

Femsa (Under review)

Current Price: \$242.18

Flash: Femsa discloses plan to further strengthen growth and return value to shareholders

Continuing with the long-term strategic plan, Femsa has just announced some measures aimed at continuing to drive the company's growth while seeking to detonate greater value to investors. Based on the company's solid cash position (MXN 160.4 billion as of [3Q23](#)), it expects to channel it as shown below:

- Over the next 5 years, MXN 237 billion is expected to be invested in projects that support the growth of key businesses. Approximately MXN 170 billion will be invested in Mexico (~71.7% of the total). In addition, more than MXN 100 billion in income taxes are expected to be paid for the fiscal year 2023 to 2028.
- We will seek to return to shareholders an aggregate amount equivalent to approximately 6% of Femsa's current market value (MXN 767 billion), which would amount to MXN 46 billion. This would be done through a combination of share repurchases and additional dividends.
- The return on equity structure will aim to avoid keeping dismiss capital on the balance sheet, while seeking to achieve and maintain a target of 2.0x Net Debt/EBITDA ex - Kof (today at 0.5x ex - Kof).
- Pending only the approval of the Annual Meeting, the Company is proposing the following for the 2024 dividends: 1) four quarterly payments of MXN 0.9161 per FEMSAUB unit and MXN 1.0993 per FEMSAUB unit MXN (10.993 per ADS), being 20% higher than that distributed in the previous year; 2) pay an additional dividend in four quarterly segments of MXN 0.6418 per FEMSAUB unit and MSN 0.7701 per FEMSAUB unit (MXN 7.7010 per ADS), payable on the same dates as the ordinary dividend; 3) pay an additional dividend in four quarterly segments of MXN 0.6418 per FEMSAUB unit and MXN 0.7701 per FEMSAUB unit (MXN 7.7010 per ADS), payable on the same dates as the ordinary dividend.

Positive implication. In our view, the extraordinary dividend distribution and the measures announced reflect the company's solid financial position. In that sense, although it is an event in line with expectations, it should be well received by the market. On the other hand, the attractive total dividend (ordinary and extraordinary) expected for 2024 amounts to MXN 7.4776 (vs. MXN 3.6644 in 2023) representing a total yield of 3.1% over current prices. Finally, we will be watching our 4Q23 results next Friday, February 23, where we expect the cash flows from the sale of [Envoy Solutions](#) and after incorporating the figures we will be positively updating our outlook for the company.

20 February, 2024



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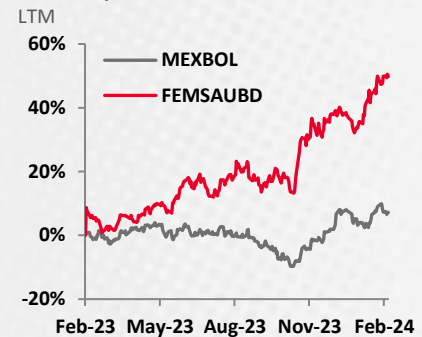
Under review

Current Price	\$242.18
PT	Under review
Dividend	\$7.48
Dividend (%)	3.1%
Upside potential	-
Max - Min LTM (\$)	245.0-156.0
Market Cap (US\$m)	45,007.1
Shares Outstanding (m)	3,578.2
Float	60.0%
Daily Turnover (\$m)	561.8

Valuation metrics LTM

FV/EBITDA	10.4x
P/E	12.6x
MSCI ESG Rating*	A

Relative performance to Mexbol



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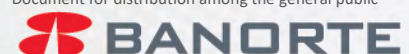


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for Mexico 2023**



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Document for distribution among the general public



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	Reference
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History of PT and ratings

Stock	Date	Rating	PT
FEMSA UBD	02/15/2024	Under review	Under review
FEMSA UBD	04/28/2023	Buy	\$212.00
FEMSA UBD	01/18/2021	Buy	\$190.00
FEMSA UBD	07/27/2020	Buy	\$164.00

MSCI ESG Rating scale

CCC	B	BB	BBB	A	AA	AAA
LAGGARD			AVERAGE			LEADER

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

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