

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

Form 6-K

October 29, 2013

Quarterly Earnings Report
3Q13

Octubre 28, 2013

Financial Highlights:

(All figures are expressed in millions of Mexican pesos. Comparisons are made with the same period of 2013, unless otherwise stated. Figures may vary slightly due to rounding).

- The Group's net sales for the third quarter reached \$10,635.0 million pesos
- Gross income for the period was \$1,898.3 million; the gross margin for the quarter was 17.9%
- Operating expenses reached \$1,792.7 million pesos and represented 16.9% of the Company's total sales
- Quarterly operating income was \$105.7 million, resulting in an operating margin of 1.0% for the period
- Third quarter EBITDA was \$200.5 million, or 1.9% of total sales
- As of September 30, 2013, GCS's net debt totaled \$9,464.9 million
- GCS closed the quarter with 22 Distribution Centers and 1,383 pharmacies in operation across Latin America

Mexico City, Mexico, October 28, 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 third quarter of 2013.

QUARTERLY EARNINGS

As of the end of the third quarter, the competition in the distribution and marketing of pharmaceutical products, health and beauty aids, and consumer goods segments prevailed in Mexico as well as in Chile, mainly due to a larger number of participants in the markets in which we operate. Our operating strategy continues to focus on improving logistics efficiency levels, controlling costs and expenses, in addition to offering competitive prices and generating positive results in practically all our divisions. At the sales level, we are continuing to focus on improving the availability of the products that our customers most demand both at the wholesale and retail pharmacy chain networks. With regards to growth, we continue to implement our strategy, which has enabled us to strengthen our presence in the markets in which we already operate, as well as improving the recognition of our brands.

NET SALES

Net sales for the quarter totaled \$10,635.0 million, equivalent to a decrease of 3.5% when compared to \$11,024.0 million in 3Q2012.

SALES BY DIVISION

DISTRIBUTION DIVISION

PHARMA, HEALTH, BEAUTY AND CONSUMER GOODS

Sales from our Pharma, Health, Beauty and Consumer Goods divisions totaled \$4,685.0 million. When compared to the same quarter of last year, there was a 14.7% decrease, which resulted mainly due to the disincorporation of Citem Publications during the second quarter this year. In addition, sales were negatively affected due to the adverse weather conditions that were experienced throughout the majority of the Mexican territory.

In terms of total sales, this divisions underwent a decrease in participation from 49.8% in 3Q2012 in comparison to the 44.0% in the 3Q2013.

GOVERNMENT PHARMA

Quarterly sales in our Government Pharma division totaled \$114.8 million. This division registered a 15.6% decrease in sales compared to the third quarter of 2012, as the result of the deferral on the date of tenders.

In terms of total sales, this division passed from 1.2% in 3Q2012 to 1.1% in the 3Q2013.

RETAIL PHARMACY

During the third quarter of the current year, sales from our Retail Pharmacy division reached \$5,835.3 million. Compared to the same quarter last year, there was an 8.2% increase. The increase was mainly achieved due to the correct implementation of our growth strategy, focused on the markets in which we already operate. This division's percentage attribution to the Group's overall sales rose to 54.9%, versus 48.9% in the 3Q2012.

As a result, the sales mix for the third quarter of 2013 was as follows:

Division	% of Sales
Retail Pharmacy	54.9%
Total Distribution	45.1%
Pharma, Health & Beauty	44.0%
Government Pharma	1.1%
TOTAL	100.0%

GROSS INCOME

During the third quarter of 2013, gross income reached \$1,898.3 million pesos, an amount 4.5% lower than the gross income reached in the third quarter of 2012. This was mainly due a decrease in sales in our distribution and government areas.

OPERATING EXPENSES

Operating expenses in the third quarter of 2013 resulted in \$1,792.7 million. This represents an increase of \$97.6 million pesos, or 5.7%, compared to the same period of the previous year. This increase was mainly a result of the expenses that were incurred due to the opening of 60 new pharmacies in this quarter.

As a percentage of total sales, operating expenses represented 16.9% during the third quarter of 2013 compared to 15.4% during the same period of 2012.

OPERATING INCOME

Quarterly operating income for 3Q2013 was \$105.7 million, an amount 63.9% lower than the \$293.0 million reported in 3Q2012. This decrease in operating income was the result of the decline in sales due the disincorporation of companies in previous quarters.

Operating income margin for the 3Q2013 was 1.0%, versus 2.7% in 3Q2012.

EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTIZATION (EBITDA)

EBITDA for 3Q2013 was \$200.5 million, a lower amount compared to the \$394.9 million reported in the third quarter of 2012.

EBITDA margin for the third quarter of 2013 was 1.9%.

COMPREHENSIVE COST OF FINANCING (CCF)

The Group's CCF reached \$196.8 million in 3Q2013, 28.3% lower than the CCF reported during 3Q2012.

This decrease was primarily due to the anticipated payments of our long-term debt.

NET DEBT

The Company's net debt at the end of 3Q2013 was \$9,464.9 million pesos. There was a decrease of 0.1% with respect to last year.

OTHER EXPENSES (INCOME)

During the third quarter of the year, other expenses totaled \$32.3 million. This represents an increase of \$30.8 million compared to the same period last year. This was mainly due to the restructuring of extraordinary expenses done by one the Group's subsidiaries.

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 third quarter of 2013 resulted in a positive balance of \$6.8 million in tax deductions. In comparison, at the end of 3Q2012, this item totaled \$124.8 million pesos. This change was mainly due to the variation of the accumulated results during the current fiscal year.

NET INCOME (LOSS)

In the third quarter, 2013 GCS recorded a net loss of \$116.6 million, an amount 8.1% lower compared to the amount recorded during the same period of the previous year. This change was mainly due the decrease in sales previously mentioned and expenses made for new pharmacies' openings.

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

The 328.5 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. in thousands of Mexican Pesos as of September 2013

	Jan-Sept
	Jan-Sept
	Variation
	July-Sept
	July-Sept
	Variation
Income Statement	2012 % of sales
	2013 % of sales
	\$ %
	2012 % of sales
	2013 % of sales
	\$ %
NET SALES	
NET INCOME (LOSS)	

	35,312,479	
	100.00%	
	32,495,149	
	100.00%	
	(2,817,330)	
	(7.98%)	
	11,023,991	
	100.00%	
	10,635,046	
	100.00%	
	(388,945)	
	(3.53%)	
COST OF SALES		
	28,937,559	
	81.95%	
	26,875,998	
	82.71%	
	(2,061,561)	
	(7.12%)	
	9,035,991	
	81.97%	
	8,736,715	
	82.15%	
	(299,276)	
	(3.31%)	
	6,374,920	Gross Profit
	18.05%	
	5,619,150	
	17.29%	
	(755,770)	
	(11.86%)	
	1,988,000	
	18.03%	
	1,898,331	
	17.85%	
	(89,669)	
	(4.51%)	
OPERATING EXPENSES Sales Expenses		
	858,079	
	2.43%	
	553,741	
	1.70%	
	(304,338)	
	(35.47%)	
	195,828	
	1.78%	
NET INCOME (LOSS)		

	176,572	
	1.66%	
	(19,256)	
	(9.83%)	
Administrative Expenses		
	4,614,010	
	13.07%	
	4,536,046	
	13.96%	
	(77,963)	
	(1.69%)	
	1,499,205	
	13.60%	
	1,616,095	
	15.20%	
	116,891	
	7.80%	
		Operating Expenses
	5,472,089	
	15.50%	
	5,089,787	
	15.66%	
	(382,301)	
	(6.99%)	
	1,695,033	
	15.38%	
	1,792,667	
	16.86%	
	97,635	
	5.76%	
		Operating Income
	902,831	
	2.56%	
	529,363	
	1.63%	
	(373,468)	
	(41.37%)	
	292,967	
	2.66%	
	105,664	
	0.99%	
	(187,303)	
	(63.93%)	
COMPREHENSIVE COST OF FINANCING		
	790,899	
	2.24%	
	691,739	

NET INCOME (LOSS)

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	0.00%	
		Comprehensive Cost of Financing
	653,068	
	1.85%	
	556,211	
	1.71%	
	(96,857)	
	(14.83%)	
	274,440	
	2.49%	
	196,782	
	1.85%	
	(77,658)	
	(28.30%)	
OTHER EXPENSES (INCOME), net		
	(592,126)	
	(1.68%)	
	96,066	
	0.30%	
	688,192	
	NC	
	1,523	
	0.01%	
	32,280	
	0.30%	
	30,757	
	2019.19%	
		NET INCOME BEFORE TAXES
	841,890	
	2.38%	
	(122,914)	
	(0.38%)	
	(964,803)	
	(114.60%)	
	17,004	
	0.15%	
	(123,398)	
	(1.16%)	
	(140,402)	
	NC	
PROVISIONS FOR:	Income Tax	
	298,517	
	0.85%	
	78,156	
	0.24%	
	(220,361)	
	(73.82%)	

NET INCOME (LOSS)

	94,652
	0.86%
	(4,597)
	(0.04%)
	(99,249)
	NC
Asset Tax	-
	0.00%
	-
	0.00%
	-
	0.00%
	-
	0.00%
	-
	0.00%
Deferred Income Tax	30,171
	0.09%
	(22,301)
	(0.07%)
	(52,472)
	NC
	30,171
	0.27%
	(2,201)
	(0.02%)
	(32,372)
	NC
Profit sharing due	-
	0.00%
	-
	0.00%
	-
	0.00%
	-
	0.00%
	-
	0.00%
Deferred Profit sharing due	-

NET INCOME (LOSS)

0.00%

-

0.00%

-

0.00%

-

0.00%

-

0.00%

-

0.00%

Total taxes

328,688

0.93%

55,855

0.17%

(272,833)

(83.01%)

124,823

1.13%

(6,799)

(0.06%)

(131,622)

NC

Net Income Before Extraordinary Items

513,202

1.45%

(178,768)

(0.55%)

(691,970)

NC

(107,819)

(0.98%)

(116,599)

(1.10%)

(8,780)

8.14%

Extraordinary Items (Income)

-

0.00%

-

0.00%

-

0.00%

-

0.00%

-

0.00%

-

0.00%

Net Income

513,202

1.45%

(178,768)

(0.55%)

(691,970)

NC

(107,819)

(0.98%)

(116,599)

(1.10%)

(8,780)

8.14%

Depreciation and Amortization

321,427

0.91%

261,821

0.81%

(59,606)

(18.54%)

101,901

0.92%

94,855

0.89%

(7,046)

(6.91%)

Operating Income plus Depreciation and Amortization

1,224,258

3.47%

791,184

2.43%

(433,074)

(35.37%)

394,868

3.58%

200,519

1.89%

(194,349)

(49.22%)

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 September 2013

ACCOUNT / SUBACCOUNT	QUARTER CURRENT YEAR CLOSE PRIOR YEAR
	AMOUNT AMOUNT
TOTAL ASSETS	28,815,094
	32,501,016
CURRENT ASSETS	17,859,306
	21,231,243
CASH AND CASH EQUIVALENTS	1,020,520
	1,068,257
CLIENTS (NET)	5,990,008
	7,599,268
CLIENTS	7,523,414
	9,018,164
ALLOWANCE FOR DOUBTFUL ACCOUNTS	-1,533,406
	-1,418,897
OTHER ACCOUNTS RECEIVABLES (NET)	3,733,275
	4,665,028
INVENTORIES	7,103,521
	7,885,983
OTHER CURRENT ASSETS	11,982
	12,707
LONG TERM	50,513
	36,986
INVESTMENTS IN SHARES OF SUBSIDIARIES AND ASSOCIATED COMPANIES	50,513
	36,986
PROPERTY MACHINERY AND EQUIPMENT NET	3,026,121
	3,040,769
PROPERTY	2,238,229
	2,471,561
MACHINERY AND EQUIPMENT	
NET INCOME (LOSS)	

	2,401,436
	1,604,994
OTHER EQUIPMENT	
	1,886,664
ACCUMULATED DEPRECIATION	2,555,423
	-3,508,892
CONSTRUCTION IN PROGRESS	-3,622,213
	8,684
INTANGIBLE ASSETS (NET)	31,003
	6,566,276
GOODWILL	6,990,394
	2,474,911
BRANDS	2,809,508
	2,611,024
RIGHTS AND LICENSING	2,719,238
	1,465,254
OTHER INTANGIBLE ASSETS	1,445,315
	15,087
OTHER NON CURRENT ASSETS	16,332
	1,312,878
ADVANCE PAYMENTS	1,201,624
	43,895
DEFERRED CHARGES (NET) OTHERS	23,881
	1,268,983
TOTAL LIABILITIES	1,177,743
	23,374,321
CURRENT LIABILITIES	26,020,026
	14,296,593
BANK CREDITS	14,302,646
	2,773,584
SUPPLIERS	2,487,022
	10,853,247
TAXES PAYABLE	11,311,565
	669,762
OTHER CURRENT LIABILITIES	504,060
NET INCOME (LOSS)	

	1,786,273
	3,358,890
EMPLOYEE BENEFITS	
	280,710
	200,771
OTHER CURRENT LIABILITIES	
	1,505,563
	3,158,119
NON CURRENT LIABILITIES	
	7,711,868
	8,161,309
BANK CREDITS	
	7,711,868
	8,161,309
OTHER LIABILITIES	
	-420,413
	197,182
SHAREHOLDERS' EQUITY	
	5,440,775
	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)	
	2,846,903
	3,977,115
ACCUMULATED PROFIT AND LEGAL RESERVE	
	1,963,471
	3,059,885
RESERVE FOR STOCK REPURCHASE	
	1,062,200
	1,062,200
PROFIT	
	-178,768
	-144,970
NET INCOME (LOSS)	