

WALMEX

Quarterly Report

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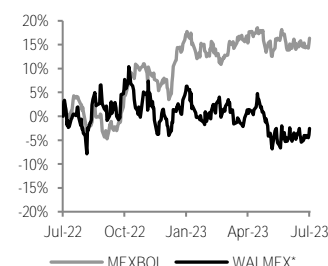
Some profitability pressures remain

- Walmex reported slightly higher-than-anticipated pressures, reflecting some extraordinary expenses in Central America. While operating efficiencies appear to continue
- Further consolidation of commercial and digital strategies. FV/EBITDA valuation remained virtually unchanged at 13.8x. We reiterate HOLD and focus on upcoming profitability

Mexico and Central America continued to perform well, outperforming ANTAD. Walmex's figures remained in line with our forecasts, reflecting an increase in revenues of +9.3% y/y to MXN 213.7 billion. In particular, Mexico sales increased +9.9% and SSS increased +8.5% y/y, reflecting a positive differential against ANTAD of +0.4pp, supported by seasonal events during the quarter, including the 'Hot Sale'. By format, the best results were observed in Sam's Club and Bodega, while by merchandise division, advances were recorded in 'groceries and consumables', in contrast to a contraction in 'clothing'. In addition, 22 new stores were opened in 2Q23, which contributed 1.5% to total sales growth. In Central America (CA), there was an increase of 10.6% y/y (+9.5% in SSS), driven by Nicaragua and Guatemala. EBITDA reached MXN 21.9 billion (+8.5% y/y) with a margin of 10.2% (-0.1pp), reflecting a decrease in profitability in Mexico (-0.1pp) and CA (-0.2pp) due to higher labor costs and price investments, as well as an extraordinary charge for a country in CA of MXN 0.18 billion due to tax provisions. Excluding the effect, EBITDA would have increased 9.5% y/y (vs. our +9.7%e). Finally, net income reached MXN 11.5 billion (+5.6% y/y), in line with the operation and the aforementioned factors. **Business diversification and Omnichannel results are advancing.** We expect the expansion to continue as benefits from organic growth and innovations continue to drive the numbers. However, the focus will also be on the possibility of resuming margin expansion over the next few quarters.

HOLD	
Current Price	\$69.88
PT	\$85.00
Dividend	\$1.94
Dividend Yield (%)e	2.8%
Upside Potential	24.4%
Max - Min LTM (\$)	77.56-63.50
Market Cap (US\$m)	72,311.3
Shares Outstanding (m)	17,461.4
Float	29.5%
Daily Turnover (\$ m)	1,169.4
Valuation metrics LTM	
FV/EBITDA	13.8x
P/E	24.4x
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.



Financial Statements MXN, million	2021	2022	2023E	2024E
Revenue	736,044	819,169	875,439	946,282
Operating Income	62,908	68,010	76,606	88,511
EBITDA	81,214	87,370	97,610	111,597
EBITDA Margin	11.0%	10.7%	11.1%	11.8%
Net Income	44,137	48,974	54,822	64,808
Net Margin	6.0%	6.0%	6.3%	6.8%
Total Assets	394,389	418,808	456,264	491,458
Cash	42,817	47,427	69,343	81,665
Total Liabilities	208,507	216,340	231,421	236,417
Debt	101,131	108,618	106,962	103,649
Common Equity	185,882	202,468	224,843	255,041

Source: Banorte

Valuation and financial metrics	2021	2022	2023E	2024E
FV/EBITDA	15.7x	14.7x	12.9x	11.2x
P/E	28.4x	25.8x	23.0x	19.4x
P/BV	6.7x	6.2x	5.6x	4.9x
ROE	23.7%	24.2%	24.4%	25.4%
ROA	11.2%	11.7%	12.0%	13.2%
EBITDA/ Interest	-10.2x	-9.5x	-7.8x	-5.2x
Net Debt/EBITDA	0.3x	0.3x	0.0x	-0.1x
Debt/Equity	0.5x	0.5x	0.5x	0.4x

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WALMEX – Results 2Q23

MXN million

Concept	2022	2023	Var %	2023e	Diff% vs Estim.
Revenue	195,619	213,725	9.3%	213,704	0.0%
Operating Income	15,385	16,837	9.4%	17,181	-2.0%
Ebitda	20,145	21,864	8.5%	22,099	-1.1%
Net Income	10,892	11,444	5.1%	11,983	-4.5%
Margins					
Operating Margin	7.9%	7.9%	0.0pp	8.0%	-0.2pp
Ebitda Margin	10.3%	10.2%	-0.1pp	10.3%	-0.1pp
Net Margin	5.6%	5.4%	-0.2pp	5.6%	-0.3pp
EPS	\$0.62	\$0.66	5.1%	\$0.69	-4.5%

Income Statement (Million)

Year	2021	2023	2023	Change	Change
Quarter	2	1	2	% y/y	% q/q
Net Revenue	195,618.8	206,075.0	213,724.8	9.3%	3.7%
Costs of goods sold	149,848.8	157,400.0	163,902.9	9.4%	4.1%
Gross profit	45,770.0	48,675.0	49,821.9	8.9%	2.4%
General expenses	30,385.1	31,337.8	32,984.6	8.6%	5.3%
Operating Income	15,384.9	17,337.2	16,837.3	9.4%	-2.9%
Operating Margin	7.9%	8.4%	7.9%	0.0pp	(0.5pp)
Depreciation	4,760.5	4,979.1	5,026.4	5.6%	0.9%
EBITDA	20,145.4	22,316.3	21,863.6	8.5%	-2.0%
EBITDA Margin	10.3%	10.8%	10.2%	(0.1pp)	(0.6pp)
Interest Income (Expense) net	(1,237.7)	(1,317.5)	(1,153.0)	-6.8%	-12.5%
Interest expense				N.A.	N.A.
Interest income	359.1	660.1	737.0	105.2%	11.7%
Other income (expense)		(2,228.4)	(1,862.3)	N.A.	-16.4%
Foreign exchange gain (loss)	14.9	250.8	(27.7)	N.A.	N.A.
Unconsolidated subsidiaries				N.A.	N.A.
Income before taxes	14,147.2	16,019.7	15,684.3	10.9%	-2.1%
Income taxes	3,255.4	4,500.7	4,240.2	30.3%	-5.8%
Discontinued operations					
Consolidated Net Income	10,891.8	11,519.0	11,444.1	5.1%	-0.7%
Non-controlling interest				N.A.	N.A.
Net Income	10,891.8	11,519.0	11,444.1	5.1%	-0.7%
Net Margin	5.6%	5.6%	5.4%	(0.2pp)	(0.2pp)
EPS	0.624	0.660	0.655	5.1%	-0.7%

Balance Sheet (Million)

Total Current Assets	146,995.2	151,830.9	148,562.9	1.1%	-2.2%
Cash & Short Term Investments	48,548.4	46,589.3	45,036.2	-7.2%	-3.3%
Long Term Assets	249,366.9	261,688.3	264,038.3	5.9%	0.9%
Property, Plant & Equipment (Net)	137,900.1	143,742.4	143,725.6	4.2%	0.0%
Intangible Assets (Net)	2,953.1	3,523.5	3,591.0	21.6%	1.9%
Total Assets	396,362.1	413,519.2	412,601.1	4.1%	-0.2%
Current Liabilities	148,249.1	170,915.7	160,186.5	8.1%	-6.3%
Short Term Debt	3,543.2	3,466.4	3,895.4	9.9%	12.4%
Accounts Payable	140,709.0	162,718.6	150,413.9	6.9%	-7.6%
Long Term Liabilities	76,221.5	78,131.9	81,397.4	6.8%	4.2%
Long Term Debt	63,177.2	66,535.1	70,217.4	11.1%	5.5%
Total Liabilities	224,470.6	249,047.5	241,583.9	7.6%	-3.0%
Common Stock	171,891.5	164,471.6	171,017.2	-0.5%	4.0%
Non-controlling interest				N.A.	N.A.
Total Equity	171,891.5	164,471.6	171,017.2	-0.5%	4.0%
Liabilities & Equity	396,362.1	413,519.2	412,601.1	4.1%	-0.2%
Net Debt	18,172.0	23,412.2	29,076.6	60.0%	24.2%

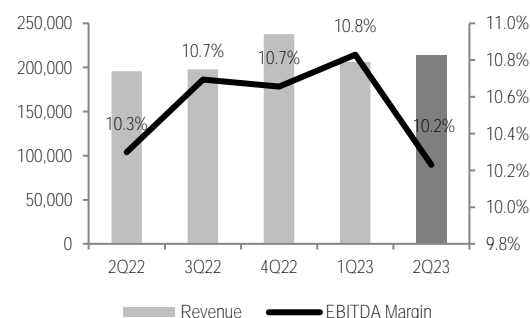
Cash Flow

CF from Operating Activities	25,328.2	12,949.4	37,868.5		
CF from Investing Activities	(7,717.3)	(4,111.5)	(10,123.6)		
CF from Financing Activities	(4,911.2)	(2,661.8)	(18,313.2)		
Change in Cash Balance	4,525.1	(68.1)	(330.6)		

Source: Banorte, MSE

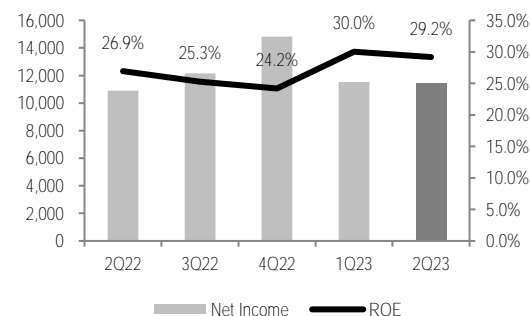
Revenue & EBITDA Margin

MXN, million



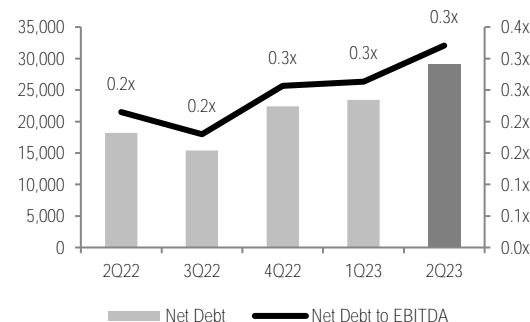
Net Income & ROE

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 Cuatrecos 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
WALMEX	10/26/22	HOLD	\$85.00
WALMEX	07/26/22	HOLD	\$79.23
WALMEX	02/26/22	HOLD	\$80.38

MSCI ESG Rating scale

CCC	B	BB	BBB	A	AA	AAA
LAGGARD	AVERAGE			LEADER		

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

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