

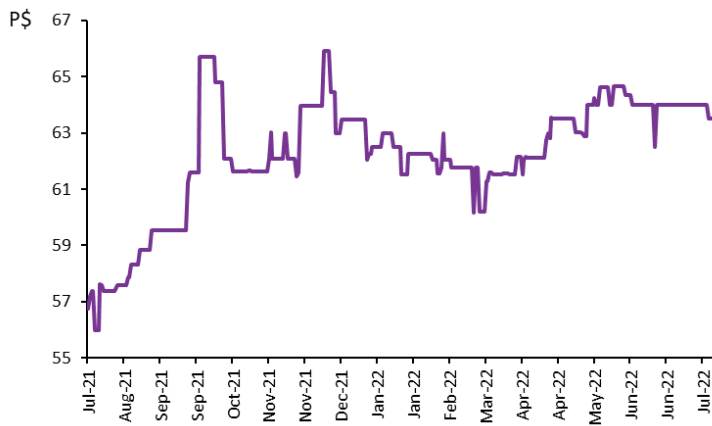
▲ Target Price

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

CMOCTEZ\*



BUY			
<b>Target price 2023-IV:</b>		P\$72.0	
Close price (26/07/2022)		P\$63.5	
Total appreciation:		13.4%	
Market Cap. (million P\$):		55,338	
Average Trading Volume (last 30 days)		18,623	
Max 3M	P\$64.65	EV/EBITDA	7.8x
Min 3M	P\$61.54	ROIC	10.0%
Chg % 3M	2.96%	ROE	10.2%
P\$ millions	2022-II	2021-II	Var. % a/a
Revenues	3,994	4,259	-6.2%
EBITDA	1,687	1,921	-12.2%

Corporación Moctezuma (BMV: CMOCTEZ) reported **weak** quarterly results for the second quarter of 2022. Corporación Moctezuma's main business is the manufacture, sale and distribution of cement and concrete. It has three main plants: in San Luis, Morelos and Veracruz, which distribute to customers in the north, center and south of the country, respectively. They have 27 distribution centers and reach 30 states in the country for the distribution of cement and concrete and are present in 10 states in the country.

### Results

Total revenues for the quarter were P\$3.994 billion, this represented a reduction of -6.2% YoY, due to the decline in demand for cement and concrete because of the slowdown in Mexico's construction sector.

Tabla 1. Quarterly results by business segment

	2022-II	Net Sales (P\$ millions)	Var. % YoY	% of total revenues
Cement and concrete		3,983.6	-6.2%	99.7%
Cement		10.5	-22.2%	0.3%
Total		3,994.1	-6.2%	100.0%

Source: Signum Research with data of the company

Cost of sales increased +6.4% YoY to P\$1,715 million, it is important to mention that cost of sales represented 42.9% of total revenues. As a result, the gross margin was 57.1%, a reduction of 509 basis points (b.p.). Gross profit for the quarter was P\$1,531 million, a reduction of -13.9%.

EBITDA from the quarter was P\$1,687 million, a contraction of -12.2% YoY, EBITDA margin was 42.2%, a reduction of 286 basis points (b.p.) YoY. Selling and administrative expenses declined -3.3% to reach an operating income of P\$1,532 million, (-12.9% YoY), the operating margin was 38.3%, a reduction of 295 basis points (b.p.) YoY.

Lastly, net income reached P\$1,135 million, a contraction of -12.2% YoY.

Tabla 2. Operating results

2022-II	P\$ millones	Var. % YoY	Margin	Var b.p. YoY
Gross profit	2,280	-13.9%	57.1%	-509
Operating income	1,531	-12.9%	38.3%	-295
Net profit	1,135	-8.2%	28.4%	-60
EBITDA	1,687	-12.2%	42.2%	-286

Source: Signum Research with data of the company

Corporación Moctezuma reflects a higher EBITDA margin than 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 2022, Corporación Moctezuma's EBITDA margin was 42.2%, while that of Grupo Cementos de Chihuahua (GCC) was 30.0%. CEMEX Mexico has not reported its quarterly results for the 2Q22, however; its average EBITDA margin for the last 4 quarters was 14.5%.

At the end of the second quarter of 2022, cash and cash equivalents decreased by -13.0% to P\$4,483 million compared to the first quarter of 2022 where it totaled P\$5,151 million.

Tabla 3. Profitability indicators

2022-II	Rate
ROE	10.2%
ROA	8.3%
ROIC	10.0%

Source: Signum Research with data of the company

In conclusion, we rate CMOCTEZ's report as poor due to the company's unfavorable results, with generalized declines in key operating metrics such as margins. We expect that after a reactivation of the construction sector, the company will report revenue recoveries, as well as increases in raw material costs due to high inflationary levels. Therefore, we maintain our BUY recommendation with a target price of P\$72.00 per share by the end of 2023-IV.

**Analyst**

Adolfo Margain

**Armando Rodríguez**

*Director de Análisis*

**Cristina Morales**

*Analista Bursátil Sr. / Comercio Especializado y  
Auto servicios*

cristina.morales@signumresearch.com

**Manuel Zegbe**

*Analista Bursátil Sr. / Grupos Financieros*

manuel.zegbe@signumresearch.com

**Alain Jaimes**

*Analista Bursátil Jr. / Industriales*

alain.jaimes@signumresearch.com

**Adolfo Margain**

*Analista Bursátil Jr. / Construcción, Infraestructura  
y Minería*

adolfo.margain@signumresearch.com

**Antonio Morales**

*Analista Bursátil Jr. / Consumo*

antonio.morales@signumresearch.com

**Eduardo Caballero**

eduardo.caballero@signumresearch.com

**Julio Ortiz**

julio.ortiz@signumresearch.com

**Daniel Santana**

*Diseño Editorial*

daniel.santana@signumresearch.com

Elaborado para

punto  
casa de bolsa

Producido por

SIGNUM  
RESEARCH

signumresearch.com

Tel. 6237.0861/62/63

info@signumresearch.com

@Signum\_Research

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