# FEMSA

## **FEMSA** Forward

**Focused Leadership in Retail and Beverages** 

February 2023

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**FEMS**A

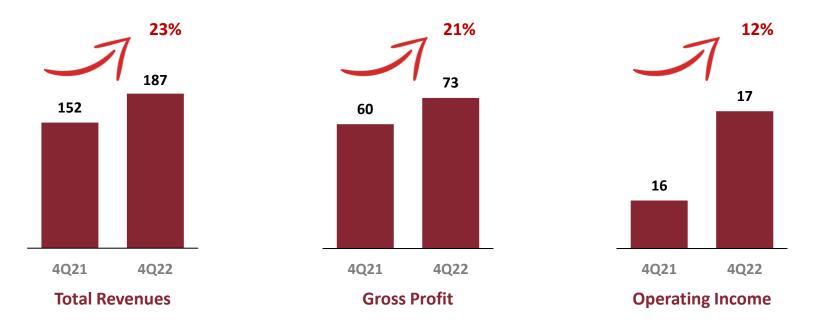
Agenda for today

- FEMSA Value Creation Model & Track Record
- Background on Strategic Review
- FEMSA Forward Strategy
- The Roadmap

## **Recent Developments – 4Q22 Results**

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Based on preliminary unaudited figures for the fourth quarter of 2022, FEMSA's total consolidated revenues increased 23% driven by growth across all of FEMSA's business units. Over the same period, gross profit increased 21% and income from operations increased 12%. Net consolidated income was Ps. 9,257 million.



| <b>FEMSA</b> |
|--------------|
|--------------|

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FEMSA leverages its core capabilities, understanding and solving the daily needs of its customers to generate long-term value...

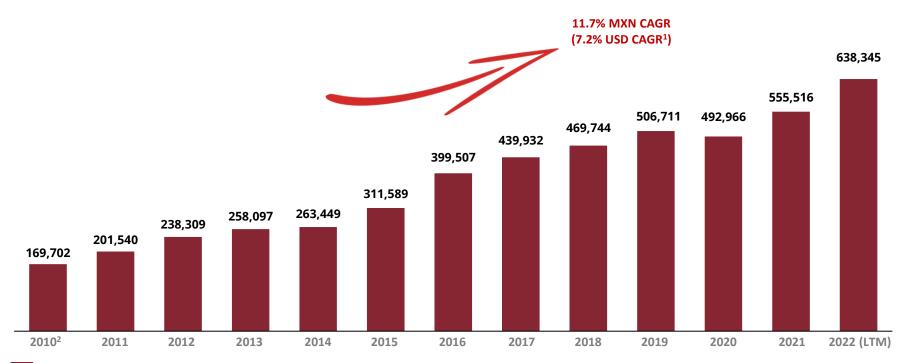
- Reaching and serving our clients and customers through **frequent interactions** and high levels of **capillarity**.
- Providing highly scalable products and services in mass-market, mainstream industries.
- Executing with **operating excellence** in any environment, using **efficient logistics solutions** supported by **effective processes** to master **fragmented distribution**.
- Segmenting markets, adjusting value propositions and maximizing revenue management based on data and analytics.

...operating resilient businesses, with attractive growth trajectories and returns above their cost of capital.



## Our value creation model has delivered growth across changing environments **FEMS**

Consistent track record sets the stage for FEMSA Forward



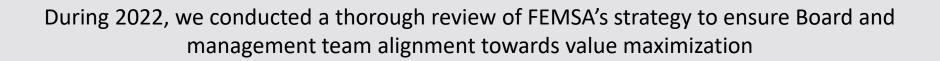
Full Year Revenues (in millions of MXN pesos)

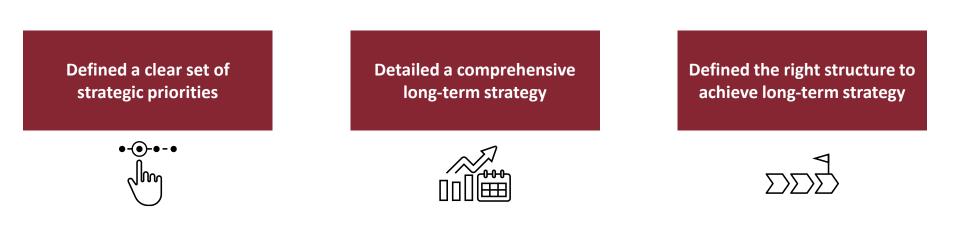
1.- Nominal terms. USD figures converted from Mexican pesos using the end-of-period rate published by the Federal Reserve Bank of New York.

2.- 2010 shows restated figures to reflect the exchange of 100% of FEMSA Cerveza for 20% economic interest in the Heineken Group.

## **2022** Strategic Review

Background





FFMSA

## Defining a clear set of strategic priorities for FEMSA





## The Long-Range plan process generated an actionable set of conclusions



Clear priorities

**Comprehensive long-term strategy** 

Strategic clarity with structural alignment

Meaningful value creation potential across our businesses Retail, Beverage and Digital businesses offer the most compelling value-generation opportunities Together, these three businesses leverage each other to unlock unique value creation synergies

Retail, Beverages and Digital together present the most compelling value creation opportunities for FEMSA, and will command our full focus going forward

## FEMSA Forward strategy

### Strategic Clarity: Retail and Beverages, enabled by Digital

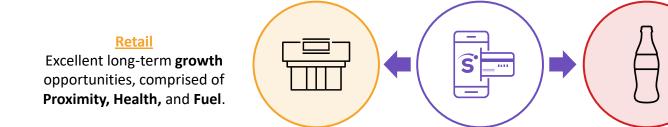
**Clear priorities** 

Comprehensive long-term strategy

Strategic clarity with structural alignment

FEMSA

A focused leader in Retail and Beverages, leveraged and connected by a Digital customer-centric ecosystem to maximize value creation



Coca-Cola FEMSA

Leveraging its **leading** competitive position and excellent execution, combined with financial strength and strategic opportunities.

#### Digital

Building a value-added financial ecosystem while enabling and leveraging the strategic assets of FEMSA's core business verticals.

## **FEMSA Retail**

More OXXO, more formats, more drugstores

#### Today

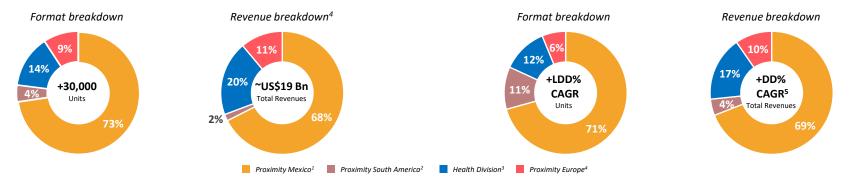
#### Leader in small-box retail...

- +30,000 locations in 10 countries with best-in-class capital returns.
- Consumer-centric value proposition in constant evolution.
- Proven value propositions across markets.
- FEMSA's Health Division is the largest drugstore platform in Latin America.

#### **Tomorrow**

#### ...capturing exciting long-term growth opportunities

- Keep growing OXXO's footprint in Mexico while developing other formats such as OXXO Smart, Bara, Pronto, and Andatti Drive.
- Accelerate expansion in South America. •
- Explore the Proximity Retail space in the United States. ٠
- Consolidate our competitive position in Chile while accelerating growth in Colombia, Ecuador and Mexico.
- Empower and partner with Mexico's traditional trade leveraging FEMSA Digital.



1.- Includes OXXO Mexico & other proximity formats such as OXXO Gas, OXXO Smart, Bara & Pronto 2.- Includes 50% of Grupo Nós; FEMSA's joint-venture with Raízen in Brazil 3.- Includes Mexico and South America 4.- Shows Valora's 2022 Proforma Revenues. 5.- Nominal, USD LDD: Low double-diait DD: Double-digit

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## **Coca-Cola FEMSA**

Competitive strength, cash flow and optionality

#### Today

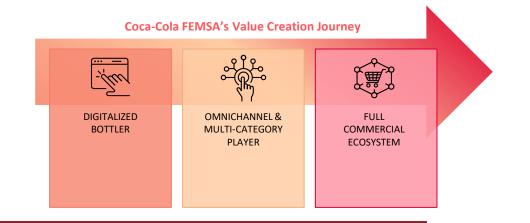
#### A global benchmark bottler...

- Largest bottler in the global Coca-Cola system by volume, leveraging its strong system alignment to drive growth, develop new consumption occasions, and maximize profitability.
- Retail-savvy, consumer-centric business model supported by digital tools and analytics.
- Building a digitally-enabled multicategory ecosystem.

#### Tomorrow

#### ...with compelling opportunities

- Maturing its omnichannel, multi-category platform and working to enable and evolve the traditional retail channel in Mexico, aiming to leverage unique and powerful synergies and capabilities within the FEMSA ecosystem.
- Strong financial position.
- Actively exploring opportunities to expand its geographical footprint to other relevant territories in a disciplined manner.



EENIS.

## Digital@FEMSA

Evolving the Spin ecosystem

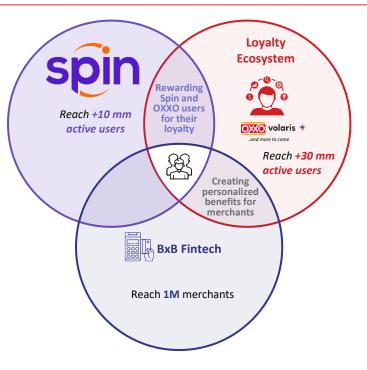
### **FEMS**A

#### Today

Building the core and gaining relevant traction...

#### Tomorrow

#### ...to become the everyday ally for 30 million active users





**BxB Fintech** 

Digital wallet offering payment solutions for the Mexican population Business-to-Business fintech product that seeks to foster small and medium merchants' financial inclusion

#### +5 million users

OXXO's first loyalty program that rewards its customers for their day-to-day spending

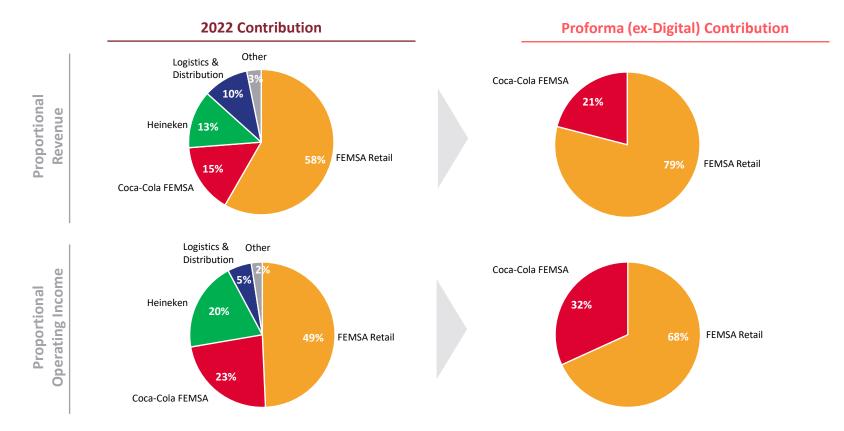
PREMIA

+26 million users

#### Leveraging FEMSA's capabilities and assets

## FEMSA Forward structure

### Structural Simplicity: Retail will contribute more than two-thirds of revenue and profits



**FEMSA** 

## **FEMSA** Forward

**Strategic Priorities** 

#### What will stay the same

- Capabilities-driven value creation model:
  - Accelerated growth
  - Broad and deep digitalization
- Resilient, large-scale, consumer-centric businesses.
- Strong long-term organic and inorganic growth potential across core verticals.
- Operational excellence.
- Solid returns above cost of capital.

#### What to expect going forward

- Strategic clarity focused on Retail, Beverages and Digital.
- Leveraging our three core businesses to empower Mexico's traditional retail channel.
- Pursuit of value-creating organic and inorganic opportunities, always within our core business verticals.
- Seeking to maintain a solid investment grade credit rating.
- Disciplined policy to return capital to shareholders.
- Increased disclosure across business units.
- Continued fine-tuning of Board composition and corporate governance practices.

FFMSA

## The Roadmap

#### Decisive actions to capture compelling returns

| HEINEKEN  | FEMSA's investment in Heineken will be divested, subject to market conditions.   |
|-----------|--|
|           | We will seek strategic alternatives for Envoy Solutions.   |
| Solistica | We will seek strategic alternatives for FEMSA's other minority investment and other non-core, non-strategic business units.  |
|           | FEMSA will seek to reduce existing debt in the market in order to achieve a target leverage of approximately 2x Net Debt/EBITDA ex-KOF <sup>1</sup> maintaining a solid investment grade credit rating. Capital in excess of that required for organic and inorganic growth in our core business verticals will be returned to FEMSA shareholders over time. |

We expect to complete these actions within a target timeframe of 24-36 months, subject to market conditions

FEMSA

## Strategic and Financial Framework

### **FEMS**A

|   |  | Long-Term Targets   |
|---|--|---|
| Strong Growth                           | Dynamic Revenue and EBITDA<br>CAGR across operations                                   | ~ <b>Low double-digit CAGR<sup>1</sup></b><br>Revenues & EBITDA     |
| Digitalization                          | Leverage technology at every level,<br>building our digital ecosystem                  | + <b>30 million active users</b> of our digital ecosystem           |
| Sector and<br>Geographic Focus          | Pursue growth opportunities in core<br>business verticals across markets               | Predominant exposure to<br>Latin America                            |
| Balance Sheet &<br>Financial Discipline | Maintain solid investment grade credit rating,<br>anchored on defined leverage metrics | <b>2x Net Debt / EBITDA</b><br>Ex-KOF <sup>2</sup>                  |
| Capital Returns                         | Disciplined approach to return capital<br>to shareholders                              | Excess <b>capital</b> after<br>organic and inorganic<br>core growth |



## **Thank You**



## Q&A



# Appendix

## **Reconciliation of Non-IFRS Metrics**

### Proportional Revenues & Proportional Operating Income

| (In million of U.S. dollars)        | Twelve months ended September 30, 2022 |             |                          |                              |  |  |
|-------------------------------------|--|-------------|--------------------------|------------------------------|--|--|
| Non IFRS Financial data (unaudited) | Reported<br>Revenues                   | Adjustments | Proportional<br>Revenues | Adjustments<br>FEMSA Forward | Proportional<br>Revenues Proforma <sup>5</sup> |  |
| Proximity Division                  | 11,150                                 | -           | 11,150                   | -                            | 11,150   |  |
| Fuel                                | 2,431                                  | -           | 2,431                    | -                            | 2,431  |  |
| Health Division                     | 3,700                                  | -           | 3,700                    | -                            | 3,700  |  |
| Valora <sup>1</sup>                 | -                                      | 2,016       | 2,016                    | -                            | 2,016  |  |
| Logistics & Distribution            | 3,352                                  | -           | 3,352                    | (3,352)                      | -  |  |
| Coca-Cola FEMSA <sup>2</sup>        | 10,855                                 | (5,732)     | 5,124                    | -                            | 5,124  |  |
| Other <sup>3</sup>                  | 174                                    | -           | 174                      | -                            | 174  |  |
| FEMSA Consolidated                  | 31,349                                 | (3,716)     | 27,947                   | (3,352)                      | 24,595   |  |
| Heineken <sup>4</sup>               | -                                      | 4,226       | 4,226                    | (4,226)                      | -  |  |
| FEMSA Consolidated Proportional     | 31,349                                 | 510         | 32,172                   | (7,578)                      | 24,595   |  |

2 Adjustment represents the portion of Coca-Cola FEMSA not owned by FEMSA or its subsidiaries

3 Includes FEMSA Other businesses and consolidation adjustments

4 Adjustment reflects 14.78% of Heineken Group LTM revenues as of last available reported period, as if it was consolidated by FEMSA.

5 Proforma assumes that all the FEMSA Forward initiatives have been completed

Source: FEMSA and Coca-Cola FEMSA quarterly results figures converted to USD\$ using end-of-quarter exchange rates as reported by the USA Federal Reserve. Bloomberg for Heineken and Valora's figures, in USD\$. \*Excluding JRD

| <b>(In million of U.S. dollars)</b><br>Non IFRS Financial data (unaudited) | Twelve months ended September 30, 2022 |             |                                  |                              |  |  |
|--|--|-------------|----------------------------------|------------------------------|--|--|
|  | Reported<br>Operating Income           | Adjustments | Proportional<br>Operating Income | Adjustments<br>FEMSA Forward | Proportional Operating<br>Income Proforma <sup>5</sup> |  |
| Proximity Division   | 1,106                                  | -           | 1,106                            | -                            | 1,106  |  |
| Fuel   | 103                                    | -           | 103                              | -                            | 103  |  |
| Health Division  | 191                                    | -           | 191                              | -                            | 191  |  |
| Valora <sup>1</sup>  | -                                      | 35          | 35                               | -                            | 35   |  |
| Logistics & Distribution   | 156                                    | -           | 156                              | (156)                        | -  |  |
| Coca-Cola FEMSA <sup>2</sup>   | 1,468                                  | (775)       | 693                              | -                            | 693  |  |
| Other <sup>3</sup>   | (173)                                  | -           | (173)                            | -                            | (173)  |  |
| FEMSA Consolidated   | 2,851                                  | (740)       | 2,111                            | (156)                        | 1,955  |  |
| Heineken <sup>4</sup>  | -                                      | 574         | 574                              | (574)                        | -  |  |
| FEMSA Consolidated Proportional  | 2,791                                  | (133)       | 2,658                            | (728)                        | 1,930  |  |

FEMSA

## **Reconciliation of Non-IFRS Metrics**

### EBITDA ex-KOF & Net Debt ex-KOF

| (In million of U.S. dollars)           | Twelve months ended September 30, 2022 |             |                           |  |
|--|--|-------------|---------------------------|--|
| Non IFRS Financial data (unaudited)    | Reported<br>EBITDA                     | Adjustments | EBITDA exKOF <sup>4</sup> |  |
| Proximity Division                     | 1,695                                  | -           | 1,695                     |  |
| Fuel                                   | 156                                    | -           | 156                       |  |
| Health Division                        | 371                                    | -           | 371                       |  |
| Logistics & Distribution               | 311                                    | (311)       | -                         |  |
| Coca-Cola FEMSA <sup>1</sup>           | 2,068                                  | (2,068)     | -                         |  |
| Other <sup>2</sup>                     | (155)                                  | -           | (155)                     |  |
| FEMSA Consolidated                     | 4,447                                  | (2,379)     | 2,068                     |  |
| Coca-Cola FEMSA Dividends <sup>3</sup> | -                                      | 268         | 268                       |  |
| FEMSA Consolidated exKOF               | 4,447                                  | (2,111)     | 2,336                     |  |

#### FEMSA Consolidated exKOF 4.447 (2,111)

1 Coca-Cola FEMSA adjustemnt represents 100% of its EBITDA to reflect effect to FEMSA's cashflow

2 Includes FEMSA Other businesses and consolidation adjustments

3 Reflects cash dividends received from Coca-Cola FEMSA during 2022

4 Proforma assumes that all the FEMSA Forward initiatives have been completed

Source: FEMSA and Coca-Cola FEMSA quarterly results figures converted to USD\$ using end-of-quarter exchange rates as reported by the USA Federal Reserve. Bloomberg for Heineken and Valora's figures, in USD\$. \*Excluding JRD

#### as of September 30, 2022 (In million of U.S. dollars) Non IFRS Financial data (unaudited) Reported Adjustments

| Cash & Equivalents                 | 3,075  | -       | 3,075 |
|------------------------------------|--------|---------|-------|
| Coca-Cola FEMSA Cash & Equivalents | 1,949  | (1,949) | -     |
| Cash & Equivalents                 | 5,024  | (1,949) | 3,075 |
|                                    |        |         |       |
| Financial Debt                     | 4,651  | -       | 4,651 |
| Coca-Cola FEMSA Financial Debt     | 3,709  | (3,709) | -     |
| Lease Liabilities                  | 3,276  | -       | 3,276 |
| Coca-Cola FEMSA Lease Liabilities  | 72     | (72)    | -     |
| Debt                               | 11,709 | (3,781) | 7,927 |
|                                    |        |         |       |
| FEMSA Net Debt                     | 6,684  | (1,832) | 4,852 |

exKOF



