our Europe, Middle East and Africa region, and led to a rapid decrease in immediate consumption and on trade channel activity in the quarter, with customers deferring unit orders.

Services, however, continue to perform well, led by new expanded scope in existing accounts, with current market conditions encouraging greater outsourcing activity. Furthermore, our new rental business, 3L, continued to contribute positively.

Now turning to slide number five, as well as South America region, lockdowns in our Central and North America region began in the middle of the 2Q, with immediate consumption and on trade significantly impacted.

In addition, breweries in Mexico were subject to a period of mandated shutdowns during the quarter, with unit orders deferred, necessitating a brief suspension of our own manufacturing activities. As a result, we saw a 68.1% fall in revenues during the quarter, with services also reporting a decline.

Finally, for our regional overviews, let us now look at Europe, Middle East and Africa, on slide number six. Revenues in this region were broadly stable in the 2Q. This was supported by favorable currency translation effects with a good momentum versus the earlier part of the year, also reflecting an earlier impact from lockdowns during the 1Q compared to our America's operation.

By the end of the quarter, with the easing of the lockdown measures in some markets, we have begun to see early signs of resumed uptake of deferred orders as markets opened up.

During the 2Q, services performed extremely well, with revenues increasing by over 190%, owing to new contracts for upgrading beer units at the newly established refurbishment center in Turkey.

Moving to slide number seven, you would have noticed our emphasis on services over the past few quarters, and that reflects the great importance and focus of this business within our operations.

In this slide, you can see that the product segments, which is, of course, more directly impacted by the effects of the lockdowns, so revenues decreased by 21%, and as a consequence of our operational deleverage, gross profit margin decreased by 2.3%. For the 1H, revenues decreased 16% and gross profit margin slightly increased by 20 bps.

The services segment, however, has been far more resilient in this economic environment, with revenues increasing by 23% in the 2Q and 36% for the full semester, and gross profit margins up by 3.6% in the 2Q and 6.7% in the 1H.

Turning to slide number eight, we would like to highlight some key strengths of Metalfrío that have been vital for the performance in the past, and will also support growth in the future.

We are indeed proud of our history, which is anchored in delivering innovative and bespoke cooler aesthetics, with high technical performance, able to perform in a variety of environmental conditions and across a number of different channels, although preferentially focused on the high margin immediate consumption channel.

Through this consistently proved competence, we have grown close to our customers, many of them represent the world's leading consumer brands, as well as highly ranked regional and local companies.

With the broadest geographic presence in the industry, covering over 80 countries, we are able to deliver products from our world-class manufacturing hubs, and shredding execution, consistency, becoming a preferred supplier in most cases.

As a consequence of this success and to meet the market needs, we developed an after-service capability seeking to deliver the most comprehensive asset management offer, called LifeCycle. With strong year over year growth, not only does this offer an increasingly diversified income stream, but it also further strengthens our relationships with our customers.

Metalfrío is very much focused on larger global players. However, the acquisition of 3L allowed us to enter a small to mid-sized market, delivering a much needed point of sale solution for those companies wanting to build out a rapid cooler base, without the need of outright ownership. This is proving very popular, and is already contributing positively to our earnings.

With such an extensive geographic footprint, together with a compelling and complementary range of business activities, Metalfrío has created an increasingly diverse set of value drivers, contributing to our resilient results.

But probably the most exciting development for us, providing exciting potential for future growth, is our unique intellectual property position in the industry of Internet of Things. This capability enables us to generating valuable data-driven insights in areas such as us asset tracking equipment health, environmental impact, as well as consumer behavior trends. Integrating this into a service infrastructure to deliver appropriate flow of actions at the point of sale is providing significant opportunities. These developments combined to make Metalfrío a truly disruptive market leader in its field.

It also enabled Metalfrío to deliver consistently resilient financial performance through the years. And as it continues to move closer to the end customer, and therefore more aligned with a positive long-term growth trend of its future customers, the quality of its earnings stream will continue to increase.

Please, now turn to slide number nine. As you know, Metalfrío has made significant progress in the past six years with double-digit compound annual sales growth in sales and EBITDA. The key component to this in our ongoing success is our commitment to our strategic principles, our initiatives that anchor everything we do, enabling us to continue evolving our disruptive business model.

The most important element has been an absolute commitment to driving the top line. Our sales teams continue to focus on developing ever closer relationships with customers to make sure we are providing highly tailored solutions to their challenges.

We are very proud of the relationships we have with our customers, many of whom represent some of the very biggest and most respected consumer brands in the world. Some of these brands are represented on this night, and they will be brands that you are very familiar with.

A key component to driving our strong, consistent growth over this period of time has been the organization of strong lines of communication and collaboration between and across our global sales, product development and manufacturing teams.

Not only has these combined the most powerful asset that we have, our people, but it also allowed us to work more efficiently. It allows us to redesign our internal practices to ensure better and more efficient working practices. This has led to a significantly improved revenue performance, as well as delivering greater cost optimization.

Further to the streamlined working practices, we also continue to identify and drive through efficiency progress of the business. These programs will have long-term, sustainable, positive impacts on our financial performance, and provide resilience in challenging economic environments.

In addition, we have also continued to invest to ensure that our manufacturing facilities are best in class, and are able to increasingly serve more countries. We have also continued to leverage our strong customer base to send through our compelling LifeCycle offer, which provides vital maintenance cover for our customers' coolers and freezers.

This important aftersales service has seen very strong growth, enabling us to keep close to our customer whilst diversifying our income stream. In addition, our recent 3L acquisition has given us another competitive advantage in being able to deliver equipment rental options, which is particularly attractive to small and mid-sized entities wishing to quickly expand point of sales presence.

But perhaps most exciting of all is our emerging and exciting proprietary Internet of Things technology, which delivers invaluable data-driven insights, entrust the tracking equipment health, environmental impact, as well as consumer trends.

Keeping close to the customer is, of course, key to our ability to continue to win in the marketplace. Our customers are faced with an increasingly competitive landscape, together with various external challenges, such as meeting environmental targets. This requires significant expertise and ability in terms of innovation for us to help our customers meet tomorrow's challenges today.

Some of the solutions that we have developed include sub-zero, energy efficient models and bespoke solutions to differentiate our customers products and drive point of sales, particularly in the higher margin immediate consumption channels.

Let us provide you with a few other specific examples of our innovation. In North America, we are proud to have developed the Arctic model, which delivers ice crystals formation inside the bottom, delivering a new and exciting performance for a sophisticated and demanding consumer, driving immediate consumption.

In Africa, our hybrid model is extremely popular, as it provides sales continuity during intermittent power shortages through battery packs and special insulation. We have also developed a universal solution with interchangeable brand aesthetics that provides a cost effective, multiple branding possibilities.

We pride ourselves on innovation leadership, but of course, nothing is better than being recognized by our customers. Therefore, we are so proud to be chosen by many of our key global accounts as their number one supplier, and increasingly being recognized as a preferred option in helping to deliver solutions across their businesses.

Through focusing on all of these elements, which deliver a unique and compelling business proposition, we believe that we shall continue to generate significant value creation for our shareholders, whilst providing an ideal environment to retain and attract the best people in the industry.

Now, let us return to financial performance, and in particular cash flow, on slide number ten. Operating cash flow reversed from a positive R\$10.1 million at the same period last year to an outflow of R\$224.8 million, mainly due to the disruption of the usual seasonal purchasing patterns of the customers, as a result of the abrupt and significant impact from the government imposed lockdowns across our markets.

However, we do expect this position to unwind during the rest of the year, an uptake of some previously postponed customer orders, as lockdown measures have gradually relaxed around the world. Operational cash cycle was 70 days high at 94 compared to the same period in the prior year, owing to these short term factors we just mentioned.

Turning to slide number 11, let us take a quick look at our capital structure and liquidity. Net debt increased to R\$808.2 million, compared to R\$456.4 million at the same time last year, due to foreign exchange translation impacts on our hard currency denominated debt, mark to market losses in some financial instruments, and the near-term impact of COVID-19 on our financial results and working capital in the quarter, owing to the fact that a significant part of our sales being in USD in Euros, we expect to balance out the foreign exchange impact over the course of the year.

Slide 12. So, what do we see for the rest of the year? Metalfrío has evolved into the world's leading technology based cold solutions provided to the global consumer brands, becoming a partner of choice in helping them achieve their sales and sustainability objectives.

With a disruptive, fully integrated offer from design to manufacture, from asset management to equipment rental, together with emerging and exciting proprietary Internet of Things technology, we have continued to get closer to our customers.

Covering over 80 markets, we believe that we are well-placed to continue our strong momentum across our markets, and therefore believe we are well-placed to continue making further progress in 2020, despite ongoing global macroeconomic volatility linked to the COVID-19 pandemic.

Indeed, in recent weeks, we have seen early signs of the resumption of orders, especially in EMEA, and expect to see gradual improvement in trading in the 2H20. We shall continue to prioritize customer value creation in order to deliver the best, most innovative market solutions.

Furthermore, embracing our disruptive business credentials, we shall continue to deliver growth in LifeCycle, increasingly embedding our technological leadership in Internet of Things to drive value for our customers whilst continuing to rollout our equipment rental

offer. At the same time, we shall maintain a strong financial discipline to drive continued improvement in cash flow and liquidity, strengthening our balance sheet.

Finally, before we open this call to questions, let us remind you of our key strategic priorities from slide number 15. You would have heard us talk about this before, so we shall not go into too much detail. However, it is important to understand that these priorities are the essential building blocks for our path towards continued value creation.

We have significantly strengthened our customer relationships over the past six years, which I am delighted to say is evidenced by the consistent and strong underline momentum in financial results that Metalfrío is delivering.

We have the infrastructure and superior industry knowhow, and are now working hard every day to continue to get closer to our customers by creating great products and services in active collaboration with our key global accounts and our new customers, so that we enhance our ability to be seen as an important partner in continuing to deliver the right solutions for their current and future needs.

Success here, of course, will drive the top line, which, together with the benefits of operating leverage, improve product mix as we sell more value added products, and the delivery of further operational efficiencies will further improve our profit margins.

Another key strategic priority is the development of our future platforms for growth. In addition to the improving performances from our more mature operations, we are excited about expanding into new, exciting markets such as Africa and Middle East, whilst continuing to develop new technologies to help our customers meet their future challenges.

Indeed, it is not just innovation in design and aesthetics of our coolers, but equally so innovation in our wider product offer. And it is within this that we have built a truly disruptive business model, with the success of our LifeCycle product, together with our equipment rental options through 3L, and the tremendous excitement that our proprietary technology in our IoT that Metalfrío brings to its customers.

At the same time, we shall continue to focus on further strengthening our capital structure, together with initiatives to further improve our liquidity. This will be driven by the benefits of operating leverage, focus on working capital and further cost optimization. Also, shall continue to be robust in capital allocation, ensuring that growth and maintenance CAPEX plans are applied against the strictest of risk and returns criteria.

In pursuing all these objectives, we believe we shall strengthen our position as the world's leading technology based cold solutions provider to global consumer brands, creating superior levels of economic profit over the medium and long term, benefiting all our stakeholders.

We truly appreciate and thank you for your attention, and we now look forward to receiving any questions you may have.

**Operator:**

This concludes the question and answer section. At this time, I would like to turn the floor back to Mr. Petros Diamantides for any closing remarks. Please, sir, you may proceed.

**Petros Diamantides:**

Thank you. Our desk here in Metalfrío remains open for any questions or clarifications you may have. And with this, we would like to thank you for your interest in our 2Q and 1H20 results, and of course, Metalfrío.

Thank you so much.

**Operator:**

Thank you. This concludes today's Metalfrío's 2Q20 earnings conference call. You may disconnect your lines at this time and have a nice day.

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