

GMEXICO

Quarterly Report

February 7, 2023

Profitability surprises and outlook improves

- **GMexico reported better-than-expected figures, where lower copper prices were offset by stable production and cash costs reduction, reflecting lower pressure on profitability**
- **Despite the challenges in the short-term environment, the expectation of improved global economic dynamism, underpinned by the reopening of China, should support the recovery in results**
- **We raise our PT to MXN 112.00 (FV/EBITDA 2023e of 6.4x vs. 7.3x sector average) and our recommendation to BUY, in view of a better copper outlook, which would translate into growth and higher margins**

Lower-than-estimated impact in Mining, while Transportation and Infrastructure continues to advance. GMexico achieved a 4Q22 that exceeded our and the market's expectations. The company showed a slight 0.3% y/y increase in sales, but a 4.7% reduction in EBITDA, with a 2.9pp contraction in the respective margin to 55.2%. Mining (AMC) recorded declines, although lower than expected, due to lower prices in most metals (copper prices declined 16.4% y/y), which was partially offset by a stable copper production (+0.1% y/y) and an increase in sales volumes of 4.7% y/y. Profitability decreased by 4.3pp to 56.1%, despite a 23.7% y/y decline in net cash cost. On the positive side, GMXT presented solid advances, even with the impact on volumes, highlighting the margins expansion due to operating efficiencies; and in Infrastructure, EBITDA grew 33.7% y/y, with higher profitability. Meanwhile, the company's financial strength (DN/EBITDA of 0.4x) led it to declare a dividend of MXN 1.00 per share (vs. MXN 0.75 previously), payable on March 2 (annualized yield of 4.9%). **The outlook is improving**, considering the expectation of a better world economic performance, including China, favoring a better backdrop for copper. Thus, our positive view for the company is supported by the recovery of results and a higher estimated profitability for this year, as well as a healthy financial situation that translates into constant dividend payments.

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| | |
|------------------------|------------|
| BUY | |
| Current Price | \$81.64 |
| PT | \$112.00 |
| Dividend | \$4.0 |
| Dividend Yield (%) | 4.9% |
| Upside Potential | 42.1% |
| Max – Min LTM (\$) | 122.1-61.7 |
| Market Cap (US\$m) | 34,062.2 |
| Shares Outstanding (m) | 7,785 |
| Float | 46.0% |
| Daily Turnover US\$m | 654.7 |
| Valuation metrics LTM | |
| FV/EBITDA | 5.4x |
| P/E | 11.6x |
| MSCI ESG Rating | BB |

Relative performance to Mexbol LTM



Financial Statements

| | 2020 | 2021 | 2022 | 2023E |
|-------------------|--------|--------|--------|--------|
| Revenue | 10,909 | 14,777 | 13,870 | 14,990 |
| Operating Income | 3,958 | 7,467 | 5,655 | 6,642 |
| EBITDA | 5,363 | 8,933 | 7,141 | 7,996 |
| EBITDA Margin | 49.2% | 60.5% | 51.5% | 53.3% |
| Net Income | 2,118 | 3,706 | 2,939 | 3,307 |
| Net Margin | 19.4% | 25.1% | 21.2% | 22.1% |
| Total Assets | 28,608 | 30,359 | 30,168 | 32,053 |
| Cash | 4,091 | 6,460 | 6,035 | 6,258 |
| Total Liabilities | 13,364 | 13,584 | 12,331 | 12,101 |
| Debt | 8,952 | 8,782 | 8,396 | 8,396 |
| Common Equity | 15,244 | 16,775 | 17,838 | 19,953 |

Source: Banorte

Valuation and Financial metrics

| | 2020 | 2021 | 2022 | 2023E |
|------------------|-------|-------|-------|-------|
| FV/EBITDA | 7.7x | 4.3x | 5.4x | 4.9x |
| P/E | 16.1x | 9.2x | 11.6x | 10.3x |
| P/VB | 2.6x | 2.4x | 2.2x | 2.0x |
| ROE | 16.3% | 25.5% | 19.0% | 19.0% |
| ROA | 7.4% | 12.2% | 9.7% | 10.3% |
| EBITDA/ interest | 9.7x | 16.2x | 13.3x | 15.0x |
| Net Deb/EBITDA | 0.9x | 0.3x | 0.4x | 0.3x |
| Deb/Equity | 0.6x | 0.5x | 0.5x | 0.4x |

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GMEXICO – Results 4Q22

MXN, million

| Concept | 4Q21 | 4Q22 | Var % | 4Q22e | Diff % vs Estim. |
|------------------|--------|--------|--------|--------|------------------|
| Revenue | 3,776 | 3,788 | 0.3% | 3,418 | 10.8% |
| Operating Income | 1,840 | 1,629 | -11.5% | 1,242 | 31.2% |
| Ebitda | 2,196 | 2,092 | -4.7% | 1,598 | 30.9% |
| Net Income | 951 | 956 | 0.5% | 600 | 59.3% |
| Margins | | | | | |
| Operating Margin | 48.7% | 43.0% | -5.7pp | 36.3% | 6.7pp |
| Ebitda Margin | 58.1% | 55.2% | -2.9pp | 46.8% | 8.5pp |
| Net Margin | 25.2% | 25.2% | 0.1pp | 17.6% | 7.7pp |
| EPS | \$0.12 | \$0.12 | 0.5% | \$0.08 | 59.3% |

| Income Statement (Million pesos) | | | | | |
|---|----------|---------|---------|---------|--------|
| Año | 2021 | 2022 | 2022 | Change | Change |
| Trimestre | 4 | 3 | 4 | % y/y | % q/q |
| Net Revenue | 3,776.3 | 3,115.4 | 3,787.7 | 0.3% | 21.6% |
| Costs of goods sold | 1,477.2 | 1,627.7 | 1,690.4 | 14.4% | 3.9% |
| Gross profit | 2,299.1 | 1,487.8 | 2,097.3 | -8.8% | 41.0% |
| General expenses | 72,853.0 | 68.9 | 83.4 | -99.9% | 21.0% |
| Operating Income | 1,840.2 | 1,078.5 | 1,628.9 | -11.5% | 51.0% |
| Operating Margin | 48.7% | 34.6% | 43.0% | (5.7pp) | 8.4pp |
| Depreciation | 385.1 | 340.3 | 385.0 | 0.0% | 13.1% |
| EBITDA | 2,195.7 | 1,424.4 | 2,091.5 | -4.7% | 46.8% |
| EBITDA Margin | 58.1% | 45.7% | 55.2% | (2.9pp) | 9.5pp |
| Interest Income (Expense) net | (135.1) | (101.5) | 2.8 | N.A. | N.A. |
| Interest expense | 137.5 | 134.9 | 132.0 | -4.0% | -2.1% |
| Interest income | 12.5 | 32.6 | 55.4 | 343.3% | 69.5% |
| Other income (expense) | (10.1) | 0.7 | 79.5 | N.A. | >500% |
| Foreign exchange gain (loss) | | | | N.A. | N.A. |
| Unconsolidated subsidiaries | (0.2) | 9.6 | 1.5 | N.A. | -84.8% |
| Income before taxes | 1,705.1 | 977.0 | 1,631.7 | -4.3% | 67.0% |
| Income taxes | 599.7 | 262.6 | 498.1 | -16.9% | 89.7% |
| Discontinued operations | | | | | |
| Consolidated Net Income | 1,105.6 | 704.7 | 1,132.1 | 2.4% | 60.6% |
| Non-controlling interest | 154.5 | 128.2 | 176.0 | 13.9% | 37.3% |
| Net Income | 951.1 | 576.5 | 956.1 | 0.5% | 65.8% |
| Net Margin | 25.2% | 18.5% | 25.2% | 0.1pp | 6.7pp |
| EPS | 0.122 | 0.074 | 0.123 | 0.5% | 65.8% |

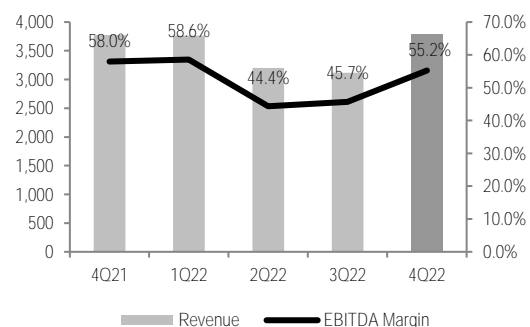
| Balance Sheet (Million pesos) | | | | | |
|--------------------------------------|----------|----------|----------|--------|--------|
| Total Current Assets | 10,312.0 | 9,701.6 | 10,139.6 | -1.7% | 4.5% |
| Cash & Short Term Investments | 6,460.3 | 5,706.8 | 6,034.8 | -6.6% | 5.7% |
| Long Term Assets | 20,047.0 | 19,788.5 | 20,028.9 | -0.1% | 1.2% |
| Property, Plant & Equipment (Net) | 16,857.5 | 17,005.9 | 17,265.1 | 2.4% | 1.5% |
| Intangible Assets (Net) | 3,189.5 | 2,782.6 | 2,763.8 | -13.3% | -0.7% |
| Total Assets | 30,359.0 | 29,490.2 | 30,168.5 | -0.6% | 2.3% |
| Current Liabilities | 3,055.1 | 2,109.4 | 1,894.4 | -38.0% | -10.2% |
| Short Term Debt | 505.9 | 505.5 | 138.8 | -72.6% | -72.5% |
| Accounts Payable | | | | N.A. | N.A. |
| Long Term Liabilities | 10,529.3 | 10,367.5 | 10,436.6 | -0.9% | 0.7% |
| Long Term Debt | 8,276.5 | 8,202.1 | 8,257.5 | -0.2% | 0.7% |
| Total Liabilities | 13,584.4 | 12,476.9 | 12,331.0 | -9.2% | -1.2% |
| Stockholders' Equity | 16,774.6 | 17,013.3 | 17,837.5 | 6.3% | 4.8% |
| Non-controlling interest | 2,259.2 | 2,215.8 | 2,338.9 | 3.5% | 5.6% |
| Total Equity | 14,515.4 | 14,797.5 | 15,498.7 | 6.8% | 4.7% |
| Liabilities & Equity | 30,078.2 | 29,490.2 | 30,168.5 | 0.3% | 2.3% |
| Net Debt | 2,321.4 | 3,000.8 | 2,361.5 | 1.7% | -21.3% |

| Cash Flow | | | | | |
|------------------------------|-----------|---------|---------|--|--|
| CF from Operating Activities | 1,474.0 | 775.7 | 1,567.9 | | |
| CF from Investing Activities | (299.5) | (193.2) | (396.9) | | |
| CF from Financing Activities | (1,011.7) | (623.5) | (792.5) | | |
| Change in Cash Balance | 186.3 | (6.5) | 358.2 | | |

Source: Banorte, MSE.

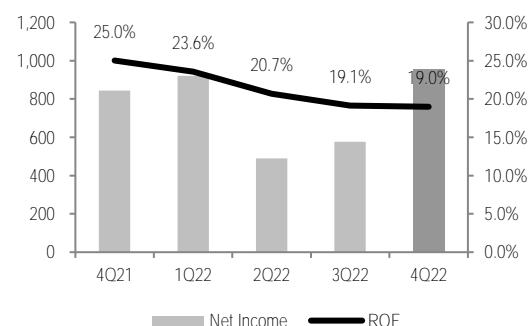
Revenue & EBITDA Margin

MXN, million



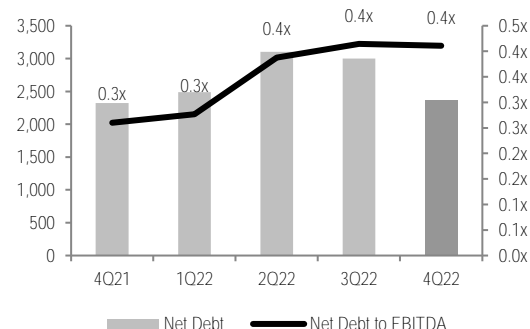
Net Income & ROE

MXN, million



Net Debt & Net Debt to EBITDA ratio

MXN, million



2023 estimates

2022 was a very complex year for GMexico, whose results were impacted by the environment of high inflation and higher costs. The price of copper was pressured by lower economic dynamism due to the restrictive monetary policies of several central banks. In addition, restrictions in China, the main copper consumer, to mitigate the Coronavirus infection, reduced the demand for the metal.

In this context, and although 2023 could still present some challenges, especially [recession](#) ones, we give more weight to the prospect of a slower global slowdown, supported in part by the expectation of China's economic reopening, where a greater advance in GDP for 2023 is anticipated for that country ([5.2% according to the International Monetary Fund](#)). This undoubtedly improves the outlook for copper demand and price's in the short term.

Meanwhile, in the longer term, the reinforcement of trends towards a more technological society and a greater boom in renewable energy projects are factors that will be reflecting a greater consumption of the metal. In this sense, the estimate of the International Copper Study Group (ICSG) points to an increase this year in world production of 5.3%, according to its forecast report published on October 19, 2022, which we believe could even be revised upwards in the near future.

Thus, considering most favorable dynamics, we estimate an average price of \$4.10 per pound (+2% vs. 2022), which is above the Bloomberg consensus of \$3.83, although similar to the year-to-date average of \$4.12. On the other hand, GMXT would continue on the growth path, with investments focused on making operations more efficient and with the expectation of an additional boost from nearshoring, which is gaining momentum. Finally, Infrastructure will continue to make progress with higher revenues in Energy, increased capacity and tariffs in Toll Roads, the continued operation of the 6 platforms in Drilling, as well as higher production in Engineering and Construction.

On a consolidated basis, our projections for the company assume annual revenue growth of 8.1% to \$14.99 billion and EBITDA growth of 12.0% to \$7.996 billion. As a result, EBITDA margin would expand by 1.9pp to 53.3%, supported by higher operating leverage alongside cost and expense control.

Detailing our projections by division, in AMC (Mining), we expect an EBITDA of \$6.34 billion (+12.2%), in view of an increase in production of ~7.0% due to a simpler comparative base, remembering that in 2022 it was affected by the illegal blockade in the Cuajone complex, as well as by the entry into operation of the Pilares and Buenavista Zinc projects. As previously mentioned, it would also benefit from the estimated higher copper price of \$4.10 per pound (+2%), considering the expectation of a better economic dynamism. This, together with a cost base that should compare favorably, would support a 4.4pp increase in profitability to 56.0%. In Transportation, we estimate revenues for GMXT of \$2.94 billion (+8.2%) and EBITDA of \$1.36 billion (+10.5%), continuing with a solid growth rate, where we expect higher average prices per ton to be supported by a more normalized volume transported. Thus, we forecast a 1.0pp increase in EBITDA margin to 46.5%. For Infrastructure, we anticipate EBITDA of \$288 million (+7.1% y/y), due to progress in most of its business lines.

It will continue with investments to keep growing. The company announced capital expenditures for the year of around \$1.83 billion (+22% y/y), as it continues to focus on achieving greater operational efficiencies and maintaining future growth.

We reiterate that one of GMexico's competitive advantages is its solid financial position, and our expectation for 2023 is that this will continue with a ND/EBITDA ratio of 0.3x (vs. 0.4x in 2022). This will allow it to continue making distributions to shareholders, therefore we estimate that for the full year the company will pay a dividend of MXN 4.00 per share, distributed in four installments (MXN 1.00 each quarter), equivalent to a yield of ~4.9% on current prices. We believe that a higher dividend would depend on the recovery occurring as expected.

Valuation and PT of MXN 112.00

We use sum-of-the-parts valuation method to reflect the value of each of GMexico's subsidiaries. It should be noted that after the drop in the multiples of the sector in 2022 due to the complex environment, a revaluation has been reflected recently derived from a better expectation for copper and for the mining sector, given the reopening in China and a lower slowdown in economic activity than previously expected.

In the case of Southern Copper (SCCO), in which GMexico has an 88.9% stake, we assigned a 2023e FV/EBITDA multiple of 8.5x, above the 1-year average of 7.0x, supported by the recovery in results due to a better outlook for copper, although below the 3-year average of 10.6x, as we assumed a conservative stance. For Asarco, we set an FV/EBITDA multiple of 5.0x, below GMexico's 3-year average (5.7x) due to lower profitability levels.

For GMXT, we assigned an FV/EBITDA 2023e multiple of 8.5x, up from the current 8.0x considering a more favorable outlook, although below the 11.3x sector average. In the Infrastructure division, we assume a multiple of 7.0x, in line with the average of peers' sample. Finally, we value GMexico's 2.9% stake in GAP, using the company's current market value, conservatively.

Thus, we obtained a target price for GMexico of MXN 112.00 per share. This price represents a 2023e FV/EBITDA multiple of 6.4x, above its 3-year average, although below the 7.3x average of comparable companies, according to Bloomberg consensus. We believe the target multiple is justified by the company's expected earnings recovery, leadership position, having the largest copper reserves in the world, as well as its healthy balance sheet. It should be noted that we maintain a 20% holding discount.

The yield offered by our price target is 42.1% which considers a dividend rate of 4.9%. Although growth challenges will depend on the magnitude of the possible global recessionary scenario, we believe that the impact would be different in each region. In this sense, a greater dynamism expected in China given economic reopening would be of greater weight, which should support a better outlook for copper. In this context, we believe that the current multiple of 5.4x looks attractive, considering that going forward it should reflect a revaluation, additionally supported by the expectation that the cycle of interest rate cuts will begin at least

by Banxico this year. Therefore, **our recommendation is to BUY**. We should mention that, as long as there is uncertainty regarding the possibility that the company may participate directly or indirectly in the financial business, there will be volatility in the share price given the risk that this could imply.

GMexico - Sum of the parts valuation
Millones de dólares

| Subsidiary | 2023e EBITDA | FV/EBITDA | Net Debt | Market Cap | Participation | Total |
|----------------------|--------------|-----------|----------|------------|---------------|----------|
| SCCO | 5,392 | 8.5x | 3,973 | 41,698 | 88.9% | 37,069 |
| ASARCO | 952 | 5.0x | - 36 | 4,746 | 100.0% | 4,746 |
| GMXT | 1,364 | 8.5x | 622 | 10,904 | 70.0% | 7,629 |
| INFRAESTRUCTURA | 288 | 7.0x | 576 | 1,426 | 100.0% | 1,426 |
| GAP | | | | 8,412 | 2.9% | 244 |
| Sum of the Parts | | | | | | 51,114 |
| (-) Net Debt GMexico | | | | | | - 2,742 |
| (=) GMexico's Value | | | | | | 53,855 |
| Shares Outstanding | | | | | | 7,785 |
| Price US\$ per Share | | | | | | 6.92 |
| Exchange rate 2023e | | | | | | 20.20 |
| Price GMexico | | | | | | \$139.75 |
| Holding Discount | | | | | | 20.0% |
| PT 2023e | | | | | | \$111.87 |

Source: Estimates Banorte, Bloomberg

Relative Valuation Miners

| ISSUER | PRICE | Market Cap (US\$MM) | Enterprise Value (US\$MM) | P/BV | P/E | P/E 2022E | P/E 2023E | FV/EBITDA | FV/EBITDA 2022E | FV/EBITDA 2023E | DIVIDEND YIELD |
|------------------------------|--------------|---------------------|---------------------------|------|-------|-----------|-----------|-----------|-----------------|-----------------|----------------|
| BHP GROUP LTD | AUD 47.69 | 170,803 | 122,877 | 3.9x | 8.5x | 11.1x | 11.5x | 4.4x | 5.6x | 5.6x | 14.0% |
| RIO TINTO PLC | GBP 6,064.00 | 124,906 | 160,351 | 2.6x | 6.8x | 8.5x | 10.0x | 4.5x | 4.9x | 5.5x | 8.7% |
| VALE SA | BRL 89.14 | 84,460 | 93,518 | 3.1x | 3.9x | 4.9x | 6.1x | 3.8x | 4.4x | 4.3x | 2.3% |
| SOUTHERN COPPER CORP | USD 76.11 | 58,841 | 64,137 | 7.9x | 21.0x | 21.0x | 23.7x | 11.6x | 11.6x | 12.2x | 5.3% |
| ANGLO AMERICAN PLC | GBP 3,387.00 | 50,688 | 75,270 | 2.0x | 7.2x | 8.3x | 9.6x | 3.9x | 4.3x | 4.4x | 5.7% |
| FREEPORT-MCMORAN INC | USD 43.71 | 62,476 | 74,266 | | 18.1x | | 23.2x | 8.2x | | 7.9x | 1.4% |
| JIANGXI COPPER CO LTD-H | HKD 13.68 | 8,413 | 10,153 | 0.7x | 6.9x | 7.4x | 8.9x | | 7.2x | 7.8x | 4.3% |
| ANTOFAGASTA PLC | GBP 1,719.00 | 13,875 | 19,618 | 2.8x | 24.3x | 33.9x | 29.6x | 7.3x | 8.4x | 7.6x | 5.8% |
| Average | | 63,879 | 68,926 | 3.0x | 12.1x | 12.6x | 15.2x | 6.9x | 7.2x | 7.3x | 5.5% |
| Median | | 58,841 | 74,266 | 2.7x | 8.5x | 8.4x | 11.5x | 5.9x | 6.4x | 7.6x | 5.3% |
| GRUPO MEXICO SAB DE CV-SER B | Ps 81.64 | 34,062 | 2,131 | 2.2x | 11.6x | 11.6x | 11.9x | 5.4x | 5.4x | 5.5x | 3.7% |

Source: Bloomberg (02/02/23).

Relative Valuation Transport

| ISSUER | PRICE | Market Cap (US\$MM) | Enterprise Value (US\$MM) | P/BV | P/E | P/E 2022E | P/E 2023E | FV/EBITDA | FV/EBITDA 2022E | FV/EBITDA 2023E | DIVIDEND YIELD |
|------------------------------|------------|------------------------|------------------------------|-------|-------|-----------|-----------|-----------|--------------------|--------------------|-------------------|
| UNION PACIFIC CORP | USD 213.41 | 131,205 | 164,812 | 10.8x | 19.0x | 19.0x | 18.4x | 13.6x | 13.6x | 13.3x | 2.4% |
| CANADIAN NATL RAILWAY CO | CAD 159.20 | 79,881 | 91,471 | | 21.3x | 21.3x | 20.3x | 14.2x | 14.2x | 13.6x | 2.0% |
| CSX CORP | USD 32.64 | 68,623 | 84,583 | 5.4x | 17.9x | 17.9x | 17.5x | 11.2x | 11.2x | 11.6x | 1.2% |
| DAQIN RAILWAY CO LTD -A | CNY 6.69 | 14,753 | 13,639 | 0.8x | 7.8x | 7.8x | 7.8x | | 4.0x | 4.2x | 7.2% |
| CANADIAN PACIFIC RAILWAY LTD | CAD 105.58 | 73,738 | 88,150 | 2.6x | 29.9x | 29.9x | 23.8x | 28.1x | 28.1x | 23.6x | 0.7% |
| NORFOLK SOUTHERN CORP | USD 254.84 | 58,123 | 72,849 | 4.6x | 18.7x | 18.7x | 18.5x | 12.1x | 12.1x | 12.1x | 2.1% |
| AURIZON HOLDINGS LTD | AUD 3.70 | 4,815 | 7,058 | 1.6x | 13.3x | 13.9x | 13.0x | 6.9x | 6.7x | 6.2x | 8.2% |
| CHINA RAILWAY TIELONG CONT-A | CNY 5.54 | 1,073 | 931 | 1.1x | 18.1x | 15.0x | 13.1x | | 6.2x | 5.5x | 1.4% |
| Average | | 54,026 | 65,436 | 3.8x | 18.3x | 17.9x | 16.6x | 14.3x | 12.0x | 11.3x | 3.2% |
| Median | | 63,373 | 78,716 | 2.6x | 18.4x | 18.3x | 18.0x | 12.8x | 11.7x | 11.8x | 2.1% |
| GMEXICO TRANSPORTES SAB DE C | MXN 41.42 | 9,701 | 11,244 | 2.7x | 17.3x | 17.3x | 16.3x | 8.0x | 8.0x | 7.4x | 4.8% |
| GRUPO MEXICO SAB DE CV-SER B | MXN 81.64 | 34,062 | 2,131 | 2.2x | 11.6x | 11.6x | 11.9x | 5.4x | 5.4x | 5.5x | 3.7% |

Source: Bloomberg (02/02/23).

Certification of Analysts.

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Carlos Hernández García, Leslie Thalía Orozco Vélez, Hugo Armando Gómez Solís, Yazmin Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, Daniela Olea Suárez, José De Jesús Ramírez Martínez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Paola Soto Leal, Daniel Sebastián Sosa Aguilar and Andrea Muñoz Sánchez, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V for the provision of our services.

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Compensation of Analysts.

Analysts' compensation is based on activities and services that are aimed at benefiting the investment clients of Casa de Bolsa Banorte and its subsidiaries. Such compensation is determined based on the general profitability of the Brokerage House and the Financial Group and on the individual performance of each analyst. However, investors should note that analysts do not receive direct payment or compensation for any specific transaction in investment banking or in other business areas.

Last-twelve-month activities of the business areas.

Grupo Financiero Banorte S.A.B. de C.V., through its business areas, provides services that include, among others, those corresponding to investment banking and corporate banking, to a large number of companies in Mexico and abroad. It may have provided, is providing or, in the future, will provide a service such as those mentioned to the companies or firms that are the subject of this report. Casa de Bolsa Banorte or its affiliates receive compensation from such corporations in consideration of the aforementioned services.

Over the course of the last twelve months, **Grupo Financiero Banorte S.A.B. C.V.**, has not obtained compensation for services rendered by the investment bank or by any of its other business areas of the following companies or their subsidiaries, some of which could be analyzed within this report.

Activities of the business areas during the next three months.

Casa de Bolsa Banorte, Grupo Financiero Banorte or its subsidiaries expect to receive or intend to obtain revenue from the services provided by investment banking or any other of its business areas, by issuers or their subsidiaries, some of which could be analyzed in this report.

Securities holdings and other disclosures.

As of the end of last quarter, Grupo Financiero Banorte S.A.B. of C.V. has not held investments, directly or indirectly, in securities or derivative financial instruments, whose underlying securities are the subject of recommendations, representing 1% or more of its investment portfolio of outstanding securities or 1 % of the issuance or underlying of the securities issued. None of the members of the Board of Grupo Financiero Banorte and Casa de Bolsa Banorte, along general managers and executives of an immediately below level, have any charges in the issuers that may be analyzed in this document.

The Analysts of Grupo Financiero Banorte S.A.B. of C.V. do not maintain direct investments or through an intermediary person, in the securities or derivative instruments object of this analysis report.

Guide for investment recommendations.

| | Reference |
|-------------|---|
| BUY | When the share expected performance is greater than the MEXBOL estimated performance. |
| HOLD | When the share expected performance is similar to the MEXBOL estimated performance. |
| SELL | When the share expected performance is lower than the MEXBOL estimated performance. |

Even though this document offers a general criterion of investment, we urge readers to seek advice from their own Consultants or Financial Advisors, in order to consider whether any of the values mentioned in this report are in line with their investment goals, risk and financial position.

Determination of Target Prices

For the calculation of estimated target prices for securities, analysts use a combination of methodologies generally accepted among financial analysts, including, but not limited to, multiples analysis, discounted cash flows, sum-of-the-parts or any other method that could be applicable in each specific case according to the current regulation. No guarantee can be given that the target prices calculated for the securities will be achieved by the analysts of Grupo Financiero Banorte S.A.B. C.V, since this depends on a large number of various endogenous and exogenous factors that affect the performance of the issuing company, the environment in which it performs, along with the influence of trends of the stock market, in which it is listed. Moreover, the investor must consider that the price of the securities or instruments can fluctuate against their interest and cause the partial and even total loss of the invested capital.

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History of PT and ratings

| Stock | Date | Rating | PT |
|---------|----------|--------|----------|
| GMEXICO | 03/02/22 | BUY | \$112.00 |
| GMEXICO | 07/27/22 | HOLD | \$ 86.00 |
| GMEXICO | 04/27/21 | BUY | \$135.00 |
| GMEXICO | 01/07/21 | HOLD | \$101.00 |

MSCI ESG Rating scale

| | | | | | | |
|---------|---------|----|-----|--------|----|-----|
| CCC | B | BB | BBB | A | AA | AAA |
| LAGGARD | AVERAGE | | | LEADER | | |

*MSCI ESG Rating is an indicator that evaluates companies in Environment, Social and Governance (ESG) metrics.

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