

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

### Earnings Report

#### 4Q 2016

Mexico City, February 24, 2017 – Grupo Sanborns, S.A.B. de C.V. (BMV: GSANBOR OTC: GSAOY) announced today its results for the fourth quarter and full year 2016.

#### HIGHLIGHTS

- During the 4Q16 **total sales** increased 9.1% and same stores sales (SSS) 5.2%. During the year, total sales grew 7.2% and without the effect of mobile phones and minutes-which prevailed during the first 9 months of the year-increased 9.7%. Annual SSS increased 4.0%.
- **Operating Income** grew 8.8% during the 4Q16, with an operating margin that remained stable at 14.4%. Cumulative Operating Income increased 34.9% with a 280 basis points increase in its margin, which stood at 13.9%.
- **EBITDA** grew 11.2% during the quarter and 13.4% in the year, with EBITDA margin increases of 30 and 70 basis points, respectively.
- 3 Sears, 6 Sanborns and 1 iShop store were inaugurated in the 4Q16. Additionally, 1 Sears and 2 iShop stores concluded its renovations.
- **In 2016, the expansion plan included 17 new stores** of all formats, as well as the renovation of 7 stores. **Retail space grew 6.4%** year over year, reaching 1,186,230 m2.

#### FINANCIAL SUMMARY (Million Pesos MXN, MM Ps)

Consolidated Results	4Q16	4Q15	Var%	2016	2015	Var%
Revenues	15,582	14,288	9.1%	47,594	44,413	7.2%
Gross Profit	5,979	5,508	8.5%	18,922	17,476	8.3%
Operating Income	2,239	2,057	8.8%	6,620	4,908	34.9%
Controlling Net Income	1,542	1,324	16.5%	4,466	3,090	44.5%
EBITDA	2,411	2,168	11.2%	6,474	5,707	13.4%
Gross Margin	38.4%	38.6%		39.8%	39.3%	
Operating Margin	14.4%	14.4%		13.9%	11.1%	
EBITDA Margin	15.5%	15.2%		13.6%	12.9%	

#### TOTAL AND SAME STORES SALES (SSS)

In the last quarter of the year Grupo Sanborns sold \$1,294 million pesos more, increasing 9.1% and reaching total sales of \$15,582 million pesos.

In cumulative terms, total sales increased 7.2% from \$44,413 million in 2015 to \$47,594 million pesos in 2016. **This figure reached \$49,278 million –or an increase of 9.7%- if we consider \$1,194 million pesos more due to the change in the recording of sales of mobile phone and minutes in Sears and Sanborns, carried out during the first nine months of 2016.** Since the 4Q16 the sales figures are fully comparable.

Consolidates Sales	4Q16	4Q15	Var%	2016	2015	Var%
With Mobile phones	15,582	14,288	9.1%	47,594	44,413	7.2%
Without Mobile phones	NA	NA	NA	49,278	44,904	9.7%

Consolidated SSS posted a 5.2% increase during the quarter, reflecting the good performance during “El Buen Fin” and Holidays, when consumers took advantage of promotions and discounts offered in certain merchandise. SSS for the year grew 4.0% and without the mobile phone business scheme it increased to a 6.7%.

SSS	4T16	4T15	2016	2016*	2015
Consolidated	5.2%	2.3%	4.0%	6.7%	6.1%

\*Without considering the change in the mobile phone business scheme

### CREDIT BUSINESS

At the end of December 2016, the number of private label cards reached 3.67 million, compared to 3.46 million at the end of 2015, **adding 211 thousand new cardholders.**

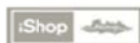
The percentage of non-performing loans of more than 90 days was 2.8%, improving from 3.2% recorded in the previous year. **The delinquency rate is well below the market.**

The **loan portfolio of the 4Q16 totaled \$12,009 million pesos**, posting a 10.9% increase while credit income grew 14.8% during the quarter and 8.6% during the year.

Credit Indicators	4Q16	4Q15	Var%
Credit Portfolio (MM Ps)	12,009	10,824	10.9%
Num. Credit cards issued (MM)	3.67	3.46	6.1%
Non-performing loans (%)	2.8%	3.2%	

### GROSS PROFIT AND OPERATING EXPENSES (SG&A)

During the fourth quarter, **gross profit** increased 8.5%, totaling \$5,979 million pesos. The gross margin declined 20 basis points to 38.4%. This was the consequence of a higher participation from technology items during the period.



In cumulative terms, gross margin improved 50 basis points from 39.3% to 39.8% driven by higher sales of fashion, private labels and other items of better profitability.

**SG&A expenses** represented 25.4%, improving 40 basis points since expenses grew at a slower pace than sales.

Cumulatively, operating and administrative expenses remained stable at 28.8% explained by the following reasons:

- i) A lower sales base related to the mobile phone business scheme in the first nine months of the year,
- ii) A reduction in the cost of energy,
- iii) A tight control on expenses, even with the ongoing renovations, new store openings and higher depreciation.

#### **OPERATING INCOME AND EBITDA**

Regarding **operating income**, this item increased 8.8% during the 4Q16 reaching \$2,239 MM mainly because of the savings in expenses mentioned previously, and to a lesser extent to the recording of \$225 MM as **Other Income**, of which \$122 MM came from the appraisal of investment properties. Operating margin was stable at 14.4%.

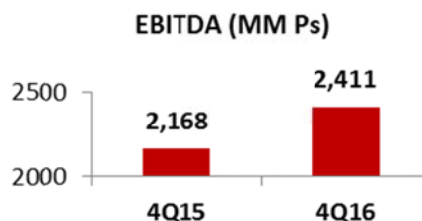
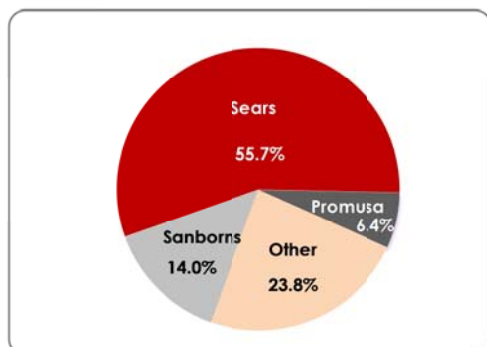
Cumulative operating income increased 34.9% totaling \$6,620 MM. Operating margin was 13.9%, with a 280 basis points improvement compared to the year ago figure. This was due to a higher gross margin, but mainly to the recording of \$1,396 MM as **Other Income** where \$1,141 MM came from the accounting surplus from the acquisition of an equity stake of 14.0% in Inmuebles SROM, S.A. de C.V. and \$122 MM from the appraisal of investment properties recorded in the 4Q16, among other items.

For the calculation of EBITDA we did not include the Other Income figures mentioned previously; therefore, quarterly EBITDA increased 11.2% totaling \$2,411 million pesos with a margin that improved from 15.2% in the 4T15 to 15.5% in the 4Q16.

Annual EBITDA went up 13.4% totaling \$6,474 million pesos with an EBITDA margin of 13.6%, up 70 basis points.



4Q16 Operating Income Breakdown



### COMPREHENSIVE FINANCIAL RESULT (CFR)

During the 4Q16 a **positive Comprehensive Financial Result (CFR)** of \$15 million pesos was recorded, being 84.5% lower than the CFR of the 4Q15. This was related to a reduction in net interest income and a higher ForEx loss.

For the same reasons, cumulative CFR was positive but 60.4% lower than the CFR of 2015.

(MM MXN)						
Financial Results	4Q16	4Q15	Var%	2016	2015	Var%
Interest Expenses	-46	-24	96.1%	-129	-101	27.0%
Interest Income	84	123	-31.3%	248	289	-14.1%
<b>Interest (net)</b>	<b>38</b>	<b>99</b>	<b>-61.8%</b>	<b>119</b>	<b>188</b>	<b>-36.3%</b>
ForEx Results	-23	-3	747.9%	-61	-40	51.8%
<b>CFR</b>	<b>15</b>	<b>96</b>	<b>-84.5%</b>	<b>58</b>	<b>147</b>	<b>-60.4%</b>

NA= Not applicable

### NET INCOME

Better operating results reflected in the **controlling net income**, which posted a 16.5% increase in the 4Q16, reaching \$1,542 million pesos, compared to \$1,324 million recorded in the 4Q15.

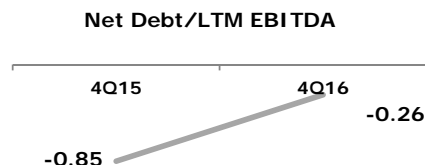
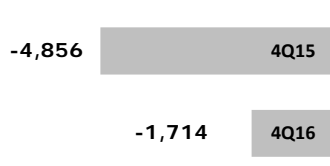
In cumulative terms, controlling net income grew 44.5% totaling \$4,466 million pesos. Better operating results, as well as the amounts recorded as Other Income mentioned before drove this change.

### DEBT

Grupo Sanborns had no debt at December 31, 2016, while the amount of cash and equivalents plus other financial assets totaled \$1,714 MM compared to \$4,856 MM at the end of December 2015.

The decrease of \$3,142 million in cash was because the funding of the expansion plan -where 17 new units opened and the renovation of 7 stores concluded during the year-. Additionally there was a higher credit portfolio and inventories, payment of dividends, share repurchases and lastly, the acquisition of the 14.0% stake of Sears Operadora Mexico and Inmuebles SROM, S.A. de C.V.

**Net Debt (MM Ps)**



**CAPITAL EXPENDITURES (CapEx)**

CapEx totaled \$2,905 MM, increasing 28.8% compared to \$2,256 MM during the same period of the previous year. This was related to the construction of two additional stores of Sears compared to 2015, the expansion of the Distribution Center, and the beginning of the construction platforms of two stores for 2017.

**RETAIL SPACE AND NUMBER OF STORES**

At December 31, 2016, retail space reached 1,186,230 sqm including 442 stores, or an increase of 6.4% compared to the same period of the previous year.

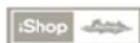
Sales Area	December 2016			December 2015			Sqm Var%
	Units	Sq meters	Leaseable Sqm	Units	Sq meters	Leaseable Sqm	
Sears	93	806,448		87	744,988		8.2%
Sanborns	176	268,446		170	258,983		3.7%
Promotora Musical	112	37,821		112	37,872		-0.1%
Other*	61	73,515		62	73,073		0.6%
Shopping Centers	2		71,225	2		71,225	0.0%
<b>Total</b>	<b>442</b>	<b>1,186,230</b>	<b>71,225</b>	<b>431</b>	<b>1,114,916</b>	<b>71,225</b>	<b>6.4%</b>

\*Includes stores in Central America, Sanborns Café, DAX stores, Saks Fifth Avenue and Boutiques. Shopping Centers are Plaza Inbursa and Plaza Loreto.

**NEW STORES**

During the fourth quarter the opening of new stores was as follows:

- **Sears:** opened 3 stores which were Tampico Altama, Cuatro Caminos and Atizapan.
- **Sanborns:** opened 6 stores which were Tampico Altama, Cuatro Caminos, Palmas, Atizapan, La Raza, and the conversion of Sanborns Café to Sanborns Perinorte store.
- **Promotora Musical:** opened a new store in the Tampico Altama shopping center.



**RENOVATIONS AND EXPANSIONS OF STORES**

No.	SEARS	Status	Delivery Date	SANBORNS	Status	Delivery Date	iSHOP	Status	Delivery Date
<b>New Stores</b>				<b>New Stores</b>			<b>New Stores</b>		
1	Irapuato Cibeles*	Completed	1Q16	Vía Vallejo	Completed	2Q16	Vía Vallejo	Completed	2Q16
2	Vía Vallejo	Completed	2Q16	Perinorte (conversion)	Completed	4Q16	Nezahualcoyotl	Completed	2Q16
3	Chimalhuacan	Completed	3Q16	Tampico Altama	Completed	4Q16	Tezontle	Completed	3Q16
4	Tampico Altama	Completed	4Q16	Cuatro Caminos	Completed	4Q16	Tampico Altama	Completed	4Q16
5	Cuatro Caminos	Completed	4Q16	Palmas	Completed	4Q16	San Angel		2017
6	Atizapan	Completed	4Q16	La Raza	Completed	4Q16			
7	San Angel		2017	Atizapan	Completed	4Q16			
<b>Renovations Full:</b>				<b>Renovations Full:</b>			<b>New Image</b>		
1	Oaxaca (Expansion)	Completed	2Q16	Plaza Insurgentes	Completed	3Q16	2 iShop stores	Completed	4Q16
2	Angelópolis Puebla (Expansion)*	Completed	3Q16	Perisur		2017			
				Villa Coapa		2017			
				Galerías Coapa		2017			
<b>Parciales:</b>									
1	Guadalajara Galerías*	Completed	2Q16						
2	Irapuato antiguo	Completed	4Q16						
3	Tezontle		2017						
4	Galerías Coapa		2017						
5	Tampico		2017						
6	Centro Historico		2017						

\*Stores that started its renovation or construction in 2015

As shown in the previous table, during the fourth quarter the following renovations progressed:

- **Sears:** The partial remodeling of the Irapuato Centro store concluded. The renovations of Tezontle, Galerías Coapa and Tampico continue, while Historic Center is still in renovation and extension.
- **Sanborns:** The full remodeling of the Villacoapa and Galerías Coapa stores continue. Meanwhile Perisur's store is still renovating and extending.
- **iShop:** The change in the image of 2 iShop stores concluded.

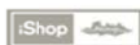
**WORKING CAPITAL**

The balance of the inventory account at December 31, 2016 was \$10,456 MM, increasing 13.6% from the balance at the end of December last year, which totaled \$9,205 MM. This change is explained by the procurement of merchandise of: the new stores such as Tampico Altama, Cuatro Caminos and Atizapan, the promotion of "El Buen Fin" and holiday season such as the increase in sales.

Considering the opening of new stores, accounts payable to suppliers were \$7,167 MM, which meant a reduction of 16.8% compared to the amount of the 4Q15. Lastly, accounts receivable totaled \$12,155 MM increasing 14.3% compared to the balance at end-4Q15.

**NOTE:**

Other: includes DAX, Sanborns Café Restaurants, Saks Fifth Avenue, Sears and Sanborns stores in Central America, Pam Pam industrial catering, Sanborns and Mixup credit cards and Plaza Loreto and Plaza Inbursa malls, royalties and corporate charges paid by our subsidiaries to Grupo Sanborns as well as eliminations of transactions between subsidiaries.



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**CONFERENCE CALL DETAILS (this quarter in Spanish with simultaneous translation to English):**

Date: **Monday February 27, 2017**

Time: **11:00-12:00 A.M. Mexico City/ 12:00 P.M.-13:00 P.M. NY (US EST)**

Access Numbers: 52 55 6722 5257 Mexico - Local

001 866 779 0965 México Freephone

1 (847) 585-4405 Internacional Toll

1 (888) 771-4371 US Toll Free

Access code: **44369375 for Spanish**

(Dial after the Access Number)

**44369378 for English**

**For Replay:**

Spanish: 1 (888) 843-7419 1 (630) 652-3042 **REF: 4436 9375##**

English: 1 (888) 843-7419 1 (630) 652-3042 **REF: 4436 9378##**

Availability: **15 days**

**ADDITIONAL CHARTS:**

Income Statement										
(Million Pesos)	4Q16		4Q15		Var %	2016		2015		Var %
Revenues	14,753	94.7%	13,566	94.9%	8.8%	44,411	93.3%	41,482	93.4%	7.1%
Consumer Credit Income	829	5.3%	722	5.1%	14.8%	3,183	6.7%	2,931	6.6%	8.6%
<b>Total Revenues</b>	<b>15,582</b>	<b>100.0%</b>	<b>14,288</b>	<b>100.0%</b>	<b>9.1%</b>	<b>47,594</b>	<b>100.0%</b>	<b>44,413</b>	<b>100.0%</b>	<b>7.2%</b>
COGS	9,603	61.6%	8,780	61.4%	9.4%	28,671	60.2%	26,937	60.7%	6.4%
<b>Gross Profit</b>	<b>5,979</b>	<b>38.4%</b>	<b>5,508</b>	<b>38.6%</b>	<b>8.5%</b>	<b>18,922</b>	<b>39.8%</b>	<b>17,476</b>	<b>39.3%</b>	<b>8.3%</b>
SG&A	3,965	25.4%	3,680	25.8%	7.8%	13,698	28.8%	12,805	28.8%	7.0%
Other income (expenses) Net	225	1.4%	229	1.6%	-1.6%	1,396	2.9%	237	0.5%	487.9%
<b>Operating Income</b>	<b>2,239</b>	<b>14.4%</b>	<b>2,057</b>	<b>14.4%</b>	<b>8.8%</b>	<b>6,620</b>	<b>13.9%</b>	<b>4,908</b>	<b>11.1%</b>	<b>34.9%</b>
Comprehensive Financial Result	15	0.1%	96	0.7%	-84.5%	58	0.1%	147	0.3%	-60.4%
Share of Profit of Associates and JV's.	60	0.4%	0	0.0%	NA	90	0.2%	0	0.0%	NA
<b>Income before Taxes</b>	<b>2,313</b>	<b>14.8%</b>	<b>2,153</b>	<b>15.1%</b>	<b>7.4%</b>	<b>6,769</b>	<b>14.2%</b>	<b>5,055</b>	<b>11.4%</b>	<b>33.9%</b>
Taxes	702	4.5%	677	4.7%	3.8%	2,035	4.3%	1,597	3.6%	27.4%
<b>Consolidated Net Income</b>	<b>1,611</b>	<b>10.3%</b>	<b>1,477</b>	<b>10.3%</b>	<b>9.1%</b>	<b>4,734</b>	<b>9.9%</b>	<b>3,458</b>	<b>7.8%</b>	<b>36.9%</b>
Profit attributable to non-controlling int.	69	0.4%	153	1.1%	-54.7%	268	0.6%	368	0.8%	-27.3%
<b>Profit attributable to owners of parent Co.</b>	<b>1,542</b>	<b>9.9%</b>	<b>1,324</b>	<b>9.3%</b>	<b>16.5%</b>	<b>4,466</b>	<b>9.4%</b>	<b>3,090</b>	<b>7.0%</b>	<b>44.5%</b>
<b>EBITDA</b>	<b>2,411</b>	<b>15.5%</b>	<b>2,168</b>	<b>15.2%</b>	<b>11.2%</b>	<b>6,474</b>	<b>13.6%</b>	<b>5,707</b>	<b>12.9%</b>	<b>13.4%</b>

<b>Balance Sheet figures</b>			
<b>(Million Pesos)</b>	<b>4Q16</b>	<b>4Q15</b>	<b>Var %</b>
Cash & Equivalents	1,714.4	3,904.5	-56.1%
Trade Receivables	12,155.4	10,633.4	14.3%
Other Trade Receivables	280.6	234.7	19.6%
Recoverable Taxes	680.9	604.0	12.7%
Other Financial Assets	0.0	951.0	NA
Inventories	10,455.9	9,204.6	13.6%
Other Non-Financial Assets	144.5	126.9	13.9%
<b>Current Assets</b>	<b>25,431.7</b>	<b>25,659.0</b>	<b>-0.9%</b>
Other Non-Current Trade Receivables	10.1	27.5	-63.1%
Other Non-Current Financial Assets	0.0	1.3	NA
Investments in subsidiaries and associates	1,913.5	0.0	NA
Property, Plant and Equipment	14,400.6	12,608.5	14.2%
Investment Properties	2,207.9	2,086.2	5.8%
Intangible Assets and Goodwill	23.8	1.2	1924.6%
Deferred Tax Assets	600.6	362.9	65.5%
Other Non-Current Non-Fin. Assets	596.8	617.4	-3.3%
<b>Non-Current Assets</b>	<b>19,753.4</b>	<b>15,705.0</b>	<b>25.8%</b>
<b>Total Assets</b>	<b>45,185.0</b>	<b>41,364.0</b>	<b>9.2%</b>
Trade Payables	7,166.8	6,135.5	16.8%
Short-Term Taxes Payable	2,153.3	2,065.9	4.2%
Short-Term Bank Debt	0.0	0.0	0.0%
Other Current Financial Liabilities	854.9	500.3	70.9%
Current Provisions	2,295.2	2,050.0	12.0%
<b>Current Liabilities</b>	<b>12,470.2</b>	<b>10,751.7</b>	<b>16.0%</b>
Long-Term Taxes Payable	444.2	245.9	80.6%
Long-Term Bank Debt	0.0	0.0	0.0%
Other L.T. Financial Liabilities	12.3	0.0	NA
Other Non-Financial L.T. Liabilities	0.0	0.0	0.0%
Long-Term Provisions	142.0	161.9	-12.3%
Deferred Tax Liabilities	1,164.9	809.4	43.9%
<b>Non-Current Liabilities</b>	<b>1,763.3</b>	<b>1,217.2</b>	<b>44.9%</b>
<b>Total Liabilities</b>	<b>14,233.5</b>	<b>11,968.9</b>	<b>18.9%</b>
<b>Stockholder's Equity</b>	<b>30,951.5</b>	<b>29,395.1</b>	<b>5.29%</b>
Shares Outstanding ( '000)	2,301,023	2,310,971	-0.4%
Closing Stock Price	21.69	26.36	-17.7%
NA=Not Applicable			