

Earnings call 1Q17

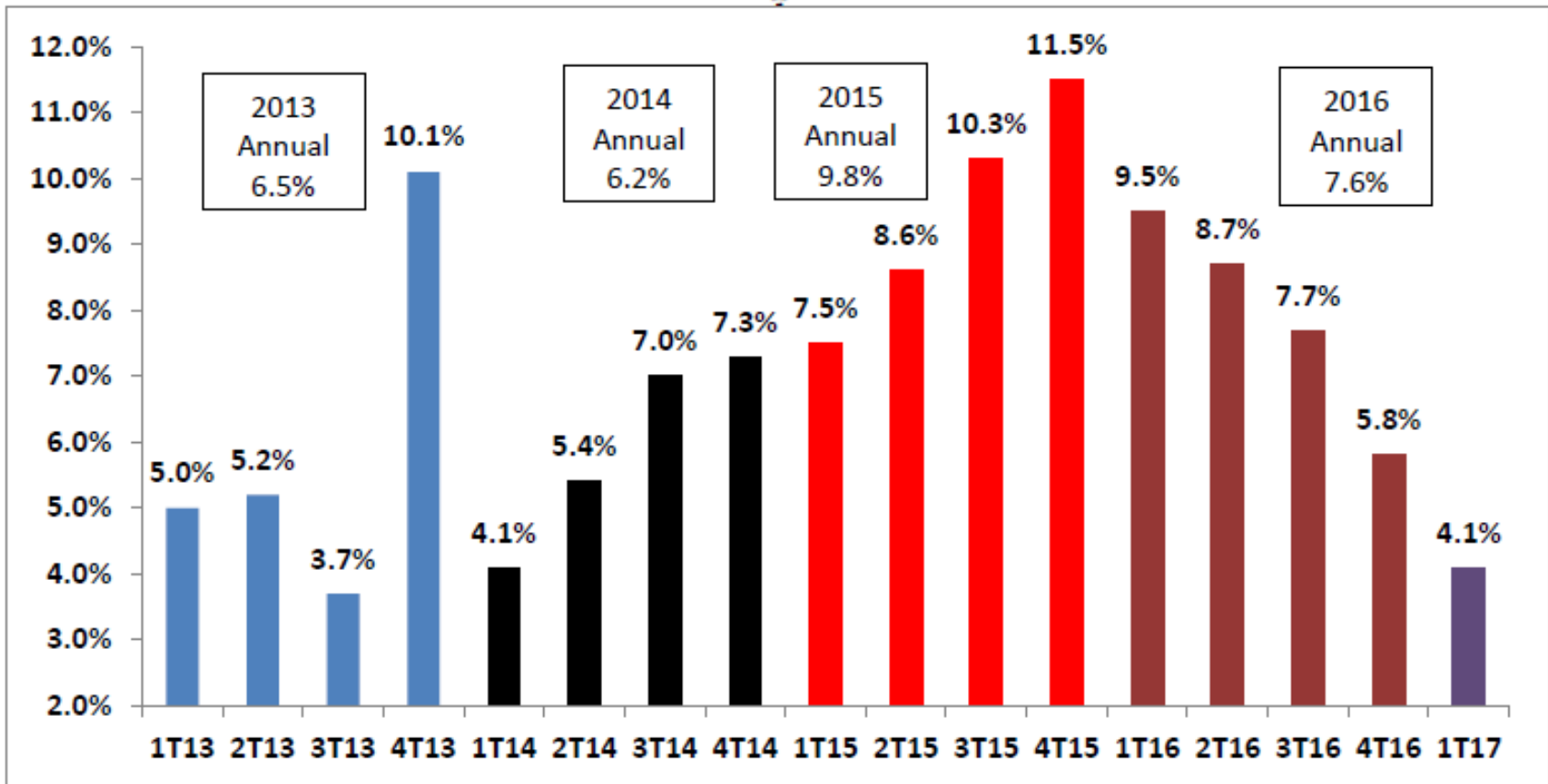
April 27, 2017

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- **Welcome to Liverpool´s first quarterly conference call!**
 - **This is something that many of you had asked for, so starting today we will hold quarterly conference calls, the day after publishing our results.**
 - **We will post the date/time of the next calls in our Investor Relations website, so you can have visibility.**

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- The peso closed the quarter at \$18.81 Ps/USD. Although it has devalued 13% vs YA, compared with January's minimum of close to \$22 Ps/USD, it has gained 14%.
 - Obviously this is great news in terms of its impact on consumer confidence and reduced pressure on inflation and our gross margins.
 - Positive macroeconomic readings: job creation, salary mass, remittances and consumer credit.
 - Inflation for 2017 targets to 5.56%, Consumer Confidence Index, although showing some recovery in the last two months, is still 9.2% below march 2016. Intention to purchase durable goods continues at a low point given the uncertainty on the economy together with security problems.

- **Total revenue increased 8.2%**
- **Gross margin improved by 124 bps**
- **Operating expenses increased 12.8%**
- **Operating Profit grew 6.9%**
- **EBITDA margin was stable at 12.5%**
- **P12M EBITDA margin was 15.9%, 21 bps below YA**
- **Although our Net Profit decreased 43%, excluding FX losses it grew 2.5%**

- **SSS** increased 4.1% while total sales grew 8.7%
- Average ticket increased 7.8% while **traffic** was negative 3.4%
- For perspective Total **ANTAD** SSS: 3.6%
 - Department Stores SSS: 4.1%



- **Negative calendar effects:**
 - January: one full weekend lost.
 - February: leap-year in 2016
 - March: Easter in 2017 took place in April
- Although January was soft, we started to see **better growth rates as of mid February.**
- In terms of our Categories, we saw higher growth in **Sports, Home, Cosmetics and Accessories**
- By region the **Southeast continues to underperform** (states with a high dependance on the oil industry)
- **Comparison base will soften** as we move throughout the year, particularly in 4Q.
- It is important to highlight that the numbers reported by ANTAD for department stores in **April will probably reflect a low and even negative number** as we will shift Mother's day Venta Nocturna for the Liverpool formats from April to May.
- **Internet sales increased 45.5% accounting for 2% of retail sales**
- **Fx: less pressure on margins.**

- **All Aéropostale (15) and Cole Haan (2) stand-alone units (unprofitable) were transferred to third parties.**
- **Liverpool maintains the exclusivity to sell these brands in department stores**
- **Expenses related to this transaction were accrued in 4Q16**
- **This had a significant one-time positive effect – close to 85% of the improvement in our commercial gross margin came from this transaction (total improvement was 178 bps)**

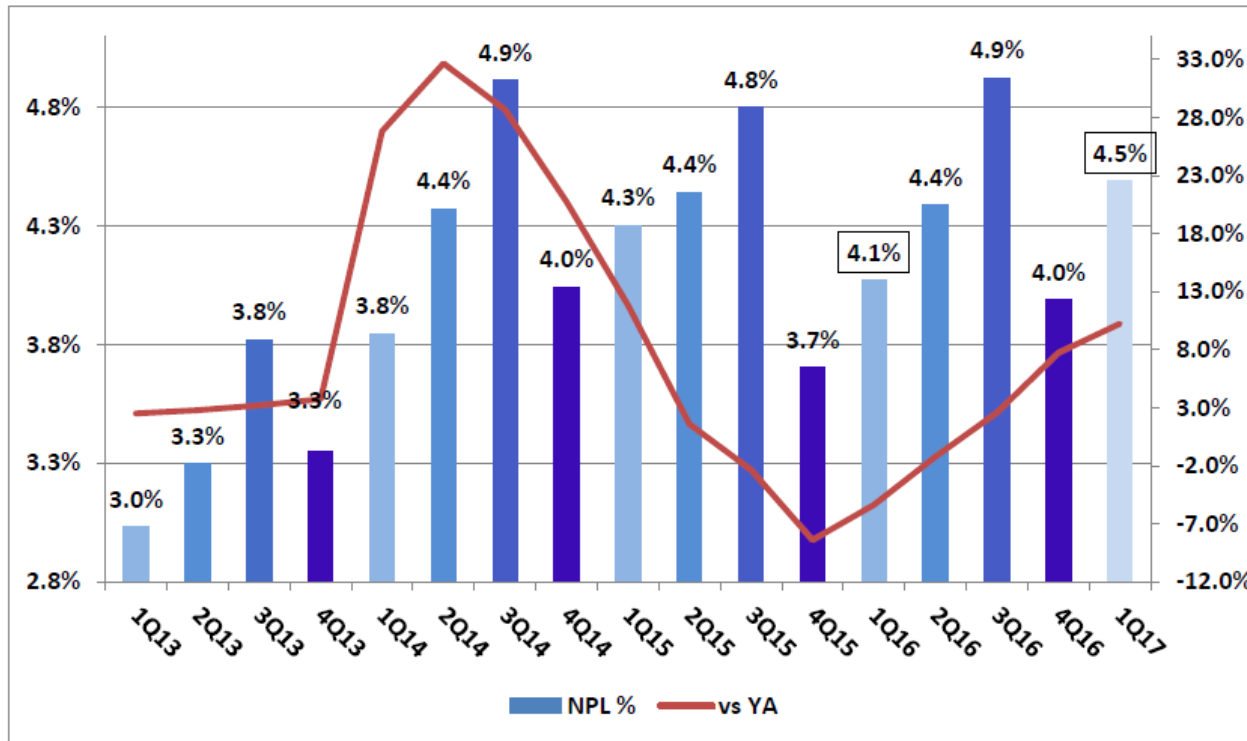
- **Real Estate earnings increased 5.4% vs 1Q16**
- **Occupancy levels are stable at 97%**
- **Don't see any problems in terms of collections**

- **Change in trend – improving yields as revenue grew 5.3%, ahead of the 2.8% growth of our Net Portfolio**
- **Share of sales with Liverpool's credit cards was 43.2% compared to 44.1% YA. The good news is that the majority of the share loss was due to better control of the automatic credit line increase**
- **In April we increased our APR by 2 percentage points**

- NPLs reached 4.5%, 42 bps above YA. Provisions for credit losses increased 57% YOY

(Figures in thousands of pesos)

Pesos	Mar 17	Mar 16	Dif %
Initial balance of reserve:	2,516,143	2,219,573	13.4%
(+) New reserves:	518,107	329,956	57.0%
(-) Write off:	(558,729)	(476,072)	17.4%
Ending balance of reserve	2,475,521	2,073,457	19.4%



- **LPC: new marketing campaign focusing on: 1) Usage outside Liverpool and 2) Best Loyalty Program as points are very easy to redeem at our stores**
- **DILISA: developing loyalty program**

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- **Our first quarter results reflect a Foreign Exchange loss of close to \$900 million pesos due to the \$500 million USD that we earmarked for the possible investment in Ripley since the 4Q2016.**
 - **This FX loss basically eliminated the FX gain that we posted on 4Q16**
 - **Fx on March 31st was 18.81 Ps/USD**
 - **This compared to 20.62 Ps/USD on Dec 31st 2016.**
 - **YoY 1Q average MxPs devaluation was 13.2%**

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- **Cash position was almost \$23 billion pesos at the end of March however**
 - **On April 4th we closed the Suburbia acquisition for which we used most of our cash on hand, including the \$500 MM USD, plus \$5 billion pesos out of the Syndicated Loan for \$10 billion pesos that we signed last December. For perspective cash on hand yesterday was close to \$3 billion pesos including Suburbia.**
 - **Financing cost increased 139% compared to 1Q16 as a result of the increased debt level**
 - **Net debt / P12M EBITDA was 0.49X at March 31st.**

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- On March 10th the “Comisión Federal de Competencia Económica” (COFECCE) authorized without any condition Suburbia’s sale to Liverpool. Effective April 4th, Liverpool acquired 100% of four legal entities, the intellectual property and other properties and rights for \$15.7 billion pesos, including debt of \$1.4 billion pesos in capital leases.
 - Liverpool reimbursed Walmex an estimated amount of \$80 million pesos related to constructions that were made from August 2016 to date.
 - Additionally Walmex received approximately \$3,300 million pesos related to dividends and capital reduction.
 - We have a TSA signed with Walmex that will allow us to go through a smooth transition of the back-office
 - Suburbia will be operated as a new Business Unit (we do not want to “Liverpoolize” Suburbia)
 - Focus for the next several months will be to integrate the back-office of Suburbia without any disruption in the day-to-day operation. The front-end of Suburbia will continue focusing on executing their current strategies (no changes on this front)

Liverpool:

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

Fábricas de Francia:

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

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!