

Femsa (Buy, PT \$230.00) Current Price: \$191.05

Flash: Strategic divestitures continue, reflecting efforts to support key businesses

Fomento Economico Mexicano announced that it has reached an agreement with Traxion to divest some of Femsa's logistics operations that operate under the Solistica name. The transaction includes 'transportation management logistics' operations in Mexico and 'contract logistics' operations in Mexico, Brazil, and Colombia. The transaction does not include Femsa's less-than-truckload (LTL) in Brazil. Regulatory approvals are expected to be completed in the first quarter of 2025.

The sale of the business represents approximately MXN 4 billion in cash for Femsa (3.3% of cash as of [2Q24](#)). Although financial leverage would remain relatively stable at 1.6x, the FV/EBITDA valuation would be slightly lower at 8.6x (vs. 8.7x currently). However, it is important to remember the previous announcement of the [divestiture with Mill Point Capital](#) during 3Q24, which amounts to MXN 8 billion. Based on the above and considering the co-benefits, the ND/EBITDA would decrease to 1.5x and the FV/EBITDA multiple would further decrease to 8.5x.

Positive implication. In our opinion, the announcement reflects the important efforts to continue strengthening the core businesses along with significant financial strength. These measures are in line with '[Femsa Forward](#)', contributing to the efficient use of accumulated cash. Given the aforementioned, the company's positive outlook and defensive position, as well as a valuation that, in our opinion, looks attractive at 8.7x FV/EBITDA (vs. L5Y average of 9.4x), we reiterate it in our 'top picks'. Finally, we will keep an eye on Femsa's results next Monday, October 28th.

October 10, 2024



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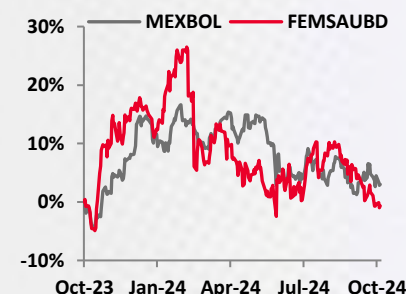
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Buy	
Current Price	\$191.05
PT	\$230.00
Dividend	\$1.87
Dividend (%)	1.0%
Upside potential	21.4%
Max – Min LTM (\$)	243.2-180.3
Market Cap (US\$m)	31,581.7
Shares Outstanding (m)	3,578.2
Float	60.0%
Daily Turnover (\$m)	677.3
Valuation metrics LTM	
FV/EBITDA	8.7x
P/E	23.6x
MSCI ESG Rating*	A

Relative performance to Mexbol LTM



Source: Banorte



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Winners of the award as the best economic forecasters in Mexico by LSEG in 2023



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Document for distribution among the general public

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	Reference
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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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MSCI ESG Rating scale

CCC	B	BB	BBB	A	AA	AAA
Laggard			Average		Leader	

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

History of PT and ratings

Stock	Date	Rating	PT
FEMSA UBD	02/23/2024	Buy	\$230.00
FEMSA UBD	04/28/2023	Buy	\$212.00
FEMSA UBD	01/18/2021	Buy	\$190.00

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