

# ALFA

Quarterly Report

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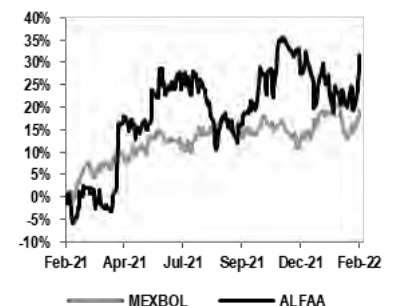
## Value strategies are reflected positively

- **This quarter, results continued to stand out in [Alpek](#), while in [Sigma](#), the strategies to improve profitability advanced. In [Axtel](#), the results are still affected, mainly in [Services](#)**
- **Balance sheet strengthening, key businesses focus, and segments independence remain strategic priorities. Meanwhile, the discount on the NAV is attractive at ~29%**

**Surpass 2021 Guide, while the outlook remains favorable.** Alfa's results were positive and aligned with our estimates. Consolidated revenues increased to MXN 84.790 billion growing by 27.8% y/y, while EBITDA advanced 21.7% y/y to MXN 10.494 billion. This results were mainly supported by the performance in: (1) [Alpek](#), in an environment of commodity prices recovery, with Polyester margins averaging extraordinarily high levels at \$431 per ton and polypropylene (PP), and EPS margins that remain high in a favorable demand/supply environment; and in (2) [Sigma](#), where product innovation strategies, cost savings initiatives and principally the optimization of operations with the non-strategic assets divestment in Europe, continue to develop satisfactorily, with double-digit improvements in profitability. This compensated the weakness in [Axtel's](#) figures, impacted by revenue drops of 8.6% and in EBITDA of 21.7% y/y, given the pressures in the Services segment mainly, which reflect the termination of government contracts. Meanwhile, at consolidated level, it is important to mention that the decrease in operating profit (-12.9% y/y) and the losses obtained at the net level (MXN 3.504 million) are mostly explained by non-cash asset impairments, related to the divestments in [Sigma](#) and [Alpek](#), seeking the operations optimization. **Focusing on 2022 Guide, which will be published tomorrow**, and which we consider will be positive, based on the favorable environment for operations, and the optimization strategy to detonate greater value. The financial structure continues to improve with a ND/EBITDA ratio of 2.3x, while the discount on the NAV (28.8%) is attractive.

BUY	
Current price	\$14.96
NAV Theoric Value	\$21.01
Discount vs NAV	28.8%
Dividend (%)	
Max - Min 12m (\$)	16.90-11.25
Market Cap (US\$m)	3,646.92
Shares outstanding (m)	4,909.2
Float	54.5%
Daily turnover (\$m)	271.2
Valuation metrics LTM	
FV/EBITDA	4.5x
P/E	17.9x
MSCI ESG Rating*	BBB

Relative Performance to MEXBOL LTM



### Financial Statements

	2019	2020	2021	2022E
Revenues	337,750	263,867	308,060	314,330
Operating Income	23,593	17,566	25,283	30,393
EBITDA	44,280	32,597	41,050	41,272
EBITDA Margin	13.11%	12.35%	13.33%	13.13%
Net Income	5,807	3,929	4,106	14,441
Net Margin	1.72%	1.49%	1.33%	4.59%
Total Assets	339,709	256,156	269,107	247,346
Cash	25,195	32,144	30,979	34,334
Total Liabilities	244,783	202,804	214,286	168,663
Debt	144,088	126,948	127,248	88,674
Common Equity	94,926	53,352	54,821	78,682

Source: Banorte.

### Valuation and financial metrics

	2019	2020	2021	2022E
FV/EBITDA	4.9x	5.3x	4.5x	3.6x
P/E	12.6x	18.7x	17.9x	5.1x
P/BV	1.0x	1.9x	1.9x	1.3x
ROE	8.1%	10.2%	23.4%	24.6%
ROA	1.7%	1.5%	5.4%	8.3%
EBITDA/ Interes exp.	6.1x	5.4x	5.5x	8.6x
Net Deb/EBITDA	2.7x	2.7x	2.3x	1.3x
Deb/Equity	1.5x	2.4x	2.3x	1.1x

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## ALFA – Results 4Q21

MXN, million

Concept	4Q20	4Q21	Var %	4Q21e	Var % vs Estim.
Revenue	66,329	84,790	27.8%	78,144	8.5%
Operating Income	4,729	4,120	-12.9%	6,319	-34.8%
Ebitda	8,626	10,494	21.7%	10,229	2.6%
Net Income	-1,223	-3,504	186.4%	3,134	N.A.
<b>Margins</b>					
Operating Margin	7.1%	4.9%	-2.3pp	8.1%	-3.2pp
Ebitda Margin	13.0%	12.4%	-0.6pp	13.1%	-0.7pp
Net Margin	-1.8%	-4.1%	-2.3pp	4.0%	-8.1pp
EPS	-\$0.24	-\$0.69	186.4%	\$0.62	-211.8%

## Income statement (Million pesos)

Year	2020	2021	2021	Change	Variation
Quarter	4	3	4	% y/y	% q/q
Net Revenue	66,329.1	79,551.8	84,789.5	27.8%	6.6%
Cost of goods sold	51,205.3	62,741.8	66,964.2	30.8%	6.7%
Gross profit	15,123.8	16,810.1	17,825.3	17.9%	6.0%
General expenses	10,394.6	10,208.8	13,705.0	31.8%	34.2%
Operating Income	4,729.2	6,601.2	4,120.3	-12.9%	-37.6%
Operating Margin	7.1%	8.3%	4.9%	(2.3pp)	(3.4pp)
Depreciation	3,111.8	3,077.9	3,183.6	2.3%	3.4%
EBITDA	8,626.0	9,714.0	10,494.0	21.7%	8.0%
EBITDA Margin	13.0%	12.2%	12.4%	(0.6pp)	0.2pp
Interest income (expense) net	(1,184.7)	(2,404.1)	(2,292.5)	93.5%	-4.6%
Interest expense	1,610.2	1,670.7	1,614.8	0.3%	-3.3%
Interest income	56.8	85.9	84.2	48.3%	-1.9%
Other income (expenses)	(109.0)	(123.9)	(130.0)	19.3%	4.9%
Exchange Income (loss)	477.7	(695.4)	(631.9)	N.A.	-9.1%
Unconsolidated subsidiaries	131.1	(11.9)	36.2	-72.3%	N.A.
Income before taxes	3,675.6	4,185.2	1,864.1	-49.3%	-55.5%
Income taxes	11,185.3	852.1	5,042.8	-54.9%	491.8%
Discontinued operations	9,985.0				
Consolidated Net Income	(7,509.7)	3,333.1	(3,178.7)	-57.7%	N.A.
Minorities	3,698.7	842.3	325.1	-91.2%	-61.4%
Net Income	(1,223.5)	2,490.8	(3,503.8)	186.4%	N.A.
Net Margin	-1.8%	3.1%	-4.1%	(2.3pp)	(7.3pp)
EPS	(0.242)	0.493	(0.693)	186.4%	N.A.

## Balance Sheet (Million pesos)

	4Q20	4Q21	4Q21	Change	Variation
				% y/y	% q/q
Total Current Assets	98,007.2	112,285.1	116,886.6	19.3%	4.1%
Cash & Short Term Investments	32,144.1	27,218.6	30,978.7	-3.6%	13.8%
Long Term Assets	158,148.7	157,678.1	152,220.6	-3.7%	-3.5%
Property, Plant & Equipment (Net)	87,669.9	87,670.6	84,731.1	-3.4%	-3.4%
Intangible Assets (Net)	21,472.9	20,566.4	20,328.3	-5.3%	-1.2%
Total Assets	256,155.9	269,963.2	269,107.1	5.1%	-0.3%
Current Liabilities	64,604.7	72,199.0	77,358.8	19.7%	7.1%
Short Term Debt	6,206.9	4,697.5	6,190.7	-0.3%	31.8%
Accounts Payable	55,025.4	64,450.5	63,642.2	15.7%	-1.3%
Long Term Liabilities	138,199.5	137,492.5	136,927.7	-0.9%	-0.4%
Long Term Debt	120,741.2	121,193.3	121,057.1	0.3%	-0.1%
Total Liabilities	202,804.2	209,691.5	214,286.5	5.7%	2.2%
Common Stock	53,351.7	60,271.7	54,820.7	2.8%	-9.0%
Preferred Stock	14,853.9	16,658.8	15,737.3	5.9%	-5.5%
Total Equity	38,497.8	43,612.9	39,083.4	1.5%	-10.4%
Liabilities & Equity	256,155.9	269,963.2	269,107.1	5.1%	-0.3%
Net Debt	94,803.9	98,672.1	96,269.2	1.5%	-2.4%

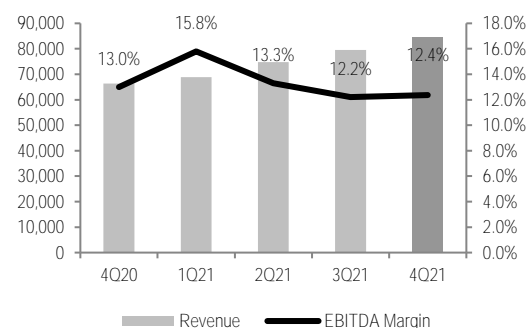
## Cash Flow (Million pesos)

Cash Flow from Operating Activities					
Cash Flow from Investing Activities	29,298.9	19,728.3	32,174.2		
Cash Flow from Financing Activities	(4,121.4)	(8,462.1)	(11,199.0)		
FX effect on cash	(10,044.2)	(11,497.9)	(16,288.9)		
Change in Cash Balance	7,595.8	(4,833.2)	(1,109.9)		

Source: Banorte, MSE

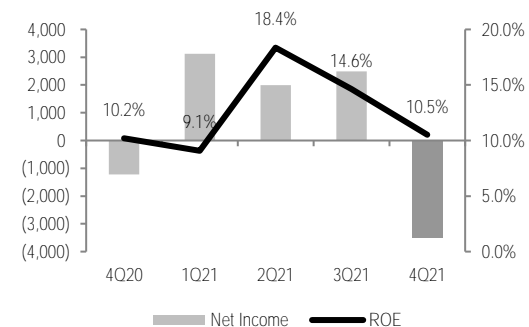
## Revenue & EBITDA Margin

MXN, million



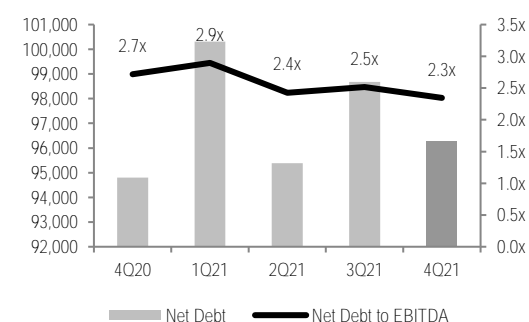
## Net Income & ROE

MXN, million



## Net Debt & Net debt to EBITDA ratio

MXN, million



## Operating results by Division

### Alpek

MXN, million

	4Q20	Margin	3Q21	Margin	4Q21	Margin	% y/y	% q/q
Revenue	28,709	100.0%	41,652	100.0%	44,664	100.0%	55.6%	7.2%
EBITDA	4,131	14.4%	5,581	13.4%	5,578	12.5%	35.0%	-0.1%
EBITDA*	3,161	11.0%	4,677	11.2%	6,227	13.9%	97.0%	33.1%

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

Source: Alfa

### Axtel

MXN, Million

	4Q20	Margin	3Q21	Margin	4Q21	Margin	% y/y	% q/q
Revenue	3,077	100.0%	2,759	100.0%	2,812	100.0%	-8.6%	1.9%
EBITDA	1,052	34.2%	912	33.1%	824	29.3%	-21.7%	-9.6%

Source: Alfa

### Sigma

MXN, Million

	4Q20	Margin	3Q21	Margin	4Q21	Margin	% y/y	% q/q
Revenue	34,271	100.0%	34,592	100.0%	36,682	100.0%	7.0%	6.0%
EBITDA	3,565	10.4%	3,525	10.2%	4,026	11.0%	12.9%	14.0%

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	\$ 26.71	56,381,020	82.1%	46,283,179	35,854,657	10,540,534	25,314,123
Axtel	2,874,829	\$ 3.65	10,493,125	52.8%	5,538,272	13,377,265	1,613,697	11,763,568
Sigma			78,545,840	100.0%	78,545,840	48,815,000	16,856,000	31,959,000
Total					130,196,451	98,046,922	29,010,231	69,036,691

ALFA	4,909,115	\$ 14.96	75,624,461			127,247,830	30,978,670	96,269,160
Holding						29,200,908	1,968,439	27,232,469

Theoretical Price ALFA	103,134,822
Per share	\$ 21.01
Discount/Premium	-28.8%

Source: Banorte, Alfa with 4Q21. 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 Zaldivar, 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 and Gerardo Daniel Valle Trujillo, 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	02/15/2022	Buy	\$21.01
ALFA	10/20/2021	Buy	\$18.67
ALFA	09/29/2020	Buy	\$14.00
ALFA	07/18/2019	Buy	\$21.80

### 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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