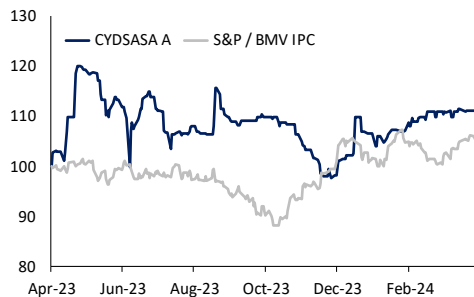


# CYDSA: 1Q24 Results

Results affected by falling international chemical prices, lower refrigerant gas exports and the peso appreciation

CYDSASA A	BUY
Target Price (MXN\$)	\$ 44.00
Current Price (MXN\$)	\$ 19.20
Min / Max (L12M)	\$16.48 - 20.80
Expected Dividend (MXN\$)	\$ 0.46
Expected Return	131.6%
Market Cap (MXN\$ Mn)	11,520
Enterprise Value (MXN\$ Mn)	21,519
Oustanding Shares (Mn)	600.0
Float	49.9%
6-Month ADTV (MXN\$ Mn)	\$ 0.48



## Opinion and recommendation

CYDSA reported results that were below our expectations in terms of revenue, EBITDA, and net profits. We continue with a BUY recommendation and adjusted our target price to MXN\$44.0/share, from MXN\$45.0/share.

## 1Q24 Results

Total revenues declined 14.7% to MXN\$3.13 billion, mainly due to a 16.0% reduction in Chemical Manufacturing and Specialties revenues due to lower international prices of chemical products, reduction in refrigerant gas exports, and appreciation of the Mexican peso. This was partially offset by higher demand for salt for domestic and industrial consumption and incremental sales from the new membrane technology chlorine and caustic soda plant. In addition, Energy Processing and Logistics sales advanced 4.9% supported by greater demand for electricity and steam cogeneration, and underground hydrocarbon processing and storage.

EBITDA decreased 17.4% YoY to MXN\$953 million as a result of lower revenues. The EBITDA margin contracted 100 bps to 30.4%

Net financial costs rose 357% YoY thanks to the capitalization of interest related to the new chlorine and caustic soda plant, higher charges on derivative financial instruments, and a lower FX gain. Consolidated net profits were down 54.8% to MXN\$215 million due to lower operating results and increased financial expenses.

The net debt to EBITDA ratio was 2.6x at the end of 1Q24, slightly below 2.9x in 1Q23. The company obtained two loans amounting to MXN\$833.5 million last March 21<sup>st</sup> to strengthen its liquidity position.

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April 22<sup>nd</sup>, 2024

(Figures in Million Pesos)	1Q24	1Q24E	Diff.	1Q23	Chg.
Revenues	3,130	3,350	-6.6%	3,670	-14.7%
Operating Profit	636	803	-20.7%	891	-28.5%
Operating Margin	20.3%	24.0%		24.3%	
EBITDA	953	1,086	-12.2%	1,154	-17.4%
EBITDA Margin	30.4%	32.4%		31.4%	
Financial Gains	49	35	40.1%	161	-69.4%
Financial Cost	-364	-414	-12.2%	-229	58.8%
Net Profit	215	294	-26.9%	475	-54.8%

### Discounted Cash Flow Model

(Figures in Millions of MXN\$)	2025E	2026E	2027E	2028E	2029E	Perp.
OPERATING PROFIT	3,274	4,214	5,335	6,021	6,399	6,753
Tax Rate	31%	31%	31%	31%	31%	30%
Tax Shield	-999	-1,285	-1,627	-1,836	-1,952	-2,026
NOPLAT	2,276	2,929	3,708	4,184	4,447	4,727
Depreciation	1,338	1,561	1,745	2,150	2,300	2,427
Working Capital Changes	76	-298	856	-32	-39	-41
CAPEX	-3,292	-3,347	-3,404	-2,484	-2,660	-2,807
FCFF	398	845	2,905	3,818	4,048	4,306
Perpetuity Growth Rate						5.5%
PV of Explicit Period (2025 - 2029E)						7,568
Perpetuity Value						57,643
PV of Perpetuity Value						27,697
Enterprise Value						35,265
Net Debt						10,876
Minority Interest						486
Market Value						23,902
Land Properties						2,500
Adjusted Market Value						26,402
Outstanding Shares						600
Target Price						P\$ 44.00
Current Market Price						P\$ 19.20
Potential Return Incl. Dividends						131.5%
Forward EV/EBITDA						8.6x
Forward P/E						19.4x
Average Cost of Debt						9.2%
LT Tax Rate						30.0%
After-Tax Cost of Debt						6.5%
Cost of Equity						20.0%
Market Risk Premium						7.4%
Risk-Free Rate						10.3%
Beta						1.32
% Total Debt						51.9%
% Capital						48.1%
WACC						13.0%

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

	-10%	-5%	<i>Original</i>	+5%	+10%
<b>Projected EBITDA</b>	<b>4,231</b>	<b>4,454</b>	<b>4,689</b>	<b>4,923</b>	<b>5,169</b>
<b>Target EV/EBITDA</b>					
7.1x	26.85	29.50	32.28	35.07	37.99
7.6x	30.38	33.21	36.19	39.17	42.30
8.1x	33.91	36.92	40.10	43.27	46.60
<b>8.6x</b>	<b>37.43</b>	<b>40.63</b>	<b>44.00</b>	<b>47.37</b>	<b>50.91</b>
9.1x	40.96	44.35	47.91	51.48	55.22
9.6x	44.48	48.06	51.82	55.58	59.53

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

	-10%	-5%	<i>Original</i>	+5%	+10%
<b>Projected Net Profit</b>	<b>1,228</b>	<b>1,293</b>	<b>1,361</b>	<b>1,429</b>	<b>1,500</b>
<b>Target P/E</b>					
16.4x	33.57	35.34	37.20	39.06	41.01
17.4x	35.62	37.49	39.47	41.44	43.51
18.4x	37.67	39.65	41.74	43.82	46.01
<b>19.4x</b>	<b>39.71</b>	<b>41.80</b>	<b>44.00</b>	<b>46.20</b>	<b>48.51</b>
20.4x	41.76	43.96	46.27	48.58	51.01
21.4x	43.81	46.11	48.54	50.97	53.51

(Figures in Millions of MXN\$)

<b>INCOME STATEMENT</b>	<b>2023</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>
Revenues	14,160	13,184	14,004	16,331	18,263	20,310	21,570
Cost of Sales	-7,681	-6,550	-7,010	-8,190	-9,050	-10,160	-10,770
Gross Profit	6,479	6,634	6,994	8,141	9,213	10,150	10,800
<i>Gross Margin</i>	<i>45.8%</i>	<i>50.3%</i>	<i>49.9%</i>	<i>49.9%</i>	<i>50.4%</i>	<i>50.0%</i>	<i>50.1%</i>
General Expenses	-3,203	-3,546	-3,644	-3,850	-3,800	-4,050	-4,400
Operating Profit	3,166	3,013	3,274	4,214	5,335	6,021	6,399
<i>Operating Margin</i>	<i>22.4%</i>	<i>22.9%</i>	<i>23.4%</i>	<i>25.8%</i>	<i>29.2%</i>	<i>29.6%</i>	<i>29.7%</i>
Depreciation and Amortization	-1,011	-1,260	-1,338	-1,561	-1,745	-2,150	-2,300
EBITDA	4,229	4,348	4,689	5,852	7,158	8,250	8,700
<i>EBITDA Margin</i>	<i>29.9%</i>	<i>33.0%</i>	<i>33.5%</i>	<i>35.8%</i>	<i>39.2%</i>	<i>40.6%</i>	<i>40.3%</i>
Financial Gains	566	148	137	157	177	197	210
Financial Cost	-1,069	-1,571	-1,449	-1,808	-1,963	-2,017	-2,027
Pre-Tax Profit	2,661	1,581	1,954	2,554	3,541	4,192	4,574
Income Tax & Profit Sharing	-533	-489	-596	-779	-1,080	-1,279	-1,395
<i>Tax &amp; Profit Sharing Rate</i>	<i>20.0%</i>	<i>30.9%</i>	<i>30.5%</i>	<i>30.5%</i>	<i>30.5%</i>	<i>30.5%</i>	<i>30.5%</i>
Net Profit	2,125	1,094	1,361	1,778	2,463	2,916	3,182
<b>BALANCE SHEET</b>	<b>2023</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>
TOTAL ASSETS	28,520	29,513	33,482	39,388	42,695	45,057	50,934
Current Assets	7,281	8,796	9,069	10,676	10,703	11,887	12,632
LT Assets	21,238	20,717	24,413	28,712	31,992	33,170	38,302
TOTAL LIABILITIES	16,655	17,564	20,546	25,068	26,330	26,216	29,373
ST Liabilities	4,791	6,011	6,713	8,835	7,637	8,724	11,880
LT Liabilities	11,864	11,553	13,833	16,233	18,693	17,493	17,493
TOTAL DEBT	11,710	13,014	15,716	19,382	20,109	19,208	21,897
NET DEBT	10,113	10,876	13,510	16,723	17,101	15,836	18,287
TOTAL CAPITAL	11,864	12,068	13,055	14,439	16,484	18,959	21,680
<b>CASH FLOW STATEMENT</b>	<b>2023</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>
Net Profit	2,125	1,094	1,361	1,778	2,463	2,916	3,182
Inv. Related Activities	2,101	2,680	2,693	3,016	3,299	3,804	4,020
Pre-Tax Cash Flow	4,229	2,793	3,249	3,786	5,804	7,508	4,008
Working Capital Changes	-1,566	-774	76	-298	856	-32	-39
Operating Cash Flow	2,663	2,019	3,324	3,488	6,660	7,476	3,969
Investment Cash Flow	-1,612	-649	-3,155	-3,189	-3,227	-2,287	-2,450
Financing Cash Flow	-2,132	-668	60	316	-2,924	-4,663	-1,120
Net Incr. (Decr.) in Cash & Temp. Inv.	-1,172	661	229	615	509	526	399
Beg. of Period Cash and Temp. Inv.	2,769	1,597	2,138	2,206	2,660	3,007	3,373
End of Period Cash and Temp. Inv.	1,597	2,138	2,206	2,660	3,007	3,373	3,611

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