

# SORIANA

Quarterly Report

October 26, 2021

## Revenue growth returns

- Soriana reported in line with expectations. Despite its lag against the sector, the recovery in rents and progress in e-commerce supported revenue growth, although with slight pressures on profitability
- We will be revising our estimates ahead of 2022. However, although valuation at 5.9x FV/EBITDA looks very attractive, we believe that the absence of catalysts would limit a significant rerating

**Mixed report, growth in sales but contraction in margins.** As we anticipated, Soriana's revenues advanced year-over-year after four quarters in negative territory, rising 2.3% to MXN 38.55 billion, reflecting a 2.4% y/y increase in SSS -which in turn compares unfavorably with ANTAD self-service at +5.5%-, offsetting the net closure of 1 unit in the LTM (sales floor: -0.1% y/y). Sales were favored by the improvement in the Real Estate business and in the apparel and general merchandise categories, as well as by the development of its digital channel, which we expect to continue with the unification of "Súper en tu casa" and "soriana.com". Meanwhile, EBITDA reached MXN 2.635 billion, equivalent to an increase of 0.7% y/y, with the respective margin contracting slightly by 10bps to 6.8%. This is the result of incremental expenses related to advertising, increased promotions to stimulate demand and store maintenance, which counteract better operating leverage and rent recovery (which contributes with higher margins). Finally, net income amounted to MXN 782 million (+37.7% y/y), thanks to a lower CFC due to the reduction in debt (2.1x ND/EBITDA vs. 2.7x a year ago) and higher FX gains. **The most attractive valuation in the sector.** We will be updating our estimates incorporating the figures from the report; however, although current valuation at 5.9x FV/EBITDA seems to be the most interesting in the sector (average of 9.3x), this is in line with the 3Y average, which together with a growth rate that we foresee to be moderate, would limit a relevant appreciation in the share price. Therefore, for the time being, we reiterate our HOLD rating.

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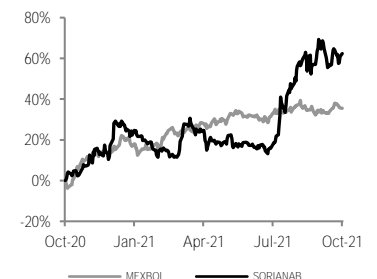
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HOLD	
Current Price	\$25.10
PT	\$23.00
Dividend 2021	\$0.56
Dividend Yield (%)	2.2%
Upside Potential	-6.1%
Max - Min LTM (\$)	26.53 - 15.15
Market Cap (US\$m)	2,265.74
Shares Outstanding (m)	1,800
Float	13.8%
Daily Turnover US\$m	2.0
Valuation metrics LTM	
FV/EBITDA	5.9x
P/E	10.9x
MSCI ESG Rating*	N.A.

Relative performance to Mexbol LTM



### Financial Statements

	2019	2020	2021E	2022E
Revenue	155,744	157,053	154,178	158,719
Operating Income	9,213	9,091	8,925	9,184
EBITDA	12,372	12,272	12,010	12,213
EBITDA Margin	7.9%	7.8%	7.8%	7.7%
Net Income	3,235	3,681	3,798	3,623
Net Margin	2.1%	2.3%	2.5%	2.3%
Total Assets	145,728	141,842	138,501	139,619
Cash	1,921	7,627	6,382	3,345
Total Liabilities	81,722	74,296	68,090	65,569
Debt	33,346	29,414	25,718	22,342
Common Equity	64,006	67,546	70,411	74,050

Source: Banorte

### Valuation and Financial metrics

	2019	2020	2021E	2022E
FV/EBITDA	6.3x	5.5x	5.4x	5.3x
P/E	14.2x	12.5x	12.1x	12.7x
P/BV	0.7x	0.7x	0.7x	0.6x
ROE	5.1%	5.6%	5.5%	5.0%
ROA	2.2%	2.6%	2.7%	2.6%
EBITDA/ interest	3.4x	3.9x	4.9x	4.2x
Net Debt/EBITDA	2.5x	1.8x	1.6x	1.6x
Debt/Equity	0.5x	0.4x	0.4x	0.3x

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SORIANA – Results 3Q21  
MXN, million

Concept	3Q20	3Q21	Var %	3Q21e	Diff% vs Estim.
Revenue	37,699	38,550	2.3%	38,234	0.8%
Operating Income	1,815	1,857	2.3%	1,927	-3.6%
Ebitda	2,616	2,635	0.7%	2,692	-2.1%
Net Income	568	782	37.7%	696	12.3%
<b>Margins</b>					
Operating Margin	4.8%	4.8%	0.0pp	5.0%	-0.2pp
Ebitda Margin	6.9%	6.8%	-0.1pp	7.0%	-0.2pp
Net Margin	1.5%	2.0%	0.5pp	1.8%	0.2pp
EPS	\$0.32	\$0.43	37.7%	\$0.39	12.3%

Income Statement (Million pesos)

Year	2020	2021	2021	Change	Change
Quarter	3	2	3	% y/y	% q/q
Net Revenue	37,699	39,133	38,550	2.3%	-1.5%
Costs of goods sold	29,705	30,794	30,440	2.5%	-1.1%
Gross profit	7,994	8,339	8,110	1.4%	-2.8%
General expenses	6,212	6,254	6,492	4.5%	3.8%
Operating Income	1,815	2,096	1,857	2.3%	-11.4%
Operating Margin	4.8%	5.4%	4.8%	0.0pp	(0.5pp)
Depreciation	801	770	777	-3.0%	0.9%
EBITDA	2,616	2,866	2,635	0.7%	-8.1%
EBITDA Margin	6.9%	7.3%	6.8%	(0.1pp)	(0.5pp)
Interest Income (Expense) net	(701)	(580)	(305)	-56.5%	-47.4%
Interest expense	775	566	541	-30.3%	-4.5%
Interest income	66	38	279	319.8%	>500%
Other income (expense)			(65)	N.A.	N.A.
Foreign exchange gain (loss)	8	(52)	22	176.8%	N.A.
Unconsolidated subsidiaries	(84)	(80)	(85)	1.0%	6.4%
Income before taxes	1,030	1,436	1,467	42.4%	2.2%
Income taxes	459	564	682	48.7%	20.9%
Discontinued operations					
Consolidated Net Income	572	872	786	37.4%	-9.9%
Non-controlling interest	4	5	3	-10.8%	-36.7%
Net Income	568	867	782	37.7%	-9.7%
Net Margin	1.5%	2.2%	2.0%	0.5pp	(0.2pp)
EPS	0.315	0.481	0.435	37.7%	-9.7%

Balance Sheet (Million pesos)

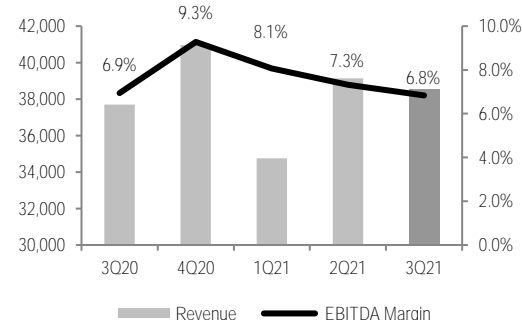
	2020	2021	2021	Change	Change
				% y/y	% q/q
Total Current Assets	41,444	43,720	39,469	-4.8%	-9.7%
Cash & Short Term Investments	2,882	6,292	2,794	-3.1%	-55.6%
Long Term Assets	98,607	97,806	97,617	-1.0%	-0.2%
Property, Plant & Equipment (Net)	66,814	65,466	64,922	-2.8%	-0.8%
Intangible Assets (Net)	20,367	20,375	20,393	0.1%	0.1%
Total Assets	140,051	141,527	137,086	-2.1%	-3.1%
Current Liabilities	41,472	39,747	31,514	-24.0%	-20.7%
Short Term Debt	15,752	6,147	4,490	-71.5%	-27.0%
Accounts Payable	22,692	30,720	24,425	7.6%	-20.5%
Long Term Liabilities	32,508	33,402	36,358	11.8%	8.8%
Long Term Debt	19,839	20,521	23,512	18.5%	14.6%
Total Liabilities	73,980	73,149	67,872	-8.3%	-7.2%
<b>Stockholders' Equity</b>	66,071	68,378	69,214	4.8%	1.2%
Non-controlling interest	129	128	126	-2.3%	-1.1%
Total Equity	65,941	68,250	69,088	4.8%	1.2%
Liabilities & Equity	140,051	141,527	137,086	-2.1%	-3.1%
Net Debt	32,709	20,375	25,208	-22.9%	23.7%

Cash Flow

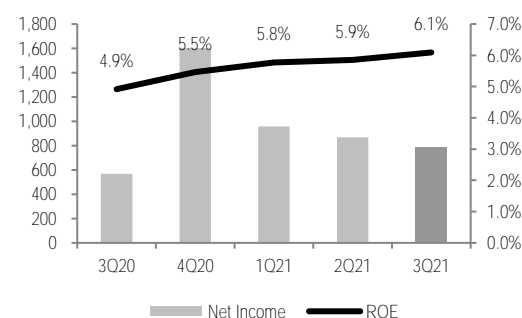
	2020	2021	2021
CF from Operating Activities	1,153.7	8,896.9	(3,319.1)
CF from Investing Activities	(410.7)	(249.5)	(863.9)
CF from Financing Activities	145.7	(5,948.3)	684.6
FX effect on cash			
Change in Cash Balance	888.8	2,699.1	(3,498.4)

Source: Banorte, MSE.

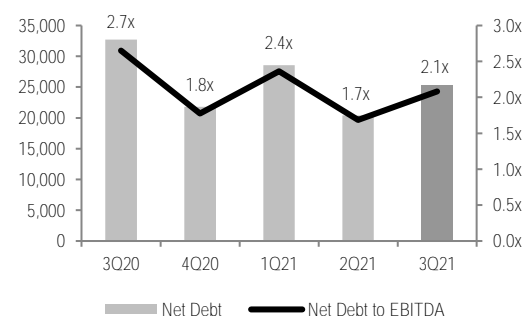
Revenue & EBITDA Margin  
MXN, million



Net Income & ROE  
MXN, million



Net Debt & Net Debt to EBITDA ratio  
MXN, million



## Certification of Analysts.

We, 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, Alik Daniel García Álvarez, 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 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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<b>HOLD</b>	When the share expected performance is similar to the MEXBOL estimated performance.
<b>SELL</b>	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
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.

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