

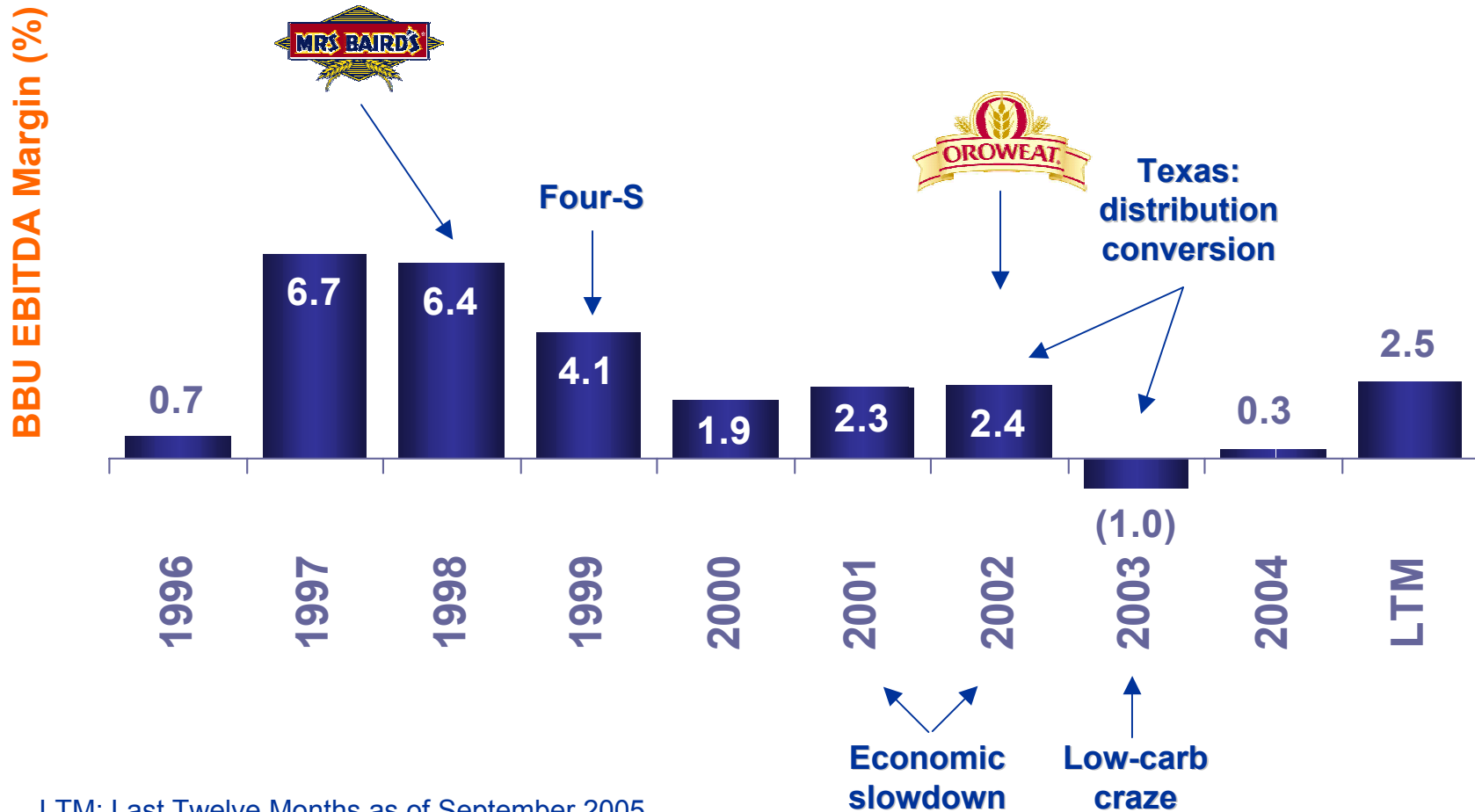
***2<sup>nd</sup> Grupo Bimbo Day***

***December 1<sup>st</sup>, 2005***

***Reynaldo Reyna***

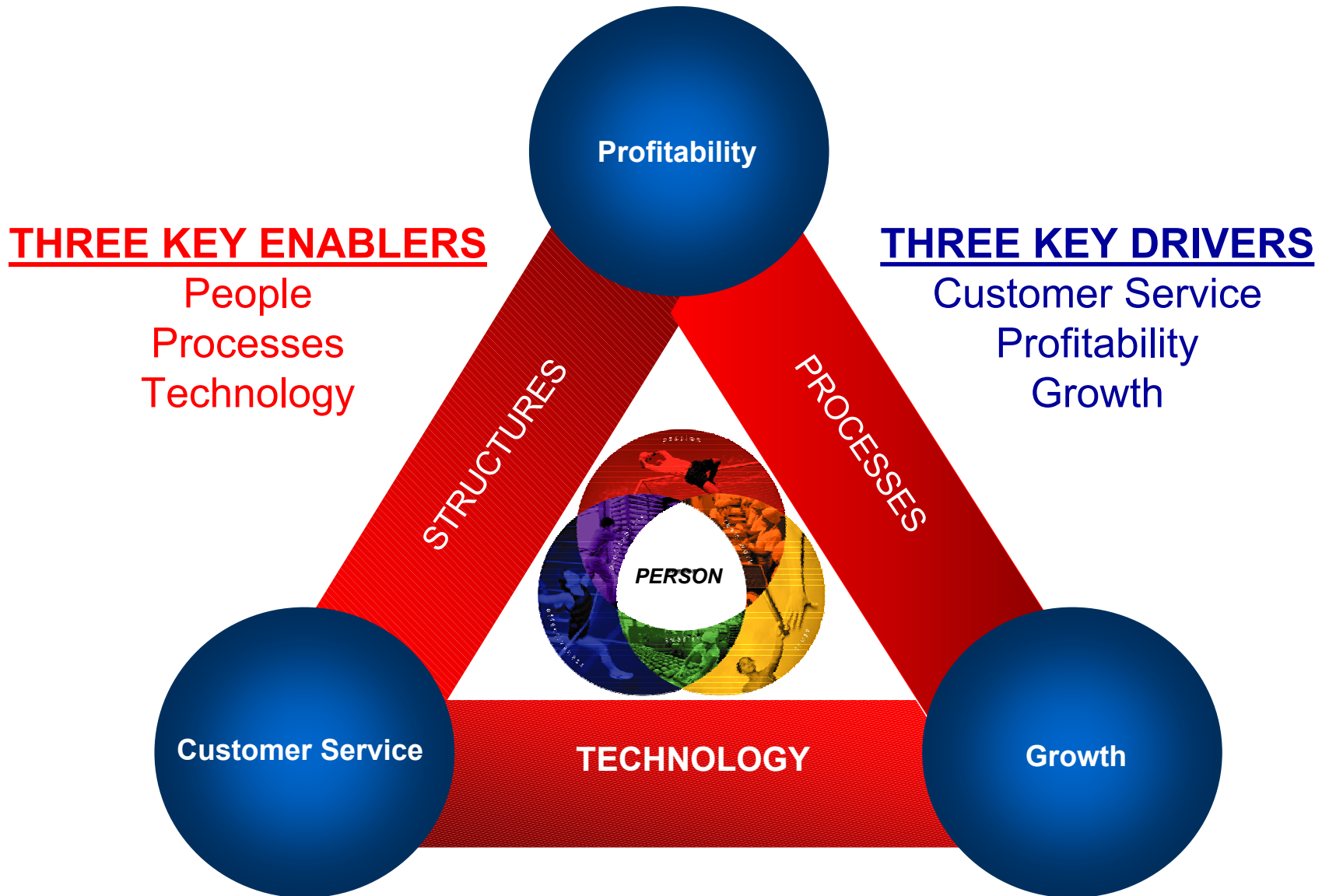


# BBU Background

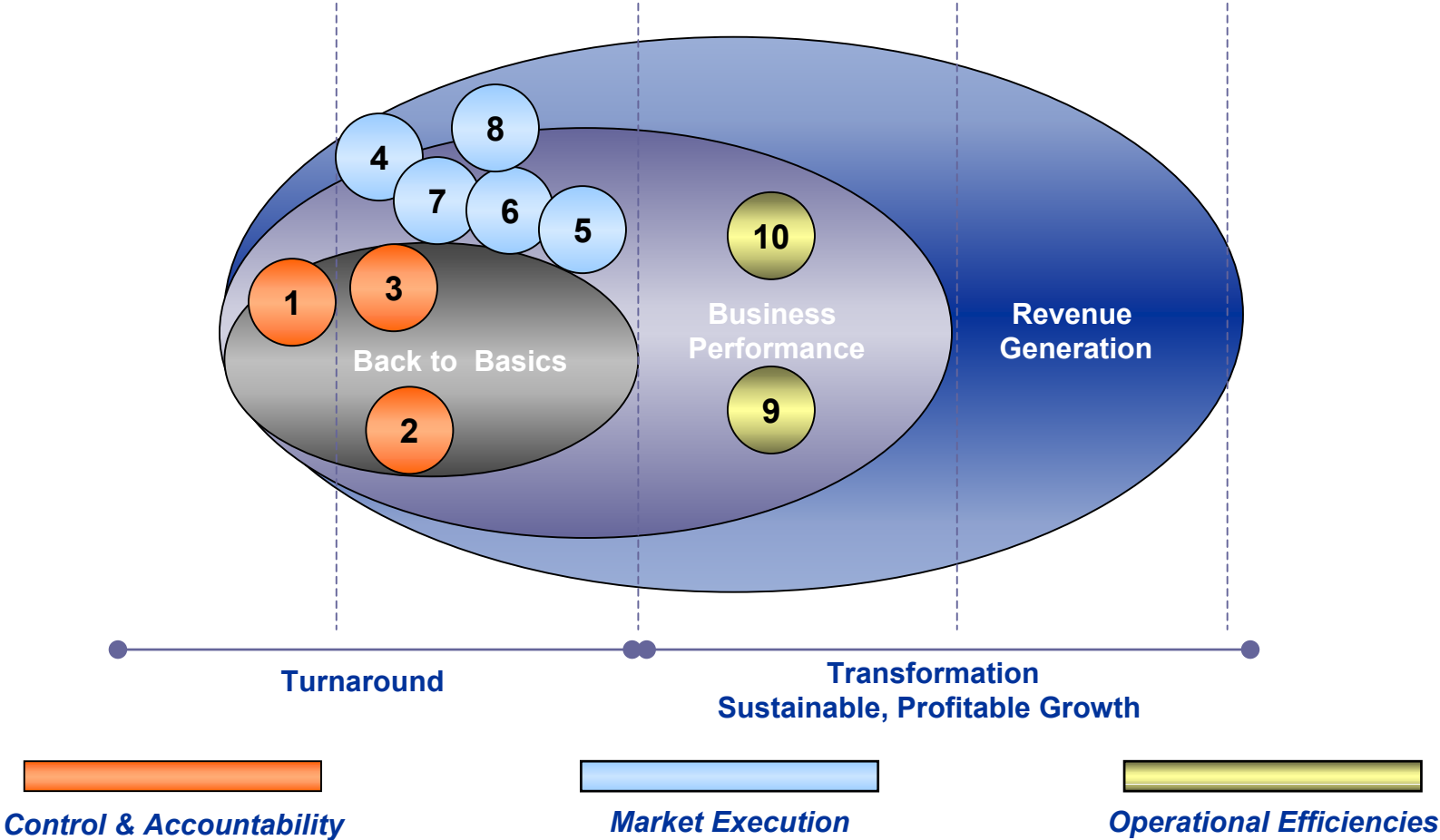


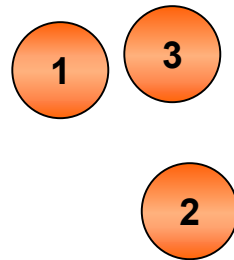
LTM: Last Twelve Months as of September 2005

# Situation Assessment: Trinity



# The Transformation Roadmap





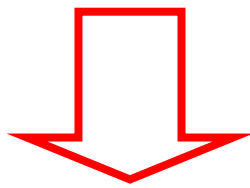
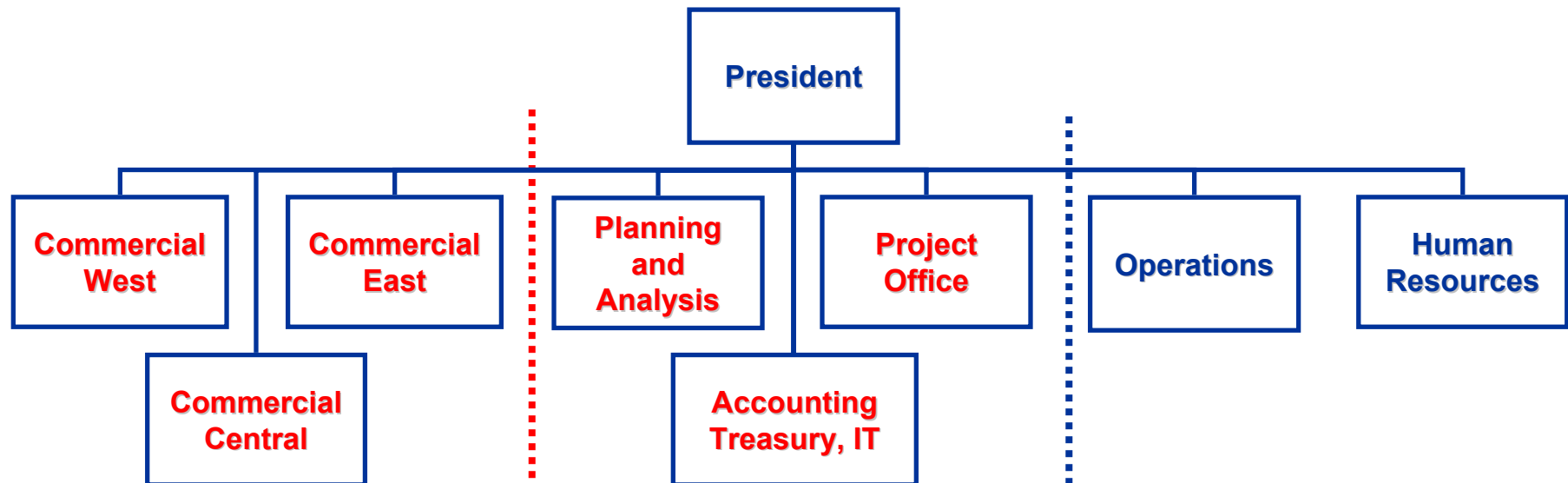
## Control & Accountability



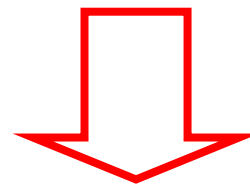
### *Control & Accountability*

1. Organizational restructure
2. Financial control & visibility
3. Process control

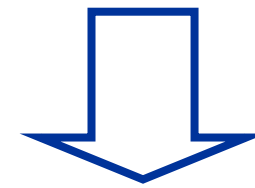
# BBU Structure: Early 2004



- › Regional brand management and account responsibilities
- › Communication across regions less than perfect

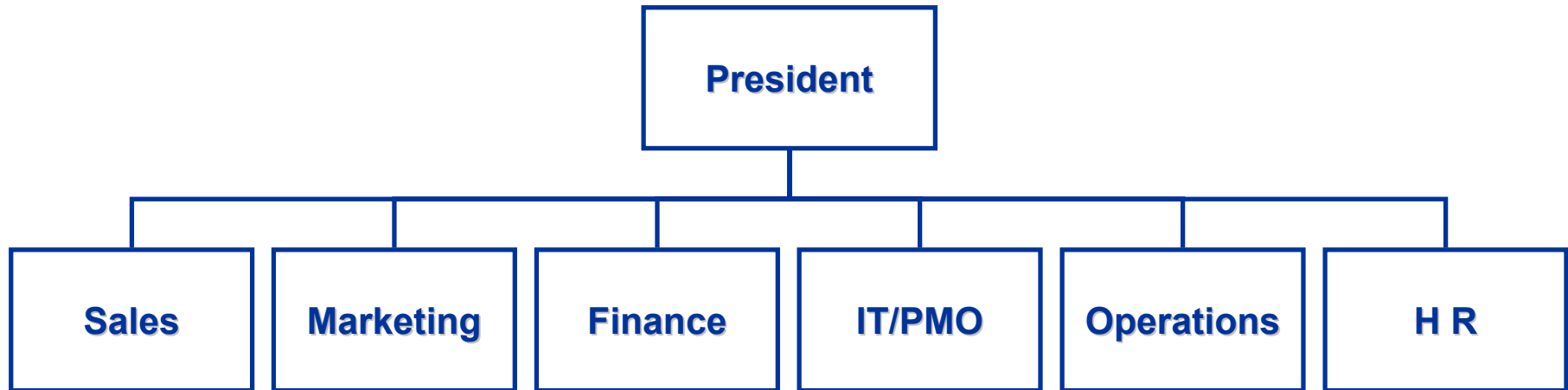


- › Planning, accounting and other finance areas split between two areas
- › IT part of accounting even though majority of projects were IT related



- › Working well
- › Only minor change needed

# ***BBU Structure: 2005***



- Goal: simplify, standardize and centralize
- Direct reports reduced from 8 to 6, all located in Texas
- Sales and marketing separated, each with total BBU responsibility
  - National account and category management teams
  - Unified brand management with category focus on bread, sweet goods and tortillas
- All finance and accounting activities merged
- IT independent from Finance, created new Control Desk



# Financial Reporting: Early 2004

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- ❖ Legacy organizational structure for finance area
  - Accounting group reporting to legal entities
  - Finance group reporting to regional P&Ls
  - Neither provided for proper accountability
  
- ❖ Existing reporting was primarily Excel - based using Oracle data downloads
  - Inefficient
  - Slow
  - Inconsistent

# Financial Reporting: 2005

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- ❖ HPMA roll-out started January 2005
- ❖ Specific and standardized reports developed for sales, operations and administrative areas
  - Accountability for specific responsibilities
  - Increased visibility:
    - 66 top sales managers
    - 62 top operations managers
    - Full administrative recap
- ❖ Essbase reporting feature creates efficiencies
  - Near automatic report generation
  - E-mail and shared drives
  - Quicker distribution
  - More time for analysis

# Process Control

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- ❖ Completed BXXI plant roll-out in late 2004
- ❖ Brio/Data warehouse implemented in mid-2004
- ❖ BBU Control Desk established in early 2005
- ❖ Modern Depot being rolled out to allow for more focused management of sales operations (returns, etc.)
- ❖ PCS (product control) reporting established to include all depots and distribution centers
- ❖ SICOM roll-out and Hyperion Planning underway

# *The Transformation Roadmap*

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## *Market Execution*

4. Returns reduction
5. Allowances rationalization
6. Client rationalization
7. SKU rationalization
8. Hispanic growth



## *Operational Efficiencies*

# Return Improvement

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- ❖ Focus on driving down returns while maintaining in-stock conditions throughout the retail market
  - Development of “*Brio*” exception reporting tools
  - Weekly regional conference calls: share best practices
  - Weekly review by BBU Executive Committee
  - SKU rationalization process: elimination of over 160 low volume/high return SKU’s
  - Modern Depot pilot: Pacific Northwest
  - Modern Depot Phase I BBU roll-out: Q4 2005
  - Results tied to individual performance goals
  - Posting consistent return reduction

# Allowance Rationalization

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- ❖ Optimize and reduce trade marketing promotion spending:
  - Trade marketing disciplines implemented,
  - Monthly regional review: key metrics
    - Dollar spend, unit performance, cost per incremental unit, profitability
  - Sophisticated planning tools for brand/segment
  - Sales operations and customer development team accountability
  - Enhanced forecasting for manufacturing
  - Migration to automated software tools
  - Reduced Western BBU region by 10%; re-invested in Oroweat media

# Client Rationalization

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- ❖ Improve and optimize profitability of Restaurant and Institutional accounts by increasing net prices
  - Margin review of all BBU accounts
  - Increased prices on low-margin fast food accounts
    - Loss of Jack in the Box, Burger King, Wendy's (CA)
  - Project delivered standard benchmarks for evaluation of food service business: VCM's / pound
  - Quarterly review of account scorecard: price / prune
  - Management accountability: price integrity
  - Profitable capture of new business in Texas and California

# *Hispanic Brand Growth Initiative*

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- ❖ Drive sales in core Bimbo and Marinela brands focusing on:
  - Geographic expansion in Midwest and East regions
  - Brand and route separation in mature California market
  - Placement of Marinela freezers
  - Convenience store penetration
  - Contributing 25% of 2005e BBU sales growth



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## Operational Efficiencies



### *Operational Efficiencies*

- 9. Supply chain optimization
- 10. Shared services

# Supply Chain Optimization

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## ❖ Closing of La Mirada

- Slow and inefficient plant
- Product quality improved
- 55 positions eliminated
- \$4.2 mm annual savings

## ❖ Production Optimization

- “Caps Logistics” software
- 508 SKU’s considered
- 24 production lines impacted
- \$1.7mm annual savings

## ❖ AmDutch / PCData

- Improved:
  - Order accuracy
  - On-time delivery
  - Product accountability
  - Product allocations
  - Space utilization
- 20% labor reduction: \$700K

# Shared Services

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- ❖ Leveraging the size and strength of the Group today
- ❖ Research and Development
  - New product development
  - Product formula redesign
  - Ingredient optimization
  - Innovation councils
- ❖ Financial Services:
  - Accounts payable, cash application and some accounting functions
  - Elimination of 38 FTE's
  - Annual savings of \$2.0mm before charges from SSC

# The Results...



3Q 2005

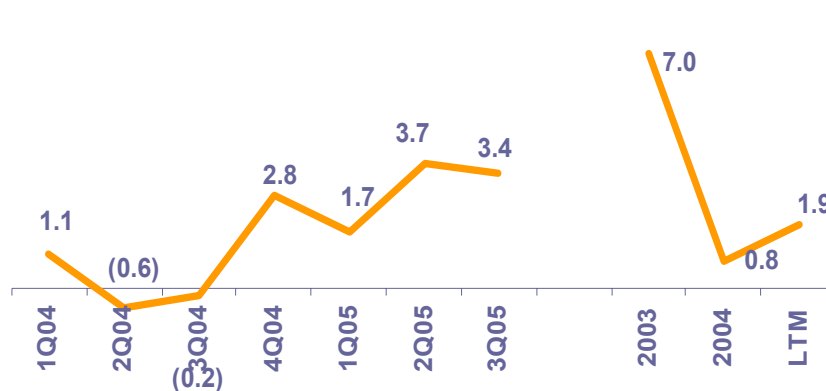
## Revenue Growth: 7.9% in USD

- Combination of: US and Hispanic branded and private label volume gains
- Relationship with key customers: awarded National Category Partner status by Kroger and Albertson's
- Introduced 5 successful new products, launched Mrs. Baird's bread in Kansas City

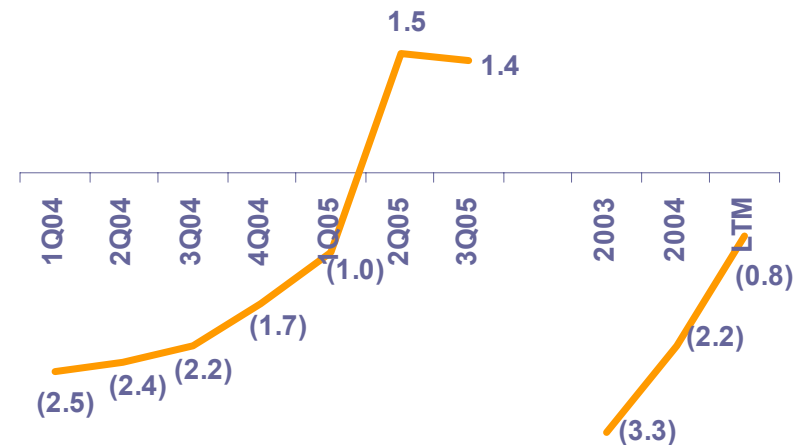
## Operating Margin: 1.4%

- Second consecutive quarter of profits
- YTD EBIT margin of 0.6%
- Focus on our plan
- Lower commodity prices
- Higher absorption of fixed costs and expenses

Sales Growth



Operating Margin



LTM: Last Twelve Months as of September 2005

# *Challenges Ahead*

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- ❖ Higher commodity prices
- ❖ Higher energy prices
- ❖ Aggressive competition
- ❖ Tougher comparables vs previous year results

*Thank You*

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**BIMBO BAKERIES USA**