

CHDRAUI

Quarterly report

Profitability gains continue to surprise

- **Although consolidated growth was mitigated by the US, the company continues to lead in SSS (vs. ANTAD) and stands out for its expansion in profitability. We reiterate it in our “[top-picks](#)”**
- **Commercial strategies and tight cost control continue to drive a positive outlook. FV/EBITDA valuation declined to 6.1x, down from USA 6.8x. We reiterate BUY**

Mexico continues with good dynamism while U.S. results are affected by Mexican peso strength. Chedraui's figures were practically in line with estimates, reflecting revenues of MXN 64.6 billion (+1.2% y/y). By region, in Mexico, revenues increased +17.8% y/y with a 10.5% increase in SSS (vs. +8.1% for ANTAD), supported by the opening of 7 stores and pricing strategies. The U.S. division recorded a contraction of 9.7% y/y due to a negative exchange rate impact, reaching MXN 34.8 billion, while the real estate division increased 16.4% y/y to MXN 0.3 billion due to a recovery of the segment and an increase in the leasable area of 0.2% y/y. EBITDA reached MXN 5.8 billion (+8.8% y/y) with a margin of 9.0% (+0.6pp), which is mainly explained by the following fundamentals: (1) An expansion in Mexico (+0.4pp) due to improvements in promotions and operating efficiencies; (2) in the US (+0.8pp), integrating the margin advance of Smart & Final (+0.8pp), as well as 'El Super y Fiesta' (+0.7pp), even though growth was affected by the unfavorable exchange rate effect of ~12% y/y. Finally, net income amounted to MXN 1.9 billion (+23.3% y/y), supported by higher profitability in the different business lines. **Operational efficiencies contributing to a remarkable margin expansion.** We believe the strategies implemented by the company are the right ones as resilience has been maintained in consumption, while the strength of the peso could continue to mitigate the growth of the US division. However, it is also important to highlight the company's significant expansion in terms of profitability, contributing to a favorable outlook. The leverage level is maintained with a DN/EBITDA of 1.9x.

Financial Statements

	2021	2022	2023E	2024E
Revenue	188,487	259,326	289,210	308,580
Operating Income	8,748	13,746	16,633	18,353
EBITDA	13,988	21,427	25,236	26,855
EBITDA Margin	7.4%	8.3%	8.7%	8.7%
Net Income	3,420	5,997	8,298	9,640
Net Margin	1.8%	2.3%	2.9%	3.1%
Total Assets	141,040	143,439	142,658	151,410
Cash	9,101	11,566	10,169	12,021
Total Liabilities	108,379	104,071	97,163	100,458
Debt	66,713	58,921	55,536	59,747
Common Equity	32,660	39,074	45,033	50,293

Source: Banorte

Valuation and Financial metrics

	2021	2022	2023E	2024E
FV/EBITDA	11.3x	7.1x	5.9x	5.7x
P/E	30.3x	17.3x	12.5x	10.8x
P/BV	3.2x	2.7x	2.3x	2.1x
ROE	10.5%	15.3%	18.4%	19.2%
ROA	2.4%	4.2%	5.8%	6.4%
EBITDA/ interest	16.7x	22.6x	26.3x	27.9x
Net Debt/EBITDA	3.9x	2.2x	1.8x	1.8x
Debt/Equity	2.0x	1.5x	1.2x	1.2x

August 3, 2023

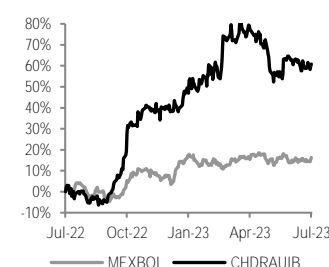
[@analisis_fundam](http://www.banorte.com/analisis-economico)

Carlos Hernández García
Senior Strategist, Equity
carlos.hernandez.garcia@banorte.com

Marissa Garza Ostos
Director of Equity Strategy
marissa.garza@banorte.com

BUY	
Current Price	\$96.44
PT	\$130.00
Upside Potential	34.8%
Max – Min 12m	114.6-55.25
Market Cap (US\$m)	5,483.8
Shares Outstanding (m)	963.9
Float	15.8%
Daily Turnover (\$m)	47.8
Valuation Metrics LTM	
FV/EBITDA	6.1x
P/E	13.6x
MSCI ESG Rating*	N.A.

Relative performance to Mexbol LTM



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



This document is provided for the reader's convenience only. The translation from the original Spanish version was made by Banorte's staff. Discrepancies may possibly arise between the original document in Spanish and its English translation. For this reason, the original research paper in Spanish is the only official document. The Spanish version was released before the English translation. The original document entitled "Siguen sorprendiendo los avances en rentabilidad" was released on July 27, 2023. Document for distribution among public

CHDRAUI – 2Q23 results

MXN, million

Concept	2022	2023	Var %	2023e	Diff % vs Estim.
Revenue	63,817	64,577	1.2%	67,201	-3.9%
Operating Income	3,445	3,851	11.8%	3,861	-0.3%
Ebitda	5,347	5,817	8.8%	6,014	-3.3%
Net Income	1,450	1,800	24.2%	1,941	-7.2%
Margins					
Operating Margin	5.4%	6.0%	0.6pp	5.7%	0.2pp
Ebitda Margin	8.4%	9.0%	0.6pp	8.9%	0.1pp
Net Margin	2.3%	2.8%	0.5pp	2.9%	-0.1pp
EPS	\$1.50	\$1.87	24.2%	\$2.01	-7.2%

Income Statement					
Year	2022	2023	2023	Change	Change
Quarter	2	1	2	% y/y	% q/q
Net Revenue	63,816.8	64,426.6	64,577.1	1.2%	0.2%
Cost of goods sold	49,162.1	49,529.3	49,519.3	0.7%	0.0%
Gross profit	14,654.7	14,897.4	15,057.8	2.8%	1.1%
General expenses	11,210.2	11,397.6	11,206.9	0.0%	-1.7%
Operating Income	3,444.5	3,499.8	3,850.9	11.8%	10.0%
Operating Margin	5.4%	5.4%	6.0%	0.6pp	0.5pp
Depreciation	1,902.1	1,912.1	1,965.8	3.4%	2.8%
EBITDA	5,346.6	5,411.9	5,816.7	8.8%	7.5%
EBITDA Margin	8.4%	8.4%	9.0%	0.6pp	0.6pp
Interest income (expense) net	(1,256.8)	(1,190.2)	(1,183.2)	-5.9%	-0.6%
Interest expense	812.9	835.5	770.3	-5.2%	-7.8%
Interest income	40.2	159.9	107.9	168.6%	-32.5%
Other income (expenses)			(527.8)	N.A.	N.A.
Exchange Income (loss)	11.2	21.3	7.0	-37.7%	-67.2%
Unconsolidated subsidiaries	16.0	10.0	12.9	-19.5%	28.9%
Income before taxes	2,203.7	2,319.6	2,680.6	21.6%	15.6%
Income taxes	693.2	717.6	818.2	18.0%	14.0%
Discontinued operations					
Consolidated Net Income	1,510.5	1,602.0	1,862.4	23.3%	16.3%
Minorities	60.8	48.8	62.2	2.3%	27.3%
Net Income	1,449.7	1,553.2	1,800.2	24.2%	15.9%
Net margin	2.3%	2.4%	2.8%	0.5pp	0.4pp
EPS	1.504	1.611	1.868	24.2%	15.9%

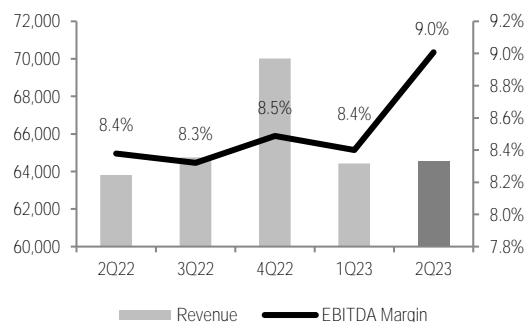
Balance Sheet (Million pesos)					
Total Current Assets	29,922.6	32,877.7	31,695.9	5.9%	-3.6%
Cash & Short Term Investments	4,838.0	7,500.8	6,946.1	43.6%	-7.4%
Long Term Assets	105,284.6	101,852.4	98,743.6	-6.2%	-3.1%
Property, Plant & Equipment (Net)	41,901.6	42,243.9	42,086.1	0.4%	-0.4%
Intangible Assets (Net)	4,824.4	4,333.9	4,018.3	-16.7%	-7.3%
Total Assets	135,207.1	134,730.1	130,439.5	-3.5%	-3.2%
Current Liabilities	34,454.2	35,910.1	35,263.6	2.3%	-1.8%
Short Term Debt	2,560.2	2,200.3	1,976.6	-22.8%	-10.2%
Accounts Payable	29,375.1	30,837.9	30,750.2	4.7%	-0.3%
Long Term Liabilities	65,569.8	57,564.1	53,553.1	-18.3%	-7.0%
Long Term Debt	59,472.7	52,741.3	48,434.3	-18.6%	-8.2%
Total Liabilities	100,024.0	93,474.2	88,816.7	-11.2%	-5.0%
Common Stock	35,183.1	41,255.9	41,622.8	18.3%	0.9%
Preferred Stock	332.3	329.2	358.3	7.8%	8.8%
Total Equity	34,850.8	40,926.7	41,264.5	18.4%	0.8%
Liabilities & Equity	135,207.1	134,730.1	130,439.5	-3.5%	-3.2%
Net Debt	57,194.8	47,440.9	43,464.7	-24.0%	-8.4%

Cash Flow (Million pesos)			
Cash Flow from Operating Activities	3,185.8	(1,395.1)	3,593.8
Cash Flow from Investing Activities	(1,709.0)	(1,262.1)	(2,807.4)
Cash Flow from Financing Activities	(5,258.5)	(1,345.6)	(5,255.4)
Change in Cash Balance	(3,781.7)	(4,002.9)	(4,469.0)

Source: Banorte, MSE.

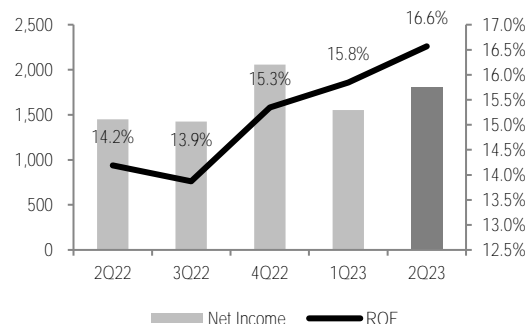
Revenue & EBITDA Margin

MXN, million



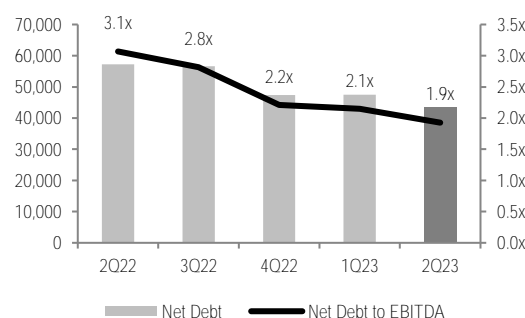
Net Income & ROE

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 Zaldivar, 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, Jazmin 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.

Relevant statements.

In accordance with current laws and internal procedures manuals, analysts are allowed to hold long or short positions in shares or securities issued by companies that are listed on the Mexican Stock Exchange and may be the subject of this report; nonetheless, equity analysts have to adhere to certain rules that regulate their participation in the market in order to prevent, among other things, the use of private information for their benefit and to avoid conflicts of interest. Analysts shall refrain from investing and holding transactions with securities or derivative instruments directly or through an intermediary person, with Securities subject to research reports, from 30 calendar days prior to the issuance date of the report in question, and up to 10 calendar days after its distribution date.

Compensation of Analysts.

Analysts' compensation is based on activities and services that are aimed at benefiting the investment clients of Casa de Bolsa Banorte and its subsidiaries. Such compensation is determined based on the general profitability of the Brokerage House and the Financial Group and on the individual performance of each analyst. However, investors should note that analysts do not receive direct payment or compensation for any specific transaction in investment banking or in other business areas.

Last-twelve-month activities of the business areas.

Grupo Financiero Banorte S.A.B. de C.V., through its business areas, provides services that include, among others, those corresponding to investment banking and corporate banking, to a large number of companies in Mexico and abroad. It may have provided, is providing or, in the future, will provide a service such as those mentioned to the companies or firms that are the subject of this report. Casa de Bolsa Banorte or its affiliates receive compensation from such corporations in consideration of the aforementioned services.

Over the course of the last twelve months, Grupo Financiero Banorte S.A.B. C.V., has not obtained compensation for services rendered by the investment bank or by any of its other business areas of the following companies or their subsidiaries, some of which could be analyzed within this report.

Activities of the business areas during the next three months.

Casa de Bolsa Banorte, Grupo Financiero Banorte or its subsidiaries expect to receive or intend to obtain revenue from the services provided by investment banking or any other of its business areas, by issuers or their subsidiaries, some of which could be analyzed in this report.

Securities holdings and other disclosures.

As of the end of last quarter, Grupo Financiero Banorte S.A.B. of C.V. has not held investments, directly or indirectly, in securities or derivative financial instruments, whose underlying securities are the subject of recommendations, representing 1% or more of its investment portfolio of outstanding securities or 1 % of the issuance or underlying of the securities issued. None of the members of the Board of Grupo Financiero Banorte and Casa de Bolsa Banorte, along general managers and executives of an immediately below level, have any charges in the issuers that may be analyzed in this document.

The Analysts of Grupo Financiero Banorte S.A.B. of C.V. do not maintain direct investments or through an intermediary person, in the securities or derivative instruments object of this analysis report.

Guide for investment recommendations.

	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.

Even though this document offers a general criterion of investment, we urge readers to seek advice from their own Consultants or Financial Advisors, in order to consider whether any of the values mentioned in this report are in line with their investment goals, risk and financial position.

Determination of Target Prices

For the calculation of estimated target prices for securities, analysts use a combination of methodologies generally accepted among financial analysts, including, but not limited to, multiples analysis, discounted cash flows, sum-of-the-parts or any other method that could be applicable in each specific case according to the current regulation. No guarantee can be given that the target prices calculated for the securities will be achieved by the analysts of Grupo Financiero Banorte S.A.B. C.V., since this depends on a large number of various endogenous and exogenous factors that affect the performance of the issuing company, the environment in which it performs, along with the influence of trends of the stock market, in which it is listed. Moreover, the investor must consider that the price of the securities or instruments can fluctuate against their interest and cause the partial and even total loss of the invested capital.

The information contained hereby has been obtained from sources that we consider to be reliable, but we make no representation as to its accuracy or completeness. The information, estimations and recommendations included in this document are valid as of the issue date, but are subject to modifications and changes without prior notice; Grupo Financiero Banorte S.A.B. of C.V. does not commit to communicate the changes and also to keep the content of this document updated. Grupo Financiero Banorte S.A.B. of C.V. takes no responsibility for any loss arising from the use of this report or its content. This document may not be photocopied, quoted, disclosed, used, or reproduced in whole or in part without prior written authorization from Grupo Financiero Banorte S.A.B. of C.V.

History of PT and ratings

Stock	Date	Rating	PT
CHDRAUI	04/25/2023	BUY	\$130.00
CHDRAUI	02/21/2023	BUY	\$114.00
CHDRAUI	10/25/2022	BUY	\$65.82

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.

Research and Strategy			
Alejandro Padilla Santana	Chief Economist and Head of Research	alejandro.padilla@banorte.com	(55) 1103 - 4043
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611
María Fernanda Vargas Santoyo	Analyst	maria.vargas.santoyo@banorte.com	(55) 1103 - 4000
Economic Research			
Juan Carlos Alderete Macal, CFA	Executive Director of Economic Research and Financial Markets Strategy	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Francisco José Flores Serrano	Director of Economic Research, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Katia Celina Goya Ostos	Director of Economic Research, Global	katia.goya@banorte.com	(55) 1670 - 1821
Yazmín Selene Pérez Enríquez	Senior Economist, Mexico	yazmin.perez.enriquez@banorte.com	(55) 5268 - 1694
Cintia Gisela Nava Roa	Senior Economist, Mexico	cintia.nava.roa@banorte.com	(55) 1103 - 4000
Luis Leopoldo López Salinas	Manager Global Economist	luis.lopez.salinas@banorte.com	(55) 1103 - 4000 x 2707
Market Strategy			
Manuel Jiménez Zaldivar	Director of Market Strategy	manuel.jimenez@banorte.com	(55) 5268 - 1671
Fixed Income and FX Strategy			
Leslie Thalia Orozco Vélez	Senior Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 5268 - 1698
Isaías Rodríguez Sobrino	Strategist, Fixed Income, FX and Commodities	isaias.rodriguez.sobrino@banorte.com	(55) 1670 - 2144
Equity Strategy			
Marissa Garza Ostos	Director of Equity Strategy	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Senior Strategist, Equity	jose.espitia@banorte.com	(55) 1670 - 2249
Carlos Hernández García	Senior Strategist, Equity	carlos.hernandez.garcia@banorte.com	(55) 1670 - 2250
Víctor Hugo Cortes Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800
Juan Carlos Mercado Garduño	Strategist, Equity	juan.mercado.garduno@banorte.com	(55) 1103 - 4000 x 1746
Corporate Debt			
Hugo Armando Gómez Solís	Senior Analyst, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248
Quantitative Analysis			
Alejandro Cervantes Llamas	Executive Director of Quantitative Analysis	alejandro.cervantes@banorte.com	(55) 1670 - 2972
José Luis García Casales	Director of Quantitative Analysis	jose.garcia.casales@banorte.com	(55) 8510 - 4608
Miguel Alejandro Calvo Domínguez	Senior Analyst, Quantitative Analysis	miguel.calvo@banorte.com	(55) 1670 - 2220
José De Jesús Ramírez Martínez	Senior Analyst, Quantitative Analysis	jose.ramirez.martinez@banorte.com	(55) 1103 - 4000
Daniel Sebastián Sosa Aguilar	Senior Analyst, Quantitative Analysis	daniel.sosa@banorte.com	(55) 1103 - 4000
Jazmín Daniela Cuautencos Mora	Strategist, Quantitative Analysis	jazmin.cuautencos.mora@banorte.com	(55) 1103 - 4000
Andrea Muñoz Sánchez	Analyst, Quantitative Analysis	andrea.munoz.sanchez@banorte.com	(55) 1103 - 4000
Wholesale Banking			
Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5004 - 1282
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Frigolet Vázquez Vela	Head of Sólida Banorte	alejandro.frigolet.vazquezvela@banorte.com	(55) 5268 - 1656
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 5140
Carlos Alberto Arciniega Navarro	Head of Treasury Services	carlos.arciniega@banorte.com	(81) 1103 - 4091
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8173 - 9127
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5249 - 6423
Lizza Velarde Torres	Executive Director of Wholesale Banking	lizza.velarde@banorte.com	(55) 4433 - 4676
Osvaldo Brondo Menchaca	Head of Specialized Banking Services	osvaldo.brondo@banorte.com	(55) 5004 - 1423
Raúl Alejandro Arauzo Romero	Head of Transactional Banking	alejandro.arauzo@banorte.com	(55) 5261 - 4910
René Gerardo Pimentel Ibarrola	Head of Corporate Banking	pimentelr@banorte.com	(55) 5004 - 1051
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Víctor Antonio Roldan Ferrer	Head of Commercial Banking	victor.rolan.ferrer@banorte.com	(55) 1670 - 1899