

ALSEA

Quarterly Report

March 2, 2021

Sequential recovery coupled with margin gains

- **Despite new lockdown measures, Alsea sales grew 14.2% q/q. Meanwhile, SG&A efficiencies drove company's profitability, way beyond expectations**
- **We believe risk balance is more favorable, on the back of economic reopening and vaccines' deployment, which hand in hand with the strong position of the brands within its portfolio, should drive growth**

Successful closing to the most challenging year on company's history.

Regardless of confinement measures reinstated in all regions, Alsea's figures continued posting an important sequential recovery. Sales increased 14.2% q/q, yet certainly still implying a 26.6% y/y plunge to MXN 11.297 billion. Said drop was mainly explained by a 23.0% contraction in SSS, along with the net closure of 135 units over the LTM, following company's portfolio rationalization strategy. Nevertheless, expense cuts, rent reliefs, salaries' agreements with unions and government support bolstered EBITDA margin by 690bps to 28.5%. That said, EBITDA fell only by 3.4% y/y to MXN 3.225 billion, widely beating our expectations. However, when excluding for accounting effects (IFRS16 and hyperinflation in Argentina), EBITDA dropped 33% y/y, while profitability eroded 160bps, being still quite outstanding considering current backdrop due to the sanitary crisis. Finally, net income slumped 63.7% y/y to MXN 165 million, impacted by a 167% larger CFC (on larger interest expenses and FX losses) offsetting a benefit on differed taxes.

Poised for recovery. The vigorous rebound on company sales, on the back of deconfinement, uttered brand's strength within Alsea's portfolio. That said, we continue to believe the stock is poised for posting an important recovery this year as resuming activities and further advances in the vaccination process, hand in hand with easy comps, should translate into a compelling recovery.

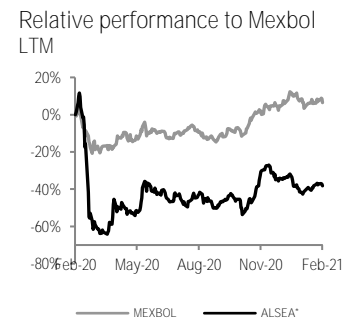
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BUY	
Current Price	\$24.32
PT	\$27.00
Upside Potential	11.0%
Max - Min LTM (\$)	44.14 - 13.90
Market Cap (US\$m)	965.5
Shares Outstanding (m)	832.9
Float	48.52%
Daily Turnover US\$m	59.1
Valuation metrics TTM	
FV/EBITDA	10.9x
P/E	N.A.
MSCI ESG Rating*	N.A.



Financial Statements

	2019	2020	2021E	2022E
Revenue	58,155	38,495	48,412	52,048
Operating Income	4,571	-1,454	2,981	4,825
EBITDA	12,618	6,925	10,979	12,235
EBITDA Margin	21.7%	18.0%	22.7%	23.5%
Net Income	927	-3,186	61	1,131
Net Margin	1.6%	-8.3%	0.1%	2.2%
Total Assets	76,412	82,932	81,687	83,214
Cash	2,625	3,932	2,803	3,239
Total Liabilities	64,870	75,249	74,230	74,923
Debt	48,222	57,512	53,591	53,636
Common Equity	11,543	7,683	7,457	8,291

Source: Banorte

Valuation and Financial metrics

	2019	2020	2021E	2022E
FV/EBITDA	5.4x	10.9x	6.6x	5.8x
P/E	22.0x	-6.4x	336.5x	18.0x
P/BV	2.1x	3.2x	3.2x	2.7x
ROE	7.4%	-33.1%	0.8%	14.4%
ROA	1.2%	-3.8%	0.1%	1.4%
EBITDA/ interest	4.9x	2.1x	3.5x	3.9x
Net Debt/EBITDA	3.6x	7.7x	4.6x	4.1x
Debt/Equity	4.2x	7.5x	7.2x	6.5x

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ALSEA – Results 4Q20

MXN, million

Concept	4Q19	4Q20	Var %	4Q20e	Diff% vs Estim.
Revenue	15,393	11,297	-26.6%	10,825	4.4%
Operating Income	1,264	984	-22.1%	125	>500%
Ebitda	3,339	3,225	-3.4%	2,060	56.5%
Net Income	456	165	-63.7%	-440	N.A.
Margins					
Operating Margin	8.2%	8.7%	0.5pp	1.2%	7.6pp
Ebitda Margin	21.7%	28.5%	6.9pp	19.0%	9.5pp
Net Margin	3.0%	1.5%	-1.5pp	-4.1%	5.5pp
EPS	\$0.54	\$0.20	-63.7%	-\$0.53	N.A.

Income Statement (Million pesos)

Year	2019	2020	2020	Change	Change
Quarter	4	3	4	% y/y	% q/q
Net Revenue	15,393	9,896	11,297	-26.6%	14.2%
Costs of goods sold	4,480	2,802	3,282	-26.8%	17.1%
Gross profit	10,913	7,093	8,015	-26.5%	13.0%
General expenses	9,538	6,862	7,263	-23.9%	5.8%
Operating Income	1,264	79	984	-22.1%	>500%
Operating Margin	8.2%	0.8%	8.7%	0.5pp	7.9pp
Depreciation	2,075	2,028	2,241	8.0%	10.5%
EBITDA	3,339	2,107	3,225	-3.4%	53.0%
EBITDA Margin	21.7%	21.3%	28.5%	6.9pp	7.3pp
Interest Income (Expense) net	(502)	(963)	(1,339)	166.5%	39.0%
Interest expense	619	806	781	26.1%	-3.1%
Interest income	56	17	N.A.	N.A.	N.A.
Other income (expense)	72	2	116	61.8%	>500%
Foreign exchange gain (loss)	(11)	(177)	(674)	>500%	281.1%
Unconsolidated subsidiaries	0	(0)	0	-14.3%	N.A.
Income before taxes	762	(884)	(354)	N.A.	-59.9%
Income taxes	257	(294)	(471)	N.A.	60.1%
Discontinued operations					
Consolidated Net Income	506	(590)	116	-77.0%	N.A.
Non-controlling interest	49	(114)	(49)	N.A.	-57.1%
Net Income	456	(476)	165	-63.7%	N.A.
Net Margin	3.0%	-4.8%	1.5%	(1.5pp)	6.3pp
EPS	0.544	(0.572)	0.197	-63.7%	N.A.

Balance Sheet (Million pesos)

Total Current Assets	6,533	9,311	8,520	30.4%	-8.5%
Cash & Short Term Investments	2,625	4,600	3,932	49.8%	-14.5%
Long Term Assets	69,879	75,277	74,412	6.5%	-1.1%
Property, Plant & Equipment (Net)	17,538	17,123	15,904	-9.3%	-7.1%
Intangible Assets (Net)	27,375	16,509	15,829	-42.2%	-4.1%
Total Assets	76,412	84,588	82,932	8.5%	-2.0%
Current Liabilities	20,993	22,703	22,465	7.0%	-1.0%
Short Term Debt	9,062	8,639	9,046	-0.2%	4.7%
Accounts Payable	5,813	6,473	6,705	15.3%	3.6%
Long Term Liabilities	43,877	54,184	52,784	20.3%	-2.6%
Long Term Debt	39,160	49,439	48,466	23.8%	-2.0%
Total Liabilities	64,870	76,887	75,249	16.0%	-2.1%
Stockholders' Equity	11,543	7,701	7,683	-33.4%	-0.2%
Non-controlling interest	1,962	1,419	1,330	-32.2%	-6.3%
Total Equity	9,581	6,282	6,352	-33.7%	1.1%
Liabilities & Equity	76,412	84,588	82,932	8.5%	-2.0%
Net Debt	45,597	53,479	53,580	17.5%	0.2%

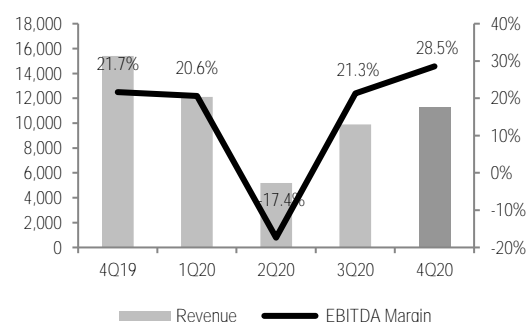
Cash Flow

CF from Operating Activities	5,954.1	2,072.7	1,446.3
CF from Investing Activities	(1,967.2)	(206.6)	(750.5)
CF from Financing Activities	(2,769.9)	(2,698.5)	(1,765.1)
FX effect on cash	(215.3)	1,102.4	(72.0)
Change in Cash Balance	1,001.7	270.1	(1,141.3)

Source: Banorte, MSE.

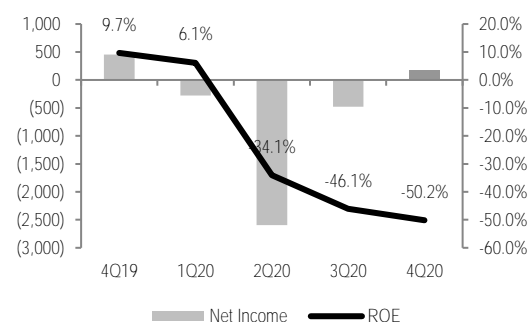
Revenue & EBITDA Margin

MXN, million



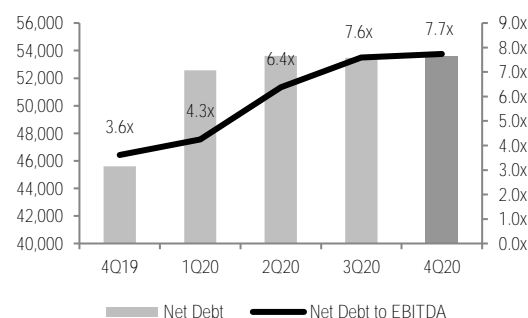
Net Income & ROE

MXN, million



Net Debt & Net Debt to EBITDA ratio

MXN, million



Certification of Analysts.

We, Gabriel Casillas Olvera, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Tania Abdul Massih Jacobo, 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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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	Recommendation	PT
ALSEA	28/05/2020	Buy	\$27.00
ALSEA	23/10/2019	Buy	\$60.00
ALSEA	25/07/2019	Buy	\$47.00
ALSEA	25/01/2019	Hold	\$60.00

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