



First Quarter 2021 Earnings Results

Conference Call

April 27, 2021

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Agenda

1. Consumer Outlook
2. Strategic Priorities
3. First Quarter Remarks
4. Highlights by Region
5. Financial Results

Gradual Transition to Post-COVID Environment

During 2020

- Preference for healthy and nutritious foods
- Reduced mobility: more home-cooking and less “On-the-Go”
- Each channel addressing specific needs
- No downtrading
- No discernible impact from new food labeling in Mexico

Outlook 2021

- Resilient dairy category
- Continued focus on health and hygiene
- Stickiness of at-home consumption
- Innovation and effective communication key for brand development
- Increased relevance of e-commerce
- Uncertainty in Brazil Food Service
- Favorable mix when mobility resumes



Strategic Priorities

Strategic Priorities – 2021



Focus on
Core Markets



Financial
Discipline: ROIC



Profitable and
Sustainable Growth

- Continued operational excellence in Mexico to sustain profitable growth
- Reassess Brazil and US strategy within challenging environment
- Deliver margin expansion in CAM through solid performance in Nicaragua and Guatemala
- Prudent and rational capital allocation
- Consolidate Working Capital improvements
- Continue deleveraging towards target ratio
- Strengthen ESG practices

Intrinsic to Our Values and Corporate Purpose

Current Strengths

- Business functions determine and implement sustainability initiatives
- Sustainability specialists in production facilities



Environmental impact investments

- Clean energy: cogeneration and natural gas
- Eight waste-water treatment plants
- Removal of contaminating refrigerants (Montreal Protocol)
- Improved fuel economy and hybrid vehicles
- Promotion of animal welfare: high productivity through high-quality feed, less stress and reduced illnesses



Community outreach and leadership

- Food Safety: Safe Quality Food (SQF) certification, no antibiotics or hormones
- Food donations through Fundación LALA
- Health and quality of life focus: LALA Marathon
- Environmental remediation efforts
- Updated Code of Conduct: baseline for talent development, inclusion and diversity

Areas of opportunity

- Identify further methodologies to measure/quantify and monitor across business functions
- Centralized accountability, build out and implement company-wide targets and objectives

Strengthening our Governance and Framework to Drive Sustainability

ESG Operating Committee comprised of **business heads** and lead by **CFO**

- Centralize and revamp Sustainability Model
- Deepen current practices and future initiatives
- Determine baseline measurement to identify and establish LALA's core ESG objectives
- Align communication and reporting practices with global standards: GRI, TCFD and SASB



Oversight:

- Executive Management Committee
- Board of Directors - Finance and Sustainability Committee

First Quarter 2021 Highlights

- 1. +5.7% YOY constant currency Sales growth driven by Mexico and Brazil**
- 2. 10.5% consolidated EBITDA margin; +110 bps YOY improvement**
- 3. 12.8% reported EBITDA margin for Mexico, +180 bps YOY expansion**
- 4. \$519m in Net Income, +130 bps net margin improvement YOY**
- 5. -0.8% Consolidated Working Capital; a -110 bps YOY improvement**
- 6. Leverage ratio: reported 3.0x ND/EBITDA**



First Quarter 2021 Highlights by Region

Strong Operational Results Continue

Category defensiveness, brand and product preference are evident

- +6.3% YoY Sales
 - Growth despite high comparable basis due to March 2020 panic sales
 - Resilience of UHT milk, cream, cheese, cold-cuts and butter
 - Selective price increases to offset cost inflation

Operational excellence delivers margin stability

- 12.8% EBITDA margin, +180bps improvement
 - Raw material inflation: resins and packaging, vegetable fats, powdered milk, and sweeteners
- Operational efficiencies resulting in
 - expense control
 - waste reduction
 - solid point-of-sale execution



Facing a Challenging Environment

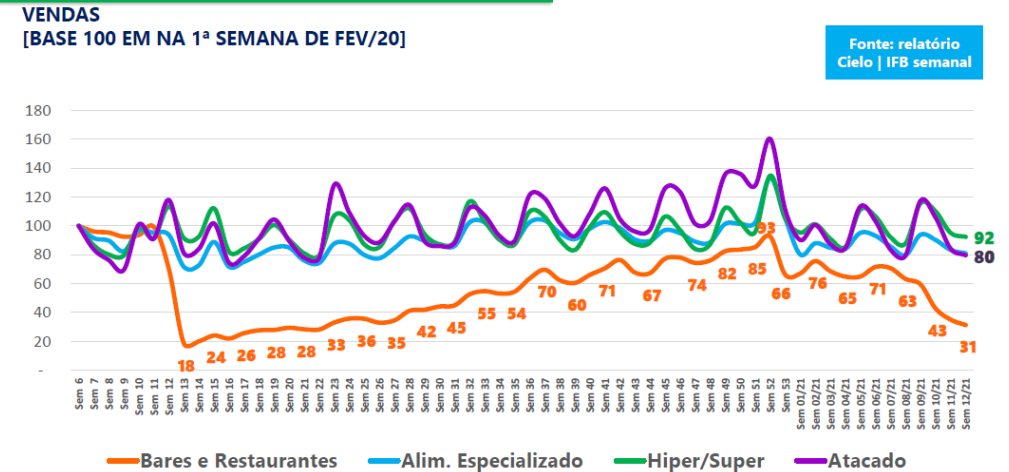
Price increases offset lower volumes

- +12.9% YoY BRL Sales
 - Double-digit volume contraction: lockdowns and removal of fiscal stimulus impacting Food Service
 - Additional 5% price increases executed in March to further offset cost inflation
 - Strong performance in specialty and parmesan cheeses, *requeijão* and cream cheese

Margin erosion from continued cost pressure

- 0.8% EBITDA Margin
 - Raw milk (+33.8% YoY) and soybean oil (+73.4%YoY) prices remain high
 - Inflationary pressure from resins and palm oil
 - Loss of operational leverage
- Working Capital YoY improvements

Base 100 - Foodservice fortemente impactado pelo COVID-19



Q2'21 Outlook

Main co-packing contract terminated:

- 14% of Brazil volume and sales
- No other meaningful co-packing contracts

Action Plan to mitigate volume loss

- **Production optimization**
 - Anápolis margarine plant (leased property) closure effective April 6, 2021
 - Production relocated to São Caetano do Sul facility
- **Corporate restructuring, Staffing Transformation**
 - Leaner organization: from Business Units to a Functional organization
- **Portfolio optimization**
 - Discontinue low profit products
 - Production line closures
 - Reformulations to mitigate cost inflation

One-off Q2'21 impacts

- BRL \$35 to \$40 million
 - asset write-off (non-cash)
 - severance

Sales Improving Sequentially

Consumer dynamic continues adversely impacting volumes

- -9.2% YoY USD Sales
 - Co-packing contraction and tough YoY pantry-loading comparison
 - Drinkable Yogurt: pricing adjustments to improve value proposition
 - At-home consumption boosting Promised Land and UHT milk
 - Expanded distribution of Promised Land and LALA Crema

Margins sequentially improving

- 1.4% EBITDA margin, -60bps YoY
 - Low operational leverage pressuring margins
- Working Capital YoY improvements



Progress Towards Profitability

Resilient business performance

- +4.2% YoY USD Sales in Nicaragua and Guatemala (comparable basis)
 - Solid performance of Milk and Yogurt
 - Ice-cream showing recovery
 - Effective pass-through of input cost inflation
- LALA Kids Yogurt and Nutri Lety Milk Powder launched to continue strengthening portfolio



Delivering profitability through operational initiatives

- 4.5% EBITDA Margin, +410 bps improvement YoY
 - Effective migration of imports from Mexico to local production
 - Improving Route-to-Market with best practices from Mexico
- Working Capital -670 bps YoY improvement





Financial Results

Q1'21 Net Sales by Region

Topline Growth Driven by Pricing

MXN\$ in millions	Q1'20	Q1'21	Var. %	Constant currency ⁽¹⁾ Var. %
Mexico	14,948	15,889	6.3%	6.3%
Brazil	2,824	2,650	(6.2%)	12.9%
United States	851	785	(7.7%)	(9.2%)
Central America	782	720	(8.0%)	(9.9%)
Total Sales	19,405	20,043	3.3%	5.7%

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



Q1'21 EBITDA by Region

Operational efficiencies driving Mexico and CAM margin expansion

MXN\$ in millions	Q1'20	% NS	Q1'21	% NS	Var. bps
Mexico	1,646	11.0%	2,040	12.8%	180
Brazil	164	5.8%	20	0.8%	(500)
United States	17	2.0%	11	1.4%	(60)
Central America	3	0.4%	32	4.5%	410
Total EBITDA	1,831	9.4%	2,103	10.5%	110

Q1'21 Consolidated Net Income

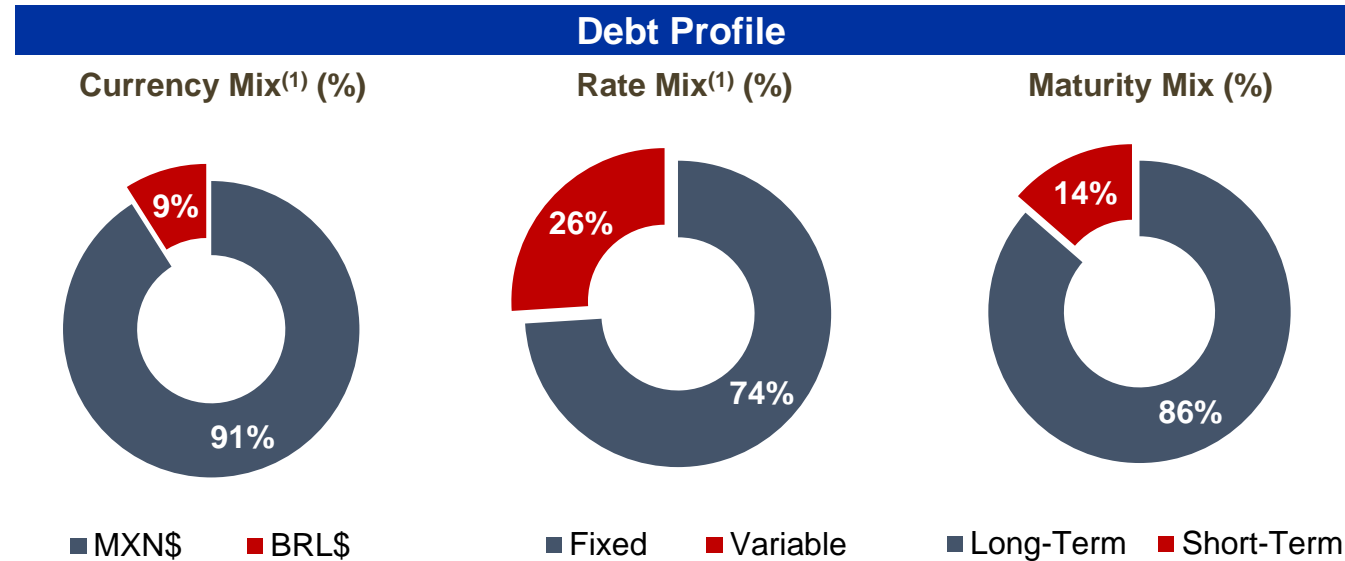
Profitability Expansion

MXN\$ in millions	Q1'20	Q1'21	Var.
Operating Income	1,045	1,322	26.4%
Financing Expenses	676	563	(16.7%)
Results of assoc. companies	18	19	7.7%
Net Income Before Taxes	387	778	100.9%
% NS	2.0%	3.9%	
Taxes	129	260	101.2%
Effective Tax Rate	33.3%	33.4%	
Net Income	258	519	100.8%
% NS	1.3%	2.6%	

Total Debt as of March 31, 2021

Solid Debt Profile

MXN millions	Q1'21	
	Mexico	Brazil
Total Debt	\$24,471	
Net Debt / EBITDA	3.0x	
Average Duration	4.3 years	0.7 years
Average Cost of Debt	TIEE + 2.31%	CDI + 1.51%
Weighted Cost of Debt	6.38%	
Weighted Cost of Debt with Derivatives	7.39%	

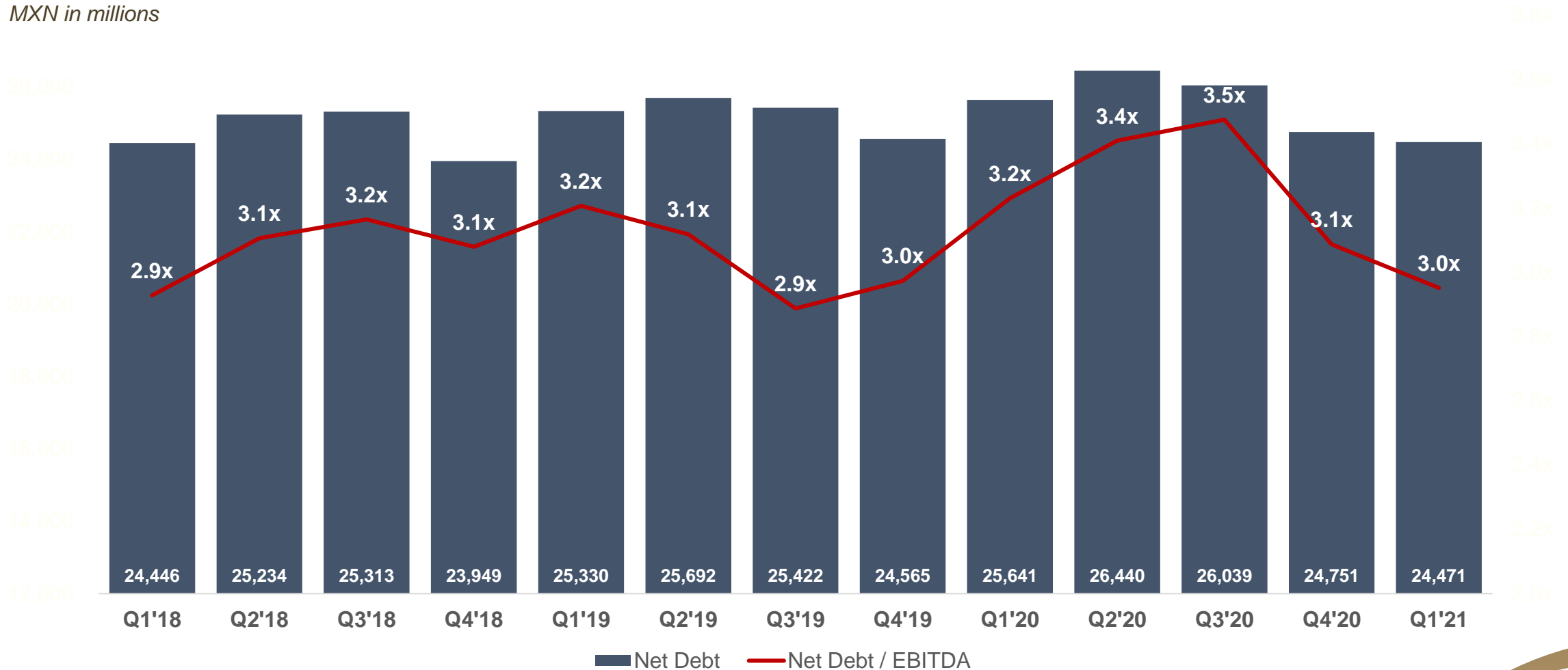


(1) Includes derivatives

Leverage Ratio

Progress Towards Target Leverage Ratio of 2.5x

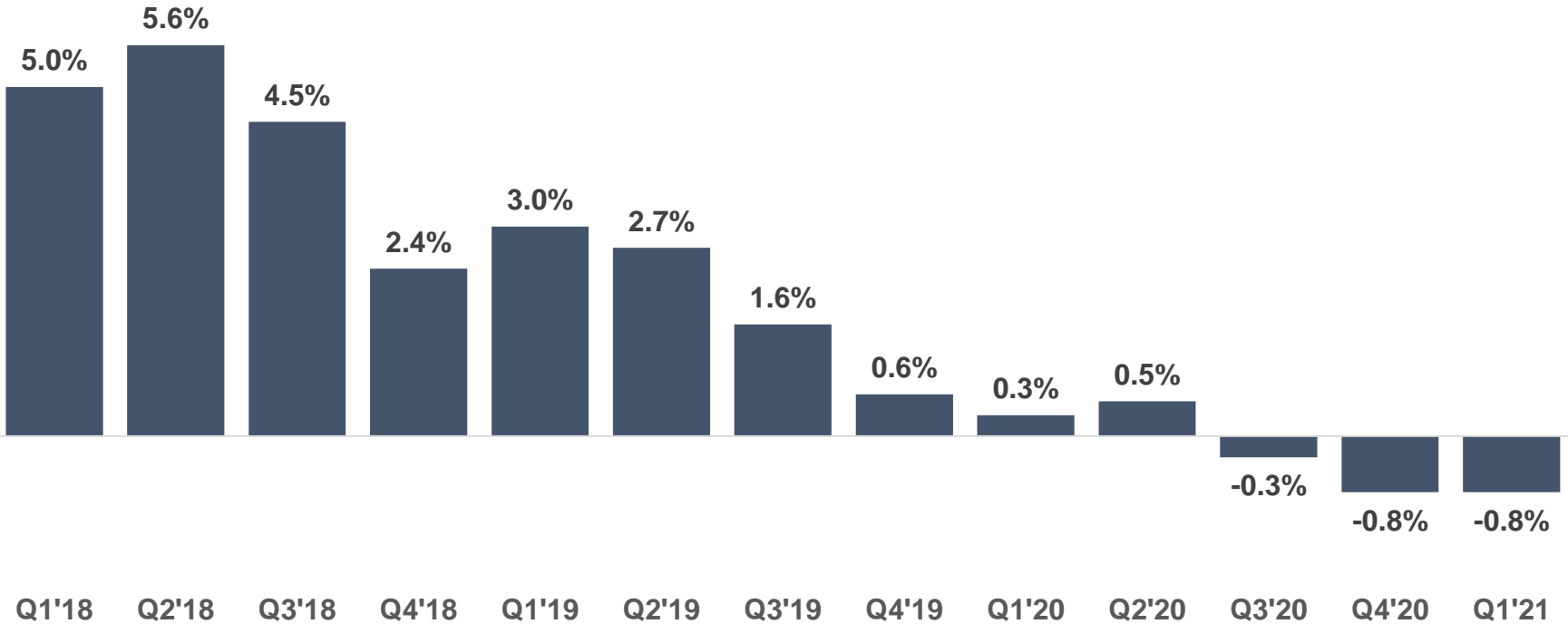
MXN in millions



Working Capital

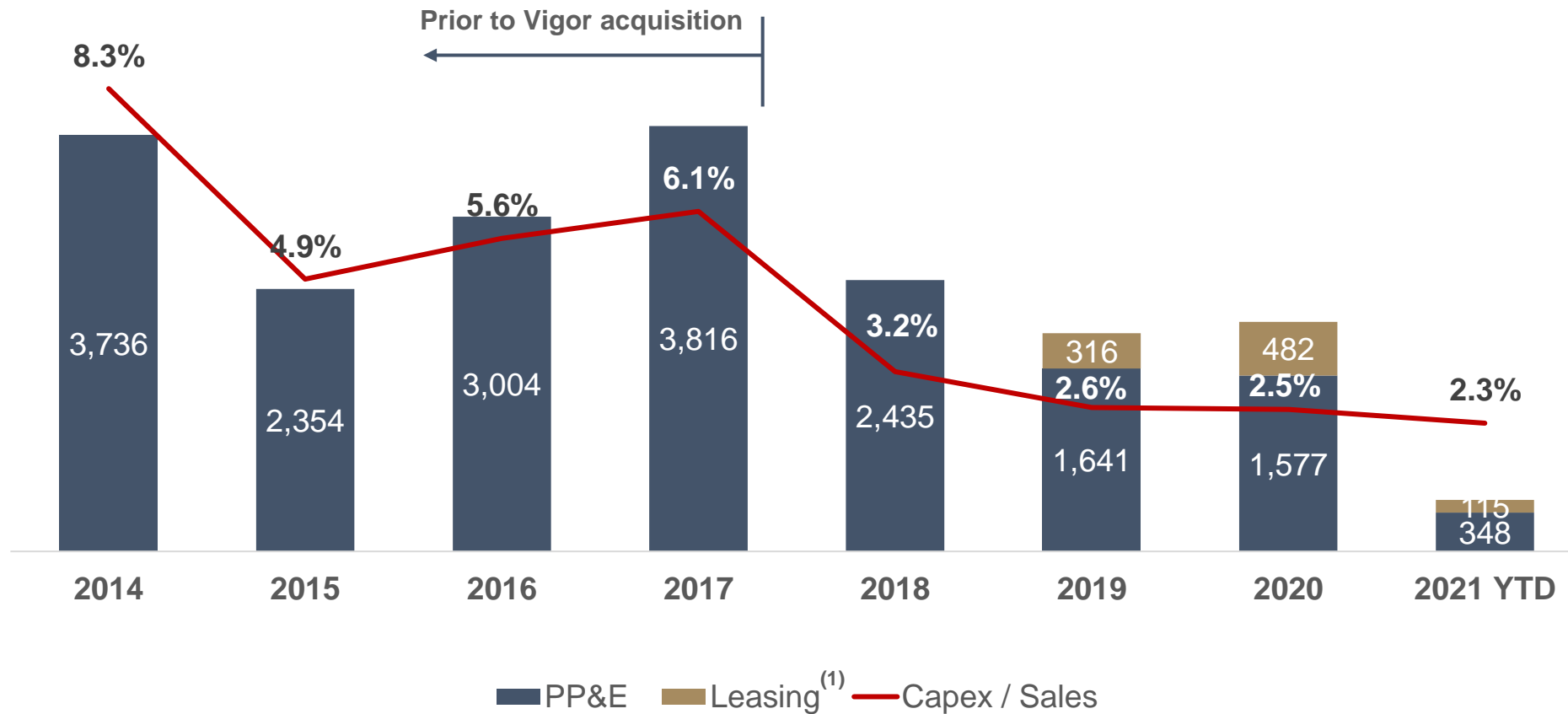
Sustained Improvement

WK / Consolidated Sales



Financial Discipline

MXN in millions



(1) Leasing includes vehicles, machinery and equipment

Closing Remarks

- 1. Continued demand for LALA brands: sustained consumer behaviors**
- 2. Strong Mexico performance and strategy execution driving consolidated growth and profitability**
- 3. Deleveraging progress: 3.0x ND / EBITDA**
- 4. Working capital improvements across regions**
- 5. Leveraging LALA's existing ESG practices to evolve sustainability model**



Thank you!

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