Transcript of Grupo Bafar's quarterly conference 2Q26

Ana, Moderator: Good morning, everyone. My name is Ana, and I will be coordinating today's call. I would like to warmly welcome you to Grupo BAFAR's second quarter 2026 conference call.

I would like to inform you that all participants are currently muted to avoid any background interference. Following the speakers' presentations, we will have a question-and-answer session, at which time we will provide instructions on how to participate. I am pleased to inform you that on Monday, July 27, Grupo BAFAR released its results.

If any of you have not received the report, I recommend contacting the Investor Relations team, who will be happy to provide you with the information. I would like to emphasize that this call is intended exclusively for investors and analysts; therefore, we will not take questions from the press, and the call should not be reported on by the media. It is important to note that any forward-looking statements made during this quarterly call are based on the information currently available.

We encourage you to review the statement included in the quarterly report for further details on this matter. Joining us today are Luis Eduardo Ramírez, Chief Financial and Administrative Officer, and Luis Carlos Piñón, Corporate Controller of Grupo BAFAR, who will share the Company's results. Without further ado, I will turn the call over to Luis Eduardo.

Luis Eduardo Ramírez, Chief Financial and Administrative Officer: Thank you, Ana. Good morning, everyone, and thank you for joining us.

It is a pleasure to share with you Grupo BAFAR's progress during the second quarter of this year. During the quarter, we maintained a favorable trend thanks to our operating discipline and consistent execution. Our financial results and infrastructure developments reflect our ability to adapt to market conditions and generate long-term value.

We focused our resources on optimizing processes, maintaining commercial momentum, and strengthening our digital transformation to reinforce internal controls and provide better service to our customers. During the period, our food segment closed with a 16% increase in sales. Fibra Nova grew 9.5%, while the financial division improved 6.7%. At the close of the second quarter of 2026, our year-to-date consolidated net sales increased 14.6% to Ps. 17,954 million, supported by a higher volume of transactions and an improved mix of value-added products in the food division, together with significant progress across the remaining divisions.

EBITDA reached Ps. 3,733 million, representing a 25% increase and a 21% margin on sales. Meanwhile, year-to-date net income amounted to Ps. 2,630 million, with a net margin of 15%. These results were driven by internal efficiencies and a favorable foreign exchange gain.

Within the food division, BAFAR Alimentos continues to be the Group's main growth engine, reaching sales of Ps. 8,771 million, representing a 16% increase compared with the prior year. This result was driven by the expansion of our own-store network and an improved product mix. EBITDA reached Ps. 1,216 million, with a margin of 14%.

Operating income reached Ps. 865 million, up 23.4% compared with the same period of 2025. We invested Ps. 471.6 million to expand our logistics infrastructure through the opening of new distribution centers in El Paso and La Paz, Baja California, as well as to modernize our facilities in Chihuahua to enhance service to our retail segment.

These initiatives were complemented by the inauguration of BAFAR Alimentos' new corporate building. At this same location, we successfully held the first Expo CarneMart 2026, bringing together more than 3,500 entrepreneurs and 50 suppliers. We also obtained SQF Food Safety Code certification and reached a historic milestone by confirming CarneMart's presence across all 32 states of Mexico.

Fibra Nova's real estate division closed the quarter with a portfolio of 127 properties and a total GLA of 744,715 square meters, in addition to 2,118 hectares in our industrial portfolio. Total revenue increased to Ps. 429 million, representing growth of 9.5%, driven by the addition of new lease agreements with tenants such as Emerson, Regal Rexnord, and Vistaprint. EBITDA reached Ps. 403 million, with a 94% margin and an 8% year-over-year increase, demonstrating the division's operating efficiency and the quality of its long-term contracts.

During the quarter, Fibra Nova continued its industrial expansion in Chihuahua by signing two new Build-to-Suit agreements. The first consists of a 7,684-square-meter logistics center under a five-year agreement with a global e-commerce leader within Bafar Industrial Park. The second consists of an 11,747-square-meter facility under a ten-year agreement with a multinational home improvement company at the Bafar Norte industrial complex.

Investments during the period amounted to Ps. 331 million and were allocated to projects such as Parque Norte in Chihuahua and the completion of Parque Juárez No. 1. In terms of financing, we secured long-term international funding of US$100 million from the IDB and US$50 million from DEG. As a result, Fibra Nova's net debt closed at Ps. 7,220 million and Loan-to-Value stood at 30.1%, strengthening our capital structure to support the management and continued growth of the portfolio. In the financial division, we continue to consolidate our position as a key source of support for our strategic partners.

During the quarter, loan originations reached Ps. 1,454 million, driven by growing demand for our financing and factoring products. This performance is aligned with our vision of offering liquidity solutions tailored to the operating needs of each of our customers. As a result, revenue increased 7% to Ps. 303 million, while we maintained a healthy non-performing loan ratio of 3.1%. We also continued expanding BCash, reaching 800 cards across new geographic areas, increasing our market penetration and reaffirming our commitment to financial inclusion and timely service.

For Grupo BAFAR, consolidated net sales in the second quarter of 2026 increased 17% to Ps. 9,289 million, driven by higher transaction volumes resulting from the strong performance of the food retail division. Operating income increased 20% to Ps. 1,729 million, while EBITDA grew 21% to Ps. 2,056 million, representing a 22% margin on sales. Net income amounted to Ps. 1,695 million, with an 18% margin, supported by internal efficiencies and a favorable foreign exchange gain.

During the period, cumulative investments totaled Ps. 3,143 million, allocated to real estate development and the modernization of logistics infrastructure in the food division. The cash conversion cycle stood at 36 days, supported by efficient collections and payment management. Bank debt totaled Ps. 20,528 million, with 78% at long term and a natural hedge provided by our U.S. dollar-denominated revenues.

This quarter's results reflect disciplined and resilient management. We remain committed to generating long-term value for our investors and all Grupo BAFAR stakeholders. Our expectations are for sales growth of 21%, EBITDA growth of 22%, an EBITDA margin of approximately 19%, and estimated CAPEX of Ps. 6,556 million.

This concludes my remarks. Thank you all for listening, and I will now turn the call back over to the operator for the question-and-answer session. Thank you very much.

Question-and-Answer Session

Moderator: We will now begin the question-and-answer session. If you would like to ask a question, please click the raise-hand button located at the bottom of your screen.

If you are joining by phone, please press *9. As a reminder, all lines are muted. When it is your turn to ask a question, your microphone will be enabled and you will be able to unmute yourself. We will pause briefly for questions.

Our first question comes from Martín Lara. Please state your full name and company before asking your question.

Martín Lara, Miranda Global Research: Good morning. Martín Lara from Miranda Global Research. Congratulations on the results, and thank you for the call. I have a question regarding Ciemsa. It has margins similar to those of Bafar Alimentos, and I wanted to ask whether you disclosed the purchase price. Also, regarding CarneMart, could you provide the number of stores at the end of the quarter and how many you expect to have by year-end?

Luis Eduardo Ramírez, Chief Financial and Administrative Officer: Hi, Martín. How are you?

Martín Lara, Miranda Global Research: Good.

Luis Eduardo Ramírez, Chief Financial and Administrative Officer: Great, it is very good to speak with you. Regarding Ciemsa, we did not disclose the acquisition price. The company was originally managed by a family, and under a confidentiality agreement they asked us not to make the acquisition amount public, so we did not disclose it. Yes, Ciemsa's margins are similar to those of the food division. If anything, we believe we can contribute through everything we manufacture and increase the margin Ciemsa currently has.

We estimate that we will close the year with approximately 512, 510 stores.

Martín Lara, Miranda Global Research: Okay, thank you very much. Just one last question on the guidance. You expect EBITDA to increase 22% for the year. It increased 21% in the first half, so that implies a slight acceleration, correct?

Luis Eduardo Ramírez, Chief Financial and Administrative Officer: Yes, that is correct. We believe we will maintain the pace and sustain the growth we achieved during the first half. As you mentioned, it is a slight improvement, but we expect to reach 22% by year-end.

Martín Lara, Miranda Global Research: Okay, thank you very much.

Luis Eduardo Ramírez, Chief Financial and Administrative Officer: Thank you, Martín.

Moderator: Thank you. Our next question comes from Carlos Alcaraz. Please state the name of your company before asking your question.

Carlos Alcaraz, Apalache Research: Hi, how are you? Carlos Alcaraz from Apalache Research. Thank you for the opportunity to ask questions. First, following up on the last point you discussed, given the Ciemsa transaction, what run rate do you expect during the second half of the year? And following that, regarding the Valle de los Encinos real estate project, we saw that residential lot sales contributed approximately Ps. 240 million.

Could you provide some additional color on the working capital required to complete Phase 2 of Valle de los Encinos and on the visibility you have regarding recurring hospitality revenue?

Luis Eduardo Ramírez, Chief Financial and Administrative Officer: Hi, Carlos. Good morning, and thank you for participating. Regarding Valle de los Encinos, we believe we could close this year with approximately Ps. 500 million in residential lot sales.

We still need to invest approximately Ps. 450 million to Ps. 550 million. Regarding working capital, the first phase was sold almost entirely for cash, largely through a family-and-friends offering.

Sales have become more diversified over the last four or five months. We are also offering some financing plans, so we expect to have a receivables portfolio of approximately Ps. 200 million to Ps. 240 million by year-end. To be very candid, on the hospitality side, we are currently in the final stages of preparing the first 2027 budget and the subsequent projections beyond 2027, using some of the assumptions we initially had and that we are now adjusting and refining as we gain greater visibility into everything involved with each of the amenities.

Therefore, it would not be prudent to provide a figure because we do not yet have sufficient clarity. I believe that by next quarter or by year-end we should have a very clear budget for the revenue and profits that these new sources of income will generate at Valle de los Encinos. And regarding CIEMSA, could you perhaps clarify what you mean by run rate so that I can answer your question more precisely? What exactly would you like to know?

Carlos Alcaraz, Apalache Research: Sure. Regarding the margins you expect now that you are taking this stake, would what we saw this quarter be the standard going forward, or do you expect improvements? And could we see efficiencies, particularly in inventory management, as a result of this new partnership?

Luis Eduardo Ramírez, Chief Financial and Administrative Officer: Yes, we do believe we will improve the margin. I do not think that will happen this year. This year, we are focused on integrating the acquisition as effectively as possible across all processes, not only operational and commercial, but also administrative and technology-related. Therefore, we believe this year will be largely in line with how CIEMSA had been operating. We expect to see efficiencies and margin improvements more clearly in 2027, once the business is fully integrated into all of the Group's processes.

Regarding working capital, particularly inventories, raw materials have experienced volatility for some time. We have tried to take advantage of opportunities and, in some cases, made small tactical purchases when raw material prices were attractive. This also allows us to achieve better margins over time. Therefore, I do not expect inventories themselves to decline until there is more sustained stability in the raw materials market.

Carlos Alcaraz, Apalache Research: Okay, understood. One final question, if I may. On inventories, we see double-digit year-over-year growth. What percentage of this increase is intended to meet the demand you are anticipating amid this volatility? And could any portion of the increase be related to broker, dealer, or trading operations such as those you have carried out in prior years?

Luis Eduardo Ramírez, Chief Financial and Administrative Officer: Our sales grew 17%. Therefore, a natural consequence is that we need approximately 17% more inventory simply to ensure that manufacturing has the raw materials it needs and that finished products are available at our points of sale to support that sales growth.

In addition, as I mentioned earlier, there is approximately a 5% to 5.5% increase in tonnage compared with last year, as we have taken advantage of opportunities in certain raw materials, mainly chicken and beef. As you know, these are key protein inputs in many of our products. Broadly speaking, those are the factors behind the increase in inventories.

Carlos Alcaraz, Apalache Research: Okay, perfect. Thank you very much, Luis Eduardo, and congratulations on the results.

Luis Eduardo Ramírez, Chief Financial and Administrative Officer: Thank you, Carlos. It was good speaking with you.

Carlos Alcaraz, Apalache Research: Likewise. Thank you.

Moderator: We have not received any additional questions, so this concludes our question-and-answer session. Thank you very much. I would now like to turn the call over to Luis Eduardo Ramírez for his closing remarks.

Luis Eduardo Ramírez, Chief Financial and Administrative Officer: Thank you very much. I would like to thank everyone for joining us today. Please feel free to contact us if you have any additional questions. As always, we greatly appreciate your interest in Grupo Bafar and look forward to speaking with you again soon.

Moderator: This concludes today's call. You may now disconnect.