

QUICKVIEW

Construction
Materials

CMOCTEZ* MM

PRICE

(MXN, 25/07/2017)
P\$68.53

FLOAT
32.82%

BETA (3yr, vs Mexbol)
0.044

MARKET CAP (MXN MN)
60,327.8

DL VL TRADED (AV. MXN MN)
5.1

TARGET PRICE
MXN\$67.8 /Var.TP -1.1%
DIV. +5.6%

BUY

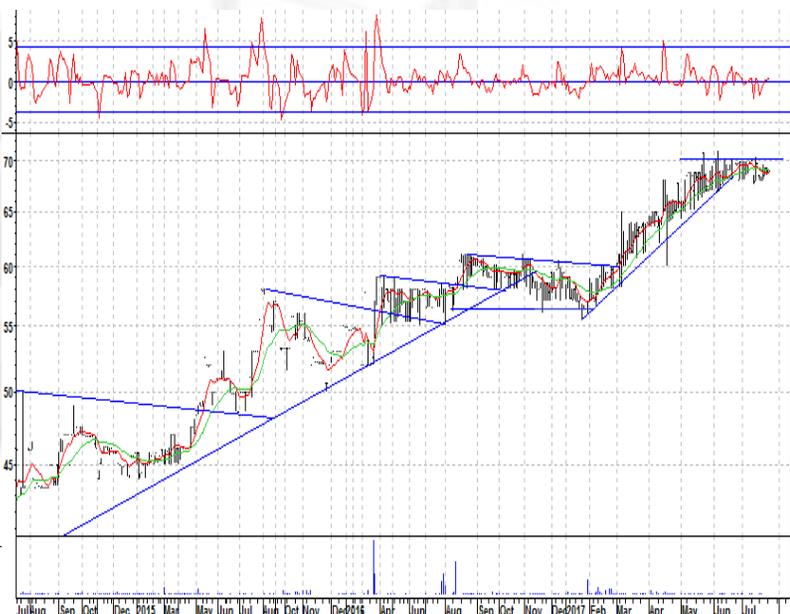
*TP under review

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Financial Report Q217

Worthy results- Once again we see double-digit growth in the main operating items, but staying below our estimates. Sales increased +18.5% YoY, to MXN\$3,832 mn, operating income grew +15.7% YoY, to MXN\$1,703 mn and EBITDA +15.4% YoY, to MXN\$1,845 mn. Net income increased +10.8% YoY, to MXN\$1,246 mn. We expect negative movements in the share price.

Lower margins- In this quarter, the increase in the price of some raw materiales such as gasoline caused a decrease in margins. In addition, exchange losses were observed due to the active foreign currency position of the company.



	Q217	Q216	Chg(%)
Sales	3,832	3,235	18.5%
Operating Income	1,703	1,472	15.7%
EBITDA	1,845	1,599	15.4%
Net Income	1,246	1,124	10.8%

	Q217	Q216	Chg bp
Operating Mgn. (%)	44.5%	45.5%	- 104.8
EBITDA Mgn. (%)	48.1%	49.4%	- 129.4
Profit Mgn. (%)	32.5%	34.8%	- 225.0

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	14.0x	14.2x	12.7x
P/BV	5.1x	5.2x	6.3x	5.1x	4.2x
EV/EBITDA	10.1x	8.2x	8.8x	8.5x	7.7x

Estimates (MXN mill.)	2015	2016	LTM	2017E	2018E
Revenues	11,026	12,587	14,050	14,895	16,166
EBITDA	4,512	6,062	6,752	7,020	7,391
EBITDA Margin (%)	40.9%	48.2%	48.1%	47.1%	45.7%
Net Income	2,860	4,047	4,408	4,536	4,690
Net Margin (%)	25.9%	32.2%	31.4%	30.5%	29.0%
Net Debt	- 2,941	- 3,248	- 2,367	- 3,099	- 3,376
Net Debt/EBITDA	-0.7x	-0.5x	-0.4x	-0.4x	-0.5x

Source: Interacciones Research and the company

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The expansion in sales was attributed to the significant growth in the cement division (+ 22.4% YoY), supported by a lesser extent by the concrete division (+ 0.7% y / y).

Lower margins - In this quarter, the increase in the price of some inputs such as gasoline caused a decrease in margins. In addition, exchange losses were observed due to the active foreign currency position of the company. Operating margin decreased -104.8 bp YoY, to 44.5%, while the EBITDA margin decreased -129.4 bp YoY, to 48.1%. Meanwhile, the net margin fell -225 bp YoY, to 32.5%.

Sales (MXN\$ mn)	Q217	Q216	Chg (%)
Cement	3,249	2,655	22.4%
Concrete	583	579	0.7%
Corporate	0	0	5.4%
Total	3,832	3,235	18.5%

Source: Interacciones Research

Sound financial position - Cash decreased -27% YoY due to the distribution of dividends and the operation of the business. Net debt remained negative.

The company mentioned strategic points to continue its healthy financial position:

- Growth through plant construction with the most advanced, efficient and sustainable technology (although so far, no additional investments have been announced in new plants)
- Expansion of the aggregate business
- Improvement in the market position

Prospects - Towards the second half of 2017, a complex environment for the construction industry is expected in Mexico, with volatility in the exchange rate, increase in prices of raw materials and fuels, and uncertainty about foreign investment

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

Date of change	28-jun-16	07-apr-17
Target Price	P\$63.50	P\$67.80
Recommendation	1	1

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