

Controladora Mabe

2Q18 Earnings Release



Cuando tu hogar funciona,
todo funciona.



Results Overview

CONTROLADORA MABE, S.A. DE C.V.

Net revenues during the second quarter of 2018 reached US\$801MM, growing 8.9% versus the second quarter of 2017.

Canada, the US and Mexico remain the largest revenue generators, representing the majority of Mabe's sales.

The US and Canada contributed with 40% and 11% for the quarter and combined sales climbed 19%.

Mexico generated 26% of Mabe's revenues and showed an increase of 17% vs last year in MXN and 12% in USD.

Sales in Latin America were adverse and scaled back 10% in local currencies and 14% on a USD-basis.

Our International business reported a 9% growth in sales for the quarter.

EBITDA grew by 19%, from US\$67MM of the same quarter of 2017 to US\$80MM in this quarter.

Our total debt increased 1% from US\$845MM in 2Q17 to US\$856MM as of 2Q18, but our net debt decreased by 9%, from US\$795MM to US\$722MM.



Units
2Q

2018	2017	Δ vs 2017
2,945	2,852	3%



Sales
2Q

2018	2017	Δ vs 2017
801	735	9%



EBITDA
2Q

2018	2017	Δ vs 2017
80	67	19%



EBITDA MARGIN
2Q

2018	2017	Δ vs 2017
10.0%	9.2%	1%



CapEx
2Q

2018	2017	Δ vs 2017
26	38	(32%)



Net Debt
2Q

2018	2017	Δ vs 2017
722	795	(9%)



Net Leverage
2Q

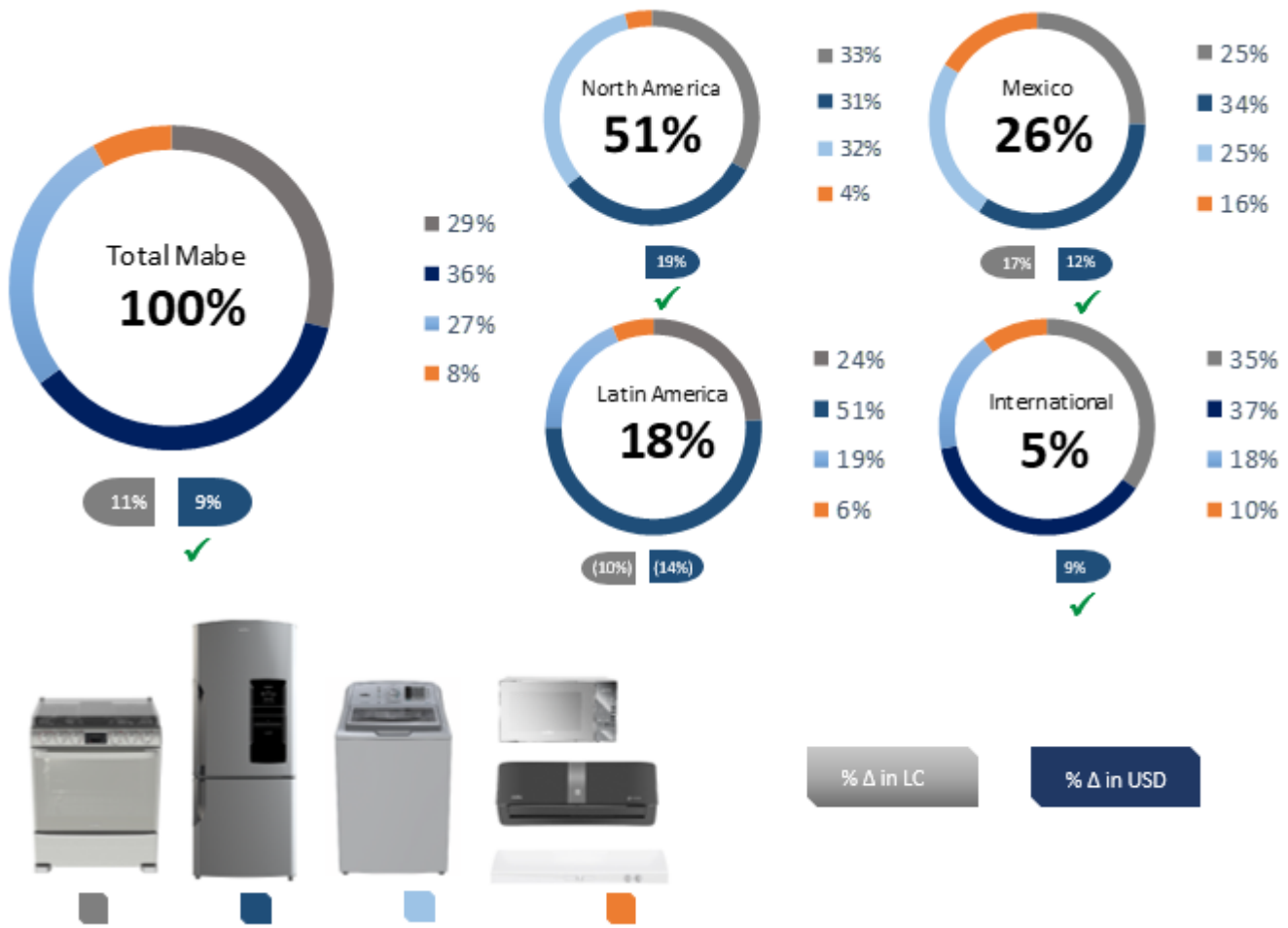
2018	2017	Δ vs 2017
3.07	2.79	0.29x



Net Interest Coverage
2Q

2018	2017	Δ vs 2017
2.91	4.21	(1.30x)

Operating Results



SALES

Total Mabe sales climbed almost 9% in USD, vs 2Q17, reaching US\$801MM.

Our total sales were distributed as follows: refrigeration 36%, cooking 29%, laundry 27%, and global products 8%.

North America contributed with 51% of total sales, increasing 19% when compared to 2Q17. Our sales from exports to the US increased 18% vs last year with a 15% growth in volume. As we have mentioned in previous times, our products sold in the US have stronger margins, from lower costs of products due to constant negotiations with suppliers; similarly, we have competitive manufacturing costs attributable to the integration of factories and production in Mexico.

Mexico represented 26% of total sales during the quarter, showing a 12% growth in USD and 17% rise in local currency.

Latin America had negative quarterly results, having contracted 28% in local currencies and 14% in USD terms, when compared to 2Q17 results, and contributed with 19% of Mabe's total revenues. We registered decreases throughout the region, except for Colombia, Central America and the Dominican Republic.

As for our International business, it showed growth of 9%.

COGS AND CONTRIBUTION MARGIN:

Cost of goods sold for the quarter reached US\$663MM, marking an 8.9% rise when compared to COGS for 2Q17, pressured by the continuous raw material price inflation and higher freight costs. Our gross profit stood at US\$137MM, which is 9.1% higher than during 2Q17, resulting in an unchanged gross margin of 17.2%.

OPERATING EXPENSES:

Despite the launch of new projects and growth across our geographies, our SG&A for 2Q18 stood at US\$84MM, in line with 2Q17 SG&A.

OPERATING PROFIT AND EBITDA:

Operating profit was rose 29.1% to US\$53MM 2Q18, aided by stable SG&A. Meanwhile, EBITDA totaled US\$80MM, showing a 19.2% rise when compared to 2Q17. Consequently, our EBITDA margin strengthened from 9.2% to 10.0% for the quarter.

COST OF FINANCING:

On the back of rising interest rates, and higher debt our net financial expenses stood at US\$12MM, higher than the US\$6MM from 1Q17.

RESTRUCTURING AND OTHER CHARGES:

Restructuring expenses were slightly higher during the quarter at US\$4MM. These charges are related to severance payments.

CAPEX:

During the quarter, capital expenditures reached US\$25.6MM, of which US\$12MM were used for expansionary purposes. CapEx was allocated as follows:

- Laundry – Saltillo capacity increase in order to satisfy laundry center and dryers demand in the US, additional plant automation
- Refrigeration – increase plant capacity in Celaya and the launch of a new 36" Bottom Freezer for North America
- Cooking – continue production of new platform for Latin America and a new 20" and 24" range platform for the US. Additionally, we are upgrading the GE Café brand.

WORKING CAPITAL:

We had a working capital variation of US\$167MM. Changes respond to a US\$104MM decrease in A/Rs and Inventories. On the Accounts Payables side, we saw a US\$63MM hike.

DEBT STRUCTURE:

Gross debt reached US\$856MM by the end of June 2018. Long-term debt contracted 1% to US\$740MM and represents 86% of the total debt. The average life of our debt is 2.78 years, with an average interest rate of 7.62%. Currency mix is 79.7% in USD, 16.9% in MXN, 2.6% in CAD, and the remaining 0.7% in ARS. On a net debt basis, we closed the second quarter of 2018 with a total of US\$722MM, resulting in a net leverage to EBITDA ratio of 3.07x.

Controladora Mabe S.A. de C.V.
Consolidated Condensed Income Statement (Unaudited)
(US\$MM)

	<u>2Q18</u>	<u>2Q17</u>
Net Sales	801	735
COGS	<u>663</u>	<u>609</u>
Gross Income	137	126
SG&A	<u>84</u>	<u>85</u>
Operating Income	53	41
Net Interest (Income) / Expense	21	18
Commissions	1	1
FX (Gain) / Loss	4	(4)
Net Financing Cost	25	15
Restructuring & Other Charges	<u>4</u>	<u>1</u>
Income / (Loss) Before Income Tax	25	26
Income Tax Expense	<u>2</u>	<u>11</u>
Consolidated Net Income / (Loss)	<u>23</u>	<u>15</u>

Controladora Mabe S.A. de C.V.
Consolidated Condensed Balance Sheet (Unaudited)
(US\$MM)

	<u>2Q18</u>	<u>2Q17</u>
Assets		
Current Assets		
Cash and Cash Equivalents	134	50
Accounts Receivables, net	342	392
Tax Receivables	42	84
Inventories, net	315	326
Total Current Assets	<u>833</u>	<u>852</u>
Net PP&E	867	844
Deferred Taxes	101	134
Other Assets, net	593	520
Total Assets	<u>2,394</u>	<u>2,350</u>
Liabilities		
Current Liabilities		
Current Maturities of LT Debt & ST Debt	116	97
Notes and Accounts Payables to Suppliers	804	740
Other Accounts Payables and Accrued Liabilities	120	116
Income Tax Payable	11	61
Total Current Liabilities	<u>1,051</u>	<u>1,014</u>
Long-Term Debt	740	748
Employee Retirement Obligations	28	28
Financial Instruments	0	5
Deferred Taxes	18	43
Other LT Liabilities	45	24
Total Liabilities	<u>1,833</u>	<u>1,864</u>
Total Equity	<u>511</u>	<u>486</u>
Total	<u>2,394</u>	<u>2,350</u>

CONTACTS

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COMMENTS ON OUR FINANCIAL STATEMENTS:

This Press Release contains our unaudited condensed consolidated financial statements as of June 30th, 2018 and June 30th, 2017. Since January 1st, 2010 we have prepared our condensed financial statements in U.S. Dollars, which represent the functional currency applicable to Controladora Mabe. Other periods were translated by using the average foreign exchange rate of the reported period for income statement accounts. Furthermore, since January 1st, 2012, our financial statements are reported in accordance with the International Financial Reporting Standards, referred to as "IFRS". Before January 1st, 2012 our condensed financial statements were prepared according to the Mexican Financial Reporting Standards, referred to as "MFRS". MFRS differs in certain significant respects from IFRS and from the generally accepted accounting principles applied in the United States, referred to as "U.S. GAAP". The latter might be material to the financial information contained herein. We have not prepared a reconciliation of our financial statements and related notes from IFRS to MFRS, MFRS to U.S. GAAP or IFRS to U.S. GAAP and we have not quantified those differences; therefore, we cannot assure that a reconciliation would not identify material quantitative differences. EBITDA is not a measure of financial performance under IFRS and should not be considered as an alternative to net income or operating income as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. You should review EBITDA, along with net income and cash flow from operating activities, investing activities and financing activities, when trying to understand our operating performance.

INDUSTRY & MARKET DATA:

Certain data and other statistical information used throughout this Press Release are based on independent industry publications, government publications, reports by market research firms or other published independent sources. Other data is based on our estimates, which are derived from our review of internal surveys, as well as independent sources. Our estimates for South America and Central America are based exclusively on our beliefs and information we have obtained ourselves and not from independent sources. Although we believe our sources are reliable, we have not independently verified the information and cannot guarantee its accuracy or completeness. All market share information presented in this press release is based on unit sales.