

# CYDSA: 2Q20 RESULTS

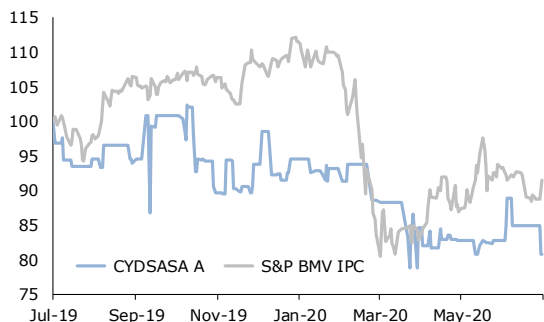
## Slightly Stronger-Than-Expected Results

### BUY

2020E Target Price (MXN\$)	\$ 40.00
Current Price (MXN\$)	\$ 20.00
Min / Max (L12M)	\$19.50 - 26.00
Expected Dividend (MXN\$)	\$ 0.54
Expected Return	102.7%
Market Cap (MXN\$ Mn)	12,000
Enterprise Value (MXN\$ Mn)	21,894
Outstanding Shares (Mn)	600.0
Float	49.9%
6-Month ADTV (MXN\$ Mn)	\$ 3.03

### Opinion and Recommendation:

- CYDSA's results were marginally above our projections with reductions of 8% in revenue, 6% in EBITDA and 12% in net profits (we expected -10%, -9% and 13%, respectively) due to the pandemic impact, which generated less demand for refrigerant gases and dragged down commodity prices during the quarter. It is important to mention that sales were in line with those of 1Q20, and that EBITDA was 5% higher despite the prevailing situation.
- We believe that CYDSA's performance will gradually improve over the following quarters due to the opening of the automotive industry which took place several weeks ago. We continue with a BUY recommendation and MXN\$40.0/share target price.



### Revenues

CYDSA's 2Q20 revenues were down 8% YoY to MXN\$2,582 million. This performance was mainly due to a lower demand for refrigerant gases from the automotive sector (air conditioning systems in new units), since it remained closed for a few weeks during the quarter. Refrigerant gas volumes for household appliances also fell.

Manufacturing and Chemical Specialties revenues declined 8% to MXN\$2,367 million as a result of lower prices for international "commodity" products, as well as lower sales of refrigerant gases. This was partially offset by higher demand for salt for domestic consumption and industrial applications. For their part, Energy Processing and Logistics business sales decreased 8% due to the scheduled suspension of one of the two electricity and steam co-generation plants with the aim of improving the power generation effectiveness and reliability.

### Profitability

Gross profit was down 2% due to the lower commodity prices, the reduced sales level at the refrigerant gases unit, and the scheduled suspension of operations of one of the electricity and steam co-generation plants. Operating expenses were up 11% as a result of higher transportation costs for salt, chlorine and caustic soda due to the higher volumes. In addition, the company incurred in additional expenses to ensure the sanitary conditions of its workers. This resulted in an EBITDA of MXN\$760

## **CYDSA: 2Q20 Results**

million, with a 6% fall. The EBITDA margin improved to 29.4% in 2Q20, from 28.6% in 2Q19. It also exceeded the 28.4% level of 1Q20.

### **Net Profits**

Net income stood at MXN\$242 million in 2Q20, with a 12% reduction, mainly due to higher financial expenses.

### **Financial Situation**

On April 28, a bank syndicate granted CYDSA a committed revolving line of credit amounting to MXN\$2,484 million. It has a 3-year maturity with the possibility of a 2-year extension. It is unsecured and does not have any periodic principal repayment. CYDSA used this line in May with the objective of improving its liquidity.

The net debt to EBITDA ratio was 3.0x at the end of 2Q20, slightly higher than the 2.7x of 1Q20.

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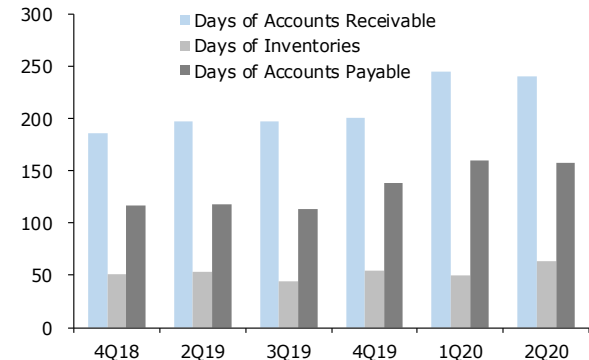
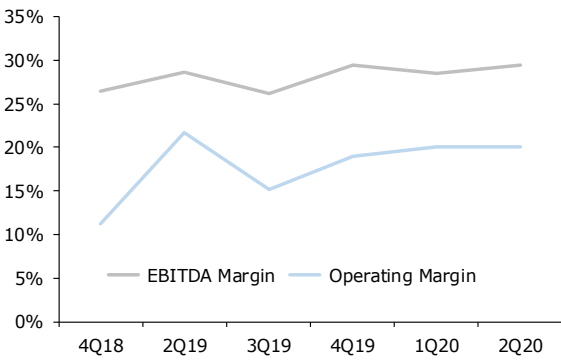
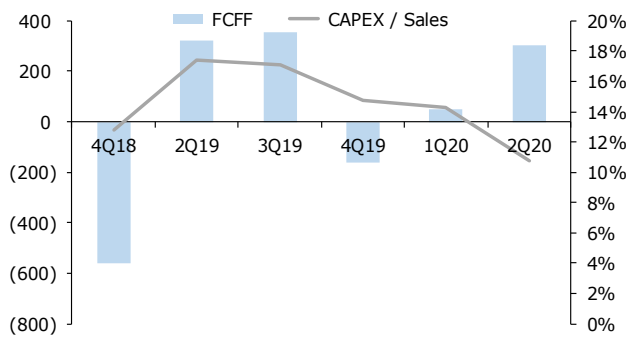
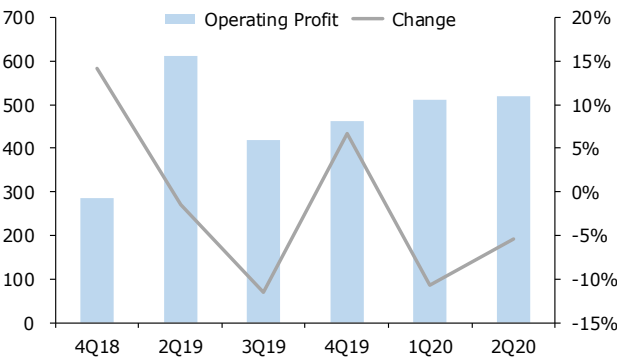
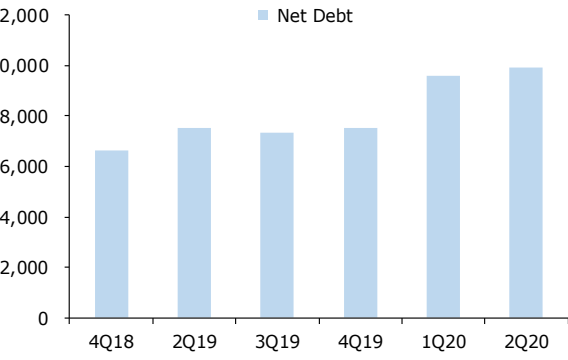
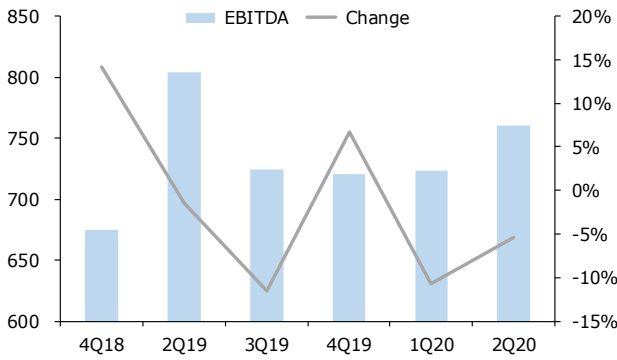
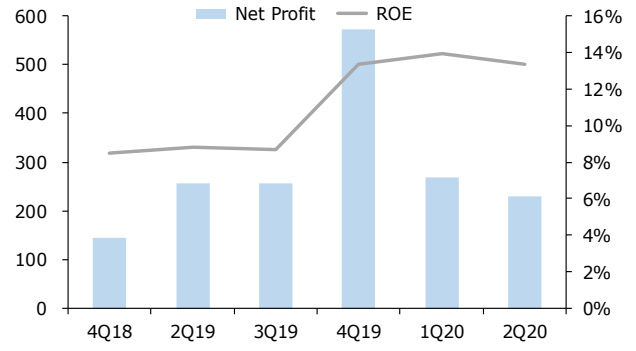
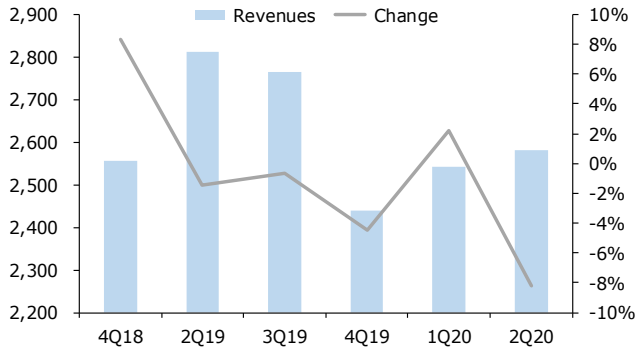
(Figures in Millions of MXN\$)

<b>INCOME STATEMENT</b>	<b>2Q20</b>	<b>2Q19</b>	<b>Change</b>	<b>Acum 2020</b>	<b>Acum 2019</b>	<b>Change</b>
Revenues	2,582	2,814	-8.2%	5,125	5,302	-3.3%
Operating Profit	519	610	-15.0%	1,029	1,229	-16.3%
<i>Operating Margin</i>	<i>20.1%</i>	<i>21.7%</i>		<i>20.1%</i>	<i>23.2%</i>	
EBITDA	760	804	-5.5%	1,483	1,614	-8.1%
<i>EBITDA Margin</i>	<i>29.4%</i>	<i>28.6%</i>		<i>28.9%</i>	<i>30.4%</i>	
Financial Gains	-75	34	-319.7%	596	59	915.4%
Financial Cost	-276	-234	18.2%	-850	-583	45.9%
Pre-Tax Profit	163	411	-60.4%	770	705	9.2%
Income Tax & Profit Sharing	79	-137	-157.7%	-275	-232	18.3%
<i>Tax &amp; Profit Sharing Rate</i>	<i>-48.6%</i>	<i>33.4%</i>		<i>35.7%</i>	<i>32.9%</i>	
Profit Before Minorities	242	276	-12.4%	504	473	6.5%
Minority Interest	-13	-20	-34.4%	-6	-34	-80.9%
Net Profit	229	256	-10.7%	497	439	13.2%
EPS	P\$ 0.38	P\$ 0.43	-10.7%	P\$ 0.83	P\$ 0.73	13.2%
<b>BALANCE SHEET</b>	<b>2Q20</b>	<b>2Q19</b>	<b>Change</b>	<b>Acum 2020</b>	<b>Acum 2019</b>	<b>Change</b>
TOTAL ASSETS	32,179	24,357	32.1%	32,179	24,357	32.1%
Current Assets	9,792	4,882	100.6%	9,792	4,882	100.6%
LT Assets	22,387	19,475	15.0%	22,387	19,475	15.0%
TOTAL LIABILITIES	21,631	14,628	47.9%	21,631	14,628	47.9%
ST Liabilities	3,007	2,741	9.7%	3,007	2,741	9.7%
LT Liabilities	18,624	11,886	56.7%	18,624	11,886	56.7%
TOTAL CAPITAL	10,548	9,729	8.4%	10,548	9,729	8.4%
Stockholder's Equity	10,231	9,412	8.7%	10,231	9,412	8.7%
<b>CASH FLOW STATEMENT</b>	<b>2Q20</b>	<b>2Q19</b>	<b>Change</b>	<b>Acum 2020</b>	<b>Acum 2019</b>	<b>Change</b>
PRE-TAX PROFIT	242	276	-12.4%	504	473	6.5%
Pre-Tax Cash Flow	760	805	-5.6%	1,483	1,615	-8.2%
Working Capital Changes	-133	325	-141.0%	-694	-479	44.8%
Operating Cash Flow	627	1,129	-44.5%	789	1,136	-30.5%
Investment Cash Flow	-347	-757	-54.2%	-493	-955	-48.4%
Financing Cash Flow	1,647	-721	-328.3%	1,492	-973	-253.3%
Net Incr. (Decr.) in Cash & Temp. Inv.	1,930	-358	-639.8%	2,317	-826	-380.6%
FX Gain (Loss) In Cash and Temp. Inv.	3	-8	-134.6%	529	-33	-1703.8%
Beg. of Period Cash and Temp. Inv.	4,134	2,072	99.5%	4,134	2,072	99.5%
End of Period Cash and Temp. Inv.	6,065	1,715	253.7%	6,065	1,715	253.7%

Source: BMV

# CYDSA: 2Q20 Results

(Figures in Millions of MXN\$)



Source: BMV

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