

## LA COMER, S.A.B. DE C.V. (BMV: LACOMER) ANNOUNCES TODAY ITS 3<sup>RD</sup>Q19 RESULTS

Mexico City, October 23<sup>rd</sup>, 2019. La Comer, S.A.B. de C.V., hereafter La Comer (BMV: LACOMER), holding company that operates in the retail sector in Mexico through supermarkets offering groceries, perishables and pharmacy; announced today its 3<sup>rd</sup> Q 2019 results.

The results presented in 2019, have the effects of IFRS16. This rule affected the Company mainly for real estate lease contracts where some of the stores operate and for leases of transportation equipment.

For the present report, some additional disclosures were required, presenting the 2018 pro forma including IFRS 16 effects, with the best estimates of the administration, applying the same criteria that were used for the application of the norm in 2019. The retroactive IFRS 16 effects are not audited, but are based on the audited figures of 2018.

### Third Quarter 2019 Results

#### Highlights:

- ✓ Increase in total sales of 11.9% and same store sales growth of 5.5%
- ✓ Gross margin of 27.2%
- ✓ EBITDA margin of 8.9%
- ✓ Opening of one store Fresko in Avándaro, State of México

	3 Q 2019 BMV			*Proforma 2018 var. vs 2019		
	2019	%	2018	2018		
<b>Net sales</b>	<b>5,518.3</b>	<b>100.0</b>	<b>4,931.5</b>	<b>4,931.5</b>	<b>100.0</b>	<b>11.9%</b>
Cost of sales	4,015.1	72.8	3,641.8	3,641.8	73.8	10.3%
Gross profit	1,503.2	27.2	1,289.7	1,289.7	26.2	16.6%
Operating expenses	1,234.0	22.4	857.5	1,069.5	21.7	15.4%
<b>Operating profit</b>	<b>269.2</b>	<b>4.9</b>	<b>432.2</b>	<b>220.2</b>	<b>4.5</b>	<b>22.2%</b>
EBITDA <sup>1</sup>	488.4	8.9	619.2	433.1	8.8	12.8%
<b>Operational cash flow</b> <sup>2</sup>	<b>440.1</b>	<b>8.0</b>	<b>619.2</b>	<b>389.2</b>	<b>7.9</b>	<b>13.1%</b>
Net financial result	3.6	0.1	(21.0)	(49.5)	(1.0)	-107.3%
Taxes and other	43.3	0.8	102.6	44.7	0.9	-3.1%
<b>Net Income</b>	<b>229.5</b>	<b>4.2</b>	<b>308.6</b>	<b>126.0</b>	<b>2.6</b>	<b>82.1%</b>
Same Store Sales (%)	5.5		7.5			
Clients (thousands)	17,583		16,470			6.8%
Number of stores	69		63			9.5%
Sales area (sq.mts.)	289,267		257,319			12.4%

In millions of Mexican pesos,

(1) EBITDA refers to Earnings before Interest, Taxes, Depreciation and Amortization.

(2) Operating Cash Flow refers to EBITDA minus the flow for payment of rents, EBITDA without IFRS 16 effects.

\* 2018 Pro forma financial information, includes effects of IFRS 16 and without considering the extraordinary profit of \$ 230 million pesos for the sale of land

## Quarterly Results

### Sales

Net sales for the quarter amounted \$5,518 million pesos, having an increase of 11.9% compared to the same period of 2018. It is important to mention that most of our new stores are performing with favorable results.

Same store sales in the quarter grew 5.5%, highlighting that the Fresko format presented the best growth results during the quarter. The increases in same-store sales continue to be higher than the growth presented by any other participant in the self-service sector.

Our promotional campaign, "Temporada Naranja" (Orange Season), that took place during the summer months, was very favorable and successful; thanks to a very good advertising campaign supported by the melody of Guillermo Tell "Opertura from Rossini". Each time, the campaign is better recognized among our clients. Also our weekly "Miércoles de Plaza" campaign, where we offer high quality perishable products at preferential prices on Wednesday, continue to be widely accepted.

The online sales presented by our digital platform "La Comer en tu Casa" (La Comer at your home) continue growing significantly.

It is worth mentioning that all of our formats, regions and categories have positive numbers. By region, there was a greater growth in same-store sales in the West region of the country since the stores that have opened in that area continue to have very favorable sales increases, showing the acceptance of our formats in that region.

This good result on sales growth occurred despite the negative effect of the change in the federal government's social voucher dispersion policy. Previously it was done by delivering food vouchers that had to be used only in formal stores.

### Gross Profit

Gross profit increased from \$1,290 million pesos in the third quarter of 2018 to \$1,503 million pesos in the third quarter of 2019; presenting an increase of 16.6%. The gross margin for the third quarter of 2019 was 27.2% compared to 26.2% in the same period of the previous year, presenting an increase of 109 basis points.

The results obtained are due to the fact that in addition to maintaining a good relationship with suppliers, we continue with the strategy of differentiation, offering a mix of products with greater added value.

### Operating profit and EBITDA

For the third quarter of 2019 there was an operating income of \$269 million pesos, presenting an operating margin of 4.9%. The pro-forma comparison, for the third quarter of 2018, presented an operating margin of 4.5% without considering the profit of \$ 230 million pesos for the sale of a land in 2018. This represented an increase in operating income in the third quarter of 2019 of 22.2% against the pro-forma of the previous year.

Some accounts with relevant increases in expenses were:

- Salaries and Wages - being a necessary expense to have the adequate personnel that can offer the best service to our clients.
- Expenses related to our online sales system (e-commerce) "La Comer en tu Casa", for improvements in the service of distribution of merchandise in accordance with the differentiation strategy that the company has.
- To maintain our stores with an optimal level of safety, we have substantially increased our expense on security and vigilance.

The process of change towards using clean sources of electricity, has begun to give positive results for the company. We are working together with the state company to accelerate this process that has been delayed more than we had anticipated.

The EBITDA margin for the third quarter of 2019 was 8.9% compared with a 8.8% pro-forma figure of the EBITDA margin 2018. The EBITDA of the third quarter of 2019 was \$ 488 million pesos, showing a growth against the pro-forma 2018 of 12.8%.

The Operating Cash Flow (EBITDA without IFRS16 effects), was for the third quarter of 2019 of \$440 million pesos presenting an increase of 13.1% compared to the third quarter of 2018 of \$389 million pesos without including the extraordinary profits. Operating cash flow margin for the third quarter of 2019 was 8.0% that compares with 7.9% for the same period of the previous year.

## Net Financial Result

The company presented an integral result of net financing of \$4 million pesos. Although \$33 million pesos were generated by financial products, these were affected by the effect of IFRS 16 due to the interest recognized by lease liabilities.

Net income for the quarter was \$230 million pesos, presenting an increase against a pro-forma estimate of 2018 of 82.1%, noticing that in the pro forma comparison an extraordinary profit of \$230 million pesos for sale of land in 2018 is not included.

## As of September 2019 Results

### Highlights:

- ✓ Increase in total sales of 12.8%
- ✓ Increase in same store sales of 6.5%
- ✓ EBITDA margin of 9.4%
- ✓ Four new openings : One store La Comer, two Fresko stores and one City Market

	As of September			*Proforma 2018	var. vs 2019	
	2019	%	2018	2018		
<b>Net sales</b>	<b>15,842.9</b>	<b>100.0</b>	<b>14,048.6</b>	<b>14,048.6</b>	<b>100.0</b>	<b>12.8%</b>
Cost of sales	11,520.8	72.7	10,349.2	10,348.9	73.7	11.3%
Gross profit	4,322.1	27.3	3,699.4	3,699.7	26.3	16.8%
Operating expenses	3,456.7	21.8	2,856.7	3,033.3	21.6	14.0%
<b>Operating profit</b>	<b>865.4</b>	<b>5.5</b>	<b>842.5</b>	<b>666.4</b>	<b>4.7</b>	<b>29.9%</b>
EBITDA <sup>1</sup>	<b>1,496.9</b>	<b>9.4</b>	<b>1,381.6</b>	1,269.8	9.0	<b>17.9%</b>
<b>Operational cash flow<sup>2</sup></b>	<b>1,354.1</b>	<b>8.5</b>	<b>1,381.6</b>	<b>1,151.6</b>	<b>8.2</b>	<b>17.6%</b>
Net financial result	17.0	0.1	72.7	(9.7)	(0.1)	-275.3%
Taxes and other	145.7	0.9	236.4	178.5	1.3	-18.4%
<b>Net Income</b>	<b>736.6</b>	<b>4.6</b>	<b>678.8</b>	<b>478.1</b>	<b>3.4</b>	<b>54.1%</b>
Same Store Sales (%)	6.5		8.9			
Clients (thousands)	50,985		47,985			6.3%
Inventory days ratio	71		68			4.5%
Supplier days ratio	76		65			16.7%
Number of stores	69		63			9.5%
Sales area (sq.mts.)	289,267		257,319			12.4%

In millions of Mexican pesos,

(3) EBITDA refers to Earnings before Interest, Taxes, Depreciation and Amortization.

(4) Operating Cash Flow refers to EBITDA minus the flow for payment of rents, EBITDA without IFRS16 effects.

\* 2018 Pro forma financial information, includes effects of IFRS 16 and without considering the extraordinary profit of \$230 million pesos for the sale of land

## Net sales

In cumulative terms, total sales amounted \$15,843 million pesos, presenting an increase of 12.8% compared to the same period of the previous year. Consolidated same store sales for the first half of the year increased 6.5%.

All formats, regions and categories presented positive numbers, but the Fresko format as well as La Comer presented the highest sales increases for the nine months of the year.

By region, there was greater growth in same store sales in the Western part of the country. By product category, we can highlight that for the nine months of the year, there were significant increases in the perishables category.

## Gross profit

Gross profit for the period had a margin of 27.3% as a percentage of sales, an increase with respect to the previous year of 16.8%.

In addition to continuing to maintain a competitive cost of sales, competitive levels of storage and distribution costs have been maintained, as well as reasonable levels of waste.

## Operating income and EBITDA

Operating income for the nine months of the year, grew by 29.9% in its pro-forma comparison with a margin of 5.5%. During this period, advertising expenses, pre-operative expenses, expenses in our e-commerce platform and electricity expenses increased significantly.

In cumulative terms of 2019, the EBITDA margin was 9.4%, generating a cash flow of \$1,497 million pesos, and growing 17.9% versus the pro-forma 2018 figure.

The Operating Cash Flow (EBITDA without IFRS16 effects), was for the nine months of 2019 of \$1,354 million pesos presenting an increase of 17.6% compared to the same period of the pro-forma 2018. Operating margin in 2019 was 8.5% that compares with 8.2% for the same period of the previous year.

## Financial income

Within this concept, the company presented an integral result of net financing of \$17 million pesos, due to \$120 million pesos for financial products, lease interest effect of \$ 103 million pesos and the difference, due to foreign exchange movements.

## Taxes & Net profit

During this period, an amount of \$146 million pesos of taxes was reported.

For all the above, the net profit for the nine months of the year was \$737 million pesos compared to \$478 million pesos of the pro-forma for the same period of the previous year, presenting an increase of 54.1% over last year.

## Working Capital

The company presented during this period a cash balance of \$1,917 million pesos, presenting a decrease of \$712 million pesos against the cash balance as of September 2018, used in new store openings in the year as well as investments for future projects. Levels for inventories were \$3,233 million pesos and for suppliers and other accounts of \$3,461 million pesos. Inventory turnover as of September 2019 was of 71 days, and a turnover of 76 days for suppliers, having a five day difference.

## Investment projects

During the nine months of the year, the company had made four openings: a La Comer store in the city of Puebla, a City Market store in the city of Monterrey, (being a new location for our company), a Fresko store in Mexico City and a Fresko store in Avándaro Valle de Bravo, State of Mexico.

## Installed capacity 3Q2019

The company, as for the third quarter 2019, has 69 stores that operate in four different formats: City Market, Fresko, La Comer and Sumesa.

The installed capacity was as follows:

	<b>Stores</b>	<b>Sq.mts.</b>
La Comer	31	202,458
Sumesa	13	10,303
City Market	12	38,967
Fresko	13	37,539
	<b>69</b>	<b>289,267</b>

## Sustainability and Social Responsibility

The company continues to support the Un Kilo de Ayuda foundations; the Mexican Foundation for Rural Development; Foundation for Education and Mexican Center for Philanthropy A.C. (CEMEFI) with donations for more than \$ 5 million pesos.

## Research and analyst coverage

In compliance with Mexican Stock Exchange internal regulation, article 4.033.01 - VIII (maintenance requirements), La Comer informs that the following institutions provide coverage to Equity securities of the company:

- BBVA Bancomer (Miguel Ulloa)
- Grupo Bursátil Mexicano (Luis Rodrigo Willard)
- Itaú BBA (Joaquín Ley)
- Santander Investment (Martha Shelton)
- Scotiabank Inverlat (Rodrigo Echagaray)
- Punto Casa de Bolsa (Cristina Morales)
- Barclays (Benjamin M Theurer)
- J.P. Morgan (Ulises Argote)
- Grupo Financiero Actinver (Jeronimo Cobian Rincon Gallardo)
- Banorte-IXE (Valentín Mendoza Balderas)
- Nau Securities LTD (Pedro Baptista)

Sincerely,

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**LA COMER, S.A.B. DE C.V.**  
**QUARTER INCOME STATEMENT**  
(In thousands Mexican pesos as of September 30, 2019)

	3Q2019	%	3Q2018	%	Var.
<b>Net sales</b>	<b>5,518,266</b>	<b>100.0%</b>	<b>4,931,497</b>	<b>100.0%</b>	<b>11.9%</b>
Cost of sales	4,015,096	72.8%	3,641,892	73.8%	10.2%
<b>Gross profit</b>	<b>1,503,170</b>	<b>27.2%</b>	<b>1,289,605</b>	<b>26.3%</b>	<b>16.6%</b>
Selling expenses	1,041,094	18.9%	908,911	18.4%	
Administrative expenses	190,148	3.4%	183,786	3.7%	
Other income	16,040	0.3%	237,175	4.8%	
Other expenses	18,754	0.3%	1,893	0.0%	
<b>Operating profit</b>	<b>269,214</b>	<b>4.9%</b>	<b>432,190</b>	<b>8.8%</b>	
Financial income	47,119	0.9%	72,315	1.5%	
Financial expenses	43,504	0.8%	93,289	1.9%	
<b>Earnings before tax &amp; profit sharing</b>	<b>272,829</b>	<b>4.9%</b>	<b>411,216</b>	<b>8.3%</b>	
Income tax	43,267	0.8%	102,623	2.1%	
<b>Gains from continued operations</b>	<b>229,562</b>	<b>4.2%</b>	<b>308,593</b>	<b>6.3%</b>	
Depreciation & amortization	219,212	4.0%	187,024	3.8%	
EBITDA	488,426	8.9%	619,214	12.6%	
<b>Operating cash flow</b>	<b>440,086</b>	<b>8.0%</b>	<b>619,214</b>	<b>12.6%</b>	<b>-28.9%</b>



**LA COMER, S.A.B. DE C.V.  
INCOME STATEMENT**

(In thousands Mexican pesos as of September 30, 2019)

	2019	%	2018	%	Var.
<b>Net Sales</b>	<b>15,842,896</b>	<b>100.0%</b>	<b>14,048,600</b>	<b>100.0%</b>	<b>12.8%</b>
Cost of sales	11,520,769	72.7%	10,349,241	73.7%	11.3%
<b>Gross profit</b>	<b>4,322,127</b>	<b>27.3%</b>	<b>3,699,359</b>	<b>26.3%</b>	<b>16.8%</b>
Operating expenses	2,936,688	18.5%	2,554,318	18.2%	
Administrative expenses	563,299	3.6%	524,347	3.7%	
Other income	62,182	0.4%	253,863	1.8%	
Other expenses	18,920	0.1%	32,082	0.2%	
<b>Operating profit</b>	<b>865,402</b>	<b>5.5%</b>	<b>842,475</b>	<b>6.0%</b>	
Financial income	152,025	1.0%	196,777	1.4%	
Financial expenses	135,169	0.9%	124,088	0.9%	
<b>Earnings before tax &amp; profit sharing</b>	<b>882,258</b>	<b>5.6%</b>	<b>915,164</b>	<b>6.5%</b>	
Income tax	145,654	0.9%	236,418	1.7%	
<b>Gains from continued operations</b>	<b>736,604</b>	<b>4.6%</b>	<b>678,746</b>	<b>4.8%</b>	
Depreciation & amortization	631,525	4.0%	539,086	3.8%	
<b>EBITDA</b>	<b>1,496,927</b>	<b>9.4%</b>	<b>1,381,561</b>	<b>9.8%</b>	
<b>Operating cash flow</b>	<b>1,354,086</b>	<b>8.5%</b>	<b>1,381,561</b>	<b>9.8%</b>	<b>-2.0%</b>

**LA COMER, S.A.B. DE C.V.**  
**BALANCE SHEET**

(In thousands Mexican pesos as of September 30, 2019)

	2019	Dec. 2018
<b>Current Assets</b>		
Cash and Temporary investments	1,917,225	2,601,863
Clients (net account receivables)	788,043	822,663
Recoverable taxes	31,390	11,251
Inventories	3,233,039	2,671,821
Other assets	114,037	122,099
<b>Total Current Assets</b>	<b>6,083,734</b>	<b>6,229,697</b>
Property, plant and equipment (Net)	13,182,294	12,129,705
Property and leasehold improvements	627,635	629,175
Assets by right of use	1,469,862	-
Intangible assets other than goodwill	6,277,998	6,277,998
Deferred tax assets	192,150	129,907
Other non-current non-financial assets	593,273	639,763
<b>Total noncurrent assets</b>	<b>22,343,212</b>	<b>19,806,548</b>
<b>Total Assets</b>	<b>28,426,946</b>	<b>26,036,245</b>
Trade payables	3,461,425	3,572,326
Taxes payable	57,417	82,111
Short-term lease liabilities	63,056	-
Other accrued liabilities	331,903	247,313
<b>Current Liabilities</b>	<b>3,913,801</b>	<b>3,901,750</b>
Long-term lease liabilities	1,439,171	-
Provisions for employee long term benefits	101,253	79,524
Deferred tax liabilities	251,702	52,368
<b>Total long-term liabilities</b>	<b>1,792,126</b>	<b>131,892</b>
<b>Total Liabilities</b>	<b>5,705,927</b>	<b>4,033,642</b>
Capital Stock	1,966,662	1,966,662
Share issuance	206,505	206,436
Total Earned Capital	18,830,481	18,079,596
Other comprehensive income	1,717,371	1,749,909
Total controlling interest	22,721,019	22,002,603
<b>Stock Holders' Equity</b>	<b>22,721,019</b>	<b>22,002,603</b>
<b>Total liabilities and stockholders' equity</b>	<b>28,426,946</b>	<b>26,036,245</b>

**LA COMER, S.A.B. DE C.V.**  
**CASH FLOW STATEMENT**  
(In thousands Mexican pesos as of September 30, 2019)

Operation Activities	2019	2018
<b>Earnings (Loss) net</b>	<b>736,604</b>	<b>678,746</b>
Adjustments to reconcile earnings	2019	2018
Taxes payable	145,654	236,418
Financial income & expense	(17,515)	(91,909)
Depreciation and amortization expenses	631,525	539,086
Provisions	13,586	12,278
Income from disposal of current assets	4,505	(203,348)
Decrease (increase) in inventories	(561,218)	(213,556)
Decrease of clients	68,795	61,498
Increases in other receivables arising from operating activities	(92,235)	(39,798)
Increase (decrease) on suppliers	(169,532)	(245,778)
Increase (decrease) in other accounts payable	134,197	51,718
Total adjustments to reconcile profit	157,762	106,609
Net cash flows used in operations	894,366	785,355
Taxes on profits (paid)	27,417	(689)
<b>Resources provided by operation activities</b>	<b>866,949</b>	<b>786,044</b>
Cash Flows from Investment Activities	2019	2018
Amounts from the sale of property, plant and equipment	1,897	352,734
Purchases of property, plant and equipment	1,524,997	1,220,181
Interests income	120,604	96,709
<b>Net cash flow from investment activities</b>	<b>(1,402,496)</b>	<b>(770,738)</b>
Cash flows from (used) in financing activities	2019	2018
Payments for acquiring or redeeming the shares of the entity	(240)	(73,615)
Payments to acquire shares of the company	46,242	-
Interest paid	103,089	4,800
<b>Net cash flows from (used) in financing activities</b>	<b>(149,091)</b>	<b>68,815</b>
Effects of the variation in the exchange rate on cash and cash equivalents	2019	2018
<b>Increase/decrease in cash and temporary investments</b>	<b>(684,638)</b>	<b>84,121</b>
Cash and temporary investments at beginning of year	2,601,863	2,545,243
<b>Cash and temporary investments at the end of year</b>	<b>1,917,225</b>	<b>2,629,364</b>