

# ALFA

Quarterly Report

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www.banorte.com  
@analisis\_fundam

Marissa Garza  
Director of Equity Strategy  
marissa.garza@banorte.com

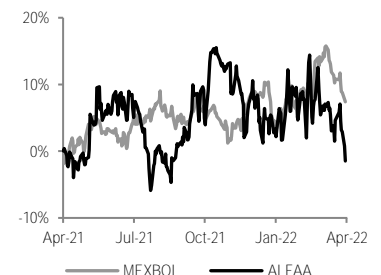
## Portfolio diversification supports figures

- Environment dynamics favored **Alpek's** figures, while **Sigma's Europe challenges impacted operations' profitability. In Axtel, results continue to be very affected**
- Balance sheet strengthening, key businesses focus, and segments independence remain strategic priorities. Meanwhile, the NAV discount is attractive at ~30%

**2022 Guidance to the upside, given better Alpek perspectives.** Alfa's results were positive and slightly better than our estimates. Consolidated revenues amounted to MXN 86.028 billion increasing by 24.8% y/y, while EBITDA advanced 21.4% y/y to MXN 13.213 billion. This result was mainly supported Alpek's performance, where the favorable oil and raw material environment prices, and higher than expected margins, boosted EBITDA, at record levels in both Polyester and Plastics & Chemicals. This was mitigated by the profitability pressures observed at **Sigma**, where despite the 7.1% increase y/y in revenues, EBITDA contracted 10.5% y/y due to higher energy costs and some pressures in raw materials, mainly in Europe, which strongly impacted the division results. At **Axtel**, figures weakness continues with a revenue drop of 10.2% and an EBITDA fall of 21.8% y/y, given that the supply chain restrictions affected the Business segment, while Government segment continues with revenue declines. At net level, profits increased by 38.2% y/y due to operating performance, given the favorable exchange rate effect which was mitigated with an already normalized effective tax rate vs the deferred tax charge registered the previous year. **The company's business diversification is a strength given the prevailing environment challenges.** As a result of the reported figures and the increase in Alpek's guidance, Alfa also raised its 2022 EBITDA guidance by 17% to \$2.283 billion (+24.3% y/y) vs the **\$1.949 billion** that was given before. The triggering value optimization strategy continues, while the discount on the NAV (30.2%) is attractive. We reiterate our BUY recommendation.

BUY	
Current price	\$14.22
NAV Theoric Value	\$20.39
Discount vs NAV	30.2%
Dividend (%)	
Max - Min 12m (\$)	16.90-13.20
Market Cap (US\$m)	3,487.37
Shares outstanding (m)	4,905.7
Float	54.5%
Daily turnover (\$m)	132.8
Valuation metrics LTM	
FV/EBITDA	4.3x
P/E	13.9x
MSCI ESG Rating*	BBB

Relative Performance to MEXBOL LTM



Financial Statements	2020	2021	2022E	2023E
Revenues	263,867	308,060	329,864	339,891
Operating Income	17,566	25,283	34,714	31,801
EBITDA	32,597	41,050	47,424	42,442
EBITDA Margin	12.35%	13.33%	14.38%	12.49%
Net Income	3,929	4,106	20,159	16,842
Net Margin	1.49%	1.33%	6.11%	4.96%
Total Assets	256,156	269,107	257,191	242,526
Cash	32,144	30,979	20,186	6,952
Total Liabilities	202,804	214,286	184,391	155,178
Debt	126,948	127,248	88,674	88,674
Common Equity	53,352	54,821	72,800	87,348

Source: Banorte.

Valuation and financial metrics	2020	2021	2022E	2023E
FV/EBITDA	5.3x	4.5x	3.6x	3.6x
P/E	18.7x	17.9x	3.6x	4.4x
P/BV	1.9x	1.9x	1.3x	1.1x
ROE	7.4%	7.5%	27.7%	19.3%
ROA	1.5%	1.5%	7.8%	6.9%
EBITDA/ Interes exp.	5.4x	5.5x	8.6x	8.6x
Net Deb/EBITDA	2.9x	2.3x	1.4x	1.9x
Debt/Equity	2.4x	2.3x	1.2x	1.0x

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## ALFA – Results 1Q22

MXN, million

Concept	1Q21	1Q22	Var %	1Q22e	Var % vs Estim.
Revenue	68,918	86,028	24.8%	80,875	6.4%
Operating Income	7,736	10,379	34.2%	9,391	10.5%
Ebitda	10,886	13,213	21.4%	12,571	5.1%
Net Income	3,127	4,322	38.2%	4,391	-1.6%
<b>Margins</b>					
Operating Margin	11.2%	12.1%	0.8pp	11.6%	0.5pp
Ebitda Margin	15.8%	15.4%	-0.4pp	15.5%	-0.2pp
Net Margin	4.5%	5.0%	0.5pp	5.4%	-0.4pp
EPS	\$0.62	\$0.85	38.2%	\$0.87	-1.6%

## Income statement (Million pesos)

Year	2021	2021	2022	Change	Variation
Quarter	1	4	1	% y/y	% q/q
Net Revenue	68,917.7	84,789.5	86,027.5	24.8%	1.5%
Cost of goods sold	51,064.7	66,964.2	65,313.9	27.9%	-2.5%
Gross profit	17,853.0	17,825.3	20,713.6	16.0%	16.2%
General expenses	10,117.4	13,705.0	10,335.0	2.2%	-24.6%
Operating Income	7,735.6	4,120.3	10,378.6	34.2%	151.9%
Operating Margin	11.2%	4.9%	12.1%	0.8pp	7.2pp
Depreciation	3,131.3	3,183.6	2,851.6	-8.9%	-10.4%
EBITDA	10,886.0	10,494.0	13,213.0	21.4%	25.9%
EBITDA Margin	15.8%	12.4%	15.4%	(0.4pp)	3.0pp
Interest income (expense) net	(3,405.7)	(2,292.5)	(1,501.0)	-55.9%	-34.5%
Interest expense	2,538.2	1,614.8	1,663.5	-34.5%	3.0%
Interest income	62.6	84.2	118.1	88.5%	40.2%
Other income (expenses)	(157.2)	(130.0)	(206.1)	31.1%	58.5%
Exchange Income (loss)	(773.0)	(631.9)	250.5	N.A.	N.A.
Unconsolidated subsidiaries	(6.4)	36.2	17.4	N.A.	-52.1%
Income before taxes	4,323.4	1,864.1	8,895.0	105.7%	377.2%
Income taxes	327.8	5,042.8	2,892.4	>500%	-42.6%
Discontinued operations					
Consolidated Net Income	3,995.6	(3,178.7)	6,002.5	50.2%	N.A.
Minorities	868.6	325.1	1,680.4	93.5%	417.0%
Net Income	3,127.0	(3,503.8)	4,322.1	38.2%	N.A.
Net Margin	4.5%	-4.1%	5.0%	0.5pp	9.2pp
EPS	0.619	(0.693)	0.855	38.2%	N.A.

## Balance Sheet (Million pesos)

	2021	2021	2022	Change	Variation
				% y/y	% q/q
Total Current Assets	102,632.7	116,886.6	117,801.6	14.8%	0.8%
Cash & Short Term Investments	28,699.2	30,978.7	25,791.7	-10.1%	-16.7%
Long Term Assets	159,743.2	152,220.6	148,476.0	-7.1%	-2.5%
Property, Plant & Equipment (Net)	87,679.0	84,731.1	82,885.6	-5.5%	-2.2%
Intangible Assets (Net)	21,223.4	20,328.3	19,443.2	-8.4%	-4.4%
Total Assets	262,375.8	269,107.1	266,277.6	1.5%	-1.1%
Current Liabilities	68,127.4	77,358.8	82,392.8	20.9%	6.5%
Short Term Debt	6,254.0	6,190.7	12,298.0	96.6%	98.7%
Accounts Payable	59,611.6	63,642.2	63,596.4	6.7%	-0.1%
Long Term Liabilities	139,687.6	136,927.7	127,905.2	-8.4%	-6.6%
Long Term Debt	122,762.0	121,057.1	112,337.2	-8.5%	-7.2%
Total Liabilities	207,815.1	214,286.5	210,298.1	1.2%	-1.9%
Common Stock	54,560.8	54,820.7	55,979.5	2.6%	2.1%
Preferred Stock	15,110.4	15,737.3	16,109.0	6.6%	2.4%
Total Equity	39,450.4	39,083.4	39,870.5	1.1%	2.0%
Liabilities & Equity	262,375.8	269,107.1	266,277.6	1.5%	-1.1%
Net Debt	100,316.8	96,269.2	98,843.4	-1.5%	2.7%

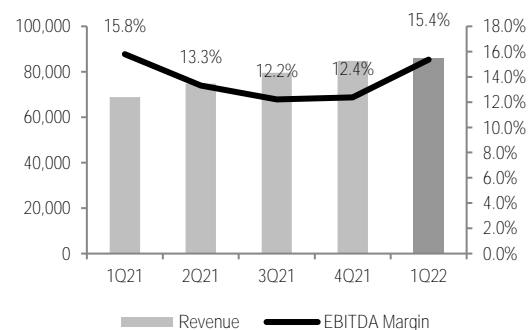
## Cash Flow (Million pesos)

Cash Flow from Operating Activities					
Cash Flow from Investing Activities	5,545.4	32,174.2	6,862.6		
Cash Flow from Financing Activities	(1,755.6)	(11,199.0)	(6,152.5)		
FX effect on cash	(4,335.6)	(16,288.9)	(2,782.2)		
Change in Cash Balance	(3,832.4)	(1,109.9)	(4,700.4)		

Source: Banorte, MSE

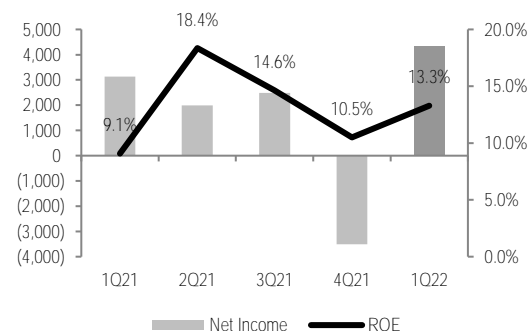
## Revenue & EBITDA Margin

MXN, million



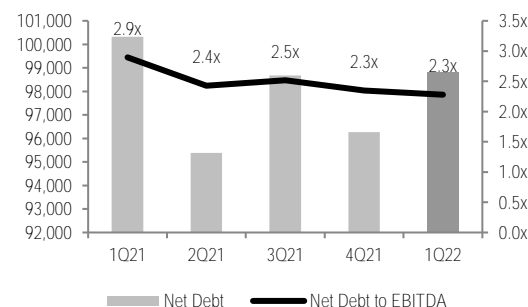
## Net Income & ROE

MXN, million



## Net Debt & Net debt to EBITDA ratio

MXN, million



## Operating results by Division

### Alpek

MXN, million

	1Q21	Margin	4Q21	Margin	1Q22	Margin	% y/y	% q/q
Revenue	32,830	100.0%	44,664	100.0%	47,877	100.0%	45.8%	7.2%
EBITDA	6,594	20.1%	5,578	12.5%	9,368	19.6%	42.1%	67.9%
EBITDA*	4,133	12.6%	6,227	13.9%	6,814	14.2%	64.9%	9.4%

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

Source: Alfa

### Axtel

MXN, Million

	1Q21	Margin	4Q21	Margin	1Q22	Margin	% y/y	% q/q
Revenue	2,835	100.0%	2,812	100.0%	2,547	100.0%	-10.2%	-9.4%
EBITDA	917	32.3%	824	29.3%	717	28.2%	-21.8%	-13.0%

Source: Alfa

### Sigma

MXN, Million

	1Q21	Margin	4Q21	Margin	1Q22	Margin	% y/y	% q/q
Revenue	32,811	100.0%	36,682	100.0%	35,128	100.0%	7.1%	-4.2%
EBITDA	3,689	11.2%	4,026	11.0%	3,300	9.4%	-10.5%	-18.0%

Source: Alfa

### Alfa's Net Asset Value

MXN, Thousands

	Shares	Current Price	Mkt Cap	Participation	Total Equity	Debt	Cash	Net Debt
Alpek	2,110,858	\$ 27.70	58,470,769	82.1%	47,998,655	34,869,955	8,353,458	26,516,497
Axtel	2,874,829	\$ 2.34	6,727,099	52.8%	3,550,563	13,166,097	1,520,412	11,645,685
Sigma			76,091,283	100.0%	76,091,283	47,035,000	13,915,000	33,120,000
Total					130,095,058	95,071,052	23,788,870	71,282,182

ALFA	4,909,115	\$ 14.22	69,807,615			124,635,147	25,791,735	98,843,412
Holding						29,564,095	2,002,865	27,561,230

Theoretical Price ALFA	100,079,270
Per share	\$ 20.39
Discount/Premium	-30.2%

Source: Banorte, Alfa with 1Q22. For Sigma we assumed a FV/EBITDA multiple of 7.5x, similar to the average of food companies in the local market

## 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 Olivós 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
<b>BUY</b>	When the share expected performance is greater than the MEXBOL estimated performance.
<b>HOLD</b>	When the share expected performance is similar to the MEXBOL estimated performance.
<b>SELL</b>	When the share expected performance is lower than the MEXBOL estimated performance.

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### History of PT and ratings

Stock	Date	Recommendation	PT
ALFA	04/25/2022	Buy	\$20.39
ALFA	02/15/2022	Buy	\$21.01
ALFA	10/20/2021	Buy	\$18.67
ALFA	09/29/2020	Buy	\$14.00

### MSCI ESG Rating scale

CCC	B	BB	BBB	A	AA	AAA
LAGGARD			AVERAGE		LEADER	

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

Research and Strategy			
Alejandro Padilla Santana	Chief Economist and Head of Research	alejandropadilla@banorte.com	(55) 1103 - 4043
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611
Economic Research			
Juan Carlos Alderete Macal, CFA	Executive Director of Economic Research and Financial Markets Strategy	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Francisco José Flores Serrano	Director of Economic Research, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Katia Celina Goya Ostos	Director of Economic Research, Global	katia.goya@banorte.com	(55) 1670 - 1821
Yazmín Selene Pérez Enríquez	Senior Economist, Mexico	yazmin.perez.enriquez@banorte.com	(55) 5268 - 1694
Luis Leopoldo López Salinas	Manager Global Economist	luis.lopez.salinas@banorte.com	(55) 1103 - 4000 x 2707
Market Strategy			
Manuel Jiménez Zaldívar	Director of Market Strategy	manuel.jimenez@banorte.com	(55) 5268 - 1671
Fixed income and FX Strategy			
Leslie Thalia Orozco Vélez	Senior Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 5268 - 1698
Isaias Rodríguez Sobrino	Strategist, Fixed Income, FX and Commodities	isaias.rodriguez.sobrino@banorte.com	(55) 1670 - 2144
Equity Strategy			
Marissa Garza Ostos	Director of Equity Strategy	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Senior Strategist, Equity	jose.espitia@banorte.com	(55) 1670 - 2249
Carlos Hernández García	Senior Strategist, Equity	carlos.hernandez.garcia@banorte.com	(55) 1670 - 2250
David Alejandro Arenas Sánchez	Senior Strategist, Equity	david.arenas.sanchez@banorte.com	(55) 1103 - 4000 x 2755
Víctor Hugo Cortes Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800
Paola Soto Leal	Analyst	paola.soto.leal@banorte.com	(55) 1103 - 4000 x 1746
Oscar Rodolfo Olivos Ortiz	Analyst	oscar.olivos@banorte.com	(55) 1103 - 4000
Corporate Debt			
Hugo Armando Gómez Solís	Senior Analyst, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248
Quantitative Analysis			
Alejandro Cervantes Llamas	Executive Director of Quantitative Analysis	alejandrocervantes@banorte.com	(55) 1670 - 2972
José Luis García Casales	Director of Quantitative Analysis	jose.garcia.casales@banorte.com	(55) 8510 - 4608
Daniela Olea Suárez	Senior Analyst, Quantitative Analysis	daniela.olea.suarez@banorte.com	(55) 1103 - 4000
Miguel Alejandro Calvo Domínguez	Senior Analyst, Quantitative Analysis	miguel.calvo@banorte.com	(55) 1670 - 2220
Daniel Sebastián Sosa Aguilar	Analyst, Quantitative Analysis	daniel.sosa@banorte.com	(55) 1103 - 4000
Salvador Austria Valencia	Analyst, Quantitative Analysis	salvador.austria.valencia@banorte.com	(55) 1103 - 4000
Wholesale Banking			
Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebaldos@banorte.com	(55) 5004 - 1282
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Frigolet Vázquez Vela	Head of Sólida Banorte	alejandro.frigolet.vazquezvela@banorte.com	(55) 5268 - 1656
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 5140
Carlos Alberto Arciniega Navarro	Head of Treasury Services	carlos.arciniega@banorte.com	(81) 1103 - 4091
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8173 - 9127
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5249 - 6423
Lizza Velarde Torres	Executive Director of Wholesale Banking	lizza.velarde@banorte.com	(55) 4433 - 4676
Osvaldo Brondo Menchaca	Head of Specialized Banking Services	osvaldo.brondo@banorte.com	(55) 5004 - 1423
Raúl Alejandro Arauzo Romero	Head of Transactional Banking	raul.arauzo@banorte.com	(55) 5261 - 4910
René Gerardo Pimentel Ibarrola	Head of Corporate Banking	pimentelr@banorte.com	(55) 5004 - 1051
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Victor Antonio Roldan Ferrer	Head of Commercial Banking	victor.rolan.ferrer@banorte.com	(55) 1670 - 1899