

LIVEPOL

Quarterly Report

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Slightly higher profitability pressures

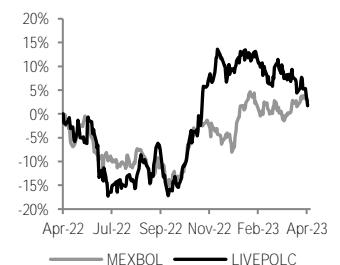
- Results were in line with our estimates, reflecting Liverpool's very positive sales performance. However, the increase in allowance of doubtful accounts impacted profitability
- Although risks associated with margin's recovery remain, medium-term outlook is positive. Meanwhile, FV/EBITDA multiple remains very attractive at 5.4x

Omnichannel strategies continue to deliver positive results but increase in bookings set pressure on margins. Company's figures were in line with our forecasts, reflecting sales growth of 16.5% y/y to MXN 37.6 billion. This increase was mainly driven by Liverpool (+15.0% y/y in SSS), which registered a transaction increase of 13.4% y/y and in average ticket of 1.3% y/y, as well as an acceleration in Softline categories; meanwhile, Suburbia (+3.1% y/y in SSS) moderated the increase. Regarding other business lines, Leasing segment recorded a +17.3% y/y variation in revenues, supported by an occupancy rate of 91.4% (+2.9pp y/y), while the financial businesses expanded 27.3% y/y. Although all 3 business lines recorded double-digit performance and digital participation was higher at 24.5% (+2.8pp y/y), allowance for doubtful accounts increased by MXN 403 million, a situation that was anticipated at [investor day](#). As a result, non-performing loan ratio increased to 2.8% in 1Q23 vs. 2.4% in 4Q22. Based on the above, EBITDA reached MXN 5.2 million (+5.3% y/y) with a margin of 13.8% (-1.5pp), where excluding the effect of reserves, EBITDA would have grown 20.0% y/y and profitability would have reached 14.9% (+0.4pp). **We highlight company's strength, but we remain cautious in the short term.** We consider that strategies implemented in all business lines are adequate, while highlighting financial soundness (ND/EBITDA at 0.8x). Although, we will be attentive to risks related to lower growth rates in discretionary consumption, business lines performance, as to the delinquency rate and its implications in profitability.

BUY

| | |
|------------------------|------------|
| Current Price | \$106.42 |
| PT | \$118.00 |
| Dividend | \$1.56 |
| Dividend Yield (%)e | 1.5% |
| Upside Potential | 12.3% |
| Max – Min LTM (\$) | 120.8-86.1 |
| Market Cap (US\$m) | 8,444.3 |
| Shares Outstanding (m) | 1,342.2 |
| Float | 19.2% |
| Daily Turnover (\$ m) | 49.1 |
| Valuation metrics LTM | |
| FV/EBITDA | 5.4x |
| P/E | 8.3x |
| MSCI ESG Rating* | N.A. |

Relative performance to MEXBOL LTM



| MXN, million | 2021 | 2022 | 2023E | 2024E |
|-------------------|---------|---------|---------|---------|
| Revenue | 151,022 | 176,034 | 185,761 | 204,810 |
| Operating Income | 18,733 | 25,515 | 24,042 | 28,411 |
| EBITDA | 23,909 | 30,686 | 29,412 | 34,412 |
| EBITDA Margin | 15.8% | 17.4% | 15.8% | 16.8% |
| Net Income | 12,878 | 17,385 | 16,104 | 19,213 |
| Net Margin | 8.5% | 9.9% | 8.7% | 9.4% |
| Total Assets | 221,971 | 235,875 | 224,937 | 245,428 |
| Cash | 32,495 | 24,516 | 22,250 | 17,686 |
| Total Liabilities | 102,083 | 103,420 | 97,454 | 107,515 |
| Debt | 33,225 | 43,324 | 31,026 | 30,531 |
| Common Equity | 119,628 | 132,183 | 148,362 | 168,180 |

Source: Banorte

| | 2021 | 2022 | 2023E | 2024E |
|------------------|-------|-------|-------|-------|
| FV/EBITDA | 6.6x | 5.3x | 4.9x | 4.4x |
| P/E | 11.1x | 8.2x | 8.5x | 7.4x |
| P/BV | 1.2x | 1.1x | 1.0x | 0.8x |
| ROE | 10.8% | 13.0% | 11.3% | 11.4% |
| ROA | 5.8% | 7.4% | 7.6% | 7.8% |
| EBITDA/ Interest | 10.8x | 7.8x | 12.3x | 16.1x |
| Net Debt/EBITDA | 0.9x | 0.6x | 0.7x | 0.4x |
| Debt/Equity | 0.3x | 0.3x | 0.2x | 0.2x |

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LIVEPOL –Results 1Q23

MXN million

| Concept | 1Q22 | 1Q23 | Var % | 1Q23e | Diff% vs Estim. |
|------------------|--------|--------|--------|--------|-----------------|
| Revenue | 32,247 | 37,570 | 16.5% | 35,499 | 5.8% |
| Operating Income | 3,672 | 3,886 | 5.8% | 3,743 | 3.8% |
| Ebitda | 4,929 | 5,189 | 5.3% | 5,145 | 0.9% |
| Net Income | 2,232 | 2,143 | -4.0% | 2,410 | -11.1% |
| Margins | | | | | |
| Operating Margin | 11.4% | 10.3% | -1.0pp | 10.5% | -0.2pp |
| Ebitda Margin | 15.3% | 13.8% | -1.5pp | 14.5% | -0.7pp |
| Net Margin | 6.9% | 5.7% | -1.2pp | 6.8% | -1.1pp |
| EPS | \$1.66 | \$1.60 | -4.0% | \$1.80 | -11.1% |

Income Statement (Million)

| Year | 2022 | 2022 | 2023 | Change | Change |
|-------------------------------|----------|----------|-----------|---------|---------|
| Quarter | 1 | 4 | 1 | % y/y | % q/q |
| Net Revenue | 32,246.7 | 63,172.8 | 37,569.5 | 16.5% | -40.5% |
| Costs of goods sold | 19,238.2 | 39,485.6 | 22,352.7 | 16.2% | -43.4% |
| Gross profit | 13,008.5 | 23,687.2 | 15,216.8 | 17.0% | -35.8% |
| General expenses | 9,336.3 | 13,281.2 | 11,331.0 | 21.4% | -14.7% |
| Operating Income | 3,672.2 | 10,406.0 | 3,885.8 | 5.8% | -62.7% |
| Operating Margin | 11.4% | 16.5% | 10.3% | (1.0pp) | (6.1pp) |
| Depreciation | 1,256.9 | 1,379.0 | 1,303.3 | 3.7% | -5.5% |
| EBITDA | 4,929.1 | 11,785.0 | 5,189.1 | 5.3% | -56.0% |
| EBITDA Margin | 15.3% | 18.7% | 13.8% | (1.5pp) | (4.8pp) |
| Interest Income (Expense) net | (817.3) | (756.5) | (1,027.1) | 25.7% | 35.8% |
| Interest expense | 997.3 | 1,034.8 | 1,007.4 | 1.0% | -2.6% |
| Interest income | 447.5 | 434.4 | 540.4 | 20.8% | 24.4% |
| Other income (expense) | | | | N.A. | N.A. |
| Foreign exchange gain (loss) | (267.5) | (156.1) | (560.0) | 109.4% | 258.8% |
| Unconsolidated subsidiaries | 107.3 | 1.5 | 79.0 | -26.4% | >500% |
| Income before taxes | 2,962.2 | 9,651.0 | 2,937.8 | -0.8% | -69.6% |
| Income taxes | 727.2 | 2,047.4 | 791.7 | 8.9% | -61.3% |
| Discontinued operations | | | | | |
| Consolidated Net Income | 2,235.0 | 7,603.7 | 2,146.1 | -4.0% | -71.8% |
| Non-controlling interest | 3.4 | 3.0 | 3.3 | -5.1% | 8.5% |
| Net Income | 2,231.6 | 7,600.7 | 2,142.8 | -4.0% | -71.8% |
| Net Margin | 6.9% | 12.0% | 5.7% | (1.2pp) | (6.3pp) |
| EPS | 1.663 | 5.663 | 1.597 | -4.0% | -71.8% |

Balance Sheet (Million pesos)

| | | | | | |
|-----------------------------------|-----------|-----------|-----------|--------|--------|
| Total Current Assets | 80,509.3 | 94,546.6 | 87,502.2 | 8.7% | -7.5% |
| Cash & Short Term Investments | 21,642.9 | 24,516.3 | 18,539.1 | -14.3% | -24.4% |
| Long Term Assets | 127,696.3 | 141,328.4 | 138,710.4 | 8.6% | -1.9% |
| Property, Plant & Equipment (Net) | 52,400.6 | 55,552.9 | 54,958.0 | 4.9% | -1.1% |
| Intangible Assets (Net) | 8,228.2 | 8,053.0 | 7,923.4 | -3.7% | -1.6% |
| Total Assets | 208,205.6 | 235,875.0 | 226,212.6 | 8.6% | -4.1% |
| Current Liabilities | 39,933.8 | 52,303.8 | 47,024.5 | 17.8% | -10.1% |
| Short Term Debt | 4,434.4 | 2,898.9 | 3,177.8 | -28.3% | 9.6% |
| Accounts Payable | 26,807.2 | 36,743.8 | 33,410.8 | 24.6% | -9.1% |
| Long Term Liabilities | 49,467.1 | 51,116.7 | 48,763.2 | -1.4% | -4.6% |
| Long Term Debt | 39,880.1 | 40,425.2 | 39,248.2 | -1.6% | -2.9% |
| Total Liabilities | 89,400.9 | 103,420.4 | 95,787.7 | 7.1% | -7.4% |
| Common Stock | 118,804.8 | 132,454.5 | 130,424.8 | 9.8% | -1.5% |
| Non-controlling interest | 262.9 | 271.7 | 275.0 | 4.6% | 1.2% |
| Total Equity | 118,541.8 | 132,182.8 | 130,149.9 | 9.8% | -1.5% |
| Liabilities & Equity | 208,205.6 | 235,875.0 | 226,212.6 | 8.6% | -4.1% |
| Net Debt | 22,671.6 | 18,807.8 | 23,886.9 | 5.4% | 27.0% |

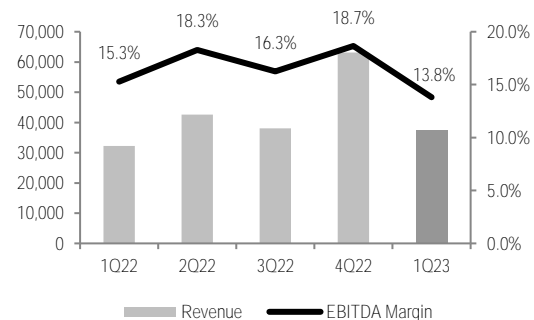
Cash Flow

| | | | | | |
|------------------------------|------------|------------|-----------|--|--|
| CF from Operating Activities | (4,207.6) | 18,770.1 | (4,252.4) | | |
| CF from Investing Activities | (1,091.6) | (14,769.6) | (1,138.1) | | |
| CF from Financing Activities | (3,957.9) | (11,816.5) | (1,076.0) | | |
| Change in Cash Balance | (10,852.0) | (7,978.6) | (5,977.1) | | |

Source: Banorte, MSE

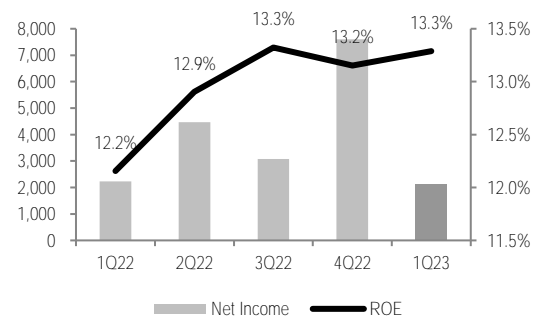
Revenue & EBITDA Margin

MXN, million



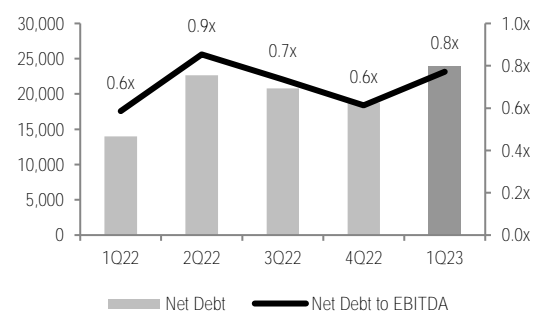
Net Income & ROE

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 |
|-------------|---|
| 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 |
|---------|----------|--------|----------|
| LIVEPOL | 10/18/22 | BUY | \$118.00 |
| LIVEPOL | 07/26/22 | BUY | \$116.69 |
| LIVEPOL | 04/29/22 | BUY | \$113.97 |

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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