

GMXT

Quarterly Report

October 25, 2021

Higher profitability, dividends and financial strength

- **A positive quarter, in line with our expectations, supported by the economic and volume recovery, while the company continues to focus on greater efficiencies**
- **GMXT declared a higher-than-expected dividend and confirmed important investments in 2022. The report should be well received, given the expectation of sustained growth and financial strength**

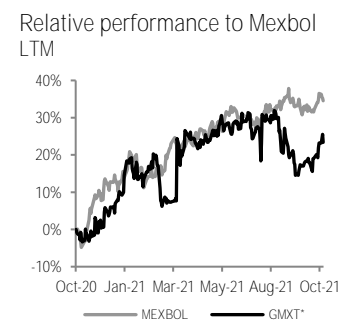
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Quarter underpinned by a favorable performance in virtually all segments. GMXT posted a 3Q21 of solid growth, in line with our estimates. This was the result of the resumption of activities and greater economic dynamism. As a result, the company's sales increased 10.4% y/y to MXN 13.112 billion (+1.5% y/y), due to a 14.3% y/y rise in net ton-kilometer transported volume, offset by a 2.1% y/y decrease in average prices. Almost all business segments showed growth, except for Automotive (-2% y/y), impacted by the semiconductor shortage that has affected volumes. The largest increases were mainly in the Metals segment (+62%), supported by the recovery in both import and domestic traffic, followed by Cement (+14%), as a result of the increase in US construction volumes, as well as Industrial (+13%) and Agricultural (+12%). The above, together with better productivity indicators, boosted EBITDA by 11.5% y/y to MXN 5.873 billion (similar to the previous quarter), bringing the EBITDA margin to 44.8% (+0.5pp). Net income increased 28.8% to MXN 1.963 billion, due to higher operating income and lower FX losses. **Favorable outlook confirmed.** The company will continue to focus on achieving efficiencies, where it now foresees investments of \$450 million in 2022 (+20% vs. 2021). Again, it highlights the healthy financial situation (FV/EBITDA 1.3x) which supported a higher dividend of MXN 0.50 per share (yield 1.6%) to be paid in November 26th. Meanwhile, valuation remains attractive with a FV/EBITDA of 7.7x vs. 7.9x prior to the report.

BUY	
Current Price	\$32.03
PT	\$36.30
Dividend 2021	\$0.50
Dividend Yield (%)	1.6%
Upside Potential	14.9%
Max – Min LTM (\$)	34.65-24.51
Market Cap (US\$m)	6,562.1
Shares Outstanding (m)	4,100.6
Float	14.0%
Daily Turnover US\$m	12.2
Valuation metrics LTM	
FV/EBITDA	7.7x
P/E	18.6x
MSCI ESG Rating*	N.A.



Financial Statements	2019	2020	2021E	2022E
Revenue	47,633	46,106	50,146	54,281
Operating Income	13,635	13,104	15,701	17,957
EBITDA	21,117	20,143	22,586	25,056
EBITDA Margin	44.3%	43.7%	45.0%	46.2%
Net Income	6,038	7,727	7,463	8,554
Net Margin	12.7%	16.8%	14.9%	15.8%
Total Assets	110,812	112,661	116,168	120,115
Cash	3,837	4,177	8,244	7,187
Total Liabilities	51,868	51,932	52,023	50,921
Debt	34,565	34,303	37,065	37,065
Common Equity	58,944	60,730	64,145	69,194

Source: Banorte

Valuation and Financial metrics	2019	2020	2021E	2022E
FV/EBITDA	8.1x	8.4x	7.5x	6.9x
P/E	21.8x	22.2x	17.6x	15.4x
P/BV	2.6x	2.5x	2.4x	2.3x
ROE	12.0%	11.3%	13.8%	15.0%
ROA	5.4%	6.9%	6.4%	7.1%
EBITDA/ interest	8.4x	8.7x	9.9x	11.2x
Net Debt/EBITDA	1.5x	1.5x	1.3x	1.2x
Debt/Equity	0.6x	0.6x	0.6x	0.5x

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GMXT – Results 3Q21

MXN, million

Concept	3Q20	3Q21	Var %	3Q21e	Diff% vs Estim.
Revenue	11,882	13,112	10.4%	12,996	0.9%
Operating Income	3,552	4,131	16.3%	4,170	-0.9%
Ebitda	5,268	5,873	11.5%	5,794	1.4%
Net Income	1,523	1,963	28.8%	2,033	-3.4%
Margins					
Operating Margin	29.9%	31.5%	1.6pp	32.1%	-0.6pp
Ebitda Margin	44.3%	44.8%	0.5pp	44.6%	0.2pp
Net Margin	12.8%	15.0%	2.1pp	15.6%	-0.7pp
EPS	\$0.37	\$0.48	28.8%	\$0.50	-3.4%

Income Statement (Million pesos)

Year	2020	2021	2021	Change	Change
Quarter	3	2	3	% y/y	% q/q
Net Revenue	11,882.2	12,913.3	13,112.5	10.4%	1.5%
Costs of goods sold	5,941.7	6,398.2	6,574.1	10.6%	2.7%
Gross profit	5,940.5	6,515.1	6,538.3	10.1%	0.4%
General expenses	2,388.9	2,385.4	2,407.1	0.8%	0.9%
Operating Income	3,551.5	4,129.8	4,131.3	16.3%	0.0%
Operating Margin	29.9%	32.0%	31.5%	1.6pp	(0.5pp)
Depreciation	1,716.0	1,745.0	1,742.0	1.5%	-0.2%
EBITDA	5,268.0	5,875.0	5,873.0	11.5%	0.0%
EBITDA Margin	44.3%	45.5%	44.8%	0.5pp	(0.7pp)
Interest Income (Expense) net	(658.0)	(461.4)	(604.6)	-8.1%	31.0%
Interest expense	613.6	604.2	637.0	3.8%	5.4%
Interest income	16.8	36.8	55.9	231.9%	51.7%
Other income (expense)					
Foreign exchange gain (loss)	(61.2)	105.9	(23.5)	-61.6%	N.A.
Unconsolidated subsidiaries	(19.7)	8.8	5.4	N.A.	-38.9%
Income before taxes	2,873.9	3,677.1	3,532.0	22.9%	-3.9%
Income taxes	905.9	1,054.3	1,053.0	16.2%	-0.1%
Discontinued operations					
Consolidated Net Income	1,968.0	2,622.8	2,479.0	26.0%	-5.5%
Non-controlling interest	444.7	559.1	516.4	16.1%	-7.6%
Net Income	1,523.2	2,063.7	1,962.6	28.8%	-4.9%
Net Margin	12.8%	16.0%	15.0%	2.1pp	(1.0pp)
EPS	0.371	0.503	0.479	28.8%	-4.9%

Balance Sheet (Million pesos)

Total Current Assets	13,977.7	17,774.6	18,043.0	29.1%	1.5%
Cash & Short Term Investments	3,880.9	8,100.4	8,570.7	120.8%	5.8%
Long Term Assets	105,544.4	99,129.2	100,431.3	-4.8%	1.3%
Property, Plant & Equipment (Net)	92,862.4	87,800.4	89,107.0	-4.0%	1.5%
Intangible Assets (Net)	1,387.7	1,319.9	1,297.6	-6.5%	-1.7%
Total Assets	119,522.1	116,903.8	118,474.3	-0.9%	1.3%
Current Liabilities	10,349.4	8,272.6	9,633.5	-6.9%	16.5%
Short Term Debt	3,654.6	1,680.3	3,304.7	-9.6%	96.7%
Accounts Payable	4,956.9	5,209.4	4,306.8	-13.1%	-17.3%
Long Term Liabilities	43,707.6	46,871.6	45,626.4	4.4%	-2.7%
Long Term Debt	31,338.0	35,384.5	33,740.5	7.7%	-4.6%
Total Liabilities	54,057.0	55,144.1	55,259.9	2.2%	0.2%
Stockholders' Equity	65,465.1	61,759.7	63,214.4	-3.4%	2.4%
Non-controlling interest	8,253.0	8,763.9	8,706.2	5.5%	-0.7%
Total Equity	57,212.1	52,995.8	54,508.2	-4.7%	2.9%
Liabilities & Equity	119,522.1	116,903.8	118,474.3	-0.9%	1.3%
Net Debt	31,111.8	28,964.4	28,474.5	-8.5%	-1.7%

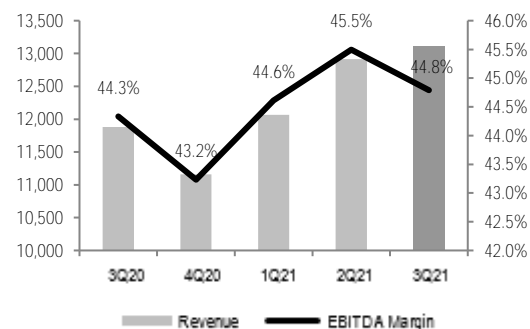
Cash Flow

CF from Operating Activities	14,771.4	10,546.7	16,127.5
CF from Investing Activities	(3,449.8)	(2,983.2)	(4,407.7)
CF from Financing Activities	(9,496.6)	(2,106.9)	(5,108.7)
FX effect on cash	44.3	3,923.3	4,393.6
Change in Cash Balance	14,771.4	10,546.7	16,127.5

Source: Banorte, MSE.

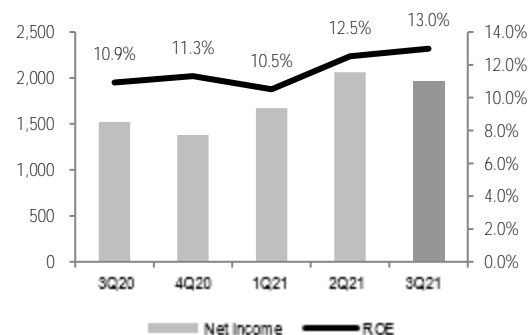
Revenue & EBITDA Margin

MXN, million



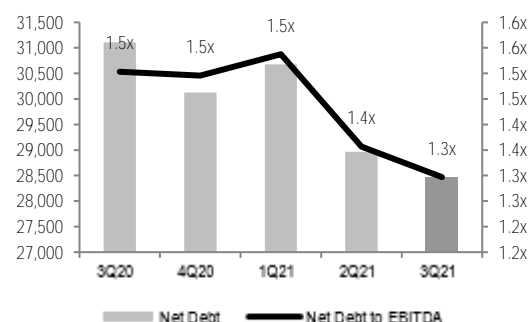
Net Income & ROE

MXN, million



Net Debt & Net Debt to EBITDA ratio

MXN, million



Operating Information by business segment

Millions of pesos

SEGMENT	REVENUE			NET TONS			CARLOADS		
	3Q20	3Q21	Var %	3Q20	3Q21	Var %	3Q20	3Q21	Var %
Agricultural	3,381	3,777	12%	6,076	7,070	16%	74,359	80,804	9%
Intermodal	1,605	1,779	11%	1,604	1,851	15%	175,573	189,281	8%
Minerals	1,362	1,514	11%	2,581	2,819	9%	47,701	54,874	15%
Automotive	1,037	1,021	-2%	557	467	-16%	33,265	31,111	-6%
Energy	969	1,041	7%	1,218	1,232	1%	19,210	23,122	20%
Chemicals	1003	1074	7%	1,260	1,424	13%	20,169	20,689	3%
Industrials	888	1001	13%	523	717	37%	31,138	33,876	9%
Metals	470	762	62%	991	1,445	46%	16,273	24,564	51%
Cement	513	587	14%	927	957	3%	26,685	27,194	2%
Other	655	556	-15%						
TOTAL	11,882	13,112	10.4%	15,737	17,981	14.3%	444,373	485,515	9.3%

Source: GMXT

Certification of Analysts.

We, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Francisco José Flores Serrano, Katia Celina Goya Ostos, Santiago Leal Singer, José Itzamna Espitia Hernández, Alik Daniel García Álvarez, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez, Gerardo Daniel Valle Trujillo and Juan Barbier Arizmendi, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V for the provision of our services.

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	Reference
BUY	When the share expected performance is greater than the MEXBOL estimated performance.
HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
SELL	When the share expected performance is lower than the MEXBOL estimated performance.

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History of PT and ratings

Stock	Date	Rating	PT
GMXT	07/01/2021	Buy	\$36.30
GMXT	07/12/2019	Buy	\$35.50
GMXT	09/01 2019	Buy	\$31.70
GMXT	28/09/2018	Buy	\$37.00

MSCI ESG Rating scale

CCC	B	BB	BBB	A	AA	AAA
LAGGARD			AVERAGE		LEADER	

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

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