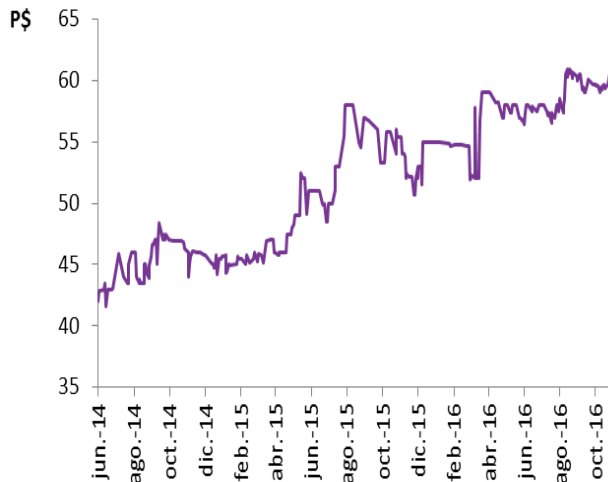


CORPORACIÓN MOCTEZUMA, S.A.B. DE C.V.

CMOCTEZ*



BUY	
Target Price 2017-IV:	P\$ 66.20
Close Price (28/10/2016):	P\$ 61.00
Est. Dividend. (MXN\$)	P\$ 2.50
Total potential (with dividends)	12.6%
Market capitalization (millions MXN\$):	53,699
Av. Daily trade (6M, millions)	7.45
Float (%)	22%
Max Quart.	P\$ 61.00
Min Quart.	P\$ 57.38
Chg % Trim	5.08%
P/E 2017E	15.5x
EV/EBITDA 17E	8.7x

Analysis

CMOCTEZ posted a good third quarter report. Sales rose +9.8% YoY to MXN\$3.115 billion, operating profit +29.3% YoY to MXN\$1.364 billion, and EBITDA +26.1% YoY to MXN\$1.490 billion. The net profit of the controlling company also registered strong growth of +32.5% YoY, totaling MXN\$1.008 billion. We expect these quarterly results to have a positive impact on the share price.

Business segment growth drove margins. Operating and EBITDA margins rose +600 basis points in the quarter, in line with our estimates. We attribute this expansion to growth in the company's main business segments, especially the cement division (+13% YoY), as well as increases in cement and concrete prices. Even so, management is reconsidering its cost-expense saving strategies and business plan in order to maintain and/or improve on record 2015 growth levels, as the construction industry faces a challenging environment.

Table1. Results by business segment

	2016-III	Sales	Δ% YoY	CAPEX	Δ% YoY
Cement		2,515.9	13.0%	342.9	78.0%
Concrete		598.6	-1.8%	15.6	43.2%
Corporative		0.1	0.0%	2.9	-65.0%
Consolidated		3,114.7	9.8%	361.4	70.6%

Source: Signum Research and company data, Signum Research estimates

Main operating headings recorded double-digit growth rates, especially the controlling company, which reported +32.5% YoY growth in net profit. Lower energy prices helped offset the adverse effect of peso depreciation against the dollar on margins.

Table 2. Operating results

2016-III	MXN\$ Millions	Δ% YoY	Margin	Δ basis points YoY
Gross Profit	1,529.8	28.1%	49.1%	702
Operating Profit	1,364.4	29.3%	43.8%	661
Controlling Net Income	1,008.2	32.5%	32.4%	554
EBITDA	1,490.0	26.1%	47.8%	618

Source: Signum Research and company data, Signum Research estimates

CMOCTEZ's operating and EBITDA margins showed further improvement during the quarter compared to CEMEX México, reflecting greater efficiencies compared to its main rival. For comparison reasons, margins exclude other expenses and income.

Chart 1. Quarterly operating margin

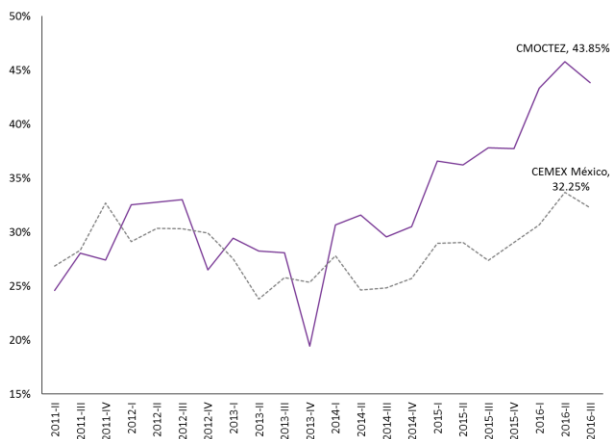
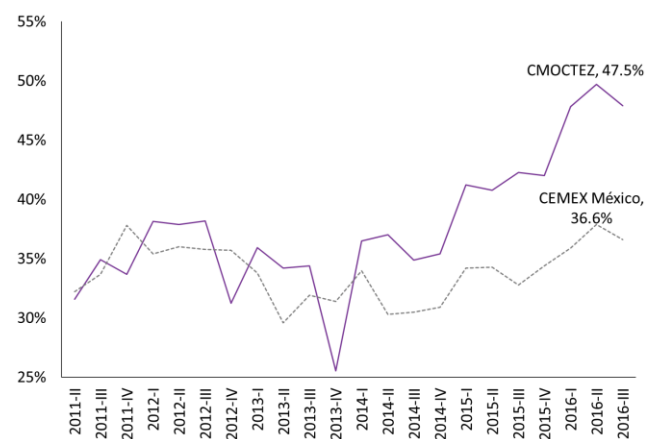


Chart 2. Quarterly EBITDA margin



In respect to the balance sheet, CMOCTEZ is a cash cow, which has enabled it to main a negative Net Debt/ EBITDA ratio and increase cash despite investments to increase capacity.

According to our analysis of the MSE's aggregate profitability based on a sample of 90 companies, at Q216, CMOCTEZ was the most profitable company in terms of ROIC, and the third most profitable in terms of ROE. Q316 earnings suggest that CMOCTEZ will likely hold on to its profitability ranking.

Chart 3. Profitability in the MSE, ROIC 2016-II

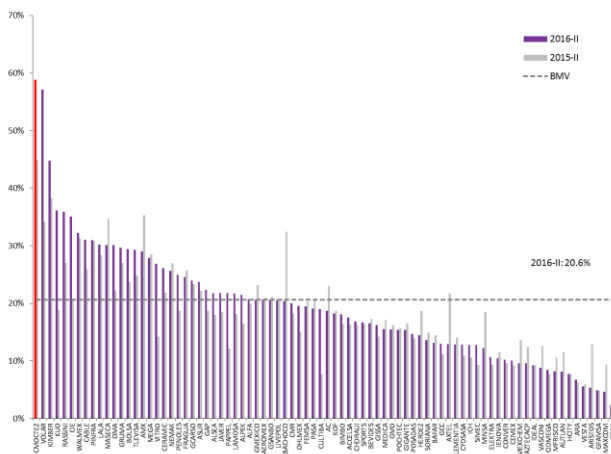
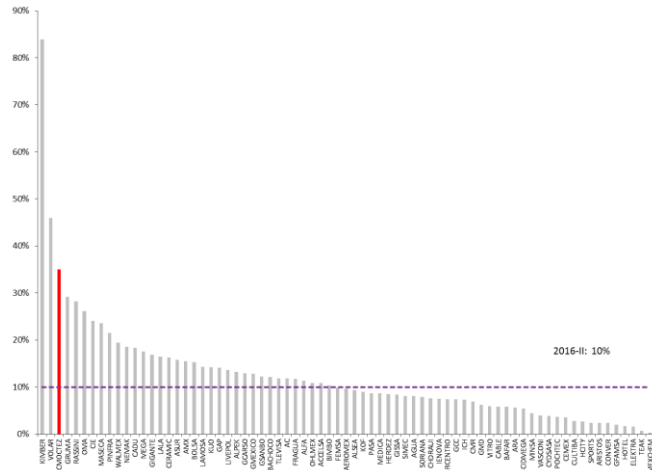


Chart 4. Profitability in the MSE, ROE 2016-II



Acquisition. The company announced that the acquisition of a joint venture through a subsidiary generated negative results and impacted Q3 consolidated profit by -MXN\$4 million. Once completed, the venture should reduce negative cash flows.

Year-end concern. Management expects increases in some energy and raw material prices in the fourth quarter, and will create an MXN\$67 million reserve.

Final remarks

The Q3 report was good, and results were in line with our estimates. We maintain our BUY rating and end 2017-IV target price of MXN\$66.2 per share.

Analyst

Lucía Tamez

Héctor Romero

Director de Análisis / Medios y Telecomunicaciones
hector.romero@signumresearch.com

Armando Rodríguez

Gerente de Análisis / FIBRAS, Energía, Vivienda
Y Minería
armando.rodriguez@signumresearch.com

Cristina Morales

Analista Bursátil Sr. / Consumo, Comercio Especializado,
Alimentos, Bebidas y Autoservicios
cristina.morales@signumresearch.com

Ana Tellería

Analista Bursátil Sr. / Renta Fija
ana.telleria@signumresearch.com

Lucía Tamez

Analista Bursátil Jr. / Aeropuertos y Aerolíneas,
Industriales
lucia.tamez@signumresearch.com

Manuel González

manuel.gonzalez@signumresearch.com

Ricardo Pérez

ricardo.perez@signumresearch.com

Karla Mendoza

Diseño Editorial

Iván Vidal

Sistemas de Información

Elaborado para

punto
casa de bolsa

Producido por

SIGNUM[®]
RESEARCH

signumresearch.com

Tel.6237.0861/62/63

info@signumresearch.com

@Signum_Research

Signum Research

Este documento y la información, opiniones, pronósticos y recomendaciones expresadas en él, fue preparado por Signum Research como una referencia para sus clientes y en ningún momento deberá interpretarse como una oferta, invitación o petición de compra, venta o suscripción de ningún título o instrumento ni a tomar o abandonar inversión alguna. La información contenida en este documento está sujeta a cambios sin notificación previa. Signum Research no asume la responsabilidad de notificar sobre dichos cambios o cualquier otro tipo de actualización del contenido.

Los contenidos de este reporte están basados en información pública, disponible a los participantes de los mercados financieros, que se ha obtenido de fuentes que se consideran fidedignas pero sin garantía alguna, ni expresan de manera explícita o implícita su exactitud o integridad.

Signum Research no acepta responsabilidad por ningún tipo de pérdidas, directas o indirectas, que pudieran generarse por el uso de la información contenida en el presente documento.

Los documentos referidos, así como todo el contenido de www.signumresearch.com no podrán ser reproducidos parcial o totalmente sin la autorización explícita de Signum Research S.A. de C.V.