CEMEX

Quarterly Report

Solid advance in profitability and cash flow

- **CEMEX posted a positive 3Q20 due to the demand recovery from the resumption of activities and the Operation Resilience strategy, which drove EBITDA and FCF**
- **Sustained growth is expected by year-end, as the company continues to preserve liquidity, supported by cost reductions, and improve its financial position**

In view of the good report, the EBITDA guidance has been improved for the end of the year. The relevant sequential recovery in volumes as a result of the resumption of activities supported the advance in CEMEX's results. We highlight the improved demand performance in Mexico (higher bagged cement demand) and in the US due to good market dynamics. Thus, at the consolidated level, the y/y rise in volumes was 3% in cement, while concrete fell 6% and there were no changes in aggregates. Sequentially, volumes grew an average of 17% in the consolidated. In turn, most regions showed improvements in local currency, but in dollars the falls predominated. Thus, sales rose 1.8% y/y. Likewise, expenses reduction and favorable energy conditions reflected the annual increase in EBITDA of 11.2%, with an increase in the respective margin of 1.8pp to 21.2%, higher than estimated. On a net level, a US$1.5 billion non-cash impairment charge led to a loss of US$1.6 billion. Free cash flow increased sharply by 103% y/y, and the leverage indicator fell to 4.3x from 4.6x in 2Q20. The company increased its EBITDA 2020e by 2.1% to US$2.4 billion.

Favorable prospects, although the valuation looks a little advanced. The good performance in the results will be maintained during the rest of the year and it should be noted that 3Q20 already reflected the Operation Resilience strategy to lay the grounds for future growth. We believe that the current valuation (FV/EBITDA of 7.4x vs. 6.8x 1 year average) reflects a good part of the outlook, although we will be reviewing our estimates for 2021.

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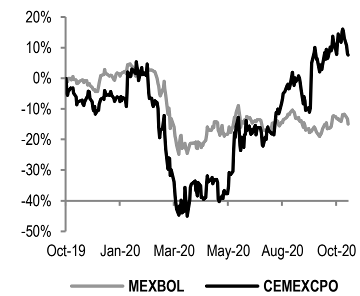
HOLD	
Current Price	$8.30
PT 2020	**$7.50**
Dividend	
Upside Potential	-9.6%
ADR Price	US$3.92
PT2020 ADR	US$3.41
Shares per ADR	10
Max – Min LTM ($)	9.02 – 3.98
Market Cap (US$m)	5,756
Shares Outstanding (m)	14,708
Float	90%
Daily Turnover ($m)	197.6
Valuation metrics LTM	
FV/EBITDA	7.4x
P/E	-3.2x
MSCI ESG Rating*	**BBB**

Relative Performance to MEXBOL
LTM



Financial Statements

USD, million	2018	2019	2020E	2021E
Revenues	13,531	13,130	12,488	12,897
Operating Income	1,407	986	-634	1,166
EBITDA	2,687	2,378	2,370	2,460
EBITDA Margin	19.9%	18.1%	19.0%	19.1%
Net Income	528	143	-1,606	188
Net Margin	3.9%	1.1%	-12.9%	1.5%
Total Assets	29,181	29,362	26,740	26,917
Cash	309	788	1,290	831
Total Liabilities	18,128	18,539	17,996	17,950
Debt	11,140	11,213	11,829	11,752
Common Equity	11,053	10,823	8,744	8,968

Source: Banorte.

Valuation and financial metrics

	2018	2019	2020E	2021E
FV/EBITDA	6.7x	7.6x	7.5x	7.3x
P/E	11.1x	41.4x	-3.6x	30.6x
P/BV	0.6x	0.6x	0.8x	0.8x
ROE	5.6%	1.5%	-19.9%	2.5%
ROA	1.8%	0.5%	-5.6%	0.7%
EBITDA/ Interes exp.	3.7x	3.4x	3.0x	2.8x
Net Debt/EBITDA	3.9x	4.3x	4.5x	4.4x
Debt/Equity	1.0x	1.0x	1.2x	1.2x

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CEMEX – Results 3Q20
USD, million

Concept	3Q19	3Q20	Var %	3Q20e	Diff % vs Estim.
Revenue	3,377	3,436	1.8%	3,413	0.7%
Operating Income	349	-1,183	N.A.	339	N.A.
Ebitda	655	728	11.2%	679	7.3%
Net Income	187	-1,535	N.A.	70	N.A.
Margins					
Operating Margin	10.3%	-34.4%	-44.8pp	9.9%	-44.3pp
Ebitda Margin	19.4%	21.2%	1.8pp	19.9%	1.3pp
Net Margin	5.5%	-44.7%	-50.2pp	2.0%	-46.7pp
EPS	$0.01	-$0.10	N.A.	$0.00	N.A.

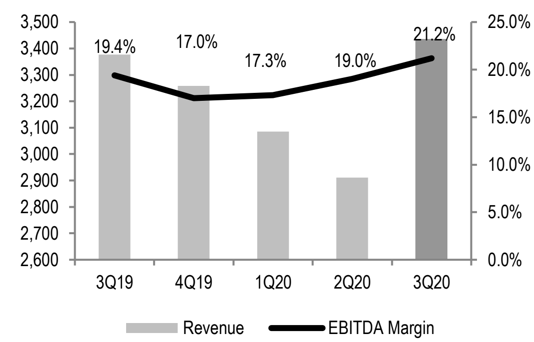
Income Statement					
Year	**2019**	**2020**	**2020**	**Change**	**Variation**
Quarter	**3**	**2**	**3**	**% y/y**	**% q/q**
Net Revenue	**3,377.1**	**2,911.5**	**3,436.2**	**1.8%**	**18.0%**
Cost of goods sold	2,220.4	1,979.4	2,260.0	1.8%	14.2%
Gross profit	1,156.7	932.1	1,176.2	1.7%	26.2%
General expenses	807.5	723.1	2,359.2	192.2%	226.2%
Operating Income	**349.2**	**209.0**	**(1,183.0)**	**N.A.**	**N.A.**
Operating Margin	**10.3%**	**7.2%**	**-34.4%**	**(44.8pp)**	**(41.6pp)**
Depreciation	261.2	275.2	275.6	5.5%	0.1%
EBITDA	**655.2**	**554.0**	**728.3**	**11.2%**	**31.5%**
EBITDA Margin	**19.4%**	**19.0%**	**21.2%**	**1.8pp**	**2.2pp**
Interes income (expense) net	**(178.4)**	**(164.0)**	**(299.2)**	**67.8%**	**82.4%**
Interest expense	166.7	180.7	248.3	49.0%	37.4%
Interest income	6.3	4.0	3.7	-41.4%	-7.9%
Other income (expenses)	(19.8)	6.7	(26.3)	32.4%	N.A.
Exchange Income (loss)	1.9	5.9	(28.3)	N.A.	N.A.
Unconsolidated subsidiaries	19.3	8.6	17.8	-7.7%	107.9%
Income before taxes	**190.2**	**53.5**	**(1,464.4)**	**N.A.**	**N.A.**
Income taxes	36.0	39.8	(19.4)	N.A.	N.A.
Discontinued operations	38.2	(55.3)	(80.1)	N.A.	N.A.
Consolidated Net Income	**192.4**	**(41.6)**	**(1,525.1)**	**N.A.**	**N.A.**
Minorities	5.0	2.1	10.3	104.9%	393.5%
Net Income	**187.4**	**(43.7)**	**(1,535.4)**	**N.A.**	**N.A.**
Net margin	**5.5%**	**-1.5%**	**-44.7%**	**(50.2pp)**	**(43.2pp)**
EPS	**0.013**	**(0.003)**	**(0.104)**	**N.A.**	**N.A.**

Balance Sheet (Million pesos)					
Total Current Assets	**3,583.6**	**6,124.5**	**6,728.2**	**87.8%**	**9.9%**
Cash & Short Term Investments	299.1	2,831.8	3,453.2	>500%	21.9%
Long Term Assets	**24,925.1**	**23,835.4**	**22,504.8**	**-9.7%**	**-5.6%**
Property, Plant & Equipment (Net)	11,717.0	11,105.9	10,723.9	-8.5%	-3.4%
Intangible Assets (Net)	11,900.0	11,434.6	10,367.7	-12.9%	-9.3%
Total Assets	**28,508.7**	**29,959.8**	**29,233.0**	**2.5%**	**-2.4%**
Current Liabilities	**5,182.1**	**4,662.6**	**7,376.6**	**42.3%**	**58.2%**
Short Term Debt	1,088.9	791.8	798.6	-26.7%	0.9%
Accounts Payable	2,252.4	2,071.6	2,150.2	-4.5%	3.8%
Long Term Liabilities	**12,268.0**	**15,080.0**	**13,047.0**	**6.4%**	**-13.5%**
Long Term Debt	9,800.1	12,668.2	12,777.6	30.4%	0.9%
Total Liabilities	**17,450.1**	**19,742.5**	**20,423.6**	**17.0%**	**3.4%**
Common Stock	11,058.6	10,217.3	8,809.5	-20.3%	-13.8%
Preferred Stock	1,501.3	1,425.3	1,406.5	-6.3%	-1.3%
Total Equity	**9,557.2**	**8,792.0**	**7,403.0**	**-22.5%**	**-15.8%**
Liabilities & Equity	**28,508.7**	**29,959.8**	**29,233.0**	**2.5%**	**-2.4%**
Net Debt	**10,589.9**	**10,628.2**	**10,123.0**	**-4.4%**	**-4.8%**

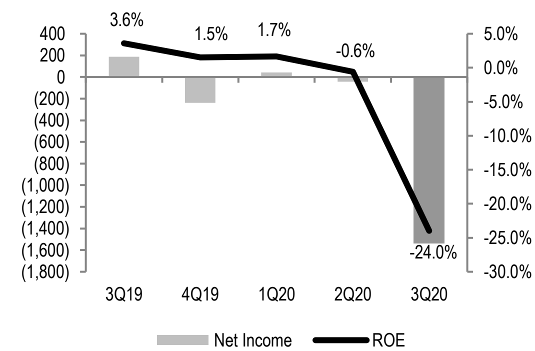
Cash Flow (Million pesos)			
Cash Flow from Operating Activities	612.9	385.5	734.1
Cash Flow from Investing Activities	(313.7)	(121.1)	85.0
Cash Flow from Financing Activities	(591.9)	(18.9)	19.5
FX effect on cash	0.0	0.0	0.0
Change in Cash Balance	**(5.1)**	**1,445.2**	**621.4**

Source: Banorte, MSE.

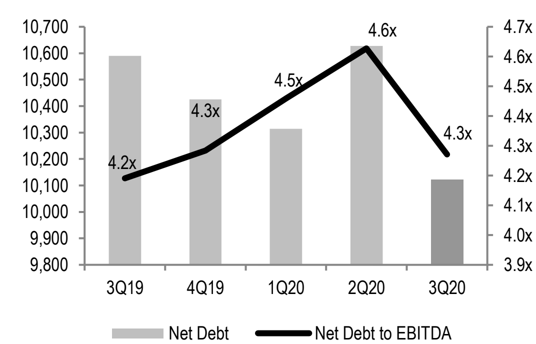
Revenue & EBITDA Margin
USD, million



Net Income & ROE
USD, million



Net Debt & Net debt to EBITDA ratio
USD, million



Per-country volume summary for 3Q20
Percentage – Change y/y

Region	Cement	Ready-Mix	Aggregates
Mexico	11.0%	-13.0%	-5.0%
USA	3.0%	-4.0%	2.0%
Europe, Asia, Middle East and Africa	1.0%	-1.0%	2.0%
South America and Caribbean	-1.0%	-26.0%	-28.0%
Consolidated	**3.0%**	**-6.0%**	**0.0%**

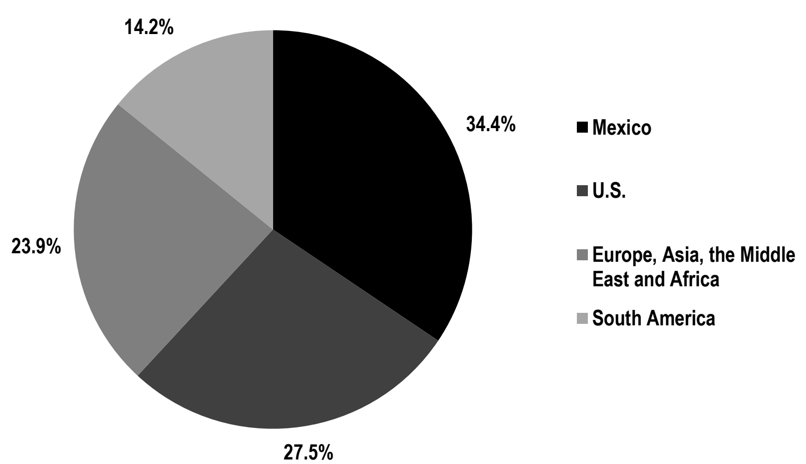
Source: Cemex.

CEMEX 3Q20 – 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	723,022	1.0%	246,307	3.0%	34.1%	0.6pp
USA	1,012,393	1.0%	199,067	7.0%	19.7%	1.0pp
Europe, Asia, Middle East and Africa	1,238,188	8.0%	219,696	14.0%	17.7%	0.9pp
South America and Caribbean	395,270	-5.0%	109,358	23.0%	27.7%	6.3pp
Other and interco. eliminations	67,342	-30.0%	-46,146	13.0%		
Consolidated	**3,436,215**	**1.8%**	**728,281**	**11.2%**	**21.2%**	**1.8pp**

Source: Cemex.

EBITDA LTM by region
Percentage



Source: Cemex, Banorte.
* Ebitda LTM before Others and intercompany eliminations.

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We, Gabriel Casillas Olvera, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldívar, 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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	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	07/27/2020	Hold	$7.50
CEMEX CPO	10/24/2019	Hold	$8.50
CEMEX CPO	07/25/2019	Hold	$8.00
CEMEX CPO	04/25/2019	Hold	$11.00

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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