

GRUPO CASA SABA SA DE CV
Form 6-K
February 27, 2012

Quarterly Earnings Report 4Q11

February 27, 2012

The Distribution and Retail Divisions Improve their Performance and Profitability

Financial Highlights:

(All figures are expressed in millions of Mexican pesos. Comparisons are made with respect the same period of 2010, unless otherwise stated. Figures may vary due to rounding practices).

- The Group's net sales for the quarter reached \$11,499.91 million pesos
- Gross income for the period was \$2,468.62 million; the gross margin for the quarter was 21.47%
- Fourth quarter operating expenses reached \$1,949.63 million pesos and represented 16.95% of the Company's total sales.
- Quarterly operating income was \$519.00 million, resulting in an operating margin of 4.51% for the period
- Fourth quarter operating income plus depreciation and amortization was \$635.31 million, or 5.52% of sales
- The Group's net profit for the quarter was \$170.35 million
- As of December 31, 2011, GCS's net debt totaled \$9,952.66 million pesos
- GCS closed the quarter with 26 Distribution Centers and over 1,500 pharmacies in operation across Latin America

Mexico City, Mexico, February 27, 2012. Grupo Casa Saba (SAB) ("Saba", "GCS", "the Company" or "the Group"), one of the leading Mexican distributors of pharmaceutical products, health and beauty aids, personal care and consumer goods, general merchandise, publications and other products and one of the most important pharmacy chains in Latin America, announces its consolidated financial and operating results for the fourth quarter of 2011

QUARTERLY EARNINGS

In the fourth quarter of 2011 an intense level of competition prevailed in the distribution and sales of pharmaceutical, health, beauty and consumer products both in Mexico and the Latin American countries where we operate. As part of our operative strategy, we continued to emphasize improving the level of our logistic efficiency as well as cost and expense controls, which generated positive results in almost all of our divisions. In terms of sales, we focused on improving the availability of the products that are the most sought after by our clients at the distribution and retail levels as well as our customer service on the sales floor. In terms of growth, new pharmacy openings in Latin America and Mexico enabled us to strengthen our presence and our brand recognition in the markets where we operate.

We closed the fourth quarter of 2011 with a total of 26 distribution centers and more than 1,500 pharmacies in operation throughout Latin America.

We will continue to improve our logistic and commercial operations in order to position our pharmacies' brands as leaders in the markets where we operate; offering our clients competitive prices as well as excellent service levels and integral health, beauty and consumer goods solutions. In our distribution division, we will continue to focus on service by offering our clients the best product catalog along with a high level of logistical and delivery services.

NET SALES

During the fourth quarter of 2011, net sales reached \$11,499.91 million, an increase of 0.38% compared to the \$11,456.40 million reported during the same period of 2010. This was the result of the improved performance of our Retail and Government Pharma divisions as well as the sale of Health, Beauty and Consumer goods products

SALES BY DIVISION

DISTRIBUTION DIVISION

During the fourth quarter of the year, our Distribution division generated 60.44% of the Group's total sales, a 1.38% decrease versus 4Q10.

PRIVATE PHARMA

Private Pharma sales decreased 5.92% during the fourth quarter of 2011, from \$5,900.81 million in 4Q10 to \$5,551.37 million in 4Q11. As a result, this division represented 48.27% of the Group's total sales.

During the period, the Private Pharma division was affected by lower sales to some special and institutional clients, as well as stricter credit policies that we expect will have a positive effect on our profitability level.

GOVERNMENT PHARMA

Quarterly sales in our Government Pharma division grew 60.14% to reach \$349.70 million compared to \$218.38 million in the fourth quarter of 2010. This growth was due to the increase in sales to various Health institutions, including PEMEX, IMSS, ISSSTE, the Metro and other state institutions.

In terms of total sales, this division's participation went from 1.91% in 4Q10 to 3.04% in the fourth quarter of 2011.

HEALTH, BEAUTY, CONSUMER GOODS, GENERAL MERCHANDISE AND OTHER

Sales in our Health, Beauty, Consumer Goods, General Merchandise and Other division grew by 17.94% compared to the fourth quarter of 2010 to reach \$868.77 million pesos. This growth was the result of a higher penetration of exclusive brands, such as Nature Made, as well as the launching of other exclusive brands, such as Curél.

During the quarter, this division represented 7.55% of GCS's total sales, 112 basis points higher than in 4Q10, when this division generated 6.43% of the Company's net sales.

PUBLICATIONS

CITEM, GCS's publication distribution division, generated \$181.71 million pesos in sales, a 6.01% decrease compared to the fourth quarter of 2010. This was due to an adjustment in the number of publications delivered by various publishers and the fact that some of the special publications geared towards the holiday season that were sold in 4Q10 were not released this year.

Consequently, this division's participation as a percentage of total sales went from 1.69% in the fourth quarter of 2010 to 1.58% in 4Q11.

RETAIL PHARMACY

In 4Q11, the Retail Pharmacy division reported sales of \$4,548.37 million, 3.20% higher than the \$4,407.24 million registered during the same period of 2010.

This division's participation as a percentage of the Group's total sales was 39.56% versus 38.47% in 4Q10.

Sales from this division were generated by the more than 1,500 pharmacies that we had in operation at the end of 4Q11 of which: 23.16% were in Chile, 58.78% were located in Mexico, 12.36% in Peru and 5.70% were in Brazil.

As a result, the sales mix for the fourth quarter of 2011 was as follows

Division	% of sales
Retail Pharmacy	39.56%
Total Distribution	60.44%
<i>Private Pharma</i>	48.27%
<i>Government Pharma</i>	3.04%
<i>Health, Beauty, Consumer Goods, General Merchandise and Other</i>	7.55%
<i>Publications</i>	1.58%
TOTAL	100.00%

GROSS INCOME

During the fourth quarter of the year, Grupo Casa Saba's gross income was \$2,468.62 million pesos, 21.04% higher than the \$2,039.47 million registered during the same period of 2010. This increase was primarily due to the improved performance of our Retail Pharmacy division in practically all of the countries, where we directed our efforts at improving our customer service, product availability and commercial offers. Our distribution division also contributed to the increase due to an improved sales mix.

As a result, the company's gross margin was 21.47%, higher than the gross margin of 17.80% registered in 4Q10.

OPERATING EXPENSES

GCS's 4Q11 operating expenses reached \$1,949.63 million, a decrease of 4.35% compared to the fourth quarter of 2010. This increase was the result of the strict cost control measures that were implemented in both the Distribution and Retail Pharmacy divisions throughout the course of 2011.

As a percentage of total sales, operating expenses represented 16.95% of GCS's total sales in 4Q11 compared to 17.79% during the same period of the previous year.

OPERATING INCOME

Quarterly operating income for 4Q11 was \$519.00 million, greater than the \$1.24 million reported in 4Q10. This increase was the result of higher gross income as well as the reduction in expenses.

As a result, the operating margin for the period was 4.51%.

OPERATING INCOME PLUS DEPRECIATION AND AMORTIZATION

Operating income plus depreciation and amortization for 4Q11 was \$635.31 million, an increase compared to the \$139.79 million reported during the fourth quarter of 2010.

The fourth quarter 2011 operating income plus depreciation and amortization margin was 5.52%.

NET DEBT

As of December 31, 2011, GCS's net debt totaled \$9,952.66 million pesos.

COMPREHENSIVE COST OF FINANCING (CCF)

The Group's CCF reached \$269.79 million, 52.92% higher than the CCF reported during 4Q10. This was primarily due to the increase in interest payments and an exchange rate loss in 4Q11 versus an exchange rate gain in 4Q10.

OTHER EXPENSES (INCOME)

During the fourth quarter of 2011, the Company reported an income in the Other Expenses (Income) line item of \$28.37 million compared to an expense of \$302.49 million registered during the same period of the previous year.

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 fourth quarter of 2011 were \$107.23 million pesos, which is not comparable with the (\$42.78) million reported in 4Q10. Of these, \$231.36 million were related to income tax payments and (\$124.13) million were attributed to deferred income tax.

NET INCOME

GCS registered a net income of \$170.35 million in the fourth quarter of 2011 versus a loss of \$434.90 million during the fourth quarter of 2010.

Consequently, the net margin for 4Q11 was 1.48%.

The 265.4 million shares issued by Grupo Casa Saba are listed on the Mexican Stock Exchange and its ADRs on the New York Stock Exchange, both under the symbol "SAB". One ADR equals 10 ordinary shares.

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

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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, Brazil and Peru.

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, Chile and Peru, 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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In thousands of Mexican Pesos	I T E M	CONSOLIDATED BALANCE SHEET
	December 11	
	December 10	
	Difference	
TOTAL ASSETS		32,929,665
		31,235,103
		1,694,562
CURRENT ASSETS		20,648,508
		18,711,358
		1,937,151
CASH AND CASH EQUIVALENTS		2,417,353
		1,290,466
		1,126,888
ACCOUNTS RECEIVABLE (NET)		6,634,782
		6,938,303
		(303,521)
OTHER ACCOUNTS RECEIVABLE (NET)		2,297,764
		1,434,792
		862,972
INVENTORIES		9,174,170
		8,857,279
		316,891
OTHER CURRENT ASSETS		124,439
		190,518
		(66,079)

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LONG TERM		55,168
		51,177
		3,991
INVESTMENTS IN SHARES OF SUBSIDIARIES AND ASSOCIATED COMPANIES		55,168
		51,177
		3,991
PROPERTY MACHINERY AND EQUIPMENT		3,488,109
		3,726,889
		(238,780)
PROPERTY		1,777,439
		1,776,360
		1,080
MACHINERY AND EQUIPMENT		2,306,022
		362,730
		1,943,291
OTHER EQUIPMENT		4,354,560
		6,130,099
		(1,775,539)
ACCUMULATED DEPRECIATION		4,949,912
		4,546,185
		403,727
CONSTRUCTION IN PROGRESS	-	3,886
		(3,886)
DEFERRED ASSETS (NET)		4,109,235
		8,513,021
		(4,403,786)
OTHER ASSETS		4,628,644
		232,658
		4,395,986
TOTAL LIABILITIES		25,471,137
		24,152,255
		1,318,882
CURRENT LIABILITIES		16,088,285
		21,609,455

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		(5,521,170)
ACCOUNTS PAYABLE		10,010,574
		9,604,770
		405,804
BANK DEBT		2,864,294
		9,207,682
		(6,343,388)
OTHER CURRENT LIABILITIES		3,213,417
		2,797,003
		416,414
LONG TERM LIABILITIES		9,505,715
		2,289,346
		7,216,369
BANK DEBT		9,505,715
		2,289,346
		7,216,369
OTHER LIABILITIES		(122,863)
		253,454
		(376,317)
SHAREHOLDERS' EQUITY		7,458,527
		7,082,848
		375,679
MINORITY INTEREST		124,256
		115,184
		9,072
MAJORITY INTEREST		7,334,271
		6,967,664
		366,607
PAID-IN CAPITAL		1,993,875
		1,993,875
	-	
CAPITAL STOCK		167,903
		167,903
	-	
RESTATEMENT IN CAPITAL STOCK		956,094
		956,094
	-	

PREMIUM ON STOCK SOLD		869,878
		869,878
	-	
CAPITAL INCREASE (DECREASE)		5,464,653
		5,088,973
		375,679
CUMULATIVE RESULTS AND EQUITY RESERVE		3,916,090
		3,756,703
		159,387
RESERVE FOR SHARE REPURCHASE		1,062,200
		1,062,200
	-	
NET INCOME		486,363
		270,070
		216,292

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

December 2011

	Jan-Dec	Jan-Dec	Difference	Oct-Dec	Oct-Dec	Difference
Income Statement	2010	% of sales	2011	% of sales	\$	%
	2010	% of sales	2011	% of sales	\$	%
NET SALES	34,244,182	100.00%	48,374,083	100.00%	14,129,901	41.26%
					11,456,396	100.00%
					11,499,912	

	100.00%
	43,516
	0.38%
COST OF SALES	
	29,614,296
	86.48%
	39,219,206
	81.07%
	9,604,910
	32.43%
	9,416,931
	82.20%
	9,031,290
	78.53%
	-385,642
	(4.10%)
	Gross Profit
	4,629,885
	13.52%
	9,154,877
	18.93%
	4,524,991
	97.73%
	2,039,465
	17.80%
	2,468,623
	21.47%
	429,158
	21.04%
OPERATING EXPENSES	
Sales Expenses	
	1,242,468
	3.63%
	1,248,902
	2.58%
	6,434
	0.52%
	568,350
	4.96%
	445,885
	3.88%
	-122,465
	(21.55%)
Administrative Expenses	
	2,541,429
	7.42%
	6,242,041
	12.90%
	3,700,612
	145.61%
	1,469,877
	12.83%

		1,503,741	
		13.08%	
		33,864	
		2.30%	
	Operating Expenses	3,783,897	
		11.05%	
		7,490,943	
		15.49%	
		3,707,046	
		97.97%	
		2,038,227	
		17.79%	
		1,949,626	
		16.95%	
		-88,601	
		(4.35%)	
	Operating Income	845,988	
		2.47%	
		1,663,934	
		3.44%	
		817,945	
		96.69%	
		1,238	
		0.01%	
		518,996	
		4.51%	
		517,759	
	NC		
COMPREHENSIVE COST OF FINANCING			
Interest Paid		493,430	
		1.44%	
		1,046,022	
		2.16%	
		552,592	
		111.99%	
		207,703	
		1.81%	
		266,485	
		2.32%	
		58,782	
		28.30%	
Interest (Earned)		-12,167	
		(0.04%)	
		-70,689	
		(0.15%)	
		-58,523	
		481.01%	

			-5,893
			(0.05%)
			-13,610
			(0.12%)
			-7,717
			130.95%
Exchange Loss (Gain)			
			-218,237
			(0.64%)
			66,830
			0.14%
			285,067
	NC		
			-25,383
			(0.22%)
			7,515
			0.07%
			32,898
	NC		
Monetary Position (gain)			
			0
			0.00%
			9,401
			0.02%
			9,401
	NC		
			0
			0.00%
			9,401
			0.08%
			9,401
	NC		
		Comprehensive Cost of Financing	
			263,026
			0.77%
			1,051,565
			2.17%
			788,538
			299.79%
			176,427
			1.54%
			269,791
			2.35%
			93,364
			52.92%
OTHER EXPENSES (INCOME), net			
			258,764
			0.76%

		-95,612
		(0.20%)
		-354,376
	NC	
		302,488
		2.64%
		-28,368
		(0.25%)
		-330,856
	NC	
		INCOME BEFORE TAXES
		324,198
		0.95%
		707,981
		1.46%
		383,783
		118.38%
		-477,677
		(4.17%)
		277,573
		2.41%
		755,250
	NC	
PROVISIONS FOR:		
Income Tax		
		378,708
		1.11%
		506,679
		1.05%
		127,971
		33.79%
		279,986
		2.44%
		231,355
		2.01%
		-48,631
		(17.37%)
Asset Tax		
		13,517
		0.04%
		0
		0.00%
		-13,517
		0.00%
		13,517
		0.12%
		0
		0.00%

NC 0.93%
150,008

Income Before Extraordinary Items

270,070

0.79%

486,363

1.01%

216,293

80.09%

-434,896

(3.80%)

170,347

1.48%

605,243

NC

Extraordinary Items (Income)

0

0.00%

0

0.00%

0

0.00%

0

0.00%

0

0.00%

0

0.00%

Net Income

270,070

0.79%

486,363

1.01%

216,292

80.09%

-434,896

-3.80%

170,347

1.48%

605,243

NC

Depreciation and Amortization

191,140

0.56%

463,763

0.96%

272,623

	142.63%
	138,557
	1.21%
	116,315
	1.01%
	(22,242)
	(16.05%)
Operating Income plus Depreciation and Amortization	1,037,129
	3.03%
	2,127,697
	4.40%
	1,090,568
	105.15%
	139,794
	1.22%
	635,311
	5.52%
	495,517
	354.46%
Net Income corresponding to Minority Interest	-15,328
	5,052
	-13,263
	1,326