

ORBIA

Quarterly Report

May 4, 2022

Remarkable recovery. 2022 guidance to the upside

- **The company's results surprised favorably with a significant recovery in all business segments, highlighting Dura-Line, Polymer Solutions and Koura**
- **Despite the challenges, the strategies implemented have mitigated cost pressures. The dynamics remain favorable, therefore Orbia raised its 2022 EBITDA guidance ~9% to \$1.900 billion**

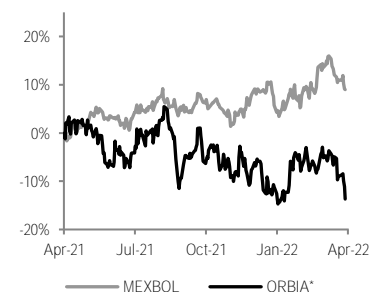
Positive results, above expectations. 1Q22 results reflected a favorable PVC price environment and significant demand recovery mainly in all business segments. The most relevant was the sequential profitability recovery in most divisions despite higher raw materials and freight costs (logistic and distribution challenges in Europe). *Dura-line* segment showed the most important advance in annual terms supported by North America recovery along with more favorable price dynamics. On the other hand, *Polymer Solutions* continued to present outstanding results in the face of the PVC price environment given the supply and demand global imbalance that continues, with a sustained recovery in the construction industry, but with some sequential pressures due to the increase in costs that could not be completely transferred to prices. In *Koura*, demand recovery and a more beneficial price dynamic offset the above-mentioned pressures in general. Finally, *Netafin and Wavin*, sequentially margins advance stood out, given the impact that higher costs have had on operations. In this context, revenues increased 35.6% y/y to \$2.596 billion, while EBITDA increased 35.4% y/y to \$611 million. **We will be focused to long-term perspective details at the 'Investor Day' on May 17th.** We believe the report will be welcomed by the market, not only for the company's guidance rise, but also because of the implemented strategies to mitigate latent challenges. Financial structure remains strong (ND/EBITDA at 1.7x) and we highlight an interesting valuation at FV/EBITDA of 4.3x vs 4.5x previous. We reiterate our BUY recommendation.

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BUY	
Current Price	\$48.27
PT	\$65.00
Dividend	0.15
Dividend Yield (%)	5.5%
Upside Potential	40.2%
Max - Min LTM (\$)	59.75 -46.47
Market Cap (US\$m)	4,769.5
Shares Outstanding (m)	2,010
Float	58.5%
Daily Turnover (\$ m)	149.2
Valuation metrics LTM	
FV/EBITDA	4.3x
P/E	6.5x
MSCI ESG Rating*	B

Relative performance to MEXBOL LTM



Financial Statements	2019	2020	2021	2022E
Revenue	6,987	6,420	8,783	7,954
Operating Income	823	720	1,449	1,307
EBITDA	1,365	1,318	2,047	1,800
EBITDA Margin	19.5%	20.5%	23.3%	22.6%
Net Income	497	442	772	768
Net Margin	7.1%	6.9%	8.8%	9.7%
Total Assets	10,057	10,211	10,587	11,566
Cash	586	875	782	2,454
Total Liabilities	6,963	7,032	7,182	7,105
Debt	4,461	4,618	4,397	4,252
Common Equity	3,094	3,180	3,405	4,461

Source: Banorte

Valuation and financial metrics	2019	2020	2021	2022E
FV/EBITDA	7.0x	7.2x	4.5x	4.5x
P/E	10.1x	11.3x	4.8x	6.5x
P/BV	2.1x	2.0x	1.8x	1.4x
ROE	16.1%	13.9%	22.7%	17.2%
ROA	4.9%	4.3%	7.3%	6.6%
EBITDA/ Interest	10.5x	16.7x	8.6x	20.4x
Net Debt/EBITDA	2.8x	2.8x	1.8x	1.0x
Debt/Equity	1.4x	1.5x	1.3x	1.0x

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Document for distribution among public

ORBIA –Results 1Q22

USD million

Concept	1Q21	1Q22	Var %	1Q22e	Diff% vs Estim.
Revenue	1,914	2,596	35.6%	2,129	21.9%
Operating Income	305	467	52.9%	359	30.1%
Ebitda	451	611	35.4%	505	21.0%
Net Income	141	250	76.8%	123	102.4%
Margins					
Operating Margin	15.9%	18.0%	2.0pp	16.9%	1.1pp
Ebitda Margin	23.6%	23.5%	0.0pp	23.7%	-0.2pp
Net Margin	7.4%	9.6%	2.2pp	5.8%	3.8pp
EPS	\$0.067	\$0.119	76.8%	\$0.059	102.4%

Income Statement (Million)

Year	2021	2021	2022	Change	Change
Quarter	1	4	1	% y/y	% q/q
Net Revenue	1,914.0	2,338.8	2,595.5	35.6%	11.0%
Costs of goods sold	1,331.7	1,661.2	1,832.1	37.6%	10.3%
Gross profit	582.3	677.6	763.4	31.1%	12.7%
General expenses	277.1	332.4	296.6	7.1%	-10.8%
Operating Income	305.2	345.2	466.8	52.9%	35.2%
Operating Margin	15.9%	14.8%	18.0%	2.0pp	3.2pp
Depreciation	146.0	158.6	144.0	-1.4%	-9.2%
EBITDA	451.2	503.8	610.8	35.4%	21.2%
EBITDA Margin	23.6%	21.5%	23.5%	(0.0pp)	2.0pp
Interest Income (Expense) net	(68.1)	(85.8)	(42.5)	-37.5%	-50.4%
Interest expense	50.7	54.4	47.4	-6.6%	-12.8%
Interest income	1.3	11.1	3.2	144.8%	-71.0%
Other income (expense)	(6.1)	(7.6)	(7.3)	19.6%	-4.2%
Foreign exchange gain (loss)	(12.6)	(34.9)	8.9	N.A.	N.A.
Unconsolidated subsidiaries	(0.1)	(0.1)	2.0	N.A.	N.A.
Income before taxes	237.0	259.3	426.3	79.9%	64.4%
Income taxes	63.6	108.7	143.3	125.3%	31.9%
Discontinued operations	(0.1)	(0.1)	(0.4)		
Consolidated Net Income	173.3	150.5	282.6	63.1%	87.8%
Non-controlling interest	31.9	24.8	32.7	2.5%	31.9%
Net Income	141.4	125.8	250.0	76.8%	98.8%
Net Margin	7.4%	5.4%	9.6%	2.2pp	4.3pp
EPS	0.067	0.060	0.119	76.8%	98.8%

Balance Sheet (Million pesos)

Total Current Assets	3,315.5	3,724.5	4,332.6	30.7%	16.3%
Cash & Short Term Investments	713.3	781.6	970.5	36.1%	24.2%
Long Term Assets	6,915.8	6,862.3	7,025.2	1.6%	2.4%
Property, Plant & Equipment (Net)	3,108.4	3,051.1	3,076.2	-1.0%	0.8%
Intangible Assets (Net)	1,687.9	1,616.7	1,591.5	-5.7%	-1.6%
Total Assets	10,231.3	10,586.8	11,357.8	11.0%	7.3%
Current Liabilities	2,988.6	2,643.0	2,950.1	-1.3%	11.6%
Short Term Debt	1,292.7	819.2	930.8	-28.0%	13.6%
Accounts Payable	1,490.0	1,569.0	1,790.6	20.2%	14.1%
Long Term Liabilities	4,191.5	4,539.3	4,933.8	17.7%	8.7%
Long Term Debt	3,227.1	3,577.7	3,760.1	16.5%	5.1%
Total Liabilities	7,180.2	7,182.3	7,883.9	9.8%	9.8%
Common Stock	3,051.2	3,404.5	3,473.9	13.9%	2.0%
Non-controlling interest	685.9	667.9	695.1	1.3%	4.1%
Total Equity	2,365.2	2,736.6	2,778.8	17.5%	1.5%
Liabilities & Equity	10,231.3	10,586.8	11,357.8	11.0%	7.3%
Net Debt	3,806.5	3,615.3	3,720.4	-2.3%	2.9%

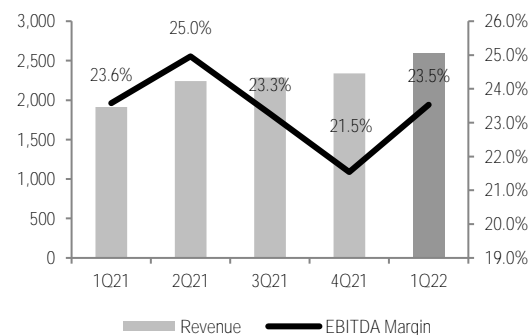
Cash Flow

CF from Operating Activities	177.6	1,477.5	296.2
CF from Investing Activities	(55.7)	(344.1)	(204.5)
CF from Financing Activities	(180.0)	(962.4)	143.8
Change in Cash Balance	(135.3)	(71.6)	166.1

Source: Banorte, MSE

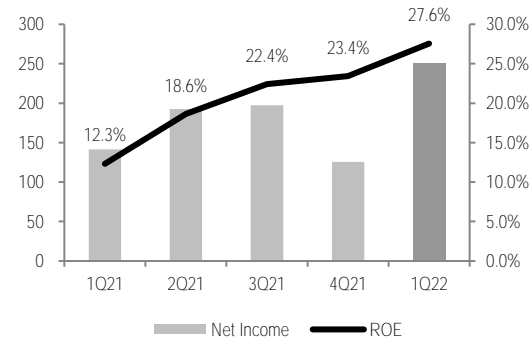
Revenue & EBITDA Margin

USD, million



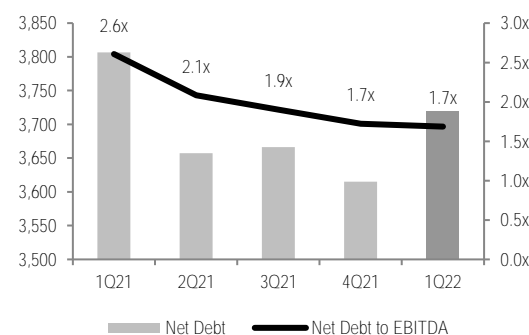
Net Income & ROE

USD, million



Net Debt & Net Debt to EBITDA ratio

USD, million



Report Details by business group

Vestolit (Polymer Solutions)

US\$ millions

	1Q21	Margin	4Q21	Margin	1Q22	Margin	% y/y	% q/q
Revenue	708	100.0%	999	100.0%	1,065	100.0%	50.4%	6.6%
EBITDA	224	31.6%	320	32.0%	308	28.9%	37.5%	-3.8%

Source:Orbia

Wavin (Construction and Infrastructure)

US\$ millions

	1Q21	Margin	4Q21	Margin	1Q22	Margin	% y/y	% q/q
Revenue	679	100.0%	702	100.0%	778	100.0%	14.6%	10.8%
EBITDA	95	14.0%	82	11.7%	105	13.5%	10.5%	28.0%

Source:Orbia

Netafim (Precision Agriculture)

US\$ millions

	1Q21	Margin	4Q21	Margin	1Q22	Margin	% y/y	% q/q
Revenue	275	100.0%	266	100.0%	313	100.0%	13.8%	17.7%
EBITDA	52	18.9%	10	3.8%	53	16.9%	1.9%	430.0%

Source:Orbia

Dura-Line (Data Communications)

US\$ millions

	1Q21	Margin	4Q21	Margin	1Q22	Margin	% y/y	% q/q
Revenue	84	100.0%	297	100.0%	325	100.0%	76.6%	9.4%
EBITDA	29	15.8%	41	13.8%	70	21.5%	141.4%	70.7%

Source:Orbia

Kuora (Fluor)

US\$ millions

	1Q21	Margin	4Q21	Margin	1Q22	Margin	% y/y	% q/q
Revenue	172	100.0%	198	100.0%	204	100.0%	18.6%	3.0%
EBITDA	56	32.6%	67	33.8%	76	37.3%	35.7%	13.4%

Source:Orbia

Certification of Analysts.

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Francisco José Flores Serrano, Katia Celina Goya Ostos, José Luis García Casales, Yazmín Selene Pérez Enríquez, José Itzamna Espitia Hernández, Carlos Hernández García, Paola Soto Leal, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Daniela Olea Suárez, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez, Gerardo Daniel Valle Trujillo and Isaías Rodríguez Sobrino, 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
ORBIA	July 28, 2021	BUY	\$65.00
ORBIA	February 26, 2020	BUY	\$56.00
ORBIA	January 13, 2020	Under Review	Under Review
ORBIA	July 24, 2019	BUY	\$50.00

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.

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