

ALPEK

Quarterly Report

August 2, 2023

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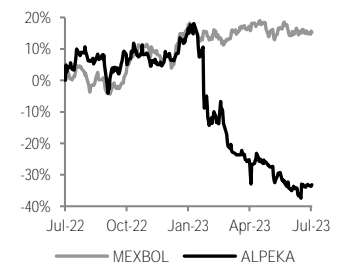
Downward guidance in light of prevailing challenges

- **Weak results in face of a demand with few catalysts, while normalization continues in reference margins and ocean freight costs, reflecting tighter market conditions**
- **Alpek reduced its 2023 EBITDA guidance to \$770 million (-16% vs. \$920 million previously). Awaiting further details at the investor conference, our PT and recommendation are Under Review**

A report that should not be well received by the market. Alpek reported a 35.6% y/y decline in revenues to \$36.3 billion, slightly below expectations. Meanwhile, reported EBITDA fell 74.0% y/y to \$2.6 billion, including a negative effect from inventory adjustments and raw material carryforwards of ~\$695 million, and another negative effect of ~\$225 million related to hyperinflation adjustments in Argentina in the Polyester chain. On a comparable basis, EBITDA contracted ~51% y/y to \$3.6 billion, in line with our estimate. In Polyester, pressures related to tighter market conditions continue. Ocean freight costs have returned to historical levels, on a more competitive backdrop, given the existing distortion among raw materials (paraxylene) prices between North America and Asia. Asia reference margins decreased 3% q/q to \$332 per ton, while the China reference has become very relevant for Middle East operations, averaging \$225, but declining to \$203 by the end of the quarter, as more capacity has entered the market. In Plastics and Chemicals, EPS margins continued to normalize, decreasing 10% q/q, while propylene reference prices fell 20% q/q -see page 3. **A more challenging second half of the year.** In our view, the company's fundamentals remain solid despite a more challenging environment than anticipated (ND/EBITDA 2.0x). Although current valuation levels already discount the expected weakness, with a FV/EBITDA multiple at 4.6x vs. 7.1x the median of global comparables, we see few short-term catalysts for this gap to narrow, as uncertainty will prevail in its markets.

Under Review	
Current Price	\$17.32
PT	Under review
Upside Potential	NA
Max – Min 12m	30.95-16.12
Market Cap (US\$m)	2,165.7
Shares Outstanding (m)	2,107
Float	17.9%
Daily Turnover (\$m)	38.0
Valuation Metrics LTM	
FV/EBITDA	4.6x
P/E	10.6x
MSCI ESG Rating*	

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
Revenue	156,224	212,435	163,099	183,049
Operating Income	17,494	24,539	11,358	13,247
EBITDA	23,234	29,424	15,519	17,254
EBITDA Margin	14.87%	13.85%	9.52%	9.43%
Net Income	7,756	13,744	4,842	5,955
Net Margin	4.96%	6.47%	2.97%	3.25%
Total Assets	123,945	136,819	131,217	145,755
Cash	10,541	6,319	3,572	3,400
Total Liabilities	74,359	84,625	78,604	88,448
Debt	35,855	46,824	41,965	43,093
Common Equity	49,586	52,194	52,612	57,307

Source: Banorte

Valuation and Financial metrics	2021	2022	2023E	2024E
FV/EBITDA	2.9x	2.7x	5.2x	4.8x
P/E	4.7x	2.7x	7.5x	6.1x
P/BV	0.8x	0.8x	0.8x	0.7x
ROE	15.6%	26.3%	9.2%	10.4%
ROA	6.3%	10.0%	3.7%	4.1%
EBITDA/ interest	8.6x	12.8x	5.6x	6.6x
Net Debt/EBITDA	1.1x	1.4x	2.5x	2.3x
Debt/Equity	0.7x	0.9x	0.8x	0.8x

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ALPEK – Results 2023

MXN, million

Concept	2022	2023	Var %	2Q23e	Var % vs Estim.
Revenue	56,398	36,329	-35.6%	38,686	-6.1%
Operating Income	9,088	1,484	-83.7%	2,584	-42.6%
Ebitda	10,166	2,642	-74.0%	3,571	-26.0%
Net Income	6,058	556	-90.8%	1,308	-57.5%
Margins					
Operating Margin	16.1%	4.1%	-12.0pp	6.7%	-2.6pp
Ebitda Margin	18.0%	7.3%	-10.8pp	9.2%	-2.0pp
Net Margin	10.7%	1.5%	-9.2pp	3.4%	-1.9pp
EPS	\$2.86	\$0.26	-90.8%	\$0.617	-57.5%

Income statement (Million pesos)

Year	2022	2023	2023	Change	Variation
Quarter	2	1	2	% y/y	% q/q
Net Revenue	56,397.6	38,574.3	36,329.5	-35.6%	-5.8%
Cost of goods sold	45,590.1	34,974.1	33,543.7	-26.4%	-4.1%
Gross profit	10,807.5	3,600.2	2,785.8	-74.2%	-22.6%
General expenses	1,719.5	2,162.7	1,301.5	-24.3%	-39.8%
Operating Income	9,088.0	1,437.5	1,484.3	-83.7%	3.3%
Operating Margin	16.1%	3.7%	4.1%	(12.0pp)	0.4pp
Depreciation	1,078.0	2,067.5	1,157.7	7.4%	-44.0%
EBITDA	10,166.0	3,505.0	2,642.0	-74.0%	-24.6%
EBITDA Margin	18.0%	9.1%	7.3%	(10.8pp)	(1.8pp)
Interest income (expense) net	(501.2)	(375.6)	(270.2)	-46.1%	-28.1%
Interest expense	427.3	600.2	597.5	39.8%	-0.5%
Interest income	54.4	83.6	134.0	146.5%	60.2%
Other income (expenses)	(12.7)	(278.1)	(280.4)	>500%	0.8%
Exchange Income (loss)	(115.5)	419.0	473.6	N.A.	13.0%
Unconsolidated subsidiaries	(14.9)	(15.4)	(18.0)	20.5%	16.8%
Income before taxes	8,571.9	1,046.5	1,196.0	-86.0%	14.3%
Income taxes	1,854.2	682.1	436.6	-76.5%	-36.0%
Discontinued operations					
Consolidated Net Income	6,717.7	364.4	759.4	-88.7%	108.4%
Minorities	659.4	455.8	203.7	-69.1%	-55.3%
Net Income	6,058.3	(91.4)	555.7	-90.8%	N.A.
Net Matgin	10.7%	-0.2%	1.5%	(9.2pp)	1.8pp
EPS	2.861	(0.043)	0.262	-90.8%	N.A.

Balance Sheet (Million pesos)

Total Current Assets	85,853.2	58,001.0	54,171.7	-36.9%	-6.6%
Cash & Short Term Investments	10,732.4	5,286.4	7,111.4	-33.7%	34.5%
Long Term Assets	72,987.1	67,715.4	64,701.2	-11.4%	-4.5%
Property, Plant & Equipment (Net)	49,894.9	44,755.1	42,471.6	-14.9%	-5.1%
Intangible Assets (Net)	2,796.2	3,671.8	3,370.4	20.5%	-8.2%
Total Assets	158,840.4	125,716.3	118,872.9	-25.2%	-5.4%
Current Liabilities	53,127.5	41,230.8	38,076.3	-28.3%	-7.7%
Short Term Debt	5,807.4	12,132.2	9,690.7	66.9%	-20.1%
Accounts Payable	45,355.5	26,447.7	26,415.6	-41.8%	-0.1%
Long Term Liabilities	49,057.9	37,678.3	35,315.4	-28.0%	-6.3%
Long Term Debt	41,712.9	31,980.6	30,276.2	-27.4%	-5.3%
Total Liabilities	102,185.4	78,909.1	73,391.7	-28.2%	-7.0%
Common Stock	56,655.0	46,807.2	45,481.1	-19.7%	-2.8%
Preferred Stock	6,403.3	4,959.8	4,871.8	-23.9%	-1.8%
Total Equity	50,251.7	41,847.4	40,609.3	-19.2%	-3.0%
Liabilities & Equity	158,840.4	125,716.3	118,872.9	-25.2%	-5.4%
Net Debt	36,788.0	38,826.3	32,855.5	-10.7%	-15.4%

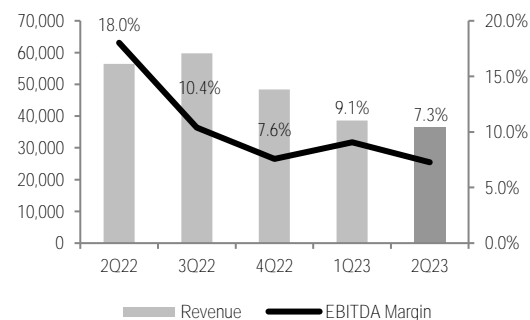
Cash Flow (Million pesos)

Cash Flow from Operating Activities	10,812.3	2,226.5	9,821.4
Cash Flow from Investing Activities	(11,236.3)	(649.3)	(1,752.2)
Cash Flow from Financing Activities	4,402.4	(1,169.1)	(3,752.7)
FX effect on cash	571.1	(663.2)	1,506.1

Source: Banorte, MSE

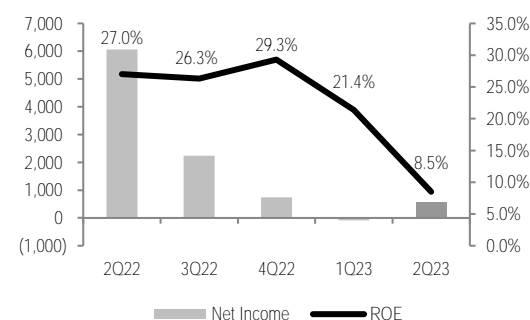
Revenue & EBITDA Margin

MXN, million



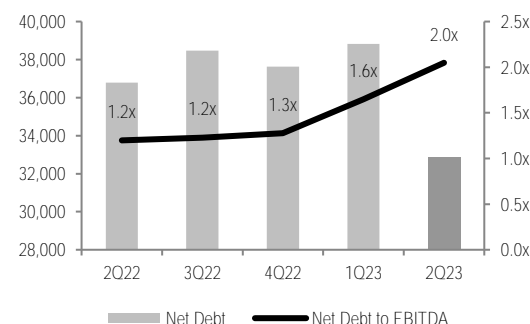
Net Income & ROE

MXN, million



Net Debt & Net debt to EBITDA ratio

MXN, million



Results by Business Segment

Polyester
MXN, Million

	2Q22	Margin	1Q23	Margin	2Q23	Margin	% y/y	% q/q
Revenue	36,420	100.0%	27,858	100.0%	27,156	100.0%	-25.4%	-2.5%
EBITDA	6,942	19.1%	1,702	6.1%	1,618	6.0%	-76.7%	-4.9%
EBITDA*	4,364	12.0%	2,487	8.9%	2,261	8.3%	-48.2%	-9.1%

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

Source: Alpek

Plastics and Chemicals
MXN, Million

	2Q22	Margin	1Q23	Margin	2Q23	Margin	% y/y	% q/q
Revenue	13,198	100.0%	8,090	100.0%	7,253	100.0%	-45.0%	-10.3%
EBITDA	3,130	23.7%	1,856	22.9%	970	13.4%	-69.0%	-47.7%
EBITDA*	2,937	22.3%	1,441	17.8%	1,248	17.2%	-57.5%	-13.4%

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

Source: Alpek

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, Jazmín Daniela Cuatrecasas 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	Rating	PT
ALPEK	26/07/2023	Under review	Under review
ALPEK	20/10/2021	BUY	\$32.00
ALPEK	20/04/2021	BUY	\$25.50
ALPEK	11/02/2021	BUY	\$22.00

MSCI ESG Rating scale

CCC	B	BB	BBB	A	AA	AAA
LAGGARD	AVERAGE	LEADER				

*MSCI ESG Rating is an indicator that evaluates companies in Environment, Social and Governance (ESG) metrics.

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