

Fitch Ratings / Press Release

NOTE: For all purposes, the original document is in the Spanish language; the following is just an illustrative translation. Also note that the original document has graphs and tables that have not been translated; we recommend that you consult them in the original text.

Fitch Ratings

**Corporate Finances
Food, Beverages and Tobacco / Colombia**

**Grupo Nutresa
Nutresa
Rating Report**

KEY FACTORS OF THE RATE

Robust Competitive Position: In the food industry in Colombia, Grupo Nutresa (Nutresa) maintains a robust competitive position. The Company is leader in this industry with more than 50% of the market share in segments that, together, represent 78% of Grupo Nutresa's consolidated EBITDA. Grupo Nutresa's strong business position is based on the strength of its leading brands and its extensive distribution system, which allows it to serve more than 360,000 points of sale in Colombia, with ample coverage of the potential market.

Growing Diversification: In geographic terms, 35% of Nutresa's sales come from international sales, through exports and direct presence in 13 countries in Latin America and the United States, where the company has production plants and its own distribution. The consolidation of operations of *Tresmontes Lucchetti* (TMLUC) boosted the geographic diversification of the company, increasing its participation in countries with a favorable operating environment. The business mix has allowed Nutresa to present stable operational cash flows through the economic cycle.

Suitable Operating Indicators: The Company has accompanied the increase in revenue with greater control of its operating costs, which has enabled it to record an increasing cash flow generation. Fitch Ratings anticipates that the company will sustain its EBITDA margin in the range of 12% to 14%, supported in the strength of its brands and the hedging price policies of its raw materials.

Solid Credit Metrics: Grupo Nutresa has maintained a solid financial profile, characterized by a robust generation of cash flow and moderate leverages. It has also been able to finance acquisitions, equity investments, as well as pay dividends, without compromising its credit profile. Fitch expects that the recent acquisition of *Grupo El Corral* will temporarily increase Nutresa's leverage and return, in the short term, to levels consistent with its rating.

Ample Liquidity: Nutresa has a robust liquidity position, supported in the strength of its generation of operating cash flow and the manageable installment structure of its financial debt. Likewise, the Company presents ample access to the financial and capital markets both locally and internationally, which provides additional financial flexibility to meet any external financing needs. Fitch welcomes the commitment made by Nutresa to maintain a moderate financial risk in its ambitious growth strategy.

RATE SENSITIVITY

Negative Factors: The rate could be reduced as a result of a combination of the following factors: A lower-than-expected operating performance, including a drop in Company revenues and margins; a more aggressive growth policy including acquisitions principally financed with debt; or sustained leverage levels of more than three times (3x).

LIQUIDITY AND THE DEBT STRUCTURE

Grupo Nutresa has a robust liquidity position, supported by the strength of its generation of operating cash flow and the manageable structure of installment structure of its financial debt. At the close of 2014, the cash levels of COP 374.060 Billion and the operating cash flow covered in 1.8x the short – term debt. The annual debt maturities, foreseen in the next five years, are loosely covered by the company's projected cash flow generation, considering its organic growth. The company also has broad access to the local and international financial and capital markets. This provides additional financial flexibility to cope with any external financing needs.

CASH FLOW ANALYSIS

The increase in its revenue, both organic as well as those of procurement, is accompanied with a greater control of its operating costs, which has allowed it to record a robust cash flow generation. In 2014, the company registered an EBITDA of COP 864.257 Billion, equivalent to a margin of 13.4%. The company has benefited from increases in productivity and improvement in the sales mix towards products with higher added value, allowing it to mitigate the impact of the increase cost of some raw materials and the depreciation of the exchange rate during 2014.

In the short term, pressure on margins, due to the upward trend in commodity prices and a weaker exchange rate, is anticipated. However, Fitch believes that the company can maintain its EBITDA margin in the range of 12% to 14%, supported in the strength of its brands, its innovation capability and in the hedging price policies of its raw materials.

The company has a mitigated exposure to volatile commodity prices. Fitch believes that one of Nutresa's principal operating strengths is that its consolidated cost structure is not particularly dependent on any raw material (commodity), but is scattered in a number of commodities whose price fluctuations are not necessarily related. This

mitigates Nutresa's exposure margins to the volatility of raw materials in international markets. Currently, no raw material represents more than 10% of the consolidated average variable cost.

The company has shown a strong capacity to generate operating cash flow, which has allowed it to fund acquisitions, capital expenditures and pay dividends without compromising its credit metrics. In recent years, Nutresa has expanded its operations through an acquisition strategy focused on profitable companies participating in its core businesses, and that have a solid competitive position and an adequate distribution chain, located in strategically selected countries. The recent acquisition of Aldage Inc., owner of the Colombian companies that make up *Grupo El Corral* (for USD 743 Million) will increase leverage up to a maximum of 3x the 2015 closing. While setting the indicator on operating leases, the debt adjusted to EBITDAR would reach 3.2x, a level higher than that established in the sensitivity of the rating assigned.

By incorporating the EBITDAR generated by the new business, Fitch anticipates a reduction of the leverage to levels slightly lower than 3x. Fitch welcomes the commitment made by Nutresa to maintain a moderate financial risk in its ambitious growth strategy.

CASH FLOW PERFORMANCE

The rating incorporates the expectations that Nutresa's level of leverage will be less than 2.5x, even when it has a long – term goal, which is to double, by 2020, the revenues recorded in 2013. This means that organic growth will continue to be supported by the acquisition program internationally.

COMPANY PROFILE

Since 1920, Nutresa has participated in the food industry in Colombia with the creation of *Compañía Nacional de Chocolates*. In 1933, it became a shareholder in *Compañía de Galletas Noel*, created in 1914. In order to diversify its business, in 1950 it entered the coffee market with the creation of *Compañía Colombiana del Café, Colcafé*. In the 1960s, consistent with the objective of broadening its participation in the food sector, it entered the meat segment with *Zenú*.

With the vision of supporting the businesses created between 1970 – 2006, Nutresa ventured into businesses related to the food industry, becoming a company specialized in this sector, based in Colombia. The company currently has eight business units, which are Cold Cuts, Biscuits, Chocolates, Coffee, Ice Cream, Pastas, *Tresmontes Lucchetti* and Retail Foods. The latter will consolidate the *Grupo El Corral* operations and the international operation of ice cream (*BON* and *POPS*) as of 2015.

Nutresa has 40 plants for its six traditional business units, distributed in Colombia, Chile, the United States, Mexico, Ecuador, Peru, the Dominican Republic and

Venezuela, as well as in the Central American region. During 2014, its total sales amounted to COP 6.5 Billion, equivalent to an increase of 9.5%.

Nutresa is expected to maintain proper organic growth of its business in Colombia, supported in the still strong domestic demand and the leading position in the markets in which it operates. However, Fitch expects an increase in competitive pressures in the local market, derived from the free – trade agreements signed by Colombia, which would facilitate the presence of a greater diversity of products marketed by global companies in the food industry in the country.

After a year of consolidation of TMLUC sales, international sales reached USD 1.12 Billion, equivalent to growth of 3.7%. Meat products are Nutresa's principal business unit, accounting for 26% of the company's revenues and consolidated EBITDA in 2014.

Relation with the Media:

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Date of Technical Committee Rating: May 26, 2015
Minutes Number: 4001
Purpose of the Committee: Periodic review

Definition of the Rating:

The rating **AAA (col)** represents the highest rating assigned by Fitch Colombia in its domestic rating scale. This rating is assigned to the best credit quality relative to other issuers or issued in the country and usually corresponds to financial obligations issued or guaranteed by the Government.

Additional information is available at **www.fitchratings.com** and **www.fitchratings.com.co**.

Applicable Qualification Criteria:

– Rating Methodology of Non – Financial Companies (December 19, 2014).

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Members of the Technical Committee who participated in the meeting in which the present rating(s) was assigned: Natalia O'Byrne, Jorge Yanes and Julio Ugueto.

The resumes of the members of the Technical Committee may be consulted on the Webpage of the Rating Company: www.fitchratings.com.co.