APALACHE
ANÁLISIS

COVERAGE INITIATED



Betterware®
Hogar en *armonía*

BUY PT JUN 20 (SIC) Ps. 84.00 PT JUN 20 (NASDAQ) US$14.20	
Price DDMX (in MXN) SIC	Ps.201.00
Expected 12-month return	41.3%
DDMX Figures(1)	
Price NASDAQ (in USD)	US$10.15
Max./min. (Since listing date)	10.15 / 9.70
Market cap. (USD million)	73.31548
Outstanding shares (M)	7.2232
Float	20%

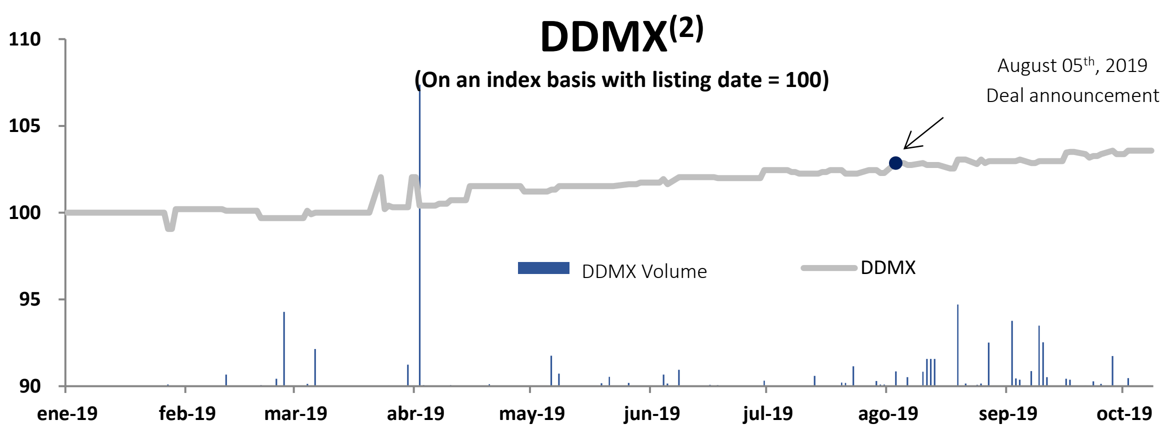
1. Figures as of October 10th, 2019
Source: Apalache, BMV and NASDAQ

Recommendation: BUY

Our recommendation for Betterware's (DDMX) shares is based on: i) its strategy and business model, including a comprehensive understanding of its distribution network; ii) the broad geographic outreach of its distributors, with technological roll-outs and zero last-mile cost; iii) its high growth track record in sales, cash flow generation and profitability; and, iv) appealing valuation against its peers.

The business model of Betterware de Mexico (BTWM), the capability of its management team, its solid operating and financial structure, and its growth potential in the direct-to-consumer segment, result in an appealing investment vehicle. We expect the Company to maintain attractive growth rates over the coming years.

CONTENT



Source: NASDAQ and BMV

2. As soon as the reverse merger process is concluded, and once approved by the Shareholders' Meeting, the exchange of stock ownership from DDMX to Betterware de Mexico will be carried out automatically, with the corresponding change of ticker symbol.

Jorge Placido
+52 (55) 5412-4273
jorge.placido@apalache.mx

Jorge Lagunas
+52 (55) 6553-8846
jorge.lagunas@apalache.mx

Benjamin Salgado
+52 (55) 6378-2805
benjamin.salgado@apalache.mx

GROWTH AND PROFITABILITY TRACK RECORD BEHIND AN INTERNATIONAL TOP PICK OF THE CONSUMER SECTOR: BETTERWARE IS A BEST IN CLASS

This document marks the beginning of Betterware de Mexico's coverage, which following the reverse merger with SPAC DD3 Acquisition Corp (20% of the company's equity valuation), becomes the first Mexican company listed directly on the NASDAQ.

Betterware de Mexico is a consumer company focused on the home organization and solutions segment, through direct sales endeavors, aimed at the sweet spot of the population pyramid, the middle- and low- income segments (C and D+). It is a small-cap and high-growth company with robust fundamentals, standing for a very attractive growth proposal.

BTWM value proposal to the investor is distinguished by: i) its business intelligence approach to product innovation, reflected in the continuous renewal of its catalogue (every 6 weeks); ii) Its operating and logistical efficiency, reflected in an broad geographical outreach through Mexico with zero last-mile cost; iii) a lean asset structure, with a sound balance sheet and minimum leverage; iv) its accelerated growth and wide range of opportunities for expansion, taking advantage of its disruptive structure, flagship position in terms of price-quality and incorporation of new technological platforms; and, v) the leadership of its Executive Chair, Luis Campos, one of the most seasoned executives in the Latin American retail industry, with a solid background in TupperWare and Sara Lee (House of Fuller), which will be complemented by the DD3 team, led by Martin Werner (former CEO of Goldman Sachs Mexico), one of the most experienced bankers in Mexico (Director and Founding Partner of the SPAC "DD3 Acquisition Corp").

The 20% acquired by the SPAC, which represented a roll-over of the current holding, will be equivalent to a Enterprise Value of US$367 million. Therefore, the 20% float in NASDAQ will be valued at approximately US$73.4 million. With this, Betterware de Mexico will become the first Mexican company to be listed directly in the largest electronic stock exchange in the United States.

It is relevant to underscore that, as of the date of this report, it is possible to acquire SPAC (NASDAQ: DDMX) securities in the International Trading System (*Sistema Internacional de Cotizaciones* – SIC for its acronym in Spanish) of the Mexican Stock Exchange (*Bolsa Mexicana de Valores* - BMV for its acronym in Spanish), and thus have a prior position to the share exchange for Betterware de Mexico's. As soon as the merger is concluded and, once approved by the Shareholders' Meeting, the exchange of stock ownership from DDMX to Betterware de Mexico will be carried out automatically, with the corresponding ticker symbol change. As of the date of this document, the ticker symbol with which Betterware de Mexico will trade is not yet known.

INVESTMENT THESIS

The key factors that, in our opinion, make Betterware de Mexico a Top Pick, are:

1. Attractive target market

In Mexico, direct-to-consumer sales are deeply rooted. In 2018 alone, sales in this format amounted to US$7 billion, ranking Mexico second in Latin America and seventh worldwide. Mexico has approximately 2.8 million independent direct sales representatives, just below Brazil (WFDSA).

The fact that Mexico is an ideal market for direct sales is due to a number of reasons:

- *Higher number of middle-income consumers*, driven by the incorporation of women into the labor market.
- *Scattered communities*, that prevent deep retail coverage, with standard distribution models.
- *High Consumer Confidence,* Record high levels since 2006 (INEGI).
- *Favorable political context*, given the endeavors of new federal government to increase the income of lagging sectors.
- *Demographic change*, high increase in the number of potential consumers. BTWM's target market represents ~75% of Mexican population

Moreover, the competitive pricing of BTWM's products and its dealer incentive scheme provides resilience to economic downturns.

2. Solid differentiation strategy based on its intelligence model

One of BTWM's strongest differentiators is its ability to develop new and innovative products that drive and sustain the company's growth potential.

Innovation in BTWM's products is one of the cornerstones of its strategy, as it manages to understand and tap into consumer trends, supporting their clients in identifying needs that had not previously been recognized.

To attain the most comprehensive understanding of the market, BTWM leverages on its business intelligence model, which allows it to conduct extensive market research and, through its Data Analysis Unit, achieve a clearer understanding of its consumers, in order to anticipate their needs and offer optimal solutions for them. In addition, it ensures the loyalty of its customers through a one-to-one relationship with distributors, a key driver for business expansion and for raising future orders.

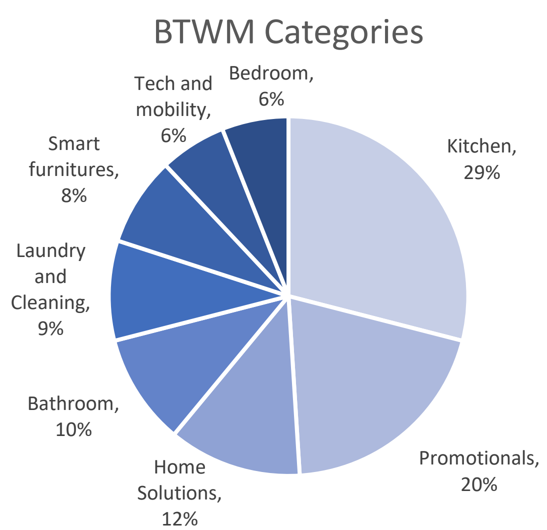
Separately, its pricing strategy is to offer its products at affordable prices, enabling more consumers to buy them and, consequently, attain a steady increase in revenue and margins, with a high inventory turnover.

Likewise, sales volume enables economies of scale, which helps to minimize costs. The latter stands for a strong entry barrier for future competitors.

The products offered are certified for its high quality and comply with international standards. Therefore, the price-quality ratio succeeds in attracting a greater number of consumers, gaining their loyalty, and thus maintaining its leadership in the market.

An important edge of BTWM is its ability to launch new products in a very short period of time, renewing its catalogue every 6 weeks, with more than 30 new products.

The variety and design of products is essential for the company's success. BTWM's commercial portfolio is comprised of more than 400 high-quality products, with an average sale price of ~US$5.5, strategically classified in 8 different categories: Kitchen, Promotionals, Home solutions, Bathroom, Laundry & Cleaning, Smart furniture, Tech & Mobility and Bedroom, among other minor categories.



Source: Betterware de México

The company's strategy indicates that it will remain on this line of action, firmly pursuant to innovation and product development, supported by an increase in its market share in Mexico, as well as its expansion to new markets abroad.

3. Far-reaching distribution network and efficient logistics platform

BTWM's sales model is capable of serving 3 million households every 6 weeks, in 800 communities throughout Mexico. The distribution network is composed of Distributors (+20 thousand) and Associates (+400 thousand).

The Distributors serve as the link between the company and its Associates. On average, each Distributor has 17 Associates to whom they sell. Roughly 78% of the Distributors order merchandise from BTWM each week, for an average amount of Ps.7 thousand.

On the other hand, the Associates are salespeople whose portfolio is composed of final consumers, and of which they may also be part. On average, 32% of Associates order merchandise from BTWM each week, for an average amount of Ps.950.

The requirements for an Associate to become a Distributor, are to recruit 3 people and reach a minimum purchase balance of US$125.

To encourage its distribution network to meet the objectives, BTWM has an incentive scheme, consisting of: (i) offering discounts on products; and, (ii) through a point per sale system, to accumulate "Betterware Points", which may be exchanged for rewards, such as home appliances, furniture, among others.

BTWM has a Business Intelligence Unit (BIU), a tool through which it tracks daily performance of its distribution network, as well as monitors the target budgets per Distributor, in order to develop tailor-made commercial strategies. In addition, the use of BIU brings a competitive edge, since data analysis and market research provide valuable information for better decision making and, thus, enhance proceedings and optimize results.

The company has a very effective sales strategy given Mexico´s current conditions, such as the growing participation of women in the labor market (today 90% of the distribution network is female), coupled with the fact that more and more people are opting for self-employment and entrepreneurship options.

Moreover, catalogue sales allow for greater expansion and reach by solidly growing its presence in distant locations without retail coverage; without incurring infrastructure costs. BTMW uses the BIU to perform a detailed socioeconomic profile of each location and to monitor orders through big data analytics focused on customer behavior, seeking to increase the market penetration of each distributor. With this tool, a detailed plan is drawn up for each distributor, while measuring their sales performance.

With these initiatives, BTWM is able to expand its geographic footprint at no cost per last mile while incorporating comprehensive data analysis to process as many orders as possible.

4. Supply chain platform and integrated infrastructure as a barrier to entry

The efficiency levels that the company has been able to attain, through an integrated supply chain platform, is directly reflected in the steady improvement of its operating margins.

Since the incorporation of Betterware de Mexico in 1995, and its ownership transition after the acquisition by current management in 2001; BTWM has integrated a number of steps in the productive chain as well as strategic processes:

- Manufacture

Following a rigorous analysis of data and trends, as well as a significant involvement of the innovation department, the products to be manufactured by more than 200 third party factories are designed internally and certified under strict quality standards. 89% of products are manufactured in China and 11% in Mexico. Manufacturing most of its products is what enables the company to achieve its competitive prices by reducing production costs.

To ensure the quality and delivery of imported goods, the company has an office in Ningbo, China, which oversees every process, from design to manufacturing, shipping over 40 containers each week.

Storage

Once shipment is received in the port of Manzanillo, Colima, it is sent to the Distribution Center in Guadalajara, Jalisco, where final product is to be assembled and sent to Distributors.

Key metrics: 99.97% service level; 80 days of inventory; 1.4% of excess inventory; and 0.58% rate of defective items

Distribution

The company conducts weekly shipments to its distribution network through 12 different charter companies, with which BTWM has a strong and exclusive working relationship.

5. Possibility to capitalize on growth opportunities

BTWM has an investment prospectus that is not only based on its corporate profile and operating track record, but also reflects strong drivers for organic and inorganic growth, in the short and medium term.

The market size is very large; however, its penetration rate is low. Therefore, a penetration in areas already identified within Mexico, but without coverage, would fuel the company's growth. Currently, BTWM estimates that it has penetration of only 11% of target households (households only within the socio-economic sector and target regions).

Furthermore, the implementation of the e-commerce platform, which BTWM scheduled to launch during 4Q19, will represent an additional catalyst to widen coverage. A relevant feature of the platform is that it will not cannibalize its network of Distributors but will refer new customers to them.

BTWM has begun the construction of a new campus for ~US$20 million, which will increase its storage capacity by 3.0x and generate a number of efficiencies in operations, especially in terms of inventory management.

Likewise, its business model is scalable to other markets both organically and through acquisitions. The company stated that in the medium term it could evaluate markets such as Colombia, Peru and Central America, whose characteristics and conditions are similar to Mexico. Therefore, ideal for its business model.

6. Solid operating and financial performance in medium-term projections

From 2015 to 2018, a CAGR of 45% was recorded regarding additions to the distribution network. By 2019, it is estimated that BTWM total distribution network will grow by ~29%.

In 2018, the company total net sales was US$125 million (Ps.2,399 million), ~60% up when compared to 2017 (+63% in Mexican pesos). Gross margin was 60% and EBITDA margin reached 26%, well above the industry average.

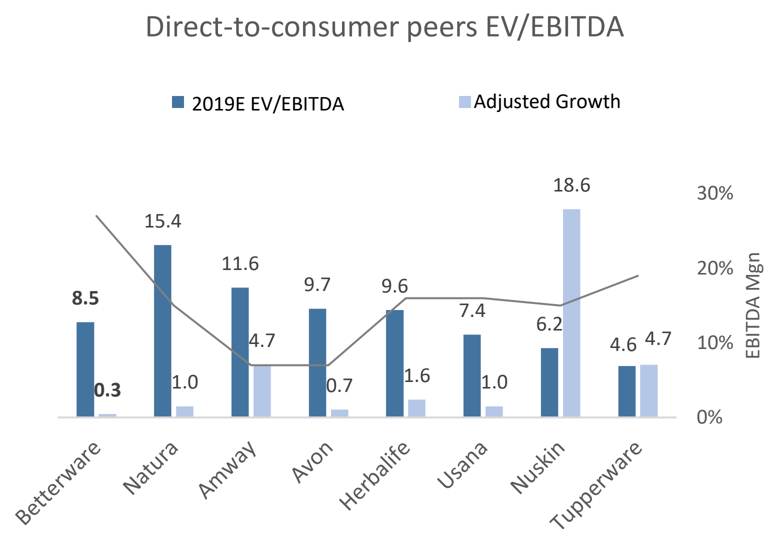
Its asset light structure, with minimum CAPEX requirements (~50% for technology infrastructure) and working capital cycle that does not require further financing, allows for a cash flow conversion rate of +60% of EBITDA. In addition, the company has a solid balance sheet, with positive working capital and low levels of leverage, 0.8x Net Debt/EBITDA.

The upper limit for distribution of surplus cash generated, after growth initiatives investments, is equal to 50% of net income.

From 2015 to 2018, the company posted a CAGR of 37% in total sales and 41% in EBITDA (in USD). The company projects growth to be 18% and 19%, respectively, by 2022 and expects to achieve stable gross and EBITDA margins for the same period, of ~61% and ~27%, in the same order.

We believe that the company's projections for 2022 are conservative since they do not reflect any growth from the implementation of the e-commerce platform, new efficiencies brought about by the new campus, inorganic growth and geographic expansion. Moreover, we believe that the company still has a vast market in the country to penetrate, which would enable it to sustain the expected growth, through market absorption over the next years.

The SPAC merger will contribute to unlock cash flow generation and flexibilize the balance sheet. BTWM ability to achieve results, detailed in preceding paragraphs, shows that the Company has the growth potential and operating efficiency reflected in the projections.



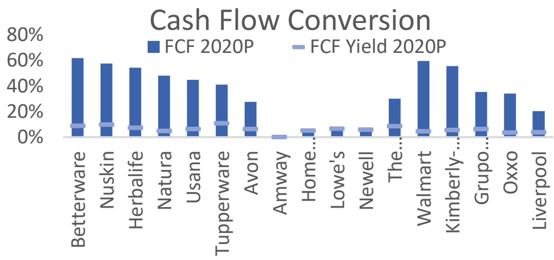
7. Attractive multiples vs. peers

The transaction with SPAC DD3 involves a 2019P EV/EBITDA multiple of 8.6x and 2020P EV/EBITDA of 7.0x, resulting in an estimated enterprise value of US$367 million. Additionally, return on cash flow and dividends for 2020P are 9.0% and 4.3%, respectively.

Among its direct-to-consumer sales and retail peers in the U.S. and Mexico, BTWM maintains a higher 2019P EBITDA margin and one of the lowest standard EV/EBITDA multiple for 2019P and 2020P. However, when adjusted for growth, the resulting valuation for such multiple is undoubtedly lower than all its peers, reflecting a competitive, highly appealing multiple.

BTWM has the highest 2020P cash flow conversion among its peers:

Source: DD3



Source: DD3

8. Management Team Expertise

The Management Team has more than 40 years of experience in strategic activities in the retail sector, coupled with more than 5 decades of experience in the financial sector of the Board of Directors.

Luis Campos (Executive Chairman): Chairman of Tupperware Americas (1994-1999); Chairman of Sara Lee House of Fuller Mexico (1991-1993); and, Chairman of Hasbro Mexico (1984-1990).

Andres Campos (Board Member and CEO): Commercial Director of Betterware (2014-2018); Strategy and New Businesses Director of Betterware (2012-2014); Corporate Banking at Banamex (2005-2010); and, Auditor at KPMG (2004-2005).

Jose del Monte (CFO): Regional Director of Banco Regional de Monterrey (2007-2019); Founding Partner of Geltung Asesores (2001-2007); and, Corporate Banking Regional Director Regional at Serfín (1996-2001).

Fabian Rivera (COO): IT Director at Finamex (2012-2016); Consultant at Deloitte (2009-2012); and, Software Products Coordinator of IBM (2006-2007).

Main Risks

Substantial increase in internet commerce

One of the major trends today is the online shopping, which is having a direct impact on traditional commerce. One of the advantages that e-commerce has over traditional retailers is to offer consumers tailor-made offers based on the analysis of previous purchases (by profiling the preferences of each consumer). In addition to having the upper hand in time, convenience and comfort when compared to traditional retail sales; this trend may affect the performance of direct sales if more people choose to buy products over the Internet.

In addition to the launch of Betterware's e-commerce platform, the company will mitigate this risk using its business intelligence model, through which it conducts data analysis on consumer preferences to maintain an ongoing development of innovative products that anticipate shifts in consumer trends.

Decrease in consumer purchasing power

Any macroeconomic event that could directly impact the economic situation of the population, mainly in the middle-income segment, whether a significant hike in inflation, a sharp decrease in purchasing power, an economic recession or a surge in the unemployment rate, could be reflected in a drop in the demand for BTWM products.

Entry of new competitors.

The entry of new players of the same size would cause a decrease in market share and, therefore, a drop in revenue. Likewise, should competitors establish prices below the market, it would have an impact on the operational performance and financial position of Betterware de Mexico.

Nevertheless, the entry barriers of the industry are high and this makes it difficult for new competitors to enter. Moreover, the integration of BTWM supply chain platform, which fosters a minimization of costs and an efficient reduction of design, production and distribution times, makes it extremely rough to replicate its business model.

Loss of creative talent

The key to BTWM's success is largely based on the innovation, design and quality of its products, which enable it to offer solutions ahead of market needs. Therefore, its design and innovation team is paramount to the business. If this team were to disband or join the competition, or any other event occurred that resulted in the loss of creative talent, the business model would be at risk.

Import and manufacture of products

Most of the products commercialized by BTWM are manufactured in China under the company's supervision. However, there are risks inherent to this activity that must be considered, such as FX rates, fares, trade policies, among others.

Tax on catalogue sales

The establishment of additional taxes on the income that the Distribution network receives from the sale of products, which could imply a future change in current BTWM commission scheme, may result in lower incentives to its sales channel. However, it is important to mention that the current business model and projections are in line with the applicable fiscal framework.

Valuation

To determine a Target Price (TP) we have used the most common valuation methodologies for an ongoing business. Therefore, we apply the discounted cash flow method, as well as target EV/EBITDA and P/E multiples, considering the following variables:

Discounted Cash Flow (DCF): We consider that this method is the most appropriate tool to value BTWM, as it allow us to see how the company will perform in the coming year. Our base year includes the projection of NOPAT (Net Operating Profit After Taxes + Depreciation & Amortization +/- Working Capital Investment - Capital Investments & Intangibles), for the period 2020 - 2030. We assign this method a weighting of 60%.

DCF	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
NOPLAT	611	796	944	968	980	1,005	1,033	1,063	1,094	1,127	1,160
Depreciation and amortization	76	61	65	66	68	70	72	74	76	78	81
Working capital investments	189	6	7	8	6	7	7	6	7	7	7
CAPEX	(379)	(45)	(48)	(50)	(52)	(55)	(58)	(61)	(64)	(67)	(70)
Free Cash Flow (FCF):	**498**	**819**	**968**	**992**	**1,001**	**1,027**	**1,054**	**1,083**	**1,113**	**1,145**	**1,178**
Years 1-10 FCF present value	5,889										
Terminal growth:	3.0%										
Terminal value:	14,752										
Present terminal value:	5,092										
Total present value:	10,981										
Net debt:	242										
Non-controlling interest:	-										
Implicit capitalization value:	10,739										
Shares outstanding:	36										
DCF intrinsic valuation:	**298.90**										

Source: Apalache

Based on our estimates, the present value of the company (discounting net debt and non-controlling interests) would be Ps.10,739 million, compared to current Ps.7,221 million (considering DDMX's last closing price of Ps. 201.0), implying that is the stock is currently trading at a discount of 32.8% when compared to the sum of its future cash flows.

The key assumptions for calculating the weighted average cost of capital (WACC) and terminal growth were:

- Risk-free rate: We use the yield of Mexico's 10-year government bond, adding Mexico's country risk premium (EMBI).
- Terminal growth: We assume that perpetual growth will be aligned to the 10-year expected average inflation, which we estimate at 3.0%.

WACC Inputs	
Risk-free rate (M10):	6.7%
Equity risk premium:	4.0%
Beta:	0.75
Adjusted equity risk premium:	3.0%
Country risk premium:	2.2%
Cost of equity:	11.9%
Risk-free rate (M10):	6.7%
Implicit credit spread:	6.0%
Country risk premium:	2.2%
Debt of cost before taxes:	14.9%
Corporate tax rate:	30.0%
Cost of debt:	10.4%
Debt / Capitalization:	45.5%
WACC:	**11.2%**
Terminal growth:	3.0%

Source: Apalache and a number of renowned sources

Any variation in the parameters used to calculate WACC, which is currently at 11.2%, could change our TP; therefore, we suggest reviewing our sensitivity matrix which reflects variations in the TP at different terminal growth and WACC rates.

Exit multiples: Currently the four most representative companies in the retail sector listed on the BMV are Gsanbor, Kimber, Livepol and Walmex. This benchmark is trading at weighted EV/EBITDA and P/E multiples of 12.63x and 22.27x, respectively.

International companies multiples		
Company	EV/EBITDA	P/E
Avon	10.49	59.45
Herbalife	9.50	14.66
Home Depot	14.96	22.13
Lowe's	17.25	18.82
Natura	17.69	49.34
Nuskin	8.97	12.84
The Container Store	11.61	10.82
Tupperware	4.81	3.86
Usana	7.85	15.21
Average	15.13	21.75

Source: Bloomberg

National companies multiples		
Company	EV/EBITDA	P/E
Gsanbor	11.24	15.29
Kimber	14.75	28.12
Livepol	7.41	11.76
Walmex	14.11	25.53
Average	12.63	22.27

Source: BMV and companies

PT sensitivity analysis: Exit EV/EBITDA vs. changes in EBITDA						
		Exit EV/EBITDA multiple scenarios				
		8.5x	9.5x	**10.5**	11.5x	12.5x
Changes in EBITDA	5.0%	221.06	247.85	274.65	301.45	328.25
	2.5%	215.63	241.79	267.95	294.11	320.27
	0.0%	210.21	235.73	**261.25**	286.77	312.29
	-2.5%	204.79	229.67	254.55	279.44	304.32
	-5.0%	199.36	223.61	247.85	272.10	296.34

PT sensitivity analysis: Exit P/E vs. changes in EPS						
		Exit P/E multiple scenarios				
		14.5x	15.5x	**16.5**	17.5x	18.5x
Changes in EPS	5.0%	242.00	258.70	275.30	292.00	308.70
	2.5%	236.20	252.50	268.80	285.10	301.40
	0.0%	230.50	246.30	**262.20**	278.10	294.00
	-2.5%	224.70	240.20	255.70	271.20	286.70
	-5.0%	218.90	234.00	249.10	264.20	279.30

Source: Apalache

Furthermore, given that BTWM will be listed on the NASDAQ, we have identified 9 comparable companies that are trading on the U.S. markets. These companies are currently trading at a weighted EV/EBITDA and P/E multiples of 15.13x and 21.75x, respectively.

With the purpose of determining BTWM's TP using EV/EBITDA and P/E multiples, we have taken as reference the weighted multiples of the companies listed on BMV and of international peers. In addition, since this is a newly established company and there is no concrete data of its future liquidity, we are applying a 25% discount to both multiples.

Based on the above, the 12-month TP for BTWM's shares using the EV/EBITDA multiple would be Ps.261.25, while when applying the P/E multiple it would be Ps.262.20.

<u>We have assigned a weighting of 20% for EV/EBITDA and 20% for P/E.</u>

PT sensitivity analysis: Terminal growth vs. WACC						
		Terminal growth escenarios				
		2.0%	2.5%	**3.0%**	3.5%	4.0%
WACC escenarios	12.2%	253.50	259.30	265.80	273.00	281.10
	11.7%	267.20	273.90	281.40	289.80	299.30
	11.2%	282.40	290.20	**298.90**	308.90	320.10
	10.7%	299.30	308.40	318.70	330.50	344.00
	10.2%	318.30	329.10	341.30	355.30	371.70

Source: Apalache

In this research document, you can also find attached a sensitivity analysis based on different levels of exit multiples, as well as changes in EBITDA and net income.

In this way, we are establishing a 12-month Target Price (June 2020) for BTWM's shares of Ps.284.0, with a BUY rating, implying an expected upside potential of 41.3%. The implicit 12-month forward EV/EBITDA and P/E multiples are 12.69x and 21.12x, respectively.

Valuation Method	Price	Weight
DCF	298.90	60%
Exit EV/EBITDA	261.25	20%
Exit P/E	262.20	20%
Price Target (PT)	**284.00**	100%
Current Price	201.00	
Upside potential	41.3%	
Dividend yield	0.0%	
Total Return	**41.3%**	
Rating:	**BUY**	

Source: Apalache

Multiple	2018	2019 E	2020 E
	Valuation based on PT:		
EV/EBITDA	17.35	12.69	10.23
P/E	30.65	21.12	16.31
P/B	60.10	11.92	8.73
	Valuation based on current price:		
EV/EBITDA	12.50	9.18	7.37
P/E	21.69	14.95	11.54
P/B	42.54	8.43	6.18

Source: Apalache

Direct-to-consumer Sales Industry

Mexico is one of the main countries in the direct-to-consumer sales industry due to its market size, currently ranking 7th place worldwide with a 5% share. On the other hand, the United States occupies the 1st place with a participation of 18% and in 2nd place is China with 15%. According to Euromonitor, the direct-to-consumer sales segment in Mexico is worth US$7 billion, with an average annual growth of 28.5% in the last 2 years. The leading companies in the segment are Andrea, Avon and Mary Kay with 14%, 9% and 9% market share, respectively.

This sector consists of the direct commercialization of different products, mainly household items, personal and cleaning items, cosmetics, to mention a few. The main feature of this companies is their lack of facilities to carry out retail operations, using instead sales representatives, typically incentivized to sell the products in exchange for some benefit, either monetary or in kind. Likewise, it is important to underscore that direct sales are a different concept from e-commerce, being the figure of the sales representative the main underlying differentiator of the business.

The importance of this industry lies in its contribution to economic growth and development at both macro and micro levels, by generating a significant number of jobs and providing an alternative source of income for the seller.

The business model of this industry allows sales representatives to become entrepreneurs and grants them the opportunity to have their own business, thus receiving direct benefits. As a result, people feel empowered and encouraged to be more productive and thrive.

To wind up, with regards to consumer confidence, as of September, the index stood at 44.7 pts., positively compared to 41.7 pts. last year. The drop in consumer confidence, since February 2019, is due to the deterioration of its components, derived from the softened GDP growth dynamics. This results in a slowdown in households' economy, implying fewer possibilities of purchase, even when segments D and C are benefited by direct subsidies from Federal Government, due to the new social programs that came into effect with the new administration.

Timeline: Betterware de México

1995

- Betterware, English company with more than 50 years, establishes in Mexico.

2001

- Luis Campos, former Chairman of companies such as Tupperware, Sare Lee House of Fuller Mexico and Hasbro Mexico, acquires the Company and starts operations of Betterware de Mexico.

2015 - 18

- Betterware achieves CAGR of 45%, 37% and 41% in Distributors & Associates, Sales and EBITDA, respectively.

2019

- NASDAQ listed SPAC "DDMX" reaches a merger agreement with Betterware de Mexico, becoming the first Mexican company directly listed on NASDAQ.

Relevant statements

About the information presented

The analysts responsible for preparing this report state that the research, valuations, opinions, points of view and conclusions expressed herein reflect a totally independent opinion, which is based on information that is deemed as public and reliable.
Apalache states that the people who prepare this report have experience, technical capacity and professional prestige, and do not have any conflicts of interest and are not subject to personal, proprietary or economic interests in the covered stock.
The research report issued by Apalache is prepared under the highest standards of quality and transparency.

Regardless of the business relationship that Apalache could be holding with the company covered, there is a “Chinese Wall” between Apalache’s business areas and fundamental analysts, in order to guarantee their investment opinions and ratings qualify as independent.

In some cases, the coverage services of Apalache Analysis are provided to the issuer through the payment of a consideration. However, Apalache Analysis has total impartiality and autonomy in developing its valuation model and investment recommendations.

The stock coverages of Apalache are carried out by research teams, with each analyst being formally appointed for this purpose, to ensure continuity of the client's coverage services, in compliance with the Apalache’s bylaws.

The information contained in this document is summarized and is not intended to be exhaustive. There is no statement or warranty, express or implied, regarding the accuracy, impartiality, or completeness of this information.

Additionally, this document was prepared with public information from multiple sources. The estimations or forecasts contained in this research paper are a generalized recommendation and are based on subjective assumptions and estimates on future events and circumstances and are subject to significant variations. It is not possible to guarantee the success of the proposed strategies.

The price target (PT) introduced in this report reflects the expected potential performance of the stock within a specific time period. This performance is estimated by the valuation methodology chosen by Apalache, based on the combination of one or more generally adopted approaches for the financial valuation of a company, which may include valuation using multiples, discounted cash flows (DCF), sum of the parts valuation (SOTP), liquidation value and any other appropriate methodology for the particular case. It should be noted that such valuation could be affected by other factors, such as the flow of general or specific company news, investors' perception of the issuer, the sector and the financial markets, mergers and acquisitions, among others. Any combination of these factors may lead to a recommendation contrary to that indicated by fundamental valuation.

This document has been prepared for informational purposes. No commitment is made regarding the accuracy, sufficiency, truthfulness or accuracy of the information and opinions contained herein. Apalache will not be liable for any loss or damage arising from the foregoing. This research document is based on facts and / or events up to this date, so future events and / or developments may alter the conclusions expressed herein. Apalache assumes no responsibility for updating, reviewing, rectifying or void this document based on any future event.

APALACHE
ANÁLISIS