

May 5th, 2023

ORBIA

Quarterly Report

www.banorte.com
@analisis_fundam

Sequential recovery in profitability stands out

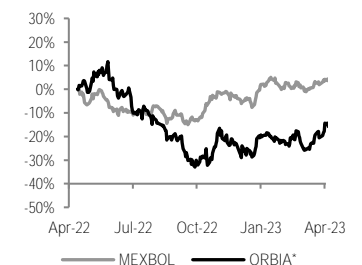
- Results show widespread declines given very difficult comparisons for the previous year. Nonetheless, sequential margin gains in all businesses were surprisingly favorable
- Although the challenging backdrop continues, efficiency strategies, and a less adverse cost environment will continue to support results going forward

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

BUY	
Current Price	\$39.29
PT	\$65.00
Dividend (US\$)	0.09
Dividend Yield (%)	4.2%
Upside Potential	69.6%
Max – Min LTM (\$)	53.84-32.16
Market Cap (US\$m)	4,449.7
Shares Outstanding (m)	2,010
Float	58.5%
Daily Turnover (\$ m)	125.8
Valuation metrics LTM	
FV/EBITDA	5.3x
P/E	12.3x
MSCI ESG Rating*	BB

A report that should be well received by the market. 1Q23 figures seem promising, which reflected the company's efforts to address the prevailing challenging scenario. Revenues declined 12.2% y/y to \$2.3 billion, in line with expectations. Meanwhile, EBITDA contracted 23.2% y/y to \$469 million, better than our estimates. Although we continued to see year-over-year declines in the Polymer Solutions, Wavin, and Netafim segments, due to a slowdown in demand in most markets and lower prices, the important sequential recovery in these segments' profitability stood out, given a less adverse cost environment and efficiency strategies in operations. Meanwhile, on the positive side, figures from Dura-line and Koura continued to stand out. In the former, the growing demand for fiber infrastructure and the stabilization of raw material costs continued; in the latter, results reflected a more solid pricing scenario -See Tables Page 3. Net income contracted 78% y/y to \$55 million, below expectations, due to operating weakness, exacerbated by foreign exchange losses and a much higher effective tax rate, as a result of the strong peso. **The company reiterated its guidance.** Although the quarter has been positive and could be indicative of a slightly better year than expected, Orbia reiterated its EBITDA guidance for \$1.7 billion (-13.6% y/y), given the prevailing challenges in global recovery. With the results, valuation remains attractive, although FV/EBITDA multiple increased to 5.3x vs. 4.8x previously. While ND/EBITDA ratio stood at 2.3x vs. 2.1x previously, still solid to take advantage of backdrop opportunities.

Relative performance to MEXBOL
LTM



Financial Statements				
MXN, million	2021	2022	2023E	2024E
Revenue	8,783	9,648	9,645	10,951
Operating Income	1,449	1,328	1,089	1,485
EBITDA	2,047	1,909	1,664	2,031
EBITDA Margin	23.3%	19.8%	17.3%	18.5%
Net Income	772	665	885	1,103
Net Margin	8.8%	6.9%	9.2%	10.1%
Total Assets	10,587	11,624	12,405	13,488
Cash	782	1,546	1,396	1,488
Total Liabilities	7,182	8,301	8,155	8,117
Debt	4,397	5,065	5,482	5,530
Common Equity	3,405	3,323	4,250	5,371

Source: Banorte

Valuation and financial metrics				
	2021	2022	2023E	2024E
FV/EBITDA	4.3x	4.8x	5.6x	4.6x
P/E	4.4x	4.7x	5.2x	4.2x
P/BV	1.5x	1.6x	1.2x	0.9x
ROE	22.7%	20.0%	20.8%	20.5%
ROA	7.3%	5.7%	7.1%	8.2%
EBITDA/ Interest	8.6x	8.2x	9.1x	10.2x
Net Debt/EBITDA	1.8x	1.8x	2.5x	2.0x
Debt/Equity	1.3x	1.5x	1.3x	1.0x

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 "Destaca recuperación secuencial en rentabilidad" was released on April 26, 2023. Document for distribution among public

ORBIA –Results 1Q23

USD, million

Concept	1Q22	1Q23	Var %	1Q23e	Diff% vs Estim.
Revenue	2,596	2,280	-12.2%	2,267	0.6%
Operating Income	467	323	-30.8%	283	14.1%
Ebitda	611	469	-23.2%	430	9.1%
Net Income	250	55	-78.0%	221	-75.1%
Margins					
Operating Margin	18.0%	14.2%	-3.8pp	12.5%	1.7pp
Ebitda Margin	23.5%	20.6%	-3.0pp	19.0%	1.6pp
Net Margin	9.6%	2.4%	-7.2pp	9.7%	-7.3pp
EPS	\$0.119	\$0.026	-78.0%	\$0.105	-75.1%

Income Statement (Million)

Year	2021	2022	2022	Change	Change
Quarter	4	3	4	% y/y	% q/q
Net Revenue	2,596	2,100	2,280	-12.2%	8.6%
Costs of goods sold	1,832	1,591	1,620	-11.6%	1.8%
Gross profit	763	509	660	-13.5%	29.7%
General expenses	297	349	337	13.6%	-3.4%
Operating Income	467	160	323	-30.8%	101.9%
Operating Margin	18.0%	7.6%	14.2%	(3.8pp)	6.5pp
Depreciation	144	149	146	1.4%	-2.0%
EBITDA	611	309	469	-23.2%	51.8%
EBITDA Margin	23.5%	14.7%	20.6%	(3.0pp)	5.9pp
Interest Income (Expense) net	(43)	(81)	(101)	137.5%	24.7%
Interest expense	47	96	79	66.7%	-17.7%
Interest income	3	13	20	>500%	53.8%
Other income (expense)	(7)	(144)	(4)	-44.9%	-97.2%
Foreign exchange gain (loss)	9	146	(38)	N.A.	N.A.
Unconsolidated subsidiaries	2	1	1	-51.0%	
Income before taxes	426	80	223	-47.7%	178.8%
Income taxes	143	101	143	-0.2%	41.6%
Discontinued operations	(0)				
Consolidated Net Income	283	(21)	80	-71.7%	N.A.
Non-controlling interest	33	14	25	-23.4%	78.6%
Net Income	250	(35)	55	-78.0%	N.A.
Net Margin	9.6%	-1.7%	2.4%	(7.2pp)	4.1pp
EPS	0.119	(0.017)	0.026	-78.0%	N.A.

Balance Sheet (Million pesos)

Total Current Assets	4,333	4,584	4,649	7.3%	1.4%
Cash & Short Term Investments	970	1,546	1,384	42.6%	-10.5%
Long Term Assets	7,025	7,040	7,128	1.5%	1.3%
Property, Plant & Equipment (Net)	3,076	3,170	3,199	4.0%	0.9%
Intangible Assets (Net)	1,592	1,627	1,640	3.0%	0.8%
Total Assets	11,358	11,624	11,777	3.7%	1.3%
Current Liabilities	2,950	3,045	3,330	12.9%	9.4%
Short Term Debt	931	1,314	1,208	29.8%	-8.1%
Accounts Payable	1,791	1,360	1,718	-4.1%	26.3%
Long Term Liabilities	4,934	5,256	5,273	6.9%	0.3%
Long Term Debt	3,760	4,222	4,220	12.2%	0.0%
Total Liabilities	7,884	8,301	8,603	9.1%	3.6%
Common Stock	3,474	3,323	3,174	-8.6%	-4.5%
Non-controlling interest	695	655	657	-5.5%	0.3%
Total Equity	2,779	2,668	2,517	-9.4%	-5.7%
Liabilities & Equity	11,358	11,624	11,777	3.7%	1.3%
Net Debt	3,720	3,990	4,044	8.7%	1.4%

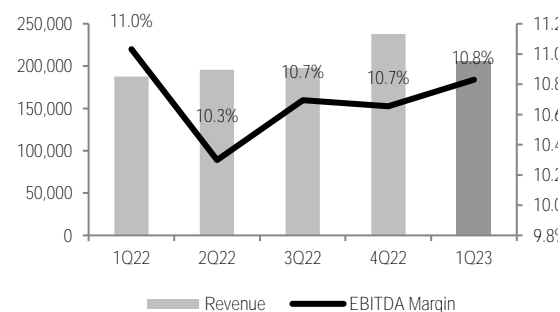
Cash Flow

CF from Operating Activities	296.2	1,745.0	236.0		
CF from Investing Activities	(204.5)	(762.0)	(145.0)		
CF from Financing Activities	143.8	203.0	(219.0)		
Change in Cash Balance	166.1	728.0	(182.0)		

Source: Banorte, MSE

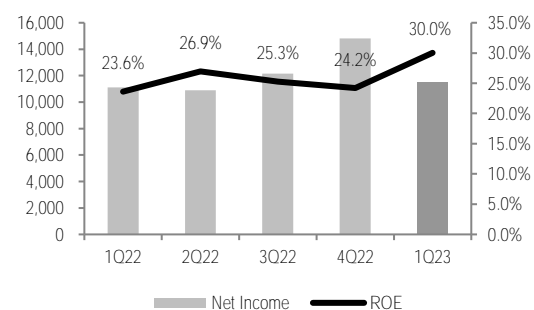
Revenue & EBITDA Margin

MXN, million



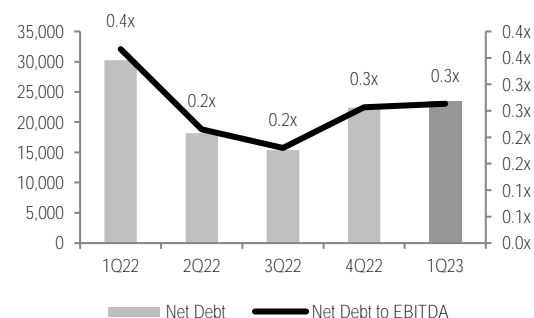
Net Income & ROE

MXN, million



Net Debt & Net Debt to EBITDA ratio

MXN, million



Report Details by business group

Vestolit (Polymer Solutions)

US\$ millions

	1Q22	Margin	4Q22	Margin	1Q23	Margin	% y/y	% q/q
Revenue	1065	100.0%	735	100.0%	770	100.0%	-27.7%	4.8%
EBITDA	308	33.3%	101	13.7%	147	19.1%	-52.3%	45.5%

Source: Orbia

Wavin (Construction and Infrastructure)

US\$ millions

	1Q22	Margin	4Q22	Margin	1Q23	Margin	% y/y	% q/q
Revenue	778	100.0%	661	100.0%	694	100.0%	-10.8%	5.0%
EBITDA	105	38.8%	47	7.1%	70	10.1%	-33.3%	48.9%

Source: Orbia

Netafim (Precision Agriculture)

US\$ millions

	1Q22	Margin	4Q22	Margin	1Q23	Margin	% y/y	% q/q
Revenue	313	100.0%	229	100.0%	275	100.0%	-12.1%	20.1%
EBITDA	53	16.9%	-4	-1.3%	28	10.2%	-47.2%	NC

Source: Orbia

Dura-Line (Data Communications)

US\$ millions

	1Q22	Margin	4Q22	Margin	1Q23	Margin	% y/y	% q/q
Revenue	325	100.0%	317	100.0%	345	100.0%	6.2%	8.8%
EBITDA	70	21.5%	84	26.5%	114	33.0%	62.9%	35.7%

Source: Orbia

Koura (Fluor)

US\$ millions

	1Q22	Margin	4Q22	Margin	1Q23	Margin	% y/y	% q/q
Revenue	204	100.0%	201	100.0%	242	100.0%	18.6%	20.4%
EBITDA	76	37.3%	65	32.3%	102	42.1%	34.2%	56.9%

Source: Orbia

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, 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 Ixe 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
ORBA	07/28/21	BUY	\$65.00
ORBA	02/26/20	BUY	\$56.00
ORBA	01/13/20	UNDER REVIEW	UNDER REVIEW

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.

GRUPO FINANCIERO BANORTE S.A.B. de C.V.

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
Maria 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 Thalía 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.cebillos@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
Victor Antonio Roldan Ferrer	Head of Commercial Banking	victor.rolan.ferrer@banorte.com	(55) 1670 - 1899