

CYDSA (BUY, T.P. MXN\$42.00)

Obtains debt ratings of HR AA+ with Stable Outlook from HR Ratings and AA-.mx with Positive Outlook from Moody's Local México

HR Ratings assigned an HR AA+ rating with a Stable Outlook to CYDSA's domestic bonds ("Cebures") issues with ticker codes CYDSA 23 and CYDSA 23-2 for a target amount of MXN\$2.0 billion and a maximum amount of MXN\$3.0 billion under the long term revolving Cebures program of up to MXN\$5.5 billion (or its equivalent in UDIs). The company will use the resources from these issues to refinance existing bonds and banking credits.

According to HR Ratings, the rating of these issues is based on CYDSA's corporate rating, which in turn reflects the company's solid FCF generation, its debt structure, as well as its growth and efficiency strategies for the following years. This includes the completion of the construction of the new chlorine-caustic soda plant in Coatzacoalcos, which will allow the change from mercury technology to membrane technology, boosting revenues from the production of both substances.

On the other hand, Moody's Local Mexico assigned a AA-.mx rating to the CYDSA 23 and CYDSA 23-2 Cebures, which is in line with CYDSA's long-term issuer rating with Positive Outlook. According to the rating agency, this rating reflects the solid competitive position of several of CYDSA's businesses, its high level of vertical integration that allows it to have a lower structure and its ample liquidity with cash of MXN\$2,112 million as of 2Q23 that combined with its free cash flow generation allows it to cover its capital investments and short-term amortizations. The credit profile also takes into account a relatively comfortable maturity profile, the downward trend in leverage and a strong interest coverage indicator of 4.28x as of 2Q23.

Our recommendation is BUY with a MXN\$42.00/share target price.

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