GBM

3Q21 REPORTS SUMMARY

OCTOBER 29, 2021

GBM RESEARCH

GBM

GBM SAMPLE 3Q21 | OCTOBER 29, 2021

	Revenues							EBITDA						
	Official	Official	GBMe	Official	Delta vs. GBMe	Official	Delta vs. GBMe	Official	Official	GBMe	Official	Delta vs. GBMe	Official	Delta vs. GBMe
	3Q20	3Q21	YOY %	YOY %	▲%	YOY % vs. 2019	▲%	3Q20	3Q21	YOY %	YOY %	▲%	YOY % vs. 2019	▲%
GBM SAMPLE	1,348,906	1,486,386	9.3%	10.2%	0.9%	13.3%	1.0%	283,098	316,896	12.2%	11.9%	-0.3%	20.9%	-0.3%

3Q21 Status

- So far, all the 62 companies in our sample have reported their quarterly results, which represents 100% of our sample's market cap and 99.4% of the benchmark index (IPC)

3Q21 Performance

- Our sample's revenue show a 10.2% YOY growth vs. our 9.3% estimate. Delta of 0.9%
- 20 companies with sales >5% vs. our estimate; 5 firms with sales <5% vs. our estimate
- Our sample's EBITDA presents a 11.9% YOY increase vs. our 12.2% projection. Delta of -0.3%
- 17 companies with EBITDA >5% vs. our estimate; 13 firms with EBITDA <5% vs. our estimate

*The 2020 basis can change if companies restate their figures in 3Q21.

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		Revenues	EBITDA	Revenues	EBITDA	Revenues						EBITDA						EV/EBITDA
		Delta vs. GBMe		2019 Delta vs. GBMe		3Q21	YOY % vs. 2020			YOY % vs. 2019		3Q21	YOY % vs. 2020			YOY % vs. 2019		TTM Post
		▲%		▲%		Official	GBMe	Official	Organic	GBMe	Official	Official	GBMe	Official	Organic	GBMe	Official	
FOOD & BEVERAGES																		
Reported	**FOOD**																	
☑	BIMBO	1.7%	4.1%	1.9%	4.9%	88,182	1.2%	2.9%	2.9%	15.9%	17.8%	12,963	2.8%	6.9%	6.9%	21.3%	26.2%	7.4x
☑	GRUMA	-0.8%	-7.4%	-1.0%	-8.8%	23,903	2.7%	1.8%	1.8%	20.2%	19.2%	3,694	0.8%	-6.6%	-6.6%	20.8%	12.0%	8.0x
☑	HERDEZ	6.6%	4.9%	6.9%	4.3%	6,767	9.7%	16.3%	16.3%	14.6%	21.5%	886	-3.2%	1.6%	1.6%	-13.8%	-9.4%	10.1x
☑	BACHOCO	1.0%	-12.9%	1.2%	-15.7%	20,229	9.6%	10.6%	10.6%	30.9%	32.1%	1,127	-25.4%	-38.3%	-38.3%	-9.5%	-25.1%	2.9x
	CSD BOTTLERS																	
☑	AC	1.4%	0.9%	1.5%	1.0%	47,946	5.6%	7.0%	7.0%	11.5%	13.0%	9,198	5.5%	6.4%	-60.9%	13.6%	14.6%	8.6x
☑	KOF	-2.3%	-3.2%	-2.2%	-3.2%	48,316	5.6%	3.4%	6.9%	1.4%	-0.8%	9,320	-4.3%	-7.5%	2.1%	-4.3%	-7.4%	7.8x
	SPIRITS																	
☑	CUERVO	-1.6%	-0.8%	-2.4%	-1.9%	9,592	-6.3%	-7.9%	-7.9%	38.9%	36.6%	2,111	-34.3%	-35.0%	-35.0%	64.5%	62.6%	23.5x
RETAIL																		
	SELF SERVICE																	
☑	CHDRAUI	7.1%	24.7%	7.9%	30.1%	52,473	41.1%	48.2%	3.9%	56.6%	64.5%	3,835	32.1%	56.8%	14.8%	60.9%	91.0%	5.7x
☑	LACOMER	2.0%	5.1%	2.6%	7.5%	7,339	1.9%	3.9%	3.9%	30.4%	33.0%	758	0.2%	5.3%	5.3%	47.7%	55.2%	13.2x
☑	SORIANA	-2.1%	-6.9%	-2.1%	-8.3%	38,550	-0.6%	-2.7%	-2.7%	-0.2%	-2.3%	2,635	-0.7%	-7.7%	-7.7%	19.5%	11.2%	5.3x
☑	WALMEX	0.6%	-1.6%	0.7%	-1.6%	176,042	5.8%	6.4%	6.4%	12.9%	13.6%	19,541	8.6%	7.0%	7.0%	12.2%	10.5%	15.8x
	DEPARTMENT STORES																	
☑	GSANBOR	-1.9%	73.4%	-1.4%	19.5%	11,994	31.8%	29.9%	29.9%	1.5%	0.1%	898	62.0%	135.4%	135.4%	-57.1%	-37.6%	14.5x
☑	LIVEPOL	-0.1%	71.8%	-0.1%	16.8%	31,829	18.3%	18.3%	18.3%	5.6%	5.6%	5,232	354.8%	426.5%	426.5%	6.5%	23.3%	7.2x
	SPECIALIZED RETAIL																	
☑	ALSEA	5.3%	8.8%	3.6%	-9.4%	13,840	34.6%	39.9%	39.9%	-8.1%	-4.5%	3,144	40.4%	49.2%	49.2%	-14.7%	-9.4%	11.0x
☑	FEMSA	1.6%	2.1%	1.5%	4.0%	142,443	11.0%	12.6%	14.5%	7.7%	9.2%	20,572	7.3%	9.4%	20.0%	2.1%	4.0%	9.0x
☑	FRAGUA	12.6%	39.1%	15.6%	80.4%	22,253	4.0%	16.6%	16.6%	29.0%	44.6%	1,686	-3.4%	35.7%	35.7%	28.5%	80.4%	5.5x
	CONSUMER STAPLES																	
☑	KIMBER	0.5%	-1.9%	0.6%	-2.0%	11,343	1.7%	2.2%	2.2%	8.5%	9.1%	2,235	-19.6%	-21.4%	-21.4%	-13.3%	-15.3%	9.0x
☑	LAB	10.7%	-1.4%	11.2%	-1.6%	3,984	5.5%	16.2%	16.2%	10.3%	21.6%	819	7.9%	6.5%	6.5%	24.5%	22.9%	8.9x
TRANSPORTATION																		
	INFRASTRUCTURE																	
☑	GMXT	6.5%	7.0%	6.2%	6.8%	13,113	3.8%	10.4%	10.4%	-1.2%	5.1%	5,873	4.5%	11.5%	11.5%	2.3%	9.1%	8.9x
☑	PINFRA	3.3%	2.6%	2.7%	2.0%	3,190	28.3%	31.6%	31.6%	5.6%	8.4%	2,102	48.8%	51.3%	51.3%	13.7%	15.7%	8.1x
	PINFRA "L"																	4.4x
	AIRPORTS																	
☑	ASUR	-9.1%	-3.9%	-4.0%	-1.2%	4,304	163.2%	154.1%	154.1%	15.2%	11.2%	2,913	289.7%	285.8%	285.8%	18.9%	17.7%	15.7x
☑	GAP	8.8%	9.9%	4.9%	4.4%	4,354	112.1%	120.9%	120.9%	18.8%	23.8%	3,098	173.6%	183.5%	183.5%	22.4%	26.9%	16.0x
☑	OMA	0.9%	1.5%	0.4%	0.4%	1,960	136.8%	137.7%	137.7%	-0.2%	0.2%	1,473	239.9%	241.4%	241.4%	1.2%	1.6%	10.9x
HOUSING																		
☑	ARA	0.2%	21.8%	0.2%	10.9%	1,553	13.4%	14%	13.7%	-30.3%	-30.2%	248	21.1%	42.9%	42.9%	-39.6%	-28.8%	4.6x

Companies names are highlighted based on:

Companies above our EBITDA estimate by more than 5%

Companies below our EBITDA estimate by more than 5%

Reported		Revenues Delta vs. GBMe ▲%	EBITDA Delta vs. GBMe ▲%	Revenues 2019 Delta vs. GBMe ▲%	EBITDA 2019 Delta vs. GBMe ▲%	Revenues 3Q21 Official	Revenues YOY % vs. 2020 GBMe	Revenues YOY % vs. 2020 Official	Revenues YOY % vs. 2020 Organic	Revenues YOY % vs. 2019 GBMe	Revenues YOY % vs. 2019 Official	EBITDA 3Q21 Official	EBITDA YOY % vs. 2020 GBMe	EBITDA YOY % vs. 2020 Official	EBITDA YOY % vs. 2020 Organic	EBITDA YOY % vs. 2019 GBMe	EBITDA YOY % vs. 2019 Official	EV/EBITDA TTM Post
BASIC MATERIALS																		
	METALS & MINING																	
☑	GMEXICO (USD)	-10.9%	-10.0%	-11.0%	-12.0%	3,652	39.7%	28.9%	28.9%	41.8%	30.7%	2,181	56.1%	46.1%	46.1%	86.7%	74.7%	4.7x
☑	ICH	-36.4%	-80.0%	-42.3%	-122.7%	15,916	87.7%	51.2%	51.2%	118.0%	75.7%	4,575	207.5%	127.6%	127.6%	371.8%	249.1%	5.3x
☑	AUTLAN (USD)	18.3%	71.1%	12.7%	49.6%	125	39.2%	57.5%	57.5%	-3.7%	8.9%	38	40.5%	111.6%	111.6%	-1.9%	47.7%	5.8x
☑	PEÑOLES (USD)	13.7%	-19.0%	15.3%	-32.9%	1,431	2.4%	16.2%	16.2%	14.3%	29.6%	345	-7.1%	-26.0%	-26.0%	61.0%	28.2%	3.6x
	PETROCHEMICALS																	
☑	ALPEK	16.7%	7.0%	16.6%	7.4%	41,652	25.4%	42.1%	42.1%	24.3%	40.9%	5,581	34.11%	41.1%	41.1%	41.7%	49.1%	3.8x
☑	CYDSASA	-3.9%	7.7%	-4.0%	7.6%	2,807	2.2%	-1.7%	-1.7%	5.6%	1.5%	717	-0.5%	7.2%	7.2%	-1.7%	6.0%	3.8x
☑	ORBIA (USD)	1.7%	12.4%	1.6%	11.7%	2,287	37.9%	39.6%	39.6%	29.4%	30.9%	532	34.6%	47.0%	47.0%	27.9%	39.7%	5.8x
	WATER & SOLUTIONS																	
☑	AGUA	4.5%	-6.4%	5.3%	-7.3%	2,870	16.9%	21.4%	21.4%	38.0%	43.4%	364	-10.9%	-17.3%	-17.3%	1.0%	-6.3%	8.5x
CAPITAL GOODS																		
	CONGLOMERATES																	
☑	ALFA	5.3%	-0.2%	5.4%	-0.2%	79,552	12.5%	17.7%	17.7%	16.7%	22.1%	9,679	0.1%	0.0%	12.3%	23.6%	23.3%	4.9x
☑	GCARSO	1.8%	6.2%	1.7%	6.6%	30,158	20.1%	21.9%	21.9%	15.3%	17.0%	4,060	-9.7%	-3.5%	33.5%	-3.5%	3.2%	9.8x
☑	KUO	8.6%	41.1%	9.4%	41.4%	15,531	22.5%	31.2%	31.2%	33.8%	43.2%	2,153	10.6%	51.7%	51.7%	11.3%	52.7%	5.0x
	GLASS MANUFACTURER																	
☑	VITRO (USD)	6.3%	-5.8%	5.4%	-4.8%	491	-3.2%	3.2%	3.2%	-16.8%	-11.4%	53	-25.3%	-31.2%	-31.2%	-38.2%	-43.0%	5.1x
	AUTO PARTS																	
☑	NEMAK	-5.1%	-8.1%	-5.4%	-14.8%	17,217	-7.8%	-12.9%	-12.9%	-2.6%	-7.9%	2,231	-34.8%	-42.9%	-42.9%	19.1%	4.3%	3.7x
☑	GISSA (USD)	-	-26.0%	0.0%	-29.7%	248	21.1%	21.1%	21.1%	15.0%	15.0%	23	-14.1%	-40.1%	-40.1%	-1.7%	-31.4%	4.9x
BUILDING MATERIALS																		
	CEMENT																	
☑	CEMEX (USD)	-0.3%	-6.1%	-0.3%	-6.7%	3,769	10.4%	10.1%	10.1%	11.9%	11.6%	740	7.9%	1.8%	1.8%	19.7%	13.0%	7.1x
☑	GCC (USD)	5.0%	3.2%	4.7%	3.3%	315	7.2%	12.2%	12.2%	-0.1%	4.6%	110	7.1%	10.3%	10.3%	11.0%	14.3%	7.2x
☑	CMOCTEZ	-7.7%	-9.2%	-9.1%	-12.8%	3,850	10.3%	2.5%	2.5%	30.4%	21.3%	1,679	5.3%	-3.9%	-3.9%	45.9%	33.1%	7.4x
☑	LAMOSA	6.9%	7.5%	8.3%	11.0%	6,933	15.9%	22.8%	16.6%	37.9%	46.1%	1,899	28.8%	36.2%	31.2%	89.3%	100.3%	5.0x
☑	CERAMIC	2.4%	1.5%	2.6%	1.8%	3,126	5.3%	7.7%	7.7%	12.9%	15.5%	503	-7.6%	-6.2%	-6.2%	10.0%	11.8%	6.2x
MEDIA & TELECOM																		
☑	AMX	0.3%	3.1%	0.3%	3.4%	253,375	-3.0%	-2.6%	-2.6%	1.6%	2.0%	87,590	-1.8%	1.3%	1.3%	8.2%	11.6%	5.5x
☑	AXTEL	-4.0%	-6.3%	-4.0%	-6.5%	2,759	-6.8%	-10.8%	-10.8%	-7.1%	-11.1%	912	-9.1%	-15.4%	-15.4%	-7.3%	-13.7%	6.1x
☑	MEGA	0.4%	1.9%	0.4%	2.1%	6,145	8.9%	9.3%	9.3%	13.3%	13.7%	3,027	6.2%	8.0%	8.0%	18.8%	20.9%	5.0x
☑	TLEVISA	3.6%	0.5%	3.4%	0.5%	26,128	5.5%	9.1%	9.1%	-2.0%	1.3%	10,179	2.7%	3.1%	3.1%	2.2%	2.6%	6.8x
FORESTRY																		
☑	TEAK	16.5%	340.6%	16.6%	296.6%	552	39.9%	56.4%	66.1%	41.3%	58.0%	127	623.3%	963.9%	963.9%	529.8%	826.4%	35.5x

Companies names are highlighted based on:

- Companies above our EBITDA estimate by more than 5%
- Companies below our EBITDA estimate by more than 5%

	Net Interest Income	Provisions	Net Interest Income	Provisions	Net Earned Premiums						Underwriting Result						P/BV
	Delta vs. GBMe				3Q21	YOY % vs. 2020			YOY % vs. 2019		3Q21	YOY % vs. 2020			YOY % vs. 2019		TTM Post
	▲%				Official	GBMe	Official	Organic	GBMe	Official	Official	GBMe	Official	Organic	GBMe	Official	
INSURANCE																	
Reported																	
☑ QUALITAS	-0.2%	-0.6%	-0.2%	-0.9%	9,087	0.0%	-0.2%	-0.2%	4.2%	3.9%	569	-67.2%	-67.8%	-67.8%	-48.2%	-49.1%	2.3x

	Net Interest Income	Provisions	Net Interest Income	Provisions	Net Interest Income						Provisions for Loan Losses						P/BV
	Delta vs. GBMe				3Q21	YOY % vs. 2020			YOY % vs. 2019		3Q21	YOY % vs. 2020			YOY % vs. 2019		TTM Post
	▲%				Official	GBMe	Official	Organic	GBMe	Official	Official	GBMe	Official	Organic	GBMe	Official	
BANKS																	
☑ GENTERA	4.0%	0.7%	2.7%	2.8%	5,101	42.5%	46.5%	46.5%	-5.5%	-2.8%	909	-74.2%	-73.5%	-73.5%	7.0%	9.8%	1.0x
☑ GFNORTE	0.0%	-2.6%	0.0%	-2.0%	19,924	-3.3%	-3.3%	-3.3%	-0.9%	-0.9%	2,653	-12.9%	-15.5%	-15.5%	-33.0%	-35.0%	1.7x
☑ REGIONAL	1.8%	-4.9%	1.7%	-9.9%	1,887	2.0%	3.8%	3.8%	-6.7%	-5.0%	238	-3.5%	-8.5%	-8.5%	92.8%	83.0%	1.6x
☑ BBAJIO	5.1%	-5.8%	4.2%	-21.5%	2,853	3.4%	8.4%	8.4%	-13.4%	-9.1%	361	-50.9%	-56.7%	-56.7%	80.6%	59.1%	1.3x
☑ BSMX	-1.6%	2.0%	-1.5%	2.0%	15,648	-1.1%	-2.7%	-2.7%	-4.1%	-5.7%	4,385	-6.5%	-4.6%	-4.6%	-4.1%	-2.1%	1.0x
☑ GFINBUR	8.1%	11.5%	5.6%	13.0%	5,997	-10.7%	-2.7%	-2.7%	-37.7%	-32.0%	939	-71.5%	-60.0%	-60.0%	-67.6%	-54.5%	0.8x
NBFIs																	
☑ CREAL	11.4%	-10.1%	9.2%	-14.0%	1,629	3.7%	15.1%	15.1%	-16.4%	-7.2%	550	19.1%	9.0%	9.0%	65.1%	51.1%	0.2x
☑ FINDEP	8.6%	17.1%	7.4%	17.3%	969	-11.2%	-2.6%	-2.6%	-23.6%	-16.1%	233	-56.4%	-39.3%	-39.3%	-56.0%	-38.7%	0.6x

	Revenues	EBITDA	Revenues	EBITDA	Revenues						EBITDA						EBITDA Cap Rate
	Delta vs. GBMe				3Q21	YOY % vs. 2020			YOY % vs. 2019		3Q21	YOY % vs. 2020			YOY % vs. 2019		TTM Post
	▲%				Official	GBMe	Official	Organic	GBMe	Official	Official	GBMe	Official	Organic	GBMe	Official	
REAL ESTATE																	
☑ FIBRAMQ	0.9%	1.2%	1.0%	1.2%	1,001	-5.2%	-4.2%	-4.2%	1.2%	2.2%	812	-4.7%	-3.5%	-3.5%	-1.8%	-0.5%	9.5%
☑ FIBRAPL	2.9%	4.0%	3.8%	6.0%	1,221	-4.1%	-1.2%	-2.0%	25.7%	29.4%	924	-15.9%	-11.9%	-12.6%	26.4%	32.4%	6.4%
☑ FUNO	4.2%	3.4%	4.0%	3.1%	5,396	14.8%	19.0%	19.0%	9.4%	13.5%	4,061	25.8%	29.1%	29.1%	13.2%	16.3%	7.4%
☑ TERRA	0.4%	1.3%	0.5%	1.5%	968	-14.9%	-14.5%	-14.5%	-1.9%	-1.5%	803	-17.4%	-16.0%	-16.0%	-4.7%	-3.2%	7.8%
☑ VESTA (USD)	2.2%	1.3%	2.3%	1.4%	41	7.3%	9.4%	9.4%	12.2%	14.5%	34	5.8%	7.1%	7.1%	12.4%	13.8%	7.2%

*For VESTA, AFFO actually represents pre-tax FFO.
*Companies highlighted in green beat our EBITDA estimate by more than 5%, while those in red missed our estimates by more than 5%.

Companies names are highlighted based on:

Companies above our EBITDA estimate by more than 5%
Companies below our EBITDA estimate by more than 5%

3Q21 REPORTS SUMMARY

FORMAL AND INFORMAL COVERAGE

FOOD & BEVERAGE

AC 3Q21

POSITIVE | SLIGHTLY ABOVE EXPECTATIONS

Rating: Performer
Price Target: P$127

Volumes stood above pre-pandemic levels, while profitability showed a mild contraction.

Revenue: P$47,946 (+7.0% vs. +5.6%e)
EBITDA: P$9,198 (+6.4% vs. +5.5%e)
Net Income: P$3,381 (+23.2% vs. +24.5%e)
FCF: P$4,427; P$12,816 YTD
EV/EBITDA Maj. TTM: 8.6x
CAPEX: P$2,575 (+94.2% YOY); P$6,618 YTD (+63.5% YOY)
Maj. Net Debt/EBITDA: 0.6x
Net Debt: P$21,897. Maj. Net Debt P$18,194

Consolidated volumes rose by 7.1% YOY and came in slightly above 3Q19 (+1.2%).

The EBITDA margin showed a mild contraction of 10 bps. YOY, as pressures in the US and South America offset the good performance in Mexico.

Sound FCF generation despite a YOY surge in CAPEX

3Q21 Highlights

- In Mexico, a 2.6% YOY volume increase (-1.7% vs. 3Q19) and sound pricing actions explained a 10% growth in sales.
- In the US, volumes increased by 4.3% YOY, which coupled with pricing above inflation but negative FX translation resulted in flat sales.
- South America had a significant volume recovery (+24% YOY), mainly driven by Argentina and Peru (+15.5% YOY in sales after negative FX translation).
- Despite the tough comparison base, the EBITDA margin in Mexico managed to expand by 60 bps. YOY, aided by pricing actions.
- Margin contractions in the US (-160 bps. YOY) were explained by the tough comps, SG&A normalization, and higher labor costs.
- After the negative contribution from South America (-60 bps. YOY), consolidated EBITDA margin landed at 19.2% (19.3% expected), in line with the company's pledge to preserve margins.

GBM Investment Thesis

For the rest of the year, we anticipate a positive volume performance, slightly above pre-pandemic levels, on the back of the rebound in the on-premise channel. Moreover, despite facing a difficult comparison base and a dismal input pricing environment, the company's good hedge positions and pricing strategy has been able to offset those pressures and is set to end the year with margin expansions YOY.

KOF 3Q21

NEUTRAL | BELOW EXPECTATIONS

Rating: Outperformer
Price Target: P$120

Volumes in Mexico disappointed, but South America showed a strong performance.

Revenues: P$48,316 (+3.4% vs. +5.6%e)
EBITDA: P$9,320 (-7.5% vs. -4.3%e)
Net Income: P$3,419 (+38.8% vs. +40.1%e)
TTM EV/EBITDA: 7.7x
FCF: P$2,558| P$13,613 YTD
CAPEX: P$3,907 (+63%) | P$8,224 YTD (+31.3%)
Net Debt: P$36,663 **Net Debt/EBITDA:** 1.0x

Consolidated volumes increased by 5.8% YOY (+1.9% vs. 3Q19).

Strong pricing actions were blurred by a negative FX translation.

Profitability setbacks were driven by the normalization of SG&As, higher concentrate costs in Mexico, and a difficult comparison base.

3Q21 Highlights

- In Mexico, sales increased by 7% YOY, thanks to pricing actions, as volumes remained flat YOY (-7% vs. 3Q19). Meanwhile, sales and volumes in Central America had a sound performance.
- Strong volume recovery in South America (+11.7% YOY), with volume growth in all countries YOY and vs. 3Q19. However, despite pricing initiatives, the region's sales declined by 1.9% YOY, due to the negative FX translation, an extraordinary benefit related to reclaimed taxes in Brazil during 3Q20, and the reduction in beer revenues after the transition of the beer portfolio.
- In Mexico, the EBITDA margin landed at 21.1% (-190 bps. YOY), hampered by the increase in concentrate prices and the normalization of SG&As.
- South America suffered a major contraction in profitability, attributed to sugar and freight cost inflation, depreciation of local currencies, the referred reclaimed taxes in 3Q20, and higher SG&As. However, all the latter was partially offset by the resumption of tax credits on concentrate purchases in the Manaus Free Trade Zone.
- Consolidated EBITDA margin eroded by 230 bps. YOY to 19.3%. We estimate that, on a comparable basis, EBITDA margin contracted by 70 bps. YOY.
- The company generated P$2.7 billion in FCF after working capital losses and a higher CAPEX.

GBM Investment Thesis

We expect KOF to keep posting positive top-line results during the rest of this year. Meanwhile, excluding extraordinary items, YTD margins are slightly below 2020 levels—within the range of the company's guidance, considering a difficult comparison base. Moreover, we still see room for improvements, especially in Brazil, where volumes are regaining momentum and tax credits (IPI) were reintroduced, all of which should start translating into better profitability and cash generation. Meanwhile, the restructure of the contract with Heineken in Brazil seems positive, as the market was already discounting the loss of all beer volumes by 2022.

Conference Call Information

Thursday, October 28 @ 9:30 AM EST, 8:30 AM CST
Participants in the US: +1 800 367 2403 **| International:** +1 334 777 6978
Passcode: 3331266 **| WEBCAST**

BACHOCO 3Q21

NEGATIVE | BELOW EXPECTATIONS

Rating: Outperformer
Price Target: P$127

A sequential fall in chicken prices harmed profitability.

Revenues: P$20,229 (10.6%% vs. 9.6%e)
EBITDA: P$1,127.4 (-38.3% vs. -25.4%e)
Net Income: P$843.8 (1.9% vs 29.8%e)
FCF: -P$1,618, P$1,357 YTD
CAPEX: P$930 (+41.9%); P$2,234 YTD (+34.1%)
EV/EBITDA TTM: 3.1x
Net Debt: -P$17,701 (40% of mkt cap); **Net Debt/EBITDA** -2.0x

Chicken prices in Mexico remained up YOY but had a significant decrease QOQ.

Grain price inflation put significant pressure on profitability.

Net cash stood at P$17.7 billion (40% of market cap) after FCF burn.

3Q21 Highlights

- Chicken prices in Mexico have returned to a more normalized seasonality cycle.
- In Mexico, the Chicken division posted a 13.1% YOY revenue increase attributed to a 3.7% YOY volume growth and higher prices. Meanwhile, the Others division contributed with a 19.2% YOY hike in sales.
- In the US, better chicken prices were slightly offset by a 3.9% decrease in volumes, prompting sales to climb by 11% YOY in USD terms.
- COGS rose by 16.6% YOY due to higher raw material prices, which induced an EBITDA margin contraction of 440 bps. YOY to 5.6% (9M21 EBITDA Mg. of 10.7%)
- The company burned P$1.6 billion in FCF due to the weak operating results, WK losses, and higher CAPEX.

GBM Investment Thesis

We still expect profitability pressures for 4Q21, on account of the tough comparison base and grain price inflation. That said, the FY2021 EBITDA margin could land slightly below our 10.7% estimate (+250 bps. YOY), due to the disappointing 3Q21 results. Moreover, as uncertainty around 2022 prevails, we project flat sales YOY and a normalized EBITDA margin.

We still believe BACHOCO is a cash-generating asset with an enviable financial position and a strong pricing power due to its dominance in the Mexican chicken market. What's more, it is trading at valuations that imply overly pessimistic scenarios in perpetuity, difficult to materialize.

Conference Call Information

Monday, October 25 @ 4:00 PM EST, 3:00 CST.
Participants in the US: 1 (888) 771-4371; **Mexico:** 001 866 779 0965
Confirmation code: 50236531

BIMBO 3Q21

POSITIVE | ABOVE EXPECTATIONS

Rating: Outperformer
Price Target: P$51

Sales and EBITDA hit all-time highs for any third quarter.

Revenues: P$88,182 (+2.9% vs. +1.1%e)
EBITDA: P$12,963 (+6.9% vs. +2.9%e)
Net Income: P$4,031 (+11.9 vs. +17.5%e)
FCF: P$392; YTD P$7,866
CAPEX: P$9,068 (+218% YOY); P$18,930 YTD (+69.1%)
EV/EBITDA TTM: 7.4x
Net Debt: P$108,976; **Net Debt/EBITDA:** 2.2x

Top line advanced by 2.9%, driven by sound volume growth and pricing actions across all regions (Sales +9.8% on a currency-neutral basis).

Despite the tough comparison base, the consolidated EBITDA margin managed to expand by 60 bps. to 14.7% (above our 14.4% estimate).

The company generated only P$400 million in FCF due to the higher CAPEX for acquisitions.

3Q21 Highlights

- In North America, sales declined YOY due to FX pressures (+5.5% in USD).
- Strong top line in Mexico (+16.4% YOY), attributed to volume growth, product mix, and pricing coupled with a recovery in the channels affected by the pandemic.
- EAA and Latin America contributed with YOY sales increases in the mid-teens in local currency.
- The EBITDA margin in North America squeezed by 110 bps. YOY, due to higher raw material and labor costs as well as shortages across its supply chain.
- The EBITDA margin in Mexico presented a sound expansion (+110 bps. YOY), thanks to the strong sales performance and productivity across the distribution network.
- Both EAA and Latin America delivered strong EBITDA margin gains.
- BIMBO completed three acquisitions: Kitty Bread, in India; Aryzta's QSR business in Brazil, and Popcornopolis in the U.S. (none of them are material to consolidated figures).

2022 Guidance

- **Sales:** mid-single-digit growth
- **Adjusted EBITDA:** mid-to-high single-digit growth
- **CAPEX:** ~ US$900 million
- **Tax rate:** mid 30%

GBM Investment Thesis

Another upbeat quarter for the company, as it continues to benefit from pricing actions, sound volumes, and SG&A efficiencies. Moreover, while we might see some pressures coming from commodity prices and labor costs during the next quarter in North America, BIMBO is on track to reach its full-year guidance of low single-digit sales growth and a high single-digit hike in EBITDA. Moreover, BIMBO shared its 2022 guidance, which, to us, is very positive news, given that 2021 has been an outstanding year for the company.

BAFAR 3Q21

POSITIVE

Mixed results, with strong top line but profitability setbacks

Revenue: P$5,027 (+27%)
EBITDA: P$619 (+14.5%)
Net income: P$131 (-62.6%)
FCF: -P$498, -P$1,365 YTD
CAPEX: P$892 (+248% YOY); P$2,218 (+169%)
EV/EBITDA Maj. TTM: 9.8x
Net Debt: P$9,342; **Net Debt/EBITDA:** 3.1x

3Q21 Highlights:

- Sales growth was explained by a 9.5% YOY volume increase and better price/mix.
- EBITDA margin contracted by 130 bps. to 12.3%, affected by input cost pressures.
- Excluding FNOVA, EBITDA soared by 15.6% YOY (EBITDA mg. ex. FNOVA 9.7%).
- Net income declined due to an uneasy YOY comp (FX gain of P$133 million in 3Q20) and an FX loss of P$174 million in 3Q21.
- FCF burn was attributed to higher CAPEX needs.
- On September 17, 2021, a dividend of 6.8 million stock certificates issued by real estate trust FNOVA was paid at an exchange ratio of 0.02 FNOVA certificates per each ordinary BAFAR 'B' Series share held.

GRUMA 3Q21

NEGATIVE | BELOW EXPECTATIONS

Rating: Outperformer
Price Target: P$343

Despite the strong pricing actions, cost pressures harmed profitability.

Revenues: P$23,903 (+1.8% vs. +2.7%e | +19.2% vs. +20.2%e vs. 3Q19)
EBITDA: P$3,694 (-6.6% vs. +0.8%e | +12% vs. +20.8%e vs. 3Q19)
Net Income: P$1,478 (-10.2% vs. +3.6%e | +13.3% vs. +31.1%e vs. 3Q19)
EV/EBITDA TTM: 7.4x
FCF: P$96; P$4,886 YTD
CAPEX: P$2,224 (+94.3% YOY); P$4,394 YTD (+87.5% YOY)
Net Debt: P$23,071; **Net Debt/EBITDA:** 1.6x

Strong pricing actions in Mexico (+15% YOY)

Profitability pressures overall, due to high grain costs

The company mentioned they introduced pricing actions in the US corn flour business by the middle of the quarter, and also raised US tortilla prices at the beginning of 4Q21.

3Q21 Highlights

- Strong growth in corn flour volumes in the US (+10.3% YOY), as the economy continues to reopen. Meanwhile, tortilla volumes remained flat YOY due to a tough comparison base.
- Volumes in Mexico decreased by 2% YOY, but they are expected to improve in 4Q21 as clients experience an inventory turnover.
- Higher profitability pressures than anticipated in the US were attributed to an increase in grain and other raw material prices as well as labor costs.
- The cost of sales in Mexico soared by 18% YOY, as the strong pricing actions couldn't offset the heavy pressures from grain costs.
- Mild FCF generation due to a surge in CAPEX and weaker operating results.

GBM Investment Thesis

A complicated 3Q21 confirmed that full-year figures will end below the company's guidance and our estimates. However, GRUMA is showing its strong pricing power amid an environment of more expensive commodities, and while price adjustments have not been enough to counter the pressures right away, we believe they will do so in the long run.

Conference Call Information

Thursday, October 21 @ 11:30 PM EST, 10:30 AM CST
Participants in the US: +1 (877) 407 0784 | **International:** +1 (201) 689 8560

MINSA 3Q21

NEGATIVE

Strong pricing was not enough to offset cost pressures.

Revenues: P$1,462 (+16.9%)
Operating Income: P$16 (-70.7% YOY); **Op. Margin:** 1.1% (-330 bps. YOY)
EBITDA: P$84 (-9.5%)
Net Income: P$39 (+7.4%)
EV/EBITDA TTM: 10.8x
FCF: -P$159; -P$55 YTD
Net Debt: P$666; **Net Debt/EBITDA:** 1.8x

- Top line reported sound growth, on account of pricing actions and a mild volume increase (+0.7% YOY).
- Important pressures on COGS came from grain prices.
- EBITDA Mg.: 5.7% (-170 bps. YOY).
- EBITDA was aided by higher depreciation and amortization.
- Net income soared, driven by a P$27 million benefit from discontinued operations.

MASECA vs. MINSA

- Volumes -2% vs. +0.7%
- Revenues +12.6% vs. +16.9%
- COGS as % of sales 74.3% (+320 bps.) vs. 79.2% (+340 bps.)
- SG&As as % of sales 16.5% (-140 bps.) vs. 19.7% (+30 bps.)
- EBITDA Mg. 15.6% (-70 bps.) vs. 5.7% (-170 bps.)

CUERVO 3Q21

NEGATIVE | IN LINE WITH EXPECTATIONS

Rating: Performer
Price target: P$48

Tough comps in the US shadowed Mexico and RoW results.

Revenues: P$9,592 (-7.9% vs. -6.3%e)
EBITDA: P$2,111 (-35% vs. -34.3%e)
Net Income: P$1,324 (-36.5% vs. -30.6%e)
EV/EBITDA TTM: 23.5x
CAPEX: P$557 (-40.4%); P$4,605 YTD (+10.4%)
FCF: -P$119; -P$1,826 YTD
Net Debt: P$8,444; **Net Debt/EBITDA:** 1.2x

Consolidated volumes fell by 2% YOY.

EBITDA margin contracted due to the normalization of AMP and SG&A expenses.

The solid performance in Mexico and RoW was offset by the US results.

3Q21 Highlights

- Tough comps and supply chain disruptions led pushed U.S. volumes down by 18.6% YOY. The latter, coupled with negative FX translation, led sales to contract by 24.6% YOY in this region.
- A sharp revenue increase of 33.3% YOY in Mexico was boosted by a 23.2% YOY volume growth aided by the reopening of the on-premise channel and the good performance of premium tequila brands.
- In RoW, sales rose by 39.5% YOY, driven by a 49.8% YOY expansion in volumes, driven by the recovery of the on-premise channel in various countries.
- EBITDA margin eroded by 920 bps. to 22%, on the back of more normalized advertising, marketing, and promotion (AMP) outlays, higher distribution expenses, and FX headwinds.
- Net income fell on a YOY basis, hampered by the weakness in operating results.
- The quarter's FCF burn was explained by higher WK needs.

GBM Investment Thesis

Volume growth is starting to normalize in the United States; however, a good portion of the volumes gained due to the pandemic seems to be here to stay. For 4Q21, while the on-premise channel may keep improving, tougher comps will be seen because of the remarkable figures posted last year. Furthermore, while the stabilization in agave prices is great news and should give a respite to gross margin, the catch-up in AMPs for the rest of the year may hamper profitability in the short run. That said, we reiterate our Market Performer rating and 2021 price target of P$48, as we believe that growth prospects and long-term fundamentals are already priced in at current levels.

Conference Call Information

Friday, October 29 @ 10:00 AM EST, 9:00 CST.
Participants in the US: 1-877-407-0792**; Mexico:** 01 800 522 0034; **International:** 1-201-689-8263
Passcode: 13724131
WEBCAST

HERDEZ 3Q21

NEUTRAL | ABOVE EXPECTATIONS

Rating: Outperformer
Price Target: P$55

A strong sales growth was not enough to preserve margins.

Revenues: P$6,767 (+16.3% vs. +9.7%e); Maj. P$4,715 (+12.6%)
EBITDA: P$886 (+1.6% vs. -3.2%e); **Maj. EBITDA:** P$542 (+13.4%)
Net Income: P$146 (+143.5% vs. +17.8%e)
FCF: P$350; P$1,066 YTD
CAPEX: P$136 (+112.5% YOY); P$395 YTD (+70%)
EV/EBITDA TTM Maj. Adj.: 9.8x
Net Debt: P$7,724; Maj.: P$8,523; **Net Debt/EBITDA: 2.1x; Maj.:** 3.9x

Strong pricing actions boosted top line.

The turnaround in the profitability of the Impulse division (previously Frozen) is taking longer than anticipated, as the EBITDA margin decreased sequentially.

Megamex delivered positive results.

3Q21 Highlights:

- On a comparable basis, (which excludes Nair tuna, fresh tuna, and Ocean Spray in 3Q20 figures and includes the new distribution agreement with General Mills), consolidated sales would have increased by 15.1%.
- Despite facing tough comps due to a higher at-home consumption, the sales of Preserves climbed by 15.6% YOY on strong pricing actions.
- Impulse segment revenues were slightly higher than in 3Q19.
- Export sales stayed flat, on account of a negative FX translation.
- Megamex's sales in local currency rose by 2.7%, bolstered by the modern and institutional channels, while EBITDA margin showed good improvement.
- Consolidated EBITDA margin landed at 13.1% (-190 bps.), mainly hampered by higher input costs and a tough comparison base in the Preserves segment.
- Majority net income soared by 143%, boosted by a combination of better operating results, lower NFCs, a lower tax rate, and a better performance in Megamex.

GBM Investment Thesis

While sales in the Impulse division are back to pre-pandemic levels, the recovery in profitability is still way behind and taking longer than expected. Meanwhile, uneasy comps in Preserves and raw material cost pressures may give way to a challenging 4Q21. Yet, it may prove resilient thanks to pricing actions.

We believe it is worth monitoring the stock at the current levels (9.8x EV/EBITDA Maj.), given that Impulse is contributing with negative EBITDA, which we deem unsustainable, as the division could show more normalized profitability levels by 2H22.

Conference Call Information

October 22, 2021. 11:00 am (CT) | 12:00 am (ET)
Dial-in US: +1 (855) 327 6837
International: +1 (631) 891 4304
Confirmation Code: 10016583
Webcast: LINK

FEMSA 3Q21

POSITIVE | ABOVE EXPECTATIONS

Rating: Outperformer
Price Target: P$310

The Proximity division is still on a path of sustained recovery.

Revenues: P$142,443 (+12.6% vs. +11%e), Organic (+11.1% vs. +11.4%e)

EBITDA: P$20,572 (+9.4% vs. +7.3%e). **Adj. EBITDA:** P$21,350 (+13.5%)

Net Income: P$14,114 (4.4x vs. +89.7%).

Maj. EV/EBITDA: 9x

Net Debt: P$123,582; **Net Debt/EBITDA:** 1.6x; **Maj. Net Debt:** P$104,224; **Maj. Net Debt/ EBITDA:** 1.8x

FCF: P$8,643; **YTD:** P$27,940

CAPEX: P$6,713 (38% YOY); **YTD:** P$15,254 (+4.9%)

Sales: OXXO +12% (SSS +9.7%); Health +8.2% (SSS +4.2%); Gas +20.5% (SSS +16.7%); KOF +3.4%

Consolidated EBITDA Mg: 14.4% (-50 bps.).

EBITDA Mg: OXXO 14.8% (+320 bps.); Health 10.2% (-70 bps.); Gas 6.3% (+10 bps.); KOF 19.3% (-230 bps.); KOF Pro forma 20.9% (-70 bps); Logistics 10.7%.

3Q21 Highlights

- The recovery of OXXO's same-store sales (SSS) eased sequentially—albeit store traffic continued to improve. YTD openings reached 431 (163 in the quarter).
- Proximity's EBITDA soared by 42% YOY, above our call, driven by a 180-bp. gross margin expansion, signaling a recovery of services.
- The Health division's positive figures were attributed to the good performance in Mexico, Chile, and Colombia, which more than offset the negative FX effect.
- KOF's 230-bp. EBITDA margin erosion (explained by tax credit spreads in Brazil) hurt FEMSA's consolidated EBITDA.
- Pro forma EBITDA, however, grew 13.5% to P$21.4 billion, mirroring Proximity's sharp EBITDA uptick.
- A FCF generation of P$8.7 billion bested our P$2.3 billion call. CAPEX has started to reignite and is up 4.9% YTD.
- As previously announced, Eduardo Padilla, current CEO of FEMSA, will retire in January 2022. Daniel Rodríguez, current CEO of FEMCO, will succeed him.

GBM Investment Thesis

Figures bested our estimates, supported by a better-than-expected recovery. FEMSA showed a better performance on a sequential basis after facing a difficult environment in the first months of the year due to mobility restrictions. We recently published an extensive document on FEMSA, where we introduced our 2022 price target of P$310 per share (80% upside) and reiterated our Market Outperformer rating, as we believe the market is overlooking the company's ability to execute, grow and compound above-average return.

Conference Call Information

Friday, October 29 @ 10:00 AM EST, 9:00 CST.
Participants in the US: (800) 263 0877; **International:** +1 (646) 828 8143
Passcode: 1173151
WEBCAST

GBM

CULTIBA 3Q21

NEUTRAL

Maj Sales: P$6,394 (+7.9%)
Maj. EBITDA: P$571 (-31.1%) | Maj. EBITDA Mg. 8.9% (-510 bps)
GEPP Sales: +11.2%; Vols. -0.4%; EBITDA +6.1% (Mg: 13.8%, -60 bps.).
GAM+Holding+Benito Juarez: Sales -2.8%, EBITDA –P$126
Net Income: P$70 (-78.9%)
FCF Generation and FX Impact

- GEPP: P$1,288M (FX: -P$69M)
- GAM: P$148M (FX: -P$48M)
- Benito Juarez: P$252M (FX: -P$24M)
- Holding -P$152M (FX: +P$14M)
- Proforma: P$634M (FX: -P$73M)

Maj. EV/EBITDA: 2.7x
Net Debt Maj.: P$1,526; **Maj. Net Debt/EBITDA:** 0.5x

- Volumes remained flattish due to weather conditions and mobility restrictions. (AC MX: +2.6%; KOF MX: +0.3%; GEPP: -0.4%).
- Strong pricing in the Beverage business to mitigate cost pressures.
- Weak profitability performance in the Sugar business.
- Net income decreased on weaker operating results and FX losses.
- Sound FCF generation.

CONSUMER GOODS

KIMBER 3Q21

NEGATIVE | IN LINE WITH EXPECTATIONS

Rating: Outperformer
Price Target: P$43.1

Input cost inflation and lag in pricing took EBITDA margin to record lows

Revenues: P$11,343 (+2.2% vs. +1.7%e)
EBITDA: P$2,235 (-21.4% vs. -19.6%e)
Net Income: P$879 (-34.8% vs. -33.2%e)
TTM EV/EBITDA: 10x
FCF: P$1,871; YTD P$3,463
CAPEX: P$701 (+734% YOY); P$1,514 YTD (243% YOY)
Net Debt: P$12,214 | **Net Debt excl. IFRS 16:** P$10,850
Net Debt/EBITDA: 1.0x

Despite KIMBER increased prices by 4% at the beginning of the quarter, only around 2% kicked in, which was not enough to offset the massive cost pressures.

Consumption in KIMBER's categories was tepid, as flat YOY volumes showed.

The high prices of pulp and other inputs explained a sharp hit in profitability (all-time low EBITDA margin).

On the bright side, FCF shined despite the large YOY increase in CAPEX.

3Q21 Highlights:

- Sales rose by 2.2% YOY on price/mix, as volumes remained flat YOY.
- Revenues from Consumer Products fell by 1% YOY, whereas Away from Home and Exports surged by 38 and 20% YOY, respectively. The latter was boosted by a twofold increase in Finished Products.
- Despite saving P$350 million from the cost reduction program in place, gross margin contracted by 620 bps. YOY to 31.7%, due to the spike in all their input costs.
- Pulp prices were up by 20-30% YOY, while recycled fibers experienced a high-single-digit increase.
- EBITDA margin eroded to 19.7%. (-590 bps YOY).
- Despite an increment in CAPEX and the weaker operating results, the company managed to generate P$1.9 billion in FCF.

GBM Investment Thesis

Even though inflation in all input prices may continue to pressure profitability in the short term, we believe the recent pricing actions may help partially offset such pressures in the coming quarters. Moreover, its cost savings program continues to pay off and, despite profitability pressures, the company's trademark FCF generation stays put.

Conference Call Information

October 22, 2021. 8:30 am (CT) | 9:30 am (ET)
Dial-in US: +1 (877) 271 1828 **International:** +1 (334) 323-9871
Confirmation Code: 30265

LAB 3Q21

NEUTRAL | IN LINE WITH EXPECTATIONS

Rating: Performer
Price Target: P$24.3

Mixed results, with a strong top-line performance but profitability pressures

Revenues: P$3,984 (16.2% vs. 5.5%e)
EBITDA: P$819 (6.5% vs. 7.7%e)
Net Income: P$393 (-3.9% vs. 12.6%e)
EV/EBITDA TTM: 8.1x
FCF: P$285; P$49 YTD
CAPEX: P$170 (3.1%); P$502 YTD (+8.3%)
Net Debt: P$4,531
Net Debt/EBITDA: 1.5x

Sound top-line performance in Mexico and LatAm

Record EBITDA in absolute terms

EBITDA margin erosion, explained by COGS and SG&A pressures

3Q21 Highlights

- Sales rose by 16.2% YOY, driven by a remarkable performance in Mexico and LatAm, albeit partially offset by an uneasy comparison base in the United States (11.6% decrease in sales) and FX headwinds.
- Adjusting for a non-recurring effect related to the sales of hand sanitizers in 3Q20, consolidated net sales would have grown in the double digits.
- The gross margin contracted by 230 bps to 12.1%, primarily due to COGS inflation across all markets and a negative FX impact.
- The company posted record EBITDA in absolute terms, although the margin landed at 20.6% (-180 bps.), on the back of FX headwinds, raw material and packaging cost inflation, and higher marketing expenses.
- The net margin narrowed by 200 bps. to 9.9%, harmed by an increase in income tax expenses due to the tax effects of cash dividend repatriation from international subsidiaries.
- Despite the higher CAPEX, LAB generated P$285 million in FCF.

GBM Investment Thesis

Despite witnessing sequential top-line improvements, we expect further margin pressures from the expenses incurred for the company's new cluster. Besides, there is still no visibility on when the OTC production line will become operational. Hence, we are keeping our 2021 price target of P$24.3 unchanged, with a Market Performer rating on the stock.

Conference Call Information

Thursday, October 28 @ 10:00 AM EST, 11:00 CST.
Participants in the US: +1 877-407-0784; **International:** +1 201-689-8560
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RETAIL

WALMEX 3Q21

POSITIVE | SLIGHTLY ABOVE EXPECTATIONS

Rating: Performer
Price Target: P$65.3

WALMEX keeps executing seamlessly despite the eCommerce ramp-up.

Revenues: P$176,033 (+6.4% vs. +5.8%e)
EBITDA: P$20,039 (+9.8% vs. +7.1%e). **EBITDA pro forma:** P$19,541 (+7% vs. +7.1%e).
Net Income: P$11,049 (+20.5% vs. +15.6%e)
TTM EV/EBITDA: 16.8x.
FCF: P$6,319; **YTD:** P$12,661
CAPEX: P$5,901 (+29%) | **YTD:** P$12,625 (+26%)
Net Debt (excl. IFRS 16): -P$48,287
Net Debt/EBITDA (excl. IFRS 16): -0.7x

WALMEX's flywheel continues to spin without much trouble.

Some degree of margin pressure in Mexico (-10 bps. pro forma) coming from eCommerce growth.

FCF generation remains healthy and steady.

3Q21 Highlights:

- Same-store sales in MX +6% (vs. +6.5%e), driven by ongoing price investments in Bodega and execution in Sam's.
- Superama saw negative SSS because of remodeling and conversions. Same-store sales should normalize ahead.
- Mexico benefited from a better mix (apparel and general merchandise are regaining share), expanding the gross margin by 20 bps.
- Mexico's EBITDA margin shrank by 10 bps. on faster SG&A growth due to eCommerce rollout.
- WALMEX registered an extraordinary income of P$500 million, which aided EBITDA. Excluding this effect, EBITDA would have grown by 7%, posting a 10-bp. expansion over sales.
- FCF generation of P$6.3 billion slightly trailed our estimate (vs. P$8.5 billion). CAPEX was up by 30% on an easy comparison base.

eCommerce update:

- Express service (<90 min. delivery) offered in 120 Walmart stores.
- Walmart Express conversions have reached 60% of total Superama units. This hurt sales in this format.
- On-demand service is offered in 120 cities and 750 stores (28% of MX footprint).
- Walmart Fulfillment Services launched its first phase.
- eCommerce (+27% YOY) is now 4.5% of total sales.
- Bait & Cashi continue to grow significantly.

GBM Investment Thesis

WALMEX continues to deliver positive results that are a reflection of a superior execution and a seamless strategy. eCommerce continues to show steady growth and is now 4.5% of sales. We applaud WALMEX's efforts to keep accelerating its online & logistics capabilities while managing to preserve, or even expand, margins.

Nonetheless, we will be revisiting our '21-'22 estimates, as the retailer is poised to fall behind our sales & EBITDA numbers despite the positive results. We have a P$65.3 per share price target and a Market Performer rating on the stock.

GBM

LACOMER 3Q21

POSITIVE | ABOVE EXPECTATIONS

Rating: Outperformer
Price Target: P$55

A double-digit EBITDA growth on top of an already high comp base

Revenues: P$7,339 (+6.6 vs. +4.5%e)
EBITDA: P$758 (+13.5% vs. +8%e)
Net Income: P$390 (+11.1% vs. -6.1%e)
FCF: -P$56 | **YTD:** P$340
CAPEX: P$742 | **YTD:** P$1,525
TTM EV/EBITDA: 13.3x
Net Debt (excl. IFRS 16): -P$2,956; **Net Debt/EBITDA (excl. IFRS 16):** -1.1x
Net Debt (incl. IFRS 16): -P$1,544; **Net Debt/EBITDA (incl. IFRS 16):** -0.5x

Same-store sales (SSS) outpaced estimates (+3.7% vs. +2.5%e) and 3Q20's +19.1%.

Once again, EBITDA grew in the double digits, expanding margins by 60 bps.

Two openings in 3Q21 and three YTD.

3Q21 Highlights

- SSS (+3.7% vs. +2.5%e) continued to benefiting from mix, strong average ticket (inflation and more robust baskets), and a healthy maturity level of new stores.
- The *Temporada Naranja* campaign was fully rolled out (as opposed to a "lighter" version last year) and helped boost sales.
- Gross margin expanded by 54 bps. (ahead of our projection of +10 bps.) despite promotions and on account of mix.
- EBITDA margin stood at 10.3%, above our call.
- Mild FCF burn generation in line with estimates (P$56 million vs. estimate of -P$100 million).

GBM Investment Thesis

LACOMER has built a niche-focused operation that continues to outperform its peers. Based on its superior execution, LACOMER has the potential to increase sales by 3-5x by rolling out stores and expanding its already relevant eCommerce operation. This is a story of growth potential. We recently upgraded the stock to Market Outperformer, setting a 2022 price per share of P$55 per share (+56% upside).

Conference Call Information

Thursday, October 28 @ 11:00 AM EST, 12:00 CST.
Webcast: Link
ID: 853 7963 4847
Access code: 874419

GBM

LIVEPOL 3Q21

POSITIVE | ABOVE EXPECTATIONS

Rating: Outperformer
Price Target: P$107.2

LIVEPOL beat strongly on ongoing fast recovery.

Revenues: P$31,829 (+18.3% vs +18.3%e & +5.6% vs +5.6%e vs 3Q19)
EBITDA: P$5,232 (+526.5% vs +354.8%e & +23.3% vs +6.5%e vs 3Q19)
Net Income: P$2,272 (NA & +20.6% vs +1%e vs 3Q19)
EV/EBITDA Maj. TTM: 6.3x
FCF: -P$202; YTD P$519
CAPEX: P$1,209 (+26.2%); YTD P$3,386 (+5.4%)
Net Debt (excl. IFRS): 10,690 **Net Debt/EBITDA:** 0.5x

Digital sales continued with sound growth (21% of retail sales).

Healthy NPL levels of 2.9%.

On the flip side, the company had a slight FCF burn due to WK losses.

3Q21 Highlights:

- Same-store sales (SSS) in Liverpool were up by 9.2% vs. 2019 (vs +7%e), on the back of the recovery in softlines and a solid eCommerce execution. Suburbia's SSS are still below 2019 by 12.5% (below our -6% call), which could be attributed to a less developed digital channel.
- Digital sales reached a 21% penetration, (-5% QOQ), in line with store reopenings.
- Interest income declined by 13.3% YOY, showing the effects of prioritizing risk management.
- NPLs reached 2.9%, as a result of a strong collection and a 19.4% YOY portfolio growth.
- Retail gross margin landed at 32.7% (+190 bps. vs. 3Q19), bolstered by higher full-price sales and an improved performance in softline products.
- Lower provisions, a strict OPEX management, and a favorable mix drove EBITDA up to P$5.2 billion (+23% vs. 3Q19), taking the margin to 16.4% (+ 230 bps. vs. 2019).
- LIVEPOL confirmed it will pay a P$0.75 dividend (approved on March 18, 2021) in two instalments—October 29, 2021 and January 28, 2022.

eCommerce Highlights:

- In early October, the company started to offer Click & Collect delivery in less than two hours and same-day home delivery for purchases before 1 pm.
- The share of Click & Collect delivery participation reached 26% in September, while direct delivery from the store to the customer's home grew by 2.5x vs. 3Q20.
- Liverpool Live launched a live video streaming platform with real-time purchases, in which product experts interact with customers while offering the ability for single-click purchases.

Conference Call Information

October 20, 2021. 10:00 am (CT) | 11:00 am (ET)
Dial-in US: +1 346 248 7799 | **Mexico:** +52 558 659 6002
Webinar: link | **Webinar ID:** 869 2678 7421

GSANBOR
NEUTRAL | ABOVE EXPECTATIONS

Rating: Underperformer
Price Target: P$11.9

Profitability improvements on higher operating leverage and better mix

Revenues: P$11,994 (29.9% vs. 31.8%e | flat vs. +1.5%e vs. 3Q19)
EBITDA: P$898 (135.4% vs. 62%e | -37.6% vs. -57%e vs. 3Q19)
Net Income: P$319 (-67.3% vs. -98.8%e | -42.6% vs. -98%e vs. 3Q19)
EV/EBITDA TTM: 14.5x
FCF: P$1,250; P$659 YTD
CAPEX: P$226 (-36%); P$411 (-55.6%)
Net Debt (IFRS 16): P$502; **Net Debt/EBITDA:** 0.2x

With all stores reopened, GSANBOR's sales continued to revive as traffic normalized.

Higher operating leverage and favorable mix boosted profitability. Yet, EBITDA remained below 2019 levels.

Robust FCF generation attributed to WK gains and lower CAPEX.

3Q21 Highlights

- Sales were flat vs. 3Q19, as all stores are now open.
- Regarding the Credit business, company-owned cards reached 4.6 million (+3.4% YOY), while NPLs landed at 4.2% (vs. 5.6% in 3Q20).
- Gross margin expanded by 110 bps. to 34.1%, on account of higher sales of big-ticket items and a gradual recovery in fashion and F&B.
- Operating leverage boosted profitability, taking the EBITDA margin to 7.5% (+340 bps.)—still, it remains below 2019 levels.
- Strong FCF generation of P$1.3 billion, attributed to WK gains and lower CAPEX (-36% YOY).

GBM Investment Thesis

GSANBOR's sales continue to show a sequential recovery, aided by increased footfall and store reopenings. However, sales and EBITDA are still lagging pre-pandemic levels. In our view, the latter shows the company still needs to upgrade its store network and product offering. That said, we reaffirm our Market Underperformer rating on the stock.

Conference Call Information

Tuesday, October 26 @ 12:00 (ET), 11:00 (CT)
Participants in the US: 1 (888) 771-4371; **Mexico:** 52 (55) 6722-5257; **International:** 1 (847) 585-4405
Confirmation code: 5024 3911#

FRAGUA 3Q21

POSITIVE | ABOVE EXPECTATIONS

Rating: Outperformer
Price Target: P$440

FRAGUA continues to deliver strong results far ahead of estimates.

Revenues: P$22,253 (16.6% vs. +4%e)
Adj. EBITDA P$1,686 (+35.7% vs. -3.4%e)
Net Profit: P$681 (+34.2% vs. -0.6%e)
TTM EV/EBITDA: 5.5x.
FCF: P$1,417 | **YTD:** - P$103
CAPEX: P$379 (-11%) | **YTD:** -P$1,177 (+14%).
Net Debt: -P$1,352 Net Debt/EBITDA -0.2x

Strong SSS (12.1% vs. -2%e), on top of last year's 18.5%

Blowout down the P&L, on account of same-store sales and a 50-bp. gross margin expansion.

The new DC in Hidalgo completed the migration plan in 3Q21.

Record cash at hand position of P$4.2 billion (13% of market cap).

3Q21 Highlights

- Same-store sales (SSS) continued to benefit from both foot traffic (+3.3%e) and average ticket (+9%), strongly beating last year's +18.5% print.
- An easy comp and a solid average ticket growth explained a 50-bp. gross margin expansion (+10 bps. GBMe).
- Adj. EBITDA strongly blew our estimate, aided by OPEX dilution and a 17% increment in Other Income.
- FCF generation of P$1.5 billion, with an 11.2% YOY reduction in CAPEX, on account of the completion of the new DC last year.
- FRAGUA is back to net cash, at P$1.4 billion.

GBM Investment Thesis

We will be reviewing our short and long-term estimates on FRAGUA, given the ongoing strong momentum. Even if growth rates normalize ahead (as we were expecting this quarter), we believe the company still has clear growth avenues, while the full benefits of the new DC in Hidalgo are yet to be seen. Hence, for the time being, we reiterate our Market Outperformer rating on the stock.

CHDRAUI 3Q21

POSITIVE | ABOVE EXPECTATIONS

Rating: Outperformer
Price Target: P$50

CHDRAUI shows off a solid execution in Mexico and the US.

Revenues: P$52,473 (+48.2% vs. +41.1%e). **Organic Revenues:** P$36,799 (+3.8% vs. 1.5%e)

Adj. EBITDA Pro forma: P$3,835 (+56% vs. +45.3%e); **Organic Adj. EBITDA Pro forma:** P$2,808 (+14.8% vs. +15.8%e)

Net Profit: P$968 (53.4%e)

EV/Adj. EBITDA Maj. 12M: 4.6x

FCF: P$957; **YTD:** P$2,854

CAPEX: P$1,856 (+265%); **YTD:** P$2,978 (76% YOY).

Net Debt Maj. (excl. IFRS): P$13,747; **Net Debt Maj./Adj. Maj. EBITDA:** 1.4x

An overall positive quarter, with strong organic figures (especially in Mexico) and higher contribution from Smart & Final.

S&F added P$15.7 billion in sales and P$1.2 billion in EBITDA (excl. P$282 million of one-off transaction-related expenses).

Pro forma Net Debt/EBITDA post-transaction: 1.4x

3Q21 Highlights

- Strong same-store sales (SSS) in Mexico (+9.1% vs. +9.2%e), driven by a recovery in the southeast and tourist areas. eCommerce accounted for 4% of sales (1P & 3P) this quarter. Total MX sales were up by 12.5% YOY.
- Organic growth in the US proved resilient, as SSS grew by 2.7% (vs. flat GBMe), explaining the better top line vs. estimates.
- Organic EBITDA outstripped sales's growth (+14.8% vs. +15.8%e), on account of a margin expansion of 70 bps. in the US (organic) and 20 bps. in Mexico.
- Smart & Final contributed P$15.7 billion in sales (P$14 billion GBMe) and P$1.2 billion in EBITDA (vs. P$1.1 billion GBMe)—both exclude P$282 million in transaction-related expenses.
- Organic FCF reached P$957 million, far better than our P$211 million burn.

GBM Investment Thesis

After including S&F and brushing our estimates, we recently set a 2022 price target of P$50, with a Market Outperformer rating on the stock. In our view, the impacts of the S&F acquisition are positive and, at current prices, the market is giving away half of the business for free: valuing only the US operation (at 7x 2019/normalized EBITDA), which results in P$33 per share. Conversely, if we were to value Mexico's 2019/normalized EBITDA at 8x, we would get the US for free, plus a 15% upside.

Conference Call Information

Thursday, October 28 @ 9:00 AM EST, 10:00 CST.
Participants in the US: +1 877 353 7089; **Mexico:** +52 55 4742 9159

ALSEA 3Q21

POSITIVE | ABOVE EXPECTATIONS

Rating: Performer
Price Target: P$34.4

ALSEA's road to recovery continues.

Revenues: P$13,840 (+40.7% vs. +34.6%e & -3.5% vs. -8.1% in 3Q19)
EBITDA: P$3,144 (+49.2% vs. +40.4%e & -9.4% vs. -14.7%e in 3Q19)
Net Income: P$272 (N.A. vs. -P$290 in 3Q20 & vs. +42% vs. 3Q19)
EV/EBITDA TTM: 11x
FCF: P$109 | **YTD:** P$179
CAPEX: P$1,749 (+7x) | **YTD:** P$2,565 (+97%)
Net Debt Maj.: P$32,155; **Maj. Net Debt/EBITDA:** 5.1x

Mexico sales are up vs. 2019, driven by core brands—mainly Domino's and Starbucks, which are sharply above 2019 levels.

Online sales kept growing steadily and reached 20% of sales. The WOW+ loyalty program has 850 thousand active users.

ALSEA registered the P$1.3 billion payment related to the increase in its stake in Alsea Europe.

3Q21 Highlights

Mexico

- Sales +0.4% vs. 2019, driven by Domino's and Starbucks (both +25% vs. 2019)
- Casual Dining is still down vs. 2019 (20-25%).
- Due to mix, EBITDA in Mexico fell by 10% vs. 2019—albeit sequentially improving.

Europe

- Sales - 8% vs. 2019 (in EUR), but also showing progress.
- EBITDA 14% up vs. 2019, still aided by government aid and rationalization of expenses.

LatAm

- Sales -5% vs. 2019 (in MXN), also recovering.
- EBITDA +1.3% above 2019.

Consolidated Highlights:

- Total sales were only 3.5% shy of 2019, while EBITDA was 9% below—both, ahead of our expectations.
- Net income of P$292 million vs. our net loss estimate.
- FCF generation of P$109 million, which reflects the P$1.3 billion disbursement of the increase in Europe participation.
- ALSEA now consolidates 76.8% of its European business.

GBM Investment Thesis

Our FY21 estimates fell short of the company's positive performance, as the recovery in sales has been faster than anticipated. We will publish a follow-up document on ALSEA in the coming days, revisiting our thesis and the long-term potential of the business now that the pandemic appears to be settling down.

Conference Call Information
Friday, October 29 @ 10:00 AM EST, 9:00 CST.
[WEBCAST]

CMR 3Q21

POSITIVE

Recovery continues as mobility overall improves.

Revenue: P$684 (+60% and -1.3% vs. 3Q19)
EBITDA: P$119 (vs. -P$4 in 3Q20 and +129% vs. 3Q19)
Net Loss: -P$41 (N.A.)
FCF: -P$18
CAPEX: P$10 (-58% YOY)
EV/EBITDA TTM: 7.1x
Net Debt: P$1,337; **Net Debt/EBITDA:** 4.2x

- CMR's top line is virtually at 2019 levels, as mobility improved and both Chili's and Wings delivered positive results.
- The former's sales were 18% below 2019, as guests looked for social gathering places in lieu of bars.
- Recently launched virtual brands keep consolidating and this quarter they accounted for 2.3% of total sales and 13.7% of "off-premise" sales.
- EBITDA jumped back into the black, boosted by the recovery in sales.
- The improvement in EBITDA drove net debt to 4.2x (over 9x in 3Q20).

SORIANA 3Q21
NEGATIVE

Rating: Performer
Price Target: P$20.6

SORIANA underperformed despite easy comps but showed sequential improvements.

Revenues: P$38,550 (2.3% vs. 4.5%e | -2.3% vs. -0.2%e vs. 3Q19)
EBITDA: P$2,635 (0.7% vs. 8.3%e | -3.2% vs. +19.5%e vs. 3Q19)
Net Income: P$782 (37.8% vs. 64.1%e | 45.4% vs. +136.4%e vs. 3Q19)
TTM EV/EBITDA: 5.3x.
FCF: -P$4,183 | -P$1,415 YTD
CAPEX: P$853 (+126%) | P$1,805 (+36%) YTD
Net Debt (incl. IFRS 16): P$25,208 **Net Debt/EBITDA (incl. IFRS 16):** 2.1x

Same-store sales (SSS) jumped back into the black (+2.4%) but continued to lose share vs. ANTAD.

Profitability was tainted by promotional efforts.

CAPEX rose on both organic growth and asset transfers to the Sodimac JV.

3Q21 Highlights

- SORIANA's SSS (+2.4% vs. 5%e) continued to disappoint and trail ANTAD (+5.5%).
- The *Julio Regalado* campaign failed to ignite top line and ended up hurting the gross margin by 50 bps.
- Real Estate income was up by 40% vs. 2020 but remains 17% below 2019. This cushioned further margin erosion down the P&L.
- EBITDA remained flat YOY (vs. +8.3%e), with a 10-bp. margin attrition.
- FCF burn of P$4.1 billion, explained by a negative WK outflow of P$5.5 billion.
- CAPEX soared by 126% YOY, as SORIANA opened two new venues. Store remodeling continued and more assets were transferred to the Sodimac JV.
- SORIANA's Earnings Call, scheduled for earlier today, was canceled due to technical problems. Still, we managed to talk with the company after and learned the following:
  - In physical sales, the company stopped losing market share to WALMEX since May—particularly in the Mercado formats. All this was driven by pricing and City Club.
  - City Club is growing above Sam's and at double-digit rates.
  - SORIANA will remain focused on pricing and competitiveness. They will continue to "use" gross margin to spur sales. They reckon that creating the low-price perception will take time, but they are willing to make those investments to regain share.
  - In 3Q21, both the grocery and general merchandise sites merged. The app's second version is on air. 3P still grows faster than 1P.

GBM Investment Thesis

SORIANA's sales recovery keeps delaying, and the company continues to lose share due to an overall weak performance. Management continues to implement strategies to drum up sales, but the share loss vs. ANTAD and WALMEX remains. That said, we are maintaining our Market Performer rating on the stock, along with our price target of P$20.6.

REAL ASSET

OMA 3Q21

POSITIVE | IN LINE WITH EXPECTATIONS

Rating: Outperforme
Price Target: P$156.2

Record high EBITDA margin and revenue recovery to pre-pandemic levels.

Revenues excl. Construction: P$1,960 (0.2% vs. -0.2%e vs. 2019)
EBITDA: P$1,473 (1.6% vs. 1.2%e vs. 2019)
Net Income: P$812 (-5.4% vs. -17.2%e vs. 2019)
EV/EBITDA: 10.9x
FCF: P$941 ; **YTD:** P$1,719
CAPEX: P$524 ; **YTD:** P$1,366
Net Debt: P$524 ; **Net Debt/EBITDA:** 0.12x

Revenues finally bounced back to pre-pandemic levels despite business travel remains underwater. Higher tariffs and cost efficiencies led to a record-high EBITDA margin.

3Q21 Highlights

- Although PAX traffic fell by 16.9% vs. 2019, the tariff increments allowed revenues to stay flat vs. pre-pandemic levels.
- Diversification activities are returning to pre-pandemic levels due to an inorganic effect from the incorporation of three industrial properties and the rebound in the hotel's occupancy rate (60.3% average occupancy).
- As we had anticipated, OMA delivered a record-high EBITDA margin of 75.1%, thanks to higher tariffs and sustained cost containment efforts.
- YTD, the company has deployed only P$1.4 billion in CAPEX—57.3% of its total commitments for the year—which allowed for a higher-than-expected FCF generation of P$941 million in the quarter.
- The company spent P$474.9 million to repurchase 1% of its outstanding shares during the quarter.

GBM Investment Thesis

Despite lagging in traffic recovery, OMA has delivered solid performance across the board, boosted by a favorable MDP renegotiation. The latter, coupled with the possible upside from a potential corporate action, leads us to reiterate our Market Outperformer rating on the name.

Conference Call Information

October 27, 2021. 10:00 AM (CT) | 11:00 AM (ET)
Dial-in: US: +1 (877) 407-9208 | **Mexico:** +1 (201) 493-6784 | **International:** +1 (201) 493-6784
Conference ID: 13723634
WEBCAST

PINFRA 3Q21

POSITIVE | IN LINE WITH OUR EXPECTATIONS

Rating: Outperformer
Price Target: P$271

Strong cash generation, as most highways performed at pre-pandemic levels.

Revenues: P$3,189.7 (31.6% vs. 28.3%e)

EBITDA: P$2,101.7 (51.3% vs. 48.8%e)

Net Income: P$1,617.8 (180.8% vs. 78.7%e)

TTM EV/EBITDA: PINFRA "*" 8.1x; PINFRA "L" 4.4x

FCF: P$1,329; P$4,456 YTD

Maj. Net Debt: -P$11,248; **Maj. Net Debt/EBITDA:** -1.8x

Most of the company's highways are already performing at pre-pandemic levels, except for the Mexico-Toluca highway.

Profitability recouped its benchmark position, as the maintenance expenses incurred during the pandemic in anticipation of future works continue to yield results.

Cash flow generation is still PINFRA's hallmark.

3Q21 Highlights

- Traffic posted a 23.3% YOY increase due to an easy comp and the recovery to 2019 levels of most highways, except for Mexico-Toluca, which is still ~22% below pre-pandemic levels.
- In line with our expectations, EBITDA grew by an astounding 51.3% YOY (+15.7% vs. 3Q19), as the company has managed to sustain an 82% margin in its Highways division despite the lagging recovery of the Mexico-Toluca highway.
- Net income bested our estimates, surging by 181% YOY. This was largely attributed to an easy comp and a positive FX effect, as a big portion of the company's cash balance is held in USD.
- We estimate PINFRA generated a strong free cash flow of P$1.3 billion after accounting for a CAPEX deployment of ~P$500 million.
- During the quarter, the company disbursed P$180 million as part of its ~P$4 billion Armeria-Manzanillo expansion project.
- The company remained very active in buybacks, as it spent ~P$740 million during the quarter to acquire 1.2% of its outstanding shares.

GBM Investment Thesis

We reiterate our Market Outperformer rating on the stock, as it has managed to maintain an enviable cash generation and bulletproof balance sheet that the market seems to be overlooking, as proven by its current valuations, which allow for an implicit rate of return beyond the 18% mark—the most attractive in the Infra world.

GMD

POSITIVE

Profitability is back to pre-pandemic levels.

Revenues: P$1,132.1 (17.7% YOY)
EBITDA: P$405.6 (89% YOY)
Net Income: P$209.4 (210.7% YOY)
Maj. TTM EV/EBITDA: 3.3x; **Maj. Net Debt/EBITDA:** 0.7x
FCF: P$118.8
CAPEX: P$63.8

3Q21 Highlights

- Revenues grew by 17.7% YOY, driven by the Water segment, which soared by 29.5% YOY, as the easing of mobility restrictions allowed for healthier hotel operations in Quintana Roo.
- EBITDA margin bounced back to pre-pandemic levels (36%), driven by the recovery of the Water segment, which posted an 80-bp. margin expansion vs. 2019.
- After the end of the quarter, the company announced the sale of its Isla Mujeres land bank and Marine for a total of P$550 million.
- After a steady quarter, the company reported a positive cash generation of P$228.9 million.

GMXT 3Q21

POSITIVE | ABOVE EXPECTATIONS

Rating: Outperformer
Price Target: P$39.1

Outstanding performance and sustained efficiencies

Revenues: P$13,113 (10.4% vs. 3.8%e)
EBITDA: P$5,873 (11.5% vs. 4.5%e)
Net Income: P$2,479 (28.2% vs. 18.5%e)
Maj. TTM EV/EBITDA: 8.5x
FCF: P$2,728; **YTD:** P$7,710
CAPEX: P$1,511; **YTD:** P$4,604
Maj. Net Debt: P$27,449; **Net Debt/EBITDA:** 1.5X

The company increased its dividend, as it managed to offset a poor performance in the automotive division with efficiencies across the rest of its segments. As a result, the company delivered record-high top line and a strong cash generation.

3Q21 Highlights:

- The company now offers the highest yield among our Infra sample after rising its dividend by 43% QOQ to P$0.50 per share (6.2% annualized yield).
- GMXT has deployed only US$230 million in CAPEX YTD (61% of its 2021 CAPEX guidance), which has allowed for a US$385.5 million FCF generation YTD that is 4.3% above last year's.
- Management approved a US$450 million CAPEX for 2022, slightly above our estimates.
- Revenues hit an all-time high, as the company posted a 14.3% YOY increase in NTK despite data from the Association of American Railroads showed an increase of only 0.8% YOY in carloads, which hints at efficiencies.
- Despite a poor performance in the automotive segment, in line with our estimates, the company exhibited a solid EBITDA margin of 44.8% (+50 bps. YOY).

GBM Investment Thesis

We reiterate our rating on GMXT as Outperformer, given that the company is poised to gain market share from the positive nearshoring dynamics and because it now offers the most attractive yield among our Infra sample after management's decision to increase the dividend.

Conference Call Information

October 22, 2021. 11:00 AM (CT) | 10:00 AM (ET)
Dial-in: US: (844) 868-5860 **| Mexico:** (800)-9269157 **| International:** (215) 372-9505
Conference ID: 7898923
WEBCAST

GBM

ASUR 3Q21

POSITIVE | IN LINE WITH EXPECTATIONS

Rating: Outperformer
Price Target: P$453

ASUR emerged from the pandemic with renewed strength.

Revenues excl. Construction: P$4,304.3 (11.2% vs. 15.2%e vs. 2019)
EBITDA: P$2,913 (17.7% vs. 18.9%e vs. 2019)
Net Income: P$1,622.3 (36.5% vs. 23.4%e vs. 2019)
Maj. TTM EV/EBITDA: 15.7x
FCF: P$2,782.7; **YTD:** P$5,688.9
CAPEX: P$601.2; **YTD:** P$1,418.5
Maj. Net Debt: P$1,026; **Maj. Net Debt/EBITDA:** 0.13x

Double-digit growth in revenues, thanks to tariff increments and traffic recovery.

Strong cash flow generation, driven by WK efficiencies and lower CAPEX.

3Q21 Highlights

- The quarter's traffic remained slightly below pre-pandemic levels, at -1.4% YOY vs. 2019. However, monthly figures are already above the 2019 mark.
- Top line had a double-digit surge vs. pre-pandemic levels, driven by the renegotiated tariff increments and a strong non-aeronautical performance (+17.3 % YOY vs. 2019).
- The tariff increments helped the EBITDA margin expand by 3.7 pp. YOY vs. 2019 to 67.7% (excluding the US$8 million Cares Act reimbursement).
- The company leveraged on its suppliers and decreased its accounts receivable, which allowed for a higher-than-expected OFCF generation of P$3.3 billion.
- YTD, the company has deployed only P$1.4 billion of its P$3 billion investment commitments for the year, which hints at a hefty cash disbursement in 4Q.

GBM Investment Thesis

We reiterate our Market Outperformer rating on the stock, as the company has excelled at weathering the pandemic storm and is now performing above pre-pandemic levels. Moreover, we think it is in the best position to catalyze growth from its revamped commercial business and the reopening of international borders.

Conference Call Information

October 26, 2021. 9:00 AM (CT) | 10:00 AM (ET)
Dial-in: US: 1-866-248-8441 | **Mexico:** 1-323-289-6581 | **International:** 1-323-289-6581
Conference ID: 9826046

GAP 3Q21

POSITIVE | IN LINE WITH EXPECTATIONS

Rating: Performe
Price Target: P$254.4

Solid revenues and profitability translated into value for shareholders.

Revenues excl. Construction: P$4,353.7 (23.8% vs. 18.8%e vs. 2019)
EBITDA: P$3,098.2 (26.9% vs. 22.4%e vs. 2019)
Net Income: P$1,754 (30.6% vs. 21.4%e vs. 2019)
EV/EBITDA Maj. TTM: 16.0x
FCF: P$1,764.6; P$3,645.1 YTD
CAPEX: P$1,121.2; P$2,800.5 YTD
Net Debt: P$14,719.0; **Maj. Net Debt/EBITDA:** 1.6x

GAP's revenues hit a record high, driven by the recovery in traffic and the renegotiated tariff increments. More importantly, solid profitability allowed for a hefty cash flow generation.

3Q21 Highlights:

- Revenues soared by 23.8% YOY vs. 2019, aided by a V-shape recovery in traffic and higher tariffs, which allowed for record-high aero and non-aero revenues per PAX.
- GAP preserved a solid EBITDA margin of 71.2% (+1.75 pp. vs. 2019) despite its labor and security costs posted a double-digit increase.
- The company exhibited a hefty free cash flow generation of P$1.8 billion, after deploying P$1.1 billion in CAPEX—YTD, the company has fulfilled 68% of its investment commitments for the year.
- The airport operator has bought back 2.4% of its outstanding shares YTD and still has P$3.1 billion available in its buyback fund that could add 2.4% to this year's investment yield if used.
- This quarter, the company approved and paid an extraordinary dividend of P$7.8 per share, which coupled with its ordinary dividend led to a TTM dividend yield of 4.5%.

GBM Investment Thesis

We reiterate our Market Performer rating on the stock, as the company's excellent performance has borne fruit and it decided to give back to its shareholders via an extraordinary dividend and a hefty buyback program, leading it to offer the highest investment yield among its peers.

Conference Call Information

October 29, 2021. 10:00 AM (CT) | 11:00 AM (ET)
Dial-in: US: +1 (866) 952-8559 | **International:** +1 (785) 424-1744
Conference ID: GAP
WEBCAST

TMM 3Q21

NEUTRAL

TMM continued on a path of recovery.

Revenues: P$371 (+37% YOY)
EBITDA: P$12.5 (vs. -P$217 in 3Q20)
Net Income: -P$36 (N.A.)
FCF: -P$58.8, YTD -P$137.8
CAPEX: P$29.6, -P$41.8 YTD* (due to the sale of the Olmeca vessel in 1Q21)
EV/EBITDA TTM: -4.7x (EBITDA TTM -P$96)
Net Debt: P$178.4
Net Debt/EBITDA: -1.9x

Positive performance in the Shipping segment due to the kickoff of operations of the specialized mud vessels.

Upbeat EBITDA performance across all three divisions, leading the company to deliver the highest margins of the year.

The negatives: high corporate expenses, FCF burn, net debt increase.

3Q21 Highlights:

- **Shipping revenues soared by 67% YOY to P$287.5 million, boosted by the kickoff of three specialized mud vessels**, mainly due to more sales of bulk carriers and the shipyard, driven by the recovery in the industry.
- **Port and Terminal sales fell by 26% YOY**, still affected by pandemic-related aftershocks.
- **Storage sales rose by 6% YOY.**
- **The three divisions posted EBITDA growth YOY**. Shipping; P$44 million (+78% YOY), with a 15% margin. Ports and Terminals: P$1.3 million (vs. -P$6 million in 3Q20), with a 3% margin. Storage: P$9 million (vs. –P$1 million in 3Q20), with a 28% margin.
- **Corporate expenses totaled P$31 million** (+9% YOY, -2% QOQ).
- FCF burn of P$58.8 million, as CAPEX rose to a level not seen since 4Q19 (P$29.6 million).
- **Net debt soared by 102% QOQ**, from PS$88 million in 2Q21 to P$178 million in 3Q21. In the quarter, the company deployed P$44 million for temporary investments and increased its bank loans by an additional P$45 million.

REAL ESTATE & HOUSING

FIBRAMQ 3Q21

NEUTRAL | IN LINE WITH EXPECTATIONS

Rating: Performer
Price Target: P$26

The industrial front stayed solid, but the retail segment remained underwater.

Revenues: P$1,000.6 (-4.2% vs. -5.2%e)
EBITDA: P$812.5 (-3.4% vs. -4.7%e)
AFFO: P$454.7 (-2.4% vs. -3.1%e)
TTM. EBITDA Cap Rate: 9.5%
Net Debt: P$15,671
Adj. Loan to Value: 36.2%

FX took a toll on revenues, but operating metrics excelled.

The AFFO margin improved slightly on a lower debt balance.

Delivery of developments was pushed back to mid-2022.

3Q21 Highlights:

- Matching our expectations, revenues fell by 4.2% YOY, due to the USD depreciation and a weak performance in the retail segment that was pressured by pandemic-related rent discounts (~9% of retail revenues)
- Occupancy expanded by 160 bps. YOY to 94.3%, on account of a solid performance on the industrial front but offset by a contraction of 210 bps. in the retail segment.
- A double-digit surge in maintenance expenses induced a sequential contraction of 50 bps. in the NOI margin to 87.4%.
- Still in line with our estimates, the company raised its AFFO per certificate guidance by ~2% to P$2.34 and reiterated its projected distribution of P$1.90 (7.9% yield).
- FIBRAMQ pushed back the expected delivery of its US$41.4 million industrial developments in Monterrey and the Mexico City metropolitan area from 4Q21 to 2Q22.

GBM Investment Thesis

FIBRAMQ seems to be a strong dividend play in the Real Estate arena, as it offers the highest dividend yield of our sample (7.9%), which should be comfortably sustained by the steady performance of its industrial portfolio despite the pressure on its retail segment.

Conference Call Information

October 28, 2021. 7:30 AM (CT) | 8:30 AM (ET)
Dial-in: US: +1-877-407-2988 | **Mexico:** 01-800-522-0034 | **International:** +1-201-389-0923
Conference ID: FIBRA Macquarie Third Quarter 2021 Earnings Call
WEBCAST

TERRA 3Q21

NEUTRAL | IN LINE WITH EXPECTATIONS

Rating: Market Performer
Price Target: | P$31.2

Steady performance and a focus on expansions that has tainted distributions.

Revenues: 1,221.2 (-14.5% vs. -14.9%e)
EBITDA: 923.8 (-16% vs. -17.4%e)
AFFO: 579.8 (-16.3% vs. -13.3%e)
TTM. EBITDA Cap Rate: 7.8%
Net Debt: P$19,140
Adj. Loan to Value: 38.7%

FX and a lower GLA were behind a lackluster top-line performance.

Solid margins, on account of lower property taxes and maintenance expenses.

AFFO was pressured by higher tenant improvement expenses.

3Q21 Highlights:

- Top-line performance (-14.5% YOY) was driven by USD depreciation and a reduced GLA from an asset disposition made in 4Q20.
- Occupancy contracted by 150 bps. YOY to 94%, mainly due to the loss of a significant tenant from the company's portfolio in Mexico's central region.
- Despite the discouraging top line, the company managed to preserve a steady NOI margin of 93.7%, thanks to a decrease in property taxes and maintenance expenses.
- The company expects to finish its eCommerce development in Tijuana before year's end, as it deployed P$187 million in development CAPEX during the quarter.
- TERRA's three-year expansion strategy took a toll on distribution, as its 70% payout policy allowed for a distribution of only P$0.4266 per share(5.8% annualized yield).

GBM Investment Thesis

While we applaud the company's expansion plan, development risk is tangible, as the company is yet to deliver results. In the meantime, investors are left with a restricted distribution policy of only 70% of AFFO that, at current valuations, does not allow for attractive returns, in our view. That said, we reiterate our Market Performer rating on the name.

Conference Call Information

October 29, 2021. 10:00 AM (CT) | 11:00 AM (ET)
Dial-in: US: +1-888-506-0062 | **Mexico:** 55-8526-2489 | **International:** +1-973-528-0011
Conference ID: 895216
WEBCAST

FIBRAPL 3Q21

NEUTRAL | IN LINE WITH EXPECTATIONS

Rating: Underperformer
Price Target: P$38.8

Sequential improvements due to inorganic acquisitions

Revenues: 1,221.2 (-1.2% vs. -4.1%e)
EBITDA: 923.8 (-11.9% vs. -15.9%e)
AFFO: 579.8 (-8.0% vs. -11.7%e)
TTM. EBITDA Cap Rate: 6.5%
Net Debt: P$17,595
Adj. Loan to Value: 27.7%

3Q21 Highlights:

- **The performance in revenues was driven by FX and inorganic acquisitions.** In line with our expectations, FIBRAPL posted a sequential revenue increase of 1.5% due to a stable FX rate (62.9% of revenues are greenback-denominated) and the incorporation of two properties acquired from its sponsor in Monterrey and Ciudad Juarez (total investment of US$34.7 million; US$74.6 per sq.ft.).

- **Solid margins and operating metrics.** NOI grew slightly above top line, on account of a mild hike in the occupancy rate to 97%. This surge was mostly explained by strong dynamics in Mexico City, Guadalajara, and Monterrey. As a result, the NOI margin **came in line with** the company's historical performance, at 86.6%.

- **Bottom line was pressured by a higher debt balance.** Early in the quarter, the company concluded the private placement of US$300 million in debt at a 3.65% interest rate, which was used for refinancing and acquisitions. Despite the more favorable interest rate, a **heftier** debt balanced hampered bottom line and induced a slight AFFO margin contraction to 47.5%.

- **Positive market dynamics.** FIBRAPL seems to be benefiting from eCommerce and nearshoring trends, as proven by the rise in occupancy rates in its northern and metropolitan area portfolios. These dynamics prompted the company to upwardly revise its YE2021 occupancy level (from 95-96% to 97-97.5%) and same-store NOI guidance (from a growth of 3-5% to 8-10% YOY). **These guidance improvements, which come in line with our 2021 estimates, come as no surprise to us, since the company's superior execution in the industrial segment is in its DNA.**

Conference Call Information

October 20, 2021. 9:00 AM (CT) | 10:00 AM (ET)
Dial-in: US: +1 866 719-1816
Mexico: 800 853 0237
International: +1 778 560-2714
Conference ID: 5283777
WEBCAST

ARA 3Q21

POSITIVE | ABOVE EXPECTATIONS

Rating: Outperformer
Price Target: P$11.7

Cash generation remains ARA's hallmark.

Revenues: P$1,553.1 (13.6% vs. 13.4%e)
EBITDA: P$247.8 (42.4% vs 20.7%e)
Net Income: P$143.3 (28.4% vs. 16.5%e)
TTM EV/EBITDA: 4.6x
FCF: P$91; **YTD:** P$635
Net Debt: -P$1,256
Net Debt/EBITDA: -1.4x

Solid profitability amid an efficient pass-through of cost inflation.

The sales mix shifted, as the residential segment continues to gain relevance.

3Q21 Highlights:

- Despite a decrease in units sold, the company managed to boost its revenues by 13.7% YOY, driven by a consolidated increment in the average price per unit caused by higher input costs and a sales mix more inclined toward the residential segment.
- The cash flow was pressured by a sizable investment in inventories and an increase in receivables. Despite this, the company's LTM FCF yield hovers around 19.9%.
- The sales of residential housing gained ground in the company's sales mix, inducing greater reliance on bank loans that could lengthen the receivables cycle.
- Strong pricing dynamics allowed the company to match its record-high EBITDA margin of 16%.
- The company's Shopping Mall division proved its worth and its NOI is already performing 10% above 2019 levels.
- After the end of the quarter, ARA completed the early amortization of its ARA 17 bond for P$830.8 million and issued its first sustainable debt certificates 'ARA 21X' for P$1 billion at a rate of TIIE28+1.40% (the lowest in the housing industry) and 'ARA 21-2X' for P$500 million.

GBM Investment Thesis

ARA continues to boast a solid cash generation and a bulletproof balance sheet that provide ample room for pursuing growth opportunities in what we consider is an under-supplied housing market. Despite this, leaving aside growth opportunities, the market seems to be failing at pricing in ARA's book value, as it is trading at a 0.4x P/BV. Thus, we are reiterating our Market Outperformer rating and P$11.7 price target on the stock, implying a 165% upside.

Conference Call Information

October 29, 2021. 10:00 AM (CT) | 11:00 AM (ET)
Dial-in: US: +1.800.981.3960 **| International:** +1.917.672.7372
Conference ID: 1509
WEBCAST

FUNO 3Q21

NEUTRAL | IN LINE WITH EXPECTATIONS

Rating: Performer
Price Target: P$24

Recovery in top line but with persistent pressures in the office segment.

Revenues: P$5,395.6 (19.0% vs. 14.8%e)
EBITDA: P$4,060.9 (29.1% vs. 25.8%e)
AFFO: P$2,221.8 (65.0% vs. 55.8%e)
TTM. EBITDA Cap Rate: 7.8%
Net Debt: P$127,692
Adj. Loan to Value: 45.3%

FUNO's top-line increase was mostly explained by an easy comp and inorganic growth while affected by a slow recovery on the commercial front and an office segment that remains under pressure. Distribution continues to be restricted, as the company maintains a low payout policy.

3Q21 Highlights:

- Despite a poor performance in the office segment, revenues came in slightly above our estimates, with a 13.5% YOY growth vs. 2019, driven by a solid industrial segment and the use of pandemic-related reserves to offset reliefs granted during the quarter.
- The overall occupancy rate declined by 1.3 pp. YOY vs. 2019 to 92%, on account of a contraction of 6.6 pp. to 74% in the office segment.
- The FFO margin stood at 45.4%, as the company's operating and interest expenses remained stable QOQ.
- The company stuck to its distribution policy of a 63.3% AFFO payout ratio, which translated into a dividend of P$0.37 per share (7.4% annualized dividend yield).
- Since 4Q20, the company hasn't allocated any CAPEX to its Tepozpark, Tapachula, and Satelite developments. Yet, it should be able to complete the mixed expansion of its Galerias Valle Oriente asset before year-end, as scheduled.
- The company slowed down its buyback activity during the quarter, acquiring less than 0.1% of its shares outstanding, which means a significant backward step from the previous quarter's 0.5%.

GBM Investment Thesis

We are reiterating our Market Performer rating on the stock, as it has not been able to show the full potential of the inorganic acquisitions made in recent years. Besides, its performance remains hindered by a troubled office segment and an unclear capital allocation strategy.

Conference Call Information

October 27, 2021. 12:00 PM (CT) | 1:00 PM (ET)
Dial-in: US: +1 718 866 4614
Mexico: +52 55 1168 9973
Conference ID: 121095
WEBCAST

VESTA 3Q21

POSITIVE | IN LINE WITH EXPECTATIONS

Rating: Performer
Price Target: P$39.7

Solid performance amid a hefty development strategy

Revenues: US$41.0 (9.4% vs. 7.3%e)
EBITDA: US$34.4 (7.1% vs. 5.8%e)
Pre-tax FFO: US$22.7 (2.6% vs. 3.4%e)
EBITDA Cap Rate: 7.4%
Net Debt: US$560.6
Adj. LTV: 24.5%

3Q21 Highlights:

- VESTA reported record-high revenues with a 9.4% YOY increase, driven by strong eCommerce and nearshoring dynamics that allowed for a 3.8% YOY expansion in GLA.
- Occupancy rose to 92.8% in the quarter (+230 bps. YOY), thanks to the increased demand for industrial space, especially from the logistics and manufacturing industries.
- A rise in administration costs led to a slight compression in the EBITDA margin (83.8%).
- Pre-tax FFO margin was pressured by higher interest expenses from a heftier debt balance following the US$350 million debt issuance launched in 2Q21.
- VESTA upgraded its YE21 guidance:
  - Revenues (from 4.5-5.5% to 6-6.5% YOY)—above our estimates.
  - NOI margin (from 93% to 94%) and EBITDA margin (from 83% to 84%)—in line with our estimates.
- During the quarter, the company acquired 3.9 million sq. ft. of land next to its VESTA Park Guadalajara.
- As a result of its follow-on and its development strategy, the distribution per share fell by 18% YOY to US$0.42 (4.4% TTM distribution yield).

GBM Investment Thesis:

We continue to favor VESTA as the way to participate in the Industrial Real Estate space. We find that even tough distribution stands below peers, the favorable tailwinds from nearshoring and eCommerce should fuel growth.

CIDMEGA 3Q21

NEGATIVE

Cost increases hampered performance.

Revenues: P$661.1 (0.2% vs. 2019)

EBITDA: P$137.8 (-28.2% vs. 2019)

Net Income: -P$23.6 (N.A.)

TTM EV/EBITDA: 8.6x; **Net Debt/EBITDA:** 4x

FCF: -P$34.7; P$153.2 YTD

CAPEX: P$66.3; P$207.8 YTD

3Q21 Highlights

- **Mixed results in revenues**. A substantial revenue increase in the Real Estate segment (138.2% vs. 2019) coupled with higher hotel tariffs led the company's **consolidated** revenues to stay flat compared to 3Q19 (0.2% YOY vs. 2019), as the Timeshare business posted a double-digit contraction.
- **Margins were hit by a hike in costs**. A double-digit surge in energy costs and administrative expenses vs. 2019 pressured profitability, taking the EBITDA margin to contract by 8.3 pp. vs. 2019 to 20.8%.
- **Occupancy continued to recover**. Occupancy rates in Mazatlan remained below 2019 levels (-17 pp. vs. 2019), while Riviera Maya presented a 73% occupancy rate (+5 pp. vs. 2019).
- **The company struggled to generate positive FCF**. A sequential increase in receivables, inventories, and CAPEX commitments led to mild a cash burn of P$34.7 million.

METALS & MINING

GMEXICO 3Q21

POSITIVE | BELOW EXPECTATIONS

Rating: Outperformer
Price Target: P$137

Yet another great quarter for GMEXICO. Cash cost, FCF, and Net Debt were the stars of the report.

Revenues: US$3,652 (28.9% vs. 39.7%e)
EBITDA: US$2,181 (46.1% vs. 56.1%e)
Net Income: US$818 (13.9% vs. 34.0%e)
FCF: US$1,272; US$3,164 YTD
CAPEX: US$339 (45.5% YOY); US$1,018 YTD (43.0% YOY)
EV/EBITDA Maj. TTM: 4.0x
Net Debt Maj.: US$2,039
Net Debt/EBITDA Maj.: 0.3x

GMEXICO posted outstanding results, albeit slightly below our estimates.

The biggest positive surprises were an enhanced cash cost and an exceptional FCF generation.

In consequence, the company's net debt position looks better than ever, at an implied 0.3x majority multiple.

3Q21 Highlights:

- **Copper production of 274 Ktons matched our estimates**. On the flip side, copper sales underperformed our forecasts, which explains why revenues missed our call.
- **Operating cash cost was better than anticipated**, at US$1.74.
- **Cash cost after by-product credits looks significantly enhanced** at US$0.84 (vs. US$0.94e).
- **A sound EBITDA margin of 60% is just what we had expected**. This led to a very strong EBITDA figure of US$2.2 billion that represented a 46% YOY increase (albeit slightly below our US$2.3 billion call).
- **The largest and most positive surprise came from a FCF generation of US$1.3 billion**. This figure implies a 58% conversion ratio to EBITDA.
- **The outstanding cash flow led to an important reduction of net debt (-19% QOQ)**. What is more, majority net debt stands at US$2.0 billion, which leaves us with a Net Debt/EBITDA Maj. multiple of 0.3x.
- **The quarterly dividend remains at P$1.75 per share**, which translated into a sound 7.5% annualized yield.

GBM Investment Thesis

- As we have done in the past, we reiterate our conviction that GMEXICO is trading at attractive valuations and is poised to deliver great results ahead. A recent conversation that we held with the miner's top management also reinforced our confidence on a very promising outlook for the company, especially considering that: the political outlook in Peru looks brighter going forward; copper demand should post sound growth in the coming years, and the company feels very comfortable with their medium-term production targets.
- We will incorporate all these factors into our estimates to introduce a fresh 2022 price target shortly.

AUTLAN 3Q21

POSITIVE | ABOVE EXPECTATIONS

Rating: Outperformer
Price Target: P$21

Revenues and EBITDA above and beyond pre-pandemic levels and our estimates

Revenues: US$125 (57% vs. 39%e)
EBITDA: US$38 (109% vs. 41%e)
Net Income: US$13 (N.A vs. N.A.)
FCF: -US$5; US$20 YTD
CAPEX: US$2 (-80.2% YOY); US$6 YTD (-85% YOY)
EV/EBITDA TTM: 4.4x
Net Debt: US$157
Net Debt/EBITDA: 1.8x

AUTLAN delivered the highest revenues and EBITDA in over a decade.

The expansion came from improved demand and prices in the Ferroalloy division.

The gold mine posted a record-low output, as it halted production to redo the mine plan.

3Q21 Highlights:

- **Ferroalloy volumes and prices exhibited the heftiest YOY increases**, growing by 22 and 62%, respectively.
- **Gold mine output came at 700 tons, a record low for the division.** This figure represents an 87% YOY plunge.
- **An EBITDA margin of 30% was the biggest surprise**, as it bested our 23% margin estimate. This led to an EBITDA figure of US$38 million, which implied a 109% YOY increase.
- **The only negative would be a FCF burn**. The company burned US$5 million, on account of significantly higher working capital needs. The CAPEX deployment was relatively small, at US$2 million.
- **Despite a 9.3% surge in net debt, the Net Debt/EBTIDA multiple showed an improvement**. Due to the upbeat EBITDA results, the multiple now stands at 1.8x (from 2.2x in 2Q21).

GBM Investment Thesis

- We believe AUTLAN's prospects look considerably better than a year ago, as demand perspectives in the Ferroalloy division seem notably stronger than we had anticipated. Also, ferroalloy prices have had a significant upsurge in recent months when compared to the rally in the steel sector.
- The only downside that we foresee is the temporary halt in the gold mine operations, from which we should expect virtually no volumes for the next couple of quarters.
- We will incorporate these two factors into our estimates to introduce a fresh 2022 price target shortly.

GBM

MFRISCO 3Q21

NEUTRAL

Revenues: P$3,162 (9.7% YOY)
EBITDA: P$782 (144.0% YOY)
Net Income: -P$742 (-9.4%)
FCF: P$508; P$1,578 YTD
CAPEX: P$60 (-61.1% YOY); P$132 YTD (480.6% YOY)
EV/EBITDA TTM: 19.4x
Net Debt: P$23,196
Net Debt/EBITDA: 9.2

3Q21 Highlights:

- Gold output hiked by 5% YOY to 24 Koz, due to greater processed tonnage.
- Silver and copper production saw a decrease of 2 and 8% YOY,respectively.
- Exploration activities at the Peñasquito mine continue.
- Sales grew by 9.7% YOY, due to the rise in commodity prices and higher gold and lead production.
- EBITDA soared by 144% YOY, allowing margins to expand from 11.1% in 3Q20 to 21.4% in 3Q21.
- A net loss of P$742 million was mainly attributed to losses in the hedging strategy.
- The company generated a total of P$508 million in FCFF and reduced its debt by 7% YOY to P$24.7 billion.

ICH 3Q21

POSITIVE | BELOW EXPECTATIONS

Rating: Underperformer
Price Target: P$134

Rally in steel prices offset volume drops. EBITDA per ton and FCF shined.

Revenues: P$15,916 (51.2% vs. 87.7%e)
EBITDA: P$4,575 (127.6% vs. 207.5%e)
Net Income: P$3,166 (286.6% vs. 320.9%e)
FCF: P$2,702; P$5,693 YTD
CAPEX: P$325 (159.4% YOY); P$873 YTD (116.9% YOY)
EV/EBITDA TTM: 5.3x
Net Cash: P$14,644
Net Debt/EBITDA: -1.0x

ICH missed our upbeat estimates on lower volumes and prices.

Prices were able to counter a YOY and QOQ slowdown in volumes.

FCF bested our expectations, driving the company to keep hoarding cash.

3Q21 Highlights:

- **Volumes disappointed**. The company posted a YOY fall of 4% and a sequential decrease of 8%, mostly reflecting a deceleration in construction steel volumes in Brazil (-25% YOY, -16% QOQ).
- **Prices soared**. Weighted prices per ton hiked by 73% YOY (vs. 100%e). While this positive rally in steel prices outweighed the volume drop-off, it did not match our closer-to-the-market price estimates.
- **Solid EBITDA per ton**. The weighted EBITDA per ton surged by 160% YOY, which we think was the highlight of the report.
- **Sound EBITDA margin**. The company was able to maintain a very healthy margin of 29%, which we deem positive amid an inflationary environment for raw materials.
- **FCF, the largest positive surprise**. The company reported an outstanding FCF generation of P$2.7 billion (59% conversion from EBITDA) that helped it increase its net cash position by 24% QOQ to P$14.6 billion.
- **Modest CAPEX deployment**. ICH exhibited a hefty increase in CAPEX of 159% YOY, but fell short of last quarter's figure and our estimates.

GBM Investment Thesis

- We recently introduced our 2022 price target of P$134 for ICH and our Market Underperformer rating, on the back of four main grounds: 1) the lack of a sustainability strategy in a challenged sector; 2) low utilization rates that make them lag its peers; 3) the amount of cash they are hoarding and not putting to use, and 4) the low liquidity of the stock.
- Today's results do not change our view on the name.

PE&OLES 3Q21

NEGATIVE | BELOW EXPECTATIONS

Rating: Outperformer
Price Target: P$395

EBITDA margin disappoints. The Refinery jumps back into the red.

Revenues: US$1,431 (16.2% vs. 2.4%e)
EBITDA: US$345 (-25.9% vs. -7.1%e)
Net Income: US$66 (249.6% vs. N.A.)
FCF: -US$9; US$237 YTD
CAPEX: US$169 (48.9% YOY); US$458 YTD (23.1% YOY)
EV/EBITDA TTM: 3.6x
Net Debt: US$1,298
Net Debt/EBITDA: 0.7x

Volumes slightly disappointed our expectations, but sales bested our call.

An overall increase in costs weakened the margin.

The Refinery division presented negative results after four good quarters in a row.

3Q21 Highlights:

- **Volumes disappointed.** The company posted a YOY fall of 4% in silver production and a smaller YOY drop of 1% in gold output. Production of both metals decreased by 12% QOQ.
- **Revenues bested our call,** on the back of larger volumes sold and greater metal prices.
- **EBITDA, the negative surprise.** Due to marked cost inflation, the EBITDA margin narrowed from 38% in 3Q20 to 24% this quarter (vs. 34%e). The costs that increased the most YOY were labor (+27%), maintenance (+22%, energy (+13%), and contractors (+12%).
- **EBITDA by segment (GBMe).** EBITDA (in USD million), margins, and YOY growth by division should be as follows: Fresnillo US$225 (34% margin, -24% YOY), Basic Metals US$99 (29% margin, +111% YOY), Refinery -US$39 (-3% margin, N/A YOY).
- **FCF went underwater:** There was a small but negative FCF burn of US$9 million, attributed to a negative FX effect, working capital needs, and CAPEX deployment.
- **CAPEX Deployment:** The largest of the year so far, it was funneled into the Juanicipio project that is expected to kick off next quarter.

GBM Investment Thesis

Looking ahead, we believe 2022 should be a positive year for PE&OLES, as the Juanicipio project kicks off in 4Q21 and is poised to boost silver production by 16%. Moreover, the overhaul of the Saucito and Fresnillo mines should keep progressing. The cherry on top is the miner's cash on hand that, in our view, could be put to good use in the coming quarters.

Today's results do not change our view on the name, but we will incorporate the cost inflation into our 2022 estimates.

PETROCHEMICALS

CYDSASA 3Q21

POSITIVE | ABOVE EXPECTATIONS

Rating: Outperformer
Price Target: P$45

Revenues: P$2,807 (-1.7% vs. 2.2%e)
EBITDA: P$717 (7.2% vs. -0.5%e)
Net Income: P$113 (N.A vs. N.A.)
FCF: P$44; -P$178 YTD
CAPEX: -P$673 (243.4% YOY); -P$1,627 YTD (128.5% YOY)
EV/EBITDA TTM: 6.0x
EV/EBITDA TTM Adj.: 3.2x
Net Debt Adj.: P$7,112
Net Debt/EBITDA Adj.: 2.4x

Sales were affected by a decline in refrigerant gas sales.

The recovery in caustic soda prices is finally here.

3Q21 Highlights:

- By division, Chemicals, Salt & Refrigerant Gases posted a 2.4% YOY decline in revenues, mostly affected by weak refrigerant gas sales due to the disruptions in the automotive market. Meanwhile, Cogeneration & Storage exhibited a 6.5% YOY sales increase.
- Consolidated EBITDA surged by 7.2% YOY, missing our contraction estimate, as the rebound in caustic soda prices offset incremental COGS, including energy.
- Net income reached P$112 million (vs. a net loss of P$65 million in 3Q20), boosted by strong operating results and a lower net financial cost (-52% YOY).
- The company generated PS$44 million in FCF, as the reduction in working capital needs (-98% YOY) compensated for the rise in CAPEX for the Coatzacoalcos reconversion project.

GBM Investment Thesis

- Our conviction in the name remains strong because of its appealing valuation and growth fundamentals in an industry as promising as hydrocarbon storage. Moreover, at the operating level, caustic soda prices have started to rebound, and they are set to keep improving sequentially over the coming quarters.

ALPEK 3Q21

POSITIVE | ABOVE EXPECTATIONS

Rating: Performer
Price Target: P$26

Record volumes and guidance revision

Revenues: P$41,652 (42.1% vs. 25.4%e);
EBITDA: P$5,575 (40.9% vs. 34.1%e);
Net Income: P$2,219 (54.4% vs. 51.5%e).
FCF: -P$540; P$1,060 YTD
CAPEX: P$640 (-39%YOY) P$3,900 YTD (200% YOY)
EV/EBITDA TTM: 4.0x
Net Debt: P$26,608
Net Debt/EBITDA: 1.2x

Record volumes in the Plastics & Chemicals division

EBITDA guidance was raised 11% to US$850 million (US$840 million GBMe).

ALPEK is targeting a Scope 1 and 2 emissions reduction of 27.5% by 2030 (2019 base), planning to reach carbon neutrality by 2050. Also, it will begin to measure its Scope 3 emissions.

3Q21 Highlights:

- Although Polyester volumes faced temporary disruptions due to Hurricane Ida, ALPEK's revenues were boosted by record volumes in the Plastics & Chemicals division (+16% YOY and +6% QOQ).
- The Plastics & Chemicals division was boosted by strong demand in the construction and eCommerce segments, while a tight supply/demand balance was behind record polypropylene margins.
- Despite the decline in volumes (-10% YOY, -2% QOQ), Polyester's EBITDA rose by 12% YOY, aided by more robust Asian integrated polyester margins.
- Since the company's quarterly results and its outlook are better than anticipated, the EBITDA guidance was raised to US$850 million (US$840 million GBMe).
- ALPEK burned US$27 million in FCF, due to higher working capital needs (US$245 million) after an increase in inventories.

GBM Investment Thesis

- The high cycle results are set to continue in the short term. However, we foresee a normalization in prices and margins going forward, mainly in polypropylene markets. Therefore, we think the upside potential is reduced after a 40% YTD rally and trading at 5.7x 2022e EV/EBITDA.

Conference Call Information

October 21, 2021. 9:30 am (CT) | 10:30 am (ET)
Dial-in US: +1 301 715 8592 | **Mexico:** +52 558 659 6002
Webinar: LINK | **Webinar ID:** 950 5148 9351
Password: 481438

ORBIA 3Q21

POSITIVE | ABOVE EXPECTATIONS

Rating: Outperformer
Price Target: P$73

As expected, higher resin costs hampered the EBITDA of Netafim and DuraLine, but the pressures were more than offset by the Vestolit division.

Revenues: US$2,287 (39.5% vs. 37.9%e)
EBITDA: US$532 (47.0% vs. 34.6%e)
Net Income: US$197 (166.2% vs. 93.5%)
FCF: US$90; US$269 YTD
CAPEX: US$73 (69.8% YOY); US$189 YTD (20.4% YOY)
EV/EBITDA TTM: 5.3x
Net Debt: US$2,847
Net Debt/EBITDA: 1.9x

Record quarter in sales and EBITDA growth.

Third upward guidance revision of the year.

3Q21 Highlights:

- Higher PVC prices and a strong demand induced a 67% YOY increase in Vestolit sales. In terms of EBITDA, the division reached an all-time high margin of 33.4% after posting a surge of 155% YOY.
- Wavin was also boosted by higher PVC prices, presenting a growth of 32% YOY in sales but only 12% in EBITDA.
- Netafim revenues were boosted by strong demand and the incorporation of the Gakon Horticultural Project, acquired this quarter. EBITDA dropped by 16%, affected by an increase in raw material prices and freight costs.
- DuraLine's sales soared by 42% YOY, bolstered by higher prices, new fiber optics projects, and resilient demand. EBITDA was dragged down by higher resin prices, freight costs, and labor disruptions in North America and Europe.
- Koura remained affected by Chinese imports. Sales increased 3%YOY. Yet, EBITDA decreased by 16% YOY, due to lower volumes, and higher transportation costs.
- Despite posting US$184 million in working capital needs and a surge in CAPEX of 69% YOY, the strong operating results brought a FCF generation of US$90 million.
- Guidance: ORBIA now expects EBITDA growth for FY2021 to be in the 44-48% YOY ballpark (vs. the original projection of 4-7% YOY). This revised guidance reflects the robust YTD performance observed in Vestolit. CAPEX was slightly adjusted from US$350-400 million to a range of US$300-350 million.

GBM Investment Thesis

- ORBIA is poised to keep delivering sound operating results, as it is reaping the benefits of the current disruption in the PVC industry. Moreover, its valuation still offers an appealing entry point, while long-term fundamentals remain intact.

Conference Call Information

October 28, 2021. 10:00 am (CT) | 11:00 am (ET)
Dial-in Mexico: +001-855 817-7630 | **US:** +1-(888)-339-0721 (US) | **International:** +1-(412)-317-5247
Webinar: LINK

CAPITAL GOODS

ALFA 3Q21

POSITIVE | IN LINE WITH EXPECTATIONS

Rating: Outperformer
Price Target: P$23.5

ALPEK's positive streak of results continues to boost ALFA.

Revenues: P$79,552 (17.7% vs. 12.5%e)
EBITDA: P$9,679 (0% vs. 0.1%e)
Adj. EBITDA: P$9,679 (12.4% vs. 12.5%e)
Net Income: P$2,491 (-33.9% vs. -35.7%e)
TTM EV/EBITDA: 4.9x
FCF: -P$1; 1,811 YTD
CAPEX: P$2,091 (+81.9% YOY); P$7,240 YTD (+59% YOY or +16.5% excl. M&A)
Net Debt: P$97,388; **Majority Net Debt/Adj. EBITDA:** 2.7x

3Q21 Highlights:

- **Sound quarterly figures were completely driven by ALPEK's robust performance**, which offset Sigma's and AXTEL's negative results.
- **EBITDA guidance was revised up by 10%**, on account of a better margin outlook in ALPEK.
- ALFA's corporate headcount is down by 14% YTD, moving forward with its strategy to dissolve its conglomerate structure.
- ALFA actively engaged with MSCI in anticipation of its upcoming index review (Nov. 11). Foreign investors held ~49% of ALFA in 3Q21 vs. the 75% threshold set in the Nafinsa Trust.
- **ALFA's revenue growth was entirely attributed to ALPEK.**
  - **ALPEK (+42% YOY):** Record volumes in the Plastics & Chemicals unit and higher consolidated prices
  - **Sigma (-1% YOY):** Lower volumes and impact of the yearly MXN appreciation
  - **AXTEL (-11% YOY):** Revenue decline in the Government segment
- **EBITDA margin contracted (-220 bps. YOY) on a tough comp**—3Q20 gain on the sale of Newpek assets. On a pro forma basis, margins still narrowed (-60 bps. YOY) due to higher raw material costs in Sigma.
- Nil FCF, as the robust operating performance was erased by higher WK and CAPEX.

GBM Investment Thesis

- ALFA's positive set of results, an attractive valuation, and potential catalysts in the future (MSCI Index inclusion and AXTEL divestment) support our strong conviction on the name.

Conference Call Information

October 21, 2021. 12:00 pm (CT) | 13:00 pm (ET)
Dial-in US: +1 (877) 451-6152 | **Mexico:** (800) 522-0034 | **International:** +1 (201) 389-0879
Access Code: 13723382

KUO 3Q21

POSITIVE | ABOVE EXPECTATIONS

Rating: Outperformer
Price Target: P$75

KUO Chemical and Consumer strongly surprised on the upside.

Revenues: P$15,531 (31.2% vs. 22.5%e)
EBITDA: P$2,153 (51.7% vs. 10.6%e)
Net Income: P$748 (19.7% vs. -51.7%)
TTM EV/ EBITDA: 5x
FCF: P$432; P$1,496 YTD
CAPEX: P$648 (138.2% YOY); P$1,711 YTD (91% YOY)
Net Debt: P$11,863; **Net Debt/EBITDA:** 1.8x

Robust 3Q21, driven by a stronger dynamism than expected across KUO Consumer and Chemical, mainly on the profitability side.

No new collections on the insurance claim related to the fire incident in the Pork business plant.

Proposal for a P$0.9 dividend (~2% yield) to be discussed at the Nov. 9 shareholders' meeting.

3Q21 Highlights

- Revenue growth across all divisions:
  - Chemical (68% YOY): Higher volumes and prices
  - Automotive (17% YOY): Increased Dual Clutch Transmission orders (DCT)
  - Consumer (23% YOY): Higher domestic pork prices and the recovery of the foodservice segment in the United States
- EBITDA margin expansions (+190 bps. YOY) despite higher input costs
  - Chemical (+320 bps. YOY): Operating leverage and product mix
  - Automotive (-60 bps YOY): Input cost inflation
  - Consumer (+280 bps. YOY): Higher prices, operating leverage, and product mix
- KUO Chemical experienced an inventory revaluation of P$111 million—excluding this, EBITDA still jumped by 44% YOY and margins expanded by 120 bps.
- Bottom line surpassed our estimates in consonance with the solid operating performance.
- Sound FCF generation despite the higher CAPEX, mainly for the new pork processing plant.

3Q21 Highlights

Given the sound quarterly beat, our 2021 EBITDA forecast needs to be increased by at least 10%. Meanwhile, at 5x TTM EV/EBITDA, KUO is one of our Capital Goods companies with not only a very attractive valuation but also ongoing growth and leeway for future expansions, as its new pork processing plant should come on line in 4Q21. Reiterating Outperformer rating.

NEMAK 3Q21

NEGATIVE | BELOW EXPECTATIONS

Rating: Outperformer
Price Target: P$12.5

Larger-than-expected impact from the semiconductor shortage

Revenues: P$17,217 (-12.9% vs. -7.8%e)
EBITDA: P$2,231 (-42.9% vs. -34.8%e)
Net Income: -P$575 (P$1,976 vs. P$180e)
TTM EV/ EBITDA: 3.8x
FCF: -P$2,328; -P$4,767 YTD
CAPEX: P$1,620 (58% YOY); P$4,331 YTD (9.8% YOY)
Net Debt: P$29,244; **Net Debt/EBITDA:** 2.5x

Strong volume contractions brought by the chip shortage crisis resulted in lower revenue, margin pressures, and a substantial free cash burn.

NEMAK won US$150 million in contracts for the electric vehicle and structural components (EV&SC) business.

EV&SC order book reached US$1.05 billion in annual revenues—surpassing its US$1 billion target for 2022, ahead of expectations.

3Q21 Highlights

- Volumes affected by chip shortage. Performance by Region (YOY %):
  - North America: -27.1% YOY
  - Europe: -16.1% YOY
  - Rest of World: -18.2% YOY
- Revenue decline, as lower volumes erased the benefit of higher aluminum prices.
- EBITDA/unit decreased by 16% YOY to US$14.7, on account of the lower operating leverage.
- Despite 3Q21 volumes are ~26% below 3Q19, profitability per unit is above by 12%, reflecting NEMAK's enhanced cost structure after the pandemic.
- A FCF burn attributed to higher cash interest expenses (bond prepayments) and working capital needs (inventories).

GBM Investment Thesis

Despite the negative results and guidance revision, we uphold our optimistic stance on NEMAK, on account of its attractive valuation, strong FCF generation, and growth story around the EV&SC business. More importantly, as our estimates were on the conservative side, we are still below guidance even after management's downward revision.

GCARSO 3Q21

POSITIVE | ABOVE EXPECTATIONS

Rating: Performer
Price Target: P$57

Besting expectations, but tight valuations persist.

Revenues: P$30,158 (21.9% vs. 20.1%e)
EBITDA: P$4,060 (-4.3% vs. -9.8%e)
Adj. EBITDA: P$4,060 (33.5% vs. 24.9%e)
Net Income: P$2,568 (-5.7% vs. -18%e)
TTM EV/EBITDA: 10x
FCF: P$1,505 (N.A); -P$1,936 YTD (N.A)
CAPEX: P$701 (18.2%); P$2,139 YTD (-17.9% YOY)
Net Debt: P$19,643; **Majority Net Debt/EBITDA:** 2.4x

GCARSO beat our EBITDA forecast, on account of higher-than-expected operating leverage in GSanborns.

In 3Q21, the company was awarded turnkey works worth US$196 million to drill and develop onshore fields for PEMEX.

3Q21 Highlights

- **Revenue growth across all subsidiaries, except for CICSA.**
  - **GSanborns (+30% YOY):** Increased store traffic and big-ticket item sales
  - **GCondumex (+18% YOY):** Rising demand for Telecom and Construction cables and higher copper prices
  - **CICSA (-1% YOY):** Fewer pipeline installations and civil construction projects
  - **Carso Energy (+268% YOY):** Consolidation of the Samalayuca-Sásabe gas pipeline
- **EBITDA margin contracted (-350 bps. YOY) on a tough comp**—3Q20 gain on restatement of pension plan benefits of GSanborns.
- **Adj. EBITDA margin expanded (120 bps. YOY)** due to better operating leverage in GSanborns and increased contribution of Carso Energy.
- CICSA's infrastructure backlog reached P$34.1 billion (-26% YOY and -1% QOQ).
- Sound FCF generation despite higher CAPEX and working capital needs.

GBM Investment Thesis

- Despite the positive set of 3Q results, GCARSO's valuation seems tight, especially when considering the rest of Mexican conglomerates are trading at a steep discount in EV/EBITDA terms while offering twice GCARSO's FCF yields.

Conference Call Information

October 26, 2021. 10:00 am (CT) | 11:00 am (ET)
Dial-in US: +1 (844) 686-3847 | **Mexico:** (55) 8880-8040 | **International:** +1 (412) 317-06384
Conference ID: "Grupo Carso"

VITRO 3Q21

NEGATIVE | BELOW EXPECTATIONS

Rating: Outperformer
Price Target: P$65

The Automotive segment is to blame for VITRO's negative quarter.

Revenues: US$491 (3.1% vs. -3.1%e)
EBITDA: US$53 (-31.5% vs. -25.3%e)
Net Income: -US$5.1 (N.A. vs. US$11.9e)
TTM EV/EBITDA: 5.1x
FCF: -US$20; -US$122 YTD
CAPEX: US$27 (+35% YOY); US$69 YTD (-4.5% YOY)
Net Debt: US$619; **Net Debt/EBITDA:** 2.7x

Higher energy costs and the impact of supply chain disruptions in the Automotive segment overshadowed the recovery in Architectural and Glass Containers divisions.

Working capital requirements of US$130 million have hit the company's FCF on a year-to-date basis. Recovery is not expected until 1Q22.

3Q21 Highlights

- Volume Performance by Division (YOY %):
  - **Automotive (-24%):** Semiconductor shortage impact on OEMs
  - **Construction (2%):** Higher demand in both markets (US and Mexico)
  - **Chemical (11%):** Improved demand in glass, detergent, and pharma industries
  - **Glass Containers (-2%):** Lower volumes in export markets

- Revenue Growth by Segment (YOY %):
  - **Flat Glass (1.7%):** Architectural and Chemical offset Automotive
  - **Glass Containers (13.2%):** higher cosmetics and fragrances sales

- EBITDA margins narrowed by 500 bps. YOY, on account of the following:
  - **Flat Glass (-750 bps.):** Lower operating leverage (Automotive), higher energy, and logistics costs
  - **Glass Containers (+50 bps.):** Better product mix offset higher energy costs

- The quarter's FCF burn was explained by higher working capital needs and CAPEX.

GBM Investment Thesis

Despite this quarter's negative results, we uphold our Market Outperformer rating on the stock and a positive stance overall, given the company's attractive valuation—trading at a ~35% discount to its tangible book value and our target multiple. In addition, with the recovery of its businesses, mainly Automotive, VITRO should regain its healthy financial position and a strong FCF generation.

GISSA 3Q21

NEGATIVE | BELOW EXPECTATIONS

Rating: Outperformer
Price Target: P$42

Raw material costs take a toll on results.

Revenues: US$248 (21.1% vs. 21.1%e)
EBITDA: US$22.6 (-40% vs. -14.1%e)
Net Income: -US$1.2 (US$11.3 vs. US$4.9e)
TTM EV/EBITDA: 5x
FCF: US$1 (-98% YOY); US$45.5 YTD (+329% YOY)
CAPEX: US$21.4 (+271% YOY); US$39.5 YTD (+63% YOY)
Net Debt: US$180; **Net Debt/EBITDA:** 1.4x

During the quarter, Draxton won contracts worth 35,000 tons (~5% of capacity), including a program for an electric vehicle. Mulling an expansion on top of the one announced in 2Q21.

Vitromex will invest US$11 million to expand capacity by 5% in YE22. This is on top of the 10% expansion made in 2Q21.

3Q21 Highlights:

- **Negative 3Q21 results**, as rising costs of raw materials and the semiconductor crisis eroded margins in Draxton and Cinsa.
- Vitromex delivered strong sales growth and EBITDA margin (12%) despite high energy costs.
- **Sales by subsidiary:**
  - Draxton (19% YOY): Higher volumes in North America and better prices
  - Vitromex (19% YOY): Increased volumes and better sales mix
  - Cinsa (45% YOY): Higher sales in domestic and export markets
- **YOY Profitability variation by subsidiary (EBITDA margins):**
  - Draxton (-1,100 bps.): Lower volumes in Europe/Asia, higher energy costs, and metal lag
  - Vitromex (+180 bps.): Better volumes, rightsizing, and efficiency strategy
  - Cinsa (-400 bps.): High raw material and natural gas prices
- Nil FCF generation due to higher CAPEX. GISSA still enjoys a sound balance sheet to pursue strategic opportunities.

GBM Investment Thesis

Despite the negative 3Q21 results, we still see a strong FCF and attractive valuations in GISSA. Moreover, the turnaround in Vitromex's profitability is reaching levels way above our forecasts, which entails an upside risk.

Conference Call Information

October 22, 2021. 9:00 am (CT) | 10:00 am (ET)
WEBCAST

BUILDING MATERIALS

CEMEX 3Q21

NEUTRAL | BELOW EXPECTATIONS

Rating: Outperformer
Price Target: US$10.5

Inflationary pressures offset sound volume and price performance.

Revenues: US$3,769 (10% vs. 10.3%e)
EBITDA: US$740 (1.8% vs. 7.9%e)
Net Income: -US$376 (-US$1,535 vs. US$241e)
TTM EV/ EBITDA: 7.1x
FCF: US$254 (-40% YOY); US$494 YTD (109% YOY)
CAPEX: US$283 (110% YOY); US$652 YTD (40% YOY)
Net Debt: US$8,178; **Net Debt/EBITDA:** 2.7x (3.2x excl. 100% equity credit from hybrid security)

Volume and price dynamics in line with expectations, but energy cost inflation had a greater than expected impact.

CEMEX revised its 2021 EBITDA guidance down by 3-5% to US$2.95-3 billion (vs. US$3.1 billion previously).

Pricing across all markets (except for SCA&C) gained traction (+1/2% QOQ in cement prices).

It is in the process of refinancing its credit agreement with improved terms and conditions.

3Q21 Highlights:

- Cement Volume & Price Performance in Local Currency by Region (YOY %):
  - **Mexico**: Volumes (-3%); Prices (9%)
  - **United States:** Volumes (5%); Prices (3%)
  - **SCA&C:** Volumes (5%); Prices (3%)
  - **EMEA:** Volumes (0%); Prices (5%)
- Revenue & EBITDA by Region (YOY %):
  - **Mexico:** Revenue (20%); EBITDA (17%)
  - **United States:** Revenue (10%); EBITDA (-10%)
  - **SCA&C:** Revenue (9%); EBITDA (3%)
  - **EMEA:** Revenue (2%); EBITDA (-8%)
- EBITDA margin contracted by 160 bps. YOY, on higher energy, distribution, and raw material costs.
- Unexpected net loss attributed to a ~US$500 million impairment in Spain and other regions.
- FCF generation doubled our forecast, thanks to lower CAPEX.

GBM Investment Thesis:

- We reiterate our Outperformer rating on the stock, given the favorable industry fundamentals across its main markets, which should allow the company to counter inflationary pressures with higher prices. Meanwhile, CEMEX maintains a strong FCF generation and attractive valuation, while a US infra plan (if approved) represents an upside risk to our valuation and estimates.

Conference Call Information

October 28, 2021. 9:00 am (CT) | 10:00 am (ET)
Dial-in Mexico: +1 (866) 675-4929 | International: +1 (412) 317-6061
Access Code: 2276884
WEBCAST

CMOCTEZ 3Q21

NEUTRAL | BELOW EXPECTATIONS

Rating: Performer
Price Target: P$66

The easy comps ended, while energy costs kept pressuring margins.

Revenues: P$3,850 (2.5% vs. 10%e)
EBITDA: P$1,679 (-3.9% vs. 5%e)
Net Income: P$1,128 (1% vs. 8%e)
TTM EV/ EBITDA: 7.4x
FCF: P$1,007 (-14% YOY); P$3,452 YTD (13% YOY)
CAPEX: P$96 (-44% YOY); P$235 YTD (-29% YOY)
Net Debt: -P$4,579; **Net Debt/EBITDA:** -0.6x

Although 3Q21 results missed our forecasts, CMOCTEZ is on track to meet our full-year expectations.

3Q21 Highlights:

- Soft revenue growth due to uneasy comps—3Q20 marked the start of increased construction activity.
- EBITDA margin contractions of 290 bps. YOY given the sharp increase in pet coke prices.
- Solid FCF generation, but still ~14% below YOY, given higher working capital needs.
- CMOCTEZ would pay a dividend of P$2.5/share by YE21, according to our estimates—P$4.5/share annual dividend, or ~7% yield.

GBM Investment Thesis:

- While the company continues to be a high-quality asset in an industry with favorable fundamentals and despite it is in an enviable position to keep delivering value to shareholders by expanding its operations or increasing its dividend payments, valuations seem very close to fair levels, in our view.

GCC 3Q21

POSITIVE | ABOVE EXPECTATIONS

Rating: Outperformer
Price Target: P$190

Positive industry momentum gets GCC closer to meeting its guidance.

Revenues: US$315 (12.2% vs. 7.2%e)
EBITDA: US$110 (10.2% vs. 7.1%e)
Net Income: US$59 (11.7% vs. 19.1%e)
TTM EV/ EBITDA: 7.4x
FCF: US$95 (-8.4% YOY); US$153 YTD (2.6% YOY)
CAPEX: US$13 (59% YOY); US$32 YTD (36% YOY)
Net Debt: -US$37; **Net Debt/EBITDA:** -0.2x

Encouraging results with strong volume and pricing dynamics across the US and Mexico.
Pricing in the US gains traction (+4% QOQ in cement prices).
GCC is on track to meet its 2021 EBITDA guidance.

3Q21 Highlights:

- 3Q21 Volume & Price Performance (YOY%):
  - **Cement US:** Volumes (9.7%); Prices (10%)
  - **Ready-mix US:** Volumes (-23%); Prices (5%)
  - **Cement Mexico:** Volumes (1%); Prices (4%)
  - **Ready-mix Mexico:** Volumes (18%); Prices (7.6%)
- Infrastructure and oil sectors were the main propeller of demand in the US.
- Rising demand in Mexico related to industrial maquila plants, warehouse construction, mining projects, and middle-income housing.
- Profitability margins contracted by 60 bps. YOY due to higher SG&As—the latter rose, as non-recurring savings stemming from pandemic-related efforts that started 2Q20 were no longer present in 3Q21.
- Strong FCF generation (~90% conversion rate) despite higher CAPEX.

GBM Investment Thesis:

- We reiterate our Outperformer rating on GCC, given its favorable industry fundamentals, strong FCF generation, financial position, and attractive valuation. What's more, a US infra plan (if approved) still represents an upside risk to our valuation and estimates.

Conference Call Information

October 27, 2021. 10:00 am (CT) | 11:00 am (ET)
Dial-in US: +1 (877) 407-0789 | **International:** +1 (201) 689-8562
Access Code: 13714205

LAMOSA 3Q21

POSITIVE | ABOVE EXPECTATIONS

Rating: Outperformer
Price Target: P$130

Encouraging 3Q21 results, with strong revenue growth and margin expansions.

Revenues: P$6,933 (22.8% vs. 15.9%e)
EBITDA: P$1,899 (36.2% vs. 28.7%e)
Net Income: P$645 (-27.3% vs. -1%e)
TTM EV/EBITDA: 4.9x | 4.4x incl. EBITDA of LTM acquisitions
FCF: -P$2,946; -P$2,010 YTD
CAPEX: P$4,732; P$5,273 YTD
CAPEX excl. M&A: P$112 (75% YOY); P$307 YTD (27% YOY)
Net Debt: P$8,443; **Net Debt/EBITDA:** 1.2x; Pro forma 1.1x

Sound volume growth and pricing initiatives outweighed energy cost inflation.

LAMOSA began consolidating Grupo Roca's ceramic tiles business in September.

3Q21 Highlights:

- Revenue by segment:
  - Ceramic Tiles (27% YOY): Domestic growth and consolidation of Euroceramica and Grupo Roca's ceramic tiles business
  - Adhesives (8.9% YOY): Higher revenues in domestic and foreign markets
- EBITDA margin expansion (270 bps. YOY), driven by higher operating leverage and pricing.
- EBITDA margins contracted by 210 bps. QOQ, which we attribute to the hike in natural gas prices and the consolidation of Grupo Roca, which carries lower margins.
- Net income underperformed expectations, on account of a higher effective tax rate.
- Excluding M&A, LAMOSA generated a robust FCF of P$1.5 billion (6% of market cap).

GBM Investment Thesis:

- A sound growth profile and a healthy financial position enabled by its strong FCF generation, on top of an attractive valuation have positioned LAMOSA as our favorite asset in the Building Materials industry. For more on LAMOSA's value creation story, please refer to our "Ceramic Tiles Initiating Coverage" paper.

CERAMIC 3Q21

NEGATIVE | IN LINE WITH EXPECTATIONS

Rating: Outperformer
Price Target: P$75

The operations began to feel the pressure of higher energy costs.

Revenues: P$3,126 (7.7% vs. 5.3%e)
EBITDA: P$503 (-6.3% vs. -7.7%e)
Net Income: P$28 (-90.4% vs. -72.7%e)
TTM EV/ EBITDA: 6.1x
FCF: -P$277; -P$811 YTD
CAPEX: P$306 (441% YOY); P$453 YTD (147% YOY)
Net Debt: P$3,961; **Net Debt/EBITDA:** 2x, or 1.5x excluding IFRS 16.

Energy costs started to taint profitability, while inventory restocking and higher CAPEX provoked an unexpected FCF burn.

We recently initiated coverage on the name. For more information, take a look at our note "*LAMOSA/CERAMIC: The road to growth is paved with tiles.*"

3Q21 Highlights

- Top line was supported by growth in all regions, due to better volumes and prices.
  - Mexico (12.2% YOY)
  - United States (6.2% YOY in USD terms)
- Higher energy costs (mainly natural gas) tainted profitability, with EBITDA margin contracting by 240 bps. YOY.
- Net income was hampered by a higher effective tax rate than anticipated (67% vs. 28%e).
- Strong FCF burn, chiefly explained by higher-than-expected CAPEX related to investments in plants and retail stores.

GBM Investment Thesis

Results were negative, but in line with expectations. Nevertheless, CERAMIC remains an attractive asset with a distinctive value proposition around its retail distribution, not only in Mexico but also in the US, where the company has vast growth prospects. More importantly, it maintains a strong FCF generation, a healthy financial position, and an attractive valuation.

GBM

FORTALE 3Q21

NEUTRAL

Uninspiring quarter for FORTALE's first report as an independent company

Revenues: P$3,242 (-3%)
EBITDA: P$990 (-3%)
Net Income: P$886 (201%)
TTM EV/EBITDA: 6.1x
FCF: P$689 YTD (-32% YOY)
CAPEX: P$458 YTD (27% YOY)
Net Debt: P$8,630; **Net Debt/EBITDA:** 2.5x

In 3Q21, ELEMENT changed its name to FORTALE as a result of a corporate reorganization, given the spin-off of its Building Systems and Metals businesses (ELEMAT).

This is the first time that FORTALE reports. Hence, with no information for previous quarters, it is impossible for us to calculate some figures on a quarterly basis.

3Q21 Highlights:

- Revenue dropped, affected by lower volumes in Mexico and pricing pressures in the United States and Central America.
- 3Q21 Volume and Pricing Performance (YOY %):
  - Mexico: Volumes (-8%); Prices (4%)
  - United States: Volumes (6%); Prices (-7%)
  - Central America: Volumes (9%); Prices (-9%)
- EBITDA margins remained flat, as the US and Central America offset Mexico.
  - Mexico (-150 bps. YOY%): Lower operating leverage and higher energy costs
  - United States: (+70 bps. YOY%): Higher volumes and efficiencies
  - Central America: (+130 bps. YOY%): Operating leverage and efficiencies

Conference Call Information

October 29, 2021. 9:00 am (CT) | 10:00 am (ET)
WEBCAST
Passcode: FORTALEZA

MEDIA & TELECOM

AMX 3Q21

POSITIVE | ABOVE EXPECTATIONS

Rating: Performer
Price Target: P$20 | US$20 per ADR

Profitability beat thanks to Mexico, the US, and TKA

Revenues: P$253,375 (-2.6% vs. -3.0%e)
EBITDA: P$87,590 (+1.3% vs. -1.4%e)
Net Income: P$15,811 (-16.4% vs. +12.0%e)
Maj. TTM EV/EBITDA: 5.5x
FCF: P$24,084; P$71,532 YTD
CAPEX: P$32,924 (+22.4% YOY); P$90,217 YTD (-0.3% YOY)
Maj. Net Debt: P$548,908; **Maj. Net Debt/EBITDA:** 1.73x

3Q21 Highlights:

- **Consolidated revenues came in line with our forecast.** In local currency, the main driver was the Colombia unit (+9.4% YOY), on account of solid additions in both the mobile and fixed segments, which offset the pressure on wireless ARPU (-4.7% YOY).
- **Telekom Austria bested our expectations** (6.7% vs. 3.1% YOYe), thanks to its 5G packages.
- **Revenues of Mexico and Brazil trailed our expectations** due to an unexpected decrease in handset sales.
- **ARPU in Mexico reached P$159**, the highest figure since 3Q14.
- **EBITDA topped our estimate and the Street's.** Mexico surpassed our projection (8.9% YOY vs. 4.1%e), likely benefiting from the YOY decrease in equipment sales.
- **The US operation improved its margins** by 123 bps. YOY, boosted by an improved subscriber mix.
- Consolidated margin landed at 34.6% (+133 bps.).
- Bottom line was pressured due to a larger-than-expected non-cash FX loss of P$11.6 billion.
- **FCF generation stood at P$24 billion**, outshining our estimate, driven by lower-than-expected CAPEX (YTD CAPEX: US$4.4 billion vs. US$8 billion FY guidance). Therefore, CAPEX should considerably increase in 4Q21, driven by upcoming spectrum auctions.
- **AMX spent P$24.4 billion on dividends and buybacks** and another P$13 billion on debt amortization.

GBM Investment Thesis:

- Our thesis continues to hinge on the strong FCF generation capabilities of AMX and the fact that, thanks to the upcoming corporate events—largely, the US unit sale and the LatAm tower portfolio, AMX will have more leeway to ramp up shareholder return. For more details, refer to our recent note where we reassessed our rating to Market Performer on the name.

Conference Call Information

10:00 am ET / 9:00 am Mexico City
Dial-in:
US Callers: (844) 200 6205
International Callers: (929) 526 1599
Conference ID: 65 28 17
WEBCAST

AXTEL 3Q21

NEGATIVE | BELOW EXPECTATIONS

Rating: Outperformer
Price Target: P$9

Underwhelming results across the board

Revenues: P$2,759 (-10.8% vs -6.8%e)
EBITDA: P$912 (-15.4% vs. -9.1%e)
Net Income: -P$302 (N.A.)
EV/EBITDA Maj. TTM: 6.4x
FCF: P$197; YTD -P$326
CAPEX: P$486 (+32.2%); P$1,108 YTD (-25.5%)
Net Debt: 12,102; **Net Debt/EBITDA:** 3.0x

Continued conversations with potential investors; no further information was disclosed.

3Q21 Highlights

- **Services segment contracted by 10.2% YOY**, impacted by a drop in voice services among the clients of the Enterprise and Government segments.
- **Infrastructure unit revenue (-6.7% YOY)** affected by a reduction in upfront connectivity contracts.
- The **semiconductor shortage** could have an impact of more than P$50 million on 2H21 sales.
- **EBITDA margin diluted by 179 bps.**, due to the slump in sales, especially upfront contracts.
- Net loss driven by a P$245 million FX loss.
- **FCF generation of P$197 million**, aided by lower cash tax payments.

GBM Investment Thesis

- We continue to see value in AXTEL's Infrastructure business, but we think the window of opportunity narrows further as (more) time passes.
- We will update our figures to account for lackluster results in the Alestra unit.

Conference Call Information

9:30 am ET/8:30 CT
Dial-in:
U.S. Toll-free: +1 (877) 705-6003
International: +1 (201) 493-6725
Mexico: (800) 522-0034
Conference ID: 1372-3631
WEBCAST

MEGA 3Q21

POSITIVE | IN LINE WITH EXPECTATIONS

Rating: Performer
Price Target: P$78

Sound subscriber additions, CAPEX surges as part of network upgrade plan

Revenues: P$6,145 (9.3% vs. 8.9%e)
EBITDA: P$3,027 (8% vs. 6.2%e)
Net Income: P$927 (-13.4% vs. 0.1%e)
TTM EV/EBITDA: 5x
FCF: -P$187; P$1,383 YTD
CAPEX: P$2,284 (168% YOY); P$6,312 YTD (82% YOY)
Net Debt: P$4,283; Net Debt/EBITDA: 0.36x

CAPEX surged due to network upgrades.

We look forward to hearing management's plans on CAPEX going forward.

3Q21 Highlights

- **Mass Market revenues grew by 10% YOY**, thanks to strong triple-play additions
- Blended ARPU landed at P$412 (1.7% YOY).
- Net QOQ additions (thou.): 59 Video, 105 Internet, 129 Telephony, 90 MVNO.
- **The Corporate segment rose by 7% YOY**, thanks to a recovery in connectivity demand and an easy comparison in its Ho1a unit.
- **EBITDA margin contracted by 58 bps. YOY** (vs. -1.3 pp. expected), reflecting client additions and growth in the Corporate segment.
- Net income fell YOY due to greater D&A related to network upgrade and higher interest expense YOY.
- **CAPEX surged to 37.2% of revenues**, as the company continues with its fiber upgrade.
- **A slight FCF burn** was driven by the CAPEX increase and a higher cash tax rate.

GBM Investment Thesis

- Concerns about increased competition have led to a derating on MEGA, which we see as well positioned – due to its competitive pricing and increasing network quality – to capture clients as Internet penetration continues to increase in Mexico. We will soon update our estimates on the name.

Conference Call Information

October 27, 2021
11:00 am ET | 10:00 am CT
Dial-in:
US: +1 (877) 451-6152
Others: +1 (201) 389-0879
WEBCAST

TLEVISA 3Q21

NEUTRAL | IN LINE WITH EXPECTATIONS

Rating: Performer
Price Target: P$47

Izzi's network expansion leads to surge in CAPEX.

Revenues: P$26,128 (+9.1% vs. +5.5%e)
EBITDA: P$10,179 (+3.1% vs. +2.7%e)
Net Income: P$761 (-77.3% vs. N.A.)
TTM EV/EBITDA: 7.3x
FCF: -P$2,819; **YTD:** -P$4,340
CAPEX: P$7,342 (31.7% YOY); 18,863 YTD (27.9% YOY)
Net Debt: P$112,938; **Net Debt/EBITDA:** 3.3x

The project to build two million homes passed in FY21 reached 65% progress.

Profitability comparison excludes a non-recurring gain of P$934 million related to the sale of the Radio segment in 3Q20.

3Q21 Highlights:

- **Cable sales came in line with GBMe (5.8% vs. 5%e),** thanks to sound Internet and Voice additions, which compensated for the churn seen in pay-TV.
- Izzi reported 25 thousand broadband additions, reaching 5.6 million subscribers.
- **Content revenues outperformed our figures by 7.6%,** boosted by Licensing sales (+16.7% vs. -2.5%e), which include the Univision royalty (+20.1% YOY in USD).
- **Sky's top line (-2.5% vs. -1.5%e)** was affected by a drop in recharges from its prepaid clients.
- **EBITDA margin contracted by 2.3 pp. YOY to 39%,** on account of margin dilution in content production and the amortization of sports rights in Sky.
- **CAPEX surge was attributed to Izzi (45% of sales; 59% YOY in USD terms),** reflecting its plan to build two million homes passed in FY21.
- **Higher-than-expected FCF burn of P$2.8 billion,** mainly due to the jump in CAPEX.

GBM Investment Thesis

- With a single transaction, TLEVISA will separate its Content and Cable units. The former will push into streaming, alongside Univision and new partners, which may attract new viewers and advertising revenues. Post-deal, TLEVISA will have ample cash to fuel Izzi's growth either organically or through M&A.
- We will soon update our estimates to account for these changes.

Conference Call Information

October 22 9:00 am ET/8:00 CT
Dial-in:
U.S. Toll-free: +1 (833) 353 0403
International: +1 (630) 652 5765
Mexico: (800) 926 9147
Conference ID: 7486-362

SITES 3Q21

POSITIVE

Tenancy ratio passed the 1.2x mark.

Revenue: P$2,164 (6.2%)
EBITDA: P$2,051 (5.6%)
Net Income: P$66 (-81.7%)
TTM EV/EBITDA: 12x
FCF: P$472; P$1,824 YTD
CAPEX: P$346 (61.7% YOY); P$922 YTD (-7.1% YOY)
Net Debt: P$21,069; **Net Debt/EBITDA:** 3.1x

Third-party co-locations pushed the tenancy ratio above 1.2x.

56% of the tower portfolio is now within FSITES.

3Q21 Highlights:

- **Top-line growth** was driven by an increased tower count YOY (18,875 vs. 17,964 in 3Q20) and a higher tenancy ratio (1.213x vs. 1.179x in 3Q20).
- **Tenancy ratio: 1.213x.** Tower portfolio climbed by 264 QOQ. For co-locations, non-AMX clients rose by 336 (second-largest surge in history), while additional-AMX increased by 2.
- **3Q21 portfolio: 18,875 towers.** 10,516 already part of FSITES. 8,052 are located in Mexico but not yet in FSITES, and 307 are in Costa Rica.
- **EBITDA margin came at 94.8%**, matching the 1H21 level (94.7%); both reflect expenses related to FSITES.
- **FCF generation of P$472 million**, as the cash tax rate stood at a double digit.

Conference Call Information

October 28, 2021
11:00 A.M. (EST) / 10:00 A.M. (Mexico City)
Dial-in:
U.S. Toll-free: +1 (844) 802-0960
International: +1 (412) 317-6354
Mexico toll-free: +52 (55) 8880-8040
Conference ID: Telesites

FINANCIALS

BBAJIO 3Q21

POSITIVE | ABOVE EXPECTATIONS

Lower provisions and net commissions contributed to bottom-line growth.

Portfolio: P$195,974 (+2.5% vs. +2.7%e)

Net Interest Income: P$2,853 (+8.4% vs. +3.4%e)

Provisions for Loan Losses: P$361 (-56.7% vs. -50.9%e)

Net Income: P$1,250 (+64.8% vs. +44.6%e)

P/E TTM: 11.6x; **P/BV:** 1.3x; **ROAE:** 11.2%.

Capitalization: 18.2%; **NPL:** 1.2%; **Cost of Risk:** 0.8%

Consumer lending continued to grow in the double digits YOY.

3Q21 Highlights:

- **The loan portfolio expansion was driven by the Consumer (13.8% YOY)** and Government (23.5% YOY) segments.
- **NII was aided by a 19% YOY decrease in interest expenses**, explained by a cheaper funding mix.
- **NPL of 1.2%** (+6 bps. QOQ).
- Asset quality improved sequentially, as the cost of risk stood at 0.8% (near the 0.5-0.7% guidance).
- Net income rose, aided by non-lending results (13% YOY), especially trading income and net commissions.
- ROAE landed at 11.2% (+1.2 pp. QOQ), inching closer to the 11.5-12.2% guidance.

Conference Call Information

October 28, 2021

11:00 am ET/10:00 am Mexico City

WEBCAST

GFINBUR 3Q21

POSITIVE | ABOVE EXPECTATIONS

Trading income soared YOY, driving net income above estimates.

Portfolio: P$241,838 (3% vs. 2%e)
Net Interest Income: P$5,997 (-2.7% vs. -10.7%e)
Provisions for Loan Losses: P$939 (-60% vs. -71.5%e)
Net Income: P$4,502 (80.2% vs. 6.7%e)
P/E TTM: 8.1x; **TTM P/BV:** 0.8x; **ROE:** 10.5%
Capitalization: 19.3%; **NPL:** 1.8%; **Cost of Risk:** 1.3%

Still awaiting regulatory approval for Sinca/Promotora spin-off.

3Q21 Highlights:

- **Sequentially, the portfolio remained flat**, as an increase in the loans granted to financial institutions (+84% QOQ) compensated for a 4.2% drop in consumer & mortgage loans.
- **NII YOY growth was aided by a rise in written premiums** and a cheaper funding mix.
- **Provisions for loan losses sank by 60% YOY,** due to the provisions created in 2020 to face the health crisis.
- **Cost of risk improved to 1.3%** (vs. 4.5% in 3Q20 and 1.9% in 2Q21).
- **The NPL reached 1.8%**, improving both YOY and QOQ.
- **Net income rallied (19% QOQ)**, thanks to improved risk-adjusted NII and a 289% YOY surge in trading income.

Conference Call Information

Wednesday, October 27, 2021

10:00 am (ET) | 9:00 am (CT)

WEBCAST

GBM

REGIONAL 3Q21

POSITIVE | IN LINE WITH EXPECTATIONS

Loan book boosted by Financial Institutions.

Portfolio: P$115,265 (3.7% vs. 4.2%e)
Net Interest Income: P$1,887 (3.8% vs. 2%e)
Provisions for Loan Losses: P$238 (-8.5% vs. -3.5%e)
Net Income: P$968 (12% vs. 9.7%e)
P/E TTM: 12.2x; **P/BV:** 1.6x; **ROE:** 13.7%
Capitalization: 15.5%; **NPL:** 1.7%; **Cost of Risk:** 0.9%

Hey banco users reached 290.3 thousand.

Consumer lending continued to rise by the double digits.

3Q21 Highlights

- Hey Banco reached 290,301 active users (+27.6% QOQ) and total deposits for P$5.5 billion.
- **Loan book growth, in line with expectations**, driven by Financial Institutions (+344% YOY) and Consumer lending (+20% YOY; +6% QOQ).
- **NII was better than expected due to a surge in demand deposits (+31% YOY).**
- **Loan loss provisions (+101.7% QOQ)** pressured the risk-adjusted NII on a QOQ basis.
- **NPL ended the quarter at 1.7% (vs. 1.6%e)**, reflecting the end of the relief programs (vs. 1.2% in 3Q20).
- **Net income expanded above estimates;** yet, it declined by 10% on a sequential basis.

Conference Call Information

Tuesday, October 26, 2021
11 am ET / 10 am CT
WEBCAST

GBM

GFNORTE 3Q21

NEUTRAL | IN LINE WITH EXPECTATIONS

Net income stayed flattish YOY despite a slight loan book growth and improving asset quality.

Portfolio: P$823,204 (+2.2% vs. +1.1%e)
Net Interest Income: P$20,007 (-2.9% vs. -3.3%e)
Provisions for Loan Losses: P$2,653 (-15.5% vs. -12.9%e)
Net Income: P$8,874 (-0.4% vs. -0.7%e)
P/E TTM: 12.6x; **P/BV:** 1.7x; **ROAE:** 14.0%.
Capitalization: 21.9%; **NPL:** 1.2%; **Cost of Risk:** 1.8%

3Q21 Highlights:

- **The YOY loan book growth** was driven by Mortgages (+8.3% YOY) and Consumer (+1.7% YOY) but remained hindered by the Financial Entities segment (-17.1% YOY).
- **Loan loss provisions declined YOY, as expected**, and did slightly better in sequential terms (-4.1%).
- **NPL continued to improve, landing this time at 1.2%** (vs. 1.3% in 2Q21). The figure contrasts favorably with 3Q19's 1.9%.
- **NII was hampered not only by the lower interest rates YOY**, but also by the pressures in the Insurance & Annuities business. On a QOQ basis, NII improved by 1.8%.
- **Operating income reached P$11.4 billion** (-2.3% YOY). On a QOQ basis (+6.3%), it was driven by a better risk-adjusted NII (+2.8%) and a surge in the market-related income (+32.8%).
- **Bottom line stayed flattish in YOY terms and compared to 3Q19**, as anticipated. Sequentially, net income rose by 3.6%.

Conference Call Information

October 22, 2021
10:00 am ET, 9:00 am Mexico City
WEBCAST
Passcode: 935371

QUALITAS 3Q21

NEGATIVE | IN LINE WITH EXPECTATIONS

Rating: Outperformer
Price Target: P$115

As expected, profitability normalization continued.

Written Premiums: P$8,840 (+2.7% vs. +5.6%e)
Net Earned Premiums: P$9,087 (-0.2% vs. 0%e)
Technical Result: P$990 (-57.9% vs. -58.2%e)
Underwriting Result: P$569 (-67.8% vs. -67.2%e)
Net Income: P$920 (-44.5% vs. -42.6%e)
ROE: 23.0%; Solvency Ratio: 637%. **P/E TTM:** 9.3x; **P/BV:** 2.1x

Insured units reached 4.49 million (+7.3% YOY and +1.3% QOQ).

No update on the kickoff of the health insurance operation.

3Q21 Highlights:

- **Written premiums rose by 2.7% YOY**, which along with a higher release than expected of premium reserves drove net earned premiums to stay flattish YOY.
- **Loss ratio stood at 66.1%**, due to the increased private vehicle mobilization and the severe weather conditions. As a result, the combined ratio landed at 94.7%.
- **Investment income of P$446 million**, still hindered by the lower interest rates YOY.
- **Bottom line remained pressured, due to the higher combined ratio**. However, it was somewhat offset by a lower effective tax rate.
- **Solvency ratio of 625%**, with regulatory capital of P$2.96 billion and a solvency margin of P$15.8 billion.

GBM Investment Thesis

- We see in QUALITAS an opportunity to capitalize on the underpenetrated Mexican auto insurance market at an undemanding valuation.
- The company had P$13.5 billion in excess capital, giving it leeway for shareholder distributions and inorganic growth.

Conference Call Information

October 21, 2021, 10:00 a.m. ET | 9:00 a.m. CT
Dial-In International: +1-604-638-5340
US: 1-800-319-4610
Mexico: 1-800-514-8660
WEBCAST

GBM

BOLSA 3Q21

NEGATIVE

Profitability tumbled, on account of a drop in core units.

Revenues: P$926 (-3.7%)
EBITDA: P$542 (-5.8%)
Net Income: P$368 (+6.3%)
TTM EV/EBITDA: 9.9x; P/E: 15.1x
FCF: P$336; P$1,346 YTD
CAPEX: P$13 (+18.1% YOY); P$25 YTD (-10.7% YOY)
Net Debt: -P$3,177; **Net Debt/EBITDA:** -1.42x

3Q21 Highlights:

- **The Average Daily Value Traded (ADVT) rose by 8% YOY**, boosted by an 11% YOY increase in the domestic market.
- **Top line decreased by 3.7% YOY**, as all but one core business segments posted YOY declines. The main culprits behind the drop were Capital Formation and the Central Securities Depository (INDEVAL).
- **EBITDA underperformed**, affected by pressures in top line and software expenses related to infrastructure updates. Thus, the EBITDA margin landed at 58.5% YOY (a 131-bp. contraction).
- **Net income rose by 6.3% YOY**, aided by a non-cash FX gain. As a result, the net margin stood at 39.7%.
- **FCF generation of P$336 million**, which left the net debt to EBITDA ratio at -1.4x.

Conference Call Information

9:00 am ET / 8:00 am Mexico City
Dial-in:
Toll free: 1-877-407-0784
Toll/International 1-201-689-8560
Conference ID: 1372-3379.
WEBCAST

BSMX 3Q21

NEUTRAL | BELOW EXPECTATIONS

Net income dipped below our estimates and consensus figures.

Portfolio: P$715,759 (-2.7% vs. -2.2%e)
Net Interest Income: P$15,684 (-2.5% vs. -1.1%e)
Provisions for Loan Losses: P$4,385 (-4.6% vs. -6.5%e)
Net Income: P$4,843 (-3.7% vs. +7.2%e)
P/E TTM: 8.7x; **P/BV:** 1.0x; **ROAE:** 11.4%
Capitalization: 21.5%; **NPL:** 2.8%; **Cost of Risk:** 2.8%

No update on Santander Spain's voluntary tender offer.

3Q21 Highlights:

- **The loan book faced a tough comp in the Commercial segment (-11.1% YOY)**, countered by double-digit growth in Mortgages (+14.3% YOY).
- **NII dropped YOY due to lower interest rates**, but the deposit mix (74% demand) left it stable QOQ.
- Loan loss provisions declined both YOY (-4.6%) and QOQ (-13.5%).
- **NPL was higher YOY (2.8% vs. 2.1% in 3Q20)**. Sequentially, it stayed flat.
- Market-related income stood at P$1.4 billion (+80.2% QOQ).
- **Trailing expectations, net income fell YOY**, affected by a double-digit surge in paid fees and OPEX—the - efficiency ratio (51%) was higher both YOY and QOQ.
- **Coverage ratio ended the quarter at 117.6%.**

Conference Call Information

Friday, October 29
10:00 AM ET / 9:00 AM CT
Dial-in:
1 877 407 4018 US & Canada
1 201 689 8471 International & Mexico
WEBCAST

GENTERA 3Q21

POSITIVE | ABOVE EXPECTATIONS

Strong bottom line, EPS guidance revised upwardly

Portfolio (excl. Guatemala in both periods): P$40,416 (0.8% vs. -2.3%e)
Net Interest Income: P$5,101 (46.5% vs. 42.5%e)
Provisions for Loan Losses: P$909 (-73.5% vs. -74.2%e)
Net Income: P$589 (vs. P$523e)
P/E TTM: 11.3x; **P/BV:** 1.0x; **ROE:** 9.1%.
Capitalization: Mexico 34.1%, Peru 18.1%; **NPL:** 3.0%; **Cost of Risk:** 8.4%.

Guided a new increase to the EPS guidance to a range of $1.15 to $ 1.25.

NPL expected to stay within 3-4% for the rest of the year.

The Board will propose to pay out at least 10% of FY21 net income in April 22 shareholders' meeting.

3Q21 Highlights:

- **Portfolio performance YOY: Mexico 9.4%; Peru -12.6%;** ConCrédito 20.8%
- Financial margin surged, thanks to portfolio growth in Compartamos and ConCrédito and a reduction in excess liquidity.
- **Compartamos' NPL stood at 1.61%,** the lowest in over 10 years, although it is expected to normalize going forward.
- **NPL remained flat QOQ**, as improvements in Peru were countered by a 2.7-pp. increase in ConCrédito's.
- **Provisions declined, as expected**, taking the cost of risk to 8.4% (vs. 14.6% in 2Q21 and 17.6% in 3Q20).
- **Net income was aided by a hike in net fees and other income**, which offset a loss in the Guatemalan discontinued operation.
- Coverage ratio ended 3Q21 at 268.7%.

Conference Call Information

10:00 a.m. Eastern Time/9:00 a.m. Mexico City Time
Dial-in:
USA: +1 (888) 506-0062
Outside USA: 001 (973)-528-0011
Conference ID: GENTERA
WEBCAST

GBM

CREAL 3Q21

POSITIVE | ABOVE EXPECTATIONS

Strong origination in Payroll pushed results above estimates.

Portfolio: P$57,152 (+8.5% vs. +8.2%e)
Net Interest Income: P$1,629 (+15.1% vs. 3.7%e)
Provisions for Loan Losses: P$550 (+9.0% vs. +19.1%e)
Net Income: P$204 (+2.4% vs. -45.7%e)
P/E TTM: 6.3x; **P/BV:** 0.2x; **ROE:** 3.7%
Capitalization: 30.6%; **NPL:** 3.8%; **Cost of Risk:** 3.9%

Outstanding results in the Payroll business, driven by the reopening of schools and government offices.

No further information was disclosed on the P$1.5 billion sale of a part of the Mexico SME portfolio.

3Q21 Highlights:

- **Loan book expansion driven mainly by Payroll** (+10.9% YOY) and Used Cars (+12.2% YOY).
- **Around 0.6% of the total portfolio remains under relief programs.**
- **Strong NII growth, thanks to better interest income**, driven in turn by the surge in Payroll origination.
- **Loan loss provisions increased YOY at a lower-than-expected pace**. Yet, they soared by 72% QOQ.
- **NPL reached 3.8%** (+17 bps. QOQ). Excluding the Radiópolis loan, NPL would stand at 2.6%.
- **Risk-adjusted NII surged by 18.5% YOY** and advanced by 9.1% QOQ
- **Earnings bested our estimates**, mostly thanks to the better-than-expected risk-adjusted margins.

Conference Call Information

Thursday, October 28, 2021
12:00 pm ET / 11:00 am CT
Dial-in:
1-888-506-0062 USA
001-973-528-0011 Mexico & International
Passcode: CREAL
WEBCAST

OTHERS

FORESTRY - TEAK

HEALTH - MEDICA

WATER SOLUTIONS - AGUA

TEAK 3Q21

POSITIVE | ABOVE EXPECTATIONS

Rating: Outperformer
Price Target: P$18.2

The MDF Boards unit was the propeller of this quarter's results.

Revenues (excl. revaluations): P$552 (56.3% vs. 39.8%e)
Adj. EBITDA: P$127 (N.A.)
Net Income: P$44 (N.A.)
EV/EBITDA TTM: 27x
FCF: -P$21; -P$41 YTD
CAPEX: P$4.3 (N.A.); P$8.3 YTD (-9.9% YOY)
Net Debt: P$1,613; Net Debt/EBITDA: 11.2x

Still assessing the timing and volume of the 2022 teak harvest, as they have seen a surge in prices.

Currently under negotiations to acquire 160 hectares of land for new teak plantations.

3Q21 Highlights:

- The MDF Boards segment (P$541 million, 47% YOY) benefited from increased prices and volumes.
- Volumes: 65 thousand m3 (13.6% YOY)
- Prices: P$8,312 per m3 (47% YOY; 2% QOQ). They were aided by market dynamics and a higher share of value-added boards.
- Improved top line translated into an adj. EBTIDA margin of 23% (vs. 18.7% in 2Q21).
- FCF burn driven by working capital requirements.

- **TTM EBITDA multiple is still tainted by 4Q20 results, which had below-average MDF production and slightly higher OPEX. If we annualized 9M EBITDA, we would come up with an 8.7x multiple.**

GBM Investment Thesis

- Proteak (TEAK) seems to be reaching a turning point: The recent improvement in market dynamics have stabilized MDF prices, while the intrinsic value of the Teak unit keeps rising as plantations near harvest ages.

Conference Call Information

November 3, 2021
11:00 am ET/10:00 am Mexico City
Dial-in:
Mexico: 55 4624 0133
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WEBCAST
Code: 9943-20902

MEDICA 3Q21

POSITIVE

MEDICA's non-COVID activity continues to recover.

Revenue: P$1,494 (+21%)

EBITDA: P$427 (+13%). Pro forma: P$486.8 (+29%)

Net Profit: P$237 (+31%)

FCF: P$434; P$1,014 YTD

CAPEX: P$60 (+3.3%); **YTD:** P$116 (+25%)

Adj. EV/EBITDA TTM: 0.3x (Land Bank @ Mkt Value) | **Adj. EV/EBITDA TTM**: 1.9x (Land Bank @ Book Value)

Net Debt: -P$316; **Net Debt/EBITDA:** -0.2x

MEDICA posting again strong double-digit growth in top line, supported by 1) still high COVID-related treatments (especially critical care, which posted a 17% increment in average stays), and 2) recovery in non-COVID-related operations. The company has been able to treat COVID-related patients and regain its normal volume of non-COVID patients.

MEDICA registered a yearly employee profit-sharing (PTU) charge of P$60 million (not included in 3Q20) resulting from the implementation of the Labor Law reform. Even when excluding this effect, MEDICA's EBITDA still grew ahead of sales (+30%).

As expected, given the strong EBITDA generation, MEDICA now has a net cash position of P$315 million.

On October 14, Mexico's antitrust authority (COFECE) cleared the previously announced divestment of Laboratorio Medico Polanco. The company expects to close the transaction in 4Q21

AGUA 3Q21

NEGATIVE | BELOW EXPECTATIONS

Rating: Outperformer
Price Target: P$47

Strong sales momentum shadowed by higher COGS

Revenues: P$2,870 (21.4% vs. 16.9%e)
Adj. EBITDA: P$364 (-17.3% vs. -10.9%e)
Net Income: P$20 (-44.4% vs. 51.6%e)
FCF: -P$165; -P$232 YTD
CAPEX: P$160 (116.6% YOY); -P$337 YTD (339.7% YOY)
EV/EBITDA TTM: 7.5x
Net Debt: P$2,228
Net Debt/EBITDA: 1.6x

Record sales were boosted by new products and higher prices.

Profitability missed our estimates, due to higher COGS.

Guidance unchanged: Sales growth ≥17.0%; EBITDA margin 17.18% .

3Q21 Highlights:

- Record sales (+ 21.4% YOY) were chiefly driven by the launch of new solutions and pricing actions (after AGUA absorbed higher raw material costs and maintained competitive prices in 1H21).
- Revenues in the Products divisions soared by 24.2% YOY, boosted by double-digit growth in all countries and in the storage, water flow, and improvement categories.
- The Services division posted an 18.4% YOY contraction in sales, attributed to a weak quarterly performance in drinking water fountains. Excluding this business line, Services would have grown by 14.2%.
- By region, Mexico, Argentina, and the US reported double-digit YOY increases in revenues.
- EBITDA decreased by 17.3% YOY, as the price increases applied in the quarter were offset by more expensive inputs (polypropylene resin).
- AGUA burned P$165 million in FCF, on higher WK needs.
- ROIC landed at 15.7% (+590 bps. YOY).

GBM Investment Thesis

- Despite the temporary COGS pressures on margins, AGUA's long-term potential derived from its solid legacy Products, coupled with disruptive solutions in its Services portfolio, makes it a solid vehicle to capitalize on the growth opportunities that the water industry offers.

Conference Call Information

October 21, 2021. 10:00 am (CT) | 11:00 am (ET)

Dial-in Mexico: +52 558 659 6002 | **US:** +1 346 248 7799 | **Perú:** +51 1 707 5788 | **Brasil:** +55 21 3958 7888

Webinar: LINK | **Webinar ID:** 939 3569 5671

Password: 3Q2021