

GRUPO CASA SABA, S.A.B. DE C.V.
Form 6-K
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Quarterly Earnings Report
1Q14

April 30, 2014

Financial Highlights:

(All figures are expressed in millions of Mexican pesos. Comparisons are made with the same period of 2013, unless otherwise stated. Figures may vary slightly due to rounding).

- The Group's net sales for the fourth quarter reached \$8,614.9 million pesos
- Gross income for the period was \$1,687.9 million; the gross margin for the quarter was 19.59%
- Operating expenses reached \$1,694.9 million pesos and represented 19.67% of the Company total sales
- Quarterly operating income was of \$-6.9 million, resulting in an operating margin of -0.8% for the period
- First quarter EBITDA was \$-53.7 million, or -0.62% of total sales
- As of March 31, 2014, GCS's net debt decrease in \$7,082.8 5 million
- GCS closed the quarter with 22 Distribution Centers and 1,467 pharmacies in operation across Latin America

Mexico City, Mexico, April 30, 2014. Grupo Casa Saba (SAB)(Saba, GCS, the Company or the Group), one of the leading Mexican distributors of pharmaceutical products as well as health, beauty aids and consumer goods and one of the most important pharmacy chains in Latin America, announced its consolidated financial and operating results for the first quarter of 2014.

QUARTERLY EARNINGS

As of the end of the first quarter, the competition in the distribution and marketing of pharmaceutical products, health and beauty aids, and consumer goods segments prevailed in Mexico as well as in Chile, mainly due to a larger number of participants in the markets in which we operate. Our operating strategy continues to focus on improving logistics efficiency levels, controlling costs and expenses, in addition to offering competitive prices and generating positive results in practically all our divisions. At the sales level, we are continuing to focus on improving the availability of the products that our customers most demand both at the wholesale and retail pharmacy chain networks. With regards to growth, we continue to implement our strategy, which has enabled us to strengthen our presence in the markets in which we already operate, as well as improving the recognition of our brands.

NET SALES

Net sales for the quarter totaled \$8,614.9 million, and equivalent to a decrease of 11.3% when compared to \$1,888.4 million in 1Q2014.

SALES BY DIVISON

DISTRIBUTION DIVISION

PHARMA, HEALTH, BEAUTY AND CONSUMER GOODS

Sales from our Pharma, Health, Beauty and Consumer Goods divisions totaled \$2,793.6 million. When compared to the same quarter of last year, there was a 48.8% decrease, which resulted mainly due to the disincorporation of distribution division. In addition, sales were negatively affected due to lower economic growth in the country during the 1st quarter of 2014.

In terms of total sales, this division's participation underwent a decrease from 49.6% in 1Q2013 in comparison to the 32.4% in the 1Q2014

GOVERNMENT PHARMA

Quarterly sales in our Government Pharma division totaled \$89.8 million. This division registered a 34.0% decrease in sales compared to the first quarter of 2013, as the result of the deferral on the date of tenders.

In terms of total sales, this division passed from 1.2% in 1Q2013 to 1.0% in the 1Q2014.

RETAIL PHARMACY

During the first quarter of the current year, sales from our Retail Pharmacy division reached \$5,731.3 million. Compared to the same quarter last year, there was a 5.7% increase. The increase was mainly achieved due to the correct implementation of our growth strategy, focused on the markets in which we already operate. This division's percentage attribution to the Group's overall sales rose to 66.5%, versus 49.2% in the 1Q2013.

As a result, the sales mix for the first quarter of 2014 was as follows:

Division	% of Sales
Retail Pharmacy	66.5%
Total Distribution	33.5%
Pharma, Health & Beauty	32.4%
Government Pharma	1.0%
TOTAL	100.0%

GROSS INCOME

During the first quarter of 2014, gross income reached \$1,687.9 million pesos, and an amount 10.6% lower than the gross income reached in the first quarter of 2013. This was mainly due to a decrease in sales in our distribution and government areas.

OPERATING EXPENSES

Operating expenses in the first quarter of 2014 resulted in \$1,694.9 million. This represents an increase of \$73.9 million pesos, or 4.5%, compared to the same period of the previous year. This increase was mainly a result of the expenses incurred due to the opening of 84 new pharmacies in this quarter.

As a percentage of total sales, operating expenses represented 19.6% during the first quarter of 2014 compared to 14.7% during the same period of 2013.

OPERATING INCOME

Quarterly operating income for 1Q2014 was \$-6.9 million, an amount 102.6% lower than the \$267.5 million reported in 1Q2013. This decrease in operating income was the result of the decline in sales due the disincorporation of companies in previous quarters and declining sales in the distribution division.

Operating income margin for the 1Q2014 was -0.08%, versus 2.43% in 1Q2014.

OPERATING INCOME PLUS DEPRECIATION AND AMORTIZATION (EBITDA)

EBITDA for 1Q2014 was \$-53.7 million, a lower amount compared to the \$50.3 million reported in the first quarter of 2013.

EBITDA margin for the first quarter of 2014 was -0.62%.

COMPREHENSIVE COST OF FINANCING (CCF)

The Group's CCF reached \$112.7 million in 1Q2014, 47.3% lower than the CCF reported during 1Q2013.

This decrease was primarily due to lower bank debt

NET DEBT

The Company's net debt at the end of 1Q2014 was \$7,082.8 million pesos. There was a decrease of 10.6% with respect to last year.

OTHER EXPENSES (INCOME)

During the first quarter of the year, other expenses totaled \$66.0 million. This was mainly due to the restructuring of extraordinary expenses done by one the Group's subsidiaries.

It is important to mention that the results listed in this line item are derived from activities outside of the company's normal business operations and, as a result, they are not necessarily recurrent.

TAX PROVISIONS

Tax provisions for the first quarter of 2014 resulted in a positive balance of \$41.3 million pesos, while the 1T2013 this Sector totaled \$ 54.6 million to pay.

NET INCOME (LOSS)

In the first quarter, 2014 GCS recorded a net loss of \$94.9 million, an amount 90.6 million higher compared to the amount recorded during the same period of the previous year. This variation is mainly due to the extraordinary expenses recorded during the previous year.

Analysis Coverage: Through the Bolsa Mexicana de Valores program, Independent Analyst, Grupo Casa Saba counts with the coverage of Morningstar.

The 328.5 million shares issued by Grupo Casa Saba are listed on the Mexican Stock Exchange under the symbol SAB.

Grupo Casa Saba was founded in 1892 and is one of the leading distributors of pharmaceutical products, beauty, personal care and consumer goods, general merchandise, publications and other goods in Mexico. With more than 115 years of experience, the Company distributes to the majority of pharmacies, chains, self-service and convenience stores, as well as other specialized national chains. With the acquisition of FASA in October of 2010 the company now has retail pharmacy outlets located in Mexico, Chile and Brazil.

As a precautionary note to investors, except for the historic information contained herein, certain topics discussed in this document constitute forward looking statements. Such topics imply risks and uncertainties, including the economic conditions in Mexico and those countries in which Grupo Casa Saba operates, directly or indirectly, including the United States of America, Brazil and Chile, as well as variations in the value of the Mexican peso as compared with the currencies of the previously mentioned countries.

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GRUPO CASA SABA, S.A.B. DE C.V. in thousands of Mexican Pesos as of March 2014

	Jan-March	
	Jan-March	
	Difference	
Income Statement	2013	
	% of sales	
	2014	
	% of sales	
	\$	
	%	
NET SALES		11,016,746
		100.00%
		8,614,928
		100.00%
		-2,401,818
		(21.80%)
COST OF SALES		9,128,265
		82.86%
		6,927,013
		80.41%
NET INCOME (LOSS)		

		-2,201,251	(24.11%)
		Gross Profit	
		1,888,481	17.14%
		1,687,914	19.59%
		-200,567	(10.62%)
OPERATING EXPENSES			
Sales Expenses		177,396	1.61%
		161,464	1.87%
		-15,932	(8.98%)
Administrative Expenses		1,443,545	13.10%
		1,533,439	17.80%
		89,894	6.58%
	Operating Expenses	1,620,940	14.71%
		1,694,903	19.67%
		73,962	4.56%
	Operating Income	267,541	2.43%
		-26,102	(0.30)%
		-293,642	(109.76%)
COMPREHENSIVE COST OF FINANCING			
Interest Paid		240,345	2.18%
		168,883	1.96%
		-71,463	(29.73%)
Interest (Earned)			
NET INCOME (LOSS)			

		-24,575	(0.22%)
		-33,944	(0.39%)
		-9,369	38.12%
Exchange Loss (Gain)		-1,849	(0.02%)
		-22,205	(0.26%)
		-20,356	1101.12%
Monetary Position (gain)	-		0.00%
	-		0.00%
	-		0.00%
			0.00%
	Comprehensive Cost of Financing	213,921	1.94%
		112,733	1.31%
		-101,187	(47.30%)
OTHER EXPENSES (INCOME), net		3,298	0.03%
		-66,005	(0.77%)
		-69,303	(2101.39%)
	NET INCOME BEFORE TAXES	50,322	0.46%
		-53,717	(0.62%)
		-104,038	(206.75%)
PROVISIONS FOR:			
Income Tax			54,683
NET INCOME (LOSS)			

		0.50%
		44,979
		0.52%
		-9,703
		(17.74%)
Asset Tax	-	
		0.00%
	-	
		0.00%
	-	
		0.00%
Deferred Income Tax		
		-
		0.0%
		-3,729
		(0.04%)
		-3,729
		-
Profit sharing due	-	
		0.00%
	-	
		0.00%
	-	
		0.00%
Deferred Profit sharing due		
	-	
		0.00%
	-	
		0.00%
	-	
		0.00%
		Total taxes
		54,683
		0.50%
		41,250
		0.48%
		-13,433
		(24.56%)
		Net Income Before Extraordinary Items
		-4,361
		(0.04%)
		-94,967
		(1.10%)
		-90,606
		2077.53%

	Extraordinary Items (Income)
-	0.00%
-	0.00%
-	0.00%
	Net Income
	-4,361
	-0.04%
	-94,967
	-1.10%
	-90,606
	2077.53%

	Depreciation and Amortization
	80,813
	0.73%
	98,821
	1.15%
	18,008
	22.28%
	Operating Income plus Depreciation and Amortization
	348,353
	3.16%
	91,832
	1.07%
	-256,521
	(73.64%)

Net Income corresponding to Minority Interest

1,833 601 0.01% -1,231 -67.18%

GRUPO CASA SABA, S.A.B. DE C.V. BALANCE SHEET

Figures are expressed in thousands of Mexican pesos as of March 2014

ACCOUNT / SUBACCOUNT	QUARTER CURRENT YEAR CLOSE PRIOR YEAR	AMOUNT AMOUNT
TOTAL ASSETS		27,060,765

NET INCOME (LOSS)

	28,513,587
CURRENT ASSETS	
	15,974,289
CASH AND CASH EQUIVALENTS	17,435,810
	1,580,696
CLIENTS (NET)	1,135,536
	6,398,160
CLIENTS	6,664,165
	8,392,478
ALLOWANCE FOR DOUBTFUL ACCOUNTS	8,257,575
	-1,994,318
OTHER ACCOUNTS RECEIVABLES (NET)	-1,593,410
	2,205,677
INVENTORIES	2,404,310
	5,778,351
OTHER CURRENT ASSETS	7,219,119
	11,405
	12,680
LONG TERM	
	21,529
INVESTMENTS IN SHARES OF SUBSIDIARIES AND ASSOCIATED COMPANIES	33,052
	21,529
	33,052
PROPERTY MACHINERY AND EQUIPMENT NET	
	3,131,262
PROPERTY	3,115,617
	2,318,963
MACHINERY AND EQUIPMENT	2,249,221
	2,433,272
OTHER EQUIPMENT	2,644,048
	1,463,523
ACCUMULATED DEPRECIATION	1,764,214
	-3,090,350
CONSTRUCTION IN PROGRESS	-3,554,540
	5,854
NET INCOME (LOSS)	9

	12,674
INTANGIBLE ASSETS (NET)	6,505,596
	6,567,239
GOODWILL	2,421,223
	2,462,132
BRANDS	2,697,297
	2,677,690
RIGHTS AND LICENSING	1,370,831
	1,412,252
OTHER INTANGIBLE ASSETS	16,245
	15,165
OTHER NON CURRENT ASSETS	1,428,089
	1,361,869
ADVANCE PAYMENTS	97,058
	28,623
DEFERRED CHARGES (NET)	
OTHERS	1,331,031
	1,333,246
TOTAL LIABILITIES	22,789,695
	23,928,776
CURRENT LIABILITIES	14,905,838
	15,837,330
BANK CREDITS	1,513,095
	1,683,123
SUPPLIERS	12,622,286
	13,411,416
TAXES PAYABLE	770,457
	742,791
OTHER CURRENT LIABILITIES	1,205,209
	1,123,201
EMPLOYEE BENEFITS	317,437
	280,710
OTHER CURRENT LIABILITIES	887,772
NET INCOME (LOSS)	10

	842,491
NON CURRENT LIABILITIES	
	7,150,445
BANK CREDITS	7,373,937
	7,150,445
OTHER LIABILITIES	7,373,937
	-471,797
	-405,692
SHAREHOLDERS' EQUITY	
	4,271,070
	4,584,811
CONTRIBUTED CAPITAL	
	2,593,872
	2,593,872
CAPITAL STOCK PAID (NOMINAL)	
	767,902
	767,902
CAPITAL STOCK PAID UPDATE	
	956,093
	956,093
PREMIUM ON STOCK SOLD	
	869,877
	869,877
CAPITAL INCREASE (DECREASE)	
	1,677,198
	1,990,939
ACCUMULATED PROFIT AND LEGAL RESERVE	
	709,965
	1,415,907
RESERVE FOR STOCK REPURCHASE	
	1,062,200
	1,062,200
PROFIT	
	-94,967
	-487,168