

QUICKVIEW

Construction
Materials

CMOCTEZ* MM

PRICE

(MXN, 20/04/2017)
P\$65.99

FLOAT
32.82%

BETA (3yr, vs Mexbol)
0.071

MARKET CAP (MXN MN)
56,428

DL VL TRADED (AV. MXN MN)
5.1

TARGET PRICE

MXN\$67.8 /Var.TP +2.7%, Div. +5.5%

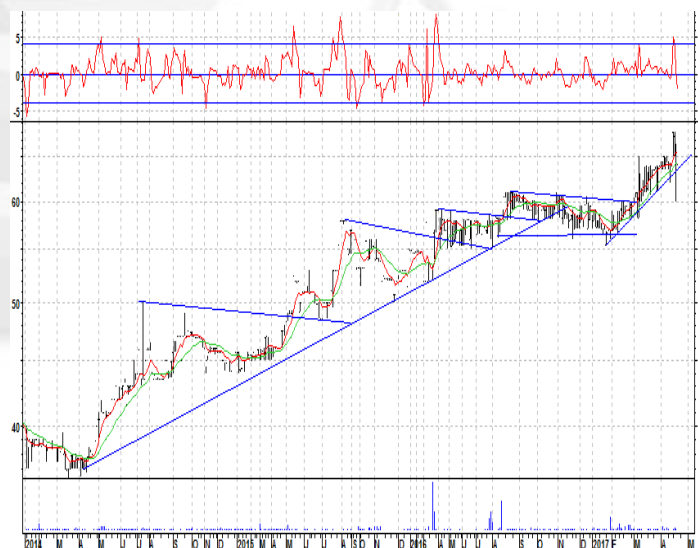
BUY

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Q1 17 Financial Report

Excellent results - Once again we perceived double digit growths on main operating results, surpassing all our estimations. Sales advanced +30.4% YoY, to MXN\$3.71 billion, operating income grew +35% YoY, to MXN\$1.66 billion and EBITDA +32.7% YoY, to MXN\$1.80 billion. Net income showed an advance of +26.8% YoY, to MXN\$1.13 billion. We expect positive movements in the stock price.

Expansion in margins - Despite a challenging environment, in which the increase in the price of gasoline caused higher transportation costs, and even with a high base of comparison, the company achieved growth in operating and EBITDA margins.



	Q117	Q116	Chg(%)
Sales	3,713	2,848	30.4%
Operating Income	1,656	1,227	35.0%
EBITDA	1,800	1,356	32.7%
Net Income	1,135	895	26.8%

	Q117	Q116	Chg bp
Operating Mgn. (%)	44.6%	43.1%	152.0
EBITDA Mgn. (%)	48.5%	47.6%	85.5
Profit Mgn. (%)	30.6%	31.4%	- 85.5

Data in million of mexican pesos unless expressed otherwise, sum may vary due to adjustments.

Source: Interacciones and quarterly company reports

Multiples	2015	2016	LTM	2017E	2018E
P/E	17.0x	13.0x	13.2x	14.1x	13.5x
P/BV	5.1x	5.2x	5.1x	4.8x	4.2x
EV/EBITDA	10.1x	8.2x	8.1x	8.6x	8.1x

Estimates (MXN mill.)	2015	2016	LTM	2017E	2018E
Revenues	11,026	12,587	13,452	14,544	15,418
EBITDA	4,512	6,062	6,505	6,642	6,810
EBITDA Margin (%)	40.9%	48.2%	48.4%	45.7%	44.2%
Net Income	2,860	4,047	4,287	4,198	4,245
Net Margin (%)	25.9%	32.2%	31.9%	28.9%	27.5%
Net Debt	- 2,941	- 3,248	- 3,775	- 1,816	- 1,796
Net Debt/EBITDA	-0.7x	-0.5x	-0.6x	-0.3x	-0.3x

Source: Interacciones Research and the company

Q117 Financial Report

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The significant expansion in sales was attributable to an important growth in the cement division (+35.8% YoY), supported by an lower increase in concrete division (+7.7% YoY).

The quarter was highly benefited by the start-up operations of the second production line in Veracruz, which increased installed capacity by 21.5%.

Expansion in margins – Despite a challenging environment, in which the increase in the price of gasoline caused higher transportation costs, and even with a high base of comparison, the company achieved growth in operating margin and EBITDA.

Operating margin increased by +152 bp YoY, to 44.6%, while the EBITDA margin grew +85.5 bp YoY, to 48.5%, contrary to the net margin, which fell -85.5 bp, to 30.6%.

Sales (MXN\$mn)	Q117	Q116	Chg (%)
Cement	3,125	2,302	35.8%
Concrete	588	546	7.7%
Corporate	0	0	6.2%
Total	3,713	2,848	30.4%

Source: Company's Report

Outlook – Thanks to the start-up of the new production line, we expect to continue to see double-digit growth in sales for the next two quarters. However, we could see pressure in margins for greater impact of energy costs and exchange rate volatility.

Additionally, we remind the investor that the company is sensitive to oil prices, as Petcoke is one of its main inputs for the production of cement, which is dollarized. However, the company has demonstrated strength in the face of challenges, and the impact on profitability could be moderate.

As a result of the termination of heavy capital investments, we can expect more cash flow in the coming quarters. We maintain positive prospects for the firm.

We reiterate that since the capital structure of the company is almost 100% capital, it suffers a greater impact on its discount rate with the increase in interest rates.

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CMOCTEZ*: Historic Target Price(s) & Recommendation(s)

Date of change	June 28, 2016	07-apr-17
Target Price	MXN\$63.5	MXN\$67.80
Recommendation	1	1

* Recommendations: 1=Buy, 2=Hold, 3=Sell