

DOCUFORMAS

QUARTERLY REPORT

1Q18



DOCUFORMAS ANNOUNCES FIRST QUARTER 2018 RESULTS

- ● ● ● ● ● Mexico City, May 16, 2018 – Docuformas S.A.P.I. de C.V. (“Docuformas”, “Liquid Capital” or the “Company”), today announced its unaudited consolidated financial results for the first quarter 2018 (“1Q18”) ended March 31, 2018. 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. FIRST QUARTER 2018 HIGHLIGHTS

- ❖ Total revenues in 1Q18 were \$354 million, 69% more than the \$209 million in 1Q17.
- ❖ Cost of sales increased \$134 million year over year mainly due to an overall increase in revenues and higher interest costs, including additional interest expenses from the issuance of the senior notes.
- ❖ Gross profit increased by 11% from \$97 million in 1Q17 to \$108 million in 1Q18, while the Gross Margin decreased from 46% to 31% because of higher interest expenses.
- ❖ Net income for 1Q18 increased 297% to \$116 million compared to \$29 million in 1Q17, due mainly to an FX gain caused by the Mexican peso appreciation vs the U.S. dollar. Normalized net income (excluding FX gains) was \$10 million vs \$8 million, in line with our 1Q18 budget estimation.
- ❖ The total portfolio grew to \$4,962 million as of March 31, 2018, up by \$1,109 million when compared to the same period 2017, while the real estate portfolio increased \$105 million, or 25%, to \$516 million for the same period.
- ❖ The Company’s total assets grew by 41% in 1Q18 to \$6,107 million, versus \$4,341 million in 1Q17.
- ❖ Total liabilities grew 46% 1Q18/1Q17, in which total short-term liabilities decreased by \$871 million, or 45%, year-over-year dropping to \$1,082 million; while long-term liabilities increased 149% during the same period to \$4,245 million, improving the Company’s debt maturity profile.
- ❖ The Company maintained a solid financial position, reflected in a 14% increase in Stockholders’ Equity from \$682 million in 1Q17 to \$780 million in 1Q18.
- ❖ 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, at an average exchange rate of 19.10 MXP to USD.

2. FINANCIAL AND OPERATING SUMMARY

Financials Metrics (in millions of pesos)	1Q18	1Q17	Var.%
Total Revenues	354	209	69%
Cost of Revenues	246	112	120%
Gross Profit	108	97	11%
%	31%	46%	
Operating Expenses	53	49	8%
Net Income	116	29	297%
%	33%	14%	

Operating Metrics (in millions of pesos)	1Q18	1Q17	Var.%
Total Portfolio	4,962	3,853	29%
<i>Leasing Portfolio</i>	3,785	3,103	22%
<i>Credit & Factoring Portfolio</i>	1,104	656	68%
<i>Services Portfolio</i>	73	94	-23%
NPL	5.8%	5.7%	

Real Estate Portfolio	516	411	25%
Total Portfolio including Real Estate	5,478	4,264	28%

Financial Indicators	1Q18	1Q17	Var.%
ROAA*	8.0%	2.7%	198%
ROAE*	58.8%	17.3%	239%
Financial Debt / Stockholders' Equity	5.6	4.1	36%
Capitalization (Stockholders' Equity / Total Assets)	12.8%	14.4%	-11%
Stockholder' Equity / Total Portfolio	15.7%	17.7%	-11%
Leasing Portfolio / Total Portfolio	76.3%	80.5%	-5%
Total Portfolio / Financial Debt	1.1	1.4	-17%
Current Assets / Current Liabilities	3.0	1.1	169%

*Annualized ROAA and ROAE include benefits from FX gains

STATEMENT FROM THE CHIEF EXECUTIVE OFFICER

Docuformas' strong results for the first quarter of 2018 mark its successful entry into the capital deployment stage of its strategy. With the resources obtained from our bond issuance last year, we now have the ability to serve more of the untapped SME market with our financing products to achieve our 20% annual growth target.

In the first three months of 2018, Docuformas' total portfolio grew 29% year-over-year to reach close to Ps. 5 billion. Our strong origination contributed to a 69% top line growth while the continuation of our strict cost control program helped mitigate growth in interest expense and stabilized operating margin.

In order to face the increasing market volatility expected around Mexico's elections this July, we have fully hedged our currency exposure. Our business is not only resilient, but tends to thrive during these periods as we fill an important need when banks and larger financial institutions contract and capital is restricted.

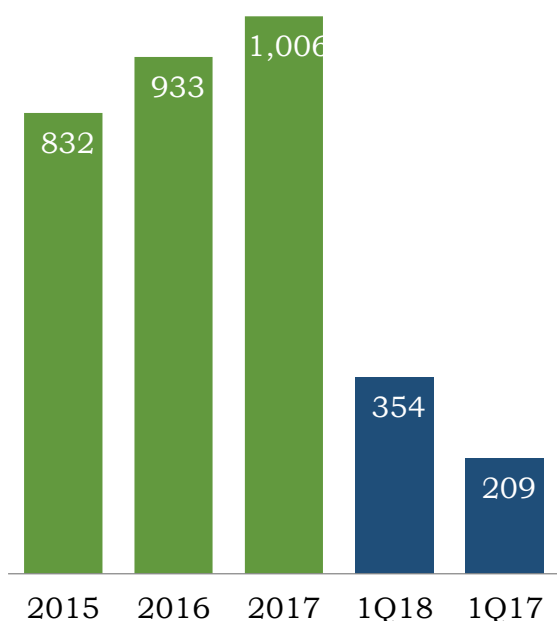
We look forward to a solid year for Docuformas to reach a new magnitude and growth level thanks to a solid financial situation and exceptional market potential.

Adam Wiaktor
Chairman and CEO of Docuformas

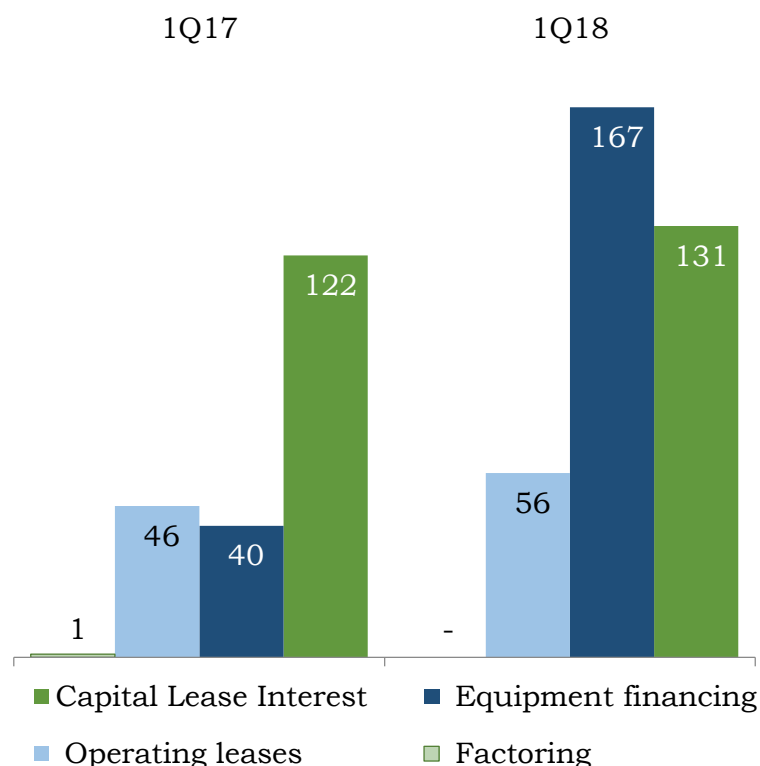
REVIEW OF THE INCOME STATEMENT

*In millions of pesos

Revenue



Revenue by product line



Total Revenues

Total revenues increased 69%, from \$209 million in 1Q17 to \$354 million in 1Q18, mainly due to strong origination in the quarter, indicating overall growth of the Company's portfolio.

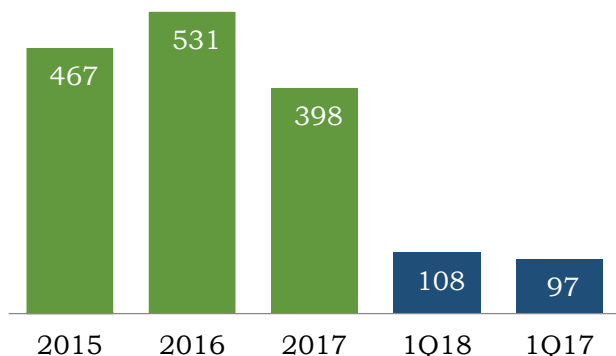
Equipment financing and operating leases were the business lines that reported the strongest performance during quarter, up \$127 million and \$10 million, respectively compared to 1Q17; while capital lease interest moderately increased \$9 million, or 7%, during the same period.

Cost of Revenues

Cost of revenues increased 120% 1Q18 vs. 1Q17 (from \$112 million to \$246 million), this increase in costs was mainly due to higher interest rates associated with the overall increase in revenues and the financial expenses derived from the issuance of the senior notes.

Gross Profit

*In millions of pesos



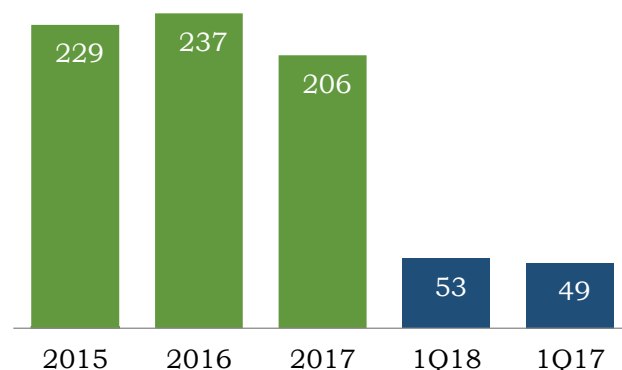
In 1Q18, gross profit was \$108 million, an increase of 11% or \$11 million versus 1Q17 due to an overall increase of revenues.

Gross margin decreased from 46% in 1Q17 to 31% in 1Q18 because of higher interest expenses.

Operating Expenses

*In millions of pesos

Operating expenses increased 8% in 1Q18 versus 1Q17, from \$49 million to \$53 million, chiefly due to an increase in selling expenses related to the overall revenue growth in the period. Selling expenses increased to \$16 million from the \$7 million reported 1Q17.



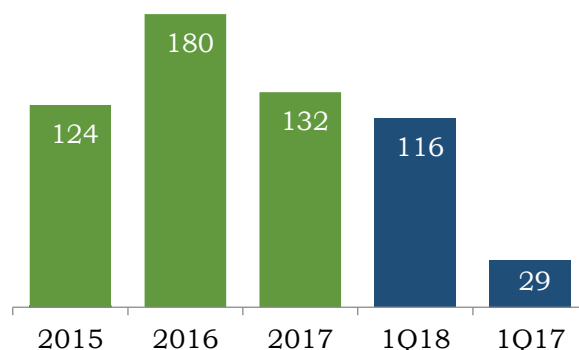
Comprehensive Financing Result

The comprehensive financing result of the Company went from negative \$14 million in 1Q17 to positive \$96 million in 1Q18, driven by FX gains due to the appreciation of the Mexican peso in 1Q18 vs 1Q17.

Net Income

*In millions of pesos

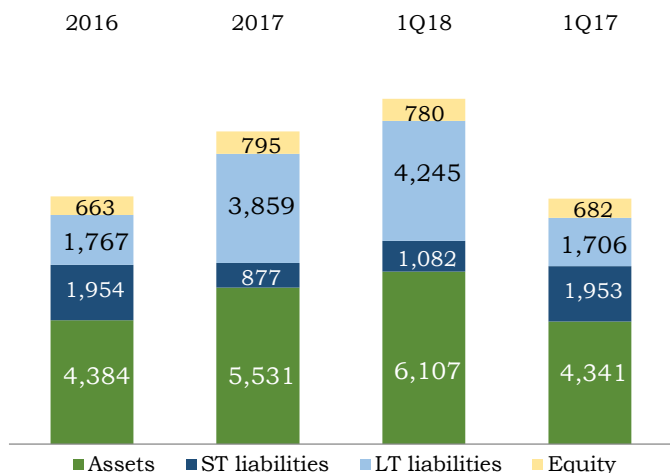
Net income in 1Q18 was \$116 million, an \$87 million increase versus 1Q17, due to an overall increase in revenues and the positive fluctuation of the Mexican Peso vs the U.S. dollar.



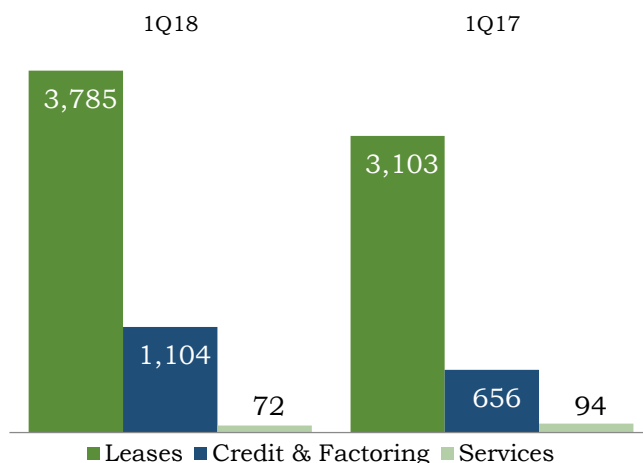
BALANCE SHEET & PORTFOLIO ANALYSIS

*In millions of pesos

Balance Sheet Analysis



Portfolio by Business Line



Balance Sheet & Portfolio by Business Line

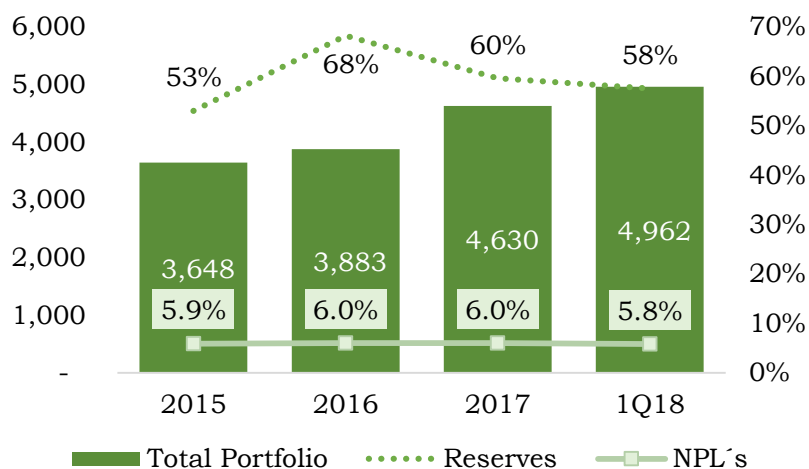
Total assets as of March 31, 2018 vs same period 2017 increased by \$1,766, while total liabilities grew \$1,668 million and Stockholders' equity \$98 million, or 14%.

Long-term liabilities increased \$2,539 million, mainly due to the debt from the senior notes. In terms of tenors, short-term liabilities decreased \$871 million from 1Q17 to 1Q18, derived from the prepayment of most of the Company's debt.

In 1Q18, the total portfolio grew 29% year-over-year to \$4,962 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 March 31, 2018 stood at \$289 million or 5.8% of the total portfolio, similar to the 6.0% year end 2017; the reserve for losses stood at \$166 million, or 58% of the NPL amount.

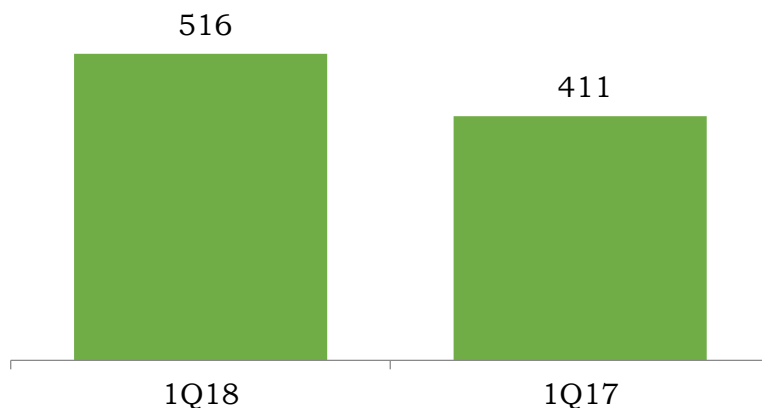


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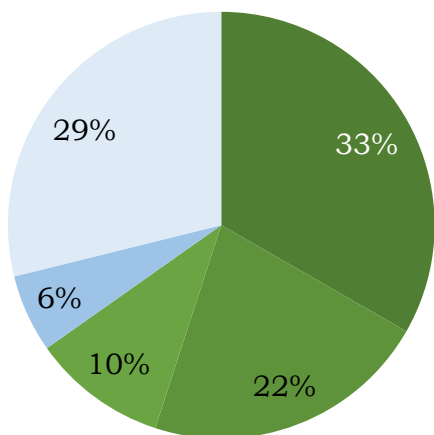
*In millions of pesos

Real Estate Assets

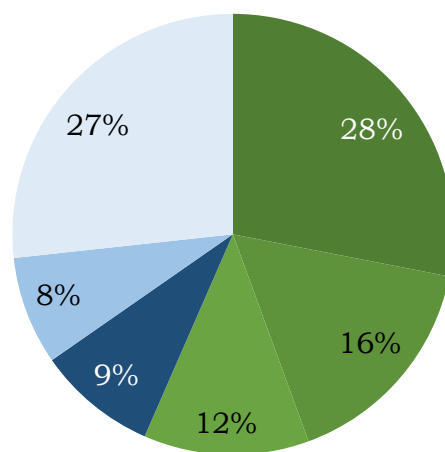
As of March 31, 2018, the real estate assets totaled \$516 million, compared to \$411 million on March 31, 2017, an increase of \$105 million, or 25%, owing to a continuing investment in real estate assets.



PORTFOLIO BY REGION AND INDUSTRY



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

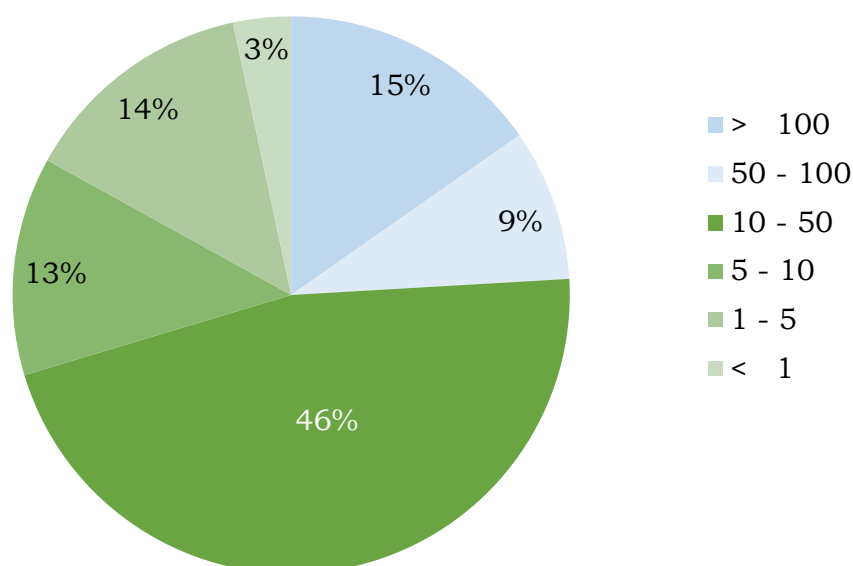


- Services
- Industrial
- Commerce
- Financial Services
- Medical Services
- Others

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 industries.

PORTFOLIO DISTRIBUTION

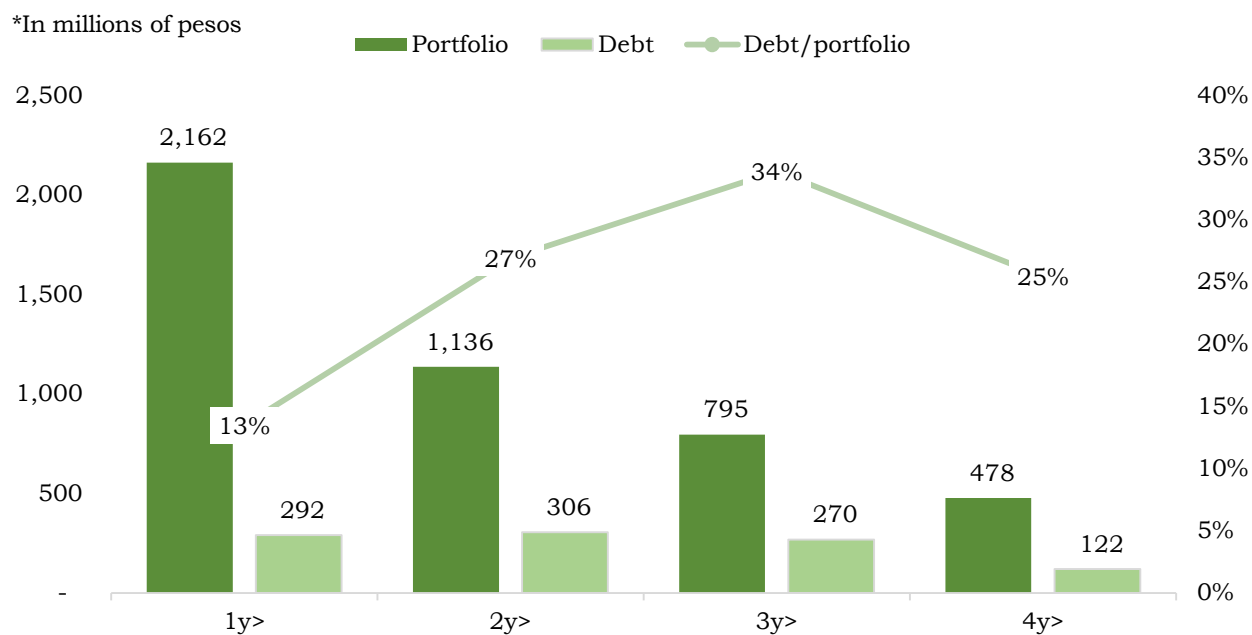
Distribution by ticket size



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 almost 80% of the portfolio represents transaction sizes below \$50 million; thereby, keeping low concentration levels.

Ticket Size (\$ Million)	N° Clients	%
> 100	5	15%
50 - 100	7	9%
10 - 50	96	46%
5 - 10	88	13%
1 - 5	276	14%
< 1	477	3%
TOTAL	949	100%

PORTFOLIO AND FINANCIAL DEBT RUN-OFF

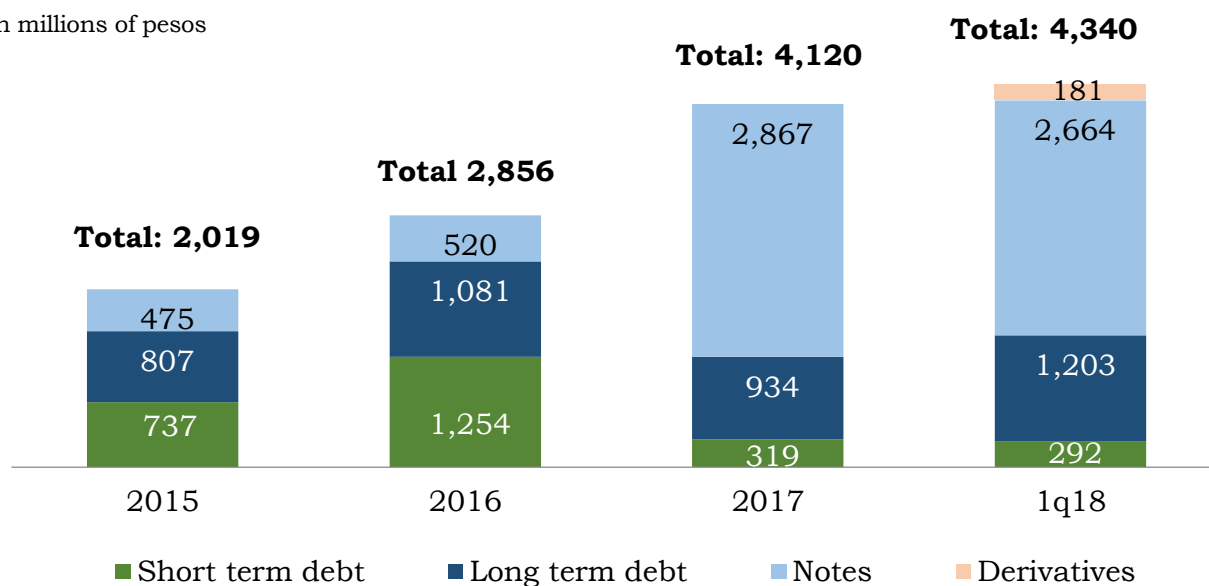


In the next 4 years, Docuformas' portfolio of \$4,571 million and its run-off compares favorably to the Company's total financial debt amortization, which amounts to \$990 million. The portfolio composition and the debt amortization show adequate coverage.

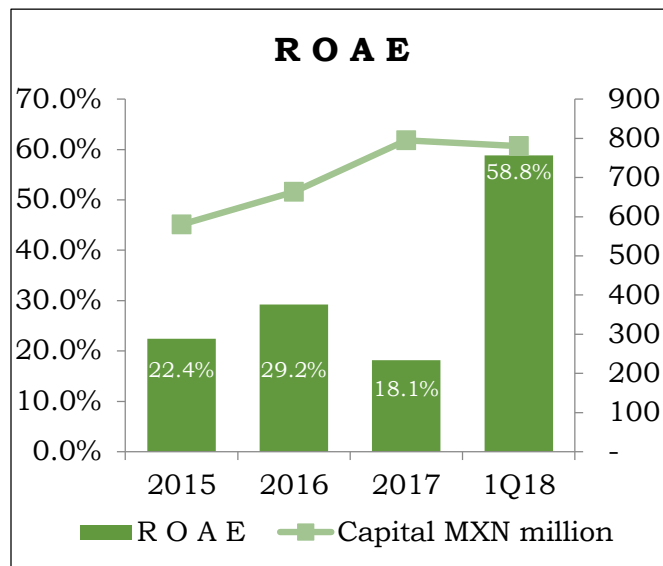
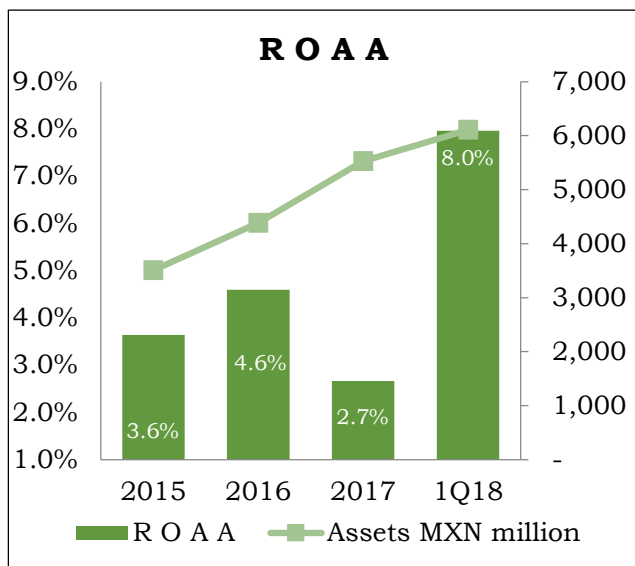
With the issuance of the bond, financial debt amortizations for 4 years were reduced significantly, one of the key reasons behind the issuance of the notes.

Financial debt mix (STD-LTD)

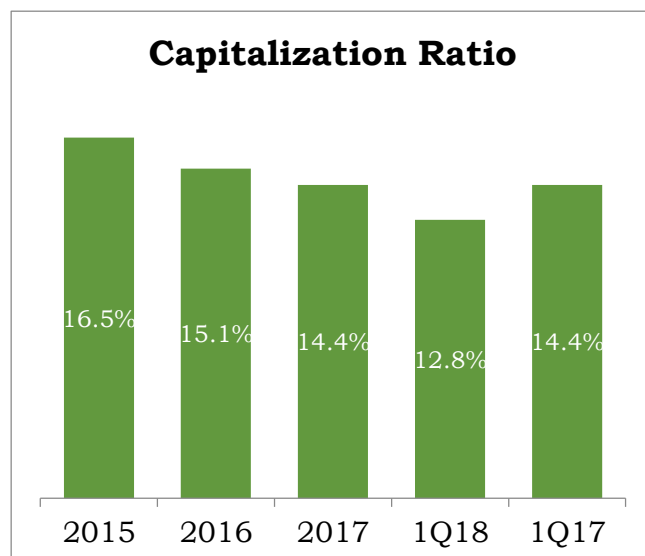
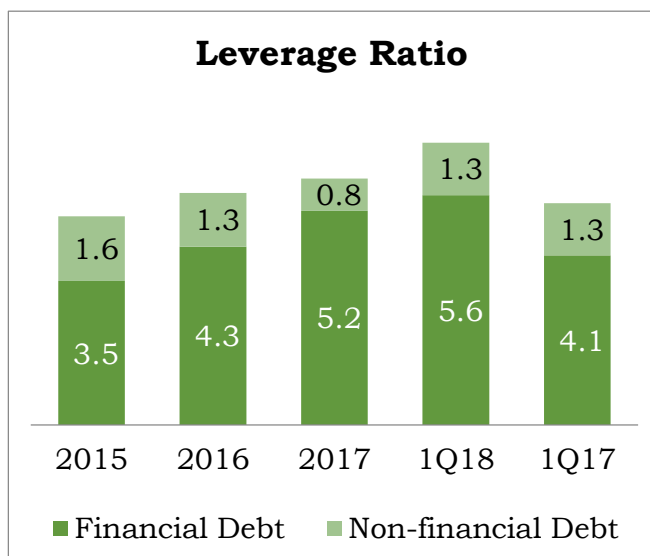
*In millions of pesos



FINANCIAL INDICATORS



In 1Q18, annualized Return on Average Assets and Return on Average Equity were 8.0% and 58.8%, respectively, much greater than previous years due benefits from FX gains.



The capitalization ratio was 12.8% in 1Q18, slightly lower than the 14.4% reported in 1Q17, which is an adequate capitalization ratio for the Company.

The leverage ratio in 1Q18 was 5.6 for financial debt plus 1.3 for non-financial debt. The leverage ratio increased year-over-year largely due to the senior notes issuance, a difference of 1.5 with a much better short-term debt to long-term-debt profile.

1Q18 CONFERENCE CALL

DATE

Thursday,
May 17, 2018

TIME

11:30 am ET
10:30 am Mexico Time

Presented by:

Mr. Adam Wiaktor, Chairman and Chief Executive Officer

Mr. Hector Esquivel, Chief Financial Officer

Mr. Eduardo Limon, Investor Relations Officer

Mr. Ramon Barreda, Investor Relations Manager

A Q&A session will follow the presentation.

To access the conference call, please dial:

1-877-830-2576 (U.S. participants)

1-785-424-1726 (International participants)

Conference ID: 3628

A replay of this call will be available on May 17, 2018 at 3:30 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: 43058183

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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 MARCH 31, 2018

*In millions of pesos	1Q18	1Q17
REVENUES		
Interest on capital leases	131	122
Equipment financing	167	40
Operating leases	56	46
Factoring	0	1
Total income	354	209
COSTS		
Interest expense	124	75
Equipment financing	106	16
Depreciation of assets under operating leases	16	21
Total costs	246	112
GROSS INCOME	108	97
Selling expenses	16	7
Administrative expenses	27	32
Allowance for loan losses	10	10
Operating expenses	53	49
OPERATING INCOME	55	48
Interest income	(7)	0
Interest expenses	13	14
Net exchange loss (profit)	(156)	(6)
Valuation of derivative financial instruments	54	6
Comprehensive financing result	(96)	14
INCOME BEFORE INCOME TAXES	151	34
Income taxes	35	5
NET INCOME	116	29

BALANCE SHEET AS OF MARCH 31, 2018

*In millions of pesos

	1Q18	1Q17
ASSETS		
Current Assets		
Cash and cash equivalents	978	247
Accounts receivables	2,178	1,841
Allowance for loan losses	-166	-169
Taxes due from	108	129
Sundry debtors	37	27
Related parties due from	4	24
Other assets	54	50
Inventory	11	0
Total current assets	3,204	2,149
Non-current assets		
Property-furniture and equipment - net	808	758
Long-term receivable	1,876	1,183
Other assets	48	73
Derivative financial instruments	6	13
Goodwill	165	165
Total non-current assets	2,903	2,192
Total assets	6,107	4,341


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*In millions of pesos

1Q18 1Q17**LIABILITIES****Current liabilities**

Current portion of long-term debt	292	1,205
Accounts payable	181	103
Sundry creditors	525	317
Due to related parties	14	229
Income taxes and other taxes payable	70	99

Total current liabilities	1,082	1,953
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Non-current liabilities

Long-term debt	3,867	1,593
Deferred income tax	197	113
Derivative financial instruments	181	0

Total non-current liabilities	4,245	1,706
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Total liabilities	5,327	3,659
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STOCKHOLDERS' EQUITY & RESERVES

Capital stock	281	281
Retained earnings	516	372
Current year net income	116	29
Valuation of derivative financial instruments	-133	0

Total Stockholders' equity and reserves	780	682
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Total liabilities and stockholders' equity and reserves	6,107	4,341
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