



GRUPO LALA

Virtuous cycle drives success

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

Nutrition through food to enjoy a better life

Why invest in LALA?

- **Leader in high growth markets with a focus on premium, value-added products**
- **Comprehensive portfolio of leading brands addresses the full spectrum of consumer segments and needs**
- **Focus on healthy and nutritious value-added products**
- **Strong innovation that set trends**
- **Manufacturing and distribution is a unique and important competitive advantage**

...Drives sustainable shareholder value

LALA at a glance



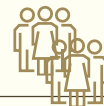
7

Countries



31

Production facilities



+38,000

Employees



+160

Distribution centers



+6,900

Sales routes



+628,000

Points of sale



+600

SKUs and 43 brands



Two of the top five most recognized food industry brands in Mexico and Latam¹

VIGOR

Fastest growing dairy brand in Brazil²

(1) Kantar Brand Footprint 2019

(2) Instituto Data Folha 2018



An extensive portfolio that serves all market segments

Value

Mainstream

Premium

Milk

53% of the portfolio



Other Dairy Products

43% of total portfolio








Beverages and other

4% of total portfolio



Widely recognized brands

LALA and Nutri top five most recognized Mexico food industry brands ⁽¹⁾

Place	Brand	Penetration ⁽²⁾	Frequency ⁽³⁾
1°		99%	66
2°		99%	31
3°		96%	29
4°		78%	28
5°		83%	18

(1) Source: Kantar Top 50 Latin American Brands 2019

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

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

(4) Ranking Millward Brown – Magazine Isto é Dinheiro

(5) Instituto Data Folha

Vigor within top 60 most valuable Brands in Brazil ⁽⁴⁾



QUAL É A PRIMEIRA MARCA QUE LHE VEM À CABEÇA?

VIGOR. NA MESA E NA CABEÇA DE TODO BRASILEIRO.

















Requeijão Vigor e Vigor Grego. Vencedores do Prêmio Top of Mind.



Fourth consecutive year Top of Mind recognition for Requeijão and Greek Yogurt ⁽⁵⁾

Market leadership

#1 and #2 position in participant categories

	Mexico	Brazil		US	CAM
 Milk	 Total				 Total
 Yogurt	 Total	 Greek	 Total	 Drinkable Adults	 Total
 Cheese	 Packaged	 Spreadable	 Cream	 Parmesan	
 Cream	 Total				

(1) Source: Nielsen 2018

(2) CAM includes Guatemala and Nicaragua

From Dairy to Nutrition

Evolve by playing to LALA's strengths

1 Strengthening Dairy core with a focus on nutrition

Developing new revenue streams

- 2
 - Going deeper in Cold Cuts, Plant-based, Ice-Cream, Protein Alternatives, Cheese
 - Exploring new opportunities and moments of consumption

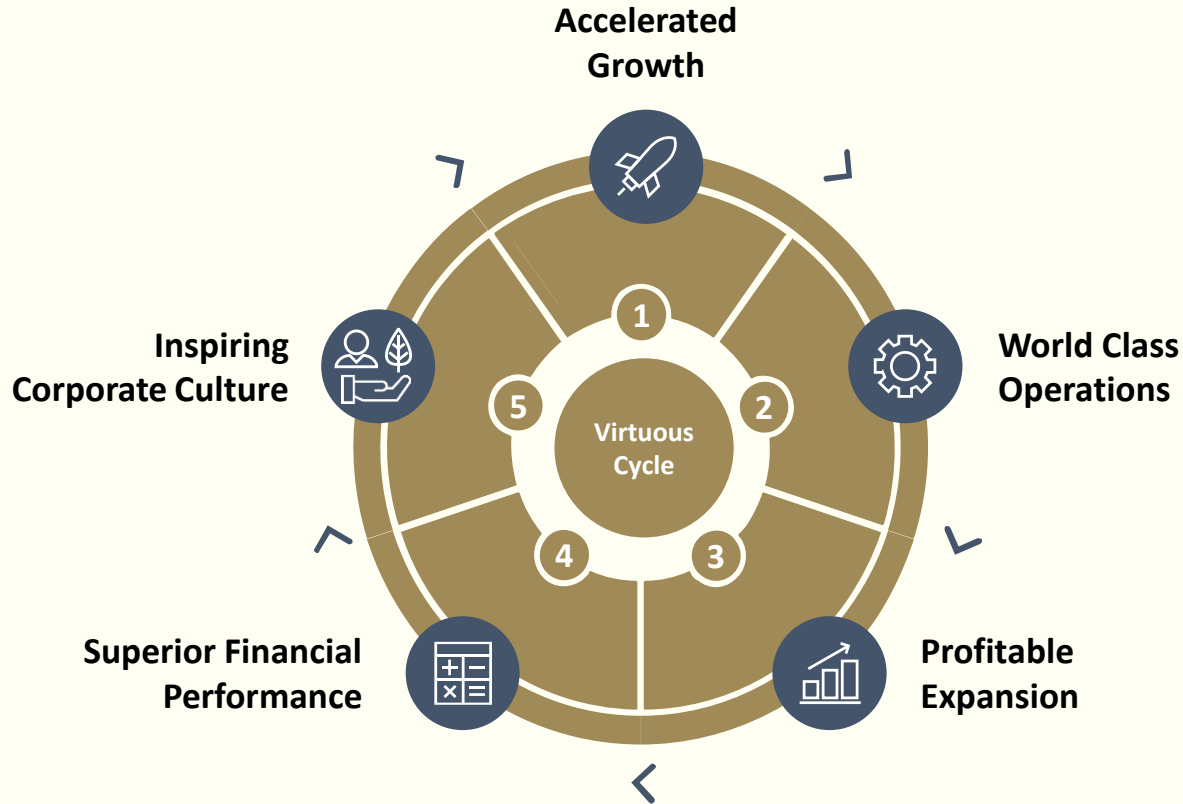
3 Increasing productivity and synergies across regions

4 Embedding sustainability throughout our processes

5 Executing flawlessly

Virtuous Cycle business model

Focusing on execution and setting the company for future success



Virtuous Cycle: Accelerated Growth

“Winning with Consumers is at the center of everything we do”



Mexico

- Innovation & Premiumization
- Expand through new sources of growth
- Robust Revenue Growth Management
- Route-To-Market and in-store execution



Brazil

- Strengthen Greek leadership and accelerate growth in yogurt category
- Expand geographically
- Maintain focus on Business Units: Cheese and Foodservice
- Accelerate innovation



US

- Win in Drinkable Yoghurt by leveraging LALA brand heritage in Hispanic market
- Strengthen Promised Land chocolate portfolio in mainstream market
- Crema and dips
- Shelf-stable imports from Mexico



CAM

- Focus on Ice-cream
- Leverage “Nutri” brand: Cheese and Yogurt
- Entry and development of Cheese category
- Portfolio segmentation and realignment
- Continue expansion in Costa Rica

Virtuous Cycle: World Class Operations



Truly integrated supply chain from planning to distribution centers



Supporting the Virtuous Cycle through productivities based on ZBB, Value Added Days and Value Engineering



Management System enables standardization across operations, is replicable throughout all regions



Global Procurement leveraging economies of scale



Using AI, Machine Learning and Big Data to enhance better decisions



Virtuous Cycle: Profitable Expansion

“Winning with Consumers is at the center of everything we do”

Mexico

Sustainable 13.5% - 14% EBITDA margin

- Leverage core advantages
- Address inflation through RGM and productivity enhancements
- World Class Operations fueling growth: +16.6% YoY marketing investment

US

Moving towards single digit EBITDA margin – targeting mid-single digit for 2020

- Structural changes implemented
- Fit for purpose restructure
- Procurement and productivity gains

Brazil

Targeting 10% EBITDA margin

- Margin accretive growth
- Procurement and productivity gains
- Intellectual synergies with Mexico
- Leveraging acquisition’s Goodwill

CAM

Targeting breakeven EBITDA margin for 2020

- Mid-single digit EBITDA margin target for 2020 in Nicaragua and Guatemala
- Resources reinvested in Costa Rica expansion initiatives

Virtuous Cycle: Superior Financial Performance

ROIC based Capital Allocation

Financial discipline

- WC committees in all regions by 2020
 - Mexico negative WC target
 - Brazil improvement of 15-20% by 2020
- Global Investment Committee in place
 - Minimum IRR from 20% to 30%
 - 3-year payback for maintenance and productivity
 - 5-year payback for growth
- US: exploring asset-light model
- Leverage target of 2.5x by 2020

Inorganic growth rationale

- ROIC based
- Focus on maximizing value from previous acquisitions
- Leverage discipline: Ratio 2.5x by 2020
- Through asset-light deals
- Focus on value-accretive investments
- Play to strengths
- Focus on key markets
- M&A decision-making process
 1. M&A Committee (internal team)
 2. Audit Committee (external board members)
 3. Board approval

Virtuous Cycle: Inspiring Corporate Culture

Aligned with four UN Sustainability goals and measured through ESG metrics



- Green packaging
- Energy use
- Water use
- Green logistics



- Creating Shared Value
- Product use
- Social impact marketing
- Nourish our consumers



- World-class compliance
- Ethical business conduct
- Transparency

Virtuous Cycle: Inspiring Corporate Culture

Corporate Governance: Increase transparency on Related Parties transactions

Input-based-cost model, used to define margin pressure on farmers and to agree on yearly pricing

1 Publicly available indexes are used to adjust price movement

	Index
Corn	Corn futures CME
Soy	Soybean meal futures CME
Hay	Alfalfa supreme hay, Local market
Electricity	Medium tension tariff CFE
Fuel	Diesel prices CRE
Productivity	Average liters per day per cow Best in class productivity
Cost structure	Farm cost structure Top quartile farms

2 An established operating mechanism for price definition and revision, with clear governance

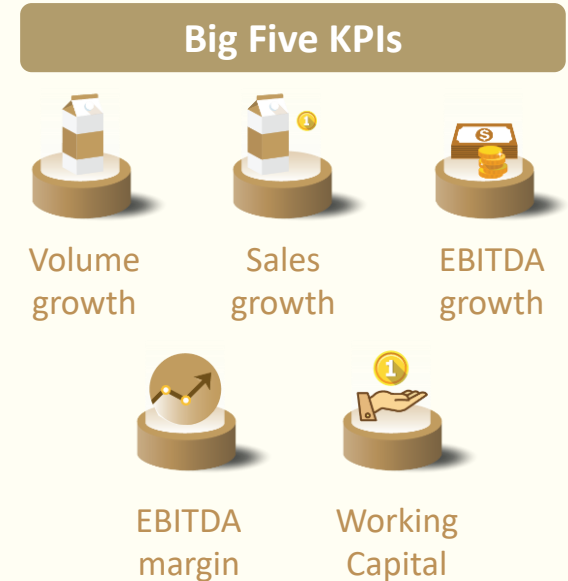
- A Annually set price**
YoY % delta in input costs inform price adjustment
- B Symmetrical floor and ceiling prices, providing protection from severe fluctuations**
- C Joint governance committee**
- D Risk management**
Leverage sophisticated risk management techniques to optimize cost and minimize volatility



Virtuous Cycle: Inspiring Corporate Culture



- Top 10 industry benchmark¹ compensation plan
- Invitation based on:
 - Values
 - Performance
 - Potential
- Aligning employees with shareholders
 - Big Five KPIs
 - Short- and long-term
- Key talent retention (+200 employees)
 - Variable portion from 21% to 54% of total compensation
 - Supported by People Cycle



Third Quarter 2019 Highlights



Third Quarter 2019 Key Highlights

1. **+2.9% YOY branded⁽¹⁾ topline**
2. **MXN \$2,306m EBITDA (includes one-time payment from Lactalis settlement)**
3. **+28.0% YOY Comparable EBITDA⁽²⁾**
4. **+240 bps YOY EBITDA⁽²⁾ margin expansion**
5. **+213% YOY controlling net income based on operating income increase and with optimized tax rate (tax one-off in 2018)**
6. **WC improvement: 1.6% of Sales, driven by negative WC in Mexico**
7. **Leverage ratio improvement to 2.9x: target of 2.5x by 2020**

(1) *Branded Sales exclude raw materials sales*

(2) *Q3'18 comparable figures, include IFRS 16 and the deconsolidation of Elopak JV*

Mexico (1/3)

Expanding through innovation, premiumization and core campaigns

Top line growth

- +3.2% branded⁽¹⁾ sales growth YOY
- Renewal of core portfolio: LALA Milk & Cream +6.9% YOY sales increase
- *Griego* performance: 11.9% market share⁽²⁾ gain in 5 months
- *LALA Plenia* premium Cold Cuts launch: +28.9% YOY sales increase
- *Vita* and *Almond Breeze*: +84.2% YOY sales increase



New LALA 100 functional milks impactful campaign

- +240 million impressions in first 3 days
- Positive halo effect for LALA Brand and the entire category
- Fueling +45% YTD growth in premium Milks
- Record 8.2% market share of total Milk sales



(1) Branded Sales exclude raw materials sales

(2) Value market share, Nielsen Scantrack sep-19

Mexico (2/3)

Operational issue in Cheese plant impacted Mexico Q3 EBITDA margin

Strong processes enabled team to identify root causes and corrective actions

- 12.1% EBITDA margin, -50 bps YOY⁽¹⁾
- Inventory shortage in Cheese impacted sales and expenses
 - \$207 million top line impact
 - Cheese -8.8% YOY volume contraction
 - \$194 million in additional waste and transport expenses
- Corrective actions in place to replenish inventory to optimal levels



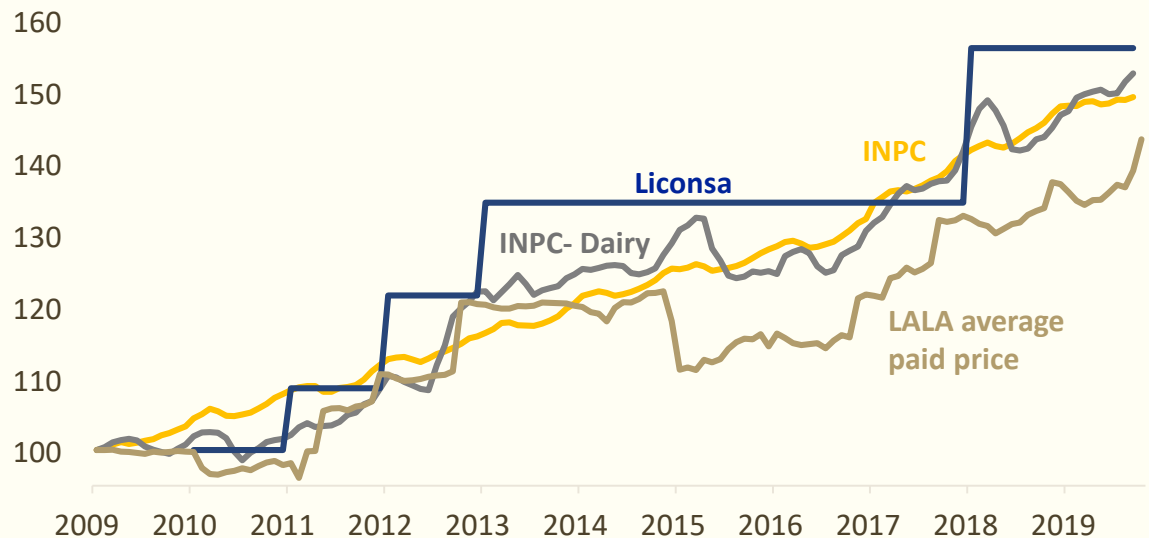
⁽¹⁾ Q3'18 comparable figures, include IFRS 16 and the deconsolidation of Elopak JV

Mexico (3/3)

Raw milk price negotiation based on new methodology

Index of milk price paid vs inflation and Liconsa

Index based on 2009



CAGR

4.9%

4.1%

3.9%

3.4%

- Liconsa⁽¹⁾
- INPC Dairy⁽³⁾
- INPC⁽²⁾
- LALA's purchased price

(1) Canilec, Liconsa (2019 estimated using 2018 figures)

(2) INEGI: Índice Nacional de Precios al Consumidor

(3) INEGI: Índice Nacional de Precios al Consumidor, Milk, Milk Derivatives and Eggs

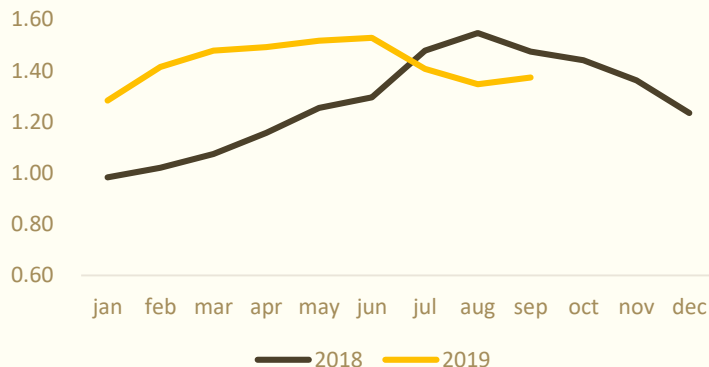
Brazil (1/2)

EBITDA expansion through margin accretive portfolio

Value-added Dairy continues to drive growth

- -2.3% sales growth in BRL YOY
 - Economic slowdown affecting consumption
 - +90 bps market share gains in Yogurt, +70 bps in *Requeijão* + Cream Cheese⁽¹⁾
 - Other Dairy could not mitigate UHT Milk volume offering contraction to protect margins
- 17.7% EBITDA margin
 - Decrease in milk costs offset some margin pressure
 - One-time benefit from Lactalis settlement
- Operational margins ex-Lactalis in line with prior quarters

Milk to Producer
CEPEA/ESALQ (R\$/liter)



(1) Value market share, Nielsen Aug-Jul 19 vs May-Jun19

Brazil (2/2)

EBITDA expansion through margin accretive portfolio

New 2x capacity expansion of Parmesan Cheese in place for *Vigor* and *Faixa Azul* with 6, 12 and 18 months maturity offerings



United States

Continued EBITDA margin expansion

Profitable growth

- +1.6% YOY USD sales growth
 - Price increase correcting the margin equation
- 3.2% EBITDA margin (USD \$1.4m); a USD \$9.4m YOY⁽¹⁾ increase with a +40 bps sequential margin expansion
 - Pricing, operational improvements and fit for purpose benefits
 - Q3'18 impacted by restructuring one-off

Accelerated growth plan implemented

- *Promised Land* sold at Costco, targets mainstream market
- LALA relaunched in Hispanic channels to leverage brand heritage

Promised Land e.g. of key chains



LALA branded e.g. of key chains



(1) Q3'18 comparable figures, include IFRS 16

Central America

Building strong fundamentals

Double-digit growth across the region

- +8.9% YOY sales growth in USD
 - Nicaragua +16.3% sales in NIO driven by Milk
 - Guatemala +12.1% sales in GTQ
- 0.3% EBITDA margin, +430 bps YOY⁽¹⁾ (increase of USD \$1.5m)
 - Q3'18 impacted by restructuring one-off

Portfolio expansion

- *Nutri Lety* 1.5 liters introduction in Guatemala
- Yogurt *aloe + fibra* to address health and wellness trend in Nicaragua and Guatemala



(1) Q3'18 comparable figures, include IFRS 16

Third Quarter 2019 Financial Results



Q3 Net Sales by Segment

2.9% YOY⁽¹⁾ branded⁽³⁾ Net Sales increase in Q3

MXN\$ in millions	Q3'18 ⁽¹⁾	Q3'19	Var. %	constant currency ⁽²⁾ Var. %
Milk	9,833	9,978	1.5%	1.3%
Other Dairy	7,935	8,251	4.0%	3.0%
Beverages and Others	423	494	16.8%	16.2%
Total Branded Sales	18,192	18,723	2.9%	2.4%
Raw Materials and Others	292	261	(10.7%)	(10.7%)
Total Sales	18,484	18,984	2.7%	2.2%

- **Milk:** growth in all regions excluding Brazil
- **Other Dairy:** growth throughout all regions, Mexico leading growth
- **Beverages and Others:** Plant Based Beverages and Cold Cuts drove Mexico growth, offsetting decreased Mexico Juice sales

(1) Q3'18 comparable figures, include deconsolidation of Elopak JV

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

Q3 Net Sales by Region

2.9% YOY⁽¹⁾ branded⁽³⁾ Net Sales growth in Q3

MXN\$ in millions	Q3'18 ⁽¹⁾	Q3'19	Var. %	constant currency ⁽²⁾ Var. %
Mexico	13,627	14,057	3.2%	3.2%
Brazil	3,094	3,089	(0.2%)	(2.3%)
United States	826	860	4.0%	1.6%
Central America	644	717	11.4%	8.9%
Total Branded Sales	18,192	18,723	2.9%	2.4%
Raw Materials and Others	292	261	(10.7%)	(10.7%)
Total Sales	18,484	18,984	2.7%	2.2%

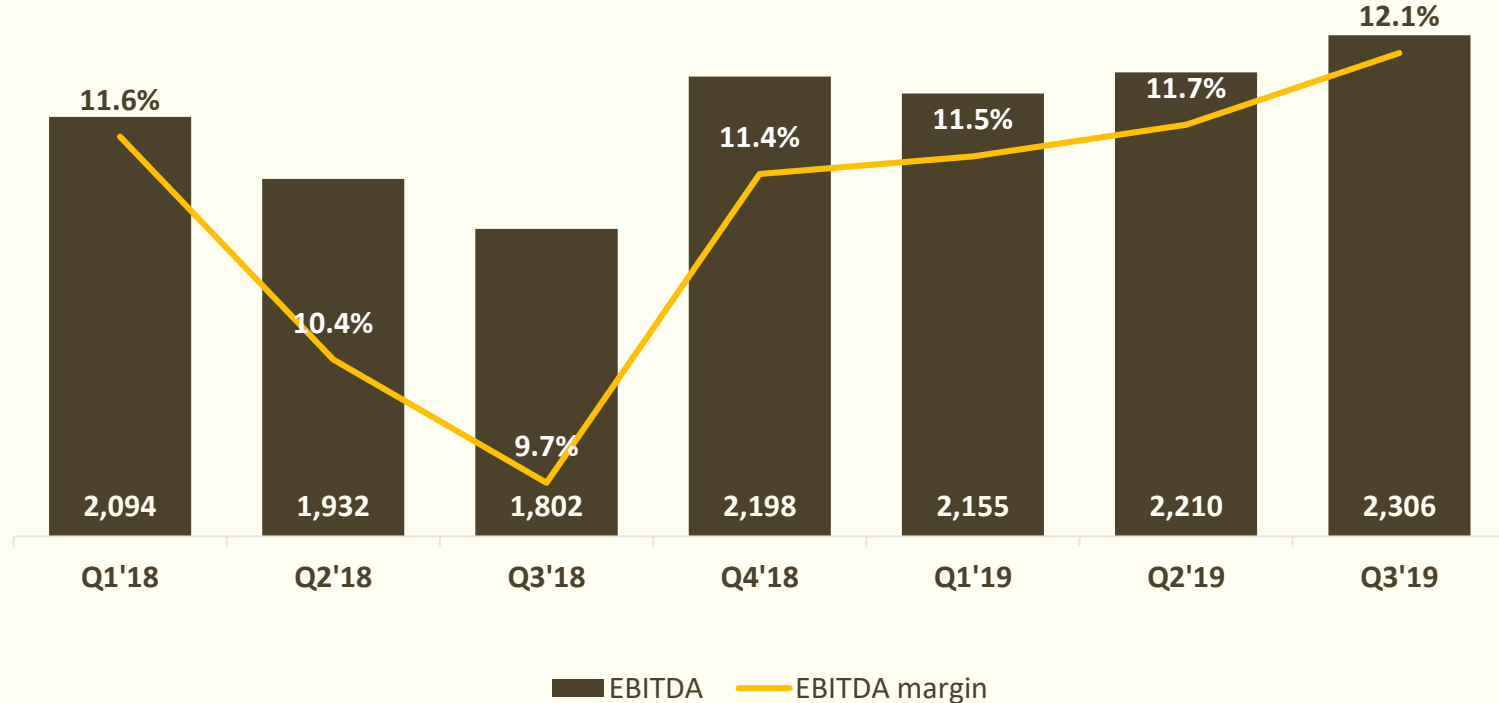
- **Mexico:** growth in all segments, driven by Yogurt, Cream, Plant Based, Cold Cuts and Milk
- **Brazil:** Other Dairy growth unable to offset negative UHT Milk impact
- **USA:** *Promised Land* brand continues to grow, Yogurt transitioning to target Hispanic market
- **CAM:** growth in all segments, driven by Milk, Yogurt and Cream

(1) Q3'18 comparable figures, include deconsolidation of Elopak JV

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

Q3 Total EBITDA

Sequential and YOY⁽¹⁾ EBITDA margin improvement in Q3'19

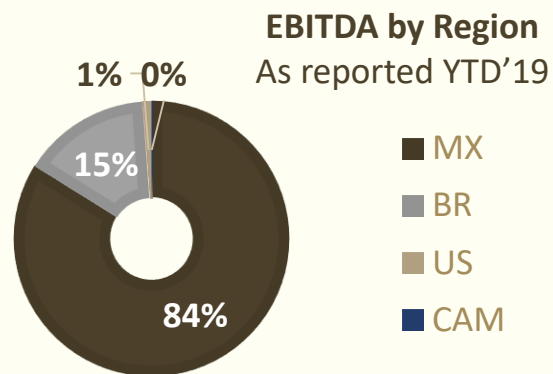


(1) 2018 comparable figures, include IFRS 16 and the deconsolidation of Elopak JV

Q3 EBITDA per Region

240 bps consolidated margin expansion in Q3

EBITDA					
MXN\$ in millions	Q3'18 ⁽¹⁾	% NS	Q3'19	% NS	Var. bps
Mexico	1,757	12.6%	1,730	12.1%	(50)
Brazil	223	7.2%	547	17.7%	1,050
United States	(152)	(18.3%)	27	3.2%	2,150
Central America	(26)	(4.0%)	2	0.3%	430
Total EBITDA	1,802	9.7%	2,306	12.1%	240



(1) Q3'18 comparable figures, include IFRS 16 and the deconsolidation of Elopak JV

Q3 Consolidated Net Income

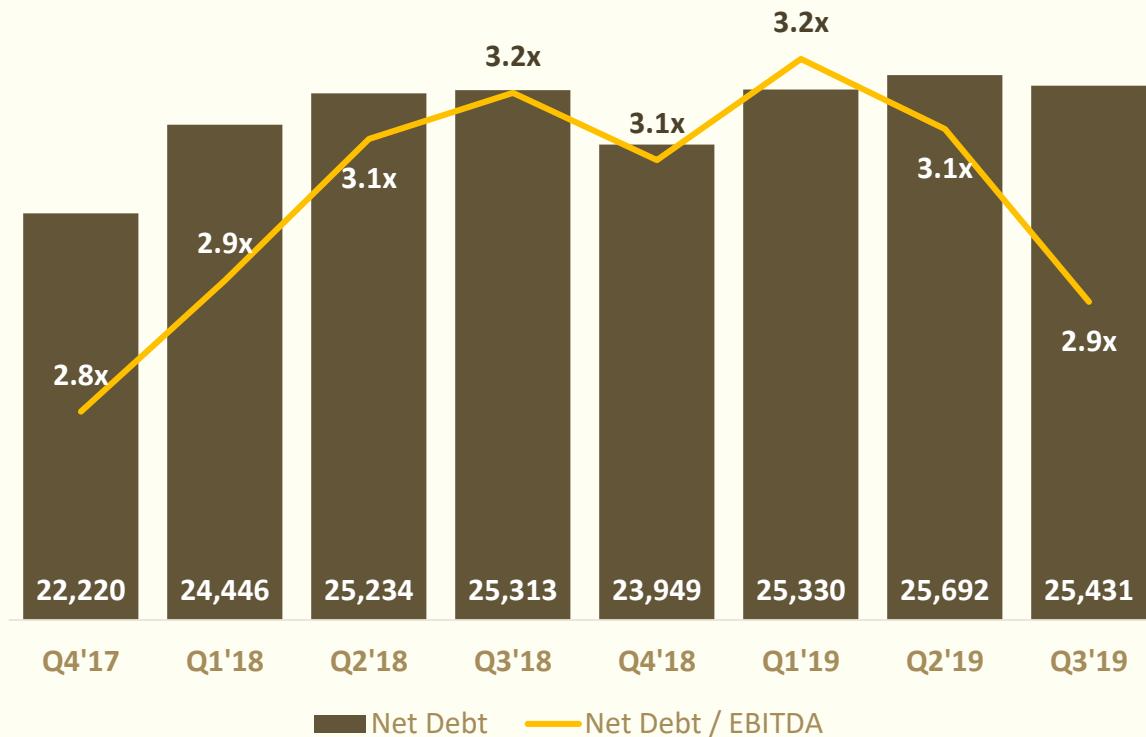
Controlling Net Income increased MXN \$493 million in Q3

MXN\$ (Millions)	Q3'18	Q3'19	Var. %
Operating Income	1,157	1,507	30.3%
Financing Expenses	675	600	(11.0%)
Results of associated companies	(1)	15	1,540.3%
Net Income Before Taxes	482	923	91.4%
% NS	2.6%	4.9%	
Taxes	266	282	6.3%
Effective Tax Rate	55.1%	30.6%	
Net Income	216	641	195.9%
% NS	1.2%	3.4%	
Controlling Net Income	205	641	212.9%
% NS	1.1%	3.4%	

- 30.3% increase in Operating Income
- Financing Expenses benefited from improved exchange rates
- Optimized Effective Tax Rate decreased to 30.6%
 - Q3'18 affected by one-time tax penalty
- +213% YOY increase in Controlling Net Income

Leverage Ratio

Deleverage in line with 2.5x by 2020 target



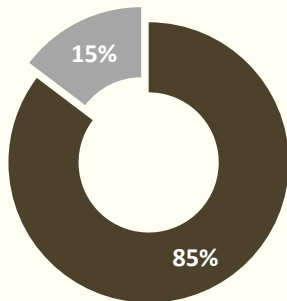
Total Debt as of September 30, 2019

Net Debt / EBITDA: 2.9x ratio sequential improvement

Total Debt: MXN \$28,198 million

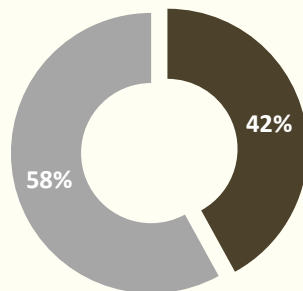
	Mexico	Brazil
Average Tenor	4.0 years	1.5 years
Average Cost	TIIE + 0.71%	CDI + 0.85%

CURRENCY MIX (%)



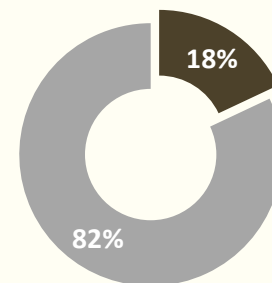
■ MXN\$ ■ BRL\$

RATE MIX (%)



■ Fixed ■ Variable

MATURITY MIX (%)



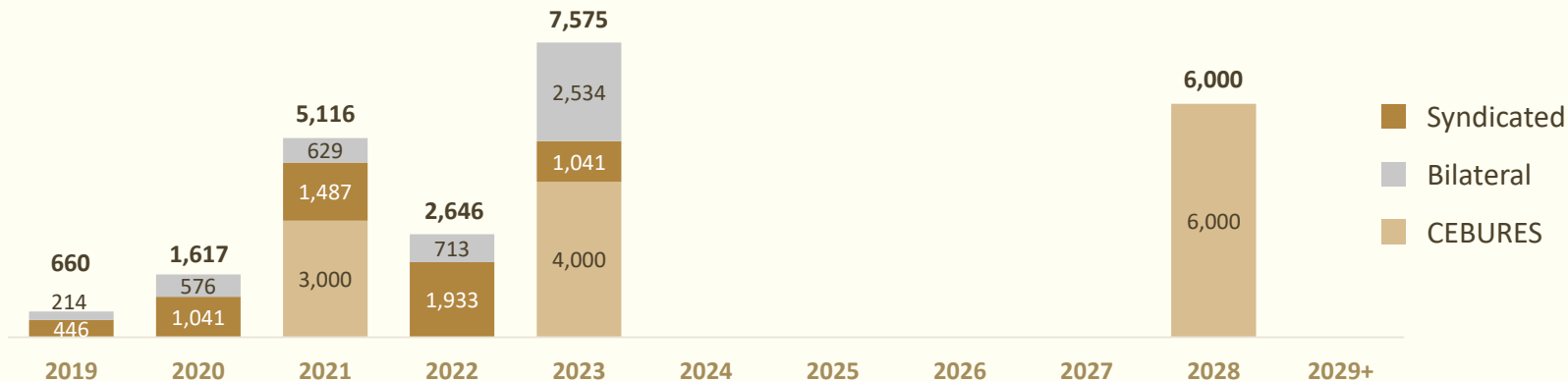
■ Short-term ■ Long-term

- Additional debt from bank loan to refinance 49% of Brazil debt due in October, 2019
- Proceeds from Lactalis settlement used to reduce Brazil debt
- Currently in the process of refinancing Mexico debt, to extend maturity profile

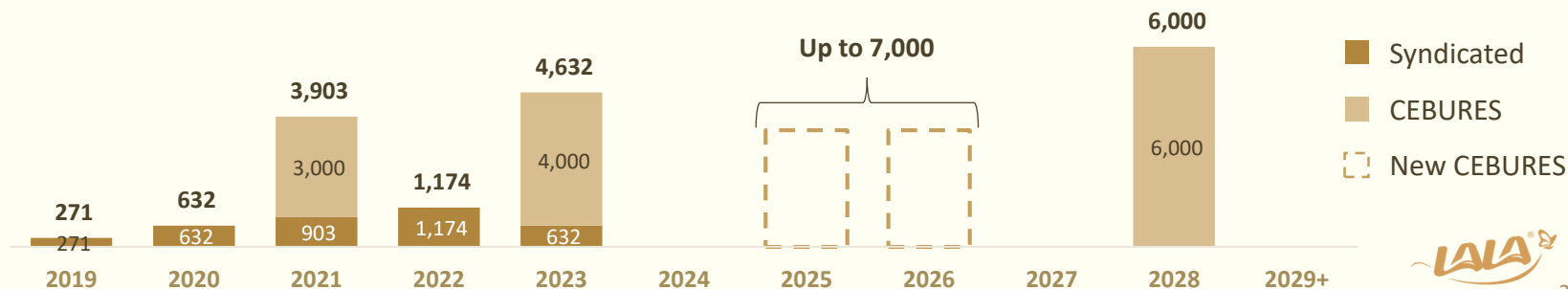
Refinancing Mexico Debt

Liability management to extend maturity profile

Actual maturity profile *MXN in millions*

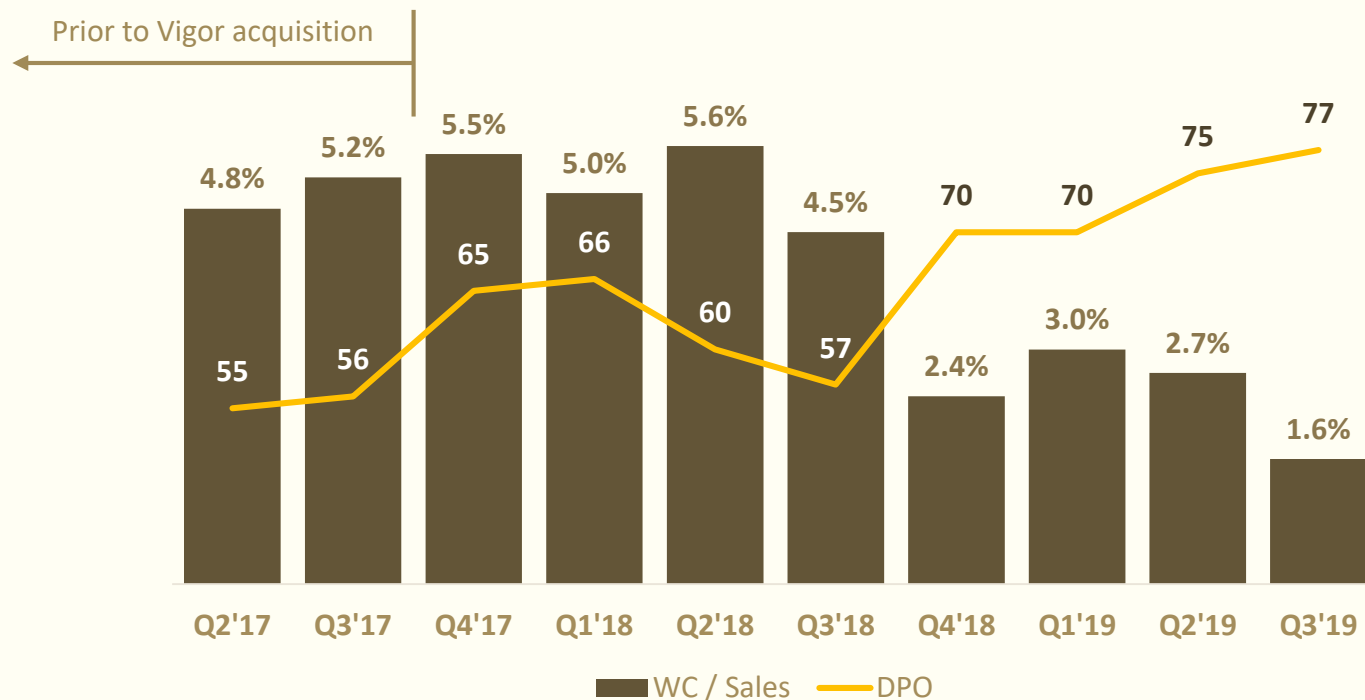


Pro-forma maturity profile *MXN in millions*



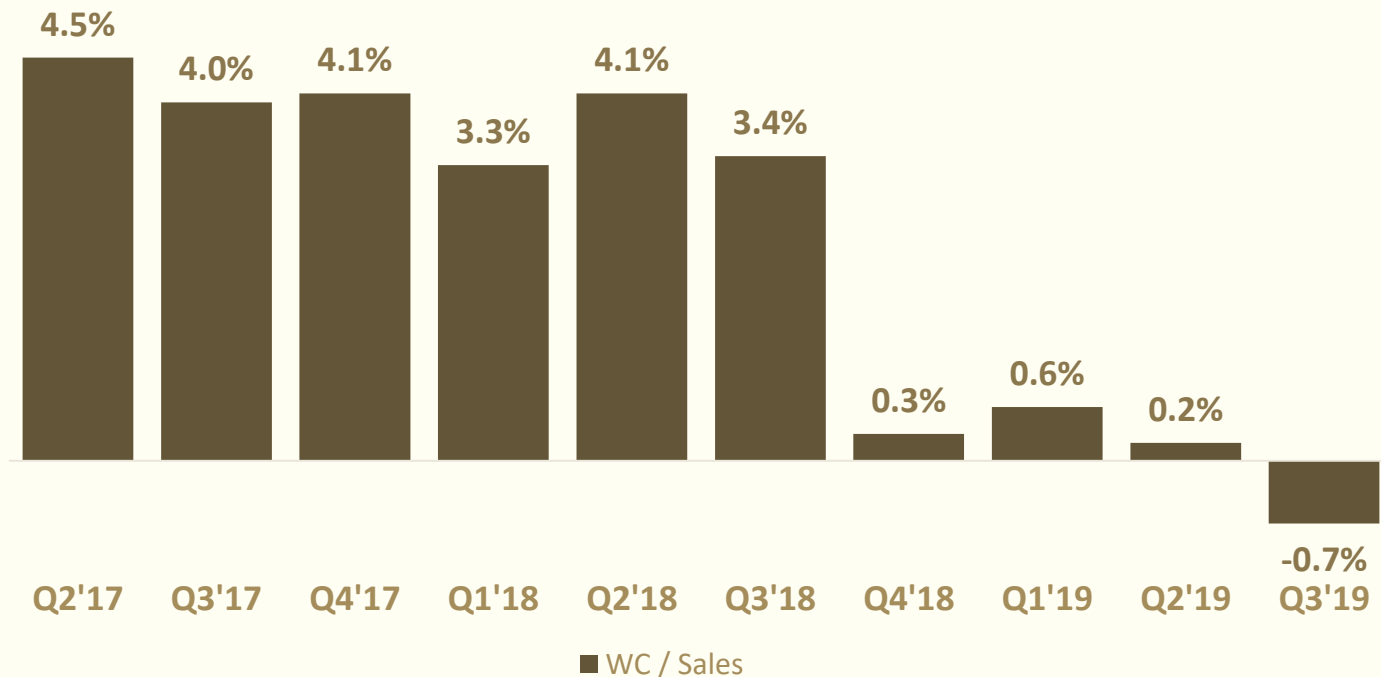
Working Capital - Consolidated

-290 bps YOY Working Capital improvement



Working Capital - Mexico

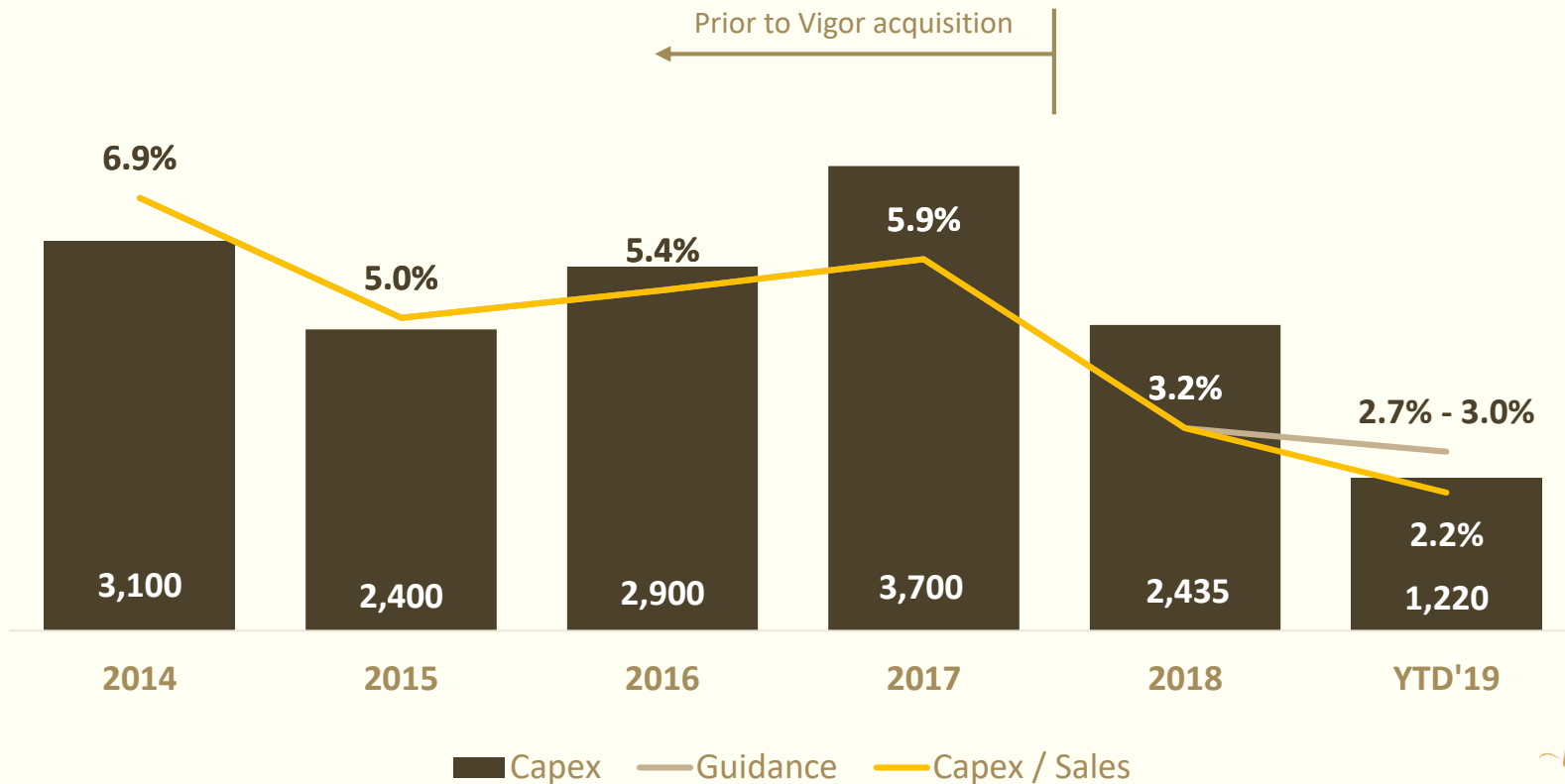
Negative Working Capital, a -410 bps YOY improvement: -0.7% of sales



CAPEX

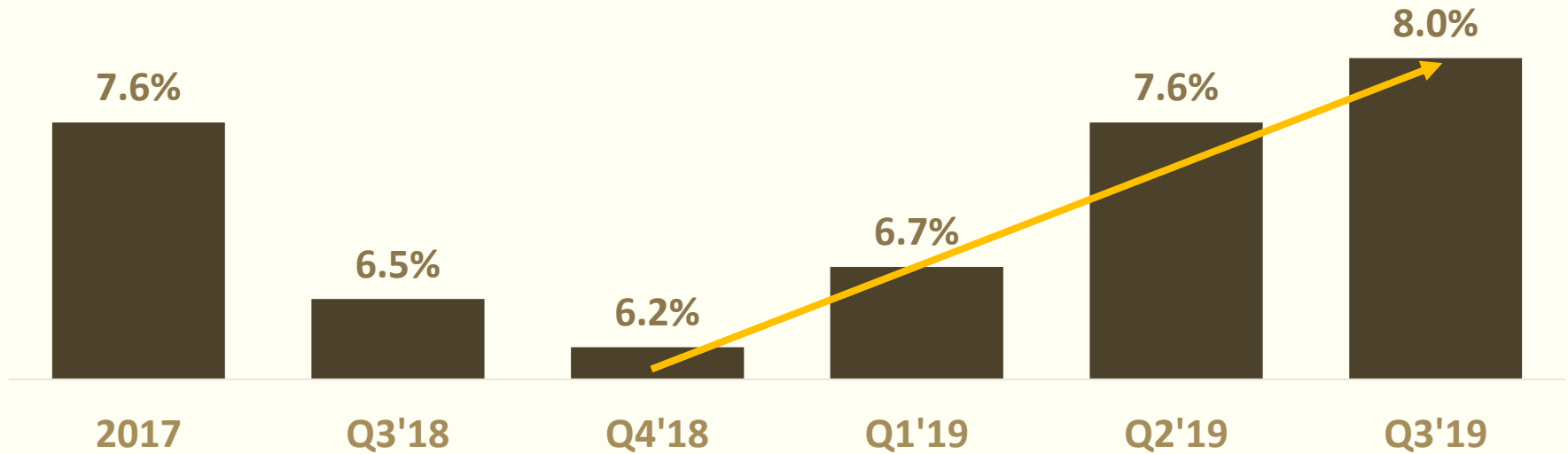
Capex optimization based on ROIC analysis

MXN in millions



ROIC

Continued ROIC improvement



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

Why invest in LALA?

- **Leader in high growth markets with a focus on premium, value-added products**
- **Comprehensive portfolio of leading brands addresses the full spectrum of consumer segments and needs**
- **Focus on healthy and nutritious value-added products**
- **Strong innovation that set trends**
- **Manufacturing and distribution is a unique and important competitive advantage**

...Drives sustainable shareholder value

A top-down view of a rustic wooden bowl filled with granola, white yogurt, fresh raspberries, blueberries, and almonds. The bowl is placed on a white-painted wooden surface, with various ingredients scattered around it, including whole almonds, blueberries, raspberries, and granola clusters.

Thank you!



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