

QUICKVIEW

Construction
Materials

CMOCTEZ* MM

PRICE

(MXN, 19/02/2018)
P\$72.51

FLOAT
32.82%

BETA (3yr, vs Mexbol)
0.081

MARKET CAP (MXN MN)
64,773.3

DL VL TRADED (AV. MXN MN)
2.5

TARGET PRICE
MXN\$67.8 /Var.TP -6.5%
DIV. +5.6%

BUY

*TP under review

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

Q417 Financial Report

Mild advances in terms of revenues - The cement company reported very similar revenues to those from the previous quarter, as it recorded MXN\$3,514, a figure that results in an increase of 3.7% YoY; supported by the cement segment. The company's 2017 accumulated sales registered an advance of 16.3% YoY.

Margins with variations - The Operating and Net margins showed an important advance of 253 bp and 217 bp, respectively. While the EBITDA registered an adjustment of -145 bp, due to the increase in the prices of fuels and energy. This resulted in a 4Q17 EBITDA of MXN\$1,624 million, an increase of 0.5% YoY; however, the 2017 EBITDA hiked 15.8% YoY, with a margin of 47.9%.



	Q417	Q416	Chg(%)
Sales	3,514	3,390	3.7%
Operating Income	1,486	1,348	10.3%
EBITDA	1,624	1,616	0.5%
Net Income	1,136	1,022	11.1%

	Q417	Q416	Chg bps
Operating Mgn. (%)	42.3%	39.8%	253.8
EBITDA Mgn. (%)	46.2%	47.7%	- 145.8
Profit Mgn. (%)	32.3%	30.2%	217.6

*Data in million of pesos unless expressed otherwise, sum may vary due to adjustments.
Source: Interacciones and quarterly company reports*

Multiples	2015	2016	2017	LTM	2018E
P/E	17.0x	13.0x	13.3x	13.6x	12.0x
P/BV	5.1x	5.2x	4.8x	6.2x	4.0x
EV/EBITDA	10.1x	8.2x	8.3x	8.7x	8.8x

Estimates (MXN mill.)	2015	2016	2017	LTM	2018E
Revenues	11,026	12,587	14,635	14,635	15,872
EBITDA	4,512	6,062	7,017	7,017	7,513
EBITDA Margin (%)	40.9%	48.2%	47.9%	47.9%	47.3%
Net Income	2,860	4,047	4,719	4,719	4,916
Net Margin (%)	25.9%	32.2%	32.2%	32.2%	31.0%
EPS	3.2x	4.6x	5.3x	5.3x	5.6x
BVPS	10.8x	11.4x	15.3x	11.7x	18.4x
Net Debt	- 2,941	- 3,248	- 3,338	- 3,338	- 3,053
Net Debt/EBITDA	-0.7x	-0.5x	-0.5x	-0.5x	-0.4x

Source: Interacciones Research and the company

Q417 Financial Report

Mild advances in terms of revenues – The cement company reported very similar revenues to those of the previous quarter, as it recorded -1.72%. Figures for the last quarter of the year show an increase of 3.7% YoY, to a total of MXN\$3,514 million, which was supported by the cement segment. Accumulated sales for 2017 registered an increase of 16.3% YoY, to stand at MXN\$14,634 million.

The distribution of the segments during the last quarter, showed support to revenues by the cement segment, amounting MXN\$2,932 million, while the concrete sector was the one with the lowest contribution to sales with -2.8% YoY.

Variations for margins – The Operating and Net margins showed an important advance of 253 bp and 217 bp, respectively. This is due to the company's cost and expense control strategy, since Operating Expenses only reflected an increase of 0.9% YoY. However, despite this strategy and due to the increase in the prices of fuels and energy, the EBITDA registered an adjustment of -145 bp, adding for the quarter MXN\$1,624 million a variation of 0.5% YoY. The annual result shows an EBITDA of MXN\$7,016 million, which implies an advance of 15.7% YoY.

Cash and equivalent – In our previous report, the company showed a decrease during the first nine months of the year of 20.9%, due to the distribution of dividend payments to shareholders in the months of April and June, but this distribution also occurred in the month of December. During the year and even accounting for this distribution, the company reported an increase of 29.9% from 3Q17 to 4Q17, thus closing at MXN\$3,366 million. The cement company continues with a solid strategy, where the investments to its installed capacity must come from the profits and cash flows generated by its operations, as well as a policy of healthy finances and responsible management.

Company outlook – The issuer provides an uncertain panorama for the construction industry, due to external and internal factors due to the increase in the prices of materials, the 1.7% reduction in the construction GDP during 2017, as well as an upward trend in the rates of interest.

Sales (MXN\$ mn)	Q417	Q416	Chg (%)
Cement	2,932	2,791	5.1%
Concrete	582	598	-2.8%
Total	3,514	3,390	3.7%

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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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