

GRUPO CASA SABA SA DE CV

Form 6-K

July 30, 2007

Quarterly Earnings Release  
2Q07

July 27, 2007

## **Sales and Operating Income Increase 3.35% and 2.53%, Respectively**

### **Financial Highlights:**

(All figures are expressed in millions of pesos as of June 30, 2007. Comparisons are made with the same period of 2006, unless otherwise stated. Figures may vary due to rounding practices. "bp" stands for basis points.)

- Quarterly sales reached \$5,915.32 million
- Gross profit increased 0.99%
- The gross margin for the quarter was 9.03%
- Operating expenses remained stable during the quarter
- Operating expenses, as a percentage of sales, declined 19 b.p.
- Operating income rose 2.53% during the quarter
- The operating margin for the quarter was 3.47%
- Tax provisions declined 10.30%
- Net income for the quarter reached \$175.70 million, an increase of 6.37%
- The company had \$284.89 million in cash at the end of the quarter

**Mexico City, July 27, 2007. Grupo Casa Saba ("Saba", "GCS", "the Company" or "the Group")**, one of the leading Mexican distributors of pharmaceutical products, beauty aids, personal care and consumer goods, general merchandise, publications and other products announces its consolidated financial and operating results for the second quarter of 2007.

## **QUARTERLY RESULTS**

### **NET SALES**

During the second quarter, Grupo Casa Saba's sales totaled \$5,915.32 million pesos, an increase of 3.35%.

The Private Pharma division had the best performance when compared to the second quarter of 2006, growing 4.63%. The increase was the result of the positive performance that the private pharmaceutical market has demonstrated for the past several quarters, along with the strategy and commercial practices that GCS has implemented, which are focused on actively serving our traditional clients as well as drugstore chains and supermarkets.

Sales of health, beauty, consumer goods, general merchandise and other products increased 2.39% during the quarter, while our publications sales, which include books and magazines, declined 0.24%. Government Pharma's share of total sales decreased to reach 2.82%, as a result of lower sales to Petróleos Mexicanos (PEMEX), which were due to modifications in this company's acquisition and subrogation schemes for pharmaceutical products.

On June 8th, 2007, GCS complied with its commitment to distribute a portion of its profits to its shareholders by paying out a cash dividend of \$170.0 million. This amount is 13.33% higher than the dividend that was paid out in 2006.

## **SALES BY DIVISION**

## PRIVATE PHARMA

The Private Pharma division continued to grow at a strong pace, increasing 4.63% to reach \$4,970.10 million pesos. The solid performance reflects the positive evolution of the Private Pharma market in general as well as the market strategies implemented by GCS.

Sales of Private Pharma as a percentage of total sales increased from 82.99% in 2Q06 to 84.02% this quarter.

## GOVERNMENT PHARMA

Government Pharma sales declined 19.76%, primarily as a result of lower sales to PEMEX. The acquisition and subrogation schemes for pharmaceutical products implemented by PEMEX have lead to a reduction in GCS's medicine sales to this particular company.

As a result, Government Pharma sales, as a percentage of the Group's total sales, declined from 3.63% in 2Q06 to 2.82% this quarter.

## HEALTH, BEAUTY, CONSUMER GOODS, GENERAL MERCHANDISE AND OTHER

Sales for this division totaled \$562.16 million pesos at the end of the quarter, increasing 2.39% from the second quarter of 2006.

Sales of health, beauty, consumer goods, general merchandise and other, as a percentage of total sales, decreased from 9.59% in 2Q06 to 9.50% in 2Q07.

## PUBLICATIONS

During the second quarter of the year, Citem's sales decreased slightly, by 0.24%, as a result of stable prices and volumes.

As a percentage of sales, this division's contribution to total sales went from 3.79% in 2Q06 to 3.66% in 2Q07.

<b>Division</b>	<b>% of Sales</b>
Private Pharma	84.02 %
Government Pharma	2.82 %
Health, Beauty, Consumer Goods, General Merchandise and Other	9.50 %
Publications	3.66 %
<b>TOTAL</b>	<b>100.00%</b>

## GROSS INCOME

Grupo Casa Saba's gross income during the second quarter totaled \$534.01 million, an increase of 0.99%. This relatively small increase is due to a high degree of competition within the market, which resulted in greater discounts to our customers.

As a result, the gross margin reached 9.03%, a decline of 21 basis points versus the 9.24% registered in 2Q06.

## OPERATING EXPENSES

As a result of tight spending policies and the implementation of programs aimed at improving operational efficiency, expenses only increased by 0.05% during the quarter, and compare favorably with the growth in sales of 3.35%.

Operating expenses as a percentage of sales went from 5.74% in 2Q06 to 5.55% at the end of the quarter, an improvement of 19b.p..

## **OPERATING INCOME**

Operating income for the second quarter of 2007 rose 2.53%, while the operating margin was 3.47%, 3 b.p. below the margin registered in 2Q06. This increase was primarily the result of a higher growth rate in sales than in operating expenses.

## **OPERATING INCOME PLUS DEPRECIATION AND AMORTIZATION**

Depreciation and amortization in 2Q07 was \$229.13 million pesos, an increase of 1.40% compared to the second quarter of 2006. This increase was the result of lower asset depreciation.

## **CASH AND COST-BEARING LIABILITIES**

GCS's cash and cash equivalents at the end of the second quarter of 2007 totaled \$284.89 million pesos, a decrease of 56.33% from the same period of 2006. This decline was due to larger investments in working capital.

## **COMPREHENSIVE COST OF FINANCING**

During the second quarter, GCS's comprehensive cost of financing (CCF) resulted in an income of \$6.00 million pesos, slightly less than the income of \$6.23 million pesos that was registered in 2Q06.

## **OTHER EXPENSES (INCOME)**

During the second quarter of 2007, other income was \$12.81 million pesos, 0.93% higher than in 2Q06. This was the result of the sale of transportation equipment, third-party services and other activities.

It is worth noting that the expenses (income) registered in this line item are related to activities outside the normal operation of the business.

## **TAX PROVISIONS**

Tax provisions for 2Q07 were \$48.61 million pesos, 10.30% below the 2Q06 figure. The decrease is largely due to the income tax line item.

## **NET INCOME**

GCS's net income for the second quarter of 2007 totaled \$175.70 million pesos, a 6.37% increase compared to the \$165.17 million pesos registered in 2Q06. The net margin for the period was 2.97%, higher than the 2.89% achieved during the same period of 2006.

## **WORKING CAPITAL**

During the second quarter of the year, and compared to the same quarter of 2006, accounts receivable and inventory days increased by 3.30 and 4.40 days to 60.20 and 52.40 days, respectively. On the other hand, accounts payable days were 46.70 days, a slight decrease of 0.50 days versus 2Q06.

The 265.4 million shares issued by Grupo Casa Saba are listed in the Mexican Stock Exchange and its ADRs in the New York Stock Exchange, both under the symbol "SAB". One ADR equals 10 ordinary shares.

**Grupo Casa Saba is one of the leading distributors of pharmaceutical products, beauty, personal care and consumer goods, general merchandise, publications and other goods in Mexico. With more than 110 years of experience, the Company distributes to the majority of pharmacies, chains, self-service and convenience stores, as well as other specialized national chains.**

**As a precautionary note to investors, except for the historic information contained herein, certain topics discussed in this document constitute forward-looking statements. Such topics imply risks and uncertainties, including the economic conditions in Mexico and other countries in which Casa Saba operates, as well as variations in the value of the Mexican peso as compared with the US dollar.**

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## GRUPO CASA SABA S.A. DE C.V. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEET

Figures expressed in thousands of Mexican Pesos as of June 2007

ITEM	Jun-07	Jun-06	Var. %
TOTAL ASSETS	9,176,847	8,690,768	5.59%
CURRENT ASSETS	7,683,481	7,286,711	5.45%
CASH AND CASH EQUIVALENTS	284,886	652,422	-56.33%
ACCOUNTS RECEIVABLE (NET)	3,957,176	3,620,634	9.30%
OTHER ACCOUNTS RECEIVABLE (NET)	252,807	127,049	98.98%
INVENTORIES	3,130,329	2,767,988	13.09%
OTHER CURRENT ASSETS	58,283	118,618	-50.87%
LONG TERM			
ACCOUNTS RECEIVABLE		1,104,819	3.94%
INVESTMENTS IN EQUITY SHARES AND			
UNCONSOLIDATED SUBSIDIARIES			
OTHER INVESTMENTS			
NET PROPERTY, PLANT AND EQUIPMENT	1,148,355	1,216,897	4.12%
PROPERTY	1,267,045	397,041	0.44%
MACHINERY AND EQUIPMENT	398,797	476,817	5.96%
OTHER EQUIPMENT	505,229	985,936	3.73%
ACCUMULATED DEPRECIATION	1,022,717		
BUILDINGS IN PROCESS	-		
DEFERRED ASSETS	166,118	165,708	0.25%
OTHER ASSETS	178,893	133,530	33.97%
TOTAL LIABILITIES	3,618,513	3,658,640	-1.10%
CURRENT LIABILITIES	2,901,528	2,778,269	4.44%
ACCOUNTS PAYABLE	2,745,655	2,556,599	7.39%

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BANK DEBT	-		
DEBT SECURITIES	6,819	6,072	12.30%
ACCRUED TAXES	149,055	215,599	-30.86%
OTHER CURRENT LIABILITIES			
LONG TERM LIABILITIES			
BANK DEBT			
DEBT SECURITIES			
OTHER DEBT			
DEFERRED LIABILITIES			
OTHER LIABILITIES	716,984	880,371	-18.56%
SHAREHOLDER'S EQUITY	5,558,335	5,032,128	10.46%
MINORITY STOCKHOLDER'S EQUITY	-		
MAJORITY STOCKHOLDER'S EQUITY	5,558,335	5,032,128	10.46%
PAID-IN CAPITAL	1,931,349	1,931,349	0.00%
		167,903	0.00%
CAPITAL STOCK	167,903	921,468	0.00%
RESTATEMENT IN CAPITAL STOCK	921,468	841,978	0.00%
PREMIUM ON STOCK SOLD	841,978		
RESERVE FOR RESTATEMENT ON SHAREHOLDER'S EQUITY	-	3,100,779	16.97%
CAPITAL INCREASE (DECREASE)	3,626,986	3,898,758	18.44%
CUMMULATIVE RESULTS AND EQUITY RESERVE	4,617,569	1,030,967	0.00%
RESERVE FOR SHARES REPURCHASE	1,030,967	(2,361,603)	8.56%
OVERAGE (DEFICIT) ON RESTATEMENT ON STOCKHOLDER'S EQUITY	(2,361,603)	340,052	
NET INCOME	340,052	346,422	-1.84%

GRUPO CASA SABA, S.A. DE C.V.

Figures expressed in thousands of Mexican Pesos as of June 2007

	Jan - Jun 2006	% of sales	Jan - Jun 2007	% of sales	Variation \$	%	Apr - Jun 2006	% of sales	Apr - Jun 2007	% of sales	Variat \$
Income Statement											
NET SALES	11,397,390	100.00%	11,743,771	100.00%	346,381	3.04%	5,723,643	100.00%	5,915,317	100.00%	191,674
COST OF SALES	10,317,749	90.53%	10,650,874	90.69%	333,125	3.23%	5,194,848	90.76%	5,381,304	90.97%	186,456
GROSS PROFIT	1,079,641	9.47%	1,092,896	9.31%	13,256	1.23%	528,796	9.24%	534,013	9.03%	5,217
Operating Expenses											
Sell Expenses											
Administration	252,154	2.21%	269,854	2.30%	17,700	7.02%	124,177	2.17%	132,878	2.25%	8,701
Expenses	410,136	3.60%	393,343	3.35%	-16,794	-4.09%	204,187	3.57%	195,640	3.31%	-8,547
OPERATING EXPENSES	662,290	5.81%	663,197	5.65%	907	0.14%	328,364	5.74%	328,518	5.55%	154
OPERATING INCOME											
COMPREHENSIVE COST OF FINANCING	417,351	3.66%	429,700	3.66%	12,349	2.96%	200,432	3.50%	205,495	3.47%	5,063
FINANCING											
Interest Paid	5,320	0.05%	-1,613	-0.01%	-6,933	-130.32%	2,434	0.04%	668	-0.07%	-6,766
Interest (Earned)	-13,838	-0.12%	-1,299	-0.01%	12,539	-90.61%	-7,836	-0.14%	-4,332	0.01%	8,504
Exchange Loss (Gain)	-1,496	-0.01%	1,849	0.02%	3,346	-223.60%	-700	-0.01%	2,110	0.04%	2,810
Monetary Position (gain)	-1,439	-0.01%	-1,441	-0.01%	-2	0.13%	-132	0.00%	-4,442	-0.08%	-4,310
Comprehensive Cost of Financing	-11,454	-0.10%	-2,504	-0.02%	8,950	-78.14%	-6,233	-0.11%	-5,996	-0.10%	237
OTHER EXPENSES (INCOME), net	-26,434	-0.23%	-22,530	-0.19%	3,904	-14.77%	-12,696	-0.22%	-12,814	-0.22%	-117
	455,239	3.99%	454,734	3.87%	-505	-0.11%	219,361	3.83%	224,305	3.79%	4,943

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NET INCOME											
BEFORE TAXES	140,804	1.24%	121,676	1.04%	-19,128	0.00%	64,919	1.13%	36,442	0.62%	-28,477
	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0
PROVISIONS FOR:	-31,987		-6,994	-0.06%	24,993	0.00%	-10,731		12,165	0.21%	22,897
Income Tax	0		0	0.00%	0	0.00%	0		0	0.00%	0
Asset Tax	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0
Deferred Income Tax	108,817	0.95%	114,681	0.98%	5,864	0.00%	54,188	0.95%	48,607	0.82%	-5,580
Profit sharing due											
Profit sharing due (deferred)											
Total taxes											
Net Income Before Extraordinary Items	346,422	3.04%	340,052	2.90%	-6,370	-1.84%	165,174	2.89%	175,697	2.97%	10,524
Extraordinary Items	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0
Extraordinary Items (Income)	346,422	3.04%	340,052	2.90%	-6,370	-1.84%	165,174	2.89%	175,697	2.97%	10,524
NET INCOME											
Depreciation and Amortization	54,270	0.48%	49,942	0.43%	(4,327)	-7.97%	25,534	0.45%	23,638	0.40%	(1,896)
Operating income plus Depreciation and Amortization	471,620	4.14%	479,642	4.08%	8,022	1.70%	225,966	3.95%	229,133	3.87%	3,167