

Earnings call 2Q17

July 27, 2017

-
- **Good Morning and welcome to Liverpool's quarterly conference call!**
 - **As most of you know, this is only our second call. We will continue holding quarterly conference calls the day after publishing our results.**

-
- The big news this quarter was the performance of the peso which closed the quarter at \$18.06 Ps/USD. Although for the first half of the year it has devalued 7.5% vs YA, compared with January's minimum of \$22 Ps/USD it has gained 18.3%.
 - This is certainly great news in terms of its positive impact on both consumer and business confidence and reduced pressure on inflation.
 - We continue to see positive readings in terms of formal job creation, unemployment, salary mass, remittances and consumer credit.
 - On the negative side, past 12 months inflation is running at 6.3%.
 - Consumer Confidence has recovered from the significant drop in January, but is still almost 7% below mid-2016.

As of this quarter, Suburbia is being included in our report.

Let me share with you some details regarding Suburbia:

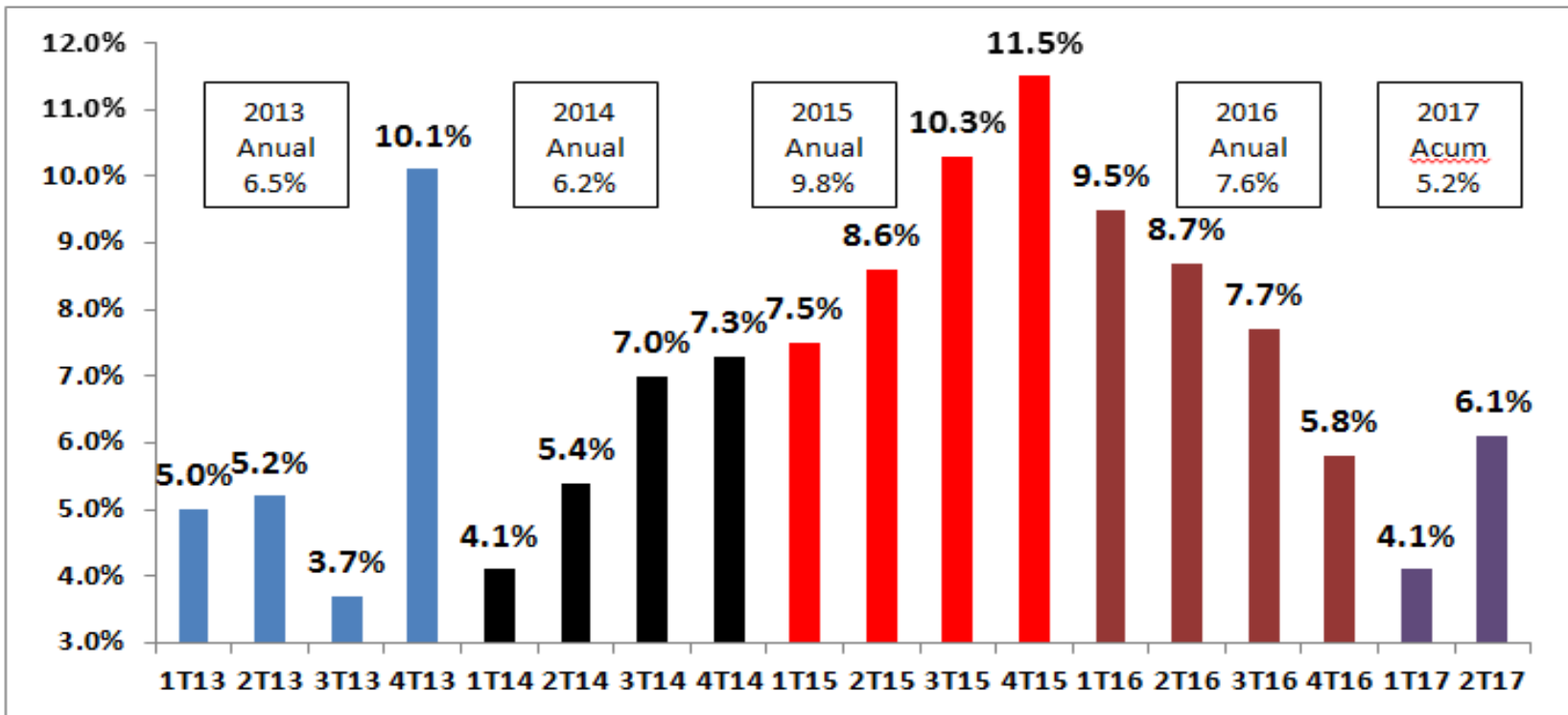
- Effective April 4th, Liverpool acquired 100% of four legal entities that integrate Suburbia, the intellectual properties and other assets related to this business.**
- The total size of the transaction was \$19 billion pesos, including debt of \$1.4 b. pesos (financial leases).**
- We are still fine tuning the working capital and income tax adjustments with Walmart. We expect to pay approximately \$400 MM pesos for these concepts in the next few weeks.**

-
- **Suburbia is being operated as a separate business unit.**
 - **We are focused on Suburbia's back-office integration without any disruption to the day-to-day operation.**
 - **We have already integrated the following back-office processes: finance, accounting, treasury, imports, maintenance and audit.**
 - **Retail Management and Payroll will be integrated during August and September.**
 - **In early June, Suburbia's headquarters team moved to their new offices right next to Suburbia Cuajimalpa.**

The following information includes Suburbia:

- Total revenue increased 23.1% in the quarter, 16.6% on a cumulative basis.
- Operating Profit grew 18.2% this quarter and 14.1% for the first half of the year.
- EBITDA Margin for the quarter was 14.9%, 47 bps below YA. For the first semester, EBITDA margin was 14.0%, 19 bps below YA.
- Net Profit decreased 2.3% during the quarter and 17.7% on a cumulative basis reflecting higher interest expense and the significant FX loss reported in the first quarter. For perspective, if we exclude FX losses Net Profit for the first semester grew 0.9%.

- **SSS** in the second quarter increased 6.1%, 200 bps ahead of the first quarter. On a cumulative basis **SSS** grew 5.2%. For perspective, Suburbia sales grew 4.7% in this quarter.
- During the first semester, our **average ticket** increased 6.9% while **traffic** was negative 1.5%. Traffic in the second quarter was flat vs YA, compared to -3.4% in JFM.
- Total Retail Sales w/o Suburbia increased 9.2% in the quarter and 9.0% in the semester.
- For perspective Total **ANTAD SSS**: 4.7% and **ANTAD Department Stores SSS**: 4.4%

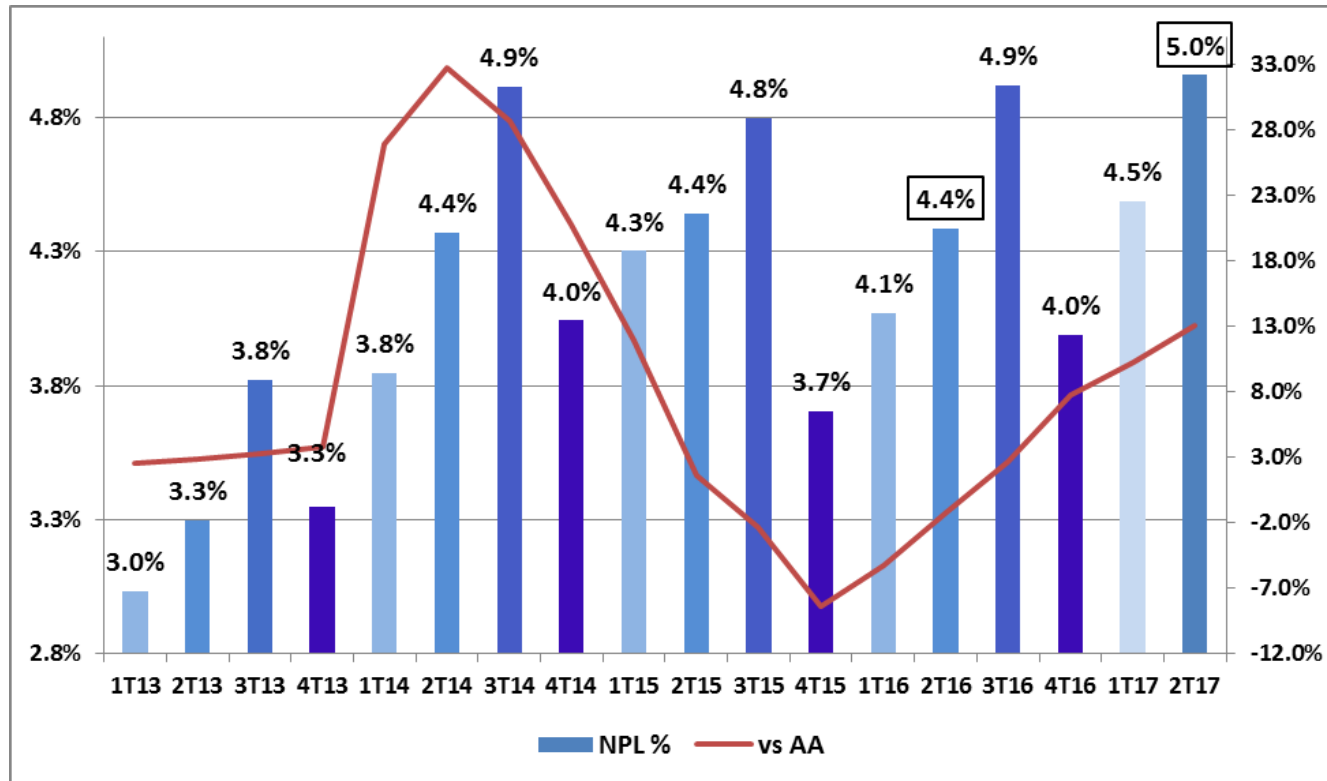


-
- **Easter week was a positive calendar effect for the 2nd quarter**
 - In terms of our Categories, we saw higher growth rates in **Sports, Home, Cosmetics and Accessories**. Slower sales in **Furniture, Men's, TVs and Computers**.
 - By region the **Southeast continues to underperform** (states with a high dependence on the oil industry)
 - **Comparison base will soften** as we move throughout the year, particularly in 4Q.
 - **Internet sales increased 40.1% accounting for 3.4% of total retail sales**

- Revenue grew 11.7% during the quarter, well ahead of the 5.0% growth of our Net Portfolio. For the semester, a revenue growth of 8.7% is being reported. This is certainly good news and reflects a more productive portfolio (less promotions w/o interest) and a higher interest rate – we increased 200 bps in April.
- Share of sales with Liverpool's credit cards was 46.0%, flat vs. YA.
- Our NPLs reached 5.0%, 60 bps above YA. As we shared with you in the previous quarterly call, we are implementing several measures in our collection and portfolio administration processes to keep this very important indicator in check.

- NPLs reached 5.0%, 57 bps above YA.
- Provisions for credit losses increased 20% YOY

Miles de Pesos	Jun 17	Jun 16	VAR %
Saldo inicial reserva:	2,516,143	2,219,573	13.4%
(+) Nuevas reservas	1,590,877	1,219,393	30.5%
(-) Aplicaciones.	(1,138,025)	(966,118)	17.8%
Saldo final de la reserva:	2,968,995	2,472,848	20.1%



- Commercial Gross Margin had a 102 bps improvement both, on a quarter and cumulative basis. Suburbia contributed with 70 and 40 bps on a quarter and cumulative basis respectively.
- The FX outlook for the balance of the year looks significantly better than what we had planned for. This will result in less pressure on our gross margins.
- Consolidated Gross Margin had a 25 bps negative effect in the quarter due to mix effects as the retail division gained share.
- Opex increased 24.3% in the quarter and 18.8% for the semester. Suburbia explains almost 65% of the total increase during the quarter. Importantly in this quarter we are recognizing a one-time effect from the expenses related to the Suburbia acquisition and the Ripley project for a total of \$150 MM (investment bankers, lawyers, due diligence)

EBITDA (MxPs Thousands)	2Q2017			Cumulative 2017			Last 12 mos.		
	MPs	Increase	Margin	MPs	Increase	Margin	MPs	Increase	Margin
Base business	4,142,194	10.8%	15.6%	6,733,590	9.8%	14.3%	16,652,317	7.9%	16.0%
Suburbia	320,772	n/a	9.4%	320,772	n/a	9.4%	320,772	n/a	9.4%
Total	4,462,966	19.4%	14.9%	7,054,362	15.0%	14.0%	16,973,089	10.0%	15.8%

- **EBITDA in the 2nd quarter increased 19.4% vs. YA.**
- **Suburbia contributed with 44% of this quarter's EBITDA increase.**
- **EBITDA without Suburbia increased 10.8%.**
- **EBITDA Margin without Suburbia improved 20 bps both, for this quarter and the semester.**
- **On a 12 months basis, EBITDA Margin without Suburbia is basically flat.**

-
- **Cash position was almost \$6.6 billion pesos at the end of June**
 - **For the Suburbia acquisition we used most of our cash on hand, including \$5 billion pesos out of the Syndicated Loan for \$10 billion pesos that we signed last December**
 - **Net Financing cost increased 210% compared to 2Q16 as a result of the increased debt level. For the first semester the increase was 177%**
 - **Net debt / P12M EBITDA was 1.42X at June 30th.**

Liverpool:

1. Tlaxcala, Tlaxcala (opened on April 19th 2017)
2. Tuxtla Oriente, Chiapas (opened on May the 3rd 2017)
3. Puebla Zaragoza, Puebla
4. Toreo, Estado de México

Fábricas de Francia:

1. Buenavista, Ciudad de México (opened on March 21st 2017)
2. Apizaco, Tlaxcala (opened on April the 4th 2017)
3. Tonalá Plaza Lomas, Jalisco (opened on April 11, 2017)
4. Saltillo, Coahuila
5. Oaxaca Plaza Bella, Oaxaca
6. Plaza Sendero Valle de Chalco, Estado de México
7. Comitán, Chiapas

Suburbia:

1. Aguascalientes, Aguascalientes
2. Campeche, Campeche

These openings will add close to 6% of commercial space, new record year. With Apizaco and Tlaxcala's openings Liverpool has presence in all states.

Shopping malls:

Galerías Tlaxcala

Thank You!