

ALPEK

Quarterly Report

May 4, 2022

Record EBITDA and 2022 guidance to the upside

- **Favorable price environment and higher than expected margins boosted EBITDA, prices at record levels in both Polyester and Plastic & Chemicals. Financial strength remains remarkable**
- **Alpek increased its comparable EBITDA guidance by 21% to \$1.250 billion, given the margin strength, which should be welcomed by the market. We reiterate our BUY recommendation (FV/EBITDA 3.5x)**

Higher than expected results, due to margins strength. Alpek reported a revenue growth of 45.8% y/y to MXN 47.877 billion and an EBITDA of 42.1% to MXN 9.368 billion, well above market expectations. This led to a barely EBITDA margin contraction of 0.5pp y/y, but with a sequentially recovery of 7.1pp to 19.6%. Although, EBITDA includes a positive effect due to an inventory gain and raw materials carry-forward effect of ~ MXN 2.553 billion (\$123 millions) given the rise of more than 20% q/q in *Brent* prices and related raw materials, on comparable basis the increase was close to 65% y/y to stand at MXN 6.814 billion, slightly above our estimates. This, was favorably supported by surprising margins in (1) Polyester, underpinned by stronger demand, the spread normalization between North America-Asia, as well as the resilient reference margins in Asia, averaging levels of \$420 per Ton (-3% q/q) due to higher transportation costs and (2) Polypropylene and EPS given a favorable demand and supply environment and the import parity pricing from Asia which remain higher -look *Pag 3*. **Alpek increased its 2022 Guidance reaffirming favorable environment dynamics.** The results confirmed the company's positive outlook supported by better environment prices and an appropriate operation and [acquisition](#) optimization strategy. Given the better-than-expected margins, Alpek increased its 2022 guidance to \$1.365 billion (+19% y/y) in 2022e EBITDA, and in comparable basis from [\\$1.031 billion](#) to \$1.250 billion (+21%). With a remarkable financial strength (ND/EBITDA 1.0x) and an interesting valuation (FV/EBITDA 3.5x vs 3.9x previous), we reiterate our BUY recommendation.

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BUY	
Current Price	\$27.70
PT	\$32.00
Upside Potential	15.5%
Max - Min 12m	29.07-19.34
Market Cap (US\$m)	2,876.2
Shares Outstanding (m)	2,110
Float	17.9%
Daily Turnover (\$m)	36.3
Valuation Metrics LTM	
FV/EBITDA	3.5x
P/E	5.9x
MSCI ESG Rating*	N.A.

Relative performance to Mexbol LTM



Financial Statements	2020	2021	2022E	2023E
Revenue	113,989	156,224	169,623	179,911
Operating Income	7,493	17,494	22,751	16,459
EBITDA	11,993	23,234	27,365	21,143
EBITDA Margin	10.52%	14.87%	16.13%	11.75%
Net Income	3,123	7,756	14,108	10,262
Net Margin	2.74%	4.96%	8.32%	5.70%
Total Assets	106,353	123,945	135,497	145,021
Cash	10,144	10,541	11,975	18,654
Total Liabilities	60,840	74,359	74,216	74,338
Debt	33,729	35,855	35,071	32,013
Common Equity	45,512	49,586	61,280	71,902

Source: Banorte

Valuation and Financial metrics	2020	2021	2022E	2023E
FV/EBITDA	7.3x	3.9x	3.2x	3.7x
P/E	18.8x	7.6x	4.2x	5.7x
P/BV	1.5x	1.3x	1.1x	0.9x
ROE	6.9%	15.6%	23.0%	14.3%
ROA	2.9%	6.3%	10.4%	7.1%
EBITDA/ interest	6.1x	8.6x	14.7x	14.7x
Net Debt/EBITDA	2.0x	1.1x	0.8x	0.6x
Debt/Equity	0.7x	0.7x	0.6x	0.4x

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Document for distribution among public

ALPEK – Results 1Q22

MXN, million

Concept	1Q21	1Q22	Var %	1Q22e	Var % vs Estim.
Revenue	32,830	47,877	45.8%	40,467	18.3%
Operating Income	5,546	8,316	50.0%	6,241	33.2%
Ebitda	6,594	9,368	42.1%	7,388	26.8%
Net Income	2,452	4,698	91.6%	4,117	14.1%
Margins					
Operating Margin	16.9%	17.4%	0.5pp	15.4%	1.9pp
Ebitda Margin	20.1%	19.6%	-0.5pp	18.3%	1.3pp
Net Margin	7.5%	9.8%	2.3pp	10.2%	-0.4pp
EPS	\$1.16	\$2.22	91.6%	\$1.94	14.1%

Income statement (Million pesos)

Year	2021	2021	2022	Change	Variation
Quarter	1	4	1	% y/y	% q/q
Net Revenue	32,829.8	44,664.4	47,876.6	45.8%	7.2%
Cost of goods sold	26,041.9	38,470.6	37,937.3	45.7%	-1.4%
Gross profit	6,787.9	6,193.8	9,939.3	46.4%	60.5%
General expenses	1,242.4	3,204.3	1,623.3	30.7%	-49.3%
Operating Income	5,545.5	2,989.6	8,316.0	50.0%	178.2%
Operating Margin	16.9%	6.7%	17.4%	0.5pp	10.7pp
Depreciation	1,044.5	1,142.9	1,051.6	0.7%	-8.0%
EBITDA	6,594.0	5,578.0	9,368.0	42.1%	67.9%
EBITDA Margin	20.1%	12.5%	19.6%	(0.5pp)	7.1pp
Interest income (expense) net	(1,531.1)	(495.8)	(726.6)	-52.5%	46.5%
Interest expense	1,294.6	399.1	437.5	-66.2%	9.6%
Interest income	28.9	40.6	65.3	125.8%	60.7%
Other income (expenses)	(45.4)	142.3	(275.4)	>500%	N.A.
Exchange Income (loss)	(220.0)	(279.5)	(78.9)	-64.1%	-71.8%
Unconsolidated subsidiaries	5.2	(18.7)	(7.8)	N.A.	-58.3%
Income before taxes	4,019.6	2,475.0	7,581.6	88.6%	206.3%
Income taxes	930.0	1,407.3	2,099.6	125.8%	49.2%
Discontinued operations					
Consolidated Net Income	3,089.6	1,067.8	5,482.0	77.4%	413.4%
Minorities	637.4	466.8	784.5	23.1%	68.1%
Net Income	2,452.2	601.0	4,697.6	91.6%	>500%
Net Matgin	7.5%	1.3%	9.8%	2.3pp	8.5pp
EPS	1.158	0.284	2.219	91.6%	>500%

Balance Sheet (Million pesos)

Total Current Assets	52,482.6	61,780.4	64,368.3	22.6%	4.2%
Cash & Short Term Investments	10,180.3	10,540.5	8,353.5	-17.9%	-20.7%
Long Term Assets	62,230.5	62,164.1	61,337.1	-1.4%	-1.3%
Property, Plant & Equipment (Net)	39,133.2	39,405.1	38,706.1	-1.1%	-1.8%
Intangible Assets (Net)	3,256.1	2,936.2	2,837.3	-12.9%	-3.4%
Total Assets	114,713.1	123,944.5	125,705.4	9.6%	1.4%
Current Liabilities	26,856.9	35,669.6	35,935.3	33.8%	0.7%
Short Term Debt	1,422.5	3,640.8	3,699.2	160.1%	1.6%
Accounts Payable	24,701.0	29,852.8	30,289.8	22.6%	1.5%
Long Term Liabilities	41,307.7	38,689.3	37,946.5	-8.1%	-1.9%
Long Term Debt	33,706.4	32,213.8	31,170.7	-7.5%	-3.2%
Total Liabilities	68,164.7	74,358.9	73,881.8	8.4%	-0.6%
Common Stock	46,548.5	49,585.6	51,823.6	11.3%	4.5%
Preferred Stock	5,469.6	5,869.6	5,759.9	5.3%	-1.9%
Total Equity	41,078.8	43,716.0	46,063.7	12.1%	5.4%
Liabilities & Equity	114,713.1	123,944.5	125,705.4	9.6%	1.4%
Net Debt	24,948.6	25,314.1	26,516.5	6.3%	4.7%

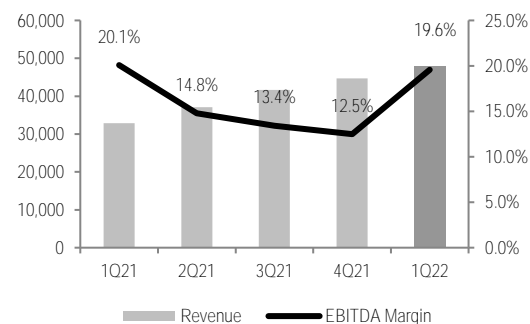
Cash Flow (Million pesos)

Cash Flow from Operating Activities	2,719.7	15,624.0	5,427.7	2,719.7
Cash Flow from Investing Activities	(332.2)	(3,859.6)	(717.7)	(332.2)
Cash Flow from Financing Activities	(1,584.4)	(8,986.0)	(5,434.2)	(1,584.4)
FX effect on cash	(97.5)	384.6	(2,248.4)	(97.5)

Source: Banorte, MSE

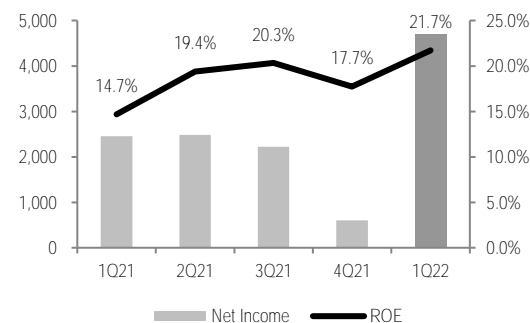
Revenue & EBITDA Margin

MXN, million



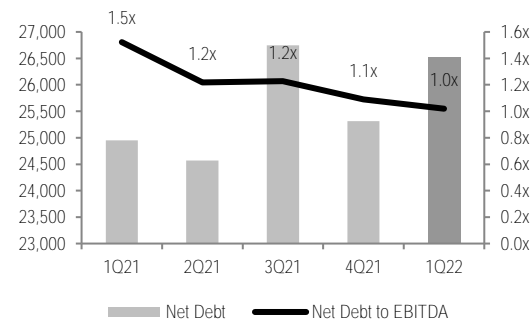
Net Income & ROE

MXN, million



Net Debt & Net debt to EBITDA ratio

MXN, million



Results by Business Segment

Polyester
MXN, Million

	1Q21	Margin	4Q21	Margin	1Q22	Margin	% y/y	% q/q
Revenue	21,747	100.0%	27,963	100.0%	31,232	100.0%	43.6%	11.7%
EBITDA	3,748	17.2%	3,362	12.0%	5,910	18.9%	57.7%	75.8%
EBITDA*	1,815	8.3%	3,316	11.9%	3,937	12.6%	116.9%	18.7%

*Inventory and non-operating (non-recurring) gains/losses are excluded

Source: Alpek

Plastics and Chemicals
MXN, Million

	1Q21	Margin	4Q21	Margin	1Q22	Margin	% y/y	% q/q
Revenue	9,589	100.0%	12,005	100.0%	12,615	100.0%	31.6%	5.1%
EBITDA	2,509	26.2%	2,166	18.0%	3,491	27.7%	39.1%	61.2%
EBITDA*	1,981	20.7%	2,861	23.8%	2,911	23.1%	46.9%	1.7%

*Inventory and non-operating (non-recurring) gains/losses are excluded

Source: Alpek

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, David Alejandro Arenas Sánchez, Leslie Thalía Orozco Vélez, Hugo Armando Gómez Solís, Yazmín Selene Pérez Enríquez, Miguel Alejandro Calvo Domínguez, Daniela Olea Suárez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Paola Soto Leal, Oscar Rodolfo Olivos Ortiz, Daniel Sebastián Sosa Aguilar and Salvador Austria Valencia 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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	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.

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History of PT and ratings

Stock	Date	Rating	PT
ALPEK	20/10/2021	BUY	\$32.00
ALPEK	20/04/2021	BUY	\$25.50
ALPEK	11/02/2021	BUY	\$22.00
ALPEK	18/02/2020	HOLD	\$19.00

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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