



Docuformas

Quarterly Report

2Q19

Docuformas Reports 2nd Quarter 2019 Results

Mexico City, August 7, 2019 – Docuformas S.A.P.I. de C.V. (“Docuformas” or the “Company”), today announced its unaudited consolidated financial results for the second quarter of 2019 “2Q19” and six-month periods “6M19” ended June 30, 2019. 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 2Q19 were \$331 million, \$44 million or 15% more than the \$287 million reported in 2Q18. For 6M19, total revenues were \$673 million versus \$640 million in 6M18, an increase of 5%.
- ❖ Cost of revenues decreased \$28 million or 15% 2Q19/2Q18 and \$44 million or 10% 6M19/6M18 mainly due to lower activity in the equipment financing business line.
- ❖ Gross profit increased \$72 million or 73% from \$99 million in 2Q18 to \$171 million in 2Q19. For 6M19, gross profit increased 37% or \$77 million vs 6M18. Gross margin improved from 35% to 51% 2Q19/2Q18 and from 32% to 42% 6M19/6M18 due to improved interest income accompanied by tight cost control.
- ❖ Net income for 2Q19 was \$21 million vs negative \$12 million during the same period last year. For 6M19, net income was \$53 million compared to \$103 million 6M18, a decrease of 50 million mainly due to a positive impact valuation of derivatives during 2018.
- ❖ Total portfolio grew to \$7,326 million as of June 30, 2019, up by \$1,811 million or 33% when compared to the same period 2018, while the real estate portfolio increased \$243 million or 37% to \$909 million. Net Earning Assets (total portfolio + real estate) increased 33% or \$2,054 million 6M19/6M18.
- ❖ The Company’s total assets at 6M19 stood at \$8,029 million versus \$6,210 million in 6M18, an increase of \$1,819 million or 29%.
- ❖ Total liabilities grew by \$1,100 million or 20% in 6M19/6M18, with total short-term liabilities increasing by \$1,238 million, or over 100%, year-over-year to \$2,385 million; long-term liabilities decreased \$138 million or 3% during the same period. Financial debt (STD & LTD) increased \$1,151 million, however, the Company’s financial leverage decreased from 5.7x to 3.7x 6M18/6M19, due to the capital injection in 4Q2018
- ❖ The Company’s overall financial position improved because of the equity injection and the current net income, reflected in a 92% increase in Stockholders’ Equity from \$783 million as of 6M18 to \$1,502 million as of 6M19.

Financial and Operating Summary

Financials Metrics (in millions of pesos)	2Q19	2Q18	Var.%	6M19	6M18	Var.%
Total Revenues	331	287	15%	673	640	5%
Cost of Revenues	160	188	-15%	389	433	-10%
Gross Profit	171	99	73%	284	207	37%
%	52%	34%	50%	42%	32%	
Operating Expenses, including CFR* and income taxes	150	111	35%	231	104	122%
Net Income	21	-12	-275%	53	103	-49%
%	6%	-4%	-252%	8%	16%	

Operating Metrics (in millions of pesos)	6M19	6M18	Var.%
Total Portfolio	7,326	5,515	33%
<i>Leasing Portfolio</i>	6,490	5,236	24%
<i>Credit & Factoring Portfolio</i>	787	206	282%
<i>Services Portfolio</i>	49	73	-33%
NPL	5.2%	5.5%	-5%

Real Estate Portfolio	909	666	36%
Net Earning Assets	8,235	6,181	33%

Financial Indicators	6M19	6M18	Var.%
R O A A (annualized)	1.5%	3.9%	-62%
R O A E (annualized)	9.3%	27.2%	-66%
Financial Debt / Stockholders' Equity	3.7	5.7	-34%
Capitalization (Stockholders' Equity/ Total Assets)	18.7%	12.6%	48%
Stockholder' Equity/ Total Portfolio	20.5%	14.2%	44%
Leasing Portfolio / Total Portfolio	88.6%	94.9%	-7%
Total Portfolio / Financial Debt	1.3	1.2	6%
Current Assets/ Current Liabilities	1.4	2.5	-46%
Total Financial Debt (in millions of pesos)	5,612	4,461	26%

Recent Highlights

Successful tender offer

- ✓ On July 8, 2019, Docuformas announced a tender offer for its 9.250% senior notes due in 2022. The tender offer was well received with an 80% investor participation (99% of which tendered by the early tender date), reflecting the support the Company has from its investors. On July 29, 2019, Docuformas prepaid US \$120 million of its 2022 bond plus tender premium.
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New International Bond Issuance

- ✓ Following a 7-days roadshow, on July 19 Docuformas announced a successful international bond issuance in the amount of \$300 million dollars, with a coupon of 10.25% with an expiration date of July 24, 2024. The international bond offering was significantly oversubscribed due to the financial strength of the Company and its favorable growth outlook. The proceeds from the bond were used to partially prepay Docuformas 22' bond, prepay certain short term indebtedness and the remainder will be used to fund portfolio growth.
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Statement from the Chief Executive Officer

We are satisfied with the solid results achieved during the second quarter of 2019 in a challenging economic environment in Mexico. We continued to execute our business plan and achieved a 15% growth in revenues and a 15% decrease in costs, leading to an improvement of 73% in gross profit and a positive net income of \$21 million pesos. Our portfolio grew by 33% compared to the same period of 2018, and our NPLs also improved to 5.2% at the end of the quarter.

On July 19, 2019 Docuformas issued a new international bond of \$300 million dollar with a coupon of 10.25%. The Offering was significantly oversubscribed due to the strong financial position of the Company and its favorable growth outlook. We expect the proceeds from the bond to be deployed over the next 12 months to finance upcoming debt amortizations and grow our portfolio. This bond issuance followed the tender offer for Docuformas' 2022 \$150 million dollar bond with an 80% participation by bondholders, another sign of confidence in the Company.

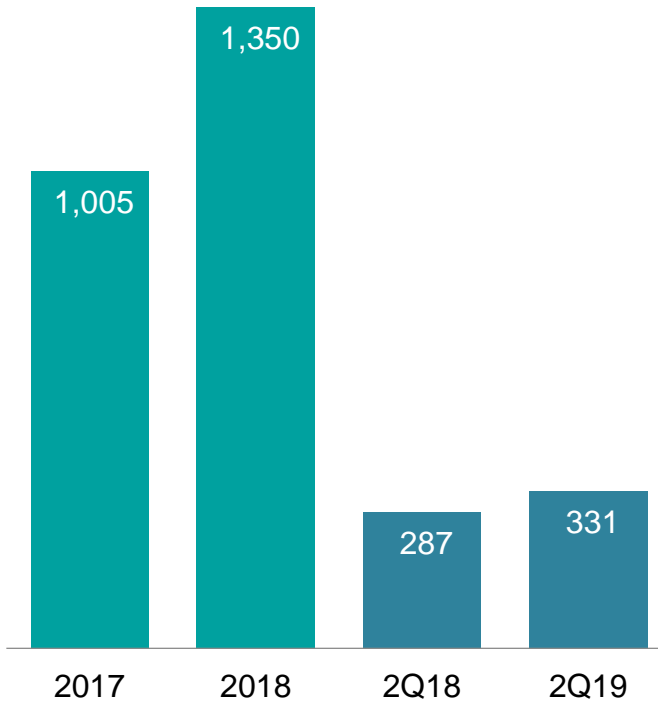
Despite economic volatility we continue seeing strong demand for our products and are confident we can achieve our business plan in the same disciplined fashion which has traditionally characterized the Company.

Alejandro Monzó
CEO of Docuformas

In millions of pesos

Review of the Income Statement

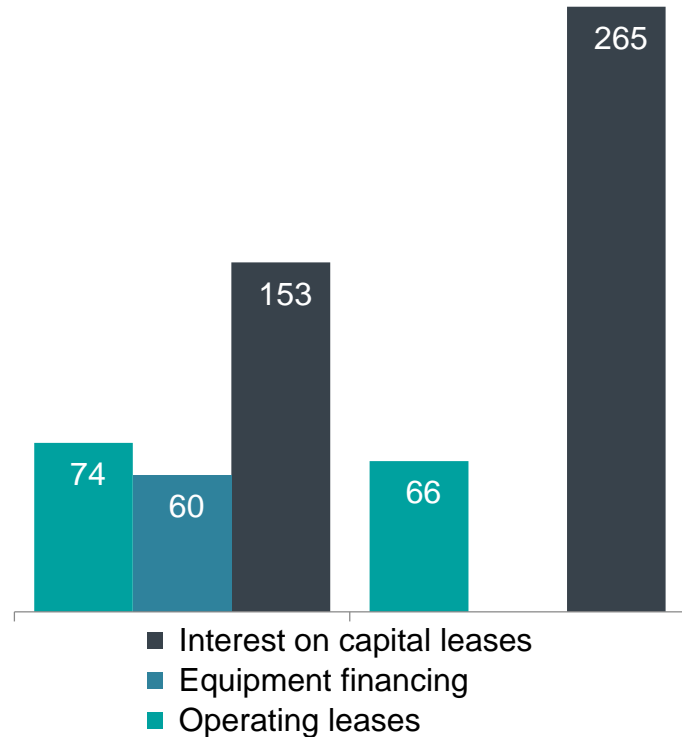
Revenue



Revenue by product line

2Q18

2Q19



Total Revenue

Total revenues increased 15%, from \$287 million in 2Q18 to \$331 million in 2Q19, mainly due to strong origination in the quarter, indicating overall growth of the Company's portfolio. For 6M19, total revenue increased 5% or 33% vs same period last year.

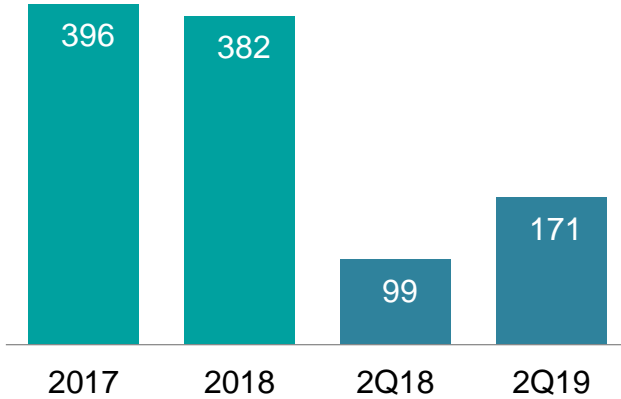
The quarterly revenue by product line also turned in a satisfactory performance, where capital lease interest showed the strongest improvement of \$112 million in 2Q19 and \$184 million 6M19/6M18.

Cost of Revenues

Cost of revenues decreased 15% 2Q19 vs 2Q18 from \$188 million to \$160 million, and 10% (or \$44 million) 6M19/6M18, mainly due to a decrease in the equipment financing business line.

In millions of pesos

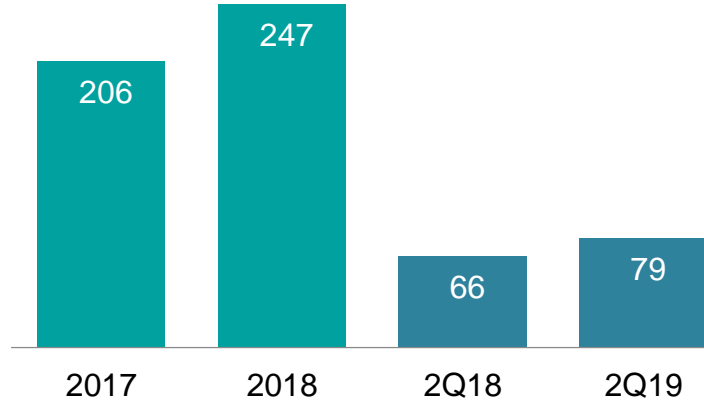
Gross Profit



The increase in revenues and the decrease of costs 2Q19/2Q18 and 6M19/6M18 positively impacted gross profit and gross margin.

In 2Q19, gross profit was \$171 million, an increase of 73% or \$72 million versus 2Q18 and for 6M19, gross profit increased \$77 million or 32% vs 6M18. Gross margin during the same period increased from 35% to 51%.

Operating Expenses



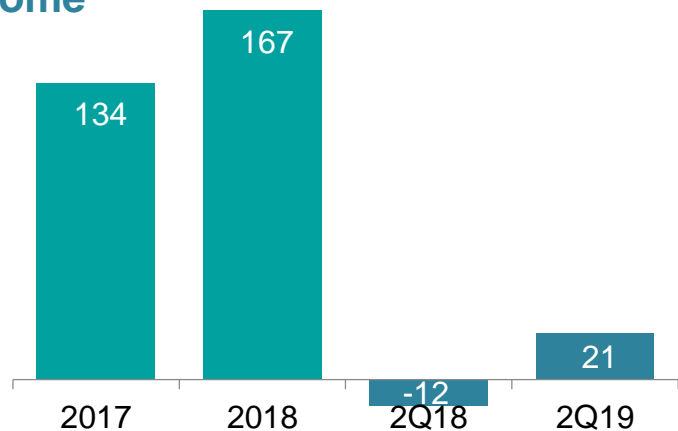
Operating expenses increased \$13 million in 2Q19 versus 2Q18, from \$66 million to \$79 million, chiefly due to an increase in selling expenses. For 6M19, gross income increased \$31 million, derived from an increase in selling expenses and allowance for loan losses.

Comprehensive Financing Result

The comprehensive financing result of the Company remained almost flat 2Q19/2Q18, however, the CFR went from positive \$41 million to negative \$74 million 6M18/6M19 driven mainly by FX items.

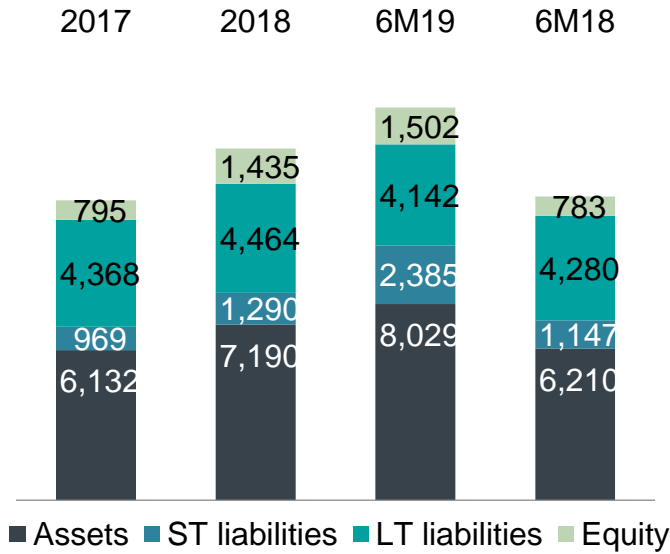
Net Income

2Q19 reported net income of \$21 million versus negative \$12 million in 2Q18. Net income was driven by strong financial performance of the Company.

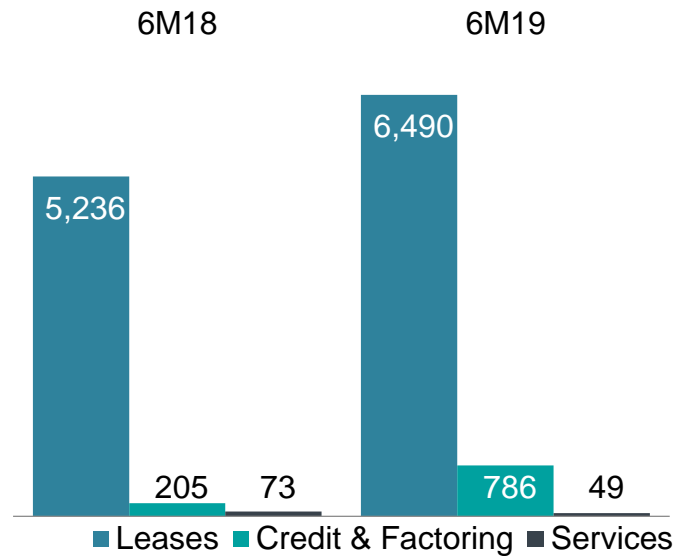


In millions of pesos

Balance Sheet Analysis



Portfolio by business line



Balance Sheet & Portfolio by Business Line

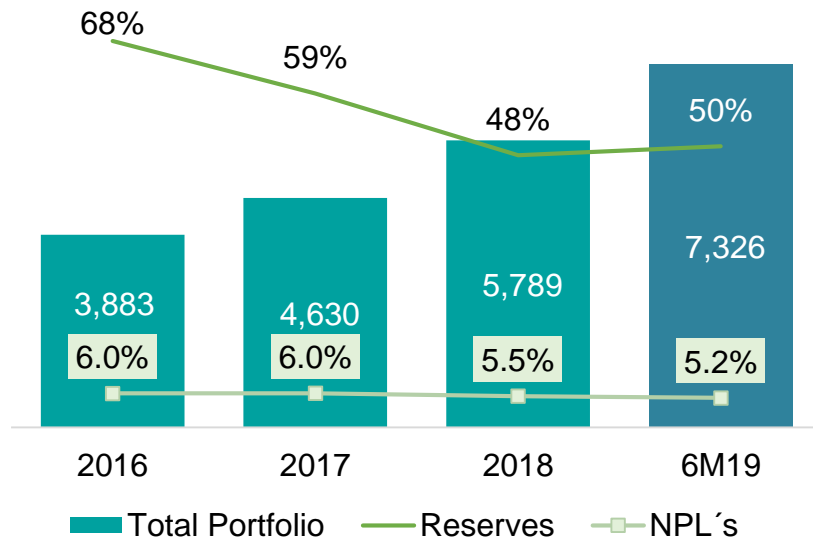
Total assets as of June 30, 2019 vs same period 2018 increased by \$1,819 million or 29% to \$8,029 million; total liabilities grew 20% to \$6,527 million.

Long-term liabilities decreased \$138 million or 3%. In terms of tenors, short-term liabilities increased \$1,238 million from 6M18 to 6M19.

As of 6M19, the total portfolio grew 33% year-over-year to \$7,326 million, indicating stronger origination aided.

Non-Performing Leases

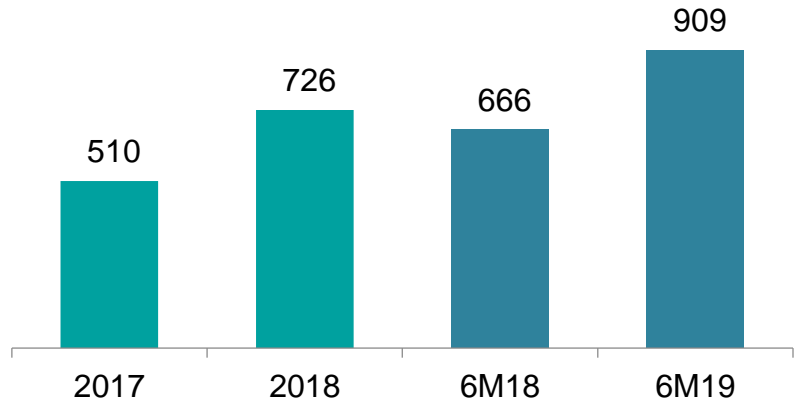
Non-performing loans (NPLs) as of June 30, 2019 stood at \$381 million or 5.2% of the total portfolio, lower than the 5.8% in 6M18 and 6.0% year end 2017; the loss reserve stood at \$189 million, or 50% of the NPL amount. The loss reserve decreased from recently following the IFRS 9 accountability adjustment.



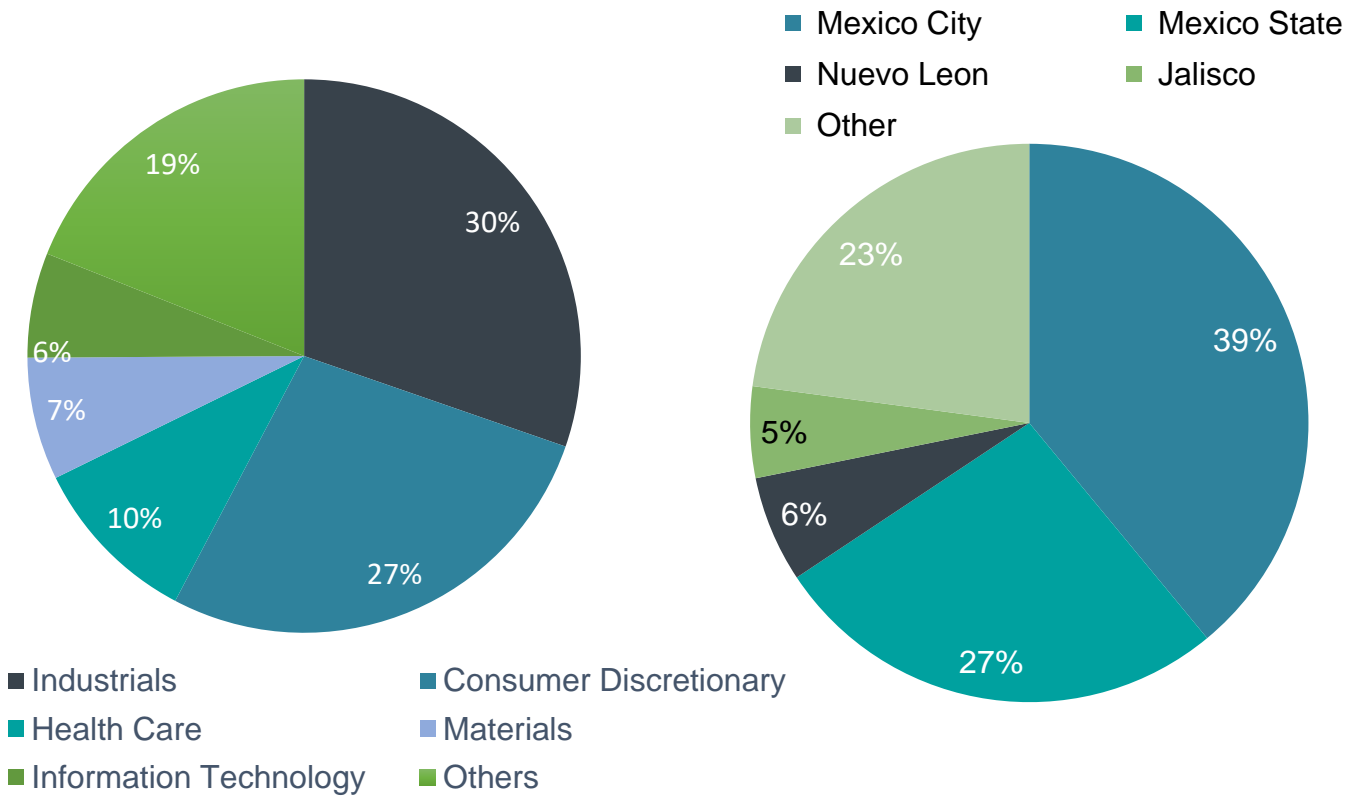
In millions of pesos

Real Estate Assets

As of June 30, 2019, the real estate assets totaled \$909 million, compared to \$666 million on June 30, 2018, an increase of \$243 million, or 37%, owing to a continuing investment in the asset class.



Portfolio by Region and Industry



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

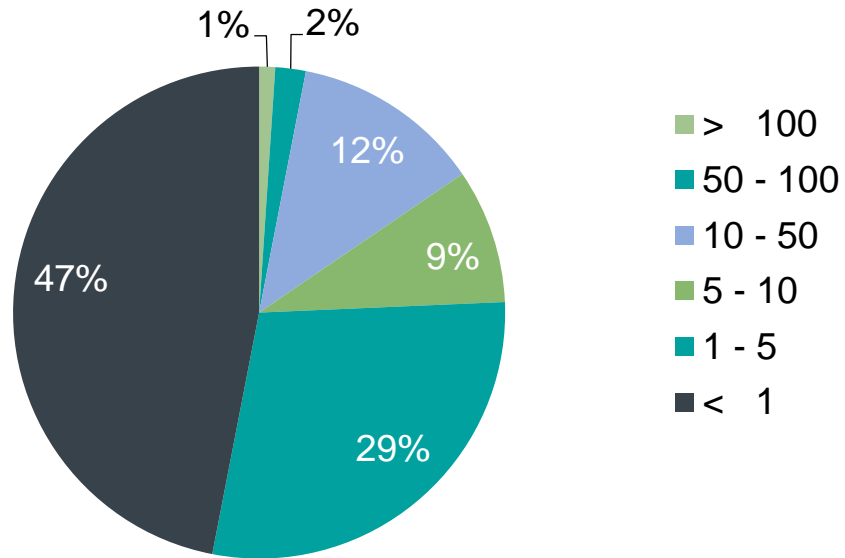
Starting 3Q18, Docuformas incorporated the Global Industry Classification Standard (GICS*) to classify its existing customer portfolio. As such, a more detailed industry analysis of our portfolio is presented below:

In millions of pesos

Sector	\$	%	Industry Group	\$	%
Industrials	2,615	35.70%	Capital Goods	1,118	15.26%
			Commercial & Professional Services	714	9.74%
			Transportation	784	10.70%
Consumer Discretionary	1,977	26.98%	Automobiles & Components	126	1.71%
			Consumer Durables & Apparel	835	11.39%
			Consumer Services	373	5.10%
			Media	324	4.42%
			Retailing	319	4.36%
Health Care	819	11.18%	Health Care Equipment & Services	766	10.46%
			Pharmaceuticals, Biotechnology & Life Sciences	53	0.72%
Information Technology	492	6.72%	Software & Services	453	6.18%
			Technology Hardware & Equipment	39	0.53%
			Semiconductors & Semiconductor Equipment	0	0.00%
			Materials	503	6.86%
Others	1,422	19.42%	Telecommunication Services	249	3.39%
			Food & Staples Retailing	195	2.66%
			Food, Beverage & Tobacco	198	2.70%
			Household & Personal Products	5	0.07%
			Banks	1	0.01%
			Diversified Financials	139	1.90%
			Insurance	29	0.39%
			Real Estate	96	1.31%
			Energy	8	0.11%
			Utilities	0	0.01%
			Total	7,326	100.00%

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

Portfolio distribution by ticket size

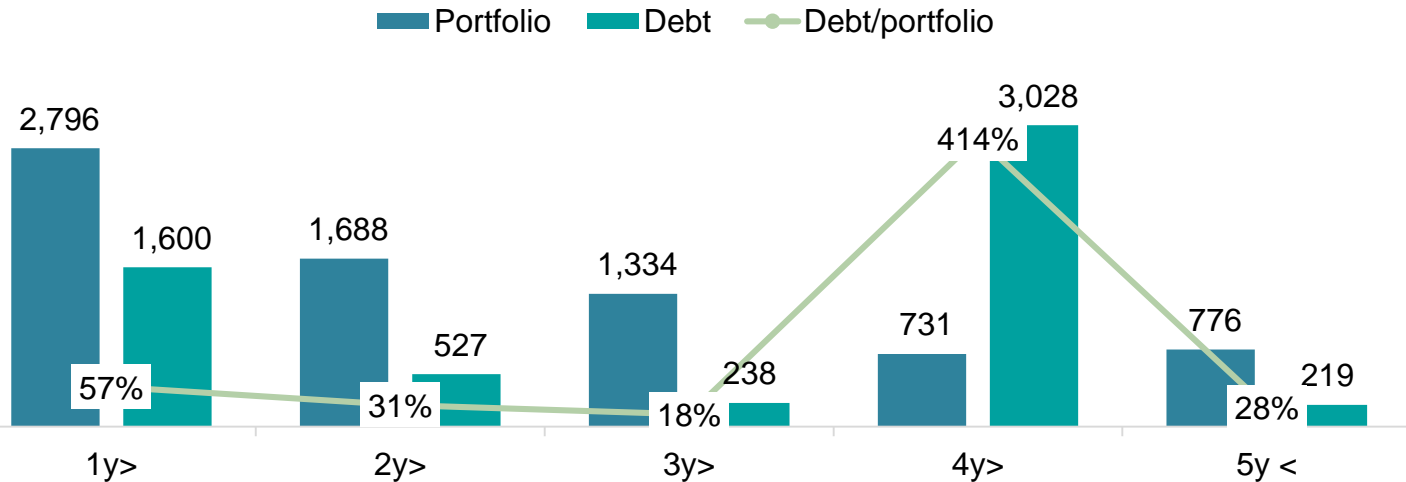


Docuformas operates under strict credit policies in order to achieve its top priority of maintaining the quality of its portfolio. It is important to mention that 97% of its customers represent transaction sizes below \$50 million, thereby maintaining a low level of concentration by client.

Ticket Size (\$ Million)	N° Clients	%
> 100	10	1%
50 - 100	19	2%
10 - 50	118	12%
5 - 10	84	9%
1 - 5	273	29%
< 1	446	47%
TOTAL	950	100%

In millions of pesos

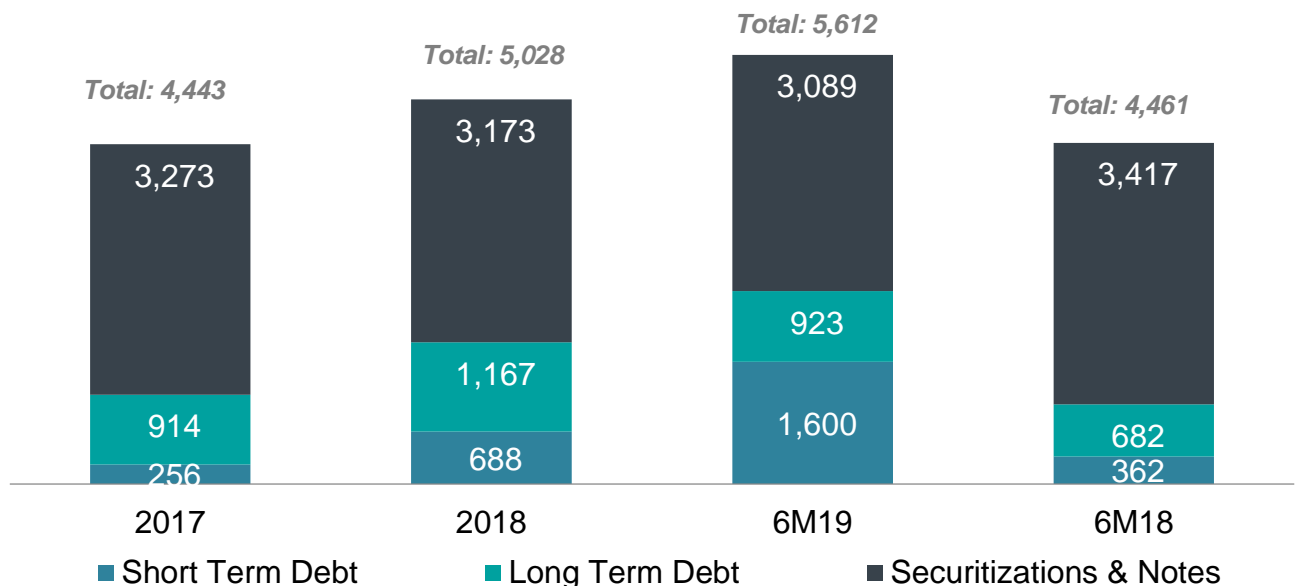
Portfolio and Financial Debt Run-off



Docuformas' total portfolio run-off in the next 5 years is \$7,326 million, which compares favorably to the Company's total financial debt amortization of \$5,612 million, showing adequate coverage.

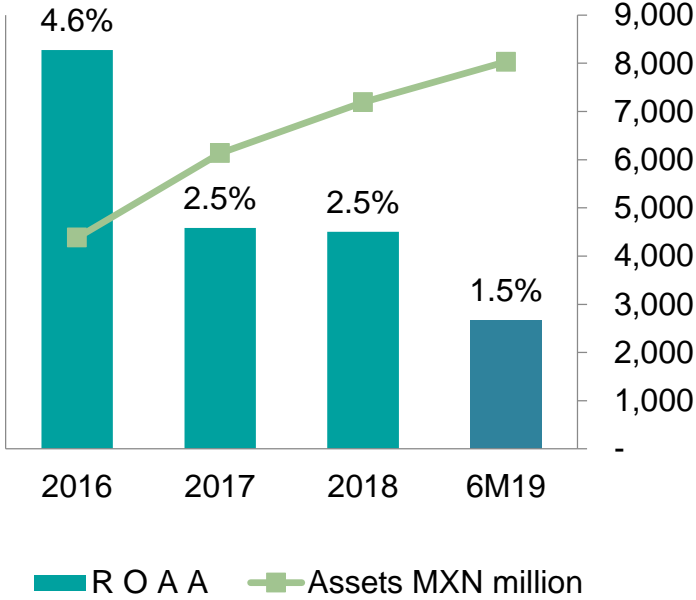
With the issuance of the 2017 bond, financial debt amortizations for the next 4 years were reduced significantly, one of the key reasons behind the issuance of the notes.

Financial debt mix (STD-LTD)



Financial Indicators

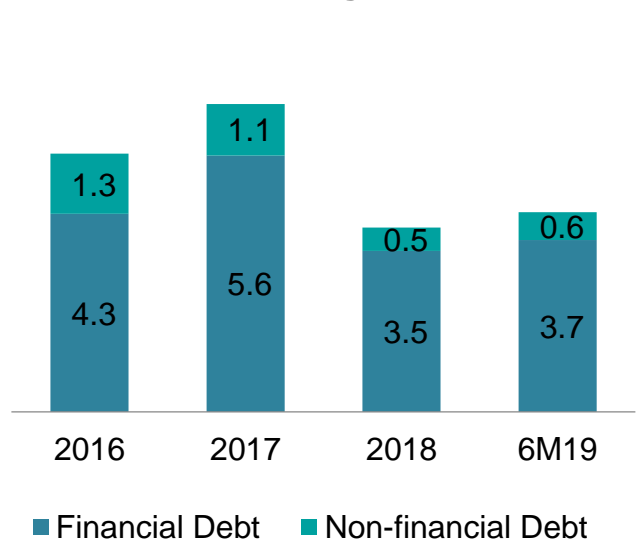
ROAA



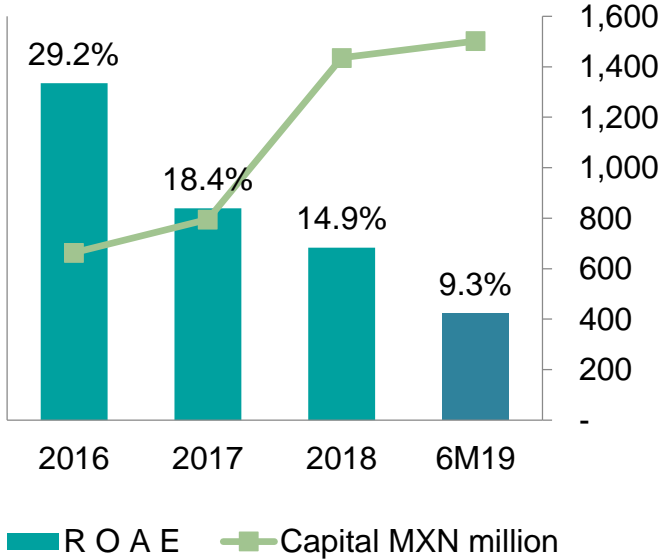
The leverage ratio as of 6M19 was 3.7 for financial debt (4.3 including non-financial debt). Total leverage decreased since 2017 largely due to capital injection in 2018.

The capitalization ratio was 18.2% in 6M19, significantly improved vs 12.8% in 6M18 and YE 2017.

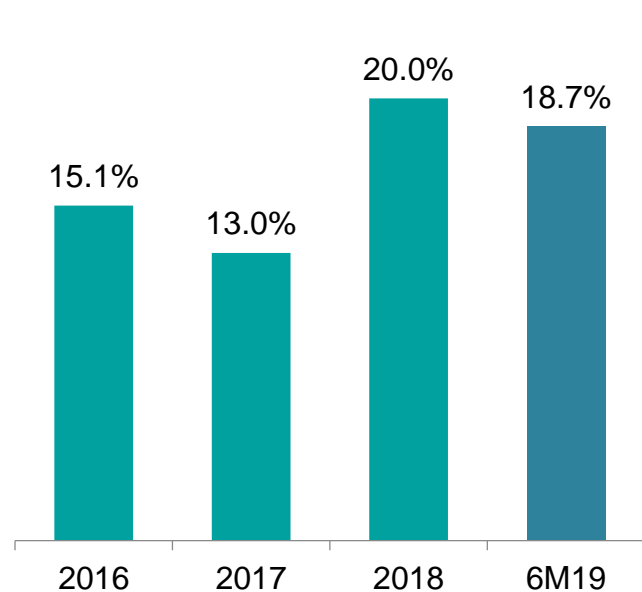
Leverage Ratio



ROAE



Capitalization Ratio



In 6M19, ROAA and ROAE were 1.5% and 9.3%, respectively, a decrease vs same periods of 2018 and 2017, mainly due to increases in asset and equity bases for the 2019 and 2018 calculation.

2Q19 Conference Call

DATE	TIME
Thursday August 8, 2019	12:00 pm EST
	11:00 am Mexico City Time

Quarterly results will be discussed by:

- Mr. Alejandro Monzó Rosa, CEO
- Mr. Ramón Barreda, Investor Relations Deputy Director

The following executives will also join the call:

- Mr. Adam Wiaktor, Founder and Board Member
- Mr. Héctor Esquivel, Chief Financial Officer
- Mr. Eduardo Limón, Investor Relations Officer

A Q&A session will follow the presentation.

To access the conference call, please dial:

Toll Free: 1-877-407-3982

Toll/International: 1-201-493-6780

Mexico Toll Free: 01-800-522-0034

Conference ID: 13693092

A replay of this call will be available until August 15, 2019 at 11:59 pm ET. To access the replay, please dial:

Toll Free: 1-844-512-2921

Toll/International: 1-412-317-6671

Replay Pin Number: 13693092

Contact Information

For more information visit
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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 June 30, 2019

REVENUES	2Q19	2Q18	6M19	6M18
Interest on capital leases	265	153	467	283
Equipment financing	0	60	71	227
Operating leases	66	74	135	130
Factoring	0	0	0	0
Total income	331	287	673	640
COSTS				
Interest expense	121	129	271	253
Equipment financing	0	40	52	146
Depreciation of assets under operating leases	39	19	66	34
Total costs	160	188	389	433
GROSS INCOME	171	99	284	207
Selling expenses	20	6	32	12
Administrative expenses	44	45	87	82
Allowance for loan losses	15	15	31	25
Operating expenses	79	66	150	119
OPERATING INCOME	92	33	134	88
Other (income) expenses, net	14	0	1	0
Interest income	(19)	(6)	(27)	(12)
Interest expenses	48	11	57	24
Net exchange loss (profit)	(33)	181	(81)	25
Valuation of derivative financial instruments	56	(132)	125	(78)
Comprehensive financing result	52	54	74	(41)
INCOME BEFORE INCOME TAXES	26	(21)	59	129
Income taxes	5	(9)	6	26
NET INCOME	21	(12)	53	103

Balance Sheet

As of June 30, 2019

ASSETS	6M19	6M18
Current Assets		
Cash and cash equivalents	714	549
Accounts receivable	2,033	1,916
Allowance for loan losses	189	171
Taxes due from	205	140
Sundry debtors	20	37
Related parties due from	48	3
Other assets	30	50
Inventory	11	11
Total current assets	3,250	2,877
Non-current assets		
Property-furniture and equipment - net	1,293	951
Long-term receivable	2,994	2,021
Other assets	231	168
Derivative financial instruments	27	27
Goodwill	234	166
Total non-current assets	4,779	3,333
Total assets	8,029	6,210
LIABILITIES		
Current liabilities		
Current portion of long-term debt	1,600	362
Accounts payable	50	187
Sundry creditors	697	540
Due to related parties	6	14
Income taxes and other taxes payable	32	44
Total current liabilities	2,385	1,147
Non-current liabilities		
Long-term debt	4,012	4,099
Deferred income tax	130	181
Derivative financial instruments	0	0
Total non-current liabilities	4,142	4,280
Total liabilities	6,527	5,427
STOCKHOLDERS' EQUITY & RESERVES		
Capital stock	1,323	281
Retained earnings	180	516
Valuation of derivative financial intstruments	-54	-117
Current year net income	53	103
Total Stockholders' equity and reserves	1,502	783
Total liabilities and stockholders' equity and reserves	8,029	6,210