

mabe

Cuando tu hogar funciona,
todo funciona.



**CONTROLADORA MABE
1Q19 EARNINGS RELEASE**

MABE REPORTS A 12% INCREASE IN NET REVENUES AND 66% IN EBITDA IN 1Q19

Mexico City, April 30, 2019 – Controladora Mabe S.A. de C.V. (“Mabe” or “the Company”) reports its results for the first quarter of 2019 (“1Q19”). 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 1Q19 VS 1Q18

- **Net revenues** in 1Q19 reached **US\$701MM**, growing **12%** versus the same quarter of 2018.
- In 1Q19 the **US and Canada** contributed with **48% and 10%** respectively compared to 39% and 11% in 1Q18. **Combined sales** increased **29%** compared to last year.
- **Mexico** generated **22%** of Mabe’s revenues and showed a decrease versus last year of **2%**.
- Sales in **Latin America** continued to show weakness and scaled back **13%**.
- In 1Q19 **International business** reported a **9% increase** in sales compared to the previous year.
- EBITDA for 1Q19 **grew 66% to US\$54MM**.
- **Total debt** decreased **8%** from US\$903MM in 1Q18 to **US\$832MM** as of 1Q19.
- **Net debt** decreased by **17%**, from US\$858MM in 1Q18 to **US\$712MM** in 1Q19.

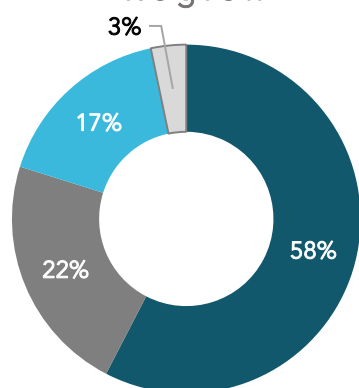
CONCEPT	1 Q 19	1 Q 18	Δ VS 2018
Sales	701	627	12%
EBITDA	53	32	66%
EBITDA Margin	7.6%	5.1%	250 bp
EBITDAR	54	37	47%
EBITDAR Margin	7.7%	5.9%	186 bp
CapEx	29	32	(8%)
Net Debt	712	858	(17%)
Net Leverage ¹	2.74x	3.86x	(1.12x)
Net Interest Coverage ¹	4.37x	2.85x	1.52x

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

Income Statement

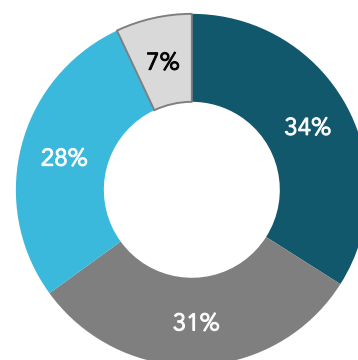
SALES:

Total Sales 1Q19 by Region



■ North America ■ Mexico
■ Latin America ■ International

Total Sales 1Q19 by Segment



■ Cooking ■ Refrigeration
■ Laundry ■ Others

Segment	North America	Mexico	Latin America	International
Cooking	37%	31%	26%	38%
Refrigeration	28%	26%	47%	31%
Laundry	32%	28%	16%	17%
Others	3%	15%	11%	14%
Total Sales Change vs 1Q18	29%	(2%)	(13%)	9%

Total sales increased almost **12%**, reaching **US\$701MM** in 1Q19.

Total sales distribution: refrigeration **34%**, cooking **31%**, laundry **28%**, and global products **7%**.

North America contributed with **58%** of total sales, increasing **29%** when compared to 1Q18.

Our sales from exports to the US increased **38%** vs last year with a **27%** growth in volume.

Mexico represented **22%** of total sales of 1Q19, showing a **2%** reduction in USD.

Latin America had negative quarterly results, having **contracted 13%**, when compared to 1Q18 results, and contributed with **17%** of Mabe's total revenues. Revenues in Central America dropped 5% for the most part due to the fierce competition and new players in the Dominican Republic. The Andean markets reported positive results, with overall sales posting 9% growth when compared to 1Q18. For example, in Peru revenues rose 39%, while in Ecuador and Colombia 7% each. Chile on the other hand, contracted 12%. The results in Argentina remain

RESULTS 1Q19

weak due to the sustained devaluation of the Argentine peso, high inflation, high interest rates for consumer credit and the recessionary nature of this market.

As for our **International** business, revenues showed an **increase of 9%** compared to 1Q18. We registered more demand from countries in Asia and Africa.

COGS AND GROSS MARGIN:

Cost of goods sold for 1Q19 reached **US\$582MM**, marking a **13% rise** when compared to COGS for the equivalent in 2018.

Our **gross profit** reached the **US\$119MM**, which is **6%** higher than 1Q18, resulting in a **gross margin of 17%**.

OPERATING EXPENSES:

Our **SG&A** for 1Q19 stood at **US\$100MM**, compared to US\$108MM in 1Q18.

OPERATING PROFIT AND EBITDA:

Operating profit increased from US\$4MM in 1Q18 to **US\$19MM** in 1Q19, aided by stable SG&A.

EBITDAR totaled **US\$54MM**, showing a **47%** increase when compared to 1Q18.

EBITDAR Margin rose from 5.9% last year to **7.7%** in 1Q19.

COST OF FINANCING:

Our **net financial expense** grew from US\$12MM in 1Q18 to **US\$15MM** during 1Q19. We were impacted by a lower FX gain.

Balance Sheet

CAPEX:

During the quarter, **capital expenditures** reached **US\$29MM**, falling **8%** compared to 1Q18. CapEx was allocated as follows:

RESULTS 1Q19

- **Laundry** – we invested in the new Top Load washer which we will launch later in 2019, in laundry center regulatory and energy compliance which we have named Centauro E*, in manufacturing automation in our Saltillo facility and finally we also increased our capacity for dryer production.
- **Refrigeration** – we invested in side-by-side I-Series fridge and our low cost 36-inch bottom freezer, in the R600 coolant adaptation, we increased capacity in Celaya and for that same Celaya plant, we increased automation.
- **Cooking** – we developed the Monogram 20-inch ProRange and we increased capacity in our San Luis facility and upgraded the line for the GE Café brand. The GE Café line has a restaurant inspired appearance and features for people who love to cook and entertain.

DEBT STRUCTURE:

US\$MM	1Q19	1Q18	Δ %
Gross Debt	832	903	(8%)
Net Debt	712	858	(17%)
Short-Term Debt	207	155	34%
Long-Term Debt	625	748	(16%)
Net Debt/EBITDA	2.74x	3.86x	(1.32x)

At the close of 1Q19 **Gross debt** reached **US\$832**. **Long-term debt** was **US\$625MM** and represented **75% of the total debt**. The **average life** of our debt is **6.7 years**, with an **average interest rate of 6.54%**. Currency mix is **82.5%** in USD, **12.2%** in MXN, **4.8%** in CAD, and the remaining **0.5%** in ARS.

On a **net debt** basis, we closed the first quarter of 2019 with a total of **US\$712MM**, resulting in a **net leverage to EBITDA ratio of 2.74x**, 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

RESULTS 1Q19

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	1Q19	1Q18	Δ%
Net Sales	701	627	12%
COGS	582	515	13%
Gross Income	119	112	6%
SG&A	100	108	(7%)
Operating Income	18	4	357%
Net Interest (Income) / Expense	17	22	(20%)
Commissions	1	1	(12%)
FX (Gain) / Loss	(3)	(10)	N/A
Net Financing Cost	15	12	24%
Participation in Subsidiaries	1	0	N/A
Income / (Loss) Before Income Tax	4	(8)	N/A
Income Tax Expense	2	1	152%
Consolidated Net Income / (Loss)	2	(9)	N/A

RESULTS 1Q19

Consolidated Condensed Balance Sheet (Unaudited)

US\$MM	1Q19	1Q18	Δ%
Assets			
Current Assets			
Cash and Cash Equivalents	120	45	164%
Accounts Receivables, net	304	414	(26%)
Tax Receivables	114	54	111%
Inventories, net	364	348	5%
Total Current Assets	902	861	5%
Net PP&E	865	865	0%
Goodwill	210	210	0%
Asset for Leases L.P.	83	0	N/A
Deferred Taxes	96	103	(7%)
Other Assets, net	398	360	10%
Total Assets	2,552	2,399	6%
Liabilities			
Current Liabilities			
Current Maturities of LT Debt & ST Debt	207	155	33%
Notes and Accounts Payables to Suppliers	846	741	14%
Other Accounts Payables and Accrued Liabilities	127	140	(9%)
ST Liabilities for Leases	14	0	N/A
Income Tax Payable	68	48	43%
Total Current Liabilities	1,262	1,083	17%
Long-Term Debt	625	748	(17%)
Employee Retirement Obligations	24	28	(13%)
Financial Instruments	1	4	(70%)
LT Liabilities for Leases	69	0	N/A
Other LT Liabilities	39	49	(20%)
Total Liabilities	2,020	1,913	6%
Total Equity	531	487	9%
Total	2,552	2,399	6%

Consolidated Condensed Statement of Cash Flows (Unaudited)

	Year to March 2019
Operating activities:	
Income before income taxes	4.0
<i>Items related to investing activities:</i>	
Depreciation and amortization	34.2
(Gain) / loss on sale of fixed assets	0.1
Employee Benefit	0.7
Impairment of trade and other receivables	
<i>Items related to financing activities:</i>	
Interest income	(1.0)
Interest expense	18.9
Exchange fluctuation	(2.9)
(Increase) Decrease:	
Accounts receivable	(6.1)
Inventories	(9.6)
Increase (Decrease):	
Notes and accounts payable to suppliers	(140.8)
Other payables and accrued liabilities	(1.6)
Income taxes	(13.7)
Direct employee benefits and employee benefits	
Net cash flow provided by operating activities	(117.8)
Investing activities:	
Acquisitions of property, plant and equipment	(2.1)
Sale of fixed assets	-
Derivative financial instruments payment	-
Acquisitions other assets	(27.2)
Net cash flow used in investing activities	(29.3)
(Decrease) / Increase in cash to apply to financing activities	(147.2)
Financing activities:	
Borrowings	707.2
Payment of debt	(646.9)
Interest paid	(7.8)
Interest collected	1.0
Dividend payment	(5.0)
Pension plan contribution	-
Net cash flow provided by / (used in) financing activities	48.5
Adjustment to cash flows due to exchange rate fluctuations	2.8
Net Increase / (Decrease) in cash and cash equivalents	(95.8)
Cash and cash equivalents at beginning of year	215.8
Cash and cash equivalents at end of period	120.0

RESULTS 1Q19

IFRS 16

Income Statement	w/o IFRS 1Q19	IFRS 16 Changes	w IFRS 1Q19 Proforma
Sales	700.5	-	700.5
COGS	577.2	4.7	581.9
SG&A	105.9	(5.6)	100.4
D&A	29.5	4.7	34.2
Operating profit	17.4		18.3
EBITDA	53.3		54.3
Financing cost	14.0	0.9	15.0
Net profit	2.1	-	2.1

Balance Sheet			
LT Asset Leases	-	83.1	83.1
Total Assets	2,468.6		2,551.6
ST Liability Leases	-	14.2	14.2
Current Liabilities	1,247.9		1,262.0
LT Liability Leases	-	68.9	68.9
Total Liabilities	1,937.2		2,020.3

Covenants Calculations			
Net debt	711.7	-	794.8
Interests LTM	59.1	4.7	63.9
EBITDA LTM	260.0	20.5	280.4
Net debt / EBITDA	2.74x		2.83x
EBITDA / Interests	4.39x		4.38x

RESULTS 1Q19

CONFERENCE CALL

Date:

Tuesday, April 30th, 2019

8:30 AM – Mexico City Time

9:30 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: 13689486

Speakers:

José Calvillo, CFO

Mauricio Gil, Corporate Treasurer

Daniela Garza, Treasury and IR

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COMMENTS ON OUR FINANCIAL STATEMENTS:

This Press Release contains our unaudited condensed consolidated financial statements as of March 31st, 2019 and March 31st, 2018. Since January 1st, 2010 we have prepared our condensed financial statements in U.S. Dollars, which represent the functional currency

RESULTS 1Q19

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.