

Cemex

Mixed Q4. '24 guidance disappoints on EBITDA & FCF, maintaining Buy rating

Reiterate Rating: BUY | PO: 9.00 USD | Price: 7.98 USD

4Q Revenues up +10% YoY, EBITDA +18% yoy, EPS miss

CX topline missed our revenue forecast, but it was 2% above the Visible Alpha (VA) consensus. Consolidated cement and ready-mix volumes were down 5% and 10% yoy, respectively, in line with the volume growth slowdown seen all year. Still, a strong Peso and very strong YoY pricing managed to boost top line. EBITDA came in at US\$747mn, up 18% yoy, and in line with BofA—but 2% below the VA consensus. Energy costs continued their downward trend allowing for a 120bps yoy expansion and for CX's EBITDA margin to reach 17.5% 4Q23 (capping the year at 19.2%, achieving its goal of recovering 2021 levels). CX's bottom line took a hit from the Spanish tax provision, leading to a EPADR loss of US\$0.30.

2024: Dividends positive, guidance disappoints...

CX announced a new dividend program (120mn this year). CX also unveiled EBITDA guidance of "low to mid- single digit growth" range (US\$3.43bn mid-range), while we are at US\$3.59bn, 4% below guidance and in-line with consensus. Volume guidance for the US and MX was in line with our est.—low single-digit increase in Mexico (BofA: +3%) and low single-digit increase in the US (BofA +2%). With input cost inflation according to guidance expected to go down mid-single digits, cement prices should go up by inflation only. Lastly, guidance on Capex at US\$1.6bn (BofA: 1.4bn), working capital - US\$300mn (BofA -US\$178mn), and Cash Taxes US\$1bn (BofA: US\$800m), were higher than we had anticipated.

Conference Call highlights: can CX beat guidance?

For potential upside, CX highlighted strong Mexico cement demand from nearshoring in Northern & Southeast Mexico (AMLO's signature projects should demand cement until year end). Lastly, dynamics around elections are positive for demand, especially in MX. On the cost side, CX expects inflation input costs to be down mid-single digits vs. '23 based on: higher usage of alternative fuels (+2pct points) reaching up 37% of total fuels, switching to natural gas in Mexico following a drop in prices, hedges on petcoke at lower prices than last year, and locking in diesel prices at lower levels than '23. Negative downside: unexpected depreciation of the MXN and/or Euro.

CX is trading at 5.8x fwd EBITDA, a 14% disc to 5yr avg

Our Buy rating hinges on (1) CX is a clear beneficiary of nearshoring trends, (2) an expected soft landing in the US and Mexico economy this year, that should allow for positive cement volume growth both this year and next, (3) prices in sync with inflation, (4) input costs inflation decreasing mid-single digits (including petcoke, coal, natural gas, and diesel, and (5) a ramp up of President Biden's infra package in 2024 & 2025, plus higher fiscal spending in 2024 in Mexico prompted by Presidential elections.

08 February 2024

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Stock Data

Price	7.98 USD
Price Objective	9.00 USD
Date Established	9-Jan-2024
Investment Opinion	C-1-9
52-Week Range	4.72 USD - 8.81 USD
Mrkt Val (mn) / Shares Out (mn)	11,739 USD / 1,471.0
Free Float	0%
Average Daily Value (mn)	42.54 USD
BofA Ticker / Exchange	CX / NYS
Bloomberg / Reuters	CX US / CX.N
ROE (2023E)	5.4%
Net Dbt to Eqty (Dec-2022A)	69.2%

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Cemex 4Q Earnings

Exhibit 1: CX Earnings review

A look at per country results

CEMEX	Actual	BofAe	A/E	Actual	YoY Actual	YoY Est	Visible Alpha	Actual vs
USD, Mn	4Q23	4Q23E	% Chg	4Q22	% Chg	% Chg	Consensus	Consensus
Net Revenues	4,243	4,733	-10.4%	3,869	9.7%	22.3%	4,168.3	1.8%
EBITDA	743	747	-0.5%	630	17.8%	18.5%	758.8	-2.1%
EBITDA Mrg	17.5%	15.8%	173	16.3%	121 bps	257 bps	18.2%	-69 bps
Net Income	-441	(235)	88%	(99)	344.8%	137.2%	271.4	-262.5%
EPADR	-0.300	(0.18)	64%	(0.12)	344.8%	52.7%	0.211	-241.9%
Revenues:								
Revenue Mexico	1,333	1,638	-18.6%	1,016	31.2%	61.1%	1,217.1	9.5%
Revenue US	1,269	1,173	8.2%	1,221	3.9%	-3.9%	1,249.1	1.6%
Revenue SCAC	425	377	12.5%	377	12.5%	0.0%	387.7	9.5%
Revenue Europe + AMEA	1,166	1,238	-5.8%	820	42.2%	51.0%	1,208.7	-3.6%
EBITDA:								
EBITDA Mexico	346	296	16.7%	271	27.7%	9.4%	353.4	-2.1%
EBITDA USA	239	221	8.1%	202	18.3%	9.4%	214.5	11.3%
EBITDA SCAC	98	84	16.4%	84	16.4%	0.0%	87.9	11.9%
EBITDA Europe + AMEA	129	173	-25.0%	104	24.6%	66.1%	170.4	-24.0%
EBITDA Margin:								
EBITDA Margin Mexico	26.0%	18.1%	786 bps	26.7%	-70 bps	483 bps	29.0%	-308 bps
EBITDA Margin US	18.8%	18.8%	-1 bps	16.5%	229 bps	311 bps	17.2%	165 bps
EBITDA Margin SCAC	23.1%	22.4%	76 bps	22.4%	76 bps	501 bps	22.7%	49 bps
EBITDA Margin Europe	11.1%	13.9%	-284 bps	12.7%	-157 bps	177 bps	14.1%	-299 bps

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Price objective basis & risk

Cemex (CX)

We derive our PO of US\$9.0/ADR using a discounted cash flow (DCF) methodology. In our model, we use a 14.5% cost of equity and a 6.3% cost of debt. We use a Beta of 1.4. Our assumptions translate into a weighted-average cost of capital (WACC) estimate of 10.6%. For our terminal value, we apply a terminal growth rate of 2.25%.

Upside risks to our PO are (i) appreciation of the Mexican peso, the British Pound, and the Euro, (ii) higher cement prices in the US, (iii) a faster-than-expected rollout of funds in the US infrastructure package, (iv) a faster-than-expected recovery for the global economy, and (v) stronger cement volume trends than expected in Mexico.

Downside risks to our PO are (i) the Mexican economy decelerating unexpectedly, weakening demand and causing further peso depreciation, (ii) higher global economy slowdown than expected resulting from the pandemic, (iii) slower-than-expected economic growth in the US, and (iv) a reacceleration of input cost inflation.

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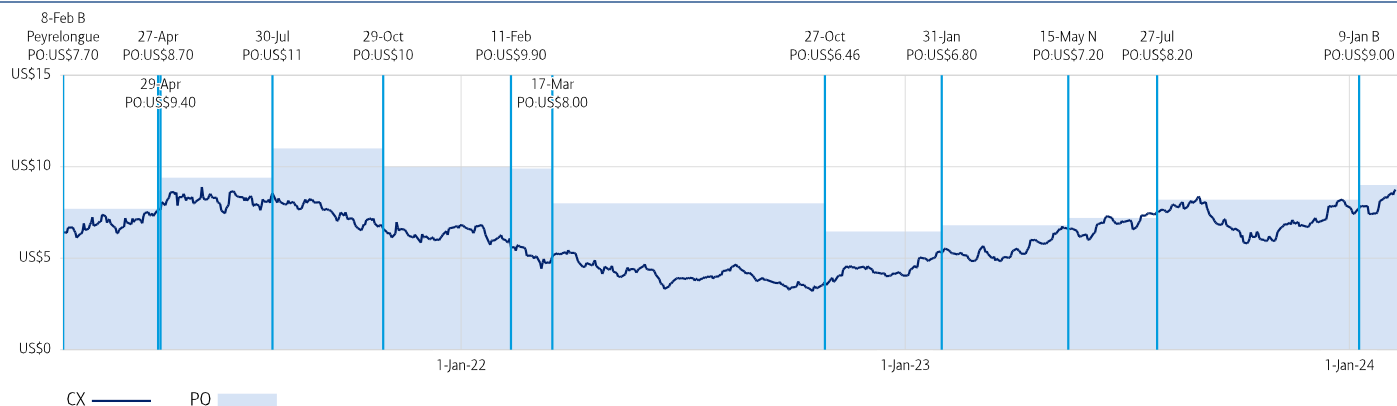
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Cemex (CX) Price Chart



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Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	39	44.83%	Buy	22	56.41%
Hold	18	20.69%	Hold	11	61.11%
Sell	30	34.48%	Sell	8	26.67%

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Buy	1895	53.62%	Buy	1083	57.15%
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Sell	807	22.84%	Sell	383	47.46%

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