

BAFAR: 2Q25 Results

Positive results with high revenue growth due to food and FNova, and stronger-than-expected profitability levels; implements AI strategy

BAFAR B	BUY
Target Price (MXN\$)	\$ 162.00
Current Price (MXN\$)	\$ 90.00
Min / Max (L12M)	\$ 87.50 - 106.0
Expected Dividend (MXN\$)	\$ 0.32
Expected Return	80.4%
Market Cap (MXN\$ Mn)	28,390
Enterprise Value (MXN\$ Mn)	45,196
Oustanding Shares (Mn)	315.4
Float	20.0%
ADTV (MXN\$ Mn)	\$ 3.23

Opinion and recommendation

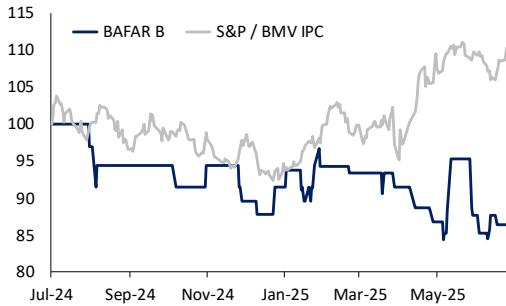
BAFAR reported positive results with solid performance in food, FNova, and the financial business, and higher-than-expected profitability levels. Furthermore, the company began implementing its AI strategy last June, which we believe will accelerate its growth.

We reiterate our BUY recommendation with a MXN\$162.00/share target price. BAFAR shares trade at an EV/EBITDA of 7.8x and a P/E of 7.6x, which we believe do not adequately reflect the company's strong fundamentals.

2Q25 Results

Total revenues increased 15.5% YoY to MXN\$7.9 billion, practically in line with our projections. This performance was primarily attributable to a 14.7% rise in the food business, driven by a stronger mix, store expansion, and higher export volumes. FNova's revenues advanced 27.5% due to portfolio growth and new contracts. Financial division revenues were up 35.5%, driven by a credit placement of MXN\$1.2 billion in the quarter; the NPL ratio was 2.33% in 2Q25, compared to 3.20% in 2Q24. This was partially offset by a 21.9% decrease in real estate revenues.

BAFAR's gross margin remained stable at 32.5% thanks to operating efficiencies and a stronger product mix. EBITDA grew 13.8% to MXN\$1.697 billion (exceeding our MXN\$1.433 billion projection), while the margin stood at 21.4%, slightly lower than the 21.7% of the same period last year. Worth noting a higher profitability in the food business and FNova. Net profits for the quarter reached MXN\$1.58 billion (vs. P\$798 million E), from a MXN\$103 million net loss in 2Q24, due to FX gains.



The company invested MXN\$2.734 billion (up 78%) during the first half of the year, primarily in the real estate division; and the expansion of its own stores, the development of a new distribution center in El Paso, Texas, and the expansion of its food distribution center in Chihuahua.

(Figures in Millions of MXN\$)	2Q25	2Q25E	Diff.	2Q24	Chg.
Revenues	7,931	7,960	-0.4%	6,865	15.5%
Gross Profit	2,574	2,599	-1.0%	2,234	15.2%
EBITDA	1,697	1,433	18.4%	1,491	13.8%
<i>EBITDA Margin</i>	<i>21.4%</i>	<i>18.0%</i>		<i>21.7%</i>	
Financial Gains	613	10	n.a.	-219	n.a.
Financial Cost	-218	-158	38.1%	-1,103	-80.3%
Net Profit	1,580	798	97.9%	-103	n.a.

Discounted Cash Flow Model

Figures in MXN\$ Mn)	2026E	2027E	2028E	2029E	2030E	Perp.
OPERATING PROFIT	5,365	6,070	6,941	7,936	8,990	9,469
Tax Rate	25%	27%	27%	27%	27%	30%
Tax Shield	-1,341	-1,639	-1,874	-2,143	-2,427	-2,841
NOPLAT	4,024	4,431	5,067	5,794	6,562	6,628
Depreciation	1,069	1,122	1,178	1,237	1,299	1,368
Working Capital Changes	-426	-524	-572	-633	-699	-736
CAPEX	-4,628	-4,782	-4,897	-4,706	-4,717	-4,968
FCFF	38	247	776	1,691	2,446	2,293
Perpetuity Growth Rate						5.3%
PV of Explicit Period (2026 - 2030E)						3,824
Perpetuity Value						99,622
PV of Perpetuity Value						64,069
Enterprise Value						67,893
Net Debt						16,791
Market Value						51,102
<i>Outstanding Shares</i>						315
Target Price						P\$ 162.00
Current Market Price						P\$ 90.00
Potential Return Incl. Dividends						80.4%
Forward EV/EBITDA						10.7x
Forward P/E						15.5x
Average Cost of Debt						4.4%
LT Tax Rate						30.0%
After-Tax Cost of Debt						3.1%
Cost of Equity						11.8%
Market Risk Premium						6.0%
Risk-Free Rate						9.4%
Beta						0.40
% Total Debt						47.9%
% Capital						52.1%
WACC						7.6%

Sensitivity Analysis of the Target Price, EV/EBITDA vs. EBITDA

	-10%	-5%	Original	+5%	+10%
Projected EBITDA	5,790	6,112	<i>6,433</i>	6,755	7,077
Target EV/EBITDA					
9.2x	112.66	122.03	131.41	140.78	150.15
9.7x	121.84	131.72	141.60	151.49	161.37
10.2x	131.02	141.41	151.80	162.19	172.59
10.7x	140.19	151.10	162.00	172.90	183.80
11.2x	149.37	160.78	172.20	183.61	195.02
11.7x	158.55	170.47	182.39	194.31	206.24

Sensitivity Analysis of the Target Price, P/E vs. Net Profit

	-10%	-5%	Original	+5%	+10%
Projected Net Profit	2,976	3,141	<i>3,306</i>	3,472	3,637
Target P/E					
12.5x	117.50	124.03	130.55	137.08	143.61
13.5x	126.93	133.98	141.03	148.09	155.14
14.5x	136.37	143.94	151.52	159.09	166.67
15.5x	145.80	153.90	162.00	170.10	178.20
16.5x	155.23	163.86	172.48	181.10	189.73
17.5x	164.67	173.81	182.96	192.11	201.26

(Figures in Millions of MXN\$)

INCOME STATEMENT	2024	2025E	2026E	2027E	2028E	2029E	2030E
Revenues	28,491	32,366	35,602	39,852	44,516	49,718	55,489
Cost of Sales	-19,571	-22,502	-24,716	-27,627	-30,816	-34,368	-38,302
Gross Profit	8,920	9,863	10,886	12,225	13,700	15,350	17,187
General Expenses	-5,756	-6,637	-6,125	-6,823	-7,451	-8,166	-8,949
Operating Profit	4,354	4,786	5,365	6,070	6,941	7,936	8,990
Depreciation and Amortization	-853	-1,018	-1,069	-1,122	-1,178	-1,237	-1,299
EBITDA	5,207	5,803	6,433	7,192	8,119	9,173	10,289
Financial Gains	57	660	47	53	59	66	73
Financial Cost	-2,437	-966	-1,098	-1,150	-1,199	-1,266	-1,291
Pre-Tax Profit	1,974	4,479	4,314	4,973	5,800	6,737	7,772
Income Tax & Profit Sharing	-102	-766	-1,079	-1,343	-1,566	-1,819	-2,099
Net Profit	1,872	3,731	3,306	3,701	4,305	4,988	5,744
BALANCE SHEET	2024	2025E	2026E	2027E	2028E	2029E	2030E
TOTAL ASSETS	41,643	43,807	48,014	52,585	58,416	64,183	70,096
Current Assets	7,463	8,451	9,236	10,212	11,279	12,466	13,778
LT Assets	34,180	35,356	38,778	42,373	47,136	51,717	56,318
TOTAL LIABILITIES	23,682	24,041	25,298	26,560	28,531	29,814	30,552
ST Liabilities	7,000	9,496	10,754	10,016	9,986	11,269	12,008
LT Liabilities	16,682	14,544	14,544	16,544	18,544	18,544	18,544
Total Debt	17,627	18,301	19,346	20,345	22,028	22,992	23,378
Net Debt	16,712	16,791	17,678	18,476	19,940	20,657	20,771
TOTAL CAPITAL	17,961	19,927	22,889	26,209	30,082	34,578	39,765
Stockholder's Equity	14,155	16,011	18,391	21,059	24,170	27,783	31,950
CASH FLOW STATEMENT	2024	2025E	2026E	2027E	2028E	2029E	2030E
Net profit	1,872	4,144	4,314	4,973	5,800	6,737	7,772
Inv. Related Activities	1,816	-1,702	-2,517	-2,353	-2,173	-1,976	-1,761
Pre-Tax Cash Flow	3,688	5,845	5,345	5,726	5,263	5,934	6,638
Working Capital Changes	-542	-253	-426	-524	-572	-633	-699
Operating Cash Flow	3,146	5,592	4,919	5,202	4,691	5,301	5,940
Investment Cash Flow	-5,413	-5,831	-4,899	-5,048	-5,156	-4,958	-4,961
Financing Cash Flow	1,889	843	152	58	697	-85	-694
Net Incr. (Decr.) in Cash & Temp. Inv.	-371	601	171	212	232	258	285
Beg. of Period Cash and Temp. Inv.	1,286	915	1,510	1,669	1,869	2,089	2,334
End of Period Cash and Temp. Inv.	915	1,510	1,669	1,869	2,089	2,334	2,607

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