

mabe

Cuando tu hogar funciona,
todo funciona.



**CONTROLADORA MABE
4Q19 EARNINGS RELEASE**

MABE REPORTS A 3% INCREASE IN NET REVENUES IN 4Q19 AND 8% GROWTH FOR FY19

Mexico City, February 07, 2020 – Controladora Mabe S.A. de C.V. (“Mabe” or “the Company”) reports its results for the fourth quarter of 2019 (“4Q19”) and YTD 2019 (“FY19”). The results are expressed in US dollars (US\$) unless stated otherwise. The Financial Statements have been prepared according to the requirements established by IFRS.

Highlights 4Q19 VS 4Q18

- **Net revenues** in 4Q19 reached **US\$892MM**, growing 3% versus the same quarter of 2018, for FY19 sales rose 7% to **US\$3,284MM** from US\$3,069MM in FY18.
- In 4Q19 the **US and Canada** contributed with **40% and 11%** respectively compared to 40% and 11% in 4Q18. **Combined sales** increased 3% compared to last year. YTD sales for the US and Canada rose 13% to **US\$1,809MM**.
- **Mexico** generated 28% of Mabe’s revenues and showed an increase versus 4Q18 of 2%.
- In **Latin America**, total revenue grew 8% versus 4Q18.

In 4Q19, **International business** reported a 13% decrease in revenues compared to previous year. EBITDA for 4Q19 increase 22% to **US\$104**; on a FY basis, EBITDA grew 15% to **US\$296MM**.

- **Net debt** decreased by 14%, from US\$556MM in 4Q18 to **US\$478MM** in 4Q19.

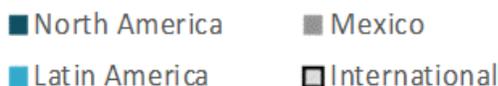
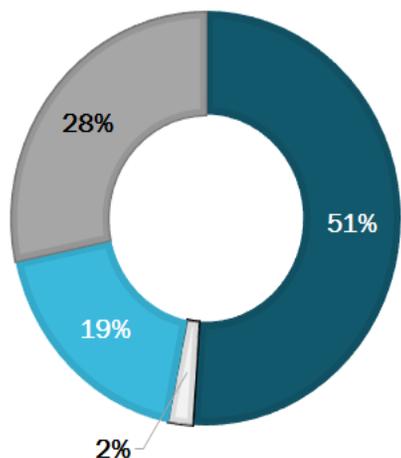
CONCEPT	4Q19	4Q18	Δ VS 2018
Sales	892	864	3%
EBITDA	104	85	22%
EBITDA Margin	11.6%	9.9%	174bp
EBITDAR	115	98	17%
EBITDAR Margin	12.9%	11.3%	155bp
CapEx	24	21	15%
Net Debt	478	556	(14%)
Net Leverage ¹	1.62x	2.15x	(0.5x)
Net Interest Coverage ¹	5.27x	3.78x	1.5x

¹ Calculations do not consider IFRS 16, which affects the way leasing assets and liabilities are reported in the Balance Sheet.

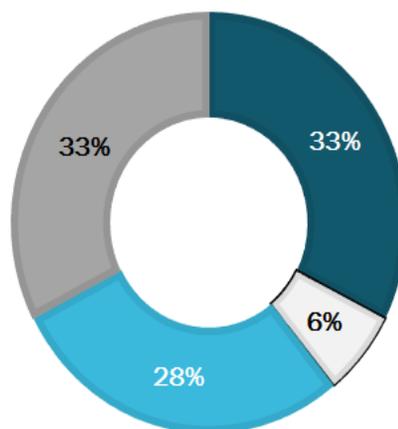
Income Statement

SALES:

TOTAL SALES 4Q19 BY REGION



TOTAL SALES 4Q19 BY SEGMENT



Total sales increased **3%**, reaching **US\$892MM** in 4Q19 .

North America contributed with **51%** of total sales, increasing **3%** when compared to 4Q18. Our sales from exports to the US increased **3% vs last year with a 6% growth in volume**.

Mexico grew **2%**, the prices of our three core products increased and were the driver of the revenue growth.

Latin America sales remained weak in most of the countries: **Central America** registered strong performances revenues increasing **9%**, exhibiting greater dynamism in El Salvador, Costa Rica and Guatemala, amid a very challenging macroeconomic environment. We will continue focusing on improving our price position even further.

Andean markets remained flat, during **4Q19**. In Peru and Colombia, **revenues rose 12% and 8%**, respectively. However, those results were not enough to offset the negative results in Chile and Ecuador, which contracted **22% and 9%**, respectively.

Argentina, revenues increased **95.7%**, and we ended the year with positive records. However, the new government is in place and we will be cautious regarding the new policies they will implement, and it might adversely affect the Company's sales in the following months.

RESULTS 4Q19 AND FY19

International business revenues showed a decrease of **13%** compared to 4Q18. We were adversely impacted by the political conflicts in the Middle East and the Arabian Peninsula and we didn't do well in the Mercosur region, mainly in Bolivia.

Total sales distribution: refrigeration **33%**, cooking **33%**, laundry **28%**, and global products **6%**.

COGS AND GROSS MARGIN:

Cost of goods sold for 4Q19 reached **US\$702MM**, marking an **1% rise** when compared to COGS for the equivalent in 2018, for FY19 COGS totaled **US\$2,667MM** showing a **7% increase** against FY18.

Consequently, our **gross profit** was higher during both 4Q19 and FY19 when compared to those same periods of 2018, reaching **US\$190MM**, and **US\$617MM**, respectively. Gross margin for 4Q19 was 162bps higher at **12%** when compared to 4Q18 and for FY19 our margin was **19%**. We continue focusing on productivity, executed a new price strategy, cost reductions and expenses savings

OPERATING EXPENSES:

Our **SG&A** for 4Q19 stood at **US\$118MM**, compared to US\$117MM in 4Q18. SG&A for 2019 stood at **US\$446MM**, in line with 2018 SG&A.

OPERATING PROFIT AND EBITDA:

Operating profit grew from **US\$53MM** in 4Q18 to **US\$72MM** in 4Q19. **EBITDAR** totaled **US\$115MM**, showing a **17%** increase when compared to 4Q18. Operating profit rose 28% to US\$171MM in 2019, aided by a stable SG&A. Meanwhile, EBITDAR totaled **US\$323MM**, showing a 13% rise when compared to 2018. Our EBITDAR margin rose from 9.4% to 9.8% compared to last year's.

COST OF FINANCING:

Our **net financial expense** contracted 85% from **US\$24MM** in 4Q18 to **US\$4MM** during 4Q19, this is a reflection of our lower debt levels and improved cost of debt. For FY19, this expense showed a 43% reduction from US\$71MM to **US\$41MM**.

Balance Sheet

CASH:

Our cash position increased by 15% from US\$216MM in 4Q18 to **US\$247MM**.

WORKING CAPITAL:

We had a positive working capital variation of **USD\$38 MM** during 4Q19. Our **inventory decreased US\$46MM**; secondly, our **accounts receivables grew US\$19MM** and finally, our **accounts payables increased by US\$11MM**.

CAPEX:

During the quarter capital expenditures reached US\$24MM. We deployed funds as follows:

- Manufacturing capacity increased in our three main sites: Celaya, Saltillo and San Luis Potosí.
- We also invested in manufacturing automation to improve productivity.
- Increase the capacity of our plants for finished products.
- New product development to comply with new regulations and improve our product portfolio, such as:
 - Top Load Dryer for GE.
 - Centauro Energy star; Laundry center compliant with energy regulation for the US market.
 - Side-by-side I-Series fridge
 - Low cost 36 inch bottom freezer
 - Café line Bottom Freezer refrigerator
 - Conversion to low impact on environment refrigerant R600.
 - Leak Detector in water filter Bottom Freezer and Side-by-Side models.
 - Monogram 20 inch ProRange.
 - Model Year 19, FaceLift FS.
 - Café brand expansion.
 - New Teón covering technology

DEBT STRUCTURE:

US\$MM	FYQ19	FYQ18	Δ %
Gross Debt	725	771	(6%)
Net Debt	478	556	(14%)
Short-Term Debt	38	148	(74%)
Long-Term Debt	687	624	10%
Net Debt/EBITDA	1.62x	2.15x	(-0.5x)

At the end of 4Q19, **Gross debt** reached **US\$725**. **Long-term debt** was **US\$687MM** and represented **95% of the total debt**. The **average life** of our debt is **7 years**, with an **average interest rate of 5.5%**. Currency mix is **95%** in USD and **5.0%** in CAD.

Net debt contracted **14%**, to **US\$478MM** from **US\$556MM** in 2018. Net leverage at the end 2019 was 1.62X and Net Interest Coverage stood at 5.26X, well within our covenants. These covenants are calculated without considering the effects of IFRS16.

Other Corporate Events

IFRS 16 became effective January 1st, 2019. With this new accounting standard, all operating leases must be considered as debt. Additionally, we will see effects on P&L, Cash Flow Statement, and Balance Sheet. It is worth noting, however, that there will be no restatements for 2018 or earlier periods. Despite this new standard, we have agreed with our banks to amend our definitions for EBITDA and Net Debt, in a way in which our covenants will not be measured considering IFRS 16.

For more information on the actual effects of IFRS 16 please refer to "Annex: IFRS 16".

Annex

Consolidated Condensed Income Statement (Unaudited)

US\$MM	4Q19	4Q18	Δ%	FY19	FY18	Δ%
Net Sales	892	864	3%	3,284	3,069	7%
COGS	702	694	1%	2,667	2,488	7%
Gross Income	190	170	12%	617	581	6%
SG&A	118	117	1%	446	447	0%
Operating Income	72	53	36%	171	134	28%
Net Interest (Income) / Expense	13	8	60%	61	68	(10%)
Commissions	1	19	-96%	3	21	-85%
FX (Gain) / Loss	(10)	(3)	290%	(24)	(18)	32%
Net Financing Cost	4	24	(85%)	41	71	(43%)
Participation in Subsidiaries	1	(3)	-128%	2	(3)	-149%
Income / (Loss) Before Income Tax	69	25	173%	132	59	122%
Income Tax Expense	10	4	123%	26	15	72%
Consolidated Net Income / (Loss)	60	21	183%	106	44	139%

RESULTS 4Q19 AND FY19

Consolidated Condensed Balance Sheet (Unaudited)

US\$MM	FY19	FY18	Δ%
Assets			
Current Assets			
Cash and Cash Equivalents	247	216	15%
Accounts Receivables, net	317	298	6%
Tax Receivables	112	64	75%
Inventories, net	309	355	(13%)
Total Current Assets	985	933	6%
Net PP&E	851	821	4%
Goodwill	210	210	N/A
Asset for Leases L.P.	85	0	N/A
Deferred Taxes	94	96	(1%)
Financial Instruments	0	0	N/A
Other Assets, net	468	436	8%
Total Assets	2,694	2,495	8%
Liabilities			
Current Liabilities			
Current Maturities of LT Debt & ST Debt	38	147	(74%)
Notes and Accounts Payables to Suppliers	998	987	1%
Other Accounts Payables and Accrued Liabilities	106	93	14%
ST Liabilities for Leases	23	0	N/A
Income Tax Payable	86	44	93%
Total Current Liabilities	1,251	1,272	(2%)
Long-Term Debt	687	624	10%
Employee Retirement Obligations	29	24	23%
Financial Instruments	8	1	N/A
LT Liabilities for Leases	64	0	N/A
Other LT Liabilities	39	45	(14%)
Total Liabilities	828	694	19%
Total Equity	616	529	16%
Total	2,694	2,495	8%

RESULTS 4Q19 AND FY19

Consolidated Condensed Statement of Cash Flows (Unaudited)

US\$MM	FY 2019	FY 2018	Δ%
Operating activities:			
Income before income taxes	132	59	122%
<i>Items related to investing activities:</i>			
Depreciation and amortization	145	111	31%
(Gain) / loss on sale of fixed assets	0	1	(65%)
Employee Benefit	1	(4)	(140%)
Leases IFRS 16	2	-	NA
<i>Items related to financing activities:</i>			
Interest income	(5)	(12)	(56%)
Interest expense	70	102	(31%)
Exchange fluctuation	(24)	(18)	32%
	324	239	36%
(Increase) decrease:			
Accounts receivable	(19)	69	(128%)
Inventories	46	(34)	(237%)
Increase (decrease):			
Notes and accounts payable to suppliers	11	96	(88%)
Other payables and accrued liabilities	(87)	(52)	68%
Income taxes	(20)	(44)	(54%)
Net cash flow provided by operating activities	254	274	(7%)
Investing activities:			
Acquisitions of property, plant and equipment	(47)	(66)	(28%)
Acquisitions other assets	(48)	(40)	19%
Net cash flow used in investing activities	(95)	(106)	(10%)
(Decrease) / increase in cash to apply to financing activities	159	168	(5%)
Financing activities:			
Borrowings	1,919	2,034	(6%)
Payment of debt	(1,966)	(2,041)	(4%)
Interest paid	(69)	(85)	(19%)
Interest collected	5	12	(56%)
Dividend payment	(20)	-	NA
Net cash flow provided by / (used in) financing activities	(130)	(79)	64%
Adjustment to cash flows due to exchange rate fluctuations	2	(13)	(117%)
Net increase / (decrease) in cash and cash equivalents	32	76	(58%)
Cash and cash equivalents at beginning of year	216	140	54%
Cash and cash equivalents at end of period	247	216	14%

RESULTS 4Q19 AND FY19

IFRS 16

Income Statement	w/o IFRS FY19	%/Sales	IFRS 16 Changes	w IFRS FY19 Proforma	%/Sales
Sales	3,284.2			3,284.2	
COGS	2,642.3		24.5	2,666.9	
SG&A	474.0		(27.7)	446.3	
D&A	127.7		24.5	152.3	
Operating profit	167.9	5.1%		171.1	5.2%
EBITDA / EBITDAR	295.7	9.0%		323.3	9.8%
Financing cost	35.3		5.2	40.5	
TAX	26.3			26.3	
Net profit	107.9	3.3%	(2.1)	105.8	3.2%

Balance Sheet	w/o IFRS FY19	IFRS 16 Changes	w IFRS FY19 Proforma
LT Asset Leases		85.3	85.3
Total Assets	2,609.1		2,694.5
ST Liability Leases		23.0	23.0
Current Liabilities	1,227.9		1,251.0
LT Liability Leases		64.4	64.4
Total Liabilities	1,991.2		2,078.7

Covenants Calculations	W/EBITDA	IFRS 16 Changes	W/ EBITDAR
Net Debt + Leases	477.6	87.5	565.1
Interests LTM	56.2	5.2	61.4
EBITDA LTM	295.7	27.7	323.3
Net debt / EBITDA	1.62x		1.75x
EBITDA / Interests	5.26x		5.27x

RESULTS 4Q19 AND FY19

CONFERENCE CALL

Date:

Friday, February 7th, 2020

8:00 AM – Mexico City Time

9:00 AM – New York Time

To join the call please dial:

Toll-Free (US) +1-877-407-0789

Toll / International 1-201-689-8562

Conference ID: 13698162

Speakers:

José Calvillo, CFO

Laura Alvizo, Treasury and IR

Replay:

Toll Free: 1-844-512-2921

Toll/International: 1-412-317-6671

Replay Pin Number: 13698162

Replay Start: Friday, February 7th, 2020,
12:00 PM ET

Replay Expiry: Friday, February 14th, 2020,
11:59 PM ET

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COMMENTS ON OUR FINANCIAL STATEMENTS:

This Press Release contains our unaudited condensed consolidated financial statements as of June 30th, 2019 and June 30th, 2018. 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.