

**FEMSA**



Investor Presentation – May 2018

During this presentation management may discuss certain forward-looking statements concerning FEMSA's future performance that should be considered as good faith estimates made by the Company. These forward-looking statements reflect management expectations and are based upon currently available data. Actual results are subject to future events and uncertainties, which could materially impact FEMSA's actual performance.

# FEMSA

Ownership



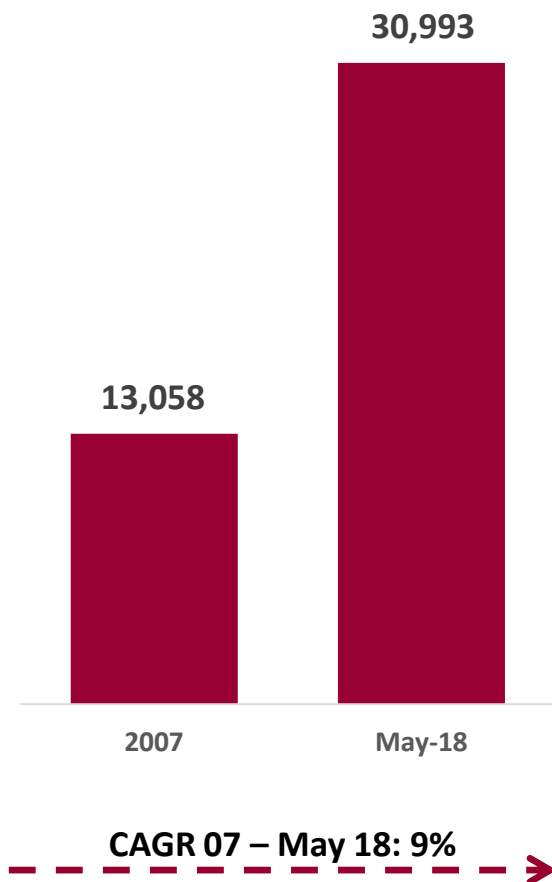
<sup>1</sup> Represents 63% of shares with voting rights.

# Leading Consumer Company in Latin America



		FEMSA Comercio			Coca-Cola FEMSA	Logistics/ Refrigeration
		Retail Division	Health Division	Fuel Division		
	<b>Mexico</b>					
	<b>Brazil</b>					
	<b>Colombia</b>					
	<b>Argentina</b>					
	<b>Venezuela</b>					
	<b>Chile</b>					
	<b>Panama</b>					
	<b>Costa Rica</b>					
	<b>Philippines</b>					
	<b>Guatemala</b>					
	<b>Nicaragua</b>					

## FEMSA Market Cap Evolution (US\$ MM)



## Financial Highlights

	2017	2007 <sup>2</sup>	CAGR%
Revenue <sup>1</sup>	460,456	111,354	15%
EBIT <sup>1</sup>	41,439	13,762	12%
EBIT Margin	9.0%	12.4%	
EBITDA <sup>1</sup>	61,418	17,719	13%
EBITDA Margin	13.3%	15.9%	
CAPEX <sup>1</sup>	25,180	5,794	16%

<sup>1</sup> Amounts expressed in millions of Mexican Pesos

<sup>2</sup> Figures for 2007 are the arithmetical sum of Coca Cola FEMSA and FEMSA Comercio, therefore figures exclude sold businesses.

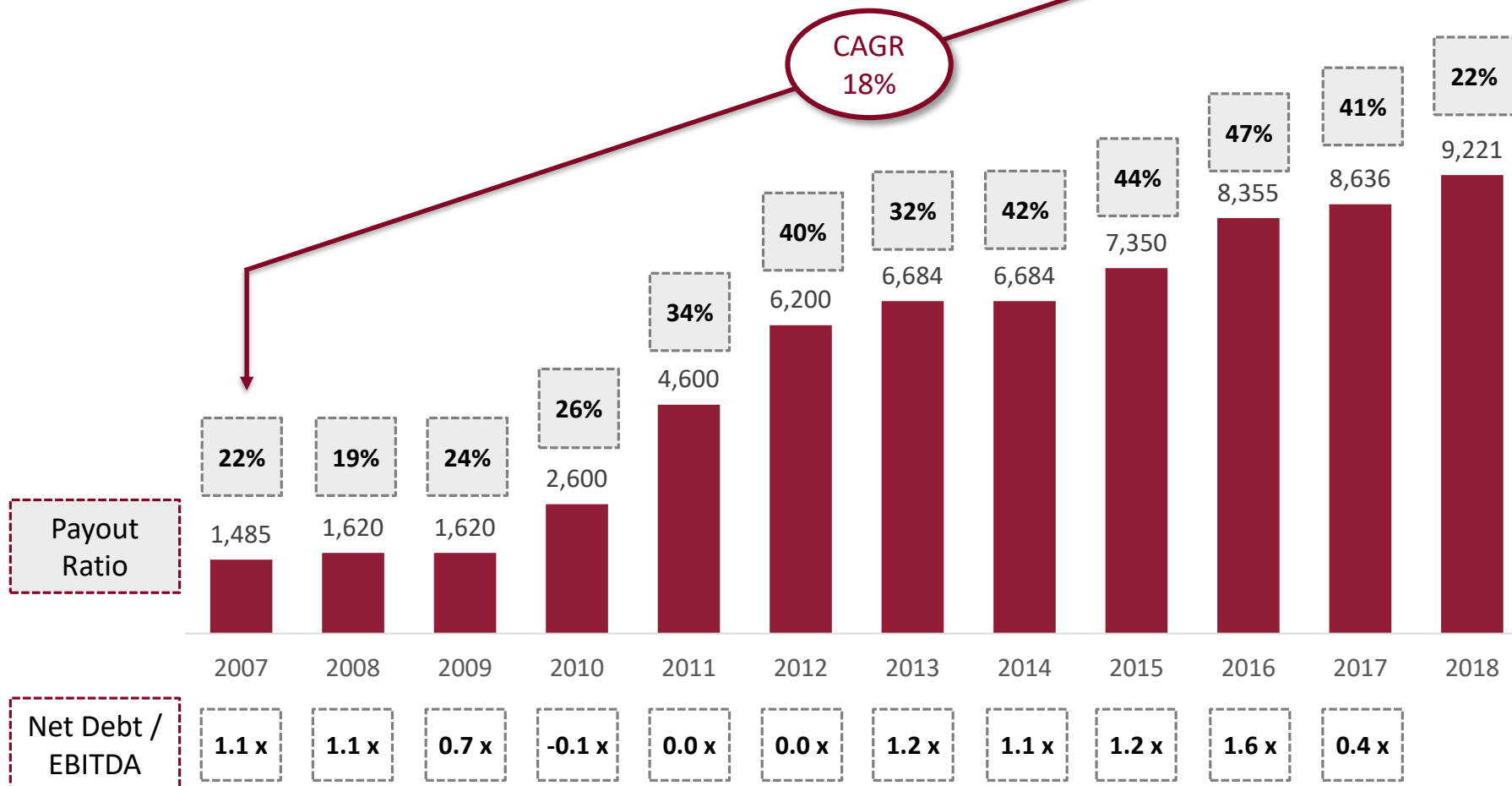
- Consistently strengthening our competitive position.
- Ability to operate in a rapidly changing economic environment.
- Strong brand portfolio and exceptional operational capabilities.

# Increasing Cash to Shareholders Over Time...



...while retaining strategic and financial flexibility

## Ordinary Dividend (Millions of Mexican Pesos)



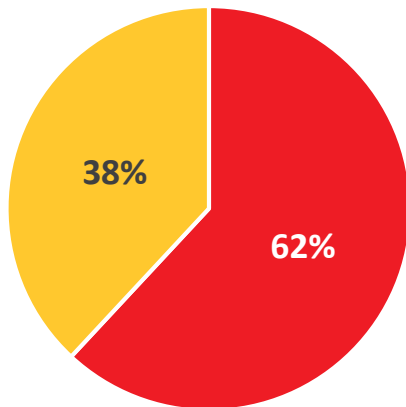
Note: Dividend figures are in Mexican pesos. Payout ratio figures are the division of the dividend between previous year net majority income. 2010 net majority income does not include Heineken transaction effect. 2011 and thereafter figures are under International Financial Reporting Standards ("IFRS").

# An Increasingly Balanced Core Portfolio

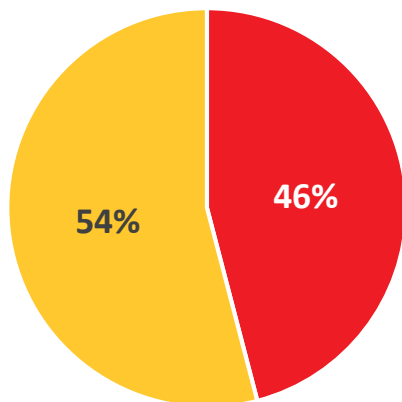


## Revenue Contribution

2007

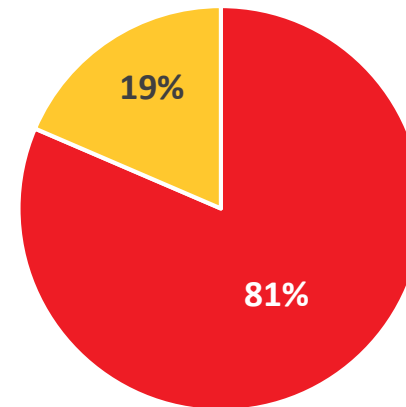


2017

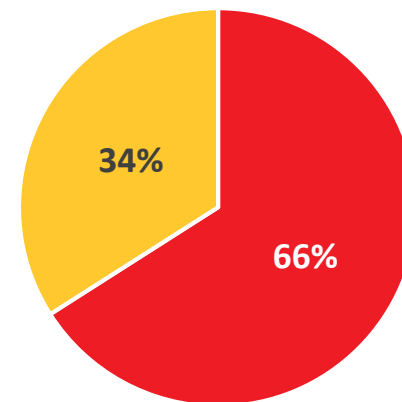




## EBITDA Contribution

2007



2017



 Coca-Cola FEMSA  
 FEMSA Comercio

Note: Figures show the arithmetical sum of Coca Cola FEMSA and FEMSA Comercio for comparison purposes.

**FEMSA**  
COMERCIO







## Retail Division

Operates OXXO, the largest C-store chain in the Americas by units

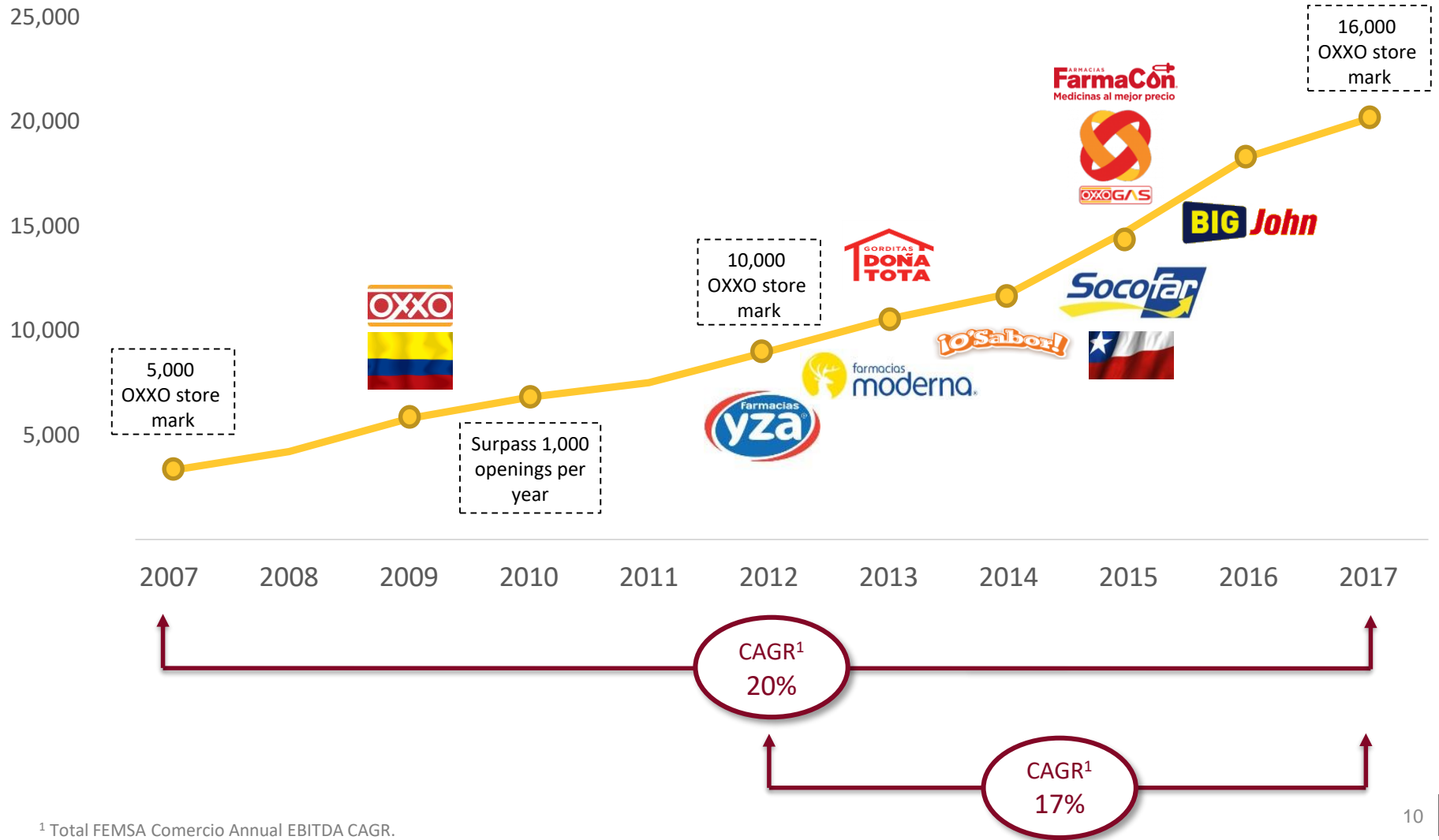
## Health Division

Includes drugstores and related operations in Mexico and South America

## Fuel Division

Operates the OXXO GAS chain of retail service stations in Mexico

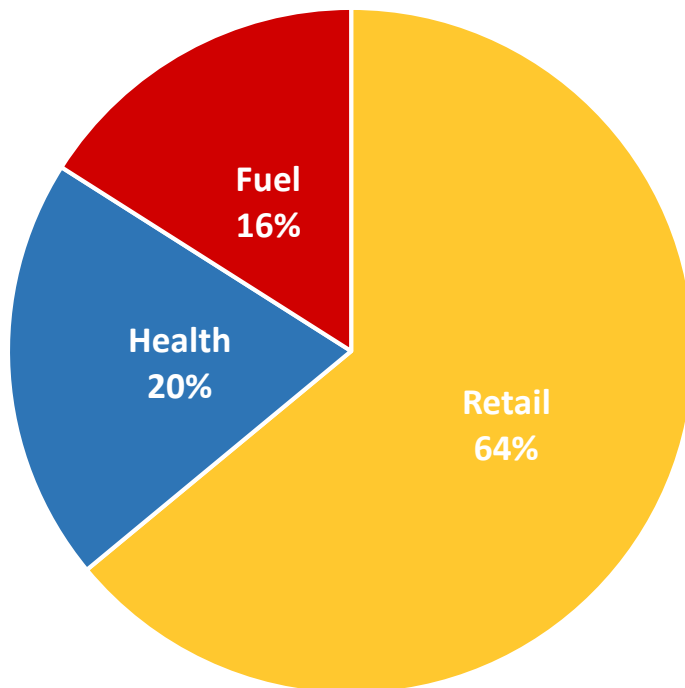
## FEMSA Comercio EBITDA (\$Millions of Pesos) and Business Evolution



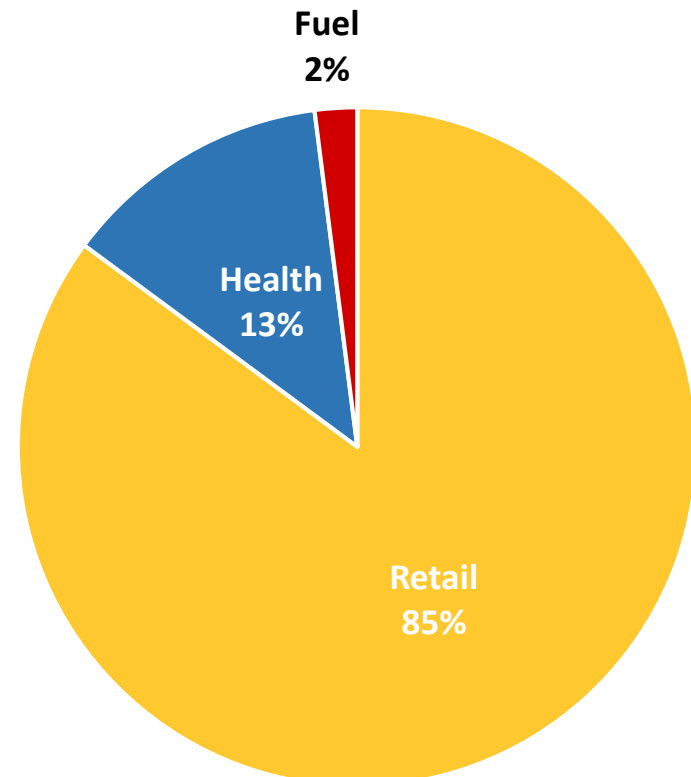
<sup>1</sup> Total FEMSA Comercio Annual EBITDA CAGR.

## Contribution for 2017

### Revenue



### EBITDA



Note: Numbers as of December 31, 2017.

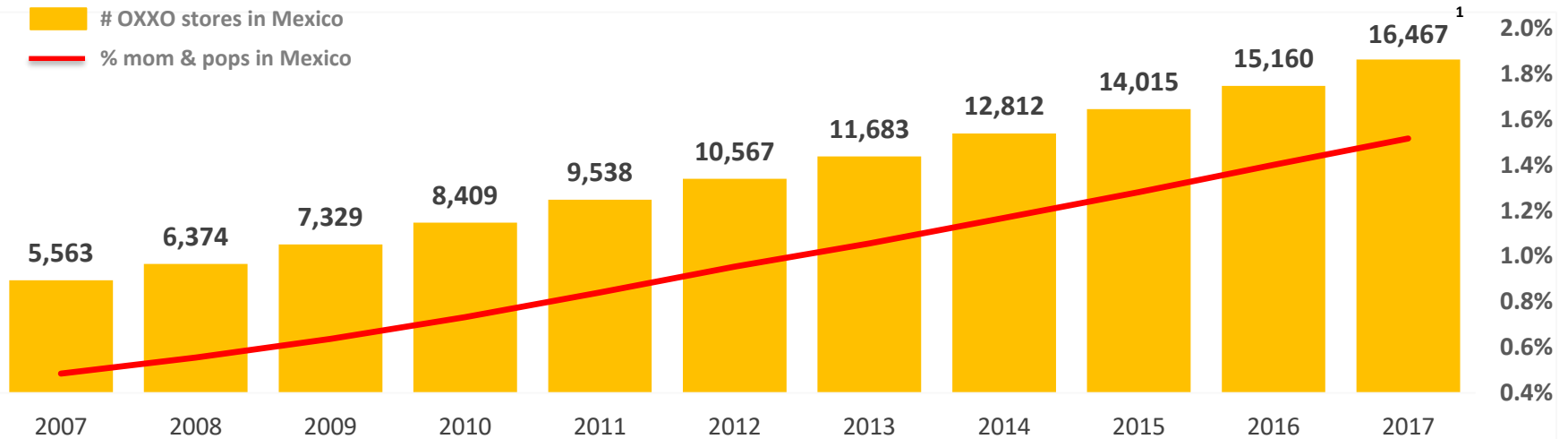
# OXXO: A Format that Fits our Consumer's Needs

- **Third largest retailer in terms of Revenues in Mexico**
- **Benchmark for SSS and sales density in Mexico**
- **Best-in-class margins and returns**
- **We open one new store every 7 hours on average**
- **Every day, approximately 11 million people make a purchase at an OXXO Store**

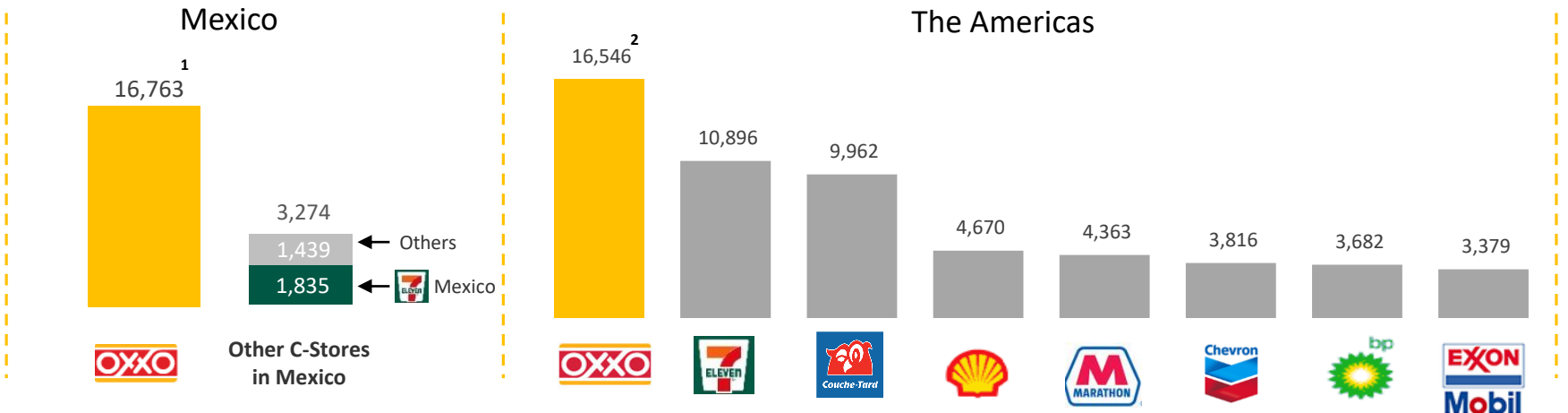


# Largest Store Chain in the Americas by Units

## OXXO Stores as a Percentage of Mom & Pops in Mexico



## Number of Stores

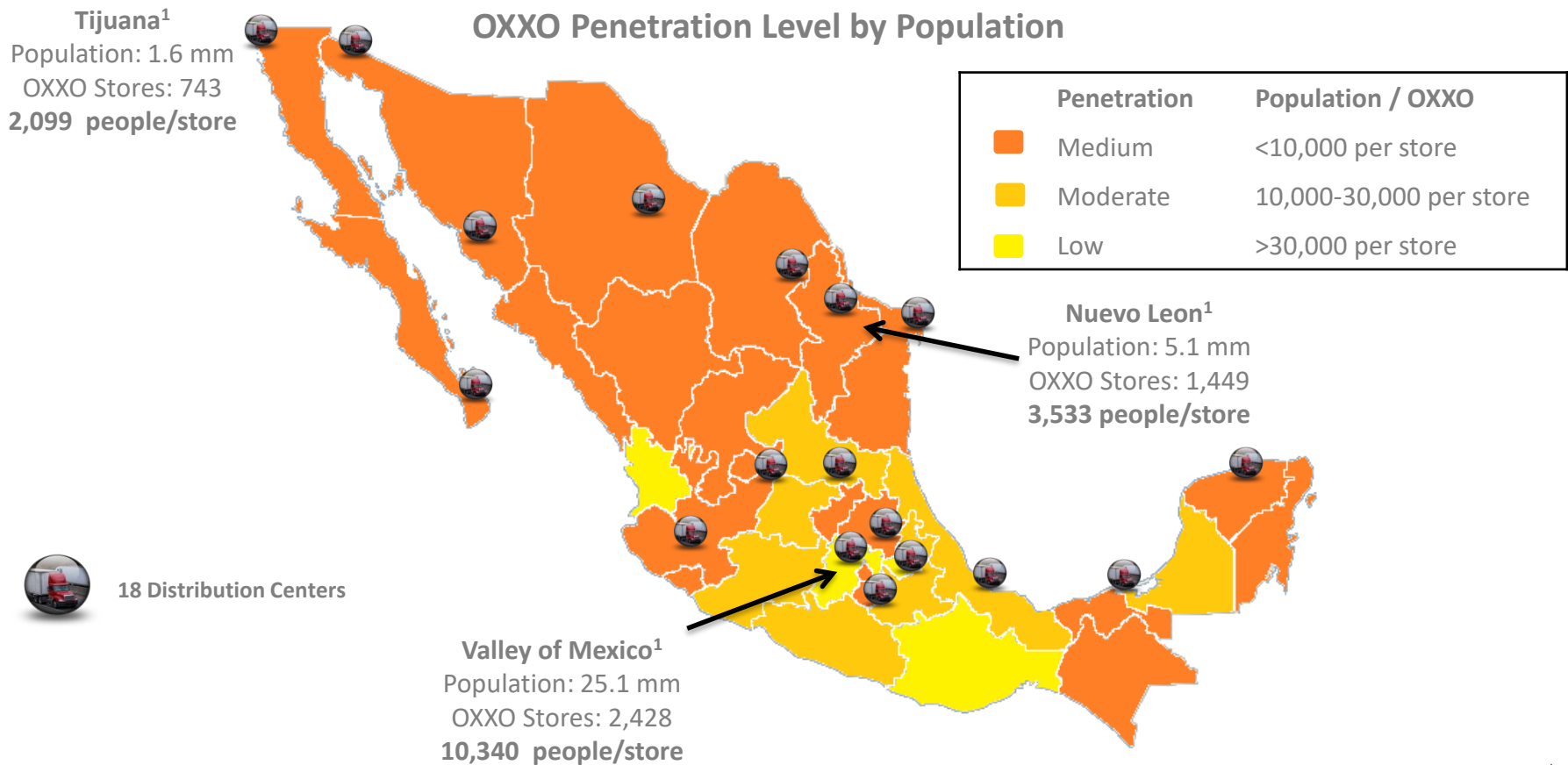


Note: For The Americas Section: Alimentation Couche-Tard includes US, Canada and Latin America as of November 2017. Source: Company Information. 7-Eleven: US, Canada and Mexico Operations as of Dec 2017. Source: Company Information. Rest of the companies: Source: CS News "Top 100 US Convenience Store Companies", Published July 2017. Mom & pops: Company and INEGI information.  
<sup>1</sup> OXXO stores as of March 31, 2018 in Mexico. <sup>2</sup> Total OXXO stores in LatAm as of December 31, 2017.

# Horizontal Growth: Plenty of Runway Ahead

16,763 stores in Mexico and counting

**FEMSA Comercio has developed proprietary models to assist in identifying optimal store locations, store formats and product categories**



Note: INEGI 2015 Inter Population Consensus Survey . FEMSA information as of December 31, 2017.

<sup>1</sup>OXXO stores as of March 31, 2018.

# Differentiated Approach to Fill Consumer Needs



## THIRST

Quench your thirst immediately



## CRAVING

Satisfy your sudden craving for a snack, a meal or drink



## TIME OPTIMIZATION

Acquire one-stop products and services in a simple and fast way



## BREAKFAST

Start your day with a practical breakfast



## LUNCH

Satisfy your hunger with an on-the-go meal



## GATHERING

Stop by for your party needs



## DAILY

Take home your everyday grocery needs



## REPLENISHMENT

Replenish your depleted grocery and non-food products

## Category Development

-Services

+1,000 services offered in the store

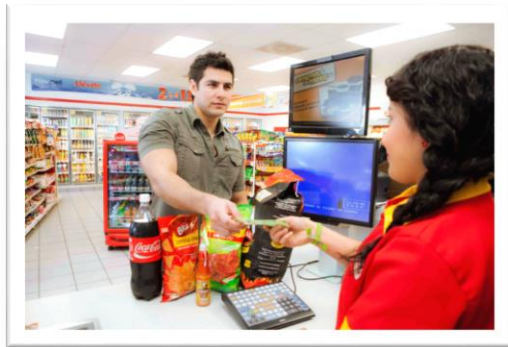


## Category Development

-Prepared Food



## Segmentation





Providing a solid platform for continued growth across the region



- Operating more than **1,100** health related points of sale in Chile and Colombia
- Strong brand recognition and industry leadership in Chile
- Operational expertise will serve as a driver of profitability
- Region presents opportunities for further international and cross-format growth

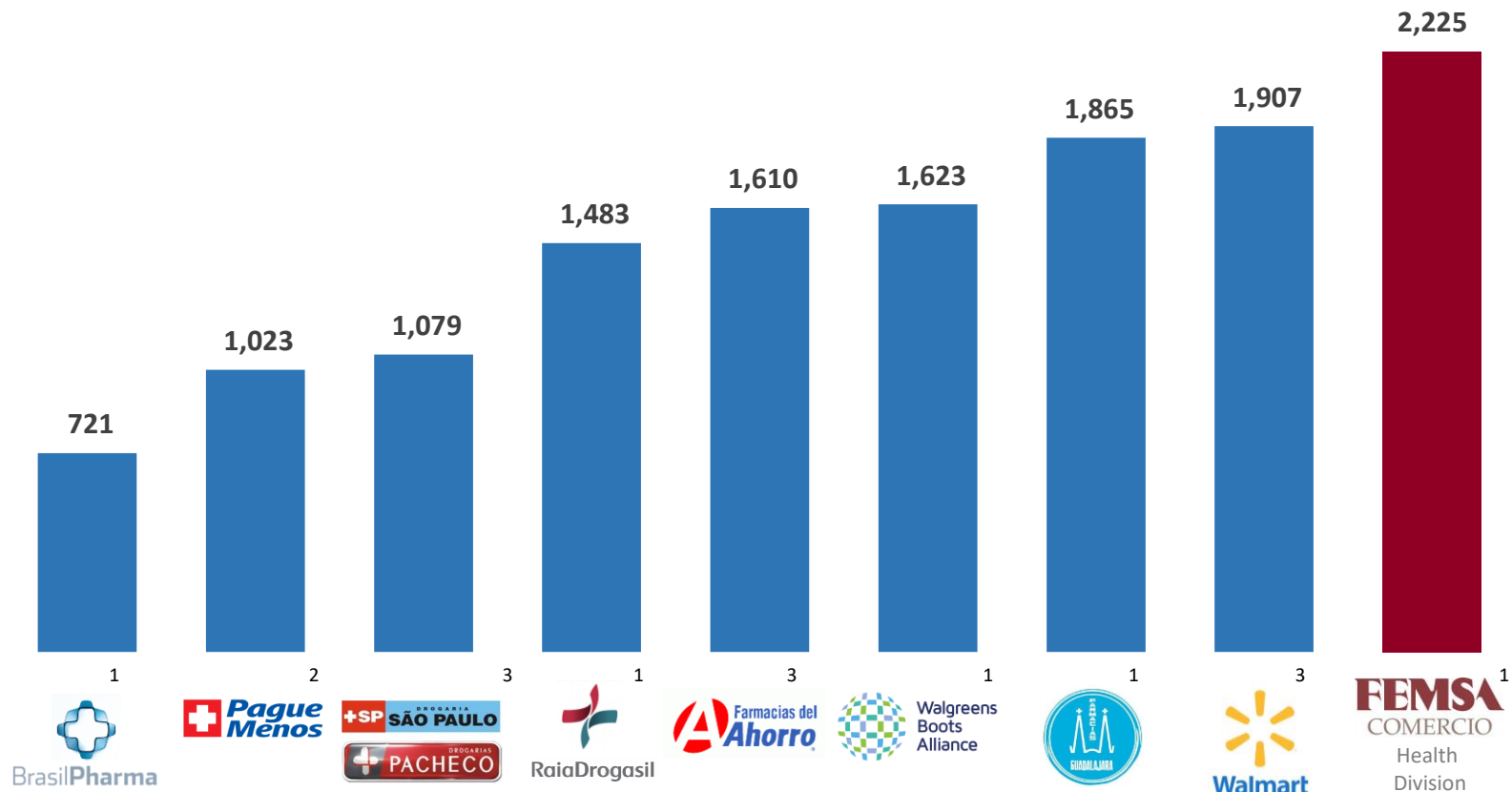
Aspiring to **consolidate fragmented industry** following OXXO game plan



- **FEMSA Comercio now operates more than 1,100 drugstores in Mexico, or approximately 3% of industry units**
- **Current expected organic revenue growth of 10% in the Mexican operations**
- **Oxxo’s operational and logistics expertise will facilitate national expansion**
- **Standardizing business model across different regional brands**

FEMSA Comercio's Health Division is gradually becoming a key drugstore operator in Latin America

### LatAm Comparable Players by Number of Stores



Source:

<sup>1</sup> 4Q17 Company Reports. FEMSA Comercio – Health Division includes drugstores and beauty stores.

<sup>2</sup> 3Q17 Company Reports

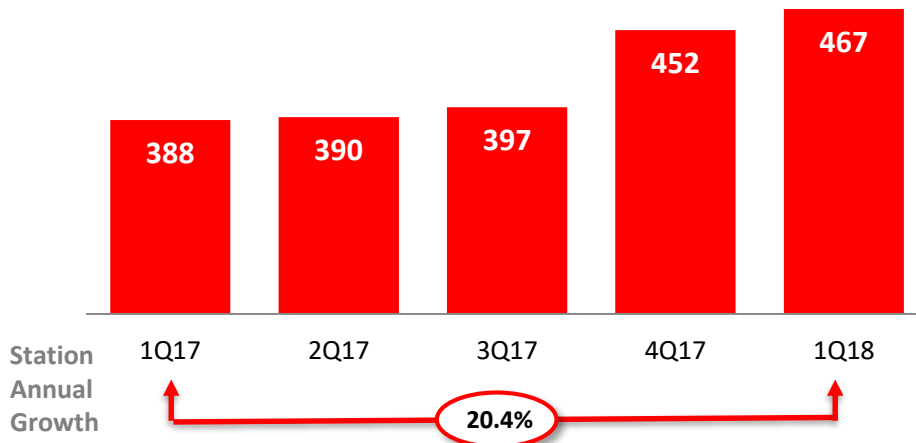
<sup>3</sup> LatAm Retail Pharma Map, ILACAD World Retail, points of sale as of March, 2015.

FEMSA is participating in the rapid transformation of Mexico's Fuel industry

- New changes to Mexican regulatory framework now allow FEMSA to participate directly in the Energy sector, particularly through petrol stations
- We concentrate mainly in the northern part of the country, but with a growing presence in 17 Mexican States

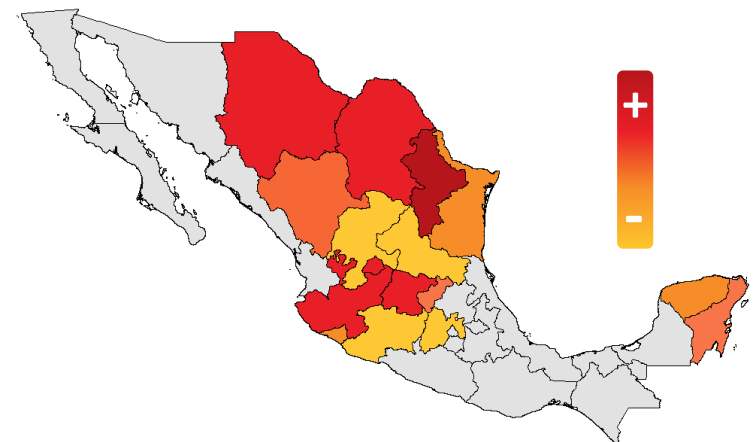


Number of Stations  
(End of Quarter)



Note: Numbers as of March 31, 2018.

Footprint

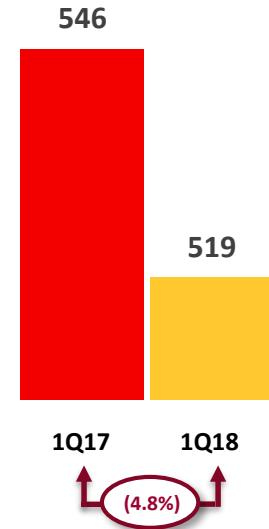


# Gas Stations (OXXO GAS)

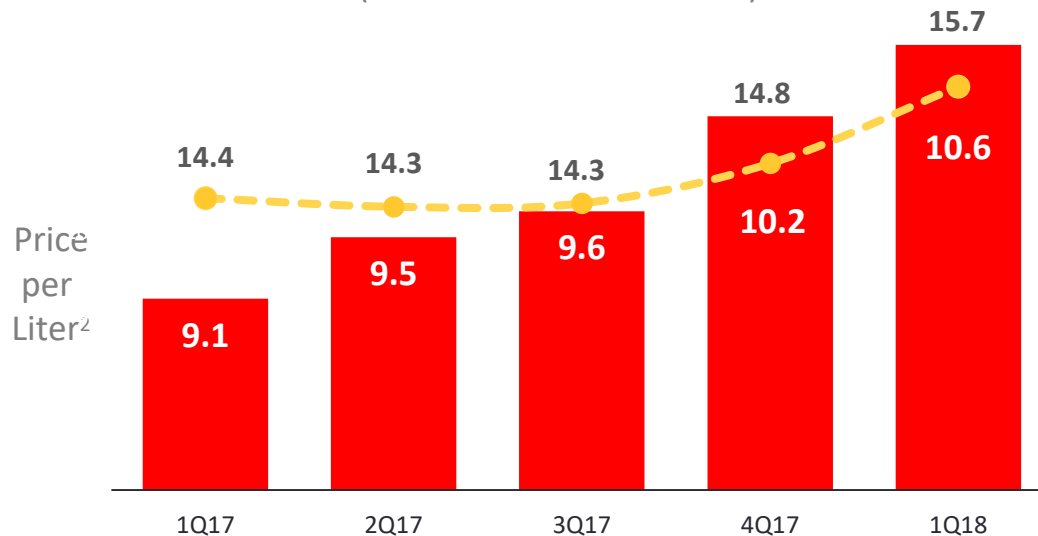
- High-growth, low asset-intensity, high-return business

- As of March 31, 2018 there were 467 OXXO GAS stations, representing around 4% of a highly-fragmented industry

## Same Station Volume<sup>1</sup>



## Revenue (Billions of Mexican Pesos)



<sup>1</sup> Volume in thousands of liters considering same stations with more than twelve months of operations.

<sup>2</sup> Average price per liter in Mexican Pesos.



# Largest Coca-Cola Franchise Bottler in the World by Volume, Operating in Attractive Regions



- Strategic partner to the Coca-Cola system representing about 13% of Global Volume

- ~4 Billion Unit Cases <sup>1</sup>

- +US\$ 10 Billion in Revenues

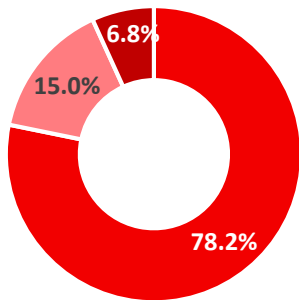
- +380 Million consumers

- More than 2.7 Million points of sale

- +100,000 employees

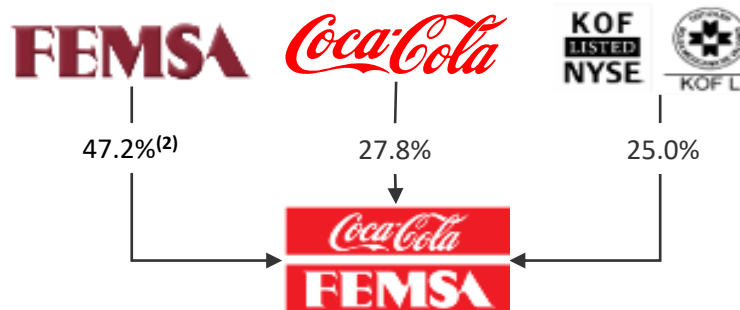


## Volume Mix



■ Sparkling ■ Water ■ Still

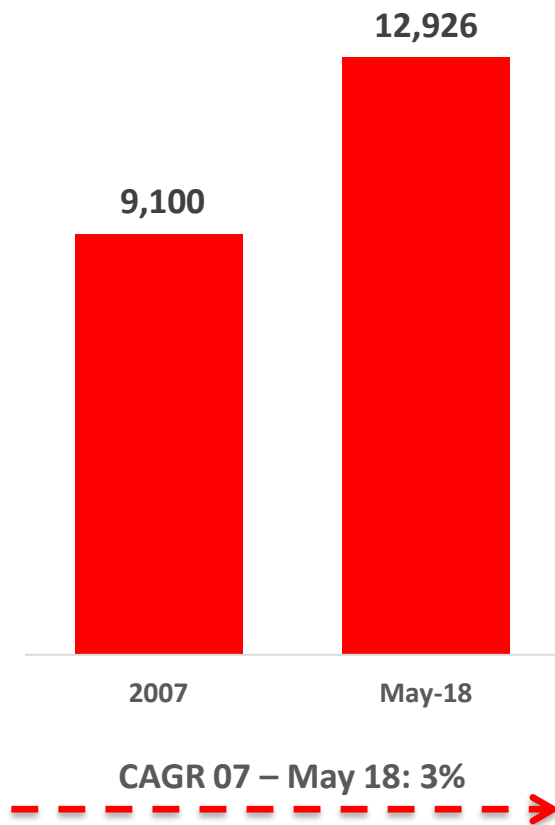
## Ownership:



KOF Figures reflect FY 2017.

<sup>2</sup> Represents 63% of shares with voting rights.

## KOF Market Cap Evolution (US\$ MM)



## Financial Highlights

	2017	2007	CAGR%
Revenue <sup>1</sup>	203,780	69,251	11%
EBIT <sup>1</sup>	26,175	11,447	9%
EBIT Margin	12.8%	16.5%	
EBITDA <sup>1</sup>	39,546	14,434	11%
EBITDA Margin	19.4%	20.8%	
CAPEX <sup>1</sup>	14,612	3,862	15%

<sup>1</sup> Amounts expressed in millions of Mexican Pesos

- Consolidate as a Multi-category Leader.
- Reach Full Operating Potential.
- Growth Through Innovation.
- Growth Through Acquisitions.
- Proactive Environment Management.

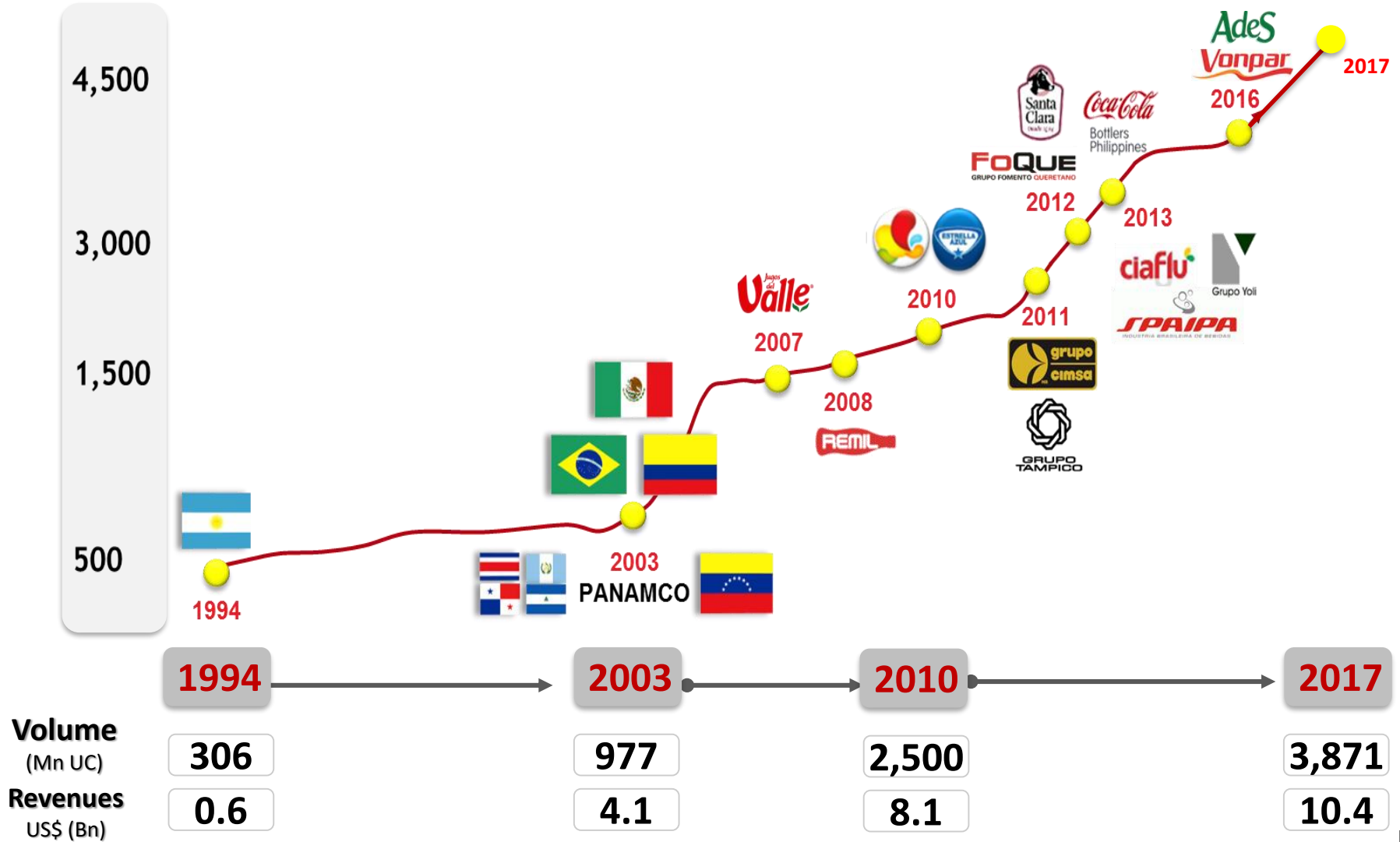
Source: Bloomberg, as of May 04, 2018.



# Strategic partner to the Coca-Cola System towards fulfilling its 2020 vision



30+ years as a Coke bottler through steady & bold investments



\*2017 includes The Philipines results from February to December

# KOF's Strategic Framework continues to be the guide for the business



## Multi-category beverage leader with global footprint



to maximize value in each segment through innovation and affordability.



## CSD's

### ✓ Innovation



### ✓ Low-calorie



### ✓ Affordability



## NCB's

### ✓ Juices

- A portfolio for each segment



### ✓ Sport Drinks

- Market leadership in Mexico



### ✓ Energy Drinks



## Dairy

### ✓ Innovation



### ✓ Plant-based



## Water

### ✓ Innovation



## Accelerate performance with distinctive capabilities

- Focus on **Analytics** and a **streamlined RTM**
- **Compensate incidence** increase through pricing and CoE initiatives



## Ensure operational stability to exploit market leadership

- Tackle current **labor challenges**
- **Sustain margins** despite the economic environment

## Turnaround focus

- **Improve POS execution** and exploit **Coolers** as a driver for growth
- **Vonpar** Integration & **Leao** Transformation



## Capture transformational opportunities

- **Turnaround** in **Panama**
- **Structural changes** in **Guatemala**
- **Costa Rica's** volume growth into **profit growth**
- **Improve capacity** in **Nicaragua** to maintain growth

## Create basis for sustainable and profitable growth

- **Adjust cost structure & recover margins**
- Continue developing **affordable CSD's** portfolio
  - Keep **improving our RTM** capabilities



## Ensure business continuity

- **Rescale business** to continue operating
- Maintain **labor stability**



## Accelerate turnaround

- **Leverage volume growth** to offset cost

# SUSTAINABILITY



OUR PEOPLE



OUR COMMUNITY



OUR PLANET

We are committed to developing the capabilities needed to **generate the economic, social, and environmental conditions** required to operate today—and to grow in the future in harmony with our environment. That is how we understand **sustainability**.

We contribute to **create economic and social value** through our Strategic Sustainability Framework:

**Contributing to the generation of sustainable communities**

**Promoting employees' comprehensive development**



**Minimizing our operations' environmental impact**

# Selected Sustainability Achievements 2016

We are aware of the fact that our communities face challenges that are increasingly more complex. Consequently, we know we need to **evolve and strengthen our decision-making processes** based on criteria that simultaneously creates **economic and social value**, as defined by our mission.

- We participated in the **Carbon Disclosure Project** in the Climate Change and Water versions.



- **Coca-Cola FEMSA** has been for five consecutive years part of the **Dow Jones Sustainability Index for Emerging Markets**.



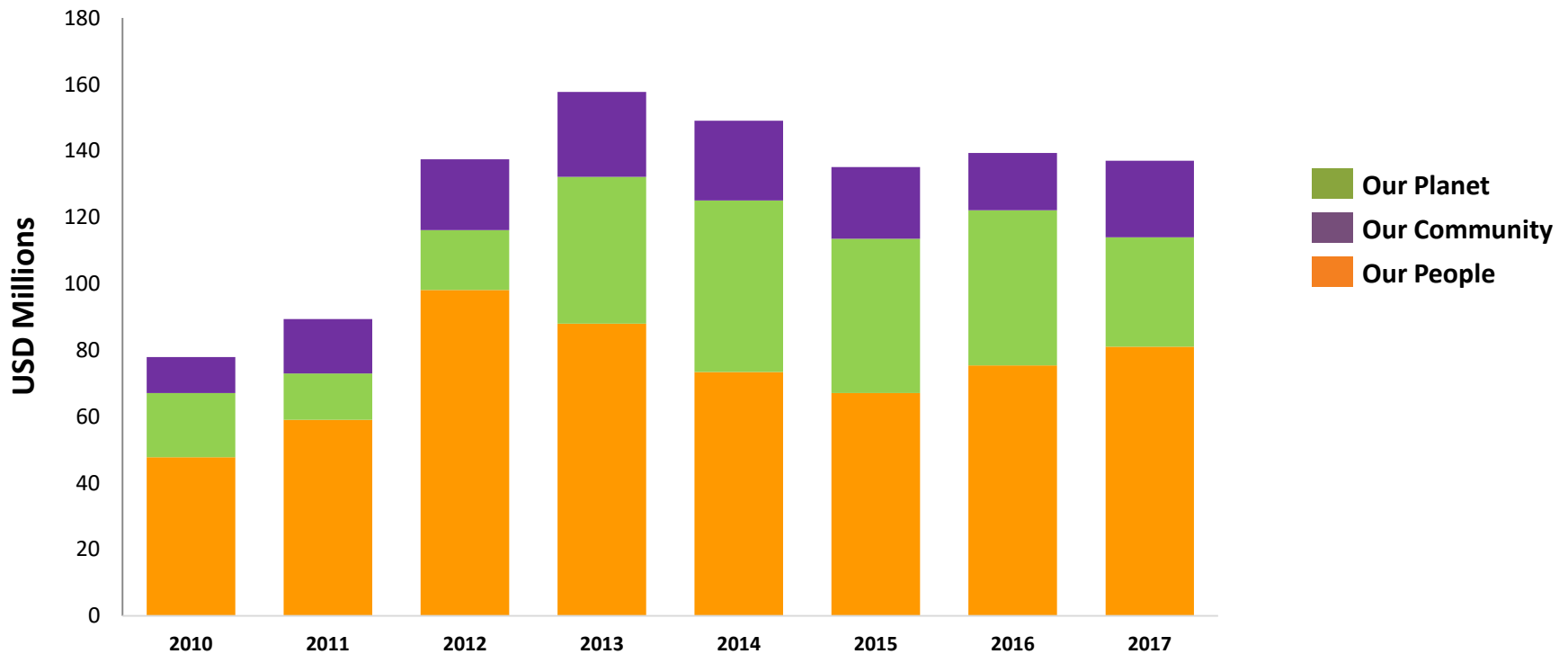
- **FEMSA and Coca-Cola FEMSA** have been part of the **Mexican Stock Exchange Sustainability Index** for six consecutive years.



# Our Investment in Sustainability

At FEMSA we invest ~ 1% of our total consolidated revenue in sustainability every year.

## Total Spending on Sustainability (by Pillar)



\* In MXN terms the investment made on Sustainability during 2015 grew compared to 2014 and during 2014 compared to 2013, but when translated to USD it decreases due to the depreciation of the MXN against the USD (December 31 for each year).





Focus on disciplined capital deployment to take advantage of balance sheet flexibility, targeting assets consistent with our business platform and set of capabilities.



Sustained organic growth at OXXO in Mexico, with compelling growth in new complementary drugstore and fuel operations, as well as medium-term objectives to test additional international markets.



Continue to drive organic revenue growth across markets, working in tandem with The Coca-Cola Company to enhance our portfolio by addressing evolving consumer preferences, and continue to pursue incremental territories that are structurally well suited to our skill set.

# Financial Summary (Amounts in millions of Mexican Pesos)



	2012	% Var	2013	% Var	2014	% Var	2015	% Var	2016	% Var	2017	% Var
Total Revenues	238,309	18%	258,097	8%	263,449	2%	311,589	18%	399,507	28%	460,456	15%
Income from Operations	29,227	19%	29,857	2%	29,983	0%	33,735	13%	37,427	11%	41,439	11%
% of Revenues	12%		12%		11%		11%		9%		9%	
Operative Cash Flow	37,680	20%	39,870	6%	40,945	3%	46,626	14%	54,987	18%	61,418	12%
% of Revenues	16%		15%		16%		15%		14%		13%	
CAPEX	15,560	23%	17,882	15%	18,163	2%	18,885	4%	22,155	17%	25,180	14%
% of Revenues	7%		7%		7%		6%		6%		5%	

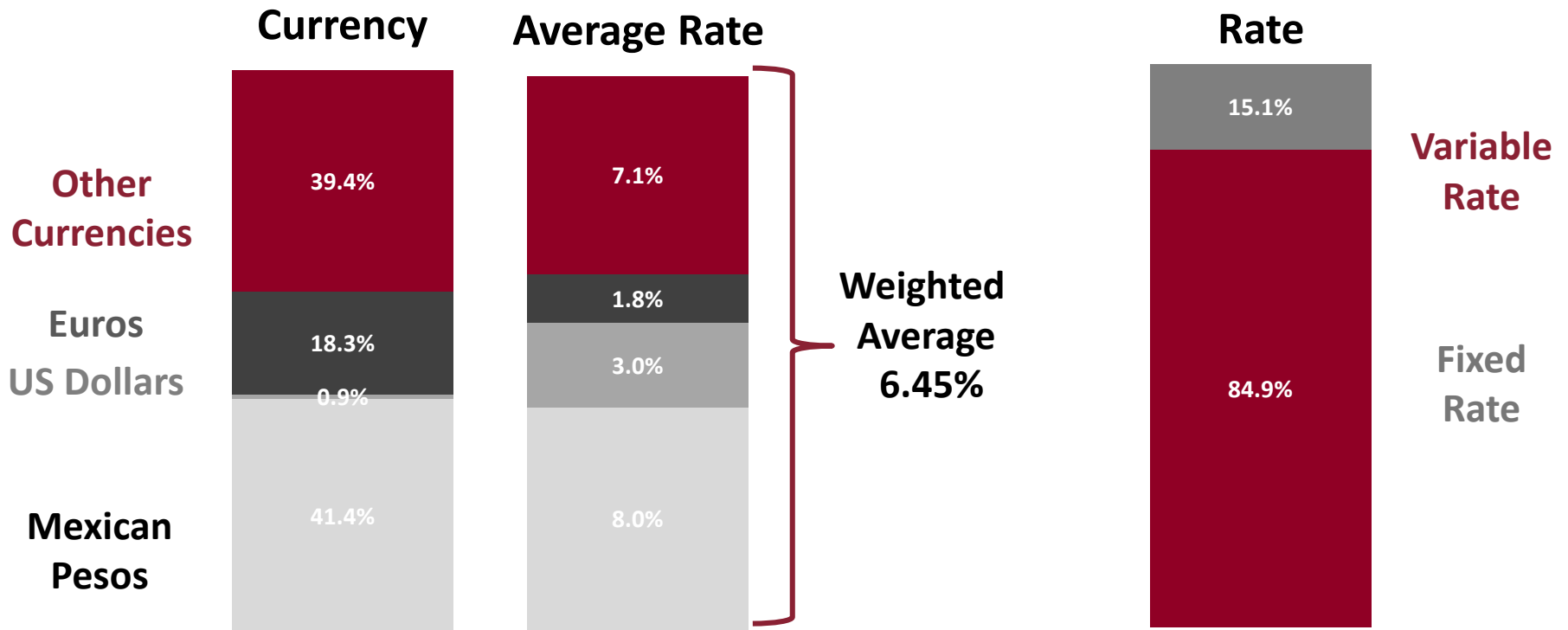


	2012	% Var	2013	% Var	2014	% Var	2015	% Var	2016	% Var	2017	% Var
Total Revenues	86,433	17%	97,572	13%	109,624	12%	151,401	38%	209,166	38%	240,013	15%
Income from Operations	6,778	23%	7,906	17%	8,680	10%	11,105	28%	13,310	20%	14,331	8%
% of Revenues	8%		8%		8%		7%		6%		6%	
Operative Cash Flow	8,994	20%	10,546	17%	11,756	11%	14,801	26%	18,306	24%	20,139	10%
% of Revenues	10%		11%		11%		10%		9%		8%	
CAPEX	4,708	12%	5,683	21%	5,191	-9%	6,276	21%	8,405	34%	9,628	15%
% of Revenues	5%		6%		5%		4%		4%		4%	
OXO SSS %growth	7.7		2.4		2.7		6.9		7.0		6.4	



	2012	% Var	2013	% Var	2014	% Var	2015	% Var	2016	% Var	2017	% Var
Total Revenues	147,739	20%	156,011	6%	147,298	-6%	152,360	3%	177,718	17%	203,780	15%
Income from Operations	21,956	19%	21,450	-2%	20,743	-3%	22,645	9%	23,920	6%	26,175	9%
% of Revenues	15%		14%		14%		15%		13%		13%	
Operative Cash Flow	27,923	20%	28,594	2%	28,385	-1%	31,233	10%	35,495	14%	39,546	11%
% of Revenues	19%		18%		19%		20%		20%		19%	
CAPEX	10,259	31%	11,703	14%	11,313	-3%	11,484	2%	12,391	8%	14,612	18%
% of Revenues	7%		8%		8%		8%		7%		7%	
Volume (mill UC)	3,046	15%	3,205	5%	3,417	7%	3,436	1%	3,334	-3%	3,871	16%

# Debt Profile – March 31, 2018



# FEMSA

## Contact Information

[investor@femsa.com.mx](mailto:investor@femsa.com.mx)

[www.femsa.com](http://www.femsa.com)

Phone: (52) 818328-6167

## Stock Information

Bolsa Mexicana de Valores (BMV): FEMSAUBD

New York Stock Exchange, Inc (NYSE): FMX

*ADR 10:1*