Coca-Cola FEMSA First Quarter 2023 Conference Call

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Participants

Ian Craig – CEO

Jorge Collazo – Investor Relations Director

Gerardo Cruz – CFO

Ricardo Alves – Questions

Ben Theurer - Questions

Alvaro Garcia – Questions

Thiago Bartolucci – Questions

Emiliano Fernandez – Questions

Rodrigo Alcantara – Questions

Operator: Good day. And welcome to Coca-Cola FEMSA First Quarter 2023 Conference Call. Today's call is being recorded. At this time, I'll now turn the call over to Jorge Collazo. Please go ahead, sir.

Jorge Collazo: Thank you. And good morning, everyone. First of all, we apologize for the technical difficulties on the call. I know that some of you had trouble connecting. So we decided to wait a few more minutes before we begin the call. Apologies for that. As usual, I'm joined this morning by Ian Craig, our Chief Executive Officer, and Gerardo Cruz, our Chief Financial Officer.

Before we begin, let me share the following information and disclaimers. Due to a conflict in his agenda, Ian, our CEO, will not be able to join us for the full length of our earnings call. At around 35 minutes into the call, Ian will have to disconnect. Gerardo and I will continue for the remainder of the call to answer any remaining questions. Additionally, please bear in mind that this conference call may include forward-looking statements concerning Coca-Cola FEMSA future performance. And should be considered as good faith estimates made by the company. These forward-looking statements reflect management's expectations and are based upon currently available data. Actual results are subject to future events and uncertainties which can materially impact the company's performance. And now let me hand the call over to our CEO. Please go ahead, Ian.

Ian Craig: Thank you. And good morning, everyone. We appreciate you joining us for today's call. The positive momentum of our company coupled with a solid execution of our team.

Operator: Pardon for the interruption. Speaker will be reconnected shortly. Speaker we are reconnected. Please proceed.

Jorge Collazo: Yes. Apologies again for the technical difficulties. I'm going to turn it back to Ian. And he will take it from the start. Thank you.

Ian Craig: Thank you. The positive momentum of our company coupled with a solid execution of our teams supported a positive first quarter. Our volume increased in eight of the nine markets where we operate enabling us to grow our total revenues in the double digits despite significant currency translation headwinds. Additionally, in the face of cost and expense inflation, we achieved double-digit operating income and net income growth. During the quarter, we attained another milestone in the rollout of our Juntos+ B2B omnichannel platform reaching more than 900,000 monthly active purchasers. Adding approximately 100,000 as compared with the end of last year. These quarterly results are in line with our plan for the year. And we are confident that we have the right initiatives to accelerate the growth of our core business and to become [inaudible].

With that, let's begin with a review of our consolidated results for the first quarter. Our consolidated volumes increased 6.6% year on year reaching 940-million-unit cases. This volume growth was driven mainly by increases in Mexico, Brazil, and Guatemala. Partially offset by a flat performance in Colombia. As reported in our earnings release, it is important to note that these volumes include the integration of Crystal, a bulk water business that we acquired at the end of last year in the southeast region of Mexico. Although relatively small, we are confident in this acquisitions potential to strengthen our direct-to-consumer capabilities in the region.

Excluding this integration consolidated volumes increased 4.9%. During the quarter performance across our core beverage categories remained strong. Sparkling beverage volumes grew 4%, while our still beverage and bottled water portfolios grew 9% and 19% respectively. Importantly, despite currency translation headwinds our consolidated total revenues grew 12% to reach 57.4 billion pesos driven by volume growth and mix initiatives across our territories. Our gross profit increased 12.6% to reach 25.4 billion pesos, leaving our gross margin to expand 30 basis points to 44.4%. This expansion was driven mainly by our top-line growth, which was partially offset by higher raw material costs such as sweeteners and PET.

Our operating income increased 12.9%, reaching 7.7 billion pesos and our operating margin remained stable at 13.5%. This performance reflects our positive top-line favourable mix effect and the non-cash operating foreign exchange gains related to the appreciation of the Mexican Peso. Finally, our EBITDA for the quarter increased 7.1%, reaching 10.5 billion pesos resulting in an EBITDA margin of 18.3%, a 90-basis point contraction. This contraction was driven mainly by increases in costs and operating expenses such as labour, marketing, and maintenance.

In summary, we began the year with positive momentum and a performance that is in line with our plan for the year. I will now take a moment to share a few highlights across key markets. In Mexico, we continue to deliver solid volume growth. Our performance was driven by growth across all channels with double-digit growth in the modern trade. Additionally, aligned with our strategy to improve our mix, our single serve presentations continued increasing as compared with the previous year. We continue making progress in the rollout of our Juntos+ B2B platform, which now reaches more than 460,000 active monthly buyers in Mexico. As a result, digital revenues in the country are up more than threefold compared with the first quarter of last year.

In Brazil, despite unfavourable weather during most of the quarter, our volumes increased 4.3%. This positive performance was driven by growth across all categories, including double-digit growth in both still beverages and bottled water. Specifically, the traditional trade and the on-premises channels mainly drove this growth. In Brazil and throughout our company we are focused on continuing to improve our customer service metrics.

In Argentina, we continue focusing on our commercial capabilities to grow volumes and gain share. During the quarter, our volume increased 6.2%, driven mainly by growth in Coca Cola in azúcar. And double-digit growth in both our bottled water and still beverage portfolio.

Finally, I want to highlight overweight[?] solid quarter with double-digit volume growth of 14.8%. This performance was driven by growth across all categories with double-digit growth in brand Coca-Cola and in our still beverage and bottled water portfolios. Our team's efforts to support our execution and improve customer service metrics is resulting in share gains across most beverage categories.

I also want to take a moment to speak about ESG. On March 27th, we published our integrated annual report for 2022, which includes key operating, financial, and ESG achievements. A few highlights include the allocation of more than $300 million during 2022 to eligible green projects under our environmental pillar. Which includes circular economy, water stewardship, and climate action. In total, we have allocated 94% of the proceeds from our green bond issued in 2020.

On particular economy front, we collected more than 80,000 tons of PET during 2022 as compared to 50,000 tons in 2021. We continue to focus on strengthening our collection capabilities and collaborating with communities, authorities, industry allies, and NGOs as we continue progressing towards our goal of collecting 100% of the bottles, we place in the market by 2030.

Notably, through our water stewardship we continue gradually improving our water efficiency metrics and prioritizing water replenishment actions and water assets creating water resilience that provides for the return of water to nature. We aim to ensure a safe and reliable water supply for our communities.

Finally, on the climate action front, we achieved a 29% reduction in scope one and two absolute greenhouse gas emissions and 17% in scope three emissions as compared with our 2015 baseline. These reductions are in line with our commitment to reduce scope one and two emissions by 50% and scope three emissions by 20% no later than 2030. Aligned with this progress we have become a signatory to the United Nations CEO Water Mandate. The CEO Water Mandate is a partnership between the UN Global Compact and the Pacific Institute that mobilizes different stakeholders such as companies, NGOs, and governments to take concerted collective water action globally and commit business leaders to sustainable water management across their operations and supply chain. I am confident in our capabilities as we continue to make a difference for our people, our communities, and our planet. We are on the right track to achieve our objectives for 2030 as we continue winning in the market and progressing on our key strategic priorities across our operations.

Finally, let me address the cyber security incident that was disclosed yesterday. In recent days, the company cyber monitoring processes determined that we were experiencing a cyber security incident. And as such, we immediately implemented our cyber security protection and response protocols. At all times we remained and continue to remain in full control of all of our IT applications. The measures we implemented are preventive in nature. And we have not had a material negative impact. While these measures are undergoing, the company expects to continue our business operations through backup procedures. And we will prioritize the protection of the integrity, confidentiality, and availability of its information. The current assessment of the situation is that our controls identified the incident in a timely manner. And we expect that by this weekend we will return to our normal primary processes. Additionally, we are conducting a comprehensive forensic assessment of this cyber security incident. And are taking all the proper measures to ensure no risks remain.

With that, I will hand the call over to Gerry to expand on each division's results and CapEx for the year.

Gerardo Cruz: Thank you, Ian. And good morning, everyone. Let me first expand on our division's results for the quarter. In Mexico and Central America the volumes increased 8.8%, driven by growth across all of our territories in the division. Excluding the integration of crystals, bulk water business volume increased 5.7%. Our quarterly revenues in Mexico and Central America increased 16.2%, driven by volume growth and revenue management initiatives offsetting unfavourable translation effects from most Central American currencies into Mexican pesos. Our gross profit increased 13.6%, resulting in a margin of 47.4% in a compression of 100 basis points year on year. This compression was driven mainly by increases in raw material costs, such as sweeteners and concentrate in Mexico. These effects were partially mitigated by our top-line growth, raw material hedging initiatives, and the appreciation of the Mexican peso as applied to our dollar-denominated raw material costs. Our operating income for the division increased 1.2%, resulting in a margin contraction of 220 basis points. This was driven mainly by increases in costs and operating expenses such as labour, marketing and maintenance that were partially offset by an operating foreign exchange gain in Mexico. Finally, our EBITDA margin for the division declined 330 basis points.

Moving on to our South America division, volumes increased 3.8%. This increase was driven by 4.3% growth in Brazil, 4.5% growth in Argentina, and 14.8% growth in Uruguay. This growth was partially offset by a stable volume performance in Colombia. On a comparable basis, excluding volumes of CVI in Brazil, the division's volume would have increased 2.8%. Our revenues for the South America Division grew 6.6%, driven by our volume growth and revenue management initiatives. These factors were partially offset by the unfavourable currency translation effects of most of our operating currencies in the division into Mexican pesos. When excluding currency translation and M&A effects our comparable total revenues would have increased a solid 27.5% during the quarter. Gross profit in South America increased 11%, resulting in a 160-basis point margin expansion. This was driven mainly by the positive operating leverage resulting from volume growth and favourable mix effects. These effects were partially offset by an increase in raw material costs, such as PET and sweeteners. Operating income for the division increased 43.3% and margin expanded 290 basis points as compared to the previous year. This increase was driven mainly by the combination of our positive top-line operating leverage and tight expense control across our operations that offset higher fixed costs and expenses.

Finally, EBITDA in South America increased 22.9%, resulting in an EBITDA margin expansion of 220 basis points. Moving on to our financial results. The quarterly comprehensive financing results recorded an improvement of 36.2% as compared with the previous year. This reduction can be explained mainly by a favourable comparison base that included a one-off market value loss on financial instruments of $936 million recorded during the first quarter of last year. This loss was recognized as a result of interest rate increases and its effects on floating rate-denominated debt during that period. By normalizing this effect, our comprehensive financial result would have improved 9.2% this quarter driven mainly by an increase in interest income. These effects were partially offset by a higher foreign exchange loss driven by the appreciation of the Mexican peso as applied to our US dollar cash position and a lower gain in hyperinflationary subsidiaries. Finally, our controlling net income increased 35.3% to reach $7.1 billion resulting in earnings per share of $0.23.

As we mentioned during our previous earnings call, one of our priorities is to continue allocating capital toward supporting our organic growth. For this reason, our CapEx expectation for 2023, as disclosed in our 25th annual report, is a ratio of around 8% of revenues. These investments will be primarily focused on increasing our manufacturing and distribution capacity. Our projects include installing seven new production lines this year and increasing our warehouse capacity through new distribution centres and warehouse expansions.

Over the next three to five years, we expect to increase our warehouse capacity by 30% and our manufacturing capacity by 15% to continue supporting our growth. Finally, as announced on March 27th, our annual general Shareholders meeting approved a cash dividend equivalent to 5.8 pesos per unit, which represents an increase of 6.8% as compared with the previous year's dividends.

With that operator, we are ready to open the call for questions.

Operator: Thank you. Dear, participant, if you'd like to ask a question please press star one on your telephone keypad. To withdraw your question please press star two. We'll take our first question from Ricardo Alves from Morgan Stanley. Your line is open. Please go ahead.

Ricardo Alves: Hello, gentlemen. Can you hear me?

Jorge Collazo: Yes, Ricardo. Hello. We hear you fine.

Ricardo Alves: Thank you. I was just double-checking. I had a few issues. Thanks for the call. I had a couple of questions. Perhaps a question to Ian. We've been discussing this a lot with investors, Juntos, and FEMSA. So just wanted to get an update from you on the overall role of Coke FEMSA? The importance of Coke FEMSA in the context of the FEMSA forward? We already discussed this in other instances. But from your perspective, given the recent meetings that you've had working closer, you know, with OXXO and overall FEMSA operations. What makes you more bullish today versus the last conversation that we had a couple of months ago? Would assume that Juntos in Mexico is still the main opportunity. We've also discussed this in the past. But I don't know if there's any other details that you can share with us with ongoing progress that you guys have already achieved or envisioned to achieve? I'm not sure if there is anything new for you to share on the digital initiatives, you know, premium and spin? Which is also another key focus from investors from a FEMSA perspective. But also trying to come to terms with what is the upside from KOF as well? So just a broader update on your, you know, Coke FEMSA's role in this broader FEMSA strategy? That's the first question.

Second question. This one much quicker. Mexico margins appreciate the very strong top-line performance. Very strong execution. Just wanted to get a little bit of update on the profitability outlook that you have for the rest of the year? If you still envision a scenario where you're able to protect margins year over year? And if that's the case, just a little bit more details on the cost front?

Ian Craig: Hello. Thank you for that question. First, Ricardo, on the B2B front or digital collaboration front. For us in Juntos+ we bring to the table the largest B2B or traditional trade access in Mexico by far in Latin America as well. And at the same time, FEMSA Digital has the most or the most advanced in our opinion fintech or wallet offering, as well as a very interesting and powerful loyalty offering. So we are developing and looking to integrate these offerings in our Juntos+ platform. This is going to take some time to bring to fruition. But those are two of the areas where we clearly can add value to both sides. FEMSA Digital, as well as Coke FEMSA in our Juntos+ platform. We want to become that one-stop shop to our B2B customers. And for that, these value-added services in Fintech, as well as making our loyalty points more powerful by leveraging Spin Premia is something that's very interesting to us in our Juntos+ platform. When you talk about margins, I think we mentioned this in our prior call. The first quarter was the toughest when where we expected the most pressure. This pressure should be reduced gradually and turn into a margin expansion by the fourth quarter. Gerry, would you like to go into the details of the cost impact so that we could share that with Ricardo, please?

Gerardo Cruz: Yes. Ricardo. Addressing the margin impact we had unusual higher expenses related to labour, marketing, and maintenance during the first quarter. As Ian mentioned, with a tough comparison versus margins last year. For the fourth quarter, we expect an expansion of margins, ending the year with margins for the full year at similar levels where margins were at the end of 2022. And this is Mexico specifically, as you saw in our report South America division presented a very healthy margin expansion.

Ricardo Alves: That's very helpful. Thank you, gentlemen.

Operator: We will take our next question from Ben Theurer from Barclays. Your line is open. Please go ahead.

Ben Theurer: Yeah. Thank you very much. And good morning. So I want to bring it down to South America. Obviously, very strong volume performance in some regions over a little softer. But if we take a look just at the results in their respective local currency terms. And particularly if we take a look at the profitability. What's been the key driver of these massive profitability gains? I mean, margin expansion was really big in the quarter. And were there some things that were more of like a one-time nature? Or do you think just by having reached certain levels of volume and some of these countries that the profitability can actually be sustained at these levels or maybe even further expanded? You just alluded a little bit to it on the strength. But maybe to dig a little more detail into the margin evolution here in South America that would be much appreciated.

Ian Craig: Thank you, Ben, for your question. South America did perform quite well in terms of profitability and margin expansion. The good news here is that it was mainly driven by top-line performance both in volume and favourable mix performance. The expansion in margin was more than 200 basis points for that division. And particularly Brazil and Argentina were able to absorb certain fixed expenses by the increase in sales delivering a positive operating income in the region. Also during the quarter, we had a favourable raw material environment in most countries in South America. And we expect that raw material environment to continue to be favourable for the remainder of the year. Probably potential impact in sweeteners that have been the nagging impact in our PNL. But the rest of the raw material environment seems to be stable to positive for the remainder of the year.

Ben Theurer: Okay. So perfect. Thank you very much.

Ian Craig: Thank you, Ben.

Operator: We'll take our next question from Alvaro Garcia from BTG. Your line is open. Please go ahead.

Alvaro Garcia: Hi, gentlemen. Thanks for the space for questions. First, two questions. First, I was wondering if you could just remind me of sort of sweetener dynamics in each of your main markets. So raw sugar in Brazil versus fructose in Mexico and how you can hedge each of these respective markets?

And my second question is in Argentina. Gerardo, I was wondering if you could sort of walk us through whether you are taking dividends out of Argentina at the moment and sort of what the outlook is given the FX environment there. Thank you.

Gerardo Cruz: Thank you, Alvaro, for your question. I'll start with the sweetener situation. And I'll give you a few details. As I was mentioning in my previous answer to Ben's question. Sweetener is the raw material that we are a little bit more concerned with particularly in sugar. For Brazil and Uruguay, we have a pretty healthy hedge position. Brazil, very close to 40% of our requirements for the whole year at a significant premium to or below the current market price significantly, as well as, in Uruguay where that position is close to 60% of our requirements.

In the case of fructose for Mexico which is the main operation where we use fructose. We have more than 90% of our requirements for the year already hedged at a very competitive price, which is also reducing any worry for us for the remainder of the year on that front. We have the expectation that sugar prices will continue to be tight for the remainder of the year mainly due to the sugar world environment being pretty tight. And countries that are swing players in the sugar market like India not exporting that much sugar to the market. So that's where we are in terms of sweeteners.

For your question regarding Argentina. Dividends, as you know, it's a very complex environment to be able to extract dividends from Argentina. We've been following the market and obviously taking advantage of any opportunities that present in the local market to be able to use our excess cash to invest in our organic growth requirements. And given that performance in Argentina has been very good for the last at least two years. We have the good problem of having to create capacity to serve a very positive market. And protect our excess cash from any adverse impacts that it can have by foreign currency depreciation.

Alvaro Garcia: Great. Thank you.

Operator: We'll take our next question from Thiago Bartolucci from Goldman Sachs. Your line is open. Please go ahead.

Thiago Bartolucci: Yes. Hi. Good morning, everyone. Thanks also for taking the question. I would just like to go back once again to the discussion on margins specifically in Mexico. We appreciate that the commodity prices are still a headwind, and this should normalize going forward. But if I try to break down the bulk of our margin compression there is essentially G&A. And I think Gerardo pointed out some of the drivers that are impacting the quarter. I would just like to understand when you share and reiterate the division of margins potentially improving by year-end and being flattish on a year-on-year basis. What you are assuming for this? Is there some room to improve the G&A and reduce expenses or would it require further pricing for you to reach this more normalized margin level? And if this is the case, how confident you are on the Mexican consumption backdrop? Volumes, I guess, are most of the Mexican bottlers in the first quarter have been surprising on the upside? So it seems there is a stickiness still there. But just wanted to hear a little bit from you how confident you are that, you know, elasticity could remain relatively low going forward? Thank you very much.

Gerardo Cruz: Thank you, Thiago. We certainly expect cost SGNA to normalize for the remainder of the year. As we mentioned during the script of the call. First quarter was the toughest comp in terms of margin as compared to last year. So we expect better cost absorption. The cost that we experienced during the first quarter were a bit unusual. And that impact we do not expect to maintain for the remainder of the year. And as mentioned as well by the fourth quarter having an expansion in margins and ending the year at very similar levels of margin where we ended the prior year.

Operator: We'll take our next question from Emiliano Fernandez from GBN. Your line is open. Please go ahead.

Emiliano Fernandez: Hi, Gerardo. Thanks for taking my question. Just a quick one here regarding Mexico. Very impressive volumes there. Did you give any discretion or breakdown on the evolution by month? And also, have you seen the performance in April? And also another one regarding profitability in Mexico. Just to follow up here. You said you're expecting to improve their quarter by quarter going forward. Are you expecting any price increases there to drive a better operating leverage or are you still comfortable with the carryover that you already have?

Gerardo Cruz: Thank you for your question, Emiliano. For the first part, in terms of volume as we stated in our fourth-quarter call. For this year we are very focused on growth. We're trying to, considering the slowdown in economic activity globally and throughout our region we're very focused in maintaining the competitive position of our portfolio promoting volume growth. In that sense going into the second part of your question. We're going to be very selective in any pricing action that we take, focusing a lot more on driving favourable mix, improving prices through mix rather than being very aggressive in pricing. We obviously, we'll take care of internal inflation impacts. But we're being very careful in trying to promote growth and maintaining a competitive positive position.

Emiliano Fernandez: Okay [inaudible].

Jorge Collazo: I just wanted to mention that performance during the quarter in Mexico as Gerardo mentioned, was solid and was consistent pretty much across the quarter. And so far during April, I think what we can say is that we have seen a continuation of that resilient and solid performance in Mexico.

Thiago Bartolucci: That's very colourful. Thank you.

Operator: We'll take our next question from Rodrigo Alcantara from UBS. Your line is open. Please go ahead.

Rodrigo Alcantara: Hi. Good morning. Thanks for taking my question. Ian, so the first one would say on the acquisition deed in Mexico. I mean, just curious that is a large water. We know in the South territories would be kind of like synergistic for you guys. Just curious if at some point it was on the table a full acquisition of the Texas bottling operations instead of the raw operations? That would be my first question.

The second one, just to confirm, you mentioned the spec increase manufacturing capacity by 15% and warehouse capacity by 30%. Is that the case? In which regions are you going to do that? And would you be focusing mainly in Brazil, Mexico or on a consolidated basis? This would be my two questions. Thank you.

Jorge Collazo: Hi, Rodrigo. Sorry. It's Jorge. We did catch your second question. But I think the first question was not that clear. So if you could first repeat your first question and then we'll answer that and then go on to your second one. Can you repeat your first?

Rodrigo Alcantara: Yes, sure. Yes. Sorry about Jorge. But no, my question was on the FEMSA. My question was at some point, you know, was there a possibility for you to acquire the full bottling operations of the FEMSA not just the water segment. But the full operations the bottling operations of the FEMSA? Was that in consideration in this deal or you were not looking for that possibility? That was my my question. I don't know if it was clear.

Jorge Collazo: Perfect. Rodrigo. On the first question, this transaction that we closed last year was a very specific transaction that made a lot of sense because it was in our territories. It helped us create a capability that we didn't have in that region to take advantage of the very good competitive position of that jug water business in that region to strengthen our capability of serving the direct-to-consumer market. That is a market that we're focusing on throughout Mexico. So that's the extent of that operation. And what we are looking at for any foreseeable future.

Regarding your second question. Our creation of manufacturing and warehouse capacity. I think the good thing about this is that it's a good problem that we have throughout our operations with a lot of focus. I would say in our fourth largest volume markets, which are Mexico, Brazil, Colombia, and Guatemala. All of those four markets are very close to operating at full capacity both in manufacturing and warehouse. But this is a problem that we see throughout our operations. And given that we're promoting growth and you've seen it with our numbers. We are expecting to have to continue investing to create that capacity to serve this growth environment that we're facing. And obviously, coupled with our multi-category commercial platform initiative, which also needs to be obviously supported with the correct capacity to serve this market.

Rodrigo Alcantara: Okay, that's great. And just a very quickly was very nice to see the growth you reported there on the beer segment. You can comment perhaps breakdown by pricing volumes? And some comments about the performance of the Eisenbahn brand thinking that you can comment us about that line about the beer in Brazil would be also very helpful. Thank you very much.

Jorge Collazo: Sure, Rodrigo. Yeah. You know, on beer and definitely during our previous call, Ian expanded a little bit on what the trends have been across different segments from premium, mainstream and economy. And during the first quarter, we have seen a continuation of that no economy. We are doing well. But it's a segment that has been becoming smaller. So we're gaining share there. And also, you know, pretty much in line in the other segments, mainstream and premium, with also what Heineken recently disclosed for trends for the first quarter.

So all in all, we are focusing on the portfolio opportunities that we have. Eisenbahn, as you know, is a brand that we are betting a lot on in the market. It's a brand that has a lot of potential. Is a great recipe as well. So we're expanding its coverage. Teresópolisas as well Ian mentioned, in February it's a brand that was not very present across our territories. Obviously, a small brand. But we are expanding coverage as well. And leveraging those brands. And also what we're doing with Estrella, Galicia. So all in all, you know, it's, in general, a first quarter that is in line with our expectations. And in line with the trends that Ian also described for beer in Brazil last quarter.

Rodrigo Alcantara: Okay, That's helpful. Thank you very much. Jorge.

Operator: We'll take our next question from Ricardo Alves from Morgan Stanley. Your line is open. Please go ahead.

Ricardo Alves: Yes. Thanks for the follow-up. A quick one. It's actually just to double-check. I think you mentioned in the preliminary remarks your CapEx expectation for the year. But just wanted to make sure that I got that number right around 8% of revenues. So just wanted to double-check that. I asked this because we noticed FEMSA 20-F earlier this week. I think that it had a higher budget for cost CapEx than what we expected. So just wanted to double-check with you what is the most likely scenario for CapEx this year and perhaps next? Thank you.

Gerardo Cruz: Yes, of course, Ricardo. We have a range of 8% to 9% of revenues. FEMSA I think was mentioned at the higher end of the range of the 8% to 9%. But that's where we are. And I think we spoke about this a little bit on our last call, that this expectation for this year we expect to continue for the following at least two years where we're trying to build this capacity to serve the growth requirements of the business.

Ricardo Alves: Very helpful. Thank you.

Operator: There are no further questions on the line, sir. Please proceed.

Jorge Collazo: Thank you. Thank you very much for your confidence and interest in Coca-Cola FEMSA. And for joining us on today's earnings call. As always, our Investor Relations team is available to answer any of your remaining questions. And we look forward to speaking again soon.

Operator: Thank you for joining the Today Call. You may now disconnect.

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