LALA®

Fourth Quarter 2019
Earnings Results Conference Call

February 25, 2020

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Agenda

1. Immediate Priorities
2. Fourth Quarter and Full-Year Highlights
3. Fourth Quarter Highlights by Region
4. Financial Results

CEO: Professional Background

Arquímedes Celis Ordaz

- 45+ years in the FMCG industry
  - Bimbo, Bachoco, LALA
- 37+ years of experience in senior management roles
- Grupo LALA's CEO between 2001-2015
- Member of LALA's Board of Directors since 2015
- Member of Pilgrim's Pride Board of Directors

- During his tenure as CEO
  - Sales and EBITDA grew organically at a CAGR of 11.6% and 11.2%, respectively
  - Expanded LALA from a regional to national to international company, and from a single category to multicategory offering
  - Developed the Nutri brand among other successful innovations

Immediate Priorities

- **Stabilize Mexico Operation**: Fix the basics to recover business performance
  - Rebalance product push and pull according to demand
  - Reduce product waste throughout the supply chain
  - Minimize raw material losses in production processes

- **Recover Mexico's profitability**: Calibrate expenses vs growth
  - Resize sales expenses
  - Rationalize product launches and exploit under-developed portfolio

- **Strategy continuity**
  - Prioritize and adjust execution pace
  - Continue implementing growth plan in Brazil, US and CAM

Fourth Quarter and Full-Year 2019 Highlights

1. **+2.0% Q4’19 and +3.9% FY’19 constant currency Branded Sales[1]**
2. **8.3% Q4’19 EBITDA margin, -27.5%[2] YOY affected by margin contraction in Mexico**
3. **10.9% FY’19 EBITDA margin, +3.0%[2] YOY growth**
4. **-86.5% Q4’19 and -3.0% FY’19 YOY Controlling Net Income due to lower Operating Profit in Mexico**
5. **180 bps WC improvement to 0.6% of sales, driven by negative WC in Mexico**
6. **Leverage ratio: 3.0x at year-end**

(1) *Branded Sales exclude raw materials sales*
(2) *Q4’18 comparable figures, include IFRS 16 and the deconsolidation of Elopak JV*

Fourth Quarter 2019 Highlights by Region

Mexico (1/2)

Challenging consumption environment

Top line growth

- +3.7% YOY branded sales[1]
    - Economic slow down affecting consumption
    - Operational issues
    - LALA 100, Plant-based and Cold Cuts continue to show double double-digit growth

Position in market and market share bps variation

1°	2°	2°	1°
Milk[2]	Yogurt [2]	Packaged Cheese[2]	Cream[2]
52.2%	24.2%	24.0%	43.2%
-120 bps	0 bps	-110 bps	-170 bps

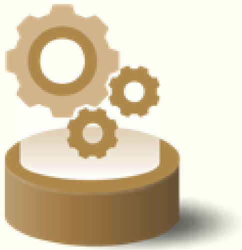
(1) *Branded Sales exclude raw materials sales*
(2) *Value sales by segment, Nielsen Retail December RY 2019*

Mexico (2/2)

Operating expenses pressuring margins

Execution problems behind margin contraction

- 8.5% EBITDA margin, -510 bps YOY contraction[(1)]
- Overinvestment ahead of sales growth causing operational disruption
  - Increased sales and marketing expenses
  - Imbalanced demand planning
  - Excessive raw material losses in production processes
  - Product waste



Cheese plant operational problems addressed

- Impact in October, November and December
- Higher waste, transport and maintenance expenses

(1) Q4'18 comparable figures, include IFRS 16 and the deconsolidation of Elopak JV

Brazil (1/2)

Challenging economic environment

Economic environment pressures category prices

- -4.7% YOY BRL sales
    - Economic slowdown affecting consumption
    - Yogurt consumption appearing in value segment
    - Yogurt volume growth did not offset Margarine contraction
    - UHT Milk production resumed
- Following 5 years of category contraction, Nov-Dec market reading flat vs YAGO figures

Position in market and market share bps variation

Refrigerated Dairy[1]
8.6%
+20 bps

Cheese[2]
15.6%
+20 bps

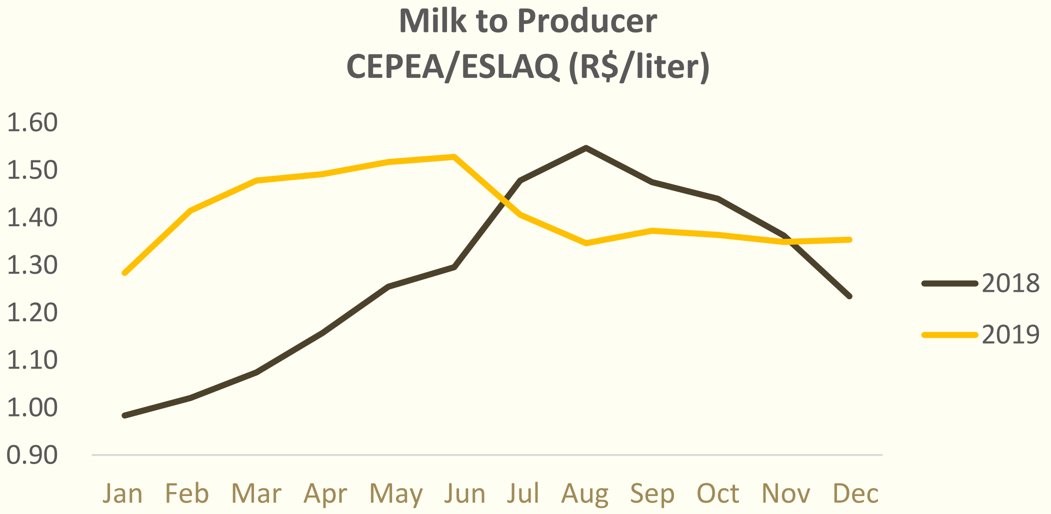
(1) *Value sales by segment, Nielsen November RY 2019; Refrigerated Dairy includes: yogurts + fermented milk + petite suisse + desserts*
(2) *Value sales by segment, Nielsen November RY 2019; Cheese includes: requeijão, cream cheese, fresh cheese, processed cheese*

Brazil (2/2)

Challenging economic environment

Pricing environment pressures margins

- 10.3% EBITDA margin, +320 bps YOY[(1)] expansion
  - Tax recovery one-time benefit: 4.7% normalized margin
  - Price declines and product mix affected margins
  - Raw milk prices 10% higher vs. 2018



(1) *Comparable figures, includes IFRS 16*

United States

YOY and sequential EBITDA margin expansion

Profitability improvement

- -7.2% YOY USD sales due to volume contraction
- 5.4% EBITDA margin; +400 bps YOY(1) increase; +220 bps sequential expansion
  - Pricing, operational improvements and fit for purpose benefits
  - Highest EBITDA result since acquisition

Position in market and market share bps variation

Adult Drinkable Yogurt(2)
19.5%
-90 bps

(1) Comparable figures, include IFRS 16
(2) Values Sales by segment, Nielsen December RY 2019

Central America

Building strong fundamentals

Strong sales growth across region

- +11.6% YOY USD sales driven by volume growth in all countries
  - Double-digit volume growth of Other Dairy and Milk
  - Ice-cream in Nicaragua starting to recover

- 0.0% EBITDA margin, -130 bps YOY[1] contraction
  - Nicaragua and Guatemala positive EBITDA, resources reinvested in Costa Rica

(1) Value sales by segment, Nielsen RY December 2019

Financial Results

Q4 and FY Net Sales by Segment

Price, mix and Others category drove growth in Q4'19

MXN$ in millions	Q4'18[1]	Q4'19	Var. %	constant currency Var. %[2]	FY'18[1]	FY'19	Var. %	constant currency Var. %[2]
Milk	10,052	10,243	1.9%	2.1%	38,876	40,186	3.4%	3.5%
Other Dairy	8,471	8,216	(3.0%)	1.0%	32,057	32,378	1.0%	3.8%
Beverages and Others	397	473	18.9%	21.8%	1,655	1,879	13.6%	15.6%
Total Branded Sales	**18,920**	**18,932**	**0.1%**	**2.0%**	**72,588**	**74,443**	**2.6%**	**3.9%**
Raw Materials and Others	322	285	(11.4%)	(11.4%)	1,735	1,341	(22.7%)	(22.7%)
Total Sales	**19,242**	**19,217**	**(0.1%)**	**1.8%**	**74,323**	**75,784**	**2.0%**	**3.3%**

Q4

- **Milk:** growth driven by price and mix in all regions except US
- **Other Dairy:** growth in Mexico and CAM compensated price contraction and less favorable mix in Brazil and volume decrease in US
- **Beverages and Others:** Plant-based Beverages and Cold Cuts drove Mexico growth

(1) Q4'18 and FY'18 comparable figures, include deconsolidation of Elopak JV
(2) Constant currency uses constant BRL for Brazil and USD for the US and CAM

Q4 and FY Net Sales by Region

Mexico and CAM drove growth in Q4'19

MXN$ in millions	Q4'18[1]	Q4'19	Var. %	constant currency Var. %[2]	FY'18[1]	FY'19	Var. %	constant currency Var. %[2]
Mexico	13,896	14,404	3.7%	3.7%	53,765	56,283	4.7%	4.7%
Brazil	3,475	2,979	(14.3%)	(4.7%)	12,765	11,964	(6.3%)	1.4%
United States	904	816	(9.7%)	(7.2%)	3,373	3,368	(0.1%)	(0.3%)
Central America	646	733	13.3%	11.6%	2,686	2,829	5.3%	4.0%
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Q4

- **Mexico:** growth in all segments, driven by Cream, Plant-based, Cold Cuts, Yogurt and Milk
- **Brazil:** recovery in Milk unable to offset Other Dairy price contraction and less favorable mix
- **USA:** sales decrease due to volume contraction stemming from price increase
- **CAM:** growth in all segments, driven by Milk, Yogurt and Ice-cream

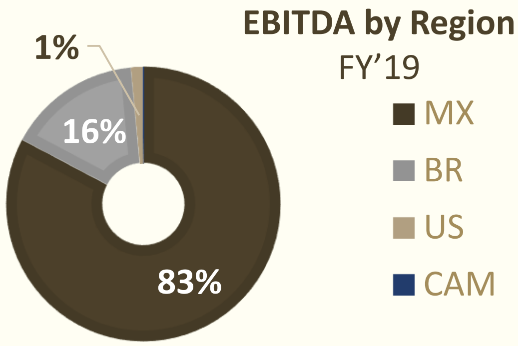
(1) Q4'18 and FY'18 comparable figures, include deconsolidation of Elopak JV

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

Q4 and FY EBITDA per Region

Increased expenses in Mexico pressured margins in Q4'19

MXN$ in millions	Q4'18[1]	% NS	Q4'19	% NS	Var. bps	FY'18	% NS	FY'19	% NS	Var. bps
Mexico	1,931	13.6%	1,244	8.5%	(510)	7,490	13.5%	6,840	11.9%	(160)
Brazil	247	7.1%	306	10.3%	320	901	7.1%	1,305	10.9%	380
United States	12	1.4%	44	5.4%	400	(272)	(8.1%)	112	3.3%	1,140
Central America	8	1.3%	0	0.0%	(130)	(92)	(3.4%)	9	0.3%	370
Total EBITDA	**2,198**	**11.4%**	**1,594**	**8.3%**	**(310)**	**8,026**	**10.8%**	**8,265**	**10.9%**	**10**



(1) Q4'18 and FY'18 comparable figures, include IFRS 16 and the deconsolidation of Elopak JV

Mexico Q4’19 EBITDA

Increased expenses lowered margin

- Overinvestment and operational disruptions increased operating and production expenses 18.4% and 15.1%, respectively, reducing EBITDA margin by 510 bps

- Expenses with double-digit growth in Q4’19:
  1. Sales force
  2. Freights and transportation
  3. Product waste
  4. Marketing
  5. Plant maintenance

Q4 and FY Consolidated Net Income

Margin contraction in Mexico affected Operating Income

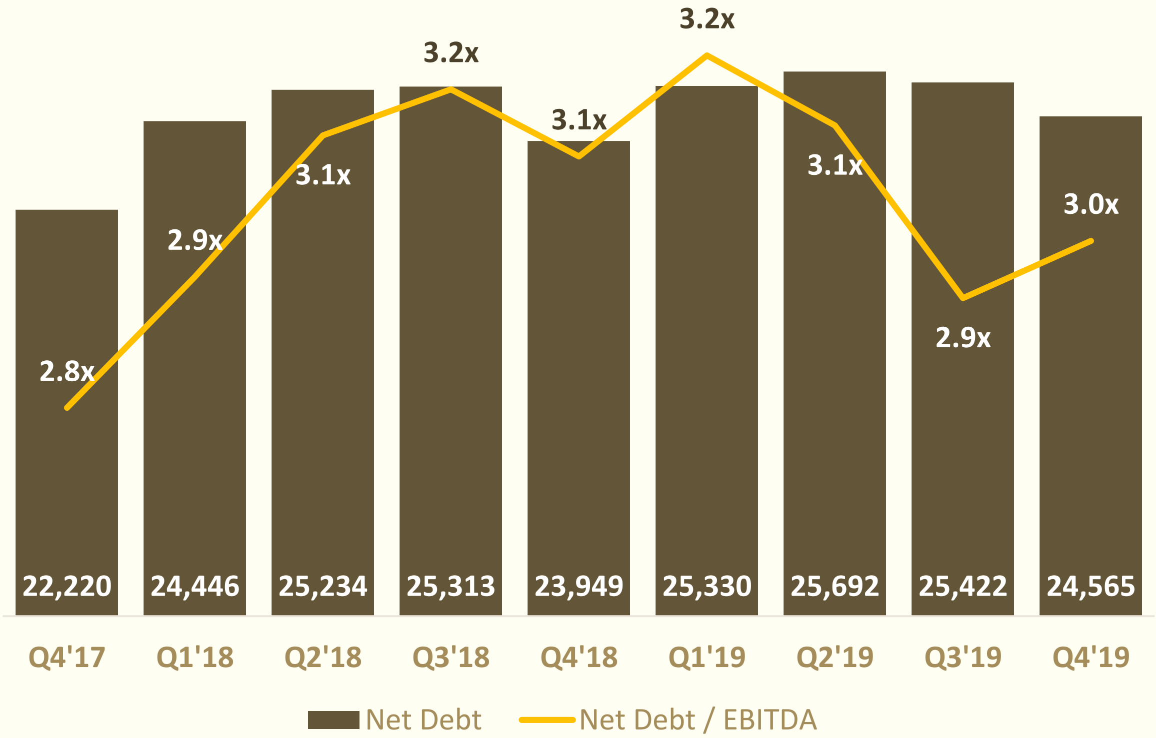
MXN$ (Millions)	Q4'18	Q4'19	Var. %	FY'18	FY'19	Var. %
Operating Income	**1,510**	**780**	**(48.3%)**	**5,411**	**5,194**	**(4.0%)**
Financing Expenses	546	631	15.6%	2,453	2,549	3.9%
Results of associated companies	(2)	20		(2)	66	
Net Income Before Taxes	**962**	**169**	**(82.4%)**	**2,957**	**2,711**	**(8.3%)**
% NS	4.9%	0.9%		3.9%	3.6%	
Taxes	86	54	(37.0%)	963	860	(10.8%)
Effective Tax Rate	9.0%	32.1%		32.6%	31.7%	
Net Income	**875**	**115**	(86.9%)	**1,994**	**1,851**	(7.1%)
% NS	**4.5%**	**0.6%**		**2.6%**	**2.4%**	
Controlling Net Income	**854**	**115**	(86.5%)	**1,908**	**1,851**	(3.0%)
% NS	**4.4%**	**0.6%**		**2.5%**	**2.4%**	

Q4

- Controlling Net Income decrease due to lower Operating Income related to higher operating expenses in Mexico and a one-time tax benefit in Q4'18
  - FY'18 tax benefit was offset by Q3'18 one-time tax penalty

Leverage Ratio

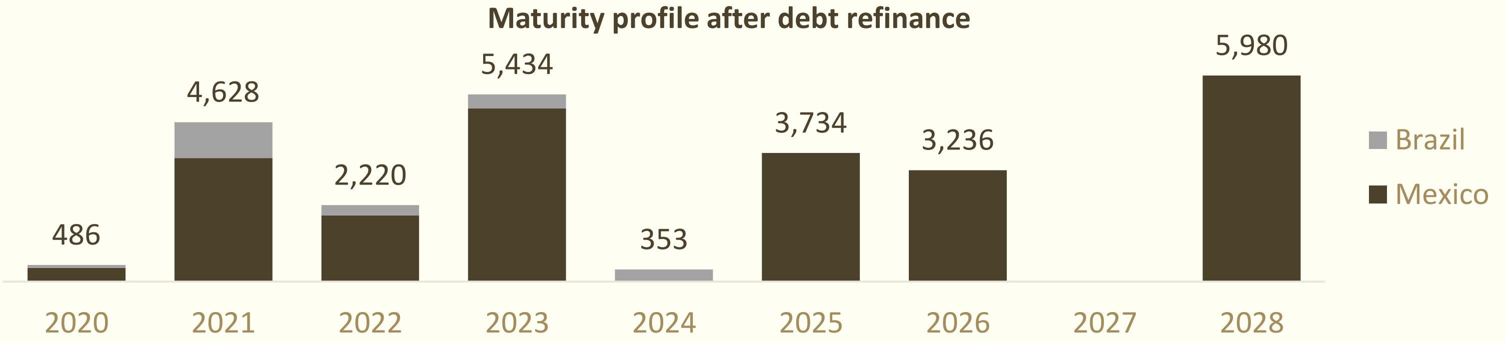
Leverage target of 2.5x



Debt Profile

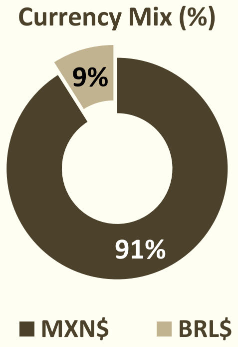
Healthy long-term maturity profile

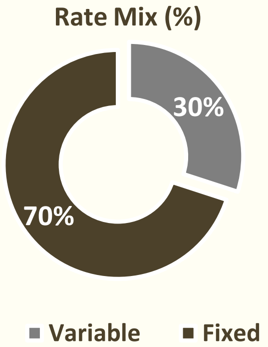
MXN in million

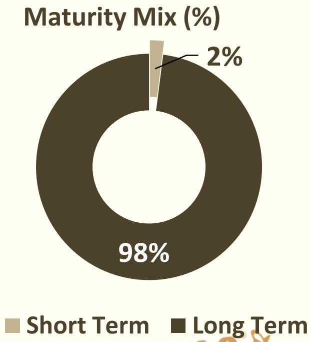


	Q4'19	
	Mexico	**Brazil**
Total Debt	$26,098	
Net Debt / EBITDA	3.0x	
Average Duration	5.0 years	2.7 years
Average Cost of Debt	TIIE + 0.8%	CDI + 0.5%
Weighted Cost of Debt	**8.16%**	

Debt Profile

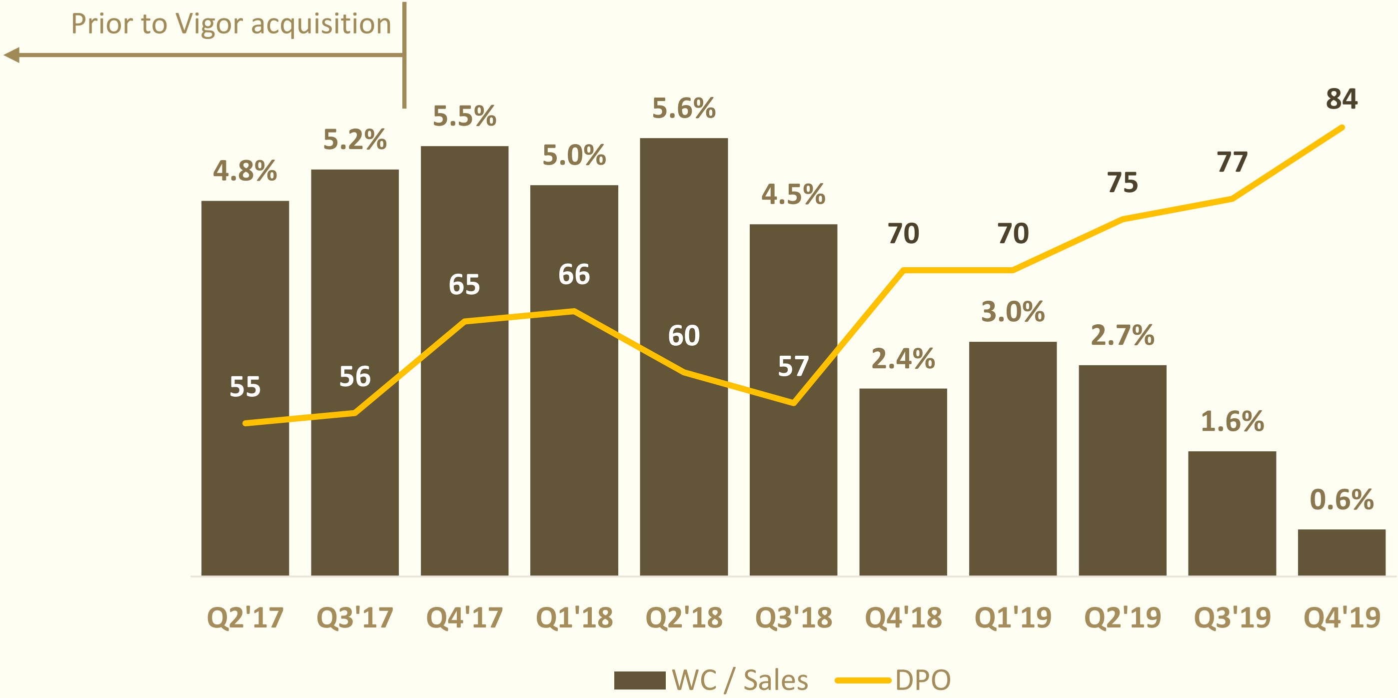






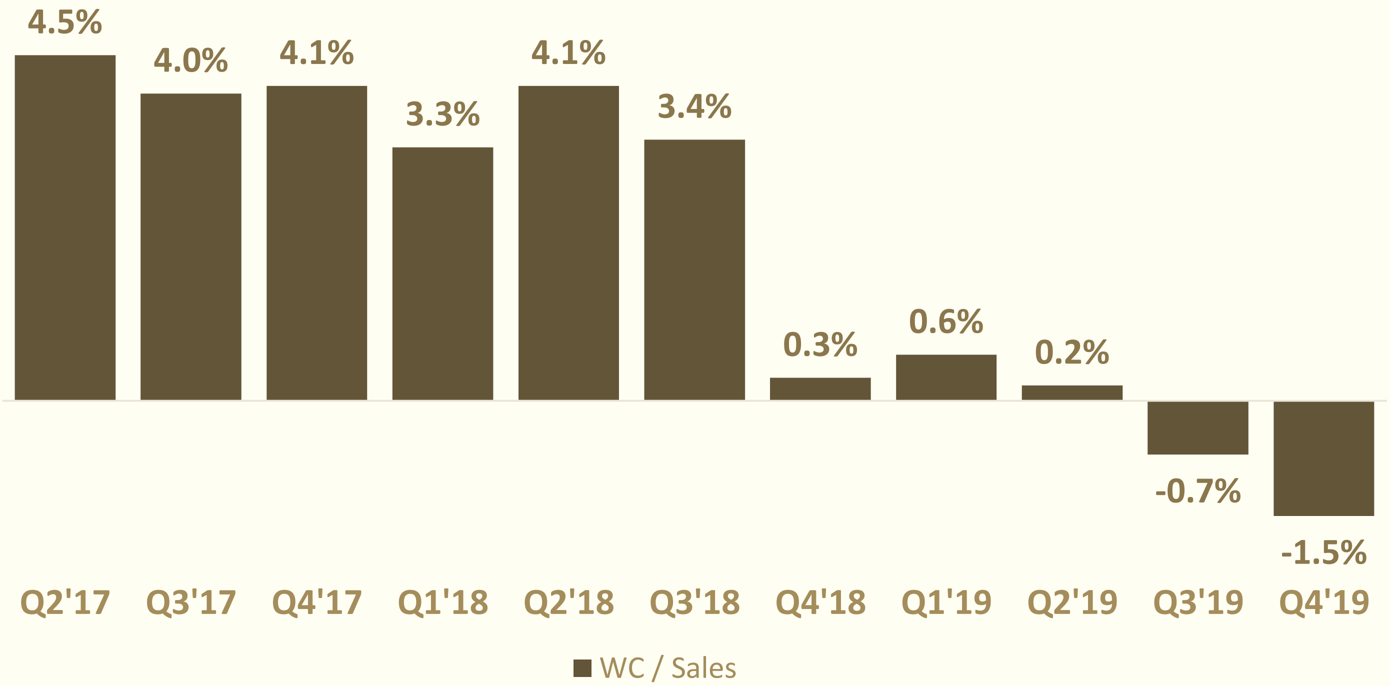
Working Capital - Consolidated

-490 bps Working Capital improvement vs Q4’17



Working Capital - Mexico

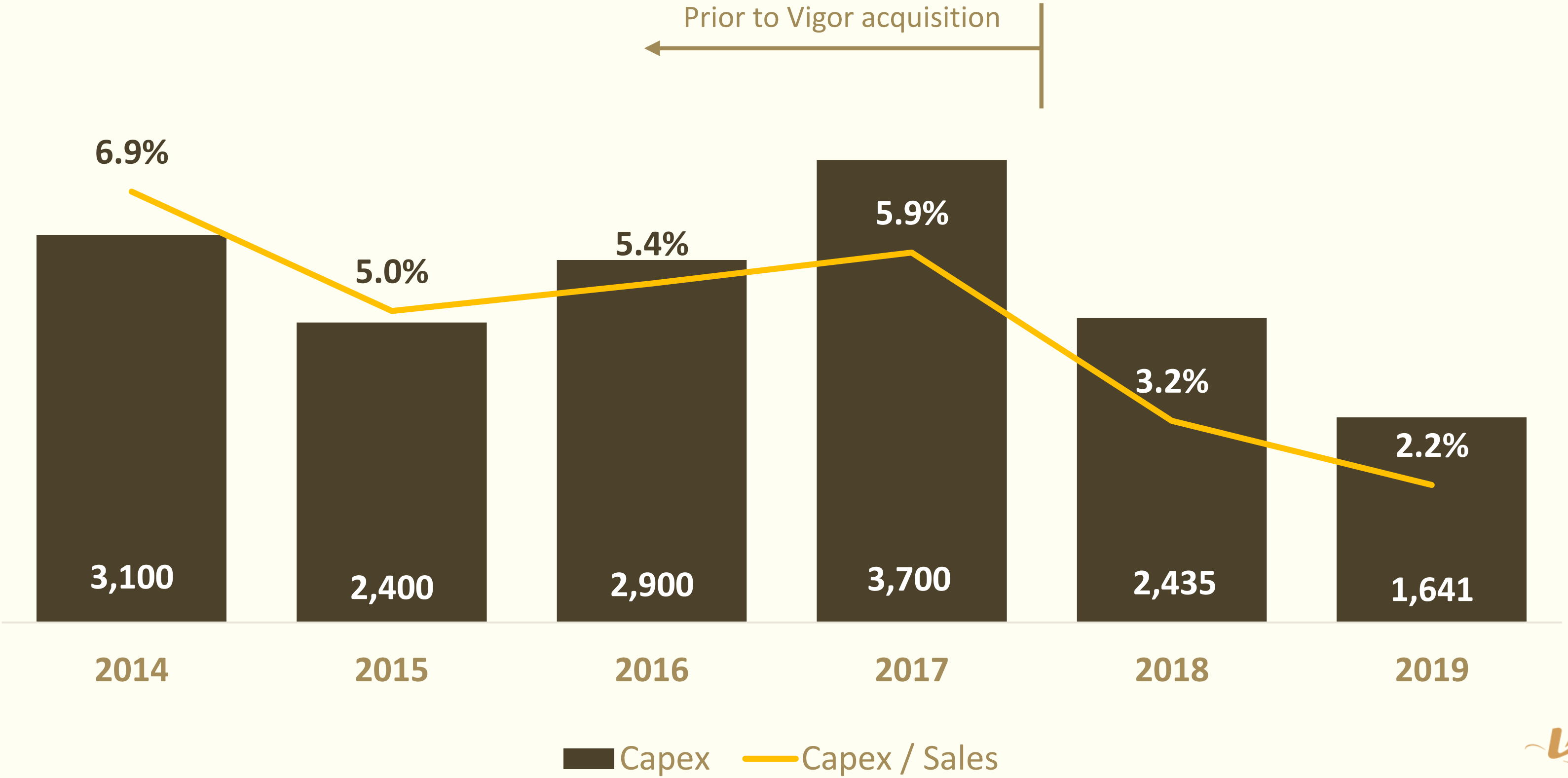
Negative Working Capital



CAPEX

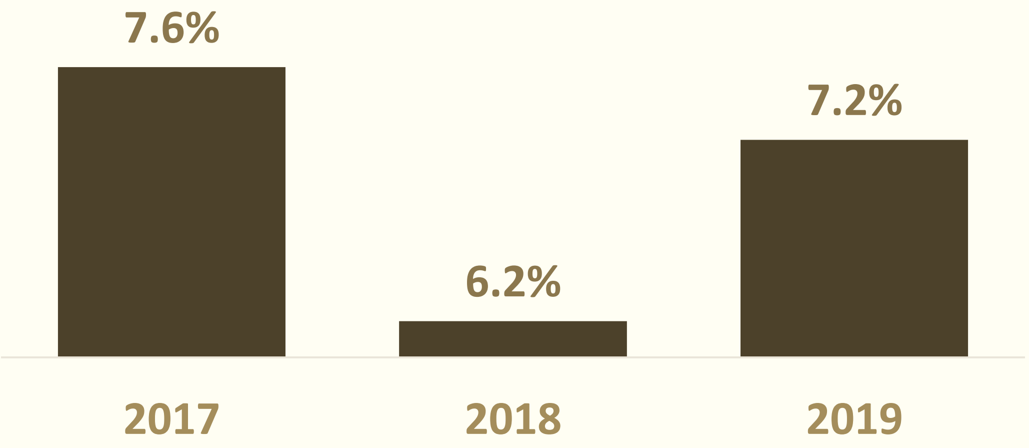
Capex optimization based on ROIC analysis

MXN in millions



ROIC

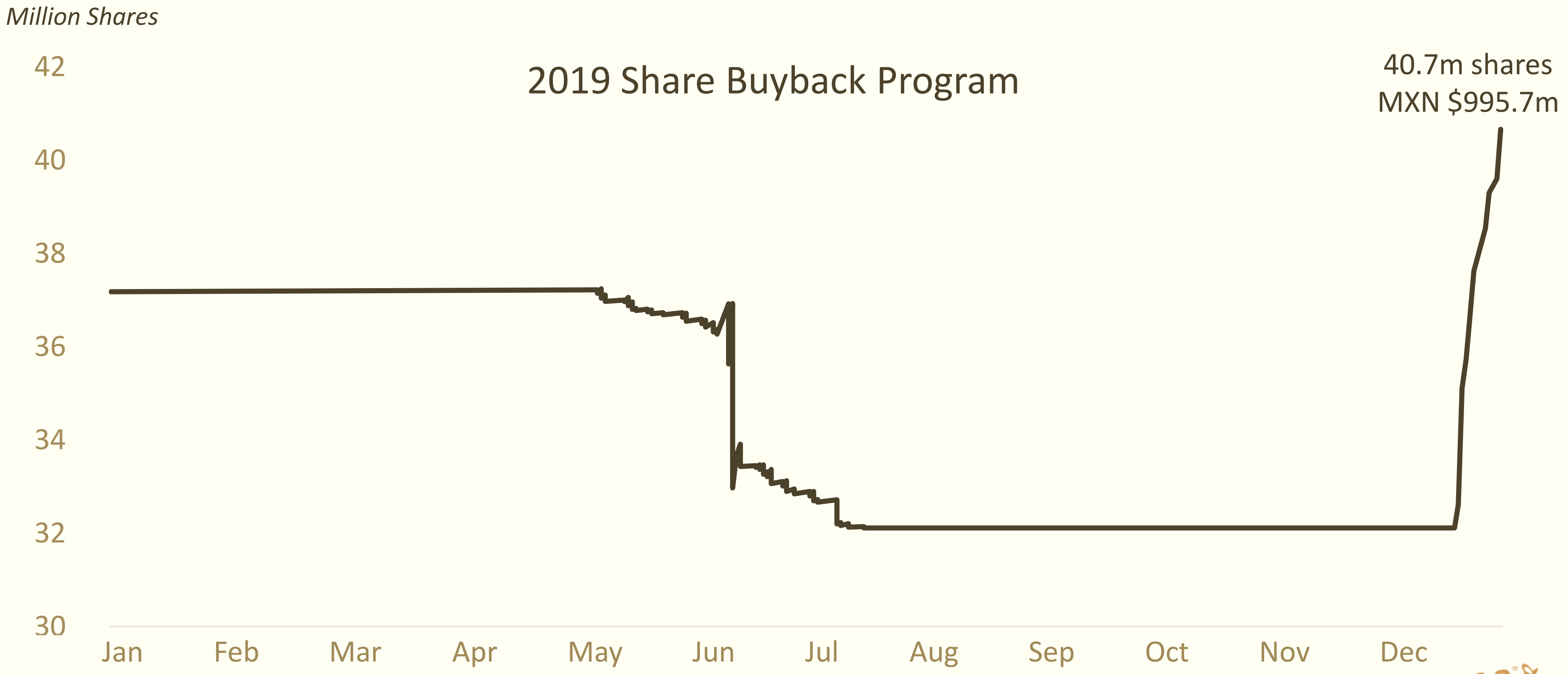
ROIC improvement



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

Share Buyback Program

Took advantage of window of opportunity in December



Closing Remarks

1. LALA's strengths remain: brands, distribution, market position, production capabilities
2. Continue implementing growth strategy, while prioritizing and adjusting execution pace in Mexico
3. Focus on stabilizing operations and margin recovery in Mexico
4. Sustained WC improvements
5. Leverage ratio target of 2.5x Net Debt/EBITDA
6. Continue raising ROIC

Thank you!

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