

CEMEX

Quarterly Report

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www.banorte.com
@analisis_fundam

José Itzamna Espitia Hernandez
Senior Strategist, Equity
jose.espitia@banorte.com

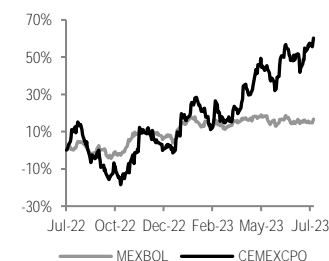
More positive outlook is consolidated

- CEMEX showed significant increases and an expansion in profitability that far exceeded estimates in the face of higher prices and lower costs, despite the reduction in volumes
- The company raised its EBITDA 2023e to \$3.25 billion (~21% advance) surprising favorably, strengthening the expectation of further growth. Valuation looks attractive, we reiterate BUY

Increased results and higher margins stood out, supported by market dynamics. In 2Q23, sales grew 13.4% in a positive pricing strategy (~16% on average in local currency and ~19% in dollar terms), benefiting from a tight supply environment, offsetting year-over-year declines in cement volumes of 4% and ready-mix volumes of 5%, while aggregates rose 3%. It highlighted that **the US had a record quarter**, due to higher prices and lower costs, despite adverse weather, and that **Mexico showed the first annual increase in cement volumes in two years**. This, together with lower costs as a percentage of sales y/y, led to an increase in EBITDA of 34.3% y/y, and thus, the margin rose 3.3pp to 21.1%, **better than expected**. Meanwhile, Free Cash Flow increased by 246% y/y and the leverage ratio improved to 2.45x from 2.62x in 1Q23. **2023 guidance reinforces positive outlook.** The strong results and the considerable upward adjustment in guidance, which now anticipates a ~21% advance in EBITDA 2023e (vs. low single-digit increase previously), placing ~10% above our forecast, reaffirm the outlook that margin expansion would continue in the quarters ahead, supported by the pricing strategy, improved demand performance and a less adverse cost environment. In that sense, we will be revising our estimates with positive implications. This, together with a valuation that looks very attractive, with an FV/EBITDA that, when incorporating the figures, has been reduced to 6.8x from 6.2x (vs. 8.0x sector median), makes the issuer an interesting investment option.

BUY	
Current Price	\$12.82
PT	\$14.00
Upside Potential	9.2%
ADR Price	US\$7.54
PT ADR	US\$7.80
Shares per ADR	10
Max – Min LTM (\$)	12.90 – 6.48
Market Cap (US\$m)	11,029.3
Shares Outstanding (m)	14,488
Float	90%
Daily Turnover (\$m)	572.4
Valuation metrics LTM	
FV/EBITDA	6.2x
P/E	12.4x
MSCI ESG Rating*	A

Relative Performance to MEXBOL LTM



Winners of the 2023 award for the best economic forecasters in Mexico, awarded by Focus Economics.



Financial Statements

USD, million	2021	2022	2023E	2024E
Revenues	14,379	15,577	16,758	17,267
Operating Income	1,636	1,093	1,564	1,782
EBITDA	2,839	2,681	2,942	3,110
EBITDA Margin	19.7%	17.2%	17.6%	18.0%
Net Income	753	858	822	977
Net Margin	5.2%	5.5%	4.9%	5.7%
Total Assets	26,650	26,447	27,548	28,487
Cash	613	495	509	482
Total Liabilities	16,379	15,539	14,794	14,710
Debt	8,555	8,147	7,339	7,339
Common Equity	10,271	10,909	12,753	13,776

Source: Banorte.

Valuation and financial metrics

	2021	2022	2023E	2024E
FV/EBITDA	6.8x	7.1x	6.2x	5.7x
P/E	14.9x	12.8x	13.4x	11.3x
P/BV	1.1x	1.1x	0.9x	0.8x
ROE	7.7%	8.2%	6.8%	7.5%
ROA	2.8%	3.2%	3.0%	3.4%
EBITDA/ Interes exp.	5.0x	5.1x	5.6x	6.5x
Net Debt/EBITDA	2.7x	2.8x	2.3x	2.0x
Debt/Equity	0.8x	0.7x	0.5x	0.4x

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CEMEX – Results 2Q23

USD, million

Concept	2022	2023	Var %	2Q23e	Diff % vs Estim.
Revenue	4,028	4,566	13.4%	4,392	4.0%
Operating Income	458	614	34.1%	528	16.3%
Ebitda	716	961	34.3%	819	17.5%
Net Income	265	272	2.5%	275	-1.1%
Margins					
Operating Margin	11.4%	13.4%	2.1pp	12.0%	1.4pp
Ebitda Margin	17.8%	21.1%	3.3pp	18.6%	2.4pp
Net Margin	6.6%	6.0%	-0.6pp	6.3%	-0.3pp
EPS	\$0.02	\$0.02	2.5%	\$0.02	-1.1%

Income Statement

Year	2022	2023	2023	Change	Variation
Quarter	2	1	2	% y/y	% q/q
Net Revenue	4,028.1	4,035.8	4,566.1	13.4%	13.1%
Cost of goods sold	2,768.6	2,746.1	2,987.2	7.9%	8.8%
Gross profit	1,259.5	1,289.7	1,578.9	25.4%	22.4%
General expenses	801.7	846.5	965.0	20.4%	14.0%
Operating Income	457.8	443.2	613.9	34.1%	38.5%
Operating Margin	11.4%	11.0%	13.4%	2.1pp	2.5pp
Depreciation	285.6	297.7	310.1	8.6%	4.2%
EBITDA	715.8	732.7	961.4	34.3%	31.2%
EBITDA Margin	17.8%	18.2%	21.1%	3.3pp	2.9pp
Interest income (expense) net	(142.1)	(100.6)	(143.5)	1.0%	42.7%
Interest expense	125.2	132.1	136.4	8.9%	3.3%
Interest income	3.3	6.9	9.4	186.5%	37.6%
Other income (expenses)	9.4	(33.5)	(65.7)	N.A.	96.4%
Exchange Income (loss)	(29.6)	58.1	49.2	N.A.	-15.3%
Unconsolidated subsidiaries	17.4	7.9	23.1	32.6%	190.6%
Income before taxes	333.1	350.5	493.4	48.1%	40.8%
Income taxes	68.6	130.7	206.9	201.8%	58.3%
Discontinued operations	6.4	0.0	0.0	N.A.	N.A.
Consolidated Net Income	270.9	219.8	286.5	5.7%	30.3%
Minorities	5.6	(5.6)	14.7	160.9%	N.A.
Net Income	265.3	225.4	271.8	2.5%	20.6%
Net margin	6.6%	5.6%	6.0%	(0.6pp)	0.4pp
EPS	0.018	0.016	0.019	2.5%	20.6%

Balance Sheet (Million pesos)

Total Current Assets	4,821.0	5,150.4	5,258.3	9.1%	2.1%
Cash & Short Term Investments	489.7	757.8	470.8	-3.9%	-37.9%
Long Term Assets	22,165.8	22,337.9	22,703.4	2.4%	1.6%
Property, Plant & Equipment (Net)	11,144.1	11,639.3	11,994.6	7.6%	3.1%
Intangible Assets (Net)	9,663.8	9,355.1	9,417.0	-2.6%	0.7%
Total Assets	26,986.8	27,488.3	27,961.6	3.6%	1.7%
Current Liabilities	5,512.2	5,625.5	5,921.4	7.4%	5.3%
Short Term Debt	436.5	314.5	306.6	-29.8%	-2.5%
Accounts Payable	2,904.0	2,870.2	3,002.2	3.4%	4.6%
Long Term Liabilities	10,897.2	9,728.4	9,576.3	-12.1%	-1.6%
Long Term Debt	8,292.6	7,547.5	7,358.4	-11.3%	-2.5%
Total Liabilities	16,409.5	15,353.8	15,497.7	-5.6%	0.9%
Common Stock	10,577.3	12,134.5	12,463.9	17.8%	2.7%
Preferred Stock	455.7	316.2	320.2	-29.7%	1.3%
Total Equity	10,121.6	11,818.3	12,143.8	20.0%	2.8%
Liabilities & Equity	26,986.8	27,488.3	27,961.6	3.6%	1.7%
Net Debt	8,239.3	7,104.2	7,194.2	-12.7%	1.3%

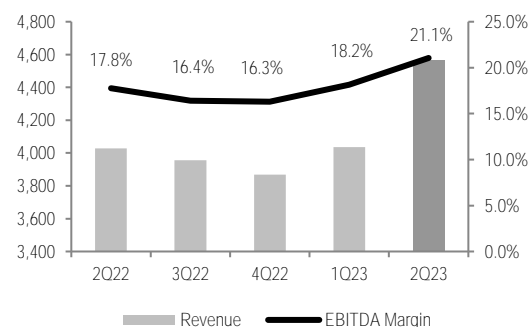
Cash Flow (Million pesos)

Cash Flow from Operating Activities	465.4	124.0	641.3		
Cash Flow from Investing Activities	(483.9)	(225.4)	(359.3)		
Cash Flow from Financing Activities	287.3	(18.5)	(63.9)		
FX effect on cash	0.0	0.0	0.0		
Change in Cash Balance	(103.2)	262.9	(287.0)		

Source: Banorte, MSE.

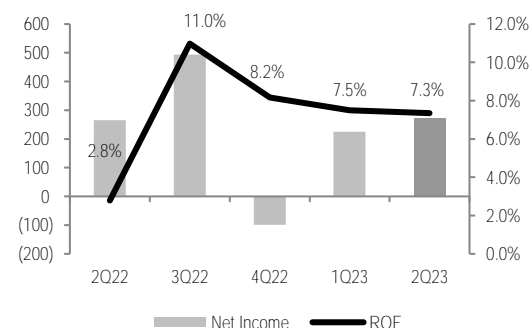
Revenue & EBITDA Margin

USD, million



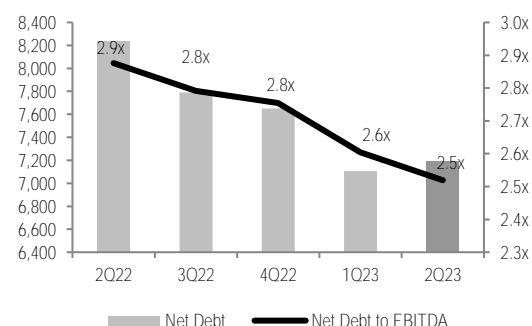
Net Income & ROE

USD, million



Net Debt & Net debt to EBITDA ratio

USD, million



Per-country volume summary for 2Q23

Percentage – Change y/y

Region	Cement	Ready-Mix	Aggregates
Mexico	1%	6%	11%
USA	-8%	-10%	5%
Europe, Asia, Middle East and Africa	-11%	-7%	-2%
South America and Caribbean	-3%	3%	14%
Consolidated	-4%	-5%	3%

Source: Cemex.

CEMEX 2023 – Per region Revenue, EBITDA and EBITDA Margin

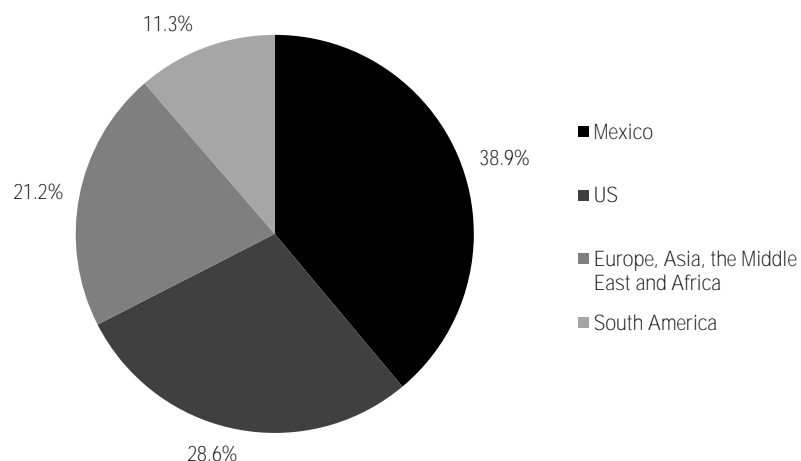
USD, million

Region	Net Sales	Var y/y	EBITDA	Var y/y	EBITDA Margin	Var y/y
Mexico	1,298	30.1%	399	24.6%	30.8%	-1.3%
USA	1,420	9.6%	303	87.0%	21.3%	8.8%
Europe, Asia, Middle East and Africa	1,354	4.6%	212	10.1%	15.7%	0.8%
South America and Caribbean	447	7.0%	112	13.2%	25.1%	1.4%
Other and interco. eliminations	48	110.4%	-65	N.A.		
Consolidated	4,566	13.4%	961	34.3%	21.1%	3.3pp

Source: Cemex.

EBITDA LTM by region

Percentage



Source: Cemex, Banorte.

* Ebitda LTM before Others and intercompany eliminations.

Certification of Analysts.

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldivar, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Carlos Hernández García, Leslie Thalía Orozco Vélez, Hugo Armando Gómez Solís, Yazmin Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, José De Jesús Ramírez Martínez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Juan Carlos Mercado Garduño, Daniel Sebastián Sosa Aguilar, Jazmin Daniela Cuautencos Mora and Andrea Muñoz Sánchez, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V. for the provision of our services.

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	Reference
BUY	When the share expected performance is greater than the MEXBOL estimated performance.
HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
SELL	When the share expected performance is lower than the MEXBOL estimated performance.

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History of PT and ratings

Stock	Date	Recommendation	PT
CEMEX CPO	04/28/2022	BUY	\$14.00
CEMEX CPO	07/29/2021	BUY	\$22.50
CEMEX CPO	04/29/2021	BUY	\$19.50
CEMEX CPO	01/12/2021	BUY	\$14.50

MSCI ESG Rating scale

CCC	B	BB	BBB	A	AA	AAA
LAGGARD	AVERAGE			LEADER		

*The MSCI ESG Rating is an indicator that evaluates companies in Environment, Society and Governance (ESG) metrics.

Research and Strategy			
Alejandro Padilla Santana	Chief Economist and Head of Research	alejandro.padilla@banorte.com	(55) 1103 - 4043
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611
María Fernanda Vargas Santoyo	Analyst	maria.vargas.santoyo@banorte.com	(55) 1103 - 4000
Economic Research			
Juan Carlos Alderete Macal, CFA	Executive Director of Economic Research and Financial Markets Strategy	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Francisco José Flores Serrano	Director of Economic Research, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Katia Celina Goya Ostos	Director of Economic Research, Global	katia.goya@banorte.com	(55) 1670 - 1821
Yazmín Selene Pérez Enríquez	Senior Economist, Mexico	yazmin.perez.enriquez@banorte.com	(55) 5268 - 1694
Cintia Gisela Nava Roa	Senior Economist, Mexico	cintia.nava.roa@banorte.com	(55) 1103 - 4000
Luis Leopoldo López Salinas	Manager Global Economist	luis.lopez.salinas@banorte.com	(55) 1103 - 4000 x 2707
Market Strategy			
Manuel Jiménez Zaldívar	Director of Market Strategy	manuel.jimenez@banorte.com	(55) 5268 - 1671
Fixed income and FX Strategy			
Leslie Thalia Orozco Vélez	Senior Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 5268 - 1698
Isaías Rodríguez Sobrino	Strategist, Fixed Income, FX and Commodities	isaias.rodriguez.sobrino@banorte.com	(55) 1670 - 2144
Equity Strategy			
Marissa Garza Ostos	Director of Equity Strategy	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Senior Strategist, Equity	jose.espitia@banorte.com	(55) 1670 - 2249
Carlos Hernández García	Senior Strategist, Equity	carlos.hernandez.garcia@banorte.com	(55) 1670 - 2250
Víctor Hugo Cortes Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800
Juan Carlos Mercado Garduño	Strategist, Equity	juan.mercado.garduno@banorte.com	(55) 1103 - 4000 x 1746
Corporate Debt			
Hugo Armando Gómez Solís	Senior Analyst, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248
Quantitative Analysis			
Alejandro Cervantes Llamas	Executive Director of Quantitative Analysis	alejandro.cervantes@banorte.com	(55) 1670 - 2972
José Luis García Casales	Director of Quantitative Analysis	jose.garcia.casales@banorte.com	(55) 8510 - 4608
Miguel Alejandro Calvo Domínguez	Senior Analyst, Quantitative Analysis	miguel.calvo@banorte.com	(55) 1670 - 2220
José De Jesús Ramírez Martínez	Senior Analyst, Quantitative Analysis	jose.ramirez.martinez@banorte.com	(55) 1103 - 4000
Daniel Sebastián Sosa Aguilar	Senior Analyst, Quantitative Analysis	daniel.sosa@banorte.com	(55) 1103 - 4000
Jazmín Daniela Cuautencos Mora	Strategist, Quantitative Analysis	jazmin.cuautencos.mora@banorte.com	(55) 1103 - 4000
Andrea Muñoz Sánchez	Analyst, Quantitative Analysis	andrea.munoz.sanchez@banorte.com	(55) 1103 - 4000
Wholesale Banking			
Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5004 - 1282
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Frigolet Vázquez Vela	Head of Sólida Banorte	alejandro.frigolet.vazquezvela@banorte.com	(55) 5268 - 1656
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 5140
Carlos Alberto Arciniega Navarro	Head of Treasury Services	carlos.arciniega@banorte.com	(81) 1103 - 4091
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8173 - 9127
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5249 - 6423
Lizza Velarde Torres	Executive Director of Wholesale Banking	lizza.velarde@banorte.com	(55) 4433 - 4676
Oswaldo Brondo Menchaca	Head of Specialized Banking Services	oswaldo.brondo@banorte.com	(55) 5004 - 1423
Raúl Alejandro Arauzo Romero	Head of Transactional Banking	alejandro.arauzo@banorte.com	(55) 5261 - 4910
René Gerardo Pimentel Ibarrola	Head of Corporate Banking	pimentelr@banorte.com	(55) 5004 - 1051
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Víctor Antonio Roldán Ferrer	Head of Commercial Banking	victor.rolan.ferrer@banorte.com	(55) 1670 - 1899