

4Q21 Summary

The performance of the Mexican public companies in our sample was favorable with sales, EBITDA and net profits up 16%, 19% and 120% YoY, respectively, as a result of a stronger macroeconomic activity. The sectors that benefited most from this situation were hotels, airports/airlines and specialized commerce. Worth mentioning that several industries began to suffer the impact of a higher inflation, which we believe will worsen during the first quarter of the year, taking into account the continuous rise in commodity prices, as well as the prevailing situation in Ukraine.

Telecommunications and Media

The performance of Televisa's and TV Azteca's content businesses was quite satisfactory mainly due to a higher demand for advertising supported by a stronger macroeconomic performance. The outlook for this year looks favorable since Televisa's customer deposits were up 12.8%, the best performance historically, although those of TV Azteca declined 14.2%. In the pay-TV business, net additions of Televisa's cable division and Megacable accelerated from previous quarters. However, SKY's subscriber loss worsened.

Televisa and Univision will launch VIX, their new streaming service, next March 31st with 100 programming channels in the United States, Mexico and 19 countries in Latin America. It will focus on the Spanish-speaking market, which has around 600 million inhabitants. Companies will initially offer a free service whose revenues will come from the sale of advertising. During the second half of the year, they will launch a subscription service.

AMX 4Q21: Positive Results with Significant Margin Expansion

Total sales were up 7.7% YoY to MXN\$227.3 billion (vs. consensus of MXN\$248.7 billion), driven by a 5.4% increase in service revenue, which was offset by a 0.5% drop in equipment sales. The company recorded 4.8 million net wireless additions, of which 2.2 million were postpaid. However, fixed accesses decreased slightly due to disconnections in Pay-TV and fixed lines.

Adjusted EBITDA (excluding extraordinary items) rose 8.9% YoY to MXN\$82.9 billion (vs. consensus of MXN\$85.1 billion). Adjusted EBITDA margin improved to 37.6% from 36.0%. This was mainly due to a higher profitability in Mexico, Brazil, Ecuador, Argentina, Central America, the Caribbean and Austria.

Net profits grew 263.4% YoY supported by strong operating results and an extraordinary gain on the Tracfone sale to Verizon. AMX generated free cash flow of MXN\$115 billion in the year, which allowed it to repay MXN\$128.1 billion in debt and carry out distributions to shareholders amounting to MXN\$65.0 billion. The net debt (without leases) to EBITDA ratio stood at 1.23x at the end of the year. It considers the shares that AMX received from Verizon and the shares of KPN as cash.

Self-service

In the self-service sector, overall sales performance was positive, supported by a significant growth in same-store sales of all companies in the sector (Walmex Mexico +7.8%, Lacomex +7.6%, Soriana +4.2%, Chedraui Mexico +10.5%, Oxxo +12.5%), and Chedraui's acquisition of Smart & Final. Oxxo's revenue was also driven by an aggressive opening strategy, which included 865 proximity stores, 284 units in the health segment and 9 service stations during the last 12 months.

However, the sector's EBITDA margin contracted due to a series of factors including higher energy, digitalization, advertising, and personnel expenses, as well as a non-recurring expense in the case of Walmex, and an extraordinary payment to the SAT in the case of Lacomex.

Specialized retail

The specialty retail sector benefited from a greater openness of the Mexican economy, which boosted its same-store sales in a significant way (Liverpool +17.5%), as well as high sales growth through digital channels. The operating leverage allowed them to generate much higher margins. Liverpool's asset quality improved with a declining NPL ratio, while Elektra's remained virtually unchanged.

Alsea was also favored by a greater openness of the economy, in addition to an increasing amount of home deliveries, which resulted in very favorable results.

Food

The food sector continued to increase prices, which led to double-digit revenue growth. However, profitability was lower due to escalating raw material costs, which we believe will worsen during the first quarter of the year.

Beverages

Bottling companies recorded solid volume growth in all categories, primarily in water and non-carbonated beverages. This, in addition to the price adjustments that they carried out, resulted in significant growth in AC's and KOF's revenues. However, their margins contracted due to the impact of higher raw material costs.

Mining

The mining sector recorded very satisfactory results mainly due to GMéxico, which benefited from the rally in copper prices. However, this was partially offset by a significant drop in Peñoles' gold production volume.

Industrials

Higher commodity prices boosted the industrial sector's sales. However, profitability began to be affected by higher raw material and energy costs. On the other hand, industrial groups with a high exposure to the automotive sector presented lower sales and margins. This was due to the global semiconductor shortage, which has affected car production in several parts of the world. We believe that the main risk for the industrial sector is a sharp increase in raw material and energy costs.

Cement / Housing

Some of the housing companies were affected by the outsourcing reform and the change in the INFONAVIT scoring scheme. However, some of them were able to offset this impact with land sales. The low activity in the construction sector was reflected in a 4% drop in Cemex's volume in Mexico.

Hotels

Hotel companies recorded higher occupancies, both in beach and urban hotels, which allowed them to continue raising rates, in some cases well above the inflation rate. This translated into solid sales and EBITDA growth. Although occupancies decreased in January due to the Omicron impact, we believe they will recover significantly during the coming months.

Airports / Airlines

Airports and airlines enjoyed higher passenger traffic, both domestically and internationally, resulting in significant revenue growth, with higher profitability. In some cases, traffic is already above pre-pandemic levels.

Financials

The loan portfolio of the Mexican banking sector grew 4.7% YoY in December, compared to the previous year, according to data from the National Banking and Securities Commission. By segment, mortgages was the best performer with a 10%, due to a high housing demand and still low interest rates, followed by government (+9.3%), state and municipalities (+3.4%), companies (+2.6%) and consumption (+2.5%).

Asset quality improved as the NPL ratio decreased to 2.05%, from 2.56%. This allowed the sector to reduce the amount of provisions, which resulted in a significant increase in net profits. We believe that the current high interest rates environment will allow the Mexican banks to improve their margins in the future.

Fibras

The industrial segment continued to perform favorably in the quarter with high occupancies and higher rates. In the commercial sector, the situation seems to have stabilized as occupancies have remained stable for three consecutive quarters, even though they were lower compared to the previous year. The office sector in Mexico City's metropolitan area seems to be showing the first signs of recovery, with occupancies improving sequentially for the first time since the beginning of the pandemic, despite the significant supply that exists. Leasing spreads in the commercial and industrial segment are positive, but they still remain in negative territory in the region's office segment.

Mexico's 4Q21 Results

March 9th, 2022

MXN\$ Mn	Sales			EBITDA			Net profit			Opinion
	4Q21	4Q20	Change	4Q21	4Q20	Change	4Q21	4Q20	Change	
Telecommunications & Media										
América Móvil	227,318	211,145	8%	89,810	77,038	17%	135,589	37,312	263%	Positive
Axtel	2,812	3,077	-9%	824	1,052	-22%	-553	-207	n.a.	Negative
Televisa	28,812	27,783	4%	12,263	11,900	3%	5,387	-1,250	n.a.	Positive
Azteca	3,967	3,805	4%	1,483	1,381	7%	251	1,344	-81%	Positive
Megacable	6,473	5,781	12%	3,087	2,760	12%	1,118	913	22%	Positive
Sector Total	269,382	251,591	7%	107,467	94,131	14%	141,792	38,112	272%	
Self-Service										
Walmex	214,571	195,988	9%	23,564	22,347	5%	13,254	12,603	5%	Positive
Chedraui	65,079	38,963	67%	4,617	2,790	65%	969	812	19%	Positive
Lacomer	7,756	6,890	13%	661	636	4%	430	279	54%	Neutral
Soriana	42,814	40,962	5%	3,947	3,825	3%	1,731	1,604	8%	Neutral
Sector Total	330,220	282,803	17%	32,789	29,598	11%	16,384	15,298	7%	
Specialized Retail, Restaurants & Other										
Liverpool	56,069	47,088	19%	10,331	7,283	42%	6,886	3,691	87%	Positive
Elektra	43,062	33,663	28%	5,939	4,125	44%	1,948	3,118	-38%	Positive
Gsanborns	18,668	14,798	26%	2,578	1,258	105%	1,498	469	219%	Positive
Alsea	16,427	11,160	47%	2,446	1,503	63%	687	-270	n.a.	Positive
Sports	217	207	5%	246	32	661%	4	6	-28%	Neutral
Sector Total	134,443	106,916	26%	21,541	14,201	52%	11,023	7,014	57%	
Food										
Bimbo	97,445	84,778	15%	13,516	12,776	6%	4,824	2,890	67%	Positive
Lala	21,357	20,654	3%	2,482	2,118	17%	460	464	-1%	Neutral
Gruma	25,718	21,940	17%	4,105	3,912	5%	1,814	1,411	29%	Neutral
Bachoco	21,252	18,329	16%	882	2,456	-64%	610	990	-38%	Negative
Herdez	7,518	6,375	18%	1,420	1,338	6%	273	388	-30%	Neutral
Sector Total	173,290	152,076	14%	22,405	22,600	-1%	7,981	6,143	30%	
Beverages										
AC	49,138	42,665	15%	9,127	8,633	6%	3,187	2,519	27%	Positive
KOF	53,273	49,116	8%	10,648	9,998	7%	5,809	3,177	83%	Positive
Cuervo	13,128	10,729	22%	2,316	1,315	76%	1,579	916	72%	Positive
Femsa	151,542	130,329	16%	23,446	20,938	12%	10,100	700	1343%	Positive
Sector Total	213,808	183,723	16%	34,889	30,886	13%	14,866	4,135	260%	
Consumer Goods										
Kimber	11,719	11,576	1%	2,089	3,099	-33%	790	1,611	-51%	Negative
Lab	4,063	3,471	17%	890	720	24%	359	327	10%	Positive
Sector Total	15,782	15,047	5%	2,979	3,819	-22%	1,149	1,938	-41%	
Mining / Metals										
Gmexico	77,652	66,151	17%	45,041	35,675	26%	17,373	22,147	-22%	Positive
Peñoles	29,165	30,228	-4%	6,572	10,432	-37%	-348	5,237	n.a.	Negative
Mfrisco	3,393	2,713	25%	1,053	939	12%	-437	551	n.a.	Positive
Autlan	2,782	1,695	64%	927	773	20%	-54	-400	n.a.	Positive
Sector Total	112,992	100,787	12%	53,593	47,819	12%	16,535	27,536	-40%	
Conglomerates, Industrials										
Alfa	84,790	66,329	28%	10,494	8,626	22%	-3,413	-1,295	n.a.	Positive
Alpek	44,664	28,709	56%	2,166	1,509	44%	601	2,020	-70%	Positive
Nemak	19,596	19,548	0%	2,774	3,117	-11%	-1,051	338	n.a.	Negative
Orbia	48,097	35,821	34%	10,364	7,876	32%	2,591	1,357	91%	Positive
GCarso A1	37,866	31,151	22%	4,819	3,949	22%	4,046	918	341%	Positive
lenova	9,741	6,632	47%	5,394	4,715	14%	-117	2,912	n.a.	Positive
Cydsa	3,107	2,745	13%	976	986	-1%	353	36	881%	Positive
Kuo	14,869	12,685	18%	1,551	1,467	6%	916	1,294	-29%	Positive
Gissa	5,141	4,771	8%	432	802	-46%	21	308	-93%	Negative
Vitro	10,508	10,138	4%	637	1,172	-46%	-1,912	-2,694	n.a.	Negative
Ich	14,584	11,147	31%	3,932	2,073	90%	2,193	-535	n.a.	Positive
Simec	12,886	10,130	27%	3,285	1,895	73%	1,937	-498	n.a.	Positive
Vasconia	1,363	1,159	18%	126	96	32%	40	108	-63%	Positive
Rotoplas	2,800	2,450	14%	508	476	7%	102	66	55%	Positive
Sector Total	252,561	204,575	23%	42,007	35,354	19%	3,767	2,813	34%	

Mexico's 4Q21 Results

March 9th, 2022

MXN Mn	Sales			EBITDA			Net profit			Opinion
	4Q21	4Q20	Change	4Q21	4Q20	Change	4Q21	4Q20	Change	
Cement, Construction & Infrastructure										
Cemex	74,397	71,909	3%	13,387	13,016	3%	4,010	1,439	179%	Negative
GCC	5,303	4,781	11%	1,672	1,672	0%	576	568	1%	Neutral
CMoctez	3,815	3,954	-3%	1,428	1,737	-18%	987	1,013	-3%	Negative
Aleatica	4,921	1,838	168%	1,737	1,163	49%	-553	-175	n.a.	Positive
Pinfra	3,481	3,130	11%	2,274	1,777	28%	1,757	271	548%	Positive
Gicsa	981	1,192	-18%	184	543	-66%	-55	194	n.a.	Negative
Sector Total	92,899	86,803	7%	20,681	19,908	4%	6,722	3,309	103%	
Housing										
Vinte	1,581	1,222	29%	240	181	33%	120	92	31%	Positive
Javer	1,903	2,133	-11%	274	319	-14%	-31	45	n.a.	Neutral
Cadu	646	1,003	-36%	67	179	-63%	-35	11	n.a.	Neutral
Ara	1,723	1,555	11%	241	206	17%	136	107	27%	Positive
Sector Total	5,853	5,912	-1%	822	885	-7%	190	255	-25%	
Hotels										
Hcity	726	387	88%	186	-63	n.a.	3	-328	n.a.	Positive
Hotel	546	288	89%	165	6	2700%	74	160	-54%	Positive
Fibra Inn	393	156	151%	93	-24	n.a.	199	-933	n.a.	Positive
Sector Total	1,666	831	100%	443	-82	n.a.	276	-1,101	n.a.	
Airports / Airlines / Transportation										
Asur	6,790	4,254	60%	3,285	1,331	147%	2,013	503	300%	Positive
Gap	5,188	2,344	121%	3,255	1,767	84%	1,802	340	429%	Positive
Oma	2,680	1,623	65%	1,521	853	78%	1,013	239	324%	Positive
Aeromex	15,364	7,170	114%	5,022	-6,495	n.a.	-9,547	-9,717	n.a.	Neutral
Volar	13,954	8,086	73%	5,161	3,013	71%	-200	897	n.a.	Positive
GmxT	13,081	11,159	17%	5,668	4,824	17%	1,876	1,379	36%	Positive
Traxion	4,500	4,061	11%	849	784	8%	146	189	-23%	Positive
Sector Total	61,557	38,697	59%	24,761	6,077	307%	-2,896	-6,170	n.a.	
Health Services										
Médica Sur	954	1,039	-8%	960	514	87%	632	284	123%	Neutral
Financial										
Bolsa	1,050	954	10%	702	527	33%	498	325	53%	Positive
GFNorte							9,061	5,966	52%	Positive
Bsmx							5,245	5,480	-4%	Negative
GFinbur							7,923	4,073	95%	Positive
Regional							925	513	80%	Positive
Bbajio							1,541	735	110%	Positive
Gentera							843	288	193%	Positive
Unifin							418	306	37%	Positive
Q							808	1,465	-45%	Neutral
Sector Total							27,262	19,151	42%	
SAMPLE TOTAL	1,634,707	1,405,799	16%	357,792	300,156	19%	231,105	105,167	120%	

Source: Companies; n.a.: not available

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