

## LA COMER, S.A.B. DE C.V. (BMV: LACOMER) ANNOUNCES TODAY ITS 4<sup>RD</sup>Q18 RESULTS

Mexico City, February 20<sup>th</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 4<sup>rd</sup>Q 2018 results.

### Fourth Quarter 2018 Results

#### Highlights:

- ✓ Increase in total sales of 14.9% and same store sales growth of 6.2%
- ✓ Gross margin of 26.5%
- ✓ EBITDA margin of 7.3%
- ✓ Opening of two new stores: one City Market and one Fresko store.

|                            | 4Q 2018        |              |                |              |               |
|----------------------------|----------------|--------------|----------------|--------------|---------------|
|                            | 2018           | %            | 2017           | %            | Var %         |
| <b>Net sales</b>           | <b>5,070.5</b> | <b>100.0</b> | <b>4,412.3</b> | <b>100.0</b> | <b>14.9</b>   |
| Cost of sales              | 3,728.7        | 73.5         | 3,276.2        | 74.3         | 13.8          |
| Gross profit               | 1,341.8        | 26.5         | 1,136.1        | 25.7         | 18.1          |
| Operating expenses         | 1,136.8        | 22.4         | 847.9          | 19.2         | 34.1          |
| <b>Operating profit</b>    | <b>205.0</b>   | <b>4.0</b>   | <b>288.2</b>   | <b>6.5</b>   | <b>(28.9)</b> |
| <b>EBITDA <sup>1</sup></b> | <b>371.2</b>   | <b>7.3</b>   | <b>445.0</b>   | <b>10.1</b>  | <b>(16.6)</b> |
| Net financial result       | 67.6           | 1.3          | 49.4           | 1.1          | 36.8          |
| Taxes and other            | (138.0)        | (2.7)        | (58.4)         | (1.3)        | 136.3         |
| <b>Net Income</b>          | <b>410.5</b>   | <b>8.1</b>   | <b>396.0</b>   | <b>9.0</b>   | <b>3.7</b>    |
| Same Store Sales (%)       | 6.2            |              | 12.5           |              |               |
| Clients (thousands)        | 16,318         |              | 15,345         |              | 6.3           |
| Number of stores           | 65             |              | 61             |              | 6.6           |
| Sales área (sq.mts.)       | 272,738        |              | 250,259        |              | 9.0           |

*In millions of Mexican pesos,*

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

## Quarterly Results

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### Sales

Net sales for the quarter amounted \$5,071 million pesos, having an increase of 14.9% compared to the same period of 2017. Same store sales in the quarter grew 6.2%, mentioning that the City Market and Fresko formats continue to present the best results in sales growth. Increases in same store sales continue to exceed the growth presented by the self-service sector.

By region, there was greater growth in same store sales in the Central region of the country. It is worth mentioning that the stores that have opened in the western area of the country continue to have very favorable sales increases, showing the acceptance of our formats in that region.

By product category, we can highlight that during the quarter, there were significant increases in the perishables category, especially in the prepared food division, confirming the care and attention we offer in our perishable products.

### Gross Profit

Gross profit increased from \$1,136 million pesos in the fourth quarter of 2017 to \$1,342 million pesos in the fourth quarter of 2018; presenting an increase of 18.1%. The gross margin for the fourth quarter of 2018 was 26.5% compared to 25.8% in the same period of the previous year, presenting an increase of 71 basis points.

The profit in gross margin can be explained by the positive effect because of the change in the sales mix by format, as well as by the greater sale of differentiated products.

We continue having a competitive acquisition cost of merchandise, but additionally we have continued obtaining greater logistical efficiencies in our distribution centers and the levels of losses have remained stable.

### Operating profit and EBITDA

For the fourth quarter of 2018 there was an operating income of \$205 million pesos, presenting an operating margin of 4.0% and EBITDA margin of 7.3%. The operating cash flow for the quarter was \$371 million pesos.

During the fourth quarter of 2017, an extraordinary income of \$196 million pesos was included in other income and expenses item due to the sale of a property that the company carried out in the central zone of the country. Excluding this extraordinary effect, operating income for the fourth quarter of 2018 would present an increase of 121% and the operating cash flow of the quarter would represent a growth of 48.8% against the previous year.

During the quarter we opened two stores: a City Market store and a store in the Fresko format. There was a pre-operative expense of approximately \$ 52 million pesos, which was mainly used for hiring and training of the personnel of the new stores, as well as for promotional campaigns to present our stores in the new regions.

Some relevant expenses were:

- Electric power: Despite having obtained efficiencies in the consumption of electricity, there was a significant increase in this expense given the severe increases we had in electricity rates. It is worth mentioning that measures are already being taken to deal with these expenses through supply contracts with independent producers, as well as self-generation of electricity with gas.
- Expenses related to our online sales system (e-commerce) "La Comer en tu Casa", for improvements in the delivery service, which ensures the level of service according to the differentiation strategy that the company has.

It is important to mention that during this quarter we had an extraordinary income of \$ 13.2 million pesos due to the insurance recovery of a natural disaster that took place in one of our stores in Guadalajara. The loss related to this disaster was incorporated in the previous quarters.

### **Net Profit**

The company presented a net financial income of \$68 million pesos, composed of \$44 million pesos from interest and investment income, and \$24 million pesos from a profit in foreign exchange.

We continue with the policy in the company to maintain in dollars the estimated expenditures for the obligations of the business in that currency.

As every year at the end of the fiscal period, we compare the fiscal rate calculated for the period against the estimated fiscal provisions reported during the year. Accordingly, we registered the corresponding adjustment. Due to this adjustment, the accounting taxes for the fourth quarter of 2018 are recorded as an income of \$ 138 million pesos.

The net profit for the quarter was \$ 410.5 million pesos.

## As of December 2018 Results

### Highlights:

- ✓ Increase in total sales of 15.5%
- ✓ Increase in same store sales of 8.2%
- ✓ EBITDA margin of 9.2%; 8.0% without considering extraordinary profit for sale of land
- ✓ Opening of 4 new units and re-opening of a total remodeled store.

| As of December 2018        |                 |              |                 |              |             |
|----------------------------|-----------------|--------------|-----------------|--------------|-------------|
|                            | 2018            | %            | 2017            | %            | Var %       |
| <b>Net sales</b>           | <b>19,119.1</b> | <b>100.0</b> | <b>16,554.3</b> | <b>100.0</b> | <b>15.5</b> |
| Cost of sales              | 14,077.9        | 73.6         | 12,304.8        | 74.3         | 14.4        |
| Gross profit               | 5,041.2         | 26.4         | 4,249.5         | 25.7         | 18.6        |
| Operating expenses         | 3,993.7         | 20.9         | 3,472.8         | 21.0         | 15.0        |
| <b>Operating profit</b>    | <b>1,047.5</b>  | <b>5.5</b>   | <b>776.7</b>    | <b>4.7</b>   | <b>34.9</b> |
| <b>EBITDA <sup>1</sup></b> | <b>1,752.8</b>  | <b>9.2</b>   | <b>1,379.2</b>  | <b>8.3</b>   | <b>27.1</b> |
| Net financial result       | 140.3           | 0.7          | 118.4           | 0.7          | 18.5        |
| Taxes and other            | 98.4            | 0.5          | 112.9           | 0.7          | (12.8)      |
| <b>Net Income</b>          | <b>1,089.3</b>  | <b>5.7</b>   | <b>782.2</b>    | <b>4.7</b>   | <b>39.3</b> |
| Same Store Sales (%)       | 8.2             |              | 11.3            |              |             |
| Clients (thousands)        | 64,303          |              | 60,450          |              | 6.4         |
| Inventory days ratio       | 68              |              | 69              |              | (0.8)       |
| Supplier days ratio        | 75              |              | 79              |              | (4.7)       |
| Number of stores           | 65              |              | 61              |              | 6.6         |
| Sales área (sq.mts.)       | 272,738         |              | 250,259         |              | 9.0         |

*In millions of Mexican pesos,*

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

### Net sales

During 2018 total sales amounted \$19,119 million pesos, presenting an increase of 15.5% compared to the previous year. Consolidated same store sales increased 8.2%. These increases are due to the value proposition of the company and the good acceptance that our formats have had, with a clear differentiation. During the last two years, every quarter, the company has presented increases in same store sales higher than any other participant in the self-service sector published by ANTAD.

Total sales were favored by the re-opening of the store La Comer Insurgentes that was re-inaugurated in the month of March and the opening of four new stores.

All the formats, regions and categories present positive numbers, but the Fresko as well as City Market formats have been presenting the highest sales increases in the year. It is worth mentioning that La Comer and Sumesa formats also show increases in sales due to a better mix of products offered in those formats.

By region, there was greater growth in same-store sales in the western region of the country, as the stores that opened during 2016 still show significant increases in sales.

## Gross profit

Gross profit for the period had a margin of 26.4% as a percentage of sales, presenting a growth of 70 basis points with respect to the previous year and an increase of 18.6%. This is due mostly because of efficiencies in our distribution centers.

Additionally, during the year, greater logistical efficiencies were obtained, which represented a lower cost of storage and distribution of products. Combined with this, the levels of losses and fluctuations remained at controlled levels.

## Operating income and EBITDA

Operating income for the year grew by 34.9% with a margin of 5.5% over sales. EBITDA margin was 9.2%, generating an operating cash flow of \$ 1,753 million pesos with a 27.1% increase compared for the same period of last year.

As we had mentioned, there were extraordinary effects during the years 2018 and 2017 of the sale of two properties that represented for the company a profit of \$ 230 million pesos in 2018 and \$196 million pesos in 2017 affecting other income and expenses.

Without considering these extraordinary profits, operating income for the year would have grown by 40.6% with an operating margin of 4.3%; and the EBITDA margin would have been 8.0%, generating an operating cash flow of \$1,523 million pesos, representing an increase of 28.6% compared to the previous year.

During this period, advertising, salaries, and expenses in our e-commerce platform increased significantly. Additionally we are including expenses for the closing of a store and pre-operative expenses of new and coming stores.

## Net profit

The company had an integral result of net financing of \$140 million pesos mostly composed of investment income.

During this period, an amount of \$98 million pesos of taxes was reported.

For all the above, the net profit of the year was \$1,089 million pesos compared to \$782 million pesos for the same period of the previous year, presenting an increase of 39%.

## Working Capital

The company presented during this period a cash balance of \$ 2,602 million pesos, presenting a difference of \$ 57 million pesos more against the balance of cash as of December 2017. Levels for inventories were \$2,672 million pesos and for suppliers \$2,940 million pesos. Inventory turnover as of December 2018 was of 68 days, and a turnover of 75 days for suppliers, having a seven day difference.

### Installed capacity 4Q2018

The company, as for the fourth quarter 2018, has 65 stores that operate in four different formats: City Market, Fresko, La Comer and Sumesa.

The installed capacity was as follows:

|             | Stores    | Sq.mts.        |
|-------------|-----------|----------------|
| La Comer    | 30        | 195,361        |
| Sumesa      | 13        | 10,303         |
| City Market | 11        | 34,023         |
| Fresko      | 11        | 33,051         |
|             | <b>65</b> | <b>272,738</b> |

### Investment projects

During the year, the company re-opened the La Comer Insurgentes store located in Mexico City. Additionally we opened 4 new stores: a store of La Comer format in the city of Puerto Vallarta, a Fresko store in Los Cabos, Baja California Sur and two City Market stores, one in the City of Cuernavaca and another in the State of Mexico.

During the year, the company carried out 5 remodelings in the following formats: three La Comer stores, one Fresko store and one Sumesa store. The company also closed one store in the State of Mexico at the beginning of the year.

### Sustainability and Social Responsibility

The company continues to support Un Kilo de Ayuda foundations; the Mexican Foundation for Rural Development, as well as various donations given to charities.

## 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 (Carlos Hermosillo Bernal)
- 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 December 31, 2018)

|   | 4Q2018           | %             | 4Q2017           | %             | Var.          |
|---|------------------|---------------|------------------|---------------|---------------|
| <b>Net sales</b>                                | <b>5,070,508</b> | <b>100.0%</b> | <b>4,412,346</b> | <b>100.0%</b> | <b>14.9%</b>  |
| Cost of sales                                   | 3,728,701        | 73.5%         | 3,276,170        | 74.3%         | 13.8%         |
| <b>Gross profit</b>                             | <b>1,341,807</b> | <b>26.5%</b>  | <b>1,136,176</b> | <b>25.8%</b>  | <b>18.1%</b>  |
| Selling expenses                                | 981,007          | 19.3%         | 863,157          | 19.6%         | 13.7%         |
| Administrative expenses                         | 186,285          | 3.7%          | 179,581          | 4.1%          | 3.7%          |
| Other income                                    | 10,989           | 0.2%          | 236,427          | 5.4%          | -95.4%        |
| Other expenses                                  | (19,475)         | -0.4%         | 41,579           | 0.9%          | -146.8%       |
| <b>Operating profit</b>                         | <b>204,979</b>   | <b>4.0%</b>   | <b>288,286</b>   | <b>6.5%</b>   | <b>-28.9%</b> |
| Financial income                                | 84,607           | 1.7%          | 66,613           | 1.5%          | 27.0%         |
| Financial expenses                              | 17,035           | 0.3%          | 17,180           | 0.4%          | -0.8%         |
| <b>Earnings before tax &amp; profit sharing</b> | <b>272,551</b>   | <b>5.4%</b>   | <b>337,719</b>   | <b>7.7%</b>   | <b>-19.3%</b> |
| Income tax                                      | (137,975)        | -2.7%         | (58,372)         | -1.3%         | 136.4%        |
| <b>Gains from continued operations</b>          | <b>410,526</b>   | <b>8.1%</b>   | <b>396,091</b>   | <b>9.0%</b>   | <b>3.6%</b>   |
| Depreciation & amortization                     | 166,228          | 3.3%          | 156,695          | 3.6%          | 6.1%          |
| <b>EBITDA</b>                                   | <b>371,207</b>   | <b>7.3%</b>   | <b>444,981</b>   | <b>10.1%</b>  | <b>-16.6%</b> |



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

(In thousands Mexican pesos as of December 31, 2018)

|   | Dec. 31, 2018     | %             | Dec. 31, 2017     | %             | Var.         |
|---|-------------------|---------------|-------------------|---------------|--------------|
| <b>Net Sales</b>                                | <b>19,119,107</b> | <b>100.0%</b> | <b>16,554,327</b> | <b>100.0%</b> | <b>15.5%</b> |
| Cost of sales                                   | 14,077,943        | 73.6%         | 12,304,786        | 74.3%         | 14.4%        |
| <b>Gross profit</b>                             | <b>5,041,164</b>  | <b>26.4%</b>  | <b>4,249,541</b>  | <b>25.7%</b>  | <b>18.6%</b> |
| Operating expenses                              | 3,535,326         | 18.5%         | 2,990,457         | 18.1%         | 18.2%        |
| Administrative expenses                         | 710,631           | 3.7%          | 671,770           | 4.1%          | 5.8%         |
| Other income                                    | 264,852           | 1.4%          | 260,055           | 1.6%          | 1.8%         |
| Other expenses                                  | 12,607            | 0.1%          | 70,628            | 0.4%          | -82.2%       |
| <b>Operating profit</b>                         | <b>1,047,452</b>  | <b>5.5%</b>   | <b>776,741</b>    | <b>4.7%</b>   | <b>34.9%</b> |
| Financial income                                | 281,384           | 1.5%          | 224,557           | 1.4%          | 25.3%        |
| Financial expenses                              | 141,123           | 0.7%          | 106,156           | 0.6%          | 32.9%        |
| <b>Earnings before tax &amp; profit sharing</b> | <b>1,187,713</b>  | <b>6.2%</b>   | <b>895,142</b>    | <b>5.4%</b>   | <b>32.7%</b> |
| Income tax                                      | 98,442            | 0.5%          | 112,942           | 0.7%          | -12.8%       |
| <b>Gains from continued operations</b>          | <b>1,089,271</b>  | <b>5.7%</b>   | <b>782,200</b>    | <b>4.7%</b>   | <b>39.3%</b> |
| Depreciation & amortization                     | 705,315           | 3.7%          | 602,500           | 3.6%          | 17.1%        |
| <b>EBITDA</b>                                   | <b>1,752,767</b>  | <b>9.2%</b>   | <b>1,379,241</b>  | <b>8.3%</b>   | <b>27.1%</b> |

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

(In thousands Mexican pesos as of December 31, 2018)

|   | Dec. 2018         | Dec. 2017         |
|---|-------------------|-------------------|
| <b>Current Assets</b>                             |                   |                   |
| Cash and Temporary investments                    | 2,601,863         | 2,545,243         |
| Clients (net account receivables)                 | 822,663           | 719,598           |
| Recoverable taxes                                 | 11,251            | 9,618             |
| Inventories                                       | 2,671,821         | 2,376,227         |
| Other assets                                      | 122,099           | 126,446           |
| <b>Total Current Assets</b>                       | <b>6,229,697</b>  | <b>5,777,132</b>  |
| Property, plant and equipment (Net)               | 12,129,705        | 10,863,196        |
| Property and leasehold improvements               | 629,175           | 752,048           |
| Intangible assets other than goodwill             | 6,277,998         | 6,277,998         |
| Deferred tax assets                               | 129,907           | 149,827           |
| Other non-current non-financial assets            | 639,763           | 764,305           |
| <b>Total noncurrent assets</b>                    | <b>19,806,548</b> | <b>18,807,374</b> |
| <b>Total Assets</b>                               | <b>26,036,245</b> | <b>24,584,506</b> |
| Trade payables                                    | 3,572,326         | 3,348,743         |
| Taxes payable                                     | 82,111            | 105,132           |
| Other accrued liabilities                         | 247,313           | 206,124           |
| <b>Current Liabilities</b>                        | <b>3,901,750</b>  | <b>3,659,999</b>  |
| Provisions for employee long term benefits        | 79,524            | 77,911            |
| Deferred tax liabilities                          | 52,368            | 9,390             |
| <b>Total long-term liabilities</b>                | <b>131,892</b>    | <b>87,301</b>     |
| <b>Total Liabilities</b>                          | <b>4,033,642</b>  | <b>3,747,300</b>  |
| Capital Stock                                     | 1,966,662         | 1,966,662         |
| Share issuance                                    | 206,436           | 193,896           |
| Total Earned Capital                              | 18,079,596        | 16,977,004        |
| Other comprehensive income                        | 1,749,909         | 1,699,644         |
| Total controlling interest                        | 22,002,603        | 20,837,206        |
| <b>Stock Holders' Equity</b>                      | <b>22,002,603</b> | <b>20,837,206</b> |
| <b>Total liabilities and stockholders' equity</b> | <b>26,036,245</b> | <b>24,584,506</b> |

**LA COMER, S.A.B. DE C.V.**  
**CASH FLOW STATEMENT**  
(In thousands Mexican pesos as of December 31, 2018)

| Operation Activities  | 2018               | 2017               |
|---|--------------------|--------------------|
| <b>Earnings (Loss) net</b>  | <b>1,089,271</b>   | <b>782,200</b>     |
| <b>Adjustments to reconcile earnings</b>  | <b>2018</b>        | <b>2017</b>        |
| Taxes payable   | 98,442             | 112,943            |
| Financial income & expense  | (135,201)          | (162,243)          |
| Depreciation and amortization expenses  | 705,315            | 602,500            |
| Provisions  | 12,085             | 14,819             |
| Income from disposal of current assets  | (199,034)          | (163,927)          |
| Decrease (increase) in inventories  | (295,594)          | (293,942)          |
| Decrease of clients   | (12,512)           | 4,182              |
| Increases in other receivables arising from operating activities                  | (132,453)          | (287,628)          |
| Increase (decrease) on suppliers  | 217,829            | 505,220            |
| Increase (decrease) in other accounts payable                                     | (14,758)           | (119,226)          |
| Total adjustments to reconcile profit   | 244,119            | 212,698            |
| Net cash flows used in operations   | 1,333,390          | 994,898            |
| Taxes on profits (paid)   | (13,207)           | (8,949)            |
| <b>Resources provided by operation activities</b>                                 | <b>1,346,597</b>   | <b>1,003,847</b>   |
| <b>Cash Flows from Investment Activities</b>                                      | <b>2018</b>        | <b>2017</b>        |
| Amounts from the sale of property, plant and equipment                            | 352,764            | 322,514            |
| Purchases of property, plant and equipment  | 1,851,557          | 2,114,767          |
| Interests income  | 140,863            | 166,660            |
| <b>Net cash flow from investment activities</b>                                   | <b>(1,357,930)</b> | <b>(1,625,593)</b> |
| <b>Cash flows from (used) in financing activities</b>                             | <b>2018</b>        | <b>2017</b>        |
| Payments to acquire shares of the company   | (73,615)           | 53,957             |
| Interest paid   | 5,662              | 4,417              |
| <b>Net cash flows from (used) in financing activities</b>                         | <b>67,953</b>      | <b>(58,374)</b>    |
| <b>Effects of the variation in the exchange rate on cash and cash equivalents</b> | <b>2018</b>        | <b>2017</b>        |
| <b>Increase/decrease in cash and temporary investments</b>                        | <b>56,620</b>      | <b>(680,120)</b>   |
| Cash and temporary investments at beginning of year                               | 2,545,243          | 3,225,363          |
| <b>Cash and temporary investments at the end of year</b>                          | <b>2,601,863</b>   | <b>2,545,243</b>   |