

GMEXICO

Quarterly Report

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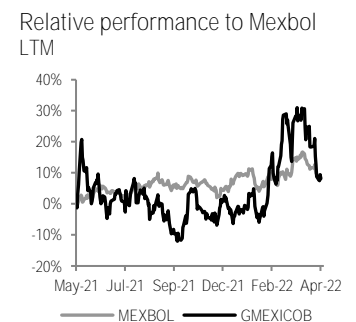
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Affected by Peru's external factors

- **GMexico showed lower than estimated advances during 1Q22, affected by lower production in Peru, which pressured profitability. This was partially offset by higher metal prices**
- **Despite the complex environment, cooper prices expectations remain high, supporting a positive perspective, alongside an interesting valuation (FV/EBITDA 4.6x), confirming our favorable opinion for the company**

Moderated growth due to production impact. GMexico reported lower than expected results, with an annual increase of 9.6% to \$3.764 billion and an EBITDA of 3.1% y/y to \$2.205 billion, with the respective margin contraction from 3.7pp to 58.6%. In the mining division (AMC), revenues benefited by higher metal prices, highlighting cooper's (+17.6% y/y and +3.7% q/q) which were partially offset by Peru's production suspension (-23.0% y/y) due to the protesters take over in *Cuajone* water reservoir, and the reduction in ore grades which led to falls in production (-9.9% y/y) and volume sales (-12.0% y/y). It's worth noting that it is now working at full capacity. Despite the above, a lower net cash cost (-8.6% y/y) helped mitigate profitability pressures, standing at 60.1% (-4.5pp y/y). On the other hand, GMXT reported lower volumes, but continued with a positive trend recovery supported by better prices and margins; while, in Infrastructure, the EBITDA rose to 6.8% y/y due to higher revenues in *El Retiro* wind farm and the *Highway* segment. Given its financial strength (DN/EBITDA of 0.3x), the company declared a dividend of MXN 1.50 per share, payable on June 2nd (annualized yield of 6.2%). **Perspectives become more favorable.** Excluding Peru's 1Q22 production impact, the higher cooper prices expectations props up higher growth. However, risks related to lower global environment dynamism and any news about Peru's situation must be monitored. We continue highlighting the strong fundamentals and the company's interesting valuation with a FV/EBITDA multiple of 4.6x vs the 5.2x sector's average.

BUY	
Current Price	\$96.25
PT	\$135.00
Dividend	\$4.50
Dividend Yield (%)	4.7%
Upside Potential	44.9%
Max - Min LTM (\$)	122.1-75.0
Market Cap (US\$m)	36,597.2
Shares Outstanding (m)	7,785
Float	46.0%
Daily Turnover US\$m	758.9
Valuation metrics LTM	
FV/EBITDA	4.6x
P/E	10.5x
MSCI ESG Rating	B



Financial Statements	2019	2020	2021	2022E
Revenue	10,681	10,909	14,777	15,489
Operating Income	3,480	3,958	7,467	7,539
EBITDA	4,945	5,363	8,927	9,114
EBITDA Margin	46.3%	49.2%	60.4%	58.8%
Net Income	1,766	2,118	3,600	3,775
Net Margin	16.5%	19.4%	24.4%	24.4%
Total Assets	27,566	28,608	30,078	32,596
Cash	2,610	4,091	6,461	6,803
Total Liabilities	13,320	13,364	13,433	13,037
Debt	9,377	8,952	8,782	8,782
Common Equity	14,246	15,244	16,645	19,559

Source: Banorte

Valuation and Financial metrics	2019	2020	2021	2022E
FV/EBITDA	9.2x	8.1x	4.3x	4.2x
P/E	20.7x	17.3x	9.5x	9.0x
P/VB	3.0x	2.8x	2.4x	2.0x
ROE	14.7%	16.3%	25.0%	22.1%
ROA	6.4%	7.4%	12.0%	11.6%
EBITDA/ interest	9.0x	9.7x	16.2x	15.8x
Net Debt/EBITDA	1.4x	0.9x	0.3x	0.2x
Debt/Equity	0.7x	0.6x	0.5x	0.4x

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GMEXICO – Results 1Q22
MXN, million

Concept	1Q21	1Q22	Var %	1Q22e	Diff % vs Estim.
Revenue	3,435	3,764	9.6%	3,906	-3.6%
Operating Income	1,700	1,869	9.9%	1,921	-2.7%
Ebitda	2,139	2,205	3.1%	2,344	-5.9%
Net Income	1,031	920	-10.7%	1,028	-10.5%
Margins					
Operating Margin	49.5%	49.6%	0.2pp	49.2%	0.5pp
Ebitda Margin	62.3%	58.6%	-3.7pp	60.0%	-1.4pp
Net Margin	30.0%	24.4%	-5.6pp	26.3%	-1.9pp
EPS	\$0.13	\$0.12	-10.7%	\$0.13	-10.5%

Income Statement (Million pesos)

Año	2021	2021	2022	Change	Change
Trimestre	1	4	1	% y/y	% q/q
Net Revenue	3,434.9	3,776.3	3,764.1	9.6%	-0.3%
Costs of goods sold	1,328.6	1,474.7	1,485.0	11.8%	0.7%
Gross profit	2,106.4	2,301.6	2,279.1	8.2%	-1.0%
General expenses	61.4	74.7	71.2	15.9%	-4.7%
Operating Income	1,700.0	1,840.8	1,868.8	9.9%	1.5%
Operating Margin	49.5%	48.7%	49.6%	0.2pp	0.9pp
Depreciation	344.9	386.1	339.1	-1.7%	-12.2%
EBITDA	2,139.4	2,190.4	2,204.8	3.1%	0.7%
EBITDA Margin	62.3%	58.0%	58.6%	(3.7pp)	0.6pp
Interest Income (Expense) net	(79.5)	(141.4)	(97.8)	23.1%	-30.8%
Interest expense	137.9	137.9	134.5	-2.5%	-2.5%
Interest income	4.5	12.5	13.4	197.1%	7.0%
Other income (expense)	53.9	(16.0)	23.2	-56.9%	N.A.
Foreign exchange gain (loss)				N.A.	N.A.
Unconsolidated subsidiaries	8.4	0.2	2.2	-73.4%	>500%
Income before taxes	1,620.6	1,699.4	1,771.0	9.3%	4.2%
Income taxes	476.0	700.2	702.1	47.5%	0.3%
Discontinued operations					
Consolidated Net Income	1,153.0	999.4	1,071.2	-7.1%	7.2%
Non-controlling interest	122.0	154.5	151.1	23.8%	-2.2%
Net Income	1,030.9	844.9	920.1	-10.7%	8.9%
Net Margin	30.0%	22.4%	24.4%	(5.6pp)	2.1pp
EPS	0.132	0.109	0.118	-10.7%	8.9%

Balance Sheet (Million pesos)

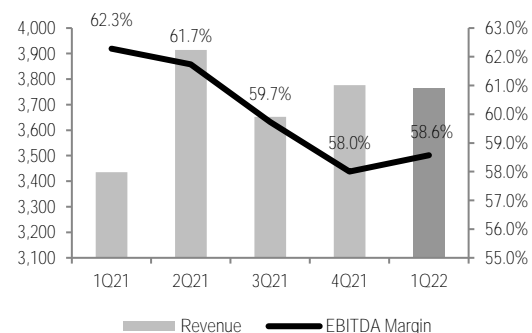
Total Current Assets	8,323.9	10,314.2	10,149.4	21.9%	-1.6%
Cash & Short Term Investments	4,895.2	6,461.0	6,338.7	29.5%	-1.9%
Long Term Assets	20,437.8	19,764.0	19,893.1	-2.7%	0.7%
Property, Plant & Equipment (Net)	16,890.1	16,857.4	16,939.3	0.3%	0.5%
Intangible Assets (Net)	3,547.7	2,906.7	2,953.8	-16.7%	1.6%
Total Assets	28,761.6	30,078.2	30,042.5	4.5%	-0.1%
Current Liabilities	2,207.7	3,037.0	2,453.4	11.1%	-19.2%
Short Term Debt	407.5	505.9	503.1	23.5%	-0.6%
Accounts Payable				N.A.	N.A.
Long Term Liabilities	10,784.0	10,396.4	10,499.7	-2.6%	1.0%
Long Term Debt	8,545.8	8,276.5	8,325.6	-2.6%	0.6%
Total Liabilities	12,991.7	13,433.4	12,953.1	-0.3%	-3.6%
Stockholders' Equity	15,770.0	16,644.8	17,089.4	8.4%	2.7%
Non-controlling interest	2,195.7	2,259.2	2,286.5	4.1%	1.2%
Total Equity	13,574.3	14,385.6	14,802.9	9.1%	2.9%
Liabilities & Equity	28,761.6	30,078.2	30,042.5	4.5%	-0.1%
Net Debt	4,058.1	2,321.4	2,490.0	-38.6%	7.3%

Cash Flow

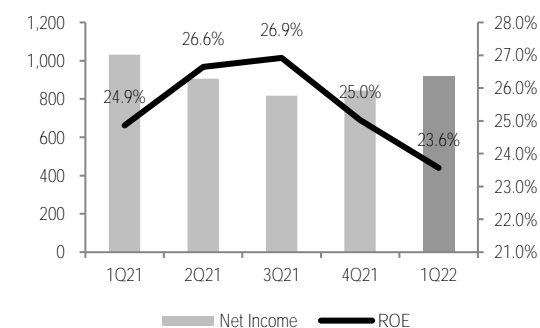
CF from Operating Activities	1,115.9	1,492.1	1,092.4
CF from Investing Activities	183.5	(299.3)	(372.7)
CF from Financing Activities	(556.8)	(1,011.7)	(812.0)
Change in Cash Balance	790.8	187.2	(150.6)

Source: Banorte, MSE.

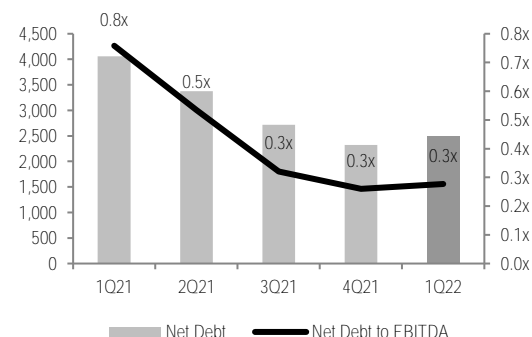
Revenue & EBITDA Margin
MXN, million



Net Income & ROE
MXN, million



Net Debt & Net Debt to EBITDA ratio
MXN, million



Certification of Analysts.

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Carlos Hernández García, David Alejandro Arenas Sánchez, Leslie Thalía Orozco Vélez, Hugo Armando Gómez Solís, Yazmín Selene Pérez Enríquez, Miguel Alejandro Calvo Domínguez, Daniela Olea Suárez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Paola Soto Leal, Oscar Rodolfo Olivos Ortiz, Daniel Sebastián Sosa Aguilar and Salvador Austria Valencia 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	Rating	PT
GMEXICO	04/27/21	Buy	\$135.00
GMEXICO	01/07/21	Hold	\$101.00
GMEXICO	07/28/20	Hold	\$ 63.00
GMEXICO	12/29/19	Buy	\$ 63.00

MSCI ESG Rating scale

CCC	B	BB	BBB	A	AA	AAA
LAGGARD			AVERAGE		LEADER	

*MSCI ESG Rating is an indicator that evaluates companies in Environment, Social and Governance (ESG) metrics.

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