

Controladora Mabe

1Q18 Earnings Release



Cuando tu hogar funciona,
todo funciona.



Results Overview

CONTROLADORA MABE, S.A. DE C.V.

Net revenues during the first quarter of 2018 reached US\$627MM, growing 0.4% versus the first quarter of 2017.

Canada, the US and Mexico remain the largest revenue generators, representing the majority of Mabe's sales.

The US and Canada contributed with 39% and 11% for the quarter and combined sales climbed 6%.

Mexico generated 25% of Mabe's revenues and showed an increase of 3% vs last year in MXN and 11% in USD.

Sales in Latin America were adverse and scaled back 15% in local currencies and 19% on a USD-basis.

Our International business reported a 1% decline in sales for the quarter.

Affected by very specific events, EBITDA for the quarter scaled back 36% to US\$32MM.

Total debt increased 8.0% from US\$836MM in 1Q17 to US\$903MM as of 1Q18, similarly our net debt increased from US\$790MM to US\$858MM.



Units 1Q

2018	2017	Δ vs 2017
2,362	2,380	(0.8%)



Sales 1Q

2018	2017	Δ vs 2017
627	624	0.4 %



EBITDA 1Q

2018	2017	Δ vs 2017
32	50	(35.8%)



EBITDA MARGIN 1Q

2018	2017	Δ vs 2017
5.1%	8.0%	(2.9%)



CapEx 1Q

2018	2017	Δ vs 2017
32	34	(4.9%)



Net Debt 1Q

2018	2017	Δ vs 2017
858	790	8.5 %



Net Leverage 1Q

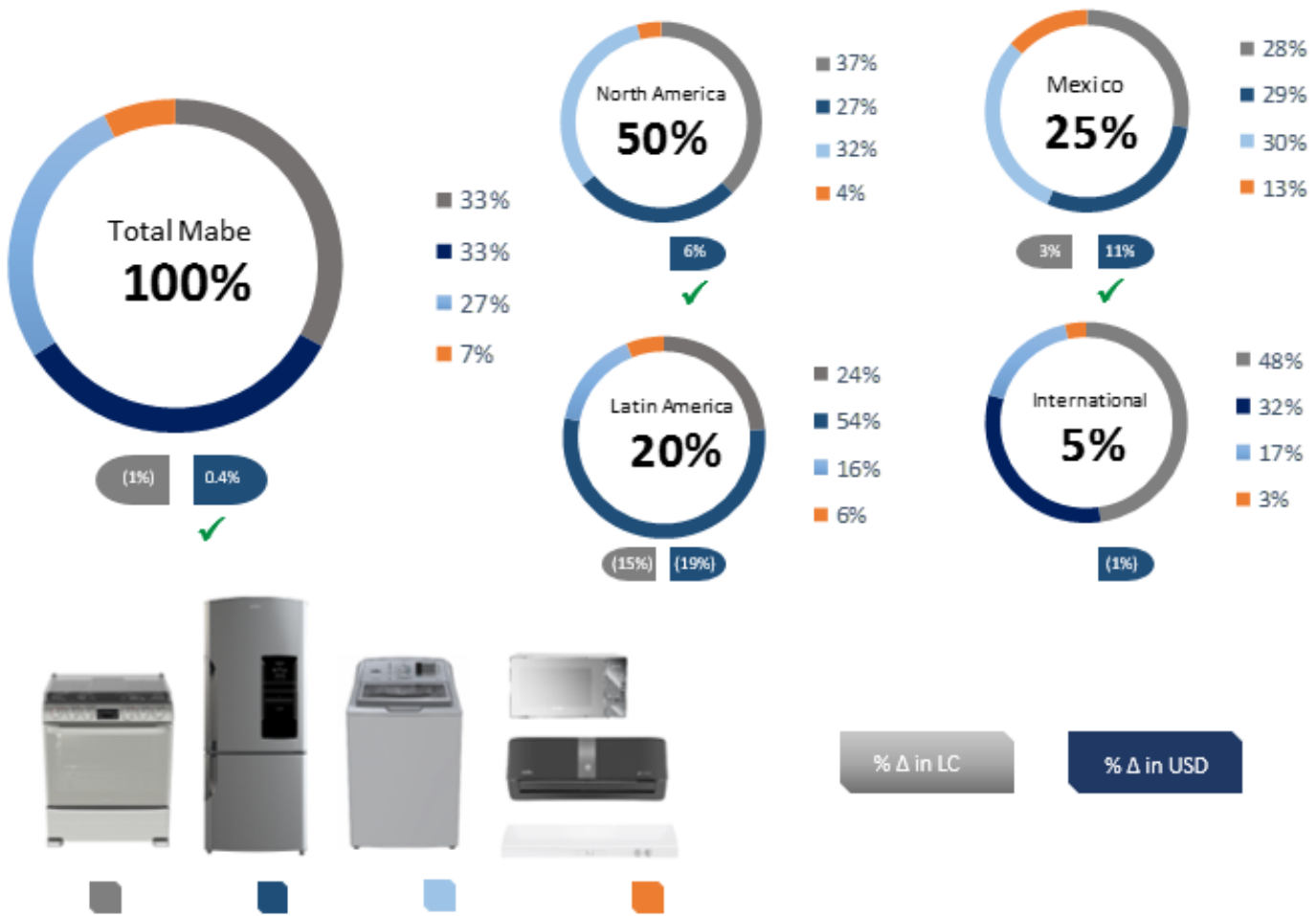
2018	2017	Δ vs 2017
3.86	2.80	1.06x



Net Interest Coverage 1Q

2018	2017	Δ vs 2017
2.85	4.17	(1.32x)

Operating Results



SALES

Total Mabe sales retracted 1% in local currencies and grew 0.4% in USD, vs 1Q17, reaching US\$627MM.

Our total sales were distributed as follows: refrigeration 33%, cooking 33%, laundry 27%, and global products 7%.

North America contributed with 50% of total sales, increasing 5.7% when compared to 1Q17. Our sales from exports to the US increased 4.5% vs last year with a 3.3% growth in volume. As we have mentioned in previous times, our products sold in the US have stronger margins, from lower costs of products due to constant negotiations with suppliers; similarly, we have competitive manufacturing costs attributable to the integration of factories and production in Mexico.

Mexico represented 25% of total sales during the quarter, showing a 10.8% growth in USD and 2.5% rise in local currency.

Latin America had negative quarterly results, having contracted 14.5% in local currencies and 19.0% in USD terms, when compared to 1Q17 results, and contributed with 25% of Mabe's total revenues. We registered decreases throughout the region.

As for our International business, it retracted 1%.

COGS AND CONTRIBUTION MARGIN:

Cost of goods sold for the quarter reached US\$538MM, marking a 3.8% rise when compared to COGS for 1Q17, pressured by raw material price inflation, paired with the effects of FX. With a gross profit of US\$89MM, our gross margin suffered a 2.8% loss to 14.1%.

OPERATING EXPENSES:

As mentioned in previous quarters, the launch of new projects alongside Haier, coupled with growth across our geographies, our SG&A for 1Q18 stood at US\$82MM.

OPERATING PROFIT AND EBITDA:

Operating profit was down 95% to US\$1.3MM for 1Q18, while EBITDA totaled US\$32.1MM, showing a 35.8% drop when compared to 1Q17. Consequently, our EBITDA margin decreased to 5.1% for the quarter. The decreases respond to lower contributions from our operations in LatAm and product recalls.

COST OF FINANCING:

On the back of rising interest rates, and higher debt our net financial expenses stood at US\$12MM, higher than the US\$6MM from 1Q17.

RESTRUCTURING AND OTHER CHARGES:

Restructuring expenses remained practically unchanged at US\$2MM, and they are related to severance payments and restructuring expenses in Argentina.

CAPEX:

During the quarter, capital expenditures reached US\$31.9MM, of which US\$24.2MM were used for expansionary purposes. CapEx was allocated for the following:

- Laundry – Saltillo capacity increase in order to satisfy demand in the US, additional plant automation
- Refrigeration – increase plant capacity in Celaya, adhere to R600 coolant standards in Manizales, launch of a new 36" Bottom Freezer for North America
- Cooking – beginning production of new platform for Latin America, including Mexico, plant capacity increase, new 20" and 24" range platform for the US

WORKING CAPITAL:

We had a working capital variation of US\$216MM. Changes respond to a US\$64MM growth in both A/R and inventories, while A/Ps were reduced by US\$152MM

DEBT STRUCTURE:

Gross debt reached US\$903MM by the end of March 2018. Long-term debt contracted 1% to US\$745MM and represents 83% of the total debt. The average life of our debt is 3.01 years, with an average interest rate of 7.48%. Currency mix is 82.1% in USD, 13.2% in MXN, 2.8% in CAD, and the remaining 1.9% in ARS. On a net debt basis, we closed the first quarter of 2018 with a total of US\$858MM, resulting in a net leverage to EBITDA ratio of 3.86x.

Controladora Mabe S.A. de C.V.
Consolidated Condensed Income Statement (Unaudited)
(US\$MM)

	<u>1Q18</u>	<u>1Q17</u>
Net Sales	627	624
COGS	<u>538</u>	<u>518</u>
Gross Income	89	106
SG&A	<u>82</u>	<u>82</u>
Operating Income	6	24
Net Interest (Income) / Expense	22	17
Commissions	1	1
FX (Gain) / Loss	(10)	(13)
Net Financing Cost	12	6
Restructuring & Other Charges	<u>2</u>	<u>2</u>
Income / (Loss) Before Income Tax	(8)	16
Income Tax Expense	<u>1</u>	<u>1</u>
Consolidated Net Income / (Loss)	<u>(9)</u>	<u>15</u>

Controladora Mabe S.A. de C.V.
Consolidated Condensed Balance Sheet (Unaudited)
(US\$MM)

	<u>1Q18</u>	<u>1Q17</u>
Assets		
Current Assets		
Cash and Cash Equivalents	45	46
Accounts Receivables, net	414	365
Tax Receivables	54	77
Inventories, net	348	314
Total Current Assets	<u>861</u>	<u>802</u>
Net PP&E	865	818
Deferred Taxes	113	134
Other Assets, net	570	525
Total Assets	<u>2,409</u>	<u>2,279</u>
Liabilities		
Current Liabilities		
Current Maturities of LT Debt & ST Debt	155	79
Notes and Accounts Payables to Suppliers	741	684
Other Accounts Payables and Accrued Liabilities	140	122
Income Tax Payable	48	49
Total Current Liabilities	<u>1,083</u>	<u>933</u>
Long-Term Debt	748	758
Employee Retirement Obligations	28	27
Financial Instruments	4	10
Deferred Taxes	10	43
Other LT Liabilities	49	29
Total Liabilities	<u>1,922</u>	<u>1,800</u>
Total Equity	<u>487</u>	<u>479</u>
Total	<u>2,409</u>	<u>2,279</u>

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COMMENTS ON OUR FINANCIAL STATEMENTS:

This Press Release contains our unaudited condensed consolidated financial statements as of March 31st, 2018 and March 31st, 2017. Since January 1st, 2010 we have prepared our condensed financial statements in U.S. Dollars, which represent the functional currency applicable to Controladora Mabe. Other periods were translated by using the average foreign exchange rate of the reported period for income statement accounts. Furthermore, since January 1st, 2012, our financial statements are reported in accordance with the International Financial Reporting Standards, referred to as "IFRS". Before January 1st, 2012 our condensed financial statements were prepared according to the Mexican Financial Reporting Standards, referred to as "MFRS". MFRS differs in certain significant respects from IFRS and from the generally accepted accounting principles applied in the United States, referred to as "U.S. GAAP". The latter might be material to the financial information contained herein. We have not prepared a reconciliation of our financial statements and related notes from IFRS to MFRS, MFRS to U.S. GAAP or IFRS to U.S. GAAP and we have not quantified those differences; therefore, we cannot assure that a reconciliation would not identify material quantitative differences. EBITDA is not a measure of financial performance under IFRS and should not be considered as an alternative to net income or operating income as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. You should review EBITDA, along with net income and cash flow from operating activities, investing activities and financing activities, when trying to understand our operating performance.

INDUSTRY & MARKET DATA:

Certain data and other statistical information used throughout this Press Release are based on independent industry publications, government publications, reports by market research firms or other published independent sources. Other data is based on our estimates, which are derived from our review of internal surveys, as well as independent sources. Our estimates for South America and Central America are based exclusively on our beliefs and information we have obtained ourselves and not from independent sources. Although we believe our sources are reliable, we have not independently verified the information and cannot guarantee its accuracy or completeness. All market share information presented in this press release is based on unit sales.