

# GMXT

## Quarterly Report

October 27, 2020

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### Profitability growth returns

- 3Q20 recorded positive figures, in line with our estimates. The resumption of activities supported a sequential recovery, which coupled with an efficiency approach drove a higher profitability
- GMXT confirmed that in 2020 it would continue with significant investments to achieve efficiencies. While for 2021, it approved a new plan of US\$358.3 million, which should be welcomed by the market

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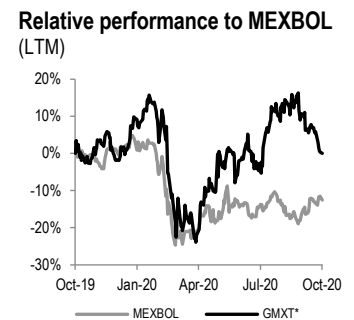
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A greater profitability stands out, due to the advance in results. 3Q20 still does not show pre-pandemic levels, but reflects a better dynamism in key industries for GMXT, stemming from the economic resumption. Thus, revenues posted a 4.8% y/y drop (+7.7% q/q) to \$11.9 billion, in line with estimates, resulting from an 8.1% (+4.4% q/q) fall in the transported volume measured in net tons-kilometers -still affected by lower economic dynamism and some blockades in Sonora and Chihuahua-, partially limited by higher prices. The segments that showed advances were Chemicals and Energy by benefiting from a higher demand fostered by the pandemic and a rise in imports, respectively. While the biggest detractors were the Industrial and Intermodal. Meanwhile, a 7.3% downturn in costs, coupled with productivity improvements, led to a decline of 2.2% y/y (17.7% q/q) in EBITDA to \$5.3 billion. With this, its margin expanded by 120bp, to 44.3%. On a net level, the company recorded a profit of \$1.5 billion, in which a negative FX effect was offset by lower taxes as the rate was normalized to 31.5% vs. 35.0% in 3Q19.

**BUY**

Current Price	\$25.60
<b>PT2020</b>	<b>\$35.50</b>
Dividend 2020	\$0.30
Dividend (%)	1.2%
Upside Potential	40.4%
Max – Min LTM (\$)	30.28-19.30
Market Cap (US\$m)	5,001.9
Shares Outstanding (m)	4,100.6
Float	14.0%
Daily Turnover (\$m)	20.4
<b>Valuation Metrics LTM *</b>	
FV/EBITDA Adj	7.0x
P/E	16.8x
<b>MSCI ESG Rating*</b>	<b>N.A.</b>

A solid recovery is in sight. GMXT is focused on achieving efficiencies through relevant investments. In 2020, it confirmed an amount of US\$315.1 million and for 2021, it approved US\$358.3 million. The company announced a \$0.30 dividend per share (1.2% return), to be paid on November 24th. The above, coupled with a solid balance sheet (ND/EBITDA of 1.5x), supports favorable prospects, expecting to see better results going forward, which in our opinion is not yet reflected in the attractive valuation.



#### Financial statements

MXN, million	2018	2019	2020E	2021E
Revenues	45,431	47,633	47,414	50,646
Operating Income	12,397	13,635	15,152	16,309
Adjusted EBITDA	19,485	21,117	22,202	23,504
EBITDA Margin	42.9%	44.3%	46.8%	46.4%
Net Income	7,008	6,038	6,985	12,879
Net margin	15.4%	12.7%	14.7%	25.4%
Total Assets	107,396	110,812	124,304	131,666
Cash	3,671	3,837	5,434	7,379
Total Liabilities	47,952	51,868	51,801	49,221
Debt	28,300	34,565	36,240	36,240
Common Equity	55,717	58,944	72,503	82,444

Source: Banorte

#### Valuation and financial metrics

	2018	2019	2020E	2021E
EV/EBITDA	7.1x	6.8x	6.6x	6.4x
P/E	15.0x	17.4x	15.0x	8.2x
P/BV	2.1x	2.1x	1.7x	1.5x
ROE	13.7%	12.0%	11.2%	18.2%
ROA	6.5%	5.4%	5.6%	9.8%
EBITDA/ Interest expens	7.6x	8.4x	9.0x	9.4x
Net Debt/EBITDA	1.3x	1.5x	1.4x	1.2x
Debt/Equity	0.5x	0.6x	0.5x	0.4x

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Document for distribution among public

## GMXT – 3Q20 Results

MXN, million

Concept	3Q19	3Q20	Var %	3Q20e	Diff % vs. Estim.
Revenue	12,479	11,882	-4.8%	11,958	-0.6%
Operating Income	3,697	3,552	-3.9%	3,405	4.3%
Ebitda	5,384	5,268	-2.2%	5,213	1.1%
Net Income	1,402	1,523	8.6%	1,477	3.2%
<b>Margins</b>					
Operating Margin	29.6%	29.9%	0.3pp	28.5%	1.4pp
Ebitda Margin	43.1%	44.3%	1.2pp	43.6%	0.7pp
Net Margin	11.2%	12.8%	1.6pp	12.3%	0.5pp
EPS	\$0.34	\$0.37	8.6%	\$0.36	3.2%

## Income Statement (Million)

Year	2019	2020	2020	Change	Change
Quarter	3	2	3	% y/y	% q/q
<b>Net Revenue</b>	<b>12,479.3</b>	<b>11,034.6</b>	<b>11,882.2</b>	<b>-4.8%</b>	<b>7.7%</b>
Cost of goods sold	6,410.3	5,569.3	5,941.7	-7.3%	6.7%
Gross profit	6,069.0	5,465.3	5,940.5	-2.1%	8.7%
General expenses	2,372.2	2,793.2	2,388.9	0.7%	-14.5%
<b>Operating Income</b>	<b>3,696.8</b>	<b>2,672.1</b>	<b>3,551.5</b>	<b>-3.9%</b>	<b>32.9%</b>
<b>Operating Margin</b>	<b>29.6%</b>	<b>24.2%</b>	<b>29.9%</b>	<b>0.3pp</b>	<b>5.7pp</b>
Depreciation	1,687.0	1,802.0	1,716.0	1.7%	-4.8%
<b>EBITDA</b>	<b>5,384.0</b>	<b>4,474.0</b>	<b>5,268.0</b>	<b>-2.2%</b>	<b>17.7%</b>
<b>EBITDA Margin</b>	<b>43.1%</b>	<b>40.5%</b>	<b>44.3%</b>	<b>1.2pp</b>	<b>3.8pp</b>
<b>Interest income (expense) net</b>	<b>(713.7)</b>	<b>(742.8)</b>	<b>(658.0)</b>	<b>-7.8%</b>	<b>-11.4%</b>
Interest expense	701.9	638.5	613.6	-12.6%	-3.9%
Interest income	39.6	30.3	16.8	-57.4%	-44.5%
Other financial income (expense)				N.A.	N.A.
Exchange Income (loss)	(51.4)	(134.7)	(61.2)	19.2%	-54.5%
Unconsolidated subsidiaries	(65.4)	(11.0)	(19.7)	-69.9%	79.5%
<b>Net Income before taxes</b>	<b>2,917.7</b>	<b>1,918.2</b>	<b>2,873.9</b>	<b>-1.5%</b>	<b>49.8%</b>
Provision for income taxes	1,028.2	463.6	905.9	-11.9%	95.4%
Discontinued Operations					
<b>Consolidated Net Income</b>	<b>1,889.5</b>	<b>1,454.6</b>	<b>1,968.0</b>	<b>4.2%</b>	<b>35.3%</b>
Minorities	487.3	367.8	444.7	-8.7%	20.9%
<b>Net Income</b>	<b>1,402.2</b>	<b>1,086.8</b>	<b>1,523.2</b>	<b>8.6%</b>	<b>40.2%</b>
<b>Net Margin</b>	<b>11.2%</b>	<b>9.8%</b>	<b>12.8%</b>	<b>1.6pp</b>	<b>3.0pp</b>
<b>EPS</b>	<b>0.342</b>	<b>0.265</b>	<b>0.371</b>	<b>8.6%</b>	<b>40.2%</b>

## Balance Sheet (MXN, million)

	3Q19	3Q20	3Q20e	Change	Change
				% y/y	% q/q
<b>Total Current Assets</b>	<b>13,139.8</b>	<b>14,755.7</b>	<b>13,977.7</b>	<b>6.4%</b>	<b>-5.3%</b>
Cash & Short Term Investments	2,869.2	4,747.1	3,880.9	35.3%	-18.2%
<b>Long Term Assets</b>	<b>98,709.8</b>	<b>107,361.6</b>	<b>105,544.4</b>	<b>6.9%</b>	<b>-1.7%</b>
Property, Plant & Equipment (Net)	85,461.2	94,137.8	92,862.4	8.7%	-1.4%
Intangible Assets (Net)	1,476.5	1,411.2	1,387.7	-6.0%	-1.7%
<b>Total Assets</b>	<b>111,849.6</b>	<b>122,117.3</b>	<b>119,522.1</b>	<b>6.9%</b>	<b>-2.1%</b>
<b>Current Liabilities</b>	<b>8,250.7</b>	<b>10,684.6</b>	<b>10,349.4</b>	<b>25.4%</b>	<b>-3.1%</b>
Short Term Debt	1,981.0	3,997.1	3,654.6	84.5%	-8.6%
Accounts Payable	4,705.3	5,474.4	4,956.9	5.3%	-9.5%
<b>Long Term Liabilities</b>	<b>43,761.2</b>	<b>44,570.7</b>	<b>43,707.6</b>	<b>-0.1%</b>	<b>-1.9%</b>
Long Term Debt	33,256.3	31,853.4	31,338.0	-5.8%	-1.6%
<b>Total Liabilities</b>	<b>52,011.9</b>	<b>55,255.3</b>	<b>54,057.0</b>	<b>3.9%</b>	<b>-2.2%</b>
Common Stock	59,837.7	66,862.0	65,465.1	9.4%	-2.1%
Minorities	8,257.8	8,449.2	8,253.0	-0.1%	-2.3%
<b>Total Equity</b>	<b>51,579.9</b>	<b>58,412.9</b>	<b>57,212.1</b>	<b>10.9%</b>	<b>-2.1%</b>
<b>Liabilities &amp; Equity</b>	<b>111,849.6</b>	<b>122,117.3</b>	<b>119,522.1</b>	<b>6.9%</b>	<b>-2.1%</b>
<b>Net Debt</b>	<b>32,368.0</b>	<b>31,103.4</b>	<b>31,111.8</b>	<b>-3.9%</b>	<b>0.0%</b>

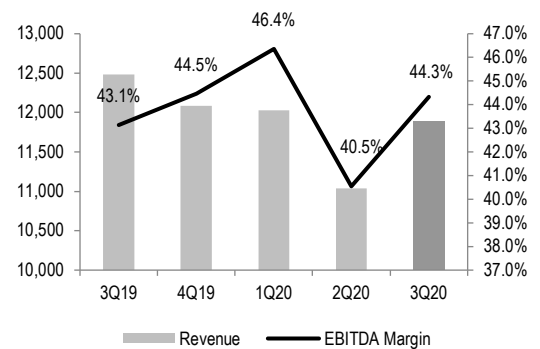
## Cash Flow

Cash Flow from Operating Activities	13,863.9	10,176.4	14,771.4
Cash Flow from Investing Activities	(4,700.7)	(2,239.4)	(3,449.8)
Cash Flow from Financing Activities	(8,507.9)	(5,937.6)	(9,496.6)
<b>Increase (decrease) in cash</b>	<b>(802.2)</b>	<b>910.5</b>	<b>44.3</b>

Source: Banorte, MSE

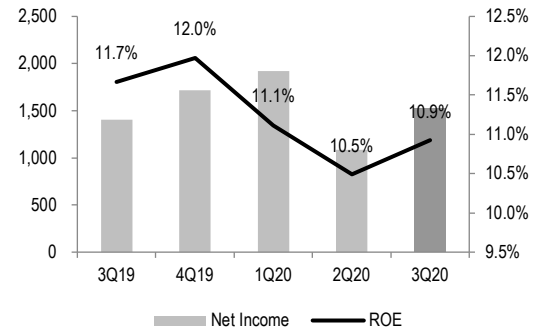
## Revenue & EBITDA Margin

MXN, million



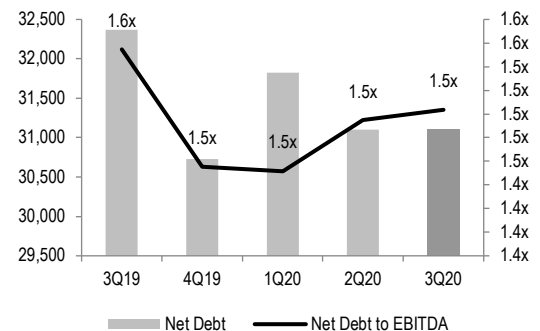
## Net Income & ROE

MXN, million



## Net Debt & Net Debt to EBITDA

MXN, million



### Operating Information by business segment

Millions of pesos

SEGMENT	REVENUE			NET TONS			CARLOADS		
	3Q19	3Q20	Var %	3Q19	3Q20	Var %	3Q19	3Q20	Var %
Agricultural	3,533	3,381	-4%	7,073	6,076	-14%	82,599	74,359	-10%
Intermodal	1,710	1,605	-6%	1,915	1,604	-16%	189,701	175,573	-7%
Minerals	1,360	1,362	0%	2,569	2,581	0%	47,934	47,701	0%
Automotive	1,237	1,037	-16%	601	557	-7%	36,313	33,265	-8%
Energy	910	969	6%	1,057	1,218	15%	25,955	19,210	-26%
Chemicals	915	1003	10%	1,213	1,260	4%	19,753	20,169	2%
Industrials	944	888	-6%	661	523	-21%	34,807	31,138	-11%
Metals	534	470	-12%	1,058	991	-6%	17,399	16,273	-6%
Cement	572	513	-10%	966	927	-4%	27,479	26,685	-3%
Other	765	655	-14%						
<b>TOTAL</b>	<b>12,479</b>	<b>11,882</b>	<b>-5%</b>	<b>17,113</b>	<b>15,736</b>	<b>-8%</b>	<b>481,940</b>	<b>444,373</b>	<b>-8%</b>

Source: GMXT

## Certification of Analysts.

We, Gabriel Casillas Olvera, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldivar, Marissa Garza Ostos, Tania Abdul Massih Jacobo, Francisco José Flores Serrano, Katia Celina Goya Ostos, Santiago Leal Singer, José Itzamna Espitia Hernández, Valentín III Mendoza Balderas, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez, Gerardo Daniel Valle Trujillo, Eridani Ruibal Ortega and Juan Barbier Arizmendi, 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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	<b>Reference</b>
<b>BUY</b>	When the share expected performance is greater than the MEXBOL estimated performance.
<b>HOLD</b>	When the share expected performance is similar to the MEXBOL estimated performance.
<b>SELL</b>	When the share expected performance is lower than the MEXBOL estimated performance.

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## PT and recommendation history

Stock	Date	Recommendati	PT
GMXT	December 4, 2019	BUY	\$35.50
GMXT	January 9, 2019	BUY	\$31.70
GMXT	September 28, 2018	BUY	\$37.00

## 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.

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