

## LA COMER, S.A.B. DE C.V. (BMV: LACOMER) ANNOUNCES TODAY ITS 4<sup>TH</sup>Q19 RESULTS

Mexico City, February 26<sup>th</sup>, 2020. 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>th</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.

### Fourth Quarter 2019 Results

#### Highlights:

- ✓ Increase in total sales of 13.4% and same store sales growth of 6.6%
- ✓ Gross margin of 27.4%
- ✓ EBITDA margin of 8.4%
- ✓ Opening of two store

	4 Q 2019 BMV			*Proforma 2018 var. vs 2019		
	2019	%	2018	2018		
<b>Net sales</b>	<b>5,748.5</b>	<b>100.0</b>	<b>5,070.5</b>	<b>5,070.5</b>	<b>100.0</b>	<b>13.4%</b>
Cost of sales	4,176.1	72.6	3,729.2	3,729.1	73.5	12.0%
Gross profit	1,572.4	27.4	1,341.3	1,341.4	26.5	17.2%
Operating expenses	1,319.3	23.0	1,136.3	1,114.0	22.0	18.4%
<b>Operating profit</b>	<b>253.1</b>	<b>4.4</b>	<b>205.0</b>	<b>227.4</b>	<b>4.5</b>	<b>11.3%</b>
EBITDA <sup>1</sup>	482.3	8.4	371.2	415.4	8.2	16.1%
<b>Operational cash flow<sup>2</sup></b>	<b>429.0</b>	<b>7.5</b>	<b>371.2</b>	<b>371.2</b>	<b>7.3</b>	<b>15.6%</b>
Net financial result	(7.2)	(0.1)	67.6	36.4	0.7	-119.8%
Taxes and other	33.0	0.6	138.0	138.0	2.7	-76.1%
<b>Net Income</b>	<b>278.8</b>	<b>4.8</b>	<b>410.5</b>	<b>401.9</b>	<b>7.9</b>	<b>-30.6%</b>
Same Store Sales (%)	6.6		6.2			
Clients (thousands)	17,664		16,318			8.2%
Number of stores	71		65			9.2%
Sales area (sq.mts.)	300,780		272,738			10.3%

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 IFRS16 effects.

\* 2018 Pro forma financial information, includes effects of IFRS 16

## Quarterly Results

### Sales

Net sales for the quarter amounted \$5,748 million pesos, having an increase of 13.4% compared to the same period of 2018. Same store sales in the quarter grew 6.6%, highlighting that the La Comer and the Fresko format presented the best growth results during the quarter. During each quarter of the last 3 years, the increases in same-store sales have been higher than the growth presented by any other participant in the self-service sector in Mexico.

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.

The online sales presented by our digital platform “La Comer en tu Casa” continue to grow significantly.

We continue with very similar increases in all our product categories.

During this quarter, we redefined the strategy of our loyalty program (Monedero Naranja) through a new loyalty card which can be used only in our stores. In addition, we will continue with the “Stickers” program to acquire high-value products at a reduced price; as they certainly have been the backbone of our Monedero Naranja.

## Gross Profit

Gross profit increased from \$1,341 million pesos in the fourth quarter of 2018 to \$1,572 million pesos in the fourth quarter of 2019; presenting an increase of 17.2%. The gross margin for the fourth quarter of 2019 was 27.4% compared to 26.5% in the same period of the previous year, presenting an increase of 90 basis points.

The profit in the gross margin, is explain it by the positive effect of the change in the mix of products with greater added value, as well as the good relationship we have with our suppliers.

During the quarter we have continued to obtain logistic efficiencies in our distribution centers.

## Operating profit and EBITDA

For the fourth quarter of 2019 there was an operating income of \$253 million pesos, presenting an operating margin of 4.4% and an EBITDA margin of 8.4%. The EBITDA for the quarter was \$482 million pesos, showing a growth against the pro-forma 2018 of 16.1%.

During the quarter we opened 2 stores: a Fresko store and a La Comer store. Given the above, there was a relevant and necessary pre-operative expense mainly used for the recruitment and training of new store personnel, as well as for promotional campaigns to publicize our stores at the opening locations.

Other 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.
- Expenses related with the launching of our new loyalty card (Monedero Naranja)
- To maintain our stores with an optimal level of safety, we have substantially increased our expense on security and vigilance.

It is important to mention that during the quarter, the process of change towards using clean sources of electricity, has begun to give positive results for the company.

The Operating Cash Flow (EBITDA without IFRS16 effects), was for the fourth quarter of 2019 of \$429 million pesos presenting an increase of 15.6% compared to the fourth quarter of 2018 of \$371 million pesos. Operating cash flow margin for the fourth quarter of 2019 was 7.5% that compares with 7.3% for the same period of the previous year.

## Net Financial Result

The company presented an integral result of net financing of \$7 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.

Taxes have a positive effect of \$ 33 million pesos in the quarter to adjust to those calculated for the whole year.

## As of December 2019 Results

### Highlights:

- ✓ Increase in total sales of 12.9%
- ✓ Increase in same store sales of 6.5%
- ✓ EBITDA margin of 9.2%
- ✓ Six new openings

	As of December,			*Proforma 2018		
	2019	%	2018	2018	var. vs 2019	
<b>Net sales</b>	<b>21,591.4</b>	<b>100.0</b>	<b>19,119.1</b>	<b>19,119.1</b>	<b>100.0</b>	<b>12.9%</b>
Cost of sales	15,698.4	72.7	14,081.2	14,080.8	73.6	11.5%
Gross profit	5,893.0	27.3	5,037.9	5,038.3	26.4	17.0%
Operating expenses	4,774.5	22.1	3,990.4	4,144.5	21.7	15.2%
<b>Operating profit</b>	<b>1,118.5</b>	<b>5.2</b>	<b>1,047.5</b>	<b>893.9</b>	<b>4.7</b>	<b>25.1%</b>
EBITDA <sup>1</sup>	1,979.2	9.2	1,752.5	1,685.1	8.8	17.4%
<b>Operational cash flow<sup>2</sup></b>	<b>1,783.1</b>	<b>8.3</b>	<b>1,752.5</b>	<b>1,522.8</b>	<b>8.0</b>	<b>17.1%</b>
Net financial result	9.7	0.0	140.3	26.7	0.1	-63.7%
Taxes and other	(112.7)	(0.5)	(98.4)	(40.6)	(0.2)	177.6%
<b>Net Income</b>	<b>1,015.4</b>	<b>4.7</b>	<b>1,089.4</b>	<b>880.0</b>	<b>4.6</b>	<b>15.4%</b>
Same Store Sales (%)	6.5		8.2			
Clients (thousands)	68,649		64,303			6.8%
Inventory days ratio	67		68			-1.6%
Supplier days ratio	72		75			-3.9%
Number of stores	71		65			9.2%
Sales area (sq.mts.)	300,780		272,738			10.3%

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 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 annual terms, total sales amounted \$21,591 million pesos, presenting an increase of 12.9% compared to the same period of the previous year. Consolidated same store sales for the year increased 6.5%. These increases are due to the company's value proposition and the good acceptance that our formats have had, with a clear differentiation. During the last three years, the company has presented increases in same store sales exceeding the growth presented by any other participant in the self-service sector.

All formats, regions and categories presented positive numbers, but the Fresko format presented the highest sales increases in the period helped by the new stores of this format.

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 year, there were increases in the perishables category.

This good result of 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 vouchers for food that had to be used only in formal stores.

### **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 17.0%, due to improvements in costs and in general to the efficiencies in our distribution centers.

In addition during the year we continue maintaining 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**

In 2019, there was an operating profit of \$ 1,118 million pesos, presenting an operating margin of 5.2%. It should be remembered that in 2018 there was an extraordinary effect, since the sale of a property that represented a profit of \$230 million pesos for the company was included in the income and expenses category.

In 2019, the EBITDA margin was 9.2%, generating a cash flow of \$1,979 million pesos, and growing 17.4% versus the pro-forma 2018 figure.

The Operating Cash Flow (EBITDA without IFRS16 effects), was for the year of 2019 of \$1,783 million pesos presenting an increase of 17.1% compared to the same period of the pro-forma 2018. Operating Cash Flow margin in 2019 was 8.3% that compares with 8.0% for the same period of the previous year.

During this period, salaries and wages, advertising expenses, expenses of our e-commerce platform "La Comer en tu Casa" and opening expenses increased significantly.

### **Financial income**

Within this concept, the company presented an integral result of net financing of \$10 million pesos, due to \$153 million pesos for financial products, lease interest effect of \$141 million pesos and the difference, due to foreign exchange movements.

### **Taxes & Net profit**

During this period, an amount of \$113 million pesos of taxes was reported. Net income for the year was \$1,015 million pesos.

## Working Capital

The company presented during this period a cash balance of \$2,391 million pesos, presenting a decrease of \$210 million pesos against the cash balance as of December 2018, used in new store openings in the year as well as investments for future projects. Levels for inventories were \$3,260 million pesos and for suppliers of \$3,228 million pesos. Inventory turnover as of December 2019 was of 67 days, and a turnover of 72 days for suppliers, having a five days difference.

## Investment projects

During the year, the company opened 6 new stores: a store in the City Market format in the City of Monterrey, 2 La Comer stores in the cities of Puebla and Querétaro and 3 stores in the Fresko format in Mexico City, Guadalajara and in Avándaro, State of Mexico. The company remodeled 3 stores during the year.

## Installed capacity 4Q2019

The company, as for the fourth quarter 2019, has 71 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	32	209,182
Sumesa	13	10,303
City Market	12	38,967
Fresko	14	42,328
	71	300,780

## Sustainability and Social Responsibility

The company continues to support the Un Kilo de Ayuda foundations; the Mexican Foundation for Rural Development; and Foundation for Education and Mexican Center for Philanthropy A.C. (CEMEFI). In October, La Tienda Rosa (The Pink Store) campaign was launched in order to have products that support women with breast cancer. Likewise, the company made both financial and in-kind donations in support 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)
- 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,

**Rogelio Garza Garza**

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**LA COMER, S.A.B. DE C.V.**  
**QUARTER INCOME STATEMENT**  
(In thousands Mexican pesos as of December 31, 2019)

	4Q2019	%	4Q2018	%	Var.
<b>Net sales</b>	<b>5,748,501</b>	<b>100.0%</b>	<b>5,070,507</b>	<b>100.0%</b>	<b>13.4%</b>
Cost of sales	4,176,086	72.6%	3,729,214	73.5%	12.0%
<b>Gross profit</b>	<b>1,572,415</b>	<b>27.4%</b>	<b>1,341,293</b>	<b>26.6%</b>	<b>17.2%</b>
Selling expenses	1,117,592	19.4%	980,493	19.3%	14.0%
Administrative expenses	214,327	3.7%	186,285	3.7%	15.1%
Other income	15,004	0.3%	10,989	0.2%	36.5%
Other expenses	2,437	0.0%	(19,475)	-0.4%	-112.5%
<b>Operating profit</b>	<b>253,063</b>	<b>4.4%</b>	<b>204,979</b>	<b>4.0%</b>	<b>23.5%</b>
Financial income	41,354	0.7%	84,607	1.7%	-51.1%
Financial expenses	48,547	0.8%	17,035	0.3%	185.0%
<b>Earnings before tax &amp; profit sharing</b>	<b>245,870</b>	<b>4.3%</b>	<b>272,551</b>	<b>5.4%</b>	<b>-9.8%</b>
Income tax	(32,965)	-0.6%	(137,974)	-2.7%	-76.1%
<b>Gains from continued operations</b>	<b>278,835</b>	<b>4.9%</b>	<b>410,525</b>	<b>8.1%</b>	<b>-32.1%</b>
Depreciation & amortization	229,204	4.0%	166,228	3.3%	37.9%
EBITDA	482,267	8.4%	371,207	7.3%	29.9%
<b>Operating cash flow</b>	<b>428,980</b>	<b>7.5%</b>	<b>371,207</b>	<b>7.3%</b>	<b>15.6%</b>



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

(In thousands Mexican pesos as of December 31, 2019)

	2019	%	2018	%	Var.
<b>Net Sales</b>	<b>21,591,397</b>	<b>100.0%</b>	<b>19,119,107</b>	<b>100.0%</b>	<b>12.9%</b>
Cost of sales	15,698,395	72.7%	14,081,237	73.7%	11.5%
<b>Gross profit</b>	<b>5,893,002</b>	<b>27.3%</b>	<b>5,037,870</b>	<b>26.3%</b>	<b>17.0%</b>
Operating expenses	4,052,740	18.8%	3,532,032	18.5%	14.7%
Administrative expenses	777,625	3.6%	710,631	3.7%	9.4%
Other income	77,186	0.4%	264,852	1.4%	-70.9%
Other expenses	21,358	0.1%	12,607	0.1%	69.4%
<b>Operating profit</b>	<b>1,118,465</b>	<b>5.2%</b>	<b>1,047,452</b>	<b>5.5%</b>	<b>6.8%</b>
Financial income	193,378	0.9%	281,384	1.5%	-31.3%
Financial expenses	183,716	0.9%	141,123	0.7%	30.2%
<b>Earnings before tax &amp; profit sharing</b>	<b>1,128,127</b>	<b>5.2%</b>	<b>1,187,713</b>	<b>6.2%</b>	<b>-5.0%</b>
Income tax	112,689	0.5%	98,442	0.5%	14.5%
<b>Gains from continued operations</b>	<b>1,015,438</b>	<b>4.7%</b>	<b>1,089,271</b>	<b>5.7%</b>	<b>-6.8%</b>
Depreciation & amortization	860,729	4.0%	705,315	3.7%	22.0%
<b>EBITDA</b>	<b>1,979,194</b>	<b>9.2%</b>	<b>1,752,767</b>	<b>9.2%</b>	<b>12.9%</b>
<b>Operating cash flow</b>	<b>1,783,066</b>	<b>8.3%</b>	<b>1,752,767</b>	<b>9.2%</b>	<b>1.7%</b>

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

(In thousands Mexican pesos as of December 31, 2019)

	2019	2018
<b>Current Assets</b>		
Cash and Temporary investments	2,391,412	2,601,863
Clients (net account receivables)	761,664	822,663
Recoverable taxes	9,059	11,251
Inventories	3,259,909	2,671,821
Other assets	112,307	122,099
<b>Total Current Assets</b>	<b>6,534,351</b>	<b>6,229,697</b>
Property, plant and equipment (Net)	13,385,307	12,129,705
Property and leasehold improvements	627,122	629,175
Assets by right of use	1,327,678	-
Intangible assets other than goodwill	6,277,998	6,277,998
Deferred tax assets	136,909	129,907
Other non-current non-financial assets	601,992	639,763
<b>Total noncurrent assets</b>	<b>22,357,006</b>	<b>19,806,548</b>
<b>Total Assets</b>	<b>28,891,357</b>	<b>26,036,245</b>
Trade payables	3,902,390	3,572,326
Taxes payable	148,711	82,111
Short-term lease liabilities	58,937	-
Other accrued liabilities	252,987	247,313
<b>Current Liabilities</b>	<b>4,363,025</b>	<b>3,901,750</b>
Long-term lease liabilities	1,282,602	-
Provisions for employee long term benefi	121,883	79,524
Deferred tax liabilities	136,893	52,368
<b>Total long-term liabilities</b>	<b>1,541,378</b>	<b>131,892</b>
<b>Total Liabilities</b>	<b>5,904,403</b>	<b>4,033,642</b>
Capital Stock	1,966,662	1,966,662
Share issuance	206,505	206,436
Total Earned Capital	19,096,416	18,079,596
Other comprehensive income	1,717,371	1,749,909
Total controlling interest	22,986,954	22,002,603
<b>Stock Holders' Equity</b>	<b>22,986,954</b>	<b>22,002,603</b>
<b>Total liabilities and stockholders' equ</b>	<b>28,891,357</b>	<b>26,036,245</b>

**LA COMER, S.A.B. DE C.V.**  
**CASH FLOW STATEMENT**  
(In thousands Mexican pesos as of December 31, 2019)

Operation Activities	2019	2018
<b>Earnings (Loss) net</b>	<b>1,015,438</b>	<b>1,089,271</b>
Adjustments to reconcile earnings	2019	2018
Taxes payable	112,689	98,442
Financial income & expense	(11,925)	(135,201)
Depreciation and amortization expenses	860,729	705,315
Provisions	19,711	12,085
Income from disposal of current assets	13,918	(199,034)
Decrease (increase) in inventories	(588,088)	(295,594)
Decrease of clients	18,386	(12,512)
Increases in other receivables arising from operating activities	(29,732)	(96,909)
Increase (decrease) on suppliers	288,211	217,829
Increase (decrease) in other accounts payable	130,929	(14,758)
Total adjustments to reconcile profit	814,828	279,663
Net cash flows used in operations	1,830,266	1,368,934
Taxes on profits (paid)	46,101	22,336
<b>Resources provided by operation activities</b>	<b>1,784,165</b>	<b>1,346,598</b>
Cash Flows from Investment Activities	2019	2018
Amounts from the sale of property, plant and equipment	3,318	352,764
Purchases of property, plant and equipment	1,917,720	1,851,557
Interests income	153,235	140,863
<b>Net cash flow from investment activities</b>	<b>(1,761,167)</b>	<b>(1,357,930)</b>
Cash flows from (used) in financing activities	2019	2018
Payments for acquiring or redeeming the shares of the entity	(240)	(73,614)
Payments to acquire shares of the company	92,379	-
Interest paid	141,310	5,662
<b>Net cash flows from (used) in financing activities</b>	<b>(233,449)</b>	<b>67,952</b>
Effects of the variation in the exchange rate on cash and cash equiva	2019	2018
<b>Increase/decrease in cash and temporary investments</b>	<b>(210,451)</b>	<b>56,620</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>2,391,412</b>	<b>2,601,863</b>