

Mexico's Resilient 3Q20 Results

November 6, 2020

Mexico's third quarter results showed once again the divisive impact on different sectors of the COVID-19 lockdown measures and economic recession. Some sectors (food, supermarkets, telcos, cement) did well; and others (department stores, transportation, financials) did poorly. Nonetheless, contrary to some of the more pessimistic expectations, overall sales grew by 3% and EBITDA by 6%, reflecting large weight of defensive companies (Walmex, AMX, GMexico, Peñoles, Cemex) in the sample, and international exposure of Mexican big caps.

On a sector perspective, mining did the best, with sales up 16% YoY, EBITDA up 44%, and net earnings up 158%. Silver and copper prices rallied strongly, helping Peñoles and GMexico. Next came, somewhat surprisingly, cement and construction, driven entirely by CEMEX's strong rebound. Its sales bounced by 15% and EBITDA by 25% YOY, helped by infrastructure spending increases in the USA. Supermarket retailers performed steadily, although less strongly than in 2Q. And telco providers, led by AMX, did well, as the economy continued to digitalize. Consumer goods and beverage companies were able to improve margins as costs came down, and posted double digit EBITDA growth. The industrial and conglomerate sector also recovered as trade re-opened, with EBITDA up 13%, driven by good numbers at Alfa and its subsidiaries.

On the negative side, department & specialized stores and restaurants, which were mostly closed in the early part of the quarter, got crushed, with EBITDA down 77% YoY. Housing saw EBITDA fall by 34% YoY, as much construction stalled. Airports and airlines suffered badly, with EBITDA down 86% year on year. Banks saw net earnings decline by 19%, as NIMs got squeezed by lower interest rates and provisions for non-performing loans climbed.

In short, Mexico as a whole did reasonably well, considering the collapse in GDP and closure of much of the economy in the first part of the quarter. This can be explained by resilience of the large cap companies (AMX, Walmex, GMexico, Peñoles) and smaller size of many of the most troubled companies (airlines, department stores, etc). With the economy now open, and financial variables mostly stable (peso, interest rates, etc.), we should expect improvement in the fourth quarter. **Damian Fraser.**

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| MXN Mn | Sales | | | EBITDA | | | Net profit | | |
|--|----------------|----------------|------------|----------------|---------------|------------|---------------|---------------|-------------|
| | 3Q20 | 3Q19 | Change | 3Q20 | 3Q19 | Change | 3Q20 | 3Q19 | Change |
| Mining / Metals | | | | | | | | | |
| Gmexico | 62,572 | 54,767 | 14% | 32,964 | 24,471 | 35% | 18,173 | 6,621 | 174% |
| Peñoles | 27,202 | 21,635 | 26% | 10,298 | 5,277 | 95% | 413 | 376 | 10% |
| Autlan | 1,752 | 2,250 | -22% | 397 | 504 | -21% | 238 | 126 | n.a. |
| Sector Total | 91,525 | 78,652 | 16% | 43,658 | 30,253 | 44% | 18,348 | 7,123 | 158% |
| Cement, Construction & Infrastructure | | | | | | | | | |
| Cemex | 75,864 | 66,197 | 15% | 16,074 | 12,840 | 25% | 33,892 | 3,666 | n.a. |
| GCC | 6,206 | 5,914 | 5% | 2,206 | 1,890 | 17% | 1,161 | 957 | 21% |
| Cmoctez | 3,755 | 3,175 | 18% | 1,747 | 1,261 | 39% | 1,116 | 784 | 42% |
| Aleatica | 7,083 | 6,069 | 17% | 6,508 | 4,734 | 37% | 3,122 | 2,185 | 43% |
| Pinfra | 2,423 | 2,943 | -18% | 1,389 | 1,817 | -24% | 576 | 1,314 | -56% |
| Sector Total | 95,331 | 84,299 | 13% | 27,923 | 22,540 | 24% | 27,917 | 8,904 | n.a. |
| Food | | | | | | | | | |
| Bimbo | 85,800 | 74,851 | 15% | 12,110 | 10,270 | 18% | 3,579 | 1,930 | 85% |
| Lala | 20,725 | 18,984 | 9% | 2,045 | 2,306 | -11% | 455 | 641 | -29% |
| Gruma | 23,473 | 20,053 | 17% | 3,954 | 3,299 | 20% | 1,645 | 1,304 | 26% |
| Bachoco | 18,292 | 15,313 | 19% | 1,828 | 1,506 | 21% | 858 | 1,113 | -23% |
| Herdez | 5,817 | 5,569 | 4% | 872 | 978 | -11% | 383 | 461 | -17% |
| Sector Total | 154,107 | 134,770 | 14% | 20,809 | 18,359 | 13% | 6,920 | 5,449 | 27% |
| Consumer Goods | | | | | | | | | |
| Kimber | 11,097 | 10,400 | 7% | 2,845 | 2,639 | 8% | 1,348 | 1,238 | 9% |
| Lab | 3,428 | 3,077 | 11% | 769 | 617 | 25% | 409 | 233 | 75% |
| Sector Total | 14,525 | 13,477 | 8% | 3,614 | 3,256 | 11% | 1,757 | 1,471 | 19% |
| Conglomerates, Industrials | | | | | | | | | |
| Alfa | 67,571 | 65,142 | 4% | 9,826 | 7,939 | 24% | 3,766 | 1,166 | 223% |
| Alpek | 29,310 | 29,560 | -1% | 3,958 | 3,771 | 5% | 1,436 | 976 | 47% |
| Nemak | 19,767 | 18,700 | 6% | 3,915 | 2,703 | 45% | 1,976 | 29 | n.a. |
| Orbia | 36,188 | 34,245 | 6% | 7,993 | 7,469 | 7% | 1,634 | 1,490 | 10% |
| GCarso A1 | 24,738 | 25,778 | -4% | 3,045 | 3,936 | -23% | 2,723 | 2,167 | 26% |
| Ienova | 7,710 | 6,961 | 11% | 6,074 | 4,532 | 34% | 3,244 | 2,172 | 49% |
| Cydsa | 2,856 | 2,764 | 3% | 656 | 724 | -9% | 45 | 270 | n.a. |
| Kuo | 11,842 | 10,845 | 9% | 1,419 | 1,410 | 1% | 625 | 1 | n.a. |
| Gissa | 4,526 | 4,234 | 7% | 839 | 647 | 30% | 243 | 118 | 106% |
| Vitro | 10,510 | 10,860 | -3% | 1,700 | 1,823 | -7% | 309 | 784 | -61% |
| Ich | 10,523 | 9,060 | 16% | 2,010 | 1,310 | 53% | 1,050 | 929 | 13% |
| Simec | 9,643 | 8,328 | 16% | 1,891 | 1,169 | 62% | 1,003 | 817 | 23% |
| Sector Total | 176,463 | 169,889 | 4% | 33,562 | 29,789 | 13% | 13,549 | 9,094 | 49% |
| Self-Service | | | | | | | | | |
| Walmex | 165,386 | 155,019 | 7% | 18,257 | 17,677 | 3% | 9,172 | 9,251 | -1% |
| Chedraui | 35,412 | 31,901 | 11% | 2,677 | 2,220 | 21% | 640 | 301 | 113% |
| Lacomer | 6,883 | 5,518 | 25% | 668 | 488 | 37% | 352 | 230 | 53% |
| Soriana | 37,699 | 39,463 | -4% | 2,616 | 2,722 | -4% | 568 | 538 | 6% |
| Sector Total | 245,380 | 231,901 | 6% | 24,218 | 23,107 | 5% | 10,732 | 10,320 | 4% |
| Telecommunications & Media | | | | | | | | | |
| América Móvil | 260,172 | 248,475 | 5% | 86,460 | 78,509 | 10% | 18,861 | 13,043 | 45% |
| Axtel | 3,095 | 3,167 | -2% | 1,078 | 1,111 | -3% | 174 | 351 | n.a. |
| Televisa | 23,943 | 25,786 | -7% | 10,139 | 10,306 | -2% | 3,640 | 1,159 | 214% |
| Azteca | 2,494 | 2,913 | -14% | 358 | 464 | -23% | 77 | 194 | n.a. |
| Megacable | 5,621 | 5,405 | 4% | 2,782 | 2,483 | 12% | 1,071 | 994 | 8% |
| Sector Total | 295,325 | 285,746 | 3% | 100,817 | 92,873 | 9% | 23,320 | 15,039 | 55% |

Source: Companies; n.a.: not available

Positive Neutral Negative

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| MXN Mn | Sales | | | EBITDA | | | Net profit | | |
|--|------------------|------------------|-------------|----------------|----------------|-------------|---------------|---------------|-------------|
| | 3Q20 | 3Q19 | Change | 3Q20 | 3Q19 | Change | 3Q20 | 3Q19 | Change |
| Beverages | | | | | | | | | |
| AC | 44,811 | 42,415 | 6% | 8,642 | 8,024 | 8% | 2,744 | 2,733 | 0% |
| KOF | 46,734 | 48,699 | -4% | 10,075 | 10,069 | 0% | 2,463 | 4,027 | -39% |
| Cuervo | 10,413 | 7,024 | 48% | 3,249 | 1,299 | 150% | 2,084 | 728 | 186% |
| Femsa | 126,501 | 130,470 | -3% | 18,812 | 19,776 | -5% | 3,223 | 7,274 | -56% |
| Sector Total | 181,725 | 179,909 | 1% | 30,703 | 29,099 | 6% | 8,051 | 10,735 | -25% |
| Housing | | | | | | | | | |
| Vinte | 922 | 930 | -1% | 159 | 213 | -25% | 92 | 137 | -33% |
| Javer | 1,888 | 1,933 | -2% | 289 | 253 | 14% | 61 | 45 | 34% |
| Cadu | 822 | 1,170 | -30% | 110 | 298 | -63% | 15 | 214 | -93% |
| Ara | 1,367 | 2,225 | -39% | 173 | 341 | -49% | 111 | 207 | -46% |
| Sector Total | 4,998 | 6,258 | -20% | 731 | 1,105 | -34% | 279 | 603 | -54% |
| Specialized Retail, Restaurants & Other | | | | | | | | | |
| Liverpool | 26,913 | 30,146 | -11% | 994 | 4,244 | -77% | 881 | 1,884 | n.a. |
| Gsanborn | 9,232 | 11,988 | -23% | 381 | 1,440 | -74% | 975 | 556 | 75% |
| Aalsea | 9,833 | 14,336 | -31% | 434 | 1,915 | -77% | 971 | 267 | n.a. |
| Sports | 138 | 513 | -73% | 21 | 212 | n.a. | 263 | 18 | n.a. |
| Sector Total | 46,116 | 56,982 | -19% | 1,788 | 7,811 | -77% | 1,140 | 2,689 | n.a. |
| Hotels | | | | | | | | | |
| Hcity | 297 | 812 | -63% | 57 | 242 | n.a. | 303 | 20 | n.a. |
| Hotel | 179 | 508 | -65% | 29 | 140 | n.a. | 32 | 29 | n.a. |
| Sector Total | 476 | 1,320 | -64% | 85 | 382 | n.a. | 335 | 10 | n.a. |
| Airports / Airlines / Transportation | | | | | | | | | |
| Asur | 2,447 | 4,106 | -40% | 755 | 2,476 | -69% | 105 | 1,315 | -92% |
| Gap | 3,068 | 4,315 | -29% | 1,093 | 2,442 | -55% | 327 | 1,423 | -77% |
| Oma | 1,213 | 2,155 | -44% | 432 | 1,450 | -70% | 70 | 856 | -92% |
| Aeromex | 4,670 | 18,347 | -75% | 381 | 4,358 | n.a. | 2,882 | 65 | n.a. |
| Volcar | 4,724 | 9,502 | -50% | 718 | 3,066 | n.a. | 2,175 | 713 | n.a. |
| Traxion | 3,774 | 3,134 | 20% | 844 | 696 | 21% | 191 | 139 | 37% |
| Sector Total | 19,896 | 41,560 | -52% | 2,025 | 14,488 | -86% | 4,364 | 4,510 | n.a. |
| Health Services | | | | | | | | | |
| Médica Sur | 1,234 | 929 | 33% | 378 | 182 | 108% | 182 | 25 | 638% |
| Financial | | | | | | | | | |
| Bolsa | 962 | 934 | 3% | 574 | 551 | 4% | 346 | 369 | -6% |
| GFNorte | | | | | | | 8,906 | 8,858 | 1% |
| Bsmx | | | | | | | 5,030 | 5,517 | -9% |
| GFinbur | | | | | | | 2,508 | 2,652 | -5% |
| Regional | | | | | | | 775 | 1,025 | -24% |
| Bbajio | | | | | | | 759 | 1,389 | -45% |
| Genera | | | | | | | 1,983 | 948 | n.a. |
| Creal | | | | | | | 199 | 436 | -54% |
| Unifin | | | | | | | 385 | 472 | -18% |
| Q | | | | | | | 1,655 | 1,322 | 25% |
| Sector Total | 962 | 934 | 3% | | | | 18,580 | 22,988 | -19% |
| SAMPLE TOTAL | 1,328,064 | 1,286,626 | 3% | 290,716 | 273,794 | 6% | 67,962 | 98,941 | -31% |

Source: Companies; n.a.: not available

Positive Neutral Negative

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