COVERAGE REINITIATION SUMMARY AND TENDER OFFER

Latin American complexity

CLH is a building materials company that produces and sells cement, ready-mix concrete, and aggregates through its subsidiaries in Colombia, Panama, Costa Rica, Nicaragua, El Salvador, and Guatemala. Our investment thesis is based on the positive impact of infrastructure and housing projects in Latam on cement and ready-mix sales. However, the COVID-19 crisis, the delay in the beginning and execution of civil construction works, a more conservative construction dynamic, along with some corporate risks, make us less optimistic about the future performance of the business and the upside potential of the stock price. This document summarizes our coverage reinitiation exercise published in August of this year, to assist on the evaluation of the tender offer of the ordinary and outstanding shares of CLH, initiated in September of this year by CEMEX España S.A.

Our current 12-month price target is COP 3,601 (USD 0.96) (intrinsic valuation at July 2021), with an overweight recommendation. The current annualized expected return is 44.8%. We are not including subsequent events as a non-cash aggregate impairment charge of approximately USD 121.1 Mn recognized in 3Q20. Follow the link below to read our complete report in spanish. [Reinicio de cobertura Cemex Latam Holdings - Complejidad latinoamericana]

› TENDER OFFER (PAG. 4)

In a step towards CLH´s delisting, the offer will be addressed to all CEMEX Latam shareholders (except for shares owned either by CEMEX España or by CEMEX Latam), for an intended purchase price of 3,250 COP (USD 0.87) per ordinary share (-9.7% with respect to our PT and -73.5% with respect to 2012's IPO).

› EXECUTIVE SUMMARY (PAG. 5)

In this section we explained the main value drivers, distinguishing country specific variables, given the regional presence of CLH.

› GENERAL PROJECTIONS (PAG. 9)

Our volume projections are conservative: In Colombia we included infrastructure and housing projects, and in Panama and Costa Rica, the five –year infrastructure investment plans. For the rest of CLH the organic growth was adjusted as well.

› VALUATION (PAG. 11)

We used the projected Free Cash Flow to Equity (FCFE) discounted by the cost of equity (ke) to obtain the intrinsic/fundamental value of the company.

CEMEX LATAM HOLDINGS

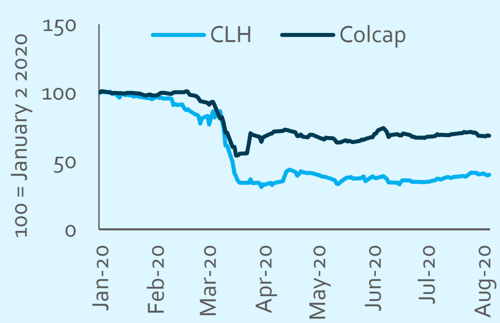
PT: COP 3,601 USD 0.96

TICKER	RECOMMENDATION
CLH	Overweight
SECTOR	**INDUSTRY**
Building materials	Cement

Last Price COP	2,805 (USD 0.75)
Total Return	44.8%
52 Week high	4,730 (USD 1.27)
52 Week low	1,360 (USD 0.36)
LTM return	-34.9%
YTD return	-36.3%
Market Cap (Tn COP *)	1.5 (USD 419 Mn)
Float	24%

* Ten to the twelfth power ("billon" in Spanish).
USD prices with exchange rate of COP 3,735

STOCK PRICE



Source: Capital IQ.

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Income Statement (USD Mn)

	2018	2019	2020e	2021e	2022e	2023e
Revenues	**1,108**	**989**	**830**	**928**	**978**	**1,046**
Var. (%)	-8.1%	-10.8%	-16.1%	11.9%	5.4%	7,0%
Gross Profit	460	383	306	372	400	427
Var. (%)	-14.2%	-16.8%	-19.9%	21.4%	7.5%	6.9%
Operating income	**174**	**103**	**75**	**108**	**128**	**143**
Var. (%)	-15.0%	-40.9%	-50.2%	111.2%	18.7%	11.6%
Financial Expenses	-61	-52	-36	-39	-38	-35
Earnings before taxes	109	34	9	67	88	107
Var. (%)	-20.3%	-68.8%	-72.4%	613.0%	32.5%	20.4%
Taxes	-37	-29	-11	-20	-26	-31
%	33.6%	86.8%	117.4%	29.5%	29.0%	29.0%
Net Income	**62**	**4**	**-2**	**47**	**63**	**75**
Var. (%)	-9.2%	-93.8%	-	-	33.5%	20.4%
EBITDA	**249**	**199**	**149**	**174**	**194**	**222**
Var. (%)	-20.9%	-20.0%	-37.3%	39.6%	11.4%	14.6%
EBITDA margin	**22.4%**	**20.1%**	**18.0%**	**18.8%**	**19.8%**	**21.2%**
Operating margin	**15.7%**	**10.4%**	**9.1%**	**11.6%**	**13.1%**	**13.6%**
Net margin	**5.6%**	**0.5%**	**-0.2%**	**5.1%**	**6.4%**	**7.2%**

Source: CLH and Corficolombiana. Mn: Millions.

Table 1. Management

Members	
Jesús González	CEO
Eugenio Barquet	General Counsel
Alejandro Ramírez	President of CEMEX Colombia
Andrés Jiménez	Director of CEMEX Panama
Enrique García	Director of CEMEX C. Rica
Yuri de los Santos	Director of CEMEX Nicaragua, Guatemala & El Salvador.

Source: CLH.

Multiples and Financial ratios

	2018	2019	2020e	2021e	2022e	2023e
EV / EBITDA (x)	6.1	7.6	8.4	6.9	5.9	4.7
P / E (x)	10.2	167.7	-	11.5	8.8	7.4
P / VL (x)	0.4	0.5	0.4	0.4	0.3	0.3
ROE	4.1%	0.3%	-0.1%	3.1%	3.9%	4.5%
ROA	2.0%	0.1%	-0.1%	1.6%	2.1%	2.5%
FCF / EBITDA	45.8%	64.9%	82.3%	53.0%	56.2%	58.8%
Net Debt / EBITDA (x)	3.5	3.8	4.8	3.8	3.0	2.2
Debt / Equity	60.0%	50.4%	57.0%	53.6%	45.2%	37.8%

Source: CLH and Corficolombiana.

Balance Sheet (USD Mn)

	2018	2019	2020e	2021e	2022e	2023e
Cash and equivalents	37	23	128	162	140	149
Total current assets	309	284	353	405	393	417
PP&E net	1,178	1,131	1,018	1,013	1,018	1,006
Total non- current assets	2,756	2,710	2,597	2,591	2,596	2,585
Total assets	**3,065**	**2,994**	**2,950**	**2,997**	**2,990**	**3,002**
Total current liabilities	297	261	245	348	738	548
Total non - current liabilities	1,255	1,190	1,230	1,121	649	769
Total liabilities	**1,553**	**1,450**	**1,475**	**1,469**	**1,387**	**1,317**
Shareholders' Equity	1,507	1,539	1,470	1,522	1,597	1,680
Minority interest	5	5	5	5	6	6
Total Equity	**1,512**	**1,544**	**1,475**	**1,527**	**1,603**	**1,686**

Source: CLH and Corficolombiana. Mn: Millions.

Table of Contents

Tender Offer

Summary

In a step towards CLH´s delisting, the offer will be aimed to all CEMEX Latam shareholders (except for shares either owned by CEMEX España or by CEMEX Latam), regardless of residence or domicile, for an intended **purchase price of 3,250 COP per ordinary share**. This price is 15.9% above September 7 closing price (when CEMEX announced the intention to commence a tender offer), 139% above its 2020 low, 26% below its year-end 2019 price, and 73.5% below 2012's IPO.

CEMEX España announcement to launch a tender offer for the totality of the ~ 26.8% of CLH shares it does not already own (~ 149.6 million shares) (table 1), represent approximately COP 486,233 million (~ USD 130 millions). The offer has no minimum acceptance ratio and could result in CLH's shares delisting from the Colombian Stock Exchange (BVC). **The offer will be carry out between November 9 and December 10.**

Our opinion

In our view the purchase price is low relative to its long-term intrinsic value (12 months target Price of COP 3,601 and our current valuation price of COP 4,228 as of October 31). Furthermore, the purchase price is below 1x P / BV and it is 73.5% lower than the Initial Public offer of November 2012 (COP 12,250). However, **those who decide to not sell, may get exposed to an increased liquidity risk post the tender offer. This could represent a significant downside given that the stock does not pay any dividends.**

Furthermore, we expect any partial acceptance of the tender offer to result on a reduction on CLH's free float percentage of total shares pressing market price downwards, considering ETF fund selling flows.

Follow the link to read our tender offer opinion in spanish OPA Cemex LatAm Holdings

Table 1. Current shareholders

Shareholders	Shares (Millions)
CEMEX ESPAÑA S.A.	407.9
Institutions	91.3
Other minority shareholders	58.3
Shares Outstanding	**557.5**
CLH's treasury shares	20.8
Total shares	**578.3**

Source: CLH. Capital IQ.

Executive Summary

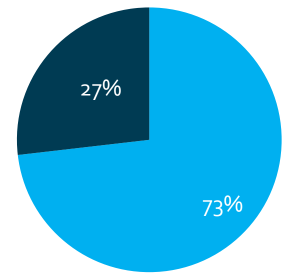
CLH´s foundation

CEMEX LatAm Holdings (BVC: CLH) was founded in 2012 and is a subsidiary of Cemex España, S.A. The constituent subsidiaries of CLH are CEMEX Colombia, CEMEX Panamá, CEMEX Costa Rica, CEMEX Nicaragua, CEMEX Guatemala and CEMEX El Salvador. The company´s shareholders are shown in graph 1.

CLH is a building materials company that offers its products in Colombia, Panama, Costa Rica, Nicaragua, El Salvador and Guatemala. The company operates its businesses of cement, ready - mix concrete and aggregates through its subsidiaries (graphs 2 and 3).

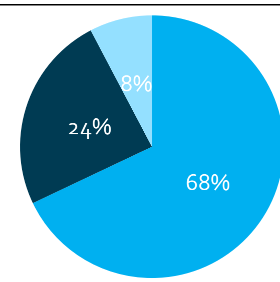
It is important to remember that the money obtained with the CLH initial public offer in 2012 with an offer price of COP 12,250 was used by CEMEX S.A.B., CLH´s ultimate parent company, to pay its debt in a moment when its Debt / EBITDA was extremely high (more than 10x), due to the acquisition of the Australian company Rinker in 2007. See CLH´s Corporate Structure in Annex 1.

Graph 1. Shareholders



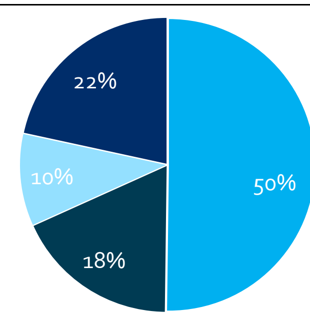
Source: CLH.

Graph 2. Net Sales per product



Source: CLH. Others: Aggregates and eliminations.

Graph 3. Net Sales per country



Source: CLH

Regional potential, challenges and expectations

In this section, we discuss the main country-specific aspects where the cement company has presence, with a potential effect on our valuation.

Colombia

Position and main aspects.

CLH is the second most important player in cement and ready - mix concrete, after Cementos Argos, where it has had an average market share of approximately 29% in the recent years. The market share of the company's cement volume has decreased, from 32% in 2012 to 27% in 2019. On our view, the decrease can be explained by the price adjustments made by the company in response to the exchange rate.

By the end of 2019, CEMEX Colombia owned two operating cement plants and three mills, with a total annual installed capacity of 4.5 million tons, not including the cement plant in Maceo. The company operated 14 distribution centers, two mortar plants, 52 ready-mix concrete plants (seven were temporarily inactive) and ten aggregates operations (nine were temporarily inactive). It also owned 18 limestone quarries.

With Maceo´s cement plant, CLH could produce the Clinker needed in its local operations and would not need to buy Clinker from third parties. The company has reported that the differential between the cost of production and the cost of acquiring Clinker from a third parties may be around USD 40 / ton. The lower potential costs derived from the lower purchase of Clinker can represent annual savings of USD 2 million. Therefore, the entry of Maceo increases both the milling capacity (which is currently divided between Santa Rosa, Bucaramanga and Clemencia) and the production of Clinker, concentrating CLH´s production in Ibague and Maceo.

Dynamic and challenges: Procrastinated development

In recent years, the construction sector has experienced a significant slowdown, in line with the weak dynamics of the Colombian economy and the cyclicality of the sector, which has been reflected in the volumes of cement and ready – mix concrete produced and sold.

In Colombia, after a slow start, 4G[1] infrastructure projects have gradually rebounded since the end of 2017, with important advances in financial closings, although below what was initially expected. Of the 29 projects awarded, 22 projects have achieved a financial close.

There are some corporate risks we must mention because of the possible disbursements that may take place:

1. A sanction imposed by the Superintendence of Industry and Commerce in 2017 to CEMEX Colombia for cartelization and price rigging.
2. The subpoenas from the United States Securities and Exchange Commission in March 2018 seeking information to determine whether there have been any violations of the U.S. Foreign Corrupt Practices Act stemming from the new cement plant being built by CEMEX Colombia S.A. in the department of Antioquia, in the municipality of Maceo.
3. In April 2018, the Colombian Tax and Customs Directory (DIAN) sent a special requirement by which the mentioned agency rejected certain deductions included on CLH's Income Tax Return of 2012 (fiscal year). The DIAN determined an increase in taxes to be paid and a fine that added up to COP 248 billion. The event does not have a court ruling yet, consequently we do not include it in our projections.

Panama

Position and main aspects

The market structure places CLH as one of the main players in this country, with a market share of ~ 43% (measured by cement volumes). The main business risk is

1 Fourth Generation of Concession Infrastructure Projects. 4G is an investment plan to create a nationwide toll road network through public- private partnerships (PPPs).

related to increased competition with its main competitor (Cemargos), and with the entry of a new player since 2018 (Ultracem), pressuring CLH's market share.

CEMEX Panama operates a cement plant, with an annual installed capacity of 2.1 million tons of cement. In addition to the operation of 10 ready-mix concrete plants (one was temporarily inactive), three aggregates quarries (which are currently inactive) and four distribution centers. In this country, CLH is the most important producer of Clinker, which allows it to have a competitive advantage by selling most of the Clinker used by one of its main competitors in this country, Cementos Argos.

Dynamic and challenges: The pandemic adds to the lower execution

According to the Ministry of Public Works, in recent years there have been about 300 projects under development, focused on the construction and rehabilitation of highways, streets and roads in the national territory.

After completing the expansion of the Canal, the Government of Panama has continued with infrastructure and housing plans, which will be the leaders for the construction sector in the medium term. It is important to remember, that ~ 80% of its cement volumes are focused on the residential segment, 15% infrastructure and 5% to the industrial and commercial segment.

In 2020 in Panama we anticipate lower dynamics in buildings and high inventory of apartments and offices, as well as greater competition after the entry of Ultracem. However, the government plans could allow the sector to become more dynamic in the coming years.

Costa Rica

Position and main aspects

At the end of 2019, CEMEX Costa Rica had a cement plant in operation in Colorado, with a total annual installed capacity of 0.9 million tons, and a mill in Patarra. In addition to seven operating ready-mix concrete plants, an aggregates quarry and a distribution center. The cement plant is located near one of the main ports in the area and the distribution center that is close to San José, the capital and main city of the country.

Dynamic and challenges: Fiscal Reform and market competition

The lower turnover in the inventories of offices and apartments, together with the greater fiscal uncertainty, have affected the demand for cement and ready – mix concrete in Costa Rica. In Costa Rica, ~ 48% of the cement volume is centered in the commercial and industrial sector and another 48% in the residential sector, being the most important sectors in cement volumes and ready – mix concrete. Infrastructure projects have only around 5% participation in cement volumes. **It is important to mention that, the uncertainty about the current fiscal situation of the country may affect the dynamics of public works** and that CLH's market share has been decreasing after the entry of the new competitor Elementia in 2018 through its Cementos Fortaleza brand. Measured by cement volumes, the current market share is ~ 50%.

Rest of CLH

Position and main aspects

Guatemala: CEMEX Guatemala owns and operates a cement mill with an installed capacity of 0.5 million tons per year, which is located near the capital, Guatemala City. Additionally, it has five distribution centers, a Clinker silo near the marine terminal in the south of the country and three ready-mix concrete plants. In this country, the company does not have a cement plant.

El Salvador: The operations consist of a commercial office in San Salvador, the center of most of the cement demand of the country. The distribution center has a storage capacity of 250 metric tons. This commercial office mainly distributes cement produced in Mexico, Costa Rica and Nicaragua. CLH does not have a cement plant in El Salvador.

Nicaragua: CEMEX Nicaragua operates the only fixed cement plant (San Rafael plant) and a mill with a total installed capacity of 0.6 million tons near Managua, the capital and main market. In addition, it operates six ready-mix concrete plants (three were temporarily inactive) and two distribution centers. In turn, since 2003, CEMEX Nicaragua has also leased a 100,000-ton grinding plant in Managua, used exclusively for the grinding of petroleum coke.

Dynamic and challenges

Guatemala: The government elections held in August 2019 may generate additional stimulus for construction activity contributing to a slight improvement in volumes for the residential sector.

Nicaragua: The challenging socio-political environment continues to be reflected in the contraction of volumes, with private investment paralyzed after the Nicaraguan Human Rights and Anti-Corruption Law (Nica Act) decreed by the United States Government at the end of 2018, which restricts the participation of the Multilateral Banks in this country.

El Salvador: We do not expect significant changes compared to the current dynamics with stability in volumes.

Guatemala: The arrival of a new Government will be a key factor for growth in line with the economic dynamics of this country.

General Projections

Assumptions for the consolidated operations and risks

Our revenue projection incorporates our conservative expectation related to volumes: In Colombia, volumes will be related with infrastructure projects and housing programs of the National Government, which will affect volumes until 2024, contributing with a slight inorganic growth to projections. On the other hand, volumes may be affected negatively with the entrance of the Corona - Molins plant (Ecocementos) was included.

In Panama and Costa Rica, the evolution of the Five-Year Infrastructure Investment and Development Plans will be a key driver. For the rest of CLH, we incorporated organic growth related with the economic performance of the countries, including the effect of COVID - 19 (tables 2, 3 and Annex 2).

Table 2. Total Net Sales Projection

Total	2020e	2021e	2022e	2023e
Cement	616,383	686,125	720,249	771,080
Ready – Mix Concrete	159,609	184,059	196,716	210,272
Total	**829,664**	**928,038**	**978,044**	**1,046,374**
a/a %		**11.9%**	**5.4%**	**7.0%**

Source: CLH and Corficolombiana. Thousands USD. Total, includes aggregates.

Table 3. Net Sales Participation %

Revenue Part.	2020e	2021e	2022e	2023e
Colombia	51%	53%	54%	54%
Panamá	15%	15%	15%	15%
Costa Rica	8%	8%	8%	8%
Resto de CLH	25%	24%	23%	23%

Source: CLH and Corficolombiana.

Regarding prices, for 2020 we are taking into account the variations expected by the company for each country in a conservative scenario, as well as the expected dynamics in terms of inflation for subsequent years, considering the possibility of an increase in the internal supply of cement in Colombia and a slow improvement in the dynamics of the construction sector.

Our prices and volumes projection incorporate an adjustment for devaluation of exchange rates when they exceed certain levels. The adjustment implies an increase in the price and a decrease in volume, as it occurred during the first part of 2015.

CLH has been implementing strategies to achieve greater operational efficiencies. For example, it has achieved savings by optimizing the cost and expense structure, through digital services such as CEMEX GO. Besides that, the company has improved the management of its working capital, given the reductions in their account's receivables in Colombia, Costa Rica and Nicaragua. With this in mind, we estimated gradual improvements in the working capital turnover indicator.

Maceo´s Cement Plant: Including Maceo´s cement plant, CLH will have 6 cement production plants with dry kiln technology, which is a positive competitive factor over its competitors. This technology requires 30% less power consumption in the Clinker production. We included more operational efficiencies after 2023.

In the explicit projection period, Capex remains stable in relation to revenues. This includes the investment related with the construction of more than 30 kilometers of the access road to the Maceo´s plant.

We do not estimate additional investments in the explicit projection period and we maintain the current production capacity of the company in its different countries, given that, according to our estimates, the used capacity would be below 80% in the projection period, which includes the Maceo´s cement plant in Colombia in 2023.

With respect to indebtedness, total financial debt is USD 785 million in 2Q20, which corresponds mainly to Accounts Payable to Related Parties (CEMEX and subsidiaries).

In our opinion, the company may need additional debt, where long-term accounts payable with related parties have important maturities between 2022 and 2024. Additionally, during the explicit projection period, we included a minimum operating cash optimization level of 60 days. Cash Flow Statement is shown in table 4. Finally, we are not projecting any dividends being paid, in line with history, and considering the debt CLH has with CEMEX S.A.B C. V.

Table 4. Cash Flow Statement

	2019	2020e	2021e	2022e	2023e
Net Earnings	4,467	-1,624	46,953	62,659	75,447
CFO	171,457	106,438	151,157	168,171	192,000
CFI	-46,000	-26,985	-56,037	-58,159	-61,057
CFF	-180,871	25,930	-61,550	-131,840	-122,144
Closing Cash Balance	22,606	127,989	161,558	139,730	148,529

Source: CLH. Thousands USD.

Valuation

CLH Cement Peers

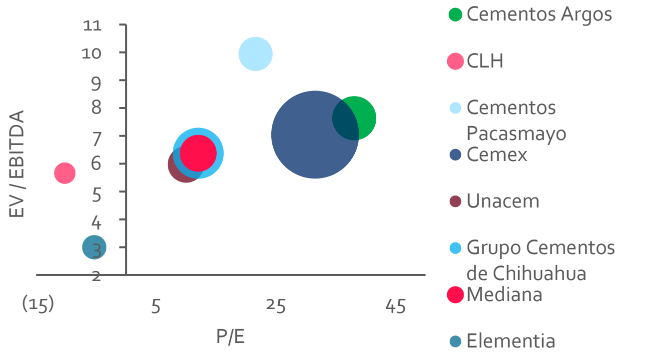
Based on relative valuation multiples, CLH seems cheap compared to its peers (65% P/BV discount and 16% EV/EBITDA discount) (table 5 and graph 4), including 1Q20 financial results and prices at the end of July 2020. Furthermore, 0.2x P/BV shows an excessive discount by the market on CLH´s financial situation. CLH looks cheap as well with respect to its main competitor in Colombia (Cementos Argos) in P/ BV and EV / EBITDA multiples.

Table 5. CLH vs Peers

Company	Div. Yield	P / E	EV / EBITDA	P / BV
CLH	-	**-10.2 x**	**5.7 x**	**0.2 x**
Cementos Argos	6.9%	38.1 x	7.6 x	0.4 x
Cementos Pacasmayo	6.3%	21.6 x	9.9 x	1.7 x
Cemex	3.3%	31.6 x	7.0 x	0.5 x
Unacem	3.4%	10.0 x	6.0 x	0.6 x
Grupo Cementos de Chihuahua	0.8%	12.1 x	6.4 x	1.5 x
Elementia	-	-5.3 x	3.0 x	0.3 x
Median Latam	**3.3%**	**16.8 x**	**6.7 x**	**0.5 x**
Difference over Total Median			**-16%**	**-65%**

Source: Financial Statements and Capital IQ. CLH 2Q20.

Graph 4. EV / EBITDA vs P/ E



Source: BVC. Capital IQ.

DCF Valuation

The intrinsic/fundamental valuation method we used was the Free Cash Flow to Equity (FCFE) with a Rolling Cost of Equity (Ke). The most appropriate method in our opinion, given the company forecasts, the minimum operating cash assumed and debt maturity profile, specially between 2022 – 2024, which generate additional disbursements (table 6).

A corporate risk penalty was included (adjustment factor), related with the historical deviation of the CLH´s stock return compared to the COLCAP index. This penalty impacts the Ke through a higher total Risk Premium (Country Rik Premium * adjustment factor) (table 7). The initial value of the penalty is 2x and it decreases during the explicit projection period. We are not including this adjustment factor through a higher cost of debt (Kd) because CEMEX SAB is CLH´s main creditor and it is less likely that in a stress scenario, it will raise significantly the rate of loans.

Table 6. Valuation Metrics

	2021e	2022e	2023e	2024e	2025e	2026e
EBITDA	174,057	193,916	222,287	257,848	258,920	271,732
∆ Working Capital	-6,185	-1,251	344	-2,804	1,550	101
Capex	-56,037	-58,159	-61,057	-47,902	-49,113	-51,298
Taxes	-15,087	-22,990	-28,891	-37,030	-44,842	-48,341
Net Debt*	-61,550	-131,840	-122,144	-160,746	-154,752	-127,727
FCFE	**35,197**	**-20,324**	**10,538**	**9.366**	**11,763**	**44,468**
Ke	**11.8%**	**11.4%**	**11.2%**	**10.9%**	**10.9%**	**10.5%**
VP FCFE	33,598	-17,451	8,149	6,575	7,434	25,830
Perpetuity						824,093
Perpetuity growth (g)	4.7%					
∑ VP Equity	64,135	12%				
VP Terminal Value	478,686	88%				

Source: CLH and Corficolombiana. Thousands USD. * Disbursement – Debt Payment

Table 7. Cost of Equity (Ke)

	2021e	2022e	2023e	2024e	2025e	2026e
Adjustment factor	2.0	1.9	1.9	1.8	1.7	1.6
Country Risk Premium	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Total Risk Premium	4.0%	3.9%	3.7%	3.5%	3.3%	3.2%
10 Year Treasury	1.0%	1.0%	1.3%	1.5%	2.0%	2.0%
Stocks vs Bonds	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%
Tax Rate	29.5%	29.0%	29.0%	29.0%	29.0%	29.0%
Unlevered Beta	0.78					
Levered Beta CLH	1.1	1.0	1.0	0.9	0.9	0.9
Rolling Ke	**11.8%**	**11.4%**	**11.2%**	**10.9%**	**10.9%**	**10.5%**

Source: CLH and Corficolombiana.

Table 8. Valuation Summary

Valuation (Thousands USD)	P.O July 2021
∑ VP Explicit Period	64,135
VP Terminal Value	478,686
Total	**542,821**
Minority Interest	5,406
Equity Value (EqV)	**537,415**
Exchange Rate	3,735
EqV COP Mn	**2,007,244**
Outstanding shares (Mn)	557
Target Price COP	**3,601**
% explicit	12%
% terminal	88%

Source: CLH and Corficolombiana. Mn: Millions

Table 9. Multiples

	2020e	2021e	2022e	2023e
EV / Ebitda (x)	8.4	6.9	5.9	4.7
Price / Earnings (x)	-	11.5	8.8	7.4
Price / Book Value (x)	0.4	0.4	0.3	0.3

Source: CLH and Corficolombiana.

After incorporating the elements described in this document, a price target of COP 3,601 for the end of July 2021 was obtained. 12% of the value corresponds to the five-year explicit projection period (until 2026) and the remainder corresponds to perpetuity (table 8).

Without the penalty for corporate risk, the FCFE target price would be COP 4,536 (+ 20.6% compared to the price with penalty). In the case of a Free Cash Flow valuation, there would be an explicit period of 22% and a perpetuity of 78%.

The lower weight of the explicit period is related with a conservative explicit projection period, due to the expected dynamics in the countries where the company has presence, given its challenging environment, especially after COVID-19, and to high debt disbursements between 2022 - 2024, which reduces the FCFE.

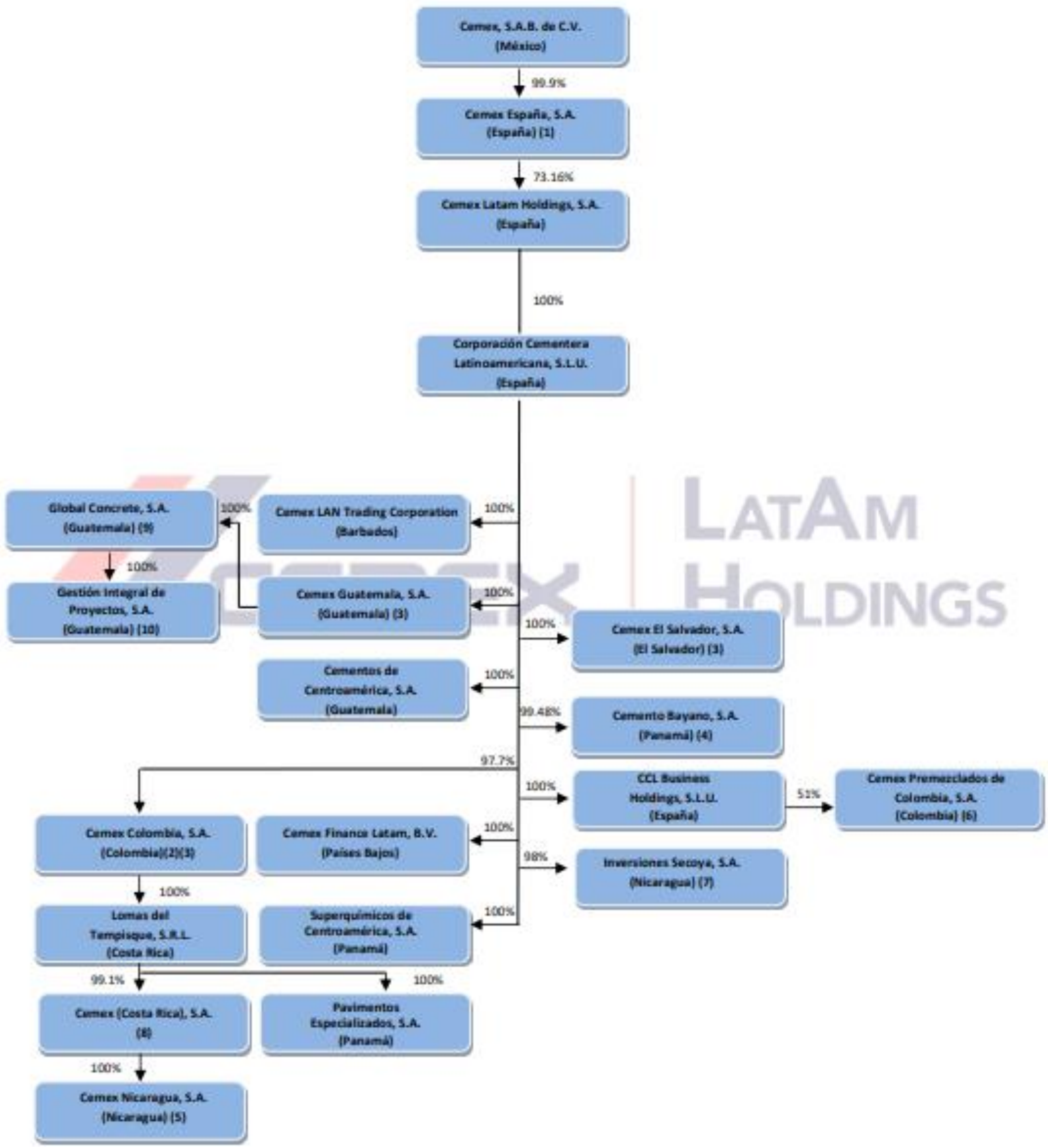
The perpetuity of the valuation incorporates an improvement in medium-term growth expectations in the main markets where CLH operates after the shock of the pandemic.

The upside potential is significant, and we believe that the fundamental value of the company should be reflected in the share price, although the market price may take time to adjust -if ever-. Furthermore, keeping everything constant, in a conservative scenario that includes the demand for ready – mix concrete from the

Bogota´s metro (~ 1-2 million m3 according to CLH) between 2021 and 2026, adjusted for CLH's market share in Bogotá (~ 40%) the target price would increase by about 9%. Table 9 shows the valuation multiples.

Annexes

Annex 1. Corporate Structure



Source: CLH. Corporate Structure as of June 30, 2020.

Annex 2. Volume and prices

Table 10. Consolidated domestic gray cement volume

	2021e	2022e	2023e	2024e	2025e	2026e
Colombia	3.4	3.4	3.6	3.7	3.7	3.8
Var a/ a%	**19.1%**	**-0.9%**	**4.1%**	**4.1%**	**-0.3%**	**4.3%**
Panamá	0.5	0.5	0.6	0.6	0.6	0.6
Var a/ a%	**6.9%**	**5.8%**	**5.0%**	**5.0%**	**5.0%**	**5.0%**
Costa Rica	0.4	0.5	0.5	0.5	0.5	0.5
Var a/ a%	**3.0%**	**4.3%**	**3.7%**	**3.7%**	**3.7%**	**3.7%**
Resto CLH	1.1	1.1	1.2	1.2	1.2	1.3
Var a/ a%	**4.3%**	**2.8%**	**2.8%**	**2.8%**	**2.8%**	**2.8%**
Total	5.5	5.5	5.8	6.0	6.1	6.3
Var a/ a%	**13.3%**	**0.8%**	**3.9%**	**3.9%**	**1.1%**	**4.0%**

Source: CLH and Corficolombiana. Millions of metric tons.

Table 11. Cement price (USD / metric ton)

	2021e	2022e	2023e	2024e	2025e	2026e
Colombia	91	96	101	108	107	106
Var a/ a%	**-0.3%**	**6.0%**	**4.9%**	**7.4%**	**-0.9%**	**-0.9%**
Panamá	167	170	174	177	181	184
Var a/ a%	**1.0%**	**2.0%**	**2.0%**	**2.0%**	**2.0%**	**2.0%**
C. Rica	144	147	150	153	156	159
Var a/ a%	**2.3%**	**2.2%**	**2.3%**	**2.1%**	**2.0%**	**2.0%**
R. CLH	161	163	166	168	170	173
Var a/ a%	**0.2%**	**1.6%**	**1.4%**	**1.5%**	**1.4%**	**1.4%**

Source: CLH and Corficolombiana.

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