

June 1, 2021

We recommend to BUY shares of auto parts and consumer electronics manufacturing Mirgor (MIRG AR). Currently trading at AR\$1.757 per share, the company based in the Province of Tierra del Fuego, with factories in Rosario and headquartered in Buenos Aires, is in our view poised to outperform the S&P Merval Index in 2021. Among other reasons, we are positive with Mirgor based on its diversified business structure that allows for various sources of revenue generation, its solid balance sheet with no leverage, its potential to continue increasing market share in the consumer electronics business given the weak financial position of retail competitors, its adherence to the Industrial Regime until at least December 2023 which grants Mirgor with certain fiscal and customs benefits and its low valuation with LTM P/E of 4.2x.

1Q2021 Earnings Results

The company posted Revenues of AR\$32.5 billion in 1Q21 jumping 124% YoY, while operating income stood at AR\$358.7 million (compared to -AR\$695 million in 1Q20), and net income for the period reached AR\$1.15 billion (compared to -AR\$86.2 million in 1Q20).

During the three month period ended March 31, 2021, Mirgor incorporated for the first time in its financial statements the full impact of Brighstar Fuegoina and Brighstar Argentina, the cell phone manufacturing, and cell phone repairment companies acquired in October 2020. Mirgor acquired 100% stake in both companies.

In terms of business segment performance, Mirgor reported 1Q21 Results as follows:

Consumer Electronics (~75% of revenues): Given the additional production corresponding to Brighstar Fuegoina, 1Q21 cell phone units produced reached 1.4 million, representing an increase of 468.9% YoY. In addition, the company sold 1.2 million cell phones in 1Q21, which represents an increase of 116.4% units sold compared to 1Q20. As a positive note, it is the second consecutive quarter since 4Q17 that Mirgor production and cell phones sold topped 1 million units.

Regarding Televisions, the company produced 89.889 units in 1Q21, representing an increase of 107.2% compared to 1Q20. Units sold in the quarter reached 79.888 jumping 150% YoY but falling 28.2% QoQ.

Retails Sales (~15% of revenues): The company reported 56 retail stores in 1Q21 (compared to 55 in both 4Q20 and 1Q20). The additional store was inaugurated in March and is located in San Miguel, Province of Buenos Aires and corresponds to the brand Diggitt. All other 55 stores represent the Samsung brand. In addition, Mirgor reported having 5 online stores.

Autoparts (~10% of revenues): Production of air conditioning equipment increased 32.9% YoY totaling 28.331 units while car radio equipment production reached 35.934 units, which represents an increase of 36.9% YoY.

