

Controladora Mabe

3Q18 and 9M18 Earnings Release



Cuando tu hogar funciona,
todo funciona.



Results Overview

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

Net revenues during the third quarter of 2018 reached US\$777MM, growing 3.9% versus the third quarter of 2017.

Canada, the US and Mexico continue being the largest revenue generators, representing the majority of Mabe's sales.

The US and Canada contributed with 44% and 12%, respectively for the quarter and combined sales climbed 16%.

Mexico generated 24% of Mabe's revenues and showed an increase of 19% vs last year in MXN and 11% in USD.

Sales in Latin America continued show weakness adverse and scaled back 4% in local currencies and 10% on a USD-basis.

Our International business scaled back and reported a 34% decline in sales for the quarter.

EBITDA grew 4.3%, from US\$58MM on 3Q17 to US\$61MM on this quarter.

Our total debt decreased 13% from US\$891MM in 3Q17 to US\$777MM as of 3Q18, also our net debt decreased by 15%, from US\$795MM to US\$679MM.



Units
3Q

2018	2017	Δ
2,750	2,845	(3%)



Sales
3Q

2018	2017	Δ
777	748	4%



EBITDA
3Q

2018	2017	Δ
61	58	4%



EBITDA MARGIN
3Q

2018	2017	Δ
7.8%	7.8%	0%



CapEx
3Q

2018	2017	Δ
27	35	(21%)



Net Debt
3Q

2018	2017	Δ
679	795	(15%)



Net Leverage
3Q

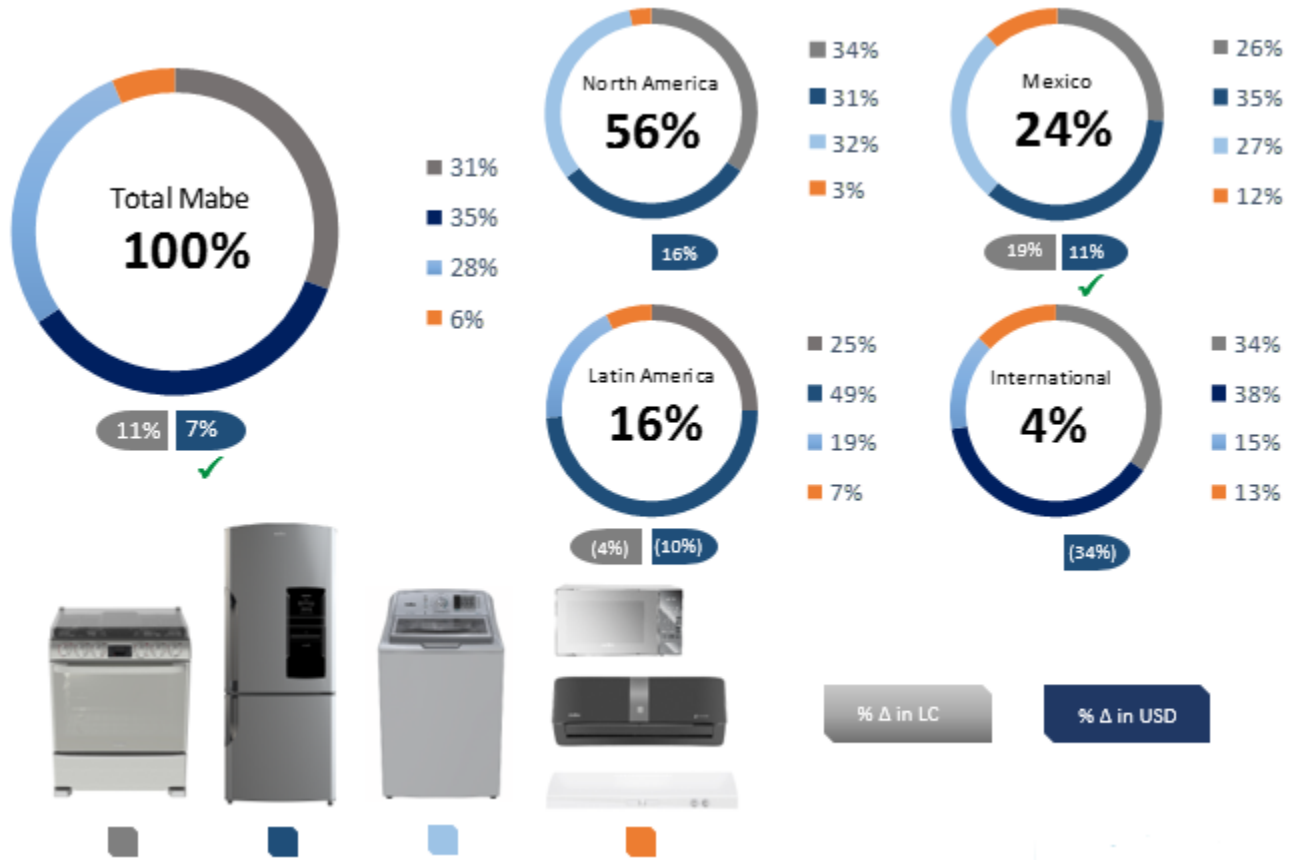
2018	2017	Δ
2.86	2.88	(0.02x)



Net Interest Coverage
3Q

2018	2017	Δ
2.98	3.92	(0.94x)

Operating Results



SALES

Total Mabe sales climbed almost 7% in USD, vs 3Q17, reaching US\$777MM.

Our total sales were distributed as follows: refrigeration 35%, cooking 31%, laundry 28%, and global products 6%.

North America contributed with 56% of total sales, increasing 16% when compared to 3Q17. Our sales from exports to the US increased 16% vs last year with a 9% growth in volume. As we have mentioned in previous times, our products sold in the US have stronger margins, from lower costs of products due to constant negotiations with suppliers; similarly, we have competitive manufacturing costs attributable to the integration of factories and production in Mexico.

Mexico represented 24% of total sales during the quarter, showing a 19% growth in USD and 11% rise in local currency.

Latin America had negative quarterly results, having contracted 4% in local currencies and 10% in USD terms, when compared to 3Q17 results, and contributed with 16% of Mabe's total revenues. We registered increases throughout the region, except for Ecuador and Argentina.

These two countries affected the growth of the region in general, especially Argentina which had a 66.8% decline in sales, due to the country's economic situation.

As for our International business, it showed a decrease of 34% 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 quarter reached US\$663MM, marking a 5.6% rise when compared to COGS for 3Q17, pressured by the sustained raw material price inflation and higher freight costs. Our gross profit stood at US\$114MM, which is 5.0% lower than during 3Q17, resulting in a virtually unchanged gross margin of 14.7%.

OPERATING EXPENSES:

Our expense reduction initiatives have proven successful, our SG&A for 3Q18 stood at US\$83MM, in line with 3Q17 SG&A.

OPERATING PROFIT AND EBITDA:

Operating profit rose 2.7% to US\$31MM in 3Q18, aided by stable SG&A. Meanwhile, EBITDA totaled US\$61MM, showing a 4.3% rise when compared to 3Q17. Our EBITDA margin was the same as last years, 7.8% for the quarter.

COST OF FINANCING:

Due to the lower debt, our net financial expenses stood at US\$10MM, lower than the US\$23MM from 3Q17.

RESTRUCTURING AND OTHER CHARGES:

Restructuring expenses were equal during the quarter at US\$4MM. These charges are related to severance payments, mainly in Argentina.

CAPEX:

During the quarter, capital expenditures reached US\$27MM, of which US\$14MM were used for expansionary purposes. 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\$777MM by the end of September 2018. Long-term debt was US\$742MM and represented 96% of the total debt. The average life of our debt is 2.97 years, with an average interest rate of 7.54%. Currency mix is 87.1% in USD, 9.7% in MXN, 2.7% in CAD, and the remaining 0.5% in ARS. On a net debt basis, we closed the third quarter of 2018 with a total of US\$679MM, resulting in a net leverage to EBITDA ratio of 2.86x, well below our covenant of 3.5x.

Controladora Mabe S.A. de C.V.
Consolidated Condensed Income Statement (Unaudited)
(US\$MM)

	<u>3Q18</u>	<u>9M18</u>	<u>3Q17</u>	<u>9M17</u>
Net Sales	777	2,205	748	2,108
COGS	<u>663</u>	<u>1,865</u>	<u>628</u>	<u>1,756</u>
Gross Income	114	340	120	352
SG&A	<u>83</u>	<u>250</u>	<u>90</u>	<u>257</u>
Operating Income	31	91	30	95
Net Interest (Income) / Expense	18	60	19	54
Commissions	1	2	1	3
FX (Gain) / Loss	(9)	(16)	3	(13)
Net Financing Cost	10	47	23	43
Restructuring & Other Charges	<u>4</u>	<u>10</u>	<u>4</u>	<u>6</u>
Income / (Loss) Before Income Tax	18	34	3	46
Income Tax Expense	<u>8</u>	<u>11</u>	<u>8</u>	<u>21</u>
Consolidated Net Income / (Loss)	<u>9</u>	<u>23</u>	<u>(5)</u>	<u>25</u>

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

	<u>3Q18</u>	<u>3Q17</u>
Assets		
Current Assets		
Cash and Cash Equivalents	98	96
Accounts Receivables, net	341	394
Tax Receivables	89	112
Inventories, net	355	390
Total Current Assets	<u>883</u>	<u>992</u>
Net PP&E	864	864
Deferred Taxes	105	104
Other Assets, net	601	524
Total Assets	<u>2,453</u>	<u>2,484</u>
Liabilities		
Current Liabilities		
Current Maturities of LT Debt & ST Debt	35	168
Notes and Accounts Payables to Suppliers	884	818
Other Accounts Payables and Accrued Liabilities	143	139
Income Tax Payable	50	65
Total Current Liabilities	<u>1,112</u>	<u>1,190</u>
Long-Term Debt	742	723
Employee Retirement Obligations	30	29
Financial Instruments	0	2
Deferred Taxes	10	12
Other LT Liabilities	40	42
Total Liabilities	<u>1,934</u>	<u>1,999</u>
Total Equity	<u>519</u>	<u>484</u>
Total	<u>2,453</u>	<u>2,484</u>

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

	<u>9M18</u>
Net cash flows generated from (used in) operating activities	<u>97</u>
Net cash flows used in investing activities	<u>(85)</u>
Net cash flows generated from (used in) financing activities	<u>(52)</u>
Cash and cash equivalents at period end	<u>98</u>

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COMMENTS ON OUR FINANCIAL STATEMENTS:

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