

# Grupo Bafar 2Q25 - Earnings Call

**Moderator:** Good morning everyone. My name is Daniela and I will be the one to coordinate this call. I warmly welcome you to the quarterly conference of Grupo Bafar, corresponding to the second quarter of 2025.

I want to inform you that all participants are muted to avoid any background interference. After the presentation of the speaker, we will have a Q&A session, at which time we will provide you with the instructions to participate. I am pleased to inform you that on Friday, July 25, Grupo Bafar published its results.

If any of you have not received the report, we recommend that you contact the investor relations team, who will be happy to send you the information. I want to emphasize that this call is intended exclusively for investors and analysts, so no press questions will be taken and the call should not be reported in the media. It is important to note that any forward-looking statements made during this quarterly call are based on information available at this time.

We suggest you review the statement in the quarterly report for more details on this issue. At this time, we have the presence of Luis Carlos Piñón, corporate controller of Grupo Bafar, who will share the company's results. Without further ado, I give the floor to Luis Carlos, Adelante.

**Luis Piñón, Comptroller:** Thank you very much, Daniela. Good morning everyone.

Thank you for joining us. It is a pleasure to be able to share with you the progress of Grupo Bafar during the second quarter of the year. During this period, we faced a challenging environment at a global level.

The persistence of inflationary pressures, the volatility of financial markets, as well as international geopolitical tensions, have generated a panorama of uncertainty that has impacted supply chains, commodity prices, and consumption and investment decisions. In Mexico, the economy has shown signs of slowing compared to previous years, with inflation that, while it has begun to moderate, continues to affect operating costs and demand in certain sectors. In addition, the exchange rate and monetary policy continue to be relevant factors that affect the operation of companies.

Our strategy remains firm, to promote sustainable, diversified and efficient growth. This approach has resulted in operational breakthroughs, strategic investments, and a strong financial position. At the end of the second quarter of 2025, our consolidated net sales, accumulated, grew by 16%, reaching Ps. 15,672 million, driven by higher sales volume and a better combination of value-added products in the food division, and significant advances in the rest of the divisions.

EBITDA reached \$2,991 million pesos, with a growth of 14% and a margin on sales of 19%. Finally, net income stood at Ps. 2,349 million, with a net margin of 15%, driven by operating efficiencies, a solid cost strategy and a favorable effect on foreign exchange profit.

For its part, the food division continues to be the main engine of the group, reaching sales of just over \$7,500 million pesos, which represents a growth of 15% compared to the same period of the previous year.

This result was driven by the expansion of owned stores and a better product mix. EBITDA stood at \$989 million, with a margin of 13%, while operating income reached \$701 million pesos. During the quarter, we made investments in this division for just over \$650 million pesos, mainly aimed at the expansion of our distribution center in Chihuahua, which will allow us to increase frozen storage capacity by 205%.

In addition, we are advancing in the construction of the distribution center in El Paso, Texas, which will allow us to strengthen our automation processes throughout northern Mexico. We will also continue with the digitalization strategy and advance the certification process as a great place to work under the "Great Place to Work" certification. For its part, Fibra-Nova achieved revenues of just over \$392 million pesos, showing a growth of 28% compared to the second quarter of 2024.

Mainly due to the start of new contracts with companies such as ZF, ATI and Breakparts in Ciudad Juárez. EBITDA increased by 34%, reaching \$374 million pesos, with a margin of 95%, reflecting the profitability of the fiber and the high efficiency of operation. During the quarter, we signed two new leases, which allowed us to fully occupy our inventory of buildings in Ciudad Juarez and begin the development of our land reserve as a phase 2. This area covers more than 37 hectares, has infrastructure and services ready to receive future tenants.

The investments made during the period amounted to \$752 million for projects such as the North Park in Chihuahua and the completion of the Industrial Park in Ciudad Juárez. Net debt was reduced by 17% compared to last year, standing at \$5,188 million and LTV fell to \$24.5, which reinforces the financial strength of the division and this decrease in debt occurs thanks to the capitalization we received in July of last year. For its part, the financial division continues to consolidate itself as a pillar of support for our strategic allies, so during the quarter we achieved a portfolio placement of \$1,196 million, mainly driven by the growing demand for our financing and factoring products.

This performance is aligned with our vision of offering liquidity solutions tailored to the operational needs of our clients. As a result, revenues grew 36% to \$284 million while maintaining a healthy delinquency ratio below 2%. We continue to expand the B-Cash product, reaching just over 500 cards in key geographical areas. incrementando nuestra penetración de mercado y consolidando nuestro enfoque de inclusión financiera y atención oportuna.

For its part, the group's consolidated results for the second quarter of 2025, consolidated net sales grew 16% to reach just over \$7,931 million pesos, driven mainly by a higher sales volume derived from the solid performance of the retail division. Operating income grew 12% to \$1,439 million and EBITDA increased 14% to \$1,696 million with a margin of 21%. Net income was \$1,580 million with a margin of 20%, driven by operating efficiency of a favorable foreign exchange profit.

On the other hand, the financial situation at the end of this quarter, we made accumulated capital investments for a total of \$2,734 million, mainly for real estate development and the modernization of food logistics infrastructure. The cash conversion cycle was located in 32 days, thanks to an efficient collection and payment management. Our bank debt reached \$18,214 million with 63% in the long term and a natural coverage of income in dollars.

This quarter's results reflect a disciplined and resilient operation. We remain committed to generating long-term value for our investors and our stakeholders. Finally, and to conclude, our expectations for the end of 2025 is to continue growing sales by just over 15%, achieve an EBITDA growth of 16% with a margin of 17% to 18%.

We are estimating to conclude a CAPEX of just over \$5,000 million in all the divisions of the group. That concludes my remarks. I leave the floor to the operator so that, if they have any questions.

**Moderator:** Thank you very much. We will begin with the Q&A session. If you want to ask a question, please click on the raise your hand button.

This is located at the bottom of the screen. If you are connected by phone, please dial asterisk 9. I remind you that all lines are muted. When it is time to ask, the microphones will be enabled and they will be able to remove the silence to ask a question.

We will pause for questions.

Our first question comes from Martin Lara of Miranda Global Research.

**Martin Lara:** How are you? Good morning.

Congratulations on the results. I have two questions. Could you elaborate on the AI strategy and what benefits you expect to reap? And do you think it will have any implementation costs? And the second is, how are you seeing the opening of stores for the second half of the year in the food business?

**Luis Piñón, Comptroller:** Thank you very much, Martín.

Thank you for joining us. Well, yes, look, we have already commented on the subject in several quarters. The group is investing heavily in the whole issue of digitalization.

I can tell you that there are several fronts in which we are looking to reach as a final part in the issue of artificial intelligence. I can tell you that we are investing heavily in the issue of robotization of the entire plant issue. We have a very clear Internet of Things strategy in the entire issue of stores, distribution centers, including manufacturing areas.

We have just concluded a very ambitious project for a Data Lake that will combine all the data that is being generated by this entire automation process in plants, distribution centers, stores, plus the information generated by the ERP itself. We have also just implemented a very important SAP logistics module called IBP, which practically spearheads already very advanced intelligence in logistics. So, all this combines to be able to have data that through agents we can have more automated processes and with artificial intelligence.

We have communicated that we have made important alliances with groups such as Google and other companies in the technology field that will allow us to continue advancing in this technological roadmap. I was telling you that the goal that we are practically setting right now with the issue of Data Lake robotization is to be able to generate agents that certain back office processes, certain customer service processes and certain commercial processes can be carried out through agents. For example, we recently launched one in the retail area through sales through WhatsApp, where a large part of the process is already attended by agents automatically by having this entire ecosystem that I already mentioned.

So, that is the group's strategy, to continue strongly digitizing all business units. And with what you were asking me about the opening of stores, the plan is very ambitious. We hope to conclude this year with about 60 more stores.

Next year we bring an aggressive plan to open 100 stores. So, the growth plan in the coming years of this division becomes exponential. We believe that we are going at a very good pace.

We're doing very well. The maturity period of the stores is becoming shorter and shorter, which gives us certainty that the business model continues to be replicable and scalable as we are thinking about it.

**Martin Lara:** Very good, thank you very much.

**Luis Piñón, Comptroller:** Greetings.

**Martin Lara:** Greetings.

**Moderator:** Thank you very much. Our next question comes from Carlos Alcaraz of Appalachia.

**Carlos Alcaraz:** Hello, how are you? Thank you for the call and for taking my questions. I have a couple of them.

First, ask them how long it will take to develop the new CEDIS that they are building in the pass and what amount of investment they estimate for this project. And the second, how do you observe the sales volume without considering the recent openings? This is to understand a little bit of the breakdown of growth in volume.

**Luis Piñón, Comptroller:** Thank you, Carlos. Well, look, on the subject of the construction of the distribution center in Paso, Texas, we are thinking of inaugurating it at the end of September. So, that construction is practically being concluded. The investment is around \$30 million dollars.

It also has a heavy investment in renewable energy. We are starting to invest just over \$2 million dollars in photovoltaic systems in that location, as is the rest of the group's strategy in all the group's properties. This was no exception.

So, it's practically about to start. In other words, at the end of September it is intended to be inaugurated. And, on the other hand, the volume of sales, well, we saw an important effect precisely with the whole issue of exchange rate movements.

The change that took place in precisely certain commodities. We continue to grow a lot in export sales, in sales to other countries. We see that as very positive.

I think that the mix of products, as soon as we continue to grow dollarized, we feel quite comfortable. So, we see that this was somewhat circumstantial in these first six months of the year. We do not know if in the future or in these following months it will continue to be seen with the same dynamism.

However, in the mix of export products it was very positive in these first six months. On the subject of growth in store sales, it is the item that we see the most, which constantly continues to grow. The openings continue to incorporate strong percentages of increase in sales.

We continue to grow in the same stores as well. As I talked about a few moments ago, we are seeing the issue of the maturity of the stores very positively. Penetration in markets where we had little presence as well.

We are practically already located throughout the country. In the next few months we will be practically opening in the only state that we do not have a presence, which is Oaxaca. So, that has meant that our presence in having more than one store in a city has made the maturity of the store in a shorter period.

We are already a well-known brand in practically every city. The monster of Mexico City is still a challenge, but the expansion plan is still to attack the entire country. So, that's why the mix of export products and stores is what drove us the most in this quarter sales.

**Carlos Alcaraz:** Ok. On this last subject, another question, Luis Carlos, if you will allow me. For example, given this situation of commodities that you mention, are you going to maintain your pace of store openings or are you going to try to slow down the CAPEX deployment a little?

**Luis Piñón, Comptroller:** No, no. We were talking about it right now, on the contrary. In other words, what we would like is to speed it up. In other words, I was telling you that the plan is very aggressive in stores.

I was talking about trying to close with a little more than 60 locations this year, plus a little more than 100 next year. So, this has generated a challenge that, on the contrary, we continue to bet on these business units. We think it's quite resilient.

Despite the fact that the market has contracted a little, I think we have been quite competitive in terms of the exchange rate dropping. So much gave us a strength in terms of our margins and also to be able to be competitive in the prices we give to our customers. That has made us take certain advantages in terms of the market, basically stealing from competitors or taking market from competitors thanks to the price competitiveness and margins we have.

So, we don't see a reason to slow down, but on the contrary, to continue promoting that aggressive growth in that division.

**Carlos Alcaraz:** Perfect. Thank you very much and congratulations once again on the record revenues.

**Luis Piñón, Comptroller:** Thank you.

**Moderator:** Thank you. I remind you that you can press asterisk 9 to ask from a phone line or click on the raise your hand button, located at the bottom of the screen.

We will pause once again to wait for any additional questions. We haven't received any additional questions, so that concludes our Q&A session. Thanks a lot.

I would like to give the floor to Luis Carlos Piñón for his concluding remarks.

**Luis Piñón, Comptroller:** Well, thank you all very much for joining us today for Grupo Bafar's second quarter earnings call. You can write to us if you have any additional questions.

We greatly appreciate your interest in Grupo Bafar and our results and look forward to speaking with you soon. Best regards.

**Moderator:** That concludes the quarterly call. They can disconnect now.