

GRUPO CASA SABA SA DE CV

Form 6-K

October 28, 2009

**Quarterly Earnings Report
3Q09**

October 28, 2009

Net Income Increased 39.03%

Financial Highlights:

(All figures are expressed in millions of Mexican pesos of purchasing power as of September 2009. Comparisons are made with the same period of 2008, unless otherwise stated. Figures may vary due to rounding practices).

- ◆ Sales for the quarter grew 4.90% to reach \$7,009.53 million
- ◆ Gross income increased 2.43%
- ◆ The gross margin for the quarter was 10.87%
- ◆ Quarterly operating expenses as a percentage of sales were 7.87%, slightly higher than the margin of 7.75% registered during the third quarter of 2008
- ◆ Operating income decreased 6.93% versus 3Q08
- ◆ The operating margin for the quarter was 3.00%
- ◆ The CCF for the quarter declined 22.15%
- ◆ Tax provisions were 61.14% lower than in 3Q08
- ◆ Net profit for the quarter was \$155.38 million, an increase of 39.03%
- ◆ Cash and cash equivalents at the end of the quarter was \$161.17 million

Mexico City, Mexico, October 28, 2009. Grupo Casa Saba (“Saba”, “GCS”, “the Company” or “the Group”), one of the leading Mexican distributors of pharmaceutical products, health and beauty aids, personal care and consumer goods, general merchandise, publications and other products announces its consolidated financial and operating results for the third quarter of 2009.

QUARTERLY EARNINGS

NET SALES

During the third quarter of 2009, GCS’s sales were \$7,009.53 million, an increase of 4.90%.

SALES BY DIVISION

PRIVATE PHARMA

Sales in our Private Pharma division rose 6.19% during the third quarter of 2009. This growth was primarily driven by our Mexican pharmaceutical distribution business.

Sales for this division reached \$5,951.63 million versus \$5,604.89 million in 3Q08 and represented 84.91% of the Group’s total sales.

GOVERNMENT PHARMA

Sales in our Government Pharma division this quarter grew 5.19% to \$269.42 million compared to \$256.13 million in the third quarter of 2008. This was mainly due to an increase in our participation in the bidding processes of the *Instituto*

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Mexicano del Seguro Social (IMSS), the Instituto de Seguridad Social del Estado de México y Municipios (ISSEMYM) and the Centro Nacional de Equidad de Género y Salud Reproductiva (National Center for Gender Equity and Reproductive Health).

As a percentage of total sales, this division went from representing 3.83% in 3Q08 to 3.84% during the third quarter of 2009.

HEALTH, BEAUTY, CONSUMER GOODS, GENERAL MERCHANDISE AND OTHER

Sales in our Health, Beauty, Consumer Goods, General Merchandise and Other division reached \$595.08 million, a decline of 3.14% compared to the third quarter of 2008. This was due to a decrease in promotions and discounts in an effort to improve this division's operating margin.

This division represented 8.49% of GCS's total sales in 3Q09, slightly lower than the same period of the previous year when it accounted for 9.19% of the Group's total sales.

PUBLICATIONS

Publication sales decreased 6.39% during the quarter, primarily as a result of lower unit sales. This decrease in units was due to the fact that Citem stopped distributing publications to international clients as well as some publications that no longer met our minimal profitability requirements.

Consequently, this division's participation as a percentage of total sales went from 3.09% in 3Q08 to 2.76% in the third quarter of 2009.

There were marginal changes in the sales mix during the quarter. Private Pharma sales represented 84.91% of total sales (compared to 83.88% during the third quarter of 2008), while Government Pharma accounted for 3.84% (versus 3.83% during the third quarter of 2008). Health, Beauty, Consumer Goods, General Merchandise and Other represented 8.49% (compared to 9.19% in the third quarter of 2008) and Publications made up the remaining 2.76% (versus 3.09% during the third quarter of 2008).

Division	% of Sales
Private Pharma	84.91%
Government Pharma	3.84%
Health, Beauty, Consumer Goods, General Merchandise and Other	8.49%
Publications	2.76%
TOTAL	100.00%

GROSS INCOME

During the third quarter of the year, Grupo Casa Saba's gross income increased 2.43% versus the same period of the previous year to reach \$762.04 million. This growth was primarily driven by our Private Pharma division.

The company's gross margin was 10.87%, 26 basis points lower than the 11.13% margin posted during 3Q08. The margin was affected by an increase in the cost of sales resulting from less favorable commercial conditions with the main

Brazilian wholesalers.

OPERATING EXPENSES

GCS's operating expenses reached \$551.63 million in 3Q09, an increase of 6.52% compared to the third quarter of 2008. The increase in expenses continues to be related to our Brazilian operations.

Operating expenses represented 7.87% of our total sales in 3Q09 compared to 7.75% during the same period of the previous year.

OPERATING INCOME

Quarterly operating income was \$210.41 million, 6.93% lower than the \$226.07 reported in 3Q08. This decline was due to the fact that the growth in sales was not sufficient to offset the increase in operating expenses.

The operating margin was 3.00%, 38 basis points lower than the 3.38% margin registered in the third quarter of 2008.

OPERATING INCOME PLUS DEPRECIATION AND AMORTIZATION

Operating income plus depreciation and amortization for 3Q09 was \$235.41 million, a decrease of 5.72% compared to the third quarter of 2008. Depreciation and amortization for the period was \$25.00 million, 5.90% higher than in the third quarter of 2008.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the third quarter of 2009 was \$161.17 million, a decline of 44.99% compared to the same period of 2008.

COMPREHENSIVE COST OF FINANCING

During the period, GCS's comprehensive cost of financing (CCF) reached \$47.71 million, 22.15% lower than the CCF reported during 3Q08. This was primarily due to a reduction in the amount of interest income paid as well as a lower exchange rate loss.

These interest payments are related to the long-term credit that was obtained as a result of the acquisition in Brazil as well as the interest that was generated from the utilization of short-term credits for our operations in both Mexico and Brazil.

.OTHER EXPENSES (INCOME)

During the third quarter of 2009, the Company registered an income of \$17.43 million in other expenses (income), an increase of 20.59% versus the same period of 2008. The expenses (income) from this line item were derived from activities that are distinct from the company's everyday business operations.

TAX PROVISIONS

During the third quarter, tax provisions were \$24.74 million, 61.14% less than the \$63.67 million obtained during 3Q08. Of these, \$75.89 million were related to income tax payments and (\$51.15) million were attributed to deferred income tax.

The effective tax rate for the quarter was 13.74%.

NET INCOME

As a result, GCS's net income for the third quarter was \$155.38 million, an increase of 39.03% compared to the third quarter of 2008. The growth was primarily due to the reduction in both the CCF as well as the tax provisions.

Consequently, the net margin for the period was 2.22%, 55 basis points higher than the 1.67% net margin registered during the third quarter of 2008.

WORKING CAPITAL

During the third quarter of 2009, our accounts receivable days increased by 7.3 days from 3Q08 to reach 69.3 days. In addition, our accounts payable days rose by 6.1 days versus 3Q08, to reach 56.3 days. Finally, our inventory days were 60.4 days, 0.7 fewer days compared to the same period of the previous year.

The 265.4 million shares issued by Grupo Casa Saba are listed on the Mexican Stock Exchange and its ADRs on the New York Stock Exchange, both under the symbol "SAB". One ADR equals 10 ordinary shares.

Grupo Casa Saba is one of the leading distributors of pharmaceutical products, beauty, personal care and consumer goods, general merchandise, publications and other goods in Mexico. With more than 115 years of experience, the Company distributes to the majority of pharmacies, chains, self-service and convenience stores, as well as other specialized national chains.

As a precautionary note to investors, except for the historic information contained herein, certain topics discussed in this document constitute forward-looking statements. Such topics imply risks and uncertainties, including the economic conditions in Mexico and other countries in which Grupo Casa Saba operates, as well as variations in the value of the Mexican peso as compared with the US dollar.

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GRUPO CASA SABA S.A.B. DE C.V. AND SUBSIDIARIES CONSOLIDATED
BALANCE SHEET In thousands of Mexican Pesos as of September 2009 **ITEM**
September 09 September 08 Variation TOTAL ASSETS

	13,798,347
	12,360,269
	1,438,078
CURRENT ASSETS	
	10,941,643
	9,643,201
	1,298,442
CASH AND CASH EQUIVALENTS	
	161,173
	292,969
	(131,797)
ACCOUNTS RECEIVABLE (NET)	
	5,396,988
	4,605,3384
	791,605
OTHER ACCOUNTS RECEIVABLE (NET)	
	1,103,140
	613,954
	489,186
INVENTORIES	
	4,194,126
	4,029,527
	164,598
OTHER CURRENT ASSETS	
	86,216
	101,367
	(15,151)
	-
NET PROPERTY, PLANT AND EQUIPMENT	
	1,362,209
	1,330,677
	31,532
PROPERTY	
	1,358,812
	1,354,852
	3,960
MACHINERY AND EQUIPMENT	
	528,167
	462,808
	65,360
OTHER EQUIPMENT	
	656,090
	630,199
	25,892
ACCUMULATED DEPRECIATION	
	1,180,861
	1,117,182
	63,679
DEFERRED ASSETS (NET)	
	1,305,227
	1,155,137
	150,090
OTHER ASSETS	

	189,268
	231,255
	(41,986)
TOTAL LIABILITIES	
	6,866,302
	5,811,719
	1,054,583
CURRENT LIABILITIES	
	5,447,635
	4,411,134
	1,036,502
ACCOUNTS PAYABLE	
	3,954,131
	3,481,861
	472,270
BANK DEBT	
	1,194,305
	575,340
	618,965
ACCRUED TAXES	
	86,173
	(86,173)
OTHER CURRENT LIABILITIES	
	299,200
	267,759
	31,440
LONG TERM LIABILITIES	
	942,119
	913,000
	29,119
BANK DEBT	
	942,119
	913,000
	29,119
OTHER LIABILITIES	
	476,547
	487,585
	(11,038)
SHAREHOLDER'S EQUITY	
	6,932,046
	6,548,550
	383,496
PAID-IN CAPITAL	
	1,993,875
	1,993,875

CAPITAL STOCK	-
	167,903
	167,903
	-
RESTATEMENT IN CAPITAL STOCK	956,094
	956,094
	-
PREMIUM ON STOCK SOLD	869,878
	869,878
	-
CAPITAL INCREASE (DECREASE)	4,938,171
	4,554,675
	383,496
CUMMULATIVE RESULTS AND EQUITY RESERVE	6,005,554
	5,582,095
	423,459
RESERVE FOR SHARES REPURCHASE	1,062,200
	1,062,200
	-
OVERAGE (DEFICIT) ON RESTATEMENT ON STOCKHOLDER'S EQUITY	(2,613,602)
	(2,603,096)
	(10,506)
NET INCOME	484,019
	513,476
	(29,457)

GRUPO CASA SABA, S.A.B. DE C.V.

Figures are expressed in thousands of Mexican pesos as of September 2009

	Jan-Sep
	Jan-Sep
	Variation
	Jul-Sep
	Jul-Sep
	Variation
Income Statement	
	2008
	% of sales
	2009
	% of sales
	\$
	%
	2008

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	% of sales 2009	% of sales \$ %	
NET SALES			20,575,472
			100.00%
			22,014,920
			100.00%
			1,439,449
			7.00%
			6,682,023
			100.00%
			7,009,531
			100.00%
			327,508
			4.90%
COST OF SALES			18,436,779
			89.61%
			19,590,593
			88.99%
			1,153,814
			6.26%
			5,938,059
			88.87%
			6,247,482
			89.13%
			309,423
			5.21%
			Gross Profit
			2,138,693
			10.39%
			2,424,327
			11.01%
			285,634
			13.36%
			743,964
			11.13%
			762,049
			10.87%
			18,085
			2.43%
Operating Expenses			519,674
Sales Expenses			2.53%
			666,679
			3.03%
			147,005
			28.29%
			180,858
			2.71%
			213,256
			3.04%
			32,399
			17.91%
Administrative Expenses			892,488
			4.34%

	1,027,399
	4.67%
	134,911
	15.12%
	337,030
	5.04%
	338,379
	4.83%
	1,349
	0.40%
Operating Expenses	1,412,162
	6.86%
	1,694,078
	7.70%
	281,917
	19.96%
	517,888
	7.75%
	551,636
	7.87%
	33,748
	6.52%
Operating Income	726,532
	3.53%
	730,249
	3.32%
	3,718
	0.51%
	226,077
	3.38%
	210,413
	3.00%
	-15,663
	(6.93%)
COMPREHENSIVE COST OF FINANCING	
Interest Paid	116,814
	0.57%
	170,671
	0.78%
	53,856
	46.10%
	63,193
	0.95%
	48,985
	0.70%
	-14,208
	(22.48%)
Interest (Earned)	-3,823
	(0.02%)
	-3,877
	(0.02%)
	-54
	1.40%
	-2,380

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			(0.04%)
			-1,304
			(0.02%)
			1,076
Exchange Loss (Gain)			(45.20%)
			1,757
			0.01%
			2,145
			0.01%
			388
			22.07%
			478
			0.01%
			35
			0.00%
			-443
Monetary Position (gain)			(92.65%)
			0
			(0.00%)
			0
			0.00%
			0
			0.00%
			0
			(0.00%)
			0
			0.00%
			0
			0.00%
		Comprehensive Cost of Financing	
			114,749
			0.56%
			168,939
			0.77%
			54,191
			47.23%
			61,292
			0.92%
			47,716
			0.68%
			-13,575
			(22.15%)
OTHER EXPENSES (INCOME), net			
			-38,119
			(0.19%)
			-44,792
			(0.20%)
			-6,673
			17.51%
			-14,459
			(0.22%)
			-17,437
			(0.25%)
			-2,978
			20.59%

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	NET INCOME BEFORE TAXES	
	649,902	
	3.16%	
	606,102	
	2.75%	
	-43,800	
	(6.74%)	
	179,244	
	2.68%	
	180,134	
	2.57%	
	890	
	0.50%	
PROVISIONS FOR:		
Income Tax		
	239,616	
	1.16%	
	184,554	
	0.84%	
	-55,062	
	(22.98%)	
	99,340	
	1.49%	
	75,899	
	1.08%	
	-23,441	
	(23.60%)	
Asset Tax		
	0	
	0.00%	
	0	
	0.00%	
	0	
	0.00%	
	0	
	0.00%	
	0	
	0.00%	
	0	
	0.00%	
Deferred Income Tax		
	-106,990	
	(0.52%)	
	-62,471	
	(0.28%)	
	44,519	
	(41.61%)	
	-35,663	
	(0.53%)	
	-51,151	
	(0.73%)	
	-15,488	
	43.43%	
Profit sharing due		
	0	
	0.00%	

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	0	0.00%
	0	0.00%
	0	0.00%
	0	0.00%
	0	0.00%
	0	0.00%
Deferred Profit sharing due	0	0.00%
	0	0.00%
	0	0.00%
	0	0.00%
	0	0.00%
	0	0.00%
	0	0.00%
	0	0.00%
Total taxes	132,626	0.64%
	122,083	0.55%
	-10,543	(7.95%)
	63,677	0.95%
	24,748	0.35%
	-38,929	(61.14%)
Net Income Before Extraordinary Items	517,276	2.51%
	484,019	2.20%
	-33,257	(6.43%)
	115,567	1.73%
	155,386	2.22%
	39,819	34.45%
Extraordinary Items (Income)	3,800	0.02%
	0	0.00%
	-3,800	0.00%
	3,800	0.06%
	0	

	0.00%
	-3,800
	0.00%
Net Income	513,476
	2.50%
	484,019
	2.20%
	-29,457
	(5.74%)
	111,767
	1.67%
	155,386
	2.22%
	43,619
	39.03%
Depreciation and Amortization	59,107
	0.29%
	67,048
	0.30%
	7,941
	13.44%
	23,609
	0.35%
	25,003
	0.36%
	1,393
	5.90%
Operating Income plus Depreciation and Amortization	785,639
	3.82%
	797,298
	3.62%
	11,659
	1.48%
	249,686
	3.74%
	235,416
	3.36%
	(14,270)
	(5.72%)
Minority Interest	3,751
	0.02%
	3,751
	0.00%
	-21
	0.00%
	-21
	0.00%