

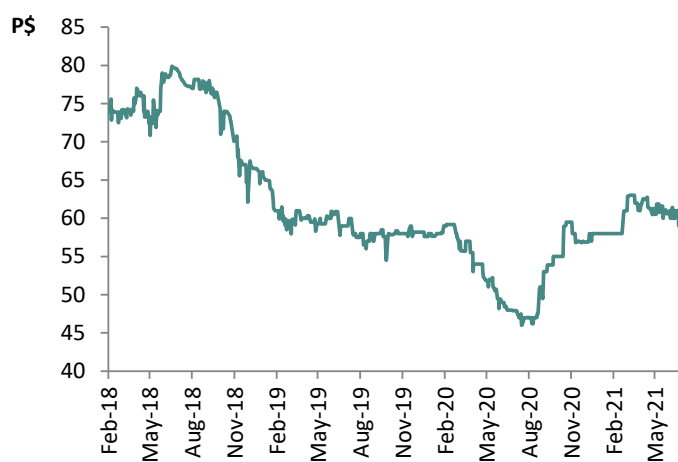
Corporación Moctezuma, S.A.B. de C.V.

▲ Target Price

▲ Recommendation

▲ Forecasts

CMOCTEZ*



BUY			
Target price 2022-IV:		P\$ 72.00	
Close price (27/07/2021):		P\$ 60.80	
Dividend Est.		P\$ 2.00	
Total appreciation (with dividends)		21.7%	
Market cap. (million P\$):		53,801	
Average Trading Volume (YTD, million)		3.70	
Max 3M	P\$ 63.00	EV/EBITDA 17E	11.7x
Min 3M	P\$ 58.00	ROIC	54.1%
Chg % 3M	-0.27%	ROE	38.4%
P\$ millions		2021-II	2020-II
Revenues	4,259.5	3,098.9	37.5%
EBITDA	1,921.4	1,481.7	29.7%
		Δ% YOY	

Analysis

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

Income growth. Net sales totaled P\$4,259.5 million, reporting an increase of + 37.4% compared to the P\$3,098.9 million obtained in 2020-II. During the second quarter of 2021, revenues from cement and concrete totaled P\$4,246.0 million, being entirely national revenues, and representing an increase of +8.4% compared to 2020. Regarding cement, which is focused on Export market, this totaled P\$13.5 million, which implied a decrease of -41.9% compared to the end of the second quarter of 2020. Similarly, revenues presented results that were above our estimates.

Table 1. Quarterly results by business segment

	Net sales	Δ%	
2021-II	(P\$million)	YoY	% Representative of total revenues
Cement	\$ 4,246.0	8.4%	99.7%
Concrete	\$ 13.5	-41.9%	0.3%
Corporative	\$ -	n.a	0.0%
Total	\$ 4,259.5	37.4%	100%

Source: Signum Research with company's information

Gross profit. Gross profit in the second quarter was P\$2,647.7 million, showing an increase of +33.0% YoY. The cost of sales represented 37.8% of the consolidated net sales and the gross margin presented a margin of 62.2%.

Operating Profit and EBITDA. Operating expenses maintained an upward trend, with which operating income for the second quarter of 2021 grew by +32.6% YoY, to reach P\$1,757.9 million. The operating margin went from 42.8% to 41.3%, which represented a decrease of -150 b.p. YoY.

EBITDA for the quarter had an annual increase of +29.7% and amounted to P\$1,921.4 million, with an EBITDA margin of 45.1%, -270 b.p. lower with respect to the same period of the previous year. It is worth mentioning that the EBITDA Margin remained in line with our estimates while the EBITDA was above.

Net profit. Consolidated net income ended at P\$1,236.0 million in the second quarter of 2021, which implied an increase of +42.9% YoY.

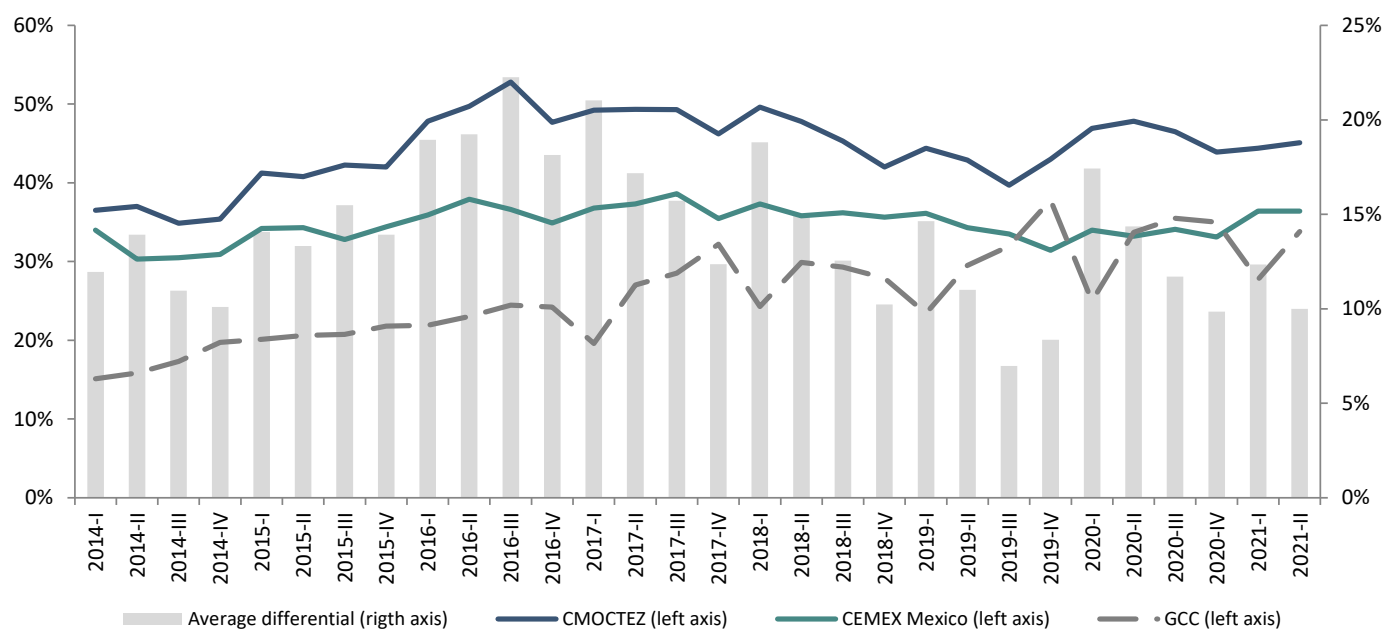
Table 2. Operating Result

	2021-II	P\$million	Δ% YoY	Margin	Δ basis points YoY
Gross Profit		\$ 2,647.7	33.0%	62.2%	(210.00)
Operating Income		\$ 1,757.9	32.6%	41.3%	(150.00)
Net Profit		\$ 1,236.0	42.9%	29.0%	(390.00)
EBITDA		\$ 1,921.4	29.7%	45.1%	(270.00)

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, in contrast to CEMEX and GCC (Grupo Cementos de Chihuahua). In the second quarter of 2021, the EBITDA Margin of Corporación Moctezuma was 45.1%, while that of CEMEX México was 36.4% (2020-I), and that of Grupo Cementos de Chihuahua (GCC) was 33.8%.

Graph 1. EBITDA Margin vs. Main comparables



Source: Signum Research with companies' information

At the end of the second quarter of 2021, cash grew by +20.5% compared to the end of December 2020, reaching P\$3,733.5 million. The company has an estimated dividend of P\$2.00 per share, which implies a dividend yield of 3.3% compared to current prices.

Table 3. Profitability Indicators

2021-II	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 second quarter of 2021 presents a sequential improvement since, although this year began with a stronger wave of Covid-19, the vaccination process has allowed companies to resume their regular activities, so construction projects were resumed, likewise, the commercial population maintained their personal cement purchases. We believe that the company will continue to grow due to the demand for Cement and Concrete and the increase in product volumes. Based on these expectations, we update our target price at the end of 2022 to P\$72.00 per share and we maintain the BUY recommendation.

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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



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