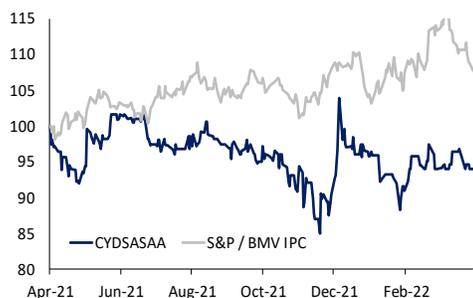


# CYDSA: 1Q22 Results

Revenue, EBITDA and net profit growth accelerate due to higher international caustic soda prices

CYDSASA A	BUY
Target Price (MXN\$)	\$ 31.00
Current Price (MXN\$)	\$ 13.50
Min / Max (L12M)	\$12.20 - 15.20
Expected Dividend (MXN\$)	\$ 0.36
Expected Return	132.3%
Market Cap (MXN\$ Mn)	8,100
Enterprise Value (MXN\$ Mn)	18,947
Outstanding Shares (Mn)	600.0
Float	49.9%
6-Month ADTV (MXN\$ Mn)	\$ 1.40



## Opinion and recommendation

CYDSA reported another set of very favorable results in 1Q22 that far exceeded our projections due to a stronger-than-expected performance in the Manufacturing and Specialty Chemicals business. This resulted in an increase of 18.1% in revenues, 27.6% in EBITDA and 183.0% in net profits. We expect a positive short-term reaction in CYDSA's shares. We reiterate our BUY recommendation with a MXN\$31.0/share target price.

## Revenues

CYDSA's revenues were up 18.1% YoY (vs. +14.7% E) in 1Q22, to MXN\$3.1 billion. They were mainly driven by a 19.1% increase in Manufacturing and Specialty Chemicals, which benefited from higher international caustic soda prices, higher sales in the different salt presentations, and growing exports of refrigerant gases. For its part, revenues from the Energy Processing and Logistics business advanced 6.6%.

## Profitability

EBITDA grew 27.6% to MXN\$795 million (vs. MXN\$679 million E) due to operating leverage and despite the fact that the company recorded higher costs and expenses related to natural gas for industrial use, freight transportation and packaging materials. The EBITDA margin expanded 3.5 percentage points to 27.6% (vs. 22.9% E).

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Net financial expenses were down to MXN\$68 million in the current quarter, from MXN\$234 million in the same period last year, due to lower financial expenses and higher FX gains.

Quarterly net profits improved to MXN\$238 million (vs. MXN\$189 million E) due to the combination of stronger operating results and lower financial expenses.

### Financial structure

CYDSA registered a US\$532.1 million net debt, slightly higher than the 4Q21 figure of US\$498.4 million. The cash position declined due to the investments that the company has made. The net debt to EBITDA ratio was 3.4x. After the end of the quarter, CYDSA announced that it repurchased US\$47.7 million of its Senior Notes due 2027. The company used a combination of cash and bank loans, which we believe will help it generate some savings on the interests paid.

(Figures in Million Pesos)	1Q22	1Q22E	Diff.	1Q21	Chg.
Revenues	3,055	2,967	3.0%	2,587	18.1%
Operating Profit	529	466	13.6%	708	-25.3%
<i>Operating Margin</i>	17.3%	15.7%		27.4%	
EBITDA	795	679	17.1%	623	27.6%
EBITDA Margin	26.0%	22.9%		24.1%	
Financial Gains	201	149	34.9%	72	178.1%
Financial Cost	-269	-277	-3.1%	-306	-12.2%
Pre-Tax Profit	461	337	36.7%	78	n.a.
Income Tax & Profit Sharing	-221	-151	46.5%	-38	n.a.
Net Profit	211	187	13.3%	207	n.a.

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