

Corporación Moctezuma, S.A.B. de C.V.

▲ Target Price ▲ Recommendation ▲ Forecasts

CMOCTEZ*



BUY			
Target price 2021-IV:		P\$ 68.70	
Close price (04/29/2021):		P\$ 62.50	
Dividend Est.		P\$ 2.00	
Total appreciation (with dividends)		13.1%	
Market cap. (million P\$):		54,367	
Average Trading Volume (YTD, million)		40.93	
Max 3M	P\$ 63.00	EV/EBITDA	7.6x
Min 3M	P\$ 58.00	ROIC	54.1%
Chg % 3M	-0.27%	ROE	38.4%
P\$ millions		2021-I	2020-I
Revenues	3,941.4	3,261.9	20.8%
EBITDA	1,750.3	1,530.8	14.3%

Analysis

Good Report: Corporación Moctezuma (ticker: CMOCTEZ) reported good results for the first quarter of 2021 due to both an annual growth in revenues and an annual expansion in EBITDA, Gross Profit and Operating Profit.

Revenue growth. Net sales totaled P\$3,941.4 million, reporting an increase of +20.8% compared to the P\$3,261.9 million obtained in 2020-I. At the beginning of 2021, the revenues from cement and concrete amounted to a total of P\$3,918.2 million, with total national income representing an increase of +20.9% compared to 2020. Regarding cement, which is focused on the export market, this totaled P\$23.2 million, which implies a growth of +9.7% compared to the end of the first quarter of 2020.

Table 1. Quarterly results by business segment

	2021-I	Net sales (P\$million)	Δ% YoY	% Representative of total revenues
Cement	\$	3,918.20	20.9%	99%
Concrete	\$	23.20	9.7%	1%
Corporative	\$	-	n.a	0%
Total	\$	3,941.40	24.1%	100%

Source: Signum Research with company's information

Gross profit. Gross profit in the first quarter was P\$2,373.9 million, showing an increase of +16.5% YoY. Cost of sales represented 39.8% of consolidated net sales compared to 37.5% in the first quarter of 2020. With this, the gross margin had a decline of -230 b.p. YoY, going from 62.5% to 60.2%.

Gross Profit and EBITDA. Operating expenses maintained an upward trend, with which operating income for the first quarter of 2021 had a growth of +15.8% YoY to reach P\$1,591.1 million. The operating margin went from 42.1% to 40.4%, which represents a decrease of -170 b.p. YoY.

EBITDA had an annual increase of +14.3% and amounted to P\$1,750.3 million, with an EBITDA margin of 44.4% lower by -250 b.p. with respect to the same period of the previous year.

Net profit. Consolidated net income ended at P\$1,184.4 million in the first quarter of 2021, which implied a decrease of -3.4% YoY.

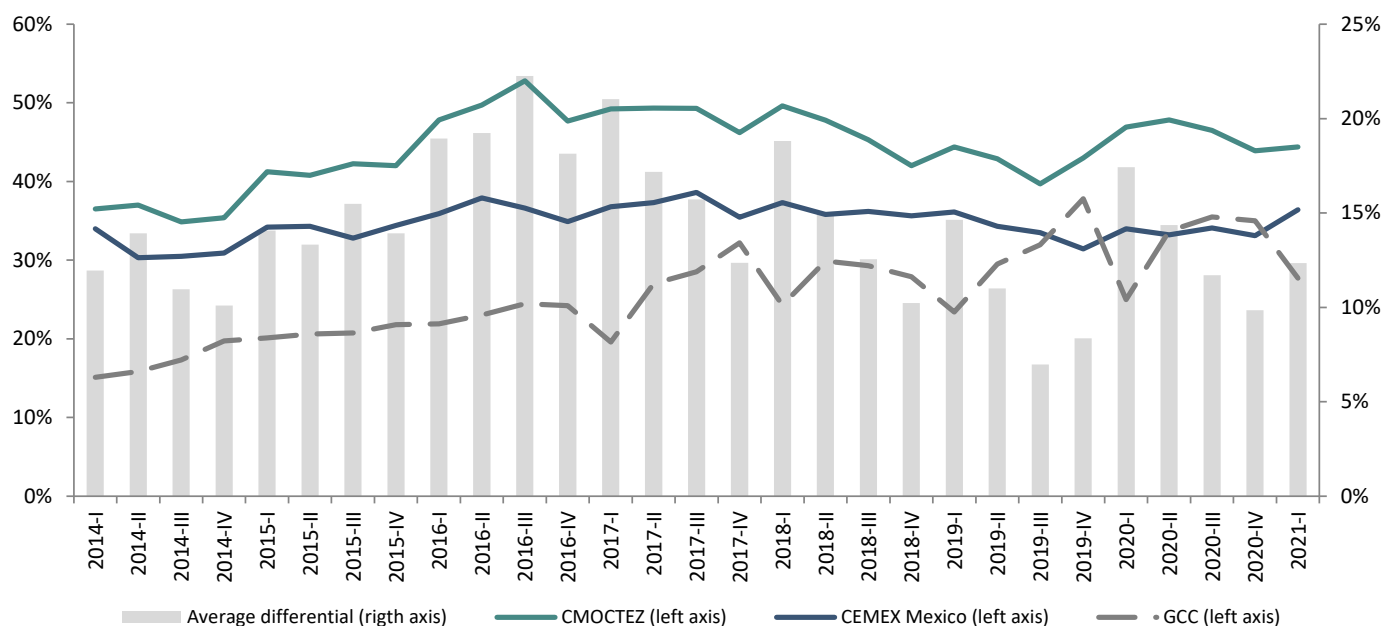
Table 2. Operating Result

	2021-I	P\$million	Δ% YoY	Margin	Δ basis points YoY
Gross Profit		\$ 2,373.9	16.5%	60.2%	(230.00)
Operating Income		\$ 1,591.1	15.8%	40.4%	(170.00)
Net Profit		\$ 1,184.4	-3.4%	30.1%	(750.00)
EBITDA		\$ 1,750.3	14.3%	44.4%	(250.00)

Source: Signum Research with company's information

Corporación Moctezuma reflects an EBITDA margin higher than 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 first quarter of 2021, the EBITDA Margin of Corporación Moctezuma was 44.4%, while that of CEMEX México was 36.4% and that of Grupo Cementos de Chihuahua (GCC) was 27.7%.

Graph 1. EBITDA Margin vs. Main comparables



Source: Signum Research with companies' information

At the end of the first quarter of 2021, cash grew by +29.5% compared to the end of December 2020, reaching P\$4,012.4 million. The company has an estimated dividend of P\$2.00 per share, which implies a dividend yield of 3.2% compared to current prices.

Table 3. Profitability Indicators

2021-I	Rate
ROE*	38.4%
ROA*	31.7%
ROIC**	54.1%

Source: Signum Research

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

**ROIC is calculated as EBITDA/Invested Capital

The first quarter of 2021 shows sequential improvement, although this year began with a stronger wave of Covid-19, people continued to demand construction materials. At the same time, the projects that had been suspended were resumed, helping to increase the consumption of cement and concrete.

Based on these expectations, we raised our target price at the end of 2021 to P \$ 68.70 and we maintain the 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 * 29/04/21

1 2 3 4 5

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

Tel. 62370861/ 62370862
Info@signumresearch.com

Este documento y la información, opiniones, pronósticos y recomendaciones expresadas en él, fueron preparados por Signum Research como una referencia para sus clientes y en ningún momento deberá interpretarse como una oferta, invitación o petición de compra, venta o suscripción de ningún título o instrumento ni a tomar o abandonar inversión alguna. La información contenida en este documento está sujeta a cambios sin notificación previa. Signum Research no asume la responsabilidad de notificar sobre dichos cambios o cualquier otro tipo de actualización del contenido.

Los contenidos de este reporte están basados en información pública, disponible a los participantes de los mercados financieros, que se ha obtenido de fuentes que se consideran fidedignas pero sin garantía alguna, ni expresan de manera explícita o implícita su exactitud o integridad.