

FEMSA

Quarterly Report

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Consumer and Telecom

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Pressures in OXXO due to beer shortage

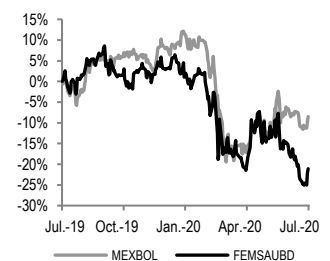
- FEMSA's report came weaker than expected at the operating level, due to the impact of the pandemic in two fronts: (1) beer shortage and (2) operating restrictions in 50% of its units
- The latter led to falls in Femsa Comercio's SSS, a less favorable sales mix and a strong operating leverage, mainly in OXXO. That said, EBITDA margin was pressured 160bps to 13.2%
- We trimmed our estimates, after incorporating these results and taking a more conservative stance for the 2H20. We lower our PT2020 to \$164.00, but reiterate our BUY rating

Operating leverage in Proximity (OXXO). After fully facing the impact of the pandemic via restrictions to the operation of 50% of its units, a lower traffic due to reduced mobility derived from confinement and beer shortage in OXXO, consolidated revenue fell 10.7% y/y to MXN 114.514 billion. By division, Proximity decreased 8.0% (SSS -12.4%), Health +2.5% (SSS -9.8%), Fuel -48.6% (SSS -49.3%), **KOF** -10.2% and Strategic Businesses +11.9% (including the consolidation of AGV in Brazil and half-quarter of the Jan-San business in the US). EBITDA fell 20.3% year-over-year to MXN 15.136 billion and the margin decline 160bps to 13.2%, due to the a sharp contraction in OXXO's profitability -430bps owing to a strong operating leverage and a less favorable sales mix due to the beer shortage- and OXXO GAS (-20bps). This was partially offset by gains in Drugstores (+10bp) and KOF's margin stability. The company reported a MXN 11.692 billion net loss, as a result of operating weakness, a provision of MXN 5.733 billion related to the tax payment agreement with SAT (MXN 3.233 billion registered as non-operating expenses), the impairment of certain Coca-Cola FEMSA's assets and the closure of the Specialty's Café and Bakery's operations, and a negative impact related to FEMSA's participation in Heineken's results.

BUY

Current Price	\$134.00
PT 2020	\$164.00
Dividend 2020e	\$3.1
Dividend Yield (%)	2.3%
Upside Potential	24.7%
ADR Price	US\$60.13
PT2020 ADR	US\$74.55
Shares per ADR	10
Max - Min LTM (\$)	188.8 - 127.3
Market Cap (US\$m)	20,784.1
Shares Outstanding (m)	3,578.2
Float	60%
Daily Turnover US\$m	559.2
Valuation metrics TTM	
FV/EBITDA	9.5x
P/E	58.7x

Relative performance to Mexbol LTM



	2018	2019	2020E	2021E
Revenue	483,513	506,910	503,109	551,151
Operating Income	42,184	47,165	41,749	46,976
EBITDA	61,927	75,483	72,166	80,248
EBITDA Margin	12.8%	14.9%	14.3%	14.6%
Net Income	24,084	19,936	5,843	26,669
Net Margin	5.0%	3.9%	1.2%	4.8%
Total Assets	576,381	637,541	739,472	740,365
Cash	62,047	65,562	122,768	117,300
Total Liabilities	240,839	311,790	414,772	404,627
Debt	131,300	187,257	275,268	268,572
Common Equity	335,542	325,751	324,700	335,738

Source: Banorte

	2018	2019	2020E	2021E
FV/EBITDA	10.1x	8.9x	9.8x	8.8x
P/E	19.9x	24.1x	82.1x	18.0x
P/BV	1.9x	1.9x	1.9x	1.9x
ROE	7.2%	6.0%	1.8%	8.1%
ROA	4.2%	3.1%	0.8%	3.6%
EBITDA/ interest	6.3x	5.3x	3.7x	3.8x
Net Deb/EBITDA	1.1x	1.6x	2.1x	1.9x
Debt/Equity	0.4x	0.6x	0.8x	0.8x

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FEMSA – Results 2Q20

MXN, million

Concept	2Q19	2Q20	Var %	2Q20e	Diff% vs Estim.
Revenue	128,213	114,514	-10.7%	115,910	-1.2%
Operating Income	11,936	7,456	-37.5%	9,536	-21.8%
Ebitda	18,982	15,136	-20.3%	16,187	-6.5%
Net Income	5,636	-11,692	N.A.	-5,337	N.A.
Margins					
Operating Margin	9.3%	6.5%	-2.8pp	8.2%	-1.7pp
Ebitda Margin	14.8%	13.2%	-1.6pp	14.0%	-0.7pp
Net Margin	4.4%	-10.2%	-14.6pp	-4.6%	-5.6pp
EPS	\$1.57	-\$3.27	N.A.	-\$1.49	N.A.

Income Statement (Million pesos)

Year	2019	2020	2020	Change	Change
Quarter	2	1	2	% y/y	% q/q
Net Revenue	128,213	122,284	114,514	-10.7%	-6.4%
Costs of goods sold	80,317	76,441	70,970	-11.6%	-7.2%
Gross profit	47,896	45,843	43,544	-9.1%	-5.0%
General expenses	35,013	36,047	35,428	1.2%	-1.7%
Operating Income	11,936	9,518	7,456	-37.5%	-21.7%
Operating Margin	9.3%	7.8%	6.5%	(2.8pp)	(1.3pp)
Depreciation	7,046	7,613	7,680	9.0%	0.9%
EBITDA	18,982	17,132	15,136	-20.3%	-11.6%
EBITDA Margin	14.8%	14.0%	13.2%	(1.6pp)	(0.8pp)
Interest Income (Expense) net	(3,445)	3,781	(3,679)	6.8%	N.A.
Interest expense	3,493	5,338	4,184	19.8%	-21.6%
Interest income	781	690	629	-19.4%	-8.8%
Other income (expense)	(38)	104	83	N.A.	-19.6%
Foreign exchange gain (loss)	(695)	8,325	(207)	-70.2%	N.A.
Unconsolidated subsidiaries	1,369	260	(1,687)	N.A.	N.A.
Income before taxes	8,478	13,559	3,765	-55.6%	-72.2%
Income taxes	2,174	4,723	5,733	163.7%	21.4%
Discontinued operations					
Consolidated Net Income	7,747	9,112	(10,775)	N.A.	N.A.
Non-controlling interest	2,111	1,325	917	-56.6%	-30.8%
Net Income	5,636	7,787	(11,692)	N.A.	N.A.
Net Margin	4.4%	6.4%	-10.2%	(14.6pp)	(16.6pp)
EPS	1.575	2.176	(3.268)	N.A.	N.A.

Balance Sheet (Million pesos)

Total Current Assets	177,356	250,389	233,560	31.7%	-6.7%
Cash & Short Term Investments	70,472	133,470	140,240	99.0%	5.1%
Long Term Assets	451,862	510,843	511,087	13.1%	0.0%
Property, Plant & Equipment (Net)	110,750	117,936	115,609	4.4%	-2.0%
Intangible Assets (Net)	107,263	105,632	102,990	-4.0%	-2.5%
Total Assets	629,218	761,233	744,647	18.3%	-2.2%
Current Liabilities	126,834	156,042	158,214	24.7%	1.4%
Short Term Debt	26,879	41,013	46,534	73.1%	13.5%
Accounts Payable	71,322	75,947	74,024	3.8%	-2.5%
Long Term Liabilities	172,619	257,360	262,916	52.3%	2.2%
Long Term Debt	151,123	224,956	235,380	55.8%	4.6%
Total Liabilities	299,453	413,402	421,130	40.6%	1.9%
Stockholders' Equity	329,765	347,831	323,517	-1.9%	-7.0%
Non-controlling interest	77,258	72,705	73,875	-4.4%	1.6%
Total Equity	252,507	275,126	249,642	-1.1%	-9.3%
Liabilities & Equity	629,218	761,233	744,647	18.3%	-2.2%
Net Debt	107,529	132,499	141,674	31.8%	6.9%

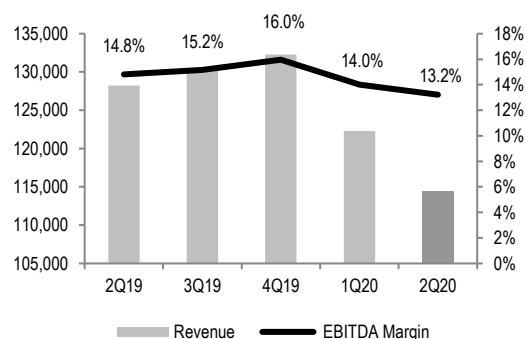
Cash Flow

CF from Operating Activities	18,253	12,179	6,401
CF from Investing Activities	(10,270)	(3,140)	(7,135)
CF from Financing Activities	(10,992)	42,441	11,414
FX effect on cash	(1,373)	16,428	(3,910)
Change in Cash Balance	(4,382)	67,908	6,770

Source: Banorte, MSE.

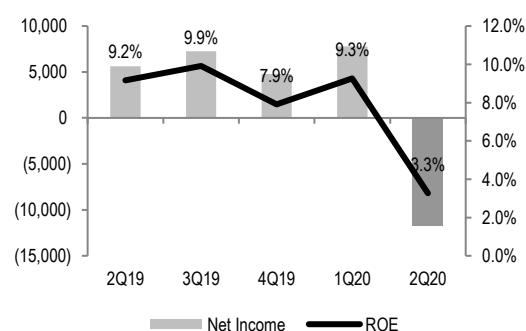
Revenue & EBITDA Margin

MXN, million



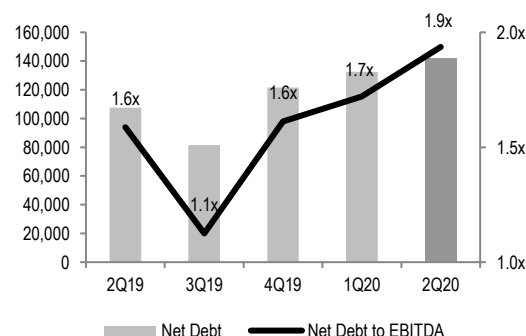
Net Income & ROE

MXN, million



Net Debt & Net Debt to EBITDA ratio

MXN, million



2020 Estimates

We trimmed our estimates by assuming a more challenging 2H20. Although in the 2Q20 results conference call, senior management shared that currently only 35% of its units continues facing operating restrictions due to the pandemic (vs 50% during 2Q20), we believe lower economic dynamism will be reflected in the company's results. We now project that consolidated revenues will remain virtually stable (-0.7%) y/y to MXN 503.109 billion. The above figure would be explained by an increase of only 2.0% in Proximity (37% of total sales), after a 4.8% growth in the number of OXXO stores (932 net openings, including the closure of some units as part of their store base efficiencies process) would compensate for a 1.3% decline in SSS, due to the impact of the challenging economic environment. Meanwhile, in Health (13% of total revenue) we expect sales to increase 10.0% driven by a favorable FX effect and the net addition of 153 new drugstores, thus increasing units 4.8% annually, offsetting a 2.8% drop in LfL sales resembling a limited operation in South America. As for Fuel (8% of consolidated sales), we anticipate a 17.6% revenue drop (SSS -21.0%), affected by a volume slump, due to the pandemic, coupled with lower fuel prices. As for KOF (37% of total revenue), as highlighted in [our note](#), we anticipate a 3.9% fall owing to lower volumes and an adverse FX effect in South America.

At gross level, we expect an expansion of 30bps in the margin, thanks to a 10bps advance in Drugstores product of a more favorable mix and better commercial conditions by capturing synergies from consolidating Socofar's volume with preexisting units'. This would be combined with a 0.8pp improvement in OXXO GAS' service stations gross profitability, and a 30bps margin gain in Strategic Business. We believe, above factors would offset a 50bps pressure in Kof, in the face of increasing concentrate's cost (mainly due to an unfavorable FX effect for the dollarized nature of this input) and higher sweetener prices, which would offset the benefit of a more favorable environment for PET and aluminum prices, as well as a 50bps deterioration in OXXO, due to the change in the mix towards a less favorable one, for being biased towards consumer staples due to the pandemic. As for EBITDA, we now expect a drop of 4.4% y/y to MXN 72.166 billion. This would erode the respective margin by 60bps to 14.3%, mainly due to pressures in Proximity of 150bps (-8.5% y/y to MXN 25.353 billion) explained by lower operating leverage in the back of declining in SSS. In Health, we estimate that the indicator will grow 9.4% to MXN 5.929 billion and profitability would remain virtually stable (-10bp to 9.1%).

Meanwhile, Fuel's would contract 34.5% to MXN 1.405 billion and the margin would be pressured by 0.9pp to 3.6%. Finally, at Coca-Cola FEMSA we anticipate profitability to remain flat.

We estimate net profit would fall 70.7% y/y to MXN 5.843 billion, due to the operating weakness already explained, as well as the tax payment impact to SAT for MXN 8.790 billion, the impairment of certain Coca-Cola FEMSA's assets, Specialty's Café and Bakery's operations closure, and a negative impact related to its participation in Heineken.

Finally, we expect the company would deploy a Capex of MXN 24.771 billion (+8.1% y/y), reflecting AGV's acquisitions in Brazil and the Jan-San business in the US (WAXIE Sanitary Supply and North American Corporation).

Concept	2020E			2021E		
	Previous	Current	Variation	Previous	Current	Variation
Revenue	548,683	503,109	-8.3%	593,800	551,151	-7.2%
EBITDA	78,325	72,166	-7.9%	82,982	80,248	-3.3%
EBITDA Margin	14.3%	14.3%	0.0pp	14.0%	14.6%	+0.6pp
Net Income	20,745	5,843	-73.6%	34,091	26,669	-21.8%

Source: Banorte

Lowering our PT2020 to \$164.00, but maintaining our BUY rating

By using a sum-of-the-parts valuation model (SOTP), we determined a new PT2020 of \$164.00 per UBD unit, trimming it by 22.3% from \$211.00 previously. To calculate this, we assumed a target FV/EBITDA multiple of 13.0x for Proximity, slightly below the 2Y average at which FEMSA Comercio has implicitly traded (14.2x). However, such valuation would be higher than that currently granted by the market of 9.8x, and above global proximity stores' median in 2021 of 7.4x. As for Health, we determined a 9.6x target, similar to the median of drugstores globally of 9.4x, while in Fuel we set a 7.8x target, equal to the median of a sample of companies that operate service stations worldwide. Finally, for Strategic Businesses, we determined a valuation target of 6.7x, similar to the median of land transport companies (6.8x), considering that Solistica represents the majority of this division and still have no clarity regarding the Jan-San business in the US. For FEMSA's stake in Heineken (14.8%), we used a PT of EUR 85.67, according to Bloomberg consensus, and assumed an exchange rate of MXN 22.0 per dollar for 2020 YE [estimated by our fixed income and FX strategy team](#).

That said, our PT2020 for FEMSA is \$164.00, representing a FV/EBITDA 2021E multiple of 10.2x, above current valuation at 9.5x; but in line with the last 3Y average of 10.3x. We believe current valuation already discounts challenges in the environment, so we consider this is interesting entry point towards 2021 YE. Especially, when considering that FEMSA Comercio is implicitly trading at 9.8x FV/EBITDA LTM. Additionally, the potential return of 24.7% against our PT (includes 2.3% from dividend yield) is relevant, so we therefore reiterate our BUY rating; although with a long-term perspective, as the quarters to come will still be complicated.

Sum-of-the-Parts Valuation (SOTP)

MXN, millions

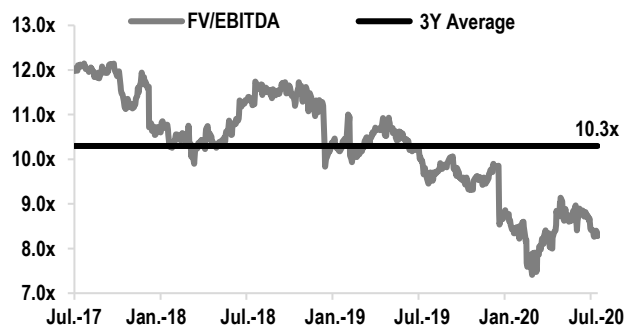
SOTP

Division	EBITDA 2020E \$m	FV/EBITDA	Participation	Value \$m	\$/share
Coca-Cola FEMSA	35,769	8.6x	47.2%	144,560	\$ 40.40
Proximity	25,353	13.0x	100.0%	329,590	\$ 92.11
Health	5,929	9.6x	100.0%	56,922	\$ 15.91
Strategic Businesses	2,146	6.7x	100.0%	14,380	\$ 4.02
Fuels	1,405	7.8x	100.0%	10,958	\$ 3.06
SOTP Value	70,602	7.9x		556,410	\$ 155.50
			(-) Net Debt	(152,500)	-\$ 42.62
			(=) FEMSA Total	403,910	\$ 112.88
			(+) Heineken	183,164	\$ 51.19
			(=) Equity Value FEMSA	587,075	
			Linked Units Outstanding	3,578	
			PT2020 \$	164.07	
			Current Price \$	134.00	
			Upside Potential	22.4%	

Source: Banorte

FEMSA- FV/EBITDA L3Y

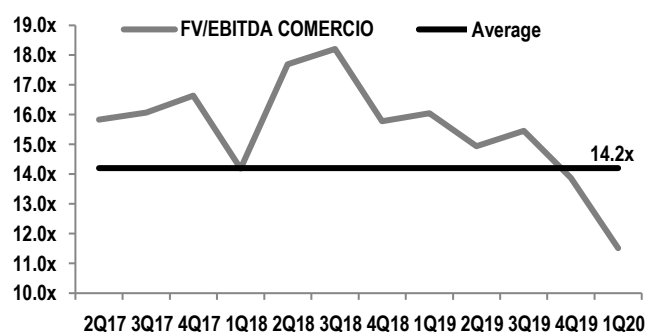
Times



Source: Bloomberg, Banorte

FEMSA Comercio- implicit FV/EBITDA L2Y

Times



Stock	Price	Market Cap US\$m	EV US\$m	P/BV	P/E			FV/EBITDA			Dividend Yield
					LTM	2020E	2021E	LTM	2020E	2021E	
SEVEN & I HOLDINGS CO LTD	JPY 3,463	29,166	26,827	1.2x	17.0x	19.3x	14.5x	4.3x	4.9x	4.3x	2.8%
ALIMENTATION COUCHE-TARD -B	CAD 46	38,482	33,752	3.8x	17.4x	22.2x	19.7x	10.0x	11.9x	11.3x	0.6%
KONINKLUKE AHOLD DELHAIZE N	€ 24.77	32,042	46,110	1.9x	13.7x	13.1x	13.2x	6.7x	6.7x	6.9x	3.1%
TESCO PLC	GBP 220	27,733	43,627	1.6x	22.9x	15.8x	13.3x	7.3x	7.9x	7.4x	4.2%
KROGER CO	USD 34.73	27,017	44,906	2.9x	13.0x	12.3x	13.4x	7.5x	7.2x	7.5x	2.1%
LOBLAW COMPANIES LTD	CAD 70	18,560	29,755	2.3x	22.5x	16.3x	14.2x	8.4x	8.0x	7.6x	1.8%
CARREFOUR SA	€ 13.19	12,674	29,765	1.1x		10.6x	9.7x	7.5x	5.9x	5.7x	1.7%
GRUPO NUTRESA SA	COP 21,160	2,649	3,720	1.3x	18.1x	18.9x	17.3x	9.9x	10.0x	9.3x	3.1%
Proximity Stores Average		23,540	32,308	2.0x	17.8x	16.1x	14.4x	7.7x	7.8x	7.5x	2.4%
Proximity Stores Median		27,375	31,759	1.7x	17.4x	16.0x	13.8x	7.5x	7.5x	7.4x	2.5%
PEPSICO INC	USD 137	189,232	225,183	15.2x	25.3x	25.5x	23.0x	17.9x	17.4x	15.8x	3.0%
AMBEV SA	BRL 15	46,116	44,530	15.2x	25.3x	25.5x	23.0x	17.9x	17.4x	15.8x	3.0%
KEURIG DR PEPPER INC	USD 31	43,277	58,357	1.9x	28.1x	22.2x	19.7x	18.6x	16.0x	14.7x	2.0%
COCA-COLA EUROPEAN PARTNERS	USD 41	18,708	22,025	2.6x	13.8x	20.8x	14.9x		12.5x	10.2x	3.4%
COCA-COLA FEMSA SAB DE CV	MXN 91	8,683	11,264	12.8x	62.0x	16.9x	14.0x	7.6x	6.8x	6.2x	5.3%
ARCA CONTINENTAL SAB DE CV	MXN 108	8,610	11,611	1.4x	18.8x	17.4x	16.0x	8.7x	8.1x	7.5x	2.2%
COCA-COLA AMATIL LTD	AUD 8.61	8,728	11,752	4.0x	16.9x	20.5x	17.3x	8.9x	10.1x	9.1x	5.5%
COCA-COLA BOTTLERS JAPAN HOL	JPY 1,749	3,428	4,916	0.6x			32.8x		7.8x	6.6x	
EMBOTELLADORA ANDINA-PREF B	CLP 1,886	2,209	3,111	1.8x	10.0x	15.0x	13.7x	6.4x	7.4x	6.8x	4.5%
NATIONAL BEVERAGE CORP	USD 69	3,217	2,962	7.1x	24.7x	23.3x	22.1x	15.0x	14.8x	14.1x	
Bottlers Average		33,221	39,571	6.3x	25.0x	20.8x	19.6x	12.6x	11.8x	10.7x	3.6%
Bottlers Median		8,706	11,682	3.3x	24.7x	20.8x	18.5x	11.9x	11.3x	9.7x	3.2%
CVS HEALTH CORP	USD 63	82,321	162,261	1.3x	10.5x	8.9x	8.4x	8.5x	9.1x	8.8x	3.2%
WALGREENS BOOTS ALLIANCE INC	USD 40	34,258	75,852	1.7x	19.2x	8.4x	7.4x	11.8x	11.9x	10.2x	4.7%
CARDINAL HEALTH INC	USD 57	16,541	21,967	13.8x	13.8x	10.7x	10.4x		8.0x	7.8x	3.4%
RAIA DROGASIL SA	BRL 116	7,385	8,211	9.3x	47.4x	57.6x	41.4x	18.7x	24.3x	19.2x	
Pharmacies Average		35,126	67,073	6.5x	22.7x	21.4x	16.9x	13.0x	13.3x	11.5x	3.8%
Pharmacies Median		25,400	48,910	5.5x	16.5x	9.8x	9.4x	11.8x	10.5x	9.5x	3.4%
PHILLIPS 66	USD 64.4	28,100	42,109	1.3x	8.5x	46.2x	11.3x	27.8x	15.6x	7.4x	5.6%
MARATHON PETROLEUM CORP	USD 38.4	24,990	65,596	1.0x	10.8x		21.4x		13.7x	7.9x	6.0%
ULTRAPAR PARTICIPACOES SA	BRL 19	4,133	6,330	2.3x	69.6x	24.5x	17.0x	13.0x	10.0x	8.6x	2.5%
DELEK US HOLDINGS INC	USD 17.7	1,301	3,116	1.0x			44.8x	21.0x	30.3x	7.7x	7.0%
Service Stations Average		14,631	29,288	1.4x	29.7x	35.4x	23.6x	20.6x	17.4x	7.9x	5.3%
Service Stations Median		14,562	24,219	1.2x	10.8x	35.4x	19.2x	21.0x	14.7x	7.8x	5.8%
HUNT (JB) TRANSPRT SVCS INC	USD 131.7	13,888	14,920	5.8x	25.3x	27.8x	22.4x	12.0x	11.9x	10.5x	1%
XPO LOGISTICS INC	USD 80.8	7,361	14,596	2.9x	26.3x	92.9x	23.4x	7.2x	12.0x	9.0x	
HYUNDAI GLOVIS CO LTD	KRW 111,000.00	3,480	4,404	0.9x	7.6x	8.1x	6.7x	4.3x	5.0x	4.4x	3%
SCHNEIDER NATIONAL INC-CL B	USD 25.1	4,441	4,128	2.0x	18.7x	23.9x	18.9x	7.9x	7.7x	6.7x	1%
TFI INTERNATIONAL INC	CAD 54	3,503	4,889	2.5x	15.6x	19.1x	14.5x	7.1x	9.0x	7.9x	2%
TIANJIN PORT CO LTD-A	CNY 4.58	1,577	3,055	0.7x	19.5x						2%
ARAMEX PJSC	AED 3.31	1,319	1,529	1.8x	10.6x	14.8x	10.9x	5.8x	6.9x	5.9x	5%
HEARTLAND EXPRESS INC	USD 20.7	1,681	1,599	2.4x	35.6x	24.2x	20.8x	8.1x	7.9x	7.2x	0%
HUB GROUP INC-CL A	USD 51.7	1,769	1,910	1.6x	16.7x	27.9x	18.2x	7.2x	9.2x	7.5x	
ID LOGISTICS GROUP	€ 184.00	1,222	1,749	5.4x	70.1x	44.2x	29.9x	7.7x	6.9x	5.9x	
UNIVERSAL LOGISTICS HOLDINGS	USD 17.5	471	1,025	2.3x	15.7x	13.6x	7.3x	5.5x	7.0x	5.3x	
GRUPO TRAXION SAB DE CV	MXN 14	343	589	0.7x	15.1x	15.4x	10.2x	5.2x	5.5x	4.3x	
VRL LOGISTICS LTD	INR 148.55	179	235	2.2x	14.9x						5%
DASEKE INC	USD 3.7	240	999	4.3x							
RADIANT LOGISTICS INC	USD 4.2	208	271	1.6x	18.2x	13.6x	11.6x	6.8x	9.7x	7.0x	
VALUE GROUP LTD	ZAR 475.00	50	96	1.0x	5.5x			3.0x			8%
Ground transportation companies Average		2,608	3,500	2.4x	21.0x	27.1x	16.2x	6.8x	8.2x	6.8x	3.0%
Ground transportation companies Median		1,448	1,674	2.1x	16.7x	21.5x	16.3x	7.1x	7.8x	6.9x	1.9%
FOMENTO ECONOMICO MEXICANO-UBD	MXN 134	21,070	30,716	1.9x	58.7x	82.1x	18.0x	9.5x	9.8x	8.8x	2.3%

Source: Banorte, Bloomberg

Performance tables by division

Proximity Division					
	2Q19	1Q20	2Q20	% a/a	% t/t
Ticket	\$ 36.2	\$ 37.00	\$ 41.8	15.5%	13.0%
Traffic	22.1	20.2	16.8	-24.0%	-16.8%
SSS	\$ 800	\$ 746	\$ 700	-12.4%	-6.1%
Revenue	\$ 47,190	\$ 45,620	\$ 43,409	-8.0%	-4.8%
EBITDA	\$ 7,067	\$ 8,655	\$ 4,628	-34.5%	-46.5%
EBITDA Margin	15.0%	19.0%	10.7%	-4.3%	-8.3%

Health Division					
	2Q19	1Q20	2Q20	% a/a	% t/t
SSS	\$ 1,385.3	\$ 1,293.8	\$ 1,249.8	-9.8%	-3.4%
Revenue	\$ 15,246	\$ 15,296	\$ 15,624	2.5%	2.1%
EBITDA	\$ 1,379	\$ 1,191	\$ 1,418	2.8%	19.1%
EBITDA Margin	9.0%	7.8%	9.1%	0.1%	1.3%

Fuel Division					
	2Q19	1Q20	2Q20	% a/a	% t/t
Price per lt	\$ 17.7	\$ 17.40	\$ 15.10	-14.7%	-13.2%
Volume	430.1	378.4	255.6	-40.6%	-32.5%
SSS	\$ 7,633	\$ 6,599	\$ 3,869	-49.3%	-41.4%
Revenue	\$ 12,415	\$ 10,858	\$ 6,382	-48.6%	-41.2%
EBITDA	\$ 547	\$ 464	\$ 267	-51.2%	-42.5%
EBITDA Margin	4.4%	4.3%	4.2%	-0.2%	-0.1%

Coca-Cola FEMSA					
	2Q19	1Q20	2Q20	% a/a	% t/t
Volume	\$ 840.9	\$ 793.5	\$ 780.8	-7.1%	-1.6%
Revenue	\$ 47,978	\$ 45,348	\$ 43,075	-10.2%	-5.0%
EBITDA	\$ 9,180	\$ 9,086	\$ 8,221	-10.4%	-9.5%
EBITDA Margin	19.1%	20.0%	19.1%	0.1%	-1.0%

Strategic Businesses Division					
	2Q19	1Q20	2Q20	% a/a	% t/t
Revenue	\$ 4,830	\$ 5,162	\$ 6,024	24.7%	16.7%
EBITDA	\$ 529	\$ 643	\$ 602	13.8%	-6.4%
EBITDA Margin	11.0%	12.5%	10.0%	-1.0%	-2.5%

Consolidated					
	2Q19	1Q20	2Q20	% a/a	% t/t
Revenue	\$ 128,213	\$ 122,284	\$ 114,514	-10.7%	-6.4%
EBITDA	\$ 18,982	\$ 17,133	\$ 15,136	-20.3%	-11.7%
EBITDA Margin	14.8%	14.0%	13.2%	-1.6%	-0.8%

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.

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

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History of PT and ratings

Stock	Date	Recommendation	PT
FEMSA UBD	27/07/2020	Buy	\$164.00
FEMSA UBD	29/11/2019	Buy	\$211.00
FEMSA UBD	04/4/2019	Hold	\$192.00

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