Consumer Discretionary: Eat More, Shop Less

MX Equity Research

January 15, 2025 | Initiation

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Neutral Consumer outlook

We are initiating coverage of Alsea (Outperform, P$60 PT) and Liverpool (Market Perform, P$112 PT).

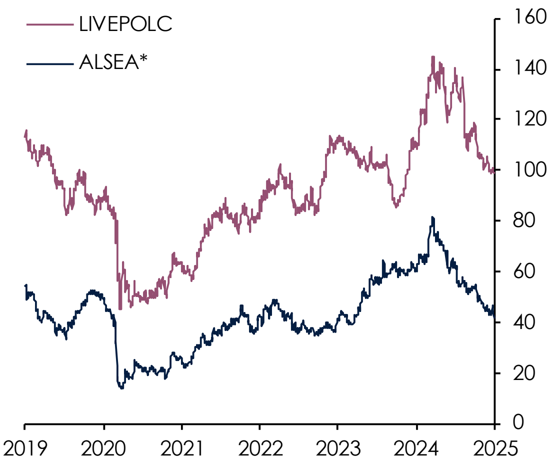
Consumption remains defensive, yet less than before. As explored in our food & bev initiation (10/14/24, link here), consumers are expected to continue picky —not panicky—, and thus companies will be forced to remain price and cost competitive. Compared to other sectors within Consumer, we see our covered Consumer Discretionary companies as more sensitive to headwinds such as higher labor costs, and to tailwinds such as higher disposable income amid social welfare programs and higher minimum wages.

We are more constructive on spending on services and food vs items. We expect that these conditions will lead to consumers being more price sensitive across the consumer spectrum, yet with spending on (most) restaurants more resilient.

While valuation levels are attractive for both companies, we are more positive on Alsea (Outperform, P$60 PT), given its healthy positioning across the consumption spectrum, with more defensive formats and market leading positions. We are more positive on Domino's Pizza vs Starbucks, and expect a market correction after the overreaction following the recent management changes (-6.77% vs 0.5% the MEXBOL in the last two trading days since the announcement).

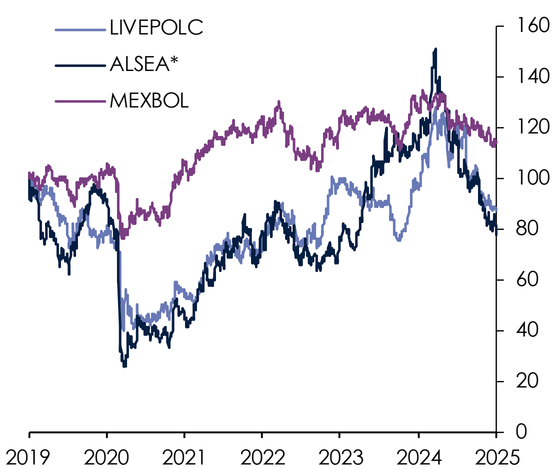
We initiate on Liverpool with a Market Perform rating (P$112 PT), as we expect both store formats to struggle with decelerating SSS and harsh offline and online competition. Financial services, meanwhile, could contribute positively to results amid NPLs currently at healthy levels.

Figure 1: Stock performance
(P$, 13/01/25)



Source: Bloomberg, Actinver Research.

Figure 2: Relative stock performance
(Jan 19=100, 13/01/25)



Source: Bloomberg, Actinver Research.

Figure 3: Highlights
(P$, 14/1/25)

Ticker:	ALSEA.MX MM	LIVEPOLC MM
Rating:	**Outperform**	**Market Perform**
Price Target (N12M):	**$ 60**	**$ 112**
Stock Price (01/14/25)	$ 41	$ 99
Expected Return:	**47.0%**	**13.1%**
Dividend Yield FY24:	0.0%	2.6%
Total Return:	**47.0%**	**15.6%**
Market Cap US$mn (01/15/25):	$1,620	$6,473

Source: Company reports, Bloomberg, Actinver Research. *1-year average.

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Mexico Consumer Discretionary: More upbeat on restaurants vs retail

As explored in our food & bev initiation (10/14/24, link here), we expect consumers to remain picky, yet not panicky. Nonetheless, from a defensive standpoint, we see Alsea as better positioned. First, we review the key topics that we expect to impact Consumer Discretionary in coming years.

To watch: key topics in Consumer Discretionary

Compared to our other Consumer coverage, we see Consumer Discretionary as less defensive, with higher potential for disruption both in terms of revenues and costs. **Nonetheless, within the Consumer Discretionary, we see Alsea and Liverpool as relatively more resilient vs more discretionary peers.** Within the sector, we highlight the following topics to consider going forward:

- **Consumer slowdown.** For Consumer companies, recent years have been a rollercoaster. From the slump in sales during the COVID-19 pandemic, to a healthy recovery afterwards, inflation headwinds and an unexpected prolonged MXN strength throughout recent years, volatility has remained, especially for Consumer Discretionary companies. Nonetheless, the trend is clear: **consumers are becoming more selective and discretionary spending could take the largest hit. Between spending on items or services, we expect spending on services —and thus Alsea— to be more resilient, especially given the company's diversified exposure.**
- **Labor expenses.** Since Andrés Manuel López Obrador (or AMLO) took office 2018, minimum wage has been one of the principal themes for the Morena party and the government; since 2018, wages have been growing above inflation —with April to August 2020 the only exception—, pressuring both Alsea and Liverpool. With President Claudia Sheinbaum, the focus continues, and after an acceleration of minimum wage in 2019-2024, we expect a similar double-digit annual growth trend in 2025-2030, given the President's focus on reaching a minimum wage 2x the poverty line in 2027, and 2.5x in 2030. For Sheinbaum's Presidency, our Economics Research team is assuming a 5% annual increase in the poverty line, from a P$5,000 monthly base in 2024, leading to a 14.4% CAGR in Sheinbaum's Presidency. **The announced 12% increase in minimum wage in 2025 therefore represents a below-average increase vs the expected 14.4% CAGR during Sheinbaum's Presidency —as well as a deceleration from the 2024 20% increase—, yet future years will be tougher for our covered companies, especially as consumption has been receding. Besides the increase in minimum wages, other measures such as the higher employers' contribution to social security and the potential reduction of weekly working hours to 40 from 48, could further impact labor costs. Overall, client-facing commercial roles and logistics workforce are the most impacted by the labor cost tailwinds, yet we don't rule out disruption to the overall salary structure.**
- **Innovation and tech.** While not necessarily technological companies at their core, consumer discretionary companies have learned to accelerate their investments in technology since the pandemic, which for our covered companies led to an acceleration in investments given their already healthy positioning in online sales. As we cover throughout the report, **this technology acceleration implies improving formats that have been leaders in the omnichannel space (e.g., Domino's Pizza, Liverpool), while exploring online capabilities in more formats (e.g., Burger King, Suburbia). Additionally, further investments in tech are expected as these companies work on offsetting the aforementioned labor pressure and thus foster higher productivity levels and optimize workforce.** Besides these tech investments, we expect more innovation towards optimizing sales mix via better layouts, menus, pricing, growing newer formats (e.g., Starbucks drive-thru, Liverpool Express), and

improved merchandising, among other strategies. Innovation is also key to capture shifts in consumption patterns (e.g., healthier menus and omnichannel capabilities. **Loyalty programs and data analytics are also a key pillar to improve sales and margins.**

Alsea: Constructive on the resiliency of most of its formats

- **Mexico (c.53% of sales, c.60% of EBITDA), is expected to remain resilient, yet decelerating.** We expect more competitive pressure yet see Alsea's main banners Starbucks and Domino's Pizza as relatively resilient, especially the latter. On the former, we expect pricing pressure and labor expenses to weigh on results —we we are optimistic on drive-thru on the other hand—, while the latter continues solidly performing. Digital initiatives are expected to continue driving results in the region.
- **In Europe (c.30% of sales, c.22% of EBITDA), comps are expected to be more favorable in upcoming months,** as the boycott on Starbucks and other recent headwinds in the region fade away. Operating leverage is thus expected to improve, while macro conditions remain soft yet providing further upside in the longer run.
- **In South America (c.17% of sales, c.18% of EBITDA), we are cautiously optimistic.** While conditions in the country are historically volatile, we see upside from operations in Argentina, resiliency in Chile, and better performance in Colombia.

While COGS and SG&A could pressured in upcoming months, coupled with a slowdown in sales in Mexico, we see Alsea as solidly positioned to withstand these headwinds, supported by better performance in Europe and South America, and leading market shares in Mexico. We initiate Alsea with an Outperform rating and P$60 PT.

Liverpool: More cautious on conditions ahead

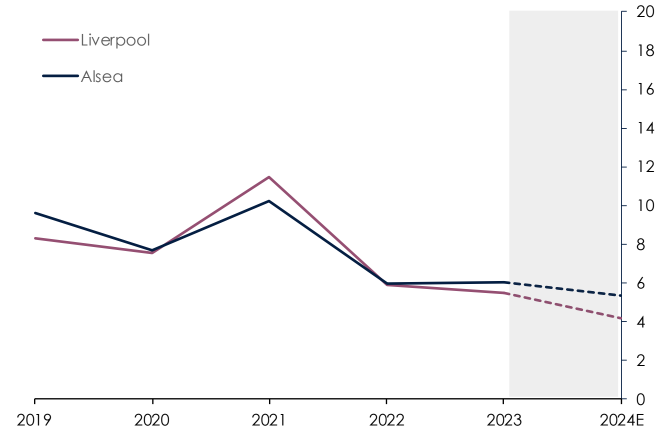
- **Cautious on consumer spending in Liverpool (c.80% of sales) and Suburbia (c.10% of sales).** As aforementioned, we expect consumers to prefer spending on services vs items amid budget restrictions, while competition on both offline and online channels remain, limiting pricing power. In previous years, hardlines and softlines posted solid growth trends —partially due to the COVID-19 pandemic—, yet we expect this to decelerate.
- **Other businesses to contribute to margins, albeit partially.** The Real Estate and financial businesses are expected to continue performing healthily, especially the latter.
- **Upbeat view on financial services.** Amid the currently low NPL levels, we view upside from Liverpool fostering this segment and consequently commercial sales growth.

While Liverpool has been performing solidly amid its omnichannel initiatives and despite tough competition, we expect consumer conditions to be softer in coming years, with pricing power more limited as offline and online players also struggle. We initiate Liverpool with a Market Perform rating and P$112 PT.

Valuation multiples

Figure 4: EV/EBITDA

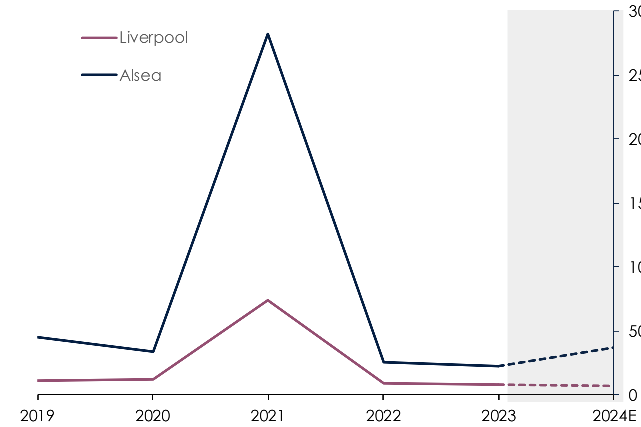
(x, 3Q24)



Source: Bloomberg, Actinver.

Figure 5: P/E

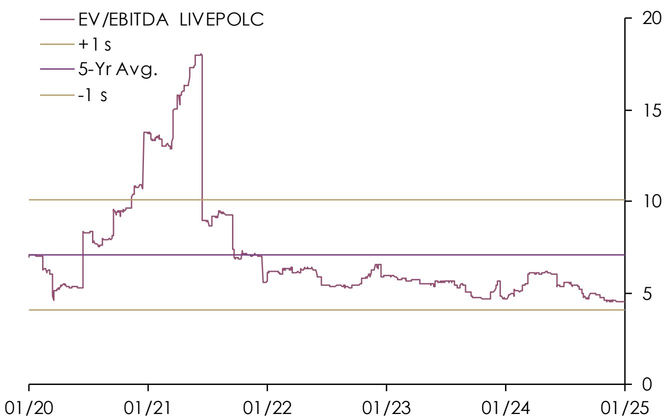
(x, 3Q24)



Source: Bloomberg, Actinver.

Figure 6: EV/EBITDA LIVEPOLC

(x, 3Q24)



Source: Bloomberg, Actinver.

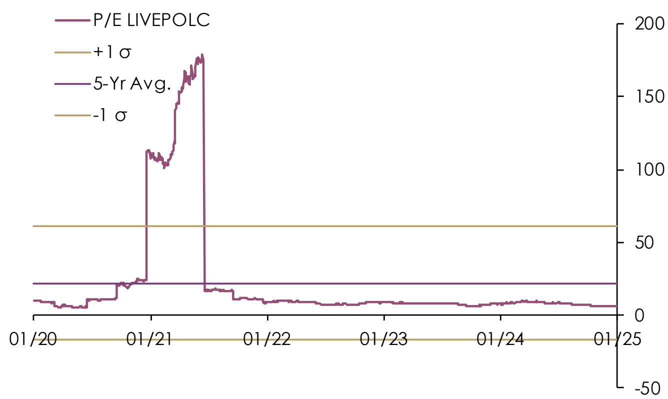
Figure 7: EV/EBITDA ALSEA

(x, 3Q24)

Source: Bloomberg, Actinver.

Figure 8: P/E LIVEPOLC

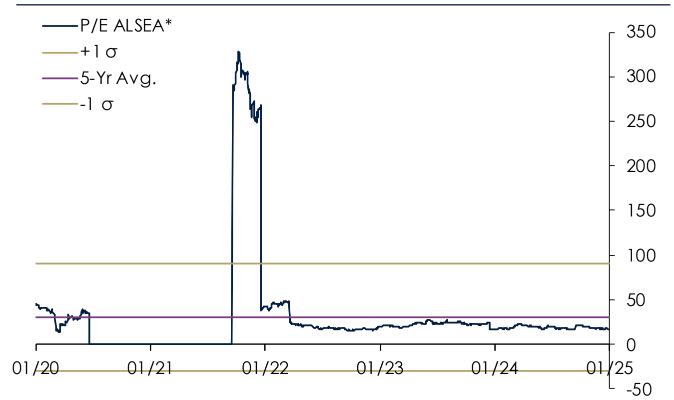
x, 3Q24)



Source: Bloomberg, Actinver.

Figure 9: P/E ALSEA

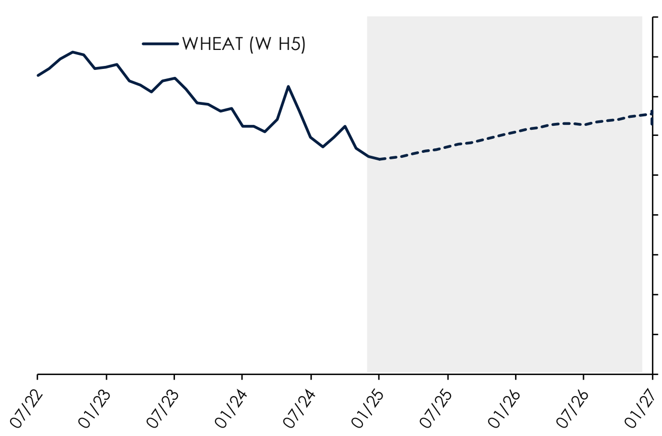
(x, 3Q24)



Source: Bloomberg, Actinver.

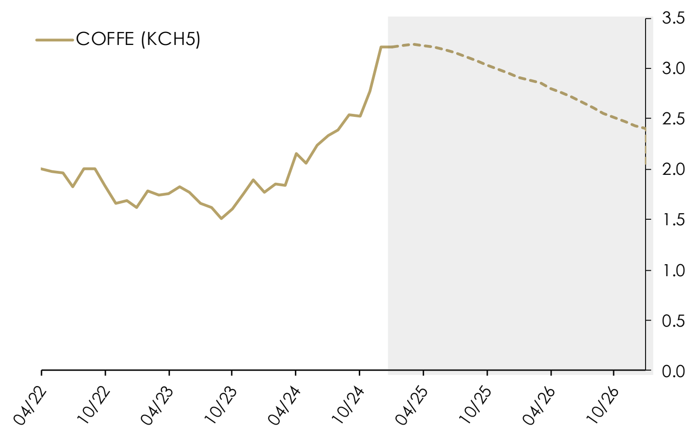
Commodities

Figure 10: Wheat historical and future prices
(USD/bu, 14/01/25)



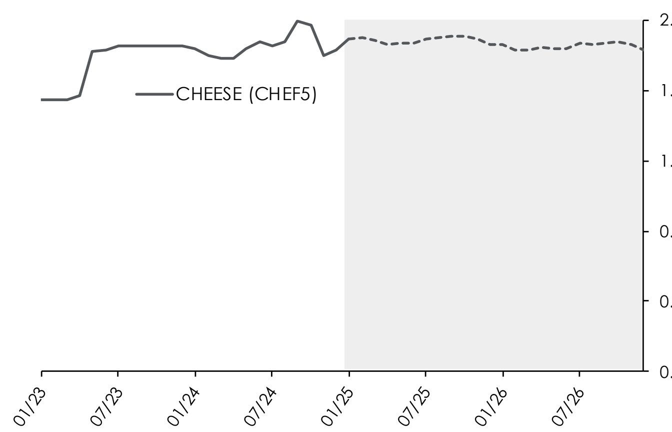
Source: Bloomberg, Actinver Research.

Figure 11: Coffee historical and future prices
(USD/lb, 14/01/25)



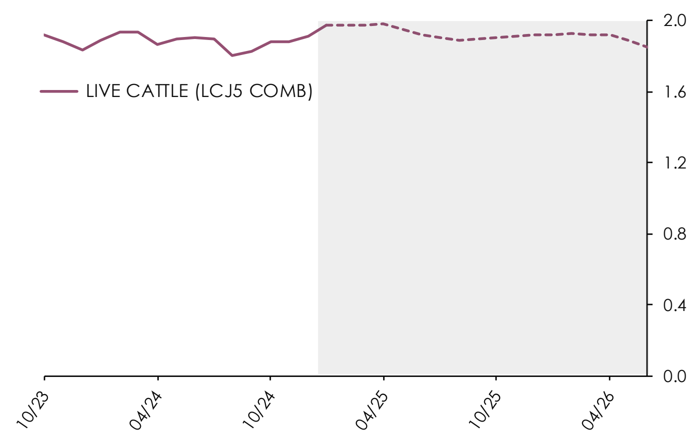
Source: Bloomberg, Actinver Research.

Figure 12: Cheese historical and future prices
(USD/lb, 14/01/25)



Source: Bloomberg, Actinver Research.

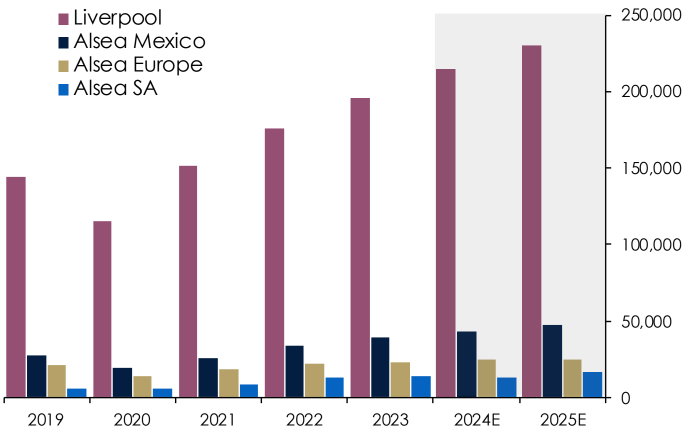
Figure 13: Cattle historical and future prices
(USD/lb, 14/01/25)



Source: Bloomberg, Actinver Research.

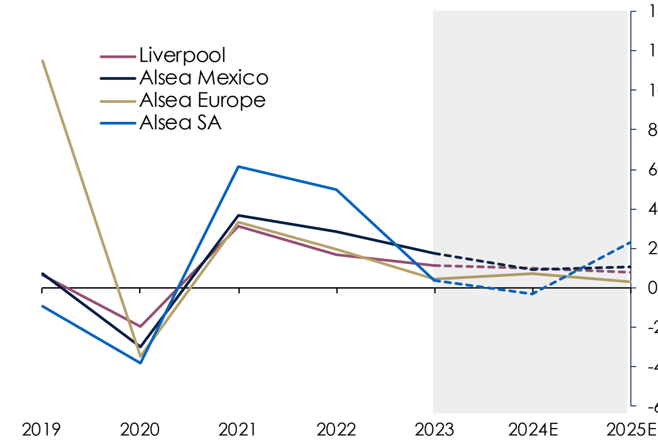
Sales and Profitability

Figure 14: Sales
(P$ mn, 2023)



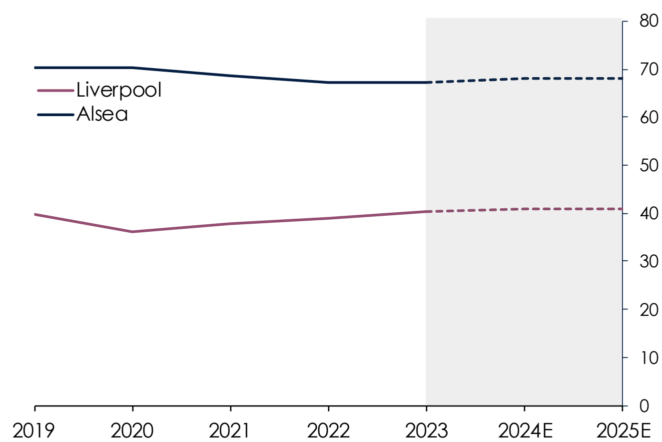
Source: Bloomberg, Actinver Research.

Figure 15: Sales YoY
(%, 2023)



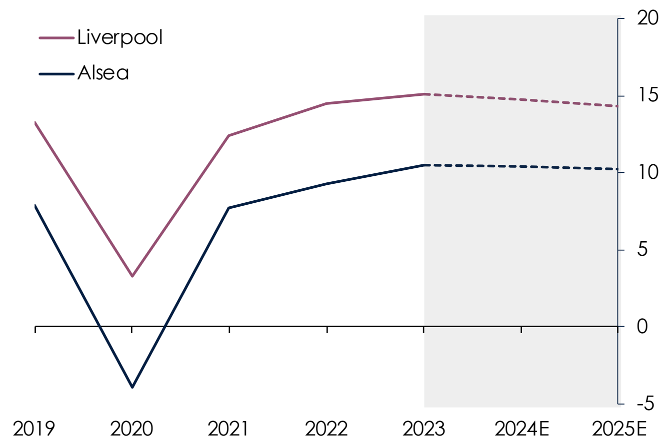
Source: Bloomberg, Actinver Research.

Figure 16: Gross Margin
(%, 2023)



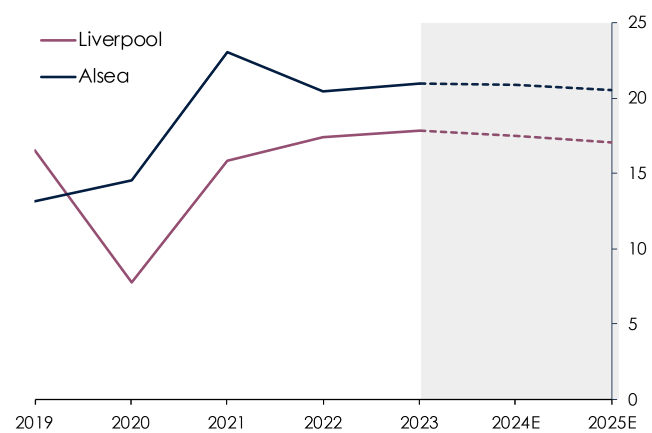
Source: Bloomberg, Actinver Research.

Figure 17: EBIT Margin
(%, 2023)



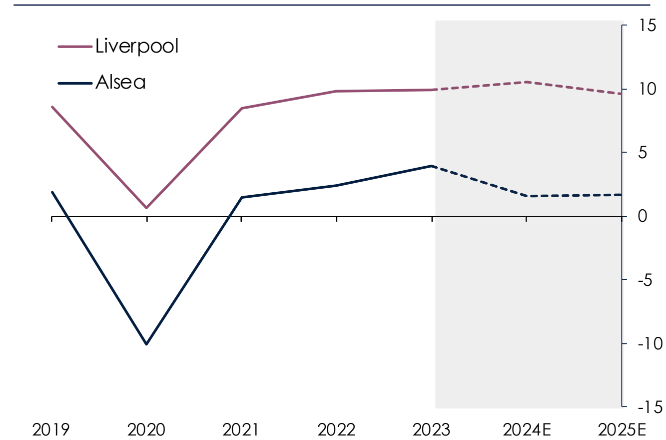
Source: Bloomberg, Actinver Research.

Figure 18: EBITDA Margin
(%, 2023)



Source: Bloomberg, Actinver Research.

Figure 19: NET Margin
(%, 2023)



Source: Bloomberg, Actinver Research.

2024E-25E Estimates

Within our Consumer Discretionary coverage, we forecast a continued deceleration for 2H24 vs 1H24 given the conditions that we mention throughout the report. For 2025, we expect gross margin to be partially impacted by pricing power and COGS pressure, coupled with SG&A pressured by higher labor expenses. On the other hand, some productivity initiatives and improved sales mix could partially offset these headwinds.

In **Alsea**, we expect another quarter of gross margin expansion offset by SG&A pressure.

For 4Q24 and 1Q25, the company will be facing double-digit comps for Starbucks in Mexico. Going forward, we expect continued impact from the minimum wage increases, given that c.60% of the company's workforce is linked to this metric, although the 12% increase in 2025 is lower than in previous and upcoming years —the company has been working on flexible hour schedules for Starbucks and Domino's Pizza—. Additionally, the company has been working on improving its productivity.

Figure 20: Alsea 2024 and 2025 Preview

Income Statement (P$mn)	2024E	2025E
Revenues	**$ 80,727**	**$ 88,912**
Gross Profit	**$ 54,986**	**$ 60,533**
Gross Margin	*68.1%*	*68.1%*
Operating Profit	**$ 8,419**	**$ 9,130**
Operating Margin	*10.4%*	*10.3%*
EBITDA	**$ 16,856**	**$ 18,218**
EBITDA Margin	*20.9%*	*20.5%*
Majority Net Profit	**$ 1,344**	**$ 1,504**
Majority Net margin	*1.7%*	*1.7%*
EPS (maj.)	**$ 1.65**	**$ 1.85**

Source: Company reports, Actinver Research.

For **Liverpool,** we forecast flattish gross margin for 2025E, with Operating margin pressured amid labor costs. We expect commercial margins to be slightly lower amid the SSS slowdown, while other businesses contribute to profitability.

Figure 21: Liverpool 2024 and 2025 Preview

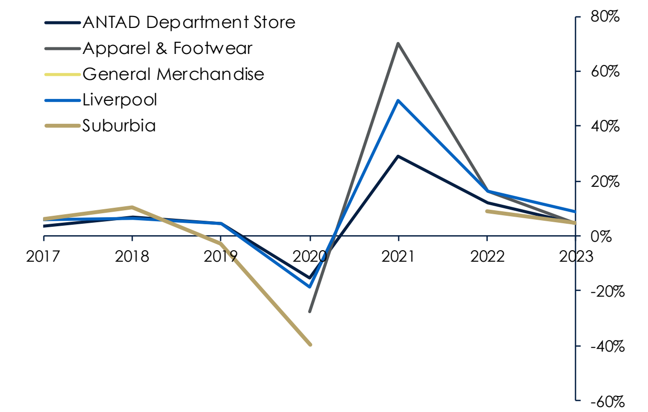
Income Statement (P$mn	2024E	2025E
Revenues	**$ 214,545**	**$ 230,540**
Gross Profit	**$ 87,714**	**$ 94,401**
Gross Margin	*40.9%*	*40.9%*
Operating Profit	**$ 31,726**	**$ 33,071**
Operating Margin	*14.8%*	*14.3%*
EBITDA	**$ 37,484**	**$ 39,258**
EBITDA Margin	*17.5%*	*17.0%*
Majority Net Profit	**$ 22,679**	**$ 22,254**
Majority Net Margin	*10.6%*	*9.7%*
EPS (maj.)	**$ 16.90**	**$ 16.58**

Source: Company reports, Actinver Research.

Financial Performance

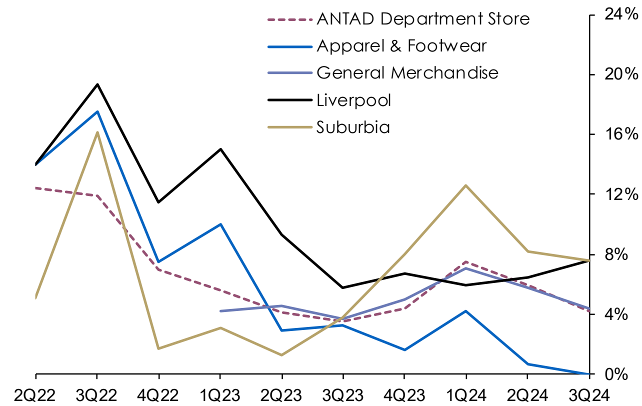
Overall, the ANTAD and our covered companies have been posting a slowdown in sales, as shown in the following charts:

Figure 22: SSS vs ANTAD
(2024)



Source: Company reports, Actinver Research.

Figure 23: ANTAD Discretionary
(2023)



Source: Company reports, Actinver Research.

We expect this trend to continue, as we cover throughout the report. In terms of seasonality, **Liverpool** has a higher range given the shopping season and different shopping events throughout the year. Higher sales take place on May (Mothers' Day), June (Fathers' Day), November (Buen Fin) and December (Christmas season).

The FX play

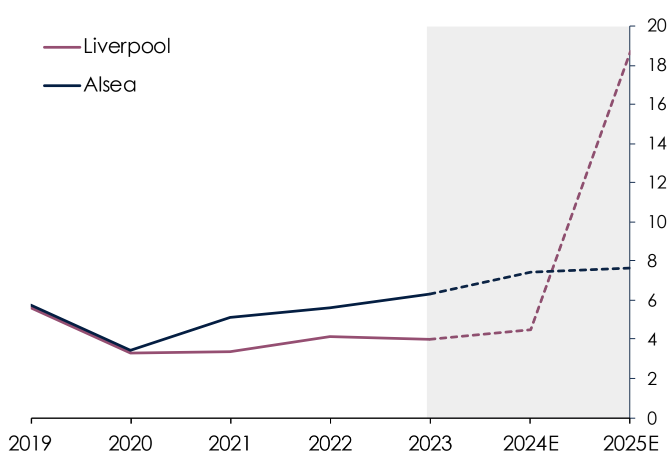
For Alsea, as of 3Q24, 63% of its debt is denominated in MXN, with the remaining denominated in 37%.

As of 3Q24, c.60% of Liverpool's cash balance was denominated in USD. For Liverpool, foreign currency denominated merchandise represent c.15% of sales. The company hedges its USD exposure in debt and some raw material purchases (not merchandise).

Capex and cash generation

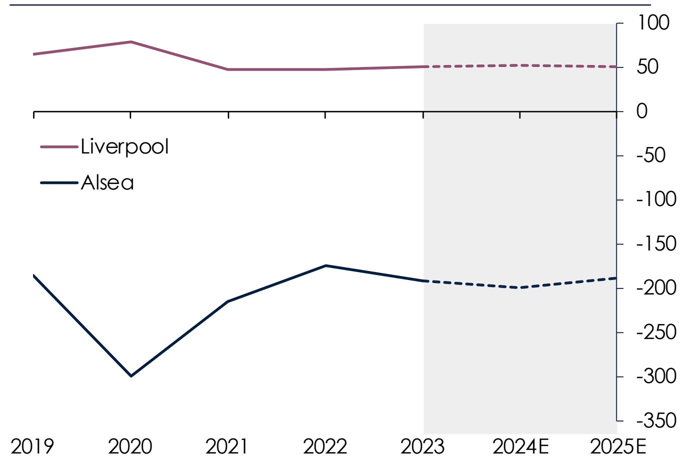
As aforementioned, **our covered companies are currently investing heavily** —reflected by Capex as a % of sales—, as they add new capacity and address shifts in demand. We expect this trend to normalize post 2026.

Figure 24: Capex as a % of Sales
(%, September 2024)



Source: Company reports, Actinver Research.

Figure 25: Cash Conversion Days
(Days, September 2024)



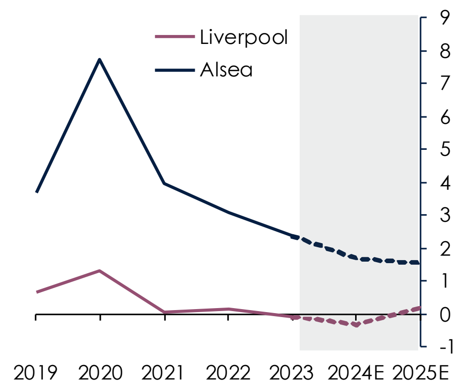
Source: Company reports, Actinver Research.

Liverpool has been heavily investing in logistics, which accounted for 48% of FY23 guidance; only 11% of Capex was destined to openings, and 8% to IT.

Leverage

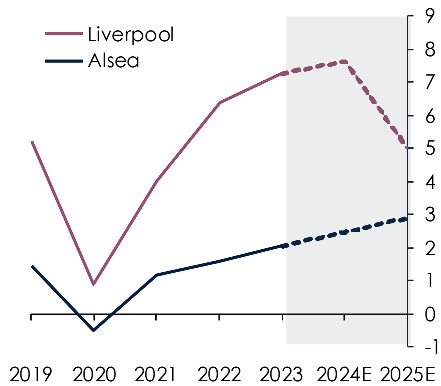
Given the pandemic disruption, Alsea agreed with its creditors a relaxation of debt covenants (mostly on gross leverage and interest coverage) until June 30, 2022. Alsea's current covenants are: 1) a EBITDA/interest expenses ratio of 2.5x or higher; 2) net debt/ EBITDA of 3.5x or lower. As of year-end 2023, 61% of Alsea's debt had a fixed interest rate, and the remaining a variable interest rate. For Liverpool, while remaining with healthy leverage levels, we expect these to increase amid the announced acquisition of a higher stake in Nordstrom.

Figure 26: Leverage
(Net Debt/EBITDA x, September 2023)



Source: Company reports, Actinver Research.

Figure 27: Interest Coverage
(P$mn, 2023)



Source: Company reports, Actinver Research.

Figure 28: Debt Breakdown
(%, 2Q24)

Source: Company reports, Actinver Research.

Figure 29: Debt Ratings

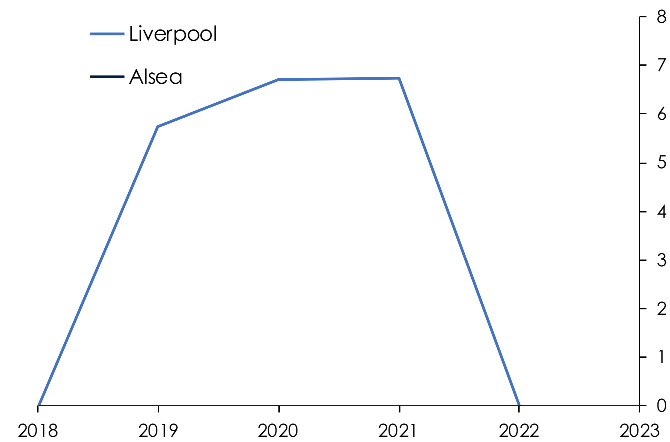
	ALSEA	LIVERPOOL
Fitch Rating	**BB (Stable)**	**BBB+ (Stable)**
Moody´s Rating	**Ba3**	
S&P Rating		**mxAAA (Stable)**

Source: Bloomberg, Company reports, Fitch, Moody's, S&P, Actinver Research.

Dividends & buybacks

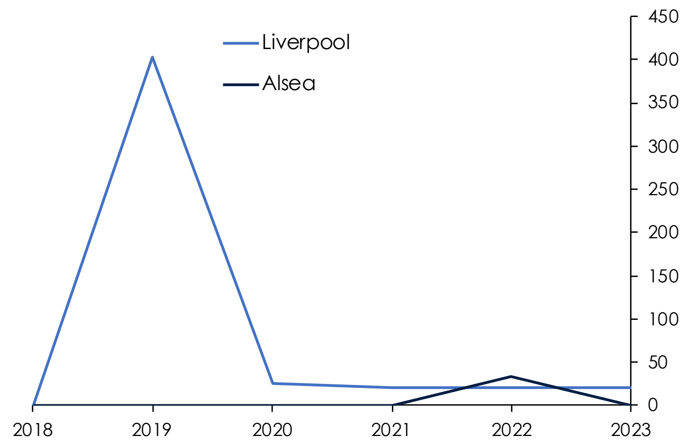
While Liverpool is a steady dividend player, Alsea is currently more focused on paying down debt:

Figure 30: Dividend Yield
(%, September 2024)



Source: Company reports, Actinver Research.

Figure 31: Dividend Payout Ratio
(%, September 2024)



Source: Company reports, Actinver Research.

Raw materials and supply chain

For Alsea, main raw materials depend on the format:

- For Domino's Pizza, dough, tomato sauce, mozzarella type cheese, meat, vegetables, and cardboard boxes. In Mexico, these raw materials, with the exception of Pepsi's beverages, are purchased and distributed directly from DIA. For delivery on premise, a <15 minute delivery is targeted, and <22 minute for home delivery.
- For Starbucks, coffee beans, milk and dough for pastries and sandwiches are the main raw materials. In Mexico, these raw materials, with the exception of Lala milk which is distributed by Starbucks Mexico, are purchased and distributed directly from DIA. Starbucks Corporation is the exclusive coffee bean supplier for all the countries where Alsea operates. The whole order, sale and on premise delivery cycle is c.3 minutes long.
- Main raw materials for Burger King are meat (beef and chicken), French fries,

bakery, and carbonated soft drinks. The whole order, sale and on premise delivery cycle is c.3 minutes long.

- Other raw materials are beer and alcoholic beverages, desserts, chicken wings, pork meat. Some of the main suppliers are Tyson, Comercial Norte Americana, Coca-Cola, and Grupo Modelo.

Fairly 26% of the company's raw materials (from a SKU perspective) are imported, with mozzarella type cheese, pepperoni, pizza sauce, and products acquired from Starbucks Corporation, the most relevant international purchases.

Alsea has FX hedges and buys raw materials on advance depending on price expectations. For every P$1 depreciation vs the MXN, Alsea expects a 30bps impact in gross margin in Mexico —excluding price pass through— as c.30% of COGS in MX are dollarized; abroad, the impact is lower.

E-commerce

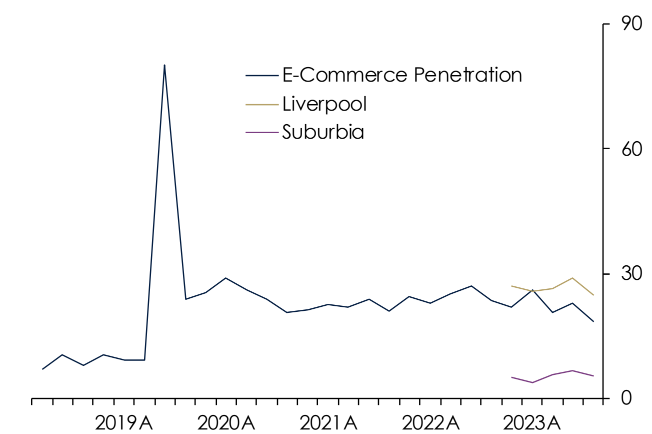
For both Alsea and Liverpool, online sales have proved to be highly relevant, especially after the COVID-19 pandemic when online orders spiked and even physical distance restrictions were enforced in some geographies. For **Alsea,** Domino's Pizza's strong online presence in Mexico has been a successful case study, yet the company has also been working on revamping its mobile app, while further strengthening its loyalty program and online strategy at Starbucks, with a differentiated customer experience. For Domino's Pizza, Alsea has c.3,500 motorcycles for home delivery. Within Burger King, the company is also opening digital kiosks to foster ticket growth and cost efficiencies. Burger King, along with Starbucks, have been posting the highest growth rates in delivery sales, yet the latter still has a low penetration. By delivery channel, aggregators account for 63% of delivery sales, with Alsea Delivery the remaining.

As of 3Q24, Alsea had 8mn active users in loyalty programs (active during the last 90 days for Starbucks and 180 for other formats), and total digital sales (e-commerce, aggregators and loyalty) reached a 32.5% penetration of total sales. In Spain, the company has been growing its "Club Buy" program, reaching 2.4mn members, while Starbucks Rewards reached 2.1mn active users across all Alsea's regions.

For **Liverpool**, relevance of e-commerce has spiked since COVID-19, and in 2023, e-commerce penetration reached a 26% participation.

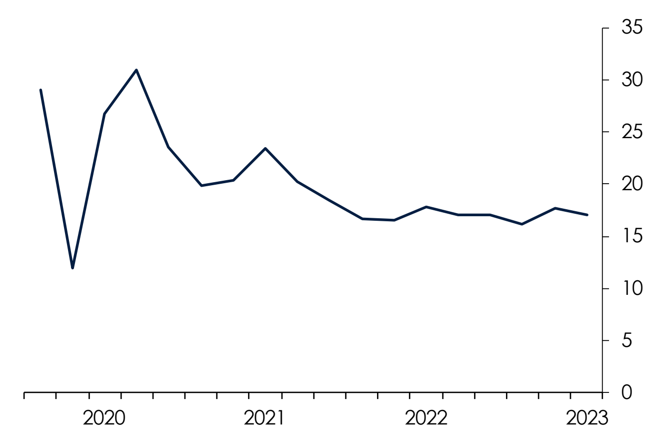
Liverpool's e-commerce capacity has been further boosted by opening Liverpool Express formats, a smaller format of 400sqm with Click & Collect, credit, insurance, and limited merchandise but expanded online catalog. Similar to other companies (e.g., Walmex), Liverpool has been increasing ITS Marketplace penetration, which represented 15% of online sales in 2023. During the year, Liverpool delivered over 22mn sales orders form online channels, a 17% YoY increase, out of which 43% were delivered in no more than 2 days, a 2% improvement YoY.

Figure 32: E-Commerce Penetration LIVEPOLC
(%, 2023)



Source: Company reports, Actinver Research.

Figure 33: Delivery sales penetration ALSEA
(%, 2023)



Source: Company reports, Actinver Research.

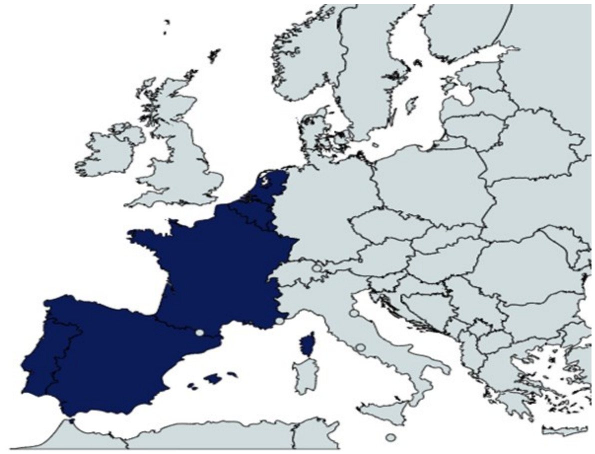
Geographical exposure

Alsea operates in Mexico most of its leading brands, with Domino's Pizza reaching almost 900 units in the country, followed by Starbucks with over 800 units. We also highlight Domino's Pizza in Spain (almost 400), Starbucks in France (almost 250 units), Spain, Chile, and Argentina (130-170 units in each). Burger King is also relevant in Mexico (c.175 units) and Argentina (c.120), and Domino's Pizza in Colombia (c.160). In casual dining, Alsea has relevant presence in Mexico and Spain via Vips (c.240 units in Mexico and c.170 in Spain), Foster's Hollywood (c.220 units in Spain) and Ginos (c.120 in Spain). Overall, Alsea has been focusing on Mexico, Argentina, Chile, Colombia, Uruguay, Spain, Portugal, France and Benelux.

Figure 34: Alsea, America regional presence
(Approximate geographical footprint)

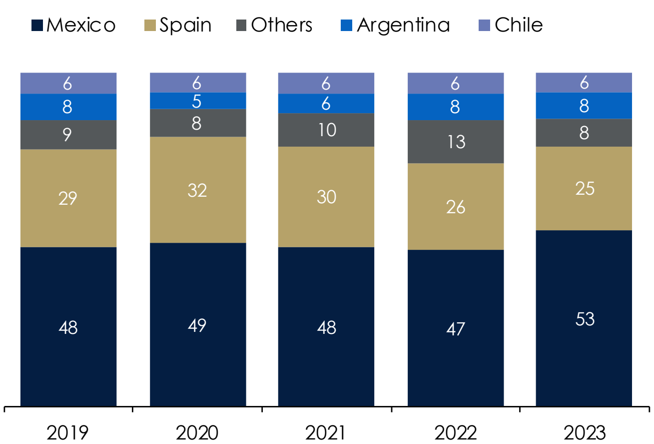
Source: Company Reports, Actinver Research.

Figure 35: Alsea, Europe regional presence
(Approximate geographical footprint)



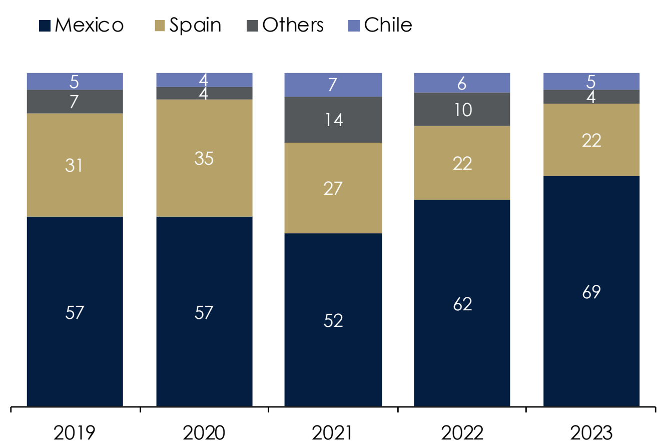
Source: Company Reports, Actinver Research.

Figure 36: Sales/Country
(%,2023)



Source: Company Reports, Actinver Research.

Figure 37: EBITDA/Country
(%,2023)



Source: Company Reports, Actinver Research.

Risks To Our Investment Thesis

Adverse macroeconomic conditions

Adverse FX trends, high inflation, and a weak consumer environment are among the macroeconomic conditions that could impact our covered companies' performance, especially given their discretionary nature. 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.

Shift in consumer habits

Increased competition and new trends in consumer could be correlated with a shift in consumer habits and a decrease in market shares of our covered companies. Increased spending and other efforts to retain and gain market share could impact profitability. Additionally, e-commerce and health & wellness are trends that could add pressure to Liverpool and Alsea, respectively.

Increasing labor costs

While all industries in Mexico are expected to continue facing increasing labor costs, sectors with wages closer to the minimum salary are expected to face a higher impact, including restaurants and retailers. Additionally, these sectors face higher personnel rotation and can lose competitiveness among the workforce if wages don't increase enough. Furthermore, our covered companies rely on customer service to compete with peers, which can be negatively impacted by workforce is reduced or salaries keep personnel unmotivated.

Competitive environment

Fierce competition could hinder our covered companies' ability to pass through cost pressure via price increases. Furthermore, the informal sector could impact Alsea and Liverpool's Suburbia, especially in an environment of budget conscious consumers.

Raw materials and supply chain risks

Restaurant companies rely on a wide array of raw materials, with global supply & demand, logistics headwinds, international trade, and weather headwinds potentially impacting costs. Additionally, transportation of fresh products faces higher risks.

Spoilage and other food risks, e-commerce, delivery

Contamination or food spoilage could lead to regulatory, monetary, and reputational risks, beyond health-related risks to consumers. Product tampering, recalls and insurance costs, are also related risks.

Cybersecurity risks

With companies increasingly gathering consumer data , along with the surge of digital sales, data protection becomes more important and any cybersecurity breach could lead to a reputational impact and economic losses.

Sociopolitical and macroeconomic conditions

Amid the recent 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 other countries, along with upcoming elections in the U.S. and in other countries in coming years.

Company Profiles

Alsea

Alsea is a restaurant operator in Latin America and Europe, with brands in the Quick-Service (e.g., Domino's Pizza, Burger King), Coffee Shops (Starbucks), and Full-Service Restaurant (e.g., Vips, Chili's Grill & Bar, P.F. Chang's, Italianni's) segments. Alsea operates over 4,620 units in Mexico, Spain, Argentina, Colombia, Chile, France, Portugal, Belgium, the Netherlands, Luxembourg, Paraguay, and Uruguay, serving c.460mn customers (in 2023); additionally, Alsea has some subfranchises in LatAm and Europe (e.g., Domino's Pizza, Starbucks, Italianni's, Vips). Its business model includes support for all business units through the Shared Services and Support Center, providing assistance in administrative processes, development, and supply chain management. Alsea has over 77k employees, c,50% of which are based in Mexico, c.31% in Europe, and the rest in South America; 96% of the company's personnel is related to operational functions. Main shareholders account for c.40% of Alsea's shares.

Company history

Alsea was founded in 1989 in Mexico by the Torrado brothers, Alberto, Cosme and Armando Torrado, as a small business focused on operating restaurants. **In 1990 the company opened the first Domino's Pizza in Mexico, later acquiring the master franchise for the brand in the country.** In 1992, Alsea inaugurated its first distribution center in Mexico, Distribuidora e Importadora Alsea (DIA), marking an important step in strengthening its operations and supply chain capabilities. In 1999, the company became public with an IPO on the Mexican Stock Exchange.

The company continued its expansion by introducing Starbucks and Burger King in Mexico in 2002. In 2005, Alsea ventured into the full-service restaurant segment with the acquisition of Chili's Grill & Bar in Mexico, broadening its portfolio beyond fast food, and international expansion began in 2006 when Alsea acquired all Burger King units in Argentina and Chile; Alsea started to develop Starbucks in these countries in 2007.

In 2008, Alsea began operations in Colombia by acquiring the Domino's Pizza units in the country. The following year, the company integrated P.F. Chang's into its portfolio and began operations in Mexico, further strengthening its presence in the full-service restaurant sector, later expanding the brand's presence in Argentina, Chile, and Colombia. The company acquired Italianni's in Mexico in 2012, further diversifying its portfolio of restaurant brands.

By 2013, Alsea acquired 100% of the Starbucks operation in Mexico, Argentina, and Chile, gaining full control over the brand in those countries. The company also signed an agreement to develop and operate Starbucks in Colombia. **In 2014, Alsea made a major acquisition by purchasing Grupo Vips in Mexico** from Walmex (WALMEX* MM, Market Perform). That same year, Alsea opened the first Cheesecake Factory restaurant in Mexico and entered the Spanish market with the **acquisition of Grupo Zena**, which operates brands such as Foster's Hollywood, Domino's Pizza, and Burger King. In 2016, Alsea expanded further in Latin America by acquiring Archies, and in 2017 signed an agreement to develop and operate Starbucks in Uruguay, continuing its expansion of the Starbucks brand across Latin America.

In 2018, Alsea strengthened its presence in Spain with the acquisition of Grupo Vips in Spain, which included brands such as Vips, Starbucks, Ginos, and Fridays. In 2019, Alsea acquired the rights to operate Starbucks in France and Benelux (the Netherlands, Belgium, and Luxembourg), significantly expanding its presence in Europe. In 2022-23, Alsea expanded Domino's Pizza in Uruguay, and Starbucks in Paraguay, while on June 2023, Alsea announced an agreement to sell El Porton in Mexico, aligned with the company's portfolio restructuring.

On February 2024, Alsea acquired the remaining stake of Grupo Zena/Food Service Project (Alsea Europe), reaching a 100% ownership, for EUR238mn —previously, in 2021, Alsea had acquired a 21.1% stake reaching a 76.8% ownership—. On the other hand, on 4Q24, the company divested its Burger King operations in Spain back to Burger King Spain, accounting for 54 units.

Management and Board

Armando Torrado is Alsea's CEO since 2022, and one of the company's founders, along with his brothers Alberto and Cosme Torrado; on January 13, 2025, Alsea announced that Mr. Torrado will be stepping down from his current role. With over 30 years of experience at Alsea, Mr. Torrado began his journey in 1991 with the operation of the first Domino's Pizza stores in Mexico and went on to expand Alsea's brands internationally. Mr. Torrado has held numerous leadership positions, including General Manager of Domino's Pizza Mexico, Casual Dining Director, Expansion Director for Mexico and South America, Alsea South America Director, and Alsea International Director, among others.

Christian Gurría Dubernard has been recently appointed the new CEO of Alsea, starting July 1, 2025. Mr. Gurría started his career at Alsea as a Domino's Pizza store operator and has held leadership roles across the company, including Casual Dining in Mexico, Starbucks Mexico, and, most recently, Starbucks France and Benelux.

Federico Rodríguez is Alsea's CFO, beginning his career in finance in Alsea's DIA, where he held various positions, eventually becoming Deputy Director of Financial Planning and later, Director of Financial Planning. In 2015, he was appointed Finance Director of Alsea Europe, before being appointed Alsea's CFO on February 2024.

Alberto Torrado Martínez has been Alsea's Chairman of the Board (on different periods since 2002), and is one of the founders of Alsea. Mr. Torrado has held several positions in Alsea such as Director of Domino's Pizza, Supply Chain Director, Director of Alsea International, and CEO (on different periods since 2004 until the appointment of Armando Torrado).

Operations & Strategy

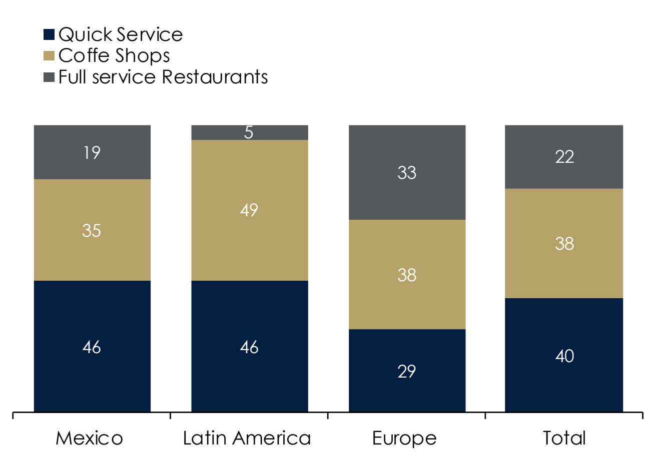
According to the company, Alsea is the largest restaurant operator in LatAm and Europe. In Mexico, Alsea has a leading position in QSR and coffee shops. The company operates 3 segments: **QSR, Coffee Shops, and Full Service Restaurants.** Within QSRs, Domino's Pizza and Burger King are the two main restaurants (with presence mostly in LatAm and Spain), and Starbucks within coffee shops (across LatAm and Europe). In full service restaurants, on the other hand, Alsea is mostly diversified via brands such as Chili's, P.F. Chang's (both in Mexico and Chile), Italianni's (Mexico), Archies (Colombia), Foster's Hollywood (Spain), and Ginos (Spain), among others. Throughout the years, some of the formats that the company has divested or discontinued are El Porton, Corazón de Barro, and Ole Mole, among others; these are Mexican food casual dining restaurants in Mexico, which we attribute to high competition and low positioning as the reasons for Alsea to complete these divestments. **Out of these different brands, Alsea is owner of Vips, Foster's Hollywood, Archie's and Ginos, operates Domino's Pizza, Starbucks, P.F. Chang's, The Cheesecake Factory and Italiannis, and is a franchisee of Chili's, Burger King and TGI Fridays.**

Figure 38: Unit breakdown
(2023)

Units	Starbucks	Dominos	Burger King	Vips*	Foster Hollywood*	Ginos*	Chillis	Italianni's	PF Chang	Archies*	TGI	Cheesecake Factory	Total
Mexico	860	930	175	237			73	77	29			8	2,389
Spain	178	390	54	167	214	116					13		1132
Chile	168		84				5		3				260
France	260												260
Colombia	72	156								28			256
Argentina	132		118										250
Netherland	98												98
Belgium	35												35
Portugal	30					2							32
Uruguay	17	4											21
Luxembour	5												5
Paraguay	3												3
Total	1858	1480	431	404	214	118	78	77	32	28	13	8	4741

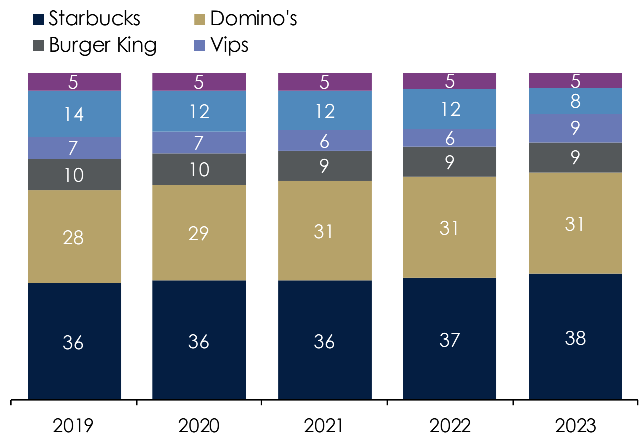
Source: Company Reports, Actinver Research. Burger King is Spain was recently sold.

Figure 39: Units by Region/Segments
(%,2023)



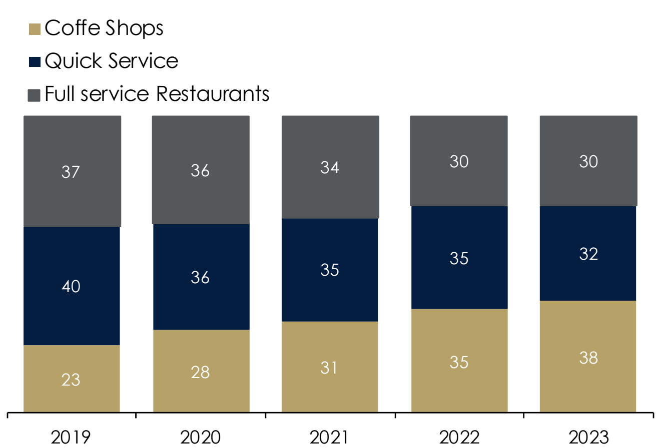
Source: Company Reports, Actinver Research.

Figure 40: Units by Format
(%,2023)



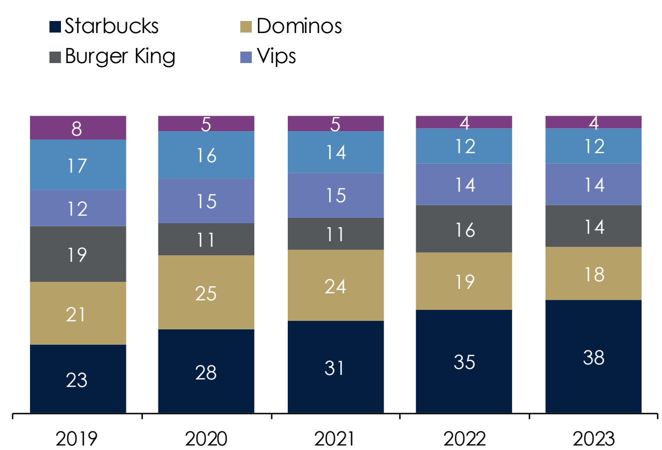
Source: Company Reports, Actinver Research.

Figure 41: Total Sales by Segments
(%, 2023)



Source: Company reports, Actinver Research.

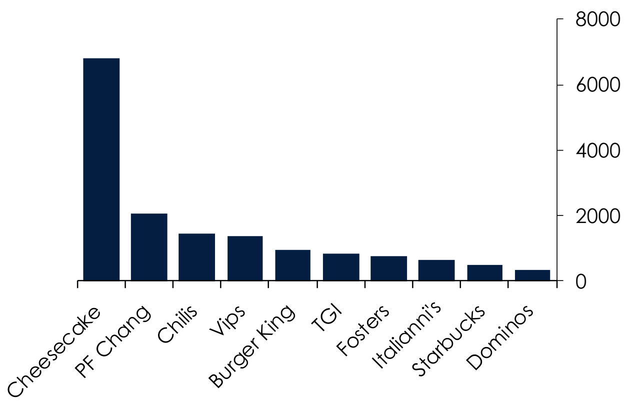
Figure 42: Total Sales
(%, 2023)



Source: Company reports, Actinver Research.

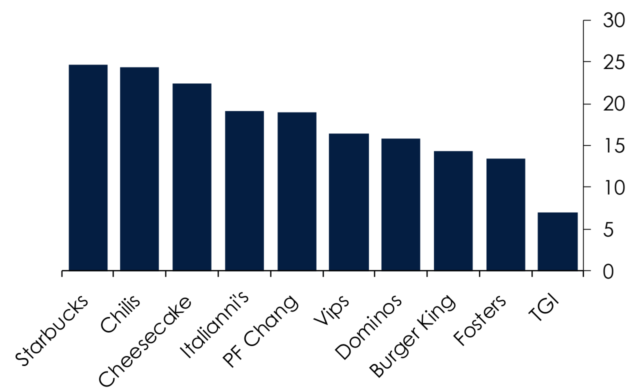
While Alsea has been growing its exposure to Starbucks, the company still sees a 41% white space for the format across its different operating geographies (c.1,200 units); for Domino's Pizza, this stands at 32% (c.680 units), for Burger King at 33% (c.200 units), and for Full Service Restaurants at 27% (c.350 units). Therefore, the company expects to reach over 7,000 units in the long run, with fairly half of the white space in Mexico, 30% in Europe, and 30% in South America.

Figure 43: Average Investment /Unit
(P$, 2023)



Source: Company reports, Actinver Research.

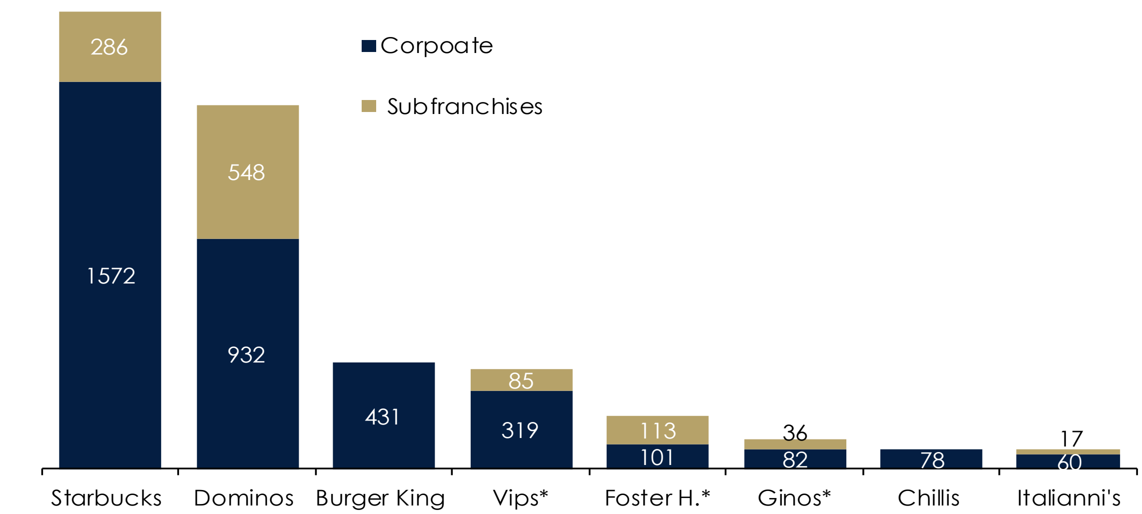
Figure 44: Margin EBITDA by Brand
(%, 2023)



Source: Company reports, Actinver Research.

Some of the master franchises that Alsea has are: Domino's Pizza in Mexico, Domino's Pizza in Colombia, Uruguay and Spain, P.F. Chang's in Mexico, Colombia and Chile. Alsea had the Burger King master franchise in Mexico until 2018, although it continues to be the largest franchisee in the country. Amid these agreements, Alsea acts as subfranchisor of Domino's Pizza, Foster's Hollywood, Vips, Italianni's, Ginos and Starbucks. In Mexico, for example, 80% of Alsea's units are subfranchises, which are mostly focused on smaller cities. In Europe, Alsea also has a relevant proportion of subfranchises, especially in some brands such as Domino's Pizza.

Figure 45: Unit breakdown
(Units, 2023)



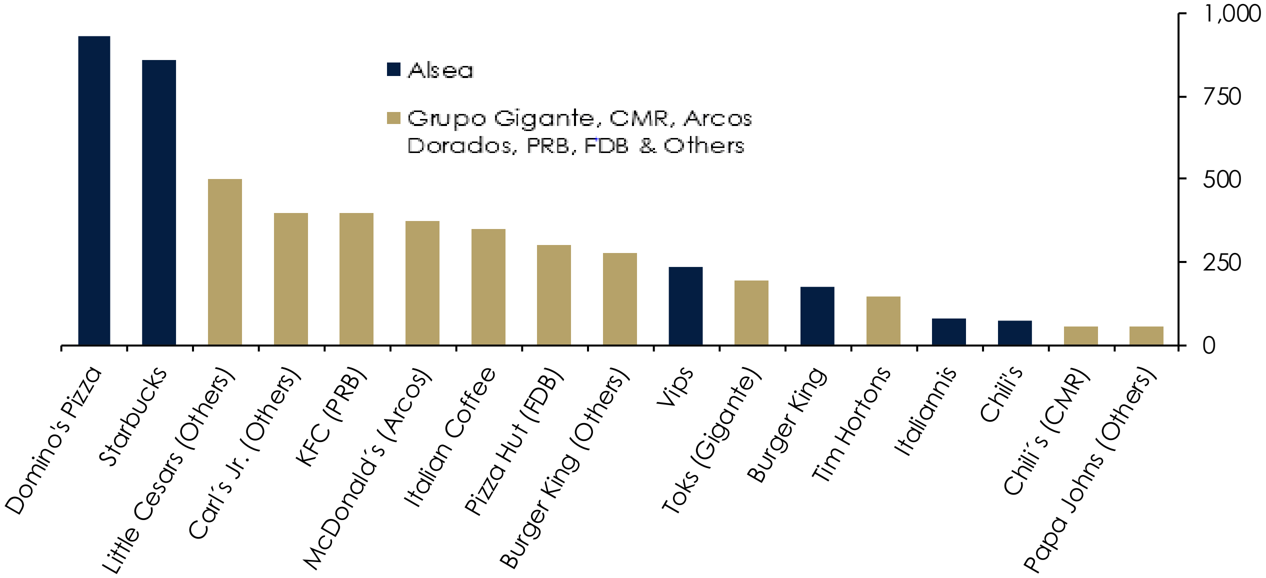
Source: Company Reports, Actinver Research.

Alsea has a platform to support its different operating brands, in terms of quality control, product development, purchasing, distribution, production, and storage, among others, via DIA (Distribuidora e Importadora Alsea), along with bakery, pastry, and sandwich production via the subsidiary Panadería y Alimentos para Food Service. This centralized strategy has lead to synergies and cost efficiencies. DIA supports Domino's Pizza, Burger King, Starbucks, Chili's, P.F. Chang's, Italianni's, The Cheesecake Factory and Vips in Mexico, and has 4 locations across the country —in the State of Mexico, Cancun, Monterrey and Hermosillo—, coupled with a storage facility. These facilities supply c.2,160 POS. Additionally, DIA supports most of the Domino's Pizza and Burger King systems in Mexico.

In LatAm, Alsea has different Distribution Centers operated by third parties, supporting storage and distribution and distributed across Colombia (3), Argentina (1), Chile (1) and Uruguay (1). In Europe, Alsea has 3 DCs (3PL and 4PL), 1 in Spain, 1 in France and 1 in the Netherlands. Additionally, Alsea has a multiple purpose financing unit (SOFOM) that supports sub franchisees —Domino's Pizza, Burger King and Italianni's— on acquiring equipment, restructuring liabilities, and other financing needs.

Alsea has an Operation Center (COA), located near Mexico City, which supports storage, transportation and production, serving c.1,560 stores across the country. Most of the company's restaurants are located in leased properties, with 5-10 year contracts.

Figure 46: Alsea and competitors
(Units, 2024)



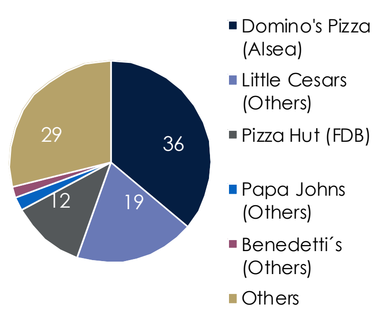
Source: Company reports, El Financiero, Actinver Research.

Alsea is the 2nd largest Starbucks operator in the world. The coffee shop segment in Mexico is highly fragmented, with local chains having a relevant presence. **Starbucks** has a c.47% market share, with main competitors being local and international players The Italian Coffee Company, Café Punta del Cielo, Caffenio (in some businesses partnering with FEMSA MM, rated Outperform), Tim Hortons (owned by Restaurant Brands International), Cielito Querido Café (owned by Grupo Herdez, HERDEZ MM, not covered) and Tierra Garat, among others. Other competitors in LatAm include Juan Valdez and Dunkin'.

Alsea has been working on increasing drive-thru penetration at Starbucks, with most of the new units opened using this format. This strategy supports sales and margins —30% higher volumes with better margins, and 4-5% rent expenses vs 8-9% for the brand on average—.

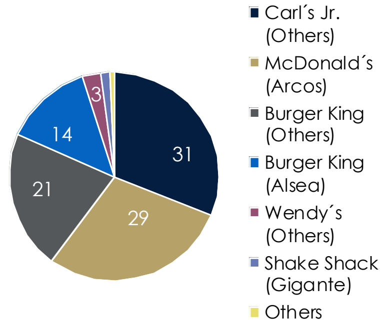
Besides operating Starbucks in Mexico, Alsea operates Starbucks in 6 countries in South America, and 6 countries in Europe, serving c.190mn per year, around 40% of consolidated clients served. 16% of its units are franchised. Alsea has been implementing SDS, Starbucks Digital Solutions, in its operating regions, for better client-centric solutions.

Figure 47: Market share of main Pizza chains in Mexico 2024 (%, 2024)



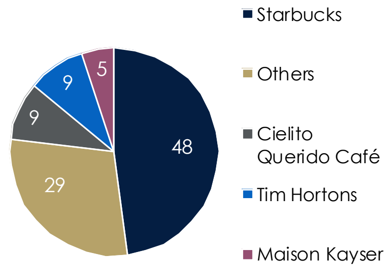
Source: Company reports, Actinver Research.

Figure 48: Market share of main Burger chains in Mexico 2024 (%, 2024)



Source: Company reports, Actinver Research.

Figure 49: Market share of main Coffee chains in Mexico 2024 (%, 2024)



Source: Company reports, Actinver Research.

According to the company, **Domino's Pizza** (owned by DPZ, not covered) has a 36% market share in Mexico, accounting for large pizza chains, and a 30% market share including smaller independent pizzerias. Main competitors are Little Caesar's Pizza and Pizza Hut (owned by Yum! Brands, YUM US, not covered). Other regional players include Bennedetti's and Papa John's. The company operates in 3 other markets that account for c.38% of the format's sales (2 in South America and Spain), with franchised stores across the 4 operating markets reaching close to 37% of total units.

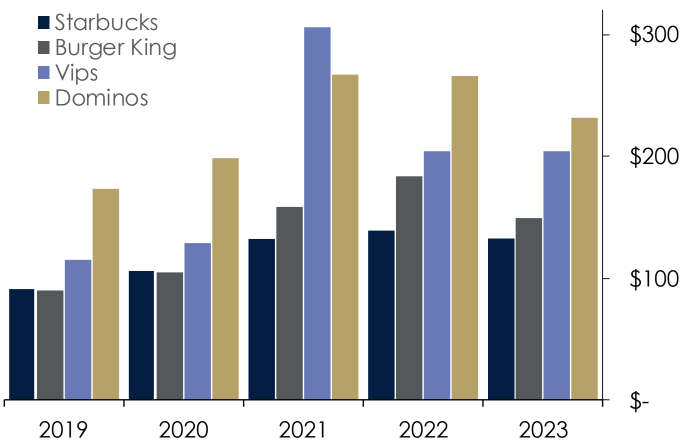
Domino's Cloud, launched in 2024, is based on the U.S. technology for deliveries, Additionally, the company has been working on carryout sales to improve performance. Dining and carryout represent 44% of sales, while delivery 56%.

Burger King (owned by Restaurant Brands International, QSR US, not covered) has a c.36% market share in Mexico within the burger market. The company's main competitor is McDonald's (MCD US, not covered), operated in LatAm by Arcos Dorados (ARCO US, not covered). Other relevant players are KFC (owned by Yum! Brands) and Carl's Jr, along with Wendy's, Popeye's (owned by Restaurant Brands International), among others.

Within **full service restaurants,** Alsea operates almost 1,000 restaurants, segmented within Familiar & Local Food (Vips), American Food (Chili's, The Cheesecake Factory, and Foster's Hollywood), Italian Food (Italiannis, Archie's, Ginos) and Asian Food (P.F. Chang's). Chili's (owned by Brinker International, EAT US, not covered) has a market share of c.20% in Mexico, with main competitors Applebee's (owned by Dine Brands, DIN), TGI Friday's Tony Roman's, and Hooters, among others. Mexico is the country with the 2nd highest amount of units, following the U.S.

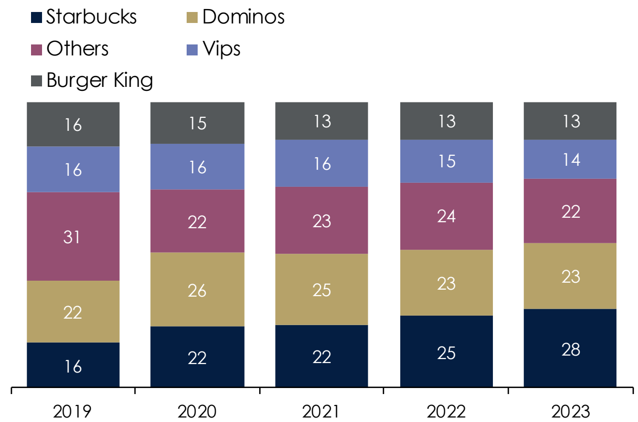
Alsea has been remodeling **Vips** in Mexico since 2014, with a higher focus on 2023-24, leading to higher weekly sales in remodeled stores and lower costs. Additionally, Alsea has been working on menu efficiency by eliminating some items.

Figure 50: Avg Ticket
($, 2023)



Source: Company reports, Actinver Research.

Figure 51: Employees
(%,2023)



Source: Company reports, Actinver Research.

Figure 52: Annual Sales/Restaurant
(thousands of USD, 2023 vs CAGR)

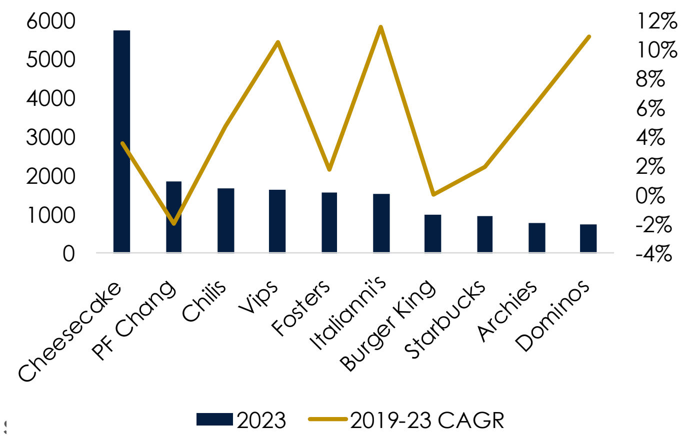
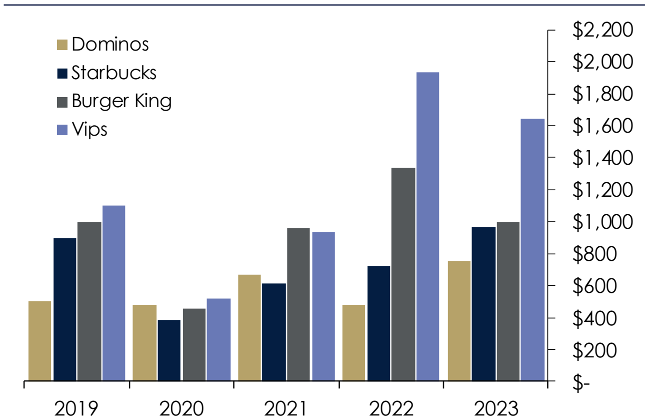
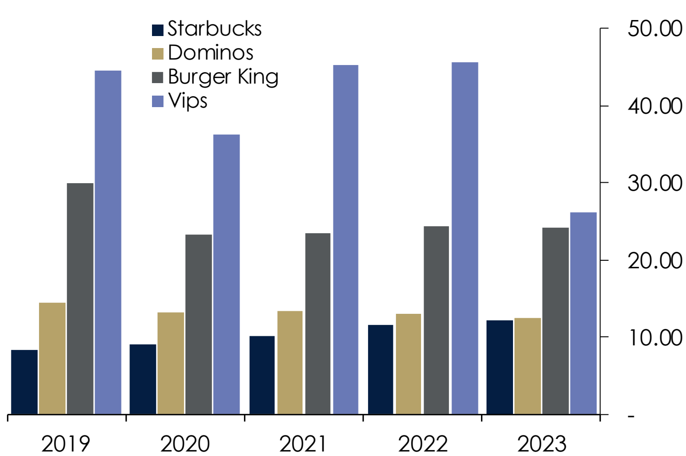


Figure 53: Anual Sales/Restaurant
(P$, 2023)



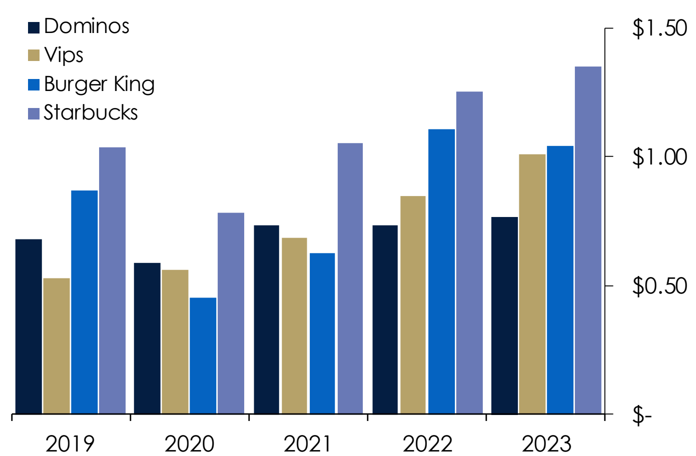
Source: Company reports, Actinver Research.

Figure 54: Employees/Restaurants
(2023)



Source: Company reports, Actinver Research.

Figure 55: Sales/Employees
($, 2023)



Source: Company reports, Actinver Research.

ESG

Alsea's Global Environmental Policy guides waste management and reduction efforts to minimize the environmental impact of its operations. The company focuses on reducing, recycling, reusing, and properly disposing of waste. In Alsea Europe, over 40 tons of waste, including packaging, hazardous materials, cardboard, and clean plastics, are managed annually. Additionally, organic waste such as fat from oil by-products is directed to biodiesel production, and meat waste is sent to the animal feed industry. In 2021, all Starbucks locations in Mexico launched the "Everything and Everyone for the Planet" initiative, encouraging customers to bring their own cups in exchange for a discount, and replacing plastic containers with compostable, cardboard-based alternatives to reduce disposable packaging. In terms of recycled waste, Alsea has made significant strides in managing oil waste across its regions. In Mexico, a total of 707.2k liters of oil were recycled, while in Europe, 540.7k liters were recycled, and in South America, 336k liters of oil were processed for recycling.

Alsea is committed to reducing its emissions through energy efficiency, the use of renewable and clean energies, and environmental awareness initiatives. In Alsea Europe, the company has progressively shifted its fleet, ensuring that 15% of delivery vehicles across all business units are electric. Alsea has implemented various energy-saving initiatives across its operations. In Europe, efficiency measures, such as LED lighting, frequency regulators, and light sensors, have reduced energy consumption in restaurants. Additionally, industrial refrigeration equipment was upgraded, with plans for further improvements. Clean energy in Mexico accounts for 39% of total energy consumption (31% RENEWABLE), while in Europe, 1.6k solar panels installed on 75% of factories have reduced CO_2 emissions by 21.2% and boosted renewable energy production. Scope 1 emissions reached a total of 127.4k tons of CO_2 eq in 2023. Furthermore, the company has a social program to feed over 6k children that live in extreme poverty.

Growth profile and guidance

During the 2024 Alsea Day, held on March, the company provided the following guidance:

- 7-9% SSS, with revenues growing over 10%.
- 250-300 store openings, out of which 180-230 are corporate, with c.70 franchises.
- EBITDA growth (post IFRS16) of over 10%, with EBITDA margin of at least 20.9%.
- Gross debt/EBITDA of c.2.9x, and 30-31% ROE.
- Capex of P$6bn, 60% for Mexico, 25% for Europe, and 15% for South America. From a strategy perspective, 45% is planned for openings, 15% for remodelings, 25% for maintenance, and 15% for digitalization and others.

Alsea is planning to open 75 Domino's Pizza in Mexico in 2024, to reach 975 units in the country. In its Investor Day held on March 2024, management forecasted to surpass a total of 5,000 stores by the end of the year, which we consider to be hardly achievable.

During 4Q24 and 1Q25, the company will be paying the pending EUR90mn to minority shareholders of the European entity acquired in early 2024.

For the long run, Alsea is working on further reducing G&A as a % of sales to c.5% by 2029, compared to 6.3% in 2019 and 5.7% in 2023. Additionally, Alsea is targeting long-term Net Debt/EBITDA at around 2.0x.

In terms of M&A and divestments, the company has been working on divesting some of its non-core brands in South America.

Dividends and share buybacks

Liverpool

Liverpool is a Mexican retailer, with department stores across the country. The company operates two formats, Liverpool and Suburbia, with 124 and 186 units across 88 cities in Mexico, respectively, selling products in a wide array of categories such as fashion, technology, home goods, and more, added to omnichannel capabilities. The company has almost 60k employees._Liverpool has 1,144.75mn Series 1 shares, and 197.5mn Series C1 shares.

Company history

In 1847, Jean Baptiste Ebrard started selling clothes from a trunk in downtown Mexico City. In 1872, he began importing merchandise from Europe, shipped through the port of Liverpool, England, and decided to name his store 'Liverpool.' Over 60 years later, in 1936, the new Liverpool building opened in Mexico City, with the first branch opened in 1962. Three years later, in 1965, the company was listed on the Mexican Stock Exchange.

In 1982, the company expanded outside Mexico City, and in 1988, Liverpool acquired Fábricas de Francia, a department store chain, further expanding its presence in the retail market. The following decade, Liverpool continued its inorganic expansion.

In 2011 Liverpool launched the LPC Credit Card, and in 2015, the company contributed to the arrival of Pottery Barn, West Elm, and Williams Sonoma boutiques to the country. **In 2016, Liverpool announced the acquisition of Suburbia from Walmex (WALMEX*, Market Perform),** accounting for c.120 stores, for a total transaction value of c.P$19bn, at c.1.4x EV/sales and c.10.3x EV/EBITDA. The transaction was completed in 2H17.

In 2018, Liverpool launched the Suburbia Departamental and Suburbia Visa credit cards in July. By October, the Suburbia website began offering online shopping capabilities. In 2019, Suburbia incorporated General Merchandise into its offering to boost credit and online sales. The transformation of 41 Fábricas de Francia stores into 24 Liverpool stores and 14 Suburbia stores was completed, while three stores closed permanently.

In 2022 the company launched the Liverpool Express format and completed the first stage of its new Arco Norte Logistics Platform, including the Big Ticket wing. Additionally, Liverpool Express strengthened its presence with the opening of 17 new locations by 2023 year-end.

On December 2024, Liverpool announced a planned investment of up to US$1.7bn in Nordstrom, growing its stake to 49.9% from its original 9.9% stake acquired in 2022, while taking the company private alongside the Nordstrom family. The transaction is expected to close in 1H25, pending regulatory approvals.

Management and Board

Enrique Güijosa Hidalgo was appointed CEO of Liverpool on February 2024, following 13 years as the company's CFO, and 16 years working at the company. Mr. Güijosa has over 35 years of experience in Corporate Finance, including financial analysis, planning, treasury, accounting, and auditing.

Graciano F. Guichard G. has served as Chairman of El Puerto de Liverpool since March 2024, after joining the Board in 2017. He was the company's CEO from 2017 to 2024. Prior to his role at Liverpool, Graciano worked as a manager at Invex, starting in 1991. He also led the development of M. Lambert, a fabric distribution company.

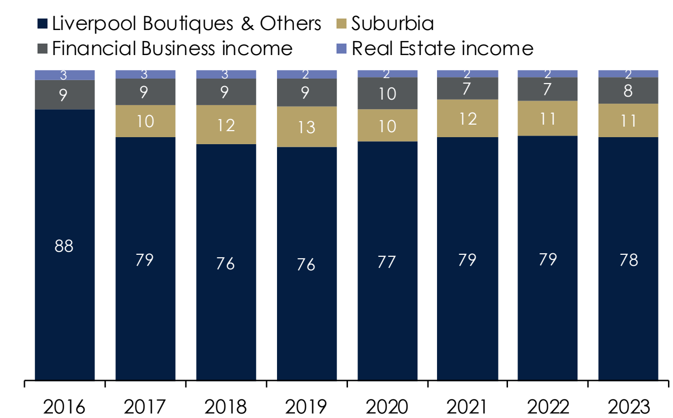
Gonzalo Gallegos Martínez holds the position of CFO, and with over 25 years of experience in Finance, has worked with companies such as Procter & Gamble, Mabe, and Ryder System Inc. Mr. Gallegos joined El Puerto de Liverpool 12 years ago and has held various roles in the Finance, Technology, and Commercial areas within the company.

Operations and strategy

Liverpool has expanded into the proximity format with a Liverpool Express store that has around 400 sqm, with Click & Collect, credit, insurances and selected merchandise. As of 3Q24, the company had 35 Express stores.

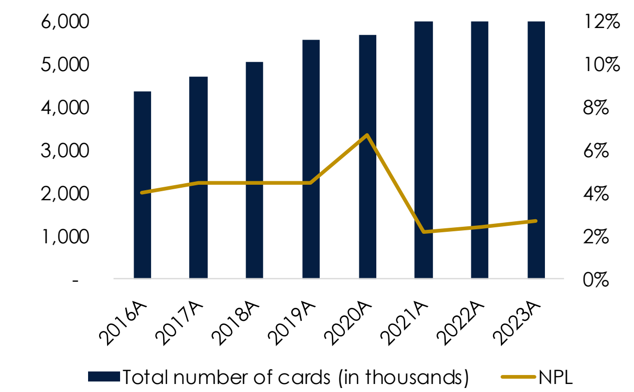
In 2023, Liverpool finished the first stage of its new logistics platform (Plataforma Logística Arco Norte, or PLAN), with big ticket items —a 277.2k sqm surface—. The softlines area is expected to be finished in 2025.

Figure 56: Sales LIVEPOLC
(%, 2023)



Source: Company reports, Actinver Research.

Figure 57: Financial business Liverpool
(%, Mn$ MXN, 2023)



Source: Company reports, Actinver Research.

Liverpool has been working on revamping its **Suburbia** formats, with a revamping of private labels, improving visual presentation, layout, commercial offering, and checkout processes. A new service, "Mini pagos", allows customers to pay on a biweekly basis, similar to what peers (e.g., Coppel and Elektra) have successfully been doing.

With its 2 formats, Liverpool targets a full spectrum of consumers; nonetheless, we see low consumer trade down potential, as we don't consider that Liverpool customers will necessarily trade down to the Suburbia format. The Liverpool format and the different boutiques with which the company has partnered (later covered in the report) cater mostly to the A, B and C+ socioeconomic classes. Meanwhile, Suburbia caters mostly the C and D+ segments.

Fairly 69% of the company's sales are originated with products from local suppliers, while the rest is linked to foreign suppliers. Given the relevance of Asian suppliers, the company has 2 offices in the region.

In terms of **private label**, Liverpool has been growing its exposure, although the Liverpool format still lags Suburbia's c.65% private label penetration. Some of its brands include: JBE, That's It, Haus, Mon Caramel, Pique Nique, Weekend, Ns Non Stop, Metropolis, and Contempo, among others.

In 2006, Liverpool partnered (49%) with El Corte Inglés to operate c.56 Sfera stores in Mexico. Other companies with which Liverpool has agreements to operate or commercialize its brands are: Gap, Banana Republic, Aeropostale, Destination Maternity, Chico's, Williams Sonoma, and Disney.

Besides its core Liverpool and Suburbia business, **Liverpool** has established some partnerships with international retailers to open stores in Mexico, such as: 1) Liverpool recently opened the 1st Toys R Us in Mexico; 2) in 2023, Liverpool launched a new Car business partnering with BYD; 3) Liverpool has a solid financial services business.

Within its **financial services,** Liverpool has Liverpool and Suburbia credit cards —only for purchases at the stores—, and LPC and Suburbia credit cards backed by Visa. NPLs (90 days) closed 2023 at 2.7%; 2.6% at Liverpool and 4.8% at Suburbia.

In 2023, the company had a P$2.9bn credit provision and faced a credit loss of P$2.5bn. The company is also working on fostering new accounts via online channels, representing 45% of new accounts in 2023. Additionally, the company has started to grant new personal loans, called "Livercash". Liverpool's Financial Services division has been growing solidly, and in 2023 48.2% of sales in the Liverpool format were paid with the company's credit cards, while this proportion reached 30% in the Suburbia format.

Most (72%) of the Liverpool units are owned by the company, as well as c.89% of the GLA of the company's shopping centers. Liverpool also has a **real estate business,** leasing c.2,200 commercial spaces in its 28 shopping centers, with a total of more than 690k sqm GLA.

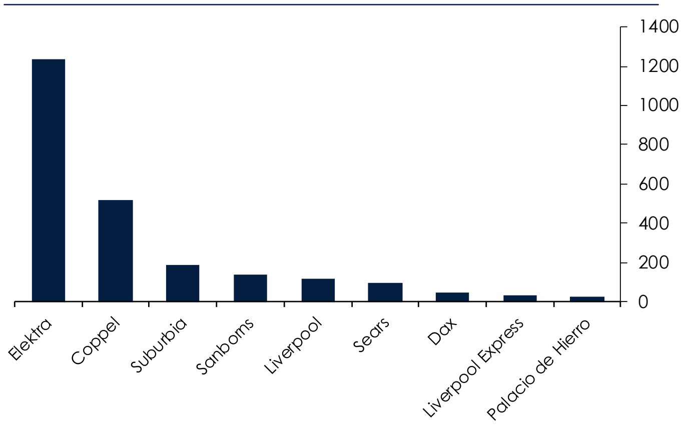
Within car sales, the company has sold over 3,200 BYD units since starting operations in 2023 —1,300 in 3Q24, above full-year target—, opening its first full-service car dealerships besides promoting these cars at the stores. The company is expecting low teens sales growth going forward.

In 2022, the company announced a partnership with Toys 'R' Us to open stores in Mexico; in 3Q24, Liverpool reached 3 units and 1 Babies O'R' Us.

Additionally, Liverpool has a 50% stake in Grupo Unicomer, a company focused on commercialization of different products in 26 countries within LatAm and the Caribbean. Unicomer has 25 brands and over 13k employees. Furthermore, Liverpool is planning to increase its current 9.9% stake in Nordstrom (JWN US, not covered) to 49.9%, as aforementioned.

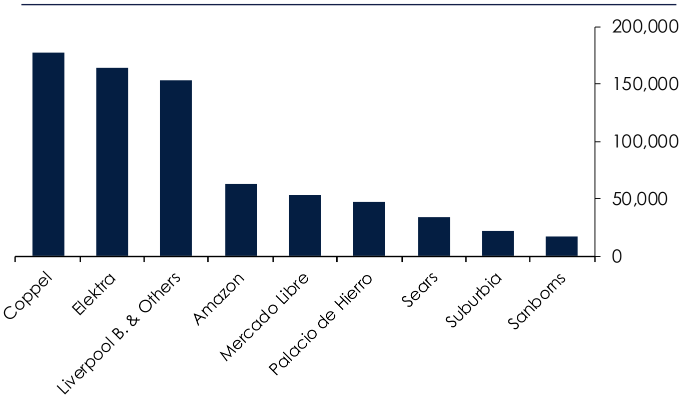
Some of the company's main competitors are El Palacio de Hierro, Sears, Coppel and Elektra, along with omnichannel players Amazon (AMZN US, not covered), Mercado Libre (MELI US, not covered) and Walmart de Mexico (WALMEX* MM, Market Perform).

Figure 58: Number of units operated in Mexico
(Units, 2024)



Source: Company reports, Actinver Research.

Figure 59: Sales operated by discretionary Retailers
(Mn $ MXN,2023)



Source: Company reports, Actinver Research.

ESG

El Puerto de Liverpool has made significant strides in environmental sustainability, aiming for carbon neutrality by 2040. In 2023, the company's emissions amounted to 202.8k tCO_2eq, marking a 24% progress toward its 2040 carbon reduction goal. The company continues to optimize energy consumption and reduce its environmental impact through various initiatives. For instance, 39.21% of the energy used by the company comes from renewable sources, and in 2023, the company installed solar panels in 18 locations. Additionally, the company has been phasing out combustion vehicles in favor of hybrid and electric vehicles, acquiring 50 new electric vehicles in 2023.

The company also focuses on waste management, with comprehensive recycling programs and a commitment to reducing waste. Its Comprehensive Sustainable Packaging System ensures that all packaging materials are responsibly sourced, recycled, or biodegradable, while also promoting circular economy practices through its recycling and reuse initiatives, including the installation of collection points for electronic waste at stores, contributing to responsible disposal practices.

Water conservation is another key area of focus for El Puerto de Liverpool. As part of its water management strategy, 454k m^3 of wastewater were treated in 2023, representing 18.87% of the company's water consumption, used for landscaping, sanitary facilities, and cleaning purposes.

Puerto de Liverpool's financial inclusion programs, such as Tarjeta Garantizada and Minipagos, have helped 21% of customers with little or no credit history gain access to financing.

Growth profile and guidance

In early 2024, the company announced a Capex guidance of P$12bn, with P$10-11bn planned for 2025. On January 13, 2025, Liverpool announced its preliminary 4Q24 and 2024 results:

- 8.4-8.8% YoY sales growth in 4Q24, and 9.2-9.6% in 2024, supported by seasonal sales and SSS of c.7.3% for the Liverpool format and c.5.2% for Suburbia. The Financial and Real Estate businesses are expected to post solid growth.
- Margins are expected to be lower YoY in 4Q24 and 2024, mostly impacted by a gross margin contraction at the commercial business, higher Opex, and a higher NPL reserve.
- NPLs are expected to close at c.3.1-3.3%, higher than the 2.7% figure a year earlier yet still at healthy levels.
- Inventory levels closed c.24% higher YoY amid late arrivals. The cash balance is expected to closet at P$24.7bn.

Dividends

The company is a constant dividend payer, and we expect a 20% dividend payout in coming years, similar to 2023. Additionally, the company has an approved plan of up to P$6bn in share buybacks.

Company specific risks

Liverpool has different licensing partnerships with some brands, some of these under exclusivity rights, along with some franchise agreements for sales within its stores. While we don't foresee any major renewal risk on these agreements, losing some of these rights could be highly impactful.

Valuation: Methodologies, Key Assumptions

Our **Alsea** PT of P$60 is derived from a DCF calculation, using a 11.7% WACC —-we use a 11% cost of debt, an effective tax rate of 32%, a cost of equity of 18.1%, and a D/E ratio of 1.5— .

Figure 60: Stock ALSEA
(% 2024)

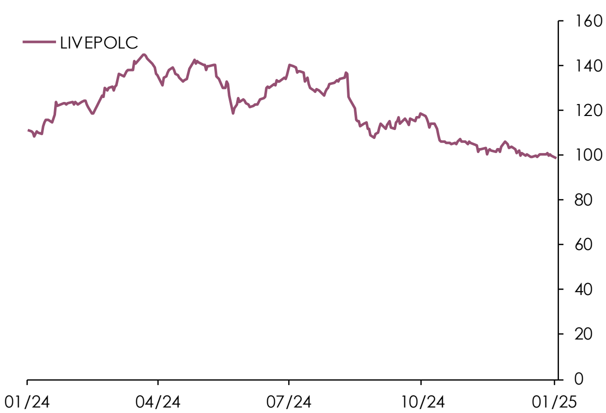
Source: Company reports, Actinver Research.

Figure 61: EV/EBITDA
(Last 12 months)

Source: Company reports, Actinver Research.

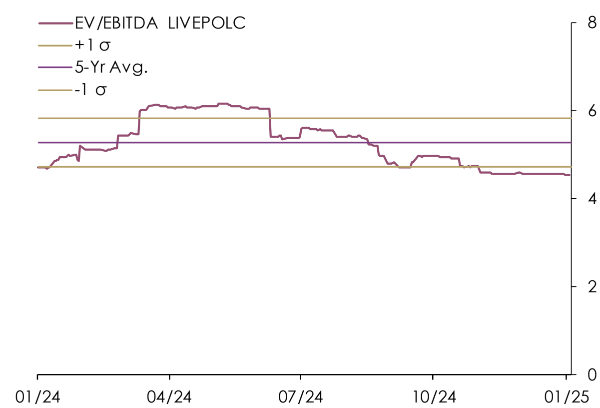
Our **Liverpool** PT of P$112 is derived from a DCF calculation, using a 16.8% WACC —-we use a 12% cost of debt, an effective tax rate of 28%, a cost of equity of 18.7%, and a D/E ratio of 0.2 —.

Figure 62: Stock LIVEPOLC
(P$ 2024)



Source: Company reports, Actinver Research.

Figure 63: EV/EBITDA
(Last 12 months)



Source: Company reports, Actinver Research.

Alsea Key Stats

Income Statement and FCF

(in P$mn)	2021A	2022A	2023A	2024E	2025E	2019A-23A CAGR	2023A-27E CAGR
Revenues	$ 53,379	$ 68,831	$ 76,231	$ 80,727	$ 88,912	*7.0%*	*8.7%*
Gross Profit	$ 36,626	$ 46,319	$ 51,230	$ 54,986	$ 60,533	*5.7%*	*9.1%*
Operating Profit	$ 4,133	$ 6,368	$ 8,027	$ 8,419	$ 9,130	*15.1%*	*8.6%*
EBITDA	$ 12,311	$ 14,050	$ 15,960	$ 16,856	$ 18,218	*7.2%*	*14.5%*
Majority Net Profit	$ 835	$ 1,738	$ 2,982	$ 1,344	$ 1,504	*0.0%*	*0.0%*
Shares Outstanding (mn)	$ 839	$ 839	$ 810	$ 813	$ 813	*0.0%*	*0.0%*
EPS (maj.)	$ 1.00	$ 2.07	$ 3.68	$ 1.65	$ 1.85	*35.1%*	*0.7%*
Average Stock Price	$ 33.33	$ 58.58	$ 98.70	N/A	N/A		
Enterprise Value	$ 53,822	$ 71,776	$ 100,568	$ 77,637	N/A	*18.0%*	*N/A*
Total Assets	$ 82,978	$ 78,923	$ 77,434	$ 81,622	$ 78,694	*0.3%*	*(3.2%)*
Net Debt	$ 24,836	$ 21,702	$ 19,710	$ 28,647	$ 27,788	*(3.6%)*	*(14.3%)*
Controlling Interest	$ 7,639	$ 8,344	$ 8,656	$ 4,118	$ 3,112	*(2.5%)*	*(13.5%)*
Minority Equity	$ 1,035	$ 951	$ 941	$ 210	$ 221	*(16.8%)*	*(27.0%)*
Dividends Paid	$ 0	$ 0	$ 0	$ 978	$ 0	*N/A*	*N/A*
Dividend Yield	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Free Cash Flow to the Firm (FCFF)	$ 9,634	$ 8,188	$ 8,906	$ 4,238	$ 10,139	*1.9%*	*19.1%*
FCFF Yield	*34.5%*	*16.7%*	*11.1%*	*8.7%*			
Free Cash Flow to Equity (FCFE)	$ 6,397	$ 1,657	$ 4,564	$ 6,892	$ 7,337	*(6.9%)*	*(11.7%)*
FCFE Yield	*22.9%*	*3.4%*	*5.7%*	*14.1%*			

Profitability YoY growth

	2021A	2022A	2023A	2024E	2025E	2019A-23A CAGR	2023A-27E CAGR
Revenues	*38.7%*	*28.9%*	*10.8%*	*5.9%*	*10.1%*	*7.0%*	*8.7%*
Gross Profit	*35.5%*	*26.5%*	*10.6%*	*7.3%*	*10.1%*	*5.7%*	*9.1%*
Operating Profit	*(372.3%)*	*54.1%*	*26.0%*	*4.9%*	*8.4%*	*15.1%*	*8.6%*
EBITDA	*120.4%*	*14.1%*	*13.6%*	*5.6%*	*8.1%*	*7.2%*	*14.5%*
Majority Net Profit	*(125.8%)*	*108.1%*	*71.6%*	*(54.9%)*	*11.9%*	*0.0%*	*0.0%*

Profitability margins

	2021A	2022A	2023A	2024E	2025E	2019-23A bps	2023A-27E bps
Gross Margin	*68.6%*	*67.3%*	*67.2%*	*68.1%*	*68.1%*	*(328 bps)*	*97 bps*
Operating Margin	*7.7%*	*9.3%*	*10.5%*	*10.4%*	*10.3%*	*267 bps*	*(3 bps)*
EBITDA Margin	*23.1%*	*20.4%*	*20.9%*	*20.9%*	*20.5%*	*778 bps*	*(73 bps)*
Majority Net margin	*1.6%*	*2.5%*	*3.9%*	*1.7%*	*1.7%*	*232 bps*	*(102 bps)*
ROA	*0.9%*	*2.1%*	*3.9%*	*1.6%*	*1.8%*	*223 bps*	*26 bps*
ROE	*9.0%*	*18.7%*	*32.2%*	*18.6%*	*38.0%*	*2,352 bps*	*4,424 bps*
ROIC	*7.2%*	*13.3%*	*17.4%*	*17.8%*	*18.8%*	*866 bps*	*1,712 bps*

Multiples

	2021A	2022A	2023A	2024E	2025E	2017A-20A Avg.	2021A-24E Avg.
EV/EBITDA Avg.	10.2x	6.0x	6.0x	5.4x	5.0x	9.9x	6.9x
3-Yr Avg.	9.2x	7.9x	7.4x	5.8x	5.5x		
Premium (Discount) vs. 3-Yr Avg.	*11.3%*	*(25.1%)*	*(18.6%)*	*(7.2%)*	*(8.2%)*	*(16.2%)*	*(9.9%)*
5-Yr Avg.	9.9x	8.7x	7.9x	7.0x	6.5x		
Premium (Discount) vs. 5-Yr Avg.	*2.6%*	*(31.3%)*	*(23.7%)*	*(23.9%)*	*(22.9%)*	*(27.0%)*	*(19.1%)*
P/E Avg.	281.9x	24.8x	22.6x	36.3x	32.4x	42.7x	91.4x
3-Yr Avg.	120.0x	113.3x	109.8x	27.9x	30.5x		
Premium (Discount) vs. 3-Yr Avg.	*135.0%*	*(78.1%)*	*(79.4%)*	*30.1%*	*6.5%*	*(12.6%)*	*1.9%*
5-Yr Avg.	90.5x	85.5x	81.5x	79.8x	79.6x		
Premium (Discount) vs. 5-Yr Avg.	*211.5%*	*(71.0%)*	*(72.2%)*	*(54.5%)*	*(59.3%)*	*(16.6%)*	*3.4%*
PEG	(2.2x)	0.2x	0.3x	(0.7x)	2.7x	(0.7x)	(0.6x)
P/BV	4.7x	4.5x	5.4x	11.3x	14.6x	4.2x	6.5x
P/Sales	0.8x	0.6x	0.7x	0.6x	0.5x	1.0x	0.7x

Liverpool Key Stats

Income Statement and FCF

(in P$mn)	2021A	2022A	2023A	2024E	2025E	2019A-23A CAGR	2023A-27E CAGR
Revenues	$ 151,022	$ 176,034	$ 195,992	$ 214,545	$ 230,540	8.0%	7.9%
Gross Profit	$ 57,071	$ 68,457	$ 79,120	$ 87,714	$ 94,401	8.4%	8.3%
Operating Profit	$ 18,733	$ 25,515	$ 29,606	$ 31,726	$ 33,071	11.5%	4.7%
EBITDA	$ 23,909	$ 30,687	$ 34,992	$ 37,484	$ 39,258	7.2%	14.5%
Majority Net Profit	$ 12,868	$ 17,385	$ 19,487	$ 22,679	$ 22,254	0.0%	0.0%
Shares Outstanding (mn)	$ 1,342	$ 1,342	$ 1,342	$ 1,342	$ 1,342	0.0%	0.0%
EPS (maj.)	$ 9.59	$ 12.95	$ 14.52	$ 16.90	$ 16.58	12.0%	4.9%
Average Stock Price	$ 39.18	$ 36.48	$ 38.81	N/A	N/A		
Enterprise Value	$ 53,574	$ 53,746	$ 49,544	$ 138,611	N/A	1.5%	N/A
Total Assets	$ 221,971	$ 235,875	$ 259,154	$ 262,422	$ 312,655	6.6%	6.8%
Net Debt	$ 730	$ 4,515	($ 2,833)	($ 12,015)	$ 7,011	N/A	45.1%
Controlling Interest	$ 119,628	$ 132,183	$ 147,212	$ 156,465	$ 173,305	7.8%	8.1%
Minority Equity	$ 259	$ 272	$ 287	$ 300	$ 300	4.6%	(100.0%)
Dividends Paid	$ 3,018	$ 3,288	$ 3,502	$ 3,959	$ 4,536	24.1%	7.2%
Dividend Yield	5.7%	6.7%	6.7%	0.0%	0.0%	8.5%	(100.0%)
Free Cash Flow to the Firm (FCFF)	$ 9,225	($ 1,884)	$ 941	$ 6,107	($ 13,308)	N/A	125.0%
FCFF Yield	17.5%	-3.8%	1.8%	4.1%			
Free Cash Flow to Equity (FCFE)	$ 992	($ 9,070)	($ 4,053)	($ 583)	($ 537)	80.6%	N/A
FCFE Yield	1.9%	-18.5%	-7.8%	-0.4%			

Profitability YoY growth

	2021A	2022A	2023A	2024E	2025E	2019A-23A CAGR	2023A-27E CAGR
Revenues	30.8%	16.6%	11.3%	9.5%	7.5%	8.0%	7.9%
Gross Profit	36.3%	19.9%	15.6%	10.9%	7.6%	8.4%	8.3%
Operating Profit	391.4%	36.2%	16.0%	7.2%	4.2%	11.5%	4.7%
EBITDA	165.5%	28.3%	14.0%	7.1%	4.7%	7.2%	14.5%
Majority Net Profit	1,615.5%	35.1%	12.1%	16.4%	(1.9%)	0.0%	0.0%

Profitability margins

	2021A	2022A	2023A	2024E	2025E	2019-23A bps	2023A-27E bps
Gross Margin	37.8%	38.9%	40.4%	40.9%	40.9%	57 bps	58 bps
Operating Margin	12.4%	14.5%	15.1%	14.8%	14.3%	181 bps	(170 bps)
EBITDA Margin	15.8%	17.4%	17.9%	17.5%	17.0%	130 bps	(177 bps)
Majority Net Margin	8.5%	9.9%	9.9%	10.6%	9.7%	136 bps	(106 bps)
ROA	6.0%	7.6%	7.9%	8.7%	7.7%	127 bps	(64 bps)
ROE	10.7%	13.8%	13.9%	14.9%	13.5%	212 bps	(161 bps)
ROIC	17.2%	12.4%	13.4%	14.0%	13.0%	340 bps	(129 bps)

Multiples

	2021A	2022A	2023A	2024E	2025E	2017A-20A Avg.	2021A-24E Avg.
EV/EBITDA Avg.	11.4x	5.9x	5.4x	4.2x	4.0x	9.9x	6.7x
3-Yr Avg.	9.1x	8.3x	7.6x	5.2x	4.5x		
Premium (Discount) vs. 3-Yr Avg.	25.9%	(28.9%)	(28.4%)	(19.3%)	(12.1%)	(20.9%)	(12.7%)
5-Yr Avg.	10.5x	8.7x	7.7x	6.9x	6.2x		
Premium (Discount) vs. 5-Yr Avg.	9.0%	(32.4%)	(29.6%)	(39.5%)	(35.6%)	N/A	(23.1%)
P/E Avg.	73.7x	8.4x	7.8x	6.6x	6.8x	14.0x	24.1x
3-Yr Avg.	32.4x	31.4x	29.9x	7.6x	7.1x		
Premium (Discount) vs. 3-Yr Avg.	127.7%	(73.4%)	(74.0%)	(12.6%)	(43.5%)	(25.1%)	(8.1%)
5-Yr Avg.	40.6x	24.1x	22.6x	21.7x	20.6x		
Premium (Discount) vs. 5-Yr Avg.	81.4%	(65.3%)	(65.7%)	(69.5%)	(67.3%)	N/A	(29.7%)
PEG	0.0x	0.2x	0.6x	0.4x	(3.6x)	(1.1x)	0.3x
P/BV	1.0x	1.1x	1.1x	1.0x	0.9x	1.7x	1.0x
P/Sales	1.0x	0.9x	0.8x	0.7x	0.7x	1.3x	0.8x