

ALSEA

Quarterly Report

July 28, 2020

The worst seems to be already behind us

- Although Alsea reported extremely weak figures -due to the full impact of the pandemic- these topped our estimates, alluding to better dynamics in June, mainly in Europe
- 81% of its units are back into operation already, which should support a gradual recovery going forward. However, it will certainly be highly dependent on the evolution of the pandemic

The weakest quarter turned out not to be that much. The temporary closure of most of its units during the period, due to the COVID-19 pandemic, resulted in an extremely weak quarter for Alsea. Revenues fell 64.4% y/y to MXN 5.198 billion, with a 42.5% drop in consolidated SSS, as only a few units remained open for home delivery and takeaway service. Meanwhile, the strong depreciation of Latin American currencies impacted dollarized inputs, pressuring gross margin by 440bps. In contrast, a 38% y/y reduction in SG&A (labor: -35%, rents: -30%, advertising: -60%, royalties: -75%) partially dampened the impact of the sanitary crisis. Notwithstanding the above, Alsea reported a negative EBITDA of MXN 903 million (MXN -1.745 billion without IFRS16). Despite a reduction in the CFC and a fiscal gain, the company reported a net loss of MXN 2.595 billion, reflect of the operating weakness described above.

Well positioned for the ‘new normality’. Although [recovery will not be easy](#), we believe strategies put in place to reduce costs and expenses, strengthen liquidity (cash of MXN 4.329 billion after drawing MXN 2.941 billion of credit lines during the quarter), as well as advances in digitization of its operations are factors that should help the company get over this situation. Consequently, we welcome this regard as it will help to have better results in the future.

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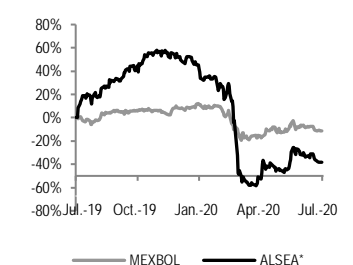
Consumer and Telecom

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

Juan Barbier
Analyst
juan.barbier@banorte.com

BUY	
Current Price	\$22.65
PT 2020	\$27.00
Dividend 2020e	
Dividend Yield (%)	
Upside Potential	19.2%
Max – Min LTM (\$)	54.83 – 13.90
Market Cap (US\$m)	844.7
Shares Outstanding (m)	835.6
Float	48.52%
Daily Turnover US\$m	97.8
Valuation metrics TTM	
FV/EBITDA	8.8x
P/E	N.A.

Relative performance to Mexbol
LTM



Financial Statements

	2018	2019	2020E	2021E
Revenue	46,157	58,155	39,354	55,057
Operating Income	3,294	4,571	-2,814	3,981
EBITDA	6,408	12,618	5,235	11,524
EBITDA Margin	13.9%	21.7%	13.3%	20.9%
Net Income	953	927	-4,368	510
Net Margin	2.1%	1.6%	-11.1%	0.9%
Total Assets	53,750	76,412	86,635	88,401
Cash	1,988	2,625	3,909	4,614
Total Liabilities	40,101	64,870	73,545	73,720
Debt	25,901	48,222	57,172	53,191
Common Equity	13,649	11,543	13,090	14,681

Source: Banorte

Valuation and Financial metrics

	2018	2019	2020E	2021E
FV/EBITDA	7.0x	5.3x	14.3x	6.1x
P/E	19.9x	20.5x	-4.3x	37.0x
P/BV	1.6x	2.0x	1.8x	1.6x
ROE	7.9%	7.4%	-35.5%	3.7%
ROA	1.8%	1.2%	-5.0%	0.6%
EBITDA/ interest	3.9x	4.9x	1.7x	4.0x
Net Debt/EBITDA	3.7x	3.6x	10.2x	4.2x
Debt/Equity	1.9x	4.2x	4.4x	3.6x

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ALSEA – Results 2020

MXN, million

Concept	2Q19	2Q20	Var %	2Q20e	Diff% vs Estim.
Revenue	14,581	5,198	-64.4%	4,766	9.1%
Operating Income	1,130	-2,985	N.A.	-4,127	N.A.
Ebitda	3,062	-903	N.A.	-2,010	N.A.
Net Income	173	-2,595	N.A.	-2,842	N.A.
Margins					
Operating Margin	7.8%	-57.4%	-65.2pp	-86.6%	29.2pp
Ebitda Margin	21.0%	-17.4%	-38.4pp	-42.2%	24.8pp
Net Margin	1.2%	-49.9%	-51.1pp	-59.6%	9.7pp
EPS	\$0.21	-\$3.12	N.A.	-\$3.39	N.A.

Income Statement (Million pesos)

Year	2019	2020	2020	Change	Change
Quarter	2	1	2	% y/y	% q/q
Net Revenue	14,581	12,105	5,198	-64.4%	-57.1%
Costs of goods sold	4,300	3,611	1,760	-59.1%	-51.3%
Gross profit	10,280	8,494	3,438	-66.6%	-59.5%
General expenses	9,078	8,113	6,276	-30.9%	-22.6%
Operating Income	1,130	468	(2,985)	N.A.	N.A.
Operating Margin	7.8%	3.9%	-57.4%	(65.2pp)	(61.3pp)
Depreciation	1,931	2,027	2,082	7.8%	2.7%
EBITDA	3,062	2,495	(903)	N.A.	N.A.
EBITDA Margin	21.0%	20.6%	-17.4%	(38.4pp)	(38.0pp)
Interest Income (Expense) net	(783)	(854)	(411)	-47.4%	-51.8%
Interest expense	502	761	876	74.6%	15.1%
Interest income	21	46	62	200.0%	32.7%
Other income (expense)	(289)	(139)	403	N.A.	N.A.
Foreign exchange gain (loss)	(12)			N.A.	N.A.
Unconsolidated subsidiaries	(2)	(1)	(1)	-24.7%	6.5%
Income before taxes	346	(388)	(3,398)	N.A.	>500%
Income taxes	132	3	(416)	N.A.	N.A.
Discontinued operations					
Consolidated Net Income	214	(390)	(2,982)	N.A.	>500%
Non-controlling interest	41	(110)	(386)	N.A.	249.4%
Net Income	173	(280)	(2,595)	N.A.	>500%
Net Margin	1.2%	-2.3%	-49.9%	(51.1pp)	(47.6pp)
EPS	0.208	(0.334)	(3.116)	N.A.	>500%

Balance Sheet (Million pesos)

Total Current Assets	6,512	8,665	8,850	35.9%	2.1%
Cash & Short Term Investments	1,853	3,844	4,329	133.7%	12.6%
Long Term Assets	69,913	76,207	75,228	7.6%	-1.3%
Property, Plant & Equipment (Net)	18,623	18,310	17,949	-3.6%	-2.0%
Intangible Assets (Net)	25,909	28,973	29,421	13.6%	1.5%
Total Assets	76,426	84,872	84,077	10.0%	-0.9%
Current Liabilities	15,762	23,318	21,650	37.4%	-7.2%
Short Term Debt	4,553	10,563	8,558	88.0%	-19.0%
Accounts Payable	5,301	5,989	6,030	13.8%	0.7%
Long Term Liabilities	49,693	50,827	54,354	9.4%	6.9%
Long Term Debt	47,259	45,859	49,385	4.5%	7.7%
Total Liabilities	65,455	74,144	76,004	16.1%	2.5%
Stockholders' Equity	10,970	10,728	8,073	-26.4%	-24.7%
Non-controlling interest	1,920	1,942	1,529	-20.3%	-21.2%
Total Equity	9,051	8,786	6,544	-27.7%	-25.5%
Liabilities & Equity	76,426	84,872	84,077	10.0%	-0.9%
Net Debt	49,959	52,578	53,614	7.3%	2.0%

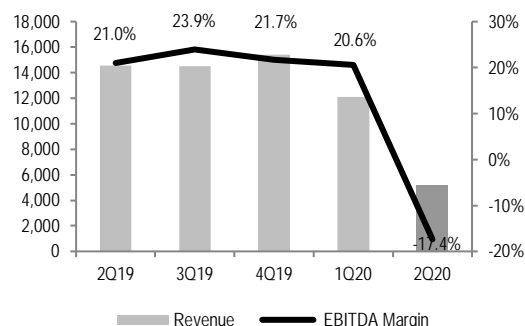
Cash Flow

CF from Operating Activities	2,429.3	2,008.4	(387.8)
CF from Investing Activities	(266.1)	(563.2)	(406.0)
CF from Financing Activities	(1,991.4)	246.6	2,062.1
FX effect on cash	(41.9)	(472.9)	(783.1)
Change in Cash Balance	129.8	1,218.8	485.2

Source: Banorte, MSE.

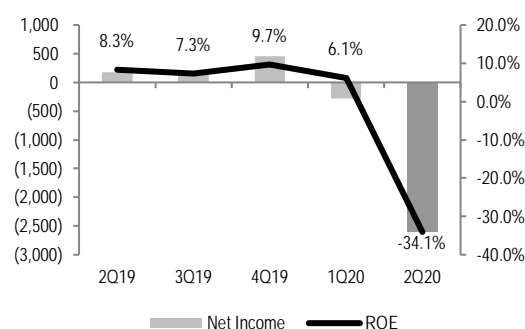
Revenue & EBITDA Margin

MXN, million



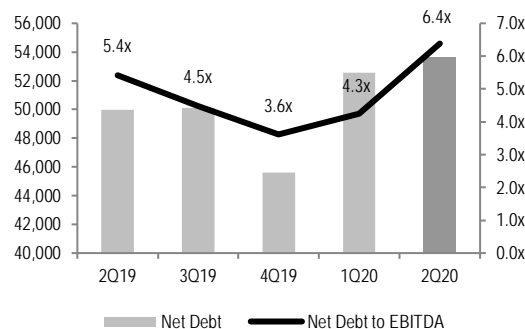
Net Income & ROE

MXN, million



Net Debt & Net Debt to EBITDA ratio

MXN, million



Certification of Analysts.

We, 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 Thalia 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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	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	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

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 Zaldivar	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	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.ceballos@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