Seale & Associates

Creative Solutions. Trusted Advice.

NON-ALCOHOLIC BEVERAGES INDUSTRY IN MEXICO

2021

SEALE & ASSOCIATES' SECTOR-RELEVANT EXPERIENCE

CHEN
has merged with
Sigma alimentos
a business of
alfa

caffenio
has partnered with
OXXO
a subsidiary of
FEMSA

FoQUE GRUPO FOMENTO QUERETANO
has merged its beverage division with
Coca-Cola FEMSA

ARCACONTINENTAL
has acquired
WISE
Wise Foods, Inc.

GRUPO TAMPICO
has merged its beverage division with
Coca-Cola FEMSA

ARCACONTINENTAL
has acquired
Enjoy Life Naturally DEEP RIVER SNACKS

ARCACONTINENTAL
has acquired
Carolina Country Snacks

caffenio
has partnered with
CAFÉS TOMARI

caffenio
Acquisition Advisory Services

Fantis
Acquisition Advisory Services

ProCitrus
Valuation Advisory Services

PISSA
Corporate Finance Advisory Services

Fonterra
Acquisition Advisory Services

Ragasa
Acquisition Advisory Services

Nestlé
Sale of Parma Ham Business

aep
Corporate Finance Advisory Services

CAFÉ DEL PACÍFICO

Target: Café Del Pacífico, S.A. de C.V ("Caffenio")
Transaction Type: Joint Venture advisory
Industries: Food and Beverage
Geography: Hermosillo, Mexico

caffenio
has partnered with
OXXO
a subsidiary of
FEMSA

Situation

Seale & Associates was retained by the family owners of Caffenio, a leading Mexican roaster and producer of coffee and coffee related products to advise on the structuring of a transaction with OXXO, their largest client by sales and volume. OXXO and our client had strong concerns about the highly dependent nature of their commercial relationship and how best to grow the venture.

Seale & Associates' Approach

Seale performed a comprehensive analysis of the situation and designed an optimal transaction structure that addressed the concerns of both partners.

Outcome

The process resulted in the sale of a minority equity participation and the execution of a long-term supply agreement with OXXO. After the transaction, Caffenio has experienced accelerated growth driven by a stronger relationship with OXXO.

"We asked Seale to help us design and execute a joint venture with a major customer. They designed a custom transaction structure that perfectly addressed our needs and the needs of our major customer. They earned our trust and the trust of our partner – and both parties could not be happier about the outcome."

José Antonio Díaz, President and CEO Café Del Pacífico, S.A. de C.V.

SEALE & ASSOCIATES' REPRESENTATIVE TRANSACTION

GRUPO FOMENTO QUERETANO

FOQUE
GRUPO FOMENTO QUERETANO

has merged its Beverage Division with

Coca-Cola FEMSA

Target: Grupo Fomento Queretano
Transaction Type: Merger Advisory
Industries: Consumer Products, Food & Beverage
Geography: Queretaro, Mexico
Size: US$580 million

Situation

Seale & Associates was retained by the family owners of Grupo Fomento Queretano, one of the oldest family-owned Coca-Cola bottlers in Mexico, to analyze strategic alternatives for their business in the context of a changing industry landscape.

Seale & Associates' Approach

Seale presented the family with a range of strategic alternatives and outcome scenarios for a sale or merger with three industry consolidators considering the family's value, timing, and control objectives. After the family decided that a merger with Coca-Cola FEMSA was the preferred alternative, Seale ran a disciplined and expedited process to achieve the shareholder's objectives.

Outcome

Seale's approach resulted in a successful merger with Coca-Cola FEMSA. As a result of the merger, Grupo Fomento Queretano's shareholders received 45.1 million newly issued KOF series L shares for a total aggregate enterprise transaction value of approximately Ps. 7.6 billion (US$580 million), including the assumption of debt.

"From the very beginning of the planning process before our merger with Coca-Cola FEMSA, Seale listened and provided straightforward answers to each and every one of our family member's questions and concerns and outlined the full range of options. Their professionals provided invaluable guidance and support as they helped us to navigate the merger negotiations. We knew we could count on their trusted advice to make certain we made the best decisions for our company, our employees, and our family."

Federico Ruiz Rubio, Board member and shareholder, Grupo Fomento Queretano

SEALE & ASSOCIATES' REPRESENTATIVE TRANSACTION

GRUPO TAMPICO

Target: Grupo Tampico
Transaction Type: Merger Advisory
Industries: Consumer Products, Food & Beverage
Geography: Tamaulipas, Mexico
Size: US$800 million

Situation

Seale & Associates was retained by Grupo Tampico's shareholders to properly analyze and structure the merger of the company's beverage division with Coca-Cola FEMSA.

Seale & Associates' Approach

Seale presented the family with a range of strategic alternatives and outcome scenarios for a sale or merger with three industry consolidators considering the family's value, timing, and control objectives. After the family decided that a merger with Coca-Cola FEMSA was the preferred alternative, Seale ran a disciplined and expedited process to achieve the shareholder's objectives.

Outcome

Seale's approach resulted in a successful merger with Coca-Cola FEMSA. As a result of the merger, Grupo Tampico's shareholders received 63.5 million newly issued KOF series L shares at a value of Ps. 103.20 per share.

GRUPO TAMPICO

has merged its Beverage Division with

Coca-Cola FEMSA

"Seale provided our shareholders with valuable guidance on a wide range of important topics during the process and served as a trusted advisor in helping us to structure a successful merger with Coca-Cola FEMSA that met our family shareholders' objectives."

Robert Fleishman, Vice President, Grupo Tampico

"We are pleased to have successfully closed this very important merger transaction in a short period of time and consolidating our position as a leader in the Mexican beverage industry."

Carlos Salazar Lomelin, Chief Executive Officer, Coca-Cola FEMSA

MEXICAN INDUSTRY OUTLOOK

During 2020, Mexico's GDP contracted by 8.5%. For 2021, the International Monetary Fund (FMI) estimates it will grow by 5.0%

This report focuses on the manufacturing and bottling of water-based and alcohol-free beverages that are carbonated, flavored and sweetened

Given the economic situation, consumers are expected to maintain a preference for more accessible brands, since they remain price sensitive

During the lockdown imposed due to COVID-19, the sale of beverages in consumption establishments in Mexico was affected. However, this allowed an increase in sales through digital channels

The total foreign direct investment (FDI) in the Mexican beverages industry in 2020 reached US$815.4 million, 58.0% less than in the previous year

Sources: Euromonitor International, Fitch Solutions, IMF, NAICS, Statista, The Economist

INDUSTRY TRENDS IN MEXICO

- Mexicans are the largest per capita soda consumers, with **163.0 liters per year**, 7.3 more times than the global average. This is equivalent to drinking 1.3 cans of 355.0 ml per day
- Mexico is globally ranked in second place for per capita consumption of bottled water and ranked first in Latin America. The average household consumption is of **1,530.0 liters per year**
- Coffee is also one of the most popular beverages in the country, since **53.0%** of the Mexican population claim to drink it daily, in average spending between **MX$15.0 – 25.0 per cup**

Sources: CCA, Euromonitor International, Fitch Solutions, TestaMarketing, The Economist

INDUSTRY TRENDS IN MEXICO

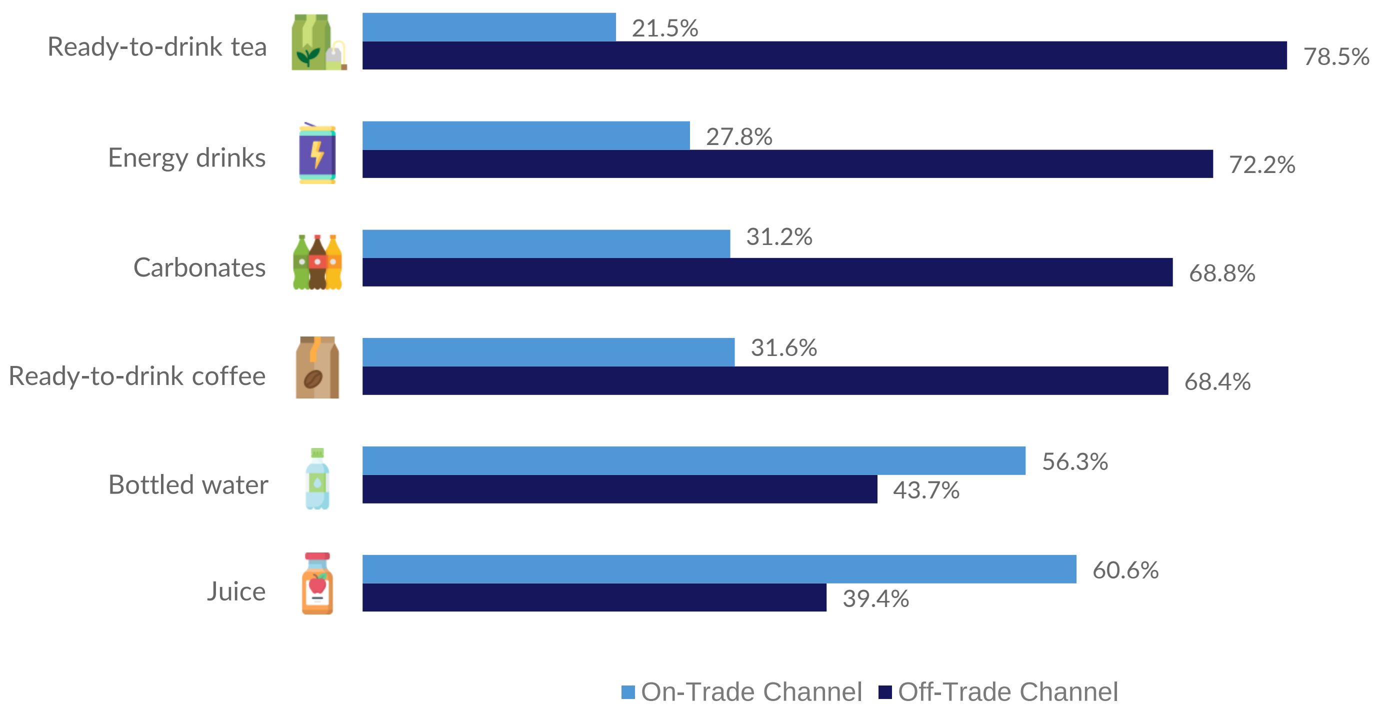
- More **health-conscious consumers** have increased the demand for diet and natural products. This has begun to show, since **juice** has become the segment with the largest growth rate in recent years, followed by **bottled water**
- **New regulations** have been recently implemented for the beverages industry in Mexico, some of which could impact companies' sales and production costs
- **Front warning labels** have been implemented in order to allow consumers to identify those foods containing an excess of salt, sugar, or saturated fats

Sources: CCA, Euromonitor International, Fitch Solutions, The Economist

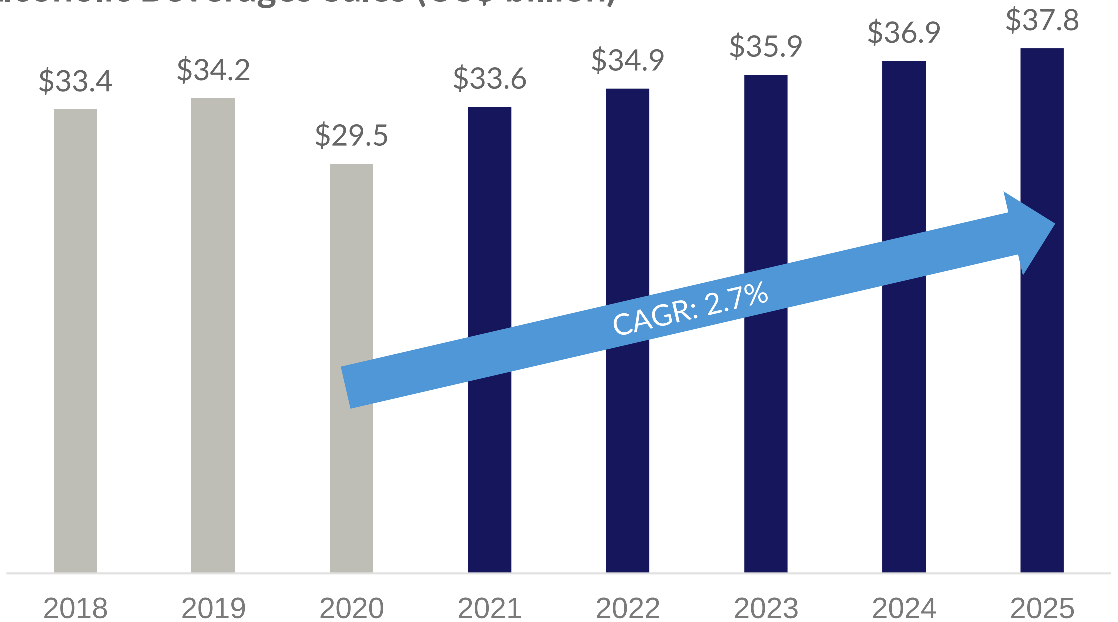
NON-ALCOHOLIC BEVERAGES INDUSTRY IN MEXICO

The non-alcoholic beverages industry encompasses all water-based and alcohol-free beverages that are carbonated, flavored and sweetened

On-Trade vs. Off-Trade Sales of Non-Alcoholic Beverages by Category (2020)



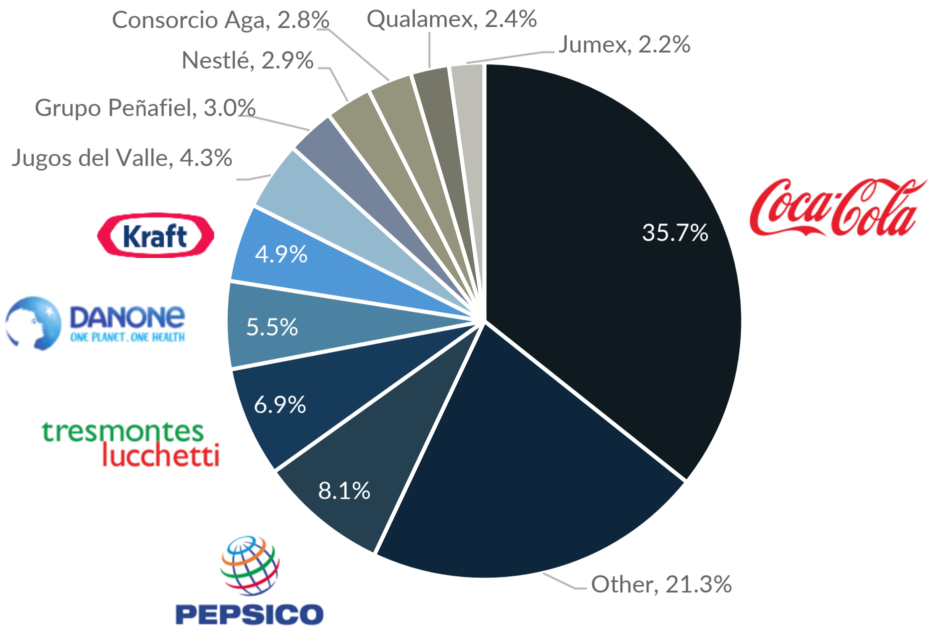
Non-Alcoholic Beverages Sales (US$ billion)



Sources: EMIS, Euromonitor International, Fitch Solutions

NON-ALCOHOLIC BEVERAGES INDUSTRY IN MEXICO

Market Share by Revenue in Mexico (2020)



Market Share by Leading Brands (2020)

Coca-Cola	ZUKO	pepsi	TANG	del Valle
22.9%	6.9%	5.1%	4.0%	3.5%

BONAFONT	RedCola	ciel	Fanta	JUMEX
3.0%	2.8%	2.4%	2.1%	1.4%

*Other brands, 45.9%

Sources: EMIS, Euromonitor International, Fitch Solutions

GLOBAL INDUSTRY – COMPARABLE PUBLIC COMPANIES MARKET CAP <US$1 BILLION

Company	Country	Market Cap. US$MM	Enterprise Value US$MM	Revenue US$MM	EBITDA Margin	Annual Average EV/EBITDA		Last Update Jun. 13, 2021	
						2019	2020	EV/ EBITDA	EV/ Revenue
A.G. BARR p.l.c.	GBR	$834	$767	$310	18.6%	15.6x	10.6x	12.1x	2.4x
Corporación Lindley S.A.	PER	$919	$1,186	$661	22.3%	7.2x	7.9x	8.7x	1.9x
Hokkaido Coca-Cola Bottling Co.,Ltd.	JPN	$278	$172	$454	6.9%	3.7x	4.0x	5.5x	0.4x
Kofola CeskoSlovensko a.s.	CZE	$287	$480	$271	13.3%	8.9x	7.5x	10.7x	1.7x
Mineralbrunnen Überkingen-Teinach GmbH & Co. KGaA	DEU	$143	$164	$148	11.8%	7.0x	6.9x	9.7x	1.1x
Nichols plc	GBR	$841	$780	$162	13.0%	16.7x	12.5x	33.2x	4.7x
Organización Cultiba, S.A.B. de C.V.	MEX	$425	$468	$272	15.1%	24.9x	81.5x	7.2x	1.7x
Société de Services, de Participations, de Direction et d'Elaboration	BEL	$929	$864	$326	18.8%	13.1x	12.9x	13.8x	2.7x
Wisynco Group Limited	JAM	$388	$356	$211	13.6%	14.7x	13.7x	12.6x	1.7x
- - Excluded from mean and median					**Mean**	10.9x	9.5x	10.0x	2.0x
					Median	11.0x	9.2x	10.2x	1.7x

Sources: Capital IQ, S&P Market Intelligence

GLOBAL INDUSTRY – COMPARABLE PUBLIC COMPANIES MARKET CAP US$1 – 10 BILLION

Company	Country	Market Cap. US$MM	Enterprise Value US$MM	Revenue US$MM	EBITDA Margin	Annual Average EV/EBITDA 2019	Annual Average EV/EBITDA 2020	Last Update Jun. 13, 2021 EV/EBITDA	Last Update Jun. 13, 2021 EV/Revenue
Arca Continental, S.A.B. de C.V.	MEX	$9,972	$12,524	$8,472	19.0%	9.1x	8.0x	7.5x	1.4x
Britvic plc	GBR	$3,556	$4,491	$1,833	13.2%	13.9x	13.1x	17.1x	2.4x
Embotelladora Andina S.A.	CHL	$2,038	$2,812	$2,367	19.2%	8.7x	7.4x	6.0x	1.2x
Ito En, Ltd.	JPN	$6,100	$6,014	$4,083	6.8%	14.5x	17.8x	21.7x	1.5x
Lotte Chilsung Beverage Co.,Ltd.	KOR	$1,364	$2,454	$2,030	12.0%	9.7x	9.8x	11.4x	1.2x
National Beverage Corp.	USA	$4,604	$4,487	$1,074	22.4%	11.0x	13.4x	17.6x	4.2x
Primo Water Corporation	USA	$2,851	$4,430	$1,958	16.2%	10.1x	9.2x	11.5x	2.2x
- - Excluded from mean and median					**Mean**	11.0x	10.1x	11.8x	2.0x
					Median	10.1x	9.5x	11.4x	1.5x

GLOBAL INDUSTRY – COMPARABLE PUBLIC COMPANIES MARKET CAP >US$10 BILLION

Company	Country	Market Cap. US$MM	Enterprise Value US$MM	Revenue US$MM	EBITDA Margin	Annual Average EV/EBITDA 2019	Annual Average EV/EBITDA 2020	Last Update Jun. 13, 2021 EV/EBITDA	Last Update Jun. 13, 2021 EV/Revenue
Coca-Cola FEMSA, S.A.B. de C.V.	MEX	$10,821	$13,082	$8,951	18.5%	8.7x	7.5x	7.8x	1.5x
Keurig Dr Pepper Inc.	USA	$49,936	$64,325	$11,907	31.7%	22.7x	15.9x	16.5x	5.4x
Monster Beverage Corporation	USA	$49,420	$47,283	$4,780	36.4%	22.2x	24.4x	27.0x	9.9x
PepsiCo, Inc.	USA	$204,053	$241,199	$71,311	18.1%	15.5x	17.4x	17.9x	3.4x
Suntory Beverage & Food Limited	JPN	$11,949	$12,999	$10,585	13.3%	9.6x	7.7x	9.1x	1.2x
The Coca-Cola Company	USA	$242,144	$276,756	$33,433	35.3%	20.9x	19.7x	20.9x	8.3x
- - Excluded from mean and median					**Mean**	16.6x	15.4x	14.5x	2.9x
					Median	18.2x	16.6x	16.5x	2.4x

Sources: Capital IQ, S&P Market Intelligence

GLOBAL INDUSTRY TRANSACTIONS

Date	Target	Country	Description	Buyer	Stake %	Size US$MM	EV/ EBITDA	EV/ Revenue
May-21	Plenish Cleanse Ltd	GBR	Manufactures cold pressed juices	Britvic plc	100.0%	-	-	-
Feb-21	Nestlé Waters North America Inc.	USA	Produces and sells bottled water	One Rock Capital Partners, LLC; Metropoulos & Co.	100.0%	$4,300.0	-	-
Mar-20	Rockstar, Inc.	USA	Produces energy drinks for people with active lifestyles ranging from athletes to rock stars	PepsiCo, Inc.	100.0%	$3,850.0	-	-
Jan-20	S&D Coffee, Inc.	USA	Roasts, blends, and supplies coffee, iced tea, and extracts	Westrock Coffee Company, LLC	100.0%	$405.0	-	-
Jan-20	Primo Water Corporation	USA	Provides multi-gallon purified bottled water, self-service refill water, and water dispensers	Cott Corporation	82.2%	$673.0	15.6x	2.4x
Sep-19	Cameron's Coffee and Distribution Company	USA	Produces and supplies coffee and tea	Grupo Nutresa S. A.	100.0%	$113.0	-	1.6x
Feb-19	Hoop Polska Sp. z o.o.	POL	Produces non-alcoholic beverages	ZMB Capital Sp. z o.o.	100.0%	$15.7	-	-
Dec-18	Morinda Holdings, Inc.	USA	Produces and distributes Noni-based products	New Age Beverages Corporation (nka:NewAge, Inc.)	100.0%	$99.3	5.0x	0.4x
Sep-18	Core Nutrition, LLC	USA	Produces and supplies a range of beverages	Keurig Dr Pepper Inc.	94.9%	$453.3	-	-
Sep-18	Tropico S.A.S.	FRA	Offers a range of flavored hot and fresh drinks	The Coca-Cola Company	100.0%	-	-	-
Sep-18	Corporación Lindley S.A.	PER	Processes and sells pulp fruit products	AC Bebidas, S. de R.L. de C.V.	38.5%	$506.8	11.0x	2.2x
Jul-18	Etablissements Geyer Freres	FRA	Produces a lemonade soda beverage	Royal Unibrew A/S	100.0%	$103.4	-	2.3x
Jul-18	Big Red, Inc.	USA	Produces and sells soda	Keurig Dr Pepper Inc.	-	$304.0	-	-
Jun-18	Bev.Con ApS	DNK	Produces energy drinks	Royal Unibrew A/S	100.0%	$54.8	11.3x	1.8x
Mar-18	Caffè Borbone Srl	ITA	Produces and sells coffee	Italmobiliare S.p.A.	60.0%	$172.2	-	2.5x
Mar-18	Thurella AG	CHE	Produces and sells natural vegetable and fruit juices	ORIOR Menu AG Le Patron	65.2%	$51.3	16.0x	2.2x
Jan-18	Dr Pepper Snapple Group, Inc.	USA	Manufactures and distributes non-alcoholic beverages	Maple Parent Holdings Corp. (nka:Keurig Dr Pepper Inc.)	100.0%	-	-	-
Sep-17	Compañía Topo Chico, S.A. De C.V.	MEX	Produces and bottles mineral water	The Coca-Cola Company	100.0%	$220.0	-	-
						Mean	**11.8x**	**1.9x**
						Median	**11.3x**	**2.2x**

Sources: Capital IQ, S&P Market Intelligence

REPRESENTATIVE TRANACTION

On March 11th, 2020, **PepsiCo, Inc.** announced the acquisition of **Rockstar Energy Beverages** for **US$3.9 billion**

"This highly strategic acquisition will enable us to leverage PepsiCo's capabilities to both accelerate Rockstar's performance and unlock our ability to expand in this category with existing brands such as Mountain Dew."

Ramon Laguarta, Chairman and CEO of PepsiCo

BUYER

PEPSICO

PEPSICO ACQUIRED ROCKSTAR ENERGY BEVERAGES

TARGET

ROCKSTAR ENERGY DRINK

PepsiCo, Inc. is an American publicly traded company that manufactures, markets, and distributes food and beverage products through various brands and segments

Rockstar Energy Beverages is an American company that produces energy drinks for consumers with active lifestyles

PEPSICO

FOUNDED IN 1898

LOCATED IN NEW YORK, USA

PRESENCE IN +200 COUNTRIES

ROCKSTAR ENERGY DRINK

FUNDED IN 2001

LOCATED IN NEVADA, USA

PRESENCE IN +30 COUNTRIES

Sources: Capital IQ, Press Releases

REPRESENTATIVE GLOBAL ENGAGEMENTS

Honeywell
has sold
TENSOR
to
GE Power Systems

Rheem
has acquired
HTPG

gcp applied technologies
has acquired
StirlingLloyd

Hertz
has acquired
DONLEN

KPAC
has sold
JBI JAMES BURN INTERNATIONAL
to
spiral
and
JBI Holding SAS

state WATER HEATERS
has been acquired by
AO Smith

caffenio
has partnered with
OXXO
a subsidiary of
FEMSA

ARCACONTINENTAL
has acquired
WISE

ARCACONTINENTAL
has acquired
Enjoy Life Naturally DEEP RIVER SNACKS

ZN ZINC NACIONAL JGI
has acquired
The Zinc Recycling Business
of
HMG Recylex Group

TOR REY
has been acquired by
FEMSA

Grupo Educativo IEJV
UNIVERSIDAD JOSÉ VASCONCELOS
ITM
has been acquired by
NACER GLOBAL

Carrier
a subsidiary of
United Technologies
has sold
HTPG
to
MONOMOY and Starboard Capital Partners

H G
HARRISON GYPSUM, LLC
has been recapitalized by
H.I.G. PRIVATE EQUITY

tyco
has sold the North American guarding business of
to
GARDA

KENTZ
Engineers & Constructors
has acquired
ALEGRO PROJECTS LIMITED

Wood Crafters
has been acquired by
Fortune Brands Home & Security

ConvaTec
has sold
SENSI-CARE and ALOE-VESTA
to
MEDLINE

GRUPO SICELUB LUBRI TECH
has been acquired by
COLFAX

COSMOCEL
has sold
Cosmocel Química
to
ICL Performance Products LP
a business unit of
ICL

intelectiva
has acquired
KFC
KFC Costa Rica
from
QSR

CEMEX
has sold its concrete pumping business to
GRUPO PUMPING TEAM

GRUPO TAMPICO
has acquired
SEAT HONDA
dealerships from
GRUPO FRAL

INVEKRA
Holding company of
sanfer
has acquired a majority stake in
Portugal

GBM
has been acquired by
Arysta LifeScience

INMAGUSA
Grupo Galaz, S.A de C.V.
has been acquired by
IOCHPE - MAXION

DLG Grupo
has acquired
Workshop and store in Mexico City from
GREENBRIER RAIL SERVICES

Anne Sullivan
has been acquired by
Discovery Americas

GRUPO TAMPICO
has merged its beverage division with
Coca-Cola FEMSA

GRUPO INDUSTRIAL SALTILLO
has sold
Its sanitaryware businesses
ST. THOMAS CREATIONS
and
VITROMEX
to
Villeroy & Boch

Washington, D.C. | Miami | Mexico City | Monterrey

Seale & Associates

Creative Solutions. Trusted Advice.

Since 1999, **Seale & Associates** has been the trusted advisor to respected public and private companies from around the world. Seale is a global investment bank with extensive experience in mergers and acquisitions (M&A), corporate finance advisory, and enterprise level strategy consulting with a track record of success in a diverse range of industries. Our experienced team of professionals are committed to serving clients with excellence and integrity, while offering innovative ideas and solutions to address complex transactions.

ADVISOR TO LEADING COMPANIES WORLDWIDE

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Please contact us if you would like further information about M&A trends and/or specific transaction multiples for your industry

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