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Conference Call

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PRESENTATION

Carlos Enrique Piedrahita Arocha - Grupo Nutresa - CEO

(interpreted) Thank you and good morning. Good morning to all. I want to start by letting you know that the conference is going to be in Spanish, but you will have simultaneous interpretation to English for those that are here from other countries. It's our pleasure to present to you the results of Grupo Nutresa in the first quarter of this year, and I start by just making a comment about them.

The results were very good as to profitability and as to sales. We have to explain several factors because of work days for price reduction. But if we put these factors aside, the growth in earnings is also reasonable. Now, the most to highlight is the profitability of the period, and actually it was higher than what we were expecting even.

And three factors came together in a positive way -- raw materials costs, the productivity of the Group that has been increasing in a very important manner, and the mix of the products sold. Those three factors, put together favorably, made the earnings -- the industrial earnings or the gross earnings to grow in a very important manner.

Also, the expenses of the period, you will see, were very controlled, even under what was expected and that, of course, makes the profits, the operative profits higher than what was expected.

As to sales, and I was mentioning it, there are several factors because if we see the sales, they seem like if they were flat. There was no growth, but we need to see a first factor in the period, which is the one of the working days, because of the holy week, and especially in Colombia and Central America. In Colombia, is kind of heavy on us because this quarter had 72 work days and last year was 76. There already, we have an important factor of comparison.

In second place is the decrease in price in the Company. The Company, as we saw that that the profitability was very positive and the demand, which, of course, also needs to be recognized, was somewhat weaker. It was decelerating from the middle of last year. We decided then to absorb the impact of the increase in prices because of the (inaudible), the taxes for our food products of our Company that came from 10% to 16%. And that way, we would avoid a higher cost of our products for the end consumer.

In Colombia, if we talk just about the domestic sales, and that factor is 1.5%. And if we see the sales internationally speaking, which we will see when we do later, there is also a factor that is impacting the sales, which is a devaluation of Venezuela. So, there are three factors that are extraordinary that need to be seen, each one, so that we can analyze the development of sales. And as I was saying, if you put these factors aside and the sales that are a lot better than what accounting tells.

So let's start by taking a look at the results of the first quarter, the sales in the first quarter in Colombia. Here, because of the factor of the holy week and the work days of this year, we added an information that you can see here in the blue color in which it talks about variation of sales per work day. And that is something that is additional to what we normally explain in the periods because this period was very special because of that.

So the sales in Colombia, according to the accounting, they decreased by 1.1%. But if we take away the effect of the working days -- and then, again, you see it in the little blue box -- the increase in sales comparable was up 4.4%.

Now, as we see it per business, there are several variations, especially because of different factors of price reduction per business. As I was saying, the average of the group in Colombia was 1.5% of the lower price, but you will see that in some businesses, like the chocolates, it was higher.

Now, we start with the meat products, and the sales there grow 5.7% per work day. Crackers, or galletas, they went down as accounting, but per work day they went up 2.5. The chocolates had a decrease in sales, accounting sales, and also sales per work day, but here we have to explain that the price reduction in chocolate is higher, is bigger.



There are lines like, for example, the milk modifiers, the instant chocolate like the Choco Listo, we had to reduce it by 4.9%. And the reason here was a competitive move because Nestle has been, in that line in particular, has been making some promotions in which the price that is to the public is lower and we couldn't fall behind. So, the same in the table chocolate; it had a reduction that was higher. So, therefore, in chocolates, we have an effect where we saw that is higher as to price reduction.

In coffee, according to accounting, they went down 3.3%, but for work day they went up 2.1%. You see, we see in work days they increased a lot also, and even in accounting, and that was the climate. In the period, the climate was summer, very favorable. But also, we have to mention, again, other factors that are important in helados, or ice creams, that is having a development that is worth pointing out.

The additional is two things -- one is the innovation, the sales per innovation; and two, it has had a very good results in the launching of new products, which is coming to very dynamic sales. It is resulting in very dynamic sales, and that is why such a favorable development is taking place.

If we also look at the next one, the pastas, the pastas has a growth that is very positive as well, a little more than 10% in accounting and 16.6% in a per work day. Therefore, you can see here there are very dynamic (inaudible), especially ice creams and pastas.

And pastas, it sounds -- it may sound like a little strange to have such a good development where were compare with other dry products that are more comparable, from -- like it could be coffee or chocolates or even crackers and meats that are dry products of the basic bulk of products.

But here, we have to say that pasta also has had a very good marketing and innovating programs, and that has taken it to keep for more than a year a dynamic that is very positive in the market.

If we look at the international sales, here then we see the factor of work days is difficult to quantify because there are countries that are not so affected by the difference in work days like the United States, for example, or the Caribbean, but there are others that are more affected that comply with all of the festive days like in Colombia and Central America, Peru, Ecuador. So here, it wasn't easy to calculate what would be the difference in work days, and so we just gave you the accounting data, right?

It has some effect of the work days, and also, of course, the devaluation of Venezuela is a factor that you will see in the meats especially. Meats goes down by 4%, and it is mainly because of the sales in Venezuela, because of the devaluation at the beginning of the year that had a very important result in galletas, goes up by 2.2%; chocolates, goes up 10.3%, a growth that is very much to highlight.

In Mexico, it's improving from other periods. We had mentioned before as a market where we had a lower development, but it's improving, but this improvement is not explained. It is more explained by Peru because of the Peruvian dynamic, but also because during the period we sold cocoa butter, which is a bigger sales internationally speaking.

In coffee, there is a reduction. The first quarter of last year was very positive, and this one, it decreases 6.6%, especially to the United States. And in ice creams, we have a very large increase. It shows us 127%, and this is due to the acquisition of Post. If we put aside the acquisition so that we can see really what is the organic growth, that growth is a reduction of 11.3%, and that is Dominican Republic.

There, it is explained by two reasons -- one, because of the work days that, again, Dominican Republic has the same happening as Colombia, less work days; but also is that Dominican Republic has been affected by the market because the new government -- or the market is being affected in the Dominican Republic because the government last year, at the end of last year, in front of the tax difficulties in the country, they increased taxes in a very important way, so it affected the consumers.

And it is leaving a deceleration that we are feeling, so there we see a double effect, some because of the work days, maybe more than 5%, but also a very poor development in Dominican Republic because of what I said.

And then ice creams, the total sales, internationally speaking, were \$201 million, a growth of 4.2%. But if we put away the Post acquisition, then the organic growth -- the organic sales decreased 0.3%. So it was flat, but then again, here is the effect or the result of the work days and also the devaluation of Venezuela.

And if we do another normalization and we look at the international sales, excluding Venezuela, the growth is up 7.2%. And there, you can see then how the devaluation of Venezuela explains in part the reduction that I was mentioning.

Now, we look at the total sales. And the same here, we make some corrections because of work days, and the total sales increased 0.4%, in other words, nothing. But per work days, they go up 4.3%. And if we remove -- because then, again, we have several factors -- a reduction of price that I was telling you, Colombia is 1.5% in Colombia.



And in total, Colombia, you see it internationally, the reduction of the price, which is 0.9%, so we reduced the prices almost 1% in the period in the consolidated total sales. And then there's, of course, the factor of the work days. In Colombia, we were able to quantify it better, and then you can see there the growth in the blue boxes in each one of the categories.

If we take a look at the (inaudible), the number three. Total sales, without any change in FX or factors, and you see that instead of a growth, the 0.4%, the growth will be at 3%. And there, we see the meat business that is growing more, 8.1%, against a decrease of 0.4%. So there you see the effect of the devaluation in Venezuela.

So, I think that here we've covered sales and we've left some space for questions for at the end of the conference. Now, if we take a look [person], Colombia represents 70.9% of the sales in the quarter. The second market was United States with the 8.1%, something more than \$100 million. Also, the third market for Nutresa is Central America and [SA block], the six Central American countries where we sold almost \$96 million and represents 7.7%. And fourth place is Venezuela, with 6.4% of the sales.

And I should say that all of this information that has been given, it looks like millions of dollars, but I need to need to correct is thousands of millions of pesos. So, please, I apologize. For the United States, it's not \$100 million, it's COP100 million, almost COP101 million. For Central America, then you see the difference. And Venezuela is COP79.6 million.

The fifth market is Mexico, 2% of our sales. Peru, 1.5%, as the sixth market of COP8 million. And even though Peru is more dynamic than Mexico, it goes to be fifth, Mexico, and six, Peru, but it is basically because of the devaluation of the Mexican peso and the higher amount of the (inaudible) of the Peruvian sol. Then, we have the seventh market, is Ecuador and other regions, Malaysia. And the total of international sales of the period, 29.1%, COP362 million.

So now we'll go to market share. And there, we can understand several things. Some go up, as is normal, and others go down, or they keep the same. In the case of the meats, we grow our market share in 1.2% to go to 72.9%. And the private brands, that altogether is the second player, represents 7.1%. The private brands have been aggressive in price, and that is why we've been maneuvering it very prudently as to an increase in price, especially those that went from an eba tax from 1% to 16%, and that is effect is seen very clearly in meats.

In crackers, we lost some of our market share, 0.7%, to finishing 53.9%. Nestle, which is second, has 13%. In the case of the chocolates, we increased our participation in chocolates in 2.2%. In table chocolate, we go down 2.2%. And I was mentioning how our competitors have been very aggressive in price, and we should also move where we had to move to more aggressively reduce the price of the table chocolate. Also, the milk modifiers, where we needed to react, we reduced the prices because we had lost 1.3%. As to nuts, we did go up.

And in roasted and ground coffee, we lost about 2%, and we stayed with 55.7%. But in instant coffee, we went up by 0.9% to stay with 41.4%, very close, again, to Nescafe. Ice creams, it continues not measured. The new methodology to measure ice creams is being prepared, and it has a different distribution, especially because you have the preserves and the sales points that needs a different methodology. So it is not available yet.

And as to pastas, we increased for the participation that is somewhat higher than the 50%. But here we need to point out something important, and it is that there are several categories that present growth in tons. And we need to take a close look at that also, because independently you could lose a few points or part of a point. It is important that we see how everything grows in what category, and that's happening in pastas, in ice creams, not so much in coffee, but it's also growing. Also, crackers is going up a little and -- slightly, and meats also.

You will go to the commodities, and here we see -- this is slide number six -- and you can see the index of commodities. And this is what we calculate for our commodities. And take a look, please, at how the base as of December of 2012 is going to be 100. However, we see that the average of the quarter is 100. So, it's not like there has been a reduction that is large in the quarter. Yes, there was a reduction, but you can see the tendency in the blue line. But as an average, it kept the levels of the prices with which the year closed.

The tendency of commodities in general in the world is coming with a slight tendency to go down in some stability. But if we consult the opinion of our providers and the analysts on this subject, then we can talk about a perspective of slight reductions or stability for commodities except, of course, if something external comes, as a climate problem or something like that, but the fundamentals are fine in most of the products. Also, the inventories -- the worldwide inventories are in rehabilitated levels, much better than what they were.

The offer is also pretty normal in most products. The demand from China, from India is more moderate now. Another factor that is important is that at the lower prices of oil, it is not so attractive to use the food products for bio-combustibles. So because of those four reasons we expect that the tendency of pricing will be relatively stable with maybe some reductions.



And concretely speaking, the only ones where we see some that could maintain the prices are the meats. The chicken keeps levels or it grows a little. The beef and pork, they're kept. Here we can see factors or effects from the wheat prices before that we have to remember, it triggered -- the increase in wheat triggered up because of climate problems, problems in the agricultural area in the United States. And that has been more moderate now, but it affected the prices of the third trimester and part of the fourth quarter as well. But it is something that, of course, affects a lot the concentrated foods, especially in chicken and beef and pork.

Now, we do see some clear tendencies going down in coffee, cocoa, sugar, oils and fats. And the wheat has been volatile, but with a tendency also to go down. The fundamentals are positive. And there, what we expect is stability with a tendency to go down.

And then we see, to the next page, the number seven -- slide number seven, the cost situation of the Grupo Nutresa, the diversification in raw materials. We see that several of these components lower its relative price. For example, coffee. In the quarter, it weighted 12.4% of the direct costs of the Grupo Nutresa. In the first quarter of 2012, so that we compare in the same time of last year, it weighed 15%. So there you see how that price reduction is then evident in the cost of the Grupo Nutresa.

The packing material, on the other hand, went up slightly because there was more dramatic falls in -- it was 11.7%, again, in the quarter of last year, and now it's 11.1%. Pork, as I was saying, it grows relatively, it is at 8.8%, a year ago was 8.3%. Wheat, it goes up somewhat, 5.8% this year, 5.6% last year. It is slight growth, however, almost the same level. The beef went up a little bit, 5.7%, it was 4.8% last year. Cocoa, 3.4%, it was 4.4%. There, we see [the fall], same as sugar, it was 3.9% -- it is now 3.9%, and last year 4.2%.

Oils, same levels, 3.6%, and last year 3.7%. Chicken, 3.7%, and last year 3.3%. That's the one that -- it goes up rapidly. And then milk, same levels, 1.8%, it was 1.7%. So, you see, then, that [like] improvements in several of the raw materials. And to conclude, the perspective is that it be maintained in relative terms, all these compositions, and maybe we can reduce some.

Now we go to the profitability. And here, Jose Domingo Penagos is going to talk to us.

Jose Domingo Penagos Vasquez - Grupo Nutresa - CFO

Good morning. Before we start, I want to remind you that you can ask questions through the internet. And if we look at the profitability, we have a quarter that has grown very well with sales of COP179 million with a margin of 14.5%. As evidenced in the presentation, this is mainly because of three factors -- raw materials, productivity, and an improvement in the mix of the products sold.

Here we see per business, starting by meat products. Even though there is a decrease of 5.6% with the same quarter of last year, what is important to look at here is that we go back to a margin of 14.7%; the last quarter of last year, we were at 11.4%. So we go, again, to see a very good quarter in the meats.

As to crackers, even though we have a growth in the -- we have been able to -- we had a growth in price in the -- we were able to bring it to the consumer in chocolate and coffee. Again, we had a decrease that was important in raw materials and also in productivity that was achieved in the production plants.

In ice creams, we see a very high result in the mix, the innovation, the new products launched. All these was -- had very, very good results. And also, the plant was used to full capacity. There was a reduction of fixed costs and expenses that was very important.

Also, in pastas we went up 21.7%, very important, with 14% margin. And also, because it has a good handle in the prices, also like in ice creams, utilization of the plant that was very good. And as we mentioned before, (inaudible) is 7% as far as the volume, the category.

We will look at the slide number nine. We here show you a result with a net profit that is growing at 33%. And this is basically because of diminishing of 5.8% of the price because of the result that was already mentioned in the slide before and also controlled expenses. Administration costs are increased by 9%.

We have to note, however, the Post acquisition of last year has an effect in the six points of those nine. So if we bring the Post acquisition out, there would be increasing 3% or growing at 3% in administration costs, which we believe that is very adequate, even low, for today's date.

Then here again we see that Post also affects this at 6.5%. So, in general terms, we have operating expenses that is 6%, and without Post at 2%. So then we have an operating profit of COP141 million. And the Post operating, those have really relevant -- a rather relevant differences, so we have COP79 million, we're growing 33%.



On slide number 10, we have the net debts, and it hasn't changed much. We still have a 0.6 that allows us to have the same capacity that has been calculated and published in order to -- which is COP1 million.

And now we want to mention the innovation that has played in our industry a very important role, and Grupo Nutresa is implementing very advanced practices in this subject. We gather somewhat what we have done as to innovating in Grupo Nutresa, and we have our own model of innovation that is called Imagix.

It is our own model, developed by us, is for six, seven years. It's already a mature model, but it's been launching new chapters, as I had said. And basically, it is based on a framework of definitions of innovation. It has its own resources, its own culture and processes.

And so I don't take too long, just to highlight the main topics, starting by the results of the innovation. In this first quarter, we were already went over the 20% of sales in new products on the total products, which is a very high level in our industry. The brand of food products, new products, are considered those that are less of three years launched. And to be in 20% is a very positive benchmark. To be over 15% is a high level, internationally speaking.

We have already mentioned how the businesses as ice creams or pastas have played a fundamental role, also in meats, in all of the businesses, but the ones that are most distinguished here are pastas, ice creams, meats. And coming ahead, there are some very important innovations in crackers, in chocolates, and in coffee.

So, it's worth to mention three programs of innovation that we have operated now for quite some time, and a fourth one that we're launching today massively throughout the organization. All of them are going to be part of Imagix.

The first one is innovative success, which stimulates the innovation. So that you have an idea of the scale of that program, last year there were 1,806 awards to successes that were implemented ideas that produced the expected results in many different topics. It could have been new products, new processes, improvements industrially speaking, or in distribution or in administration. But this is what is defined as an incremental innovation. It's not large, radical innovations, but yes, the total of 1,800 is very important.

Also, exemplary practices. This is a program of recognizing all the programs and the management in what is called substantial innovation. And there are four awards given in the year. The other one was innovative solutions. It's a program in Colombia and, of course, this is in the world. This is not only in Colombia. Proctor and Gamble has it now for some years and other companies in the world. This is called open innovation, which is the launching of challenges to solve problems through innovation and operating very successfully for more than a year.

And what we're launching today is a program that is called Out of the Box, and that is a radical innovation program that invites our collaborators to launch ideas that are radical ideas for innovation that is going to be more effective.

And for that, Grupo Nutresa is establishing a fund, a capital of raised fund, for COP15 million so that those projects can be financed, like I said, for radical innovations so that we can go to more advanced levels of innovation. So we can see how innovation is playing a very important role in our Group, and we want to fuel is even more to go to higher levels of innovation.

And with this, we conclude, and I would summarize then, somewhat talking a little bit about the period and looking at the expectations to come. As you can see, the profitability can be qualified or can be graded as the most distinguished of the period and that true costs to be in levels above the [corridor] that we had talked as a long-term corridor of profitability margin between 12 and 14. Already, we are above the corridor, and the expectation for the rest of the year is that we stay, we keep outside the corridor, of course, in the higher side.

Why? Well, I have mentioned it before. The cost of raw materials, at least we can expect them to be stable, and that's already enough to give us a good contribution. The productivity also brings a lot. And this quarter, the productivity of Grupo Nutresa grew by 5%. Last year it had grown 5.2%. And the year before that, 2011, 6.6%. So we've been working definitely, decisively in the improvement of productivity and it's beginning to show.

The mix of products, also we hope that it's going to also play an important role. And with the launching of more profitable products as well as the stimulus with the marketing products towards products of more margin. And those three factors, we expect them to continue.

The cost control, which was a fourth factor that contributed to the operating earnings, there we cannot probably expect such low levels. The year usually starts kind of low, but it should become normal later, but not with a very large growth, no. There you can see that the growth in expenses grew about 3%, but the dynamic is that we really -- that we're going to bring into the business is going to take them to grow a little bit more. But normally speaking, normal levels.



As to sales, as to the scope, here we see a weaker demand. And we had already pointed this out in the last teleconference, but if we analyze the development, well, January was a weak month, February was even slower, but March already was a good month, where it recuperated and rehabilitated, and April is having even better sales. We still don't have all of the elements to conclude, but we do expect that the sales are going to recoup their dynamics, and especially because of something that we additionally launched, which is very important.

Seeing that the sales were kind of low in January and February, we launched the mega production Nutresa, which I'm sure you have to have heard in TV, radio, everywhere. And it is a production that reaches -- it has a very, very large reach.

The first time we put all the brands of Nutresa together and we launched them in conjunction altogether in a promotion that has a sociological investigation that is very important, thinking of the mothers, and that is why the awards are in the modeling of keychain, of (inaudible), also products. So that's called Mama Felices Nutresa, Happy Mothers Nutresa.

So that we, I think, if it goes to 104.5% in the 10 weeks that the promotion is going to last -- April, May and part of June -- so that we are bringing important factors to the growth of sales with its mega production that has never been done before in Nutresa. And I could almost say it has never been done before in Colombia in a brand processed food products.

And with this, we conclude. We appreciate you being with us in this teleconference and we are here for anything that you may need, any questions.

QUESTION AND ANSWER

Alejandro Jimenez - Grupo Nutresa - IR

Good morning. This is Alejandro Jimenez, relations with investments. And through the model that you have on internet, you can send us questions. Already, we have several questions. And I'm going to try to summarize per topic. The main one that I see is -- that I see that it repeats again and again is if what we saw on the first quarter of this month, if it is sustainable, and if it is sustainable in the levels that we have seen? Already, we have heard a little as to what we can expect for 2013, but there we could also ask, how can we see it mid-term?

Carlos Enrique Piedrahita Arocha - Grupo Nutresa - CEO

Well, yes. The margin here was 14.5% and as we said, the corridor long-term is between 12% and 14%. And we expect, right, that in the rest of the year it is possible to stay in this level, that this be sustainable to go over the corridor, over the 14% for the following quarters and for the year as a whole.

Alejandro Jimenez - Grupo Nutresa - IR

Perfect. So, also, the question is about the Colombian economy and the consumption in Colombia. The (inaudible) tax in Colombia, it is also mentioned [as sol]. Let's say that we can summarize the question as how do we see the dynamic of the consumption in this first program? What are the expectations for the rest of the year on the expected impact of the [beep] or the tax?

Carlos Enrique Piedrahita Arocha - Grupo Nutresa - CEO

Yes. Well, there we can respond to the question differentiating as to what is Colombia and our main markets, like I mentioned the United States, Central America, Mexico and Peru. In talking about Colombia, first I had mentioned that somewhat before from the end of last year -- from mid of last year, we were seeing -- we were perceiving in Grupo Nutresa a diminishing of the dynamic of the demand, concretely speaking.

And the consumption of processed foods is an indicator, a leader indicator that gives us clarity so that when we see tendencies of these companies, right away we see that our cost cuts in the same direction, in the development, in the (inaudible). And as I was saying to you, yes, we were seeing a diminishing in dynamics from the mid of last year until February. January was a month that was not good and February was worse, even when you see it in work days.



But as I was saying, in March we had a clear improvement, and April is even better. So [a little bit] in March, so March was a month -- if we measure it by tons and where a day is close to 10%, 9.8%. So if we see just that month of March in tons, because you have to do a good analysis, you need to put away or eliminate effects of, as we said, the work days and the price reduction. But also the consumption of foods has to be given in tons, and that in Colombia has been improving, clearly, between March and April.

And as I was saying, we expect that it's going to mark a tendency. And then, we see the effect of (inaudible), or this tax program that the government launched, and it will have a result in short-term, mid-term, long-term. It's like infrastructures, houses, but we do see it in a positive way because we see some short-term effects.

For example, the reduction of the tax to the payroll that is going to start the first of July. That is going to have the effect that is desired quicker so that the payroll doesn't have those lines, they would be more positive then.

Then also, the reduction of the energy and gas that we were seeing, that it was affected because of the restrictions or the -- in the energy towers, and they were going to be able to receive the 20% electric energy and 8% for the gas -- 8.9% for the gas. And there, we're going to see the cost benefit.

And others that are already in the stimulus of demand, like construction of houses, and construction is a sector that irrigates economic resources very, very quickly. You can see very quickly the effect in the consumption, and it has to have positive effect also in mid-term.

But we are going to be able to see probably this year the reduction of interest rate for purchases of homes, so there are several effects of this B payroll tax, and some are going to be seen in the short-term, whether later -- whether it's later, but they should have a positive contribution for the economic development, which, really, we believe that it really needed stimulus because the fundamentals of the Colombian economy are very positive, but they were coming in a clear tendency of a deceleration. So that is as far as Colombia.

If we talk about the United States, there I think we shouldn't be asking so much what happens to the American economy. No, because we're very small and we can move with a lot of agility, even if the economy is flat, even if it grew less than we expected, but we are growing. In the United States, what happens is double-digit, right? So, because our products is a product that in the United States they call it value, right?

And those products that are a very high relationship of value for money, and it's even benefited at moments when the consumer is watching his pocket more. Still, we have very important sales, like, for example, to all those dollars to serve, and that is something that is developing in a most dynamic way.

Actually, the most dynamic market outside of Colombia is the United States, and so there we have entered into very interesting segments, also, like, for example, (inaudible). The population of [preeses] in the United States is growing a lot, and we have gone into that segment with a lot of certainty, with a lot of positive results, and that is really, truly a massive market. So the United States is fine and we believe it to continue well for us.

Peru is a special case. It's been growing sustainable, continually through the years, and it's going well this year and we expect it to continue to grow. And Mexico is a market that has been more difficult in the recent years, and I refer to the last two years. And especially because the sales of Nutresa in Mexico, we have made it especially through the wholesale channel, and that has been the channel that has been most affected by topics like safety, security, and because it has had a larger dynamic than other channels. So we are looking more, our strategy, into the modern channels in Mexico that have a positive development.

So, Mexico is a little slow, but we expect that through the end of the year it's going to recoup and we're going to be able to give all the other resources that should help Mexico grow.

And I last mention Venezuela, which is important. The sales that we used to -- we used to, because we're practically not selling anything now to Venezuela. Export platforms from Colombia, Peru, Central America and Mexico to Venezuela, and since now we don't have, there is no money in the system of auctions that is not working clearly, we haven't even been able to get one single dollar. So we are not selling a lot to Venezuela. And where we expect this at in the year, we might do some exportations -- some exports to Venezuela, but minimally speaking.

Where we keep a normal operation, yes, but that means -- normal means high prices, high inflation, got also the tons of meat when it comes to pesos, because of the devaluation of bolivar it's going to be even less. So Venezuela will mean less, of course, clearly, but we will continue working there inside as normal as possible. [Ermo] is a producer of foods. They received [assignments] also for the Caribbean, also, with certain restrictions, but it has been able to provide the raw materials, the meats. And in the quarter it has not had any difficulty to operate.

Alejandro Jimenez - Grupo Nutresa - IR



Thank you, Dr. Piedrahita. Now, according -- because of the time, there are some questions that are very specific, so I'm going to look more as to the general questions, divisions of business, and the specific ones I will answer specifically. There is a question that comes again and again, and already we've mentioned Venezuela, but there are a number of questions that refer to the expectations of the Grupo Nutresa. After the elections, how is it that we see the market in general in Venezuela and its participation from Venezuela, the total of sales for the Grupo Nutresa?

Carlos Enrique Piedrahita Arocha - Grupo Nutresa - CEO

Well, yes, just to add to what I just mentioned, what I would say that in Venezuela things are so uncertain. That's the first thing I should say. For everything, the uncertainty is very, very high. And I can tell you that we are observing, we're watching. What we see, as I was saying before, is that it's important to operate, is they are giving us the authorization from [Gavivi] to import the raw materials that we need, but with limitations. So we have been turning to supplying the country to whatever we see possible, especially the meats raw materials, raw products.

We're also seeing higher prices in all the consumables and also in the final prices. We are the [seconds] in the market and we are followers in price increments. But what we have seen there is an inflation level that is very high, like 30%, so the increase in raw materials has been translated or has been given to the consumer, and it's something that was expected after devaluation.

But the question is, when is the next devaluation coming? And it will be necessary further ahead. So for now, what we've been able to do is to keep the profitability levels, the -- I think it's 10% -- yes, it's about 10%, which is a level that for Venezuela is reasonable. We have a market, as I was saying, that is compressed in terms of tons sold and we are here expecting or watching to see what happens as far as social things we're talking or as a country, as a country, political, socially, for the country is very challenging. But until now, we have been able to operate normal.

Alejandro Jimenez - Grupo Nutresa - IR

Okay. And also, another question is acquisitions. What areas are we looking at? What businesses are we looking at? What are those businesses that have more intensity as to acquisitions? And when is it that we can see any announcements on that topic? We have been asked about [fosta], how has that first trimester work order has been imposed? So --

Carlos Enrique Piedrahita Arocha - Grupo Nutresa - CEO

Yes, starting with fosta, I should say that it has been a very harmonious integration, very positive. We haven't had any, the slightest problem from the integration, operation, management, culture. Everything is really going well.

And the development of the Post business in Central America is very much highlighted. Post is coming even better than the budgets. A lot of profitability, the profitability that was expected, 22%. So, Post, let's say, is an acquisition that has given what we expected, keeping the profitability levels, keeping the dynamics, and totally incorporated into the group. And ahead, we will capture other synergies, like in sales and integrating other areas of the Grupo -- into the Grupo Nutresa. But that is an acquisition that we have to declare as a very successful one.

And looking ahead in the future that we're working in that subject, we don't have any to announce in any near future, in one or two months. But what I can mention is that we have gone ahead again and we've included in this tube of acquisitions more cases, which tells us that this year it will probably take us to two or even possibly three acquisitions or new alliances. And we're looking especially into the American market, the United States. The experience in crackers has been very positive, so we'd like to consolidate our presence in that country. We are then looking at the United States.

We are -- in general, the region where we operate and the markets or the categories we're looking at more actively -- crackers, ice creams, meats. So I would say in those three, that strategic region that I just mentioned, and also with a new dynamic that, like I said before, we will be able to close one, two, even three acquisitions in these businesses.

Alejandro Jimenez - Grupo Nutresa - IR



Perfect. Given the stability and the actual prices of raw materials, they ask us as to the coverage that we have in those levels. So, if we applied the policy of coverage in raw materials and also in exposition in exchange -- money exchange?

Carlos Enrique Piedrahita Arocha - Grupo Nutresa - CEO

Well, yes. We have coverage, especially in wheat. And not so much in exchange rate, but in the volatility on the commodity. And I'd say not so much in the rate exchange because we have a pretty balanced situation of imports and exports, where we have a natural coverage of the coin, right, of the money.

But the commodity has -- commodities has fluctuations, and the most volatile, as I was saying, was wheat. And where wheat goes down, very important lows, and we have seen this 3% to 5% in one day, then we have closed contracts for the future in the case of wheat, even for up to six months.

So, in wheat we do have pretty important coverage. We also have future sales for chicken. Also, ensure we have a certain international purchases towards the future. So yes, we continue covering, but less active than in the past, because as the tendency of price goes down, if it is not convenient we tie ourselves to very low levels.

Alejandro Jimenez - Grupo Nutresa - IR

Very well. CapEx, 2013, how are we doing in the investments for this year in general terms?

Carlos Enrique Piedrahita Arocha - Grupo Nutresa - CEO

Well, in CapEx, the investment is as shown and is going to be executed according to the plan. It is difficult to say what this -- how this is going to be, say, deployed -- during the year, how is it going to be divided. But the budget is going to be executed, it's going to be carried out in the year as we had expected.

Alejandro Jimenez - Grupo Nutresa - IR

And also, a last question. The margin for the meat business, is it going to be better, even though we have more competition and an increase in the consumables?

Carlos Enrique Piedrahita Arocha - Grupo Nutresa - CEO

Yes, and it is very important. But I should say something. As far as the consumables, yes, it is -- there is an increase, but it's very moderate, very moderate. So, in the three raw materials that have to do with meat, yes, it has gone up, but very moderate. So, what has happened in the meat business is that there is an increase in productivity and also increasing the mix of the sold products. So, it is very important that even though there is a price reduction in some, the mix of product stores -- those products that have most value-added.

For example, the hams, which are the most dynamic products in the meats, like the ones that provide the most value-added, like the [Ranchera]. These two lines are the ones that have the best margins, and that makes the mix of the sold products be best, the productivity, I already mentioned, and, in general, the efficiency, the logistic efficiency of the meat business, I believe that is of the best practices, of the best logistic practices in the Group.

Alejandro Jimenez - Grupo Nutresa - IR

Let's see here. I have some information. Why don't you, [Santiago], tell about the increments of meat raw materials?

Unidentified Company Representative

Pork increases 2.3%, but chicken and beef have gone down in the prices, in the 6.4% and 7.3% in the unitary costs. So, part of this is a reduction of the costs of the main raw materials when we compare quarter-by-quarter. And that is clear, that the comparison of comparing all of that, for example, the first of this year with the first of last year, correct. But the question implied most the last quarter of last year.



And yes, there we see some increases. It went up from 11 to 14.7, especially because of the effects that I have mentioned before of the mix of the sold products, the productivity that was best in the business, the logistic efficiency, and the increase already where we're seeing, comparing quarters, really, we have even had diminishing reduction.

Alejandro Jimenez - Grupo Nutresa - IR

This encompasses most of the questions that you asked us. There are some that have specifics on them, very specific amounts that I will answer here. We have just wanted to review those that were of a general interest for everybody that is connected to our conference.

And with this, I would like to then conclude the conference of results in the first quarter, also highlighting that this conference in a few hours is going to be published in our website so that you can consult it in English and also in Spanish and the English translation also. For any questions, you can contact me, ajimenez@gruponutresa.com.

Editor

Statements in English on this transcript were spoken by an interpreter present on the live call. The interpreter was provided by the Company sponsoring this Event.

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