

# mabe

Cuando tu hogar funciona,  
todo funciona.

CONTROLADORA MABE  
1Q20 EARNINGS RELEASE



## MABE REPORTS A 1.5% INCREASE IN SALES VOLUME IN 1Q20

Mexico City, April 28, 2020 – Controladora Mabe S.A. de C.V. (“Mabe” or “the Company”) reports its results for the first quarter of 2020 (“1Q2020”). 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 1Q20 VS 1Q20

- Improvements in **Mabe’s total volume** with a **1.5%** grew vs 1Q19, driven by North America and Mexico, which had a **4%** growth.
- **EBITDA** delivered its best performance in the **last 5 years**. For the quarter, Mabe generated an amount of **\$53 million dollars**, which represents an increase of **9.8%** vs 1Q last year. This translates into a **7.8%** margin.
- **Net debt** decreased by **11%**, from **US\$712MM** in 1Q19 to **US\$637MM**.
- **Solid profit margin** driven by commodities trends and actions to reduce SG&A.
- Strong **cash position** of **US\$290MM** to maintain a solid liquidity structure for any eventuality due to the COVID contingency.

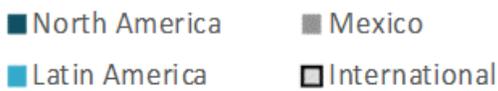
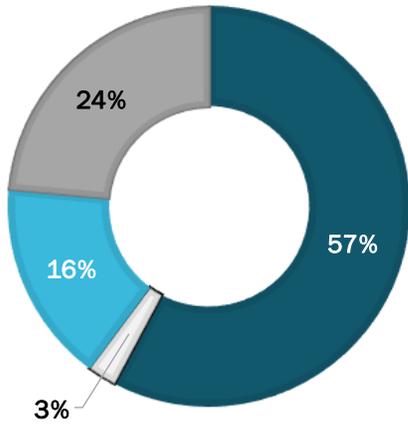
CONCEPT	1Q20	1Q19	Δ VS 2020
Sales	678	701	(3%)
EBITDAR	60	54	10%
EBITDAR Margin	8.8%	7.7%	
CapEx	33	29	11%
Net Debt	637	712	(11%)
Net Leverage *	2.13x	2.59x	
Net Interest Coverage *	6.12x	4.37x	

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

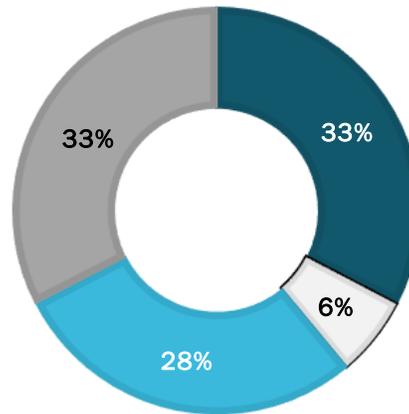
# Income Statement

## SALES:

TOTAL SALES 1Q20 BY REGION



TOTAL SALES 1Q20 BY SEGMENT



During the first quarter, the volume grew **1.5%** vs 1Q19; however, total revenues decreased **3.2%** mainly affected by fx volatility in Latin America and Canada.

Total US Sales declined **5%** vs 1Q 2019. Refrigeration keeps a positive trend year over year with an increase of **7%**, cooking sales were flat, and Laundry sales trend were not positive, due to the migration of the HA Low Cost Dryer production, from Mabe’s Saltillo factory to GEA’s factory in Louisville, Kentucky. This product relocation decision was made two years ago, based on the product similarity with the one currently produced at Louisville. This production decrease was according to Mabe’s 2020 plan.

Canada’s unit grew **5.4%** vs 1Q last year. This was in line with industry growth for 1Q 2020. Net sales increased **3%** driven by strong sales in refrigerators and global products.

Mexico starts quarantine period in March 16. Sales were affected 15 days: however, the sales for the quarter rose **5.4%** vs first quarter of last year driven by a **5.2%** appliance market growth.

## RESULTS 1Q20

Despite the two and half week's closure of our Latin America operations, sales only showed a decreased of **4.0%** in the quarter vs 1Q19:

In Central America, we saw a great commercial dynamic in the first two months of the year mainly in El Salvador, Honduras and Nicaragua, but the health crisis caused by COVID-19 in March, resulted in a sales reduction. Most of the clients cancelled their purchase orders as a sanitary measurement taken in those regions.

The Andean region performed a **5.2%** units growth vs. same period of previous year, however we presented a profitability pressure that came from the depreciation of the local currencies vs. the USD, resulting a sales contraction of **4.7%**. March was impacted by the different measures implemented by the Governments to help contain the COVID-19 pandemic. Perú, Chile and Ecuador contracted **2% , 15% and 16% respectively**, however they were partially offset by a **2.3%** increase in Colombia which is the biggest country in the Andean Region.

Argentina continues to deliver strong results amid a very challenging environment. Revenues rose **14 %** and EBITDA showed an improvement vs the first quarter of last year due to high mix-sales performance and expense reduction.

Finally, our International business, which only represents **3%** of Mabe's total sales, showed a **30%** revenue decrease compared to 1Q19. The main sales reduction is driven by COVID contingency which severely affected Asia and The Middle East, one month before the contingency reached America.

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

### COGS AND GROSS MARGIN:

**Cost of goods sold** for 1Q20 reached **US\$557MM**, marking a **4.5% decrease** when compared to COGS for the equivalent in 1Q19.

Consequently, our **gross profit** was higher during 1Q20 reaching **US\$122MM**. Gross margin for 1Q20 was **18%**. We continue focusing on productivity, price strategy, cost reductions and expenses savings.

### OPERATING EXPENSES:

Our **SG&A** for **1Q20** had a **US\$2.3MM** decrease from **US\$99MM** in **1Q19** to **US\$97MM**.

## RESULTS 1Q20

### OPERATING PROFIT AND EBITDAR:

Operating profit grew from **US\$18MM** in 1Q19 to **US\$25MM** in 1Q20. \*EBITDAR totaled **US\$60MM**, showing a **10%** increase when compared to 1Q19.

*\*Consider IFRS 16*

### COST OF FINANCING:

Our net financial expense increased **80%** from **US\$15MM** in 1Q19 to **US\$27MM** during 1Q20, this was caused mainly by the FX fluctuation.

## Balance Sheet

### CASH:

Our cash position was **US\$290MM** to maintain a solid liquidity structure for any eventuality due to the COVID contingency.

### WORKING CAPITAL:

Working capital changes for 1Q20 vs 1Q 2019, respond to the following: our inventory decreased **US\$44MM**; secondly, our accounts receivables retracted **US\$20MM** and finally, our accounts payables decreased by **US\$16MM**.

### CAPEX:

CapEx for 1Q20 was **US\$32.6MM**, higher than 1Q19 by US\$3.3MM. We deployed funds as follows:

- Laundry –
  - New Product Development
    - Heritage. Commercial quality Dryer, robust appearance
  - Manufacturing automation and capacity increase for our dryers plant in Saltillo
- Refrigeration –
  - New Product Development
    - Conversion to low impact on environment refrigerant R600 for US & Canada
    - Leak Detector in water filter to Bottom Freezer and Side by Side models
    - New bottom freezer LATAM 400Lt
  - Manufacturing automation and capacity increase for our plant in Celaya

## RESULTS 1Q20

- Cooking –
  - New Product Development
    - Monogram 20 inch ProRange
    - Model Year 2020
    - FaceLift Free Standing range
    - Café matte white & fingerprintless
    - Café brand expansion for ranges
    - New Teon covering technology in Ranges for domestic markets

## DEBT STRUCTURE:

US\$MM	1Q20	1Q19	Δ %
Gross Debt	927	832	11%
Net Debt	637	712	(11%)
Short-Term Debt	248	207	20%
Long-Term Debt	678	625	9%
Net Debt/EBITDA	2.13x	2.59x	(0.5x )

At the end of 1Q20, **Gross debt** reached **US\$927**. The **average life** of our debt is **5.7 years**.

Net debt contracted **11%**, to **US\$637MM** from **US\$712MM** in 1Q19. Net leverage at 1Q20 was **2.13X** and Net Interest Coverage stood at **6.12X**, well within our covenants. These covenants are calculated without considering the effects of IFRS16.

## Annex

## Consolidated Condensed Income Statement (Unaudited)

US\$MM	1Q20	1Q19
Net Sales	678	701
COGS	557	583
<b>Gross Income</b>	<b>122</b>	<b>118</b>
SG&A	97	99
<b>Operating Income</b>	<b>25</b>	<b>18</b>
Net Interest (Income) / Expense	10	17
Commissions	1	1
FX (Gain) / Loss	16	(3)
<b>Net Financing Cost</b>	<b>27</b>	<b>15</b>
Participation in Subsidiaries	(1)	1
<b>Income / (Loss) Before Income Tax</b>	<b>(3)</b>	<b>4</b>
Income Tax Expense	(3)	2
<b>Consolidated Net Income / (Loss)</b>	<b>0</b>	<b>2</b>

## RESULTS 1Q20

### Consolidated Condensed Balance Sheet (Unaudited)

US\$MM	1Q20	1Q19
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	290	120
Accounts Receivables, net	284	304
Tax Receivables	73	114
Inventories, net	321	364
<b>Total Current Assets</b>	<b>968</b>	<b>902</b>
Net PP&E	844	865
Goodwill	210	210
Asset for Leases L.P.	75	100
Deferred Taxes	80	93
Financial Instruments	7	0
Other Assets, net	513	398
<b>Total Assets</b>	<b>2,697</b>	<b>2,569</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Current Maturities of LT Debt & ST Debt	248	207
Notes and Accounts Payables to Suppliers	830	846
Other Accounts Payables and Accrued Liabilities	135	127
ST Liabilities for Leases	16	20
Income Tax Payable	44	68
<b>Total Current Liabilities</b>	<b>1,274</b>	<b>1,268</b>
Long-Term Debt	678	625
Employee Retirement Obligations	26	24
Financial Instruments	0	1
LT Liabilities for Leases	61	81
Other LT Liabilities	31	39
<b>Total Liabilities</b>	<b>2,070</b>	<b>2,037</b>
<b>Total Equity</b>	<b>627</b>	<b>531</b>
<b>Total</b>	<b>2,697</b>	<b>2,569</b>

## RESULTS 1Q20

### Consolidated Condensed Statement of Cash Flows (Unaudited)

US\$MM	1Q 2020	1Q 2019
<b>Operating activities:</b>		
Income before income taxes	(2)	4
<i>Items related to investing activities:</i>		
Depreciation and amortization	35	35
(Gain) / loss on sale of fixed assets	(0)	0
Employee Benefit	(2)	1
Leases IFRS 16	(7)	(1)
Share of net gain (loss) of associates	(1)	0
<i>Items related to financing activities:</i>		
Interest income	(4)	(1)
Interest expense	15	19
Exchange fluctuation	16	(3)
	50	54
(Increase) decrease:		
Accounts receivable	33	(6)
Inventories	(10)	(10)
Increase (decrease):		
Notes and accounts payable to suppliers	(169)	(141)
Other payables and accrued liabilities	(45)	(2)
Income taxes	15	(14)
<b>Net cash flow provided by operating activities</b>	<b>(128)</b>	<b>(118)</b>
<b>Investing activities:</b>		
Acquisitions of property, plant and equipment	(9)	(2)
Acquisitions other assets	(24)	(27)
<b>Net cash flow used in investing activities</b>	<b>(33)</b>	<b>(29)</b>
<b>(Decrease) / increase in cash to apply to financing activities</b>	<b>(160)</b>	<b>(147)</b>
<b>Financing activities:</b>		
Borrowings	481	707
Payment of debt	(279)	(647)
Interest paid	(5)	(8)
Interest collected	4	1
Dividend payment	(6)	(5)
<b>Net cash flow provided by / (used in) financing activities</b>	<b>195</b>	<b>49</b>
Adjustment to cash flows due to exchange rate fluctuations	8	3
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>43</b>	<b>(96)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>247</b>	<b>216</b>
<b>Cash and cash equivalents at end of period</b>	<b>290</b>	<b>120</b>

## RESULTS 1Q20

### CONFERENCE CALL

**Date:**

Tuesday, April 28<sup>th</sup>, 2020

8:30 AM – Mexico City Time

9:30 AM – New York Time

To join the call please dial:

Toll-Free (US) +1-855-327-6837

Toll / International 1-631-891-4304

Conference ID: 10009239

**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: 10009239

Replay Start: Tuesday, April 28<sup>th</sup>, 2020,  
12:30 PM ET

Replay Expiry: Tuesday, May 5<sup>th</sup>, 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 30<sup>th</sup>, 2019 and June 30<sup>th</sup>, 2018. Since January 1<sup>st</sup>, 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 1<sup>st</sup>, 2012, our financial statements are reported in accordance with the International Financial Reporting Standards, referred to as "IFRS". Before January 1<sup>st</sup>, 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 16 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.