

CYDSA: 4Q19 RESULTS

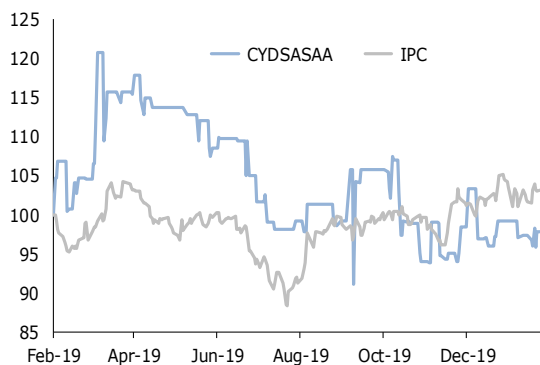
Positive Results, Above Expectations

BUY

2020E Target Price (MXN\$)	\$ 40.00
Current Price (MXN\$)	\$ 23.20
Min / Max (L12M)	\$22.00 - 30.00
Expected Dividend (MXN\$)	\$ 0.70
Expected Return	75.4%
Market Cap (MXN\$ Mn)	13,920
Enterprise Value (MXN\$ Mn)	21,426
Outstanding Shares (Mn)	600.0
Float	49.9%
6-Month ADTV (MXN\$ Mn)	\$ 0.74

Opinion and Recommendation:

- **CYDSA reported favorable 4Q19 results with a higher-than-expected profitability as a result of operating efficiencies in the co-generation business, which more than offset the sales reduction. In addition, net income experienced a significant improvement due to the appreciation of the FX rate and unexpected fiscal gains.**
- **On the other hand, CYDSA's leverage rose due to the US\$120 million reopening of the Senior Notes. We expect the leverage to gradually reduce once the new projects start to generate revenues and profits.**
- **We expect a positive short-term reaction. We continue with a BUY recommendation and year-end target price of MXN\$40.0 per share.**



Revenues

CYDSA's revenues were affected by the reduction in international prices of generic chloro-alkaline products and derived specialties, which resulted in a 4.5% decline in this indicator to MXN\$2,441 million. This offset the higher sales of several lines of salt products for domestic consumption and industrial applications. During the year, sales decreased 1.0%, which included a 1.8% fall in manufacturing and chemical specialties and an 8.6% growth in energy processing and logistics.

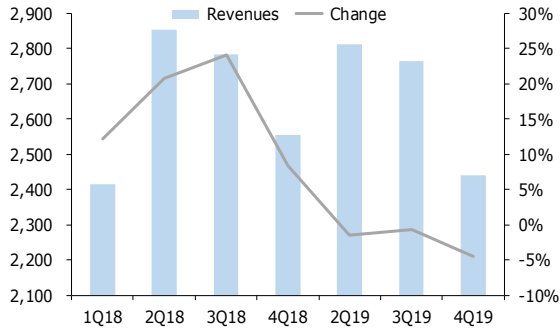
Profitability

The company benefited from operating efficiencies in the co-generation business and a favorable comparison base. It registered a higher-than-expected 6.5% (vs. -1% E) EBITDA growth in 4Q19 to MXN\$720 million. EBITDA margin for the quarter was 29.5%, with a substantial 3 percentage points expansion.

Net Profit

The quarterly net income was MXN\$655 million, with a significant improvement compared to last year's MXN\$94 million net profit. This was due to the appreciation of the FX rate during the quarter and an unexpected fiscal gain, in addition to the stronger operating performance.

CYDSA: 4Q19 Results



Financial structure

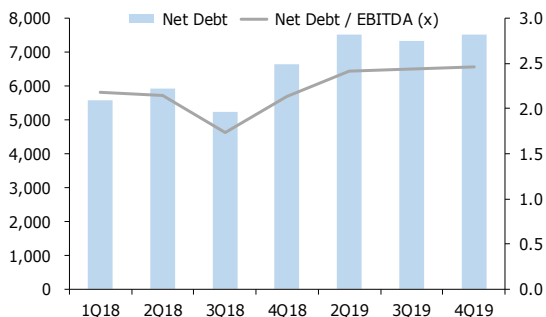
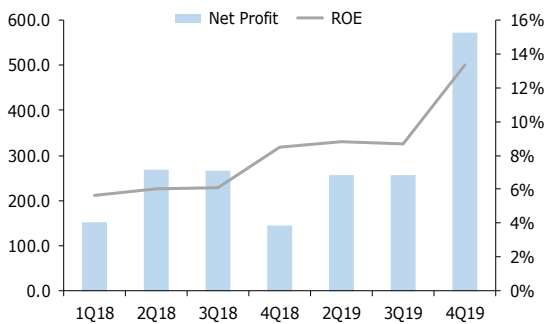
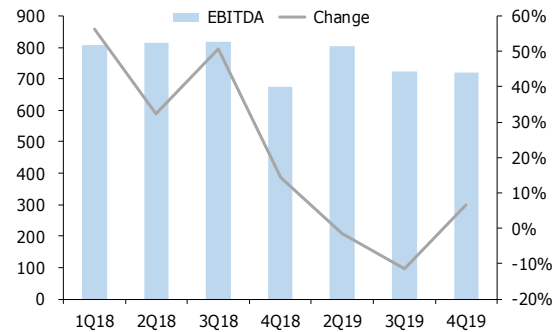
As a result of the US\$120 million reopening of the Senior Notes, CYDSA closed the quarter with a net debt to EBITDA ratio of 2.5x, compared with 2.1x the previous year. As we mentioned earlier, we expect the leverage to gradually improve once the new projects start generating income and profits.

Quarterly Results

(Figures in MXN\$ Mn)

	4Q19 Actual	4Q19 Estimated	Difference (%)	4Q18 Actual	Change YoY (%)
Sales	2,441	2,372	2.9	2,556	- 4.5
Costs	-1,367	-1,342	1.9	-1,689	- 19.1
Gross Profit	1,074	1,030	4.3	867	23.9
Gross Margin	44.0	43.4		33.9	
Expenses	-573	-545	5.1	-577	- 0.6
Other Expenses	-39	-32		-5	
Expenses / Sales	23.5	23		22.6	
Operating Profit	461	413	11.7	285	61.7
EBITDA	720	669	7.6	675	6.7
EBITDA Margin	29.5	28.2		26.4	
Net Profit	571	165	245.9	145	292.6
Net Debt / EBITDA	2.5x	2.8x		2.1x	

Source: BMV, Miranda Global Research



CYDSA: 4Q19 Results

(Figures in Millions of MXN\$)

INCOME STATEMENT	4Q19	4Q18	Change	Acum 2019	Acum 2018	Change
Revenues	2,441	2,556	-4.5%	10,507	10,608	-1.0%
Operating Profit	461	285	61.7%	2,109	2,168	-2.7%
<i>Operating Margin</i>	<i>18.9%</i>	<i>11.2%</i>		<i>20.1%</i>	<i>20.4%</i>	
EBITDA	720	675	6.7%	3,058	3,119	-2.0%
<i>EBITDA Margin</i>	<i>29.5%</i>	<i>26.4%</i>		<i>29.1%</i>	<i>29.4%</i>	
Financial Gains	104	36	191.5%	183	101	80.9%
Financial Cost	-163	-172	-5.1%	-793	-1,031	-23.1%
Part. in Affiliated Companies	-9	-3	218.4%	-11	-3	292.1%
Pre-Tax Profit	393	146	168.7%	1,487	1,235	20.4%
Income Tax & Profit Sharing	175	-24	-828.5%	-172	-353	-51.1%
<i>Tax & Profit Sharing Rate</i>	<i>-44.5%</i>	<i>16.4%</i>		<i>11.6%</i>	<i>28.5%</i>	
Profit Before Minorities	565	123	360.3%	1,308	878	49.0%
Minority Interest	5	23	-76.3%	-42	-48	-11.0%
Net Profit	571	145	292.6%	1,266	830	52.4%
EPS	P\$ 0.95	P\$ 0.24	292.6%	P\$ 2.11	P\$ 1.38	52.4%
ROE	13%	9%		13%	9%	
BALANCE SHEET	4Q19	4Q18	Change	Acum 2019	Acum 2018	Change
TOTAL ASSETS	25,971	24,748	4.9%	25,971	24,748	4.9%
Current Assets	7,035	5,423	29.7%	7,035	5,423	29.7%
Cash & Temp. Inv.	3,748	2,540	47.5%	3,748	2,540	47.5%
Accounts Receivable	1,449	1,498	-3.2%	1,449	1,498	-3.2%
Inventories	931	890	4.6%	931	890	4.6%
LT Assets	18,936	19,326	-2.0%	18,936	19,326	-2.0%
P, P & E	14,814	15,153	-2.2%	14,814	15,153	-2.2%
Intangible Assets	152	139	10.0%	152	139	10.0%
Deferred Tax Assets	0	0	N.A.	0	0	N.A.
Other LT Assets	111	370	-69.9%	111	370	-69.9%
TOTAL LIABILITIES	16,446	14,399	14.2%	16,446	14,399	14.2%
ST Liabilities	2,908	2,622	10.9%	2,908	2,622	10.9%
LT Liabilities	13,538	11,777	15.0%	13,538	11,777	15.0%
TOTAL CAPITAL	9,525	10,350	-8.0%	9,525	10,350	-8.0%
Stockholder's Equity	9,247	10,073	-8.2%	9,247	10,073	-8.2%
Minority Interest	278	276	0.7%	278	276	0.7%
TOTAL DEBT	11,254	9,194	22.4%	11,254	9,194	22.4%
NET DEBT	7,506	6,653	12.8%	7,506	6,653	12.8%
Net Debt / EBITDA (x)	2.5x	2.1x	32.2%	2.5x	2.1x	32.2%
CASH FLOW STATEMENT	4Q19	4Q18	Change	Acum 2019	Acum 2018	Change
PRE-TAX PROFIT	565	123	360.3%	1,308	878	49.0%
Pre-Tax Cash Flow	720	676	6.6%	3,059	3,119	-1.9%
Working Capital Changes	-329	-272	21.0%	-810	-925	-12.5%
Operating Cash Flow	392	404	-3.1%	2,250	2,194	2.5%
Investment Cash Flow	-419	-642	-34.8%	-1,583	-1,273	24.3%
Financing Cash Flow	1,750	1,048	67.0%	595	297	100.7%
Net Incr. (Decr.) in Cash & Temp. Inv.	1,678	886	89.5%	1,207	1,249	-3.3%
FX Gain (Loss) In Cash and Temp. Inv.	-45	76	-158.9%	-54	32	-271.2%
Beg. of Period Cash and Temp. Inv.	2,070	1,655	25.1%	2,070	1,655	25.1%
End of Period Cash and Temp. Inv.	3,748	2,540	47.5%	3,748	2,540	47.5%

Source: BMV

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