

## CEMEX (Buy, PT \$ 22.50)

### Flash: Digital innovation for strengthening competitive advantages

Cemex reported the progress of a digital transformation initiative called *Working Smarter*, in which, administrative management services will be improved through the combination of digital technologies, operating models and innovation of leading service providers. This is part of the company's digital strategy, which goes in hand with CEMEX Go, which was the first global digital platform in the industry. The company noted that the services in question range from the financial and accounting back-office, IT and human resources to back- and middle-office commercial services. In addition, the initiative will bring all global locations together in a unified CEMEX experience, underpinned by data analytics, artificial intelligence and cognitive technologies. Another relevant aspect is that the cement company redesigned its shared services operating model, implementing virtual service centers integrated by remote workforce, as a result of Cemex's advanced service management and collaboration platforms protected by solid cybersecurity.

With the aim of accelerating the innovation process, Cemex signed several contracts with six leading service providers that stand out for their experience in areas such as finance and accounting, information technology and human resources, which are: **IBM, HCL Technologies, Axians, Tata Consultant Services, ServiceNow, Avasant**. All these contracts lasting between 5 and 7 years and for a total of US\$500 million. As consequence, the company is replacing current operating expenses with the services of new providers at an optimized cost. With this and the internal transformation, the cement company estimates annual savings of US\$100 million (around 3.5% of EBITDA LTM), once the implementation is completed.

The company noted that to expand its current reach and complete the deployment of its digital strategy, it will announce additional strategic relationships in the following months.

**Positive Implication:** The company's digital transformation represents a competitive advantage and asides changing the way it manages the business, should reflect an attractive return on investment of four times, according to the cement company. As a result, Cemex continues to consolidate itself as a leader and a pioneer in the digital field of its industry, which should translate into a better service, higher sales, and therefore greater profitability supported by operational efficiencies. Meanwhile, we will be focusing on the company's report which will be published next Thursday, February 10<sup>th</sup>, before the market opening. The report should be relevant to know any update of perspectives in the face of the challenges represented by a lower global economic dynamism, higher energy prices and raw materials, as well as disruptions in supply chains.

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Document for distribution among public

## Certification of Analyst.

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Francisco José Flores Serrano, Katia Celina Goya Ostos, José Luis García Casales, Yazmín Selene Pérez Enríquez, José Itzamna Espitia Hernández, Carlos Hernández García, Paola Soto Leal, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Daniela Olea Suárez, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez and Gerardo Daniel Valle Trujillo, 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
<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.
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## History of PT and Ratings

Stock	Date	Rating	PT
CEMEX	07/29/2021	Buy	\$22.50
CEMEX	04/29/2021	Buy	\$19.50
CEMEX	01/12/2021	Buy	\$14.50

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