

# DOCUFORMAS

## QUARTERLY REPORT

### 3Q17





## 2 FINANCIAL AND OPERATING SUMMARY

<b>Financial Metrics</b> (in millions of pesos)	3Q17	3Q16	Change	9M17	9M16	Change
<b>Total Revenues</b>	203	242	-16%	660	666	-1%
<b>Cost of Sales</b>	100	111	-10%	348	283	23%
<b>Gross Margin</b>	103	131	-22%	312	383	-18%
%	51%	54%		47%	57%	
<b>Operating Expenses</b>	47	59	-21%	145	180	-20%
%	23%	24%		22%	27%	
<b>Net income</b>	41	38	8%	114	111	2%
%	20%	16%		17%	17%	

<b>Operating Metrics</b> (in million of pesos)				9M17	9M16	Change
<b>Total Portfolio</b>				4,107	3,805	8%
<b>Leasing Portfolio</b>				3,202	2,945	9%
<b>Credit &amp; Factoring Portfolio</b>				740	705	5%
<b>Services Portfolio</b>				126	119	7%
<b>Other Portfolio</b>				39	36	8%
<b>Real Estate Portfolio</b>				514	271	89%
<b>NPL</b>				6.24%	6.40%	-3%

<b>Financial Indicators</b>				9M17	9M16	Change
<b>R O A</b>				3.4%	3.7%	-7.8%
<b>R O E</b>				19.5%	21.5%	-9.0%
<b>Leasing Portfolio / Total Portfolio</b>				78.0%	77.4%	1%
<b>Financial Debt / Stockholders' Equity</b>				3.7	3.8	-3%
<b>Total Portfolio / Financial Debt</b>				1.4	1.4	2%
<b>Stockholders' Equity/ Total Portfolio</b>				18.9%	18.2%	4%
<b>Current Assets/ Current Liabilities</b>				1.0	1.3	-23%

# STATEMENT FROM THE CHIEF EXECUTIVE OFFICER

Over the course of more than two decades of continuous work, we have focused our efforts on offering financial solutions for SMEs, generating growth year over year in our all of our business lines, helping us become the second-largest independent leasing company in Mexico today, with a total portfolio of \$4,107 million as of September 30, 2017.

During the third quarter of 2017, the Company focused its efforts on maintaining a profitable operation through more efficient processes, cost control and measures that helped minimize the adverse effects of the current macroeconomic situation, in which interest rates have significantly increased.

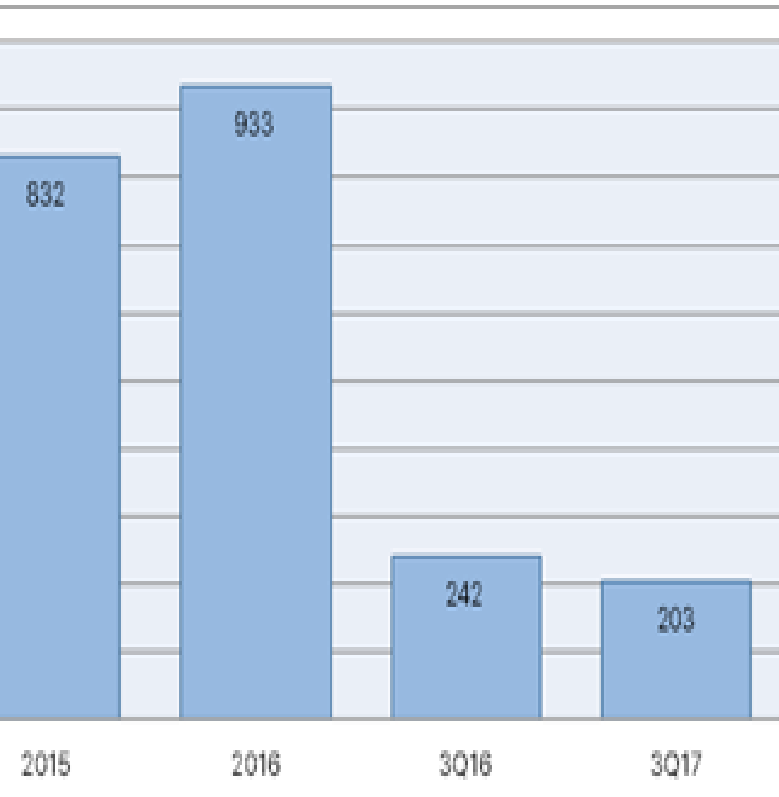
Furthermore, during October 2017, the Company issued 144-A Senior Notes in the international market aiming to improve Docuformas' debt profile, which will allow it to continue its established growth plan. Docuformas focused its efforts on the issuance of its bond in the international markets, the proceeds of which are to refinance 60% of its current debt, with the remainder to be allocated towards the Company's growth.

**Adam Wiaktor**  
**Chairman and CEO of Docuformas**

# REVIEW OF THE INCOME STATEMENT

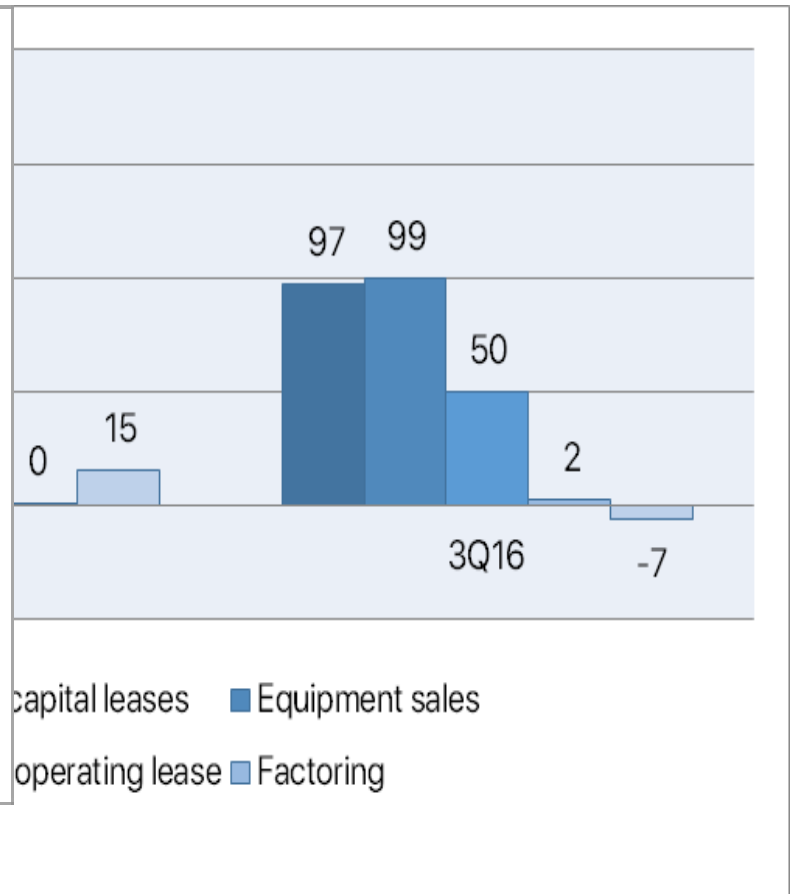
\*In millions of pesos

## REVENUE



Interest on capital leases was \$77 million compared to 3Q16 portfolio sales.

## REVENUE BY BUSINESS LINE

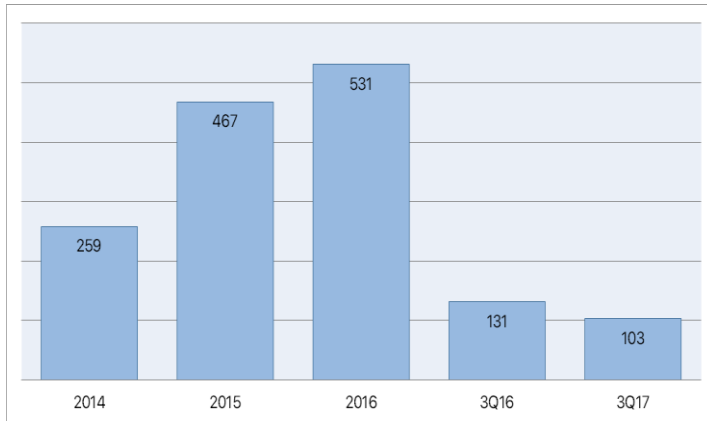


### Cost of Sales

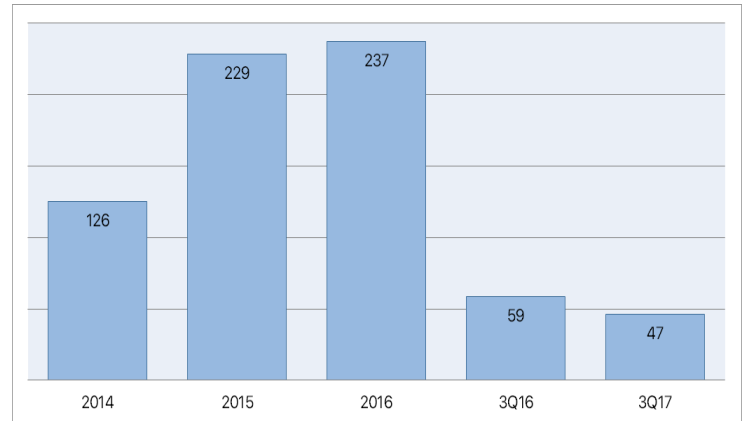
Cost of sales in 3Q17 vs. 3Q16 were down 10% consistent with the decline in revenues.

In 9M17, costs rose 23% when compared to 9M16 mainly due to higher interest rates and a \$241 million increase in the Company's financial debt, from \$2,603 million in 9M16 to \$2,844 million in 9M17.

## GROSS MARGIN



## OPERATING EXPENSES



### Gross Margin

In 3Q17, gross income was \$103 million, a decrease of 22% versus 3Q16 due to a lag in the closing of equipment financing contracts that did not occur until 4Q17.

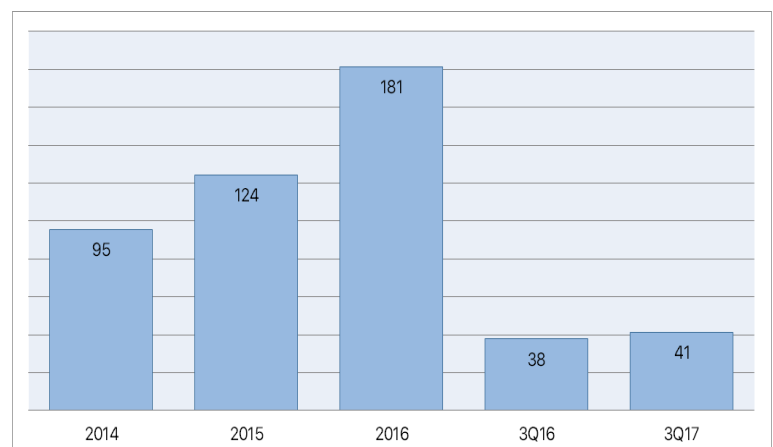
### Operating Expenses

Operating expenses decreased significantly in 3Q17, by 21% versus 3Q16, from \$59 million to \$47 million due to improved expense controls resulting from the optimization of operations following the acquisition of ARG.

## NET INCOME

Net income in 3Q17 reached \$41 million, a 8% increase versus 3Q16, derived from the aforementioned improvement in operating expenses, which were down \$12 million year-over-year. Furthermore, net income went from 16% of total sales in 3Q16 to 20% in 3Q17.

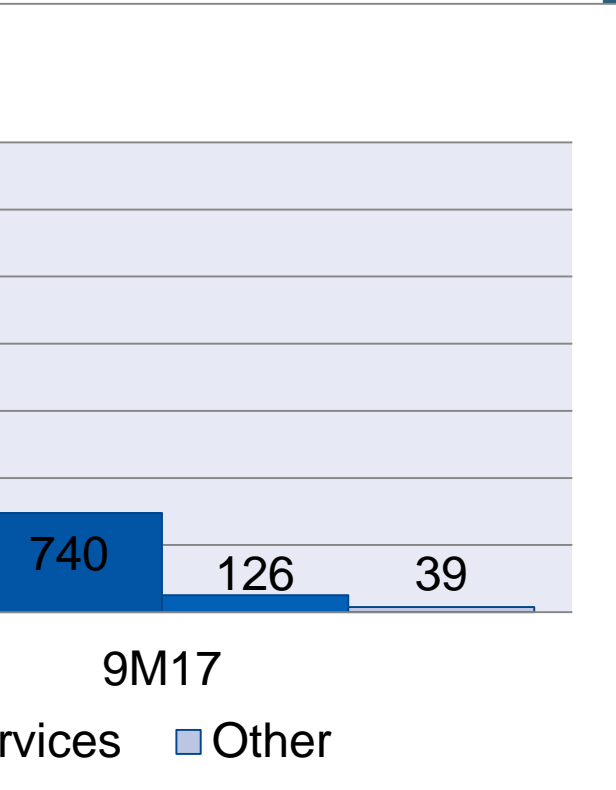
In 9M17, net income was \$114 million versus \$111 million in 9M16 (+2%). This was achieved thanks to the expense control initiatives mentioned above.



# PORTFOLIO BREAKDOWN

\*In millions of pesos

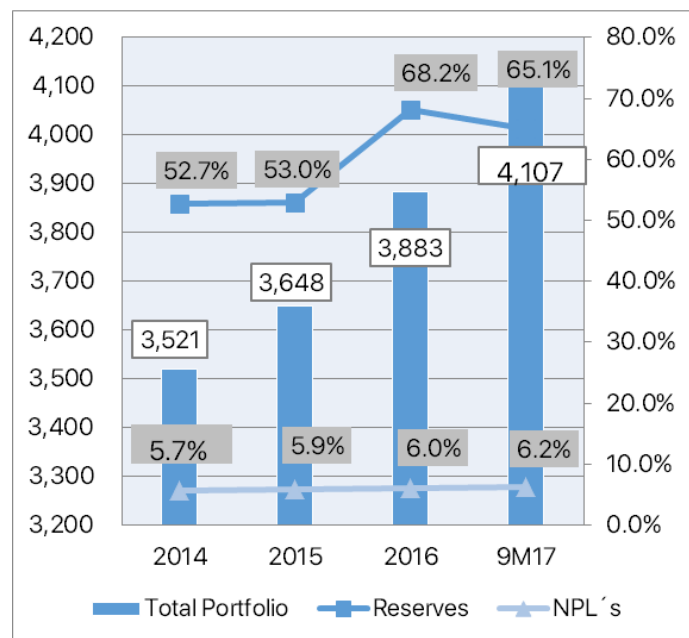
## PORTFOLIO BY BUSINESS LINE



## NON-PERFORMING LOANS

In 9M17, the total portfolio grew 8% year-over-year to \$4,107 million indicating modest origination of the Company's portfolio as well as an improvement in collections.

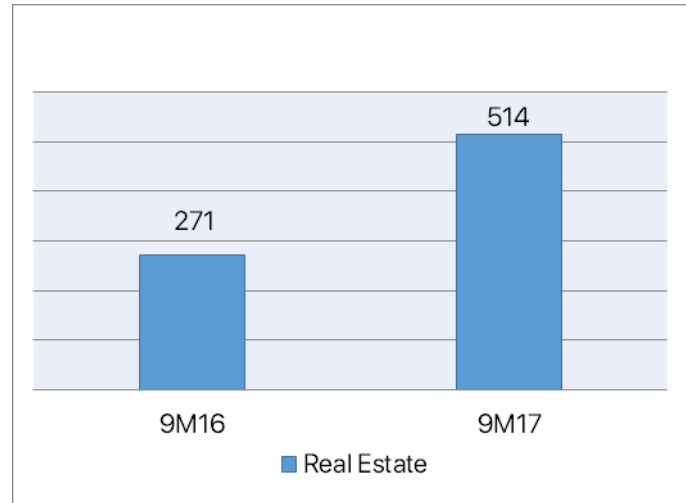
Non-performing loans (NPLs) amounted to \$254 million representing 6.2% of the total portfolio; the reserve for uncollectable accounts for the period covered 65.1% of NPLs.



\*In millions of pesos

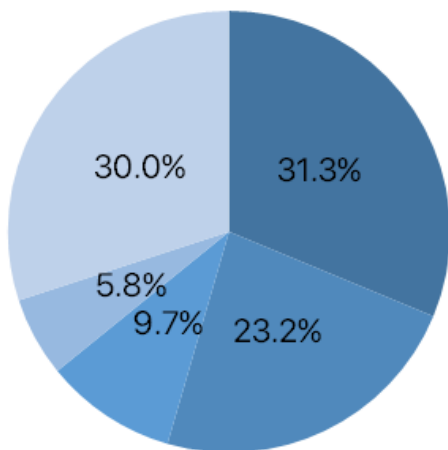
# REAL ESTATE PORTFOLIO

In 9M17, the real estate portfolio was \$514 million. Given that the Company completed the acquisition of ICI on December 5, 2016, for comparison purposes, we are presenting a pro forma portfolio size of \$271 million for 9M16 as if the Company had incorporated ICI's results for the full 9M16 period.



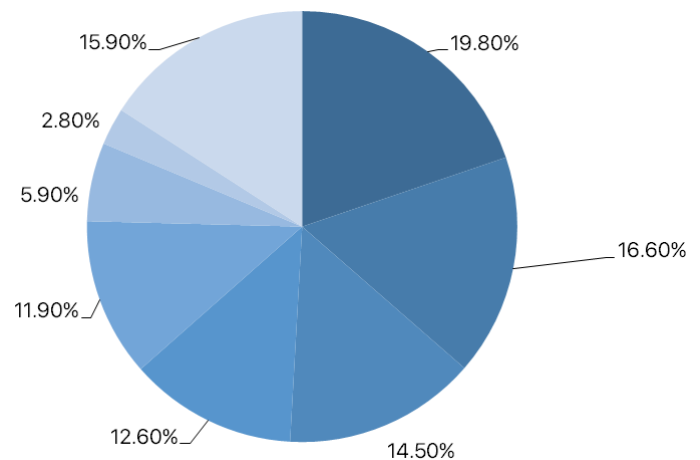
## PORTFOLIO BY REGION AND INDUSTRY

### REGION



■ Mexico City 
 ■ Mexico State  
■ Nuevo León 
 ■ Jalisco 
 ■ Others

### INDUSTRY



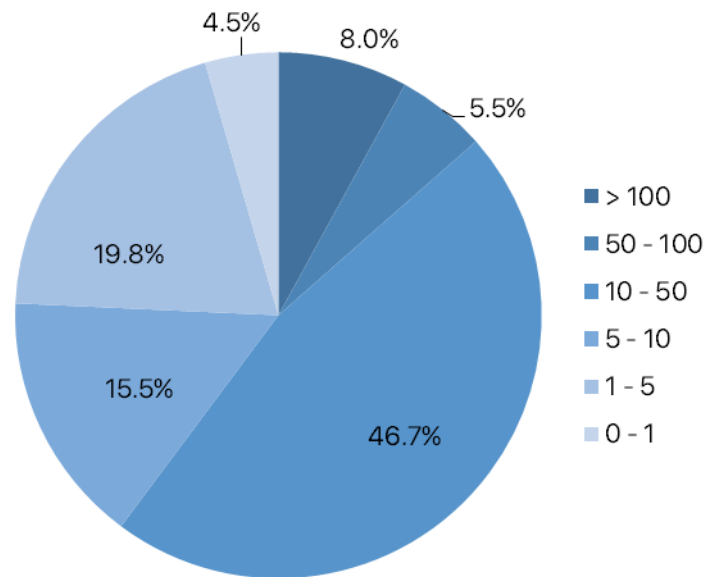
■ Financial Services 
 ■ Services 
 ■ Medical Services 
 ■ Transportation  
■ Manufacturing 
 ■ Construction 
 ■ Commercial 
 ■ Others

The majority of Docuformas' clients are located in Mexico's metropolitan area, which includes Mexico City and the State of Mexico, and most are from the service, industrial and commercial sectors.



# PORTFOLIO DISTRIBUTION

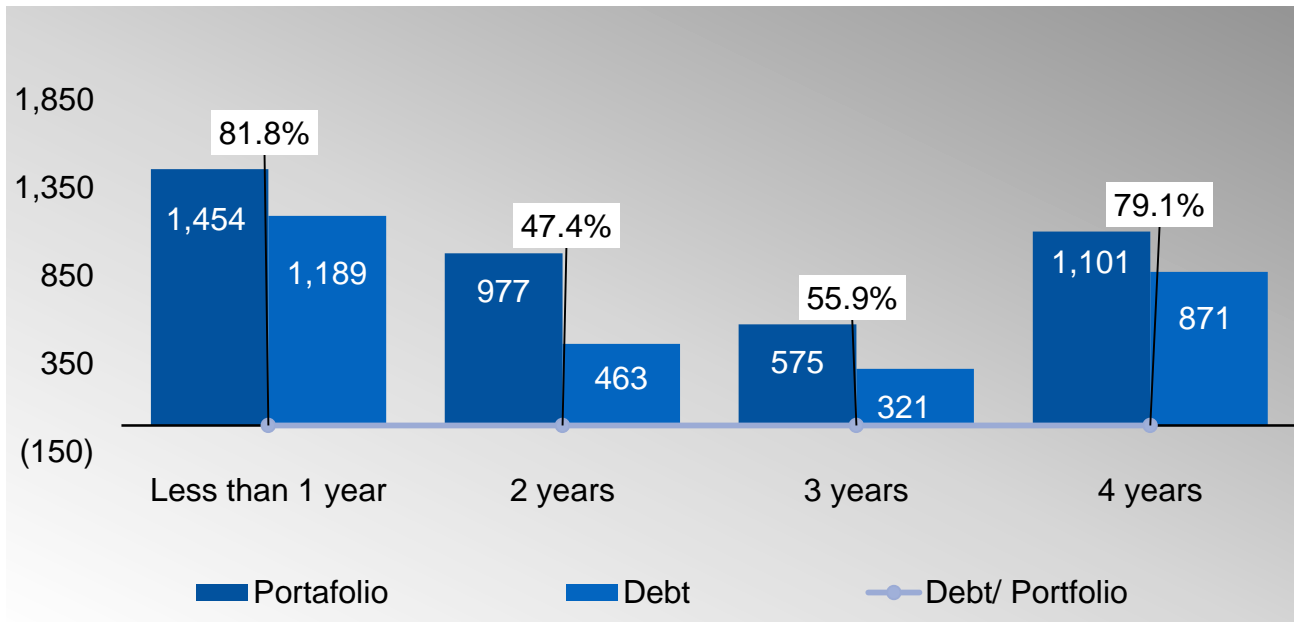
## DISTRIBUTION BY TICKET SIZE



Docuformas operates under strict policies in order to achieve its top priority of maintaining the quality of its portfolio. It is important to mention that 86.5% of the portfolio represents transaction sizes below \$50 million; thereby, keeping low concentration levels.

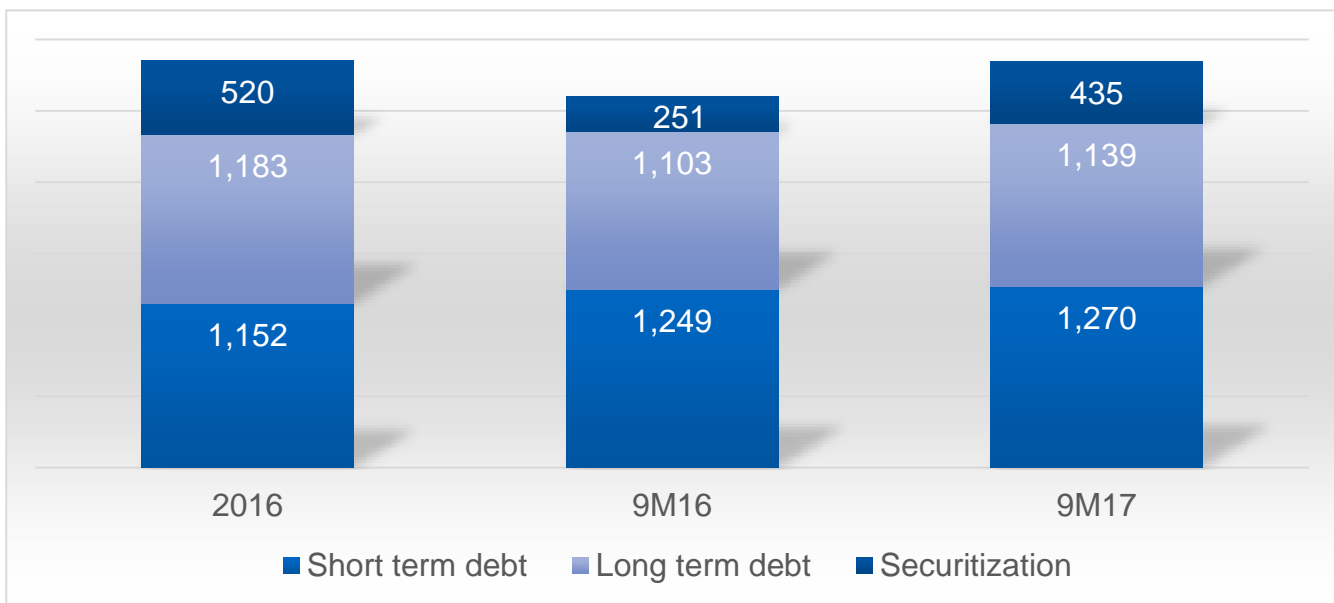
TICKET SIZE (\$ MILLION)	N° CLIENTS	%
> 100	3	8.0%
50 - 100	3	5.5%
10 - 50	93	46.7%
5 - 10	91	15.5%
1 - 5	337	19.8%
0 - 1	488	4.5%
	1,015	100.0%

# FINANCIAL DEBT



In 9M17, the total financial debt was \$2,844 million while the Company's total portfolio was \$4,107 million. The portfolio composition and the debt amortization show adequate coverage.

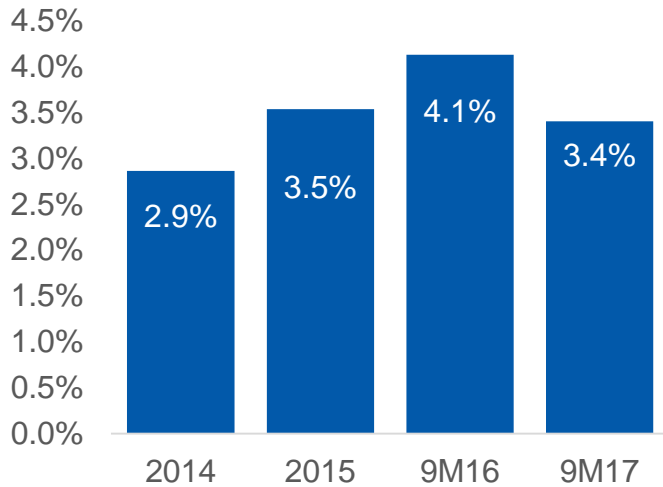
# FINANCIAL DEBT



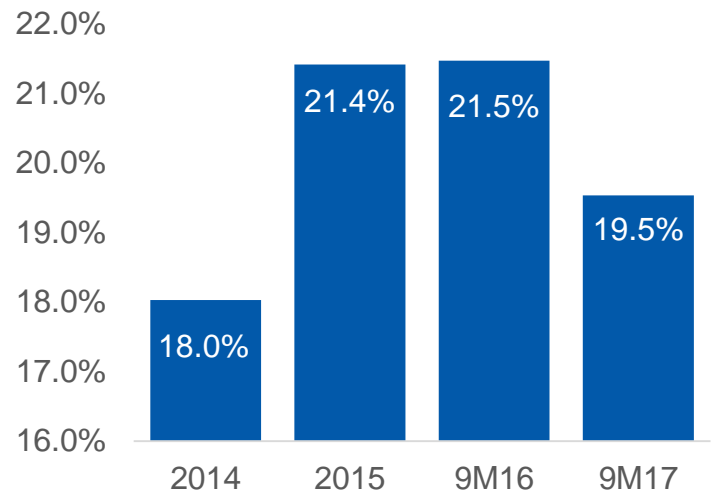
The Company is working on re-profiling its debt maturities, aiming to have more long-term debt in line with the portfolio's account receivables.

# FINANCIAL INDICATORS

## ROA

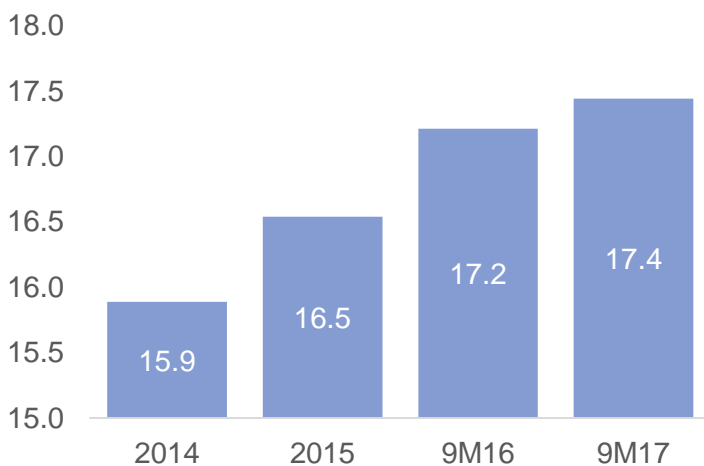


## ROE

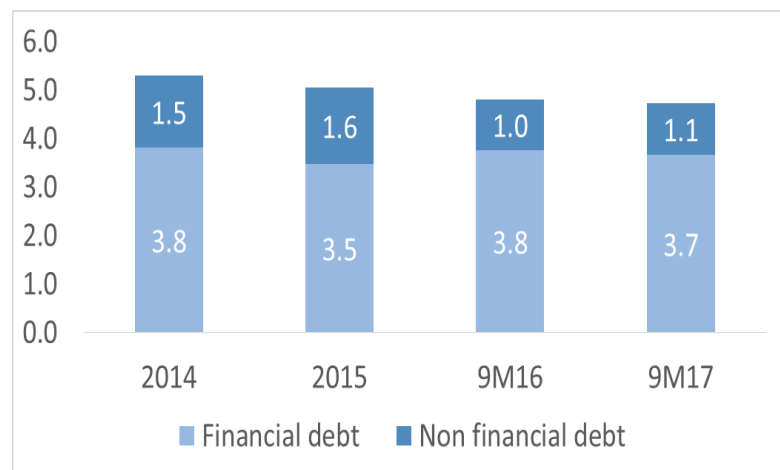


In 9M17, Return on Assets and Return on Equity were 3.4% and 14.7%, respectively.

## CAPITALIZATION RATIO



## LEVERAGE RATIO



The capitalization ratio was 17.4% in 9M17, similar to the 17.2% reported in 2016, which is an adequate capitalization ratio for the Company.

The leverage ratio in 9M17 was 3.7 for financial debt and 1.1 for non-financial debt. The leverage ratios were similar to those reported in 9M16 of 3.8 for financial debt and 1.0 for non-financial debt.

# 3Q17 CONFERENCE CALL

Thursday,  
December 7, 2017

DATE

11:00 am ET  
10:00 am Mexico Time

TIME

Presented by:

Mr. Adam Wiaktor, Chairman and Chief Executive Officer

Mr. Eduardo Limón, Chief Financial Officer

A Q&A session will follow the presentation.

To access the conference call, please dial:

1-877-888-4294 (U.S. participants)

1-785-424-1877 (International participants)

Conference ID: DOCUFORMAS

A replay of this call will be available until Midnight ET on December 14, 2017. To access the replay, please dial:

1-844-488-7474 (U.S. participants)

1-862-902-0129 (International participants)

Passcode: 11210725

## Contact Information

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## ABOUT DOCUFORMAS

Docuformas S.A.P.I. de C.V., also known as Liquid Capital, has grown to be the second largest independent leasing company in Mexico in the last 21 years. The company specializes in offering financing solutions to rapidly-growing and underserved small and medium-sized enterprises (SMEs) for the acquisition of productive assets and equipment to support growth. Docuformas provides reliable and competitive funding sources through its six main business lines: capital leasing, operating leases, transportation services, factoring, cash financing and equipment financing.

## DISCLAIMER

This document may contain certain forward-looking statements. These statements are non-historical facts, and they are based on the current vision of the Management of Docuformas S.A.P.I. De C.V. for future economic circumstances, the conditions of the industry, the performance of the Company and its financial results. The terms "anticipated", "believe", "estimate", "expect", "plan" and other similar terms related to the Company, are solely intended to identify estimates or predictions. The statements relating to the implementation of the main operational and financial strategies and plans of investment of equity, the direction of future operations and the factors or trends that affect the financial condition, the liquidity or the operating results of the Company are examples of such statements. Such statements reflect the current expectations of the management and are subject to various risks and uncertainties. There is no guarantee that the expected events, trends or results will occur. The statements are based on several suppositions and factors, including economic general conditions and market conditions, industry conditions and various factors of operation. Any change in such suppositions or factors may cause the actual results to differ from expectations.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME AS OF SEPTEMBER 30, 2017

\*In millions of pesos

REVENUES	3Q17	3Q16	9M17	9M16
Interest on capital leases	174,034	97,269	394,690	295,624
Equipment financing	(3,677)	99,321	90,926	141,426
Operating leases income	17,065	49,945	89,087	143,694
Factoring	390	2,386	1,131	7,586
Transportation services (renting)	15,019	(6,513)	84,175	77,870
<b>Total Income</b>	<b>202,831</b>	<b>242,408</b>	<b>660,009</b>	<b>666,199</b>
<b>COSTS</b>				
Interest expense	73,674	53,655	214,818	140,371
Equipment financing	(123)	43,854	48,162	53,107
Depreciation of assets under operating leases	15,408	36,534	52,553	79,497
Transportation services (renting)	10,910	(22,846)	32,298	10,241
<b>Total Costs</b>	<b>99,869</b>	<b>111,198</b>	<b>347,830</b>	<b>283,216</b>
Gross Income	102,962	131,210	312,178	382,983
Selling expenses	(5,496)	(10,478)	23,775	33,870
Administrative expenses	52,034	69,341	120,854	146,132
Operating Expenses	46,538	58,863	144,630	180,002
<b>Operating Income</b>	<b>56,424</b>	<b>72,347</b>	<b>167,549</b>	<b>202,981</b>
Other income, net	(344)	(19)	(908)	(19)
Interest income	(192)	(63)	(1,902)	(136)
Interest expenses	14,645	12,328	40,587	37,194
Net exchange loss (profit)	148	5,397	(7,398)	10,317
Valuation of derivative financial instruments	1,121	(1,196)	10,266	(3,559)
<b>Comprehensive Financing Result</b>	<b>15,721</b>	<b>16,466</b>	<b>41,553</b>	<b>43,815</b>
Income before income taxes	41,047	55,901	126,904	159,184
Income taxes	0	18,171	13,142	47,767
<b>Net income</b>	<b>41,047</b>	<b>37,730</b>	<b>113,763</b>	<b>111,417</b>

# BALANCE SHEET

## AS OF SEPTEMBER 30, 2017

\*In millions of pesos

<b>CURRENT ASSETS:</b>	<b>9M17</b>	<b>9M16</b>
Cash and cash equivalents	183,300	254,948
Capital lease receivables	1,557,680	1,713,953
Taxes due from	88,325	80,756
Sundry debtors	40,124	73,842
Related Parties due from	21,818	16,831
Other assets	56,144	39,553
<b>Total current assets</b>	<b>1,947,391</b>	<b>2,179,882</b>
<b>NON-CURRENT ASSETS:</b>	<b>9M17</b>	<b>9M16</b>
Property-furniture and equipment - Net	836,885	279,435
Long-term accounts receivable	1,446,307	1,360,616
Other assets	47,127	64,958
Derivative financial instruments	8,981	17,504
Goodwill	164,605	116,406
<b>Total Non-current assets</b>	<b>2,503,905</b>	<b>1,838,918</b>
<b>Total assets</b>	<b>4,451,295</b>	<b>4,018,801</b>

\*In millions of pesos

<b>CURRENT LIABILITIES:</b>	<b>9M17</b>	<b>9M16</b>
Current portion of long-term debt	1,265,826	1,075,081
Accounts payable	142,927	95,855
Sundry creditors	314,336	302,151
Due to related parties	195,380	148,873
Income taxes and other taxes payable	40,339	64,300
<b>Total current liabilities</b>	<b>1,958,809</b>	<b>1,686,260</b>

<b>NON-CURRENT LIABILITIES:</b>	<b>9M17</b>	<b>9M16</b>
Long-term liabilities	-	-
Long-term debt	1,578,180	1,528,063
Deferred income taxes	137,854	112,678
<b>Total long-term liabilities</b>	<b>1,716,034</b>	<b>1,640,741</b>
<b>Total liabilities</b>	<b>3,674,843</b>	<b>3,327,001</b>

<b>STOCKHOLDERS' EQUITY &amp; RESERVES:</b>	<b>9M17</b>	<b>9M16</b>
Capital stock	280,970	280,970
Retained earnings	382,017	299,899
Valuation of derivative financial instruments	- 298	- 525
Comprehensive income	113,763	111,456
<b>Total stockholders' equity and reserves</b>	<b>776,452</b>	<b>691,800</b>
<b>Total liabilities stockholders' equity</b>	<b>4,451,295</b>	<b>4,018,801</b>