

Company Name: Coca-Cola Femsa
Company Ticker: KOFUBL MM
Date: 2022-04-29
Event Description: Q1 2022 Earnings Call

Market Cap: 232541.081719964
Current PX: 110.69000244140625
YTD Change(\$): -1.01
YTD Change(%): -0.904

Bloomberg Estimates - EPS
Current Quarter: 1.661
Current Year: 7.024
Bloomberg Estimates - Sales
Current Quarter: 50447.286
Current Year: 207295.071

Q1 2022 Earnings Call

Company Participants

- Unidentified Speaker
- John Santa Maria Otazua, Chief Executive Officer
- Constantino Spas Montesinos, Chief Financial Officer

Other Participants

- Alan Alanis, Analyst
- Unidentified Participant

Presentation

Operator

Good morning and welcome to the Coca-Cola FEMSA's First Quarter 2022 Conference Call. As a reminder, today's conference is being recorded and all participants are in a listen-only mode. At the request of the company, we will open the conference up for questions and answers after the presentation. During this conference call management may discuss certain forward-looking statements concerning Coca-Cola FEMSA's future performance and should be considered as good faith estimates made by the company.

These forward-looking statements reflect management's expectations and are based on currently available data. Actual results are subject to future events and uncertainties, which can materially impact the company's actual performance. At this time, I will now turn the conference over to Mr. John Santa Maria, Coca-Cola FEMSA's, Chief Executive Officer. Please go ahead, Mr. Santa Maria.

Unidentified Speaker

Thank you. Good morning, everyone. Thank you for joining us today to discuss Coca-Cola FEMSA's First Quarter 2022 results. With me on the call today are Constantino spas, our Chief Financial Officer and Jorge (inaudible), Head of Investor Relations. Against the backdrop of what is still a volatile environment, we are building on last year's positive momentum to deliver a solid start to the year. Our volumes increased across all of our markets, while our consolidated revenues and operating cash flow grew double-digits.

Importantly we continued delivering accelerated results across all our strategic fronts. We are leveraging the strength of our enhanced cooperation framework with the Coca-Cola Company to align and execute ambitious growth plans and investments. While we opened new revenue streams and significantly advance our digital strategy. During today's call I will first review our consolidated results. Then I will expand on our renewed strategy, which is based on corridors.

With a special emphasis on our portfolio and omnichannel digital initiatives providing examples of how we are implementing this strategy across our diverse footprint. Before our Q&A session Constantino will walk you through our division's performance and our hedging strategies. Closing with an update on the use of our green bond proceeds as we continue progressing towards our sustainability commitments. Before discussing our consolidated results. It is important to remind you at our recent acquisition of CVM in Brazil is included as of February 1, 2022. For this reason, we will refer to certain figures as comparable which is the year-on-year comparison. Excluding the effects of M&A and currency translation.

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Moving on to the first quarter results. Our consolidated volumes increased 10.1% year-on-year, and 9.3% on a comparable basis. This growth was driven mainly by double-digit growth in Brazil, Colombia and Uruguay in most of our territories. In Central America, coupled with solid performance in Mexico, Guatemala in Argentina. It is important to highlight that all of our categories posted accelerated volume growth as compared with the previous year. Our core sparkling beverage category grew 7.4% driven by 6.7% growth in brand Coca-Cola and 9.9% growth in flavors.

Still and personal water beverage categories grew 37% and 33% respectively, with an outstanding rate of growth across our territories. Once again, and despite the effects of Omicron during January, our on-premise trade channels. Volume et cetera especially towards the end of the quarter. For example in Brazil, our on-premise channel grew 25% while the traditional trade increased 15% year-on-year. Outperforming a resilient modern trade. Importantly, our single-serve mix recovery continues across all our territories. Indeed our single-serve mix recovered an additional 2 percentage points in Mexico and Brazil as compared with 2021.

Our consolidated total revenue growth accelerated increasing 14.6% year-on-year. And 13.4% on a comparable basis. This growth was driven by our solid volume performance. Coupled with our pricing initiatives revenue growth management positive price mix and favorable currency translation effects. Notably we achieved a solid performance despite the decline in beer revenues resulting from the transition of Heineken beer portfolio in Brazil. Despite the volatility in supply chain and raw material environment our gross profit increased 13.5% and our gross margin remained resilient contracting only 50 basis points.

Our pricing initiatives revenue growth management and favorable raw material hedging strategies substantially mitigated margin pressures, mostly from higher PBT and sweetener costs across most of our territories. Our operating income growth accelerated sequentially with solid 16% growth year-on-year. Leading to an operating margin expansion of 20 basis points. On a comparable basis. Our operating income increased 13.9%

Unidentified Speaker

This performance reflects fixed and variable expense efficiencies across our operations, as well as a reduction in other operating expenses. Mostly related to contingencies recognized during the same period of 2021. Our operating cash flow for the quarter increased 11.6% year-over-year resulting in a resilient operating cash flow margin of 19.2% as we substantially protected our profitability to deliver solid operating cash flow growth.

Finally, our controlling net income declined 8.3% to reach MXN2.9[ph] billion impacted mainly by non-cash unfavorable FX in our comprehensive financing results such as market value loss on financial instruments related to mainly to increases in interest rates and a foreign exchange loss that resulted from the appreciation of the Mexican peso and the Brazilian round as applied to our US denominated cash position.

I'll now take a moment to provide you with a strategic update. As we have mentioned in previous calls over the past years, we have been adapting and reshaping our company to thrive in the new business environment. In 2020 -- 2019 we began the implementation of our Fuel for Growth program an efficiency program allowing us to restructure and functionalized the company while delivering savings and the necessary agility to navigate dependent a more resilient organization.

Building on this transformation during 2021, we announced a fundamental -- a fundamental part of our future ambition our enhanced cooperation framework with The Coca-Cola Company. This enhanced cooperation framework enables a model that is allowing for the long term opening up the opportunity to work with the Coca-Cola Company to leverage the Coca-Cola portfolio our combined capabilities and our deep customer relationships for accelerated long term system growth.

This framework has new areas to our business relationship including the alignment of ambitious growth plans, digital initiatives and the exploration of potential revenue streams such as the distribution of beer spirits and other products. Importantly, we have aligned the economics of our business and management incentives as to which investments and profit split levels are mutually beneficial for both parties. Thus providing us with a long-term certainty and the right

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incentives to invest and aligned behind our business growth and market development capabilities towards long-term system value creation.

Allowing this framework on April 19, we announced a new distribution agreement with the comparator[ph] group in Brazil. Another step to strengthen and consolidate our multi-category platform with high potential leading brands. Now in conjunction with the release of our 2021 annual integrated report we have renewed our strategy under a new concept that we call revolution.

This strategy is based on six strategic quarters first, we are rapidly building and rolling out an omnichannel multi category commercial platform that encompasses our business to business and direct to consumer channels. Second, we are developing a consumer-centric winning portfolio with the options for every consumer taste and lifestyle. Third, we are fostering an agile digital savvy, people centric culture reshaping our company through talent enabling key organization capabilities.

Fourth, we have further deepened our company's commitment to sustainable development by placing sustainability at the heart of our organization and every decision. Yes, we are a digital -- digitizing our core IT capabilities with an improved architecture to facilitate the scale and integration of our omnichannel strategy. This is critical as we are undergoing a significant digital transformation not just in the front line, but enabled by the implementation of a robust backbone consistence.

And finally, we plan to actively pursue value-enhancing acquisitions. We are not only exploring additional opportunities to shape our business -- our company's future product footprint but also prioritizing adjacent categories portfolio expansion and capabilities to complement our value proposition.

Now, let me share a few highlights of the strategy implementation across our markets. In Mexico, our portfolio initiatives focus mainly on affordability, multi-packs and innovation which is enabling us to grow the sparkling beverage category and to accelerate our momentum is still beverage categories including on hydration energy and nutrition segments. To give you a sense, we have now reached 85% coverage in our territory with our 2.5 litre universal returnable bottle, 7%[ph] percentage points as compared with the end of 2021. Regarding innovation our new formula of Coca-Cola Zero, (inaudible) continues to outperform the sparkling category, growing double digits compared the previous year.

On the omnichannel front to show you the speed at which we are escalating our platform in just the first quarter of the year we have increased the number of active monthly purchases by more than 80% in Mexico to reach approximately 220,000 by the end of the first quarter. This means we added more than 100,000 monthly buyers in just a quarter. In other words 30% of our total client base in Mexico is now active monthly buyers.

We continue to increase the number of routes in households we serve with our direct to consumer Coca-Cola and (inaudible) model in home delivery routes. During the first quarter, we added more than 120 new routes and implement the strategy to increase the number of monthly buyers while continue improving our delivery effectiveness and net promoter scores. In summary in Mexico, we are progressing across our strategic initiatives, increasing execution bolstering affordability and advancing on both of the B2B omni channel and direct to consumer home delivery fronts.

Moving onto Brazil despite a relatively challenging January, we saw sequential improvements in February and an important acceleration in March to deliver an outstanding quarter. All of our categories posted double-digit growth highlighted by solid 15% growth in brand Coca-Cola and 11.4% growth in flavors during the quarter. We are also -- we also continued to strengthen our competitive position and gaining share in the sparkling soft drinks apartment sport drinks in Energy category. Aligned with our omnichannel platform Carter [ph] we now have more than 160,000 monthly buyers enabling us to increase the percentage of digital orders to 40% by the end of the first quarter up from 30% at the end of 2021.

Looking ahead we are optimistic that we have the right capabilities to continue growing in Brazil. We expect to continue strengthening our portfolio bolstering our affordability capacity and delivering outstanding market execution to provide the right pack at the right place for Brazilian consumers as we continue expanding our multi-category omnichannel platform.

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In other markets such as Colombia, Panama and Uruguay, we are bolstering the affordability of our portfolio. For example, the rollout of our universal bottle, which is, allows us to provide affordability, not only in brand Coca-Cola, but also in flavors and still is providing positive results indeed in Colombia, this initiative is growing more than 50% as compared with the previous year. Similarly in Argentina, Colombia and Panama, we are capitalizing on the reopening of the on-premise channel and the strength of our multi-pack strategy to recover our single-serve mix which has increased by more than 6 percentage points in these key markets.

Finally on the omnichannel front, we continue to see positive results in Colombia, Panama, Nicaragua and Costa Rica, we have increased the number of clients with monthly purchases by more than 30% as we continue enhancing and accelerating our client onboarding and purchase conversion to our digital systems. So summarizing the progress and speed at which we are building our omnichannel platform. On a consolidated level at Coca-Cola FEMSA, we have reached more than 400,000 active monthly buyers just to give you a sense of this space, the number of active monthly buyers, including increased close to 25% in March as compared to February and we achieved more than 1 million digital transactions just last month.

Importantly, our digital revenues in March amounted to \$80 million more than 70% of our total revenues. In other words digital revenues digital revenues in one month accounted for more than 20% the digital revenues we achieved during the entire year of 2021. I want to also emphasize the significant investments we are making to continue bolstering our affordability capacity especially behind

Unidentified Speaker

Returnable bottles. During the last two years we have invested more than \$500 million in returnable production lines. And then bottles and cases and now for 2022, we expect to install 10 new state-of-the-art production lines. Three of them, especially focus for return on capacity in Mexico. Our positive momentum shows that we are executing and delivering against our strategic agenda. Looking-forward we will continue building a consumer-centric multi-category portfolio. Accelerate the rollout of our digital B2B and direct-to-consumer omnichannel platform.

And continue to play sustainability at the center of everything we do. While fostering an agile people-centric culture across all of our markets and organization. With that I will now hand over to Constantino.

Thank you, John and good morning everyone. I will now expand on our division's first-quarter results. In Mexico, our volumes increased 3.7% while our total revenues increased 10.6%, driven by a very solid performance in most of our channels pricing initiatives revenue growth management and a favorable price mix. Moving into Central America in that region or operations continued to deliver strong performance with 11.8% volume growth and 15.8% revenue growth after the first quarter of 2021.

Remarkably or volumes in Guatemala continued to show significant volume growth even when considering a high comparable base. As a result of this quarterly revenues increased 11.4% in the Mexico and Central America division. On the profitability front gross profit increased 7.1% which resulted in a gross profit margin of 48.4% representing a margin decrease of 190 basis points as compared to the first quarter of 2021. This contraction was driven mainly by increases in commodity prices, which were partially mitigated by revenue management and raw material hedging strategies.

As we have previously mentioned, although we continue to see the normalization of certain operating expenses during the quarter, we were able to double down on savings and efficiencies. As a result, and despite a tough comparable baseline were able to increase our operating income by 13.4% and to expand our operating margin by 30 basis points in the Mexico and Central American region. As we continued dynamic raw material and supply chain environment we expect to continue to protect our profitability through a very disciplined raw material hedging strategy and focus on driving expense efficiencies.

Our operating cash flow margin for the quarter was 23.2% which represents a slight contraction of 50 basis points. If we move on to South America. This division delivered a solid 17.7% volume growth as compared to 2021. This increase

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was driven mainly by the strong volume growth of 20.2% in Brazil, which includes the consolidation of CDI and 18.8% in Colombia while Argentina why also delivered strong volume performance. Despite facing tough weather conditions in the new COVID related constraints by the beginning of the year in Brazil, we were able to deliver a very solid quarter punctuated by an outstanding performance and strong consumer demand during March that also was helped by very good weather, particularly in March.

On a comparable basis excluding volumes of CDI in Brazil. Volume in the division would have increased a solid 15.7%. Revenues for the division grew 19% as the revenue management initiatives pricing and volume growth were partially offset the transition of our beer portfolio in Brazil. If we exclude the currency translation and M&A effects our top line would have increased the solid 16.1% during the quarter. On the profitability front. Gross profit in South America increased 25.5% expanding our margins by 200 basis points. This increase was driven mainly by the operating leverage resulting from volume growth. Favorable price mix effects and raw material hedging strategies.

Coupled with the resumption of tax credits on concentrate purchases from the Manaus free trade zone in Brazil. These effects were partially offset by increases in raw material costs. Our operating income for the division increased 23.2% while our operating income margin expanded 30 basis points as compared to the first quarter of 2021. Driven mainly by higher gross profit and an increase in operating leverage resulting from volume growth and expense efficiencies. These effects were partially offset by the transition of our beer portfolio in Brazil and higher freight and labor costs.

Finally, our operating cash flow in South America increased by 17.4% resulting in an operating cash flow margin contraction of 20 basis points. Now moving on to comprehensive financing results which recorded an expense of 2.2 billion pesos. This is an increase of 93.9% as compared to the previous year. Mainly by the following non-cash effects first of all, a loss of 936 million Mexican pesos in the market value of financial instruments, our foreign exchange loss 165 million vessels and a lower gain on a monetary position on inflationary subsidiaries related to Argentina.

These effects were partially offset by a decline in our interest expense net driven by an increase in interest income. Notably, underscoring the strength of rebalance sheet and cash flow generation, we were able to finish the quarter with a cash position of more than 49 billion Mexican pesos. Representing a 5% increase as compared with the end of 2021. Now let me provide you with an update on our raw material hedging position for the remainder of 2022. In Mexico, we have hedged approximately 75% our (inaudible) needs for 2022 and more than 90% over high fructose corn syrup needs.

Notably, we have also hedged more than 35% of our aluminum needs in the country. While in Brazil. We have hedged more than 75% over sugar needs for the year. We are confident that with these hedges coupled with our ability to segment our consumers and our revenue growth management capabilities. We will continue to enable our sustainable growth in mitigating margin pressures and protect profitability during 2022. Highlighting the strength of our cash flow generation and our commitment to total shareholder return. At our Annual Shareholders Meeting on March 28 our shareholders approved the proposed ordinary dividend 5.43 vessels per unit with its first instalment to be paid on May 3rd 2022.

As John previously mentioned, one of our strategic corridor is placing sustainability at the heart of our organization. And consistent with this, I want to touch on our approach sustainable financing and provide you with an update on our progress towards key sustainability targets. First of all an update on our allocation over green bond proceeds. As you know, we issued our first-ever green bond in September 2020 valued at \$705 million at the time, the largest for Latin American Corporation and our first for the Coca-Cola system. We're pleased to report that as of December 31st, 2021 we had already allocated \$350 million of green bond net proceeds to eligible green projects.

The total investment. So far, represents 49.7% of the net proceeds that includes investments in all of the three main categories. Motor stewardship and circular economy. Now let me provide you with an update on our progress on key sustainability targets. First regarding circular economy. We have a target of achieving 50% of recycled resin or PET bottles by 2030. During 2021 we achieved 31% recycled resin as compared to 29% in 2020. Second we are well underway to achieve or water efficiency commitments which are 1.36 leaders water per liter of beverage produced by 2024 and 1.26 by 2026 by the end of this year.

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We have achieved an industry-leading 1.47 leaders in water use ratio improving from 1.49 in 2020. As part of our commitment with based target initiatives we committed to reduce 50% our scope one and two absolute greenhouse emission gas emissions from our operations by 2030. As compared with our 2015[ph] baseline. Notably, we have already reduced these emissions by

Unidentified Speaker

Additionally, we have increased the use of clean energy and our operations to 85%. You can find more information on this on a recently published annual integrated report which is available in our website. And finally, I want to mention that we continue making significant progress with regard to a pilot tests for distribution of other products and categories from leading companies and brands. For example, in Mexico, we are expanding the pilot test we have for personal care products and for spirits with the agile [ph] to more territories in the country.

Additionally, last month, we began a pilot program with Kellogg's in the Toluca region in the case of P&G, we already begun tests in the City of Veracruz, while would be agile we began in Puebla in both cases, we are now expanding these pilot tests to more territories as we continue increasing our value proposition for our customers and for our partner gathering valuable learnings and insights.

And with that I will hand the call back to John for his final remarks. Thank you very much for attending the call today. John?

John Santa Maria Otazua, Chief Executive Officer

Thanks, Constantino. Although the beginning of 2022 has enjoyed its fair share of volatility, we remain ambitious about our ability to continue delivering accelerated results across all of our strategic fronts. We are convinced that we have the right capabilities to continue growing our top line while substantially mitigating margin pressures for the remainder of the year. I'm encouraged by our renewed strategy and by the speed at which we are implementing Coca-Cola FEMSA's transformation.

We remain committed to continue accelerating our digital edge while building a customer-centric, multi category portfolio together with our partner, The Coca-Cola Company. Thank you for your continued trust and support and for joining us today. Operator, I'd like to open the call for questions.

Questions And Answers

Operator

Thank you. (Operator Instructions) Our first question comes from Alan Alanis at Santander. Your line is open. Please go ahead.

Alan Alanis, Analyst

Thank you so much and good morning. Congratulations for the results. I guess you the most interesting news to ask a question at the very end. So now to get it because you have a pilot program with Diageo in Mexico we with Kelloggs and with Procter and Gamble in Mexico. Congratulations for that, keep us posted. I mean I think we get asked a lot of questions in terms of how far those agreements can go, John. I don't want to -- I don't know if you want to comment a little bit about what the vision there? That'll be the first question, I didn't have a couple of financial questions for Constantino.

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John Santa Maria Otazua, Chief Executive Officer

Thanks, Alan. Thank you very much. At this point in time what we are doing with those three partners Diageo, Kelloggs, and Procter are -- we're basically into pilot tests right now. And so depending on how the results go and what have you -- I would say that that will be determining what kind of arrangements coming into. So today it's a -- it is what it has as its name says it's a pilot test and we're expanding those to understand what the further learnings are but so far, all the results we've gotten very, very encouraging for both parts. Okay. And what we are seeing throughout in the underlying is we're selling more per transaction -- more per point of sale of total portfolio, but also more items per store of the Coca-Cola portfolio that we have.

So the synergies on this are very, very good. So, (Multiple Speakers) Thanks. You had some other questions for Constantino.

Alan Alanis, Analyst

Yes. The other one really quick I mean there more, much more financial questions, I mean, regarding, we're seeing a big discrepancy in the move of the operating income and EBITDA this quarter, what were the changes that you're doing there in the depreciation? And if you could just expand more a little bit more on the financial losses below the operating line, just to confirm that these are like non-recurrent and if you have anything to do with your hedges? Congratulations also for having all the hedges for the remaining of the year it seems 90% -- 90%[ph] of sugar in Mexico, say 5% in Brazil and so forth.

But just to understand a little bit more the moves of the depreciation and the every financial charge before the operating line. Thank you.

Constantino Spas Montesinos, Chief Financial Officer

Yes, thank you Alan.

John Santa Maria Otazua, Chief Executive Officer

I'm going to have (inaudible) answer this. Eager to answer.

Constantino Spas Montesinos, Chief Financial Officer

So I'm going to give it to (inaudible) and going to get this question to (inaudible) go and I can add some more color in financial side, if necessary. (inaudible) can you jump in, please.

John Santa Maria Otazua, Chief Executive Officer

Sure. Hi, Alan. Yes, Alan. So basically the main effect is related to exchange rates actually on there. As you know, we are having these mutual effect because of foreign exchange related related to things (Technical Difficulty) so it's not really changes on the depreciation. That's what I mean, it's coming mainly from a benefit from the appreciation of our currencies that we sold during the quarter, so that they don't actually impacted the EBITDA, it's only on the operating in (inaudible).

Constantino Spas Montesinos, Chief Financial Officer

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And then actually on your question on the pilot programs, I would -- I don't want to add some more tolerant context to the initial remarks, because this is evidently not only focused on Mexico, we're running different pilot programs in different regions in Brazil, in Colombia and in Panama as of today on top of Mexico with different partners and particularly in Brazil, I think that we announced recently an agreement with (inaudible) and this is very exciting to o because as John mentioned synergies that we're getting with some of these key partners that are fantastic brands by the way and I think that's the commonality that we're picking up in this approach to partnership in the case of (inaudible) we believe it's an ideal partner. It's got excellent brand. It's got great potential to grow by leveraging the brands and our distribution network, and we're taking them to much more points of sale than what the reach today and that is something that is key.

I mean, particularly partners that don't have a strong DSD model as part of their core router market are getting enormous benefits when we look at the pilots not only in distribution, but also in in execution. So in the case of comparative (inaudible) particular distribution contact that brings additional branded products and indications spirits store portfolio in Brazil.

And in general terms this agreement represents one more step further goal to continue offering. As John mentioned a winning portfolio and proves that our capabilities are working are work in successful impact so approaches, like the one would (inaudible) in this case which go as a multi-year long-term agreement for five years will allow us to work for strategies in different channels and regions and with different emphasis and that is something that will become, I think overtime a commonality on the type of approach that we would take while we scale up these pilots into larger agreements throughout the different markets where we operate.

So, what to make sure that we may make the probably across that it's great in Mexico as of today with these partners, but we're also scaling up other agreements with different FMCG in this case Spirit players in all over different markets. I hope that helps and provides enough information. that's the question.

I know you asked as well around the comprehensive financing result and that is mostly related to the mark-to-market of derivatives that we have related to interest rates. And so when the US stretch (inaudible) that moved up that created this non-cash effect of close to MXN1 billion that we have this this quarter. They are all non-cash effects.

Operator

We'll move to our next question Ben[ph]Theurer with Barclays Your line is open. Please go ahead.

Unidentified Participant

Perfect, thank you very much and congrats again. Just along the lines of what we've been talking around these pilot projects and thanks for clarifying that, you're also doing that in other regions. So can you help us understand what ultimately how you think about the mix going forward? And what's like a kind of a preferred product because obviously you're running tests with spirits companies like Diageo you turn Campari into a deal, but you also have mentioned P&G, Kellogg. So what's like the perfect target for you and is there any conflict of interest that you may have to manage at some point when it comes down to deciding

Unidentified Participant

What you want to put on the truck or not just to understand a little bit. The drivers of these demand potential partnerships.

Unidentified Speaker

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Sure. Thank you for the question. Let me answer it this way, let me see if I can give you more color. What we're looking for is a portfolio of products. That gives us a much better approach to our customer base. Depending on the channels and occasions that we serve. So ultimately what we would like to do is focus on, not so much a single brand but have the partnerships in place that allow us to have a significant share of wallet each one of our clients. So if you think about this. In terms of what we can deliver to the Coca-Cola system in Coca-Cola FEMSA towards each one of our either small shops or buyers in Brazil, et cetera.

We're looking to go between from a starting point of about 20% share of wallet being of what that bar or small store basically consumes. So about 40% share of wallet. Okay. To be able to become a very customer-centric and preferred supplier. And with that we can build other types of products and services. On top of that platform, as we go forward. Does that help.

In addition, there's also some considerations that we take into the analysis that are more related to our internal processes right. How synergistic or how much complexity, does this add to our logistical supply chain network. I mean is it congruent with the type of processes that we have internally, so that we don't affect our execution. So there's all other considerations. I mean, definitely this is very focused on a consumer and customer-centric portfolio definition, but we also take into account the fact that we are a very efficient operation. And we tend to look at it from an angle also least disruption possible and our supply chain. So that's also something that we need to take into consideration. And obviously as you cannot. As you can pick up from the type of partners that the network of partner that we're putting together.

There is also an interest in companies and brands that are great brands and at the same time, companies that are very focused on investing behind these brands on consumer insights that can provide us with the tools. So that we can transform those insights into executional capabilities that ends up driving more growth not only for partners. And for the customer, but also as John mentioned, for the Coca-Cola portfolio. Those are interesting analysis that we're learning actually and we're incorporating as we learn and we progress in this journey.

Operator

We'll move next to Isabella Simonato with Bank of America. Your line is open. Please go ahead.

Unidentified Participant

Thank you and good morning everyone. So following up on this (inaudible). It's interesting that I mentioned this mentioned right of share of wallet that you have and then potentially. How do you think, when you think about the categories. Right. The decline partnership how do you think about we're adding value and bought right a carriers and points of fees in general how you strategically you think about that equation that will be the first question is just switching gears a little bit to consumption and volume performance, especially in Brazil.

I think it was a very bad quarter and two questions. Give us a color of how you're seeing consumption environment post March right and this Goldman throughout the quarter. And second, specifically on the steel beverage if there was a specific driver there for that 70 plus percent growth year-over-year. Our debt was just the comp a bit more color on. Thank you.

Unidentified Speaker

Yeah,(inaudible). Thank you very much for the question. Let me see, there is a lot of questions there. The first one is we have in terms of where we're going. We have a clear roadmap about whether the categories that we wanted to kind of embrace to put on our omnichannel multi-category platform. And those would give us preferential it would be preferred in terms both customer and at the same time value as Constantino was saying and it would be fit pretty well in terms of our supply chain. And those as we start going forward. RMB executed we're trying to do is look at pilots with them in

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each one of the countries.

So it's not only volume issue. It's more about how do we go out there and get the right categories and the right margins into our business. To be sure that they become ROIC accretive and therefore, as we go. As we move forward. That is the focus of that road map that we're putting into place. Again, we think the share of wallet that we're talking about is something that will allow us to become very sticky in terms of rating platform for the trade, but obviously in a very synergistic way with the customer, consumer and the corporate portfolio.

And going forward In Brazil, I think we had a very good quarter as you said but the underlying growth trends that we're seeing in our business are very strong, even as we go forward in April. April is continuing to have very strong volume performance. Not as much as in March, March was probably affected a little bit by weather. But we have the right strategies in place of affordability multi-pack multi-packing single-serve multi-packing dual packing ensuring that we have a category enhancements with growing categories such as energy and underlying we see continued consumer activity, good macroeconomic trends throughout the year and we think we're going to have a very solid growth year in Brazil.

It's not something that we're just seeing as a first quarter event, but it's gaining momentum. Also in terms of execution in terms of refrigeration penetration and overall we're seeing our business in Brazil to improve quarter by quarter by quarter.

Yeah. And in the case of still, it's a combination of definitely of comparables, but at the same time when you look at categories like tea, energy drinks with the Monster brand and sports strengths. They're growing phenomenally. I mean they have gained some great traction with consumers or execution sort of plastic and actually we have achieved record market share for those categories. In this quarter. So it's a combination of the comparable, but also consumer trends and macro environment and executional capabilities. Overall, but particularly in these three categories. There's also a specific trend that's accelerating in terms of performance in the market. So the combination of all those effects has delivered an excellent result for the students category.

Operator

Okay we'll go to our next question with Lucas Ferreira JP Morgan. Your line is open. Please go ahead.

Unidentified Participant

Thank you. Good morning John, Constantino and Jorge I have also two questions, one is regarding multi category. If you can give us a sense how big you think this sort of a total addressable market could be for you in Mexico and Brazil. When you identify the categories. Right our synergy to your business. So how big this addressable market could be in each of the countries if you have an idea of sort of what's the fair share of this market, you could have in say the mid-term and the second question is regarding the consumption environment in Mexico. Especially talking about price elasticity. How comfortable you are to kind of continue to face a cost pressures going forward.

There are talks the government, trying to sort of eliminate inflation. I don't think you're directly impacted. If you can discuss this or how the government initiatives to potentially curbing price hikes in some categories, if this could be directly or indirectly impacting you at some point. Thank you.

Unidentified Speaker

You want to take the personnel. I'll take the second.

Sure. In the case of the multi-category. I mean it's still very early days. Brent experimentation phase. That's why as we are mentioning

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Unidentified Speaker

Most of these initiatives are at the pilot level right now. So we're working on the analysis of how much, what's the actual attainable size that we can achieve. We have some hypothesis. But I think it's not it's not proper to share those at this point in time as we need to have a little more information on that. Having said that, as John mentioned, we're looking at we believe we had some type of hypothesis around attainable share of wallet in some particular channels and depending on the market. Depending on the channel, there is we have this underlying hypothesis that we can achieve anywhere between 30% to 40% of share of wallet of the store in the fragmented trade store.

That varies evidently between on trade and off-trade, but I think that we can put together a platform that delivers against a very solid piece of business with our fragmented trade retailers around that 30% to 40% share of wallet. That is the underlying hypothesis, we need to prove that we can deliver against that. And there's that's why we're working on all of these pilots. So I hope that helps. Probably in the upcoming months we'll have more information and will definitely be sharing that they mentioned of what we're trying to achieve on the multi-category.

Yeah, I mean just back to Lukas on the Mexico consumer environment, I think is there. Yes there are some preliminary discussions between the Mexican government of trying to elaborate a program of trying to reduce inflationary impact across a lot of different sectors. Of which we have not been part of as of today, we don't anticipate being part of that I think the other issue that you mentioned was what was the inflation outlook in Mexico. And I think what we can anticipate is yes probably slightly growing inflation from this levels here, but our revenue growth management strategies are in place that we think that we can cover that and continue with positive elasticity in terms of maintaining our volume growths.

We have been growing in an environment that is that it has had high inflation and we are seeing growing volumes and accelerating volumes in Mexico over the last, over the last quarters. And we think that we can maintain that we have the portfolio in place to do that the initiatives in place to do that and we think that we have a variety of consumer price points and package choices that allows us to move in and out of a consumer when they have different pain points. So just kind of wrapping up with the question that you asked first. Is there and at a very, very formal program that is being elaborated in Mexico.

I think there is something that the government is starting to work with different sectors of the public sector private sector and price controls the extent and I wouldn't call it price controls. I think it's just inflation minimization impacts for certain products, and we don't see this as being broad spread price controls as it could be perceived someplace else.

Operator

We'll go next to Sergio Matsumoto with Citi. Your line is open. Please go ahead.

Unidentified Participant

Yes, hi, good morning, John and Constantino. Thank you for taking my question. I wanted to kind of deeper into this pricing and inflation question. The pricing in Mexico appears to be at least for this quarter. Sort of like in line with inflation, like that high single-digit number. Historically, your category has grown more robust pricing often above inflation and wondering if you could give us some color on what you have in mind in terms of how you are seeing this revenue growth management that you just mentioned, there might be some mix effect on perhaps more returnables or maybe you have these hedges Constantino mentioned, so perhaps you don't have to do a step-up pricing right now, but maybe there is more coming later in the year, perhaps in the summer.

So if you could kind of give us some color there (inaudible).

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(inaudible). Just some initial comments on constantly. Please complement, but I would say that what we are leveraging on on our revenue management capabilities and so we are never done a lot of affordability as John mentioned, on the prepared remarks we are investing on returnable small tick back and execution to drive to drive topline. So far during the year we have increased prices basically by the end of the quarter. And during March. So the effect of that price adjustment is not fully reflected yet on the figures now. But what we're looking at this on a combination surgery offering these affordability to our consumers.

While at the same time, we have this segmentation capabilities to drive topline growth. And of course, that should be also put together with volume growth. And so that's what we are looking at. Yes we are looking to leverage on this revenue management capabilities, which we believe that at the end of the year, we should have pricing and average price, it could be slightly above inflation. But as I said, it's not full headline pricing is more of leveraging on these revenue management and price pack architecture that we have in Mexico.

Yeah, that's exactly what I would add is as Jorge mentioned. We don't focus primarily on headline pricing but we do it through our GM strategy and in that regard. I mean we use a lot, particularly in Mexico, which is most developed market we use a lot of big data analytics to try to understand what's the best price spike architecture for the market and in line with that particular pricing in a very sequenced matter and throughout the year. So all in all, at the end of the year just to reemphasize. I think that as Jorge mentioned, you will see most likely an outcome of pricing ahead slightly ahead of inflation in Mexico and in Central America.

In line with inflation in South America. That would be my expectation. Based on all the pricing architecture and our and the strategy that we have put in place for the year and they better part of everyday businesses and processes within Coca-Cola FEMSA.

Operator

Due to time constraints. We'll take our final question from Alvaro Garcia, BTG. Your line is open. Please go ahead.

Unidentified Participant

Hey John, Constantino, thanks for the call. Two questions for me. The first one on the six quarters. Thanks for that update. And on the first sort of corridor that you highlighted John you mentioned omnichannel and integrating D2C into. I'm just curious if there is sort of sort of more integration across your different omni businesses and if there's any sort of overhaul organization that you might want to highlight that's my first question.

Unidentified Speaker

Okay. Now right now what we have done is, sorry. When you're talking about the omnichannel businesses, we basically looking at omnichannel strategy that is B2B directly for our traditional trade and there we have a lot of initiatives to be able to make that a omnichannel seamless order taking delivery system. Separately, you have in primarily in Mexico, direct to consumer piece which is Coca-Cola and talk about it and that's where we have the most developed business.

And what we're doing there is basically first digitizing our businesses and we we're going, taking it from a traditional internal knock on the door. Let me give you a jug water plus milk, et cetera. To a digitized force and now the second component of that would become the development of an application that would allow you to order from home without having the truck come to your door. So it's really a change in the dilemma that or the paradigm that we're looking at in terms of our business. So we can actually going to go from there. So at this point in time. No, we do not anticipate any types of organization changes, we do continue to look at digitizing our direct to consumer platform. We do

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Going out there and making it a better we have better applications to or have more multi category platforms on the truck as we go forward. And as I said, we're growing that business by additional routes by digitizing the business by going out there and creating a digital application that will allow for us for to pull that altogether.

Unidentified Participant

Great. So same quarter but still run still two separate businesses between DTC (Multiple Speakers).

Unidentified Speaker

Yes.

Unidentified Participant

Okay, great. And then just one last one, a bit of a nerdy question, but I noticed in the -- and there might not be anything here but I noticed in the 20-F, when it comes to your cash generating units sort of how you value your distribution rights and your goodwill. You have volume growth numbers through 2031 and there were significant increases for places like Colombia and Brazil, and I was wondering if there was anything to that at all or what we should think of those very steep increases? Thank you.

Unidentified Speaker

Although (inaudible). It's actually a combination of a couple of things, one is definitely there is a change in methodology in the way we are projecting going forward. And the other one is also we -- as John mentioned, we are also aligning more ambitious growth plans and expectations going forward. So part of that is also an update and a reflection of that now.

And so it's a combination of those two things. This projection change also the timeframe for example. Firstly, we used to project in 10 years and now we are changing the methodology to project five years now. And then, and then we have the long-term projections from that. So it's a combination of those two big spending either.

Operator

Now will conclude the question-and-answer session. I'll turn the conference back for any additional or closing comments.

John Santa Maria Otazua, Chief Executive Officer

Thank you, Operator and thank you all for attending the call today and for your confidence and interest in Coca-Cola FEMSA. I believe we're starting off the year with a very strong performance. We feel that we have the momentum in the business to maintain a very, very solid year for Coca-Cola FEMSA in 2022. And as always our Investor Relations team is available to answer any of your remaining questions. So thank you very much and have a good day and good weekend.

Operator

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Ladies and gentlemen, that will conclude today's conference. We thank you for your participation. You may disconnect at this time.

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