

Macro-Strategy Key Issue

A Fluke No More: Time to Believe in the Recovery of the Mexican Consumer

Economics

Americas

A stronger consumer will support growth in 2015

We see no need to jump on the current bandwagon of cutting growth estimates for Mexico and reaffirm our long-held 2.7% 2015 GDP forecast. This is premised not just on an expected pick-up in external demand out of the US, but also on a constructive outlook for the consumer. We think a combination of acceptable employment growth, higher real wages, and stronger remittances are supporting a sustainable recovery in consumption (up 3.3% in 2015). Our view on the consumer also supports our call for Banxico moving roughly in sync with the Fed.

Weak consumer confidence and wage mass growth may be misleading

Leading indicators of consumption such as consumer confidence and wage mass growth have consistently underperformed actual consumption numbers. We think both may be understating the true situation of the household sector-- the former on account of the negative perception about the country and the latter on account of a likely underestimation of informal sector wages. A UBS proxy for household income (see fig. 16) that calculates the wage mass using formal sector wages and augments it by remittances, pensions, and consumer credit growth (see Fig 16) does a good job of mirroring consumption and is pointing up at present.

Strategy: Consumer Staples' valuations not stretched

Consumer stocks account for 38.8% of MSCI Mexico, higher than in any other EM. Despite investor preference for high growth, defensive (even if expensive) stocks in this cycle, the recent performance of Consumer stocks in Mexico has been mixed. Earnings momentum is stable across the sub-sectors of Consumer Staples and the overall sector trades just above its recent average premium to the market of 25%. In Consumer Discretionary (89% of which is Televisa), earnings momentum is much stronger, but the sector trades at an above-average 65% premium to MSCI Mexico. Gruma is on our Top 40 EM Stock List. Other Buy-rated stocks with exposure to the Mexican consumer are Walmex, Banorte, Santander Mexico, Inbursa, Fibra Danhos and Fibra Uno.

Rafael De La Fuente

Economist

rafael.delafuente@ubs.com

+1-203-719 7127

Geoff Dennis

Strategist

geoff.dennis@ubs.com

+1-617-748 5622

Gustavo Piras Oliveira, CFA

Analyst

gustavo.oliveira@ubs.com

+55-11-3513 6520

Lauren Torres

Analyst

lauren.torres@ubs.com

+1-212-713 2467

Philip Finch

Strategist

philip.finch@ubs.com

+44-20-7568 3456

Frederic De Mariz

Analyst

frederic.de-mariz@ubs.com

+55-11-3513 6511

Marimar Torreblanca, CFA

Analyst

marimar.torreblanca@ubs.com

+52-55-5282 7728

Alan Alanis

Strategist

alan.alanis@ubs.com

+1-212-713 2204

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Rafael De La Fuente

Economist
rafael.delafuente@ubs.com
+1-203-719 7127

Geoff Dennis

Strategist
geoff.dennis@ubs.com
+1-617-748 5622

Gustavo Piras Oliveira, CFA

Analyst
gustavo.oliveira@ubs.com
+55-11-3513 6520

Lauren Torres

Analyst
lauren.torres@ubs.com
+1-212-713 2467

Philip Finch

Strategist
philip.finch@ubs.com
+44-20-7568 3456

Frederic De Mariz

Analyst
frederic.de-mariz@ubs.com
+55-11-3513 6511

Marimar Torreblanca, CFA

Analyst
marimar.torreblanca@ubs.com
+52-55-5282 7728

Alan Alanis

Strategist
alan.alanis@ubs.com
+1-212-713 2204

We are upbeat about the Mexican consumer

We do not think that the stronger than expected indicators of consumption we have witnessed in Mexico in recent months can be put down to favorable base effects any longer. True, traditional leading indicators of consumption -- such as consumer confidence and the wage mass-- have not picked up nearly to the same extent. However, we would argue that both these measures are underestimating the true state of the Mexican consumer. Our view is that when properly measured, household income -- bolstered by modest, but steady employment growth, higher real wages, and solid remittance growth -- can explain the current positive dynamics we see in consumption and sustain them going forward.

If we are right, this has two important macro implications:

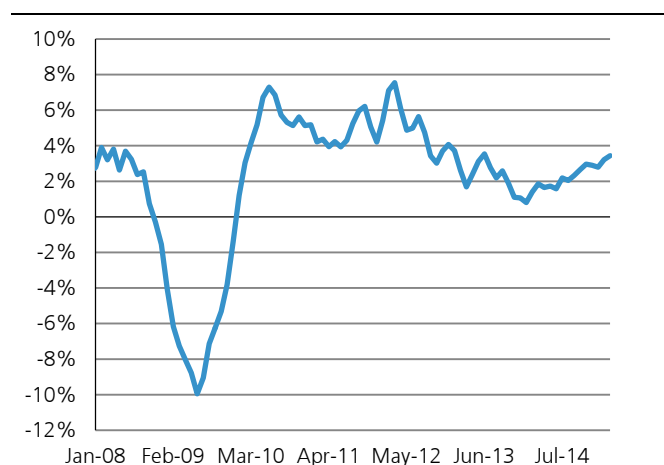
1) No need to follow the consensus trend for cutting growth forecasts: we stick to our long held forecast of 2.7% GDP growth in 2015;

2) More pricing power for companies ahead. This does not necessarily spell a big bout of inflation, but it does reinforce our view that the Banco de México will be roughly in sync with the Fed.

How we get there?

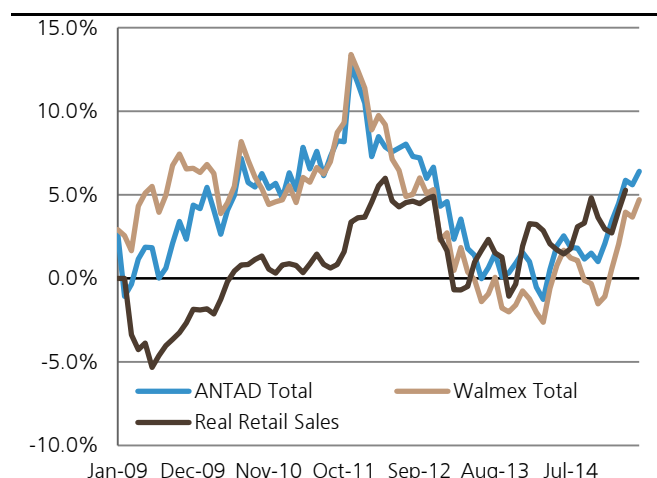
The economic news flow out of Mexico in recent months has been soft. Q1'15 growth slowed to 0.4% q-o-q, down from 0.7% a year earlier. This weakness can be partly attributable to a weaker than expected export manufacturing performance, largely reflecting the temporary slowdown we witnessed in the US in Q1, as well as to falling oil production. By contrast, and in what we have dubbed "an upside-down recovery", indicators of household consumption have consistently exceeded expectations in recent months. INEGI's private consumption indicator is up 3.4% y-o-y (figure 1) in Q1 and all retail sales' indicators we track are up sharply since the beginning of the year (figure 2).

Figure 1: Private Consumption, 3m y-o-y



Source: INEGI

Figure 2: ANTAD and Walmex Sales vs Retail Sales, real 3m y-o-y



Source: ANTAD, Walmex, INEGI, UBS

Until April, this jump in retail sales could be partially explained by positive base effects, given that household spending was hit hard at the beginning of last year by the government's tax increases. However, leading indicators of consumption in May that are no longer subject to easy comps, such as Walmex and ANTAD sales, have also come out strongly (up 7.7% and 7.4% in nominal same-store-sales respectively). This suggests that there is more than a statistical rebound at play here.

Indeed, we think that what we are seeing is a genuine recovery in consumer spending driven by three key forces: a steady increase in employment, marked by a greater degree of formalization; higher real wages, particularly on account of lower inflation; and a strong jump in remittances especially in MXN terms. Credit has so far played only a minor role in driving consumption higher, although it is showing some improvement at the margin.

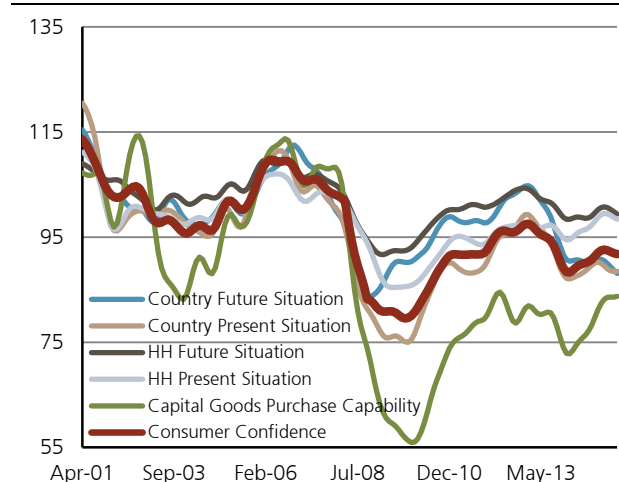
Making sense of it all

What is surprising about this recovery story is that some of the traditional drivers of consumption have remained more subdued. In particular, and as Banxico pointed out in its latest Quarterly Inflation Report, neither consumer confidence nor the real wage mass point to a strong recovery in consumption.

On the contrary, however, we think both the confidence and wage mass data may be hiding the true state and strength of the consumer. Let's examine them in turn:

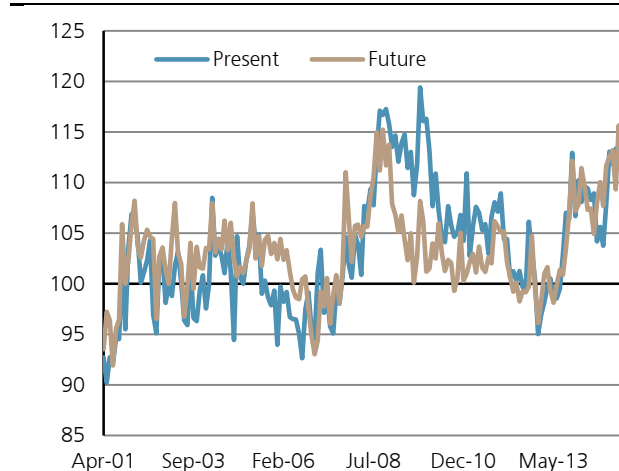
Consumer confidence. As figure 3 shows, consumer confidence appears to have stagnated and remains well below its pre-global financial crisis level. However, when we break down the consumer confidence index into its five components, what we find is that those components that refer to households' present and future situation are doing well (remaining close to post-crisis highs) and the one concerning households' appetite for buying durable goods is low but steadily improving.

Figure 3: Consumer Confidence Trend and Components



Source: INEGI

Figure 4: Household-Country Consumer Sentiment Ratio



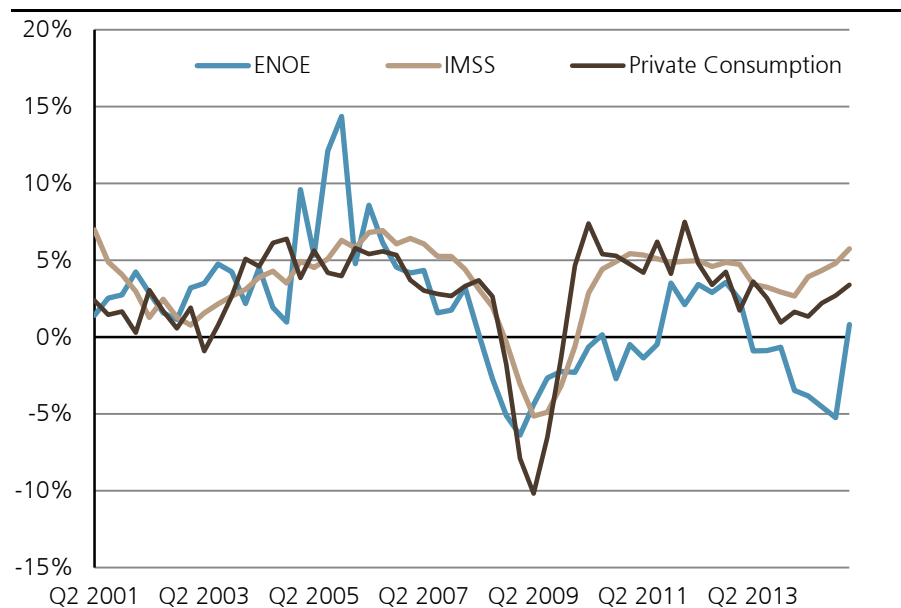
Source: INEGI, UBS

By contrast, what has put a lid on the overall index in recent months is how households see the current and future situation of Mexico itself. Indeed, if we calculate a ratio of how households see themselves and how they see the country we find that it is at close to an historic high (see figure 4). In other words, households' perception of their own well-being has rarely been so out of sync with

their vision of their country's outlook. Political scandals and incidents of violence may be weighing on sentiment here, as clearly suggested by political polls. The point here, though, is that when the consumer looks at herself, she appears upbeat about her financial situation. Given that we are overall positive about the Mexican economy (because of its linkages to the US, its competitive position, and the promise of reforms), we think confidence about the country will converge towards that of the household situation and not the other way around.

The wage mass. As a reminder to our readers, the real wage mass is calculated as the average wage (deflated by CPI) multiplied by the number of employed workers in the economy. As such, the wage mass provides a good measure of labor-related income in the economy, which should be the most important driver of consumption.

Figure 5: ENOE vs IMSS Real Wage Mass, y-o-y



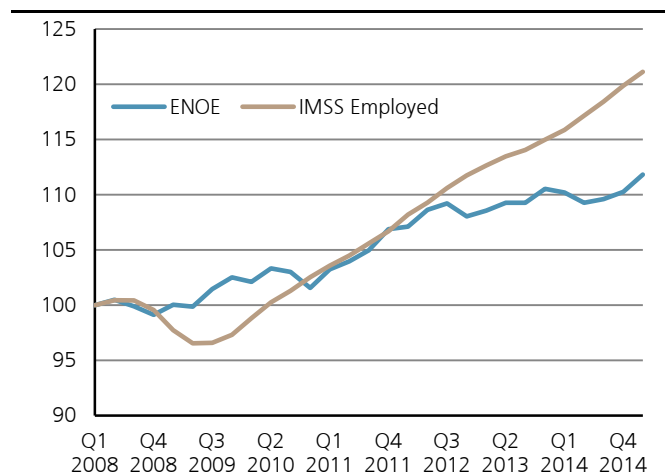
Source: STPS, INEGI, UBS

Figure 5 presents two different versions of the wage mass in Mexico and compares them with growth in private consumption. As we can see, neither does a particularly good job of tracking the recent growth in consumption. The most broadly-used measure of the wage mass is that calculated using the ENOE household survey data. This survey canvasses both formal and informal sectors of the economy and is the one used to calculate the official unemployment rate. Note that the ENOE wage mass has tended to under-estimate consumption by a large margin in recent quarters, although, as Banxico itself recognized in its June policy statement, it did show some improvement in Q1'15, partly supported by the sharp decline in inflation in the period. The other wage mass in figure 5 uses social security registration (IMSS) data, and therefore refers only to formal sector workers. This measure has tended to overstate the strength of consumption in the economy as a whole.

What explains the big divergence between the ENOE and IMSS measures of the wage mass? Figures 6 and 7 show the behaviour of their two respective components: employment and real wages. On the employment front, we see that formal sector job growth has been more dynamic than for the economy as a whole. This makes sense, given the government's efforts at formalizing the

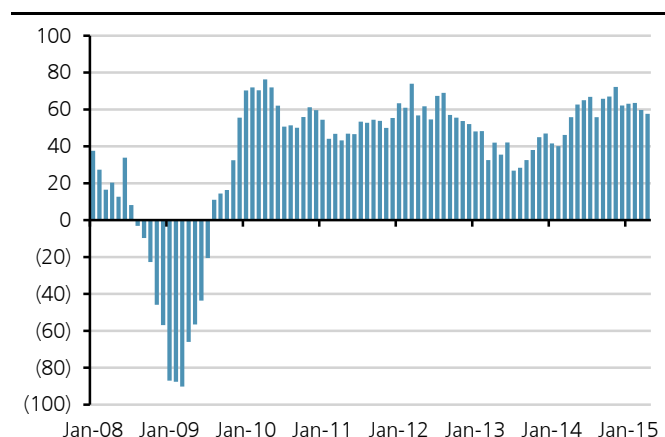
economy through both fiscal incentives and changes to the country's labour laws. As figure 8 shows, IMSS employment is expanding at a healthy clip of close to 60K jobs per month.

Figure 6: ENOE vs IMSS Employment, Q1'08=100, s.a.



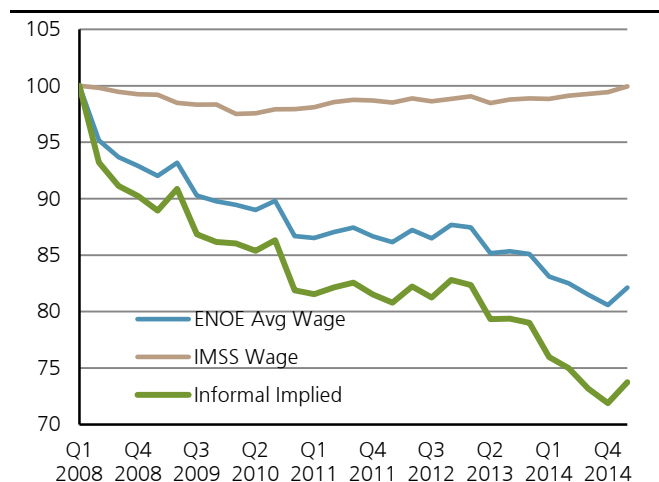
Source: STPS, INEGI, UBS

Figure 8: IMSS Monthly Employment Growth, 3m average, thousands, s.a.



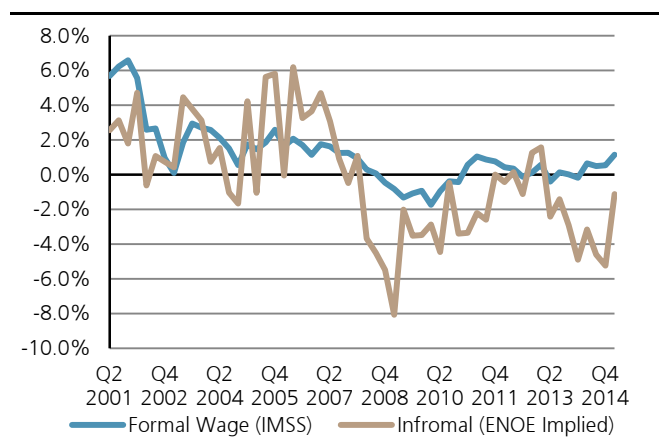
Source: STPS, UBS

Figure 7: ENOE vs IMSS Wages, Q1'08=100, s.a.



Source: STPS, INEGI, UBS

Figure 9: Formal vs Implied Informal Wage Growth, real y-o-y



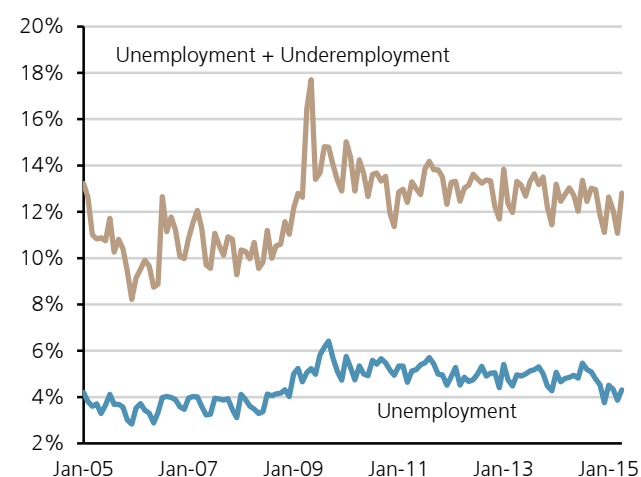
Source: INEGI, STPS, UBS

The bigger problem we have in looking at the different wage masses is when comparing the wage data. The IMSS wage data has been rising steadily (at about 0.3 per annum in real terms) while that for the economy as a whole has contracted sharply. The ENOE survey does not provide us with a breakdown of wages between formal and informal sectors, but using the IMSS data for wages, we can back them out from the ENOE total to estimate an informal sector wage. This is included in figure 7 above, and shows an informal sector wage that has fallen sharply since the crisis, accelerating its decline in 2014.

Is such a collapse realistic? There is no question that there are two distinct economic realities in Mexico: that of a formal sector, largely centered in manufacturing and in higher value-added services, which enjoys high productivity and therefore commandeers higher wages; and that of an informal sector centered in low value-added sectors and agriculture that is plagued by low productivity and consequently low wages. The question is whether there are good reasons to suggest that the divide is widening. After the 2008-09 crisis, it made sense that

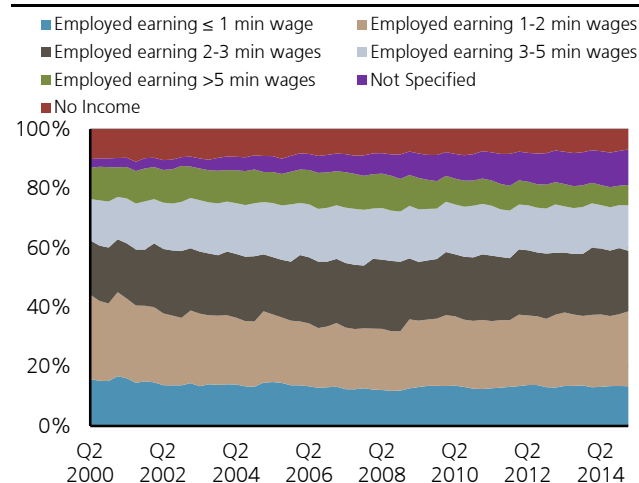
this should be the case: the phenomenon of reverse migration on account of the US recession meant that the ranks of the unemployed in Mexico grew, putting particular downward pressure on informal sector remuneration. The more recent divide between IMSS and informal wages in 2014 is less evident, however, as the migration picture appears to be returning to more normal patterns in recent quarters judging by: a falling unemployment rate (it now stands at 4.32%, down from a 4.87% a year-earlier); a rise in remittances (given, in part, the weak peso); and estimates of net migration – such as those from the Pew Hispanic Center – showing more stability.

Figure 10: Unemployment and Underemployment



Source: INEGI, UBS

Figure 11: Share of Employment by Income



Source: INEGI, UBS

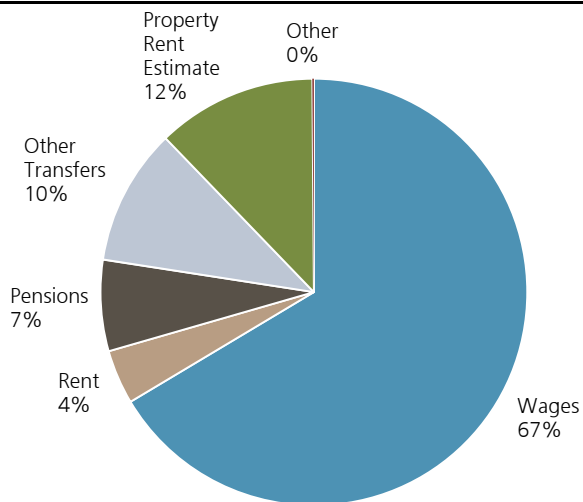
One possible explanation for the accelerated decline in informal sector wages in 2014 is that the very process of formalization is driving the average wage in the informal sector down by pushing the marginal informal worker into formality. We have our doubts. For one thing, the level of informality as measured by INEGI has come down, but only marginally so: it now stands at 57.7%, down from 58.2% a year before. Also, sectors that are under particular pressure to formalize – such as construction, which can be more easily monitored and regularized fiscally – may be paying workers both on the books and off the books, with the former wage remaining at low levels.

An alternative explanation is that wages in the ENOE household survey are getting underreported. This is, of course, hard to ascertain but we would point out the following: in the ENOE's breakdown of employment by wage level, the category experiencing the strongest growth is that of workers who no longer report them (figure 11).

A working hypothesis

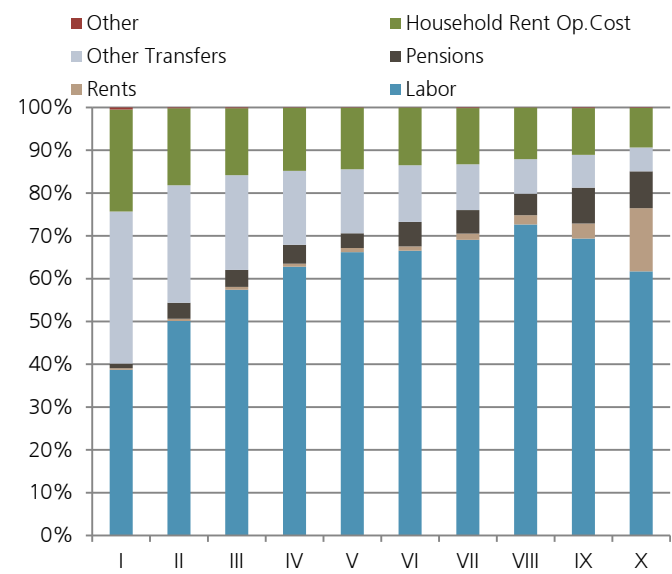
Let's recap: the ENOE household survey – which theoretically provides the widest canvassing of labour income in the economy – generates a wage mass that underestimates household consumption in the economy. To try to build a better proxy for consumption, we suggest making the following alterations: i/ add additional sources of income to our existing wage mass; and ii/ run the wage mass using a different proxy for wages, one that implicitly raises the level for the informal sector.

Figure 12: Distribution of Monetary Household Income



Source: INEGI – ENIGH 2012, UBS

Figure 13: Distribution of Monetary Household Income by decile

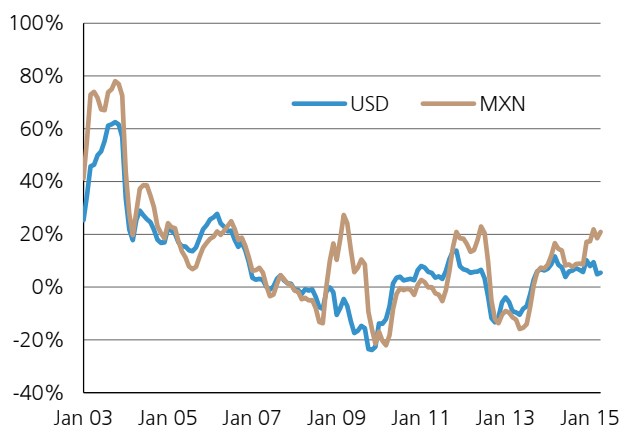


Source: INEGI – ENIGH 2012, UBS

Our "augmented" calculation adds the following to the ENOE wage mass:

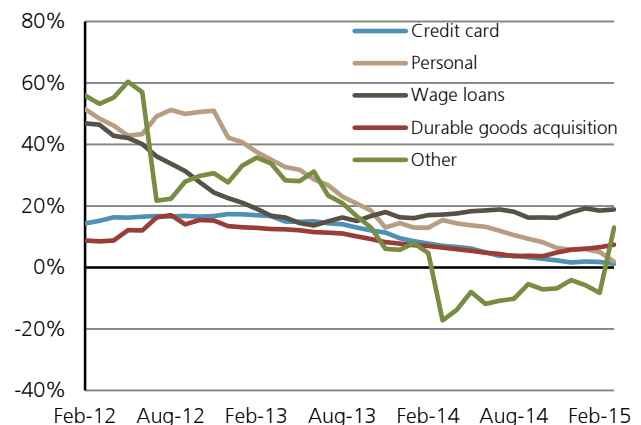
- **Remittances:** These have grown strongly in recent months (figure 14), particularly in peso terms, given the currency's weakness and the fact that migrants take advantage of this situation to send more money home. The marginal propensity to consume out of remittances remains very high.
- **Pensions:** This is a source of income that is growing well above inflation, up 7.6% per annum at present.
- **Net credit growth:** bank lending to the consumer remains subdued, particularly through credit cards (figure 15). Greater crossing of information between credit card companies and the tax authorities following the recent tax reform may explain some of this weakness.

Figure 14: Remittances, 3m y-o-y



Source: Banxico, UBS

Figure 15: Commercial Bank Consumer Credit, y-o-y

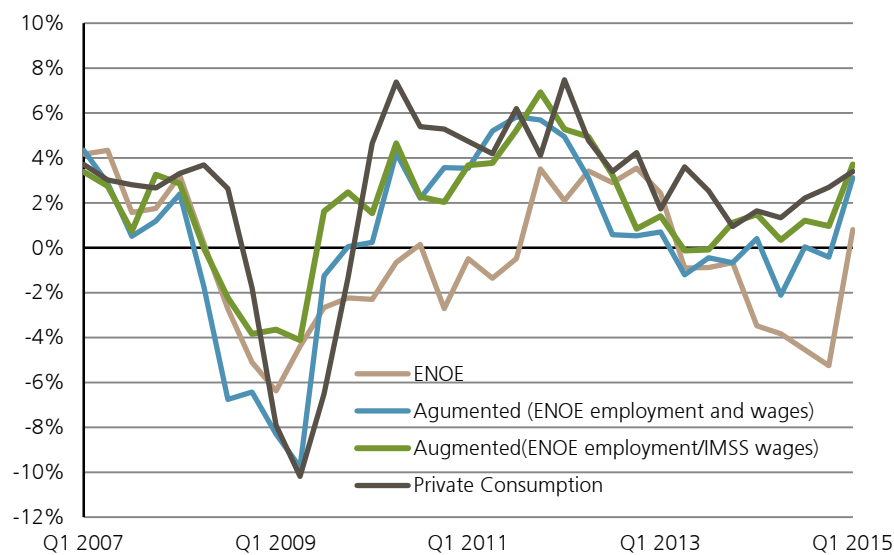


Source: CNBV

In terms of our choice of the wage in our wage mass calculation, we use the IMSS formal sector wage data and apply it to the population as a whole. Admittedly, this likely overestimates both wages and productivity in the informal sector, but

given that even formal sector wages have remained subdued in real terms since the crisis, it may not be a wild assumption.

Figure 16: Alternative Wage Mass Measures vs Private Consumption, real y-o-y

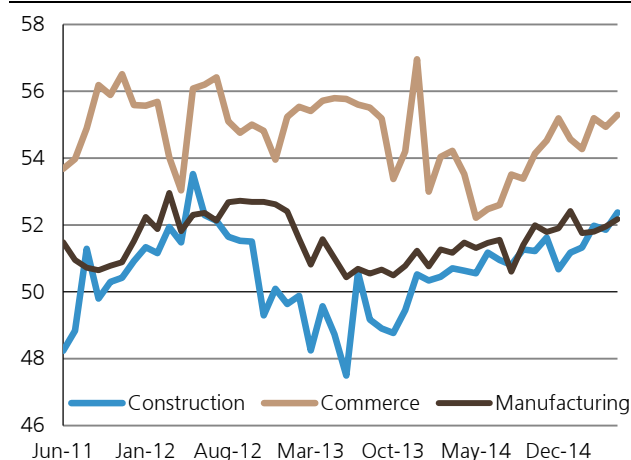


Source: STPS, INEGI, Banxico, UBS

Figure 16 shows our results. An augmented wage mass that uses ENOE employment and IMSS wages has a better fit with private consumption than either an augmented wage mass using ENOE wages or the simple ENOE wage mass we introduced at the beginning of this report. In particular, it does a good job of picking up the improvement in consumption we have seen in recent months.

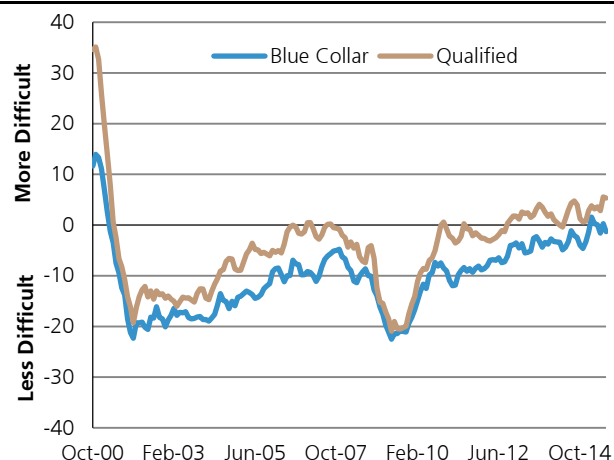
Also, we think the outlook for our augmented wage mass is positive. Surveys of employment are showing improvement (figure 17) and we think real wage growth will remain supportive. Notice that the Banxico survey of manufacturing employment is pointing to tightness, suggesting that wages in that sector will remain well supported (figure 18). True, remittance growth in peso terms will likely slow, but we are starting to see some recovery in consumer credit at the margin.

Figure 17: Business Sentiment Surveys: "Employed Personnel" Component by Sector, s.a.



Source: INEGI, UBS

Figure 18: Difficulty Hiring Qualified and Blue Collar Personnel in Manufacturing Firms, 3m avg



Source: Banxico, UBS

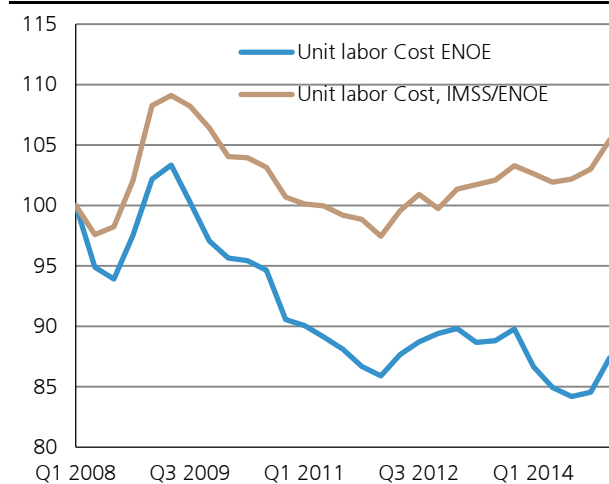
Some conclusions and implications....

We are upbeat about the Mexican consumer. Employment surveys are trending up and inflation remains subdued and below the Central Bank's 3% target, lifting real wages in the process. Provided the economy does not get derailed by negative sentiment (violence, corruption) we think the positive trend in consumption will remain in place and may even improve if bank lending were to increase. We see consumption expanding by 3.3% this year, above GDP growth of 2.7%.

Here are two important implications of our analysis:

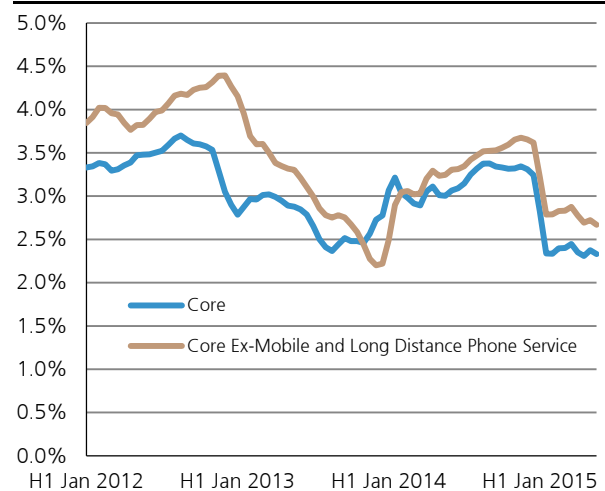
- i. **GDP Growth estimates:** We stick to our GDP growth forecast for 2015 of 2.7% for now. We cut back growth forecasts below 3% following the government's decision to reduce spending in January given lower oil prices. While consensus continues to move south, we are in no hurry to cut our forecast further at this stage. A combination of a stronger US in the next three quarters (our economists expect a rebound to 2.6% growth in that period), a competitive export sector, and a consumer that is seeing her income rise will help counter some well-recognized headwinds (fiscal retrenchment, lower oil production).
- ii. **Inflation estimates:** If our conjecture that ENOE wages may be underestimated is correct, one implication is that unit labour costs may not be as low as Banxico currently estimates them. In fact, as figure 17 shows, using a wage mass with ENOE employment and IMSS wages suggest that they are rising. True, if this were the case, why have we not seen more evidence of higher inflation (particularly in services) and a higher pass-through to prices from the weaker peso? We would note two things: one, even under our revised wage mass scenario, unit labour costs rise only modestly, and there are other factors pushing inflation down at present (figure 18); and two, a number of large retailers have expressed their intention to pass-through higher prices on account of the weak MXN to the consumer in H2'15. While we don't expect inflation to spike in H2'15, we retain the view that Banxico will move roughly in sync with the Fed. We do not subscribe to the view at this stage that weak domestic conditions will allow Banxico to stay on hold well past the Fed's first move.

Figure 19: Unit Labor Cost Using Alternative Wage Mass Measures, Q1'08=100, s.a.



Source: ENOE, STPS, UBS

Figure 20: Core Inflation vs Core ex Mobile and Long Distance Telephony, y-o-y



Source: INEGI, UBS

... and some caveats

Some of our optimism on consumption is premised on our view that informal sector wages would appear to be too low to explain the type of recovery in household spending we are witnessing. While we see good reason why these wages may be underreported, they are still a variable we cannot observe. There is therefore, a risk that this may turn out to be a statistical dead-cat bounce in consumption, but we doubt it.

Alternatively, we may be missing sources of spending for households in our analysis that could explain the difference between the lowly household ENOE wage mass and private consumption. One such source is credit coming from non-regulated SOFOME financial institutions. This is credit that is not picked up by either the CNBV or Banxico, and therefore difficult for us to monitor, but there is evidence to suggest that it may have propped some areas of sales, such as autos. Still, we do not think this can explain the whole surge in consumption: non-regulated SOFOMES account for a mere 1.2% of financial assets in the system.

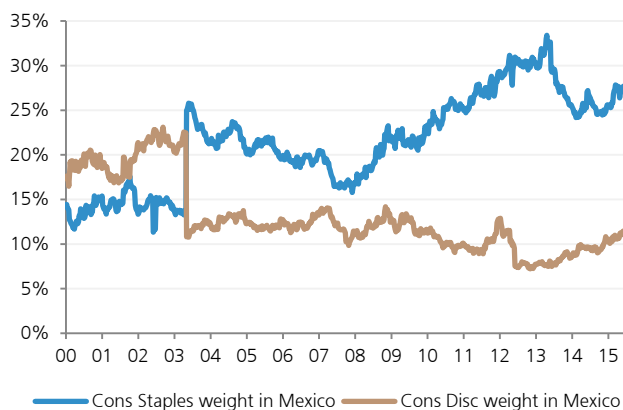
Strategy: Value in Mexican Consumer Staples

The story of Mexican consumer stocks for GEMs investors seems a familiar one: big weight in the market, good companies and somewhat defensive, albeit very expensive, stocks, set against a backdrop of prolonged disappointment (especially in early-2014) over the rate of growth of consumer spending in Mexico. There is always a concern that investors have too much allocated to an expensive sector, but hope for a growth recovery in the sector always springs eternal. If the outlook for personal consumption in Mexico is finally improving, as argued in this report, how such investors react in terms of strategy towards the sector? Currently, we rate Mexico as an Overweight with a GEMs equity portfolio and one of the three Mexican stocks on our Top 40 GEMs Stock List is GRUMA (Consumer Staples), consistent, therefore, with some exposure to the sector.

The Sector: Big

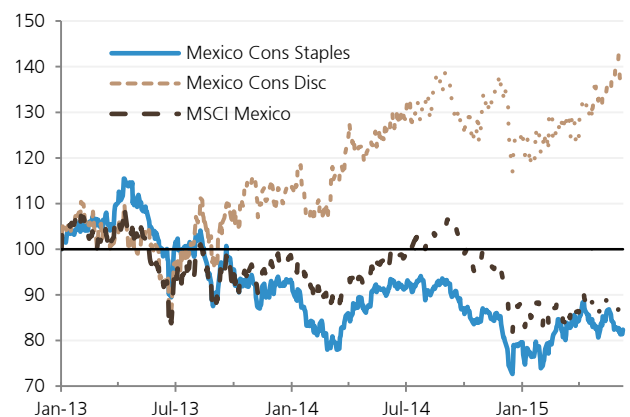
First, the Mexican consumer sectors are big. At end-May (Figure 21), Consumer Staples accounted for 27.4% of the MSCI Mexico index. This is, by far, the biggest sector in the market (the next being Telecoms at 19%), albeit this weight is down from a peak of 33.6% in early 2013, while the end-May weight of Consumer Discretionary was 11.3%¹. These compare to consumer sector weights in GEMs of 7.9% and 8.9% respectively. The Mexican consumer sectors together make up 38.8% of the market, the highest weight for this sector in any emerging market (the next is South Africa at 35.8%), and compared to 16.8% for Consumer in MSCI GEMs. Consumer is the most important call on the Mexican market.

Figure 21: Consumer Sectors Weight in MSCI Mexico



Source: MSCI, Datastream, UBS

Figure 22: MSCI Mexico Consumer Sectors Performance



Source: MSCI, Datastream, UBS

Performance: Mixed

The Mexican consumer sectors have seen mixed performance recently (Figure 22 above). Since the end of 2012, Staples have fallen by 17.1%, a slight underperformance of MSCI Mexico (-13.2%), while Discretionary has surged by 39.1% over the same period and has been a significant outperformer of the overall market. The latter move is mainly due to Televisa which has risen by 43.5%

¹ There are 10 stocks in the Mexican Consumer Staples sector (retail, beverages and food) but just 2 stocks in Consumer Discretionary, with 89% of the sector being Televisa (media).

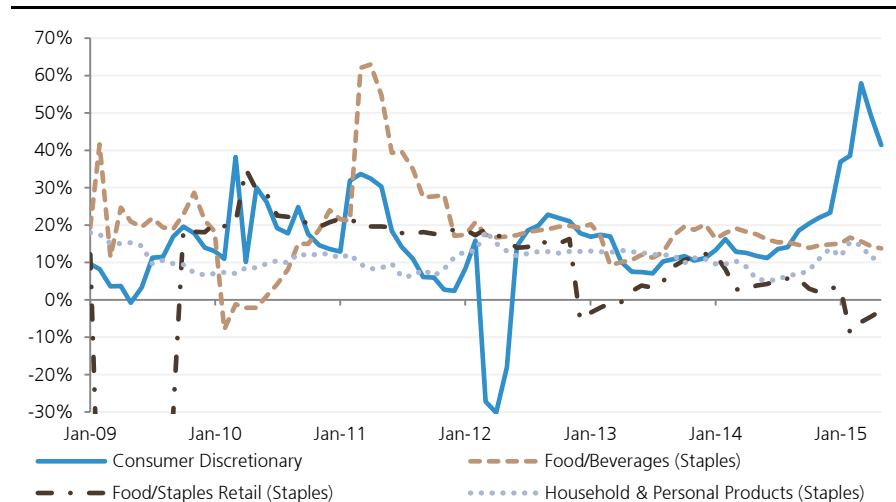
over this period and has been the second best-performing stock within the combined consumer sectors and the third best performing stock in MSCI Mexico over this period. However, even beating Televisa by some distance has been GRUMA (Staples) which has risen by 336% since end-2012. Most other Consumer stocks in Mexico actually fell over the period since end-2012. (See the Appendix for the full stock performance data.)

The impact on sector performances of the dip in consumer spending at the beginning of 2014, following the increase in taxation on the sector as part of the tax reform program of President Peña Nieto, can be clearly seen in the chart. For the purpose of this note – and given the tiny number of stocks in the Mexican Consumer Discretionary sector – it makes sense to focus primarily on Staples.

Earnings Growth: Upside Risk to Staples Forecasts

Whatever is going on in terms of macro trends in consumer spending in Mexico, there is limited evidence as yet of any significant rebound in earnings momentum in the Consumer Staples sector. Given the very different drivers of the sub-sectors of Consumer Staples (food, beverage, retail), we split them up then look at earnings trends. Earnings momentum, defined as 12-month forward consensus estimates, has fallen sharply in retail over recent quarters, although it is now showing signs of a modest rebound (Figure 23); for food and beverage momentum has been more positive and stable (in a 10-20% range recently).

Figure 23: MX Consumers 12m Fwd EPS Growth Forecast



Source: IBES, Datastream, UBS.

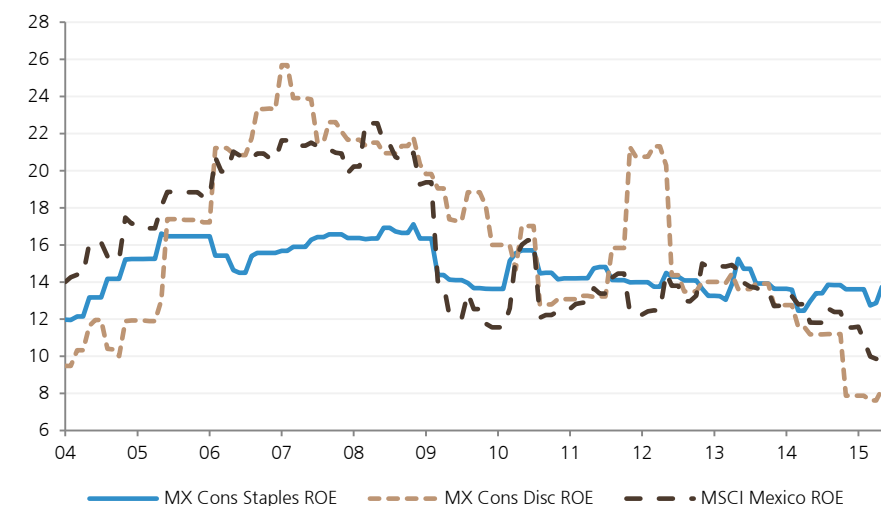
For Consumer Discretionary, the story is more straight-forward. The more erratic path of earnings momentum is due to the small number of stocks in the sector. 12-month forward consensus EPS forecasts currently stand at 41%, well above the 10-20% level seen in 2013 and early-2014. In terms of the dominant stock in the sector (Televisa), our Telecoms/Media analyst, Richard Dineen, forecasts EPS growth of 82% in 2015 with long-term projected growth (2014-19E) of 25%.

ROEs: Down, Down

Switching to profitability metrics, the results for the Consumer sectors are in the opposite direction to earnings forecasts, with a better performance by Consumer Staples and weak profitability metrics from the Discretionary sector. The average

ROE of the Mexican Staples sector has been fairly stable recently (with a very slight downward trend) despite weak earnings growth (Figure 24). At the end of May, the ROE was 13.7%, below the post-2003 sector average of 14.7% (Figure 25) but still above the 9.9% average for MSCI Mexico, which has been falling sharply since early-2013. Therefore, over time, the ROE of Consumer Staples has typically been below that of MSCI Mexico as a whole, while the opposite is true at present.

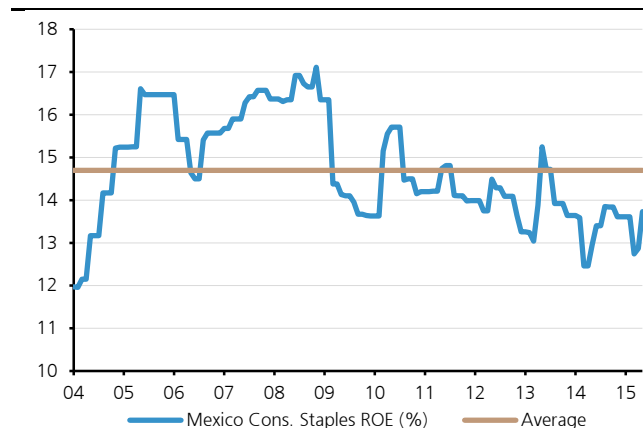
Figure 24: MSCI Mexico + Consumer Sectors ROE



Source: MSCI, Datastream, UBS

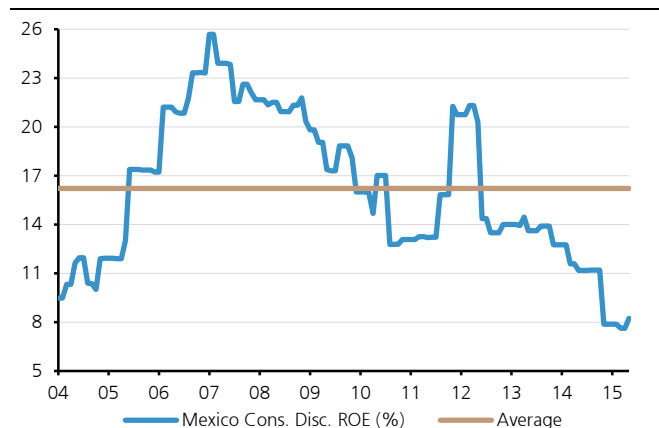
By contrast, the average ROE of the Consumer Discretionary sector has fallen even more rapidly than the metric has for the market as a whole. It currently stands at just 8.2%, its lowest level for at least twelve years and little more than half its average over the post-2004 period of 16.2% (Figure 26). In summary, earnings momentum looks much stronger in Consumer Discretionary in Mexico, but the ROE is far lower, while the outlook for EPS growth in Staples appears more subdued, but recent ROE trends has been much more robust.

Figure 25: MSCI Mexico Staples ROE (%)



Source: MSCI, Datastream, UBS

Figure 26: MSCI Mexico Cons. Disc. ROE (%)



Source: MSCI, Datastream, UBS

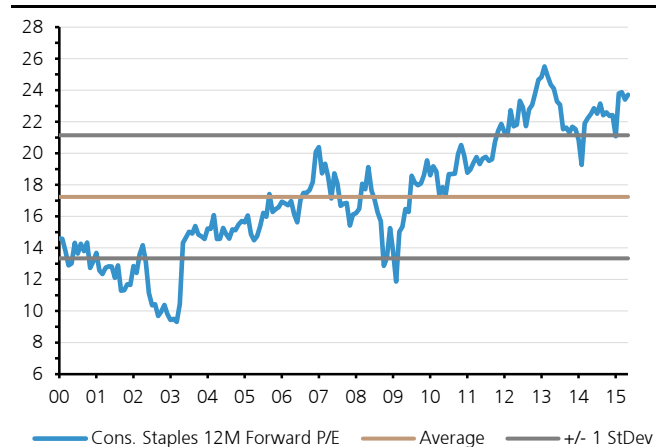
Valuations: Paying for Quality

As is well-understood and quite normal, valuations in both Consumer sectors in Mexico are high and above recent averages in absolute terms; however, in our

view, the valuation metrics of the Consumer Staples sector look much less rich and out of line with history relative to the Mexican market as a whole. Both sectors have steadily re-rated since early-2009 to reflect the preference of EM investors in this cycle for domestic growth stocks, some of which are often seen as defensive.

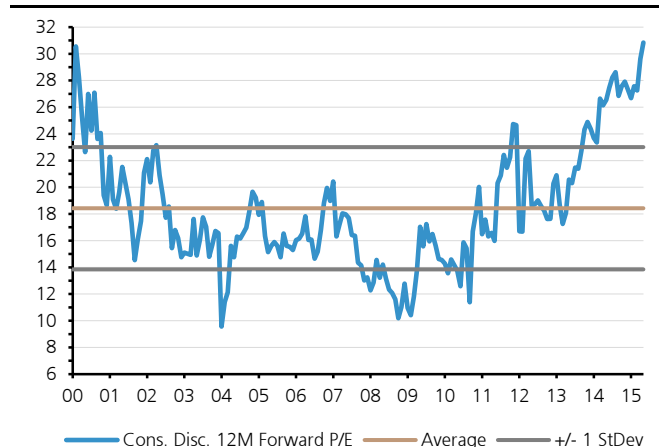
The Mexican Consumer Staples sector trades at 23.7x forward earnings and close to two standard deviations (and 38%) above its sector mean of 17.2x (down from a peak valuation of close to 26x in early-2013 – Figure 27). However, on the same metric Consumer Discretionary has been trading recently at ever richer valuations; the current forward P/E stands at 30.8x, or close to three standard deviations (and 67%) above its own mean of 18.4x (Figure 28). On this basis, relative valuations certainly favour the Consumer Staples sector in Mexico.

Figure 27: Mexico Cons. Staples 12M Forward P/E



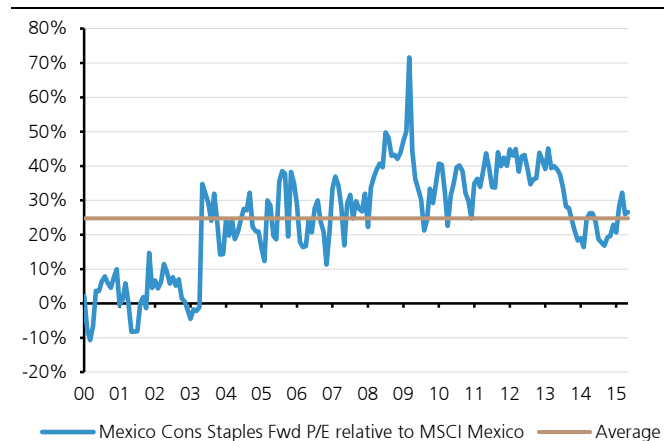
Source: MSCI, IBES, Datastream, UBS.

Figure 28: Mexico Cons. Discretionary 12M Forward P/E



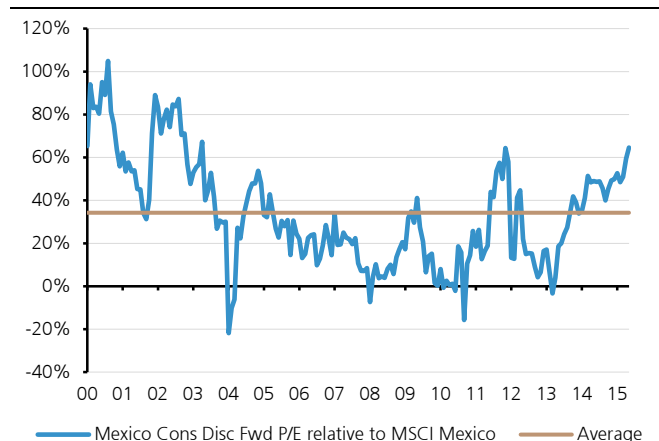
Source: MSCI, IBES, Datastream, UBS.

Figure 29: Cons. Staples 12M Fwd P/E relative to Mexico



Source: MSCI, IBES, Datastream, UBS.

Figure 30: Cons. Disc. 12M Fwd P/E relative to Mexico

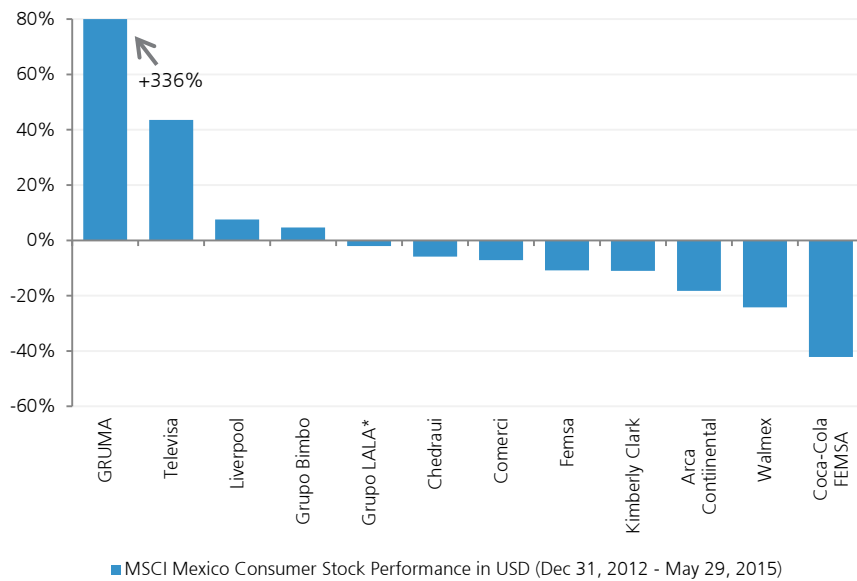


Source: MSCI, IBES, Datastream, UBS.

Unsurprisingly, the same story is true for sector valuations versus the market as a whole (Figures 29-30). Forward P/E valuations for both Consumer sectors have essentially traded above the MSCI Mexico average without a break since 2003. By the end of May, the P/E premium of the Discretionary sector to MSCI Mexico stood at 65%, well above its recent average of 34%. In contrast, however, Mexican Consumer Staples currently trade much more in line (a premium of 26.6%) with the sector's usual relationship to the market (a premium of 24.8%).

Appendix: Stock Performance

Figure 31: MSCI Mexico Stock Performance in US\$ (31/12/2012 – 29/5/2015)



Source: MSCI, Datastream, UBS. Performance data for LALA is since the stock began trading in October 2013.

How to gain exposure?

Consumers

We think several Mexican consumer stocks are already pricing in some sort of macro recovery. We have been broadly Neutral on the sector, primarily due to full valuations and few catalysts but could get more constructive if a healthier consumer environment returns. Currently, we have Buy ratings on Walmex and Gruma.

Consumer companies are turning more positive, but conviction remains subdued

On the positive side, we have heard from companies under our coverage that current conditions remain challenging but there are early signs that consumption is improving. The expectation is that we should see a pick-up in spending levels. Companies have specified the US recovery, greater remittances and increased manufacturing activity as positive indications. As a result, there appears to be more strength in Northern Mexico than in Central and Southern Mexico, but consumption should begin to trend more favourably across regions this year.

On the cautious side, companies remain reluctant to call a full recovery, primarily because the comparison base was easy in the first four months of the year, GDP growth expectations are trending down, and the MXN devaluation creates pricing uncertainties for 2H15.

Figure 32: Valuation Comps

As of June 12, 2015	Retail				Beer/Beverage		Food				Other	
	Walmex	Soriana	FEMSA	Chedraui	KOF	Arca	GRUMA	Alsea	Bimbo	LALA	Genomma Lab	Kimber
Rating	Buy	Sell	Neutral	Sell	Neutral	Neutral	Buy	Neutral	Neutral	Neutral	Neutral (CBE)	Neutral
Pricing Data												
Target Price 12M (local)	40.25	35.10	145.00	44.00	127.00	103.00	229.00	49.00	45.00	34.00	20.00	35.00
Upside (%)	2.4	-2.5	5.3	-4.0	2.9	9.9	12.2	4.9	10.1	4.5	26.4	3.9
Market Cap (local, millions)	688,361	64,800	492,611	44,157	255,798	150,975	88,359	39,117	192,267	80,543	16,591	104,439
Market Cap (US\$, millions)	44,698	4,208	31,987	2,867	16,610	9,803	5,738	2,540	12,485	5,230	1,077	6,782
Multiples												
2013 P/E (x)	29.4	26.2	30.3	25.1	33.6	23.1	8.7	35.2	42.5	25.3	18.1	26.9
2014 P/E (x)	22.9	20.1	25.2	24.1	25.7	20.5	16.3	50.8	na	na	24.4	29.7
2015E P/E (x)	27.1	17.8	23.2	23.1	22.4	19.5	20.4	38.4	33.6	22.4	9.7	25.4
2016E P/E (x)	25.0	15.9	21.0	20.9	20.1	18.4	17.8	38.1	26.8	20.0	8.9	21.3
2013 EV/EBITDA (x)	15.4	11.0	14.2	10.5	15.3	12.6	7.3	12.9	12.9	12.9	11.6	15.1
2014 EV/EBITDA (x)	12.4	10.2	12.6	9.8	11.3	10.8	9.3	14.5	12.5	12.5	15.6	15.2
2015E EV/EBITDA (x)	14.4	8.3	12.9	9.7	10.5	10.4	11.8	12.5	10.9	11.9	7.4	13.7
2016E EV/EBITDA (x)	13.8	8.1	11.9	9.3	9.6	9.8	10.8	11.7	9.8	10.7	6.1	12.0
2013 P/BV (x)	4.6	1.9	3.0	2.0	3.4	3.9	2.2	5.6	4.1	3.6	3.7	14.8
2014 P/BV (x)	4.2	1.8	2.9	2.0	3.1	3.3	3.9	4.6	3.9	3.7	3.9	16.8
2015E P/BV (x)	5.2	1.3	2.8	1.8	2.6	3.0	4.5	3.2	3.7	3.3	1.0	18.8
2016E P/BV (x)	5.3	1.2	2.5	1.7	2.5	2.8	3.9	3.8	3.4	3.1	0.9	14.3
2013 EV/Sales (x)	1.5	0.8	2.2	0.7	2.8	2.7	0.9	1.7	1.3	1.6	3.08	4.45
2014 EV/Sales (x)	1.2	0.7	2.0	0.6	2.2	2.4	1.4	1.8	1.2	1.5	3.45	3.91
2015E EV/Sales (x)	1.4	0.6	2.0	0.6	2.1	2.3	1.8	1.6	1.2	1.6	1.76	3.57
2016E EV/Sales (x)	1.4	0.6	1.9	0.6	2.0	2.2	1.7	1.5	1.2	1.5	1.50	3.22

Source: Company and UBS estimates

Food & Beverage

Gruma – Buy, PT P229/share

Unlike some of the other consumer products companies, Gruma has been less affected by the consumer slowdown as tortillas (sale of corn flour) are a staple to the Mexican diet and therefore widely consumed despite a variation in spending

levels. Gruma continues to deliver on its restructuring goals with margin improvement and deleveraging, creating value for equity holders.

We see operating improvements leading to accelerating FCF generation and ROIC. Therefore, Gruma is our preferred name in Mexico and we believe its good momentum should persist.

▪ **Arca – Neutral, PT P103/share**

Following a challenging 2014 that was impacted by the sugar tax on soft drinks and a weak consumer environment in Mexico, Arca delivered 0.8% first quarter 2015 volume growth in Mexico, off a 3.7% decline a year ago. The bottler referenced 37 rainy days in Monterrey in the quarter, but noted that it is seeing real signs of a consumer recovery including better traditional channel and single-serve sales. Arca expects to deliver 2.5% volume growth in Mexico this year, despite continued market uncertainty. While we would have liked to see better domestic volume growth and margin expansion in Arca's first quarter, the company showed positive trends under challenging economic and consumer conditions. We believe the bottler can achieve its goal of maintaining margins this year, with pressure in Mexico offset by improvements in South America.

▪ **FEMSA – Neutral, PT P145/share**

FEMSA management has noted that it is seeing signs of improvement in Mexico but it is too early to call a consumer recovery or determine if this is an inflection point. In 1Q15, FEMSA Comercio delivered revenue and operating profit growth of 18.9% and 26% respectively, while margins expanded 30bps to 4.5%. FEMSA opened 154 new Oxxo stores in its latest quarter and delivered strong 4.3% YoY same store sales growth, led by an increase in average ticket sales. We believe that Oxxo can return to mid-single digit same store sales growth over the medium-term, factoring in healthier consumer trends.

▪ **Coca-Cola FEMSA – Neutral, PT P127/share**

Unlike Arca, Coca-Cola FEMSA experienced a total volume decline of 1% in 1Q15, with a decrease of 0.9% in Mexico. Despite challenging economic and consumer conditions in most markets, the bottler maintained or gained market share due to brand strength, package variety and point of sale execution. Coca-Cola FEMSA also benefited from returnable presentation sales (offering great affordability), while taking pricing to cover costs. In Mexico, Coca-Cola FEMSA is not overly concerned about volume recovery but rather delivering higher profits and margins. This year, the bottler is talking about 4% pricing growth (covering USD-denominated pressure on COGS) and as a result, should see flattish volume in Mexico.

▪ **Grupo LALA – Neutral, PT P34/share**

According to LALA's newly-appointed CEO Scot Rank, first quarter 2015 revenue increased less than the company's expectations, with consumer demand in Mexico slow to recover. While LALA is more focused on what it can control, management is encouraged by signs of an economic recovery in Mexico and a recent uptick in consumer confidence. LALA is seeing growth in all segments within its portfolio and believes consumer sentiment should continue to improve. As long as the competitive environment remains rational, we expect LALA to benefit from better pricing and mix, while looking to maintain volume share across product categories.

- **Grupo Bimbo – Neutral, PT P45/share**

In Mexico, Bimbo posted favorable 1Q15 results across channels/categories due to its internal initiatives as well as an overall improvement in the consumer environment. Grupo Bimbo's management is encouraged by its strong start to the year, but is also rightfully cautious about the sustainability of these growth rates. In Mexico, 6% sales growth was led by a 4% volume improvement which according to the company may be difficult to sustain for the remainder of this year. Nevertheless, management remains positive on their strategy to be more diversified in terms of markets and categories, while managing through challenging market and consumer conditions.

Retail and HPC

- **Walmex – Buy, PT P40.25/share**

Walmex has registered very strong SSS growth figures in recent months, the highest in the Mexican retail space. Positive results are, in our view, supported by easy comps, Sam's turnaround gaining traction, improved execution at all formats and consumers' positive reaction to a more positive/stable macro outlook. Walmex is yet to overcome high comps for the 2H; however, new promotional campaigns to compete with Julio Regalado, SSS driven by positive ticket and traffic growth for the first time in 7 months, stronger macro/consumption data points and a generalized better execution at all of its formats encourage us going forward. More so, we think that stronger consumption trends in Mexico driven by higher credit penetration and real wage growth as well as Sam's turnaround could take the stock to our upside case of MXN\$43.25.

- **Chedraui –Sell, PT P44.0/share**

We believe Chedraui has so far implemented a successful differentiated operation. However, the company faces strong competition that has led to aggressive promotional campaigns and consequently lower profitability and ROIC. We think that a less aggressive competitive retail environment and a stronger macro outlook could help Chedraui improve profitability at some extent. Yet, we remain cautious on the name as the company loses scale (vs competitors) and as it defends share with pricing strategies going forward.

- **Soriana- Sell, PT P35.1/share**

Soriana is currently undergoing a major transformation process from its store remodellings, new IT platform implementation, and by the Comerci acquisition (still waiting for COFECE approvals) which adds high execution risks. We remain cautious on the name as profitability continues to be harmed by very aggressive pricing strategies and, as the company leverages its balance sheet to acquire/integrate Comerci, with a lower ability to compete against stronger retailers. A more positive macro outlook could help Soriana to a certain extent, yet we believe it is not very well positioned to take advantage of a consumption recovery when compared to its closest peers. Please refer to our Evidence Lab report where we discuss this more deeply: ["Consumers still do not favor Soriana"](#)

- **Kimber – Neutral, PT P35.0/share**

Kimber is one of the most defensive stories in our coverage space. Given the sluggish consumption trends observed in recent months as well as higher competitive pricing pressures, the company has had trouble passing the FX

negative effect and higher costs (from raw materials) through to prices. Kimber increased prices in March; we think that if this strategy sticks, based on better consumption trends, the company could see high single-digit top line growth as well as more stable margins. At the same time, we remain positive on cash distributions, as Kimber could pay a ~4.1% 2015E dividend yield.

▪ **Genomma Lab – Neutral, PT P20.0/share**

Genomma is facing high execution risks with: 1) uncertainty in the 51% stake sale of Marzam, 2) the implementation of a new commercial strategy and the inventory destocking process in Mexico, and 3) high currency and working capital intensity risks in international business. We remain cautious on the name due to the lack of visibility in key items. However, we think that overall macro consumption trends could help Genomma Lab ease some of the pressure coming from these major issues. We think investors need to monitor FCF generation going forward.

▪ **Alsea - Neutral, PT P49/share**

Alsea is still relatively cautious about the environment in Mexico. While recent results show good SSS trends (2.6% YoY for Mexico), this is still far from the growth rates we have seen from them in the right macro environment. However, it is definitely an improvement on what we saw in 2014. We believe things should get better on this front as the year progresses and the consumer becomes more engaged. We think this will be particularly true for brands that suffer more with trade downs into the informal sector (like BK). Together with the integration of the recent acquisitions, 2015 will definitely be a record year for Alsea. We would like to see a higher conversion of EBITDA into FCF, as now that things should start to normalize, ideally the EBITDA growth should really flow to the equity holders.

Financials

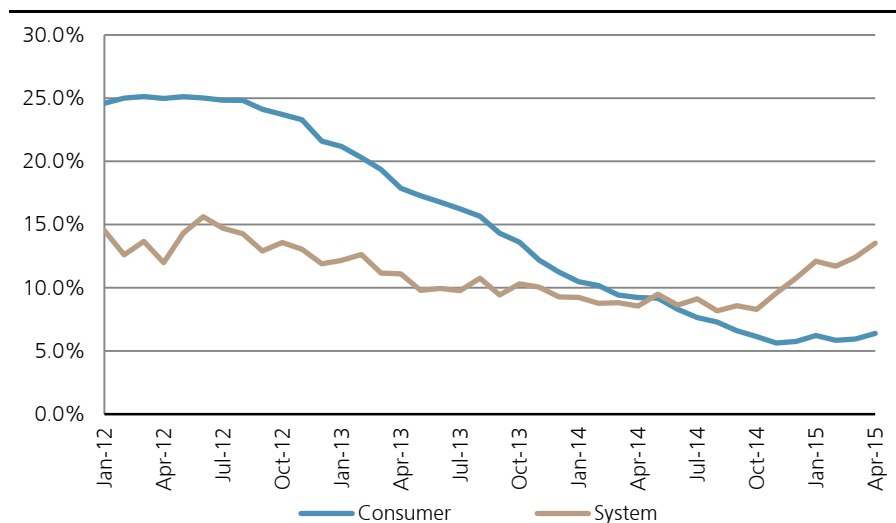
From a financials perspective, consumer credit demand has been subdued although the latest CNBV credit data for April 2015 showed a small uptick with yoy growth of 6.1% versus 5.9% a month earlier. The main drag on consumer growth has been credit cards that only grew at 1.2% yoy in April 2015, a growth rate that, from recent discussion with banks, is not expected to rebound until the year end or early next year once there is clear and consistent evidence of GDP growth recovery. Stripping out credit cards, consumer loan growth was a more robust 10.1% yoy in April 2015.

Figure 33: Valuation Comps

As of June 11, 2015	Mexican Banks					Average
	Genera	Banorte	Inbursa	Santander Mexico	Banregio	
Rating	Buy	Buy	Buy	Buy	Neutral	
	DDXCOMP	DDXORTE	DDXIBUR	DDXSAN	DDXGR	
Pricing Data						
Target Price 12M (local)	33.0	104.1	47.0	37.8	84.0	
Upside (%)	20.6	20.6	31.6	35.5	-4.5	
Market Cap (local, millions)	45,095	239,338	238,079	188,967	28,838	
Market Cap (US\$, millions)	2,917	15,481	15,399	12,222	1,865	
Multiples						
2013 EPS (USD)	0.11	0.42	0.12	0.19	0.34	0.24
2014 EPS (USD)	0.14	0.41	0.16	0.16	0.38	0.25
2015E EPS (USD)	0.12	0.41	0.14	0.15	0.35	0.23
2016E EPS (USD)	0.14	0.48	0.17	0.18	0.42	0.28
2013 P/E (x)	16.3	15.9	21.7	16.0	16.1	17.2
2014 P/E (x)	13.7	16.0	17.7	16.1	15.0	15.7
2015E P/E (x)	14.4	13.5	16.6	11.9	16.5	14.6
2016E P/E (x)	12.9	11.7	13.6	10.2	13.6	12.4
2013 P/BV (x)	4.2	2.3	2.7	2.8	3.0	3.0
2014 P/BV (x)	3.9	2.2	2.8	2.4	2.9	2.8
2015E P/BV (x)	3.3	1.7	2.1	1.6	2.7	2.3
2016E P/BV (x)	2.7	1.6	1.9	1.5	2.4	2.0
2013 Adj. ROE (%)	25.7	14.2	12.6	16.2	18.9	17.5
2014 Adj. ROE (%)	25.9	13.2	15.3	13.9	18.8	17.4
2015E Adj. ROE (%)	22.9	13.5	13.6	14.1	17.0	16.2
2016E Adj. ROE (%)	20.7	14.1	14.9	15.2	18.5	16.7

Source: Company data and UBS estimates

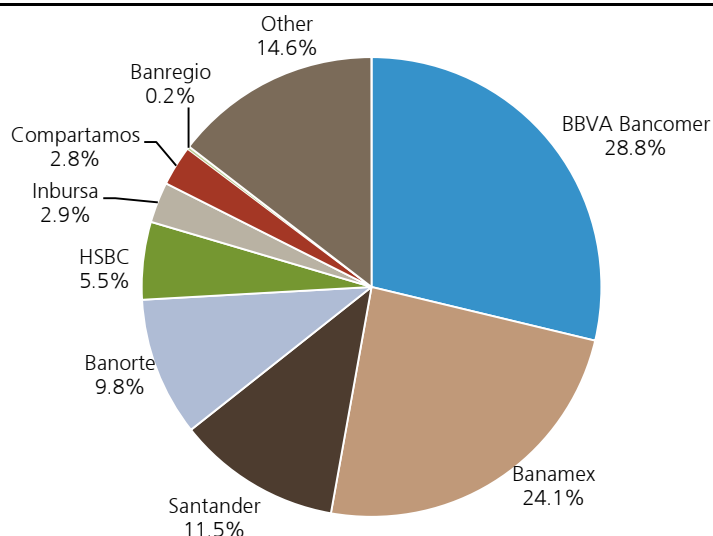
Figure 34: Consumer loan growth vs system-wide loan growth



Source: CNBV

Consumer loan growth that stood at over 20% in mid-2012 has been in a clear downward trajectory as economic growth disappointed and consumer confidence weakened. In October 2014, it troughed at 4.6% and has since trickled up to 6.1% in April 2015. Although we expect system-wide loan growth to rebound to 14-15% in 2015 (in April 2015, it was 13.1%), we think consumer credit growth will continue to lag and anticipate growth only reaching around 8% by the year-end, returning to double-digits only in 2016E.

Figure 35: : Market share of consumer loan by banks – Apr 2015



Source: CNBV

Consumer lending is dominated by the top two largest (unlisted) banks in Mexico with Bancomer and Banamex having a market share of 29% and 24% respectively. Focusing on large-capped listed players, we believe the following banks are best placed to benefit should the recovery in consumer credit demand turn out to be stronger than expected:

- **Santander Mexico - Buy, PT P37.8/share**

Santander Mexico currently ranks third in terms of market share of consumer loans. It has successfully increased this share to 11.5% as at April 2015, up from 10.5% a year earlier. This has in part been via the acquisition of Scotiabank's P3.2bn consumer loan book in April 2015 that represented around 4.2% of Santander Mexico's loan book and added around 50bp to its market share. In 1Q15, consumer loans (excluding cards) grew 20% yoy driven by payroll lending and personal loans. Management had earlier guided for consumer loan growth of 12-15% in 2015 that suggests further market share gains in this segment.

- **Banorte - Buy, PT P104.1/share**

Banorte is also reasonably well positioned for stronger growth in credit demand. Ranked fourth, it has grown its market share of consumer loans to 9.8% in April 2015 from 9.5% a year earlier. Retail banking is a core strategy for the bank, which is beginning to benefit from the strategic alliance with IBM, established in 2013 that has enhanced client focus via improved analytics, pricing and segmentation. In 1Q15, Banorte grew consumer loans at 12% yoy, above the industry trend driven by payroll loans and credit cards (via targeted promotions). Management believes they are on track to reach consumer loan growth guidance of 15% in 2015.

- **Inbursa - Buy, PT P47.0/share**

Among the listed large-cap banks, Inbursa has the lowest market share of consumer loans at 2.9% although this has grown from 2.4% in the past year. Retail banking is a key growth area for the bank where management is looking for organic growth of over 20% in 2015. The focus on retail banking is also illustrated by the recently announced plan to acquire Banco Walmart. Once this deal receives

regulatory approval, it should raise Inbursa's consumer market share by around 50bp as well as doubling the number of credit cards at Inbursa to around 1.1m cards. The bank has also signed a 10-year profit-sharing agreement with Walmart to sell financial services products (from cards, personal loans to insurance policies) across Walmart's 2,000 stores in Mexico.

▪ **Gentera - Buy, PT P33.0/share**

Among the listed small-cap banks, Gentera is focused on lending to the lower income segments and we estimate it has a 50% market share of microloans in Mexico. While the bank's historical focus was on loans to micro-entrepreneurs, the bank has diversified to consumer loans to individuals. Individual loans today represent ~40% of the total portfolio. Loan growth has averaged 26% p.a. over the past five years, and we expect loan growth of 14% in 2015, slightly below the company's guidance of 15-17%. While the past few months have been on the softer side for loan growth, we expect demand to reaccelerate in the coming months due to seasonality (2H is stronger than 1H) and good remittances.

FIBRAs with exposure to the consumer

Figure 36: FIBRAs – Valuation Comps

As of June 12, 2015	REITs							
	Fibra Danhos	Fibra UNO	Fibra Shop	Fibra Hotelera	Fibra Inn	Fibra Macquarie	Terrafina	Vesta
Rating	Buy	Buy	Neutral	Buy	Neutral	Buy	Buy	Buy
Pricing Data								
Actual number of shares (m)	1,456	2,878	525	499	413	811	602	507
Last Price (local)	37.4	36.8	17.1	18.1	14.2	21.9	29.8	26.3
Target Price 12M (local)	42.00	52.00	18.00	27.00	16.50	27.00	36.00	33.00
Upside (%)	12.3	41.2	5.6	49.3	16.3	23.5	21.0	25.6
Market Cap (local, millions)	54,447	105,982	8,944	9,029	5,861	17,736	17,930	13,336
Market Cap (US\$, millions)	3,535	6,881	581	586	381	1,152	1,164	866
Multiples								
2014 P/FFO (x)	42.1	30.2	18.8	24.3	33.7	14.2	17.6	24.6
2015E P/FFO (x)	34.2	15.9	18.2	16.9	15.5	13.4	12.8	13.9
2016E P/FFO (x)	23.5	12.7	15.4	12.5	11.7	11.6	11.3	10.0
2014 Implied Cap Rate	2.5	4.4	4.4	5.6	6.0	7.8	6.8	5.0
2015E Implied Cap Rate	3.2	6.6	5.6	8.1	8.3	8.0	8.0	9.3
2016E Implied Cap Rate	4.6	8.2	6.9	9.5	9.5	8.2	9.0	12.4
2014 Dividend Yield	5.4	4.1	4.9	3.8	5.1	5.7	7.1	1.6
2015E Dividend Yield	5.1	5.6	6.3	5.2	5.3	6.4	6.5	2.5
2016E Dividend Yield	5.5	7.1	6.6	7.0	7.7	7.4	7.7	3.2

Source: Company data and UBS estimates

Another way to play the consumer story in Mexico is the FIBRAs. FIBRAs have the benefit of being protected from the downswings of consumer activity (since fixed rents are more significant than variable rents in most cases in leasing contracts in Mexico retail) unless these last for too long and start affecting leasing spreads. This is particularly true for blue-chip assets (especially in Mexico City), where there is high demand for space. And that is why we haven't really seen a deterioration of operating trends over the past couple of years for retail portfolios. However, when the economy starts to pick up, and retailers start to become more aggressive with their expansion plans, then FIBRAs do receive the benefit of increased demand for space, which in turn means more development (or re-development) opportunities.

- **Fibra Danhos - Buy, PT P42/share**

Danhos is a mix of retail and offices, but retail is the biggest component of its portfolio. We have had this name as our preferred way to play the retail asset class for a while since its premium quality properties have proven very resilient to the cycle. With up to double digit leasing spreads in recent quarters, and very important inflows of key money for some of the already stabilized assets, Danhos shows how Mexico City is a good market to be in (with the right properties, of course). We believe an improvement of the consumer environment should be beneficial for the ramp-up of its newest development projects (Via Vallejo, Las Antenas, and Puebla), and expect to see continuing solid operating trends for the rest of the year.

- **Fibra Uno- Buy, PT P52/share**

We think FUNO is another way to play retail since ~60% of its GLA is shopping centers. In recent months FUNO has suffered from the lack of visibility on the integration of its M&A pipeline, the perception of complexity that surrounds its newest development vehicle, and the fact that investors are cautious about the interest rate environment (and FUNO is the most liquid of all FIBRAs by far, a double-edged sword). However, looking at the fundamentals of the existing portfolio, recent quarters have shown strong underlying trends. Same store revenues grew 8.5% for retail properties, implying a very interesting leasing spread. As more assets are fully integrated into the mix, and the yield dilution dissipates, we would expect FUNO to perform much better. Also, any visibility on the Mitikah project (almost a US\$200m project) and the development vehicle should help sentiment.

- **Fibra Shop- Neutral, PT P18/share**

Fibra Shop is the only pure play for retail properties in the FIBRAs sector. We have a Neutral rating on it given that it is very illiquid, and still has to build a stronger track record in the market as a single entity (this is the only FIBRA that has multiple sponsors). However, we acknowledge operating trends have been strong, even considering the portion of the GLA that pays variable rent. In 1Q15 same properties' revenues grew 10% YoY, which once again shows how rents for retail properties have been very defensive to the negative macro environment that we have seen in recent years.

Statement of Risk

Key risks to investments in HPC stocks include macro, currency, and country risks (including regulatory and tax-related risks). Other company specific risks include the ability to generate FCF, working capital constraints and high financing costs, and execution risks.

Forecasting earnings and corporate financial behaviour is difficult because it is affected by a wide range of economic, financial, accounting and regulatory trends, as well as changes in tax policy.

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UBS Investment Research: Global Equity Rating Definitions

12-Month Rating	Definition	Coverage ¹	IB Services ²
Buy	FSR is > 6% above the MRA.	45%	37%
Neutral	FSR is between -6% and 6% of the MRA.	43%	33%
Sell	FSR is > 6% below the MRA.	12%	20%
Short-Term Rating	Definition	Coverage ³	IB Services ⁴
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%

Source: UBS. Rating allocations are as of 31 March 2015.

1:Percentage of companies under coverage globally within the 12-month rating category. 2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category. 4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

KEY DEFINITIONS: **Forecast Stock Return (FSR)** is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months. **Market Return Assumption (MRA)** is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium). **Under Review (UR)** Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation. **Short-Term Ratings** reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case. **Equity Price Targets** have an investment horizon of 12 months.

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Company Disclosures

Company Name	Reuters 12-month rating	Short-term rating	Price	Price date
Alsea	ALSEA.MX	Neutral	N/A P46.77	12 Jun 2015
Arca Continental ^{5, 16a}	AC.MX	Neutral	N/A P93.17	12 Jun 2015
Banorte ⁵	GFNORTEO.MX	Buy	N/A P86.17	12 Jun 2015
Coca-Cola FEMSA (KOF) ^{16a, 16b}	KOFL.MX	Neutral	N/A P123.60	12 Jun 2015
FEMSA ^{5, 16b}	FMSAUBD.MX	Neutral	N/A P137.76	12 Jun 2015
Fibra Danhos ⁵	DANHOS13.MX	Buy	N/A P37.39	12 Jun 2015
Fibra Shop	FSHOP13.MX	Neutral	N/A P17.05	12 Jun 2015
Fibra UNO ^{4, 6}	FUNO11.MX	Buy	N/A P36.82	12 Jun 2015
Genomma Lab Internacional, S.A.B. de C.V. ²⁰	LABB.MX	Neutral (CBE)	N/A P15.86	12 Jun 2015
Genera ^{5, 16a}	GENTERA.MX	Buy	N/A P27.46	12 Jun 2015
GRUMA ^{5, 16a, 16b}	GRUMAB.MX	Buy	N/A P204.61	12 Jun 2015
Grupo Bimbo	BIMBOA.MX	Neutral	N/A P41.02	12 Jun 2015
Grupo Comercial Chedraui, S.A.B. de C.V. ^{16a}	CHDRAUIB.MX	Sell	N/A P45.79	12 Jun 2015
Grupo LALA	LALAB.MX	Neutral	N/A P32.60	12 Jun 2015
Grupo Televisa ^{16b}	TLVACPO.MX	Buy	N/A P119.10	12 Jun 2015
Inbursa ⁵	GFINBURO.MX	Buy	N/A P36.10	12 Jun 2015
Kimberly Clark de Mexico	KIMBERA.MX	Neutral	N/A P33.68	12 Jun 2015
Organizacion Soriana	SORIANAB.MX	Sell	N/A P35.85	12 Jun 2015
Santander Mexico ^{5, 16b}	SANMEXB.MX	Buy	N/A P27.70	12 Jun 2015
Wal-Mart de Mexico	WALMEX.MX	Buy	N/A P39.44	12 Jun 2015

Source: UBS. All prices as of local market close.

Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

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