



# Earnings Report June 2019

September 2019

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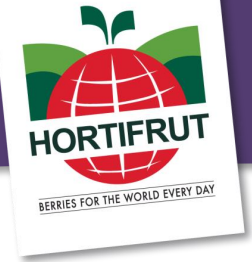
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# Highlights



## 1. CAPITAL INCREASE

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- In the Extraordinary Shareholders' Meeting, held on April 30, 2019, a **capital increase of US\$160 million** was approved.
- The funds will be used to finance **organic growth** in the countries that supply the markets of North America, Europe and Asia, during every week of the year, **strengthen commercial platforms** and **meet the growing demand** for the Company's products.
- In July, the controlling group of the Company subscribed the entire corresponding pro rata (51.85%).
- During the preferential offer period, **\$94,235,122,800 was raised** by subscribing a total of 51,777,240 shares, **reaching a 84.88% subscription** of the 61,000,000 shares issued.

## 2. REFINANCING AND FIRST BOND ISSUANCE

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- In May 2019 Hortifrut S.A. successfully completed and **inaugural placement of bonds in the local market of UF2,250,000.**
- 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.
- Demand exceeded by 3 times the total amount placed, with **rates of 1.56% for series A and 2.37% for series B.**
- The total amount issued in dollars was converted using cross currency swaps.



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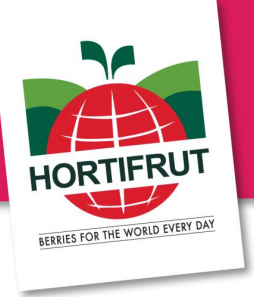
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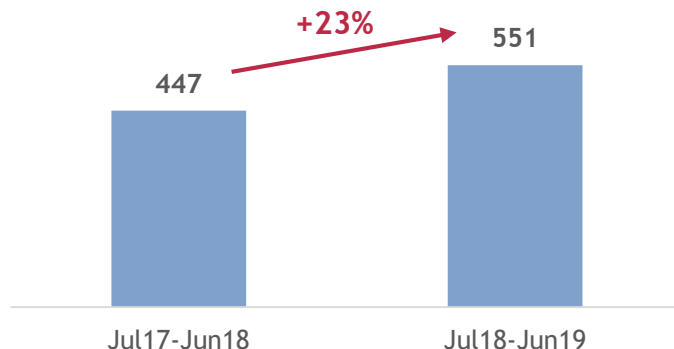
# US\$106 millions in EBITDA for Jul18-Jun19



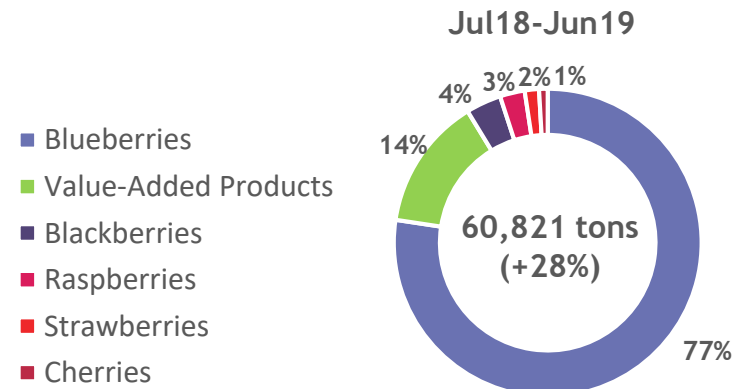
- **EBITDA increases by US\$58 millions** compared to the end of the Jul17-Jun18 season, mainly associated with the incorporation of the Blueberry business of the Grupo Rocío in Peru into the Company.
- The **volume distributed increased 28%, reaching 60,821 tons**, with growth in the segments: Blueberries, Blackberries and Value Added Products.
- **Decrease of 2% of the average price per kilo.** There is a fall in the prices of all segments, except for Cherries and Strawberries.



## 1. CONSOLIDATED REVENUE (MUS\$)



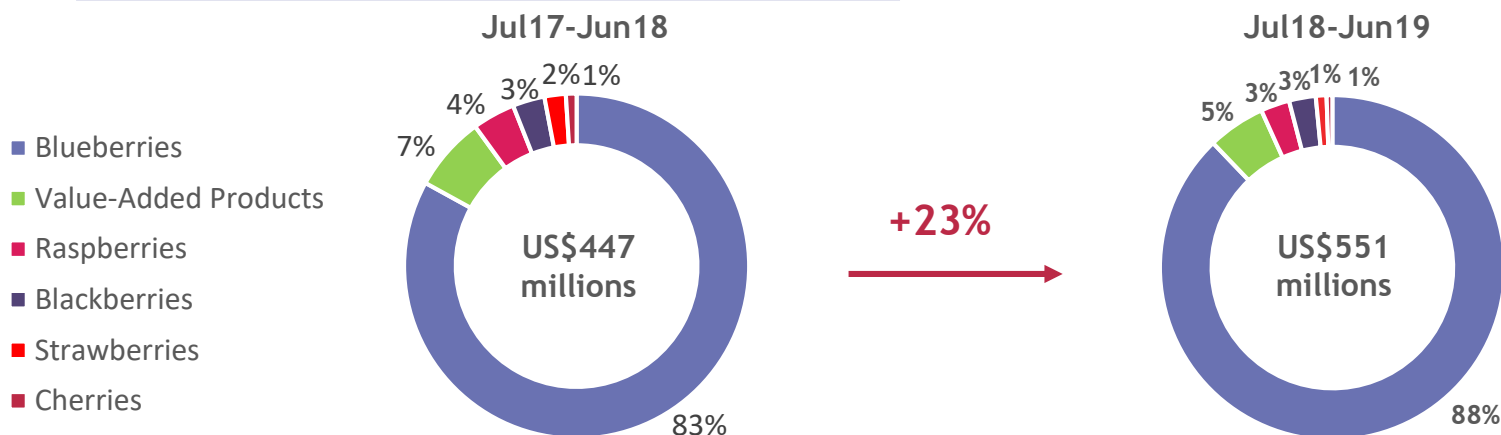
## 2. DISTRIBUTED VOLUME (%)



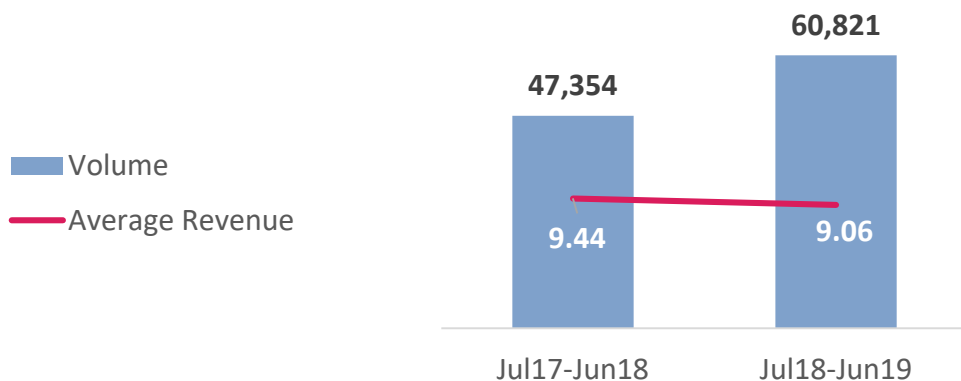
# Revenue Jul17- Jun18/Jul18 - Jun19 Seasons



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

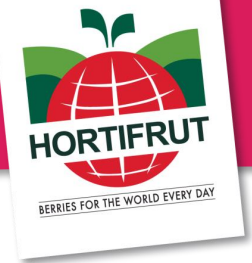


## 2. VOLUME - AVERAGE REVENUE (Tons/US\$kg)

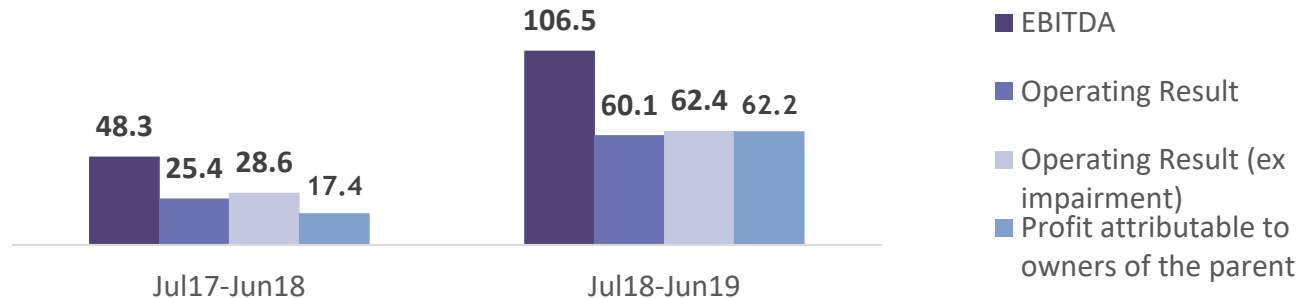


- The higher revenue is due to an increase in distributed volume of 28.44%, mainly of fruit from Peru, partially offset by a decrease in average income per kilo of 4.07%.

# Consolidated Results Jul17 - Jun18 / Jul18 - Jun19 Seasons



## 1. CONSOLIDATED RESULTS (MUS\$)



EBITDA	+ 120% (incorporation into the Company of the Blueberry business of the Grupo Rocío in Peru, growth of the operation in Mexico and beginning of operations in China)
Operating Result	+ 137% (largely linked to the operation in Peru after the acquisition of the Blueberry business of Grupo Rocío)
Profit Attributable to Owners of the Parent	+ 258% (associated with the increase in the operating result and the increase in the non-operating result (adjustment to the fair value of the 50% participation of Hortifrut Tal S.A.C. for US\$44.5 millions net of taxes), effects partially offset by a higher earnings tax of US\$15.6 millions and a higher financial cost of US\$17.9 millions.

# Non-operating Result for the Season



	Jul17-Jun18 (ThUS\$)	Jul18-Jun19 (ThUS\$)	% Change
Financial income	2,221	790	-64.4%
Finance expenses	-8,114	-25,969	220.1%
Share of profit (loss) of equity-accounted associates and joint ventures	8,876	-5,979	-167.4%
Other income/expenses	-248	60,527	-24506.1%
Exchange differences	-2,482	25	-101.0%
Non-operating result	253	29,394	11518.2%

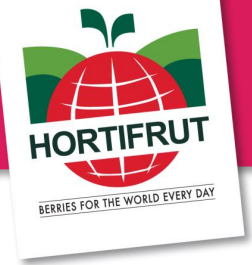


## MAIN VARIATIONS

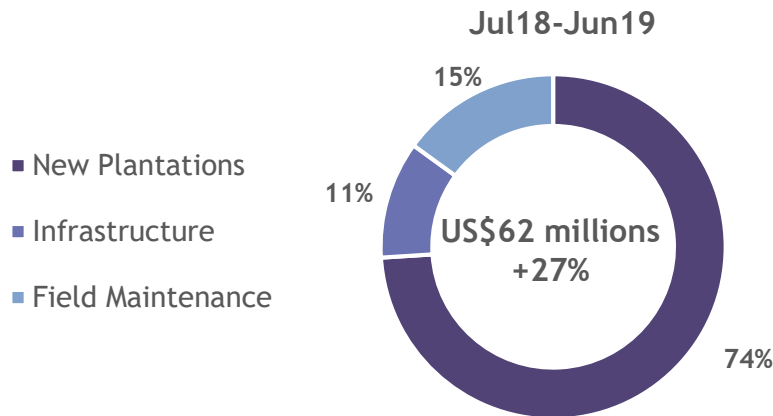
- **Net financial expenses:** increased due to a higher level of average debt, linked to the financing of the purchase and merger of the Blueberry business of the Grupo Rocío in Peru, to the incorporation of the existing debt in the businesses acquired in this transaction, to the working capital necessary for the operations in Peru and rising interest rates on short-term debt.
- **Equity-accounted associates:** the decrease is mainly explained because Hortifrut Tal S.A.C. (Peru), a company that generated most of the profit in the period July17-June18 (US\$11.8 millions), became within the scope of consolidation in the Hortifrut financial statements since the transaction in Peru.
- **Other income/expenses:** the profit of the period Jul18-Jun19 is associated with the recognition at fair value of the 50% of Hortifrut Tal S.A.C. that was from Hortifrut before the merger.
- **Exchange rate differences:** During the period July18-June19, this result was influenced by the appreciation of the Euro and the Chilean Peso against the US Dollar, compared to an opposite movement of these parities in the same period of the 2017-18 Season.



# 18/19 Season Investments and Net Financial Debt



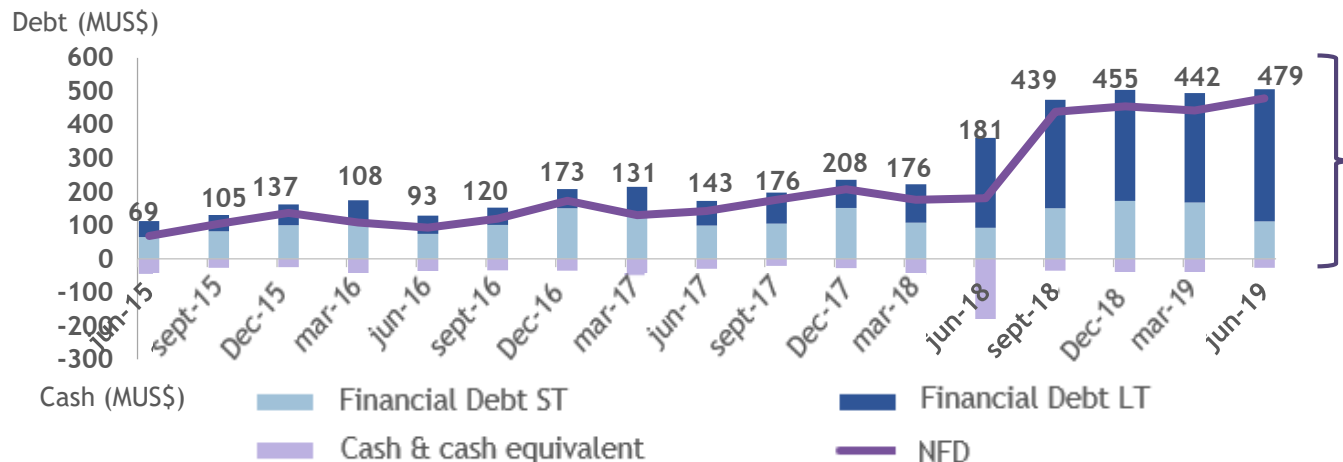
## 1. INVESTMENTS, BY TYPE (%)



- Investment in new plantations correspond mainly to projects in Peru, China and Mexico.
- The increase compared to the Jul17-Jun18 period is associated with investments in organic growth projects in China, Peru and Mexico.



## 2. NET FINANCIAL DEBT (MUS\$)



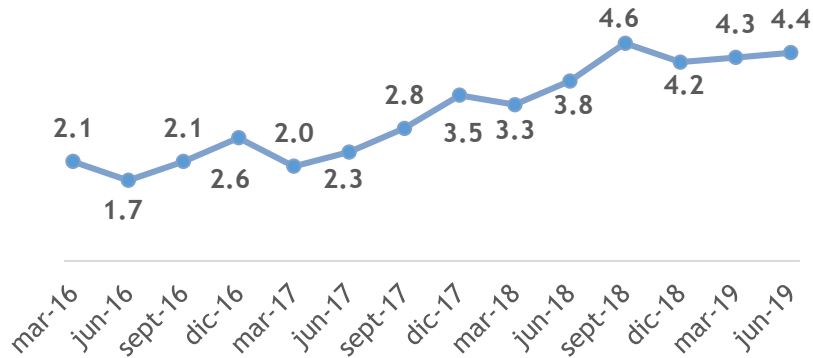
- NFD increase compared to Dec18 due to the execution of the Company's investment plan, in addition to the entry into force of IFRS16, which recognizes a lease liability of US\$13.5 millions.

# Debt Covenants



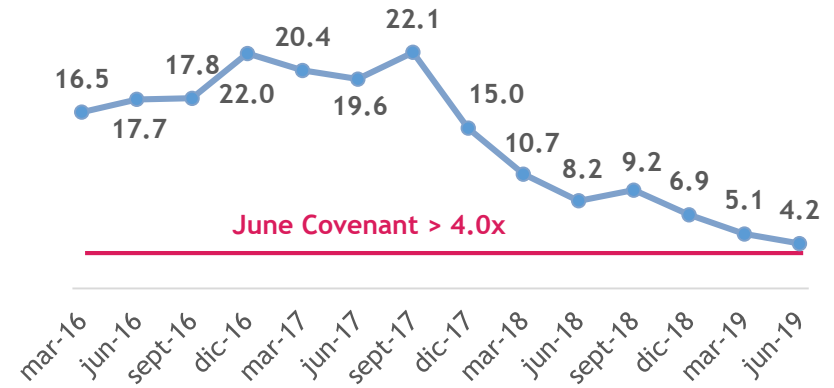
## 1. NET FINANCIAL DEBT / EBITDA (times)

June Covenant < 4.5x



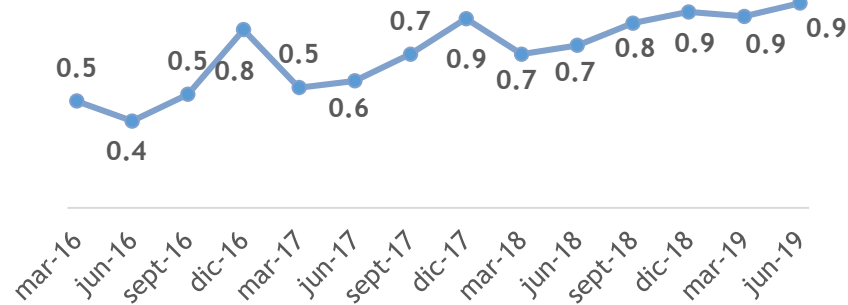
## 2. EBITDA / NET FINANCIAL EXPENSES (times)

June Covenant > 4.0x



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

June Covenant < 1.0x



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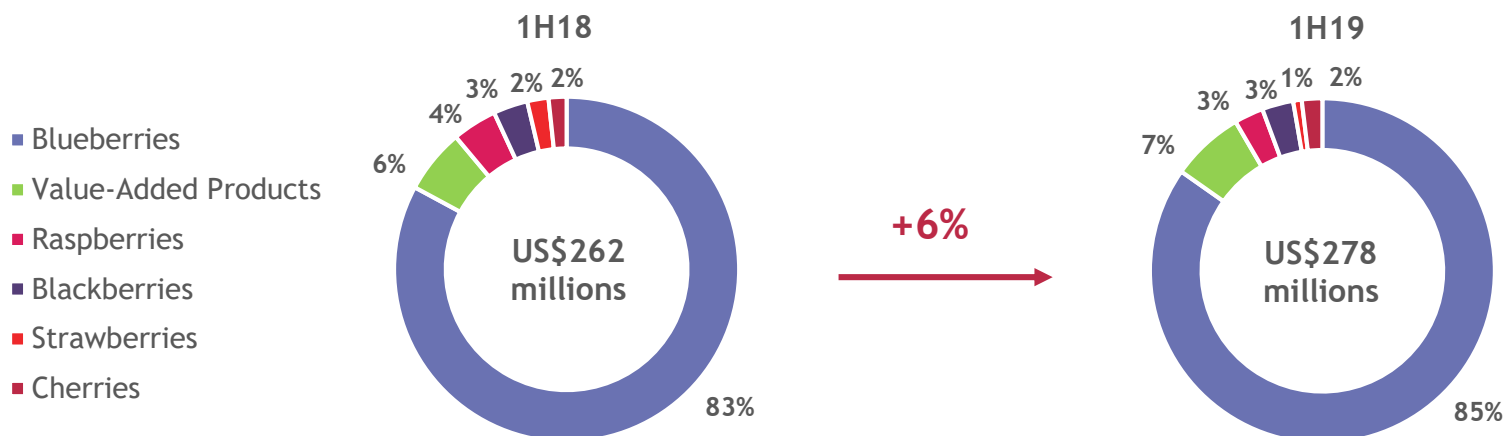
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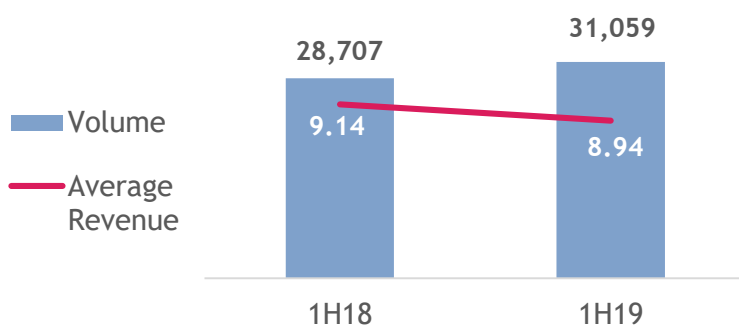




## 1. CONSOLIDATED REVENUE, BY SEGMENT (%)



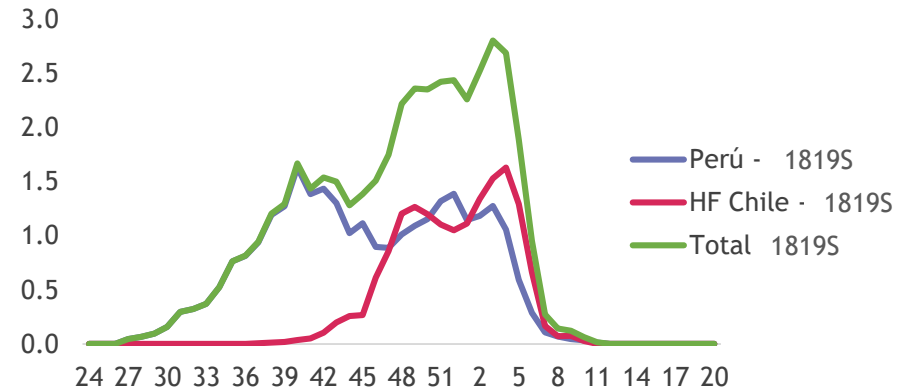
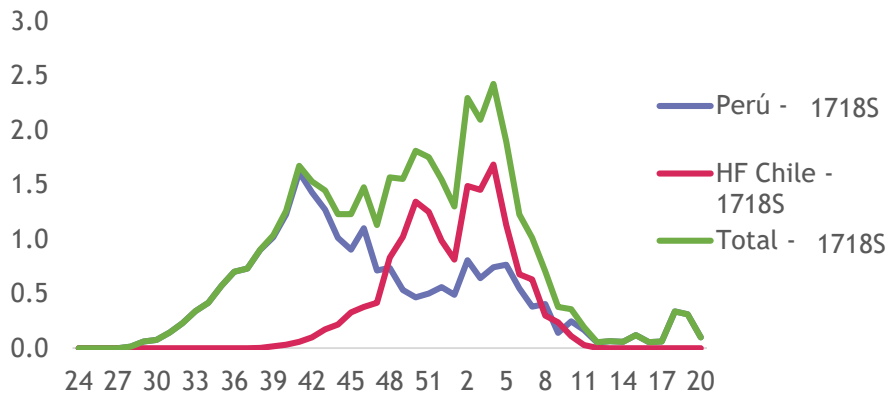
## 2. VOLUME / AVERAGE REVENUE (Tons/US\$kg)



- The increase in revenue is mainly explained by an increase of 8.2% of the volume distributed, mainly due to fruit from Peru and Mexico, to the sale of plants and higher revenue from services during 1H19, offset to some extent by a lower average income per kilo of 2.2%.



## Weekly volume Peru and Chile (per week of dispatch)



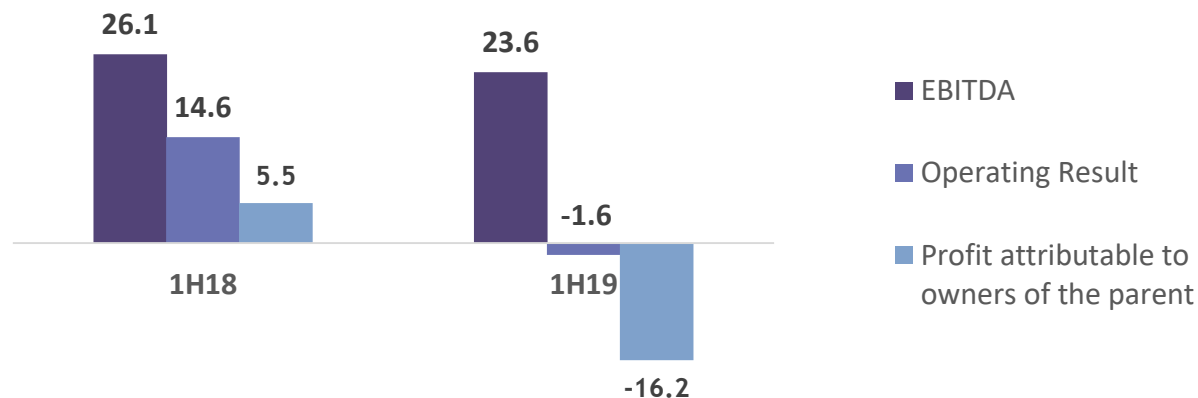
- Overlapping production curves of Peru with Chile:
  - Lower average revenue per kilo -2.2%.
  - Reverse of the fair value of fruit adjustment accounted for as of Dec18 (US\$6.0 millions) that was only partially offset by real margin obtained with the sale of this fruit.
- Increase in administrative and sales expenses of US\$6.47 millions (+ 78%) mainly due to the incorporation of operations in Peru that were not in the 1H18.
- Increase in financial expenses from US\$5.0 millions to US\$13.7 millions associated with the purchase and merger of the Grupo Rocío's Blueberry business in Peru.



# Consolidated Results Jan - Jun 19



## 1. CONSOLIDATED RESULTS (MUS\$)



### EBITDA

-9% (lower average income per kilo, due to the displacement of the production curve in Peru in the 1Q19, higher sales costs associated with higher preventive and palliative agricultural applications to maintain fruit quality and higher administration and sales expenses due to the incorporation of the business in Peru)

### Operating Result

-111% (same effects that in EBITDA)

### Profit Attributable to Owners of the Parent

-US\$21.7 millions (lower operating result associated with factors explained above and higher non-operating losses mainly related to the increase in net financial expenses)

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# Blueberries



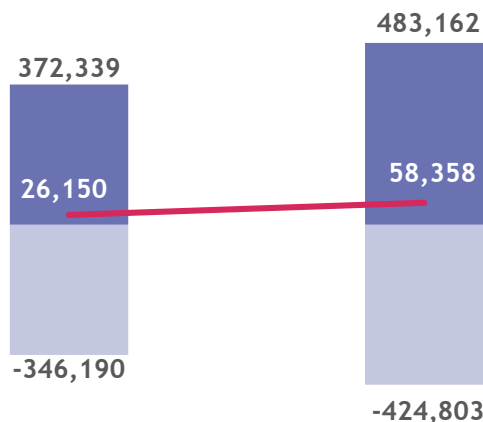
- **30% growth in sales:** +44% volume and -7% average price per kilo.
- The increase in volume distributed is mainly due to the increase of the fruit from Peru, both due to the purchase and merger operation carried out recently, as well as the maturation of the plantations that were owned by Hortifrut prior to this transaction (HFTal and Olmos).
- The price reduction is largely associated with extraordinary climatic events that affected the quality of the fruit and delayed the production curve of Peru, with a significant volume of fruit from this country being concentrated in 1Q19, a period in which it coincided with the Chilean production that is usually marketed in this period.



## OPERATING RESULT (ThUS\$)

Jul17-Jun18

Jul18-Jun19



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

Blueberries	Jul17-Jun18	Jul18-Jun19	Var (%)
Sales volume (kg)	32,791,641	47,044,824	43.5%
Share of total	69.25%	77.35%	-
Average price (US\$/kg)	9.92	8.67	-6.6%

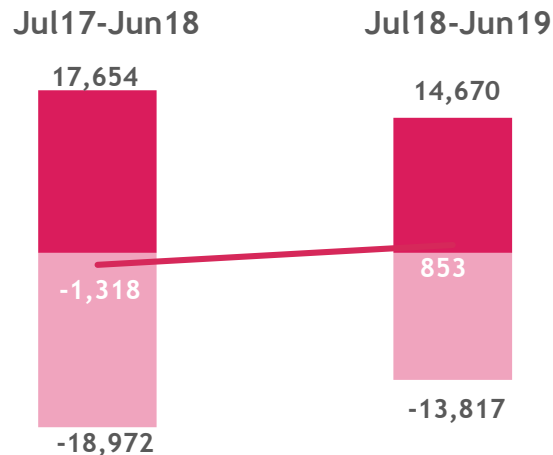
# Raspberries



- **17% Revenue decrease:** -9% volume and -9% average price per kilo.
- The fall in volume is explained, to a large extent, by a smaller volume distributed in Spain compared to the previous season. As for the volume from Mexico, it grew by 14% despite having a smaller planted surface because of the varietal replacement process (145 hectares at June 2018 vs. 101 hectares at June 2019).
- The average price per kilo decreased due to the higher availability of fruit in the US market.
- On its part, the operating margin went from a loss in 17/18S to a profit in 18/19S as a result of the varietal replacement process, since when planting varieties with higher productivity/ha the fixed costs of the agricultural operation are diluted.



## OPERATING RESULT (ThUS\$)



Raspberries	Jul17-Jun18	Jul18-Jun19	Var (%)
Sales volume (kg)	1,743,945	1,593,536	-8.62%
Share of total	3.68%	2.62%	-
Average price (US\$/kg)	10.12	9.21	-9.06%

# Blackberries



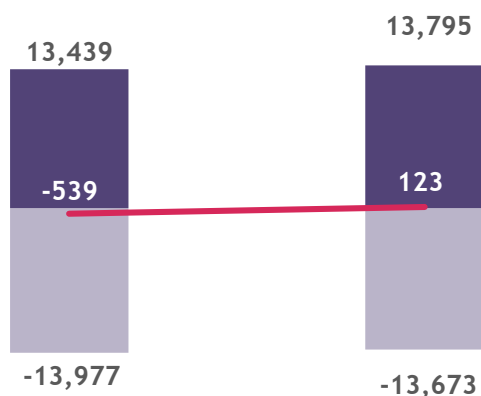
- **3% increase in sales:** +12% volume and -8% average price per kilo.
- The increase in volume is explained by an increase in the volume of third-party producers in Mexico, associated with the delivery plan of own varieties (Madeleine) that began to be executed during 17/18S.
- The reduction in the sale price is associated with a higher volume of fruit available in the US market, as well as some quality problems at the beginning of the season (due to adverse weather events).
- The operating margin went from a loss of US\$0.5 millions to a profit of US\$0.1 millions, associated with the higher volume of fruit distributed from Mexico.



## OPERATING RESULT (ThUS\$)

Jul17-Jun18

Jul18-Jun9



Blackberries	Jul17-Jun18	Jul18-Jun19	Var (%)
Sales volume (kg)	2,023,220	2,264,989	11.95%
Share of total	4.27%	3.72%	-
Average price (US\$/kg)	6.64	6.09	-8.30%

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



# Strawberries



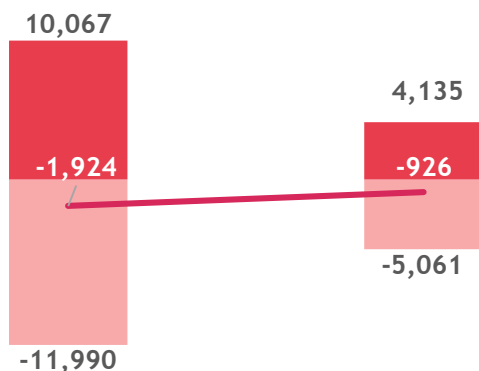
- **59% decrease in sales:** -60% volume and +4% average price per kilo.
- The decrease in commercialized volume is explained by a reduction of the volume of third-party fruit pick-up from Mexico, seeking to minimize financial risk since this business implies providing financing to third-party producers.
- The price increased compared to the same period of the previous season due to lower availability of fruit.



## OPERATING RESULT (ThUS\$)

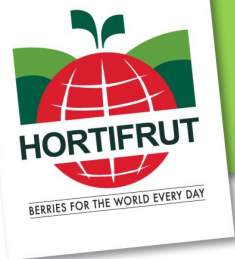
Jul17-Jun18

Jul18-Jun19



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

Strawberries	Jul17-Jun18	Jul18-Jun19	Var (%)
Sales volume (kg)	2,232,911	884,876	-60.37%
Share of total	4.72%	1.45%	-
Average price (US\$/kg)	4.51	4.67	3.64%



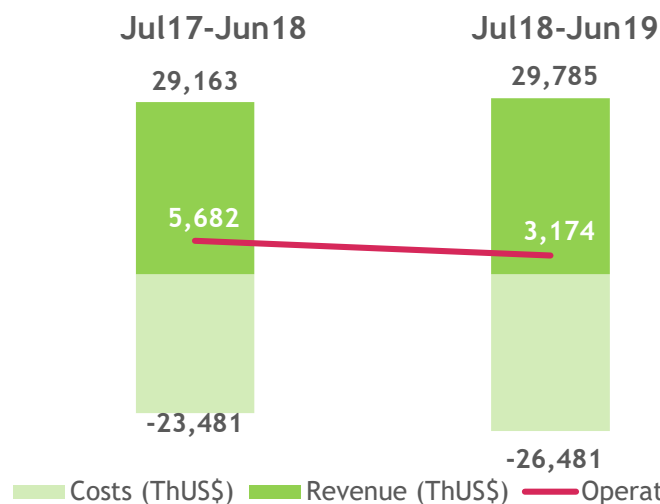
# Value-Added Products



- **2% increase in sales:** +9% volume and -6% average price per kilo.
- The higher volume is mainly explained by a higher demand for frozen products in the North American market during 18/19S.
- The increase in volume was partially offset by a fall in prices by the increase in the share of conventional fruit in the sales mix, which is sold at lower prices than organic fruit.
- Additionally, the fall in the operating result is also explained because during the 1H19 a larger volume of fruit was bought and processed than during the same period of the previous year, incurring in higher costs, fruit that will be sold in the remainder of the year 2019.

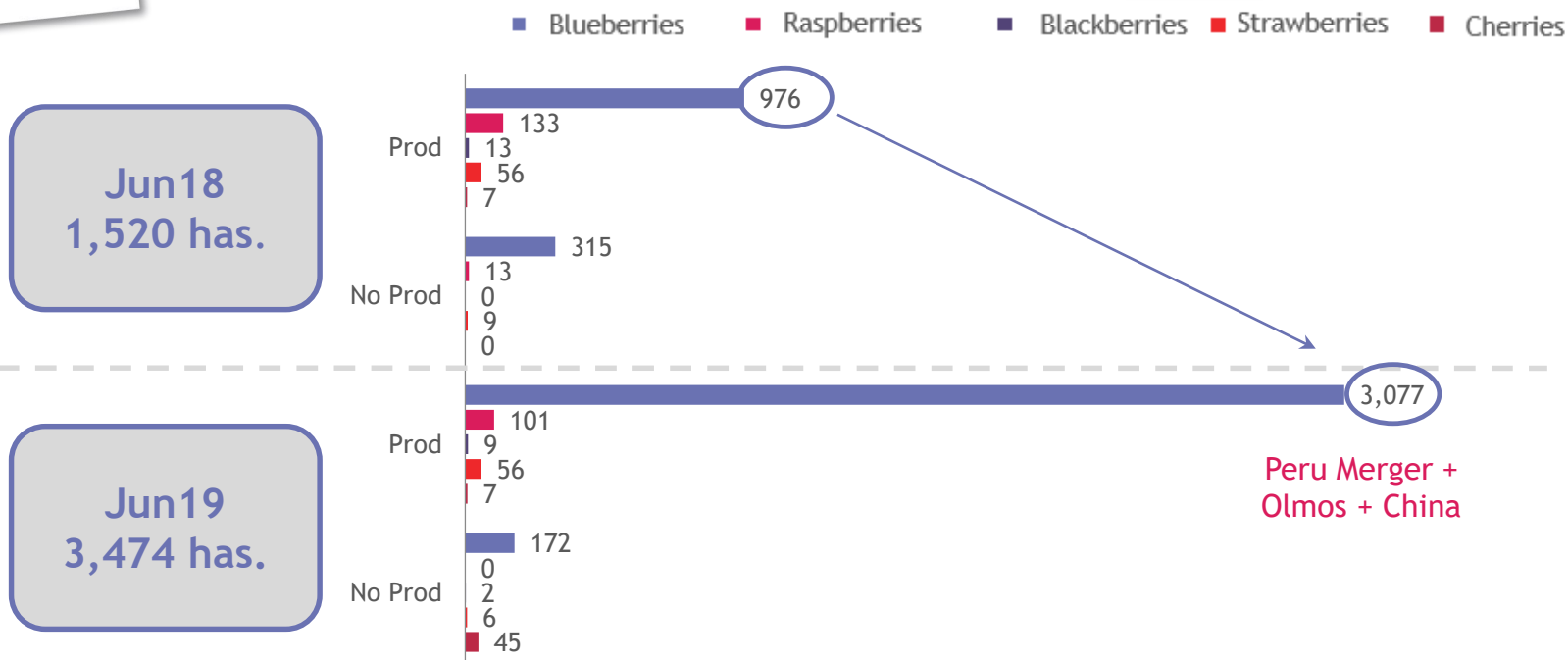


## OPERATING RESULT (ThUS\$)



Value-Added Products	Jul17-Jun18	Jul18-Jun19	Var (%)
Sales volume (kg)	7,756,214	8,461,649	9.10%
Share of total	16.38%	13.91%	-
Average price (US\$/kg)	3.76	3.52	-6.38%

# Planted Hectares Evolution



- In addition to the surface area above, there are 334 hectares planted (all of which are in productive stage) in projects that belong to associates, which do not consolidate in Hortifrut:
  - 237 hectares of blueberries in pots at Munger Hortifrut NA LLC. (USA), all of which are in productive stage.
  - 20 hectares of raspberries at Hortifrut Berries Maroc S.R.L. (Morocco), all of which are in productive stage.
  - 77 hectares of blueberries at Margesi S.A. (Argentina), all of which are in productive stage.

# Conclusions



## EBITDA

US\$106,5 millions durante Julio 2018 - Junio 2019 (+US\$58,2 millions) because:

- Incorporation of the Grupo Rocío's Blueberry business in Peru, resulting in a 28% increase in total distributed volume to 60,821 tons. the 18/19S.

## 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 of the project in this country has already been completed, with 297 tons. sold from the first 30 hectares (almost 1.0 kg/plant in its first year of production). Advancing in the plantation of the following planting stages.

## PROJECT IN MEXICO

In blueberries, planting preparation work has already begun for 200 hectares of a total of 280 hectares to be planted during 19/20S. Raspberries, it is in the process of finding land for plantations of 19/20S.







BERRIES FOR THE WORLD EVERY DAY



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