



Docuformas

Quarterly Report

4Q18



DOCUFORMAS

Docuformas Reports 4Q and Full Year 2018 Results

Mexico City, February 20, 2018 – Docuformas S.A.P.I. de C.V. (“Docuformas” or the “Company”), today announced its unaudited consolidated financial results for the fourth quarter of 2018 “4Q18” and twelve-month period ending December 2018 “12M18”. All figures are expressed in Mexican pesos (\$) unless otherwise stated, and were prepared in accordance with requirements from the National Banking and Securities Commission (CNBV).

Key Highlights

- ❖ Total revenues in 4Q18 were \$385 million, 12% more than the \$345 million reported in 4Q17. For 12M18, total revenues were \$1,414 million versus \$1,005 million in 12M17, an increase of 41%.
- ❖ Cost of revenues decreased \$11 million 4Q18/4Q17 but increased 56% 12M18/12M17 mainly due to an overall increase in revenues and higher interest expenses, including additional interest expenses from the issuance of the senior notes.
- ❖ Gross profit increased \$51 million or 61% from \$84 million in 4Q17 to \$135 million in 4Q18, and \$70 million or 18% 12M18/12M17 while gross margin decreased from 39% to 33% in the same twelve-month 18/17 because of higher interest expenses.
- ❖ Net income for 12M18 was \$162 million compared to the \$132 million in profit same period last year, up by \$30 million or 23%.
- ❖ The total portfolio grew to \$5,789 million as of December 31, 2018, up by \$1,158 million or 25% when compared to the same period 2017, while the real estate portfolio increased \$216 million or 42% to \$726 million.
- ❖ The Company’s total assets at 12M18 grew by 19% to \$7,291 million versus \$6,132 million in 12M17.
- ❖ Total liabilities grew 11% in 12M18/12M17, with total short-term liabilities increasing by \$330 million, or 34%, year-over-year to \$1,299 million; long-term liabilities remained almost flat during the same period totaling \$4,605 million. Furthermore, the Company’s financial leverage decreased from 5.6x to 3.7x 12M17/12M18, following the capital injection and the profitable 2018 result.
- ❖ The Company’s overall financial position improved because of the equity investment and the 2018 net income, reflected in a 74% increase in Stockholders’ Equity from \$795 million in 12M17 to \$1,387 million in 12M18 despite the negative \$97 million impact from valuation of derivative financial instruments.

Financial and Operating Summary

Financials Metrics (in millions of pesos)	4Q18	4Q17	Var.%	12M18	12M17	Var.%
Total Revenues	385	345	12%	1,414	1,005	41%
Cost of Revenues	250	261	-4%	948	609	56%
Gross Profit	135	84	61%	466	396	18%
%	35%	24%	44%	33%	39%	-16%
Operating Expenses	85	62	37%	275	207	33%
Net Income	-9	19	-147%	162	132	23%
%	-2%	6%	-142%	11%	13%	-13%

Operating Metrics (in millions of pesos)	12M18	12M17	Var.%
Total Portfolio	5,789	4,630	25%
<i>Leasing Portfolio</i>	4,939	4,250	16%
<i>Credit & Factoring Portfolio</i>	784	290	170%
<i>Services Portfolio</i>	65	89	-27%
NPL	5.3%	6.0%	-11%
Real Estate Portfolio	726	510	42%
Total Portfolio including Real Estate	6,515	5,140	27%

Financial Indicators	12M18	12M17	Var.%
R O A A (annualized)	2.4%	2.5%	-5%
R O A E (annualized)	14.8%	18.4%	-19%
Financial Debt / Stockholders' Equity	3.7	5.6	-33%
Capitalization (Stockholders' Equity/ Total Assets)	19.0%	13.0%	47%
Stockholder' Equity/ Total Portfolio	24.0%	17.2%	40%
Leasing Portfolio / Total Portfolio	85.3%	91.8%	-7%
Total Portfolio / Financial Debt	1.1	1.0	7%
Current Assets/ Current Liabilities	2.3	2.9	-20%
Total Financial Debt (in millions of pesos)	5,178	4,443	17%

2018 Highlights

New Corporate Structure

- ✓ New investment previously reported of US \$27 million was completed during the 3th and 4th quarter 2018. Mr. Adam Wiaktor continues as CEO of Docuformas as well as a member of the Board of Directors.

Shareholder	Prior	New
Adam Wiaktor	67.9%	14.5%
Aureos Latin America Fund I and Fondo Aureos Colombia	32.1%	
Fideicomiso Actinver 3279 (Alta Growth Capital Fund)		35.7%
Fideicomiso Deutsche Bank F/1900 (CKD The Abraaj Group)		24.9%
Abraaj Thames B.V. (The Abraaj Group)		24.9%
Total	100%	100%

Corporate and bond upgrade by Fitch Ratings and Standard and Poor's

- ✓ Following the capital injection from the Private Equity Funds, and continued strong corporate governance, a more flexible Shareholders' Agreement and proven business model, ensured an upgrade to "BB-" from "B+" on both global and issue level ratings.

Purchase of Mexarrend and affiliates

- ✓ In January 2019, Docuformas acquired 100% of the shares of two independent leasing companies in Mexico, Mexarrend and Compañía Mexicana de Arrendamiento, solidifying its position as a key leasing player in Latin America. The combined portfolio of these companies amount to ~ MXN \$500 million.

Successful consent solicitation related to the outstanding senior notes

- ✓ In January 2019, Docuformas received consents from bond-holders representing the majority in aggregate principal amount of its Senior Notes due 2022
 - ✓ New covenant package allows Docuformas a better mix of secured/unsecured debt while limiting the amount of total Docuformas' leverage.

Statement from the Chief Executive Officer

Docuformas was able to overcome a difficult and volatile macroeconomic outlook during 2018 and post positive results. We are satisfied with the fourth quarter and full year performance, which demonstrates the sustainability of our business model in difficult macro-economic scenarios. We recorded revenue growth of 41% during the year, reaching \$1,414 million pesos, with the fourth quarter posting a solid 12% growth driven by strong origination. Gross profit grew 61% during the quarter and net profit, despite the loss experienced in the fourth quarter, increased 23% during the year, expanding our net margin from 11% to 13%.

Our total credit portfolio posted a robust 25% growth in 2018 to reach \$5.8 billion pesos, most of which came from the leases and credit business lines. The leasing portfolio grew 16% and continues to represent a little over 85% of our total portfolio. We continue to diversify our portfolio in terms of geographies and industries, with the objective of lowering risk and seeking new opportunities.

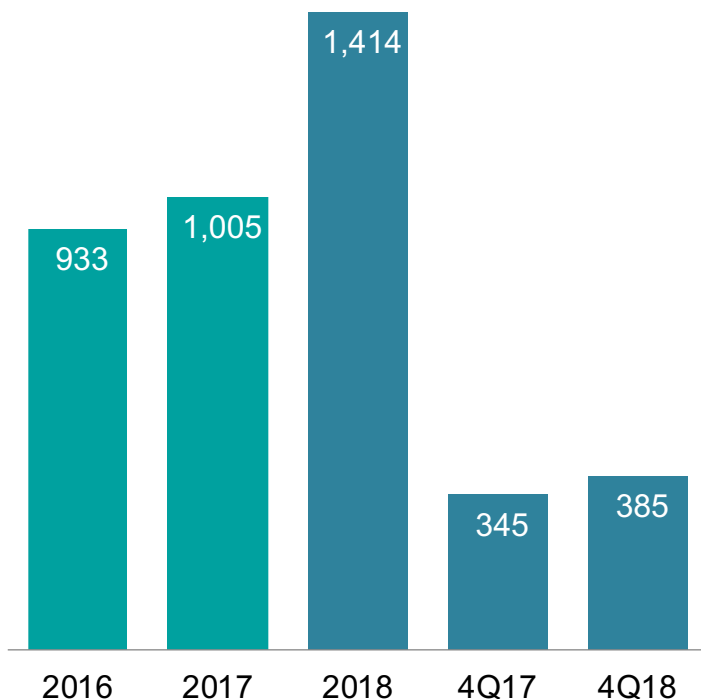
For 2019, notwithstanding challenging market conditions, we will continue focusing on growing our portfolio while implementing efficiencies that will improve the company's profitability. We will continue to prioritize a strong balance sheet and conservative lending criteria to maintain a healthy asset quality.

Adam Wiaktor
Founder & CEO of Docuformas

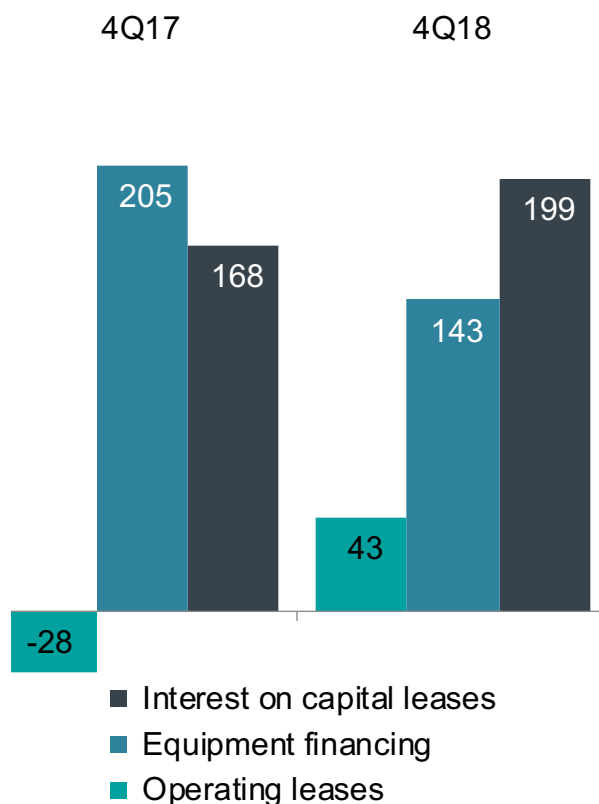
In millions of pesos

Review of the Income Statement

Revenue



Revenue by product line



Total Revenue

Total revenues increased 12%, from \$345 million in 4Q17 to \$385 million in 4Q18, mainly due to strong origination in the quarter, indicating overall growth of the Company's portfolio. Additionally, for 12M18, total revenues increased \$409 million or 41% vs 12M17.

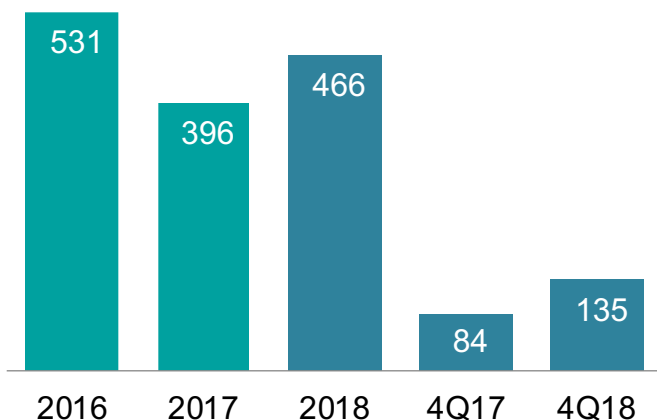
The quarterly revenue by product line also turned in a satisfactory performance in 4Q18.

Cost of Revenues

Cost of revenues decreased 4% 4Q18 vs 4Q17 (from \$261 million to \$250 million), mainly due to better cost related management and overall impact derived from the issuance of the senior notes during the 4th quarter 2017, which was offset during the twelve-month period 2018.

In millions of pesos

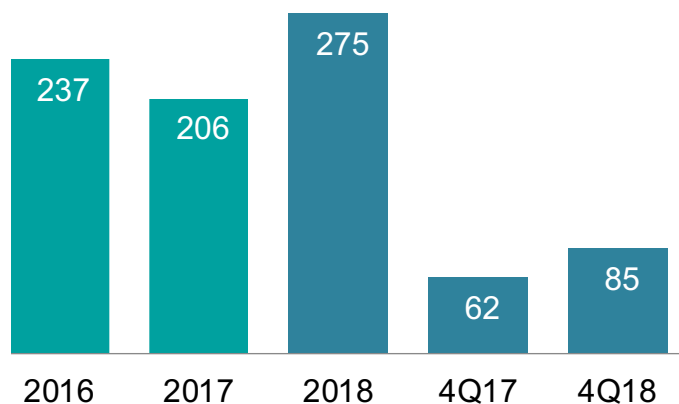
Gross Profit



The increase in revenues of 12% vs decrease of costs of 4% 4Q18/4Q17 positively impacted gross profit & margin.

In 4Q18, gross profit was \$135 million, an increase of 61% or \$51 million versus 4Q17; gross margin during the same period improved from 24% to 35%.

Operating Expenses



Operating expenses increased 37% in 4Q18 versus 4Q17, from \$62 million to \$85 million, chiefly due to an increase in selling expenses related to the overall revenue growth in the period. However, OPEX represented only 19% of sales as of 12M18 versus 21% as of 12M17.

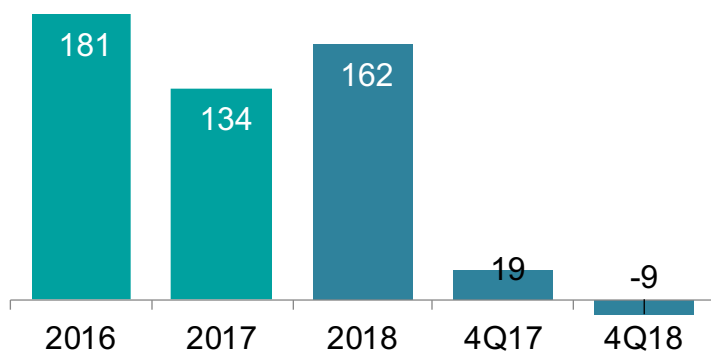
Comprehensive Financing Result

The comprehensive financing result of the Company went from \$73 million in 4Q17 to \$65 million in 4Q18, driven by FX losses and the valuation of hedges; however as of 12M18, this line item represented positive \$10 million.

Net Income

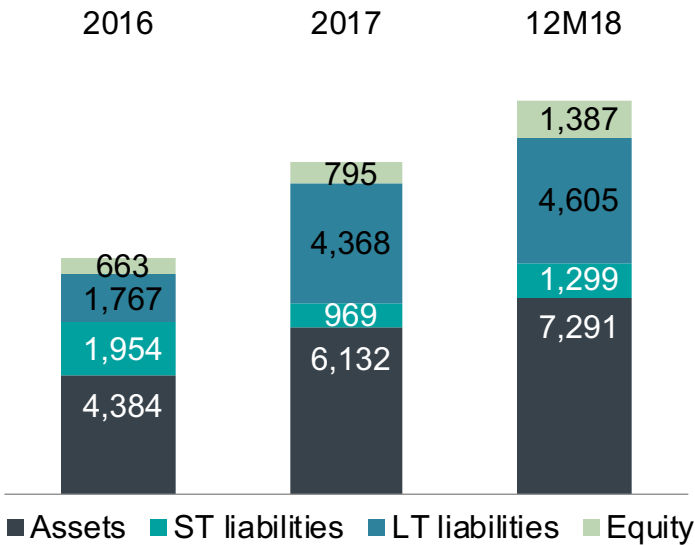
4Q18 reported a net loss of \$9 million versus \$19 million reported in 4Q17 due to a 4th quarter FX loss which exceeded the hedge valuation; 12M18 was not adversely impacted.

In 12M18, net income increased \$30 million to \$162 million and net margin increased from 11% to 13%.

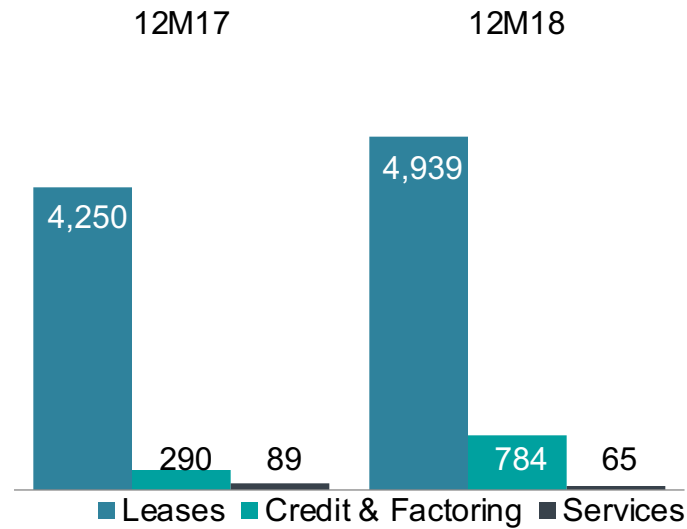


In millions of pesos

Balance Sheet Analysis



Portfolio by business line



Balance Sheet & Portfolio by Business Line

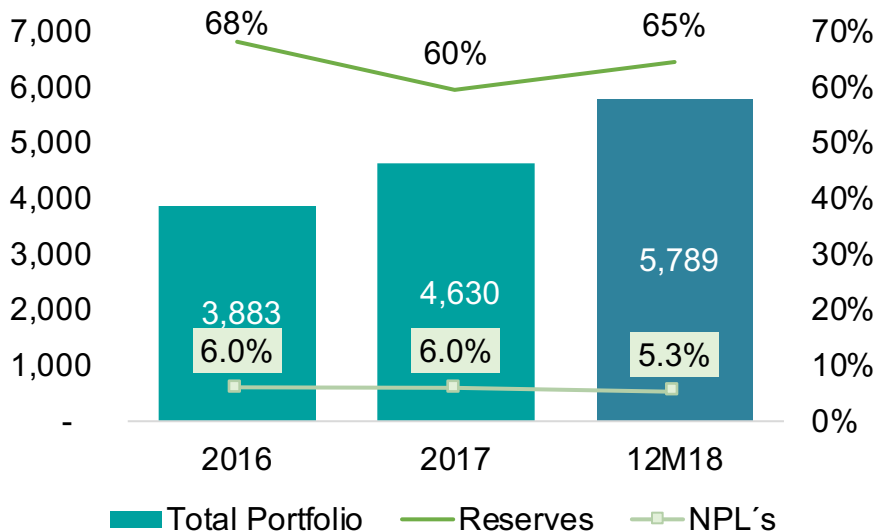
Total assets as of December 31, 2018 vs same period 2017 increased by \$1,159 million or 19% to \$7,291 million; total liabilities grew 11% to \$5,904 million

Long-term liabilities increased \$237 million or 5%. In terms of tenors, short-term liabilities increased \$330 million from 12M17 to 12M18.

As of 12M18, the total portfolio grew 25% year-over-year to \$5,789 million, indicating stronger origination aided by the use of proceeds from the senior notes issue.

Non-Performing Leases

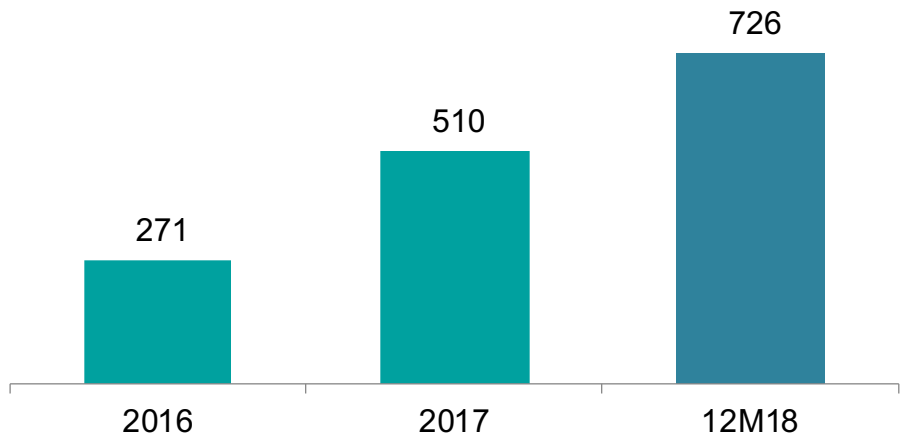
Non-performing loans (NPLs) as of December 31, 2018 stood at \$307 million or 5.3% of the total portfolio, lower than the 6.0% year end 2017; the loss reserve stood at 198 million, or 65% of the NPL amount.



In millions of pesos

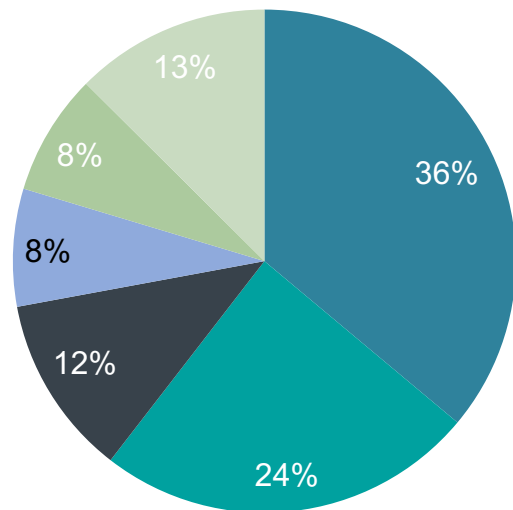
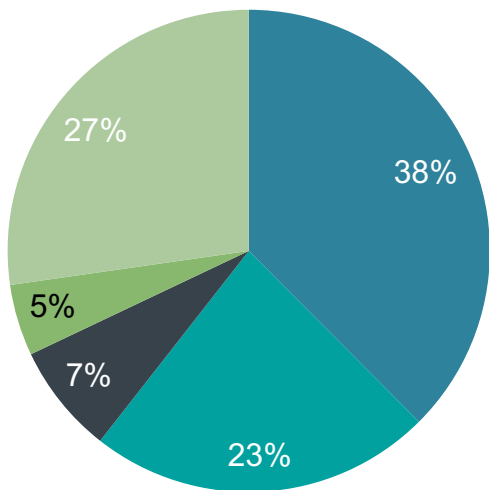
Real Estate Assets

As of December 31, 2018, the real estate assets totaled \$726 million, compared to \$510 million on December 31, 2017, an increase of \$216 million, or 42%, owing to a continuing investment in the asset class.



Portfolio by Region and Industry

- Industrials
- Consumer Discretionary
- Health Care
- Materials
- Information Technology



- Mexico City
- Mexico State
- Nuevo Leon
- Queretaro
- Other

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 industrial, service and health care industries.

Docuformas' Customers

New industry classification following global standards

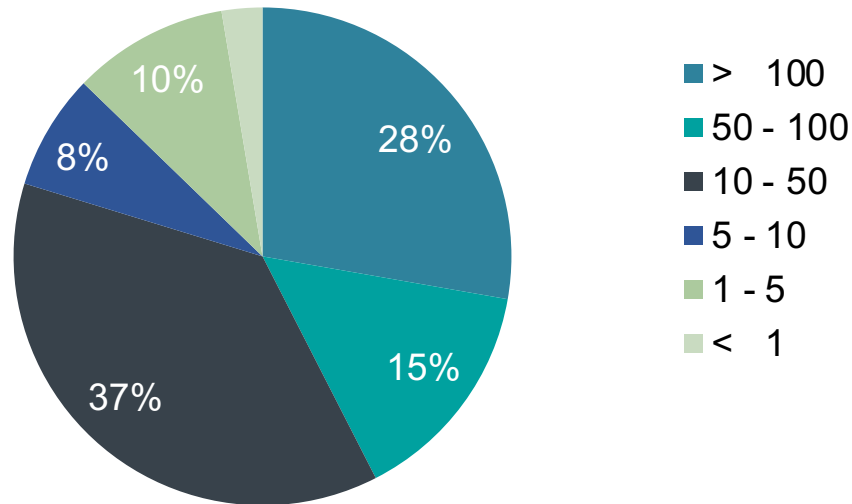
Starting 3Q18, Docuformas incorporated the Global Industry Classification Standard (GICS*) to classify its existing customer portfolio. As such, a more detailed industry analysis of our portfolio is presented below:

In millions of pesos

Sector	\$	%	Industry Group	\$	%
Industrials	2,088	36.08%	Capital Goods	876	15.14%
			Commercial & Professional Services	456	7.88%
			Transportation	756	13.06%
Consumer Discretionary	1,412	24.40%	Automobiles & Components	158	2.72%
			Consumer Durables & Apparel	429	7.40%
			Consumer Services	363	6.26%
			Media	172	2.96%
			Retailing	292	5.04%
Health Care	672	11.62%	Health Care Equipment & Services	656	11.34%
			Pharmaceuticals, Biotechnology & Life Sciences	16	0.28%
Information Technology	452	7.80%	Software & Services	403	6.96%
			Technology Hardware & Equipment	48	0.83%
			Semiconductors & Semiconductor Equipment	1	0.02%
			Materials	438	7.56%
Others	1,164	20.11%	Telecommunication Services	284	4.90%
			Food & Staples Retailing	69	1.19%
			Food, Beverage & Tobacco	180	3.10%
			Household & Personal Products	6	0.10%
			Banks	1	0.01%
			Diversified Financials	110	1.90%
			Insurance	23	0.40%
			Real Estate	43	0.74%
			Energy	10	0.18%
			Utilities	1	0.01%
Total	5,789	100.00%	Total	5,789	100.00%

*for further information: <https://www.msci.com/gics>

Portfolio distribution by ticket size

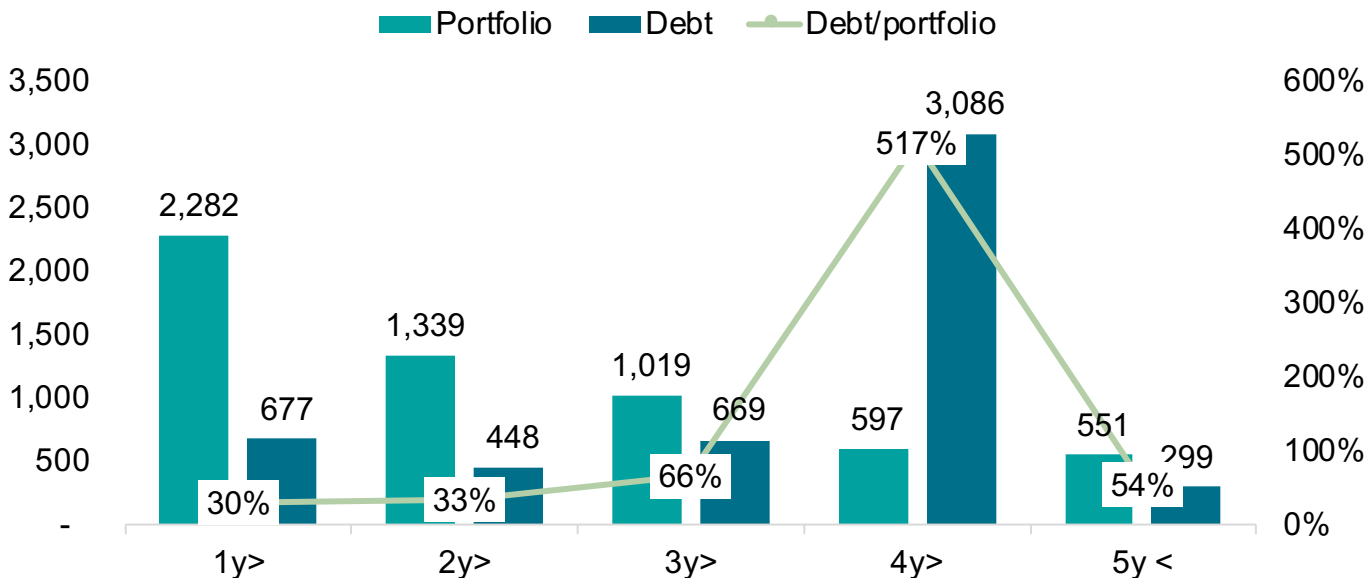


Docuformas operates under strict credit policies in order to achieve its top priority of maintaining the quality of its portfolio. It is important to mention that 97% of its customers represents transaction sizes below \$50 million, thereby maintaining a low level of concentration by client.

Ticket Size (\$ Million)	N° Clients	%
> 100	10	1%
50 - 100	12	1%
10 - 50	96	12%
5 - 10	63	8%
1 - 5	243	29%
< 1	402	49%
TOTAL	826	100%

In millions of pesos

Portfolio and Financial Debt Run-off

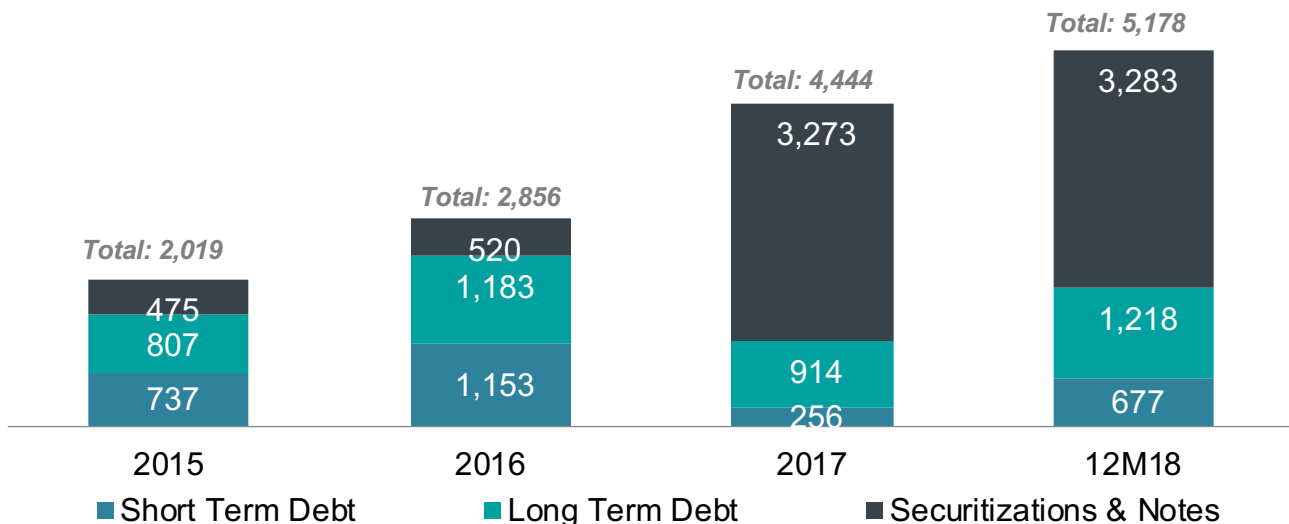


Total Docuformas portfolio run-off in the next 5 years is \$5,789 million, which compares favorably to the Company's total financial debt amortization, which amounts to \$5,178 million. Consequently, the portfolio composition and the debt amortization show adequate coverage.

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.

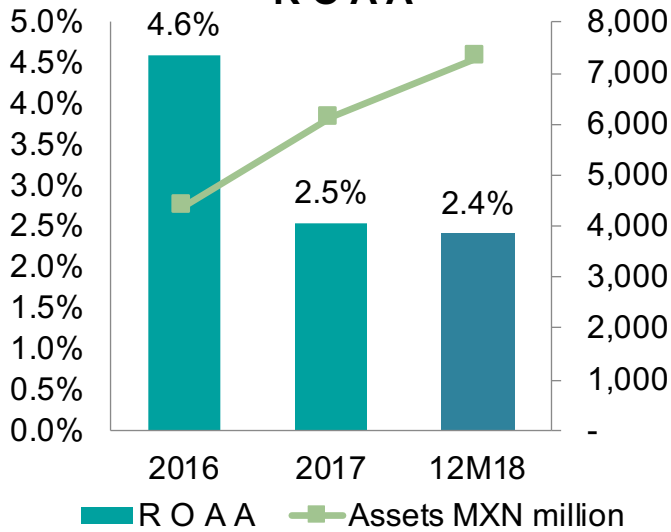
Financial debt mix (STD-LTD)

Financial debt mix (STD-LTD)

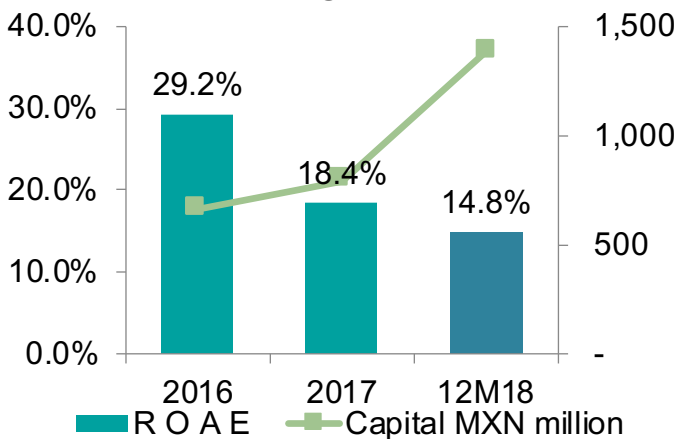


Financial Indicators

ROAA



ROAE

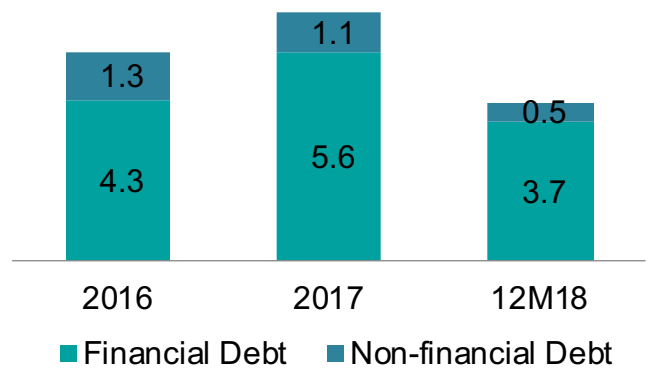


In 12M18, Return on Average Assets and Return on Average Equity were 2.4% and 14.8%, respectively, a decrease compared to FY 2017 since the \$27 million investment from the equity funds closed during the last months of 2018.

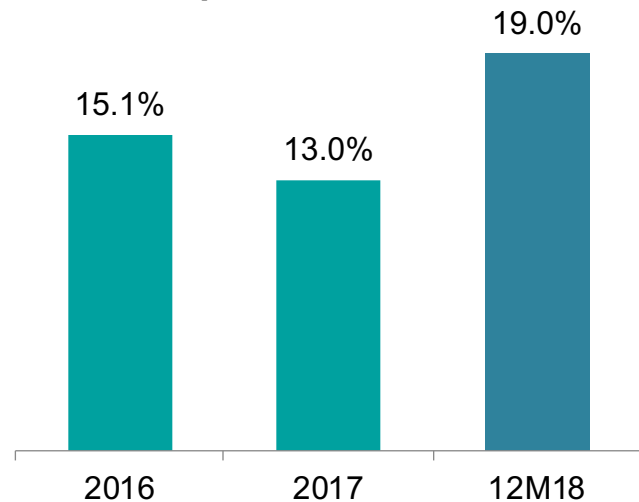
The capitalization ratio was 19% in 12M18, better than the 13.0% reported in FY 2017, which is an adequate capitalization ratio for the Company.

The leverage ratio as of 12M18 was 3.7 for financial debt (4.2 including non-financial debt). Total leverage decreased year-over-year largely due to capital injection.

Leverage Ratio



Capitalization Ratio



4Q and Full Year 2018 Conference Call

DATE	TIME
Thursday February 21, 2019	12:30 am EST
	11:30 am Mexico City Time

Presented by:

Mr. Adam Wiaktor, Chief Executive Officer

Mr. Alejandro Monzó Rosa, Deputy CEO

Mr. Héctor Esquivel, Chief Financial Officer

Mr. Eduardo Limón, Investor Relations Officer

Mr. Ramón Barreda, Investor Relations Deputy Director

A Q&A session will follow the presentation.

To access the conference call, please dial:

1-877-407-3982 (U.S. participants)

1-201-493-6780 (International participants)

01-800-522-0034 (Mexico)

Conference ID: 1368-7334

A replay of this call will be available until February 28, 2019 at 11:59 pm ET. To access the replay, please dial:

1-844-512-2921 (U.S. participants)

1-412-317-6671 (International participants)

Passcode: 1368-7334

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Further information:

- **Bloomberg ticker: DOCUFO**
- **LEI: 549300HM88E943FM9K17**
- **BMV ticker: DOCUFOR**

ABOUT DOCUFORMAS

Docuformas S.A.P.I. de C.V. 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.

Reading Docuformas' Financials

Key components of Docuformas' Income Statement and Balance Sheet

<p>Total revenues</p>	<ul style="list-style-type: none"> • Interest on capital leases → includes interest earned on capital lease payments and portfolio sales • Equipment financing → equipment financed under installment plan, includes both the interest and the principal. • Operating leases → includes (i) the rental revenue from ICI's lease of real estate property, (ii) rental income associated with the operating lease business of ARG and (iii) the fees for certain maintenance and insurance services. • Factoring → interest from factoring
<p>Costs</p>	<ul style="list-style-type: none"> • Interest Expense → includes the funding costs for the assets leased under all of our capital, operating leases and transportation services (renting) and other related services. • Equipment financing expense → which include the costs of equipment that is purchased as part of our equipment financing business. • Depreciation of assets under operating leases → depreciation of the Real Estate asset being rented by ICI and the depreciation of all the operating lease equipment leased by ARG as part of its renting business.
<p>Balance sheet (assets)</p>	<ul style="list-style-type: none"> • Accounts receivable → the net investment in leases. • Other assets → Mostly security deposits. • Property-furniture and equipment – net → includes the properties from the Real Estate business derived from ICI and other equipment of the Company.
<p>Balance sheet (liabilities)</p>	<ul style="list-style-type: none"> • Current portion of long-term debt → includes only the principal payment during 1 year of the long - term financial debt. • Sundry creditors → VAT provision and other items • Long – term debt → includes only the principal payment over 1 year of the financial debt.

Consolidated Statement of Profit And Loss

As of December 31, 2018

REVENUES	4Q18	4Q17	12M18	12M17
Interest on capital leases	199	168	675	563
Equipment financing	143	205	546	296
Operating leases	43	(28)	193	145
Factoring	0	0	0	1
Total income	385	345	1,414	1,005
COSTS				
Interest expense	133	137	511	351
Equipment financing	89	102	344	151
Depreciation of assets under operating leases	28	22	93	107
Total costs	250	261	948	609
GROSS INCOME	135	84	466	396
Selling expenses	6	6	25	17
Administrative expenses	51	42	180	142
Allowance for loan losses	28	14	70	48
Operating expenses	85	62	275	207
OPERATING INCOME	50	22	191	189
Other (income) expenses, net	9	(1)	9	(2)
Interest income	10	(86)	(10)	(88)
Interest expenses	11	18	49	58
Net exchange loss (profit)	122	142	(5)	135
Valuation of derivative financial instruments	(78)	(1)	(44)	10
Comprehensive financing result	65	73	(10)	115
INCOME BEFORE INCOME TAXES	(24)	(50)	192	76
Income taxes	(15)	(69)	30	(56)
NET INCOME	(9)	19	162	132

Balance Sheet

As of December 31, 2018

ASSETS	12M18	12M17
Current Assets		
Cash and cash equivalents	1,221	1,308
Accounts receivable	1,277	1,115
Allowance for loan losses	198	164
Taxes due from	191	107
Sundry debtors	28	27
Related parties due from	37	3
Other assets	31	65
Inventory	11	0
Total current assets	2,994	2,789
Non-current assets		
Property-furniture and equipment - net	1,059	870
Long-term receivable	2,899	2,131
Other assets	178	169
Derivative financial instruments	-2	10
Goodwill	163	163
Total non-current assets	4,297	3,343
Total assets	7,291	6,132

LIABILITIES

Current liabilities		
Current portion of long-term debt	677	256
Accounts payable	33	163
Sundry creditors	551	381
Due to related parties	9	75
Income taxes and other taxes payable	29	94
Total current liabilities	1,299	969
Non-current liabilities		
Long-term debt	4,501	4,187
Deferred income tax	181	181
Derivative financial instruments	-77	0
Total non-current liabilities	4,605	4,368
Total liabilities	5,904	5,337

STOCKHOLDERS' EQUITY & RESERVES

Capital stock & retained earnings	1,322	663
Valuation of derivative financial instruments	-97	0
Current year net income	162	132
Total Stockholders' equity and reserves	1,387	795
Total liabilities and stockholders' equity and reserves	7,291	6,132