

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

Earnings Report

4Q 2020

Mexico City February 15, 2021 – Grupo Sanborns, S.A.B. de C.V. (BMV: GSANBOR)

Results for the fourth quarter and full year 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.
- During the fourth quarter of 2020 **we achieved a reduction of Ps. 770 MM or -17.1% in administrative and sales expenses** without affecting the image and the service.
- **Inventory was optimized, reducing by 15.8%** in December 2020 vs. the inventory of December 2019 with lower purchase volumes.
- On November 30, 2020 ClaroShop.com, S.A. de C.V. merged ClaroShop.com holding, S.A. de C.V. and Empresa de Personal ClaroShop.com, S.A. de C.V.
- In Mexico City and the State of Mexico, **as of December 19, closure was again announced** for all non-essential activities, including restaurants, pharmacies, and convenience stores. In several states of Mexico, local authorities also implemented a reduction in operating hours and permitted capacity. In the case of the State of Mexico, **on February 1, 2021**, restaurants, department stores and shopping centers were allowed to open on weekdays with 20% capacity, and in the case of Mexico City, the reopening was delayed until **February 8, 2021**, with 20% capacity for shopping centers and department stores with 24-hour hours from Tuesday to Sunday and extended hours of operation for restaurants until 9:00 p.m. with outdoor service. These measures once again had an impact on customer traffic in the metropolitan area, a region where a large number of our physical points of sale are located. Sales and service to our customers continued through our 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 authorities..

HIGHLIGHTS OF THE QUARTER

- **Total sales** were Ps. 14,978 million with a variation of -15.7%.



- **Online sales grew 3.3x.**
- **General expenses decreased Ps. 770 MM** equivalent to savings of **17.1%** and improving from **25.3% to 24.8%** as percentage of sales.
- An extraordinary item of **Ps. 304 MM** was recorded due to valuation of labor obligations from the adjustment of the employee pension plan.
- **The Comprehensive Financing Result** decreased 51.2%, this expense being Ps. 29 MM lower than the previous year.
- **Customer and Other Non-Current Trade Receivables improved by Ps. 2,390 MM** in the 4Q20 vs. the 4Q19. The percentage of past due loans improved from 5.4% in the 3Q20 to 5.2% in the 4Q20.
- The **inventory balance** as of December 31, 2020 decreased by Ps. 1,984 MM or 15.8%, being Ps. 10,565 MM compared to Ps. 12,550 MM at the end of the 4Q19.
- **Current liabilities decreased Ps. 2,237 MM** or -14.1%, going from Ps. 15,899 MM in the 4Q19 to Ps. 13,663 MM in the 4Q20.

FINANCIAL SUMMARY (Million Pesos, MM MXN)

Consolidated Results	4Q20	4Q19	Var%	2020	2019	Var%
Revenues	14,978	17,771	-15.7%	39,613	53,288	-25.7%
Gross Profit	4,639	6,273	-26.0%	13,609	20,334	-33.1%
Operating Income	1,113	1,894	-41.2%	1,681	4,699	-64.2%
Controlling Net Income	469	1,235	-62.0%	727	2,949	-75.3%
Control. Net Income ex IFRS16	378	1,241	-69.6%	575	3,004	-80.8%
EBITDA	1,258	2,367	-46.9%	2,041	6,789	-69.9%
EBITDA excluding IFRS16	951	2,050	-53.6%	773	5,515	-86.0%
Gross Margin	31.0%	35.3%		34.4%	38.2%	
Operating Margin	7.4%	10.7%		4.2%	8.8%	
EBITDA Margin	8.4%	13.3%		5.2%	12.7%	
EBITDA Margin ex IFRS16	6.4%	11.5%		2.0%	10.3%	

TOTAL SALES

In the fourth quarter of the year, Grupo Sanborns' **total sales** were Ps. 14,978 million, decreasing 15.7%. Consumers delayed year-end shopping until the "El Buen Fin" promotional campaign, which took place from November 9 to 20, 2020, extending the days to 12 compared to 4 days in 2019 and just before authorities extended restrictions in various states of Mexico due to COVID-19 infections.

The categories in Sears and Sanborns that showed the best performance were: electronics, sports equipment, white line appliances, Christmas bazaar, dermocosmetics, video games, medicines and personal care items; while a lower demand for clothing and footwear and consumption in restaurants was reflected due to the sanitary restrictions of maintaining social distance, home-office, home-school and the closures of stores and restaurants during the Christmas season. At Promotora Musical, the launch of new models was carried out from October 23, 2020.





In mid-December, restaurants and department stores closed again, which reduced customer traffic in all formats, and various restrictions on hours and percentage of capacity continue. On the other hand, the dynamism of e-commerce sales continued, which grew 3.3x.

Cumulatively, total sales decreased 25.7%, going from Ps. 53,288 million in 2019 to Ps. 39,613 million pesos in 2020.

GROSS PROFIT AND OPERATING EXPENSES (SG&A)

The gross margin was 31.0%, compared to 35.3% in the 4Q19 due to a greater contribution of technology and electronic items within the mix. **Gross profit** totaled Ps. 4,639 million.

Cumulative Gross Profit decreased 33.1% with a gross margin that went from 38.2% to 34.4% of sales.

Operating expenses decreased from Ps. 4,491 MM to Ps. 3,721 MM in the 4Q20 and represented 24.8% of sales, decreasing 50 basis points compared to 25.3% in the 4Q19. Main savings came from selling expenses related to rents, lower energy consumption and payments of banking commissions. In the case of administrative expenses there were savings from less expansion expenses and payment of fees. Additionally there were less publicity and promotion expenses and depreciation. We continue to implement additional measures to reduce overhead, without affecting the image and service.

Annual operating and administrative expenses decreased 15.9% from Ps. 15,801 MM in 2019 to Ps. 13,281 MM in 2020.

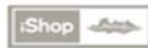
OPERATING INCOME AND EBITDA

Operating Income in the fourth quarter totaled Ps. 1,113 million compared to Ps. 1,894 MM in the 4Q19. The operating margin was 7.4% versus 10.7% of the previous year.

Cumulative operating income went from Ps. 4,699 MM to Ps. 1,681 MM in 2020.

For the purposes of calculating the **quarterly EBITDA**, Other Expenses of Ps. 45 MM in the 4Q20, of impairment of investment properties, and Other Income of Ps. 322 MM from valuation of labor obligations were not considered. This indicator decreased 46.9%, totaling Ps. 1,258 million, with a margin of 8.4% over sales.

For the calculation of the **annual EBITDA**, Other Net Income was not considered for Ps. 1,470 MM in 2020 comprised of Ps. -45 MM from impairment of investment properties, Ps. 1,489 MM from valuation of labor obligations due to the adjustments in the employee pension plan and Ps. 26 MM by reversal of impairment. Therefore, EBITDA in 2020 was Ps. 2,041 MM with a margin of 5.2%.





COMPREHENSIVE FINANCIAL RESULT (CFR)

(MM MXN)	4Q20	4Q19	Var%	2020	2019	Var%
Financial Results						
Interest Expenses	-72	-173	-58.7%	-712	-703	1.2%
Interest Income	0	99	-100.4%	270	297	-9.0%
Interest (net)	-72	-74	-2.9%	-442	-406	8.7%
ForEx Results	44	17	156.7%	-31	29	NA
CFR	-28	-57	-51.2%	-472	-377	25.3%

NA= Not applicable

The **Comprehensive Financial Result (CFR)** represented an expense of Ps. 28 million, reducing 51.2% compared to an expense of Ps. 57 million in the same quarter of last year. This variation was mainly due to a ForEx gain of Ps. 44 million, versus a For Ex gain of Ps. 17 million in the 4Q19.

The **cumulative CFR** was an expense of Ps. 472 MM compared to a CFR of Ps. 377 MM recorded during the previous year.

NET INCOME

Controlling net income decreased 62.0%, totaling Ps. 469 million pesos, including effects due to lower operating results. In the 4Q19 the net income was Ps. 1,235 million. The quarterly figures for the controlling net income, without considering the accounting changes in IFRS 16, were Ps. 378 million in the 4Q20, compared to Ps. 1,241 million in the 4Q19.

The annual controlling net income decreased 75.3% from Ps. 2,949 million in 2019 to Ps. \$727 million in 2020.

CREDIT BUSINESS

The number of own cards reached 4.48 million, increasing in 69 thousand new cardholders, compared to 4.41 million cards at the end of December 2019. The percentage of past due loans over 90 days was 5.2% compared to 3.6% in the 4Q19, but improving quarterly from 5.4% in the 3Q20.

The **loan portfolio** totaled Ps. 10,176 million at December 31, 2020, while credit income decreased 19.3% during the quarter and 9.8% during the year. As a consequence of the health emergency, our reception of credit card payments continued digitally and we implemented other channels in bank branches and some points of sale. We continued granting controlled credit lines and specific support to debtors.

Credit Indicators	4Q20	4Q19	Var%
Credit Portfolio (MM Ps)	10,176	12,909	-21.2%
Num. Credit cards (MM)	4.48	4.41	1.6%
Non-performing loans (%)	5.2%	3.6%	





CAPITAL EXPENDITURES (CapEx)

The expansion projects stopped. **Investments in fixed assets** as of December 31, 2020 totaled Ps. 467 million, an amount 47.9% lower than the figure of Ps. 895 million the previous year. This amount comprises investment in expansion and the new operating system in the first three months of the year.

RETAIL SPACE AND NUMBER OF STORES

As of December 31, 2020, the sales area totaled 1,200,799 sqm including 439 stores, with a 2.7% decrease in the consolidated retail area compared to the previous year.

Sales Area	December 2020			December 2019			Sqm Var%
	Units	Retail Sqm	Leaseable Sqm	Units	Retail Sqm	Leaseable Sqm	
Sears	96	855,840		97	868,014		-1.4%
Sanborns	153	237,267		164	253,635		-6.5%
Promotora Musical	139	43,242		136	42,482		1.8%
Other*	51	64,450		54	70,123		-8.1%
Shopping Centers			71,225			71,225	0.0%
Total	439	1,200,799	71,225	451	1,234,254	71,225	-2.7%

*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 fourth quarter, the following store movements were recorded:

- **Sears:** closed the Monterrey Esfera store in Nuevo León,
- **Sanborns:** closed the San Angel store in Mexico City, Durango Center in the city of Durango, the store in León Guanajuato and the Tampico Altama store in Tamaulipas,
- **iShop:** opened the Las Américas Playa del Carmen store in Quintana Roo, and Koral Center Los Cabos, in Baja California.

WORKING CAPITAL

The inventory account balance was optimized, decreasing by Ps. 1,984 MM or -15.8% totalling Ps. 10,565 million compared to the balance at the 4Q19, which was Ps. 12,550 million. **Suppliers and other short-term accounts payable were Ps. 8,362 million, which meant a decrease of Ps. 323 million compared to the amount as of December 2019 of Ps. 8,685 million.**

CONTACTS FOR INVESTORS:

Mario Bermudez Dávila
 Chief Financial Officer off Grupo Sanborns
 T. +52 (55) 5257-9323
mbermudez@sears.com.mx

Angelica Piña Garnica
 Investor Relations Manager
 T. +52 (55) 1101-2956
napinag@gcarso.com.mx





CONFERENCE CALL DETAILS

Date: Tuesday, February 16, 2021
 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 : **5010 0407# for Spanish**
5010 0408# 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: 5010 0407# for Spanish
 REF: 5010 0408# for English

Availability: Until March 16, 2021

ADDITIONAL CHARTS:

Income Statement (Million Pesos)											
	4Q20		4Q19		Var %	2020		2019		Var%	
Total Revenues	14,978	100.0%	17,771	100.0%	-15.7%	39,613	100.0%	53,288	100.0%	-25.7%	
COGS	10,339	69.0%	11,498	64.7%	-10.1%	26,004	65.6%	32,954	61.8%	-21.1%	
Gross Profit	4,639	31.0%	6,273	35.3%	-26.0%	13,609	34.4%	20,334	38.2%	-33.1%	
SG&A	3,721	24.8%	4,491	25.3%	-17.1%	13,281	33.5%	15,801	29.7%	-15.9%	
Other income (expenses) Net	195	1.3%	112	0.6%	74.9%	1,354	3.4%	166	0.3%	714.7%	
Operating Income	1,113	7.4%	1,894	10.7%	-41.2%	1,681	4.2%	4,699	8.8%	-64.2%	
Comprehensive Financial Result	-28	-0.2%	-57	-0.3%	-51.2%	-472	-1.2%	-377	-0.7%	25.3%	
Share of Profit of Associates and JV's.	20	0.1%	16	0.1%	30.9%	-134	-0.3%	117	0.2%	NA	
Income before Taxes	1,106	7.4%	1,852	10.4%	-40.3%	1,074	2.7%	4,439	8.3%	-75.8%	
Taxes	571	3.8%	566	3.2%	0.7%	261	0.7%	1,350	2.5%	-80.7%	
Consolidated Net Income	535	3.6%	1,286	7.2%	-58.4%	814	2.1%	3,090	5.8%	-73.7%	
Profit attributable to non-controlling int.	67	0.4%	51	0.3%	30.3%	86	0.2%	141	0.3%	-38.8%	
Profit attributable to owners of parent Co.	469	3.1%	1,235	6.9%	-62.0%	727	1.8%	2,949	5.5%	-75.3%	
EBITDA	1,258	8.4%	2,367	13.3%	-46.9%	2,041	5.2%	6,789	12.7%	-69.9%	





Balance Sheet figures			
(Million Pesos)	4Q20	4Q19	Var %
Cash & Equivalents	3,990.6	1,690.2	136.1%
Trade Receivables	9,672.9	11,872.1	-18.5%
Recoverable Taxes	1,336.8	1,338.7	-0.1%
Other Financial Assets	98.6	78.5	0.0%
Inventories	10,565.3	12,549.7	-15.8%
Other Non-Financial Assets	0.0	0.0	0.0%
Current Assets	25,664.1	27,529.1	-6.8%
Other Non-Current Trade Receivables	1,297.2	1,488.1	-12.8%
Other Non-Current Financial Assets	1.3	1.3	0.0%
Investments in subsidiaries and associates	2,636.2	3,523.1	-25.2%
Property, Plant and Equipment	13,114.9	14,102.3	-7.0%
Investment Properties	2,462.5	2,507.3	-1.8%
Assets for Rights of Use	4,399.7	5,158.8	-14.7%
Intangible Assets and Goodwill	175.8	68.6	156.3%
Deferred Tax Assets	1,841.9	1,922.8	-4.2%
Other Non-Current Non-Fin. Assets	961.8	390.7	146.2%
Non-Current Assets	26,891.3	29,162.9	-7.8%
Total Assets	52,555.4	56,692.1	-7.3%
Trade Payables	8,361.5	8,684.7	-3.7%
Short-Term Taxes Payable	1,209.7	2,823.9	-57.2%
Short-Term Lease Liabilities	1,118.2	1,243.5	-10.1%
Other Short-Term non-financial liabilities	704.5	882.2	-20.1%
Current Provisions	2,286.6	2,283.1	0.2%
Current Liabilities	13,680.5	15,917.4	-14.1%
Long-Term Taxes Payable	324.7	733.5	-55.7%
Long-Term Lease Liabilities	4,112.0	4,964.4	-17.2%
Other L.T. Non-Financial Liabilities	0.0	0.0	0.0%
Long-Term Provisions for employee benefits	57.3	717.6	-92.0%
Deferred Tax Liabilities	1,072.6	1,202.9	-10.8%
Non-Current Liabilities	5,566.6	7,618.4	-26.9%
Total Liabilities	19,247.1	23,535.8	-18.2%
Stockholder's Equity	33,308.3	33,156.3	0.46%
Shares Outstanding (´000)	2,257,687	2,261,068	-0.1%
Closing Stock Price	19.26	24.50	-21.4%
NA=Not Applicable			