

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

Earnings Report

3Q 2019

Mexico City, October 23, 2019 – Grupo Sanborns, S.A.B. de C.V. (BMV: GSANBOR OTC: GSAOY) announced today its results for the third quarter of 2019.

RELEVANT EVENTS AND HIGHLIGHTS WITH IFRS 16

- Financial Statements 2019 and 2018 are comparable and consider the application of IFRS-16 using the retrospective method.
- **Total sales** increased 1.5% during the 3Q19 totaling Ps. 11,988 million.
- Consolidated **gross margin** stood in 39.5%.
- The **loan portfolio** reached Ps. 11,529 million and the percentage of non-performing loans improved to 4.1% from 5.0% in the same quarter of the last year.
- During the 3Q19, four iShop stores were opened: Outlet Queretaro, Gran Sur in Mexico City, Uruapan in Michoacan and Multiplaza Aragon in the State of Mexico.

FINANCIAL SUMMARY (Million pesos, MM MXN)

Consolidated Results	3Q19	3Q18	Var%	9M19	9M18	Var%
Revenues	11,988	11,810	1.5%	35,518	35,072	1.3%
Gross Profit	4,733	4,669	1.4%	14,061	13,883	1.3%
Operating Income	904	977	-7.5%	2,805	3,139	-10.6%
Controlling Net Income	556	723	-23.1%	1,714	2,083	-17.7%
Control. Net Income ex IFRS16	574	697	-17.6%	1,763	2,069	-14.8%
EBITDA	1,440	1,510	-4.6%	4,423	4,664	-5.2%
EBITDA excluding IFRS16	1,117	1,208	-7.5%	3,465	3,746	-7.5%
Gross Margin	39.5%	39.5%		39.6%	39.6%	
Operating Margin	7.5%	8.3%		7.9%	8.9%	
EBITDA Margin	12.0%	12.8%		12.5%	13.3%	
EBITDA Margin ex IFRS16	9.3%	10.2%		9.8%	10.7%	

TOTAL AND SAME STORE SALES (SSS)

From July to September 2019, **total sales** of Grupo Sanborns reached Ps. 11,988 million, which meant Ps. 178 million pesos more, an increase of 1.5%. The sales of technology and cosmetics stood out, as well as other categories due to the space efficiency reached at the stores.

GROSS PROFIT AND OPERATING EXPENSES (SG&A)

Gross profit improved 1.4% totaling Ps. 4,733 million. Gross margin was 39.5%, remaining constant compared to the 3Q18 due to the contribution of items with a greater added value within the category mix in Sears, Sanborns and Other Formats.



www.gsanborns.com.mx



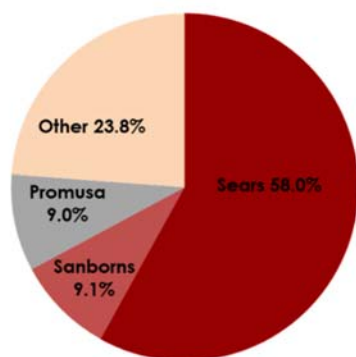
Operating and administrative expenses went up from 31.3% to 32.1% of sales. An increase in wages and salaries –both in comparable and non-comparable stores-, improvements in IT platforms and higher energy rates explain this variation.

OPERATING INCOME AND EBITDA

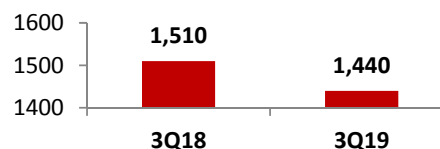
Operating income decreased 7.5% to Ps. 904 million. The operating margin was 7.5% versus 8.3% last year.

Quarterly **EBITDA** decreased 4.6% totaling Ps. 1,440 million, with a margin of 12.0%. Quarterly EBITDA figures without considering accounting changes in IFRS 16 was Ps. 1,117 million in the 3Q19, compared to Ps. 1,208 million in the 3Q18, with margins of 9.3% and 10.2%, respectively.

EBITDA Breakdown
Grupo Sanborns 3Q19



EBITDA (MM Ps)



COMPREHENSIVE FINANCIAL RESULT (CFR)

The **comprehensive financing result** represented an expense of Ps. 129 million, higher than the same period of the previous year which was Ps. 33 million. This was mainly due to a foreign exchange gain in the 3Q18.

(MM MXN)	3Q19	3Q18	Var%	9M19	9M18	Var%
Financial Results						
Interest Expenses	-178	-154	15.4%	-530	-473	11.9%
Interest Income	60	57	4.9%	197	169	16.8%
Interest (net)	-118	-97	21.5%	-332	-304	9.1%
ForEx Results	-11	64	NA	12	60	NA
CFR	-129	-33	292.8%	-320	-244	30.9%

NA= Not applicable

NET INCOME

The **controlling net income** of the 3Q19 totaled Ps. 556 million, lower than Ps. 723 million recorded in the 3Q18. The quarterly controlling net profit figures without considering accounting changes in IFRS 16 were Ps. 574 million in the 3Q19, compared to Ps. 696 million in the 3Q18.

CREDIT BUSINESS

229 thousand new cardholders have been added, with which the number of own cards reached 4.33 million, compared to 4.11 million at the end of September 2018.

The percentage of non-performing loans over 90 days was 4.1% while in the 3Q18 was 5.0%.

The **loan portfolio** remained relatively constant with a variation of -1.0% totaling Ps. 11,529 million. Credit income increased from Ps. 940 to Ps. 980 million, which meant a 4.3% increase in the 3Q19.

Credit Indicators	3Q19	3Q18	Var%
Credit Portfolio (MM Ps)	11,529	11,640	-1.0%
Num. Credit cards issued (MM)	4.33	4.11	5.6%
Non-performing loans (%)	4.1%	5.0%	

DEBT

Grupo Sanborns had no **debt with cost** as of September 30, 2019, while the amount of cash totaled Ps. 1,181 million compared to Ps. 2,478 million at the end of December 2018. This decrease of Ps.1,297 million in cash was due to other investment in associated companies, the payment of suppliers, the opening of stores and the payment of dividends.

CAPITAL EXPENDITURES (CapEx)

Investments in **fixed assets** totaled Ps. 598 million pesos, an amount that was 43.9% less than Ps. 1,067 million in the same period of the previous year. The estimated CapEx for 2019 is approximately Ps. 873 million and will focus on making spaces more efficient in the various renovations and extensions of the Group's different formats, as well as in the opening of new stores.

EXPANSIONS, RENOVATIONS AND NEW STORES

In the case of Sears, the Vallejo Distribution Center is being expanded and remodeled, while Sanborns will expand and remodel the Excélsior chocolate factory, both in Mexico City.

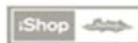
No.	iSHOP	Status	Delivery Date
New Stores.			
1	Salamanca	Completed	1Q19
2	Puerto Cancún Marina Town	Completed	1Q19
3	Torreón 4 Caminos	Completed	1Q19
4	Hermosillo	Completed	1Q19
5	El Dorado San Luis	Completed	1Q19
6	Lerma	Completed	1Q19
7	Acapulco	Completed	1Q19
8	Zentralia Cd. Del Carmen	Completed	1Q19
9	Fiesta Inn Anáhuac Mty.	Completed	1Q19
10	Paseo Monclova	Completed	2Q19
11	Alaia Guanajuato	Completed	2Q19
12	Outlet Querétaro	Completed	3T19
13	Gran Sur	Completed	3T19
14	Uruapan	Completed	3T19
15	Multiplaza Aragón	Completed	3T19
16	Las Américas Chetumal		2019
17	Luna Parc		2019
18	Galerías Santa Anita Gdl.		2019
Major Renovations:			
1	Irapuato		2019
2	Atizapán		2019
3	Tezontle		2019

RETAIL SPACE AND NUMBER OF STORES

As of September 30, 2019, the sales area totaled 1,233,883 sqm including 449 stores, or an increase of 1.5% in the consolidated commercial area compared to the same period of the previous year.

Sales Area	September 2019			September 2018			Sqm Var%
	Units	Retail Sqm	Leaseable Sqm	Units	Retail Sqm	Leaseable Sqm	
Sears	97	868,014		96	852,332		1.8%
Sanborns	164	253,635		165	252,444		0.5%
Promotora Musical	134	42,111		118	39,815		5.8%
Other*	54	70,123		55	70,520		-0.6%
Shopping Centers			71,225			71,225	0.0%
Total	449	1,233,883	71,225	434	1,215,111	71,225	1.5%

*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.





During the third quarter, the following changes in stores were recorded:

- **iShop:** opened Outlet Queretaro, a store in Gran Sur in Mexico City, Uruapan in Michoacan and Multiplaza Aragón in the State of Mexico,
- **Sanborns:** closed a store in Merida, Yucatan,
- **MixUp:** closed the Culiacan store in Sinaloa

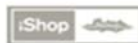
WORKING CAPITAL

The balance of the inventories account as of September 30, 2019 was Ps. 12,267 million, decreasing 0.7% with respect to the balance at the end of December of the previous year, which was Ps. 12,359 million. Accounts payable to suppliers were Ps. 6,678 million, which meant a decrease of 26.7% in relation to the amount of the 4Q18. Accounts receivable from short-term customers totaled Ps. 10,616 million.

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CONFERENCE CALL DETAILS

Date: Friday, October 25, 2019
 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 USA Toll
 1 (888) 771-4371 USA Toll-Free
 1 (514) 841-2157 Canada Toll
 1 (866) 215-5508 Canada Toll-Free

Access Code: **4911 4124 for Spanish**
4911 4128 for English

Replay : 1 (630) 652-3000 Spanish REF: 4911 4124#
 English REF: 4911 4128#

Availability: Until November 05, 2019

ADDITIONAL CHARTS:

Income Statement (Million Pesos)	3Q19		3Q18		Var %	9M19		9M18		Var%
Total Revenues	11,988	100.0%	11,810	100.0%	1.5%	35,518	100.0%	35,072	100.0%	1.3%
COGS	7,255	60.5%	7,141	60.5%	1.6%	21,457	60.4%	21,189	60.4%	1.3%
Gross Profit	4,733	39.5%	4,669	39.5%	1.4%	14,061	39.6%	13,883	39.6%	1.3%
SG&A	3,843	32.1%	3,702	31.3%	3.8%	11,310	31.8%	10,799	30.8%	4.7%
Other income (expenses) Net	14	0.1%	10	0.1%	37.6%	54	0.2%	55	0.2%	-0.8%
Operating Income	904	7.5%	977	8.3%	-7.5%	2,805	7.9%	3,139	8.9%	-10.6%
Comprehensive Financial Result	-129	-1.1%	-33	-0.3%	292.8%	-320	-0.9%	-244	-0.7%	30.9%
Share of Profit of Associates and JV's.	44	0.4%	55	0.5%	-19.0%	101	0.3%	112	0.3%	-9.5%
Income before Taxes	820	6.8%	999	8.5%	-18.0%	2,587	7.3%	3,006	8.6%	-14.0%
Taxes	229	1.9%	237	2.0%	-3.3%	783	2.2%	807	2.3%	-3.0%
Consolidated Net Income	591	4.9%	763	6.5%	-22.5%	1,804	5.1%	2,199	6.3%	-18.0%
Profit attributable to non-controlling int.	35	0.3%	39	0.3%	-11.3%	90	0.3%	116	0.3%	-22.3%
Profit attributable to owners of parent Co.	556	4.6%	723	6.1%	-23.1%	1,714	4.8%	2,083	5.9%	-17.7%
EBITDA	1,440	12.0%	1,510	12.8%	-4.6%	4,423	12.5%	4,664	13.3%	-5.2%

Balance Sheet figures			
(Million Pesos)	3Q19	4Q17	Var %
Cash & Equivalents	1,180.5	2,477.7	-52.4%
Trade Receivables	10,615.5	13,011.6	-18.4%
Recoverable Taxes	1,287.0	1,246.3	3.3%
Other Financial Assets	0.0	0.0	0.0%
Inventories	12,267.5	12,359.2	-0.7%
Other Non-Financial Assets	167.6	81.7	105.0%
Current Assets	25,518.0	29,176.4	-12.5%
Other Non-Current Trade Receivables	1,131.3	0.0	NA
Other Non-Current Financial Assets	1.3	1.3	0.0%
Investments in subsidiaries and associates	3,507.5	2,272.6	54.3%
Property, Plant and Equipment	14,155.4	14,549.5	-2.7%
Investment Properties	2,415.6	2,415.6	0.0%
Assets for Rights of Use	5,249.0	5,484.4	-4.3%
Intangible Assets and Goodwill	35.9	38.2	-6.0%
Deferred Tax Assets	1,733.0	1,502.0	15.4%
Other Non-Current Non-Fin. Assets	695.6	683.0	1.8%
Non-Current Assets	28,924.6	26,946.5	7.3%
Total Assets	54,442.6	56,122.9	-3.0%
Trade Payables	6,678.7	9,115.2	-26.7%
Short-Term Taxes Payable	2,353.2	2,308.0	2.0%
Short-Term Bank Debt	0.0	0.0	0.0%
Other Current Financial Liabilities	0.0	0.0	0.0%
Short-Term Lease Liabilities	1,254.4	1,247.0	0.6%
Other Short-Term non-financial liabilities	1,015.0	1,043.0	-2.7%
Current Provisions	3,441.4	2,143.5	60.6%
Current Liabilities	14,742.7	15,856.8	-7.0%
Long-Term Taxes Payable	723.1	665.1	8.7%
Long-Term Lease Liabilities	5,039.1	5,239.5	-3.8%
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	17.9	15.2	17.8%
Long-Term Provisions	63.6	56.5	12.5%
Deferred Tax Liabilities	1,253.4	1,242.6	0.9%
Non-Current Liabilities	7,097.1	7,218.9	-1.7%
Total Liabilities	21,839.8	23,075.7	-5.4%
Stockholder's Equity	32,602.8	33,047.3	-1.34%
Shares Outstanding ('000)	2,261,631	2,264,891	-0.1%
Closing Stock Price	23.00	17.70	29.9%

NA=Not Applicable