

LACOMER

Quarterly Report

July 23, 2021

Grows at a slower pace but maintains profitability

- La Comer's report was slightly below our estimates and those of the consensus. Revenues faced a high comparable base; however, profitability remained stable
- The outlook is positive, but the base effect will limit growth going forward. While the report should be neutral, the valuation at 14.4x FV/EBITDA 2021E looks stretched. We reiterate HOLD

www.banorte.com
@analysis_fundam

Consumer

Marissa Garza
Director of Equity Strategy
marissa.garza@banorte.com

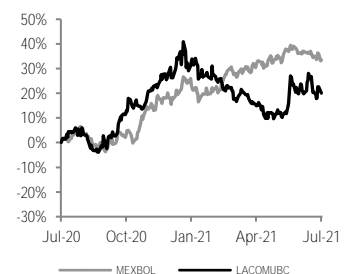
Juan Barbier, CFA
Analyst
juan.barbier@banorte.com

Despite the high base, it maintained growth. This quarter, the self-service sector faced a high comparable base (SSS ANTAD self-service: +6.0% y/y in 2Q20) derived from the boost in demand for consumer staples due to the pandemic. In this context, La Comer is the chain with the most difficult comparison (vs. +22.7% SSS a year ago). Even so, revenues increased 1.9% y/y to MXN 7.198 billion, reflecting a 0.2% y/y increase in SSS and a 4.4% rise in the sales floor. Sales were supported by the strong performance of the "Temporada naranja" and "Miércoles de plaza" promotional campaigns, as well as the continued development of its digital channel, "La Comer en tu casa". EBITDA reached MXN 732 million, reflecting a year-over-year increase of 1.7%, leaving the EBITDA margin unchanged at 10.2%. The company's profitability was favored by the recovery of the real estate segment and a better sales mix thanks to the increased participation of the prepared food and bakery categories—lines that were mostly affected by the restrictive measures and which provide higher margins—, offsetting incremental expenses related to the pandemic, advertising and those resources destined to the opening of new units. Finally, net income was MXN 348 million (-14.9% y/y), after a net financial cost that compares to a previous profit, as a result of lower interest rates and FX losses (vs. a favorable FX effect in 2Q20).

Valuation looks tight. Considering a 2021E FV/EBITDA multiple of 14.4x (higher than historical averages of 11.4x), and a still difficult outlook in the coming quarters due to the company's high growth in 2020, we reiterate our HOLD rating.

HOLD	
Current Price	\$40.95
PT	\$48.00
Dividend	\$0.19
Dividend Yield (%)	0.5%
Upside Potential	17.7%
Max – Min LTM (\$)	48.99 – 31.96
Market Cap (US\$m)	1,552.05
Shares Outstanding (m)	1,086.00
Float	44.2%
Daily Turnover US\$m	8.2
Valuation metrics LTM	
FV/EBITDA	15.4x
P/E	32.9x
MSCI ESG Rating*	N.A.

Relative performance to Mexbol LTM



Financial Statements

	2019	2020	2021E	2022E
Revenue	21,591	27,021	29,237	33,558
Operating Income	1,118	1,734	1,854	2,142
EBITDA	1,979	2,748	2,982	3,532
EBITDA Margin	9.2%	10.2%	10.2%	10.5%
Net Income	1,015	1,467	1,466	1,743
Net Margin	4.7%	5.4%	5.0%	5.2%
Total Assets	28,891	30,931	32,883	35,401
Cash	2,391	3,040	2,857	3,403
Total Liabilities	5,904	6,787	7,508	8,284
Debt	1,342	1,360	1,391	1,391
Common Equity	22,987	24,143	25,374	27,117

Source: Banorte

Valuation and Financial metrics

	2019	2020	2021E	2022E
FV/EBITDA	21.9x	15.6x	14.4x	12.0x
P/E	43.8x	30.3x	30.3x	25.5x
P/BV	1.9x	1.8x	1.8x	1.6x
ROE	4.5%	6.2%	5.9%	6.6%
ROA	3.5%	4.7%	4.5%	4.9%
EBITDA/ interest	14.0x	18.2x	19.6x	22.4x
Net Deb/EBITDA	-0.5x	-0.6x	-0.5x	-0.6x
Deb/Equity	0.1x	0.1x	0.1x	0.1x

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LACOMER – Results 2021

MXN, million

Concept	2020	2021	Var %	2021e	Diff% vs Estim.
Revenue	7,064	7,198	1.9%	7,600	-5.3%
Operating Income	478	461	-3.7%	534	-13.7%
Ebitda	720	732	1.7%	795	-7.9%
Net Income	409	348	-14.9%	436	-20.2%
Margins					
Operating Margin	6.8%	6.4%	-0.4pp	7.0%	-0.6pp
Ebitda Margin	10.2%	10.2%	0.0pp	10.5%	-0.3pp
Net Margin	5.8%	4.8%	-1.0pp	5.7%	-0.9pp
EPS	\$0.38	\$0.32	-14.9%	\$0.40	-20.2%

Income Statement (Million pesos)

Year	2020	2021	2021	Change	Change
Quarter	2	1	2	% y/y	% q/q
Net Revenue	7,064	6,613	7,198	1.9%	8.8%
Costs of goods sold	5,198	4,759	5,256	1.1%	10.4%
Gross profit	1,866	1,854	1,942	4.1%	4.7%
General expenses	1,382	1,399	1,492	7.9%	6.6%
Operating Income	478	468	461	-3.7%	-1.6%
Operating Margin	6.8%	7.1%	6.4%	(0.4pp)	(0.7pp)
Depreciation	242	281	271	12.2%	-3.4%
EBITDA	720	749	732	1.7%	-2.3%
EBITDA Margin	10.2%	11.3%	10.2%	(0.0pp)	(1.2pp)
Interest Income (Expense) net	10	3	(15)	N.A.	N.A.
Interest expense	36	38	38	4.5%	-0.1%
Interest income	37	29	23	-38.2%	-20.8%
Other income (expense)				N.A.	N.A.
Foreign exchange gain (loss)	9	11	(0)	N.A.	N.A.
Unconsolidated subsidiaries				N.A.	N.A.
Income before taxes	489	471	445	-8.8%	-5.4%
Income taxes	80	96	98	22.3%	1.6%
Discontinued operations					
Consolidated Net Income	409	374	348	-14.9%	-7.1%
Non-controlling interest				N.A.	N.A.
Net Income	409	374	348	-14.9%	-7.1%
Net Margin	5.8%	5.7%	4.8%	(1.0pp)	(0.8pp)
EPS	0.376	0.345	0.320	-14.9%	-7.1%

Balance Sheet (Million pesos)

Total Current Assets	7,906	7,406	8,366	5.8%	13.0%
Cash & Short Term Investments	3,300	2,831	2,979	-9.7%	5.2%
Long Term Assets	22,889	23,780	24,290	6.1%	2.1%
Property, Plant & Equipment (Net)	13,970	14,979	15,500	10.9%	3.5%
Intangible Assets (Net)	6,278	6,278	6,278		
Total Assets	30,794	31,187	32,655	6.0%	4.7%
Current Liabilities	5,607	4,681	5,897	5.2%	26.0%
Short Term Debt	64	66	67	3.4%	1.1%
Accounts Payable	5,122	4,211	5,364	4.7%	27.4%
Long Term Liabilities	1,766	2,001	2,127	20.4%	6.3%
Long Term Debt	1,287	1,332	1,325	2.9%	-0.5%
Total Liabilities	7,373	6,682	8,024	8.8%	20.1%
Stockholders' Equity	23,421	24,505	24,631	5.2%	0.5%
Non-controlling interest				N.A.	N.A.
Total Equity	23,421	24,505	24,631	5.2%	0.5%
Liabilities & Equity	30,794	31,187	32,655	6.0%	4.7%
Net Debt	(1,948)	(1,433)	(1,588)	-18.5%	10.8%

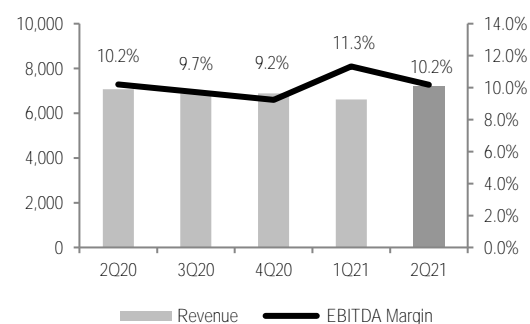
Cash Flow

CF from Operating Activities	1,177.7	(2,942.3)	1,187.2
CF from Investing Activities	(250.4)	1,579.7	(759.9)
CF from Financing Activities	(492.5)	504.0	(278.8)
FX effect on cash			
Change in Cash Balance	434.8	(858.6)	148.6

Source: Banorte, MSE.

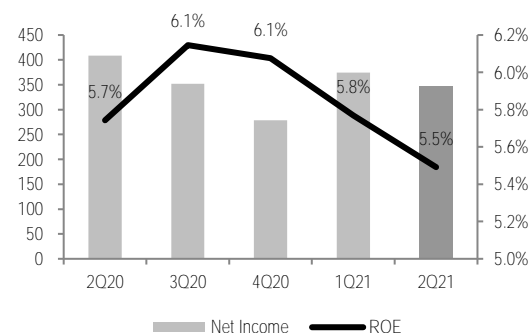
Revenue & EBITDA Margin

MXN, million



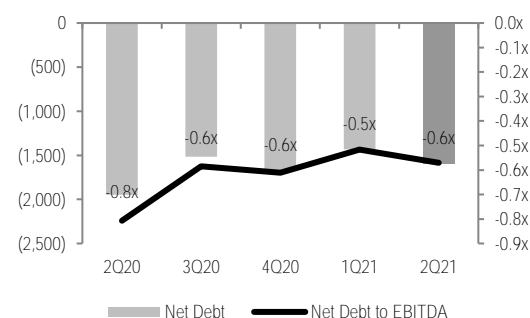
Net Income & ROE

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, Francisco José Flores Serrano, Katia Celina Goya Ostos, Santiago Leal Singer, José Itzamna Espitia Hernández, 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
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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	Rating	PT
LACOMER UBC	24/02/2021	Hold	\$48.00
LACOMER UBC	22/07/2020	Hold	\$35.00
LACOMER UBC	9/1/2020	Buy	\$29.00
LACOMER UBC	24/7/2019	Hold	\$25.00

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
Katia 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
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			
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	osvaldo.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