



**MARCH 23, 2021**

**BWMX - \$38.92 Moderate Risk**

Price Target (Current) \$55.00

Price Target (Previous) Same

Market Statistics	03/22/2021
Market Capitalization (\$MM):	\$1,442.8
Enterprise Value (MM):	\$1,418.2
Shares Outstanding (MM):	34.5
Avg. Daily Trading Volume (Shrs, 000s):	52.3
Short Interest/Float:	0.0%
Insider Ownership (% of Total Shrs Out):	91.1%
Dividend Yield:	3.0%
Stock Exchange:	NASDAQ

Price Performance	03/22/2021
52-Week Range:	\$5.58 - \$43.51
YTD % Change:	342.3%
YTD % Change Relative to Index:	338.1%
Implied Return to Price Target:	24.3%



## BETTERWARE DE MÉXICO, S.A.P.I. DE C.V.

### BWMX - Acquisition of GuruComm to Expand Reach into Home Market

**New Details:** Before the markets opened on Monday, March 22, Betterware announced that it had acquired a 60% interest in GurúComm for MX\$45MM or US\$2.1MM. The transaction valued GurúComm at MX\$75MM or US\$3.5MM. The investment was paid from Betterware's cash on hand balance of MX\$649MM at the end of 4Q20. GurúComm will change its name to Betterware Connect and CEO Victor Treviño and Commercial and Innovation Director Roger Alarcon will remain with the company. The transaction is not expected to be material to 2021 results. Betterware did not provide any financial data about GurúComm, but we expect more details to be announced when the company announces 1Q21 results in May.

**Strategic Rationale for the Transaction:** Betterware's strategy is to be a home solutions provider for the Mexican consumer. With the GurúComm acquisition, Betterware will be able to expand its portfolio of smart home products (technology & mobility products represented 9% of sales in 2019) into areas like security and home automation, as well as launch home apps to better serve customers' needs. In addition, Betterware can help GurúComm sell mobile and data plans to its distributors, associates, and consumers. As a Mobile Virtual Network Operator (MVNO), GurúComm is positioned to take advantage of the creation of the Atlán mobile network. The government-assisted Atlán mobile network was established in 2018 with the purpose of offering wholesale access to MVNOs, which typically sell mobile and data plans at much lower rates. MVNOs currently represent 2% of the Mexican market, with the leaders still being Telcel (60% of the market), Movistar, and AT&T.

**TAG View:** In our view, the GurúComm acquisition seems to make strategic sense with Betterware able to leverage its network of 1.3MM distributors and associates to generate greater sales, while also expanding its product offerings and increasing its engagement with consumers over the next several years. In 2021, Betterware should continue to benefit from the "nesting" effect related to COVID-19 and its progress on multiple initiatives, including: 1) further penetration of the Mexican market—targeting 40% over the next five years from 20% currently; 2) greater utilization of data through its business intelligence platform; 3) expansion of its product portfolio into new home categories by introducing over 300 new products a year; and, 4) entry into neighboring countries in Central and South America (recently entered Guatemala; planning to launch in Colombia and Peru in two to three years).

Looking further out, Betterware's unique operating model and solid initiatives should continue to drive double digit growth in sales and earnings—keeping us positive on the story. We maintain our Moderate Risk rating and 12-month price target of \$55, which is based on applying an EV/EBITDA multiple of 13x to our 2021 EBITDA forecast of MX\$3.2B. While we remain positive on Betterware's fundamentals, investors should consider a number of risk factors, including a limited history as a public company, low trading liquidity, exposure to Mexico's economic policies, and fluctuations in the USD/MXN foreign exchange as ~90% of products are purchased from Chinese vendors in USD while sales are reported in Mexican pesos. Furthermore, there is inherent execution risk as Betterware expands into new regions and markets and integrates acquisitions.

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Valuation Metrics (FYE Dec)	2020E	2021E	2022E
P/E Ratio	20.9x	16.0x	13.3x
EV/Sales	4.0x	2.7x	2.2x
EV/EBITDA	13.4x	8.9x	7.5x

Balance Sheet and Growth Metrics	2020E	2021E	2022E
EPS (Operating)	43.36	56.61	68.23
Debt/EBITDA	0.3x	0.2x	0.1x
Total Sales YoY %	135.4	48.8	20.1

Total Sales			Adjusted EBITDA		
Period	Current	Previous	Period	Current	Previous
1Q20	MXN953	-	1Q20	MXN238	-
2Q20	MXN1,436	-	2Q20	MXN391	-
3Q20	MXN2,271	-	3Q20	MXN730	-
4Q20	MXN2,601	-	4Q20	MXN807	-
2020	MXN7,260	-	2020	MXN2,166	-
1Q21E	MXN2,620	-	1Q21E	MXN826	-
2Q21E	MXN2,728	-	2Q21E	MXN738	-
3Q21E	MXN2,725	-	3Q21E	MXN867	-
4Q21E	MXN2,731	-	4Q21E	MXN809	-
2021E	MXN10,804	-	2021E	MXN3,241	-
1Q22E	MXN2,882	-	1Q22E	MXN910	-
2Q22E	MXN3,137	-	2Q22E	MXN850	-
3Q22E	MXN3,406	-	3Q22E	MXN1,083	-
4Q22E	MXN3,551	-	4Q22E	MXN1,048	-
2022E	MXN12,976	-	2022E	MXN3,891	-

Source: FactSet, company reports, and TAG estimates.

**Cristina Fernández, CPA**  
212.584.4612 / cfernandez@telseygroup.com

**Joseph Feldman**  
212.584.4605 / jfeldman@telseygroup.com

**Sarang Vora, CFA**  
212.660.5436 / svora@telseygroup.com

**Zeyn Burak**  
212.660.5422 / zburak@telseygroup.com

**Dana Telsey**  
212.584.4606 / dtelsey@telseygroup.com

## BETTERWARE FINANCIAL MODEL

INCOME STATEMENT HIGHLIGHTS (MX\$MM)	2018 TOTAL	2019 TOTAL	1Q20 MAR	2Q20 JUN	3Q20 SEP	4Q20 DEC	2020 TOTAL	1Q21E MAR	2Q21E JUN	3Q21E SEP	4Q21E DEC	2021E TOTAL	2022E TOTAL
<b>Total Sales</b>	<b>2,317</b>	<b>3,085</b>	<b>953</b>	<b>1,436</b>	<b>2,271</b>	<b>2,601</b>	<b>7,260</b>	<b>2,620</b>	<b>2,728</b>	<b>2,725</b>	<b>2,731</b>	<b>10,804</b>	<b>12,976</b>
Total Gross Profit	1,358	1,804	535	741	1,240	1,454	3,969	1,523	1,531	1,597	1,554	6,204	7,484
Administrative Expenses	249	319	130	104	169	263	665	330	251	216	262	1,060	1,263
Selling Expenses	454	551	135	183	242	294	853	241	402	399	390	1,432	1,733
Distribution Expenses	103	121	40	75	108	108	331	137	159	135	118	550	683
<b>Total SG&amp;A Expenses</b>	<b>807</b>	<b>992</b>	<b>305</b>	<b>361</b>	<b>519</b>	<b>664</b>	<b>1,849</b>	<b>708</b>	<b>812</b>	<b>750</b>	<b>771</b>	<b>3,042</b>	<b>3,679</b>
<b>Total Operating Income (Loss)</b>	<b>552</b>	<b>812</b>	<b>229</b>	<b>380</b>	<b>721</b>	<b>790</b>	<b>2,120</b>	<b>814</b>	<b>719</b>	<b>847</b>	<b>783</b>	<b>3,163</b>	<b>3,805</b>
Net Interest Income (Expense)	(80)	(78)	(38)	(28)	4	(8)	(69)	5	7	6	6	24	35
Pretax Income	449	705	211	391	77	203	881	819	726	853	788	3,186	3,840
Taxes (Benefit)	150	233	65	122	203	152	543	287	254	299	276	1,115	1,344
<b>Net Income from Continuing Operations</b>	<b>299</b>	<b>472</b>	<b>146</b>	<b>268</b>	<b>-126</b>	<b>51</b>	<b>338</b>	<b>532</b>	<b>472</b>	<b>554</b>	<b>512</b>	<b>2,071</b>	<b>2,496</b>
Diluted Shares Outstanding	30.2	34.1	29.9	34.5	34.5	34.1	34.1	36.6	36.6	36.6	36.6	36.6	36.6
<b>Reported EPS (MX\$)</b>	<b>MXN 9.91</b>	<b>MXN 13.85</b>	<b>MXN 4.87</b>	<b>MXN 7.79</b>	<b>-MXN 3.66</b>	<b>MXN 1.49</b>	<b>MXN 9.93</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
YoY % Change	44.1%	39.8%	22.8%	104.2%	(176.4%)	(51.5%)	(28.3%)						
<b>Adjusted EPS (MX\$)</b>	<b>n/a</b>	<b>MXN 14.30</b>	<b>n/a</b>	<b>n/a</b>	<b>MXN 13.22</b>	<b>MXN 18.64</b>	<b>MXN 43.36</b>	<b>MXN 14.55</b>	<b>MXN 12.89</b>	<b>MXN 15.16</b>	<b>MXN 14.01</b>	<b>MXN 56.61</b>	<b>MXN 68.23</b>
YoY % Change							203.2%			14.6%	(24.9%)	30.6%	20.5%
<b>SELECT METRICS, GROWTH RATES, AND MARGINS</b>													
Active Associates (000s)	325	417	475	740	1,200	1,230	1,230	1,292	1,356	1,424	1,495	1,495	1,749
YoY Growth (%)	61.7%	28.3%	35.7%	94.7%	179.1%	195.0%	195.0%	171.9%	83.3%	18.7%	21.6%	21.6%	17.0%
Active Distributors (000s)	18	21	26	42	59	60	60	63	66	69	73	73	85
YoY Growth (%)	50.0%	15.6%	35.5%	107.9%	185.9%	187.0%	187.0%	143.4%	56.7%	17.9%	21.6%	21.6%	17.0%
<b>Total Sales Growth YoY (%)</b>	<b>59.8%</b>	<b>33.1%</b>	<b>27.5%</b>	<b>82.1%</b>	<b>199.4%</b>	<b>229.0%</b>	<b>135.4%</b>	<b>175.0%</b>	<b>90.0%</b>	<b>20.0%</b>	<b>5.0%</b>	<b>48.8%</b>	<b>20.1%</b>
<b>Gross Margin</b>	<b>58.6%</b>	<b>58.5%</b>	<b>56.1%</b>	<b>51.6%</b>	<b>54.6%</b>	<b>55.9%</b>	<b>54.7%</b>	<b>58.1%</b>	<b>56.1%</b>	<b>58.6%</b>	<b>56.9%</b>	<b>57.4%</b>	<b>57.7%</b>
YoY bps change	(287)	(15)	(321)	(592)	(532)	(133)	(381)	200	450	400	100	275	25
<b>SG&amp;A Ratio</b>	<b>34.8%</b>	<b>32.1%</b>	<b>32.0%</b>	<b>25.2%</b>	<b>22.8%</b>	<b>25.5%</b>	<b>25.5%</b>	<b>27.0%</b>	<b>29.8%</b>	<b>27.5%</b>	<b>28.2%</b>	<b>28.2%</b>	<b>28.4%</b>
YoY bps change	(387)	(267)	(124)	(801)	(941)	(443)	(668)	(500)	460	470	270	268	20
<b>Operating Margin</b>	<b>23.8%</b>	<b>26.3%</b>	<b>24.1%</b>	<b>26.5%</b>	<b>31.8%</b>	<b>30.4%</b>	<b>29.2%</b>	<b>31.1%</b>	<b>26.4%</b>	<b>31.1%</b>	<b>28.7%</b>	<b>29.3%</b>	<b>29.3%</b>
YoY bps change	99	252	(197)	209	409	310	287	700	(10)	(70)	(170)	7	5
Tax Rate	33.4%	33.0%	31.0%	31.3%	264.1%	75.0%	61.6%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
<b>OTHER KEY METRICS (MX\$MM)</b>													
<b>Adjusted EBITDA</b>	<b>574</b>	<b>851</b>	<b>238</b>	<b>391</b>	<b>730</b>	<b>807</b>	<b>2,166</b>	<b>826</b>	<b>738</b>	<b>867</b>	<b>809</b>	<b>3,241</b>	<b>3,891</b>
<b>Adjusted EBITDA Margin</b>	<b>24.8%</b>	<b>27.6%</b>	<b>25.0%</b>	<b>27.2%</b>	<b>32.2%</b>	<b>31.0%</b>	<b>29.8%</b>	<b>31.5%</b>	<b>27.1%</b>	<b>31.8%</b>	<b>29.6%</b>	<b>30.0%</b>	<b>30.0%</b>
YoY bps change	26	282	(230)	171	334	231	225	650	(13)	(33)	(139)	16	(1)
Cash and Cash Equivalents	177	214	278	521	1,155	650	650	1,119	1,357	1,085	1,026	1,026	2,016
Inventory	302	346	319	520	1,113	1,274	1,274	1,038	1,040	1,169	1,274	1,274	1,529
YoY Growth	113.0%	14.3%	(9.3%)	50.5%	217.8%	268.7%	268.7%	225.0%	100.0%	5.0%	0.0%	0.0%	20.0%
Total Debt	653	678	448	424	600	630	630	592	592	592	539	539	465
Debt to EBITDA	1.1x	0.8x	0.5x	0.4x	0.3x	0.3x	0.3x	0.2x	0.2x	0.2x	0.2x	0.2x	0.1x
Cash from Operations	338	605	257	569	914	93	1,833	959	704	193	382	2,238	2,831
Capital Expenditures	21	183	40	151	171	352	714	140	115	115	90	460	300
Depreciation and Amortization	26	38	9	11	7	17	44	11	19	21	26	78	86
Free Cash Flow	352	430	218	430	747	(218)	1,177	819	589	78	292	1,778	2,531
Dividends and Capital Stock Increase	235	343	(95)	100	288	536	830	350	350	350	350	1,400	1,540
Share Repurchase	0	0	0	0	0	0	0	0	0	0	0	0	0

Source: Company Reports and TAG Research

**ADDENDUM****Important Disclosures:**

Valuation Method for Target Price: Price-to-Earnings, enterprise-value-to-EBITDA, P/E to growth, price to free cash flow, and discounted cash flow analysis.

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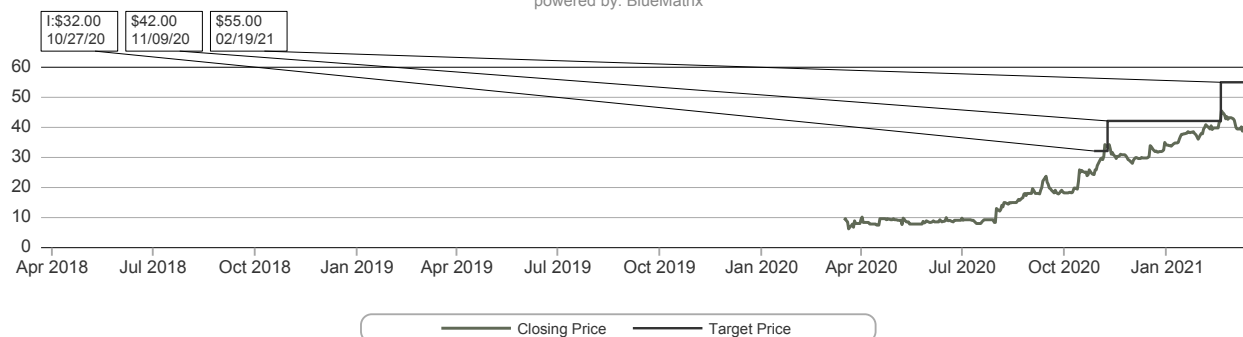
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Compensation**

Telsey Advisory Group (TAG) received a flat fee of \$150,000 renewable annually from Betterware de México, S.A.P.I. de C.V., the company discussed in this report.

**Betterware de México, S.A.P.I. de C.V. Rating History as of 03/22/2021**

powered by: BlueMatrix



\* Telsey with ratings are effective as of 09/11/14

**Ratings Distribution & Investment Banking Disclosure**

Rating	Count	Ratings Distribution	Count	*Investment Banking
Less Risk	2	50.00%	0	0.00%
Moderate Risk	2	50.00%	0	0.00%
High Risk	0	0.00%	0	0.00%

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