

# ALSEA

## Quarterly Report

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## Significant sequential recovery

- Figures surprised with revenue gains in all regions, while profitability, although slightly lower than expected, registered remarkable sequential gains in Mexico
- Given an improved cost outlook and outstanding segment growth, is a report that should be well received by the market. FV/EBITDA multiple remained unchanged at 5.9x and ND/EBITDA ratio at 3.2x

**Noteworthy advances in all regions SSS, while Mexico's profitability recovery q/q stands out.** The company surprised with revenue growth of 16.0% y/y to MXN 17.7 billion (+23.5% y/y in SSS). Results were driven by Mexico's performance (+22.1% y/y and +18.4% in SSS) and South America (+15.8% y/y and +58.3% in SSS), which is explained by: (1) The continued recovery in consumption; (2) customer preferences for portfolio brands; (3) Omnichannel strategy which was driven by 'Wow+' apps, Domino's Online Ordering and main aggregators. Meanwhile, Europe (+7.6% y/y and +16.2% in SSS) was less dynamic compared to other regions. EBITDA reached MXN 3.7 billion (+6.6% y/y) with a margin of 20.9% (-1.8pp), reflecting year-over-year pressures in Mexico (inflation levels and minimum wage increases) and Europe (increases in raw materials and energy), as expected. Nevertheless, it is worth noting the sequential recovery in Mexico's profitability to 28.6% (+1.4pp y/y), which improved consolidated EBITDA margin from 18.2% in 4Q22 to +2.7pp y/y. Finally, net income advanced 11.9% y/y, in line with operating performance. **Although challenges prevail in the short term, we expect profitability recovery in following quarters.** In our view, operating efficiencies will be very relevant in Mexico and Europe as cost pressures might ease in coming quarters. We also believe that organic growth strategies presented during [Alsea Day](#) are accurate, which will translate into sequential recovery in profitability and into the company's positive outlook.

### BUY

|                        |             |
|------------------------|-------------|
| Current Price          | \$46.08     |
| PT                     | \$53.00     |
| Upside Potential       | 15.0%       |
| Max – Min LTM (\$)     | 46.98-34.72 |
| Market Cap (US\$m)     | 2,081.4     |
| Shares Outstanding (m) | 838.6       |
| Float                  | 48.6%       |
| Daily Turnover (\$ m)  | 69.3        |
| Valuation metrics LTM  |             |
| FV/EBITDA              | 5.9x        |
| P/E                    | 22.8x       |
| MSCI ESG Rating*       | N.A.        |

### Relative performance to MEXBOL LTM



| MXN, million      | 2021   | 2022   | 2023E  | 2024E  |
|-------------------|--------|--------|--------|--------|
| Revenue           | 53,379 | 68,831 | 75,017 | 82,568 |
| Operating Income  | 4,133  | 6,341  | 8,565  | 10,648 |
| EBITDA            | 12,311 | 14,050 | 16,375 | 18,557 |
| EBITDA Margin     | 23.1%  | 20.4%  | 21.8%  | 22.5%  |
| Net Income        | 949    | 1,694  | 3,583  | 4,785  |
| Net Margin        | 1.8%   | 2.5%   | 4.8%   | 5.8%   |
| Total Assets      | 82,195 | 79,793 | 84,607 | 91,954 |
| Cash              | 6,893  | 6,100  | 11,324 | 13,791 |
| Total Liabilities | 74,303 | 78,320 | 77,507 | 77,975 |
| Debt              | 55,492 | 55,492 | 55,492 | 55,492 |
| Common Equity     | 9,156  | 9,154  | 9,154  | 9,154  |

Source: Banorte

|                  | 2021  | 2022  | 2023E | 2024E |
|------------------|-------|-------|-------|-------|
| FV/EBITDA        | 7.2x  | 5.9x  | 5.1x  | 4.3x  |
| P/E              | 41.1x | 23.7x | 10.9x | 8.1x  |
| P/BV             | 4.5x  | 5.1x  | 3.2x  | 3.0x  |
| ROE              | 10.4% | 18.5% | 39.1% | 52.3% |
| ROA              | 1.2%  | 2.1%  | 4.2%  | 5.2%  |
| EBITDA/ Interest | -3.4x | -3.3x | -3.1x | -3.4x |
| Net Debt/EBITDA  | 3.9x  | 3.5x  | 2.7x  | 2.2x  |
| Debt/Equity      | 6.1x  | 6.1x  | 6.1x  | 6.1x  |

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## ALSEA –Results 1Q23

MXN million

| Concept          | 1Q22   | 1Q23   | Var %  | 1Q23e  | Diff% vs Estim. |
|------------------|--------|--------|--------|--------|-----------------|
| Revenue          | 15,228 | 17,666 | 16.0%  | 16,523 | 6.9%            |
| Operating Income | 1,435  | 1,637  | 14.0%  | 1,584  | 3.3%            |
| Ebitda           | 3,458  | 3,684  | 6.6%   | 3,535  | 4.2%            |
| Net Income       | 525    | 588    | 11.9%  | 291    | 102.4%          |
| <b>Margins</b>   |        |        |        |        |                 |
| Operating Margin | 9.4%   | 9.3%   | -0.2pp | 9.6%   | -0.3pp          |
| Ebitda Margin    | 22.7%  | 20.9%  | -1.8pp | 21.4%  | -0.5pp          |
| Net Margin       | 3.5%   | 3.3%   | -0.1pp | 1.8%   | 1.6pp           |
| EPS              | \$0.63 | \$0.70 | 11.9%  | \$0.35 | 102.4%          |

## Income Statement (Million)

| Year                          | 2021     | 2022     | 2022     | Change  | Change |
|-------------------------------|----------|----------|----------|---------|--------|
| Quarter                       | 4        | 3        | 4        | % y/y   | % q/q  |
| Net Revenue                   | 15,228.2 | 19,145.8 | 17,665.6 | 16.0%   | -7.7%  |
| Costs of goods sold           | 4,843.3  | 6,366.3  | 5,855.2  | 20.9%   | -8.0%  |
| Gross profit                  | 10,384.9 | 12,779.5 | 11,810.5 | 13.7%   | -7.6%  |
| General expenses              | 8,949.7  | 11,097.6 | 10,173.9 | 13.7%   | -8.3%  |
| Operating Income              | 1,435.2  | 1,681.8  | 1,636.5  | 14.0%   | -2.7%  |
| Operating Margin              | 9.4%     | 8.8%     | 9.3%     | (0.2pp) | 0.5pp  |
| Depreciation                  | 2,022.4  | 1,805.0  | 2,047.9  | 1.3%    | 13.5%  |
| EBITDA                        | 3,457.7  | 3,486.8  | 3,684.4  | 6.6%    | 5.7%   |
| EBITDA Margin                 | 22.7%    | 18.2%    | 20.9%    | (1.8pp) | 2.6pp  |
| Interest Income (Expense) net | (715.2)  | (691.9)  | (682.6)  | -4.6%   | -1.3%  |
| Interest expense              | 970.3    | 945.7    | 1,167.4  | 20.3%   | 23.4%  |
| Interest income               | 59.3     | 158.3    | 132.3    | 123.0%  | -16.4% |
| Other income (expense)        |          |          |          | N.A.    | N.A.   |
| Foreign exchange gain (loss)  | 195.7    | 95.6     | 352.5    | 80.1%   | 268.9% |
| Unconsolidated subsidiaries   |          |          |          | N.A.    | N.A.   |
| Income before taxes           | 720.0    | 990.0    | 953.9    | 32.5%   | -3.6%  |
| Income taxes                  | 208.5    | 460.7    | 347.7    | 66.7%   | -24.5% |
| Discontinued operations       |          |          |          |         |        |
| Consolidated Net Income       | 511.5    | 529.3    | 606.2    | 18.5%   | 14.5%  |
| Non-controlling interest      | (13.9)   | (49.4)   | 18.0     | N.A.    | N.A.   |
| Net Income                    | 525.4    | 578.7    | 588.2    | 11.9%   | 1.6%   |
| Net Margin                    | 3.5%     | 3.0%     | 3.3%     | (0.1pp) | 0.3pp  |
| EPS                           | 0.627    | 0.690    | 0.701    | 11.9%   | 1.6%   |

## Balance Sheet (Million pesos)

|                                   |          |          |          |        |        |
|-----------------------------------|----------|----------|----------|--------|--------|
| Total Current Assets              | 10,245.5 | 12,373.8 | 10,910.0 | 6.5%   | -11.8% |
| Cash & Short Term Investments     | 5,070.5  | 6,099.7  | 4,469.0  | -11.9% | -26.7% |
| Long Term Assets                  | 71,076.2 | 68,095.5 | 65,720.2 | -7.5%  | -3.5%  |
| Property, Plant & Equipment (Net) | 15,589.3 | 15,428.8 | 14,933.6 | -4.2%  | -3.2%  |
| Intangible Assets (Net)           | 14,660.2 | 14,494.9 | 13,802.2 | -5.9%  | -4.8%  |
| Total Assets                      | 81,321.7 | 80,469.3 | 76,630.1 | -5.8%  | -4.8%  |
| Current Liabilities               | 19,419.4 | 22,062.9 | 19,571.8 | 0.8%   | -11.3% |
| Short Term Debt                   | 5,800.7  | 5,674.0  | 4,924.6  | -15.1% | -13.2% |
| Accounts Payable                  | 8,179.2  | 11,860.5 | 10,084.7 | 23.3%  | -15.0% |
| Long Term Liabilities             | 52,615.8 | 49,826.4 | 48,530.3 | -7.8%  | -2.6%  |
| Long Term Debt                    | 47,839.8 | 44,096.6 | 41,782.0 | -12.7% | -5.2%  |
| Total Liabilities                 | 72,035.1 | 71,889.3 | 68,102.1 | -5.5%  | -5.3%  |
| Common Stock                      | 9,286.6  | 8,580.0  | 8,528.0  | -8.2%  | -0.6%  |
| Non-controlling interest          | 1,025.5  | 962.1    | 957.4    | -6.6%  | -0.5%  |
| Total Equity                      | 8,261.1  | 7,617.9  | 7,570.5  | -8.4%  | -0.6%  |
| Liabilities & Equity              | 81,321.7 | 80,469.3 | 76,630.1 | -5.8%  | -4.8%  |
| Net Debt                          | 48,570.0 | 43,670.9 | 42,237.7 | -13.0% | -3.3%  |

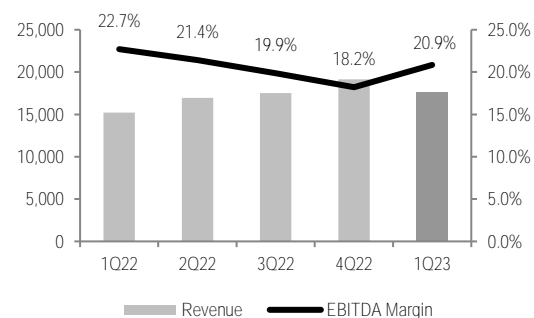
## Cash Flow

|                              |           |            |           |  |  |
|------------------------------|-----------|------------|-----------|--|--|
| CF from Operating Activities | 2,039.5   | 15,426.2   | 2,991.8   |  |  |
| CF from Investing Activities | (652.5)   | (3,860.8)  | (470.1)   |  |  |
| CF from Financing Activities | (3,563.6) | (11,184.6) | (2,537.1) |  |  |
| Change in Cash Balance       | 2,039.5   | 15,426.2   | 2,991.8   |  |  |

Source: Banorte, MSE

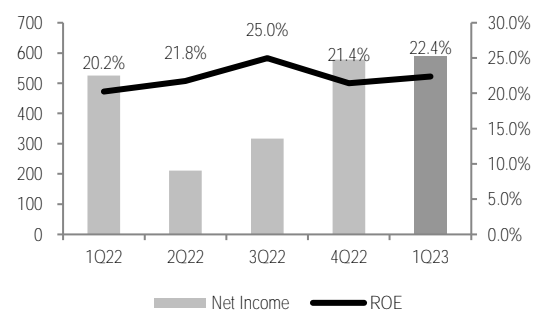
## Revenue & EBITDA Margin

MXN, million



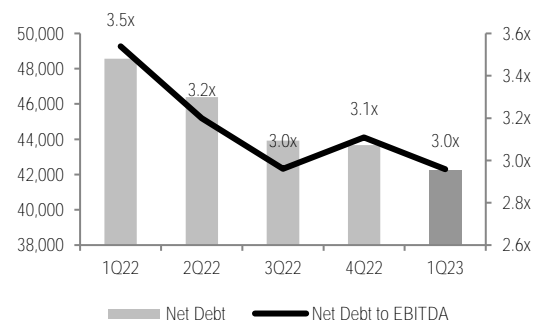
## Net Income & ROE

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, Paola Soto Leal, Daniel Sebastián Sosa Aguilar 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   |
|-------------|---|
| <b>BUY</b>  | When the share expected performance is greater than the MEXBOL estimated performance. |
| <b>HOLD</b> | When the share expected performance is similar to the MEXBOL estimated performance.   |
| <b>SELL</b> | 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      |
|-------|----------|--------|---------|
| ALSEA | 10/27/22 | BUY    | \$53.00 |
| ALSEA | 07/28/22 | BUY    | \$53.29 |
| ALSEA | 04/27/22 | BUY    | \$53.91 |

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