

GRUPO CASA SABA SA DE CV

Form 6-K

July 30, 2012

Quarterly Earnings Report
2Q12

July 27, 2012

Distribution Sales to Institutional Clients Declined while Chile and Mexico Demonstrated Improved Performance

Financial Highlights:

(All figures are expressed in millions of Mexican pesos. Comparisons are made with the same period of 2011, unless otherwise stated. Figures may vary slightly due to rounding).

- The Group's net sales for the quarter reached \$12,253.1 million pesos
- Gross income for the period was 2,233.4 million; the gross margin for the quarter was 18.23%
- Operating expenses reached \$1,967.0 million pesos and represented 16.05% of the Company's total sales.
- Quarterly operating income was \$266.4 million, resulting in an operating margin of 2.17% for the period
- Second quarter EBITDA was \$377.1 million, or 3.08% of total sales
- The Group's net profit for the quarter was \$177.4 million
- As of June 30, 2012, GCS's net debt totaled \$9,535.2 million pesos
- GCS closed the quarter with 25 Distribution Centers and over 1,340 pharmacies in operation across Latin America

Mexico City, Mexico, July 27, 2012. 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 publication, and one of the most important pharmacy chains in Latin America, announces its consolidated financial and operating results for the second quarter of 2012.

QUARTERLY EARNINGS

In the second quarter of 2012, Saba faced close competition in the distribution and marketing of pharmaceutical products, health and beauty aids, and consumer goods in Mexico as well as in the other Latin America countries in which we operate. Our operating strategy maintained emphasis on improving efficiency levels and controlling logistic costs and expenses, generating positive results in practically all our divisions. At the sales level, we focused on improving the availability of the most in demand products for our clients in wholesale and in our pharma network, as well as improving the care and service of our stock sales. In regards to growth, opening new pharmacies in Latin America and in Mexico allowed us to strengthen our presence in the markets in which we already operate, as well as to improve the knowledge of the brands with which we operate.

At Grupo Casa Saba, we will continue to focus on making ongoing improvements to our logistic and commercial operations in order to offer all of our clients a wide range of products at competitive prices. In our pharmacy network, we will also strive to offer the best integrated health, beauty and consumer goods solutions.

NET SALES

Net sales for the quarter reached \$12,253.1 million, an increase of 1.4% compared to 12,084.1 million in 2Q2011. This increase resulted from the higher performance in our distribution division.

SALES BY DIVISION

DISTRIBUTION DIVISION

PHARMA, HEALTH, BEAUTY AND CONSUMER GOODS

Sales from our Pharma, Health, Beauty and Consumer Goods division increased 3.46% versus the 2Q2011, totaling \$5,557.0 million. In terms of total sales, this division's percentage went from 45.78% in 2Q2011 to 46.72% in the 2Q2012.

GOVERNMENT PHARMA

Quarterly sales in our Government Pharma division grew 9.99% compared to the second quarter of 2011. This growth was due to our increased participation in the bidding processes of various State and Federal health institutions. In terms of total sales, this division represented 2.78% in 2Q2011, down from to 3.02% in the 2Q2012.

PUBLICATIONS

Sales from our Publications distribution division declined 20.59% compared to the second quarter of 2011, as a result of lower sales from various publishers and as well as a downward adjustment. In terms of total sales, this division's percentage went from 1.67% in 2Q2011 to 1.31% in the 2Q2012.

RETAIL PHARMACY

During the second quarter of the year, sales from our Retail Pharmacy division decreased by \$14.8 million pesos, or 0.2%, as a result of the divestiture of Peru, the Brazilian restructuring, and lower institutional sales in our Farmacias ABC chain. A portion of this effect was offset by the positive performance of Farmacias Ahumada in Chile, which increased its sales by 2%.

This division's percentage of the Group's overall sales rose to 48.9% vs 49.7% in the 2Q2011.

As a result, the sales mix for the second quarter of 2012 was as follows:

Division	% of Sales
Retail Pharmacy	48.9%
Total Distribution	51.1%

Pharma, Health & Beauty	46.7%
Government Pharma	3.0%
Publications	1.3%
TOTAL	100.0%

GROSS INCOME

During the second quarter of 2012, gross income reached \$2,233.4 million pesos, primarily due to the improved gross margins in Chile, Brazil, Mexico (Farmacias ABC) and the Pharma, Health and Beauty distribution division. The above shows our efforts to improve service, availability and commercial supply to our clients.

Compared to the second quarter of 2011, the Group's gross income increased 4.7%. Gross income margin showed an improvement of 59 basis points in the second quarter of the year, reaching 18.23%.

OPERATING EXPENSES

Operating expenses in the second quarter of 2012 rose by \$221.2 million pesos, or 12.67%, compared to the same period of the previous year. This increase was the result of the annual increase in payroll and higher expenses in both our Government Pharma division and our Chilean and Mexican (Benavides) operations, due to their larger infrastructures, as well as the increase in loss reserves.

As a percentage of total sales, operating expenses represented 16.14% during the second quarter of 2012 compared to 14.45% during the same period of 2011.

OPERATING INCOME

Quarterly operating income for 2Q2012 was \$266.4 million, down from \$385.8 million reported in 2Q2011. This decline in operating income was the result of a lower gross income as well as the increase in expenses.

Operating income margin for the 2Q2012 was 3.19%, versus 2.17% in 2Q2011.

OPERATING INCOME PLUS DEPRECIATION AND AMORTIZATION (EBITDA)

EBITDA for 2Q2012 was \$377.1 million, a decrease of 23.94% compared to the \$495.9 million reported during the second quarter of 2011.

EBITDA margin for the second quarter of 2012 was 3.08%.

COMPREHENSIVE COST OF FINANCING (CCF)

The Group's CCF reached \$115.5 million, 56.6% lower than the CCF reported during 2Q2011.

This decrease was primarily due to minor interest payments.

NET DEBT

The Company's net debt at the end of 2Q2012 was \$9,535.2 million pesos.

OTHER EXPENSES (INCOME)

During the second quarter of the year, other expenses totaled \$94.7 million.

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 second quarter of 2012 were \$68.1 million pesos, 9.2% higher than the amount reported in 2Q2011.

NET INCOME

In the second quarter 2012 GCS recorded a net income of \$177.4, an increase from the \$69.0 million in the second quarter of 2011.

The net margin for 2Q2012 was 1.45%.

Analysis Coverage: We do not currently have analyst coverage from a brokerage firm or from a credit institution.

The 265.4 million shares issued by Grupo Casa Saba are listed on the Mexican Stock Exchange, and its ADRs are listed 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 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 June 2011

**Jan-June
Jan-June
Variation
Apr - June
Apr - June
Variation**

OTHER EXPENSES (INCOME)

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Income Statement

	2011	2012	
	% of sales	% of sales	
	\$	\$	
	%	%	
NET SALES	24,866,594	24,288,488	
	100.00%	100.00%	
		-578,106	
		(2.32%)	
	12,084,367	12,253,184	
	100.00%	100.00%	
		168,816	
		1.40%	
COST OF SALES	20,519,249	19,874,773	
	82.52%	81.83%	
		-644,476	
		(3.14%)	
	9,952,796	10,019,697	
	82.36%	81.77%	
		66,901	
		0.67%	
			Gross Profit
	4,347,344	4,413,715	
	17.48%	18.17%	
		66,370	
		1.53%	
	2,131,571	2,233,487	
	17.64%	18.23%	
		101,915	
		4.78%	
OPERATING EXPENSES			
Sales Expenses	500,214	662,251	
	2.01%	2.73%	
NET INCOME			

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	162,037	
	32.39%	
	246,533	
	2.04%	
	362,825	
	2.96%	
	116,291	
	47.17%	
Administrative Expenses		
	2,972,726	
	11.95%	
	3,114,805	
	12.82%	
	142,079	
	4.78%	
	1,499,276	
	12.41%	
	1,604,225	
	13.09%	
	104,950	
	7.00%	
		Operating Expenses
	3,472,940	
	13.97%	
	3,777,056	
	15.55%	
	304,116	
	8.76%	
	1,745,809	
	14.45%	
	1,967,050	
	16.05%	
	221,241	
	12.67%	
		Operating Income
	874,404	
	3.52%	
	636,659	
	2.62%	
	(237,745)	
	(27.19%)	
	385,763	
	3.19%	
	266,437	
	2.17%	
	(119,326)	
	(30.93%)	
COMPREHENSIVE COST OF FINANCING		
Interest Paid		
	489,818	
	1.97%	
	465,408	
	1.92%	
	-24,410	
	(4.98%)	
	257,352	
	2.13%	
	194,423	
	1.59%	
	-62,929	
	(24.45%)	
NET INCOME		

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Interest (Earned)	-34,567 (0.14%) -42,639 (0.18%) -8,072 23.35% -29,182 (0.24%) -8,738 (0.07%) 20,444 (70.06%)	
Exchange Loss (Gain)	28,307 0.11% -44,141 (0.18%) -72,448 NC 38,093 0.32% -70,114 (0.57%) -108,207 NC	
Monetary Position (gain)	- 0.00% - 0.00% - 0.00% - 0.00% - 0.00% - 0.00%	
		Comprehensive Cost of Financing
	483,558 1.94% 378,628 1.56% -104,930 (21.70%) 266,263 2.20% 115,571 0.94% -150,692 (56.60%)	
OTHER EXPENSES (INCOME), net	-20,309 (0.08%) -593,649 (2.44%) -573,341 2823.14% -11,962 (0.10%)	
NET INCOME		

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-94,737
 (0.77%)
 -82,774
 691.95%

NET INCOME BEFORE TAXES

411,154
 1.65%
 851,680
 3.51%
 440,526
 107.14%
 131,462
 1.09%
 245,602
 2.00%
 114,140
 86.82%

PROVISIONS FOR:
 Income Tax

243,245
 0.98%
 203,864
 0.84%
 -39,381
 (16.19%)
 192,402
 1.59%
 68,159
 0.56%
 -124,243
 (64.57%)

Asset Tax

-
 0.00%
 -
 0.00%
 -
 0.00%
 -
 0.00%
 -
 0.00%
 -
 0.00%

Deferred Income Tax

-132,581
 (0.53%)
 -
 0.00%
 132,581
 NC

-130,019
 (1.08%)
 -
 0.00%
 130,019
 NC

Profit sharing due

NET INCOME

-		
0.00%		
-		
0.00%		Net Income
300,490		
1.21%		
647,816		
2.67%		
347,326		
115.59%		
69,079		
0.57%		
177,443		
1.45%		
108,364		
156.87%		
		Depreciation and Amortization
222,304		
0.89%		
219,526		
0.90%		
-2,778		
(1.25%)		
110,139		
0.91%		
110,760		
0.90%		
621		
0.56%		Operating Income plus Depreciation and Amortization
1,096,708		
4.41%		
856,185		
3.53%		
-240,523		
(21.93%)		
495,902		
4.10%		
377,197		
3.08%		
-118,705		
(23.94%)		
		Net Income corresponding to Minority Interest

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

Figures are expressed in Mexican pesos as of June 2012

ACCOUNT / SUBACCOUNT

QUARTER CURRENT YEAR
CLOSE PRIOR YEAR
START PRIOR YEAR

AMOUNT

NET INCOME

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	AMOUNT	AMOUNT
TOTAL ASSETS	32,440,117	32,313,878
	31,702,343	
CURRENT ASSETS	19,730,442	
	19,183,127	
	19,199,379	
CASH AND CASH EQUIVALENTS	1,696,952	
	2,279,258	
	1,290,466	
CLIENTS	8,290,402	
	7,174,200	
	7,816,040	
CLIENTS (NET)	6,762,435	
	5,778,009	
	6,758,242	
ALLOWANCE FOR DOUBTFUL ACCOUNTS	-1,527,967	
	-1,396,191	
	-1,057,798	
OTHER ACCOUNTS RECEIVABLES (NET)	3,969,285	
	2,183,831	
	2,005,460	
INVENTORIES	7,187,009	
	8,814,926	
	9,075,998	
OTHER CURRENT ASSETS	114,761	
	127,103	
	69,213	
LONG TERM	98,724	
	55,180	
	51,177	
INVESTMENTS IN SHARES OF SUBSIDIARIES AND ASSOCIATED COMPANIES	0	
	98,724	
	55,180	
	51,177	
PROPERTY MACHINERY AND EQUIPMENT NET	3,172,540	
	3,018,897	
	2,144,197	
PROPERTY	2,406,592	
	2,355,389	
	2,341,262	
MACHINERY AND EQUIPMENT	2,433,042	
	2,276,943	
	362,730	
NET INCOME		

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OTHER EQUIPMENT	1,956,143
	1,994,938
	3,869,497
ACCUMULATED DEPRECIATION	-3,647,197
	-3,608,905
	-4,433,178
CONSTRUCTION IN PROGRESS	23,960
	532
	3,886
DEFERRED ASSETS (NET)	8,161,284
	8,212,510
	6,775,784
GOODWILL	3,922,778
	3,995,236
	3,943,617
BRANDS	2,611,354
	2,650,393
	0
RIGHTS AND LICENSING	1,590,240
	1,562,791
	2,813,067
OTHER INTANGIBLE ASSETS	36,912
	4,090
	19,100
OTHER NON CURRENT ASSETS	1,277,127
	1,232,629
	4,143,341
ADVANCE PAYMENTS	73,390
	33,512
	26,163
DEFERRED CHARGES (NET)	341,333
OTHERS	1,203,737
	1,199,117
	3,775,845
TOTAL LIABILITIES	24,577,753
	24,385,166
	25,083,830
CURRENT LIABILITIES	16,356,944
	14,963,401
	22,248,190
BANK CREDITS	2,931,320
	2,839,489
	9,220,381
SUPPLIERS	9,968,601
NET INCOME	

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	9,153,175
	9,840,772
TAXES PAYABLE	
	768,675
	700,643
OTHER CURRENT LIABILITIES	668,690
	2,688,348
	2,270,094
EMPLOYEE BENEFITS	2,518,347
	174,593
	161,417
OTHER CURRENT LIABILITIES	-79,472
	2,513,755
	2,108,677
NON CURRENT LIABILITIES	2,597,819
	8,220,809
	9,421,765
BANK CREDITS	2,835,640
	8,300,895
	9,505,715
DEFERRED TAX LIABILITIES	2,289,346
	-80,086
	-83,950
	546,294
SHAREHOLDERS' EQUITY	
	7,862,364
	7,317,177
	7,230,048
CONTRIBUTED CAPITAL	
	1,993,548
	1,993,875
	1,993,548
CAPITAL STOCK	
	1,123,764
	1,123,997
	1,123,764
PREMIUM ON STOCK SOLD	
	869,784
	869,878
	869,784
CAPITAL INCREASE (DECREASE)	
	5,868,816
	5,323,302
	5,236,500
LEGAL RESERVE	
	194,721
	194,721
	194,721
OTHER RESERVES	
	1,062,296
	1,062,200
	1,062,296
PRIOR YEAR PROFIT	
	6,235,411

NET INCOME

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	6,790,831
	5,935,240
PROFIT	
	647,816
	30,101
OTHER	270,070
	-2,271,428
	-2,754,551
	-2,225,827