

GMEXICO

Quarterly Report

May 5, 2023

Expectation of sequential improvement in profitability

- **Higher copper production, which partially offset lower prices and higher net cash cost, together with the progress in the other segments, led to lower margin pressure than expected**
- **Despite some near-term challenges related to global growth, the prospects for recovery in copper demand and a less adverse cost environment should support higher profitability**

Transportation and Infrastructure performance beat estimates, while Mining pressure was in line. GMexico posts 1Q23 figures in line with expectations. The company presented a 2.6% annual increase in sales, but a 4.5% drop in EBITDA, with a reduction in the respective margin of 4.1pp to 54.5%. Mining division (AMC) continued to be weak, as lower prices in most metals (copper prices declined 9.9% y/y), were partially offset by an increase in copper production (+3.6% y/y) and sales volumes of 7.3% y/y, due to an improvement in ore grades and recalling that in 1Q22 there was a suspension of operations in Peru. This, together with the higher net cash cost (+23.3% y/y), led to a 5.5pp drop in profitability to 54.6%. Once again, on the positive side, GMXT showed solid progress, with record figures and an expansion in profitability that exceeded expectations due to operating efficiencies; and in Infrastructure, the improved results in all business lines reflected an increase in EBITDA of 34.0% y/y, with a margin of 54.9% (+11.2pp). The healthy financial situation (ND/EBITDA of 0.3x) led it to declare a dividend of MXN 1.0 per share (equal to the previous dividend), payable on May 29 (annualized yield of 4.5%). **The perspectives continue to be positive.** Although there are still some risks about global economic performance, the expected recovery in demand would support the copper price, while we expect sequential improvements in profitability in subsequent quarters. Thus, we reiterate our positive outlook for the company, also based on a valuation that remains attractive (FV/EBITDA of 6.0x vs. 6.3x sector median).

www.banorte.com
@analisis_fundam

Marissa Garza Ostos
Director of Equity Strategy
marissa.garza@banorte.com

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

BUY	
Current Price	\$88.06
PT	\$112.00
Dividend	\$3.0
Dividend Yield (%)	3.4%
Upside Potential	30.6%
Max – Min LTM (\$)	105.1-61.7
Market Cap (US\$m)	37,806.6
Shares Outstanding (m)	7,785
Float	46.0%
Daily Turnover US\$m	618.4
Valuation metrics LTM	
FV/EBITDA	6.0x
P/E	12.8x
MSCI ESG Rating	BB

Relative performance to Mexbol LTM



Financial Statements

	2021	2022	2023E	2024E
Revenue	14,777	13,870	15,563	16,609
Operating Income	7,467	5,655	6,834	7,555
EBITDA	8,933	7,141	8,291	9,014
EBITDA Margin	60.5%	51.5%	53.3%	54.3%
Net Income	3,706	2,939	3,583	3,962
Net Margin	25.1%	21.2%	23.0%	23.9%
Total Assets	30,359	30,168	32,697	35,823
Cash	6,460	6,035	6,300	6,526
Total Liabilities	13,584	12,331	12,056	11,968
Debt	8,782	8,396	8,396	8,396
Common Equity	16,775	17,838	20,641	23,855

Source: Banorte

Valuation and Financial metrics

	2021	2022	2023E	2024E
FV/EBITDA	4.6x	5.8x	5.0x	4.6x
P/E	9.9x	12.5x	10.3x	9.3x
P/VB	2.5x	2.4x	2.0x	1.8x
ROE	25.5%	19.0%	19.9%	18.9%
ROA	12.2%	9.7%	11.0%	11.1%
EBITDA/ interest	16.2x	13.3x	15.2x	16.0x
Net Debt/EBITDA	0.3x	0.4x	0.3x	0.2x
Debt/Equity	0.5x	0.5x	0.4x	0.4x

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GMEXICO – Results 1Q23

MXN, million

Concept	1Q22	1Q23	Var %	1Q23e	Diff % vs Estim.
Revenue	3,764	3,862	2.6%	3,941	-2.0%
Operating Income	1,869	1,729	-7.5%	1,781	-2.9%
Ebitda	2,205	2,106	-4.5%	2,134	-1.3%
Net Income	920	933	1.4%	938	-0.5%
Margins					
Operating Margin	49.6%	44.8%	-4.9pp	45.2%	-0.4pp
Ebitda Margin	58.6%	54.5%	-4.1pp	54.1%	0.4pp
Net Margin	24.4%	24.2%	-0.3pp	23.8%	0.4pp
EPS	\$0.12	\$0.12	1.4%	\$0.12	-0.5%

Income Statement (Million pesos)					
Año	2022	2022	2023	Change	Change
Trimestre	1	4	1	% y/y	% q/q
Net Revenue	3,764.1	3,787.7	3,861.9	2.6%	2.0%
Costs of goods sold	1,485.0	1,690.4	1,691.6	13.9%	0.1%
Gross profit	2,279.1	2,097.3	2,170.4	-4.8%	3.5%
General expenses	71.2	83.4	75.0	5.3%	-10.1%
Operating Income	1,868.8	1,628.9	1,729.0	-7.5%	6.2%
Operating Margin	49.6%	43.0%	44.8%	(4.9pp)	1.8pp
Depreciation	339.1	385.0	366.3	8.0%	-4.9%
EBITDA	2,204.8	2,091.5	2,105.7	-4.5%	0.7%
EBITDA Margin	58.6%	55.2%	54.5%	(4.1pp)	(0.7pp)
Interest Income (Expense) net	(97.8)	2.8	(52.6)	-46.2%	N.A.
Interest expense	134.5	132.0	133.2	-1.0%	0.9%
Interest income	13.4	55.4	70.3	423.0%	26.9%
Other income (expense)	23.2	79.5	10.3	-55.5%	-87.0%
Foreign exchange gain (loss)				N.A.	N.A.
Unconsolidated subsidiaries	(2.2)	1.5	3.1	N.A.	108.7%
Income before taxes	1,771.0	1,631.7	1,676.4	-5.3%	2.7%
Income taxes	702.1	498.1	579.9	-17.4%	16.4%
Discontinued operations					
Consolidated Net Income	1,071.2	1,132.1	1,093.5	2.1%	-3.4%
Non-controlling interest	151.1	176.0	160.2	6.1%	-9.0%
Net Income	920.1	956.1	933.3	1.4%	-2.4%
Net Margin	24.4%	25.2%	24.2%	(0.3pp)	(1.1pp)
EPS	0.118	0.123	0.120	1.4%	-2.4%

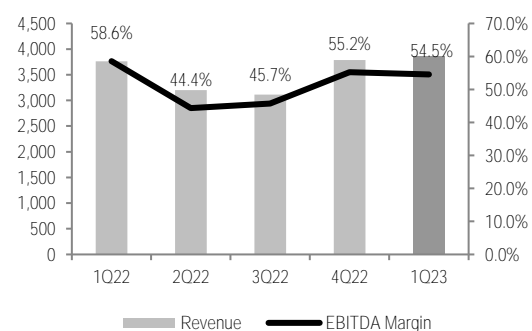
Balance Sheet (Million pesos)					
Total Current Assets	10,149.4	10,139.6	10,663.4	5.1%	5.2%
Cash & Short Term Investments	6,338.7	6,034.8	6,632.4	4.6%	9.9%
Long Term Assets	19,893.1	20,028.9	20,296.7	2.0%	1.3%
Property, Plant & Equipment (Net)	16,939.3	17,265.1	17,370.3	2.5%	0.6%
Intangible Assets (Net)	2,953.8	2,763.8	2,926.4	-0.9%	5.9%
Total Assets	30,042.5	30,168.5	30,960.2	3.1%	2.6%
Current Liabilities	2,453.4	1,894.4	1,961.6	-20.0%	3.5%
Short Term Debt	503.1	138.8	145.7	-71.0%	4.9%
Accounts Payable				N.A.	N.A.
Long Term Liabilities	10,499.7	10,436.6	10,597.0	0.9%	1.5%
Long Term Debt	8,325.6	8,257.5	8,371.2	0.5%	1.4%
Total Liabilities	12,953.1	12,331.0	12,558.6	-3.0%	1.8%
Stockholders' Equity	17,089.4	17,837.5	18,401.6	7.7%	3.2%
Non-controlling interest	2,286.5	2,338.9	2,402.8	5.1%	2.7%
Total Equity	14,802.9	15,498.7	15,998.8	8.1%	3.2%
Liabilities & Equity	30,042.5	30,168.5	30,960.2	3.1%	2.6%
Net Debt	2,490.0	2,361.5	1,884.6	-24.3%	-20.2%

Cash Flow			
CF from Operating Activities	1,138.8	1,567.9	1,640.1
CF from Investing Activities	(372.7)	(396.9)	(429.3)
CF from Financing Activities	(812.6)	(792.5)	(604.1)
Change in Cash Balance	(150.6)	358.2	565.8

Source: Banorte, MSE.

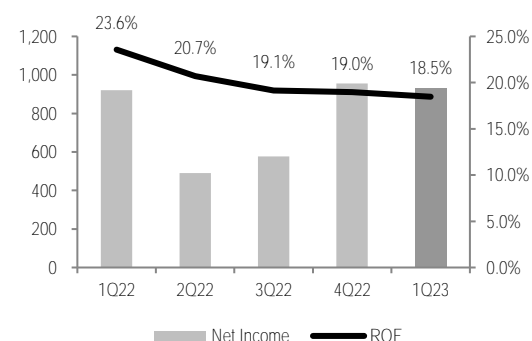
Revenue & EBITDA Margin

MXN, million



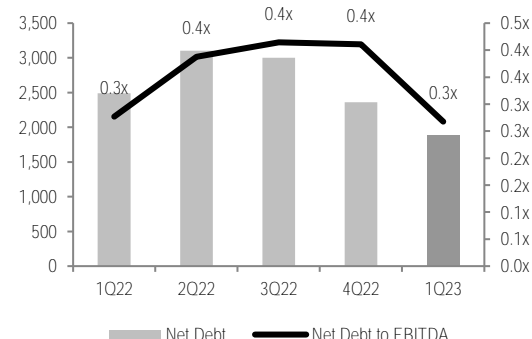
Net Income & ROE

MXN, million



Net Debt & Net Debt to EBITDA ratio

MXN, million



Certification of Analysts.

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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	Rating	PT
GMEXICO	03/02/22	BUY	\$112.00
GMEXICO	07/27/22	HOLD	\$ 86.00
GMEXICO	04/27/21	BUY	\$135.00
GMEXICO	01/07/21	HOLD	\$101.00

MSCI ESG Rating scale

CCC	B	BB	BBB	A	AA	AAA
LAGGARD	AVERAGE			LEADER		

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

GRUPO FINANCIERO BANORTE S.A.B. de C.V.

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
Isaias 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	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
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 Roldan Ferrer	Head of Commercial Banking	victor.rolan.ferrer@banorte.com	(55) 1670 - 1899