

CHDRAUI

Quarterly Report

October 29, 2019

Fiesta Mart's performance has not improved yet

- We rate Chedraui's report as neutral, in line with our estimates, but highlighting the lower dynamism of revenues in Mexico, as well as a sharp decline in Fiesta Mart's results
- Total revenue rose 5.4% yoy to MXN 31.9 billion, while EBITDA did so by 31.7% yoy to MXN 2.2 billion, mainly from the effect of IFRS 16. On an adjusted basis, such increase was only 0.9%
- Despite the solid performance of El Super and a better gross margins due to reduced commercial aggressiveness in Mexico, pressures on expenses and heavy price investments in Fiesta hit profitability

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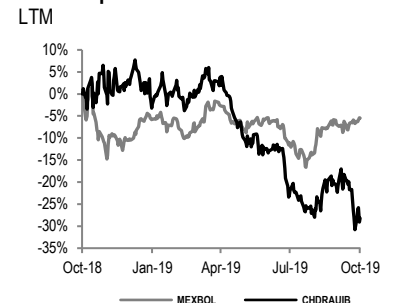
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BUY

Current Price	\$26.39
PT 2019	MXN\$39.00
Dividend 2019	
Dividend Yield (%)	
Upside Potential	36.2%
Max – Min LTM (MXN\$)	41.35 – 25.48
Market Cap (US\$m)	1,319.50
Shares Outstanding (m)	963.9
Float	15.8%
Daily Turnover (MXN\$m)	14.7
Valuation metrics TTM	
EV/EBITDA	7.1x
P/E	15.9x

Fiesta Mart's results fell short. Chedraui reported neutral 3Q19 figures over our estimates. Consolidates revenue rose 5.4% to MXN 31.9 billion (-2.9% vs BNTe), resulting from an increment of 5.4% in Mexico (SSS +0.5% vs 5.0%e), 5.2% in the U.S. (LfL El Súper +1.8%; Fiesta Mart -3.2%) and 13.9% in the real estate business. Gross margin improved 190bps to 22.0%, in view of a lower commercial aggressiveness in Mexico and better profitability in El Súper, which offset heavy price investments in Fiesta Mart. Meanwhile, EBITDA grew 31.7% yoy to MXN 2.2 billion (+0.8% vs BNTe), boosted by increments of 22.5% in Mexico and 80.3% in Bodega Latina, translating into a 1.4pp margin improvement to 7.0%. However, both are attributed to the IFRS 16 effect. On an adjusted basis, consolidated EBITDA grew just 0.9% EBITDA margin -30bps), reflecting pressures on expenses in Mexico (EBITDA +2.3% yoy) and a very weak performance in Fiesta (EBITDA -82.8% yoy), which have offset a solid performance from El Super (EBITDA +36.8%). Net profit fell 43.6% to MXN 318 million (-0.3% vs BNTe), impacted by a 123.1% increase in comprehensive financing result and a higher effective tax rate.

Relative performance to MEXBOL



Revenues	94,583	116,031	130,621	141,162
Operating Income	4,418	4,547	5,306	5,701
EBITDA	6,039	6,541	8,908	9,871
EBITDA Margin	6.4%	5.6%	6.8%	7.0%
Net Income	2,079	2,064	1,416	1,701
Net Margin	2.2%	1.8%	1.1%	1.2%
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Total Assets	55,006	68,244	90,228	92,849
Cash	1,522	1,252	1,639	2,529
Total Liabilities	26,574	38,680	63,695	65,486
Debt	5,660	10,297	36,560	35,986
Common Equity	28,432	29,564	26,533	27,363

EV/EBITDA	4.9x	5.3x	6.8x	6.0x
P/E	12.2x	12.3x	18.0x	15.0x
P/Book	0.9x	0.9x	1.0x	0.9x
ROE	7.5%	7.1%	5.0%	6.3%
ROA	3.8%	3.0%	1.6%	1.8%
EBITDA/ Interest expen	6.9x	6.9x	6.9x	6.9x
Net Deb/EBITDA	0.7x	1.4x	3.9x	3.4x
Debt/Equity	0.2x	0.3x	1.4x	1.3x

Source: Banorte with data from MSE

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Document for distribution among public

CHDRAUI – Results 3Q19

MXN, million

Concept	3Q18	3Q19	Var %	3Q19e	Diff% vs Estim.
Revenue	30,266	31,901	5.4%	32,862	-2.9%
Operating Income	1,201	1,321	10.0%	1,292	2.2%
Ebitda	1,685	2,220	31.7%	2,201	0.8%
Net Income	564	318	-43.6%	319	-0.3%
Margins					
Operating Margin	4.0%	4.1%	0.2pp	3.9%	0.2pp
Ebitda Margin	5.6%	7.0%	1.4pp	6.7%	0.3pp
Net Margin	1.9%	1.0%	-0.9pp	1.0%	0.0pp
EPS	\$0.58	\$0.33	-43.6%	\$0.33	-0.3%

Source: Banorte

Income Statement (Million pesos)

Year	2018	2019	2019	Change	Change
Quarter	3	2	3	% YoY	% QoQ
Net Revenue	30,266	31,586	31,901	5.4%	1.0%
Costs of goods sold	23,715	24,539	24,881	4.9%	1.4%
Gross profit	6,550	7,047	7,020	7.2%	-0.4%
General expenses	5,347	5,613	5,747	7.5%	2.4%
Operating Income	1,201	1,389	1,321	10.0%	-4.9%
Operating Margin	4.0%	4.4%	4.1%	0.2pp	(0.3pp)
Depreciation	484	910	899	85.6%	-1.3%
EBITDA	1,685	2,299	2,220	31.7%	-3.5%
EBITDA Margin	5.6%	7.3%	7.0%	1.4pp	(0.3pp)
Interest Income (Expense) net	(353)	(753)	(788)	123.1%	4.7%
Interest expense	78	488	506	>500%	3.6%
Interest income	9	5	7	-23.3%	52.5%
Other income (expense)	(275)	(282)	(290)	5.5%	2.9%
Foreign exchange gain (loss)	(9)	13	1	N.A.	-92.5%
Unconsolidated subsidiaries				N.A.	N.A.
Income before taxes	847	636	533	-37.2%	-16.2%
Income taxes	288	213	232	-19.5%	9.1%
Discontinued operations					
Consolidated Net Income	559	423	301	-46.2%	-28.9%
Non-controlling interest	(4)	0	(17)	298.8%	N.A.
Net Income	564	423	318	-43.6%	-24.9%
Net Margin	1.9%	1.3%	1.0%	(0.9pp)	(0.3pp)
EPS	0.585	0.439	0.329	-43.6%	-24.9%

Balance Sheet (Million pesos)

Total Current Assets	18,374	18,354	18,868	2.7%	2.8%
Cash & Short Term Investments	1,594	1,693	908	-43.1%	-46.4%
Long Term Assets	46,367	69,842	70,720	52.5%	1.3%
Property, Plant & Equipment (Net)	32,690	34,107	34,479	5.5%	1.1%
Intangible Assets (Net)	910	2,514	2,551	180.3%	1.5%
Total Assets	64,741	88,197	89,588	38.4%	1.6%
Current Liabilities	21,165	24,393	24,584	16.2%	0.8%
Short Term Debt	415	5,326	4,090	>500%	-23.2%
Accounts Payable	19,956	18,212	19,622	-1.7%	7.7%
Long Term Liabilities	13,878	36,397	37,362	169.2%	2.7%
Long Term Debt	9,664	31,392	32,103	232.2%	2.3%
Total Liabilities	35,043	60,790	61,946	76.8%	1.9%
Common Stock	29,698	27,407	27,642	-6.9%	0.9%
Non-controlling interest	286	90	76	-73.6%	-16.2%
Total Equity	29,412	27,317	27,566	-6.3%	0.9%
Liabilities & Equity	64,741	88,197	89,588	38.4%	1.6%
Net Debt	8,484	35,025	35,285	315.9%	0.7%

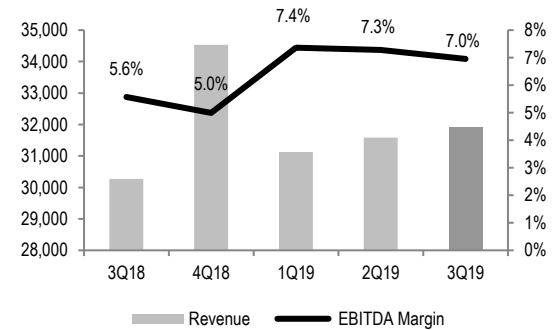
Cash Flow

FX difference in cash & equivalents	1,141.2	(29.3)	2,114.9		
CF from Operating Activities	(1,199.0)	(641.4)	(864.3)		
CF from Investing Activities	(491.5)	593.3	(2,050.7)		
CF from Financing Activities	254.6	202.4	15.2		
Change in Cash Balance	(294.7)	125.1	(785.0)		

Source: Banorte, MSE.

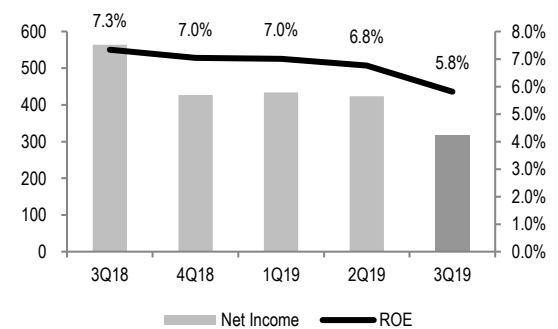
Revenue & EBITDA Margin

MXN, million



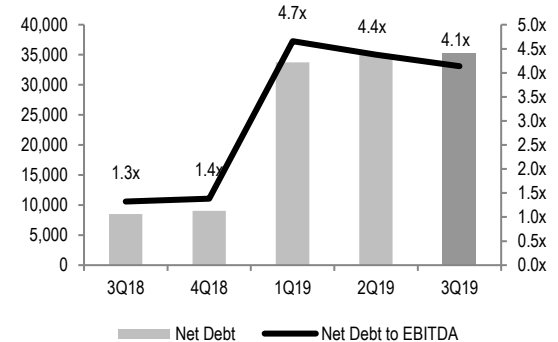
Net Income & ROE

MXN, million



Net Debt & Net debt to EBITDA ratio

MXN, million



Certification of Analysts.

We, Gabriel Casillas Olvera, Delia Maria Paredes Mier, Alejandro Padilla Santana, Manuel Jiménez Zaldívar, Tania Abdul Massih Jacobo, Katia Celina Goya Ostos, Juan Carlos Alderete Macal, Víctor Hugo Cortes Castro, Marissa Garza Ostos, Miguel Alejandro Calvo Domínguez, Hugo Armando Gómez Solís, Gerardo Daniel Valle Trujillo, José Itzamna Espitia Hernández, Valentín III Mendoza Balderas, Santiago Leal Singer, Francisco José Flores Serrano, Luis Leopoldo López Salinas, Jorge Antonio Izquiero Lobato and Leslie Thalia Orozco Vélez, 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	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
SELL	<i>When the share expected performance is lower than the MEXBOL estimated performance.</i>

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History of PT and Ratings

Stock	Date	Rating	PT
CHDRAUI B	07/24/2019	Buy	MXN\$39.00
CHDRAUI B	02/25/2019	Buy	MXN\$49.00
CHDRAUI B	09/28/2018	Buy	MXN\$52.00

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