

Summary

We consider that the 2Q22 was an atypical quarter for Mexican public companies due to the inflationary environment. On the one hand, revenues of our sample rose 15%, well above the 7.99% inflation rate as of June this year, in most cases due to a combination of higher prices and volumes, indicating that demand remained solid. However, companies in various sectors were affected by higher raw material costs and/or rising expenses, which reduced the sample's profitability, resulting in a 2% EBITDA growth. Net profits fell by 9% as a result of AMX (lower FX gains), GMéxico and Peñoles (lower operating results in both cases), and Elektra (derivatives).

Telecommunications and Media

The telecommunications and media sector reported increases of 3% in revenue and EBITDA, and a 62% drop in net profits. Megacable recorded the best results in the sector due to a 7% rise in revenue generating units in combination with higher prices. AMX maintained a solid performance in service revenue supported by a 10.7% expansion in the mobile subscriber base. In addition, the company's margins improved due to economies of scale. For its part, Televisa recorded stable results with strong growth in other businesses due to the reopening of the economy, which was offset by the declines in cable business (lower revenues in the business segment) and SKY (with a net loss of 256,000 users in the quarter).

AMX

Revenue rose 3.3% as YoY to MXN\$217.4 billion (vs. MXN\$215.3 million E), which was primarily due to the 4.5% increase in service revenue, partially offset by a 2.6% drop in revenue from equipment sales. Mobile revenue was up 8.5% at constant FX rates due to a 7.4% increase organically and the addition of Oi from May 1. Fixed services revenues fell 0.5% at constant FX rates as a result of a 5.3% contraction in Pay-TV. However, broadband service revenues advanced 3.3% and corporate network revenues increased 8.9%.

AMX recorded 4.8 million net additions in mobile, of which 2.2 million were postpaid. The company closed the quarter with 306 million mobile subscribers, which included 12.9 million Oi subscribers, 1.8 million post-paid organic net additions and 1.3 million pre-paid organic net additions. The subscriber base continued to improve as postpaid customers increased 12.5%, while pre-paid customers grew 8.9%. Brazil continued to lead with 779,000 post-paid customers, followed by Colombia with another 272,000. In the fixed-line business, the company recorded 92,000 net additions due to the incorporation of 186,000 broadband accesses, which offset the disconnection of 60,000 fixed lines and 33,000 pay-TV subscribers.

The EBITDA margin expanded marginally to 38.0% in 2Q22, from 37.8% in 2Q21, mainly as a result of a slight reduction in equipment costs (in turn derived from lower sales for this concept) as well as a 14.9% drop in "others". This resulted in a 4.0% growth in EBITDA, which stood at MXN\$82.7 billion (vs. MXN\$82.9 billion E). The countries with the highest profitability were Mexico, Brazil, Argentina, the Caribbean, Austria and Eastern Europe.

Net profits fell 68.0% to MXN\$13.7 billion (vs. MXN\$22.5 billion E) as a result of lower FX gains, an unspecified adjustment in Tracfone's valuation and the sale of TracFone, which no longer contributed to the current quarter's results.

The financial structure remained very strong with cash reserves of more than MXN\$150 billion and a 1.36x net debt to EBITDA ratio, virtually unchanged from 1.33x in 1Q22.

The deployment of the 5G network reached 40 cities in Mexico. In Brazil, it started in the city of Brasilia and will continue in the main cities.

Self-service

Companies in the self-service sector showed positive results supported by greater macroeconomic activity compared to the previous year. They could also offset the inflationary pressures. Same-store sales rose significantly in almost all cases (Walmex Mexico +10.8%, Lacomex+9.0%, Chedraui Mexico +16.2%, Soriana +6.4%, Oxxo 15.6%, Antad +10.5%). This, coupled with the opening of new stores, higher omnichannel revenues and Chedraui's acquisition of Smart & Final boosted the sector's total revenues by 21%. However, the EBITDA margin contracted due to strategic expenses at Walmex, as well as higher personnel and energy expenses. As a result, the sector's EBITDA rose 20% and net profits 19%.

Specialized retail

The performance of the specialized trade sector was very positive due to greater macroeconomic activity and the continued growth of digital sales, which boosted the sector's revenues by 15%. In addition, companies benefited from a high operating leverage and thus recorded a 23% EBITDA growth. However, the sector's net profits decreased 63% due to the mark-to-market valuation of Elektra's derivatives.

Food

Food companies presented very favorable results. Successful pricing strategies and higher volumes resulted in a 20% increase in revenues. However, higher raw material costs, inflationary pressures and labor expenses slightly reduced margins, with the sector's EBITDA growing 19%. The sector's net profits rose 74% mainly due to Bimbo's US\$90 million monetary profit.

Beverages

Beverage companies were favored by a combination of higher prices and volumes, resulting in a 21% increase in sales. However, margins contracted due to the escalating raw materials costs. The sector's EBITDA thus grew 12%. Net profits were up 43% due to a strong operating performance.

Mining

The mining sector had weak results in 2Q22. GMexico recorded lower volumes of copper, molybdenum and zinc and gold. Peñoles presented downward volumes of gold, zinc and concentrates and a 15.5% drop in the price of silver. Margins contracted as a result of inflationary pressures, which led to a significant reduction of 41% in EBITDA and 47% in net profits.

Industrial

Most of companies in the industrial sector faced solid demand and also increased prices to face the inflationary impact. Also contributing was GCarso's acquisition of Elementia and Fortaleza in the quarter. This translated into significant 28% revenue growth. Some companies mentioned in their conference calls that they will continue to raise prices. However, this sector also faced higher raw material and energy costs, which reduced its profitability. For this reason, EBITDA advanced 20%, below sales. The sector's net profit showed a 49% increase.

Alfa slightly adjusted its EBITDA guidance to US\$2.28 billion (from US\$2.283 billion) due to an increase in Alpek's guidance, which was offset by a reduction in Sigma and Axtel. Orbia reaffirmed its guidance that includes an EBITDA between US\$1.75 billion-US\$1.9 billion.

Cement / Housing

Housing companies continued to focus on the higher-priced segments, which translated into a higher average price per unit sold. In addition, demand recovered compared to the previous year, which had been affected by the outsourcing reform and the change in Infonavit's scoring system. As a result, housing sector's revenues were up 8%. Operating leverage allowed them to improve their profitability, despite higher construction costs. The sector's EBITDA rose 17% and net profits 31%.

Hotels

Hotel companies continued to benefit from a stronger tourism activity. Occupancy rose significantly, in some cases reaching pre-pandemic levels. This allowed them to raise their average daily rates above inflation, which boosted revenues by 51%. The sector's operating leverage generated a significant margin expansion, resulting in sizeable 100% EBITDA growth. For this same reason, the sector's net loss improved.

Airports / Airlines

Airports and airlines passenger traffic increased quite substantially due to a stronger tourism activity. They were also able to raise rates above inflation, which led to higher revenues and profitability.

Financial

The total loan portfolio of the Mexican banking system rose 10.9% YoY to MXN\$5.89 trillion in June. This performance was mainly due to the increases of 10.9% in the business portfolio, 12.1% in consumption, 11.0% in mortgage, 10.5% in financial institutions, and 6.1% in government entities. Asset quality continued to improve as the NPL ratio declined slightly to 2.32%. Profitability strengthened significantly due to lower provisioning. This resulted in a 16.49% ROE and a 1.86% ROA, higher than the previous year's levels of 10.55% and 1.12%. The sector's capitalization ratio was 18.76% at the end of May (the most recent information), well above the regulatory minimum.

Fibras

In the Fibra sector, occupancy of the industrial sector remained at very high levels supported by solid manufacturing activity and the near-shoring effect. In Mexico City, occupancy of the commercial sector has remained stable since the last few quarters, and has not yet rebound (Funo, Fibra Danhos, Fibra Shop). In the office sector, occupancy remained below 75%, in line with previous quarters. We do not foresee a significant recovery given the excess space and the work-from-home effect.

Worth mentioning that the Fibras have contracts indexed to Mexican or US inflation which supports their revenues. They can raise prices to existing customers or can sign contracts with new customers at higher rates. However, the profitability of several of them decreased due to higher operating expenses that in some cases rose more than inflation, thus compensating for the reduction in Covid support expenses. On the other hand, hotel fibras were the best performers thanks to the combination of rising ADRs and occupancies, which boosted their revenues. In addition, its profitability improved due to operating leverage.

Mexico's 2Q22 Results

August 5th, 2022

MXN\$ Mn	Sales			EBITDA			Net profit			Opinion
	2Q22	2Q21	Change	2Q22	2Q21	Change	2Q22	2Q21	Change	
Telecommunications & Media										
América Móvil	217,392	210,397	3%	82,677	79,497	4%	13,683	42,815	-68%	Neutral
Axtel	2,544	2,983	-15%	701	1,141	-39%	-171	344	n.a.	Negative
Televisa	18,534	18,474	0%	6,761	6,752	0%	3,140	2,182	44%	Neutral
Azteca	3,589	2,876	25%	672	654	3%	162	283	-43%	Neutral
Megacable	6,681	6,064	10%	3,258	3,011	8%	1,017	1,138	-11%	Positive
Sector Total	248,740	240,794	3%	94,069	91,055	3%	17,831	46,762	-62%	
Self-Service										
Walmex	195,619	174,674	12%	20,145	18,137	11%	10,892	9,764	12%	Positive
Chedraui	63,817	35,749	79%	5,347	2,802	91%	1,510	844	79%	Positive
Lacomex	8,503	7,198	18%	880	732	20%	486	348	40%	Positive
Soriana	41,735	39,133	7%	3,062	2,888	6%	1,174	872	35%	Neutral
Sector Total	309,674	256,754	21%	29,434	24,559	20%	14,062	11,828	19%	
Specialized Retail, Restaurants & Other										
Liverpool	42,560	37,538	13%	7,784	6,066	28%	4,474	3,020	48%	Positive
Elektra	38,817	36,068	8%	5,133	5,085	1%	-1,764	6,948	n.a.	Neutral
Gsanborns	14,691	11,979	23%	1,513	918	65%	839	199	322%	Positive
Alsea	16,793	12,399	35%	2,212	1,529	45%	250	48	421%	Positive
Sports	356	152	135%	105	-34	n.a.	-73	-153	n.a.	Positive
Sector Total	113,217	98,135	15%	16,747	13,564	23%	3,726	10,063	-63%	
Food										
Bimbo	96,434	81,654	18%	12,992	11,549	12%	6,146	3,028	103%	Positive
Lala	23,357	20,162	16%	2,209	1,826	21%	335	160	109%	Positive
Gruma	26,804	22,616	19%	3,740	3,743	0%	1,369	1,544	-11%	Positive
Bachoco	26,432	20,861	27%	4,213	2,437	73%	2,935	1,443	103%	Positive
Bafar	6,231	4,936	26%	753	649	16%	2,935	1,443	103%	Positive
Herdez	7,667	6,020	27%	1,047	767	37%	333	477	-30%	Positive
Sector Total	186,925	156,249	20%	24,953	20,971	19%	14,052	8,095	74%	
Beverages										
AC	53,363	45,808	16%	10,436	9,399	11%	4,222	3,130	35%	Positive
KOF	57,311	47,786	20%	10,607	10,007	6%	4,576	3,668	25%	Neutral
Cuervo	11,334	9,531	19%	2,343	1,631	44%	1,410	893	58%	Positive
Femsa	167,504	137,058	22%	23,370	21,349	9%	7,640	5,255	45%	Neutral
Sector Total	232,201	192,397	21%	36,149	32,379	12%	13,272	9,278	43%	
Consumer Goods										
Kimber	12,895	11,722	10%	2,676	2,718	-2%	1,177	1,222	-4%	Negative
Lab	4,324	3,865	12%	892	777	15%	405	379	7%	Positive
Sector Total	17,219	15,587	10%	3,568	3,495	2%	1,582	1,601	-1%	
Mining / Metals										
Gmexico	64,198	78,469	-18%	28,475	48,445	-41%	9,815	18,161	-46%	Negative
Peñoles	29,456	31,562	-7%	5,977	11,019	-46%	1,499	3,914	-62%	Negative
Mfrisco	3,425	3,358	2%	1,416	1,462	-3%	293	271	8%	Positive
Autlan	3,523	1,979	78%	1,438	457	215%	535	-85	n.a.	Positive
Sector Total	100,602	115,369	-13%	37,305	61,383	-39%	12,142	22,261	-45%	
Conglomerates, Industrials										
Alfa	96,873	74,801	30%	14,145	9,955	42%	6,553	3,279	100%	Positive
Alpek	56,397	37,077	52%	10,166	5,481	85%	6,073	2,486	144%	Positive
Nemak	23,991	19,148	25%	2,986	3,007	-1%	601	882	-32%	Negative
Orbia	53,352	44,972	19%	12,206	11,228	9%	5,933	4,451	33%	Positive
GCarso A1	49,198	30,004	64%	6,732	4,187	61%	3,427	2,673	28%	Positive
Ienova	11,129	8,192	36%	6,359	5,618	13%	4,071	2,432	67%	Positive
Cydsa	3,359	2,839	18%	831	661	26%	262	59	344%	Positive
Kuo	16,714	14,305	17%	1,885	1,976	-5%	783	964	-19%	Neutral
Gissa	6,073	5,012	21%	722	702	3%	160	241	-33%	Neutral
Vitro	11,645	9,624	21%	1,203	1,363	-12%	160	-160	n.a.	Negative
Ich	17,825	16,981	5%	5,266	4,753	11%	4,441	2,815	58%	Positive
Simec	15,547	15,258	2%	4,424	4,170	6%	3,604	2,333	54%	Positive
Vasconia	1,325	1,183	12%	110	218	-50%	41	65	-37%	Neutral
Rotoplas	3,447	2,810	23%	528	419	26%	122	65	88%	Positive
Sector Total	294,931	229,870	28%	52,972	44,087	20%	26,554	17,765	49%	

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August 5th, 2022

MXN Mn	Sales			EBITDA			Net profit			Opinion
	2Q22	2Q21	Change	2Q22	2Q21	Change	2Q22	2Q21	Change	
Cement, Construction & Infrastructure										
Cemex	81,772	76,610	7%	14,491	16,180	-10%	5,311	5,413	-2%	Negative
GCC	6,416	5,748	12%	1,994	1,945	3%	1,064	956	11%	Neutral
CMoctez	3,994	4,259	-6%	1,571	1,921	-18%	1,135	1,236	-8%	Negative
Aleatica	3,543	2,159	64%	2,022	1,306	55%	46	-736	n.a.	Positive
Pinfra	3,530	3,025	17%	2,359	2,079	13%	1,216	903	35%	Positive
Gicsa	1,357	974	39%	762	681	12%	-352	419	n.a.	Positive
Sector Total	100,612	92,776	8%	23,199	24,112	-4%	8,421	8,191	3%	
Housing										
Vinte	929	935	-1%	192	156	23%	111	90	23%	Positive
Javer	1,945	2,033	-4%	328	321	2%	104	88	17%	Positive
Cadu	994	727	37%	169	106	59%	64	16	300%	Positive
Ara	1,768	1,517	17%	247	219	13%	159	140	14%	Positive
Sector Total	5,635	5,213	8%	936	802	17%	438	334	31%	
Hotels										
Hcity	781	519	50%	222	98	127%	-47	-135	n.a.	Positive
Hotel	670	484	39%	193	128	50%	47	139	-66%	Positive
Fibra Inn	487	282	72%	134	48	180%	-71	-185	n.a.	Positive
Sector Total	1,937	1,285	51%	548	273	101%	-71	-181	n.a.	
Airports / Airlines / Transportation										
Asur	6,320	4,229	49%	4,041	2,503	61%	2,844	1,330	114%	Positive
Gap	6,610	4,896	35%	4,082	2,797	46%	2,365	1,424	66%	Positive
Oma	2,918	2,181	34%	1,832	1,308	40%	928	620	50%	Positive
Aeromex	19,175	10,013	92%	2,913	1,889	54%	-948	-2,800	n.a.	Positive
Volar	691	574	20%	107	234	-54%	-49	77	n.a.	Negative
GmxT	13,438	12,913	4%	5,930	5,875	1%	2,033	2,063	-1%	Neutral
Traxion	4,944	4,222	17%	859	850	1%	137	243	-44%	Neutral
Sector Total	54,096	39,028	39%	19,763	15,456	28%	7,310	2,957	147%	
Health Services										
Médica Sur	983	929	6%	211	221	-5%	110	145	-24%	Positive
Financial										
Bolsa	997	965	3%	607	584	4%	404	352	15%	Neutral
GFNorte							11,524	8,568	35%	Positive
Bsmx							6,900	4,713	46%	Positive
GFInbur							4,650	3,806	22%	Positive
Regional							1,155	959	20%	Positive
Bbajio							1,811	1,070	69%	Positive
Gentera							1,310	653	101%	Positive
Unifin							342	336	2%	Neutral
Q							656	976	-33%	Negative
Sector Total							28,752	21,433	34%	
SAMPLE TOTAL	1,639,641	1,420,459	15%	333,019	326,149	2%	133,904	146,896	-9%	

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August 5th, 2022

(MXN\$ Min)	Revenues			NOI			FFO			Opinion
	2Q22	2Q21	Change	2Q22	2Q21	Change	2Q22	2Q21	Change	
Funo11	5,801	5,286	10%	4,547	4,241	7%	2,342	2,180	7%	Positive
Fibra Danhos	1,363	1,178	16%	1,057	949	11%	783	679	15%	Positive
Fibra Prologis	1,350	1,203	12%	1,174	1,038	13%	788	732	8%	Positive
Fibra Hotel	1,200	743	62%	418	202	107%	251	53	374%	Positive
Terrafina	1,006	983	2%	936	904	4%	626	596	5%	Neutral
FibraMQ	993	955	4%	919	879	5%	619	578	7%	Neutral
Fibra Educa	809	754	7%	701	664	6%	671	676	-1%	Positive
Fibra Soma	582	528	10%	388	373	4%	161	173	-7%	Neutral
Fibra Inn	487	282	72%	162	60	173%	37	46	n.a.	Positive
Fibra Shop	381	342	11%	295	259	14%	108	119	-10%	Positive
FMTY	374	300	25%	333	272	22%	257	213	21%	Positive
Fibra Nova	244	153	59%	236	149	59%	201	122	65%	Positive
Fibra Plus	176	28	521%	148	25	493%	60	21	185%	Positive
Fibra Storage	108	76	43%	81	57	41%	30	39	-23%	Positive
Fibra Upsite	29	16	87%	25	13	91%	9	4	109%	Positive
Total	14,902	12,825	16%	11,421	10,085	13%	6,943	6,139	13%	

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