



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

Earnings Report

1Q 2020

Mexico City, April 23, 2020 – Grupo Sanborns, S.A.B. de C.V. (BMV: GSANBOR OTC: GSAOY) announced today its results for the first quarter of 2020.

RELEVANT AND CORPORATE EVENTS

- On April 3, 2020 Grupo Sanborns informed the investing public that in response to the agreement establishing extraordinary actions **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.**

From March 31 to April 30, 2020, all Sears and Saks Fifth Avenue stores were temporarily closed. Of the Sanborns stores, only 96 Sanborns and 22 Sanborns Café stores temporarily closed, and the rest remain open, complying with sanitary measures and providing essential products and services in the pharmacy and telecommunications departments. Most of the iShop stores are still open. Dax stores continue 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 take-away prepared food and beverages.

We will continue to serve our customers in our digital stores: www.sears.com.mx, www.sanborns.com.mx, www.ishopmixup.com, www.claroshop.com, www.dax.com.mx. Our distribution centers will continue to operate with the protocols established by the health authority.

- The **Annual Ordinary Shareholders' Meeting** of Grupo Sanborns S.A.B. de C.V. will be held on next Thursday April 30, 2020, where the proposal for the application of results for the 2019 financial year will be presented for discussion and approval.

HIGHLIGHTS

- Total sales** were \$11,323 million pesos with a variation of -1.4%.
- The **credit portfolio** totaled \$11,374 million, similar to the previous year, and the percentage of past-due loans improved from 3.5% to 4.2% in the 1Q19.
- The **Gross margin** of Sears improved 10 percentage points.
- Operating and Administrative expenses** decreased 1.3% and remained stable at 31.9% in proportion to sales.

FINANCIAL SUMMARY (Million pesos, MM MXN)

Consolidated Results	1Q20	1Q19	Var%
Revenues	11,323	11,478	-1.4%
Gross Profit	4,245	4,521	-6.1%
Operating Income	613	861	-28.8%
Controlling Net Income	304	535	-43.2%
Control. Net Income ex IFRS16	315	548	-42.5%
EBITDA	1,066	1,394	-23.5%
EBITDA excluding IFRS16	740	1,078	-31.3%
Gross Margin	37.5%	39.4%	
Operating Margin	5.4%	7.5%	
EBITDA Margin	9.4%	12.1%	
EBITDA Margin ex IFRS16	6.5%	9.4%	

TOTAL AND SAME STORE SALES (SSS)

In the first quarter of the year, **the total sales** of Grupo Sanborns were Ps. 11,323 million, decreasing 1.4%. In January, clearance and special sales boosted results, and a positive calendar effect was seen due to the leap year and additional days in February. However; the “stay-at-home” recommendation to reduce the risks of contagion by the Covid-19 caused consumer spending in the last two weeks of March to focus on “essential items”, decreasing sales of fashion, perfumery, music CD´s and accessories at Sears and Sanborns. Sales of technology and computers increased in the three most important formats, mainly in Promotora Musical, as a result of “home-office” and internet connection for remote work activities.

GROSS PROFIT AND OPERATING EXPENSES (SG&A)

Gross Profit decreased 6.1% totaling Ps. 4,245 million. Gross margin was 37.5%. In Sears the gross margin increased 10 percentage points, but decreased at Sanborns, Promotora Musical and Other Formats.

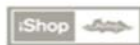
Sales and administrative expenses reduced 1.3% but remained stable at 31.9% regarding sales. Lower administration, promotion and advertising expenses, as well as less reserves and non-performing accounts explained this effect, which compensated the salary and wage increases.

Given the health contingency and the closing of stores in April, we are implementing additional measures for reduction and containment of general expenses, as well as strict inventory controls.

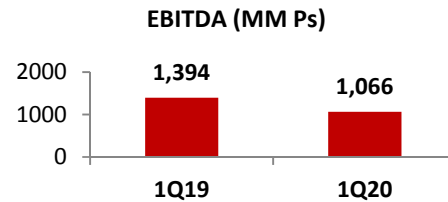
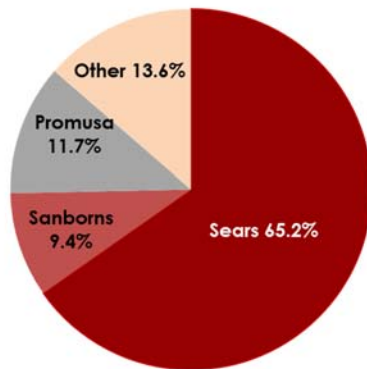
OPERATING INCOME AND EBITDA

Operating Income decreased 28.8% totaling Ps. 613 million. Operating Margin was 5.4% versus 7.5% in the previous years.

Quarterly EBITDA decreased 23.5%, totaling Ps. 1,066 million, with a margin of 9.4%. Quarterly EBITDA figures without considering accounting changes in IFRS 16 were Ps. 740 million in the 1Q20, compared to Ps. 1,078 million in the 1Q19, with margins of 6.5% and 9.4%, respectively.



EBITDA Breakdown
Grupo Sanborns 1Q20



COMPREHENSIVE FINANCIAL RESULT (CFR)

(MM MXN)			
Financial Results	1Q20	1Q19	Var%
Interest Expenses	-183	-178	3.0%
Interest Income	70	65	7.9%
Interest (net)	-113	-113	0.1%
ForEx Results	-95	11	NA
CFR	-208	-101	105.0%

NA= Not applicable

The **Comprehensive Financing Result** represented an expense of Ps. 208 million, being higher compared to an expense of Ps. 101 million in the same quarter of last year. The variation was mainly due to a ForEx loss which had a total impact of Ps. 106 million in the 1Q20.

NET INCOME

Controlling net income for the 1Q20 totaled Ps. 304 million, lower than the Ps. 535 million recorded in the 1Q19. Quarterly net controlling income figures, excluding accounting changes in IFRS 16, were Ps. 315 million in the 1Q20, compared to Ps. 548 million in the 1Q19.

CREDIT BUSINESS

248 thousand new carholders have been added, with the number of own cards reaching 4.5 million, compared to 4.2 million at the end of March 2019. The percentage of past-due loans over 90 days was 3.5% improving compared to 4.2% in the 1Q19.

The **loan portfolio** remained relatively constant with a variation of -0.9%, totaling Ps. 11,734 million. Credit income went from Ps. 1,038 to Ps. 1,024 million, which meant a decrease of 1.4% in the 1Q20.

In the face of the health emergency, our reception of credit card payments continues digitally and we have implemented other channels like bank branches. We will continue granting credit carefully and monitoring collection activities, with a balance between credit promotions versus greater discounts.

Credit Indicators	1Q20	1Q19	Var%
Credit Portfolio (MM Ps)	11,734	11,839	-0.9%
Num. Credit cards issued (MM)	4.46	4.21	5.9%
Non-performing loans (%)	3.5%	4.2%	

DEBT

As of March 31, Grupo Sanborns recorded **bank debt** of Ps. 1,000 million, while the amount of cash totaled Ps. 1,037 million compared to Ps. 1,690 million at the end of December 2019. This decrease of Ps. 653 million in cash was due to the payment of suppliers for the merchandise of the winter season.

CAPITAL EXPENDITURES (CapEx)

Investments in fixed assets totaled Ps. 276 million, an amount that was 12.5% higher than Ps. 245 million the previous year. This was due to the renovation of stores and acquisition of fixed assets in all the formats in the first three months of the year. All projects have stopped indefinitely.

RETAIL SPACE AND NUMBER OF STORES

As of March 31, 2020 the sales area totaled 1,231,891 sqm including 449 stores, or a variation of 0.3% in the consolidated retail space compared to the same periodo f the previous year.

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

- **Sanborns:** On January 31, 2020 the Santa Fe Garden store closed in Mexico City as well as the Panama store in the capital of that country.



Sales Area	March 2020				March 2019				Sqm Var%
	Units	Retail Sqm	Leaseable Sqm		Units	Retail Sqm	Leaseable Sqm		
Sears	97		868,643		97		869,060		0.0%
Sanborns	163		252,213		166		254,707		-1.0%
Promotora Musical	136		42,482		130		41,651		2.0%
Other*	53		68,553		54		70,123		-2.2%
Shopping Centers		2		71,225		2		71,225	0.0%
Total	449	2	1,231,891	71,225	447	2	1,235,541	71,225	-0.3%

*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 inventories as of March 31, 2020 was Ps. 12,390 million, decreasing 1.3% compared to the balance at the end of December of the previous year, which was Ps. 12,550 million. Trade payables were Ps. 6,163 million, which meant a decrease of 29.0% in relation to the amount as of December 2019 of Ps. 8,685 million. Trade receivables were Ps. 10,580 million. In the wake of the Covid-19 health contingency, inventory levels and purchasing plans are being managed at conservative levels for all of our business formats.

CONTACTS FOR INVESTORS:

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CONFERENCE CALL DETAILS

Date: Friday April 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
 1 (888) 771-4371 US Toll-Free
 1 (514) 841-2157 Canada Toll
 1 (866)-215-5508 Canada Toll-Free

Access Code: **4961 0915# for Spanish**
4961 0948# 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: 4961 0915# for Spanish
 REF: 4961 0948# for English

Availability: Until May 6, 2020

ADDITIONAL CHARTS:

Income Statement						
(Million Pesos)	1Q20		1Q19		Var %	
Total Revenues	11,323	100.0%	11,478	100.0%	-1.4%	
COGS	7,077	62.5%	6,958	60.6%	1.7%	
Gross Profit	4,245	37.5%	4,521	39.4%	-6.1%	
SG&A	3,614	31.9%	3,661	31.9%	-1.3%	
Other income (expenses) Net	-18	-0.2%	1	0.0%	NA	
Operating Income	613	5.4%	861	7.5%	-28.8%	
Comprehensive Financial Result	-208	-1.8%	-101	-0.9%	105.0%	
Share of Profit of Associates and JV's.	6	0.1%	32	0.3%	-80.5%	
Income before Taxes	412	3.6%	792	6.9%	-48.0%	
Taxes	80	0.7%	226	2.0%	-64.5%	
Consolidated Net Income	331	2.9%	566	4.9%	-41.5%	
Profit attributable to non-controlling int.	28	0.2%	31	0.3%	-11.4%	
Profit attributable to owners of parent Co.	304	2.7%	535	4.7%	-43.2%	
EBITDA	1,066	9.4%	1,394	12.1%	-23.5%	



Balance Sheet figures			
(Million Pesos)	1Q20	4Q19	Var %
Cash and cash equivalents	1,037.2	1,690.2	-38.6%
Trade and other current receivables	10,580.0	11,872.1	-10.9%
Current tax assets, current	1,333.8	1,338.7	-0.4%
Other Financial Assets	0.0	0.0	0.0%
Current inventories	12,390.1	12,549.7	-1.3%
Other current non-financial assets	212.9	78.5	171.1%
Total Current Assets	25,553.9	27,529.1	-7.2%
Trade and other non-current receivables	1,416.1	1,488.1	-4.8%
Other Non-Current Financial Assets	1.3	1.3	0.0%
Investments in subsidiaries, JV and associates	3,529.4	3,523.1	0.2%
Property, Plant and Equipment	14,076.2	14,102.3	-0.2%
Investment Property	2,507.3	2,507.3	0.0%
Right-of-use assets not investment property	5,003.3	5,158.8	-3.0%
Intangible assets other than goodwill	90.9	68.6	32.4%
Deferred Tax Assets	2,070.3	1,922.8	7.7%
Other Non-Current Non-Financial Assets	390.3	390.7	-0.1%
Total Non-current Assets	29,084.9	29,162.9	-0.3%
Total Assets	54,638.8	56,692.1	-3.6%
Trade and other current payables	6,163.1	8,684.7	-29.0%
Current tax liabilities, current	2,276.7	2,823.9	-19.4%
Other Current Financial Liabilities	1,000.0	0.0	0.0%
Current lease liabilities	1,271.9	1,243.5	2.3%
Other current non-financial liabilities	717.3	882.2	-18.7%
Current Provisions	2,282.1	2,283.1	0.0%
Total Current Liabilities	13,711.2	15,917.4	-13.9%
Current tax liabilities, non-current	631.5	733.5	-13.9%
Non-current lease liabilities	4,800.4	4,964.4	-3.3%
Non-current provisions for employee benefits	732.4	717.6	0.0%
Other non-current non-financial liabilities	18.2	0.0	NA
Deferred Tax Liabilities	1,206.9	1,202.9	0.3%
Total Non-current liabilities	7,389.3	7,618.4	-3.0%
Total Liabilities	21,100.5	23,535.8	-10.3%
Total Equity	33,538.3	33,156.3	1.2%
Shares Outstanding (´000)	2,260,534	2,261,068	0.0%
Closing Stock Price	23.00	24.50	-6.1%

NA=Not Applicable