



## FOURTH QUARTER 2019 REPORT

Sigma is a leading multinational food company that produces, markets and distributes quality branded foods, including packaged meats, cheese, yogurt and other refrigerated and frozen foods. Sigma has a diversified portfolio of leading brands and operates 70 plants and 210 distribution centers in 18 countries across its four key regions: Mexico, Europe, the United States, and Latin America.

### SELECTED FINANCIAL INFORMATION (US \$ MILLIONS)

	4Q19	3Q19	4Q18	(% ) 4Q19 vs.		2019	2018	Ch. %
				3Q19	4Q18			
<b>Revenues</b>	<b>1,706</b>	<b>1,632</b>	<b>1,596</b>	<b>5</b>	<b>7</b>	<b>6,463</b>	<b>6,336</b>	<b>2</b>
Mexico	716	678	656	6	9	2,725	2,607	5
Europe	624	573	595	9	5	2,256	2,281	(1)
United States	244	261	224	(7)	9	1,006	976	3
LatAm	122	120	122	2	1	477	473	1
<b>EBITDA</b>	<b>176</b>	<b>182</b>	<b>174</b>	<b>(3)</b>	<b>1</b>	<b>703</b>	<b>684</b>	<b>3</b>
Mexico	89	99	83	(11)	7	382	353	8
Europe	43	37	50	18	(14)	131	170	(23)
United States	33	35	27	(5)	22	145	118	22
LatAm	12	11	14	4	(17)	46	43	7
<b>CAPEX &amp; Acquisitions<sup>1</sup></b>	<b>76</b>	<b>55</b>	<b>73</b>	<b>37</b>	<b>4</b>	<b>186</b>	<b>180</b>	<b>3</b>
<b>Net Debt</b>	<b>1,994</b>	<b>2,040</b>	<b>1,859</b>	<b>(2)</b>	<b>7</b>	<b>1,994</b>	<b>1,859</b>	<b>7</b>
Net Debt / LTM EBITDA <sup>*</sup>	2.8	2.9	2.7					
LTM Interest Coverage <sup>*2</sup>	6.2	6.0	5.3					

\* Times. LTM = Last 12 months

<sup>1</sup> Gross amount; does not include divestments

<sup>2</sup> Interest Coverage = EBITDA/Net Financial Expenses

**Revenues** amounted to US \$1.706 billion, up 7% when compared to 4Q18. On a currency neutral basis, 4Q19 revenues were also up 7% year-on-year; increasing 6% in Mexico, 8% in Europe, 9% in the U.S., and flat in LatAm. Accumulated Revenues were US \$6.463 billion, up 2% versus 2018 and 4% higher on a currency neutral basis (see table 2).

**EBITDA** was US \$176 million in 4Q19, up 1% year-on-year driven by growth in the U.S. and Mexico. On a currency neutral basis, 4Q19 EBITDA was up 1% year-over-year as Sigma mitigated the impact of higher raw material costs through multiple targeted actions, including price increases. Sigma posted solid results throughout the year, despite raw material prices pressures. Accumulated EBITDA was US \$703 million, up 3% versus 2018 and 4% higher on a currency neutral basis (see table 3).

**Capital expenditures (CAPEX) & Acquisitions** totaled US \$76 million in 4Q19, mainly for maintenance and expansion projects across all regions. Accumulated CAPEX & Acquisitions was US \$186 million, up 3% versus 2018.

**Net Debt** was US \$1.994 billion, up 7% when compared to 4Q18 but down 2% versus 3Q19. On an absolute basis, Sigma's Net Debt increased US \$135 million year-to-date due to a US \$130 million impact from the adoption of IFRS16 beginning in January 2019.

In December, Sigma paid off its US \$250 million 2019 Bond of which US \$70 million was paid with cash and US \$180 million was refinanced with a Ps. \$3,500 million bank loan. The new facility has a floating interest rate of TIIE + 1.00% and matures in October 2025. This refinancing strengthens Sigma's financial position by reducing its financial cost and extending its average debt maturity to 6.2 from 5.6 years.

Financial ratios at the end of 4Q19 were: Net Debt to EBITDA of 2.8 times and Interest Coverage of 6.2 times (see table 4).

## INDUSTRY COMMENTS - SIGMA

During 4Q19, food retail sales increased in all geographies where Sigma operates, whereas consumer confidence showed mixed results across regions. In Mexico, the average consumer confidence indicator reported by INEGI (Instituto Nacional de Estadística y Geografía – National Institute for Statistics and Geography) was 2% higher year-on-year, but 1% lower when compared to 3Q19. Furthermore, nominal same-store-sales reported by the National Association of Supermarkets and Department Stores (ANTAD) in 4Q19 increased 3.9% versus the same period from last year.

In the U.S., the average consumer confidence index reported by The Conference Board decreased 5% year-on-year, while food retail sales reported by the U.S. Census Bureau increased 3% when compared to 4Q18.

In Europe, the average consumer confidence index reported by the European Commission was negative 7.6 in 4Q19 compared with negative 6.4 in 4Q18. However, food retail sales reported by Eurostat increased 1% year-on-year.

Key raw material prices continued increasing in all regions during 4Q19. The pork production deficit in China caused by ASF and the pork purchases for the Chinese New Year celebrations pressured prices during the quarter. In Europe, pork shoulder and pork ham prices posted year-on-year increases of 53% and 46% in 4Q19, respectively. Annual average prices for pork shoulder and pork ham increased 25% when compared to 2018.

In the Americas, the average 4Q19 pork ham price increased 47% when compared to 4Q18, while turkey thigh was 20% higher year-on-year. By contrast, chicken and turkey breast prices decreased 6% and 4% year-on-year, respectively. For full year 2019, the average prices of pork ham, turkey thigh and turkey breast were up 21%, 12% and 11%, respectively, whereas the price of chicken was down 3% versus 2018.

## RESULTS BY REGION - SIGMA

During 4Q19, sales in Mexico accounted for 42% of the quarter's total, while Europe represented 37%, the U.S. 14%, and Latin America 7%.

**Mexico** Peso-denominated 4Q19 sales and EBITDA were up 6% and 4% year-on-year, respectively, as higher margins primarily driven by price increases offset raw material cost pressures. Accumulated 2019 EBITDA increased 8% when compared to 2018 in Mexican Pesos.

**Europe** 4Q19 sales in Euros increased 8% year-on-year driven by price increases. 4Q19 EBITDA in Euros decreased 12% year-on-year, reflecting higher raw material costs that were partially offset by price increases. 2019 EBITDA in euros decreased 19% versus 2018, or 16% lower when adjusted for extraordinary items.

**United States** posted consistent growth throughout the year. 4Q19 sales and EBITDA increased 9% and 22%, respectively when compared to 4Q18, reflecting higher average prices and volume. 2019 EBITDA was 22% higher than 2018.

**LatAm** 4Q19 sales in local currencies were flat and EBITDA decreased 18% year-over-year. During the quarter, one-time costs from the implementation of a new ERP system impacted the region's results. 2019 EBITDA in local currencies increased 8% versus 2018.

## RECENT DEVELOPMENTS - SIGMA

Innovation	<ul style="list-style-type: none"> <li>• During 2019, Sigma launched more than 270 new products and closed the year with an innovation pipeline of approximately 740 projects</li> <li>• Some of the most relevant launches of 4Q19 were the new line of All Natural Appetaggio in the US, consisting of an individually cut piece of peach or cranberry and mozzarella cheese, hand-wrapped with a slice of traditional Italian prosciutto or hard salami, and the Campofrío Vegalia's hummus with no added food dyes or preservatives in Spain</li> <li>• Products developed through Sigma's innovation platform over the last three years represented 11% of total sales in 2019</li> </ul>
Tastech by Sigma	<ul style="list-style-type: none"> <li>• Sigma launched Tastech, its first worldwide acceleration program to collaborate with high-impact startups and scaleups</li> <li>• Over 120 applications from more than 20 countries were received. In November, 8 startups and scaleups were selected for a pilot test</li> <li>• In 2Q20, the startups and scaleups will present their pilot test results and Sigma will decide on acquisition, commercial alliance or supply agreement</li> </ul>
Raw Material Hedges	<ul style="list-style-type: none"> <li>• Sigma continued its financial program to partially hedge its pork needs with lean hog future contracts that mature through April 2020</li> </ul>
Financial Hedges	<ul style="list-style-type: none"> <li>• At the close of 4Q19, forward contracts to cover the U.S. dollar needs for the Mexican operations amounted to US \$410 million, equivalent to approximately five months of U.S. dollar needs</li> </ul>

Table 1 | SIGMA - VOLUME AND PRICE CHANGES (%)

	4Q19 vs.		2019 vs.2018
	3Q19	4Q18	
Total Volume	(0.7)	0.8	(0.1)
Avg. Ps. Prices	4.5	3.1	2.3
Avg. US \$ Prices	5.2	6.0	2.2

Table 2 | SIGMA - REVENUES

	4Q19	3Q19	4Q18	(% ) 4Q19 vs.		2019	2018	Ch. %
				3Q19	4Q18			
<b>Total Revenues</b>								
Ps. Millions	32,888	31,688	31,651	4	4	124,498	121,900	2
US \$ Millions	1,706	1,632	1,596	5	7	6,463	6,336	2
<b>Domestic Revenues</b>								
Ps. Millions	13,575	13,389	12,992	1	4	52,475	50,129	5
US \$ Millions	704	690	655	2	7	2,725	2,607	5
<b>Foreign Revenues</b>								
Ps. Millions	19,313	18,299	18,658	6	4	72,023	71,771	-
US \$ Millions	1,002	942	941	6	6	3,739	3,730	-
Foreign / Total (%)	59	58	59			58	59	

Table 3 | SIGMA - OPERATING INCOME AND EBITDA

	4Q19	3Q19	4Q18	(% ) 4Q19 vs.		2019	2018	Ch. %
				3Q19	4Q18			
<b>Operating Income</b>								
Ps. Millions	2,276	2,424	770	(6)	196	9,148	7,438	23
US \$ Millions	118	125	40	(5)	193	475	391	22
<b>EBITDA</b>								
Ps. Millions	3,399	3,525	3,448	(4)	(1)	13,543	13,154	3
US \$ Millions	176	182	174	(3)	1	703	684	3

Table 4 | SIGMA - SELECTED BALANCE SHEET INFORMATION &amp; FINANCIAL RATIOS (US \$ Millions)

	4Q19	3Q19	4Q18
Assets	5,250	5,038	5,102
Liabilities	4,337	4,212	4,235
Stockholders' Equity	913	826	867
Majority Equity	913	798	837
Net Debt	1,994	2,040	1,859
Net Debt/EBITDA*	2.8	2.9	2.7
Interest Coverage* <sup>2</sup>	6.2	6.0	5.3

\* Times. LTM= Last 12 months

<sup>2</sup> Interest Coverage = EBITDA/Net Financial Expenses

## Sigma Alimentos, S.A. de C.V. and Subsidiaries

## STATEMENT OF FINANCIAL POSITION

Information in thousands	(Thousands of pesos)		(Thousands of U.S. Dollars)	
	Dec '19	Dec '18	Dec '19 <sup>(1)</sup>	Dec '18 <sup>(2)</sup>
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	9,730,213	12,213,324	516,323	620,504
Restricted cash	11,307	52,883	600	2,687
Customers, net	7,903,117	7,458,844	419,370	378,950
Income tax recoverable	407,015	514,381	21,598	26,133
Inventories	16,244,535	14,223,870	861,999	722,651
Other current assets	485,997	343,371	25,789	17,445
<b>Total current assets</b>	<b>34,782,184</b>	<b>34,806,673</b>	<b>1,845,679</b>	<b>1,768,371</b>
<b>NON-CURRENT ASSETS:</b>				
Property, plant and equipment, net	32,306,053	33,952,525	1,714,285	1,724,976
Intangible assets, net	15,700,537	14,502,648	833,132	736,815
Goodwill	12,865,034	13,567,178	682,669	689,288
Deferred income tax	2,678,379	2,261,926	142,125	114,918
Derivative financial instruments	326,380	1,064,360	17,319	54,075
Investments in associates and joint ventures	107,485	103,682	5,704	5,268
Other non-current assets	107,767	125,524	5,719	6,377
Restricted cash	55,114	35,429	2,925	1,800
<b>Total non-current assets</b>	<b>64,146,749</b>	<b>65,613,272</b>	<b>3,403,877</b>	<b>3,333,517</b>
<b>Total assets</b>	<b>98,928,933</b>	<b>100,419,945</b>	<b>5,249,556</b>	<b>5,101,888</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
<b>CURRENT LIABILITIES:</b>				
Current debt	1,015,881	5,503,497	53,907	279,608
Suppliers	26,548,242	26,226,642	1,408,754	1,332,458
Income tax payable	1,739,222	1,679,617	92,290	85,334
Provisions	101,634	137,485	5,393	6,985
Derivative financial instruments	410,819	0	21,800	0
Other current liabilities	(10,459)	(12,494)	(555)	(635)
<b>Total current liabilities</b>	<b>29,805,339</b>	<b>33,534,747</b>	<b>1,581,588</b>	<b>1,703,750</b>
<b>NON-CURRENT LIABILITIES:</b>				
Non-current debt	44,083,260	42,709,384	2,339,230	2,169,873
Notes payables	1,875,040	249,988	99,497	12,701
Deferred income taxes	3,523,695	3,710,284	186,981	188,503
Employees benefits	1,771,234	1,395,158	93,989	70,882
Provisions	82,867	96,966	4,397	4,926
Income tax payable	555,832	1,620,357	29,495	82,323
Other non-current liabilities	31,156	40,951	1,653	2,081
<b>Total non-current liabilities</b>	<b>51,923,084</b>	<b>49,823,088</b>	<b>2,755,242</b>	<b>2,531,288</b>
<b>Total liabilities</b>	<b>81,728,423</b>	<b>83,357,835</b>	<b>4,336,830</b>	<b>4,235,038</b>
<b>STOCKHOLDERS' EQUITY</b>				
Total controlling interest:	17,200,510	16,471,633	912,726	836,850
Total non-controlling interest:	0	590,477	0	29,999
<b>Total stockholders' equity</b>	<b>17,200,510</b>	<b>17,062,110</b>	<b>912,726</b>	<b>866,849</b>
<b>Total liabilities and stockholders' equity</b>	<b>98,928,933</b>	<b>100,419,945</b>	<b>5,249,556</b>	<b>5,101,888</b>

(1) Translated into U.S. Dollars, solely for the convenience of the reader, using an exchange rate of Ps. 18.8452 per U.S. Dollar, the exchange rate published by the Mexican Central Bank for payment of obligations denominated in U.S. dollars on December 31, 2019.

(2) Translated into U.S. Dollars, solely for the convenience of the reader, using an exchange rate of Ps. 19.6829 per U.S. Dollar, the exchange rate published by the Mexican Central Bank for payment of obligations denominated in U.S. dollars on December 31, 2018.

## Sigma Alimentos, S.A. de C.V. and Subsidiaries

## STATEMENT OF INCOME

Information in thousands	(Thousands of pesos)		(Thousands of pesos)		(Thousands of U.S. Dollars)		(Thousands of U.S. Dollars)	
	IV Quarter 19	IV Quarter 18	YTD 19	YTD 18	IV Quarter 19 <sup>(1)</sup>	IV Quarter 18 <sup>(1)</sup>	YTD 19 <sup>(1)</sup>	YTD 18 <sup>(1)</sup>
Revenue	32,887,993	31,650,501	124,497,945	121,899,819	1,705,689	1,596,371	6,463,457	6,336,470
Cost of sales	(23,952,653)	(22,865,297)	(89,669,591)	(87,781,317)	(1,242,270)	(1,153,077)	(4,655,271)	(4,562,128)
<b>Gross profit</b>	<b>8,935,340</b>	<b>8,785,204</b>	<b>34,828,354</b>	<b>34,118,502</b>	<b>463,419</b>	<b>443,294</b>	<b>1,808,186</b>	<b>1,774,342</b>
Selling expenses	(5,200,354)	(5,106,442)	(20,335,548)	(19,988,760)	(269,685)	(257,555)	(1,055,762)	(1,039,463)
Administrative expenses	(1,435,543)	(1,348,139)	(5,472,987)	(5,392,609)	(74,467)	(68,043)	(284,181)	(280,552)
Other income (expenses), net	(23,580)	(1,561,109)	127,965	(1,299,329)	(1,236)	(77,468)	6,655	(63,745)
<b>Operating profit</b>	<b>2,275,863</b>	<b>769,514</b>	<b>9,147,784</b>	<b>7,437,804</b>	<b>118,031</b>	<b>40,228</b>	<b>474,898</b>	<b>390,582</b>
Financial Income	117,515	76,004	326,416	291,970	6,085	3,833	16,936	15,169
Financial expenses	(652,992)	(669,691)	(2,526,992)	(2,740,645)	(33,880)	(33,781)	(131,193)	(143,041)
Gain (loss) due to exchange fluctuation, net	(50,232)	169,881	(428,389)	573,292	(2,480)	8,949	(22,745)	30,126
Equity in income (loss) of associates	12,027	(1,236)	10,297	15,196	628	(62)	538	812
<b>Profit before income tax</b>	<b>1,702,181</b>	<b>344,472</b>	<b>6,529,116</b>	<b>5,577,617</b>	<b>88,384</b>	<b>19,167</b>	<b>338,434</b>	<b>293,648</b>
Income tax	(981,126)	(308,469)	(2,977,268)	(2,718,948)	39	(14,594)	(154,882)	(141,588)
<b>Net consolidated profit</b>	<b>721,055</b>	<b>36,003</b>	<b>3,551,848</b>	<b>2,858,669</b>	<b>88,423</b>	<b>4,573</b>	<b>183,552</b>	<b>152,060</b>
Profit (loss) attributable to:								
<b>Controlling interest</b>	<b>715,096</b>	<b>101,202</b>	<b>3,564,898</b>	<b>2,926,257</b>	<b>88,115</b>	<b>3,414</b>	<b>184,237</b>	<b>149,785</b>
<b>Non-controlling interest</b>	<b>5,959</b>	<b>(65,199)</b>	<b>(13,050)</b>	<b>(67,588)</b>	<b>308</b>	<b>1,159</b>	<b>(685)</b>	<b>2,275</b>

(1) Translated into U.S. Dollars, solely for the convenience of the reader, using the average exchange rate published by the Mexican Central Bank for payment of obligations denominated in U.S. dollars for each of the months that comprise the quarter or year.



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