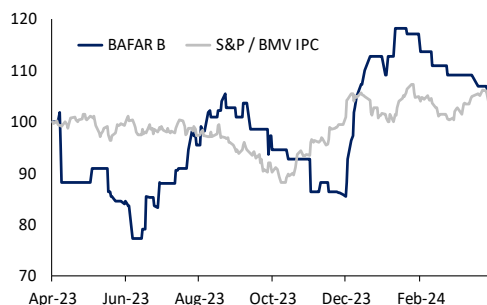


BAFAR: 1Q24 Results

Record quarter with a stronger-than-expected performance in the food business and FNova; we raised our target price to MXN\$162.0/share

BAFAR B	BUY
Target Price (MXN\$)	\$ 162.00
Current Price (MXN\$)	\$ 117.00
Min / Max (L12M)	\$ 77.00 - 129.99
Expected Dividend (MXN\$)	\$ 1.02
Expected Return	39.3%
Market Cap (MXN\$ Mn)	36,298
Enterprise Value (MXN\$ Mn)	47,473
Outstanding Shares (Mn)	310.2
Float	20.0%
ADTV (MXN\$ Mn)	\$ 0.11



Opinion and recommendation

BAFAR reported very positive results and at record levels for a first quarter. They exceeded our revenue, EBITDA, and net profit projections, due to stronger-than-expected performance in the food business and FNova. As a result, we are reiterating our BUY recommendation and raising our price target to MXN\$162.0/share, from MXN\$159.0/share.

1Q24 Results

BAFAR's consolidated revenues rose 8.2% YoY to MXN\$6.618 billion (exceeding our MXN\$6.488 billion forecast), a record figure for a first quarter. The company benefited from high demand in the food business, supported by the digitalization strategy, which resulted in an 8.9% volume growth (excluding last year's sales of commodity products, volume would have increased 11%), thus offsetting a slight reduction in the average price in pesos. In addition, FNova's revenues rose 16.8% in pesos and 28.0% in dollars due to the start of the lease contracts for the Essilor, Regal, ZF warehouses, and the new agro-industrial property. For its part, revenues of the financial division advanced 19.6% due to greater credit placement and higher interest rates, while those of the real estate division were 38.8% higher. This more than offset the 14.7% drop in sales of the agro-industrial business due to the appreciation of the FX rate.

BAFAR's consolidated EBITDA grew 19.5% YoY to MXN\$1.123 billion (vs. our MXN\$971 million forecast), also reaching a record level for a first quarter. EBITDA margin expanded to 17.0% in 1Q24, from 15.4% in 1Q23.

The profitability of the food business improved due to stability in raw material costs, logistics network efficiencies, lower sales of commodity products and FX rate appreciation, while that of FNova was higher due to new contracts.

However, BAFAR's consolidated net profits decreased 13.0% to MXN\$944.7 million (vs. MXN\$716 million E) as a result of a higher deferred tax provision.

The net debt to EBITDA ratio was 2.4x at the end of 1Q24, compared to 2.9x in 1Q23, given the lower leverage in both the food business and FNova, the latter due to last year's issuance.

BAFAR invested MXN\$794.4 million in the period, mainly in FNova's real estate projects and in the expansion and digitalization of the food business. During the quarter, the company opened the new pepperoni plant in La Piedad, which is operational and fully automated. It required a MXN\$550 million investment.

(Figures in Millions of MXN\$)	1Q24	1Q24E	Diff.	1Q23	Chg.
Revenues	6,618	6,488	2.0%	6,118	8.2%
Cost of Sales	-4,400	-4,635	-5.1%	-4,376	0.5%
Gross Profit	2,218	1,853	19.7%	1,741	27.4%
General Expenses	-1,441	-1,088	32.5%	-1,088	32.4%
Operating Profit	932	806	15.5%	783	19.0%
<i>Operating Margin</i>	<i>14.1%</i>	<i>12.4%</i>		<i>12.8%</i>	
EBITDA	1,123	971	15.7%	939	19.5%
<i>EBITDA Margin</i>	<i>17.0%</i>	<i>15.0%</i>		<i>15.4%</i>	
Financial Gains	234	226	3.4%	460	-49.2%
Financial Cost	-142	-127	12.3%	-99	43.1%
Net Profit	945	716	32.0%	1,086	-13.0%

Discounted Cash Flow Model

Figures in MXN\$ Mn)	2025E	2026E	2027E	2028E	2029E	Perp.
OPERATING PROFIT	4,652	5,360	6,153	7,052	8,090	8,510
Tax Rate	23%	26%	30%	30%	30%	30%
Tax Shield	-1,070	-1,394	-1,846	-2,115	-2,427	-2,553
NOPLAT	3,582	3,966	4,307	4,936	5,663	5,957
Depreciation	777	816	857	899	944	993
Working Capital Changes	-409	-461	-524	322	634	667
CAPEX	-3,813	-4,058	-4,182	-4,416	-4,698	-4,943
FCFF	136	263	457	1,741	2,543	2,675
Perpetuity Growth Rate						5.2%
PV of Explicit Period (2025 - 2029E)						3,722
Perpetuity Value						94,838
PV of Perpetuity Value						59,705
Enterprise Value						63,427
Net Debt						13,138
Market Value						50,289
<i>Outstanding Shares</i>						310
Target Price						P\$ 162.00
Current Market Price						P\$ 117.00
Potential Return Incl. Dividends						39.7%
Forward EV/EBITDA						12.0x
Forward P/E						14.9x
Average Cost of Debt						4.1%
LT Tax Rate						30.0%
After-Tax Cost of Debt						2.9%
Cost of Equity						12.9%
Market Risk Premium						6.0%
Risk-Free Rate						10.3%
Beta						0.44
% Total Debt						48.8%
% Capital						51.2%
WACC						8.0%

Sensitivity Analysis Table, EV/EBITDA vs. EBITDA

	-10%	-5%	<i>Original</i>	+5%	+10%
Projected EBITDA	4,886	5,157	5,429	5,700	5,971
Target EV/EBITDA					
10.5x	117.40	126.58	135.77	144.95	154.14
11.0x	125.27	134.89	144.51	154.13	163.75
11.5x	133.14	143.20	153.25	163.31	173.37
12.0x	141.01	151.50	162.00	172.49	182.99
12.5x	148.88	159.81	170.74	181.68	192.61
13.0x	156.75	168.12	179.49	190.86	202.23

Sensitivity Analysis Table, P/E vs. Net Profit

	-10%	-5%	<i>Original</i>	+5%	+10%
Projected Net Profit	3,032	3,200	3,369	3,537	3,706
Target P/E					
11.9x	116.50	122.97	129.44	135.91	142.39
12.9x	126.27	133.28	140.29	147.31	154.32
13.9x	136.03	143.59	151.15	158.70	166.26
14.9x	145.80	153.90	162.00	170.10	178.20
15.9x	155.57	164.21	172.85	181.49	190.14
16.9x	165.33	174.52	183.70	192.89	202.07

(Figures in Millions of MXN\$)

INCOME STATEMENT	2023	2024E	2025E	2026E	2027E	2028E	2029E
Revenues	25,599	29,281	32,872	36,892	41,410	46,489	52,204
Cost of Sales	-17,892	-20,100	-22,532	-25,251	-28,302	-31,727	-35,575
Gross Profit	7,707	9,181	10,340	11,641	13,108	14,762	16,629
<i>Gross Margin</i>	30.1%	31.4%	31.5%	31.6%	31.7%	31.8%	31.9%
General Expenses	-4,984	-5,441	-5,872	-6,485	-7,184	-7,963	-8,811
Operating Profit	3,722	4,024	4,652	5,360	6,153	7,052	8,090
<i>Operating Margin</i>	14.5%	13.7%	14.2%	14.5%	14.9%	15.2%	15.5%
Depreciation and Amortization	-679	-740	-777	-816	-857	-899	-944
EBITDA	4,401	4,764	5,429	6,175	7,009	7,951	9,034
<i>EBITDA Margin</i>	17.2%	16.3%	16.5%	16.7%	16.9%	17.1%	17.3%
Financial Gains	783	776	436	466	489	505	504
Financial Cost	-483	-626	-712	-798	-884	-954	-977
Pre-Tax Profit	4,022	4,174	4,375	5,028	5,758	6,603	7,617
Income Tax & Profit Sharing	-217	-709	-1,006	-1,307	-1,727	-1,981	-2,285
Net Profit	3,806	3,465	3,369	3,720	4,031	4,622	5,332
BALANCE SHEET	2023	2024E	2025E	2026E	2027E	2028E	2029E
TOTAL ASSETS	31,239	36,273	40,824	45,713	50,844	55,476	60,150
Current Assets	6,818	8,391	9,271	10,259	11,375	11,718	11,832
LT Assets	24,421	27,883	31,553	35,454	39,469	43,758	48,319
TOTAL LIABILITIES	17,671	20,346	22,566	24,860	27,162	28,508	29,343
ST Liabilities	6,105	9,440	10,660	11,953	14,256	15,602	16,436
LT Liabilities	11,566	10,907	11,907	12,907	12,907	12,907	12,907
Total Debt	12,326	15,332	17,338	19,393	21,431	22,480	22,984
Net Debt	11,038	13,138	14,875	16,629	18,328	18,997	19,072
TOTAL CAPITAL	13,568	16,094	18,436	21,044	23,884	27,182	31,034
Stockholder's Equity	10,686	13,061	14,962	17,079	19,384	22,060	25,186
CASH FLOW STATEMENT	2023	2024E	2025E	2026E	2027E	2028E	2029E
Net profit	3,806	4,095	4,375	5,028	5,758	6,603	7,617
Inv. Related Activities	980	648	1,055	1,150	1,253	1,367	1,491
Pre-Tax Cash Flow	4,786	3,163	4,352	4,727	5,068	5,569	6,168
Working Capital Changes	-155	-511	-409	-461	-524	322	634
Operating Cash Flow	4,631	2,651	3,942	4,266	4,544	5,891	6,802
Investment Cash Flow	-5,585	-4,072	-4,635	-4,876	-4,995	-5,224	-5,499
Financing Cash Flow	1,550	2,323	957	905	785	-291	-879
Net Incr. (Decr.) in Cash & Temp. Inv.	597	903	265	296	334	376	424
Beg. of Period Cash and Temp. Inv.	690	1,287	2,193	2,463	2,764	3,103	3,484
End of Period Cash and Temp. Inv.	1,287	2,193	2,463	2,764	3,103	3,484	3,912

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