



**Third Quarter 2019
Earnings Results Conference Call**

October 22, 2019

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Agenda

1. **Third Quarter 2019 Highlights**
2. **Highlights by Region**
3. **Financial Results**

Third Quarter 2019 Key Highlights

1. **+2.9% YOY branded⁽¹⁾ topline**
2. **MXN \$2,306m EBITDA (includes one-time payment from Lactalis settlement)**
3. **+28.0% YOY Comparable EBITDA⁽²⁾**
4. **+240 bps YOY EBITDA⁽²⁾ margin expansion**
5. **+213% YOY controlling net income based on operating income increase and with optimized tax rate (tax one-off in 2018)**
6. **WC improvement: 1.6% of Sales, driven by negative WC in Mexico**
7. **Leverage ratio improvement to 2.9x: target of 2.5x by 2020**

(1) *Branded Sales exclude raw materials sales*

(2) *Q3'18 comparable figures, include IFRS 16 and the deconsolidation of Elopak JV*

Third Quarter 2019 Highlights by Region



Mexico (1/3)

Expanding through innovation, premiumization and core campaigns

Top line growth

- +3.2% branded⁽¹⁾ sales growth YOY
- Renewal of core portfolio: LALA Milk & Cream +6.9% YOY sales increase
- *Griego* performance: 11.9% market share⁽²⁾ gain in 5 months
- *LALA Plenia* premium Cold Cuts launch: +28.9% YOY sales increase
- *Vita* and *Almond Breeze*: +84.2% YOY sales increase



New LALA 100 functional milks impactful campaign

- +240 million impressions in first 3 days
- Positive halo effect for LALA Brand and the entire category
- Fueling +45% YTD growth in premium Milks
- Record 8.2% market share of total Milk sales



(1) Branded Sales exclude raw materials sales

(2) Value market share, Nielsen Scantrack sep-19

Mexico (2/3)

Operational issue in Cheese plant impacted Mexico Q3 EBITDA margin

Strong processes enabled team to identify root causes and corrective actions

- 12.1% EBITDA margin, -50 bps YOY⁽¹⁾
- Inventory shortage in Cheese impacted sales and expenses
 - \$207 million top line impact
 - Cheese -8.8% YOY volume contraction
 - \$194 million in additional waste and transport expenses
- Corrective actions in place to replenish inventory to optimal levels



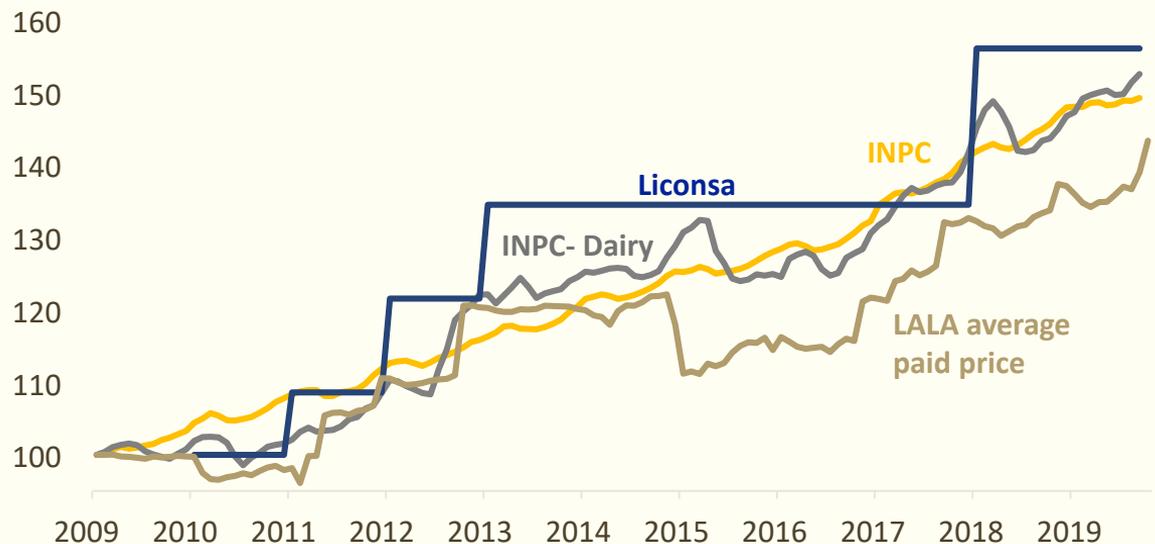
(1) Q3'18 comparable figures, include IFRS 16 and the deconsolidation of Elopak JV

Mexico (3/3)

Raw milk price negotiation based on new methodology

Index of milk price paid vs inflation and Liconsa

Index based on 2009



CAGR

4.9%

4.1%

3.9%

3.4%

- Liconsa⁽¹⁾
- INPC Dairy⁽³⁾
- INPC⁽²⁾
- LALA's purchased price

(1) Canilec, Liconsa (2019 estimated using 2018 figures)

(2) INEGI: Índice Nacional de Precios al Consumidor

(3) INEGI: Índice Nacional de Precios al Consumidor, Milk, Milk Derivatives and Eggs

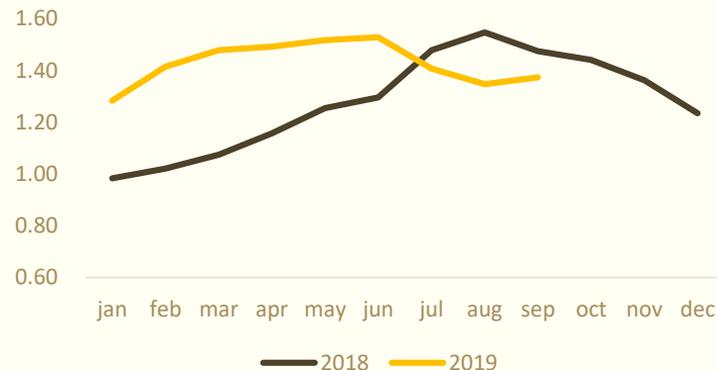
Brazil (1/2)

EBITDA expansion through margin accretive portfolio

Value-added Dairy continues to drive growth

- -2.3% sales growth in BRL YOY
 - Economic slowdown affecting consumption
 - +90 bps market share gains in Yogurt, +70 bps in *Requeijão* + Cream Cheese⁽¹⁾
 - Other Dairy could not mitigate UHT Milk volume offering contraction to protect margins
- 17.7% EBITDA margin
 - Decrease in milk costs offset some margin pressure
 - One-time benefit from Lactalis settlement
- Operational margins ex-Lactalis in line with prior quarters

Milk to Producer
CEPEA/ESALQ (R\$/liter)



(1) Value market share, Nielsen Aug-Jul 19 vs May-Jun19

Brazil (2/2)

EBITDA expansion through margin accretive portfolio

New 2x capacity expansion of Parmesan Cheese in place for *Vigor* and *Faixa Azul* with 6, 12 and 18 months maturity offerings



United States

Continued EBITDA margin expansion

Profitable growth

- +1.6% YOY USD sales growth
 - Price increase correcting the margin equation
- 3.2% EBITDA margin (USD \$1.4m); a USD \$9.4m YOY⁽¹⁾ increase with a +40 bps sequential margin expansion
 - Pricing, operational improvements and fit for purpose benefits
 - Q3'18 impacted by restructuring one-off

Accelerated growth plan implemented

- *Promised Land* sold at Costco, targets mainstream market
- LALA relaunched in Hispanic channels to leverage brand heritage

Promised Land e.g. of key chains



LALA branded e.g. of key chains



(1) Q3'18 comparable figures, include IFRS 16

Central America

Building strong fundamentals

Double-digit growth across the region

- +8.9% YOY sales growth in USD
 - Nicaragua +16.3% sales in NIO driven by Milk
 - Guatemala +12.1% sales in GTQ
- 0.3% EBITDA margin, +430 bps YOY⁽¹⁾ (increase of USD \$1.5m)
 - Q3'18 impacted by restructuring one-off

Portfolio expansion

- *Nutri Lety* 1.5 liters introduction in Guatemala
- Yogurt *aloe + fibra* to address health and wellness trend in Nicaragua and Guatemala



(1) Q3'18 comparable figures, include IFRS 16

Financial Results



Q3 Net Sales by Segment

2.9% YOY⁽¹⁾ branded⁽³⁾ Net Sales increase in Q3

MXN\$ in millions	Q3'18 ⁽¹⁾	Q3'19	Var. %	constant currency ⁽²⁾ Var. %
Milk	9,833	9,978	1.5%	1.3%
Other Dairy	7,935	8,251	4.0%	3.0%
Beverages and Others	423	494	16.8%	16.2%
Total Branded Sales	18,192	18,723	2.9%	2.4%
Raw Materials and Others	292	261	(10.7%)	(10.7%)
Total Sales	18,484	18,984	2.7%	2.2%

- **Milk:** growth in all regions excluding Brazil
- **Other Dairy:** growth throughout all regions, Mexico leading growth
- **Beverages and Others:** Plant Based Beverages and Cold Cuts drove Mexico growth, offsetting decreased Mexico Juice sales

(1) Q3'18 comparable figures, include deconsolidation of Elopak JV

(2) Constant currency uses constant BRL for Brazil and USD for the US and CAM

Q3 Net Sales by Region

2.9% YOY⁽¹⁾ branded⁽³⁾ Net Sales growth in Q3

MXN\$ in millions	Q3'18 ⁽¹⁾	Q3'19	Var. %	constant currency ⁽²⁾ Var. %
Mexico	13,627	14,057	3.2%	3.2%
Brazil	3,094	3,089	(0.2%)	(2.3%)
United States	826	860	4.0%	1.6%
Central America	644	717	11.4%	8.9%
Total Branded Sales	18,192	18,723	2.9%	2.4%
Raw Materials and Others	292	261	(10.7%)	(10.7%)
Total Sales	18,484	18,984	2.7%	2.2%

- **Mexico:** growth in all segments, driven by Yogurt, Cream, Plant Based, Cold Cuts and Milk
- **Brazil:** Other Dairy growth unable to offset negative UHT Milk impact
- **USA:** *Promised Land* brand continues to grow, Yogurt transitioning to target Hispanic market
- **CAM:** growth in all segments, driven by Milk, Yogurt and Cream

(1) Q3'18 comparable figures, include deconsolidation of Elopak JV

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Q3 Total EBITDA

Sequential and YOY⁽¹⁾ EBITDA margin improvement in Q3'19



(1) 2018 comparable figures, include IFRS 16 and the deconsolidation of Elopak JV

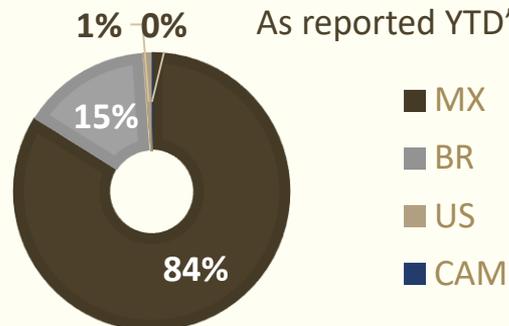
Q3 EBITDA per Region

240 bps consolidated margin expansion in Q3

EBITDA					
MXN\$ in millions	Q3'18 ⁽¹⁾	% NS	Q3'19	% NS	Var. bps
Mexico	1,757	12.6%	1,730	12.1%	(50)
Brazil	223	7.2%	547	17.7%	1,050
United States	(152)	(18.3%)	27	3.2%	2,150
Central America	(26)	(4.0%)	2	0.3%	430
Total EBITDA	1,802	9.7%	2,306	12.1%	240

EBITDA by Region

As reported YTD'19



(1) Q3'18 comparable figures, include IFRS 16 and the deconsolidation of Elopak JV

Q3 Consolidated Net Income

Controlling Net Income increased MXN \$493 million in Q3

MXN\$ (Millions)	Q3'18	Q3'19	Var. %
Operating Income	1,157	1,507	30.3%
Financing Expenses	675	600	(11.0%)
Results of associated companies	(1)	15	1,540.3%
Net Income Before Taxes	482	923	91.4%
% NS	2.6%	4.9%	
Taxes	266	282	6.3%
Effective Tax Rate	55.1%	30.6%	
Net Income	216	641	195.9%
% NS	1.2%	3.4%	
Controlling Net Income	205	641	212.9%
% NS	1.1%	3.4%	

- 30.3% increase in Operating Income
- Financing Expenses benefited from improved exchange rates
- Optimized Effective Tax Rate decreased to 30.6%
 - Q3'18 affected by one-time tax penalty
- +213% YOY increase in Controlling Net Income

Leverage Ratio

Deleverage in line with 2.5x by 2020 target



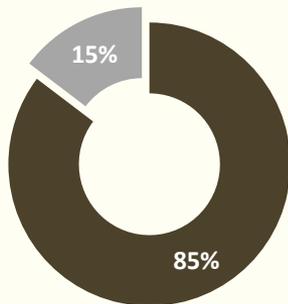
Total Debt as of September 30, 2019

Net Debt / EBITDA: 2.9x ratio sequential improvement

Total Debt: MXN \$28,198 million

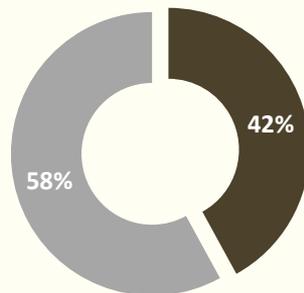
	Mexico	Brazil
Average Tenor	4.0 years	1.5 years
Average Cost	TIIE + 0.71%	CDI + 0.85%

CURRENCY MIX (%)



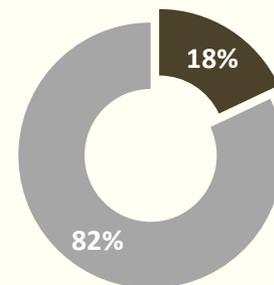
■ MXN\$ ■ BRL\$

RATE MIX (%)



■ Fixed ■ Variable

MATURITY MIX (%)



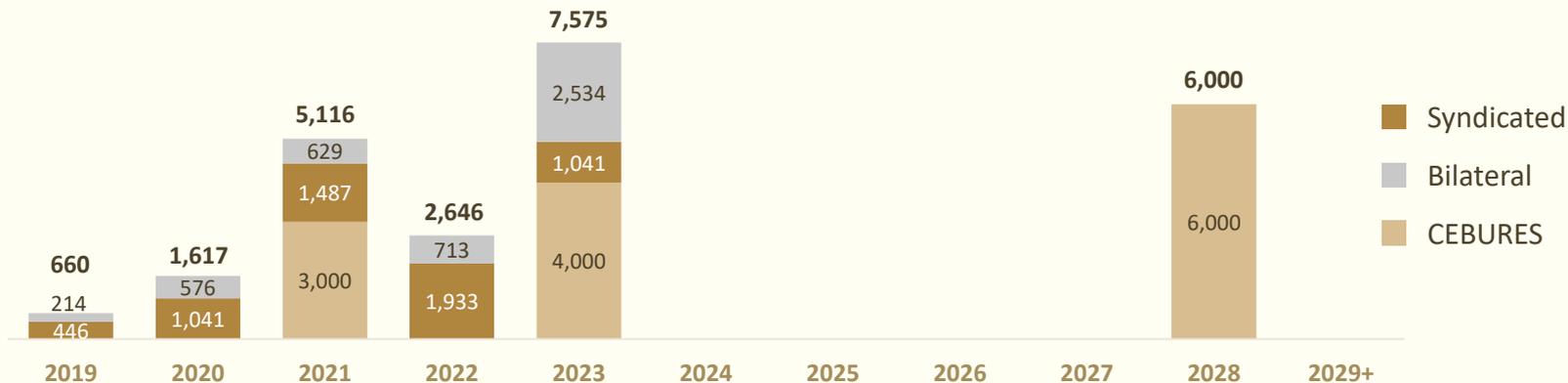
■ Short-term ■ Long-term

- Additional debt from bank loan to refinance 49% of Brazil debt due in October, 2019
- Proceeds from Lactalis settlement used to reduce Brazil debt
- Currently in the process of refinancing Mexico debt, to extend maturity profile

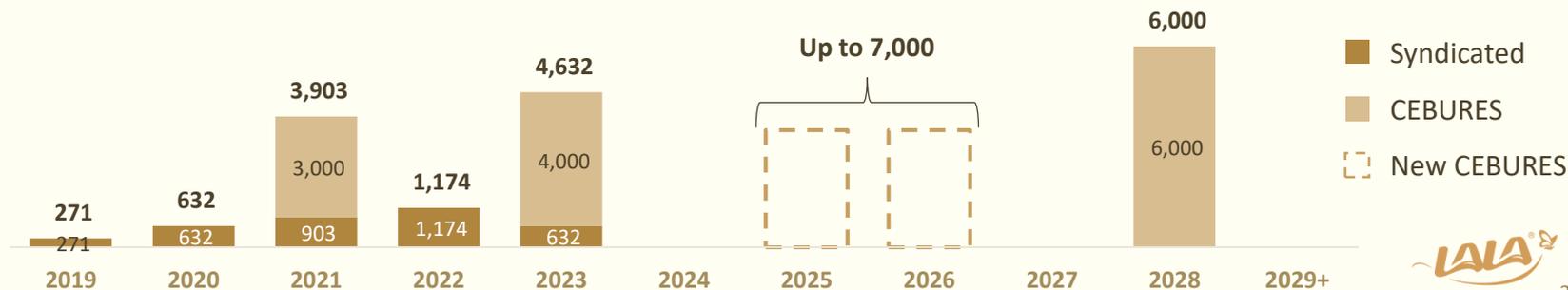
Refinancing Mexico Debt

Liability management to extend maturity profile

Actual maturity profile *MXN in millions*



Pro-forma maturity profile *MXN in millions*



Working Capital - Consolidated

-290 bps YOY Working Capital improvement



Working Capital - Mexico

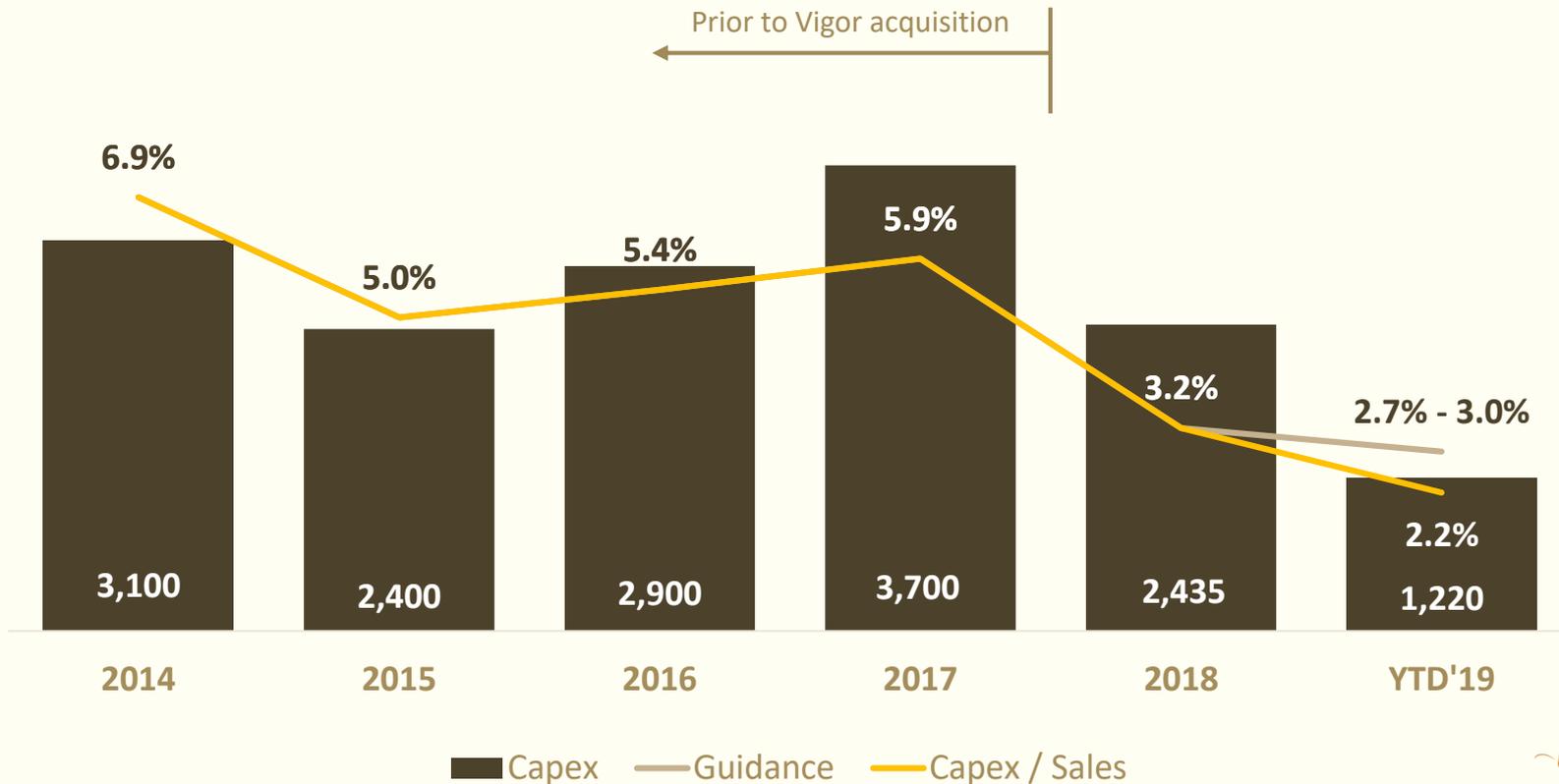
Negative Working Capital, a -410 bps YOY improvement: -0.7% of sales



CAPEX

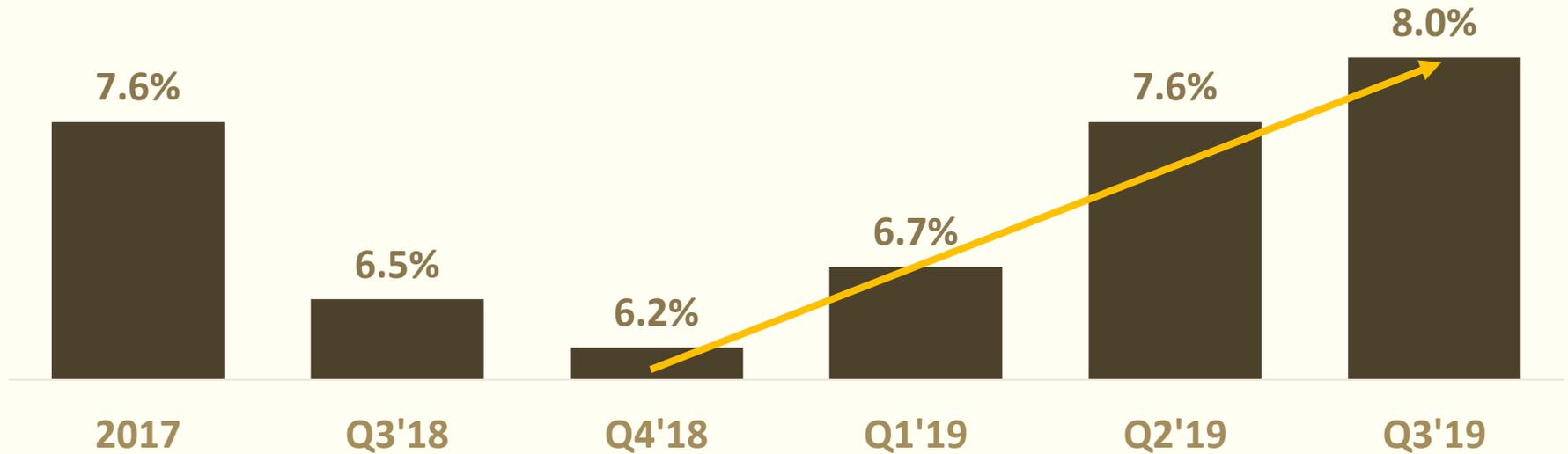
Capex optimization based on ROIC analysis

MXN in millions



ROIC

Continued ROIC improvement



(1) 2017 ROIC includes 12 month results from Brazil, as Vigor was acquired on October 2017

Closing Remarks

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A top-down view of a rustic wooden bowl filled with granola, white yogurt, fresh raspberries, blueberries, and almonds. The bowl is placed on a white-painted wooden surface, with various ingredients scattered around it, including whole almonds, blueberries, raspberries, and granola clusters.

Thank you!



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