

GRUPO CASA SABA SA DE CV

Form 6-K

July 29, 2008

## Quarterly Earnings Report 2Q08

July 28, 2008

Sales and Operating Income Increased 14.05% and 13.45%, 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 \$6,959.41 million
- o Gross income increased 34.45%
- o Gross margin for the quarter was 10.64%
- o Quarterly operating expenses as a percentage of sales were 7.19%
- o The operating margin for the quarter was 3.46%
- o Net profit for the quarter reached \$210.09 million
- o Cash and cash equivalents at the end of the quarter was \$315.42 million

Mexico City, Mexico, July 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 second quarter of 2008.

## QUARTERLY EARNINGS

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### NET SALES

During the second quarter, GCS's sales were \$6,959.41 million, an increase of 14.05%.

Sales for our Private Pharma division grew 13.62% during the second quarter of 2008, due to the consolidation of investments made within the sector over the past several months, including the most recent acquisition of Drogasmil Medicamento e Perfumeria, S.A.(1), a Brazilian pharmacy chain.

Sales in our Health, Beauty, Consumer Goods, General Merchandise and Others division rose 10.52% compared to the second quarter of 2007. This growth was primarily the result of the acquisition of new lines of consumer products that we distribute on an exclusive basis.

Sales in our Government Pharma division increased 58.91% due to a significant increase in the number of units sold, primarily to PEMEX.

Publication sales decreased 1.31% as a result of lower unit sales. This decrease was due to the fact that Citem stopped distributing some publications that that did not meet our minimal profitability requirements.

The sales mix did not change significantly this quarter. Private Pharma sales represented 83.70% of total sales (compared to 84.02% during the second quarter of 2007), while Government Pharma accounted for 3.92% (versus 2.82% during the second

quarter of 2007). Health, Beauty, Consumer Goods, General Merchandise and Other represented 9.21% (compared to 9.50% in the second quarter of 2007) and Publications made up the remaining 3.17% (versus 3.66% during the second quarter of 2007).

(1) The acquisition took place on May 15, 2008.

## SALES BY DIVISION

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### PRIVATE PHARMA

Sales in our Private Pharma division rose 13.62% during the second quarter of 2008, as a result of the consolidation of investments that were made within the sector during the past several months. This includes the most recent acquisition of Drogasmil Medicamento e Perfumeria, S.A.,(2) a Brazilian pharmacy chain.

Sales reached \$5,825.07 million and represented 83.70% of the Group's total sales.

(2)The acquisition took place on May 15, 2008.

### GOVERNMENT PHARMA

Sales in our Government Pharma division grew 58.91% due to a significant increase in the number of units sold, primarily to PEMEX.

Government Pharma sales reached \$273.04 million during 2Q08 and accounted for 3.92% of our total sales.

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

Sales in our Health, Beauty, Consumer Goods, General Merchandise and Other division increased 10.52% versus the second quarter of 2007, primarily as a result of the acquisition of new lines of exclusively distributed consumer products.

### PUBLICATIONS

Publication sales decreased 1.31% as a result of lower unit sales. This decrease was due to the fact that Citem stopped distributing some publications that no longer met our minimal profitability requirements.

This division's participation as a percentage of total sales went from 3.66% in 2Q07 to 3.17% in the second quarter of 2008.

Division	% of sales
Private Pharma	83.70%
Government Pharma	3.92%
Health, Beauty, Consumer Goods, General Merchandise and Other	9.21%
Publications	3.17%
TOTAL	100.00%

### GROSS INCOME

During the second quarter of the year, Grupo Casa Saba's gross income increased 34.45% to reach \$740.63 million. The company's gross margin improved as a result of the recent investments, to reach 10.64%.

## **OPERATING EXPENSES**

Operating expenses reached \$500.13 million, an increase of 47.58% compared to the second quarter of 2007. This was due to the investments that were made over the past several months. Operating expenses represented 7.19% of our total sales.

## **OPERATING INCOME**

Operating income continued to grow. This quarter, it rose 13.45%, to reach \$240.50 million. The operating margin was 3.46%, 1 b.p. lower than the 3.47% margin registered in the second quarter of 2007.

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

Operating income plus depreciation and amortization for 2Q08 was \$259.07 million, an increase of 9.61% compared to the second quarter of 2007. Depreciation and amortization for the period was \$18.57 million, 23.81% lower than in the second quarter of 2007.

## **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents at the end of the second quarter of 2008 was \$315.42 million.

## **COMPREHENSIVE COST OF FINANCING**

During the second quarter of 2008, GCS's comprehensive cost of financing (CCF) was \$47.66 million due to an increase in the amount of interest income paid. This interest came, in large part, from the long-term loan related to the Brazilian acquisition.

## **OTHER EXPENSES (INCOME)**

During the second quarter of 2008, the Company registered an income of \$21.16 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 second quarter, tax provisions were \$3.91 million. These provisions included \$39.57 million in income tax and -\$35.66 million in deferred income tax.

## **NET INCOME**

GCS's net income for the second quarter was \$210.09 million, an increase of 15.92% compared to the second quarter of 2007. The net margin for the period was 3.02%, 5 b.p. higher than the net margin obtained during the second quarter of 2007.

## **WORKING CAPITAL**

During the second quarter of 2008, our accounts receivable days were virtually the same at 60.6 days (they were 60.2 days in the second quarter of 2007). In addition, our accounts payable days increased 1.3 days compared to 2Q07, to reach 48.0 days. Finally, our inventory days were 53.9 days, 1.5 more days than in 2Q07.

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.

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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 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

June 2008

June 2007

\$ Change      TOTAL ASSETS

11,843,043    9,466,580

2,376,463    CURRENT ASSETS

CASH AND CASH EQUIVALENTS

ACCOUNTS RECEIVABLE (NET)

INTERCOMPANY

OTHER ACCOUNTS RECEIVABLE (NET)

INVENTORIES

OTHER CURRENT ASSETS

9,352,930

315,426

4,686,617

484,135

3,726,718

140,035

7,926,065

293,880

4,082,113

260,789

3,229,160

60,123

1,426,865

21,545

604,504

-

223,346

497,558

79,911    LONG TERM

ACCOUNTS RECEIVABLE

INVESTMENTS IN EQUITY SHARES AND

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UNCONSOLIDATED SUBSIDIARIES  
OTHER INVESTMENTS

-

-

-

-

-

- NET PROPERTY, PLANT AND EQUIPMENT

PROPERTY

MACHINERY AND EQUIPMENT

OTHER EQUIPMENT

ACCUMULATED DEPRECIATION

BUILDINGS IN PROCESS

DEFERRED ASSETS (NET)

OTHER ASSETS

1,283,670

1,318,796

471,993

612,843

1,119,962

--

770,949

435,494

1,184,611

1,307,049

411,388

521,180

1,055,006

171,363

184,541

99,059

11,747

60,605

91,663

64,956

-

599,586

250,953 TOTAL LIABILITIES

5,463,788

3,732,757

1,731,031 CURRENT LIABILITIES

ACCOUNTS PAYABLE

BANK DEBT

DEBT SECURITIES

ACCRUED TAXES

OTHER CURRENT LIABILITIES

LONG TERM LIABILITIES

BANK DEBT

DEBT SECURITIES

OTHER DEBT

DEFERRED LIABILITIES

OTHER LIABILITIES

4,270,540

3,348,109

573,174

-

10,149

339,108

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670,000  
670,000

523,248 2,993,137  
2,832,341

7,034  
153,761

739,621

1,277,404  
515,768  
573,174

-  
3,114  
185,347  
670,000  
670,000

-  
-

(216,372)

SHAREHOLDER'S EQUITY

MINORITY STOCKHOLDER'S EQUITY  
MAJORITY STOCKHOLDER'S EQUITY  
PAID-IN CAPITAL  
CAPITAL STOCK  
RESTATEMENT IN CAPITAL STOCK  
PREMIUM ON STOCK SOLD  
RESERVE FOR RESTATEMENT ON SHAREHOLDER'S EQUITY  
CAPITAL INCREASE (DECREASE)  
CUMMULATIVE RESULTS AND EQUITY RESERVE  
RESERVE FOR SHARES REPURCHASE  
OVERAGE (DEFICIT) ON RESTATEMENT ON STOCKHOLDER'S EQUITY  
NET INCOME

6,379,254

-  
6,379,254  
1,993,875  
167,903  
956,094  
869,878

--  
4,385,379  
5,582,095  
1,062,200  
(2,660,625)  
401,709

5,733,823

5,733,823  
1,992,326  
167,903  
955,862

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868,561

3,741,497

4,736,356

1,063,517

(2,436,164)

350,788

645,431

--

645,431

1,549

(0)

232

1,317

--

643,882

818,739

(1,317)

(224,461)

50,921

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

(For June 2007 figures expressed in thousands of Mexican Pesos as of December 2007. For June 2008 figures expressed in constant Pesos)

Jan-Jun

Jan-Jun

Change

Apr-Jun

Apr-Jun

Change

Income Statement

NET SALES

COST OF SALES

Gross Profit 2007

12,114,547

10,987,145

1,127,402

% of sales

100.00%

90.69%

9.31%

2008

13,893,449

12,498,720

1,394,729

% of sales

100.00%

89.96%

10.04%

\$

1,778,962

1,511,576

267,327

%

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14.68%  
13.76%  
23.71%

2007  
6,102,077  
5,551,204  
550,873  
% of sales  
100.00%  
90.97%  
9.03%

2008  
6,959,418  
6,218,780  
740,638  
% of sales  
100.00%  
89.36%  
10.64%

\$  
857,341  
667,577  
189,765  
%  
14.05%  
12.03%  
34.45%

Operating Expenses  
Sales Expenses  
Administrative Expenses  
OPERATING EXPENSES

278,374  
405,762  
684,136  
2.30%  
3.35%  
5.65%

338,816  
555,458  
894,274  
2.44%  
3.89%  
6.46%

60,442  
149,697  
210,139  
21.71%  
36.89%  
30.72%

137,073  
201,818  
338,891  
2.25%  
3.31%  
5.55%

185,510  
314,627  
500,137



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2.67%  
4.52%  
7.19%  
48,437  
112,810  
161,247  
35.34%  
55.90%  
47.58%

Operating Income  
COMPREHENSIVE COST OF FINANCING  
Interest Paid  
Interest (Earned)  
Exchange Loss (Gain)  
Monetary Position (gain)  
Comprehensive Cost of Financing  
443,267

-1,664  
-1,340  
1,907  
-1,486  
-2,583

3.66%

(0.01%)  
(0.01%)  
0.02%  
(0.01%)  
(0.02%)

500,454

53,621  
-1,443  
1,279  
0  
53,457

3.60%

0.39%  
(0.01%)  
0.01%  
0.00%  
0.38%

57,188

55,285  
-103  
-629  
1,486  
56,040

12.90%

(3322.58%)  
7.71%  
(32.96%)  
(100.0%)

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(2169.51%)

211,983

-4,469

690

2,176

-4,582

-6,185

3.47%

(0.07%)

0.01%

0.04%

(0.08%)

(0.10%)

240,500

47,114

-908

1,457

0

47,663

3.46%

0.68%

(0.01%)

0.02%

0.00%

0.68%

28,518

51,583

-1,598

-720

4,582

53,848

13.45%

(1154.26%)

(231.65%)

(33.07%)

(100.0%)

(870.61%)

OTHER EXPENSES (INCOME), net

NET INCOME BEFORE TAXES AND EXTRAORDINARY ITEMS

-23,241

469,091

(0.19%)

3.87%

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-23,660

470,658

(0.17%)

3.39%

-419

1,567

1.80%

0.33%

-11,936

230,104

(0.20%)

3.77%

-21,166

214,004

(0.30%)

3.08%

-9,230

-16,100

77.33%

(7.00%)

PROVISIONS FOR:

Income Tax

Asset Tax

Deferred Income Tax

Profit sharing due

Deferred Profit sharing due

Total taxes

125,518

0

-7,215

0

0

118,308

1.04%

0.00%

(0.06%)

0.00%

0.00%

0.98%

140,276

0

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-71,327  
0  
0  
68,950  
1.01%  
0.00%  
(0.51%)  
0.00%  
0.00%  
0.50%  
14,759  
0  
-64,112  
0  
0  
-49,353  
11.76%  
0.0%  
888.62%  
0.0%  
0.0%  
(41.72%)  
37,593  
0  
12,550  
-1,282  
0  
48,861  
0.62%  
0.00%  
0.21%  
(0.02%)  
0.00%  
0.80%  
39,576  
0  
-35,664  
0  
0  
3,913  
0.57%  
0.00%  
(0.51%)  
0.00%  
0.00%  
0.06%  
1,984  
0  
-48,214  
1,282  
0  
-44,948  
5.28%  
0.00%  
(384.17%)  
(100.0%)  
0.00%  
(91.99%)

Net Income Before Extraordinary Items

Extraordinary Items (Income)  
Net Income

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Depreciation and Amortization  
Operating Income plus Depreciation and Amortization

350,788

0  
350,788

51,519  
494,785

2.90%

0.00%  
2.90%

0.43%  
4.08%

401,709

0  
401,709

35,498  
535,952

2.89%

0.00%  
2.89%

0.26%  
3.86%

50,921

0  
50,921

(16,021)  
41,167

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14.52%

0.00%  
14.52%

(31.10%)  
8.32%

181,243

0  
181,243

24,385  
236,367

2.97%

0.00%  
2.97%

0.40%  
3.87%

210,092

0  
210,092

18,579  
259,079

3.02%

0.00%  
3.02%

0.27%  
3.72%

28,849

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0  
28,849

(5,806)  
22,712

15.92%

0.00%  
15.92%

(23.81%)  
9.61%