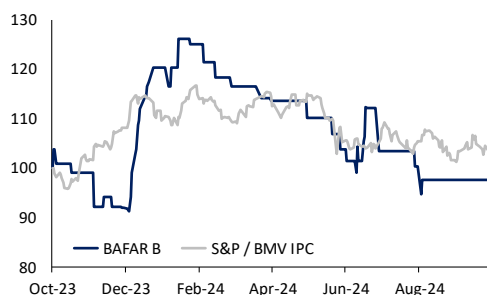


# BAFAR: 3Q24 Results

Outstanding results supported by higher food volumes and prices, and FNova’s portfolio expansion and new contracts

BAFAR B	BUY
Target Price (MXN\$)	\$ 162.00
Current Price (MXN\$)	\$ 97.00
Min / Max (L12M)	\$ 93.00 - 129.99
Expected Dividend (MXN\$)	\$ 1.01
Expected Return	68.1%
Market Cap (MXN\$ Mn)	30,278
Enterprise Value (MXN\$ Mn)	45,535
Outstanding Shares (Mn)	312.1
Float	20.0%
ADTV (MXN\$ Mn)	\$ 0.04



## Opinion and recommendation

BAFAR reported positive 3Q24 results, which were practically in line with our expectations in terms of revenues and EBITDA, and higher in terms of net profits. We reiterate our BUY recommendation with a MXN\$162.0/share target price. We like the company’s growth potential, attractive product portfolio, growth and digitalization initiatives in food, and its exposure to nearshoring through FNova.

## 3Q24 Results

Consolidated revenues were up 14.8% YoY to MXN\$7.1 billion, mainly supported by a 13.9% increase in food revenues, which benefited from a 5.9% volume growth, mainly due to higher export demand, in addition to higher average prices, we believe as a result of the favorable FX effect. The food division continued to implement growth initiatives (agreements with Costco and Seven Eleven, opening of new points of sale, launch of new products, increased production capacity) and digitalization of processes.

FNova recorded a 26.8% revenue rise due to the portfolio expansion, the start of new contracts with Visteon, Regal and ZF, the incorporation of the second agro-industrial property, higher rents in US dollars and depreciation of the Mexican peso.

The financial division's revenues advanced 27.6% due to the focus on liquidity strategies for SMEs, and financing and factoring for BAFAR suppliers. The IMOR improved significantly to 1.40%. Real estate revenues increased 23.6% and those of the agro-industrial business 77.1%.

Consolidated gross margin contracted 1 PP to 30.3% due to the FX impact. However, profitability at the EBITDA level improved due to operational efficiencies and a higher contribution from value-added products, resulting in a favorable 24.5% YoY EBITDA growth to MXN\$1.07 billion.

Net income rose 85.5% YoY to MXN\$250 million, supported by strong operating results in combination with lower FX losses and taxes.

The net debt to EBITDA ratio was 3.12x at the end of the quarter, compared to 2.50x in 3Q23 due to the investments that BAFAR made, mainly in the food and real estate businesses.

(Figures in Millions of MXN\$)	3Q24	3Q24E	Diff.	3Q23	Chg.
Revenues	7,116	6,895	3.2%	6,198	14.8%
Operating Profit	851	845	0.7%	718	18.4%
<i>Operating Margin</i>	12.0%	12.3%		11.6%	
EBITDA	1,070	1,112	-3.8%	859	24.5%
<i>EBITDA Margin</i>	15.0%	16.1%		13.9%	
Financial Gains	30	-464	-106.4%	-374	n.a.
Financial Cost	-556	-173	221.2%	-117	373.9%
Net Profit	250	162	54.2%	135	n.a.

## Discounted Cash Flow Model

Figures in MXN\$ Mn)	2025E	2026E	2027E	2028E	2029E	Perp.
OPERATING PROFIT	4,372	5,216	5,927	6,768	7,727	8,117
Tax Rate	23%	26%	30%	30%	30%	30%
Tax Shield	-1,006	-1,356	-1,778	-2,030	-2,318	-2,435
NOPLAT	3,366	3,860	4,149	4,738	5,409	5,682
Depreciation	945	992	1,042	1,094	1,149	1,207
Working Capital Changes	-187	-429	-475	237	725	761
CAPEX	-3,636	-3,848	-3,944	-4,142	-4,384	-4,605
FCFF	488	575	772	1,926	2,899	3,046
Perpetuity Growth Rate						5.0%
PV of Explicit Period (2025 - 2029E)						4,923
Perpetuity Value						98,384
PV of Perpetuity Value						61,521
Enterprise Value						66,444
Net Debt						15,874
Market Value						50,569
<i>Outstanding Shares</i>						312
Target Price						P\$ 162.00
Current Market Price						P\$ 97.00
Potential Return Incl. Dividends						68.0%
Forward EV/EBITDA						12.5x
Forward P/E						19.3x
Average Cost of Debt						4.6%
LT Tax Rate						30.0%
After-Tax Cost of Debt						3.2%
Cost of Equity						13.2%
Market Risk Premium						6.0%
Risk-Free Rate						10.5%
Beta						0.46
% Total Debt						50.7%
% Capital						49.3%
WACC						8.1%

**Sensitivity Analysis, EV/EBITDA vs. EBITDA**

	-10%	-5%	<i>Original</i>	+5%	+10%
<b>Projected EBITDA</b>	<b>4,785</b>	<b>5,051</b>	<b>5,317</b>	<b>5,583</b>	<b>5,849</b>
<b>Target EV/EBITDA</b>					
11.0x	117.71	127.08	136.45	145.83	155.20
11.5x	125.38	135.17	144.97	154.77	164.57
12.0x	133.04	143.26	153.49	163.71	173.93
<b>12.5x</b>	<b>140.71</b>	<b>151.36</b>	<b>162.00</b>	<b>172.65</b>	<b>183.30</b>
13.0x	148.37	159.45	170.52	181.60	192.67
13.5x	156.04	167.54	179.04	190.54	202.04

**Sensitivity Analysis, P/E vs. Net Profit**

	-10%	-5%	<i>Original</i>	+5%	+10%
<b>Projected Net Profit</b>	<b>2,359</b>	<b>2,490</b>	<b>2,621</b>	<b>2,752</b>	<b>2,884</b>
<b>Target P/E</b>					
16.3x	123.13	129.97	136.81	143.65	150.49
17.3x	130.69	137.95	145.21	152.47	159.73
18.3x	138.25	145.93	153.61	161.29	168.97
<b>19.3x</b>	<b>145.80</b>	<b>153.90</b>	<b>162.00</b>	<b>170.10</b>	<b>178.20</b>
20.3x	153.36	161.88	170.40	178.92	187.44
21.3x	160.92	169.86	178.80	187.74	196.68

(Figures in Millions of MXN\$)

<b>INCOME STATEMENT</b>	<b>2023</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>
Revenues	25,599	28,115	31,348	34,982	39,050	43,603	48,706
Cost of Sales	-17,892	-19,049	-21,199	-23,621	-26,329	-29,356	-32,742
Gross Profit	7,707	9,066	10,149	11,361	12,721	14,248	15,964
General Expenses	-5,095	-5,785	-6,361	-6,749	-7,462	-8,172	-8,988
Operating Profit	3,722	4,053	4,372	5,216	5,927	6,768	7,727
Depreciation and Amortization	-679	-859	-945	-992	-1,042	-1,094	-1,149
EBITDA	4,401	4,913	5,317	6,208	6,969	7,862	8,876
Financial Gains	696	103	-65	-92	-84	-73	-59
Financial Cost	-483	-2,009	-903	-930	-997	-1,057	-1,106
Pre-Tax Profit	3,935	2,147	3,404	4,194	4,846	5,638	6,562
Income Tax & Profit Sharing	-129	-432	-783	-1,090	-1,454	-1,692	-1,969
Net Profit	3,806	1,715	2,621	3,103	3,392	3,947	4,594
<b>BALANCE SHEET</b>	<b>2023</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>
TOTAL ASSETS	31,496	40,146	41,911	45,145	48,544	52,511	56,266
Current Assets	6,848	7,747	8,305	9,147	10,085	10,367	10,222
LT Assets	24,648	32,399	33,606	35,998	38,459	42,144	46,044
TOTAL LIABILITIES	17,809	23,252	23,675	25,283	26,894	28,745	30,003
ST Liabilities	6,487	9,433	8,855	9,464	11,074	12,925	14,184
LT Liabilities	11,322	13,819	14,819	15,819	15,819	15,819	15,819
Total Debt	12,326	17,558	17,793	19,195	20,575	22,170	23,143
Net Debt	11,039	15,874	15,914	17,097	18,232	19,553	20,219
TOTAL CAPITAL	13,687	17,060	18,415	20,052	21,853	23,981	26,490
Stockholder's Equity	10,891	13,083	14,122	15,377	16,758	18,389	20,314
<b>CASH FLOW STATEMENT</b>	<b>2023</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>
Net profit	3,806	1,923	3,404	4,194	4,846	5,638	6,562
Inv. Related Activities	642	1,757	1,610	1,734	1,870	2,019	2,181
Pre-Tax Cash Flow	4,448	3,145	5,939	5,275	5,531	4,890	5,344
Working Capital Changes	-245	-35	-187	-429	-475	237	725
Operating Cash Flow	4,203	3,110	5,753	4,847	5,056	5,127	6,069
Investment Cash Flow	-5,149	-5,980	-4,703	-4,905	-4,991	-5,177	-5,405
Financing Cash Flow	1,542	3,265	-856	274	176	321	-360
Net Incr. (Decr.) in Cash & Temp. Inv.	597	396	193	216	242	271	304
Beg. of Period Cash and Temp. Inv.	690	1,286	1,683	1,879	2,098	2,343	2,617
End of Period Cash and Temp. Inv.	1,286	1,683	1,879	2,098	2,343	2,617	2,924

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