

BAFAR: 4Q24 Results

Stronger-than-expected quarterly operating results; meets the annual guidance; announces alliance with Google Cloud and Salesforce

| BAFAR B | BUY |
|-----------------------------|-------------------|
| Target Price (MXN\$) | \$ 162.00 |
| Current Price (MXN\$) | \$ 99.90 |
| Min / Max (L12M) | \$ 93.00 - 129.99 |
| Expected Dividend (MXN\$) | \$ 1.01 |
| Expected Return | 63.2% |
| Market Cap (MXN\$ Mn) | 31,184 |
| Enterprise Value (MXN\$ Mn) | 46,440 |
| Outstanding Shares (Mn) | 312.1 |
| Float | 20.0% |
| ADTV (MXN\$ Mn) | \$ 0.05 |

Opinion and recommendation

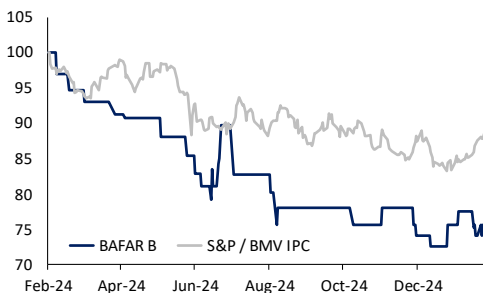
BAFAR reported favorable quarterly operating results that exceeded our projections, with double-digit revenue and EBITDA growth driven by a solid performance in food, FNova and the financial business. The company met its 2024 guidance.

The company released its 2025 guidance, which includes a 16% increase in revenue and a 7% EBITDA growth with a MXN\$5.0 billion Capex. Revenue will benefit from an expansion of points of sales and higher market share. However, the margin will be lower due to rising raw material costs and the FX impact.

After having included this report in our model, we are reiterating our BUY recommendation on BAFAR shares with a MXN\$162.0/share target price. We like the company's growth potential, its attractive product portfolio, digitalization strategy in food, and exposure to "nearshoring" through FNova.

4Q24 Results

BAFAR's consolidated revenues were up 14.0% YoY to MXN\$7.89 billion, mainly due to a 13.6% increase in the food business. This unit benefited from a 3.6% volume growth (-1.1% in Mexico and +305.3% in the US) due to the expansion of its own stores and higher market share in self-consumption, a change in the mix towards higher value products and a favorable FX impact. In addition, it continued to move forward in its digitalization strategy by establishing a strategic alliance with Google Cloud and Salesforce, implementing the smart store model in most of its establishments and carrying out a pilot test on its breaded food line which boosted availability by 12%. FNova revenues rose 26.5% due to portfolio expansion, new contracts and the FX benefit. Financial business revenues advanced 33.5% supported by a 27.7% loan growth.



BAFAR's gross margin contracted to 29.3% in 4Q24, from 31.0% in 4Q23, due to higher dollarized raw material costs and manufacturing expenses. Operating expenses decreased 3.4% due to digitalization, supplier agreements and a MXN\$543.1 million revaluation of FNova's properties. EBITDA grew 15.5% YoY, with a 20 bps margin improvement to 19.3%. However, net income decreased 21.1% YoY to MXN\$959 million as a result of FX losses.

| (Figures in Millions of MXN\$) | 4Q24 | 4Q24E | Diff. | 4Q23 | Chg. |
|--------------------------------|--------------|--------------|---------|--------------|--------|
| Revenues | 7,892 | 7,516 | 5.0% | 6,925 | 14.0% |
| Operating Profit | 1,281 | 980 | 30.7% | 1,083 | 18.4% |
| <i>Operating Margin</i> | <i>16.2%</i> | <i>13.0%</i> | | <i>15.6%</i> | |
| EBITDA | 1,523 | 1,229 | 24.0% | 1,319 | 15.5% |
| <i>EBITDA Margin</i> | <i>19.3%</i> | <i>16.3%</i> | | <i>19.1%</i> | |
| Financial Gains | 12 | -310 | -104.0% | 179 | -93.1% |
| Financial Cost | -625 | -208 | 200.8% | -126 | 397.9% |
| Net Profit | 959 | 347 | 176.6% | 1,220 | -21.4% |

Discounted Cash Flow Model

| Figures in MXN\$ Mn) | 2026E | 2027E | 2028E | 2029E | 2030E | Perp. |
|--------------------------------------|--------|--------|--------|--------|--------|------------|
| OPERATING PROFIT | 5,447 | 6,348 | 7,248 | 8,259 | 9,407 | 9,935 |
| Tax Rate | 25% | 27% | 27% | 27% | 27% | 30% |
| Tax Shield | -1,362 | -1,714 | -1,957 | -2,230 | -2,540 | -2,980 |
| NOPLAT | 4,085 | 4,634 | 5,291 | 6,029 | 6,867 | 6,954 |
| Depreciation | 985 | 1,034 | 1,086 | 1,140 | 1,197 | 1,265 |
| Working Capital Changes | -423 | -469 | -520 | -577 | -640 | -676 |
| CAPEX | -4,297 | -4,397 | -4,464 | -4,638 | -4,737 | -5,003 |
| FCFF | 350 | 802 | 1,394 | 1,954 | 2,687 | 2,539 |
| Perpetuity Growth Rate | | | | | | 5.6% |
| PV of Explicit Period (2026 - 2030E) | | | | | | 5,361 |
| Perpetuity Value | | | | | | 101,118 |
| PV of Perpetuity Value | | | | | | 63,276 |
| Enterprise Value | | | | | | 68,637 |
| Net Debt | | | | | | 18,069 |
| Market Value | | | | | | 50,567 |
| <i>Outstanding Shares</i> | | | | | | 312 |
| Target Price | | | | | | P\$ 162.00 |
| Current Market Price | | | | | | P\$ 99.90 |
| Potential Return Incl. Dividends | | | | | | 63.2% |
| Forward EV/EBITDA | | | | | | 10.8x |
| Forward P/E | | | | | | 15.5x |
| Average Cost of Debt | | | | | | 4.2% |
| LT Tax Rate | | | | | | 30.0% |
| After-Tax Cost of Debt | | | | | | 2.9% |
| Cost of Equity | | | | | | 13.0% |
| Market Risk Premium | | | | | | 6.0% |
| Risk-Free Rate | | | | | | 10.2% |
| Beta | | | | | | 0.46 |
| % Total Debt | | | | | | 48.3% |
| % Capital | | | | | | 51.7% |
| WACC | | | | | | 8.1% |

Sensitivity Analysis, EV/EBITDA vs. EBITDA

| | -10% | -5% | <i>Original</i> | +5% | +10% |
|-------------------------|---------------|---------------|-----------------|---------------|---------------|
| Projected EBITDA | 5,789 | 6,110 | 6,432 | 6,753 | 7,075 |
| Target EV/EBITDA | | | | | |
| 9.3x | 111.95 | 121.52 | 131.09 | 140.66 | 150.23 |
| 9.8x | 121.22 | 131.31 | 141.39 | 151.48 | 161.57 |
| 10.3x | 130.49 | 141.09 | 151.70 | 162.30 | 172.90 |
| 10.8x | 139.76 | 150.88 | 162.00 | 173.12 | 184.23 |
| 11.3x | 149.04 | 160.67 | 172.30 | 183.93 | 195.57 |
| 11.8x | 158.31 | 170.46 | 182.60 | 194.75 | 206.90 |

Sensitivity Analysis, P/E vs. Net Profit

| | -10% | -5% | <i>Original</i> | +5% | +10% |
|-----------------------------|---------------|---------------|-----------------|---------------|---------------|
| Projected Net Profit | 2,930 | 3,093 | 3,256 | 3,418 | 3,581 |
| Target P/E | | | | | |
| 12.5x | 117.64 | 124.17 | 130.71 | 137.25 | 143.78 |
| 13.5x | 127.03 | 134.08 | 141.14 | 148.20 | 155.25 |
| 14.5x | 136.41 | 143.99 | 151.57 | 159.15 | 166.73 |
| 15.5x | 145.80 | 153.90 | 162.00 | 170.10 | 178.20 |
| 16.5x | 155.18 | 163.81 | 172.43 | 181.05 | 189.67 |
| 17.5x | 164.57 | 173.71 | 182.86 | 192.00 | 201.14 |

(Figures in Millions of MXN\$)

| INCOME STATEMENT | 2024 | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
|--|-------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Revenues | 28,491 | 32,079 | 35,804 | 39,974 | 44,642 | 49,875 | 55,732 |
| Cost of Sales | -19,571 | -21,992 | -24,510 | -27,325 | -30,471 | -33,993 | -37,929 |
| Gross Profit | 8,920 | 10,087 | 11,294 | 12,650 | 14,171 | 15,882 | 17,803 |
| General Expenses | -5,756 | -6,057 | -6,452 | -6,969 | -7,615 | -8,375 | -9,148 |
| Operating Profit | 4,354 | 4,614 | 5,447 | 6,348 | 7,248 | 8,259 | 9,407 |
| Depreciation and Amortization | -853 | -938 | -985 | -1,034 | -1,086 | -1,140 | -1,197 |
| EBITDA | 5,207 | 5,552 | 6,432 | 7,383 | 8,334 | 9,400 | 10,604 |
| Financial Gains | 57 | 36 | 40 | 45 | 50 | 56 | 63 |
| Financial Cost | -2,427 | -1,056 | -1,146 | -1,179 | -1,201 | -1,246 | -1,266 |
| Pre-Tax Profit | 1,984 | 3,594 | 4,341 | 5,215 | 6,098 | 7,070 | 8,204 |
| Income Tax & Profit Sharing | 67 | -827 | -1,085 | -1,408 | -1,646 | -1,909 | -2,215 |
| Net Profit | 2,051 | 2,767 | 3,256 | 3,807 | 4,451 | 5,161 | 5,989 |
| BALANCE SHEET | 2024 | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
| TOTAL ASSETS | 41,596 | 44,610 | 48,275 | 52,104 | 57,126 | 62,410 | 67,893 |
| Current Assets | 7,199 | 7,903 | 8,688 | 9,561 | 10,534 | 11,618 | 12,825 |
| LT Assets | 34,397 | 36,708 | 39,587 | 42,542 | 46,592 | 50,792 | 55,067 |
| TOTAL LIABILITIES | 23,284 | 24,349 | 25,489 | 26,333 | 27,830 | 28,993 | 29,657 |
| ST Liabilities | 6,719 | 6,784 | 6,924 | 7,768 | 9,265 | 10,427 | 11,092 |
| LT Liabilities | 16,565 | 17,565 | 18,565 | 18,565 | 18,565 | 18,565 | 18,565 |
| Total Debt | 17,627 | 19,077 | 19,961 | 20,519 | 21,698 | 22,506 | 22,775 |
| Net Debt | 16,712 | 18,069 | 18,836 | 19,264 | 20,295 | 20,939 | 21,024 |
| TOTAL CAPITAL | 18,312 | 20,441 | 22,976 | 25,973 | 29,511 | 33,644 | 38,475 |
| Stockholder's Equity | 14,209 | 15,860 | 17,828 | 20,153 | 22,898 | 26,105 | 29,853 |
| CASH FLOW STATEMENT | 2024 | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
| Net profit | 2,051 | 3,594 | 4,341 | 5,215 | 6,098 | 7,070 | 8,204 |
| Inv. Related Activities | 1,609 | 917 | 997 | 1,084 | 1,178 | 1,279 | 1,389 |
| Pre-Tax Cash Flow | 3,660 | 5,180 | 4,662 | 5,186 | 4,729 | 5,399 | 6,152 |
| Working Capital Changes | -720 | -418 | -423 | -469 | -520 | -577 | -640 |
| Operating Cash Flow | 2,940 | 4,762 | 4,238 | 4,717 | 4,210 | 4,823 | 5,511 |
| Investment Cash Flow | -5,168 | -5,067 | -3,906 | -4,002 | -4,064 | -4,232 | -4,325 |
| Financing Cash Flow | 1,856 | 399 | -213 | -581 | 3 | -424 | -1,001 |
| Net Incr. (Decr.) in Cash & Temp. Inv. | -371 | 94 | 119 | 133 | 148 | 166 | 186 |
| Beg. of Period Cash and Temp. Inv. | 1,286 | 915 | 1,008 | 1,125 | 1,256 | 1,402 | 1,567 |
| End of Period Cash and Temp. Inv. | 915 | 1,008 | 1,125 | 1,256 | 1,402 | 1,567 | 1,751 |

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