

Corporación Moctezuma, S.A.B. de C.V.

CMOCTEZ*



BUY			
Target price 2021-IV:	P\$68.7		
Close price (01/03/2021):	P\$ 58.00		
Dividend Next12m (P\$)	P\$4.06		
Total appreciation (with dividends)	25.40%		
Market cap. (million P\$):	50,793		
Average Trading Volume (YTD, million)	1.47		
Max 3M	P\$ 65.00	EV/EBITDA 17E	9.0x
Min 3M	P\$ 57.96	ROIC	34.2%
Chg % 3M	12.1%	ROE	43.4%
P\$ millions	2020-IV	2019-IV	YoY
Revenues	3,953.7	3,035.5	30.2%
EBITDA	1,737.2	1,304.6	33.2%

Analysis

Excellent Report: Corporación Moctezuma (ticker: CMOCTEZ) reported excellent results for the fourth quarter of 2020 due to an annual growth in revenues and an annual expansion in the EBITDA margin.

Revenue growth. Net sales totaled P\$3,953.7 million, reporting an increase of +30.3% compared to the P\$3,035.5 million obtained in 2019-IV. At the end of the fourth quarter of 2020, the revenues from cement and concrete ended with a total of P\$13,969.3 million, with total domestic sales representing an increase of +4.5% compared to the end of the fourth quarter of 2019. Regarding cement, which it is focused on the export market, totaled P\$99.9 million, which implies a growth of +172% compared to the end of the fourth quarter of 2019.

Table 1. Quarterly results by business segment

Period	Segment	Net Sales (P\$millions)	PP&E, Intangibles and net ADV (P\$millions)	Capital Expenditures(P\$millions)	Depreciation, Amortization and deterioration (P\$millions)
2020	Cement and Concrete	\$ 14,069.20	\$ 6,892.10	\$ 483.60	\$ 636.60
2019	Cement and Concrete	\$ 12,788.00	\$ 7,055.70	\$ 695.80	\$ 604.50
	Δ% YoY	10.0%	-2.3%	-30.5%	5.3%

Source: Signum Research with company's information

Gross profit. Gross profit in the fourth quarter was P\$2,437 million, showing an increase of +33.5%. Cost of sales represented 38.4% of consolidated net sales compared to 39.9% in the fourth quarter of 2019. With this, the gross margin had an increase of +150 b.p. YoY, going from 60.1% to 61.6%.

Gross Profit and EBITDA. Operating expenses maintain a downward trend, with which operating income for the fourth quarter of 2020 grew by +35.0% YoY to reach P\$1,567.6 million. The operating margin went from 38.3% to 39.6%, which represents an increase of +130 b.p. YoY.

EBITDA had an annual increase of +33.2% and amounted to P\$1,737.2 million, with an EBITDA margin of 43.9% higher by +90 b.p. with respect to the same period of the previous year.

Net profit. Consolidated net income ended at P\$1,012.7 million in the fourth quarter of 2020, which implied an increase of + 26.6% YoY.

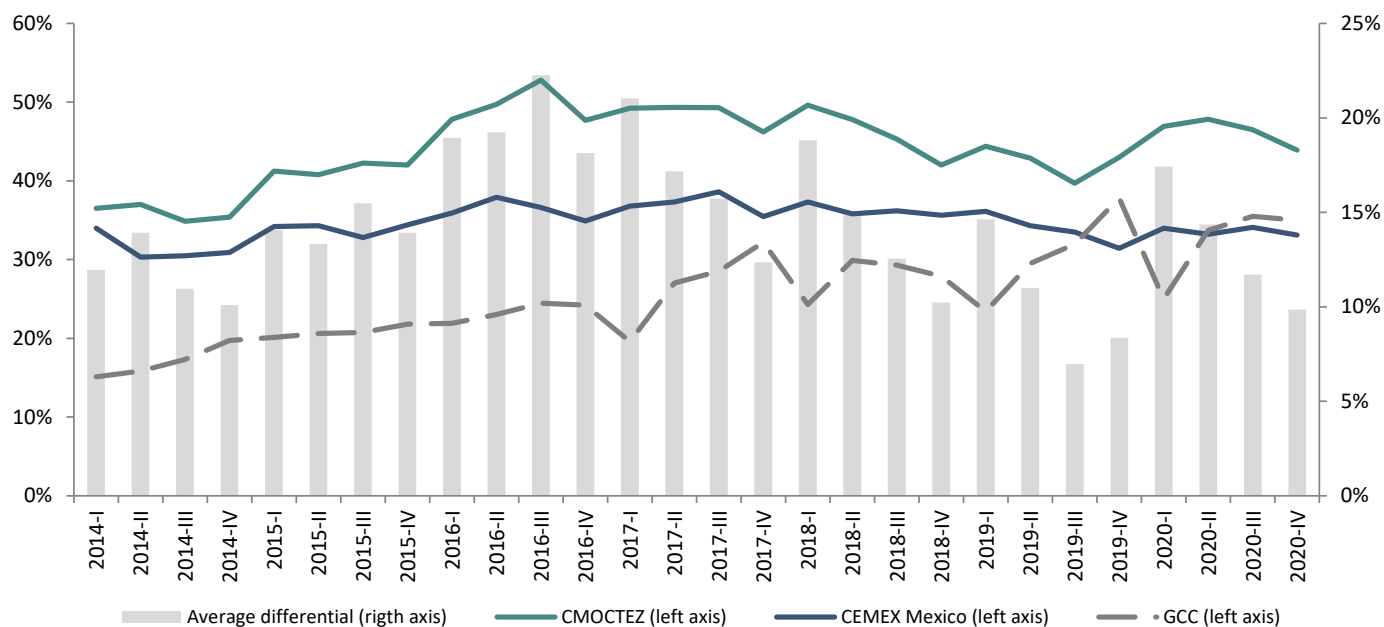
Table 2. Operating Result

	2020-IV	P\$millions	Δ% YoY	Margin	Δ basis points YoY
Gross Profit		\$ 2,437.00	33.5%	61.6%	150
Operating Income		\$ 1,567.60	35.0%	39.6%	130
Net Profit		\$ 1,012.70	26.6%	25.6%	-120
EBITDA		\$ 1,737.20	33.2%	43.9%	90

Source: Signum Research with company's information

Corporación Moctezuma reflects an EBITDA margin higher than that of comparable companies in the sector. Additionally, the company maintains stability in its high level of profitability, while CEMEX and GCC (Grupo Cementos de Chihuahua) have greater volatility. In the fourth quarter of 2020, the EBITDA Margin of Corporación Moctezuma was 43.9%, while that of CEMEX México was 33.1% and that of Grupo Cementos de Chihuahua (GCC) was 35.0%.

Graph 1. EBITDA Margin vs. Main comparables



Source: Signum Research with company's information

At the end of the fourth quarter of 2020, cash grew by +46.8% compared to the end of December 2019, reaching P\$3,098.8 million. The company has an estimated dividend of P \$4.06 per share, which implies a dividend yield of 7.03%.

Table 3. Profitability Indicators

2020-IV	Rate
ROE*	43.4%
ROA*	34.1%
ROIC**	34.2%

Source: Signum Research

*ROA y ROE are calculated with consolidated data and using 12M average on balance

**ROIC is calculated as EBITDA/Invested Capital

After a decline in economic activity in the second and third quarters of the year derived from the COVID-19 pandemic, the fourth quarter of the year showed a significant recovery as economic activities have reopened and growth plans are beginning to reactivate, we expect the demand for cement and concrete to be more dynamic in line with this economic reactivation, which will strengthen the company's operating results.

Based on these expectations, we raise our target price at the end of 2021 to P \$ 68.70 and we maintain our Buy recommendation.

Analyst

Antonio Morales

Armando Rodríguez

CEO

armando.rodriguez@signumresearch.com

Cristina Morales

Senior Equity Research Analyst/Staples and Retail

cristina.morales@signumresearch.com

Alberto Carrillo

Senior Equity Research Analyst/Food and Beverages

alberto.carrillo@signumresearch.com

Daniel Espejel

Jr. Equity Research Analyst/ Housing

daniel.espejel@signumresearch.com

Alain Jaimes

Jr. Equity Research Analyst/ Industrials

alain.jaimes@signumresearch.com

Manuel Zegbe

Jr. Equity Research Analyst/ Financial Groups

manuel.zegbe@signumresearch.com

Sofía Rivera

sofia.rivera@signumresearch.com

Antonio Morales

antonio.morales@signumresearch.com

Donald Adams

donald.adams@signumresearch.com

Adolfo Margain

adolfo.margain@signumresearch.com

Mathieu Domínguez

Graphic Design

Em M P * 01/03/21

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CLAVE DEL REPORTE

- (1) ENFOQUE
 - S = Sectorial
 - E = Económico
 - Rf = Renta fija
 - Nt = Nota técnica
 - M = Mercado
 - Em= Empresa
 - Fb= Fibras

- (2) Geografía
 - M = México
 - E = Estados Unidos
 - L = Latino América
 - G = Global

- (3) Temporalidad
 - P = Periódico
 - E = Especial

- (4) Grado de dificultad
 - * = Básico
 - ** = Intermedio
 - *** = Avanzado

- (5) Fecha de publicación DD/MM/AA



Tel. 62370861/ 62370862
 Info@signumresearch.com

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