

# ALFA

Quarterly Report

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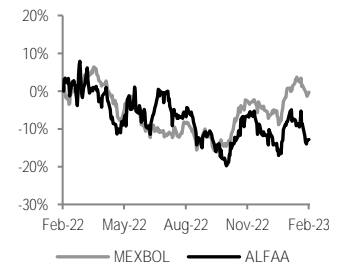
## Profitability pressures impact results

- Alfa fails to meet 2022 guidance, impacted by [Alpek](#) and Sigma's weaknesses. Axtel is now registered as a discontinued operation but still awaiting date to list 'Controladora Axtel'
- At the moment we see few near-term catalysts for the company, except for the very attractive discount in the NAV at ~38%. We'll be looking forward for the 2023 guidance which will be published tomorrow

**Profitability pressures, above expectations, which will not be well received by the market.** Alfa's results continued to reflect Axtel's operations spin-off, whose revenues and EBITDA fell 5.7% y/y and 2.5% y/y, respectively, but still without clear news regarding the date on which 'Controladora Axtel' will start trading. Meanwhile, on a consolidated basis, Alfa's revenues rose 6.9% y/y to MXN 87.70 billion, but EBITDA fell 29.7% y/y to MXN 6.82 billion. Both [Alpek's](#) and Sigma's figures were affected by significant profitability pressures. Alpek's results were below expectations, with revenues increasing 8.4% y/y, but EBITDA fell 34.2% y/y, due to the accelerated normalization in the quarter of Polyester margins, and with transportation costs decreasing significantly; and the also relevant decrease in Polypropylene reference margins, given the new capacity that entered the market. In Sigma, revenues increased 5.4% y/y, supported by price adjustments in all regions with stable volume, but EBITDA contracted 21.1% y/y due to high energy and raw material costs, mainly in Europe. **Alfa focused on strategic priorities in the face of the prevailing challenges.** The company continues to focus on strategically reinforcing operations at Alpek, with special emphasis on improving profitability at Sigma. Balance sheet strengthening remains a priority, with ND/EBITDA at 2.2x. Although the discount on Alfa's Net Asset Value, close to 38%, is extremely interesting, we remain attentive to the 2023 Guidance to be published tomorrow. While the lack of clear near-term catalysts could pressure the company's stock price, until we have more clarity regarding profitability recovery.

BUY	
Current Price w/o Axtel	\$12.71
NAV Theoric Value	\$20.64
Discount vs NAV w/o Axtel	38.4%
Max – Min 12m (\$)	16.40-11.94
Market Cap (US\$m)	3,379.6
Shares outstanding (m)	4,818.8
Float	54.5%
Daily turnover (\$m)	82.7
Valuation metrics LTM	
FV/EBITDA	4.0x
P/E	5.4x
MSCI ESG Rating*	BBB

Relative Performance to MEXBOL LTM



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Financial Statements	2020	2021	2022	2023E
Revenues	263,867	308,060	363,864	421,722
Operating Income	17,566	25,283	32,504	41,127
EBITDA	32,597	41,050	43,391	51,770
EBITDA Margin	12.35%	13.33%	11.93%	12.28%
Net Income	3,929	4,106	15,921	19,996
Net Margin	1.49%	1.33%	4.38%	4.74%
Total Assets	256,156	269,107	275,447	288,097
Cash	32,144	30,979	21,813	26,317
Total Liabilities	202,804	214,286	217,659	201,785
Debt	126,948	127,248	116,277	125,546
Common Equity	53,352	54,821	57,788	86,313

Source: Banorte.

Valuation and financial metrics	2020	2021	2022	2023E
FV/EBITDA	5.0x	4.3x	4.0x	3.6x
P/E	16.1x	15.4x	5.4x	3.2x
P/BV	1.6x	1.6x	1.5x	1.0x
ROE	7.4%	7.5%	27.6%	23.2%
ROA	1.5%	1.5%	5.8%	6.9%
EBITDA/ Interes exp.	5.4x	5.5x	7.5x	7.1x
Net Debt/EBITDA	2.9x	2.3x	2.2x	1.9x
Debt/Equity	2.4x	2.3x	2.0x	1.5x

## ALFA – Results 4Q22

MXN, million

Concept	4Q21	4Q22	Var %	4Q22e	Var % vs Estim.
Revenue	82,012	87,698	6.9%	102,465	-14.4%
Operating Income	4,430	3,976	-10.2%	8,040	-50.5%
Ebitda	9,703	6,822	-29.7%	10,309	-33.8%
Net Income	-3,705	-331	-91.1%	4,088	N.A.
<b>Margins</b>					
Operating Margin	5.4%	4.5%	-0.9pp	7.8%	-3.3pp
Ebitda Margin	8.3%	7.8%	-0.5pp	10.1%	-2.3pp
Net Margin	-4.5%	-0.4%	4.1pp	4.0%	-4.4pp
EPS	<b>-\$0.73</b>	<b>-\$0.07</b>	-91.1%	\$0.81	-108.1%

### Income statement (Million pesos)

Year	2021	2022	2022	Change	Variation
Quarter	4	3	4	% y/y	% q/q
Net Revenue	82,011.9	98,288.9	87,698.2	6.9%	-10.8%
Cost of goods sold	65,551.2	81,858.2	74,377.6	13.5%	-9.1%
Gross profit	16,460.7	16,430.7	13,320.5	-19.1%	-18.9%
General expenses	12,030.7	9,546.3	9,344.1	-22.3%	-2.1%
Operating Income	4,430.0	6,884.4	3,976.4	-10.2%	-42.2%
Operating Margin	5.4%	7.0%	4.5%	(0.9pp)	(2.5pp)
Depreciation	2,375.5	2,250.3	2,367.3	-0.3%	5.2%
EBITDA	9,703.0	9,211.0	6,822.0	-29.7%	-25.9%
EBITDA Margin	8.3%	9.4%	7.8%	(0.5pp)	(1.6pp)
Interes income (expense) net	(1,914.7)	(2,291.2)	(2,210.8)	15.5%	-3.5%
Interest expense	1,355.7	1,715.0	1,674.8	23.5%	-2.3%
Interest income	75.0	142.5	177.2	136.4%	24.4%
Other income (expenses)	(119.5)	(199.6)	(222.6)	86.3%	11.5%
Exchange Income (loss)	(514.5)	(519.1)	(490.7)	-4.6%	-5.5%
Unconsolidated subsidiaries	36.2	1.9	(5.0)	N.A.	N.A.
Income before taxes	2,551.6	4,595.1	1,760.6	-31.0%	-61.7%
Income taxes	5,096.1	770.2	1,679.7	-67.0%	118.1%
Discontinued operations	(634.2)	(128.4)	113.7	N.A.	N.A.
Consolidated Net Income	(2,544.5)	3,824.9	80.9	N.A.	-97.9%
Minorities	526.0	826.0	526.0	N.A.	-36.3%
Net Income	(3,704.7)	2,870.5	(331.4)	-91.1%	N.A.
Net Margin	-4.5%	2.9%	-0.4%	4.1pp	(3.3pp)
EPS	(0.733)	0.568	(0.066)	-91.1%	N.A.

### Balance Sheet (Million pesos)

Total Current Assets	116,886.6	152,816.7	136,945.7	17.2%	-10.4%
Cash & Short Term Investments	30,978.7	25,108.9	21,813.1	-29.6%	-13.1%
Long Term Assets	152,220.6	142,567.1	138,501.5	-9.0%	-2.9%
Property, Plant & Equipment (Net)	84,731.1	84,494.9	82,576.6	-2.5%	-2.3%
Intangible Assets (Net)	20,328.3	15,458.3	16,966.9	-16.5%	9.8%
Total Assets	269,107.1	295,383.8	275,447.2	2.4%	-6.7%
Current Liabilities	77,358.8	111,888.2	99,790.5	29.0%	-10.8%
Short Term Debt	6,190.7	15,615.4	12,135.9	96.0%	-22.3%
Accounts Payable	63,642.2	73,324.9	63,906.4	0.4%	-12.8%
Long Term Liabilities	136,927.7	123,904.4	117,868.9	-13.9%	-4.9%
Long Term Debt	121,057.1	109,546.1	104,141.0	-14.0%	-4.9%
Total Liabilities	214,286.5	235,792.6	217,659.3	1.6%	-7.7%
Common Stock	54,820.7	59,591.2	57,787.8	5.4%	-3.0%
Preferred Stock	15,737.3	17,487.6	15,846.6	0.7%	-9.4%
Total Equity	39,083.4	42,103.6	41,941.3	7.3%	-0.4%
Liabilities & Equity	269,107.1	295,383.8	275,447.2	2.4%	-6.7%
Net Debt	96,269.2	100,052.7	94,463.8	-1.9%	-5.6%

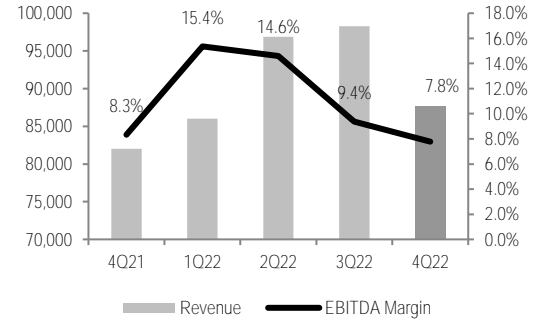
### Cash Flow (Million pesos)

Cash Flow from Operating Activities	32,174.2	19,828.4	31,323.4
Cash Flow from Investing Activities	(11,199.0)	(16,404.7)	(19,545.1)
Cash Flow from Financing Activities	(16,288.9)	(1,325.4)	(10,492.9)
FX effect on cash	(1,109.9)	(4,817.2)	(7,170.3)

Source: Banorte, MSE

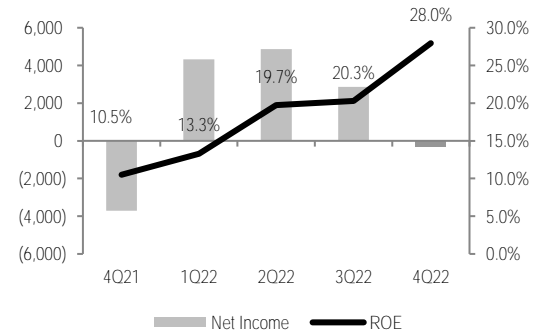
## Revenue & EBITDA Margin

MXN, million



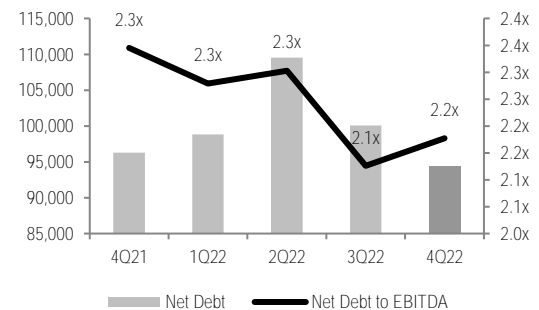
## Net Income & ROE

MXN, million



## Net Debt & Net debt to EBITDA ratio

MXN, million



## Alfa's Theoretical Value - NAV

### ALFA's Net Asset Value without Axtel

MXN, Thousands

	Shares	Current Price	Mkt Cap	Participation	Total Equity	Debt	Cash	Net Debt
Alpek	2,107,247	\$28.70	60,477,977	82.1%	49,646,371	43,946,409	6,319,428	37,626,981
Sigma	4,818,823		72,282,345	100.0%	72,282,345	47,574,000	13,208,000	34,366,000
Total					121,928,716	91,520,409	19,527,428	71,992,981

ALFA*	4,818,823	\$12.71	61,239,901			116,276,891	21,813,108	94,463,783
Holding						24,756,482	2,285,680	22,470,802

Theoretical Price ALFA w/o Axtel	99,457,914
Per share	\$20.64
Discount/Premium	-38.4%

Source: Banorte, Alfa with 4Q22 figures. For Sigma we assumed a FV/EBITDA multiple of 8.0x, similar to the average of food companies in the local market.

	Shares	Current Price	Mkt Cap	Participation	Total Equity	Debt	Cash	Net Debt
Axtel	1,982,424	\$1.45	2,874,514	53.9%	1,549,363	11,881,084	1,542,831	10,338,253
Controladora Axtel	4,818,823	\$0.32			1,549,363			

Source: Banorte, Alfa with 4Q22 figures.

## Operating results by Division

### Alpek

MXN, million

	4Q21	Margin	3Q22	Margin	4Q22	Margin	% y/y	% q/q
Revenue	44,664	100.0%	59,750	100.0%	48,411	100.0%	8.4%	-19.0%
EBITDA	5,578	12.5%	6,217	10.4%	3,673	7.6%	-34.2%	-40.9%
EBITDA*	6,227	13.9%	8,584	14.4%	5,323	11.0%	-14.5%	-38.0%

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

Source: Alfa

### Sigma

MXN, Million

	4Q21	Margin	3Q22	Margin	4Q22	Margin	% y/y	% q/q
Revenue	36,682	100.0%	38,025	100.0%	38,674	100.0%	5.4%	1.7%
EBITDA	4,171	11.4%	3,056	8.0%	3,290	8.5%	-21.1%	7.6%

Source: Alfa

### Axtel

MXN, Million

	4Q21	Margin	3Q22	Margin	4Q22	Margin	% y/y	% q/q
Revenue	2,812	100.0%	2,736	100.0%	2,652	100.0%	-5.7%	-3.1%
EBITDA	824	29.3%	790	28.9%	803	30.3%	-2.5%	1.6%

\*Discontinued operation given Alfa's spin-off at 3Q22

Source: Alfa

## 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, Leslie Thalía Orozco Vélez, Hugo Armando Gómez Solís, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, Daniela Olea Suárez, José De Jesús Ramírez Martínez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Paola Soto Leal, Daniel Sebastián Sosa Aguilar and Andrea Muñoz Sánchez, 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.
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### History of PT and ratings

Stock	Date	Recommendation	PT
ALFA	02/15/2022	Buy	\$20.64
ALFA	07/20/2022	Buy	\$22.37
ALFA	04/25/2022	Buy	\$20.39
ALFA	02/15/2022	Buy	\$21.01

### 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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