



**HORTIFRUT**

BERRIES FOR THE WORLD EVERY DAY

# Earnings Report 1Q19

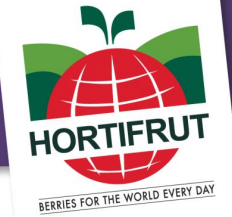
June 2019

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- 2. CONSOLIDATED RESULTS JUL 18 - MAR19
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# Highlights



## 1. CAPITAL INCREASE OF US\$ 160 MILLION

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- In line with the company's growth strategy, a **US\$ 160 million capital increase was approved** by shareholders at the Annual Shareholder's Meeting on April 30, 2019. The capital increase will be used to fund organic growth, strengthen commercial platforms and meet growing demand for the company's products.

## 2. FINAL DIVIDEND PAID FROM 2018 EARNINGS

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- At the Annual Shareholders Meeting on April 30, 2019, shareholders approved a **final dividend of MUS\$10.7** charged to 2018 earnings. To this is added the payment of a provisional dividend in November 2018 for MUS\$7.4.

## 3. REFINANCING AND FIRST BOND ISSUANCE

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- In May 2019, Hortifrut S.A. successfully completed an **inaugural placement of 2,250,000 UF in bonds on the local market** - issued in two series (A and B) - in order to diversify funding sources and refinance the company's financial liabilities. **Series A earned green and social certifications from Vigeo Eiris**, reflecting continued efforts to strengthen the company's commitment to sustainable development as one of its strategic pillars. The demand exceeded by 3 times the total amount placed, with rates of 1.56% for series A and 2.37% for series B.

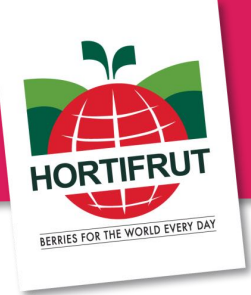


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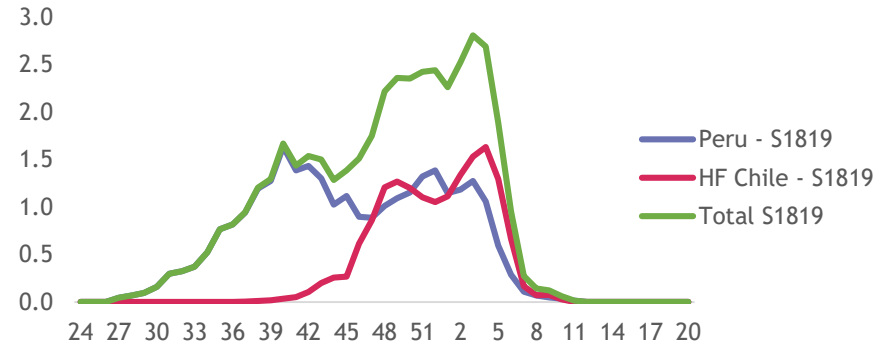
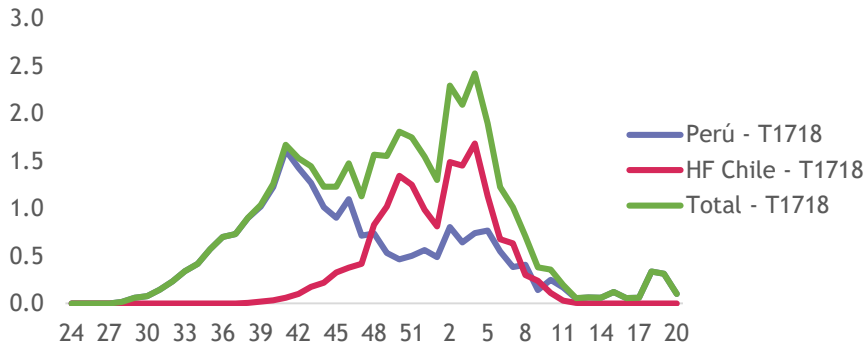


# MUS\$100 in EBITDA for Jul18 - Mar19

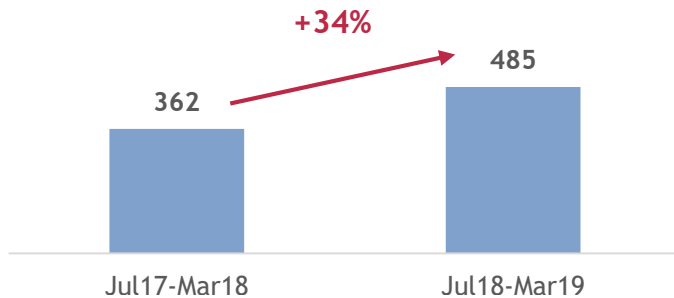


- EBITDA rose MUS\$54 compared to Jul 17 - Mar 18, primarily thanks to increased operating revenue.
- Distributed volume up 35% to 54,317 tons with growth in: blueberries, blackberries and value-added products.
- Average price per kilo down 7%. Prices have fallen in all segments except cherries.

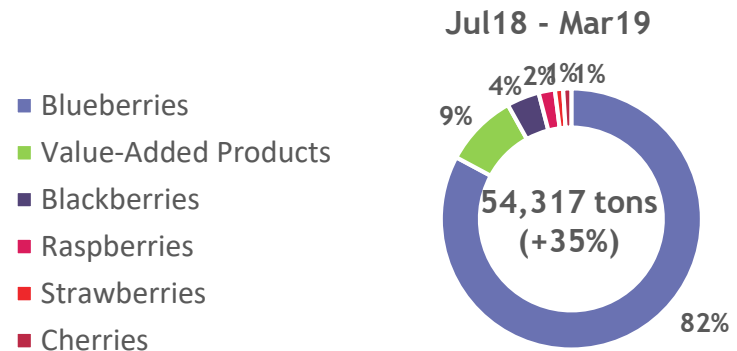
Weekly volume Peru and Chile (per week of dispatch)



## 1. CONSOLIDATED REVENUE (MUS\$)

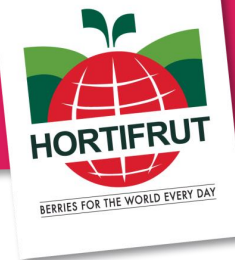


## 2. DISTRIBUTED VOLUME (%)

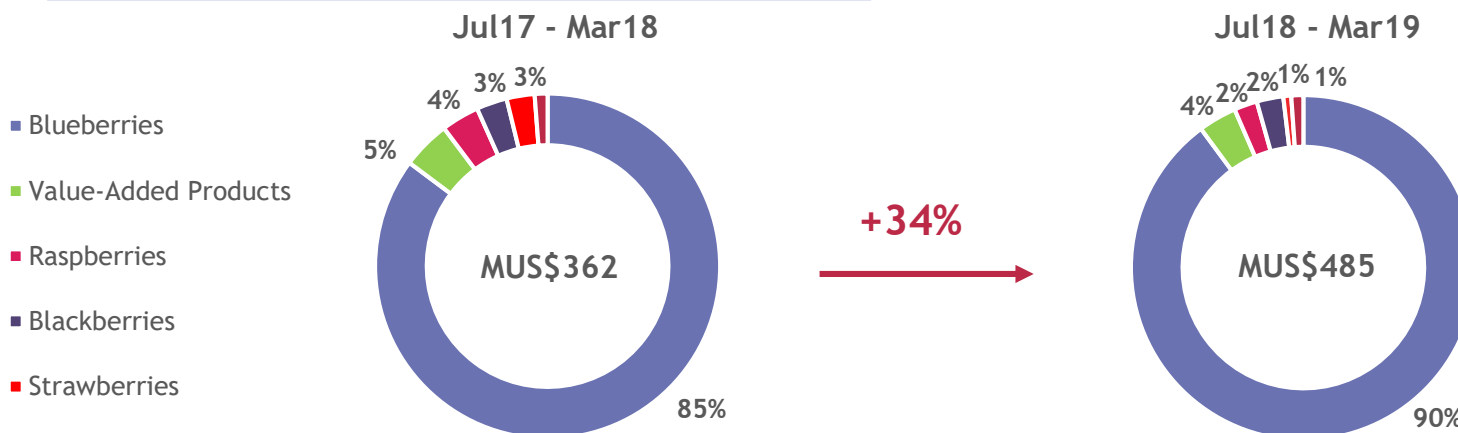


Note: Operating revenue includes sales of fruit, revenue from services and plant sales

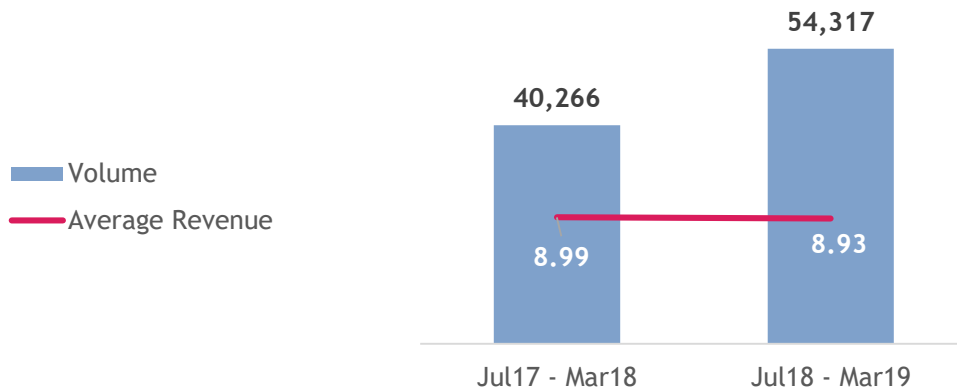
# Revenue Jul17 - Mar18 / Jul18 - Mar19 Seasons



## 1. CONSOLIDATED REVENUE, BY TYPE (%)



## 2. VOLUME - AVERAGE REVENUE (Tons/US\$kg)

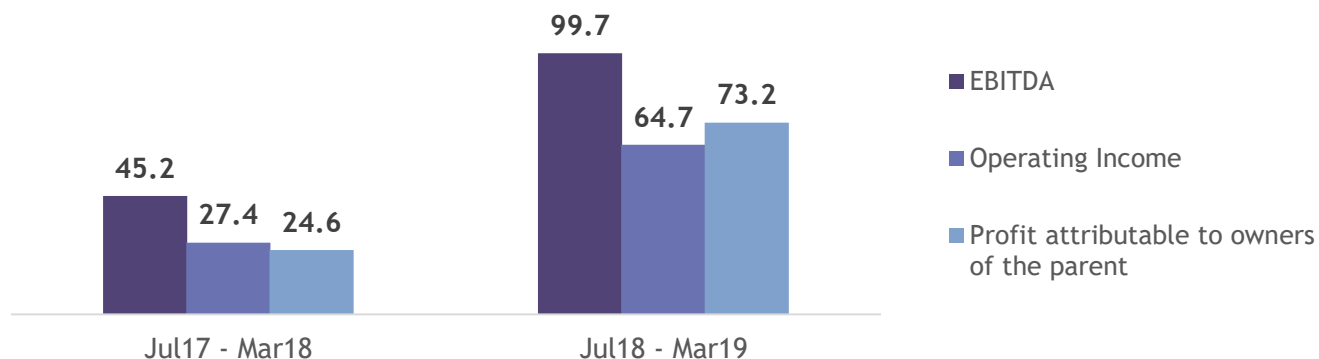


- The Increased revenue is mainly explained by an increase of 35% in the distributed volume (comprised primarily of fruit from Peru), which was partially offset by a 7% drop in average price per kilo, in addition to revenue from services and plant sales.

# Consolidated Results Jul17 - Mar18 / Jul18 - Mar19 Seasons

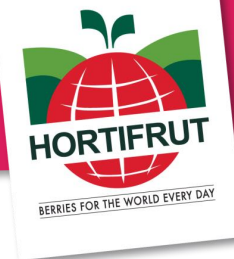


## 1. CONSOLIDATED RESULTS (MUS\$)



<b>EBITDA</b>	+212% (higher distributed volume primarily attributable to fruit from Peru. This was partially offset by a 7% reduction in the average price per kilo.)
<b>Operating Income</b>	+136% (largely tied to operations in Peru following acquisition of the Rocío Group's blueberry business).
<b>Profit Attributable to Owners of the Parent</b>	+198% (reflecting higher operating income as well as net income of MUS\$44.5 from recognition of goodwill for the 50% of Hortifrut Tal S.A.C. that already belonged to Hortifrut, following the acquisitions and merger in Peru).

# Non-operating Income for the Season



	Jul17 - Mar18 (ThUS\$)	Jul18 - Mar19 (ThUS\$)	% Change
Financial income	1,371	423	-69.15%
Finance expenses	-5,562	-18,805	238.10%
Share of profit (loss) of equity-accounted associates and joint ventures	10,032	-4,301	-
Other income/expenses	-251	60,783	-
Exchange differences	-3,352	1,269	-
Non-operating income	-977	37,052	-

## MAIN CHANGES

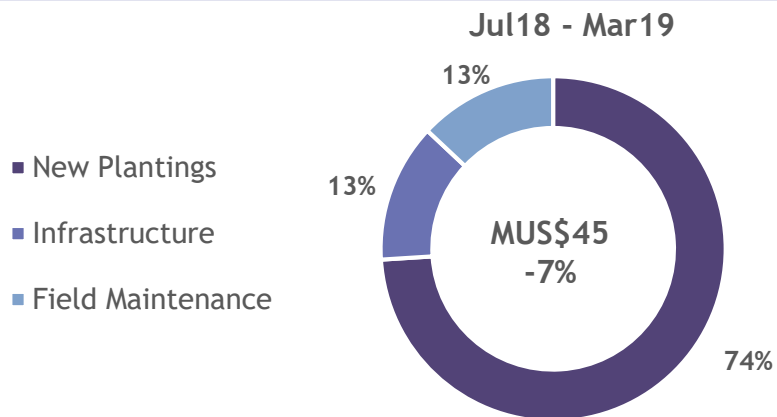
- **Net financial expenses** increased due to higher average debt related to the purchase and merger of the Rocío Group's blueberry business in Peru, incorporation of existing debt held by the acquired company, working capital requirements for operations in Peru and rising interest rates on short-term debt.
- **Equity-accounted associates** the decrease is explained mainly because Hortifrut Tal S.A.C. (Peru), company that generated most of the income in the period Jul17-Mar18, was included in the consolidation perimeter of the Hortifrut Financial Statements resulting from the transaction in Peru.
- **Other income/expenses:** income for the Jul18-Mar19 period is associated with fair value recognition of the 50% of Hortifrut Tal S.A.C. that belonged to Hortifrut prior to the merger.
- **Exchange differences:** During the Jul18-Mar19 period, this result was influenced by depreciation of the Euro, Mexican peso and Chilean peso against the US dollar. The same currencies experienced an opposite shift in the 2017-18 season.



# 18/19S Investments and Net Financial Debt



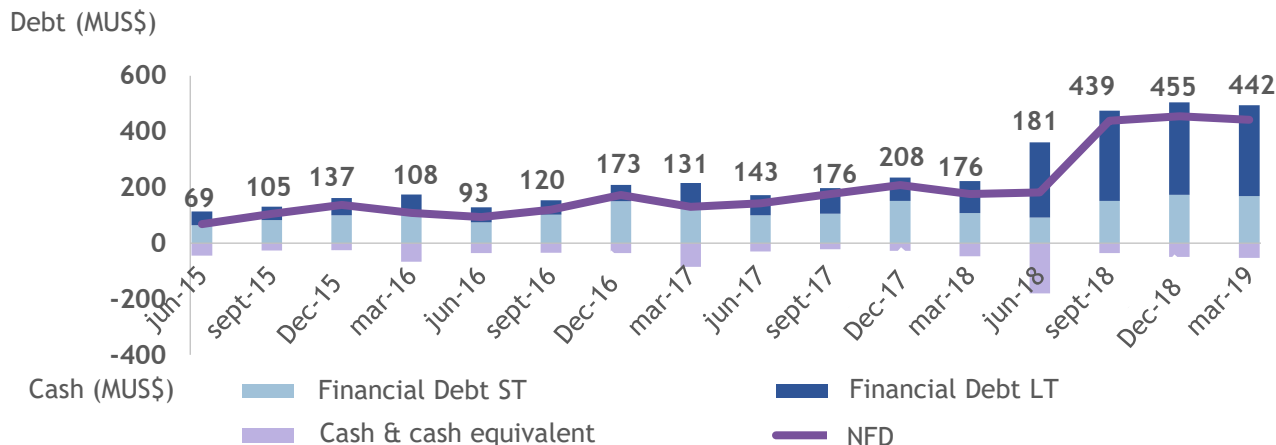
## 1. INVESTMENTS, BY TYPE (%)



- Investment in new plantings corresponds to projects, primarily in Peru and China.
- The drop compared to the Jul17 - Mar18 period is associated with completion of investments in Peru and the USA.

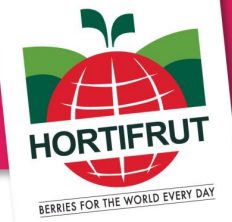


## 2. FINANCIAL DEBT (MUS\$)



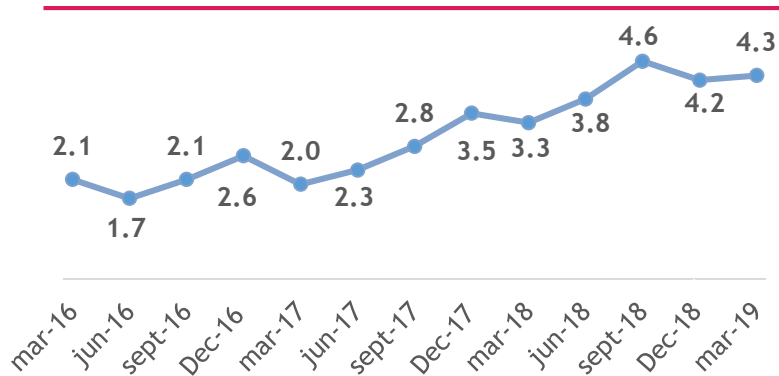
- NFD increased as a result of financing for the acquisition and merger in Peru, existing debt held by the acquired companies and working capital from operations in Peru.

# Debt Covenants



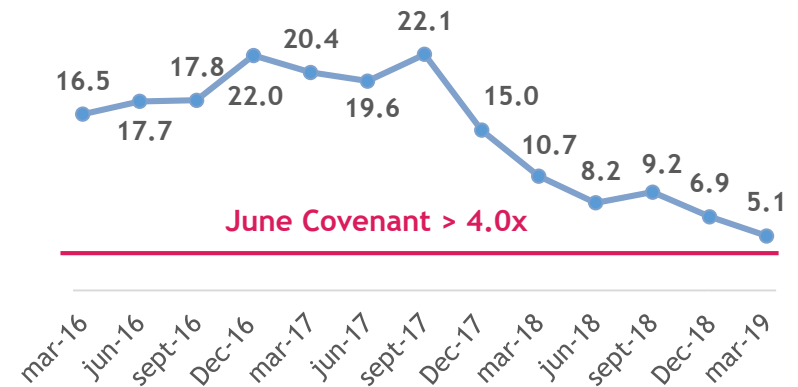
## 1. NET DEBT / EBITDA (times)

December Covenant < 5.25x



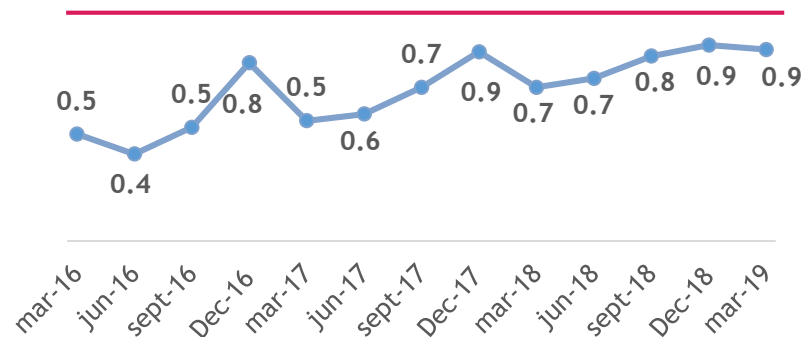
## 2. EBITDA / NET FINANCIAL EXPENSES (times)

June Covenant > 4.0x



## 3. NET DEBT/TOTAL EQUITY (times)

June Covenant < 1.0x



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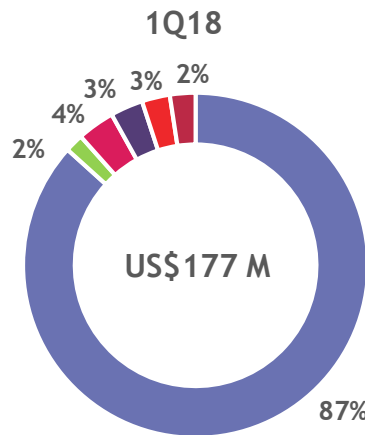
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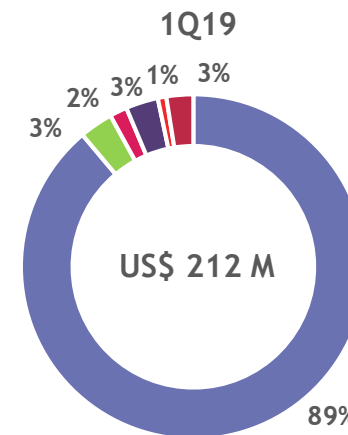


## 1. CONSOLIDATED REVENUE, BY SEGMENT (%)

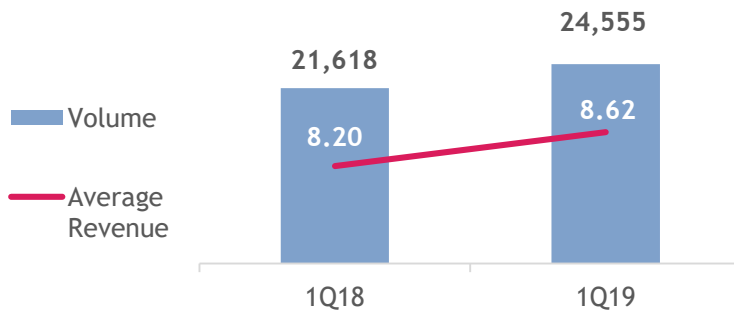
- Blueberries
- Value-Added Products
- Raspberries
- Blackberries
- Strawberries
- Cherries



**+20%**



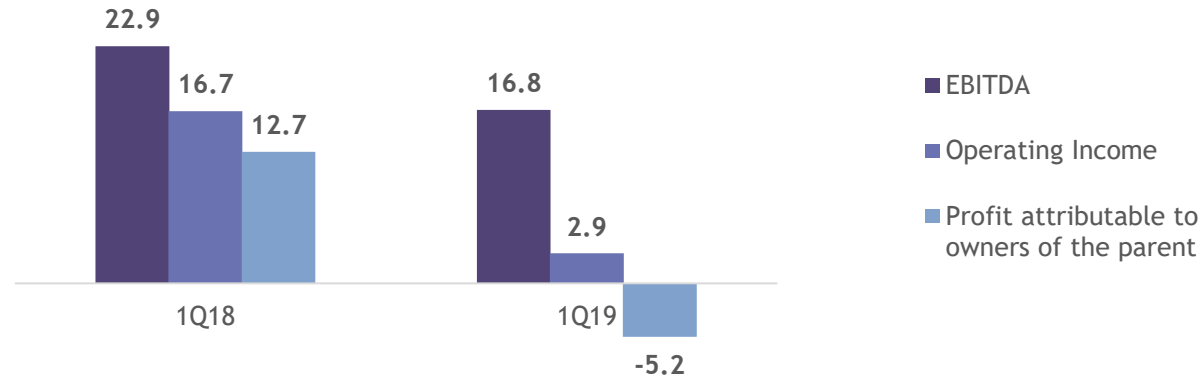
## 2. VOLUME / AVERAGE REVENUE (Tons/US\$kg)



- The increase is primarily attributable to a 14% rise in distributed volume (fruit from Peru), plant sales and higher service revenue in 1Q19. This was partially offset by a 7% decrease in average price per kilo.



## 1. CONSOLIDATED RESULTS (MUS\$)



### EBITDA

-27% (lower average prices per kilo in Peru and Chile associated with lag in the production curve in Peru and deteriorated fruit quality caused by adverse weather events and higher costs due to preventive and palliative agricultural applications associated with fruit quality).

### Operating Income

-83% (same impact as on EBITDA).

### Profit Attributable to Owners of the Parent

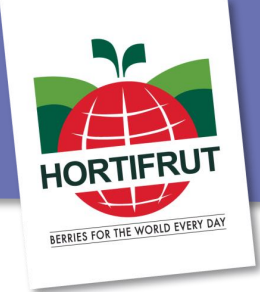
-ThUS\$17,896 lower net operating result reflecting lower sales prices due to lags in the production curve, deteriorated fruit quality and a higher non-operating loss due to increased financial expenses).



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# Blueberries



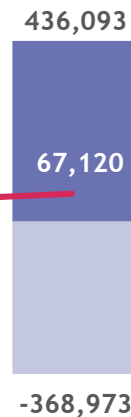
- **41% growth in sales:** 50% volume and -12% average price per kilo.
- The increase in distributed volume is primarily due to additional fruit from Peru, both as a result of the recent acquisition and merger and maturity of plantings that were owned by Hortifrut prior to the transaction (HFTal and Olmos).
- The drop in the average price per kilo is associated with higher volume of available fruit on the market in this production window. Additionally, it is affected by extraordinary climatic events that affected the quality of the fruit and delayed the production curve of Peru, concentrating a relevant volume of fruit from this country in 1Q19, a period in which it coincided with the Chilean production that is usually marketed in this period.

## NET OPERATING INCOME (ThUS\$)




Jul17 - Mar18



Jul18 - Mar19



Blueberries	Jul17 - Mar18	Jul18 - Mar19	% Chg
Sales volume (kg)	29,868,263	44,716,293	49.71%
Share of total	74.18%	82.32%	-
Average price (US\$/kg)	9.36	8.25	-11.98%

 Costs (ThUS\$)  Revenue (ThUS\$)  Operating Result (ThUS\$)

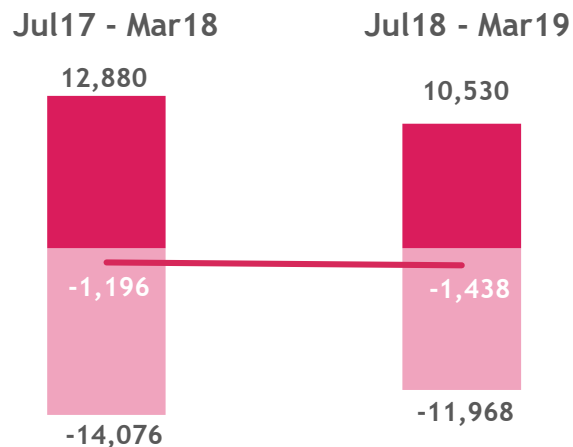


# Raspberries



- **18% drop in revenue:** -9% volume and -10% average price per kilo.
- The drop in volume is largely attributable to a lower distributed volume in Spain than the previous season. Regarding the volume coming from Mexico, there was no significant variation, despite having a smaller area planted due to the varietal replacement process (132 Has as of March 2018 vs. 99 Has as of March 2019).
- The average price per kilo fell due to greater availability of fruit on the US market.
- The operating margin fell due to lower revenue, reflecting reduced distributed volume and lower price per kilo, which was partially offset by lower operating costs.

## NET OPERATING INCOME (ThUS\$)



Raspberries	Jul17 - Mar18	Jul18 - Mar19	% Chg
Sales volume (kg)	1,280,684	1,161,785	-9.28%
Share of total	3.18%	2.14%	-
Average price (US\$/kg)	10.06	9.06	-9.87%

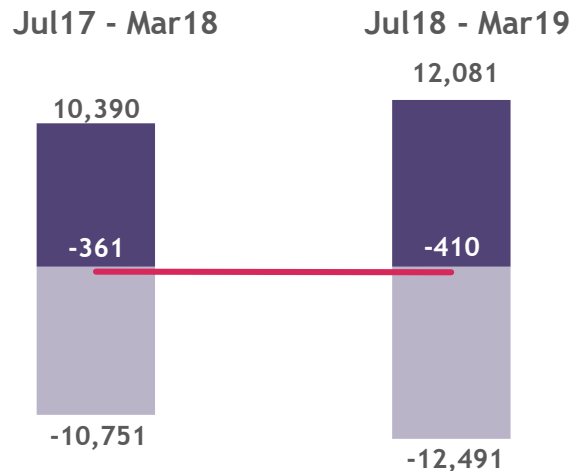
■ Costs (ThUS\$) 
 ■ Revenue (ThUS\$) 
 — Operating Result (ThUS\$)



- **Sales up 16%:** 28% volume and -9% average price per kilo.
- The higher volume is attributable to an increase in the volume acquired from third-party producers in Mexico as part of the plan to provide proprietary varieties (Madeleine). Implementation of the plan began in 17/18S.
- The lower sales price is associated with higher volume and fruit available on the US market, as well as some quality problems at the beginning of the season (due to adverse weather events).

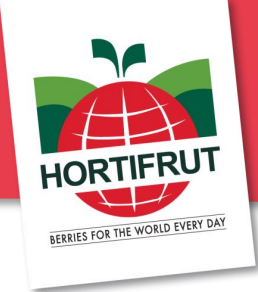


## NET OPERATING INCOME (ThUS\$)



■ Costs (ThUS\$) ■ Revenue (ThUS\$) — Operating Result (ThUS\$)

Blackberries	Jul17 - Mar18	Jul18 - Mar19	% Chg
Sales volume (kg)	1,604,005	2,048,481	27.71%
Share of total	3.98%	3.77%	-
Average price (US\$/kg)	6.48	5.90	-8.95%



# Strawberries



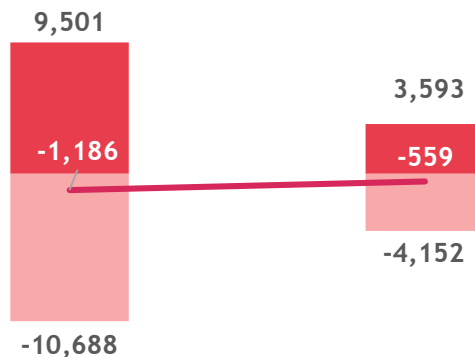
- **Sales down 62%:** -62% volume and -0.4% average price per kilo.
- The decrease in the commercialized volume is explained by a reduction in the volume of third-party fruit intake from Mexico, seeking to minimize financial risk since this business involves providing financing to third-party producers.
- Average price remained in line compared with the same period in the previous season.



## NET OPERATING INCOME (ThUS\$)

Jul17 - Mar18

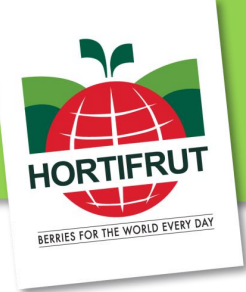
Jul18 - Mar19



Costs (ThUS\$) Revenue (ThUS\$) Operating Result (ThUS\$)

Strawberries	Jul17 - Mar18	Jul18 - Mar19	% Chg
Sales volume (kg)	2,069,737	786,239	-62.01%
Share of total	5.14%	1.45%	-
Average price (US\$/kg)	4.59	4.57	-0.44%





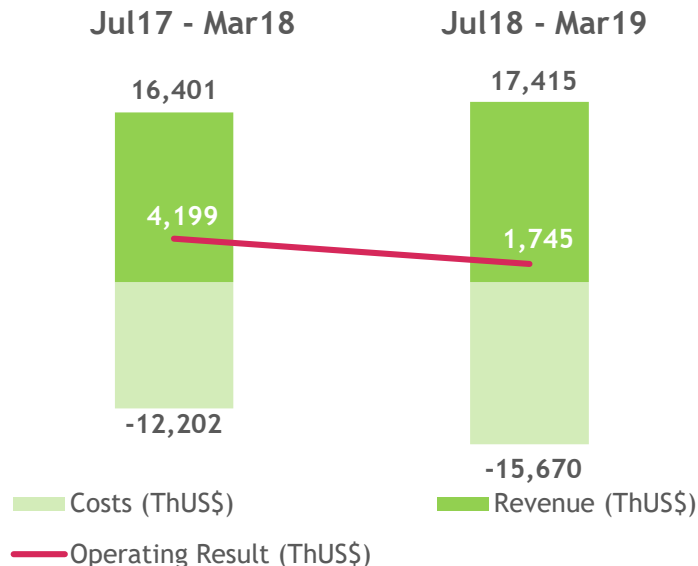
# Value-Added Products



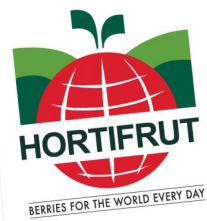
- **Sales up 6%:** 9% volume and -2% average price per kilo.
- The increased volume is primarily attributable to higher demand for frozen products on the US market in the first 9 months of the current season.
- The higher volume was partially offset by a drop in prices due to the increased share of conventional fruit in the sales mix. Conventional fruit is sold at lower prices than organic fruit.
- Additionally, the drop in the operating result is also explained because during 1Q19 a higher volume of fruit was purchased and processed compared to 1Q18, incurring in higher costs, fruit that will be sold in the remainder of 2019.



## NET OPERATING INCOME (ThUS\$)



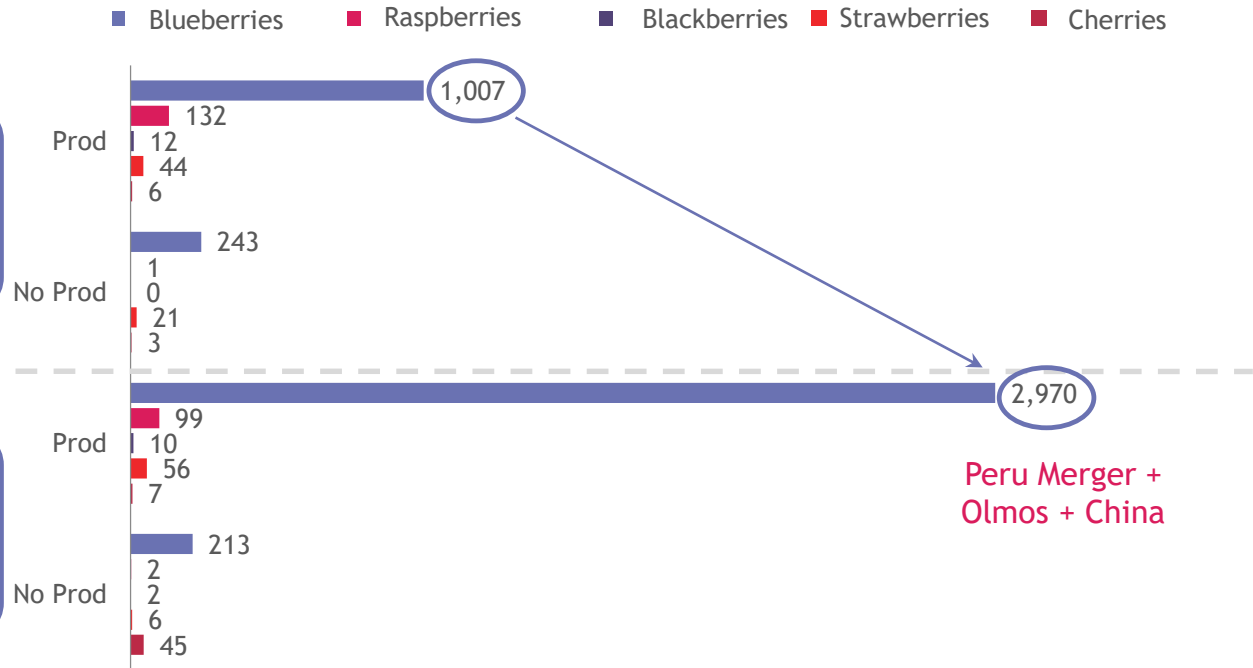
Value-Added Products	Jul17 - Mar18	Jul18 - Mar19	% Chg
Sales volume (kg)	4,636,855	5,033,215	8.55%
Share of total	11.52%	9.27%	-
Average price (US\$/kg)	3.54	3.46	-2.18%



# Planted Hectares

**Mar18**  
1,467 ha

**Mar19**  
3,408 ha



- In addition to the surface area above, there are 328 hectares planted (all of which are productive) in projects that belong to associates not consolidated by Hortifrut:
  - 236 hectares of blueberries in containers at Munger Hortifrut NA LLC. (USA), all of which are productive.
  - 15 hectares of raspberries at Hortifrut Berries Maroc S.R.L. (Morocco), all of which are productive.
  - 77 hectares of blueberries at Margesi S.A. (Argentina), all of which are productive.

# Conclusions



## EBITDA

MUS\$99.7 in July 2018 - March 2019 (+MUS\$54.5) as a result of:

- +35% in distributed volume of fruit from Peru (Trujillo and Olmos)
- -7% in the average price per kilo of all fruit, except cherries (which was up 77%).

## PRODUCTION IN PERU

Volume from Peru increased significantly, while average prices per kilo fell, particularly for Peruvian and Chilean operations as a lag in the production curve in Peru caused a concentration in the supply of fruit from these two origins during 1Q19. Adverse weather events also deteriorated fruit quality. Additionally the period presented higher costs for preventive and palliative agricultural applications associated with the quality of the fruit.

## PROJECT IN CHINA

The first harvest from the project in China has begun. Sales for the first 30 ha of the project are estimated at 270 tons (0.9kg/plant in its first year of production).







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