



## Operations

During 1Q16, Sigma sold approximately 400,100 tons of food products, 1% lower than in 1Q15. Sigma's 1Q16 average sales prices in dollars decreased 5% when compared to 1Q15, mainly due to the stronger U.S. Dollar exchange rate against both the Mexican Peso and the Euro. However, excluding the exchange rate effect, average prices increased 5%.

## Financial results

Revenues totaled U.S. \$1,354 million during 1Q16, down 6% year-on-year, primarily due to a stronger U.S. Dollar, which increased 21% and 3% year-on-year against the Peso and the Euro, respectively. Excluding FX impacts, Sigma's revenues would have increased 5%. Sales in Mexico accounted for 42% of the quarter's total, while Europe represented 36%, the U.S. 15%, and Latin America 7%.

1Q16 Operating Income and EBITDA were U.S. \$118 million and U.S. \$163 million, up 2% and flat year-on-year, respectively. Europe and Latin America were the main contributors to operating income growth in the period. Excluding the effect of a stronger U.S. Dollar, 1Q16 EBITDA would have increased 13% year-on-year

## Capital expenditures and acquisitions; net debt

During 1Q16, capital expenditures totaled U.S. \$40 million. This includes a disbursement of U.S. \$17 million corresponding to the initial investment to rebuild the plant in Burgos, Spain. The remaining funds were invested in fixed assets at various facilities and other projects.

At the end of 1Q16, Net Debt was U.S. \$1,955 million, up U.S. \$180 million from 1Q15 due to the acquisitions completed during 2015 (Ecarni and remaining 37% of CFG) and dividend payments. 1Q16 Net Debt to EBITDA was 2.2 times and Interest Coverage was 8.9 times. These ratios compare favorably with those reported in 1Q15, which were 2.6 times and 5.6 times, respectively.

## Industry comments

In Mexico, the consumer confidence index showed a decrease when compared with 4Q15 and also was slightly lower than 1Q15. According to the National Association of Supermarkets and Department Stores (ANTAD), 1Q16 supermarket same store sales were up 7% year-on-year in nominal pesos, an improvement from the 6% year-on-year increase reported in 4Q15. In the U.S., consumer confidence remained robust throughout the quarter, but lower than 1Q15, while food retail sales have been stable the last 3 quarters. Lastly, the European consumer confidence index decreased slightly during 1Q16.

With respect to raw materials, prices in dollars of key ingredients for Sigma's products during 1Q16 remained below 1Q15 levels. More specifically, pork prices decreased approximately 5%, while turkey thighs and milk prices were 25% and 29% lower, respectively. Turkey breasts prices were 30% lower than 4Q15, but still remained 29% higher than 1Q15.

Despite the lower price of key raw materials explained above, the strengthening of the U.S. Dollar vis-a-vis the Mexican Peso continued to offset the above mentioned cost reduction for Mexican packaged meats producers, as most of their inputs are sourced from the U.S.

**TABLE 1 | VOLUME AND PRICE CHANGES (%)**

	1Q16 vs.	
	4Q15	1Q15
Total Volume	(2.1)	(0.6)
Avg. U.S. \$ Prices	(6.7)	(5.3)

**TABLE 2 | SELECTED FINANCIAL INFORMATION (U.S. \$ MILLIONS)**

	1Q16	4Q15	1Q15	(% 1Q16 vs.)	
				4Q15	1Q15
Revenues	1,354	1,482	1,440	(9)	(6)
Operating Income	118	237	115	(50)	2
EBITDA	163	287	162	(43)	-

**TABLE 3 | SELECTED BALANCE SHEET INFORMATION & FINANCIAL RATIOS (U.S. \$ MILLIONS)**

	1Q16	4Q15	1Q15
Assets	4,977	4,858	5,127
Liabilities	4,028	4,024	4,134
Stockholders' Equity	949	834	993
Majority Equity	918	805	786
Net Debt	1,955	1,925	1,775
Net Debt/EBITDA*	2.2	2.2	2.6
Interest Coverage*	8.9	8.5	5.6

\* Times: LTM = Last 12 months

JOSÉ VIVANCO

[jvivanco@sigma-alimentos.com](mailto:jvivanco@sigma-alimentos.com)

GERARDO GUERRA

[gguerraq@sigma-alimentos.com](mailto:gguerraq@sigma-alimentos.com)

---

