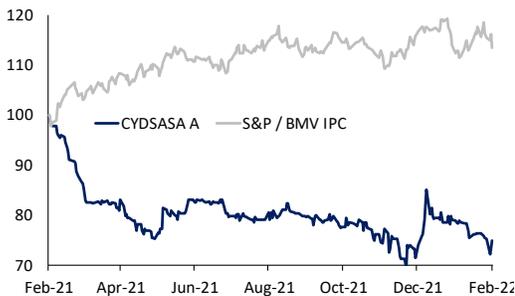


# CYDSA: 4Q21 Results

Significant Revenue, EBITDA and Net Profit Growth That Exceeded Our Expectations

| CYDSASA A                   | BUY             |
|-----------------------------|-----------------|
| Target Price (MXN\$)        | \$ 31.00        |
| Current Price (MXN\$)       | \$ 13.00        |
| Min / Max (L12M)            | \$12.20 - 17.35 |
| Expected Dividend (MXN\$)   | \$ 0.36         |
| Expected Return             | 141.2%          |
| Market Cap (MXN\$ Mn)       | 7,800           |
| Enterprise Value (MXN\$ Mn) | 17,690          |
| Outstanding Shares (Mn)     | 600.0           |
| Float                       | 49.9%           |
| 6-Month ADTV (MXN\$ Mn)     | \$ 3.13         |



## Opinion and Recommendation

CYDSA reported very solid 4Q21 results with growth in all operating indicators that exceeded our projections. We reiterate our BUY recommendation with a MXN\$31.0/share. We believe that CYDSA will continue to benefit from higher caustic soda prices, as well as the start of operations of the new chlorine-caustic soda plant towards the end of the year.

## Revenues

Consolidated sales registered a significant 13.2% increase, reaching MXN\$3.1 billion (vs. MXN\$2.8 billion E), which was mainly due to a 15.1% rise in the manufacturing and specialty chemicals division that experienced a high demand for salt, higher prices of several chemical products and growing exports of refrigerant gases. This offset the 7.5% drop in the energy processing and logistics business.

## Profitability

As a result of higher revenues, gross margin expanded to 39.0% in the current quarter, from 34.5% a year earlier. In addition, general expenses rose only 8%, which reduced the expense-to-sales ratio by one percentage point to 20.8%. Reported EBITDA was practically unchanged at MXN\$976 million. We estimate that adjusted EBITDA excluding special items (in both 4Q21 and 4Q20) grew 32.1% to MXN\$828 million (vs. MXN\$676 million E). The EBITDA margin excluding non-recurring items expanded significantly to 26.7% in 4Q21, from 22.8% in 4Q20.

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Quarterly net income was up 254% YoY to MXN\$353 million (vs. MXN\$152 million E), well above the previous year's MXN\$36 million net income, thanks to a significant reduction in FX losses, coupled with the favorable operating performance.

### Financial structure

The net debt to EBITDA ratio was 3.4x at the end of 4Q21, from 2.9x the previous year. At the end of last December, CYDSA raised a US\$134 million financing with an eight-year term, including a grace period of two years, with final maturity in 2029. The company plans to use such financing to pay down the MXN\$2.5 billion revolving line.

| (Figures in Millions of MXN\$)             | 4Q21  | 4Q21E | Diff   | 4Q20  | Change |
|--|-------|-------|--------|-------|--------|
| Revenues                                   | 3,107 | 2,842 | 9.3%   | 2,745 | 13.2%  |
| Operating Profit                           | 713   | 487   | 46.5%  | 708   | 0.7%   |
| <i>Operating Margin</i>                    | 22.9% | 17.1% |        | 25.8% |        |
| EBITDA (Excluding extraord.)               | 828   | 676   | 22.5%  | 627   | 32.1%  |
| <i>EBITDA Margin (Excluding extraord.)</i> | 26.7% | 23.8% |        | 22.8% |        |
| Financial Gains                            | 6     | 10    | -43.0% | -246  | n.a.   |
| Financial Cost                             | -316  | -246  | 28.2%  | -381  | -17.1% |
| Pre-Tax Profit                             | 387   | 251   | 54.5%  | 78    | 396.5% |
| Income Tax & Profit Sharing                | -36   | -98   | -62.9% | -38   | -4.0%  |
| <i>Tax &amp; Profit Sharing Rate</i>       | 9.4%  | 35.0% |        | 48.7% |        |
| Profit Before Minorities                   | 353   | 152   | 131.5% | 36    | n.a.   |
| Minority Interest                          | -13   | -16   | -19.7% | -18   | -29.4% |
| Net Profit                                 | 341   | 137   | 149.1% | 19    | n.a.   |

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