

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

Earnings Report

3Q 2020

Mexico City October 21, 2020 – Grupo Sanborns, S.A.B. de C.V. (BMV: GSANBOR OTC: GSAOY)

Results for the third quarter of 2020.

RELEVANT EVENTS

- Grupo Sanborns since the beginning of the health emergency due to COVID-19, **maintained prevention and mitigation measures to preserve the health of our clients, collaborators, suppliers and the general population, while minimizing the economic impact.** Investments were stopped and the payment of dividends was not decreed. An expense control was carried out without affecting the image and the service, obtaining **a reduction in administration and sales expenses during the third quarter of 2020 of Ps. 687 million pesos or -17.9%.** Inventory was optimized, reducing by 19.0% in September 2020 vs. the inventory of September 2019 with lower purchases volumes.
- **Grupo Sanborns** informs that on October 20, 2020, the corporate ratings granted by Fitch Ratings and HR Ratings were made public:
Fitch Ratings: "AAA (mex)", Stable Outlook: which indicates the highest rating assigned by the agency on its national scale for Mexico. This rating is assigned to issuers and obligations with the lowest expectation of default risk in relation to other issuers or obligations in the same country.
HR Ratings: "HR AAA" with a Stable Outlook and HR + 1: the issuer or issue with this rating is considered to be of the highest credit quality, offering great security for the timely payment of debt obligations. They maintain a minimum credit risk.
- On July 31 of the current year, Sanborn Hermanos S.A. de C.V. merged its subsidiary Comercializadora de Tiendas Internacionales, S.A. de C.V.; Promotora Musical, S.A. de C.V. merged its subsidiary Paden, S.A. de C.V. and Sears Operadora México S.A. de C.V. merged its subsidiary Secorh, S.A. de C.V.
- Grupo Sanborns informed the investing public on September 25, that due to the restructuring of Grupo Sanborns, S.A.B de C.V., in which several companies of Sanborn Hermanos, S.A. de C.V. and Sears Operadora México, S.A. de C.V. merged, and with the aim of maintaining greater efficiency with the synergies, the operations of Sanborn Hermanos, S.A. de C.V. and Sears Operadora México, S.A. de C.V. integrated; **Rodrigo Hajj Slim, Managing Director of Sanborn Hermanos, S.A. de C.V. also assumed the General Management of Sears Operadora México, S.A. de C.V.,** reporting to Mr. Patrick Slim Domit.

- In mid-August, most of the brick & mortar stores were operating. As of September 23, the closing hours were extended. The gradual normalization of daily activities continues and with it the traffic of customers in our physical points of sale and restaurants such as department stores and technology stores. The sale and service to our customers continued through the digital stores: www.sears.com.mx, www.sanborns.com.mx, www.ishopmixup.com, and www.claroshop.com. Our distribution centers and stores operate in compliance with all the protocols established by the health authority.

HIGHLIGHTS OF THE QUARTER

- **Total sales** amounted Ps. 9,232 million with a variation of -23.0%.
- **Online sales grew 4.0x.**
- **General expenses decreased Ps. 687 MM** equivalent to savings of **17.9%**.
- An extraordinary item was recorded in **Other Income, net for Ps. 1,167 MM** from the reassessing of the employee pension plan
- **Operating income increased 20.1%**, the margin went from 7.5% in the 3Q19 to 11.8% in the 3Q20, due to the recording of the extraordinary item mentioned above.
- **The Comprehensive Financing Result** decreased 6.5%, being an expense \$9.0 MM lower than the previous year.
- **Customer and Other Non-Current Trade Receivables improved by Ps. 2,344 MM** in the 3Q20 vs. the 3Q19.
- The **inventory balance** as of September 30, 2020 decreased by Ps. 2,329 MM or 19.0%, being Ps. 9,939 MM compared to Ps. 12,268 MM at the end of the 3Q19.
- **Current liabilities decreased Ps. 3,729 MM** or -25.7%, going from Ps. 14,743 MM in the 3Q19 to Ps. 10,947 MM in the 3Q20.

FINANCIAL SUMMARY (Million Pesos, MM MXN)

Consolidated Results	3Q20	3Q19	Var%	9M20	9M19	Var%
Revenues	9,232	11,988	-23.0%	24,635	35,518	-30.6%
Gross Profit	3,050	4,733	-35.6%	8,969	14,061	-36.2%
Operating Income	1,086	904	20.1%	568	2,805	-79.8%
Controlling Net Income	975	556	75.4%	259	1,714	-84.9%
Control. Net Income ex IFRS16	947	574	64.9%	198	1,763	-88.8%
EBITDA	381	1,440	-73.5%	783	4,423	-82.3%
EBITDA excluding IFRS16	66	1,117	-94.1%	-179	3,465	-105.2%
Gross Margin	33.0%	39.5%		36.4%	39.6%	
Operating Margin	11.8%	7.5%		2.3%	7.9%	
EBITDA Margin	4.1%	12.0%		3.2%	12.5%	
EBITDA Margin ex IFRS16	0.7%	9.3%		-0.7%	9.8%	

TOTAL SALES

In the third quarter of the year, Grupo Sanborns' **total sales** were Ps. 9,232 million, decreasing 23.0%. During the quarter, Big-ticket sales were positively influenced by the "Back to school" season, with a good performance in technology and electronic items; not so in fashion, with less apparel and footwear demand due to remote classes, coupled with the health restriction of not being able to try the clothing at the stores. The dynamism of e-commerce sales continued, which grew 4.0x and since the partial reopening of the stores in July, a recovery has been observed in the physical stores sales.

At the end of the third quarter, the units were fully opened in the country. The normalization of daily activities continues and with it a gradual increase in customer traffic to all formats; however, with various restrictions in opening hours and capacity.

GROSS PROFIT AND OPERATING EXPENSES (SG&A)

The gross margin was 33.0%, compared to 39.5% in the 3Q19 due to a greater contribution of technology items within the mix. **Gross profit** totaled Ps. 3,050 million.

Operating expenses decreased 17.9%, 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, and other expenses. We continue to implement additional measures to reduce overhead, without affecting the image and service.

OPERATING INCOME AND EBITDA

Operating Income in the third quarter totaled Ps. 1,086 million compared to Ps. 904 MM in the 3Q19, influenced by the extraordinary item mentioned previously. The operating margin was 11.8% versus 7.5% the previous year.

The **quarterly EBITDA** decreased 73.5% totaling Ps. 381 MM, with a 4.1% margin, compared to an EBITDA of Ps. 1,440 MM in the 3Q19.

COMPREHENSIVE FINANCIAL RESULT (CFR)

(MM MXN)						
Financial Results	3Q20	3Q19	Var%	9M20	9M19	Var%
Interest Expenses	-256	-178	44.0%	-640	-530	20.8%
Interest Income	130	60	117.2%	270	197	36.9%
Interest (net)	-126	-118	7.0%	-370	-332	11.3%
ForEx Results	6	-11	NA	-75	12	NA
CFR	-120	-129	-6.5%	-444	-320	38.9%

NA= Not applicable

The **Comprehensive Financial Result** represented an expense of Ps. 120 million, reducing 6.5% compared to an expense of Ps. 129 million in the same quarter of last year. This variation was mainly due to a ForEx gain of Ps. 6 million, versus a For Ex loss of Ps. 11 million in the 3Q19.

NET RESULT

Controlling net income increased 75.4%, totaling Ps. 975 million pesos, including effects due to the recording of the extraordinary item mentioned above. This compared to the net profit of Ps. 556 million recorded in the 3Q19.

The quarterly figures for the controlling net income, without considering the accounting changes in IFRS 16, were **Ps. 947 million in the 3Q20, compared to Ps. 574 million in the 3Q19.**

CREDIT BUSINESS

The number of own cards reached 4.4 million, increasing in 121 thousand new cardholders, compared to 4.3 million cards at the end of September 2019. The percentage of past due loans over 90 days was 5.4% compared 4.1% in the 3Q19.

The **loan portfolio** totaled Ps. 8,810 million. Credit income decreased from Ps. 980 to Ps. 810 million. As a consequence of the health emergency, our reception of credit card payments continued digitally and we implemented other channels in bank branches. With the reopening of the stores, the reception of credit card payments was again enabled. We continue with the granting of controlled credit and specific support to debtors.

Credit Indicators	3Q20	3Q19	Var%
Credit Portfolio (MM Ps)	8,810	11,581	-23.9%
Num. Credit cards (MM)	4.45	4.33	2.8%
Non-performing loans (%)	5.4%	4.1%	

CAPITAL EXPENDITURES (CapEx)

The expansion projects stopped. **Investments in fixed assets** as of September 30, 2020 totaled Ps. 353 million, an amount 41.0% lower than the figure of Ps. 598 million the previous year. This amount comprises the expansion investment and the new operating system in the first three months of the year.

RETAIL SPACE AND NUMBER OF STORES

As September 30, 2020, the sales area totaled 1,218,195 sqm including 442 stores, with a 1.3% decrease in the consolidated retail area compared to the same period of the previous year.



Sales Area	September 2020			September 2019			Sqm Var%
	Units	Retail Sqm	Leaseable Sqm	Units	Retail Sqm	Leaseable Sqm	
Sears	97	868,643		97	868,014		0.1%
Sanborns	157	242,309		164	253,635		-4.5%
Promotora Musical	137	42,793		134	42,111		1.6%
Other*	51	64,450		54	70,123		-8.1%
Shopping Centers	2		71,225	2		71,225	0.0%
Total	442	1,218,195	71,225	449	1,233,883	71,225	-1.3%

*Includes DAX, Sanborns Home&Fashion, Sanborns Café restaurant, Saks Fifth Avenue, Sears and Sanborns in Central America and the two shopping centers Plaza Loreto and Plaza Inbursa,

During the third quarter, the following store movements were recorded:

- **Sanborns Home & Fashion:** opened the Plaza Carso store in Mexico City.
- **iShop:** opened the Alameda Otay store in Tijuana, Baja California.
- **Saks Fifth Avenue:** closed the Polanco store in Mexico City.
- **Sanborns:** closed the Churubusco, Hipódromo and La Raza stores in Mexico City, Tepic in Nayarit and the Metrocentro and Multiplaza stores in El Salvador.

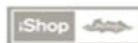
WORKING CAPITAL

The inventory account balance was optimized, decreasing by Ps. 2,611 MM or -20.8% being Ps. 9,939 million compared to the balance as of 4Q19, which was Ps. 12,550 million. Suppliers and other short-term accounts payable were Ps. 5,098 million, which meant a decrease of Ps. 3,587 million compared to the amount as of December 2019 of Ps. 8,685 million.

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CONFERENCE CALL DETAILS

Date: Thursday, October 22, 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
 1 (888) 771-4371 US Toll Free

Access Code : **4999 2844# for Spanish**
4999 2845# 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 November 02, 2020

ADDITIONAL CHARTS:

Income Statement (Million Pesos)	3Q20			3Q19			9M20			9M19		
			Var %			Var %					Var%	
Total Revenues	9,232	100.0%		11,988	100.0%	-23.0%	24,635	100.0%	35,518	100.0%	-30.6%	
COGS	6,182	67.0%		7,255	60.5%	-14.8%	15,665	63.6%	21,457	60.4%	-27.0%	
Gross Profit	3,050	33.0%		4,733	39.5%	-35.6%	8,969	36.4%	14,061	39.6%	-36.2%	
SG&A	3,156	34.2%		3,843	32.1%	-17.9%	9,560	38.8%	11,310	31.8%	-15.5%	
Other income (expenses) Net	1,192	12.9%		14	0.1%	8370.3%	1,159	4.7%	54	0.2%	2025.8%	
Operating Income	1,086	11.8%		904	7.5%	20.1%	568	2.3%	2,805	7.9%	-79.8%	
Comprehensive Financial Result	-120	-1.3%		-129	-1.1%	-6.5%	-444	-1.8%	-320	-0.9%	38.9%	
Share of Profit of Associates and JV's.	-64	-0.7%		44	0.4%	NA	-155	-0.6%	101	0.3%	NA	
Income before Taxes	901	9.8%		820	6.8%	9.9%	-31	-0.1%	2,587	7.3%	NA	
Taxes	-107	-1.2%		229	1.9%	NA	-310	-1.3%	783	2.2%	NA	
Consolidated Net Income	1,008	10.9%		591	4.9%	70.5%	279	1.1%	1,804	5.1%	-84.6%	
Profit attributable to non-controlling int.	32	0.3%		35	0.3%	-7.8%	20	0.1%	90	0.3%	-78.1%	
Profit attributable to owners of parent Co.	975	10.6%		556	4.6%	75.4%	259	1.1%	1,714	4.8%	-84.9%	
EBITDA	381	4.1%		1,440	12.0%	-73.5%	783	3.2%	4,423	12.5%	-82.3%	

Balance Sheet figures			
(Million Pesos)	3Q20	4Q19	Var %
Cash & Equivalents	2,559.7	1,690.2	51.4%
Trade Receivables	8,317.4	11,872.1	-29.9%
Recoverable Taxes	1,287.1	1,338.7	-3.9%
Other Financial Assets	125.1	78.5	0.0%
Inventories	9,939.0	12,549.7	-20.8%
Other Non-Financial Assets	0.0	0.0	0.0%
Current Assets	22,228.3	27,529.1	-19.3%
Other Non-Current Trade Receivables	1,085.7	1,488.1	-27.0%
Other Non-Current Financial Assets	1.3	1.3	0.0%
Investments in subsidiaries and associates	2,639.7	3,523.1	-25.1%
Property, Plant and Equipment	13,429.7	14,102.3	-4.8%
Investment Properties	2,507.3	2,507.3	0.0%
Assets for Rights of Use	4,701.8	5,158.8	-8.9%
Intangible Assets and Goodwill	137.3	68.6	100.2%
Deferred Tax Assets	2,296.5	1,922.8	19.4%
Other Non-Current Non-Fin. Assets	883.6	390.7	126.2%
Non-Current Assets	27,683.0	29,162.9	-5.1%
Total Assets	49,911.2	56,692.1	-12.0%
Trade Payables	5,097.7	8,684.7	-41.3%
Short-Term Taxes Payable	1,173.9	2,823.9	-58.4%
Short-Term Bank Debt	500.0	0.0	0.0%
Short-Term Lease Liabilities	1,194.7	1,243.5	-3.9%
Other Short-Term non-financial liabilities	673.3	882.2	-23.7%
Current Provisions	2,307.1	2,283.1	1.1%
Current Liabilities	10,946.6	15,917.4	-31.2%
Long-Term Taxes Payable	311.6	733.5	-57.5%
Long-Term Lease Liabilities	4,460.3	4,964.4	-10.2%
Other L.T. Non-Financial Liabilities	0.0	0.0	0.0%
Long-Term Provisions for employee benefits	190.9	717.6	-73.4%
Other L.T. Provisions	18.0	0.0	0.0%
Deferred Tax Liabilities	1,088.3	1,202.9	-9.5%
Non-Current Liabilities	6,069.2	7,618.4	-20.3%
Total Liabilities	17,015.8	23,535.8	-27.7%
Stockholder's Equity	32,895.5	33,156.3	-0.79%
Shares Outstanding (´000)	2,260,488	2,261,068	0.0%
Closing Stock Price	18.00	24.50	-26.5%
NA=Not Applicable			