

mabe

Cuando tu hogar funciona,
todo funciona.



**CONTROLADORA MABE
3Q19 EARNINGS RELEASE**

MABE REPORTS A 9% INCREASE IN NET REVENUES IN 3Q19 AND 8% GROWTH FOR 9M19

Mexico City, October 31, 2019 – Controladora Mabe S.A. de C.V. (“Mabe” or “the Company”) reports its results for the third quarter of 2019 (“3Q19”) and YTD 2019 (“9M19”). 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 3Q19 VS 3Q18

- **Net revenues** in 3Q19 reached **US\$847MM**, growing 9% versus the same quarter of 2018, for 9M19 sales rose 8% to **US\$2,392MM** from US\$2,205MM in 9M18.
- In 3Q19 the **US and Canada** contributed with **47% and 11%** respectively compared to 44% and 12% in 3Q18. **Combined sales** increased **12%** compared to last year. YTD sales for the US and Canada rose **17%** to **US\$1,353MM**.
- **Mexico** generated **23%** of Mabe’s revenues and showed an increase versus 3Q18 of **5%**.
- In **Latin America**, total revenue grew 6% versus 3Q18.

In 3Q19, **International business** reported a **7% decrease** in revenues compared to previous year. We were adversely impacted by political conflicts in the Middle East.

- EBITDA for **3Q19 increase 25% to US\$76**; on a YTD basis, EBITDA **grew 11% to US\$193MM**.
- **Net debt** decreased by **12%**, from US\$679MM in 3Q18 to **US\$600MM** in 3Q19 .

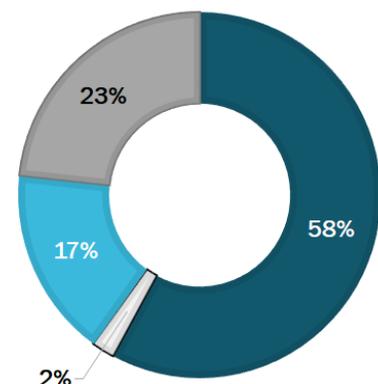
CONCEPT	3Q19	3Q18	Δ VS 2018
Sales	847	777	9%
EBITDA	76	61	25%
EBITDA Margin	8.9%	7.8%	113bp
EBITDAR	81	66	23%
EBITDAR Margin	9.6%	8.5%	107bp
CapEx	19	27	(29%)
Net Debt	600	679	(12%)
Net Leverage ¹	2.16x	2.86x	(0.7x)
Net Interest Coverage ¹	5.21x	2.98x	2.2x

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

Income Statement

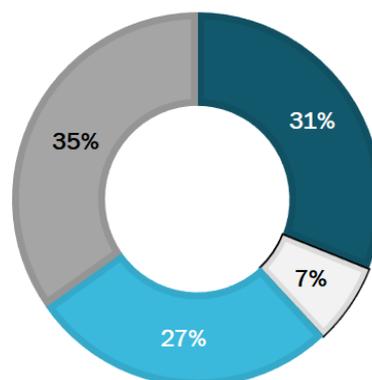
SALES:

TOTAL SALES 3Q19 BY REGION



■ North America ■ Mexico
■ Latin America ■ International

TOTAL SALES 3Q19 BY SEGMENT



■ Cooking ■ Refrigeration
■ Washing ■ Others

Total sales increased 9%, reaching **US\$847MM** in 3Q19 .

North America contributed with **58% of total sales**, increasing **12%** when compared to 3Q18. Our **sales from exports** to the US increased **16%** vs last year with an **12% growth in volume**.

Mexico represented **23%** of total sales of 3Q19 , showing a **5% increase**.

During the quarter, **Latin America** showed growth of **6%**, when compared to 3Q18 results, and contributed with **17% of Mabe's total revenues**. In **Central America**, total revenue grew 14% as region, has shown a better performance in volume terms because of a greater sales in refrigerator line. Revenues in Andean markets dropped with overall sales posting a 2% decline when compared to 3Q18. Colombia was affected by the devaluation, that has induced revenues to deteriorate 3%. Revenues in Peru contracted 5% as did Chile by 12%. In Ecuador, revenues rose 10%.

In Argentina, revenues increase 29%, however exchange rate fluctuations tend to put upward pressure on inflation and reduce the population's purchasing power. This can adversely affect the Company's sales in the following months.

As for our **International** business, revenues showed a **decrease of 7%** compared to 3Q18. We were adversely impacted by political conflicts in the area in the Middle East and South East Asia.

Total sales distribution: refrigeration **35%**, cooking **31%**, laundry **27%**, and global products **7%**.

RESULTS 3Q19 AND 9M19

COGS AND GROSS MARGIN:

Cost of goods sold for 3Q19 reached **US\$695MM**, marking an **8% rise** when compared to COGS for the equivalent in 2018, for 9M19 COGS totaled **US\$1,964MM** showing a **9% increase** against 9M18.

Consequently, our **gross profit** was higher during both 3Q19 and 9M19 when compared to those same periods of 2018, reaching **US\$152MM**, and **US\$427MM**, respectively. Gross margin for 3Q19 was 74bps higher at **18%** when compared to 3Q18 and for 9M19 our margin was **18%**. By focusing on productivity and “Every Day Low Costs”, we were able to grow costs of goods sold at a slower pace than revenue.

OPERATING EXPENSES:

Our **SG&A** for 3Q19 stood at **US\$108MM**, compared to US\$107MM in 3Q18.

OPERATING PROFIT AND EBITDA:

Operating profit grew from US\$27MM in 3Q18 to **US\$44MM** in 3Q19. **EBITDAR** totaled **US\$81MM**, showing a **23%** increase when compared to 3Q18.

COST OF FINANCING:

Our **net financial expense** contracted 11% from US\$10MM in 3Q18 to **US\$9MM** during 3Q19, this is a reflection of our lower debt levels and improved cost of debt. For 9M 19, this expense showed a 21% reduction from US\$47MM to **US\$37MM**.

Balance Sheet

CASH:

Our cash position increased by 80% from US\$98MM in 3Q18 to **US\$177MM**.

WORKING CAPITAL:

We had a positive working capital variation of \$60 million dollars during 3Q19. Our inventories increased US\$16MM in anticipation for the fourth quarter, our busiest period, coupled with higher AP/s of US\$58MM; and our accounts receivables fell by US\$17MM, due to a collection optimization.

CAPEX:

During the quarter capital expenditures reached US\$19MM, lower than 3Q18 by US\$8MM. We deployed funds as follows:

- We invested in a Top Load Dryer, we started production in September 2019.
- We also invested in the laundry center. These products had an upgraded in energy consumption.
- We invested manufacturing automation and capacity increase for our plants in Saltillo, Celaya and San Luis.
- For the category, we invested in new products development these new products are the Side-by-side I-Series fridge, the low cost 36 inch bottom freezer, the Café line Bottom Freezer refrigerator. We also invested in the refrigerant R-600 that has an impact on the environment.
- For the cooking products we invested in new products that are the Monogram 20 inch Pro-Range and the Café brand expansion.

DEBT STRUCTURE:

US\$MM	3Q19	3Q18	Δ %
Gross Debt	777	777	0%
Net Debt	600	679	(12%)
Short-Term Debt	163	35	365%
Long-Term Debt	614	742	(17%)
Net Debt/EBITDA	2.2x	2.9x	(0.7x)

RESULTS 3Q19 AND 9M19

At the close of 3Q19 **Gross debt** reached **US\$777**. **Long-term debt was US\$614MM** and represented **79% of the total debt**. The **average life** of our debt is **6.2 years**, with an **average interest rate of 6%**. Currency mix is **95%** in USD and **5.0%** in CAD.

During the 2Q19, we signed a committed loan **for US\$150MM**. We made a first drawdown in June for **US\$54MM**. We used those funds to refinance our MXN-denominated loan. The remaining US\$96MM will be taken in October to complete the 2019 Notes payment.

On a **net debt** basis, we closed the third quarter of 2019 with a total of **US\$600MM**, resulting in a **net leverage to EBITDA ratio of 2.16x**, well below our covenant of 3.5x.

Other Corporate Events

IFRS 16 became effective January 1st, 2019. With this new accounting standard, all operating leases must be considered 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	3Q19	3Q18	Δ%	9M19	9M18	Δ%
Net Sales	847	777	9%	2,392	2,205	8%
COGS	695	643	8%	1,964	1,795	9%
Gross Income	152	134	14%	427	411	4%
SG&A	108	107	1%	329	330	0%
Operating Income	44	27	62%	99	81	22%
Net Interest (Income) / Expense	15	18	(17%)	48	60	(20%)
Commissions	1	1	13%	2	2	14%
FX (Gain) / Loss	(7)	(9)	(21%)	(14)	(16)	(10%)
Net Financing Cost	9	10	(11%)	37	47	(21%)
Participation in Subsidiaries	0	0	0%	1	0	0%
Income / (Loss) Before Income Tax	36	18	102%	63	34	84%
Income Tax Expense	5	8	(33%)	17	11	51%
Consolidated Net Income / (Loss)	30	9	218%	46	23	100%

Consolidated Condensed Balance Sheet (Unaudited)

US\$MM	3Q19	3Q18	Δ%
Assets			
Current Assets			
Cash and Cash Equivalents	177	98	80%
Accounts Receivables, net	344	341	1%
Tax Receivables	104	89	18%
Inventories, net	343	355	(3%)
Total Current Assets	968	883	10%
Net PP&E	876	864	1%
Goodwill	210	210	N/A
Asset for Leases L.P.	78	0	N/A
Deferred Taxes	91	95	(5%)
Financial Instruments	0	2	N/A
Other Assets, net	415	389	7%
Total Assets	2,639	2,443	8%
Liabilities			
Current Liabilities			
Current Maturities of LT Debt & ST Debt	163	35	365%
Notes and Accounts Payables to Suppliers	967	884	9%
Other Accounts Payables and Accrued Liabilities	141	143	(2%)
ST Liabilities for Leases	4	0	N/A
Income Tax Payable	57	50	14%
Total Current Liabilities	1,331	1,112	20%
Long-Term Debt	614	742	(17%)
Employee Retirement Obligations	26	30	(13%)
Financial Instruments	4	0	N/A
LT Liabilities for Leases	74	0	N/A
Other LT Liabilities	29	40	(28%)
Total Liabilities	747	812	(8%)
Total Equity	560	519	8%
Total	2,639	2,443	8%

Consolidated Condensed Statement of Cash Flows (Unaudited)

US\$MM	Year to September 2019	Year to September 2018	Δ%
Operating activities:			
Income before income taxes	63	34	84%
<i>Items related to investing activities:</i>			
Depreciation and amortization	105	82	27%
(Gain) / loss on sale of fixed assets	(0.1)	0.2	(144%)
Employee Benefit	2	1	69%
Leases IFRS 16	1	-	N/A
<i>Items related to financing activities:</i>			
Interest income	(3)	(2)	32%
Interest expense	54	65	(16%)
Exchange fluctuation	(14)	(16)	(10%)
	208	165	26%
(Increase) decrease:			
Accounts receivable	(46)	35	(230%)
Inventories	11	(34)	(134%)
Increase (decrease):			
Notes and accounts payable to suppliers	(20)	(9)	121%
Other payables and accrued liabilities	(44)	(16)	172%
Income taxes	(28)	(44)	(36%)
Net cash flow provided by operating activities	81	97	(16%)
Investing activities:			
Acquisitions of property, plant and equipment	(41)	(45)	(9%)
Acquisitions other assets	(30)	(40)	(25%)
Net cash flow used in investing activities	(71)	(85)	(17%)
(Decrease) / increase in cash to apply to financing activities	10	12	(13%)
Financing activities:			
Borrowings	1,667	1,182	41%
Payment of debt	(1,661)	(1,183)	40%
Interest paid	(43)	(53)	(20%)
Interest collected	3	2	32%
Dividend payment	(15)	-	
Net cash flow provided by / (used in) financing activities	(49)	(52)	(5%)
Adjustment to cash flows due to exchange rate fluctuations	(0.4)	(3)	(85%)
Net increase / (decrease) in cash and cash equivalents	(39)	(42)	(8%)
Cash and cash equivalents at beginning of year	216	140	54%
Cash and cash equivalents at end of period	177	98	80%

RESULTS 3Q19 AND 9M19

IFRS 16

Income Statement	w/o IFRS 3Q19	%/Sales	IFRS 16 Changes	w IFRS 3Q19 Proforma	%/Sales
Sales	847.1			847.1	
COGS	690.0		4.7	694.7	
SG&A	113.8		(5.4)	108.3	
D&A	31.0		4.7	35.6	
Operating profit	43.4	5.1%		44.1	5.2%
EBITDA	75.6	8.9%		81.0	9.6%
Financing cost	7.3		1.3	8.6	
Net profit	30.6	3.6%	(0.5)	30.0	3.5%

Balance Sheet	w/o IFRS 3Q19	IFRS 16 Changes	w IFRS 3Q19 Proforma
LT Asset Leases		78.2	78.2
Total Assets	2,560.7		2,638.9
ST Liability Leases		4.3	4.3
Current Liabilities	1,327.1		1,331.3
LT Liability Leases		74.5	74.5
Total Liabilities	2,004.2		2,078.7

Covenants Calculations	W/EBITDA	IFRS 16 Changes	W/ EBITDAR
Net Debt + Leases	600.2	78.8	679.0
Interests LTM	53.2	3.3	56.5
EBITDA LTM	277.3	16.4	293.7
Net debt / EBITDA	2.16x		2.31x
EBITDA / Interests	5.21x		5.19x

RESULTS 3Q19 AND 9M19

CONFERENCE CALL

Date:

Thursday, October 31st, 2019

9:00 AM – Mexico City Time

11:00 AM – New York Time

To join the call please dial:

Toll-Free (US) +1-855-327-6838

Toll / International 1-631-891-4304

Conference ID: 10007863

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: 10007863

Replay Start: Thursday October 31, 2019,
2:00 PM ET

Replay Expiry: Thursday November 7, 2019,
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.