GBM

MEXICO 2024 STRATEGY

A positive year for the Mexican market in which our Top Picks outperformed once again. Our 2023 Top Picks managed to slightly beat the benchmark with a 23.4% total return, vs. Mexbol's 21.9%. It is worth mentioning that the bulk of the outperformance stemmed from our large-cap portfolio, which delivered a staggering 37.7% total return. Meanwhile, as expected in a bullish year for the market, small caps lagged the benchmark.

Staying true to our investment philosophy paid off. In 2022, CEMEX and GMEXICO stood out as the main underperformers in our Top Pick selection. However, in 2023, both companies recovered the lost ground and delivered the highest alpha to our portfolio, together with FEMSA. Despite the upbeat performance, we reiterate our conviction in all three names as we head into 2024. Our line-up remains mostly unchanged for the next year since **we are only taking out GRUMA —on a valuation basis, as it yielded a 21.8% return during the year**— while adding ASUR and CHDRAUI.

New incorporations to our Top Picks:

- **ASUR:** Despite the recent rally triggered by the negotiation of the company's Master Development Plan, we believe that current valuations still offer one of Mexico's top-tier businesses at a hefty discount—currently the commercial front is implicitly valued at ~1x EV/EBITDA. Moreover, we deem ASUR is bound to gain momentum as the environment shifts in its favor: a lower interest rate environment, easy comparison to lead traffic outperformance, a robust cash balance that could trigger extraordinary returns to shareholders, and, of course, the encouraging results driven by the recent tariff increase.

- **CHDRAUI:** We deem the retailer is amongst the best positioned to capitalize on what we foresee as an exceptional year for the Mexican consumer. CHDRAUI has significantly improved its operations. Indeed, the company's EBITDA per share has more than tripled in the last ten years while diversifying in the United States (roughly half of its current EBITDA) and generating cash flow to reach a net cash position. All the above concurs with the fact that, at current prices, we estimate the implicit valuation of the U.S. business stands at 1.4x EV/EBITDA.

Our 2024 Top Picks:

- **ADTV > US$3M: ASUR, CEMEX, FEMSA, GMEXICO, ORBIA, PINFRA**
- **ADTV < US$3M: AGUA, ARA, CHDRAUI, CYDSASA, FRAGUA, GISSA, GMXT, LIVEPOL, NEMAK**

The party is not over yet; we believe the investment case for Mexico remains strong. We expect the healthy consumption dynamics to prevail, which together with a lower rate environment, the driving force of an election year, and the still growing strengths of nearshoring should continue to fuel the Mexican economy. Our key economic estimates for 2024 are:

- GDP: 2.5-3.1% YOY
- Inflation: 4.2-4.6% YOY
- Monetary Policy Rate EoP: 9.25-9.75%
- Mexican Peso EoP: 18.2-19.2

The table is set for yet another strong year for the Mexbol. In a year where the monetary policy should benefit equity markets, we are penciling in a price target of 69,500 points for the Mexican index (21.6% upside). When analyzing previous downward rate cycles, we can see clear evidence of robust market performance going forward. Therefore, lower rates in tandem with a sound earnings increase (GBM estimates a 17% YOY earnings growth) are the foundation for a remarkable 2024 for the Mexican equity markets.

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MEXICO'S ECONOMIC OUTLOOK: THE PARTY IS NOT OVER YET

January 2024

MEXICO'S ECONOMIC OUTLOOK: THE PARTY IS NOT OVER YET

As we head into 2024, we believe the strength of Mexico's economic activity is far from over. For one, Mexico's economic activity is bound to keep showing off its toughness, fostered by healthy consumption dynamics that will be helped by an incredibly resilient labor market and strong remittances. Furthermore, the expectation of an expansionary fiscal policy will further boost consumption and investment, while the external sector will continue to thrive as it capitalizes on the unique opportunity brought by nearshoring.

Even as the worst of inflation seems to be yesterday's news and interest rate hikes were introduced promptly, the latter will now have to gradually come down. However, as everyone celebrates that the worst of inflation is behind us, central banks (around the world and in Mexico) are preparing themselves for a balancing act, as risks for inflation still loom on the horizon.

And unlike this year, the Mexican peso might take a nudge. The seemingly unstoppable Mexican peso will gradually run out of energy and slowly depreciate, particularly in light of electoral processes in both Mexico and the United States and the narrowing of the interest rate spread.

Thus, as we delve into Mexico's 2024 Economic Outlook, next year promises to be a solid one for the Mexican economy, although some risks emerge on the horizon. Still-strong GDP growth rates, the end of a long monetary tightening, the consolidation of the nearshoring process, and presidential elections in both Mexico and the US will be the main events to keep an eye on next year.

GBM Estimates	2024
GDP (YOY %)	2.5-3.1
CPI (EOP, YOY %)	4.2-4.6
Core CPI (EOP, YOY %)	4.1 - 4.5
Monetary Policy Rate (EOP, %)	9.25-9.75
Mexican Peso (EOP)	18.2-19.2

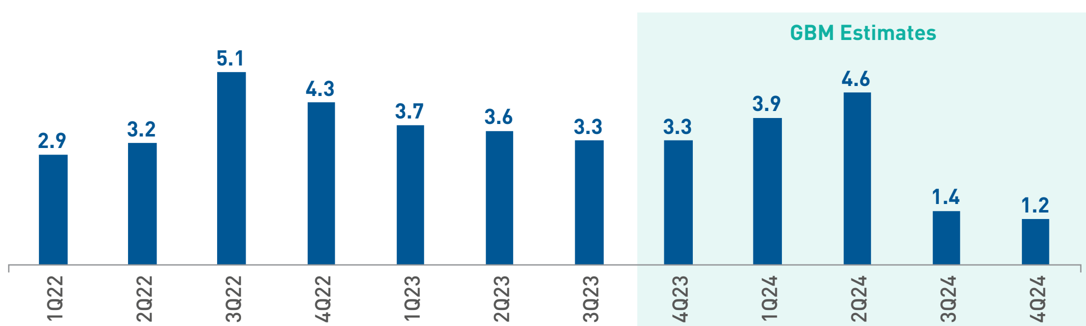
WHAT TO KEEP AN EYE ON IN 2024

The Mexican economy will continue to dance the night away in 2024.

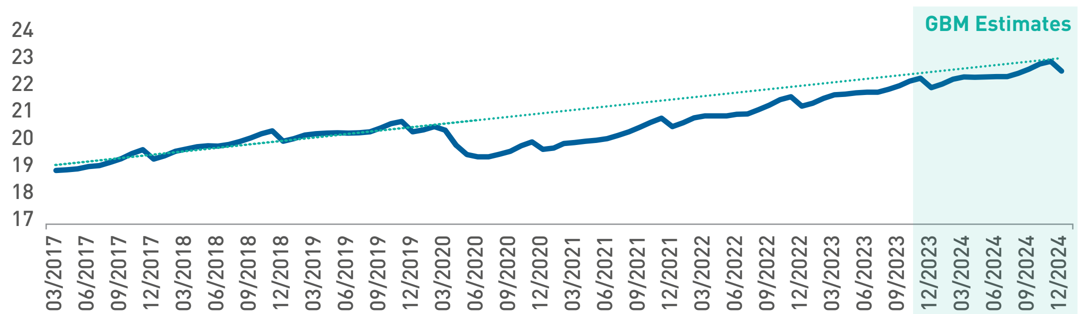
After a year when the Mexican economy continuously outperformed analyst expectations, we foresee it will keep growing at a solid pace (2.8%e vs. 3.5% in 2023). Just as we have seen throughout 2023, we anticipate consumption will remain the economy's main driver, on the back of an incredibly resilient labor market and wage mass, coupled with lower inflation rates. Furthermore, while exports are expected to slow down next year, mainly as an effect of a cooler U.S. economy, we remain confident in our nearshoring thesis and continue to see this phenomenon as a major economic propeller. In this sense, we anticipate private investment will keep thriving in 2024, being an important support for economic activity. Additionally, as we head into an electoral year and the government aims to finish its priority infrastructure projects, we think most of this economic dynamism will occur in 1H24.

Key indicators to follow in 2024

Mexico's GDP will keep posting strong growth in 1H24, mainly pushed by elections.
–Mexico's Quarterly GDP; YOY %



Formal employment could close the gap with its pre-pandemic trend in 2024.
–Million Jobs

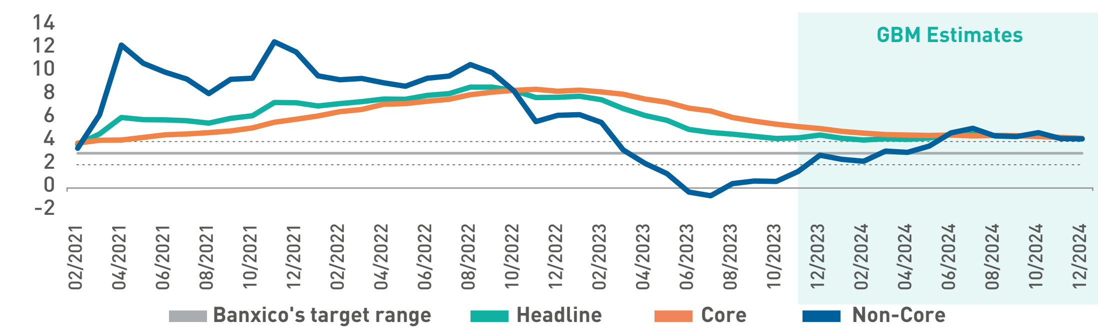


The end of a long monetary waltz.

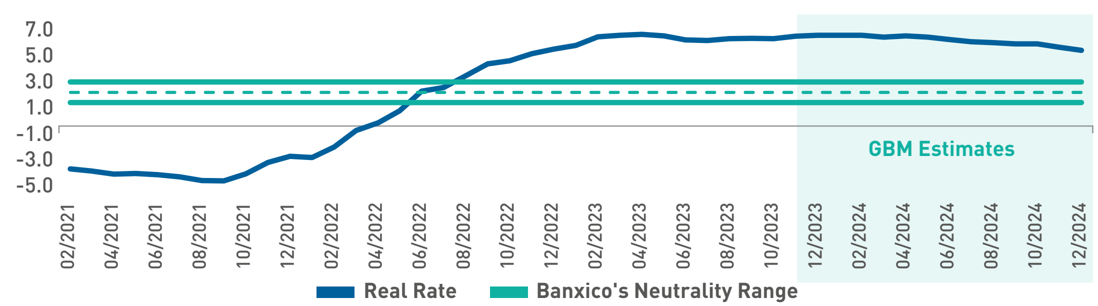
More than two years after the start of its hiking cycle, the Bank of Mexico seems ready to shift gears and begin cutting rates in early 2024. While inflation has remained on a steady downtrend, we believe the last mile could be the toughest for Banxico, mainly due to the increasing risks for inflation, such as dynamic economic performance and an expansionary fiscal policy, making it likely for the Central Bank to remain cautious on the way down. Thus, we expect Banxico to begin its easing cycle in March 2024 and the overnight interest rate to reach 9.5% by year-end. In this sense, the ex-ante real interest rate will remain in restrictive territory next year, between 5.8 and 7.0%. In our view, the spread between Mexico's Central Bank and the Federal Reserve has entered a new stage. After being around 600 bps. between March 2022 and July 2023, the spread started to narrow last August, and we estimate that by the end of next year, it will approach the historical average maintained up to June 2021 (450 bps.), which could undermine the support for the Mexican currency.

Key indicators to follow in 2024

Headline and core CPI should remain on a downtrend but above Banxico's inflation target range.
–CPI; YOY %



Even as Banxico begins its easing cycle, the real interest rate is bound to remain in restrictive territory.
–Ex-Ante Real Interest Rate



Sources: GBM Estimates with data from the Bank of Mexico, the Mexican Social Security Institute (IMSS), and the National Statistics Agency (INEGI)

WHAT TO KEEP AN EYE ON IN 2024

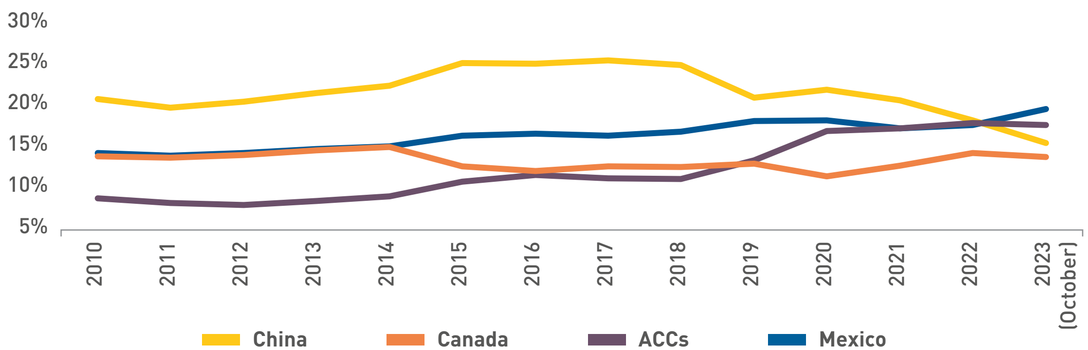
Nearshoring will continue to be the frosting of an already-tasty cake.

Amid what will be another good year for the Mexican economy, we are convinced that nearshoring will further consolidate in 2024. As Mexico continues to gain market share in U.S. imports and foreign investments become visible in the country, nearshoring will become the cherry on top of the economic dynamism. Indeed, based on the historical median elasticity between exports and GFI, we estimate nearshoring could attract an additional US$9 billion in GFI in 2024, which would give a boost of 15 bps. to annual GDP growth and an additional 30 bps. to private consumption, **contributing 45 bps. annually to the GDP expansion.**

Key indicators to follow in 2024

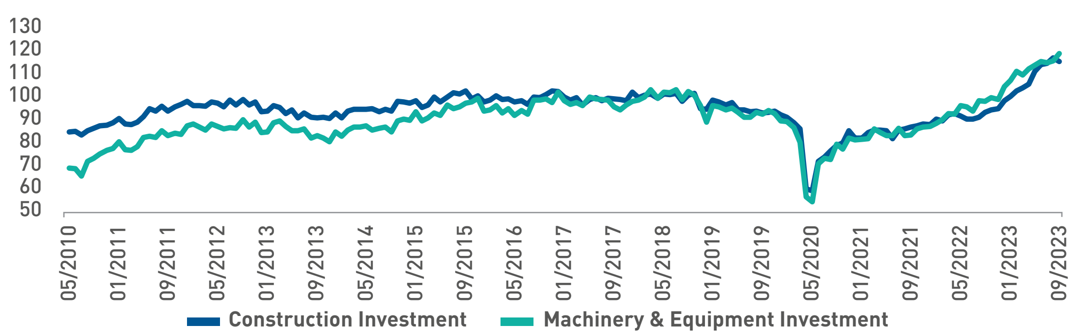
Mexico's gain in the categories featured in our GBM Nearshoring Ranking has been outstanding.

–Ten Selected Categories; Share in Total U.S. Imports by Region (%)



Investments in Machinery & Equipment and Construction have reached a decade-long high, a trend that is bound to continue throughout the year.

–GFI Breakdown; Index 100 = 2018



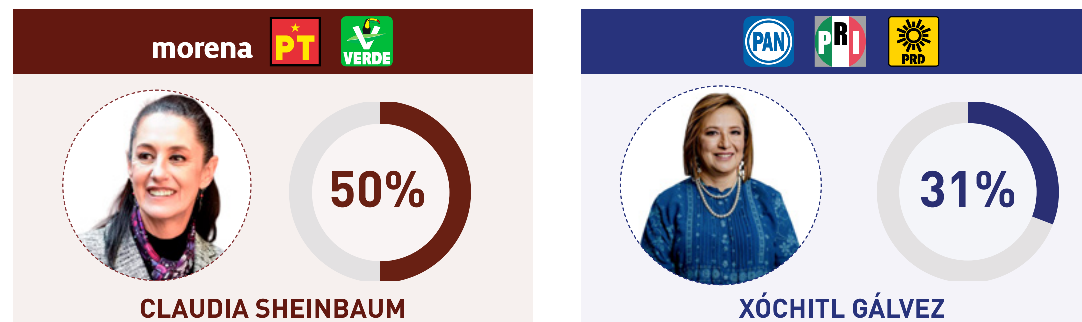
Elections will steal the show as Mexico elects its first female President.

In 2024, Mexico is likely to elect its first female President, which we believe will give continuity to the incumbent party MORENA. While Claudia Sheinbaum remains the clear favorite to win the presidential election, following in President López Obrador's footsteps, we think opposition parties will manage to conquer the stage of legislative elections. Regarding election's impact on economic activity, higher public spending is bound to bring dynamism to the Mexican economy in the first half of the year. **Additionally, elections in the United States will also play a crucial role in 2024**, especially for key economic variables, which could reflect in a weaker Mexican peso and reduced remittances and FDI inflows.

Key indicators to follow in 2024

Recent polls predict another victory for the ruling party MORENA in the 2024 presidential elections.

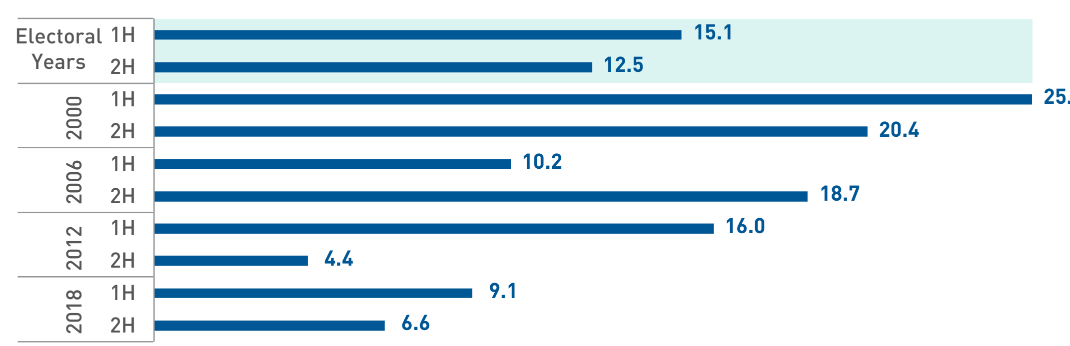
–If the presidential candidates were the following, who would you vote for? (%)



Source: El Financiero (December 2023)
Note that percentages may not sum to 100%.

Public expenditure grows faster in the months preceding the elections.

–Public Expenditure; Avg. YOY %



Sources: GBM Estimates with data from INEGI, U.S. Census Bureau, El Financiero

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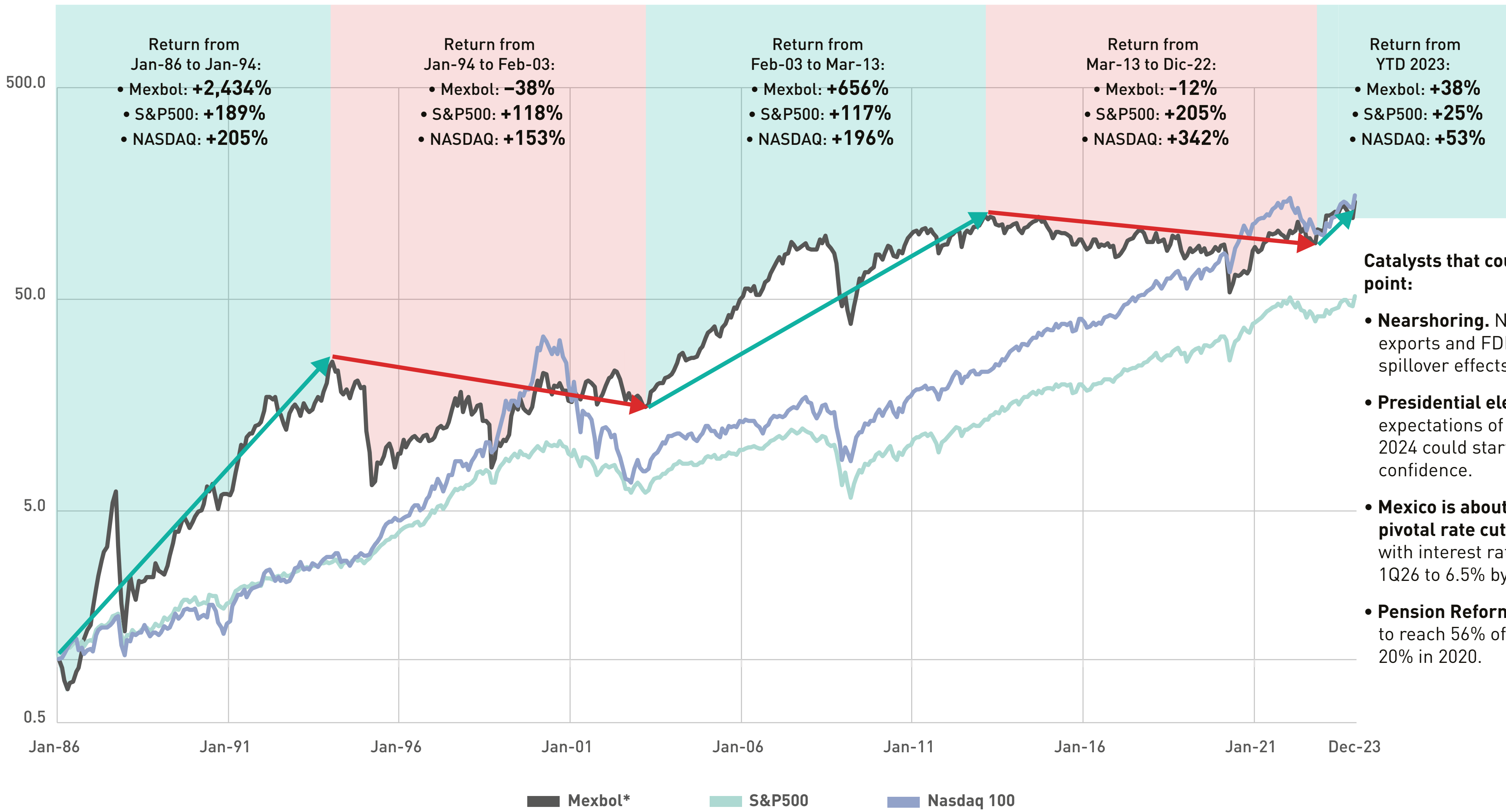
MEXICO EQUITY MARKET: AN ATTRACTIVE OPPORTUNITY

WHY WILL THIS WORK?

Lost decade: We have seen this play out before.

After a lost decade, we might be approaching a turning point before the Mexican market bounces back. Nearshoring, North America's potential, and Mexico's intrinsic advantages may bolster the performance of the Mexican market ahead.

Mexbol Index
-USD terms, log scale, total return, and rebased Jan 1986 = 1



Catalysts that could trigger the tipping point:

- **Nearshoring.** Nearshoring could boost exports and FDI while bringing additional spillover effects over most industries.
- **Presidential elections in Mexico.** The expectations of a new administration in 2024 could start to revive investor confidence.
- **Mexico is about to start one of the most pivotal rate cut cycles in modern history** with interest rates going from 11.25% in 1Q26 to 6.5% by 1Q26.
- **Pension Reform**. AFOREs AUM expected to reach 56% of GDP by 2040, up from 20% in 2020.

**Mexbol. Total return since 1994.*

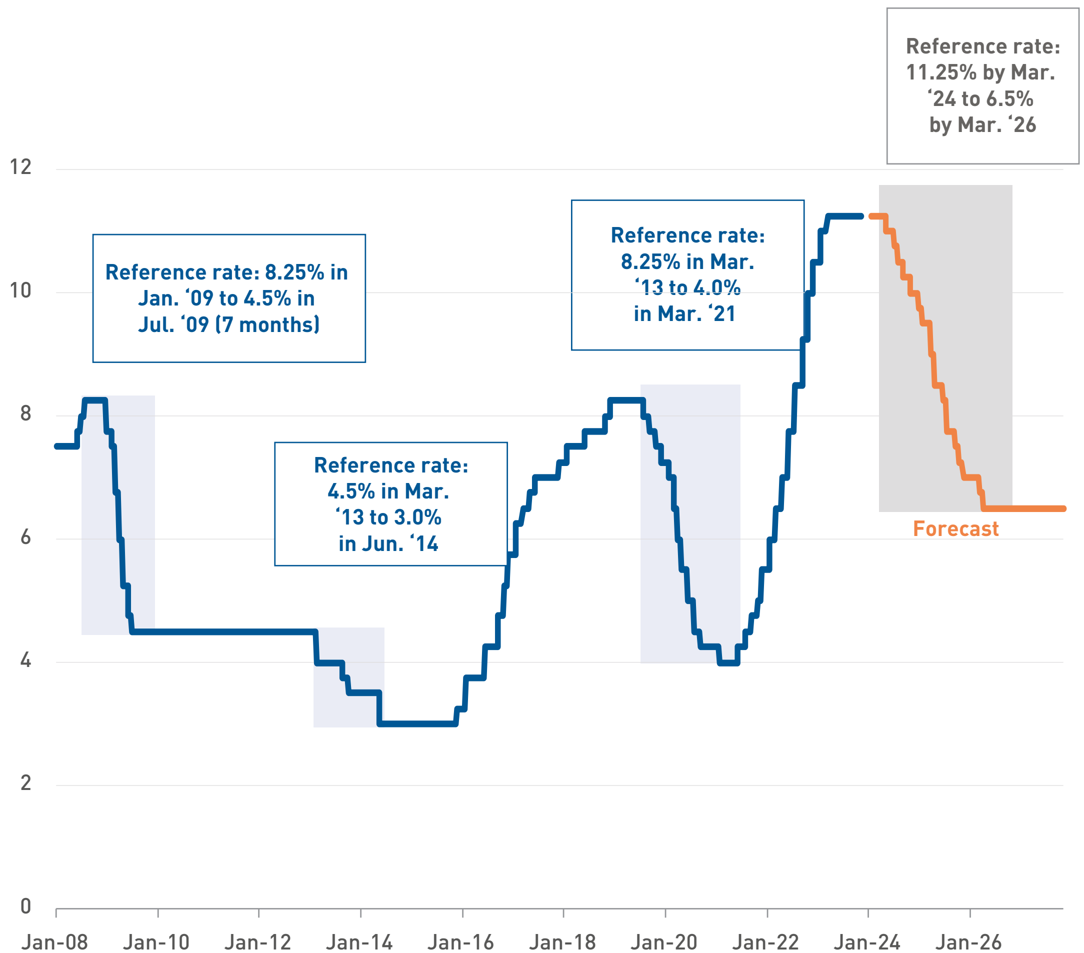
Source: GBM with data from Bloomberg

MEXICO IS ABOUT TO ENTER A DECISIVE RATE CUT CYCLE.

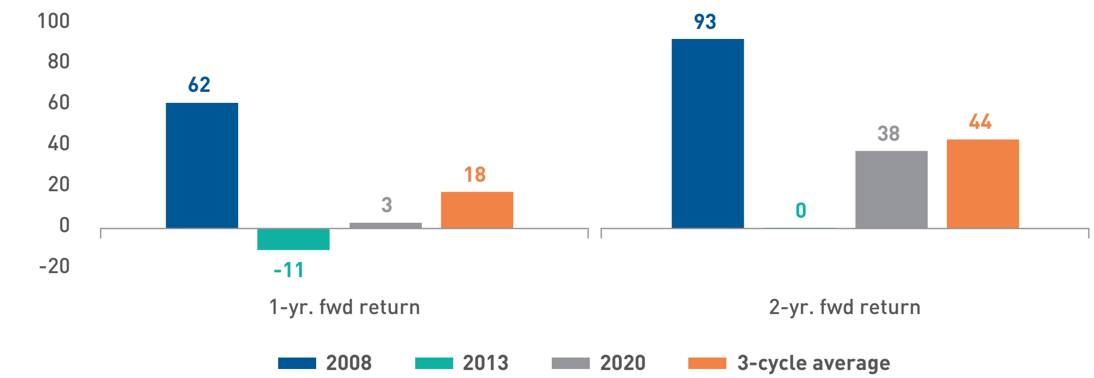
Mexico is about to start one of the most pivotal rate cut cycles in its modern history, with interest rates going from 11.25% in 1Q24 to 6.5% by 1Q26. The latter would represent a total decline of 475 basis points in the interest rate, surpassing the 425 bps. contraction observed amid the pandemic and the 375 bps. reduction of the great financial crisis.

We have noticed in the past three rate cut cycles that the interest rate environment tends to boost stock price performance and valuation multiples in this stage (see charts to the right). The MEXBOL index shows that one year after interest rates begin falling returns average 18% in one year and 44% in two years. Of the period mentioned, the only exception has been the 2013 cycle, which developed in tandem with the Fed adjusting interest rates. Lower interest rates should also be supportive of equity valuation multiples, as observed in the negative relationship between the MEXBOL price earning ratio and long-term interest rates (10-year M bond).

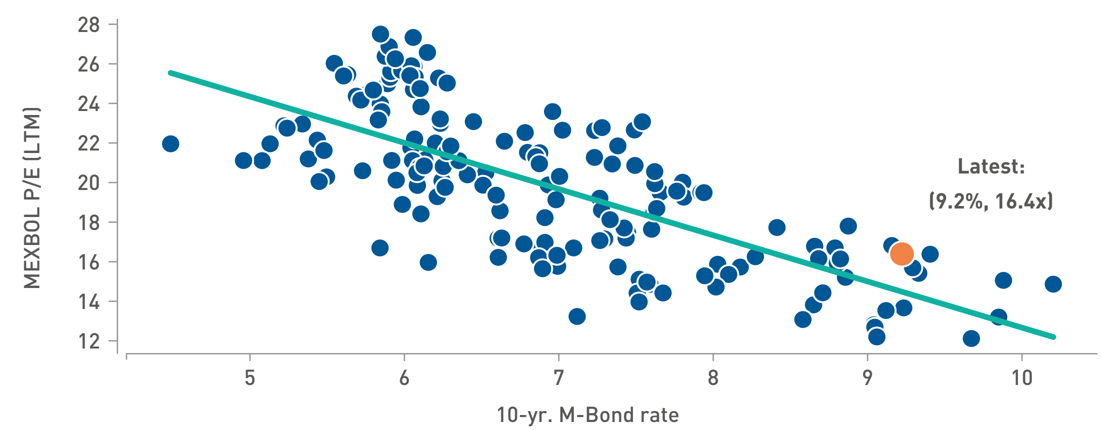
Bank of Mexico's reference interest rate —last three rate cut cycles
–%



MEXBOL —one and two year forward returns when interest rate cuts begin
–%



Interest Rates vs. Equity Valuation
–Visualizing the inverse relationship between 10-yr. M Bono yields and the MEXBOL's P/E ratios



Source: GBM with Bloomberg Data

LOWER LONG-TERM INTEREST RATES TO SUPPORT EQUITY PRICES

On this page, we will examine the industry- and stock-wide impact of descending interest rates, as long-term interest rates are also expected to decline. The current YTM level of the 10-year M Bono is 9.0%, and surveys show it could trade at 8.2% by 2025.

Most stocks are set to gain in an environment characterized by lower interest rates. Specifically, sectors such as Real Estate, Industrials, Transportation, and Financials exhibit a statistically significant correlation with long-term interest rates (refer to the detailed analysis below).

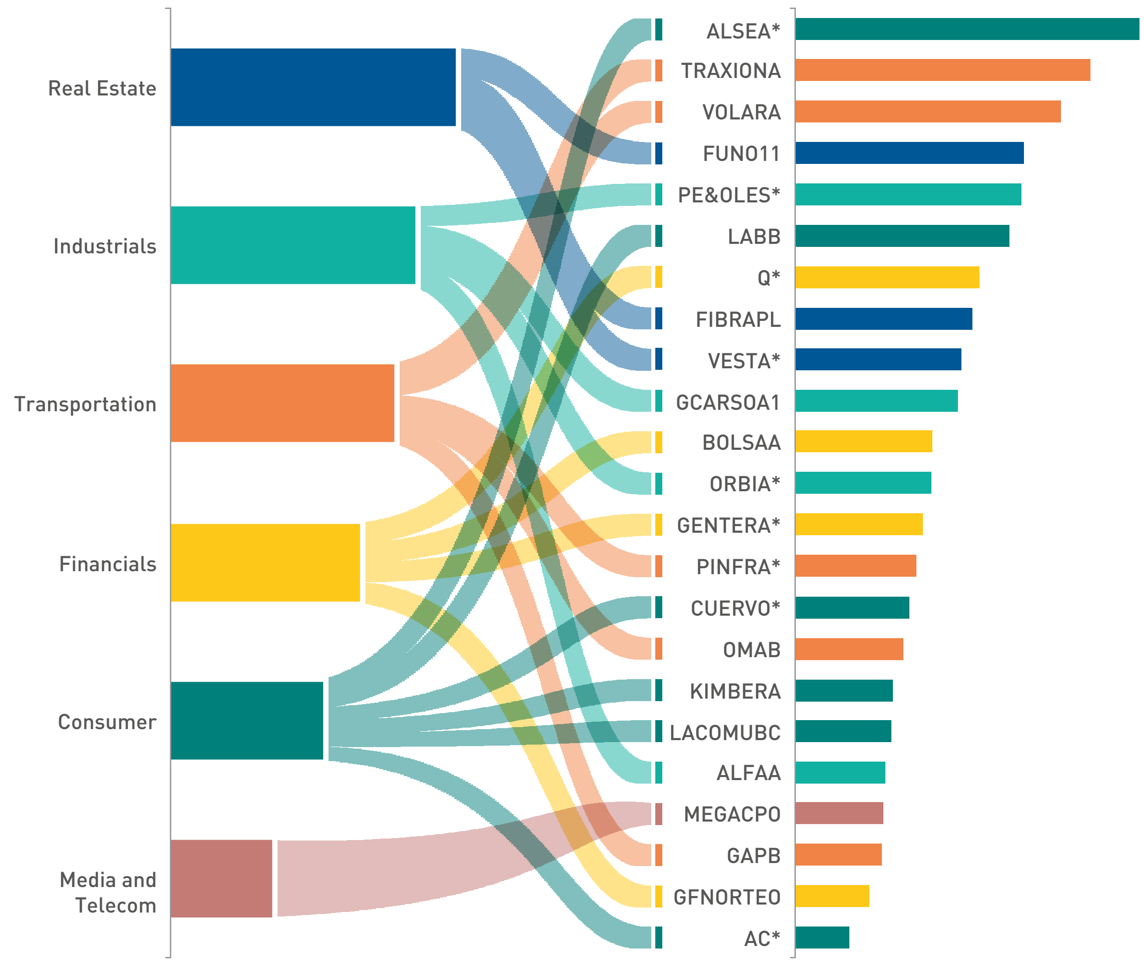
Real Estate emerges as the logical trade in a lower interest rate environment and the market has responded accordingly. Most companies, particularly the most liquid, have significantly outperformed throughout the year. In our view, the sector has profited from the tailwinds of the nearshoring trend and a lower interest rate environment; thus, current valuations offer very little margin of safety.

Transportation names still offer strong potential. The Infrastructure sector is highly correlated with interest rates, given its cash flow predictability. Consequently, we believe that PINFRA, ASUR, and GMXT are clear contenders to capitalize on the lower interest rate trade, as current valuations have yet to incorporate a lower rate environment, given that implicit internal rates of return (IRRs) stand at nearly all-time highs.

Furthermore, we observe that financial stocks could also benefit from a decline in long-term interest rates. We attribute this to a lower cost-of-equity environment, especially considering that the primary challenge for these stocks in the coming year is the anticipated decrease in short-term reference interest rates and the impact on financial margins.

A consistent trend among individual stocks that have historically benefited in low rate environments, such as ALSEA, TRAXION, VOLAR, and FUNO, is their high financial leverage.

Sectors and stocks that would benefit from lower interest rates



Leverage

	Net Debt/EBITDA Ratio 10-Yr. Average
ALSEA*	2.9
TRAXIONA	1.8
VOLARA	1.8
FUNO11	6.6
PE&OLES*	0.7
LABB	1.6
Q* /1	20%
FIBRAPL	5.2
VESTA*	5.4
GCARSOA 1	0.7
BOLSAA	-1.4
ORBIA*	1.8
GENTERA* /1	36%
PINFRA*	-2.3
CUERVO*	0.2
OMAB	0.7
KIMBERA	1.5
LACOMUBC	-1.5
ALFAA	2.7
MEGACPO	0.2
GAPB	0.7
GFNORTEO /1	11%
AC*	1.0

/1 Equity to Assets ratio for financial stocks.

Analyzing Mexican equities with a two-variable factor model and based on daily stock returns since 2013, which includes the two most recent downturn rate cycles, we observe that, on average, most stocks and sectors benefit from lower long-term interest rates. The model evaluates the correlation between stock returns and two factors: the movements of the Mexbol Index and changes in the 10-year M Bono rate (per every 100 basis points). We only preserved the stocks with statistically significant coefficients for either factor (with a 5% cut-off). The predicted range of returns per every 100-bp. change to the yield-to-maturity ranges of the 10-year M Bono is overall beneficial, varying from 0 to 5%.

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MEXBOL PRICE TARGET FOR 2024

From our point of view, the Mexbol index offers an attractive upside and is trading at inexpensive valuations. For 2024, we are introducing a price target of 69,500 units for the Mexbol index, which entails a 22%e price return from current levels. We reached this figure based on the bottom-up price targets for our sample of the Mexbol index.

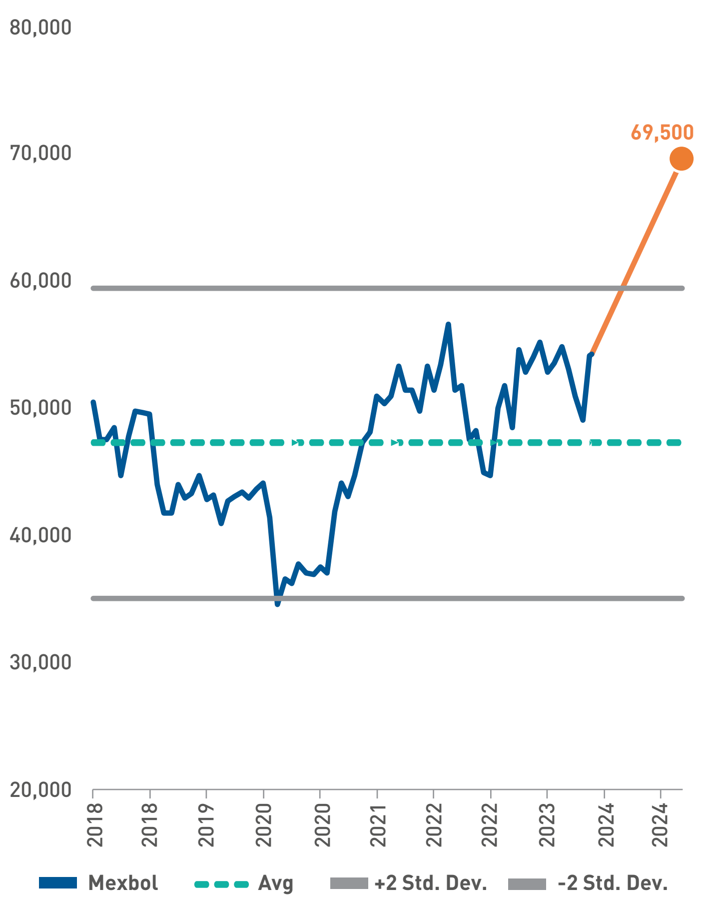
Earnings growth expectations from the GBM Research team point to a 17% growth in 2024 and 12% in 2025. The implied exit P/E multiple at current prices is therefore 12.9x (a 19% discount to the Mexbol's historical long-term average of 16x).

As we expect the low-interest rate environment to be a key driver for equities in general, the chart on the right can assess the sensitivity of our price target for the Mexbol to the assumptions of long-term risk-free rates.

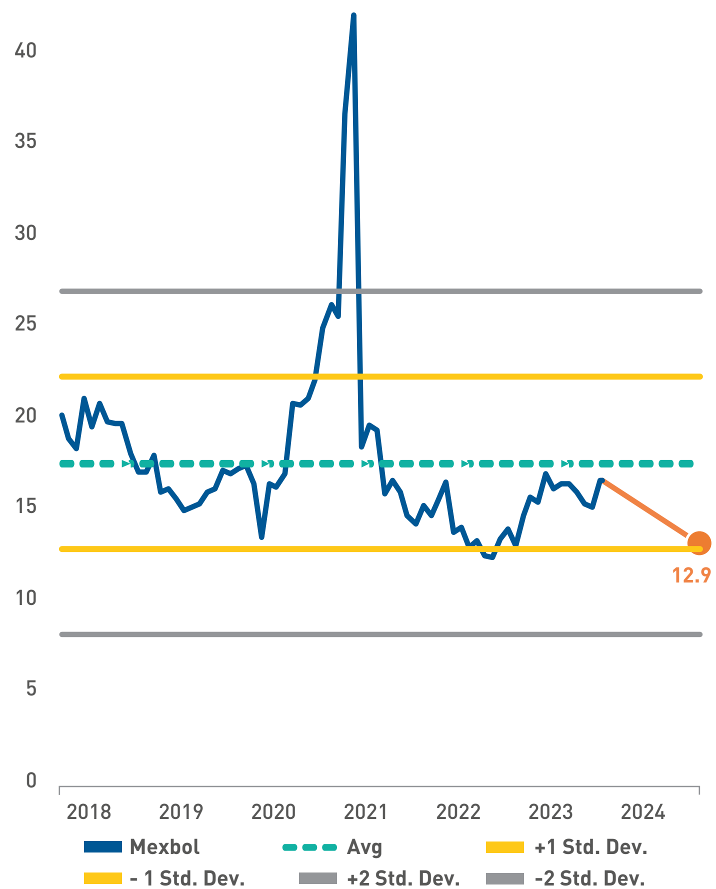
Mexbol price target sensitivities to interest rates

Risk-Free	Mexbol Target 2024E
6.2%	81,550
6.5%	75,040
6.7%	69,500
7.0%	64,710
7.2%	60,550

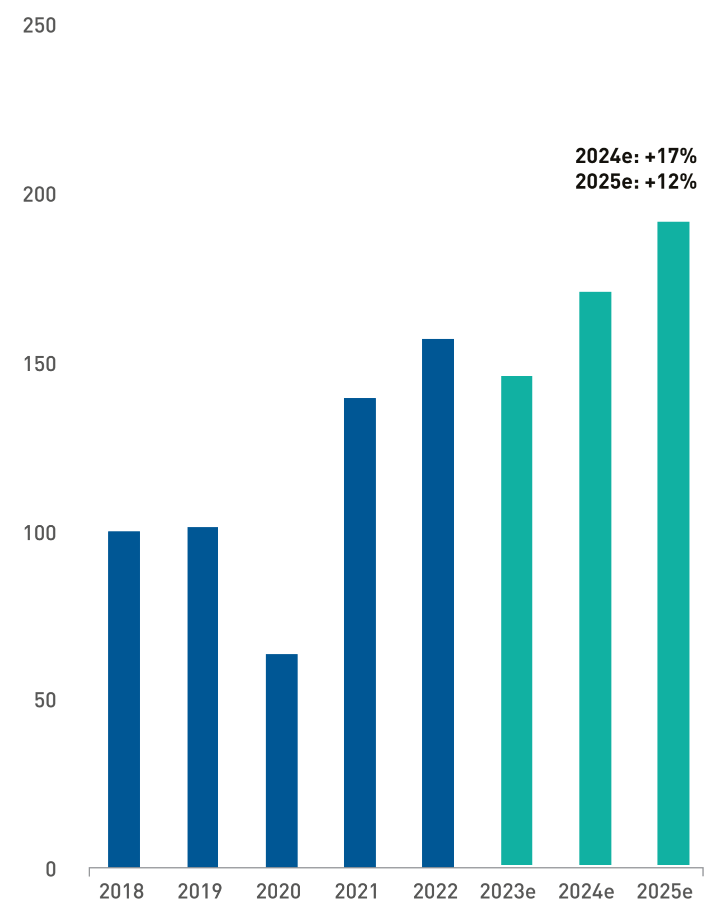
Mexbol



P/E LTM Mexbol



Mexbol: Earnings Growth Outlook
–rebased: 2018 = 100



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SECTOR POSITIONING

SECTOR POSITIONING

Company	GBM 2024e Price target	Rating	GBM's Financial estimates & valuations.	Upside
CONSUMER STAPLES				
Market Outperformer				
GRUMA	414		LINK	31.2%
KIMBER	47		LINK	26.0%
HERDEZ	64		LINK	41.8%
AC	213		LINK	14.1%
KOF	183		LINK	9.0%
CUERVO	42		LINK	28.4%
Market Performer				
BIMBO	96		LINK	7.9%
LAB	19		LINK	39.9%
RETAIL				
Market Outperformer				
FEMSA	324		LINK	43.0%
LIVEPOL	159		LINK	44.3%
CHDRAUI	155		LINK	51.5%
FRAGUA	834		LINK	67.8%
LACOMER	55		LINK	41.5%
ALSEA	73		LINK	17.7%
Market Performer				
WALMEX	77		LINK	9.9%
Market Underperformer				
SORIANA	35		LINK	4.5%

SECTOR POSITIONING

Company	GBM 2024e Price target	Rating	GBM's Financial estimates & valuations.	Upside
INFRASTRUCTURE				
Market Outperformer				
PINFRA	345.3		LINK	90.8%
ASUR	739		LINK	45.4%
GMXT	60.2		LINK	62.6%
Market Performer				
OMA	181		LINK	-2.4%
GAP	303		LINK	-1.7%
REAL ESTATE & HOUSING				
Market Outperformer				
ARA	12.5		LINK	267.6%
Market Performer				
VESTA	69.9		LINK	2.9%
FIBRAMQ	33.8		LINK	5.2%
TERRA	36.3		LINK	4.6%
Market Underperformer				
FUNO	25.8		LINK	-15.4%
FIBRAPL	57.9		LINK	-27.5%
BASIC MATERIALS				
Market Outperformer				
GMEXICO	$135		LINK	52.2%
CYDSA	$63		LINK	258.8%
ORBIA	$80		LINK	100.3%
AGUA	$50		LINK	84.2%
ALPEK	$27		LINK	102.1%
AUTLAN	$15		LINK	42.9%

SECTOR POSITIONING

Company	GBM 2024e Price target	Rating	GBM's Financial estimates & valuations.	Upside
Market Performer				
PEÑOLES	$279		LINK	9.9%
ICH	$176		LINK	1.1%
INDUSTRIALS				
Market Outperformer				
CEMEX	21		LINK	54.5%
NEMAK	11		LINK	153.5%
GISSA	50		LINK	88.8%
ALFA	23		LINK	65.6%
KUO	81		LINK	110.0%
GCC	270		LINK	36.7%
LAMOSA	150		LINK	16.6%
Market Performer				
CMOCTEZ	77		LINK	2.8%
CERAMIC	90		LINK	-5.3%
Market Underperformer				
GCARSO	74		LINK	-58.4%
MEDIA & TELECOM				
AMX	Under Review		LINK	NA
AXTEL	Under Review		LINK	NA
MEGA	Under Review		LINK	NA
TLEVISA	Under Review		LINK	NA

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GBM TOP PICKS

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GBM TOP PICKS 2023 PERFORMANCE

TOP PICKS 2023 - ADTV > US$3M

	Initial Price	Last Price			
	01/01/23	12/15/23	Dividend	Adj. Last Price	Total Return
CEMEX	7.9	13.5	0	13.5	**71.8%**
FEMSA	151.6	224.6	3.7	228.3	**50.6%**
GMEXICO	68.4	85.1	2.8	87.9	**28.4%**
GRUMA	260.7	312.2	5.4	317.6	**21.8%**
ORBIA	34.5	38.9	1.7	40.6	**17.6%**
PINFRA *	159.6	179.3	5.3	184.7	**15.7%**

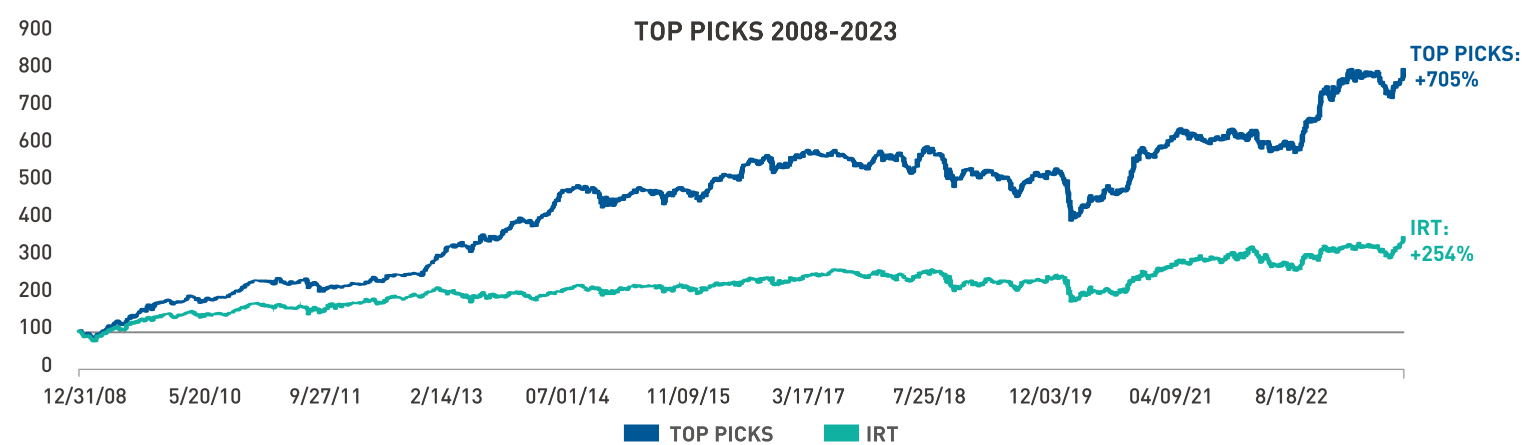
Top Picks - Large Caps	37.7%	Spread
IPC	**15.1%**	22.6%
IRT	**21.9%**	15.9%

TOP PICKS 2023 - ADTV < US$3M

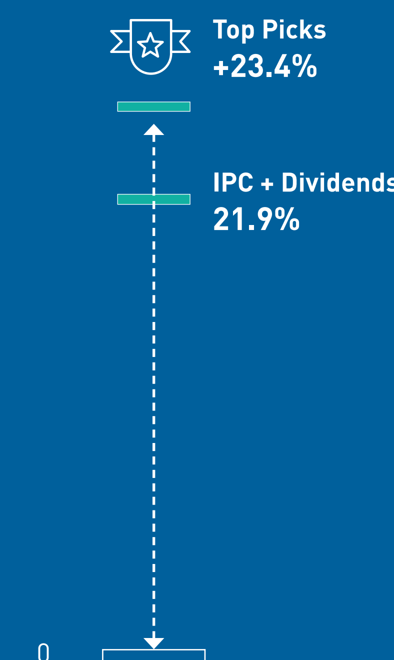
	Initial Price	Last Price			
	01/01/23	12/15/23	Dividend	Adj. Last Price	Total Return
FRAGUA	344.1	489	11.3	500.3	**45.4%**
PINFRA L	99.3	117	5.3	122.3	**23.2%**
CYDSASA	16	17.5	0.5	18	**12.3%**
ARA	3.2	3.2	0.2	3.4	**6.4%**
GISSA	30	26.5	5	31.5	**5.0%**
LIVEPOL	109.8	108.9	2.6	111.5	**1.5%**
GMXT	37.9	36.3	1.5	37.8	**-0.2%**
AGUA	31.5	27.3	0.9	28.2	**-11.1%**
NEMAK	5.6	4.3	0	4.3	**-23.0%**

Top Picks - Small Caps	14.0%	Spread
IPC	**15.1%**	-1.2%
IRT	**21.9%**	-7.9%

Since inception (2008), GBM's Top Picks have yielded an accumulated 705% (14.9% annual) vs. the IPC's annualized return of 8.8% (255% cumulative).



Our 2023 Top Picks yielded a **23.4%** total return this year (**+37.7%** ADTV > US$3M | **13.3%** ADTV < US$3M).



This is an alpha of **1.5%** vs. the IPC's **21.9%** total return (including dividends).

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GBM TOP PICKS: 2024 LINE-UP

TOP PICKS 2024 - ADTV > US$3M

	Price Target	Upside	Page
ASUR	P$739	45.4%	19
CEMEX	P$21	54.5%	20
FEMSA	P$324	43.0%	21
GMEXICO	P$135	52.2%	22
ORBIA	P$80	100.3%	23
PINFRA	P$345.3	'*' 90.8% | 'L' 195%	24

TOP PICKS 2024 - ADTV < US$3M

	Price Target	Upside	Page
AGUA	P$50	84.2%	25
ARA	P$12.5	267.6%	26
CHDRAUI	P$155	51.5%	27
CYDSASA	P$63	258.8%	28
FRAGUA	P$834	67.8%	29
GISSA	P$50	88.8%	30
GMXT	P$60.2	62.6%	31
LIVEPOL	P$159	44.3%	32
NEMAK	P$11	153.5%	33

	Price Target	Upside
S&P/BMV IPC	69,500	21.6%

ASUR

Market Cap: US$8.3 Billion | PT: P$739.0 | Upside: 45.4%

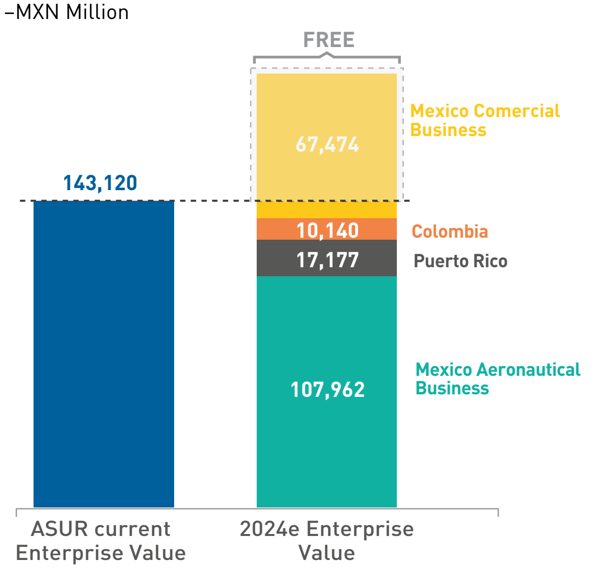
Last Price: P$500.0 | **5-Yr Return: +49.9%**

Why ASUR:

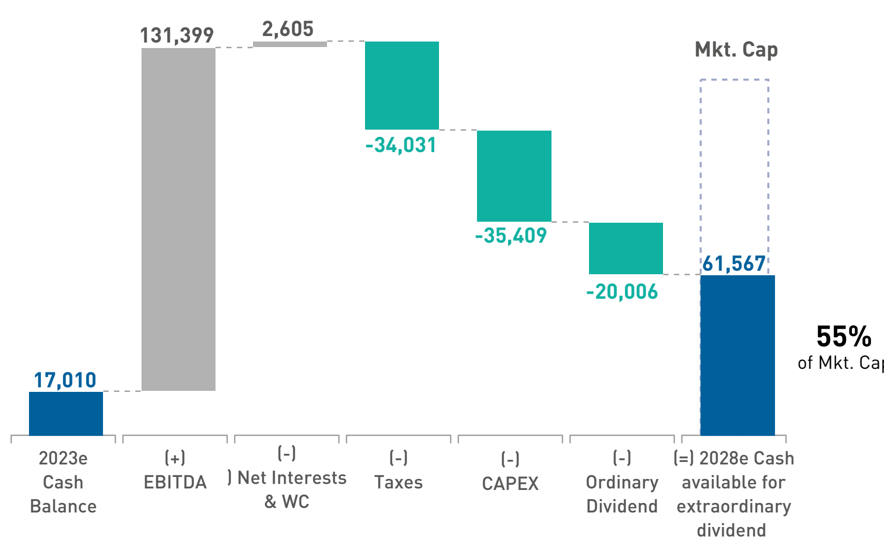
- At current stock prices, Mexico's commercial operations are virtually trading for free, allowing ASUR to offer the most substantial implicit Internal Rate of Return among airport operators (14.5%).
- We expect the company to generate over P$40 billion of leftover cash over the next five years, which could facilitate extraordinary annual dividend yields of approximately 8% in addition to regular distributions.
- The normalization of ASUR's Colombian operations and its limited exposure to the GTF engine recall set the company ready to achieve the most favorable traffic metrics throughout 2024.
- The airport operator could record the most sizable growth down the P&L, surpassing its peers by a considerable margin, as its new MDP exceeded all estimations and unveiled a tariff increase of 23.9% in real terms.
- ASUR boasts the most brilliant Commercial business, with non-aeronautical revenue per passenger exceeding its peers' average by around 65%.

- MXN Million	2023e	2024e	2025e
Maj. Revenues	22,585	29,487	33,618
Maj. EBITDA	16,001	20,591	23,429
Maj. Net Debt	-7,153	-15,741	-22,979
FCF	12,270	12,624	11,652
Dividend	5,979	3,277	3,605
Maj. EV/EBITDA	8.9x	6.5x	5.4x

ASUR's commercial front, trading virtually for free
–MXN Million

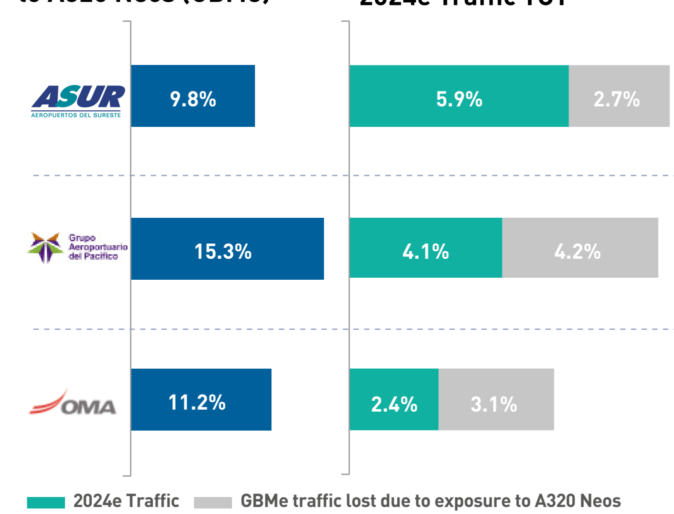


ASUR's next five-year excess cash
–MXN Million



Total Traffic exposure to A320 Neos (GBMe)

2024e Traffic YOY



Source: GBM with Flare Aviation Consulting and SRS Cirium data

CEMEX

Market Cap: US$10.2 Billion | PT: P$21 | Upside: 54.5%

Last Price: P$13.6	5-Yr Return: 20%

Why CEMEX:

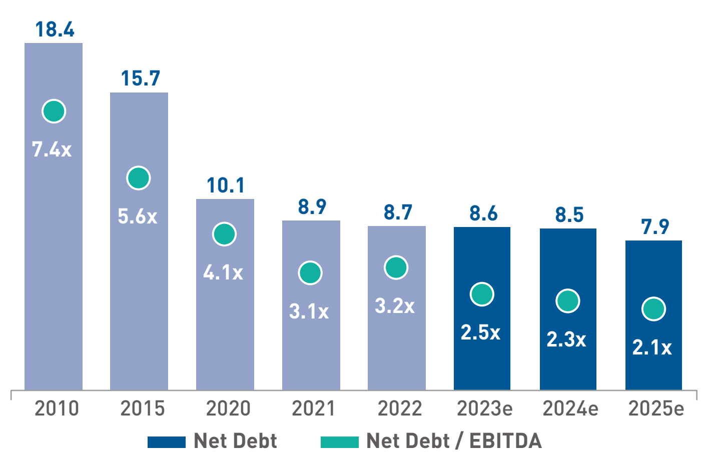
- **Improved financial position.** CEMEX's balance sheet is in its best shape since 2010, with no significant maturities until 2025 and only one notch away from investment-grade rating. The latter should unlock further value through liability management.
- **Favorable fundamentals.** With tight supply/demand dynamics across Mexico and the United States and an upcoming infrastructure plan in the latter, CEMEX is in an enviable position to maintain a favorable pricing strategy while benefiting from its distribution capabilities in the region.
- **Attractive valuations.** CEMEX is trading at double-digit OFCF yields in USD terms. More importantly, only the value of its operations in Mexico and the United States (~75% of EBITDA) accounts for more than 100% of its enterprise value.

–USD Million	2023e	2024e	2025e
Revenues	17,463	18,392	19,060
EBITDA	3,401	3,642	3,717
Net Debt	8,602	8,526	7,901
FCF	750	276	975
Dividend	0	0	150
EV/EBITDA	5.6x	5.2x	4.9x
P/BV	0.97x	0.86x	0.78x
Net Debt/EBITDA	2.5x	2.3x	2.1x

An improved financial position

–USD Billion

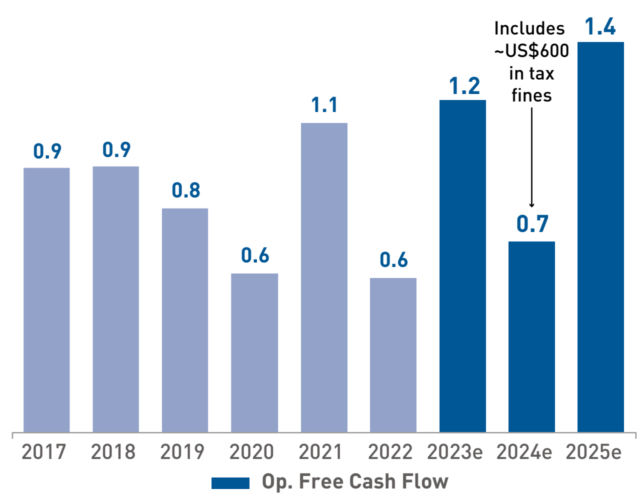
- ✓ One notch away from investment-grade rating
- ✓ No significant maturities until 2025
- ✓ Minimal interest rate risk—~65% of debt at fixed rates



A historically strong FCF generation

–USD Billion

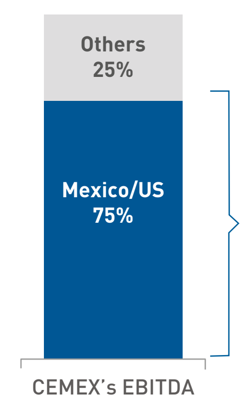
OFCF Yield	9%	9%	8%	6%	11%	5%	12%	7%	13%



Favorable industry dynamics at attractive valuations

Tight capacity utilization rates in North America
United States Infrastructure Plan
2024 elections and high housing deficits in Mexico

Only the value of the U.S./Mexico operations accounts for more than 100% of CEMEX's EV.



EV/EBITDA Target	Market Cap	EV
9.5x	235%	128%
9.0x	223%	121%
8.5x	**211%**	**115%**
8.0x	198%	108%
7.5x	186%	101%

GBM

FEMSA

Adj. Market Cap: US$46.3 Billion | PT: P$324 | Upside: 43.0%

Last Price: P$224	5-Yr Return: +33.3%

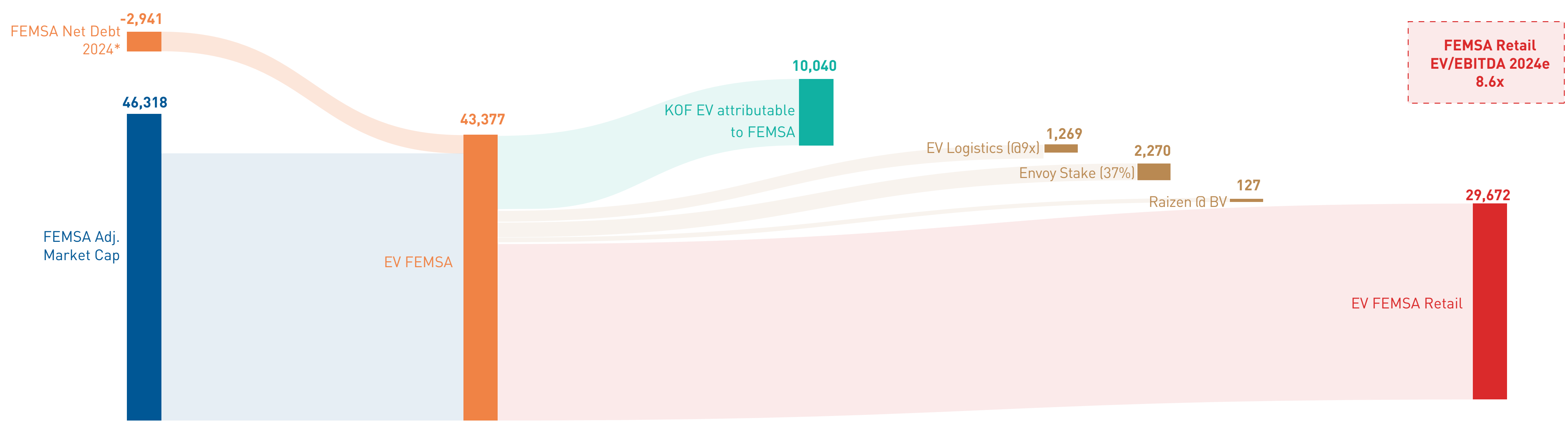
Why FEMSA:

- FEMCO can grow twofold in the next ten years and is trading at 8.6x EV/EBITDA 2024e, where we believe growth potential is not being reflected.
- Getting for free the optionality of investing in the best-positioned fintech for banking the unbanked: with a >US$630 billion TAM in Fintech opportunity.
- After FEMSA Forward, the market is ignoring the vast and unrivaled range of optionalites now ringing FEMSA's door.

-MXN Million	2023e	2024e	2025e
Maj. Revenues	600,747	659,020	717,424
Maj. EBITDA	76,054	84,307	94,400
Maj. Net Debt	-14,425	-53,903	-97,703
Maj. FCF	32,150	46,020	51,301
Dividends	12,247	14,078	15,667
EV/EBITDA Maj.	9.8x	8.4x	7.0x
P/BV	2.7x	2.4x	2.2x
Net Debt/EBITDA Maj.	-0.2x	-0.6x	-1.0x

FEMSA Retail EV/EBITDA 2024e

–USD Milion



**Net Debt 2024 - Heineken Notes- Jetro pending proceeds*

GMEXICO

Market Cap: US$36.1 Billion | PT: P$135 | Upside: 52.2%

Last Price: P$81 | **5-Yr Return: 112.2%**

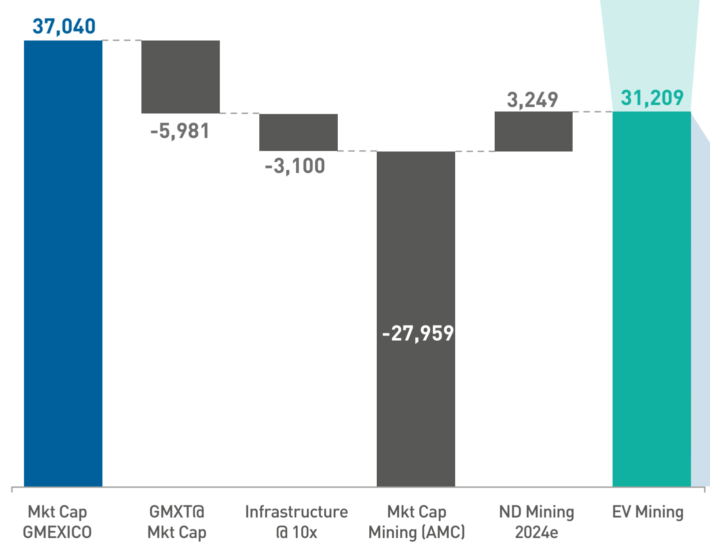
-USD Million	2023e	2024e	2025e
Revenues	14,815	14,860	14,779
EBITDA	7,382	8,588	8,559
Net Debt	1,494	-712	-2,450
FCF	3,614	4,396	3,928
Dividends	-2,190	-2,191	-2,191
EV/EBITDA Maj.	6.5x	5.3x	5.1x
P/BV	2.5x	2.7x	2.7x
Net Debt/EBITDA Maj.	0.2x	-0.1x	-0.4x
Copper US$/Lb	$3.88	$3.80	$4.00
Production (Ktons)	1,035	1,069	1,082

Why GMEXICO:

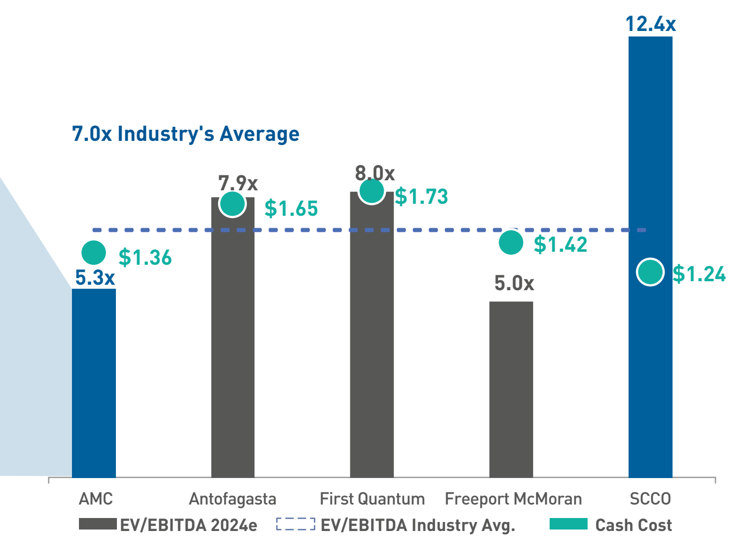
- GMEXICO has the lowest cash cost per pound of copper of the industry (US$1.36/lb), the world's largest reserves of red metal (50+ years), one of the highest dividend yields across the mining industry, and a rock-solid balance sheet (0.1x Net Debt/EBITDA).
- There is a significant upside risk for copper, as demand is expected to grow, on the back of the energy transition, and the lack of large-scale projects coming in, coupled with risks from blockades and stoppages, should strain supply in the medium-to-long term.
- Today, GMEXICO is trading at a 46% discount to its NAV, which we believe to be a sound entry point when taking into account the 10-year average of 33%.
- In terms of EV/EBITDA, the Mining division shall trade at 23% relative to the industry by the end of the year.

Avg. Copper Price (US$/lb)	3.50	3.70	**3.90**	4.15
EBITDA Mining 2024e (USD Million)	4,999	5,424	**5,850**	6,382
EV/EBITDA Mining	6.1x	5.7x	**5.3x**	4.9x

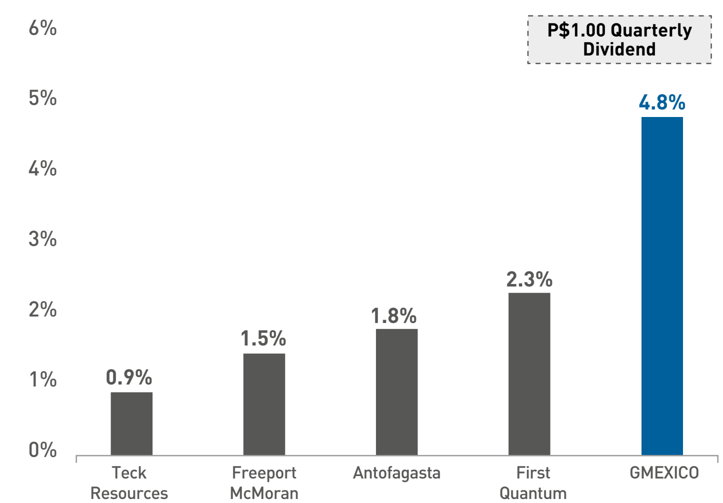
Strip-Down of the Mining Division
–USD Million



AMC is trading at a discount of 23% vs. the peer sample
–EV/EBITDA 2024e



GMEXICO has one of the highest dividend yields of the copper mining industry
–Dividend Yield



ORBIA

Market Cap: US$4.3 Billion | PT: P$80 | Upside: 100.3%

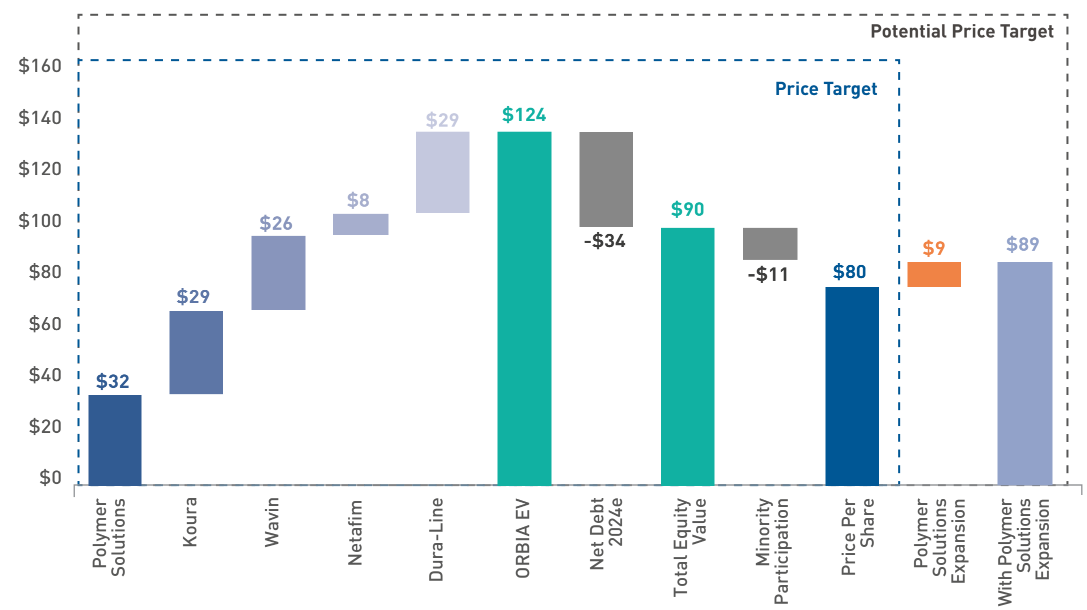
Last Price: P$38.9 | **5-Yr Return: -24.7%**

Why ORBIA:

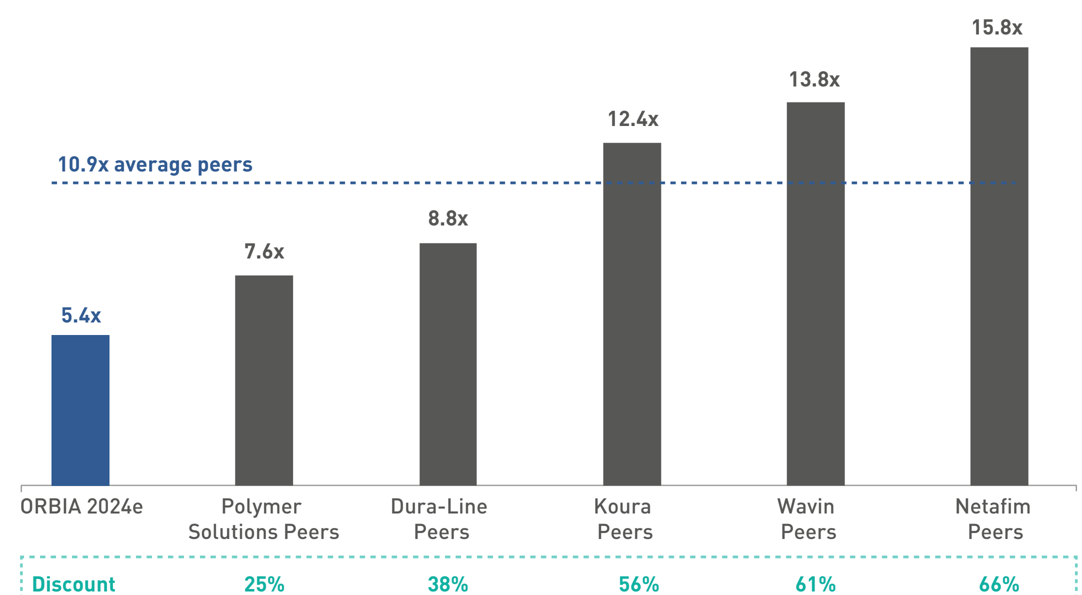
- ORBIA has become a benchmark in the industry, as it focuses its growth strategy on sustainability-linked megatrends that leverage its market leadership, world-class operations, and CAPEX acceleration.
- By 2028, the company expects to generate an EBITDA of US$3.2-3.5 billion per year and to get there, it foresees an accumulated CAPEX deployment of US$7.2-7.7 billion in the 2023-2028 period, of which US$2.1-2.3 billion will be maintenance and US$5.1-5.4 billion expansion.
- The Polymer Solutions segment is projected to expand its capacity by one million tons (+25%), for which it would require a ~US$2 billion investment. Yet, given that the timeline of this division's CAPEX deployment is more sensitive to market conditions, we have incorporated the potential capacity addition into our valuation, which adds ~P$10 per share to our 2024 price target.
- At a 2024 EV/EBITDA of 5.4x, the company trades at a discount of ~50% (weighted by sector) to its peers.

– USD Million	2023e	2024e	2025e
Revenues	8,238	7,846	8,247
EBITDA	1,538	1,481	1,634
Net Debt	3,178	3,198	3,165
FCF	342	190	243
Dividends	210	210	210
EV/EBITDA	5.3x	5.4x	4.9x
P/BV	1.5x	1.3x	1.1x
Net Debt/EBITDA	2.1x	2.2x	1.9x

Division-By-Division Valuation
–P$/Share



ORBIA trades at a significant discount to its peers in every segment.



PINFRA

Market Cap: US$3.9 Billion | PT: P$345.3 | Upside: '*'90.8% | 'L' 195%

Last Price: "*" P$179.3 | "L" P$117.0 | **5-Yr Return: "*" -0.3% | "L" -3.0%**

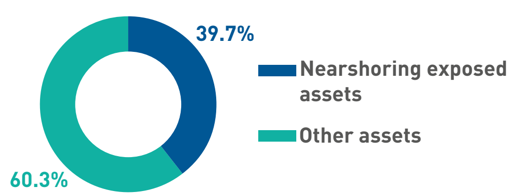
Why PINFRA:

- PINFRA offers the highest internal rates of return (IRRs) in the Infrastructure sector, more than 6% above the average of its peers (18% for the "L" series).
- At the current pace of cash generation, PINFRA's cash balance would be bigger than its market cap in around seven years for the "*" series and roughly five years for the "L" series.
- PINFRA's net cash has enabled it to participate in new strategic projects and win new highway concessions. What is more, its firepower has allowed the company to take advantage of nearshoring tailwinds, as they recently took on a new P$7.4 billion expansion project in the Michoacan Package highway, the natural exit route of the Lazaro Cardenas port.
- PINFRA offers an upside of 109% for the "*" series and 220% for the "L" series when valued at recent private transaction multiples, like IDEAL and RCO deals (13.3x EV/EBITDA).
- PINFRA is a clear nearshoring winner, as ~40% of its EBITDA comes from nearshoring-exposed asssets and its Michoacan Package investment is a sign of this opportunity.

- MXN Million		2023e	2024e	2025e
Maj. Revenues		12,987	14,928	16,233
Maj. EBITDA		9,293	11,145	12,106
Maj. Net Debt		-8,768	-10,442	-13,906
FCF		5,386	4,619	6,469
Dividend		2,000	3,000	3,000
Maj. EV/EBITDA	**"*"**	6.3x	5.1x	4.4x
	"L"	3.8x	3.0x	2.5x

Share of EBITDA generated by nearshoring assets

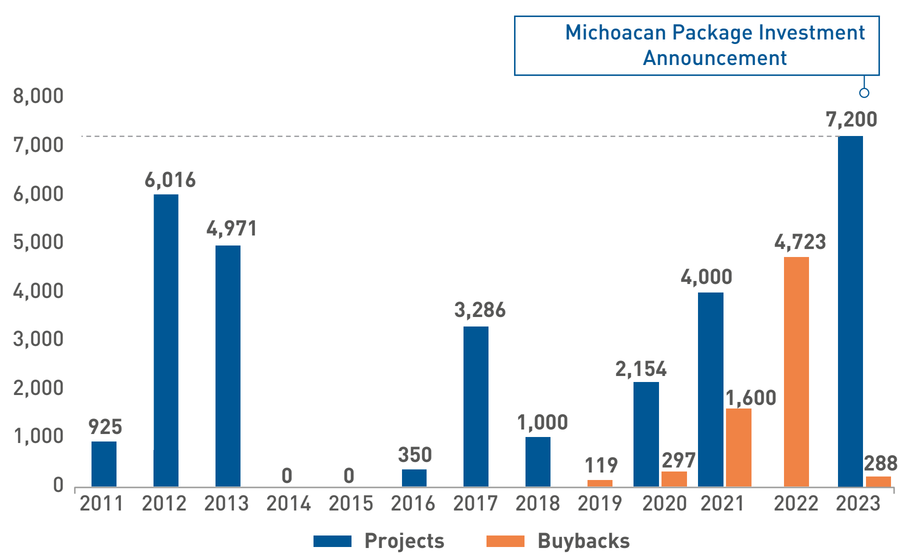
-Based on 2022 EBITDA.



Nearshoring assets description
* **Michoacan Package:** the fastest route in and out of the Lazaro Cardenas Port.
* **Armería-Manzanillo:** the main way in and out of the Manzanillo port, mainly used by trucks.
* **Altamira Port terminal:** a port that mainly serves as an exports hub to the US and Europe.
* **Monterrey-Nuevo Laredo:** a strategic route for international trade, connecting MTY to the most important border crossing for trucks.
* **Santa Ana-Altar:** the main connection from the Mexicali, Tijuana and Nogales border crossings to the capital of Sonora.
* **San Luis Rio Colorado:** the expressway from the border city of San Luis (Mex) and Yuma (US) to the rest of Sonora's main roads.

PINFRA has more than doubled its total investment pipeline over the last two years.

–MXN Million

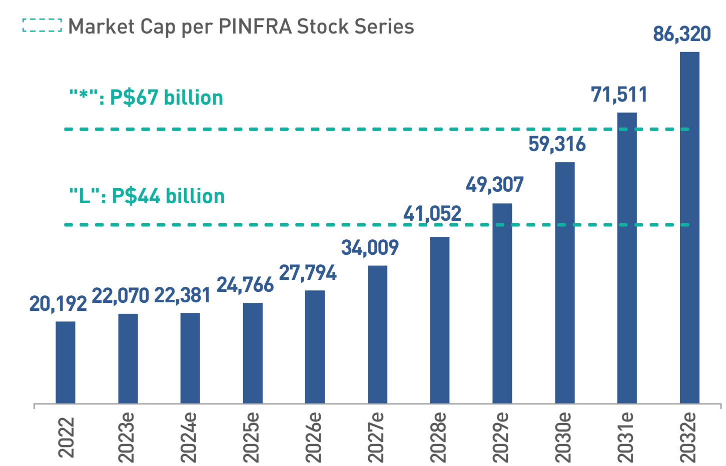


PINFRA's cash generation could drive its cash balance to equal 100% of its market cap in less than seven years.

–Cash balances after accounting for the company's annual dividend payment in place and the cash outflows for expansion projects awarded

GBMe Maj. Cash Balance vs. Today's Market Cap

–MXN Million



AGUA

Market Cap: P$12.7 Billion | PT: P$50 | Upside: 84.2%

Last Price: P$27.0	5-Yr Return: 33.9%

Why AGUA:

- The company has shown record sales and profitability and has all the qualities to capitalize on the growth opportunities that the thriving water industry offers.
- Its legacy products not only have an important market leadership and space to enter new products and markets but also deliver a steady performance and generate the cash to fund the expansion of the Services segment, whose growth drivers enjoy solid fundamentals.
- Water availability is and will continue to be a regional and global issue. Fortunately, AGUA, through its portfolio, has a strong adaptation and mitigation potential for this crisis.
- AGUA is one of frontrunners in terms of ESG reporting, compliance, and sustainability-linked bonds.

- MXN Million	2023e	2024e	2025e
Revenues	11,790	14,211	17,053
EBITDA	2,117	2,694	3,369
Net Debt	3,516	3,146	2,406
FCF	890	685	962
Dividends	235	211	222
EV/EBITDA	7.8x	5.9x	4.5x
P/BV	2.1x	1.8x	1.5x
Net Debt/EBITDA	1.7x	1.1x	0.7x

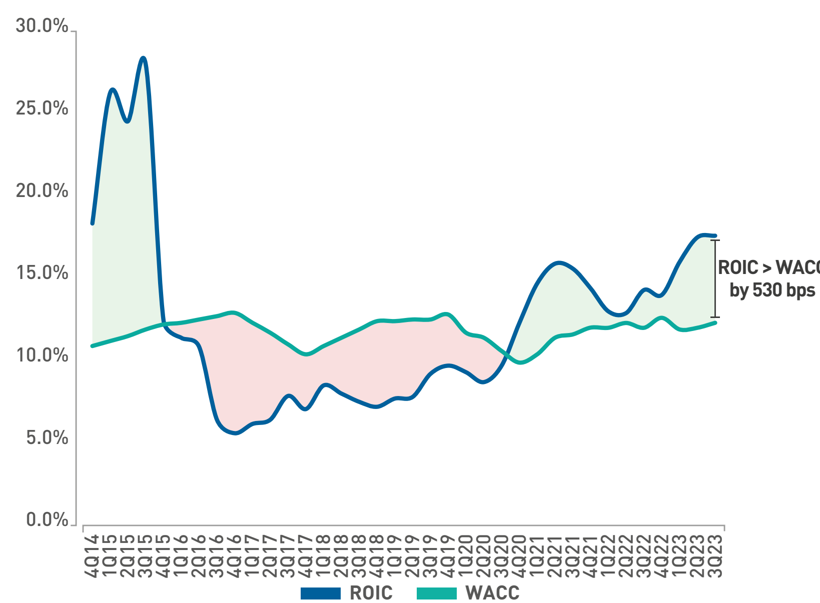
2025e Growth

	2022-2025 CAGR		2022-2025 CAGR Updated Growth	
	Revenues	EBITDA	Revenues	EBITDA
Products	**12-14%**	**20-22%**	**15-17%**	**20-22%**
Mexico	10-12%	18-20%	15-17%	15-17%
Argentina	12-14%	14-16%	12-14%	12-14%
U.S.*	29-31%	margin > 7%	24-26%	margin > 5%
Other	15-17%	17-19%	16-18%	16-19%
Services	**30-32%**	**margin > 0%**	**82-84%**	**margin > 0%**
Total	**14-15%**	**25-27%**	**20-22%**	**26-28%**

**Storage solutions (retail business)*

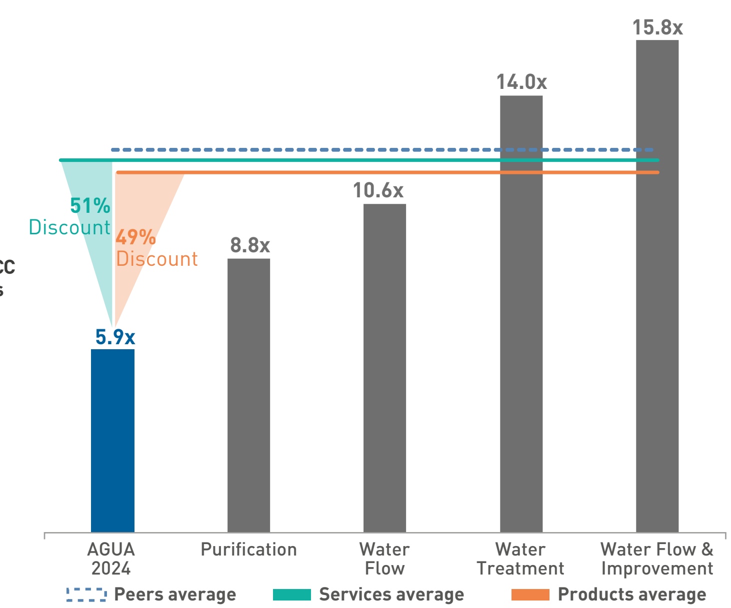
75% of growth will be organic (Products division); the rest will benefit mostly from Programmatic M&A

ROIC vs. WACC



AGUA trades at a 52% discount to peers

–EV/EBITDA 2024



GBM

ARA

Market Cap: US$228 Million | PT: P$12.5 | Upside: 267.6%

Last Price: P$3.2	5-Yr Return: -41%

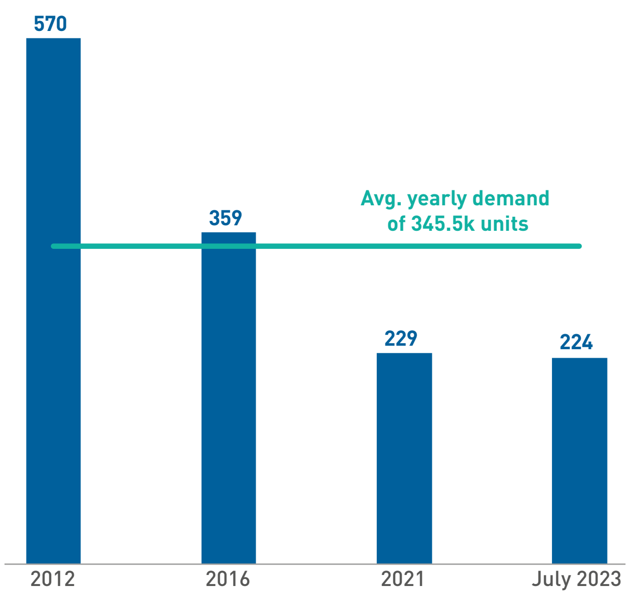
Why ARA:

- Housing trends in Mexico show the industry is undersupplied, as national housing inventories are not fully replenished. ARA is in a privileged position to capitalize on the trend, thanks to its healthy balance sheet and high and diversified inventory levels.
- ARA's solid performance is yet to reflect in current valuations, as the homebuilder continues to trade at a hefty discount notwithstanding its strong pricing power and record levels in profitability and cash generation.
- Current prices offer an astounding 269% upside to our conservative valuation, as they assign nil value to ARA's vast and diversified land bank while discounting its Shopping Malls division and the projects that are under development.

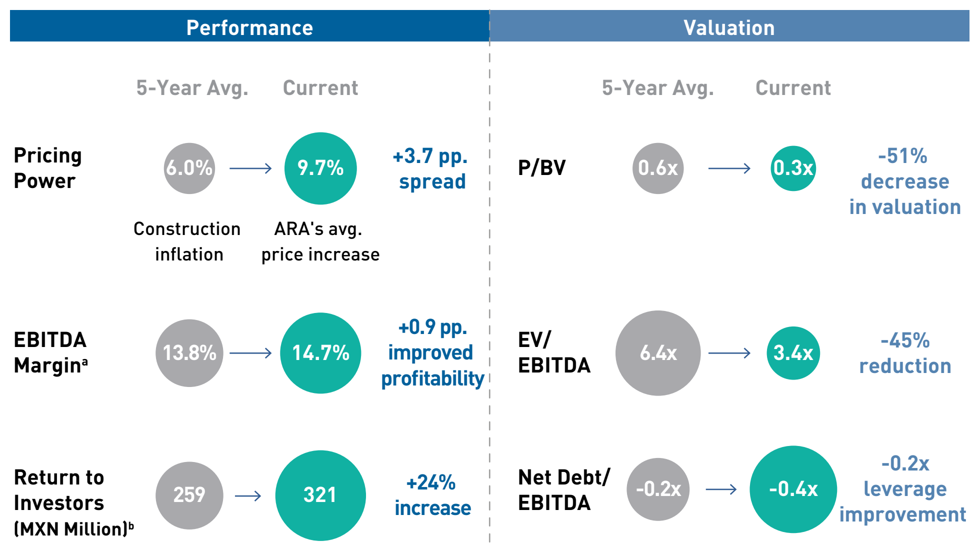
- MXN Million	2023e	2024e	2025e
Revenues	7,137	7,552	7,944
EBITDA	1,083	1,180	1,246
Net Debt	-426	-474	-481
FCF	291	460	463
Dividend	200	363	387
EV/EBITDA	3.2x	2.9x	2.8x
P/BV	0.3x	0.3x	0.3x
Net Debt/EBITDA	-0.4x	-0.4x	-0.4x

An undersupplied market, with sustained demand

Total Housing Inventory Through the Years
–Thousand units

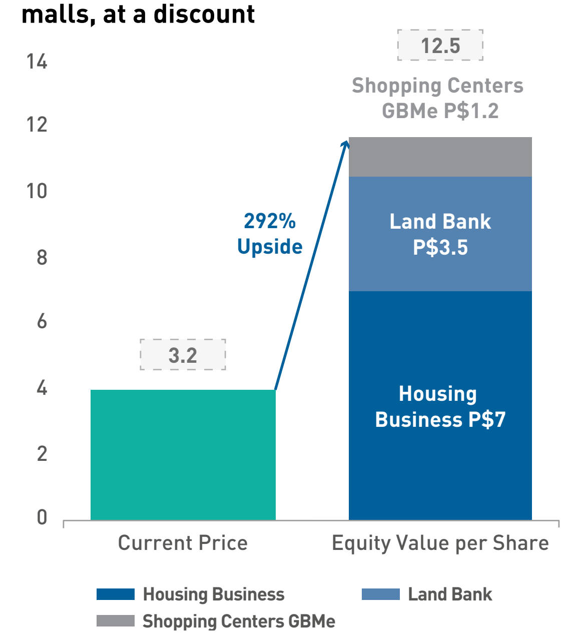


Unjustified valuation despite improvements across the board



(a) Adjusted for non-recurring expenses.
(b) Considers dividends and buybacks.

Land bank, for free; housing and shopping malls, at a discount



CHDRAUI

Market Cap: US$5.6 Billion | PT: P$155 | Upside: 51.5%

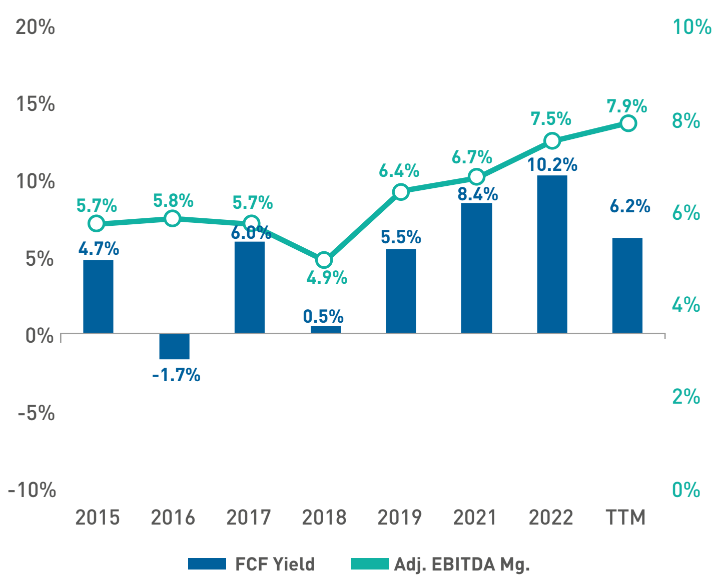
Last Price: P$102 | **5-Yr Return: 169%**

Why CHDRAUI:

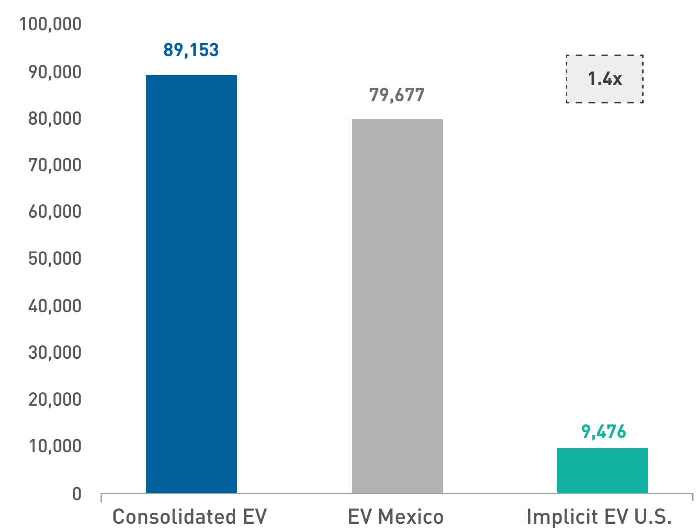
- **FCF generation improvement:** CHDRAUI's bargaining power, with suppliers is improving, benefiting the WK and prompting returns. This represents a structural change in CHDRAUI's history. The FCF Yield and ROE are in the low teens, while Adj. EBITDA Mg. has expended 200 bps. in the last five years (7.9% TTM).
- **Positive impacts derived from S&F acquisition:** Better margins than the current U.S. operation (around 5.5% excl. IFRS 16); increasing the weight of the US' WACC, reduces our blended WACC by almost 1 pp.
- **We see still room for upside:** From an SOTP perspective, if we value the Mexican division at 8x '24e EV/EBITDA, the whole U.S. business would have a multiple of 1.4x '24e . Vice versa works broadly the same (Mexico: 3.4x EV/EBITDA).
- **Strategy to capture market share:** CHDRAUI has outperformed the ANTAD since late 2020 (and most recently, WALMEX) on account of 1) an improved execution, 2) a faster recovery of tourist areas (30% of sales), and 3) a weak competition.

–MXN Million	2023e	2024e	2025e
Revenues	263,847	278,769	299,704
Maj. EBITDA excl. IFRS	16,024	16,793	17,913
Maj. Net Debt	(3,162)	(8,704)	(15,072)
FCF	5,996	6,991	7,846
Dividends	900	1,050	1,217
EV/EBITDA	5.9x	5.3x	4.6x
P/BV	2.5x	2.1x	1.8x
Net Debt / EBITDA maj.	-0.2x	-0.5x	-0.8x

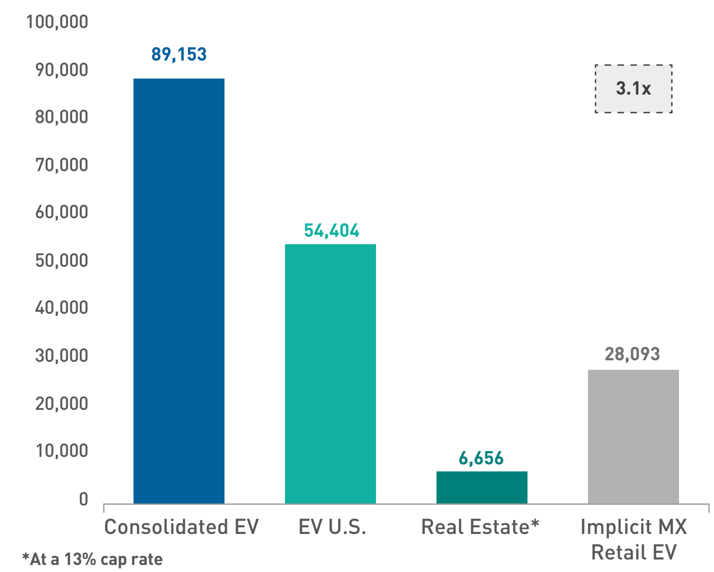
Solid FCF generation and EBITDA Mg. expansions



Implicit U.S. EV/EBITDA
~MXN Million



Implicit Mexico EV/EBITDA
~MXN Million



*At a 13% cap rate

CYDSASA

Market Cap: P$9.2 Billion | PT: P$63 | Upside: 258.8%

Last Price: P$17.00 | **5-Yr Return: -43.3%**

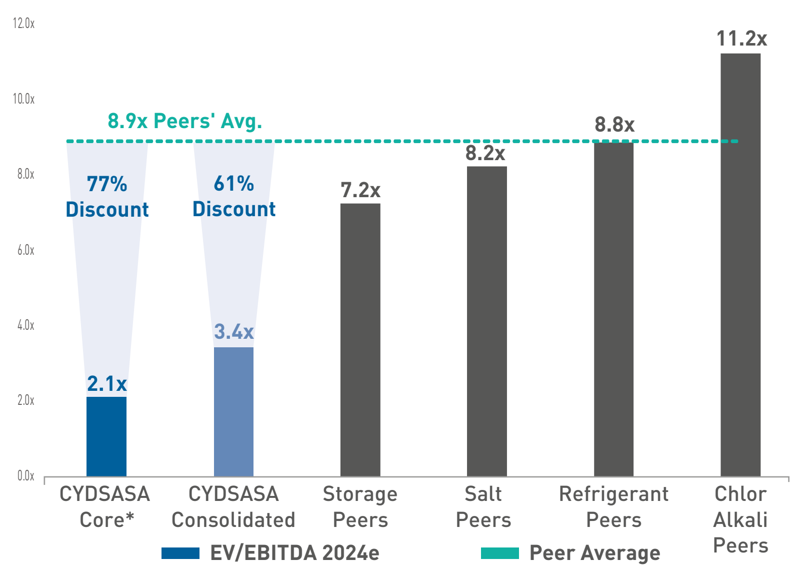
Why CYDSASA:

- CYDSASA is a leading player in the Chemical industry in Mexico through its four business divisions: Salt, where it stands as the frontrunner; Chlor-Alkali, which will be boosted by the reconversion of the Coatzacoalcos plant; Refrigerant Gases, where it is the only distributor of Honeywell new generation gases in Mexico, and Underground Storage, where it can play a central role in the national energy security policy given the low hydrocarbon inventories in the country.
- CYDSASA's core business trades at a 77% discount to its peers.
- The reconversion of the Coatzacoalcos will increase Chlorine and Caustic Soda capacity, reduce energy consumption thus enhancing Chlor-Alkali margins.
- Another three salt caverns used for storage could represent a growth potential of 42% in EBITDA, without considering the potential development of 16 additional caverns.

-MXN Million	2023e	2024e	2025e
Revenues	13,712	14,283	14,998
EBITDA	4,479	5,035	5,294
Net Debt	9,671	7,900	8,859
FCF	697	2,065	2,241
Dividends	258	294	200
EV/EBITDA	4.3x	3.4x	3.0x
EV/EBITDA adj.	3.0x	2.3x	1.8x
P/BV	0.7x	0.6x	0.5x
Net Debt/EBITDA	2.2x	1.6x	1.1x
Net Debt/EBITDA Adj.	1.8x	1.2x	0.7x

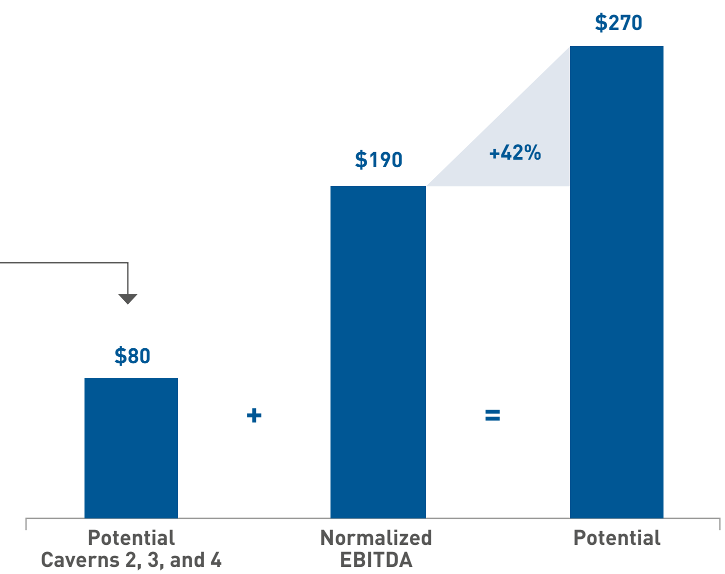
CYDSASA's core business trades at a 77% discount to its peers.

–EV/EBITDA 2024e



Hydrocarbon Storage

EBITDA has a growth potential of more than 42%.



**Adjusting EBITDA and Net Debt for the Hydrocarbon Storage operations*

FRAGUA

Market Cap: US$2.6 Billion | PT: P$834.0 | Upside: 67.8%

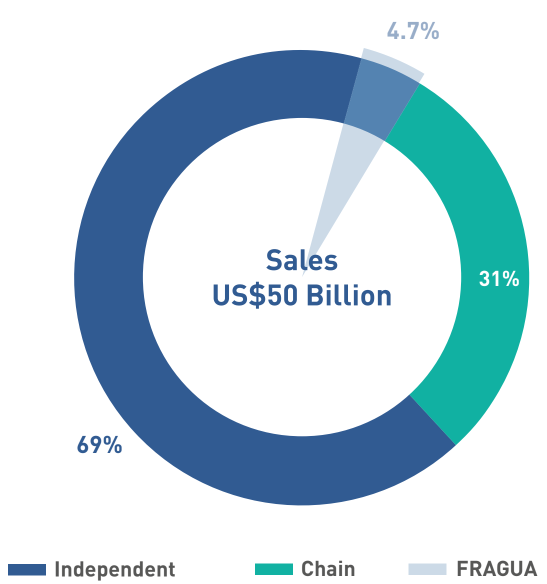
Last Price: P$475	5-Yr Return: +79%

Why FRAGUA:

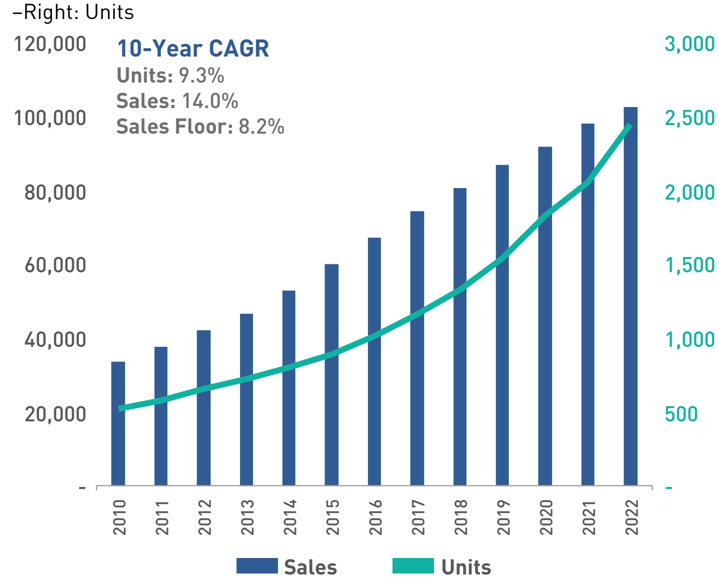
- **FRAGUA is the largest drugstore chains in Mexico**, with a total of 2,657 units.
- **FRAGUA boasts an unrivaled growth pace**. 10-Year CAGR: Units 9.3% | Sales Floor 8.2% | Sales: 14%
- **FRAGUA is trading at a hefty discount to its national and international peers** (up to 60% EV/EBITDA).

-MXN Million	2023e	2024e	2025e
Revenues	109,962	121,662	133,483
EBITDA	8,993	10,187	11,488
Net Debt	-5,936	-7,600	-9,475
FCF	2,999	3,548	3,946
Dividends	1,715	1,869	2,057
EV/EBITDA	4.8x	4.0x	3.3x
P/BV	2.2x	1.9x	1.7x
Net Debt / EBITDA	-0.7x	-0.7x	-0.8x

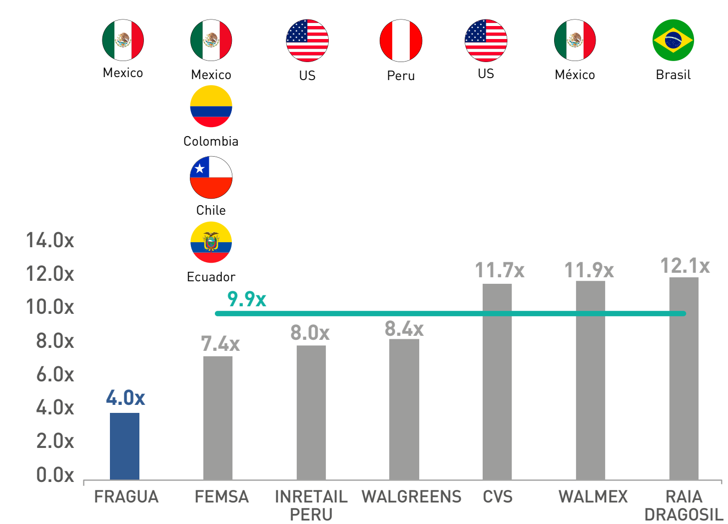
Market Position



FRAGUA's unrivaled growth pace
–Left: MXN Million
–Right: Units



FRAGUA trades at a 60% discount vs. peers (EV/EBITDA)
–EV/EBITDA 2024e



GBM

GISSA

Market Cap: US$450 Million | PT: P$50 | Upside: 88.8%

Last Price: P$27 | **5-Yr Return: 36.1%**

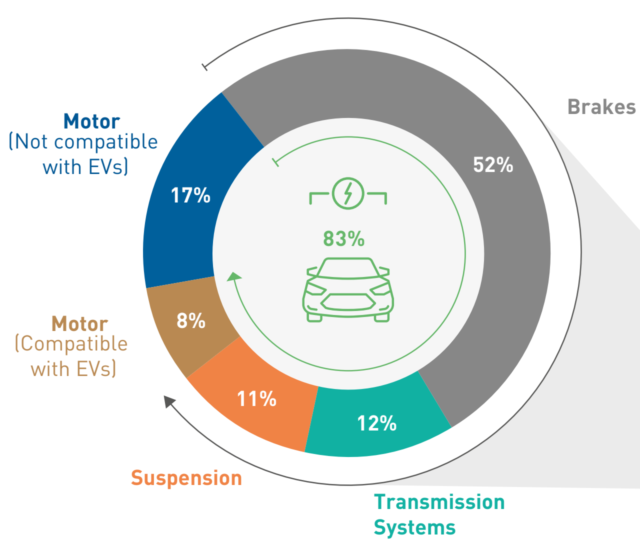
Why GISSA:

- As a global leader in the auto parts industry, 83% of its portfolio is compatible with electric vehicles.
- Exposure to nearshoring. GISSA's auto part portfolio (brakes, suspensions, and transmission components) is well-positioned to grab market share from Asian manufacturers, which hold ~38% of U.S. imports in those components.
- Thanks to a strong FCF generation and a solid financial position, GISSA is in an enviable position to keep pursuing growth opportunities.

- USD Million	2023e	2024e	2025e
Maj. Revenues	1,033	1,216	1,287
Maj. EBITDA	78	137	150
Maj. Net Debt	157	179	185
Maj. FCF	-131	5	22
Dividend	79	26	27
Maj. EV/EBITDA	7.8x	4.6x	4.2x
P/BV	0.7x	0.7x	0.7x
Maj. Net Debt/EBITDA	2.0x	1.3x	1.2x

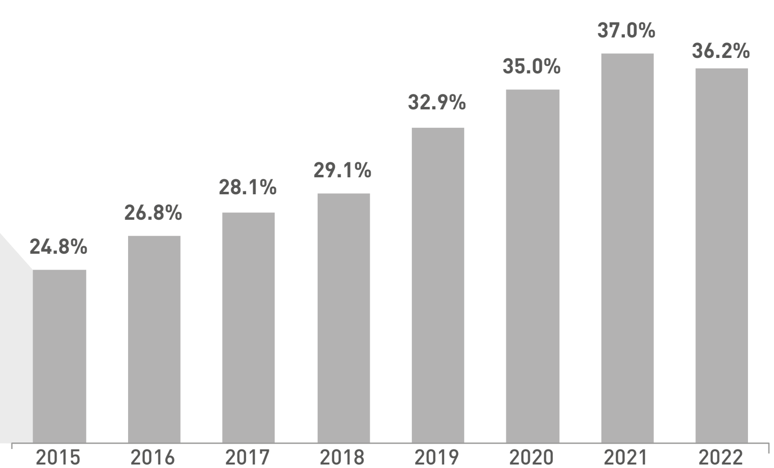
The vehicle to play nearshoring in Mexico's auto parts industry.

~83% of GISSA's auto parts portfolio is compatible with electric vehicles.



Increased penetration of Mexican auto parts in the United States

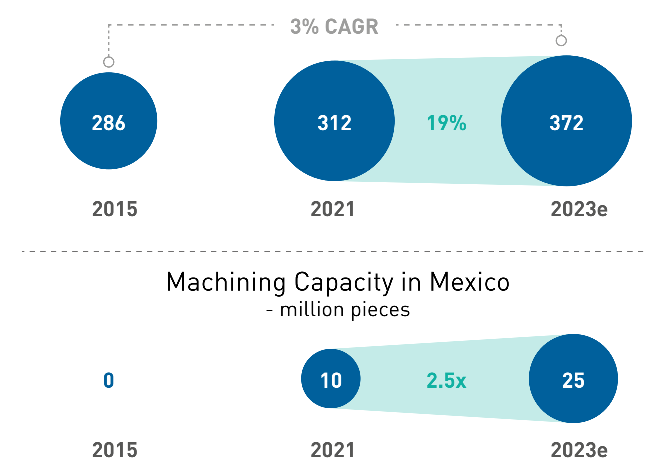
Mexican market share (as a % of US imports) of brakes, suspension, and transmission component



GISSA's order book signals they may expand capacity again by 2026.

Iron Foundry Capacity in Mexico
- Thousand tons

Machining Capacity in Mexico
- million pieces



GMXT

Market Cap: US$8.8 Billion | PT: P$60.2 | Upside: 62.6%

Last Price: P$36.2 | **5-Yr Return: +49.1%**

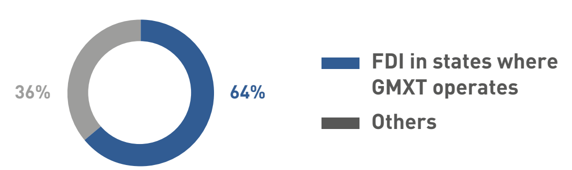
Why GMXT:

- The railroad industry in Mexico remains under-penetrated, and GMXT is in an enviable position to benefit from the booming eCommerce industry, the development of hydrocarbon storage facilities, and the nearshoring market.
- The company has proven its bargaining power, managing to increase its revenues per Net Ton-Kilometer (NTK) in key segments despite the impact of the pandemic on carload traffic. Said growth combined with operating efficiencies have allowed for consistent YOY EBITDA margin expansions.
- GMXT offers one of the highest dividend yields across our Infra sample, with a 2024e yield of 5.4%.
- GMXT is trading at a ~50% discount to its North American peers. Indeed, Canadia Pacific has acquired Kansas City Southern—the only other railroad concessionaire in Mexico—at a valuation ~170% greater than GMXT's (20.7x EV/ EBITDA).

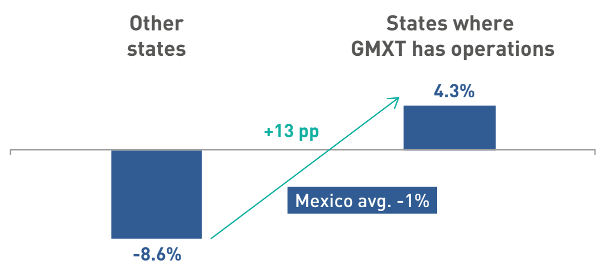
—MXN Million	2023e	2024e	2025e
Maj. Revenues	46,437	51,768	55,376
Maj. EBITDA	21,993	26,080	27,960
Maj. Net Debt	21,373	19,007	16,404
FCF	5,480	9,439	8,632
Dividends	8,492	8,492	8,492
EV/EBITDA	8.0x	6.6x	6.1x
P/BV	2.5x	2.4x	2.4x
Net Debt/EBITDA	1.0x	0.7x	0.6x

A Clear Winner from Nearshoring Trends

Foreign Direct Investment (Since 2018)

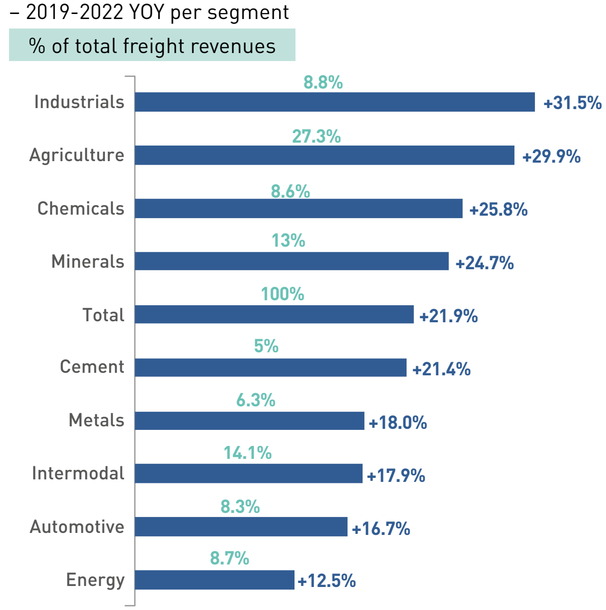


TTM Exports above pre-pandemic levels

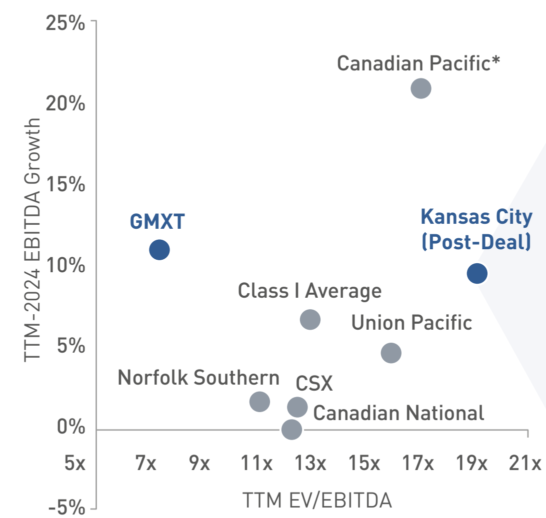


Pricing Power: Revenue per NTK

– 2019-2022 YOY per segment

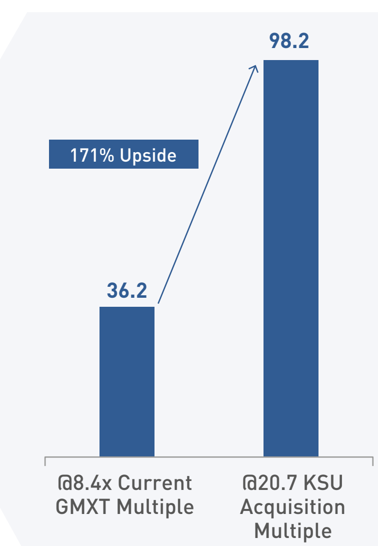


GMXT vs. Peers



*Pro forma excluding Kansas City acquisition.

Upside Potential Beyond 170%



LIVEPOL

Market Cap: US$7.9 Billion | PT: P$159 | Upside: 44.3%

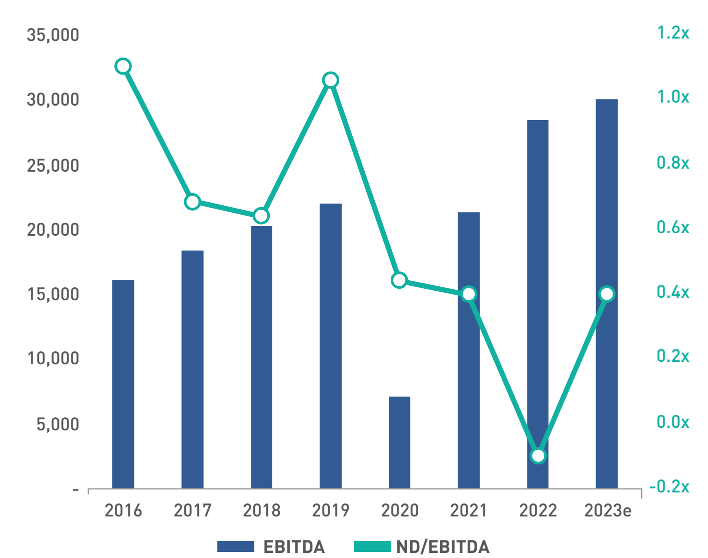
Last Price: P$96 | **5-Yr Return: -17.5%**

Why LIVEPOL:

- **LIVEPOL is one of the leading omnichannel players in Mexico, operating 124 department stores and a specialized apparel chain (181 Suburbia stores)**, supported by a booming eCommerce platform (25% of sales).
- **Emerging stronger from the pandemic.** By the end of 2021, LIVEPOL managed to recoup sales and EBITDA to 2019 levels, crowned by an outstanding FCF generation that drove leverage to 2018 levels.
- **LIVEPOL's eCommerce platform has finally gotten something to show for.** First tangible results include 1) sustained eCommerce penetration at 24% post-pandemic; 2) recently launched <2-hour same-day delivery & pick-up; 3) rollout of LIVEPOL wallet is underway in 2022. We believe omnichannel will continue to accelerate ahead, which will drive the stock's re-rating.
- **Margin of safety.** Valuing the Financial business at 1.5x P/BV and the normalized flows of the Real Estate business at a 11.5% cap rate (with 0% growth), we find a very attractive implicit discount in the Retail business, which is trading at 2x EV/EBITDA 2024.

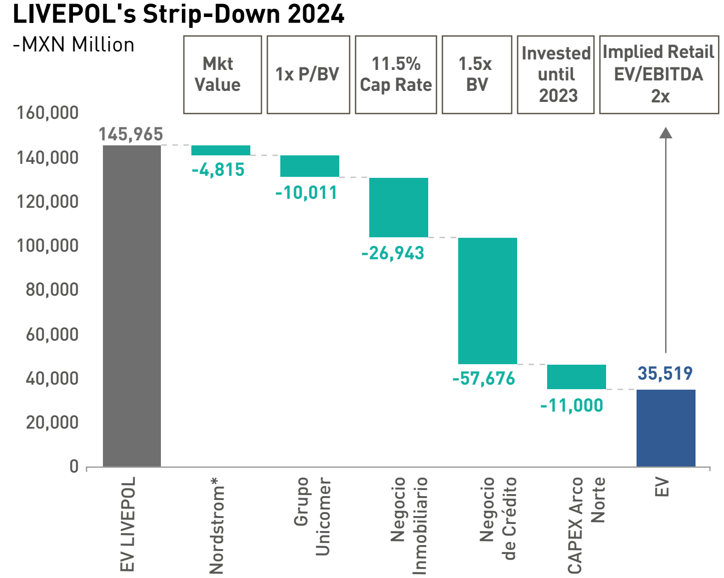
MXN Million	2023e	2024e	2025e
Revenues	193,831	210,367	226,120
EBITDA	33,689	36,559	39,507
Net Debt	14,413	7,034	(3,479)
FCF	760	11,254	14,807
Dividends	3,503	3,875	4,293
EV/EBITDA	4.3x	3.8x	3.2x
P/BV	1.0x	0.9x	0.8x
Net Debt / EBITDA	0.4x	0.2x	-0.1x

EBITDA and Leverage Back to 2018 Levels



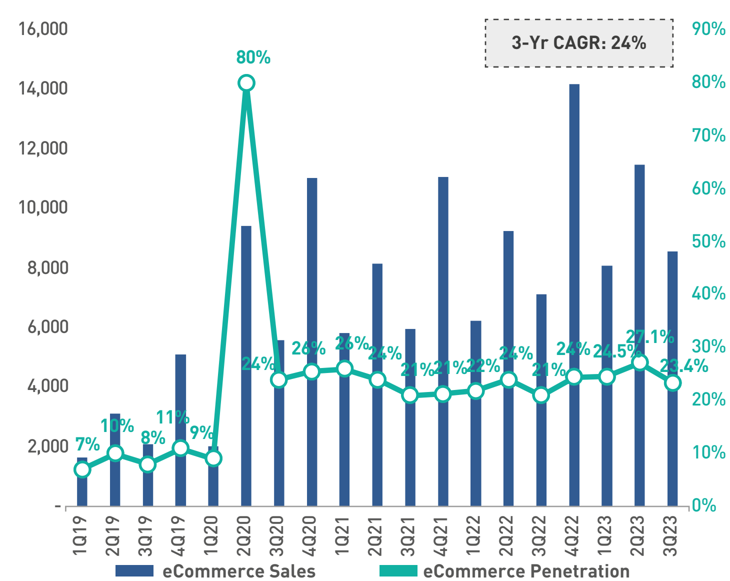
LIVEPOL's Strip-Down 2024

-MXN Million



***Investment in Nordstrom:** 15.8 million shares at US$14.8 per share (9.9% of total shares).

Sustained eCommerce Growth and Penetration



NEMAK

Market Cap: US$684 Million | PT: P$11 | Upside: +153.5%

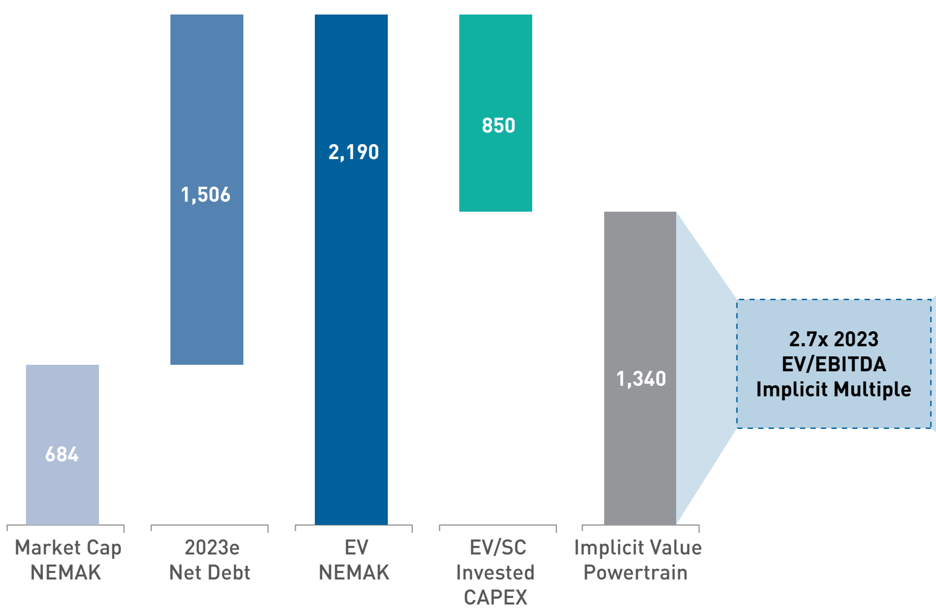
Last Price: P$4.3	5-Yr Return: -70%

Why NEMAK:

- At current prices, investors are getting the order book of the e-mobility, structure, and chassis (EV/SC) division—US$1.7 billion in annual revenues—for free. Besides, implicit valuations on its Powertrain business stand at 2.7x 2023 EV/EBITDA.
- Its engineering capabilities have positioned NEMAK as a partner for OEMs in their lightweighting and electrification efforts:
  - Global independent leader in die-cast aluminum for complex powertrain components.
  - World's largest independent producer of battery housings for PHEVs and e-motor components for BEVs.
  - Largest independent producer of battery housings for fully electric vehicles in North America.
- Strong FCF generation. Since 2015, its Powertrain business has allowed NEMAK to allocate a ~US$850 million CAPEX to the EV/SC business while paying ~US$645 million in dividends. Both amounts represent more than 200% of the current market cap.

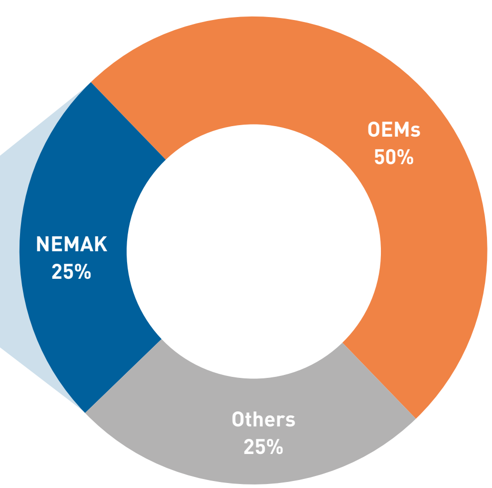
–USD Million	2023e	2024e	2025e
Revenues	5,025	5,330	5,577
EBITDA	580	632	685
Net Debt	1,506	1,489	1,339
FCF	-268	22	180
Dividend	0	0	20
EV/EBITDA	3.8x	3.4x	3.0x
P/BV	0.39x	0.37x	0.35x
Net Debt/EBITDA	2.6x	2.4x	2.0x

Strip-Down of the Powertrain Business
–USD Million



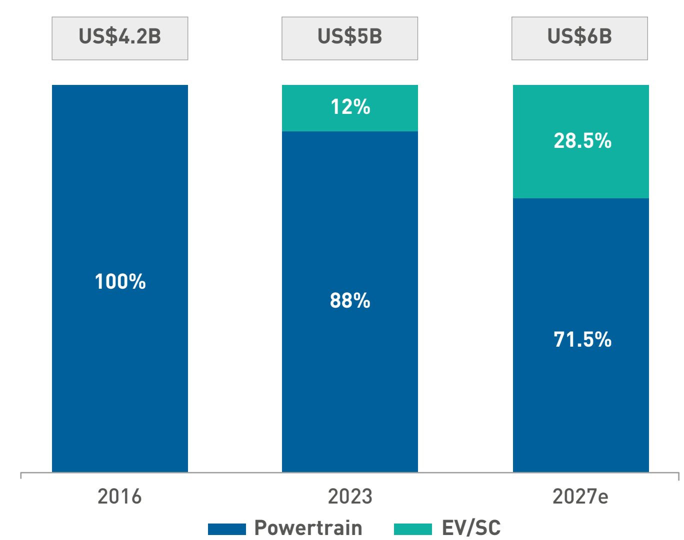
Leader in die-cast aluminum for powertrain
–Market Share

Global Footprint across 15 countries
More than 40 years of long-standing client relationships
Leading patented portfolio of casting technologies
Sole supplier in ~85% of sales



Moving ahead of the industry electrification
–% of NEMAK's Revenues

No value assigned to new contracts or its current US$1.7 billion order book—fully ramp-up by 2027.



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