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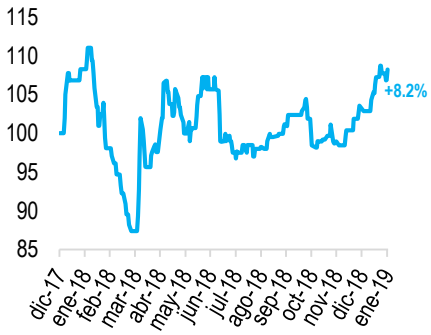
Hortifrut SA (HF CC Equity)

A **"berry"** nice superfood producer that offers unsuspected growth opportunities. Initiating coverage with a BUY

- Initiating Coverage with a BUY Rating – We are initiating coverage of Hortifrut with a BUY and a year-end target price of ChP2,650 per share, offering a 21% ETR. The stock is currently trading at a 2019e P/E and EV/EBITDA of 26.4x and 13.4x, respectively, which compares favorably with its historical average P/E (33x) and EV/EBITDA (16x), and also with the valuations of its closest global peer (Calavo Growers). HF is the world's largest exporter of blueberries and offers an attractive FCF yield (+5% by 2020 and +7.5% longer term), which combined with some strong global secular trends, justifies premium valuations, in our view. In addition to this, the asymmetry on our bear/bull scenarios offers limited downside (-5%).
- Merger with Rocio Group (Peru), a significant milestone – In 3Q18, HF completed the acquisition of Rocio Group's blueberry operations in Peru, doubling its cultivated area, for a total amount of ~USD450 million. This allowed HF to diversify its base of fruit supply, reaching a sizeable position in Peru, a country that is estimated to surpass Chile as the world's largest exporter of blueberries shortly.
- Blueberries' global demand expected to remain strong – In the 2007-2016 period, blueberries were the best selling fruit worldwide (12.8% CAGR; 2.5x the total fruits category). Global production is expected to grow at a CAGR of ~7% by 2021. Global demand will expand amid the low per capita consumption, rising supply (making it more affordable), and strong secular trends such as rising awareness of the health benefits it carries, the growing preference towards organic products and an increase in the scope of blueberry applications, among others.
- Aggressive de-leveraging to provide fire power– Due to the high cash flow generation of the acquisition in Peru and other initiatives ramping up, we expect a very aggressive de-leveraging process by 2020 (ND/Equity and ND/EBITDA of ~0.5x and ~2.0x, respectively), giving room to continue exploring growth opportunities.
- HF will soon start producing in the Yunnan Province, which is expected to become **China's** Blueberry Capital – Joy Wing Mau (JWM), the leading producer and distributor of fruit in China, engaged into a JV with HF in 2017, under which terms HF will be the producer and JWM the national distributor. HF fields are located in the Yunnan Province, a key region for early season blueberries. We see strong potential for growth in Chinese demand, given the extremely low per capita consumption there (5 grams/year vs 800 grams in the US).
- Unsuspected growth opportunities – The deep integration through the value chain (genetics to customer stores) and a global network of strategic alliances, gives the company access to cutting-edge genetics, best agriculture practices and early knowledge on market/consumer trends. This allows the company to identify business opportunities, which coupled with a strong balance sheet should allow HF to continue with the strong growth required to maintain its global leadership.

Recommendation	BUY
Target Price (CLP)	$2,650
Current Price (CLP)	$2,210
Market Cap (US$ million)	$1,770
Expected Total Return (ETR)	21%

Price Performance



Source: Bloomberg, Banchile Equity Research.

Note: Price in Chilean Peso (base = 100, 12/31/2017)

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Financials

Income Statement (USD th)	2016A	2017A	2018E	2019E	2020E	2021E	2022E	2023E
Sales revenue	426.796	388.250	512.187	611.203	733.918	802.611	842.858	872.757
Cost of sales	-356.758	-324.718	-414.665	-446.239	-531.798	-572.336	-601.607	-621.524
Gross profit	70.038	63.532	97.522	164.964	202.120	230.275	241.251	251.233
Gross margin (%)	16,4	16,4	19,0	27,0	27,5	28,7	28,6	28,8
EBITDA	48.198	56.305	130.080	164.438	195.098	214.897	221.505	228.648
Depreciation & amortization	22.408	23.794	34.898	45.969	46.865	46.865	46.865	46.865
EBIT = Operating Income	25.790	32.511	95.181	118.469	148.233	168.033	174.640	181.783
Adjusted EBITDA	66.902	59.520	96.594	164.438	195.098	214.897	221.505	228.648
Net financial expenses	-3.041	-3.965	-14.295	-22.227	-21.831	-21.631	-21.515	-21.428
Results from affiliates	4.940	9.468	-1.636	1.354	2.017	2.679	2.982	2.982
Pre-tax profit	28.217	32.395	140.874	97.596	128.420	149.080	156.107	163.338
Tax	-7.469	-4.690	-34.385	-26.065	-34.100	-39.329	-43.700	-45.598
Minority Interest	1.823	1.142	6.561	5.808	9.718	13.510	15.938	18.037
Net Income to controlling sh.	18.925	26.563	99.927	65.723	84.602	96.241	96.470	99.702

Balance Sheet (USD th)	2016A	2017A	2018E	2019E	2020E	2021E	2022E	2023E
Cash & cash equivalents	35.245	27.838	30.614	68.038	125.654	194.706	275.463	362.585
Accounts receivables	42.578	46.092	67.057	80.020	96.086	105.079	110.349	114.263
Inventory	56.811	44.556	50.727	60.533	72.687	79.490	83.476	86.437
Property, plant & equipment	204.863	245.060	690.964	690.725	662.040	633.719	605.769	578.197
Goodwill	26.769	26.769	179.770	179.770	179.770	179.770	179.770	179.770
Other assets	165.579	182.373	184.541	193.476	204.887	212.825	218.888	224.159
Total assets	531.845	572.688	1.203.673	1.272.562	1.341.123	1.405.589	1.473.714	1.545.411
Accounts payable	60.009	49.724	43.133	51.472	61.806	67.591	70.981	73.499
Short-term debt	150.787	151.531	37.418	90.869	55.414	52.490	56.739	56.993
Long-term debt	57.630	83.966	436.711	383.260	418.715	421.640	417.390	417.136
Other liabilities	47.323	43.892	136.857	138.084	139.605	140.456	140.955	141.326
Total liabilities	315.749	329.113	654.119	663.685	675.540	682.177	686.065	688.953
Shareholder's equity	186.448	206.817	498.311	551.826	598.815	643.134	691.434	742.204
Minority Interest	29.648	36.758	51.242	57.050	66.768	80.278	96.216	114.254
Total equity	216.096	243.575	549.554	608.877	665.583	723.412	787.650	856.457

Growth rates (YoY % Change)	2016A	2017A	2018E	2019E	2020E	2021E	2022E	2023E
Sales revenue	22,3	-9,0	31,9	19,3	20,1	9,4	5,0	3,5
Gross profit	28,5	-9,0	27,7	7,6	19,2	7,6	5,1	3,3
EBITDA	19,7	16,8	131,0	26,4	18,6	10,1	3,1	3,2
Adjusted EBITDA	66,1	-11,0	62,3	70,2	18,6	10,1	3,1	3,2
EBIT = Operating income	-10,5	26,1	192,8	24,5	25,1	13,4	3,9	4,1
Net profit	40,2	40,4	276,2	-34,2	28,7	13,8	0,2	3,4

Efficiency Ratios (%)	2016A	2017A	2018E	2019E	2020E	2021E	2022E	2023E
Gross Profit Margin	16,4	16,4	19,0	27,0	27,5	28,7	28,6	28,8
EBITDA Margin	11,3	14,5	25,4	26,9	26,6	26,8	26,3	26,2
Adjusted EBITDA Margin	15,7	15,3	18,9	26,9	26,6	26,8	26,3	26,2
EBIT Margin	6,0	8,4	18,6	19,4	20,2	20,9	20,7	20,8
Net Profit Margin	4,4	6,8	19,5	10,8	11,5	12,0	11,4	11,4

Profitability and Debt Ratios	2016A	2017A	2018E	2019E	2020E	2021E	2022E	2023E
ROAE (%)	10,5	13,5	28,3	12,5	14,7	15,5	14,5	13,9
ROAA (%)	4,1	5,0	12,0	5,8	7,2	8,0	7,8	7,8
Net Financial debt / Equity (x)	0,8	0,9	0,8	0,7	0,5	0,4	0,3	0,1
NFD / EBITDA (x)	3,6	3,7	3,4	2,5	1,8	1,3	0,9	0,5
EBITDA / Net Financial Expenses (x)	15,8	14,2	9,1	7,4	8,9	9,9	10,3	10,7

Source: Banchile Research

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Financials

Cash Flow (USD th)	2016A	2017A	2018E	2019E	2020E	2021E	2022E	2023E
Net income	20.748	27.705	106.488	71.531	94.320	109.751	112.407	117.739
Depreciation & amortization	22.408	23.794	34.898	45.969	46.865	46.865	46.865	46.865
Working capital	-2.621	-4.486	-24.598	-20.784	-25.759	-14.419	-8.448	-6.276
Other	9.068	-14.926	-68.169	-1.354	-2.017	-2.679	-2.982	-2.982
Operating cashflow	49.603	32.087	48.620	95.362	113.409	139.518	147.842	155.346
Capex	-39.734	-58.309	-70.940	-42.080	-18.180	-18.544	-18.914	-19.293
Other	-25.863	5.260	-332.720	-3.650	0	0	0	0
Investing cashflow	-65.597	-53.049	-403.660	-45.730	-18.180	-18.544	-18.914	-19.293
Dividends paid	-10.451	-13.693	-13.612	-12.208	-37.613	-51.922	-48.170	-48.932
Other	37.254	27.971	371.426	0	0	0	0	0
Financing cashflow	26.803	14.278	357.814	-12.208	-37.613	-51.922	-48.170	-48.932
Other	-163	-723	2	0	0	0	0	0
Net change in cash	10.646	-7.407	2.776	37.424	57.616	69.052	80.758	87.121

Segment information	2016A	2017A	2018E	2019E	2020E	2021E	2022E	2023E
Volume (tons)	51.491	46.060	57.888	73.959	87.378	94.703	98.901	100.502
Blueberries	31.706	30.996	43.211	58.121	68.260	75.562	79.631	81.103
Other berries and value-added products	19.785	15.064	14.677	15.838	19.118	19.140	19.270	19.399
Avg. Realized Price (USD / kg)								
Blueberries (*)	9,6	9,4	10,0	9,0	9,0	9,0	9,0	9,2
Other berries and value-added products	5,5	4,9	5,2	5,6	6,2	6,3	6,4	6,5
Operating Income (USD th)								
Blueberries	36.383	33.896	60.704	111.068	138.611	158.016	164.417	171.580
Other berries and value-added products	8.111	1.830	991	7.401	9.623	10.016	10.223	10.204
Adjustments to Biological Assets	- 18.704	- 3.215	33.486	-	-	-	-	-
Operating Margin (USD / Kg) - excluding Adjustments to Fair Value of Biological Assets								
Blueberries	1,15	1,09	1,40	1,91	2,03	2,09	2,06	2,12
Other berries and value-added products	0,41	0,12	0,07	0,47	0,50	0,52	0,53	0,53
Blueberries Volumes by Country (%) - excluding associates								
Peru	21%	28%	48%	61%	63%	63%	63%	62%
Chile and Others	67%	62%	45%	32%	27%	25%	24%	24%
China	0%	0%	0%	0%	3%	5%	6%	7%
Spain	10%	8%	5%	5%	5%	4%	4%	4%
Mexico	2%	2%	2%	2%	2%	3%	3%	3%

Data per share (USD)	2016A	2017A	2018E	2019E	2020E	2021E	2022E	2023E
EPS	0,043	0,061	0,208	0,125	0,161	0,183	0,184	0,190
Payout Ratio (%) over Net Distributable Income	50	50	50	50	50	50	50	50
DPS	0,020	0,031	0,028	0,023	0,072	0,099	0,092	0,093
Free Cash Flow	-0,037	-0,048	-0,676	0,094	0,181	0,230	0,245	0,259

Valuation Ratios	2016A	2017A	2018E	2019E	2020E	2021E	2022E	2023E
P / E (x)	47,2	54,9	16,0	26,4	20,8	18,1	17,9	17,1
P / BV (x)	4,8	7,0	3,2	3,1	2,9	2,7	2,5	2,3
Div. Yield (%)	1,0	0,9	0,9	0,7	2,1	3,0	2,8	2,9
EV / Adj. EBITDA (x)	16,4	28,6	21,7	13,4	11,1	9,8	9,1	8,5
EV / Adj. EBITDA by ownership (x)	16,4	24,8	23,3	14,3	12,1	10,8	10,2	9,6
FCF yield (%)	(1,8)	(1,4)	(22,2)	2,9	5,4	6,9	7,5	8,0

(*) In 2018, the avg. realized was calculated excluding sales by USD40 million that corresponded to third parties fruit sales without margin for HF.

Source: Banchile Research

Investment Thesis

In our view, the recent merger with the Rocio Group from Peru, through which Hortifrut doubled its blueberry cultivated area (+1,450 ha), is one of the most significant milestones in the history of the company, and opens the door to unsuspected growth opportunities, due to:

- the attractive terms in which these assets were incorporated into the company (in terms of valuation and financing structure);
- the high cash flow generation offered by the acquired fields, as a result of investments that have already been executed for the most part, and the high yields expected from those crops; and,
- the company should reach very solid financials by the second half of 2020, when its debt ratios drop to levels that have not been observed since mid-2017 (NFD/Equity and NFD/EBITDA of ~0.5x and ~2.0x, respectively).

For the 2007-2016 period, blueberries and cranberries were the best selling fruits worldwide (12.8% CAGR; 2.5x the total fruits category). Blueberry global production is expected to grow at a CAGR of ~7% by 2021. Global demand will expand due to the low per capita consumption, rising supply (making it more affordable), and strong secular trends such as rising awareness of the health benefits it carries, the growing preference towards organic products and an increase in the scope of blueberry applications, among others. We believe that HF is well positioned to benefit from this secular trend due to its solid business model, which is based on establishing strategic alliances throughout the entire value chain (genetics, production and distribution), connecting the southern with the northern hemisphere, developing trade platforms, proprietary brands and a complete business integration, from genetics to the final customer.

We believe that the strong expected growth rates in blueberry demand along with a sound balance sheet should enable the company to consider further organic and M&A activity with a global scope. Given the increasing relevance of its agricultural business, that will contribute 70-75% of consolidated EBITDA, we would expect Hortifrut to:

- rebalance the exposure to its different business areas (distribution and commercialization, leveraging its current trading platforms and brands);
- Enter into new geographical markets with its current portfolio of products;
- to expand its presence in China;
- to look for new sources of fruit (either owned or from third parties); and,
- commercialize new products, such as avocados or sparragus to increase cross sales (other superfood products).

Tangible progress on these growth initiatives should serve as catalysts for the stock.

Investment Thesis

The M&A with the Rocio Group has allowed HF to diversify its base of fruit supply, reaching a very sizeable position in Peru, a country that is estimated to surpass Chile as the world's largest exporter of blueberries in just a few years.

Hortifrut is one of the few players in the local stock exchange that not only offers exposure to the theme of "Chile as a food powerhouse", but also to the "Strategic Export Plan 2025" that Peru is developing, which seeks to encourage the internationalization of local companies. According to our estimates, the operations in Peru will contribute 70% of the ownership-adjusted consolidated EBITDA by 2019.

On the other hand, the company will soon start producing blueberries in China, through a JV with Joy Wing Mau (JWM), the leading producer and distributor of fruit in that country. Currently, HF exports blueberries to China in eight months of the year (from the US, Mexico, Chile and Peru). With the 200 ha of cultivated area in that country, HF expects to offer fruit year round. The fields are located in the Yunnan Province, which is expected to become China's "Blueberry Capital" and the key region for early season blueberries, with the aim of serving the growing local demand. In China, per capita consumption is about 5 grams/year vs ~800 grams in the US and 100 grams in Mexico.

Despite the high multiples that HF's stock trades at (2019e P/E and 2019e EV/EBITDA of 26.4x and 13.4x, respectively), if we consider its historical valuation ratios and multiples of its closest peer (the US avocado producer Calavo Growers), the stock seems to have room for further appreciation. The strong growth we expect HF to deliver justifies premium valuations, in our view. At its current price, Hortifrut's stock offers an attractive FCF Yield (>5% by 2020 and above 7.5%, on average, for the following three years).

For the five-year period between 2019 and 2023, we estimate that HF´s sales and EBITDA will record a CAGR of 11% and 19%, respectively, figures similar to those observed during the five-year period 2013-2017 (prior to the merger with Rocio Group). During that period, the shares of Hortifrut traded, on average, at trailing P/E's and EV/EBITDA's of ~33x and 16x, respectively.

On the other hand, since 2015, Calavo Growers has traded, at 15.5x EV/EBITDA on average, in line with the implied ratio of our target price for Hortifrut. We highlight that, based on consensus estimates for Calavo and our forecasts for Hortifrut, Calavo and Hortifrut would record very similar EBITDA growth prospects in a 3-year horizon.

We believe HF offers a rare opportunity for investors to get exposure to a global theme with strong secular trends. We see high chances that the company continues to announce new M&A that should strengthen **HF's** growth profile even further. Furthermore, our bear scenario for the stock offers limited downside (-5%). Hence, we initiate coverage on the stock with a BUY recommendation (21% ETR).

Valuation

Implied Valuation Ratios v. its own history

At our Dec-19 target price of ChP2,650/share, Hortifrut would trade at 31.6x 2019e P/E and 15.5x 2019e EV/EBITDA (3% below its 2012-2017 history for both metrics). These multiples may not seem very cheap but we believe they are justified by the very strong growth profile this company offers hence we initiate with a BUY rating.

Summary Table

Hortifrut Equity Value by Dec-2019		
	USD million	ChP million
FX (CLP/USD) by Dec-19 = 663		
Consolidated Operations ex China	2,580	1,710,650
Minority Interest in HF Spain (50%)	(73)	(48,271)
Minority Interest in Olmos Peru (50%)	(145)	(96,227)
HF Stake in China JV (51%)	72	47,695
50% stake in Munger Hortifrut (USA)	39	25,800
Other Investments (mostly Naturipe)	9	6,259
Assets Adjusted by Ownership	2,483	1,645,906
Consolidated Net Financial Debt	(406)	(269,238)
Minority Interest in Financial Debt	18	11,603
Hortifrut Equity Value	2,094	1,388,270
Outstanding shares (million)		526
Target Price (USD)		3.98
Target Price (ChP)		2,650
Current Stock Price (ChP)		2,210
Upside		19.9%
NTM DPS (ChP)		15.5
Div Yield		0.7%
ETR		20.6%

Source: Banchile Research

Implied Valuation Ratios v. its closest peers

At our December 2019 target price of ChP2,650, Hortifrut would trade at a 14% premium in terms of trailing EV/EBITDAs of its closest peers (Calavo Growers and Costa Group).

However, we believe that Calavo Growers is even a closer peer than Costa Group due to its focus on one product with a more concentrated fruit sourcing base. Since 2015, the stock of Calavo Growers has re-rated to trade at an average EV/EBITDA of 15.5x. This figure is in line with the implied EV/EBITDA of our target price for Hortifrut (ChP 2,650 per share).

Valuation

Methodology

Our December 2019 target Price for Hortifrut (ChP2,650/share) is based on a 10 year USD DCF methodology.

We have valued Hortifrut's assets on a consolidated basis excluding the operations in China due to the JV established there, in which HF has a 50% stake, will only be in charge of developing the agricultural business that, in our view, has its own risk profile or beta (HF's partner, Joy Wing Mau, will distribute the production of blueberries provided by the JV).

To estimate the NPV of our cash flows forecasts for HF (on a consolidated basis ex-China), we calculated its corresponding beta (as it is explained below), and discount rate. To calculate the NPV aforementioned, we subtracted the NPV of its minority interest in HF Spain Southern (50%) and Olmos in Peru (50%). Then, we added the NPV of HF's 51% stake in the JV in China (using a more appropriate beta), the NPV of its 50% ownership in Munger Hortifrut (USA) and the book value of other companies recognized on its balance sheet through the equity method (mostly Naturipe). Finally, we considered our 2019e Net Financial Debt adjusted by ownership in order to derive Hortifrut's equity value and the target price for our base case scenario.

Beta

We estimate an unlevered Beta for Hortifrut of 0.57x using the market cap weighted average unlevered beta obtained from a sample of "peers" (agriculture producers with a focus on fruits and/or vegetables farming), such as Costa Group (listed in Australia), and Calavo Growers and Fresh del Monte (both from the U.S), among others.

That beta is levered on a yearly basis according to our estimate of Financial Debt / Equity ratio for Hortifrut. As a result, we estimate a levered beta of 0.93x. However, due to the expected decreased on the leverage of the company, the average levered beta for the 10 year horizon is ~0.8x.

WACC

Based on an average risk free rate of ~3.0%, an equity risk premium of ~6.0% and a levered beta of ~0.8x, we estimate an average cost of equity of 8.0%.

With a ~5% cost of debt (Libor 180 days plus 180bps based on the loans provided by banks to finance the recent acquisition of Grupo Rocio in Peru), and an average corporate tax rate of ~28%, we discounted the cash flows ex-China at an average WACC of 6.4% (10.3% for the JV in China with a beta of 1.1x).

G at terminal value

For the terminal value, we calculate "g" (long term growth) as the outcome of considering the LT term inflation and LT population growth. We implemented this for the consolidated DCF ex-China (2.7%= 2.2%+0.5%), and China on a standalone basis (3.1%=3.0%+0.1%).

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Bull & Bear Scenarios

Bull & Bear Scenarios

With the aim of testing the sensitivity of our target price to changes in key variables and to observe alternative scenarios, we have used more conservative assumptions for its operations in Peru, since, as obtained in our base case, that country would contribute 70% of the consolidated EBITDA from 2019 onwards.

We assume: (i) a lower yield in terms of productivity per hectare in Peru (-5% compared with our base scenario); (ii) harvesting costs, that represent ~50% of fruit cost in Peru, increasing at a higher annual rate (250 bps above local inflation vs +120 bps for our base case); (iii) a shorter window opportunity to enjoy higher exports prices in 4Q vs 3Q, with the gap to close sooner than the forecasted in our base scenario (2020-2021 instead of 2022-2023 season); and, (iv) export prices rising, on an annual basis, to an equivalent of 0.9x the U.S. inflation (0.95x in our base scenario). We also consider a 5% of lower yields per hectare vs our base case for all of its agricultural operations worldwide, along with export prices increasing at an annual rate equivalent to 0.9x the U.S. inflation (0.95x in our base case). In addition, we assume harvesting costs in Chile, that would represent ~60% of fruit cost, will increase at a higher annual rate (300 bps above local inflation vs +150 bps for our base case).

Our bull scenario considers: (i) a 5% of higher yield per hectare compared with our base scenario (in all fields cultivated by HF around the world); (ii) harvesting costs rising in Peru and Chile at 60bps and 75bps above inflation; (iii) a longer window opportunity to enjoy higher exports prices in 4Q vs 3Q, for which we consider that the gap will close a season after than the forecasted in our base scenario (2023-2024 instead of 2022-2023 season); and, (iv) and export prices increasing at an annual rate in line with the U.S. inflation (0.95x in our base case).

All-in, we derive bear and bull case target prices of ChP2,110 (3% downside) and ChP3,080 (+41% upside):

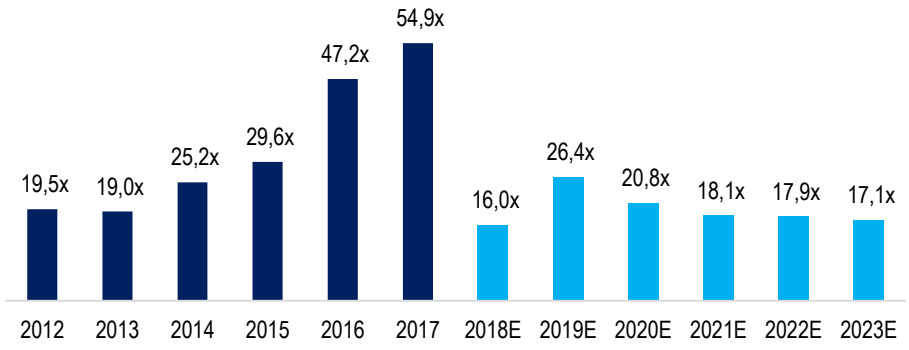
Target Price Scenarios - Sensitivity Analysis

	Bear	Base	Bull
Target Price by Dec-19 (ChP)	**2,110**	**2,650**	**3,080**
Upside (Downside)	**(4.5%)**	**19.9%**	**39.4%**
Sensitivity Analysis - Assumptions			
Yield in Peru (tons / ha of Blueberries) vs our base case	95%	100%	105%
Yield in other Countries (tons / ha of Blueberries) vs our base case	95%	100%	105%
Blueberries Harvesting Cost / Kg in Peru (% of yearly increase above inflation)	2.5%	1.2%	0.6%
Year assumed for which the high prices to the U.S. dissapear (+supply)	2020	2022	2023
Blueberries Harvesting Cost / Kg in Chile (% of yearly increase above inflation)	3.0%	1.5%	0.8%
Export Prices annual variation as % of the U.S. inflation	90.0%	95.0%	100.0%
Impact on Target Price (ChP/share)	**(540)**		**430**
Impact on Target Price - Detailed			
Yield in Peru (tons / ha of Blueberries) vs our base case	-170		170
Yield in other Countries (tons / ha of Blueberries) vs our base case	-50		40
Blueberries Harvesting Cost / Kg in Peru (% of yearly increase above inflation)	-150		70
Year assumed for which the high prices to the U.S. dissapear (+supply)	-20		20
Blueberries Harvesting Cost / Kg in Chile (% of yearly increase above inflation)	-60		30
Export Prices annual variation as % of the U.S. inflation	-90		100

Valuation

- From 2012 to 2017, and based on year-end data, HF stock traded, on average, at a trailing PE of 32.6x.
- From now on, we will focus the discussion on valuations for 2019-2020 because, in 2018, HF result were significantly impacted by one-off items. Besides, HF consolidated its operations in Peru half a year.
- At the current share price, HF would trade at a PE of 26x and 20x for 2019 and 2020, respectively.
- At our TP of ChP2,650, the 2019 implied fair PE is 31.6x.

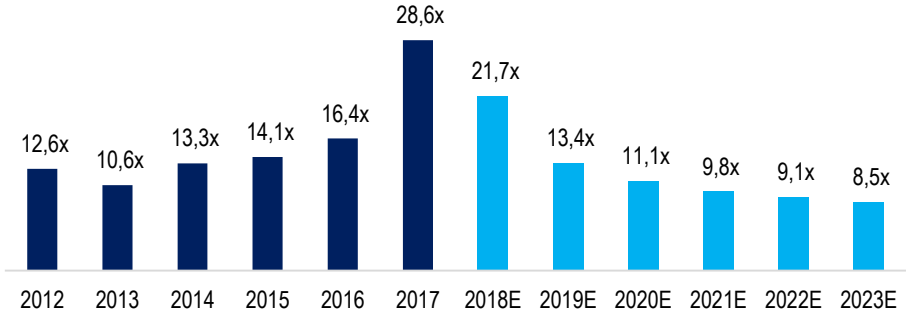
P / E (x)



Source: Company Fillings (Historical Data) and Banchile Research (Estimates)

- In terms of trailing EV/EBITDA, from 2012 to 2017, HF traded, on average, at 15.9x.
- At the current share price, HF would trade at a PE of 13.2x and 11.0x for 2019 and 2020, respectively.
- Considering out TP, the 2019 implied fair EV/EBITDA is 15.5x, in line with HF's historical valuation.

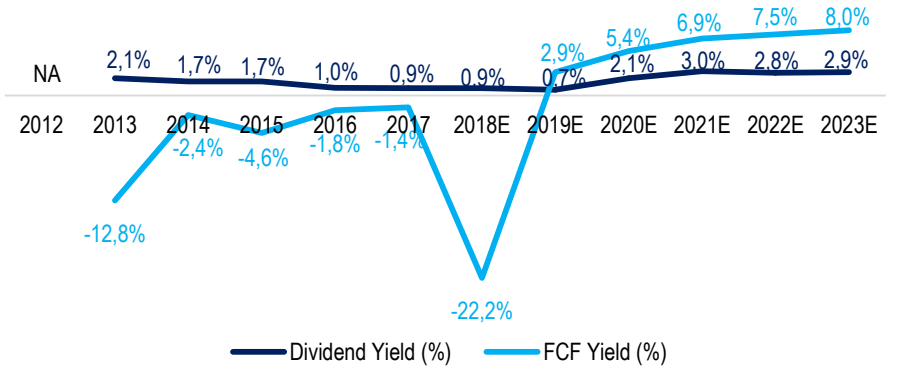
EV / EBITDA (x)



Source: Company Fillings (Historical Data) and Banchile Research (Estimates)

- The historical dividend and FCF yields of HF are a good proxy of its growth profile.
- The disbursements associated with the current pipeline of projects would be completed in 2019. Therefore, with low capital requirements from 2020 onwards, we expect that the FCF Yield increase to an unchartered territory of 7%-8%.

Dividend Yield and FCF Yield (%)



Source: Company Fillings (Historical Data) and Banchile Research (Estimates)

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Industry Overview in Charts

Industry Overview

Introduction

Blueberries as a "Superfruit" #1

"The appeal of blueberries to health-conscious consumers is tied to their extremely rich in antioxidants properties, low calorie intake, high in fibre and nutrient content, and that blueberries may contribute to heart health since they appear to act as an anti-inflammatory and may also reduce blood colesterol levels"

Source: Agriculture and Agri-Food Canada

Blueberries as a "Superfruit" #2

"Blueberries are known as a superfruit because they posses certain characteristics that make them superior to other types of fruits such as strawberries and raspberries. These characteristics include a long life shelf life, durable because they are not "squish prone" like strawberries and raspberries, along with only minimal preparation-only washed-prior to consumption.
Although blueberries have achieved "superfruit" status, the price factor is stopping consumers from considering them as an everyday fruit snack and they are only being viewed as a "treat". This consumer view is expected to reverse once blueberry production ramps us sufficiently to meet demand".
(Euromonitor International, 2014).

Source: "Blueberries in the European Union", March 2016, Agriculture and Agri-Food Canada

Berries is a fruit category that include strawberries, blueberries, raspberries, and cherries.

Berries are called "Superfoods" due to are high in antioxidants, fibre, vitamin C and flavonoids, among other several properties (see comments on the left). Anthocyanins are a type of flavonoid, which stimulate the secretion of the enzyme Sirtuin 6 (SIRT 6), anti-cancer cells.

Blueberries are native to North America and were first cultivated for sale in 1916.

According to data collected by IndexBox Marketing & Consulting for the period 2007-2016, blueberry and cranberry were the best selling fruits worldwide in terms of CAGR of its market size (+12.8%; 2.5x the total fruits category), followed by mango (~+9%) and strawberry (~+8%).

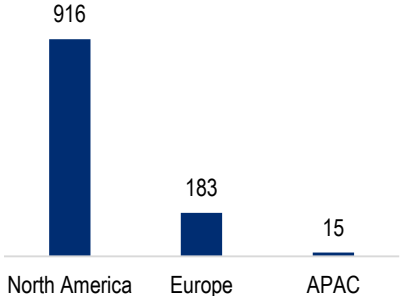
In 2016, blueberries and cranberries total sales reached USD8.0 billion. This compares with grapes which is the largest market with sales of USD146 billion, followed by apple, banana, mango and orange. The CAGR of the market size of grape, apple and banana was ~+5% (orange: ~+3%).

Based on International Trade Center, in 2017, fresh blueberries total imports worldwide totaled USD2.7 billion (~453,000 tons). North America is the world's largest market, concentrating 43% and 52% of the global imports measured in value and volume, respectively (the U.S. is about ~82% of that total). In 2017, the world's largest exporter was Chile (~20% market share, in both value and volume), followed by Canada, Spain and Peru.

Blueberries global production is expected to grow at a CARG of ~7% by 2021. Global demand will grow due to the low per capita consumption, rising supply (more affordable), health benefits, the growing preference towards organic products and an increase in the scope of blueberries applications, among others. Asia-Pacific ex-Japan is expected to witness the highest growth rate.

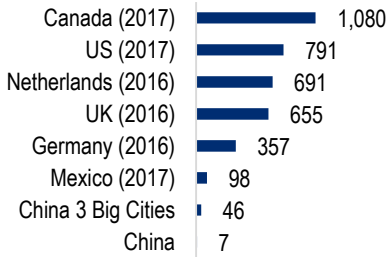
In the next seven pages, that contain 21 charts, we intend to present an overview of the blueberries global industry with the aim of serving as a basic handbook.

Apparent Consumption by region in 2016 (grams/year)



Source: Banchile Research (based on a presentation of Mr. Cort Brazelton for IBO). Utilization rate= Regional Production +Imports - Exports

Apparent Consumption for selected countries (grams/year)



Source: Banchile Research Estimates, (USDA, Trade Map, Factfish

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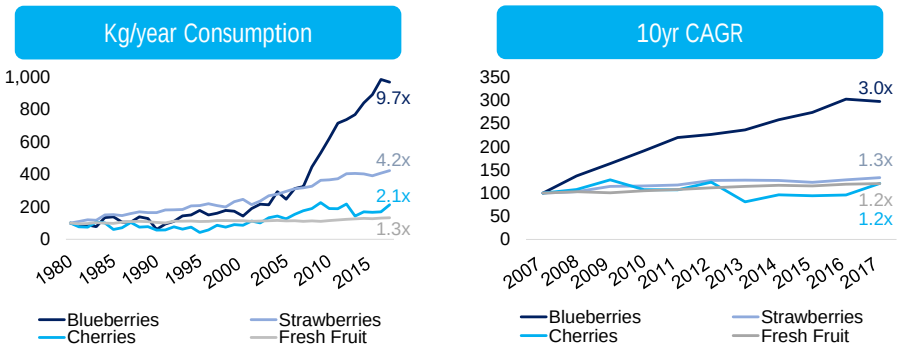
Industry Overview – U.S. fresh fruit consumption

- Since 1980, fresh fruit per capita consumption in the U.S. has increased 32% (CAGR: 0.8%). Blueberries per capita consumption has expanded by ~10x, while strawberries by 4x and cherries doubled.
- In the last 10 years, fresh fruit per capita consumption annual growth accelerated (CAGR: 1,9%). Blueberries per capita consumption tripled.

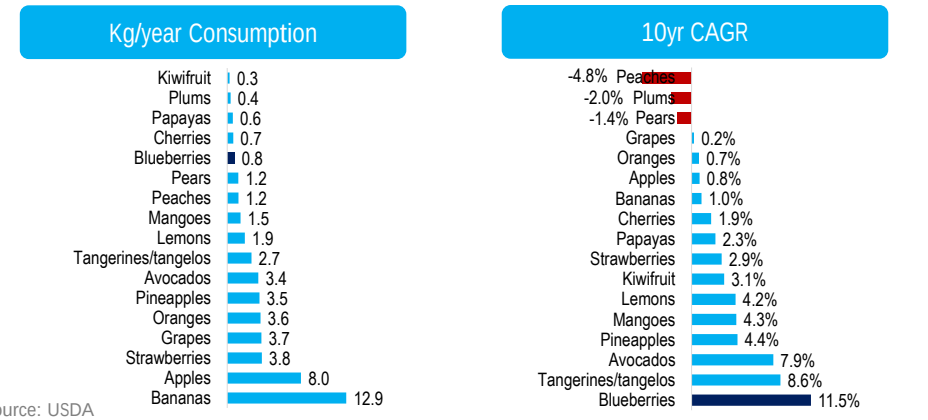
Evolution of Per Capita Consumption of Selected Fresh Fruit in the U.S.



Source: USDA

- In the last 10 years, blueberry is the fresh fruit whose per capita consumption has recorded the highest growth, with a CAGR of 11.5%.
- Cherries per capita consumption grew in line with the fresh fruit category, while strawberries grew at an annual rate of 2.9%.

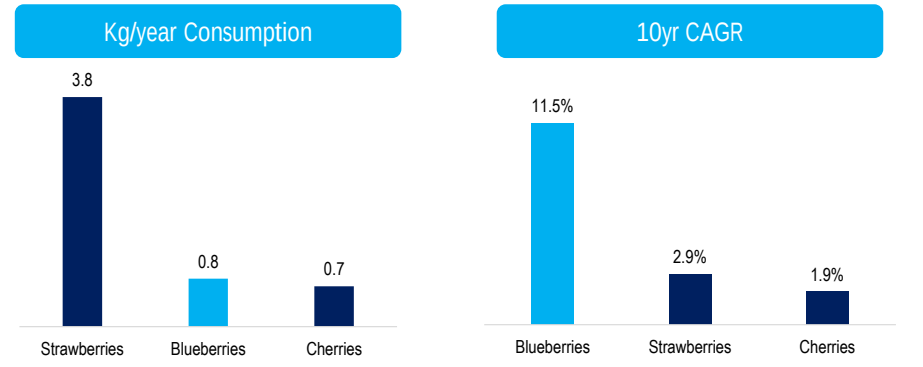
2017 Per Capita Consumption of Fresh Fruit in the U.S.



Source: USDA

- In the U.S., in 2017, blueberries per capita consumption reached 0.8 Kg/year, similar to cherries (0.7 Kg), but far behind strawberries (3.8 Kg).
- Blueberries per capita consumption in Europe is a small fraction of what it is in the U.S..
- In the U.K., the largest imports market in Continental Europe, the per capita consumption is only half of what it is in the U.S.

2017 Per capita consumption of berries in the U.S



Source: USDA

Industry Overview - Blueberry Planting

- Since 2008, planted area has doubled to over 135,000 ha.
- North America (~50% of total), contributed with 40% of that expansion (mainly the U.S.), followed by Asia with ~35% (mostly China).
- In South America, by the end of 2016, Chile had about 2/3 of the total regional plantings, but the growth was mostly explained by Peru.

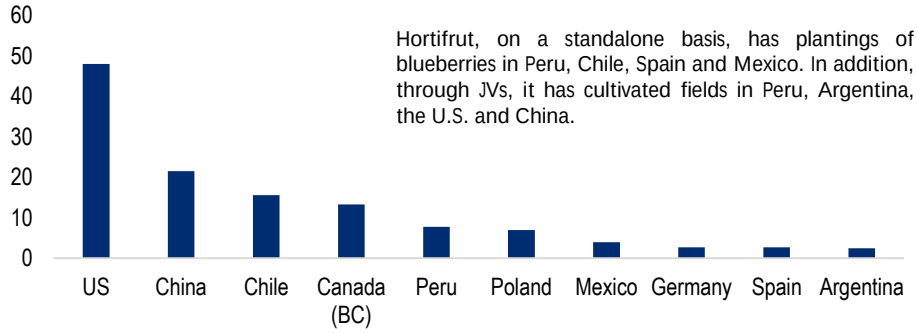
Evolution of Blueberries World's Planting by Region (2008-2016)

	Hectares (000s)				
	2008	2010	2012	2014	2016
North America	38,620	43,709	49,436	57,113	65,720
South America	16,074	17,794	17,668	20,186	23,264
Europe	7,303	8,413	9,717	11,439	16,043
Asia & Pacific	3,186	5,715	15,196	19,639	27,859
Med. & N. Africa	144	272	445	943	1,412
Sub Saharan Africa	368	455	464	523	1,040
Total	65,696	76,358	92,926	109,844	135,338

Source: IBO

- The U.S. has the largest planted area with high bush blueberries, followed by China, Chile and Canada.
- In Europe, Poland, Germany and Spain are the leading growers.
- In South America, most recent figures indicate that the plantings in Peru are equivalent to ~1/2 of the cultivated fields in Chile.

High Bush Blueberries Planting Area ('000s ha) – Top 10 Countries



Hortifrut, on a standalone basis, has plantings of blueberries in Peru, Chile, Spain and Mexico. In addition, through JVs, it has cultivated fields in Peru, Argentina, the U.S. and China.

Source: IBO (US, China, and Canada: 2016 data) and Other sources (Poland, Peru, Mexico, Germany, Spain and Argentina; 2017 data)

- The growth rate of plantations in traditional producers has decreased.
- China (to serve local demand) and other countries focused on exporting markets, such as Peru, Mexico and Morocco are becoming more relevant.
- Peru represents ~2/3 of Hortifrut's total plantings.

Traditional Producing Countries and Recent Entrants

Source: Banchile Research based on a presentation called "Challenges of the Chilean blueberry industy", SmartPac Active – Exportadora Lafrut Ltda.

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Industry Overview - Blueberry Production

- North America is the world's largest blueberry producing region (~53% of total). In 2016, the U.S. contributed with 70% of the regional output (50/50 fresh and processed), Canada with 20% (70% processed), and the remaining corresponded to Mexico.
- In 2016, South America produced 25% of the total world supply (Chile 75% followed by Argentina and Peru).

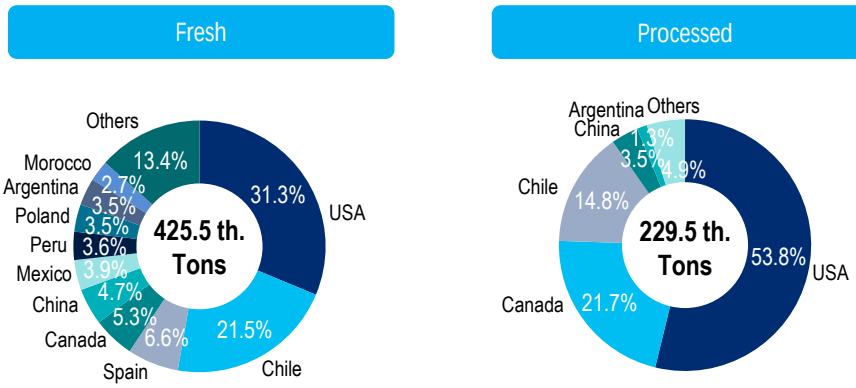
Evolution of Blueberries World's Production by Region (000s tons)

	2012			2014			2016		
	Fresh	Processed	Total	Fresh	Processed	Total	Fresh	Processed	Total
North America	155.3	116.8	272.1	184.6	145.6	330.2	174	174	348.3
South America	86.5	37.1	123.6	90.7	30.9	121.6	125	38	162.,1
Europe	41.1	3.5	44.6	60.9	3.6	64.5	73	7	80.1
Asia & Pacific	17.2	4.6	21.8	30.9	6.5	37.4	39	11	49.1
Med. & N. Africa	2.5	0	2.5	6.8	0.3	7.1	12	0	12.5
S.S. Africa	1.4	0.2	1.6	2.0	0.2	2.2	3	0	3.0
Total	303.9	162.3	466.2	376.0	187.0	563.0	425.5	229.5	655.0

Source: IBO

- In 2016, the U.S. was the world's largest fresh blueberries producer followed by Chile and Spain. The TOP 10 producing countries contributed with ~90% of total world supply.
- In 2016, the U.S. was also the world's largest processed blueberries producer followed by Canada and Chile. The TOP 3 producing countries contributed with ~97% of total world supply.

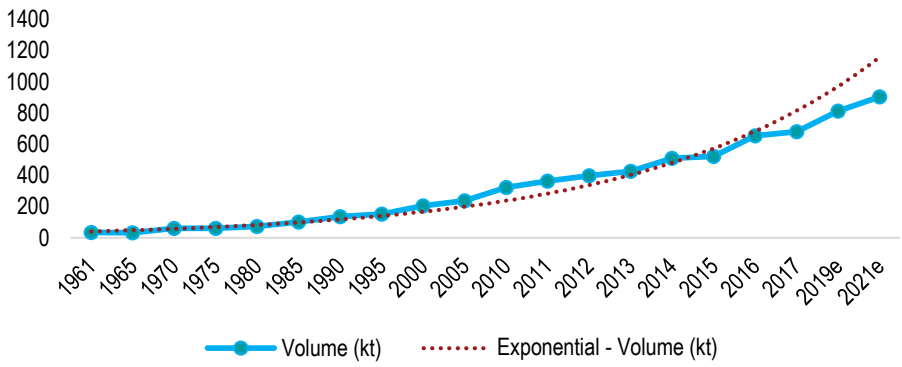
Top Countries – Highbush Production (2016)



Source: IBO

- IBO estimates suggests that worldwide production will reach 800,000 tons by 2019 (+22% compared to 2016 figures) and will increase to more than 900,000 tons by 2021 (5-year CAGR of 6.7%).
- The additional supply will come mainly from countries that have recently begun to produce on a larger scale, such as China, Peru and Mexico.

Blueberries Total World Production (Fresh and Processed, 000s tons)



Source: FAO Stat, IBO

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Industry Overview - Blueberry Exports

- Chile is the world's largest fresh blueberries exporting country (20% share), followed by Canada, Spain and Peru.
- For the period 2013-2017, world exports volume recorded a CAGR of ~8%. Among the largest players, Peruvian shipments experienced the highest annual growth rate (145%)
- In 2017, the three largest South America producers (Chile, Peru and Argentina), contributed with one third of world exports, followed by North America (31%).
- In 2017, the TOP 5 exporting countries concentrated 2/3 of total exports measured in USD. In terms of volume, TOP 5 were about 69% of total.
- For the period 2013-2017, the TOP 10 exporters that experienced double-digit growth in volume, were: Peru (from almost nothing to rank #4), Mexico (42%), Morocco (42%), Spain (30%) and Netherlands (17%).
- In 2016, Peru overtook Argentina as the 2nd largest regional exporter.
- In 2017, Peru was the fourth world's largest exporter, behind Chile, Canada and Spain. In 2018, Peru would have overtaken Spain with about 73k tons of exports (~3/4 of Chile), and …
- … in few years, Peru is expected to surpass Chile as the world's largest producer and exporter of blueberries (current fields will reach their maximum yields and new plantings will be added).

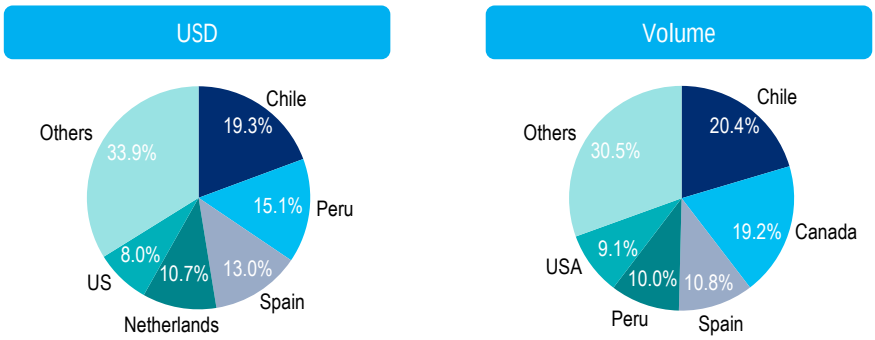
Evolution of World's Exports by Country (Top 10) - Tons

World Blueberry Exports by Country (Tons) - Top 10 Exporters

Exported Quantity (Tons)	2010	2011	2012	2013	2014	2015	2016	2017
World	**221,790**	**255,334**	**292,895**	**326,061**	**338,117**	**375,033**	**436,879**	**431,124**
Chile	54,975	73,787	69,118	81,480	83,828	87,067	113,051	87,988
Canada	55,057	55,828	88,434	90,218	94,183	106,888	100,808	82,789
Spain	7,388	10,983	12,711	14,725	23,250	30,249	36,070	46,511
Peru	6	7	48	1,513	2,902	10,353	28,154	43,007
United States of America	53,205	59,601	54,028	59,362	49,036	42,161	45,561	39,316
Netherlands	8,221	9,452	12,956	11,982	16,122	17,284	22,839	27,822
Argentina	14,954	15,608	15,050	12,249	16,307	14,782	16,936	15,627
Morocco	1,785	2,759	2,711	4,695	6,750	8,394	11,199	15,561
Mexico	635	1,040	2,415	2,808	4,527	4,881	8,380	13,930
Poland	4,981	3,383	6,181	8,981	11,142	13,781	9,370	12,854
Other	20,583	22,886	29,243	38,048	30,070	39,193	44,511	45,719

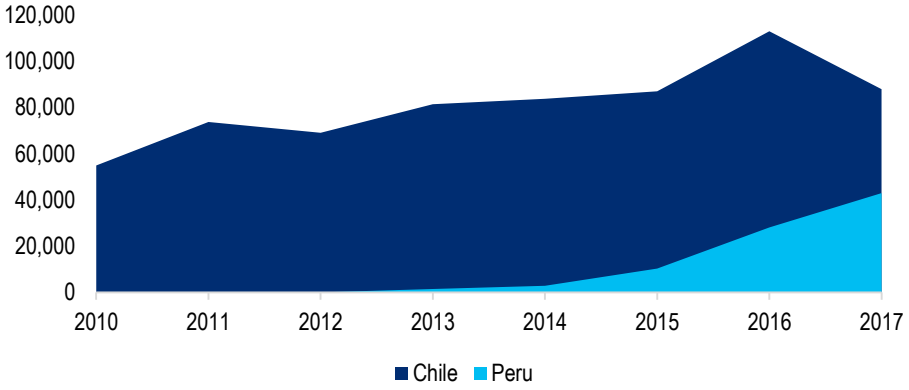
Source: Trade Map

Main Exporting Countries of Fresh Blueberries 2017



Source: UN Comtrade and ITC statistics

Evolution of Fresh Blueberries Exports (Chile vs Peru; Tons)

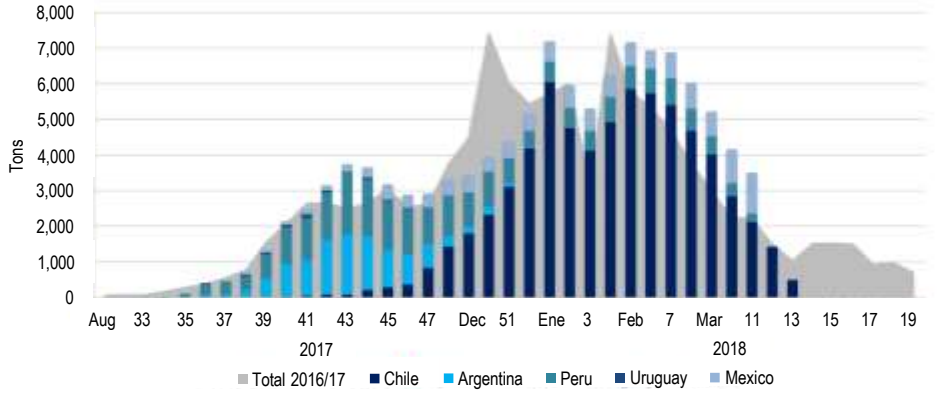


Source: Trade Map

Industry Overview - LatAm Exports (2017/18)

- By September, the Peruvian early fruit arrives to the U.S. taking advantage of high prices due to the shortage of local production.
- Few weeks later, shipments from Argentina start to be sent to the U.S..
- Large import volumes from Peru and Argentina have left the U.S. market by late December.
- From November until March large volumes from Chile supply the import needs of the U.S. market.
- Mexico offers a more stable offer throughout the season.

Latin America Blueberries Exports to the U.S. 2017-2018 Season (tons)



Source: Chilean Blueberry Committee Presentation

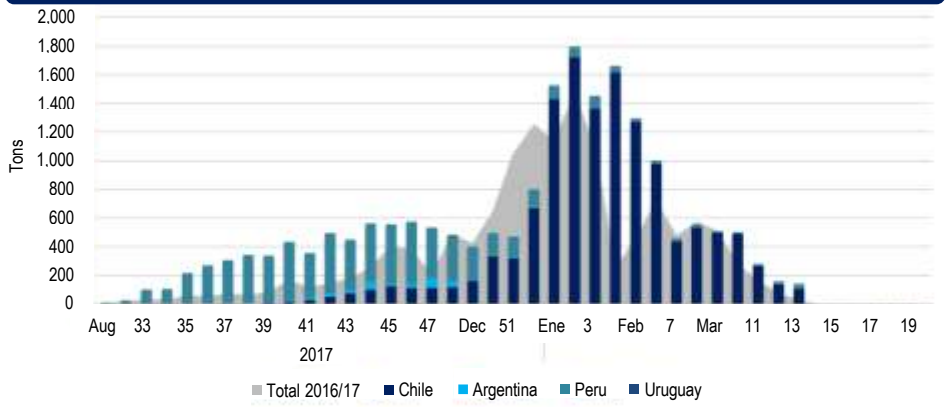
- Last season, Peruvian blueberries arrived to Europe even earlier than the U.S., but the presence of large shipments extended until February.
- Shipments from Argentina were present since August until late December.
- Chilean exports arrived in November and dominated the shipments until March.

Latin America Blueberries Exports to Europe 2017-2018 Season (tons)

Source: Chilean Blueberry Committee Presentation

- Last season, China and other Asian markets were mostly served by Chile and Peru.
- Peruvian fruit arrived to Asia in early season. Relevant shipments were present in those markets until January.
- Large volumes of Chilean blueberries appeared by late December with shipments that extended until March.
- Argentina completed its first shipment to China in November, 2018.

Latin America Blueberries Exports to Asia 2017-2018 Season (tons)



Source: Chilean Blueberry Committee Presentation

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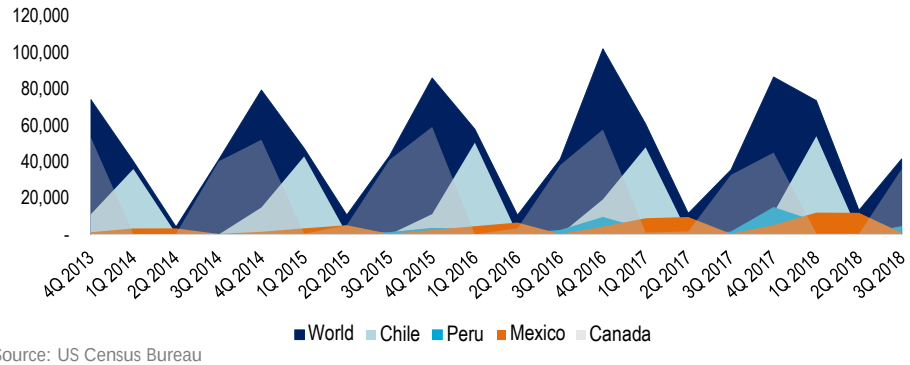
Industry Overview - Export Prices to the U.S.

- In 2017, 41% of the U.S. imports came from Canada, 31% from Chile, 12% from Mexico, 10% from Peru and 5% from Argentina.
- Mexican blueberries have a relatively small presence compared with Chile, but it offers a more stable supply throughout the season. Mexico has increased its presence in the U.S. market over time, like Peru.

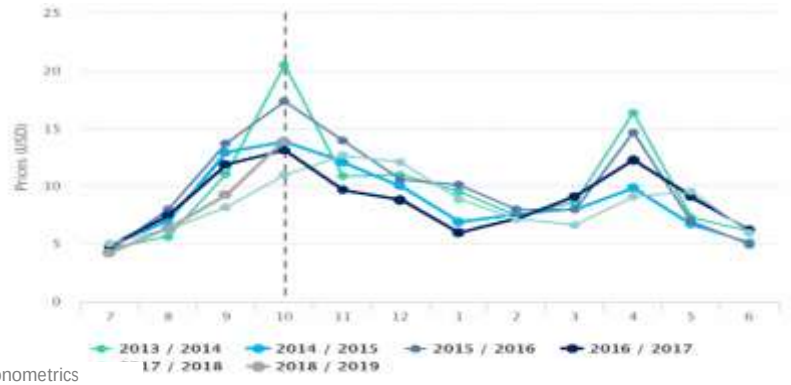
U.S. Imports on a quarterly basis (last 5 years) - Tons



Source: US Census Bureau

- Considering the relationship between price and volume, it can be argued that the filling of the windows of opportunity by Peru and Mexico have been making prices more stable.
- An example of this stability is the reduction in massive price spikes, such as those observed during the 2013-14 season.

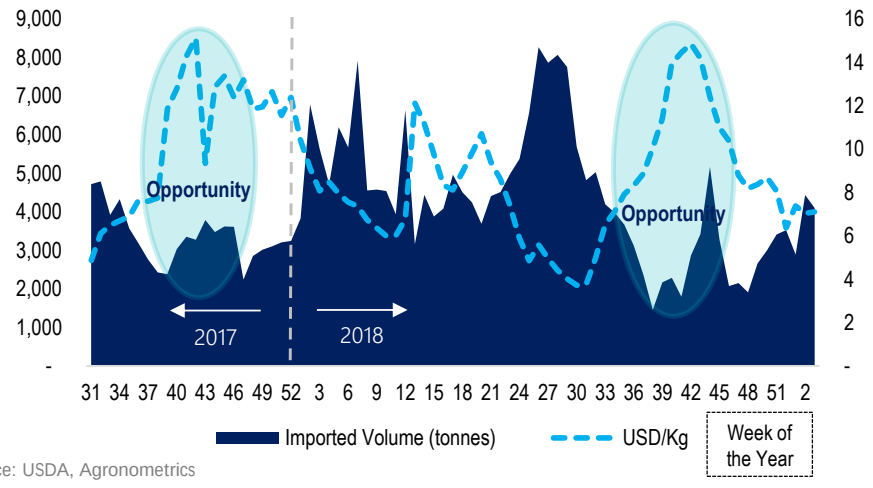
Export Prices to the U.S. by month for last 5 years seasons - USD/Kg (CIF)



Source: Agronometrics

- Export window opportunity to the U.S. for South American producers (Sept/Oct) is around 2,500-3,000 tons per week.
- The more continuous presence of Peru and Mexico throughout the season could mean that the commercial seasons that existed until now, will narrow or disappear in few years.
- HF has recently increased by ~50% its plantings in Mexico to 125 ha, and it has now 237 ha productive in the U.S.. ~75% of HF cultivated area with blueberries is located in Peru, the U.S. and Mexico.

2018 Export Weekly Prices to the U.S. (All Countries) - USD/Kg (CIF)



Source: USDA, Agronometrics

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Industry Overview - Blueberry Imports

- The U.S. is the world's largest fresh blueberries importing country (43% share), followed by the U.K., Canada and Netherlands.
- Despite the U.S. and Canada remain as the largest import markets, the region has lost market share from 68% in 2013 to 52% in 2017.

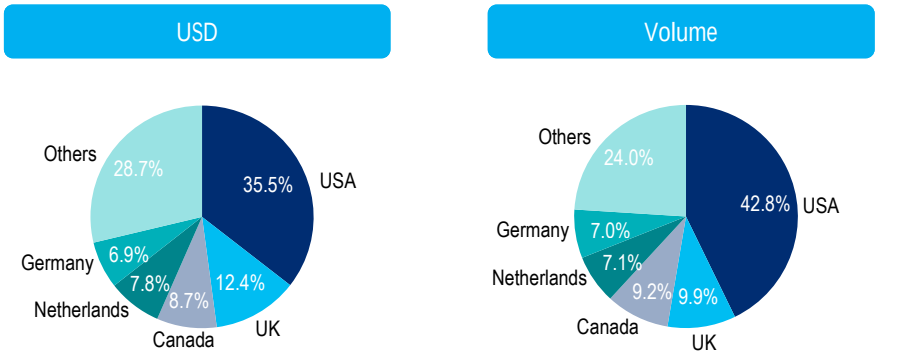
Evolution of World's Imports by Country (Top 10) - Tons

World Blueberry Imports by Country (Tons) - Top 10 Importers								
Imported Quantity (Tons)	2010	2011	2012	2013	2014	2015	2016	2017
World	**214,824**	**244,158**	**286,632**	**323,702**	**335,692**	**368,313**	**434,715**	**453,196**
United States of America	110,866	124,888	156,692	164,777	164,728	187,100	211,741	194,074
United Kingdom	15,968	19,869	23,633	24,924	24,814	29,947	42,984	44,763
Canada	45,470	50,810	45,942	54,319	46,353	37,596	44,886	41,681
Netherlands	8,864	11,300	13,002	14,805	21,135	22,194	26,647	32,256
Germany	6,131	7,077	9,551	12,236	14,673	18,955	18,771	31,931
Spain	890	1,112	1,521	2,958	5,402	6,907	9,200	13,860
China	194	835	852	2,482	5,169	6,458	8,734	12,327
France	1,670	2,907	3,732	3,016	3,440	5,114	7,136	9,099
Hong Kong, China	1,736	2,232	2,729	3,061	4,238	3,917	7,230	8,359
Poland	1,138	1,664	1,311	1,801	1,343	2,460	4,453	5,876
Other	21,897	21,464	27,667	39,323	44,397	47,665	52,933	58,970

Source: Trade Map

- In 2017, the TOP 5 importing countries concentrated 71% of total imports measured in USD. In terms of volume, TOP 5 were about 76% of total.
- In 2017, world average import price was USD6,0/Kg. Among the Top consumers, China paid the highest price (USD8.5/kg), while Canada and the U.S. only USD4.5/kg and USD5.0/kg, respectively.

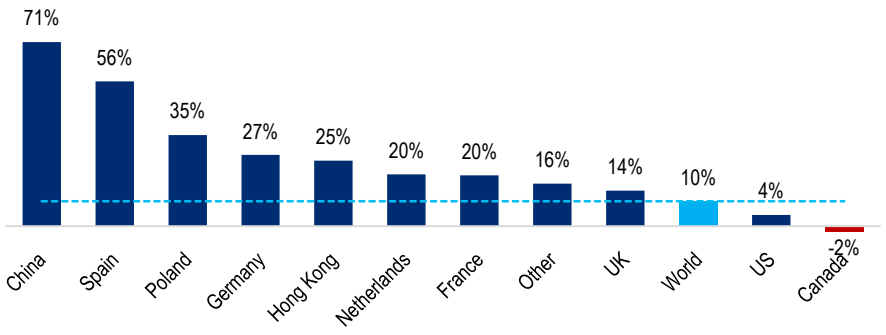
Main Importers Countries of Fresh Blueberries 2017



Source: Trade Map

- For the period 2013-2017, world imports volume recorded a CAGR of 10%. Among the TOP 10 largest consumers, China is leading with a CAGR of 71%.
- Continental European countries, such as Spain, France, Germany and Netherlands, have also recorded double-digit growth rates.

Imports Growth Evolution (CAGR: 2013 – 2017)



Source: UN Comtrade and ITC statistics
Note: Year 2012 as base

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Hortifrut at a Glance

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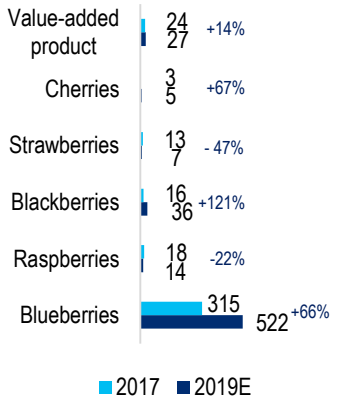
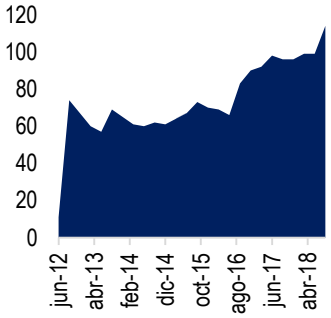
Hortifrut at a glance

Revenues by Produce



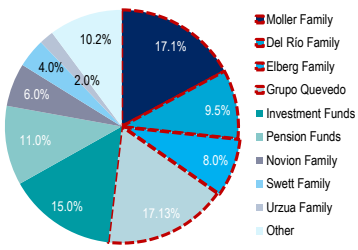
Source: Company filings, Banchile Estimates

Evolution of # Shareholders



Source: CMF

Shareholders Structure



Source: Company filings and CMF.

Hortifrut (HF), listed in Santiago Stock Exchange in June 2012 (at ChP320/share) with a current market capitalization of USD1.75 billion (stock price: ChP2,210/share), is a firm based in Chile that, since 1983, is engaged in the production, distribution and commercialization of berries (blueberries, blackberries, raspberries, strawberries and cherries). In 2018, we estimate that consolidated revenues would have exceeded USD500 million, while EBITDA (Adjusted by fair value movements in biological assets) reached USD165 million, with ~58,000 tons of berries commercialized (75% blueberries).

HF's vision is to be the world's leader in the berries category and to accomplish it, the company has the mission of providing berries to the world, every day.

Its partnerships throughout the entire value chain (considering the volumes traded by its associates, such as Naturipe Farms in the U.S.), have allowed HF to become the largest supplier of blueberries in the world (HF estimates a ~25% market share), followed by Driscoll's from the U.S. The latter is the leading fresh berries provider worldwide (Hortifrut is #2). We highlight that, in 2017, only a third of the kilos distributed by HF corresponded to production from its own cultivated fields.

Shareholding Structure and BoD

HF's current shareholding structure is the outcome of its listing in 2012 (after which it increased its shareholders base from 11 to 74), a history of growth through M&A (with the Chilean Vitalberry Group in 2013 and the Peruvian Rocio Group in 2018), and the sale of shares from large shareholders such as the Swett and Novion family and current members of the shareholders agreements. As of September, 2018, HF had 114 shareholders.

The company is jointly controlled by the Moller family, Vitalberry Group (Del Rio and Elberg family), and Quevedo family from Peru through a Shareholders Agreement that covers 270 million of HF' shares, which represent 51.39% of the total outstanding shares by the company. However, the Moller family, Vitalberry Group and Quevedo family together own 51.84% of the company's capital. Local Investment Funds and Pensions Funds own 15% and 11% of HF total shares, respectively. HF's BoD is formed by nine members, five of which are representatives of the shareholders agreement. The BoD is chosen by the shareholders' meeting for a period of three years. Elections od Bod will be held in the next shareholders meeting.

Business Model

HF's business model is based on: (i) establishing strategic alliances throughout the entire value chain (genetics, production and distribution); (ii) connecting the southern hemisphere with the northern hemisphere; (iii) developing trade platforms and own brands; (iv) business integration from genetics to the final customer; and, (v) supplying the best customers in the main global markets.

The integration of its operations through the value chain, places special emphasis on the two extremes: genetics and commercialization for the final customer.

Key **Pillars of HF's business** model

Hortifrut & Associates Brands

#1 largest blueberries distributor in the world
#2 largest berry distributor in the world

Euroberrry sells and distributes berries in Europe, England and Ireland via the Southern Sun and Berry Collection brands

Berry Good produces, imports, sells and distributes berries in Brasil 52 weeks of the year in over 670 points of sale

Berry Good produces, imports, sells and distributes berries in Brasil 52 weeks of the year in over 670 points of sale

✓ Strategic Alliances

The vision and mission with which the company was founded is "to reach with every type of berry, everywhere in the world, 365 days a year". To reach it, the company has leveraged its position by vertically integrating and forming strategic alliances through the whole value chain with first class partners. This has enabled the firm to operate as a provider of genetics, producer and distribution platform.

✓ Connecting the southern hemisphere with the northern hemisphere

HF seeks to strengthen and to expand its production base and exporting capabilities from the Southern Hemisphere. The company has focused on Latin American countries that have trade agreements with the main consumer countries of the Northern Hemisphere and enjoy of natural advantages for the crop of berries Currently, Peru and Chile (80% of its surface of cultivated fields) serve consumers in North America, Europe and Asia. HF also has agricultural operations in Mexico for exporting to North America, and Spain and Morocco to serve Europe.

Geographical diversification of production provides an opportunity to reach export markets in a counter seasonal fashion, capturing higher prices by exporting from the southern regions to the northern ones.

✓ Development of trading platforms and own brands

Trade platforms and own brands in the main markets allow HF and its associates to develop the business focusing on the needs of its final customer, obtaining better margins, logistics efficiency, control over key processes and an adequate traceability and food safety. HF consolidates different trade vehicles connected through SAP in various countries in the world where the company is present.

✓ Integration of the business from genetics to the final customer

The permanent development of new and improved berries (genetics) is one of Hortifrut's fundamental strategic foundations. HF has in place several development programs and alliances with universities, in addition to maintaining close relationships with the largest nurseries in the world, which mitigates the risk of being outpaced in the development of new flavors, better quality and more attractive and healthy fruits, and improved processes to reach a longer shell life post harvesting. This strategic focus generates preference and loyalty in the best producers and customers in the world.

✓ Supplying the best customers in the main global markets

Hortifrut commercializes fruit to over 400 customers around the world. It supplies the main supermarket chains and retailers in North America, Latin America, Asia and Europe.

Global Footprint

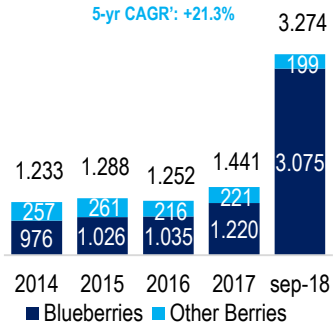
The Company has crops of berries in nine countries (Peru, Chile, the US, Mexico, Spain, Argentina, China, Morocco and Brazil), with over 700 berries producers and 30 distribution centers around the world. HF has more than 500 clients with commercial presence in 37 countries, being able to supply the entire category of fresh berries to the most important consumer markets in the world. This geographical diversification allows HF to have a diversified offer throughout the year, which it is complemented by JV's and third parties suppliers, both in the U.S. and in Europe. In this way, the commercial and distribution platforms of Hortifrut can have berries during the 52 weeks of the year. The productive zones also allow greater proximity to the consumption centers. This is the case of the plantations located in Mexico that mainly supply the North American market, principal consumer of berries of the world. On the other hand, its plantations in Spain are capable of supplying part of the European market. Chile and Peru provide counter-season production for these markets and Asia.

As of September 2018, HF counted with 3,274 hectares planted with berries (64% and 24% in Peru and Chile, respectively) on own land (76%) and land leased from third parties (24% of total; of which 44% is leased to producers in Chile). In China, where foreign investors are not allowed to buy land, Spain and Brazil, 100% of cultivated fields are leased. Out of the 3,274 hectares, 88% are at a productive stage, while the rest is planted but not yet under production. Blueberries represent 94% of the total crops (mostly concentrated in Peru, 68%, and Chile, 23%).

In order of relevance, HF's cultivated fields are located in:

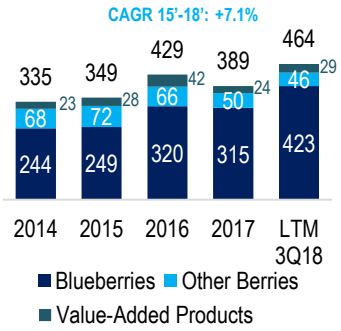
- Peru- 2,083 ha in the localities of Trujillo and Chiclayo (99% and 1% conventional and organic blueberries, respectively);
- Chile - 788 ha from regions IV to X (89% blueberries of which 86% are organic);
- Mexico - 219 ha in the states of Jalisco, Michoacan and Sinaloa (53% conventional blueberries; 44% raspberries);
- Spain - 108 ha in Huelva and Asturias (conventional blueberries);
- China - 64 ha in Yunnan (conventional blueberries); and,
- Brazil (13 ha) - in the municipality of Senador Amaral, state of Minas Gerais (mostly blackberries).

Hectares Planted Evolution



Source: Company filings

Revenues Evolution (USDmn)



Source: Company filings

Hectares Planted (3Q 2018)

	Regular Blueberries	Organic Blueberries	Raspberries	Blackberries	Strawberries	Cherries	Total
Chile	98.8	602.7	6.9	1.1	62.0	16.7	788.2
Mexico	117.8	2.9	95.4	3.0	-	-	219.1
Spain	107.0	-	-	0.6	-	-	107.6
Brazil	-	-	1.8	8.0	2.8	-	12.6
Peru	2,066.6	15.6	-	-	-	-	2,082.2
China	64.0	-	-	-	-	-	64.0
Total	2,454.2	621.2	104.1	12.7	64.8	16.7	3,273.7

Source: Company filings.

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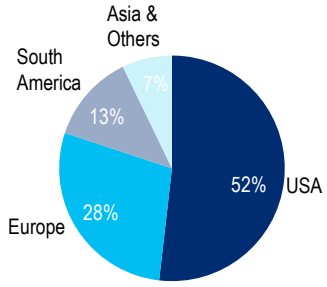
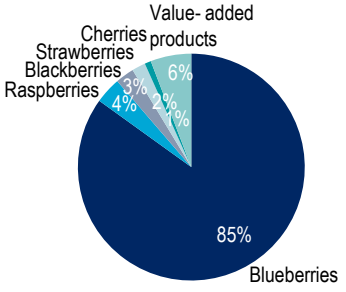
Global Footprint (**Cont'd**)

HF Sales by Destination (LTM as of Sept-18)



Source: Company filings.

HF Sales by Product (LTM as of Sept-18)



In addition to the 3,274 hectares planted by HF by the end of September 2018, the company owns 50% of associated companies that, as of December 2017, managed ~800 ha of fields, as follow:

(i) 476 hectares of blueberries planted in Peru near the city of Trujillo (~100% in a productive stage);

(ii) 77 hectares of blueberries planted in Argentina in the zone of Tucumán, all of which are in a productive stage;

(iii) 237 hectares of organic blueberries in the United States (195 ha in California and 42 ha in Oregon; 54% are in a productive stage); and,

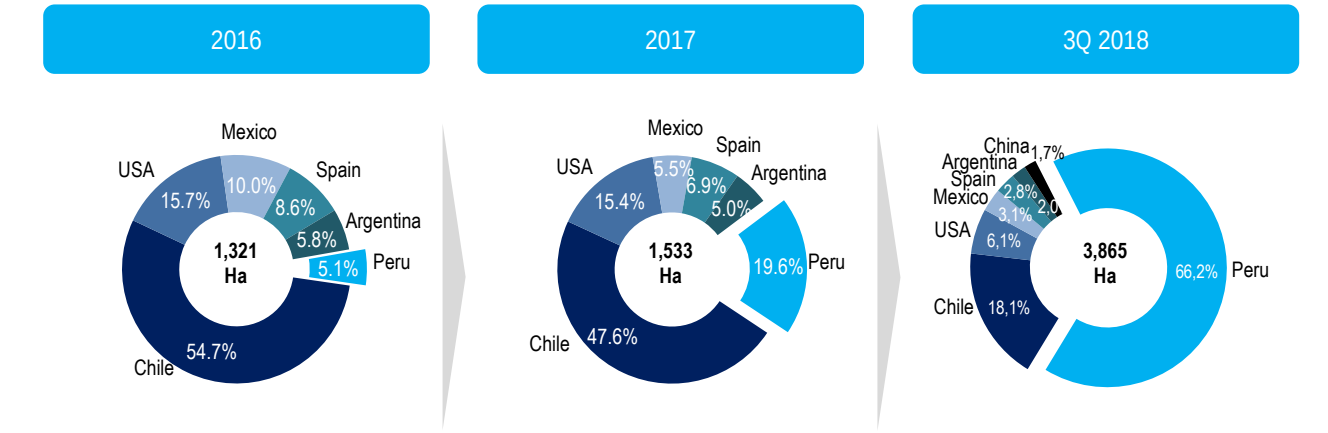
(iv) 17 hectares of raspberries and blackberries in Morocco, 15 ha of which are in a productive stage.

Thus, HF owns, leases and joined JV with associates companies that total ~4,100 ha of crops.

Considering the aforementioned, HF is the leading producer of blueberries in the southern hemisphere with interest in ~3,900 ha (~95% of the consolidated plantings).

The main destinations for its blueberries are the US in North America, UK and Germany in Europe, and China, Japan, South Korea and Singapore in Asia.

Crops of Blueberries (Hectares) – Including Associates



Source: Company filings.

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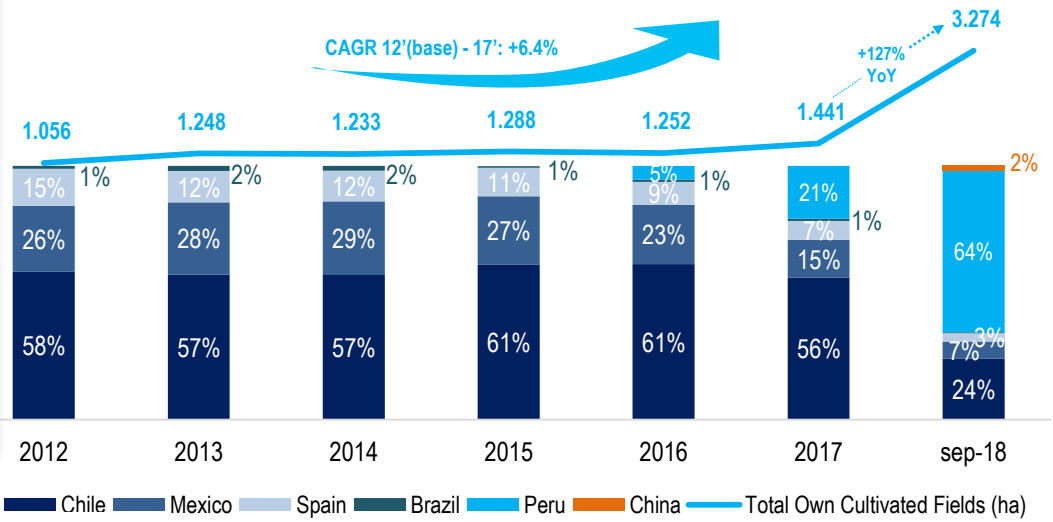
Hortifrut – Plantations by Country

Evolution of Hectares Planted by Country (*)

(*) The increase of 2,022 ha of cultivated fields between December 2016 and September 2018 is ~100% explained by an increase in Peru (+2,015 ha), due to the acquisition of Rocio Group (+1,800 ha), and a its first project in China (+64 ha) partially offset by a decrease of raspberry hectares in Mexico.



Source: Company filings

Projects of New Plantations by Country

Country	HF's stake	Fields	Total ha	Total Capex (USD million)	Total Capex / ha (USD thousand)	Type of Blueberries	Type of Plantation	Plants / ha (units)	Expected Yield (kg/ha)	Status as of September 2018
	100% (*)	Trujillo	700	86	123	Conventional	Plants in soil	5,000	22,000	Planted and at productive stage
	50%	Olmos	407	54	133	Conventional	Plants in soil	5.000-6.000	26,000	~80% planted, 1st production in 2018-2019 season; plantation of the remaining 20% will end soon to be at productive state by 2019-2020 season
	50%	California / Oregc	277	80	289	Organic	Plants in pots	13,000	33,000	Planted / 1st production in March 2019
	51%	Yunnan	200	42	212	Conventional	Plants in pots	10,000	30,000	a) 30 ha planted, 1st production 03/19; b) 70 ha beign planted, 1st production 03/20; c) 100 ha to be planted in 2Q18, 1st production: 03/20
	100%	Sinaloa	40	8	200	Conventional	Plants in pots	10,000	30,000	Planted / 1st production in 2018-2019 season

Source: 2016-2017 Annual Reports, 3Q18 Results Corporate Presentations
Note: (*) Through the M&A with Rocio Group, HF acquired the remaining 50% of HF-TAL Trujillo, reaching 100% control of the Trujillo field

Capex

Capex since HF listing

HF's main investment activities are associated to the purchase of fields, new plantations, maintenance of fields, genetics, acquisition of equipment and infrastructure (for its fields, packing units, cold lines, among others), strengthening of its distribution platform, entrance to new markets, capital injections to JVs and M&A.

From 2012 to 2017, HF increased its assets base by USD307 million to USD573 million (CAGR: +16.6%), due to the execution of investments for about USD240 million (USD48 million per year) and the merger with Vitalberry in 2013.

By December 2018, we estimate that the consolidated assets would have doubled to USD1.2 billion due to capital expenditures of USD425-430 million, mostly explained by the M&A with Rocio Group from Peru with ~USD70 million of investments related its current pipeline of growth projects and maintenance.

Current pipeline of investments for the 2018-2019 season.

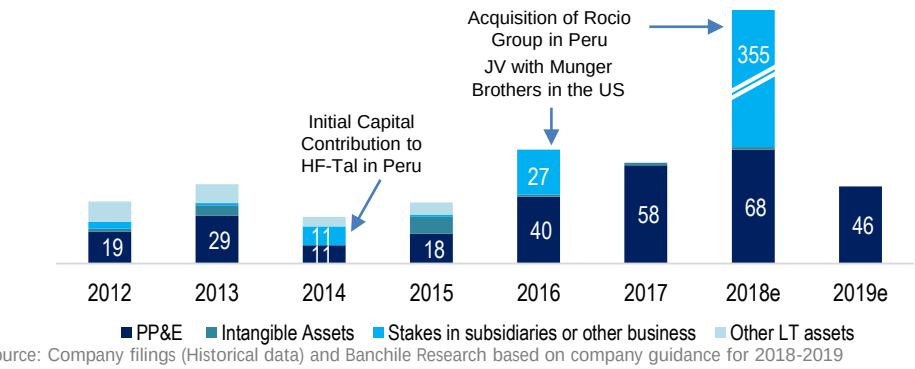
For the current season (July 2018-June 2019), and excluding the purchase of Rocio Group occurred in July, HF would invest ~USD55 million. Out of this total, the company disbursed USD19 million in 3Q18(~72% in new plantations- mostly in Peru and China; 18% in infrastructure and 10% for maintenance of fields).

In terms of allocation by project, details are: (i) ~USD15 million to complete the stages 2 and 3 in China (+170 ha); (ii) ~USD15 million on maintenance of fields; (iii) ~USD12 million to finalize the plantations in Peru (+100 ha in Trujillo and Olmos); (iv) ~USD5 million for the JV with Munger in the US; and, (v) ~USD8 million for other projects in Mexico, Spain, Chile (cherries) and the US.

Maintenance Capex

HF has indicated that this would reach USD18-20 million per year (~70% in Peru). Growth projects under execution in Peru (Olmos), China, the US and Mexico will be at productive stage by 2020, and with no guidance on future new initiatives or JVs, capex requirements would reduce to ~USD20 million from 2020 onwards.

Capex 2012-2019e



Source: Company filings (Historical data) and Banchile Research based on company guidance for 2018-2019

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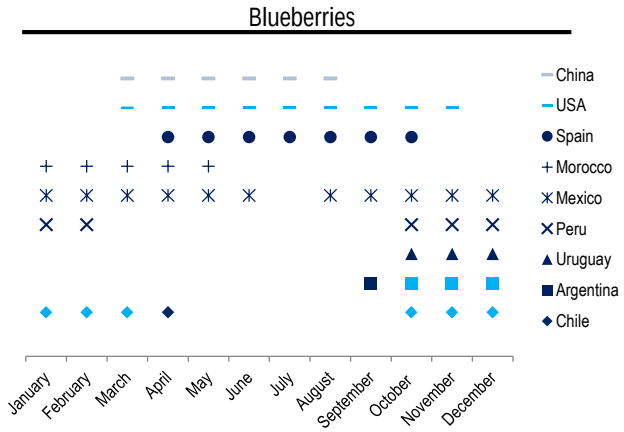
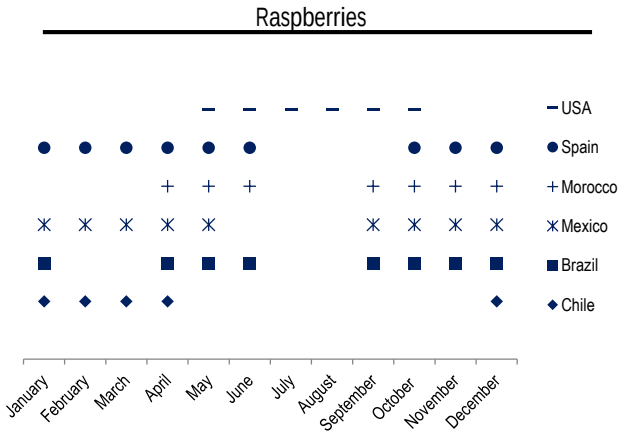
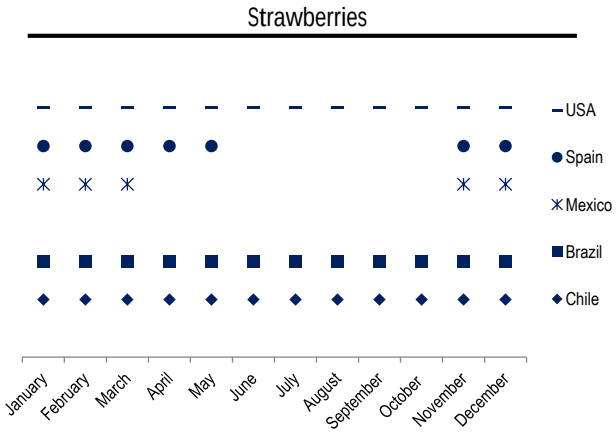
Hortifrut – Production Seasonality by Country

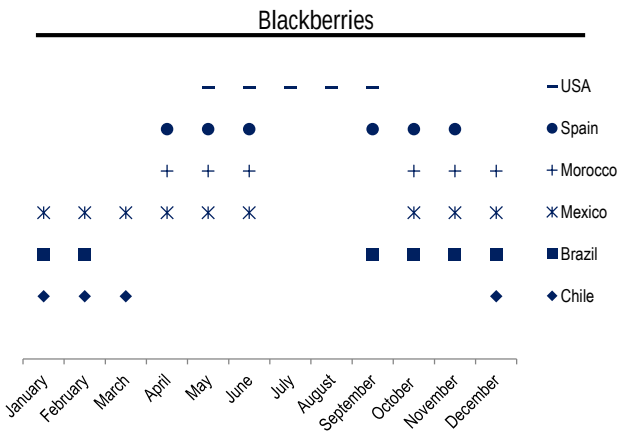
The following charts show that the HF's operations situated in the southern hemisphere are able to supply the U.S. market in time periods in which the northern hemisphere is not productive due to the seasonal cycle.



(*) Figures in light blue indicate availability of organic production







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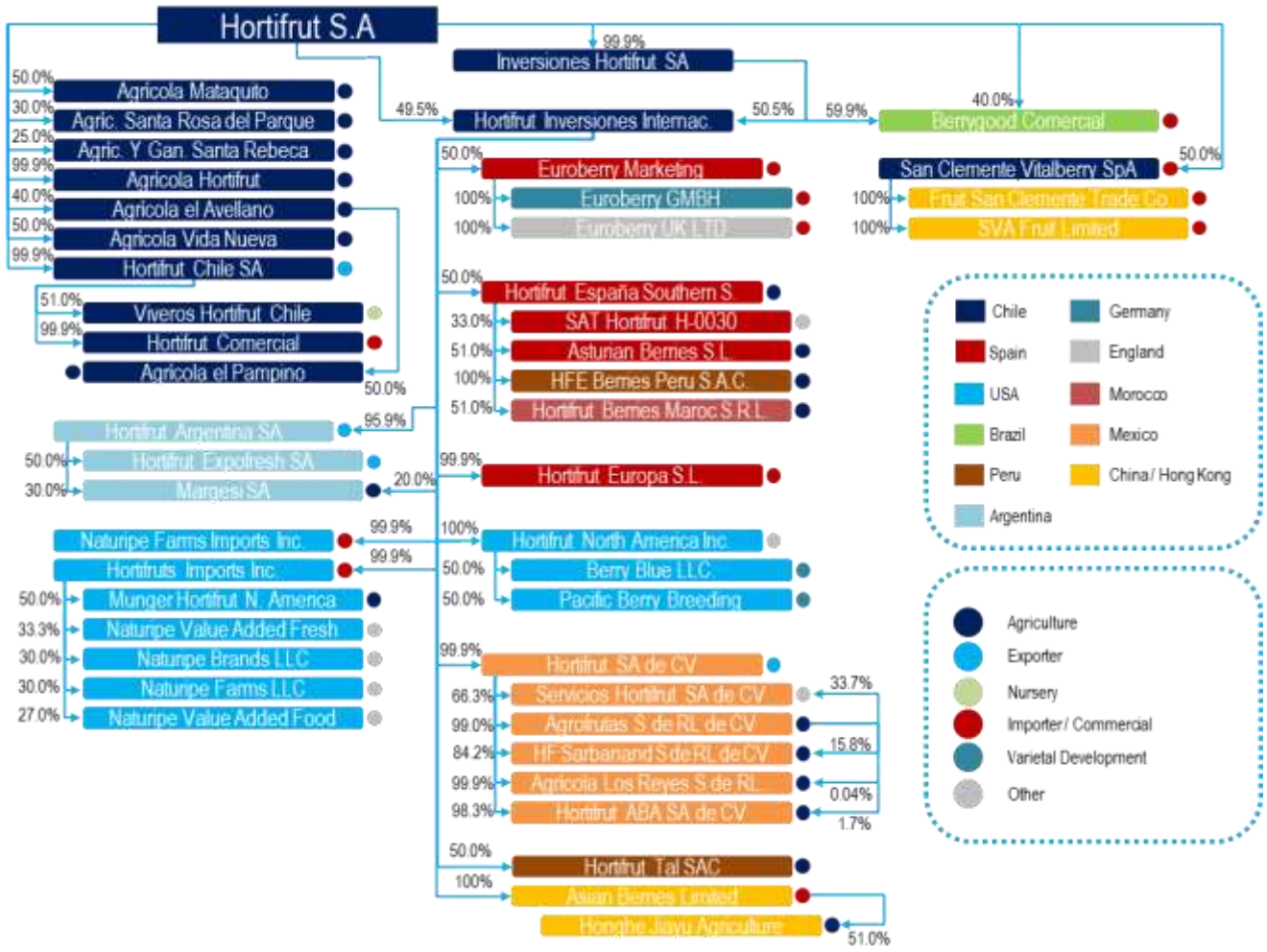
Hortifrut at a glance

Organization Chart (2017)



As a result of the merger of Hortifrut and blueberry operations of Rocio Group in Peru, Hortifrut, since 3Q18, owns 100% of Hortifrut Tal SAC

Source: Company filings.

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Merger with Rocio Group from Peru

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Merger with Rocio Group

Hectares Planted in Peru
(Rocio Group and Hortifrut)

Source: Corporate Presentation: "Merger with blueberries business in Peru"

One of the most significant milestone in **HF's** history

On October 3rd, 2017, HF announced the signing of a Memorandum of Understanding with the Rocio Group, controlling shareholders of the Peruvian companies Tal S.A and El Rocío S.A.

With three generations of the Quevedo family behind a successful ~50 years of trayectory, the Rocio Group is a pioneer in the agro and agroindustrial areas in the Peruvian desert, with interests in fruit and vegetables farming such as blueberries, asparagus and avocados, among others.

The MOU considered the acquisition, through a sale and merger, of the blueberries business run by that group that included new plantations and in production regime, facilities and equipment, and two packing units with cold lines, which are located in the Chao District, Viru Province, Departamento de la Libertad.

Once HF completed the due dilligence, the parties concluded the negotiations and proceed to sign the definitive contract by the beginning of December 2017. An HF extraordinary shareholders meeting held on December 22nd, 2017 approved the merger. By the end of June 2018, all conditions determined by the parties were reached and the transaction was finally completed. The acquired business started to be consolidated on HF's financial statements on July, 2018.

On July 3rd, 2018, Mr. Ulises Quevedo joined HF's BoD. Rocio Group is part of the HF's controlling group (along with Moller family and Vitalberry Group-Del Río and Elberg family), who together control 51.84% of HF, and nominate five out of the nine BoD's members.

The purchase agreement allowed HF to buy: i) the 50% remaining of Hortifrut Tal S.A.C., a company that had been established in 2014 as a first step to enter the Peruvian market as exporter and producer of blueberries, with 700 has of plantations located in the Chao Valley, Trujillo Province; and, ii) 100% of Tal S.A. that owns 1,100 has of blueberries in the Chao and Virú Valley, both situated in Trujillo Province. Thus, HF incorporated 1,450ha of land (adjusted by ownership) and a running blueberry export operation, in exchange of: (i) a cash payment of~US$160mn (HF financed it with bank loans at Libor 180 days plus 178bps spread with maturity from 2 to 5 years); (ii) new shares of HF equivalent to 17.13% stake in the merged entity (Equity value of ~US$340mn, based on the share price and fx agreed previous to the release of the material fact on Oct. 3rd, 2017); and, (iii) a future payment conditioned to the results of the acquired blueberries business between 2017 and 2021. This contingent payment depends on the excess, after taxes, of USD281 million of the accumulated operational net cash flow (defined as the cumulative EBITDA of the blueberries business over a period of five years, excluding expenses for the participation of workers in Peru, capital investments and maintenance).

We highlight that before the acquisition of the assets owned by Rocio Group in Peru, only a third of the volume that Hortifrut distributed worldwide came from its own cultivated fields. Now, we estimate that this figure has increased to 75%.

A very accretive transaction

Together with the 400 ha that HF already had with its partner Atlantic Blue, District of Olmos, Province of Lambayeque, Departamento de Lambayeque- another productive focus situated in the north of Peru, the company owns 2,200 ha of blueberries plantations in Peru that would reach a production of 45,000-50,000 tons per annum by 2022 (vs ~80,000 tons of blueberries commercialized worldwide on a consolidated basis;~100,000 tons including other berries and value-added products).

Merger with Rocio Group (Proforma) - LTM ended in June 2018			
	Volume tons	Revenues USD million	Ebitda USD million
Hortifrut	38.600	355	48
+	+	+	+
HF-Tal	7.800	74	37
(50% HF / 50% Rocio Group)	+	+	+
Rocio Group (TalSA)	11.100	106	53
Merged entity =	57.500	535	138

Source: 2Q18 Results Corporate Presentation

With the acquired Net Financial Debt of Rocio Group (USD78 million), the Enterprise Value paid reached USD444million. Alll-in, we estimate that HF paid an EV/trailing EBITDA of 6.2x.

Merger with Grupo Rocio - Implied Valuation	
Data in USD million, unless otherwise indicated	
Cash	148
HF shares (17.13% stake)	212
NPV of Contingent Liabilities (Earn-out)	7
Equity Value	366
Grupo Rocío's Net Financial Debt	78
Assets Value	444
Incremental EBITDA Adj. by Ownership **(LTM ended in June 20**	72
Implied EV/EBITDA	6,2

We highlight that the average EV/EBITDA multiple paid in the fruit farming industry was 6.0x (in the last three years), in-line with the implied ratio in HF-Rocio Group merger.

Based on the valuation ratios observed for HF from its listing to the quarter prior the announcement of the merger (avg.=~15x) and 5-yr peers' Fwd EV/Ebitda (Costa Group=12.7x; Calavo Growers=14.9x), the deal terms to acquire Rocio Group were very accretive.

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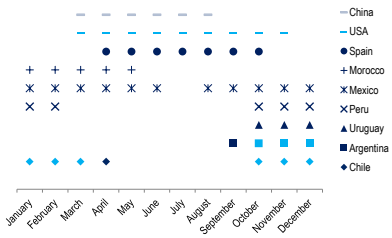
The rationale behind the deal

HF - Blueberries Production Periods



(*) Figures in light blue indicate availability of organic production

In addition to the attractive pricing terms of this merger and financing conditions, the rationale behind the deal relies on:

(i) the cultivated fields acquired to Rocio Group are situated in the northern coastal region of La Libertad, where the sunny, hot and dry climate, and availability of water along with Hortifrut's expertise in agricultural management is expected to provide yields above 20 tons/ha/yr by 2021;

(ii) the strengthening of HF's position as a global supplier with fruit available to export to the main consumers markets on a continuous basis, significantly increasing its participation as an early fruit provider from the Southern to the Northern hemisphere. The acquired fields complement well with the Chilean operations, because the harvesting in Peru begins in late 3Q and its ends when in Chile is reaching its peaks in 1Q; and,

(iii) market friendly policies implemented the Peruvian government (such as a 15% income tax for an individual or a legal entity cultivating land which ends on December 2021 compared to a general income tax rate of 29.5%), affordable power and workforce cost. We already consider this in our model.

The North American blueberry season and harvest runs from April to late September. Then, the entry of the Peruvian production to the U.S. blueberry market coincides with high prices. i.e. during the fall and winter months, when local production decreases and demand remains high. Thus, HF is able to target specific countercyclical market window of a major market.

Trujillo and Olmos
(Peru's blueberries producing base)

By the end of 2018, ~50% of the hectares planted with blueberries in Peru are concentrated in Trujillo (~30% in Olmos).
It is expected that Olmos will continue "gaining ground". By 2021, each of those areas will represent ~40% of the total cultivated area in Peru.

Source: Red Agricola

Hectares planted with Blueberries in Peru - Breakdown by Department and Company

Camposol and Hortifrut concentrate ~60% of the current blueberries plantations in Peru (~30% each).

Department	Zone	Firm	Hectares
La Libertad	Viru	Camposol Sac	2,073
La Libertad	Trujillo	Tal Sa	1,100
La Libertad	Trujillo	Hortifrut-Tal Sac	700
Lambayeque	Olmos	HF Olmos	420
Lambayeque	Olmos	Agrovision Peru Sac	400
La Libertad	Chepen	Agricola Cerro Prieto Sa	300
Lambayeque	Chiclayo	Beta	250
La Libertad	Viru	Hass Peru Sa	222
La Libertad	Viru	Agroberries Peru Sac	222
Lima	Barranca	Agricola Santa Azul	198
La Libertad	Viru	Blueberries Peru Sac (Arato)	187
La Libertad	Trujillo	Danper Trujillo Sac	158
Lambayeque	Olmos	Frusan Agro Sac	90
Lima	Huaura	Inka's Berries Sac	60
Lambayeque	Olmos	Plantaciones Del Sol (Ingleby)	52
Ica	Pisco	Agroinversiones Valle Y Pampa Peru SA	43
Ancash	Huaylas	Exportadora Fruticola Del Sur Sa	38
Ancash	Huarmey	Agricola La Venta Sa	30
Ica	Ica	Agricola Don Ricardo Sac	17
Lima	Huaura	Agropecuaria Pamajosa Sa	15
Ica	Ica	Agricola Marsole Sa	10
Lima	Cañete	Proberries Sac	4
Ica	Ica	Agroindustrias Macacona Srl	4
Ica	Ica	Procesos Agroindustriales Sa-Proagro	3
Otros			300
Total			6,896

Source: Red Agricola (except for Camposol and Hortifrut whose information was obtained from presentations)

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Merger with Rocio Group

Hortifrut Shareholder Structure and Controlling Shareholders Agreement (September 2018)

Moller Family	**17.1%**
Del Río Family	9.5%
Elberg Family	8.0%
Quevedo family	17.13%
Investment Funds	15.0%
Swett Family	4.0%
Novion Family	6.0%
Pension Funds	11.0%
Urzua Family	2.0%
Other	10.2%
Total	100%

* VitalBerry (Del Río & Elberg)

	Shares Controlling Group	Ownership	SHA Shares
Moller Group:	Inversiones MG	81,792,248	
	San Juan de Virquenco Tres	7,344,255	
	Agricola San Nicolas	929,550	
	Total	90,066,053	90,026,052
	Total Moller (%)	**17.14%**	**17.13%**
VitalBerry:	San José Farms	36,773,594	
(Del Río)	Valles del Sur SpA		
	Exportadora San José Trading	13,359,181	
	Total	50,132,775	
	Total Del Río (%)	**9.54%**	
(Elberg)	Inmobiliaria Algeciras	42,243,674	
	Total Elberg (%)	**8.04%**	
	Total VitalBerry	92,376,449	90,026,052
	Total VitalBerry (%)	**17.58%**	**17.13%**
Grupo Quevedo:	Chile III SpA	89,125,792	
	Inversiones Copemira S.A.	900,260	
	Total	90,026,052	90,026,052
	Total Grupo Quevedo (%)	**17.13%**	**17.13%**
	Total SHA Shares	272,468,554	270,078,156
	Total SHA Ownership	**51.84%**	**51.39%**
	Total Shares	**525,546,131**	**525,546,131**

Board Members (September 2018)

Director	Relationship	Cargo
Victor Moller S.	**1**	Chairman
Andrés Solari	**2**	Vice Chairman
Juan Luis Alemparte	**Interim (Swett)**	Board Member
Ulises Quevedo	**3**	Board Member
German Novion	**Novion Family**	Board Member
María Morales	**Independent**	Board Member
Marco Comparini	**Penta Financiero**	Board Member
Victo	**1**	Board Member
Andrés Carvallo	**2**	Board Member

1) Moller
2) Vitalberry
3) Rocio Group

Source: CMF

BoD Droop's Quota		
**SHA stocks ----------> **		**272,468,554**
Nº Directors	Sh. / Director	Voting Stocks Left
1	52,554,614	219,913,940
2	52,554,614	167,359,326
3	52,554,614	114,804,712
4	52,554,614	62,250,098
5	52,554,614	9,695,484

Source: Banchile Research Department

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Review of HF´s main producing bases

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Peru: from virtually nothing to 70% of Chilean blueberries exports, in only 6 years of history

Introduction

Blueberries started to be cultivated in Peru in 2008. The signing of trade agreements with the US in 2009 and the new import protocols agreed on the 2016 APEC summit helped to create market opportunities for Peruvian blueberry exports to the US and mainland China. In February 2017, Peru sent its first sea freight shipments to China.

Peru has exceptional climatic conditions that favor the productivity of blueberries plantations (yields average 15-20 metrics tons per hectare). Production is centered in the northern coastal region of La Libertad, where the sunny, hot and dry climate allows for a nearly year-round harvest. Market friendly policies, accessible power and workforce cost, availability of water, low financial barriers for establishment and high profitability as an early fruit, have boosted Peruvian blueberries exports from virtually nothing to an equivalent to 70% of Chilean exports, in only 6 years of history.

Blueberries are **Peru's** 2nd most valuable fresh fruit export after avocados

In 2017, 52 companies exported 42,784 tons of blueberries from Peru for a total FOB value of USD356 million (average price:USD8.3/kg). However, the shipments abroad are heavily concentrated in two local groups. The Rocio Group, controlled by the Quevedo family, and Camposol, owned by the Dyer family, had 36% and 33% market share, respectively (measured by FOB value). Hortifrut, through an indirect affiliate called HFE Berries Peru, reached a 2% market share (8% if we consider its 50% stake in a JV with Rocio Group named Hortifrut-Tal SAC).

According to the figures recently published by the Ministry of Agriculture of Peru, blueberries production grew at a CAGR of 206% between 2012 and 2018. In 2012, blueberries exports were almost non-existent (USD0.4 million; 48 tons), while in 2018 the shipments abroad reached USD590 million (~78,700 tons;+83% y/y).

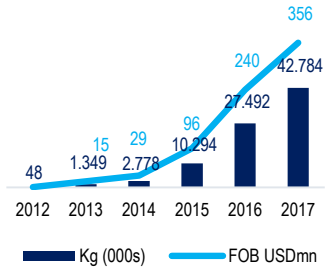
In 2018, the blueberries production increased to 89,735 tons (+71.6% y/y). La Libertad and Lambayeque were the largest producing regions, in which HF's cultivated fields are situated.

For the 2017-2018 agricultural campaign, the cultivated area with blueberries was 7,884 hectares, the largest surface reached in La Libertad and Lambayeque.

The national yield averaged 15.3 tons/ha/yr (La Libertad: 16.8 tons/ha; Lambayeque: 15 tons/ha). During the 2017-2018 season, the hectares at productive stage owned by HF-Tal in Trujillo recorded a yield of 15.9 tons/ha.

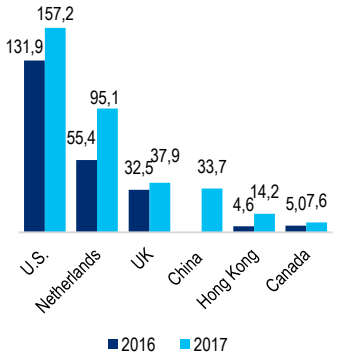
Last year, blueberry exports reached USD590 million (+63% y/y). The main markets of destination were the US (54%), Netherlands (21%), England (9%), China (6%), Spain (4%) and others (6%).

Blueberries Exports (USD million)



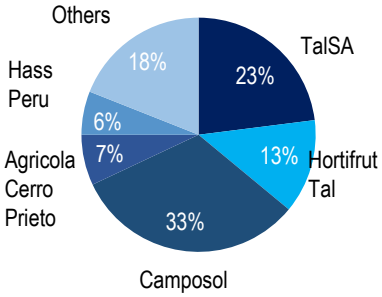
Source: Ministry of Agriculture of Peru

Exports by Destination (USD million)



Source: Ministry of Agriculture of Peru

Blueberries Exporters (2017)



Source: Ministry of Agriculture of Peru

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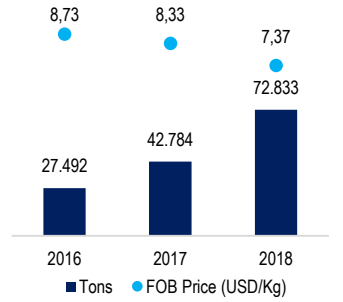
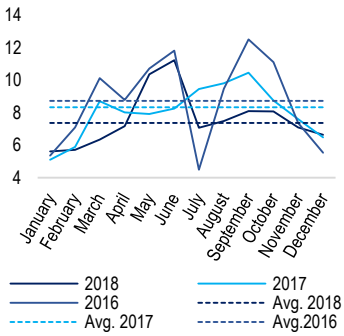
Peru: On track to challenge the leadership of Chile as **world's** largest blueberries exporter.

2016-2018 Peruvian Exports



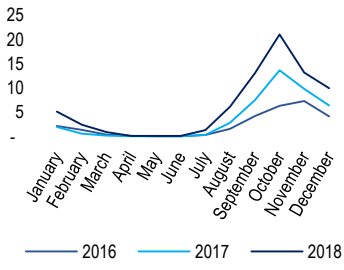
Source: Ministry of Agriculture of Peru

Peruvian Blueberries Exports (USD/kg)



Source: Ministry of Agriculture of Peru

Peruvian Blueberries Exports (000s tons)



Source: Ministry of Agriculture of Peru

Since 2016, average FOB export price fell ~USD1.4/kg (-16%) to USD7.4/kg, while volumes increased by ~2.7x.

Growth Prospects

In 2017, Peru was the world's third major exporter of blueberries, after Chile (#1) and Spain (#2). With the growth observed last year, the country should have surpassed Spain.

According to an article published by the specialized magazine Red Agrícola in June 2018, the cultivated area with blueberries in Peru would reach ~12,500 ha by 2021. Thus, Peru is expected to challenge Chile's current leadership as the world's largest exporter of blueberries.

Challenges

To position itself as a global player, Peruvian blueberry growers must work to improve the taste of the fruit since this attribute does not satisfy some final consumers. While the fruit arrives at optimal conditions of firmness to the most distant markets (Asia), the blueberry has high levels of acidity. Experts agree that, to improve that condition, the right choice of the variety is essential, since it is assumed that genetics would explain most of the final outcome. That's why producers are testing varieties to check which one is the most appropriate solution for the particular characteristics of each productive zone. But, fruit's taste also depends on agricultural management. Many growers are learning about cultivation based on trial and error.

Below we summarize the opinion that an agronomist with vast experience in the agricultural and blueberry industry in Peru delivered to a specialized magazine about the aforementioned.

Genetics is the main tool to develop and strengthen competitive advantages and will give sustainability over time, not like this the seasonality of the harvest, which is a comparative advantage. Five years ago, it was enough to have the availability of fruit as a key element to be profitable. The great opportunity for Peru is that by having access to the new varieties, the next few years may improve the taste of the fruit. Buyers have made several observations on acidity. So, the challenge is that through access to better genetics, get fruit of better quality (taste in particular) and that can travel long distances to serve new markets, such as China.

Being the blueberry growing and harvest a labor-intensive activity, workforce management is another key aspect that can be a threat for a young industry. Training and specialization of workers should focus on increasing the ~25 kg/ha/day average productivity of harvest, that is well below the Chilean average (>30 kg/ha/day). Most companies have not implemented the piecework basis model (per kilo harvested) because the margins are still high, but producers are aware that in the future, having incorporated other varieties, they should.

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Peru: ~70% of ownership-adjusted EBITDA in 2019

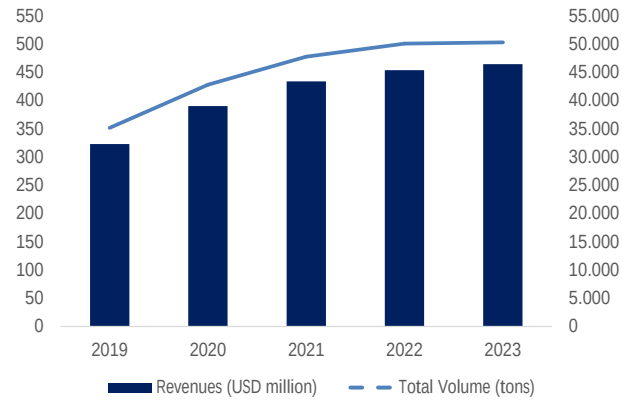
Operations in Peru will contribute ~70% of **HF's** ownership-adjusted EBITDA in 2019

We estimate that HF's producing base in Peru will contribute with an EBITDA of USD108 million in 2019 (adjusted by its 50% minority stake in Olmos). For the 2018/2019 season, we assume yields ranging from ~13.7 ton/ha/year to ~16.4 ton/ha/year depending on the stage of maturity of the cultivated fields and expected yields in regime. For the current season, we estimate sales volume of about 30,500 tons (~35,000 for 2019 calendar year). We highlight that, during the last three years, 82% of the Peruvian blueberries exports concentrate from September to December. With an average realized price of USD9.2/kg (2019 calendar year), we estimate an EBITDA of USD3.3/Kg.

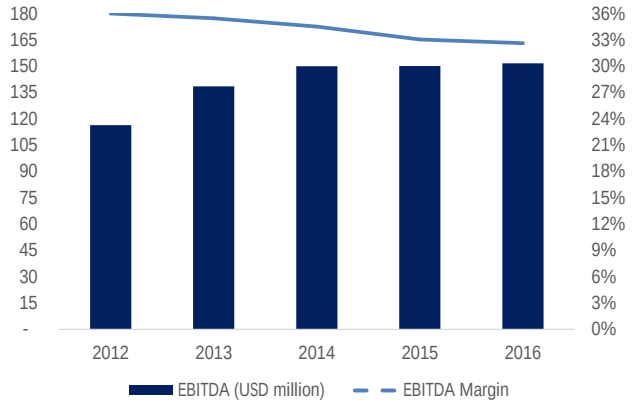
For 2020, the EBITDA -adjusted by its 50% minority stake in Olmos, would reach to USD128 million. For 2019/2020 season, we assume that the yields per hectare will increase (range: ~17 ton/ha/year to ~19 ton/ha/year), due to more mature fields. In 2019/2020 season, volumes will increase to ~40,000 tons due to the mentioned above and 70 ha of additional cultivated area in Olmos entering at productive stage. By the calendar year ended in December 2020, we estimate a total volume of ~43,000 tons with an average price of ~USD9/Kg (EBITDA=USD3.2/kg).

We assume that blueberries plantations in Peru will reach the expected yields per hectare of 22 ton for Trujillo and 26 ton for Olmos in the 2021/2022 and 2022/2023 season, respectively. EBITDA would reach ~USD140 million with sales volume of ~50,000 tons (63% of HF's blueberries consolidated volume).

Blueberries Revenues and Volume
(Peru 2019e-2023e)



Blueberries EBITDA and EBITDA Margin
(Peru 2019e-2023e)



Source: Banchile Research Department

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Chile: The **world's** largest exporter of blueberries

Chilean Blueberries exports

In 2017 (calendar year), Chilean exports of blueberries reached USD462 million, ranking #4 behind the more traditional shipments such as grapes (USD1,231 million) and apples (USD665 million). Cherries, another emerging and growing product within the berries category, recorded shipments valued at USD514 million.

In 2018 (calendar year), blueberries exports increased by 40% to USD647 million, a growth rate that compares favorably with the whole category of fruits (+15%). Blueberries remained as the Chile's fourth fresh fruit export, being surpassed by grapes, cherries and apples. Blueberries exports are now just 8% lower than apples shipments. Cherries became the second most valuable fresh fruit export with a total value of USD1.1 billion (+110% y/y).

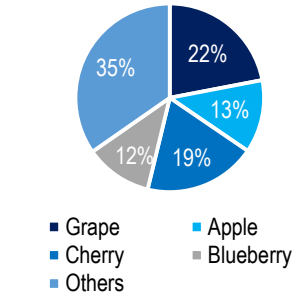
In 2017/2018 season (July 2017-June 2018), 151 companies shipped abroad 110,351 tons of blueberries (+6.4% y/y). The supply is much more atomized than in Peru. The TOP 15 exporting companies concentrated ~54% to the total volume. Hortifrut was #1 with 14.1%% market share, followed by Agroberries (8.1%), Carsol (4.4%) and Giddings (4.2%). Large international companies such as Dole and Driscoll's each have only 2% of the export market.

The main markets of destination, measured by volume, were North America (64%; +4.6% vs. the prior season), Europe (24%; +12.3% vs 2016/2017 season), and Asia (12%; +4.4%). By country, the U.S., U.K., Netherlands and China are the largest buyers.

Hectares planted and yields

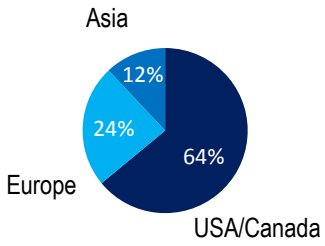
Based on information provided by the Office of Agricultural Studies and Policies (Odepa), there are 322,343 hectares planted with fruit trees in Chile. Blueberries plantations reach to 15,816 ha (ranking #7), 75% of which are concentrated between the seventh and ninth regions (90% including the tenth and fourteenth regions). There are about 1,300 blueberries growers. Considering the production of frozen products, the national average yield is ~9 tons/ha/yr, that compares with the 15 tons/ha/yr reached by the Peruvian producers.

2018 Chilean fresh fruit exports (USD5.6bn)



Source: Chile Alimentos

Chilean Blueberries Exports by Destination (tons)



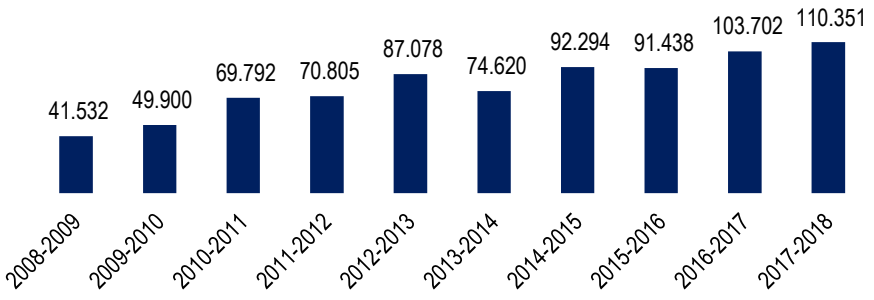
Source: Chilean Exporters Association

Chilean Exporters (Share in Volume)

2017/2018 Season	Market Share
Hortifrut	**14,1%**
Agroberries	8,1%
Carsol	4,4%
Giddings	4,2%
Agricola Cato	2,6%
Niceblue	2,5%
Frusan	2,4%
Collip Red Soil	2,2%
Lafrut	2,2%
Valle Maule	2,1%
Dole-Chile	2,1%
Alifrut	1,9%
Best Berry	1,9%
Discrolls Chile	1,9%
Copefrut	1,7%
Others	**45,7%**

Source: Hortifrut

Evolution of Chilean Blueberry Exports (tons) – By Seasons



Source: Chilean Exporters Association

Chile: Exports during the current season

Southern Hemisphere Season so Far

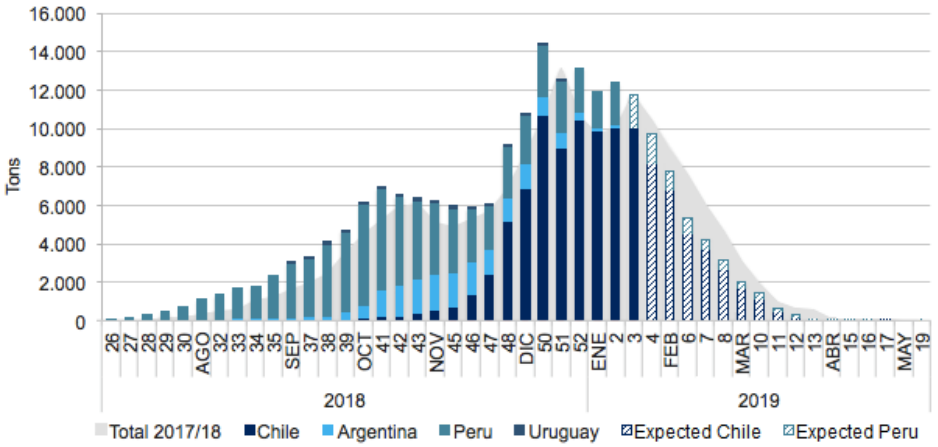
"Peru has exported 72,288 tons up to date, 60.8% more than the previous season 2017-18 and its season is almost done. Argentina has already finished and exported 17,806 tons, 19% less than the previous season. Chile, on the other hand, has exported 77,603 tons, 7% more than the previous season.
In short and considering sectors of low incidence such as juices and dehydrated, the total production volume in will be around 160,000 tons this season 2018-19. Not very different from the previous campaign, this speaks of an industry stabilized in its volumes" (Crop & Export Report 2018-2019).

Source iQonsulting from SAG/Asoex for the Chilean Blueberry Committee (latest Crop for the third week of January, 2019

2018-2019 season so far

According to the latest figures prepared by iQonsulting from SAG/Asoex for the Chilean Blueberry Committee, during the current season, the accumulated volume exported until the third week of January reached 77,603 tons. This is 5% higher than the figure estimated after the hailstorm (November 18th) because the climate has behaved very benign during all summer. Thus, with approximately another two months of shipments, the export volume is expected to decrease slightly from last year´s record level when crop experienced near perfect conditions (-2% to -5% to 105,000-108,000 tons).

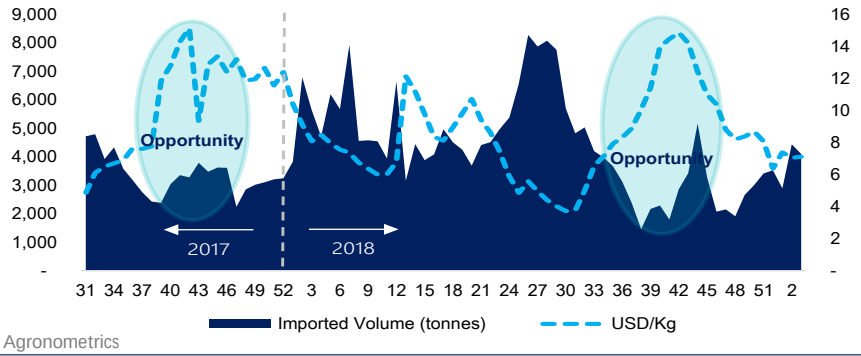
South America Exports to the World 2018-2019 Season so far (tonnes)



Source: iQonsulting from SAG/Asoex for the Chilean Blueberry Committee (latest Crop for the third week of January, 2019

Until the third week of the current season, Chilean exports to the U.S. reached 43,151 tons, equivalent to 56% of the total shipments. Based on data provided by Agronometrics, import prices in the U.S., from the week #27 to #3, have averaged USD8.5/kg (11% below the USD9.6/kg observed for the previous season during the same period).

U.S. Imports (Weekly Volume and price)



Source: Agronometrics

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Chile: Not just facing increasing competition but also challenges to remain competitive

Challenges

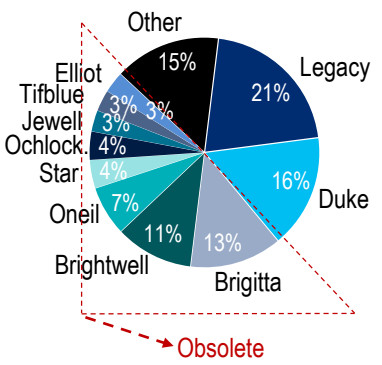
As a counter-season supplier, Chile has played a leading role in the development of blueberries' global consumption, but currently it must revisit its strategy as a result of the entry of new competitors that are narrowing the window of high export prices that local producers and exporting companies used to take advantage of until only few years ago.

Chilean blueberries growers are facing the competition from Peruvian exporters in markets destinations during the first weeks of the season (October/November) and the increasing production from Mexico and Morocco, which coincide with some of the last weeks of the harvesting period (March).

The aforementioned forces the local industry not only for the renewal of varieties but also to improve the quality, develop new products processed with fruit not suitable for export markets and reinforce the promotion abroad.

To remain competitive, Chilean growers and exporters will require: (i) to change varieties; (ii) to be more efficient; (iii) to reduce costs; and, (iii) to modernize the industry.

Blueberries Varieties in Chile



Source: SmartPac Active – Exportadora Lafrut Ltda, "Challenges of the Chilean blueberry industy"

Around 70% of the varieties of blueberries produced in Chile are relatively old, which implies that the characteristics of the fresh fruit are not necessarily what are currently being required by final customers. The renewal of varieties is taking place slowly. Countries with less tradition as blueberry producing have a higher percentage of their fields with new varieties. As previously discussed, a key factor is that the fruit arrives at optimal conditions to the most distant markets. This is a must for improvement due to the competition of Peru and Mexico as exporter to the U.S., Europe and Asia.

The new genetics should offer better conditions of appearance, firmness and taste. Chilean blueberries do not score well in terms of firmness when compared to Peru.

The renewal of varieties should prioritize those that optimize the harvest, with better post-shelf life and higher productivity.

Regarding the challenge of reaching higher levels of efficiency, to diminish costs and to modernize the processes, it is important to highlight that all agricultural activities dedicated to cultivation and harvest of fruit tress that are labor-intensive, such as blueberries, grapes, cherries, among others, should focus on improving the efficiency of their workforce and to incorporate technology through the mechanization of certain activities (labor represents about 70% of the cost of producing the fruit).

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Chile: 9% of 2022/2023e EBITDA once the fields in Peru and China reach their max yields

Chile will contribute 9% of **HF's** ownership Adjusted EBITDA by 2023

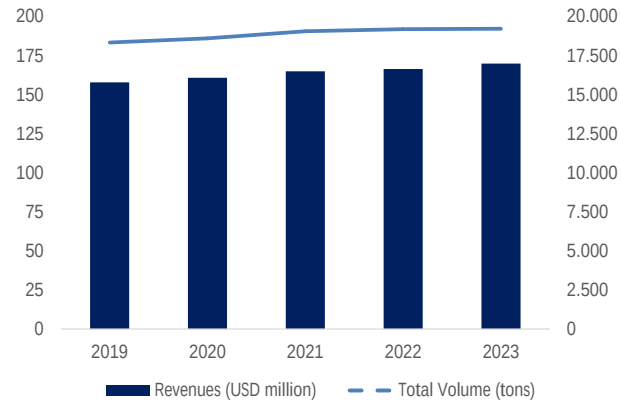
We estimate that HF's operations in Chile will contribute with an EBITDA of ~USD21 million in 2019. This is equivalent to 14% of Consolidated ownership Adjusted EBITDA and excluding changes to fair value of biological assets.

For the 2018/2019 season, we assume that the ~700 ha of blueberries cultivated with plants with an average age of ~10 year, will offer a yield of ~12.5 ton/year. It is important to highlight that HF acquires ~10,000 tons of blueberries per year from third parties. Therefore, the volume commercialized annually is around 18,300 tons. Assuming an average selling price of USD8.6/kg, we expect that Hortifrut will generate revenues and EBITDA for about USD158 million and USD21 million in 2019, respectively (EBITDA/Kg of USD1.1)

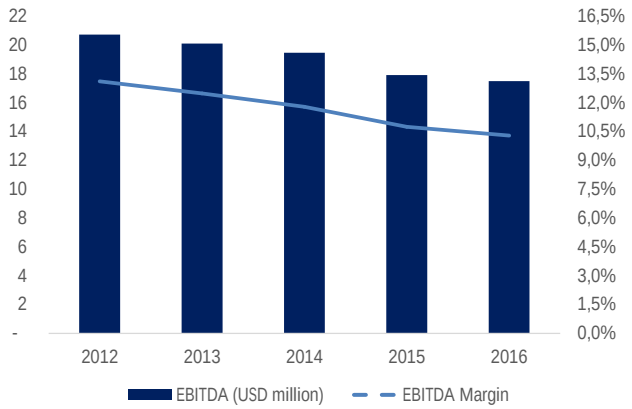
In 2020, we expect flat prices and a slightly higher production (~18,600 tons). Revenues will increase to USD161 million (+2%), while EBITDA would remain flat at USD20 million.

By 2023, once the cultivated fields in Peru and China reach their maximum productivity, the contribution of those operations will peak, while volumes in Chile are expected to remain relatively flat at 19,000 tons. By then, Chile will represent ~9% of HF's EBITDA.

Blueberries Revenues and Volume
(Chile 2019e-2023e)



Blueberries EBITDA and EBITDA Margin
(Chile 2019e-2023e)



Source: Banchile Research Estimates

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China: Hortifrut has presence in a key region for early season blueberries

Yunnan Province: a promising production base

In 2017, the International Blueberry Organization (IBO) Summit was held in Qujing, the second most populous city in the Yunnan Province, located in the southwest of China. HF leases 200 ha of fields to cultivate blueberries in that province, specifically in Honghe prefecture, near the city of Jianshui. One of the organizers of that event was Joy Wing Mau (HF's partner in China), that in 2014 reached a consensus with Qujing's authorities to cooperate in blueberry production. They co-invested in the blueberry industry supply chain and introduced the U.S. highbush blueberry with the aim of establishing China's "Blueberry Capital" in the Yunnan Province, that offers a mild climate and acidic soil.

Most of the China's blueberries production base is able to achieve a 5-month season, from mid March to mid August, for the fresh fruit. This is result of a mix of several cultivation systems such as open fields, greenhouse and cold shed methods utilized in different production regions. Early maturity of good quality berries allowed China´s Southwest, particularly Yunnan Province, to become the key region for early season blueberries. The harvesting period in the fields leased by Hortifrut will extend between March and May.

Costa Group's Comment on China

"Blueberries with their widely publicized health benefits are positioned to capitalize on the increasing focus by the growing Chinese middle class on a healthier lifestyle".

Source: Costa Group Corporate Presentation (May 2018)

International giants such as "Driscoll's" from the U.S. (#1 berries and #2 blueberries producer in the world), "Hortifrut", "Costa Group" (based in Australia) and "SA Berry Fruit" from the UK, have moved production inside China. Companies can be closer to the end consumer and avoid the challenges for import and quarantine inspection. Driscoll´s now produces blueberries and raspberries in Yunnan province in association with Costa Group, extending its relationship established in Australia. By the end of 2018, the JV had 100 hectares planted in Manlai Xishuangbanna prefecture (Yunnan Province), of which 77 ha, 16 ha and 7 ha corresponding to blueberries, raspberries and blackberries.

Blueberries Plantings in China

Fuente: Banchile Research

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China: It is expected to become the **world's** largest market for blueberries by ~2025

Oliver Davies' comments, Director of Operations for Asia Pacific, UK-based S&A Fresh Produce – (November, 2018)

Mr. Davies came to Shanghai in 2013 to set up the company's Asia Pacific branch. During those first few years in China, S&A was largely sourcing fruit from South America to sell here.

But, according to Davies, "after being in China for about 18 months, and realizing the difficulty in providing very good quality blueberries from overseas because of the transit time, I saw that the future was to set up a growing operation in China."

S&A settled its operations in Yunnan, where they hope to pull off the impressive feat of being, "completely counter-seasonal to China's main domestic blueberry production," which runs from roughly April to September.

S&A can thereby offer domestically produced blueberries to Chinese consumers as a fresher alternative to imports from Peru and Chile that has a smaller carbon footprint. Ocean shipment of fresh blueberries from Chile takes 21 days, while berries from S&A's Yunnan farm can reach consumers in eastern coastal cities in just two days. S&A can even start getting its domestic berries onto shelves in October, during the gap between the end of China's traditional blueberry season and the arrival of imported berries.

Not producing during the same time as the rest of China will also help S&A avoid issues of low prices due to high supply, and the inconsistent quality that is a challenge to the main domestic blueberry crop.

China blueberries market size

In China, blueberries are mainly consumed through processed foods. It is also used in healthy products. The rest of the consumption, less than 50% of it, is of the fresh product. It is estimated that in the main cities such as Shanghai, Beijing and Guangzhou, per capita consumption is 46 grams per year, compared to the national average of ~5 grams per year (data varies from 3.5 to 7.0 grams depending on the source of information).

At the end of 2017, the cultivated fields with blueberries totaled ~47,000 hectares (24 ha in 2000). The crops were distributed in 27 provinces that, in 2017, produced ~115,000 tons (zero in 2000). Guizhou, Liaoning and Shandong provinces concentrated ~50% of total plantations and production. In recent years, Jiangsu, Hubei, Sichuan and Yunnan have rapidly increased their cultivation area due to their special geographical conditions and fruit quality advantages.

Preliminary data for 2018, reveals that total planted area would have increased to 55,000 hectares, that produced ~184,000 tons. Guizhou, Liaoning and Shandong represent about 48% of the cultivated area and ~70% of total output. Yunnan province had 3,300 hectares planted with blueberries, whose production reached 3,300 tons (6% and 2% of the national total).

For filling the shortage of local supply in autumn and winter, imported blueberries have been popular in China during the last few years. Imports increased from 194 tons in 2010 to 8,738 tons in 2017, of which Chile accounted 85%. The import trade volume skyrocketed from USD64k to USD78 million. Around 70% of the Chilean exports of blueberries to Asia were sent to China.

South American countries are the major suppliers of blueberries to China during winter, while Canada is the key supplier from September to October (late season). By 2017, only Chile, Canada, Peru and Mexico had signed import licenses for fresh blueberries with China. By the end of 2018, Argentina joined that select group after exporting its first-ever blueberries to China, following years of negotiations.

China: The future blueberry consumption powerhouse

According to news on local press that are based on the 2017 China Blueberry Report, China will develop at a fast pace and hopes to surpass the U.S. as the world´s largest blueberry producing country.

It is predicted than in 2025, the surface area for blueberry cultivation in China will reach 70,000 hectares and the output will reach 400,000 tons, creating a blueberry market worth 40 billion yuan (USD6.0bn). As can be seen, this assumes an average price of 100 yuan/Kg (~USD15/kg at the retail level).

Source: Extract of an article published by IBO (original source: Produce Report)

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China: 7% of 2023e ownership-adjusted EBITDA

Challenges of Blueberries Chinese Industry

Pursuing excellent fresh quality has become the main goal of growers.

Price leverage factor is driving the renewal of old blueberries plantations. The demand for high quality fresh fruit is increasing, therefore there is a significant price differential for good quality blueberries in fresh fruit local markets. Chinese prefer fruit with high brix levels.

Even tough according to the current Chinese blueberry fruit ripening model, the annual supply of fresh blueberry is basically realized, the expected growth of demand means that from mid-August to mid-November, it is still a national empty window period for fresh fruit. The transport distances to reach the largest domestic market are often hundreds of kilometer.

China will contribute ~7% of **HF's** ownership-adjusted EBITDA by 2023

In China, Hortifrut, through the JV with Joy Wing Mau, only participates in the agricultural business. The JV contemplates an integral agreement with JWM for the distribution of products into Mainland China by means of a service agreement. Therefore, JWM will buy the fruit for itself and deliver it to its local customers using its distribution channels.

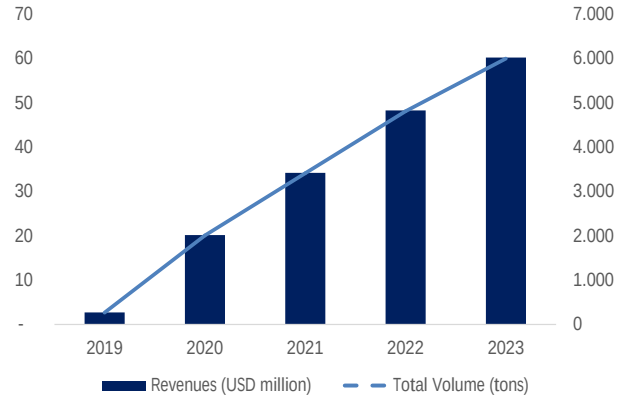
In 2017, among the TOP10 importing countries, China paid one of the highest import prices (~USD8.5/Kg) vs the world average of USD6.0/Kg and those ones paid by the U.S. (USD5.0/Kg).

We estimate that, by the 2022-2023 season, the 200 has leased in Yunnan by the JV will reach a blueberries production of 6,000 tons. The yield of 30,000/kg/ha is much higher than the fields in Peru due to the plants will grow in pots, as in Sinaloa, Mexico, and California/Oregon, in the U.S..

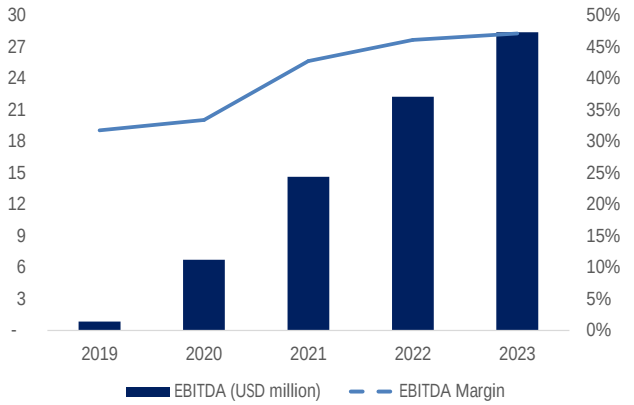
With revenues for about USD60 million (assuming an average price of ~USD10/kg), the JV would generate an EBITDA of USD27-28 million (~USD4.5/kg; 45% EBITDA Margin). The USD14 million of EBITDA Adjusted by HF's 50% stake is equivalent to 7% of consolidated EBITDA.

The company believes that the performance of this first 200 ha of plantations will define the growth rate that it will have as a producer in China during the following years. Based on the attractive profitability offered by the 200 ha project in Yunnan (USD42 million of total investment) and the growth prospects of the blueberries demand in China, we believe that HF will probably look for new opportunities to expand its production base in that country.

Blueberries Revenues and Volume (China 2019e-2023e)



Blueberries EBITDA and EBITDA Margin (China 2019e-2023e)



Source: Banchile Research Estimates

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What´s next for Hortifrut?

What´s next for Hortifrut?

To rebalance the exposure to its different business areas

"The production business has a strategic importance, since it allows it to count with a secure volume to attend the requirements of its customers, develop market niches, such as organic, to take advantage in an efficient manner of the opportunities to place its production in periods of scarce offer and high prices, and exercise its control over the quality of the fruit" (source: Hortifrut 2017 Annual Report).

As a result of the recent acquisition of 1,400 ha of blueberries from Rocio Group, Hortifrut has significantly increased its exposure to the agricultural business to the detriment of the previous balance observed between that area and its other business units related to export/import activities and distribution/commercialization of its own and third parties production to final customers worldwide.

We estimate that the agricultural business is now contributing ~70-75% of consolidated EBITDA. In this regard, and despite the strategic importance that this business area represents for the company, we would expect that HF favors increasing market penetration in countries already served and to reach new geographical markets for berries or other products, leveraging its current trading platforms and brands.

Entry to new geographical markets with its current portfolio of products

Continental Europe offers growth opportunities due to its relatively low per capita consumption of blueberries compared to North America (less than 500 gr/yr vs 1.0Kg/yr, respectively). Given its proximity to markets in Europe already explored, Eastern Europe seems to be a natural destination for Hortifrut.

Due to its size and with a fruit consumption that is expected to rise by nearly 250% by 2050 (~4.0% per year), India is another interesting market to enter. Rising per capita income and young population from Southeast Asian Countries, and Middle East and Russia's purchasing power are also export destinations that the company should be looking at too.

China

As previously mentioned, China is expected to become the world's largest market for blueberries by ~2025. We believe that the JV with JWM would offer opportunities to expand its producing base in that country.

Australia

Due to its geographical location and having access to export its production to China and more recently to India, Australia is an interesting country that Hortifrut should be willing to consider as a sourcing base. In the financial year ending June 2018, Australia's blueberries production reached 17,000 tons (~3x volume in 2014). The majority of blueberries grown in Australia are for the domestic market. Exports reached 356 tons (+62% y/y), ~50% of which were shipped to Hong Kong. Exports are expected to increase further in coming years, as the goverment is working on gaining access to new markets. Australia could become another sourcing base to serve Southeast Asian markets, India and Middle East.

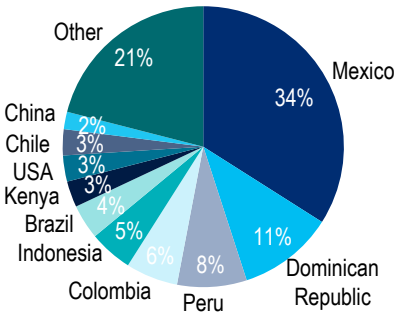
Australia

Blueberries were first introduced into Australia in the early 1970s. By 1978 it was recognized that the warmer climate Southern Highbush and Rabbiteye varieties (originally grown in the southern states of America) would grow on the NSW North Coast and produce high value, early season fruit. These varieties are harvested from June to February.
In southern Australia, most of the blueberry production is based in Victoria (mainly in the Yarra Valley) and in Tasmania. The season starts in December and ends in April. As new varieties are released, a consistent supply of blueberries will be available throughout the season.

Source: Australia Blueberry Grower's Association

What´s next for Hortifrut?

Avocados World Production (2016)



Source: "La Palta en los mercados internacionales", Office of Agricultural Studies and Policies, December 2018.

Commercialization of new products

Given the strong distribution channel and global reach trading platform we would not be surprise if the company were to introduce and new agri products to its portfolio such as sparragus or the super healthy avocados.

In 2016, Hortifrut incorporated a new line of business to be distributed by its Naturipe Farms platform, called "Naturipe Avocado Farms", formed by Chilean, Peruvian and Mexican avocado producers. This initiative added a new and valuable agri-product to its pallet, with a huge growth potential.

Mexico and Peru are the world's #1 and #3 largest avocado producers, respectively.

Naturipe avocados are grown throughout Mexico year-round. Chilean avocados are available in September through February, and Peruvian avocado in May through July.

Naturipe Farms commercializes both conventional and organic avocados. At just 80 calories per serving, avocados are a source of good fats linked to heart health and weight management. This versatile fruit makes a flavorful addition to a healthy diet.

In the U.S., over the last decadebavocado is the third fruit whose per capita consumption has grown the most (CAGR of 7.9%), only behind blueberries (11.5%) and tangerines/tangelos (8.6%).

Rocio Group, that after the merger of its blueberries business with HF, has a 17% stake in the company, also owns ~1,000 ha of avocado in Peru through a company called Avo Peru (80% stake) and another ~850 ha via Aguacates del Peru (100% stake).

We highlight that Camposol, Peru's largest avocado exporter (14% market share in 2017), manages ~2,800 ha (85% at a productive stage with a 53% LTM 3Q-2018 gross margin).

In September 2018, Red Agricola Magazine interviewed Mr. Rafael Quevedo, founder of the Rocio Group, current shareholder of Hortifrut. He mentioned that the trend in the agricultural industry is to generate strategic alliances with companies in the region, in order to form a single market , from Latin America to the world. That view was key so that the merger of his blueberries business with Hortifrut become reality.

In this sense, we wouldn't be surprised if HF would be willing to consider options to increase its exposure in the avocado business together with Rocio Group.

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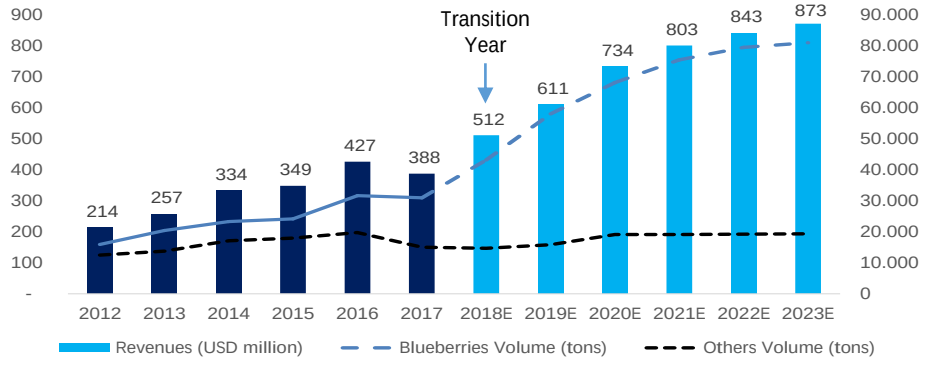
Hortifrut´s Financials

Financials – Consolidated Revenues & EBITDA

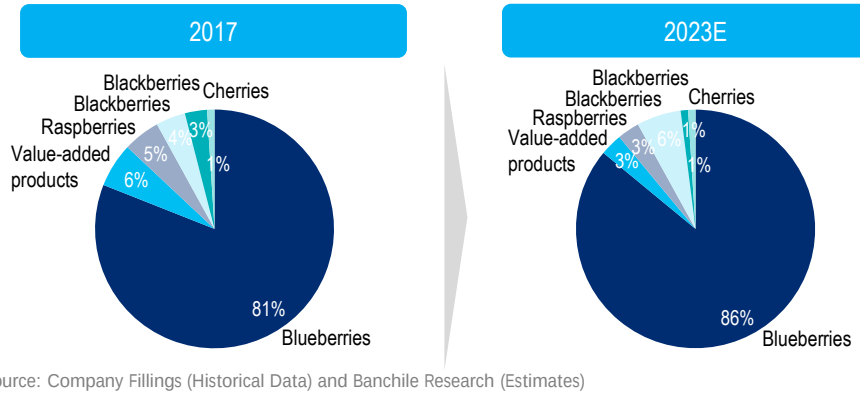
- In 2017, HF recorded sales of USD388 million (5yr CAGR: +12.7%), with 94% corresponding to fresh fruit.
- In 2017, the commercialized volumes reached 46k tons (5yr CAGR: +10.1%), of which 67% were blueberries and 33% other berries (5yr CAGR: +14.2% and 3.8%, respectively).
- Taking into consideration that 2018 was a transition year due to the consolidation of the Rocio Group for only 6 months, we expect revenues and volume will post a 5yr-CAGR of ~11.2% and 11.7%, respectively, to reach USD873 million and 100K tons by 2023 (once all new fields are in regime).
- Due to the merger with Rocio Group, completed by mid-2018, we expect that blueberries to increase their contribution to revenues from 81% in 2017 to 86% by 2023.

Consolidated Revenues and Volume Evolution 2012 - 2023



Source: Company Fillings (Historical Data) and Banchile Research (Estimates)

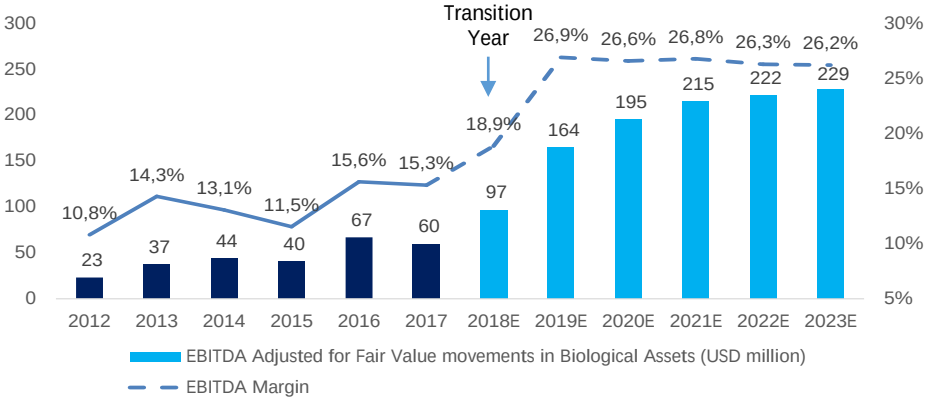
Contribution to Revenues by Fruit 2017 vs 2023



Source: Company Fillings (Historical Data) and Banchile Research (Estimates)

- In 2017, EBITDA, excluding adjustments to fair value in biological assets, reached USD60 million (15.3% margin), with a 5yr CAGR of ~20.7%).
- Due to the purchase of ~1,450 ha in Peru (HF doubled its cultivated area), we expect EBITDA will reach ~USD230 million by 2023 (5yr CAGR: 18.8%).
- The increasing contribution of the agricultural business will impact the EBITDA Margin that it is expected to stabilize at 26% vs. 15-16% in 2016-2017.

Consolidated EBITDA (ex fair value to biological assets) and EBITDA Margin Evolution 2012 - 2023



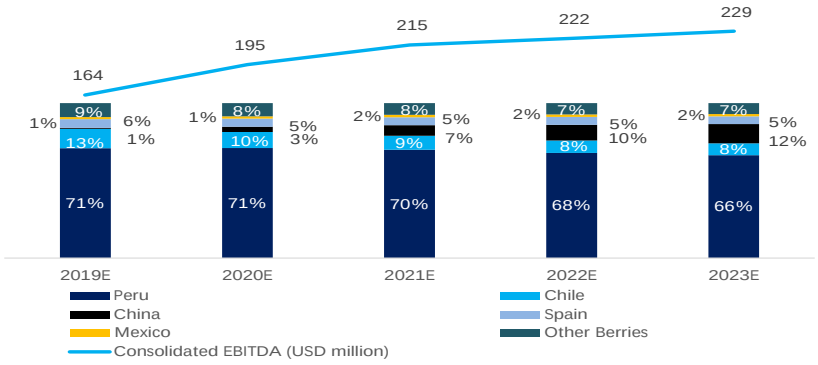
Source: Company Fillings (Historical Data) and Banchile Research (Estimates)

Financials – EBITDA by Country of Origin and Margins

- In 2019, the operations in Peru will contribute to the results during the whole year. HF also has fields in Olmos (50% stake), whose hectares will be all at productive stage by 2020. All included, we estimate that Peru will represent ~70% of HF's consolidated EBITDA.
- At maturity stage, the 200 ha in China will generate USSD22-28 million of EBITDA by 2022-2023 (10-12% of a USD229 million of total EBITDA).
- Due to the aforementioned, and with no growth capex planned for HF in Chile, its contribution to total will decrease to below 10%.
- Considering the EBITDA Adjusted by Ownership (50% stake in Olmos/Peru, 50% in China, 50% in Spain and adding HF's 50% stake in Munger Hortifrut from the U.S.), the contribution of the operations in China and Spain by 2023 will decline to 7% and 3%, respectively, from 12% and 5% on a non-adjusted basis.

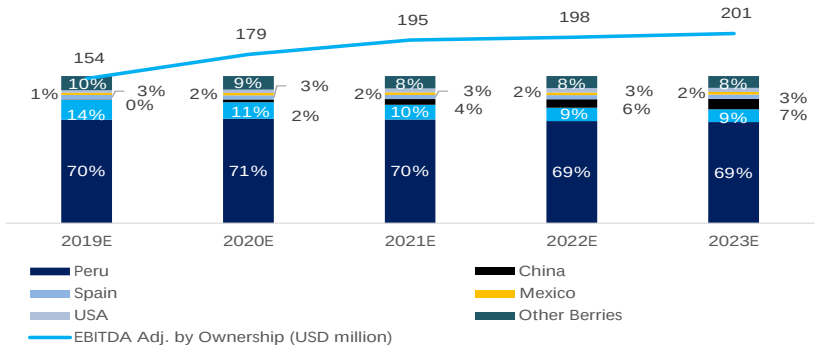
- We estimate that the agriculture business to be developed in China, would offer the highest EBITDA margin for HF (~45%;) due to the high density crop method (plants in pots) and local blueberries prices. Integrated operations in Peru and Spain to serve the U.S. and Europe would also record EBITDA margins above HF's average.
- Blueberries operations in Chile and other berries, with a large portion of fruit sourced from third parties, would continue with relatively low margins.

Contribution to Consolidated EBITDA by Origin (Estimates)



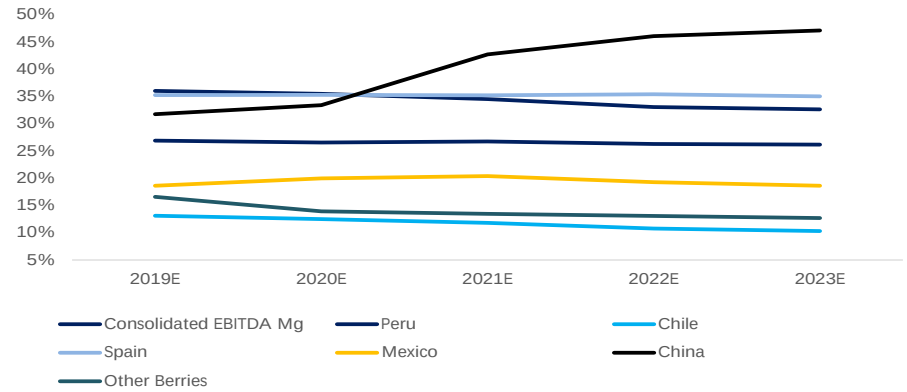
Source: Banchile Research (Estimates)

Contribution to EBITDA Adjusted by Ownership (Estimates)



Source: Banchile Research (Estimates)

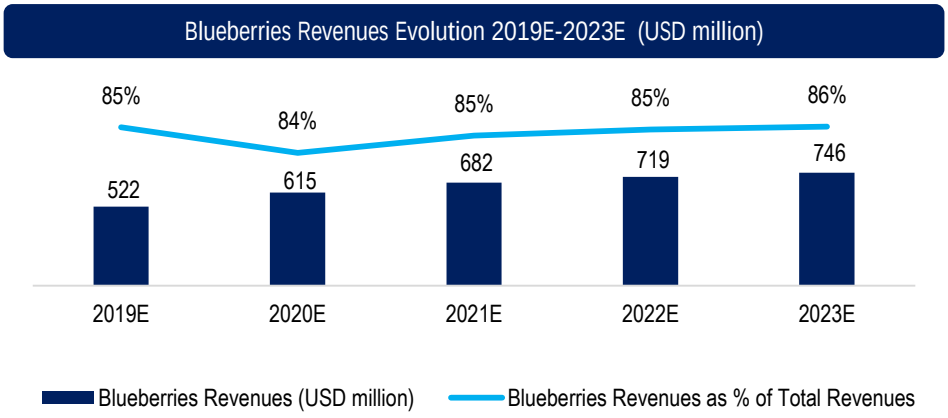
EBITDA Margin by Origin (Estimates)



Source: Banchile Research (Estimates)

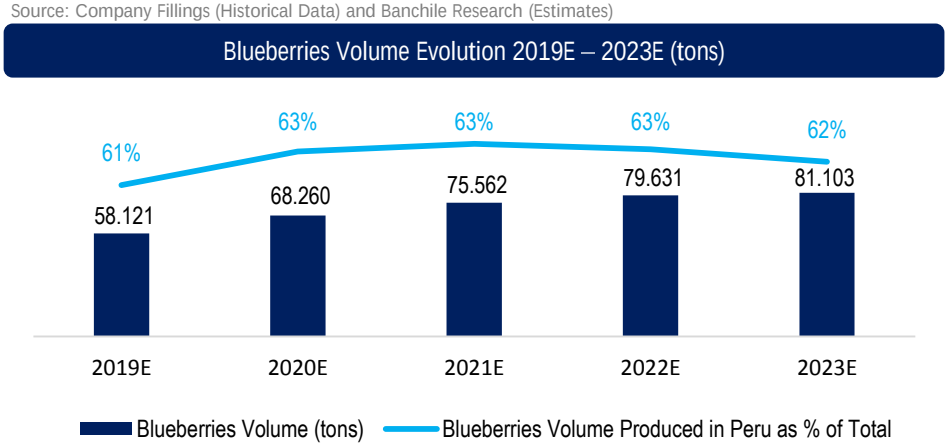
Financials – Blueberries Estimates

- With the consolidation of Rocio Group in Peru since 3Q18, blueberries revenues would increase by ~1.7x in 2019 vs 2017.
- For the next 5 years, blueberries sales will represent ~85% of consolidated revenues.
- From 2019 to 2023, blueberries revenues would grow by USD224 million (+43%). ~90% of that growth would come from Peru and China (63% and 26%, respectively).



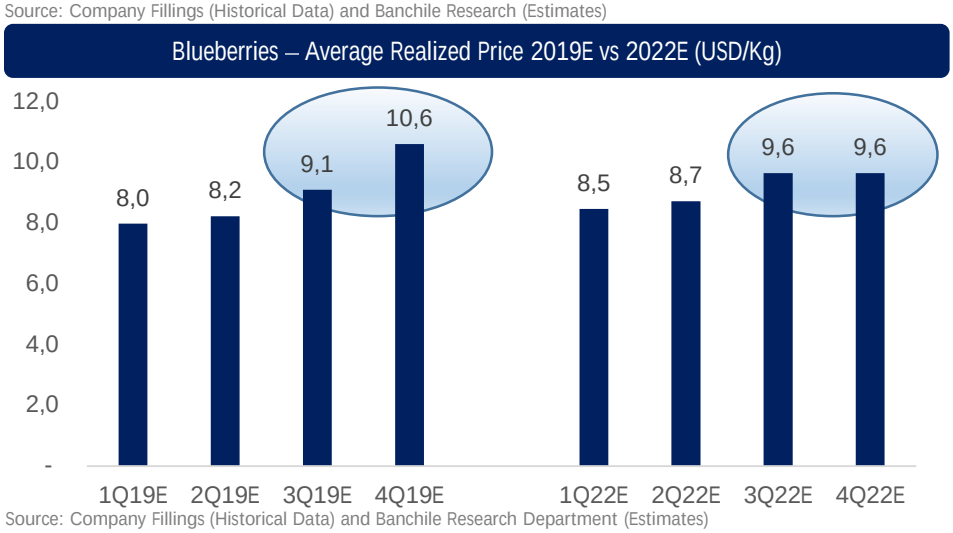
Source: Company Fillings (Historical Data) and Banchile Research (Estimates)

- In 2017, the commercialized volume of blueberries reached 31k tons (81% of total).
- With the consolidation of Rocio Group in Peru since 3Q18, the total volume would have increased to 43K tons in 2018. By 2019, that figure will reach 58ktons (1.9x vs 2017).
- By 2023, with all HF projects producing at regime, we expect a volume >80K tons (62% from Peru and 23% from Chile).



Source: Company Fillings (Historical Data) and Banchile Research (Estimates)

- For our base scenario, we assume that the window opportunity for early fruit provided by Peru to the U.S. will disappear by 2022 as observed in the chart.
- By that year, we asuume that blueberries average realized price in 4Q will be similar to the one observed in 3Q.

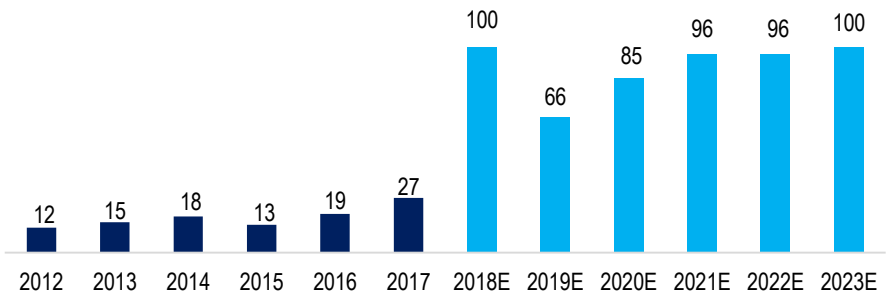


Source: Company Fillings (Historical Data) and Banchile Research Department (Estimates)

Financials – Net Income and Profitability Indicators

- From 2012 to 2017, Net Income recorded a CAGR of ~17%. During that period, it fluctuated due to adjustments to fair value of biological assets and deterioration of assets value, among others.
- In 2018, Net Income would have been positively impacted by: (i) a profit before tax of USD33 million related to fair value adjustments of fruit plants in Peru; and, (ii) the recognition of the higher value for its stake in HF-Tal (~USD60 million before taxes). Both figures were the result of the merger with Rocio Group.
- In 2019, we expect Net Income will reach USD66 million. By 2023, it would increase to USD100 million.

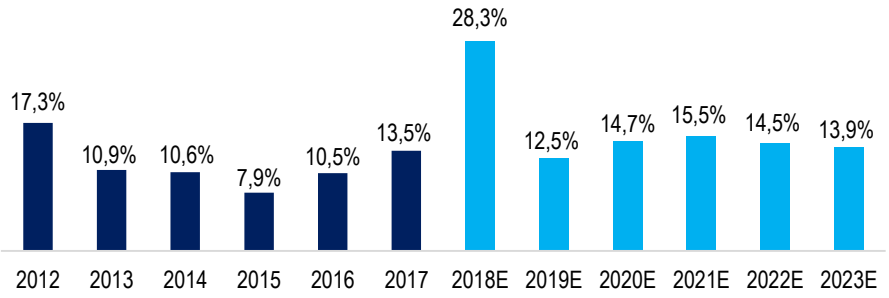
Net Income Evolution 2012 - 2023



Source: Company Fillings (Historical Data) and Banchile Research (Estimates)

- From 2012-2017, with three capital increases (IPO in 2012, merger with Vitalberry in 2013 and with Rocio Group in 2018), and a steady dividend policy (50% of distributable Net Income), the company delivered an average ROE of 11.8%.
- As previously mentioned, we see 2018 as a year of transition due to the partial consolidation of Rocio Group and one-off items impacting the company results.
- From 2019 to 2023, we expect Hortifrut to record an average ROE of 14.2%.

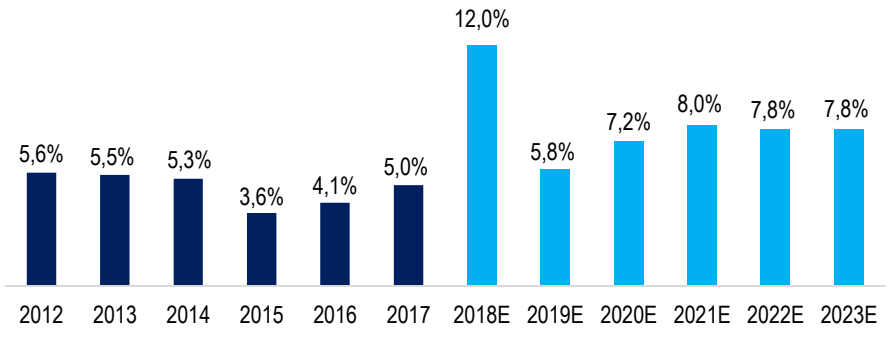
ROAE (%)



Source: Company Fillings (Historical Data) and Banchile Research (Estimates)

- In relation to HF's ROA, from 2012 to 2017, the company registered an average of 4.9%.
- Excluding 2018, we estimate that from 2019 to 2023, the average ROA will increase to 7.3% due to a higher EBITDA Margin and low capital requirements once the projects under execution will enter at productive stage.

ROAA (%)

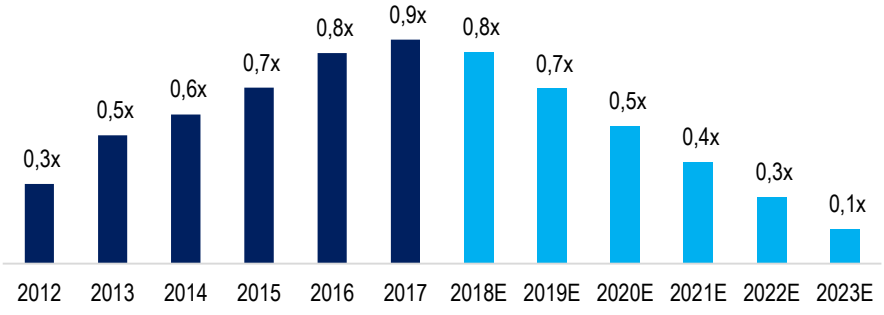


Source: Company Fillings (Historical Data) and Banchile Research (Estimates)

Financials – Debt Indicators

- The recent acquisition of Rocio Group for an EV of ~USD450 million was ~50% paid with HF' shares.
- According to the stricter covenant, HF must to maintain a NFD/Equity equal or less than 1.0x by the end of June of each year.
- If we assume that HF will keep its current dividend policy (50% pay out), the NFD/Equity ratio would fall to 0.7x in June, 2019 and 0.55x in June, 2020.

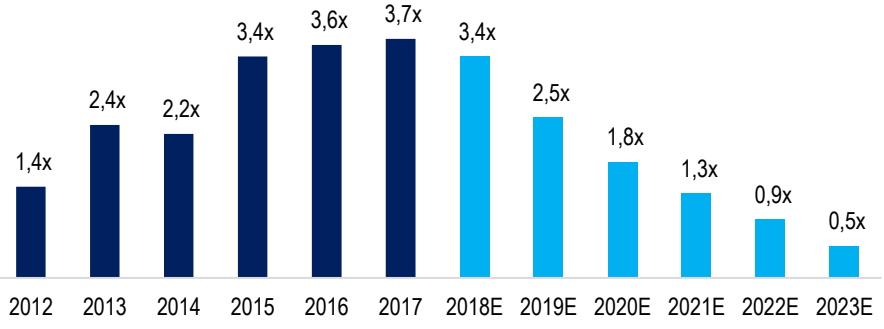
NFD / Equity (x)



Source: Company Fillings (Historical Data) and Banchile Research (Estimates)

- According to the stricter covenants, HF must to maintain a NFD/LTM EBITDA equal or less than 5.25x by December and <=4.0x by June of each year.
- We expect HF will reach a level below 2.0x by the end of 2020.

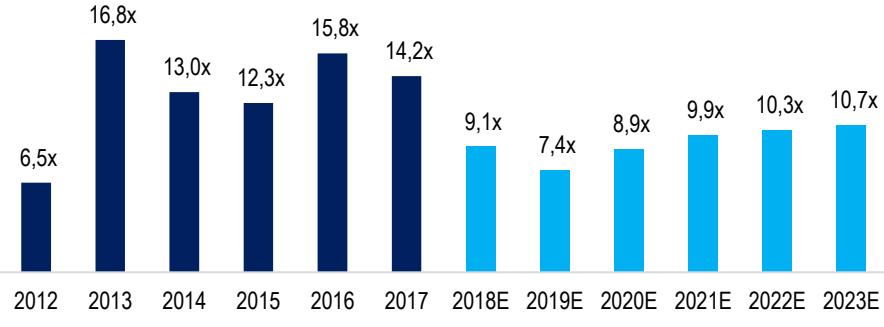
NFD / EBITDA (x)



Source: Company Fillings (Historical Data) and Banchile Research (Estimates)

- In relation to the ratio EBITDA / Net Financial Expenses, the stricter covenants require that HF maintains a equal or greater than 4.0x by the end of June of each year.
- We expect that ratio will exceed 5x and 6 in Jun-18 and June, 2019 and June, 2020, respectively.
- Considering the aforementioned, and from a indebtedness standpoint we believe HF has room to look for growth opportunities.

EBITDA / Net Financial Expenses (x)



Source: Company Fillings (Historical Data) and Banchile Research (Estimates)

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Peer Comparison

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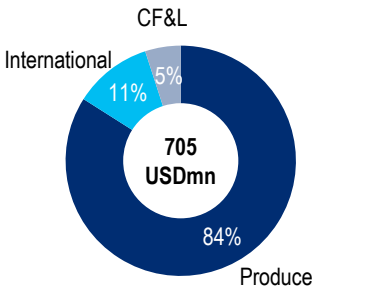
Peer Comparison

Costa Group

Costa Group is Australia's leading horticultural producer and supplier, with over 4k hectares planted across several regions in Australia, 6 blueberry farms in Morocco and 3 berry farms in China. The company operates 3 divisions; (i) Produce, which includes 5 core categories: berries, mushrooms, citrus, glasshouse-grown tomatoes and avocados, which are all vertically integrated; (ii) International, which comprises genetics licensing, Morocco and China operations; and (iii) CF&L, with wholesale and logistic operations.

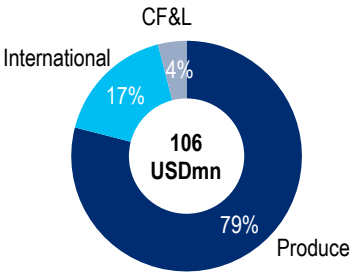
Costa aims to grow by investing in its core categories and by expanding its offshore exposure in attractive international markets, maintaining a strategic focus on high-growth and high-value fresh produce categories, while aiming to be broad enough to mitigate agricultural and market risks through diversification of categories and geographies, supplemented with produce sourced from third party growers.

Revenues (AUD$mn, FY2018)



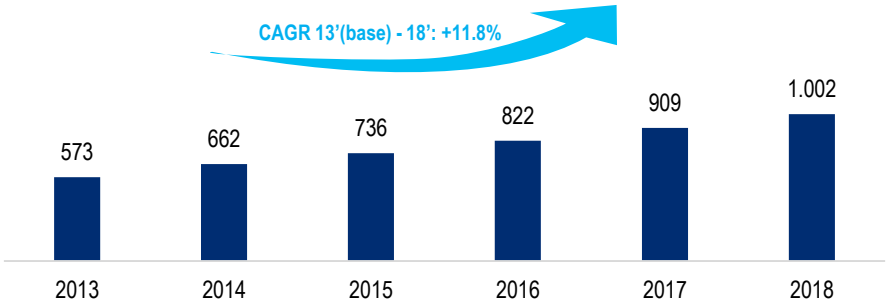
Source: Company filings
Note: Fx rate used 1 USD = 1.4205 AUD

EBITDA (AUD$mn, 2018)



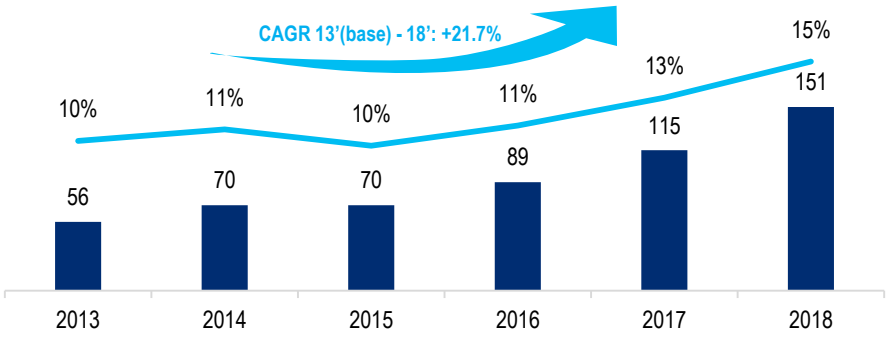
Source: Company filings
Note: Fx rate used 1 USD = 1.4205 AUD

Revenues Evolution (AUD$mn)



Source: Company filings

EBITDA Evolution (AUD$mn)



Source: Company filings

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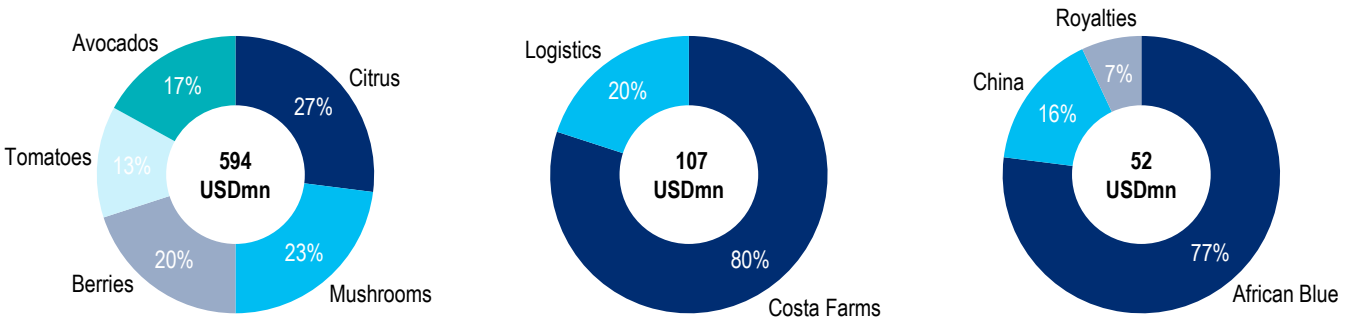
Peer Comparison

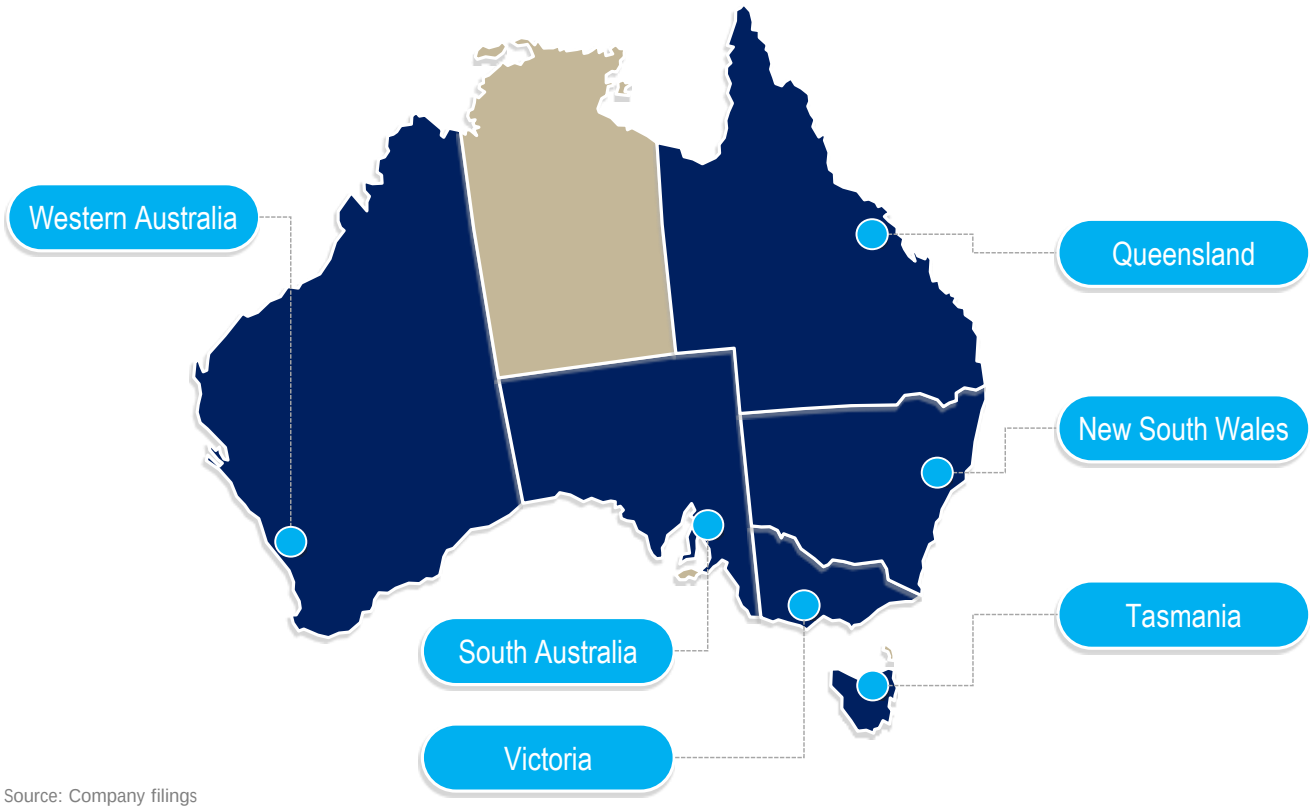
Costa Group (Cont'd)

Share of Revenue by Division (FY2018)



Source: Conference call (FY2018)
Note: Figures before eliminations. Fx rate used 1 USD = 1.4205 AUD

Company Operations in Australia



Source: Company filings

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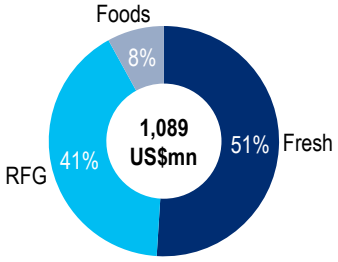
Peer Comparison

Calavo Growers

Calavo Growers was founded in 1924 to market California avocados. The firm is a global leader in the avocado industry and an expanding supplier of value-added fresh food, supplying avocados, prepared avocados and other perishable foods on a wide distribution network worldwide. The produce is sourced from California, Mexico and Peru, among others, and sold under the Calavo brand labels and private labels.

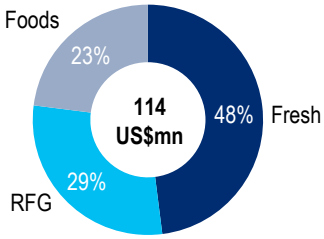
The company operates 3 main divisions: (i) Fresh Food, which produce mix is 93% avocado (mostly sourced from Mexico), 5% tomatoes and 2% papayas; (ii) Renaissance Food Group, that commercializes fresh-cut fruit, fresh-cut vegetables, prepared salads, sándwiches/wraps, prepped meal kit components and ready-to-eat meals; and, (iii) Foods, which provides complementary offering of guacamole and salsa (refrigerated and frozen products in a variety of packaging options).

Revenues
(USD million, FY2018)



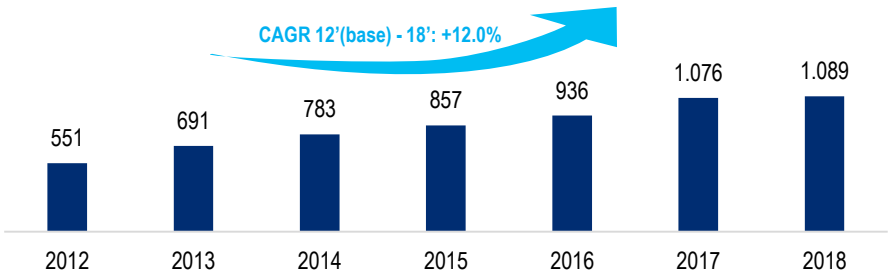
Source: Company filings

Gross Profit
(USD milllion FY2018)



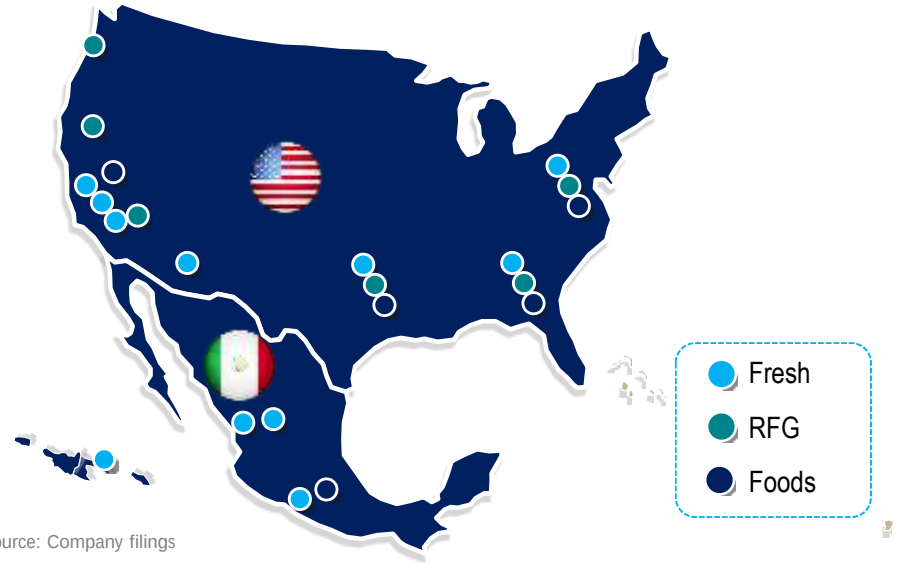
Source: Company filings

Revenues Evolution (USD million)



Source: Company filings

Company's Footprint in North America



Source: Company filings

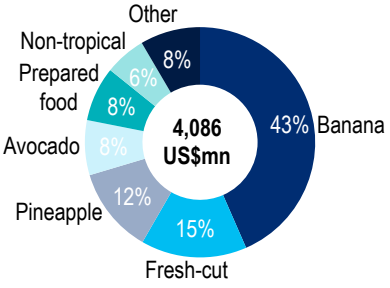
Peer Comparison

Fresh del Monte Produce

Fresh del Monte Produce (FMP) is a global integrated producer and distributor of fresh fruit and processed fruit, marketing its products under the Del Monte brand. FMP is the largest marketer of fresh pineapples and the third largest of bananas worldwide, as well as a leading player in several other categories of fruit.

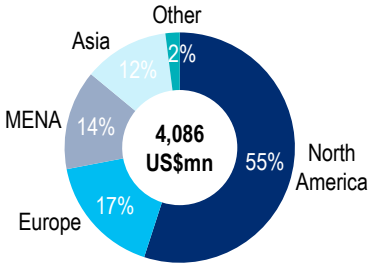
The company has a fleet of 11 owned (+7 chartered) refrigerated ships, four port facilities in the US, 41 distribution centers and 19 fresh-cut facilities, serving over 80 countries around the world, with North America being the largest market (58% of net sales, as of 2017). The company's products are grown and sourced primarily in Central and South America, with Costa Rica being the most significant sourcing location (35% of total sales volume of fresh produce; 38% of total PP&E, as of 2017) and bananas the most relevant product on its sales mix (43% of total revenues, as of 2017).

Revenues by Product (USD million, FY2017)



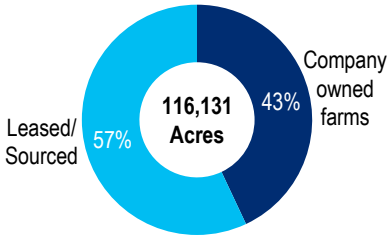
Source: Company filings

Revenues by Geography (USD million, FY2017)



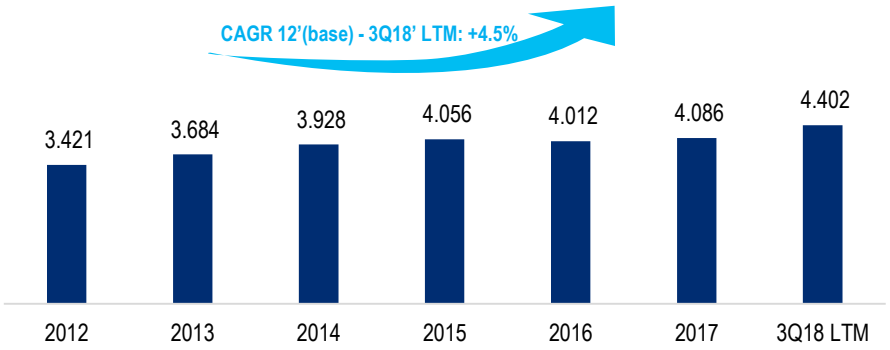
Source: Company filings

Production and Sourcing



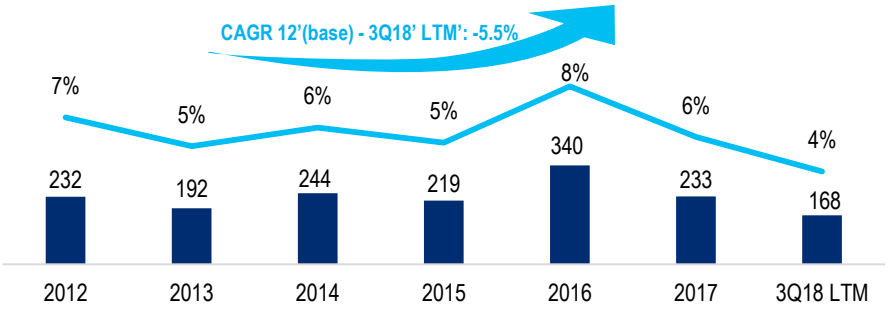
Source: Company filings

Revenues Evolution (USD million)



Source: Company filings

EBITDA Evolution (USD million) and Margin



Source: Company filings

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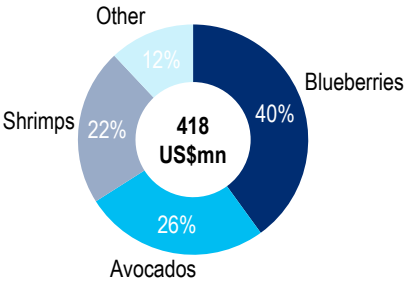
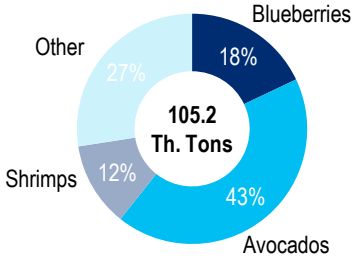
Peer Comparison

Revenues by Products (LTM as of September, 2018)



Source: Company filings

Volumes by Product (LTM as of September, 2018)



Source: Company filings

Camposol

Camposol is one of the leading agro industrial Peruvian companies (not listed), that has three business areas: Fruit and Vegetables, Marinasol and Camposol International, its commercial division with offices in Lima, Florida, Rotterdam, and Shanghai.

The firm commercializes products such as avocados, blueberries and shrimp, among others.

LTM sales as of September 2018 reached USD418 million, with an EBITDA of USD129 million (EBITDA Margin=31%). Blueberries and avocados are its main products (40% and 26% of total sales, respectively) and the most profitable with EBITDA margins of 46% and 53%, respectively.

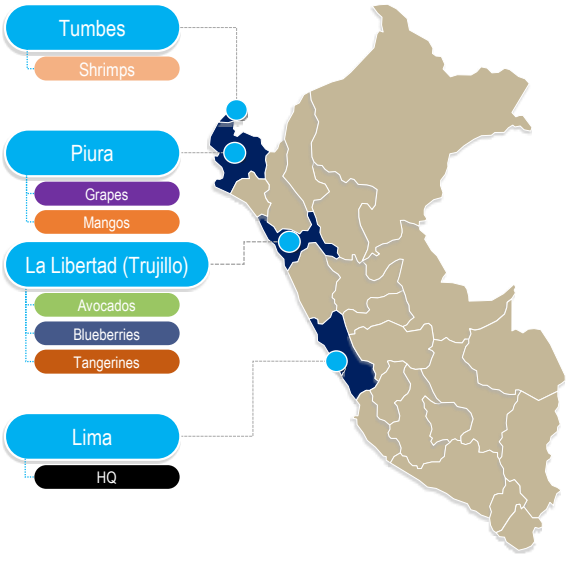
In 2017, Camposol was the largest Peruvian exporter of avocados and shrimp, with market shares of 14% and 33%, respectively (measured in USD), and the second largest exporter of blueberries in Peru, with a 32% market share (similar to HF on a pro-forma basis post merger with Rocio Group).

As of September, 2018, Camposol had 2,073 planted hectares of blueberries in Trujillo Province (79% in a high-yield phase and 21% unproductive). It is important to highlight that Camposol's 2017 average yield of productive fields was 9,100 tons/ha, well below the yields obtained by Hortifrut in that country.

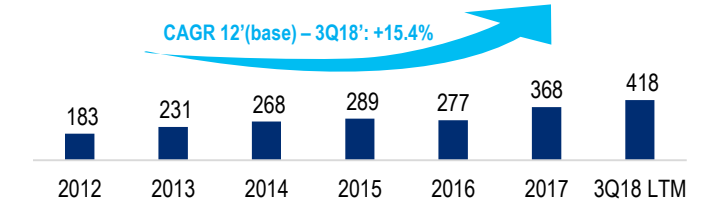
During the first nine months of 2018, Camposol's blueberries business unit recorded sales of USD77,5 million with a volume of 9,571 tons of fresh blueberries, at an average price of USD 8.10/Kg and at average cost of USD 4.64/kg.

In the LTM as of September 2018, 40% of Camposol's revenues (USD418 million) and 19% of volumes sold derive from the sales of fresh blueberries (46% Gross Margin).

Company Operations and Financial Metrics

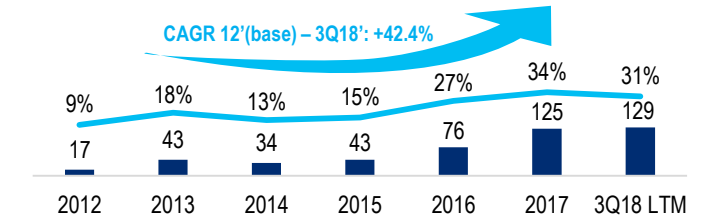


Revenue Evolution



Source: Company filings

EBITDA Evolution



Source: Company filings

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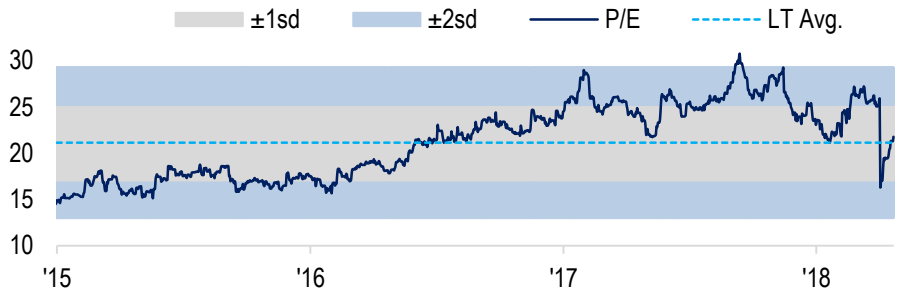
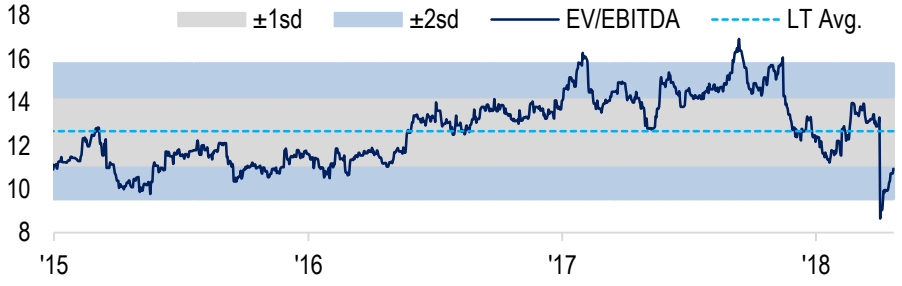
Peer Comparison – Historical Forward Valuations

Costa Group Forward Valuations

PE
LT Avg: 21.1x
Current: 21.8x

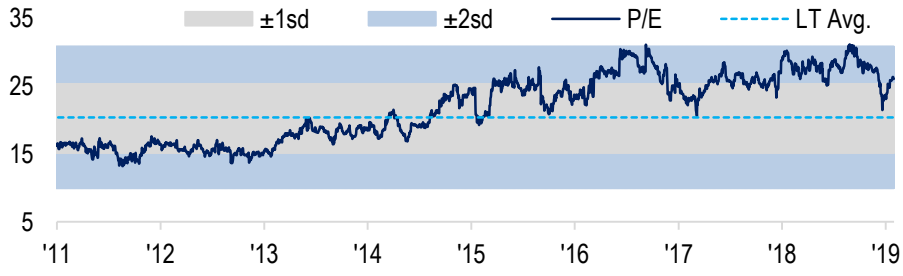


EV / EBITDA
LT Avg: 12.7x
Current: 10.9x

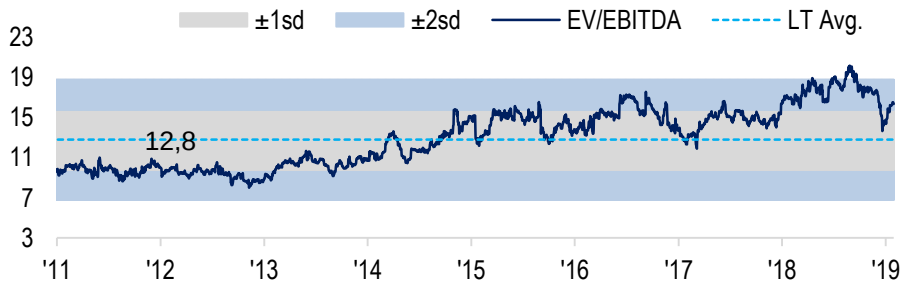


Calavo Growers Forward Valuations

PE
LT Avg.: 20.4x
Current: 26.0x



EV / EBITDA
LT Avg.: 12.8x
Current: 16.3x



Source: Bloomberg

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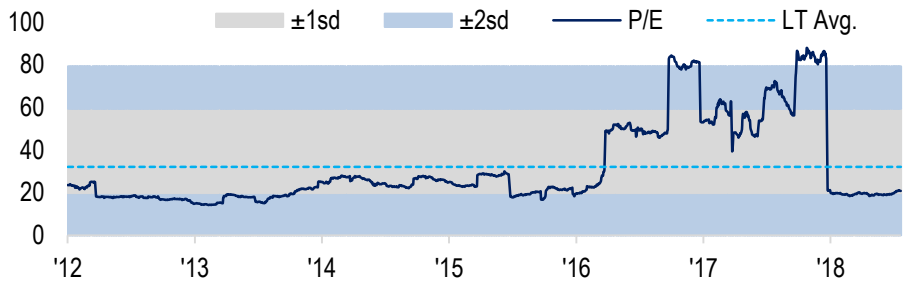
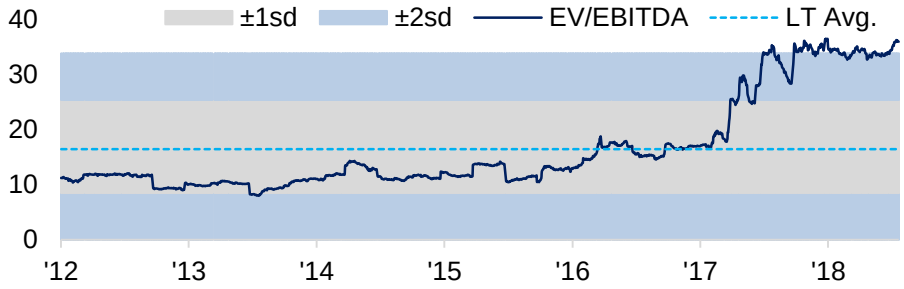
Hortifrut - Historical Trailing Valuations

Hortifrut Historical Valuations (*)

PE
LT Avg: 32.0x
Current: 20.8x



EV / EBITDA
LT Avg: 16.5x
Current: 36.0x



Source: Banchile Research

(*) Hortifrut has not coverage of sell-side analysts. Therefore, there are not estimates available for calculating Fwd ratios. We present trailing data.

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Peer Comparison

Comparative Table

Due to their business profile, relative size and historical growth rate of revenues and EBITDA, we believe that Costa Group, Calavo Growers and Camposol are the Horfifrut's closest peers. As Camposol is not listed, the following table only shows valuation metrics for Costa and Calavo.

Peers Comp Table

Company	Country	Price (L.Crncy)	Mkt Cap. (USD million)	EV (USD million)	P/E				P/BV			
					LTM	2018E	2019E	2020E	LTM	2018E	2019E	2020E
Costa Group Holdings Ltd	Australia	5.62	1,290	1,429	15.6x	23.2x	20.1x	17.4x	3.9x	3.7x	3.4x	3.1x
Calavo Growers Inc	U.S.	82.17	1,457	1,473	42.6x	27.0x	23.4x	-	5.5x	4.3x	3.6x	-
Sample Average					29.1x	25.1x	21.8x	17.4x	4.7x	4.0x	3.5x	3.1x
Hortifrut SA	Chile	2,200	1,732	2,171	21.0x	17.3x	26.4x	20.5x	3.6x	3.5x	3.1x	2.9x

Company	Country	Price (L.Crncy)	Mkt Cap. (USD million)	EV (USD million)	Price/Sales				EV / EBITDA			
					LTM	2018E	2019E	2020E	LTM	2018E	2019E	2020E
Costa Group Holdings Ltd	Australia	5.62	1,290	1,429	1.8x	1.7x	1.5x	1.4x	10.7x	11.8x	10.1x	8.9x
Calavo Growers Inc	U.S.	82.17	1,457	1,473	1.3x	1.2x	1.1x	-	21.0x	16.8x	14.9x	-
Sample Average					1.6x	1.4x	1.3x	1.4x	15.8x	14.3x	12.5x	8.9x
Hortifrut SA	Chile	2,200	1,732	2,171	3.7x	3.4x	2.8x	2.4x	35.4x	22.5x	13.2x	11.1x

Company	Country	Price (L.Crncy)	Mkt Cap. (USD million)	EV (USD million)	EBITDA Margin				NFD / EBITDA	ROE 12m Fwd	Div. Yield %	FCF Yield % (LTM)
					LTM	2018E	2019E	2020E				
Costa Group Holdings Ltd	Australia	5.62	1,290	1,429	18.8%	15.4%	16.2%	17.0%	0.9x	17.4	2.6	1.1
Calavo Growers Inc	U.S.	82.17	1,457	1,473	6.4%	7.2%	7.5%	-	0.2x	12.8	1.2	2.3
Sample Average					12.6%	11.3%	11.8%	17.0%	0.6x	15.1	1.9	1.7
Hortifrut SA	Chile	2,200	1,732	2,171	13.2%	18.9%	26.9%	26.6%	4.8x	12.5	0.7	2.9

Source: Bloomberg, Banchile Research

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Peer Comparison

Fair Value for Hortifrut based on Current and Historical Fwd Valuations of its closest peers

The table below indicates that, based on current Fwd EV/EBITDA valuations for its closest peers (Costa Group and Calavo Growers), Hortifrut is fairly valued (range: ChP 2,073-2,250).

However, we believe that Calavo Growers is even a closer peer than Costa Group (*) due to its focus on one product within its fresh fruit segment (the commercialization of avocados represents 93% of its product mix, with a very small contribution of other categories such as tomatoes and papayas), as is the case of Hortifrut (>80% blueberries).

Besides, the avocados commercialized by Calavo are sourced from Non-California (82%, mostly Mexico) and California (18%). In the case of Hortifrut, its fruit supply bases are concentrated in Peru and Chile (60% and 32% of the volumes estimated for 2019).

Since 2015, Calavo Growers has rarely traded below its 2011-2018 average Fwd EV/EBITDA of 12.8x, with a significant re-rating to 15.5x. This figure is in line with the implied EV/EBITDA of our target price for Hortifrut (ChP 2,650 per share).

Hortifrut Valuation – Based on Closests Peers

Peers	Current Fwd PE	Historical Fwd PE	Current Fwd EV/EBITDA	Historical Fwd EV/EBITDA
Costa Group	21.8x	21.1x	10.9x	12.7x
Calavo Growers	26.0x	20.4x	16.3x	12.8x
Average	23.9x	20.8x	13.6x	12.8x
Fair Value for Hortifrut (ChP)				
Costa Group	1,818	1,760	1,687	2,063
Calavo Growers	2,169	1,702	2,814	2,084
Average	1,994	1,731	2,250	2,073

Source: Banchile Research

(*) We highlight that very recently, Costa Group´s share price fell sharply on a profit warning due to numerous factors such higher investments costs, a lighter citrus crop and subdued demand in a number of categories including tomatoes, berry and avocado during last December and weak trading conditions in January. That announcement negatively affected Costa Group stock´s current valuations.

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Risks and Considerations

Risks and Considerations

Climate Risk

Climate conditions can affect the quality and resulting volume of fruit that the company intends to produce. Although this is an external factor that Hortifrut is not able to control, the company's diversification into a wide geographical footprint throughout the world mitigates this risk.

Just as an example, by mid-November 2018, there were major hail events from the central to the south zone of Chile. According to the Crop Report Week 46-2018, released by iQonsulting through Chilean Blueberry Committee website, the O'Higgins Region was the most affected, with damages reported in different fruits. However, in blueberries, the impact on exports was comparatively low, due to the blueberry hectares in this region are not significant (only represent 7% of the total planted area in Chile). However, hail was also reported in some sectors with greater area of blueberries in the Maule Region. Mainly in the pre-mountain areas of the districts of Longavi, Parral and Retiro. The damages in the other regions were reported to a lesser extent.

According to the report aforementioned, the preliminary assessments conducted these days from the Metropolitan Region to the south, ~2,000 ha of blueberries could have some damage. The reduction in the Chilean exports was estimated at 4,200 tons, either due to fruit fall or by a greater rejection due to the effect of bruises (-4% for the 2018-2019 season to 100,800 tons).

Plant Pest Risk

Pest risks impacts the quality and yield of the plantings. The detection could limit or temporarily close access to certain markets and increase the costs associated to the shipments to the final destinations. HF mitigates this risk by actively monitoring and searching for pests before these are able to spread.

By the end of December 26, 2013, the USDA established emergency measures for blueberry shipments from Chile, as a consequence of some detections of European grapevine moth (Lobesia Botrana or EGVM) in that fruit during surveillance and inspection activities in the regions of O'Higgins, Maule and Biobío. The measures included the need to carry out fumigation with methyl bromide at source by treatment at field temperature, a mandatory procedure for shipments from the regions mentioned above, which required to send the fruit by air to the U.S. Finally, after a negotiation process between US and Chilean authorities that lasted approximately 2 weeks, as of January 9, 2014, fumigation began at destination port with the same treatment that receives the table grape in the North American ports. Thus, the shipments were normalized without affecting or damaging the fruit. Since then, the inspections at the U.S. ports have not detected the presence of EGVM.

To prevent the introduction of EGVM into the United States, the Animal and Plant Health Inspection Service (APHIS) requires blueberry shipments from regions VI, VII, VIII, and XVI (EGVM-affected regions of Chile) destined to the U.S. to be fumigated with methyl bromide at the point of origin or at the first U.S. port of arrival. In addition, consignments from regions in Chile other than VI, VII, VIII, and XVI, that do not require fumigation, are subject to an increased rate of inspection.

Risks and Considerations

Strikes that may affect the operations of export terminals (ports and/or airports)

Almost all of Hortifrut's berry production in Chile and Peru, its two main sourcing bases of fruit, is exported to North America, Europe and Asia. Therefore, strikes that affect the normal operations of export terminals, particularly at the peak of the harvesting period, may have significant impact on volumes. The vast majority of the production is delivered to the final destinations by ship.

The most recent event related to a port strike affected the port of Valparaiso in November and December, 2018. According to the Crop Report Week 52-2018, the strike, which lasted for 35 days, had no impact on the blueberry exports since the shipments were channeled through other ports, which kept the regular flow of supply to external markets.

Genetic and New Technologies Developments

As previously discussed, the introduction of new type of blueberry varieties allows a company to develop and strengthen competitive advantages and give sustainability over time, as size, flavor and resistance to climate conditions are improved via genetic and technological advances. Companies that grow a variety of agricultural products should have an advantage if knowledge is transferable among its different divisions. By the same token, companies with strong R&D will also benefit from the continuous development of new solutions to create a better product and/or process.

Hortifrut has in place several development programs and alliances with local and foreign universities, in addition to maintaining close relationships with the largest nurseries in the world, which mitigates the risk of being outpaced in the development of better quality fruit and improved processes.

Increasing Competition

Given that the berries industry has expanded at high rates and it is expected to continue offering high single-digit growth in the next years, Hortifrut may face the risk of new entrants, particularly in the blueberries segment, which is also the most relevant for the firm.

Industry starters such as Hortifrut are facing an increasing competition from new players based in countries that have not traditionally been producers of blueberries, such as Peru, Mexico, Poland, Morocco and Colombia. This is due to relatively low labor costs, genetics developments (new varieties) and its proximity to the largest consumer markets.

Hortifrut mitigates this risk not just by having presence throughout the whole value chain (from genetics to distribution), but also via a wide network of strategic alliances that spreads all over the globe, both in the commercial and productive fronts. The acquisition of Rocio Group from Peru, its presence in Morocco, the new investments in Mexico and its recent arrival to China (as a local blueberry producer) reflect the ability of Hortifrut to adapt is global network to new market conditions and maintain its leadership and competitiveness.

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Risks and Considerations

Foreign exchange Risk

As an export oriented company of produce that are traded in currencies different from those of the countries in which it has its main agricultural operations (Peru and Chile), Hortifrut is exposed to foreign exchange risk. Besides, the company has many other international operations subject to that risk. The currencies to which Hortifrut is most exposed are the Chilean Peso, Peruvian Peso, Mexican Peso and Euro.

Hortifrut actively employs hedging strategies to mitigate this risk, but the exchange rates volatility, and in particular local currency appreciations, have an impact on its cost structure (mainly on its labor component).

Regulatory Changes

Changes in import tariffs by authorities from berries consumer countries that may potentially be able to be self-sufficient and even serve nearby export markets, would affect the trade flows and sales volume of the current largest suppliers of those fruits.

Labor shortage for harvesting

Blueberries harvesting is a labor intensive activity. Skilled workers are increasingly scarce and costly. We estimate that labor represents ~70% of fruit cost in Chile (maintenance of crops plus harvesting).

In addition to the risk of local currencies appreciation over labor costs denominated in USD, there is a persistent risk of cost pressures (minimum wage increases or other benefits that must be provided by law).

Low liquidity of Hortifrut shares

Hortifrut shares have a low level of liquidity.

In the last three months, the average daily traded value was USD0.5 million.

This is due to the fact that the company has a very small base of shareholders (#114 as of September, 2018), which mostly correspond to institutional investors who have kept their holdings for a long time and see Hortifrut as a long-term investment alternative.

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History of Hortifrut

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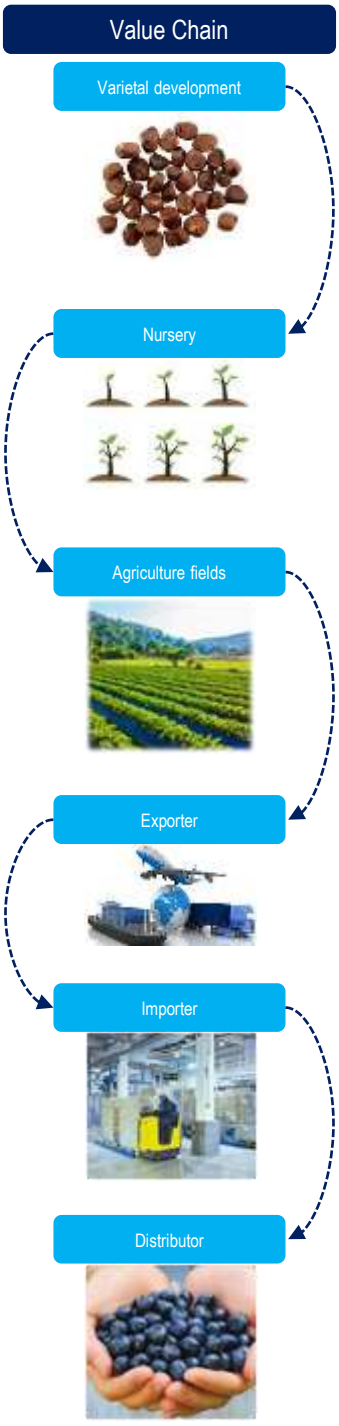
History of Hortifrut



History/Background

The 80s: *The **HF's** history begins and it defines its business model as a supplier of berries to the whole world and everyday.*

HF began its operations in Chile in 1983. In 1984, it was the first Chilean company to export berries to the USA in counter-season. In the mid-80's, the firm started to export berries to Europe (under the brand Southern Sun) and Asia. In 1988, HF formed its first strategic alliance with the Californian company Coastal Berries. And, in 1989, HF defined its business model as vertically integrated, with the aim of offering berries to the world during the 52 weeks of the year.

The 90s: *HF establishes a key alliance in the US, acquiring and investing in a brand to reach the retail market.*

In 1990, HF invited the largest producers of berries from the US (Naturipe Berry Growers,#2 producer of strawberries in California, Michigan Blueberry Growers, #1 blueberries producer in the US, and, Munger Brothers, #1 blueberries producers in California), to acquire Naturipe ® brand and to establish Naturipe Farms. Trough this company, HF and its partners are able to supply a wide mix of conventional and organic berries to the US and Canada during the 365 days of the year, with the appropriate logistic and commercial chain. Naturipe is the brand focused mainly to the retail and foodservice channels to reach the main supermarkets in that country. Currently, Naturipe Farms is the second largest berries distributor at a worldwide level. In 2017, Naturipe reached sales of USD713 million with a commercialized volume of ~150,000 tons.

In 1995, HF created exporters and producers subsidiaries in Mexico and Guatemala. In 1999, the company expanded its regional presence to Argentina.

The first decade of the new millennium: *HF starts to develop a genetic program as a key pillar of its business model and it strengthens its commercial platform in Europe*

In 2000, HF and the largest producer of blueberries in Spain, create Hortifrut España.

In 2001, the firm started to develop its genetic development program for blueberries, raspberries and blackberries as a key pillar of its strategy to differentiate itself in the market with new flavors, better quality and more attractive and healthy fruits, with a longer shell life post harvesting.

In 2004, HF and Atlantic Blue created Euroberry Marketing, with the purpose of distributing and commercializing berries in Europe.

By 2008, HF became the largest organic blueberries producer in the world and it opened a distribution office in Brazil.

In 2010, HF started to develop the "Ready to Eat" to capture the potential demand from food-service establishments (fast food, restaurants, hotels and convenience store chains), that represent less than 5% of total sales of berries in the US, compared with 40% for fruits and vegetables.

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History of Hortifrut

History/Background

The first five years of this decade: *Expanding its footprint in the South Cone through M&A and JV to consolidate its positioning as the leading exporter of blueberries in the Southern Hemisphere.*

In 2012, HF listed its shares in the Santiago Stock Exchange, raising ~USD67 million (equivalent to 29% of its ownership).

In 2013, Hortifrut merged with VitalBerry, the second largest blueberries exporter in the Southern Hemisphere, leading berries supplier to Europe and Asia in counter-season. In exchange of USD51 million of assets (including 113 ha of blueberries and 17 ha of cherries, among other), the Vitalberry's shareholders (the Chilean families Elberg and Del Río) obtained 18% stake of the merged company.

In 2014, HF entered the Peruvian market as a producer and exporter of blueberries in association with the Rocio Group (Hortifrut-Tal SAC company). The project considered 500 ha of plantations in the Chao Valley, Trujillo Province, Departamento de la Libertad, to be commercialized through HF platforms around the world. The rational behind this JV was to take advantage of a pro-investment oriented policy of the Peruvian government, a low labor cost and excellent temperature, climate and water availability to increase the participation of HF in the early production of the Southern Hemisphere.

That same year, HF partnered with the Argentine company Expofresh to commercialize early fruit cultivated in the zone of Tucumán. The production units have varieties of blueberries with low cold requirements and plantations of excellent genetics with production of both conventional blueberries as organic. HF has 50% stake in Expofresh, with the remaining owned by Mr. Luis d'Andrea, who is also HF's partner in the company named Margesi that owns 77 ha of blueberries in Tucuman with sales of ~1.000 ton/yr.

Finally, the company signed a JV with Joyvio for the genetic – productive development of berries in China.

2015-2018: *HF builds a strategic leading position in the US as producer of berries, it creates a new line of business to commercialize avocados in the US, it consolidates as the main producer and exporter of blueberries in Peru and it enters China to initiate berries plantations in association with the leading producer and distributor of fruit in that country.*

In 2015, the company established a second company in Peru, HFE Berries in Peru (a JV with Atlantic Blue, HF's partner for its marketing and production operations of berries in Europe). The JV was formed to develop ~400 ha of plantations of blueberries in the District of Olmos, Lambayeque Province, Department of Lambayeque. This project of ~400 ha is a complement of the offering of early fruit to be commercialized in the Northern Hemisphere. As of September 2018, 150 ha, out of the total 403 ha, were in a productive stage for the 2017-2018 season (327 ha in total and the remaining 76 ha will be producing for the current and 2019-2020 seasons, respectively).

History of Hortifrut

History/Background

In 2016, HF subscribed a partnership agreement with the Munger family (Munger Farms), one of the largest producers of blueberries in the west coast from the USA, to develop and expand the blueberries business in the US. The company constituted for that proposal, named Munger Hortfrut North America LLC (50/50) have various agricultural assets in California and Oregon that strengthens the offering of fresh berries all the year in that market. Currently, this company has 237 of cultivated fields with organic blueberries (128 has of plants pots in a productive stage).

That same year, HF incorporated a new line of business to be distributed by its Naturipe Farms platform, called "Naturipe Avocado Farms", formed by Chilean, Peruvian and Mexican avocado producers. This initiative added a new and valuable fruit to its pallet, with a huge growth potential.

In 2017, the company agreed to implement a JV in Mainland China with Joy Wing Mau (JWM), the leading producer and distributor of fruit in that country. HF owns 51% of the JV. According to the material fact released on March 2017, HF will provide technical assistance and berries varieties to JVCo, and under a Nursery Agreement with a nursey owned by JWM, the controlled propagation of plants in Mainland China. JWM will be in charge of the distribution of HF's products into Mainland China by means of a service agreement. JMW counts with over 20 subsidiaries covering production, storage, logistics, import, export and distribution. Together with this, it has offices in 80 cities, 40 distribution centers throughout China, attending over 2,000 sale points, reaching over a billion consumers. Currently, HF is exporting blueberries to China during eight months (from the US, Mexico, Chile and Peru). With the 200 ha to be planted in that country, HF expects to offer fruit during the whole year.

The project considers three stages of development to complete 200 ha of conventional blueberries planted in pots. As of March 2018, there were 30 ha already planted with a first production planned by March 2019. The second stage (+70 ha) would have been finalized in December 2018 (as of September 2018, the JV had added half of that) and the third one (+100 ha) is scheduled to be planted in 2Q19 (both are expected to start producing in March 2020). The JV is also testing varieties of raspberries and blackberries on those fields.

Finally, on July 2018, HF completed the acquisition of the blueberries operations of Rocio Group in Peru, one of the biggest producers in the world. This deal had been announced in October 2017. With the merger of Grupo Rocio, the firm acquired 1,450 planted hectares in Peru, becoming the world's largest distributor of blueberries (25% market share). In exchange of those assets, the Rocio Group obtained a 17% stake of the merged company and ~USD150 million in cash. With this acquisition, HF increased its surface of cultivated fields with blueberries by ~1.4x and, once are fully productive, the production is expected to expand even more than that due to the higher yields of those plantations. See more details about this milestone on next pages.

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