



GRUPO LALA REPORTS FIRST QUARTER 2020 RESULTS

Mexico City, April 20, 2020 – Grupo LALA, S.A.B. de C.V., a Mexican Company focused on healthy and nutritious foods, (“LALA”) (BMV: LALAB), today reported results for the first quarter 2020. The following information has been presented based on International Financial Reporting Standards (IFRS) and in nominal terms.

Quarter Highlights:

- +5.1% YOY constant currency Branded Sales increase
- 9.4% EBITDA margin; a 15.0% YOY decrease due to margin contraction in Mexico and Brazil
- +250 bps sequential EBITDA margin recovery in Mexico
- -53.8% YOY in Net Income due to lower Operating Profit in Mexico and Brazil
- -270 bps Working Capital improvement to 0.3% of sales, driven by negative Working Capital in Mexico
- Leverage ratio: 3.2x
- COVID-19: All facilities continue uninterrupted production, increased cash position 4.4x to strengthen liquidity

The following chart provides an abridged Income Statement, in millions of pesos. The margin for each figure represents its ratio to net sales for the quarter and the year ended on March 31, 2020 as compared to the same period in 2019.

MXN\$ in millions	Q1'19	% Sales	Q1'20	% Sales	Var. %	Var. bps
Branded Sales ⁽¹⁾	18,297		18,905		3.3%	
Raw Materials and Others Sales	411		499		21.6%	
Net Sales	18,707	100%	19,405	100%	3.7%	
Gross Profit	6,619	35.4%	6,389	32.9%	(3.5%)	(250 bps)
Operating Income	1,455	7.8%	1,045	5.4%	(28.1%)	(240 bps)
EBITDA ⁽²⁾	2,155	11.5%	1,831	9.4%	(15.0%)	(210 bps)
Net Income	560	3.0%	258	1.3%	(53.8%)	(170 bps)

(1) Branded Sales exclude raw materials sales

(2) EBITDA is defined as operating income before depreciation and amortization

MESSAGE FROM MANAGEMENT

Arquímedes Celis, Grupo LALA's CEO, commented:

“LALA's resilience to today's COVID-19 challenges underscores the strength of our brands, business and market position as important competitive advantages. LALA benefits from a guaranteed milk supply, proprietary refrigerated distribution network and an extensive market-leading brand portfolio of the important nutritious food staples currently in demand, while also addressing all market segments, demographics and price-points. The current situation is also aligned with our strategy of stabilizing operations and restoring profitability in Mexico, which ensures we are well positioned to serve our customers' increased needs and related opportunities in the market. Our balance sheet is solid and we have an experienced leadership team that will take action to help us not only weather this crisis, but continue to transform our business for the better.”

COVID-19 RESPONSE

On March 13, 2020, Grupo LALA established a Nerve Center for each region in which the Company operates, with coordinated contingency plans enabling LALA to anticipate challenges, align each business to regulatory measures of each respective country and facilitate swift action to guarantee the continuity of its operations. The Company remains focused on four priorities:

1. **Safety of employees, suppliers and clients:** LALA began implementing its plan to safeguard the health of its employees and support its business continuity amid the COVID-19 pandemic. As such, those employees not critical to on-site operations are currently “work from home where possible” until further notice. All LALA employees who are considered particularly vulnerable are also at home without affecting their salaries. At operational facilities, access protocols have been established with rigorous health and safety protocols based on WHO and CDC recommendations.
2. **Guarantee food safety:** LALA maintains the highest standards of health and hygiene at all facilities based on HACCP and SQF-certified safety and quality protocols.
3. **Continuity of supply chain:** All plants continue to operate uninterrupted, prioritizing high-demand products. LALA has increased inventory of critical raw materials with additional temporary employment positions to ensure operations continuity. LALA is also closely monitoring supply levels and product demand in order to ensure adequate and effective distribution of products.
4. **Financial liquidity:** LALA increased its cash position through pre-existing credit lines to guarantee uninterrupted access to cash if needed. All non-essential cash outflows have been reduced or postponed. LALA has no significant debt maturity during 2020.

CONSOLIDATED RESULTS FOR

THE FIRST QUARTER 2020

Net Sales: First quarter 2020 total net sales increased 3.7% year-on-year to reach \$19,405 million pesos; a 5.5% increase on a constant currency basis. This was due to: 1) topline growth driven by increased volumes in Mexico, Brazil and Central America; 2) a negative translation effect due to a 12.0% depreciation of the BRL and a 3.9% appreciation of the USD relative to the Mexican peso; as well as 3) a 21.6% increase in Mexico raw milk sales due to a seasonal surplus of raw milk received from suppliers.

Sales by Region:

First quarter 2020 branded sales in **Mexico** increased by 5.2% YOY, to \$14,448 million pesos with increased sales in all segments and particularly strong performance in UHT Milk, Cream, Yogurt, Plant-based, Cold Cuts and Butter coupled with low single-digit volume growth. UHT Milk sales increased significantly during the second half of March due to increased demand for products related to COVID-19 driven purchases.

Grupo LALA's **Brazil** operations reported first quarter net sales of \$2,824 million pesos; a 4.9% year-on-year increase in BRL and a 7.6% decrease in MXN. This increase was due to strong volume growth in value categories such as UHT Milk and Value Yogurt, also resulting in an unfavorable price mix which was not fully offset by the positive performance of Cheese in this market. As can be expected, March Food Service sales experienced the significant initial affects related to COVID-19.

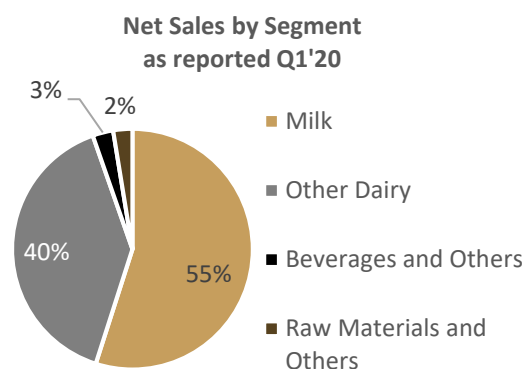
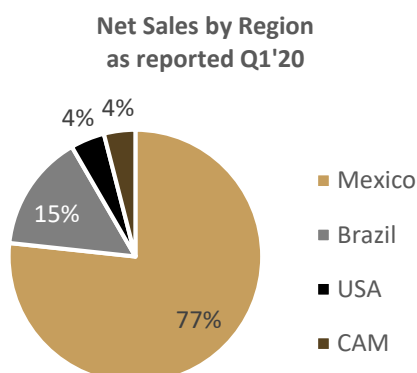
The Company's **U.S.** operations reported \$851 million pesos in net sales for first quarter 2020; a 1.8% decrease in constant currency and a 2.3% increase in Mexican pesos. Volumes reflected a mid-single digit contraction due to price increases implemented in 2019, in line with the Company's strategy to increase portfolio profitability. Co-packing sales were adversely impacted by the effect of COVID-19 on the Food Service channel.

LALA's **Central America** operations reported a 13.0% sales increase in USD and 17.0% in MXN, to reach \$782 million pesos in first quarter 2020 sales. This increase was due to strong performance in all countries and segments in which LALA has a presence, driven by Milk and Other Dairy. Ice-cream showed strong performance in January and February with a COVID-19 related sales shift towards Milk during March, affecting mix.

Net Sales by Region				Vs constant currency ⁽¹⁾
MXN\$ in millions	Q1'19	Q1'20	Var. %	Var. %
Mexico	13,740	14,448	5.2%	5.2%
Brazil	3,057	2,824	(7.6%)	4.9%
USA	832	851	2.3%	(1.8%)
CAM	669	782	17.0%	13.0%
Total Branded Sales ⁽²⁾	18,297	18,905	3.3%	5.1%
Raw Materials and Others	411	499	21.6%	21.6%
Total Sales	18,707	19,405	3.7%	5.5%

(1) Constant currency uses constant BRL for Brazil and USD for the United States and Central America

(2) Branded Sales exclude raw materials sales



Sales by Segment:

Milk sales growth was driven by an increase in UHT Milk sales across all regions.

Other Dairy yogurt increased in all regions in which LALA operates while Cream, Cheese and Butter also performed well.

Beverages and Others: Plant-based Beverages and Cold Cuts drove segment growth in Mexico.

Net Sales by Segment				Vs constant currency ⁽¹⁾
MXN\$ in millions	Q1'19	Q1'20	Var. %	Var. %
Milk	9,948	10,663	7.2%	7.1%
Other Dairy	7,924	7,781	(1.8%)	2.1%
Beverages and Others	425	461	8.5%	11.3%
Total Branded Sales ⁽²⁾	18,297	18,905	3.3%	5.1%
Raw Materials and Others	411	499	21.6%	21.6%
Total Sales	18,707	19,405	3.7%	5.5%

(1) Constant currency uses constant BRL for Brazil and USD for the United States and Central America

(2) Branded Sales exclude raw materials sales

Costs and Gross Profit: First quarter 2020 cost of goods sold increased by 7.7%, resulting in gross profit of \$6,389 million pesos with a 250 bps decrease in gross margin, to 32.9%. This was due to: 1) inflation in raw materials; 2) residual production process inefficiencies at LALA's Mexico operations due to inaccuracies in production and demand planning, resulting in raw material losses and increased plant maintenance; 3) deferred price increases in light of the current economic environment; and 4) pressure on mix in Brazil due to increased demand for lower margin products, such as UHT Milk and Value Yogurt.

Expenses and Operating Income: First quarter operating expenses increased by 3.9%, to \$5,376 million pesos. As announced in the fourth quarter 2019, expense reduction has been executed to recover profitability in Mexico, with decreased first quarter 2020 expenses reflecting progress related to scaling back prior excessive investments coupled with an improved demand planning.

Reported operating income reached \$1,045 million pesos during the first quarter 2020; a 28.1% year-on-year decrease impacted by gross margin contraction in Mexico and Brazil, resulting in an operating margin of 5.4%. This represents a 240 bps year-on-year decrease in operating margin.

EBITDA: First quarter 2020 EBITDA reached \$1,831 million pesos; a 15.0% year-on-year decrease with a 210 bps margin contraction. This is primarily due to decreased operating performance in Mexico and Brazil. However, it's important to note that first quarter 2020 margin expanded by 110 bps in a sequential basis.

EBITDA by Region

EBITDA by Region					
MXN\$ in millions	Q1'19	% NS	Q1'20	% NS	Var. bps
Mexico	1,904	13.5%	1,646	11.0%	(250 bps)
Brazil	231	7.6%	164	5.8%	(180 bps)
USA	16	2.0%	17	2.0%	0 bps
CAM	3	0.5%	3	0.4%	(10 bps)
Total EBITDA	2,155	11.5%	1,831	9.4%	(210 bps)

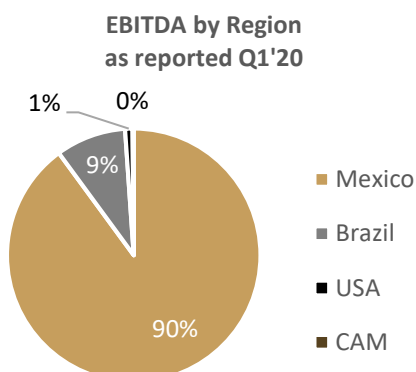
In **Mexico**, first quarter 2020 EBITDA was \$1,646 million pesos with an 11.0% margin; a 250 bps year-on-year contraction. This is due to increased operating and production expenses related to previous investments made prior to realizing the appropriate levels of productivity and due to operational disruptions throughout the supply chain due to prior inaccuracies in demand planning. Sequentially, Mexico operations achieved a 250 bps margin expansion due to performance improvements and expense reductions. These included: waste reduction and marketing expenses more appropriately aligned to sales, among others.

In **Brazil**, LALA closed the first quarter 2020 with \$164 million pesos in EBITDA and a 5.8% margin; a 180 bps year on year contraction. This is due to 1) raw materials-related cost pressure, primarily raw milk and soybean oil; 2) a lower margin product mix due to increased demand for UHT Milk and Value Yogurt; 3) and COVID-19 sales decline of the Food Service channel. It's important to note that the results for the first quarter 2020 were positively impacted by a fiscal one-time benefit, excluding this effect, normalized margin would have reached 4.3%.

In the first quarter 2020, LALA management established an action plan to improve overall profitability within this market. The plan includes, among other actions, a price increase implemented at quarter's end, as well as portfolio optimization and distribution network improvements within this market.

The Company's **US** operation achieved a 2.0% EBITDA margin; a flat result, year on year. LALA's US operation therefore closed the first quarter with \$17 million pesos in EBITDA.

EBITDA margin for LALA's **Central America** operation was 0.4%, in line with the breakeven plan for this market. Year-on-year, this result represents a 10 bps margin contraction.



Net Financial Expenses: During the first quarter 2020, the Company reported \$676 million pesos in net financial expenses; a 5.3% increase. This was comprised of \$612 million pesos of debt-related interest, as well as an increase of \$63 million pesos in exchange rate losses, due to unrealized exchange rate fluctuations of USD liabilities with suppliers in Mexico.

Taxes: Taxes for the first quarter 2020 were \$129 million pesos. The effective tax rate increased from 32.6% in Q1'19 to 33.3% in Q1'20, due to the creation of a provision for doubtful accounts receivable in Brazil, which have a non-deductible effect.

Net Income: Net income decreased 53.8% in the first quarter, to \$258 million pesos, due to a lower operating result in Mexico and Brazil.

MXN\$ in millions	Q1'19	Q1'20	Var %
Operating Income	1,455	1,045	(28.1%)
Financing Expenses	642	676	5.3%
Results of associated companies	17	18	6.8%
Net income before taxes	830	387	(53.3%)
% NS	4.4%	2.0%	
Taxes	270	129	(52.3%)
Effective tax rate	32.6%	33.3%	
Net Income	560	258	(53.8%)
% NS	3.0%	1.3%	

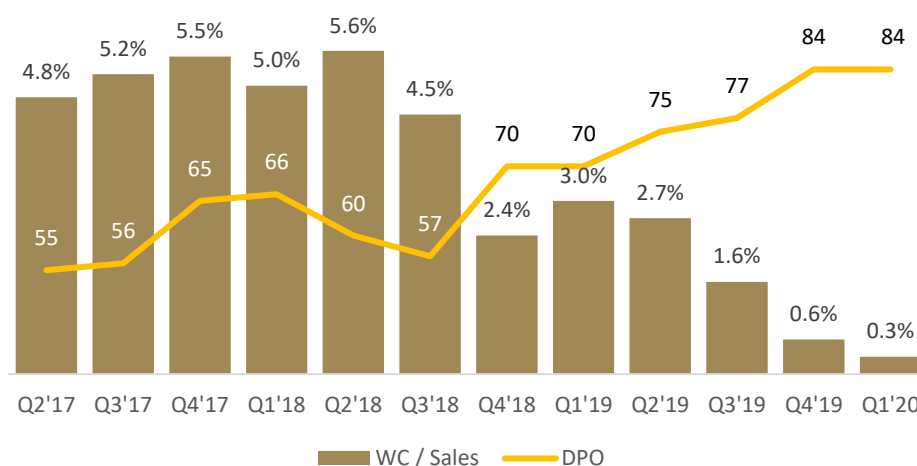
CONSOLIDATED

FINANCIAL POSITION

Capital Investment: As of March 31, 2020, the Company invested \$480 million pesos in capacity expansion and maintenance Capex. This is comprised of \$368 million pesos in property plant and equipment acquisitions and \$112 million pesos in vehicle, machinery and equipment leasing. This represents a Capex to Sales ratio of 2.5% for the first quarter 2020.

Cash and Cash Equivalents: As of March 31, 2020, Grupo LALA had a cash position of \$5,501 million pesos, including an increase in short term loans to strengthen the Company's liquidity to ensure to Company remains well positioned to address current COVID-19 market environment.

Working Capital: As of March 31, 2020, LALA's consolidated working capital over sales ratio improved by -270 bps year-on-year, to reach 0.3%, driven by a negative working capital ratio of -2.2% of sales achieved in Mexico.



Total Debt: LALA ended the quarter with total debt of \$31,142 million pesos, comprised of \$5,338 million pesos in short-term debt and \$25,804 million pesos in long-term debt. As of March 31, 2020, the Company's Net Debt was \$25,641 million pesos, representing a Net Debt-to-EBITDA ratio of 3.2x.

The following table illustrates the composition of the Company's debt by currency, interest rate and year of maturity as of March 31, 2020.

Currency	% Total Debt	% Weighted avg. Cost of debt	Average maturity
Mexican Pesos	92%	TIIE + 1.05%	4.0 years
Brazilian Reals	8%	CDI + 0.68%	1.9 years
Total	100%	7.53%	3.8 years

Key Financial Data: As of March 31, 2020, the Company's key financial ratios were as follows:

Financial Metrics	Q1'19	Q1'20
Net Debt / EBITDA	3.2x	3.2x
EBITDA / Interest Paid	3.1x	3.2x
Earnings per Share (12 months)	\$ 0.80	\$ 0.63
Book Value	\$ 10.15	\$ 9.48
Outstanding Shares (in millions)	2,475.9	2,475.9
ROIC %	6.7%	6.7%

Share buyback program

As of March 31, 2020, the Company's share buyback program had a balance of 48,999,197 shares at a weighted average price of \$20.78 pesos per share for a total balance of \$1,132,053,788.05 pesos. Considering the current environment, the Company will be holding off on share buybacks to preserve liquidity.

Sell-side analyst coverage

In compliance with BMV regulations, article 4.033.01 Frac. VIII, Grupo LALA is covered by analysts at the following brokers: Actinver, Bank of America Merrill Lynch, Barclays, BBVA, BTG Pactual, Citigroup, Credit Suisse, GBM Grupo Bursátil Mexicano, Goldman Sachs, Intercam, INVEX Banco, JP Morgan, Monex, Morgan Stanley, Punto Casa de Bolsa, Santander, Scotiabank, Vector and VePorMas.

Contact – Investor Relations

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About LALA

Grupo LALA is a Mexican company focused on healthy and nutritious foods, with more than 65 years of experience in the production, innovation and marketing of milk, dairy products and beverages under the highest quality standards. The Company operates 31 production plants and 172 distribution centers in Mexico, Brazil, United States and Central America, supported by more than 38,000 employees. Grupo LALA's fleet of approximately 7,000 vehicles distributes its more than 600 products to more than 578,000 points of sale. LALA's portfolio is led by its three main brands: LALA®, Nutri Leche® and Vigor®.

For more information, visit: www.lala.com.mx

Grupo LALA trades on the Mexican Stock Exchange under the ticker symbol "LALAB"

Forward Looking Statements

This press release and related conference call contain, in addition to historical information, forward-looking statements including statements related to the Company's ability to manage its business and liquidity during and after the COVID-19 pandemic, the impact of the COVID-19 pandemic on the Company's results of operations, including net revenues, earnings and cash flows, the Company's ability to reduce costs and capital spending in response to the COVID-19 pandemic if needed, the Company's balance sheet, liquidity and inventory position throughout and following the COVID-19 pandemic, the Company's prospects for financial performance, growth and achievement of its long-term growth objectives following the COVID-19 pandemic, future dividends and share repurchases. Actual results may vary materially from these estimates. The information on future events contained in this press release should be read together with a summary of these risks, which are included in the Annual Report. That information, as well as future reports issued by the Company or any of its representatives, whether verbally or in writing, may vary materially from actual results. These projections and estimates, which were prepared with reference to a specific date, should not be considered as fact. The Company has no obligation whatsoever to update or revise any of these projections and estimates, whether as a result of new information, future events, or other associated events.

CONFERENCE CALL INFORMATION



**Tuesday April 21, 2020, at
11:00am EST / 10:00am CST**



Arquímedes Celis, Chief Executive Officer
Alberto Arellano, Chief Financial Officer
David González, Investor Relations Officer



Webcast:
[http://public.viavid.com/index.
php?id=139023](http://public.viavid.com/index.php?id=139023)

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GRUPO LALA, S.A.B. DE C.V.
Consolidated Income Statements
ended March 31, 2019 and 2020
(In thousands of nominal pesos)

	For the three months ended March 31,			
	2019		2020	
Net sales	\$ 18,707,494	100.0%	\$ 19,404,632	100.0%
Cost of goods sold	12,088,819	64.6%	13,015,385	67.1%
Gross profit	6,618,675	35.4%	6,389,247	32.9%
Other income (expenses), net	(7,571)	(0.0)%	(31,634)	(0.2)%
Operating expenses	5,171,650	27.6%	5,375,713	27.7%
Operating Income	1,454,596	7.8%	1,045,168	5.4%
Net of financial (income) expenses				
Net of financial income	629,693	3.4%	612,453	3.2%
Exchange rate (profit) loss	11,870	0.1%	63,393	0.3%
Financial instruments	0	0.0%	0	0.0%
Financial income, net	641,563	3.4%	675,846	3.5%
Share in the results of associated companies	16,831	0.1%	17,977	0.1%
Income before taxes	829,864	4.4%	387,299	2.0%
Income tax expense	270,197	1.4%	128,982	0.7%
Net consolidated income	559,667	3.0%	258,317	1.3%
Non-controlling interest	0	0.0%	0	0.0%
Depreciation and amortization	700,278	3.7%	785,556	4.0%
EBITDA	\$ 2,154,874	11.5%	\$ 1,830,724	9.4%
Effective income tax rate	32.6%		33.3%	

GRUPO LALA, S.A.B. DE C.V.
Consolidated Statement of Financial Position
at March 31, 2019 and 2020
(In thousands of nominal pesos)

	As of March 31, 2019	As of March 31, 2020
ASSETS		
Cash and cash equivalents	\$ 1,250,153	\$ 5,500,671
Investments in financial instruments	153,693	439,171
Accounts receivable	6,464,992	6,047,336
Taxes and other accounts receivable	4,386,235	4,369,652
Related parties	22,901	45,311
Inventories	5,230,500	6,340,924
Prepaid expenses	787,114	420,928
Current assets	18,295,589	23,163,993
Investments in associates	565,884	556,338
Property, plant and equipment, net	21,649,959	21,963,534
Right of use assets	2,186,097	2,695,139
Intangible and other assets	11,650,894	10,176,394
Goodwill	18,708,036	18,359,314
Long term recoverable taxes	1,420,961	1,460,356
Financial instruments investments	162,297	0
Deferred income tax	1,635,363	2,140,662
Non-current assets	57,979,491	57,351,737
Total assets	\$ 76,275,080	\$ 80,515,730
LIABILITIES		
short-term loans	\$ 362,467	\$ 5,321,495
current portion of long-term debt	\$ 3,442,272	16,981
Current lease liabilities	397,265	653,498
Suppliers	8,180,110	10,622,133
Financial instruments liability	0	186,517
Related parties	1,628,451	1,616,937
Stockholders	1,275,749	1,555,051
Taxes and other accounts payable	3,636,187	4,298,717
Current liabilities	18,922,501	24,271,329
Non Current Long Liabilities	1,801,218	2,177,622
Long-term debt	22,774,989	25,803,532
Deferred income tax and other taxes payable	2,149,249	1,202,283
Taxes payable in the long term	647,466	472,374
Derivative financial instruments	0	240,458
Other accounts payable	6,427,274	3,941,004
Long-term liabilities	33,800,196	33,837,273
Total liabilities	52,722,697	58,108,602
SHAREHOLDERS EQUITY		
Capital Stock	1,487,567	1,485,883
Net premium in share placement	12,734,483	12,241,929
Retained earnings	12,559,667	12,429,735
Other comprehensive income	-3,789,111	-4,008,736
Income of the year	559,667	258,317
Equity attributable to equity holders of the parent	23,552,273	22,407,128
Non-controlling interest	110	0
Total shareholders equity	23,552,383	22,407,128
Total liabilities and shareholders equity	\$ 76,275,080	\$ 80,515,730

GRUPO LALA, S.A.B. DE C.V.
Consolidated Cash Flow Statement
for the 3 months ended March 31, 2019 and 2020
(In thousands of nominal pesos)

	As of March 31, 2019	As of March 31, 2020
Operating activities:		
Income before taxes	\$ 829,864	\$ 387,299
Depreciation, amortization, and trademarks impairment	700,278	785,558
(Cancellation) Impairment losses recognized on accounts receivable	0	0
Financial instruments	0	0
Participation in associates	(16,831)	(17,977)
Financial Expenses	659,380	633,629
Financial Products	(29,687)	(21,176)
Others	1,465	(2,709)
Foreign Exchange result no realized	28,849	52,147
Total	2,173,318	1,816,770
Changes in operation assets and liabilities		
Accounts receivable	(177,563)	345,305
Inventories	(302,570)	(164,554)
Related parties	219,039	461,566
Suppliers	(398,132)	(592,444)
Other accounts receivable and prepaid expenses	(558,875)	(277,911)
Other assets and liabilities	(193,022)	(547,674)
Total	762,195	1,041,058
Taxes	(359,334)	(283,791)
Net cash flow provided by operating activities	402,861	757,267
Investing activities		
Acquisition of property, plant, equipment, and intangibles	(396,297)	(368,106)
Acquisition of intangibles and other assets	(80,600)	(135,054)
Proceeds from sale of property, plant, and equipment	18,941	10,981
Dividends collected from associates	0	0
Investments in Financial instruments	(1,617)	1,751
Interest collected	33,285	21,655
Cash received by sale of associates and adjustment to the sale price	0	0
Cash received on the sale of investments	0	0
Net cash flow used in investing activities	(426,288)	(468,773)
Financing activities		
Loans obtained	5,980,625	7,999,744
Repayments of borrowings to third parties	(5,922,721)	(2,930,084)
Interest paid	(796,883)	(761,434)
Payment of lease liabilities	(148,340)	(208,881)
Reissuance (repurchase) of capital stock	0	(136,330)
Dividends paid to equity holders of the parent	(374,558)	(373,159)
Net cash flows provided (used) in financing activities	\$ (1,261,878)	\$ 3,589,855
Net increase of cash and equivalents	(1,285,304)	3,878,350
Adjustments to cash due to exchange rate fluctuations	(14,659)	89,374
Cash and equivalents at beginning of the year	2,550,117	1,532,948
Cash and equivalents at the end of the period	\$ 1,250,153	\$ 5,500,671