



**Grupo LALA**

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**Corporate Presentation**

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**July 2021**

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# About LALA

***LALA is Mexico's preeminent Dairy company  
focusing on sustainable-growth categories in the  
Americas***

# Why Invest in LALA

- **Strategic focus on increasing ROIC, Profitable and Sustainable Growth, and Core Markets**
- **Comprehensive portfolio of leading brands addresses the full spectrum of consumer segments and needs**
- **Robust supply chain and adaptability to capture changing consumer preferences**
- **Bigger, better, bolder innovation that sets trends**
  - ...Drives sustainable shareholder value

# LALA at a glance



**5**

Countries



**29**

Production facilities



**+40,000**

Employees



**+172**

Distribution centers



**+7,500**

Distribution Units



**+628,000**

Points of sale



**+600**

SKUs and 43 brands



Two of the top five most  
recognized food industry  
brands in Mexico and Latam<sup>1</sup>

**VIGOR**

One of the most recognized  
dairy brands in Brazil

# An extensive portfolio that serves all market segments

## Value

## Mainstream

## Premium

### Milk

55% of the portfolio



### Other Dairy Products

40% of total portfolio



### Beverages and other






5% of total portfolio





# Widely recognized brands

## LALA and Nutri top five most recognized Mexico food industry brands <sup>(1)</sup>

| Place | Brand   | Penetration <sup>(2)</sup> | Frequency <sup>(3)</sup> |
|-------|---|----------------------------|--------------------------|
| 1°    |    | 99%                        | 59                       |
| 2°    |    | 99%                        | 28                       |
| 3°    |    | 96%                        | 26                       |
| 4°    |   | 78%                        | 24                       |
| 5°    |  | 82%                        | 17                       |

(1) Source: Kantar Brand Footprint Latam

(2) Penetration based on number of households that purchase a brand

(3) Frequency of purchase (# of times per year)

(4) Source: Kantar BrandZ 2020 Most Valuable LatAm Brands report

(5) Instituto Data Folha

## Vigor within top 60 most valuable Brands in Brazil <sup>(4)</sup>



Fifth consecutive year Top of Mind recognition for *Requeijão* and Greek Yogurt <sup>(5)</sup>



# Voluntary Public Acquisition Offer

- Announcement on May 21, 2021 of intention to launch Voluntary Public Acquisition Offering (VPAO) by the group of majority shareholders
- Filing was presented to regulator for approval on June 14, 2021
- Upon regulatory approval, VPAO will be launched
  - LALA's Board will issue statement on the offered price within ten business days based on independent Fairness Opinion
- After the closing of the VPAO, if the necessary number of shares are acquired, the offerors intend to request cancellation of the security listing
- The timing of these events is subject to regulatory approvals



A glass of strawberry yogurt with a spoon, strawberries, and a strawberry slice on a red background. The yogurt is pink and topped with a strawberry slice, a mint leaf, and granola. A whole strawberry and two strawberry slices are also visible on the surface.

# Strategic Priorities

# Strategic Priorities – 2021

## Remain focused on our strategy



Focus on  
Core Markets



Financial  
Discipline: ROIC



Profitable and  
Sustainable Growth

- Brand strength drives steady topline
- Leveraging operational strengths to offset challenging inflation environment
- Stable profitability in Mexico, US and CAM
- Actions taken in Brazil to improve outlook
- Maintaining capital allocation discipline
- Committed to deleveraging target

# Evolving our Sustainability Model in Mexico

## 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



# Second Quarter 2021 Highlights

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1. +3.7% YOY constant currency Sales growth driven by Mexico
2. 9.1% consolidated EBITDA margin, -100 bps YOY
  - 9.5% *Adjusted*<sup>(1)</sup>, -60 bps YOY
3. 12% EBITDA margin for Mexico, +10 bps YOY expansion
4. \$160m in Net Income, 0.8% net margin and -130 bps YOY
  - \$262m *Adjusted*<sup>(1)</sup>, 1.3% net margin and -80 bps YOY
5. -0.7% Consolidated Working Capital; 120 bps improvement YOY
6. Leverage ratio: reported 3.0x ND/EBITDA

(1) Adjusted excludes BRL 36.6m of one-offs recognized as part of the Anápolis plant closure and corporate restructure in Brazil.



## Operational consistency mitigating cost headwinds

### Stable performance driven by category and brand strength

- +3.8% Sales YOY
  - Channel growth and tactical price adjustments
  - Solid UHT milk, cream, and cold-cuts performance; yogurt recovering
  - Continued innovation expands portfolio

### Operational stability continues

- 12.0% EBITDA margin, +10bps YoY
  - Persistent inflation in raw materials
  - Operational efficiencies to offset inflation
    - Logistics
    - Waste control
    - Overhead expenses
  - Negative working capital





## Action plan implemented to address challenging outlook

### Termination of co-packing contract impacting volumes

- +21.8% YoY like-for-like BRL Sales
  - Volume flat; price increases to mitigate cost inflation
  - Strong performance in creams, cheeses, and *requeijão*
- +7.1% YoY Reported BRL Sales

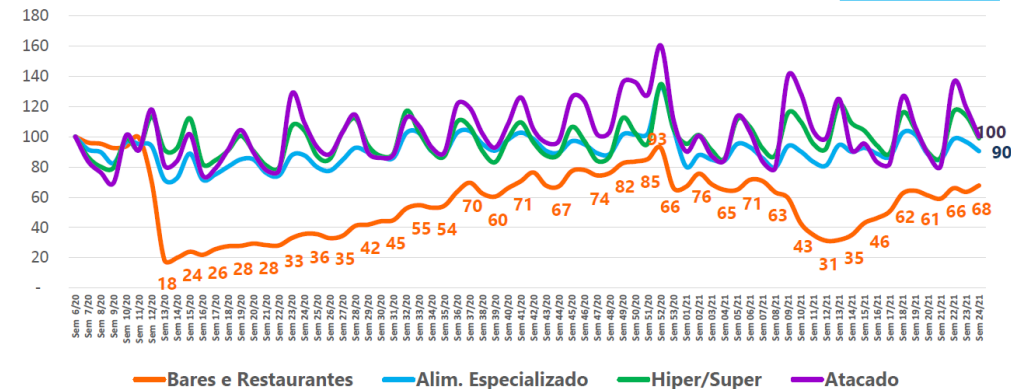
### Taking steps to address margin pressure

- -4.3% Adjusted<sup>(1)</sup> EBITDA Margin; -7.4% Reported
  - Packing materials adding on raw milk and soybean oil inflation
- Action steps to foster improvement
  - Portfolio optimization
  - Productivity: overhead, waste control and capacity utilization
  - Pass-through pricing while preserving competitiveness

#### BASE 100 - Foodservice fortemente impactado pelo COVID-19

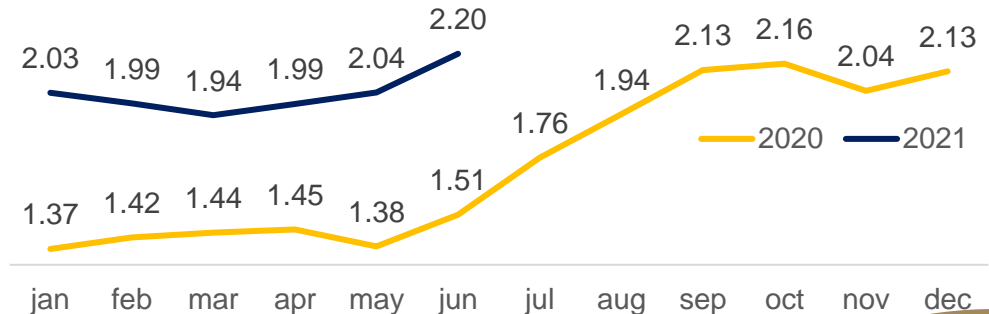
VENDAS  
[BASE 100 EM NA 1ª SEMANA DE FEV/20]

Fonte: relatório  
Cielo | IFB semanal



Semana 24/21 Cielo: 11/06/21 a 17/06/21

#### CEPEA BRL Raw Milk Price



(1) Adjusted EBITDA excludes BRL 36.6m of one-offs recognized due to Anápolis plant closure and corporate restructure in Brazil.

# United States

## Stable operations setting foundation for growth

### Steady volume performance

- +0.5% YoY USD Sales
  - Stable sales in drinkable yogurt
  - Expanding distribution footprint of Promised Land
  - Growth in UHT milk and blended yogurt

### Profitability improving sequentially

- 2.8% EBITDA margin, -60 bps YoY, +140 QoQ
  - Reduced expenses mitigating inflation
  - 300bps YOY working capital improvement



## Solid and profitable performance

### Robust like-for-like sales growth

- +9.9% YoY USD Sales in Nicaragua and Guatemala
  - Innovation into white spaces
  - Pricing strategy to offset materials inflation
  - Strong performance in milk and yogurt, ice-cream continues to recover

### Building upon profitability expansion

- 6.5% EBITDA Margin, +320 bps YoY comparable basis
  - Sales and distribution cost control
  - Portfolio optimization to expand contribution
  - Continuing working capital improvement





# Financial Results

# Q2'21 Net Sales by Region

Sales growth despite tough comparable

| MXN\$ in millions      | Q2'20         | Q2'21         | Var. %      | Constant currency <sup>(1)</sup> Var. % |
|------------------------|---------------|---------------|-------------|---|
| <b>Mexico</b>          | 15,574        | 16,172        | 3.8%        | 3.8%                                    |
| <b>Brazil</b>          | 2,676         | 2,490         | (6.9%)      | 7.1%                                    |
| <b>United States</b>   | 915           | 788           | (13.9%)     | 0.5%                                    |
| <b>Central America</b> | 883           | 712           | (19.5%)     | (6.0%) <sup>(2)</sup>                   |
| <b>Total Sales</b>     | <b>20,048</b> | <b>20,162</b> | <b>0.6%</b> | <b>3.7%</b> <sup>(3)</sup>              |

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

(2) 9.9% YOY constant currency excluding Costa Rica operation in Q2'20

(3) 4.3% YOY constant currency excluding Costa Rica operation in Q2'20



# Q2'21 EBITDA by Region

Operational discipline driving margin stability in Mexico, US and CAM

| MXN\$ in millions | Q2'20 | % NS  | Q2'21 | % NS                | Var. bps |
|-------------------|-------|-------|-------|---------------------|----------|
| Mexico            | 1,846 | 11.9% | 1,943 | 12.0%               | 10       |
| Brazil            | 146   | 5.5%  | (185) | (7.4%)              | (1,290)  |
| United States     | 31    | 3.4%  | 22    | 2.8%                | (60)     |
| Central America   | 5     | 0.6%  | 46    | 6.5%                | 590      |
| Total EBITDA      | 2,028 | 10.1% | 1,826 | 9.1% <sup>(1)</sup> | (100)    |

(1) Adjusted 9.5% EBITDA Margin, -60 bps YoY; excludes BRL 36.6m of one-offs recognized due to Anápolis plant closure and corporate restructure in Brazil

# Q2'21 Consolidated Net Income

## Maintaining positive earnings

| MXN\$ in millions              | Q2'20       | Q2'21       | Var.             |
|--------------------------------|-------------|-------------|------------------|
| <b>Operating Income</b>        | 1,228       | 958         | (21.9%)          |
| Financing Expenses             | 617         | 542         | (12.2%)          |
| Results of assoc. companies    | 15          | 12          | (20.2%)          |
| <b>Net Income Before Taxes</b> | 626         | 428         | (31.5%)          |
| % NS                           | 3.1%        | 2.1%        |                  |
| Taxes                          | 208         | 268         | 29.1%            |
| Effective Tax Rate             | 33.2%       | 62.5%       |                  |
| <b>Net Income</b>              | <b>418</b>  | <b>160</b>  | <b>(61.6%)</b>   |
| <b>% NS</b>                    | <b>2.1%</b> | <b>0.8%</b> | <b>(130 bps)</b> |

- Adjusted<sup>(1)</sup> Net Income: \$262m, -37% YOY; 1.3% net margin and -80bps YoY
- Effective tax rate impacted by annual inflation adjustment on outstanding debt

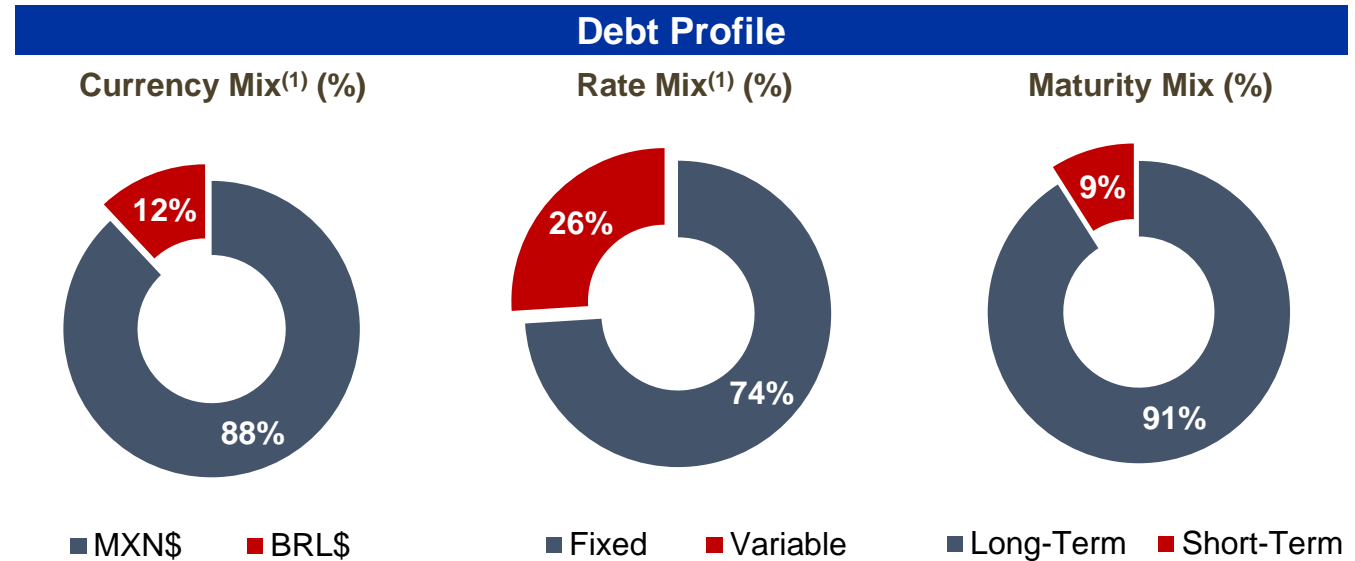
(1) Excludes BRL 36.6m of one-offs recognized as part of the Anápolis plant closure and corporate restructure in Brazil



# Total Debt as of June 30, 2021

## Stable Debt Profile

|   | Q2'21        |             |
|---|--------------|-------------|
| <i>MXN millions</i>                           | Mexico       | Brazil      |
| Total Debt                                    | \$28,414     |             |
| Net Debt                                      | \$23,899     |             |
| <b>Net Debt / EBITDA</b>                      | <b>3.0x</b>  |             |
| Average Duration                              | 4.2 years    | 2.9 years   |
| Average Cost of Debt                          | TIE + 2.26%  | CDI + 1.79% |
| Weighted Cost of Debt                         | 6.69%        |             |
| <b>Weighted Cost of Debt with Derivatives</b> | <b>7.60%</b> |             |

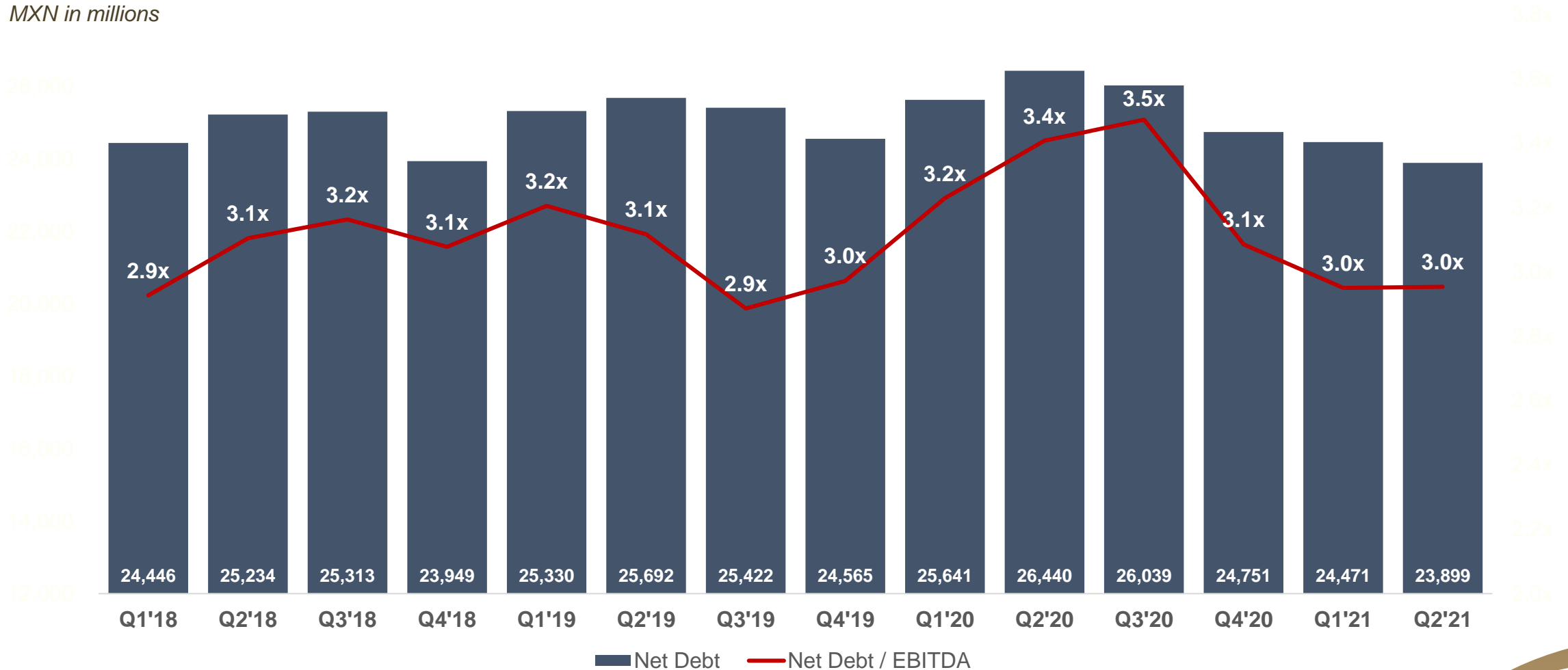


(1) Includes derivatives

# Leverage Ratio

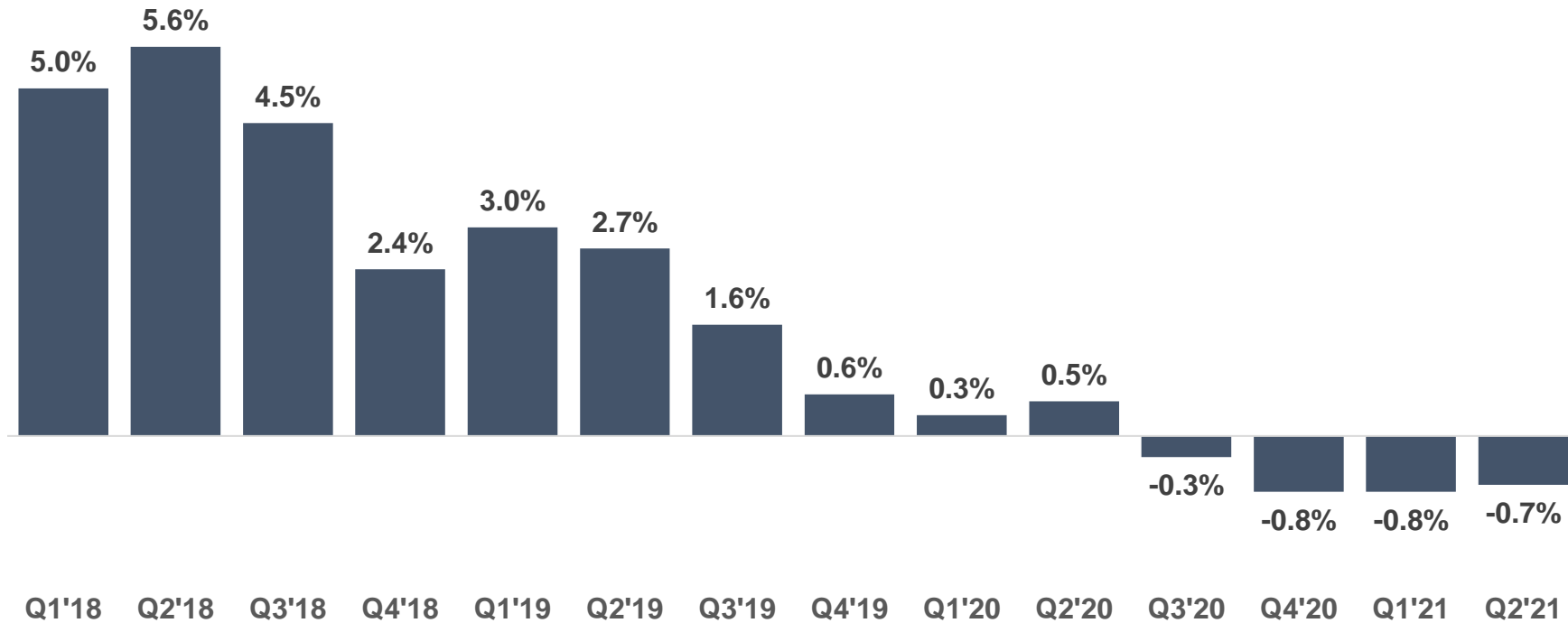
## Working on Target Leverage Ratio of 2.5x

MXN in millions



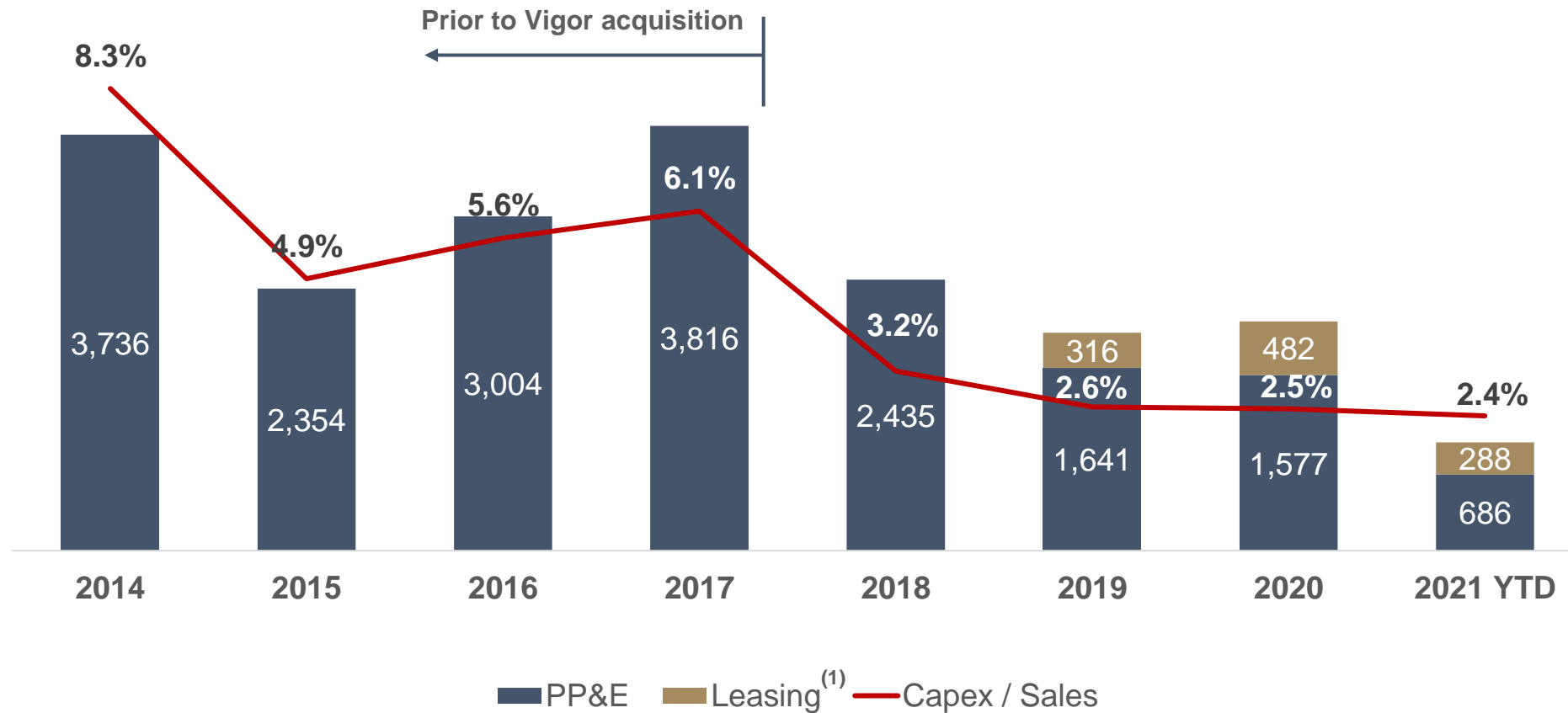
# Working Capital

## Sustained Improvement WK / Consolidated Sales



## Financial Discipline

MXN in millions



(1) Leasing includes vehicles, machinery and equipment



# Thank you!

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