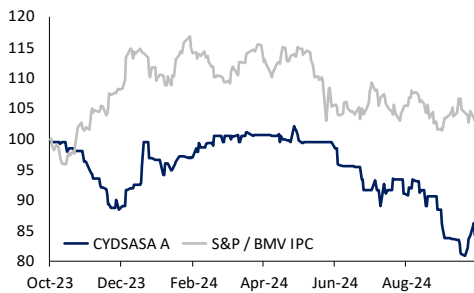


CYDSA: 3Q24 Results

Results fueled by higher demand for edible salt and refrigerant gases, and the contribution of the new chlorine-caustic soda plant

CYDSASA A	BUY
Target Price (MXN\$)	\$ 45.00
Current Price (MXN\$)	\$ 15.50
Min / Max (L12M)	\$15.00 - 19.50
Expected Dividend (MXN\$)	\$ 0.56
Expected Return	193.9%
Market Cap (MXN\$ Mn)	9,300
Enterprise Value (MXN\$ Mn)	20,643
Outstanding Shares (Mn)	600.0
Float	49.9%
6-Month ADTV (MXN\$ Mn)	\$ 1.50



Opinion and recommendation

CYDSA reported positive operating results with a significant increase in total revenues, although with lower profitability levels. Revenues exceeded our expectations, EBITDA was practically in line and net profits were below our projections. We reiterate our BUY recommendation with MXN\$45.0/share target price.

We continue to believe that the company's prospects are favorable due to the new chlorine and soda plant that will contribute with higher volumes and profitability, the recovery we expect in international prices of chlorine-alkali products, and the possibility that the company could generate higher revenues with the gas LP storage caverns.

3Q24 Results

CYDSA's total revenues increased 16.2% YoY to MXN\$3.92 billion (vs. our MXN\$3.55 billion estimate), mainly due to a 17.7% rise in Manufacturing and Specialty Chemicals sales, which benefited from higher demand for edible salt and refrigerant gases, in addition to a higher contribution from the new chlorine-caustic soda plant with membrane technology. This offset the 3.9% sales decrease in the Energy Processing and Logistics division.

CYDSA's profitability fell due to lower international prices of chlorine-alkali chemicals, maintenance expenses and start-up costs of the new plant. The EBITDA margin was 25.1% in the current quarter, compared to 26.7% in 3Q23. Despite this situation, EBITDA grew 9.2% YoY to MXN\$986 million, marginally below our MXN\$1,002 million projection.

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Net income fell 76% to MXN\$142 million (vs. MXN\$215 million E), due to higher depreciation, higher interest paid, and an increase in the tax reserve.

The debt to EBITDA ratio remained at 2.5x at the end of 3Q24, in line with that of 3Q23. During 1Q24 and 2Q24, the company carried out several transactions with the purpose of extending its maturity profile, reducing its foreign exchange exposure and improving its cash position.

(Figures in Million Pesos)	3Q24	3Q24E	Diff.	3Q23	Chg.
Revenues	3,924	3,550	10.5%	3,376	16.2%
Operating Profit	638	678	-5.8%	679	-5.9%
<i>Operating Margin</i>	16.3%	19.1%		20.1%	
EBITDA	986	1,002	-1.6%	903	9.2%
EBITDA Margin	25.1%	28.2%		26.7%	
Financial Gains	195	27	617.7%	131	49.2%
Financial Cost	-415	-376	10.5%	-233	77.9%
Net Profit	142	215	-33.7%	586	-75.7%

Discounted Cash Flow Model

(Figures in Millions of MXN\$)	2025E	2026E	2027E	2028E	2029E	Perp.
OPERATING PROFIT	3,136	4,533	5,567	6,833	7,138	7,310
Tax Rate	31%	31%	31%	31%	31%	30%
Tax Shield	-956	-1,382	-1,698	-2,084	-2,177	-2,193
NOPLAT	2,179	3,150	3,869	4,749	4,961	5,117
Depreciation	1,430	1,648	1,832	1,850	2,300	2,355
Working Capital Changes	-685	-349	154	113	112	115
CAPEX	-3,292	-3,347	-3,404	-2,484	-2,660	-2,724
FCFF	-367	1,102	2,452	4,228	4,713	4,863
Perpetuity Growth Rate						2.4%
PV of Explicit Period (2025 - 2029E)						7,912
Perpetuity Value						55,933
PV of Perpetuity Value						29,754
Enterprise Value						37,666
Net Debt						12,641
Minority Interest						526
Market Value						24,499
Land Properties						2,500
Adjusted Market Value						26,999
Outstanding Shares						600
Target Price						P\$ 45.00
Current Market Price						P\$ 15.50
Potential Return Incl. Dividends						193.5%
Forward EV/EBITDA						9.2x
Forward P/E						29.8x
Average Cost of Debt						9.4%
LT Tax Rate						30.0%
After-Tax Cost of Debt						6.6%
Cost of Equity						15.9%
Market Risk Premium						6.0%
Risk-Free Rate						10.4%
Beta						0.91
% Total Debt						51.7%
% Capital						48.3%
WACC						11.1%

Sensitivity Analysis Table, EV/EBITDA vs. EBITDA

	-10%	-5%	<i>Original</i>	+5%	+10%
Projected EBITDA	4,189	4,410	4,642	4,874	5,118
Target EV/EBITDA					
7.7x	27.55	30.40	33.39	36.39	39.54
8.2x	31.04	34.07	37.26	40.45	43.80
8.7x	34.53	37.75	41.13	44.51	48.07
9.2x	38.02	41.42	45.00	48.58	52.33
9.7x	41.52	45.10	48.87	52.64	56.60
10.2x	45.01	48.77	52.74	56.70	60.86

Sensitivity Analysis Table, P/E vs. Net Profit

	-10%	-5%	<i>Original</i>	+5%	+10%
Projected Net Profit	816	859	905	950	997
Target P/E					
26.8x	36.53	38.45	40.48	42.50	44.62
27.8x	37.89	39.88	41.98	44.08	46.29
28.8x	39.25	41.32	43.49	45.67	47.95
29.8x	40.61	42.75	45.00	47.25	49.61
30.8x	41.97	44.18	46.51	48.83	51.27
31.8x	43.33	45.61	48.01	50.42	52.94

(Figures in Millions of MXN\$)

INCOME STATEMENT	2023	2024E	2025E	2026E	2027E	2028E	2029E
Revenues	14,160	14,686	16,036	18,475	20,542	22,765	24,213
Cost of Sales	-7,681	-8,610	-9,210	-9,400	-10,400	-11,450	-12,190
Gross Profit	6,479	6,076	6,826	9,075	10,142	11,315	12,023
<i>Gross Margin</i>	<i>45.8%</i>	<i>41.4%</i>	<i>42.6%</i>	<i>49.1%</i>	<i>49.4%</i>	<i>49.7%</i>	<i>49.7%</i>
General Expenses	-3,203	-3,416	-3,614	-4,465	-4,497	-4,403	-4,884
Operating Profit	3,166	2,585	3,136	4,533	5,567	6,833	7,138
<i>Operating Margin</i>	<i>22.4%</i>	<i>17.6%</i>	<i>19.6%</i>	<i>24.5%</i>	<i>27.1%</i>	<i>30.0%</i>	<i>29.5%</i>
Depreciation and Amortization	-1,011	-1,310	-1,430	-1,648	-1,832	-1,850	-2,300
EBITDA	4,229	3,970	4,642	6,258	7,477	8,762	9,439
<i>EBITDA Margin</i>	<i>29.9%</i>	<i>27.0%</i>	<i>28.9%</i>	<i>33.9%</i>	<i>36.4%</i>	<i>38.5%</i>	<i>39.0%</i>
Financial Gains	566	368	186	212	237	263	280
Financial Cost	-1,069	-1,577	-2,030	-2,397	-2,535	-2,604	-2,412
Pre-Tax Profit	2,661	1,378	1,298	2,354	3,275	4,499	5,013
Income Tax & Profit Sharing	-533	-636	-396	-718	-999	-1,372	-1,529
<i>Tax & Profit Sharing Rate</i>	<i>20.0%</i>	<i>46.2%</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	740	905	1,638	2,279	3,129	3,487
BALANCE SHEET	2023	2024E	2025E	2026E	2027E	2028E	2029E
TOTAL ASSETS	28,520	33,412	36,540	41,059	44,802	46,838	48,285
Current Assets	7,281	10,241	10,719	11,579	12,146	12,772	13,238
LT Assets	21,238	23,171	25,822	29,480	32,656	34,066	35,046
TOTAL LIABILITIES	16,655	19,495	22,020	25,201	26,968	26,176	24,447
ST Liabilities	4,791	6,903	7,027	7,748	6,996	7,403	5,675
LT Liabilities	11,864	12,593	14,993	17,453	19,973	18,773	18,773
TOTAL DEBT	11,710	15,071	17,904	20,944	22,322	21,100	19,099
NET DEBT	10,113	12,641	15,373	18,042	19,089	17,558	15,250
TOTAL CAPITAL	11,864	14,083	14,686	16,024	18,000	20,828	24,003
CASH FLOW STATEMENT	2023	2024E	2025E	2026E	2027E	2028E	2029E
Net Profit	2,125	740	905	1,638	2,279	3,129	3,487
Inv. Related Activities	2,101	3,265	3,643	4,094	4,500	4,753	5,358
Pre-Tax Cash Flow	4,229	2,766	2,618	2,773	4,080	5,827	6,579
Working Capital Changes	-1,566	-1,740	-685	-349	154	113	112
Operating Cash Flow	2,663	1,026	1,934	2,424	4,234	5,940	6,691
Investment Cash Flow	-1,612	-949	-3,106	-3,134	-3,167	-2,221	-2,380
Financing Cash Flow	-2,132	367	691	500	-1,318	-3,991	-4,587
Net Incr. (Decr.) in Cash & Temp. Inv.	-1,172	688	-481	-211	-251	-272	-276
Beg. of Period Cash and Temp. Inv.	2,769	1,597	2,430	2,532	2,902	3,233	3,543
End of Period Cash and Temp. Inv.	1,597	2,430	2,532	2,902	3,233	3,543	3,848

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