

# GMEXICO

Quarterly Report

May 3, 2021

## Record revenues and doubled EBITDA

- An extraordinary quarter, driven by a solid metal price advance, particularly copper, coupled with operating efficiencies, reflected in higher-than-expected profitability gains
- The company's performance, underpinned by the expected recovery, healthy balance sheet, leadership position and attractive dividend distribution, will continue to be very favorable
- Incorporating the results and enhancing copper outlook, we raised our PT to MXN 135.00 vs. MXN 101.00 (2021e FV/EBITDA of 7.5x). We raised to BUY, including it in our 2021 issuer selection

**Profitability surprises beyond expectations, which should be welcomed by the market.** GMexico released its 1Q21 results with a 40.2% y/y rise in sales to US\$3.4 billion (record amount) and, to a greater extent, in EBITDA of 99.7% to US\$2.1 billion, reflecting a 18.6pp increase in the respective margin to 62.3%, far exceeding expectations. Once again, the Mining division (AMC) recorded a solid performance, mainly due to higher copper prices (+50.2% y/y), as well as stable production and a 2.4% increase in sales volumes. This, together with cost control (net cash cost reduction to US\$0.88 vs. US\$0.93 in 1Q20, the best in the world) and operating efficiencies, resulted in a 25.6pp profitability improvement for the division to 64.6%. In Transportation, [GMXT](#) posted a drop in EBITDA, but volumes rose y/y. We expect that from 2Q21 onwards it will show annual advances and higher profitability. In Infrastructure, lower numbers resulted from an adverse FX effect, the adjustment of quotas in *Perforadora*, and lower figures in *El Retiro* wind farm and highways. Net income was US\$1.0 billion (vs. loss in 1Q20), in light of the operating progress. This, coupled with a financial solidity (ND/EBITDA of 0.8x), prompted the company to **declare a higher-than-expected dividend of MXN 1.50 per share**, to be paid on May 27th (annualized yield of 6.0%). After including the quarter's figures, the decline in the FV/EBITDA multiple is significant, from 8.6x to 7.2x.

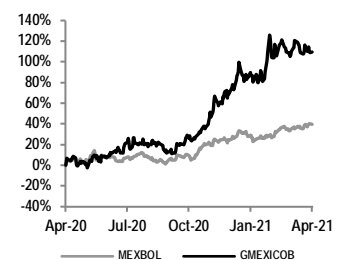
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<b>BUY</b>	
Current Price	\$100.70
PT	<b>\$135.00</b>
Dividend	\$4.50
Dividend (%)	4.5%
Upside Potential	38.5%
Max – Min LTM (\$)	110.5-37.21
Market Cap (US\$m)	39,183.6
Shares Outstanding (m)	7,785
Float	46.0%
Daily Turnover (\$m)	961.8
<b>Valuation Metrics LTM *</b>	
FV/EBITDA	7.2x
P/E	11.6x
<b>MSCI ESG Rating*</b>	<b>B</b>
*Data from press release	

### Relative performance to MEXBOL (LTM)



Financial statements				
USD, million	2019	2020	2021E	2022E
Revenues	10,681	10,909	13,948	14,019
Operating Income	3,480	3,963	6,432	6,123
Adjusted EBITDA	4,945	5,352	7,856	7,603
EBITDA Margin	46.3%	49.1%	56.3%	54.2%
Net Income	1,766	2,107	3,549	3,484
Net margin	16.5%	19.3%	25.4%	24.9%
Total Assets	27,566	28,174	31,402	34,199
Cash	2,610	4,096	4,953	5,009
Total Liabilities	13,320	12,906	13,206	13,233
Debt	9,377	8,952	8,952	8,952
Common Equity	14,246	15,268	18,197	20,966

Source: Banorte

Valuation and financial metrics				
	2019	2020	2021E	2022E
EV/EBITDA	9.7x	8.6x	5.8x	6.1x
P/E	22.2x	18.6x	11.0x	11.3x
P/BV	3.3x	3.0x	2.5x	2.2x
ROE	14.7%	16.1%	22.8%	19.5%
ROA	6.4%	7.5%	11.3%	10.2%
EBITDA/ Interest exp	9.0x	9.7x	14.5x	14.0x
Net Debt/EBITDA	1.4x	0.9x	0.5x	0.5x
Debt/Equity	0.7x	0.6x	0.5x	0.4x

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Document for distribution among public

## GMEXICO – 1Q21 Results

USD, million

Concept	1Q20	1Q21	Var %	1Q21e	Diff % vs. Estim.
Revenue	2,450	3,435	40.2%	3,351	2.5%
Operating Income	707	1,700	140.4%	1,357	25.3%
Ebitda	1,071	2,139	99.7%	1,728	23.8%
Net Income	-237	1,031	N.A.	701	47.1%
<b>Margins</b>					
Operating Margin	28.9%	49.5%	20.6pp	40.5%	9.0pp
Ebitda Margin	43.7%	62.3%	18.6pp	51.6%	10.7pp
Net Margin	-9.7%	30.0%	39.7pp	20.9%	9.1pp
EPS	-\$0.03	\$0.13	N.A.	\$0.09	47.1%

### Income Statement (Million)

Year	2020	2020	2021	Change	Change
Quarter	1	4	1	% y/y	% q/q
<b>Net Revenue</b>	<b>2,449.9</b>	<b>3,217.0</b>	<b>3,434.9</b>	<b>40.2%</b>	<b>6.8%</b>
Cost of goods sold	1,342.5	1,484.6	1,328.6	-1.0%	-10.5%
Gross profit	1,107.4	1,732.4	2,106.4	90.2%	21.6%
General expenses	60.9	71.6	61.4	0.8%	-14.2%
<b>Operating Income</b>	<b>707.3</b>	<b>1,320.3</b>	<b>1,700.0</b>	<b>140.4%</b>	<b>28.8%</b>
<b>Operating Margin</b>	<b>28.9%</b>	<b>41.0%</b>	<b>49.5%</b>	<b>20.6pp</b>	<b>8.5pp</b>
Depreciation	339.2	340.5	344.9	1.7%	1.3%
<b>EBITDA</b>	<b>1,071.1</b>	<b>1,723.9</b>	<b>2,139.3</b>	<b>99.7%</b>	<b>24.1%</b>
<b>EBITDA Margin</b>	<b>43.7%</b>	<b>53.6%</b>	<b>62.3%</b>	<b>18.6pp</b>	<b>8.7pp</b>
<b>Interest income (expense) net</b>	<b>(851.8)</b>	<b>355.9</b>	<b>(187.3)</b>	<b>-78.0%</b>	<b>N.A.</b>
Interest expense	148.0	135.5	137.9	-6.8%	1.8%
Interest income	13.1	11.2	4.5	-65.6%	-59.6%
Other financial income (expense)	(716.9)	480.2	(53.9)	-92.5%	N.A.
Exchange Income (loss)				N.A.	N.A.
Unconsolidated subsidiaries	1.2	3.0	8.4	>500%	183.1%
<b>Net Income before taxes</b>	<b>(144.5)</b>	<b>1,676.2</b>	<b>1,620.6</b>	<b>N.A.</b>	<b>-3.3%</b>
Provision for income taxes	76.9	494.9	476.0	>500%	-3.8%
Discontinued Operations					
<b>Consolidated Net Income</b>	<b>(220.2)</b>	<b>1,184.3</b>	<b>1,153.0</b>	<b>N.A.</b>	<b>-2.6%</b>
Minorities	17.1	119.0	122.0	>500%	2.6%
<b>Net Income</b>	<b>(237.3)</b>	<b>1,065.4</b>	<b>1,030.9</b>	<b>N.A.</b>	<b>-3.2%</b>
<b>Net Margin</b>	<b>-9.7%</b>	<b>33.1%</b>	<b>30.0%</b>	<b>39.7pp</b>	<b>(3.1pp)</b>
<b>EPS</b>	<b>(0.030)</b>	<b>0.137</b>	<b>0.132</b>	<b>N.A.</b>	<b>-3.2%</b>

### Balance Sheet (MXN, million)

<b>Total Current Assets</b>	<b>5,705.6</b>	<b>7,385.0</b>	<b>8,323.9</b>	<b>45.9%</b>	<b>12.7%</b>
Cash & Short Term Investments	2,723.4	4,096.5	4,895.2	79.7%	19.5%
<b>Long Term Assets</b>	<b>20,015.2</b>	<b>20,788.8</b>	<b>20,437.8</b>	<b>2.1%</b>	<b>-1.7%</b>
Property, Plant & Equipment (Net)	16,472.1	16,716.6	16,890.1	2.5%	1.0%
Intangible Assets (Net)	3,543.1	4,072.2	3,547.7	0.1%	-12.9%
<b>Total Assets</b>	<b>25,720.8</b>	<b>28,173.8</b>	<b>28,761.6</b>	<b>11.8%</b>	<b>2.1%</b>
<b>Current Liabilities</b>	<b>2,032.1</b>	<b>2,235.7</b>	<b>2,207.7</b>	<b>8.6%</b>	<b>-1.3%</b>
Short Term Debt	573.8	346.8	407.5	-29.0%	17.5%
Accounts Payable				N.A.	N.A.
<b>Long Term Liabilities</b>	<b>10,332.3</b>	<b>10,670.5</b>	<b>10,784.0</b>	<b>4.4%</b>	<b>1.1%</b>
Long Term Debt	8,473.1	8,605.2	8,545.8	0.9%	-0.7%
<b>Total Liabilities</b>	<b>12,364.4</b>	<b>12,906.2</b>	<b>12,991.7</b>	<b>5.1%</b>	<b>0.7%</b>
Common Stock	13,356.4	15,267.6	15,770.0	18.1%	3.3%
Minorities	2,006.1	2,216.1	2,195.7	9.5%	-0.9%
<b>Total Equity</b>	<b>11,350.4</b>	<b>13,051.5</b>	<b>13,574.3</b>	<b>19.6%</b>	<b>4.0%</b>
<b>Liabilities &amp; Equity</b>	<b>25,720.8</b>	<b>28,173.8</b>	<b>28,761.6</b>	<b>11.8%</b>	<b>2.1%</b>
<b>Net Debt</b>	<b>6,323.5</b>	<b>4,855.5</b>	<b>4,058.1</b>	<b>-35.8%</b>	<b>-16.4%</b>

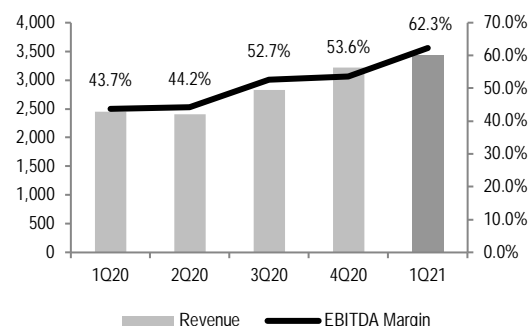
### Cash Flow

Cash Flow from Operating Activities	479.8	1,578.8	1,025.1
Cash Flow from Investing Activities	(115.4)	43.3	233.0
Cash Flow from Financing Activities	(326.7)	(481.6)	(515.4)
<b>Increase (decrease) in cash</b>	<b>103.9</b>	<b>1,158.5</b>	<b>790.8</b>

Source: Banorte, MSE

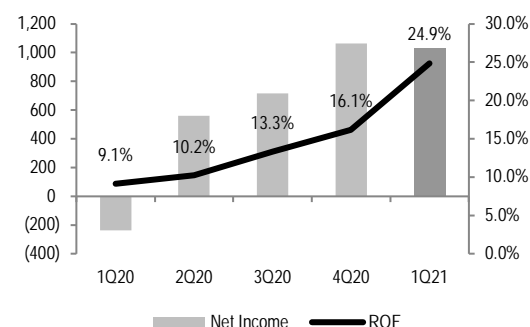
## Revenue & EBITDA Margin

USD, million



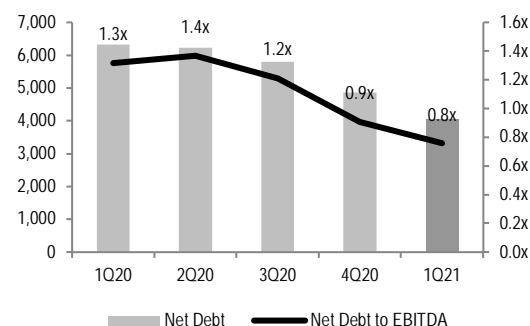
## Net Income & ROE

USD, million



## Net Debt & Net Debt to EBITDA

USD, million



## Estimates Update 2021

2021 expectations have become more favorable than they were at the beginning of the year, mainly due to the expectation of a greater global economic recovery, as a result of the constant implementation of additional stimuli by several central banks, especially the US fiscal plan, and the promising infrastructure program in that country, which would represent an even greater boost. In this regard, a greater copper demand is expected, mainly from China, which is the main consumer of this metal with more than 50% share and which would be showing an important economic recovery (8.4% in 2021e according to the International Monetary Fund). In the longer term, the reinforcement of trends towards a more technological society and a greater surge in renewable energy projects, given the trend towards a more sustainable world, are important factors that will be reflecting a greater metal consumption. On the other hand, prospects point to a restricted supply in the medium term, as there are no relevant investments to expand capacity, and production is expected to peak before the mid-decade. In the case of Chile, the world's leading copper producer with just over 27% of the total in 2020 –according to data from the *International Copper Study Group* (ICSG)–, there are currently proposed laws that, if they materialize, could discourage mining investments. This suggests that copper prices could continue to remain at high levels for some time to come. As such, we believe that GMexico's solid fundamentals and healthy financial position keep it well positioned to take advantage of the positive outlook and, therefore, continue with its strategy of strengthening its operations through investments that result in higher profitability and are the foundation for future growth. It is worth mentioning that the company expects to reach production of around 1.9 million tons by the end of the decade, which would represent approximately 68% more than 2020 production levels.

This has been reflected upon a significant rise in copper prices, and thus, we are increasing our already attractive estimates for the company. Thus, taking into account the expected positive dynamism, we now project an average copper price of US\$3.86 per pound (vs. US\$3.31e previously), +37.8% vs. 2020 average price, in line with Bloomberg's consensus, which will significantly benefit the Mining segment. On the other hand, GMXT will return to the growth path, supported mainly by the automotive and industrial segments, hand in hand with investments focused on making operations more efficient. Finally, Infrastructure is expected to recover, supported by continued sequential improvement, while investments in fuel storage terminals are maintained.

Thus, our consolidated projections assume strong annual revenue growth of 27.9% to US\$13.9 billion (+15.0% vs. previous estimate) and EBITDA growth of 46.8% to US\$7.9 billion (+32.4% vs. previous estimate), reflecting a 7.3pp increase in EBITDA margin to 56.3% vs. 48.9%e previously, due to better copper prices, as well as cost control and operating efficiencies in all segments.

**Disaggregating our projections by division**, in AMC (Mining) we forecast EBITDA of US\$6.5 billion, with an average copper price of US\$3.86 per pound (+37.8%), which would more than offset a ~2.5% reduction in production, due to the postponement of stripping in 2020 and a drop in ore grade, which is

expected to normalize in 2023. In Transportation, we estimate revenues of US\$2.5 billion and EBITDA of US\$1.1 billion for GMXT, due to a 2.2% increase in average prices per ton and a 7.4% increase in transported volume. Thus, we forecast an increase in EBITDA margin of 1.0pp to 44.7%. For Infrastructure, we expect EBITDA of US\$270 million (+1.0% y/y), showing a gradual recovery.

**The company will continue to invest for further growth.** In order to achieve greater operational efficiencies and maintain future growth, the company will invest US\$2.2 billion in all its divisions in 2021 and plans to disburse around US\$7.5 billion in the period from 2021 to 2023. In GMXT, the investments to be made would be US\$358 million (+13.6% vs. 2020). In Infrastructure, the investment amount is expected to reach US\$230 million.

GMexico has stood out for its **healthy financial position** and our expectation for 2021 is that the net debt to EBITDA ratio will be 0.5x (vs. 0.9x in 2020), considering the expected positive results and despite the investments to be made.

**Attractive dividend in 2021e.** Given the expected strong performance this year, we estimate that the company will pay a MXN 6.00 per share dividend, distributed in four instalments (MXN 1.50 each quarter), which represents a 6.0% yield on current prices.

**Parts valuation.** We use the sum of the parts valuation method to reflect the value of each one of GMexico's subsidiaries. It should be noted that there has been a multiple revaluation in the sector (particularly in Mining), due to the prospects of higher global economic growth, as well as the additional impetus that the infrastructure plan in the US may provide.

For Southern Copper (SCCO), in which GMexico has an 88.9% stake, we assigned a 2021e FV/EBITDA multiple of 11.0x, similar to the 3-year average of 10.9x and slightly above 10.7x of Bloomberg's 2021e. In the case of Asarco, we set a FV/EBITDA multiple of 6.0x, in line with Bloomberg's 2021e for GMexico of 6.1x and being the average of the last 3 years (6.0x), although below the current one due to lower profitability levels.

For GMXT, the target price of MXN 36.30 represents a 2021e FV/EBITDA multiple of 8.3x vs. 8.5x current, which we use in the sum-of-the-parts valuation.

In the Infrastructure division, we assume a 8.0x multiple, in line with the average of the sample of companies in the sector. Finally, we value GMexico's 8.1% stake in GAP, using the expected market value for 2021 according to our area estimates.

Thus, using our valuation model, we obtained a 2021 **target price for GMexico of MXN 135.00 per share**. This price represents a 2021e FV/EBITDA multiple of 7.5x, slightly above the 7.2x multiple at which it is currently trading and above the Bloomberg consensus average of 6.6x for comparable companies, which is justified by the company's strong operations and leadership position,

solid balance sheet, higher copper reserves and lower cash cost worldwide. It should be noted that we maintain a 20% holding discount.

**The expected return offered by our target price is 38.5%** considering a 4.5% dividend return (including 3 remaining payments in the year of MXN 1.50 each). It is important to mention that the appetite for GMexico has been relevant, driving the share price; however, the expectation of stronger earnings growth in the face of higher copper prices and higher profitability will be reflected through an attractive valuation in our view. Therefore, **our recommendation is BUY, and with this, we include GMexico among our favorite issuers for the year.** However, it is important to remember the ever-present possibility of industry changes and concerns about the pace of the global economic recovery, which could lead to some volatility in the issuer's price.

#### GMexico - Sum-of-the-parts valuation

USD, million

Subsidiary	EBITDA 2021e	FV/EBITDA	Net Debt	Market Cap	Share	Total
SCCO	5,510	11.0x	3,862	56,474	88.9%	50,205
ASARCO	972	6.0x	-38	5,872	100.0%	5,872
GMXT	1,104	8.3x	1,048	8,112	69.5%	5,640
INFRASTRUCTURE	270	8.0x	903	1,255	100.0%	1,255
GAP				6,471	8.1%	524
<b>Value sum of parts</b>						<b>63,496</b>
(-) Net debt GMexico						-1,600
<b>(=) GMexico Value</b>						<b>65,155</b>
Outstanding shares						7,785
<b>Price US\$ per share</b>						<b>8.37</b>
FX rate 2021e						20.20
<b>MXN GMexico price</b>						<b>169.06</b>
Holding discount						20.0%
<b>PT 2021e</b>						<b>\$135.18</b>

Source: Banorte Estimates, Bloomberg

#### Relative Valuation Mining

ISSUER	PRICE	Market Cap (US\$MM)	Enterprise Value (US\$MM)	P/BV	P/E	P/E 2021E	P/E 2022E	FV/EBITDA	FV/EBITDA 2021E	FV/EBITDA 2022E	DIVIDEND YIELD
BHP GROUP LTD	AUD 48.38	175,576	150,323	4.0x	27.3x	12.4x	12.6x	8.3x	5.8x	6.0x	6.1%
RIO TINTO PLC	GBP 6,155.00	142,431	205,853	3.2x	14.2x	7.1x	9.9x	7.0x	4.2x	5.5x	5.6%
VALE SA	BRL 110.12	106,715	105,164	3.6x	10.0x	4.6x	5.8x	5.4x	3.0x	3.7x	6.2%
<b>SOUTHERN COPPER CORP</b>	<b>USD 72.98</b>	<b>56,419</b>	<b>61,399</b>	<b>8.0x</b>	<b>25.5x</b>	<b>19.8x</b>	<b>20.3x</b>	<b>15.3x</b>	<b>10.7x</b>	<b>11.4x</b>	<b>3.8%</b>
ANGLO AMERICAN PLC	GBP 3,169.50	55,122	94,622	2.4x	26.2x	7.2x	9.1x	8.3x	3.7x	4.6x	2.3%
FREEPORT-MCMORAN INC	USD 38.69	56,665	70,547			14.5x	12.7x	11.7x	7.5x	6.6x	
JIANGXI COPPER CO LTD-H	HKD 19.38	12,462	15,716	1.0x	23.9x	12.7x	11.7x		12.0x	11.8x	0.6%
ANTOFAGASTA PLC	GBP 1,906.00	13,514	20,526	3.4x	52.4x	20.6x	21.8x	11.1x	6.8x	7.0x	2.1%
CIA DE MINAS BUENAVENTUR-COM	PEN 38.50	2,764	859	1.0x			10.9x	27.9x	5.8x	4.7x	
Average		69,074	80,557	3.3x	25.6x	12.3x	12.8x	11.9x	6.6x	6.8x	3.8%
Median		56,419	70,547	3.3x	25.5x	12.5x	11.7x	9.7x	5.8x	6.0x	3.8%
<b>GRUPO MEXICO SAB DE CV-SER B</b>	<b>Ps 100.70</b>	<b>39,094</b>	<b>2,269</b>	<b>3.6x</b>	<b>10.5x</b>	<b>11.8x</b>	<b>12.0x</b>	<b>8.0x</b>	<b>6.1x</b>	<b>6.2x</b>	<b>5.0%</b>

Source: Bloomberg (04/27/21).

## Relative Valuation Transportation

ISSUER	PRICE	Market Cap (US\$MM)	Enterprise Value (US\$MM)	P/BV	P/E	P/E 2021E	P/E 2022E	FV/EBITDA	FV/EBITDA 2021E	FV/EBITDA 2022E	DIVIDEND YIELD
UNION PACIFIC CORP	USD 225.73	149,953	176,857		28.3x	23.6x	20.9x	17.4x	15.5x	14.3x	1.7%
CANADIAN NATL RAILWAY CO	CAD 133.89	76,751	87,036		24.3x	22.4x	19.8x	16.6x	14.3x	13.0x	1.8%
CSX CORP	USD 101.92	77,194	91,046		29.3x	23.4x	20.6x	16.1x	14.3x	13.3x	1.1%
DAQIN RAILWAY CO LTD -A	CNY 6.70	15,364	15,774	0.9x	9.6x	9.2x	7.8x		5.1x	4.4x	7.2%
CANADIAN PACIFIC RAILWAY LTD	CAD 463.86	49,869	57,433	8.2x	26.1x	22.8x	20.6x	17.6x	15.9x	14.7x	0.8%
NORFOLK SOUTHERN CORP	USD 281.85	70,765	82,764		30.6x	25.0x	21.9x	19.4x	15.3x	14.2x	1.4%
KANSAS CITY SOUTHERN	USD 299.42	27,227	31,124		42.2x	33.5x	28.4x	23.4x	19.0x	16.9x	0.7%
AURIZON HOLDINGS LTD	AUD 3.82	5,462	8,388	1.8x	13.7x	13.9x	13.5x	7.3x	7.4x	7.4x	9.6%
CHINA RAILWAY TIELONG CONT-A	CNY 5.05	1,017	1,002	1.1x	16.5x	13.6x	12.4x		6.3x	5.7x	2.0%
	Average	52,622	61,269	3.0x	24.5x	20.8x	18.4x	16.8x	12.6x	11.5x	2.9%
	Median	49,869	57,433	1.4x	26.1x	22.8x	20.6x	17.4x	14.3x	13.3x	1.7%
GMEXICO TRANSPORTES SAB DE C	MXN 31.91	6,525	8,479	2.8x	22.1x	17.0x	14.8x	8.5x	7.4x	6.8x	3.8%
GRUPO MEXICO SAB DE CV-SER B	MXN 100.70	39,094	2,269	3.6x	10.5x	11.8x	12.0x	8.0x	6.1x	6.2x	5.0%

Source: Bloomberg (04/27/21).

## Certification of Analysts.

We, Gabriel Casillas Olvera, 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, 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.

## Relevant statements.

In accordance with current laws and internal procedures manuals, analysts are allowed to hold long or short positions in shares or securities issued by companies that are listed on the Mexican Stock Exchange and may be the subject of this report; nonetheless, equity analysts have to adhere to certain rules that regulate their participation in the market in order to prevent, among other things, the use of private information for their benefit and to avoid conflicts of interest. Analysts shall refrain from investing and holding transactions with securities or derivative instruments directly or through an intermediary person, with Securities subject to research reports, from 30 calendar days prior to the issuance date of the report in question, and up to 10 calendar days after its distribution date.

## Compensation of Analysts.

Analysts' compensation is based on activities and services that are aimed at benefiting the investment clients of Casa de Bolsa Banorte Ixe and its subsidiaries. Such compensation is determined based on the general profitability of the Brokerage House and the Financial Group and on the individual performance of each analyst. However, investors should note that analysts do not receive direct payment or compensation for any specific transaction in investment banking or in other business areas.

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**Grupo Financiero Banorte S.A.B. de C.V.**, through its business areas, provides services that include, among others, those corresponding to investment banking and corporate banking, to a large number of companies in Mexico and abroad. It may have provided, is providing or, in the future, will provide a service such as those mentioned to the companies or firms that are the subject of this report. Casa de Bolsa Banorte or its affiliates receive compensation from such corporations in consideration of the aforementioned services.

Over the course of the last twelve months, **Grupo Financiero Banorte S.A.B. C.V.**, has not obtained compensation for services rendered by the investment bank or by any of its other business areas of the following companies or their subsidiaries, some of which could be analyzed within this report.

## Activities of the business areas during the next three months.

Casa de Bolsa Banorte, Grupo Financiero Banorte or its subsidiaries expect to receive or intend to obtain revenue from the services provided by investment banking or any other of its business areas, by issuers or their subsidiaries, some of which could be analyzed in this report.

## Securities holdings and other disclosures.

As of the end of last quarter, Grupo Financiero Banorte S.A.B. of C.V. has not held investments, directly or indirectly, in securities or derivative financial instruments, whose underlying securities are the subject of recommendations, representing 1% or more of its investment portfolio of outstanding securities or 1 % of the issuance or underlying of the securities issued.

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The Analysts of Grupo Financiero Banorte S.A.B. of C.V. do not maintain direct investments or through an intermediary person, in the securities or derivative instruments object of this analysis report.

## Guide for investment recommendations.

	<b>Reference</b>
<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.
<b>SELL</b>	When the share expected performance is lower than the MEXBOL estimated performance.

Even though this document offers a general criterion of investment, we urge readers to seek advice from their own Consultants or Financial Advisors, in order to consider whether any of the values mentioned in this report are in line with their investment goals, risk and financial position.

## Determination of Target Prices

For the calculation of estimated target prices for securities, analysts use a combination of methodologies generally accepted among financial analysts, including, but not limited to, multiples analysis, discounted cash flows, sum-of-the-parts or any other method that could be applicable in each specific case according to the current regulation. No guarantee can be given that the target prices calculated for the securities will be achieved by the analysts of Grupo Financiero Banorte S.A.B. C.V, since this depends on a large number of various endogenous and exogenous factors that affect the performance of the issuing company, the environment in which it performs, along with the influence of trends of the stock market, in which it is listed. Moreover, the investor must consider that the price of the securities or instruments can fluctuate against their interest and cause the partial and even total loss of the invested capital.

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## PT and recommendation history

Stock	Date	Recommendation	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		

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

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