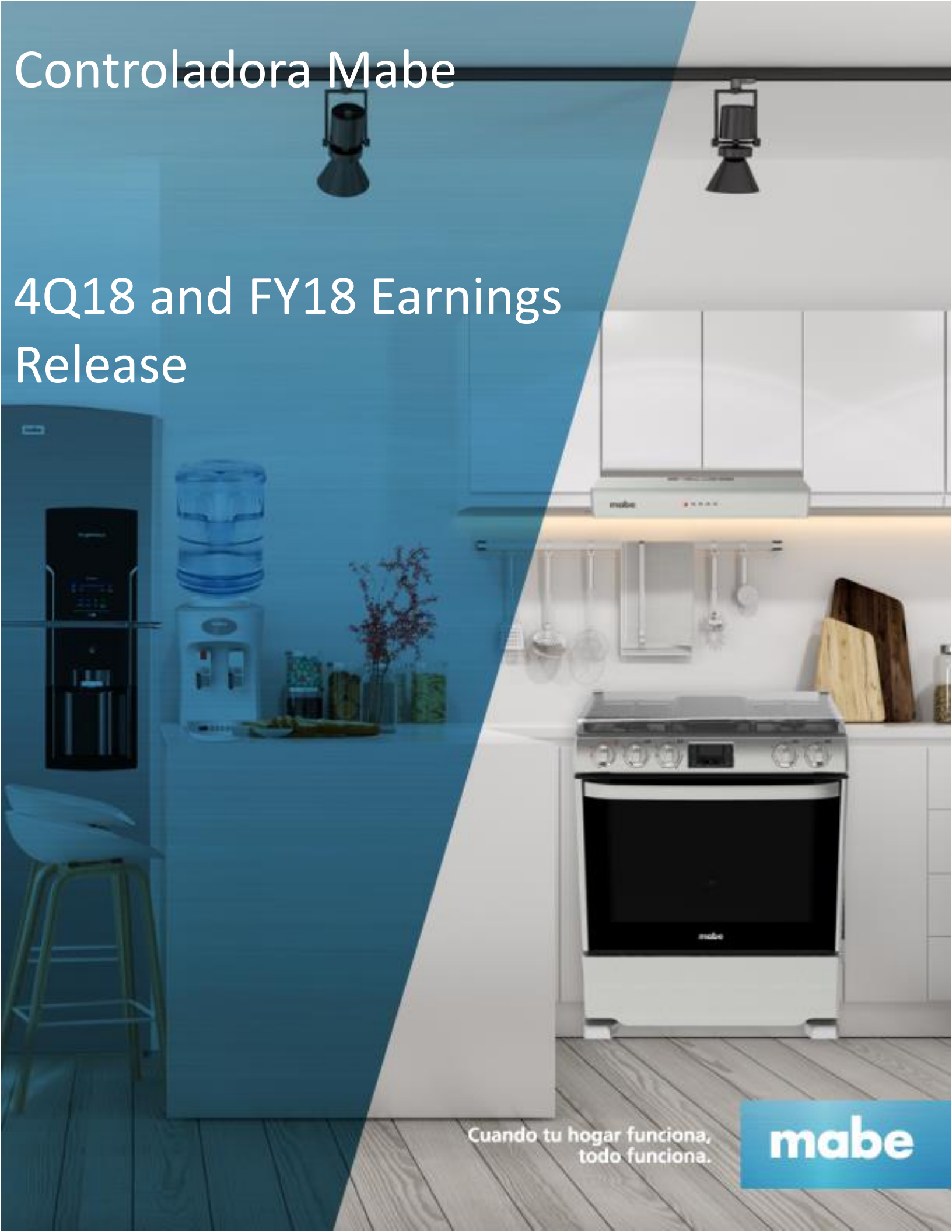


# Controladora Mabe

## 4Q18 and FY18 Earnings Release



Cuando tu hogar funciona,  
todo funciona.



# Results Overview

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

Net revenues during the fourth quarter of 2018 reached US\$864MM, growing 2% versus the same quarter of 2017.

For the full year, Mabe registered total revenues of US\$3.0Bn, a 4% increase against the previous year, propelled by strong growth in the US, Mexico and Canada; South America and Central America reported mixed results.

Canada, the US and Mexico continue being the largest revenue generators, representing the majority of Mabe's sales. The US and Canada contributed with the 40% and 11% for the quarter as 41% and 11% for the full year, respectively. Combined sales of both countries grew 14% compared to last year.









Mexico generated 26% of Mabe's revenues and showed an increase of 9% vs last year in MXN and 7% in USD.

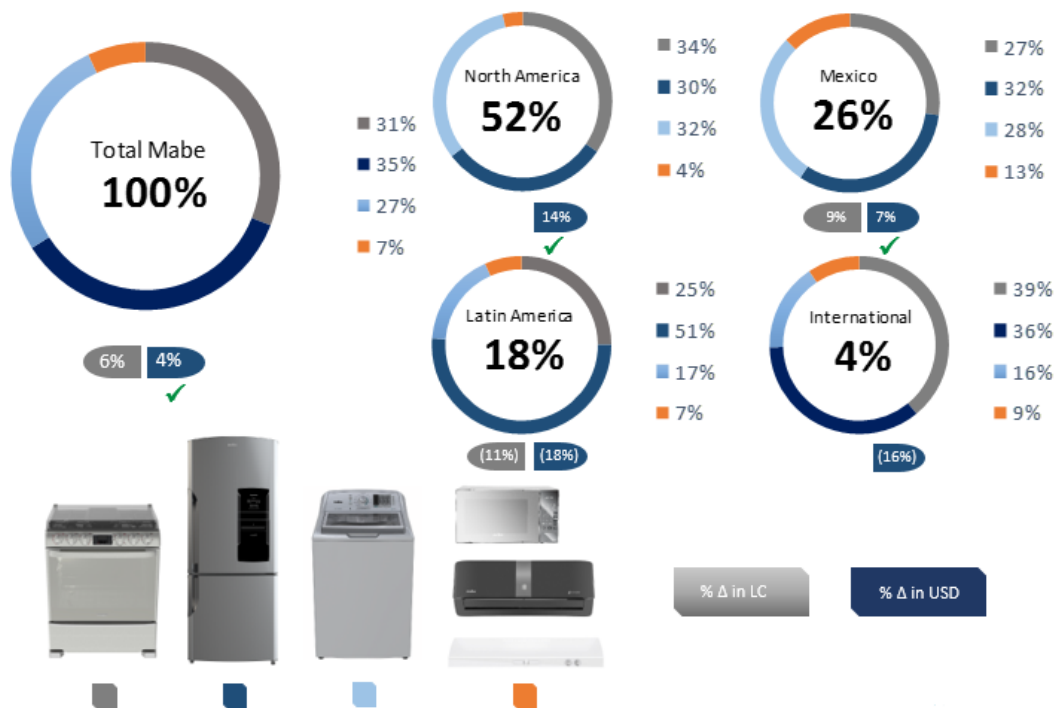
Sales in Latin America continued to show weakness and scaled back 11% in local currencies and 18% on a USD-basis.

Our International business reported a 16% decline in sales for the year.

Full year EBITDA grew 8%, from US\$240MM in 2017 to US\$258MM this year. EBITDA for 4Q18 grew 31% to US\$85MM.

Our total debt decreased 1% from US\$778MM in 2017 to US\$771MM as of 2018, also our net debt decreased by 13%, from US\$637MM in 2017 to US\$555MM in 2018.

 <b>Units</b> 4Q			 <b>Sales</b> 4Q			 <b>EBITDA</b> 4Q			 <b>EBITDA MARGIN</b> 4Q		
2018	2017	Δ vs 2017	2018	2017	Δ vs 2017	2018	2017	Δ vs 2017	2018	2017	Δ vs 2017
3,119	3,342	(7%)	864	851	2%	85	65	32%	9.9%	7.6%	2.3%
FY			FY			FY			FY		
11,176	11,419	(2%)	3,069	2,959	4%	258	240	8%	8.4%	8.1%	0.3%
 <b>CapEx</b> 4Q			 <b>Net Debt</b> 4Q			 <b>Net Leverage</b> 4Q			 <b>Net Interest Coverage</b> 4Q		
2018	2017	Δ vs 2017	2018	2017	Δ vs 2017	2018	2017	Δ vs 2017	2018	2017	Δ vs 2017
21	32	(35%)	555	637	(13%)	2.15	2.65	(0.51x)	3.78	3.25	0.53x
FY			FY			FY			FY		
106	139	(24%)									



## SALES

Total Mabe 2018 sales climbed almost 4% in USD, vs 2017, reaching US\$3,069MM and climbed 2% to US\$864MM from US\$851MM during 4Q18.

Our total sales were distributed as follows: refrigeration 35%, cooking 31%, laundry 27%, and global products 7%.

North America contributed with 52% of total sales, increasing 14% when compared to 2017. Our sales from exports to the US increased 16% vs last year with an 11% growth in volume. As we have mentioned in previous times, our products sold in the US have stronger margins, from competitive manufacturing costs attributable to the integration of factories and production in Mexico.

Mexico represented 26% of total sales of 2018, showing a 7% growth in USD and 9% rise in local currency.

Latin America had negative quarterly results, having contracted an 11% in local currencies and an 18% in USD terms, when compared to 2017 results, and contributed with 18% of Mabe's total revenues. We had mixed results throughout the region due to different effects such as, new competition from Asian products in Central America, political problems in Guatemala and Nicaragua and economic problems in Argentina.

As for our International business, it showed a decrease of 16% mainly due to a new laundry regulation in Saudi Arabia, a decline in sales in the Philippines as well as new regulations in the Bolivian home appliances market.

## **COGS AND CONTRIBUTION MARGIN:**

Cost of goods sold for the year reached US\$2,587MM, marking a 4.2% rise when compared to COGS for 2017, pressured by the sustained raw material price inflation and higher freight costs. Our gross profit reached the US\$482MM, which is 1.5% higher than 2017, resulting in a virtually unchanged gross margin of 15.7%.

## **OPERATING EXPENSES:**

Our SG&A for 2018 stood at US\$335MM, in line with 2017 SG&A.

## **OPERATING PROFIT AND EBITDA:**

Operating profit rose 5.1% to US\$147MM in 2018, aided by stable SG&A. Meanwhile, EBITDA totaled US\$258MM, showing a 7.5% rise when compared to 2017. Our EBITDA margin rose from 8.1% to 8.4% compared to last year's.

## **COST OF FINANCING:**

Due to the refinancing of the 2019 bond, which was tendered, we paid a premium of US\$16MM and with this, our net financial expenses grew from US\$64MM to US\$71MM in 2018.

## **RESTRUCTURING AND OTHER CHARGES:**

Restructuring expenses of 2018 grew from US\$12MM to US\$21MM. These charges are related to severance payments, mainly for the compensation expenses of the closing of the assembly facility in Haedo, Argentina.

## **CAPEX:**

During the quarter, capital expenditures reached US\$106MM, CapEx was allocated as follows:

- Laundry – Saltillo capacity increase in order to satisfy laundry center and dryers demand in the US, additional plant automation
- Refrigeration – increase plant capacity in Celaya and the launch of a new 36" Bottom Freezer for North America
- Cooking – continue production of new platform for Latin America and a new 20" and 24" range platform for the US. Additionally, we are upgrading the GE Café brand and increased our plant capacity.

## **DEBT STRUCTURE:**

Gross debt reached US\$771MM by the end of December 2018. Long-term debt was US\$628MM and represented 81% of the total debt. The average life of our debt is 7.11 years, with an average interest rate of 6.59%. Currency mix is 87.7% in USD, 9.3% in MXN, 2.6% in CAD, and the remaining 0.6% in ARS. On a net debt basis, we closed the year of 2018 with a total of US\$555MM, resulting in a net leverage to EBITDA ratio of 2.15x, well below our covenant of 3.5x.

**Consolidated Condensed Income Statement (Unaudited)**  
*(US\$MM)*

	<u>4Q18</u>	<u>FY18</u>	<u>4Q17</u>	<u>FY17</u>
Net Sales	864	3,069	851	2,958
COGS	<u>722</u>	<u>2,587</u>	<u>728</u>	<u>2,483</u>
<b>Gross Income</b>	142	482	123	475
SG&A	<u>85</u>	<u>335</u>	<u>85</u>	<u>335</u>
<b>Operating Income</b>	<b>57</b>	<b>147</b>	<b>38</b>	<b>140</b>
Net Interest (Income) / Expense	8	68	20	74
Commissions	19	21	1	4
FX (Gain) / Loss	(13)	(18)	(1)	(14)
<b>Net Financing Cost</b>	<b>24</b>	<b>71</b>	<b>20</b>	<b>64</b>
Restructuring & Other Charges	<u>11</u>	<u>21</u>	<u>(1)</u>	<u>12</u>
<b>Income / (Loss) Before Income Tax</b>	<b>22</b>	<b>56</b>	<b>18</b>	<b>64</b>
Income Tax Expense	<u>4</u>	<u>15</u>	<u>(7)</u>	<u>5</u>
<b>Consolidated Net Income / (Loss)</b>	<b><u>17</u></b>	<b><u>40</u></b>	<b><u>25</u></b>	<b><u>59</u></b>

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

	<u>4Q18</u>	<u>4Q17</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	216	140
Accounts Receivables, net	307	377
Tax Receivables	128	52
Inventories, net	355	321
<b>Total Current Assets</b>	<b><u>1,005</u></b>	<b><u>890</u></b>
Net PP&E	861	861
Deferred Taxes	99	154
Other Assets, net	599	561
<b>Total Assets</b>	<b><u>2,564</u></b>	<b><u>2,468</u></b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Current Maturities of LT Debt & ST Debt	148	32
Notes and Accounts Payables to Suppliers	989	893
Other Accounts Payables and Accrued Liabilities	109	108
Income Tax Payable	89	45
<b>Total Current Liabilities</b>	<b><u>1,335</u></b>	<b><u>1,079</u></b>
Long-Term Debt	624	746
Employee Retirement Obligations	23	29
Financial Instruments	4	1
Deferred Taxes	8	60
Other LT Liabilities	50	59
<b>Total Liabilities</b>	<b><u>2,043</u></b>	<b><u>1,972</u></b>
<b>Total Equity</b>	<b><u>521</u></b>	<b><u>496</u></b>
<b>Total</b>	<b><u>2,564</u></b>	<b><u>2,468</u></b>

**Controladora Mabe S.A. de C.V.**  
**Consolidated Condensed Statement of Cash Flows (Unaudited)**  
*(US\$MM)*

	FY18	FY17
<b>Operating activities</b>		
Income before taxes	59	72
<i>Items related to investing activities:</i>		
Depreciation and amortization	111	107
(Gain) / Loss on sale of fixed assets	1	(8)
Employee benefits	(4)	4
Impairment of trade and other receivables	-	1
<i>Items related to financing activities</i>		
Interest income	(12)	(3)
Interest expense	102	81
Exchange fluctuation	(18)	(14)
(Increase) / Decrease:		
Accounts Receivables	69	(52)
Inventories	(34)	(60)
Increase / (Decrease)		
Notes and Accounts Payables to Suppliers	96	151
Other payables and accrued liabilities	(52)	23
Income taxes	(44)	(25)
Direct employee benefits and employee benefits	-	(3)
<b>Net cash flow provided by operating activities</b>	<b>274</b>	<b>274</b>
<b>Investing activities</b>		
Acquisitions of PP&E	(66)	(114)
Sale of fixed assets	-	15
Acquisitions of other assets	(40)	(43)
<b>Net cash flow used in investing activities</b>	<b>(106)</b>	<b>(141)</b>
<b>(Decrease) / Increase in cash to apply to financing activities</b>	<b>168</b>	<b>133</b>
<b>Financing activities</b>		
Borrowings	2,034	879
Debt repayment	(2,041)	(887)
Interest paid	(85)	(66)
Interest collected	12	3
Dividend payment	-	(10)
Pension plan contribution	-	-
<b>Net cash flow provided by / (used in) financing activities</b>	<b>(80)</b>	<b>(81)</b>
Adjustment to cash flows due to FX fluctuations	(13)	(26)
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>76</b>	<b>27</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>140</b>	<b>114</b>
<b>Cash and cash equivalents at end of period</b>	<b>216</b>	<b>140</b>

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### COMMENTS ON OUR FINANCIAL STATEMENTS:

This Press Release contains our unaudited condensed consolidated financial statements as of September 30<sup>th</sup>, 2018 and September 30<sup>th</sup>, 2017. 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 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.