

US Consumer Staples

Argentina sales exposure for
Food/Beverage/HPC companies

Industry Overview

Exchange rate drive write downs

In response to KMB and PG earnings, investors are asking questions about Argentina and potential risk of asset write downs. At issue is currency devaluation and exchange rates. Similar to Venezuela 10 years ago, some multi-national companies are shifting from using the official exchange rate to the parallel rate. The latter is a more accurate depiction of what the Argentine Peso can be exchanged for. Using more realistic exchange rates impacts the carrying value of assets (potential write downs) and opens the door for some companies to shift from producing in country to an import model. We expect this to be a theme through earnings season.

Argentina exposure by company

Within our coverage universe PM cigarettes (2.9%), KMB (2.0%), KVUE (~2.0%), MDLZ (1.6%), KO (1.6%) have the greatest exposure to Argentina. Argentina sales exposure for CL, K, MNST, PG, COTY, PEP and EL is estimated to be below 1.0%.

Exhibit 1: Estimated percentage of total sales from Argentina

PM, KMB, KVUE, MDLZ and KO have the highest sales exposure to Argentina

Ticker	Argentina sales exposure
PM**	2.9%
KMB	2.0%
KVUE	2.0%
MDLZ	1.6%
KO*	1.6%
CL	0.8%
K	Less than 0.8%
MNST	0.6%
PG	0.6%
COTY	0.5%
PEP	Less than 0.5%
EL	0.1%
KHC	Has exposure, not disclosed

Source: BofA Global Research

*KO figure is in terms of volume exposure; **PM figure is in terms of cigarette volume exposure; ***LW manufactures in Argentina but most is exported into Brazil and dollar denominated. Additionally, LW adjusts out FX gains and losses in unallocated corporate costs.

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CL: Colgate-Palmolive
COTY: Coty Inc.
EL: Estee Lauder
K: Kellanova
KHC: Kraft Heinz
KMB: Kimberly-Clark
KO: Coca Cola
KVUE: Kenvue
MDLZ: Mondelez Int
MNST: Monster Beverage
PEP: PepsiCo
PG: Procter & Gamble
PM: Philip Morris Intl

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