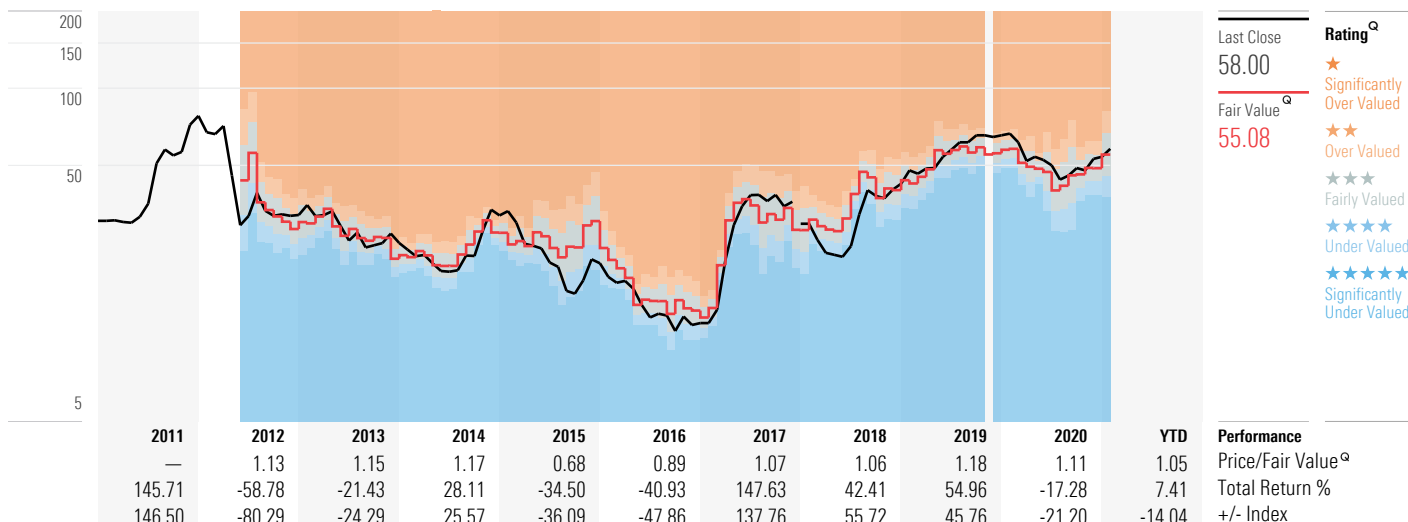


Grupo Elektra SAB de CV **XEKT** ★★★ Q 18 Jan 2021, 23:29 UTC

Economic Moat ^Q Narrow	Uncertainty ^Q Very High	Price/Fair Value ^Q 1.1	Trailing Dividend Yield % 0.31	Market Cap 14.3834 Bil	Investment Style Large Core	Sector Financial Services	Industry Financial Conglomerates
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Total Return % as of 18 Jan 2021. Last Close as of 18 Jan 2021. Fair Value as of 18 Jan 2021, 23:29 UTC. Index: Morningstar Mexico GR MXN.

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Valuation

as of 18 Jan 2021



XEKT is Over Valued at a 5% premium.

Last Close	58.00
Fair Value	55.08
Uncertainty	Very High

Economic Moat^Q
Narrow
Financial Health^Q
Strong
1-Star Price^Q
> 81.16
5-Star Price^Q
< 37.38

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Financials as of 18 Jan 2021 (Fiscal Year End 31 Dec 2019)

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	YTD	Fiscal
51	68	70	73	74	81	94	102	117	—	81	Revenue (Bil)
7,313	9,204	6,988	5,499	8,389	11,371	14,484	15,067	11,945	—	-758	Operating Income (Mil)
14.3	13.44	9.99	7.52	11.36	14.1	15.36	14.71	10.19	—	-0.93	Operating Margin (%)
30,539	-19,224	827	7,555	-5,115	5,334	15,398	14,742	16,150	—	-5,032	Net Income (Mil)
126.22	-80.34	3.49	31.90	-21.73	22.86	66.56	64.80	70.70	—	-22.02	Diluted Earnings/Share
2,312	-787	15,288	23,414	19,973	4,880	13,779	23,006	41,074	—	18,390	Operating Cash Flow (Mil)
-2	-3	-3	-2	-2	-3	-5	-7	-9	—	-4	Capital Spending (Bil)
-33	-4,192	11,811	21,020	18,362	2,159	9,092	15,552	32,258	—	14,265	Free Cash Flow (Mil)
242	239	237	237	235	233	231	228	228	—	229	Avg Shares Outstand(Mil)
1.80	2.00	4.50	—	2.40	2.50	3.20	3.50	4.37	4.81	0.18	Dividend Per Share

Valuation as of 18 Jan 2021

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Current	Calendar
—	1.13	1.15	1.17	0.68	0.89	1.07	1.06	1.18	1.11	1.05	Price/Fair Value ^Q
6.14	1.91	1.53	1.88	1.22	0.81	1.80	2.15	2.87	2.54	2.67	Price/Sales
16.00	—	116.81	55.85	70.42	18.22	9.18	21.97	15.56	—	113.30	Price/Earnings
—	—	9.21	6.27	3.06	9.34	—	6.72	10.23	11.16	11.73	Price/Cash Flow
6.20	2.94	2.50	3.00	1.91	1.19	2.47	3.04	3.51	3.44	3.62	Price/Book

Operating Performance as of 18 Jan 2021 (Fiscal Year End 31 Dec 2019)

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Q3	Fiscal (%)
20.19	-11.22	0.49	4.08	-2.59	2.55	6.77	5.75	5.16	—	-0.42	Return on Assets
58.13	-34.27	1.81	15.02	-9.61	9.63	23.82	19.05	17.71	—	-1.7	Return on Equity
45.95	-16.99	1.3	5.36	-2.69	3.3	8.47	7.3	6.86	—	-0.36	Rtn on Invested Capital

Business Description

Grupo Elektra SAB de CV is a Mexican specialty retailer and financial services provider. It operates in South and Central America and the United States. The firm's main customers are found at the base of the socioeconomic pyramid. The firm's operations are split into the commercial division and the finan-

cial division. The commercial division offers electronics, appliances, and furniture, among other things. The financial division includes Banco Azteca (Mexico, Guatemala, El Salvador, Honduras, Peru), Advance America (U.S.), Afore Azteca, Seguros Azteca, and Punto Casa de Bolsa.

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ii. **Quantitative Economic Moat:** Intended to describe the strength of a firm's competitive position. It is calculated using an algorithm designed to predict the Economic Moat rating a Morningstar analyst would assign to the stock. The rating is expressed as Narrow, Wide, or None.

Narrow – assigned when the probability of a stock receiving a "Wide Moat" rating by an analyst is greater than 70% but less than 99%.

Wide – assigned when the probability of a stock receiving a "Wide Moat" rating by an analyst is greater than 99%.

None – assigned when the probability of an analyst receiving a "Wide Moat" rating by an analyst is less than 70%.

iii. **Quantitative Star Rating:** Intended to be the summary rating based on the combination of our Quantitative Fair Value Estimate, current market price, Quantitative Uncertainty Rating, and momentum. The rating is expressed as One-Star, Two-Star, Three-Star, Four-Star, and Five-Star.

One-Star – the stock is overvalued with a reasonable margin of safety.

*Log (Quant FVE/Price) < -1*Quantitative Uncertainty*

*Micro-Caps: Log (Quant FVE/Price) < -1.5*Quantitative Uncertainty*

Two-Star - the stock is somewhat overvalued.

*Log (Quant FVE/Price) between (-1*Quantitative Uncertainty, -0.5*Quantitative Uncertainty)*

*Micro-Caps: Log (Quant FVE/Price) between (-1.5*Quantitative Uncertainty, -0.75*Quantitative Uncertainty)*

Three-Star – the stock is approximately fairly valued.

*Log (Quant FVE/Price) between (-0.5*Quantitative Uncertainty, 0.5*Quantitative Uncertainty)*

*Micro-Caps: Log (Quant FVE/Price) between (-0.75*Quantitative Uncertainty, 0.75*Quantitative Uncertainty)*

Four-Star – the stock is somewhat undervalued.

*Log (Quant FVE/Price) between (0.5*Quantitative Uncertainty, 1*Quantitative*

Uncertainty)

*Micro-Caps: Log (Quant FVE/Price) between (0.75*Quantitative Uncertainty, 1.5*Quantitative Uncertainty)*

Five-Star – the stock is undervalued with a reasonable margin of safety.

*Log (Quant FVE/Price) > 1*Quantitative Uncertainty*

*Micro-Caps: Log (Quant FVE/Price) > 1.5*Quantitative Uncertainty*

After the initial calculation for the star rating, there is a final filtering step based on the momentum of the company. We rank the companies based on their 12-1 month momentum, then restrict those below the 30th percentile to a maximum of 3 stars.

iv. **Quantitative Uncertainty:** Intended to represent Morningstar's level of uncertainty about the accuracy of the Quantitative Fair Value Estimate. Generally, the lower the Quantitative Uncertainty, the narrower the potential range of outcomes for that particular company. The rating is expressed as Low, Medium, High, Very High, and Extreme.

Low – the interquartile range for possible fair values is less than 10%

Medium – the interquartile range for possible fair values is less than 15% but greater than 10%

High – the interquartile range for possible fair values is less than 35% but greater than 15%

Very High – the interquartile range for possible fair values is less than 80% but greater than 35%

Extreme – the interquartile range for possible fair values is greater than 80%

v. **Quantitative Financial Health:** Intended to reflect the probability that a firm will face financial distress in the near future. The calculation uses a predictive model designed to anticipate when a company may default on its financial obligations. The rating is expressed as Weak, Moderate, and Strong.

Weak – assigned when Quantitative Financial Health < 0.2

Moderate – assigned when Quantitative Financial Health is between 0.2 and 0.7

Strong – assigned when Quantitative Financial Health > 0.7

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i. **Last Close** – Price of the stock as of the close of the market of the last trading day before date of the report.

ii. **Quantitative Valuation**– Using the below terms, intended to denote the relationship between the security's **Last Price** and Morningstar's quantitative fair value estimate for that security.

Undervalued – **Last Price** is below Morningstar's quantitative fair value estimate.

Fairly Valued – **Last Price** is in line with Morningstar's quantitative fair value estimate.

Overvalued – **Last Price** is above Morningstar's quantitative fair value estimate.

This Report **has not been made available** to the issuer of the security prior to publication.

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