

# Latin America Retail & eCommerce

## 4Q23E – Tough Brazil triggers cuts, Mexico strength, MELI bucks trend

Price Objective Change

### Food inflation slows further, Brazil well below CPI

4Q23 food inflation continued to decelerate across the region, setting up difficult compares, particularly in Brazil, where food inflation lagged the overall CPI by about 5.7ppts. Food inflation in Chile and Mexico fell 17.2ppt and 7.4ppts y/y, but remains well above general inflation benchmarks in both markets, supporting operating leverage.

### Brazil tax proposals create earnings uncertainty

Federal efforts to narrow tax investment incentives continue to weigh on sentiment, and pose material downside risk to earnings, in our view. Measures, however, may trigger litigation and extend uncertainty (see [Government targets tax incentives, loC, may trigger political opposition, litigation](#)).

### Cross-border eCommerce slowing sharply in Brazil

Cross-border eCommerce continues to grow at elevated rates regionally as efforts to slow untaxed sales gain traction. Brazil's Remessa Conforme may be the region's most effective effort to date as protocols slow delivery and position authorities to further lift tax rates and widen compliance requirements.

### Very strong Mexican salary mass and credit growth

Although remittances declined about 7.5% in MXN in 4Q23, we note strong salary mass and credit should more than offset the impact. Mexican credit card debt grew in excess of 20% into year-end. Moreover, strong employment and wages drove a near 14% increase in salary mass. We look for particular strength across concepts focused on lower to middle income groups.

### Consolidation & other secular themes

While we look for consolidation to drive growth at Arcos Dorados, the region's traditional consolidators appear likely to struggle with economic sluggishness and deflation. MercadoLibre appears to be benefitting from execution, channel shift and multiple sources of earnings power (see [5 themes, \\$6bn+ in incremental earnings](#)).

### Estimate/PO revisions: soft Brazil, strong Mexico

We are lowering estimates and POs for Assai on a more protracted Brazil recovery and tax changes. We are incorporating stronger Mexican momentum into our forecasts and are raising estimates and our PO for FEMSA. We also revise our FEMSA income rating to 7 (same/higher) from 8 (same/lower).

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Equity  
Latin America  
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### Exhibit 1: Price objective changes

Revising price objective

Name	BofA Ticker	Rating	PO	
			From	To
Assai	XFCXF	C-1-7	R\$17.00	R\$16.50
Assai (ADS)	ASAI	C-1-7	\$17.00	\$16.50
FEMSA	FMXUF	A-1-7	Ps230.00	Ps280.00
FEMSA (ADS)	FMX	B-1-7	\$128.00	\$163.00

Source: BofA Global Research

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**Refer to important disclosures on page 12 to 15. Analyst Certification on page 11. Price Objective Basis/Risk on page 9.**

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Timestamp: 14 February 2024 12:34AM EST

**Exhibit 2: We expect a wide range of results for our Latam retail and eCommerce coverage in 4Q23**

Figures in millions, except where otherwise noted

Company	Currency	Report Date	SSS		Net Revenue			EBITDA			EBITDA Margin			Net Income		
			4Q22	4Q23E	4Q22	4Q23E	% Chg	4Q22	4Q23E	% Chg	4Q22	4Q23E	% Chg	4Q22	4Q23E	% Chg
Arcos Dorados	USD	TBC	35.7%	27.4%	1,019	1,174	15.3%	114	132	15.6%	11.2%	11.2%	3 bp	54	66	20.8%
Assaí Atacadista	BRL	21-Feb	10.5%	2.0%	15,954	18,583	16.5%	1,171	1,419	21.2%	7.3%	7.6%	30 bp	406	297	-26.7%
GPA	BRL	21-Feb	7.3%	4.5%	4,900	5,351	9.2%	238	401	68.8%	4.8%	7.5%	265 bp	(1,060)	(35)	-96.7%
FEMSA	MXN	23-Feb	11.4%	9.0%	172,842	189,804	9.8%	25,530	28,264	10.7%	14.8%	14.9%	12 bp	4,817	7,606	57.9%
MercadoLibre Inc.	USD	22-Feb	n.a.	n.a.	3,002	4,192	39.6%	471	784	66.4%	15.7%	18.7%	300 bp	165	175	6.2%

Post-IFRS 16 figures

Adjusted EBITDA figures for Arcos Dorados, Assaí, and GPA

Net Income continuing operations for GPA

SSS for Assaí and GPA exclude calendar effects. FEMSA SSS considers OXXO; Arcos Dorados SSS excludes Venezuela

FEMSA: assumes Envoy booked as a discontinued operation; 4Q22 net revenue and EBITDA estimated

Source: Company filings, BofA Global Research

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**Exhibit 3: eCommerce GMV estimates – MELI is forecast to once again lead peers**

Figures in millions

Company	Currency	eCommerce GMV			Total GMV (Physical + Online)		
		4Q22	4Q23E	% Chg	3Q22	3Q23E	% Chg
MercadoLibre	USD	9,615.0	12,384.9	28.8%	9,615.0	12,384.9	28.8%

Source: Company filings, BofA Global Research

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## 4Q23E headwinds outside of Mexico

- **Arcos Dorados (ARCO):** ARCO reported solid same store sales growth, despite a tough comp against prior-year World Cup promotions. We forecast a flattish EBITDA margin on a consolidated basis, as ARCO reinvests lower food & paper costs and operating leverage into value propositions, further pressuring weakened rivals in Brazil. A lower y/y tax rate is forecast to lift net income.
- **Assaí (ASAI):** We forecast modest same-store sales growth as store conversions and maturation offset food deflation and rival openings. Gross margin is forecast to contract as ASAI laps prior year vendor support for new space and makes incremental price investment. EBITDA margin, however, should improve as ASAI laps non-recurring pre-opening and conversion expenses. Higher D&A, interest on lease liabilities, and lower capitalization of interest should contribute to EPS contraction. We are reducing our EPS estimates as year-end 2023 legislation enables the federal taxation of state investment incentives. We are also lowering our price objective to R\$16.50 (from R\$17.00) based on 15x 2025E EPS (from 11x 2025E EPS). We believe consistent execution and greater tax visibility should support a multiple in line with Assaí's historical P/E average of 15.0x, and publicly traded wholesaler and warehouse club compares. We reiterate our Buy rating on the shares.
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**Exhibit 4: Lowering estimates and PO, reiterate Buy rating**

Assaí summary estimate changes, R\$ mn

	ASAI3 BZ			ASAI US					
	From	To		From	To				
Opinion	C-1-7	C-1-7		C-1-7	C-1-7				
Price Objective (BRL/USD)	17.00	16.50		17.00	16.50				
	2023E			2024E			2025E		
	From	To	% Chg	From	To	% Chg	From	To	% Chg
Net Revenue	67,012	66,665	-0.5%	77,372	75,827	-2.0%	85,301	83,266	-2.4%
EBITDA	4,828	4,728	-2.1%	5,845	5,574	-4.6%	6,608	6,278	-5.0%

**Exhibit 4: Lowering estimates and PO, reiterate Buy rating**

Assaí summary estimate changes, R\$ mn

	ASAÍ3 BZ			ASAÍ US					
Net Income	793	710	-10.4%	1,341	802	-40.2%	2,068	1,489	-28.0%
EPS (R\$)	0.59	0.53	-10.2%	0.99	0.59	-40.4%	1.53	1.10	-28.1%

Source: BofA Global Research

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- FEMSA (FEMSA/FMX):** We expect top line momentum to decelerate as FEMSA laps 4Q22's World Cup lift and inflation moderates, but forecast a still-strong 9% OXXO SSS increase. We look for a relatively flat consolidated EBITDA margin as digital investments and wages mitigate benefits from KOF pricing and operating leverage, and higher OXXO commercial and service income. Lower net financing costs and FX losses expected to drive a strong net earnings comparison. Our estimates recognize Envoy as a discontinued operation, but do not deconsolidate other distribution assets. We are incorporating stronger OXXO operating momentum and the merger of Envoy and BradyIFS into our forecasts. We are also raising our price objective from Ps230/\$128 to Ps280/\$163, as we roll forward our base year to 2025E. Our PO assumes a 20% discount to our sum-of-the-parts exercise, and equates to 24x 2025E EPS (24x 2024E previously). We anticipate greater disclosure on FEMSA's capital allocation plans ahead of 4Q results, and look for a combination of dividends and buybacks to return \$5bn+ to shareholders. We reiterate our Buy rating on the shares.

**Exhibit 5: Raising estimates and PO; reiterate Buy rating**

FEMSA summary estimate changes, MXN mn

	Local			ADS					
	From	To		From	To				
Opinion	A-1-8	A-1-7		B-1-8	B-1-7		FMX		
Price Objective (MXN/USD)	230.0	280.0		128.0	163.0		FMX		
	2023E			2024E			2025E		
	From	To	% Chg	From	To	% Chg	From	To	% Chg
Net Revenue	787,076	729,180	-7.4%	875,273	804,030	-8.1%	956,768	893,714	-6.6%
EBITDA	107,502	100,756	-6.3%	122,089	112,116	-8.2%	138,086	129,039	-6.6%
Net Income	35,161	36,146	2.8%	34,821	36,119	3.7%	41,349	41,562	0.5%
EPUnit	9.83	10.10	2.7%	9.73	10.09	3.7%	11.56	11.62	0.5%

Source: BofA Global Research

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- GPA (CBD):** We expect GPA to post a modest sequential deceleration in same store sales on food deflation. We also look for gross margin to expand sequentially on pricing and mix improvement. SG&A dilution and selling expense savings are expected to drive EBITDA margin expansion on a y/y and q/q basis. High funding costs, however, are forecast to result in a net loss. Potential news on an announced add-on equity offering or government efforts to more aggressively pursue back taxes could impact the company and sentiment.
- MercadoLibre (MELI):** MELI GMV and revenue appear to have accelerated into year-end, as MELI benefits from Brazilian cross-border disruption following the implementation of Remessa Conforme, and more fragmented competitors take price and exit categories. FX should be a tailwind in every market except Argentina, driving stronger USD growth rates. Better monetization, advertising contributions, credit performance, and operating leverage should sustain y/y EBIT margin expansion, despite brand and client acquisition investment. Higher interest income should also contribute to net earnings. We look for local costs to mitigate FX loss

from the December 13<sup>th</sup> Argentine peso (ARS) devaluation, and point to compelling national and Pago opportunities within Argentina as potential offsets.

## Exhibit 12: In Brazil, Shopee, AliExpress and Shein led traffic growth in 4Q23; Amazon also stronger

### eCommerce Broadline – App & URL Traffic- Brazil

4Q23/4Q22

	App & URL Traffic			App Traffic			URL Traffic		Organic Traffic <sup>2</sup>		Paid Traffic		MAU <sup>3</sup>	Bounce <sup>4</sup>	Frequency <sup>5</sup>	Duration <sup>6</sup>
	Share <sup>1</sup>	Inc/Dec	Growth	% of Traffic	% chg	% of MAU	% of Traffic	% chg	% of URL	% chg	% of URL	% chg	% chg	% chg	% chg	% chg
Shopee	24.2%	+3.2p.p	21.9%	93.7%	24.0%	59.4%	6.3%	-3.2%	76.5%	-8.6%	23.5%	20.3%	5.8%	-1.7p.p	15.2%	-31.7%
Mercado Libre	19.6%	-0.6p.p	2.4%	76.0%	1.3%	35.7%	24.0%	6.0%	69.9%	-3.6%	30.1%	38.2%	-1.1%	-1.5p.p	3.5%	-1.5%
Shein	16.3%	+2.0p.p	20.7%	99.2%	21.7%	89.0%	0.8%	-39.7%	61.1%	-28.0%	38.9%	-51.9%	0.7%	-1.4p.p	19.9%	-39.8%
AliExpress	10.8%	+2.3p.p	35.2%	93.9%	41.7%	64.7%	6.1%	-20.7%	68.7%	-19.2%	31.3%	-24.0%	2.0%	-1.7p.p	32.5%	-21.3%
Olx	7.7%	-0.9p.p	-5.7%	77.3%	-10.5%	37.8%	22.7%	15.7%	90.3%	16.1%	9.7%	11.7%	7.6%	-0.9p.p	-12.3%	-4.1%
Amazon	7.6%	+1.3p.p	27.7%	52.6%	31.1%	10.4%	47.4%	24.1%	58.3%	31.0%	41.7%	15.7%	28.5%	-2.0p.p	-0.6%	2.3%
Magazine Luiza	7.3%	-0.7p.p	-4.0%	57.3%	-3.1%	26.1%	42.7%	-5.2%	68.2%	-2.0%	31.8%	-11.4%	1.7%	-1.4p.p	-5.6%	-0.5%
Grupo Casas Bahia	2.4%	-0.7p.p	-18.7%	56.3%	-24.2%	26.4%	43.7%	-10.3%	75.7%	-4.6%	24.3%	-24.2%	-14.8%	-1.6p.p	-4.6%	1.5%
Americanas	2.0%	-5.6p.p	-72.2%	63.7%	-75.2%	35.1%	36.3%	-64.9%	84.1%	-54.3%	15.9%	-84.2%	-60.1%	-1.7p.p	-30.4%	1.1%
Enjoei	1.6%	-0.2p.p	-5.8%	90.2%	0.0%	58.5%	9.8%	-38.9%	77.9%	-39.9%	22.1%	-34.9%	-17.1%	-1.8p.p	13.6%	-31.9%
Fast Shop	0.1%	-0.0p.p	-24.5%	14.3%	-39.2%	4.0%	85.7%	-21.3%	40.4%	-16.6%	59.6%	-24.2%	-18.9%	-1.7p.p	-6.8%	-18.1%
eBay	0.1%	+0.0p.p	16.0%	N/A	N/A	N/A	100.0%	16.0%	86.6%	18.5%	13.4%	2.2%	23.9%	-1.7p.p	-6.3%	-3.9%
Wish	0.1%	-0.1p.p	-60.7%	100.0%	-60.7%	100.0%	N/A	N/A	N/A	N/A	n/A	N/A	-59.1%	N/A	-3.9%	-35.5%
<b>Total</b>			<b>5.8%</b>													

1. Share of category traffic including app, desktop, and mobile web. 2. Organic and Paid traffic proportions are based solely on URL accesses. 3. Monthly Active Users. 4. URL traffic immediately exiting after opening landing page. 5. Frequency of access both App and URL. 6. Average duration based on both app and URL use.

Source: Similarweb, SensorTower and BofA Global Research

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## Exhibit 13: Mercado Libre the traffic leader in Mexico, while Temu grows exponentially

### eCommerce Broadline – App & URL Traffic- Mexico

4Q23/4Q22

	App & URL Traffic			App Traffic			URL Traffic		Organic Traffic <sup>2</sup>		Paid Traffic		MAU <sup>3</sup>	Bounce <sup>4</sup>	Frequency <sup>5</sup>	Duration <sup>6</sup>
	Share <sup>1</sup>	Inc/Dec	Growth	% of Traffic	% chg	% of MAU	% of Traffic	% chg	% of URL	% chg	% of URL	% chg	% chg	% chg	% chg	% chg
Mercado Libre	28.5%	-7.2p.p	3.7%	81.7%	6.4%	34.7%	18.3%	-6.7%	87.6%	-5.4%	12.4%	-15.2%	-5.0%	-1.4p.p	9.1%	-17.7%
Shein	13.5%	+1.3p.p	43.6%	96.8%	46.8%	74.6%	3.2%	-13.8%	50.6%	2.2%	49.4%	-25.8%	19.2%	-1.0p.p	20.5%	-34.5%
AliExpress	12.4%	+2.4p.p	60.8%	99.7%	60.6%	97.2%	0.3%	117.0%	94.9%	123.7%	5.1%	39.6%	31.9%	N/A	66.0%	-31.1%
Temu	12.4%	+12.3p.p	NMF	100.0%	NMF	100.0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-4.3%	-31.9%
Amazon	11.6%	-2.7p.p	5.2%	57.5%	8.0%	11.1%	42.5%	1.6%	69.4%	5.7%	30.6%	-6.5%	2.9%	-1.7p.p	2.2%	-16.8%
Walmex	5.3%	-1.0p.p	9.4%	49.6%	16.2%	13.9%	50.4%	3.4%	69.3%	10.6%	30.7%	-9.7%	7.5%	-2.0p.p	1.7%	-13.9%
Coppel	4.6%	-0.1p.p	28.2%	74.4%	61.3%	20.7%	25.6%	-19.7%	55.5%	-20.5%	44.5%	-18.6%	-12.9%	-1.8p.p	47.2%	-30.5%
Shopee	4.2%	-1.4p.p	-2.2%	96.8%	-1.9%	77.0%	3.2%	-10.7%	72.6%	-17.9%	27.4%	16.1%	-5.9%	-1.1p.p	3.9%	-47.4%
Liverpool	2.8%	-1.4p.p	-14.5%	52.5%	-26.7%	12.3%	47.5%	4.7%	78.2%	10.1%	21.8%	-10.9%	2.4%	-1.7p.p	25.0%	2.6%
Costco	0.4%	+0.0p.p	36.8%	26.2%	73.6%	9.7%	73.8%	27.3%	82.5%	24.2%	17.5%	43.9%	15.7%	-1.4p.p	18.3%	-9.5%
Sears	0.4%	-0.1p.p	-4.9%	31.2%	50.9%	8.8%	68.8%	-18.5%	71.5%	-11.8%	28.5%	-31.5%	-11.9%	-1.5p.p	8.0%	-22.6%
Chedraui	0.3%	-0.0p.p	18.8%	15.2%	28.8%	3.2%	84.8%	17.1%	67.6%	17.8%	32.4%	15.7%	15.7%	-1.7p.p	2.7%	-22.3%
Soriana	0.3%	-0.1p.p	6.1%	35.6%	44.7%	11.2%	64.4%	-7.5%	89.9%	24.5%	10.1%	-71.8%	-0.7%	-1.4p.p	6.8%	-20.4%
Linio	0.2%	-0.2p.p	-33.5%	72.6%	-17.9%	39.2%	27.4%	-55.7%	77.7%	-33.0%	22.3%	-79.7%	-42.7%	-1.9p.p	16.0%	-16.4%
Sanborns	0.2%	-0.0p.p	9.4%	0.0%	N/A	0.0%	100.0%	9.4%	72.1%	25.0%	27.9%	-17.3%	10.9%	-1.8p.p	-1.3%	-25.1%
<b>Total</b>			<b>29.8%</b>													

1. Share of category traffic including app, desktop, and mobile web. 2. Organic and Paid traffic proportions are based solely on URL accesses. 3. Monthly Active Users. 4. URL traffic immediately exiting after opening landing page. 5. Frequency of access both App and URL. 6. Average duration based on both app and URL use.

Source: BofA Global Research, Sensor Tower, SimilarWeb

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**Exhibit 14: Temu, Shein and Aliexpress posted the strongest traffic share gains in Chile**

eCommerce Broadline – App &amp; URL Traffic- Chile

4Q23/4Q22

	App & URL Traffic			App Traffic			URL Traffic		Organic Traffic <sup>2</sup>		Paid Traffic		MAU <sup>3</sup>	Bounce <sup>4</sup>	Frequency <sup>5</sup>	Duration <sup>6</sup>
	Share <sup>1</sup>	Inc/Dec	Growth	% of Traffic	% chg	% of MAU	% of Traffic	% chg	% of URL	% chg	% of URL	% chg	% chg	% chg	% chg	% chg
Shein	31.3%	+4.1p.p	26.1%	99.3%	26.8%	92.1%	0.7%	-31.3%	2.4%	-81.4%	97.6%	-26.5%	9.3%	-7.1p.p	15.4%	-65.6%
Mercado Libre	21.2%	-3.5p.p	-5.8%	69.4%	-5.6%	25.3%	30.6%	-6.4%	17.1%	-68.3%	82.9%	57.1%	-6.5%	-0.2p.p	0.7%	-21.6%
Falabella	14.5%	-4.7p.p	-17.1%	48.4%	-3.3%	7.7%	51.6%	-26.9%	17.3%	-69.1%	82.7%	2.4%	-25.0%	+0.4p.p	10.5%	-14.8%
AliExpress	10.2%	+3.6p.p	69.3%	99.3%	69.7%	92.6%	0.7%	22.4%	23.4%	-49.6%	76.6%	117.2%	22.8%	+0.2p.p	37.9%	-68.7%
Cencosud	6.2%	-1.9p.p	-15.9%	30.6%	-5.7%	7.8%	69.4%	-19.7%	19.3%	-65.2%	80.7%	16.8%	-16.5%	-0.9p.p	0.8%	-12.7%
Amazon	5.1%	+0.5p.p	22.3%	99.9%	22.2%	99.0%	0.1%	150.2%	N/A	N/A	N/A	N/A	12.5%	-0.1p.p	8.7%	-71.8%
Temu	4.4%	+4.4p.p	NMF	100.0%	NMF	100.0%	N/A	N/A	N/A	N/A	N/A	N/A	NMF	N/A	-20.6%	-76.2%
Shopee	2.7%	-0.5p.p	-6.7%	90.7%	-2.3%	63.5%	9.3%	-35.1%	11.6%	-85.7%	88.4%	21.5%	-22.3%	-8.9p.p	20.2%	-61.4%
Lider	2.0%	+0.1p.p	13.2%	0.0%	N/A	0.0%	100.0%	13.2%	15.2%	-64.7%	84.8%	87.9%	10.7%	+4.3p.p	2.3%	-12.8%
Yapo	1.4%	-1.2p.p	-39.8%	28.5%	-26.6%	7.2%	71.5%	-43.8%	19.0%	-82.1%	81.0%	12.4%	-34.6%	+0.8p.p	-8.0%	-8.4%
Dafiti	0.5%	-0.4p.p	-38.7%	0.0%	N/A	0.0%	100.0%	-38.7%	11.4%	-78.9%	88.6%	-18.7%	-24.0%	+2.9p.p	-19.3%	-13.0%
La Polar	0.4%	-0.3p.p	-37.5%	0.0%	N/A	0.0%	100.0%	-37.5%	16.3%	-71.8%	83.7%	-18.1%	-38.7%	-1.5p.p	2.0%	9.5%
Wish	0.1%	-0.3p.p	-65.6%	100.0%	-65.6%	100.0%	N/A	N/A	N/A	N/A	N/A	N/A	-63.7%	N/A	-5.2%	-64.8%
<b>Total</b>			<b>9.6%</b>													

1. Share of category traffic including app, desktop, and mobile web. 2. Organic and Paid traffic proportions are based solely on URL accesses. 3. Monthly Active Users. 4. URL traffic immediately exiting after opening landing page. 5. Frequency of access both App and URL. 6. Average duration based on both app and URL use.

Source: BofA Global Research, Sensor Tower, SimilarWeb

BofA GLOBAL RESEARCH

**Exhibit 15: MELI still a very dominant #1 in Argentina, as Shein and Alibaba grow high double-digits**

eCommerce Broadline – App &amp; URL Traffic- Argentina

4Q23/4Q22

	App & URL Traffic			App Traffic			URL Traffic		Organic Traffic <sup>2</sup>		Paid Traffic		MAU <sup>3</sup>	Bounce <sup>4</sup>	Frequency <sup>5</sup>	Duration <sup>6</sup>
	Share <sup>1</sup>	Inc/Dec	Growth	% of Traffic	% chg	% of MAU	% of Traffic	% chg	% of URL	% chg	% of URL	% chg	% chg	% chg	% chg	% chg
Mercado Libre	78.8%	-2.4p.p	-4.2%	57.3%	-3.2%	0.0%	42.7%	-5.5%	86.9%	-6.6%	13.1%	2.5%	-2.0%	+0.5p.p	-2.3%	3.6%
Alibaba Group	9.8%	+3.2p.p	47.2%	100.0%	47.2%	100.0%	N/A	N/A	N/A	N/A	N/A	N/A	27.9%	N/A	15.0%	4.5%
Amazon	2.8%	+0.5p.p	19.5%	100.0%	19.5%	99.7%	N/A	N/A	N/A	N/A	N/A	N/A	13.4%	+3.5p.p	5.4%	-5.5%
Fravega	2.4%	-0.5p.p	-18.1%	N/A	N/A	N/A	100.0%	-18.1%	81.5%	-13.9%	18.5%	-32.8%	-16.9%	-1.2p.p	-1.5%	-1.6%
Shein	1.8%	+0.8p.p	78.0%	99.6%	77.3%	98.4%	N/A	N/A	N/A	N/A	N/A	N/A	76.3%	N/A	1.0%	-8.1%
eBay	1.5%	+0.1p.p	3.6%	100.0%	3.6%	100.0%	N/A	N/A	N/A	N/A	0.0%	0.0%	2.7%	N/A	0.9%	-7.5%
Shopee	1.3%	-0.7p.p	-35.3%	100.0%	-34.6%	100.0%	N/A	N/A	N/A	N/A	100.0%	-98.3%	-74.4%	+44.8p.p	153.1%	218.4%
Easy	0.8%	-0.0p.p	-1.7%	N/A	N/A	N/A	100.0%	-1.7%	70.0%	-0.2%	30.0%	-5.1%	-7.6%	+0.4p.p	6.3%	-0.6%
Wish	0.3%	-0.4p.p	-57.8%	100.0%	-57.8%	100.0%	N/A	N/A	N/A	N/A	N/A	N/A	-54.7%	N/A	-6.7%	0.7%
Tiendamia1	0.2%	-0.1p.p	-26.2%	100.0%	-26.2%	100.0%	N/A	N/A	N/A	N/A	N/A	N/A	-22.4%	N/A	-4.9%	-3.2%
Linio	0.1%	-0.1p.p	-49.2%	99.9%	-48.5%	98.7%	0.1%	-95.7%	N/A	N/A	0.0%	4.1%	-51.2%	N/A	4.2%	-16.0%
OLX	0.1%	-0.4p.p	-80.2%	91.0%	-56.1%	61.1%	9.0%	-97.0%	87.2%	-97.1%	12.8%	-95.7%	-90.9%	+10.2p.p	117.8%	-54.5%
Garbarino	0.1%	-0.0p.p	-32.9%	9.5%	-65.6%	2.6%	90.5%	-25.5%	93.5%	-17.1%	6.5%	-69.5%	-24.6%	+8.3p.p	-11.1%	-17.8%
Pardo	0.1%	-0.1p.p	-48.6%	N/A	N/A	N/A	100.0%	-48.6%	36.6%	-26.4%	63.4%	-56.3%	-47.3%	-10.9p.p	-2.5%	43.9%
<b>Total</b>			<b>-1.3%</b>													

1. Share of category traffic including app, desktop, and mobile web. 2. Organic and Paid traffic proportions are based solely on URL accesses. 3. Monthly Active Users. 4. URL traffic immediately exiting after opening landing page. 5. Frequency of access both App and URL. 6. Average duration based on both app and URL use.

Source: Similarweb, SensorTower and BofA Global Research

BofA GLOBAL RESEARCH

## Brazil weather data

### Exhibit 16: São Paulo – Warmer and drier in 4Q23

São Paulo registered 16.4% higher temperatures in 4Q23 vs 4Q22

	Avg. Temperature (Celsius)			Rainfall (cm)		
	2022	2023	y/y	2022	2023	y/y
Oct	18.5	20.3	10.0%	11.1	18.4	65.6%
Nov	17.6	22.5	27.5%	15.6	13.7	-12.0%
Dec	20.1	22.6	12.4%	21.1	7.1	-66.4%
<b>4Q</b>	<b>18.7</b>	<b>21.8</b>	<b>16.4%</b>	<b>47.8</b>	<b>39.3</b>	<b>-17.9%</b>

Source: Inmet, BofA Global Research

BofA GLOBAL RESEARCH

### Exhibit 18: Rio de Janeiro – Warmer and wetter in 4Q23

Rio de Janeiro registered 11.4% higher temperatures in 4Q23 vs 4Q22

	Avg. Temperature (Celsius)			Rainfall (cm)		
	2022	2023	y/y	2022	2023	y/y
Oct	22.0	23.4	6.5%	3.8	19.7	424.8%
Nov	21.0	24.9	18.6%	16.7	13.2	-21.0%
Dec	22.6	24.7	9.4%	16.2	10.2	-37.4%
<b>4Q</b>	<b>21.8</b>	<b>24.3</b>	<b>11.4%</b>	<b>36.7</b>	<b>43.1</b>	<b>17.4%</b>

Source: Inmet, BofA Global Research

BofA GLOBAL RESEARCH

### Exhibit 20: Curitiba – Warmer and much wetter in 3Q23

Curitiba registered 1.1% higher temperatures in 4Q23 vs 4Q22

	Avg. Temperature (Celsius)			Rainfall (cm)		
	2022	2023	y/y	2022	2023	y/y
Oct	17.7	19.2	8.9%	13.8	13.0	-5.9%
Nov	17.1	17.7	3.6%	18.0	43.1	138.9%
Dec	20.2	20.3	0.4%	17.6	23.1	31.2%
<b>4Q</b>	<b>18.3</b>	<b>19.1</b>	<b>4.1%</b>	<b>49.5</b>	<b>79.2</b>	<b>60.1%</b>

Source: Inmet, BofA Global Research

BofA GLOBAL RESEARCH

### Exhibit 17: Belo Horizonte - Warmer and drier in 4Q23

Belo Horizonte registered higher temperatures in 4Q23 vs 4Q22

	Avg. Temperature (Celsius)			Rainfall (cm)		
	2022	2023	y/y	2022	2023	y/y
Oct	23.5	25.2	7.4%	19.1	15.7	-17.5%
Nov	17.6	26.4	49.7%	27.0	11.4	-57.8%
Dec	20.1	25.0	24.6%	42.8	17.0	-60.2%
<b>4Q</b>	<b>20.4</b>	<b>25.6</b>	<b>25.3%</b>	<b>88.8</b>	<b>44.1</b>	<b>-50.3%</b>

Source: Inmet, BofA Global Research

BofA GLOBAL RESEARCH

### Exhibit 19: Porto Alegre – Slightly warmer and much rainier in 4Q23

Porto Alegre registered 0.9% higher temperatures in 4Q23 vs 4Q22

	Avg. Temperature (Celsius)			Rainfall (cm)		
	2022	2023	y/y	2022	2023	y/y
Oct	19.0	18.9	-0.8%	6.7	15.2	128.3%
Nov	21.0	21.3	1.6%	9.0	34.3	279.9%
Dec	24.1	24.5	1.6%	6.4	9.3	46.2%
<b>4Q</b>	<b>21.4</b>	<b>21.6</b>	<b>0.9%</b>	<b>22.1</b>	<b>58.8</b>	<b>166.6%</b>

Source: Inmet, BofA Global Research

BofA GLOBAL RESEARCH

### Exhibit 21: Fortaleza – Warmer and rainier in 4Q23

Fortaleza registered 1.6% higher temperatures in 4Q23 vs 4Q22

	Avg. Temperature (Celsius)			Rainfall (cm)		
	2022	2023	y/y	2022	2023	y/y
Oct	27.8	28.0	0.6%	0.9	0.4	-53.3%
Nov	27.7	28.4	2.5%	2.6	4.6	77.5%
Dec	27.9	28.4	1.7%	1.9	4.9	159.9%
<b>4Q</b>	<b>27.8</b>	<b>28.3</b>	<b>1.6%</b>	<b>5.4</b>	<b>9.9</b>	<b>84.7%</b>

Source: Inmet, BofA Global Research

BofA GLOBAL RESEARCH

## Mexico weather data

### Exhibit 22: Mexico City – Slightly colder and drier in 4Q23, but December was much rainier

Mexico City registered 1.7% lower temperatures in 4Q23 vs 4Q22

	Avg. Temperature (Celsius)			Rainfall (mm)		
	2022	2023	y/y	2022	2023	y/y
Oct	17.8	18.2	2.2%	84.6	69.6	-17.7%
Nov	17.4	17.0	-2.1%	12.7	13.0	2.0%
Dec	15.1	14.2	-6.0%	2.5	11.4	350.0%
<b>4Q</b>	<b>16.8</b>	<b>16.5</b>	<b>-1.7%</b>	<b>99.8</b>	<b>94.0</b>	<b>-5.8%</b>

Source: Bloomberg, BofA Global Research

BofA GLOBAL RESEARCH

### Exhibit 23: Monterrey – Slightly warmer and much wetter

Monterrey registered 2.1% higher temperatures in 4Q23 vs 4Q22

	Avg. Temperature (Celsius)			Rainfall (mm)		
	2022	2023	y/y	2022	2023	y/y
Oct	21.8	22.5	3.3%	20.1	69.1	244.6%
Nov	17.1	17.1	0.0%	6.3	43.2	582.0%
Dec	15.5	15.9	2.6%	3.8	11.9	214.5%
<b>4Q</b>	<b>18.1</b>	<b>18.5</b>	<b>2.1%</b>	<b>30.2</b>	<b>124.2</b>	<b>311.6%</b>

Source: Bloomberg, BofA Global Research

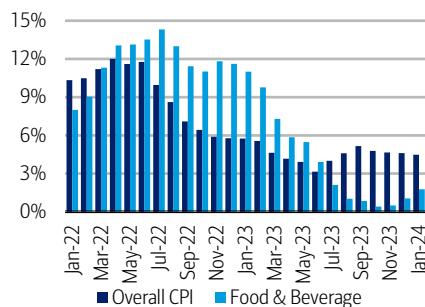
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# Consumer diagnostics

## Exhibit 18: Brazilian food and beverage inflation accelerated to +1.8% y/y in January; -0.8% y/y deflation in at-home food

CPI: total vs. food, % chg y/y

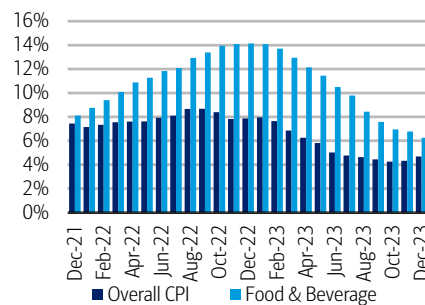


Source: IBGE

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## Exhibit 19: Mexican food inflation slowed to 6.3% y/y in December, but continues to lead the overall CPI

Overall and food & beverage CPI, % chg y/y

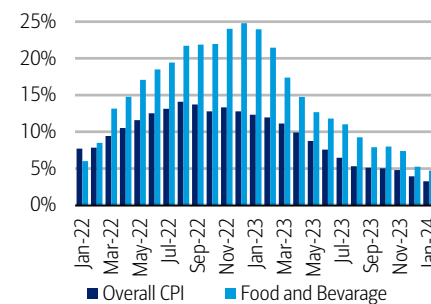


Source: INEGI

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## Exhibit 20: Chilean food inflation has also slowed sharply, to +4.7% y/y

Total CPI vs food inflation, % Chg y/y

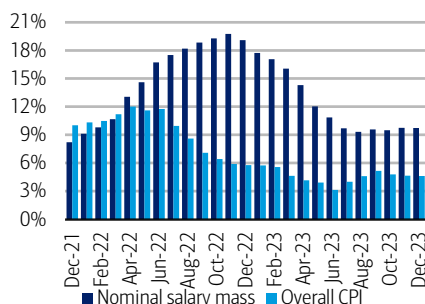


Source: INE

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## Exhibit 21: Brazilian nominal salary mass leading inflation by 5.1ppts in December

Brazil, Nominal salary mass vs Overall CPI, % chg y/y

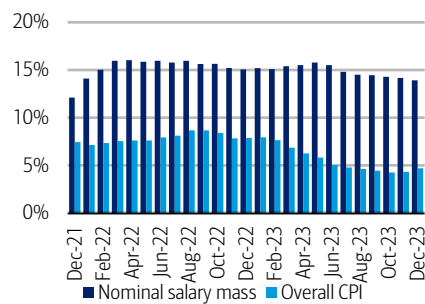


Source: IBGE, BofA Global Research

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## Exhibit 22: Mexican salary mass leading CPI by 9.1ppts in December

Mexico, Nominal salary mass vs Overall CPI, % chg y/y

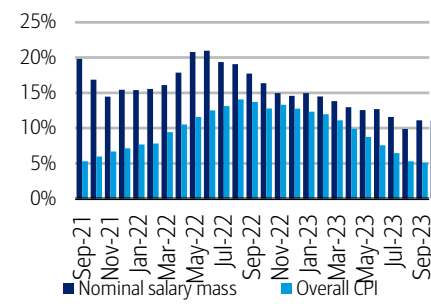


Source: INEGI, BofA Global Research

BofA GLOBAL RESEARCH

## Exhibit 23: Chilean salary mass 3.1 ppts ahead of overall inflation

Chile, Nominal salary mass vs Overall CPI, %Chg y/y

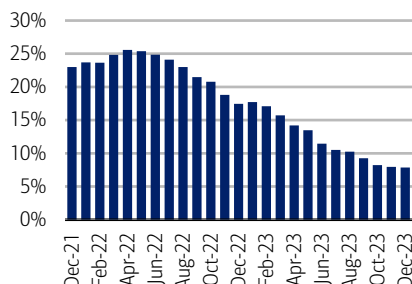


Source: INE

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## Exhibit 24: Brazilian consumer credit growth running at 7.9% in last print

Brazil, consumer credit, % chg y/y

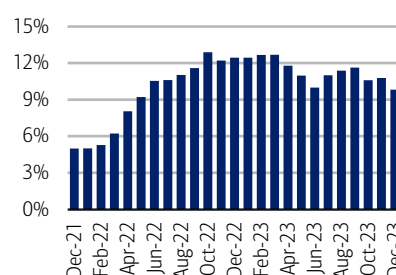


Source: Banco Central do Brasil, BofA Global Research

BofA GLOBAL RESEARCH

## Exhibit 25: Mexican consumer credit growth remains strong, up 9.8% in December

Mexico, consumer credit, % chg y/y

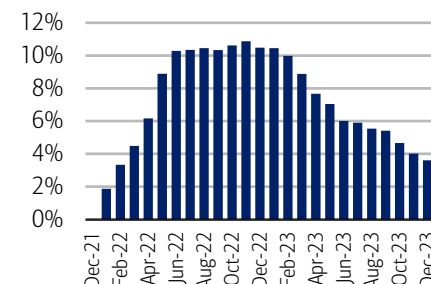


Source: Banco de Mexico, BofA Global Research

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## Exhibit 26: Chilean consumer credit growth decelerating, up 3.6% in December

Chile, consumer credit, % chg y/y



Source: Banco Central de Chile, BofA Global Research

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**Exhibit 33: Companies referenced**

Company ratings and prices as of February 13, 2024

Company	BofA Ticker	Bloomberg Ticker	Rating	Price	Price Currency
Arcos Dorados	ARCO	ARCO US	B-1-7	11.99	USD
Assaí Atacadista	XFCXF	ASAI3 BZ	C-1-7	13.35	BRL
FEMSA	FMXUF	FEMSAUBD MM	A-1-7	241.54	MXN
GPA	GPSAF	PCAR3 BZ	C-3-9	3.96	BRL
MercadoLibre	MELI	MELI US	C-1-9	1,706.24	USD

Bloomberg, BofA Global Research

BofA GLOBAL RESEARCH

**Price objective basis & risk****Arcos Dorados (ARCO)**

Our \$14.50 price objective is based on a 15x forward-year (2025E) EPS, within ARCO's historical valuation range and supported by strong execution and market share gains.

Risks to our price objective are weaker investor sentiment, operating restrictions, COVID or other transmission concerns, corporate governance, including differential voting and no tagalong rights, competition, weaker local FX rates, asset write-downs, higher input costs, rising labor costs, excessive investment requirements, restrictions on promotions and advertising, other regulatory changes, execution challenges, competition, macroeconomic sluggishness, debt and/or franchise agreement breaches, and political uncertainties.

**Assaí Atacadista (XFCXF / ASAI)**

Our price objective of R\$16.50 (US\$16.50 per ADS) is based on a 15x multiple of 2025E EPS, in line with Assaí's historical P/E average of 15.0x, and publicly traded wholesaler and warehouse club compares. We continue to perceive Assaí to be exceptionally well managed and positioned to further consolidate the Brazilian food retail and wholesale markets over the longer term.

Risks to our price objective are weaker investor sentiment, an erosion in demand, food deflation, competition, execution lapses, higher funding costs, dilutive acquisitions, adverse tax or regulatory changes and corporate governance.

**CBD (CBD)**

Our R\$3.50 (ADR US\$0.70) price objective is based on a discounted cashflow analysis to equity for Brazilian food retail operations, and market value for PCAR3's remaining 13% stake in Grupo Exitó. Our 2023 cashflow assumptions include R\$300mln from the related party sale of PCAR's 34% Cnova stake. We further adjust our objective with a net present value estimate of PCAR3's outstanding contingencies.

Downside risks to our price objective are erosion in the value of GPA's stake in Grupo Exitó, macroeconomic weakness, an erosion in market sentiment, consumption sluggishness, higher interest rates, tax or regulatory changes, electricity rationing, contingencies or other liabilities, competition, execution challenges, dilutive acquisitions, corporate governance and adverse consolidation events.

Upside risks to our price objective are stronger investor sentiment, stronger demand, lower interest rates, more benign competition, better execution, favorable industry consolidation, and favorable tax or regulatory changes.

**CBD (GPSAF)**

Our R\$3.50 (ADR US\$0.70) price objective is based on a discounted cashflow analysis to equity for Brazilian food retail operations, and market value for PCAR3's remaining 13% stake in Grupo Exito. Our 2023 cashflow assumptions include R\$300mln from the related party sale of PCAR's 34% Cnova stake. We further adjust our objective with a net present value estimate of PCAR3's outstanding contingencies.

Downside risks to our price objective are erosion in the value of GPA's stake in Grupo Exito, macroeconomic weakness, an erosion in market sentiment, consumption sluggishness, higher interest rates, tax or regulatory changes, electricity rationing, contingencies or other liabilities, competition, execution challenges, dilutive acquisitions, corporate governance and adverse consolidation events.

Upside risks to our price objective are stronger investor sentiment, stronger demand, lower interest rates, more benign competition, better execution, favorable industry consolidation, and favorable tax or regulatory changes.

### **FEMSA (FMX)**

Our price objective of Ps280 (US\$163 per ADS) is based on a 20% discount to our sum-of-the-parts exercise, and equates to a 24x multiple of forward-year (2025E) EPUnt. We value FEMSA's stake in Coca-Cola FEMSA at 14x 2025E EPUnt, in line with its historical average. We assume a 12x 2025E EV/EBITDA for FEMSA's remaining retail, quick service restaurant and fuel businesses, within the range of its regional peer group. We view this as appropriate given OXXO's strong brand positioning and longer-term growth potential. We value FEMSA's digital wallet, Spin, using a DCF to equity exercise (nominal cost of equity of 12.2%, terminal growth rate of 5%), and apply a 35% discount.

Risks to our price objective are macroeconomic weakness, an erosion in investor sentiment, store closures or other disruption, currency weakness, adverse policy developments, adverse tax or regulatory changes, higher delinquency rates, competition, rising raw materials prices, execution challenges, dilutive acquisitions, and corporate governance.

### **FEMSA (FMXUF)**

Our price objective of Ps280 (US\$163 per ADS) is based on a 20% discount to our sum-of-the-parts exercise, and equates to a 24x multiple of forward-year (2025E) EPUnt. We value FEMSA's stake in Coca-Cola FEMSA at 14x 2025E EPUnt, in line with its historical average. We assume a 12x 2025E EV/EBITDA for FEMSA's remaining retail, quick service restaurant and fuel businesses, within the range of its regional peer group. We view this as appropriate given OXXO's strong brand positioning and longer-term growth potential. We value FEMSA's digital wallet, Spin, using a DCF to equity exercise (nominal cost of equity of 12.2%, terminal growth rate of 5%), and apply a 35% discount.

Risks to our price objective are macroeconomic weakness, an erosion in investor sentiment, store closures or other disruption, currency weakness, adverse policy developments, adverse tax or regulatory changes, higher delinquency rates, competition, rising raw materials prices, execution challenges, dilutive acquisitions, and corporate governance.

### **Mercadolibre (MELI)**

Our price objective of \$2,000 is based on a sum-of-the-parts exercise valuing commerce contributions at 0.9x 2025E gross merchandise value (GMV) and fintech revenue streams at 0.2x 2025E off-platform total payments value (TPV). Our benchmarks are at the higher-end of global peers (commerce 0.2-0.9x, fintech 0.1-0.2x), due to MELI's leadership and growth potential.

Risks to our price objective are slower economic growth, an erosion in investor sentiment, macroeconomic sluggishness, currency weakness or devaluation, political

turmoil, competition or new market entrants, execution challenges, greater-than-anticipated margin investment, higher delinquencies, higher funding costs, rising working capital needs, technological problems, cost increases, regulatory difficulties, and tax changes.

## Analyst Certification

We, Robert E. Ford Aguilar, CFA, Vinicius Pretto and Wellington Santana, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

## Special Disclosures

BofA Securities is currently acting as financial advisor to Fomento Economico Mexicano SAB de CV in connection with its proposed merger of its US packaging and food services unit, Envoy Solutions LLC, with Brady Industries & Individual Foodservice (BradyIFS) and funds managed by Warburg Pincus LLC, which was announced on August 29, 2023.

## Latin America - Consumer Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Alsea	ALSSF	ALSEA* MM	Robert E. Ford Aguilar, CFA
	Arcos Dorados	ARCO	ARCO US	Robert E. Ford Aguilar, CFA
	Arezzo & Co	XARZF	ARZZ3 BZ	Robert E. Ford Aguilar, CFA
	Assaí Atacadista	XFCXF	ASAI3 BZ	Robert E. Ford Aguilar, CFA
	Assaí Atacadista	ASAI	ASAI US	Robert E. Ford Aguilar, CFA
	Chedraui	GCHEF	CHDRAUIB MM	Robert E. Ford Aguilar, CFA
	CVC	CVCBF	CVCB3 BZ	Robert E. Ford Aguilar, CFA
	FEMSA	FMX	FMX US	Robert E. Ford Aguilar, CFA
	FEMSA	FMXUF	FEMSAUBD MM	Robert E. Ford Aguilar, CFA
	Grupo SOMA	XNASF	SOMA3 BZ	Robert E. Ford Aguilar, CFA
	Hypera Pharma	XHPYF	HYPE3 BZ	Robert E. Ford Aguilar, CFA
	Kimberly-Clark de México	KCDMF	KIMBERA MM	Robert E. Ford Aguilar, CFA
	Lojas Quero-Quero	XZUXF	LJQQ3 BZ	Robert E. Ford Aguilar, CFA
	Mercadolibre	MELI	MELI US	Robert E. Ford Aguilar, CFA
	Natura &Co Holding SA	XZVAF	NTCO3 BZ	Robert E. Ford Aguilar, CFA
	Natura &Co Holding SA	NTCO	NTCO US	Robert E. Ford Aguilar, CFA
	RaiaDrogasil S.A.	RAIAF	RADL3 BZ	Robert E. Ford Aguilar, CFA
	Smartfit	XSMRF	SMFT3 BZ	Robert E. Ford Aguilar, CFA
	Track & Field	XWZRF	TFCO4 BZ	Robert E. Ford Aguilar, CFA
	Vivara	XUVZF	VIVA3 BZ	Robert E. Ford Aguilar, CFA
<b>NEUTRAL</b>				
	Alpargatas S.A.	SRDDF	ALPA4 BZ	Robert E. Ford Aguilar, CFA
	Cencosud	XCSCF	CENCOSUD CI	Robert E. Ford Aguilar, CFA
	Falabella	XDIYF	FALAB CI	Robert E. Ford Aguilar, CFA
	Grupo Carrefour Brasil	XLDPF	CRFB3 BZ	Robert E. Ford Aguilar, CFA
	Magazine Luiza	MGZZF	MGLU3 BZ	Robert E. Ford Aguilar, CFA
	Multilaser	XMTLF	MLAS3 BZ	Robert E. Ford Aguilar, CFA
	Petz	XUXUF	PETZ3 BZ	Robert E. Ford Aguilar, CFA
<b>UNDERPERFORM</b>				
	CBD	CBD	CBD US	Robert E. Ford Aguilar, CFA
	CBD	GPSAF	PCAR3 BZ	Robert E. Ford Aguilar, CFA
	El Puerto de Liverpool	ELPQF	LIVEPOLC MM	Robert E. Ford Aguilar, CFA
	Grupo Casas Bahia SA	GBXPF	BHIA3 BZ	Robert E. Ford Aguilar, CFA
	Lojas Renner SA	LORPF	LREN3 BZ	Robert E. Ford Aguilar, CFA
	Soriana	ONZBF	SORIANAB MM	Robert E. Ford Aguilar, CFA
	Walmex	WMMVF	WALMEX* MM	Robert E. Ford Aguilar, CFA
	Walmex	WMMVY	WMMVY US	Robert E. Ford Aguilar, CFA

## Disclosures

## Important Disclosures

## Equity Investment Rating Distribution: Beverages - Alcoholic Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	22	61.11%	Buy	15	68.18%
Hold	6	16.67%	Hold	4	66.67%
Sell	8	22.22%	Sell	2	25.00%

## Equity Investment Rating Distribution: Consumer Products Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	32	50.00%	Buy	16	50.00%
Hold	19	29.69%	Hold	8	42.11%
Sell	13	20.31%	Sell	7	53.85%

## Equity Investment Rating Distribution: Health Care Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	234	60.94%	Buy	115	49.15%
Hold	80	20.83%	Hold	36	45.00%
Sell	70	18.23%	Sell	29	41.43%

**Equity Investment Rating Distribution: Restaurants Group (as of 31 Dec 2023)**

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	21	58.33%	Buy	10	47.62%
Hold	10	27.78%	Hold	3	30.00%
Sell	5	13.89%	Sell	4	80.00%

**Equity Investment Rating Distribution: Retailing Group (as of 31 Dec 2023)**

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	96	57.83%	Buy	39	40.63%
Hold	32	19.28%	Hold	12	37.50%
Sell	38	22.89%	Sell	18	47.37%

**Equity Investment Rating Distribution: Technology Group (as of 31 Dec 2023)**

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	215	53.09%	Buy	111	51.63%
Hold	97	23.95%	Hold	45	46.39%
Sell	93	22.96%	Sell	24	25.81%

**Equity Investment Rating Distribution: Textiles/Apparel Group (as of 31 Dec 2023)**

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	13	52.00%	Buy	8	61.54%
Hold	6	24.00%	Hold	3	50.00%
Sell	6	24.00%	Sell	2	33.33%

**Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)**

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup> Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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