



BAFAR: Positive report, with record revenues and EBITDA for a first quarter.

In line with estimates?

Positive results, with record revenues and EBITDA for a first quarter, as a result of higher volume in the food division and favorable results in most of the business divisions. It is worth noting that the highest Gross Profit in history was also recorded, reflecting the operating efficiency achieved by BAFAR through growth in market share, the use of technology and the focus on higher value-added products.

Operating profile

During the first three months of the year, BAFAR obtained the highest revenue and EBITDA record for a first quarter in its history, supported by a higher volume moved and stable commodities prices, which, together with its technological transformation process (digitalization and modernization of processes, Smart Stores, CRM Salesforce and Smart Plant), have improved the expected growth in profitability and EBITDA.

Food division

During 1Q24, the consolidated sales of the food division increased 7.2% YoY to Ps.6,316.4 million. This increase was due to the 8.9% YoY increase in consolidated sales volume, explained by the strengthening of our brands in the domestic market, which advanced 9.2% in volume, offsetting the 7.6% decline recorded in the U.S. It is worth noting that this decline is mainly due to the sale of commodities that took place during the past year due to the substantial increase in prices, generating a high comparative base.

In light of cost containment and the increase in sales, the division's EBITDA grew 27.5% to Ps. 803.3 million, with a margin of 12.7% (vs. 15.4% YoY). This margin reduction is due to the distortion caused by the export of commodities that took place during part of 2023, a period in which this market opportunity generated a relevant flow for BAFAR.

FNOVA

At the end of March, FNOVA's ABR was 556,491 m2 (+1.1% YoY) and 2,118 hectares in the agro-industrial segment (vs. 1,653 in 1Q23).

The FIBRA maintained a positive trend in its results, with revenues of Ps.303.8 million (+16.8% YoY), an increase justified by the start of leasing of the Essilor, Regal, ZF warehouses and the new agro-industrial property.

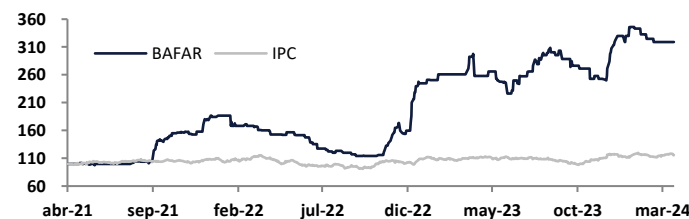
In dollar terms, the increase was 28.0%, reaching US\$17.9 million YoY. In terms of profitability, EBITDA for the quarter was Ps.312.9 million (+29.4% YoY).

BUY	IV MAR25	Ps.142.70
Price (BAFARB)		117.00
Min/max (2Y)		43.00 / 129.99
Total expected return		23.2%
Market cap (Mill.)		36,298
Enterprise value (Mill.)		51,297
Outstanding shares (Mill.)		310
Avg daily amount 2 years (Mill)		0.4

Price as of 04/23/2024. Figures in Ps. millions.

Ps. millions

Bafar VS IPC
(base 100 last three years)



Source: elaborated by APL Global with BAFAR and BMV data.

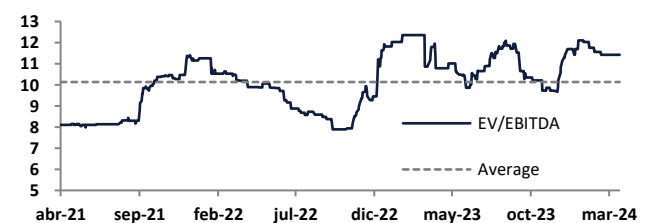
Quarterly results	1Q24	1Q23	Diff.
Food	6,353	5,920	7%
Interests	66	40	64%
Lease	174	144	21%
Services and Others	26	14	81%
Total Revenue	6,618	6,118	8%
Contr. Net Income	767	901	-15%
EBITDA	1,123	939	20%
<i>EBITDA margin</i>	<i>17.0%</i>	<i>15.4%</i>	

Balance Sheet	1Q24	4Q23	Diff.
Cash and Eq.	1,810	1,287	41%
Properties, Plant and Equipment	11,696	10,936	7%
Total Assets	32,833	31,239	5%
Total Liabilities	18,412	17,671	4%
Net Debt*	12,201	12,027	1%
Net Debt* / EBITDA (12M)	2.7	2.7	-0.1

Source: The company, BMV and APL Global

*Includes IFRS 16

12M EV/EBITDA
last three years



Source: elaborated by APL Global with BAFAR and BMV data.



Financial Division

During the first quarter of 2024, BAFAR's financial division achieved record loan placements, reaching Ps.1,205.2 million.

Revenues amounted to Ps.202.4 million (+19.6% YoY), with a NPL ratio of 1.23% (vs. 2.31% in 1Q23).

During the quarter, the pilot test of the B-Cash application for the city of Chihuahua began, with significant progress in the development of the technology, and the test is expected to last between 3 and 6 months in order to expand it nationwide.

Agroindustrial

Finally, the agroindustrial division recorded a 14.7% reduction in revenues, reaching Ps.34.6 million. This reduction is due to the appreciation of the Mexican peso against the U.S. dollar, which affects revenues due to the focus on the U.S. export market.

P&L

On a consolidated basis, 1Q24 Revenues totaled Ps.6,618.4 million, an increase of 8.2% compared to 1Q23, mainly due to higher sales volume in the food division.

Cost of Sales reached Ps.4,400.5 million, an increase of 0.5% compared to 1Q23, due to the stabilization of commodity prices and various efficiencies implemented in the logistics network.

Operating Expenses for 1Q24 totaled Ps.1,286.3 million, an increase of 34.3% YoY.

Operating Income amounted to Ps.931.6 million, an increase of 19.0% YoY. Operating margin was 14.1% during the quarter (vs. 12.8% in 1Q23).

In line with the above, EBITDA amounted to Ps.1,122.9 million, an increase of 19.5% YoY. EBITDA margin reached 17.0%, which compares favorably with the 15.4% reported in the same period of the previous year.

During the quarter, Financial Expense amounted to Ps.136.1 million, an increase of 52.9%, as a result of higher interest expenses due to the increase in short-term financial debt and higher interest rates.

Foreign Exchange Gain for 1Q24 was Ps.227.7 million (-49.4% YoY), due to a lower appreciation of the Mexican peso against the U.S. dollar so far in 2024.

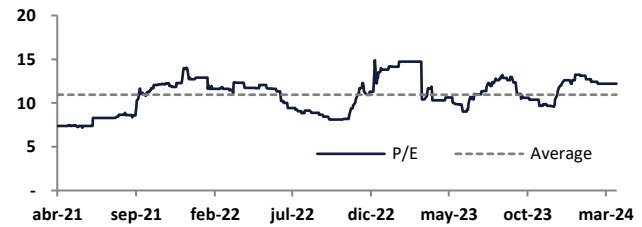
Finally, Net Income for the first quarter was Ps.944.7 million (-13.0% vs. 1Q23), with a net margin of 14.3% (vs. 17.8% in 1Q23). This reduction is due to a lower foreign exchange gain during 1Q24 and higher tax payments.

Balance Sheet

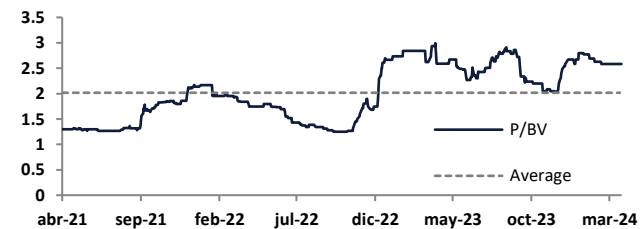
Cash and Cash Equivalents at the end of March totaled Ps.1,809.8 million, 35.5% higher than at the end of 1Q23. With respect to the financial position, the Working Capital Cycle increased compared to the same period of the previous year, reaching 35 days versus 28 days at the end of March.

This increase is due to the growth in operating portfolio days, which increased mainly due to the non-working days that occurred in the last week of the quarter, causing an increase in the conversion cycle.

12M P/E
last three years



12M P/BV
last three years



Source: elaborated by APL Global with BAFAR and BMV data.

At the end of 1Q24, CAPEX amounted to Ps.794.4 million, a decrease of 31.9% compared to Ps.1,166.7 in 1Q2023. These investments were allocated to real estate projects, mainly the construction of the industrial park in Ciudad Juarez and the new industrial park in Chihuahua. Likewise, we continued to invest in the remodeling of the food division's distribution centers, fleet renewal, opening stores and digitalization projects.

At the end of the first quarter of 2024, the Bank Debt amounted to Ps.12,984.3 million (+13.7% YoY). It is worth noting that 79.4% of the debt is denominated in dollars, while the remaining 20.6% is in pesos. The debt is naturally hedged by dollar-denominated revenues from the food, FIBRA and agro-industrial divisions.

Is the fundamental recommendation / I.V. maintained?

After updating our valuation model, we have increased our 12-month Intrinsic Value (March 25) to Ps.142.70 from Ps.139.30, ratifying our BUY recommendation. This increase is due to the stability observed during the last quarters in commodity prices, as well as the growth of the Mexican market in the face of increases in the minimum wage, which allows BAFAR to strengthen its market position and increase its margins in the face of higher disposable income.

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Assumptions for calculating the WACC	
U12M risk-free rate (M10):	9.0%
Premium risk on capital:	2.0%
Monthly Beta 3A:	0.21
Beta-adjusted risk premium:	0.4%
Sovereign risk premium U12M:	2.5%
(-) ESG discount to sovereign risk *:	-42.3%
Share capital cost:	10.9%
Implied credit spread:	1.5%
Cost of debt before taxes:	10.5%
Effective tax rate:	30.0%
Cost of debt:	7.4%
Mix of debt in target financial structure:	28%
WACC:	9.88%
Residual growth	3.0%

*Addendum ESG

DCF/Year	1	2	3	4	5	6	7	8	9	10
NOPLAT	4,132	4,512	4,793	5,094	5,484	5,908	6,370	6,873	7,421	8,019
Depreciation & Amortization	1,028	1,214	1,390	1,559	1,721	1,877	2,028	2,174	2,317	2,457
Investment in working capital	(136)	(143)	(163)	(171)	(83)	(69)	(90)	(75)	(88)	(71)
CAPEX	(3,003)	(3,093)	(3,186)	(3,282)	(3,380)	(3,481)	(3,586)	(3,693)	(3,804)	(3,918)
Free Cash Flow (FCF):	2,022	2,489	2,835	3,200	3,742	4,234	4,722	5,278	5,846	6,486
Present Value FCF Years 1-10	22,928									
Residual value:	97,038									
Present Value of the residual:	37,807									
Total Present Value:	60,735									
Net debt:	12,201									
Minority interest:	2,717									
Implicit capitalization value:	45,816									
Outstanding shares:	310									
I.V. calculated by DCF:	147.60									

Sensitivity of the IV calculated by DCF: Residual vs. WACC						
		Residual Growth Scenarios				
		2.0%	2.5%	3.0%	3.5%	4.0%
Scenarios for WACC levels	10.9%	107.40	113.00	119.20	126.30	134.40
	10.4%	118.50	125.00	132.40	140.80	150.60
	9.9%	131.10	138.80	147.60	157.80	169.70
	9.4%	145.50	154.60	165.20	177.60	192.30
	8.9%	162.00	173.00	185.90	201.30	219.70

Sensitivity of the IV calculated by multiple: EV/EBITDA Target vs. Changes in EBITDA						
		EV/EBITDA multiple target scenarios				
		10.7x	11.7x	12.7x	13.7x	14.7x
Changes in EBITDA	5.0%	117.90	133.40	148.90	164.40	179.90
	2.5%	113.90	129.10	144.20	159.30	174.50
	0.0%	110.00	124.70	139.50	154.30	169.00
	-2.5%	106.00	120.40	134.80	149.20	163.60
	-5.0%	102.10	116.10	130.10	144.20	158.20

Sensitivity of the IV calculated by multiple: P/BV Target vs. Changes in BV						
		P/BV multiple target scenarios				
		2.6x	2.8x	3.0x	3.2x	3.4x
Changes in BV	5.0%	126.80	136.60	146.30	156.10	165.80
	2.5%	123.80	133.30	142.90	152.40	161.90
	0.0%	120.80	130.10	139.40	148.70	158.00
	-2.5%	117.80	126.80	135.90	144.90	154.00
	-5.0%	114.70	123.60	132.40	141.20	150.10

Valuation Method	Price	Weig.	Multiples	LTM	NTM	Year 2
DCF	147.60	40%	Valuation calculated with the TP			
EV/EBITDA target	139.50	30%	EV/EBITDA	12.9x	10.1x	9.3x
P/BV target	139.40	30%	P/E	12.1x	15.9x	14.9x
Intrinsic Value 12 months	142.70	100%	P/BV	3.1x	3.6x	3.0x
Actual price	117.00		Valuation calculated with the actual price			
Potential return of TP	22.0%		EV/EBITDA	11.2x	8.8x	8.1x
Dividend Yield	1.2%		P/E	9.9x	13.0x	12.2x
Total expected return	23.2%		P/BV	2.5x	2.9x	2.4x
Recommendation	BUY					

Source: APL Global

Source: APL Global


Ps. millions

P&L				
	2022	2023	2024 E	2025 E
Net Income	25,029	25,596	27,479	29,502
COGS	18,588	17,892	19,008	20,407
Opex	4,043	4,984	5,214	5,450
EBIT	2,600	3,722	4,818	5,252
Interest earned	25	41	15	18
Interest paid	447	444	595	611
Participation in Associate results	-	-	-	-
Income taxes	356	217	857	924
Discontinued operations	-	-	-	-
Utility attributable to controller	1,625	3,185	2,788	3,036
Utility attributable to non-controlling	384	621	640	659
Net profit (loss)	2,010	3,806	3,428	3,695
EBITDA	3,322	4,401	5,846	6,466
CAPEX (Ps. million)	4,142	4,004	3,003	3,093
Growth in:				
Net income		2.3%	7.4%	7.4%
Operating profit		43.2%	29.4%	9.0%
EBITDA		32.5%	32.8%	10.6%
Net profit (loss)		96.0%	-12.5%	8.9%
Margins:				
Operating	10.4%	14.5%	17.5%	17.8%
EBITDA	13.3%	17.2%	21.3%	21.9%
Net	8.0%	14.9%	12.5%	12.5%
Outstanding shares (millions)	306	310	310	310
Book Value	34.4	43.7	48.6	56.6
EPS	6.6	12.3	11.0	11.9
EBITDA per share	10.8	14.2	18.8	20.8
Cash Flow Statement				
	2022	2023	2024 E	2025 E
Net profit (loss)	2,010	3,806	3,428	3,695
(-) + working capital	(377)	(155)	(136)	(143)
Other adjustments	775	980	1,391	1,632
NET CF FROM OPERATIONS	2,407	4,631	4,682	5,184
Purchases of intangible assets	-	-	-	-
PPE Purchases	3,708	5,189	3,003	3,093
Other	403	(396)	(490)	(724)
NET CF FROM INVESTMENTS	(3,306)	(5,585)	(3,493)	(3,817)
Increased debt	1,321	2,476	-	-
Dividends paid	187	526	583	628
Interest paid	486	483	595	611
Other	(73)	83	79	81
NET CF FROM FINANCING	575	1,550	(1,098)	(1,158)
CASH AT THE END OF THE PERIOD	690	1,287	1,378	1,588

Source: APL Global

Balance Sheet				
	2022	2023	2024 E	2025 E
Cash & eq	690	1,287	1,378	1,588
Receivables	1,887	2,202	2,290	2,458
Inventory	2,063	1,816	1,901	1,984
Taxes to be recovered	1,279	1,513	1,559	1,605
Other assets	-	-	-	-
CURRENT ASSETS	5,919	6,818	7,128	7,636
Investments in subs. and associ	65	68	70	72
PP&E	9,466	10,936	12,694	14,387
Right of use assets	380	490	520	579
Commercial credit	34	34	53	65
Intangible assets	1,221	1,530	1,532	1,532
Deferred tax assets	-	-	-	-
Other non-current assets	9,093	11,362	11,703	11,992
TOTAL ASSETS	26,178	31,239	33,701	36,264
Short-term debt	2,176	3,487	3,544	3,459
Lease S.t.	200	524	609	690
Payables	1,371	1,441	1,478	1,587
Taxes payable	143	166	171	177
Other liabilities	126	102	102	102
CURRENT LIABILITIES	4,337	6,105	6,300	6,422
Long-term debt	9,129	8,838	8,982	8,767
L.t. Lease	301	464	539	611
L.t. Taxes payable	-	-	-	-
L.t. Provisions	83	97	100	103
Other L.t. liabilities	2,108	2,550	3,094	3,212
TOTAL LIABILITIES	15,638	17,671	18,620	18,708
SHAREHOLDER'S EQUITY	10,540	13,568	15,080	17,557
Debt				
Gross Debt	11,305	12,326	12,526	12,226
Net Debt	10,615	11,038	11,147	10,637
Operating indicators and financial ratios				
	2022	2023	2024 E	2025 E
Liquidity	1.4x	1.1x	1.1x	1.2x
Acid test	0.9x	0.8x	0.8x	0.9x
Leverage (TL/TA)	1.4x	1.4x	1.5x	1.5x
Gross Debt/EBITDA	3.4x	2.8x	2.1x	1.9x
Net Debt/EBITDA	3.2x	2.5x	1.9x	1.6x
Interest coverage	5.8x	8.4x	8.1x	8.6x
Days inventory	40	37	36	35
Days receivable	27	31	30	30
Days payable	27	29	28	28
Operating cycle (days)	41	39	38	37
ROA	7.7%	12.2%	10.2%	10.2%
ROE	19.1%	28.1%	22.7%	21.0%



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