

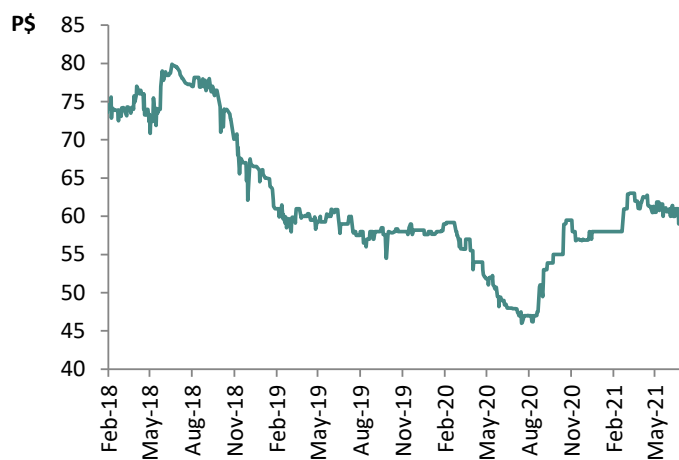
Corporación Moctezuma, S.A.B. de C.V.

▲ Target Price

▲ Recommendation

▲ Forecasts

CMOCTEZ*



BUY			
Target price 2022-IV:	P\$ 72.00		
Close Price (27/10/21):	P\$ 65.53		
Dividend Est. (P\$)	P\$ 2.00		
Total appreciation (with dividends)	13.0%		
Market cap. (millions P\$):	57,987		
Average Trading Volume (YTD,Millions)	31.00		
Max 3M	P\$ 63.00	EV/EBITDA	11.7x
Min 3M	P\$ 58.00	ROIC	59.5%
Chg % Trim	-0.27%	ROE	39.8%
P\$ millones	2021-III	2020-III	Δ% YoY
Revenues	3,850.1	3,755	2.5%
EBITDA	1,679.0	1,747	-3.9%

Analysis

Unfavorable Report: Corporación Moctezuma (ticker: CMOCTEZ) reported weak results for the third quarter of 2021, showing increases in net sales but a decrease in EBITDA, Gross Profit, Operating Profit and Net Profit, and margins.

Income growth. Net sales totaled P\$3,850.1 million, reporting an increase of +2.5% compared to the P\$3,754.5 million obtained in 2020-III. During the third quarter of 2021, national revenues increased a total of P\$3,838.4 million, representing an increase of +3.7% compared to 2020. Regarding export revenues, they totaled P\$11.7 million, which implied a decrease of -77.2% compared to the end of the third quarter of 2020.

Table 1. Quarterly results by business segment

	2021-III	Net sales (P\$million)	Δ% % Representative of YoY total income	
Cement	\$	3,838.4	3.7%	99.7%
Concrete	\$	11.7	-77.2%	0.3%
Corporative	\$	-	n.a.	0.0%
Total	\$	3,850.1	2.5%	100.0%

Source: Signum Research with company's information

Gross profit. Gross profit in the third quarter was P\$2,347.5 million, showing a decline of -0.2% YoY. The cost of sales represented 39.0% of the consolidated net sales and the gross margin presented a margin of 61.0% lower than -160 b.p. YoY.

Operating Profit and EBITDA. Operating expenses maintained an upward trend, with which operating income for the third quarter of 2021 had a drop of -5.0% YoY, to settle at P\$1,512.9 million. The operating margin went from 42.4% to 39.3%, which represented a drop of -310 b.p. YoY. EBITDA for the quarter had an annual decrease of -3.9% to P\$1,679.0 million, with an EBITDA margin of 43.6%, -290 b.p. lower. with respect to the same period of the previous year.

Net profit. Consolidated net income ended at P\$1,128.2 million in the third quarter of 2021, which implied an increase of +1.1% YoY.

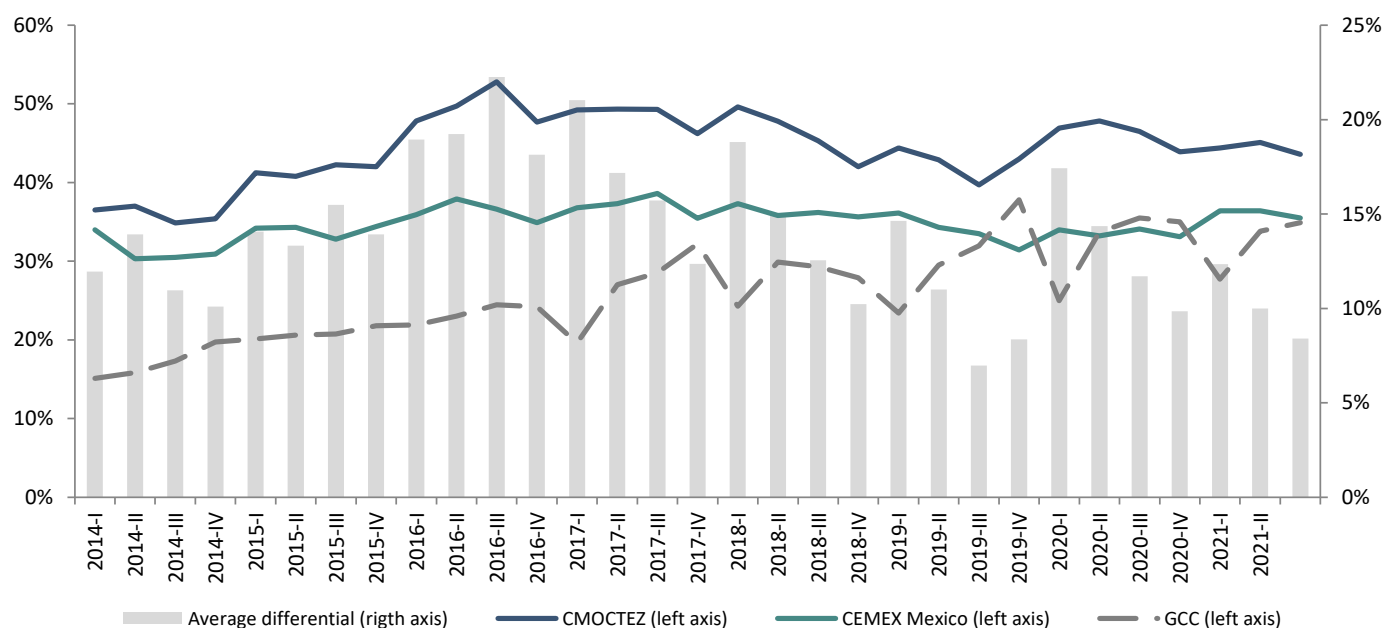
Table 2. Operating Result

	2021-III	P\$million	Δ% YoY	Margin	Δ basis points YoY
Gross Profit		\$ 2,347.5	-0.2%	61.0%	-160
Operating Income		\$ 1,512.9	-5.0%	39.3%	-310
Net Profit		\$ 1,128.2	1.1%	29.3%	-40
EBITDA		\$ 1,679.0	-3.9%	43.6%	-290

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 third quarter of 2021, the EBITDA Margin of Corporación Moctezuma was 43.6%, while that of CEMEX México was 35.5% (2021-II), and that of Grupo Cementos de Chihuahua (GCC) was 34.9%.

Graph 1. EBITDA Margin vs. Main comparables



Source: Signum Research with companies' information

At the end of the third quarter of 2021, cash grew by +51.0%, reaching P\$4,680.3 million compared to the end of December 2020, where it totaled P\$3,098.8 million. We estimate that the company will pay a dividend in December of at least P\$2.00 per share, which implies a dividend yield of 3.1% compared to current prices.

Table 3. Profitability Indicators

2021-III	Rate
ROE*	39.8%
ROA*	33.5%
ROIC**	59.5%

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 third quarter of 2021 presented an increase in sales due to higher sales volumes, however, the company showed setbacks in most of its items, showing a decrease in EBITDA, Gross Profit, Operating Profit and Net Profit, in the same way as its margins.

Regarding the expected revenues for the remainder of the year and 2022, we expect the construction sector to continue making progress with the projects included in the 2022 economic package, as well as the continued recovery in construction in the private sector.

In the short term, we expect CMOCTEZ to have a partial impact on its profitability margins derived from the increase in energy costs, since it has made investments aimed at energy self-sufficiency.

In 2020 they began the procedures for the construction of a photovoltaic plant in San Luis Potosí with which they contemplate a generative capacity of 10 mega watts with an investment of US\$10 million. The energy that is generated would be exclusively for self-consumption at the Cerritos Plant, one of the three plants that the company operates.

For the end of 2022-IV we have a target price of P\$72.00 per share, with which we maintain a BUY recommendation.

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Diseño Editorial

Em M P * 10/27/21

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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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