

# LIVEPOL

Quarterly Report

October 20, 2021

## Strong recovery trend supports profitability

- **Livepol's report was positive, highlighting a profitability expansion that exceeded our estimates. Increased mobility and the development of its digital channel drove growth**
- **We will be revising our estimates with positive implications; while highlighting a very attractive valuation at 6.8x FV/EBITDA, a healthy balance sheet and a favorable business strategy**

**It surpassed pre-pandemic levels, with an outstanding profitability improvement, driven by lower provisions.** Although to a lesser extent than in 2Q21, it continued a steady recovery trend, due to activity resumption and progress in its omnichannel strategy. Thus, revenues grew 18.3% y/y to MXN 31.829 billion, representing an increase of 5.6% vs. 3Q19. This result is explained by a 21.9% y/y increase in the Commercial business (+8.7% vs. 3Q19), with Suburbia's performance standing out (+30.8% y/y), while in Liverpool revenues rose 20.7%. Likewise, this reflects a 40.5% growth in leasing income, supported by an easy comparable base. In contrast, the Financial division posted a 13.3% decline, as it maintained its risk management strategy. Meanwhile, EBITDA reached MXN 5.232 billion (+426.5% y/y and +23.3% vs. 3Q19) and the respective margin stood at 16.4%, with a higher-than-expected expansion (+12.7pp y/y), mainly driven by lower provisions for bad debts (-90% y/y) — NPLs declined sequentially to 2.9% vs. 3.1%—. Finally, net income amounted to MXN 2.272 billion, supported by a 16% lower CFC and a lower loss at Unicomer.

**A report that should be well received by the market.** By incorporating the figures, the valuation decreased to 6.8x FV/EBITDA vs. 8.5x previous, even representing an interesting discount vs. L3Y average at 10.6x, and without reflecting the favorable outlook supported by an omnichannel strategy that is advancing at an accelerated pace. The company announced a dividend payment of MXN 1.50 per share (yield of 1.7%), while it maintains a healthy financial structure (1.3x ND/EBITDA).

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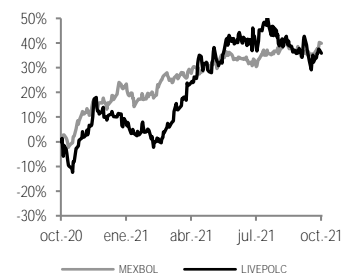
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|                        |               |
|------------------------|---------------|
| BUY                    |               |
| Current Price          | \$86.09       |
| PT                     | \$85.00       |
| Dividend 2021          | \$1.50        |
| Dividend Yield (%)     | 1.7%          |
| Upside Potential       | 0.5%          |
| Max – Min LTM (\$)     | 97.05 – 54.81 |
| Market Cap (US\$m)     | 5,758.62      |
| Shares Outstanding (m) | 1,342.2       |
| Float                  | 19.24%        |
| Daily Turnover US\$m   | 23.8          |
| Valuation metrics LTM  |               |
| FV/EBITDA              | 6.8x          |
| P/E                    | 11.9x         |
| MSCI ESG Rating*       | N.A.          |

Relative performance to Mexbol LTM



### Financial Statements

|                   | 2019    | 2020    | 2021E   | 2022E   |
|-------------------|---------|---------|---------|---------|
| Revenue           | 144,181 | 115,473 | 149,114 | 160,802 |
| Operating Income  | 19,119  | 3,812   | 18,802  | 19,690  |
| EBITDA            | 23,824  | 9,006   | 23,896  | 25,031  |
| EBITDA Margin     | 16.5%   | 7.8%    | 16.0%   | 15.6%   |
| Net Income        | 12,383  | 750     | 12,089  | 12,324  |
| Net Margin        | 8.6%    | 0.6%    | 8.1%    | 7.7%    |
| Total Assets      | 200,562 | 204,843 | 211,784 | 227,880 |
| Cash              | 18,635  | 26,196  | 23,653  | 26,295  |
| Total Liabilities | 91,487  | 97,023  | 93,106  | 98,388  |
| Debt              | 48,307  | 51,091  | 47,122  | 47,760  |
| Common Equity     | 109,075 | 107,820 | 118,678 | 129,491 |

Source: Banorte

### Valuation and Financial metrics

|                  | 2019  | 2020   | 2021E | 2022E |
|------------------|-------|--------|-------|-------|
| FV/EBITDA        | 6.1x  | 15.6x  | 5.8x  | 5.5x  |
| P/E              | 9.3x  | 154.0x | 9.6x  | 9.4x  |
| P/BV             | 1.1x  | 1.1x   | 1.0x  | 0.9x  |
| ROE              | 11.8% | 0.7%   | 10.7% | 9.9%  |
| ROA              | 6.2%  | 0.4%   | 5.7%  | 5.4%  |
| EBITDA/ interest | 6.5x  | 2.1x   | 5.1x  | 5.7x  |
| Net Debt/EBITDA  | 1.2x  | 2.8x   | 1.0x  | 0.9x  |
| Debt/Equity      | 0.4x  | 0.5x   | 0.4x  | 0.4x  |

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LIVEPOL – Results 3Q21  
MXN, million

| Concept          | 3Q20    | 3Q21   | Var %  | 3Q21e  | Diff% vs Estim. |
|------------------|---------|--------|--------|--------|-----------------|
| Revenue          | 26,913  | 31,829 | 18.3%  | 32,031 | -0.6%           |
| Operating Income | -300    | 3,972  | N.A.   | 3,340  | 18.9%           |
| Ebitda           | 994     | 5,232  | 426.5% | 4,600  | 13.7%           |
| Net Income       | -881    | 2,272  | N.A.   | 1,691  | 34.3%           |
| <b>Margins</b>   |         |        |        |        |                 |
| Operating Margin | -1.1%   | 12.5%  | 13.6pp | 10.4%  | 2.0pp           |
| Ebitda Margin    | 3.7%    | 16.4%  | 12.7pp | 14.4%  | 2.1pp           |
| Net Margin       | -3.3%   | 7.1%   | 10.4pp | 5.3%   | 1.9pp           |
| EPS              | -\$0.66 | \$1.69 | N.A.   | \$1.26 | 34.3%           |

Income Statement (Million pesos)

| Year                          | 2020    | 2021   | 2021   | Change | Change  |
|-------------------------------|---------|--------|--------|--------|---------|
| Quarter                       | 3       | 2      | 3      | % y/y  | % q/q   |
| Net Revenue                   | 26,913  | 37,538 | 31,829 | 18.3%  | -15.2%  |
| Costs of goods sold           | 16,941  | 23,746 | 19,092 | 12.7%  | -19.6%  |
| Gross profit                  | 9,972   | 13,792 | 12,736 | 27.7%  | -7.7%   |
| General expenses              | 10,272  | 8,981  | 8,765  | -14.7% | -2.4%   |
| Operating Income              | (300)   | 4,812  | 3,972  | N.A.   | -17.5%  |
| Operating Margin              | -1.1%   | 12.8%  | 12.5%  | 13.6pp | (0.3pp) |
| Depreciation                  | 1,294   | 1,254  | 1,260  | -2.6%  | 0.5%    |
| EBITDA                        | 994     | 6,066  | 5,232  | 426.5% | -13.8%  |
| EBITDA Margin                 | 3.7%    | 16.2%  | 16.4%  | 12.7pp | 0.3pp   |
| Interest Income (Expense) net | (893)   | (817)  | (748)  | -16.2% | -8.4%   |
| Interest expense              | 1,061   | 1,033  | 1,565  | 47.5%  | 51.5%   |
| Interest income               | 168     | 240    | 439    | 161.5% | 82.6%   |
| Other income (expense)        | 30      | (36)   | 376    | >500%  | N.A.    |
| Foreign exchange gain (loss)  | (29)    | 11     | 1      | N.A.   | -88.1%  |
| Unconsolidated subsidiaries   | (83)    | 147    | (45)   | -45.7% | N.A.    |
| Income before taxes           | (1,275) | 4,142  | 3,178  | N.A.   | -23.3%  |
| Income taxes                  | (397)   | 1,121  | 903    | N.A.   | -19.4%  |
| Discontinued operations       |         |        |        |        |         |
| Consolidated Net Income       | (879)   | 3,021  | 2,275  | N.A.   | -24.7%  |
| Non-controlling interest      | 2       | 0      | 3      | 34.5%  | >500%   |
| Net Income                    | (881)   | 3,020  | 2,272  | N.A.   | -24.8%  |
| Net Margin                    | -3.3%   | 8.0%   | 7.1%   | 10.4pp | (0.9pp) |
| EPS                           | (0.657) | 2.250  | 1.693  | N.A.   | -24.8%  |

Balance Sheet (Million pesos)

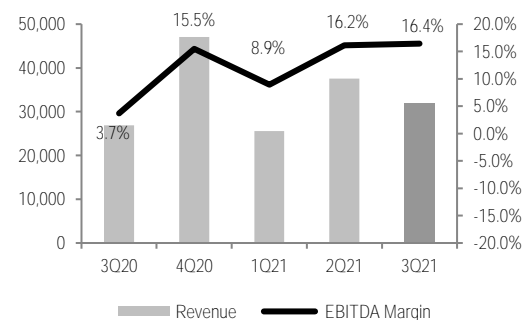
|                                   | 2020    | 2021    | 2021    | Change | Change |
|-----------------------------------|---------|---------|---------|--------|--------|
|                                   |         |         |         | % y/y  | % q/q  |
| Total Current Assets              | 72,837  | 81,463  | 79,051  | 8.5%   | -3.0%  |
| Cash & Short Term Investments     | 19,650  | 24,905  | 20,364  | 3.6%   | -18.2% |
| Long Term Assets                  | 128,229 | 124,541 | 125,165 | -2.4%  | 0.5%   |
| Property, Plant & Equipment (Net) | 50,686  | 51,129  | 51,336  | 1.3%   | 0.4%   |
| Intangible Assets (Net)           | 8,249   | 8,135   | 8,175   | -0.9%  | 0.5%   |
| Total Assets                      | 201,067 | 206,004 | 204,217 | 1.6%   | -0.9%  |
| Current Liabilities               | 36,839  | 39,507  | 42,462  | 15.3%  | 7.5%   |
| Short Term Debt                   | 6,606   | 4,641   | 6,904   | 4.5%   | 48.8%  |
| Accounts Payable                  | 22,258  | 27,193  | 27,603  | 24.0%  | 1.5%   |
| Long Term Liabilities             | 58,999  | 55,991  | 49,191  | -16.6% | -12.1% |
| Long Term Debt                    | 50,239  | 46,306  | 40,346  | -19.7% | -12.9% |
| Total Liabilities                 | 95,839  | 95,498  | 91,652  | -4.4%  | -4.0%  |
| <b>Stockholders' Equity</b>       | 105,228 | 110,506 | 112,564 | 7.0%   | 1.9%   |
| Non-controlling interest          | 243     | 252     | 255     | 5.0%   | 1.4%   |
| Total Equity                      | 104,985 | 110,254 | 112,309 | 7.0%   | 1.9%   |
| Liabilities & Equity              | 201,067 | 206,004 | 204,217 | 1.6%   | -0.9%  |
| Net Debt                          | 37,195  | 26,042  | 26,886  | -27.7% | 3.2%   |

Cash Flow

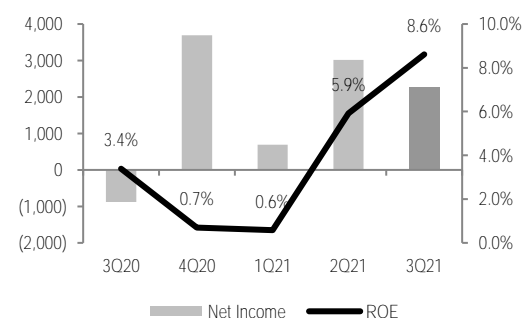
|                              | 2020     | 2021      | 2021      |
|------------------------------|----------|-----------|-----------|
|                              |          |           |           |
| CF from Operating Activities | 10,865.5 | 9,659.1   | 2,789.7   |
| CF from Investing Activities | (950.9)  | (1,043.5) | (1,224.5) |
| CF from Financing Activities | 4,280.5  | (1,587.4) | (6,106.5) |
| FX effect on cash            |          |           |           |
| Change in Cash Balance       | 14,195.1 | 7,028.1   | (4,541.3) |

Source: Banorte, MSE.

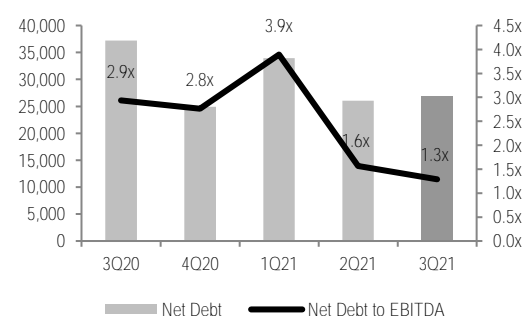
Revenue & EBITDA Margin  
MXN, million



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 Alvarez, 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   |
|-------------|---|
| <b>BUY</b>  | When the share expected performance is greater than the MEXBOL estimated performance. |
| <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       |
|---------|----------|--------|----------|
| LIVEPOL | 24/02/20 | Buy    | \$85.00  |
| LIVEPOL | 29/11/19 | Hold   | \$114.00 |
| LIVEPOL | 23/07/19 | Hold   | \$120.00 |
| LIVEPOL | 17/01/19 | Hold   | \$151.00 |

## 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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