Supermarkets: The white space opportunity

MX Equity Research

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Positive Consumer outlook

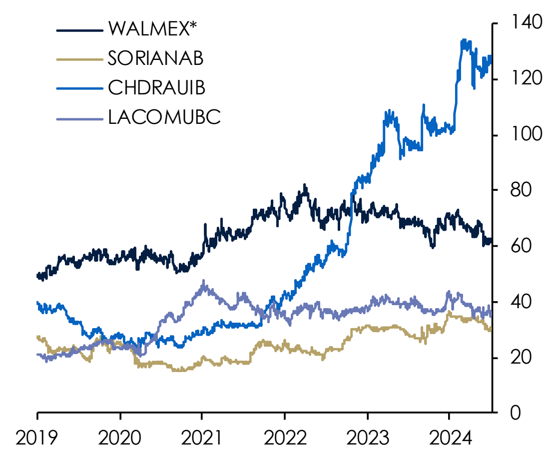
We are initiating coverage of Chedraui (Outperform), La Comer (Market perform), and Walmex (Market perform)

Within the last years, where change has been the only constant, one thing remains unchanged: grocery shopping. Supermarkets have thus thrived, supported in recent years by pantry loading, eat-at-home trends, omnichannel capabilities, and increasing salaries. We are positive on the outlook for the space, with our covered companies expected to further benefit from increasing salaries and differentiation in value propositions, although the latter is a reflection of increased competition that we expect to continue.

Amid uncertain macro conditions, we see Chedraui (Outperform, P$160 PT) as the best positioned supermarket for either consumer trade up or trade down. Compared to the other 2 supermarket companies covered, Chedraui has maintained a solid exposure to the wide spectrum of low, medium and high-end grocery shopping, which, coupled with healthy format exposure —in sqm and socioeconomic segments— and geographical diversification, provide solid opportunities. Additionally, its improving financials, sound balance sheet, ability to continue growing organically and inorganically, and solid experience consolidating new companies, lead to a positive outlook. Easy comps in FX further provide upside given its c.50% sales exposure to the U.S. and healthy margins in the country.

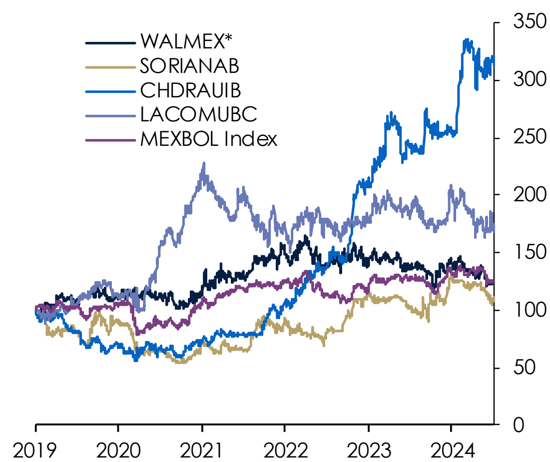
On the other hand, we are slightly more cautious on La Comer (Market perform, P$40 PT) and Walmex (Market perform rating, P$68 PT). Their focus on high-end and low-end, respectively, limits their outlook. The former, nonetheless, has plenty of white space to explore given its more limited footprint and geographical exposure, while the latter is in our view solidly positioned to exploit its large scale and continue exploring other revenue streams —not all of the new ventures will necessarily succeed in the long run, nonetheless—. **For our covered companies, we forecast healthy 2Q24E results, albeit with a deceleration amid the 1Q24 calendar tailwinds.**

Figure 1: Stock performance
(P$, 7/5/24)



Source: Bloomberg, Actinver.

Figure 2: Relative stock performance
(Jan 19=100, 7/5/24)



Source: Bloomberg, Actinver.

Figure 3: Highlights
(P$, 7/5/24)

Ticker	CHDRAUIB MM	LACOMUBC MM	WALMEX* MM
Rating	**Outperform**	**Market Perform**	**Market Perform**
Price Target (12M)	**$ 160**	**$ 40**	**$ 68**
Stock Price	$ 126	$ 36	$ 62
Expected Return	**27.3%**	**10.8%**	**10.6%**
FY24 Dividend Yield	1.4%	0.7%	3.2%
Total Return	**28.7%**	**11.5%**	**13.7%**
Market Cap (US$mn)	$6,614	$1,600	$58,582
Free Float	100.0%	100.0%	29.4%
Daily Volume* (US$mn)	3.7	1.8	76.3

Source: Bloomberg, Actinver. *1-year average

Table of Contents

The retail opportunity: Plenty of space to grow

Chedraui: Successfully growing beyond boundaries; initiating with an Outperform rating and a P$160 PT

While most retailers focus on their local, i.e., Mexican, operations, Chedraui has been successfully expanding abroad, and now generates more sales in the U.S. than in Mexico —even despite the recent years with strong MXN—. Expansion via M&A is not exclusive to the U.S., as the company sees further growth in regions where it currently doesn't operate in Mexico, and **while our 3 covered supermarket companies have solid balance sheets to execute inorganic growth, we see Chedraui as the best positioned to do so.**

- **Achieving profitable growth in Mexico and abroad. Chedraui has been successfully expanding organically and inorganically in Mexico and in the U.S., with above-industry SSS and improving margins.** Besides its geographical diversification, the company has also been venturing into other retail segments; in the U.S., for example, its Smart & Final acquisition led to a exposure to the non-Hispanic segment, small businesses, and the medium-to-high-end segment.
- **Solidly positioned to further grow both organically and inorganically.** Our company rating is not based on the company's history but on future potential; **the company's operations have been solidly generating cash, and with a current net cash position, a relevant scale, more experience consolidating new operations, and a better diversification profile, Chedraui is the retailer within our coverage with the best inorganic opportunities ahead.** Additionally, its M&A history and consolidation know-how prove that capital allocation shouldn't be a concern for investors.
- **If customers trade up or down, Chedraui can fulfill their needs. The company is the best positioned supermarket, in our view, to capture any shift in consumption given its well diversified format exposure**, as reflected in Figure 13.

We see Chedraui as a solidly diversified retailer —across formats and geographies—, with the potential of further boosting its presence in both of its operating countries, while keeping margins at historically high levels partially driven by a wide array of initiatives across its different segments —such as increasing fresh penetration and brand awareness in Smart & Final, cross-selling private label, and growing proximity, among others—.

La Comer: Lower, differentiated scale; initiating with a Market Perform rating and a P$40 PT

Overall, the company's focus on medium-to-high-end customers, along with a well executed strategy, has been the company's formula to generate strong results. While most retailers have been leveraging on their scale to improve their value proposition to customers and margin levels, La Comer hasn't necessarily needed to gain ample scale vs peers to achieve this, as it slowly builds its unit count yet grows profitability at a faster pace. Nonetheless its lower scale does impact its below-average private label and e-commerce penetration, in our view, while productivity efforts to offset higher labor costs could also need a higher scale going forward.

- **With a fairly resilient consumer environment, we see opportunities for gaining market share, at least in the short term. If Mexican consumers continue benefitting from increasing household income, we see some opportunities for La Comer to continue growing ahead of the market.** Nonetheless, the size of the potential trade up within grocery shopping is in our view limited, as consumers may prefer to destine a part of their increased budget to some discretionary items and services instead.
- **Geographical expansion could further boost financial performance in the long run... The company's current lower scale and more limited geographical footprint vs its larger peers leads to sizable growth opportunities for La Comer.** Nonetheless, its

overall impact in the industry could still be fairly limited.

- **…Nonetheless, the company's high investment needs lead to lower return metrics.** Given the company's commitment to provide a more differentiated customer experience, Capex needs and return metrics (ROE and ROIC) fare weaker than peers. Additionally, its cash flow generation also stands lower vs peers, which altogether could pose a risk if consumer trade down takes place.

We see La Comer as a solid player in the medium-to-high-end field; however, its fairly low geographical and format diversification, coupled with high investment needs, lead to our more cautious view.

Walmex: Thinking outside of the (retailers') box; initiating with a Market Perform rating and a P$68 PT

As a leading retailer in the Mexican supermarket field, Walmex's decisions have proved to be widely discussed. Entering new segments (e.g., health, fintech), transforming some of its formats (e.g., converting Superamas into Walmart Express), and investing in new technologies (e.g., automation), are some of the company's strategies throughout the last years. While we don't agree with some of them —and the company has recently confirmed our expectations of a couple of these missteps, i.e., the initial Cashi launch and the Superamas conversion—, we consider that the company's success ratio and future remain solid; we are particularly optimistic about Walmart Connect, the company's retail media business. **Some of these efforts, while contributing to financial inclusion, internet and health services access, could bear results in the long run, even if profitability is not necessarily a short-term priority, and while we don't agree with all of these initiatives, we acknowledge that Walmex is the only supermarket company with a scale that enables them to invest and think out of the retailers' book.**

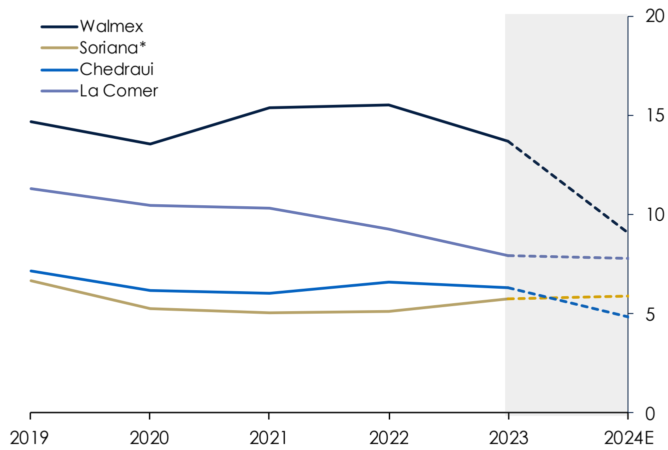
- **Scale is more than a valuable asset.** Walmex was able to duplicate its size in 10 years, and it plans to double again its business in less than 10 years, which in our view is achievable. **Further boosted by a wide array of business lines, Walmex is focused on growing its user base, with monetization to be a priority once growth has been achieved.** With c.5mn at-store clients per day in Mexico —and c.1mn in CAM—, the company's scale in Mexico is unparalleled.

- **Leading sales with leading margins, with further venues of growth to offset potential headwinds.** Walmex has the largest sales base by a wide range, which in turn has helped the company achieve leading margins. While the company's ventures into other businesses besides supermarkets have been hardly profitable, their growing scale with minimal investment is already accretive to recent results. **We are particularly positive on the highly accretive retail media segment, with attractive margins that could help the company continue aggressively investing in other segments and low retail prices, while offsetting SG&A pressure and other headwinds.**

- **Within its grocery business, we see limited upside.** Walmex's core business, nonetheless, presents lower potential for market share gains vs peers given its nationwide presence and high competition in the low-end segment, where it has more exposure via its Bodega Aurrera format.

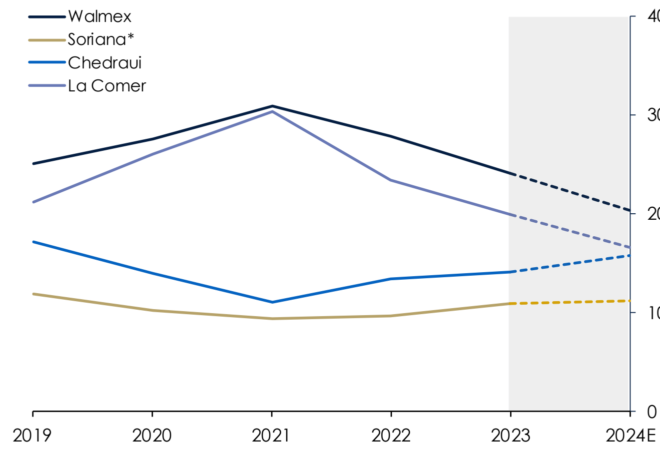
We currently see limited upside for Walmex as we don't forecast ample room for margin improvement, and non-core businesses could take time —and investment— to provide meaningful value. Additionally, potential trade up in consumption won't be captured by the company given its focus on the low-to-medium end segments.

Figure 4: EV/EBITDA
(x, 2Q24)



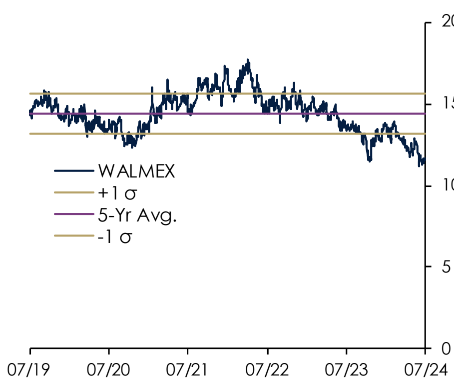
Source: Bloomberg, Actinver. *Bloomberg estimates.

Figure 5: P/E
(x, 2Q24)



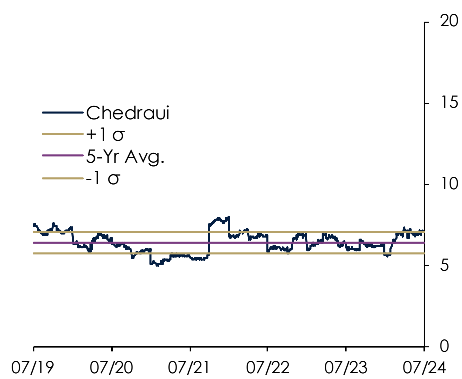
Source: Bloomberg, Actinver. *Bloomberg estimates.

Figure 6: EV/EBITDA Walmex
(x, 2Q24)



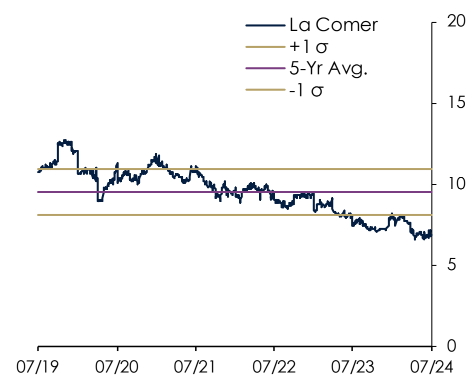
Source: Bloomberg, Actinver.

Figure 7: EV/EBITDA Chedraui
(x, 2Q24)



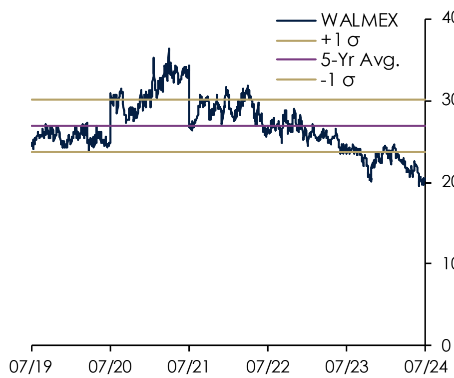
Source: Bloomberg, Actinver.

Figure 8: EV/EBITDA La Comer
(x, 2Q24)



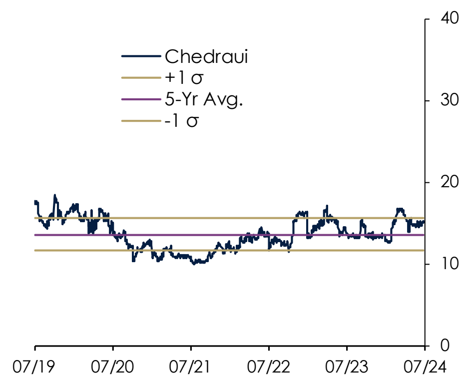
Source: Bloomberg, Actinver.

Figure 9: P/E Walmex
(x, 2Q24)



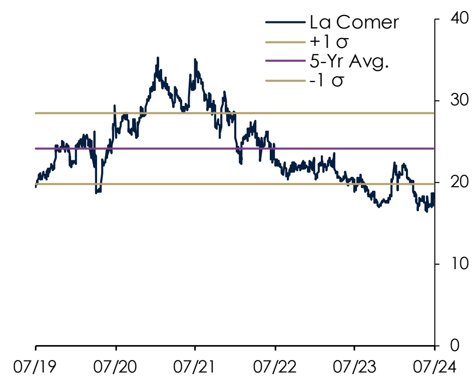
Source: Bloomberg, Actinver.

Figure 10: P/E Chedraui
(x, 2Q24)



Source: Bloomberg, Actinver.

Figure 11: P/E La Comer
(x, 2Q24)



Source: Bloomberg, Actinver.

Mexico Operations Snapshot

We compare our 3 covered supermarket companies, along with Soriana (SORIANAB MM, not covered), given its relevance in the space. Despite most supermarket companies posting healthy sales growth throughout the last years, Walmex continues to lead the space.

Figure 12: Companies Snapshot
(FY23)

	Chedraui		La Comer		Walmex		Soriana	
FY23 Revenues P$mn (as a % of consolidated)	$ 122,436 47%		$ 38,465 100%		$ 742,536 84%		$ 176,120 100%	
Total Units (Stores) (as a % of consolidated)	460 55%		84 100%		3,007 77%		820 100%	
Geographical Exposure Mx	All States except Chihuahua, Coahuila, Nuevo León, Sinaloa and Colima.		Mexico City-Metropolitan Area (c. 50%) and c.13 other states within the West, North and Northwest regions.		All States		All States	
Formats (Units as a % of MX)	Chedraui	39%	La Comer	44%	Walmart Express	3%	Soriana Hiper	45%
	Selecto Chedraui	7%	Fresko	25%	Walmart	11%	Soriana Super	16%
	Súper Chedraui	22%					Soriana Mercado	20%
	Selecto Súper Chedraui	3%	City Market	15%	Sam's	6%	Soriana Express	13%
	Súper Che	2%	Sumesa	15%	Bodega Aurrera	80%	Citiy Club	5%
	Supercito	28%					Sodimac	2%
Sales Floor (Avg. Square meters)	Chedraui & Selecto Chedraui	6,547	La Comer	6,735	Walmart Express	1,594	Soriana Hiper	7,000
			Fresko	3,526	Walmart	7,303	Soriana Super	2,500
	Súper Chedraui & Selecto Súper Chedraui	3,198					Soriana Mercado	4,500
			City Market	3,342	Sam's	7,199	Soriana Express	1,500
	Súper Che	1,118	Sumesa	793	Bodega Aurrera	1,292	Citiy Club	8,000
	Supercito	242					Sodimac	8,900
SKUs (Avg. Units)	Chedraui & Selecto Chedraui	101,300	La Comer	35,000	Walmart Express	34,300	Soriana Hiper	45,000
			Fresko	25,000	Walmart	107,000	Soriana Super	20,000
	Súper Chedraui Selecto Súper Chedraui &	41,300					Soriana Mercado	12,000
			City Market	25,000	Sam's	3,900	Soriana Express	6,500
	Súper Che	14,000	Sumesa	15,000	Bodega Aurrera	17,084	Citiy Club	4,500
	Supercito	2,500					Sodimac	31,000
Socioeconomic Segments	(Súper) Chedraui & Selecto (Súper) Chedraui	A/B	A/B, C+		Walmart Express	A/B, C+,C	A/B, C+,C, C- D+, D, E	
					Walmart	A/B, C+,C, C- D+		
	Chedraui, Super Chedraui, Super Che & Supercito Chedraui	C+,C, C- D+, D, E			Sam's	A/B, C+,C, C- D+, D		
					Bodega Aurrera	C, C- D+, D, E		

Source: Company reports, Actinver.

Mexico Operations Snapshot

As we review throughout the report, Chedraui is the only player with a wide format and socioeconomic exposure, with proximity, supermarket, and hypermarket formats across the three socioeconomic segments. On the other hand, Walmex is not present in the high-end segment, and La Comer is not present in the low-end segment, added to some gaps in format sizes.

Figure 13: Format Exposure
(FY23)

	LOW-END	MID-END	HIGH-END
Proximity	-Supercito & Super Che -Bodega Aurrera Express -Soriana Express	-Supercito -Walmart Express -Sumesa	-Supercito Selecto
Supermarket	-Super Chedraui -Mi Bodega Aurrera -Soriana Mercado	-Super Chedraui -Walmart -Fresco -Soriana Super	-Selecto Chedraui -City Market
Hypermarket	-Chedraui -Bodega Aurrera	-Chedraui -Walmart -La Comer -Soriana Hyper	-Selecto Super Chedraui
Warehouse Club		-Sam's Club -City Club	

Source: Company reports, Actinver.

2Q24E and 2024E Preview

Within our coverage, we forecast a slowdown in SSS after strong 1Q24 and 2Q23 results, with additional calendar impact from the extra-day in February —due to the leap year—, and holidays in 1Q this year vs in 2Q last year—.

For **Chedraui**, we expect 2Q24E results to be strong on both operating countries, with a reversal in the U.S. from the previous negative figure, and a healthy SSS performance in Mexico yet posting the aforementioned deceleration. Our P$67.9bn sales estimate represents a YoY sales growth of 5.1%. At the profitability level, we forecast an EBITDA margin of 8.9%, flattish YoY and QoQ. We are fairly in line vs Bloomberg consensus top line, yet slightly more cautious at the profitability level.

The company is planned to report its 2Q24 results on Wednesday, July 24th, AMC.

Figure 14: Chedraui 2Q24E and 2024E Preview

Income Statement (P$mn)	2Q24E	2Q23A	YoY	1Q24A	QoQ	2024E
Revenues	**$ 67,901**	**$ 64,577**	*5.1%*	**$ 64,841**	*4.7%*	$ 282,897
Revenues YoY % growth	*5.1%*	*1.2%*	*396 bps*	*0.6%*	*450 bps*	*7.5%*
Gross Profit	**$ 15,833**	**$ 15,058**	*5.1%*	**$ 15,115**	*4.7%*	**$ 66,086**
Gross Margin	*23.3%*	*23.3%*	*0 bps*	*23.3%*	*1 bps*	*23.4%*
Operating Profit	**$ 4,066**	**$ 3,851**	*5.6%*	**$ 3,903**	*4.2%*	**$ 17,357**
Operating Margin	*6.0%*	*6.0%*	*3 bps*	*6.0%*	*(3 bps)*	*6.1%*
EBITDA	**$ 6,015**	**$ 5,817**	*3.4%*	**$ 5,772**	*4.2%*	**$ 25,254**
EBITDA Margin	*8.9%*	*9.0%*	*(15 bps)*	*8.9%*	*(4 bps)*	*8.9%*
Majority Net Profit	**$ 2,263**	**$ 1,800**	*25.7%*	**$ 1,922**	*17.8%*	**$ 9,576**
Majority Net margin	*3.3%*	*2.8%*	*55 bps*	*3.0%*	*37 bps*	*3.4%*
EPS (maj.)	**$ 2.35**	**$ 1.87**	*25.7%*	**$ 1.99**	*17.8%*	**$ 9.93**
Operating Metrics						
MX SSS YoY	**6.3%**	**10.5%**	***(420 bps)***	**9.4%**	***(310 bps)***	**7.1%**
Total Stores Mexico	483	415	*16.4%*	462	*4.5%*	568
U.S. SSS YoY	**1.1%**	**3.2%**	***(210 bps)***	**(0.9%)**	***200 bps***	**1.5%**
Total Stores United States	379	376	*0.8%*	378	*0.3%*	384

Source: Company reports, Actinver.

For **La Comer**, we expect 2Q24E results SSS ahead of the industry, despite representing a deceleration, especially amid a tough comp base. We forecast total revenues of P$10.7bn, a 9.6% YoY growth, while EBITDA margin reaches 7.3%, a healthy 30bps YoY expansion yet a deceleration vs the strong performance last year. Our top-line estimate is 2.5% below consensus, while our EBITDA margin is slightly (10bps) ahead of consensus.

The company is expected to report its 2Q24 results on Wednesday, July 24th, AMC.

Figure 15: La Comer 2Q24E and 2024E Preview

Income Statement (P$mn)	2Q24E	2Q23A	Δ YoY	1Q24A	Δ QoQ	2024E
Revenues	**$ 10,677**	**$ 9,741**	*9.6%*	**$ 10,243**	*4.2%*	**$ 42,571**
Revenues YoY % growth	*9.6%*	*14.6%*	*(495 bps)*	*17.5%*	*(791 bps)*	*10.7%*
Gross Profit	**$ 3,020**	**$ 2,707**	*11.6%*	**$ 3,046**	***(0.8%)***	**$ 12,359**
Gross Margin	*28.3%*	*27.8%*	*50 bps*	*29.7%*	*(145 bps)*	*29.0%*
Operating Profit	**$ 775**	**$ 677**	*14.3%*	**$ 925**	***(16.2%)***	**$ 3,090**
Operating Margin	*7.3%*	*7.0%*	*30 bps*	*9.0%*	*(177 bps)*	*7.3%*
EBITDA	**$ 1,127**	**$ 1,014**	*11.2%*	**$ 1,294**	***(12.9%)***	**$ 4,543**
EBITDA Margin	*10.6%*	*10.4%*	*15 bps*	*12.6%*	*(207 bps)*	*10.7%*
Majority Net Profit	**$ 622**	**$ 552**	*12.8%*	**$ 755**	***(17.6%)***	**$ 2,489**
Majority Net Margin	*5.8%*	*5.7%*	*16 bps*	*7.4%*	*(154 bps)*	*5.8%*
EPS (maj.)	**$ 0.57**	**$ 0.51**	*12.8%*	**$ 0.70**	***(17.6%)***	**$ 2.29**
Operating Metrics						
SSS YoY	**7.0%**	**10.5%**	***(350 bps)***	**10.5%**	***(350 bps)***	**8.4%**
Total Stores	84	82	*2.4%*	84	*0.0%*	89

Source: Company reports, Actinver.

For **Walmex**, we forecast healthy sales growth in both Mexico and Centroamerica, driven by solid SSS and unit growth performance. Our top-line estimate of P$234.6bn reflects a 9.8% YoY growth. We forecast EBITDA margin expansion of 40bps YoY, reaching 10.6%, yet below the strong 1Q24 performance. Our top-line and EBITDA margin estimates are 1.3% and 40bps above consensus, respectively.

The company is planned to report its 2Q24 results on Wednesday, July 24th, AMC.

Figure 16: Walmex 2Q24E and 2024E Preview

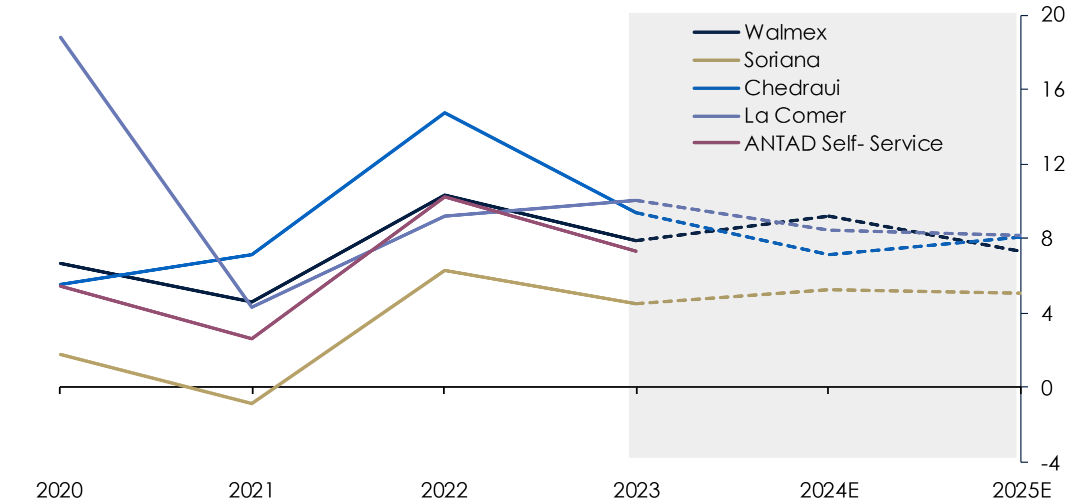
Income Statement (P$mn)	2Q24E	2Q23A	Δ YoY	1Q24A	Δ QoQ	2024E
Revenues	$ 234,638	$ 213,725	9.8%	$ 226,194	3.7%	$ 986,033
Revenues YoY % growth	9.8%	9.3%	53 bps	9.8%	2 bps	11.2%
Gross Profit	**$ 55,213**	**$ 49,822**	10.8%	**$ 54,168**	1.9%	**$ 236,626**
Gross Margin	23.5%	23.3%	22 bps	23.9%	(42 bps)	24.0%
Operating Profit	**$ 18,470**	**$ 16,837**	9.7%	**$ 19,170**	(3.7%)	**$ 81,494**
Operating Margin	7.9%	7.9%	(1 bps)	8.5%	(60 bps)	8.3%
EBITDA	**$ 24,894**	**$ 21,863**	13.9%	**$ 24,622**	1.1%	**$ 105,099**
EBITDA Margin	10.6%	10.2%	38 bps	10.9%	(28 bps)	10.7%
Majority Net Profit	**$ 12,733**	**$ 11,444**	11.3%	**$ 13,183**	(3.4%)	**$ 56,454**
Majority Net Margin	5.4%	5.4%	7 bps	5.8%	(40 bps)	5.7%
EPS (maj.)	**$ 0.73**	**$ 0.66**	11.4%	**$ 0.76**	(3.4%)	**$ 3.24**
Operating Metrics						
MX SSS YoY	**7.9%**	**8.5%**	**(60 bps)**	**9.4%**	**(150 bps)**	**9.2%**
Total Stores Mexico	3,034	2,890	5.0%	3,015	0.6%	3,101
CAM SSS YoY	**8.5%**	**9.5%**	**(100 bps)**	**8.0%**	50 bps	**8.6%**
Total Stores Central America	902	885	1.9%	899	0.3%	906

Source: Company reports, Actinver.

Financial Performance

From an organic perspective, the 3 players are solidly growing, although SSS have been decelerating after benefitting from two tailwinds in recent years: 1) pandemic-driven eat-at-home trends; and 2) high inflation. **Our 3 covered supermarket companies have been outperforming peers in Mexico;** Walmex is currently not a member of the ANTAD, and Soriana has been the player losing market share constantly throughout the years—. **Throughout the last years, La Comer and Chedraui have been the best SSS performers**, although the latter has a better recent trend. Going forward, we see the top 3 SSS players continuing to gain market share from Soriana.

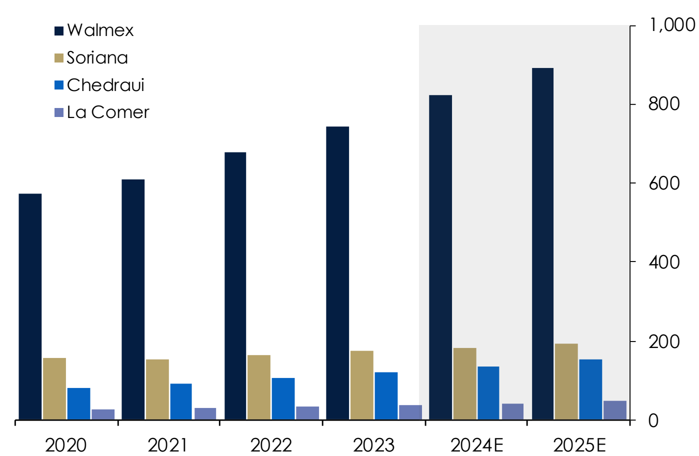
Figure 17: ANTAD Self-Service SSS vs Supermarkets
(%, April 2024)



Source: ANTAD, Company reports, Actinver.

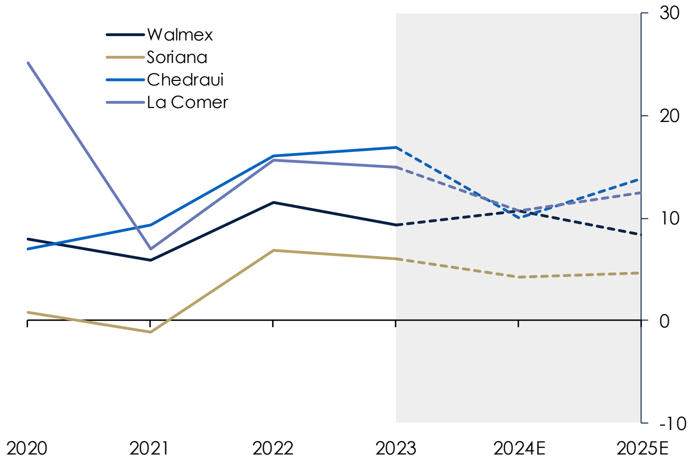
This is clearly reflected in top-line, where Chedraui is closing the gap vs Soriana, and we expect this trend to continue in coming years, from previously representing fairly half of Soriana's revenues, accounting for only Mexico sales.

Figure 18: Supermarket Sales in Mexico
(P$bn, April 2024)



Source: Company reports, Actinver.

Figure 19: Supermarkets Mexico Sales YoY
(%, April 2024)



Source: Company reports, Actinver.

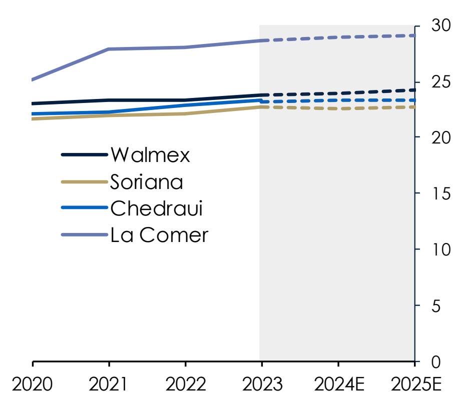
Out of our covered companies, we see Chedraui as the best positioned for M&A activity, either in Mexico or in the U.S. The most feasible transactions for the company would relate to: 1) expanding to other states in Mexico where they don't currently operate or expanding within the states in the U.S. where they already operate; 2) operations similar to their current omnichannel businesses; 3) accretive acquisitions, with valuation levels similar or below Chedraui's. While the company has an ample cash balance, fulfilling these —in our view positive— conditions might not be an easy task. Chedraui recently acquired Smart & Final in the U.S. (254 stores in the U.S. and 16 JV-related in Mexico, for c.US$594mn in 2021) and Arteli in Mexico (36 stores in 2022). Other than Chedraui, we don't expect inorganic growth from the other covered companies, yet from a Balance Sheet perspective and considering their growing services offering beyond retail, Walmex could potentially incur in a non-supermarket acquisition —last year, it acquired a fintech company—.

In FY23, Sam's Club and Bodega Aurrera outperformed other formats in terms of SSS, and we expect a similar trend to continue, especially with the latter capturing any potential consumer trade down. Nonetheless, we see Walmart and Walmart Express lagging, with the latter potentially impacting for longer although its relevance in consolidated sales is the lowest. **While Walmex commented that the company outperformed ANTAD Self-Service stores and clubs for the 10th consecutive year, its gap vs peers is now lower.**

Profitability

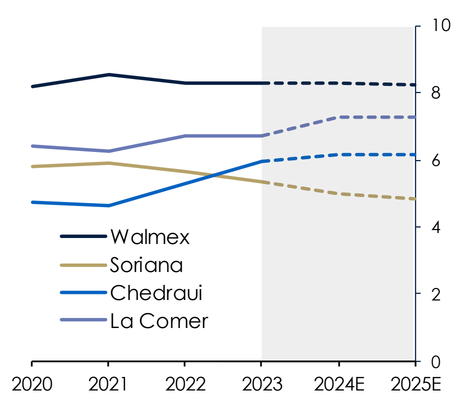
For La Comer, besides its growing scale supporting operating leverage, its continued focus on differentiated products and experience, along with a better sales mix, has contributed to gross margin expansion. On the other hand, Opex needed to increase brand awareness, especially in new operating regions, along with expenses needed for the e-commerce platform —which in our view is impacted by the lower sales scale and thus operating leverage—, and high labor expenses given its more specialized workforce, has been impacting EBIT margin, where it lags Walmex.

Figure 20: Gross Margin
(%, April 2024)



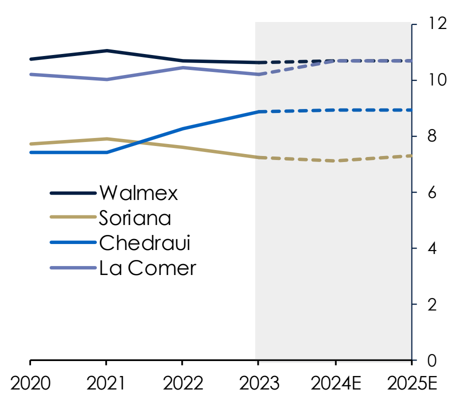
Source: Company reports, Actinver.

Figure 21: EBIT Margin
(%, April 2024)



Source: Company reports, Actinver.

Figure 22: EBITDA Margin
(%, April 2024)

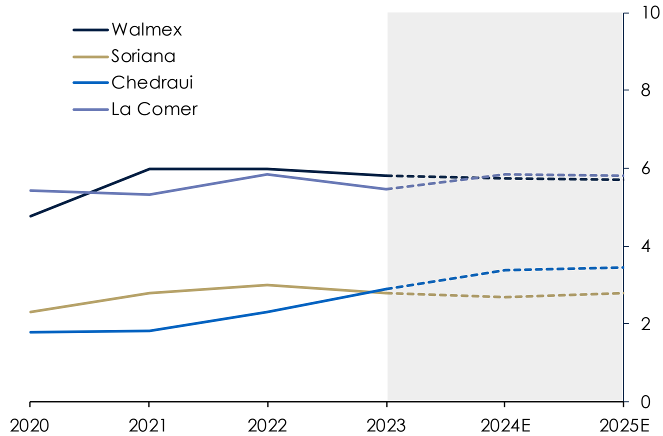


Source: Company reports, Actinver.

Chedraui, in our view, is a solid example of solidly growing organically, and inorganically, while improving its profitability faster than peers. Despite the labor cost headwinds faced across the industry, the company has been able to more than offset this pressure amid better operating leverage, inventory management and operating efficiencies.

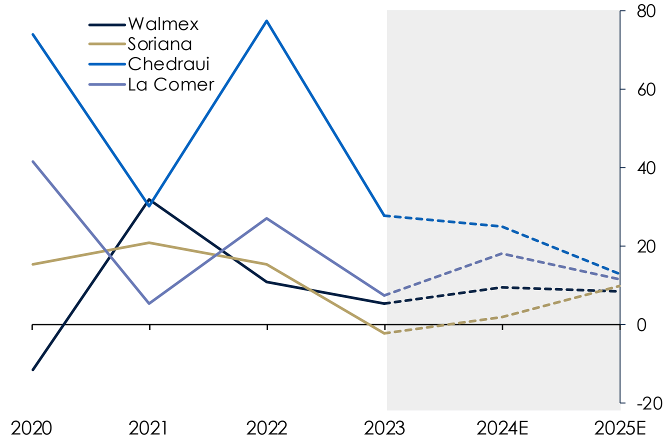
Walmex has been benefitting from relatively new, non-retail, business segments that have healthy growth and margin levels. This type of businesses, such as Walmart Connect, Bait and Financial Services, have allowed the company offset SG&A pressure, and we expect this to continue.

Figure 23: Net Margin
(%, April 2024)



Source: Company reports, Actinver.

Figure 24: Net Income YoY
(%, April 2024)

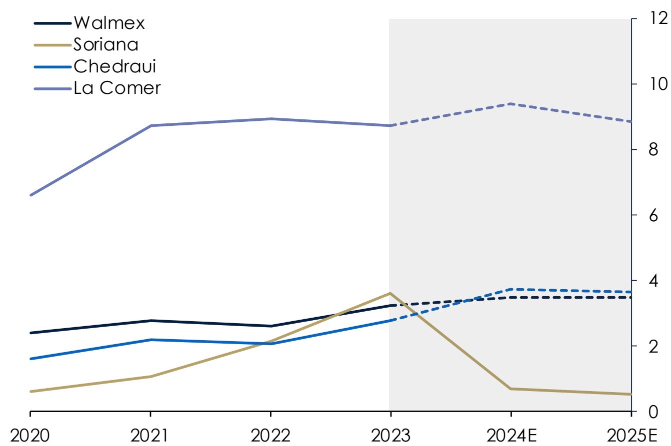


Source: Company reports, Actinver.

Cash Generation

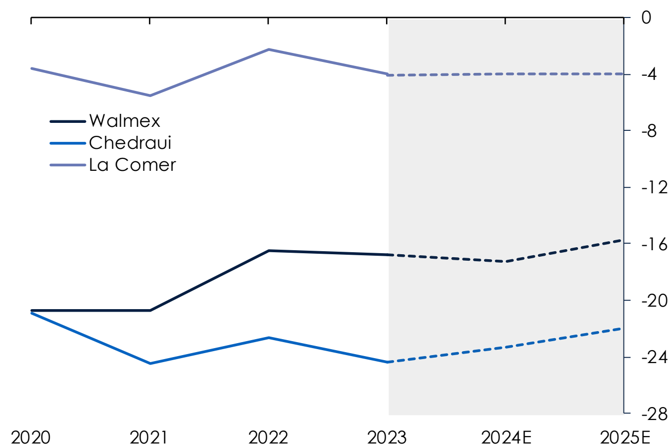
Within our coverage, Chedraui leads in terms of cash conversion given a favorable working capital performance and lower Capex needs as a % of sales, offsetting its lower profitability levels vs peers; meanwhile, La Comer lags Chedraui and Walmex in both metrics. Chedraui's strong performance at the working capital level is mostly driven by its better inventory turnover vs peers. We expect these mostly positive trends to continue for our covered players.

Figure 25: Capex as % of Sales
(%, April 2024)



Source: Company reports, Actinver.

Figure 26: Cash Conversion Days
(Days, April 2024)

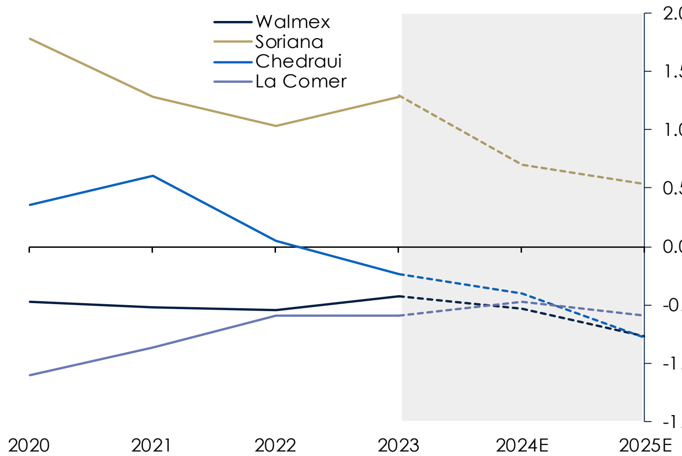


Source: Company reports, Actinver.

Leverage

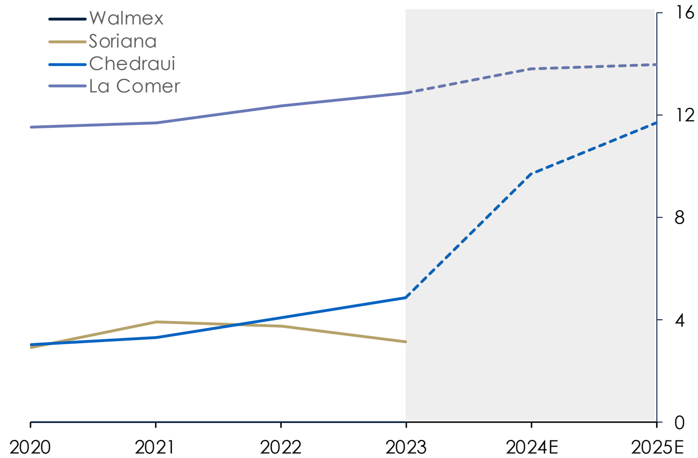
Of our supermarket coverage, **Chedraui** is the only company with debt, yet its cash balance has surpassed its debt level since 4Q23; we expect the company to keep its net cash balance given its healthy cash generation, as aforementioned. The company has a AA+(mex) Fitch rating.

Figure 27: Leverage
(Net Debt/EBITDA x, April 2024)



Source: Company reports, Actinver.

Figure 28: Interest Coverage
(%, April 2024)

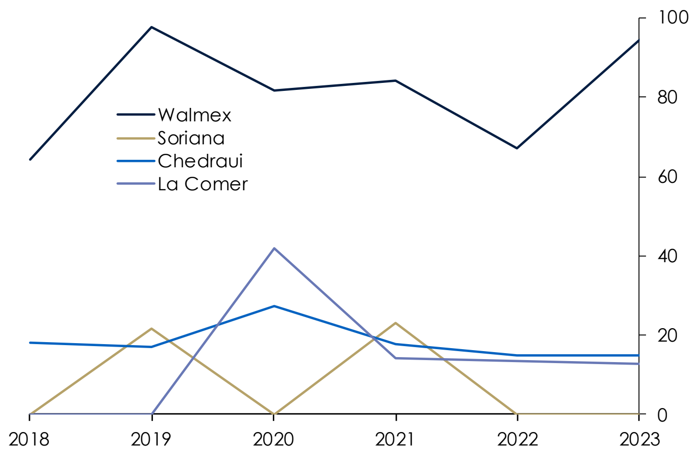


Source: Company reports, Actinver.

Dividends

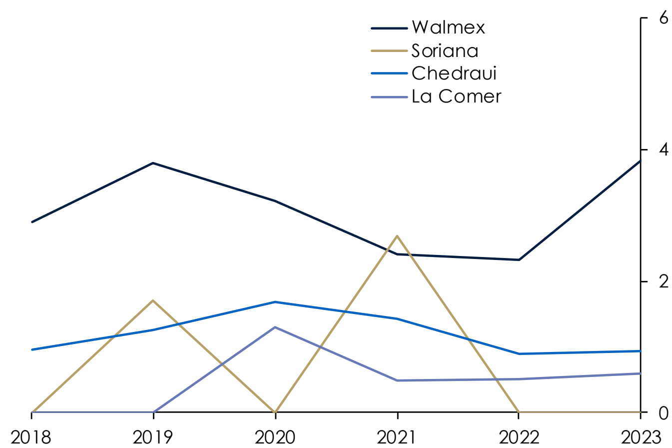
From a dividend payout and yield perspective, Walmex is the clear leader, with Chedraui and La Comer following; Walmex's dividend payout has been on average 80%, vs almost 20% for Chedraui and almost 15% for La Comer. The 3 companies have nonetheless been stable dividend payers throughout the last years, and we expect this to continue amid stable cash generation. We nonetheless see organic growth as a priority for our covered players that could prevent them from increasing the dividend payout, which for Walmex is already at high levels.

Figure 29: Dividend Payout Ratio
(%, April 2024)



Source: Company reports, Actinver.

Figure 30: Dividend Yield
(%, April 2024)



Source: Company reports, Actinver.

Operations & Strategy

In terms of units and sales, Walmex is the leading supermarket company in Mexico, and a solid player in the omnichannel field. While Soriana is the second largest supermarket company, Chedraui has been closing the gap, while also growing its U.S. exposure. Nonetheless, a full unit breakdown reveals the different strategies followed by these companies, as seen in Figure 13: While Walmex and Soriana have a nationwide presence in Mexico, **Chedraui** operates in 25 states of the country —adding 2 more states in the Northwest of Mexico where they operate via a JV after the Smart & Final acquisition—, and **La Comer** in 16 states. When the La Comer spinoff took place, slightly over 80% of its stores were located in the metropolitan area of Mexico City, while as of December 2023, the company had almost half of its stores in other states, given its efforts to enter new markets. Average ticket at La Comer was of P$469 in 2023, and share of food products stood at 81.5% in the same year, and we estimate that these are higher than for most peers.

Figure 31: Walmex Mexico Operations
(May 2024)

Source: DENUE, INEGI, Company reports, Actinver.

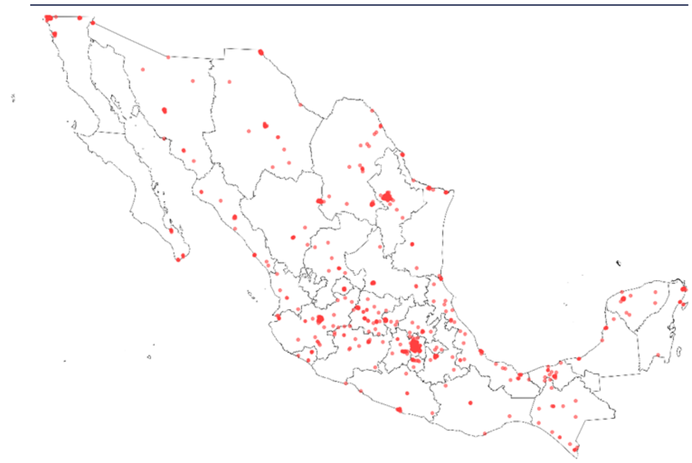
Figure 32: Chedraui Mexico Operations
(May 2024)

Source: DENUE, INEGI, Company reports, Actinver.

Figure 33: La Comer Mexico Operations
(May 2024)

Source: DENUE, INEGI, Company reports, Actinver.

Figure 34: Soriana Mexico Operations
(May 2024)



Source: DENUE, INEGI, Company reports, Actinver.

Supply chain and investing in automation

Chedraui has 8 distribution centers in Mexico, and 8 in the U.S., although the company is expecting some consolidation of 5 distribution centers into 1; we expect some noise given employee pushback amid expected layoffs. **La Comer** meanwhile has 3 distribution centers.

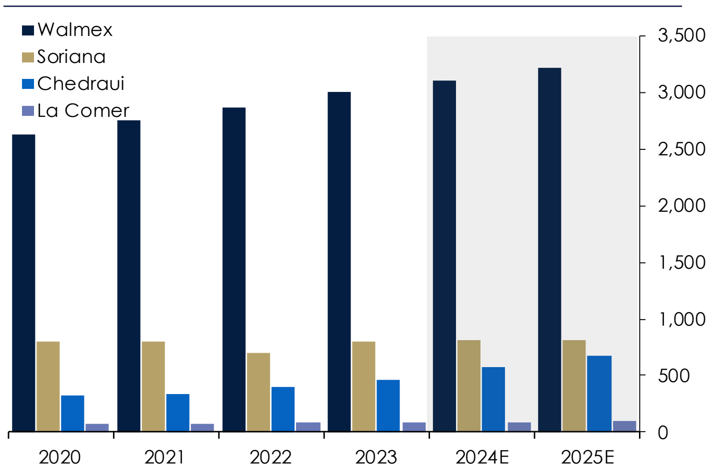
Walmex has 32 distribution centers, out of which 21 are in Mexico, and is currently building its 33rd. Additionally, it has been building delivery stations in Mexico to substitute 3rd-party last-mile logistics, reaching 7 stations in the country. Supported by its scale of operations and know-how transfer from its parent company Walmart, Walmex has also been investing in automation across its operations, and expects to have fully automated distribution and fulfillment centers in the long run. At the store level, already 650 units have self checkout. We expect this trend to continue not only at this company but within other players as labor costs in Mexico continue mounting up.

Prices, socioeconomic targets, and proximity

Walmex (via Bodega Aurrera) and Chedraui have been outperforming peers in the low-end segment, yet Walmex has been facing problems as the price gap vs peers is not necessarily being fully perceived by consumers; therefore, Walmex has been working on measuring and improving price perception (120bps YoY gain in FY23). Leveraging on their scale, large supermarket companies can invest in private labels and low prices, further driving market share gains and a higher scale, leading to a virtuous cycle. To win in the low -end segment, Walmex is also working on improving the fresh penetration, experience and quality, which in our view remains a key differentiator for the covered supermarket companies vs hard discounters.

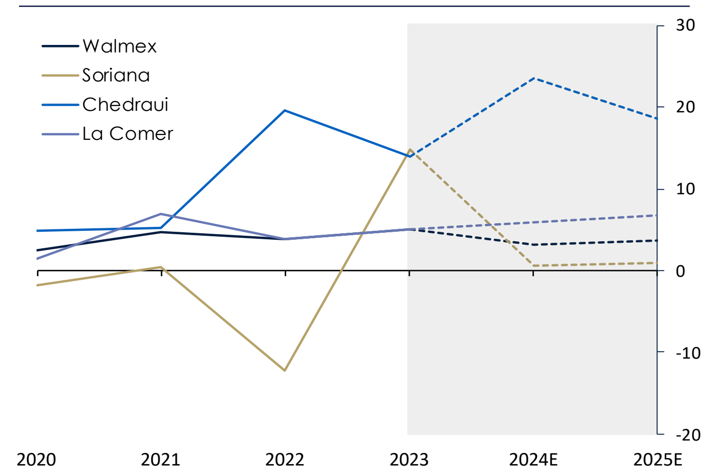
While the low-end and medium-end segments are in our view highly penetrated —as expected given socioeconomic classes in Mexico—, **competition in the high-end segment remains in the hands of two players: Chedraui (with the Selecto format) and La Comer (with the City Market format).** Walmex's recent conversion of its Superama stores into Walmart Express has been in our view a failed move, and the company recently acknowledged this as it works on revamping this converted format. Therefore, **Chedraui and La Comer have further room to grow, with some particularities: while the former has a wider presence across the country, it still lacks operations in some regions with high household incomes such as the North part of Mexico, and La Comer on the other hand has some presence already in Nuevo Leon, yet it has a lower scale and its City Market format takes more resources and time to open.** Additionally, La Comer is the retailer within our coverage with a focus on the medium and high socioeconomic classes, with affordability not a priority, contrary to other supermarket companies. For example, in the company's high-end format, City Market, around 25% of its groceries are imported, which is usually associated with a higher-end value proposition.

Figure 35: Total Stores in Mexico
(Units)



Source: Company reports, Actinver.

Figure 36: Total Stores in Mexico YoY
(%)



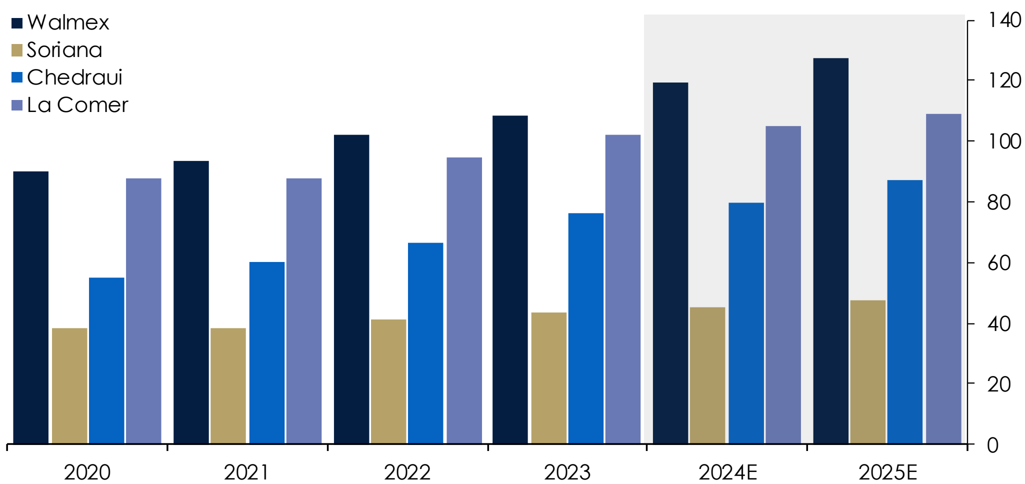
Source: Company reports, Actinver.

Another trend that has been widely explored is getting closer to the customers by opening smaller stores with an assortment that was initially related to affordability, but that has shifted towards different pricing ranges and product offering. **This proximity store retail**

trend could in our view gain some market share from convenience stores and supermarkets, with increasing competition across the different socioeconomic levels, and we see **Chedraui** —via low and high-end proximity store formats such as Chedraui Supercito and Supercito Selecto, respectively— and **Walmex** —via low and medium-end stores such as Bodega Express and Walmart Express, respectively— as solidly positioned. On the other hand, we don't see La Comer approaching the highest end segment with a small size City Market, yet renewed interest in Sumesa could drive the company's proximity exposure.

In terms of **sales per sqm**, we see Walmex accelerating its gap vs La Comer, while Chedraui is closing the gap vs the latter. Walmex and La Comer in the leading positions is expected to remain unchanged, the former aided by its wide array of services beyond groceries retail, and the latter aided by its high-end value proposition.

Figure 37: Sales per sqm in Mexico
(P$000/sqm, April 2024)



Source: Company reports, Actinver.

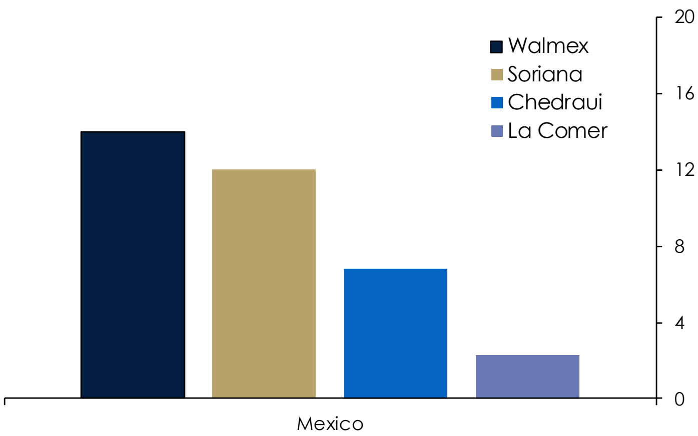
In the low-end segment, Chedraui and Walmex are positioning themselves to compete with the aforementioned hard discounters and traditional mom & pops, especially given Tiendas 3B's (TBBB US, not covered) aggressive openings pace. This low-end segment is a room for opportunity to grow private label penetration, as explored in the following section. In 2024, for example, Chedraui plans to open 100 Supercito stores, while Walmex we also expect Walmex to accelerate its Bodega Aurrera Express openings. **Overall, we see meaningful room for growth for our covered companies in the proximity format given a better product offering —especially with fresh categories— and profitability levels vs hard discounters, although improving price perception could be a challenge, and growing private label penetration, which in turn improves affordability, remains an area of opportunity.**

Private label penetration

Growing private label is a pillar of affordability and market share performance in Mexico. We see the four companies investing heavily in private label penetration, with La Comer and Soriana lagging.

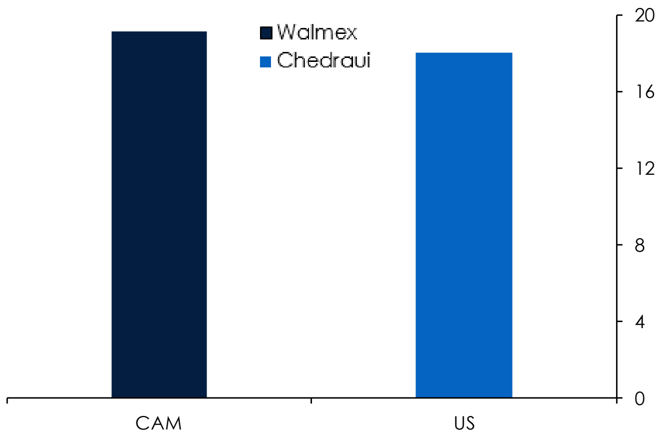
In 2023, **Chedraui** posted a private label penetration of 6.8% in Mexico, of 30% in Smart & Final, 2.1% in El Super and 3.9% in Fiesta. The latter two formats clearly lagging, while the recent acquisition of Smart & Final in the U.S. boosted the company's private label profile in its operating regions; the company has been piloting selling these S&F brands in Mexico.

Figure 38: Private Label Penetration Mexico
(%, 2023)



Source: Company reports, Actinver.

Figure 39: Private Label Penetration International
(%, 2023)



Source: Company reports, Actinver.

La Comer has a lower private label penetration at 2-3% of total sales vs peers but has been working on improving penetration, specially since 2023. Similar as the company's overall strategy, differentiation is key at the private label segment.

In its recent investor day, Walmex emphasized its focus on private labels as a part of its EDLP strategy, reaching a 14**.0%** share penetration in Mexico and a 19.2% penetration in CAM. In coming years, Walmex plans to double its private label penetration, partially aided by Wamart's global sourcing infrastructure and Bodega Aurrera's growth, although a specific timeline hasn't been provided; in 2023, already 45% of the company's customers in Mexico purchased at least one private label product when visiting its stores.

International exposure

Within the top 4 retailers, Chedraui and Walmex are the only players that have ventured abroad. Chedraui has been expanding its U.S. presence via organic and inorganic growth, and now operates c.380 stores in Arizona, California, Nevada, New Mexico and Texas, under 3 different banners. Additionally, we highlight that Chedraui's Smart & Final format also serves business clients —e.g., restaurants, etc.—, beyond the usual targeted households; these businesses account for 29% of sales, while households account for a 71% proportion. Additionally, Smart & Final's shoppers include non-Hispanics, and medium-to-high-end socioeconomic classes, thus further diversifying its customer base.

Walmex meanwhile operates in Central America —Costa Rica, Guatemala, El Salvador, Honduras and Nicaragua—. Nonetheless, the company has been considering different strategic options for these operations, which could range from a total to a partial sale, yet no updates have been provided. Some of the highlights of this region is that private label reached a 21.6% penetration in the discount format, profitability continues to improve, and financial services such as remittances and monthly installments represent another relevant business opportunity. Walmex's discount format, Palí, is the company's focus in the region. Additionally, Walmex plans to accelerate to 2x store openings per year in the next 5 years (c.200 stores), and to reach a 26% private label penetration; investment in supply chain (e.g., distribution center) is also expected to accelerate. Omnichannel in the region is still low, at a 3.4% sales penetration in the Walmart format, which we attribute to the low-end segment exposure.

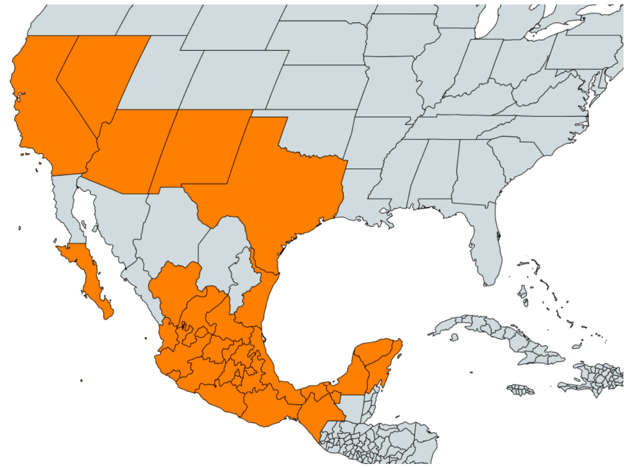
Overall, we see Chedraui as the best positioned supermarket player to continue expanding abroad, with Walmex focusing more on their Mexican operations for the longer

run. For La Comer, meanwhile, venturing outside of Mexico could be the driver of unit growth that the company is lacking in Mexico.

Figure 40: Walmex Consolidated Operations

Source: Company reports, Actinver.

Figure 41: Chedraui Consolidated Operations



Source: Company reports, Actinver.

E-commerce

From an e-commerce perspective, given its scale and high commitment to invest in the space, **Walmex** is a clear leader. The company ended FY23 with a 6.8% online penetration in Mexico (as a % of GMV), a 23% YoY growth, with marketplace (3P) the main driver adding over 9mn SKUs vs FY22, 2x higher YoY. The company plans to leverage Walmart's technology, developing a platform to integrate sellers and SKUs across the U.S., Canada and China, along with a better user experience throughout the shopping process. Nonetheless, Walmex's e-commerce penetration is still below its previous double-digit ambitions; the company is taking actions to grow faster, yet it hasn't committed to a new target, as the company prefers to sacrifice some growth at the expense of creating a profitable and sustainable business for the long run.

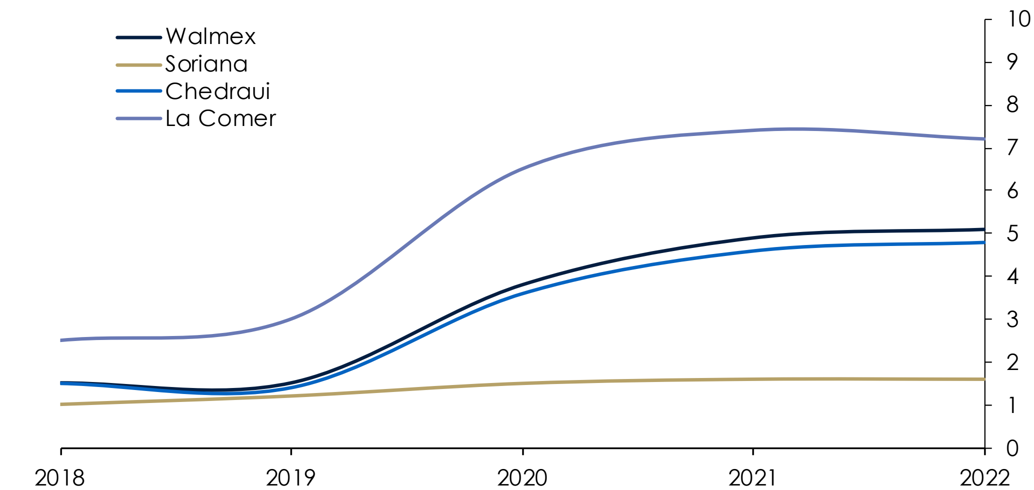
As the company strengthens omnichannel capabilities, Walmex added over 1,200 on-demand stores last year, and now covers all Bodega stores. Supported by its more than 3,000 POS across the country —with 88% of its clients having a Walmex store within a 10-minute distance in the country's largest cities—, and the 124mn visits in digital platforms. While on-demand targets a same-day delivery, the company is further working on delivering orders in less than 90 minutes, further aided by its heavy investments in last mile capabilities.

Some competitive advantages of brick & mortar supermarkets vs pure-online retailers are the ability for customers to select at-store fresh products and to return items. Walmex is further working on implementing omnichannel return initiatives, with a target to implement a less-than-2-minute return at any of its stores. Additionally, Walmex is planning to accelerate its Walmart Pass penetration, —which accounted for 35% of on-demand sales at Walmart Supercenter and Walmart Express—, expanding its service for greater adoption. With this subscription, customers have access to unlimited deliveries with certain conditions. In our view, advertising and customer awareness of this program has declined, yet we see high potential if Walmex improves its go-to-market approach.

Chedraui has been investing in its online business in both Mexico and the U.S; we see more room for growth in the latter as the company invests in driving online traffic and sales.

La Comer posted a 7.2% online penetration in FY23, and has remained within similar levels since 2H21. In our view, La Comer's healthy e-commerce penetration despite its lower scale vs peers is a reflection of the company's strategy of targeting medium-to-high-end socioeconomic segments.

Figure 42: E-Commerce Penetration in Mexico
(%, 2023)



Source: Company reports, Actinver.

Real Estate

Chedraui has a Real Estate division managing the company's owned and leased properties, including its own stores in Mexico. This division accounts for only 0.5% of consolidated revenues in FY23, and 3.6% of EBITDA, given its higher profitability vs retail operations. The company's leasable sales floor reached 438,321 sqm in FY23. **La Comer** rents 383 retail spaces in 10 shopping centers where its stores are located generating c.P$359mn in revenues in FY23, fairly 0.9% of its consolidated revenues. The company closed FY23 with an occupancy ratio of 97.3%, an improvement vs the 90-94% levels in 2021-22. Details on Walmex's real estate operations are not disclosed.

Other businesses: Connecting the dots

For some years, retailers across the world have been diversifying their revenue streams, in an effort to seize a higher share of their customers' wallets, and leveraging their brick & mortar presence and reduced acquisition costs. Additionally, growing omnichannel capabilities has led them to offer more digital services beyond retail. In Mexico, **Walmex** has been a clear leader, supported by the know-how transfer from Walmart U.S., its leading scale, and heavy investment throughout the years in different business lines. For the past 2 years, the company has been piloting, in 3 states in Mexico, connecting the customers' different transactions by asking them for their phone numbers. To foster loyalty and stickiness, Walmex is rolling this program on a nationwide basis in 2024, to be integrated to Luminate, a new platform for deeper customer insights that will be available to Walmex's suppliers.

Financial services

Walmex's first efforts in building a digital wallet and a financial ecosystem weren't attracting customers; the company launched Cashi, a closed digital wallet, in 2018, and has reached over 4mn users. Previously, Walmex had a bank business with 1.5mn clients, a credit portfolio of over P$5bn, and a P$2.1bn equity, sold to Banco Inbursa (GFINBURO MM, not covered) in 2015; we see the company's current strategy as different, given a more asset light view with a focus on fostering sales. **The company's most recent relaunch of Cashi has nonetheless been more successful**, with a total processed value c.3x higher YoY in 4Q23. The company's acquisition of Trafalgar —a payment app with financial service licenses that supplements Walmex's needs— in 2Q23 further aligns with the company's plans to become a relevant player in the financial services field. Trafalgar has authorization is operating as an IFPE, or Institución de Fondos de Pago Electrónico, which allows it to issue, administer, redeem and transmit electronic payment funds via digital platforms and other electronic or digital means of communication.

Cashi has now evolved into an open platform, with planned new digital and physical cards, connected to the SPEI payment network, and features as a level 2 account, i.e., customers can receive up to P$24,000 per month. Additionally, the company is implementing its Every-day-low-installments program, allowing customers pay for their purchases with low installments, similar to what Coppel and Elektra (ELEKTRA* MM, not covered) have been successfully doing for years. **Given the company's progress and plans on increasing its access to customers' data, we see the company's financial arm as a solid enabler in the future.**

Remittances is another field where Walmex is planning to leverage its parent company's U.S. store network and new Cashi features, with transactions growing 10% YoY. The company comments that around 15% of remittances collected at its stores are spent there, and enabled over 1.5mn customers to collect their remittances through its network in 2023.

In FY23, Walmex granted over 500k credits; while loan amounts remain relatively low (initially starting at P$2,000 and subsequent reaching up to P$18,500), we see the potential to further increase growth and penetration.

Walmex's parent company already invested in a fintech startup in India, PhonePe —a highly successful mobile payments company—, expanding into the insurance and wealth management businesses.

Chedraui isn't investing in creating a financial services arm, although it has recently announced an agreement with Banco Santander México to enable over 450 stores as correspondent banks.

The financial services space had already been untapped by other retail players. Grupo Salinas' Baz, FEMSA's Spin, and MercadoPago of Mercado Libre, are some of the leading options; we see FEMSA's Spin as particularly a strong competitor given its 21k OXXO stores in Mexico and 12mn daily customers, vs Walmex's less than 3k stores and 5mn daily customers.

Telecom services

In Mexico, mobile penetration stands at 78%, while home internet penetration at 57%. **Walmex's** Bait business represents the company's efforts to provide telephone and internet services to its customers. Given the company's high exposure to Bodega Aurrera's customers, which tend to have lower internet penetration, improving their connectivity could further foster online sales. **In FY23, Bait active users reached 11.8mn (vs 2.3mn in 2021), becoming the leading MVNO, after only 4 years of operation.** As prices remain lower vs the industry —with some internet packages offering 7x more MBs for the same price as competitors—, we expect more contribution from this business at the user growth level vs at the revenue or profit level. The company's initial steps into this business weren't successful, but its growing scale, lower advertising budget, and solid valuable proposition, has led Walmex to a more upbeat stance on the business, highlighting that its scale will contribute to monetization. According to the company, Bait users visit the stores 20% more per month vs non-users. **We remain neutral about its profitability potential in the short-to-medium term, as telecom services over the long run have been facing steeper competition and lower prices, yet Walmex has other venues to profit from this business.**

Retail media

It was a matter of time until retailers started to monetize their scale and omnichannel exposure and capabilities via selling advertising services to its sellers; additional expenses are low compared to the revenue stream potential, in our view. Following Walmart's capabilities in the U.S., **Walmex's** retail media arm —branded as Walmart Connect— launched in 2019, reached c.P$3bn in sales in FY23, a 34% YoY growth, becoming a top-5 media player in Mexico; additionally, the company had over 600 advertisers and over 7,600 campaigns in 2023. Walmart's global ad business has already reached US$3.4bn in revenues, 33% YoY, and is expected to represent 20% of annual operating income in FY25. **We see high potential in the space** and while other companies such as Amazon and Mercado Libre have been offering these services for years —both of them successfully in different regions—, **Walmex's appeal as the largest brick & mortar supermarket with fully omnichannel capabilities —beyond retail— brings a value proposition strong enough to capture a relevant share of its sellers' wallets.** The company plans to grow Walmart Connect's revenue 4x over the next 5 years, further supported by the launch of Walmart Luminate.

Health memberships

In Mexico, fairly half of the population doesn't have access to public health services. **Walmex** has also been working on this field, with 1,500 pharmacies and 500 doctors' offices within its Mexican store network —serving c.1mn patients in Mexico as in 2023 and selling over 1mn memberships—, along with online consultations; throughout the last years it has also grown its private label within medicine, Medimart. **We overall remain cautious about Walmex's Health business, despite the company's plan to double the business in the next 5 years.**

We acknowledge that as in other businesses, the company's scale remains unparalleled, having reached 1.2mn customers with its health membership, yet this business P&L could still be far from breaking even; Walmart U.S. recently dropped its efforts in this business after announcing that it wasn't a profitable nor sustainable business. We don't necessarily see this as a harbinger for Walmex, yet is not a positive sign if the market was expecting at least some know-how transfer in this business ——given very different health service conditions in Mexico and the U.S., the business strategy in the former was still going to be hard to fully replicate—. **We see ticket and traffic growth as the main reasons for companies like Walmex venturing into this type of business.**

Risks To Our Investment Thesis

Adverse macroeconomic conditions

Consumption in Mexico has been fairly resilient, yet if high inflation persists, we expect consumers to be more selective on their spending. This could increase competition, impact sales growth and reduce margins. Additionally, consumers that depend on remittances could see their spending power reduced if the MXN remains strong vs the USD.

Increased competition

We see the supermarket environment in Mexico as highly competitive, with 4 leading supermarket chains (Walmex, Soriana, Chedraui and La Comer) covering most of the country, and regional players (e.g., H-E-B, Calimax, Casa Ley, Al Super and S-mart, among others) that have a strong foothold in specific areas. Added to that, proximity and low-end formats have faced increased competition from hard discounters (e.g., Tiendas 3B, Grupo Salinas's Tiendas Neto and FEMSA's Bara) and cash & carry (e.g., Sahuayo, Scorpion, and Zorro, among others). Additionally, the region has a strong informal market that competes with the covered companies' low-end formats. We expect this particular space to remain increasingly competitive, as consumers fight inflation by spending less in groceries and more in out-of-home consumption.

Shift in consumer habits

While supermarkets tend to be fairly resilient in terms of consumption trends, a meaningful shift could lead to investment being unaligned with consumer preferences, and therefore market share losses.

Trying too much, all at once

Companies that are diversifying their operations beyond retail could be forfeiting share of their supermarkets business, as well as investing too much on dilutive businesses; from an investor standpoint, this could also lead to capital allocation concerns. For example, Walmex has been investing in a wide array of businesses, reviewed throughout the report, yet its Walmart Supercenter, Walmart Express and 1P e-commerce businesses are areas of opportunities.

Increasing labor costs

As many other Mexican companies throughout the last years, retailers have faced increasing labor costs partially pressuring margins. We expect this trend to continue in the new administration, although supermarket companies have proved to be fairly resilient given their less discretionary appeal. As families earn more income, they can afford some trade up within groceries, nonetheless, we see a limit as meaningful wage increases could lead to a shift towards discretionary items more than continued spending in consumer staples, in our view.

Sociopolitical and macroeconomic conditions

Amid the upcoming change in administration in Mexico, we foresee some uncertainty regarding political, economic, legal and regulatory conditions with the new government. Additionally, FX volatility and high inflationary environments could impact results from CAM, along with upcoming elections in the U.S. and in other countries in coming years. Furthermore, sociopolitical protests could lead to rioting, impacted stores and temporary closures.

Regulation on prices

Retailers, especially in the consumer staples categories, could face government pressure or regulations to control prices of basic basket products. This could lead to increased competition and higher reliance on private label product offering.

Extreme weather events

Recently, extreme weather events have been more frequent and impactful, which could lead to temporary closures and impacted customers and employees. In 2023, for example, Hurricane Otis severely impacted the Acapulco region, with companies facing one-off costs.

Supply chain risks

Some of the aforementioned risks could lead to an impact to supply chain, leading to product shortages, higher logistics costs, and potential market share losses when a retailer is unable to fulfill customer needs.

Cybersecurity risks

With companies increasingly gathering consumer data and supporting a wide array of transactions beyond retail, data protection becomes more important and any cybersecurity breach could lead to a reputational impact and economic losses.

Company Profiles

Chedraui

Chedraui is leading company in the Food retail sector in the U.S. and Mexico, the former being run under Chedraui USA, of which Grupo Chedraui owns a 90% stake. Additionally, Chedraui has a real estate division operating shopping centers. In Mexico, Chedraui operates in c.25 states, mostly in the Center and South regions of the country, while in the U.S. it operates in 5 states, mostly in the Southern region. The Chedraui family has a c.74% share of the company.

Brief company history

The first Chedraui hypermarket was established in Veracruz, Mexico, in 1970, after the Chedraui family had already been selling apparel and textiles for 5 decades. In 1985, after years of expanding its self-service offering, the company started to open shopping centers in Mexico, and in 1997 it opened its first El Super store in LA, California, focused on the Hispanic consumer —primarily Mexican-American—, after a prior investment in the region. Throughout 2005-12, the company continued expanding organically and inorganically in Mexico and in the U.S. In 2010, the company filed its IPO.

In 2018, the company's U.S. business acquired Fiesta Mart, growing considerably its exposure in the country within the Mexican-Americans segment. Recent acquisitions include Smart & Final in the U.S. in 2021 —leading to fairly double its U.S. exposure, representing over 50% of its consolidated sales—, and Arteli in Mexico in 2022. As of year-end 2023, the company had 68.8k employees.

Management and Board

José Antonio Chedraui Eguía is the company's CEO since 1995. Before stepping in as CEO, Mr. Chedraui was a director of the department store division Galas, that was later divested by the company in 1997.

Humberto Tafolla is Chedraui's CFO since 2018, previously working at Industrias Mabe.

Carlos Smith is the head of Chedraui's U.S. operations since 1997, and has been working at the company for over 30 years, previously in strategy and logistics.

Alfredo Chedraui Obeso is the company's Chairman of the Board since 2010, and one of Chedraui's founders when it became a public company.

ESG

In 2023, 66.8% of the company's energy consumption was generated by wind sources, and 1.2% from solar panels. Additionally, in the same year, Chedraui reduced its water consumption by 7% YoY.

In 2022, Chedraui's carbon footprint reached: 204.1 tons of CO_2 under scope 1, 246,210 tons under scope 2, and 177,000 tons under scope 3. Total scope 1 increased 4% YoY, while scope 2 emissions grew 3.4x. In the Smart & Final format, scope 1 and 2 emissions reached 16,642 and 86,962 tons of CO_2, respectively, fairly flattish YoY.

Growth profile

For FY24, Chedraui guided the following:

- Mexico:
  - SSS growth of 6-7%, and total sales growth of 9-10% YoY.
  - Salesfloor expansion of 4.6%, supported by 7 new Chedraui Stores, 3 Super Chedraui and 100 Supercitos.
  - 2021-24 sales CAGR of close to 14%.
  - EBITDA margin expansion of 0-10bps.
- Chedraui USA (in USD):

    - SSS growth of 2-3%, and total sales growth of 3.5-4.5%. YoY in USD.
    - Salesfloor expansion of 1.7%, supported by 4 new El Super, 1 Smart & Final, and 1 Fiesta Mart.
    - 2021-24 sales CAGR of 21% (in USD), including the Smart & Final acquisition.
    - EBITDA margin expansion of 0-10bps.
- Real Estate: flat EBITDA margin.
- At a consolidated level:
    - Salesfloor expansion of 3.6%.
    - EBITDA margin expansion of 0-10bps.
    - Capex of about 3.8% of consolidated sales.
    - Net Debt/EBITDA of –0.4x by the end of 2024.
    - ROIC and ROE to improve YoY.

Compared to the company's guidance, we are slightly more cautious on U.S. sales growth (excluding FX).

Dividends

Chedraui has been a stable dividend payer, with an average dividend payout of 20% since 2020. The company is expected to pay a DPS of P$2.23 in 2024.

Company specific risks

Within our retailer coverage, Chedraui is the most exposed to FX risk given its high share (slightly over 50% of sales) of USD-denominated sales. As a result of the MXN appreciation vs the USD, USD-denominated sales have impacted consolidated growth. Additionally, its relevant U.S. exposure leads to macroeconomic risks that peers in Mexico don't face.

La Comer

Contrary to other covered supermarket companies, La Comer's physical presence is highly skewed towards the Center of Mexico, with fairly half of its units in the metropolitan and nearby regions. Additionally, since its inception, La Comer has catered medium-to-high end consumers. The company's capital stock is represented by 4,344mn Series B (with voting rights) and Series C shares (no voting rights), which are grouped in 1,086mn linked units; each of these linked units comprises 3 shares. Controlling shareholders have 54% of La Comer (via UB type units, which are comprised of 3 Series B shares), while public shareholders have 46% (via UBC units, comprised of 3 Series B shares and 1 Series C share).

Brief company history

La Comer started operations in January 2016, as a spinoff of Controladora Comercial Mexicana (CCM). Soriana acquired the majority of CCM stores for P$39.2bn, with the remaining, best performing stores —City Market, Sumesa, Fresko, all in 54 stores, less than 30% of the total—, being part of the newly formed company, La Comer, along with a new format named after the company. When this spinoff took place, City Market had an EBITDA margin of 12%, Fresko of 9-10%, and Sumesa of 9.5%. Of the newly created entity, 57.27% of the stock belonged to major shareholders, and 42.73% free float.

CCM was founded in 1930, as a textile store in Mexico City. The company's new self-service store added perishables and general merchandise, a model expanded in the following decades. In 1991, CCM filed for its IPO and started trading at the MSE. In the 2000s, the company launched its City Market (2002) and Fresko (2009) formats, in an effort to offer a more differentiated value proposition. In 2015, the company decided to divest its restaurant business and most of its stores, leading to the creation of La Comer. As of year-end 2023, the company had 16.4k employees.

Management and Board

Santiago Garcia Garcia is La Comer's CEO since its inception, previously working at Palacio de Hierro and as CEO of Comercial Mexicana. Mr. Garcia has c.45 years of experience in the retail sector.

Rogelio Garza Garza is the company's CFO since its inception, previously working in the finance and treasury departments of Grupo Alfa and Grupo Proeza.

Alejandro Gonzalez Zabalegui was recently appointed Executive President of the Board, and is a founding partner of La Comer and Gentera, among other companies. Besides his Board functions in La Comer, Mr. Gonzalez is member of the Board of Bed, Bath & Beyond (Mexico), Terrafondo and Finaccess, among others. Mr. Gonzalez has 35 years of experience in the retail sector.

ESG

The company has been working on environmentally friendly actions such as improving packaging, recycling and waste management.

Sales and Margin Performance

Growth profile

The company owns c.62.5% of its sales floor area, with the rest being leased. Additionally, the company rents 383 retail spaces within shopping centers where its stores are located.

For the coming 5 years, the company plans to open 4-7 stores per year, reaching more than 100 stores by year-end 2026 —out of which, 50% are expected to be La Comer formats, 25% City Market, and 25% Fresko & Sumesa, therefore La Comer and City Market a focus for unit expansion—. In 2024, La Comer plans to open 5 stores (3 City Markets and 2 La Comer), and to remodel 2 stores.

Dividends and share buybacks

The company started to pay dividends in 2020, after initially reinvesting its earnings in the company. In 2023, La Comer paid P$0.23 per linked unit, and is expected to pay a P$0.28 DPS in 2024.

Company specific risks

While La Comer is one of the largest supermarket companies in the country, its scale remains fairly low vs the largest peers. This could impair the company's ability to invest in areas where others have posted considerable growth and improved value proposition, such as e-commerce and private labels. Additionally, the company's focus in the metropolitan area of Mexico City could lead to higher costs and risks when opening stores in new regions where it doesn't currently operate.

Walmart de Mexico y Centroamerica

Walmart de Mexico y Centroamerica is a subsidiary in Mexico and Centroamerica of Walmart Inc (WMT US, not covered), which has a c.70% stake in Walmex, with most of the remaining 30% trading in the Mexican Stock Exchange —c.1% belongs to the personnel stock option plan fund—. With more than 3,000 stores —totaling more than 3,900 stores including the units in Central America— and c.5mn customers visiting its stores every day —added to c.1mn more in CAM—, it is the largest retailer in the country. The company's focus on Every Day Low Prices (EDLP) is further reflected in its high exposure to the low-end format Bodega Aurrera, which accounts for c.80% of its units. The company's ADR trades under the ticker WMMVY.

Brief company history

The first Aurrera store was opened in Mexico City in 1958. After adding more formats and undergoing a series of name changes, the company's shares began trading in the Mexican Stock Exchange in 1977, while operating under the name Aurrerá —to be changed in 1986 to Cifra—. In 1991, a JV was signed with Wal-Mart Stores to open a Sam's Club in Mexico, an agreement that was later expanded to other formats, with Walmart Supercenter beginning operations in 1993. In 1997, Wal-Mart Stores acquired Cifra, which remained a public company operating all the businesses in Mexico; this company was later named Wal-Mart de México, with a ticker of WALMEX in 2000 —it had already started quoting in the Mexican Stock Exchange beginning 1997—.

In 2009, Walmex acquired 100% of Walmart Centroamerica's operation, completing the transaction a year later and rebranding to Walmart de México y Centroamérica. In 2013, Walmex launched its online store. Throughout the last decade, Walmex divested different business divisions, such as its restaurant business (Vips, to Alsea, in 2014), its bank business (Banco Wal-Mart de México to Inbursa, in 2015), and its apparel business (Suburbia, to Liverpool in 2017). Additionally, this period led to new businesses such as Cashi (2018), Walmart Express (2020), Bait (2020), Walmart Pass (2021), Walmart Connect (2021 relaunch), and Health (2022), with an acquisition of Fintech company Trafalgar in 2023 —using the company's own resources for an amount of P$176.7mn, or US$9.8mn—. The company has almost 250k employees.

Management and Board

In April 2024, Ignacio Caride stepped in as Walmex's Executive President and CEO. Mr. Caride joined Walmart in 2018 as VP of e-commerce, contributing to the company's leadership in e-commerce in Mexico, as well as to the strategy of financial services including Cashi, credit and remittances. In January 2023, he became leader of Omnichannel operations. Prior to joining Walmex, Mr. Caride worked for more than 13 years at Mercado Libre, with roles including country manager of Colombia, Venezuela and Mexico.

Guilherme Loureiro, the company's former CEO (from February 2016 to April 2024), is now the Executive VP and Regional CEO for Canada, Chile and Walmex in Walmart. Mr. Loureiro joined Walmart in 2012, stepping in as Executive CEO of Walmart Brazil in 2013. He previously worked for over 20 years in Unilever. It is expected that Mr. Loureiro will be designated as Chair of the Board of Directors of Walmex in 2H24.

Paulo Garcia is the company's Senior VP and CFO since 2021. Mr. Garcia has previous experience at Ahold and Unilever, holding several finance and CFO positions across Europe.

Cristina Ronski was recently appointed the Senior VP and CEO of Walmart Central America, after leading the company's Health and Wellness business, and previously serving as CMO of Walmart Central America.

Kathryn McLay is the current Chair of the Board, member of the Board since 2024. Ms. McLay is the President and CEO of Walmart International since 2023, and priorly the President and CEO of Sam's Club for 4 years. Ms. McLay joined Walmart in 2015 as VP of U.S. Finance & Strategy.

ESG

Walmex's carbon footprint in FY23 reached: 947,450.4 tons of CO_2 equivalent under scope 1, 573,846.6 tons under scope 2, and 736,095.0 tons under scope 3. Total scope 1 and 2 emissions increased 14.1% YoY, driven by an increase in Mexico, partially offset by a decrease in CAM. Within its store footprint, it already has 106 regenerative stores, further contributing to lower Opex such as lower energy and water consumption. The company plans to transition to low environmental impact refrigerants in cooling and heating equipment in its stores, distribution centers and data centers by 2040. To reduce its scope 3 emissions, Walmex plans to electrify its fleet, including long-haul trucks, by 2040, along to work with its suppliers to reduce the equivalent of one gigaton of CO_2e in its global supply chains by 2030.

Other environmental goals are: prevent more than 90% of the waste generated in its operations from being sent to landfills by 2025; reduce food waste by 50% by 2025 (vs 2015), already surpassed in 2023; and reach full sustainable packaging by 2025 within its private label. Additionally, it has been supporting small farmers, expecting to reach more than 35k by the same year and helping them increase their income. **In 2023, Walmex reached a 78.5% progress towards its 2025 zero-waste goal.** In terms of water security, the company achieved a B rating. Additionally, in 2023, Walmex was included for the 4th consecutive year in the Dow Jones Sustainability Index.

Across the company, 55% of its workforce are women, although this proportion is below 50% at the top executives' level.

Sales and Margin Performance

Growth profile

FY24 Capex is expected to reach P$34.5bn, out of which 45% is planned for remodeling, 29% for new stores, 15% for supply chain and 11% for technology. The high remodeling share of Capex is driven by high growth in 2013 —with those openings in need of remodeling— and omnichannel needs. New stores —1,000 new stores in the next 5 years— are expected to contribute 1.4-1.6% to sales growth, with Bodega the main driver; Walmex now takes less time for these openings vs before, and will also experiment with different store sizes. Recently, the company announced that it will invest US$700mn in Guatemala in the next five years, highlighting the healthy outlook in the country given a higher proportion of Capex as a % of the country's sales, compared to consolidated figures.

As a % of sales, Capex has increased reflecting the company's need to fuel its omnichannel ambitions and other businesses' needs; for coming years, this level is expected to remain flattish.

Dividends and share buybacks

Walmex has been a stable dividend payer, and recently announced a total dividend payment of P$2.17/share, out of which P$0.99 is an extraordinary cash dividend, to be paid in November and December 2024. Additionally, the Shareholders' Meeting recently approved to restore the repurchase fund to P$5bn. The company's dividend policy of a 40% payout is mostly surpassed given extraordinary dividends.

Company specific risks

In 3Q24, Walmex was notified of an investigation by the COFECE (Mexico's antitrust authority) because of alleged abuse of dominant power. The company has replied back and as of today there's no resolution from the COFECE, expected during 2H24.

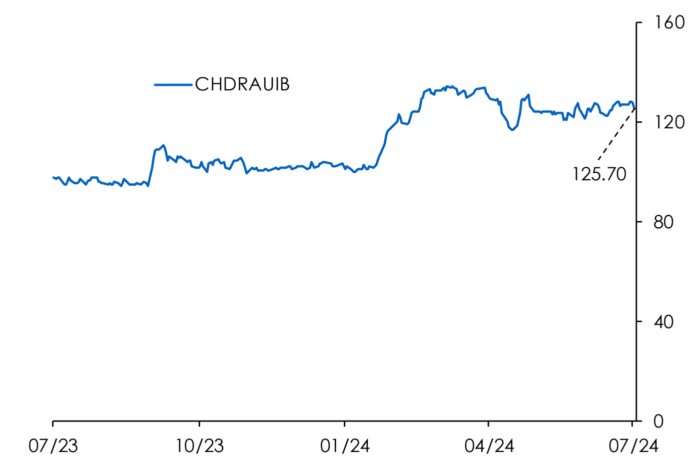
Valuation: Methodologies, Key Assumptions & Scenarios

Our **Chedraui** PT (P$160) is derived from a DCF calculation, using an 11.9% WACC —-we use a 12% cost of debt, an effective tax rate of 29.3%, a cost of equity of 12.4%, and a D/E ratio of 0.15—, accounting for the company's operations geographic breakdown.

In our upside case (P$172), we assume stronger top-line growth, albeit still representing a deceleration from previous figures. We also assume slightly better margins and working capital management, leading to better cash flow generation vs our base case scenario.

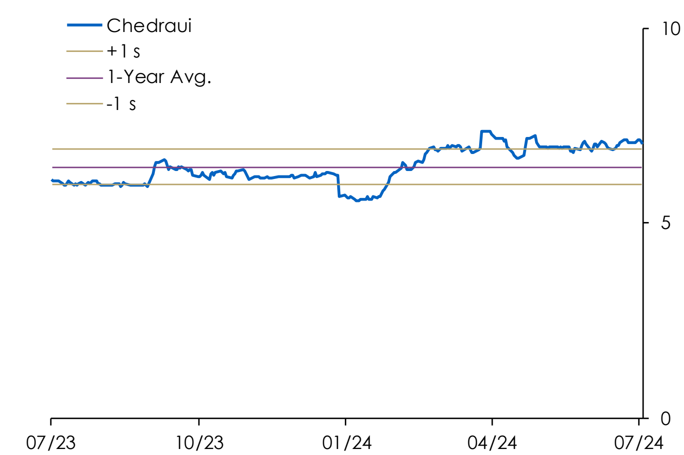
For our downside case (P$112), we assume a weaker top-line growth on the back of competitive pressures and FX headwinds, along with weaker cash flow generation vs our base case scenario on the back of working capital management, and lower profitability amid the aforementioned top-line deceleration.

Figure 43: Chedraui Stock Price
($P, L12M as of 7/5/24)



Source: Company reports, Actinver.

Figure 44: Chedraui EV/EBITDA
(x, L12M as of 7/5/24)



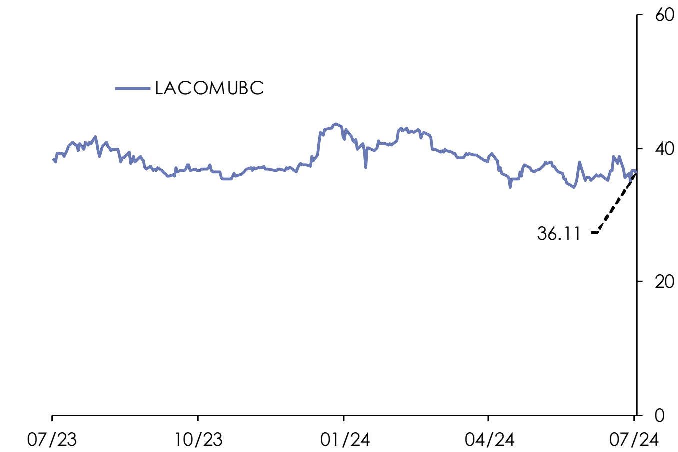
Source: Company reports, Actinver.

Our **La Comer** PT (P$40) is derived from a DCF calculation, using a 13.5% WACC —we use a cost of equity of 13.5%, and no debt in the company's structure—.

In our upside case (P$42), we assume stronger top-line growth, albeit still representing a deceleration from previous figures. We also assume slightly better margins and working capital management, leading to better cash flow generation vs our base case scenario.

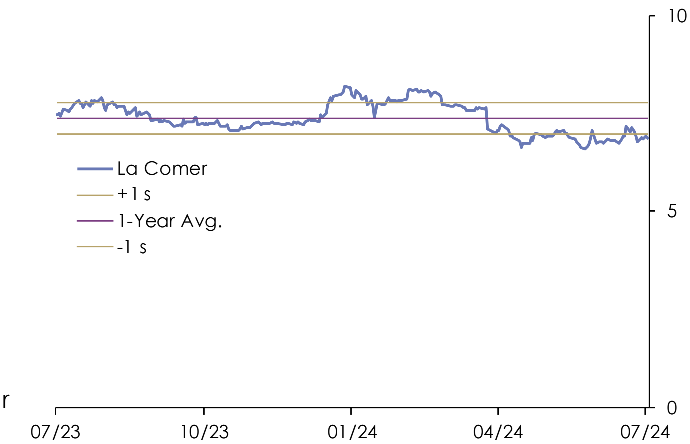
For our downside case (P$32), we assume a weaker top-line growth on the back of competitive pressures, along with weaker cash flow generation vs our base case scenario on the back of working capital management, and lower profitability amid the aforementioned potential competitive struggles.

Figure 43: La Comer Stock Price
(P$, L12M as of 7/5/24)



Source: Company reports, Actinver.

Figure 44: La Comer EV/EBITDA
(x, L12M as of 7/5/24)



Source: Company reports, Actinver.

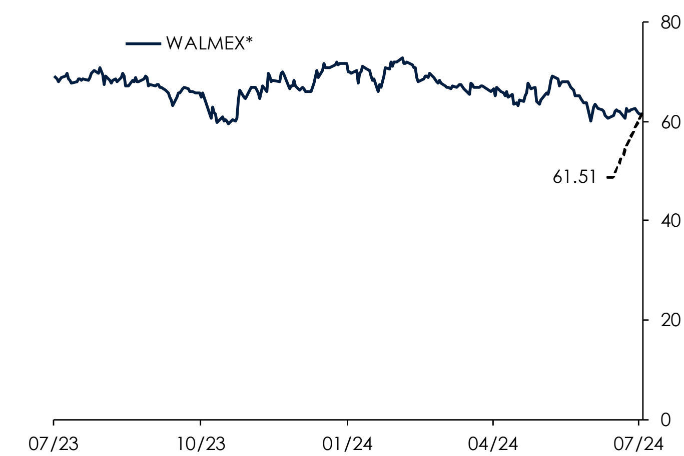
Our

Walmex PT (P$68) is derived from a DCF calculation, using a 14.3% WACC —we use a cost of equity of 14.3%, and no debt in the company's structure—, accounting for the company's operations geographic breakdown.

In our upside case (P$75), we assume slightly higher terminal growth rate. We also assume slightly better margins and working capital management, leading to better cash flow generation vs our base case scenario.

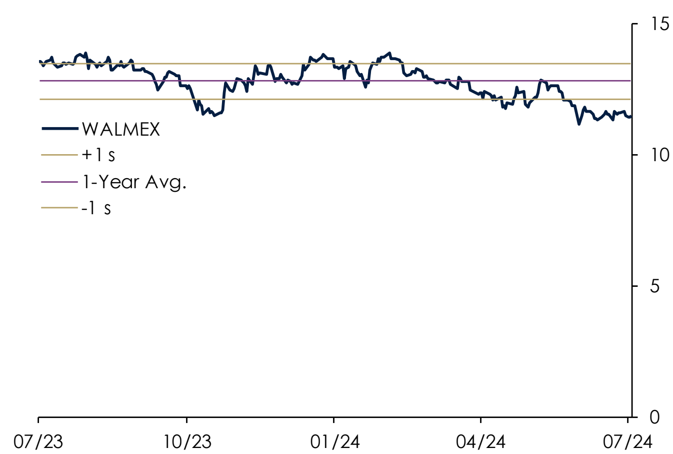
For our downside case (P$58), we assume a weaker top-line growth on the back of competitive pressures and FX headwinds, along with weaker cash flow generation vs our base case scenario on the back of working capital management, and lower profitability amid the aforementioned top-line deceleration.

Figure 43: Walmex Stock Price
(P$, L12M as of 7/5/24)



Source: Company reports, Actinver.

Figure 44: Walmex EV/EBITDA
(x, L12M as of 7/5/24)



Source: Company reports, Actinver.

Chedraui Key Stats

Income Statement and FCF

(in P$mn)	2021A	2022A	2023A	2024E	2025E	2019A-23A CAGR	2023A-27E CAGR
Revenues	$ 188,487	$ 259,326	$ 263,058	$ 282,897	$ 313,633	19.4%	8.5%
Gross Profit	$ 41,954	$ 59,300	$ 61,267	$ 66,086	$ 73,340	21.7%	8.7%
Operating Profit	$ 8,748	$ 13,746	$ 15,712	$ 17,357	$ 19,271	29.6%	9.7%
EBITDA	$ 13,988	$ 21,427	$ 23,321	$ 25,254	$ 27,995	7.2%	14.5%
Majority Net Profit	$ 3,420	$ 5,997	$ 7,645	$ 9,576	$ 10,815	0.0%	0.0%
Shares Outstanding (mn)	$ 964	$ 964	$ 964	$ 964	$ 964	0.0%	0.0%
EPS (maj.)	$ 3.55	$ 6.22	$ 7.93	$ 9.93	$ 11.22	48.6%	16.7%
Average Stock Price	$ 33.33	$ 58.58	$ 98.80	N/A	N/A		
Enterprise Value	$ 40,712	$ 57,875	$ 90,176	$ 144,529	N/A	22.0%	N/A
Total Assets	$ 141,040	$ 143,439	$ 140,238	$ 156,575	$ 171,084	12.6%	11.2%
Net Debt	$ 8,466	$ 1,116	($ 5,553)	($ 10,260)	($ 22,147)	N/A	75.9%
Controlling Interest	$ 32,543	$ 39,074	$ 45,379	$ 53,034	$ 64,619	13.4%	20.9%
Minority Equity	$ 117	$ 293	$ 495	$ 562	$ 607	151.0%	9.0%
Dividends Paid	$ 458	$ 504	$ 898	$ 2,148	$ 0	23.0%	(100.0%)
Dividend Yield	1.4%	0.9%	0.9%	0.0%	0.0%	0.0%	0.0%
Free Cash Flow to the Firm (FCFF)	$ 10,019	$ 11,037	$ 8,522	$ 7,342	$ 13,165	117.5%	20.8%
FCFF Yield	31.2%	19.5%	8.9%	4.8%			
Free Cash Flow to Equity (FCFE)	$ 16,370	$ 3,757	$ 1,678	$ 5,803	$ 8,661	N/A	81.3%
FCFE Yield	51.0%	6.7%	1.8%	3.8%			

Profitability YoY growth

	2021A	2022A	2023A	2024E	2025E	2019A-23A CAGR	2023A-27E CAGR
Revenues	28.8%	37.6%	1.4%	7.5%	10.9%	19.4%	8.5%
Gross Profit	29.6%	41.3%	3.3%	7.9%	11.0%	21.7%	8.7%
Operating Profit	26.2%	57.1%	14.3%	10.5%	11.0%	29.6%	9.7%
EBITDA	29.7%	53.2%	8.8%	8.3%	10.9%	7.2%	14.5%
Majority Net Profit	32.1%	75.3%	27.5%	25.3%	12.9%	0.0%	0.0%

Profitability margins

	2021A	2022A	2023A	2024E	2025E	2019-23A bps	2023A-27E bps
Gross Margin	22.3%	22.9%	23.3%	23.4%	23.4%	170 bps	14 bps
Operating Margin	4.6%	5.3%	6.0%	6.1%	6.1%	167 bps	27 bps
EBITDA Margin	7.4%	8.3%	8.9%	8.9%	8.9%	181 bps	6 bps
Majority Net margin	1.8%	2.3%	2.9%	3.4%	3.4%	170 bps	98 bps
ROA	3.0%	4.3%	5.6%	6.6%	6.8%	359 bps	167 bps
ROE	10.7%	17.1%	18.5%	19.8%	18.7%	1,313 bps	(213 bps)
ROIC	25.2%	21.8%	25.0%	26.8%	28.8%	1,484 bps	713 bps

Multiples

	2021A	2022A	2023A	2024E	2025E	2017A-20A Avg.	2021A-24E Avg.
EV/EBITDA Avg.	6.0x	6.6x	6.3x	4.9x		7.0x	5.9x
3-Yr Avg.	6.5x	6.3x	6.3x	5.9x			
Premium (Discount) vs. 3-Yr Avg.	(7.1%)	4.9%	0.3%	(17.7%)		(9.1%)	(4.9%)
5-Yr Avg.	6.8x	6.6x	6.5x	6.0x			
Premium (Discount) vs. 5-Yr Avg.	(11.3%)	(0.7%)	(2.2%)	(18.7%)		(18.4%)	(8.2%)
P/E Avg.	11.1x	13.4x	14.2x	15.7x		17.0x	13.6x
3-Yr Avg.	14.1x	12.8x	12.9x	14.4x			
Premium (Discount) vs. 3-Yr Avg.	(21.2%)	4.3%	10.1%	9.0%		(13.0%)	0.5%
5-Yr Avg.	15.8x	14.8x	13.9x	13.7x			
Premium (Discount) vs. 5-Yr Avg.	(30.0%)	(9.8%)	1.6%	14.9%		(22.7%)	(5.8%)
PEG	0.3x	0.2x	0.5x	0.6x		1.0x	0.4x
P/BV	1.1x	1.7x	2.4x	2.8x		1.2x	2.0x
P/Sales	0.2x	0.3x	0.4x	0.5x		0.3x	0.4x

La Comer Key Stats

Income Statement and FCF

(in P$mn)	2021A	2022E	2023A	2024E	2025E	2019A-23A CAGR	2023A-27E CAGR
Revenues	$ 28,906	$ 33,436	$ 38,465	$ 42,571	$ 47,913	15.5%	10.6%
Gross Profit	$ 8,050	$ 9,387	$ 11,041	$ 12,359	$ 13,937	17.0%	10.9%
Operating Profit	$ 1,809	$ 2,247	$ 2,579	$ 3,090	$ 3,478	23.3%	13.3%
EBITDA	$ 2,900	$ 3,490	$ 3,926	$ 4,543	$ 5,127	7.2%	14.5%
Majority Net Profit	$ 1,543	$ 1,960	$ 2,108	$ 2,489	$ 2,781	0.0%	0.0%
Shares Outstanding (mn)	$ 1,086	$ 1,086	$ 1,086	$ 1,086	$ 1,086	0.0%	0.0%
EPS (maj.)	$ 1.42	$ 1.80	$ 1.94	$ 2.29	$ 2.56	19.4%	13.7%
Average Stock Price	$ 39.18	$ 36.48	$ 38.84	N/A	N/A		
Enterprise Value	$ 40,011	$ 37,536	$ 39,862	$ 41,295	N/A	15.8%	N/A
Total Assets	$ 32,997	$ 35,215	$ 38,323	$ 41,656	$ 46,421	7.3%	10.1%
Net Debt	($ 2,536)	($ 2,078)	($ 2,318)	($ 2,145)	($ 3,045)	(0.8%)	24.2%
Controlling Interest	$ 25,432	$ 27,190	$ 28,999	$ 31,529	$ 34,750	5.9%	10.0%
Minority Equity	$ 0	$ 0	$ 0	$ 0	$ 0	N/A	N/A
Dividends Paid	$ 206	$ 206	$ 249	$ 300	$ 0	N/A	(100.0%)
Dividend Yield	0.5%	0.5%	0.6%	0.0%	0.0%	N/A	(100.0%)
Free Cash Flow to the Firm (FCFF)	$ 591	$ 79	$ 1,379	($ 218)	$ 451	N/A	(8.1%)
FCFF Yield	1.4%	0.2%	3.3%	-0.5%			
Free Cash Flow to Equity (FCFE)	$ 457	($ 81)	$ 1,218	($ 397)	$ 250	N/A	(12.0%)
FCFE Yield	1.1%	-0.2%	2.9%	-0.9%			

Profitability YoY growth

	2021A	2022E	2023A	2024E	2025E	2019A-23A CAGR	2023A-27E CAGR
Revenues	7.0%	15.7%	15.0%	10.7%	12.5%	15.5%	10.6%
Gross Profit	9.0%	16.6%	17.6%	11.9%	12.8%	17.0%	10.9%
Operating Profit	4.3%	24.2%	14.8%	19.8%	12.6%	23.3%	13.3%
EBITDA	5.6%	20.3%	12.5%	15.7%	12.9%	7.2%	14.5%
Majority Net Profit	5.2%	27.0%	7.6%	18.1%	11.7%	0.0%	0.0%

Profitability margins

	2021A	2022E	2023A	2024E	2025E	2019-23A bps	2023A-27E bps
Gross Margin	27.8%	28.1%	28.7%	29.0%	29.1%	141 bps	40 bps
Operating Margin	6.3%	6.7%	6.7%	7.3%	7.3%	153 bps	69 bps
EBITDA Margin	10.0%	10.4%	10.2%	10.7%	10.7%	105 bps	56 bps
Majority Net Margin	5.3%	5.9%	5.5%	5.8%	5.8%	68 bps	66 bps
ROA	4.8%	5.7%	5.7%	6.2%	6.3%	196 bps	85 bps
ROE	6.1%	7.4%	7.5%	8.2%	8.4%	290 bps	121 bps
ROIC	10.3%	5.2%	6.0%	6.6%	6.8%	296 bps	99 bps

Multiples

	2021A	2022E	2023A	2024E	2025E	2017A-20A Avg.	2021A-24E Avg.
EV/EBITDA Avg.	10.3x	9.3x	7.9x	7.9x		12.5x	8.9x
3-Yr Avg.	10.7x	10.0x	9.2x	8.4x			
Premium (Discount) vs. 3-Yr Avg.	(3.8%)	(7.2%)	(13.7%)	(5.6%)		(11.1%)	(7.6%)
5-Yr Avg.	12.0x	10.8x	9.9x	9.2x			
Premium (Discount) vs. 5-Yr Avg.	(14.5%)	(13.7%)	(19.8%)	(13.8%)		N/A	(15.4%)
P/E Avg.	30.4x	23.4x	19.9x	16.6x		28.3x	22.6x
3-Yr Avg.	25.8x	26.6x	24.6x	20.0x			
Premium (Discount) vs. 3-Yr Avg.	17.5%	(12.1%)	(18.8%)	(16.9%)		(9.1%)	(7.6%)
5-Yr Avg.	28.7x	25.0x	24.2x	23.2x			
Premium (Discount) vs. 5-Yr Avg.	5.7%	(6.7%)	(17.5%)	(28.7%)		N/A	(11.8%)
PEG	5.9x	0.9x	2.6x	0.9x		(0.6x)	2.6x
P/BV	1.8x	1.6x	1.6x	1.3x		1.1x	1.5x
P/Sales	1.4x	1.2x	1.2x	1.0x		1.4x	1.2x

Walmex Key Stats

Income Statement and FCF

(in P$mn)	2021A	2022A	2023A	2024E	2025E	2019A-23A CAGR	2023A-27E CAGR
Revenues	$ 736,044	$ 819,169	$ 886,523	$ 986,033	$ 1,075,506	8.2%	9.3%
Gross Profit	$ 171,840	$ 191,398	$ 210,558	$ 236,626	$ 260,444	9.2%	10.3%
Operating Profit	$ 62,908	$ 68,012	$ 73,276	$ 81,494	$ 88,792	7.9%	9.2%
EBITDA	$ 81,215	$ 87,370	$ 93,852	$ 105,099	$ 114,730	7.2%	9.5%
Majority Net Profit	$ 44,138	$ 48,974	$ 51,590	$ 56,454	$ 61,202	0.0%	0.0%
Shares Outstanding (mn)	$ 17,461	$ 17,461	$ 17,446	$ 17,446	$ 17,446	0.0%	0.0%
EPS (maj.)	$ 2.53	$ 2.80	$ 2.96	$ 3.24	$ 3.51	8.0%	8.9%
Average Stock Price	$ 67.08	$ 72.86	$ 69.17	N/A	N/A		
Enterprise Value	$ 1,128,455	$ 1,224,775	$ 1,166,166	$ 1,130,444	N/A	6.3%	N/A
Total Assets	$ 394,389	$ 418,808	$ 436,547	$ 481,698	$ 541,871	5.7%	12.1%
Net Debt	($ 42,817)	($ 47,427)	($ 40,669)	($ 55,906)	($ 88,476)	7.1%	45.4%
Controlling Interest	$ 185,882	$ 202,468	$ 199,086	$ 223,568	$ 269,695	4.3%	17.4%
Minority Equity	$ 0	$ 0	$ 0	$ 0	$ 0	N/A	N/A
Dividends Paid	$ 28,189	$ 29,558	$ 46,349	$ 37,859	$ 22,581	6.6%	(12.9%)
Dividend Yield	2.4%	2.3%	3.8%	0.0%	0.0%	0.3%	(100.0%)
Free Cash Flow to the Firm (FCFF)	$ 28,672	$ 27,259	$ 36,193	$ 48,620	$ 51,811	12.2%	16.0%
FCFF Yield	2.4%	2.1%	3.0%	4.1%			
Free Cash Flow to Equity (FCFE)	$ 28,672	$ 27,259	$ 36,193	$ 48,620	$ 51,811	12.2%	16.0%
FCFE Yield	2.4%	2.1%	3.0%	4.1%			

Profitability YoY growth

	2021A	2022A	2023A	2024E	2025E	2019A-23A CAGR	2023A-27E CAGR
Revenues	4.9%	11.3%	8.2%	11.2%	9.1%	8.2%	9.3%
Gross Profit	6.0%	11.4%	10.0%	12.4%	10.1%	9.2%	10.3%
Operating Profit	9.5%	8.1%	7.7%	11.2%	9.0%	7.9%	9.2%
EBITDA	7.7%	7.6%	7.4%	12.0%	9.2%	7.2%	9.5%
Majority Net Profit	32.0%	11.0%	5.3%	9.4%	8.4%	0.0%	0.0%

Profitability margins

	2021A	2022A	2023A	2024E	2025E	2019-23A bps	2023A-27E bps
Gross Margin	23.3%	23.4%	23.8%	24.0%	24.2%	86 bps	90 bps
Operating Margin	8.5%	8.3%	8.3%	8.3%	8.3%	(8 bps)	(2 bps)
EBITDA Margin	11.0%	10.7%	10.6%	10.7%	10.7%	(39 bps)	10 bps
Majority Net Margin	6.0%	6.0%	5.8%	5.7%	5.7%	(4 bps)	(7 bps)
ROA	11.7%	12.0%	12.1%	12.3%	12.0%	50 bps	(95 bps)
ROE	23.7%	25.2%	25.7%	26.7%	24.8%	294 bps	(492 bps)
ROIC	72.0%	28.0%	29.2%	31.1%	31.8%	396 bps	498 bps

Multiples

	2021A	2022A	2023A	2024E	2025E	2017A-20A Avg.	2021A-24E Avg.
EV/EBITDA Avg.	15.4x	15.5x	13.7x	9.1x		14.3x	13.4x
3-Yr Avg.	14.6x	14.8x	14.9x	12.8x			
Premium (Discount) vs. 3-Yr Avg.	5.8%	4.6%	(7.7%)	(28.9%)		(4.6%)	(6.6%)
5-Yr Avg.	14.5x	14.8x	14.6x	13.5x			
Premium (Discount) vs. 5-Yr Avg.	6.0%	4.5%	(5.8%)	(32.5%)		N/A	(7.0%)
P/E Avg.	30.9x	27.8x	24.2x	20.4x		25.8x	25.8x
3-Yr Avg.	27.8x	28.7x	27.6x	24.1x			
Premium (Discount) vs. 3-Yr Avg.	10.9%	(3.3%)	(12.5%)	(15.4%)		(3.8%)	(5.1%)
5-Yr Avg.	26.8x	27.4x	27.1x	26.1x			
Premium (Discount) vs. 5-Yr Avg.	15.1%	1.4%	(10.8%)	(22.0%)		N/A	(4.1%)
PEG	1.0x	2.5x	4.5x	2.2x		0.9x	2.5x
P/BV	6.9x	6.8x	6.0x	5.2x		5.4x	6.2x
P/Sales	1.7x	1.7x	1.5x	1.2x		1.5x	1.5x