

# mabe

Cuando tu hogar funciona,  
todo funciona.

CONTROLADORA MABE  
3Q20 PRESS RELEASE



## RESULTS 3Q20

### MABE REPORTS AN 8% INCREASE IN SALES AND VOLUME. EBITDA GROWTH OF 45% IN 3Q20 VS 3Q19

Mexico City, October 27, 2020 – Controladora Mabe S.A. de C.V. (“Mabe” or “the Company”) reports its results for the third quarter of 2020 (“3Q2020”). 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 3Q20

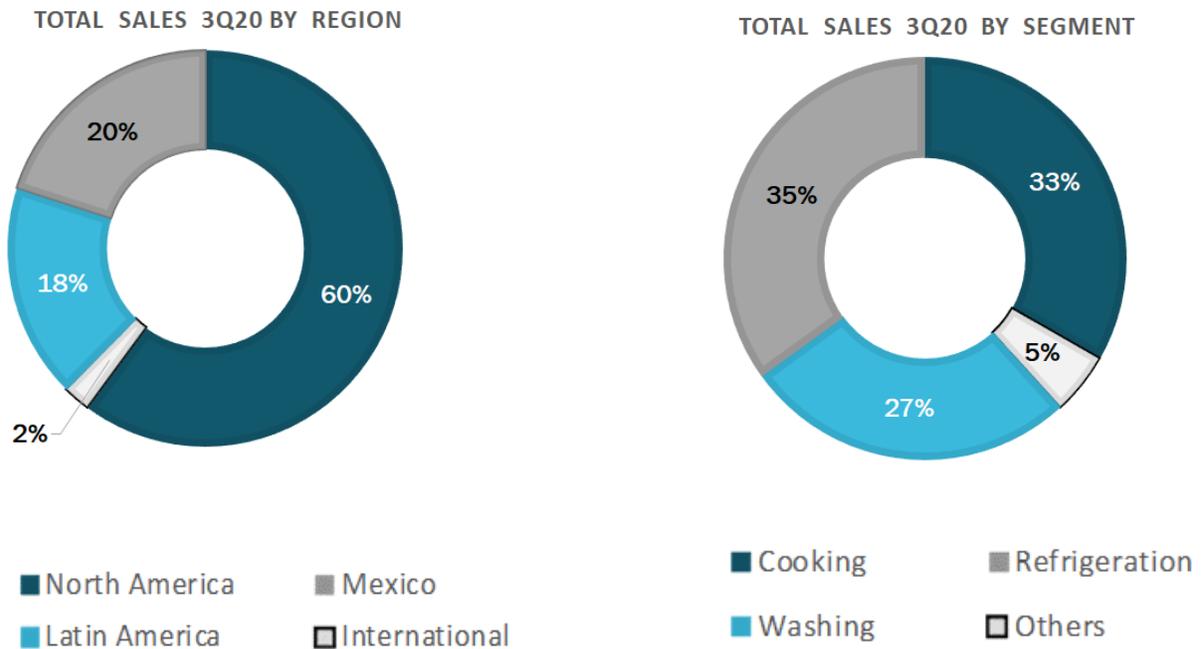
- **Volume and sales** increased **8%** vs 3Q19, driven by signs of recovery in demand.
- Significant **leverage** from mix and price, and lower promotional discounts
- **EBITDA** increased **45%** vs. 3Q19
- **EBITDA margin stood at 12%** vs **8.9%** (310 bps better than 3Q19).
- Second quarter with positive **cash flow** generation despite COVID
- **Net debt** had an improvement of **US\$86 MM**. We reduced the debt by **14%** from **US\$600 MM** in 3Q19 to **US\$514 MM** in 3Q20.

CONCEPT	3Q20	3Q19	Δ VS 2019
Sales	914	847	8%
EBITDAR	116	81	43%
EBITDAR Margin	12.7%	9.6%	315bps
CapEx	19	19	0%
Net Debt	514	600	(14%)
Net Leverage *	1.58x	2.17x	(0.6x )
Net Interest Coverage *	7.72x	5.22x	2.5x

\* 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 distribution:** cooking products **33%**, refrigeration **35%**, laundry **27%** and global products **5%**.

During the third quarter, US sales accounted for **47%** of Mabe’s total sales. Canada also increased their participation from **11%** to **13%**. These increases were the result of a change in consumer behavior in US and Canada. Consumers are renovating their homes as a consequence of the lockdown.

Mexico sales had a participation of **20%** in 2020 vs **23%** in 2019, a decrease of **3%**. LATAM Participation in 2019 was **17%** versus an **18%** in 2020.

We continued with a higher product demand from GE-HAIER in the US and from our clients in other markets.

In the US, we experienced an **8%** sales increase vs 2019. The appliances industry had a strong recovery in third quarter offsetting second quarter COVID impact.

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As far as we know, GE Appliances had a great quarter in all sales channels including retail, gaining floors share, building channel and direct commerce. They made a great effort on service and product availability to cover customer orders, despite supply chain and workforce restrictions; taking advantage of lack of product from competitors.

Cooking products and refrigeration sales trends were positive. Sales increased 21% and 4% respectively vs same quarter last year.

Laundry sales only declined 3%, despite the migration of the HA Low Cost Dryer production, from Mabe's Saltillo factory to GE Haier's factory in Louisville, Kentucky.

In Canada, Mabe saw a dramatic rebound in demand as closures and restrictions related to COVID-19 eased. The market grew 9% during the quarter. Mabe sales grew 24% versus prior year, driven by strong performance in the Laundry and Range product categories. EBITDAR for the quarter was strong, driven by improvements in volume, price and mix as well as a strong cost containment.

Mexico sales were affected by 4% as we experienced some inventory restrictions mainly in the refrigeration and cooking segments. We experienced product demand in excess of our forecast and supply capabilities. We decided to allocate the available manufactured products to markets with higher profits and mid-market participation. Given Mexico's market leadership, we reduced our offering as we can easily regain our market position. We expect a sales recovery at fourth quarter of 2020 and at first quarter of 2021.

Even with the COVID restrictions, we maintained strong market participation and positive margins, supported by the pricing increase in refrigerators.

In Central America, during the third quarter 2020, sales decreased 5% vs prior year. Government measures to contain the COVID pandemic resulted in gradual business reopening. We had an important impact in Costa Rica where the Mother's sales season was not as good as the one we had in 2019. We are working on recovering market share, which we lost during the second quarter mainly in the cooking segment.

In the Andean region, we achieved a positive result with an 18% sales increase vs prior year. Sales were leveraged by the reopening of the economy, the gradual ending of the coronavirus lockdown and the government economic measures to counter the effects of the outbreak. In Colombia, for example the government implemented two days with no Value Added Tax to support the economy. This initiative had a positive impact in consumption.

We also executed price increases in third quarter to offset local currencies' depreciation, combined with a proper expense supervision; this all helped us to achieve greater profitability.

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Argentina had a strong quarter. We increased our market share in cooking and refrigeration due to stable commercial relations with the main customers and the growth of ecommerce and sales with retailers. We capitalized many opportunities, where our competitors had major difficulties to reactivate their production and sales. As far as we know, credit limitations affected their business. Mabe achieved **60%** sales increase vs prior year. In addition, we had an excellent price execution plus costs savings, and a strong expense control, which all translated to better results.

Finally, our International business, which represents **2%** of Mabe's total sales, continued to struggle with the pandemic. However, we have been able to partially recover in most of our markets.

For the third quarter, total sales were **19%** above last year driven by:

- Caribbean was **11%** above third quarter 2019.
- Mercosur was **14%** above third quarter 2019 driven by Bolivia.
- Europe was **48%** above third quarter 2019.
- Middle East was **58%** above third quarter 2019 and almost in line vs our latest estimate for 2020.

### COGS AND GROSS MARGIN:

**Cost of goods sold** for 3Q20 reached **US\$728MM**, representing a **5% increase** compared to COGS for the equivalent in 3Q19. As mentioned before, we had an 8% increase in sales vs 3Q19.

Our **gross profit** was higher during 3Q20 reaching **US\$186MM vs US\$151MM in 3Q19**. Gross margin for 3Q20 was **20%**. This margin is the result of a good price and mix, and a cost reduction of the commodities.

### OPERATING EXPENSES:

Our **SG&A** for 3Q20 had a **US\$5MM** decrease from **US\$107MM** in 3Q19 to **US\$103MM**.

The SG&A during the quarter as a percentage of sales was **11.2%**, which is a very competitive number in this type of industry. We were able to reduce this percentage by **1.4%** compared with 2019 numbers.

These results were obtained as a result of many actions including, as mentioned before, the savings of some expenses such as the following:

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- A) Employees contributed with a 10% payroll cut during the month of July, salary increases were cancelled for the rest of the year, and travel expenses were sharply reduced as well as other expenses, helping to reduce fix expenses by **US\$8 MM**.
  
- B) Additionally, Commercial expenses such as marketing, and point of sale expenses were held to the bare minimum during third quarter. This helped us to reduce variable expenses by **US\$6 MM**.

We also had additional expenses to guarantee employee safety; these expenses include covid tests, personal protection equipment, and transport for unionized employees to bring them to our plants and new infrastructure in our facilities to comply with the distance requirements, which represent expenses of **US\$4 MM**.

### OPERATING PROFIT AND EBITDAR:

Operating profit increased from **US\$44MM** in 3Q19 to **US\$84MM** in 3Q20.

\***EBITDAR** totaled **US\$116MM** vs **US\$81MM** showing a **43%** increase when compared to 3Q19.

*\*Consider IFRS 16*

### COST OF FINANCING:

Our net financial expense showed an improvement of **39%**, resulting in **US\$5MM**, mainly due to the interest expenses reduction.

## Balance Sheet

### CASH:

We maintain a solid cash on hand of **US\$203MM**. We generated **US\$84MM** cash flow during the third quarter; hence, we lowered the debt by **14%**, from **US\$600MM** in third quarter 2019 to **US\$514MM**.

### WORKING CAPITAL:

We have a Working capital of **(US\$13MM)** in 3Q20, this result responds to the following: first, our **accounts receivables** increased **US\$86MM**. Second, we had a positive effect of **US\$44MM in inventories**; due to an effective sell strategy of the "on hand and low movements inventory". Finally, our **account payables deleverage US\$29MM**.

### CAPEX:

CapEx for 3Q20 was **US\$19MM** flat vs 3Q19.

We deployed funds as follows:

- For Laundry products, we have a new Product Development.
  - We have a new commercial dryer for the US starting production between fourth quarter 2020 and first quarter 2021
  - We continue on the manufacturing automation and capacity increase for our dryer plant in Saltillo
- For Refrigeration we are investing in a new product with the following characteristics
  - Conversion to low impact on environment refrigerant R600 for US & Canada
  - New bottom freezer for LATAM.
  - We are also investing in Manufacturing automation and capacity increase for our plant in Celaya.
- For our Cooking business we are investing in some new products which are the following
  - Monogram 20-inch ProRange
  - FaceLift Free Standing which includes Café matte white & fingerprintless
  - Manufacturing automation and capacity increase for our plant in San Luis Potosí

## DEBT STRUCTURE:

US\$MM	3Q20	3Q19	Δ %
Gross Debt	717	777	(8%)
Net Debt	514	600	(14%)
Short-Term Debt	55	163	(66%)
Long-Term Debt	662	614	8%
Net Debt/EBITDA	1.58x	2.17x	(0.6x )

At the end of 3Q20, **Gross debt** reached **US\$717**. The **average life** of our debt is **7.1 years**.

Net debt contracted **14%**, to **US\$514MM** from **US\$600MM** in 3Q19. Net leverage at 3Q20 was **1.58X** and Net Interest Coverage stood at **7.72X**, well within our covenants. The Best ratios in the past decade. These covenants are calculated without considering the effects of IFRS16.

## Annex

## Consolidated Condensed Income Statement (Unaudited)

US\$MM	3Q20	3Q19	Δ%	YTD20	YTD19	Δ%
Net Sales	914	847	8%	2,213	2,392	(7%)
COGS	728	696	5%	1,792	1,968	(9%)
<b>Gross Income</b>	<b>186</b>	<b>151</b>	<b>23%</b>	<b>421</b>	<b>424</b>	<b>(1%)</b>
SG&A	103	107	(4%)	280	325	(14%)
<b>Operating Income</b>	<b>84</b>	<b>44</b>	<b>89%</b>	<b>142</b>	<b>99</b>	<b>43%</b>
Net Interest (Income) / Expense	12	15	(23%)	35	49	(29%)
Commissions	1	1	(15%)	2	2	(29%)
FX (Gain) / Loss	(7)	(7)	N/A	(9)	(14)	(0)
<b>Net Financing Cost</b>	<b>5</b>	<b>9</b>	<b>(39%)</b>	<b>27</b>	<b>37</b>	<b>(28%)</b>
Participation in Subsidiaries	0	0	N/A	(2)	1	N/A
<b>Income / (Loss) Before Income Tax</b>	<b>79</b>	<b>36</b>	<b>121%</b>	<b>113</b>	<b>63</b>	<b>80%</b>
Income Tax Expense	20	5	268%	26	17	59%
<b>Consolidated Net Income / (Loss)</b>	<b>58</b>	<b>30</b>	<b>95%</b>	<b>87</b>	<b>46</b>	<b>88%</b>

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### Consolidated Condensed Balance Sheet (Unaudited)

US\$MM	3Q20	3Q19
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	203	177
Accounts Receivables, net	335	344
Tax Receivables	97	104
Inventories, net	244	343
<b>Total Current Assets</b>	<b>879</b>	<b>968</b>
Net PP&E	835	876
Goodwill	210	210
Asset for Leases L.P.	70	89
Deferred Taxes	72	91
Other Assets, net	504	415
<b>Total Assets</b>	<b>2,570</b>	<b>2,649</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Current Maturities of LT Debt & ST Debt	55	163
Notes and Accounts Payables to Suppliers	807	967
Other Accounts Payables and Accrued Liabilities	161	141
ST Liabilities for Leases	6	6
Income Tax Payable	66	57
<b>Total Current Liabilities</b>	<b>1,095</b>	<b>1,333</b>
Long-Term Debt	662	614
Employee Retirement Obligations	32	26
Financial Instruments	1	4
LT Liabilities for Leases	66	84
Other LT Liabilities	22	28
<b>Total Liabilities</b>	<b>1,878</b>	<b>2,089</b>
<b>Total Equity</b>	<b>692</b>	<b>560</b>
<b>Total</b>	<b>2,570</b>	<b>2,649</b>

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

US\$MM	Year to September 2020	Year to September 2019
<b>Operating activities:</b>		
Income before income taxes	115	63
<i>Items related to investing activities:</i>		
Depreciation and amortization	101	108
(Gain) / loss on sale of fixed assets	1	(0)
Employee Benefit	2	2
Leases IFRS 16	(22)	(2)
Share of net gain (loss) of associates	(2)	-
<i>Items related to financing activities:</i>		
Interest income	(8)	(3)
Interest expense	44	55
Exchange fluctuation	(9)	(14)
	222	208
<i>(Increase) decrease:</i>		
Accounts receivable	(18)	(46)
Inventories	66	11
<i>Increase (decrease):</i>		
Notes and accounts payable to suppliers	(192)	(20)
Other payables and accrued liabilities	9	(44)
Income taxes	(8)	(28)
<b>Net cash flow provided by operating activities</b>	<b>78</b>	<b>81</b>
<i>Investing activities:</i>		
Acquisitions of property, plant and equipment	(29)	(41)
Acquisitions other assets	(48)	(30)
<b>Net cash flow used in investing activities</b>	<b>(76)</b>	<b>(71)</b>
<b>(Decrease) / increase in cash to apply to financing activities</b>	<b>2</b>	<b>10</b>
<b>Financing activities:</b>		
Borrowings	721	1,667
Payment of debt	(730)	(1,661)
Interest paid	(34)	(43)
Interest collected	8	3
Dividend payment	(6)	(15)
<b>Net cash flow provided by / (used in) financing activities</b>	<b>(40)</b>	<b>(49)</b>
Adjustment to cash flows due to exchange rate fluctuations	(6)	(0)
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(44)</b>	<b>(39)</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>203</b>	<b>177</b>

## RESULTS 3Q20

### CONFERENCE CALL

**Date:**

Tuesday, October 27<sup>th</sup>, 2020

8:30 AM – Mexico City Time

10:30 AM – New York Time

**Speakers:**

José Calvillo, CFO

Laura Alvizo, Treasury and IR

To join the call please dial:

Toll-Free (US) +1-877-407-0789

Toll / International 1-201-689-8562

Conference ID: 13711776

Replay:

Toll Free 1-844-512-2921

Toll / International 1-412-317-6671

Start Date: 10/27/20 at 1:30 pm Eastern Time

End Date: 11/03/20 at 11:59 pm Eastern Time

Replay Pin Number: 13711776

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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>, 2020 and September 30<sup>th</sup>, 2019. 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.