

AC

Quarterly report

Consolidates as favorites due to higher profitability

- Arca reported positive figures and in line with estimates, while profitability continues to show remarkable performance in the face of a more favorable cost environment
- The implemented strategies seem positive to us. Advances in digital platform, pricing initiatives and brand entry should continue to drive expansion

A report that should be well received, given the resilience in volumes and the advances in profitability. Figures were in line with our estimates, reflecting revenue growth of +5.0% y/y to MXN 56.1 billion. The advance was mainly driven by higher volumes (+3.2% y/y) due to the good performance of personal water (+16.3% y/y) and still-beverages (7.5% y/y), while South America (+12.0% y/y) and Mexico (+1.6% y/y) offset the contraction in the United States (-2.3% y/y). Regarding prices, there were the following variations: Mexico +9.4% y/y for the average per unit without jug and in the US was +14.3% y/y on net price. In particular, cost of sales registered a marginal variation of +1.9% y/y due to a more beneficial environment for raw materials, which was further supported by the strength of the peso. For its part, EBITDA amounted to MXN 11.3 billion (+8.4% y/y), reflecting better costs, price-packaging strategy, and benefits from digitalization of the value chain. In addition, the increase integrates a +40bp expansion in Mexico and +120bp in the United States, offsetting the decrease in South America. Finally, net income grew 11.1% y/y to MXN 5.0 billion, aligned to operating efficiencies. **It continues to consolidate good results based on commercial strategies and digitization.** The outlook remains positive as the advances in profitability continue to stand out due to the measures implemented, including its digital platform and resilience in consumption, while the expectation of lower cost pressures decreases in the coming quarters. In addition to the above, the financial strength reflected with a ND/EBITDA of 0.6x, and a valuation that we consider attractive with a FV/EBITDA that remained stable at 8.6x, makes us reiterate the company in our selection of [favorites](#).

Financial Statements

	2021	2022	2023E	2024E
Revenue	183,366	207,785	224,556	240,748
Operating Income	25,362	30,587	33,139	36,134
EBITDA	35,405	39,621	43,290	46,882
EBITDA Margin	19.3%	19.1%	19.3%	19.5%
Net Income	12,282	15,503	19,794	22,560
Net Margin	6.7%	7.5%	8.8%	9.4%
Total Assets	258,027	256,300	270,085	272,056
Cash	32,117	27,761	31,396	36,707
Total Liabilities	107,890	108,446	107,663	289,020
Debt	52,529	48,849	50,483	51,311
Common Equity	120,377	117,625	130,470	130,583

Source: Banorte

Valuation and Financial metrics

	2021	2022	2023E	2024E
FV/EBITDA	9.9x	8.7x	7.9x	7.3x
P/E	24.5x	18.9x	14.8x	12.7x
P/BV	2.5x	2.5x	2.5x	2.5x
ROE	10.2%	13.2%	15.2%	17.3%
ROA	4.8%	6.0%	7.3%	8.3%
EBITDA/ interest	15.4x	23.2x	22.9x	22.4x
Net Debt/EBITDA	0.6x	0.5x	0.4x	0.3x
Debt/Equity	0.4x	0.4x	0.4x	0.4x

August 02, 2023

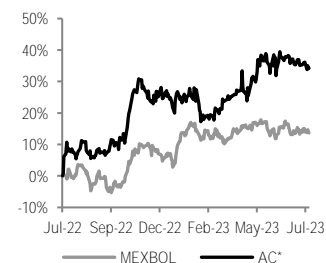
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BUY	
Current Price	\$174.40
PT	\$190.00
Expected Dividend	\$3.50
Dividend (%e)	2.0%
Upside Potential	11.0%
Max – Min 12m	183.0-127.8
Market Cap (US\$m)	18,017
Shares Outstanding (m)	1,720.8
Float	25.0%
Daily Turnover (\$m)	350.1
Valuation Metrics LTM	
FV/EBITDA	8.6x
P/E	18.1x
MSCI ESG Rating*	A

Relative performance to Mexbol LTM



Winners of the 2023 award for the best economic forecasters in Mexico, awarded by Focus Economics.



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AC – 2023 results

MXN, million

Concept	2022	2023	Var %	2023e	Diff % vs Estim.
Revenue	53,363	56,051	5.0%	57,099	-1.8%
Operating Income	8,136	9,159	12.6%	9,022	1.5%
Ebitda	10,436	11,314	8.4%	11,493	-1.6%
Net Income	4,222	4,693	11.1%	5,320	-11.8%
Margins					
Operating Margin	15.2%	16.3%	1.1pp	15.8%	0.5pp
Ebitda Margin	19.6%	20.2%	0.6pp	20.1%	0.1pp
Net Margin	7.9%	8.4%	0.5pp	9.3%	-0.9pp
EPS	\$2.45	\$2.73	14.0%	\$3.092	-11.8%

Income Statement					
Year	2022	2023	2023	Change	Change
Quarter	2	1	2	% y/y	% q/q
Net Revenue	53,363	50,684	56,051	5.0%	10.6%
Cost of goods sold	29,701	27,627	30,255	1.9%	9.5%
Gross profit	23,663	23,057	25,796	9.0%	11.9%
General expenses	15,527	15,672	16,637	7.2%	6.2%
Operating Income	8,136	7,386	9,159	12.6%	24.0%
Operating Margin	15.2%	14.6%	16.3%	1.1pp	1.8pp
Depreciation	2,300	2,164	2,155	-6.3%	-0.4%
EBITDA	10,436	9,550	11,314	8.4%	18.5%
EBITDA Margin	19.6%	18.8%	20.2%	0.6pp	1.3pp
Interest income (expense) net	(876)	(893)	(930)	6.1%	4.1%
Interest expense	741	846	906	22.2%	7.1%
Interest income	240	575	557	131.7%	-3.2%
Other income (expenses)			(133)	N.A.	N.A.
Exchange Income (loss)	(249)	(458)	(447)	79.6%	-2.4%
Unconsolidated subsidiaries	178	33	48	-72.9%	46.8%
Income before taxes	7,438	6,526	8,277	11.3%	26.8%
Income taxes	2,239	2,003	2,579	15.1%	28.7%
Discontinued operations					
Consolidated Net Income	5,198	4,522	5,699	9.6%	26.0%
Minorities	976	792	1,006	3.1%	27.0%
Net Income	4,222.3	3,730.6	4,692.8	11.1%	25.8%
Net margin	7.9%	7.4%	8.4%	0.5pp	1.0pp
EPS	2.393	2.168	2.727	14.0%	25.8%

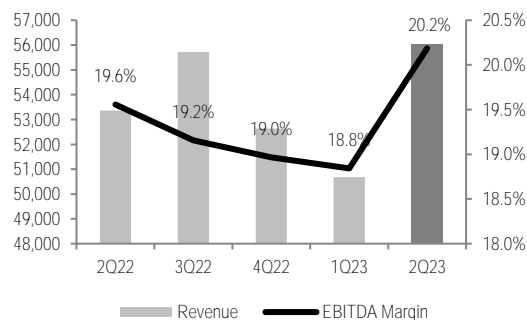
Balance Sheet (Million pesos)					
Total Current Assets	57,497	59,501	53,406	-7.1%	-10.2%
Cash & Short Term Investments	30,234	27,673	23,086	-23.6%	-16.6%
Long Term Assets	201,164	190,460	185,235	-7.9%	-2.7%
Property, Plant & Equipment (Net)	68,160	66,015	64,925	-4.7%	-1.7%
Intangible Assets (Net)	59,775	55,092	53,828	-10.0%	-2.3%
Total Assets	258,661	249,962	238,641	-7.7%	-4.5%
Current Liabilities	38,963	49,203	45,215	16.0%	-8.1%
Short Term Debt	6,746	7,866	12,909	91.3%	64.1%
Accounts Payable	31,016	37,306	31,660	2.1%	-15.1%
Long Term Liabilities	69,935	63,428	58,893	-15.8%	-7.1%
Long Term Debt	45,396	39,980	35,936	-20.8%	-10.1%
Total Liabilities	108,898	112,631	104,108	-4.4%	-7.6%
Common Stock	149,763	147,854	147,854	-1.3%	0.0%
Preferred Stock	30,384	28,583	28,797	-5.2%	0.7%
Total Equity	119,380	119,271	119,057	-0.3%	-0.2%
Liabilities & Equity	258,661	260,485	251,962	-2.6%	-3.3%
Net Debt	21,909	20,172	25,759	17.6%	27.7%

Cash Flow (Million pesos)			
Cash Flow from Operating Activities	20,294	6,167	20,949
Cash Flow from Investing Activities	(4,499)	(1,738)	(3,442)
Cash Flow from Financing Activities	(12,045)	(2,046)	(12,251)
FX effect on cash	(1,271)	1,954	(1,139)
Change in Cash Balance	20,294	6,167	20,949

Source: Banorte, MSE.

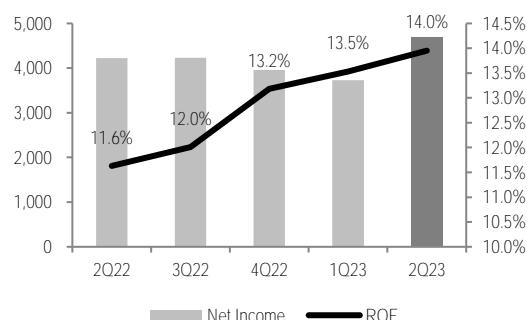
Revenue & EBITDA Margin

MXN, million



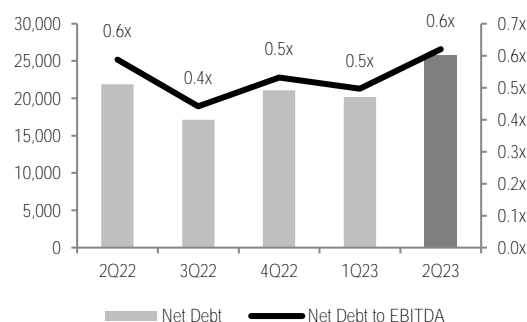
Net Income & ROE

MXN, million



Net Debt & Net debt to EBITDA ratio

MXN, million



Certification of Analysts.

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Carlos Hernández García, Leslie Thalía Orozco Vélez, Hugo Armando Gómez Solís, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, José De Jesús Ramírez Martínez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Juan Carlos Mercado Garduño, Daniel Sebastián Sosa Aguilar, Jazmín Daniela Cuautencos Mora and Andrea Muñoz Sánchez, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V. for the provision of our services.

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	Reference
BUY	When the share expected performance is greater than the MEXBOL estimated performance.
HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
SELL	When the share expected performance is lower than the MEXBOL estimated performance.

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History of PT and ratings

Stock	Date	Rating	PT
AC	04/27/23	BUY	\$190.00
AC	10/26/22	BUY	\$179.00
AC	09/19/22	BUY	\$156.42

MSCI ESG Rating scale

CCC	B	BB	BBB	A	AA	AAA
LAGGARD	AVERAGE				LEADER	

*MSCI ESG Rating is an indicator that evaluates companies in Environment, Social and Governance (ESG) metrics.

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