

FEMSA

Fomento Económico Mexicano, S.A.B. de C.V. ("FEMSA") is a Mexican holding company. Its principal activities are mainly grouped under the following companies that operates among 12 countries:

- Coca-Cola FEMSA, S.A.B de C.V.
- FEMSA Comercio, S.A. de C.V.,
- FEMSA Negocios Estratégicos

FEMSA's mission is to generate social and economic value through their companies and institutions. It is a business of designing, building and developing large-scale business models that enable their customer to satisfy their daily needs, in an efficient and differentiated way by everything they do.

They're continuously working to:

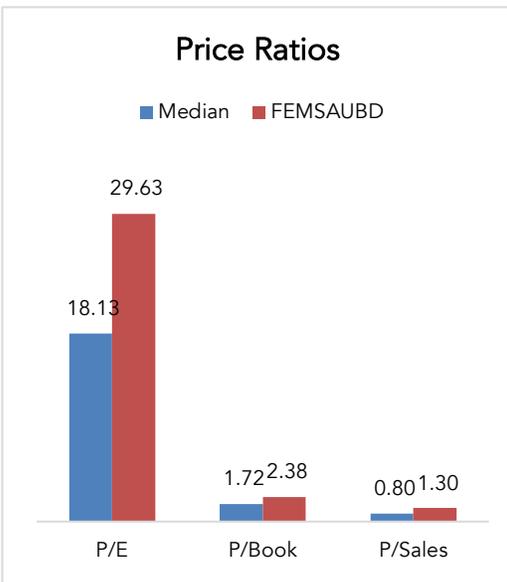
- Be the best owner, partner and operator of every business owned in the long term
- Double the value of their businesses
- Be the leaders on the market that they operate
- Be the best employer and neighbor to the communities where they operate

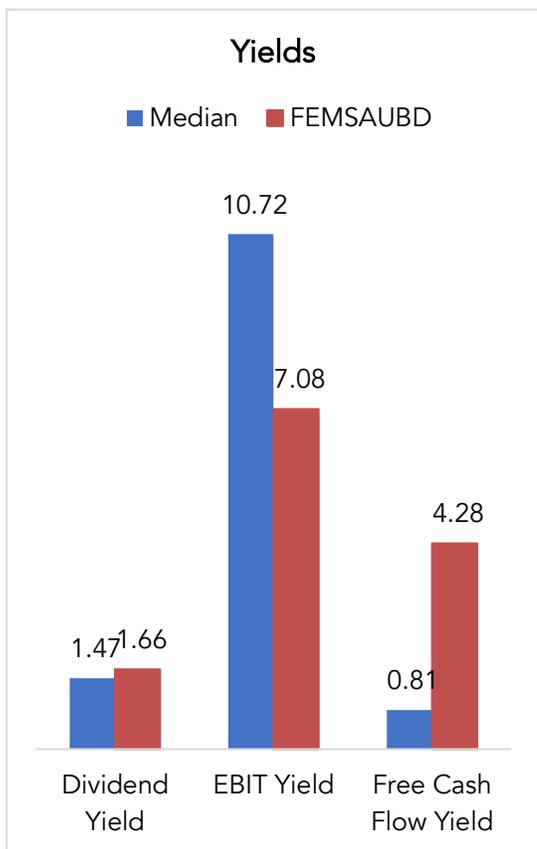
By:

- Focusing on their customer
- Commit to excellence
- Being competent and collaborative
- A innovative spirit

HOLDING AS A GLANCE

FEMSA identity relies on the diversification of its portfolio that includes equity stakes and business units:

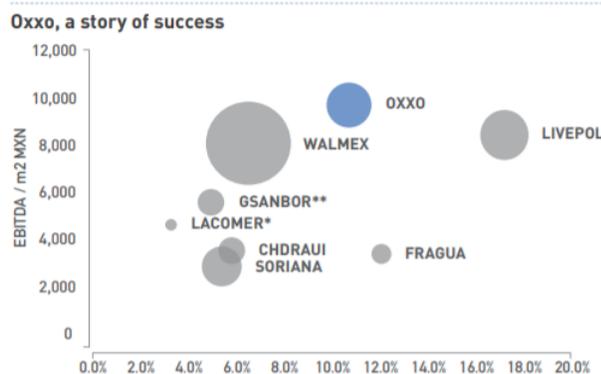




- Coca-Cola FEMSA, as the largest franchised company bottling Coca-Cola products in the world, serving over 375 million consumer.
- FEMSA Commerce, that operates the greatest chain of proximity stores in Latin America with the Oxxo brand, also includes Health and Fuel divisions.
- Strategic Businesses to provide logistics, refrigeration and plastics solutions to third-party clients and FEMSA's business units.
- Heineken, as a shareholder.

Among all of its businesses units and divisions, the key players of the holding are:

- Proximity Division through the Oxxo stores that has a strong and sustainable growth. On average, the proximity division creates more than 27 new jobs every day and in 2018 they contributed 54% of FEMSA's consolidated revenues, and 38% of EBITDA.



- Coca-Cola FEMSA which is oriented to consolidate a winning beverage portfolio adapted to different markets by strategic acquisitions and long-term business expansions.

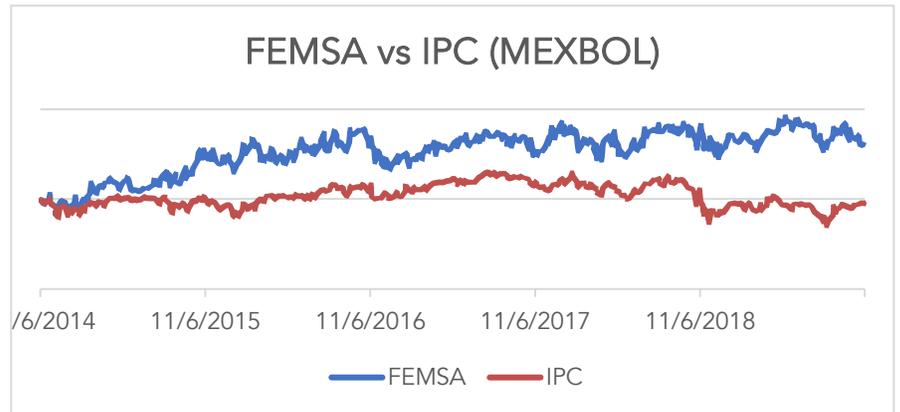
FEMSA IN NUMBERS

Price Ratios	P/E	P/Book	P/Sales
*Median values 2019	18.13	1.72	0.80
Arca Continental SAB de CV	21.55	1.67	1.18
Corporativo Fragua SAB de CV	14.71	1.76	0.42
Organizacion Soriana SAB de CV	12.63	0.74	0.30
Wal-Mart de Mexico SAB de CV	28.05	6.25	1.67
Fomento Economico Mexicano SAB de CV	29.63	2.38	1.30

According to the bursatil analysis of FEMSA against its peers, its price ratios are better than those of the median of the industry. It reflects the good perception that the market has of the company as it is willing to pay more for this company than others in the industry.

Yields	Dividend Yield	EBIT Yield	Free Cash Flow Yield
Median	1.47	10.72	0.81
Arca Continental SAB de CV	2.17	9.91	3.28
Corporativo Fragua SAB de CV	1.29	11.52	- 3.43
Organizacion Soriana SAB de CV	1.52	17.86	- 1.37
Wal-Mart de Mexico SAB de CV	1.42	4.77	2.99
Fomento Economico Mexicano SAB de CV	1.66	7.08	4.28

Despite the fact that the EBIT Yield is lower than the median of its peers, the Free Cash Flow Yield is considerably superior. It might be due to a better financial structure and the fact that most of its business units are cash based.



This graphic shows the growing tendency of the stock versus the IPC (MEXBOL) Index. It is clear that FEMSA has had a better performance than the Mexican market over the last 5 years. Although over the last couple of years it has almost synchronized due to the weight of FEMSA's stock on the Index.

Valuation Ratios (Majority Figures)						
	2018	2019e	2020e	2021e	2022e	2023e
EV/Adj. EBITDA	12.3x	10.7x	9.7x	8.6x	7.8x	7.0x
P/E	26.0x	23.8x	21.0x	18.3x	16.2x	14.5x
P/S	1.4x	1.2x	1.1x	1.0x	0.9x	0.8x
P/BV	2.4x	2.4x	2.3x	2.1x	2.0x	1.8x
Net Debt/Adj. EBITDA	0.2x	0.1x	0.1x	0.1x	0.0x	-0.1x
ROE	9.5%	10.5%	11.2%	12.0%	12.5%	12.8%
ROIC	10.9%	8.6%	9.0%	9.5%	9.9%	10.2%
Op. FCF Yield	3.6%	3.8%	4.4%	4.9%	5.6%	6.3%
FCF Yield	2.9%	2.6%	2.9%	3.3%	3.7%	4.0%

Key fundamentals of our investment thesis on FEMSA:

- Interesting outlook for FEMSA Comercio. Despite holding a leading position in most of its markets, the segment still has plenty of room to further expand in its 3 business units both organically and through M&A.
- OXXO, a story of success. FEMSA has proven to be at the top of execution with the OXXO format, holding the most profitable business per square meter among retailers. Moreover, while there are further opportunities for additional expansion, we believe that such scenario is already priced in.

- FEMSA Comercio is trading at a significant premium vs. peers, while KOF is trading at a significant discount. FEMSA Comercio's implicit valuation shows a 45% premium to retailers, whereas KOF trades at 15% discount vs. the industry. As such, we support the idea of participating directly through KOF rather than FEMSA.