
10,000 Sow Farm

Investment Project

Executive Summary

One of Mexico's Leading Pork Producer/Processor

- 49 years of presence in the market
- 27 years of continuous export activity to Asia
- 50% owned by one of the major pork producers in the world

Vertical Integration

- Fully vertically integrated operations consisting of genetics, hog farms, feed mill, kill and cut facilities, value added facilities, distribution centers and owned retail shops
- More than 75% of hogs processed in the plant arrives from Sponsor own farms and its growers
- Sponsor launched a successful Contract Grower Program in 2016, which led to double its sow herd

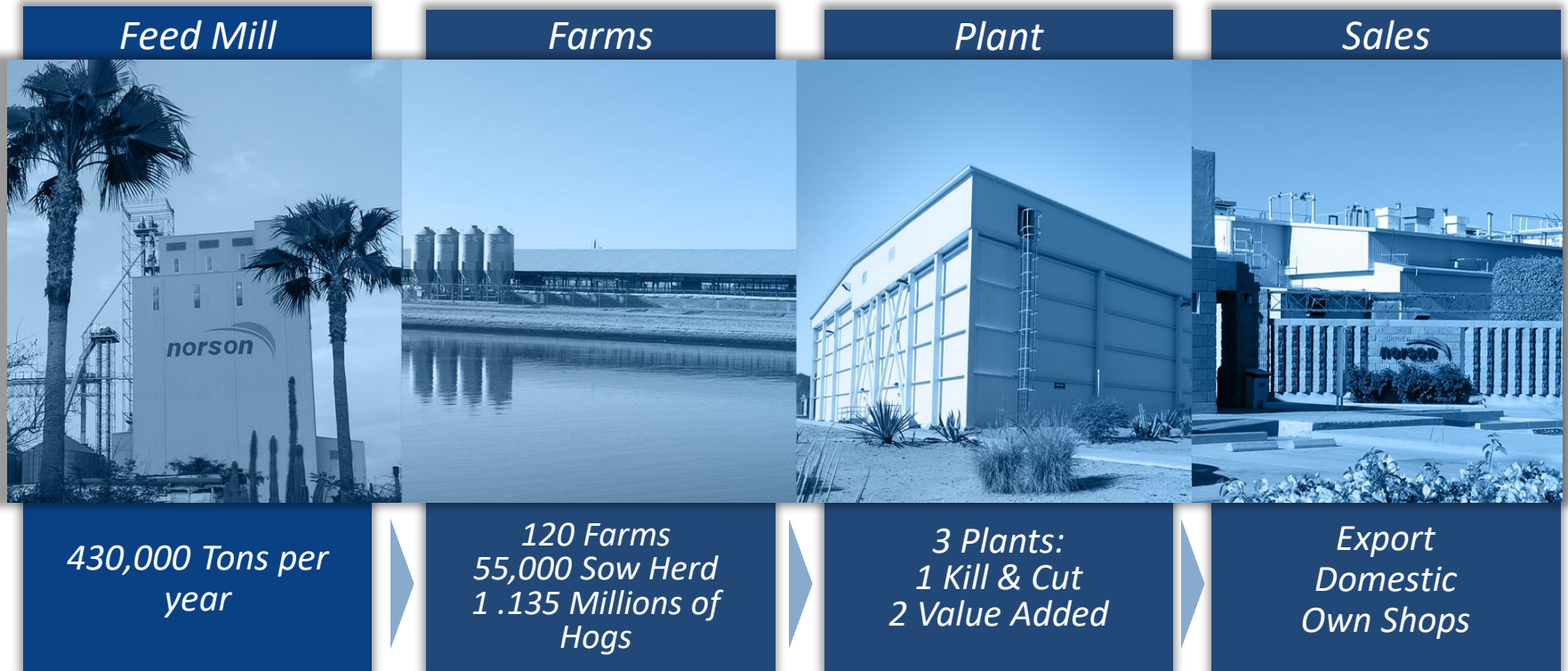
Leading Pork Meat Exporter

- ~30% of the pork meat exported from Mexico comes from the Sponsor
- Export to 9 countries more than 50% of volume and 70% of revenues
- Strong presence in Asia –Japan, Korea, China, Vietnam
- Leader in exports of pork meat to China

Business Strategy

- Maximize our high margin, value-added product offering in our export and domestic markets
- Differentiate from competitors through innovation, flexibility and agility to respond to customer needs
- Leverage our vertically integrated business platform to become the lowest cost producer in the region
- Continue leading through our responsible and sustainable approach to our employees, environment and community

Vertical Integration



3,600 employees

10K Sow Farm Project

Project Rationale:

- Replace existing sow farms with larger facilities that will allow to:
 - Relocate sow farms to areas away from health challenged zones
 - Have greater operational efficiency & increase productivity by weaning more pigs per sow
- Increase the number of participants in Sponsor's Contract Grower Program

Benefits for Contract Growers:

- Invest in productive infrastructure for the Sponsor with attractive returns
- Project return derived from fixed and variable income in USD and MXN respectively:
 - USD fixed income based on a return on the investment made
 - MXN variable income based on the number of pigs weaned
- Long term contract (10 yrs initial, 5 yr extensions)
- No market, price, commodity and Fx risks involved. No major working capital tight up as the Sponsor provides sows, genetics, feed, med. & vac., transportation and supervision
- Proposed investment vehicle suitable for bank financing under Sponsor's Contract Grower program.

**Opportunity to Participate in Sponsor's Vertical Integration under
a Long Term Contract with Low Risk and Attractive Returns**

Project Layout vs Existing Sow Farms

EXISTING SPONSOR SOW FARMS (2,800)



- No geographic isolation – range less than 2 km to next farm
- **Inside a health challenged zone**
- Low volume of weaned pigs < 1,000 pigs/week
- **Finishing Farms in continuous flow**
- High labor intensive: 150 sows/person
- **High Maintenance Expense and major repair needed / No depreciation.**
- Operating Complexity

MACRO SOW FARMS 1 (10,000)



- High Geographic isolation > Range of 40 km next farm.
- *Away from health challenged zone.*
- High volume of weaned pigs > 5,500 pigs / week
- **Finishing farms will now be ALL IN - ALL OUT**
- More efficient labor ratio: 250 Sow / Person
- Capital Expense / **Depreciation** / **Low Maintenance expense.**
- Operating **Simplicity**
- **Investment USD \$17.6MM with 65% bank financing available**

Project Participation Alternatives

Interested investors may participate as lessors, individual contract growers or as partner in a contract grower investment vehicle:

- Lessor:
 - Investor builds farm and lease it to Sponsor in USD for an initial term of 10 yrs with auto renewal options. Financing is available through participating Banks attending Sponsor Contract Grower/Lessor Program
- Individual Contract Grower:
 - Invests Equity in the construction of the farm alongside bank financing provided by participating Banks
 - Operates farm and gets hybrid payment: USD fixed/MXN variable
- Contract Grower in an Investment Vehicle:
 - Become an Equity partner with other Contract Grower/Investors in an investment vehicle with a minimum equity ticket of USD \$2MM per partner
 - Sponsor may participate with minority stake in the investment vehicle if required by other partners/banks
 - The vehicle signs contract grower agreement with the Sponsor
 - A third-party expert designs and operates the farm for the vehicle
 - Vehicle gets hybrid payment USD/MXN
 - US \$17.6MM project investment with a 65% LTV financing resulting in an IRR > 24%

Contract Grower Program Operation

Contribution of each Party:

Sponsor:

- Sow Herd and genetics
- Feed
- Medication and Vaccines
- Technical & veterinary supervision
- Pig and feed Transportation
- 50% of the consultant fee

Investment Vehicle (Contract Growers):

- Farm facilities
- Labor and personnel transportation
- Farm supplies
- Utilities and maintenance
- Property tax, insurance, permits and licenses
- 50% of the consultant fee

Payment Structure:

- Hybrid Dollar-Peso payment
- Fixed payment in USD that will cover the bank loan payment. The fixed payment is calculated as a return on the farm investment. This payment is not indexed to inflation.
- Variable payment in MXN per wean pig. This payment is indexed to Mexico annual inflation.

Summary

- Investment in **fixed assets** for **Sponsor value chain**
- **Guaranteed annual income in USD** that covers bank financing
- **Variable Income in MXN** according to Contract Grower performance
- **10-Yr contract** renewable for 5-yr periods
- **Low risk, attractive IRR in USD/MXN**
- Access to **bank financing** through **Sponsor Contract Grower Loan Program.**

**Become part of Sponsor Vertical Integration through a Long Term, Low Risk
Investment with Attractive Returns in USD/MXN**