



# Grupo LALA

2<sup>nd</sup> Quarter, 2018

Earnings Conference Call

*July 24<sup>th</sup>, 2018*



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



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# 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)**

# 1

## MARGIN EXPANSION IN BRAZIL

### NATIONWIDE TRUCKING STRIKE AFFECTED OPERATIONS

- Business impacted during the second half of May resulting in a loss of 1/3 of sales, and 8 days of production
- We successfully replenished the market with our products during the first week of June, partially offsetting impact of lost sales



### EBITDA MARGIN PERFORMANCE IN BRAZIL

- EBITDA margin for 2018 continues in line with our expectation

	Q1'18	Q2'18
EBITDA margin (%)	7.7%	4.6%

Apr	May	Jun
7.9%	(11.6)%	10.3%

## INCREASING SALES IN RECENT INVESTMENTS

Status

YTD 2018 sales growth

LALA 100

Increased  
capacity

+64.4%



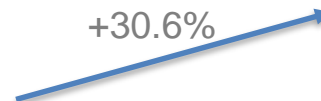
Cold Cuts



New facility



+30.6%

Fresh milk in  
Sonora

New facility



+48.8%



## POLITICAL SITUATION IN NICARAGUA

- Started in April and impacted sales in the region with a double-digit decrease in Nicaragua, situation that continues today
- Collateral effects in Guatemala and Costa Rica due to their product sourcing dependence



## DIVERSIFICATION OF CAM PRODUCTION CAPACITY

- CAM investment program announced in 2017 will provide LALA with new diversified production capacity in Guatemala and Costa Rica over the upcoming months
- Near term sales growth expected to come from Guatemala and Costa Rica

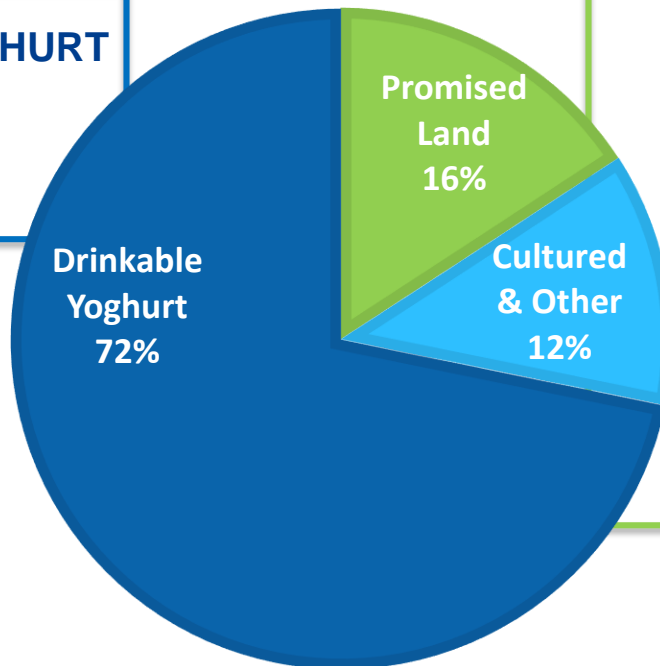


# RECONFIGURATION OF THE U.S. BUSINESS FOR PROFITABLE GROWTH

## NET SALES DISTRIBUTION IN LALA US

### LALA DRINKABLE YOGHURT

- Profitable & gaining market share



### PROMISED LAND

- Negative EBITDA and gaining market share
- Gross Margin improving
- Floresville plant closed
- Co-packing in the East Coast to reduce distribution costs





# 4

## DELEVERAGE THE COMPANY TO LESS THAN 2.5x (NET DEBT TO EBITDA)

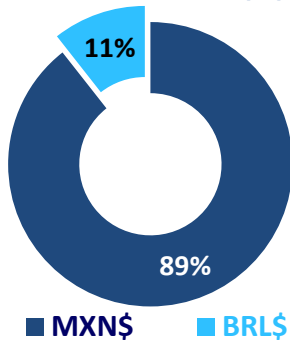
### TOTAL DEBT AS OF JUNE 30<sup>TH</sup>, 2018

Total Debt: MXN \$27,679 million

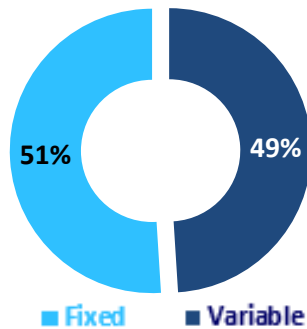
Net Debt / EBITDA: 3.0x

	Mexico	Brazil
Avg. Tenor	5.1 yrs	1.5 yrs
Avg. Cost	TIIE + 0.7%	CDI + 0.5%

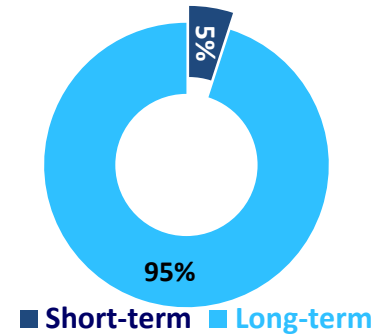
CURRENCY MIX (%)



RATE MIX (%)



MATURITY MIX (%)





## Q2 2018 FINANCIALS

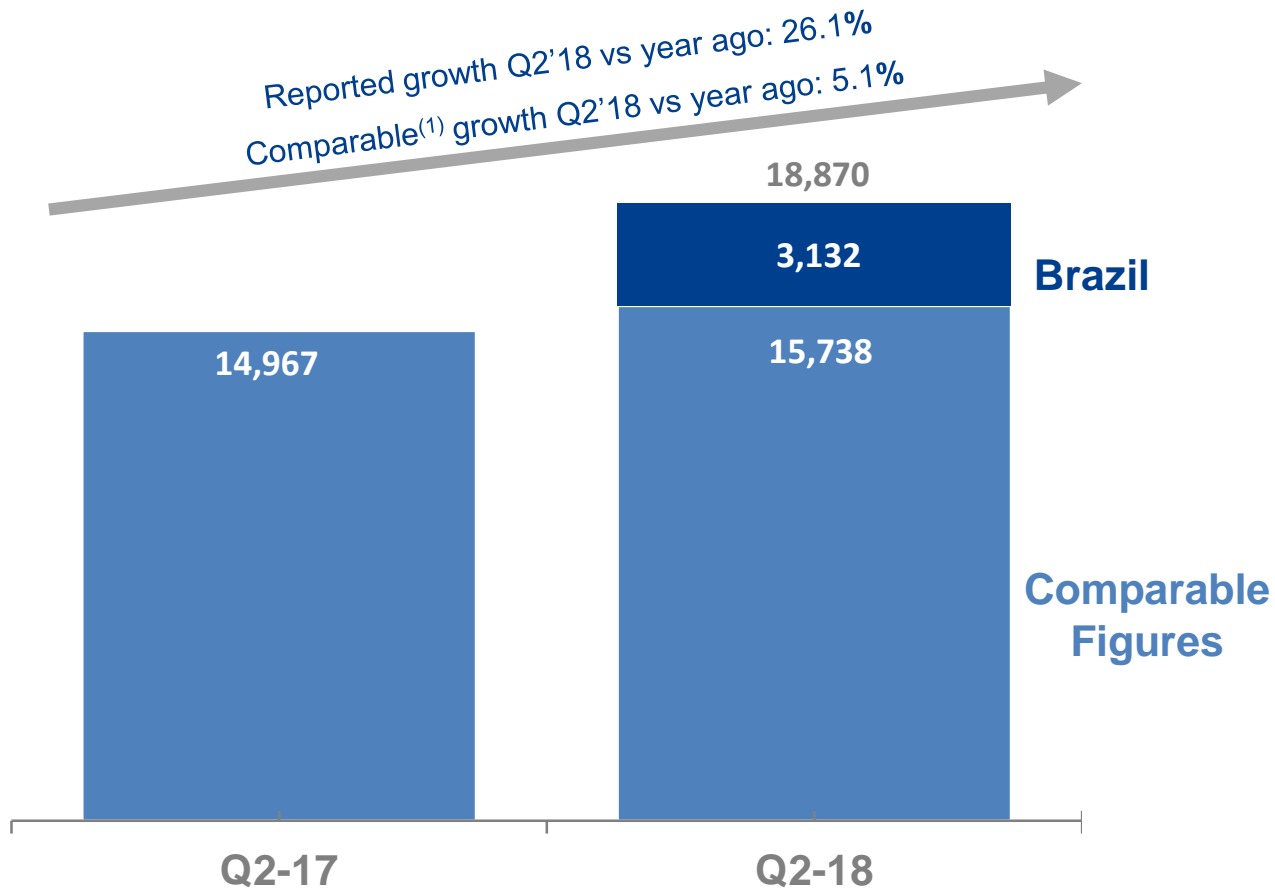
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# REPORTED NET SALES GREW 26.1% VS Q2 2017

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

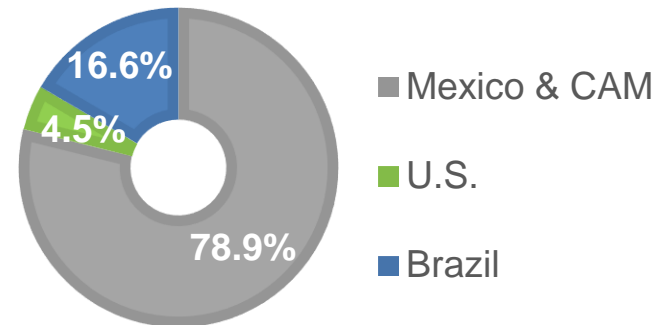


# COMPARABLE NET SALES GROWING 5.1% VS LAST YEAR

*MXN \$ in millions*

As Reported			
<i>MXN\$ in millions</i>	Q2'17	Q2'18	Var. %
Mexico & Central America	14,152	14,882	5.2%
United States	815	856	5.0%
Brazil	N.A.	3,132	N.A.

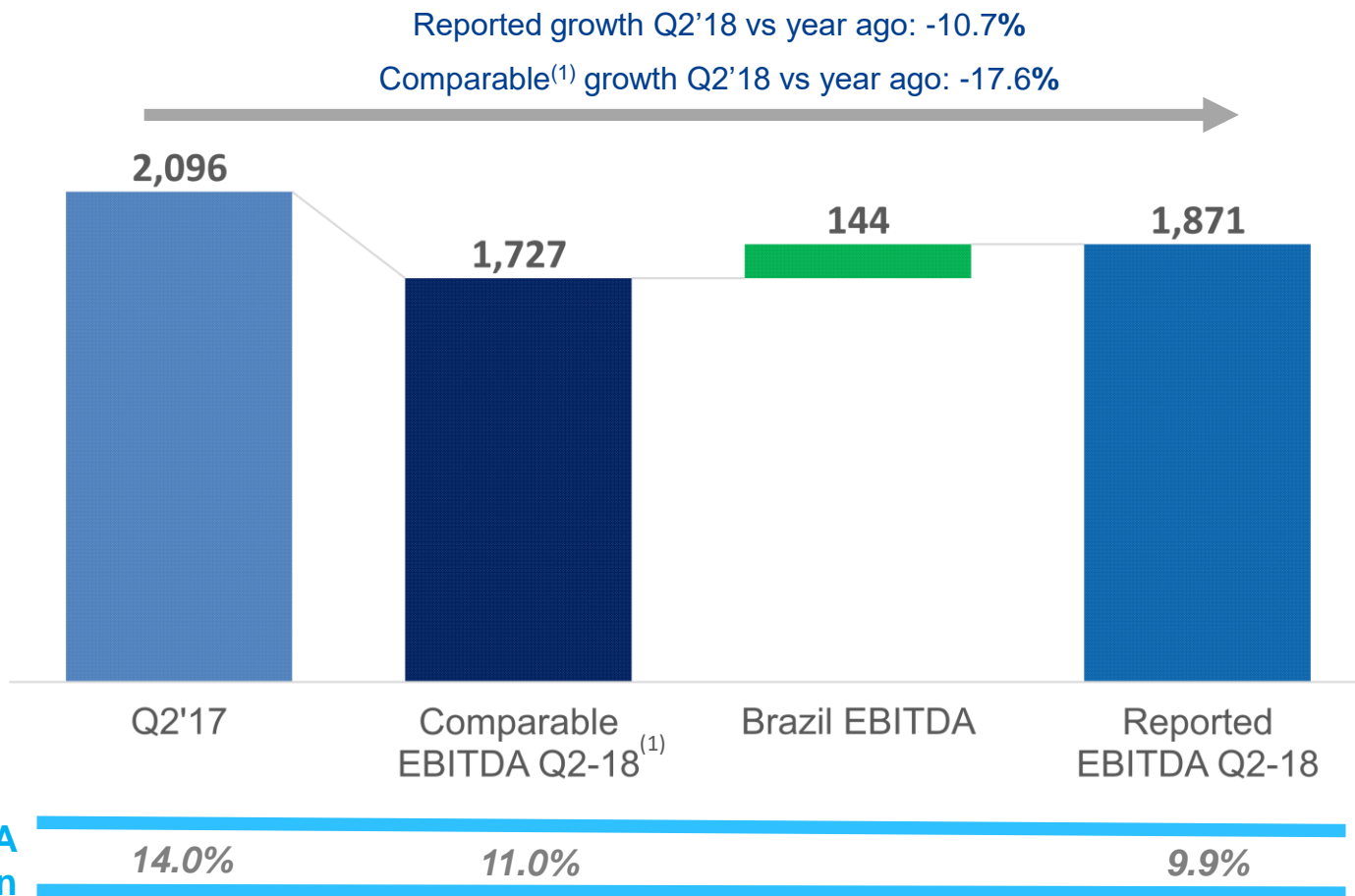
**Sales by Region**  
As reported Q2 2018





# EBITDA Q2 2018 BELOW LAST YEAR AND OUR EXPECTATIONS

MXN\$ in millions



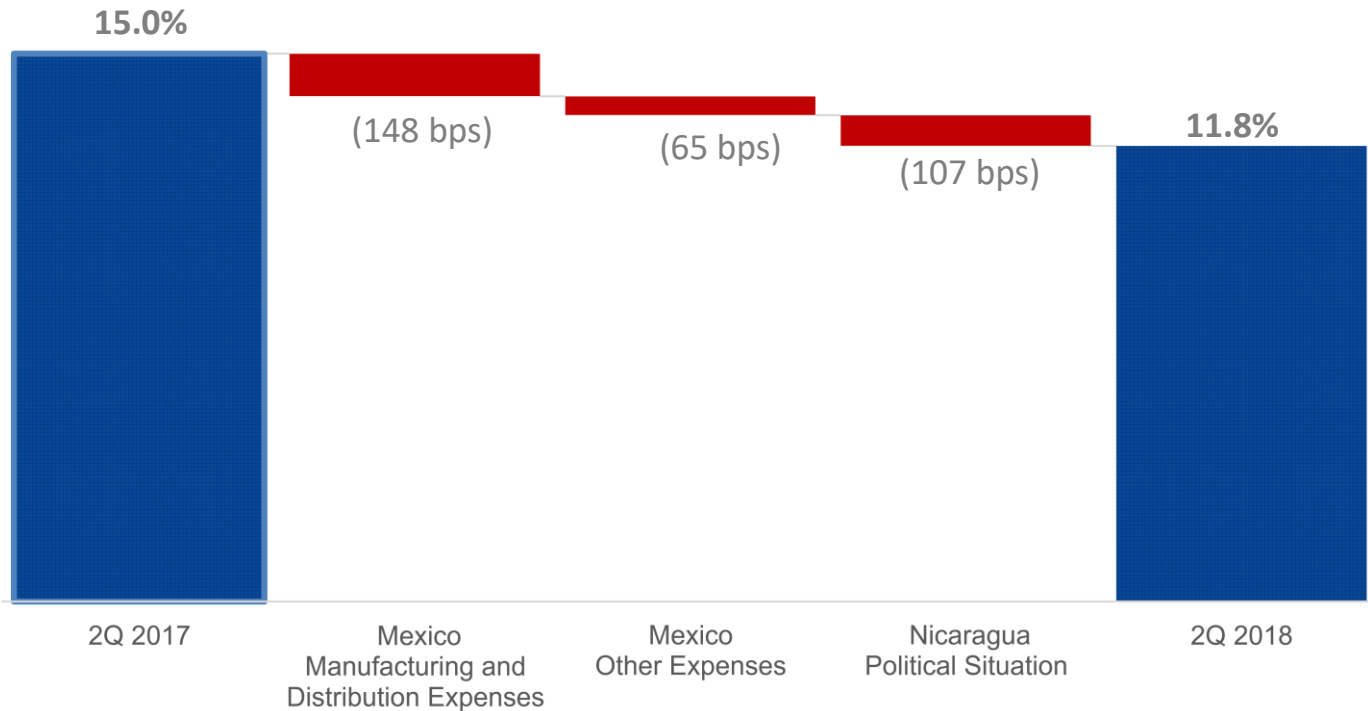
(1) Comparable means, with respect to a year-over-year comparison, the change in a given measure excluding the effects of acquisition of Brazil in Q4 2017



# Q2 EBITDA IN MEXICO & CENTRAL AMERICA FALL DUE TO HIGHER EXPENSES

## YEAR-ON-YEAR CONTRACTION (bps)

3M ended June 30<sup>th</sup>, 2018



\* Company information, (bps) basis points



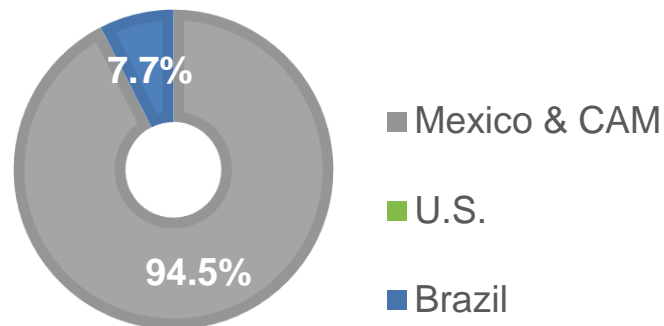
# CONSOLIDATED Q2'18 EBITDA IMPACTED NEGATIVELY BY RESULTS IN MEXICO AND CAM, AND TRUCK STRIKE IN BRAZIL

3M ended June 30<sup>th</sup>

As Reported		
MXN\$ in millions	Q2'17	% Sales
Mexico & Central America	2,126	15.0%
United States	(30)	(3.6)%
Brazil <sup>(1)</sup>	N.A.	N.A.

As Reported		
Q2'18	% Sales	Var. %
1,768	11.8%	(16.8)%
(41)	(4.8)%	N.A.
144	4.6%	N.A.

**EBITDA by Region**  
As reported Q2 2018



(1) Brazil EBITDA in Q2'18 includes MXN \$15,7 million expenses related to the integration of Vigor.



## Q2'18 COMPARABLE OPERATING INCOME DECREASED 24.8% VS LAST YEAR

*Year on year comparison  
3M ended June 30<sup>th</sup>*

<i>MXN\$ in million</i>	As Reported			Comparable <sup>(1)</sup>	
	Q2'17	Q2'18	Var. %	Q2'18	Var. %
<b>Net Sales</b>	<b>14,967</b>	<b>18,870</b>	26.1%	<b>15,738</b>	5.1%
<b>Gross Profit</b>	<b>5,787</b>	<b>6,611</b>	14.2%	<b>5,709</b>	(1.3)%
<i>% of sales</i>	38.7%	35.0%		36.3%	
<b>Operating Income</b>	<b>1,634</b>	<b>1,311</b>	(19.8)%	<b>1,229</b>	(24.8)%
<i>% of sales</i>	10.9%	6.9%		7.8%	
<b>EBITDA</b>	<b>2,096</b>	<b>1,871</b>	(10.7)%	<b>1,727</b>	(17.6)%
<i>% of sales</i>	14.0%	9.9%		11.0%	

(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,





# FINANCING EXPENSES AND LOWER OPERATING INCOME REDUCED NET INCOME TO 400 MILLION PESOS

*Year on year comparison  
3M ended June 30<sup>th</sup>*

	As Reported		
<i>MXN\$ in million</i>	Q2'17	Q2'18	Var. %
<b>Operating income</b>	<b>1,634</b>	<b>1,311</b>	<b>(19.8)%</b>
<b>Financing expenses</b>	<b>(27)</b>	<b>597</b>	<b>N.A.</b>
<i>% of sales</i>	<i>(0.2)%</i>	<i>3.2%</i>	
<b>Net Income before taxes</b>	<b>1,662</b>	<b>715</b>	<b>(56.9)%</b>
<i>% of sales</i>	<i>11.1%</i>	<i>3.8%</i>	
<b>Taxes</b>	<b>514</b>	<b>314</b>	<b>(38.9)%</b>
<i>Effective tax rate</i>	<i>30.9%</i>	<i>44.0%</i>	
<b>Net Income</b>	<b>1,148</b>	<b>400</b>	<b>(65.1)%</b>
<i>% of sales</i>	<i>7.7%</i>	<i>2.1%</i>	



# QUARTER HIGHLIGHTS

**1.**

Despite truck strike in May, Brazil continues with positive performance

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**2.**

U.S. progressing to breakeven by year end

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**3.**

Mexico and CAM impacted by higher expenses

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**4.**

Mexico and Brazil debt 100% refinanced

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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. 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!

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