

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

Form 6-K

July 29, 2013

Quarterly Earnings Report  
2Q12

July 26, 2013

### Financial Highlights:

(All figures are expressed in million of Mexican pesos. Comparisons are made with the same period of 2012, unless otherwise stated. Figures may vary slightly due to rounding).

- The Group's net sales for the second quarter reached \$10,843.3 million pesos
- Gross income for the period was \$1,832.3 million; the gross margin for the quarter was 16.9%
- Operating expenses reached \$1,676.1 million pesos and represented 15.4% of the Company's total sales
- Quarterly operating income was \$156.1 million, resulting in an operating margin of 1.4% for the period
- Second quarter EBITDA was \$242.3 million, or 2.2% of total sales
- As of June 30, 2013, GCS's net debt totaled \$9,594.9 million
- GCS closed the quarter with 22 Distribution Centers and 1,282 pharmacies in operation across Latin America

Mexico City, Mexico, July 26, 2013. Grupo Casa Saba (SAB) ("Saba", "GCS", "the Company" or "the Group"), one of the leading Mexican distributors of pharmaceutical products as well as health, beauty aids and consumer goods and one of the most important pharmacy chains in Latin America, announced its consolidated financial and operating results for the second quarter of 2013.

## QUARTERLY EARNINGS

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Competition in the distribution and marketing of pharmaceutical products, health and beauty aids, and consumer goods prevailed in Mexico as well as in the other Latin America countries in which we operate, mainly due a larger number of participants in the markets in which we operate. Our operating strategy has been to maintain emphasis on improving efficiency levels and controlling logistic costs and expenses, as well as offering competitive prices, generating positive results in practically all our divisions. At the sales level, we are continue to focusing on improving the availability of the most in-demand products for our clients in wholesale and in our pharma network, as well as improving the care and service of our stock sales. In regards to growth, keeping in line with our strategy, allowed us to strengthen our presence in the markets in which we already operate, as well as to improve the knowledge of the brands with which we operate.

At Grupo Casa Saba, we will continue to focus on making ongoing improvements to our logistic and commercial operations in order to offer all of our clients a wide range of products at competitive prices. In our pharmacy network, we will also strive to offer the best integrated health, beauty and consumer goods solutions.

## NET SALES

Net sales for the quarter totaled \$10,843.3 million, a decrease of 11.5% compared to \$12,253.18 million in 2Q2012.

## SALES BY DIVISION

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### DISTRIBUTION DIVISION

#### *PHARMA, HEALTH, BEAUTY AND CONSUMER GOODS*

Sales from our Pharma, Health, Beauty and Consumer Goods division totaled \$5,266.8 million. Compared to the same quarter last year a 13.5% decrease was resulted mainly due the disincorporation of Citem Publications. In terms of total sales, this division's percentage decrease from 49.7% in 2Q2012 to 48.6% in the 2Q2013.

#### *GOVERNMENT PHARMA*

Quarterly sales in our Government Pharma division grew 9.99% compared to the second quarter of 2011. This growth was due to our increased participation in the bidding processes of various State and Federal health institutions. In terms of total sales, this division represented 2.78% in 2Q2011, down from to 3.02% in the 2Q2012.

#### *RETAIL PHARMACY*

During the second quarter of the year, sales from our Retail Pharmacy division reached \$5,523.3 million. Compared to the same quarter last year, the decrease was of 7.8%. This was mainly due the sale of Brazil and Peru units. This division's percentage of the Group's overall sales rose to 50.9% vs 48.7% in the 2Q2012.

This division's percentage of the Group's overall sales rose to 48.9% vs 49.7% in the 2Q2011.

As a result, the sales mix for the second quarter of 2012 was as follows:

Division	% of Sales
Retail Pharmacy	50.9%
Total Distribution	49.1%
Pharma, Health, Beauty and Consumers Good	48.6%
Government Pharma	0.5%
TOTAL	100.0%

## GROSS INCOME

During the second quarter of 2013, gross income reached \$1,832.3 million pesos, amount 17.9% lower than the gross income reached in the second quarter of 2012. This was mainly due a decrease in sales in our distribution and government areas.

## **OPERATING EXPENSES**

Operating expenses in the second quarter of 2013 resulted in \$1,676.1 million. This represents a decrease of \$290.8 million pesos, or 14.7%, compared to the same period of the previous year. This change was mainly by the management strategy to reduce expenses in all the areas of the company. As a percentage of total sales, operating expenses represented 15.4% during the second quarter of 2013 compared to 16.0% during the same period of 2012.

## **OPERATING INCOME**

Quarterly operating income for 2Q2013 was \$156.1 million, an amount 41.3% lower than the \$266.4 million reported in 2Q2012. This decrease in operating income was the result of the decline in sales due the disincorporation of companies. Operating income margin for the 2Q2013 was 1.4%, versus 2.1% in 2Q2012.

## **OPERATING INCOME PLUS DEPRECIATION AND AMORTIZATION (EBITDA)**

EBITDA for 2Q2013 was \$242.3 million, a lower amount compared to the \$377.1 million reported in the second quarter of 2012.

EBITDA margin for the second quarter of 2013 was 2.2%.

## **COMPREHENSIVE COST OF FINANCING (CCF)**

The Group's CCF reached \$145.5 million in 2Q2013, 25.9% higher than the CCF reported during 2Q2012.

This increase was primarily due to minor gain in exchanges in this quarter.

## **NET DEBT**

The Company's net debt at the end of 2Q2013 was \$9,594.9 million pesos. A 0.1% increase with respect of last year.

## **OTHER EXPENSES (INCOME)**

During the second quarter of the year, other expenses totaled \$60.4 million. This represents a change of \$155.2 million mainly from extraordinary earning obtained from our pharma division.

It is important to mention that the results listed in this line item are derived from activities outside of the company's normal business operations and, as a result, they are not necessarily recurrent.

## **TAX PROVISIONS**

Tax provisions for the second quarter of 2013 were \$7.9 million, an amount lower than the \$68.1 million reported in 2Q2012.

## **NET INCOME**

In the second quarter 2013 GCS recorded a net loss of \$57.8 million, while in the same period last year a net profit of \$177.4 million was registered. This change was mainly due the decrease in sales previously mentioned.

Analysis Coverage: Through the Bolsa Mexicana de Valores program, Independent Analyst, Grupo Casa Saba counts with the coverage of Morningstar.

The 265.4 million shares issued by Grupo Casa Saba are listed on the Mexican Stock Exchange under the symbol “SAB”.

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 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. With the acquisition of FASA in October of 2010 the company now has retail pharmacy outlets located in Mexico, Chile and Brazil.

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 and Chile, 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.** Figures are expressed in thousands of Mexican pesos as of June 2013  
**Jan-June Jan-June Variation**

**Apr - June Apr - June Variation** Income Statement 2012 % of sales 2013 % of sales \$ %

2011 % of sales	2012 % of sales	\$	%	NET SALES	24,288,488	100.00%	21,860,103	100.00%	<b>2,428,385 (10.00%)</b>
12,253,184	100.00%	10,843,357	100.00%	<b>1,409,827 (11.51%)</b>	COST OF SALES 19,874,773 81.83%				
18,139,284	82.98%	<b>1,735,490 (8.73%)</b>	10,019,697	81.77%	9,011,019	83.10%	<b>1,008,678 (10.07%)</b>	Gross Profit 4,413,715 18.17%	
3,720,819	17.02%	<b>692,896 (15.70%)</b>	2,233,487	18.23%	1,832,338	16.90%	<b>401,149 (17.96%)</b>	OPERATING EXPENSES Sales Expenses 662,251 2.73%	
362,825	2.96%	199,773	1.84%	163,052	(44.94%)	Administrative Expenses 3,114,805	12.82%	2,919,951	
13.36%	194,854	(6.26%)	1,604,225	13.09%	1,476,407	13.62%	127,819	(7.97%)	Operating Expenses
3,777,056	15.55%	3,297,120	15.08%	479,936	(12.71%)	1,967,050	16.05%	1,676,179	15.46%
(14.79%)	Operating Income	636,659	2.62%	423,699	1.94%	<b>212,960 (33.45%)</b>	266,437	2.17%	156,159
1.44%	<b>110,278 (41.39%)</b>	COMPREHENSIVE COST OF FINANCING			Interest Paid	465,408	1.92%		

NET INCOME

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469,556 2.15% 4,148 0.89% 194,423 1.59% 229,211 2.11% 34,788 17.89% Interest (Earned) **42,639**  
**(0.18%) 63,941 (0.29%) 21,302 49.96% 8,738 (0.07%) 39,366 (0.36%) 30,628 350.50%** Exchange Loss  
(Gain) **44,141 (0.18%) 46,185 (0.21%) 2,045 4.63% 70,114 (0.57%) 44,337 (0.41%) 25,777 (36.76%)**  
Monetary Position (gain) - 0.00% - (0.00%) - 0.00% - 0.00% - 0.00% - 0.00% Comprehensive Cost of Financing  
378,628 1.56% 359,429 1.64% **19,198 (5.07%)** 115,571 0.94% 145,508 1.34% 29,937 25.90%  
OTHER EXPENSES (INCOME), net **593,649 (2.44%)** 63,786 0.29% 657,435 NC **94,737 (0.77%)** 60,488 0.56%  
155,225 NC NET INCOME BEFORE TAXES 851,680 3.51%  
484 0.00% **851,196 (99.94%)** 245,602 2.00% **49,838 (0.46%) 295,440 (120.29%)**  
PROVISIONS FOR: Income Tax 203,864 0.84% 82,753 0.38% **121,111 (59.41%)** 68,159  
0.56% 28,070 0.26% **40,089 (58.82%)** Asset Tax - 0.00% - 0.00% - 0.00% - 0.00% - 0.00% - 0.00% Deferred  
Income Tax - 0.00% **20,100 (0.09%) 20,100 NC - 0.00% 20,100 (0.19%) 20,100 NC** Profit sharing due - 0.00% -  
0.00% - 0.00% - 0.00% - 0.00% - 0.00% Deferred Profit sharing due - 0.00% - 0.00% - 0.00% - 0.00% -  
0.00% - 0.00% Total taxes 203,864 0.84% 62,653 0.29% **141,211 (69.27%)** 68,159 0.56% 7,970 0.07%  
**60,189 (88.31%)** Net Income Before Extraordinary Items 647,816 2.67% **62,169 (0.28%) 709,985 NC** 177,443  
1.45% **57,808 (0.53%) 235,251 NC** Extraordinary Items (Income) - 0.00% - 0.00% - 0.00% -  
0.00% - 0.00% - 0.00% Net Income 647,816 2.67% **62,169 (0.28%) 709,985 NC** 177,443 1.45% **57,808**  
**(0.53%) 235,251 NC** Depreciation and Amortization 219,526 0.90% 166,966  
0.76% **52,560 (23.94%)** 110,760 0.90% 86,153 0.79% **24,607 (22.22%)** Operating Income plus Depreciation and  
Amortization 856,185 3.53% 590,665 2.70% **265,520 (31.01%)** 377,197 3.08% 242,312 2.23% **134,885**  
**(35.76%)** Net Income corresponding to Minority Interest

**GRUPO CASA SABA, S.A.B. DE C.V.**  
**BALANCE SHEET**

Figures are expressed in thousands of Mexican pesos as of June 2013

QUARTER CURRENT YEAR CLOSE PRIOR YEAR AMOUNT AMOUNT TOTAL ASSETS 29,973,971 32,501,016  
CURRENT ASSETS 19,082,462 21,231,243 CASH AND CASH EQUIVALENTS 1,191,321 1,068,257 CLIENTS (NET)  
6,224,807 7,599,268 CLIENTS 7,920,424 9,018,164 ALLOWANCE FOR DOUBTFUL ACCOUNTS **-1,695,617**  
**-1,418,897** OTHER ACCOUNTS RECEIVABLES (NET) 3,898,677 4,665,028 INVENTORIES 7,754,886 7,885,983  
OTHER CURRENT ASSETS 12,771 12,707 LONG TERM 25,123 36,986  
INVESTMENTS IN SHARES OF SUBSIDIARIES AND ASSOCIATED COMPANIES 25,123 36,986 PROPERTY  
MACHINERY AND EQUIPMENT NET 3,071,862 3,040,769 PROPERTY 2,269,173 2,471,561 MACHINERY AND  
EQUIPMENT 2,340,393 1,604,994 OTHER EQUIPMENT 1,724,624 2,555,423 ACCUMULATED DEPRECIATION  
**-3,268,718 -3,622,213** CONSTRUCTION IN PROGRESS 6,390 31,003 INTANGIBLE ASSETS (NET) 6,751,509  
6,990,394 GOODWILL 2,680,666 2,809,508 BRANDS 2,611,067 2,719,238 RIGHTS AND LICENSING 1,444,811  
1,445,315 OTHER INTANGIBLE ASSETS 14,965 16,332 OTHER NON CURRENT ASSETS 1,043,015 1,201,624  
ADVANCE PAYMENTS 58,246 23,881 DEFERRED CHARGES (NET) OTHERS 984,769 1,177,743 TOTAL  
LIABILITIES 24,453,349 26,020,026 CURRENT LIABILITIES 13,259,275 14,302,646 BANK CREDITS 1,837,094  
2,487,022 SUPPLIERS 10,796,367 11,311,565 TAXES PAYABLE 625,814 504,060 OTHER CURRENT LIABILITIES  
2,638,405 3,358,890 EMPLOYEE BENEFITS 280,710 200,771 OTHER CURRENT LIABILITIES 2,357,695 3,158,119  
NON CURRENT LIABILITIES 8,949,182 8,161,309 BANK CREDITS 8,949,182 8,161,309 OTHER LIABILITIES  
**-393,513** 197,182 SHAREHOLDERS' EQUITY 5,520,622 6,480,990 CONTRIBUTED CAPITAL 2,593,872  
2,503,875 CAPITAL STOCK PAID (NOMINAL) 767,902 677,903 CAPITAL STOCK PAID UPDATE 956,093 956,094  
PREMIUM ON STOCK SOLD 869,877 869,878 CAPITAL INCREASE (DECREASE) 2,926,750 3,977,115  
ACCUMULATED PROFIT AND LEGAL RESERVE 1,926,719 3,059,885 RESERVE FOR STOCK REPURCHASE  
1,062,200 1,062,200 PROFIT **-62,169 -144,970**

NET INCOME

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