

NEMAK (Buy, PT \$9.50)

Flash: Reduces 2021 guidance due to the impact of the semiconductor crisis

Nemak announced in its 3Q21 earnings conference call that it updated downward its guidance for 2021. This is due to the difficult environment the automotive industry is going through as a result of the global semiconductor shortage, which resulted in the strong impact seen in this quarter's figures and which, although to a lesser extent, is expected to continue through the end of the year and into 2022. With this, the company now estimates to end 2021 with a considerable decline (vs. July guidance update) in volume of 8-9%, representing between 35.9 and 36.3 million units, in revenue of -2% to -3% (\$3.783 - \$3.822 billion) and in EBITDA of -7% to -8% (\$552 - \$558 million).

NEMAK – 2021 guidance
Million dollars

Concept	Previous Guidance	New Guidance		Var %		Banorte	Var% vs Banorte		Var% a/a (new guidance)	
		Low range	High range	Low	High		Low	High	Low	High
Volume*	39.5	35.9	36.3	-8.0%	-9.0%	36.3	1.1%	0.0%	2.3%	3.4%
Revenues	3,900	3,783	3,822	-2.0%	-3.0%	3,739	-1.2%	-2.2%	20.1%	21.3%
EBITDA	600	552	558	-7.0%	-8.0%	562	1.8%	0.7%	27.5%	28.9%

*million units

Negative implication: The new figures hint at a strong expected impact from reduced global semiconductor supply, which undoubtedly has negative implications for our outlook on the company, mainly in profitability, and will not be well received by the market. Although current valuation at 3.8x looks attractive (vs. 3y average at 5.0x) we suggest caution in the face of an environment that offers little clarity on the recovery in the bottlenecks that semiconductor production faces. Given this guidance update and [3Q21 results](#), we will be revising our estimates to incorporate the challenges for vehicle production in the medium term, while we will publish our new PT and rating after the Investor Day 2021 on November 10, 2021.

October 20, 2021

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Document for distribution among public

Analyst Certification

We, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Francisco José Flores Serrano, Katia Celina Goya Ostos, Santiago Leal Singer, José Itzamna Espitia Hernández, Alik Daniel García Álvarez, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez, Gerardo Daniel Valle Trujillo 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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	<i>Reference</i>
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.
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History of PT and ratings

Stock	Date	Rating	PT
NEMAK A	21/1/2021	Buy	\$9.50
NEMAK A	29/9/2020	Hold	\$7.60
NEMAK A	4/3/2020	Hold	\$7.00

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