

CYDSA: 1Q21 Results

Higher-Than-Expected EBITDA and Profitability Levels

BUY	
Target Price (MXN\$)	\$ 40.00
Current Price (MXN\$)	\$ 14.08
Min / Max (L12M)	\$13.95 - 22.00
Expected Dividend (MXN\$)	\$ 0.54
Expected Return	187.9%
Market Cap (MXN\$ Mn)	8,448
Enterprise Value (MXN\$ Mn)	17,713
Outstanding Shares (Mn)	600.0
Float	49.9%
6-Month ADTV (MXN\$ Mn)	\$ 0.18

Opinion and Recommendation

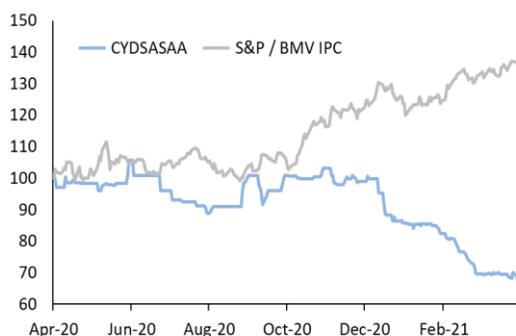
CYDSA posted revenues in line with our expectations, slightly higher-than-expected EBITDA and lower net profits. Revenues increased slightly due to a high demand for salt for domestic and industrial consumption, as well as higher exports of refrigerant gases. EBITDA declined 13.8% YoY due to higher transportation expenses and an unfavorable comparison base as the company registered an extraordinary gain in 1Q20. Excluding such non-recurring item, we estimate that the EBITDA would have decreased by only 2.0%. Net income fell 68% YoY due to lower FX gains. We reiterate BUY.

We estimate that PEMEX represents around 80% of Energy Processing and Logistics revenues (8% of total sales). In our opinion, CYDSA's share price already reflects this exposure taking into account the correction they have experienced in recent weeks.

On the other hand, CYDSA announced that it is actively analyzing the possible alternatives to take advantage of the three caverns it has available in the Energy Processing and Logistics business. We believe this is favorable news as we estimate that they could generate an EBITDA of up to US\$90 million.

Revenues

CYDSA recorded total revenues of MXN\$2,587 million in 1Q21, up 1.7% (practically in line with our projection of MXN\$2,577 million), which was mainly due to a 2.2% increase in Manufacturing and Chemical Specialties. This business unit continued to experience a high demand for salt for domestic and industrial consumption and higher exports of refrigerant gases. This was partially offset by a 2.3% drop in the Energy Processing and Logistics business due to lower sales to third parties of co-generation of electricity and steam, as a result of the temporary closure of some clients during the health emergency.



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Profitability

Operating expenses rose 10.6% YoY to MXN\$586 million due to higher transportation costs of salt, chlorine and caustic soda as a result of higher demand for these products. CYDSA continued to register these expenses in response to the health emergency. In addition, the company posted a MXN\$2 million charge under "Other Gains and Operating Expenses", from last year's positive figure of MXN\$87 million, which relate to and extraordinary income from the insurance companies.

EBITDA fell 13.8% YoY to MXN\$623 million in 1Q21 (vs. MXN\$597 million E). The EBITDA margin was 24.1% (vs. our 23.2% estimate) in the current quarter, down from 28.4% last year. Excluding the previous year's extraordinary gain, we estimate that the EBITDA would have decreased by only 2.0% YoY.

Financial Expenses

Net financial expenses were MXN\$234 million in 1Q21, from the positive MXN\$97 million figure the previous year. The difference was mainly attributed to higher interests paid as well as lower FX gains.

Net Profits

Net profits were M\$84 million in 1Q21, from MXN\$262 million in the same period of the previous year, due to lower FX gains that we mentioned earlier and the extraordinary gain.

(Figures in Millions of MXN\$)	1Q21	1Q21E	Diff	1Q20	Change
Revenues	2,587	2,577	0.4%	2,543	1.7%
Operating Profit	373	327	14.1%	510	-26.9%
<i>Operating Margin</i>	14.4%	12.7%		20.1%	
EBITDA	623	597	4.4%	723	-13.8%
<i>EBITDA Margin</i>	24.1%	23.2%		28.4%	
Financial Gains	72	7	n.a.	671	-89.2%
Financial Cost	-306	-188	62.6%	-574	-46.6%
Pre-Tax Profit	139	142	-2.0%	607	-77.1%
Income Tax & Profit Sharing	-56	-43	29.6%	-354	-84.2%
<i>Tax & Profit Sharing Rate</i>	40.3%	30.5%		58.3%	
Profit Before Minorities	84	102	-17.5%	262	-67.8%
Minority Interest	-7	-18	-61.0%	6	-209.3%
Net Profit	77	84	-8.2%	268	-71.2%
EPS	P\$ 0.13	P\$ 0.14	-8.2%	P\$ 0.45	-71.2%

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