

# PREVIEW 3Q18

## A solid quarter should cheapen valuations

October 15, 2018

www.banorte.com  
@analisis\_fundam

- **The third quarter of the year should reflect significant growth, in view of the absence of non-recurring effects that hit earnings in 3Q17. In this context, we expect a 9.1% increase in revenue and 25.1% in EBITDA**
- **We expect a bottom line growth of 338.2%, also explained by a favorable currency exchange effect qoq. This should be reflected on lower multiples for the Mexbol, in our view**
- **The top ten companies with the highest EBITDA growth this quarter are: Alpek, Alfa, Amx, Mexchem, Mega, Hotel, Lacomer, Oma, Asur and GCC (6 of which are found in our Equity Strategy)**

### Manuel Jiménez

Director Equity Research  
Telecommunications / Media  
manuel.jimenez@banorte.com

### Marissa Garza

Equity Research – Conglomerates / Financials/  
Mining / Petrochemicals  
marissa.garza@banorte.com

### José Espitia

Equity Research – Airlines / Airports / Cement /  
Infrastructure / REITs  
jose.espitia@banorte.com

### Valentín Mendoza

Equity Research – Auto Parts/ Consumer  
Discretionary / Real Estate / Retail  
valentin.mendoza@banorte.com

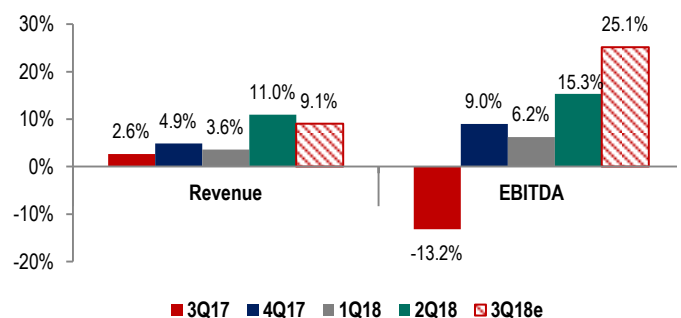
**Strong growth.** During 3Q18, corporate earnings should continue to post a solid performance, maintaining the momentum of previous quarters. In particular, this quarter reflects significant growth, in view of an absence of extraordinary events that affected 3Q17 figures: (1) the payment made by AMX to Colombian authorities derived from a court ruling; and (2) important charges that reflected the impairment of assets in view of the M&G situation and which affected Alpek/Alfa figures. Thus, considering the companies under coverage, we expect a 9.1% yoy advance in revenue and 25.1% in EBITDA. If we exclude the 3 companies mentioned above, revenue would increase by 10.2% and EBITDA by 7.4% yoy. As for the net income, our forecast assumes a 338.2% extraordinary increase, explained by the non-recurring effect described above, but also resulting from the Mexican peso 6% appreciation qoq, which should reflect Forex gains that would offset year-ago losses. Similarly, excluding AMX, Alfa and Alpek from the sample, net profit would grow 12.4% yoy. Either way, the significant increase, both at operating and net level, should reflect on interesting lower Mexbol valuations, which as of the closing of this edition, trades at 8.8x FV/EBITDA and 20.9x P/E

Top ten companies with the highest estimated EBITDA growth in 3Q18  
Chg % yoy

| Stock    | Sector         | Revenue | Ebitda  |
|----------|----------------|---------|---------|
| Alpek    | Petrochemicals | 50.8%   | >500.0% |
| Alfa     | Industrial     | 21.1%   | 76.0%   |
| Amx      | Telecoms       | -0.9%   | 45.0%   |
| Mexchem* | Petrochemicals | 27.4%   | 28.9%   |
| Mega     | Telecoms       | 13.1%   | 26.5%   |
| Hotel    | Services       | 24.2%   | 24.6%   |
| Lacomer  | Retail         | 17.5%   | 22.7%   |
| Oma      | Airports       | 13.1%   | 22.4%   |
| Asur     | Airports       | 21.4%   | 20.3%   |
| Gcc*     | Cement         | 19.1%   | 19.9%   |

Source: Banorte

Revenue and EBITDA quarterly performance Chg % yoy



This document is provided for the reader's convenience only. The translation from the original Spanish version was made by Banorte's staff. Discrepancies may possibly arise between the original document in Spanish and its English translation. For this reason, the original research paper in Spanish is the only official document. The Spanish version was released before the English translation. The original document entitled "Sólido trimestre abarataría los múltiplos" was released on October 11, 2018.  
Document for distribution among public

# Earnings Calendar

The following chart identifies the dates in which some issuers have commented could release their earnings report. It is important to mention that most of the companies report by the end of the month, marking October 26 as the deadline to do so.

## Preview 3Q18 – Earnings Calendar by Company

| October 2018                                    |   |   |   |                      |
|---|---|---|---|----------------------|
| MONDAY  | TUESDAY   | WEDNESDAY   | THURSDAY  | FRIDAY               |
| <b>1</b>  | <b>2</b>  | <b>3</b>  | <b>4</b>  | <b>5</b>             |
| <b>8</b>  | <b>9</b>  | <b>10</b>   | <b>11</b>   | <b>12</b>            |
| <b>15</b><br>ALFA<br>ALPEK<br>AXTEL<br>NEMAK    | <b>16</b><br>AMX                                | <b>17</b>   | <b>18</b><br>GFNORTE<br>WALMEX  | <b>19</b><br>SORIANA |
| <b>22</b><br>ASUR<br>FIHO<br>LIVEPOL<br>RASSINI | <b>23</b><br>AZTECA<br>GCC<br>GMEXICO*<br>GMXT* | <b>24</b><br>ALSEA<br>BIMBO<br>CHDRAUI<br>CREAL<br>GICSA<br>IENOVA<br>LAB<br>LACOMER<br>MEGA*<br>MEXCHEM<br>SPORT | <b>25</b><br>AC<br>CEMEX<br>GAP<br>GENTERA<br>HOTEL<br>KOF<br>OMA*<br>PINFRA*<br>TLEVISA<br>VOLAR | <b>26</b><br>FEMSA   |

*Deadline*

Source: Banorte, Bloomberg, Thomson Reuters, Infotel  
\* Tentative

## Estimates Summary

In the following chart we include the companies we have under coverage and which are part of the document herein. Based on our estimates for 33 companies, we expect nominal variations of 9.1% in sales, 25.1% in EBITDA and 338.2% in net profit. In the chart below, we separate the estimates of 29 issuers classified as Retail, Industrial and Service, two from the financial sector and two others from the real estate sector.

### Quarterly Estimates for 3Q18

MXN, million pesos

|                 | Revenue        |                |             | EBITDA         |                |              | Operating Income |                |              | Net Income    |               |               |
|-----------------|----------------|----------------|-------------|----------------|----------------|--------------|------------------|----------------|--------------|---------------|---------------|---------------|
|                 | 3Q17           | 3Q18e          | Var. %      | 3Q17           | 3Q18e          | Var. %       | 3Q17             | 3Q18e          | Var. %       | 3Q17          | 3Q18e         | Var. %        |
| Alfa            | 76,235         | 92,301         | 21.1%       | 7,134          | 12,556         | 76.0%        | -5,367           | 7,435          | NA           | -5,939        | 3,907         | NA            |
| Alpek           | 23,374         | 35,252         | 50.8%       | 59             | 4,400          | 7357.2%      | -8,377           | 3,561          | NA           | -7,130        | 2,916         | NA            |
| Alsea           | 10,475         | 11,134         | 6.3%        | 1,415          | 1,473          | 4.1%         | 752              | 731            | -2.8%        | 206           | 223           | 8.1%          |
| Amx             | 244,189        | 242,014        | -0.9%       | 47,736         | 69,224         | 45.0%        | 10,058           | 31,156         | 209.8%       | -9,547        | 20,334        | NA            |
| Asur            | 3,230          | 3,922          | 21.4%       | 1,917          | 2,305          | 20.3%        | 1,656            | 1,824          | 10.2%        | 1,101         | 1,111         | 1.0%          |
| Axtel           | 3,764          | 3,894          | 3.4%        | 1,317          | 1,373          | 4.2%         | 305              | 326            | 6.9%         | -632          | 21            | NA            |
| Azteca          | 3,459          | 3,239          | -6.4%       | 835            | 626            | -25.1%       | 578              | 377            | -34.8%       | -307          | 253           | NA            |
| Cemex*          | 63,812         | 70,224         | 10.0%       | 12,620         | 13,565         | 7.5%         | 7,659            | 8,878          | 15.9%        | 5,199         | 5,142         | -1.1%         |
| Chdraui         | 23,069         | 29,348         | 27.2%       | 1,534          | 1,816          | 18.4%        | 1,128            | 1,335          | 18.3%        | 554           | 595           | 7.6%          |
| Gap             | 3,034          | 3,524          | 16.2%       | 1,874          | 2,193          | 17.0%        | 1,525            | 1,801          | 18.1%        | 1,143         | 1,196         | 4.6%          |
| Gcc*            | 4,488          | 5,345          | 19.1%       | 1,365          | 1,636          | 19.9%        | 1,003            | 1,144          | 14.0%        | 547           | 750           | 37.0%         |
| Gmexico*        | 45,177         | 49,561         | 9.7%        | 21,592         | 20,541         | -4.9%        | 16,251           | 15,291         | -5.9%        | 8,332         | 7,883         | -5.4%         |
| Gmxt            | 10,495         | 11,013         | 4.9%        | 4,555          | 4,792          | 5.2%         | 2,902            | 2,992          | 3.1%         | 1,457         | 2,534         | 73.9%         |
| Hotel           | 385            | 478            | 24.2%       | 121            | 151            | 24.6%        | 81               | 101            | 24.4%        | 52            | 63            | 20.0%         |
| lenova*         | 5,690          | 6,353          | 11.7%       | 3,719          | 4,281          | 15.1%        | 2,812            | 3,224          | 14.7%        | 2,258         | 3,523         | 56.0%         |
| Lab             | 3,080          | 3,051          | -0.9%       | 703            | 681            | -3.1%        | 688              | 664            | -3.4%        | 231           | 344           | 49.2%         |
| Lacomex         | 4,256          | 5,000          | 17.5%       | 300            | 368            | 22.7%        | 146              | 172            | 17.5%        | 135           | 144           | 6.3%          |
| Livepol         | 27,067         | 29,601         | 9.4%        | 2,913          | 3,406          | 16.9%        | 2,082            | 2,476          | 18.9%        | 1,258         | 1,568         | 24.6%         |
| Mega            | 4,352          | 4,922          | 13.1%       | 1,938          | 2,451          | 26.5%        | 1,327            | 1,660          | 25.1%        | 978           | 1,204         | 23.1%         |
| Mexchem*        | 26,810         | 34,150         | 27.4%       | 5,290          | 6,817          | 28.9%        | 3,487            | 4,895          | 40.4%        | 1,070         | 1,960         | 83.1%         |
| Nemak           | 19,580         | 21,230         | 8.4%        | 2,728          | 3,218          | 18.0%        | 1,180            | 1,404          | 19.0%        | 188           | 583           | 209.8%        |
| Oma             | 1,884          | 2,130          | 13.1%       | 1,023          | 1,252          | 22.4%        | 869              | 1,081          | 24.4%        | 579           | 719           | 24.2%         |
| Pinfra          | 2,437          | 2,912          | 19.5%       | 1,607          | 1,880          | 17.0%        | 1,503            | 1,756          | 16.9%        | 1,192         | 894           | -25.0%        |
| Rassini         | 4,224          | 4,832          | 14.4%       | 679            | 798            | 17.6%        | 432              | 576            | 33.2%        | 327           | 365           | 11.8%         |
| Soriana         | 38,745         | 38,423         | -0.8%       | 2,874          | 2,681          | -6.7%        | 2,096            | 1,918          | -8.5%        | 981           | 875           | -10.8%        |
| Sport           | 446            | 516            | 15.6%       | 85             | 99             | 16.2%        | 38               | 46             | 21.5%        | 18            | 21            | 19.6%         |
| Tlevisa         | 22,832         | 24,781         | 8.5%        | 8,789          | 9,634          | 9.6%         | 3,678            | 4,668          | 26.9%        | 1,159         | 1,768         | 52.6%         |
| Volcar**        | 6,582          | 7,545          | 14.6%       | 2,168          | 1,909          | -12.0%       | 634              | 259            | -59.1%       | 731           | -81           | NA            |
| Walmex          | 136,792        | 147,761        | 8.0%        | 13,346         | 14,472         | 8.4%         | 10,470           | 11,717         | 11.9%        | 8,677         | 8,309         | -4.2%         |
| <b>Subtotal</b> | <b>819,963</b> | <b>894,456</b> | <b>9.1%</b> | <b>152,236</b> | <b>190,598</b> | <b>25.2%</b> | <b>61,595</b>    | <b>113,465</b> | <b>84.2%</b> | <b>14,815</b> | <b>69,125</b> | <b>366.6%</b> |
| Cemex (US\$)    | 3,549          | 3,707          | 4.5%        | 702            | 716            | 2.0%         | 426              | 469            | 10.0%        | 289           | 271           | -6.1%         |
| Gcc (US\$)      | 252            | 282            | 12.0%       | 77             | 86             | 12.8%        | 56               | 60             | 7.3%         | 31            | 40            | 28.9%         |
| Gmexico (US\$)  | 2,535          | 2,616          | 3.2%        | 1,212          | 1,084          | -10.5%       | 912              | 807            | -11.5%       | 468           | 416           | -11.0%        |
| lenova (US\$)   | 319            | 335            | 5.0%        | 209            | 226            | 8.3%         | 158              | 170            | 7.9%         | 127           | 186           | 46.8%         |
| Mexchem (US\$)  | 1,505          | 1,803          | 19.8%       | 297            | 360            | 21.2%        | 196              | 258            | 32.0%        | 60            | 103           | 72.3%         |

\* Conversion of dollars to closing exchange rate. The company reports its figure in dollars. \*\* In Volcar the data is EBITDA R

|                 | Revenue      |              |              | EBITDA     |              |              | NOI          |              |              | Net Income |            |               |
|-----------------|--------------|--------------|--------------|------------|--------------|--------------|--------------|--------------|--------------|------------|------------|---------------|
|                 | 3Q17         | 3Q18e        | Var. %       | 3Q17       | 3Q18e        | Var. %       | 3Q17         | 3Q18e        | Var. %       | 3Q17       | 3Q18e      | Var. %        |
| GICSA           | 940          | 1,103        | 17.3%        | 756        | 869          | 15.0%        | 748          | 856          | 14.5%        | 79         | 253        | 221.7%        |
| FIHO            | 878          | 968          | 10.3%        | 218        | 256          | 17.8%        | 258          | 309          | 19.9%        | 90         | 115        | 28.2%         |
| <b>Subtotal</b> | <b>1,818</b> | <b>2,071</b> | <b>13.9%</b> | <b>974</b> | <b>1,125</b> | <b>15.6%</b> | <b>1,006</b> | <b>1,166</b> | <b>15.8%</b> | <b>168</b> | <b>368</b> | <b>118.6%</b> |

|                 | Interest Income |              |             | Financial Margin |              |             | Operating Income |              |              | Net Income   |              |             |
|-----------------|-----------------|--------------|-------------|------------------|--------------|-------------|------------------|--------------|--------------|--------------|--------------|-------------|
|                 | 3Q17            | 3Q18e        | Var. %      | 3Q17             | 3Q18e        | Var. %      | 3Q17             | 3Q18e        | Var. %       | 3Q17         | 3Q18e        | Var. %      |
| Creal           | 2,060           | 2,505        | 21.6%       | 1,438            | 1,708        | 18.8%       | 494              | 509          | 3.0%         | 403          | 471          | 16.9%       |
| Genera          | 5,291           | 5,294        | 0.0%        | 4,910            | 4,899        | -0.2%       | 1,083            | 1,063        | -1.9%        | 750          | 742          | -1.0%       |
| <b>Subtotal</b> | <b>7,352</b>    | <b>7,799</b> | <b>6.1%</b> | <b>6,348</b>     | <b>6,607</b> | <b>4.1%</b> | <b>1,577</b>     | <b>1,572</b> | <b>-0.3%</b> | <b>1,153</b> | <b>1,213</b> | <b>5.2%</b> |

**Total**      **829,133**    **904,326**    **9.1%**    **153,210**    **191,723**    **25.1%**    **63,962**    **116,047**    **81.4%**    **16,136**    **70,705**    **338.2%**

Source: Banorte, MSE

# Estimates by sector

In this section we present the stocks we have under coverage grouped by sectors. With this information, we observe that the strongest reports in terms of EBITDA growth are related to the Petrochemical, Industrial, Telecommunications, Services and Airport sectors. On the negative side, weaker reports are expected in the Mining, Transportation, Retail and Cement sectors.

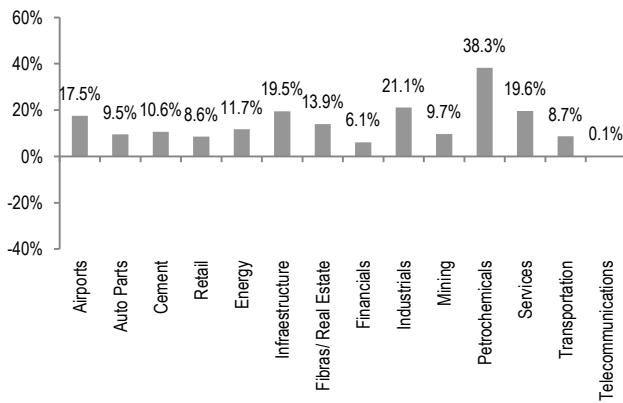
## Quarterly Estimates for 3Q18

MXN, million pesos

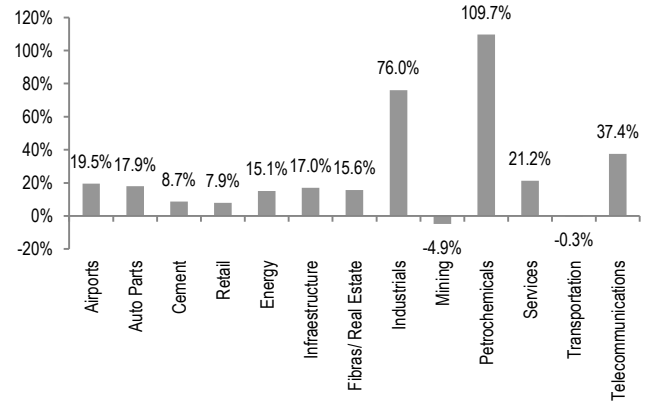
|                     | Revenue        |                |             | EBITDA         |                |              | Operating Income |                |              | Net Income    |               |               |
|---------------------|----------------|----------------|-------------|----------------|----------------|--------------|------------------|----------------|--------------|---------------|---------------|---------------|
|                     | 3Q17           | 3Q18e          | Var. %      | 3Q17           | 3Q18e          | Var. %       | 3Q17             | 3Q18e          | Var. %       | 3Q17          | 3Q18e         | Var. %        |
| Airports            | 8,148          | 9,577          | 17.5%       | 4,814          | 5,750          | 19.5%        | 4,049            | 4,706          | 16.2%        | 2,822         | 3,026         | 7.2%          |
| Auto Parts          | 23,803         | 26,062         | 9.5%        | 3,407          | 4,017          | 17.9%        | 1,612            | 1,979          | 22.8%        | 515           | 949           | 84.2%         |
| Cement              | 68,300         | 75,568         | 10.6%       | 13,985         | 15,201         | 8.7%         | 8,662            | 10,022         | 15.7%        | 5,746         | 5,892         | 2.5%          |
| Retail              | 243,484        | 264,317        | 8.6%        | 23,085         | 24,898         | 7.9%         | 17,362           | 19,012         | 9.5%         | 12,041        | 12,057        | 0.1%          |
| Energy              | 5,690          | 6,353          | 11.7%       | 3,719          | 4,281          | 15.1%        | 2,812            | 3,224          | 14.7%        | 2,258         | 3,523         | 56.0%         |
| Infrastructure      | 2,437          | 2,912          | 19.5%       | 1,607          | 1,880          | 17.0%        | 1,503            | 1,756          | 16.9%        | 1,192         | 894           | -25.0%        |
| Fibras/ Real Estate | 1,818          | 2,071          | 13.9%       | 974            | 1,125          | 15.6%        | 791              | 1,011          | 27.8%        | 168           | 368           | 118.6%        |
| Financials          | 7,352          | 7,799          | 6.1%        |                |                |              | 1,577            | 1,572          | -0.3%        | 1,153         | 1,213         | 5.2%          |
| Industrials         | 76,235         | 92,301         | 21.1%       | 7,134          | 12,556         | 76.0%        | -5,367           | 7,435          | NA           | -5,939        | 3,907         | NA            |
| Mining              | 45,177         | 49,561         | 9.7%        | 21,592         | 20,541         | -4.9%        | 16,251           | 15,291         | -5.9%        | 8,332         | 7,883         | -5.4%         |
| Petrochemicals      | 50,184         | 69,402         | 38.3%       | 5,349          | 11,217         | 109.7%       | -4,889           | 8,455          | NA           | -6,060        | 4,876         | NA            |
| Services            | 831            | 994            | 19.6%       | 206            | 249            | 21.2%        | 119              | 147            | 23.5%        | 70            | 84            | 19.9%         |
| Transportation      | 17,077         | 18,558         | 8.7%        | 6,723          | 6,701          | -0.3%        | 3,536            | 3,251          | -8.1%        | 2,188         | 2,454         | 12.2%         |
| Telecommunications  | 278,596        | 278,850        | 0.1%        | 60,616         | 83,308         | 37.4%        | 15,945           | 38,186         | 139.5%       | -8,350        | 23,581        | NA            |
| <b>Total</b>        | <b>829,133</b> | <b>904,326</b> | <b>9.1%</b> | <b>153,210</b> | <b>191,723</b> | <b>25.1%</b> | <b>63,962</b>    | <b>116,047</b> | <b>81.4%</b> | <b>16,136</b> | <b>70,705</b> | <b>338.2%</b> |

Source: Banorte, MSE. Note: in Transportation we include GMXT and Volar. In the latter the figures are +EBITDAR

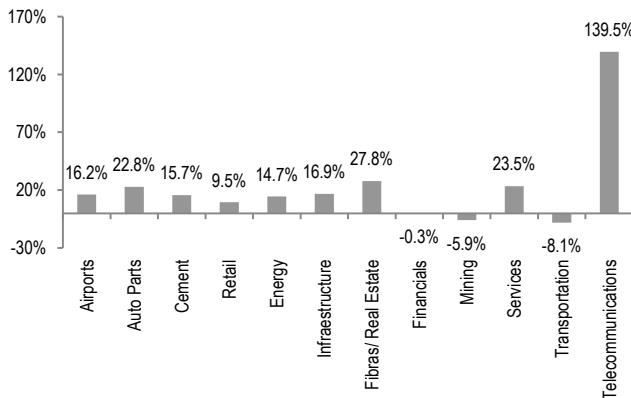
Revenue 3Q18e



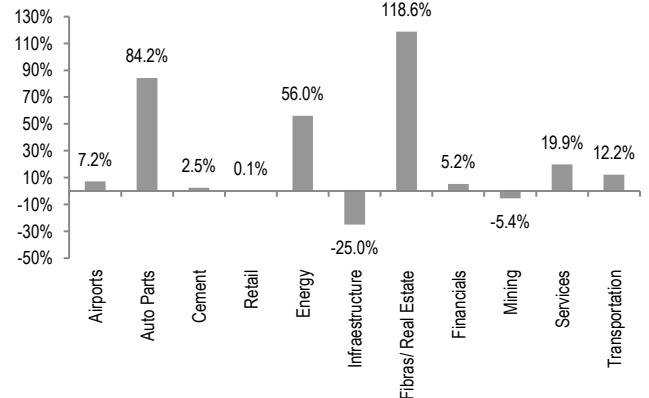
Ebitda 3Q18e



Operating Income 3Q18e



Net Income 3Q18e



## Companies Under Coverage

|             |  |
|-------------|--|
| ALFA A      | Alfa                                     |
| ALPEK A     | Alpek                                    |
| ALSEA *     | Alsea                                    |
| AMX L       | América Móvil                            |
| ASUR B      | Grupo Aeroportuario del Sureste          |
| AXTEL CPO   | Axtel                                    |
| AZTECA CPO  | TV Azteca                                |
| CEMEX CPO   | Cemex                                    |
| CHDRAUI     | Grupo Comercial Chedraui                 |
| CREAL *     | Crédito Real                             |
| FIHO 12     | Fibra Hotel                              |
| GAP B       | Grupo Aeroportuario del Pacífico         |
| GCC         | Grupo Cementos de Chihuahua              |
| GENTERA *   | Compartamos                              |
| GICSA B     | Grupo Gicsa                              |
| GMEXICO B   | Grupo México                             |
| GMXT        | Grupo México Transportes                 |
| HOTEL *     | Grupo Hotelero Santa Fe                  |
| IENOVA *    | Infraestructura Energética Nova          |
| LAB B       | Genomma Lab Internacional                |
| LACOMER UBC | La Comer                                 |
| LIVEPOL C1  | El Puerto de Liverpool                   |
| MEGA CPO    | Megacable Holdings                       |
| MEXCHEM *   | Mexichem                                 |
| NEMAK A     | Nemak                                    |
| OMA B       | Grupo Aeroportuario del Centro del Norte |
| PINFRA *    | Promotora y Operadora de Infraestructura |
| RASSINI A   | Rassini                                  |
| SORIANA B   | Organización Soriana                     |
| SPORT S     | Grupo Sports World                       |
| TLEVISA CPO | Grupo Televisa                           |
| VOLAR A     | Controladora Vuela Compañía de Aviación  |
| WALMEX *    | Walmart de México y Centroamérica        |

**ALFA – Preview 3Q18**

MXN, million pesos

| Concept          | 3Q17    | 3Q18e  | Chg % |
|------------------|---------|--------|-------|
| Revenue          | 76,235  | 92,301 | 21.1% |
| Operating Income | -5,367  | 7,435  | NA    |
| Ebitda           | 7,134   | 12,556 | 76.0% |
| Net Income       | -5,939  | 3,907  | NA    |
| <b>Margins</b>   |         |        |       |
| Operating Margin | -7.0%   | 8.1%   | NA    |
| EBITDA Margin    | 9.4%    | 13.6%  | 4.2pp |
| Net Margin       | -7.8%   | 4.2%   | NA    |
| EPS              | -\$1.15 | \$0.76 | NA    |

Source: Banorte

**Alfa, a Good quarter supported mainly by Alpek and Nemark.**

The company is set to report 3Q18 earnings on October 15th, after the close of the trading session. The absence of non-recurring charges related with M&G and registered with Alpek during 3Q17, as well as improved profitability by Nemark, will support third-quarter of the-year earnings. Therefore, in consolidation terms, we expect a 2.1% year-on-year increase in revenue and 76.0% in EBITDA, to stand at MXN\$92.3 billion and MXN\$12.5 billion, respectively. We forecast MXN\$3.9 billion in net earnings, which compare favorably with losses reported during the year-ago period, in view of the absence of Alpek charges, but also because of the Forex earnings effect, over the 6.0% appreciation of the peso QoQ.

As for **Alpek**, we anticipate a very positive quarter. Even when the comparative basis simple, this quarter the oil and commodity price environment continued to rally. Likewise, global polyester margins continued to recover, and we see the integration of complete Petroquímica Suape and Citepe operations from Brazil this quarter. All the above should help growth levels and reflect improvement in profitability. (See *Alpek preliminary report*).

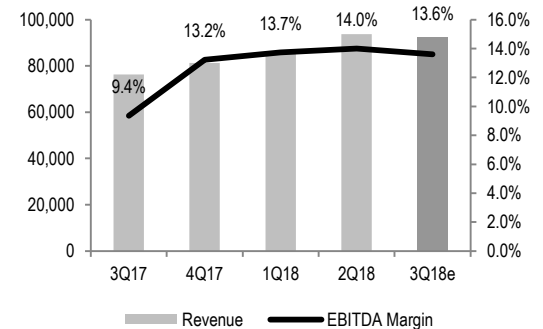
In **Nemark**, we expect a significant recovery in profitability. The solid performance in the NAFTA region will help offset weakness in Europe and the Rest of the World. Also, operating efficiencies, along with lower launching expenses will help margins recover in a significant way. (See *Nemark Preliminary report*).

Regarding **Axtel**, we expect modest growth, driven mainly by the government segment, in view of higher sales of virtual private networks (VPN) and greater efficiencies in expenses. We will keep an eye out for more details regarding the divestment of non-strategic assets (See *Axtel Preliminary report*).

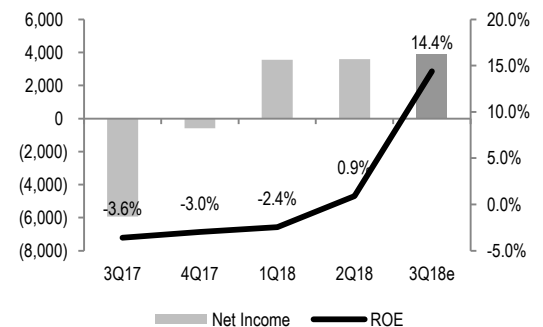
As for **Sigma**, we forecast a quarter of single-digit growth and recovery in profitability, in view of the Exchange rate effect over the price of commodities.

**Revenue & EBITDA Margin**

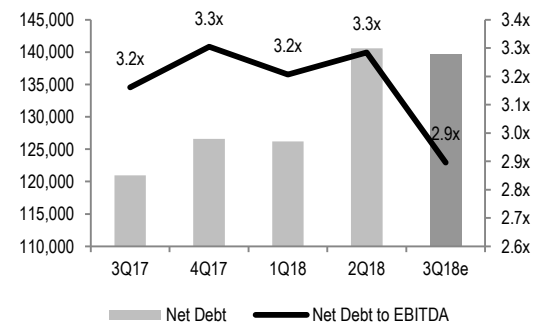
MXN, million


**Net Income & ROE**

MXN, million


**Net Debt & Net Debt to EBITDA**

MXN, million



**ALPEK – Preview 3Q18**

MXN, million pesos

| Concept          | 3Q17    | 3Q18e  | Chg %  |
|------------------|---------|--------|--------|
| Revenue          | 23,374  | 35,252 | 50.8%  |
| Operating Income | -8,377  | 3,561  | NA     |
| Ebitda           | 59      | 4,400  | >500%  |
| Net Income       | -7,130  | 2,916  | NA     |
| <b>Margins</b>   |         |        |        |
| Operating Margin | -35.8%  | 10.1%  | NA     |
| EBITDA Margin    | 0.3%    | 12.5%  | 12.2pp |
| Net Margin       | -30.5%  | 8.3%   | NA     |
| EPS              | -\$3.37 | \$1.38 | NA     |

Source: Banorte

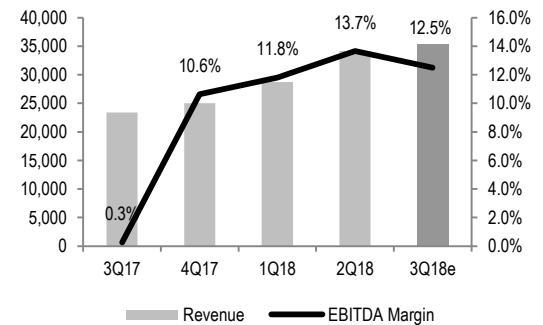
**ALPEK: positive trend continues.** Alpek is expected to report 3Q18 earnings on Monday, October 15th after the close of the trading session. It is important to remember that these figures should compare favorably with 3Q17, an unusual quarter during which non-recurring charges in relation to total provisions and M&G asset decline were reported, thus all financial indicators should improve YoY.

**A favorable price context and the acquisition in Brazil boost earnings.** Even when the comparative basis is simple, this quarter, the context of oil prices and commodities continued to rally. Also, global polyester margins continued to recover, and we see the integration of complete Petroquimica Suape and Citepe operations from Brazil this quarter. All the above should help growth levels and reflect improvement in profitability. Furthermore, the effects of Hurricane Florence will have a marginal impact in the company's operations. In 3Q18, we observe a significant recovery of average Brent oil prices, from US\$ 51.95 during 3Q17 to US\$74.90 during 2Q18 and to US\$75.90 during 3Q18 (+1.5% QoQ and 46.1% YoY), but even achieving levels above US\$82.00 during the second half of the quarter. Furthermore, we expect demand to continue strong. Accordingly, we expect MXN\$35.2 million in revenue (US\$1.8 billion,+41.8% YoY) and MXN\$4.4 billion in EBITDA (US\$232 million vs. US\$3 million during 3Q17), which would represent year-on-year increments of 50.8% and >500%, respectively. Thus, consolidated EBITDA margin should recover to levels of 12.5%. In terms of pesos, the exchange rate conversion effect is favorable, following the peso's 6.3% YoY average depreciation and considering the company's operations are US dollar-based.

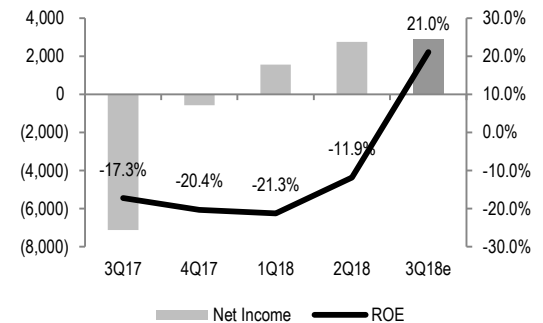
**The sale of cogeneration plants is still pending.** We will remain watchful for the sale of electrical cogeneration plants, expected before year-end.

**Revenue & EBITDA Margin**

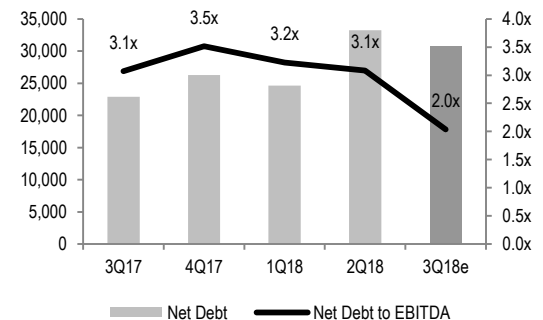
MXN, million


**Net Income & ROE**

MXN, million


**Net Debt & Net Debt to EBITDA**

MXN, million



**ALSEA – Preview 3Q18**

MXN, million pesos

| Concept          | 3Q17   | 3Q18e  | Chg %  |
|------------------|--------|--------|--------|
| Revenue          | 10,475 | 11,134 | 6.3%   |
| Operating Income | 752    | 731    | -2.8%  |
| Ebitda           | 1,415  | 1,473  | 4.1%   |
| Net Income       | 206    | 223    | 8.1%   |
| <b>Margins</b>   |        |        |        |
| Operating Margin | 7.2%   | 6.6%   | -0.6pp |
| EBITDA Margin    | 13.5%  | 13.2%  | -0.3pp |
| Net Margin       | 2.0%   | 2.0%   | 0.0pp  |
| EPS              | \$0.25 | \$0.27 | 7.6%   |

Source: Banorte

**A quarter pressured by weakness in Latin America.** Alsea will report 3Q18 earnings next Wednesday, October 24th, after the close of the trading session. We expect a quarter of low growth and slight pressures on profitability, in view of Latam weakness, resulting from the complicated situation in Argentina, as well as from an unfavorable currency conversion effect due to the strong appreciation of the Argentinian peso.

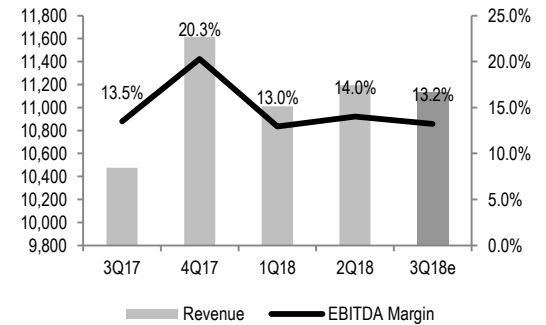
**The lowest sales growth since 4Q10.** We expect Alsea's consolidated revenue to reach MXN\$11.1 billion during 3Q18, which equals to a yoy increase of 6.3%. Such performance would be the lowest since 4Q10 and would be explained by a 6.9% increase in sales (SSS +3.1%e) in Mexico (MXN\$6.1 billion), along with a 13.4% increase in Spain (MXN\$2.3 billion), and partially offset by a 0.6% yoy drop in the South American indicator. It is important to point out that this region will be struck by a 13.5%e adverse exchange rate conversion effect, mainly due to a weak Argentinian peso.

**Lower profitability.** Based on our forecast model, we expect Alsea's EBITDA margin to contract by 30bps to 13.2%; as a result, EBITDA would grow 4.1% yoy to MXN\$1.4 billion. We consider the latter by estimating that a 16.1% drop in the South American indicator (MXN\$355 million -resulting from the already mentioned weakness in Argentina – could offset 12.3% (MXN\$418 million) and 9.1% (MXN\$1.4 billion) growth levels in Spain and Mexico, respectively.

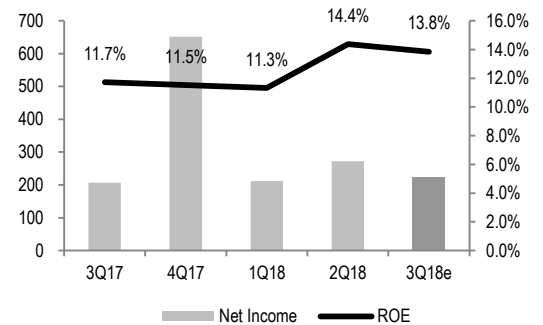
**Net profit could grow more than sales.** We expect Alsea's net profit to grow 8.1% yoy to MXN\$223 million, driven by a lower 12.7% net interest expense -in view of a MXN\$98 million benefit related to the revaluation of Grupo Zena's options. Also, we believe that a lower tax rate (35%e vs the previous 39.7%) would compensate a +14.6% higher interest expense, forex losses worth MXN\$61 million and a modest operating profit contraction.

**Revenue & EBITDA Margin**

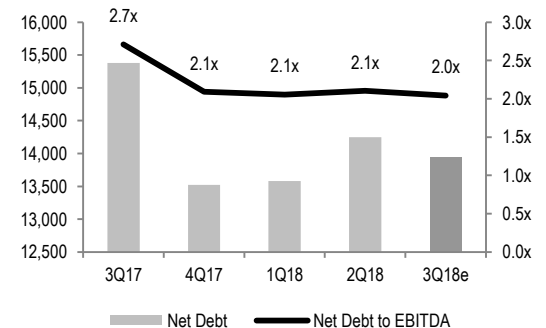
MXN, million


**Net Income & ROE**

MXN, million


**Net Debt & Net Debt to EBITDA**

MXN, million



**AMX – Preview 3Q18**

MXN, million pesos

| Concept          | 3Q17    | 3Q18e   | Chg %  |
|------------------|---------|---------|--------|
| Revenue          | 244,189 | 242,014 | -0.9%  |
| Operating Income | 10,058  | 31,156  | 209.8% |
| Ebitda           | 47,736  | 69,224  | 45.0%  |
| Net Income       | -9,547  | 20,334  | N.A.   |
| <b>Margins</b>   |         |         |        |
| Operating Margin | 4.1%    | 12.9%   | 8.8pp  |
| EBITDA Margin    | 19.5%   | 28.6%   | 9.1pp  |
| Net Margin       | -3.9%   | 8.4%    | 12.3pp |
| EPS              | -\$0.14 | \$0.31  | N.A.   |

Source: Banorte

**During 3Q18, we expect pressure on revenue and a strong EBITDA increase.** We expect weak Argentinean and Brazilian currencies to have a negative effect on the company's revenue conversion. In addition, it is worth remembering that during the year-ago period, the company reported an extraordinary charge derived from the court's ruling in the arbitrary process against the Colombian government.

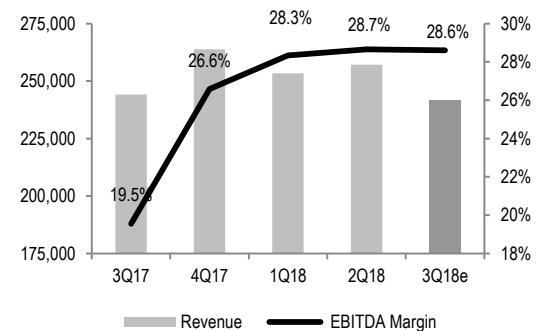
**We forecast a slight drop in revenue.** According to our estimations, the depreciation of the Argentinean peso and the Brazilian real would subtract around 2.2 pp from its revenue increase. As for Revenue Generating Units, we forecast an annual 0.1% drop; however, in terms of post-payment subscribers, we expect an annual 6.4% rise. Migration from clients to a post-payment system will continue, resulting from a more attractive tariff scheme and greater demand for added value services. In this context, we estimate the company could report a consolidated MXN\$242.0 billion in revenue, down 0.9% over 3T18. Breaking down the previous figure, we forecast a 2% service revenue reduction, despite an ARPU increase in local currency from most subsidiaries and a 6.3% increase in equipment sales.

**Solid improvement on EBITDA.** In 3Q17, the company reported an extraordinary MXN\$18.5 billion charge, which impacted its operating results. For this quarter, we estimate MXN\$69.2 billion in EBITDA, representing a 45% YoY growth and would amount to 28.6% in profitability (+9.1pp vs 3Q17). Excluding the extraordinary charge, the company's EBITDA would grow 4.4% YoY and its margin, +1.5pp vs the year-ago period, mainly due to economies of scale and operating efficiencies resulting from savings in costs and expenses.

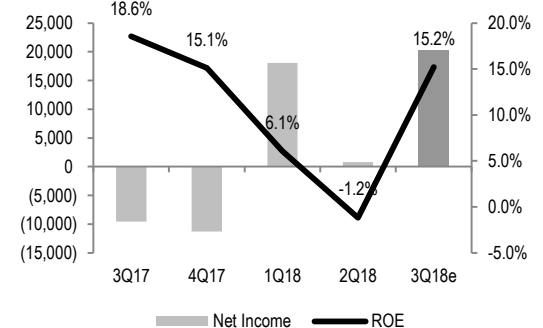
**Currency fluctuation will have a positive influence on RIF (Tax information register).** We expect MXN\$9.3 billion in Forex gains over a MXN\$11.8 billion Forex loss in 3T17, which significantly reduces RIF. We forecast MXN\$20.3 billion in net profit.

**Revenue & EBITDA Margin**

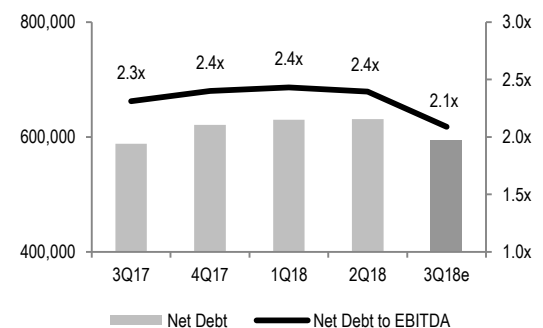
MXN, million


**Net Income & ROE**

MXN, million


**Net Debt & Net Debt to EBITDA**

MXN, million / veces



**ASUR – Preview 3Q18**

MXN, million pesos

| Concept          | 3Q17   | 3Q18e  | Chg %  |
|------------------|--------|--------|--------|
| Revenue          | 3,230  | 3,922  | 21.4%  |
| Operating Income | 1,656  | 1,824  | 10.2%  |
| Ebitda           | 1,917  | 2,305  | 20.3%  |
| Net Income       | 1,101  | 1,111  | 1.0%   |
| <b>Margins</b>   |        |        |        |
| Operating Margin | 51.3%  | 46.5%  | -4.7pp |
| EBITDA Margin    | 59.3%  | 58.8%  | -0.6pp |
| Net Margin       | 34.1%  | 28.3%  | -5.7pp |
| EPS              | \$3.67 | \$3.70 | 1.0%   |

Source: Banorte

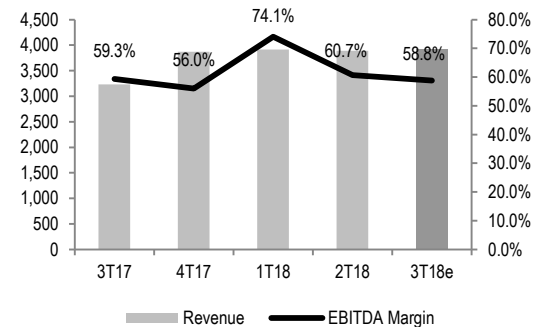
**Significant growth continues supported by the airports in Colombia (Airplan).** During 3Q18, Asur is expected to report a 21.4% increase in sales (up 29.3% totaling aeronautical and non-aeronautical revenue), and a 10.2% operating profit growth as well as a 20.3% EBITDA rise, to stand at MXN\$3.9 billion, MXN\$1.8 billion and MXN\$2.3 billion, respectively. We forecast a 13.7% operating revenue increment in the 9 airports that the group operates in Mexico (totaling aeronautical and non-aeronautical revenue) and a 12.6% EBITDA increase.

**34.3% YoY total passenger increase in the 16 airports operated by the group.** During 3Q18, total passenger traffic for Asur rose 34.3% vs. 3Q17, comprised of a significant 50.2% domestic traffic increase and a 12.0% rise of international traffic. All 9 airports operated by Asur in Mexico reported a 6.7% passenger increase, while the Luis Muñoz Marín Airport in San Juan, Puerto Rico (LMM) posted a 3.8% increase (September displayed a solid passenger recovery considering that the island was hit by Hurricane Maria in September of 2017). Passengers in Colombia reported a 7.3% increase, driven mainly by international (+12.4% YoY), and followed by domestic (+6.4%).

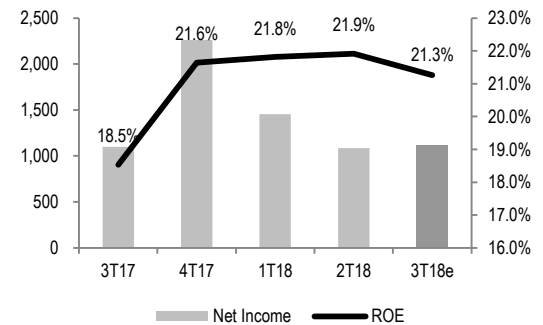
**Lower profitability with no changes in accounting.** We forecast an operating margin reduction of 4.7pp, to stand at 46.5%, and a drop in EBITDA margin of 0.6pp, to stand at 59.3%. The group's margins, excluding construction revenue and costs, are also expected to drop, with the operating margin standing at 50.0% (-8.7pp) and the EBITDA margin, at 63.2% (-4.7pp). This resulting, mainly, from foreign operations with lower margins from the LMM Airport and Airplan in Colombia, compared to operations in Mexico. On the other hand, **we expect majority net profit to post a slight 1.0% YoY increase.**

**Revenue & EBITDA Margin**

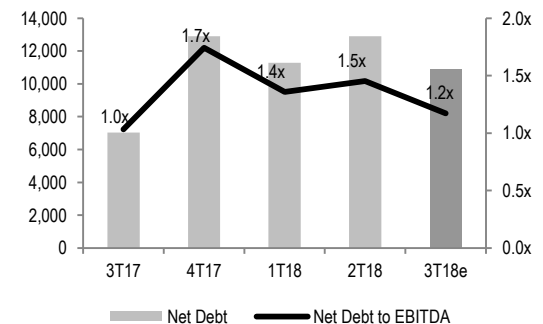
MXN, million


**Net Income & ROE**

MXN, million


**Net Debt & Net Debt to EBITDA**

MXN, million



**AXTEL – Preview 3Q18**

MXN, million pesos

| Concept          | 3Q17    | 3Q18e  | Chg %  |
|------------------|---------|--------|--------|
| Revenue          | 3,764   | 3,894  | 3.4%   |
| Operating Income | 305     | 326    | 6.9%   |
| Ebitda           | 1,317   | 1,373  | 4.2%   |
| Net Income       | -632    | 21     | N.A.   |
| <b>Margins</b>   |         |        |        |
| Operating Margin | 8.1%    | 8.4%   | 0.3pp  |
| EBITDA Margin    | 35.0%   | 35.3%  | 0.3pp  |
| Net Margin       | -16.8%  | 0.5%   | 17.3pp |
| EPS              | -\$0.23 | \$0.01 | N.A.   |

Source: Banorte

**During 3Q18, we expect pressure on revenue and a strong EBITDA increase.** We expect weak Argentinean and Brazilian currencies to have a negative effect on the company's revenue conversion. In addition, it is worth remembering that during the year-ago period, the company reported an extraordinary charge derived from the court's ruling in the arbitrary process against the Colombian government.

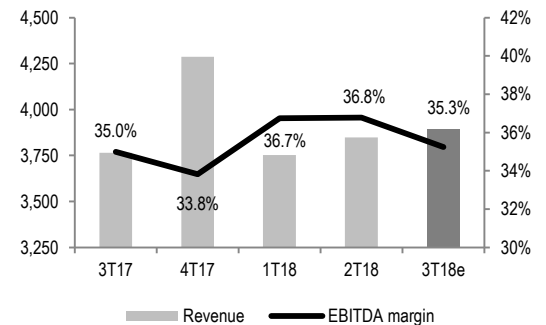
**We forecast a slight drop in revenue.** According to our estimations, the depreciation of the Argentinean peso and the Brazilian real would subtract around 2.2 pp from its revenue increase. As for Revenue Generating Units, we forecast an annual 0.1% drop; however, in terms of post-payment subscribers, we expect an annual 6.4% rise. Migration from clients to a post-payment system will continue, resulting from a more attractive tariff scheme and greater demand for added value services. In this context, we estimate the company could report a consolidated MXN\$242.0 billion in revenue, down 0.9% over 3T18. Breaking down the previous figure, we forecast a 2% service revenue reduction, despite an ARPU increase in local currency from most subsidiaries and a 6.3% increase in equipment sales.

**Solid improvement on EBITDA.** In 3Q17, the company reported an extraordinary MXN\$18.5 billion charge, which impacted its operating results. For this quarter, we estimate MXN\$69.2 billion in EBITDA, representing a 45% YoY growth and would amount to 28.6% in profitability (+9.1pp vs 3Q17). Excluding the extraordinary charge, the company's EBITDA would grow 4.4% YoY and its margin, +1.5pp vs the year-ago period, mainly due to economies of scale and operating efficiencies resulting from savings in costs and expenses.

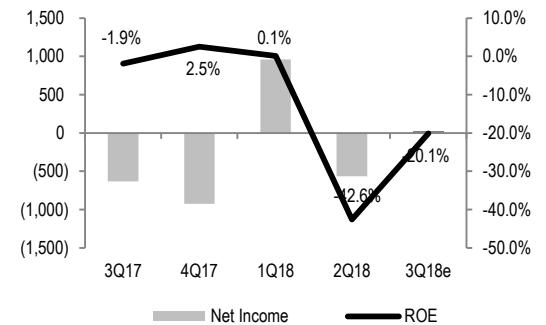
**Currency fluctuation will have a positive influence on RIF (Tax information register).** We expect MXN\$9.3 billion in Forex gains over a MXN\$11.8 billion Forex loss in 3T17, which significantly reduces RIF. Based on the latter, we forecast MXN\$20.3 billion in net profit.

**Revenue & EBITDA Margin**

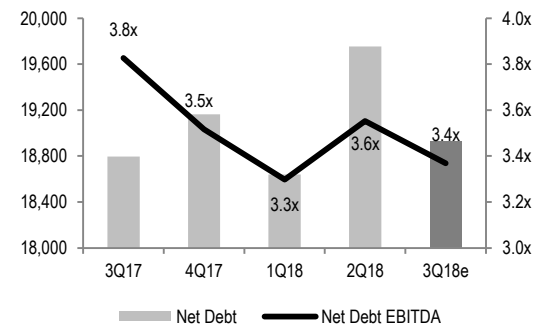
MXN, million


**Net Income & ROE**

MXN, million


**Net Debt & Net Debt to EBITDA**

MXN, million



**AZTECA – Preview 3Q18**

MXN, million pesos

| Concept          | 3Q17    | 3Q18e  | Chg %  |
|------------------|---------|--------|--------|
| Revenue          | 3,459   | 3,239  | -6.4%  |
| Operating Income | 578     | 377    | -34.8% |
| Ebitda           | 835     | 626    | -25.1% |
| Net Income       | -307    | 253    | N.A.   |
| <b>Margins</b>   |         |        |        |
| Operating Margin | 16.7%   | 11.6%  | -5.1pp |
| EBITDA Margin    | 24.1%   | 19.3%  | -4.8pp |
| Net Margin       | -8.9%   | 7.8%   | 16.7pp |
| EPS              | -\$0.10 | \$0.08 | N.A.   |

Source: Banorte, Note: 3Q17 figures include Azteca America operations

**Pressure over costs could continue.** 3Q18 quarterly earnings for Televisión Azteca could turn out negative, mainly resulting from higher programming costs from the broadcasting of the final stage of the FIFA World Cup. We must remember that the company sold Azteca America operations to HC2 Network during 4Q17, thus figures reflected on the chart above are not comparable. Based on our estimates, we expect higher p/e multiples, while the ND/EBITDA ratio would increase to 3.7x from 2Q18's 3.4x.

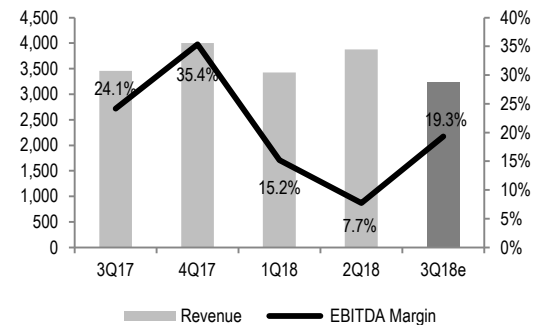
**With comparable figures, we estimate a 6.3% revenue expansion.** During this quarter, we estimate an annual 5% increase on revenue from domestic operations, still reflecting part of the publicity expense from advertisers during the broadcasting of the World Cup, as well as the sale of content and broadcasting rights to the US. On this occasion, revenue from programming exports could report a high growing rate (+160% YoY), by having an easy comparative base, while expecting a 3.3% increase in revenue for Azteca Comunicaciones Perú. During 3Q18, we estimate consolidated revenue worth MXN\$3.2 billion, down -6.4% YoY however, by excluding Azteca América operations, revenue would grow 6.3%.

**We anticipate weak profitability.** The final stage of the FIFA World Cup took place at the onset of 3Q18, thus we expect this period's earnings to continue to be hit by elevated programming costs incurred by the company. We expect MXN\$626 million in EBITDA, accounting for an annual 25.1% drop and a 19.3% margin (-480pb vs 3Q17). If we exclude Azteca America, such decline would total 23%.

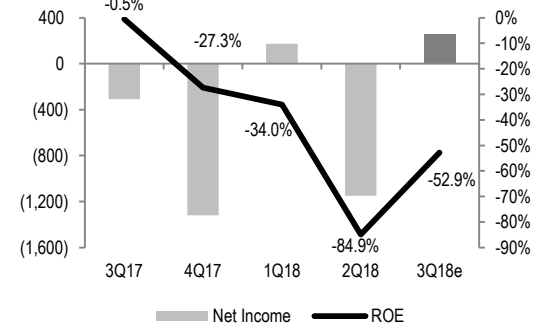
**Lower financial costs due to Forex gains.** We estimate financial costs to significantly fall, due to a MXN\$419 million Forex gain. The company could report MXN\$253 million in net profit, in comparison to a loss reported during the year-ago period.

**Revenue & EBITDA Margin**

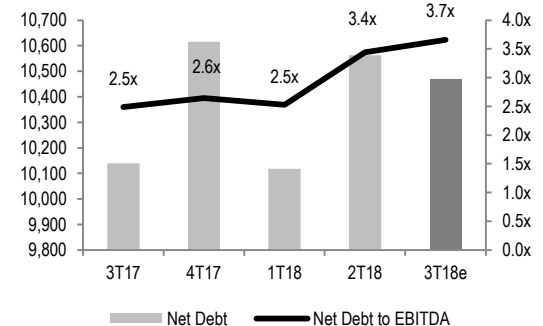
MXN, million


**Net Income & ROE**

MXN, million


**Net Debt & Net Debt to EBITDA**

MXN, million



**CEMEX CPO (Buy, PT 2018 P\$17.50)**
**CEMEX – Preview 3Q18**

USD, million

| Concept          | 3Q17   | 3Q18e  | Chg %  |
|------------------|--------|--------|--------|
| Revenue          | 3,549  | 3,707  | 4.5%   |
| Operating Income | 426    | 469    | 10.0%  |
| Ebitda           | 702    | 716    | 2.0%   |
| Net Income       | 289    | 271    | -6.1%  |
| <b>Margins</b>   |        |        |        |
| Operating Margin | 12.0%  | 12.6%  | 0.6pp  |
| EBITDA Margin    | 19.8%  | 19.3%  | -0.5pp |
| Net Margin       | 8.1%   | 7.3%   | -0.8pp |
| EPS              | \$0.02 | \$0.02 | -6.1%  |

Source: Banorte

**We expect Cemex to post an increase in EBITDA during 3Q18.**

We foresee a 4.5% rise in sales (in US dollar terms), a 10.0% growth in operating profit and a 2.0% increase in EBITDA. Furthermore, majority net income would post a 6.1% YoY drop. We should consider the fact that there is a lower comparative basis, due to the effects of strong hurricanes and heavy rain in the US, as well as to the September 7th and 19th earthquakes that occurred in Mexico (3Q17).

**We expect volume to undergo one-digit growth in consolidated results.** We anticipate average volume growth levels in Mexico (8%), in the US (6%) and in Asia, the Middle East and Africa (1%). On the other hand, we expect a 3% volume drop in Central America, South America and the Caribbean.

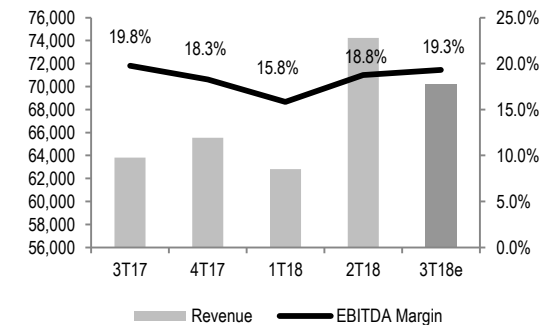
**We forecast improved YoY prices in local and foreign currency in most of the regions.** Cemex continues its efforts to improve the company's price strategy; therefore, we estimate such improvement both for local and foreign currency in most of the regions; Also, we expect a hike on the average consolidated price in US dollars. The exchange rate plays a significant role.

**We expect the company's profitability in EBITDA to drop.** We estimate Cemex's profitability to post a 0.6pp increase for operating margin and a 0.5% EBITDA margin drop, closing at 12.6% and 19.3%, respectively. Despite a revenue increase, we consider higher energy prices will continue to pressure company costs. By region, we expect improvement of operating margins YoY in the US (+0.6pp) and in Asia, the Middle East and Africa (+0.5pp), while estimating a decline in Mexico (-2.4pp), Europe (-0.5pp) and Central America, South America and the Caribbean (-1.0pp).

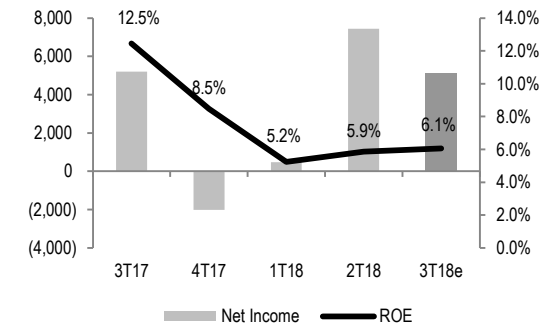
**Majority net profit would fall 6.1% vs. 3Q17,** as improved operating earnings would be more than offset by US\$56 million in income tax (vs. MXN\$28 million in 3Q17).

**Revenue & EBITDA Margin**

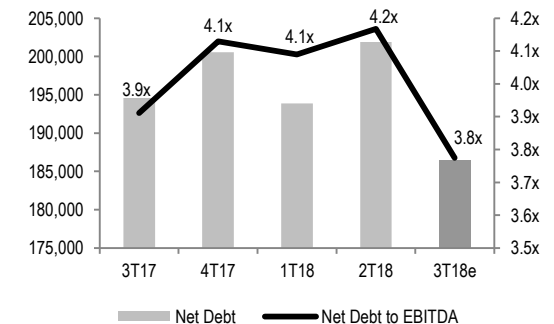
MXN, million


**Net Income & ROE**

MXN, million


**Net Debt & Net Debt to EBITDA**

MXN, million



**CHDRAUI B (Buy, PT2019 MXN\$52.00)**
*Valentín III Mendoza Balderas*
**CHDRAUI – Preview 3Q18**

MXN, million pesos

| Concept          | 3Q17   | 3Q18e  | Chg %  |
|------------------|--------|--------|--------|
| Revenue          | 23,069 | 29,348 | 27.2%  |
| Operating Income | 1,128  | 1,335  | 18.3%  |
| Ebitda           | 1,534  | 1,816  | 18.4%  |
| Net Income       | 554    | 595    | 7.6%   |
| <b>Margins</b>   |        |        |        |
| Operating Margin | 4.9%   | 4.5%   | -0.3pp |
| EBITDA Margin    | 6.7%   | 6.2%   | -0.5pp |
| Net Margin       | 2.4%   | 2.0%   | -0.4pp |
| EPS              | \$0.57 | \$0.62 | 7.6%   |

Source: Banorte

**First quarter that consolidates the effect of Fiesta Mart's complete integration.** Chedraui will report 3Q18 earnings on Monday, October 24th, after the close of the trading session. We expect double-digit growth at an operating level but with pressures on profitability, resulting from the consolidation of Fiesta Mart operations.

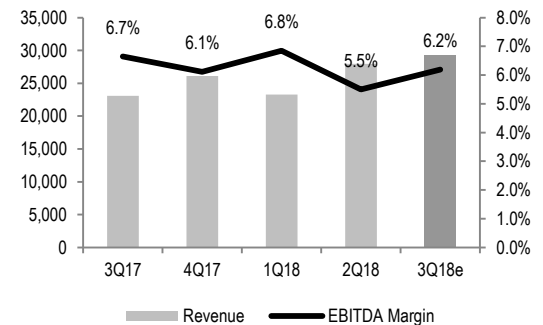
**We expect consolidated revenue to grow 27.2% yoy.** Based on our forecast model, we expect total sales to undergo a 27.2% year-to-date expansion to stand at MXN\$29.3 billion. Such figure would be explained by a 9.0% revenue increase in Mexico (MXN\$17.6 billion), in view of a 3.2% LfL increase and a 5.9% yoy sales floor growth, following the opening of 33 stores during the last 12 months. In addition, we estimate US sales to grow 72.6% to MXN\$11.4 billion, mainly due to the consolidation of 63 Fiesta Mart stores. Finally, the real estate division would contribute with MXN\$236 million (+7.7%), mainly due to a GLA 5.2%.

**Lower Fiesta Mart profitability is expected to pressure the company's EBITDA margin by 50bp to 6.2%.** We consider that Chedraui's EBITDA could grow 18.4% yoy to MXN\$1.8 billion, below the sales growth rhythm, as a result of a dilutive effect of consolidating, for the first time, a complete quarter of Fiesta Mart operations. Thus, EBITDA Mexico would post a 11.9% increase to MXN\$1.2 billion, and accordingly, the corresponding margin would grow 20bp to 7.1%, while the US margin would deteriorate by 50bp to 3.6% (MXN\$407 million; +51.4% yoy). Additionally, we expect a MXN\$161 million contribution from the real estate division.

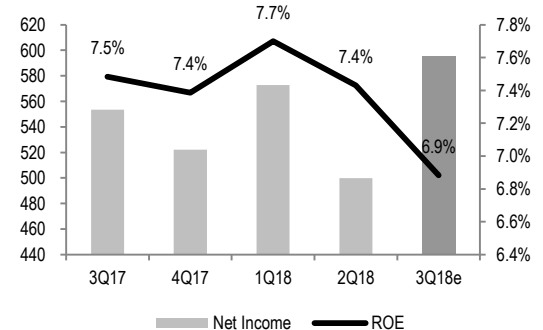
**Higher interest payment would restrict the company's net growth.** We project that the company's net profit could stand at MXN\$595 million (+7.6% yoy), pressured by a greater 62.2% net interest expense, mainly as a result of a higher interest payment, in view of an increase in leverage following the acquisition of Fiesta Mart.

**Revenue & EBITDA Margin**

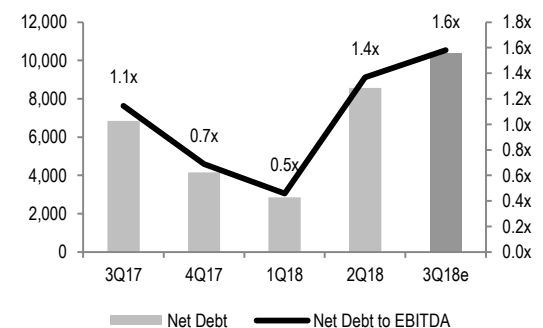
MXN, million


**Net Income & ROE**

MXN, million


**Net Debt & Net Debt to EBITDA**

MXN, million



**CREAL – Preview 3Q18**

MXN, million pesos

| Concept          | 3Q17   | 3Q18e  | Chg %  |
|------------------|--------|--------|--------|
| Interest Income  | 2,060  | 2,505  | 21.6%  |
| Financial Margin | 1,438  | 1,708  | 18.8%  |
| Operating Income | 494    | 509    | 3.0%   |
| Net Income       | 403    | 471    | 16.9%  |
| <b>Margins</b>   |        |        |        |
| ROE              | 17.9%  | 12.2%  | -5.7pp |
| NIM              | 15.4%  | 14.0%  | -1.4pp |
| NPL              | 2.3%   | 1.8%   | -0.5pp |
| Provisions/TL    | 159.4% | 184.9% | 25.5pp |

Source: Banorte

**CREAL, a positive quarter.** Crédito Real is set to report 3Q18 earnings on Wednesday, October 24<sup>th</sup>, after the close of the trading session. We expect a positive quarter, where significant portfolio growth will continue to stand out.

**Sound portfolio growth.** This quarter, we anticipate an annual 31.3% increase in total credit portfolio to stand at around MXN\$35.0 billion. This growth is explained mainly due to the favorable performance, particularly in Payroll, of greater contribution of IMSS collaborators, although this will pressure profitability a bit.

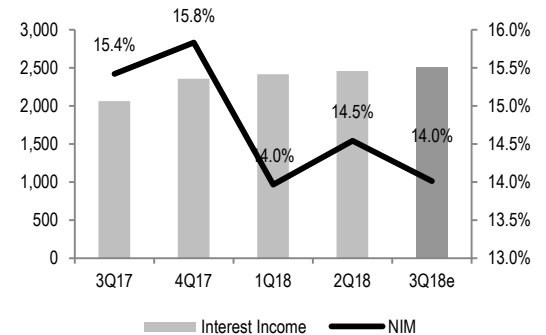
**Larger portfolio to push Financial Margins.** A larger portfolio should boost financial revenue, which we anticipate will grow 21.6% YoY, to reach MXN\$2.5 billion. In turn, we expect a 28.1% increase in financial expenses due to higher funding costs. Thus, the Financial Margin should stand at MXN\$1.7 billion, posting an annual increase of 18.8%. On the other hand, provisions should grow 28.0% YoY to MXN\$454 million, with which we expect a 14.0% Net Interest Margin. We must remember that higher contributions from IMSS clients imply lower lending rates.

**Net profit to grow hand in hand with Margin.** The performance of the Financial Margin should report on par with the level of net profit, for which we forecast a 16.9% increase YoY, to stand at MXN\$471million.

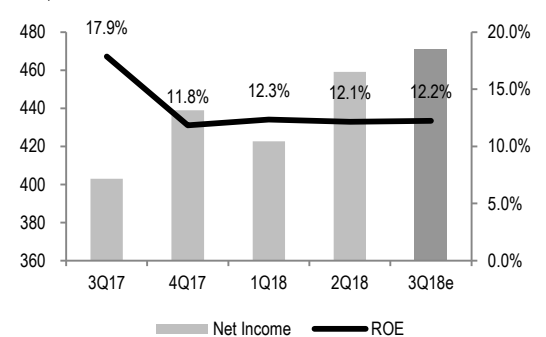
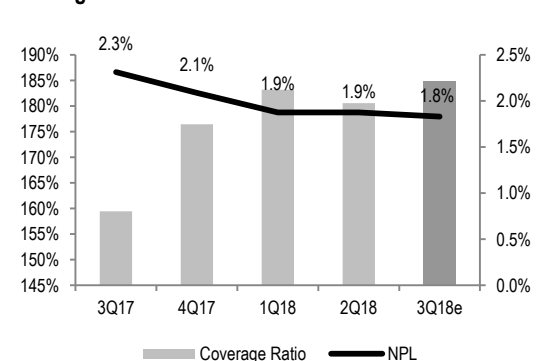
**ROE and a stable quarter to quarter default rate.** This quarter, we expect a ROE of 12.2%, stable over 2Q18, with a default rate at levels of 1.8%.

**Interest Income & MIN**

MXN, million


**Net Income & ROE**

MXN, million


**Coverage Ratio & NPL**


**FIHO – Preview 3Q18**

MXN, million pesos

| Concept           | 3Q17   | 3Q18e  | Chg % |
|-------------------|--------|--------|-------|
| Revenue           | 878    | 968    | 10.3% |
| NOI               | 258    | 309    | 19.9% |
| Ebitda            | 218    | 256    | 17.8% |
| Net Income        | 90     | 115    | 28.2% |
| <b>Margins</b>    |        |        |       |
| NOI margin        | 29.4%  | 32.0%  | 2.6pp |
| EBITDA Margin     | 24.8%  | 26.5%  | 1.7pp |
| Net Margin        | 10.2%  | 11.9%  | 1.7pp |
| Cash distribution | \$0.17 | \$0.28 | 60.0% |

Source: Banorte

**Expansion slows down in 3Q18, although earnings still report double-digit growth.** In 3Q18, we estimate FIBRA to report increments in sales, NOI, EBITDA and net profit of 10.3%, 19.9%, 17.8% and 28.2%, to close at MXN\$968 million, MXN\$309 million, MXN\$256 million and MXN\$115 million, respectively. It is important to mention that the Fiesta Americana Condesa Cancún (FACC) acquisition is a significant factor of these earnings.

**Additional rooms more than offsets the effective rate, thus driving revenue.** The FIBRA would close the third quarter of the year operating 10.6% more hotel rooms in comparison to 3Q17. Considering the total number of hotel rooms under management and development, FIHO would finish up by 4.1% over the previous year. We estimate that the FIBRA's occupancy for stabilized hotels (74) will be 66.0%. Additionally, we expect the average rate will stand at MXN\$1,000, in such a way that the effective rate would total M\$660 (-4% vs. 3Q17). We must mention that there was less demand for city and beach destination hotels.

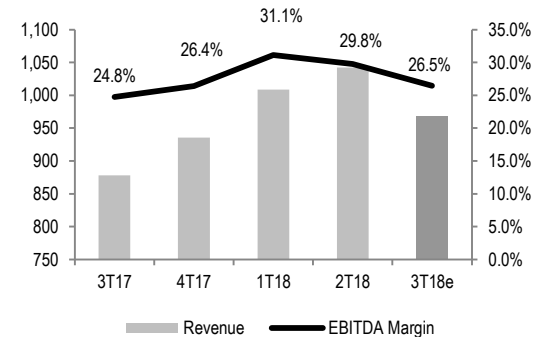
**We foresee an advance in profitability.** We expect the NOI margin to stand at 32.0% and the EBITDA margin at 26.5%, representing a 2.6pp and a 1.7pp increase, respectively. This results mainly from the inclusion of the FACC hotel with better margins, which support the FIBRA's profitability. On the other hand, higher energy costs are a pressure factor that partially offsets improved profitability levels.

**We expect a net profit increase of 28.2% over 3Q17,** which would stand at MXN\$115 million, due to better operating results and a lower MXN\$26 million comprehensive financing cost (vs. MXN\$32 million in 3Q17).

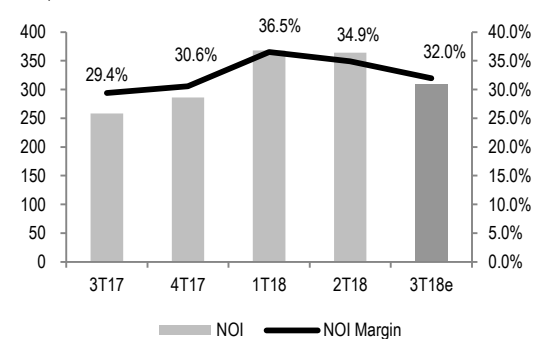
**We forecast cash distribution to stand at MXN\$0.28 per Senior Trust Bond,** which would represent an approximate 2.3% yield based on the level of the current price.

**Revenue & EBITDA Margin**

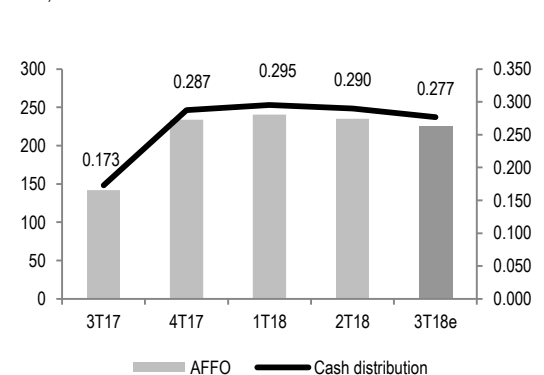
MXN, million


**NOI y Margen NOI**

MXN, million


**AFFO / Cash distribution**

MXN, million



**GAP B (Buy, PT 2018 P\$220.00)**
**GAP – Preview 3Q18**

MXN, million pesos

| Concept          | 3Q17   | 3Q18e  | Chg %  |
|------------------|--------|--------|--------|
| Revenue          | 3,034  | 3,524  | 16.2%  |
| Operating Income | 1,525  | 1,801  | 18.1%  |
| Ebitda           | 1,874  | 2,193  | 17.0%  |
| Net Income       | 1,143  | 1,196  | 4.6%   |
| <b>Margins</b>   |        |        |        |
| Operating Margin | 50.3%  | 51.1%  | 0.8pp  |
| EBITDA Margin    | 61.8%  | 62.2%  | 0.4pp  |
| Net Margin       | 37.7%  | 33.9%  | -3.7pp |
| EPS              | \$2.04 | \$2.13 | 4.6%   |

Source: Banorte

**Double-digit growth continues during 3Q18.** We expect Gap to post 3Q18 earnings, reporting 16.2% and 17.0% increments for sales and EBITDA, to stand at MXN\$3.5 billion and MXN\$2.1 billion, respectively.

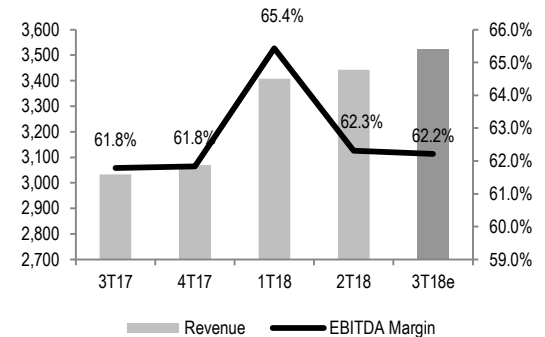
**Solid passenger increase during the quarter (+9.1%).** We expect the sum of aeronautical and non-aeronautical revenue (including MBJ) to have a positive 19.5% growth, 20.5% considering only the 12 airports that operate in Mexico. This would be the result of a solid 9.1% increase of total passenger traffic in 3Q18, comprised by a significant 11.8% and 5.1% growth of domestic and international traffic, respectively. On the other hand, excluding MBJ (and considering only the 12 airports that Gap operates in Mexico), total passengers posted a 9.6% increase.

**We expect reduction on the group's profitability (with no accounting changes).** We forecast that the group's operating margin will post a 0.8pp increase and an EBITDA growth of 0.4pp, to stand at 51.1% and 62.2%, respectively, in view of lower revenue and costs from added concessions. It is important to point out that such margins, without considering accounting changes (do not represent outflow), would result in 56.1% (-0.77 pp) for operating and 68.4% (-1.55 pp) for EBITDA margins. We expect an increase in profitability in airports that operate in Mexico (+0.8pp for the group's EBITDA margin) and a margin drop in MBJ Airport (-6.8pp).

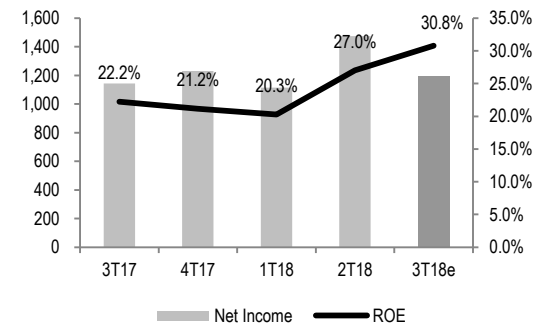
**During 3Q18, we expect Gap's majority net profit to stand at MXN\$1.1 billion (+4.6% vs. 3Q17),** due to an increase in operating results and a higher figure under foreign currency exchange difference, mainly offset by greater CIF and higher income taxes.

**Revenue & EBITDA Margin**

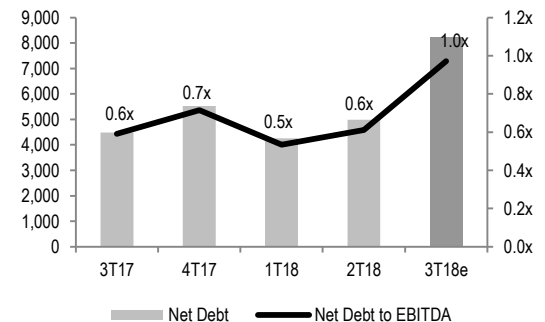
MXN, million


**Net Income & ROE**

MXN, million


**Net Debt & Net Debt to EBITDA**

MXN, million



**GCC – Preview 3Q18**

USD, million

| Concept          | 3Q17   | 3Q18e  | Chg %  |
|------------------|--------|--------|--------|
| Revenue          | 252    | 282    | 12.0%  |
| Operating Income | 56     | 60     | 7.3%   |
| Ebitda           | 77     | 86     | 12.8%  |
| Net Income       | 31     | 40     | 28.9%  |
| <b>Margins</b>   |        |        |        |
| Operating Margin | 22.3%  | 21.4%  | -0.9pp |
| EBITDA Margin    | 30.4%  | 30.6%  | 0.2pp  |
| Net Margin       | 12.2%  | 14.0%  | 1.8pp  |
| EPS              | \$0.09 | \$0.12 | 28.9%  |

Source: Banorte / \*Recalculado PTr GCC.

**We forecast solid earnings for GCC during 3Q18.** We expect GCC to report a 12% sales increase (in US dollars), a 7.3% growth in operating profit and a 12.8% expansion in EBITDA, to stand at US\$282 million, US\$60 million and US\$86 million, respectively. We foresee a majority net profit growth of 28.9%, to close at US\$40m.

**We expect a one-digit growth on average for company volumes.** We expect a 10.3% and 3.6% rise in cement and concrete volume in the US. Furthermore, in Mexico, we expect +2% variations in cement and -1%, in concrete volume.

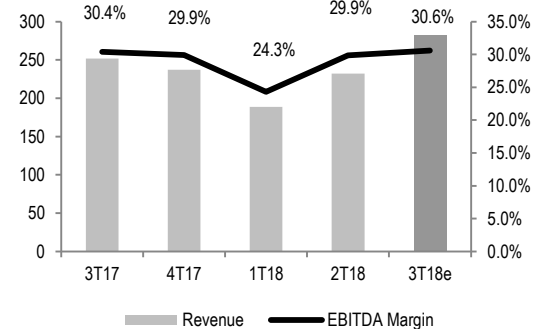
**Improved YoY prices in local currency and in US dollars on average support growing sales.** One of the elements that will boost GCC sales is the company’s implemented price strategy. We believe this will be reflected in 3Q, during which we estimate a rise in the price of company products on average in dollars, both for Mexico as for the US.

**Slight EBITDA margin improvement.** We expect GCC to post a 0,9 pp drop in operating margin, to stand at 21.4%. In addition, we expect the company to report a 0.2% increase in EBITDA margin, closing at 30.6%. Company operations are vertically integrated; therefore we consider that, even with greater pressure on energy prices, profitability in EBITDA could post this slight improvement.

**We expect a 28.9% increase in majority net profit vs. 3Q17,** due to improved operating results, lower CIF (-26% YoY/) and less income tax (-24% vs. 3Q17). Also, we expect the company to continue reporting financial strength and its Net Debt/ EBITDA leverage indicator to stand at 1.5x vs. 1.8x in 2Q18.

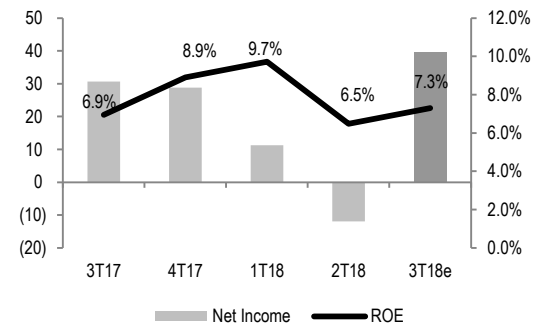
**Revenue & EBITDA Margin**

MXN, million



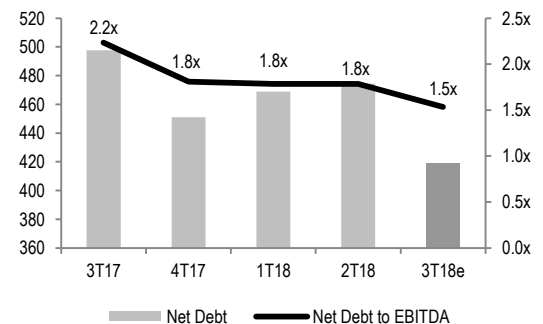
**Net Income & ROE**

MXN, million de dólares



**Net Debt & Net Debt to EBITDA**

MXN, million de dólares



**GENTERA – Preview 3Q18**

MXN, million pesos

| Concept          | 3Q17   | 3Q18e  | Chg %  |
|------------------|--------|--------|--------|
| Interest Income  | 5,291  | 5,294  | 0.0%   |
| Financial Margin | 4,910  | 4,899  | -0.2%  |
| Operating Income | 1,083  | 1,063  | -1.9%  |
| Net Income       | 750    | 742    | -1.0%  |
| <b>Margins</b>   |        |        |        |
| ROE              | 18.3%  | 14.7%  | -3.6pp |
| NIM              | 46.4%  | 41.1%  | -5.3pp |
| NPL              | 4.2%   | 2.7%   | -1.5pp |
| Provisions/TL    | 148.9% | 230.1% | 81.2pp |

Source: Banorte

**Genera, to continue forward towards recovery.** The company is expected to report 3Q18 earnings on Thursday, October 25th, after the close of the trading session. Although this quarter could be considered neutral, the recovery momentum observed during the previous quarter should continue to reflect on results. The most relevant component will be the improvement of recently implemented strategies.

**We expect the return and growth of clients in Mexico.** Although the company will continue with its strategy to control late payments, prioritizing good quality of assets over portfolio expansion, this quarter we expect positive figures. Thus, according to our expectations, Genera's total portfolio could grow 5.4% YoY, to stand at MXN\$32.9 billion. We believe the company would begin to resume client expansion in Mexico, thanks to its aggressive commercial strategy, which allows the company to differentiate itself from the competition.

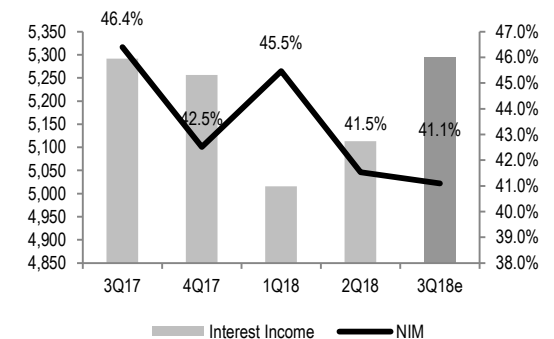
**Financial Margin should reflect onto higher rates.** Derived from expected growth in portfolio, the company should achieve a stable Financial Margin, standing at MXN\$4.8 billion. The transfer of higher lending rates from products, along with a lower level of provisions should be reflected on a Credit Risk Adjusted Financial Margin, growing 4.4% YoY, to MXN\$4.2 billion. This would translate into a 45.1% Net Interest Margin (NIM), almost stable, QoQ.

**We forecast stable net profit.** The company's operating performance, together with higher efficiencies in spending, in view of implemented programs, should reflect on its MXN\$742 million net profit, posting a fall of just 1.0% YoY. With these figures, the company would be on its way to reaching, or even exceeding, the upper part of its guide.

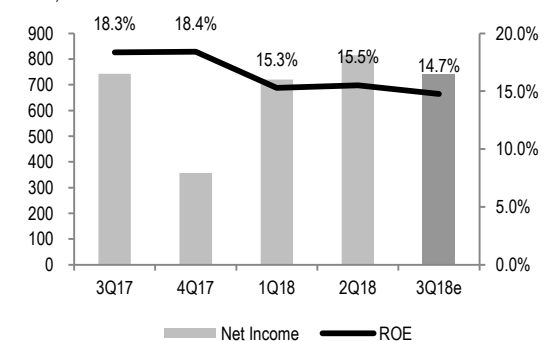
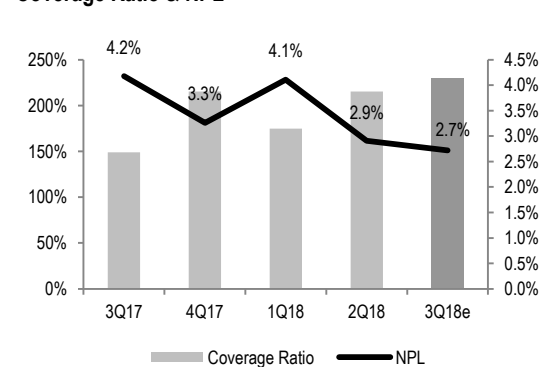
**Improvement on default rate.** With these results expected for the third quarter of the year, ROE should stand at 14.7%, while the default should improve QoQ to 2.7%.

**Interes Income & MIN**

MXN, million


**Net Income & ROE**

MXN, million


**Coverage Ratio & NPL**


**GICSA – Preview 3Q18**

MXN, million pesos

| Concept          | 3Q17   | 3Q18e  | Chg %  |
|------------------|--------|--------|--------|
| Revenue          | 940    | 1,103  | 17.3%  |
| Operating Income | 748    | 856    | 14.5%  |
| Ebitda           | 756    | 869    | 15.0%  |
| Net Income       | 79     | 253    | 221.7% |
| <b>Margins</b>   |        |        |        |
| Operating Margin | 79.6%  | 77.6%  | -1.9pp |
| EBITDA Margin    | 80.4%  | 78.8%  | -1.6pp |
| Net Margin       | 8.4%   | 22.9%  | 14.6pp |
| EPS              | \$0.05 | \$0.16 | 221.7% |

Source: Banorte

**For the first time, the expansion of Paseo Interlomas and La Isla Mérida will contribute to the company's growth.** GICSA will report 3Q18 results next Wednesday, October 24th, after the close of the trading session. We expect a quarter with double-digit growth, as a result of the first contributions of La Isla Mérida and the expansion of Paseo Interlomas, recently opened, towards the company's growth.

**The recent openings will boost GLA 12.9% yoy.** We expect GICSA to close the period with 800,541m2 (GLA), equivalent to an annual growth of 12.9%, explained by the openings (LTM) of the expansion of Paseo Interlomas, La Isla Mérida, La Explanada Puebla and Paseo Querétaro.

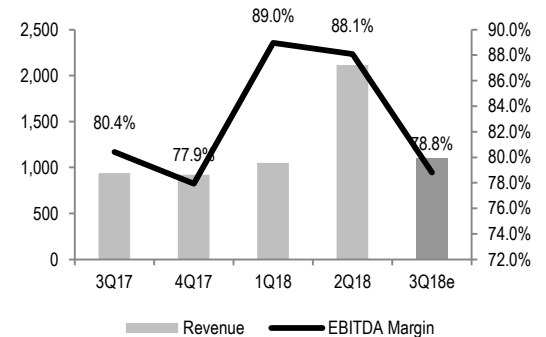
**We forecast net income will stand at MXN\$1,103 million.** Based on our projection model, we expect that the company's net income will increase by 17.3% to MXN\$1,103 million. Such amount would be explained by the GLA growth already described, as well as a consolidated occupation rate of 76.3% (and of 88.6% in the stabilized portfolio, including the expansion of Interlomas) and a 6% increase in the average rent.

**The NOI could grow 14.5% and the EBITDA 15%.** We estimate that the net operating income (NOI) will increase 14.5% yoy to MXN\$856 million, thanks to an effective control of operation expenses over the properties, and most of all, by the first contributions of the recently opened assets. However, an occupation close to 40% in stabilization would pressure the 200bp margin to 77.6%. In addition, we estimate the service companies will contribute so that the EBITDA can grow 15% to MXN\$869 million.

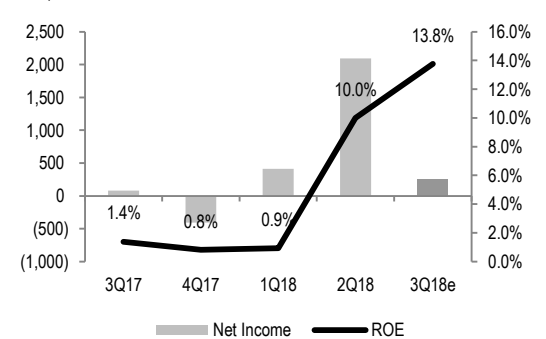
**Strong growth in net profit.** Our projections show that the company's net benefit will increase 221.7% yoy to MXN\$253 million, given the operating growth and a net interest expense 77.4% lower, given mainly because MXN\$224 million in forex gains.

**Revenue & EBITDA Margin**

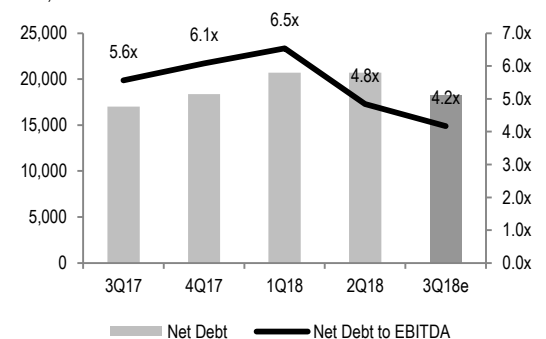
MXN, million


**Net Income & ROE**

MXN, million


**Net Debt & Net Debt to EBITDA**

MXN, million



**GMEXICO – Preview 3Q18**

USD, million

| Concept          | 3Q17   | 3Q18e  | Chg %  |
|------------------|--------|--------|--------|
| Revenue          | 2,535  | 2,616  | 3.2%   |
| Operating Income | 912    | 807    | -11.5% |
| Ebitda           | 1,212  | 1,084  | -10.5% |
| Net Income       | 468    | 416    | -11.0% |
| <b>Margins</b>   |        |        |        |
| Operating Margin | 36.0%  | 30.9%  | -5.1pp |
| EBITDA Margin    | 47.8%  | 41.4%  | -6.4pp |
| Net Margin       | 36.0%  | 30.9%  | -5.1pp |
| EPS              | \$0.06 | \$0.05 | -11.0% |

Source: Banorte

**GMEXICO, A complicated comparative basis will begin for copper.** Grupo México is set to release 3Q18 earnings report between the 23rd and 25<sup>th</sup> of October. This would be the first quarter with an unfavorable comparative price for copper. Whereas, the consolidation of Florida East Coast Railway operations (FEC) can be considered as comparable YoY. Thus, according to our forecast model, we expect a weak quarter, one which revenue could grow 3.2% YoY; however, EBITDA is expected to fall 10.5% in US dollars.

**Volume stability will not be enough to offset weak prices.** Except for molybdenum, the price of copper and its by-products will face an adverse comparative basis. Thus, during 3Q18, the average price of copper posted a year-on-year drop of nearly 6.0%, going from US\$2.89 per pound in 3Q17 to US\$2.72 in 3Q18. On the other hand, silver fell almost 11.0% YoY, while zinc dropped nearly 15.0% YoY. On the contrary, the price of molybdenum rose almost 39% in annual terms. All the above, along with practically stable volume levels should help revenue grow 3.2% YoY. Despite implemented cost and spending efficiencies, weak metal prices, along with a weaker US dollar and its negative effect over cost structure, should reflect a year-on-year 6.4 pp EBITDA margin contraction to 41.4%.

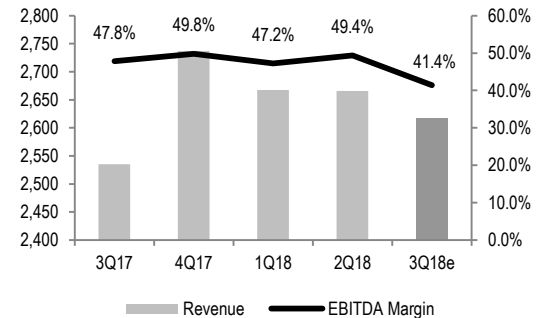
**GMXT with marginal drops in dollars in view of a strong peso.**

As of this quarter, GMXT reflects pure organic growth. Thus, although in terms of pesos we anticipate a 4.9% revenue increase and a 5.2% EBITDA expansion YoY, the negative exchange rate conversion effect (-6.3% YoY) will affect the result in dollars. (*See GMXT preliminary report*). As for Infrastructure, we expect it to contribute to the company's consolidated EBITDA with around US\$80 million.

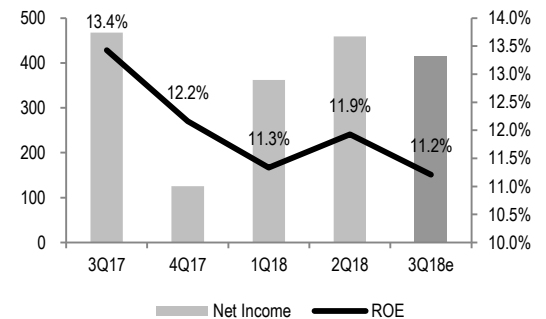
**Expected dividend of MXN\$0.80 per share**, similar to the previous figure and which represents a 1.5% return over current prices.

**Revenue & EBITDA Margin**

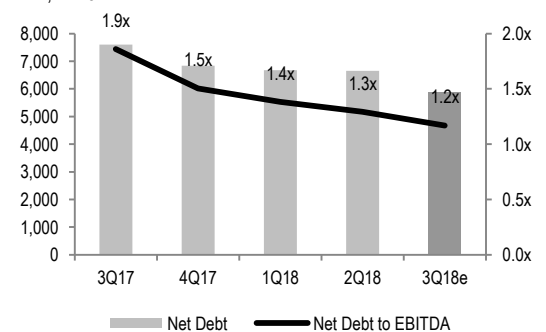
MXN, million


**Net Income & ROE**

MXN, million


**Net Debt & Net Debt to EBITDA**

MXN, million



**GMXT – Preview 3Q18**

MXN, million pesos

| Concept          | 3Q17   | 3Q18e  | Chg %  |
|------------------|--------|--------|--------|
| Revenue          | 10,495 | 11,013 | 4.9%   |
| Operating Income | 2,902  | 2,992  | 3.1%   |
| Ebitda           | 4,555  | 4,792  | 5.2%   |
| Net Income       | 1,457  | 2,534  | 73.9%  |
| <b>Margins</b>   |        |        |        |
| Operating Margin | 27.7%  | 27.2%  | -0.5pp |
| EBITDA Margin    | 43.4%  | 43.5%  | 0.1pp  |
| Net Margin       | 13.9%  | 23.0%  | 9.1pp  |
| EPS              | \$0.36 | \$0.62 | 73.9%  |

Source: Banorte

**GMXT, first quarter to post a comparable increase following the FEC acquisition.** Grupo México Transportes is expected to release 3Q18 figures between the 23rd and 25th of October, we expect a neutral quarter, with modest growth, purely organic.

**Volume improvement continues, mainly due to the Intermodal segment.** According to our forecasts, this quarter we expect a 4.9% consolidated YoY revenue increase, to finish at MXN\$11.0 billion. This increase will be driven by a 3.3% YoY transported volume expansion, measured in tons-km, being the Intermodal segment the business that posts the greatest increment. Furthermore, we forecast a 1.5% YoY increase of consolidated average prices per ton.

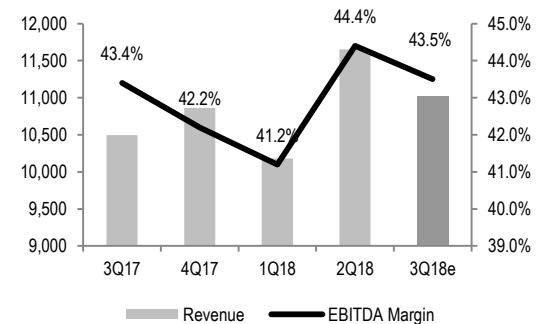
**Slight improvement on profitability, with very attractive margin levels.** Leveraged by higher revenue and efficiencies, following continuous investments and an organizational restructuring process carried out in FEC at the beginning of the year, we expect a 5.2% YoY increase in EBITDA, to MXN\$4.7 billion. Thus, consolidated EBITDA margin should grow 10bp to stand at 43.5%.

**Significant net profit expansion.** Driven by operating growth and lower CIF, resulting mainly from important Forex gains (considering the peso's 6.0% QoQ appreciation) and which should offset last year's losses, in terms of net profit, we expect a 73.9% YoY increase to reach MXN\$2.5 billion.

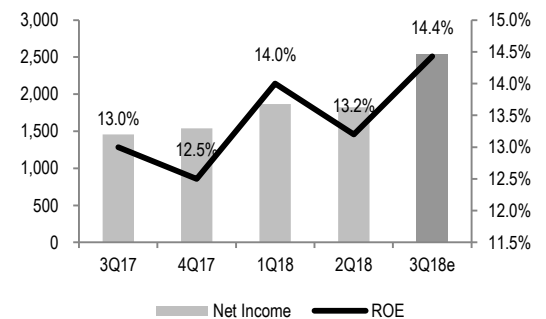
**Expected dividend of MXN\$0.30 per-share.** Our estimations indicate that the company will issue a dividend of MXN\$0.30 per share, similar to the previous figure and representing a 1.0% return over current prices.

**Revenue & EBITDA Margin**

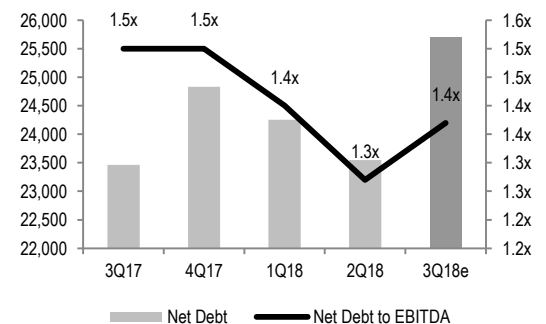
MXN, million


**Net Income & ROE**

MXN, million


**Net Debt & Net Debt to EBITDA**

MXN, million



## HOTEL \* (Buy, PT 2018 P\$12.50)

José Itzamna Espitia Hernández

### HOTEL – Preview 3Q18

MXN, million pesos

| Concept          | 3Q17   | 3Q18e  | Chg %  |
|------------------|--------|--------|--------|
| Revenue          | 385    | 478    | 24.2%  |
| Operating Income | 81     | 101    | 24.4%  |
| Ebitda           | 121    | 151    | 24.6%  |
| Net Income       | 52     | 63     | 20.0%  |
| <b>Margins</b>   |        |        |        |
| Operating Margin | 21.1%  | 21.1%  | 0.0pp  |
| EBITDA Margin    | 31.5%  | 31.6%  | 0.1pp  |
| Net Margin       | 13.6%  | 13.1%  | -0.5pp |
| EPS              | \$0.11 | \$0.13 | 20.0%  |

Source: Banorte

### HOTEL to report YoY expansion below the 2018 growth guide.

We expect the company to report YoY increments, 24.2% in sales, 24.4% in operating profit and 24.6% in Adjusted EBITDA, to stand at MXN\$478 million, MXN\$101 million and MXN\$151 million, respectively. We forecast MXN\$63 million in majority net profit (+20%). It is important to mention that these increments (just like in 2Q18), stand below expected 2018 rates by the company: revenue (+42%) and EBITDA (+52%).

**Additional rooms YoY supports revenue increase, but is partially offset by a lower effective rate.** We expect a 3.0% drop in self-owned room occupancy over 3Q17, to stand at 58.9%. On the other hand, during this quarter, we expect the daily average rate to be MXN\$1,366 (+2% YoY). As a result, we estimate the effective daily rate will post a 2.9% decline, standing at MXN\$804.

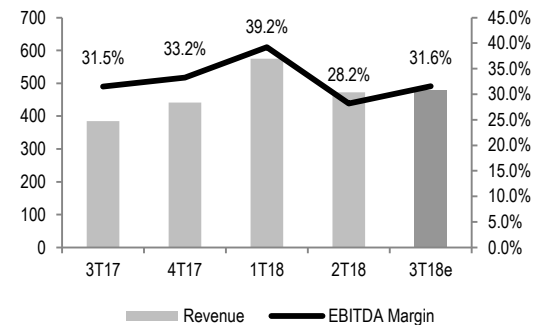
**Inorganic growth is an important factor for the company's earnings.** HOTEL figures are favored by a higher number of self-owned rooms, which represent +20% vs. 3Q17. The company has an interesting growth outlook as well as the resources to continue integrating new assets to its portfolio.

**We expect profitability to remain flat.** We expect the company's operating profit margin to remain unchanged at 21.1%. Also, we expect its Adjusted EBITDA margin to be 31.6%, up +0.1pp over the year-ago-period. This, we consider to result from the company's discipline in costs and expenses, despite having a lower effective rate.

**We project MXN\$63 million in majority net profit (+20% vs. 3Q17).** HOTEL's net profit is due to improved operating results and Forex gains.

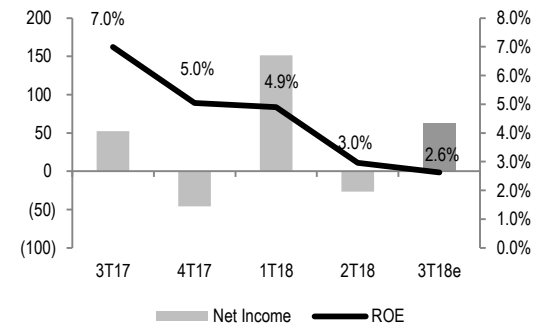
### Revenue & EBITDA Margin

MXN, million



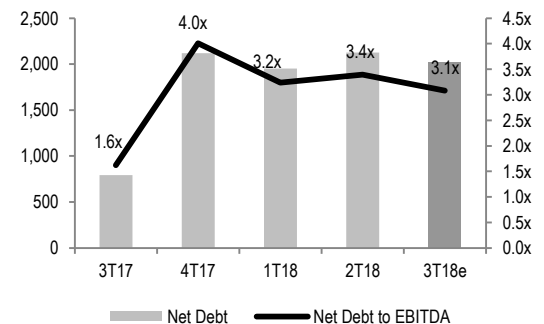
### Net Income & ROE

MXN, million



### Net Debt & Net Debt to EBITDA

MXN, million



**IENOVA – Preview 3Q18**

USD, million

| Concept          | 3Q17   | 3Q18e  | Chg %  |
|------------------|--------|--------|--------|
| Revenue          | 319    | 335    | 5.0%   |
| Operating Income | 158    | 170    | 7.9%   |
| Ebitda           | 209    | 226    | 8.3%   |
| Net Income       | 127    | 186    | 46.8%  |
| <b>Margins</b>   |        |        |        |
| Operating Margin | 49.4%  | 50.7%  | 1.3pp  |
| EBITDA Margin    | 65.4%  | 67.4%  | 2.0pp  |
| Net Margin       | 39.7%  | 55.4%  | 15.7pp |
| EPS              | \$0.11 | \$0.16 | 46.8%  |

Source: Banorte

**Ienova, a positive quarter.** The company will release its 3Q18 earnings report on Wednesday October 24th, following the close of the trading session. We expect a favorable quarter, continuing with the momentum of previous quarters. The main growth driver will be the company's market share in Los Ramones Norte II and a better performance of the thermoelectric plant in Mexicali. The most relevant event will be comments made regarding the progress of projects and greater details over those related with the fluid segment.

**Sustainable growth supported by solid contracts.** This quarter we do not expect new projects to begin operations. According to our estimates, we project a 5.0% consolidated revenue increase, to reach US\$335 million and an 8.3% EBITDA growth, adjusted to finish at US\$226 million. The latter results from greater sales volume and more market participation in Los Ramones Norte II.

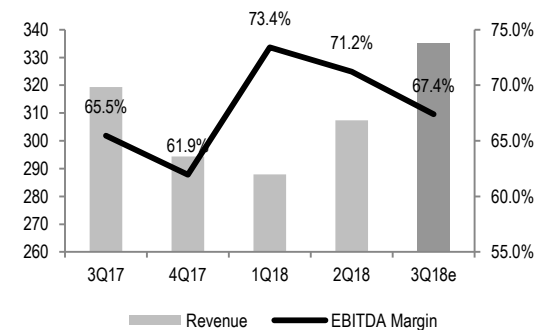
**Gas segment.** With this segment, lower natural gas prices (around - 6.2% YoY) should be weighed by the contribution of Ductos y Energéticos del Norte (DEN), thus anticipating an EBITDA expansion of 1.7% YoY, to US\$169m.

**Electricity segment.** Greater sales volume of the Mexicali electrical thermoelectrical plant will help counterbalance lower electricity prices; while in the Ventika wind farm, we expect good results supported by better prices. Thus, our forecasts assume a 39.6% YoY EBITDA increase in this segment, to close at US\$31 million.

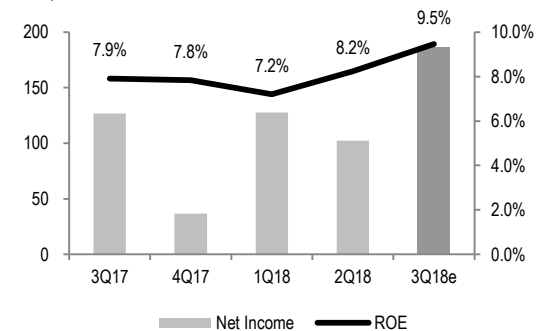
**Net profit boosted by Forex gains.** The favorable operating performance, along with Forex gains, in view of the peso's 6.0% appreciation QoQ and which compare favorably with year-ago losses, will boost the 46.8% net profit increase, to US\$186 million.

**Revenue & EBITDA Margin**

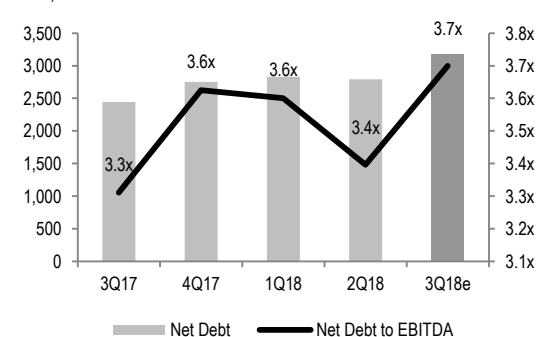
MXN, million


**Net Income & ROE**

MXN, million


**Net Debt & Net Debt to EBITDA**

MXN, million



**LAB B (Hold, PT2018 MXN\$22.00)**
*Valentín III Mendoza Balderas*
**LAB – Preview 3Q18**

MXN, million pesos

| Concept          | 3Q17   | 3Q18e  | Chg %  |
|------------------|--------|--------|--------|
| Revenue          | 3,080  | 3,051  | -0.9%  |
| Operating Income | 688    | 664    | -3.4%  |
| Ebitda           | 703    | 681    | -3.1%  |
| Net Income       | 231    | 344    | 49.2%  |
| <b>Margins</b>   |        |        |        |
| Operating Margin | 22.3%  | 21.8%  | -0.6pp |
| EBITDA Margin    | 22.8%  | 22.3%  | -0.5pp |
| Net Margin       | 7.5%   | 11.3%  | 3.8pp  |
| EPS              | \$0.22 | \$0.33 | 49.2%  |

Source: Banorte

**A complicated quarter due to weakness in Latin America.** Genomma Lab will report 3Q18 results on October 24th, after the close of the trading session. This quarter, we expect the company to decline at an operating level, mainly due to weak Latam figures, in view of the complicated situation in Argentina, as well as to an unfavorable currency conversion effect resulting from the depreciation of the Argentinean peso and the Brazilian real.

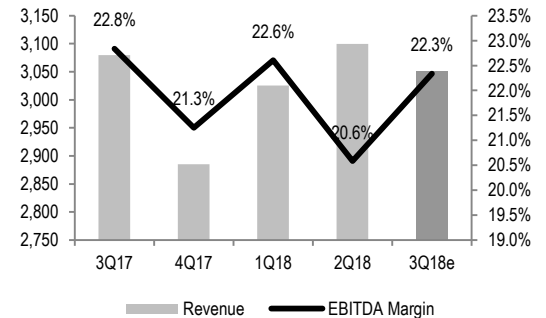
**We expect a modest drop in revenue.** We project MXN\$3.051 billion in consolidated sales, down 0.9% yoy, following the 8.8% fall of the Latam indicator (OTC +1.5%; PC -14.3%). The latter would be strongly hit by a negative currency conversion effect of around 22.6% –resulting from the depreciation of the Argentinean peso (41%) and of the Brazilian real (15%) over our currency. Such effect will not be able to be offset by the 6.3% revenue growth in Mexico, following a 5.8% rally of over-the-counter sales and a 6.9% increase in personal care products, as well as by the 9.6% growth that is expected for US operations (+3.3% in dollars).

**Despite the 200bps gross profitability downturn, the company's EBITDA margin will contract only by 50bps.** We expect suppliers to increase the cost of some of the company's products, which could pressure its gross margin to 65.8% (-200pb yoy). Despite the latter, we expect expense management efficiencies to partially compensate such impact, thus posting an EBITDA margin contraction of only 50bps to 22.3%. Therefore, we estimate EBITDA to drop 3.1% yoy to MXN\$681million.

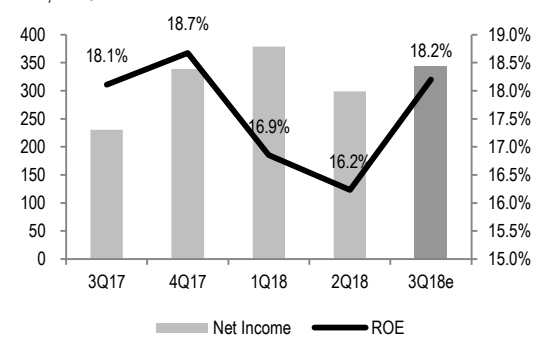
**Strong net growth.** We expect LAB's net profit to grow 49.2% year to date, to MXN\$344 million, mainly due to a lower tax rate (29%e vs 49.9% in 3Q17). Considering the above, LAB's net margin would expand 380bps to 11.3%.

**Revenue & EBITDA Margin**

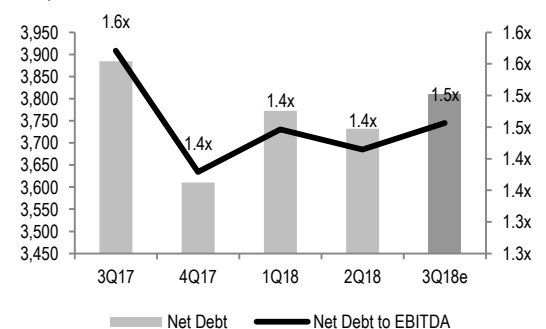
MXN, million


**Net Income & ROE**

MXN, million


**Net Debt & Net Debt to EBITDA**

MXN, million



**LACOMER – Preview 3Q18**

MXN, million pesos

| Concept          | 3Q17   | 3Q18e  | Chg %  |
|------------------|--------|--------|--------|
| Revenue          | 4,256  | 5,000  | 17.5%  |
| Operating Income | 146    | 172    | 17.5%  |
| Ebitda           | 300    | 368    | 22.7%  |
| Net Income       | 135    | 144    | 6.3%   |
| <b>Margins</b>   |        |        |        |
| Operating Margin | 3.4%   | 3.4%   | 0.0pp  |
| EBITDA Margin    | 7.0%   | 7.4%   | 0.4pp  |
| Net Margin       | 3.2%   | 2.9%   | -0.3pp |
| EPS              | \$0.12 | \$0.13 | 6.3%   |

Source: Banorte

**Another positive quarter with double-digit growth and improved profitability.** La Comer will report 3Q18 earnings on Wednesday, October 24th, after the close of the trading session. We expect another solid quarter with double-digit growth rates and operating profitability expansion.

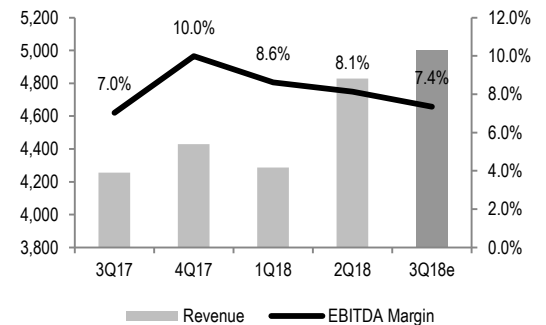
**10.3% and 17.5% increase for Same Store Sales and Total Sales, respectively.** We expect the company's revenue to reach MXN\$5.0 billion during 3Q18, equaling a 17.5% year-to-date increase. Such performance would be explained mainly by a 10.3% increase in SSS, following the successful execution of the "Temporada Naranja" summer campaign. In addition, an 8.4% yoy sales floor expansion, following the net addition of 5 stores during the last 12 months, which would contribute with the remaining 720bps.

**Profitability should continue improving.** We consider that a mixture of more favorable sales, along with a more relevant contribution of more profitable formats such as City Market and Fresko, and higher operating leveraging explained by an increase of LfL sales, should offset the impact of higher pre-operating expenses related to unit expansion, and thus boost the company's 40pb yoy EBITDA margin to 7.4%. Based on the latter, we estimate the company's EBITDA could grow 22.7% yoy, to stand at MXN\$368 million during the third quarter of the year.

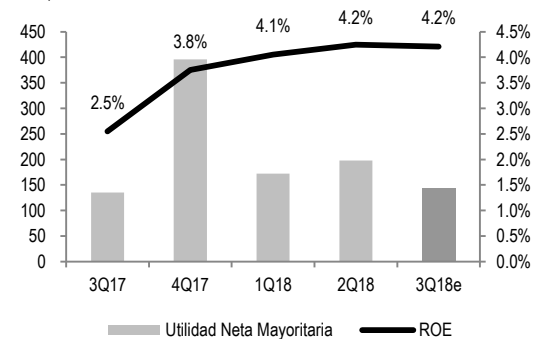
**Net profit would post an increase below the sales growth rhythm, in the face of a lower RIF (Tax information register) benefit.** We believe LACOMER's net benefit could grow 6.3% Yoy to MXN\$144 million. Such result would stand below its sales and operating profit rhythm, being pressured by a net interest income 45% lower over the year-ago period, in view of lower interest earnings and a MXN\$7 million forex loss—which compares unfavorably with a MXN\$6 million gain in 3Q17-. Thus, the company's net margin would contract 30bps to 2.9%.

**Revenue & EBITDA Margin**

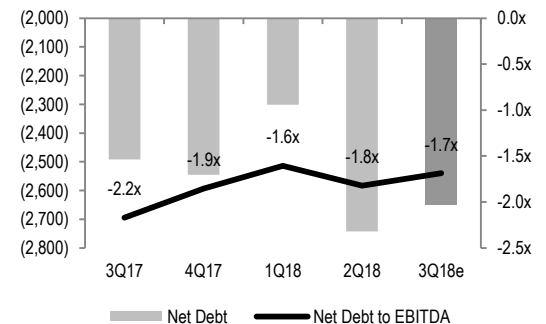
MXN, million


**Net Income & ROE**

MXN, million


**Net Debt & Net Debt to EBITDA**

MXN, million



**LIVEPTL – Preview 3Q18**

MXN, million pesos

| Concept          | 3Q17   | 3Q18e  | Chg % |
|------------------|--------|--------|-------|
| Revenue          | 27,067 | 29,601 | 9.4%  |
| Operating Income | 2,082  | 2,476  | 18.9% |
| Ebitda           | 2,913  | 3,406  | 16.9% |
| Net Income       | 1,258  | 1,568  | 24.6% |
| <b>Margins</b>   |        |        |       |
| Operating Margin | 7.7%   | 8.4%   | 0.7pp |
| EBITDA Margin    | 10.8%  | 11.5%  | 0.7pp |
| Net Margin       | 4.6%   | 5.3%   | 0.6pp |
| EPS              | \$0.94 | \$1.17 | 24.6% |

Source: Banorte

**Attractive growth in view of an easy comparative base.**

Liverpool is set to report 3Q18 earnings on Monday, October 22<sup>nd</sup>, after the close of the trading session. We expect a quarter of solid growth and improvement in profitability, by facing an easy comparative basis, due to some extraordinary charges related to the year-ago earthquakes.

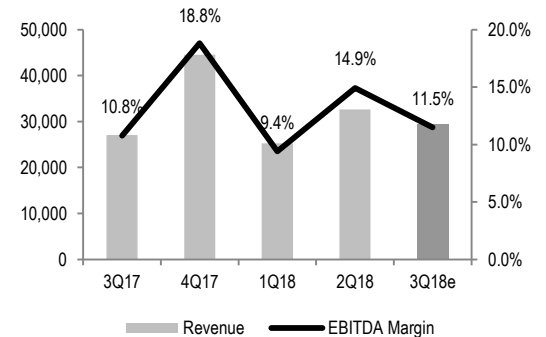
**Revenue to report sequential accelerated growth.** We estimate the company's consolidated sales will grow 9.4% yoy, to MXN\$29.6 billion, posting a sequential acceleration. Such performance should be attributed to a 9.4% Liverpool sales increase (+8.5% SSS) to MXN\$22.1 billion, added to a 10.1% Suburbia sales expansion (MXN\$3.6 billion), an 8.7% financial sector growth (MXN\$2.7 billion) and an 8.2% leasing business increase (MXN\$852 million). Furthermore, we expect other revenue to contribute with an additional MXN\$243 million.

**EBITDA margin to expand 70pb to 11.5%.** We consider that despite the fact that the company could acknowledge higher provisions for charged-off accounts– in light of a 50bps default increase to 5.6%- and an easy comparative base due to non-recurring charges related to the September 2017 earthquakes, it should support a 16.9% EBITDA increase, to MXN\$3.4 billion. Such performance would imply a growth rhythm that is higher to that of revenue and a 70bps EBITDA margin expansion to stand at 11.5% during the third quarter of the year.

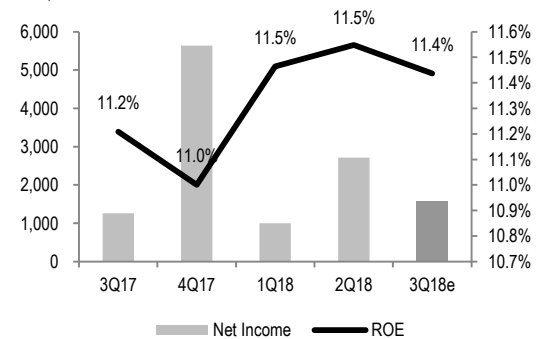
**Strong net profit growth.** Based on our forecast model, we expect Liverpool's net benefit could post a yoy increase of 24.6% to MXN\$1.5 billion. Such growth would be examined by solid operating profit improvement (18.9%), together with the positive effect of an 8.7% net interest expense -mainly explained by a lower interest payment, following the reduction of the company's leverage -.

**Revenue & EBITDA Margin**

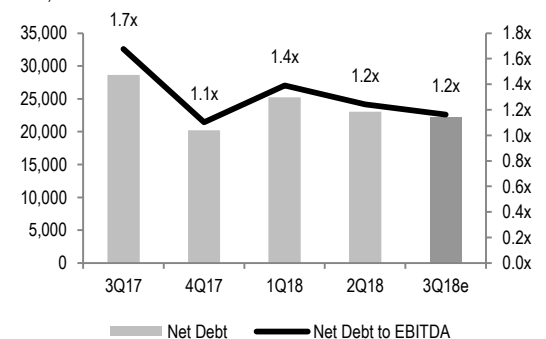
MXN, million


**Net Income & ROE**

MXN, million


**Net Debt & Net Debt to EBITDA**

MXN, million



**MEGA – Preview 3Q18**

MXN, million pesos

| Concept          | 3Q17   | 3Q18e  | Chg % |
|------------------|--------|--------|-------|
| Revenue          | 4,352  | 4,922  | 13.1% |
| Operating Income | 1,327  | 1,660  | 25.1% |
| Ebitda           | 1,938  | 2,451  | 26.5% |
| Net Income       | 978    | 1,204  | 23.1% |
| <b>Margins</b>   |        |        |       |
| Operating Margin | 30.5%  | 33.7%  | 3.2pp |
| EBITDA Margin    | 44.5%  | 49.8%  | 5.3pp |
| Net Margin       | 22.5%  | 24.5%  | 2.0pp |
| EPS              | \$1.14 | \$1.40 | 23.3% |

Source: Banorte, EBITDA no comparable PTR cambio contable en 2018

**We expect a positive quarter with favorable implications for valuation benchmarks.** Megacable could report solid 3Q18 earnings upon maintaining the dynamism of cable operations derived from the implementation of commercial strategies focused on improving customer quality, as well as from elevated growing rates in the corporate segment. Additionally, the accounting change in the registration policy of subscribers' acquisition cost would increase profitability and would have a positive effect on multiples.

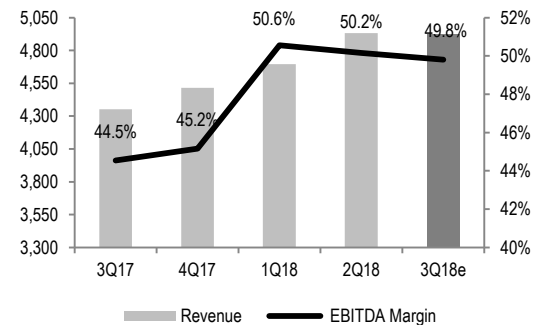
**We project a 13.5% increase on Revenue-Generating Units and of 28.9% in corporate segment revenue.** We estimate 200 thousand net additions to the company's Revenue-Generating Units, being internet service that which will contribute with almost half of these net additions. Furthermore, we expect a 1.5% reduction on ARPU due to the bundling of *Triple play* services. On that basis, we expect a 12.3% YoY increase in cable operations while in the corporate segment, we forecast a 28.9% growth, driven by Metrocarrier. Thus, consolidated revenue could total MXN\$4.9 billion, representing a 13.5% YoY hike.

**And a solid increase on EBITDA.** The company has achieved economies of scale and operating efficiencies in order to increase profitability. Also, the accounting change deferred the acquisition cost, thus we expect an expansion of profitability. We estimate MXN\$2.4 billion in EBITDA, up +26.5% YoY and a margin of 49.8% (+526bp vs 3Q17), however, if we compare these figures, EBITDA growth would be 17.5% and margin expansion would be of 190bp.

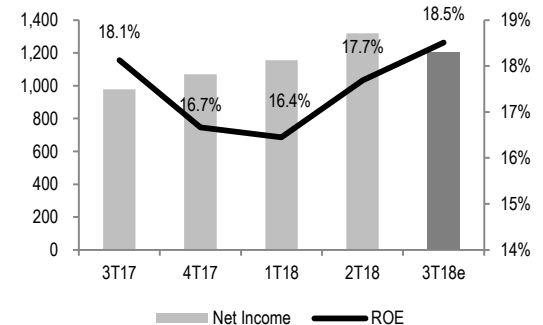
**Low leverage favors net earnings.** The company maintains a healthy financial structure, thus a rise in rates will not influence net profit. Under this item, we estimate a figure of MXN\$1.2 billion, up 23.1% YoY.

**Revenue & EBITDA Margin**

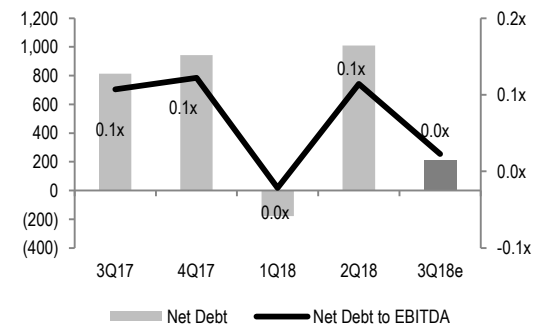
MXN, million


**Net Income & ROE**

MXN, million


**Net Debt & Net Debt to EBITDA**

MXN, million / veces



**MEXCHEM – Preview 3Q18**

USD, million

| Concept          | 3Q17   | 3Q18e  | Chg % |
|------------------|--------|--------|-------|
| Revenue          | 1,505  | 1,803  | 19.8% |
| Operating Income | 196    | 258    | 32.0% |
| Ebitda           | 297    | 360    | 21.2% |
| Net Income       | 60     | 103    | 72.3% |
| <b>Margins</b>   |        |        |       |
| Operating Margin | 13.0%  | 14.3%  | 1.3pp |
| EBITDA Margin    | 19.7%  | 20.0%  | 0.3pp |
| Net Margin       | 4.0%   | 5.7%   | 1.7pp |
| EPS              | \$0.03 | \$0.05 | 72.3% |

Source: Banorte

**Mexchem, another positive quarter.** The company will release 3Q18 figures on Wednesday, October 24, after the close of the trading session. We project another quarter with favorable results, where significant investments will reflect both organic and inorganic growth.

**Netafim and the Texas ethylene cracker will be main drivers.**

This quarter we expect a 19.8% increase in sales, to close at US\$1.8 billion and a 21.2% EBITDA expansion, to stand at US\$360 million. The PVC recovery trend, along with the contribution of the ethylene cracker in Texas will be the main drivers this quarter. In addition, the incorporation of Netafim operations, Israel-based leader in irrigation solutions, will support growth. Expected improvement in profitability is noteworthy, which although marginal (EBITDA margin +0.3pp YoY to 20.0%), occurs despite the acquisition of Netafim, which presents lower margins, resulting from an environment of favorable prices and a better integration of operations.

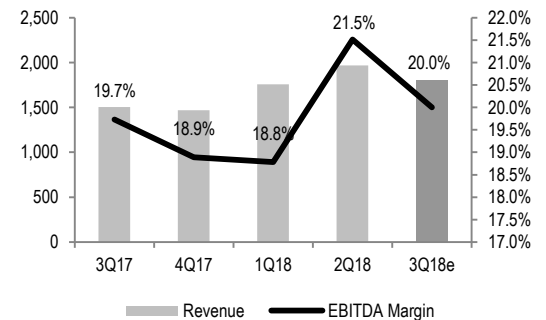
**Vinyl** will continue to reflect significant improvement in profitability, in view of a more efficient cost structure, thanks to a greater vertical integration with the ethylene cracker in Texas. In addition, the PVC outlook is in full recovery, with better prices supported by a more limited capacity expansion.

**Fluor** will continue supported by a significant expansion of revenue, both from the *upstream* and *downstream* business, resulting from higher fluorspar demand.

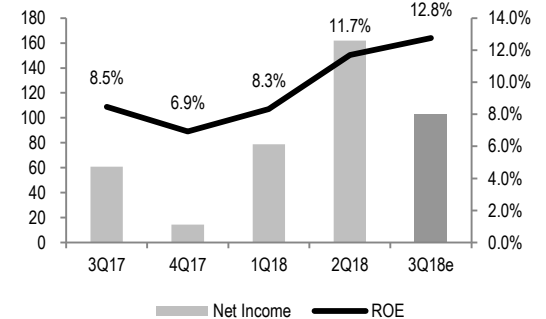
**Fluent.** The main growth catalyst of this division will be the incorporation of Netafim, this being the second complete quarter after its inclusion, and whose EBITDA contribution could add US\$50 million just this quarter (14% of consolidated EBITDA).

**Revenue & EBITDA Margin**

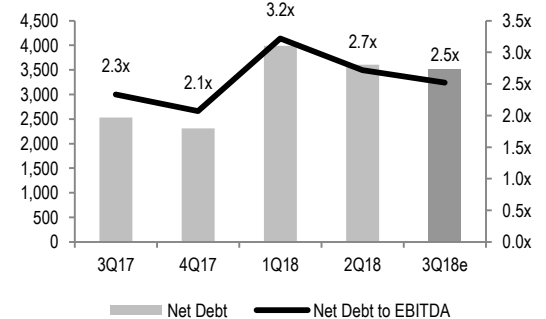
MXN, million


**Net Income & ROE**

MXN, million


**Net Debt & Net Debt to EBITDA**

MXN, million



**NEMAK A (Buy, PT2018 MXN\$16.00)**

*Valentín III Mendoza Balderas*

**NEMAK – Preview 3Q18**

MXN, million pesos

| Concept          | 3Q17   | 3Q18e  | Chg %  |
|------------------|--------|--------|--------|
| Revenue          | 19,580 | 21,230 | 8.4%   |
| Operating Income | 1,180  | 1,404  | 19.0%  |
| Ebitda           | 2,728  | 3,218  | 18.0%  |
| Net Income       | 188    | 583    | 209.8% |
| <b>Margins</b>   |        |        |        |
| Operating Margin | 6.0%   | 6.6%   | 0.6pp  |
| EBITDA Margin    | 13.9%  | 15.2%  | 1.2pp  |
| Net Margin       | 1.0%   | 2.7%   | 1.8pp  |
| EPS              | \$0.06 | \$0.19 | 211.5% |

Source: Banorte

**Finally, a quarter with attractive expansion.** Nematik will report its 3Q18 earnings report on Monday, October 15th, after the close of the trading session. We expect a positive quarter with attractive improvement in profitability.

**Volume would grow 2.9% yoy.** We expect that a solid NAFTA performance (+9.7%e), explained by a 2.6% rally in client generation and an increase in the production of new contracts, will offset a 7.9% contraction in Europe and a 3.1% downturn in the Rest of the World. To that effect, we believe that, together with a 3% Yoy contraction in the European industry, Nematik would still be undermined by the decrease in the production of diesel vehicles, while the recovery in Latin America (+8%) would not be enough to offset lower production in China (-4%). With that in mind, volume would reach 12 million equivalent units.

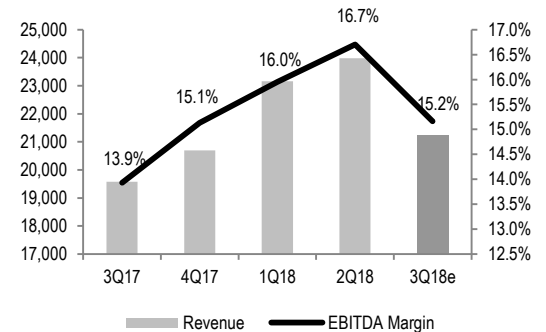
**Revenue in dollars would grow slightly below volume.** According to our forecast model, the euro's depreciation over the US dollar, a mixture of less than favorable sales in the rest of the world and a more stable aluminum price would limit the growth of revenue in US dollars at a rate of 2.0% yoy, to stand at US\$1.1 billion. Such figure would be explained by a 9.7% increase in North America (US\$660 million), an 8.8% drop in Europe (US\$334 million) and a 3.1% in the rest of the world (US\$127 million).

**Improved operating leverage in NAFTA, operating efficiencies and lower launching expense will boost profitability.** We expect NEMAK's EBITDA to grow 11.1% yoy to US\$170 million during 3Q18, and as a result, its corresponding margin would expand 120bps year-to-date to 15.2%, in view of a 29.2% increase in NAFTA (US\$116 million), due to the previously mentioned reasons. To the latter we would add a 15.7% and an 11.1% drop in the European indicator (US\$43 million) and in the rest of the world (US\$11 million) respectively.

**Net profit would grow 184% to US\$31 million,** mainly due to the normalization of the effective tax rate to 25%e vs the previous 75%.

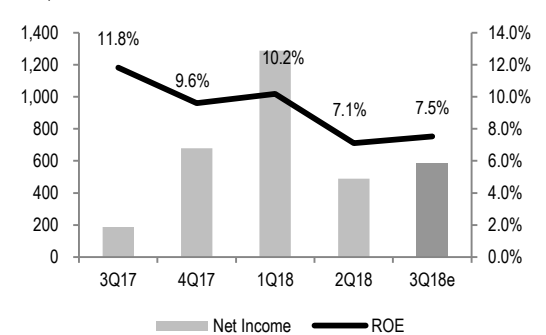
**Revenue & EBITDA Margin**

MXN, million



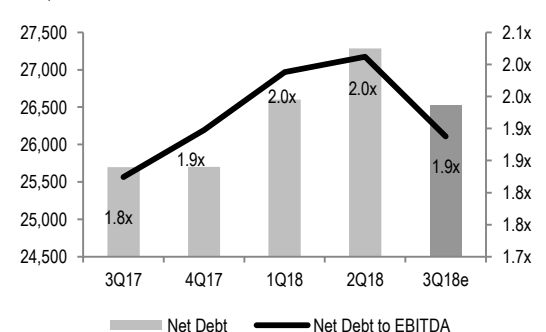
**Net Income & ROE**

MXN, million



**Net Debt & Net Debt to EBITDA**

MXN, million



## OMA B (Buy, PT 2018 P\$125.00)

José Itzamna Espitia Hernández

### OMA – Preview 3Q18

MXN, million pesos

| Concept          | 3Q17         | 3Q18e        | Chg %        |
|------------------|--------------|--------------|--------------|
| Revenue          | 1,884        | 2,130        | 13.1%        |
| Operating Income | 869          | 1,081        | 24.4%        |
| Ebitda           | 1,023        | 1,252        | 22.4%        |
| Net Income       | 579          | 719          | 24.2%        |
| <b>Margins</b>   | <b>1,884</b> | <b>2,130</b> | <b>13.1%</b> |
| Operating Margin | 46.1%        | 50.7%        | 4.6pp        |
| EBITDA Margin    | 66.8%        | 69.2%        | 2.5pp        |
| Net Margin       | 30.7%        | 33.7%        | 3.0pp        |
| EPS              | \$1.45       | \$1.83       | 26.2%        |

Source: Banorte / Margen Ebitda Ajustada = Ebitda Ajustada / Suma de ingresos aeronáuticos y no aeronáuticos.

**OMA will continue to post solid 3Q18 earnings.** We estimate that Oma will report 3Q18 earnings with a 13.1% increase in sales (up 18.1%, considering the sum of aeronautic and non-aeronautic revenue), a 24.4% growth in operating profit, a 22.4% expansion in Adjusted EBITDA and a 24.2% increase in majority net profit, to stand at MXN\$2.1 billion, MXN\$1.0 billion, MXN\$1.2 billion and MXN\$719 million, respectively.

**Double-digit growth for passenger traffic during the quarter.** During 3Q18, total passenger traffic for the group closed on a solid 10.5% growth over 3Q17, comprised by an 11.4% rise of domestic and a 3.7% increment of international passengers. Especially during September, passenger traffic soared, as in September of 2018, domestic passengers were affected by natural phenomena, such as Hurricane Max (affecting Acapulco) and the September 7th and 19th earthquakes that shook the central and southern part of the country.

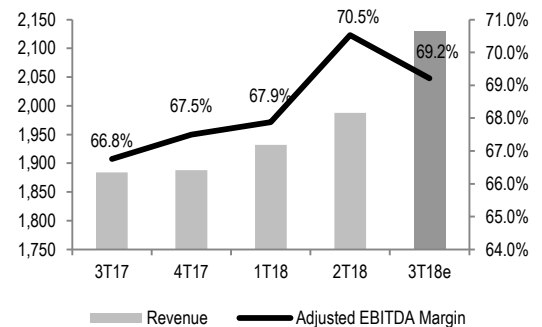
The company continues to move forward with its non-aeronautic revenue diversification approach, through the development of new businesses. We expect revenue per passenger (the sum of aeronautic and non-aeronautic revenue/ total traffic) to post a positive 6.8% variation over the year-ago period.

**We estimate an Adjusted EBITDA margin improvement.** We forecast a 4.6pp increase in the group's operating margin, closing at 50.7%. In turn, we expect the Adjusted EBITDA margin (Adjusted EBITDA / Sum of aeronautic and non-aeronautic revenue) to report a 2.55 pp growth, to stand at 69.2%, reflecting economies of scale and efficiencies under the items of company costs and expenses.

**Majority net profit would post a 24.2% increase,** mainly due to operating earnings and a lower CIF, partially offset by a higher income tax.

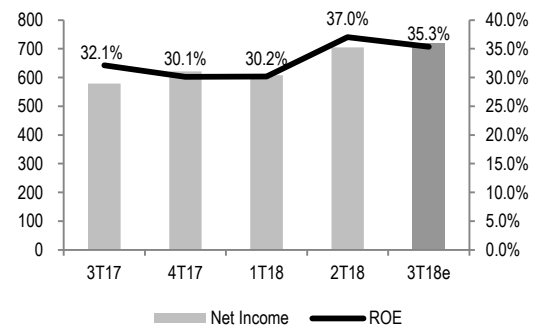
### Revenue & EBITDA Margin Ajustada

MXN, million



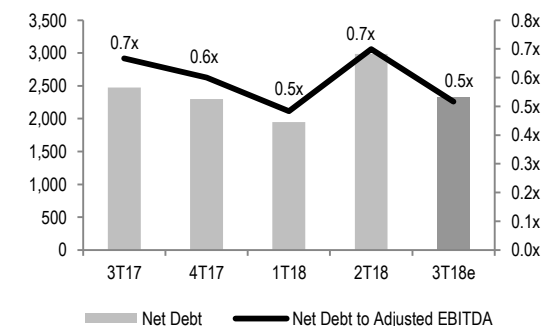
### Net Income & ROE

MXN, million



### Net Debt & Net Debt to Adjusted EBITDA

MXN, million



**PINFRA – Preview 3Q18**

MXN, million pesos

| Concept          | 3Q17   | 3Q18e  | Chg %   |
|------------------|--------|--------|---------|
| Revenue          | 2,437  | 2,912  | 19.5%   |
| Operating Income | 1,503  | 1,756  | 16.9%   |
| Ebitda           | 1,607  | 1,880  | 17.0%   |
| Net Income       | 1,192  | 894    | -25.0%  |
| <b>Margins</b>   |        |        |         |
| Operating Margin | 61.7%  | 60.3%  | -1.4pp  |
| EBITDA Margin    | 66.0%  | 64.5%  | -1.4pp  |
| Net Margin       | 48.9%  | 30.7%  | -18.2pp |
| EPS              | \$2.78 | \$2.08 | -25.0%  |

Source: Banorte

**We expect double-digit growth on Pinfra 3Q18 earnings.** The company is expected to post an increase in sales (19.5%) and in EBITDA (17.0%), to stand at MXN\$2.9 billion and MXN\$1.8 billion, respectively.

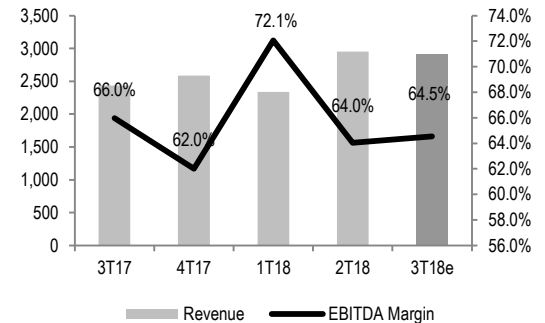
**Higher revenue in all the business segments.** Pinfra's main segment, Concessions—71.0% of sales in the last 12 months—will post a 6.5% increase, resulting from the good performance of highway capacity and an increase in tolls. Also, we expect a 6.1% growth in Plants (4.8%), and finally, a 63.9% rise in Construction (24.2% contribution). The company has some assets under development and thus the weight of revenue from the Construction business. Such assets are: the second stage of the Pyramids–Texcoco, as well as the Monterrey – Nuevo Laredo highway.

**Expected profitability drops due to a lower margin from Concessions and Plants, as well as to greater weight from the Construction segment (less profitable segment).** We expect the company to report growth in operating profit (16.9%) and ion EBITDA (17.0%). We expect the Concessions segment (the most profitable) to post a lower EBITDA margin (-1.1pp), the Plants business, a 8.2 pp drop and profitability from Construction to rise 15.2 pp. Therefore, in the consolidated statement we expect margins, operating and EBITDA to decline 1.4 pp, standing at 60.3% and 64.5%, respectively..

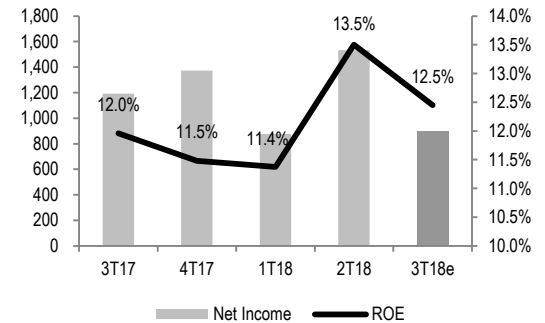
**We expect a 25.0% decline in majority net profit over the year-ago-period,** standing at MXN\$894 million, as rises in operating results will be offset by a MXN\$360 million CIF (vs MXN\$46 million from 3W17) and higher taxes (+6.1% vs. 3Q17).

**Revenue & EBITDA Margin**

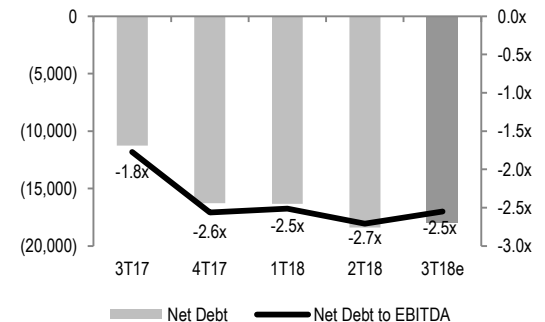
MXN, million


**Net Income & ROE**

MXN, million


**Net Debt & Net Debt to EBITDA**

MXN, million



**RASSINI A (Buy, PT2018 MXN\$45.00)**
*Valentín III Mendoza Balderas*
**RASSINI – Preview 3Q18**

MXN, million pesos

| Concept          | 3Q17   | 3Q18e  | Chg %  |
|------------------|--------|--------|--------|
| Revenue          | 4,224  | 4,832  | 14.4%  |
| Operating Income | 432    | 576    | 33.2%  |
| Ebitda           | 679    | 798    | 17.6%  |
| Net Income       | 327    | 365    | 11.8%  |
| <b>Margins</b>   |        |        |        |
| Operating Margin | 10.2%  | 11.9%  | 1.7pp  |
| EBITDA Margin    | 16.1%  | 16.5%  | 0.4pp  |
| Net Margin       | 7.7%   | 7.6%   | -0.2pp |
| EPS              | \$1.02 | \$1.14 | 11.8%  |

Source: Banorte

**A solid quarter, even despite a strong real appreciation effect.**

Rassini is expected to report 3Q18 earnings on Monday, October 22nd, after the close of the trading session. We expect a solid quarter, in view of a strong rebound of vehicle production from both latitudes.

**We expect solid volume growth.** Based on our forecast model, we believe Rassini's consolidated volume could grow 7.7% year-to-date, thanks to a 6.8% increase in suspensions (+8.4% in springs and -2.0% in spring clips) and a 5% growth in brakes. Such surges are explained by a solid rally in the production of light commercial vehicles from Detroit's three largest manufacturers, mainly Ford +16%, GM +8% and FCA +27%. In addition, we expect its indicator to grow 20.7%, resulting from a 30.8% increase in the production of trucks and 17.8% of heavy trucks.

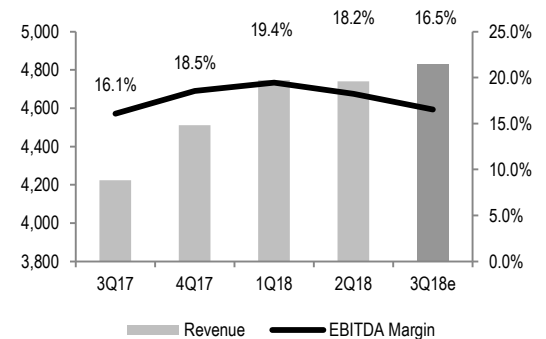
**We expect sales to reach MXN\$4.8 billion during 3Q18.** We project Rassini's revenues to grow 14.4% yoy to MXN\$4.8 million, thanks to an increase in volume and a favorable currency conversion effect, due to the peso's depreciation over the US dollar (+6.3%). Such factors shall offset the negative exchange rate impact of the real's strong depreciation (24.8%).

**Improved operating leverage and expansion in brakes to boost profitability.** We believe the company's EBITDA margin could expand 40bps yoy to 16.5%, resulting from greater operating leverage, a mixture of more favorable sales and the positive depreciation effect of the peso over its cost structure, which would offset the strong price increase of electrical energy. Thus, EBITDA would grow 17.6% to MXN\$798 million.

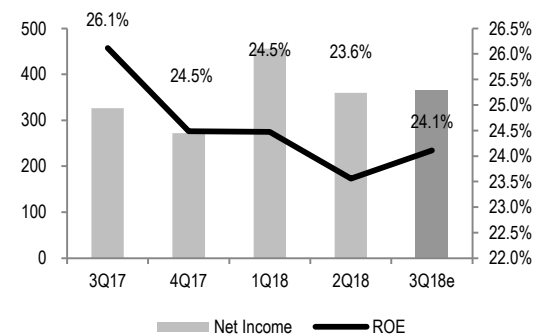
**Net profit is expected to expand 13.9% to MXN\$372 million,** by compensating a greater effective tax rate, operating growth and a lower net interest expense.

**Revenue & EBITDA Margin**

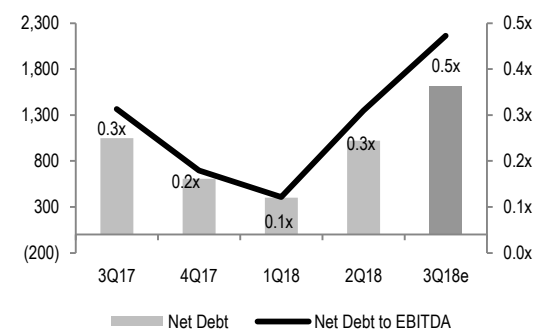
MXN, million


**Net Income & ROE**

MXN, million


**Net Debt & Net Debt to EBITDA**

MXN, million



**SORIANA B (Venta, PT2018 MXN\$35.50)**
*Valentín III Mendoza Balderas*
**SORIANA – Preview 3Q18**

MXN, million pesos

| Concept          | 3Q17   | 3Q18e  | Chg %  |
|------------------|--------|--------|--------|
| Revenue          | 38,745 | 38,423 | -0.8%  |
| Operating Income | 2,096  | 1,918  | -8.5%  |
| Ebitda           | 2,874  | 2,681  | -6.7%  |
| Net Income       | 981    | 875    | -10.8% |
| <b>Margins</b>   |        |        |        |
| Operating Margin | 5.4%   | 5.0%   | -0.4pp |
| EBITDA Margin    | 7.4%   | 7.0%   | -0.4pp |
| Net Margin       | 2.5%   | 2.3%   | -0.3pp |
| EPS              | \$0.54 | \$0.49 | -10.8% |

Source: Banorte

**Another weak quarter.** Soriana is expected to report 3Q18 earnings on Friday, October 19th, during the MSE trading session. We project another weak quarter, even despite the fact that the company's supply chain is finally normalized, given that the company's implemented strategies to recover market share have yet to mature.

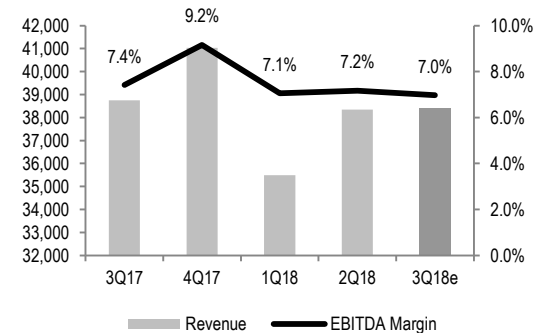
**Total sales will drop 0.8% yoy** Although we had expected Soriana's supply chain management system to finally become normalized towards the month of September, we estimate that intense summer season competition, especially from Walmex-will still weigh on the company's results and post addition market share losses. Thus, we expect SSS to cut back 0.7% year-to-date, while total sales are expected to drop 0.8% to MXN\$38.4 billion.

**Profitability downturn continues.** According to our forecast model, the company's EBITDA model could reduce 40bps yoy to 7.0% during the third quarter of the year. Such profitability pressure is explained by a lower operating leverage, in view of a LfL decrease, even despite a strict expense control. Considering the above, the company's EBITDA could fall 6.7% yoy, to stand at MXN\$2.6 billion.

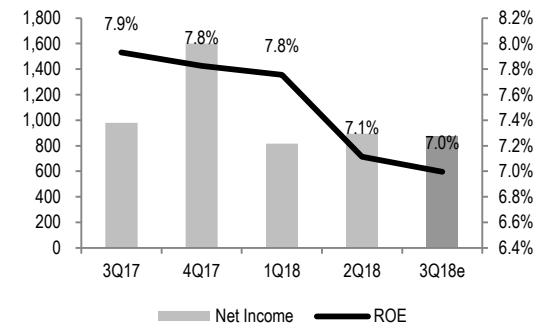
**Double-digit drop for net profit.** Resulting from an 8.5% yoy contraction in the company's operating profit and the loss of non-consolidated subsidiaries worth MXN\$83 million (related to Soriban and Sodimac operations), we forecast Soriana's net benefit to fall 10.8% yoy to MXN\$875 million, with which its net margin would fall 20bps yoy to 2.3%. Also, it is worth highlighting that the previously mentioned effects might offset the positive impact of a lower 6.4% net interest expense, as well as a lower effective tax rate.

**Revenue & EBITDA Margin**

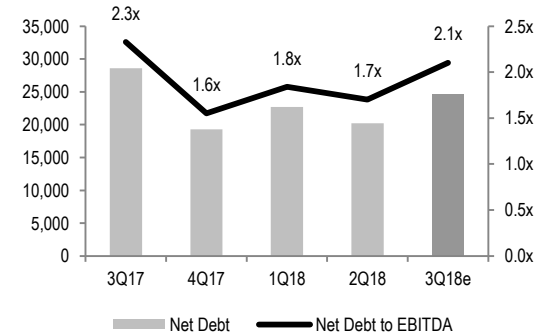
MXN, million


**Net Income & ROE**

MXN, million


**Net Debt & Net Debt to EBITDA**

MXN, million



**SPORT – Preview 3Q18**

MXN, million pesos

| Concept          | 3Q17   | 3Q18e  | Chg % |
|------------------|--------|--------|-------|
| Revenue          | 446    | 516    | 15.6% |
| Operating Income | 38     | 46     | 21.5% |
| Ebitda           | 85     | 99     | 16.2% |
| Net Income       | 18     | 21     | 19.6% |
| <b>Margins</b>   |        |        |       |
| Operating Margin | 8.6%   | 9.0%   | 0.4pp |
| EBITDA Margin    | 19.0%  | 19.1%  | 0.1pp |
| Net Margin       | 4.0%   | 4.1%   | 0.1pp |
| EPS              | \$0.22 | \$0.27 | 19.5% |

Source: Banorte

**A good quarter, in spite of a more moderated growth.** Sports World will report 3Q18 results next Wednesday, October 24th, after the close of the trading session. We expect another good quarter, with double-digit growth and better profitability, although sequentially slowing the rhythm.

**We expect a 12.8% growth in active users.** Even though during this quarter no new clubs were opened, over the last twelve months, the addition of 2 clubs should contribute to the growth. In this sense, we think these could add 8,552 users, while in the mature clubs, we expect a 2.5% yoy increase on the user's database and a 3.3% desertion rate (+10bps yoy). Thus, we estimate that the active users will reach a new record high, by totaling 93,552 by the end of 3Q18 (+12.8%).

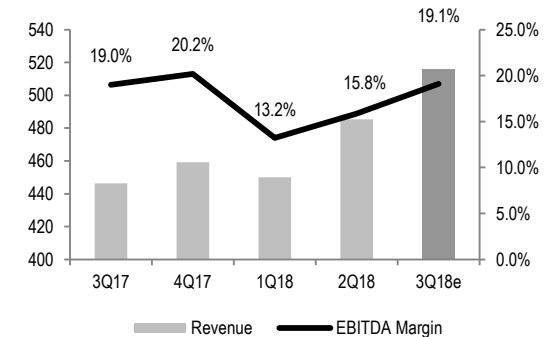
**The sales growth rhythm would sequentially slow down.** In accordance with our projection model, the company sales would grow 15.6% to MXN\$516m, facing an increase of 18.6% in revenue from membership and maintenance rates, while other revenue would improve 4.5% over the year-ago period.

**We forecast the EBITA margin will improve 10bps to 19.1%.** We project that SW's EBITDA will stand at MXN\$99 million, by growing 16.2% year-on-year, as a result of a better operational leverage and a strict control of expenses. These two effects should compensate the pre-operating expenses related to the 5 clubs that are under construction, as well as the 2 openings performed in 2Q18, translating into a 10bps margin EBITDA expansion to 19.1%.

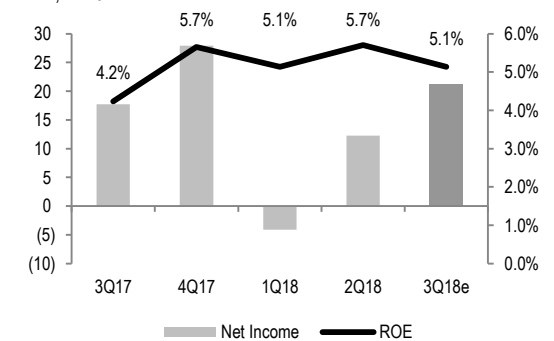
**Net profit would grow 19.6%.** We project the net benefit of SPORT to grow 19.6% yoy to MXN\$21 million, mainly given the solid advance at an operating level (+21.5%), which will offset a 13.6% increase in net interest expense and a higher effective tax rate (30%e vs the previous 26.1%).

**Revenue & EBITDA Margin**

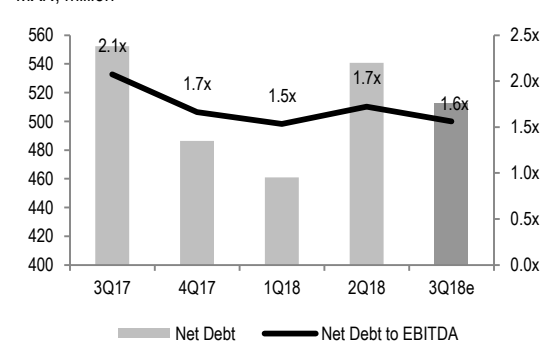
MXN, million


**Net Income & ROE**

MXN, million


**Net Debt & Net Debt to EBITDA**

MXN, million



**TLEVISA CPO (Buy, PT 2018 MXN\$81.00)**

*Manuel Jiménez Zaldivar*

**TLEVISA – Preview 3Q18**

MXN, million pesos

| Concept          | 3Q17   | 3Q18e  | Chg % |
|------------------|--------|--------|-------|
| Revenue          | 22,832 | 24,781 | 8.5%  |
| Operating Income | 3,678  | 4,668  | 26.9% |
| Ebitda           | 8,789  | 9,634  | 9.6%  |
| Net Income       | 1,159  | 1,768  | 52.6% |
| <b>Margins</b>   |        |        |       |
| Operating Margin | 16.1%  | 18.8%  | 2.7pp |
| EBITDA Margin    | 38.5%  | 38.9%  | 0.4pp |
| Net Margin       | 5.1%   | 7.1%   | 2.1pp |
| EPS              | \$0.39 | \$0.61 | 54.5% |

Source: Banorte

**We expect a good quarterly report with extraordinary revenue and moderate margin expansion.** We estimate that during the third quarter of 2018, Grupo Televisa’s earnings will include extraordinary revenue due to the licensing rights to broadcast the World Cup and expenses related to the electoral process. On the other hand, we expect low expansion in advertising revenue, which will be offset by greater channel and license sales. The company’s profitability could improve by reporting extraordinary revenue and by the increase of royalties from Univision.

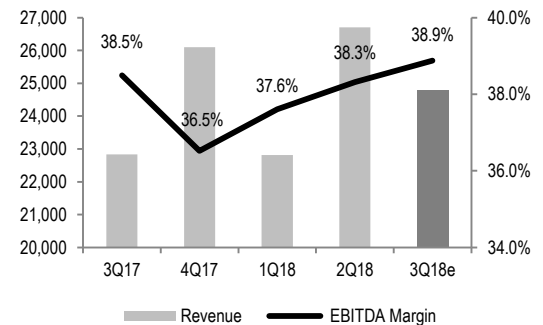
**Content Segment to present improvement in sales.** During this quarter, we estimate consolidated revenue for an amount totaling MXN\$24.7 billion +8.5% YoY. Breaking it down by business segment, we expect the following variations: +18.2% from Contents, +1.8% from SKY, +6.7% from Cable and -7.1% from Others. Within the Content Segment, we estimate a growth of 1.5% in advertising sales, +90% from the sale of Channels which includes MXN\$595 million from the sale of the above-mentioned licenses. For SKY, we expect a 1% reduction in the business’s subscription base, as for Cable, we project a 9.8% growth of Revenue-Generating-Units.

**We estimate a 40bp expansion in EBITDA margin and lower financial spending.** The company could report MXN\$9.6 billion in EBITDA, up 9.6% YoY and 38.9% in profitability. In the Content business, we expect a 39% margin (+30pb) from profit produced from the sale related to World Cup broadcasting rights and the royalty change from Univision. As for SKY, we anticipate a 160bp pressure on profitability from expenses associated with the World Cup, while for Cable, profitability could grow 20bp due to economies of scale and control of costs.

EBITDA increase, coupled with lower financial spending (-16.7% vs 3Q17), which include a MXN\$692 million Forex gain will drive the company’s MXN\$692 million net profit , up +52.6% YoY.

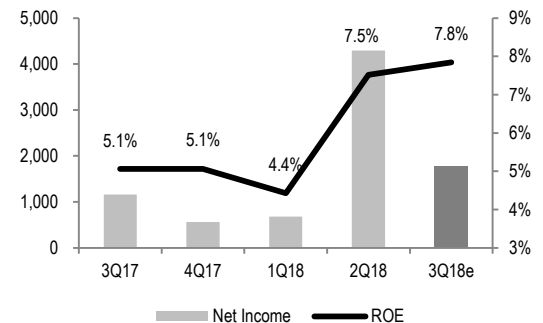
**Revenue & EBITDA Margin**

MXN, million



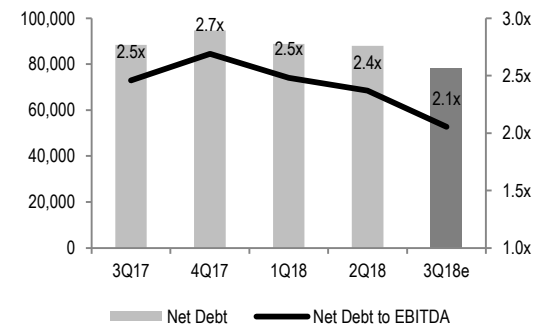
**Net Income & ROE**

MXN, million



**Net Debt & Net Debt to EBITDA**

MXN, million / veces



**VOLAR A (Venta, PT 2018 P\$12.50)**
**VOLAR – Preview 3Q18**

MXN, million pesos

| Concept          | 3Q17   | 3Q18e   | Chg %   |
|------------------|--------|---------|---------|
| Revenue          | 6,582  | 7,545   | 14.6%   |
| Operating Income | 634    | 259     | -59.1%  |
| Ebitda           | 2,168  | 1,909   | -12.0%  |
| Net Income       | 731    | -81     | N.A.    |
| <b>Margins</b>   |        |         |         |
| Operating Margin | 9.6%   | 3.4%    | -6.2pp  |
| EBITDA Margin    | 32.9%  | 25.3%   | -7.6pp  |
| Net Margin       | 11.1%  | -1.1%   | -12.2pp |
| EPS              | \$0.72 | -\$0.08 | N.A.    |

Source: Banorte / Ebitdar = Ebitda + renta de equiPT de vuelo.

**Mixed numbers for 3Q18.** We expect Volar to report mixed numbers during the third quarter with a 14.6% YoY growth on sales and a 12.0% EBITDAR decline. The company will report losses in net profit, mainly due to Forex losses.

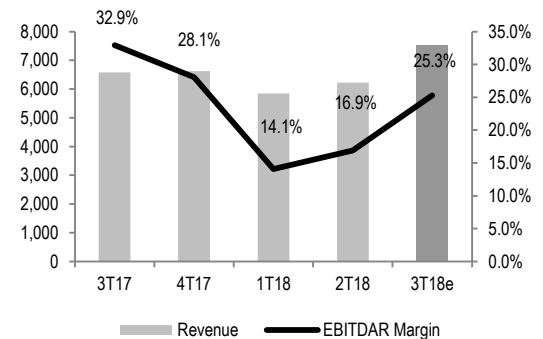
**Good 12.2% YoY growth in total passengers. An increase in capacity higher than that of demand, thus reducing the occupation factor.** In 3Q18, Volar presented a solid 12.2% increase in total passengers, comprised by a 14.6% increase in domestic and a 3.1% rise in international passengers. The company expanded its total capacity, measured in terms of Available Seat Miles (ASMs), by 13.5% and total demand, measured in terms of Revenue Passenger Mile (RPMs), rose 9.9%. Thus, the occupation factor stood at 83.5% (-2.7pp vs. 3Q17). We foresee a slight improvement on the average fare YoY, and therefore, expect TRASM to undergo a 1.0% increase, RASM to fall 0.7% and RPM (yield), to grow 2.6%.

**Profitability YoY drops.** We expect the airline to report YoY decreases of 59.1% and 49.4% in operating profit and EBITDA, standing at MXN\$259 million and MXN\$397 million, respectively. Conversely, we anticipate a 12.0% EBITDAR reduction, closing at MXN\$1.9 billion. With the latter, the EBITDAR margin would fall 7.6pp, to stand at 25.3%. This is a result, mainly, of the higher cost of fuel. We expect CASM operating expenses, excluding fuel, to fall 3%

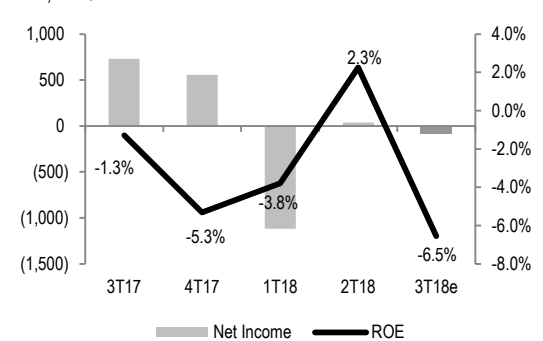
**We project a net loss of MXN\$81 million (vs MXN\$731 million profit in 3Q17),** mainly due to forex losses.

**Revenue & EBITDA MarginR**

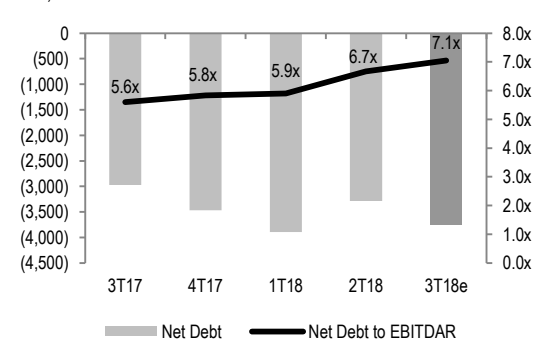
MXN, million


**Net Income & ROE**

MXN, million


**Deuda Neta / Deuda Neta Ajustada a EBITDAR**

MXN, million



Deuda Neta Ajustada = Deuda Neta + (renta de equiPT de vuelo) \* 7

**WALMEX – Preview 3Q18**

MXN, million pesos

| Concept          | 3Q17    | 3Q18e   | Chg %  |
|------------------|---------|---------|--------|
| Revenue          | 136,792 | 147,761 | 8.0%   |
| Operating Income | 10,470  | 11,717  | 11.9%  |
| Ebitda           | 13,346  | 14,472  | 8.4%   |
| Net Income       | 8,677   | 8,309   | -4.2%  |
| <b>Margins</b>   |         |         |        |
| Operating Margin | 7.7%    | 7.9%    | 0.3pp  |
| EBITDA Margin    | 9.8%    | 9.8%    | 0.0pp  |
| Net Margin       | 6.3%    | 5.6%    | -0.7pp |
| EPS              | \$0.50  | \$0.48  | -4.2%  |

Source: Banorte

**In spite of greater investments, profitability levels remain.**

Walmex will report 3Q18 earnings next Thursday, October 18th, after the close of the trading session. We expect another good quarter, in which, in spite of more investments, profitability will remain flat.

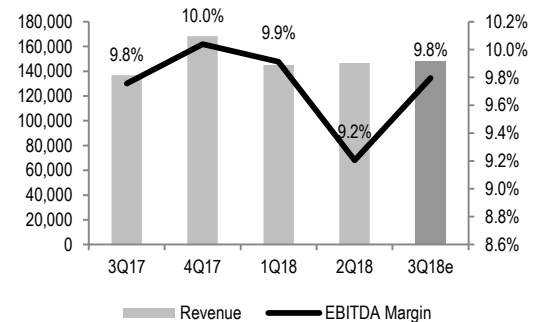
**Solid income growth.** During the third quarter of the year, the company reported solid growth numbers in sales, leveraged on its successful commercial strategy. Accordingly, we expect consolidated revenues to grow 8.0% yoy, to stand at MXN\$147.7 billion, underpinned on a 6.1% increase of consolidated SSS. By region, we expect total sales in Mexico to advance 7.7%, fostered by a 6.5% LfL and a 2.1% sales floor increase. On the other hand, in Central America, the 9.5% growth in sales would contribute to the consolidated indicator.

**We expect the EBITDA margin to keep stable at 9.8%.** We consider that, as in the past quarter, the company, regardless of having performed investments in the development of the electronic channel and the opening of new units, its EBITDA margin could remain flat at 9.8%. This way, EBITDA would grow 8.4% to MXN\$14.4 billion in 3Q18.

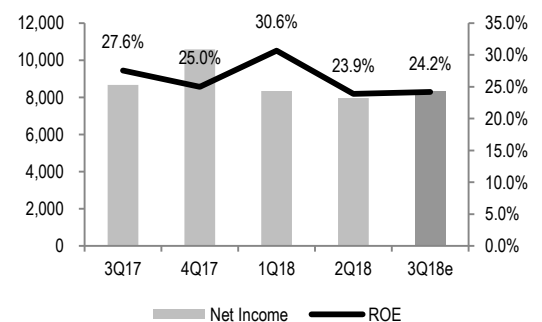
**In the absence of income from discontinuous operations, the company's net result would contract by 4.2% yoy.** We estimate that the company's net benefit could close at MXN\$8.3 billion, with which the indicator would drop 4.2% year-to-date. Such decrease would be explained mainly by the absence of income from discontinuous operations, after the company had registered, in 3Q17, the last benefit under this concept (MXN\$674 million), following the sale of Suburbia to Liverpool. However, net profit of continuous operations would grow to 3.8% yoy. Thus, the company's net margin would contract 70bps to 5.6% and with EPS of MXN\$0.48.

**Revenue & EBITDA Margin**

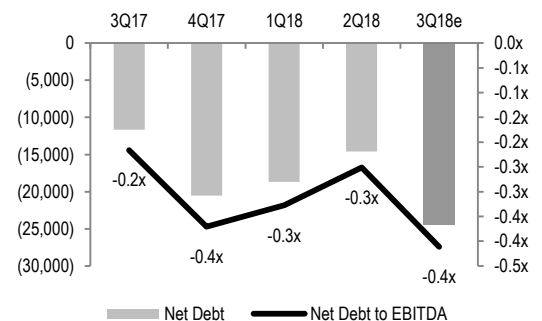
MXN, million


**Net Income & ROE**

MXN, million


**Net Debt & Net Debt to EBITDA**

MXN, million



## Certification of Analysts.

We, Gabriel Casillas Olvera, Delia Maria Paredes Mier, Alejandro Padilla Santana, Manuel Jiménez Zaldívar, Tania Abdul Massih Jacobo, Katia Celina Goya Ostos, Juan Carlos Alderete Macal, Víctor Hugo Cortes Castro, Marissa Garza Ostos, Miguel Alejandro Calvo Domínguez, Hugo Armando Gómez Solís, Gerardo Daniel Valle Trujillo, José Itzamna Espitia Hernández, Valentín III Mendoza Balderas, Santiago Leal Singer, Francisco José Flores Serrano, Francisco Duarte Alcocer and Leslie Thalia Orozco Vélez, 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.

## Last-twelve-month activities of the business areas.

*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.

None of the members of the Board of Grupo Financiero Banorte and Casa de Bolsa Banorte, along general managers and executives of an immediately below level, have any charges in the issuers that may be analyzed in this document.

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>  | <i>When the share expected performance is greater than the MEXBOL estimated performance.</i> |
| <b>HOLD</b> | <i>When the share expected performance is similar to the MEXBOL estimated performance.</i>   |
| <b>SELL</b> | <i>When the share expected performance is lower than the MEXBOL estimated performance.</i>   |

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.

***The information contained hereby has been obtained from sources that we consider to be reliable, but we make no representation as to its accuracy or completeness. The information, estimations and recommendations included in this document are valid as of the issue date, but are subject to modifications and changes without prior notice; Grupo Financiero Banorte S.A.B. of C.V. does not commit to communicate the changes and also to keep the content of this document updated. Grupo Financiero Banorte S.A.B. of C.V. takes no responsibility for any loss arising from the use of this report or its content. This document may not be photocopied, quoted, disclosed, used, or reproduced in whole or in part without prior written authorization from Grupo Financiero Banorte S.A.B. of C.V.***

### Research and Strategy

|                         |                                      |                              |                  |
|-------------------------|--------------------------------------|------------------------------|------------------|
| Gabriel Casillas Olvera | Chief Economist and Head of Research | gabriel.casillas@banorte.com | (55) 4433 - 4695 |
| Raquel Vázquez Godínez  | Assistant                            | raquel.vazquez@banorte.com   | (55) 1670 - 2967 |

### Economic Analysis

|                                  |   |                                      |                         |
|----------------------------------|---|--------------------------------------|-------------------------|
| Delia María Paredes Mier         | Executive Director of Economic Analysis | delia.paredes@banorte.com            | (55) 5268 - 1694        |
| Katia Celina Goya Ostos          | Senior, Global Economist                | katia.goya@banorte.com               | (55) 1670 - 1821        |
| Juan Carlos Alderete Macal, CFA  | Senior Economist, Mexico                | juan.alderete.macal@banorte.com      | (55) 1103 - 4046        |
| Miguel Alejandro Calvo Domínguez | Economist, Regional                     | miguel.calvo@banorte.com             | (55) 1670 - 2220        |
| Francisco José Flores Serrano    | Economist, Mexico                       | francisco.flores.serrano@banorte.com | (55) 1670 - 2957        |
| Lourdes Calvo Fernández          | Analyst (Edition)                       | lourdes.calvo@banorte.com            | (55) 1103 - 4000 x 2611 |

### Fixed income and FX Strategy

|                            |                                       |                                 |                  |
|----------------------------|---------------------------------------|---------------------------------|------------------|
| Alejandro Padilla Santana  | Head Strategist – Fixed income and FX | alejandro.padilla@banorte.com   | (55) 1103 - 4043 |
| Santiago Leal Singer       | FX Senior Strategist                  | santiago.leal@banorte.com       | (55) 1670 - 2144 |
| Leslie Thalía Orozco Vélez | Fixed Income and FX Strategist        | leslie.orozco.velez@banorte.com | (55) 1670 - 1698 |

### Equity Strategy

|                                |  |                                      |                  |
|--------------------------------|--|--------------------------------------|------------------|
| Manuel Jiménez Zaldivar        | Director Equity Research – Telecommunications / Media                        | manuel.jimenez@banorte.com           | (55) 5268 - 1671 |
| Victor Hugo Cortes Castro      | Technical Analysis   | victorh.cortes@banorte.com           | (55) 1670 - 1800 |
| Marissa Garza Ostos            | Equity Research – Conglomerates / Financials / Mining / Petrochemicals       | marissa.garza@banorte.com            | (55) 1670 - 1719 |
| José Itzamna Espitia Hernández | Equity Research – Airlines / Airports / Cement / Infrastructure / REITs      | jose.espitia@banorte.com             | (55) 1670 - 2249 |
| Valentín III Mendoza Balderas  | Equity Research – Auto Parts / Consumer Discretionary / Real Estate / Retail | valentin.mendoza@banorte.com         | (55) 1670 - 2250 |
| Francisco Duarte Alcocer       | Analyst  | francisco.duarte.alcocer@banorte.com | (55) 1670 - 2707 |
| Itzel Martínez Rojas           | Analyst  | itzel.martinez.rojas@banorte.com     | (55) 1670 - 2251 |

### Corporate Debt

|                               |                         |                                    |                  |
|-------------------------------|-------------------------|------------------------------------|------------------|
| Tania Abdul Massih Jacobo     | Director Corporate Debt | tania.abdul@banorte.com            | (55) 5268 - 1672 |
| Hugo Armando Gómez Solís      | Senior, Corporate Debt  | hugo.gomez@banorte.com             | (55) 1670 - 2247 |
| Gerardo Daniel Valle Trujillo | Analyst, Corporate Debt | gerardo.valle.trujillo@banorte.com | (55) 1670 - 2248 |

### Wholesale Banking

|                                |  |  |                  |
|--------------------------------|--|--|------------------|
| Armando Rodal Espinosa         | Head of Wholesale Banking                            | armando.rodal@banorte.com              | (55) 1670 - 1889 |
| Alejandro Eric Faesi Puente    | Head of Global Markets and Institutional Sales       | alejandro.faesi@banorte.com            | (55) 5268 - 1640 |
| Alejandro Aguilar Ceballos     | Head of Asset Management                             | alejandro.aguilar.cebillos@banorte.com | (55) 5268 - 9996 |
| Arturo Monroy Ballesteros      | Head of Investment Banking and Structured Finance    | arturo.monroy.ballesteros@banorte.com  | (55) 5004 - 1002 |
| Gerardo Zamora Nanez           | Head of Transactional Banking, Leasing and Factoring | gerardo.zamora@banorte.com             | (81) 8318 - 5071 |
| Jorge de la Vega Grajales      | Head of Government Banking                           | jorge.delavega@banorte.com             | (55) 5004 - 5121 |
| Luis Pietrini Sheridan         | Head of Private Banking                              | luis.pietrini@banorte.com              | (55) 5004 - 1453 |
| René Gerardo Pimentel Ibarrola | Head of Asset Management                             | pimentelr@banorte.com                  | (55) 5268 - 9004 |
| Ricardo Velázquez Rodríguez    | Head of International Banking                        | rvelazquez@banorte.com                 | (55) 5004 - 5279 |
| Victor Antonio Roldan Ferrer   | Head of Corporate Banking                            | victor.rolan.ferrer@banorte.com        | (55) 5004 - 1454 |