

CYDSA: 1Q20 RESULTS

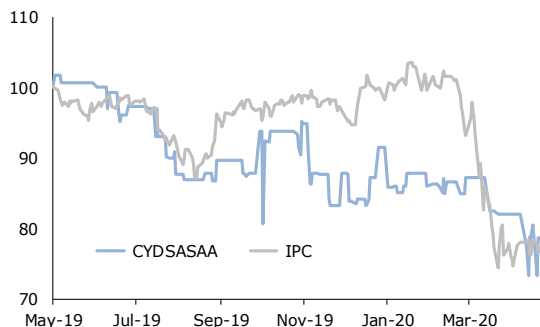
Higher-Than-Expected Results

BUY

2020E Target Price (MXN\$)	\$ 40.00
Current Price (MXN\$)	\$ 20.21
Min / Max (L12M)	\$20.00 - 27.79
Expected Dividend (MXN\$)	\$ 0.54
Expected Return	100.6%
Market Cap (MXN\$ Mn)	12,126
Enterprise Value (MXN\$ Mn)	21,733
Outstanding Shares (Mn)	600.0
Float	49.9%
6-Month ADTV (MXN\$ Mn)	\$ 3.66

Opinion and Recommendation:

- CYDSA's results were positive as they exceeded our expectations, supported by a higher demand for salt, new generation refrigerant gases and chlorine. Revenue rose 2.2% while EBITDA fell 10.7%. In addition, net income was up 33.0% due to FX gains.
- We believe that CYDSA will benefit from the depreciation of the Mexican peso in the coming quarters since most of its revenues are linked to the US dollar, while we estimate that around 65% of its costs and expenses are in pesos. In addition, the company will face a more favorable comparison base. We thus reiterate our BUY recommendation.



Revenues

Revenues reached MXN\$2,543 million, up 2.2% YoY (we expected a 3.5% fall). The manufacturing and chemical specialties business registered a 2.4% rise, supported by higher sales of salt for domestic consumption and industrial applications, a stronger performance of the new generation refrigerant gases business and higher export demand for chlorine. This was partially offset by lower international prices of various generic chlor-alkali products and related specialties that the company produces. Meanwhile, revenues of the energy processing and logistics business remained stable.

Profitability

Gross profit fell 4.7% to MXN\$953 million as a result of lower international "commodity" prices. In addition, expenses were up 12% due to a higher cost of transportation of salt and caustic chlorine-soda which was caused by a higher demand for these products. EBITDA declined 10.7% to MXN\$721 million (vs. our MXN\$701 million expectation with a 13.6% drop). The EBITDA margin was 28.4% in 1Q20, from 32.6% in 1Q19.

Net Profit

As we expected, the hedging instruments generated a large MXN\$323 million FX gains in the current quarter. Net income amounted to MXN\$262 million in 1Q20, up 33.0% mainly as the aforementioned FX gain was greater than the increase in the fiscal reserve.

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Financial Structure

CYDSA's net debt to EBITDA ratio was 2.7x at the end of 1Q20, from 2.5x in 4Q19 due to the depreciation of the Mexican peso. However, the company has two hedging instruments amounting to US\$225 million. On the other hand, CYDSA kept in its cash reserves the US\$120 million that it raised with the reopening of Senior Notes, as we anticipated.

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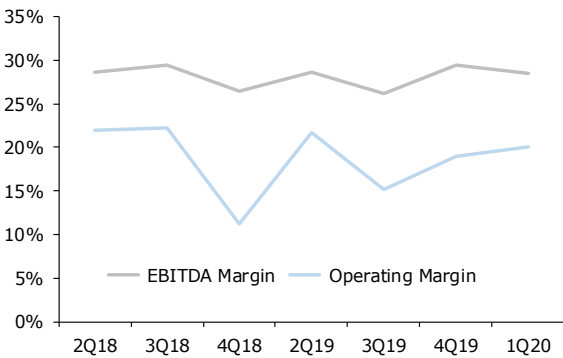
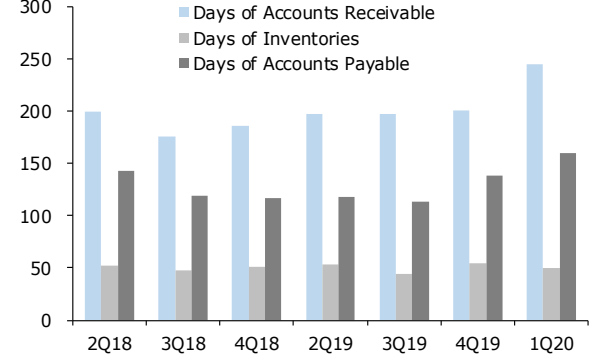
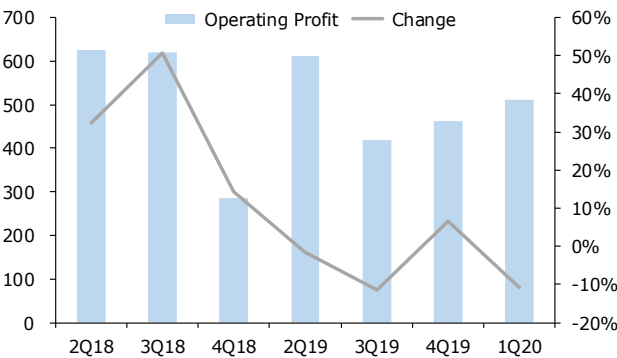
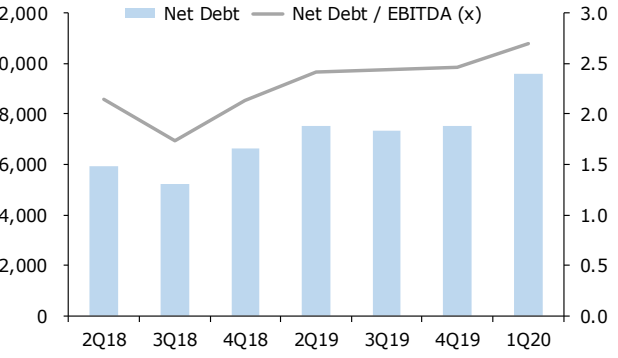
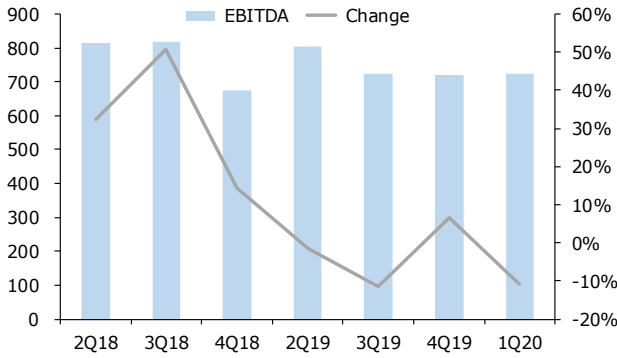
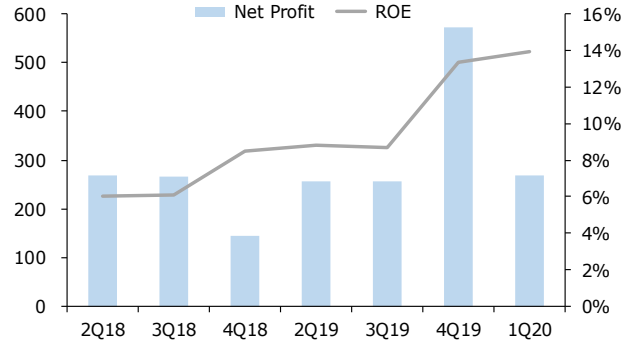
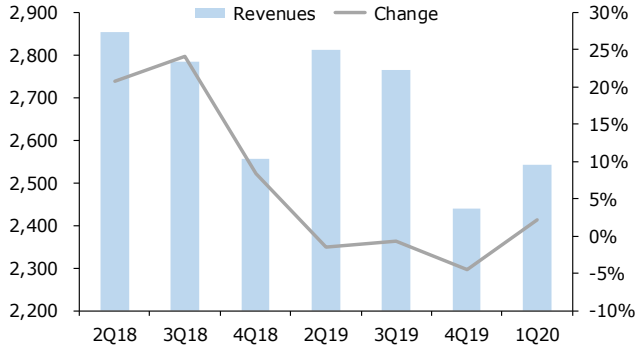
(Figures in Millions of MXN\$)

INCOME STATEMENT	1Q20	1Q19	Change	Acum 2020	Acum 2019	Change
Revenues	2,543	2,488	2.2%	2,543	2,488	2.2%
Operating Profit	510	619	-17.6%	510	619	-17.6%
<i>Operating Margin</i>	<i>20.1%</i>	<i>24.9%</i>		<i>20.1%</i>	<i>24.9%</i>	
EBITDA	723	810	-10.7%	723	810	-10.7%
<i>EBITDA Margin</i>	<i>28.4%</i>	<i>32.6%</i>		<i>28.4%</i>	<i>32.6%</i>	
Financial Gains	671	25	2612.4%	671	25	2612.4%
Financial Cost	-574	-349	64.3%	-574	-349	64.3%
Pre-Tax Profit	607	294	106.3%	607	294	106.3%
Income Tax & Profit Sharing	-354	-95	273.0%	-354	-95	273.0%
<i>Tax & Profit Sharing Rate</i>	<i>58.3%</i>	<i>32.2%</i>		<i>58.3%</i>	<i>32.2%</i>	
Profit Before Minorities	262	197	32.9%	262	197	32.9%
Minority Interest	6	-14	-145.5%	6	-14	-145.5%
Net Profit	268	183	46.7%	268	183	46.7%
EPS	P\$ 0.45	P\$ 0.30	46.7%	P\$ 0.45	P\$ 0.30	46.7%
ROE	14%	9%		14%	9%	
BALANCE SHEET	1Q20	1Q19	Change	Acum 2020	Acum 2019	Change
TOTAL ASSETS	30,510	24,354	25.3%	30,510	24,354	25.3%
Current Assets	7,859	5,156	52.4%	7,859	5,156	52.4%
LT Assets	22,651	19,198	18.0%	22,651	19,198	18.0%
TOTAL LIABILITIES	19,625	14,439	35.9%	19,625	14,439	35.9%
ST Liabilities	3,192	2,910	9.7%	3,192	2,910	9.7%
LT Liabilities	16,433	11,529	42.5%	16,433	11,529	42.5%
TOTAL CAPITAL	10,885	9,915	9.8%	10,885	9,915	9.8%
Stockholder's Equity	10,564	9,616	9.9%	10,564	9,616	9.9%
TOTAL DEBT	13,741	9,303	47.7%	13,741	9,303	47.7%
NET DEBT	9,607	7,231	32.9%	9,607	7,231	32.9%
Net Debt / EBITDA (x)	3.2x	2.3x	91.6%	3.2x	2.3x	91.6%
CASH FLOW STATEMENT	1Q20	1Q19	Change	Acum 2020	Acum 2019	Change
PRE-TAX PROFIT	262	197	32.9%	262	197	32.9%
Pre-Tax Cash Flow	723	810	-10.8%	723	810	-10.8%
Working Capital Changes	-561	-804	-30.2%	-561	-804	-30.2%
Operating Cash Flow	162	6	2479.2%	162	6	2479.2%
Investment Cash Flow	-146	-198	-26.2%	-146	-198	-26.2%
Financing Cash Flow	-155	-252	-38.4%	-155	-252	-38.4%
Net Incr. (Decr.) in Cash & Temp. Inv.	387	-468	-182.6%	387	-468	-182.6%
FX Gain (Loss) In Cash and Temp. Inv.	526	-25	-2228.4%	526	-25	-2228.4%
Beg. of Period Cash and Temp. Inv.	3,748	2,540	47.5%	3,748	2,540	47.5%
End of Period Cash and Temp. Inv.	4,134	2,072	99.5%	4,134	2,072	99.5%

Source: BMV

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(Figures in Millions of MXN\$)



Source: BMV

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