

ALPEK

Quarterly Report

Alpek complies, while punishment seems excessive

- Results were in line with our estimates on a comparable basis, affected by lower demand, while normalization in benchmark margins and freight costs continue
- In our view the drop in the share's price seems excessive, while figures weakness is already embedded in current valuation (FV/EBITDA 3.6x). Meanwhile, fundamentals remain solid

Few surprises, while results are in line with this year's guidance. Alpek registered a 19.4% y/y decline in revenues to MXN 38.6 billion, practically in line with our estimate. Meanwhile, EBITDA fell 62.6% y/y to MXN 3.5 billion, better than our expectations, as the effect of inventory adjustment and raw material carryforward was neutralized between the *Polyester* and *Plastics & Chemicals* divisions. Meanwhile, there was an extraordinary charge of \$14 million related to the closure of [Cooper River](#) plant, which is part of the capacity optimization strategy and whose cost should be absorbed with the estimated savings of \$20 million, and another charge of \$47 million for asset impairment, which impacted operating income. On a comparable basis, EBITDA contracted ~43% y/y to \$3.9 billion, in line with our estimate. We continue to see pressures in Polyester, despite the slight recovery in Asian benchmark (+2% y/y) as freight costs have returned to historical levels and given lower demand considering market conditions. Meanwhile in Plastics & Chemicals, normalization in EPS margins and contraction in PP continued due to new capacity entering the market, strongly affecting this segment profitability -see *Pag 3*. In our view the price reflects an excessive punishment, after dropping ~38% from the year's high and with an attractive valuation on FV/EBITDA of 3.6x vs ~7.0x of peer's. Fundamentals remain solid with outstanding financial strength (ND/EBITDA 1.6x) and an optimization strategy that should be profitable. However, is important to consider the volatility that could imply a year of complicated comparatives.

May 4th, 2023

www.banorte.com
@analisis_fundam

Marissa Garza Ostos
Director of Equity Strategy
marissa.garza@banorte.com

BUY

Current Price	\$19.06
PT	\$32.00
Upside Potential	67.9%
Max - Min 12m	30.95-18.86
Market Cap (US\$m)	2,220.3
Shares Outstanding (m)	2,107
Float	17.9%
Daily Turnover (\$m)	48.4
Valuation Metrics LTM	
FV/EBITDA	3.6x
P/E	4.5x
MSCI ESG Rating*	

Relative performance to Mexbol LTM



This document is provided for the reader's convenience only. The translation from the original Spanish version was made by Banorte's staff. Discrepancies may possibly arise between the original document in Spanish and its English translation. For this reason, the original research paper in Spanish is the only official document. The Spanish version was released before the English translation. The original document entitled "Alpek cumple, mientras el castigo parece excesivo" was released on February 25, 2023. Document for distribution among public

Financial Statements

	2021	2022	2023E	2024E
Revenue	156,224	212,435	172,161	186,719
Operating Income	17,494	24,539	11,835	14,179
EBITDA	23,234	29,424	17,064	19,367
EBITDA Margin	14.87%	13.85%	9.91%	10.37%
Net Income	7,756	13,744	5,649	7,341
Net Margin	4.96%	6.47%	3.28%	3.93%
Total Assets	123,945	136,819	145,886	156,165
Cash	10,541	6,319	6,314	10,610
Total Liabilities	74,359	84,625	89,380	93,552
Debt	35,855	46,824	40,274	39,863
Common Equity	49,586	52,194	56,506	62,612

Source: Banorte

Valuation and Financial metrics

	2021	2022	2023E	2024E
FV/EBITDA	3.1x	2.8x	4.7x	4.0x
P/E	5.2x	2.9x	7.1x	5.5x
P/BV	0.9x	0.9x	0.8x	0.7x
ROE	15.6%	26.3%	10.0%	11.7%
ROA	6.3%	10.0%	3.9%	4.7%
EBITDA/ interest	8.6x	12.8x	7.9x	11.7x
Net Debt/EBITDA	1.1x	1.4x	2.0x	1.5x
Debt/Equity	0.7x	0.9x	0.7x	0.6x

ALPEK – Results 1Q23

MXN, million

Concept	1Q22	1Q23	Var %	1Q23e	Var % vs Estim.
Revenue	47,877	38,574	-19.4%	36,804	4.8%
Operating Income	8,316	1,438	-82.7%	1,769	-18.7%
Ebitda	9,368	3,505	-62.6%	3,082	13.7%
Net Income	4,698	-91	N.A.	756	N.A.
Margins					
Operating Margin	17.4%	3.7%	-13.6pp	4.8%	-1.1pp
Ebitda Margin	19.6%	9.1%	-10.5pp	8.4%	0.7pp
Net Margin	9.8%	-0.2%	-10.0pp	2.1%	-2.3pp
EPS	\$2.22	-\$0.04	N.A.	\$0.36	-112.1%

Income statement (Million pesos)

Year	2022	2022	2023	Change	Variation
Quarter	2	4	1	% y/y	% q/q
Net Revenue	47,876.6	48,411.1	38,574.3	-19.4%	-20.3%
Cost of goods sold	37,937.3	44,983.8	34,974.1	-7.8%	-22.3%
Gross profit	9,939.3	3,427.3	3,600.2	-63.8%	5.0%
General expenses	1,623.3	1,234.6	2,162.7	33.2%	75.2%
Operating Income	8,316.0	2,192.7	1,437.5	-82.7%	-34.4%
Operating Margin	17.4%	4.5%	3.7%	(13.6pp)	(0.8pp)
Depreciation	1,051.6	1,317.9	1,193.3	13.5%	-9.5%
EBITDA	9,368.0	3,673.0	3,505.0	-62.6%	-4.6%
EBITDA Margin	19.6%	7.6%	9.1%	(10.5pp)	1.5pp
Interest income (expense) net	(726.6)	(536.1)	(375.6)	-48.3%	-29.9%
Interest expense	437.5	587.5	600.2	37.2%	2.2%
Interest income	65.3	97.4	83.6	28.1%	-14.2%
Other income (expenses)	(275.4)	(135.8)	(278.1)	1.0%	104.8%
Exchange Income (loss)	(78.9)	89.7	419.0	N.A.	367.2%
Unconsolidated subsidiaries	(7.8)	(31.9)	(15.4)	96.8%	-51.7%
Income before taxes	7,581.6	1,624.7	1,046.5	-86.2%	-35.6%
Income taxes	2,099.6	548.4	682.1	-67.5%	24.4%
Discontinued operations					
Consolidated Net Income	5,482.0	1,076.3	364.4	-93.4%	-66.1%
Minorities	784.5	333.9	455.8	-41.9%	36.5%
Net Income	4,697.6	742.5	(91.4)	N.A.	N.A.
Net Matgin	9.8%	1.5%	-0.2%	(10.0pp)	(1.8pp)
EPS	2.219	0.351	(0.043)	N.A.	N.A.

Balance Sheet (Million pesos)

Total Current Assets	64,368.3	64,425.3	58,001.0	-9.9%	-10.0%
Cash & Short Term Investments	8,353.5	6,319.4	5,286.4	-36.7%	-16.3%
Long Term Assets	61,337.1	72,393.6	67,715.4	10.4%	-6.5%
Property, Plant & Equipment (Net)	38,706.1	48,451.0	44,755.1	15.6%	-7.6%
Intangible Assets (Net)	2,837.3	4,037.8	3,671.8	29.4%	-9.1%
Total Assets	125,705.4	136,818.8	125,716.3	0.0%	-8.1%
Current Liabilities	35,935.3	43,942.4	41,230.8	14.7%	-6.2%
Short Term Debt	3,699.2	9,753.7	12,132.2	228.0%	24.4%
Accounts Payable	30,289.8	31,984.8	26,447.7	-12.7%	-17.3%
Long Term Liabilities	37,946.5	40,682.7	37,678.3	-0.7%	-7.4%
Long Term Debt	31,170.7	34,192.8	31,980.6	2.6%	-6.5%
Total Liabilities	73,881.8	84,625.1	78,909.1	6.8%	-6.8%
Common Stock	51,823.6	52,193.7	46,807.2	-9.7%	-10.3%
Preferred Stock	5,759.9	5,290.8	4,959.8	-13.9%	-6.3%
Total Equity	46,063.7	46,902.9	41,847.4	-9.2%	-10.8%
Liabilities & Equity	125,705.4	136,818.8	125,716.3	0.0%	-8.1%
Net Debt	26,516.5	37,627.0	38,826.3	46.4%	3.2%

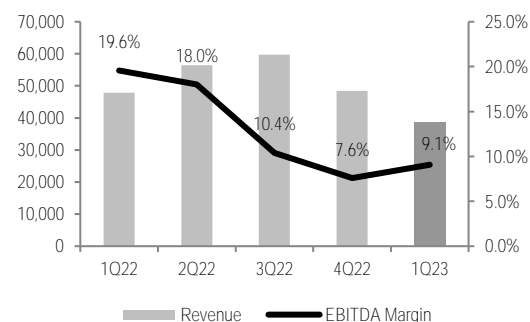
Cash Flow (Million pesos)

Cash Flow from Operating Activities	5,427.7	20,930.3	2,226.5		
Cash Flow from Investing Activities	(717.7)	(12,907.7)	(649.3)		
Cash Flow from Financing Activities	(5,434.2)	(5,615.5)	(1,169.1)		
FX effect on cash	(2,248.4)	(3,313.6)	(663.2)		

Source: Banorte, MSE

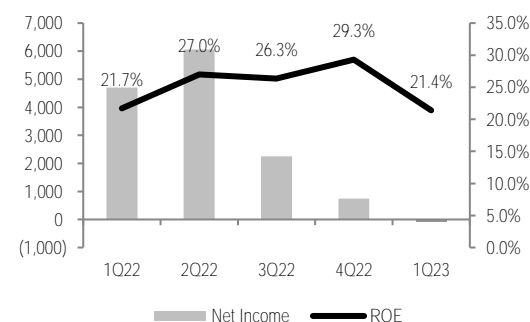
Revenue & EBITDA Margin

MXN, million



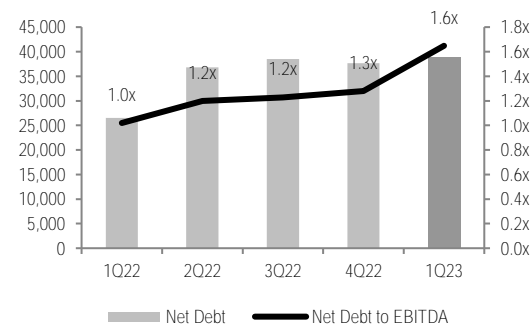
Net Income & ROE

MXN, million



Net Debt & Net debt to EBITDA ratio

MXN, million



Results by Business Segment

Polyester
MXN, Million

	1Q22	Margin	4Q22	Margin	1Q23	Margin	% y/y	% q/q
Revenue	31,232	100.0%	32,127	100.0%	27,858	100.0%	-10.8%	-13.3%
EBITDA	5,910	18.9%	1,616	5.0%	1,702	6.1%	-71.2%	5.3%
EBITDA*	3,937	12.6%	2,982	9.3%	2,487	8.9%	-36.8%	-16.6%

*Inventory and non-operating (non-recurring) ganis/losses are excluded
Source: Alpek

Plastics and Chemicals
MXN, Million

	1Q22	Margin	4Q22	Margin	1Q23	Margin	% y/y	% q/q
Revenue	12,615	100.0%	8,711	100.0%	8,090	100.0%	-35.9%	-7.1%
EBITDA	3,491	27.7%	2,091	24.0%	1,856	22.9%	-46.8%	-11.2%
EBITDA*	2,911	23.1%	2,375	27.3%	1,441	17.8%	-50.5%	-39.3%

*Inventory and non-operating (non-recurring) ganis/losses are excluded
Source: Alpek

Certification of Analysts.

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldivar, 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 Thalia 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, 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.

Relevant statements.

In accordance with current laws and internal procedures manuals, analysts are allowed to hold long or short positions in shares or securities issued by companies that are listed on the Mexican Stock Exchange and may be the subject of this report; nonetheless, equity analysts have to adhere to certain rules that regulate their participation in the market in order to prevent, among other things, the use of private information for their benefit and to avoid conflicts of interest. Analysts shall refrain from investing and holding transactions with securities or derivative instruments directly or through an intermediary person, with Securities subject to research reports, from 30 calendar days prior to the issuance date of the report in question, and up to 10 calendar days after its distribution date.

Compensation of Analysts.

Analysts' compensation is based on activities and services that are aimed at benefiting the investment clients of Casa de Bolsa Banorte and its subsidiaries. Such compensation is determined based on the general profitability of the Brokerage House and the Financial Group and on the individual performance of each analyst. However, investors should note that analysts do not receive direct payment or compensation for any specific transaction in investment banking or in other business areas.

Last-twelve-month activities of the business areas.

Grupo Financiero Banorte S.A.B. de C.V., through its business areas, provides services that include, among others, those corresponding to investment banking and corporate banking, to a large number of companies in Mexico and abroad. It may have provided, is providing or, in the future, will provide a service such as those mentioned to the companies or firms that are the subject of this report. Casa de Bolsa Banorte or its affiliates receive compensation from such corporations in consideration of the aforementioned services.

Over the course of the last twelve months, Grupo Financiero Banorte S.A.B. C.V., has not obtained compensation for services rendered by the investment bank or by any of its other business areas of the following companies or their subsidiaries, some of which could be analyzed within this report.

Activities of the business areas during the next three months.

Casa de Bolsa Banorte, Grupo Financiero Banorte or its subsidiaries expect to receive or intend to obtain revenue from the services provided by investment banking or any other of its business areas, by issuers or their subsidiaries, some of which could be analyzed in this report.

Securities holdings and other disclosures.

As of the end of last quarter, Grupo Financiero Banorte S.A.B. of C.V. has not held investments, directly or indirectly, in securities or derivative financial instruments, whose underlying securities are the subject of recommendations, representing 1% or more of its investment portfolio of outstanding securities or 1 % of the issuance or underlying of the securities issued. None of the members of the Board of Grupo Financiero Banorte and Casa de Bolsa Banorte, along general managers and executives of an immediately below level, have any charges in the issuers that may be analyzed in this document.

The Analysts of Grupo Financiero Banorte S.A.B. of C.V. do not maintain direct investments or through an intermediary person, in the securities or derivative instruments object of this analysis report.

Guide for investment recommendations.

	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.

Even though this document offers a general criterion of investment, we urge readers to seek advice from their own Consultants or Financial Advisors, in order to consider whether any of the values mentioned in this report are in line with their investment goals, risk and financial position.

Determination of Target Prices

For the calculation of estimated target prices for securities, analysts use a combination of methodologies generally accepted among financial analysts, including, but not limited to, multiples analysis, discounted cash flows, sum-of-the-parts or any other method that could be applicable in each specific case according to the current regulation. No guarantee can be given that the target prices calculated for the securities will be achieved by the analysts of Grupo Financiero Banorte S.A.B. C.V., since this depends on a large number of various endogenous and exogenous factors that affect the performance of the issuing company, the environment in which it performs, along with the influence of trends of the stock market, in which it is listed. Moreover, the investor must consider that the price of the securities or instruments can fluctuate against their interest and cause the partial and even total loss of the invested capital.

The information contained hereby has been obtained from sources that we consider to be reliable, but we make no representation as to its accuracy or completeness. The information, estimations and recommendations included in this document are valid as of the issue date, but are subject to modifications and changes without prior notice; Grupo Financiero Banorte S.A.B. of C.V. does not commit to communicate the changes and also to keep the content of this document updated. Grupo Financiero Banorte S.A.B. of C.V. takes no responsibility for any loss arising from the use of this report or its content. This document may not be photocopied, quoted, disclosed, used, or reproduced in whole or in part without prior written authorization from Grupo Financiero Banorte S.A.B. of C.V.

History of PT and ratings

Stock	Date	Rating	PT
ALPEK	20/10/2021	BUY	\$32.00
ALPEK	20/04/2021	BUY	\$25.50
ALPEK	11/02/2021	BUY	\$22.00
ALPEK	18/02/2020	HOLD	\$19.00

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.

Research and Strategy			
Alejandro Padilla Santana	Chief Economist and Head of Research	alejandro.padilla@banorte.com	(55) 1103 - 4043
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611
María Fernanda Vargas Santoyo	Analyst	maria.vargas.santoyo@banorte.com	(55) 1103 - 4000
Economic Research			
Juan Carlos Alderete Macal, CFA	Executive Director of Economic Research and Financial Markets Strategy	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Francisco José Flores Serrano	Director of Economic Research, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Katia Celina Goya Ostos	Director of Economic Research, Global	katia.goya@banorte.com	(55) 1670 - 1821
Yazmín Selene Pérez Enríquez	Senior Economist, Mexico	yazmin.perez.enriquez@banorte.com	(55) 5268 - 1694
Cintia Gisela Nava Roa	Senior Economist, Mexico	cintia.nava.roa@banorte.com	(55) 1103 - 4000
Luis Leopoldo López Salinas	Manager Global Economist	luis.lopez.salinas@banorte.com	(55) 1103 - 4000 x 2707
Market Strategy			
Manuel Jiménez Zaldívar	Director of Market Strategy	manuel.jimenez@banorte.com	(55) 5268 - 1671
Fixed Income and FX Strategy			
Leslie Thalia Orozco Vélez	Senior Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 5268 - 1698
Isaías Rodríguez Sobrino	Strategist, Fixed Income, FX and Commodities	isaias.rodriguez.sobrino@banorte.com	(55) 1670 - 2144
Equity Strategy			
Marissa Garza Ostos	Director of Equity Strategy	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Senior Strategist, Equity	jose.espitia@banorte.com	(55) 1670 - 2249
Carlos Hernández García	Senior Strategist, Equity	carlos.hernandez.garcia@banorte.com	(55) 1670 - 2250
Víctor Hugo Cortes Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800
Paola Soto Leal	Strategist, Equity	paola.soto.leal@banorte.com	(55) 1103 - 4000 x 1746
Corporate Debt			
Hugo Armando Gómez Solís	Senior Analyst, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248
Quantitative Analysis			
Alejandro Cervantes Llamas	Executive Director of Quantitative Analysis	alejandro.cervantes@banorte.com	(55) 1670 - 2972
José Luis García Casales	Director of Quantitative Analysis	jose.garcia.casales@banorte.com	(55) 8510 - 4608
Miguel Alejandro Calvo Domínguez	Senior Analyst, Quantitative Analysis	miguel.calvo@banorte.com	(55) 1670 - 2220
José De Jesús Ramírez Martínez	Senior Analyst, Quantitative Analysis	jose.ramirez.martinez@banorte.com	(55) 1103 - 4000
Daniel Sebastián Sosa Aguilar	Senior Analyst, Quantitative Analysis	daniel.sosa@banorte.com	(55) 1103 - 4000
Andrea Muñoz Sánchez	Analyst, Quantitative Analysis	andrea.munoz.sanchez@banorte.com	(55) 1103 - 4000
Wholesale Banking			
Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebaldos@banorte.com	(55) 5004 - 1282
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Frigolet Vázquez Vela	Head of Sólida Banorte	alejandro.frigolet.vazquezvela@banorte.com	(55) 5268 - 1656
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 5140
Carlos Alberto Arciniega Navarro	Head of Treasury Services	carlos.arciniega@banorte.com	(81) 1103 - 4091
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8173 - 9127
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5249 - 6423
Lizza Velarde Torres	Executive Director of Wholesale Banking	lizza.velarde@banorte.com	(55) 4433 - 4676
Oswaldo Brondo Menchaca	Head of Specialized Banking Services	oswaldo.brondo@banorte.com	(55) 5004 - 1423
Raúl Alejandro Arauzo Romero	Head of Transactional Banking	alejandro.arauzo@banorte.com	(55) 5261 - 4910
René Gerardo Pimentel Ibarrola	Head of Corporate Banking	pimentelr@banorte.com	(55) 5004 - 1051
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Víctor Antonio Roldan Ferrer	Head of Commercial Banking	victor.rolan.ferrer@banorte.com	(55) 1670 - 1899