

DOCUFORMAS

QUARTERLY REPORT

4Q17



DOCUFORMAS ANNOUNCES FOURTH QUARTER 2017 RESULTS

- ● ● ● ● ● Mexico City, March 14, 2018 – Docuformas S.A.P.I. de C.V. (“Docuformas”, “Liquid Capital” or the “Company”), today announced unaudited consolidated financial results for the fourth quarter (“4Q17”) and twelve-month (“12M17” or “FY 2017”) periods ended December 31, 2017. All figures are in Mexican pesos (\$) unless otherwise stated, and were prepared in accordance with requirements from the National Banking and Securities Commission (CNBV).

1. FOURTH QUARTER 2017 HIGHLIGHTS

- ❖ On October 11, 2017, the Company successfully issued its first senior notes in the amount of U.S. \$150 million with a 9.25% coupon.
- ❖ Total revenues in 4Q17 were \$346 million, 30% more than the \$267 million registered in 4Q16. For 12M17, total revenues were \$1,006 million versus \$933 million in 12M16, an increase of 8%.
- ❖ Gross profit decreased by 42% from \$148 million to \$85 million 4Q17 vs. 4Q16 and 25% from \$531 million to \$398 million FY 2017 vs FY 2016, mainly due to 1) higher interest rates, 2) the impact on costs due to the senior notes issue and 3) an overall increase in the Company’s debt.
- ❖ Net income for 4Q17 decreased to \$18 million compared to \$70 million in 4Q16 because of the cost impacts mentioned above; FY 2017 net income was also below expectations for the same reasons, dropping from \$180 million to \$132 million.
- ❖ The total portfolio grew to \$4,630 million as of December 31, 2017, up by \$747 million when compared to 2016.
- ❖ The Company’s total assets grew by 26% year over year 2016/2017 from \$4,384 million to \$5,531 million.
- ❖ Total short-term liabilities decreased by \$1,077 million or 55% year over year 2016/2017 dropping to \$877 million, while long-term liabilities increased 118% during the same period to \$3,859 million, mainly due to the pre-payment of the Company’s short-term debt with the proceeds obtained from the senior notes.
- ❖ The Company maintained a solid financial position, reflected in a 20% increase in Stockholders’ Equity from \$663 million to \$795 million.

2. FINANCIAL AND OPERATING SUMMARY

Financials Metrics (in millions of pesos)	4Q17	4Q16	Var.%	12M17	12M16	Var.%
Total Revenues	346	267	30%	1,006	933	8%
Cost of Revenues	261	119	119%	608	402	51%
Gross Profit	85	148	-42%	398	531	-25%
%	25%	55%		40%	57%	
Operating Expenses	61	58	5%	206	238	-13%
%	18%	21%		20%	26%	
Net Income	18	70	-74%	132	180	-27%
%	5%	26%		13%	19%	

Operating Metrics (in millions of pesos)	2017	2016	Var.%
Total Portfolio	4,630	3,883	19%
<i>Leasing Portfolio</i>	3,752	3,052	23%
<i>Credit & Factoring Portfolio</i>	789	709	11%
<i>Services Portfolio</i>	89	122	-27%
NPL	6.2%	6.0%	
Real Estate Portfolio	510	271	88%
Total Portfolio including Real Estate	5,140	4,154	24%

Financial Indicators	2017	2016	Var.%
R O A A	2.7%	4.6%	-42%
R O A E	18.1%	29.2%	-38%
Financial Debt / Stockholders' Equity	5.2	4.3	20%
Capitalization (Stockholders Equity/Total Assets)	14.4%	15.1%	-5%
Stockholder' Equity/ Total Portfolio	17.2%	17.1%	1%
Leasing Portfolio / Total Portfolio	81.0%	78.6%	3%
Total Portfolio / Financial Debt	1.1	1.4	-17%
Current Assets/ Current Liabilities	3.3	1.1	193%

2.1 BOND IMPACT



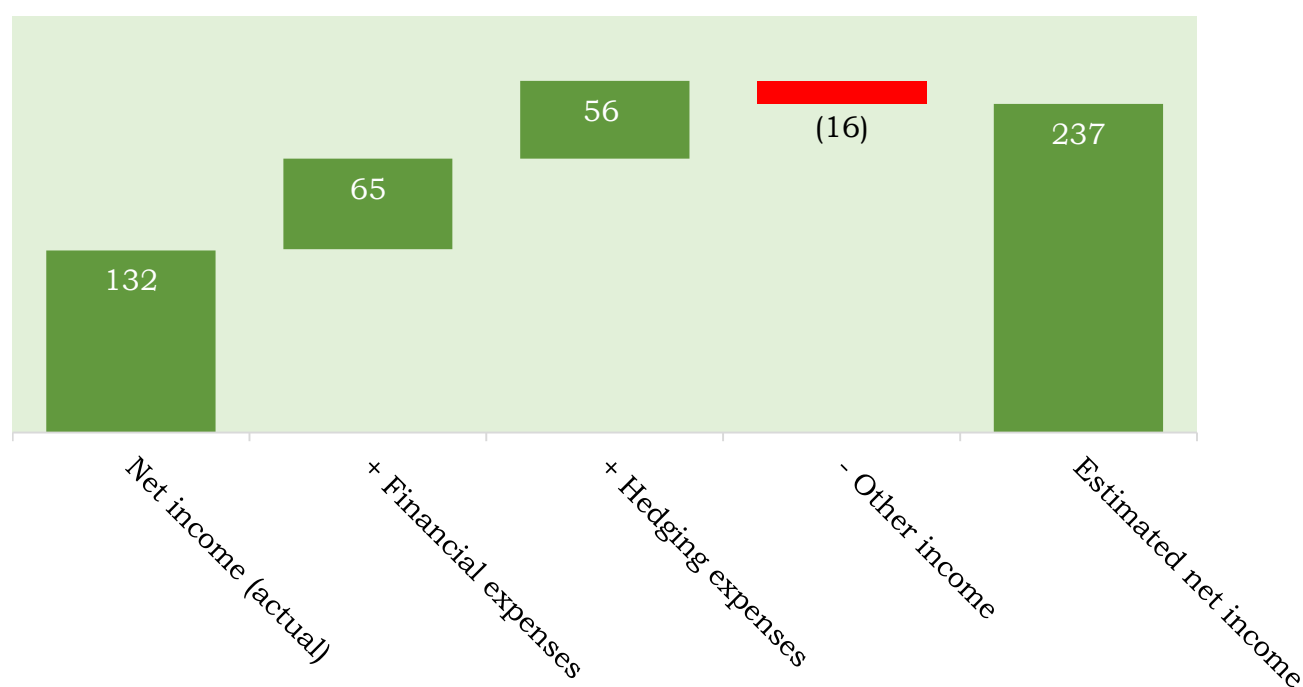
The issuance of the bond on October 11, 2017 impacted the Company's results as of December 31, 2017. Interest expense (including that from the senior notes issuance) adversely impacted net income by \$105 million; below is a summary of the main items affecting net income.

Some of the effects are going to be carried throughout 2018, while benefits will become evident in 2019.

At year-end, net income totaled \$132 million; however, excluding the bond's adverse impacts, net income for 12M17 would have been \$237 million.

*In millions of pesos

Item	12M17 Adj.	Description
Net income (actual)	132	Real 2017 income
+ Financial expenses	65	Interest on notes, prepayment costs & issuance expenses
+ Hedging expenses	56	Hedge FX expense
- Other income	-16	Tax benefit & other
Net income (after adjustments)	237	Net income adjusted for extraordinary item related to notes issuance



STATEMENT FROM THE CHIEF EXECUTIVE OFFICER

The fourth quarter of 2017 marked a key milestone in the evolution of Docuformas as we tapped the international capital markets for the first time through our issuance of U.S. \$150 million in senior notes. While the short-term effects of the bond have had a negative impact on our costs and bottom line, the new resources raised have been utilized to pre-pay expensive short-term debt and prepare us for the next stage of growth.

In the last three months of 2017, Docuformas reported solid growth in revenue and total assets, while our total portfolio reached \$4,630 million as of December 31, 2017. To help offset the negative effects of the bond issuance, the Company focused its efforts on maintaining a profitable operation through more efficient processes, cost controls and measures that helped minimize the adverse effects of the current macroeconomic situation, in which interest rates have significantly increased.

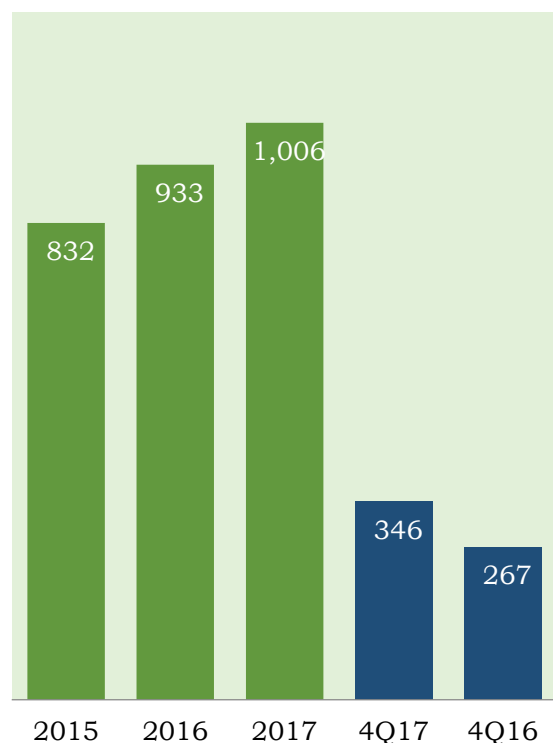
2018 will be a period in which we execute our capital deployment strategy to achieve our growth target of 20%. Docuformas is well-positioned to continue delivering quality leasing solutions to a growing client base, with the financial profile to comfortably withstand the fluctuations expected in Mexico's interest rate environment during this election year.

Adam Wiaktor
Chairman and CEO of Docuformas

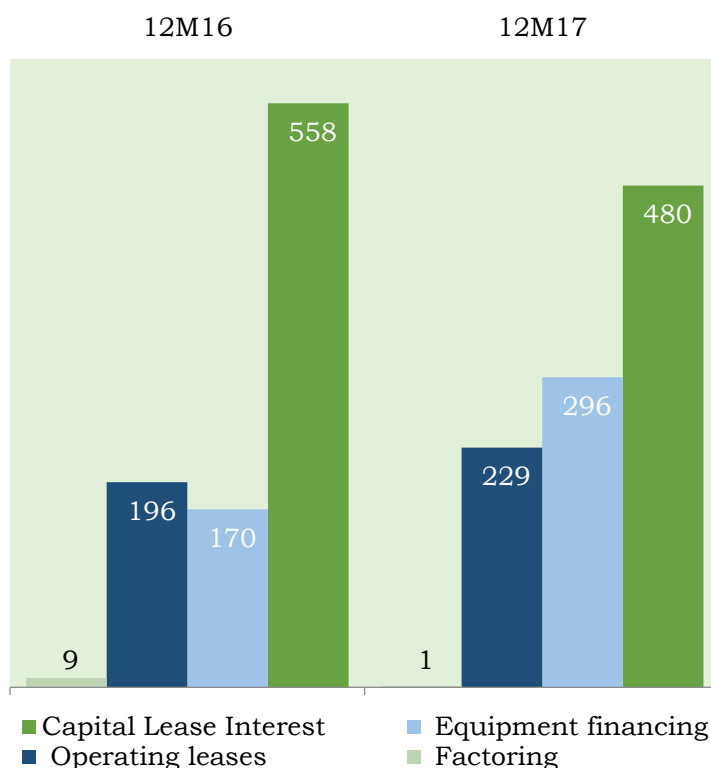
REVIEW OF THE INCOME STATEMENT

*In millions of pesos

Revenue



Revenue by product line



Total Revenues

Total revenues increased 30%, from \$267 million in 4Q16 to \$346 million in 4Q17, mainly due to strong origination in the quarter. In 12M17, revenues increased by 8% versus 12M16, indicating overall growth in the origination of the Company's portfolio.

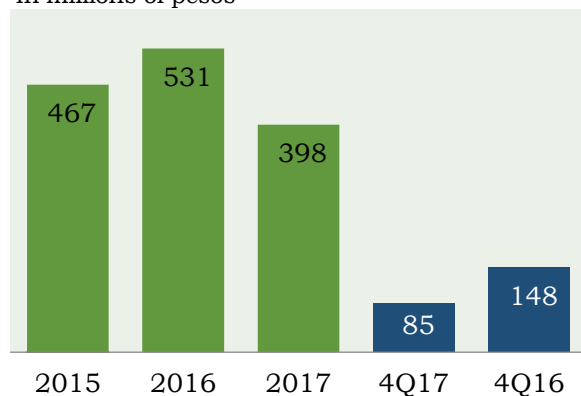
Equipment financing and operating leases were the business lines that reported the strongest performance during the year, up \$126 million and \$33 million respectively compared to 12M16; while capital lease interest decreased around \$78 million mainly due to some customer prepayments in 2017 and some portfolio sales in 2016.

Cost of Revenues

Cost of revenues increased 119% 4Q17 vs. 4Q16 (from \$119 million to \$261 million) and for 12M17 costs rose 51% or \$206 million when compared to 12M16 (from \$402 million to \$608 million), this increase in costs was mainly due to higher interest rates and the financial expenses derived from the issuance of the senior notes.

Gross Profit

*In millions of pesos

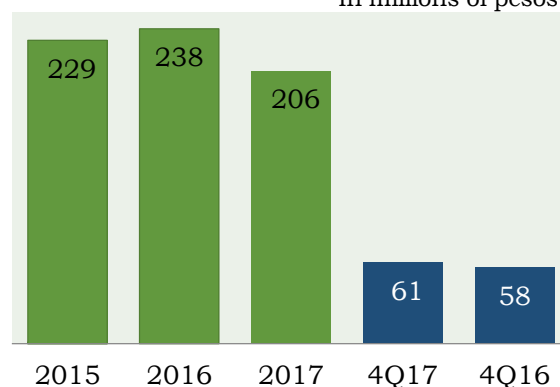


In 4Q17, gross profit was \$85 million, a decrease of 42% versus 4Q16 due to financial expenses derived from the bond issuance. Even though total revenues increased, the incremental costs adversely impacted gross profit FY 2017 which decreased by 25% from FY 2016.

Operating Expenses

Operating expenses increased 5% in 4Q17 versus 4Q16, from \$58 million to \$61 million. However, operating expenses for the full year 2017 decreased significantly by 13% versus 12M16, from \$238 million to \$206 million, mainly due to improved expense controls resulting from the optimization of operations following the acquisition of ARG and ICI.

*In millions of pesos



Interest Expenses & Hedging Costs

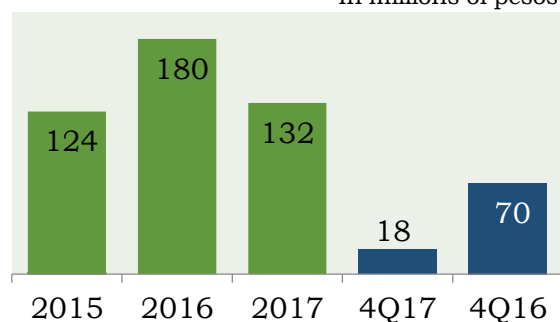
During 4Q17, the Docuformas contracted short-term hedges*, which cost \$56 million. The Company also incurred interest expense of \$58 million on the outstanding balance of its Credit Suisse acquisition financing loan, for a total of \$114 million for FY 2017.

**In January 2018, the company fully hedged its currency exposure, both interest and principal, from the senior notes for the entire life of the issue.*

Net Income

Net income in 12M17 was \$132 million, a \$48 million decrease versus 12M16, due to financial costs derived from the bond issuance, which were offset by improved operating expenses as well as an increase in total revenues and a recovery of income taxes.

*In millions of pesos



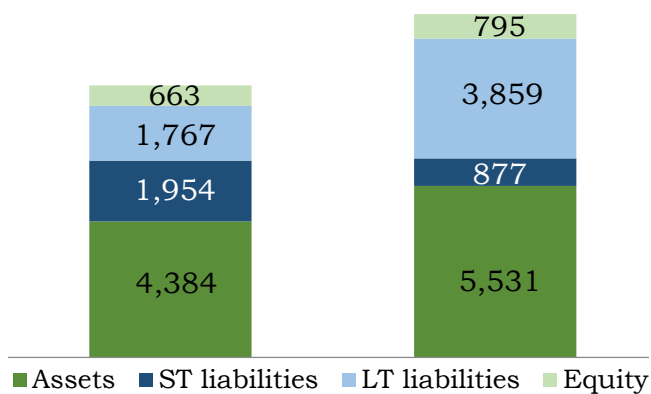
BALANCE SHEET & PORTFOLIO ANALYSIS

*In millions of pesos

Balance sheet analysis

2016

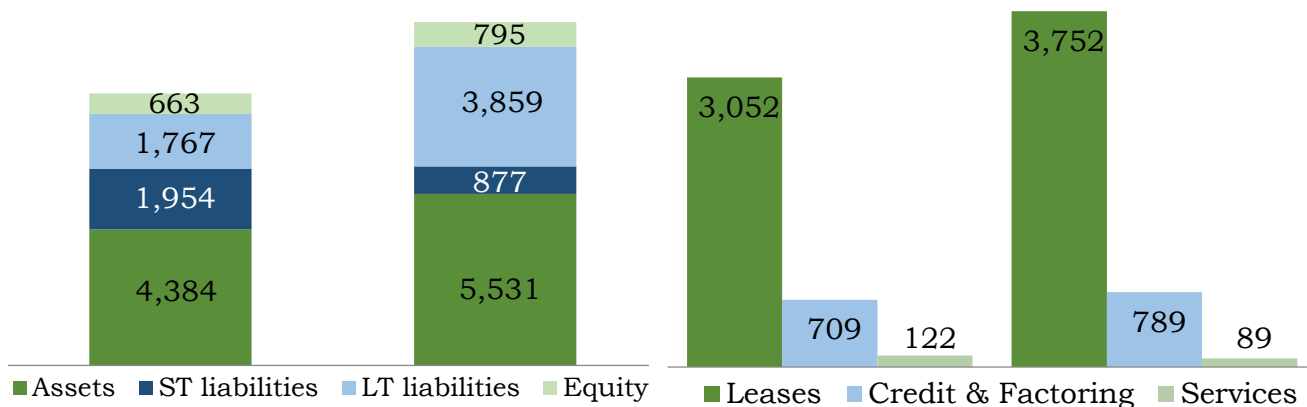
2017



Portfolio by business line

2016

2017



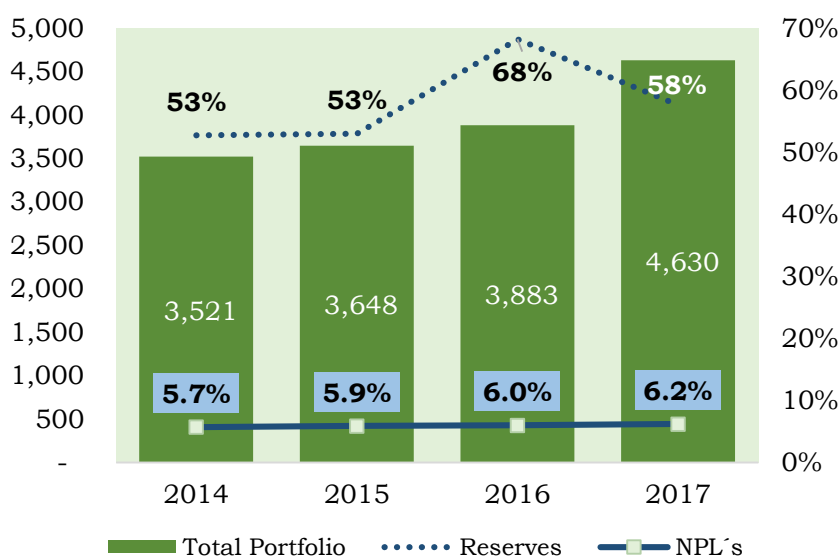
Balance Sheet & Portfolio by Business Line

Total assets at year end 2017 vs 2016 increased by \$1,147 million with an increase in liabilities of \$1,015 million. In terms of tenors, short term liabilities decreased by \$1,077 million from 2016 to 2017, derived from the prepayment of most of the Company's debt as stipulated on the Offering Memorandum.

In 12M17, the total portfolio grew 19% year-over-year to \$4,630 million indicating strong origination of the Company's portfolio as well as an improvement on collections.

Non-Performing Leases

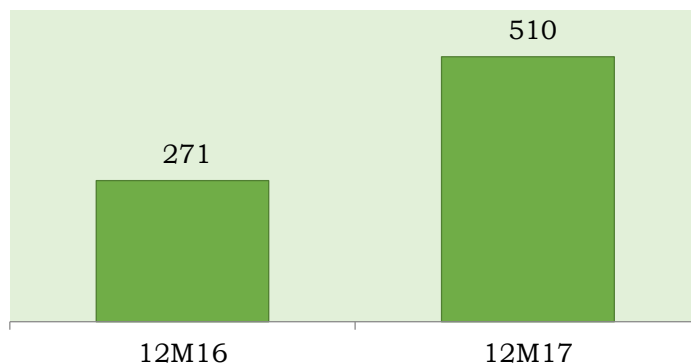
Non-performing leases (NPLs) as of December 31, 2017 stood at \$287 million or 6.2% of the total portfolio, similar to the 6.0% for 2016; the reserve for losses stood at \$166 million or 58% of the NPL amount.



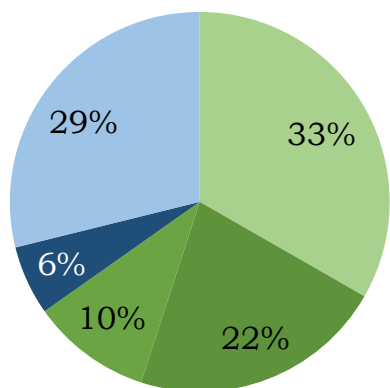
*In millions of pesos

Real Estate Assets

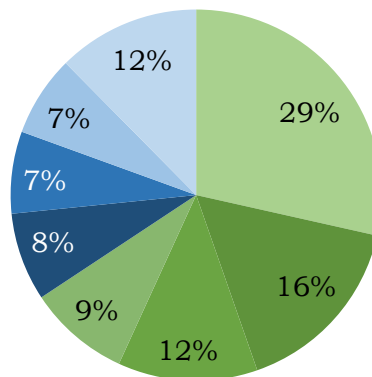
As of December 31, 2017, the real estate assets totaled \$510 million, compared to \$271 million on December 31, 2016, an increase of \$239 million or 88% due to a continuing investment in real estate assets.



PORTFOLIO BY REGION AND INDUSTRY



- Mexico City
- Mexico State
- Nuevo León
- Jalisco
- Others

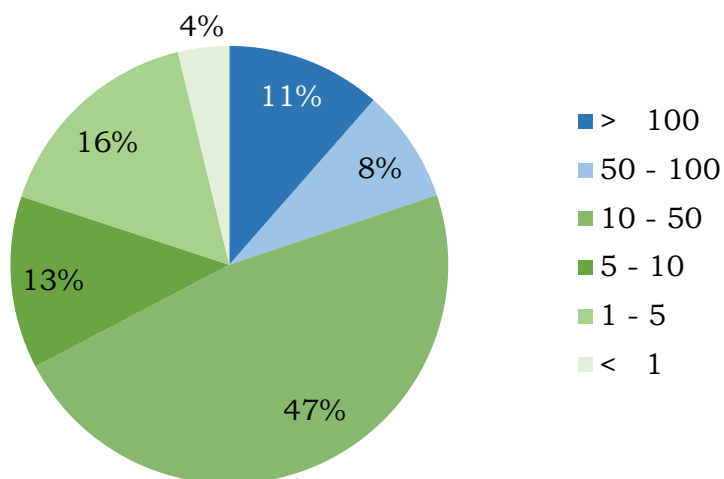


- Services
- Industrial
- Commerce
- Financial Services
- Medical Services
- Construction
- Printing
- Others

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

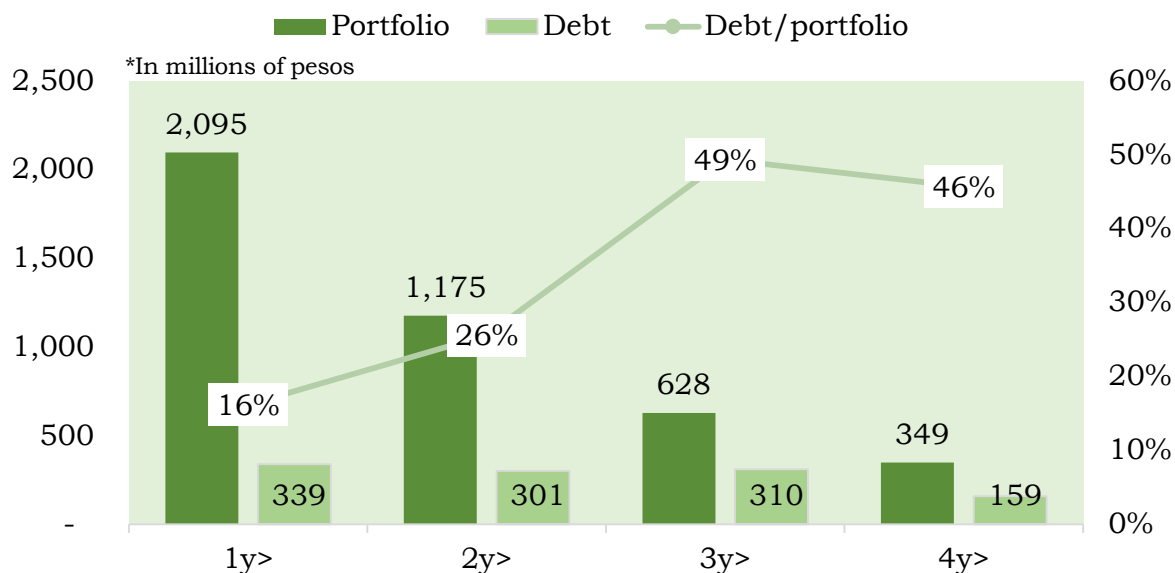
Distribution by ticket size



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 81% of the portfolio represents transaction sizes below \$50 million; thereby, keeping low concentration levels.

Ticket Size (\$ Million)	N° Clients	%
> 100	5	11%
50 - 100	6	8%
10 - 50	95	47%
5 - 10	82	13%
1 - 5	300	16%
< 1	490	4%
TOTAL	978	100%

PORTFOLIO AND FINANCIAL DEBT RUN-OFF

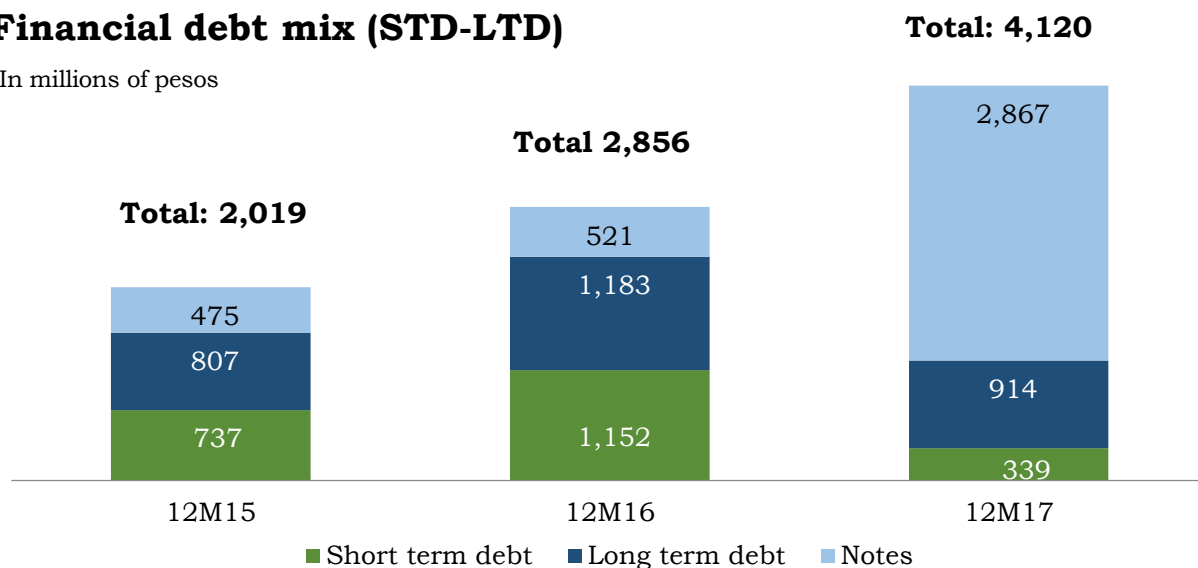


In the next 4 years, Docuformas' portfolio of \$4,247 millions and its run-off compares favorably to the Company's total financial debt amortization, which amounts to \$1,109 million. The portfolio composition and the debt amortization show adequate coverage.

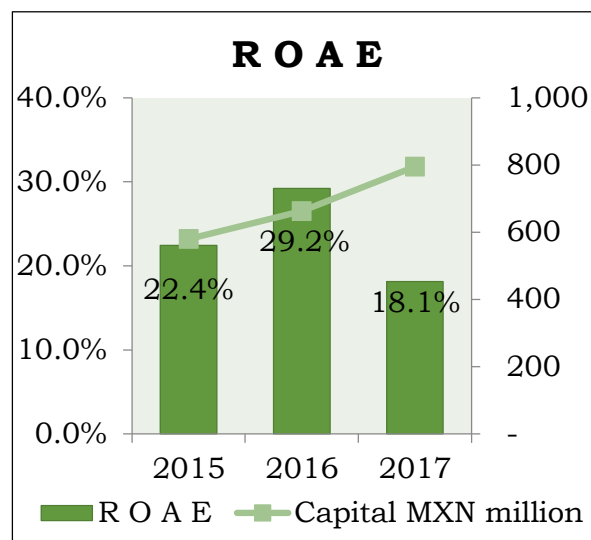
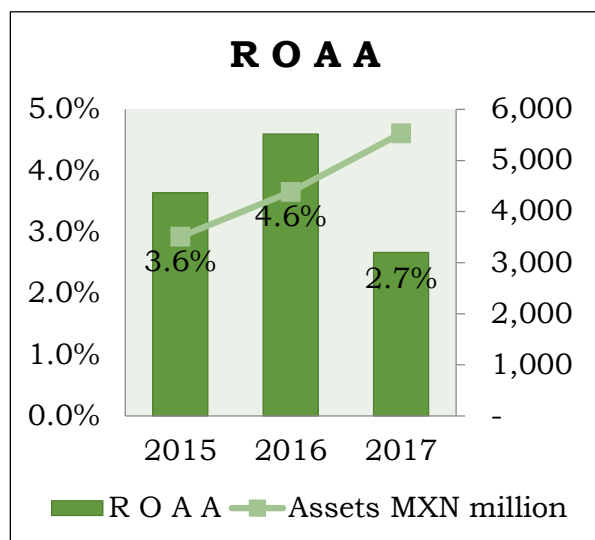
With the issuance of the bond, financial debt amortizations for 4 years were reduced significantly, one of the key reasoning behind the issuance of the notes.

Financial debt mix (STD-LTD)

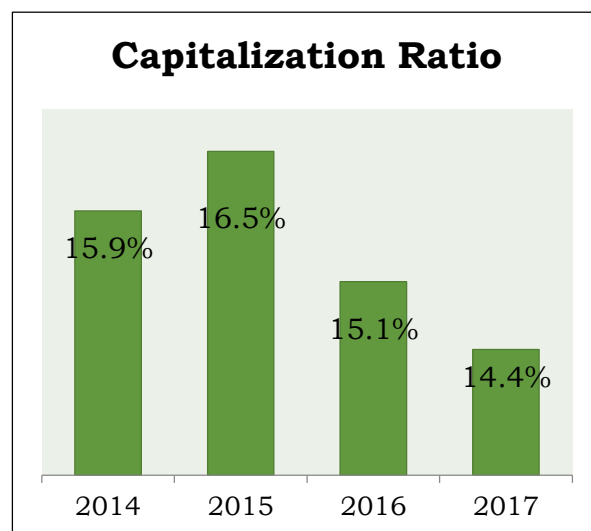
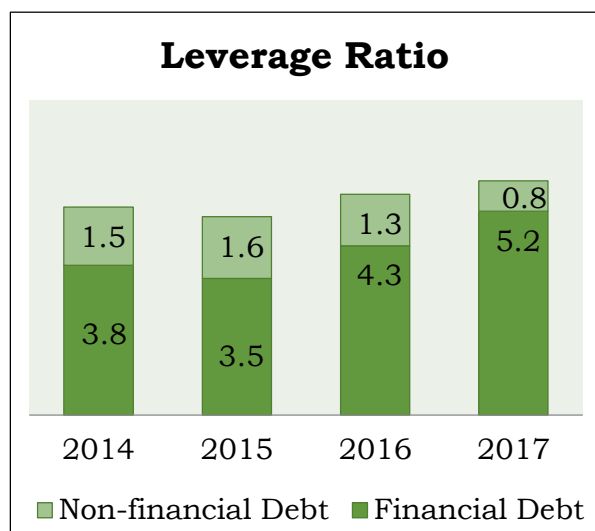
*In millions of pesos



FINANCIAL INDICATORS



In 12M17, Return on Average Assets and Return on Average Equity were 2.7% and 18.1%, respectively, somewhat lower than previous years due to the costs impacts mentioned in this presentation.



The capitalization ratio was 14.4% in 12M17, similar to the 15.1% reported in 2016, which is an adequate capitalization ratio for the Company.

The leverage ratio in 12M17 was 5.2 for financial debt and 0.8 for non-financial debt. The leverage ratios were similar to those reported in 12M16 of 4.3 for financial debt and 1.3 for non-financial debt, a difference of only 0.4 yet a much better debt profile.

4Q17 CONFERENCE CALL

DATE

Thursday,
March 15, 2018

TIME

11:30 am ET
9:30 am Mexico Time

Presented by:

Mr. Adam Wiaktor, Chairman and Chief Executive Officer
Mr. Eduardo Limon, Chief Financial Officer
Mr. Ramon Barreda, Investor Relations Manager

A Q&A session will follow the presentation.

To access the conference call, please dial:

1-877-888-4291 (U.S. participants)

1-785-424-1878 (International participants)

Conference ID: 3628

A replay of this call will be available on March 15, 2018 at 2:00 pm ET for 7 days. To access the replay, please dial:

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

1-862-902-0129 (International participants)

Passcode: 84922218

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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 AND LOSS AS OF DECEMBER 31, 2017

*In millions of pesos

	4Q17	4Q16	12M17	12M16
REVENUES				
Interest on capital leases	85	263	480	558
Equipment financing	205	(10)	296	170
Operating leases	56	13	229	196
Factoring	0	1	1	9
Total income	346	267	1,006	933
COSTS				
Interest expense	131	74	345	214
Equipment financing	112	28	192	139
Depreciation of assets under operating leases	18	17	71	49
Total costs	261	119	608	402
GROSS INCOME	85	148	398	531
Selling expenses	11	51	35	85
Administrative expenses	50	7	171	153
Operating expenses	61	58	206	238
OPERATING INCOME	24	90	192	293
Other (income) expenses, net	(1)	0	(1)	0
Interest income	(3)	(2)	(5)	(2)
Interest expenses	74	12	114	50
Net exchange loss (profit)	2	(1)	(5)	9
Valuation of derivative financial instruments	(1)	(2)	8	(5)
Comprehensive financing result	72	7	114	52
INCOME BEFORE INCOME TAXES	(49)	83	79	241
Income taxes	(67)	13	(53)	61
NET INCOME	18	70	132	180

BALANCE SHEET AS OF DECEMBER 31, 2017

*In millions of pesos

	12M17	12M16
ASSETS		
Current Assets		
Cash and cash equivalents	924	429
Accounts receivables	1,735	1,545
Taxes due from	98	117
Sundry debtors	28	22
Related parties due from	3	19
Other assets	54	37
Inventory	11	0
Total current assets	2,853	2,169
Non-current assets		
Property-furniture and equipment - net	842	650
Long-term receivable	1,613	1,300
Other assets	48	81
Derivative financial instruments	10	19
Goodwill	165	165
Total non-current assets	2,678	2,215
Total assets	5,531	4,384

*In millions of pesos

12M17 12M16**LIABILITIES****Current liabilities**

Current portion of long-term debt	319	1,254
Accounts payable	170	94
Sundry creditors	275	284
Due to related parties	75	273
Income taxes and other taxes payable	38	49

Total current liabilities	877	1,954
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Non-current liabilities

Long-term debt	3,801	1,602
Deferred income tax	58	165

Total non-current liabilities	3,859	1,767
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Total liabilities	4,736	3,721
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STOCKHOLDERS' EQUITY & RESERVES

Capital stock	281	281
Retained earnings	382	201
Current year net income	132	181

Total Stockholders' equity and reserves	795	663
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Total liabilities and stockholders' equity & reserves	5,531	4,384
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