

# WALMEX

Quarterly Report

May 3, 2021

## Improved margins despite high comparable base

- **Walmex reported in line with expectations; although improved profitability was a positive highlight, even with lower revenues due to the effect of panic buying a year ago**
- **The current valuation at 14.7x FV/EBITDA 2021E is at historical averages, which together with a complicated comparative basis, limits the room for further appreciation, in our opinion**

**A good start of the year.** As we expected, panic buying in 1Q20 represented a difficult comparable base for Walmex. Nevertheless, the omnichannel strategy on which it has focused its efforts continued to pay off, allowing to maintain its sales practically stable at MXN 170.757 billion (-0.3% y/y), and further strengthening its market positioning. This is explained by a 1.2% decline in consolidated SSS this quarter, a remarkable performance considering the 12.9% y/y increase in revenues a year ago, the digital channel growth (already representing 4.2% of the total), and a 1.7% expansion in the sales floor. By region, weakness in CA (-4.1% y/y), due to the challenging economic environment and increased sanitary restrictions, offset the 0.5% advance in Mexico's revenues (SSS: -0.6%; +310 bps versus a 3.7% decline in ANTAD selfservice). In contrast, EBITDA reached MXN 19.475 billion (+2.2% y/y) and the corresponding margin expanded 30 bps to 11.4%, despite lower revenues in Central America, price investments, and the payment of an extraordinary bonus to its associates. This was supported by efficiencies achieved through technological and logistical renovation, leading to a 10 bps improvement in our country, and a 100 bps increase in CA. Finally, net income totaled MXN 10.07 billion (+0.7% y/y), driven by operational progress. **Valuation looks tight.** While we believe Walmex and its omnichannel strategy should consolidate its leadership in the sector, with comparable figures looking less complicated going forward, the FV/EBITDA at 14.7x 2021E already incorporates much of this outlook, for which we reiterate our HOLD rating.

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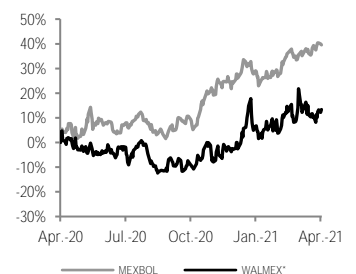
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Hold	
Current Price	\$65.12
PT	\$67.00
Dividend	\$1.63
Dividend Yield (%)	2.5%
Upside Potential	5.4%
Max - Min LTM (\$)	70.50- 49.01
Market Cap (US\$m)	56,834.15
Shares Outstanding (m)	17,461.4
Float	29.5%
Daily Turnover US\$m	971.4
Valuation metrics LTM	
FV/EBITDA	15.4x
P/E	33.9x
MSCI ESG Rating*	A

Relative performance to Mexbol LTM



### Financial Statements

	2019	2020	2021E	2022E
Revenue	646,846	701,734	726,970	771,320
Operating Income	54,003	57,447	61,936	66,525
EBITDA	71,005	75,387	80,024	85,200
EBITDA Margin	11.0%	10.7%	11.0%	11.0%
Net Income	37,898	33,435	42,260	53,613
Net Margin	5.9%	4.8%	5.8%	7.0%
Total Assets	349,172	361,883	362,061	404,426
Cash	30,857	35,670	24,002	28,033
Total Liabilities	181,028	192,764	204,755	222,823
Debt	57,213	59,738	60,718	60,718
Common Equity	168,145	169,119	157,306	181,603

Source: Banorte

### Valuation and Financial metrics

	2019	2020	2021E	2022E
FV/EBITDA	16.4x	15.4x	14.7x	13.7x
P/E	30.0x	34.0x	26.9x	21.2x
P/BV	6.8x	6.7x	7.2x	6.3x
ROE	22.8%	19.8%	25.9%	31.6%
ROA	10.9%	9.2%	11.7%	13.3%
EBITDA/ interest	N.A.	N.A.	N.A.	N.A.
Net Debt/EBITDA	0.4x	0.3x	0.5x	0.4x
Debt/Equity	0.3x	0.4x	0.4x	0.3x

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## WALMEX – Results 1Q21

MXN, million

Concept	1Q20	1Q21	Var %	1Q21e	Diff% vs Estim.
Revenue	171,334	170,757	-0.3%	170,735	0.0%
Operating Income	14,640	14,940	2.0%	14,290	4.5%
Ebitda	19,050	19,475	2.2%	18,716	4.1%
Net Income	9,998	10,070	0.7%	9,739	3.4%
<b>Margins</b>					
Operating Margin	8.5%	8.7%	0.2pp	8.4%	0.4pp
Ebitda Margin	11.1%	11.4%	0.3pp	11.0%	0.4pp
Net Margin	5.8%	5.9%	0.1pp	5.7%	0.2pp
EPS	\$0.57	\$0.58	0.7%	\$0.56	3.4%

### Income Statement (Million pesos)

Year	2020	2020	2021	Change	Change
Quarter	1	4	1	% y/y	% q/q
Net Revenue	171,334	195,988	170,757	-0.3%	-12.9%
Costs of goods sold	132,269	150,642	130,977	-1.0%	-13.1%
Gross profit	39,064	45,346	39,780	1.8%	-12.3%
General expenses	24,689	27,553	24,983	1.2%	-9.3%
Operating Income	14,640	17,875	14,940	2.0%	-16.4%
Operating Margin	8.5%	9.1%	8.7%	0.2pp	(0.4pp)
Depreciation	4,410	4,472	4,534	2.8%	1.4%
EBITDA	19,050	22,347	19,475	2.2%	-12.9%
EBITDA Margin	11.1%	11.4%	11.4%	0.3pp	0.0pp
Interest Income (Expense) net	(1,610)	(1,191)	(1,677)	4.1%	40.7%
Interest expense				N.A.	N.A.
Interest income	262	234	117	-55.1%	-49.9%
Other income (expense)	(1,215)	(1,875)	(1,596)	31.4%	-14.9%
Foreign exchange gain (loss)	(657)	449	(198)	-69.8%	N.A.
Unconsolidated subsidiaries				N.A.	N.A.
Income before taxes	13,030	16,683	13,264	1.8%	-20.5%
Income taxes	3,033	4,080	3,193	5.3%	-21.7%
Discontinued operations					
Consolidated Net Income	9,998	12,603	10,070	0.7%	-20.1%
Non-controlling interest				N.A.	N.A.
Net Income	9,998	12,603	10,070	0.7%	-20.1%
Net Margin	5.8%	6.4%	5.9%	0.1pp	(0.5pp)
EPS	0.573	0.722	0.577	0.7%	-20.1%

### Balance Sheet (Million pesos)

Total Current Assets	116,636	121,725	113,697	-2.5%	-6.6%
Cash & Short Term Investments	37,890	35,670	29,848	-21.2%	-16.3%
Long Term Assets	252,678	240,158	242,494	-4.0%	1.0%
Property, Plant & Equipment (Net)	138,758	134,829	134,821	-2.8%	0.0%
Intangible Assets (Net)	2,157	2,555	2,634	22.1%	3.1%
Total Assets	369,314	361,883	356,191	-3.6%	-1.6%
Current Liabilities	136,516	123,070	131,967	-3.3%	7.2%
Short Term Debt	3,040	3,217	3,203	5.4%	-0.4%
Accounts Payable	128,852	114,753	124,174	-3.6%	8.2%
Long Term Liabilities	69,936	69,694	70,647	1.0%	1.4%
Long Term Debt	57,477	56,521	57,514	0.1%	1.8%
Total Liabilities	206,452	192,764	202,613	-1.9%	5.1%
<b>Stockholders' Equity</b>	162,863	169,119	153,578	-5.7%	-9.2%
Non-controlling interest				N.A.	N.A.
Total Equity	162,863	169,119	153,578	-5.7%	-9.2%
Liabilities & Equity	369,314	361,883	356,191	-3.6%	-1.6%
Net Debt	22,627	24,068	30,869	36.4%	28.3%

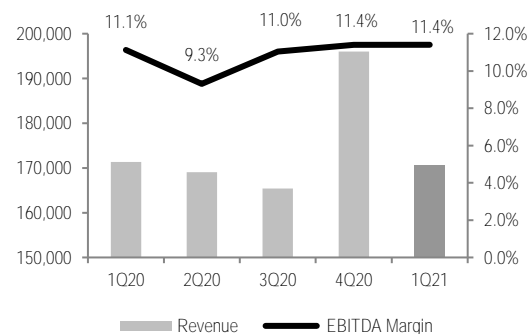
### Cash Flow

CF from Operating Activities	9,749.4	34,480.3	(62,987.6)
CF from Investing Activities	(3,685.2)	(6,148.1)	13,962.5
CF from Financing Activities	(2,051.1)	(28,503.2)	37,411.8
FX effect on cash	3,020.0	(2,507.0)	978.0
Change in Cash Balance	7,033.1	(2,678.0)	(10,635.4)

Source: Banorte, MSE.

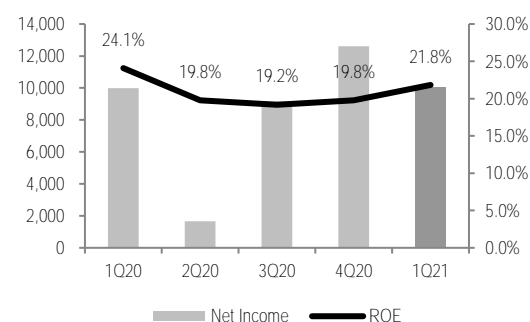
## Revenue & EBITDA Margin

MXN, million



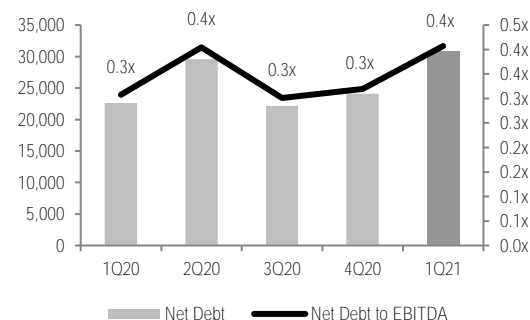
## Net Income & ROE

MXN, million



## Net Debt & Net Debt to EBITDA ratio

MXN, million



## Certification of Analysts.

We, Gabriel Casillas Olivera, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Francisco José Flores Serrano, Katia Celina Goya Ostos, Santiago Leal Singer, José Itzamna Espitia Hernández, Valentín III Mendoza Balderas, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez, Gerardo Daniel Valle Trujillo, Eridani Ruibal Ortega and Juan Barbier Arizmendi, 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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<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
WALMEX	19/02/2021	Hold	\$67.00
WALMEX	23/10/2019	Buy	\$65.00
WALMEX	28/5/2019	Buy	\$60.00
WALMEX	08/11/2019	Buy	\$58.00

## MSCI ESG Rating scale

CCC	B	BB	BBB	A	AA	AAA
LAGGARD	AVERAGE			LEADER		

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

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