

LA COMER, S.A.B. DE C.V. (BMV: LACOMER) ANNOUNCES TODAY ITS 2NDQ19 RESULTS

Mexico City, July 24th, 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 2ndQ 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.

Second Quarter 2019 Results

Highlights:

- ✓ Increase in total sales of 11.9% and same store sales growth of 6.9%
- ✓ Gross margin of 26.9%
- ✓ EBITDA margin of 9.3%
- ✓ Opening of two stores: one City Market in Monterrey and one Fresko in Mexico City

	2 Q 2019 BMV			*Proforma 2018	var. vs 2019	
	2019	%	2018	2018		
Net sales	5,403.0	100.0	4,829.8	4,829.8	100.0	11.9%
Cost of sales	3,949.0	73.1	3,581.7	3,581.6	74.2	10.3%
Gross profit	1,454.0	26.9	1,248.1	1,248.2	25.8	16.5%
Operating expenses	1,157.6	21.4	1,044.6	1,023.7	21.2	13.1%
Operating profit	296.4	5.5	203.4	224.5	4.6	32.0%
EBITDA ¹	501.2	9.3	393.2	432.6	9.0	15.9%
Operational cash flow²	453.4	8.4	393.2	393.2	8.1	15.3%
Net financial result	0.3	0.0	68.0	(37.5)	(0.8)	-100.8%
Taxes and other	49.7	0.9	73.6	73.6	1.5	-32.5%
Net Income	246.4	4.6	197.8	188.3	3.9	30.9%
Same Store Sales (%)	6.9		8.9			
Clients (thousands)	17,243		16,344			5.5%
Number of stores	68		62			9.7%
Sales area (sq.mts.)	288,015		253,554			13.6%

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

Quarterly Results

Sales

Net sales for the quarter amounted \$5,403 million pesos, having an increase of 11.9% compared to the same period of 2018. Same store sales in the quarter grew 6.9%. Increases in same store sales continue exceeding the growth presented by the self-service sector in the country.

During this quarter we started for the fourth consecutive year, with our promotional campaign "Orange Season" (Temporada Naranja), based on offering to our customers promotions in products from various departments and rotate them throughout the promotional period. This campaign has been developing very favorably. Additionally, we continue our weekly "Miércoles de Plaza" campaign, where we offer high-quality perishables every Wednesday at preferential prices. Both campaigns continue being widely accepted among our customers.

All formats, regions and categories present high positive numbers, but the La Comer format stood out with the highest same store sales increases in the quarter.

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.

During the quarter there were several conditions that affected negatively:

- Holy Week in 2019 was celebrated in the month of April and in 2018 it was celebrated in March.
- Policy change in the dispersion of social vouchers for the federal government. Previously it was carried out by the delivery of food vouchers that had to be used in formal stores. Currently the government delivers debit cards; and users can withdraw cash and make use of this benefit in the informal sector.
- The Soccer World Cup that took place in 2018 that generated additional sales associated with this type of event.

Gross Profit

Gross profit increased from \$1,248 million pesos in the second quarter of 2018 to \$1,454 million pesos in the second quarter of 2019; presenting an increase of 16.5%. The gross margin for the second quarter of 2019 was 26.9% compared to 25.8% in the same period of the previous year, presenting an increase of 107 basis points, due to a good relationship with suppliers; a mix of products with greater added value; as well as continue with reasonable levels of losses and logistical costs.

Operating profit and EBITDA

For the second quarter of 2019 there was an operating income of \$296 million pesos, presenting an operating margin of 5.5%. The pro-forma comparison, during 2018, presented an operating margin of 4.6%. This represented an increase in operating income in the second quarter of 2019 of 32.0% 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.
- Publicity – to reinforce the Orange Season campaign, and to support the opening of new stores, especially in new locations such as Monterrey.
- Electric power - due to increases in rates.
- Pre-operational expenses, mainly related to the opening of the City Market in the city of Monterrey.
- Expenses related to our online sales system (e-commerce) "La Comer en tu Casa".

The EBITDA margin for the second quarter of 2019 was 9.3% compared with a 9.0% pro-forma figure of the EBITDA margin 2018. The EBITDA of the second quarter of 2019 was \$ 501 million pesos, showing a growth against the pro-forma 2018 of 15.9%.

The Operating Cash Flow (EBITDA without IFRS16 effects), was for the second quarter of 2019 of \$453 million pesos presenting an increase of 15.3% compared to the second quarter of 2018. Operating cash flow margin for the second quarter of 2019 was 8.4% that compares with 8.1% for the same period of the previous year.

Net Financial Result

The company presented an integral result of net financing of \$ 273 thousand pesos, although \$42 million pesos were generated by financial products, these were affected by the effect of IFRS 16 due to the lease interest liabilities.

Net income for the quarter was \$246 million pesos, presenting an increase against a pro-forma estimate of 2018 of 30.8%.

As of June 2019 Results

Highlights:

- ✓ Increase in total sales of 13.2%
- ✓ Increase in same store sales of 7.1%
- ✓ EBITDA margin of 9.8%
- ✓ Three new openings for the first six months of the year plus one more at the present report.

	As of June 2019			*Proforma 2018	var. vs 2019	
	2019	%	2018	2018		
Net sales	10,324.6	100.0	9,117.1	9,117.1	100.0	13.2%
Cost of sales	7,505.7	72.7	6,707.4	6,707.1	73.6	11.9%
Gross profit	2,818.9	27.3	2,409.7	2,410.0	26.4	17.0%
Operating expenses	2,222.8	21.5	1,999.5	1,963.8	21.5	13.2%
Operating profit	596.2	5.8	410.3	446.2	4.9	33.6%
EBITDA ¹	1,008.5	9.8	762.3	836.6	9.2	20.5%
Operational cash flow²	914.0	8.9	762.3	762.3	8.4	19.9%
Net financial result	13.2	0.1	93.7	39.8	0.4	-66.7%
Taxes and other	102.4	1.0	133.8	133.8	1.5	-23.5%
Net Income	507.0	4.9	370.3	352.2	3.9	44.0%
Same Store Sales (%)	7.1		9.7			
Clients (thousands)	33,403		31,515			6.0%
Inventory days ratio	91		88			3.4%
Supplier days ratio	89		99			-9.8%
Number of stores	68		62			9.7%
Sales area (sq.mts.)	288,015		253,554			13.6%

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

Net sales

In cumulative terms, for the first six months of the year, total sales amounted \$ 10,325 million pesos, presenting an increase of 13.2% compared to the same period of the previous year. Consolidated same store sales for the first half of the year increased 7.1%.

All formats, regions and categories presented positive numbers, but the Fresko format as well as City Market presented the highest sales increases in the semester.

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 first six 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, and an increase with respect to the previous year of 17.0%.

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 first six months of the year grew by 33.6% in its pro-forma comparison and had a margin of 5.8%. During this period, advertising expenses, pre-operative expenses and electricity expenses increased significantly.

In cumulative terms for the first six months of 2019, the EBITDA margin was 9.8%, generating a cash flow of \$ 1,009 million pesos, and growing 20.5% versus the pro-forma 2018 figure.

The Operating Cash Flow (EBITDA without IFRS16 effects), was for the first semester of 2019 of \$914 million pesos presenting an increase of 19.9% compared to the same period of 2018. Operating margin for the first six months of 2019 was 8.9% that compares with 8.4% for the same period of the previous year.

Financial income

Within this concept, the company presented an integral result of net financing of \$13 million pesos, due to \$ 88 million pesos for financial products, interest on leases of \$ 68 million pesos and the difference, due to foreign exchange movements.

Taxes & Net profit

During this period, an amount of \$102 million pesos of taxes was reported.

For all the above, the net profit for the first six months of the year was \$507 million pesos compared to \$352 million pesos of the pro-forma for the same period of the previous year, presenting an increase of 44.0%.

Working Capital

The company presented during this period a cash balance of \$ 2,194 million pesos, presenting a decrease of \$ 549 million pesos against the cash balance as of June 2018, used in new store openings in the year as well as investments for future projects. Levels for inventories were \$3,761 million pesos and for suppliers \$3,688 million pesos. Inventory turnover as of June 2019 was of 91 days, and a turnover of 89 days for suppliers, having a two day difference.

Investment projects

During the first six months of the year, the company made three openings: the opening of a store of La Comer format in the city of Puebla, a City Market in the city of Monterrey, (being a new location for our company) and a Fresko in Mexico City.

Installed capacity 2Q2019

The company, as for the second quarter 2019, has 68 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	31	202,458
Sumesa	13	10,303
City Market	12	38,967
Fresko	12	36,287
	68	288,015

On July 17, the company opened a new Fresko store in Avándaro, Valle de Bravo in the State of Mexico, thus reaching 69 stores in its multiple formats.

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 (José Manuel Ramirez)
- 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 June 30, 2019)

	2Q2019	%	2Q2018	%	Var.
Net sales	5,403,009	100.0%	4,829,792	100.0%	11.9%
Cost of sales	3,949,015	73.1%	3,581,713	74.2%	10.3%
Gross profit	1,453,994	26.9%	1,248,079	25.9%	16.5%
Selling expenses	1,008,696	18.7%	867,177	18.0%	
Administrative expenses	188,256	3.5%	174,181	3.6%	
Other income	37,871	0.7%	10,200	0.2%	
Other expenses	(1,451)	0.0%	13,481	0.3%	
Operating profit	296,364	5.5%	203,440	4.2%	
Financial income	48,284	0.9%	79,338	1.6%	
Financial expenses	48,557	0.9%	11,352	0.2%	
Earnings before tax & profit sharing	296,091	5.5%	271,426	5.6%	
Income tax	49,696	0.9%	73,583	1.5%	
Gains from continued operations	246,395	4.6%	197,843	4.1%	
Depreciation & amortization	204,879	3.8%	189,745	3.9%	
EBITDA	501,242	9.3%	393,185	8.1%	
Operating cash flow	453,411	8.4%	393,185	8.1%	24.90%

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

	As of June 30		As of June 30		Var.
	2019	%	2018	%	
Net Sales	10,324,630	100.0%	9,117,103	100.0%	13.2%
Cost of sales	7,505,673	72.7%	6,707,350	73.6%	11.9%
Gross profit	2,818,957	27.3%	2,409,753	26.4%	17.0%
Operating expenses	1,895,594	18.4%	1,645,407	18.0%	
Administrative expenses	373,151	3.6%	340,560	3.7%	
Other income	46,142	0.4%	16,688	0.2%	
Other expenses	166	0.0%	30,189	0.3%	
Operating profit	596,188	5.8%	410,285	4.5%	
Financial income	104,906	1.0%	124,463	1.4%	
Financial expenses	91,665	0.9%	30,798	0.3%	
Earnings before tax & profit sharing	609,429	5.9%	503,950	5.5%	
Income tax	102,388	1.0%	133,795	1.5%	
Gains from continued operations	507,041	4.9%	370,155	4.1%	
Depreciation & amortization	412,314	4.0%	352,062	3.9%	
EBITDA	1,008,501	9.8%	762,347	8.4%	
Operating cash flow	914,000	8.9%	762,347	8.4%	19.9%

LA COMER, S.A.B. DE C.V.
BALANCE SHEET
(In thousands Mexican pesos as of June 30, 2019)

	2019	Dec. 2018
Current Assets		
Cash and Temporary investments	2,194,168	2,601,863
Clients (net account receivables)	911,799	822,663
Recoverable taxes	22,966	11,251
Inventories	3,760,777	2,671,821
Other assets	117,184	122,099
Total Current Assets	7,006,894	6,229,697
Property, plant and equipment (Net)	12,882,758	12,129,705
Property and leasehold improvements	628,149	629,175
Assets by right of use	1,494,625	-
Intangible assets other than goodwill	6,277,998	6,277,998
Deferred tax assets	162,710	129,907
Other non-current non-financial assets	618,268	639,763
Total noncurrent assets	22,064,508	19,806,548
Total Assets	29,071,402	26,036,245
Trade payables	4,477,782	3,572,326
Taxes payable	47,199	82,111
Short-term lease liabilities	87,471	-
Other accrued liabilities	261,299	247,313
Current Liabilities	4,873,751	3,901,750
Long-term lease liabilities	1,427,889	-
Provisions for employee long term benefits	99,699	79,524
Deferred tax liabilities	178,846	52,368
Total long-term liabilities	1,706,434	131,892
Total Liabilities	6,580,185	4,033,642
Capital Stock	1,966,662	1,966,662
Share issuance	206,436	206,436
Total Earned Capital	18,600,919	18,079,596
Other comprehensive income	1,717,200	1,749,909
Total controlling interest	22,491,217	22,002,603
Stock Holders' Equity	22,491,217	22,002,603
Total liabilities and stockholders' equity	29,071,402	26,036,245

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

Operation Activities	2019	2018
Earnings (Loss) net	507,041	370,155
Adjustments to reconcile earnings	2019	2018
Taxes payable	102,388	133,795
Financial income & expense	(19,187)	(66,852)
Depreciation and amortization expenses	412,314	352,062
Provisions	9,057	8,185
Income from disposal of current assets	2,417	18,970
Decrease (increase) in inventories	(1,088,956)	(826,041)
Decrease of clients	50,011	57,074
Increases in other receivables arising from operating activities	(186,710)	(53,093)
Increase (decrease) on suppliers	748,901	894,925
Increase (decrease) in other accounts payable	110,570	43,661
Total adjustments to reconcile profit	140,805	562,686
Net cash flows used in operations	647,846	932,841
Taxes on profits (paid)	16,411	1,631
Resources provided by operation activities	631,435	931,210
Cash Flows from Investment Activities	2019	2018
Amounts from the sale of property, plant and equipment	2,620	949
Purchases of property, plant and equipment	1,029,570	831,575
Interests income	87,740	70,392
Net cash flow from investment activities	(939,210)	(760,234)
Cash flows from (used) in financing activities	2019	2018
Payments for acquiring or redeeming the shares of the entity	-	(29,972)
Payments to acquire shares of the company	31,367	-
Interest paid	68,553	3,540
Net cash flows from (used) in financing activities	(99,920)	26,432
Effects of the variation in the exchange rate on cash and cash equivalents	2019	2018
Increase/decrease in cash and temporary investments	(407,695)	197,408
Cash and temporary investments at beginning of year	2,601,863	2,545,243
Cash and temporary investments at the end of year	2,194,168	2,742,651