

May 4, 2023

WALMEX

Quarterly Report

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Profitability pressures and temporary impacts

- Walmex registered slightly higher-than-expected pressures, reflecting higher expenses in Mexico. While Central America continues to achieve progress in results and profitability
- Despite some segment slowdown, the strategies implemented seem positive to us. FV/EBITDA multiple decreased to 14.4x, below the average of last five years at 15.2x. We reiterate HOLD

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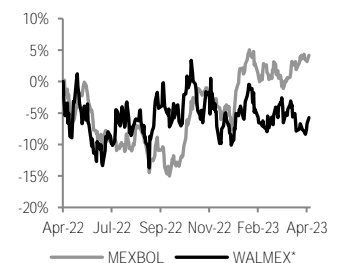
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Mexico loses momentum, while Central America continues to drive results.

Walmex's figures were in line with our estimates, with revenue growth of 9.7% y/y to MXN 206.1 billion. In particular, Central America (CA) maintained a positive performance with 13.5% y/y growth (+12.4% y/y in SSS), supported by Guatemala and Nicaragua. In Mexico, revenues grew 10.0% y/y and SSS were up 8.7% y/y, representing a 30bp differential vs. ANTAD, where exceling performance in grocery division and the southern region of the country was offset by lower dynamism of general merchandise, as well as a contraction in apparel. On the other hand, eCommerce segment increased 19.0% y/y, representing a 4.9% share of revenues (vs. 5.6% in 4Q22). EBITDA reached MXN 22.3 billion, with a margin of 10.8% (-0.2pp). This is mostly explained by a decrease in Mexico's profitability to 11.0% (-0.3pp), as general expenses increased 14.9% y/y due to higher personnel and investment costs; while CA's profitability stood at 10.1% (+0.2pp). Finally, net income expanded 3.7% y/y, reflecting a 39.1% y/y increase in taxes (a 28.1% tax rate in 1Q23 vs. 22.6% in 1Q22) associated with a country in CA; however, excluding this effect, earnings would have increased 15.6% y/y. Omnichannel strategies continue to consolidate, but short-term challenges remain. [Expansion should continue](#) as new businesses, including Cashi, and financial solutions, as well as investments results continue to flourish, opening the possibility of further accelerating company's growth.

HOLD	
Current Price	\$72.26
PT	\$85.00
Dividend	\$2.64
Dividend Yield (%)e	3.7%
Upside Potential	21.3%
Max – Min LTM (\$)	77.56-63.47
Market Cap (US\$m)	69,496.7
Shares Outstanding (m)	17,461.4
Float	29.5%
Daily Turnover (\$ m)	1,111.3
Valuation metrics LTM	
FV/EBITDA	14.4x
P/E	25.5x
MSCI ESG Rating*	A

Relative performance to MEXBOL LTM



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 1Q23

MXN million

Concept	1Q22	1Q23	Var %	1Q23e	Diff% vs Estim.
Revenue	187,844	206,075	9.7%	208,413	-1.1%
Operating Income	15,937	17,337	8.8%	18,048	-3.9%
Ebitda	20,723	22,316	7.7%	23,146	-3.6%
Net Income	11,109	11,519	3.7%	12,789	-9.9%
Margins					
Operating Margin	8.5%	8.4%	-0.1pp	8.7%	-0.2pp
Ebitda Margin	11.0%	10.8%	-0.2pp	11.1%	-0.3pp
Net Margin	5.9%	5.6%	-0.3pp	6.1%	-0.5pp
EPS	\$0.64	\$0.66	3.7%	\$0.73	-9.9%

Income Statement (Million)

Year	2021	2022	2022	Change	Change
Quarter	4	3	4	% y/y	% q/q
Net Revenue	187,844.0	237,821.3	206,075.0	9.7%	-13.3%
Costs of goods sold	143,854.6	183,085.4	157,400.0	9.4%	-14.0%
Gross profit	43,989.4	54,735.9	48,675.0	10.7%	-11.1%
General expenses	28,052.2	34,349.9	31,337.8	11.7%	-8.8%
Operating Income	15,937.2	20,386.0	17,337.2	8.8%	-15.0%
Operating Margin	8.5%	8.6%	8.4%	(0.1pp)	(0.2pp)
Depreciation	4,785.9	4,953.5	4,979.1	4.0%	0.5%
EBITDA	20,723.1	25,339.5	22,316.3	7.7%	-11.9%
EBITDA Margin	11.0%	10.7%	10.8%	(0.2pp)	0.2pp
Interest Income (Expense) net	(1,592.8)	(945.6)	(1,317.5)	-17.3%	39.3%
Interest expense				N.A.	N.A.
Interest income	133.2	839.3	660.1	395.5%	-21.4%
Other income (expense)		(1,979.0)	(2,228.4)	N.A.	12.6%
Foreign exchange gain (loss)	47.3	194.1	250.8	429.8%	29.2%
Unconsolidated subsidiaries				N.A.	N.A.
Income before taxes	14,344.4	19,440.5	16,019.7	11.7%	-17.6%
Income taxes	3,235.6	4,619.4	4,500.7	39.1%	-2.6%
Discontinued operations					
Consolidated Net Income	11,108.8	14,821.0	11,519.0	3.7%	-22.3%
Non-controlling interest				N.A.	N.A.
Net Income	11,108.8	14,821.0	11,519.0	3.7%	-22.3%
Net Margin	5.9%	6.2%	5.6%	(0.3pp)	(0.6pp)
EPS	0.636	0.849	0.660	3.7%	-22.3%

Balance Sheet (Million pesos)

Total Current Assets	131,998.7	154,533.0	151,830.9	15.0%	-1.7%
Cash & Short Term Investments	35,045.8	47,427.2	46,589.3	32.9%	-1.8%
Long Term Assets	249,506.3	264,275.3	261,688.3	4.9%	-1.0%
Property, Plant & Equipment (Net)	137,838.8	145,533.3	143,742.4	4.3%	-1.2%
Intangible Assets (Net)	2,931.8	3,604.7	3,523.5	20.2%	-2.3%
Total Assets	381,505.0	418,808.4	413,519.2	8.4%	-1.3%
Current Liabilities	113,737.2	137,685.8	170,915.7	50.3%	24.1%
Short Term Debt	3,315.6	3,511.5	3,466.4	4.5%	-1.3%
Accounts Payable	106,298.8	128,388.2	162,718.6	53.1%	26.7%
Long Term Liabilities	76,433.8	78,654.2	78,131.9	2.2%	-0.7%
Long Term Debt	61,964.1	66,327.0	66,535.1	7.4%	0.3%
Total Liabilities	190,170.9	216,340.0	249,047.5	31.0%	15.1%
Common Stock	191,334.0	202,468.4	164,471.6	-14.0%	-18.8%
Non-controlling interest				N.A.	N.A.
Total Equity	191,334.0	202,468.4	164,471.6	-14.0%	-18.8%
Liabilities & Equity	381,505.0	418,808.4	413,519.2	8.4%	-1.3%
Net Debt	30,233.9	22,411.4	23,412.2	-22.6%	4.5%

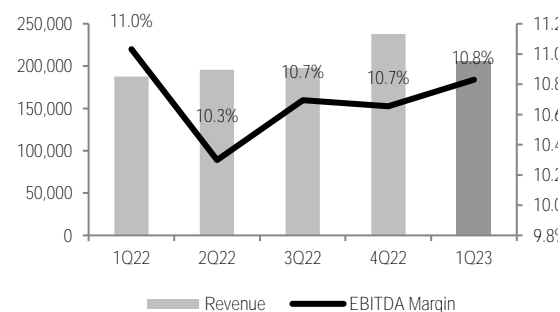
Cash Flow

CF from Operating Activities	917.7	80,591.5	12,949.4		
CF from Investing Activities	(3,982.5)	(20,316.9)	(4,111.5)		
CF from Financing Activities	(2,448.2)	(39,641.3)	(2,661.8)		
Change in Cash Balance	(10,196.3)	4,511.3	(68.1)		

Source: Banorte, MSE

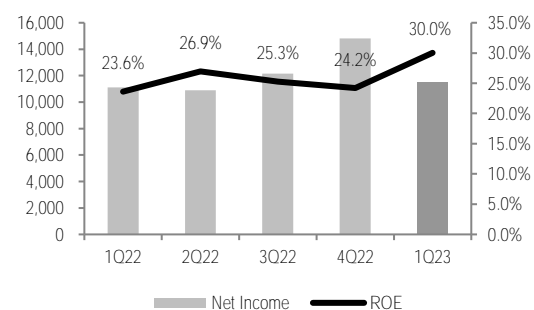
Revenue & EBITDA Margin

MXN, million



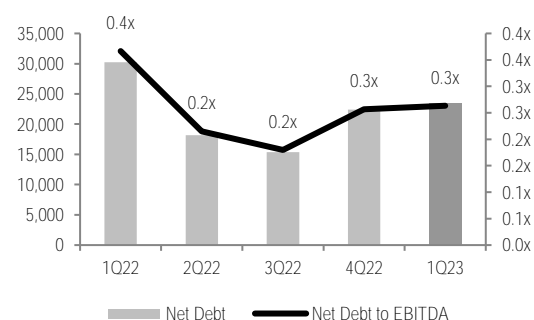
Net Income & ROE

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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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.

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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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