



DUFF & PHELPS

Protect, Restore and Maximize Value

Mexico Capital Markets Insights

Late Summer 2020



Overview


The COVID-19 pandemic hit Mexico as the country was already experiencing hardships. On average, GDP per capita has only increased 1% since the North American Free Trade Organization (NAFTA) was ratified more than 25 years ago. In July 2020, the U.S., Canada and Mexico ratified a new trade deal, which may lead to more restrictions for many foreign and national companies than NAFTA. These restrictions include new duties on steel and aluminium and an increase in the percentage of regional content that must be used in vehicles in North America.

A highly open market, the Mexican economy has been affected by a reduction in export demand, coupled with the impact of lockdown measures. The U.S. and Mexico have limited inbound land border crossings to essential travel through September 21, 2020. Mexico has also been hit by the decrease in oil prices and overall global market volatility.

As of August, the Mexican government has implemented certain measures to mitigate the impacts of COVID-19, including increasing expenditures in healthcare, lending to firms and workers in both formal and informal sectors and providing liquidity support by development banks (64.5 billion pesos).

The Mexican central bank has cut rates by 200 basis points since the pandemic began in March. It has also introduced measures to support the financial system amounting to up to 750 billion pesos, or 3.3% of 2019 GDP.

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Executive Summary

COVID-19 Impact

- As of August 23, 2020, Mexico has 415,401 confirmed cases of COVID-19, with 53,525 fatalities.
- Travel restrictions have been imposed on popular tourist destinations, further contributing to a rapid decline in the economy.
- Many states have imposed overnight curfews, shortened operating hours for nonessential businesses, banned alcohol sale and closed marinas.
- Tourism accounts for approximately 8.5% of Mexico's GDP, and the World Travel and Tourism Council warns that 75 million jobs could be lost worldwide.

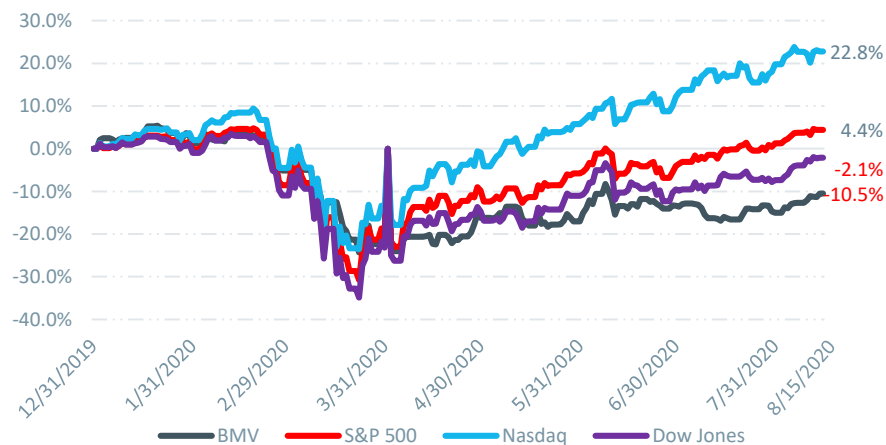
M&A Transaction Activity

- 73 total transactions in 2019, flat from 2018
- 27 total transactions through August 15, 2020, down 43.8% from the same period in 2019

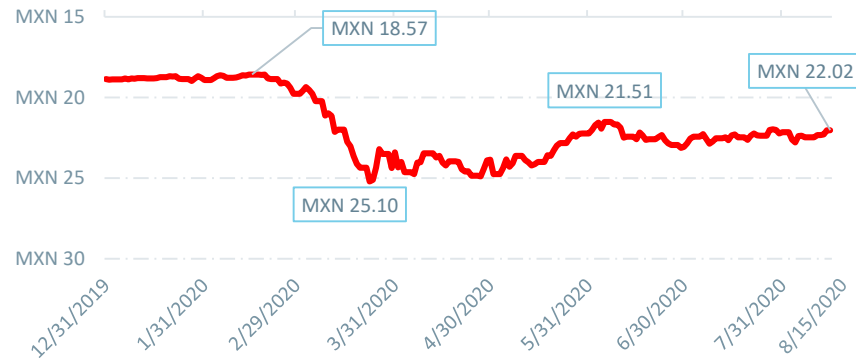
Foreign Exchange Trend

- The Mexican Peso has decreased 16.76% in value relative to USD since December 31, 2019. Going from 18.86 MXN/USD in December 31, 2019 to 23.07 MXN/USD in August 15, 2020, limiting the purchasing power of the currency and hurting imports.

YTD Market Index Performance



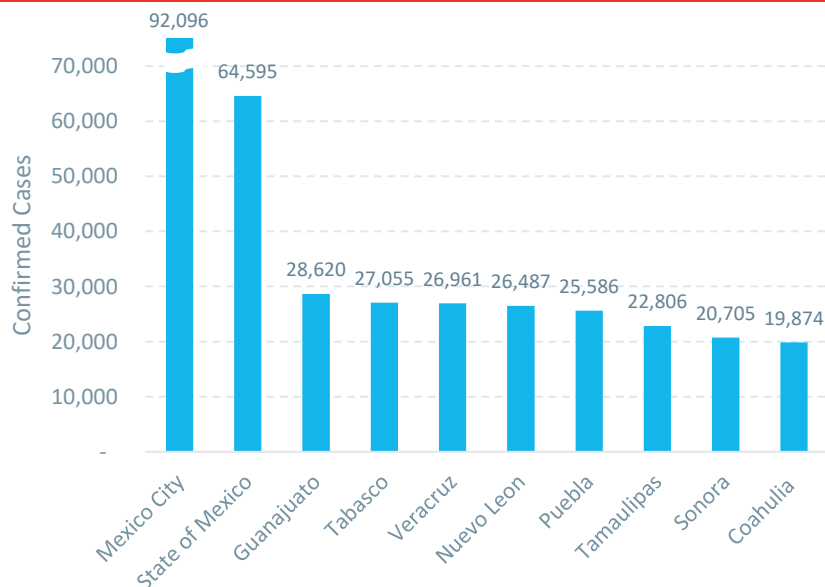
MXN to USD Exchange Rate



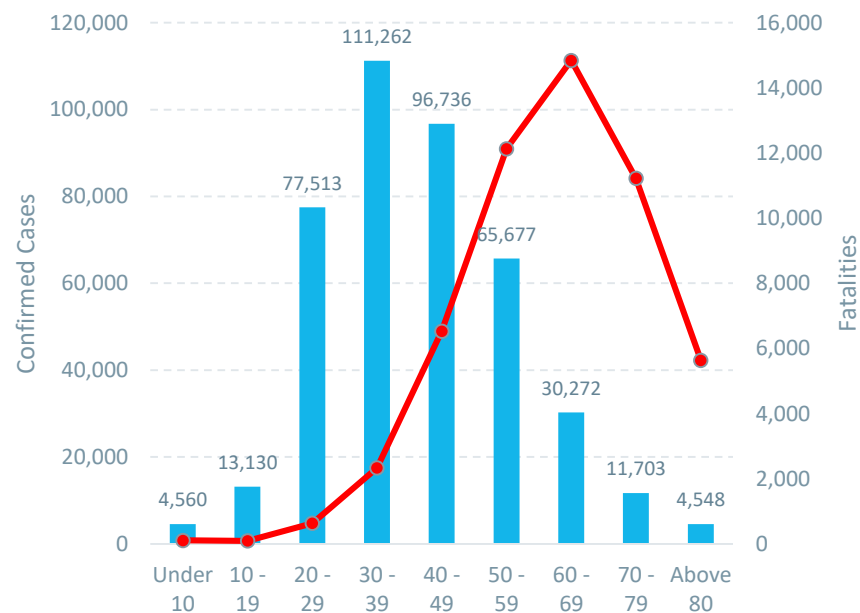
Impact of COVID-19

- On March 31, 2020, Mexico declared a state of emergency, with an initial timeline to lift restrictions by April 30, 2020. As of August, many states have extended lockdown measures through August 31.
- The Secretary of Education indicated that students will return to school in August, but only if the municipality in which the school is located is at the lowest COVID-19 threat level.
- COVID-19 has impacted densely populated areas; Mexico City has 92,096 confirmed cases as of August 23.

Confirmed Cases by Top 10 States (as of 8/23/2020) (1)



Confirmed Cases and Deaths by Age Group (as of 8/23/2020)



(1) Includes Mexico City
Source: COVID-19, Gobierno de Mexico

Note: 299 individuals still being determined for the appropriate age group, 56 individuals not disclosed

Impact of COVID-19

Market impact caused by COVID-19 as of August 15, 2020

	8/15/2020			Change from 03/31/2020			Change from 05/31/2020		
	5-Year	10-Year	20-year	5-Year	10-Year	20-Year	5-Year	10-Year	20-Year
Mexican Gov't Bond	4.85%	5.70%	6.56%	▼ 1.59%	▼ 1.36%	▼ 1.31%	▼ 0.50%	▼ 0.43%	▼ 0.30%
Spread Over Treasury:									
US Treasury	4.55%	4.99%	5.40%	▼ 1.50%	▼ 1.40%	▼ 1.36%	▼ 0.49%	▼ 0.49%	▼ 0.31%

	As of 08/15/2020	Performance Since 03/31/2020	YTD Performance	1 Year Performance	3 Year Performance	5 Year Performance
<i>(Units in MXN)</i>						
Indices						
S&P/BMV IPC	38,949.88	▲ 12.7%	▼ 10.5%	▲ 1.0%	▼ 24.1%	▼ 11.0%
Top 10 Companies By Market Capitalization						
América Móvil, S.A.B. de C.V.	14.24	▲ 1.4%	▼ 5.7%	▲ 11.3%	▼ 14.1%	▼ 6.1%
Wal-Mart de México, S.A.B. de C.V.	57.11	▲ 2.4%	▲ 5.5%	▲ 2.3%	▲ 28.9%	▲ 46.5%
Fomento Económico Mexicano, S.A.B. de C.V.	134.66	▼ 6.0%	▼ 24.6%	▼ 20.6%	▼ 25.5%	▼ 9.7%
Grupo Financiero Banorte, S.A.B. de C.V.	82.15	▲ 26.4%	▼ 22.2%	▼ 13.1%	▼ 34.0%	▼ 1.0%
Grupo México, S.A.B. de C.V.	59.25	▲ 35.5%	▲ 14.2%	▲ 46.1%	▲ 4.5%	▲ 43.1%
CEMEX, S.A.B. de C.V.	7.50	▲ 52.1%	▲ 5.9%	▲ 33.5%	▼ 54.7%	▼ 38.7%
Grupo Elektra, S.A.B. de C.V.	1,188.69	▼ 15.3%	▼ 14.4%	▼ 12.3%	▲ 48.2%	▲ 318.9%
Grupo Aeroportuario del Pacífico, S.A.B. de C.V.	178.71	▲ 40.3%	▼ 20.5%	▲ 1.7%	▼ 9.8%	▲ 32.3%
Grupo Televisa, S.A.B.	30.68	▲ 12.4%	▼ 30.9%	▲ 1.0%	N/A	N/A
Grupo Bimbo, S.A.B. de C.V.	41.45	▲ 20.2%	▲ 20.4%	▲ 22.2%	▼ 5.4%	▼ 0.8%
Mexican Peso FX Rate (1)						
British Pound (GBP/MXN)	28.86	▲ 0.9%	▼ 15.1%	▼ 21.2%	▼ 25.8%	▼ 12.9%
Euro (EUR/MXN)	26.06	▼ 1.3%	▼ 23.4%	▼ 19.4%	▼ 24.6%	▼ 43.3%
Swiss Franc (CHF/MXN)	24.22	▲ 0.2%	▼ 24.1%	▼ 20.3%	▼ 32.2%	▼ 44.7%
United States Dollar (USD/MXN)	22.02	▲ 5.9%	▼ 16.5%	▼ 12.1%	▼ 23.5%	▼ 34.6%
Canadian Dollar (CAD/MXN)	16.62	▼ 0.7%	▼ 14.2%	▼ 12.7%	▼ 18.9%	▼ 32.6%
Australian Dollar (AUD/MXN)	15.78	▼ 10.0%	▼ 18.9%	▼ 18.5%	▼ 13.2%	▼ 30.8%
New Zealand Dollar (NZD/MXN)	14.43	▼ 3.8%	▼ 13.5%	▼ 14.0%	▼ 11.7%	▼ 34.7%
Chinese Renminbi (Yuan) (CNY/MXN)	3.17	▲ 4.1%	▼ 16.7%	▼ 13.4%	▼ 18.8%	▼ 23.8%
Hong Kong Dollar (HKD/MXN)	2.84	▲ 5.9%	▼ 17.1%	▼ 13.4%	▼ 24.6%	▼ 34.7%

(1) Percentage change reflects strengthening and weakening of MXN

Impact of COVID-19

- BEV to LTM EBITDA multiples are at 9.0x (median) as of August 15, 2020.

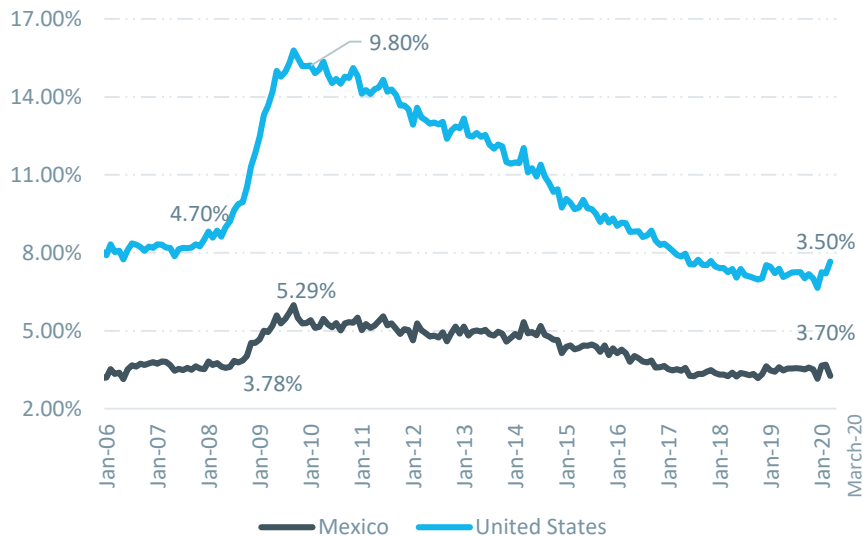
	Market Cap	BEV	LTM Revenue	LTM EBITDA	Net Debt	Net Debt/BEV	Net Debt/LTM EBITDA	BEV/LTM EBITDA	BEV/LTM Revenue
<i>(MXN in millions)</i>									
Top 25 Companies By Enterprise Value									
América Móvil, S.A.B. de C.V.	MXN 946,793	MXN 1,732,067	MXN 1,013,301	MXN 282,937	MXN 814,318	47.0%	2.9x	6.1x	1.7x
Wal-Mart de México, S.A.B. de C.V.	997,221	1,026,785	680,567	69,146	29,564	2.9	0.4	14.8	1.5
Fomento Económico Mexicano, S.A.B. de C.V.	449,734	658,649	499,056	54,782	138,958	21.1	2.5	12.0	1.3
Grupo México, S.A.B. de C.V.	461,261	614,268	237,312	87,765	153,007	24.9	1.7	7.0	2.6
CEMEX, S.A.B. de C.V.	110,313	376,182	291,422	45,592	238,631	63.4	5.2	8.3	1.3
Grupo Bimbo, S.A.B. de C.V.	187,993	314,952	311,073	37,807	122,452	38.9	3.2	8.3	1.0
Fresnillo Plc	260,081	267,539	50,104	19,140	7,458	2.8	0.4	14.0	5.3
Arca Continental, S.A.B. de C.V.	188,868	252,815	167,975	29,434	30,347	12.0	1.0	8.6	1.5
Coca-Cola FEMSA, S.A.B. de C.V.	200,971	252,412	188,368	33,353	51,122	20.3	1.5	7.6	1.3
Alfa, S. A. B. de C. V.	69,907	242,215	323,088	29,280	150,420	62.1	5.1	8.3	0.7
Grupo Televisa, S.A.B.	86,518	222,465	99,690	36,546	119,913	53.9	3.3	6.1	2.2
Industrias Peñoles, S.A.B. de C.V.	144,745	183,410	96,927	21,165	38,665	21.1	1.8	8.7	1.9
Infraestructura Energética Nova, S.A.B. de C.V.	105,503	186,562	29,335	16,889	80,951	43.4	4.8	11.0	6.4
Orbia Advance Corporation, S.A.B. de C.V.	73,774	178,181	148,138	28,224	88,250	49.5	3.1	6.3	1.2
Becele, S.A.B. de C.V.	154,313	159,465	31,352	6,338	5,152	3.2	0.8	25.2	5.1
GMéxico Transportes, S.A.B. de C.V.	116,949	156,502	47,625	19,479	31,103	19.9	1.6	8.0	3.3
Impulsora del Desarrollo y el Empleo en América Latina, S.A.B. de C.V.	100,128	150,501	14,627	8,093	38,853	25.8	4.8	18.6	10.3
Grupo Carso, S.A.B. de C.V.	108,060	138,525	94,205	10,600	25,433	18.4	2.4	13.1	1.5
Gruma, S.A.B. de C.V.	106,333	132,533	85,185	14,020	26,459	20.0	1.9	9.5	1.6
Kimberly-Clark de México, S. A. B. de C. V.	114,663	132,328	45,230	11,751	17,715	13.4	1.5	11.3	2.9
El Puerto de Liverpool, S.A.B. de C.V.	76,572	123,553	123,135	13,691	46,958	38.0	3.4	9.0	1.0
Grupo Aeroportuario del Pacífico, S.A.B. de C.V.	93,926	103,984	13,437	7,804	8,853	8.5	1.1	13.3	7.7
Telesites, S.A.B. de C.V.	61,908	94,027	7,848	4,626	32,119	34.2	6.9	20.3	12.0
Grupo Aeroportuario del Sureste, S. A. B. de C. V.	76,635	93,718	14,575	7,490	8,434	9.0	1.1	12.5	6.4
Aleatica, S.A.B. de C.V.	32,658	89,020	23,472	20,089	31,292	35.2	1.6	4.4	3.8
Average						27.5%	2.6x	10.9x	3.4x
Median						21.1%	1.9x	9.0x	1.9x

LTM: Latest Twelve Months
 BEV: Business Enterprise Value
 Note: LTM as of 8/15/2020

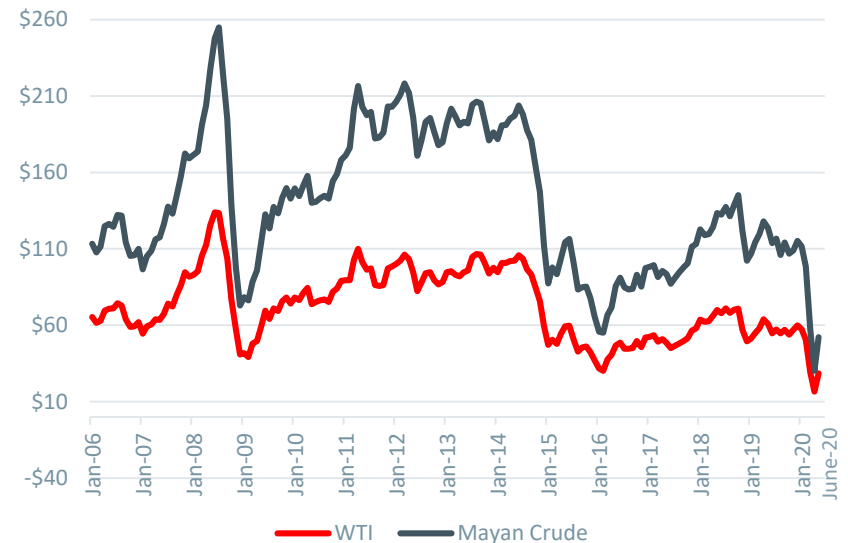
Impact of COVID-19

- Mexico’s economy is being affected by three major events: COVID-19, the recession in the U.S. (Mexico’s second largest trading partner) and low oil prices.
- As of mid-June, Mexico president Andres Manuel Lopez Obrador has not announced any major spending package to mitigate the economic slowdown.
- Mexico’s unemployment rate has historically remained below the U.S.
- In mid-April, WTI crude prices, to which Pemex’s flagship Maya heavy crude is tied, fell into negative territory.

Mexico and US Historical Unemployment Rate



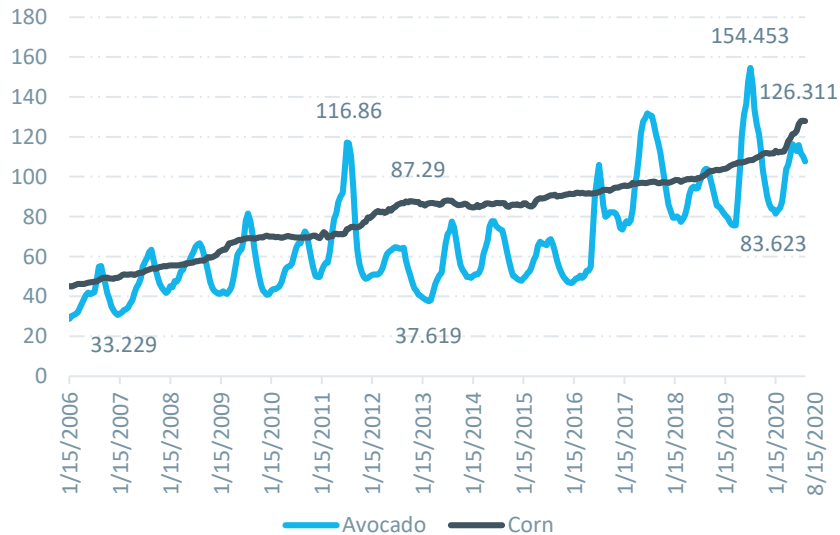
WTI and Mayan Crude Price per Barrel (USD)



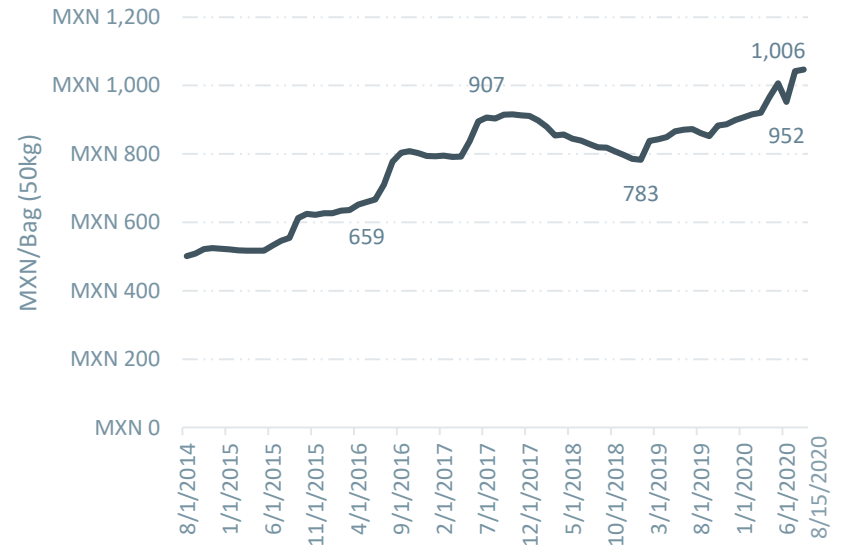
Impact of COVID-19

- US goods imports from Mexico totaled \$346.1 billion in 2018, up 10.6% from 2017, and up 60.3% from 2008.
- U.S. total imports of agricultural products from Mexico totaled \$26 billion in 2018, making Mexico the largest supplier of agricultural imports.
- Major U.S. imports from Mexico include, coffee, fresh vegetables, fresh fruit and wine and beer.
- As demonstrated in the graphs below, prices for Mexican imports began rising as COVID-19 related lockdowns went into effect.

Mexico Biweekly CPI – Avocado and Corn



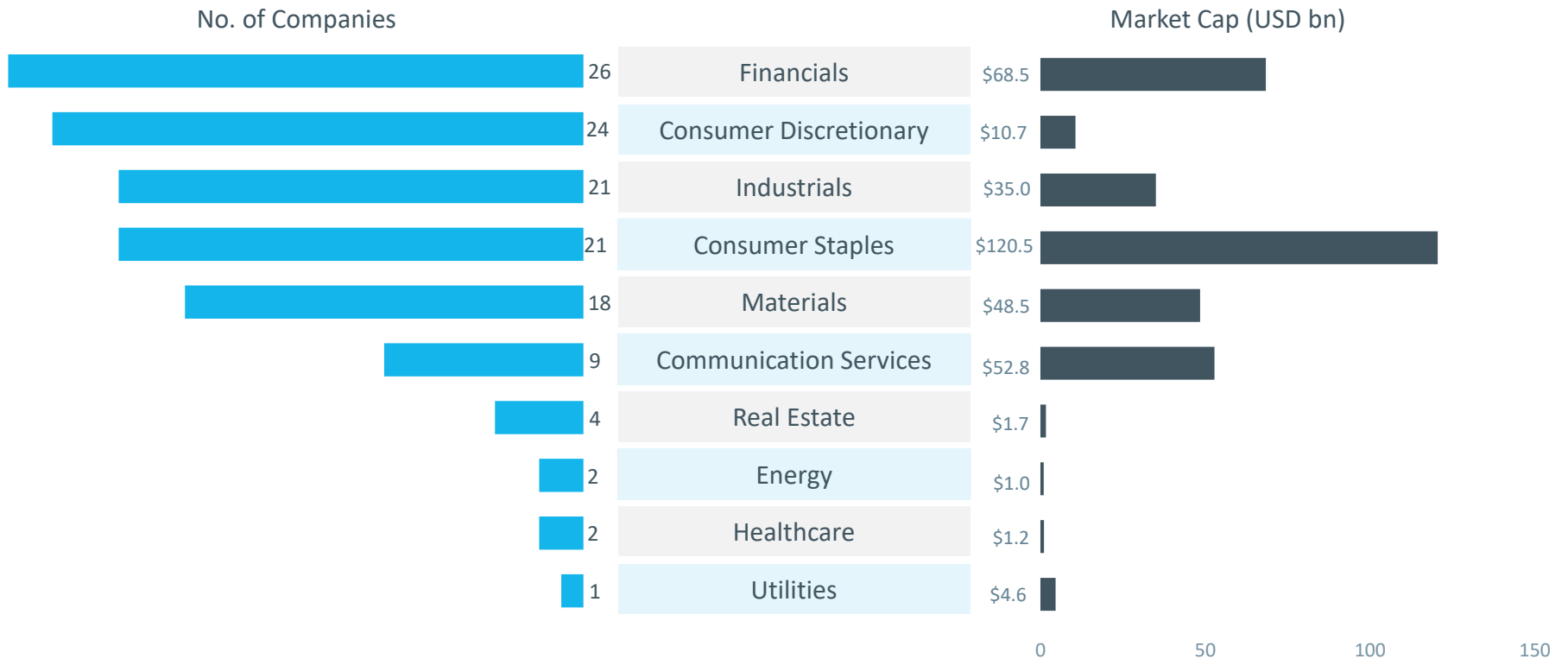
Mexico Refined Sugar Monthly Average Wholesale Spot Price



Listed Companies

- There are more than 120 listed companies in the Bolsa Mexicana de Valores, with an aggregate equity value of over USD 344 billion.

Summary of Listed Companies



YTD 2020 M&A Transactions

Through August 15, 2020 there have been 27 announced transactions with a deal value of approximately USD 326 million, compared to 48 transactions in the same period in 2019. Transaction volume declined 43.8% from the same period in 2019. January had a high of seven transactions announced, but due to COVID-19 transaction volume decreased to zero in April and two in May.

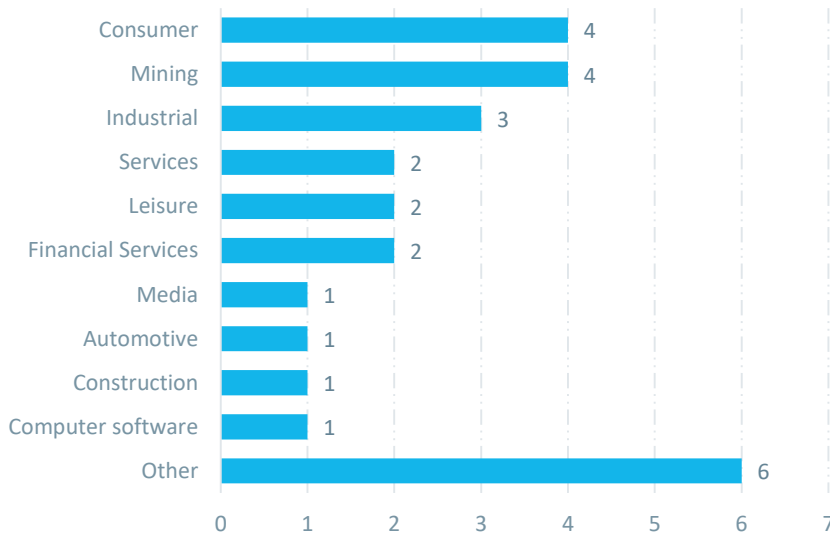
Large Transactions by Deal Value

Announced Date	Target Name	Incorporation	Industry Sector	Target Business Description	Acquirer Name	Enterprise Value USD (\$M)	EV / Revenue	EV / EBITDA
4/27/2020	Alphacredit Capital, S.A. De C.V	Mexico	Financial Services	Provides consumer loans and financing solutions to small and medium-sized enterprises (SMEs) in Mexico and Columbia	SoftBank Group Corp.	\$128	NA	NA
3/13/2020	Elavon Mexico	Mexico	Computer Software	Offers payment processing software	Banco Santander, S.A.	\$85	NA	NA
1/27/2020	Best Day Travel Group	Mexico	Leisure	Provides travel and booking solutions for hotels, airlines and convenience	Despegar.com SA	\$57	0.5x	7.1x
6/22/2020	Cerro Las Minitas	Mexico	Mining	Offers silver mining and production services	Southern Silver Exploration Corp	\$15	NA	NA

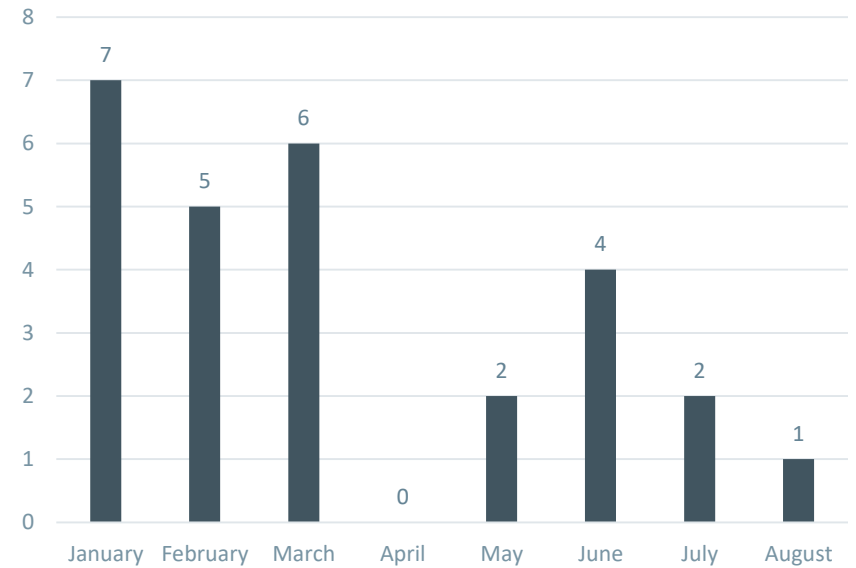
YTD 2020 M&A Transactions

Through August 15, 2020, there have been four announced deals in the consumer and mining industries, followed by three in industrial.

YTD August 2020 Transactions by Industry



YTD 2020 Transactions Announced by Month



Note: August figures through August 15
 Note: Deals represent targets where Mexico is the deal dominant geography
 Source: Mergermarket

2019 M&A Transactions

In 2019, there were a total of 73 transactions announced in Mexico, with a total deal value of over USD 13 billion. Two megadeals, Red de Carreteras and Impulsora del Desarrollo y el Empleo en America Latina, accounted for approximately 54% of total transaction value in Mexico.

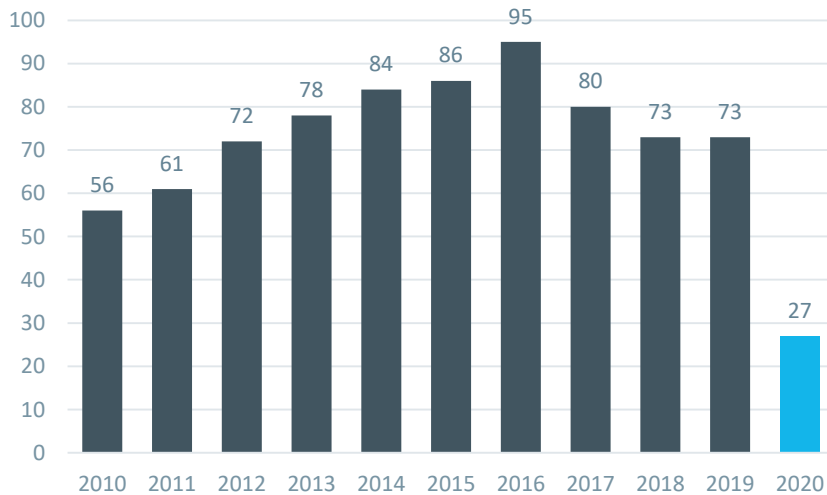
Large Transactions by Deal Value

Announced Date	Target Name	Incorporation	Industry Sector	Target Business Description	Acquirer Name	Enterprise Value USD (\$M)	EV / Revenue	EV / EBITDA
10/11/2019	Red de Carreteras de Occidente S.A.B. de C.V.	Mexico	Infrastructure	Engages in building, operating, conserving, and maintaining concessioned highways	Abertis Infraestructuras, S.A.	\$4,622	12.2x	13.3x
11/21/2019	Impulsora del Desarrollo y el Empleo en America Latina, S.A.B. de C.V.	Mexico	Infrastructure	Engages in construction, operation, and maintenance of road concessions; operation of wastewater treatment plants and multimodal terminals for passenger transport	Ontario Teachers' Pension Plan; Canada Pension Plan Investment Board	\$2,715	12.8x	20.1x
1/6/2019	Cogeneracion de Energia Limpia de Cosoleacaque, S.A.; Cogeneracion de Altamira, S.A. de C.V.	Mexico	Energy	Generates and supplies electricity and steam	ContourGlobal Plc	\$801	NA	NA
8/5/2019	Betterware de Mexico, S.A. de C.V.	Mexico	Household Prodcuts	Retails home organization, kitchen preparation, food containers, technology and mobility items	DD3 Acquisition Corp	\$367	2.9x	11.5x

2019 M&A Transactions

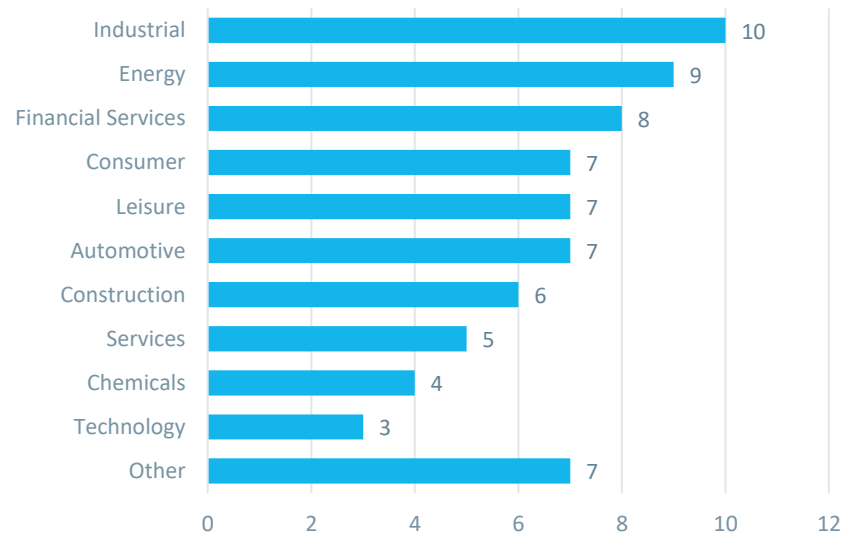
There were 73 M&A transactions in 2019 (flat year-over-year). Although transactions were the same as 2018, the number of deals are lower than 2017. There were ten transactions in the industrial space, followed by nine in energy and eight in financial services. Other, which accounted for seven deals in 2019, includes manufacturing, pharmaceutical, transportation, media, real estate and telecommunications.

Number of Transactions – 10-Year Trend



Note: 2020 based on January through August 15.

2019 Deals by Industry



Global Fairness Opinions Practice

Ranked No. 1 for Announced U.S. and Global Fairness Opinions in 2019 and over the past five years¹

Announced U.S. Fairness Opinions Rankings

	Ranking	Number of Credited Deals
One Year: 2019	#1	44
Three Years: 2017 - 2019	#1	149
Five Years: 2015 - 2019	#1	238
Ten Years: 2010 - 2019	#1	400

Source: Thomson Reuters

Announced Global Fairness Opinions Rankings

	Ranking	Number of Credited Deals
One Year: 2019	#1	55
Three Years: 2017 - 2019	#1	186
Five Years: 2015 - 2019	#1	325
Ten Years: 2010 - 2019	#1	519

Source: Thomson Reuters

¹Published in Thomson Reuters' "Full Year 2019 Mergers & Acquisitions Review."

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CONTACT

Mexico Contacts

**Alex Stern**

Managing Director
Leader for Mexico City
+52 55 6820 6978
alex.stern@duffandphelps.com

**Sheryl Cefali**

Managing Director
Mexico Real Estate Advisory Group
+1 424 249 1660
sheryl.cefali@duffandphelps.com

**Miguel Peleteiro**

Managing Director
Head of Energy
+52 55 6820 6940
miguel.peleteiro@duffandphelps.com

**Armando Avila**

Analyst
Transaction Opinions
+1 312 697 4617
armando.avila@duffandphelps.com

South America Contacts

**Alexandre Pierantoni**

Managing Director
Head of Brazil Corporate Finance
+55 11 3192 8103
alexandre.pierantoni@duffandphelps.com

**Recaredo Romero**

Managing Director
Head of Latin America
+57 17 42 5556
recaredo.romero@duffandphelps.com

**Juan Cruz Amirante**

Associate Managing Director
Head of Argentina, Kroll
+54 11 4706 6024
juancruz.amirante@duffandphelps.com

Spain Contacts

**Javier Zoido**

Managing Director
Head of Iberia
+34 910 389 010
javier.zoido@duffandphelps.com

**Vicente Estrada**

Managing Director
Leader GRID Spain and Portugal
+34 919 142 601
vicente.estrada@duffandphelps.com

**Marina Mena**

Director
M&A
+34 919 142 637
marina.mena@duffandphelps.com

Global Head of Corporate Finance

**Bob Bartell, CFA, Chicago**

Managing Director
Global Head of Corporate Finance
+1 312 697 4654
robert.bartell@duffandphelps.com

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