

AC

Quarterly Report

October 29, 2020

Despite challenges in the environment, margins improved

- AC's report confirmed a sequential recovery in volumes, but highlighting the expansion achieved in profitability, given lower PET prices and accumulated savings of MXN 2.000 billion
- The increase in the concentrate cost in Mexico, recently agreed with KO, would be neutralized in 2020; although by 2021 it could put pressure on Mexico's margins ~100bps and 40bps at the consolidated level

Mexico and the US drove the results. AC confirmed a sequential recovery in volumes -especially in South America- but highlighting the expansion achieved in profitability. Volume declined 5.6% y/y to 554.7 million unit cases (Mexico: -4.2%; US: -4.4%; South America: -10.8%), reflecting a resilient performance in Colas and Jug. Revenues grew 5.6% y/y to MXN 44.811 billion, driven by a favorable FX conversion effect in the US and price increases in local currency above inflation in all countries except Ecuador. Meanwhile, the favorable raw material price environment and operating efficiencies (cumulative savings of MXN 2.000 billion) partially offset the concentrate cost increase -after the new KO agreement and FX depreciation-. Therefore, EBITDA grew 7.7% y/y to MXN 8.642 billion, and the respective margin expanded 40bps to 19.3% (Mexico: +60bps, US: +100bps, South America: -10bps). Net income grew only 0.4% y/y to MXN 2.744 billion, impacted by FX losses and higher non-consolidated losses.

Increase in the concentrate could put pressure on profitability in 2021. AC informed that it reached an agreement with The Coca-Cola Company to increase the concentrate cost in Mexico, effective as of July. This agreement has raised the cost of sales by 0.5% so far this year, and we estimate that this represents ~1% of sales in our country. As a result, Mexico's profitability could come under pressure by 100bps in 2021 (and 40bps at a consolidated level), although this will depend on efficiencies that can be realized.

Financial Statements	2018	2019	2020E	2021E
Revenue	158,953	162,728	174,188	181,234
Operating Income	18,571	20,200	22,099	25,660
EBITDA	27,467	30,403	32,804	35,508
EBITDA Margin	17.3%	18.7%	18.8%	19.6%
Net Income	8,703	9,548	10,904	12,650
Net Margin	5.5%	5.9%	6.3%	7.0%
Total Assets	237,879	238,895	268,618	274,379
Cash	15,941	22,038	26,591	26,884
Total Liabilities	98,350	97,615	105,394	104,649
Debt	55,827	54,444	59,212	57,760
Common Equity	139,530	141,281	163,223	169,730

Source: Banorte

Valuation and Financial metrics	2018	2019	2020E	2021E
FV/EBITDA	8.4x	7.4x	7.0x	6.4x
P/E	18.7x	17.0x	14.9x	12.9x
P/BV	1.5x	1.4x	1.3x	1.2x
ROE	6.2%	6.8%	7.2%	7.6%
ROA	3.7%	4.0%	4.1%	4.6%
EBITDA/ interest	7.0x	8.5x	9.3x	10.8x
Net Debt/EBITDA	1.5x	1.1x	1.0x	0.9x
Debt/Equity	0.4x	0.4x	0.4x	0.3x

www.banorte.com
@ analisis_fundam

Consumer and Telecom

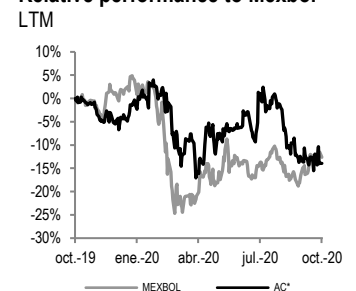
Valentín Mendoza
Senior Strategist, Equity
valentin.mendoza@banorte.com

Juan Barbier, CFA
Analyst
juan.barbier@banorte.com

Buy

Current Price	\$92.25
PT 2020	\$129.00
Dividend 2020e	
Dividend Yield (%)	
Upside Potential	39.8%
Max - Min LTM (\$)	111.80 - 86.33
Market Cap (US\$m)	7,718.1
Shares Outstanding (m)	1,764.3
Float	22%
Daily Turnover US\$m	118.8
Valuation metrics TTM	
FV/EBITDA	7.1x
P/E	16.2x
MSCI ESG Rating*	A

Relative performance to Mexbol



This document is provided for the reader's convenience only. The translation from the original Spanish version was made by Banorte's staff. Discrepancies may possibly arise between the original document in Spanish and its English translation. For this reason, the original research paper in Spanish is the only official document. The Spanish version was released before the English translation. The original document entitled "Pese a los retos en el entorno mejoró márgenes" was released on October 27, 2020. Document for distribution among public

AC – Results 3Q20

MXN, million

Concept	3Q19	3Q20	Var %	3Q20e	Diff% vs Estim.
Revenue	42,415	44,811	5.6%	45,740	-2.0%
Operating Income	5,528	6,045	9.3%	6,291	-3.9%
Ebitda	8,024	8,642	7.7%	8,623	0.2%
Net Income	2,733	2,744	0.4%	3,092	-11.3%
Margins					
Operating Margin	13.0%	13.5%	0.5pp	13.8%	-0.3pp
Ebitda Margin	18.9%	19.3%	0.4pp	18.9%	0.4pp
Net Margin	6.4%	6.1%	-0.3pp	6.8%	-0.6pp
EPS	\$1.55	\$1.56	0.4%	\$1.75	-11.3%

Income Statement (Million pesos)

Year	2019	2020	2020	Change	Change
Quarter	3	2	3	% y/y	% q/q
Net Revenue	42,415	42,945	44,811	5.6%	4.3%
Costs of goods sold	23,306	23,595	24,546	5.3%	4.0%
Gross profit	19,109	19,349	20,266	6.1%	4.7%
General expenses	13,391	13,825	14,238	6.3%	3.0%
Operating Income	5,528	5,487	6,045	9.3%	10.2%
Operating Margin	13.0%	12.8%	13.5%	0.5pp	0.7pp
Depreciation	2,213	2,556	2,452	10.8%	-4.1%
EBITDA	8,024	8,235	8,642	7.7%	4.9%
EBITDA Margin	18.9%	19.2%	19.3%	0.4pp	0.1pp
Interest Income (Expense) net	(709)	(1,326)	(1,097)	54.6%	-17.3%
Interest expense	909	909	876	-3.6%	-3.6%
Interest income	195	138	183	-6.3%	32.5%
Other income (expense)	(168)	(185)	(195)	16.1%	5.6%
Foreign exchange gain (loss)	173	(370)	(208)	N.A.	-43.7%
Unconsolidated subsidiaries	(18)	7	(53)	199.2%	N.A.
Income before taxes	4,818	4,161	4,947	2.7%	18.9%
Income taxes	1,459	1,252	1,501	2.9%	19.9%
Discontinued operations					
Consolidated Net Income	3,342	2,916	3,394	1.6%	16.4%
Non-controlling interest	609	581	650	6.8%	12.0%
Net Income	2,733	2,335	2,744	0.4%	17.5%
Net Margin	6.4%	5.4%	6.1%	(0.3pp)	0.7pp
EPS	1.549	1.324	1.555	0.4%	17.5%

Balance Sheet (Million pesos)

Total Current Assets	41,334	51,780	52,109	26.1%	0.6%
Cash & Short Term Investments	21,020	30,554	32,435	54.3%	6.2%
Long Term Assets	201,016	223,788	216,033	7.5%	-3.5%
Property, Plant & Equipment (Net)	73,411	79,123	75,960	3.5%	-4.0%
Intangible Assets (Net)	60,948	67,920	65,951	8.2%	-2.9%
Total Assets	242,350	275,568	268,142	10.6%	-2.7%
Current Liabilities	24,372	31,344	30,434	24.9%	-2.9%
Short Term Debt	3,779	7,818	7,531	99.3%	-3.7%
Accounts Payable	19,662	21,469	21,968	11.7%	2.3%
Long Term Liabilities	74,144	78,396	76,623	3.3%	-2.3%
Long Term Debt	52,549	53,084	51,847	-1.3%	-2.3%
Total Liabilities	98,516	109,740	107,056	8.7%	-2.4%
Stockholders' Equity	143,834	165,828	161,086	12.0%	-2.9%
Non-controlling interest	28,968	34,154	33,254	14.8%	-2.6%
Total Equity	114,866	131,674	127,832	11.3%	-2.9%
Liabilities & Equity	242,350	275,568	268,142	10.6%	-2.7%
Net Debt	35,308	30,347	26,943	-23.7%	-11.2%

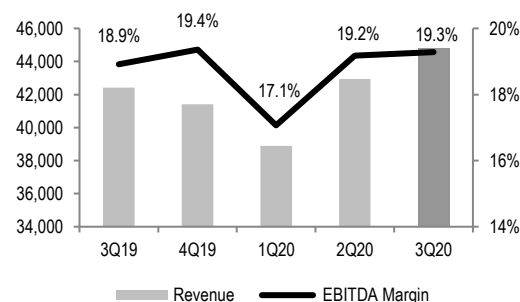
Cash Flow

CF from Operating Activities	8,598.4	8,196.6	8,283.6
CF from Investing Activities	(2,522.4)	(1,034.1)	(1,106.6)
CF from Financing Activities	(1,259.6)	(4,797.0)	(4,473.7)
FX effect on cash	156.7	(1,400.6)	(822.3)
Change in Cash Balance	4,973.2	965.0	1,881.0

Source: Banorte, MSE.

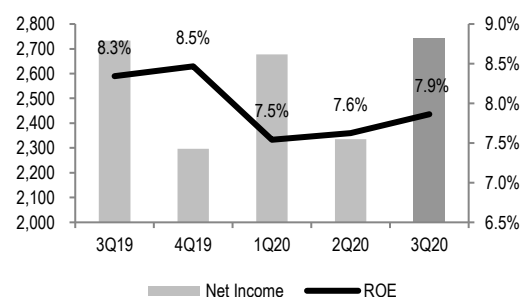
Revenue & EBITDA Margin

MXN, million



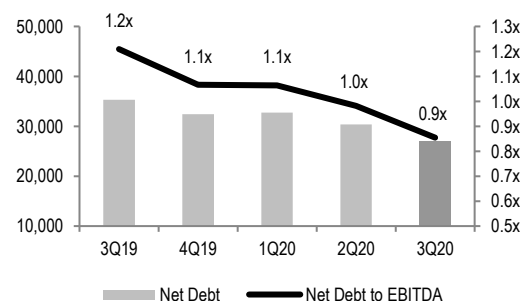
Net Income & ROE

MXN, million



Net Debt & Net Debt to EBITDA ratio

MXN, million



Performance by Region

Mexico					
	3Q19	2Q20	3Q20	% y/y	% q/q
Volume	348.0	326.7	333.7	-4.1%	2.1%
Price*	\$ 51.07	\$ 52.18	\$ 54.34	6.4%	4.1%
Revenue	\$ 18,817	\$ 17,938	\$ 19,179	1.9%	6.9%
EBITDA	\$ 4,585	\$ 4,891	\$ 4,791	4.5%	-2.0%
EBITDA Margin	24.4%	27.3%	25.0%	0.6pp	-2.3pp

United States					
	3Q19	2Q20	3Q20	% y/y	% q/q
Volume	117.4	110.6	112.4	-4.3%	1.7%
Price*	\$ 123.78	\$ 152.39	\$ 147.98	19.6%	-2.9%
Revenue	\$ 15,741	\$ 18,142	\$ 17,943	14.0%	-1.1%
EBITDA	\$ 1,978	\$ 2,519	\$ 2,431	22.9%	-3.5%
EBITDA Margin	12.6%	13.9%	13.6%	1.0pp	-0.3pp

South America					
	3Q19	2Q20	3Q20	% y/y	% q/q
Volume	124.0	91.1	110.2	-11.1%	20.9%
Price*	\$ 61.08	\$ 73.01	\$ 67.93	11.2%	-7.0%
Revenue	\$ 7,857	\$ 6,865	\$ 7,690	-2.1%	12.0%
EBITDA	\$ 1,461	\$ 825	\$ 1,420	-2.8%	72.2%
EBITDA Margin	18.6%	12.0%	18.5%	-0.1pp	6.5pp

Consolidated					
	3Q19	2Q20	3Q20	% y/y	% q/q
Volume	589.4	528.4	556.2	-5.6%	5.3%
Price*	\$ 42,415	\$ 42,945	\$ 44,811	5.6%	4.3%
Revenue	\$ 8,024	\$ 8,235	\$ 8,642	7.7%	5.0%
EBITDA	18.9%	19.2%	19.3%	0.4pp	0.1pp

*Average Price per unit case

Certification of Analysts.

We, Gabriel Casillas Olivera, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Tania Abdul Massih Jacobo, Francisco José Flores Serrano, Katia Celina Goya Ostos, Santiago Leal Singer, José Itzamna Espitia Hernández, Valentin III Mendoza Balderas, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez, Gerardo Daniel Valle Trujillo, Eridani Ruibal Ortega and Juan Barbier Arizmendi, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V. for the provision of our services.

Relevant statements.

In accordance with current laws and internal procedures manuals, analysts are allowed to hold long or short positions in shares or securities issued by companies that are listed on the Mexican Stock Exchange and may be the subject of this report; nonetheless, equity analysts have to adhere to certain rules that regulate their participation in the market in order to prevent, among other things, the use of private information for their benefit and to avoid conflicts of interest. Analysts shall refrain from investing and holding transactions with securities or derivative instruments directly or through an intermediary person, with Securities subject to research reports, from 30 calendar days prior to the issuance date of the report in question, and up to 10 calendar days after its distribution date.

Compensation of Analysts.

Analysts' compensation is based on activities and services that are aimed at benefiting the investment clients of Casa de Bolsa Banorte and its subsidiaries. Such compensation is determined based on the general profitability of the Brokerage House and the Financial Group and on the individual performance of each analyst. However, investors should note that analysts do not receive direct payment or compensation for any specific transaction in investment banking or in other business areas.

Last-twelve-month activities of the business areas.

Grupo Financiero Banorte S.A.B. de C.V., through its business areas, provides services that include, among others, those corresponding to investment banking and corporate banking, to a large number of companies in Mexico and abroad. It may have provided, is providing or, in the future, will provide a service such as those mentioned to the companies or firms that are the subject of this report. Casa de Bolsa Banorte or its affiliates receive compensation from such corporations in consideration of the aforementioned services.

Over the course of the last twelve months, Grupo Financiero Banorte S.A.B. C.V., has not obtained compensation for services rendered by the investment bank or by any of its other business areas of the following companies or their subsidiaries, some of which could be analyzed within this report.

Activities of the business areas during the next three months.

Casa de Bolsa Banorte, Grupo Financiero Banorte or its subsidiaries expect to receive or intend to obtain revenue from the services provided by investment banking or any other of its business areas, by issuers or their subsidiaries, some of which could be analyzed in this report.

Securities holdings and other disclosures.

As of the end of last quarter, Grupo Financiero Banorte S.A.B. of C.V. has not held investments, directly or indirectly, in securities or derivative financial instruments, whose underlying securities are the subject of recommendations, representing 1% or more of its investment portfolio of outstanding securities or 1% of the issuance or underlying of the securities issued.

None of the members of the Board of Grupo Financiero Banorte and Casa de Bolsa Banorte, along general managers and executives of an immediately below level, have any charges in the issuers that may be analyzed in this document.

The Analysts of Grupo Financiero Banorte S.A.B. of C.V. do not maintain direct investments or through an intermediary person, in the securities or derivative instruments object of this analysis report.

Guide for investment recommendations.

	Reference
BUY	When the share expected performance is greater than the MEXBOL estimated performance.
HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
SELL	When the share expected performance is lower than the MEXBOL estimated performance.

Even though this document offers a general criterion of investment, we urge readers to seek advice from their own Consultants or Financial Advisors, in order to consider whether any of the values mentioned in this report are in line with their investment goals, risk and financial position.

Determination of Target Prices

For the calculation of estimated target prices for securities, analysts use a combination of methodologies generally accepted among financial analysts, including, but not limited to, multiples analysis, discounted cash flows, sum-of-the-parts or any other method that could be applicable in each specific case according to the current regulation. No guarantee can be given that the target prices calculated for the securities will be achieved by the analysts of Grupo Financiero Banorte S.A.B. C.V, since this depends on a large number of various endogenous and exogenous factors that affect the performance of the issuing company, the environment in which it performs, along with the influence of trends of the stock market, in which it is listed. Moreover, the investor must consider that the price of the securities or instruments can fluctuate against their interest and cause the partial and even total loss of the invested capital.

The information contained hereby has been obtained from sources that we consider to be reliable, but we make no representation as to its accuracy or completeness. The information, estimations and recommendations included in this document are valid as of the issue date, but are subject to modifications and changes without prior notice; Grupo Financiero Banorte S.A.B. of C.V. does not commit to communicate the changes and also to keep the content of this document updated. Grupo Financiero Banorte S.A.B. of C.V. takes no responsibility for any loss arising from the use of this report or its content. This document may not be photocopied, quoted, disclosed, used, or reproduced in whole or in part without prior written authorization from Grupo Financiero Banorte S.A.B. of C.V.

History of PT and ratings

Stock	Date	Rating	PT
AC	06/09/2019	Buy	\$129.00

MSCI ESG Rating scale

CCC	B	BB	BBB	A	AA	AAA
LAGGARD		AVERAGE		LEADER		

*MSCI ESG Rating is an indicator that evaluates companies in Environment, Social and Governance (ESG) metrics.

Research and Strategy			
Gabriel Casillas Olvera	IRO and Chief Economist	gabriel.casillas@banorte.com	(55) 4433 - 4695
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611
Economic Research and Financial Market Strategy			
Alejandro Padilla Santana	Executive Director of Economic Research and Financial Markets Strategy	alejandro.padilla@banorte.com	(55) 1103 - 4043
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251
Economic Research			
Juan Carlos Alderete Macal, CFA	Director of Economic Research	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Francisco José Flores Serrano	Senior Economist, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Katía Celina Goya Ostos	Senior Economist, Global	katia.goya@banorte.com	(55) 1670 - 1821
Luis Leopoldo López Salinas	Economist, Global	luis.lopez.salinas@banorte.com	(55) 1103 - 4000 x 2707
Market Strategy			
Manuel Jiménez Zaldívar	Director of Market Strategy	manuel.jimenez@banorte.com	(55) 5268 - 1671
Fixed income and FX Strategy			
Santiago Leal Singer	Senior Strategist, Fixed Income and FX	santiago.leal@banorte.com	(55) 1670 - 2144
Leslie Thalía Orozco Vélez	Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 5268 - 1698
Equity Strategy			
Marissa Garza Ostos	Director of Equity Strategy	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Senior Strategist, Equity	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Senior Strategist, Equity	valentin.mendoza@banorte.com	(55) 1670 - 2250
Víctor Hugo Cortes Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800
Eridani Ruibal Ortega	Analyst	eridani.ruibal.ortega@banorte.com	(55) 1103 - 4000 x 2755
Juan Barbier Arizmendi, CFA	Analyst	juan.barbier@banorte.com	(55) 1670 - 1746
Corporate Debt			
Tania Abdul Massih Jacobo	Director of Corporate Debt	tania.abdul@banorte.com	(55) 5268 - 1672
Hugo Armando Gómez Solís	Senior Analyst, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248
Economic Studies			
Delia María Paredes Mier	Executive Director of Economic Studies	delia.paredes@banorte.com	(55) 5268 - 1694
Miguel Alejandro Calvo Domínguez	Senior Analyst, Economic Studies	miguel.calvo@banorte.com	(55) 1670 - 2220
Wholesale Banking			
Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(81) 8319 - 6895
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebaldos@banorte.com	(55) 5268 - 9996
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Frigolet Vázquez Vela	Head of Sólida Banorte	alejandro.frigolet.vazquezvela@banorte.com	(55) 5268 - 1656
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 1002
Carlos Alberto Arciniega Navarro	Head of Treasury Services	carlos.arciniega@banorte.com	(81) 1103 - 4091
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8318 - 5071
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5004 - 1453
Lizza Velarde Torres	Executive Director of Wholesale Banking	lizza.velarde@banorte.com	(55) 4433 - 4676
Oswaldo Brondo Menchaca	Head of Specialized Banking Services	oswaldo.brondo@banorte.com	(55) 5004 - 1423
Raúl Alejandro Arauzo Romero	Head of Transactional Banking	raul.arauzo@banorte.com	(55) 5261 - 4910
René Gerardo Pimentel Ibarrola	Head of Corporate Banking	pimentelr@banorte.com	(55) 5268 - 9004
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Víctor Antonio Roldan Ferrer	Head of Commercial Banking	victor.rolan.ferrer@banorte.com	(55) 5004 - 1454