

GRUPO CASA SABA SA DE CV

Form 6-K

March 01, 2011

Quarterly Earnings Report
4Q10

February 28, 2011

Sales and EBITDA Increased by 55.50% and 214.20%, Respectively

Financial Highlights:

(All figures are expressed in millions of Mexican pesos of purchasing power as of December 2010. Comparisons are made with the same period of 2009, unless otherwise stated. Figures may vary due to rounding practices).

- Net sales for the quarter rose 55.50% to reach \$12,092.61 million
- Gross income for the period was \$2,063.11 million, an increase of 157.40%
- The gross margin for the quarter was 17.06%
- Quarterly operating expenses as a percentage of sales were 14.16%
- Operating income for 4T10 reached \$351.11 million, which resulted in an operating margin of 2.90% for the period
- The CCF for the quarter rose 89.49% versus the same quarter of the previous year
- Operating income plus depreciation and amortization grew 214.20% versus the same period of 2009
- In 4Q10, GCS registered an expenditure of \$139.17 million in Other Expenses, which were related to the restructuring of personnel at Farmacias Ahumada, S.A.
- Net profit for the quarter was (\$64.83) million, 68.18% higher than the net income reported in 4T09
- On December 31, 2010, cash and cash equivalents was \$1,203.69 million

Mexico City, Mexico, February 28, 2011. Grupo Casa Saba (SAB) ("Saba", "GCS", "the Company" or "the Group"), one of the leading Mexican distributors of pharmaceutical products, health and beauty aids, personal care and consumer goods, general merchandise, publications and other products announces its consolidated financial and operating results for the fourth quarter of 2010.

QUARTERLY EARNINGS

In October of 2010, Grupo Casa Saba acquired 97.8% of Farmacias Ahumada, S.A.'s (FASA) capital stock for \$240,870,791,038 Chilean pesos. FASA is a Chilean based pharmacy chain with operations in Chile, Mexico, and Peru. Therefore, as of the fourth quarter of 2010, GCS will report its results separately.

NET SALES

During the fourth quarter of 2010, GCS's sales reached \$12,092.61 million, a significant increase of 55.50%. This was primarily the result of the acquisition of Farmacias Ahumada, S.A. in October 2010.

SALES BY DIVISION

PRIVATE PHARMA

Private Pharma sales increased 8.90% during the fourth quarter of 2010, from \$6,595.00 million in 4Q09 to \$7,181.76 million in 4Q10 and represented 59.39% of the Group's total sales.

This division's participation fell given that, as of this quarter, the sales from the pharmacies are being reported separately.

GOVERNMENT PHARMA

Quarterly sales in our Government Pharma division grew 32.70% to reach \$422.10 million compared to \$318.09 million in the fourth quarter of 2009. This was mainly due to the increase in sales to various government institutions.

As a percentage of total sales, this division went from representing 4.09% in 4Q09 to 3.49% during the fourth quarter of 2010. This decrease is due to the increase in the company's overall sales.

HEALTH, BEAUTY, CONSUMER GOODS, GENERAL MERCHANDISE AND OTHER

Sales in our Health, Beauty, Consumer Goods, General Merchandise and Other division grew by 11.22% compared to the fourth quarter of 2009 to reach \$738.44 million. This growth was the primarily the result of an increase in offers and promotions during the holiday season that stimulated the demand for these products within the marketplace as well as the organization of events for special clients.

During the quarter, this division represented 6.11% of GCS's total sales, 243 basis points less than in the same period of the previous year. This decline was due to the increase in net sales.

PUBLICATIONS

CITEM, GCS's publication distribution division, registered a 3.20% decrease in its sales during the fourth quarter of 2010. This decline was due to the fact that one of the more important editors left the marketplace. Sales were also affected by the internal policies of several magazine publishers that required them to reduce the number of editions printed in an effort to lower their expenses.

Consequently, this division's participation as a percentage of total sales went from 2.57% in 4Q09 to 1.60% in the fourth quarter of 2010.

RETAIL PHARMACY

The new retail pharmacy division reported sales of \$3,566.98 million and accounted for 29.41% of the Group's total sales. Neither figure is comparable to the same quarter of the previous year.

As a result, the sales mix for the fourth quarter of 2010 was as follows:

Division	% of Sales
Private Pharma	59.39%
Government Pharma	3.49%
Health, Beauty, Consumer Goods, General Merchandise and Other	6.11%
Publications	1.60%
Pharmacies	29.41%
TOTAL	100.00%

GROSS INCOME

During the fourth quarter of the year, Grupo Casa Saba's gross income rose 157.40% versus the same period of the previous year to reach \$2,063.11 million. This increase was primarily due to the fact that the distribution business was able to improve its commercial conditions with its providers in Mexico.

As a result, the company's gross margin went from 10.31% in 4Q09 to 17.06% in 4Q10, an increase of 675 basis points.

OPERATING EXPENSES

GCS's operating expenses reached \$1,712.00 million in 4Q10, an increase of 95.70% compared to the fourth quarter of 2009. This increase was mainly the result of the investments made by the company for the purchase of FASA.

Operating expenses represented 14.16% of GCS's total sales in 4Q10 compared to 11.25% during the same period of the previous year.

OPERATING INCOME

Quarterly operating income for 4Q10 was \$351.11 million, significantly higher than the (\$73.26) million reported in 4Q09. This was due to the fact that the increase in the gross margin was sufficient to offset the growth in the company's operating expenses.

As a result, the operating margin for the period was 2.90%, 384 basis points higher than the (0.94%) margin registered in the fourth quarter of 2009.

OPERATING INCOME PLUS DEPRECIATION AND AMORTIZATION

Operating income plus depreciation and amortization for 4Q10 was \$462.26 million, an increase of 214.20% compared to the fourth quarter of 2009. The growth was primarily related to the recognition of FASA's EBITDA figure.

Depreciation and amortization for the period was \$111.14 million, 49.57% lower than it was during 4Q09.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the fourth quarter of 2010 was \$1,203.69 million, an increase of 81.21% compared to the same period of 2009.

COMPREHENSIVE COST OF FINANCING

During the fourth quarter, the Group's comprehensive cost of financing (CCF) reached \$176.80 million, 89.49% higher than the CCF reported during 4Q09. This was primarily due to the increase in interest payments related to the credits the company obtained in order to acquire Farmacias Ahumada, S.A. as well as the interest generated from the use of short-term credits for our operations.

OTHER EXPENSES (INCOME)

During the fourth quarter of 2010, the Company registered an expense in the Other Expenses (Income) line item of \$139.17 million compared to an income of \$52.64 million obtained during the same period of 2009. In this case, the result was related to the restructuring of personnel in FASA.

TAX PROVISIONS

Tax provisions for the fourth quarter of 2010, were \$99.97 million, 11.31% higher than the \$89.81 million paid by the company during 4Q09. Of these, \$202.11 million were related to income tax payments and (\$102.14) million were attributed to deferred income tax.

NET INCOME

As a result, GCS's net income for the fourth quarter of 2010 was (\$64.83) million, an increase of 68.18% compared to the fourth quarter of 2009. This was primarily due to the increase in the CCF and the extraordinary charge from the other expenses line item.

Consequently, the net margin for the period was (0.54%), 208 basis points higher than the (2.62%) net margin registered during the fourth quarter of 2009.

WORKING CAPITAL

During the fourth quarter of 2010, our accounts receivable days declined by 3.9 days from 4Q09 to reach 56.6 days. In addition, our accounts payable days rose by 17.2 days versus 4Q09, to reach 76.2 days. Finally, our inventory days were 80.4 days, 11.6 more days compared to the same period of the previous year.

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

Grupo Casa Saba was founded in 1892 and 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 119 years of experience, the Company distributes to the majority of pharmacies, chains, self-service and convenience stores, as well as other specialized national chains. With the acquisition of FASA in October of 2010 the company now has retail pharmacy outlets located in Mexico, Chile, Brazil and Peru.

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 those countries in which Grupo Casa Saba operates, directly or indirectly, including the United States of America, Brazil, Chile and Peru, as well as variations in the value of the Mexican peso as compared with the currencies of the previously-mentioned countries.

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GRUPO CASA SABA S.A.B. DE C.V. AND SUBSIDIARIES CONSOLIDATED

BALANCE SHEET In thousands of Mexican Pesos

I T E M DEC 10 DEC 09 Difference

TOTAL ASSETS

	32,526,741	
	15,087,669	
	17,439,072	
CURRENT ASSETS		
	19,962,365	
	11,975,243	
	7,987,122	
CASH AND CASH EQUIVALENTS		
	1,203,690	
	664,261	
	539,429	
ACCOUNTS RECEIVABLE (NET)		
	7,606,955	
	5,228,321	
	2,378,634	
OTHER ACCOUNTS RECEIVABLE (NET)		
	2,132,183	
	895,548	
	1,236,635	
INVENTORIES		
	8,955,768	
	5,141,142	
	3,814,626	
OTHER CURRENT ASSETS		
	63,769	
	45,971	
	17,798	
INVESTMENTS IN SHARES OF SUBSIDIARIES AND		
	49,291	
	-	
	49,291	
ASSOCIATED COMPANIES		INVESTMENTS IN SHARES OF SUBSIDIARIES AND
	49,291	
	-	
	49,291	
PROPERTY MACHINERY AND EQUIPMENT		
	3,629,778	
	1,355,863	
	2,273,914	
PROPERTY		
	1,365,462	

	1,358,798
	6,664
MACHINERY AND EQUIPMENT	2,713,152
	471,181
	2,241,971
OTHER EQUIPMENT	718,366
	676,272
	42,094
ACCUMULATED DEPRECIATION	1,167,202
	1,150,388
	16,814
DEFERRED ASSETS (NET)	6,755,802
	1,491,251
	5,264,551
OTHER ASSETS	2,129,506
	265,312
	1,864,194
TOTAL LIABILITIES	25,032,532
	8,436,460
	16,596,072
CURRENT LIABILITIES	22,688,185
	6,679,482
	16,008,703
ACCOUNTS PAYABLE	9,904,110
	5,052,236
	4,851,874
BANK DEBT	9,069,485
	1,491,126
	7,578,359
STOCK MARKET DEBT	130,889
	130,889
OTHER CURRENT LIABILITIES	3,583,701
	136,120
	3,447,581
LONG TERM LIABILITIES	2,244,371
	891,644
	1,352,727

BANK DEBT	185,369
	891,644
	(706,275)
STOCK MARKET DEBT	2,059,002
	-
	2,059,002
OTHER LIABILITIES	99,976
	865,334
	(765,358)
SHAREHOLDER'S EQUITY	7,494,209
	6,651,209
	843,000
PAID-IN CAPITAL	1,993,875
	1,993,875
	(0)
CAPITAL STOCK	167,903
	167,903
	(0)
RESTATEMENT IN CAPITAL STOCK	956,094
	956,094
	(0)
PREMIUM ON STOCK SOLD	869,878
	869,878
	(0)
CAPITAL INCREASE (DECREASE)	5,500,334
	4,657,334
	843,000
CUMMULATIVE RESULTS AND EQUITY RESERVE	3,792,008
	3,314,856
	477,152
RESERVE FOR SHARE REPURCHASE	1,062,200
	1,062,200
	0
NET INCOME	646,126
	280,278
	365,848

GRUPO CASA SABA, S.A.B. DE C.V. Figures are expressed in thousands of Mexican pesos of purchasing power as of December 2010

Jan-Dec

Jan-Dec
Variation
Oct-Dec
Oct-Dec
Variation

Income Statement

2009
% of sales
2010
% of sales
\$
%
2009
% of sales
2010
% of sales
\$
%

NET SALES 29,791,657 100.00% 34,829,816 100.00% 5,038,160 16.91% 7,776,736 100.00% 12,092,610
100.00% 4,315,874 55.50% COST OF SALES 26,565,802 89.17% 30,199,786 86.71% 3,633,984 13.68%
6,975,210 89.69% 10,029,492 82.94% 3,054,282 43.79% **Gross Profit** 3,225,855 10.83% 4,630,030
13.29% 1,404,174 43.53% 801,526 10.31% 2,063,118 17.06% 1,261,592 157.40% OPERATING
EXPENSES
Sales Expenses 937,907 3.15% 948,829 2.72% 10,922 1.16% 410,297 5.28% 275,351 2.28% **-134,946**
(32.89%) Administrative Expenses 1,397,223 4.69% 2,476,446 7.11% 1,079,223 77.24% 464,492 5.97%
1,436,649 11.88% 972,157 209.29% Operating Expenses 2,335,130 7.84% 3,425,275 9.83% 1,090,145
46.68% 874,789 11.25% 1,712,000 14.16% 837,211 95.70%
Operating Income 890,725 2.99% 1,204,755 3.46% 314,030 35.26% **-73,263 (0.94%)** 351,118 2.90%
424,381

NC

COMPREHENSIVE COST OF FINANCING

Interest Paid 264,479 0.89% 493,428 1.42% 228,948 86.57% 93,619 1.20% 207,701 1.72% 114,082
121.86% Interest (Earned) **-5,076 (0.02%) -11,771 (0.03%) -6,695 131.89% -1,009 (0.01%) -5,546 (0.05%)**
-4,536 449.38% Exchange Loss (Gain) 2,840 0.01% **-218,217 (0.63%) -221,057**

NC

695 0.01% **-25,348 (0.21%) -26,043**

NC

Monetary Position (gain) 0 0.00% 0 0.00% 0 0.00% 0 0.00% 0 0.00% 0 0.00% Comprehensive Cost of
Financing 262,243 0.88% 263,440 0.76% 1,196 0.46% 93,305 1.20% 176,807 1.46% 83,502 89.49%
OTHER EXPENSES (INCOME), net 136,307 0.46% 96,496 0.28% **-39,811 (29.21%) -52,642 (0.68%)**
139,178 1.15% 191,820

NC

NET INCOME BEFORE TAXES 492,175 1.65% 844,820 2.43% 352,645 71.65% **-113,926 (1.46%)** 35,133
0.29% 149,058

NC

PROVISIONS FOR:

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Income Tax

323,911 1.09% 300,840 0.86% -23,071 (7.12%) 139,102 1.79% 202,118 1.67% 63,015 45.30%

Asset Tax

19,826 0.07% 0 0.00% -19,826 (100.00%) 19,826 0.25% 0 0.00% -19,826 (100.00%)

Deferred Income Tax

-131,840 (0.44%) -102,146 (0.29%) 29,694 (22.52%) -69,370 (0.89%) -102,146 (0.84%) -32,776 47.25%

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% 254 0.00% 0 0.00% -254 (100.00%) Total taxes 211,896 0.71% 198,694 0.57%

-13,203 (6.23%) 89,814 1.15% 99,972 0.83% 10,158 11.31%

Net Income Before Extraordinary Items 280,278 0.94% 646,126 1.86% 365,848 130.53% -203,739

(2.62%) -64,839 (0.54%) 138,900 68.18%

Extraordinary Items (Income) 0 0.00% 0 0.00% 0 0.00% 0 0.00% 0 0.00% 0 0.00% **Net Income** 280,278

0.94% 646,126 1.86% 365,848 130.53% -203,739 (2.62%) -64,839 (0.54%) 138,900 (68.18%)

Depreciation and Amortization

108,659

0.36%

159,435

0.46%

50,776

46.73%

220,387

2.83%

111,149

0.92%

-109,238

(49.57%)

Operating income plus Depreciation and Amortization

999,384

3.35%

1,364,191

3.92%

364,806

36.50%

147,124

1.89%

462,267

3.82%

315,143

214.20%