



**Bachoco**<sup>®</sup>

**FIRST QUARTER 2013  
RESULTS**

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Celaya, Guanajuato, Mexico – April 25, 2013

**Industrias Bachoco S.A.B. de C.V., “Bachoco” or “the Company”**, (NYSE: IBA; BMV: Bachoco) announced today its unaudited results for the first quarter period (“1Q13”) ended March 31, 2013. All figures have been prepared in accordance with International Financial Reporting Standard (“IFRS”), and are presented in nominal million Mexican Pesos (“Pesos” or “Ps.”).

### **HIGHLIGHTS 1Q13**

- Net sales increased 7.0%
- EBITDA margin was 9.5%
- Earnings per basic and diluted share totaled Ps. 1.06, or Ps. 12.76 per ADR.

### **CEO COMMENTS**

Mr. Rodolfo Ramos Arvizu, Chief Executive Officer of Bachoco, stated, “In the first quarter of 2013, prices of our main raw materials stabilized with a downward trend; also, we observed a good balance between supply and demand across our main business lines.

Based on those facts, Bachoco reported satisfactory results, with total sales up 7.0%, with operating and EBITDA margins of 7.6% and 9.5% respectively, as a result of our productivity and commercial efforts. In particular, we registered important improvements in operating expenses, which came in at 8.0% over net sales, among the lowest percentages in the Company’s history.

On the other hand, we faced sanitary challenges, as some of our farms were affected by an outbreak of influenza H7N3, which only affects birds; we immediately reinforced our bio-security programs, and executed several measures to mitigate negative effects in this regard and to assure our standard quality service to our customers. As of today, the outbreak of influenza is under control but not yet eradicated.

Due the influenza outbreak, in the first quarter we recognized a one-time charge in our production cost of Ps. 220.8 million, mainly attributed to the loss of inventory.

Finally, I would like to reiterate the strong financial position that the Company maintains, with negative net debt of Ps. 3,630.3 million at the end of the first quarter.”



## EXECUTIVE SUMMARY

The following financial information is expressed in millions of nominal Pesos, except in amounts per Share or per ADR, with comparative figures for the same period in 2012.

### SUMMARY

In millions of pesos	As of March 31,		
	1Q12	1Q13	Var.
Net sales	Ps. 9,337.6	Ps. 9,988.8	7.0 %
Net sales Mexico	7,469.0	7,719.8	3.4 %
Net sales in the U.S.	1,868.6	2,269.0	21.4%
Cost of sales	Ps. 7,750.7	Ps. 8,509.8	9.8 %
Gross profit	1,586.9	1,479.1	(6.8)%
Selling, general and administrative expenses	801.3	795.0	(0.8)%
Other income	6.1	77.1	(1,363.3)%
Operating Income	779.6	761.1	(2.4)%
Net profit	662.3	637.7	(3.7)%
Weighted average Shares outstanding (thousands)	598,345	599,972	

### NET SALES

Net sales in 1Q13 totaled Ps. 9,988.8 million, 7.0% higher than the Ps. 9,337.6 million in net sales reported in 1Q12. The increase was mainly due to 21.4% increase in sales of our U.S. operations, which represent 22.7% of the Company's total sales.

### GROSS PROFIT

Cost of sales in 1Q13 totaled Ps. 8,509.8 million, 9.8% higher than Ps. 7,750.7 million in cost of sales reported in 1Q12. Even when prices of our main raw materials stabilized with a downward trend, they were slightly higher than in the first quarter of 2012.

The Company recognized a one-time charge of Ps. 220.8 million in the production cost resulting from the loss of inventories due to the outbreak of influenza in some Company's farms in the state of Guanajuato.

As a result, gross profit in 1Q13 was Ps. 1,479.1 million, resulting in a gross margin of 14.8%, compared to a gross profit of Ps. 1,586.9 million, with a gross margin of 17.0% in 1Q12.

### SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The Company continued implementing expense cuts and practiced strict controls over all operating expenses. As a result, in 1Q13, operating expenses represented 8.0% of net sales, which is among the lowest percentages recorded in the Company's history, compared to 8.6% in 1Q12.



## **OTHER INCOME NET**

Beginning this quarter, and following NIIF provisions, we include other income and other expenses as part of our operating income within this MD&A.

Other income (expense) includes the selling of unused assets as well as the selling of hens and other by-products. We record such sales as expenses when the sale price is lower than the book value of those assets.

In 1Q13, we recorded other income of Ps. 77.1 million, compared with Ps. 6.1 million of other income reported in 1Q12; this is mainly attributed to sale of some assets.

## **OPERATING INCOME**

Operating income in 1Q13, totaled Ps. 761.1 million with a 7.6% of operating margin, compared with Ps. 779.6 million and 8.3% of margin reported in 1Q12; the decrease is mainly due to Ps.220.8 million of one-time charges as a consequence of the outbreak described previously in this report.

## **NET FINANCE INCOME**

The Company reported net finance income of Ps. 19.3 million, 73.0% lower than Ps. 71.3 million reported in 1Q12. The reduction is mainly due to interest paid in connection with the local Bond issuance, partially offset by interest earned on the Company's cash position.

## **TAXES**

Industrias Bachoco and all of its subsidiaries file separate income tax returns; as of March 31, 2013 total taxes were Ps. 140.1 million.

## **NET INCOME**

Net income was Ps. 635.1 million in 1Q13 or Ps. 1.06 per share or Ps. 12.76 per ADR, compared with a net income of Ps. 659.6 million, or Ps. 1.10 pesos per share or Ps. 13.23 pesos per ADR reported in 1Q12.

## **EBITDA**

EBITDA in 1Q13 reached Ps. 944.3 million, representing a margin of 9.5%, compared to EBITDA of Ps. 986.3 million in 1Q12 and 10.6% of EBITDA margin.

The following chart shows reconciliation of EBITDA and adjusted EBITDA margin to consolidated net income.



## EBITDA

In million of pesos as of March 31:	FIRST QUARTER	
	As of March 31,	
	2012	2013
Net income	662.3	637.7
Income tax expense (benefit)	185.9	140.1
Share of results in associates	2.7	2.6
Comprehensive financial (income) expense, net	(71.3)	(19.3)
Depreciation and amortization	206.8	183.1
<b>EBITDA RESULT</b>	<b>986.3</b>	<b>944.3</b>
<b>EBITDA margin</b>	<b>10.6%</b>	<b>9.5%</b>
Other expense (income) net	6.1	(77.1)
<b>Adjusted EBITDA result</b>	<b>992.4</b>	<b>867.2</b>
<b>Adjusted EBITDA Margin</b>	<b>10.6%</b>	<b>8.7%</b>
Net revenues	9,337.6	9,988.8

## BALANCE SHEET DATA

Cash and equivalents as of March 31, 2013, totaled Ps. 6,057.6 million compared to Ps. 5,138.1 million reported as of December 31, 2012, and Ps. 4,205.7 million as of March 31, 2012.

As of March 31, 2013, total debt was Ps. 2,427.3 million compared to Ps. 2,741.2 million reported as of December 31, 2012 and Ps. 1,774.4 million in March 31, 2012.

Net debt was negative Ps. 3,630.3 million as of March 31, 2013, compared with a negative net debt of Ps. 2,396.9 million as of December 31, 2012, and Ps. 2,431.3 million as of March, 2012.

## CAPITAL EXPENDITURES

Total CAPEX as of March 31, 2013 was Ps. 111.2 million, mainly allocated toward productivity projects and maintenance.

## ANALYST COVERAGE

INSTITUTION	ANALYST	CONTACT INFO
GBM	Miguel Mayorga	mmayorga@gbm.com.mx
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## STOCK INFORMATION

As of March 31, 2013		
Total Shares	600,000,000	
Total free float	17.25%	
Total shares in treasury	0	
Market cap (millions)	Ps. 19,752	
Ticker Symbol	BMV Bachoco	NYSE IBA
Closing price	Ps. 32.92	USD 32.12
Maximums closing price in 1Q13	34.27	33.89
Minimums closing price in 1Q13	28.80	27.02
Pricing yield in 2013	9.3%	15.0%

## APPENDICES

For reference, some figures have been translated into millions of U.S. dollars (“USD”) using an exchange rate of Ps. 12.33 per US\$1, which corresponds to the rate at the close of March 31, 2013, according to Mexico’s National Bank.

1. Consolidated Statement of Financial Position
2. Consolidated Statement of Income
3. Consolidated Statement of Cash Flows
4. Derivatives Position Report

## 1. Consolidated Statement of Financial Position

FIRST QUARTER

-Unaudited-

In million of pesos	As of December 31,	As of March 31, 2013	
	2012	Ps.	U.S. Dollar (1)
<b>TOTAL ASSETS</b>	<b>28,090.1</b>	<b>27,937.0</b>	<b>2,265.8</b>
<b>Total current assets</b>	<b>15,032.1</b>	<b>14,591.2</b>	<b>1,183.4</b>
Cash and cash equivalents	5,138.1	6,057.6	491.3
Total accounts receivable	2,385.3	2,370.3	192.2
Inventories	7,202.4	5,773.2	468.2
Other current assets	306.3	390.1	31.6
<b>Net property, plant and equipment</b>	<b>11,949.5</b>	<b>11,809.2</b>	<b>957.8</b>
<b>Other Assets</b>	<b>1,108.4</b>	<b>1,536.6</b>	<b>124.6</b>
<b>TOTAL LIABILITIES</b>	<b>9,001.4</b>	<b>8,289.1</b>	<b>672.3</b>
<b>Total current liabilities</b>	<b>4,820.9</b>	<b>4,274.0</b>	<b>346.6</b>
Notes payable to banks	1,206.1	899.8	73.0
Accounts payable	2,925.9	2,419.5	196.2
Other taxes payable and other accruals	688.9	954.6	77.4
<b>Total long-term liabilities</b>	<b>4,180.4</b>	<b>4,015.1</b>	<b>325.6</b>
Long-term debt	1,535.1	1,527.5	123.9
Other non current liabilities	100.1	99.9	8.1
Deferred income taxes	2,545.3	2,387.7	193.6
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>19,088.7</b>	<b>19,647.9</b>	<b>1,590.3</b>
Capital stock	1,174.4	1,174.4	95.3
Commission in shares issued	399.6	399.6	32.4
Repurchased shares	99.5	99.6	8.1
Retained earnings	16,405.2	17,042.9	1,382.2
Others accounts	973.3	891.9	72.3
<b>Non controlling interest</b>	<b>36.7</b>	<b>39.3</b>	<b>3.2</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>28,090.1</b>	<b>27,937.0</b>	<b>2,265.8</b>

## 2. Consolidated Statement of Income

FIRST QUARTER RESULTS

-Unaudited-

In millions of pesos	As of March 31,			
	2012	2013	U.S. Dollar <sup>(1)</sup> 2013	Var. 2013 vs 2012
Net revenues	9,337.6	9,988.8	810.1	7.0%
Cost of sales	7,750.7	8,509.8	690.2	9.8%
<b>Gross profit</b>	<b>1,586.9</b>	<b>1,479.0</b>	<b>120.0</b>	<b>-6.8%</b>
Selling, general and administrative expenses	801.3	795.0	64.5	-0.8%
Other income (expenses), net	- 6.1	77.1	6.3	-1363.3%
<b>Operating income</b>	<b>779.6</b>	<b>761.1</b>	<b>61.7</b>	<b>-2.4%</b>
Net finance income	71.3	19.3	1.6	-73.0%
Income tax	185.9	140.1	11.4	-24.6%
<b>Net profit</b>	<b>662.3</b>	<b>637.7</b>	<b>51.7</b>	<b>-3.7%</b>
Controlling interest	2.7	2.6	0.2	-1.9%
Non-controlling interest	659.6	635.1	51.5	-3.7%
Basic and diluted earnings per share(1)	1.10	1.06	0.09	-3.6%
Basic and diluted earnings per ADR(2)	13.23	12.76	1.03	-3.6%
Weighted average Shares outstanding (thousands)	598,345	599,972	599,972	0.3%
<b>EBITDA Result</b>	<b>986.3</b>	<b>944.3</b>	<b>76.6</b>	<b>-4.3%</b>
EBITDA margin	10.6%	9.5%	9.5%	
Gross margin	17.0%	14.8%	14.8%	
Operating margin	8.3%	7.6%	7.6%	



### 3. Consolidated Statement of Cash Flows

-Unaudited-

In million of pesos	As of March 31,		
	2012	2013	U.S. Dollar <sup>(1)</sup> 2013
<b>NET MAJORITY INCOME BEFORE INCOME TAX</b>	848.2	777.9	63.1
ITEMS THAT DO NOT REQUIRE CASH:	-	-	-
<b>ITEMS RELATING TO INVESTING ACTIVITIES:</b>	230.1	226.6	18.4
Depreciation and others	250.1	183.1	14.9
Income (loss) on sale of plant and equipment	27.1	105.9	8.6
Other Items	(47.1)	(62.3)	(5.1)
<b>ITEMS RELATING TO FINANCING ACTIVITIES:</b>	16.7	31.6	2.6
Interest income (expense)	16.7	31.6	2.6
Other Items	-	-	-
<b>NET CASH GENERATED FROM NET INCOME BEFORE TAXES</b>	1,095.0	1,036.1	84.0
CASH GENERATED OR USED IN THE OPERATION:	1,235.3	850.3	69.0
Decrease (increase) in accounts receivable	214.0	37.0	3.0
Decrease (increase) in inventories	1,473.0	1,347.9	109.3
Decrease (increase) in accounts payable	(554.6)	(506.3)	(41.1)
Decrease (increase) in other liabilities	102.9	(28.2)	(2.3)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	2,330.3	1,886.4	153.0
<b>INVESTING ACTIVITIES</b>			-
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	221.0	(598.4)	(48.5)
Acquisition of property, plant and equipment	(170.7)	(111.2)	(9.0)
Proceeds from sales of property plant and equipment	6.5	30.6	2.5
Other Items	385.2	(517.8)	(42.0)
<b>CASH FLOW SURPLUS (REQUIREMENTS OF) TO BE USED IN FINANCING ACTIVITIES</b>	2,551.4	1,288.0	104.5
<b>Net cash provided by financing activities:</b>	(1,382.1)	(368.5)	(29.9)
Proceeds from loans	273.5	200.0	16.2
Principal payments on loans	(347.4)	(513.9)	(41.7)
Dividends paid	(16.7)	(31.6)	(2.6)
Other items	(1,291.5)	(23.0)	(1.9)
<b>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>	<b>1,169.3</b>	<b>919.5</b>	<b>74.6</b>
<b>CASH AND INVESTMENTS AT THE BEGINNING OF YEAR</b>	3,036.4	5,138.1	416.7
<b>CASH AND INVESTMENTS AT END OF PERIOD</b>	<b>4,205.7</b>	<b>6,057.6</b>	<b>491.3</b>

## 4. Derivatives Financial Position

### Industrias Bachoco, S.A.B. de C.V.

First Quarter 2013

Thousands of Mexican Pesos, as of March 31, 2013

Type of Financial Instrument	Objective	Notional	Value of the Related Commodity		Reasonable Value		Amounts Due By Year	Guaranties Required	
			1Q-2013	4Q-2012	1Q-2013	4Q-2012			
Knock out forwards.	Hedge and negotiation	\$ 61,650	\$12.33	\$0.00	-\$ 987	\$ -	2013	The deals consider the possibility of margin calls but not another kind of guarantee	
Futures for corn and Soybean meal.	Hedge	\$ 112,003	<b>Month</b>	<b>Price</b>	<b>Month</b>	<b>Price</b>	\$ 26,069		\$ 273
			<b>Corn</b>		<b>Corn</b>				
			<b>in USD per bushel</b>		<b>in USD per bushel</b>				
			MAY-2013 \$6.9525	MAR-2013 \$6.9825	MAY-2013 \$7.0030	JUL-2013 \$6.9725			
JUL-2013 \$6.7600	MAY-2013 \$6.9725	JUL-2013 \$6.2125	SEP-2013 \$6.2125						
SEP-2013 \$5.6300									
			<b>Soybean Meal</b>	<b>Soybean Meal</b>					
			<b>in USD per ton</b>	<b>in USD per ton</b>					
			MAY-2013 \$404.60	MAR-2013 \$419.40					
			JUL-2013 \$400.50	MAY-2013 \$411.80					
				JUL-2013 \$407.30					
Options for corn and Soybean meal	Hedge and negotiation	-\$ 830	<b>Month</b>	<b>Price</b>	<b>Month</b>	<b>Price</b>	-\$ 830	-\$ 1,648	
			<b>Corn</b>		<b>Corn</b>				
			<b>in USD per bushel</b>		<b>in USD per bushel</b>				
			MAY-2013 \$6.9525	MAR-2013 \$6.9825	MAY-2013 \$7.0030	JUL-2013 \$6.9725			
			SEP-2013 \$6.2125						
			<b>Soybean Meal</b>	<b>Soybean Meal</b>					
			<b>in USD per ton</b>	<b>in USD per ton</b>					
			MAY-2013 \$404.60	MAR-2013 \$419.40					
			JUL-2013 \$418.30	MAY-2013 \$411.80					
				JUL-2013 \$407.30					
SWAP, interest rate.	Hedge	\$ 140,846	<b>TIE to 28 days</b>	<b>4.3512%</b>	<b>TIE to 28</b>	<b>4.8475%</b>	-\$ 25	\$ 490	2013
		\$ 300,000			<b>days</b>			-\$ 1,276	\$ 490

Notes:

-The total financial instruments not exceed 5% of total assets as of March 31, 2013.

-A negative value means an unfavorable effect for the Company.

-The notional value represents the net position as of March 31, 2013 at the exchange rate of Ps.12.33 per USD.

## Industrias Bachoco, S.A.B. de C.V.

First Quarter 2013

Thousands of Mexican Pesos, as of March 31, 2013

PROBABLE SCENARIO

Type of Financial Instrument	Reasonable Value As of March 31, 2013	Value of the Related Commodity			Effect on the Income Statement	Effect on the Cash Flow <sup>(3)</sup>		
		Reference Value				-2.5%	2.5%	5.0%
		-2.5%	2.5%	5.0%				
Knock out forwards.	-\$ 987	\$ 12.02	\$ 12.64	\$ 12.95	Direct	-\$ 2,529	\$ 554	\$ -
		-5%	5%	10%		-5%	5%	10%
Futures of corn: <sup>(2)</sup>		\$ 6.605	\$ 7.300	\$ 7.648	The effect will materialize as the inventory is consumed	\$ 18,843	\$ 33,294	\$ 40,520
Futures of soybean meal: <sup>(2)</sup>	\$ 26,069	\$ 384.37	\$ 424.83	\$ 445.06				
Options for corn and soybean meal <sup>(2)</sup>	-\$ 830					-\$ 1,053	-\$ 606	-\$ 383
		-2%	-1%	1%		-2%	-1%	1%
SWAP interest rate <sup>(4)</sup>	-\$ 1,301	2.3512%	3.3512%	5.3512%	Direct	-\$ 13,234	-\$ 7,268	\$ 4,665

Notes:

-A negative value means an unfavorable effect for the Company.

- Corn and soybean meal are presented in US dollars per bushel in the case of corn and per short-tons in the case of soybean meal

- even when table set above shows corn and soybean prices for contracts of March 2013, the effect on the cash flow corresponds to the total positions effects.

<sup>(1)</sup> The reference value is the exchange rate of Ps. \$12.33 per USD as of March 31, 2013

<sup>(2)</sup> The reference value is the Futures of corn for March 2013, \$6.9525 USD/bushel and Soybean meal for March 2013, \$404.6 USD/ton.

<sup>(3)</sup> The Company has credit lines with the majority of its counterparts, so that the effect in cash flow is lower than the amount shown.

<sup>(4)</sup> The reference value is the 28 days TIIE rate of 4.3512%, as of March 31, 2013

First Quarter 2013

Thousands of Mexican Pesos, as of March 31, 2013

PROBABLE SCENARIO -STRESS-

Type of Instrument	Reasonable Value As of March 31, 2013 de 2013	Value of the Related Commodity				Effect on the Income Statement	Effect on the Cash Flow <sup>(1)</sup>			
		Reference Value					-50%	-25%	25%	50%
		-50%	-25%	25%	50%					
Knock Out Forwards	-\$ 987	\$6.17	\$ 9.25	\$ 15.41	\$ 18.50	Direct	-\$ 31,813	-\$ 16,400	\$ -	\$ -

<sup>(1)</sup> Reference value is the exchange rate of Ps. \$12.33 per USD as of March 31, 2013



## COMPANY DESCRIPTION

Industrias Bachoco is the leader in the Mexican poultry industry, and one of the largest poultry producers globally.

The Company was founded in 1952, and became a public company in 1997, via a public offering of shares on the Mexican and The New York Stock Exchange. Bachoco is a vertically integrated company headquartered in Celaya, Guanajuato located in Central Mexico. Its main business lines are: chicken, eggs, balanced feed, swine, and turkey and beef value-added products. Bachoco owns and manages more than a thousand facilities, organized in nine production complexes and 64 distribution centers in Mexico, and a production complex in the United States. Currently the Company employs more than 25,000 people. In 2012, the Company reported net sales of Ps. 39.3 billion.

The Company is rated **AA (MEX)**, representing high credit quality by Fitch Mexico, S.A. de C.V., and **HR AA+** which signals that the Company and the offering both have high credit quality by HR Ratings de Mexico S.A. de C.V.

## DISCLAIMER

The document contains certain information that could be considered forward looking statements concerning anticipated future events and performance of the Company. The statements reflect management's current beliefs based on information currently available and are not guarantees of future performance and are based on our estimates and assumptions that are subject to risks and uncertainties, including those described in our Annual Information Form, which could cause our actual results to differ materially from the forward-looking statements contained in this document. Those risks and uncertainties include risks associated with ownership in the poultry industry, competition for investments within the poultry industry, shareholder liability, governmental regulation, and environmental matters. As a result, there can be no assurance that actual results will be consistent with these forward-looking statements. Except as required by applicable law, Industrias Bachoco, S.A.B. de C.V., undertakes no obligation to publicly update or revise any forward-looking statement.

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