



LALA TO ACQUIRE VIGOR ALIMENTOS, S.A.




Torreon Coahuila, August 3rd, 2017 – Grupo LALA, S.A.B. de C.V. (“Grupo LALA” or “LALA”) (BMV: LALA), announces that its Board of Directors, with the favorable opinion of its Audit and Corporate Practices Committee, has agreed to propose to LALA’s shareholders the acquisition of up to 100% of the shares of Vigor Alimentos, S.A. (“Vigor”), a Brazilian dairy company, and directly or indirectly, 100% of the shares of Itambé Alimentos, S.A. (“Itambé”), also a Brazilian dairy company, for an implied value of R\$5,725 million (the “Transaction”). Considering estimated 2017 net revenues of R\$5,024 million and EBITDA of R\$329 million, the multiples of the Transaction are 1.1x sales and 17.4x EBITDA.

As a first step towards completing the Transaction, today LALA, FB Participações and JBS S.A. entered into a share purchase agreement pursuant to which LALA will acquire, subject to its terms and conditions, 91.99% of the shares of Vigor.

In addition, as part of the Transaction, LALA may acquire from Arla Foods International A/S (“Arla”) an additional 8% of Vigor’s shares, increasing LALA’s participation to 99.99%.

Finally, the Transaction contemplates LALA’s acquisition, directly or indirectly, of up to 100% of the shares of Itambé, subject to the exercise of certain rights by Vigor’s partner, Cooperativa Central dos Produtores Rurais de Minas Gerais Ltda. under their existing shareholders’ agreement.

Additional Information of the Transaction

-  The Transaction is subject to certain common conditions, including the approval by Grupo LALA’s shareholders meeting, governmental authorizations, shareholder agreements and other inherent contractual conditions.
-  Substantial provisions for a successful integration and mitigation of risks have been included in the share purchase agreement.
-  Financing for the Transaction will include a bridge loan, followed by a combination of long-term debt and additional equity of approximately US\$550 million, of which an estimated US\$315 million will be committed by LALA’s current shareholders.

Message from Management

Scot Rank, CEO: “We are pleased that Vigor will be the platform for growth of LALA in Brazil. Vigor has the scale, the innovation, and talent needed to build profitable value-added dairy business.”



Conference Call Invite

Friday, August 4th, 2017 at
10:00am EST / 09:00am CST

Webcast:

[Grupo LALA Presentation](#)

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Rational of the Acquisition

- ✎ Brazil is the largest dairy market in Latin America, with a favorable outlook in the medium and long term.
- ✎ This acquisition supports LALA's vision of becoming the preferred dairy company in the Americas.
- ✎ Vigor has top-of-mind brands with unique positioning in yogurt and cheese, and a strong presence in the fast growing foodservice segment.
- ✎ LALA has been engaged in direct negotiations with Vigor ownership for over a year, and current circumstances in Brazil provide a reasonable price of entry to the market for a high-quality company.
- ✎ Synergies with Grupo LALA for improving productivity of local milk producers, R&D, raw material and equipment sourcing, engineering, marketing, go-to-market, administration, and other areas.
- ✎ The Transaction supports LALA's growth strategy in healthy and nutritious products.

Overview of Vigor

Founded in 1917, Vigor has a consolidated infrastructure of more than 7,600 employees, 11 milk collection centers, 14 production plants, 31 distribution centers and 67,000 points of sale, with a strong presence in the states of Sao Paulo, Minas Gerais and Rio de Janeiro.

Itambé has been a leading dairy brand for 66 years in the Southeast region with a profitable milk business in multiple formats, and has recently demonstrated its potential in value-added dairy segments.

Vigor reported net revenues and EBITDA of R\$4,928 million and R\$243 million, respectively in 2016. The estimated revenues for 2017 are R\$5,024 million of net sales and an EBITDA of R\$329 million, a 6.5% margin.

Brands overview and market positions of consolidated company

- ✎ Market position: #1 in greek yogurt, spreadable, grated and fresh cheeses, #2 in yogurt, and #2 in powdered milk.
- ✎ Brands: Vigor®, Danubio®, Faixa Azul®, Serrabella®, Leco®, Amelia® and Itambé®.

Potential to create significant value for LALA's shareholders

With this acquisition, we see a clear path for organic growth in current business, such as yogurt, cheese, specialty milks, food service and new geographies. Furthermore, there are significant potential synergies in both upstream and downstream operations

About LALA

Grupo LALA, (BMV: LALA), Mexican company focused on healthy and nutritious foods, has a history of more than 65 years of experience in the production, innovation and marketing of milk and dairy products under the highest quality standards. The Company operates 22 production plants and 160 distribution centers in Mexico, United States and Central America, supported by more than 34,000 employees. Grupo LALA's fleet of approximately 7,000 vehicles distributes its more than 600 products to nearly 500,000 points of sale. LALA's portfolio is led by its two main brands: LALA® and Nutri Leche®.

Limitation of Responsibility: This press release contains certain forward-looking statements about the Company's results and outlook. However, 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.