ALSEA

Company Note

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Consumer and Telecom

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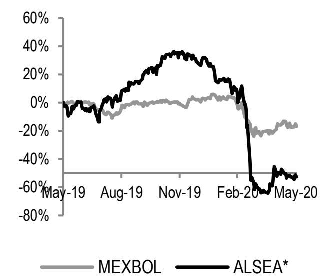
A gradual return towards a 'new normal'

- **We trimmed our estimates to reflect the impact of the COVID-19 pandemic, along with a gradual recovery on the results due to the staggered reopening of economies**
- **Now we forecast in 2020 revenues would drop 30.7% y/y (SSS -20.6%) and EBITDA would tumble 59.7% with a margin erosion of 9.1pp to stand at 12.6% because of operating deleveraging**
- **We lowered our PT2020 to $27.00 (FV/EBITDA 2021E of 6.5x vs LTM average of 7.0x). In our view, current valuation already reflects the complex backdrop expected in 2020**

Recovery will not be easy. Aside from the fact that restaurants have been globally affected by temporary closures related to the pandemic, with 2Q20 yet to reflect the worst impact, we consider gradual reopening of the economy coupled with a GDP contraction would severely affect discretionary consumption, at least for the rest of 2020. Moreover, fears of getting sick -with no vaccine nor effective treatment available already- should drive consumers to be much more cautious, which along with capacity restrictions and consumer habits changes in light of the 'new normal', would translate into a very gradual recovery on Alsea's results. That said, we cut our 2020 and 2021 EBITDA estimates by 63.7% and 22.7%, respectively, impacted by cost pressures related to Latin American currencies' sharp depreciation, but especially by operating deleveraging. **We still see value, though.** 2020E multiples reflect the conjuncture the company is going through; nevertheless, on our PT2020, Alsea would trade at 6.5x FV/EBITDA 2021E, above current valuation but below the LTM average of 7.0x. Thus, we consider current valuation already incorporates the challenging outlook for the company ahead.

BUY	
Current Price	$18.75
PT 2020	**$27.00**
Dividend	
Dividend Yield (%)	
Upside Potential	44.0%
Max – Min LTM ($)	54.83 – 13.90
Market Cap (US$m)	701.2
Shares Outstanding (m)	838.6
Float	48.52%
Daily Turnover ($ m)	119.5
Valuation metrics LTM	
FV/EBITDA	5.7x
P/E	29.1x

Relative performance to Mexbol
LTM



Financial Statements				
MXN, million	2018	2019	2020E	2021E
Revenue	46,157	58,155	40,286	55,919
Operating Income	3,294	4,571	-3,001	4,584
EBITDA	6,408	12,618	5,082	12,127
EBITDA Margin	13.9%	21.7%	12.6%	21.7%
Net Income	953	927	-4,555	455
Net Margin	2.1%	1.6%	-11.3%	0.8%
Total Assets	53,750	76,412	83,627	85,497
Cash	1,988	2,625	2,949	3,642
Total Liabilities	40,101	64,870	74,377	74,943
Debt	25,901	48,222	59,717	57,972
Common Equity	13,649	11,543	9,250	10,554

Source: Banorte

Valuation and Financial metrics	2018	2019	2020E	2021E
EV/EBITDA	6.5x	5.0x	14.6x	5.9x
P/E	16.4x	17.0x	-3.5x	34.5x
P/BV	1.3x	1.6x	2.1x	1.8x
ROE	7.9%	7.4%	-43.8%	4.6%
ROA	1.8%	1.2%	-5.4%	0.5%
EBITDA/ Interest	3.9x	4.9x	1.6x	3.8x
Net Debt/EBITDA	3.7x	3.6x	11.2x	4.5x
Debt/Equity	1.9x	4.2x	6.5x	5.5x

ALSEA – Financial Statements

MXN, million

Income Statement					
Year	**2018**	**2019**	**2020E**	**2021E**	**TCAC**
Net Revenue	**46,157**	**58,155**	**40,286**	**55,919**	**6.6%**
Cost of goods sold	14,188	17,164	12,036	16,625	5.4%
Gross profit	31,969	40,991	28,251	39,295	7.1%
General expenses	28,708	36,300	31,338	34,710	6.5%
Operating Income	**3,294**	**4,571**	**(3,001)**	**4,584**	**11.7%**
Operating Margin	**7.1%**	**7.9%**	**-7.4%**	**8.2%**	**4.7%**
Depreciation	3,115	8,047	8,083	7,542	34.3%
EBITDA	**6,408**	**12,618**	**5,082**	**12,127**	**23.7%**
EBITDA Margin	**13.9%**	**21.7%**	**12.6%**	**21.7%**	
Interest income (expense) net	**(1,456)**	**(2,850)**	**(3,754)**	**(3,428)**	**33.0%**
Interest expense	1,628	2,583	3,166	3,201	25.3%
Interest income	57	101	135	102	21.9%
Other income (expenses)	118	(345)	(652)	(310)	-238.2%
Exchange Income (loss)	(2)	(22)	(71)	(19)	102.9%
Unconsolidated subsidiaries		(1)	(5)	2	N.A.
Net Income before taxes	**1,838**	**1,720**	**(6,760)**	**1,158**	**-14.3%**
Provision for Income taxes	698	635	(407)	524	-9.2%
Discontinued operations					
Consolidated Net Income	**1,139**	**1,085**	**(6,353)**	**635**	**-17.7%**
Minorities	186	158	(1,798)	180	-1.2%
Net Income	**953**	**927**	**(4,555)**	**455**	**-21.8%**
Net Margin	**2.1%**	**1.6%**	**-11.3%**	**0.8%**	
EPS	**1.141**	**1.105**	**(5.432)**	**0.543**	**-21.9%**

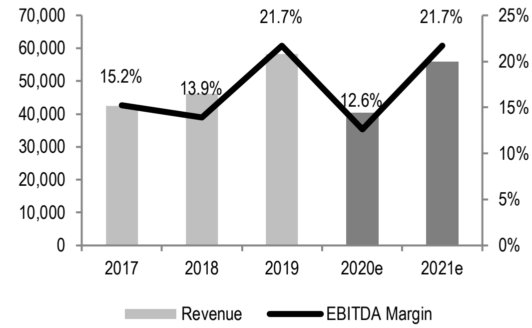
Balance Sheet (Million pesos)					
Total Current Assets	**5,895**	**6,533**	**6,158**	**7,898**	**10.2%**
Cash & Short Term Investments	1,988	2,625	2,949	3,642	22.4%
Long Term Assets	47,855	69,879	77,469	77,599	17.5%
Property, Plant & Equipment (Net)	**18,575**	**17,538**	**19,572**	**19,702**	**2.0%**
Intangible Assets (Net)	25,823	27,375	28,973	28,973	3.9%
Total Assets	**53,750**	**76,412**	**83,627**	**85,497**	**16.7%**
Current Liabilities	14,438	20,993	24,451	25,555	21.0%
Short Term Debt	2,595	9,062	14,759	13,552	73.5%
Accounts Payable	6,004	5,813	4,446	4,720	-7.7%
Long Term Liabilities	**25,663**	**43,877**	**49,926**	**49,388**	**24.4%**
Long Term Debt	23,306	39,160	44,958	44,420	24.0%
Total Liabilities	**40,101**	**64,870**	**74,377**	**74,943**	**23.2%**
Common Stock	13,649	11,543	9,250	10,554	-8.2%
Non-controlling interest	1,879	1,962	1,674	1,910	0.6%
Total Equity	**11,770**	**9,581**	**7,576**	**8,644**	**-9.8%**
Liabilities & Equity	**53,750**	**76,412**	**83,627**	**85,497**	**16.7%**
Net Debt	**23,913**	**45,597**	**56,768**	**54,330**	**31.5%**

Cash Flow (Million pesos)	**2018**	**2019**	**2020E**	**2021E**
Cash flow from operating activities	7,495	13,367	(24)	9,297
Cash flow from investing activities	(17,441)	(4,737)	(1,580)	(3,648)
Cash flow from financing activities	10,795	(6,355)	2,400	(4,956)
FX effect on cash	(401)	(1,637)	(473)	
Change in cash balance	**447**	**638**	**324**	**693**

Source: Banorte, BMV

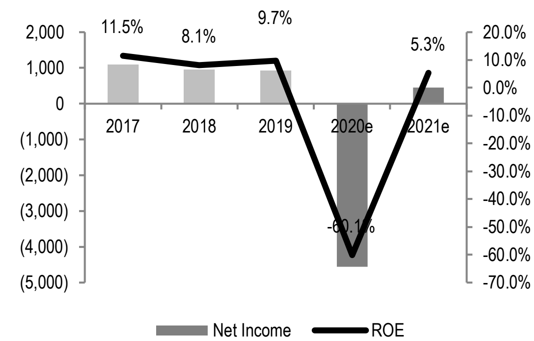
Revenue & EBITDA Margin

MXN, million



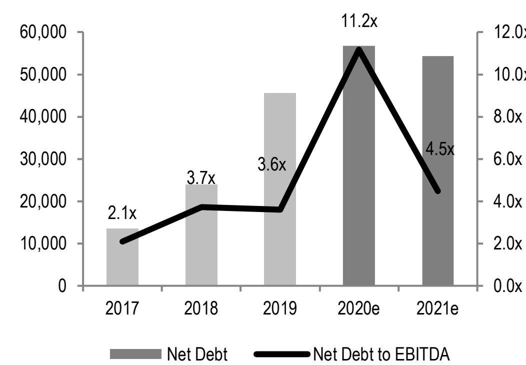
Net Income & ROE

MXN, million



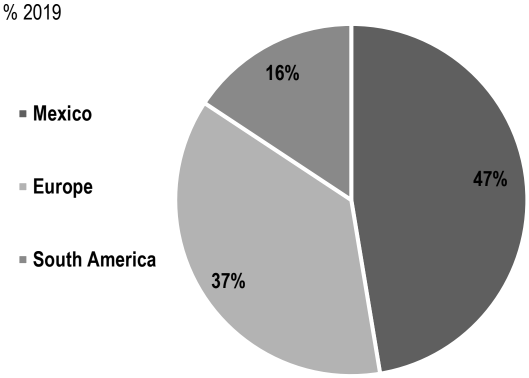
Net Debt & Net Debt to EBITDA ratio

MXN, million

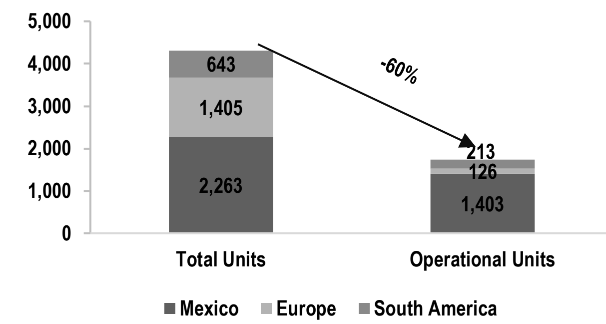


The impact of the pandemic. As we have outlined before, social distancing measures put in place as a response to the COVID-19 pandemic, derived in temporary closures for most of Alsea's units in the world. First, on March 15th, when the company closed all of its restaurants and coffees stores in Spain (1,074 units representing 25% out of the total) -following the declaration of the state of alarm by the Spanish government-. France (4% of the total), the rest of European countries (3%), Chile (5%), Argentina (6%) y Colombia (4%) then followed. Mexico was the last country on officially announcing its quarantine from April 1st, following the declaration of sanitary emergency by reason of force majeure on March 30th. Despite the latter, it is worth noting that in most countries, population self-reduced their mobility in an attempt to refrain contagion, which impacted company sales. As of the end of 1Q20, Alsea reported that only 9% of its European and Argentinean units remained operational, while in Uruguay there were 22%, 26% in Chile, 62% in Mexico and 80% in Colombia. One should also acknowledge that such units remained open -mainly of Domino's Pizza format- for home-delivery, take-out, drive-thru and via third-party aggregators (*e.g. Uber Eats, Rappi, DiDi Food,* etc.) sale.

Alsea- Revenue breakdown by region
% 2019



Alsea- Operational restaurants & coffee stores as of 1Q20
Units



Source: Alsea, Banorte

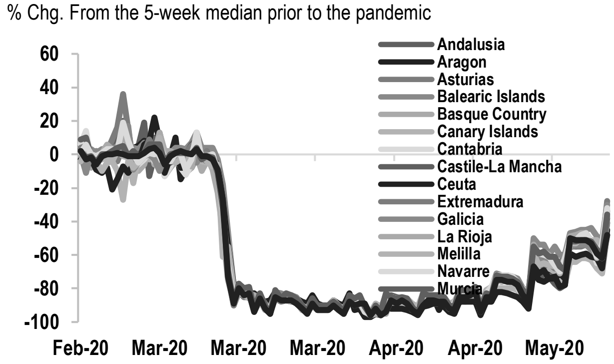
Unprecedented situation. "The most challenging month and a half in Alsea's 30-year history". Those were the opening remarks from Alberto Torrado, Chairman and CEO for the company, in 1Q20 earnings release. And certainly, they were and will continue to be, at least for the rest of the year. The temporary closure of most of its units and the slump in the remaining open stores traffic due to the quarantine are offsetting the momentum in home delivery sales (mainly in Domino's Pizza) and through aggregators. Thus, Alsea posted a sharp decline in April's same-store-sales (SSS): -67% in Mexico and -94% in Europe and South America.

Meanwhile, in some countries, the company had continued to pay its fixed expenses, which has strongly impacted profitability due to Alsea's high operating leverage on its cost structure. Just as an exercise for dimensioning the amount of such effect, consider labor expenses represented ~47% of total SG&A in 2019 (23% of sales), while rents amounted about 18% (9% vs sales). Additionally, capex disbursed (already committed) and interest payments would tighten company's financial flexibility.

Strategies for facing COVID-19. Alsea has deployed the following measures aiming to offset the impact of the pandemic and preserving financial flexibility: (1) cutting non-essential expenses by cancelling most marketing and advertising costs; (2) renegotiating rental payments with landlords, targeting for exceptions or reductions for the months of inactivity and/or the remaining of 2020; (3) shifting towards local inputs to minimize the impact of the sharp depreciation of Latin American currencies on its imported goods; (4) differing royalty payments to its international franchisers such as Starbucks, Domino's Pizza, etc.; (5) accessing government programs for supporting businesses impacted by the coronavirus, such as the ERTE in Spain and other stimuli in France and Chile; (6) trimming capex by 60% to $1.7 billion (vs $5.0 billion previously), by postponing every possible opening and remodeling; (7) taking advantage of the natural personnel rotation for reducing labor expenses by not replacing left positions; and (8) optimizing working capital management.

Returning into a 'new normal'. Despite some European countries, like Spain since May 11th started the reactivation of their respective economies, to prevent a second wave of infections reopening has been staggered. In that sense, Spanish government decreed a reopening on a territory by territory basis, with a scale comprised of 4 stages with increasing flexibility between them -also applicable for restaurants-. That said, 'phase 1' considers free circulation for commercial purposes, the reopening of stores (and restaurants) with a surface smaller than 400m^2 though with limited capacity to only 30% (shops located inside malls without an independent access are not allowed to open yet). Meanwhile, 'phase 2' grants the reopening of shopping centers -and therefore to the stores in them-, and a 10pp increase in the capacity restriction applicable for the stores to a maximum of 40%. On May 25th the three largest territories of Spain: Castille & Leon (comprising the provinces of Avila, Segovia, Soria, Burgos, Palencia, Leon, Zamora, Salamanca y Valladolid), Catalonia (Barcelona, Metropolitan South and Metropolitan North) and Madrid moved into 'phase 1'. However, the rest of the country's regions did so 15 days before. Nonetheless, according to *Google COVID-19 Community Mobility Reports* as of May 29th, mobility trends for retail and recreation purposes in said regions did not fully recover after concluding their quarantine (from -95% to -40%), resembling a cautious population refraining from attending shops on fears of getting infected.

Spanish regions in phase 2- Mobility trends in retail & recreation
% Chg. From the 5-week median prior to the pandemic



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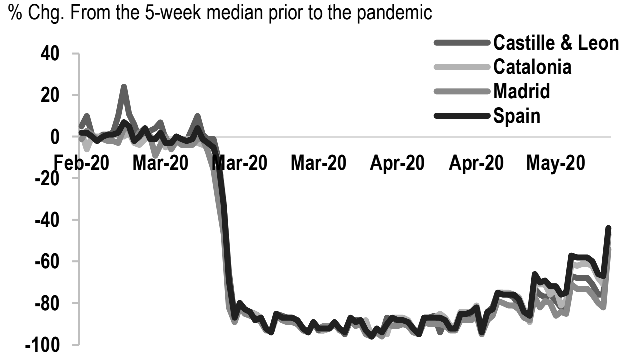
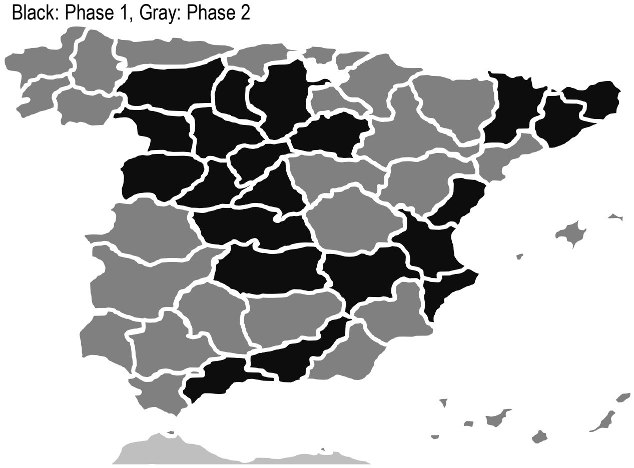


Source: Google COVID-19 Community Mobility Reports (29/05/20), Banorte

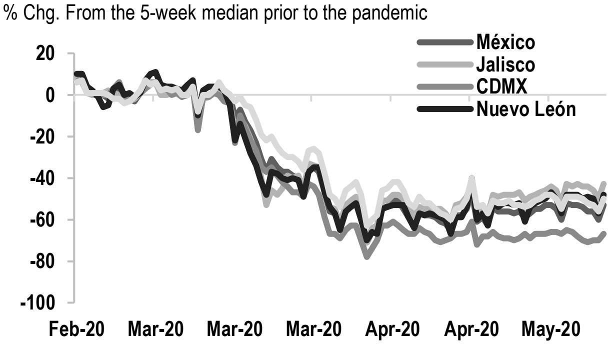
Spain- Provinces' map by phase
Black: Phase 1, Gray: Phase 2



Source: Ministerio de Sanidad de España, Banorte

Meanwhile, in Mexico, the plan for reopening the economy contemplates a gradual return starting on June 1st. Its evolution will depend on a "traffic light" system by stages (red, orange, yellow and green) that shall indicate which states would be able to gradually resume activities, depending on their respective epidemiological and health information. Thus, the return towards a 'new normal' would also be staggered in our country. In this context, Mexico City, released its very own reopening plan (dependent on hospital occupancy) stating that quarantine here will last until June 15th, at least. As for continuing health measures applicable for restaurants, it is worth highlighting units reopening with a maximum capacity of 30% (60% during the yellow light, which is estimated to be reached in July). Therefore, monitoring the evolution of the pandemic in Mexico will prove to continue being extremely important.

Mexico- Mobility trends in retail & recreation
% Chg. From the 5-week median prior to the pandemic



Source: Google COVID-19 Community Mobility Reports (29/05/20), Banorte

Mexico- Cumulative COVID-19 cases by state
Cases

Source: Secretaría de Salud, Banorte (28/05/20)

Consumer habit changes. The COVID-19 pandemic has triggered a deep transformation in the way we live. Of course, consumer habits on food & beverage have been no exemption. As we have outlined, consumers would be much more cautious after leaving quarantine. They would be paying closer attention to the health and hygiene measures put in place in the stores and restaurants to be visited for consuming there.

Thus, we project traffic recovery for Alsea's units could slow down because of this -coupled with the aforementioned government capacity restrictions-, though we certainly do believe strong brands would prevail. Moreover, we think consumers would rather attending restaurants with a previous reservation rather than facing potentially risky agglomerations in public spaces. Also related to this, just in the last few months, we have witnessed an unprecedented acceleration in food & beverage e-commerce and home delivery (+50% during the pandemic) either by the company's own means or through third-party aggregators (*e.g. Uber Eats, Rappi, DiDi Food,* etc.). Even if most of such outstanding growth rate is explained by the pandemic effect, we believe these consumer habit changes are here to stay. We see little chance for consumers going back to previous habits, especially on those who -until recently- had refrained from tying the benefits and comfort of this new options.

Liquidity is covered, at least for the rest of the year. In spite of temporary units closures, coupled with a gradual recovery, which would imply relevant cash needs for the company, Alsea has robust credit lines available to get out of the woods. In that sense, during the very first days of the 2Q20, the company withdrew $1.7 billion out of its credit lines in Mexico and expects to withdraw additional $1.5 billion from its committed lines in Europe during the quarter, and another $1.3 billion in 3Q20. As such, debt in 2020 should increase by $6.5 billion -including $2.0 billion just in 2Q20 from an adverse FX effect on its euro-denominated debt-. Even though, concerns regarding Alsea's liquidity would fade away, at least for now, certainly company's leverage would rise -exacerbated by the sharp EBITDA decline-. We estimate net debt/EBITDA ratio would go up from 3.6x, as of the end of 2019, to 11.2x in 2020E.

Covenants waiver negotiations. Alsea is currently negotiating with its banks syndicate for a waiver -until 2021- on its debt covenants (Gross Debt/EBITDA ≤3.5x excluding IFRS16). We think they will grant such waiver soon, reducing concerns on this side. It is worth noting that, according to our estimates, leverage indicator could drop to 4.8x in 2021E.

Tax claim on Vips' purchase. As we outlined on February 17th, the tax authority in Mexico (SAT for the acronym in Spanish for tax administration service) has gone over some fiscal aspects of Vips acquisition in 2014. That said, the authority issued a tax claim for $3.881 billion (including fines and several other charges) on the back of a supposed income on assets purchase. Back in February, Alsea consulted with three legal specialists, after which the company considered it has a high probability of getting such claim dismissed, and therefore, it has not provisioned any amount of money for such purpose yet, as in this transactions taxes are usually charged to the seller instead of the buyer (aside from I.V.A.). Related to this matter, Walmex recently agreed making a tax payment of $8.079 billion (-24.8% vs the amount reported in the 1Q20 filing) to conclude several substantial fiscal matters, including the sale of Vips,. In that sense, though we still see little chance for such claim to proceed, we acknowledge that in case of an adverse outcome for Alsea, liquidity might become a concern on the company once again -depending on the timing of the resolution-, and could even deteriorate capital structure even further.

Trimming our estimates. We lowered our estimates for Alsea, on the back of a temporary closure for most of its units, due to the COVID-19 pandemic. Also, we have incorporated into our model the estimated GDP contraction by our economics research team, while also adopting a conservative stance by assuming a gradual recovery on the company results. That said, we now expect that in 2020 consolidated SSS would drop 20.6 y/y, on the back of a 19.6% decline in LfL sales in Mexico, -22.6% in Europe and -20.1% in South America. Meanwhile, as a result of postponing most of the initially planned openings, we now forecast total units would grow only 0.8% y/y to reach 4,336 restaurants and coffee stores by the end of the year. With that in mind, we now project total sales would decline 30.7% y/y to stand at $40.286 billion. As for the breakdown by region, we think revenues in Mexico would decrease by 28.5% y/y, while in Europe would do so by 31.3% and -30.6% in South America. Despite corporate efforts for shifting towards consuming more local inputs, we expect Alsea's gross margin would recede 40bps y/y, impacted by the sharp depreciation of Latin American currencies (estimated average depreciation for the MXN in 2020 of 18.8% y/y) and its corresponding effect on imported goods -mainly during 2Q20 where we expect pressures ~150bps-. On that matter, it is worth noting that we expect aforementioned impact would offset any gain coming from the slump in commodity prices, such as mozzarella cheese, for instance. Thus, we estimate gross profit would drop 30.6% y/y.

Regarding SG&A, as we have noted above, the company is currently undergoing an expense cut strategy, aiming to reduce them by 20% y/y in 2020. On the other hand, we expect a 13.7% decline when assuming: (1) a 16% reduction in labor expenses, explained by Food Service Project (Alsea Zena) entering into the ERTE program in Spain and under which the company should only pay for social security -translating into savings on this front ~70% until May-, executive self-imposed salary reductions during the conjuncture, and also because in Mexico and South America open vacancies, derived from natural rotation in the business, will not be replaced for now; (2) a decrease of 21.2% in rental payments during 2Q20, explained by exemptions on fixed rents (only paying variable rents) with large landlords, a 75% discount with the midsized ones and around 50% with the small lessors. We are also assuming a 15% discount for the rest of the year, and no payments in Spain during the state of alarm; and (3) savings in other expenses for around 16.3% related to the cancellation of non-essential expenses (mainly marketing and advertising).

That said, we expect EBITDA would slump 59.7% y/y to stand at $5.082 billion, implying a 910bps contraction in respective margin to 12.6%. We estimate the company will report a net loss of $4.555 billion, given operating weakness already described, coupled with a 22.6% increase in interest expenses -derived from rise in leverage- and the negative effect of the strong euro appreciation on Zena options. Finally, postponing most openings and maintenance should reflect into a 53.9% y/y reduction in company's capex (to $1.54 billion), as credit lines withdrawals amounting $4.5 billion -added to the $2.0 billion explained by the adverse FX effect on leverage in 1Q20-, coupled with the EBITDA slump, would translate into leverage ballooning to 11.2x ND/EBITDA in 2020E vs 3.6x as of the end of 2019.

Concept	2020E			2021E		
	Previous	**Current**	Change	Previous	**Current**	Change
SSS	3.0%	**-20.60%**	-23.60%	4.3%	**29.1%**	24.8%
Revenues	62,436	**40,286**	-35.5%	68,707	**55,919**	-18.6%
EBITDA	14,012	**5,082**	-63.7%	15,679	**12,127**	-22.7%
EBITDA Margin	22.4%	**12.6%**	-9.8pp	22.8%	**21.7%**	-1.1pp
Net Income	1,498	**-4,555**	N.A.	2,453	**455**	-81.4%

Source: Banorte

Lowering our PT2020 to $27.00 but reiterating our BUY rating. From a DCF model (FCFF approach), we lowered our PT2020 to $27.00, cut by 55% from our previous target of $60.00. In our model, we assumed a WACC of 12.0%, calculated on a beta of 1.4, a risk-free rate of 7.4% (YE2020 estimate of our FI/FX Strategy team for the 10Y Mbono), an equity risk premium of 6.5%, and a debt/total capital ratio of 35% (vs 65% currently). We consider the latter to be a target capital structure based on company's history. As for the equity risk, it is worth noting that we have decided to take a more conservative stance -in light of global backdrop- by assuming a larger risk premium. Terminal value was determined with a 6.0x FV/EBITDA target multiple, below the LTM average of 7.0x as we consider challenges ahead for the company are still relevant and rising leverage justify a discount on valuation. Our price target represents a 16.0x FV/EBITDA 2020E multiple, which we consider not to be a proper indicator of the company's intrinsic value by reflecting current's backdrop on the global restaurant sector because of the pandemic. In that sense, instead, FV/EBITDA 2021E should proof to be a better indicator. On our PT2020, Alsea would trade at 6.5x FV/EBITDA 2021E, above current valuation of 5.7x, but below the LTM average of 7.0x yet still offering a 44% discount against the median of restaurant operators globally (similar to current's at 40%). Therefore, we consider current valuation already incorporates company's complex outlook, while the potential return of 44.0% against our PT resembles Alsea's fundamental value, which we continue to believe the market would reckon sooner or later. Thus, our rating on the stock remains BUY; though with a long-term view, as the most complex quarters are yet to come.

Discounted Cash Flows Model (DCF)
MXN, million

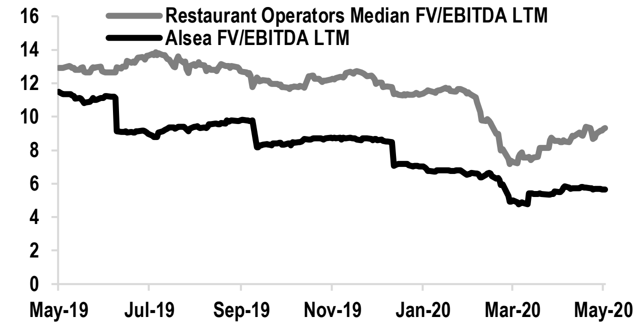
	2020e	2021e	2022e	2023e	2024e	2025e	Perp.
(+) EBITDA	5,082	12,127	13,520	15,061	16,717	17,135	
(-) Working Capital	(965)	(394)	(1,082)	(1,205)	(1,337)	(1,371)	
(-) Capex	(1,539)	(3,751)	(4,932)	(4,871)	(4,889)	(5,134)	
(-) Taxes	407	(524)	(1,352)	(1,506)	(1,672)	(1,714)	
(=) Free Cash Flow	2,985	7,458	6,155	7,479	8,819	8,917	
(+) Perpetuity	0	0	0	0	0	0	105,381
(=) Total Free Cash Flow	2,985	7,458	6,155	7,479	8,819	8,917	105,381

Risk-free Rate (RF)	7.4%	(+) Present Value of FCF	27,567
Equity Risk Premium (ERP)	6.5%	(+) Present Value of Perpetuity	53,447
Beta	1.4	**= Firm Value**	**81,015**
CAPM	**16.7%**	(-) Net Debt	(56,768)
		(-) Minorities	(1,674)
Cost of Debt	4.5%		
Tax rate	30.0%	**(=) Equity Value**	22,572
Net Cost of Debt	**3.2%**	Shares Outstanding	839
Debt/Total Capital	35%		
		Price Target $	**26.92**
WACC	**12.0%**	Current Price	19.16
FV/EBITDA exit multiple	6.0x	Potential Return	40.5%

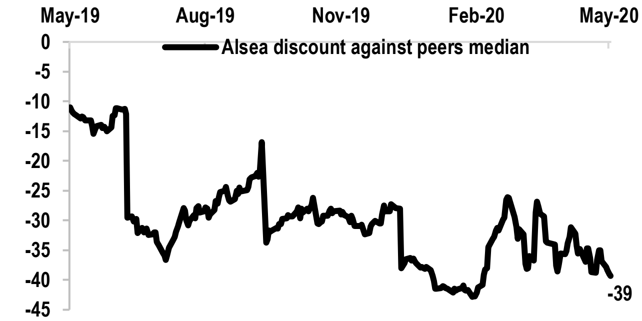
Source: Banorte

Source: Banorte

Alsea & Median of restaurant operators globally- FV/EBITDA LTM
Times

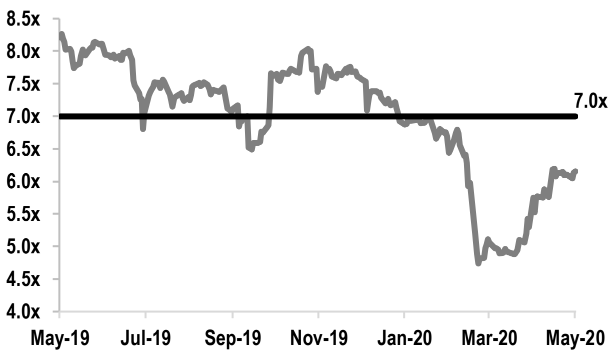


Alsea- Discount vs median of restaurant operators globally
%



Source: Bloomberg, Banorte

Alsea- FV/EBITDA *forward* NTM
Times



Source: Bloomberg, Banorte

Stock	P/B	PE			FV/EBITDA			Dividend Yield
		LTM	2020E	2021E	LTM	2020E	2021E	
PLENUS CO LTD	1.3x		235.9x	64.1x	9.6x			
CAFE DE CORAL HOLDINGS LTD	3.0x	17.0x	34.0x	20.2x	10.5x	13.0x	11.0x	5.7%
DARDEN RESTAURANTS INC	4.4x	16.4x	32.4x	34.4x	10.3x	22.3x	21.0x	
CMR SAB DE CV	1.0x				6.2x			
BRINKER INTERNATIONAL INC		7.7x	30.8x	19.6x	7.8x	15.4x	13.4x	
BLOOMIN' BRANDS INC	12.6x	28.8x		16.7x	8.3x	38.2x	10.9x	
ARCOS DORADOS HOLDINGS INC-A	3.6x	64.1x		26.2x	9.3x	39.0x	10.4x	2.0%
INTERNATIONAL MEAL COMPANY A	0.6x				12.3x			
DINE BRANDS GLOBAL INC		9.5x	43.1x	12.5x	11.5x	17.4x	12.1x	
FIESTA RESTAURANT GROUP	1.6x			39.1x		24.6x	12.0x	
EL POLLO LOCO HOLDINGS INC	2.1x	20.2x	33.7x	21.4x	10.0x	20.1x	15.1x	
AMREST HOLDINGS SE	3.3x	69.4x	62.6x	21.1x	8.9x	12.8x	7.7x	
DOMINO'S PIZZA GROUP PLC		23.6x	20.1x	19.7x	21.1x	16.4x	15.7x	1.2%
Average	***3.4x***	***28.5x***	***61.6x***	***26.8x***	***10.5x***	***21.9x***	***12.9x***	***3.0%***
Median	***2.6x***	***20.2x***	***33.8x***	***21.1x***	***9.8x***	***18.8x***	***12.0x***	***2.0%***
ALSEA SAB DE CV	**1.8x**	**29.1x**	**-3.5x**	**34.5x**	**5.7x**	**14.6x**	**5.9x**	
Premium/Discount vs Median	**-29.7%**	**43.9%**	**-110.3%**	**63.2%**	**-41.8%**	**-22.2%**	**-51.0%**	

Source: Banorte, Bloomberg

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 and Eridani Ruibal Ortega, 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	29/05/2020	Buy	$27.00
ALSEA	23/10/2019	Buy	$60.00
ALSEA	25/07/2019	Buy	$47.00

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