FEMSA (Buy)

Current price: $199.05, PT $212.00

Flash: Femsa continues with its long-term plan, now with its subsidiary Envoy Solutions

In line with the previously announced strategic plan, Femsa reported an alliance for Envoy Solutions, its US-based subsidiary specializing in packaging solutions, disposable products, and others. The transaction consists of the merger of Femsa's subsidiary with BradyIFS, a leading company in the marketing of janitorial supplies and food services, with the aim of creating a new distribution platform for cleaning products, disposable food products and packaging.

Following the transaction, Femsa will receive a total cash sum of $1.7 billion, which is equivalent to ~4.0% of the current capitalization value and will maintain an equity interest of approximately 37% in the combined entity, in which pro-forma revenues of $5.0 billion are projected. It is worth noting that, considering this transaction, the valuation of Envoy Solutions carries a double-digit unlevered rate of return on the accumulated capital invested by Femsa since 2020 when it entered this business. In the meantime, the company is not expected to contribute additional capital to the new entity.

Envoy Solutions represented ~7.1% of Femsa's total revenues and ~4.4% of EBITDA as of 1H23. On the other hand, it was noted that the usual regulatory approvals are still pending, and the transaction is expected to close in the coming months.

Positive implication: In our opinion, the transaction reflects the conviction to achieve the established objectives and strengthen its key business lines. With this announcement, the company has carried out most of the divestment plans outlined in FEMSA's Forward strategy, while maintaining the focus on executing long-term strategies in retail, beverages, and digital, through a balance of organic growth and inorganic investments, as well as other actions to generate value for shareholders, opening the possibility of extraordinary dividends or share repurchases. This reaffirms the company as one of our favorites.

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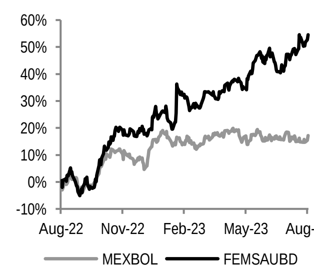
BUY	
Current Price	$199.05
PT	$212.00
Dividend	$1.8
Divdend (%)	0.9%
Upside Potential	7.4%
Max – Min LTM ($)	200.4-121.3
Market Cap (US$m)	42,420.5
Shares Outstanding (m)	3,578.2
Float	60%
Daily Turnover ($ m)	477.8
Valuation metrics LTM	
FV/EBITDA	9.1x
P/E	10.2x
MSCI ESG Rating*	A

Relative performance to MEXBOL LTM



Winners of the 2023 award for best Mexico economic forecasters, granted by *Focus Economics*

Certification of Analyst.

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 Cuautencos 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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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.

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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.

History of PT and Ratings

Stock	Date	Rating	PT
FEMSAUBD	04/28/2023	BUY	$212.00
FEMSAUBD	01/18/2021	BUY	$190.00
FEMSAUBD	07/27/2020	BUY	$164.00
FEMSAUBD	11/29/2019	HOLD	$211.00

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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