

ALFA

Quarterly Report

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Focused on maximizing liquidity

- **Results came in line as expected, boosted by the sale of data centers in Axtel. Alpek reflected weakness stemming from a drop in raw material prices, and significant drops in Nemak's volumes**
- **Amid a challenging outlook, Alfa removed its 2020 Guideline and focused its strategy on maximizing liquidity through investment deferral, cost and expenses reduction, and working capital optimization**

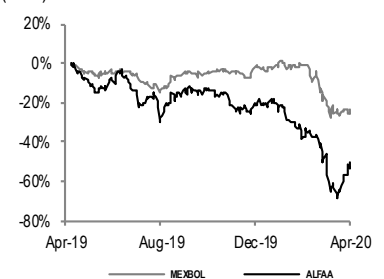
An aligned to estimates quarter. Alfa's 1Q20 results reflect impacts from the Covid-19 outbreak. On a consolidated basis, revenues fell 3.9% y/y, but EBITDA increased 11.2% y/y. The latter, is mainly explained by the extraordinary income registered in [Axtel](#), related to the sale of data centers. Meanwhile, [Alpek's](#) results came better than expected, as record Polyester volumes partially offset the fall in raw materials prices. [Nemak](#), on the other hand, posted a relevant drop in volumes, hit by the closing of plants in efforts to contain the pandemic. As for Sigma, positive figures are observed, supported by higher volumes stemming from panic buying derived from the pandemic, although with profitability pressures, owing to a depreciation effect on the peso over the dollarized costs in Mexico. At the net level, the adverse FX effect was more that offset with a significant fiscal benefit (we did not anticipate it), related to derrered taxes. With these results, Alfa shares trade at a 25.0% discount on its Net Asset Value (NAV).

A challenging environment, with more complicated quarters to come. The company removed its 2020 Guideline, in face of a lack of clarity regarding the pandemic development, noting that meanwhile, it will focus its strategy on maximizing liquidity, with very particular plans in each subsidiary. However, we expect further quarters to come weaker amid a very complex environment. In that sense, we will be reviewing our estimates by incorporating a more cautious vision.

Under Review

Current Price	\$9.36
PT2020	
Dividend 2020	
Dividend (%)	
Upside Potential	
Max - Min LTM (\$)	20.55- 6.12
Market Cap (US\$m)	1,960.1
Shares outstanding (m)	5,058.3
Float	54.5%
Daily Turnover (\$m)	112.8
Valuation Metrics LTM *	
FV/EBITDA Adj	5.0x
P/E	6.0x

Relative performance to MEXBOL (LTM)



Financial statements

MXN, million	2018	2019	2020E	2021E
Revenues	366,432	337,750	352,110	384,114
Operating Income	35,705	23,593	25,022	26,872
Adjusted EBITDA	55,178	44,280	44,296	46,531
EBITDA Margin	15.06%	13.11%	12.58%	12.11%
Net Income	13,143	5,807	9,859	11,878
Net margin	3.59%	1.72%	2.80%	3.09%
Total Assets	369,828	339,709	379,998	397,135
Cash	26,411	25,195	20,218	22,299
Total Liabilities	271,604	244,783	273,017	281,165
Debt	157,049	144,088	166,720	165,941
Common Equity	98,224	94,926	106,981	115,970

Source: Banorte

Valuation and financial metrics

	2018	2019	2020E	2021E
FV/EBITDA	3.7x	4.3x	4.9x	4.7x
P/E	3.7x	8.3x	4.9x	4.1x
P/BV	0.7x	0.7x	0.6x	0.5x
ROE	17.9%	8.1%	11.9%	13.0%
ROA	3.6%	1.7%	2.6%	3.0%
EBITDA/ Interest exp	5.9x	5.6x	5.0x	5.3x
Net Debt/EBITDA	2.4x	2.7x	3.3x	3.1x
Debt/Equity	1.6x	1.5x	1.6x	1.4x

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Document for distribution among public

ALFA –1Q20 Results

MXN, Millions

Concept	1Q19	1Q20	Var %	1Q20e	Diff % vs Estim.
Revenue	86,090	82,691	-3.9%	76,231	8.5%
Operating Income	4,964	6,191	24.7%	6,743	-8.2%
Ebitda	9,982	11,100	11.2%	11,215	-1.0%
Net Income	1,263	3,476	175.2%	-1,050	N.A.
margins					
Operating Margin	5.8%	7.5%	1.7pp	8.8%	-1.4pp
Ebitda Margin	11.6%	13.4%	1.8pp	14.7%	-1.3pp
Net Margin	1.5%	1.9%	0.4pp	-1.4%	3.3pp
EPS	\$0.25	\$0.69	175.2%	-\$0.21	-431.0%

Income Statement (Millions)

Year	2019	2019	2020	Var%	Var%
Quarter	1	4	1	y/y	q/q
Net Revenue	86,089.7	82,280.7	82,691.0	-3.9%	0.5%
Cost of goods sold	70,246.0	67,525.7	67,184.5	-4.4%	-0.5%
Gross profit	15,843.8	14,755.0	15,506.5	-2.1%	5.1%
General expenses	10,879.4	7,902.3	9,315.7	-14.4%	17.9%
Operating Income	4,964.4	6,852.7	6,190.8	24.7%	-9.7%
Operating Margin	5.8%	8.3%	7.5%	1.7pp	(0.8pp)
Depreciation	4,948.8	4,974.5	4,772.5	-3.6%	-4.1%
EBITDA	9,982.0	12,287.0	11,100.0	11.2%	-9.7%
EBITDA Margin	11.6%	14.9%	13.4%	1.8pp	(1.5pp)
Interest income (expense) net	(1,816.9)	(1,708.8)	(6,051.5)	233.1%	254.1%
Interest expense	2,272.2	2,398.5	2,304.3	1.4%	-3.9%
Interest income	119.8	114.6	97.0	-19.0%	-15.3%
Exchange Income (loss)	64.2	134.2	(42.9)	N.A.	N.A.
Unconsolidated subsidiaries	271.3	440.9	(3,801.3)	N.A.	N.A.
Unconsolidated subsidiaries	57.0	(302.1)	37.4	-34.3%	N.A.
Net Income before taxes	3,204.5	4,841.8	176.7	-94.5%	-96.4%
Provision for Income taxes	1,452.2	1,675.8	(3,249.4)	N.A.	N.A.
Discontinued Operations					
Consolidated Net Income	1,752.3	3,166.0	3,426.1	95.5%	8.2%
Minorities	489.1	1,605.6	(50.1)	N.A.	N.A.
Net Income	1,263.2	1,560.4	3,476.2	175.2%	122.8%
Net Margin	1.5%	1.9%	4.2%	2.7pp	2.3pp
EPS	0.250	0.309	0.688	175.2%	122.8%

Balance Sheet (MXN, million)

Total Current Assets	120,077.3	113,628.4	156,270.9	30.1%	37.5%
Cash & Short Term Investments	24,233.3	25,195.1	52,945.3	118.5%	110.1%
Long Term Assets	244,466.5	226,080.2	270,541.0	10.7%	19.7%
Property, Plant & Equipment (Net)	150,743.9	134,695.4	156,807.3	4.0%	16.4%
Intangible Assets (Net)	28,475.8	27,291.6	32,505.9	14.2%	19.1%
Total Assets	364,543.8	339,708.6	426,811.8	17.1%	25.6%
Current Liabilities	108,436.7	87,946.1	127,628.7	17.7%	45.1%
Short Term Debt	26,547.3	7,461.3	31,265.6	17.8%	319.0%
Accounts Payable	77,454.3	75,339.0	92,485.9	19.4%	22.8%
Long Term Liabilities	161,060.7	156,836.7	197,099.2	22.4%	25.7%
Long Term Debt	138,744.3	136,626.9	174,069.0	25.5%	27.4%
Total Liabilities	269,497.4	244,782.8	324,728.0	20.5%	32.7%
Common Stock	95,046.4	94,925.7	102,083.9	7.4%	7.5%
Minorities	23,638.8	23,164.1	25,015.7	5.8%	8.0%
Total Equity	71,407.6	71,761.7	77,068.2	7.9%	7.4%
Liabilities & Equity	364,543.8	339,708.6	426,811.8	17.1%	25.6%
Net Debt	141,058.3	118,893.2	152,389.3	8.0%	28.2%

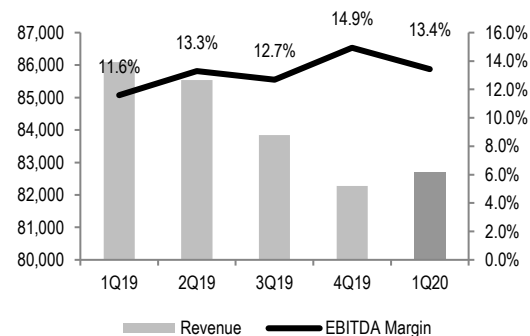
Cash Flow

Cash Flow from Operating Activities	5,129.2	39,809.3	9,150.6
Cash Flow from Investing Activities	(3,022.5)	860.7	(3,225.5)
Cash Flow from Financing Activities	(2,366.2)	(31,444.6)	22,302.3
Increase (decrease) in cash	(1,737.8)	(16.3)	23,930.3

Source: Banorte, MSE

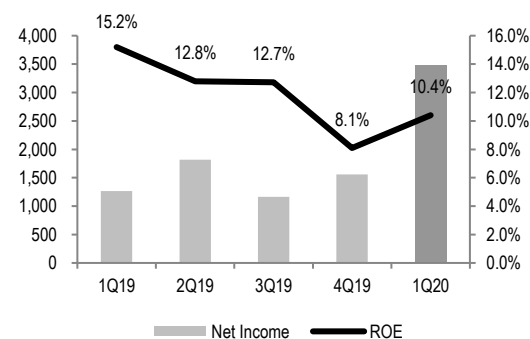
Revenue & EBITDA Margin

MXN, million



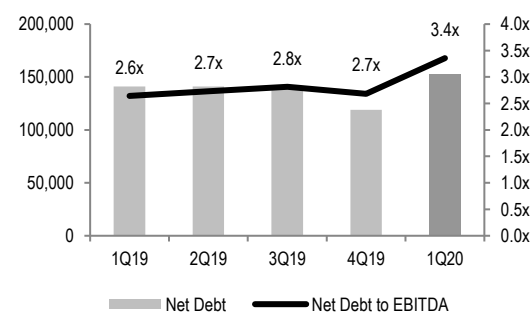
Net Income & ROE

MXN, million



Net Debt & Net Debt to EBITDA

MXN, million



Operating Results by Division

Alpek

MXN, Million

	1Q19	Margin	4Q19	Margin	1Q20	Margin	% y/y	% q/q
Revenue	31,567	100.0%	27,133	100.0%	28,522	100.0%	-9.6%	5.1%
EBITDA	2,684	8.5%	6,863	25.3%	2,205	7.7%	-17.8%	-67.9%
EBITDA*	2,837	9.0%	3,317	12.2%	2,541	8.9%	-10.4%	-23.4%

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

Source: Alfa

Nemak

MXN, Million

	1Q19	Margin	4Q19	Margin	1Q20	Margin	% y/y	% q/q
Revenue	21,183	100.0%	18,155	100.0%	17,841	100.0%	-15.8%	-1.7%
EBITDA	3,361	15.9%	2,568	14.1%	2,814	15.8%	-16.3%	9.6%

Source: Alfa

Axtel

MXN, Million

	1Q19	Margin	4Q19	Margin	1Q20	Margin	% y/y	% q/q
Revenue	3,147	100.0%	3,378	100.0%	3,106	100.0%	-1.3%	-8.1%
EBITDA	1,074	34.1%	1,187	35.1%	2,974	95.8%	176.9%	150.5%

Source: Alfa

Sigma

MXN, Million

	1Q19	Margin	4Q19	Margin	1Q20	Margin	% y/y	% q/q
Revenue	29,146	100.0%	32,888	100.0%	32,569	100.0%	11.7%	-1.0%
EBITDA	3,195	11.0%	3,399	10.3%	3,375	10.4%	5.6%	-0.7%

Source: Alfa

Newpek

MXN, Million

	1Q19	Margin	4Q19	Margin	1Q20	Margin	% y/y	% q/q
Revenue	441	100.0%	346	100.0%	317	100.0%	-28.1%	-8.4%
EBITDA	- 159	-36.1%	- 1,255	-362%	- 112	-35.3%	NA	NA

Source: Alfa

Net Assets Value

ALFA'S NET ASSET VALUE

MXN, thousands

	Shares	Current Price	Mkt Cap	Participation	Total Equity	Debt	Cash	Net Debt
Alpek	2,118,163	\$ 10.55	22,346,616	82.0%	18,324,225	50,166,400	13,197,000	36,969,400
Axtel	2,874,800	\$ 2.68	7,704,464	53.5%	4,121,888	16,169,227	2,132,000	14,037,227
Nemak	3,078,076	\$ 3.63	11,173,416	75.2%	8,402,409	47,755,665	18,154,000	29,601,665
Sigma	4,750,000	\$ 12.50	59,375,000	100.0%	59,375,000	61,488,000	16,801,000	44,687,000
Total					90,223,522	175,579,292	50,284,000	125,295,292
ALFA	5,055,110	\$ 9.36	47,315,830			205,334,600	52,945,300	152,389,300
Holding						29,755,308	2,661,300	27,094,008

Theoretical Price ALFA	63,129,514
Per share	\$ 12.49
Discount/Premium	-25.0%

Source: Banorte, Alfa

Certification of Analysts.

We, Gabriel Casillas Olvera, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Tania Abdul Massih Jacobo, Francisco José Flores Serrano, Katia Celina Goya Ostos, Santiago Leal Singer, José Itzamna Espitia Hernández, Valentín III Mendoza Balderas, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez, Gerardo Daniel Valle Trujillo, Jorge Antonio Izquierdo Lobato and Eridani Ruibal Ortega, 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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BUY	<i>When the share expected performance is greater than the MEXBOL estimated performance.</i>
HOLD	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
SELL	<i>When the share expected performance is lower than the MEXBOL estimated performance.</i>

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Historical PT and Rating

Stock	Date	Rating	PT
ALFA	January 20, 2020	Under Review	Under Review
ALFA	July 18, 2019	BUY	\$21.80
ALFA	April 24, 2019	BUY	\$26.80
ALFA	January 18, 2019	BUY	\$29.50

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