

GRUPO CASA SABA SA DE CV

Form 6-K

April 28, 2008

**Quarterly Earnings Report  
1Q08**

April 28, 2008

**Sales and Operating Income Increased 15.33% and 12.40%, Respectively**

**Financial Highlights:**

(All figures are expressed in millions of Mexican pesos as of December 31, 2007. Comparisons are made with the same period of 2007, unless otherwise stated. Figures may vary due to rounding practices. "bp" stands for basis points)

- o Sales for the quarter totaled \$6,934.03 million
- o Gross income increased 13.45%
- o Gross margin for the quarter was 9.43%
- o Quarterly operating expenses as a percentage of sales were 5.68%
- o The operating margin for the quarter was 3.75%
- o Net profit for the quarter reached \$191.61 million
- o Cash and cash equivalents at the end of the quarter was \$178.03 million

**Mexico City, Mexico, April 28, 2008. Grupo Casa Saba ("Saba", "GCS", "the Company" or "the Group")**, one of the leading Mexican distributors of pharmaceutical products, beauty aids, personal care and consumer goods, general merchandise, publications and other products announces its consolidated financial and operating results for the first quarter of 2008.

## **QUARTERLY EARNINGS**

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### **NET SALES**

During the first quarter, GCS's sales were \$6,934.03 million, an increase of 15.33%.

Sales for our Private Pharma division grew 18.11% during the first quarter of 2008, due to the consolidation of investments made within the sector over the course of the past several months as well as an increase in our market share.

Sales in our Health, Beauty, Consumer Goods, General Merchandise and Others division rose 4.26% compared to the first quarter of 2007.

Sales in our Government Pharma division increased 15.97% due to a significant increase in the number of units sold. This was due, in part, to an increase in sales to PEMEX.

Publication sales decreased 18.72% as a result of lower unit sales. This decrease was due to the calendar effect of Holy Week as well as a reduction in sales of political content magazines.

The sales mix changed this quarter, primarily as a result of an increase in Private Pharma sales, which represented 86.01% of total sales (compared to 83.99% during the first quarter of 2007). Government Pharma accounted for 2.68% (versus 2.66% during the first quarter of 2007), Health, Beauty, Consumer Goods, General Merchandise and Other represented 8.62% (compared to 9.53% in the first quarter of 2007) and Publications made up the remaining 2.69% (versus 3.82% during the first quarter of 2007).

## SALES BY DIVISION

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### PRIVATE PHARMA

Sales in our Private Pharma division rose 18.11% during the first quarter of 2008, as a result of the consolidation of investments that were made within the sector during the past several months and an increase in our market share.

Sales reached \$5,964.19 million and represented 86.01% of the Group's total sales.

### GOVERNMENT PHARMA

Sales in our Government Pharma division rose 15.97% due to a significant increase in the number of units sold. This growth was partly the result of an increase in sales to PEMEX.

Government Pharma sales reached \$185.50 million during 1Q08 and accounted for 2.68% of our total sales.

### HEALTH, BEAUTY, CONSUMER GOODS, GENERAL MERCHANDISE AND OTHER

Sales in our Health, Beauty, Consumer Goods, General Merchandise and Other division rose 4.26% versus the first quarter of 2007. Total sales for this division reached \$597.59 million.

### PUBLICATIONS

Publication sales decreased 18.72% as a result of lower unit sales. This decrease was due to the calendar effect of Holy Week as well as a reduction in sales of political content magazines.

This division's participation as a percentage of total sales went from 3.82% in 1Q07 to 2.69% in the first quarter of 2008.

Division	% of sales
Private Pharma	86.01%
Government Pharma	2.68%
Health, Beauty, Consumer Goods, General Merchandise and Other	8.62%
Publications	2.62%
TOTAL	100.00%

### GROSS INCOME

During the first quarter of the year, Grupo Casa Saba's gross income rose 13.45% to reach \$654.09 million. The company's gross margin decreased by 16 b.p., to 9.43%.

### OPERATING EXPENSES

Operating expenses reached \$394.13 million, an increase of 14.16% versus the first quarter of 2007. This was partly the result of the investments that were made over the course of the past several months. Operating expenses represented 5.68% of our total sales.

### OPERATING INCOME

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Operating income increased significantly, by 12.40%, to reach \$259.95 million during the period. The operating margin was 3.75%, 10 b.p. lower than the 3.85% margin posted in the first quarter of 2007.

### **OPERATING INCOME PLUS DEPRECIATION AND AMORTIZATION**

Operating income plus depreciation and amortization for 1Q08 was \$276.87 million, an increase of 7.14% compared to the first quarter of 2007. Depreciation and amortization for the period was \$16.91 million, 37.65% lower than in the first quarter of 2007, which caused this line item to be lower.

### **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents at the end of the first quarter of 2008 was \$178.03 million.

### **COMPREHENSIVE COST OF FINANCING**

During the first quarter of 2008, GCS's comprehensive cost of financing (CCF) of \$5.79 million was \$2.19 million higher than the CCF registered during the first quarter of 2007.

### **OTHER EXPENSES (INCOME)**

During the first quarter of 2008, the Company registered an income of \$2.49 million in other expenses (income). The expenses (income) from this line item were derived from activities that are distinct from the company's everyday business operations.

### **TAX PROVISIONS**

During the first quarter, tax provisions were \$65.03 million. These provisions included \$100.70 million in current income tax and -\$35.66 million in deferred income tax.

### **NET INCOME**

GCS's net income for the first quarter was \$191.61 million, a significant increase of 13.02% versus the first quarter of 2007. The net margin for the period was 2.76%.

### **WORKING CAPITAL**

During the first quarter of 2008 and compared to the first quarter of 2007, accounts receivable days rose by 1.9 days to reach 62.6 days. In addition, our accounts payable days increased by 2.9 days compared to 1Q07, to reach 49.9 days. Finally, our inventory days were 52.6 days, 2.3 days less than they were in 1Q07

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

Grupo Casa Saba is one of the leading distributors of pharmaceutical products, beauty, personal care and consumer goods, general merchandise, publications and other goods in Mexico. With 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.

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 other countries in

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which Casa Saba operates, as well as variations in the value of the Mexican peso as compared with the US dollar.

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### GRUPO CASA SABA S.A.B. DE C.V. and SUBSIDIARIES CONSOLIDATED BALANCE SHEET

(Figures expressed in thousands of Mexican Pesos as of December 2007)

ITEM	March 2008	March 2007	\$ Change
TOTAL ASSETS	10,903,280	9,851,473	1,051,808
CURRENT ASSETS	9,305,532	8,304,981	1,000,551
CASH AND CASH EQUIVALENTS	178,037	509,187	(331,151)
ACCOUNTS RECEIVABLE (NET)	4,823,379	4,052,924	770,455
INTERCOMPANY			-
OTHER ACCOUNTS RECEIVABLE (NET)	525,799	386,809	138,970
INVENTORIES	3,668,335	3,318,141	350,194
OTHER CURRENT ASSETS	110,003	37,921	72,082
LONG TERM			-
ACCOUNTS RECEIVABLE			-
INVESTMENTS IN EQUITY SHARES AND UNCONSOLIDATED SUBSIDIARIES	-		-
OTHER INVESTMENTS			-
NET PROPERTY, PLANT AND EQUIPMENT	1,210,963	1,187,225	23,739
PROPERTY	1,313,863	1,302,145	11,718
MACHINERY AND EQUIPMENT	461,154	407,872	53,281
OTHER EQUIPMENT	564,827	516,123	48,705
ACCUMULATED DEPRECIATION	1,128,881	1,038,916	89,966
BUILDINGS IN PROCESS	--		-
DEFERRED ASSETS (NET)	218,231	178,094	40,137
OTHER ASSETS	168,554	181,172	(12,619)
TOTAL LIABILITIES	4,483,885	4,123,770	360,115
CURRENT LIABILITIES			457,913
ACCOUNTS PAYABLE	3,857,722	3,399,809	596,420
BANK DEBT	3,678,085	3,081,665	(27,074)
DEBT SECURITIES		27,074	-
ACCRUED TAXES	-		(119,035)
OTHER CURRENT LIABILITIES			7,603
LONG TERM LIABILITIES	179,638	119,035	-
BANK DEBT	-	172,035	-
DEBT SECURITIES	-		-
OTHER DEBT			-
DEFERRED LIABILITIES	626,162	723,961	-
OTHER LIABILITIES			(97,799)
SHAREHOLDER'S EQUITY	6,419,395	5,722,703	691,692
MINORITY STOCKHOLDER'S EQUITY	-		--
MAJORITY STOCKHOLDER'S EQUITY	6,419,395	5,727,703	226,988
PAID-IN CAPITAL	1,992,325	1,992,326	(1)
CAPITAL STOCK	167,903	167,903	-

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RESTATEMENT IN CAPITAL STOCK	955,862	955,862	
PREMIUM ON STOCK SOLD	868,561	868,561	
RESERVE FOR RESTATEMENT ON SHAREHOLDER'S EQUITY	--	--	--
CAPITAL INCREASE (DECREASE)	4,427,069	3,735,376	691,693
CUMMULATIVE RESULTS AND EQUITY RESERVE	5,546,996	4,938,723	608,273
RESERVE FOR SHARES REPURCHASE	1,063,517	1,063,517	-
OVERAGE (DEFICIT) ON RESTATEMENT ON STOCKHOLDER'S EQUITY	(2,375,060)	(2,436,408)	61,348
NET INCOME	191,617	169,545	22,072

**GRUPO CASA SABA, S.A.B. DE C.V.**

(Figures expressed in thousands of Mexican Pesos as of December 2007)

	Jan-Mar		Jan-Mar		Change		Jan-Mar		Jan-Mar		Change	
	2007	% of sales	2008	% of sales	\$	%	2007	% of sales	2008	% of sales	\$	%
Income Statement												
NET SALES	6,012,489	100.00%	6,934,031	100.00%	921,561	15.33%	6,012,489	100.00%	6,934,031	100.00%	921,561	15.33%
COST OF SALES	5,435,941	90.41%	6,279,940	90.57%	843,999	15.53%	5,435,941	90.41%	6,279,940	90.57%	843,999	15.53%
Gross Profit	576,529	9.59%	654,091	9.43%	77,562	13.45%	576,529	9.59%	654,091	9.43%	77,562	13.45%
Operating Expenses												
Sell Expenses												
Administration	141,301	2.35%	153,306	2.21%	12,005	8.50%	141,301	2.35%	153,306	2.21%	12,005	8.50%
Expenses	203,944	3.39%	240,831	3.47%	36,886	18.09%	203,944	3.39%	240,831	3.47%	36,886	18.09%
OPERATING EXPENSES	345,245	5.74%	394,137	5.68%	48,891	14.16%	345,245	5.74%	394,137	5.68%	48,891	14.16%
Operating Income												
COMPREHENSIVE COST OF FINANCING	231,283	3.85%	259,955	3.75%	28,671	12.40%	231,283	3.85%	259,955	3.75%	28,671	12.40%
Interest Paid												
Interest (Earned)	2,805	0.05%	6,507	0.09%	3,702	131.97%	2,805	0.05%	6,507	0.09%	3,702	131.97%
Exchange Loss (Gain)	-2,030	(0.03%)	- 535	(0.01%)	1,495	(73.65%)	-2,030	(0.03%)	- 535	(0.01%)	1,495	(73.65%)
Monetary Position (gain)	-269	(0.00%)	- 178	0.00%	91	(33.98%)	-269	(0.00%)	- 178	0.00%	91	(33.98%)
Comprehensive Cost of Financing	3,096	0.05%	0	0.00%	- 3,096	(100%)	3,096	0.05%	0	0.00%	- 3,096	(100%)
OTHER EXPENSES (INCOME), net	3,602	(0.06%)	5,795	0.08%	2,192	60.86%	3,602	(0.06%)	5,795	0.08%	2,192	60.86%
	-11,305	(0.19%)	-2,494	(0.4%)	8,811	(77.94%)	-11,305	(0.19%)	-2,494	(0.4%)	8,811	(77.94%)
NET INCOME BEFORE TAXES AND EXTRAORDINARY ITEMS	238,986	3.97%	256,654	3.70%	17,668	(7.39%)	238,986	3.97%	256,654	3.70%	17,668	(7.39%)
PROVISIONS FOR:												
Income Tax	87,925	1.46%	100,700	1.45%	12,765	(14.53%)	87,925	1.46%	100,700	1.45%	12,765	(14.53%)
Asset Tax	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Deferred Income Tax	-19,765	(0.33%)	-35,663	(0.51%)	- 15,899	80.44%	-19,765	(0.33%)	-35,663	(0.51%)	- 15,899	80.44%
Profit sharing due	1,282	0.02%	0	0.00%	- 1,282	(100.%)	1,282	0.02%	0	0.00%	- 1,282	(100.%)
Deferred Profit sharing due	0	0.00%	0	0.00%	0	(0.00%)	0	0.00%	0	0.00%	0	(0.00%)
Total taxes	69,442	1.15%	65,037	0.94%	- 4,505	(6.34%)	69,442	1.15%	65,037	0.94%	- 4,505	(6.34%)
Net Income Before Extraordinary Items	169,544	2.82%	191,617	2.76%	22,073	13.02%	169,544	2.82%	191,617	2.76%	22,073	13.02%
Extraordinary Items (Income)	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Net Income	169,544	2.82%	191,617	2.76%	22,073	13.02%	169,544	2.82%	191,617	2.76%	22,073	13.02%
	27,134	0.45%	16,919	0.24%	(10,216)	37.65%	27,134	0.45%	16,919	0.24%	(10,216)	37.65%
	258,418	4.30%	276,873	3.99%	18,456	7.14%	258,418	4.30%	276,873	3.99%	18,456	7.14%
Depreciation and Amortization												
Operating Income plus												

Depreciation and  
Amortization