

NEW RISK ALERT: (MDLZ)

Mondelez International Warns Mexican Junk Food Ban Could Spread Worldwide

New language in latest 10-K suggests snack food company sees bans and advertising restrictions as rising threats.

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This alert compares the language used in the company's latest filing with the period before. Research suggests changes in language, particularly in the risk factor section, is a powerful indicator of future performance. Companies that change filing language, according to research, underperform those that don't by 30-50 basis points per month for the following year.

Mondelez Cites Restrictions in Mexico and the U.K. as Risks With the Potential to Spread Globally

Mondelez International routinely warns negative publicity focused on how the snacking industry advertises could lead to unwanted regulatory scrutiny. In its 2019 annual report, Mondelez detailed the consequences:

"Such pressures could also lead to stricter regulations, industry self-regulation that is unevenly adopted among companies, and increased focus on food and snacking marketing practices. Increased legal or regulatory restrictions on our labeling, advertising and consumer promotions, or our response to those restrictions, could limit our efforts to maintain, extend and expand our brands."

In its 2020 [10-K](#), Mondelez confirms its suspicions the prior year were correct and flags two new rising threats that could spread globally and harm sales:

"Such pressures could also lead to stricter regulations, industry self-regulation that is unevenly adopted among companies, and increased focus on food and snacking marketing practices. Increasing legal or regulatory restrictions on our labeling, advertising and consumer promotions, such as age-based restrictions on sales of products with certain nutritional profiles enacted in some states in Mexico and other restrictions being considered in the United Kingdom, or our response to those restrictions, could limit our efforts to maintain, extend and expand our brands."

In Mexico, some states have [banned junk food](#) due to the link between obesity and increased risk of serious infection from the coronavirus. In the U.K. [junk food advertising](#) has been banned to fight obesity.

Mondelez Targeted by European Antitrust Watchdog

In November 2019, the European Commission informed Mondelez that it had initiated an investigation into the company's alleged infringement of European Union competition law through certain practices restricting cross-border trade within the European Economic Area.

Two weeks prior to filing its latest annual report, Mondelez says it received word that the EU is moving forward with the investigation:

“On January 28, 2021, the European Commission announced it has taken the next procedural step in its investigation and opened formal proceedings.”

Mondelez did not opine on the likely outcome of the investigation nor did it quantify the potential loss it may incur should it lose or settle the matter.