

ORBIA

Quarterly Report

March 2, 2021

Solid year-end, surprising profitability

- Orbia registered a positive 4Q20, driven by improved performance in most of its businesses, mainly in Vestolit due to a more favorable pricing environment and Wavin in view of higher demand
- In 2021, the company anticipates EBITDA growth of 4%-7%, supported by its divisions' expected recovery. This should be welcomed by the market. We reiterate BUY

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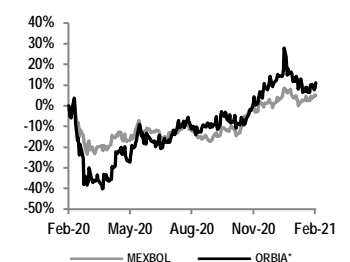
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2020 concluded with a significant profitability improvement. This quarter we can observe positive annual variations, as a result of the recovery in almost all segments due to a better price and demand environment. In this regard, Vestolit and Wavin recorded the highest growth, the first benefited by strong PVC prices, while the second was supported by a better positioning in the European and Latin American markets. In addition, Dura-Line showed higher volumes in the US and Canada. In contrast, the pandemic's impact continues in Netafim, despite greater dynamism in key markets and higher agricultural prices; and in Kuora, the negative effect was partially limited by more flourspar shipments at the end of the year. This led to a 6.5% y/y increase in sales to US\$1.7 billion and a significant 30.2% y/y rise in EBITDA to US\$383 million, in which improved operating performance resulted in profitability expansion of 400bp to reach 22.0%. At a net level, Orbia recorded a US\$66 million profit vs. the loss of the previous year, due to a favorable operating performance and an FX rate benefit. The financial structure continues to improve with a ND/EBITDA ratio of 2.8x vs. 3.1x previously. **EBITDA guidance supports growth in 2021, in line with our estimates.** Although the environment is challenging, the dynamics shaping Orbia's business will continue to show improved conditions as the economy recovers. The strategy will continue to focus on growth through higher value-added products, while resuming major strategic investments in the range of US\$350-US\$400 million vs. US\$228 million in 2020.

BUY

Current Price	\$45.45
PT	\$56.00
Dividend	0.10
Dividend Yield (%)	3.7%
Upside Potential	26.9%
Max - Min LTM (\$)	52.84 - 23.80
Market Cap (US\$m)	4,677.2
Shares Outstanding (m)	2,100
Float	58.5%
Daily Turnover (\$ m)	138.9
Valuation metrics LTM	
FV/EBITDA	7.0x
P/E	10.8x
MSCI ESG Rating*	CCC

Relative performance to MEXBOL LTM



Financial Statements				
USD, million	2019	2020	2021E	2022E
Revenue	6,987	6,420	6,576	6,781
Operating Income	823	720	825	986
EBITDA	1,365	1,318	1,395	1,480
EBITDA Margin	19.5%	20.5%	21.2%	21.8%
Net Income	497	442	374	539
Net Margin	7.1%	6.9%	5.7%	8.0%
Total Assets	10,057	10,211	9,505	9,800
Cash	586	875	582	749
Total Liabilities	6,963	7,032	5,835	5,482
Debt	4,461	4,618	3,877	3,238
Common Equity	3,094	3,180	3,670	4,318

Source: Banorte

Valuation and financial metrics				
	2019	2020	2021E	2022E
FV/EBITDA	6.9x	7.0x	6.4x	5.5x
P/E	9.6x	10.8x	12.8x	8.8x
P/BV	2.0x	1.9x	1.7x	1.4x
ROE	20.9%	17.7%	13.0%	15.8%
ROA	4.9%	4.3%	3.9%	5.5%
EBITDA/ Interest	10.5x	16.7x	11.8x	17.9x
Net Deb/EBITDA	2.8x	2.8x	2.4x	1.7x
Debt/Equity	1.4x	1.5x	1.1x	0.7x

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ORBIA –Results 4Q20

USD million

Concept	4Q19	4Q20	Var %	4Q20e	Diff% vs Estim.
Revenue	1,636	1,742	6.5%	1,580	10.3%
Operating Income	155	201	29.4%	170	17.8%
Ebitda	294	383	30.2%	306	25.3%
Net Income	-2	66	N.A.	29	124.2%
Margins					
Operating Margin	9.5%	11.5%	2.0pp	10.8%	0.7pp
Ebitda Margin	18.0%	22.0%	4.0pp	19.4%	2.6pp
Net Margin	-0.1%	4.5%	4.7pp	1.9%	2.7pp
EPS	-\$0.001	\$0.031	N.A.	\$0.014	124.2%

Income Statement (Million)

Year	2019	2020	2020	Change	Change
Quarter	4	3	4	% y/y	% q/q
Net Revenue	1,635.7	1,638.7	1,742.3	6.5%	6.3%
Costs of goods sold	1,175.9	1,152.7	1,200.1	2.1%	4.1%
Gross profit	459.8	486.1	542.2	17.9%	11.6%
General expenses	304.8	264.1	341.6	12.1%	29.4%
Operating Income	155.0	222.0	200.6	29.4%	-9.6%
Operating Margin	9.5%	13.5%	11.5%	2.0pp	(2.0pp)
Depreciation	139.4	140.1	182.8	31.1%	30.5%
EBITDA	294.4	362.0	383.4	30.2%	5.9%
EBITDA Margin	18.0%	22.1%	22.0%	4.0pp	(0.1pp)
Interest Income (Expense) net	(63.9)	(58.8)	(34.4)	-46.2%	-41.6%
Interest expense	34.2	52.8	51.2	50.0%	-3.0%
Interest income	2.7	2.2	2.7	1.6%	21.2%
Other income (expense)	(16.0)	(4.7)	(8.4)	-47.6%	77.1%
Foreign exchange gain (loss)	(16.4)	(3.5)	22.6	N.A.	N.A.
Unconsolidated subsidiaries	0.3	(0.2)	0.2	-21.8%	N.A.
Income before taxes	91.4	162.9	166.4	82.1%	2.2%
Income taxes	61.8	56.9	68.9	11.6%	21.2%
Discontinued operations	0.7	(2.9)	(1.4)		
Consolidated Net Income	29.6	103.2	96.1	224.5%	-6.8%
Non-controlling interest	32.0	29.2	30.3	-5.2%	3.8%
Net Income	(2.4)	73.9	65.8	N.A.	-11.0%
Net Margin	-0.1%	4.5%	3.8%	3.9pp	(0.7pp)
EPS	(0.001)	0.035	0.031	N.A.	-11.0%

Balance Sheet (Million pesos)

	2019	2020	2020	Change	Change
				% y/y	% q/q
Total Current Assets	2,852.1	3,424.8	3,156.2	10.7%	-7.8%
Cash & Short Term Investments	586.4	1,244.8	875.2	49.2%	-29.7%
Long Term Assets	7,205.0	7,019.3	7,055.0	-2.1%	0.5%
Property, Plant & Equipment (Net)	3,348.8	3,174.9	3,186.5	-4.8%	0.4%
Intangible Assets (Net)	1,765.5	1,724.7	1,733.5	-1.8%	0.5%
Total Assets	10,057.1	10,444.1	10,211.1	1.5%	-2.2%
Current Liabilities	2,577.4	2,393.2	2,587.6	0.4%	8.1%
Short Term Debt	997.7	1,015.1	1,129.9	13.2%	11.3%
Accounts Payable	1,392.5	1,173.3	1,258.8	-9.6%	7.3%
Long Term Liabilities	4,385.3	4,974.0	4,443.9	1.3%	-10.7%
Long Term Debt	3,462.8	4,045.5	3,487.8	0.7%	-13.8%
Total Liabilities	6,962.7	7,367.1	7,031.5	1.0%	-4.6%
Common Stock	3,094.4	3,076.9	3,179.6	2.8%	3.3%
Non-controlling interest	719.4	692.7	686.7	-4.6%	-0.9%
Total Equity	2,375.0	2,384.3	2,492.9	5.0%	4.6%
Liabilities & Equity	10,057.1	10,444.1	10,211.1	1.5%	-2.2%
Net Debt	3,874.1	3,815.8	3,742.5	-3.4%	-1.9%

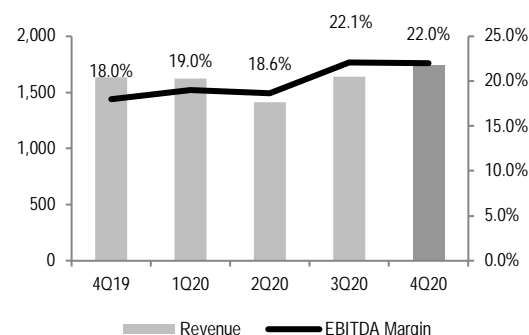
Cash Flow

CF from Operating Activities	1,316.1	915.4	1,374.1		
CF from Investing Activities	(273.6)	(158.2)	(218.6)		
CF from Financing Activities	(894.0)	152.6	(562.0)		
Change in Cash Balance	(84.6)	731.6	312.9		

Source: Banorte, MSE

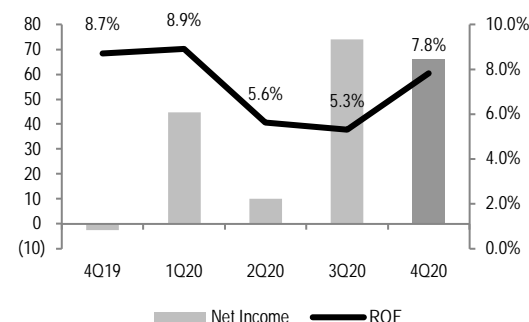
Revenue & EBITDA Margin

USD, million



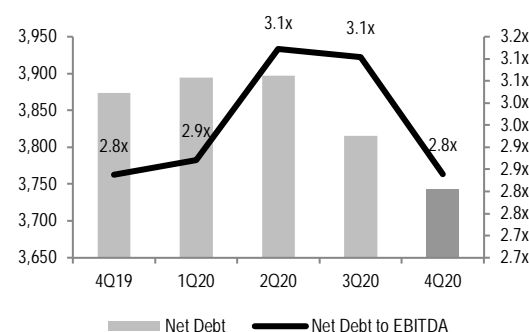
Net Income & ROE

USD, million



Net Debt & Net Debt to EBITDA ratio

USD, million



Report Details by business group

Vestolit (Polymer Solutions)

US\$ millions

	4Q19	Margin	3Q20	Margin	4Q20	Margin	% y/y	% q/q
Revenue	549	100.0%	544	100.0%	617	100.0%	12.4%	13.4%
EBITDA	85	15.5%	119	21.9%	158	25.6%	85.9%	32.8%

Source:Orbia

Wavin (Construction and Infrastructure)

US\$ millions

	4Q19	Margin	3Q20	Margin	4Q20	Margin	% y/y	% q/q
Revenue	521	100.0%	568	100.0%	582	100.0%	11.7%	2.5%
EBITDA	52	32.1%	95	16.7%	88	50.0%	69.2%	-7.4%

Source:Orbia

Netafim (Precision Agriculture)

US\$ millions

	4Q19	Margin	3Q20	Margin	4Q20	Margin	% y/y	% q/q
Revenue	269	100.0%	223	100.0%	270	100.0%	0.4%	21.1%
EBITDA	49	30.2%	40	7.0%	53	30.1%	8.2%	32.5%

Source:Orbia

Dura-Line (Data Communications)

US\$ millions

	4Q19	Margin	3Q20	Margin	4Q20	Margin	% y/y	% q/q
Revenue	162	100.0%	193	100.0%	176	100.0%	8.6%	-8.8%
EBITDA	34	21.0%	55	28.5%	34	19.3%	0.0%	-38.2%

Source:Orbia

Kuora (Fluor)

US\$ millions

	4Q19	Margin	3Q20	Margin	4Q20	Margin	% y/y	% q/q
Revenue	187	100.0%	167	100.0%	182	100.0%	-2.7%	9.0%
EBITDA	75	40.1%	63	37.7%	58	31.9%	-22.7%	-7.9%

Source:Orbia

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 Thalia Orozco Vélez, Gerardo Daniel Valle Trujillo, Eridani Ruibal Ortega and Juan Barbier Arizmendi, 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	February 26, 2020	BUY	\$56.00
ORBIA	January 13, 2020	Under Review	Under Review
ORBIA	July 24, 2019	BUY	\$50.00
ORBIA	January 25, 2019	BUY	\$64.00

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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