

# **Docuformas**

## **Corporate Presentation**

*March 2018*

# Docuformas' key milestones

1996    2006    2008    2010    2012    2013    2014    2015    2016    2017

Docuformas **taps local capital markets**, becoming the first mid-sized company to issue local debt in the Mexican Market

Docuformas **issues structured public debt** secured by its receivables

First five **Liquid Capital franchises** are opened

Initial **integration of the ARG acquisition**

Docuformas **taps international markets**, issuing U.S. \$150 million senior notes with 9.25% coupons

**Docuformas is founded** by Adam Wiaktor with a focus on Xerox leasing equipment

The **Abraaj Group** (formerly Aureos) **invests in Docuformas**

**Master Franchise Agreement** is signed with Liquid Capital Corp and Liquid Capital Mexico is born

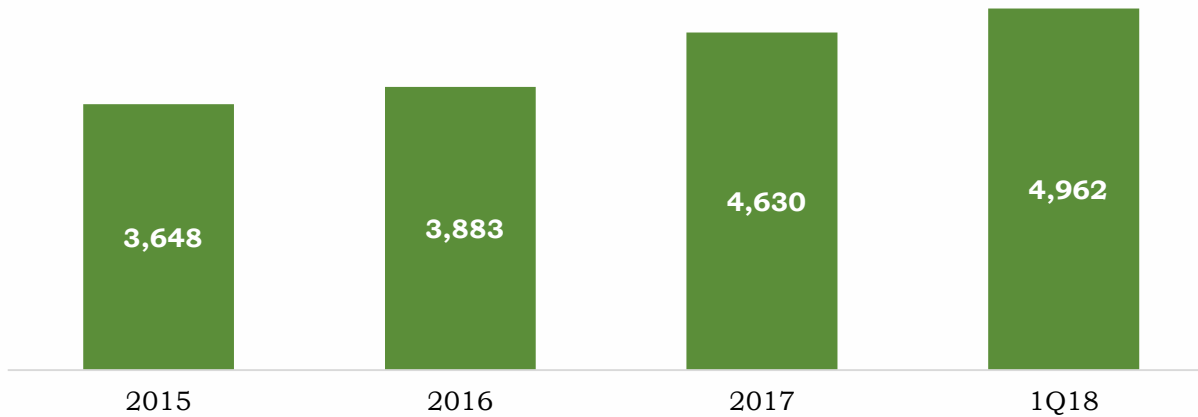
**Docuformas acquires ARG**, a leasing company specialized in transportation, creating the **#2 independent leasing player** in Mexico.

**Liquid Capital acquires ICI**, expanding into the real estate lending business, and **finalizes the ARG integration**

...have led us to consistent growth and profitability

## Total Portfolio

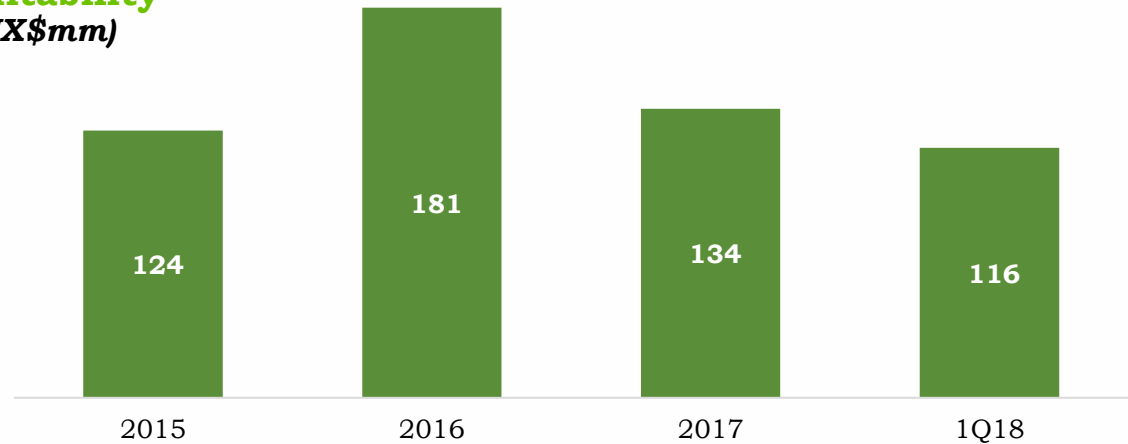
In (MX\$mm)



Since its inception, **Docuformas** has had consistent growth in portfolio year over year and a solid growth in profitability and other key metrics

## Profitability

In (MX\$mm)



Throughout the years, the Company has:

- ✓ Maintained profit growth and profit margins **above its competitors**

# Docuformas at a glance

## Business description



**Largest independent leasing** company in Mexico providing specialized financing of productive assets (including leases, loans and factoring) to SMEs and individuals.

Three key elements to success:

- 1 Targets the rapidly growing and under-banked **SME segment**
- 2 Tailored products to finance **specialized productive assets**
- 3 Personalized assessment and **quick response time** to clients

## Key financial highlights

Financial Indicators	2015	2016	2017	1Q18
ROAA*	3.5%	4.1%	2.2%	7.6%
ROAE*	21.4%	27.3%	16.8%	58.8%
Financial Debt / Stockholders' Equity	3.5	4.3	5.6	5.6
Capitalization (Stockholders' Equity/ Total Assets)	16.5%	15.1%	13.0%	12.8%
Stockholder' Equity/ Total Portfolio	15.9%	17.1%	17.2%	15.7%
Leasing Portfolio / Total Portfolio	81.0%	78.6%	81.0%	76.3%
Total Portfolio / Financial Debt	1.8	1.4	1.0	1.1
Current Assets/ Current Liabilities	1.0	1.1	2.9	3.0

Note:  
\*Annualized ROAA and ROAE include benefits from FX gains

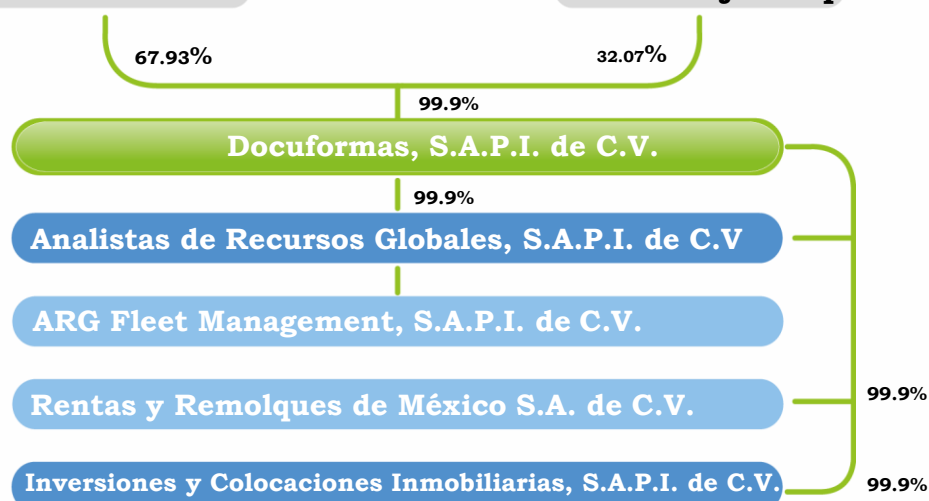
## Corporate structure



**Adam Wiaktor**



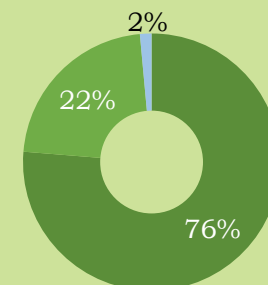
**The Abraaj Group**



Experienced management team, with a focus on adequate risk management and high corporate governance standards

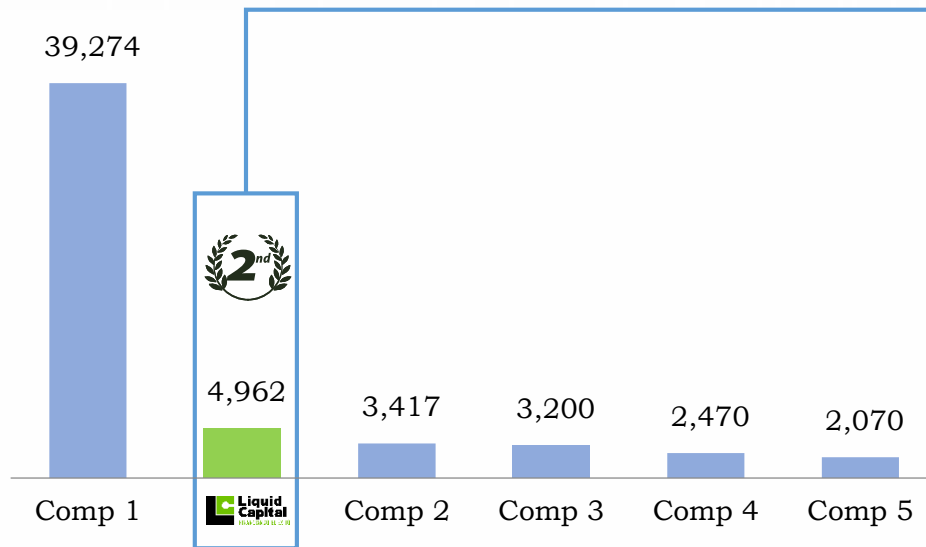
### Portfolio breakdown by product

- Leases
- Credit & Factoring
- Services



# Leading and established leasing specialist

## Main independent players' portfolio size (MX\$mm)<sup>1</sup>



## Insights

- Liquid Capital is the #2 largest independent leasing company in Mexico
- Limited number of players serving Mexican SMEs' proven demand for leasing products
- Industry is characterized by "barriers to scaling" rather than barriers to entry
  - Main barrier to scaling is its players' lack of access to financing

### Liquid Capital : A differentiated and established platform

- 21 years of experience in the leasing space with focus on meeting the needs of SMEs in Mexico
- Required infrastructure in place to support growth
  - Tailor-made systems and technology
  - Mix of third-party and in-house IT solutions
- Robust and efficient origination and collections processes
- Purchasing power with equipment manufacturers, dealers and suppliers
- Access to multiple, reliable and competitive funding sources:
  - Securitizations
  - Local public debt
  - Bank loans
  - Development banks
  - Strong cash flow generation
- Initiatives in place to build employees' human capital and improve retention
  - Corporate university
  - Well-aligned incentive structure

Source: Company and AMSOFAC

Note:

<sup>1</sup> As of September 31, 2017, except for Liquid Capital's portfolio, which is as of March 31, 2018

# Bond terms & use of proceeds

As stated earlier, the company issued U.S. \$150 million **senior notes** with a 9.25% coupon due in 2022

## Use of proceeds:

- As of March 31<sup>st</sup> 2018, with the proceeds from the senior notes, the Company has:
  - 1 Prepaid almost 60% of the its debt or MXN 1.6bn = decrease of MXN 1bn short-term liabilities
  - 2 Completely hedged the notes and the coupons associated with the notes = no more FX fluctuations risks
  - 3 Continued to strengthen operations and growth using the remaining resources from the bond

## Funding strategy:

- As of 1Q18, the company has launched its 2018 funding strategy:
  - 1 Possible follow on issue of the senior notes
  - 2 Unsecured debt with international funds & financial institutions
  - 3 Private securitizations in the local market
  - 4 Long-term publicly-traded issues in the local market

The company estimates, given the current origination, that by the 4<sup>th</sup> quarter 2018, more funds will be needed to continue its growth

# Leading and established leasing specialist



1. Ample **product strategy**



**1 Well-designed and adapted product offering to finance productive assets for underserved Mexican SMEs**

2. Rapid **origination**



**2 Powerful and effective go-to-market model**

3. **Diversified** portfolio



**3 Diversified portfolio across clients and industries**

4. **Efficient** operating platform



**4 Fast and disciplined credit approval combined with an efficient collection process resulting in robust asset quality**

5. **Prudent leverage** policy



**5 Strong balance sheet and prudent funding strategy**

6. Consistent **top line growth & profitability**



**6 Highly efficient operation yielding consistent profitability**

7. **Highly experienced** team



**7 Experienced management and strong corporate governance**

# Well-designed and adapted product offering...

Six main products provide attractive proposition for customers

	Capital Leasing	Operating Leases		Transportation Services (Renting)	Factoring	Cash Financing	Equipment Financing
		Equipment	Real Estate				
<b>Description</b>	<ul style="list-style-type: none"> <li>Leasing products with an option to purchase such equipment at the conclusion of the lease term</li> </ul>	<ul style="list-style-type: none"> <li>Leasing products without an option to purchase the underlying asset or equipment upon the conclusion of the lease term</li> </ul>	<ul style="list-style-type: none"> <li>Sale and lease back of real estate assets</li> </ul>	<ul style="list-style-type: none"> <li>Integrated leasing solutions that include the equipment, as well as any supplies, service and maintenance required by such equipment</li> </ul>	<ul style="list-style-type: none"> <li>Short-term liquidity and financing through discounting A/R and provision of vendor-financing and revolving credit lines</li> </ul>	<ul style="list-style-type: none"> <li>Secured and unsecured cash loans as a form of non-asset-based lending</li> </ul>	<ul style="list-style-type: none"> <li>Purchase and resale or lease of equipment with financing – equipment serves as collateral</li> </ul>
<b>Value to Customer</b>	<ul style="list-style-type: none"> <li>Leasing of productive assets or to obtain liquidity via the monetization of assets</li> <li>Can create tax benefit (interest and depreciation)</li> </ul>	<ul style="list-style-type: none"> <li>Can create tax benefit (operating expense)</li> </ul>	<ul style="list-style-type: none"> <li>Monetization of assets that consume clients' capital</li> <li>Allows clients to utilize proceeds for expansion of core business</li> </ul>	<ul style="list-style-type: none"> <li>Allows customers to deduct full cost of vehicle ownership for tax purposes</li> </ul>	<ul style="list-style-type: none"> <li>Improve cash conversion cycle</li> <li>Merchant loan structure allows clients to monetize contracted cash flows that have not yet been invoiced</li> </ul>	<ul style="list-style-type: none"> <li>Access to financing that complements bank offerings</li> </ul>	<ul style="list-style-type: none"> <li>Access to financing that complements bank offerings</li> </ul>
<b>Typical Tenor</b>	24 – 36 months	24 – 36 months	5 – 7 years	12 – 36 months	30 – 60 days	24 – 36 months	24 – 60 months
<b>Indicative Amounts</b>	MX\$1 – 40mm	MX\$1 – 40mm	MX\$15 – 60mm	MX\$1 – 10mm	MX\$1 – 20mm	MX\$1–40mm	MX\$1–40mm



# ...for underserved Mexican SMEs

## 1 Underserved Mexican SMEs...

SME entities (% of entities in 2015) and SME loan participation (% of loans in 2016)

2.6%

97.4%

% of entities <sup>1</sup>

■ SME ■ Other

87.1%

% of loans <sup>1</sup>

12.9%

## 2 ...within an underpenetrated financial system...

Domestic credit to the private sector (% of 2016 GDP) <sup>2</sup>

192.7%

112.1%

62.2%

47.2%

36.2%

35.0%



## 3 ...provide an opportunity for financing, particularly in the leasing space

Leasing portfolio (% of 2016 GDP)

8.5%

2.4%

2.0%

1.7%

0.7%

0.2%



**Financing Mexican SMEs is an attractive opportunity with significant growth potential**

Note:

<sup>1</sup> Sourced from INEGI & CNEV

<sup>2</sup> Sourced from worldbank.org

## Characteristics of our clients

- Underbanked
- Not price sensitive
- Receptive to good service, including:
  - Approval speed
  - Flexibility around customized solutions
- Drawn to:
  - Simpler documentation
  - No covenants
  - Tax shield provided by lease payments

## Why are SME clients underbanked?

- Banks are not set up to cater to SMEs' needs
- Banks have heavy fixed cost structures that make SMEs unattractive clients due to smaller "ticket size"
- Banks' reputational and legal risk burden makes KYC requirements onerous
- Banks have stricter reserve and capitalization requirements

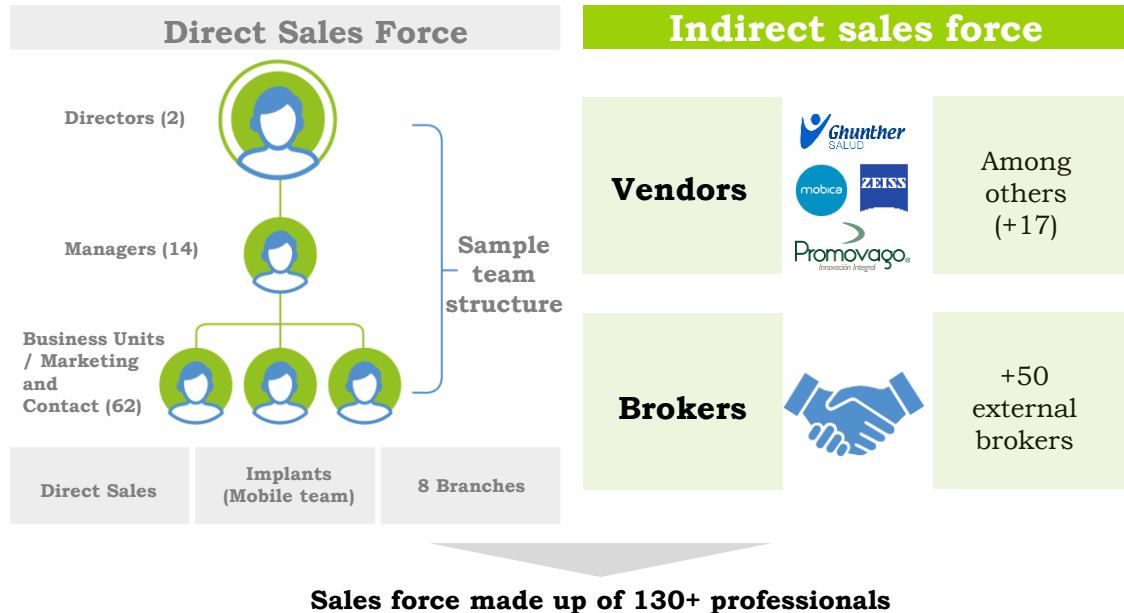
## Client intimacy drives credit quality and recurring business

- Business Unit (salesperson) responsibilities:

Origination	Relationship Management	Collection Process
-------------	-------------------------	--------------------

- Clients per Business Unit is limited to 30
  - Input into creditworthiness of the client
  - Potential credit risks spotted early on
  - Communication with clients at least once a month
- Incentive-based compensation is  $\frac{1}{3}$  origination based and  $\frac{2}{3}$  collection based
- ~60% of lease approval cases brought before the credit committee correspond to recurring clients

## Strong team on the ground



## Geographic presence extends beyond physical presence

*Leased Assets Presence*

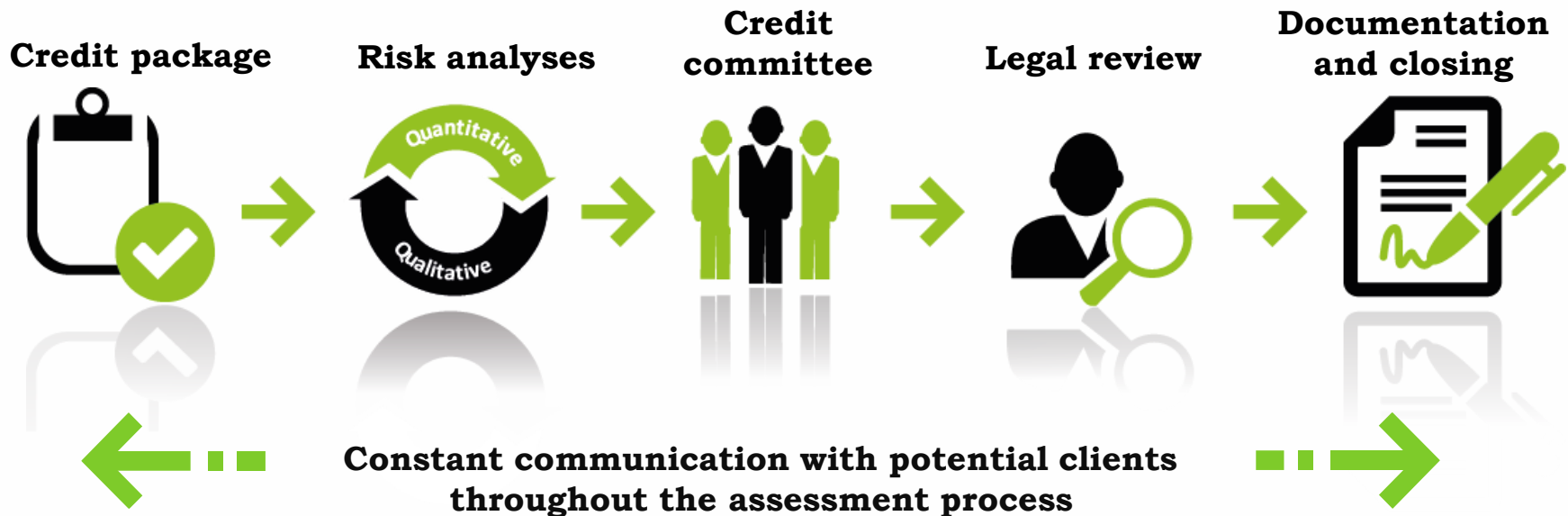


30 states  
(~93%)

..with fast and disciplined credit approval...

The Company follows strict risk assessment processes incorporating quantitative and qualitative parameters

## Credit approval process



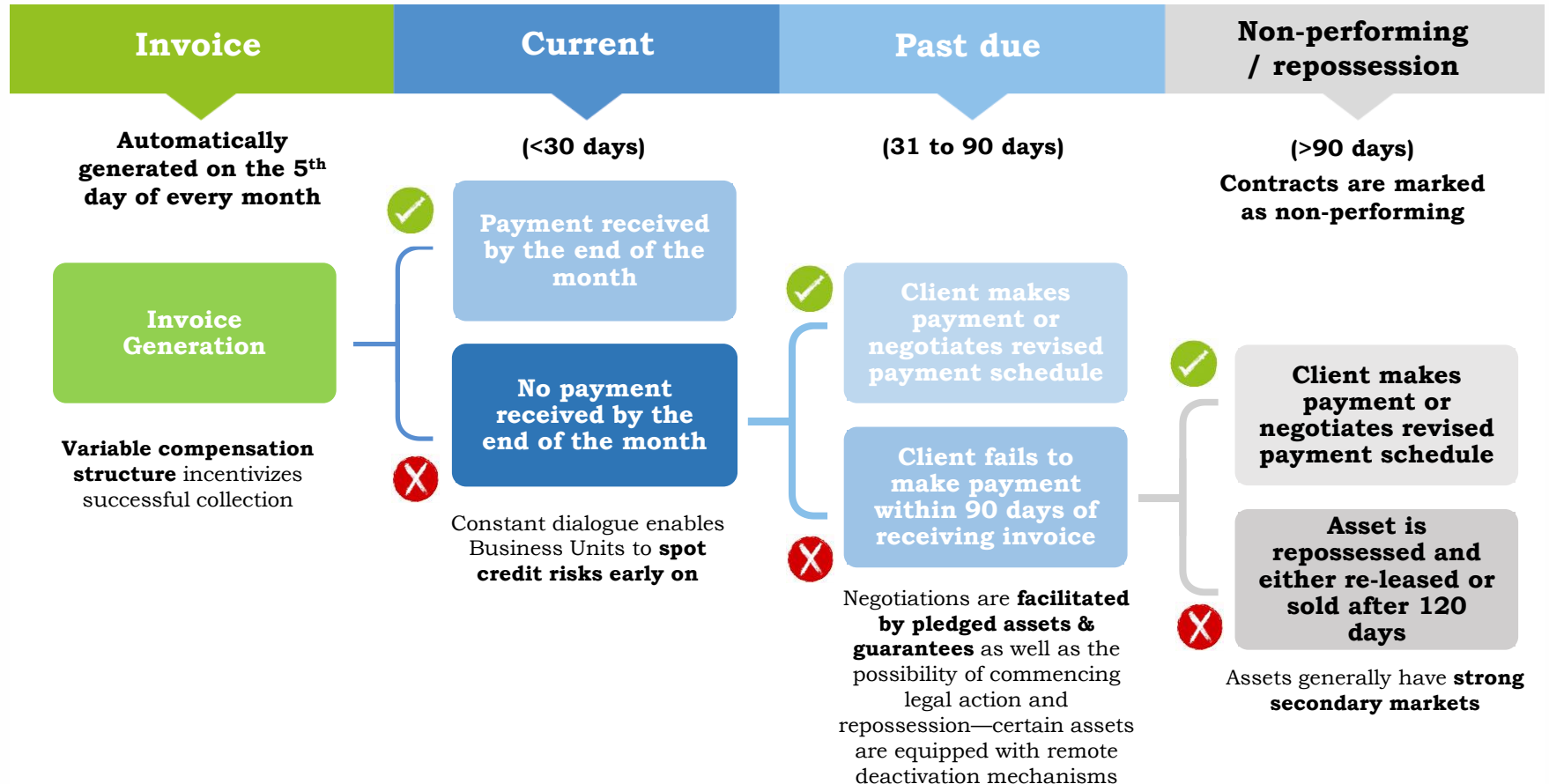
**Credit process enables turnaround times of 5 to 15 business days<sup>1</sup>, significantly faster than a traditional bank**

Note:

<sup>1</sup> Turnaround time measures days of processes for which Liquid Capital is responsible

# ... and an efficient collection process...

The collection process is greatly facilitated by Liquid Capital maintaining ownership of leased assets



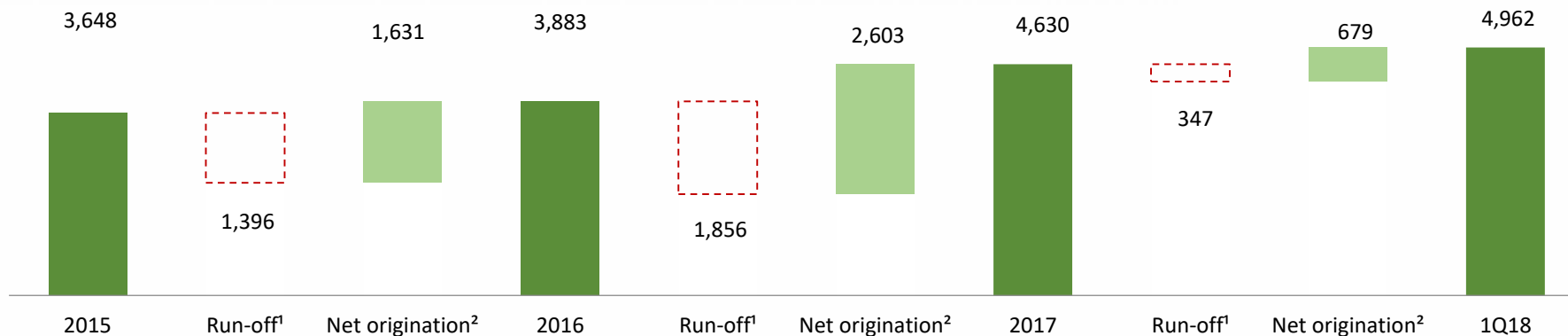
Business units are responsible for the collection process and are in constant communication with clients



...that drives origination and top-line growth

**Strong portfolio growth...**

**Portfolio (MX\$mm)**



**...reflected in top-line expansion**

**Total revenues (MX\$mm)**



Note:

1 Run-off is defined as the minimum contracted payments that were expected to come due as of the end of the previous period (See Notes 7, 8 and 9 of the Audited Financial Statements)

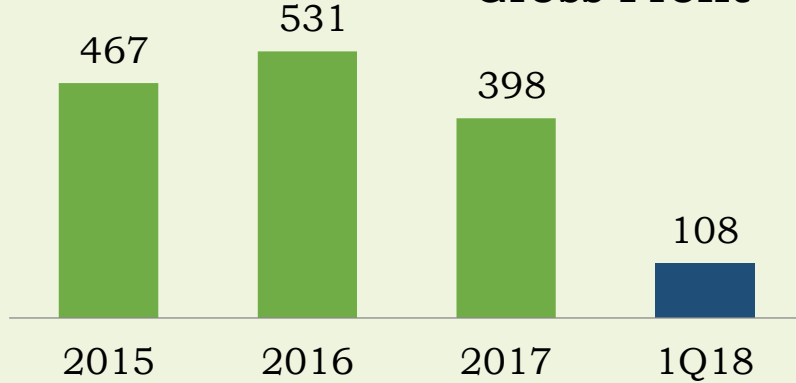
2 Net origination is defined as portfolio originated and acquired throughout the year, net of run-off from portfolio originated within that year

# Operating highlights:

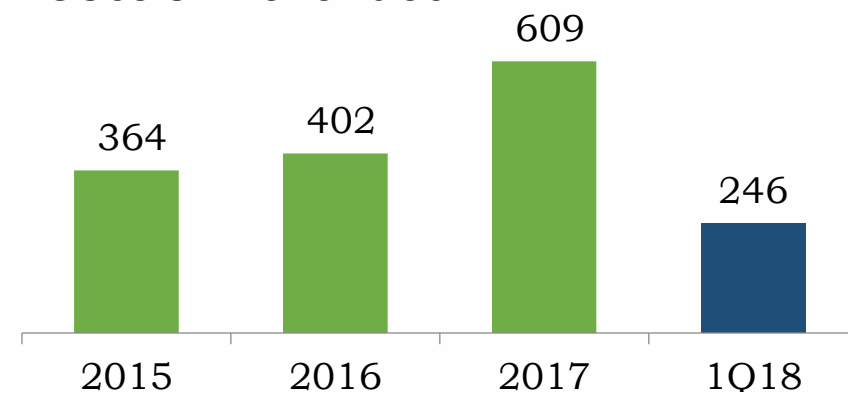
## Solid Gross profit growth...

... and moderate increase of both cost of sales and...

### Gross Profit

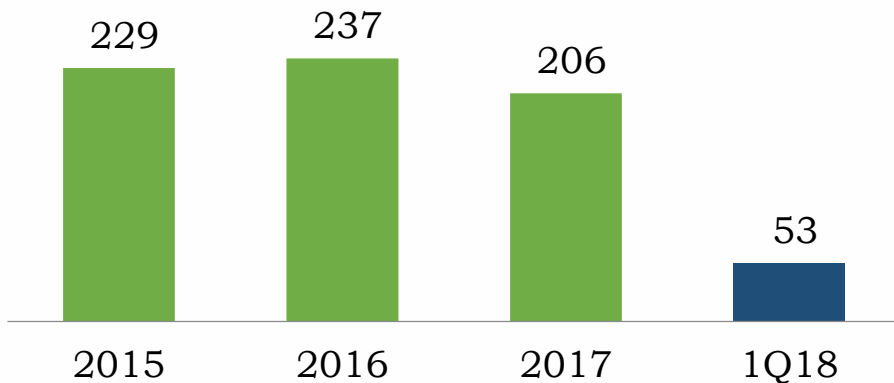


### Cost of Revenues



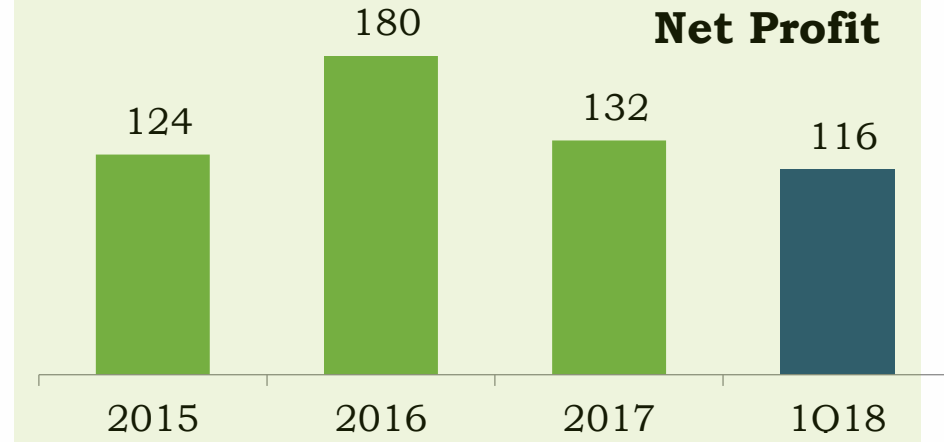
... operating expenses...

### Operating Expenses



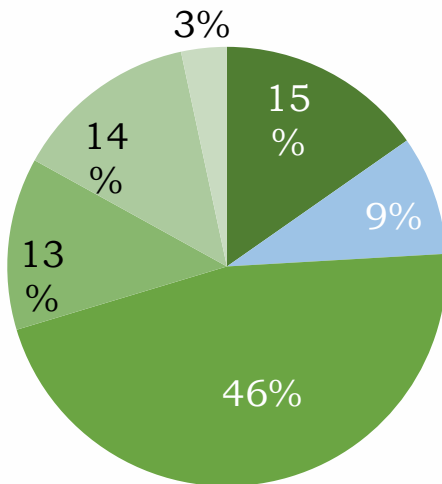
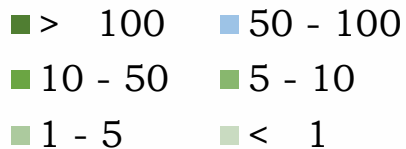
... and as a result, positive bottom line results

### Net Profit

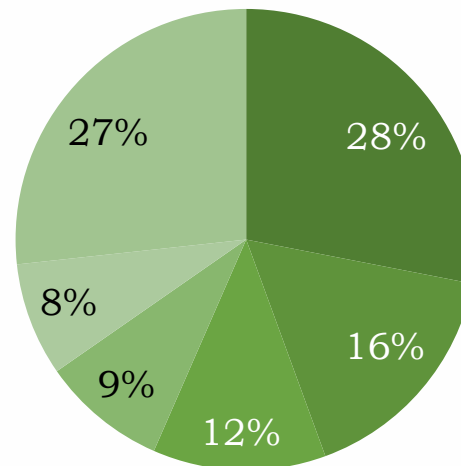


### Diversified portfolio by client

#### Distribution by ticket size

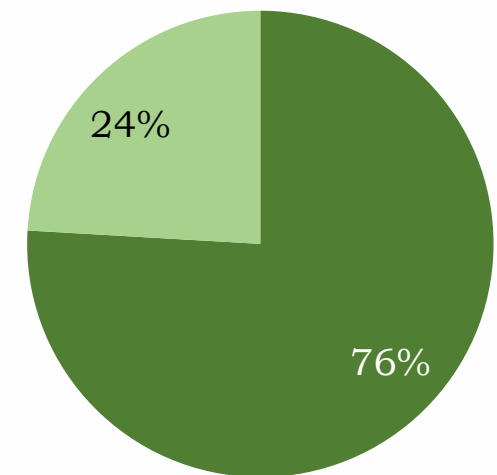
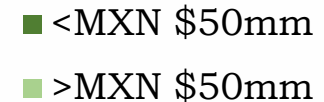


### ...and by industry...



### ...minimizes exposure to single names

%



# 4 ...resulting in robust asset quality.

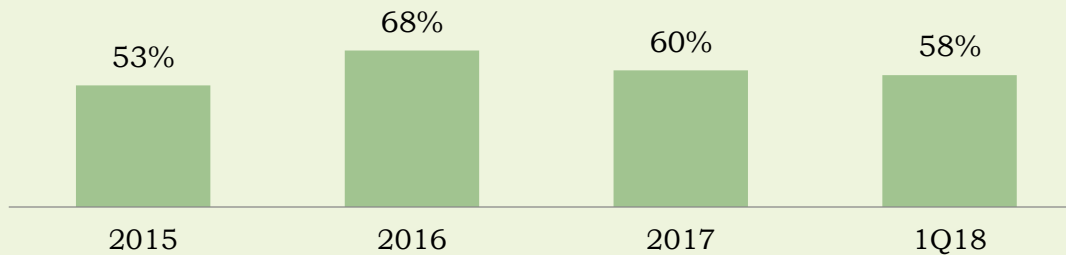
## Ratio of non-performing leases (%)

*Non-performing lease portfolio<sup>1</sup> / total portfolio*



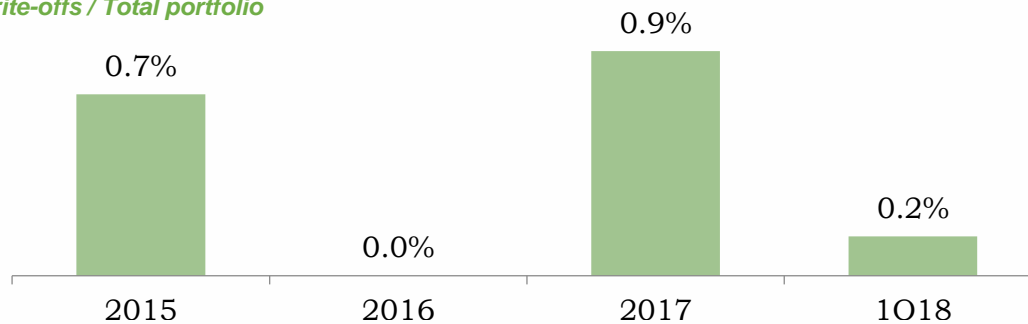
## Coverage ratio (%)

*Ending reserves / Non-performing lease portfolio<sup>1</sup>*



## Write-offs (% of portfolio)

*Write-offs / Total portfolio*



Note:

<sup>1</sup> Non-performing lease portfolio is defined as past-due capital leases, operating leases, equipment financings, factoring or cash financing loans, calculated as of the first day such capital leases, operating leases, equipment financings, factoring or cash financing loans are more than 90 days in arrears

## Mitigants

- Focus on productive assets minimizes the risk of non-payment
  - Strong secondary market for productive assets
  - Collateral is executable and disposable
  
- Leased assets are strong creators of incremental value for clients
  
- The Company maintains insurance policies covering 100% of its underlying assets
  
- Conservative approach to NPLs
  
- Guarantees on assets minimize “real loss” associated with NPLs (i.e. write-offs) given potential loss of revenue producing assets and/or personal guarantees

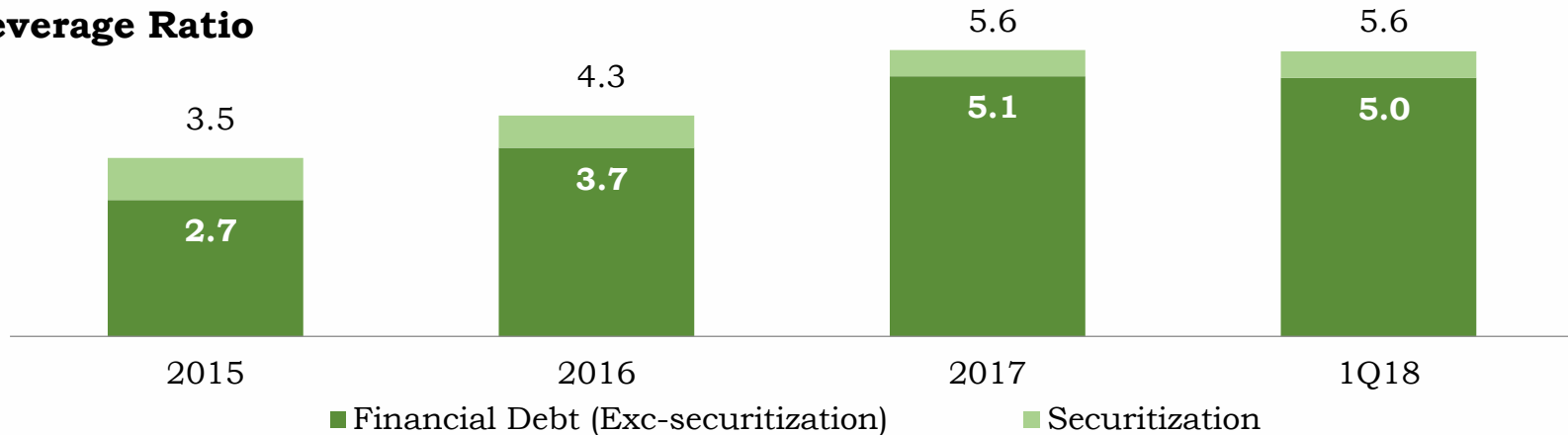


## 5 Strong balance sheet...

### Sensible leverage...

Total financial debt / total shareholders equity (x)

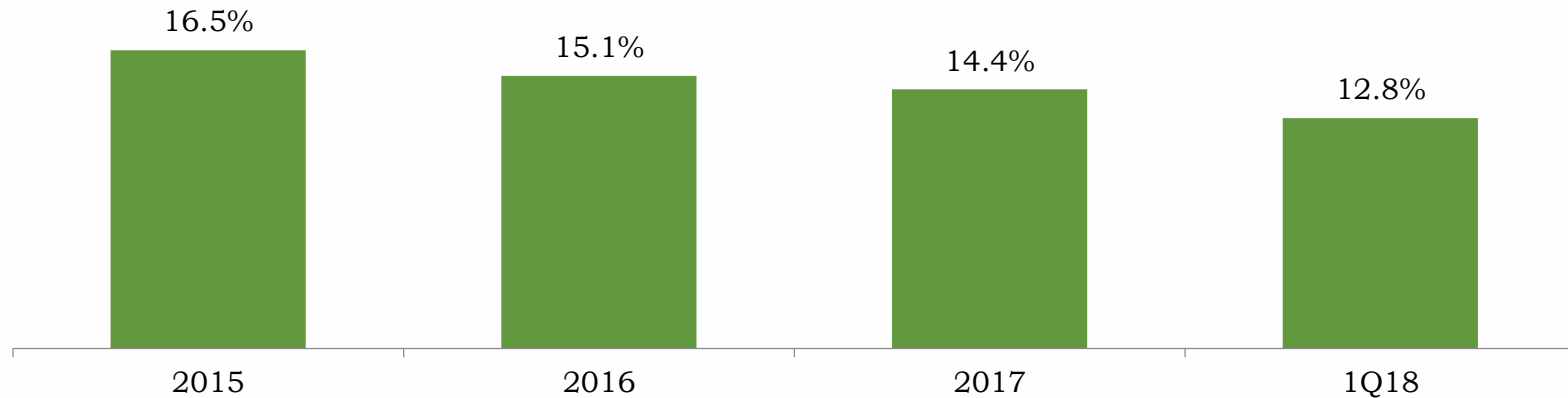
#### Leverage Ratio



### ...and ample capitalization

Total stockholders equity / assets (x)

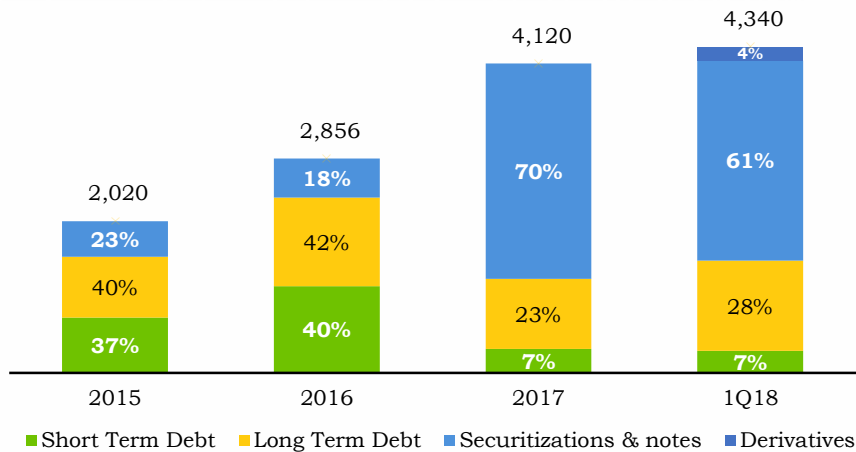
#### Capitalization Ratio



# ...with a prudent funding strategy

## Well-diversified sources of funding

Financial debt (MX\$m)

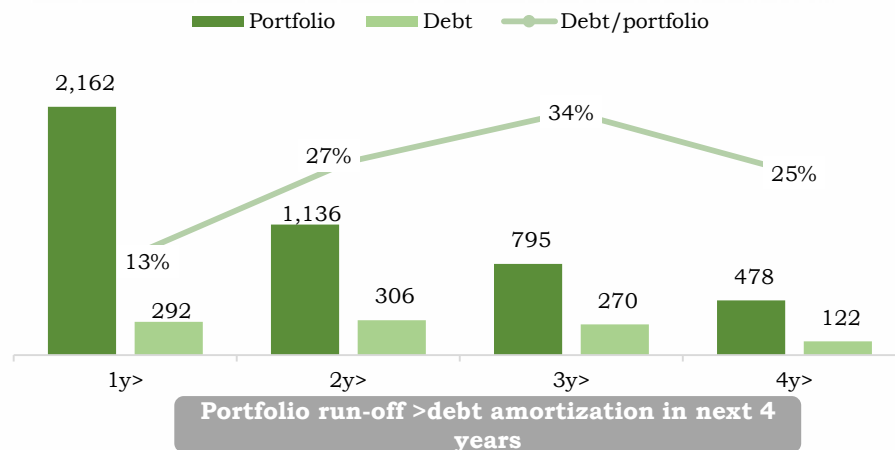


## Summary of financial debt outstanding

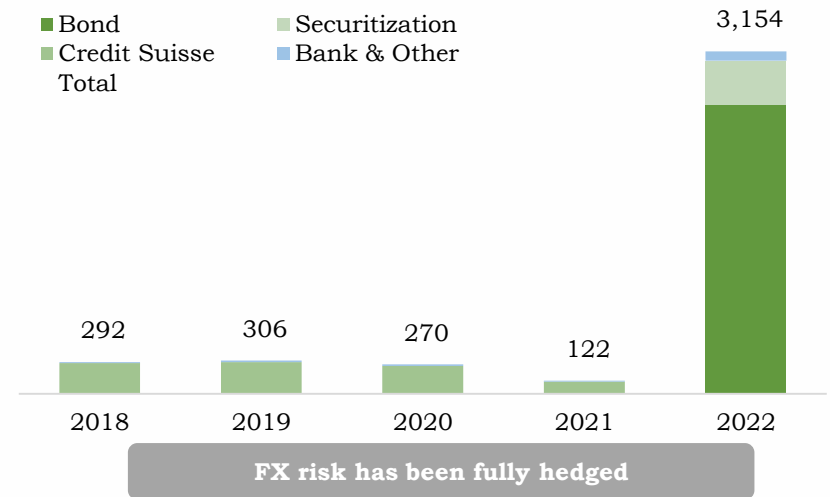
(MX\$m) As of March 31, 2018

Type	Outstanding
Securitizations	\$404
Local Commercial Debt	0
Credit Suisse	945
Bank and other	146
Senior notes	2,664
<b>Total</b>	<b>\$4,159</b>

## Receivables<sup>1</sup> and financial debt schedule next 4 years



## Current debt maturity schedule (MX\$m)



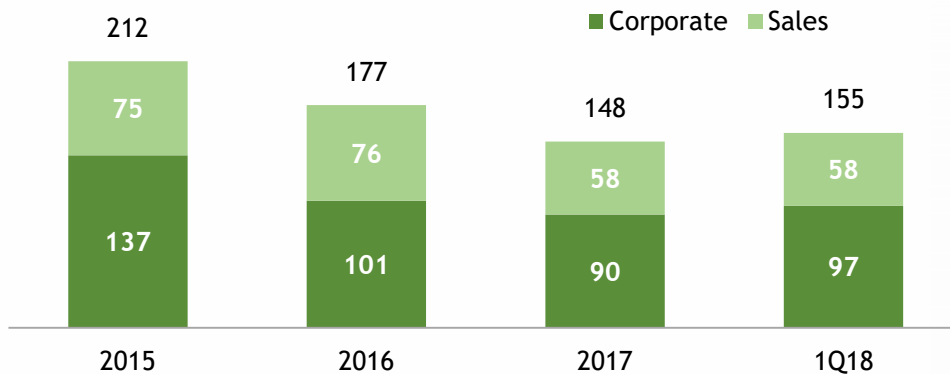
Notes:

1 Receivables represents the total minimum future contractual payments due from our customers

# 6 Highly efficient operation...

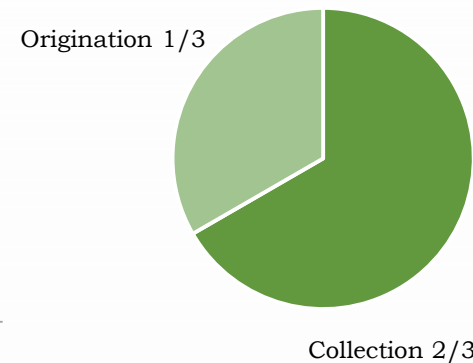
## Workforce has been optimized following the ARG acquisition...

Headcount evolution (# of employees)



## ...the sales force operates under a variable compensation structure...

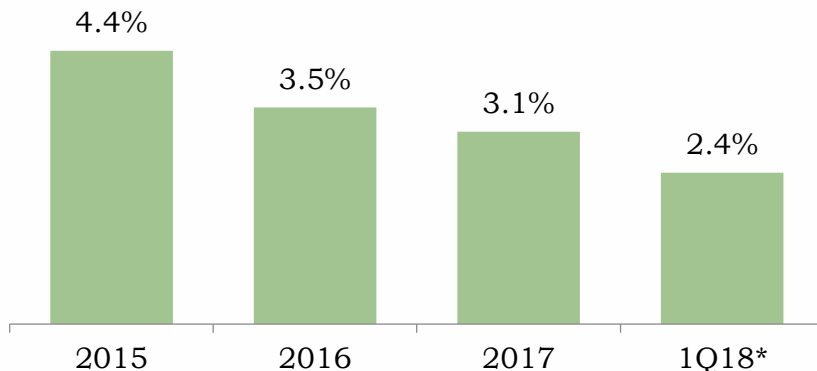
Incentive-based compensation breakdown (%)



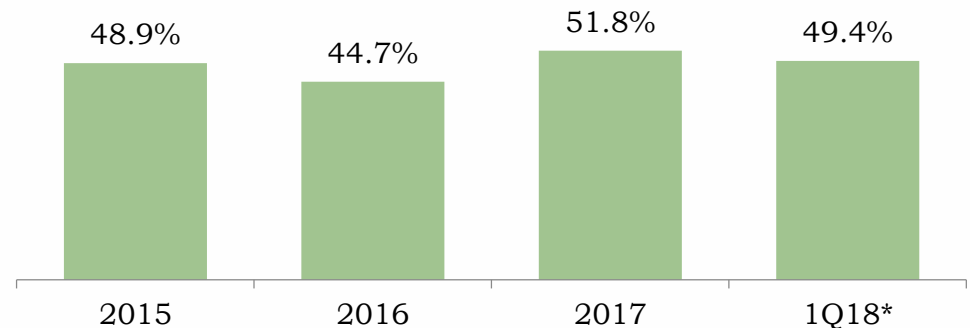
- Compensation structure aligns incentives
- Business Units are in charge of collection process as well as origination
- Constant dialogue improves credit risk

## ...and strong levels of operational efficiency have historically been achieved

Administrative expenses / total assets (%)



Efficiency ratio (%)<sup>1</sup>

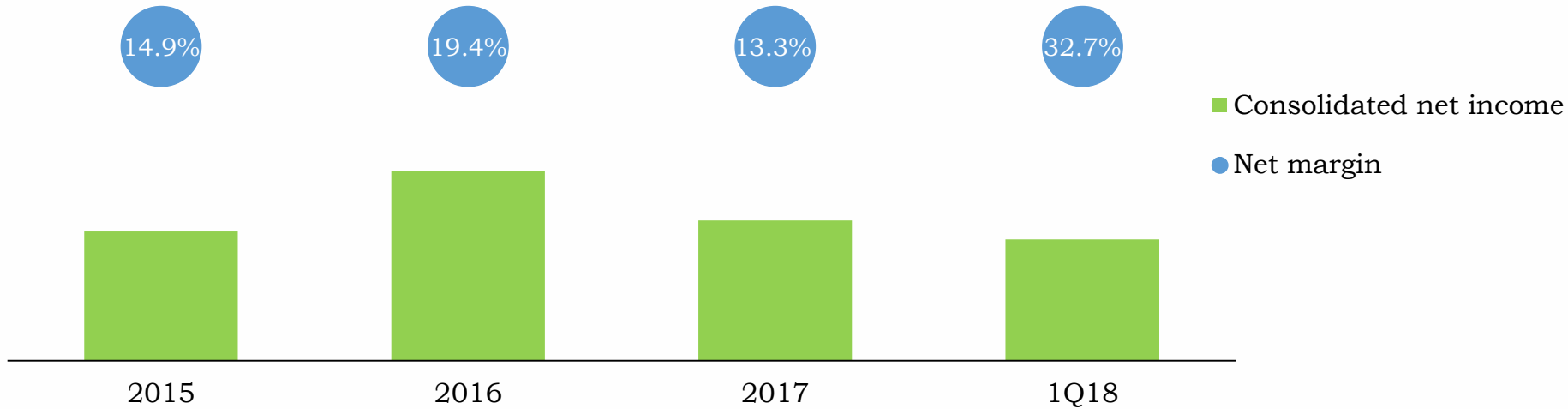


Note:  
 1. Efficiency Ratio is defined as operating expenses divided by Gross Income  
 \* Annualized figures

# 6 ...yielding consistent profitability

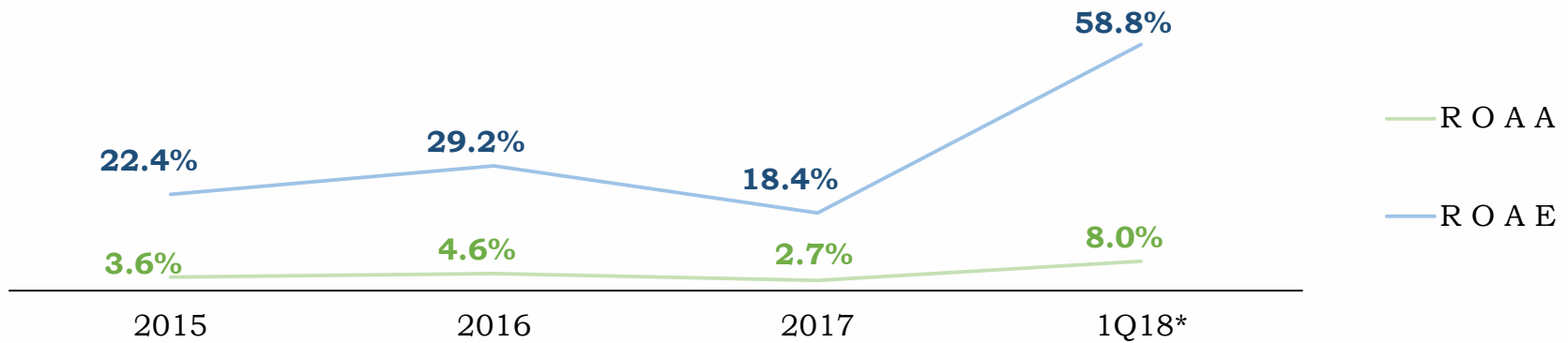
## Consistent profitability and robust margins...

Consolidated net income (MX\$m) and Net margin (%)<sup>1</sup>



## ...yielding attractive returns

Return on average equity (%) and Return on average assets (%)



Note:

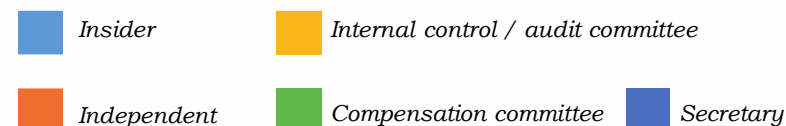
1) Net Margin is calculated by dividing consolidated net income by total revenues

\*Annualized ROAA and ROAE include benefits from FX gain

## Experienced Management Team...

	Name	Position	Years of Experience	Years at Liquid Capital
Senior Management	<b>Adam Wiaktor</b>	Chief Executive Officer	33	22
	<b>Hector Esquivel</b>	Chief Financial Officer	30	2
	<b>Eduardo Limón</b>	Investor Relation Officer	27	12
	<b>Jose Aguilar</b>	Marketing Director	16	3
	<b>Ricardo Vazquez</b>	Human Resources Director	19	4
	<b>Gerardo Gutierrez</b>	Chief Technology Officer	38	5
	<b>Alejandro Pacheco</b>	Director of Credit	25	4
	<b>Patricia Barrera</b>	General Counsel	18	4
	<b>Antonio Bañuelos</b>	Structuring, Risk, Credit and Collections Director	21	12
	<b>Gumersindo Chavez</b>	Procurement Officer	36	13
	<b>Erika Nuñez</b>	Process Director	16	5
Sales	<b>Danilo Sarrelangue</b>	Sales Director	22	19
	<b>Carlos Durán</b>	Sales Director	22	6

## ...reinforced by a highly qualified Board of Directors...



## ...and strong Corporate Governance practices

- The board of directors is comprised of 5 members
- 40% of the board of directors is independent
- Two committees:
  - Internal control and audit committee: 2 members (1 of whom is independent)
  - Compensation committee: 2 members (1 of whom is independent)

- 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.
- All figures are expressed in Mexican Pesos unless otherwise stated, and were prepared in accordance with the requirements from the National Banking and Securities Commission (CNBV). Figures for year ended 2015, 2016 and 2017 were assessed by independent auditors Galaz, Yamazaki, Ruiz Urquiza, S.C. (Members of Deloitte Touche Tohmatsu Limited).

## Contact Information

For more information visit

[www.liquidcapital.mx](http://www.liquidcapital.mx)

or contact:



### In Mexico:

#### **Eduardo Limon**

Investors Relation Officer



+521 (55) 4324 3434



[eduardo.limon@liquidcapital.mx](mailto:eduardo.limon@liquidcapital.mx)

#### **Ramon Barreda Barrera**

Investors Relation Manager



+521 (55) 5148 3600 / (55) 9178 6370



[ri@liquidcapital.mx](mailto:ri@liquidcapital.mx)



### In New York:

i-advize Corporate Communications

#### **Melanie Carpenter**



(212) 406-3692



[mcarpenter@i-advize.com](mailto:mcarpenter@i-advize.com)

# Financial Summary



# Financial and Operating Summary

## Key metrics and financial highlights

Figures expressed in MX \$mm

<b>Financials Metrics (in millions of pesos)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>1Q18</b>
Total Revenues	832	933	1,005	354
Cost of Revenues	364	402	609	246
Gross Profit	467	531	396	108
%	56%	57%	39%	31%
Operating Expenses	239	293	190	55
Net Income	124	181	134	116
%	15%	19%	13%	33%

<b>Operating Metrics (in millions of pesos)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>1Q18</b>
Total Portfolio	3,648	3,883	4,630	4,962
<i>Leasing Portfolio</i>	2,954	3,052	3,752	3,786
<i>Credit &amp; Factoring Portfolio</i>	694	709	789	1,104
<i>Services Portfolio</i>	0	122	89	72
NPL	5.9%	6.0%	6.0%	5.8%

Real Estate Portfolio	0	271	510	516
Total Portfolio including Real Estate	3,648	4,154	5,140	5,478

<b>Financial Indicators</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>1Q18</b>
ROAA*	3.5%	4.1%	2.2%	7.6%
ROAE*	21.4%	27.3%	16.8%	58.8%
Financial Debt / Stockholders' Equity	3.5	4.3	5.6	5.6
Capitalization (Stockholders' Equity / Total Assets)	16.5%	15.1%	13.0%	12.8%
Stockholder' Equity / Total Portfolio	15.9%	17.1%	17.2%	15.7%
Leasing Portfolio / Total Portfolio	81.0%	78.6%	81.0%	76.3%
Total Portfolio / Financial Debt	1.8	1.4	1.0	1.1
Current Assets / Current Liabilities	1.0	1.1	2.9	3.0

Note:  
\*Annualized ROAA and ROAE include benefits from FX gains

# Income Statement

(in millions of Ps.)

	2015	2016	2017	1Q18
Revenues:				
Interest on capital leases	413	558	563	131
Equipment financing	120	129	292	166
Sales of consumable supplies	4	4	2	-
Maintenance Services	51	37	2	-
Operating leases income	146	115	108	43
Transportation services and other related services	84	81	37	14
Factoring	13	9	1	-
Total Revenues	832	933	1,005	354
Costs:				
Interest expense	152	214	352	125
Equipment financing	67	76	149	106
Sales of consumable supplies	3	2	1	-
Maintenance Services	17	10	1	-
Transportation services (renting) and other related services	53	51	35	11
Assets under operating leases (includes depreciation)	73	49	71	4
Total Costs	364	402	609	246
Gross Income	467	531	396	108
Operating Expenses:				
Selling Expense	74	85	65	16
Administrative Expense	155	152	141	36
Total operating expenses	229	237	206	54
Operating income	239	293	190	55
Other (income) expenses, net	(3)	-	(2)	-
Valuation of derivative financial instruments	(9)	(5)	10	54
Interest income	(2)	(2)	(88)	(6)
Interest expense	49	50	58	13
Exchange loss (gain), net	21	9	135	(156)
Comprehensive Financing Result	59	52	114	(96)
Income before income taxes	182	242	77	150
Income tax expense (benefit)	58	61	(56)	35
Total comprehensive income for the year	124	181	134	116

# Balance sheet

(in millions of Ps.)

<b>Assets</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>1Q18</b>
Current assets:				
Cash, cash equivalents and funds held in trust	150	429	1,308	978
Accounts receivables	1,254	1,544	1,278	2,049
Recoverable taxes	106	116	107	108
Other receivables & prepaid expenses	36	60	82	54
Due from related parties	2	19	3	4
Assets held for sale	1	–	11	11
Total current assets	1,549	2,168	2,789	3,204
Non-current assets:				
Accounts receivables	1,462	1,300	2,130	1,755
Property, furniture and equipment- net	323	651	870	808
Derivative financial instruments	14	19	10	6
Intangible assets and goodwill	116	165	165	165
Other assets - net	27	53	48	48
Deferred income taxes	18	28	121	121
Total non-current assets	1,960	2,216	3,344	2,903
Total assets	3,509	4,384	6,133	6,107

# Balance sheet

(in millions of Ps.)

<b>Liabilities and stockholders' equity</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>1Q18</b>
Current liabilities:				
Current portion of long-term debt	738	1,153	256	292
Trust certificates - short term	–	102	–	–
Trade accounts payable	270	94	163	181
Due to related parties	179	273	75	14
Income taxes and other taxes payable	38	49	94	70
Other accounts payable and accrued expenses	291	283	381	525
Total current liabilities	1,516	1,954	969	1,082
Non-current liabilities				
Long-term debt	808	1,184	3,780	3,463
Trust certificates - long term	475	418	406	404
Derivative financial instruments	–	–	–	181
Deferred income taxes	130	165	181	197
Total non-current liabilities	1,413	1,767	4,367	4,245
Total liabilities	2,929	3,721	5,336	5,327
Stockholders' equity and reserves				
Capital Stock	33	33	33	33
Premium on share issuance	248	248	248	248
Retained earnings	300	382	516	631
Accumulated other comprehensive income	(1)	–	–	(132)
Total stockholders' equity and reserves	580	663	797	780
Total stockholders' equity and liabilities	3,509	4,384	6,133	6,107