



## FIRST QUARTER 2020 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 \$ MILLION)

	1Q20	4Q19	1Q19	(% ) 1Q20 vs.	
				4Q19	1Q19
<b>Revenues</b>	<b>1,637</b>	<b>1,706</b>	<b>1,516</b>	<b>(4)</b>	<b>8</b>
Mexico	679	716	653	(5)	4
Europe	572	624	509	(8)	12
United States	268	244	239	10	12
LatAm	118	122	116	(4)	2
<b>EBITDA</b>	<b>169</b>	<b>176</b>	<b>166</b>	<b>(4)</b>	<b>1</b>
Mexico	90	89	91	2	(1)
Europe	25	43	28	(42)	(9)
United States	42	33	36	29	18
LatAm	11	12	12	(7)	(8)
<b>CAPEX &amp; Acquisitions<sup>1</sup></b>	<b>23</b>	<b>76</b>	<b>26</b>	<b>(69)</b>	<b>(10)</b>
<b>Net Debt</b>	<b>2,037</b>	<b>1,994</b>	<b>2,020</b>	<b>2</b>	<b>1</b>
Net Debt / LTM EBITDA*	2.9	2.8	2.9		
LTM Interest Coverage* <sup>2</sup>	5.9	6.2	5.3		

\* Times. LTM = Last 12 months. 1 Gross amount; does not include divestments. 2 Interest Coverage = EBITDA/Net Financial Expenses

**Revenues** amounted to US \$1.637 billion, up 8% when compared to 1Q19. On a currency neutral basis, sales were up 10% year-on-year. The result was mainly driven by higher sales volume and higher average prices across all regions. During 1Q20, revenues in local currencies increased 7% in Mexico, 15% in Europe, 12% in the U.S. and 3% in Latin America, all versus 1Q19 (see table 2).

**EBITDA** was US \$169 million, up 1% year-on-year. On a currency neutral basis, 1Q20 EBITDA was 4% higher versus 1Q19. This result was driven by a solid performance in the U.S., which was further augmented by higher sales volume during March as a result of consumers' preparations for the preventive lockdown related to COVID-19 (see table 3).

**Capital expenditures (CAPEX) & Acquisitions** totaled US \$23 million in 1Q20, mainly for maintenance and expansion projects across all regions. Planned investments are subject to review for potential deferral as part of the actions taken to mitigate the effects of COVID-19.

**Net Debt** was US \$2.037 billion, up 1% and 2% when compared to 1Q19 and 4Q19, respectively. On an absolute basis, Sigma's Net Debt increased US \$43 million year-to-date as operating cash flow was offset by the seasonal investment in Net Working Capital and tax obligations which were paid in 1Q20.

As of March 31, 2020, Net Debt included US \$114 million in leases recognized under the IFRS 16 accounting standard. Cash totaled US \$718 million at the end of the first quarter, up US \$201 million versus 4Q19 as Sigma reinforced its liquidity by drawing down a portion of available credit lines. Financial ratios at the end of 1Q20 were Net Debt to EBITDA of 2.9 times and Interest Coverage of 5.9 times (see table 4).

## INDUSTRY COMMENTS

During 1Q20, food retail sales were higher across all regions where Sigma operates due to increased purchases in preparation for the preventive COVID-19 lockdown. However, consumer confidence showed mixed results due to the effects of this virus on the global economy.

In Mexico, the average consumer confidence indicator reported by INEGI (Instituto Nacional de Estadística y Geografía – National Institute for Statistics and Geography) was 8% and 2% lower when compared to 1Q19 and 4Q19, respectively. By contrast, same-store-sales reported by the National Association of Supermarkets and Department Stores (ANTAD) increased 5.8% year-on-year in nominal Mexican Pesos.

In the U.S., the average consumer confidence index reported by The Conference Board in 1Q20 increased 2% year-on-year; however, it started to decrease in March due to the impact of COVID-19 on the economy. In contrast, food retail sales reported by the U.S. Census Bureau were 3% higher when compared to 1Q19.

In Europe, the average consumer confidence index reported by the European Commission decreased from negative 7.0 in 1Q19 to negative 8.8 in 1Q20. Similar to the other regions, food retail sales, according to Eurostat, increased 2% year-on-year.

During 1Q20, key raw material prices started to decrease versus 4Q19, while still being above last year levels. In Europe, pork shoulder and pork ham prices decreased 4% and 2%, respectively, when compared to 4Q19. Nonetheless, year-on-year, prices for pork shoulder and pork ham were up 47% and 35%, respectively.

In the Americas, price for pork ham in this region continued above last year price, being 19% higher versus 1Q19, but 21% lower in comparison to last quarter due to higher inventories in the market. Regarding poultry prices, on a year-over-year basis, turkey thigh increased 22%, turkey breast decreased 14% and chicken remained flat. When compared to 4Q19, turkey breast and turkey thigh prices were 12% and 4% lower, respectively, while chicken prices remained unchanged.

By the end of 1Q20, the exchange rate presented significant volatility due to the COVID-19 contingency and its potential impact on the global economy. In March, the Mexican Peso depreciated 14% year-on-year, affecting dollarized costs in Mexico.

## RESULTS BY REGION

During 1Q20, sales in Mexico accounted for 42% of the quarter's total, while Europe represented 35%, the U.S. 16%, and Latin America 7%.

**Mexico** Peso-denominated 1Q20 sales and EBITDA were up 7% and 3% year-on-year, respectively, supported by higher prices and sales volume in retail channels. By contrast, the Foodservice distribution channel posted lower sales in March as a result of temporary hotel and restaurant closures to prevent the spread of COVID-19.

**Europe** 1Q20 sales in Euros increased 15% year-on-year driven by higher volume and prices. 1Q20 EBITDA in Euros decreased 7% year-on-year, mainly driven by higher raw material costs due to the African Swine Fever (ASF) outbreak that has impacted pork prices beginning in March 2019.

**United States** 1Q20 sales and EBITDA increased 12% and 18%, respectively when compared to 1Q19, driven by solid results across all business segments. Moreover, purchases related to COVID-19 during March further boosted the results.

**LatAm** 1Q19 sales in local currencies increased 3% year-on-year. By contrast, EBITDA in local currencies decreased 8% versus 1Q19, partly due to lower sales volume on the Foodservice distribution channel.

## RECENT DEVELOPMENTS

COVID-19	<p>Global and regional task forces working on the following workstreams:</p> <ul style="list-style-type: none"> <li>• Safety <ul style="list-style-type: none"> <li>- Strict health &amp; safety protocols to prevent the spread of the virus among employees</li> </ul> </li> <li>• Business continuity <ul style="list-style-type: none"> <li>- As of today, all production plants and distribution centers are operating</li> <li>- Sigma’s supply chain has not presented disruptions</li> </ul> </li> <li>• Liquidity <ul style="list-style-type: none"> <li>- Strong cash position of US \$718 million <ul style="list-style-type: none"> <li>▪ Prudent liquidity management – Sigma disbursed US \$305 million in short term loans</li> </ul> </li> <li>- Comfortable debt profile – next long-term maturity in 2024</li> <li>- Financial Discipline (Cost, Expenses &amp; CAPEX)</li> <li>- Working capital optimization</li> </ul> </li> <li>• Consumption <ul style="list-style-type: none"> <li>- Higher demand across all regions due to consumers’ purchases for “shelter in place” orders</li> </ul> </li> <li>• Foodservice distribution channel – approximately 12% of total sales</li> <li>• Sales decreased since March mainly due to hotel and restaurant temporary closures</li> <li>• Potential sales migration to core business – from eating out to eating at home</li> </ul>
2020 Guidance	<ul style="list-style-type: none"> <li>• 2020 Guidance has been withdrawn due to the uncertainty of COVID-19 implications</li> <li>• COVID-19 has impacted raw material prices, exchange rates, Foodservice sales, among others</li> <li>• Updated Guidance to be provided as soon as reliable estimate can be determined</li> </ul>
Financial Hedges	<ul style="list-style-type: none"> <li>• At the end of 1Q20, forward contracts to cover the U.S. dollar needs for the Mexican operations amount to US \$240 million @19.50 MXN/USD, equivalent to approximately four months of U.S. dollar needs</li> <li>• Sigma maintains the Cross-Currency Swap that covers US \$220 million of its bond maturing in 2026 @18.24 MXN/USD, with an interest rate of 8.89%</li> </ul>

Table 1 | VOLUME AND PRICE CHANGES (%)

	1Q20 vs.		YTD '20 vs. YTD '19
	4Q19	1Q19	
Total Volume	(0.2)	4.1	4.1
Avg. Ps. Prices	(0.7)	7.4	7.4
Avg. US \$ Prices	(3.8)	3.7	3.7

Table 2 | REVENUES

	1Q20	4Q19	1Q19	(% ) 1Q20 vs.	
				4Q19	1Q19
<b>Total Revenues</b>					
Ps. Million	32,569	32,888	29,146	(1)	12
US \$ Million	1,637	1,706	1,516	(4)	8
<b>Domestic Revenues</b>					
Ps. Million	13,394	13,575	12,544	(1)	7
US \$ Million	678	704	653	(4)	4
<b>Foreign Revenues</b>					
Ps. Million	19,175	19,313	16,602	(1)	16
US \$ Million	960	1,002	864	(4)	11
Foreign / Total (%)	59	59	57		

Table 3 | OPERATING INCOME AND EBITDA

	1Q20	4Q19	1Q19	(% ) 1Q20 vs.	
				4Q19	1Q19
<b>Operating Income</b>					
Ps. Million	2,282	2,276	2,094	-	9
US \$ Million	114	118	109	(4)	4
<b>EBITDA</b>					
Ps. Million	3,375	3,399	3,195	(1)	6
US \$ Million	169	176	166	(4)	1

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

	1Q20	4Q19	1Q19
Assets	5,388	5,250	5,056
Liabilities	4,439	4,337	4,228
Stockholders' Equity	949	913	828
Majority Equity	949	913	799
Net Debt	2,037	1,994	2,020
Net Debt/EBITDA*	2.9	2.8	2.9
Interest Coverage*	5.9	6.2	5.3

\* Times. LTM= Last 12 months

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

## STATEMENT OF FINANCIAL POSITION

Information in thousands

	(Thousands of pesos)		(Thousands of U.S. dollars)	
	Mar '20	Mar '19	Mar '20 <sup>(1)</sup>	Mar '19 <sup>(2)</sup>
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	16,800,658	10,453,907	714,551	539,437
Restricted cash	14,107	11,627	600	600
Customers, net	8,961,045	7,239,304	381,123	373,559
Income tax recoverable	490,357	504,592	20,855	26,038
Inventories	20,663,694	14,734,571	878,850	760,325
Other current assets	524,182	309,174	22,294	15,954
Derivative financial instruments	1,072,544	193,847	45,616	10,003
<b>Total current assets</b>	<b>48,526,587</b>	<b>33,447,022</b>	<b>2,063,890</b>	<b>1,725,916</b>
<b>NON-CURRENT ASSETS:</b>				
Property, plant and equipment, net	36,681,262	32,690,047	1,560,095	1,686,854
Intangible assets, net	18,961,180	15,930,966	806,440	822,061
Goodwill	15,802,131	13,129,202	672,082	677,486
Deferred income tax	4,173,360	2,093,836	177,498	108,045
Derivative financial instruments	2,255,416	436,395	95,925	22,519
Investments in associates and joint ventures	122,564	100,985	5,213	5,211
Other non-current assets	100,642	117,811	4,280	6,077
Restricted cash	60,715	34,881	2,582	1,800
<b>Total non-current assets</b>	<b>78,157,270</b>	<b>64,534,123</b>	<b>3,324,116</b>	<b>3,330,053</b>
<b>Total assets</b>	<b>126,683,857</b>	<b>97,981,145</b>	<b>5,388,005</b>	<b>5,055,969</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
<b>CURRENT LIABILITIES:</b>				
Current debt	8,233,837	5,699,875	350,194	294,122
Suppliers	32,163,993	24,498,376	1,367,970	1,264,152
Income tax payable	506,013	1,526,813	21,521	78,786
Provisions	121,437	125,657	5,165	6,484
Other current liabilities	72,480	(21,886)	3,083	(1,128)
Derivative financial instruments	640,107	8,893	27,224	459
<b>Total current liabilities</b>	<b>41,737,867</b>	<b>31,837,728</b>	<b>1,775,157</b>	<b>1,642,875</b>
<b>NON-CURRENT LIABILITIES:</b>				
Non-current debt	53,847,659	41,716,926	2,290,201	2,152,654
Notes payables	2,226,534	1,766,765	94,697	91,168
Deferred income taxes	4,374,733	3,489,113	186,062	180,043
Employees benefits	1,716,762	1,374,737	73,016	70,938
Provisions	94,175	73,313	4,005	3,783
Income tax payable	370,473	1,633,470	15,757	84,289
Other non-current liabilities	3,808	40,950	162	2,111
Derivative financial instruments	0	0	0	0
<b>Total non-current liabilities</b>	<b>62,634,144</b>	<b>50,095,274</b>	<b>2,663,900</b>	<b>2,584,986</b>
<b>Total liabilities</b>	<b>104,372,011</b>	<b>81,933,002</b>	<b>4,439,058</b>	<b>4,227,861</b>
<b>STOCKHOLDERS' EQUITY</b>				
Total controlling interest:	22,311,845	15,490,760	948,948	799,346
Total non-controlling interest:	1	557,383	0	28,762
<b>Total stockholders' equity</b>	<b>22,311,846</b>	<b>16,048,143</b>	<b>948,948</b>	<b>828,108</b>
<b>Total liabilities and stockholders' equity</b>	<b>126,683,857</b>	<b>97,981,145</b>	<b>5,388,005</b>	<b>5,055,969</b>

(1) Translated into U.S. Dollars, solely for the convenience of the reader, using an exchange rate of Ps. 23.5122 per U.S. Dollar, the exchange rate published by the Mexican Central Bank for payment of obligations denominated in U.S. dollars on March 31, 2020.

(2) Translated into U.S. Dollars, solely for the convenience of the reader, using an exchange rate of Ps. 19.3793 per U.S. Dollar, the exchange rate published by the Mexican Central Bank for payment of obligations denominated in U.S. dollars on March 31, 2019.

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

## STATEMENT OF INCOME

Information in thousands	(Thousands of pesos)		(Thousands of U.S. dollars)	
	I Quarter 20	I Quarter 19	I Quarter 20 <sup>(1)</sup>	I Quarter 19 <sup>(1)</sup>
Revenue	32,569,463	29,145,812	1,637,450	1,516,361
Cost of sales	(23,595,605)	(20,800,681)	(1,186,593)	(1,082,194)
<b>Gross profit</b>	<b>8,973,858</b>	<b>8,345,131</b>	<b>450,857</b>	<b>434,167</b>
Selling expenses	(5,258,756)	(4,913,884)	(264,896)	(255,661)
Administrative expenses	(1,473,127)	(1,383,045)	(74,439)	(71,960)
Other income (expenses), net	40,460	45,883	2,065	2,386
<b>Operating profit</b>	<b>2,282,435</b>	<b>2,094,085</b>	<b>113,587</b>	<b>108,932</b>
Financial Income	44,188	64,320	2,203	3,345
Financial expenses	(716,115)	(607,501)	(35,683)	(31,606)
Gain (loss) due to exchange fluctuation, net	706,969	(29,712)	31,549	(1,543)
Equity in income (loss) of associates	(174)	(626)	(8)	(33)
<b>Profit before income tax</b>	<b>2,317,303</b>	<b>1,520,566</b>	<b>111,648</b>	<b>79,095</b>
Income tax	676,668	(727,136)	29,314	(37,820)
<b>Net consolidated profit</b>	<b>2,993,971</b>	<b>793,430</b>	<b>140,962</b>	<b>41,275</b>
Profit (loss) attributable to:				
<b>Controlling interest</b>	<b>2,993,971</b>	<b>804,492</b>	<b>140,962</b>	<b>41,851</b>
<b>Non-controlling interest</b>	<b>0</b>	<b>(11,062)</b>	<b>0</b>	<b>(576)</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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