

CEMEX (HOLD, PT2020 \$7.50)

Flash: Non-cash charge will impact 3Q20 results

Cemex announced that, stemming from the uncertainty due to the pandemic effects on the economy and considering the consolidation of deterioration indicators in some countries, it estimates 3Q20 results to register a US\$1.5 billion non-cash charge, comprised of US\$1.02 billion from the deterioration of the commercial credit in the US business, and US\$480 million from idle assets in other countries. However, the cement company noted that the aforementioned would not have impact on liquidity, nor in EBITDA, but it will have an impact on the total assets, net income and equity.

Negative implication: We believe that the impact of the non-cash charge on the company's net income would be relevant, considering that our 3Q20 estimate is US\$70 million. On the other hand, the amount represents about 5% of total assets and 15% of equity. We will be attentive to the 3Q20 Cemex results to be released on next October 28, in which while the figures will be affected by the non-cash charge, we expect to see a sound performance at the operating level due to a faster recovery on volumes demand following the pandemic impact. However, this announcement could provoke volatility in the short-term, although it will not alter cash flow, taking into account the rally that we have observed in the stock price lately.

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Certification of Analyst.

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, Valentin III Mendoza Balderas, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalia 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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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
CEMEX CPO	07/27/2020	Hold	\$7.50
CEMEX CPO	04/30/2020	Under Review	Under Review
CEMEX CPO	10/24/2019	Hold	\$8.50

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