

February 28, 2023

ALSEA

Quarterly Report

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Relevant pressures in main regions

- **Despite revenue growth in line with our estimates, profitability pressures are increasing in main business regions. Short-term challenges prevail due to inflation**
- **Operating efficiencies and South America performance stood out, but Mexico's contraction in profitability surprised. Meanwhile, focus will be on Alsea Day on March 30th**

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Profitability contraction in Europe and Mexico, despite significant SSS gains in all division. Alsea registered revenue growth of 14.4% y/y to MXN 19.1 billion (+21.5% in SSS), in line with expectations, but with significant declines in profitability. South America continued to favor figures with an 8.7% y/y increase (+53.5% in SSS), supported by fast food brands performance and a 32.6% y/y hike in delivery. Mexico registered a 3.4% y/y rise (+16.0% in SSS) and Europe a +3.7% y/y increase (+16.3% in SSS), supported by delivery channel. However, EBITDA fell 18.4% y/y to MXN 3.5 billion, where South America's 380bp (23.4%) expansion derived from operating efficiencies, was completely offset by: (1) Mexico's drop in EBITDA to 27.2%, which reduced the respective margin by 710bp, of which ~190bp are attributable to cogs pressures and inflationary wage surges; (2) Europe's margin declined to 24.3% (-1,080bp), of which ~400bp corresponds to raw material surges and higher energy prices. As a result of the above, net income declined to MXN 579 million (-30.7% y/y), reflecting pressures across all divisions, but also a significant 194% y/y growth in interest paid to MXN 158.3 million. **Near-term challenges remain as inflation continues to impact profitability.** In our view, operating efficiencies that the company implements in Europe and Mexico will be very relevant as it seeks to offset significant margin pressures. FV/EBITDA valuation increased slightly from 5.6x to 5.7x and ND/EBITDA stood at 3.1x.

BUY	
Current Price	\$42.51
PT	\$53.00
Upside Potential	24.7%
Max – Min LTM (\$)	49.94-35.04
Market Cap (US\$m)	1,897.1
Shares Outstanding (m)	838.6
Float	48.6%
Daily Turnover (\$ m)	80.3
Valuation metrics LTM	
FV/EBITDA	5.7x
P/E	21.8x
MSCI ESG Rating*	N.A.

Relative performance to MEXBOL LTM



MXN, million	2020	2021	2022	2023E
Revenue	115,473	151,022	176,034	185,761
Operating Income	4,154	18,733	25,515	24,042
EBITDA	9,006	23,909	30,686	29,412
EBITDA Margin	7.8%	15.8%	17.4%	15.8%
Net Income	1,096	12,878	17,385	16,104
Net Margin	0.9%	8.5%	9.9%	8.7%
Total Assets	204,843	221,971	235,875	224,937
Cash	26,196	32,495	24,516	22,250
Total Liabilities	97,023	102,083	103,420	97,454
Debt	37,804	33,225	43,324	31,026
Common Equity	107,577	119,628	132,183	148,362

Source: Banorte

	2020	2021	2022	2023E
FV/EBITDA	15.0x	4.5x	5.5x	4.5x
P/E	N.A.	8.1x	8.7x	8.0x
P/BV	1.3x	1.0x	1.1x	0.9x
ROE	1.0%	10.8%	13.2%	10.9%
ROA	0.5%	5.8%	7.4%	7.2%
EBITDA/ Interest	8.8x	10.8x	13.8x	14.0x
Net Debt/EBITDA	1.1x	0.9x	0.6x	0.3x
Debt/Equity	0.4x	0.3x	0.3x	0.2x

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ALSEA –Results 4Q22

MXN million

Concept	4Q21	4Q22	Var %	4Q22e	Diff% vs Estim.
Revenue	16,732	19,146	14.4%	19,829	-3.4%
Operating Income	2,009	1,682	-16.3%	2,360	-28.7%
Ebitda	4,274	3,487	-18.4%	4,155	-16.1%
Net Income	835	579	-30.7%	899	-35.7%
Margins					
Operating Margin	12.0%	8.8%	-3.2pp	11.9%	-3.1pp
Ebitda Margin	25.5%	18.2%	-7.3pp	21.0%	-2.7pp
Net Margin	5.0%	3.0%	-2.0pp	4.5%	-1.5pp
EPS	\$1.00	\$0.69	>500%	\$1.07	-35.7%

Income Statement (Million)					
Year	2021	2022	2022	Change	Change
Quarter	4	3	4	% y/y	% q/q

Net Revenue	16,732.1	17,518.2	19,145.8	14.4%	9.3%
Costs of goods sold	5,142.6	5,756.9	6,366.3	23.8%	10.6%
Gross profit	11,589.5	11,761.3	12,779.5	10.3%	8.7%
General expenses	9,580.1	10,216.4	11,097.6	15.8%	8.6%
Operating Income	2,009.4	1,544.9	1,681.8	-16.3%	8.9%
Operating Margin	12.0%	8.8%	8.8%	(3.2pp)	(0.0pp)
Depreciation	2,264.8	1,932.9	1,805.0	-20.3%	-6.6%
EBITDA	4,274.2	3,477.8	3,486.8	-18.4%	0.3%
EBITDA Margin	25.5%	19.9%	18.2%	(7.3pp)	(1.6pp)
Interest Income (Expense) net	(848.9)	(1,075.2)	(691.9)	-18.5%	-35.7%
Interest expense	994.7	1,013.7	945.7	-4.9%	-6.7%
Interest income	53.8	107.8	158.3	194.0%	46.8%
Other income (expense)				N.A.	N.A.
Foreign exchange gain (loss)	91.9	(169.4)	95.6	3.9%	N.A.
Unconsolidated subsidiaries	1.1			N.A.	N.A.
Income before taxes	1,161.6	469.6	990.0	-14.8%	110.8%
Income taxes	237.3	162.5	460.7	94.2%	183.6%
Discontinued operations					
Consolidated Net Income	924.4	307.2	529.3	-42.7%	72.3%
Non-controlling interest	89.2	(9.6)	(49.4)	N.A.	414.5%
Net Income	835.2	316.8	578.7	-30.7%	82.7%
Net Margin	5.0%	1.8%	3.0%	(2.0pp)	1.2pp
EPS	0.048	0.378	0.690	>500%	82.7%
	16,732.1	17,518.2	19,145.8	14.4%	9.3%

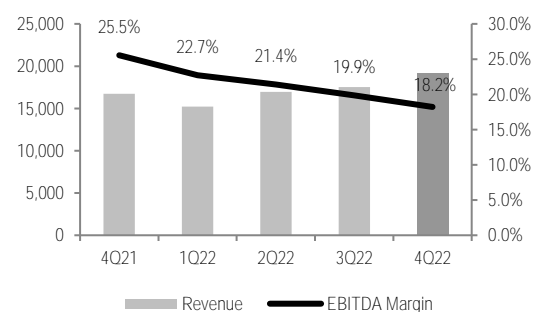
Balance Sheet (Million pesos)					
Total Current Assets	11,745.1	11,271.9	12,373.8	5.4%	9.8%
Cash & Short Term Investments	6,893.4	5,128.1	6,099.7	-11.5%	18.9%
Long Term Assets	71,232.4	66,115.2	68,095.5	-4.4%	3.0%
Property, Plant & Equipment (Net)	15,277.9	14,273.3	15,428.8	1.0%	8.1%
Intangible Assets (Net)	15,037.6	14,323.6	14,494.9	-3.6%	1.2%
Total Assets	82,977.6	77,387.0	80,469.3	-3.0%	4.0%
Current Liabilities	22,740.4	20,290.2	22,062.9	-3.0%	8.7%
Short Term Debt	8,881.9	5,006.6	5,674.0	-36.1%	13.3%
Accounts Payable	9,045.5	10,679.2	11,860.5	31.1%	11.1%
Long Term Liabilities	51,563.1	48,549.8	49,826.4	-3.4%	2.6%
Long Term Debt	46,610.4	44,044.2	44,096.6	-5.4%	0.1%
Total Liabilities	74,303.5	68,839.9	71,889.3	-3.2%	4.4%
Common Stock	8,674.1	8,547.1	8,580.0	-1.1%	0.4%
Non-controlling interest	1,034.9	987.4	962.1	-7.0%	-2.6%
Total Equity	7,639.2	7,559.7	7,617.9	-0.3%	0.8%
Liabilities & Equity	82,977.6	77,387.0	80,469.3	-3.0%	4.0%
Net Debt	48,598.9	43,922.6	43,670.9	-10.1%	-0.6%

Cash Flow					
CF from Operating Activities	14,725.9	10,646.6	15,426.2		
CF from Investing Activities	(3,363.2)	(3,172.4)	(3,860.8)		
CF from Financing Activities	(9,216.2)	(8,939.3)	(11,184.6)		
Change in Cash Balance	14,725.9	10,646.6	15,426.2		

Source: Banorte, MSE

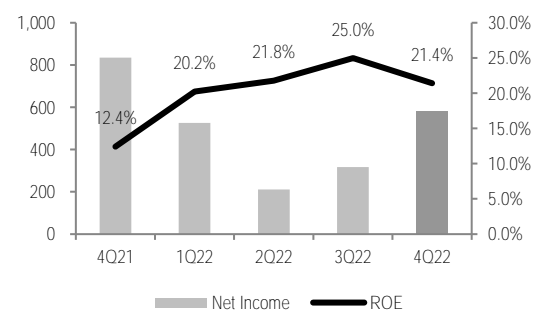
Revenue & EBITDA Margin

MXN, million



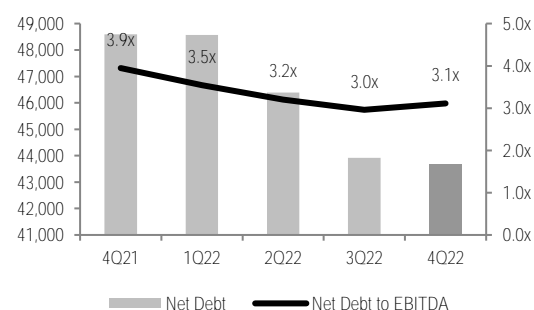
Net Income & ROE

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, 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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	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
ALSEA	10/27/22	BUY	\$53.00
ALSEA	07/28/22	BUY	\$53.29
ALSEA	04/27/22	BUY	\$53.91

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