

Walmex (Hold, PT \$72.00) Current Price: \$57.10

Flash: Cofece issues resolution and eliminates a factor of uncertainty surrounding Walmex

Walmex informed the resolution of the Comision Federal de Competencia Economica (COFECE), regarding the investigation related to the supply and wholesale distribution market of consumer goods, retail marketing of these and related services. In this regard, the institution imposed a sanction of MXN 93.4 million (US\$4.6 million at a current exchange rate of MXN 20.18). In addition, it ordered behavioral measures related to supplier contributions. It should be recalled that the [investigation process](#) began in 2020.

The penalty-imposed amounts to MXN 93.4 million. This sum represents only 0.2% of cash as of [3Q24](#). Based on the above, financial leverage (DN/EBITDA) would remain stable at 0.3x.

Neutral implication. We believe that, even if the challenge is filed, this figure seems to us to be insignificant and removes the uncertainty surrounding of the company, being the most relevant. To a lesser extent, we will be looking for further details on the implications of two conduct measures imposed by the competition institution regarding the contributions that are negotiated with suppliers, and indeed, these will represent some kind of impact for Walmex. Although the valuation may look attractive (FV/EBITDA at 10.3x vs. L3Y average at 14.1x), we suppose there are still important challenges derived from higher expenses related to the [minimum wage increase](#) coupled with our outlook of [lower economic dynamism](#). While the share price could benefit in the short term due to a lower pressure factor, we believe that a sustained rally should be supported by consistent growth and profitability expansion results. Therefore, the focus will be on the 4Q24 results next February 13, 2025, especially on the Same Store Sales (SSS) performance in the quarter. We will also be evaluating the value propositions that will be presented during its investor day on March 27th. In this context, we reaffirm our Hold recommendation.

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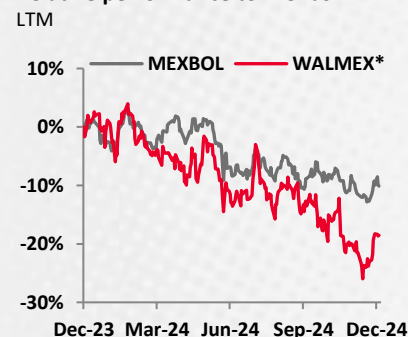
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Hold	
Current Price	\$57.10
PT	\$72.00
Upside potential	26.1%
Max – Min LTM (\$)	72.2 - 51.1
Market Cap (US\$m)	49,193.3
Shares Outstanding (m)	17,461.4
Float	29.5%
Daily Turnover (\$m)	1,587.9
Valuation metrics LTM	
FV/EBITDA	10.3x
P/E	18.6x
MSCI ESG Rating*	A

Relative performance to Mexbol



Source: Banorte



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Winners of the award as the best economic forecasters in Mexico by LSEG in 2023



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Document for distribution among the general public

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	Reference
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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	02/14/2024	Hold	\$72.00
Walmex	10/25/2023	Buy	\$72.00
Walmex	10/20/2022	Hold	\$85.00
Walmex	07/26/2022	Hold	\$79.23

MSCI ESG Rating scale

CCC	B	BB	BBB	A	AA	AAA
Rezagado		Promedio			Líder	

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

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