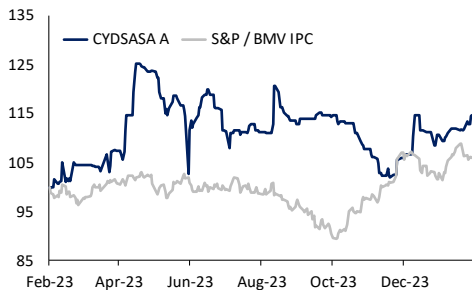


# CYDSA: 4Q23 Results

Positive quarterly results with higher-than-expected revenues, EBITDA and net profits

CYDSASA A	BUY
Target Price (MXN\$)	\$ 45.00
Current Price (MXN\$)	\$ 18.96
Min / Max (L12M)	\$16.48 - 20.80
Expected Dividend (MXN\$)	\$ 0.46
Expected Return	139.8%
Market Cap (MXN\$ Mn)	11,376
Enterprise Value (MXN\$ Mn)	21,489
Oustanding Shares (Mn)	600.0
Float	49.9%
6-Month ADTV (MXN\$ Mn)	\$ 0.32



## Opinion and recommendation

We consider that CYDSA's quarterly results were positive as they exceeded our revenues, EBITDA, and net profit forecasts. We thus expect a favorable short-term reaction in the share price.

After having updated our model, we reiterate our BUY recommendation and raised the target price to MXN\$45.0/share, from an original level of MXN\$42.0/share. We believe that CYDSA's prospects are favorable due to the opening of the new chlorine-soda plant at the end of last year, which will increase profitability, and the possibility that the company could register additional revenues with the natural gas storage caverns.

## 4Q23 Results

CYDSA benefited from greater demand for edible salt and refrigerant gases both domestically and internationally, as well as from the entry into operation of the new chlorine-caustic soda plant in Coatzacoalcos, which boosted Manufacturing and Chemical Specialities revenues by 4.1%. Meanwhile, Energy Processing and Logistics sales remained virtually unchanged. This translated into a higher-than-expected 3.8% increase in total revenues for the quarter, which stood at MXN\$3.79 billion, exceeding our MXN\$3.46 billion estimate.

Gross and EBITDA margins expanded 1.9 and 1.2 percentage points, respectively, thanks to the significant reduction in the natural gas price for industrial users in the southern region, the appreciation of the Mexican peso, the opening of the new chlorine-soda plant last October, and economies of scale. EBITDA rose 8.3% to MXN\$1.1 billion (against our MXN\$1.03 billion projection).

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Although net profits fell 8.8% to MXN\$503 million due to a higher net financial cost, they also exceeded our MXN\$264 million forecast.

As a result of the high EBITDA growth during the year and a 7.4% reduction in net debt mainly due to FX appreciation, the financial structure strengthened with a net debt to EBITDA ratio of 2.4x at the end of 4Q23, below 3.1x the previous year. Worth mentioning that the company carried out several debt refinancing operations at the end of last year to extend its maturity profile. This included the repurchase of Senior Notes for nearly US\$80 million, prepayment of the US\$105 million syndicated loan, issuance of MXN\$805 million in Cebures, and raising a new 10-year MXN\$2.1 billion bank loan.

(Figures in Million Pesos)	4Q23	4Q23E	Diff.	4Q22	Chg.
Revenues	3,787	3,464	9.3%	3,649	3.8%
Operating Profit	805	698	15.2%	804	0.0%
<i>Operating Margin</i>	<i>21.3%</i>	<i>20.2%</i>		<i>22.1%</i>	
EBITDA	1,129	1,032	9.4%	1,043	8.3%
EBITDA Margin	29.8%	29.8%		28.6%	
Financial Gains	21	39	-44.7%	82	-73.8%
Financial Cost	-347	-362	-4.1%	-110	214.2%
Net Profit	503	264	90.5%	551	-8.8%

## Discounted Cash Flow Model

(Figures in Millions of MXN\$)	2025E	2026E	2027E	2028E	2029E	Perp.
OPERATING PROFIT	4,198	5,379	6,464	6,980	7,366	7,531
Tax Rate	31%	31%	31%	31%	31%	30%
Tax Shield	-1,280	-1,641	-1,971	-2,129	-2,247	-2,259
NOPLAT	2,917	3,739	4,492	4,851	5,119	5,272
Depreciation	1,141	1,278	1,417	2,150	2,300	2,351
Working Capital Changes	-176	-345	263	-313	-118	-120
CAPEX	-3,292	-3,347	-3,404	-2,484	-2,660	-2,720
FCFF	590	1,324	2,768	4,204	4,642	4,783
Perpetuity Growth Rate						2.2%
PV of Explicit Period (2025 - 2029E)						8,957
Perpetuity Value						50,746
PV of Perpetuity Value						26,179
Enterprise Value						35,137
Net Debt						10,107
Minority Interest						531
Market Value						24,498
Land Properties						2,500
Adjusted Market Value						26,998
Outstanding Shares						600
Target Price						P\$ 45.00
Current Market Price						P\$ 18.96
Potential Return Incl. Dividends						139.8%
Forward EV/EBITDA						7.4x
Forward P/E						11.9x
Average Cost of Debt						8.0%
LT Tax Rate						30.0%
After-Tax Cost of Debt						5.6%
Cost of Equity						17.3%
Market Risk Premium						6.0%
Risk-Free Rate						9.3%
Beta						1.32
% Total Debt						48.0%
% Capital						52.0%
WACC						11.7%

**Sensitivity Analysis Table, EV/EBITDA vs. EBITDA**

	-10%	-5%	<i>Original</i>	+5%	+10%
<b>Projected EBITDA</b>	<b>4,886</b>	<b>5,144</b>	<b>5,414</b>	<b>5,685</b>	<b>5,969</b>
<b>Target EV/EBITDA</b>					
5.9x	26.27	28.80	31.46	34.12	36.92
6.4x	30.34	33.09	35.97	38.86	41.89
6.9x	34.41	37.37	40.49	43.60	46.87
<b>7.4x</b>	<b>38.49</b>	<b>41.66</b>	<b>45.00</b>	<b>48.34</b>	<b>51.84</b>
7.9x	42.56	45.94	49.51	53.07	56.82
8.4x	46.63	50.23	54.02	57.81	61.79

**Sensitivity Analysis Table, P/E vs. Net Profit**

	-10%	-5%	<i>Original</i>	+5%	+10%
<b>Projected Net Profit</b>	<b>2,043</b>	<b>2,151</b>	<b>2,264</b>	<b>2,377</b>	<b>2,496</b>
<b>Target P/E</b>					
8.9x	30.39	31.99	33.68	35.36	37.13
9.9x	33.80	35.58	37.45	39.32	41.29
10.9x	37.20	39.16	41.22	43.29	45.45
<b>11.9x</b>	<b>40.61</b>	<b>42.75</b>	<b>45.00</b>	<b>47.25</b>	<b>49.61</b>
12.9x	44.02	46.33	48.77	51.21	53.77
13.9x	47.42	49.92	52.54	55.17	57.93

(Figures in Millions of MXN\$)

	2023	2024E	2025E	2026E	2027E	2028E	2029E
<b>INCOME STATEMENT</b>							
Revenues	14,160	15,772	16,968	19,006	21,072	23,259	24,667
Cost of Sales	-7,681	-8,400	-9,050	-9,550	-10,530	-11,300	-12,000
Gross Profit	6,479	7,372	7,918	9,456	10,542	11,959	12,667
<i>Gross Margin</i>	45.8%	46.7%	46.7%	49.8%	50.0%	51.4%	51.4%
General Expenses	-3,203	-3,396	-3,644	-4,000	-4,000	-4,900	-5,300
Operating Profit	3,166	3,901	4,198	5,379	6,464	6,980	7,366
<i>Operating Margin</i>	22.4%	24.7%	24.7%	28.3%	30.7%	30.0%	29.9%
Depreciation and Amortization	-1,011	-1,060	-1,141	-1,278	-1,417	-2,150	-2,300
EBITDA	4,229	5,036	5,414	6,734	7,958	9,209	9,667
<i>EBITDA Margin</i>	29.9%	31.9%	31.9%	35.4%	37.8%	39.6%	39.2%
Financial Gains	566	181	214	238	278	370	392
Financial Cost	-1,069	-1,073	-1,154	-1,399	-1,485	-1,551	-1,508
Pre-Tax Profit	2,661	3,005	3,253	4,215	5,254	5,795	6,246
Income Tax & Profit Sharing	-533	-916	-992	-1,286	-1,602	-1,767	-1,905
<i>Tax &amp; Profit Sharing Rate</i>	20.0%	30.5%	30.5%	30.5%	30.5%	30.5%	30.5%
Net Profit	2,125	2,091	2,264	2,932	3,654	4,030	4,344
<b>BALANCE SHEET</b>							
TOTAL ASSETS	28,520	31,068	35,766	41,267	46,425	49,453	55,192
Current Assets	7,281	9,350	9,975	11,021	12,595	14,370	14,961
LT Assets	21,238	21,718	25,791	30,246	33,830	35,082	40,230
TOTAL LIABILITIES	16,655	17,588	20,399	23,385	25,347	24,833	26,745
ST Liabilities	4,791	5,724	6,255	6,840	6,343	7,029	8,940
LT Liabilities	11,864	11,864	14,144	16,544	19,004	17,804	17,804
TOTAL DEBT	11,710	12,547	15,099	17,723	19,183	18,184	19,716
NET DEBT	10,113	10,107	12,470	14,755	14,880	12,903	14,342
TOTAL CAPITAL	11,864	13,599	15,486	18,001	21,197	24,738	28,565
<b>CASH FLOW STATEMENT</b>							
Net Profit	2,125	3,005	3,253	4,215	5,254	5,795	6,246
Inv. Related Activities	2,101	2,421	2,666	2,924	3,265	4,456	4,716
Pre-Tax Cash Flow	4,229	2,589	2,775	3,549	5,296	7,082	3,543
Working Capital Changes	-1,566	61	-176	-345	263	-313	-118
Operating Cash Flow	2,663	2,650	2,598	3,204	5,559	6,769	3,425
Investment Cash Flow	-1,612	-859	-3,078	-3,109	-3,125	-2,114	-2,268
Financing Cash Flow	-2,132	-1,201	417	-9	-1,351	-3,930	-1,316
Net Incr. (Decr.) in Cash & Temp. Inv.	-1,172	590	-63	86	1,083	726	-159
Beg. of Period Cash and Temp. Inv.	2,769	1,597	2,440	2,629	2,967	4,302	5,280
End of Period Cash and Temp. Inv.	1,597	2,440	2,629	2,967	4,302	5,280	5,374

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