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www.banorte.com
@analisis_fundam

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

Paola Soto Leal
Strategist, Equity
paola.soto.leal@banorte.com

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

LIVEPOL (BUY, PT\$118.00)

Flash: *Liverpool Day*. Strategies remain focused on Omnichannel

- **Investor Day main strategies were focused on achieving Omnichannel leadership and leveraging eCommerce growth, alongside product differentiation and customer experiences**
- **We favor measures intended to develop key business areas, although backdrop risks continue, due to the possible slowdown in growth rates and profitability pressures**

Outlook and measures announced during investor day were mostly in line with expectations. Surprises were minor, although they represent important means of consolidation and expansion in the medium term. In this context, there are 3 key objectives: (1) Grow eCommerce 3x in the next 5 years; (2) become the Omnichannel leader and in eCommerce; (3) Create a differentiated experience for each customer.

Action plan is based on 5 main pillars. In this sense, Liverpool identifies 5 core points that will allow it to continue growing: (1) **Brand**, seeking to develop its positioning based on its department stores recognition; (2) **Customer loyalty**, that is, to maintain programs such as 'pampered customer' that encourage them to remain or increase purchases, as well as to promote Omnichannel strategies and information processing to make the best product offering based on taste, preferences, and needs; (3) **Brands and assortment**, where they will continue to seek to increase their market share with product lines already distributed, but also integrating some store exclusives (4) **Physical positioning**, representing an important leverage catalyst for digital sales for distribution and; (5) **Scope of financial services**, aiming to expand the range of alternatives in credit, investments, and insurance.

Omnichannel among the main growth strategies. The company is making significant efforts to continue driving expansion based on its digital platforms for sales, distribution, and collection of products. Although by 2022 year-end, digital sales advanced 20.3%, an increase of 19.2% is forecast for 2023. To achieve this, 3 transformation elements will be driven for stores: being service centers, distribution points, and a complete customer experience. Based on the above, the Value-Added Service (VAS) plan is established, with which they estimate revenues of MXN 1.7 billion in 2023. In addition, they expect 5.6 million digital customers by 2023 (vs. 4.8 million in 2022). In addition, the PLAN (*Plataforma Logística Arco Norte*) is expected to contribute to delivery productivity, considering that by 2025 it will be fully operational, and all distribution centers will be fully converted to meet Omnichannel needs.

BUY	
Current Price	\$115.80
PT	\$118.00
Dividend	\$1.56
Dividend Yield (%)e	1.3%
Upside Potential	3.2%
Max – Min LTM (\$)	119.5-87.0
Market Cap (US\$m)	8,765.7
Shares Outstanding (m)	1,342.2
Float	19.2%
Daily Turnover (\$ m)	49.5
Valuation metrics LTM	
FV/EBITDA	5.7x
P/E	9.0x
MSCI ESG Rating*	N.A.

Relative performance to MEXBOL
LTM



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Document for distribution among public

Expansion update at Liverpool Day. For Liverpool, it was highlighted the renovation of some stores considered as relevant and to support Liverpool Express growth. In the latter aspect, it is proposed as an approach format with the entire catalog of products and services that the company has, as well as an advisory space for digital platforms for customers. On the other hand, some branches they would be integrating are electric vehicles (EV) segment through the Chinese brand BYD (Build Your Dreams); establishing a 3-point vision: to make BYD the number one EV brand; Liverpool to be the main EV distributor in Mexico and to seek the infrastructure for charging this type of cars. The rest of the new products would be Transfers, loans to SMEs, and motorcycles, as well as alternative payment methods such as Minipagos, LiverpoolCa\$h, and FácilCas\$h. Suburbia currently has 179 stores but plans to open 15 stores in 2023 and 20 more in 2024.

Some ESG criteria (environmental, social and governance). The company presented 3 objectives based on the 2040 Environmental Committee, which were the following: (1) Carbon footprint, planning to reduce 260 thousand tons of CO2 and be completely zero by 2040; (2) recycle 100% of all possible waste, and (3) achieve water balance.

Short-term backdrop is complex, which makes us continue to be cautious, but the outlook and business strategies are positive. We believe that the series of measures presented will continue to propitiate growth during the year, while leveraging the proximity of its stores to customers, which was reaffirmed and surprised with profitability in 4Q22. However, backdrop challenges remain due to the possibility of a slowdown in growth rates, as well as pressure on margins derived from the persistence of high inflation levels. Recalling that, in the last conference call, an EBITDA margin was proposed for 2023 between 16.4% and 16.9%, very much in line with 2019 but below 2022 at 17.4%. Additionally, Liverpool would be proposing a dividend in the coming weeks, where the amount has not yet been defined, but would represent a participation rate of ~20% of earnings. We favor expansion prospects for the company, while we will be closely monitoring 1Q23 performance, particularly growth strength and profitability evolution, and will integrate it into our updated estimates.

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, Daniela Olea Suárez, 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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HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
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History of PT and Ratings

Stock	Date	Rating	PT
LIVEPOL	18/10/2022	BUY	\$118.00
LIVEPOL	26/07/2022	BUY	\$116.69
LIVEPOL	29/04/2022	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.

GRUPO FINANCIERO BANORTE S.A.B. de C.V.

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
Maria 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
Yazmin 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 Zaldívar	Director of Market Strategy	manuel.jimenez@banorte.com	(55) 5268 - 1671
Fixed income and FX Strategy			
Leslie Thalía 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
Paola Soto Leal	Strategist, Equity	paola.soto.leal@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
Daniela Olea Suárez	Senior Analyst, Quantitative Analysis	daniela.olea.suarez@banorte.com	(55) 1103 - 4000
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	Analyst, Quantitative Analysis	daniel.sosa@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