



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

Earnings Report

2Q 2019

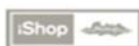
Mexico City, July 23, 2019 – Grupo Sanborns, S.A.B. de C.V. (BMV: GSANBOR OTC: GSAOY) announced today its results for the second quarter of 2019.

RELEVANT EVENTS AND HIGHLIGHTS WITH IFRS 16

- Grupo Sanborns informed investors that on July 15 and 19, 2019, reached a 33.27% stake in the capital of the Mexican company **Miniso BF Holding, S. de R.L. de C.V.**, which has an important investment plan for the next three years in Mexico and Latin America. In Mexico, its expansion will generate around 1,670 direct jobs.
- 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 2Q19 totaling Ps. 12,052 million pesos.
- Consolidated **gross margin** increased to 39.9%.
- The **loan portfolio** reached Ps. 11,655 million and the percentage of non-performing loans improved to 4.3%.
- During the 2Q19, 2 iShop stores were opened, one in the Paseos Monclova Shopping Center in the state of Coahuila, and another one in the Alaia Shopping Center in Guanajuato, Guanajuato.
- On June 20, 2019, **the first exhibition of \$0.46 (zero pesos 46/100 M.N) per share was paid**, of the cash dividend of \$0.92 (zero pesos 92/100 M.N) decreed at the Annual Ordinary Shareholders Meeting.

FINANCIAL SUMMARY (Million pesos, MM MXN)

Consolidated Results	2Q19	2Q18	Var%	6M19	6M18	Var%
Revenues	12,052	11,877	1.5%	23,530	23,262	1.2%
Gross Profit	4,807	4,731	1.6%	9,328	9,215	1.2%
Operating Income	1,040	1,156	-10.1%	1,901	2,162	-12.1%
Controlling Net Income	623	627	-0.6%	1,158	1,360	-14.9%
Control. Net Income ex IFRS16	640	697	-8.2%	1,189	1,372	-13.3%
EBITDA	1,589	1,685	-5.7%	2,983	3,155	-5.4%
EBITDA excluding IFRS16	1,270	1,377	-7.8%	2,347	2,538	-7.5%
Gross Margin	39.9%	39.8%		39.6%	39.6%	
Operating Margin	8.6%	9.7%		8.1%	9.3%	
EBITDA Margin	13.2%	14.2%		12.7%	13.6%	
EBITDA Margin ex IFRS16	10.5%	11.6%		10.0%	10.9%	



TOTAL AND SAME STORE SALES (SSS)

During the second quarter of the year, the **total sales** of Grupo Sanborns amounted to Ps. 12,052 million, which meant an additional Ps. 174 million or an increase of 1.5%. This was due to a greater contribution from the non-comparable stores of Sears, Promotora Musical and Other formats.

GROSS PROFIT AND OPERATING EXPENSES (SG&A)

Gross profit increased 1.6% totaling Ps. 4,807 million. Gross margin was 39.9%, improving 10 basis points compared to the 2Q18. By format, Sanborns and Sears stood out with a better gross margin, while it decreased at Promotora Musical and Other Formats.

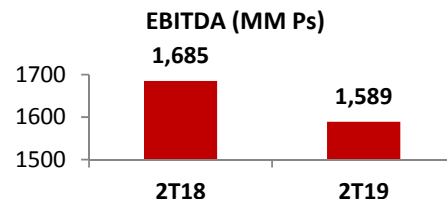
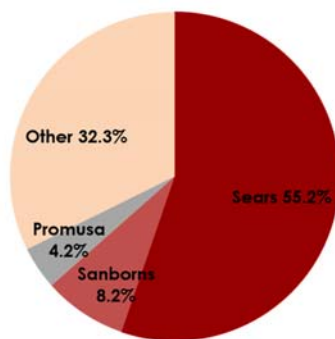
Operating and administrative expenses increased from 30.5% to 31.6% of sales. This variation was explained by higher rates of electricity, increases in wages and salaries, as well as salaries and expenses of non-comparable stores.

OPERATING INCOME AND EBITDA

Operating income decreased 10.1% to Ps. 1,040 million. The operating margin was 8.6% versus 9.7% last year.

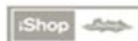
Quarterly **EBITDA** decreased 5.7% totaling Ps. 1,589 million, with a margin of 13.2%. Quarterly EBITDA figures without considering accounting changes in IFRS 16 were Ps. 1,270 million in 2Q19, compared to Ps. 1,377 million in 2Q18, with margins of 10.5% and 11.6%, respectively.

Operating Income Breakdown
Grupo Sanborns 2Q19



COMPREHENSIVE FINANCIAL RESULT (CFR)

A **comprehensive financing result** of Ps. -90 million was recorded, which was lower than the CFR for the same period of the previous year that was Ps. -198 million. This was mainly due to a foreign exchange gain compared to a foreign exchange loss in the 2Q18.



(MM MXN)						
Financial Results	2Q19	2Q18	Var%	6M19	6M18	Var%
Interest Expenses	-174	-159	9.5%	-352	-319	10.2%
Interest Income	73	59	24.0%	138	112	22.8%
Interest (net)	-101	-100	1.0%	-214	-207	3.4%
ForEx Results	12	-98	NA	23	-4	NA
CFR	-90	-198	-54.7%	-191	-212	-9.6%

NA= Not applicable

NET INCOME

The **controlling net income** in the 2Q19, which totaled Ps. 623, remained similar with the Ps. 627 million recorded in the 2Q18. The quarterly controlling net profit figures without considering accounting changes in IFRS 16 were Ps. 640 million in the 2Q19, compared to Ps. 697 million in the 2Q18.

CREDIT BUSINESS

207 thousand new cardholders have been added, with which the number of own cards reached 4.26 million, compared to 4.05 million at the end of June 2018.

The percentage of non-performing loans over 90 days was 4.3% while in the 2Q18 was 4.9%.

The **loan portfolio** remained relatively constant with a variation of -1.0% totaling Ps. 11,655 million. Credit income increased from Ps. 938 to Ps. 991 million, which meant a 5.7% increase in the 2Q19.

Credit Indicators	2Q19	2Q18	Var%
Credit Portfolio (MM Ps)	11,655	11,771	-1.0%
Num. Credit cards issued (MM)	4.26	4.05	5.1%
Non-performing loans (%)	4.3%	4.9%	

DEBT

Grupo Sanborns had no **debt with cost** as of June 30, 2019, while the amount of cash totaled Ps. 1,229 million compared to Ps. 2,478 million at the end of December 2018. This decrease of Ps.1,249 million in cash was due to the payment of suppliers, the opening of stores during the semester and the payment of dividends.

CAPITAL EXPENDITURES (CapEx)

Investments in **fixed assets** totaled Ps. 404 million pesos, an amount that was 47.2% less than Ps. 767 million in the same period of the previous year. The estimated CapEx for 2019 is approximately Ps. 1,495 million and will focus on making spaces more efficient in the various renovations and extensions of the Group's different formats.

EXPANSIONS, RENOVATIONS AND NEW STORES

In the case of Sears, the Oaxaca store in the state of Oaxaca will be expanded and remodeled during 2019, for Sanborns, the Excelsior chocolate factory in Mexico City will be expanded and remodeled during the year.

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		2019
13	Gran Sur		2019
14	Uruapan Plaza Angora		2019
15	Las Américas Chetumal		2019
16	Galerías Santa Anita Gdl.		2019
17	Tijuana Alameda		2019
18	Mitkah Coyoacán		2019
19	Multiplaza Aragón		2019
Major Renovations:			
1	Parroquia		2019
2	Irapuato		2019
3	Reforma 222		2019
4	Atizapán		2019
5	Galerías Querétaro		2019
6	Neza		2019

RETAIL SPACE AND NUMBER OF STORES

Sales Area	June 2019			June 2018			Sqm Var%
	Units	Retail Sqm	Leaseable Sqm	Units	Retail Sqm	Leaseable Sqm	
Sears	97	869,060		95	837,945		3.7%
Sanborns	165	253,033		164	251,860		0.5%
Promotora Musical	131	41,861		115	38,938		7.5%
Other*	54	70,123		55	70,520		-0.6%
Shopping Centers		2	71,225		2	71,225	0.0%
Total	447	2	1,234,077	429	2	1,199,263	2.9%

*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.

As of June 30, 2019, the sales area totaled 1,234,077 m2 including 447 stores, or a 2.9% increase in the consolidated commercial area compared to the same period of the previous year.

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

- **iShop:** opened two stores, one in the Paseo Monclova Shopping Center in Coahuila, and another in the Alaia Shopping Center in Guanajuato, Guanajuato.
- **Sanborns:** closed the El Dorado store in Veracruz,
- **MixUp:** closed the Gran Sur store in Mexico City

WORKING CAPITAL

The balance of the inventories account as of June 30, 2019 was Ps. 11,377 million, decreasing 7.9% 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. 5,400 million, which meant a decrease of 40.8% in relation to the amount of the 4Q18. Accounts receivable from short-term customers totaled Ps. 10,450 million.

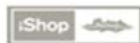
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CONFERENCE CALL DETAILS

Date: Friday, June 26, 2019
 Time: **11:00 A.M.-12:00 P.M. Mexico City Time / 12:00 A.M.-13:00 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: **4885 8907 for Spanish**
4885 8909 for English

Replay : 1 (630) 652-3000 Spanish REF: 4885 8907#
 English REF: 4885 8909#

Availability: Until August 07, 2019

ADDITIONAL CHARTS:

Income Statement (Million Pesos)	2Q19		2Q18		Var %	6M19		6M18		Var%
Total Revenues	12,052	100.0%	11,877	100.0%	1.5%	23,530	100.0%	23,262	100.0%	1.2%
COGS	7,244	60.1%	7,146	60.2%	1.4%	14,202	60.4%	14,047	60.4%	1.1%
Gross Profit	4,807	39.9%	4,731	39.8%	1.6%	9,328	39.6%	9,215	39.6%	1.2%
SG&A	3,807	31.6%	3,626	30.5%	5.0%	7,468	31.7%	7,098	30.5%	5.2%
Other income (expenses) Net	39	0.3%	51	0.4%	-23.6%	40	0.2%	45	0.2%	-9.6%
Operating Income	1,040	8.6%	1,156	9.7%	-10.1%	1,901	8.1%	2,162	9.3%	-12.1%
Comprehensive Financial Result	-90	-0.7%	-198	-1.7%	-54.7%	-191	-0.8%	-212	-0.9%	-9.6%
Share of Profit of Associates and JV's.	25	0.2%	23	0.2%	8.3%	57	0.2%	57	0.2%	-0.3%
Income before Taxes	975	8.1%	981	8.3%	-0.6%	1,767	7.5%	2,007	8.6%	-12.0%
Taxes	328	2.7%	325	2.7%	1.0%	554	2.4%	571	2.5%	-2.9%
Consolidated Net Income	647	5.4%	656	5.5%	-1.4%	1,213	5.2%	1,437	6.2%	-15.6%
Profit attributable to non-controlling int.	24	0.2%	29	0.2%	-17.8%	55	0.2%	76	0.3%	-27.9%
Profit attributable to owners of parent Co.	623	5.2%	627	5.3%	-0.6%	1,158	4.9%	1,360	5.8%	-14.9%
EBITDA	1,589	13.2%	1,685	14.2%	-5.7%	2,983	12.7%	3,155	13.6%	-5.4%

Balance Sheet figures			
(Million Pesos)	2Q19	4Q17	Var %
Cash & Equivalents	1,228.8	2,477.7	-50.4%
Trade Receivables	10,450.5	13,011.6	-19.7%
Recoverable Taxes	1,333.1	1,246.3	7.0%
Other Financial Assets	0.0	0.0	0.0%
Inventories	11,377.5	12,359.2	-7.9%
Other Non-Financial Assets	228.6	81.7	179.7%
Current Assets	24,618.5	29,176.4	-15.6%
Other Non-Current Trade Receivables	1,211.6	0.0 NA	
Other Non-Current Financial Assets	1.3	1.3	0.0%
Investments in subsidiaries and associates	2,329.5	2,272.6	2.5%
Property, Plant and Equipment	14,279.4	14,549.5	-1.9%
Investment Properties	2,415.6	2,415.6	0.0%
Assets for Rights of Use	5,382.2	5,484.4	-1.9%
Intangible Assets and Goodwill	35.6	38.2	-6.9%
Deferred Tax Assets	1,592.1	1,502.0	6.0%
Other Non-Current Non-Fin. Assets	683.6	683.0	0.1%
Non-Current Assets	27,930.7	26,946.5	3.7%
Total Assets	52,549.2	56,122.9	-6.4%
Trade Payables	5,400.4	9,115.2	-40.8%
Short-Term Taxes Payable	2,442.9	2,308.0	5.8%
Short-Term Bank Debt	0.0	0.0	0.0%
Other Current Financial Liabilities	0.0	0.0	0.0%
Short-Term Lease Liabilities	1,265.6	1,247.0	1.5%
Other Short-Term non-financial liabilities	936.8	1,043.0	-10.2%
Current Provisions	3,309.0	2,143.5	54.4%
Current Liabilities	13,354.7	15,856.8	-15.8%
Long-Term Taxes Payable	664.4	665.1	-0.1%
Long-Term Lease Liabilities	5,137.9	5,239.5	-1.9%
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	18.0	15.2	18.3%
Long-Term Provisions	61.2	56.5	8.4%
Deferred Tax Liabilities	1,259.2	1,242.6	1.3%
Non-Current Liabilities	7,140.7	7,218.9	-1.1%
Total Liabilities	20,495.4	23,075.7	-11.2%
Stockholder's Equity	32,053.8	33,047.3	-3.01%
Shares Outstanding ('000)	2,263,869	2,264,891	0.0%
Closing Stock Price	19.00	17.70	7.3%

NA=Not Applicable