

GRUPO CASA SABA SA DE CV
Form 6-K
October 29, 2008

Quarterly Earnings Report

3Q08

October 28, 2008

Sales and Operating Income Increased 13.06% and 7.38%, Respectively

Financial Highlights:

(All September 2007 figures are expressed in millions of Mexican pesos as of December 31, 2007 while the figures for September 2008 are expressed in millions of current Mexican pesos. Comparisons are made with the same period of 2007, unless otherwise stated. Figures may vary due to rounding practices. "bp" stands for basis points)

- o Sales for the quarter totaled \$6,682.02 million
- o Gross income increased 35.78%
- o Gross margin for the quarter was 11.13%
- o Quarterly operating expenses as a percentage of sales were 7.75%
- o The operating margin for the quarter was 3.38%
- o Net profit for the quarter reached \$111.76 million
- o Cash and cash equivalents at the end of the quarter was \$292.96 million

Mexico City, Mexico, October 28, 2008. 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 third quarter of 2008.

QUARTERLY EARNINGS

NET SALES

During the third quarter, GCS's sales were \$6,682.02 million, an increase of 13.06%.

Sales for our Private Pharma division rose 13.89% during the third quarter of 2008, as a result of the consolidation of investments made within the sector over the past several months, including the most recent acquisition of *Drogasmil Medicamento e Perfumeria, S.A.*(1), a Brazilian pharmacy chain.

Sales in our Health, Beauty, Consumer Goods, General Merchandise and Other division increased 11.41% compared to the third quarter of 2007. This growth was due to an increase in sales of health and beauty products.

Sales in our Government Pharma division rose 25.13% due to an increase in sales to the *Instituto Mexicano del Seguro Social ("IMSS")*, or the Mexican Social Security Institute, as well as the *Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado ("ISSSTE")*, or the Mexican Social Security and Service Institute for Government Employees.

Publication sales decreased 11.23%, primarily as a result of lower unit sales. This decrease was due to the fact that Citem stopped distributing some publications that did not meet our minimal profitability requirements.

The sales mix did not change significantly this quarter. Private Pharma sales represented 83.88% of total sales (compared to 83.27% during the third quarter of 2007), while Government Pharma accounted for 3.83% (versus 3.46% during the third quarter of 2007). Health, Beauty, Consumer Goods, General Merchandise and Other represented 9.20% (compared to 9.33% in the third quarter of 2007) and Publications made up the remaining 3.09% (versus 3.94% during the third quarter of 2007).

(1) The acquisition took place on May 15, 2008.

SALES BY DIVISION

PRIVATE PHARMA

Sales in our Private Pharma division rose 13.89% during the third quarter of 2008, as a result of the consolidation of investments that were made within the sector during the past several months. This includes the most recent acquisition of *Drogasmil Medicamento e Perfumeria, S.A.*(1), a Brazilian pharmacy chain.

Sales reached \$5,604.89 million and represented 83.88% of the Group's total sales.

(1) The acquisition took place on May 15, 2008.

GOVERNMENT PHARMA

Sales in our Government Pharma division grew 25.13% due to an increase in sales to the *Instituto Mexicano del Seguro Social ("IMSS")* as well as the *Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado ("ISSSTE")*.

Government Pharma sales reached \$256.13 million during 3Q08 and accounted for 3.83% of our total sales.

HEALTH, BEAUTY, CONSUMER GOODS, GENERAL MERCHANDISE AND OTHER

Sales in our Health, Beauty, Consumer Goods, General Merchandise and Other division increased 11.41% versus the third quarter of 2007, primarily as a result of an increase in sales of health and beauty products.

As a percentage of total sales, this division went from representing 9.33% in 3Q07 to 9.20% during the third quarter of 2008.

PUBLICATIONS

Publication sales decreased 11.23%, primarily as a result of lower unit sales. This decrease was due to the fact that Citem stopped distributing some publications that no longer met our minimal profitability requirements.

This division's participation as a percentage of total sales went from 3.94% in 3Q07 to 3.09% in the third quarter of 2008.

| Division | % of sales |
|--|------------|
| Private Pharma | 83.88% |
| Government Pharma | 3.83% |
| Health, Beauty, Consumer Goods, General Merchandise and Other | 9.20% |
| Publications | 3.09% |
| TOTAL | 100.00% |

GROSS INCOME

During the third quarter of the year, Grupo Casa Saba's gross income increased 35.78% to reach \$743.96 million. The company's gross margin improved as a result of the recent investments, to reach 11.13%.

OPERATING EXPENSES

Edgar Filing: GRUPO CASA SABA SA DE CV - Form 6-K

Operating expenses reached \$517.88 million, an increase of 53.49% compared to the third quarter of 2007. This was due to the investments that were made over the past months. Operating expenses represented 7.75% of our total sales.

OPERATING INCOME

Operating income continued to grow. This quarter, it rose 7.38%, to reach \$226.07 million. The operating margin was 3.38%, 18 b.p. lower than the 3.56% margin registered in the third quarter of 2007. This was due to an increase in expenses related to the investments made over the past several months.

OPERATING INCOME PLUS DEPRECIATION AND AMORTIZATION

Operating income plus depreciation and amortization for 3Q08 was \$249.68 million, an increase of 4.34% compared to the third quarter of 2007. Depreciation and amortization for the period was \$23.60 million, 17.89% lower than in the third quarter of 2007.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the third quarter of 2008 was \$292.96 million.

COMPREHENSIVE COST OF FINANCING

During the third quarter of 2008, GCS's comprehensive cost of financing (CCF) was \$61.29 million due to an increase in the amount of interest income paid as well as the effect of the elimination of Bulletin B-10.

The interest payments were related to the long-term credit that was obtained as a result of our most recent acquisition in Brazil as well as the interest that was generated from the utilization of short-term credits for our operations in Mexico and Brazil.

OTHER EXPENSES (INCOME)

During the third quarter of 2008, the Company registered an income of \$14.45 million in other expenses (income). The expenses (income) from this line item were derived from activities that are distinct from the company's everyday business operations.

TAX PROVISIONS

During the third quarter, tax provisions were \$63.67 million. These provisions included \$99.34 million for income tax and -\$35.66 million for deferred income tax.

NET INCOME

GCS's net income for the third quarter was \$111.76 million, a decrease of 40.23% compared to the third quarter of 2007. This decrease was due to a higher comprehensive cost of financing (CCF) as well as lower income from activities outside of the company's normal business operations.

The net margin for the period was 1.67%, lower than the 3.16% net margin obtained during the third quarter of 2007.

WORKING CAPITAL

During the third quarter of 2008, our accounts receivable days were virtually unchanged at 62.0 days (they were 62.1 days during the third quarter of 2007). In addition, our accounts payable days increased 2.9 days compared to 3Q07, to reach 50.2 days. Finally, our inventory days were 61.1 days, 3.7 more days than in 3Q07.

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.

Edgar Filing: GRUPO CASA SABA SA DE CV - Form 6-K

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 115 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.

| | |
|---|---|
| <p style="text-align: center;">Contacts:</p> <p>GRUPO CASA SABA Rodrigo Echagaray, IRO +52 (55) 5284-6672 rechagar@casasaba.com</p> | <p>IR Communications: Jesús Martínez Rojas +52 (55) 5644-1247 jesus@irandpr.com</p> |
| <p>Alejandro Sadurni, CFO asadurni@casasaba.com</p> | |

GRUPO CASA SABA S.A.B. DE C.V. and SUBSIDIARIES CONSOLIDATED BALANCE SHEET

September 2007 figures are expressed in thousands of Mexican pesos of purchasing power as of December 31, 2007. September 2008 figures are expressed in thousands of current Mexican pesos. ITEM

| | | Sep-08 |
|---------------------------------|--|-------------------|
| | | Sep-07 |
| | | Change |
| TOTAL ASSETS | | 12,360,269 |
| | | 9,664,609 |
| | | 2,695,661 |
| CURRENT ASSETS | | 9,643,201 |
| | | 8,141,483 |
| | | 1,501,718 |
| CASH AND CASH EQUIVALENTS | | 292,969 |
| | | 373,926 |
| | | (80,957) |
| ACCOUNTS RECEIVABLE (NET) | | 4,605,384 |
| | | 4,080,670 |
| | | 524,713 |
| INTERCOMPANY | | - |
| | | - |
| OTHER ACCOUNTS RECEIVABLE (NET) | | 613,954 |
| | | 254,209 |
| | | 359,745 |
| INVENTORIES | | 4,029,527 |
| | | 3,418,864 |
| | | 610,663 |

Edgar Filing: GRUPO CASA SABA SA DE CV - Form 6-K

| | |
|--|------------------|
| OTHER CURRENT ASSETS | 101,367 |
| | 13,813 |
| | 87,554 |
| LONG TERM | |
| ACCOUNTS RECEIVABLE | - |
| INVESTMENTS IN EQUITY SHARES AND | - |
| UNCONSOLIDATED SUBSIDIARIES | - |
| | - |
| OTHER INVESTMENTS | - |
| NET PROPERTY, PLANT AND EQUIPMENT | |
| | 1,330,677 |
| | 1,176,088 |
| | 154,589 |
| PROPERTY | 1,354,852 |
| | 1,307,339 |
| | 47,513 |
| MACHINERY AND EQUIPMENT | 462,808 |
| | 412,271 |
| | 50,537 |
| OTHER EQUIPMENT | 630,199 |
| | 532,624 |
| | 97,574 |
| ACCUMULATED DEPRECIATION | 1,117,182 |
| | 1,076,146 |
| | 41,036 |
| BUILDINGS IN PROCESS | - |
| | - |
| | - |
| DEFERRED ASSETS (NET) | |
| | 1,155,137 |
| | 164,631 |
| | 990,506 |
| OTHER ASSETS | |
| | 231,255 |
| | 182,407 |
| | 48,848 |
| TOTAL LIABILITIES | |
| | 5,811,719 |
| | 3,809,795 |
| | 2,001,923 |
| CURRENT LIABILITIES | |
| | 4,411,134 |

| | |
|--------------------------------------|------------------|
| | 3,093,827 |
| | 1,317,307 |
| ACCOUNTS PAYABLE | |
| | 3,481,861 |
| | 2,916,587 |
| | 565,274 |
| BANK DEBT | |
| | 575,340 |
| | 0 |
| | 575,340 |
| DEBT SECURITIES | |
| | - |
| | - |
| | - |
| ACCRUED TAXES | |
| | 86,173 |
| | 7,853 |
| | 78,321 |
| OTHER CURRENT LIABILITIES | |
| | 267,759 |
| | 169,386 |
| | 98,373 |
| LONG TERM LIABILITIES | |
| | 913,000 |
| | - |
| | 913,000 |
| BANK DEBT | |
| | 913,000 |
| | - |
| | 913,000 |
| DEBT SECURITIES | |
| | - |
| OTHER DEBT | |
| | - |
| DEFERRED LIABILITIES | |
| | - |
| OTHER LIABILITIES | |
| | 487,585 |
| | 715,969 |
| | (228,384) |
| SHAREHOLDER'S EQUITY | |
| | 6,548,550 |
| | 5,854,814 |
| | 693,737 |
| MINORITY STOCKHOLDER'S EQUITY | |
| | - |
| | - |
| | - |
| MAJORITY STOCKHOLDER'S EQUITY | |
| | 6,548,550 |
| | 5,854,814 |
| | 693,737 |
| PAID-IN CAPITAL | |
| | 1,993,875 |

Edgar Filing: GRUPO CASA SABA SA DE CV - Form 6-K

| | | | | | | | | | | | | |
|-----------|---------|----------|---------|---------|---------|-----------|---------------------------------|----------|---------------------------------------|---------|---------|--|
| 1209.25% | 10,586 | 0.18% | 63,193 | 0.95% | 52,607 | 496.94% | Interest (Earned) | -14,077 | (0.08%) | -3,823 | (0.02%) | 10,254 |
| (72.84%) | -12,737 | (0.22%) | -2,380 | (0.04%) | 10,357 | (81.31%) | Exchange Loss (Gain) | 1,549 | 0.01% | 1,757 | 0.01% | 208 |
| 13.44% | -358 | (0.01%) | 478 | 0.01% | 837 | (233.53%) | Monetary Position (gain) | 14,559 | 0.08% | -0 | (0.00%) | -14,559 |
| (100.00%) | 16,046 | 0.27% | -0 | (0.00%) | -16,046 | (100.00%) | Comprehensive Cost of Financing | 10,954 | 0.06% | 114,749 | | |
| 0.56% | 103,795 | 947.59% | 13,537 | 0.23% | 61,292 | 0.92% | 47,755 | 352.78% | OTHER EXPENSES (INCOME), net | -97,044 | (0.54%) | -38,119 |
| (0.19%) | 58,925 | (60.72%) | -73,803 | (1.25%) | -14,459 | (0.22%) | 59,343 | (80.41%) | NET INCOME BEFORE TAXES | 739,899 | 4.10% | 649,902 |
| 3.16% | -89,996 | (12.16%) | 270,808 | 4.58% | 179,244 | 2.68% | -91,563 | (33.81%) | PROVISIONS FOR: Income Tax | 221,208 | 1.23% | 239,616 |
| 1.16% | 18,408 | 8.32% | 95,691 | 1.62% | 99,340 | 1.49% | 3,649 | 3.81% | Asset Tax | 0 | 0.00% | 0 |
| 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | Deferred Income Tax | -19,099 | (0.11%) | -106,990 |
| (0.52%) | -87,891 | 460.18% | -11,884 | (0.20%) | -35,663 | (0.53%) | -23,778 | 200.08% | Profit sharing due | 0 | 0.00% | 0 |
| 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | Deferred Profit sharing due | 0 | 0.00% | 0 |
| 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | Total taxes | 202,109 | 1.12% | 132,626 |
| 0.64% | -69,483 | (34.38%) | 83,806 | 1.42% | 63,677 | 0.95% | -20,129 | (24.02%) | Net Income Before Extraordinary Items | 537,790 | 2.98% | 517,276 |
| 2.51% | -20,513 | (3.81%) | 187,001 | 3.16% | 115,567 | 1.73% | -71,434 | (38.20%) | Extraordinary Items (Income) | 0 | 0.00% | 3,800 |
| 0.02% | 3,800 | 0.00% | 0 | 0.00% | 3,800 | 0.06% | 3,800 | 0.00% | Net Income | 537,790 | 2.98% | 513,476 |
| 2.50% | -24,313 | -4.52% | 187,001 | 3.16% | 111,767 | 1.67% | -75,234 | -40.23% | Depreciation and Amortization | | | 80,271 |
| | | | | | | | | | | | | 0.45% |
| | | | | | | | | | | | | 59,107 |
| | | | | | | | | | | | | 0.29% |
| | | | | | | | | | | | | (21,163) |
| | | | | | | | | | | | | (26.37%) |
| | | | | | | | | | | | | 28,752 |
| | | | | | | | | | | | | 0.49% |
| | | | | | | | | | | | | 23,609 |
| | | | | | | | | | | | | 0.35% |
| | | | | | | | | | | | | (5,143) |
| | | | | | | | | | | | | (17.89%) |
| | | | | | | | | | | | | Operating income plus Depreciation and Amortization |
| | | | | | | | | | | | | 734,079 |
| | | | | | | | | | | | | 4.07% |
| | | | | | | | | | | | | 785,639 |
| | | | | | | | | | | | | 3.82% |
| | | | | | | | | | | | | 51,560 |
| | | | | | | | | | | | | 7.02% |
| | | | | | | | | | | | | 239,293 |
| | | | | | | | | | | | | 4.05% |
| | | | | | | | | | | | | 249,686 |
| | | | | | | | | | | | | 3.74% |
| | | | | | | | | | | | | 10,393 |
| | | | | | | | | | | | | 4.34% |