

SORIANA

Quarterly Report

October 29, 2020

Lagging behind in the retail sector

- Soriana reported below our estimates in terms of revenue, given a weak SSS performance (-3.3% y/y) and rent exemptions granted to its tenants during the pandemic
- However, a remarkable expense control kept the EBITDA margin unchanged y/y, even despite the decline in sales and extraordinary expenses related to the sanitary measures

Margins have been kept stable. As expected, Soriana presented a weak quarter, alluding to additional market share losses. Total revenues fell 4.5% y/y to MXN 37.699 billion (-4.5% vs. our estimate), as a result of a 3.3% y/y contraction in SSS (vs. +2.0% ANTAD food retailers) and -2.6% in sales floor -following the net closure of 13 units in the LTM-, as well as the impact on real estate revenues after the recognition of the remaining 50% of the concessions granted to its tenants due to the pandemic. Meanwhile, gross margin remained stable at 21.2%, derived from an adequate commercial and shrinkage management. As a result, EBITDA stood at MXN 2.616 billion, dropping 3.9% with respect to the same period in 2019, while EBITDA margin remained unchanged at 6.9%, with the company's assertive expense control plan (-4.8% y/y) standing out, offsetting the weakness shown in sales, expenses related to the sanitary crisis, and rent payment exemptions (excluding this effect the margin would have reached 7.2%). On a net level, income increased 5.5% y/y to MXN 568 million, due to an 18.8% decrease in CFC for lower interest payments -reflecting a 23% debt reduction- and a FX gain of MXN 8 million.

Turning the results around will not be easy. Despite Soriana's lag with respect to the rest of the sector, which is explained by the greater exposure to general merchandise in *Soriana Híper* and *Soriana Mercado*, the continuing loss of market share worries us, as we do not anticipate that it will soon be recovered.

www.banorte.com
@ analisis_fundam

Consumer and Telecom

Valentín Mendoza
Senior Strategist, Equity
valentin.mendoza@banorte.com

Juan Barbier, CFA
Analyst
juan.barbier@banorte.com

Hold	
Current Price	\$15.70
PT 2020	\$23.00
Dividend 2020e	
Dividend Yield (%)	
Upside Potential	46.5%
Max - Min LTM (\$)	26.89 - 14.62
Market Cap (US\$m)	1,332.7
Shares Outstanding (m)	1,800
Float	13.8%
Daily Turnover US\$m	2.0
Valuation metrics TTM	
FV/EBITDA	5.0x
P/E	8.7x
MSCI ESG Rating*	N.A.

Relative performance to Mexbol



Financial Statements

	2018	2019	2020E	2021E
Revenue	153,475	155,744	155,748	157,083
Operating Income	8,068	9,213	8,907	9,512
EBITDA	10,884	12,372	12,098	12,632
EBITDA Margin	7.1%	7.9%	7.8%	8.0%
Net Income	3,605	3,235	2,568	4,374
Net Margin	2.3%	2.1%	1.6%	2.8%
Total Assets	132,967	145,728	138,991	136,832
Cash	2,231	1,921	3,148	6,377
Total Liabilities	71,024	81,722	72,135	66,047
Debt	22,663	33,346	24,586	18,542
Common Equity	61,944	64,006	66,856	70,785

Source: Banorte

Valuation and Financial metrics

	2018	2019	2020E	2021E
FV/EBITDA	4.5x	4.8x	4.1x	3.2x
P/E	7.8x	8.7x	11.0x	6.5x
P/BV	0.5x	0.4x	0.4x	0.4x
ROE	6.0%	5.1%	3.9%	6.4%
ROA	2.7%	2.2%	1.8%	3.2%
EBITDA/ interest	4.7x	3.4x	3.8x	4.5x
Net Debt/EBITDA	1.9x	2.5x	1.8x	1.0x
Debt/Equity	0.4x	0.5x	0.4x	0.3x

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Document for distribution among public

SORIANA – Results 3Q20

MXN, million

Concept	3Q19	3Q20	Var %	3Q20e	Diff% vs Estim.
Revenue	39,463	37,699	-4.5%	39,461	-4.5%
Operating Income	1,877	1,815	-3.3%	1,810	0.3%
Ebitda	2,722	2,616	-3.9%	2,608	0.3%
Net Income	538	568	5.5%	569	-0.2%
Margins					
Operating Margin	4.8%	4.8%	0.1pp	4.6%	0.2pp
Ebitda Margin	6.9%	6.9%	0.0pp	6.6%	0.3pp
Net Margin	1.4%	1.5%	0.1pp	1.4%	0.1pp
EPS	\$0.30	\$0.32	5.5%	\$0.32	-0.2%

Income Statement (Million pesos)

Year	2019	2020	2020	Change	Change
Quarter	3	2	3	% y/y	% q/q
Net Revenue	39,463	39,637	37,699	-4.5%	-4.9%
Costs of goods sold	31,092	31,217	29,705	-4.5%	-4.8%
Gross profit	8,371	8,421	7,994	-4.5%	-5.1%
General expenses	6,528	6,388	6,212	-4.8%	-2.8%
Operating Income	1,877	2,054	1,815	-3.3%	-11.6%
Operating Margin	4.8%	5.2%	4.8%	0.1pp	(0.4pp)
Depreciation	844	799	801	-5.1%	0.3%
EBITDA	2,722	2,853	2,616	-3.9%	-8.3%
EBITDA Margin	6.9%	7.2%	6.9%	0.0pp	(0.3pp)
Interest Income (Expense) net	(863)	(708)	(701)	-18.8%	-1.0%
Interest expense	905	837	775	-14.4%	-7.4%
Interest income	62	67	66	6.6%	-0.8%
Other income (expense)				N.A.	N.A.
Foreign exchange gain (loss)	(20)	62	8	N.A.	-87.4%
Unconsolidated subsidiaries	(144)	(95)	(84)	-41.8%	-11.9%
Income before taxes	870	1,251	1,030	18.5%	-17.6%
Income taxes	323	427	459	42.0%	7.4%
Discontinued operations					
Consolidated Net Income	547	824	572	4.5%	-30.6%
Non-controlling interest	9	4	4	-56.2%	7.1%
Net Income	538	820	568	5.5%	-30.8%
Net Margin	1.4%	2.1%	1.5%	0.1pp	(0.6pp)
EPS	0.299	0.456	0.315	5.5%	-30.8%

Balance Sheet (Million pesos)

	2019	2020	2020	Change	Change
				% y/y	% q/q
Total Current Assets	45,447	42,942	41,444	-8.8%	-3.5%
Cash & Short Term Investments	1,251	1,993	2,882	130.4%	44.6%
Long Term Assets	99,561	99,004	98,607	-1.0%	-0.4%
Property, Plant & Equipment (Net)	68,157	67,239	66,814	-2.0%	-0.6%
Intangible Assets (Net)	20,337	20,360	20,367	0.1%	0.0%
Total Assets	145,009	141,946	140,051	-3.4%	-1.3%
Current Liabilities	41,442	45,967	41,472	0.1%	-9.8%
Short Term Debt	15,021	16,751	15,752	4.9%	-6.0%
Accounts Payable	24,506	26,524	22,692	-7.4%	-14.4%
Long Term Liabilities	40,506	30,495	32,508	-19.7%	6.6%
Long Term Debt	28,164	17,887	19,839	-29.6%	10.9%
Total Liabilities	81,948	76,462	73,980	-9.7%	-3.2%
Stockholders' Equity	63,060	65,483	66,071	4.8%	0.9%
Non-controlling interest	138	124	129	-6.1%	4.1%
Total Equity	62,923	65,359	65,941	4.8%	0.9%
Liabilities & Equity	145,009	141,946	140,051	-3.4%	-1.3%
Net Debt	41,935	32,644	32,709	-22.0%	0.2%

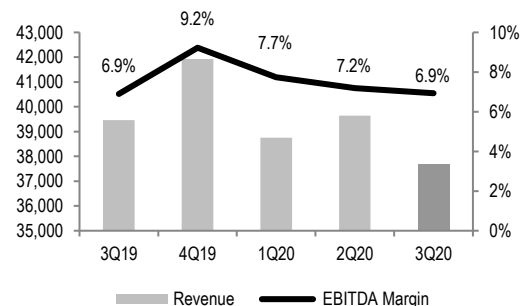
Cash Flow

	2019	2020	2020
CF from Operating Activities	(7,032.0)	3,658.9	1,153.7
CF from Investing Activities	(589.6)	(402.3)	(410.7)
CF from Financing Activities	6,077.8	(3,513.4)	145.7
FX effect on cash			
Change in Cash Balance	(1,543.7)	(256.9)	888.8

Source: Banorte, MSE.

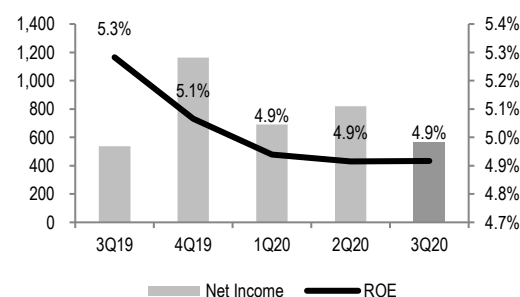
Revenue & EBITDA Margin

MXN, million



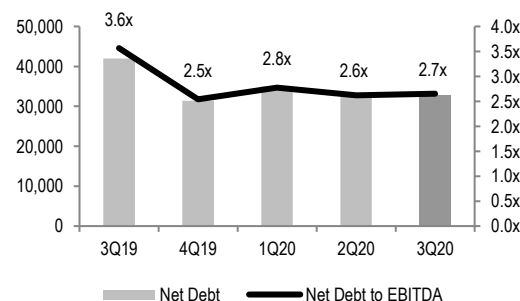
Net Income & ROE

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, Tania Abdul Massih Jacobo, Francisco José Flores Serrano, Katia Celina Goya Ostos, Santiago Leal Singer, José Itzamna Espitia Hernández, Valentin 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.
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History of PT and ratings

Stock	Date	Rating	PT
SORIANA	27/07/20	Hold	\$23.00
SORIANA	25/10/19	Buy	\$31.00
SORIANA	26/07/19	Hold	\$26.00
SORIANA	8/01/19	Hold	\$33.00

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.

Research and Strategy			
Gabriel Casillas Olvera	IRO and Chief Economist	gabriel.casillas@banorte.com	(55) 4433 - 4695
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611
Economic Research and Financial Market Strategy			
Alejandro Padilla Santana	Executive Director of Economic Research and Financial Markets Strategy	alejandro.padilla@banorte.com	(55) 1103 - 4043
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251
Economic Research			
Juan Carlos Alderete Macal, CFA	Director of Economic Research	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Francisco José Flores Serrano	Senior Economist, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Katía Celina Goya Ostos	Senior Economist, Global	katia.goya@banorte.com	(55) 1670 - 1821
Luis Leopoldo López Salinas	Economist, Global	luis.lopez.salinas@banorte.com	(55) 1103 - 4000 x 2707
Market Strategy			
Manuel Jiménez Zaldívar	Director of Market Strategy	manuel.jimenez@banorte.com	(55) 5268 - 1671
Fixed income and FX Strategy			
Santiago Leal Singer	Senior Strategist, Fixed Income and FX	santiago.leal@banorte.com	(55) 1670 - 2144
Leslie Thalía Orozco Vélez	Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 5268 - 1698
Equity Strategy			
Marissa Garza Ostos	Director of Equity Strategy	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Senior Strategist, Equity	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Senior Strategist, Equity	valentin.mendoza@banorte.com	(55) 1670 - 2250
Víctor Hugo Cortes Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800
Eridani Ruibal Ortega	Analyst	eridani.ruibal.ortega@banorte.com	(55) 1103 - 4000 x 2755
Juan Barbier Arizmendi, CFA	Analyst	juan.barbier@banorte.com	(55) 1670 - 1746
Corporate Debt			
Tania Abdul Massih Jacobo	Director of Corporate Debt	tania.abdul@banorte.com	(55) 5268 - 1672
Hugo Armando Gómez Solís	Senior Analyst, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248
Economic Studies			
Delia María Paredes Mier	Executive Director of Economic Studies	delia.paredes@banorte.com	(55) 5268 - 1694
Miguel Alejandro Calvo Domínguez	Senior Analyst, Economic Studies	miguel.calvo@banorte.com	(55) 1670 - 2220
Wholesale Banking			
Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(81) 8319 - 6895
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5268 - 9996
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Frigolet Vázquez Vela	Head of Sólida Banorte	alejandro.frigolet.vazquezvela@banorte.com	(55) 5268 - 1656
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 1002
Carlos Alberto Arciniega Navarro	Head of Treasury Services	carlos.arciniega@banorte.com	(81) 1103 - 4091
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8318 - 5071
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5004 - 1453
Lizza Velarde Torres	Executive Director of Wholesale Banking	lizza.velarde@banorte.com	(55) 4433 - 4676
Oswaldo Brondo Menchaca	Head of Specialized Banking Services	oswaldo.brondo@banorte.com	(55) 5004 - 1423
Raúl Alejandro Arauzo Romero	Head of Transactional Banking	alejandro.arauzo@banorte.com	(55) 5261 - 4910
René Gerardo Pimentel Ibarrola	Head of Corporate Banking	pimentelr@banorte.com	(55) 5268 - 9004
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Víctor Antonio Roldan Ferrer	Head of Commercial Banking	victor.rolan.ferrer@banorte.com	(55) 5004 - 1454