



**GRUPO BAFAR<sup>®</sup>**

*Alimentando el progreso de México*



**GRUPO BAFAR**



Cotiza en

 **Grupo BMV**



## Financial Highlights

**12.3% growth in accumulated sales**

**15.5% increase in Accumulated EBITDA**

### Second Quarter 2017 Results.

Chihuahua, Chihuahua, July 27th, 2017 Grupo Bafar, S.A.B. de C.V. (BAFAR) Mexican leading company in the meat products industry, announces today their results corresponding to the second quarter of 2017. This information is submitted according to International Financial Reporting Standards (IFRS) and in nominal terms.

About the results achieved by the company, Eugenio Baeza Fares Chairman of the board of directors and CEO of Grupo Bafar noted:

“Once again we have exceeded growth expectations for the first half of the year, thanks to the accelerated pace of the investment on all of our business units, which enabled us to operate with greater efficiencies and continue to gain market presence. This translates into outstanding results, achieving sales growth of 12.3% compared to the same period of 2016 and an increase in EBITDA of 15.5% in the first semester of the year.

Faithful to our philosophy, we continue to transform ourselves to compete in a market that continually demands us to be better. We started a new phase within the Group, with the Agroindustrial Complex in La Piedad we are convinced that we can catapult the Group’s accelerated growth for the coming years, this will allow to strengthen the presence of the Company in the market that traditionally participates and in others with which we possess the necessary strengths to continue delivering value to our customers and offer differentiated products to those of our competition”

## Accumulated Operating Results

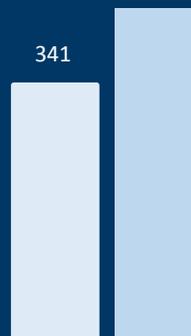
	2016	%	2017	%	Growth
Net Sales	5,171,657	100.0%	5,806,376	100.0%	12.3%
Operating Income	341,236	6.6%	378,240	6.5%	10.8%
EBITDA*	491,273	9.5%	567,223	9.8%	15.5%
Net Income	26,729	0.5%	539,804	9.3%	1919.5%

Amounts expressed in thousand pesos

\*EBITDA is defined as operating income before depreciation and amortization

### Accum. Operating Income

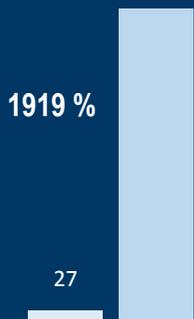
10.8% 378



■ 2016 ■ 2017

### Accum. Net Income

1919% 540



■ 2016 ■ 2017

The increase in sales volumen of 6.4%, a slightly increase in prices and a better product mix allowed net sales to increase 12.3% compared to 2016, from \$5,171.6 million pesos in 2016 to \$5,806.4 million pesos in 2017.

Gross profit grew 17.3% during 2017 in comparison with the same period of 2016, to reach \$1,706.3 million pesos, with a gross margin of 29.4% compared to the 28.1% recorded last year.

Accumulated operating expenses as percentage of sales recorded an increase of 1.3 percentage points compared to 2016, in order to reach 22.8%.

Operating income showed an increase of 10.8% from \$341.2 million pesos recorded in 2016, to \$378.2 million pesos in the same period of fiscal year, resulting in an operating margin of 6.5%.

As a result, EBITDA increased 15.5% to reach \$491.3 million pesos at the end of the first half of 2017, compared to \$567.2 million in the same period of the previous year.

Accrued interest expenses at the end of the quarter amounted \$ 45.5 million, as a result of the increase in reference rates and the indebtedness acquired to boost the Group's growth.

As a consequence, accumulated net income shows a significant increase to reach \$ 539.8 million compared to \$ 26.7 million of the previous year. Thus, earnings per share\* amounts \$ 1.7.

\*Calculated in base of accumulated net income.

## Second Quarter Operating Results

	IIQ 16	%	IIQ 17	%	Growth
Net Sales	2,747,036	100.0%	3,006,141	100.0%	9.4%
Operating Income	191,756	7.0%	208,965	7.0%	9.0%
EBITDA*	269,640	9.8%	305,972	10.2%	13.5%
Net Income	(138,036)	-5.0%	227,516	7.6%	264.8%

Amounts expressed in thousand pesos

\*EBITDA is defined as operating income before depreciation and amortization

Net sales increased 9.4% in the second quarter of 2017 compared to the same period last year, from \$2,747.0 million pesos in 2016 to \$3,006.1 million pesos in 2017. This increase derives from a better product mix and increase in prices in relation to the previous year.

Gross profit grew 15.3% during the second quarter of 2017 compared to the same period in 2016, to reach \$904.1 million pesos, with a gross margin of 30.1% in comparison with 28.5% in the previous year. The increase in the margin is mainly attributed to better conditions in the purchase of raw material, improvement in the exchange rate and the mix of products.

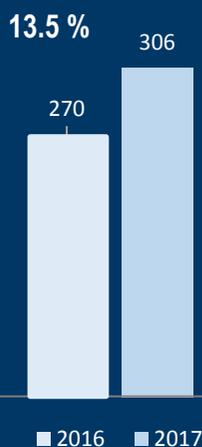
Operating expenses as percentage of sales increased by 1.5 percentage points compared to 2016, to reach 23.1% due to the expansion in the center and south of the country.

Operating income increased 9.0% from \$ 191.8 million pesos in the second quarter of 2016 to \$ 209.0 million in the same period of fiscal year 2017, resulting in an operating margin of 7.0%

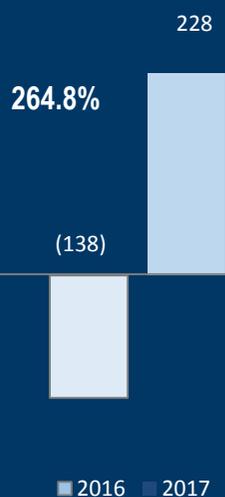
Therefore, EBITDA increased 13.5% to reach \$306.0 million pesos at the end of the second quarter of 2017, compared to \$269.6 million pesos in the same period of the previous year.

In addition, net income showed a significant 264% increase versus the second quarter of 2016, as a result of the Exchange rate benefit and a decrease in the provision of taxes.

### EBITDA 2T



### Net income 2T



## Balance Sheet

### Working capital:

Accounts receivables increased in \$ 165 million pesos to reach \$ 1,374.0 million pesos as a results inthe increase of operations and sales, the operating account receivables days average 23 days ( the accounts receivables related to the loan operations of the financial división are not considered).

Inventories amounted \$963.7 million pesos, which increase is attributable mainly to the purchase of speculation of import raw materials that we will move in the coming months, as a result inventory days average 42 days.

As a consequence of the above and the strong investments made, accounts payable to suppliers increas by \$ 30 million pesos to amount \$ 707.6 million and 29 days.

### Other accounts receivables:

Other receivables showed an improvement reaching \$509 million pesos, as part of a significant acdeleration in the recovery times of value added tax despite the fact that the average balance incerasedconsiderably as a result of the heavy investments made.

### Investments:

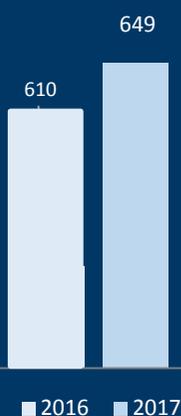
As of june 30, capital expenditures totaled \$648.8 million pesos, which were mainly destined to: the new Agroindustrial complex in La Piedad, Michoacan as well as a total renovation of the data center that supports SAP which guarntees the sustainability of the technological platform of the coming years. We continue with the expansión strategy continue to invest in new sales points throughout the country as well as an unprecedented investment in fleet renewal that we will continue to carry out throughout the year.

### Banking debt:

As of june 30 2017, bank debt closed at \$3,900.8 million pesos compared to \$3,144.8 million in the same period of the previous year. This variation is attributed to the financing obtained to carry out the afromentioned investments, so the net debt to cash ratio to EBITDA was set at 3 times.

The dollar denominated debt ratio stood at 49% compared to total liabilities with cost, up from 76% in the second quarter of last year.

### Capex



**New products:**



**Relevant Events:**

On May 16, 2017, the payment of a cash dividend decreed at the Annual Meeting held on April 21, 2017 at the rate of \$ 0.35 per outstanding share was made. On May 17 a dividend was paid in shares from the repurchase fund.

At the beginning of this second quarter of 2017 we began the process before the National Banking and Securities Commission (CNBV) and the Mexican Stock Exchange (BMV), regarding the placement of a real Estate Investment Trust (FIBRA) with the purpose to place the totality of the Group's real estate portfolio, which includes properties leased to Bafar subsidiaries and third parties. The Company is called Fibra Nova.

**Indicadores**

As of June 30 2017, the main indicators of the company remained as follows:

**Financial Ratios**

	IIQ 16	IIQ 17
<b>Net Cash to EBITDA*</b>	2.9	3.0
<b>Operating Income to Equity Ratio</b>	15.8%	16.2%
<b>Liquidity Ratio</b>	1.0	0.8

\*Last twelve months

## Stock Market Figures

	IIQ 16	IIQ 17
Book Value per Share	14.4	16.1
EPS*	0.9	2.1
Shares Outstanding**	315,446	315,246
Price per Share	35	38

EPS: Earnings per Share

\*Last twelve months

\*\*Million shares



## CONTACT

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## Company Description

Grupo Bafar is a 100% Mexican company listed in the Mexican Stock Exchange since 1996 and is one of the leading producers and distributors of meat and dairy products in the country. With more than 30 years in the market, it has presence throughout Mexico and the south of the United States.

# Grupo Bafar S.A.B. de C.V.

## Consolidated Balance Sheet

	30-jun-16		30-jun-17	
<b>ASSETS</b>				
Cash and temporary investments	317,730	3.6%	515,274	5.0%
Receivables, net	1,208,951	13.6%	1,374,001	13.3%
Other receivables, net	633,763	7.1%	509,751	4.9%
Inventories	921,905	10.4%	963,727	9.3%
Other current assets	18,716	0.2%	26,713	0.3%
<b>Current assets</b>	<b>3,101,065</b>	<b>34.9%</b>	<b>3,389,466</b>	<b>32.8%</b>
Net property and equipment	4,224,707	47.5%	5,240,523	50.7%
Intangible assets and other assets	1,570,997	17.7%	1,701,842	16.5%
<b>Noncurrent assets</b>	<b>5,795,704</b>	<b>65.1%</b>	<b>6,942,365</b>	<b>67.2%</b>
<b>Total Assets</b>	<b>8,896,769</b>	<b>100.0%</b>	<b>10,331,831</b>	<b>100.0%</b>
<b>LIABILITIES</b>				
Short term debt	1,178,942	27.0%	2,127,493	40.4%
Accounts payable	677,573	15.5%	707,604	13.4%
Other liabilities with cost	137,237	3.1%	212,788	4.0%
Taxes payable and other current liabilities	125,875	2.9%	135,161	2.6%
<b>Current liabilities</b>	<b>2,119,627</b>	<b>48.6%</b>	<b>3,183,046</b>	<b>60.4%</b>
Long term debt	1,965,864	45.1%	1,773,303	33.7%
Other noncurrent liabilities	273,379	6.3%	312,200	5.9%
<b>Noncurrent liabilities</b>	<b>2,239,243</b>	<b>51.4%</b>	<b>2,085,503</b>	<b>39.6%</b>
<b>Total Liabilities</b>	<b>4,358,870</b>	<b>100.0%</b>	<b>5,268,549</b>	<b>100.0%</b>
<b>EQUITY</b>				
Common stock	83,104	1.8%	83,301	1.6%
Capital in excess of par value	226,577	5.0%	219,629	4.3%
Retained Earnings	4,190,701	92.3%	4,229,118	83.5%
Excercise gain/loss	28,567	0.6%	539,680	10.7%
Actuarial gain (loss) on labor obligation	971	0.0%	(2,416)	0.0%
Other comprehensive results	0	0.0%	(9,368)	-0.2%
<b>Total shareholder's equity</b>	<b>4,529,920</b>	<b>99.8%</b>	<b>5,059,944</b>	<b>99.9%</b>
Non controlling interest	7,979	0.2%	3,338	0.1%
<b>Total Equity</b>	<b>4,537,899</b>	<b>100.0%</b>	<b>5,063,282</b>	<b>100.0%</b>
<b>LIABILITIES AND EQUITY</b>	<b>8,896,769</b>		<b>10,331,831</b>	

**Grupo Bafar S.A.B. de C.V.**  
**Consolidated Income Statement**  
**January 1st to June 30th, 2016 and 2017**

	Quarterly				Accumulated			
	2016		2017		2016		2017	
<b>Net Sales</b>	<b>2,747,036</b>	<b>100.0%</b>	<b>3,006,141</b>	<b>100.0%</b>	<b>5,171,657</b>	<b>100.0%</b>	<b>5,806,376</b>	<b>100.0%</b>
Cost of sales	1,962,795	71.5%	2,102,033	69.9%	3,717,377	71.9%	4,100,118	70.6%
<b>Gross Profit</b>	<b>784,240</b>	<b>28.5%</b>	<b>904,108</b>	<b>30.1%</b>	<b>1,454,280</b>	<b>28.1%</b>	<b>1,706,258</b>	<b>29.4%</b>
Operating expenses	593,615	21.6%	693,515	23.1%	1,115,277	21.6%	1,325,057	22.8%
Other income- net	1,132	0.0%	(1,628)	-0.1%	2,233	0.0%	(2,961)	-0.1%
<b>Operating Income</b>	<b>191,756</b>	<b>7.0%</b>	<b>208,965</b>	<b>7.0%</b>	<b>341,236</b>	<b>6.6%</b>	<b>378,240</b>	<b>6.5%</b>
Net interest expenses	9,037	0.3%	24,747	0.8%	18,293	0.4%	45,533	0.8%
Foreign exchange gain (loss), net	232,326	8.5%	(71,679)	-2.4%	191,175	3.7%	(261,639)	-4.5%
<b>Income before taxes</b>	<b>(49,607)</b>	<b>-1.8%</b>	<b>255,897</b>	<b>8.5%</b>	<b>131,768</b>	<b>2.5%</b>	<b>594,346</b>	<b>10.2%</b>
Income tax	88,429	3.2%	28,381	0.9%	105,039	2.0%	54,542	0.9%
<b>Net Income</b>	<b>(138,036)</b>	<b>-5.0%</b>	<b>227,516</b>	<b>7.6%</b>	<b>26,729</b>	<b>0.5%</b>	<b>539,804</b>	<b>9.3%</b>
Non controlling interest	(1,167)	0.0%	61	0.0%	(1,838)	0.0%	124	0.0%
<b>Net Consolidated Income</b>	<b>(136,869)</b>	<b>-5.0%</b>	<b>227,455</b>	<b>7.6%</b>	<b>28,567</b>	<b>0.6%</b>	<b>539,680</b>	<b>9.3%</b>
<b>EBITDA</b>	<b>269,639</b>	<b>9.8%</b>	<b>305,972</b>	<b>10.2%</b>	<b>491,274</b>	<b>9.5%</b>	<b>567,224</b>	<b>9.8%</b>