CEMEX

Quarterly Report

Profitability surprises and outlook improves

- **CEMEX showed a y/y increase and a sequential improvement in profitability that exceeded expectations due to higher prices and a decrease in cost impact, despite the decline in volumes**
- **While guidance could be revised upward, we believe further margin expansion will depend on volume recovery and a less adverse cost environment. We reiterate Buy**

Turning point in profitability reflecting pricing strategy and lower cost impact. The company reported a sales increase of 8.4%, supported by favorable pricing strategy (~21% on average in local currency and ~15% in dollar terms), partially offset by year-over-year declines in cement, ready-mix and aggregates volumes of 9%, 4% and 5%, in line with expectations. It is important to mention that, **in the US there was a record EBITDA in a first quarter** driven by higher prices and lower imports, despite the impact of the winter weather. This, coupled with lower costs as a percentage of sales y/y, partially offsetting the rise in operating expenses, led to 6.9% y/y increase in EBITDA, and as a result, the margin fell only 0.2pp to 18.2%; however, **it advanced by 1.9pp q/q to 18.2%, exceeding expectations**. Meanwhile, Free cash flow was -US$141 million (vs. -US$251 million in 1Q22) and the leverage ratio improved to 2.6x from 2.8x in 4Q22. **Despite challenges, prospects are strengthening.** Although CEMEX maintained its 2023e EBITDA guidance (low single-digit increase), we believe it may revise it upward when it reports 2Q23. The dynamics of margin improvement should continue, although further expansion would be supported by the recovery in volumes expected in 2H23, as well as the continuation of a less adverse cost environment. This, together with an attractive valuation, with a FV/EBITDA that decreased to 5.9x from 6.3x (vs. 7.3x sector median), leads us to reiterate our positive view for the company.

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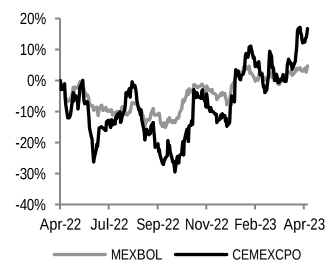
www.banorte.com
@analisis_fundam

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

BUY	
Current Price	$10.83
PT	$14.00
Upside Potential	29.6%
ADR Price	US$6.08
PT ADR	US$7.50
Shares per ADR	10
Max – Min LTM ($)	10.95 – 6.48
Market Cap (US$m)	8,692.7
Shares Outstanding (m)	14,488
Float	90%
Daily Turnover ($m)	409.7
Valuation metrics LTM	
FV/EBITDA	5.9x
P/E	9.8x
MSCI ESG Rating*	A

Relative Performance to MEXBOL LTM



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	6.0x	6.3x	5.4x	4.9x
P/E	11.7x	10.1x	10.6x	8.9x
P/BV	0.9x	0.8x	0.7x	0.6x
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

CEMEX – Results 1Q23

USD, million

Concept	1Q22	1Q23	Var %	1Q23e	Diff % vs Estim.
Revenue	3,725	4,036	8.4%	3,977	1.5%
Operating Income	385	443	15.2%	355	25.0%
Ebitda	685	733	6.9%	666	10.0%
Net Income	198	225	13.8%	168	34.2%
Margins					
Operating Margin	10.3%	11.0%	0.6pp	8.9%	2.1pp
Ebitda Margin	18.4%	18.2%	-0.2pp	16.7%	1.4pp
Net Margin	5.3%	5.6%	0.3pp	4.2%	1.4pp
EPS	$0.01	$0.02	13.8%	$0.01	34.2%

Income Statement					
Year	2022	2022	2023	Change	Variation
Quarter	1	4	1	% y/y	% q/q
Net Revenue	3,724.6	3,868.5	4,035.8	8.4%	4.3%
Cost of goods sold	2,575.5	2,660.6	2,746.1	6.6%	3.2%
Gross profit	1,149.1	1,207.9	1,289.7	12.2%	6.8%
General expenses	764.3	1,308.0	846.5	10.8%	-35.3%
Operating Income	384.9	(100.1)	443.2	15.2%	N.A.
Operating Margin	10.3%	-2.6%	11.0%	0.6pp	13.6pp
Depreciation	279.3	269.6	297.7	6.6%	10.4%
EBITDA	685.3	630.5	732.7	6.9%	16.2%
EBITDA Margin	18.4%	16.3%	18.2%	(0.2pp)	1.9pp
Interes income (expense) net	(142.6)	(20.5)	(100.6)	-29.5%	391.7%
Interest expense	118.4	136.4	132.1	11.5%	-3.2%
Interest income	3.7	14.3	6.9	85.4%	-52.1%
Other income (expenses)	(17.4)	(9.1)	(33.5)	92.0%	266.5%
Exchange Income (loss)	(10.5)	110.8	58.1	N.A.	-47.6%
Unconsolidated subsidiaries	5.4	(15.4)	7.9	46.9%	N.A.
Income before taxes	247.6	(136.0)	350.5	41.5%	N.A.
Income taxes	52.0	38.0	130.7	151.4%	244.0%
Discontinued operations	12.2	71.5	0.0	N.A.	N.A.
Consolidated Net Income	207.8	(102.5)	219.8	5.8%	N.A.
Minorities	9.7	(3.4)	(5.6)	N.A.	67.0%
Net Income	198.1	(99.1)	225.4	13.8%	N.A.
Net margin	5.3%	-2.6%	5.6%	0.3pp	8.1pp
EPS	0.014	(0.007)	0.016	13.8%	N.A.

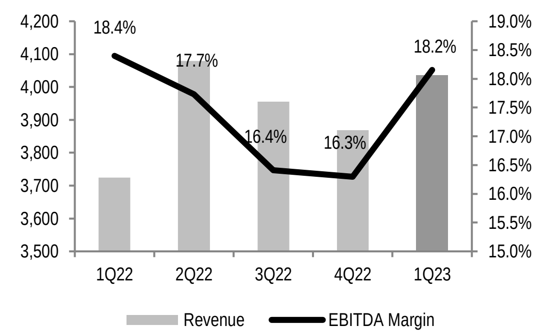
Balance Sheet (Million pesos)					
Total Current Assets	4,646.8	4,525.7	5,150.4	10.8%	13.8%
Cash & Short Term Investments	592.9	494.9	757.8	27.8%	53.1%
Long Term Assets	22,530.0	21,921.7	22,337.9	-0.9%	1.9%
Property, Plant & Equipment (Net)	11,354.4	11,284.1	11,639.3	2.5%	3.1%
Intangible Assets (Net)	9,773.7	9,293.4	9,355.1	-4.3%	0.7%
Total Assets	27,176.9	26,447.5	27,488.3	1.1%	3.9%
Current Liabilities	5,393.8	5,546.9	5,625.5	4.3%	1.4%
Short Term Debt	358.5	325.9	314.5	-12.3%	-3.5%
Accounts Payable	2,771.3	2,965.7	2,870.2	3.6%	-3.2%
Long Term Liabilities	11,266.7	9,991.6	9,728.4	-13.7%	-2.6%
Long Term Debt	8,604.5	7,821.1	7,547.5	-12.3%	-3.5%
Total Liabilities	16,660.5	15,538.6	15,353.8	-7.8%	-1.2%
Common Stock	10,516.4	10,908.9	12,134.5	15.4%	11.2%
Preferred Stock	456.6	407.7	316.2	-30.7%	-22.4%
Total Equity	10,059.8	10,501.2	11,818.3	17.5%	12.5%
Liabilities & Equity	27,176.9	26,447.5	27,488.3	1.1%	3.9%
Net Debt	8,370.1	7,652.1	7,104.2	-15.1%	-7.2%

Cash Flow (Million pesos)					
Cash Flow from Operating Activities	172.2	892.3	124.0		
Cash Flow from Investing Activities	(26.6)	(441.3)	(225.4)		
Cash Flow from Financing Activities	(252.8)	(2.6)	(18.5)		
FX effect on cash	0.0	0.0	0.0		
Change in Cash Balance	(20.0)	98.1	262.9		

Source: Banorte, MSE.

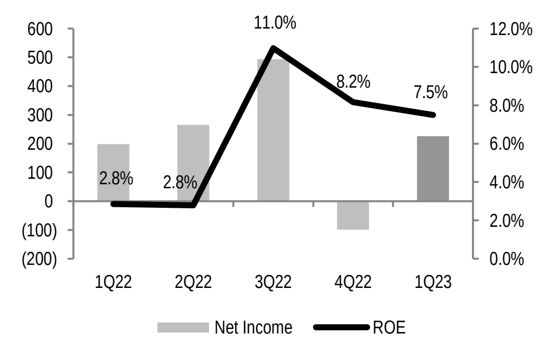
Revenue & EBITDA Margin

USD, million



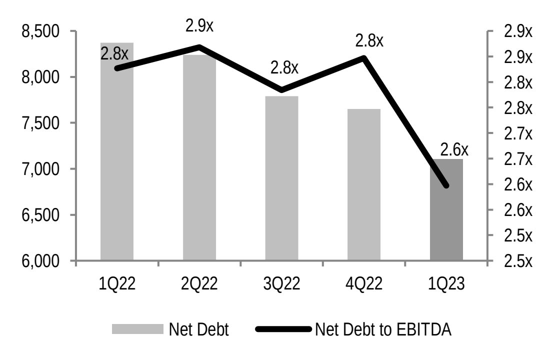
Net Income & ROE

USD, million



Net Debt & Net debt to EBITDA ratio

USD, million



Per-country volume summary for 1Q23
Percentage – Change y/y

Region	Cement	Ready-Mix	Aggregates
Mexico	-3.0%	10.0%	6.0%
USA	-19.0%	-12.0%	-15.0%
Europe, Asia, Middle East and Africa	-10.0%	-3.0%	-1.0%
South America and Caribbean	-8.0%	-1.0%	2.0%
Consolidated	-9.0%	-4.0%	-5.0%

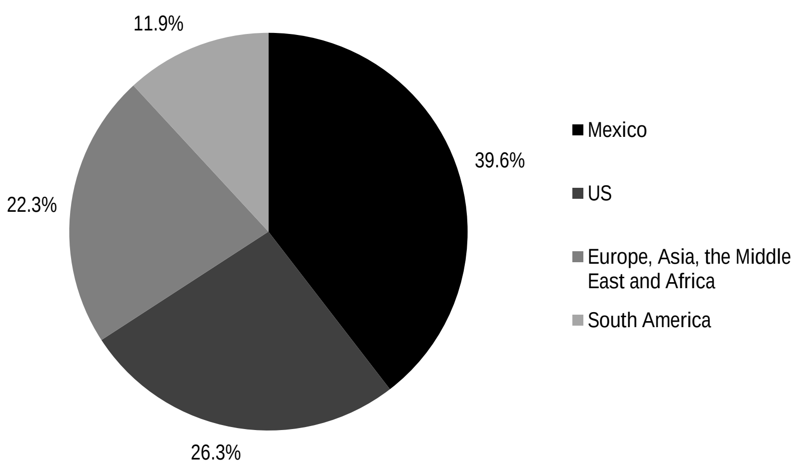
Source: Cemex.

CEMEX 1Q23 **–** 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	1,097	24.6%	344	20.4%	31.4%	-1.1%
USA	1,255	4.9%	230	14.7%	18.3%	1.5%
Europe, Asia, Middle East and Africa	1,234	4.1%	148	1.5%	12.0%	-0.3%
South America and Caribbean	411	-1.2%	84	-23.1%	20.4%	-5.9%
Other and interco. eliminations	38	-17.4%	-73	31.3%		
Consolidated	4,036	8.4%	733	6.9%	18.2%	-0.2pp

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 Zaldívar, 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, Yazmín 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, Paola Soto Leal, Daniel Sebastián Sosa Aguilar 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 Godinez	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 Thalía 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
Paola Soto Leal	Strategist, Equity	paola.soto.leal@banorte.com	(55) 1103 - 4000 x 1746
Corporate Debt			
Hugo Armando Gómez Solís	Senior Analyst, Corporate Debt	hugoa.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
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.ceballos@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
Osvaldo Brondo Menchaca	Head of Specialized Banking Services	osvaldo.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 Roldan Ferrer	Head of Commercial Banking	victor.roldan.ferrer@banorte.com	(55) 1670 - 1899