

# CYDSA: 4Q22 Results

Positive, record results that exceeded our forecasts; we raised our target price to MXN\$37.0/share

CYDSASA A	BUY
Target Price (MXN\$)	\$ 37.00
Current Price (MXN\$)	\$ 17.01
Min / Max (L12M)	\$12.50 - 18.48
Expected Dividend (MXN\$)	\$ 0.36
Expected Return	119.7%
Market Cap (MXN\$ Mn)	10,206
Enterprise Value (MXN\$ Mn)	21,131
Outstanding Shares (Mn)	600.0
Float	49.9%
6-Month ADTV (MXN\$ Mn)	\$ 0.57



## Opinion and recommendation

CYDSA reported positive 4Q22 results that exceeded our revenues, EBITDA and net profit forecasts. The company delivered record results, both for the quarter and for the year.

After having updated our model, we are reiterating our BUY recommendation and raising our target price to MXN\$37.0/share from MXN\$26.00/share. The valuation of CYDSA's shares seems attractive to us with a forward EV/EBITDA of 5.5x (4.9x including land) and a projected P/E of 6.6x.

## Revenues

CYDSA registered total revenues of MXN\$3,649 million in 4Q22, up 17.4% YoY. The main driver for the quarter was the Chemical Manufacturing and Specialties division, with an 18.6% sales growth, mainly due to higher international prices of several chlorine-alkali products and specialty chemicals, higher salt sales and rising exports of refrigerant gases. In the Energy Processing and Logistics division, revenues rose 3.1%.

## Profitability

As a result of the company's high operating leverage, EBITDA grew 26.0% to MXN\$1,043 million vs. the recurring EBITDA of MXN\$828 million in the same period of the previous year (the 4Q21 reported EBITDA was MXN\$976 million, but included an extraordinary gain from the cancellation of certain provisions).

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The EBITDA margin expanded to 28.6% in 4Q22 from the recurring margin of 26.7% in 4Q21. Net income for the quarter was MXN\$551 million, up 56% YoY, due to solid operating performance, combined with FX gains from the appreciation of the peso against the dollar.

### Financial structure

Net debt rose to US\$556 million at year-end 2022, from US\$498 million the previous year, as the company used the cash it raised with the reopening of the US\$120 million Senior Notes for the construction of the new chlorine and caustic soda plant in the City of Coatzacoalcos.

(Figures in Million Pesos)	4Q22	4Q22E	Diff.	4Q21	Chg.
Revenues	3,649	3,317	10.0%	3,107	17.4%
Operating Profit	805	496	62.3%	713	12.9%
<i>Operating Margin</i>	22.0%	15.0%		22.9%	
EBITDA	1,043	839	24.3%	976	6.9%
EBITDA Margin	28.6%	25.3%		31.4%	
Financial Gains	159	24	n.a.	6	2577.3%
Financial Cost	-188	10	n.a.	-316	-40.6%
Net Profit	551	369	49.6%	353	56.2%

## Discounted Cash Flow Model

(Figures in Millions of MXN\$)	2024E	2025E	2026E	2027E	2028E	Perp.
OPERATING PROFIT	3,042	4,045	5,032	5,969	6,114	6,267
Tax Rate	31%	31%	31%	31%	31%	30%
Tax Shield	-928	-1,234	-1,535	-1,821	-1,865	-1,911
NOPLAT	2,114	2,811	3,497	4,149	4,250	4,356
Depreciation	1,428	1,601	1,790	1,980	2,150	2,204
Working Capital Changes	-28	12	-454	-571	-135	-138
CAPEX	-3,880	-3,964	-4,052	-2,080	-2,200	-2,255
FCFF	-366	461	780	3,477	4,065	4,166
Perpetuity Growth Rate						2.5%
PV of Explicit Period (2024 - 2028E)						5,344
Perpetuity Value						49,715
PV of Perpetuity Value						26,758
Enterprise Value						32,102
Net Debt						11,920
Minority Interest						484
Market Value						19,697
Land Properties						2,500
Adjusted Market Value						22,197
Outstanding Shares						600
Target Price						P\$ 37.00
Current Market Price						P\$ 17.01
Potential Return Incl. Dividends						120.0%
Forward EV/EBITDA						8.4x
Forward P/E						13.1x
Average Cost of Debt						7.5%
LT Tax Rate						30.0%
After-Tax Cost of Debt						5.2%
Cost of Equity						17.5%
Market Risk Premium						6.0%
Risk-Free Rate						9.4%
Beta						1.36
% Total Debt						54.1%
% Capital						45.9%
WACC						10.9%

(Figures in Millions of MXN\$)

<b>INCOME STATEMENT</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>
Revenues	13,612	14,664	15,761	17,676	19,757	21,854	23,165
Cost of Sales	-8,158	-8,770	-9,430	-10,100	-10,900	-12,000	-12,700
Gross Profit	5,455	5,894	6,331	7,576	8,857	9,854	10,465
<i>Gross Margin</i>	<i>40.1%</i>	<i>40.2%</i>	<i>40.2%</i>	<i>42.9%</i>	<i>44.8%</i>	<i>45.1%</i>	<i>45.2%</i>
General Expenses	-2,930	-3,100	-3,350	-3,600	-3,900	-3,960	-4,350
Operating Profit	2,482	2,847	3,042	4,045	5,032	5,969	6,114
<i>Operating Margin</i>	<i>18.2%</i>	<i>19.4%</i>	<i>19.3%</i>	<i>22.9%</i>	<i>25.5%</i>	<i>27.3%</i>	<i>26.4%</i>
Depreciation and Amortization	-1,095	-1,328	-1,428	-1,601	-1,790	-1,980	-2,150
EBITDA	3,536	4,122	4,409	5,578	6,746	7,874	8,265
<i>EBITDA Margin</i>	<i>26.0%</i>	<i>28.1%</i>	<i>28.0%</i>	<i>31.6%</i>	<i>34.1%</i>	<i>36.0%</i>	<i>35.7%</i>
Financial Gains	386	149	159	177	198	223	260
Financial Cost	-980	-622	-674	-735	-800	-808	-795
Pre-Tax Profit	1,876	2,343	2,496	3,457	4,398	5,353	5,549
Income Tax & Profit Sharing	-576	-715	-761	-1,054	-1,341	-1,633	-1,692
<i>Tax &amp; Profit Sharing Rate</i>	<i>30.7%</i>	<i>30.5%</i>	<i>30.5%</i>	<i>30.5%</i>	<i>30.5%</i>	<i>30.5%</i>	<i>30.5%</i>
Net Profit	1,296	1,631	1,737	2,405	3,059	3,723	3,859
<b>BALANCE SHEET</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>
TOTAL ASSETS	30,145	32,662	36,654	41,119	46,869	50,303	54,096
Current Assets	7,700	8,983	9,339	10,431	11,438	13,174	14,207
LT Assets	22,445	23,679	27,315	30,688	35,431	37,129	39,890
TOTAL LIABILITIES	18,942	20,266	22,893	25,356	28,481	28,660	29,080
ST Liabilities	4,482	5,807	5,793	5,737	6,281	6,460	6,881
LT Liabilities	14,460	14,460	17,100	19,620	22,200	22,200	22,200
TOTAL DEBT	13,693	14,713	17,148	18,859	21,872	21,619	21,671
NET DEBT	10,925	11,920	14,219	15,577	18,150	17,163	16,686
TOTAL CAPITAL	11,203	12,478	13,844	15,846	18,470	21,726	25,099
Stockholder's Equity	10,769	11,994	13,307	15,231	17,754	20,883	24,125
Minority Interest	435	484	537	615	717	843	974
<b>CASH FLOW STATEMENT</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>
Net Profit	1,296	2,343	2,496	3,457	4,398	5,353	5,549
Inv. Related Activities	2,270	4,263	4,519	4,962	5,459	6,025	6,748
Pre-Tax Cash Flow	3,542	2,311	2,718	3,782	3,213	4,922	4,064
Working Capital Changes	-976	130	-28	12	-454	-571	-135
Operating Cash Flow	2,565	2,440	2,690	3,794	2,758	4,351	3,929
Investment Cash Flow	-2,415	-2,251	-3,721	-3,787	-3,855	-1,857	-1,940
Financing Cash Flow	-1,436	142	1,474	652	1,843	-1,454	-1,152
Net Incr. (Decr.) in Cash & Temp. Inv.	-1,386	331	443	660	747	1,040	837
Beg. of Period Cash and Temp. Inv.	4,155	2,769	2,793	2,929	3,282	3,722	4,456
End of Period Cash and Temp. Inv.	2,769	2,793	2,929	3,282	3,722	4,456	4,985

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