

Grupo Sanborns S.A.B. de C.V.

Earnings Report

2Q 2020

Mexico City July 22, 2020 – Grupo Sanborns, S.A.B. de C.V. (BMV: GSANBOR OTC: GSAOY) announced today its results for the second quarter of 2020.

RELEVANT EVENTS

- In response to the agreement by which extraordinary actions were established to address the health emergency due to the COVID-19 virus, **prevention and mitigation measures were implemented to preserve the health of our clients, collaborators, suppliers and the general population**, while the economic impact was minimized.
- Grupo Sanborns from the beginning of the health emergency by COVID-19 maintained its workforce in April, May, June and July. No temporary contracts were renewed.

We stopped investments and no dividend payment was decreed. An expense control was carried out without affecting the image and the service, obtaining **a reduction of administration and sales expenses of Ps. 1,017 million pesos or 26.7%**. Inventory was optimized, having an increase of only 2.2% in June 2020 vs. inventory for June 2019, reducing the purchase.

From March 31 to June 15, 2020, all Sears and Saks Fifth Avenue stores were temporarily closed to the public. Sanborns temporarily closed 96 stores and 22 Sanborns Café, while the rest continued to provide essential products and services in the pharmacy, other pharmacy and telecommunications departments. In compliance with sanitary measures, iShop mostly remained open. Dax stores continued to operate as they are self-service stores. The Loreto and Plaza Inbursa shopping centers closed temporarily, maintaining only the restaurant service under the option of selling prepared food and take-away beverages. The sale and service to our customers continued through digital stores: www.sears.com.mx, www.sanborns.com.mx, www.ishopmixup.com, www.claroshop.com, www.dax.com.mx. Our distribution centers continued to operate with the protocols established by the health authority.

- Grupo Sanborns informed the investing public on July 15 that on June 30 of the current year, Sanborn Hermanos, S.A. de C.V. merged eight of its associated companies and one subsidiary.

HIGHLIGHTS

- **Total sales** were Ps. 4,080 million with a variation of -66.1%. **Online sales grew 4.9x**.
- The **consolidated gross margin** increased from 39.9% in the 2Q19 to 41.0% in the 2Q20.
- The **loan portfolio** totaled Ps. 9,422 million, its credit income decreased 1.7% and the percentage of past due loans was 4.9%.

- **Safety Measures for Returning to Work** were implemented, including space engineering, training for all personnel, and continuous disinfection, both in stores and restaurants, in coordination with the health intelligence area of the Carlos Slim Foundation.

FINANCIAL SUMMARY (Million Pesos, MM MXN)

Consolidated Results	2Q20	2Q19	Var%	6M20	6M19	Var%
Revenues	4,080	12,052	-66.1%	15,402	23,530	-34.5%
Gross Profit	1,674	4,807	-65.2%	5,919	9,328	-36.5%
Operating Income	-1,131	1,040	NA	-518	1,901	NA
Controlling Net Income	-1,020	623	NA	-717	1,158	NA
Control. Net Income ex IFRS16	-1,065	640	NA	-749	1,189	NA
EBITDA	-664	1,589	NA	402	2,983	-86.5%
EBITDA excluding IFRS16	-984	1,270	NA	-245	2,347	NA
Gross Margin	41.0%	39.9%		38.4%	39.6%	
Operating Margin	-27.7%	8.6%		-3.4%	8.1%	
EBITDA Margin	-16.3%	13.2%		2.6%	12.7%	
EBITDA Margin ex IFRS16	-24.1%	10.5%		-1.6%	10.0%	

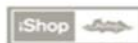
TOTAL SALES

In the second quarter of the year, Grupo Sanborns **total sales** were Ps. 4,080 million, decreasing 66.1%. The total closure of the Sears stores, the partial operation of Sanborns and the recommendation to “stay at home” to reduce the risks of contagion by COVID-19, led to a decrease in sales of non-essential consumer categories, which partially migrated to the online channel. During May, we carried out promotions for the “Hot Sale” with the availability of online sales and store pickup. After the reopening of the stores in June, a recovery in sales is observed.

GROSS PROFIT AND OPERATING EXPENSES (SG&A)

Gross margin was 41.0%, improving 110 basis points due to a greater share of credit revenues from both Sears and Sanborns. **Gross profit** decreased 65.2%, totaling Ps. 1,674 million.

Operating expenses decreased 26.7%, this was due to lower expansion expenses in the case of administration and in the case of selling expenses, due to lower energy consumption, renegotiation of rents, decrease in advertising expenses and other expenses. We continue to implement additional measures to reduce overhead, without affecting the image and service.



OPERATING INCOME AND EBITDA

Operating Income was Ps. -1,131 million in the 2Q20 vs. Ps. 1,040 million in the 2Q19. Operating margin was -27.7% versus 8.6% last year.

The **quarterly EBITDA** decreased to Ps. -664 from Ps. 1.589 million, with a margin of -16.3%. Quarterly EBITDA figures without considering accounting changes in IFRS 16 were Ps. -984 million in the 2Q20, compared to Ps. 1,270 million in the 2Q19, with margins of -24.1% y 10.5%, respectively.

COMPREHENSIVE FINANCIAL RESULT (CFR)

(MM MXN)						
Financial Results	2Q20	2Q19	Var%	6M20	6M19	Var%
Interest Expenses	-201	-174	15.4%	-384	-352	9.1%
Interest Income	71	73	-3.0%	141	138	2.2%
Interest (net)	-130	-101	28.6%	-243	-214	13.6%
ForEx Results	14	12	22.0%	-81	23	NA
CFR	-116	-90	29.5%	-324	-191	69.5%

NA= Not applicable

The **Comprehensive Financial Result** represented an expense of Ps. 116 million, being higher compared to an expense of Ps. 90 million in the same quarter of last year. This variation was mainly due to higher Interest Expense.

NET RESULT

Controlling Net Result for the 2Q20 totaled Ps. -1,020 million, lower than Ps. 623 million recorded in the 2Q19. Quarterly net controlling result, excluding accounting changes in IFRS 16, were Ps. -1,065 million in the 2Q20, compared to Ps. 640 million in the 2Q19.

CREDIT BUSINESS

230 thousand new cardholders were added, with the number of own cards reaching 4.5 million, compared to 4.3 million at the end of June 2019. The percentage of past due loans over 90 days was 4.9% compared to the 2Q19 when it was 4.3%.

The **loan portfolio** totaled Ps. 9,422 million. Credit income went from Ps. 991 to Ps. 975 million.

In the face of the health emergency, our reception of credit card payments continued digitally and we implemented other channels in bank branches. We continue with the granting of controlled credit and punctual support to debtors.

Credit Indicators	2Q20	2Q19	Var%
Credit Portfolio (MM Ps)	9,422	11,713	-19.6%
Num. Credit cards issued (MM)	4.49	4.26	5.4%
Non-performing loans (%)	4.9%	4.3%	

DEBT

As of June 30, Grupo Sanborns recorded **bank debt** of Ps. 1,000 million, while the cash amount totaled Ps. 1,959 million, Ps. 269 million pesos more compared to the end of December 2019.

CAPITAL EXPENDITURES (CapEx)

The projects stopped. **Investments in fixed assets** as of June 30, 2020 totaled Ps. 298 million, an amount 26.2% lower than the figure of Ps. 404 million the previous year. This amount comprises the remodeling of stores and purchases of fixed assets in the first three months of the year.

RETAIL SPACE AND NUMBER OF STORES

As of June 30, 2020, the sales area totaled 1,222,956 sqm including 446 stores, with a variation of -0.9% in the consolidated retail area compared to the same period of the previous year.

Sales Area	Junio 2020			Junio 2019			Sqm Var%
	Units	Retail Sqm	Leaseable Sqm	Units	Retail Sqm	Leaseable Sqm	
Sears	97	868,643		97	869,059		0.0%
Sanborns	161	248,453		165	253,033		-1.8%
Promotora Musical	136	42,482		131	41,861		1.5%
Other*	52	63,378		54	70,123		-9.6%
Shopping Centers		2	71,225		2	71,225	0.0%
Total	446	2 1,222,956	71,225	447	2 1,234,076	71,225	-0.9%

*Includes DAX, Sanborns Café restaurants, Saks Fifth Avenue, Sears and Sanborns restaurant-stores in Central America, Sanborns and Mixup credit cards and Plaza Loreto and Plaza Inbursa shopping centers, royalties and corporate fees paid by our subsidiaries to Grupo Sanborns and eliminations of operations between subsidiaries.

WORKING CAPITAL

The balance of the inventories as of June 30, 2020 decreased Ps. 927 million, being Ps. 11,623 million compared to the balance at the end of December of the previous year, which was Ps. 12,550 million. Suppliers and other trade payables in the short term were Ps. 4,711 million, which meant a decrease of Ps. 3,974 million compared to the amount as of December 2019 of Ps. 8,685 million. Customers and other short-term trade receivables totaled Ps. 8,574 million. In the wake of the health contingency due to COVID-19, the purchase plans were stopped, efficiently managing inventories for all our commercial formats.

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CONFERENCE CALL DETAILS

Date: Friday, July 24, 2020
Time: **11:00 A.M. Mexico City Time/ 12:00 P.M NY (US EST)**
Access Numbers: 52 (55) 6722-5257 Mexico - Local
001 866-779-0965 Mexico Freephone
1 (847) 585-4405 International and US Toll
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Access Code : **4984 4329# for Spanish**
4984 4330# for English

Audio Replay: 52 (55) 6722-5257 Mexico - Local
001 866-779-0965 Mexico Freephone
1 (847) 585-4405 International and US Toll
REF: 4984 4329# for Spanish
REF: 4984 4330# for English

Availability: Until August 5, 2020

ADDITIONAL CHARTS:

Income Statement (Million Pesos)	2Q20			2Q19			6M20			6M19			Var %
Total Revenues	4,080	100.0%	12,052	100.0%	-66.1%	15,402	100.0%	23,530	100.0%	-34.5%			
COGS	2,406	59.0%	7,244	60.1%	-66.8%	9,483	61.6%	14,202	60.4%	-33.2%			
Gross Profit	1,674	41.0%	4,807	39.9%	-65.2%	5,919	38.4%	9,328	39.6%	-36.5%			
SG&A	2,790	68.4%	3,807	31.6%	-26.7%	6,404	41.6%	7,468	31.7%	-14.2%			
Other income (expenses) Net	-15	-0.4%	39	0.3%	-138.3%	-33	-0.2%	40	0.2%	NA			
Operating Income	-1,131	-27.7%	1,040	8.6%	NA	-518	-3.4%	1,901	8.1%	NA			
Comprehensive Financial Result	-116	-2.9%	-90	-0.7%	29.5%	-324	-2.1%	-191	-0.8%	69.5%			
Share of Profit of Associates and JV's.	-97	-2.4%	25	0.2%	NA	-90	-0.6%	57	0.2%	NA			
Income before Taxes	-1,344	-32.9%	975	8.1%	NA	-933	-6.1%	1,767	7.5%	NA			
Taxes	-284	-7.0%	328	2.7%	NA	-203	-1.3%	554	2.4%	NA			
Consolidated Net Income	-1,060	-26.0%	647	5.4%	NA	-729	-4.7%	1,213	5.2%	NA			
Profit attributable to non-controlling int.	-40	-1.0%	24	0.2%	NA	-13	-0.1%	55	0.2%	NA			
Profit attributable to owners of parent Co.	-1,020	-25.0%	623	5.2%	NA	-717	-4.7%	1,158	4.9%	NA			
EBITDA	-664	-16.3%	1,589	13.2%	NA	402	2.6%	2,983	12.7%	-86.5%			

Balance Sheet figures			
(Million Pesos)	2020	4Q19	Var %
Cash & Equivalents	1,959.4	1,690.2	15.9%
Trade Receivables	8,573.8	11,872.1	-27.8%
Recoverable Taxes	1,563.6	1,338.7	16.8%
Other Financial Assets	170.9	78.5	0.0%
Inventories	11,622.7	12,549.7	-7.4%
Other Non-Financial Assets	0.0	0.0	0.0%
Current Assets	23,890.3	27,529.1	-13.2%
Other Non-Current Trade Receivables	1,196.3	1,488.1	-19.6%
Other Non-Current Financial Assets	1.3	1.3	0.0%
Investments in subsidiaries and associates	2,705.1	3,523.1	-23.2%
Property, Plant and Equipment	13,758.0	14,102.3	-2.4%
Investment Properties	2,507.3	2,507.3	0.0%
Assets for Rights of Use	4,854.2	5,158.8	-5.9%
Intangible Assets and Goodwill	123.6	68.6	80.2%
Deferred Tax Assets	2,253.5	1,922.8	17.2%
Other Non-Current Non-Fin. Assets	154.8	390.7	-60.4%
Non-Current Assets	27,554.1	29,162.9	-5.5%
Total Assets	51,444.4	56,692.1	-9.3%
Trade Payables	4,710.8	8,684.7	-45.8%
Short-Term Taxes Payable	2,082.0	2,823.9	-26.3%
Short-Term Bank Debt	1,000.0	0.0	0.0%
Other Current Financial Liabilities	0.0	0.0	0.0%
Short-Term Lease Liabilities	1,243.5	1,243.5	0.0%
Other Short-Term non-financial liabilities	629.0	882.2	-28.7%
Current Provisions	2,327.7	2,283.1	2.0%
Current Liabilities	11,993.0	15,917.4	-24.7%
Long-Term Taxes Payable	627.4	733.5	-14.5%
Long-Term Lease Liabilities	4,610.7	4,964.4	-7.1%
Long-Term Bank Debt	0.0	0.0	0.0%
Other L.T. Financial Liabilities	0.0	0.0	0.0%
Other Non-Financial L.T. Liabilities	18.4	0.0	0.0%
Long-Term Provisions	514.7	717.6	-28.3%
Deferred Tax Liabilities	1,223.6	1,202.9	1.7%
Non-Current Liabilities	6,994.9	7,618.4	-8.2%
Total Liabilities	18,987.9	23,535.8	-19.3%
Stockholder's Equity	32,456.9	33,156.3	-2.11%
Shares Outstanding ('000)	2,260,534	2,261,068	0.0%
Closing Stock Price	20.00	24.50	-18.4%

NA=Not Applicable