



DUFF & PHELPS
A **KROLL** BUSINESS

Mexico Capital Markets Insights

Summer 2021



OVERVIEW

Mexico has experienced a steady recovery after the economic turmoil caused by COVID-19. Many of its states have fully reopened and are actively rolling out vaccines. In the early weeks of the pandemic, the Mexican government declared a health emergency; implemented a range of sanitary measures, including travel restrictions, social distancing and school closures; and shut down non-essential activities to slow the spread of the virus.

As of June 7, 2021, 19 of the 32 states in the country have lifted COVID-19 restrictions, allowing for schools to reopen. The other 13 are at different stages with stricter restrictions, but they are working toward reopening fully as more people are vaccinated and positive rates decline.

The Mexican economy contracted by 8.5% in 2020, the largest one-year decline since the 1930s. Although the economy recovered during the third quarter, the country continues to struggle due to an increase in COVID-19 cases in 2021.

The Mexican central bank has improved its outlook on the economy; it is forecasting GDP growth of 6.0% in 2021, up from a previously estimated 4.8% in the prior quarter. The bank also expects inflation to end at 4.8%, up from 3.6% in the prior quarter.

TABLE OF CONTENTS



3	<i>Executive Summary</i>
4	<i>Economic Update</i>
9	<i>Listed Companies</i>
10	<i>YTD 2021 M&A Transactions</i>
13	<i>2020 M&A Transactions</i>

Executive Summary

Economic Performance and Outlook

- To achieve the projected GDP, Mexico is relying on a quick and efficient COVID-19 vaccine rollout.
- As of June 6, 2021, 11.0% of the population was fully vaccinated, while 19.0% had been administered at least one dose. Compared to the United States, where 41.0% of the population is fully vaccinated and 51.0% have received at least one dose, Mexico is lagging in its vaccination plan rollout.
- Inflation increased significantly to 6.1% in April. This is attributed to the low comparison base for energy prices in the prior year.

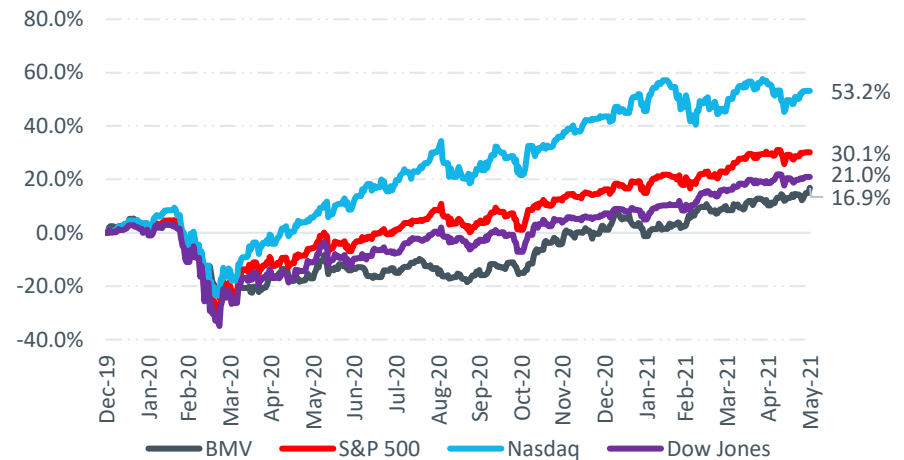
M&A Transaction Activity

- There were 54 total transactions in 2020, down from 73 in 2019.
- There were 15 total transactions through May 31, 2021, down 25.0% from the same period in 2020.

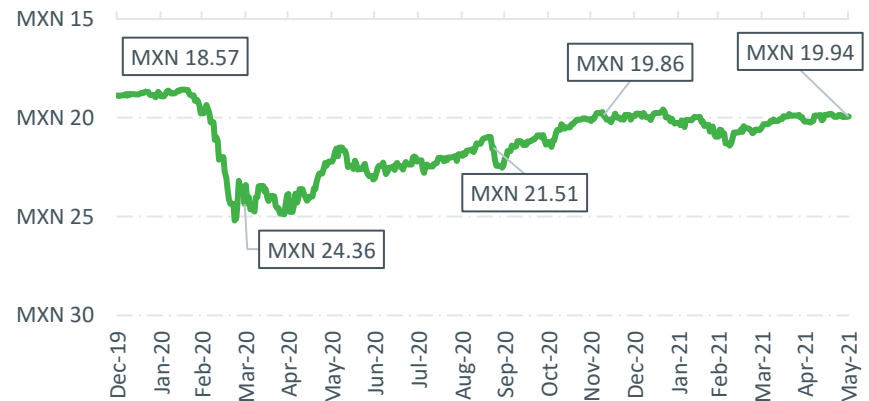
Foreign Exchange Trend

- The Mexican peso has increased 14.8% in value in relation to the USD since March 31, 2020, rising from 24.36 MXN/USD on March 31, 2020, to 19.94 MXN/USD on May 31, 2021.

YTD Market Index Performance



MXN to USD Exchange Rate

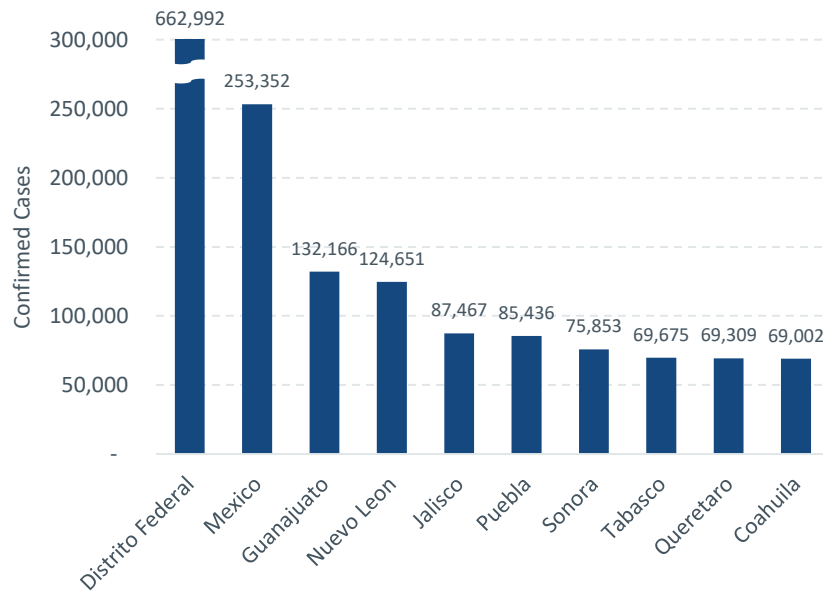


Source: S&P Global Market Intelligence

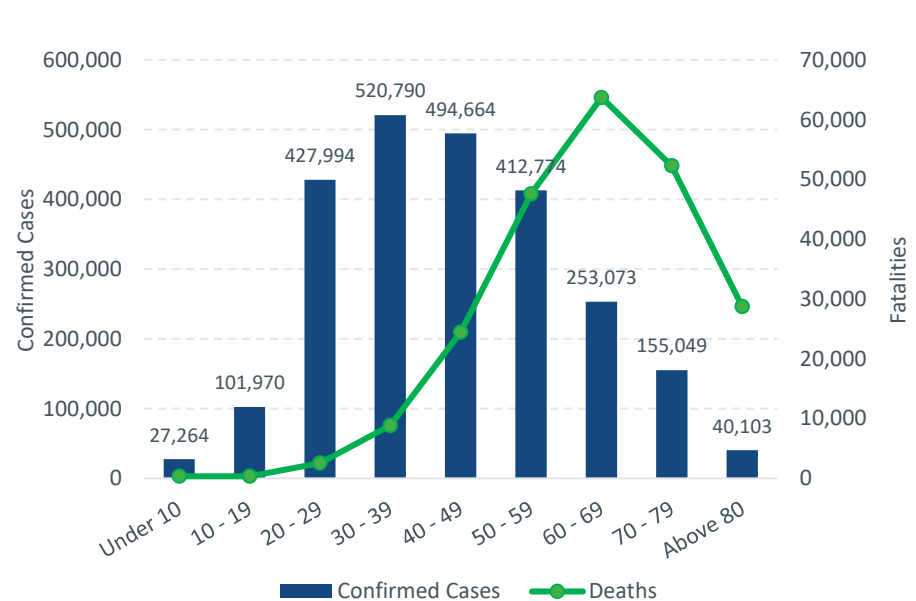
Economic Update

- As of June 6, 2021, Mexico had 2,433,681 confirmed cases of COVID-19, with 228,804 fatalities.
- Of the total confirmed cases, 1,939,596 individuals have recovered.
- People between the ages of 25 to 50 make up the largest percentage of positive tests in the country, accounting for over 1 million positive tests.
- People between the ages of 60 to 75 account for the largest percentage of fatalities, making up over 50% of fatalities.

Confirmed Cases by Top 10 States (as of 6/6/2021)



Confirmed Cases and Fatalities by Age Group (as of 6/6/2021)



Economic Update

Market performance as of May 31, 2021:

	5/31/2021			Change from 3/31/2020			Change from 5/31/2020		
	5-Year	10-Year	20-year	5-Year	10-Year	20-Year	5-Year	10-Year	20-Year
Mexican Gov't Bond	6.02%	6.58%	7.45%	▼ 0.42%	▼ 0.49%	▼ 0.42%	▲ 0.68%	▲ 0.44%	▲ 0.59%
Spread Over Treasury:									
US Treasury	5.23%	5.00%	5.27%	▼ 0.82%	▼ 1.40%	▼ 1.48%	▲ 0.19%	▼ 0.49%	▼ 0.43%

	As of 05/31/2021	Performance Since 3/31/2020	YTD Performance	1 Year Performance	3 Year Performance	5 Year Performance
<i>(Units in MXN)</i>						
Indices						
S&P/BMV IPC	50,885.95	▲ 47.3%	▲ 15.5%	▲ 40.9%	▲ 13.9%	▲ 11.9%
Top 10 Companies By Enterprise Value						
Anheuser-Busch InBev SA/NV	1,547.14	▲ 49.7%	▲ 8.6%	▲ 46.1%	▼ 17.2%	▼ 33.4%
América Móvil, S.A.B. de C.V.	15.11	▲ 4.9%	▲ 0.7%	▲ 2.1%	▼ 1.9%	▲ 31.4%
Wal-Mart de México, S.A.B. de C.V.	65.40	▲ 17.3%	▲ 16.8%	▲ 18.2%	▲ 30.6%	▲ 52.7%
Grupo México, S.A.B. de C.V.	97.14	▲ 122.1%	▲ 15.5%	▲ 104.6%	▲ 96.2%	▲ 137.6%
Fomento Económico Mexicano, S.A.B. de C.V.	167.39	▲ 16.9%	▲ 11.3%	▲ 11.6%	▲ 0.7%	▲ 0.4%
CEMEX, S.A.B. de C.V.	16.81	▲ 241.0%	▲ 63.7%	▲ 220.2%	▲ 41.7%	▲ 49.0%
Grupo Bimbo, S.A.B. de C.V.	43.85	▲ 27.2%	▲ 1.4%	▲ 26.5%	▲ 15.2%	▼ 19.4%
Grupo Televisa, S.A.B.	52.90	▲ 93.8%	▲ 61.6%	▲ 101.4%	▼ 20.6%	▼ 46.3%
Tenaris S.A.	230.00	▲ 70.4%	▲ 41.3%	▲ 70.4%	NA	NA
Arca Continental, S.A.B. de C.V.	113.04	▲ 18.2%	▲ 18.1%	▲ 14.3%	▼ 5.5%	▼ 7.9%
Mexican Peso FX Rate (1)						
British Pound (GBP/MXN)	28.33	▲ 2.8%	▼ 4.7%	▼ 3.3%	▼ 6.6%	▼ 5.7%
Euro (EUR/MXN)	24.38	▲ 5.2%	▼ 0.8%	▲ 1.3%	▼ 4.5%	▼ 19.0%
Swiss Franc (CHF/MXN)	22.18	▲ 8.7%	▲ 0.8%	▲ 4.0%	▼ 9.2%	▼ 19.8%
United States Dollar (USD/MXN)	19.94	▲ 14.8%	▼ 0.8%	▲ 10.3%	▲ 0.3%	▼ 8.3%
Canadian Dollar (CAD/MXN)	16.50	▲ 0.0%	▼ 6.2%	▼ 2.5%	▼ 7.1%	▼ 17.4%
Australian Dollar (AUD/MXN)	15.42	▼ 7.5%	▼ 1.2%	▼ 4.5%	▼ 2.0%	▼ 15.7%
New Zealand Dollar (NZD/MXN)	14.51	▼ 4.3%	▼ 2.0%	▼ 5.5%	▼ 3.6%	▼ 16.5%
Chinese Renminbi (Yuan) (CNY/MXN)	3.13	▲ 5.3%	▼ 3.2%	▼ 0.5%	▼ 0.3%	▼ 11.8%
Hong Kong Dollar (HKD/MXN)	2.57	▲ 14.9%	▼ 0.6%	▲ 10.4%	▼ 0.7%	▼ 8.4%

(1) Percentage change reflects strengthening and weakening of MXN

Economic Update

BEV to LTM EBITDA multiples are at 13.2x (median) as of May 31, 2021.

	BEV	Market Cap	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									
Anheuser-Busch InBev SA/NV	MXN 4,896,125	MXN 2,959,586	MXN 984,577	MXN 326,843	MXN 2,022,120	41.3%	6.2x	15.0x	5.0x
América Móvil, S.A.B. de C.V.	1,715,011	1,031,856	1,015,011	331,839	814,318	47.5	2.5	5.2	1.7
Wal-Mart de México, S.A.B. de C.V.	1,172,845	1,141,976	700,516	71,878	29,564	2.5	0.4	16.3	1.7
Grupo México, S.A.B. de C.V.	909,241	756,235	243,109	152,924	153,007	16.8	1.0	5.9	3.7
Fomento Económico Mexicano, S.A.B. de C.V.	743,582	543,142	495,156	56,409	138,958	18.7	2.5	13.2	1.5
CEMEX, S.A.B. de C.V.	448,051	247,249	271,946	48,842	238,631	53.3	4.9	9.2	1.6
Grupo Bimbo, S.A.B. de C.V.	319,089	196,637	335,938	44,969	122,452	38.4	2.7	7.1	0.9
Grupo Televisa, S.A.B.	266,947	147,179	97,962	38,032	119,913	44.9	3.2	7.0	2.7
Tenaris S.A.	260,434	268,492	93,330	11,901	1,830	0.7	0.2	21.9	2.8
Arca Continental, S.A.B. de C.V.	249,636	198,821	173,168	32,816	30,347	12.2	0.9	7.6	1.4
Orbia Advance Corporation, S.A.B. de C.V.	203,396	113,761	137,094	28,488	88,250	43.4	3.1	7.1	1.5
Infraestructura Energética Nova, S.A.B. de C.V.	200,866	119,915	26,852	14,995	80,951	40.3	5.4	13.4	7.5
Bectel, S.A.B. de C.V.	184,871	180,241	36,999	8,800	5,152	2.8	0.6	21.0	5.0
Alfa, S.A.B. de C.V.	181,278	68,631	267,930	30,966	152,257	84.0	4.9	5.9	0.7
GMéxico Transportes, S.A.B. de C.V.	167,735	136,632	46,141	19,949	31,103	18.5	1.6	8.4	3.6
Industrias Peñoles, S.A.B. de C.V.	171,749	120,272	105,882	34,347	38,665	22.5	1.1	5.0	1.6
Grupo Carso, S.A.B. de C.V.	165,802	136,258	97,566	11,392	25,433	15.3	2.2	14.6	1.7
Impulsora del Desarrollo y el Empleo en América Latina, S.A.B. de C.V.	154,583	108,656	13,554	7,668	38,853	25.1	5.1	20.2	11.4
El Puerto de Liverpool, S.A.B. de C.V.	147,233	113,040	115,042	6,924	46,958	31.9	6.8	21.3	1.3
Grupo Aeroportuario del Sureste, S. A. B. de C. V.	125,258	108,984	11,367	4,078	8,434	6.7	2.1	30.7	11.0
Kimberly-Clark de México, S. A. B. de C. V.	124,965	111,064	47,120	12,174	17,715	14.2	1.5	10.3	2.7
Grupo Aeroportuario del Pacífico, S.A.B. de C.V.	123,415	112,516	8,343	4,765	8,853	7.2	1.9	25.9	14.8
Gruma, S.A.B. de C.V.	107,998	85,333	91,738	13,778	26,459	24.5	1.9	7.8	1.2
Telesites, S.A.B. de C.V.	99,006	65,406	8,456	5,650	32,119	32.4	5.7	17.5	11.7
Aleatica, S.A.B. de C.V.	87,209	35,354	6,350	3,531	31,292	35.9	8.9	24.7	13.7
Average						27.2%	3.1x	13.7x	4.5x
Median						24.5%	2.5x	13.2x	2.7x

LTM: Latest 12 Months

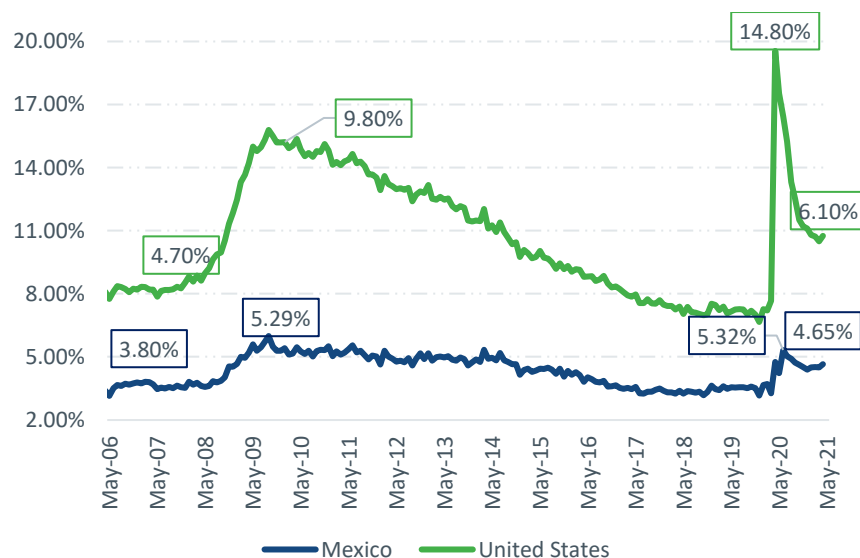
BEV: Business Enterprise Value

Note: LTM as of 5/31/2021

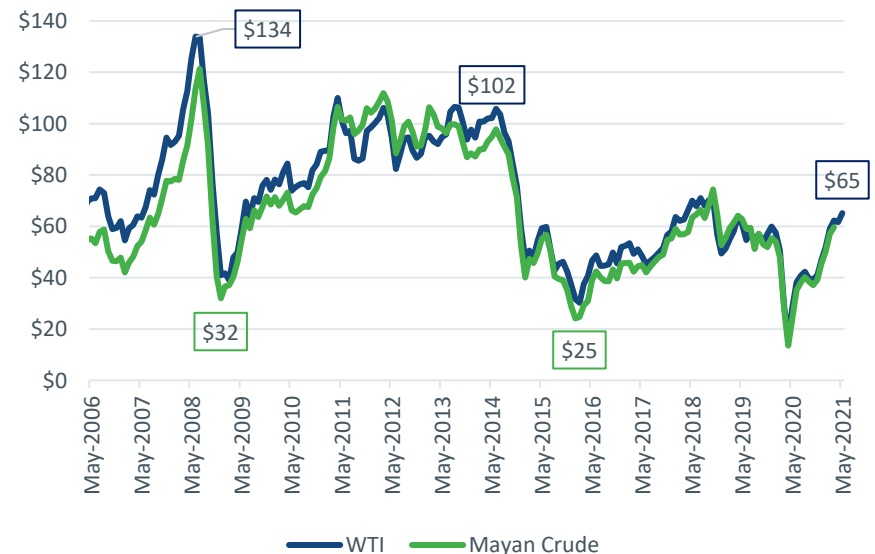
Economic Update

- Mexico’s unemployment rate has historically remained below the United States’ unemployment rate, likely due to the high level of informal employment in Mexico.
- At the start of the COVID-19 pandemic, the unemployment rate in Mexico increased by 5.32%, compared to a much larger increase in the United States of 14.80%.
- In mid-April 2020, WTI crude prices, to which Pemex’s flagship Maya heavy crude is tied, fell drastically before rebounding to pre-COVID-19 levels in the second half of 2020.

Mexico and U.S. Historical Unemployment Rate



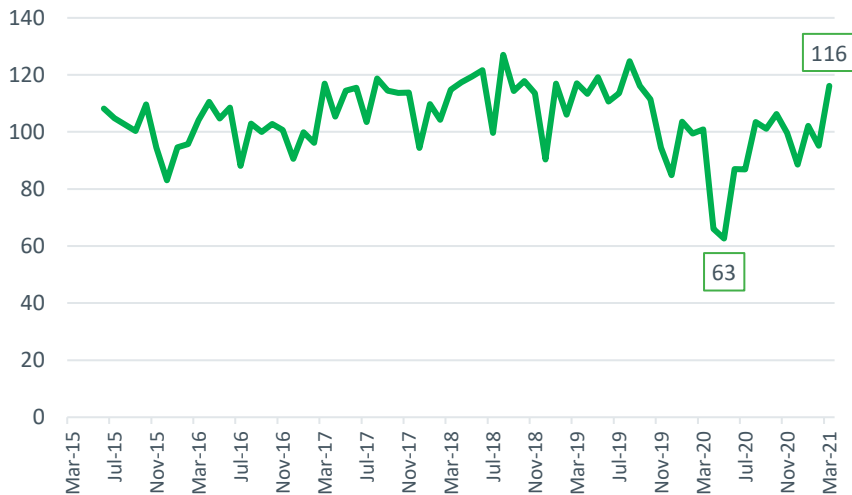
WTI and Mayan Crude Price per Barrel (USD)



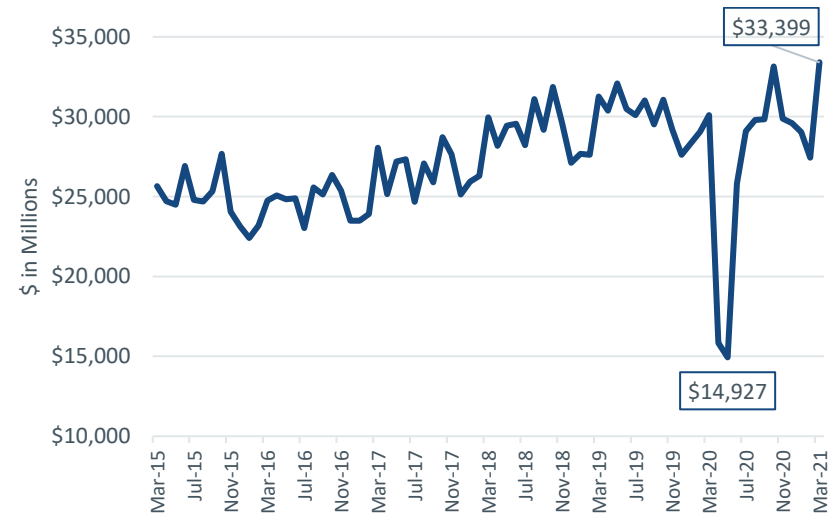
Economic Update

- U.S. goods imports from Mexico totaled \$36.1 billion in 2019, up 4.0% from 2018 and up 102.6% from 2009.
- The top import categories in 2019 were vehicles, machinery, electrical machinery, optical and medical instruments, and mineral fuels.
- U.S. total imports of agricultural products from Mexico totaled \$28 billion in 2019, making Mexico its largest supplier of agricultural imports.
- Major U.S. imports from Mexico include fresh fruits, fresh vegetables, wine and beer, snack foods, processed fruit and vegetables.

Mexico Industrial Production—Machinery



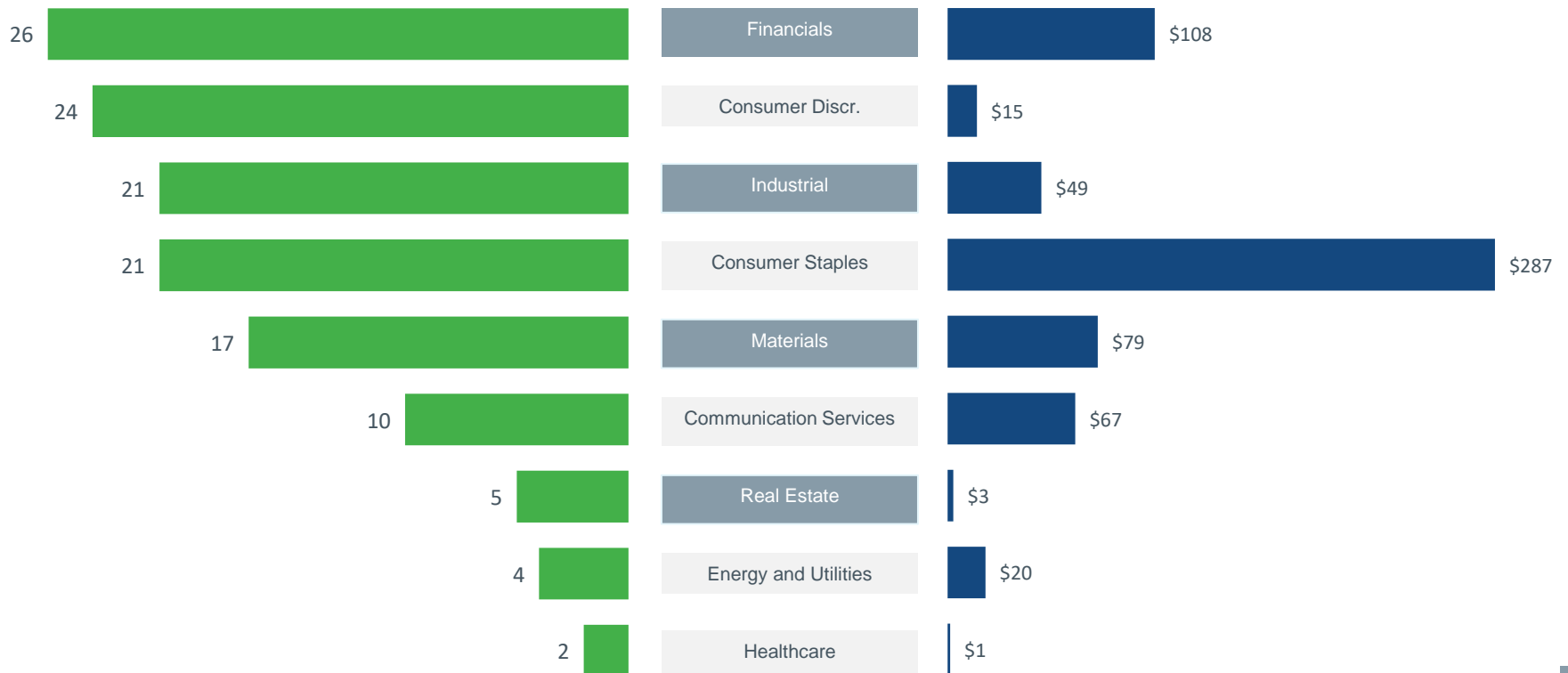
U.S. Imports from Mexico



Listed Companies

- More than 120 companies are listed on the Bolsa Mexicana de Valores (BMV), with an aggregate equity value of over \$629 billion.
- Most listed companies are in the financial and consumer discretionary sectors, with consumer staples sector companies representing the largest market capitalization.

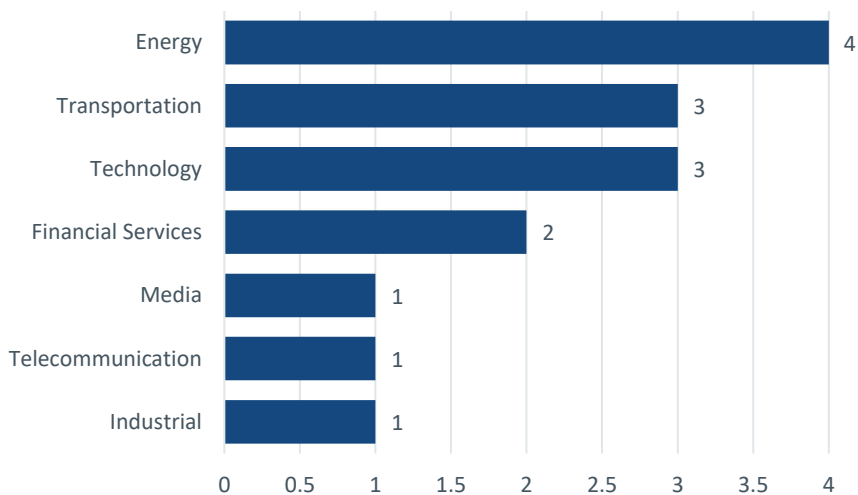
Summary of Listed Companies



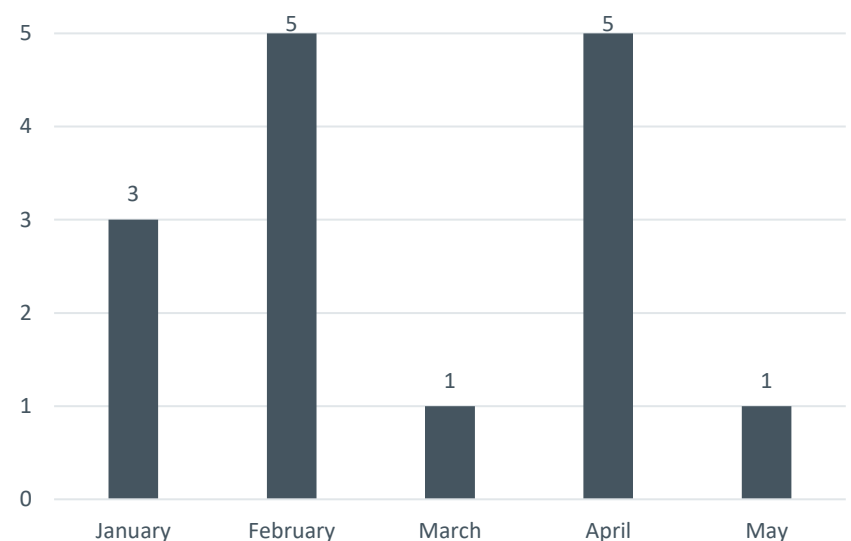
YTD 2021 M&A Transactions

- As of May 31, 2021, there have been a total of 15 announced transactions year-to-date across multiple industries. Energy M&A transactions represent the largest sector of the overall activity.
- During the early days of COVID-19, investing activity went on hold, leaving an abundance of capital available in 2021 for in-demand products and services that are well-insulated from pandemic-related disruption, which has driven the decline in real estate and increase in technology.
- Activity in April 2021 picked up before dropping to just one announced transaction in May.

YTD 2021 Deals by Industry



YTD 2021 Deals by Month



Note: Deals represent targets where Mexico is the deal-dominant geography.
Source: Mergermarket

YTD 2021 M&A Transactions

Through May 31, 2021, there have been 15 announced transactions with a total deal value of approximately \$7,783 million, compared to 20 transactions with a total deal value of approximately \$298 million in the same period in 2020. Deal activity in 2020 was highest in January and February and declined with the onset of the COVID-19 lockdowns in March.

YTD 2021 Largest Transactions by Deal Value

Announced Date	Target Name	Incorporation	Industry Sector	Target Business Description	Acquirer Name	Enterprise Value USD (\$M)	EV/Revenue	EV/EBITDA
4/26/2021	Infraestructura Energetica Nova S.A.B. de C.V.	Mexico	Energy	Provides electrical power generation and transmission services	Sempra Energy	\$1,686	7.9	14.3
4/13/2021	Grupo Televisa, S.A.B. (Media, Content and Production Assets)	Mexico	Media	Engages in media houses, publishing and radio broadcast	Univision Communications Inc.	\$4,800	NA	NA
4/7/2021	Uvi Tech, S.A.P.I. de C.V.	Mexico	Internet	Operates an online platform to buy and sell old cars	Ribbit Capital, L.P.	\$485	NA	NA
3/26/2021	Banco Santander Mexico, S.A.	Mexico	Financial Services	Provides various retail and commercial banking products and services to individuals and enterprises worldwide	Banco Santander, S.A.	\$647	NA	8.4x

YTD 2021 M&A Transactions

Through May 31, 2021, there have been several acquisitions by Mexican companies abroad. Most notable transactions are Grupo Verzatec, S.A. de C.V. acquiring Crane's Engineered Materials division and P.M.I. Norteamerica, S.A. de C.V., a subsidiary of PEMEX, acquiring the remaining 50.0% stake in the Deer Park, Texas refinery from Shell Oil Company.

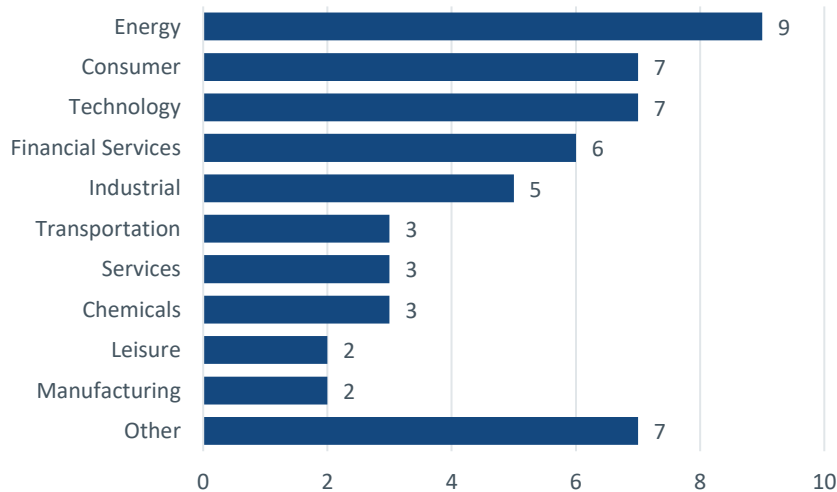
Transactions by Mexican Companies Abroad

Announced Date	Target Name	Incorporation	Industry Sector	Target Business Description	Acquirer Name	Enterprise Value USD (\$M)	EV/Revenue	EV/EBITDA
4/26/2021	Deer Park, Texas Refinery	Texas	Energy	Includes oil refinery located in Deer Park, Texas	P.M.I. Norteamerica, S.A. de C.V.	\$596	NA	NA
4/24/2021	Engineered Materials division of Crane	United States	Industrials	Comprises fiberglass-reinforced plastic panels and coils	Grupo Verzatec, S.A. de C.V.	\$356	NA	NA

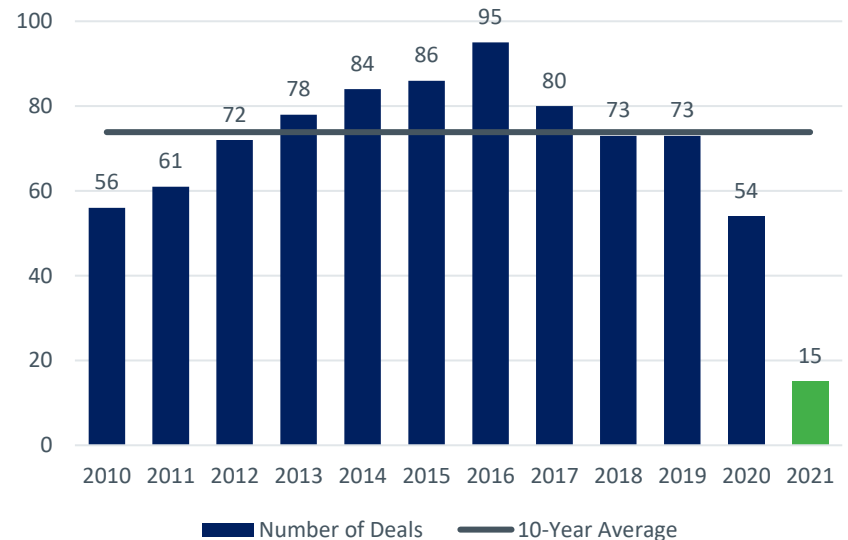
2020 M&A Transactions

- There were 54 M&A transactions in 2020, a decrease of 35.0% from 2019.
- 2020 deal volumes were below the 10-year average of 74 deals, largely as a result of increased risk aversion from investors.
- In 2020, 17% of the deals closed were in the energy industry, signaling that Mexico remains a strong market for energy investment.

2020 Deals by Industry



Number of Transactions – 10-Year Trend



2020 M&A Transactions

In 2020, a total of 54 transactions were announced for Mexico-based companies, with a total deal value of over \$1,363 million. While deal volumes were down 35.0% compared to 73 in 2019, the total transaction value declined 889% from \$13,479 million in 2019. This decline was mainly due to multiple mega deals in 2019 (Red de Carreteras de Occidente S.A.B. de C.V. and Impulsora del Desarrollo y el Empleo en America Latina, S.A.B. de C.V.).

2020 Largest Transactions by Deal Value

Announced Date	Target Name	Incorporation	Industry Sector	Target Business Description	Acquirer Name	Enterprise Value USD (\$M)	EV/Revenue	EV/EBITDA
10/16/2020	ICA Operadora de Vias Terrestres, S.A.P.I. de C.V	Mexico	Transportation	Provides freight and other transportation services	Empresas ICA Sociedad Controladora SA de CV	\$119	NA	NA
9/30/2020	Uvi Tech, S.A.P.I. de C.V.	Mexico	Internet	Operates an online platform to buy and sell old cars	General Atlantic Service Company, L.P	\$400	NA	NA
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 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

GLOBAL CORPORATE FINANCE PRACTICE

Ranked No. 1 for Announced U.S. and Global Fairness Opinions in 2020 and over the past 10 years¹. **Ranked No. 5** for Announced U.S. Middle Market M&A over the past 10 years².

ANNOUNCED U.S. FAIRNESS OPINIONS RANKINGS

	Ranking	Number of Credited Deals
Five Years: 2016 - 2020	#1	210
Ten Years: 2011 - 2020	#1	403

Source: Thomson Reuters.

ANNOUNCED GLOBAL FAIRNESS OPINIONS RANKINGS

	Ranking	Number of Credited Deals
Five Years: 2016 - 2020	#1	295
Ten Years: 2011 - 2020	#1	540

Source: Thomson Reuters.

1. According to Thomas Reuters' cumulative data 2011–2020.
2. According to Thomson Financial Securities Data (U.S. deals \$10M < \$150M, including deals without a disclosed value), full years 2011–2020.

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