

MEXICAN ECONOMIC DEVELOPMENT INC
Form 6-K
April 05, 2019

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 UNDER
THE SECURITIES EXCHANGE ACT OF 1934

For the month of April 2019

FOMENTO ECONÓMICO MEXICANO, S.A.B. DE C.V.

(Exact name of Registrant as specified in its charter)

Mexican Economic Development, Inc.

(Translation of Registrant's name into English)

United Mexican States

(Jurisdiction of incorporation or organization)

General Anaya No. 601 Pte.
Colonia Bella Vista
Monterrey, Nuevo León 64410

México

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): _____

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): _____

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-_____

FEMSA Presents 2018 Results under IFRS 16- “Leases”

Monterrey, Mexico, April 5, 2019 — Fomento Económico Mexicano, S.A.B. de C.V. (“FEMSA” or “The Company”) (NYSE: FMX; BMV: FEMSAUBD) presents a best efforts retroactive estimation of the effect that the adoption of the International Financial Reporting Standards (IFRS) 16 - “Leases” would have had on the 2018 financial results of the Company. This exercise was performed to provide investors and other market participants an estimated base reflecting the significant effects of the IFRS in the Proximity, Health and Fuel Divisions of FEMSA Comercio. IFRS 16 has a material effect in the Financial Statements of the Company, particularly on the aforementioned divisions, due to the number of existing leases at January 1, 2019, the IFRS adoption date.

The information in this document is not audited but is based on the 2018 audited reported results, adjusted by the impact related to IFRS 16 if the Company would have adopted IFRS 16 at January 1, 2018. We used our best reasonable estimates to replicate the dispositions of the adoption, considering the conditions of 2018 during each period.

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This report may contain certain statements about the expectations with respect to the development of FEMSA and should be considered as best effort estimates made by the Company. These statements reflect the management’s opinions based on current available information.

About FEMSA

FEMSA is a leading company that participates in the beverage industry through Coca-Cola FEMSA, the largest franchise bottler of Coca-Cola products in the world by volume; and in the beer industry, through its ownership of the second largest equity stake in Heineken, one of the world's leading brewers with operations in over 70 countries. In the retail industry, it participates through FEMSA Comercio, comprising a Proximity Division operating OXXO, a small-format store chain, a Health Division, which includes all drugstores and related operations, and a Fuel Division, which operates the OXXO GAS chain of retail service stations. Additionally, through its Strategic Businesses unit, FEMSA provides logistics, point-of-sale refrigeration solutions and plastics solutions to FEMSA's business units and third-party clients.

Five pages of tables are included as appendices

April 5, 2019

FEMSA**Consolidated Income Statement****Millions of Pesos**

| | For the twelve months of: | | | | | |
|--|---------------------------|-----------|----------|-----------------|-----------|-----------------|
| | 2018 | | 2018 | | | |
| | As Reported | % of rev. | Adj. (A) | IFRS 16 (A) | % of rev. | |
| Total revenues | 469,744 | 100.0 | | 469,744 | 100.0 | |
| Cost of sales | 294,574 | 62.7 | (135) | 294,439 | 62.7 | (B) |
| Gross profit | 175,170 | 37.3 | 135 | 175,305 | 37.3 | (B) |
| Administrative expenses | 17,313 | 3.7 | (53) | 17,260 | 3.7 | (B) |
| Selling expenses | 114,573 | 24.4 | (2,429) | 112,144 | 23.9 | (B) |
| Other operating expenses (income), net ⁽¹⁾ | 1,708 | 0.4 | | 1,708 | 0.4 | |
| Income from operations ⁽²⁾ | 41,576 | 8.9 | 2,617 | 44,193 | 9.4 | (B) |
| Other non-operating expenses (income) | 874 | | | 874 | | |
| Interest expense | 9,825 | | 4,315 | 14,140 | | (C) |
| Interest income | 2,832 | | | 2,832 | | |
| Interest expense, net | 6,993 | | 4,315 | 11,308 | | (C) |
| Foreign exchange loss (gain) | 248 | | (14) | 234 | | (D) |
| Other financial expenses (income), net. | 139 | | | 139 | | |
| Financing expenses, net | 7,380 | | 4,301 | 11,681 | | (C) (D) |
| Income before income tax and participation in associates results | 33,322 | | (1,684) | 31,638 | | (B) (C) (D) |
| Income tax | 10,169 | | (515) | 9,654 | | (E) |
| Participation in associates results ⁽³⁾ | 6,560 | | - | 6,560 | | |
| Net income from continuing operations | 29,713 | | (1,168) | 28,545 | | (B) (C) (D) (E) |
| Net income from discontinued operations | 3,366 | | - | 3,366 | | |
| Net consolidated income | 33,079 | | (1,168) | 31,911 | | |
| Net majority income | 23,990 | | (1,098) | 22,891 | | |
| Net minority income | 9,089 | | (70) | 9,019 | | |
| Operative Cash Flow & CAPEX | 2018 As Reported | % of rev. | Adj. (A) | 2018 IFRS 16 | % of rev. | |
| Income from operations | 41,576 | 8.9 | 2,617 | 44,193 | 9.4 | (B) |
| Depreciation | 14,698 | 3.1 | 7,562 | 22,260 | 4.7 | (F) |
| Amortization & other non-cash charges | 4,184 | 0.9 | | 4,184 | 0.9 | |

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| | | | | | | |
|------------------------------|--------|------|--------|--------|------|---------|
| Operative Cash Flow (EBITDA) | 60,458 | 12.9 | 10,179 | 70,637 | 15.0 | (B) (F) |
| CAPEX | 24,266 | | | 24,266 | | |

- (1) Other operating expenses (income), net = other operating expenses (income) +/- equity method from operated associates.
- (2) Income from operations = gross profit - administrative and selling expenses - other operating expenses (income), net.
- (3) Mainly represents the equity method participation in Heineken's results, net.

(A) Unaudited consolidated financial information.

(B) Elimination of lease payment expense, partially offset by depreciation of right-of-use asset.

(C) Interest expense related to lease liability.

(D) Foreign Exchange gains or losses from lease liabilities denominated in foreign currency.

(E) Deferred taxes due to differences between lease assets and lease liabilities throughout lease term.

(F) Depreciation of right-of-use asset.

April 5, 2019

FEMSA**Consolidated Balance Sheet****Millions of Pesos**

| ASSETS | Dic-18 As Reported | Adj. ^(A) | Dic-18 IFRS 16 ^(A) | |
|---|-----------------------|---------------------|----------------------------------|-----|
| Cash and cash equivalents | 62,047 | | 62,047 | |
| Investments | 30,924 | | 30,924 | |
| Accounts receivable | 28,164 | | 28,164 | |
| Inventories | 35,686 | | 35,686 | |
| Other current assets | 20,786 | | 20,786 | |
| Total current assets | 177,607 | | 177,607 | |
| Investments in shares | 94,315 | | 94,315 | |
| Property, plant and equipment, net | 108,602 | | 108,602 | |
| Right of use | - | 51,220 | 51,220 | (B) |
| Intangible assets | 145,610 | | 145,610 | |
| Other assets | 50,247 | 515 | 50,762 | (C) |
| TOTAL ASSETS | 576,381 | 51,735 | 628,116 | |
| LIABILITIES & STOCKHOLDERS' EQUITY | | | | |
| Bank loans | 2,436 | | 2,436 | |
| Current maturities of long-term debt | 11,238 | | 11,238 | |
| Interest payable | 964 | | 964 | |
| Current maturities of leases long-term debt | - | 5,860 | 5,860 | (D) |
| Operating liabilities | 86,826 | | 86,826 | |
| Total current liabilities | 101,464 | 5,860 | 107,324 | |
| Long-term debt | 108,161 | | 108,161 | |
| Long-term leases | - | 47,056 | 47,056 | (E) |
| Laboral obligations | 4,699 | | 4,699 | |
| Other liabilities | 26,515 | | 26,515 | |
| Total liabilities | 240,839 | 52,916 | 293,755 | |
| Total stockholders' equity | 335,542 | (1,181) | 334,361 | (F) |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | 576,381 | 51,735 | 628,116 | |

(A) Unaudited consolidated financial information.

(B) Right-of-use asset related to leases longer than 12 months and underlying asset value greater than US\$5,000.

(C) Deferred taxes due to differences between lease assets and lease liabilities throughout lease term.

(D) Long term leases maturing within 12 months.

(E) Net present value of unavoidable future lease payments.

(F) Recalculation for adjustments related to adoption of IFRS 16, mainly net income.

April 5, 2019

FEMSA Comercio - Proximity Division**Results of Operations****Millions of Pesos**

| | For the three months of: | | | 2Q 2018 | | | 3Q 2018 | | | 4Q 2018 | | |
|---------------------------------------|--------------------------|--------|--------|-----------------|----------|-------------|-----------------|----------|-------------|-----------------|----------|-------------|
| | 1Q 2018 | | | As Reported (A) | Adj. (B) | IFRS 16 (B) | As Reported (B) | Adj. (B) | IFRS 16 (B) | As Reported (B) | Adj. (B) | IFRS 16 (B) |
| Total revenues | 37,747 | | 37,747 | 42,387 | | 42,387 | 43,967 | | 43,967 | 43,357 | | 43,357 |
| Cost of sales | 24,286 | | 24,286 | 26,279 | | 26,279 | 26,917 | | 26,917 | 24,446 | | 24,446 |
| Gross profit | 13,461 | | 13,461 | 16,108 | | 16,108 | 17,050 | | 17,050 | 18,911 | | 18,911 |
| Administrative expenses | 845 | (1) | 844 | 885 | (2) | 884 | 1,046 | (2) | 1,044 | 810 | (2) | 808 |
| Selling expenses | 10,596 | (397) | 10,199 | 11,540 | (410) | 11,130 | 12,325 | (422) | | 13,130 | (431) | 12,699 |
| Other operating expenses | 65 | | 65 | 80 | | 80 | 69 | | 69 | 63 | | 63 |
| (income), net | | | | | | | | | | | | |
| Income from operations | 1,956 | 398 | 2,354 | 3,603 | 411 | 4,014 | 3,610 | 424 | 4,034 | 4,908 | 433 | 5,341 |
| Depreciation & other non-cash charges | 1,116 | 866 | 1,982 | 1,144 | 884 | 2,028 | 1,262 | 904 | 2,166 | 1,295 | 918 | 2,213 |
| Operative Cash Flow (EBITDA) | 3,184 | 1,265 | 4,448 | 4,876 | 1,295 | 6,172 | 4,998 | 1,328 | 6,327 | 6,357 | 1,351 | 7,708 |
| CAPEX | 1,476 | | 1,476 | 2,394 | | 2,394 | 2,654 | | 2,654 | 2,917 | | 2,917 |

| | For the twelve months of: | | | | |
|----------------|---------------------------|-----------|----------|-------------|-----------|
| | 2018 | | | | |
| | As Reported | % of rev. | Adj. (B) | IFRS 16 (B) | % of rev. |
| Total revenues | 167,458 | 100.0 | | 167,458 | 100.0 |
| Cost of sales | 101,929 | 60.9 | | 101,929 | 60.9 (C) |

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| | | | | | | |
|--|--------|------|----------|--------|------|---------|
| Gross profit | 65,529 | 39.1 | | 65,529 | 39.1 | (C) |
| Administrative expenses | 3,587 | 2.1 | (7) | 3,580 | 2.1 | (C) |
| Selling expenses | 47,589 | 28.4 | (1,659) | 45,930 | 27.4 | (C) |
| Other operating expenses (income), net | 276 | 0.2 | | 276 | 0.2 | |
| Income from operations | 14,077 | 8.4 | 1,667 | 15,744 | 9.4 | (C) |
| Depreciation | 4,817 | 2.9 | 3,572 | 8,389 | 5.0 | (D) |
| Amortization & other non-cash charges | 521 | 0.3 | | 521 | 0.3 | |
| Operative Cash Flow (EBITDA) | 19,415 | 11.6 | 5,239 | 24,654 | 14.7 | (C) (D) |
| CAPEX | 9,441 | | | 9,441 | | |

(A) 1Q18 and 2Q18 adjusted to reflect change from Commercial Division to Proximity Division implemented in 3Q18.

(B) Unaudited financial information.

(C) Elimination of lease payment expense, partially offset by depreciation of right-of-use asset.

(D) Depreciation of right-of-use asset.

April 5, 2019

FEMSA Comercio - Health Division**Results of Operations****Millions of Pesos**

| | For the three months of: | | | | | | | | | | | |
|---------------------------------------|----------------------------|------|------------------------|----------------------------|------|------------------------|----------------------------|------|------------------------|----------------------------|------|------------------------|
| | 1Q 2018 | | | 2Q 2018 | | | 3Q 2018 | | | 4Q 2018 | | |
| | As Reported ^(A) | Adj. | IFRS 16 ^(A) | As Reported ^(A) | Adj. | IFRS 16 ^(A) | As Reported ^(A) | Adj. | IFRS 16 ^(A) | As Reported ^(A) | Adj. | IFRS 16 ^(A) |
| Total revenues | 12,454 | | 12,454 | 13,380 | | 13,380 | 12,562 | | 12,562 | 13,343 | | 13,343 |
| Cost of sales | 8,758 | | 8,758 | 9,287 | | 9,287 | 8,750 | | 8,750 | 9,080 | | 9,080 (B) |
| Gross profit | 3,696 | | 3,696 | 4,093 | | 4,093 | 3,812 | | 3,812 | 4,263 | | 4,263 (B) |
| Administrative expenses | 485 | | 485 | 514 | | 514 | 514 | | 514 | 541 | | 541 (B) |
| Selling expenses | 2,910 | (49) | 2,861 | 2,923 | (50) | 2,873 | 2,732 | (52) | 2,680 | 2,992 | (53) | 2,939 (B) |
| Other operating expenses | 21 | | 21 | 22 | | 22 | 26 | | 26 | 69 | | 69 |
| (income), net | | | | | | | | | | | | |
| Income from operations | 280 | 49 | 329 | 634 | 50 | 684 | 540 | 52 | 592 | 661 | 53 | 714 (B) |
| Depreciation & other non-cash charges | 166 | 424 | 590 | 166 | 430 | 596 | 169 | 436 | 605 | 176 | 442 | 618 (C) |
| Operative Cash Flow (EBITDA) | 531 | 473 | 1,004 | 886 | 480 | 1,366 | 789 | 488 | 1,277 | 913 | 494 | 1,407 (B) |
| CAPEX | 351 | | 351 | 229 | | 229 | 376 | | 376 | 206 | | 206 (C) |

For the twelve months of:
2018

| | As Reported | % of rev. | Adj. (A) | IFRS 16 (A) | % of rev. |
|----------------|-------------|-----------|----------|-------------|-----------|
| Total revenues | 51,739 | 100.0 | | 51,739 | 100.0 |
| Cost of sales | 35,874 | 69.3 | | 35,874 | 69.3 (B) |

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| | | | | | | |
|--|--------|------|--------|--------|------|---------|
| Gross profit | 15,865 | 30.7 | | 15,865 | 30.7 | (B) |
| Administrative expenses | 2,055 | 4.0 | | 2,055 | 4.0 | (B) |
| Selling expenses | 11,557 | 22.3 | (204) | 11,353 | 21.9 | (B) |
| Other operating expenses (income), net | 138 | 0.3 | | 138 | 0.3 | |
| Income from operations | 2,115 | 4.1 | 204 | 2,319 | 4.5 | (B) |
| Depreciation | 676 | 1.3 | 1,732 | 2,408 | 4.7 | (C) |
| Amortization & other non-cash charges | 329 | 0.6 | | 329 | 0.6 | |
| Operative Cash Flow (EBITDA) | 3,120 | 6.0 | 1,936 | 5,056 | 9.8 | (B) (C) |
| CAPEX | 1,162 | | | 1,162 | | |

(A) Unaudited financial information.

(B) Elimination of lease payment expense, partially offset by depreciation of right-of-use asset.

(C) Depreciation of right-of-use asset.

April 5, 2019

FEMSA Comercio - Fuel Division**Results of Operations****Millions of Pesos**

| | For the three months of: | | | | | | | | | | | |
|---------------------------------------|----------------------------|-------|------------------------|----------------------------|-------|------------------------|----------------------------|-------|------------------------|----------------------------|-------|------------------------|
| | 1Q 2018 | | | 2Q 2018 | | | 3Q 2018 | | | 4Q 2018 | | |
| | As Reported ^(A) | Adj. | IFRS 16 ^(A) | As Reported ^(A) | Adj. | IFRS 16 ^(A) | As Reported ^(A) | Adj. | IFRS 16 ^(A) | As Reported ^(A) | Adj. | IFRS 16 ^(A) |
| Total revenues | 10,593 | | 10,593 | 11,511 | | 11,511 | 12,196 | | 12,196 | 12,636 | | 12,636 |
| Cost of sales | 9,706 | | 9,706 | 10,595 | | 10,595 | 11,136 | | 11,136 | 11,268 | | 11,268 (B) |
| Gross profit | 887 | | 887 | 916 | | 916 | 1,060 | | 1,060 | 1,368 | | 1,368 (B) |
| Administrative expenses | 52 | (0) | 52 | 61 | (0) | 61 | 42 | (0) | 42 | 87 | (0) | 87 (B) |
| Selling expenses | 697 | (125) | 572 | 771 | (131) | 640 | 884 | (134) | 750 | 1,173 | (141) | 1,032 (B) |
| Other operating expenses | 1 | | 1 | 2 | | 2 | 1 | | 1 | 1 | | 1 |
| (income), net | | | | | | | | | | | | |
| Income from operations | 137 | 126 | 263 | 82 | 131 | 213 | 133 | 135 | 268 | 107 | 142 | 249 (B) |
| Depreciation & other non-cash charges | 30 | 148 | 178 | 32 | 154 | 186 | 36 | 157 | 193 | 38 | 163 | 201 (C) |
| Amortization & other non-cash charges | 7 | | 7 | 8 | | 8 | 6 | | 6 | 7 | | 7 |
| Operative Cash Flow (EBITDA) | 174 | 274 | 448 | 122 | 285 | 407 | 175 | 291 | 466 | 152 | 305 | 457 (B) |
| CAPEX | 64 | | 64 | 129 | | 129 | 123 | | 123 | 204 | | 204 (C) |

| | For the twelve months of: | | | | |
|----------------|---------------------------|-----------|----------|-------------|-----------|
| | 2018 | | | | |
| | As Reported | % of rev. | Adj. (A) | IFRS 16 (A) | % of rev. |
| Total revenues | 46,936 | 100.0 | | 46,936 | 100.0 |
| Cost of sales | 42,705 | 91.0 | | 42,705 | 91.0 (B) |
| Gross profit | 4,231 | 9.0 | | 4,231 | 9.0 (B) |

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| | | | | | | |
|--|-------|-----|--------|-------|-----|---------|
| Administrative expenses | 242 | 0.5 | (2) | 240 | 0.5 | (B) |
| Selling expenses | 3,526 | 7.5 | (532) | 2,994 | 6.4 | (B) |
| Other operating expenses (income), net | 5 | 0.0 | | 5 | 0.0 | |
| Income from operations | 458 | 1.0 | 534 | 992 | 2.1 | (B) |
| Depreciation | 137 | 0.3 | 621 | 758 | 1.6 | (C) |
| Amortization & other non-cash charges | 27 | 0.1 | | 27 | 0.1 | |
| Operative Cash Flow (EBITDA) | 622 | 1.3 | 1,155 | 1,777 | 3.8 | (B) (C) |
| CAPEX | 520 | | | 520 | | |

(A) Unaudited financial information.

(B) Elimination of lease payment expense, partially offset by depreciation of right-of-use asset.

(C) Depreciation of right-of-use asset.

April 5, 2019

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf of the undersigned, thereunto duly authorized.

FOMENTO ECONÓMICO
MEXICANO, S.A. DE C.V.

By: /s/ Gerardo Estrada Attolini
Gerardo Estrada Attolini
Director of Corporate Finance
Date: April, 05, 2019