

ALFA

Quarterly Report

August 2, 2023

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Sigma the star, but not enough vs Alpek

- **Mixed results, with a significant recovery in Sigma's profitability supported by strength in Mexico and the U.S. However, weakness at [Alpek](#) impacted growth in a complex backdrop**
- **Alfa lowered its guidance ~5% to \$1.53 billion, following the downward adjustment at Alpek and upward at Sigma. The discount to NAV is very attractive at 40.0%, but we continue to see few near-term catalysts**

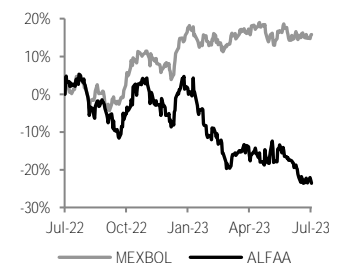
Sigma's recovery overshadowed by Alpek's weakness. As of May 29th, Axtel's operations ceased to be recorded as discontinued in Alfa due to the spin-off and listing of 'Controladora Axtel'. The telecommunications company reported an increase of 3.4% y/y in revenues and 9.0% y/y in EBITDA, while the discount at which Ctaxtel trades vs. Axtel is 8.1% -see page 3. On a consolidated basis, Alfa's revenues were similar to our estimate, amounting to \$74.8 billion (-20.7% y/y). However, EBITDA fell more than expected, by 52.5% y/y to \$6.4 billion, thus the EBITDA margin contracted by 5.7pp to 8.6%. The weakness in the figures is explained by [Alpek's](#) results, with sales down 35.6% y/y and EBITDA down 74.0% y/y, due to the effects of a challenging raw material price environment, the normalization of ocean freight costs and lower industry reference margins that strongly impacted performance. This led the company to lower its 2023 comparable EBITDA forecast by ~16%. The prior was mitigated by **Sigma's** results, where it recorded a 1.3% y/y increase in revenues and a 19.5% y/y increase in EBITDA, supported by better-than-expected results in the Americas, favored by solid demand and a beneficial cost environment. The recovery in profitability stands out, both on an annual (+150bp) and sequential (+50bp) basis, thanks in part to the effect of the strength of the MXN on costs and offsetting the continuing challenges in Europe. Sigma raised its EBITDA guidance by ~25%. **Alfa remains focused on strategic priorities**, while we consider a short-term catalyst might be the ND/EBITDA ratio reduction, today at 3.0x, as the company continues analyzing both organic and inorganic options.

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BUY

Current Price w/o Axtel	\$10.11
NAV Theoric Value	\$16.85
Discount vs NAV w/o Axtel	40.0%
Max - Min 12m (\$)	13.99-9.97
Market Cap (US\$m)	2,889.4
Shares outstanding (m)	4,818.8
Float	54.5%
Daily turnover (\$m)	58.5
Valuation metrics LTM	
FV/EBITDA	5.1x
P/E	19.9x
MSCI ESG Rating*	BBB

Relative Performance to MEXBOL LTM



Winners of the 2023 award for the best economic forecasters in Mexico, awarded by Focus Economics.



Financial Statements

	2021	2022	2023E	2024E
Revenues	308,060	363,864	310,782	371,563
Operating Income	25,283	32,504	20,362	24,741
EBITDA	41,050	43,391	29,168	33,843
EBITDA Margin	13.33%	11.93%	9.39%	9.11%
Net Income	4,106	15,921	5,966	9,340
Net Margin	1.33%	4.38%	1.92%	2.51%
Total Assets	269,107	275,447	250,829	288,756
Cash	30,979	21,813	20,452	19,565
Total Liabilities	214,286	217,659	189,192	218,535
Debt	127,248	116,277	112,019	120,154
Common Equity	54,821	57,788	61,637	70,221

Source: Banorte.

Valuation and financial metrics

	2021	2022	2023E	2024E
FV/EBITDA	3.9x	3.8x	5.7x	5.0x
P/E	11.9x	4.2x	8.2x	5.2x
P/BV	1.2x	1.2x	1.1x	0.9x
ROE	7.5%	27.6%	9.7%	13.3%
ROA	1.5%	5.8%	2.4%	3.2%
EBITDA/ Interes exp.	5.5x	6.8x	4.2x	4.3x
Net Debt/EBITDA	2.3x	2.2x	3.1x	3.0x
Debt/Equity	2.3x	2.0x	1.8x	1.7x

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ALFA – Results 2023

MXN, million

Concept	2022	2023	Var %	2023e	Var % vs Estim.
Revenue	94,359	74,788	-20.7%	74,824	0.0%
Operating Income	11,223	4,378	-61.0%	4,711	-7.1%
Ebitda	13,464	6,398	-52.5%	7,056	-9.3%
Net Income	4,863	165	-96.6%	1,582	-89.6%
Margins					
Operating Margin	11.6%	5.9%	-5.7pp	6.3%	-0.4pp
Ebitda Margin	14.6%	8.6%	-6.0pp	9.4%	-0.9pp
Net Margin	5.0%	0.2%	-4.8pp	2.1%	-1.9pp
EPS	\$0.96	\$0.03	-96.6%	\$0.31	-89.6%

Income statement (Million pesos)

Year	2022	2023	2023	Change	Variation
Quarter	2	1	2	% y/y	% q/q
Net Revenue	94,359.0	76,373.8	74,788.0	-22.8%	-2.1%
Cost of goods sold	74,921.1	62,236.0	60,455.6	-19.3%	-2.9%
Gross profit	21,951.9	14,137.8	14,332.5	-34.7%	1.4%
General expenses	10,734.7	10,222.2	9,954.1	-7.3%	-2.6%
Operating Income	11,223.0	3,915.6	4,378.4	-61.0%	11.8%
Operating Margin	11.6%	5.1%	5.9%	(5.7pp)	0.7pp
Depreciation	2,241.0	3,116.4	2,019.6	-31.0%	-35.2%
EBITDA	13,464.0	7,032.0	6,398.0	-54.8%	-9.0%
EBITDA Margin	14.3%	9.2%	8.6%	(6.0pp)	(0.7pp)
Interest income (expense) net	(1,760.3)	(1,620.8)	(2,238.8)	27.2%	38.1%
Interest expense	1,669.2	1,726.9	1,747.5	4.7%	1.2%
Interest income	115.1	168.8	218.4	89.7%	29.4%
Other income (expenses)	(184.6)	(250.2)	(263.1)	42.5%	5.1%
Exchange Income (loss)	(21.6)	187.6	(446.6)	>500%	N.A.
Unconsolidated subsidiaries	9.7	9.6	(2.9)	N.A.	N.A.
Income before taxes	9,466.6	2,304.5	2,136.7	-77.4%	-7.3%
Income taxes	2,913.4	2,186.1	1,708.0	-41.4%	-21.9%
Discontinued operations		215.2	(39.2)		N.A.
Consolidated Net Income	6,553.2	118.3	428.6	-93.5%	262.2%
Minorities	1,690.4	586.0	224.9	-86.7%	-61.6%
Net Income	4,862.8	(252.4)	164.5	-96.6%	N.A.
Net Margin	5.0%	-0.3%	0.2%	(4.8pp)	0.6pp
EPS	0.962	(0.050)	0.033	-96.6%	N.A.

Balance Sheet (Million pesos)

Total Current Assets	139,959.9	128,038.7	99,089.9	-29.2%	-22.6%
Cash & Short Term Investments	27,811.0	18,749.4	19,516.0	-29.8%	4.1%
Long Term Assets	158,221.1	131,245.4	128,458.1	-18.8%	-2.1%
Property, Plant & Equipment (Net)	93,524.4	77,869.3	75,030.1	-19.8%	-3.6%
Intangible Assets (Net)	18,729.6	15,552.0	14,605.3	-22.0%	-6.1%
Total Assets	298,181.0	259,284.1	227,548.0	-23.7%	-12.2%
Current Liabilities	100,805.5	106,876.3	86,698.0	-14.0%	-18.9%
Short Term Debt	15,495.1	26,366.4	24,083.2	55.4%	-8.7%
Accounts Payable	79,254.0	57,252.1	55,596.1	-29.9%	-2.9%
Long Term Liabilities	138,582.0	98,746.4	94,890.8	-31.5%	-3.9%
Long Term Debt	121,853.5	86,567.3	83,799.4	-31.2%	-3.2%
Total Liabilities	239,387.6	205,622.8	181,588.8	-24.1%	-11.7%
Common Stock	58,793.4	53,661.4	45,959.3	-21.8%	-14.4%
Preferred Stock	17,402.1	14,584.5	12,125.6	-30.3%	-16.9%
Total Equity	41,391.3	39,076.8	33,833.7	-18.3%	-13.4%
Liabilities & Equity	298,181.0	259,284.1	227,548.0	-23.7%	-12.2%
Net Debt	109,537.6	94,184.3	88,366.7	-19.3%	-6.2%

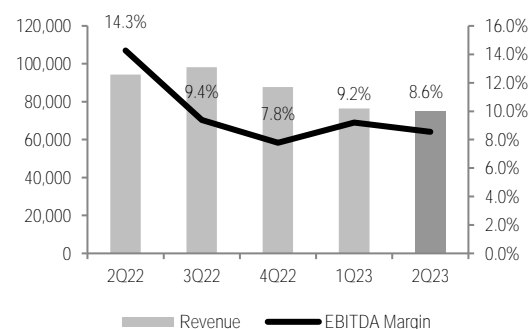
Cash Flow (Million pesos)

Cash Flow from Operating Activities	15,772.8	4,206.4	15,522.7
Cash Flow from Investing Activities	(14,184.6)	(1,691.7)	(5,555.3)
Cash Flow from Financing Activities	1,456.1	(1,491.2)	(3,898.4)
FX effect on cash	(1,983.2)	(1,921.8)	(250.0)

Source: Banorte, MSE

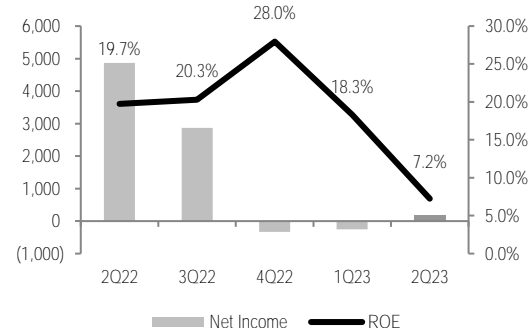
Revenue & EBITDA Margin

MXN, million



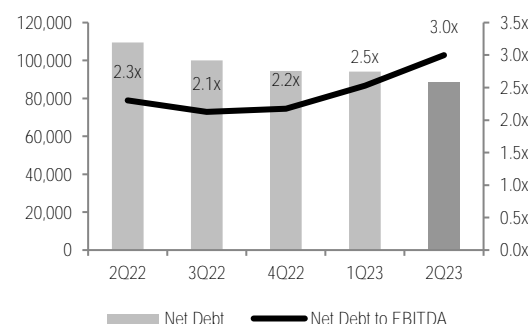
Net Income & ROE

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	2,107,131	\$17.32	36,495,501	82.1%	29,959,157	39,966,914	7,111,408	32,855,506
Sigma	4,818,823		74,691,757	100.0%	74,691,757	42,441,000	10,396,000	32,045,000
Total					104,650,914	82,407,914	17,507,408	64,900,506

ALFA*	4,818,823	\$10.11	48,718,301			107,882,681	19,515,964	88,366,717
Holding						25,474,767	2,008,556	23,466,211

Theoretical Price ALFA w/o Axtel	81,184,703
Per share	\$16.85
Discount/Premium	-40.0%

Source: Banorte, Alfa with 2023 figures. For Sigma we assumed a FV/EBITDA multiple of 7.8x, similar to the average of food companies in the local market.

Discount/Premium at which Controladora Axtel (CTAXTELA) trades vs Axtel (AXTELCPO)

	Shares	Current Price	Theoretical Price	Discount/Premium
Axtel	19,824,236	\$ 0.68		
Controladora Axtel	4,818,823	\$ 0.20	\$ 0.22	-8.1%

Source: Banorte

Operating results by Division

Alpek

MXN, million

	2Q22	Margin	1Q23	Margin	2Q23	Margin	% y/y	% q/q
Revenue	56,397	100.0%	38,574	100.0%	36,330	100.0%	-35.6%	-5.8%
EBITDA	10,166	18.0%	3,505	9.1%	2,642	7.3%	-74.0%	-24.6%
EBITDA*	7,395	13.1%	3,875	10.0%	3,562	9.8%	-51.8%	-8.1%

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

Source: Alfa

Sigma

MXN, Million

	2Q22	Margin	1Q23	Margin	2Q23	Margin	% y/y	% q/q
Revenue	37,483	100.0%	37,217	100.0%	37,959	100.0%	1.3%	2.0%
EBITDA	3,216	8.6%	3,590	9.6%	3,845	10.1%	19.5%	7.1%

Source: Alfa

Axtel

MXN, Million

	2Q22	Margin	1Q23	Margin	2Q23	Margin	% y/y	% q/q
Revenue	2,544	100.0%	2,746	100.0%	2,631	100.0%	3.4%	-4.2%
EBITDA	701	27.6%	736	26.8%	764	29.0%	9.0%	3.8%

*Ceased to be registered as a discontinued operation as of May 29, 2023

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, José De Jesús Ramírez Martínez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Juan Carlos Mercado Garduño, Daniel Sebastián Sosa Aguilar, Jazmin Daniela Cuautencos Mora 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
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	Recommendation	PT
ALFA	07/26/2023	Buy	\$16.85
ALFA	04/25/2023	Buy	\$17.73
ALFA	02/15/2022	Buy	\$20.64
ALFA	07/20/2022	Buy	\$20.03

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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