

QUICKVIEW

Construction
Materials

CMOCTEZ* MM

PRICE

(MXN, 27/10/2017)
P\$75.90

FLOAT
32.82%

BETA (3yr, vs Mexbol)
0.010

MARKET CAP (MXN MN)
66,903.7

DL VL TRADED (AV. MXN MN)
1.7

TARGET PRICE

MXN\$67.8 /Var.TP -10.7%
DIV. +5.6%

BUY

*TP under review

Equity Research
analisis_bursatil@interacciones.com
(55) 5326 - 8600

Q317 Financial Report

Solid Results - The company showed results above our estimations, with good double-digit advances in the quarter. Net sales amounted MX\$3,576 million, that is an advance of 14.8% YoY due to increases in the concrete segment, but most of all cement division.

Margins with increases - The continuity in the increase of gasoline prices regularly affected its main inputs, but control over its strategy of controlling costs and expenses was reflected in the margins presented an increase in the operating margin of 138 bp, while net margin increased 124 bp, and the EBITDA margin increased 103 bp.



	Q317	Q316	Chg(%)
Sales	3,576	3,115	14.8%
Operating Income	1,616	1,364	18.4%
EBITDA	1,748	1,490	17.3%
Net Income	1,202	1,008	19.2%

	Q317	Q316	Chg bps
Operating Mgn. (%)	45.2%	43.8%	138.1
EBITDA Mgn. (%)	48.9%	47.8%	103.9
Profit Mgn. (%)	33.6%	32.4%	124.2

Data in million of 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	14.6x	14.4x	12.9x
P/BV	5.1x	5.2x	6.8x	5.2x	4.3x
EV/EBITDA	10.1x	8.2x	9.2x	9.0x	9.6x

Estimates (MXN mill.)	2015	2016	LTM	2017E	2018E
Revenues	11,026	12,587	14,510	14,647	15,872
EBITDA	4,512	6,062	7,009	7,043	7,513
EBITDA Margin (%)	40.9%	48.2%	48.3%	48.1%	47.3%
Net Income	2,860	4,047	4,602	4,711	4,916
Net Margin (%)	25.9%	32.2%	31.7%	32.2%	31.0%
Net Debt	- 2,941	- 3,248	- 2,367	- 2,465	- 3,053
Net Debt/EBITDA	-0.7x	-0.5x	-0.3x	-0.3x	-0.4x

Source: Interacciones Research and the company

Q317 Financial Report

Solid Results - The company presented results above our estimations, with good double-digit advances in the quarter, net sales amounted MXN \$3,576 million + 14.8% YoY supported by growth in the concrete segments and mainly by cement.

The advances were distributed with a greater focus towards the segment of cement, showing an increase of 17.9% YoY, adding up MXN\$2,966 million. As for the concrete segment, there was an increase of 1.8% YOY, totaling MXN\$610 million, versus the 2Q17, with a figure of MXN\$583 million

Progress in Margins - The continuity in the increase of prices of gasoline affected in a regular way its main inputs. In addition, another impact on the margins was the exchange rate loss, which had an impact on the revaluation and increase in foreign currency accounts. However, good control of costs and expenses was reflected in margins, with an increase in the operating margin of 138 bp, while net margin increased by 124 bp and EBITDA margin increased by 103 bp.

Cash Distribution - During the third quarter, the company showed a cash decrease and equivalent to MXN\$686.7 million (20.9%), from December 2016 to present. This was due to the distribution of dividend payments to shareholders in April and June, as well as to the company's own operation.

The company maintains its main strategic points, in order to continue with its sound financial position mentioned in the 2Q17 report.

Waiting for an outlook change - By the end of 2017, it will become complex for the construction industry in Mexico, due to NAFTA issues, exchange rate, rate hike and contraction of the Mexican economy, but after the unfortunate events during September, the construction activity is expected to be reactivated by the repair and construction of buildings for the country. It would be expected that this plan could be activated by the end of the year, or early 2018.

Sales (MXN\$ mn)	Q317	Q316	Chg (%)
Cement	2,966	2,516	17.9%
Concrete	610	599	1.8%
Corporate	0	0	6.2%
Total	3,576	3,115	14.8%

Source: Interacciones Research

INTERACCIONES RESEARCH

Strategy / Managing Director, Research

Juan F. Rich Rena	jfrichr@interacciones.com	(55) 5326-8600 x4486
Montserrat Araujo Nagore	maraujon@interacciones.com	(55) 5326-8600 x8589

Technical Analyst

Agustín Becerril	abecerril@interacciones.com	(55) 5326-8600 x6108
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Construction / Airports / Materials

Roberto Andrade	jrandrade@interacciones.com	(55) 5326-8600 x8344
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Telecommunications / Consumer Goods

Martin Lara	mlarap@interacciones.com	(55) 5326-8600 x8587
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Financials

Martín Hernández	mhernandezo@interacciones.com	(55) 5326-8600 x8402
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Economics and Fixed Income

Carlos Fritsch		(55) 5326-8600 x7218
Mauricio Tavera		(55) 5326-8600 x7218
Luis David García Rendón		(55) 5326-8600 x7218

Database & systems support

Carlos Briseño		(55) 5326-8600 x8386
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Institutional Sales

Managing Director of Institutional Sales

Guillermo Zevada	gzevadap@interacciones.com	(55) 5326-8748
Jorge Lagunas	jilagunas@interacciones.com	(55) 5326-8795
Lawrence Eden	leden@interacciones.com	(55) 5326-8633
Diego Barroso	dbarrosor@interacciones.com	(55) 5326-8723
José Hudson Moreno	jhudson@interacciones.com	(55) 5326-8625

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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