Actinver Institutional Research

Mexico Equity Research: 1Q25 Review — Mostly unshattered

MX Equity Research

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We are reviewing our estimates post 1Q25 results

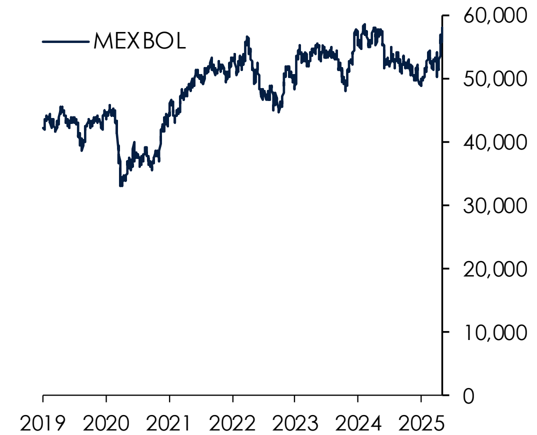
Despite currently soft conditions, with most of the 1H25 noise in the rearview mirror and an expectedly better 2H, most of the companies left their guidance unchanged. Outliers were Bimbo (Market Perform) and Volaris (Outperform), both lowering their expectations. Bimbo lowered its sales growth outlook (to high-single-digit growth vs previously double-digit), and is now expecting a margin contraction (vs margin expansion previously expected). Nonetheless, their new guidance is closer to our previous estimates and we thus leave our estimates, rating and PT, mostly unchanged. In Volaris, the company reduced its ASMs guidance (lowering the growth rate to 8% from 13%). Furthermore, Volaris retired its EBITDAR margin guidance, considering low visibility in their booking curve for YE (our current estimate is 31.1%). As a result, we reduced our PT to P$12 from P$25, while our Outperform rating was reiterated, supported in VOLAR's attractive valuation.

In 1Q25, in Consumer managed a soft consumer environment that weighed on results, as expected; a cooler season didn't help either. While some companies did start to see an improvement in late 1Q25-early 2Q25, a meaningful trend across all covered companies is not identified. Companies in the meantime are focusing on cost efficiencies and battling competitive pressures, as pricing —and traffic for retailers— is the main driver yet limited by consumers' elasticity. Still, companies stuck to their guidance —with Bimbo the only exception—, as they wait for a better 2H25, not impacted by calendar and spending tough comps. (Link to full Consumer report here).

In Cement, although the environment was challenging, the Cement companies under coverage reiterated their 2025 guidance, anticipating a gradual improvement in EBITDA during 2H25el. Total revenues in 1Q25 for the sector dropped 8%, while total EBITDA was down 17% YoY. In that context, GCC posted the lowest EBITDA margin contraction (-0.6 pp), while CEMEX's EBITDA performance accounted for an 18% YoY drop, resulting in a 2.1 pp contraction in its EBITDA margin (report here). In the **Transport** sector, companies under coverage posted another positive quarterly result. However, a better tariff environment and diversified revenues were not enough to compensate for margin contractions (report here). Lastly, in the **Housing** sector, total revenues gained 7% YoY. In contrast, we observed some pressure at the EBITDA level. VINTE posted positive results, with double-digit growth at the EBITDA level. ARA's results remain solid, with a 16% YoY gain in total sales and a 4% YoY rise in EBITDA in 1Q25 (report here).

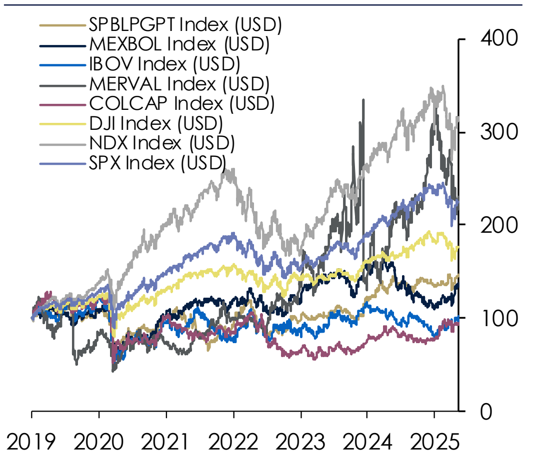
Going forward, we expect some companies to continue considering a guidance revision in coming months. As calendar headwinds fade away, 1H25 performance should give them more visibility on whether conditions are weaker than expected. On the other hand, the tariffs' noise remains, yet our covered companies are mostly unaffected.

Figure 1: MEXBOL performance
(P$, 3/7/25)



Source: Bloomberg, Actinver Research.

Figure 2: Relative indexes performance
(Jan 19=100, 3/7/25)



Source: Bloomberg, Actinver Research.

Actinver Research Coverage

	Rating	Analyst	Mkt. Cap. (US$m)	Price (Mxn) Actual	PT 12M	Upside (%)	Div yld	Total (%)	EV/EBITDA (x) Actual	EV/EBITDA (x) 2025e	P/E (x) Actual	P/E (x) 2025e	P/BV (x) Actual	P/BV (x) 2025e
Transport Sector														
ASUR	Outperform	RO	8,953	630	**700**	11%	13%	24%	9.6	9.2	13.9	14.3	3.1	3.7
GAP	Market Perform	RO	9,339	424	**470**	11%	4%	15%	13.9	11.1	22.4	16.1	8.7	7.3
OMA	Market Perform	RO	4,075	233	**250**	7%	5%	12%	11.4	10.2	17.8	16.6	8.4	6.6
Average									**11.6**	**10.2**	**18.0**	**15.7**	**6.7**	**5.9**
Airlines														
VOLAR	Outperform	RO	471	8	**12**	52%	0%	52%	3.0	2.5	3.6	-4.9	1.3	1.6
Land Transportation - Logistics														
GMXT	Market Perform	RO	7,690	34	**36**	5%	6%	11%	6.4	6.1	14.8	14.1	2.4	2.5
TRAXION	Outperform	RO	549	19	**37**	94%	0%	94%	4.4	3.8	16.7	10.3	0.7	0.7
Average									**5.4**	**5.0**	**15.7**	**12.2**	**1.6**	**1.6**
Cement														
CEMEX	Outperform	RO	9,692	12	**15**	20%	1%	21%	6.0	4.7	11.4	9.1	0.7	0.6
GCC	Outperform	RO	3,039	176	**247**	41%	1%	42%	5.8	5.1	9.4	10.9	1.5	1.2
Average									**5.9**	**4.9**	**10.4**	**10.0**	**1.1**	**0.9**
Housing														
ARA	Outperform	RO	205	3.3	**3.9**	19%	0%	19%	3.2	2.5	5.5	4.7	0.3	0.2
CADU	Speculative Buy	RO	52	3.3	**4.5**	38%	0%	38%	4.0	3.6	5.2	4.1	0.2	0.2
VINTE	Restricted	RO	473	33	**N/A**	N/A	N/A	N/A	6.8	N/A	22.8	N/A	1.4	N/A
Average									**4.7**	**3.1**	**11.2**	**4.4**	**0.6**	**0.2**
Food & Bev														
AC	Outperform	AH	18,155	208	**250**	20%	2%	22%	8.0	6.9	17.8	14.1	2.6	1.8
KOF	Outperform	AH	4,893	182	**212**	17%	3%	20%	7.9	6.0	16.0	13.7	2.5	2.2
FEMSA	Outperform	AH	20,931	199	**232**	17%	11%	27%	8.4	6.4	26.2	15.4	2.3	1.7
CUERVO	Outperform	AH	4,687	25	**30**	18%	1%	19%	11.5	9.7	22.3	19.7	1.3	1.3
BIMBO	Market Perform	AH	12,987	59	**63**	7%	2%	9%	6.9	6.4	21.0	24.3	2.0	1.9
GRUMA	Underperform	AH	6,761	371	**390**	5%	0%	5%	7.2	6.4	12.7	12.0	3.3	2.3
Average									**8.3**	**7.0**	**19.3**	**16.5**	**2.4**	**1.9**
Health & Personal Care														
LAB	Restricted	AH	1,096	21	**N/A**	N/A	N/A	N/A	5.9	N/A	9.4	N/A	1.9	N/A
KIMBER	Market Perform	AH	2,814	35	**38**	9%	7%	16%	8.1	7.7	14.0	13.8	39.4	18.0
Average									**7.0**	**7.7**	**11.7**	**13.8**	**20.6**	**18.0**
Supermarkets														
CHDRAUI	Outperform	AH	6,709	136	**160**	18%	1%	19%	7.8	4.2	20.5	17.2	2.6	2.5
LACOMER	Market Perform	AH	1,040	41	**44**	7%	1%	8%	6.9	5.2	19.3	18.3	1.4	1.3
WALMEX	Market Perform	AH	55,521	62	**66**	6%	3%	9%	11.4	9.1	20.4	20.2	4.4	4.1
Average									**8.7**	**6.2**	**20.1**	**18.6**	**2.8**	**2.6**
Consumer Discretionary														
ALSEA	Outperform	AH	1,908	46	**60**	30%	0%	30%	5.0	4.1	52.3	24.1	4.2	5.9
LIVEPOL	Market Perform	AH	973	96	**106**	10%	3%	13%	4.2	4.6	5.7	5.8	0.8	0.8
Average									**4.6**	**4.3**	**29.0**	**14.9**	**2.5**	**3.3**

Source: Company reports, Bloomberg, Actinver Research. RO = Ramon Ortiz; AH = Antonio Hernandez. *Data as of 5/9/25.

1Q25 Results Review Summary

Within **Consumer - Food & Bev** we continue to see Coke bottlers AC and KOF as solidly positioned despite an overall competitive and lackluster consumer environment. We remain Outperform on these companies, along with FEMSA and Becle. We are raising our PTs in most of these companies, mostly on the Becle given its better-than-expected margin performance. On Bimbo (Market Perform) and Gruma (Underperform) we remain more cautious.

In **Consumer Discretionary**, we continue to prefer Alsea (Outperform) vs Liverpool (Market Perform), given the former's positioning and a more upbeat view on its ability to capture both a potential consumer trade down and an expected positive trend on services vs other discretionary spending.

In **Supermarkets**, we continue to prefer Chedraui. In our view, the company remains the best positioned vs peers amid a potential consumer trade down/up, and with a healthy diversification in terms of formats and geographies. We remain more positive on 2H25, and continue to expect margin expansion for the year. We reiterate our Market Perform rating in both Walmex and La Comer.

Within **HPC**, we remain Market Perform in Kimberly-Clark de Mexico, as FX headwinds slightly subside, yet top-line growth remains muted.

In **Cement**, we continue to prefer CEMEX and GCC. Current price levels offer an attractive potential upside for long-term investors, supported by appealing valuations. CEMEX 2025 EV/EBITDA of 4.8x has a 49% discount against international peers, while GCC's 2025 EV of 5.1x implies a 46% discount vs international peers and a 65% discount against US companies.

In the **Transport** sector, we maintain a positive outlook with **selected names to participate, with ASUR and TRAXION as our top-pick names.** These names offer attractive potential upside for long-term investors at attractive valuation levels. Although a challenging environment, total PAX has proven to be resilient, as demonstrated during the last decades, having a traffic recovery from previous local or global crises. Our current estimates consider that total air PAX within our coverage may increase 6% YoY, resulting in a gradual recovery after a 1% contraction reported in 2024. We reiterated our Mkt perform ratings for GAP, OMA, and GMXT.

In the **Housing** sector, we reiterate our positive outlook, maintaining our current 12M price targets and reiterate our Outperform ratings. ARA, CADU, and VINTE (restricted) have an appealing valuation at current price levels, with an attractive discount against their historical levels. In our view, the companies remain the best positioned to capture potential demand in the affordable level due to the Mexican government's target to develop houses in that segment.

1Q25 Review: Contracting margins as expected

Overall, our covered companies posted sales growth close to our estimates —on a median basis—, while profitability was mostly in line, and Consumer companies posted overall better-than-expected margins. Companies exposed to USD-denominated revenues (and reporting in MXN) mostly outperformed their industries, while **on a profitability basis most companies reported contracting margins, across all covered industries.** On the other hand, companies with USD exposure but also reporting in USD faced underperforming top-line and EBITDA growth, as expected. **Despite the lower profitability, overall performance was close to our estimates.**

Figure 4: Sales and EBITDA growth
(1Q25)

1Q25 Review			
Sales YoY growth		EBITDA YoY growth	
GAP	26%	Becle	22%
ARA	16%	GAP	21%
OMA	16%	OMA	16%
Chedraui	15%	ASUR	12%
ASUR	14%	KOF	11%
AC	12%	AC	10%
FEMSA	11%	VINTE	10%
Bimbo	11%	Chedraui	9%
Liverpool	10%	FEMSA	9%
Alsea	10%	Bimbo	8%
KOF	10%	La Comer	7%
La Comer	8%	Gruma	4%
VINTE	8%	ARA	4%
Becle	7%	GMXT	2%
Walmex	7%	Walmex	2%
GMXT	6%	Alsea	(0%)
KCM	0%	Liverpool	(7%)
Gruma	(6%)	KCM	(11%)
CEMEX	(7%)	GCC	(11%)
CADU	(10%)	CADU	(12%)
GCC	(10%)	VOLAR	(14%)
VOLAR	(12%)	CEMEX	(18%)
Median	9%	Median	6%

Source: Company reports, Actinver Research.

Within **Consumer,** our covered companies posted on average sales growth of 8% YoY, with EBITDA margin contraction amid a 5% YoY growth. **Results were overall mixed, with sales growth mostly underperforming our estimates and consensus, while profitability was higher than expected.** At the top-line level, most companies were in line or underperformed our estimates and consensus, with KOF, Walmex and Liverpool the only companies outperforming both our estimates and consensus, and Gruma, Kimberly-Clark de Mexico and Alsea, underperforming both our estimates and consensus. At the EBITDA level, on the other hand, most companies outperformed our estimates and consensus, with Discretionary players Alsea and Liverpool, and Walmex, the outliers with an underperformance vs our estimates and consensus.

Across Consumer subsectors, we highlight the strong top-line growth of Consumer Discretionary players —although EBITDA was flattish-to-negative—, and Supermarkets —growing on average double digit despite the traffic slowdown, partially aided by Chedraui's FX tailwinds—. On the other hand, Food & Bev posted a lower sales growth of on average 8% YoY, yet this was partially impacted by Gruma's FX headwinds amid its USD-denominated results; excluding Gruma, Food & Bev companies also posted a double-digit sales growth. Additionally, Food & Bev companies were the only companies posting on average margin contraction, with EBITDA growing ahead of sales, mostly due to a solid performance of Becle and Gruma, both benefitted by the YoY MXN depreciation, as other food & bev companies posted flattish to slightly contracting margins.

In **Cement**, although the environment was challenging (still bad weather conditions and higher comps), Cement companies under coverage reiterated their 2025 guidance, anticipating a gradual improvement in EBITDA during 2H25. Total revenues in 1Q25 decreased by 8% YoY, while total EBITDA dropped by 17% YoY. As a result, the implicit EBITDA margin in the sector contracted 2.0 pp on a YoY basis to 17.3%. In that context, GCC posted the lowest EBITDA margin contraction (-0.6 pp), while CEMEX's EBITDA performance accounted for an 18% YoY drop, resulting in a 2.1 pp contraction in its EBITDA margin. We highlight that the sector's solid financial position remained strong, with low leverage debt ratios.

In the **Transport** sector, companies under coverage posted another quarterly result with solid top-line performance. However, a better tariff environment and diversified revenues were insufficient to compensate for margin contractions. GAP reported the most robust results, with double-digit revenue and EBITDA expansion, followed by OMA and ASUR. The total EBITDA margin in the transport sector contracted 0.1 pp, with the airport sector being the segment with the highest margin reduction (-1.7 pp YoY). Total sales in the transport sector advanced 10.1% in 1Q25, while EBITDA gained 9.8% YoY. We highlight that TRAXION reported an attractive 1.2 pp expansion in its EBITDA margin, while VOLAR posted the weakest results, with revenues and EBITDAR contractions of 12% and 14%, respectively; we reiterate our Outperform rating in both names.

In the **Housing** sector, total revenues gained 7% YoY. In contrast, we observed some pressure at the EBITDA level with a 4% expansion. CADU delivered the weakest results in the sector, as a result a deep contraction in volume (explained by a soft opening of new projects in the affordable entry-level in Cancun and Playa del Carmen and the gradual improvement in the construction of new projects in Jalisco and Quintana Roo (which are expected to be concluded during the 4Q25). On the other hand, ARA posted positive results, with double-digit growth in revenues. Lastly, we highlight that VINTE results remain solid, with an 8% YoY gain in total sales and a 10% YoY rise in EBITDA in 1Q25, resulting in a 16.0% EBITDA margin (on a pro forma basis considering JAVER's acquisition).

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March 31, 2025 │ Update

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