



Grupo LALA

1st Quarter, 2018

Earnings Conference Call

April 24th, 2018



**BECOMING THE PREFERRED DAIRY
COMPANY IN THE AMERICAS**



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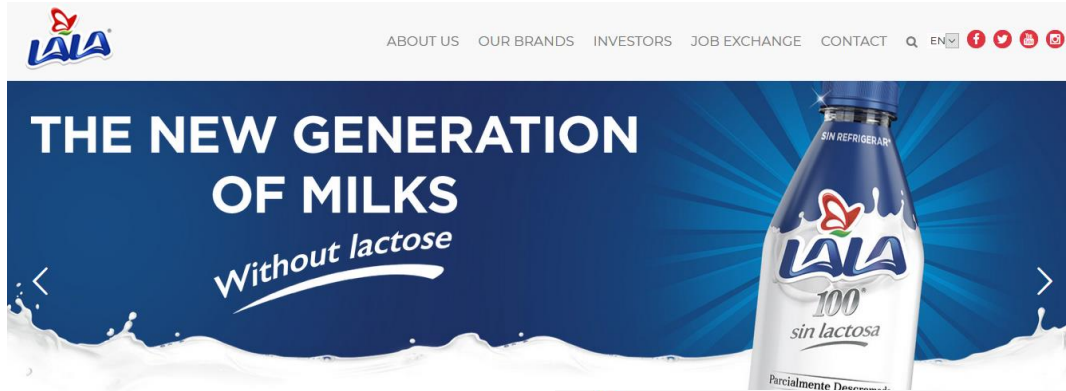
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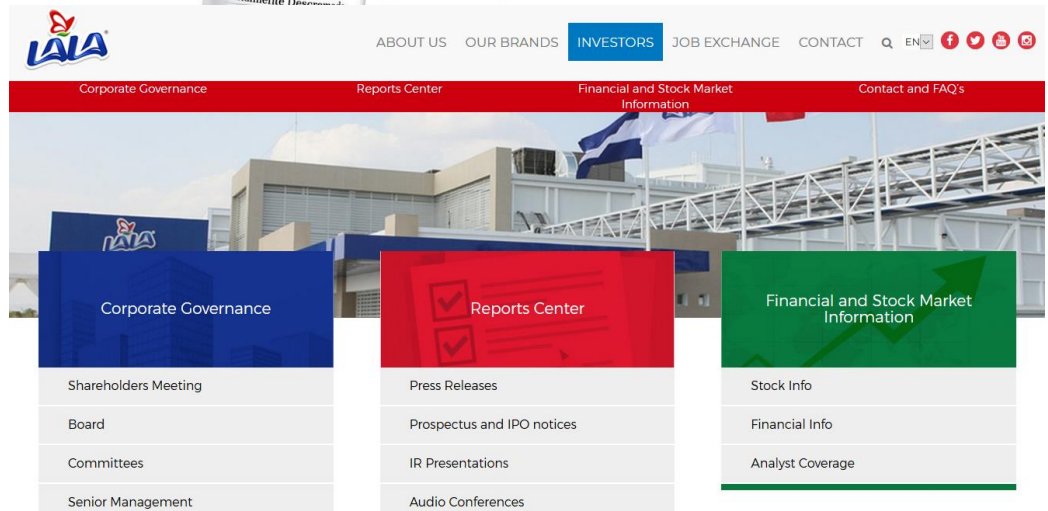


NEW LALA'S WEBSITE

WEBPAGE LINK: www.lala.com.mx



EAT HEALTHILY AND MAINTAIN A HEALTHY LIFESTYLE





BRAZIL IS ON TRACK



TALENT

- 100% of Vigor's top management retained

REDUCING BRAZILIAN DEBT

- Reduced spread cost by 67%; from CDI + 2.4% per year in Dec 2017, to CDI + 0.7% in Mar 2018

GAINING MARKET SHARE⁽¹⁾

- Dairy & Cheese: +1.3 p.p. vs YA → **#3** player
- Greek yoghurt: +7.3 p.p. vs YA → **#1** player
- Cream cheese: +5.7 p.p. vs YA → **#1** player
- Spreadable cheese: +1.9 p.p. vs YA → **#1** player

REINFORCED INTERNAL CONTROL

- New CFO and General Counsel
- Deloitte Touche* designated as external auditor
- Internal audit support by *PWC*

MILK SUPPLY STABLE AND GROWING

- More than 1,200 milk suppliers increased volume by 3% vs YA

INNOVATION

- New chocolate and caramel greek yoghurt sweetens our portfolio



(1) Source: Nielsen Retail Index T. Brazil – YTD Dec/Jan 2018



RECONFIGURATION OF THE U.S BUSINESS HAS INITIATED

PROMISED LAND

- Transitioned to 100% ESL packaging, moving shelf life from 30 to 50 days, facilitating distribution growth from 23.3% to 32.2% (+10,000 stores)⁽¹⁾



- Closed Floresville plant in Texas to consolidate production in Colorado.
 - One-time EBITDA impact of 41 million pesos

DRINKABLE YOGHURT

- National launch of single-serve Drinkable Yoghurt to accelerate growth
- Lala continues as #1 Adult Drinkable Yoghurt⁽²⁾
- Launching “Lala Kids” to reinforce our topline growth

Lala Kids



Single-serve



(1) IRI Latest 13 Weeks ending 03-25-18

(2) IRI Latest 52 Weeks ending 03-25-18



ACCELERATING INNOVATION IN THE ICE CREAM CATEGORY IN CENTRAL AMERICA

NEW POPSICLE “SHEIK IT”



“BOLISHOT” ICE CREAM



“FUTBOLIN” ICE CREAM





INNOVATION IN THE MILK CATEGORY IN MEXICO

OUR FIRST ORGANIC MILK



THE FIRST WHOLE MILK WITHOUT LACTOSE



RELAUNCHED LALA 100 IN SINGLE-SERVE SIZE





STRATEGIC PRIORITIES 2018

- 1. Margin expansion in Brazil**
- 2. Leverage prior investments in Mexico & CAM**
- 3. Reconfigure U.S business for profitable growth**
- 4. Deleverage the Company to less than 2.5x
(Net Debt to EBITDA)**



Q1 2018 FINANCIALS





Q1 2018 DEBT PROFILE

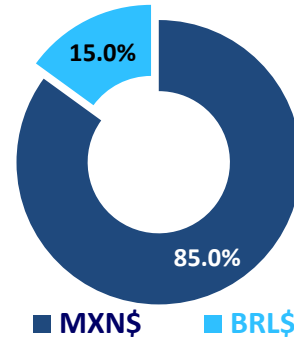
DEBT PROFILE ON MARCH 31ST, 2018

- Total Debt: MXN \$28,664 mm
 - Short-term debt: 46%
 - Long-term debt: 54%

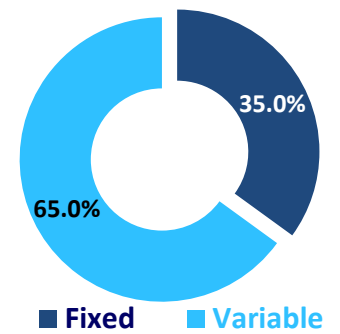
	Mexico	Brazil
Avg. Tenor	3.8 yrs	1.4 yrs
Avg. Cost	TIEE + 0.7%	CDI + 0.7%

- Net Debt / EBITDA: 2.7x

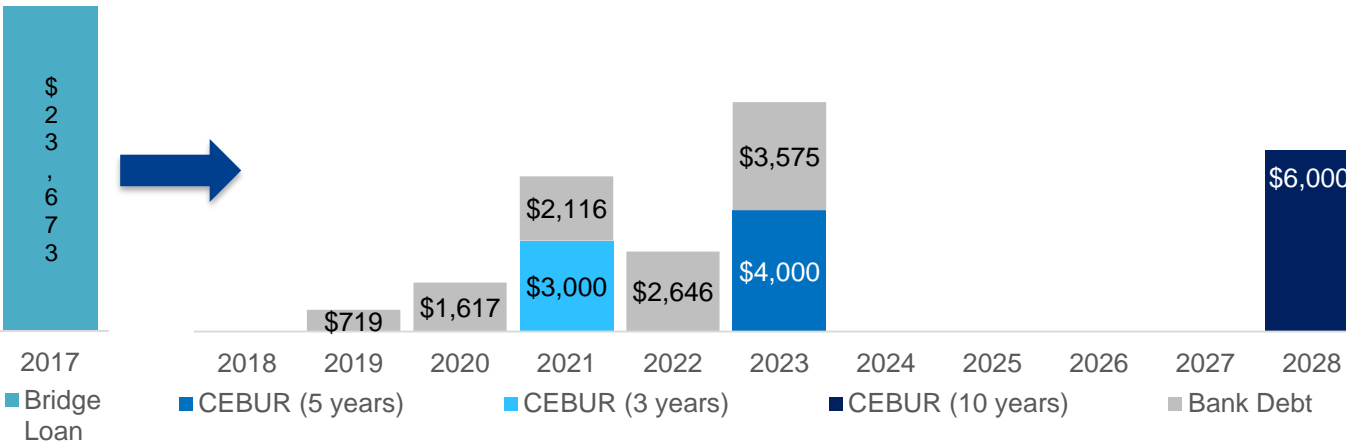
CURRENCY MIX (%)



RATE MIX (%)



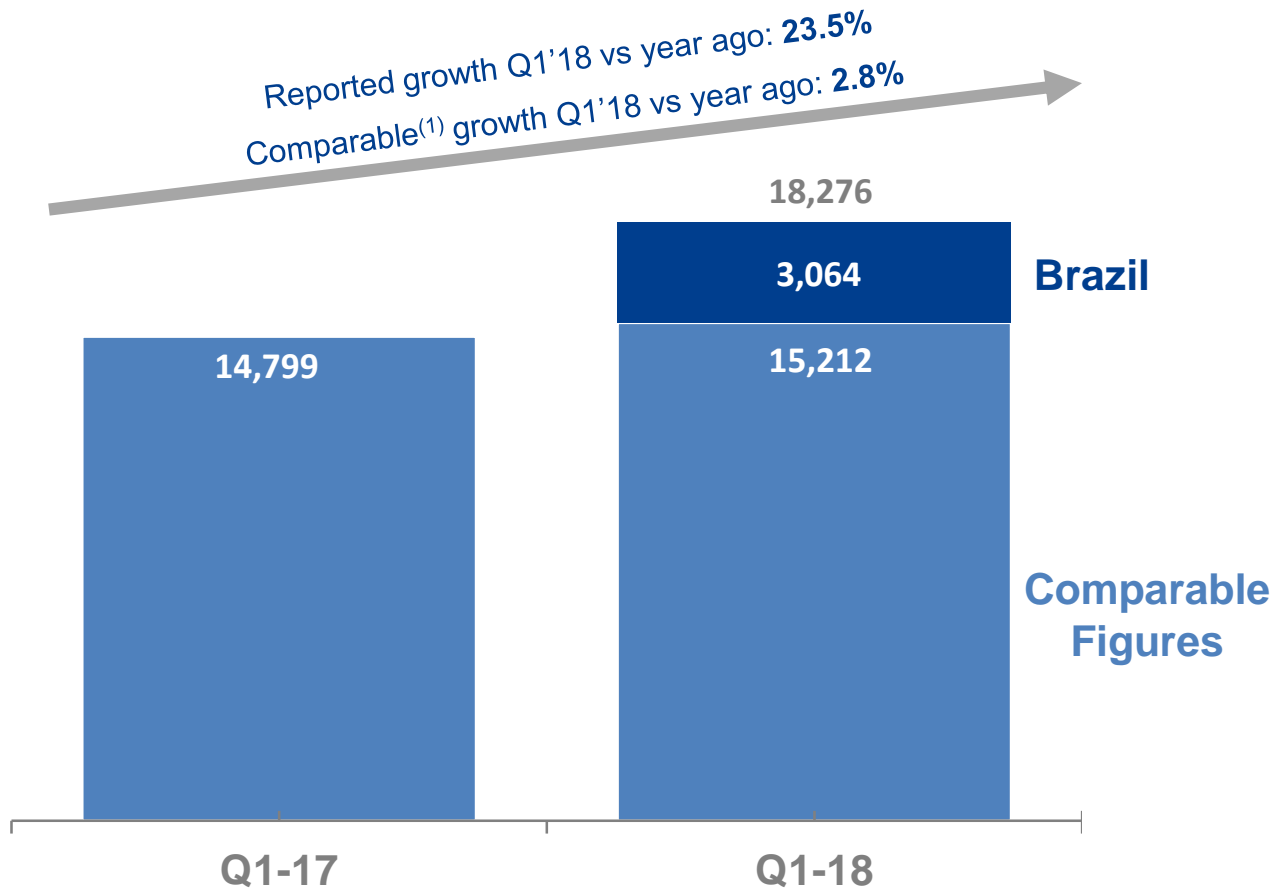
REFINANCING OF THE BRIDGE LOAN IN MXN BY THE END OF Q2'18





REPORTED NET SALES GREW 23.5% VS Q1 2017

MXN \$ in millions



(1) Comparable means, with respect to a year-over-year comparison, the change in a given measure excluding the effects of acquisition of Brazil in Q4 2017

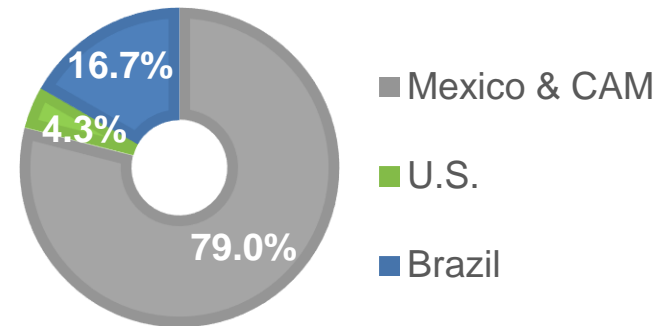


NET SALES BY REGION

MXN \$ in millions

As Reported			
MXN\$ in millions	Q1'17	Q1'18	Var. %
Mexico & Central America	13,929	14,426	3.6%
United States ⁽¹⁾	870	786	(9.6)%
Brazil	N.A.	3,064	N.A.

Sales by Region
As reported Q1 2018



(1) Impacted ~7% by FX

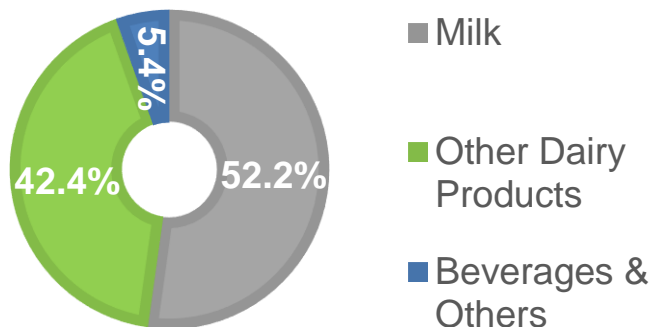


NET SALES BY SEGMENT

MXN \$ in millions

As Reported			
MXN\$ in millions	Q1'17	Q1'18	Var. %
Milk	9,068	9,548	5.3%
Other Dairy Products	4,965	7,748	56.1%
Beverages & Others	766	980	27.9%

Sales by Segment
As reported Q1 2018

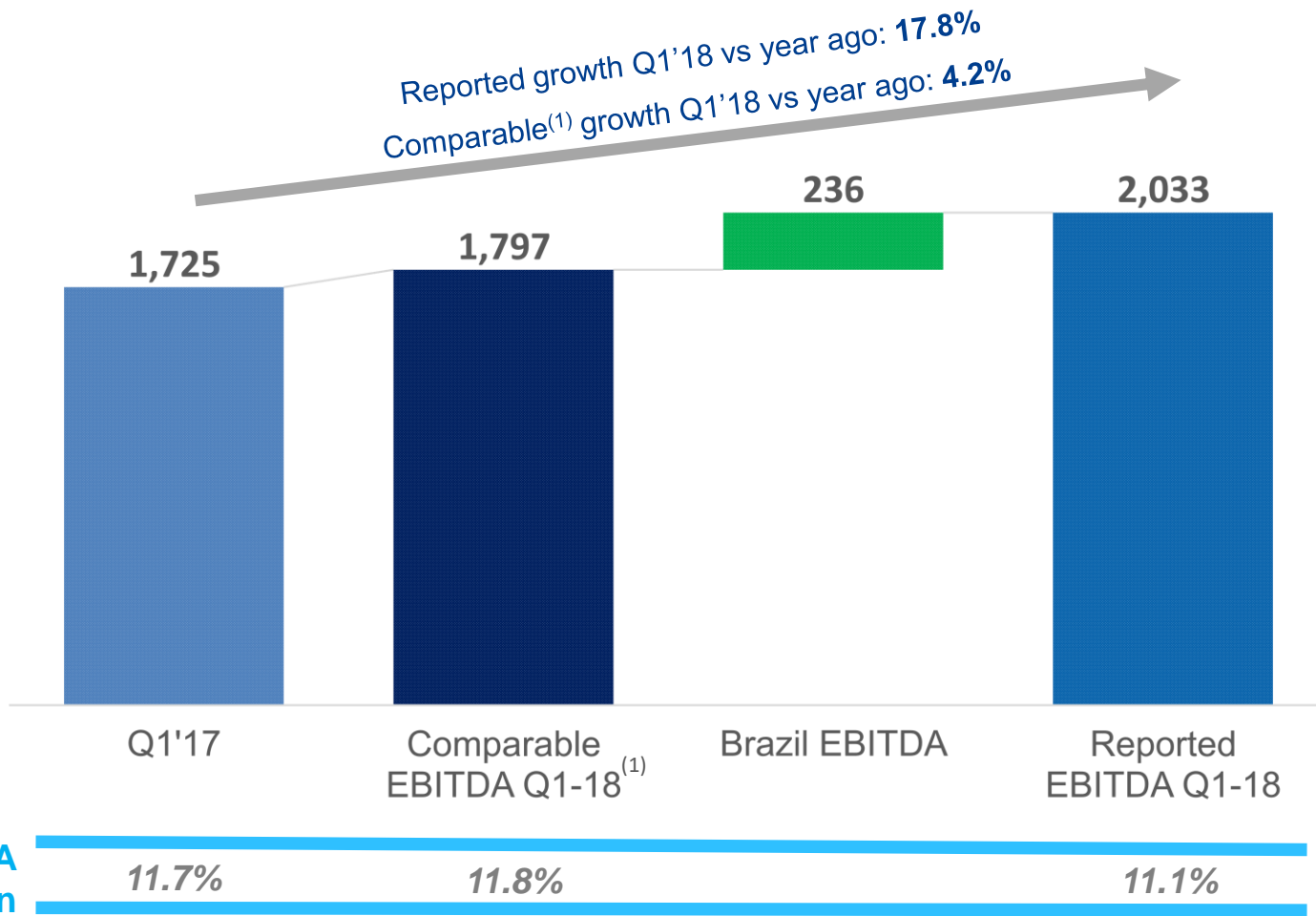


- Milk: Includes Fresh, UHT, Milk Formula
- Other Dairy Products: Includes: Yoghurt, Cream, Cheese, Ice Cream, Desserts, Butter, Margarine
- Beverages and Others: Includes Juices, Beverages, Cold Cuts and Others (packaging and milk by-products)



REPORTED EBITDA IN Q1 2018 REACHING 2 BILLION PESOS

MXN\$ in millions



**EBITDA
Margin**

11.7%

11.8%

11.1%

(1) Comparable means, with respect to a year-over-year comparison, the change in a given measure excluding the effects of acquisition of Brazil in Q4 2017



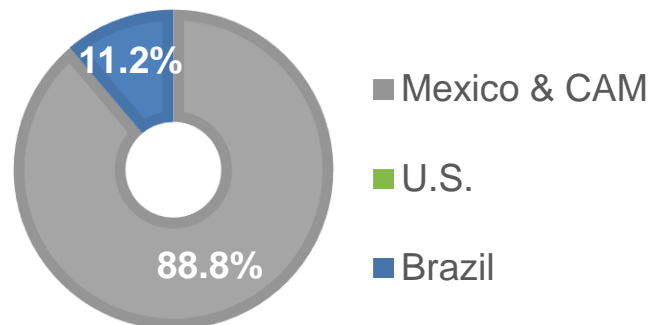
EBITDA BY REGION

3M ended March 31st

MXN\$ in millions	As Reported	
	Q1'17	% Sales
Mexico & Central America	1,760	12.6%
United States ⁽¹⁾	(35)	(4.0)%
Brazil ⁽²⁾	N.A.	N.A.

Q1'18	As Reported	
	% Sales	Var. %
1,879	13.0%	6.8%
(82)	(10.4)%	N.A.
236	7.7%	N.A.

EBITDA by Region
As reported Q1 2018



(1) U.S EBITDA in Q1'18 includes MXN \$41 million cost associated with closing Floresville, Texas plant
 (2) Brazil EBITDA in Q1'18 includes MXN\$ 14 million expenses related to the integration of Vigor to Lala.



Q1 2018 RESULTS

Year on year comparison
3M ended March 31st

MXN\$ in million	As Reported			Comparable ⁽¹⁾	
	Q1'17	Q1'18	Var. %	Q1'18	Var. %
Net Sales	14,799	18,276	23.5%	15,212	2.8%
Gross Profit	5,362	6,617	23.4%	5,615	4.7%
<i>% of sales</i>	36.2%	36.2%		36.9%	
Operating Income⁽²⁾	1,254	1,435	14.4%	1,267	1.0%
<i>% of sales</i>	8.5%	7.8%		8.3%	
EBITDA⁽³⁾	1,725	2,033	17.8%	1,797	4.2%
<i>% of sales</i>	11.7%	11.1%		11.8%	
Net Income	704	502	(28.7)%	762	8.2%
<i>% of sales</i>	4.8%	2.7%		5.0%	

(1) Comparable means, with respect to a year-over-year comparison, the change in a given measure excluding the effects of acquisition of Brazil in Q4 2017,

(2) Without the effect of the Floresville closing, the comparable growth in Q1'18 was 8.2%

(3) Without the effect of the Floresville closing, the comparable growth in Q1'18 was 6.6%



Q1 2018 RESULTS BELOW EBIT LINE

Year on year comparison
3M ended March 31st

	As Reported		
<i>MXN\$ in million</i>	Q1'17	Q1'18	Var. %
Operating income	1,254	1,435	14.4%
Financial expenses	234	637	172.2%
<i>% of sales</i>	<i>1.6%</i>	<i>3.5%</i>	
Net Income before taxes	1,021	799	(21.8)%
<i>% of sales</i>	<i>6.9%</i>	<i>4.4%</i>	
Taxes	317	297	(6.3)%
<i>Effective tax rate</i>	<i>31.0%</i>	<i>37.2%</i>	
Net Income	704	502	(28.7)%
<i>% of sales</i>	<i>4.8%</i>	<i>2.7%</i>	



QUARTER HIGHLIGHTS

- 1.** Core Mexico and CAM business expanding EBITDA margins by 40 bps
- 2.** Brazil margin in line with our Annual Plan
- 3.** Successful refinanced 75% of total debt, as of today
- 4.** Significant reduction of Vigor's debt and cost

A family of four is shown in a bright, modern kitchen. A woman is leaning over a counter, smiling at a young girl who is eating cereal. A young boy is sitting at the counter, and a man is standing behind him, also smiling. On the counter, there is a carton of LALA entera milk, a glass of orange juice, and a bowl of cereal.

Thank you!

For more information:

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