First Quarter 2020
Earnings Results Conference Call

April 20, 2020

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Agenda

1. COVID-19
2. Priorities
3. First Quarter Highlights
4. Highlights by Region
5. Financial Results

COVID-19

Food proven to be a defensive industry

- **Key observations in other markets**
  - Food industry is resilient
  - Prioritization of essential industries
  - Freshness and availability are critical to performance
  - Panic shopping temporary
  - Dairy proven to be an affordable protein
  - Dairy derivatives help support immune system
  - Economic effects of COVID-19 yet to be determined

COVID-19

LALA strengths will be an important competitive advantage in months ahead

- **Management's preliminary assessment**
  - Broad portfolio addressing all market segments and demographics
  - Product offering mostly comprised of essential food staples
  - Stable supply of raw milk
  - Strength of an extensive distribution network controlled by LALA
    - Broad product availability throughout markets
    - Low dependence on third-party distribution
  - Channel mix with low exposure to Food Service: 4% of sales (Mexico 1% and Brazil 20%)
  - 60% of portfolio is chilled and 40% is shelf-stable

COVID-19 Response

Nerve Center

- Active since March 13
- Multidisciplinary team in each region
- Contingency action plans for different stress scenarios
- Alignment with special regulatory measures in all countries

1. **Safety of employees, suppliers and clients**
   - Maintain highest levels of health standards at plants and throughout supply chain
   - Non-operations employees working from home
   - Vulnerable operations employees staying at home without affecting salary
   - Continuous COVID-19 training and visual reminders
   - Access protocols: fever screening and sanitizing
   - Medical service available at most locations
   - Employee take-home family kit: masks and hand sanitizer (Mexico)

2. **Guarantee food safety**
   - Safety and quality system in place
   - Implementation of SQF continuity protocols
   - Reinforced quality protocols

HACCP CERTIFIED

SQF CERTIFIED

COVID-19 Response

3. Continuity of supply chain

- All plants continue uninterrupted production
- Prioritizing high demand products
- Increase of critical raw material and SKU inventories
- Increase of temporary positions
- Mandatory use of mask and hand sanitizer

4. Financial liquidity

- Liquidity uninterrupted: increased cash position from existing credit lines
- Reducing all non-essential expenses
- Postponing and simplifying innovation launches
- Reinforcing WC initiatives
- Focusing on essential Capex; deferral of non-essential investments
- Suspending share buybacks
- No significant debt maturity until 2021

COVID-19 Response

Social response through Fundación LALA

- Activation of Emergency Protocol: identify vulnerable regions or groups
- Reinforcing aid to senior homes and migrant shelters
- Rechanneling aid from Student Dining Rooms and Community Centers to grocery boxes for families
- New alliances with other NGO’s to expand reach
- Increasing support in highly marginalized areas in Oaxaca and Coahuila

Progress Against Strategic Priorities

- **Stabilize Mexico operation**
  - Corporate structure returned to a functional organization aligned with operation teams
  - Demand planning adjustments: in process of better balancing product push vs. pull
  - Ongoing elimination of unprofitable SKUs, reducing supply chain complexity
  - Significant sequential reduction of production waste

- **Recover Mexico profitability**
  - Scale back overinvestment: sequential OPEX reduction
  - Innovation rationalization: reduced to 4-5 launches (eliminating In & Outs) from 25 per year
  - +250 bps sequential EBITDA margin improvement

- **Strategy continuity**
  - Maintain focus on under-developed portfolio
  - Pace adjustment, scaling down implementation of POS execution in Traditional channel

First Quarter 2020 Highlights

1. +5.1% YOY constant currency Branded Sales[(1)] driven by volume
2. 9.4% EBITDA margin, -15.0% YOY due to margin contraction in Mexico and Brazil
3. Mexico +250 bps sequential margin recovery
4. -53.8% YOY Net Income due to lower Operating Profit in Mexico and Brazil
5. 270 bps YOY WC improvement to 0.3% of sales, driven by negative WC in Mexico
6. Leverage ratio: 3.2x
7. Increased cash position 4.4x through short term loans

(1) Branded Sales exclude raw materials sales

First Quarter 2020 Highlights by Region

Mexico (1/2)

Margin recovery plan in place

Top line growth

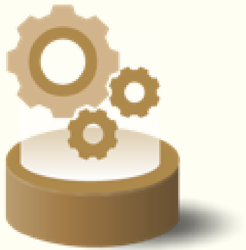
- 5.2% YOY branded sales[(1)]
  - Sales growth driven by volume in both channels
  - COVID-19 sales spike in second half of March within higher income demographic
  - Better performance of UHT sales

(1) *Branded Sales exclude raw materials sales*

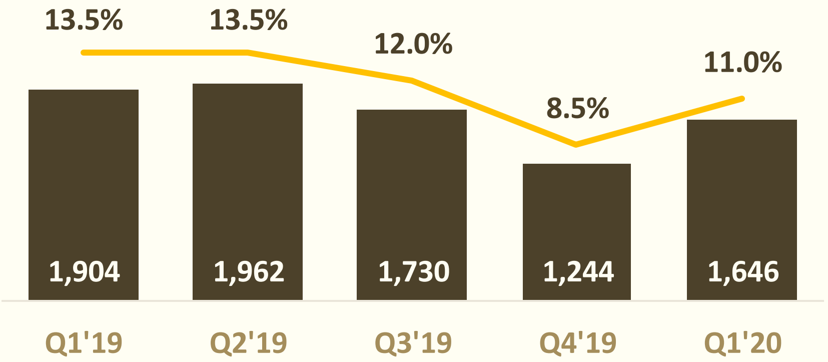
Mexico (2/2)

Margin recovery plan in place

Executing on margin recovery plan



- 11.0% EBITDA margin, -250 bps YOY contraction
- +250 bps sequential margin improvement
    - Restructuring at all levels
        - Sales, distribution and corporate
    - Waste to sales reduced to standard levels
    - Stable marketing expenses aligned with sales
    - Improvement in demand & production planning



Brazil (1/2)

Recovering growth

Volume driving growth

- +4.9% YOY BRL sales
  - Initial strong impact on Food Service sales due to COVID-19
  - Economic slowdown affecting consumption
  - Volume growth driven mainly by UHT Milk and value Yogurt
  - Shift resulting in negative price mix

Brazil (2/2)

Product mix pressuring margins

Margin pressure continues

- 5.8% EBITDA margin, -180 bps YOY contraction
  - Tax recovery one-time benefit: 4.3% normalized margin
  - Product mix affecting margins
  - 3.9% sequential increase in raw milk cost
  - BRL devaluation affecting soybean oil cost +23%

Action plan to improve margins

- Price increase executed at quarter’s end
- Portfolio optimization: ingredients and packaging
- Distribution improvement: simplification in Sao Paulo and increasing use of available capacity
- Additional matured Cheese available in coming quarters
- Production adjustment at Food Service plants

United States

Maintaining financial discipline to pursue profitable growth

Structural changes enabling investment

- -1.8% YOY USD sales
  - Branded sales growing, although volume contraction following Q1’19 price increases
  - Co-packing adversely impacted by effect of COVID-19 in Food Service channel
  - Increased distribution of Promised Land – securing new retailers and points of sale

- 2.0% EBITDA margin, in line with Q1’19
  - Planned increase in trade spending to reignite sales trend
  - Maintaining strong expense discipline to ensure positive equation

Central America

Building strong fundamentals

Strong sales growth across region

- +13.0% YOY USD sales driven by volume growth in all countries
  - Double-digit volume growth of Milk and Other Dairy
  - Strong Ice-cream performance pre COVID-19
  - March post COVID-19 shift towards Milk affecting mix

- 0.4% EBITDA margin, -10 bps YOY contraction
  - Breakeven in line with plan

Financial Results

Q1’20 Net Sales by Region

Sales growth driven by volume

MXN$ in millions	Q1’19[1]	Q1’20	Var. %	constant currency[1] Var. %
Mexico	13,740	14,448	5.2%	5.2%
Brazil	3,057	2,824	(7.6%)	4.9%
United States	832	851	2.3%	(1.8%)
Central America	669	782	17.0%	13.0%
Total Branded Sales	**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%**

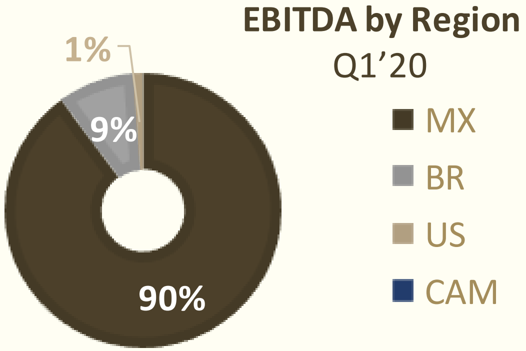
- **Mexico:** growth driven by Milk, Cream, Yogurt, Plant-based, Cold Cuts and Butter
- **Brazil:** UHT Milk, value Yogurt and Cheeses had a positive performance, negatively impacted by Food Service
- **USA:** volume contraction following price increases and sales negatively impacted by Food Service
- **CAM:** growth driven by volume in all segments, mainly UHT Milk and Yogurt

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

Q1’20 EBITDA per Region

Strategy to recover margins in Mexico in place

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)
United States	16	2.0%	17	2.0%	0 bps
Central America	3	0.5%	3	0.4%	(10 bps)
Total EBITDA	**2,155**	**11.5%**	**1,831**	**9.4%**	**(210 bps)**



Q1’20 Consolidated Net Income

Margin contraction in Mexico and Brazil affected Net Income

MXN$ (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%**	

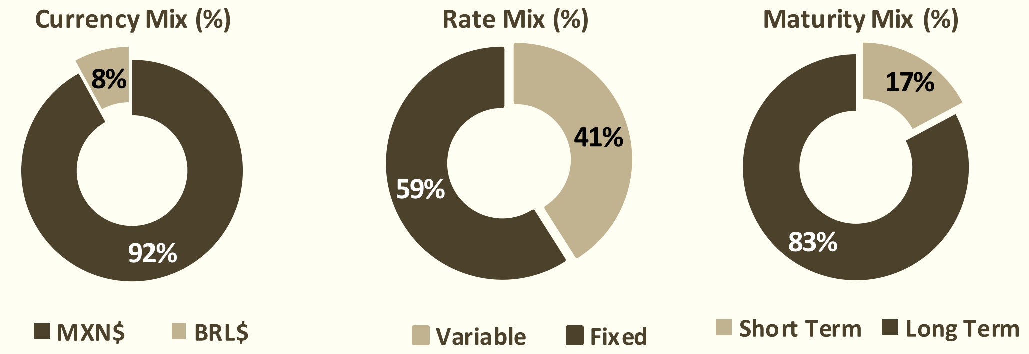
- Financing expenses increased due to unrealized exchange rate fluctuations of USD liabilities with suppliers in Mexico
- Net Income decrease due to lower Operating Income related to margin contraction in Mexico and Brazil

Total Debt as of March 31, 2020

Healthy long-term maturity profile

	Q1'20	
	Mexico	Brazil
Total Debt	$31,142	
Net Debt / EBITDA	**3.2x**	
Average Duration	4.0 years	1.9 years
Average Cost of Debt	TIIE + 1.05%	CDI + 0.68%
Weighted Cost of Debt	**7.53%**	

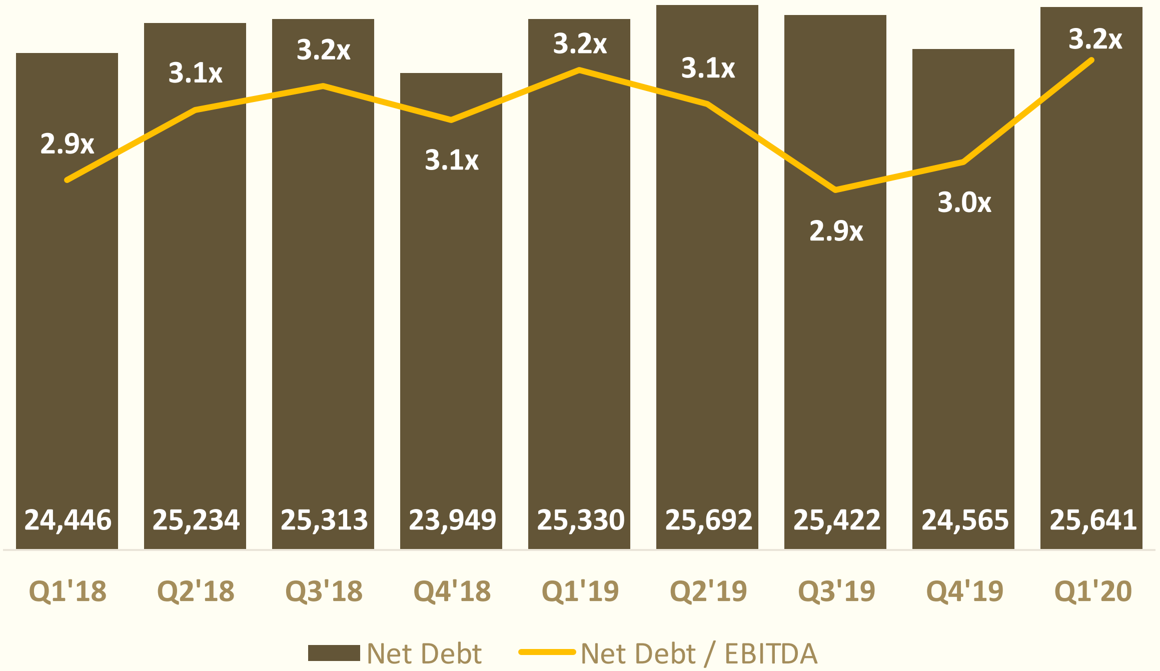
Debt Profile



- Other than working capital credit lines, no debt maturities until 2021
- Additional 4,959 million pesos of short term-debt from bank loans increases cash position to 5,501 million pesos from 1,250 million in Q1'19
- Lower weighted cost of debt: 7.53% vs 8.16% at year-end 2019

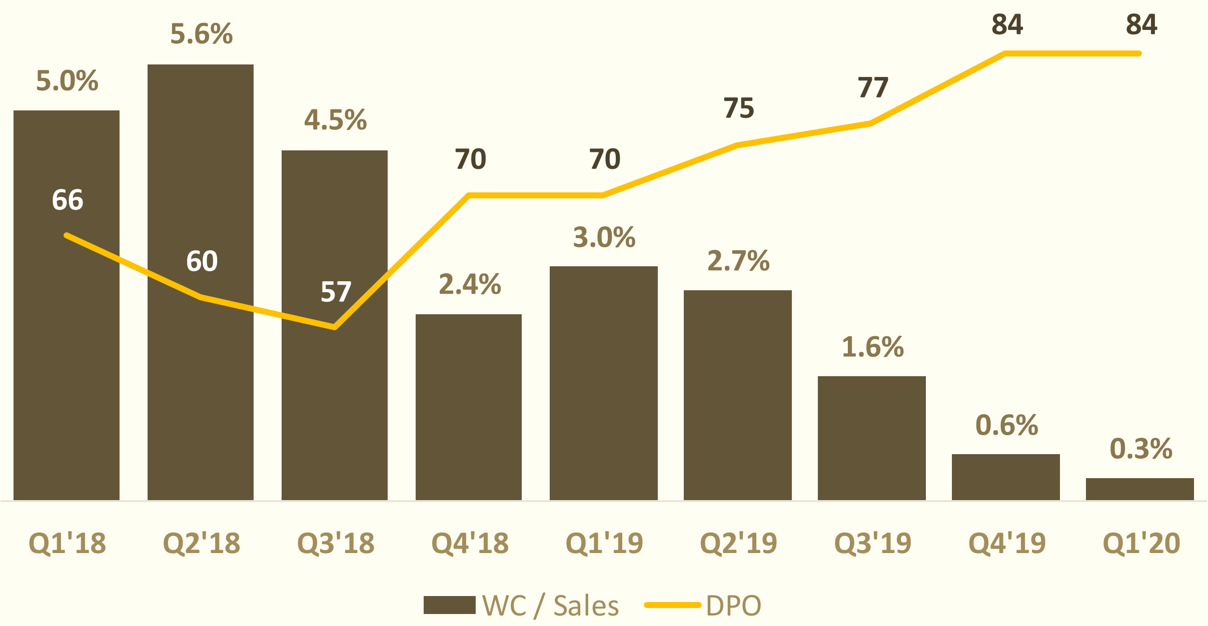
Leverage Ratio

Leverage target of 2.5x



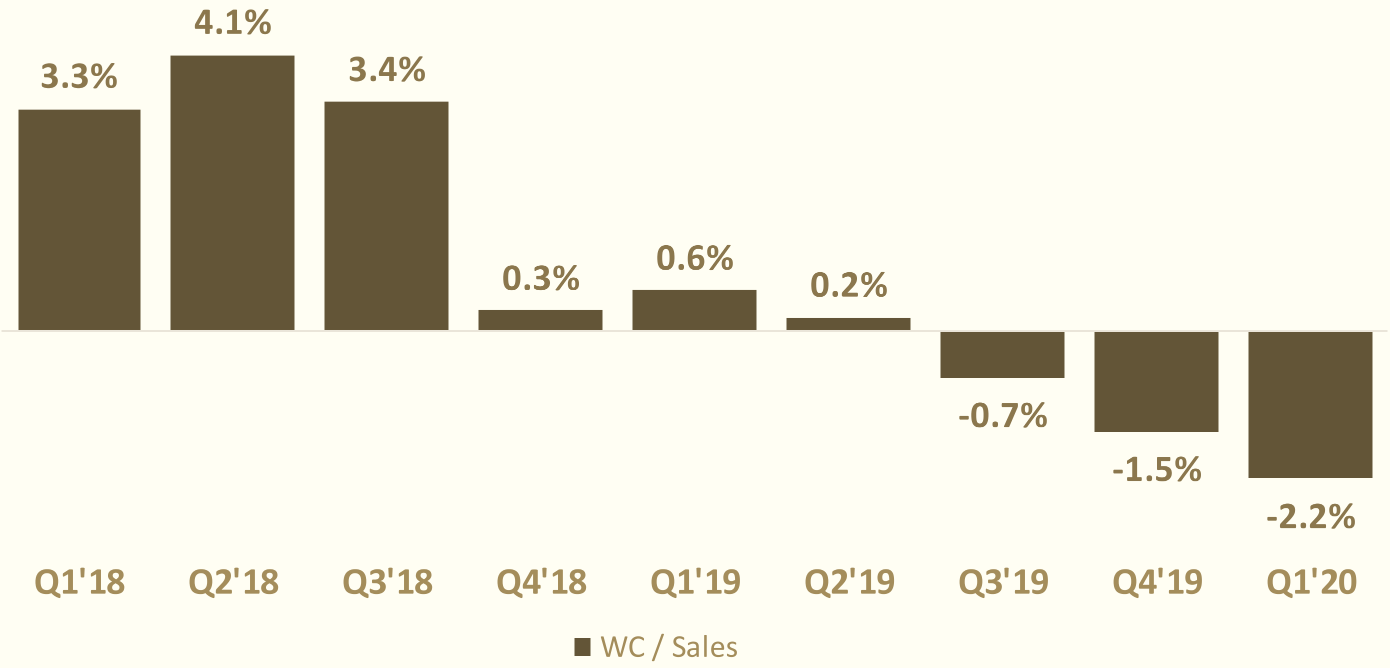
Working Capital - Consolidated

-270 bps Working Capital improvement vs Q1'19



Working Capital - Mexico

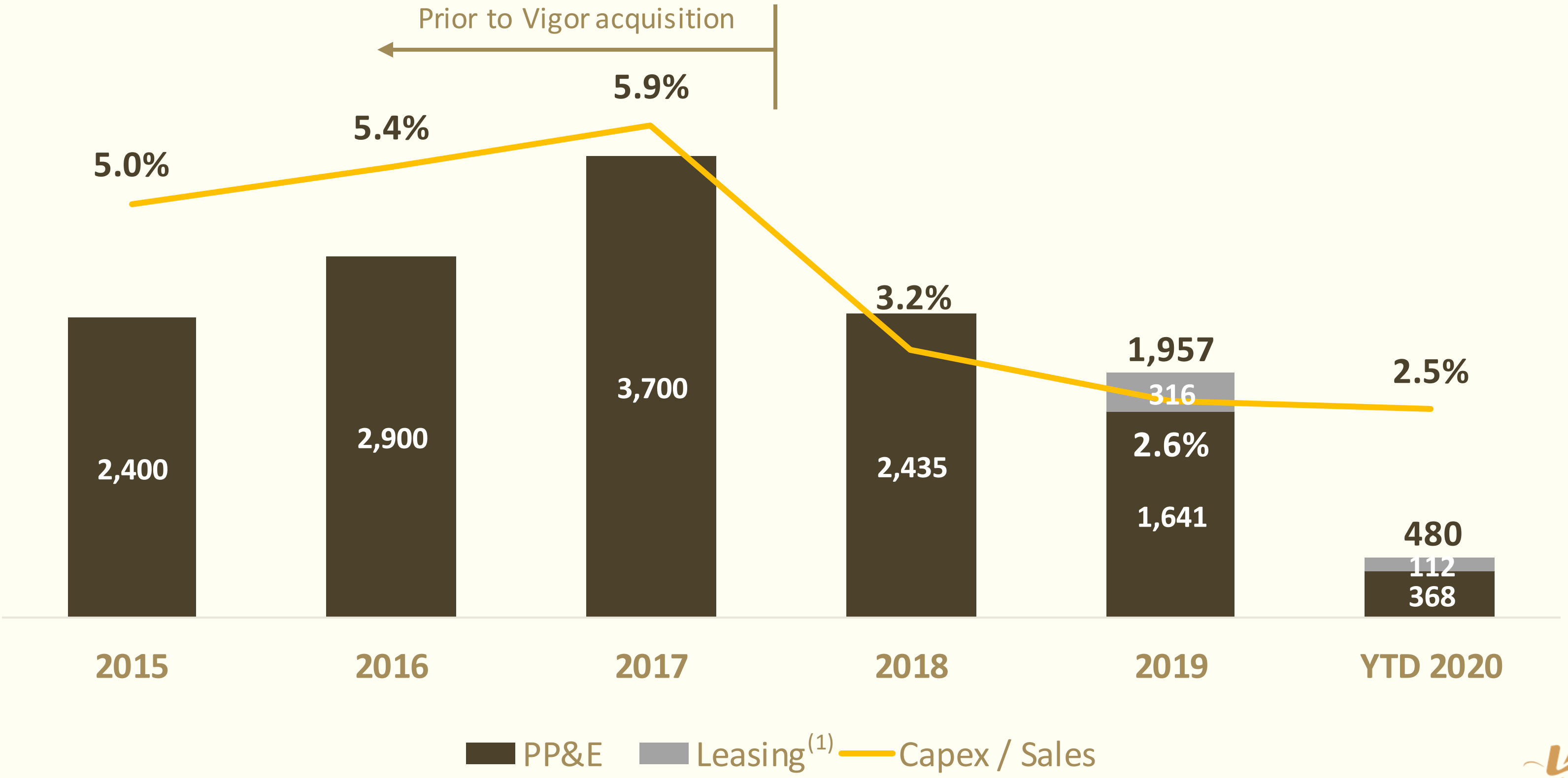
Negative Working Capital



CAPEX

Capex optimization based on ROIC analysis

MXN in millions



(1) *Leasing includes vehicles, machinery and equipment*

Closing remarks

1. **Defensive Dairy industry; LALA's strong brands and capabilities in place**

2. **+5.1% constant currency Branded Sales[1] driven by volume**

3. **Mexico +250 bps sequential margin recovery**

4. **270 bps YOY WC improvement to 0.3% of sales, driven by negative WC in Mexico**

5. **Precautionary liquidity measures taken to address current market environment**

(1) Branded Sales exclude raw materials sales

Thank you!

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