

KOF

Quarterly Report

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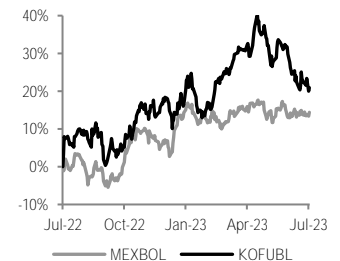
South America continues to drive profitability

- **Solid sequential gains were consolidated, highlighting improvements in profitability, reflecting resilience in Mexico and CA. We believe the report should be well received by the market**
- **Although there are still no clear catalysts to accelerate growth, with a very attractive valuation at 7.7x and positive expectations, we upgrade our recommendation to BUY**

Although Mexico and CA sales drive growth, South America's higher profitability highlighted. The company reported figures in line with our estimates, reflecting revenue growth of 7.2% y/y to MXN 61.4 billion with a volume increase of 7.0% y/y, which offset a -2.9% y/y adjustment in consolidated price. In particular, the growth dynamics are largely explained by the Mexico and Central America (CA) division, which grew 8.9% y/y in volume and +13.4% y/y in sales, which was supported by the acquisition of the bottled water business 'Cristal'. Meanwhile, South America recorded a +3.8% y/y increase in volume and a -2.2% y/y decline in revenues. Based on the above, EBITDA amounted to MXN 11.4 billion (+7.8% y/y) with a margin of 18.6% (+0.1pp), which integrates a relevant margin expansion in South America (+0.9pp) that practically offset the contraction in Mexico (-0.8pp). In that sense, operating efficiencies were almost overshadowed by higher expenses related to labor, maintenance and marketing costs in all regions. Finally, net income reached MXN 4.9 billion (+6.5% y/y), in line with the performance of our business lines. **Despite the challenging environment, KOF positions itself in a resilient manner.** We believe operating efficiencies are on track as the momentum from higher prices may be easing in an environment of lower cost pressures, which we are already seeing with sequential margin improvements in Mexico and CA of +1.2pp y/y. Also noteworthy is the solid financial position (ND/EBITDA 1.0x) with an FV/EBITDA multiple that remains stable at 7.7x (vs. the comparables average of 8.2x).

BUY	
Current Price	\$138.85
PT	\$167.00
Dividend	\$2.9
Dividend (%e)	2.1%
Upside Potential	22.4%
Max - Min LTM (\$)	164.3-112.0
Market Cap (US\$m)	17,230.7
Shares Outstanding (m)	2,100.8
Float	22%
Daily Turnover (\$ m)	135.7
Valuation metrics LTM	
FV/EBITDA	7.7x
P/E	14.3x
MSCI ESG Rating*	BBB

Relative performance to MEXBOL
LTM



Winners of the 2023 award for the best economic forecasters in Mexico, awarded by Focus Economics.



Financial Statements	2021	2022	2023E	2024E
MXN, million				
Revenue	194,804	226,740	247,179	271,124
Operating Income	27,402	30,838	34,550	38,838
EBITDA	38,849	43,001	47,658	52,820
EBITDA Margin	19.9%	19.0%	19.3%	19.5%
Net Income	15,708	19,034	20,885	22,560
Net Margin	8.1%	8.4%	8.4%	8.3%
Total Assets	271,567	277,995	275,741	282,473
Cash	47,248	40,277	45,863	52,818
Total Liabilities	143,994	146,119	137,484	289,020
Debt	88,364	85,407	78,019	79,956
Common Equity	121,550	125,384	131,401	131,956

Source: Banorte

Valuation and financial metrics	2021	2022	2023E	2024E
FV/EBITDA	9.5x	8.6x	7.5x	6.7x
P/E	20.2x	16.7x	15.2x	13.3x
P/BV	2.6x	2.5x	2.4x	2.4x
ROE	12.9%	15.2%	15.9%	17.1%
ROA	5.8%	6.8%	7.6%	8.0%
EBITDA/ Interest	7.4x	10.5x	9.5x	9.2x
Net Debt/EBITDA	1.1x	1.0x	0.7x	0.5x
Debt/Equity	0.7x	0.7x	0.6x	0.6x

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KOF – Results 2023

MXN million

Concept	2022	2023	Var %	2023e	Diff% vs Estim.
Revenue	57,311	61,428	7.2%	63,585	-3.4%
Operating Income	7,652	8,562	11.9%	8,457	1.2%
Ebitda	10,607	11,439	7.8%	11,672	-2.0%
Net Income	4,627	4,926	6.5%	5,316	-7.3%
Margins					
Operating Margin	13.4%	13.9%	0.6pp	13.3%	0.6pp
Ebitda Margin	18.5%	18.6%	0.1pp	18.4%	0.3pp
Net Margin	8.1%	8.0%	-0.1pp	8.4%	-0.3pp
EPS	\$2.62	\$2.79	6.5%	\$3.013	-7.3%

Income Statement (Million)

Year	2022	2023	2023	Change	Change
Quarter	2	1	2	% y/y	% q/q
Net Revenue	57,311	57,357	61,428	7.2%	7.1%
Costs of goods sold	32,039	31,899	34,161	6.6%	7.1%
Gross profit	25,271	25,458	27,267	7.9%	7.1%
General expenses	17,577	17,734	18,705	6.4%	5.5%
Operating Income	7,652	7,724	8,562	11.9%	10.8%
Operating Margin	13.4%	13.5%	13.9%	0.6pp	0.5pp
Depreciation	2,955	2,798	2,877	-2.6%	2.8%
EBITDA	10,606.6	10,522.0	11,439.0	7.8%	8.7%
EBITDA Margin	18.5%	18.3%	18.6%	0.1pp	0.3pp
Interest Income (Expense) net	(574)	(1,399)	(1,377)	139.9%	-1.6%
Interest expense	1,688	1,913	1,769	4.8%	-7.5%
Interest income	541	1,042	834	54.3%	-19.9%
Other income (expense)			63	N.A.	N.A.
Foreign exchange gain (loss)	435	(587)	(505)	N.A.	-14.1%
Unconsolidated subsidiaries	114	(73)	13	-88.9%	N.A.
Income before taxes	7,034	6,068	6,926	-1.5%	14.1%
Income taxes	2,458	1,989	1,881	-23.5%	-5.4%
Discontinued operations			N.A.	N.A.	N.A.
Consolidated Net Income	4,576	4,079	5,045	10.2%	23.7%
Non-controlling interest	(51)	162	119	N.A.	-26.8%
Net Income	4,627	3,916	4,926	6.5%	25.8%
Net Margin	8.1%	6.8%	8.0%	(0.1pp)	1.2pp
EPS	2.623	2.220	2.792	6.5%	25.8%

Balance Sheet (Million pesos)

Total Current Assets	80,139	78,825	65,697	-18.0%	-16.7%
Cash & Short Term Investments	45,572	41,147	30,949	-32.1%	-24.8%
Long Term Assets	196,141	196,388	197,618	0.8%	0.6%
Property, Plant & Equipment (Net)	65,046	69,921	71,023	9.2%	1.6%
Intangible Assets (Net)	81,338	80,552	77,494	-4.7%	-3.8%
Total Assets	276,280	275,213	263,315	-4.7%	-4.3%
Current Liabilities	62,752	68,848	55,006	-12.3%	-20.1%
Short Term Debt	10,399	10,422	3,194	-69.3%	-69.4%
Accounts Payable	45,297	50,704	43,723	-3.5%	-13.8%
Long Term Liabilities	89,693	85,466	84,624	-5.7%	-1.0%
Long Term Debt	75,614	72,745	72,212	-4.5%	-0.7%
Total Liabilities	152,445	154,314	139,630	-8.4%	-9.5%
Common Stock	123,834	120,899	123,685	-0.1%	2.3%
Non-controlling interest	6,373	6,426	6,465	1.4%	0.6%
Total Equity	117,461	114,473	117,221	-0.2%	2.4%
Liabilities & Equity	276,280	275,213	263,315	-4.7%	-4.3%
Net Debt	40,441	42,019	44,457	9.9%	5.8%

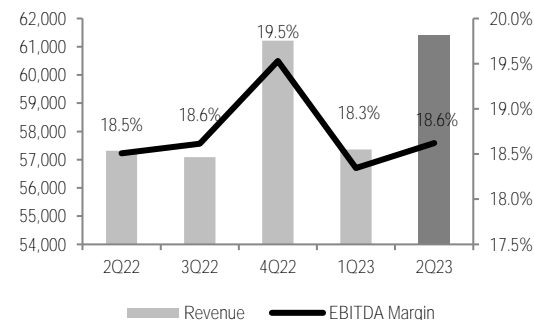
Cash Flow

CF from Operating Activities	19,222	9,210	19,800		
CF from Investing Activities	(7,956)	(3,218)	(6,050)		
CF from Financing Activities	(11,362)	(2,279)	(17,843)		
Change in Cash Balance	(492)	3,318	(5,073)		

Source: Banorte, MSE

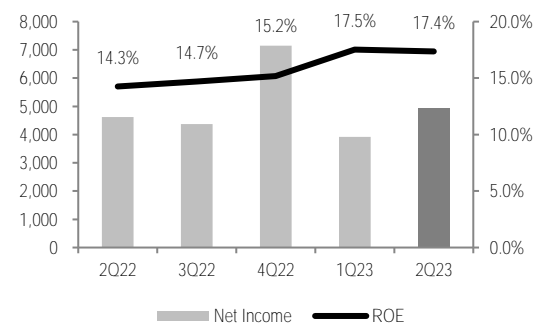
Revenue & EBITDA Margin

MXN, million



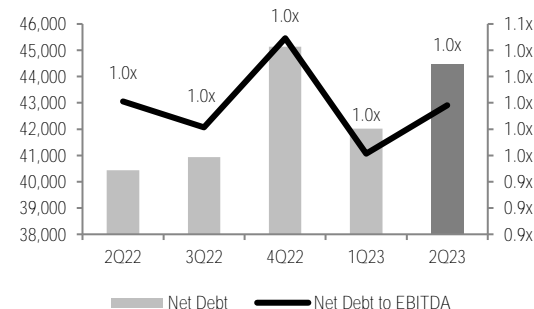
Net Income & ROE

MXN, million



Net Debt & Net Debt to EBITDA ratio

MXN, million



Region's performance

Mexico and Central America

	2Q22	1Q23	2Q23	% y/y	% q/q
Volume	590.7	537.4	643.3	8.9%	19.7%
Price	58.35	62.60	60.44	3.6%	-3.5%
Revenue	34,475	33,617	39,088	13.4%	16.3%
EBITDA	7,533	6,706	8,229	9.2%	22.7%
EBITDA margin	21.9%	19.9%	21.1%	-0.8pp	1.2pp

South America

	2Q22	1Q23	2Q23	% y/y	% q/q
Volume	361.7	402.2	375.7	3.9%	-6.6%
Price	59.27	54.90	54.66	-7.8%	-0.4%
Revenue	22,835	23,740	22,341	-2.2%	-5.9%
EBITDA	3,074	3,816	3,209	4.4%	-15.9%
EBITDA margin	13.5%	16.1%	14.4%	0.9pp	-1.7pp

Consolidated

	2Q22	1Q23	2Q23	% y/y	% q/q
Volume	952.4	939.6	1,018.9	7.0%	8.4%
Price	60.05	59.3	58.31	-2.9%	-1.7%
Revenue	57,311	57,357	61,428	7.2%	7.1%
EBITDA	10,607	10,522	11,439	7.8%	8.7%
EBITDA margin	18.5%	18.3%	18.6%	0.1pp	0.3pp

*Millions of pesos, except volume (millions of unit cases) and price (average per unit case)

Certification of Analysts.

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Carlos Hernández García, Leslie Thalía Orozco Vélez, Hugo Armando Gómez Solís, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, José De Jesús Ramírez Martínez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Juan Carlos Mercado Garduño, Daniel Sebastián Sosa Aguilar, Jazmin Daniela Cuatencos Mora and Andrea Muñoz Sánchez, 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	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.

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History of PT and Ratings

Stock	Date	Rating	PT
KOF UBL	07/25/2023	BUY	\$167.00
KOF UBL	04/26/2023	HOLD	\$167.00
KOF UBL	10/25/2022	HOLD	\$134.00
KOF UBL	07/25/2022	BUY	\$129.53

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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