

Revenues of the sample of 66 companies listed on the BMV and Biva that we follow were up 17% and EBITDA rose 47%, mainly due to the re-opening of the Mexican economy as several activities were closed during 2Q20. In addition, net profits turned (very) positive due to the sample's stronger operating performance, AMX's FX gains, Walmex's lower tax payments and lower provisioning in the financial sector. The sectors with the best performance were hotels and airports, since last year they were the most affected.

Mexican companies are increasingly adopting ESG factors in their operation. Several companies issued green or sustainable bonds (Nemak, Fibra Prologis, Fibra Storage, Bancomext), included ESG metrics in credit or existing lines (AMX, Fibra Hotel), issued sustainability (Traxion, Fibra Prologis, GMéxico, Fibra Shop, Sigma) or corporate governance reports (GCC) or launched ESG projects (Alpek). Several plan to strengthen their ESG practices in the coming months. We believe this is an irreversible trend that will continue to accelerate in the future. In addition to operating with sustainability, companies obtain financial benefits such as financing at lower interest rates, which reduces their WACC.

Telecommunications / Media

Telecommunications companies presented a fairly stable operating performance, despite a stronger economic activity. AMX's net additions were 4.2 million (2.0 million in post-payment and 2.2 million in prepayment) in 2Q21, slightly lower than in 1Q21, while revenues remained stable on an annual basis, and the EBITDA margin improved 0.7 percentage points driven by Central America, the Caribbean, Austria, Argentina, Colombia and Peru, since Mexico's and Brazil's profitability remained practically unchanged. Net profits rose significantly due to FX gains. Meanwhile, Axtel presented fairly stable operating results in Mexican pesos (on a comparable basis) and continues to consider the sale of its infrastructure business.

Televisa's and TV Azteca's open-TV businesses saw a stronger advertising demand, which boosted their revenues in a significant way and led to higher margins.

In the Pay TV business, Megacable was the best performer in terms of net additions since these reached 157 thousand in the quarter (which included 21 thousand of video), compared to Cablevision's 62 thousand (with net disconnections of 32 thousand in video) and SKY's 19 thousand. Megacable and Cablevision's mobile telephony businesses continued to expand in a very notable way.

Self-Service

Traditional self-service companies continued to face an unfavorable comparison base due to last year's panic purchases and, in the case of Chedraui, due to the appreciation of the FX rate that reduced the sales of its operations in the US. For these reasons, the sector's total sales rose marginally. Chedraui's same-store sales in Mexico advanced 7.8%, followed by Walmex with 4.7%, and Lacomex + 0.2%, which compare to the 1.4% growth at ANTAD. Soriana recorded a 1.4% decline in this indicator. The sector's profitability improved as a result of its focus on higher margin categories and operating efficiencies.

In coming quarters, the sector's revenues could be supported by a more benign comparison base. Although companies in the sector have begun to close some of their stores earlier due to the pandemic restrictions, we

believe that they can offset the impact with higher digital sales, as happened last year. After the end of the quarter, Chedraui announced that it had completed the acquisition of Smart & Final in the United States.

On the other hand, Oxxo delivered spectacular results driven by a 15.6% increase in same store sales, due to a higher mobility, which boosted total revenue by 17%. The company's operating leverage more than offset the change in the store attendant's employment scheme from commission agents to employees, which translated into a 59% EBITDA growth. This performance will largely depend in the future on the pandemic.

Specialized Retail

Results of specialized retail companies were spectacular due to the reopening of economic activities and, in particular, of shopping centers. In addition, sales by digital segments continued to expand significantly (currently representing 24% of Liverpool's total revenue, for example). Total Liverpool sales were up 155% (same store sales + 166% in Liverpool and + 944% in Suburbia), while those of GSanbor grew 197%. Furthermore, the quality of Liverpool's loan portfolio improved with a 3.1% NPL ratio. The two companies operated with positive EBITDA. Despite a stronger operating environment, GSanbor closed two stores, Valle Dorado and Irapuato, which slightly reduced its sales floor.

In the restaurant segment, Alsea experienced a strong recovery due to the reopening of the economy, in addition to a significant growth in home delivery. Total revenue increased 141% (with same store sales up 67.1%) and EBITDA was positive, compared to a negative figure from the previous year.

Hotels

Hotel companies and Fibras are in a clear recovery due to higher tourism levels, mainly recreational and in beach areas. Occupancy reached 40.6% in the case of Fibra Inn, 53.3% in Hotel, 47.7% in Fibra Hotel, and 38.0% in HCity. As a result, all the companies in the sector showed an exponential growth in terms of revenues and significantly higher profitability levels with a positive EBITDA. Several of the companies / fibers in the sector have very high leverage due to the still low generation of EBITDA compared to previous years. However, Hotel carried out a MXN\$500 million capitalization last year and HCity will carry out a MXN\$1.3 billion capitalization. The pandemic remains the main source of uncertainty for the sector.

Airlines / Airports

Airlines' and public airports' traffic improved quite substantially due to the increase in international and domestic beach tourism, mainly. Asur mentioned that total traffic at its airports rose 13.2 times (not percent) and that it is only 14% below pre-pandemic levels. That of OMA grew almost 8 times and is 24% lower than the pre-pandemic level. That of GAP increased more than 5 times and in the accumulated it is 23% below the pre-pandemic levels. Airport revenues rose sharply while margins were at very higher levels once again. Volaris's case is notable since most of its indicators are above those of 2Q19. On the other hand, Aeroméxico continues with the Chapter 11 negotiations and Interjet is not operating.

Food

The food sector was affected by the appreciation of the Mexican peso against the US dollar, which reduced Bimbo's and Gruma's total sales, while those of Lala were practically unchanged in Mexican pesos. Gruma and Lala's profitability was impacted by higher raw material costs. On the other hand, Bachoco's revenues were up 27% and EBITDA quintupled, supported by higher prices and volumes due to the reactivation of the institutional channel. Sigma also grew at double-digit rates in both revenue and EBITDA as it transferred the higher cost of raw materials. The sector's net profit grew 26% mainly due to the improvement that Bimbo and Bachoco experienced. Food companies face a more favorable comparison base in the second half of the year, so we expect their revenues to improve, depending on the impact of the pandemic. However, the sector's profitability could remain under pressure due to high raw material costs.

Beverages

Both AC and KOF reported positive results and strong growth in terms of revenues and EBITDA. They benefited from the reopening of the economies, which allowed them to place higher volumes, mainly of flavors and water, at higher prices in their operations in Mexico and South America. This generated an expansion in the two companies' gross and EBITDA margins. Net profits advanced significantly due to a strong operating performance and a low base of comparison.

Conglomerates / Industrial

The conglomerate / industrial sector benefited from a solid global macroeconomic performance, which continued to drive up the price of commodities and demand from certain sectors such as the automotive industry. This more than offset the microprocessors supply constraints in the latter. GCarso also benefited from the significant operational improvement at the GSanbor level. Alfa, Alpek, GCarso, GMexico, Elementia, Orbia, Nematik, Gissa, Vitro and Agua, reported very positive results. Alfa increased its EBITDA guidance for the year by 8% to US\$1,767 million due to Alpek's stronger performance (EBITDA was revised up 17%). Orbia revised up its guidance for the year. Agua raised its projected revenue growth to 17% but reduced slightly the EBITDA margin, leaving total EBITDA unchanged.

Housing

Companies in the housing sector saw a high revenue growth due to a still strong demand, the re-opening of the Mexican economy and a higher penetration of digital channels. They continued to focus on higher priced units, which boosted the average sales price. In addition, most of them registered a higher volume. Margins improved due to operating leverage. Free flow was positive in all cases, despite the fact that companies resumed construction and acquisition of the land reserve. We believe that the sector's prospects remain solid due to the existing housing deficit in the country and the support of government entities (during the period, INFONAVIT reduced the interest rate on loans in pesos) and commercial banks.

Cement

Cement companies faced a very favorable environment with a combination of higher volumes and prices in all their operations, which allowed them to present very satisfactory results. In Mexico, Cemex's volume was up

28%, and GCC's 17%, fueled by higher demand in bags and higher construction activity. Margins expanded significantly due to operating leverage. GCC revised upwards its guidance for the year due to its strong results in the first half of the year and because it expects the positive "momentum" to continue during the second half of the year.

Financial

The bank's total loan portfolio registered a 5.6% YoY reduction in June, reaching MXN\$5.3 trillion, according to the CNBV figures. This performance was mainly due to the 12.9% contraction in enterprises, 24.0% in financial entities, and 1.7% in consumer credit, which was partially offset by a 7.8% increase in government entities, and 9.4% in mortgages. Asset quality remained solid with a 2.45% NPL, slightly higher than the 2.12% of 2Q20, but below the 2.52% of May this year. The coverage ratio remained above 1.5x. The capitalization ratio was 18.38% at the end of May (the most recent information), well above the regulatory minimum.

The total portfolio of public financial groups decreased (Bancomer, BSMX) or barely grew, but asset quality improved (with the exception of Bancomer). The financial margin and the NIM fell (Bancomer's was stronger) due to lower interest rates. However, the provisioning was much lower in all cases as a result of stronger macroeconomic conditions, which boosted net profits and ROE significantly. GFNorte and BanBajío reduced the expected growth of their loan portfolios, but revised upwards their projected net profits due to a lower cost of risk. GFNorte also adjusted its 2021 GDP growth projection to 5-6% (from 3-4%), but increased the estimated inflation to 5-6% (from 4%).

In the non-bank financial sector, Unifin presented the best results with a positive loan growth, a lower NPL ratio, higher origination and a significant increase in the adjusted financial margin and in its net profit. Gentera's portfolio continued to decline. However, it benefited from a lower cost of funding and a lower provisioning, which resulted in a significantly higher net profit. Findep's portfolio grew slightly excluding the Finsol Mexico and Finsofo divestitures, and the company also benefited from lower provisioning.

Fibras

In terms of occupancy, the best performing segment was logistics-focused real estate, given the continued growth of e-commerce. All other segments registered a lower occupancy. The office segment was the one with the largest decline in occupancy, which we believe was largely due to oversupply in Mexico City and a weak demand in Monterrey and Guadalajara. However, the demand for office space in the border regions remained red hot (Upsite announced a contract for a new Buid-to-Suit building in Tijuana). In the commercial segment, occupancy levels fell (Funo, Danhos, Fibra Shop). However, Fibra HD surprised positively with an improvement in this indicator. Some Fibras continued to acquire properties, taking advantage of the prevailing situation (FMTY, Prologis).

Mexico's 2Q21 Results

August 3rd, 2021

MXN Mn	Sales			EBITDA			Net profit			Opinion
	2Q21	2Q20	Change	2Q21	2Q20	Change	2Q21	2Q20	Change	
Telecommunications & Media										
América Móvil	252,507	251,583	0%	84,947	82,648	3%	42,816	19,500	120%	Positive
Axtel	2,983	3,078	-3%	1,141	1,133	1%	344	-286	n.a.	Neutral
Televisa	24,753	22,407	10%	9,609	8,221	17%	2,422	1,989	22%	Positive
Azteca	2,980	1,857	60%	676	142	376%	283	-707	n.a.	Positive
Megacable	6,064	5,460	11%	3,011	2,720	11%	1,139	1,049	9%	Positive
Sector Total	289,287	284,385	2%	99,384	94,864	5%	47,004	21,545	118%	
Self-Service										
Walmex	174,674	169,026	3%	18,137	15,734	15%	9,764	1,662	487%	Neutral
Chedraui	35,749	36,409	-2%	2,802	2,737	2%	844	681	24%	Neutral
Lacomer	7,198	7,064	2%	732	720	2%	348	409	-15%	Neutral
Soriana	39,133	39,637	-1%	2,866	2,853	0%	872	824	6%	Negative
Sector Total	256,754	252,136	2%	24,537	22,044	11%	11,828	3,576	231%	
Specialized Retail, Restaurants & Other										
Liverpool	37,538	14,746	155%	6,066	-1,839	n.a.	3,020	-2,879	n.a.	Positive
Elektra	36,068	26,917	34%	5,085	2,643	92%	6,948	-3,538	n.a.	Positive
Gsanborns	12,121	4,080	197%	918	-664	n.a.	199	-1,020	n.a.	Positive
Alsea	12,477	5,198	140%	2,848	-903	n.a.	57	-2,982	n.a.	Positive
Sports	152	88	73%	-34	-106	n.a.	-153	-306	n.a.	Neutral
Sector Total	98,356	51,029	93%	14,883	-869	n.a.	10,071	-10,725	n.a.	
Food										
Bimbo	83,789	86,308	-3%	12,056	11,384	6%	3,065	2,585	19%	Neutral
Lala	20,162	20,048	1%	1,826	2,028	-10%	160	418	-62%	Negative
Gruma	22,450	24,146	-7%	3,716	4,023	-8%	1,531	1,751	-13%	Negative
Bachoco	20,861	16,432	27%	2,437	438	456%	1,443	-28	n.a.	Positive
Herdez	6,020	6,091	-1%	767	936	-18%	391	493	-21%	Negative
Sector Total	153,282	153,025	0%	20,802	18,809	11%	6,590	5,219	26%	
Beverages										
AC	45,808	42,945	7%	9,399	8,235	14%	3,130	2,335	34%	Positive
KOF	47,786	43,075	11%	10,007	8,221	22%	3,316	2,115	57%	Positive
Cuervo	9,531	8,689	10%	1,631	2,355	-31%	883	1,450	-39%	Negative
Femsa	137,058	114,514	20%	21,349	15,136	41%	5,255	-10,775	n.a.	Positive
Sector Total	192,397	166,148	16%	32,379	25,726	26%	9,268	-6,990	n.a.	
Consumer Goods										
Kimber	11,722	12,337	-5%	2,718	3,332	-18%	1,222	1,599	-24%	Negative
Lab	3,865	3,636	6%	777	755	3%	379	361	5%	Neutral
Sector Total	15,587	15,973	-2%	3,495	4,087	-14%	1,601	1,960	-18%	
Mining / Metals										
Gmexico	78,353	56,201	39%	48,373	24,828	95%	18,135	13,085	39%	Positive
Peñoles	31,516	21,709	45%	11,003	6,219	77%	3,908	-3,689	n.a.	Positive
Mfrisco	3,358	2,346	43%	1,462	696	110%	264	-349	n.a.	Positive
Autlan	1,977	1,965	1%	456	485	-6%	-85	-166	n.a.	Negative
Sector Total	115,204	82,221	40%	61,294	32,228	90%	22,222	8,881	150%	
Conglomerates, Industrials										
Alfa	74,801	65,108	15%	9,955	6,099	63%	1,992	-2,090	n.a.	Positive
Alpek	37,077	27,448	35%	2,727	943	189%	2,484	121	1953%	Positive
Nemak	19,141	9,171	109%	3,016	-920	n.a.	886	-2,945	n.a.	Positive
Orbia	44,905	32,950	36%	11,211	6,137	83%	4,444	980	353%	Positive
GCarso A1	30,003	14,778	103%	4,187	1,197	250%	2,673	-49	n.a.	Positive
Ienova	8,180	6,450	27%	4,271	4,170	2%	2,428	2,945	-18%	Neutral
Cydsa	2,839	2,582	10%	661	760	-13%	59	242	-76%	Neutral
Kuo	14,305	10,049	42%	1,976	944	109%	964	365	164%	Positive
Gissa	5,005	2,287	119%	701	-257	n.a.	220	-630	n.a.	Positive
Vitro	9,610	6,977	38%	601	-1,003	n.a.	-166	-1,423	n.a.	Positive
Ich	16,981	8,308	104%	4,753	1,425	234%	2,815	521	440%	Positive
Simec	15,258	13,355	14%	4,170	3,113	34%	2,333	2,644	-12%	Positive
Rotoplas	2,810	1,904	48%	419	294	43%	65	-156	n.a.	Positive
Sector Total	228,580	160,564	42%	41,751	18,846	122%	16,380	-2,240	n.a.	

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August 3rd, 2021

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	2Q21	2Q20	Change	2Q21	2Q20	Change	2Q21	2Q20	Change	
Cement, Construction & Infrastructure										
Cemex	77,177	67,743	14%	16,370	12,902	27%	5,405	-1,027	n.a.	Positive
GCC	5,740	5,666	1%	1,942	1,909	2%	955	775	23%	Positive
CMoctez	4,259	3,099	37%	1,921	1,482	30%	1,236	865	43%	Positive
Aleatica	2,159	1,332	62%	1,306	566	131%	-640	-599	n.a.	Positive
Pinfra	3,025	1,784	70%	2,079	959	117%	903	514	76%	Positive
Gicsa	974	959	2%	681	730	-7%	419	243	72%	Negative
Sector Total	93,334	80,583	16%	24,299	18,548	31%	8,278	771	974%	
Housing										
Vinte	895	818	9%	156	147	6%	90	85	6%	Positive
Javer	2,033	1,635	24%	321	250	28%	88	46	91%	Positive
Cadu	727	525	38%	106	54	96%	16	26	-38%	Positive
Ara	1,517	1,106	37%	219	141	55%	140	71	97%	Positive
Sector Total	5,172	4,084	27%	802	592	35%	334	228	46%	
Hotels										
Hcity	519	147	253%	98	-145	n.a.	-135	-523	n.a.	Positive
Hotel	484	16	2925%	128	-87	n.a.	139	-43	n.a.	Positive
Fibra Inn	280	55	406%	48	-106	n.a.	-161	-314	n.a.	Positive
Sector Total	1,283	218	488%	274	-338	n.a.	-157	-880	n.a.	
Airports / Airlines / Transportation										
Asur	4,229	1,767	139%	2,503	51	4808%	1,232	-520	n.a.	Positive
Gap	4,896	1,485	230%	2,797	137	1942%	1,315	-916	n.a.	Positive
Oma	2,181	635	243%	1,308	25	5132%	620	-180	n.a.	Positive
Aeromex	10,013	2,608	284%	1,889	-6,061	n.a.	-2,800	-27,422	n.a.	Positive
Volar	11,501	1,526	654%	4,696	-896	n.a.	1,538	-1,644	n.a.	Positive
GmxT	12,913	11,035	17%	5,875	4,474	31%	2,063	1,087	90%	Positive
Traxion	4,222	3,279	29%	850	748	14%	243	151	61%	Positive
Sector Total	49,955	22,335	124%	19,918	-1,522	n.a.	4,211	-29,444	n.a.	
Health Services										
Médica Sur	1,390	838	66%	381	173	120%	191	44	334%	Positive
Financial										
Bolsa	965	1,002	-4%	584	614	-5%	352	365	-4%	Negative
GFNorte							8,568	6,518	31%	Positive
Bsmx							4,713	4,230	11%	Positive
GFinbur							3,806	3,429	11%	Neutral
Regional							959	777	23%	Positive
Bbajio							1,070	705	52%	Positive
Genera							653	-730	n.a.	Positive
Unifin							336	261	29%	Positive
Q							975	2,236	-56%	
Sector Total							21,432	17,791	20%	
SAMPLE TOTAL	1,489,424	1,270,461	17%	343,865	234,466	47%	159,053	10,756	1379%	

Source: Companies; n.a.: not available

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