

CYDSA: 3Q20 RESULTS

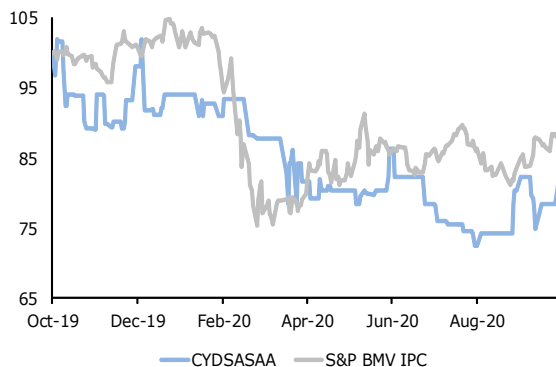
3Q20 Results in Line with Expectations; We Reiterate BUY

BUY

2020E Target Price (MXN\$)	\$ 40.00
Current Price (MXN\$)	\$ 21.00
Min / Max (L12M)	\$17.90 - 26.00
Expected Dividend (MXN\$)	\$ 0.54
Expected Return	93.0%
Market Cap (MXN\$ Mn)	12,600
Enterprise Value (MXN\$ Mn)	21,928
Outstanding Shares (Mn)	600.0
Float	49.9%
6-Month ADTV (MXN\$ Mn)	\$ 0.54

Opinion and Recommendation:

- CYDSA reported neutral 3Q20 results, with revenues above our projections (+ 3.3% vs. -2.3 E) and EBITDA in line. The net loss was also lower than expected.
- In 3Q20, CYDSA's sales benefited from the solid performance of the Manufacturing and Chemical Specialties business. However, its profitability was affected mainly by the temporary suspension of one of the electricity and steam co-generation plants in addition to lower international commodity prices. We expect CYDSA's profitability to improve during the next few quarters with the re-opening of this plant.
- We are reiterating our BUY recommendation with a MAN\$40.0/ share target price.



Revenues

CYDSA's revenues reached MXN\$2,856 million in 3Q20 (exceeding our MXN\$2,700 million forecast), up 3.3% YoY (we expected a 2.3% YoY drop). In the Manufacturing and Chemical Specialties business, 3Q20 sales grew 4.3% YoY supported by a higher demand for salt for domestic and industrial consumption, and also for refrigerant gases by the automotive sector as a result of the reopening from of 2Q20. In the Energy Processing and Logistics Businesses, revenues fell 7.3% YoY in 3Q20 due to the temporary closure of some establishments due to the health emergency.

Profitability

CYDSA's profitability was affected by the decrease in the international commodity prices and the temporary suspension of the operations of one of the electricity and steam co-generation plants during most of the quarter. Operating expenses rose 7.0% YoY as a result of higher transportation expenses of salt, chlorine, and caustic soda deriving from higher volumes in addition to expenses related to protection measures against the pandemic. This led to a MXN\$656 million EBITDA (in line with our estimate) in 3Q20, down 9.4% YoY. The EBITDA margin was 23.0% in 3Q20, from 26.2% in 3Q19.

CYDSA: 3Q20 Results

Net Profits

Net financial expenses were MXN\$476 million in 3Q20, compared to MXN\$27 million in the previous year, mainly as a consequence of the FX losses that the company recorded in 3Q20, from foreign exchange gains in 3Q19. In addition, interest expenses rose 57% YoY due to the US\$120 million re-opening of the Senior Notes that CYDSA carried out at the end of the previous year, the revolving committed credit line that the company obtained last April and the depreciation of the Mexican peso. This resulted in a MXN\$45 million net loss (vs. our projection of a MXN\$102 million net loss) in 3Q20, from a net profit of MXN\$270 million in the same period of the previous year.

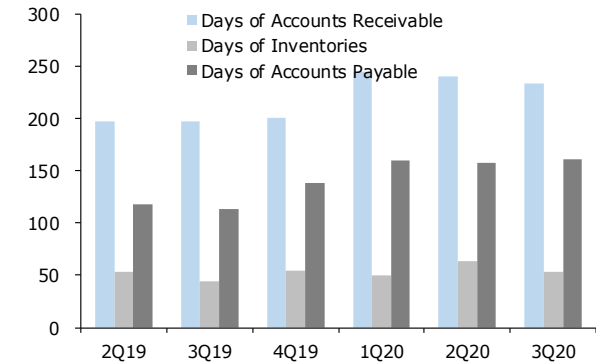
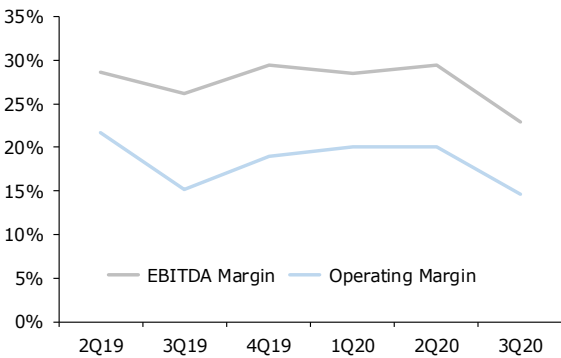
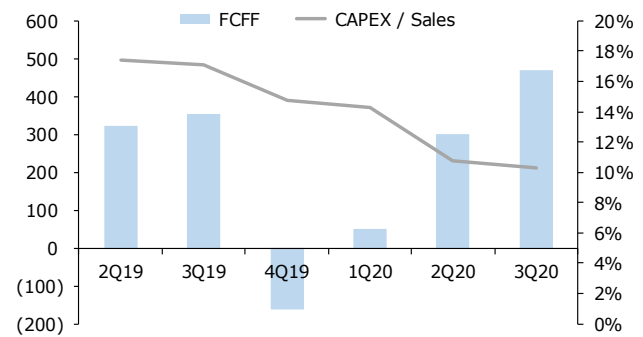
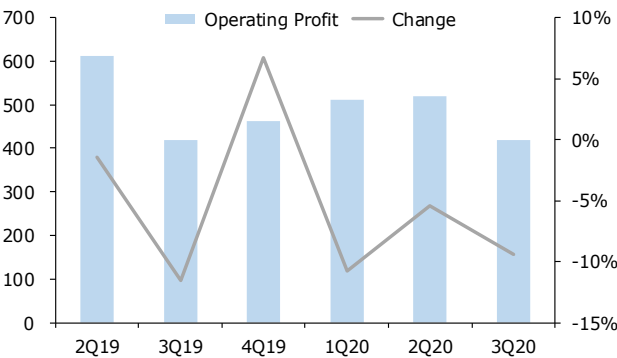
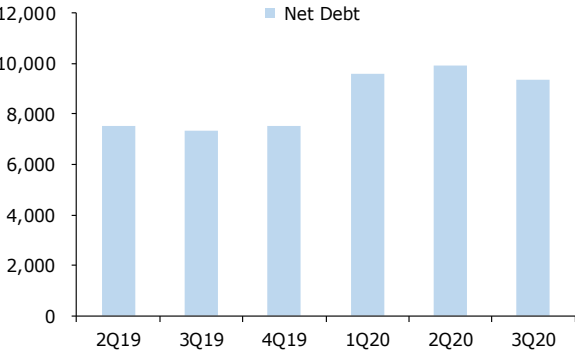
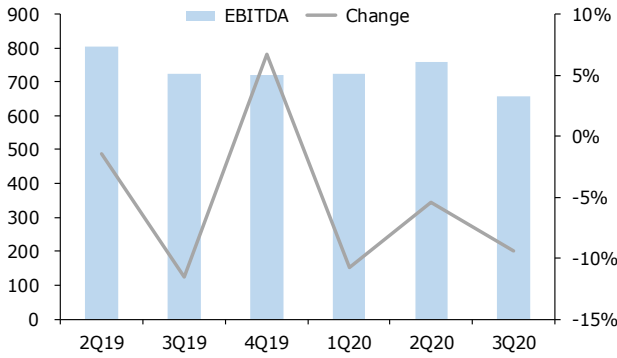
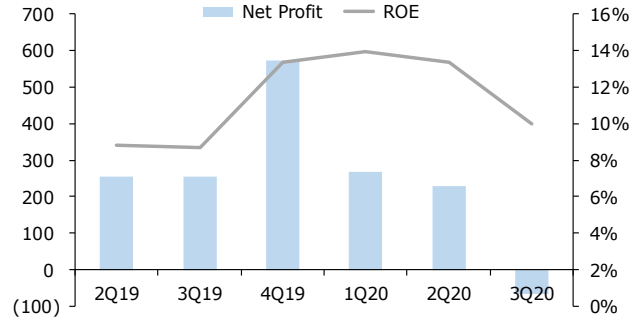
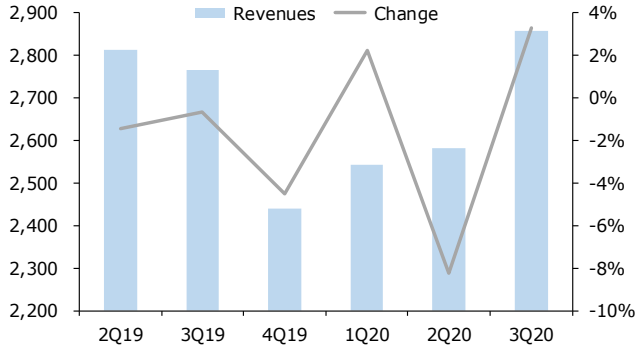
(Figures in Millions of MXN\$)

INCOME STATEMENT	3Q20	3Q20E	Diff	3Q19	Change	Acum 2020	Acum 2019	Change
Revenues	2,856	2,700	5.8%	2,765	3.3%	7,981	8,066	-1.1%
Operating Profit	419	385	8.7%	418	0.1%	1,447	1,647	-12.1%
<i>Operating Margin</i>	<i>14.7%</i>	<i>14.3%</i>		<i>15.1%</i>		<i>18.1%</i>	<i>20.4%</i>	
EBITDA	656	655	0.2%	724	-9.4%	2,139	2,338	-8.5%
<i>EBITDA Margin</i>	<i>23.0%</i>	<i>24.3%</i>		<i>26.2%</i>		<i>26.8%</i>	<i>29.0%</i>	
Financial Gains	-35	-34	3.2%	21	-270.4%	561	79	607.5%
Financial Cost	-441	-472	-6.5%	-48	826.1%	-1,291	-630	104.8%
Pre-Tax Profit	-59	-121	-51.2%	389	-115.2%	711	1,094	-35.0%
Income Tax & Profit Sharing	16	19	-18.2%	-115	-113.5%	-259	-347	-25.4%
<i>Tax & Profit Sharing Rate</i>	<i>26.4%</i>	<i>15.7%</i>		<i>29.6%</i>		<i>36.4%</i>	<i>31.7%</i>	
Profit Before Minorities	-45	-102	-56.1%	270	-116.6%	459	743	-38.2%
Minority Interest	-20	-13	55.7%	-14	45.9%	-27	-48	-44.3%
Net Profit	-65	-204	-68.1%	256	-125.4%	432	695	-37.8%
EPS	-P\$ 0.11	P\$ 0.38	-128.4%	P\$ 0.43	-125.4%	P\$ 0.72	P\$ 1.16	-37.8%
BALANCE SHEET	3Q20	3Q20E	Diff	3Q19	Change	Acum 2020	Acum 2019	Change
TOTAL ASSETS	31,476	28,730	9.6%	25,061	25.6%	31,476	25,061	25.6%
Current Assets	9,722	6,887	41.2%	5,018	93.7%	9,722	5,018	93.7%
LT Assets	21,754	21,843	-0.4%	20,043	8.5%	21,754	20,043	8.5%
TOTAL LIABILITIES	21,027	21,631	-2.8%	15,009	40.1%	21,027	15,009	40.1%
ST Liabilities	3,018	3,007	0.4%	2,497	20.9%	3,018	2,497	20.9%
LT Liabilities	18,009	18,624	-3.3%	12,512	43.9%	18,009	12,512	43.9%
TOTAL CAPITAL	10,449	10,548	-0.9%	10,052	4.0%	10,449	10,052	4.0%
Stockholder's Equity	10,117	10,231	-1.1%	9,638	5.0%	10,117	9,638	5.0%

Source: BMV

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(Figures in Millions of MXN\$)



Source: BMV

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