

# Coca-Cola FEMSA (COCSF)

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## Screener Ratings

Overall: 6  
Value: 8  
Growth: 5  
Dividend Income: 6  
Defensive: 7  
Competitive Advantage: 7

## Summary

Coca-Cola FEMSA is a leading Latin American bottler of Coca-Cola products trading at deep valuation discounts. While operational metrics show improvement, the stock presents a paradox with ultra-low price ratios but high P/E. Suitable for value investors tolerant of emerging market risks, but requires monitoring of Mexico's consumer trends and FX impacts.

## Bull Case

As the largest Coca-Cola bottler in Latin America, FEMSA offers exposure to growing middle-class consumption with an ultra-cheap valuation. Its 15% ROE and debt reduction show improving capital allocation, while strategic divestments allow focus on high-margin beverages. The 50% discount to estimated fair value could unlock significant upside.

## Bear Case

High P/E suggests unrealistic growth expectations in saturated markets. Exposure to Mexico's economic volatility and competitive pressures could erode margins. Recent earnings downgrades and shrinking liquidity (current ratio 1.23) increase risk. Dividend investors may find better options given the 73x earnings multiple.

## Recent News

- Barclays lowered price target to \$99 (from \$108) but maintains Overweight rating, citing attractive sector fundamentals despite political risks [Source](#)
- Zacks issued Strong Sell rating due to 7.9% downward earnings revision [Source](#)
- Simply Wall St argues stock is 50% undervalued at \$77.89 vs \$155 fair value estimate [Source](#)
- Completed divestiture of plastics operations for \$153M to focus on core beverages [Source](#)

## Financial Analysis

- Revenue growth: +13.4% CAGR from 2020-2023 (183B->245B)
- Net income doubled from 10.3B (2020) to 19.5B (2023)
- Current ratio declined from 1.69 (2020) to 1.23 (2023)
- Debt reduced by 24% since 2020 (88.8B->67.7B)
- ROE improved from 9% (2020) to 15% (2023)
  
- Extremely low valuation metrics: P/B 0.012, P/S 0.063
- High trailing P/E 73.18 suggests growth expectations
- Stable gross margins ~45% (2020-2023)

- FCF margin improved from 22% (2021) to 26% (2023)
- Asset turnover increased from 0.7 (2020) to 0.9 (2023)

Improving operational efficiency (rising ROE, asset turnover) combined with deleveraging creates fundamental strength. Ultra-low valuation multiples conflict with high P/E, suggesting either deep value opportunity or market skepticism about sustainability. Stable margins in inflationary environment demonstrates pricing power.

## S.W.O.T. Analysis

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### Strengths:

- Strategic partnership with Coca-Cola
- Dominant market position in Latin America
- Consistent FCF generation

### Weaknesses:

- High exposure to volatile emerging markets
- Declining current ratio (1.69->1.23)
- EPS volatility (9.06->1.16 in 3 years)

### Opportunities:

- Health-conscious product expansion
- Digital route-to-market improvements
- Consolidation in fragmented LATAM markets

### Threats:

- Currency fluctuations in operating countries
- Political risks in Mexico/Brazil
- Plastic regulation impacts

## Industry Overview

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**Threat of New Competitors:** High barriers: Capital-intensive bottling infrastructure and Coca-Cola franchise rights create moat

**Competition Among Existing Firms:** Intense: Competing with PepsiCo and local bottlers in LatAm markets

**Suppliers' Bargaining Power:** Moderate: Key inputs like aluminum/petrochemicals are commodities but concentrated suppliers

**Buyers' Bargaining Power:** High: Large retailers and convenience chains dominate distribution

**Threat of Substitute Products:** Growing: Health trends toward non-soda beverages and water

## Competitive Advantage

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**Cost Advantage:** Scale as world's largest Coca-Cola franchise bottler

**Intangible Assets:** Exclusive rights to produce/distribute Coca-Cola products in key territories

**Network Effect:** Dense distribution network across 10 countries

**Switching Costs:** Brand loyalty and refrigeration infrastructure at points of sale

## Supporting Data

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You can find supporting data that is derived from company filings and other reputable sources [here](#). It was provided to the AI to generate this report and you can use it to verify the analysis. This supporting data is not AI generated but may still contain errors.

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