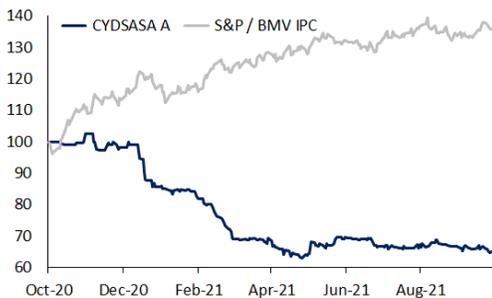


# CYDSA: 3Q21 Results

## Higher-Than-Expected Profitability Levels

CYDSASA A	BUY
Target Price (MXN\$)	\$ 31.00
Current Price (MXN\$)	\$ 13.63
Min / Max (L12M)	\$12.20 - 21.50
Expected Dividend (MXN\$)	\$ 0.36
Expected Return	130.1%
Market Cap (MXN\$ Mn)	8,178
Enterprise Value (MXN\$ Mn)	18,106
Outstanding Shares (Mn)	600.0
Float	49.9%
6-Month ADTV (MXN\$ Mn)	\$ 2.80



### Opinion and Recommendation

CYDSA reported positive results, above our projections at the EBITDA level. Sales fell 1.8% (practically in line with our estimates) due to lower demand from the automotive sector, which was affected by the lack of semiconductors at an international level. This was partially offset by higher revenues from the Energy Processing and Logistics business. EBITDA rose 9.6% (above our projections) due to a greater operation of the co-generators. Net profits were MXN\$123 million supported by FX gains.

We are reiterating our BUY recommendation on CYDSA as we expect high prices for commodities and caustic soda in 2022, which we believe will benefit the company. In addition, CYDSA continues to actively seek alternatives for its three existing storage caverns. We are adjusting our target price to MXN\$31.00/share, from MXN\$40.00/share. Our target price is based on a DCF model that includes a 3.1% perpetuity growth rate and a 8.6% WACC of 8.6%. We believe that the main risk at this time is the approval of the electricity reform, since the company consumes internally produced electrical energy.

### Revenues

CYDSA's 3Q21 revenues fell 1.8% YoY to MXN\$2.8 billion. This was mainly due to a 2.4% drop in sales in the Manufacturing and Chemical Specialties division, which recorded lower demand for refrigerant gases for the automotive sector, given the global shortage of semiconductors. This was partially offset by a 6.5% increase in revenues from the Energy Processing and Logistics business. CYDSA continues to actively explore alternatives for the three caverns it has available.

October 26<sup>th</sup>, 2021

**Martin Lara**  
 +5255-6413-8563  
 martin.lara@miranda-gr.com

## Profitability

EBITDA grew 9.6% YoY to MXN\$719 million (exceeding our MXN\$658 million projection) due to a greater operation of the co-generators. The EBITDA margin expanded 260 bps to 25.6% in the current quarter.

## Net Profits

Net profit was MXN\$123 million (vs. MXN\$159 million E) in 3Q21, from last year's MXN\$45 million loss. This was mainly attributed to FX gains in the current quarter due to the appreciation of the exchange rate, compared to FX in the previous year.

## Financial Structure

Total debt fell slightly to US\$713.6 million in 3Q21, from US\$720.6 million in 2Q21. Net debt amounted to US\$481.0 million in the current quarter, slightly higher than the US\$478.2 million in 2Q21. As a result, CYDSA closed the quarter with a net debt to EBITDA ratio of 3.2x.

## Discounted Cash Flow Model

(Figures in Millions of MXN\$)	2022E	2023E	2024E	2025E	2026E	Perp.
OPERATING PROFIT	2,124	2,678	3,255	3,874	4,084	4,208
Tax Rate	31%	31%	31%	31%	31%	30%
Tax Shield	-648	-817	-993	-1,181	-1,246	-1,284
NOPLAT	1,476	1,861	2,262	2,692	2,838	2,925
Depreciation	1,003	1,090	1,254	1,422	1,494	1,539
Working Capital Changes	36	36	-411	-131	-32	-33
CAPEX	-1,600	-3,856	-3,914	-3,974	-2,000	-2,061
FCFF	915	-868	-808	10	2,301	2,370
Perpetuity Growth Rate						3.0%
PV of Explicit Period (2022 - 2026E)						1,006
Perpetuity Value						42,837
PV of Perpetuity Value						26,150
Enterprise Value						27,157
Net Debt						10,675
Minority Interest						381
Market Value						16,100
Land Properties						2,500
Adjusted Market Value						18,600
<i>Outstanding Shares</i>						600
Target Price						P\$ 31.00
Current Market Price						P\$ 13.64
Potential Return Incl. Dividends						131.2%
Forward EV/EBITDA						10.0x
Forward P/E						27.2x
Average Cost of Debt						6.2%
LT Tax Rate						30.0%
After-Tax Cost of Debt						4.3%
Cost of Equity						14.9%
Market Risk Premium						6.0%
Risk-Free Rate						7.6%
Beta						1.22
% Total Debt						59.8%
% Capital						40.2%
WACC						8.6%

Source: Miranda Global Research

**DISCLAIMER**

The current report was prepared by Miranda Global Research ("Miranda GR") for Vector Casa de Bolsa, S.A. de C.V. The information is presented in summarized form and is not meant to be complete. There are no declarations or guarantees, expressed or implicit, in respect to the accuracy, impartiality or integrity of the information.

Miranda GR, in accordance to applicable legislation, has made sure that the presented personalized recommendation is reasonable to the client, as it has verified congruency between the client's profile and the profile of the financial product. Under no circumstance should it be understood that the fulfillment of the previously mentioned recommendation, guarantees the result or the success of the proposed strategies in the presented document.

The information included in this presentation was obtained from public and/or private sources. Projections or previsions included in this presentation, are a generalized recommendation and are based on subjective assumptions and estimations about events and circumstances that have not yet happened and are subjected to significant variations. Therefore, it is not possible to guarantee that any of the results included in the current report will happen in the future, in other words, it does not guarantee the result or the success of the posed strategies.

This report has been prepared solely with informational purposes. No declarations are made in respects to precision, sufficiency, veracity or accuracy of the information and opinions hereby included. Miranda GR will not answer (either because of negligence or for any other reason) for any damage or detriment derived or related to the use of this report or its content, or any connection to the report. Miranda GR is not responsible for the use or association with this report, including but not limited to, any declaration, expressed or implicit or guarantees or omissions included in this information.

This report is based on facts and/or events that have happened up to this date, consequently any future facts and/or events can impair the conclusions hereby expressed. Miranda GR does not assume any responsibility to update, review, rectify or invalidate this report based on any future occurrence.

The opinions related to this report eventually expressed by Miranda GR, should be considered only as suggestions/recommendations to better operate various topics related to the presentation.

This report and its contents are property of Miranda GR and cannot be reproduced or broadcast in part or in its entirety without the previous written consent of Miranda GR.

Miranda Global Research receives fees from Cydsa, S.A.B. de C.V. for independent analyst services.

---