



3Q20

Earnings Presentation

October 21, 2020



## Safe Harbor

This presentation contains forward-looking information based on numerous variables and assumptions that are inherently uncertain. They involve judgments with respect to, among other things, future economic, competitive and financial market conditions and future business decisions, all of which are difficult or impossible to predict accurately. These uncertainties include, but are not limited to, risks related to the impact of the COVID-19 global pandemic, such as the scope and duration of the outbreak, government actions and restrictive measures implemented in response, availability of workers and contractors due to illness and stay at home orders, supply chain disruptions and other impacts to the business, or on the Company's ability to execute business continuity plans, as a result thereof. Accordingly, results are likely to vary from those set forth in this presentation. Copyright © 2020 ALFA, S.A.B. de C.V. All rights reserved. Reproduction and distribution is forbidden without the prior written consent of ALFA, S.A.B. de C.V.

ALFA's shareholders approved to spin-off ALFA's share ownership of Nemark into a new, listed entity called "Controladora Nemark" on August 17, 2020. In accordance with International Financial Reporting Standards (IFRS), Nemark meets the definition of a "Discontinued Operation" for purposes of ALFA's Consolidated Financial Statements. "Discontinued Operations" are the net results of an entity that is either being held for disposal or which has already been disposed of.

The changes in ALFA's Consolidated Financial Statements are as follows:

- The Consolidated Statement of Financial Position presents Nemark's assets as "Current assets from discontinued operations" and its liabilities as "Current liabilities from discontinued operations" at the close of 3Q20. Prior periods are not restated.
- The Consolidated Statement of Income presents Nemark's net revenues and expenses as a single line item "Profit (loss) from discontinued operations" for the nine months ended September 30, 2020 and 2019.
- The Change in Net Debt presents Nemark's net inflows and outflows as a single line item "Decrease (Increase) in Net Debt from discontinued operations" for the nine months ended September 30, 2020 and 2019.
- The Change in Net Debt also presents Nemark's Net Debt balance as "Net Debt from discontinued operations" at the close of 3Q20. Prior periods are not restated.

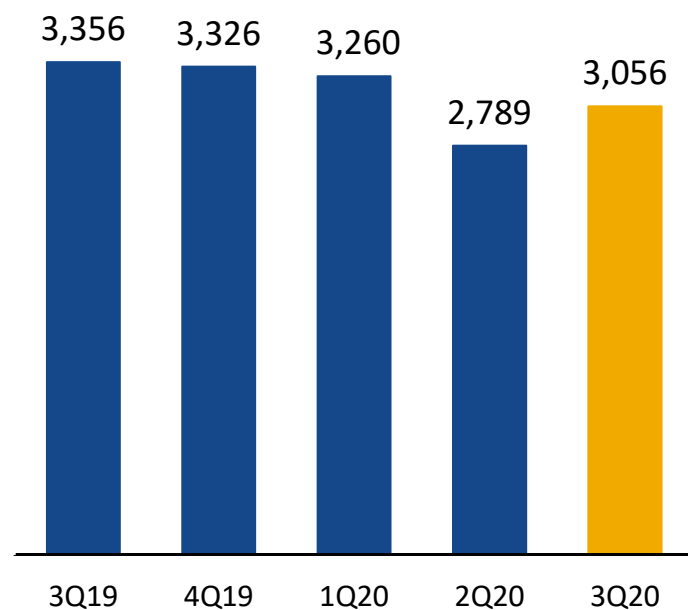
- **“Unlocking value”** transformational initiative is **moving forward**
  - Nemak spin-off approved by ALFA Shareholders
  - Axtel sale process advanced to second stage
  - Newpek sold all its assets in Texas
- ALFA 3Q20 results reported with **Nemak as Discontinued Operations**
- 3Q20 EBITDA up 65% vs 2Q20; **fastest q-o-q recovery in more than 20 years**
  - **Proforma 3Q20 EBITDA (including Nemak)** of US \$621 million was **more than 2.5x 2Q20 EBITDA** of US \$231 million
- **Solid balance sheet** and debt ratios
- Continued focus on **Safety** and **Business Continuity** amid COVID-19

Revenues reflect the effect of lower feedstock prices in Alpek and Foodservice demand in Sigma

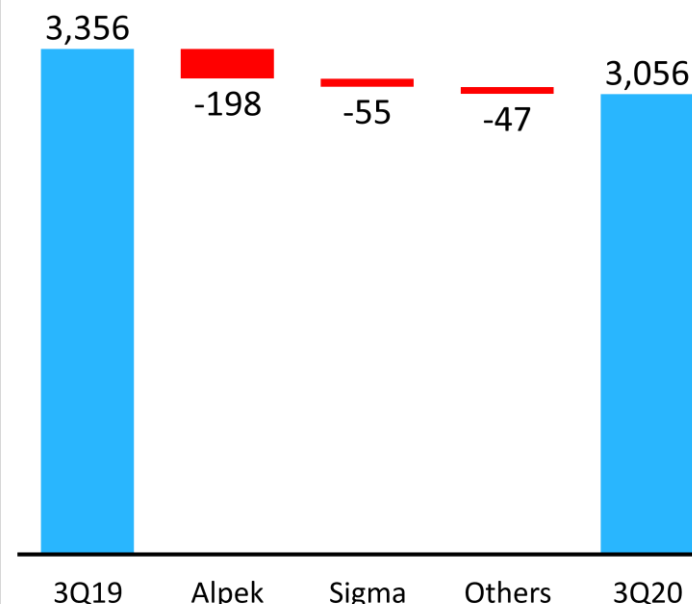


## ALFA & Subs with Nemak as Discontinued Operations

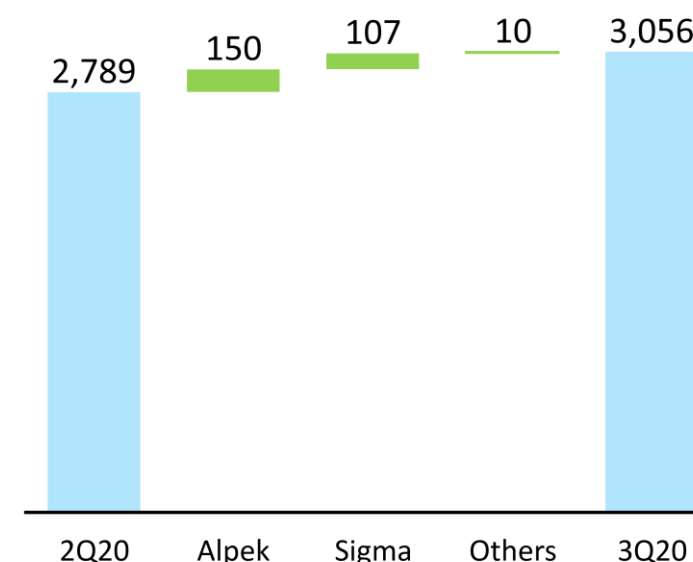
Revenues  
(US \$ Million)



3Q20 vs 3Q19  
(US \$ Million)



3Q20 vs 2Q20  
(US \$ Million)

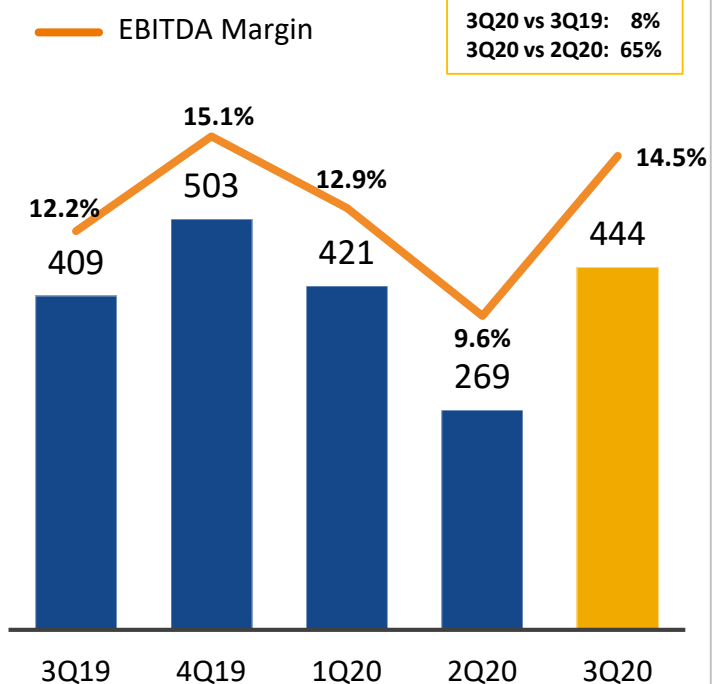


3Q20 EBITDA of US \$444 million, including a US \$67 million net gain from extraordinary items; Comparable EBITDA of US \$377 million



## ALFA & Subs with Nemak as Discontinued Operations

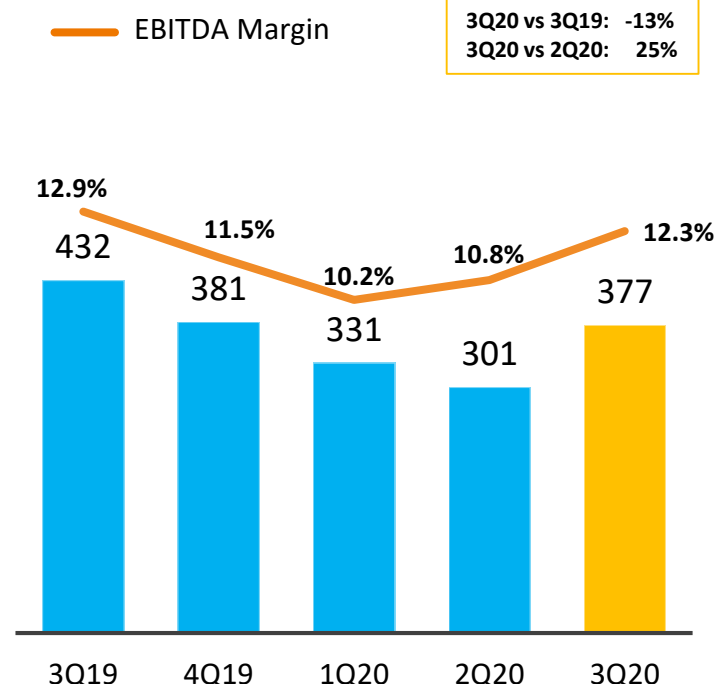
### Reported EBITDA (US \$ Million)



### Extraordinary Items

	3Q19	4Q19	1Q20	2Q20	3Q20
ALPEK	(19)	184	(17)	(36)	19
SIGMA	-	-	-	-	-
AXTEL	-	(4)	107	4	-
NEWPEK	(4)	(58)	-	-	48
<b>TOTAL</b>	<b>(23)</b>	<b>122</b>	<b>91</b>	<b>(32)</b>	<b>67</b>

### Comparable EBITDA (US \$ Million)

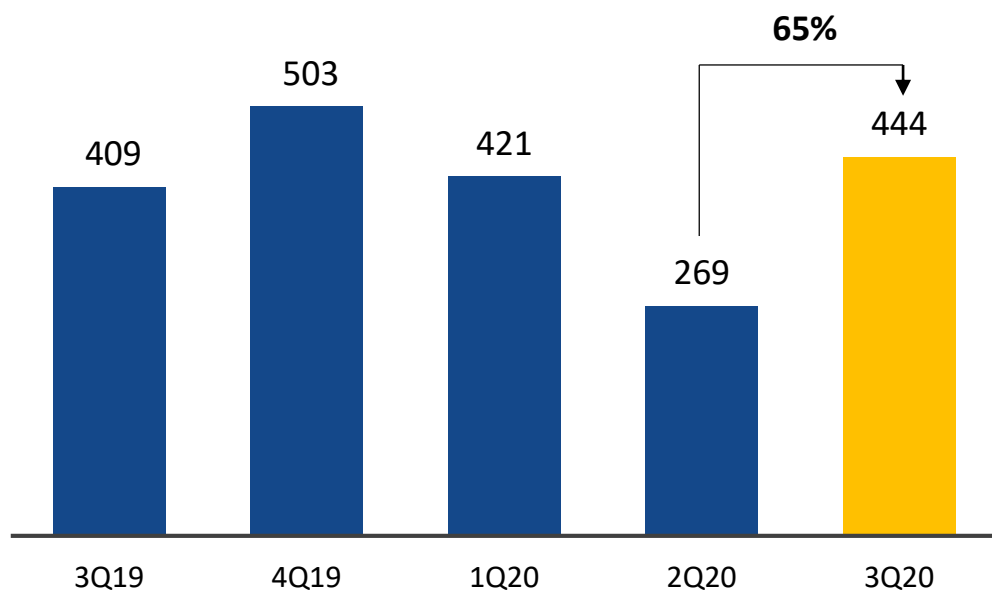


# EBITDA posted a record high recovery vs. 2Q20 with Nemak as Discontinued Operations and on a Proforma basis (including Nemak)



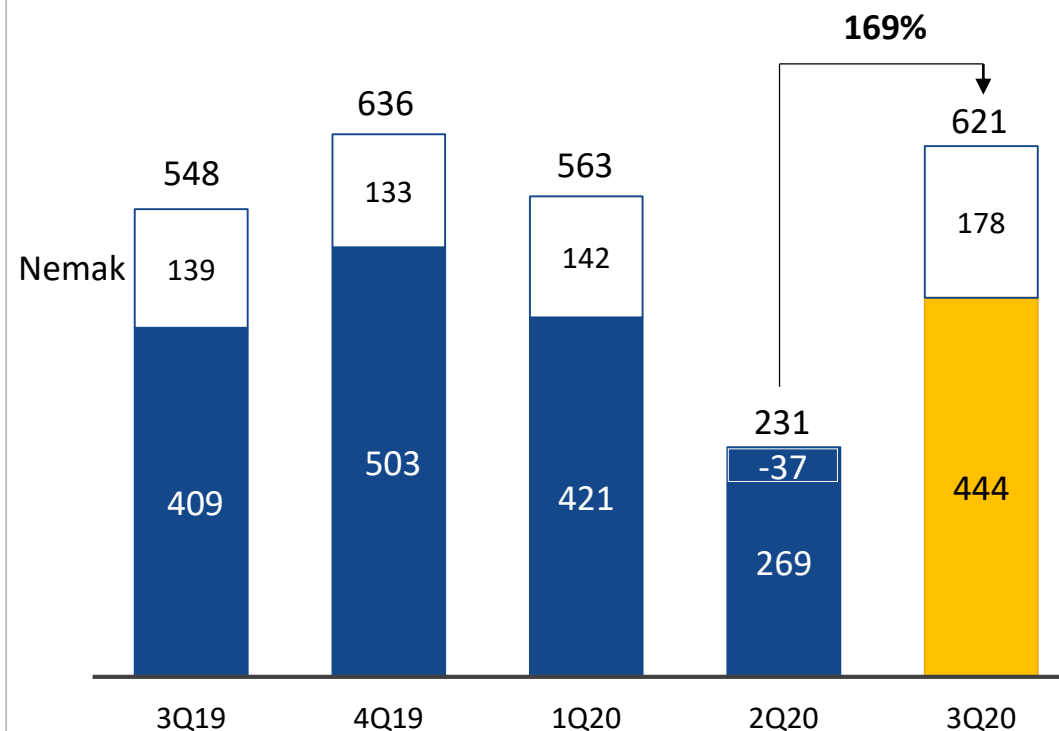
## Reported EBITDA (US \$ Million)

with Nemak as Discontinued Operations

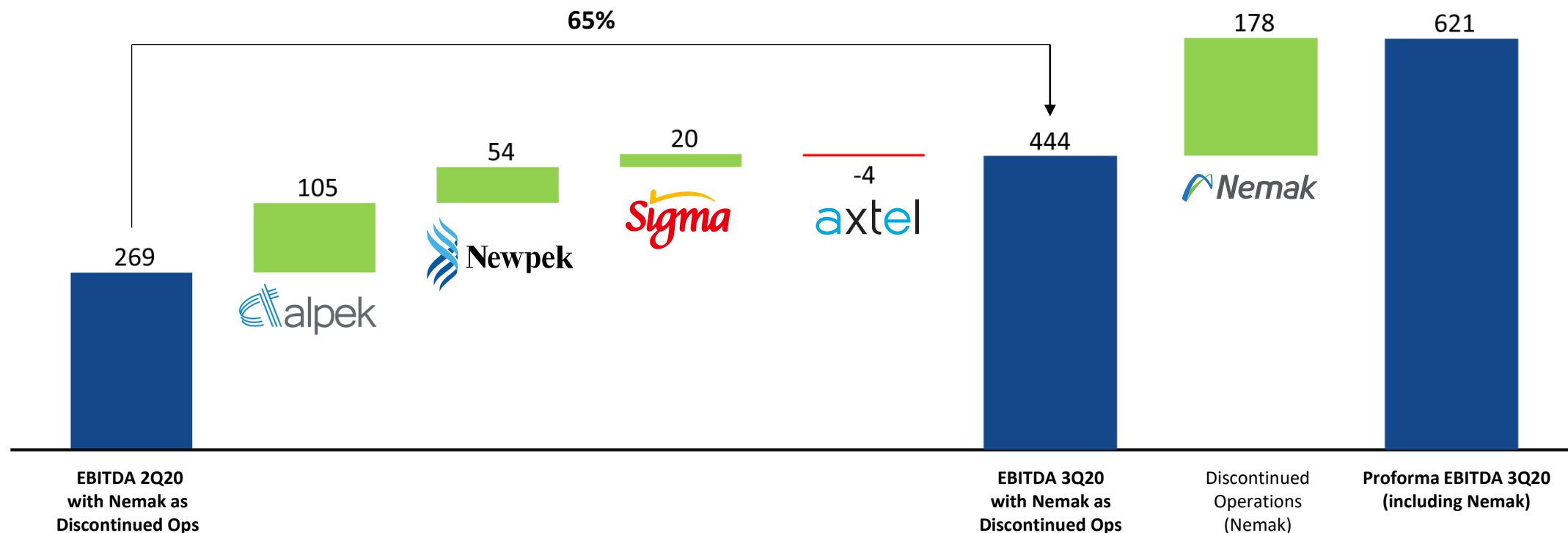


## Proforma EBITDA (US \$ Million)

Including Nemak



# Sequential 3Q20 EBITDA growth driven by Alpek, Newpek and Sigma. Nemak posted its highest quarterly EBITDA since 2Q18



## Key Drivers

- Record volume
- Favorable rise in oil/feedstock prices
- Sale of all assets in Texas
- Margin expansión, despite pressure from Foodservice and FX
- EBITDA flat, excluding extraordinary gain in 2Q20
- Successful production ramp-up
- Cost savings

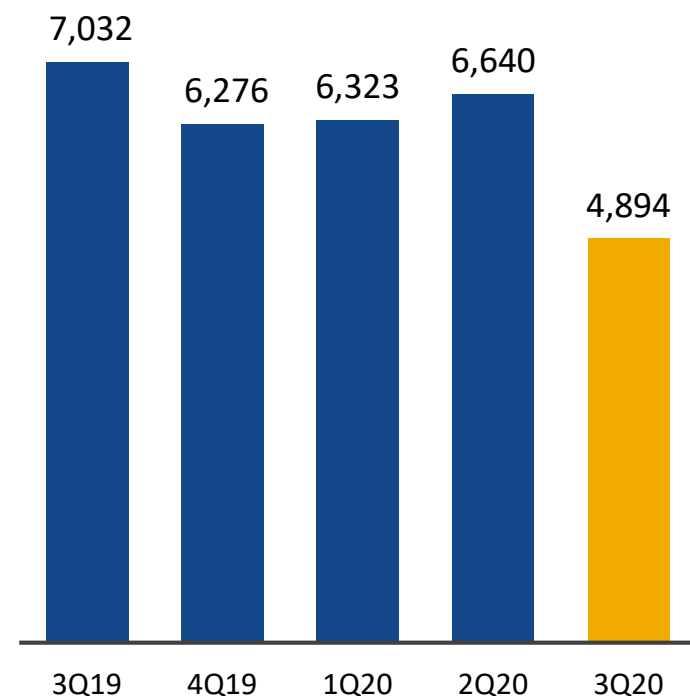


ALFA Net Debt US \$4.894 billion mainly due to the reclassification of Net Debt from discontinued operations (Nemak); Cash US \$1.4 B

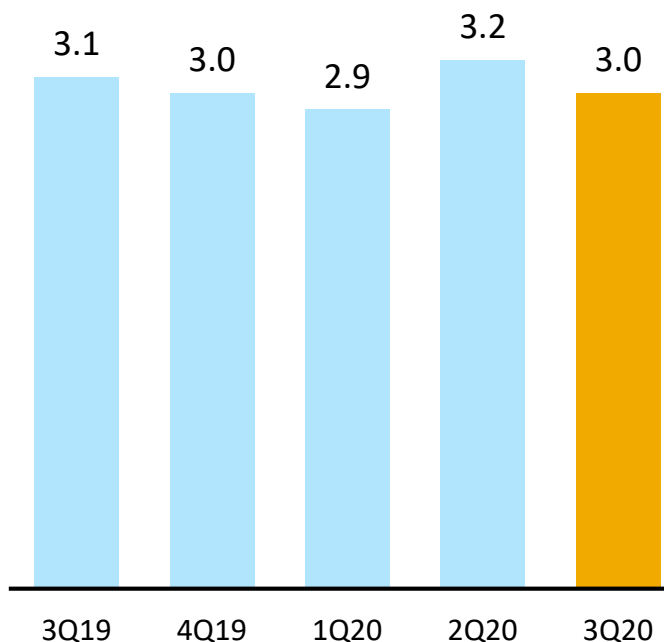


## ALFA & Subs with Nemak as Discontinued Operations

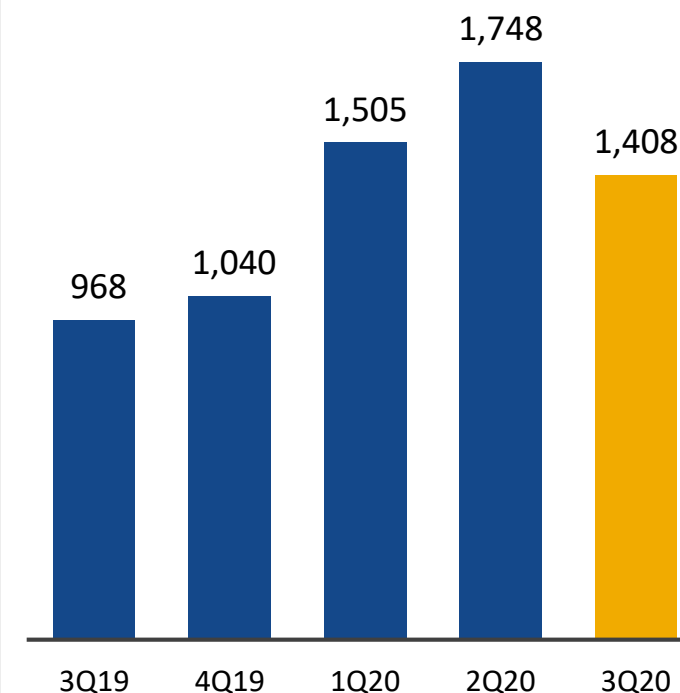
**ALFA Net Debt  
(US \$ Million)**



**Leverage Ratio<sup>1</sup>  
(Net Debt/EBITDA)**



**Cash  
(US \$ Million)**



1. Ratio calculated with Discontinued Ops. for all periods

## Safety





- Top priority - safety of our employees, customers, suppliers and community
- Increased hygiene/sanitization protocols
- Employee training and awareness campaigns
- Maximize virtual collaboration
- Travel restrictions
- Closely monitoring health and government agency recommendations

## Business Continuity

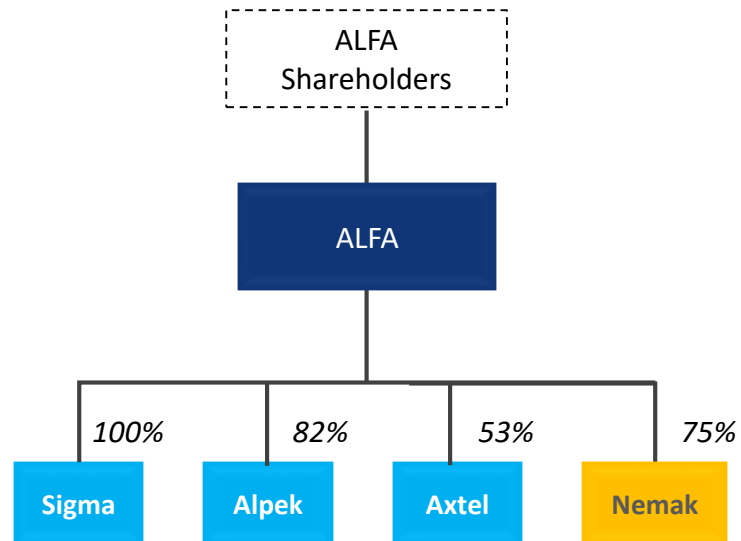
- Preserve continuity and long-term sustainability
- Ensure strong financial position
- Cross-functional task forces coordinating response
- Providing essential goods/services: food, packaging, IT
- Contributing to our communities

## ALFA's "Unlocking Value" – Progress in 3Q20

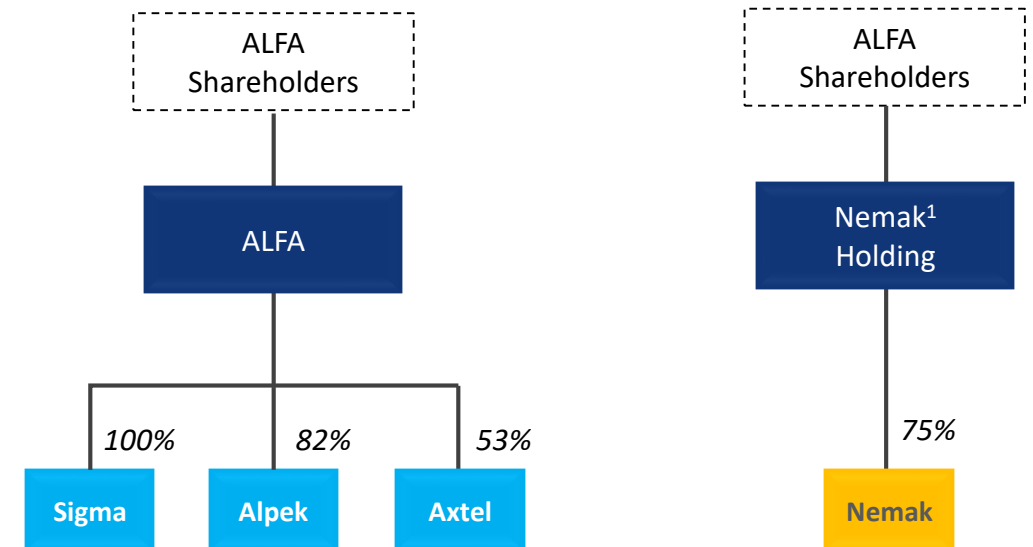


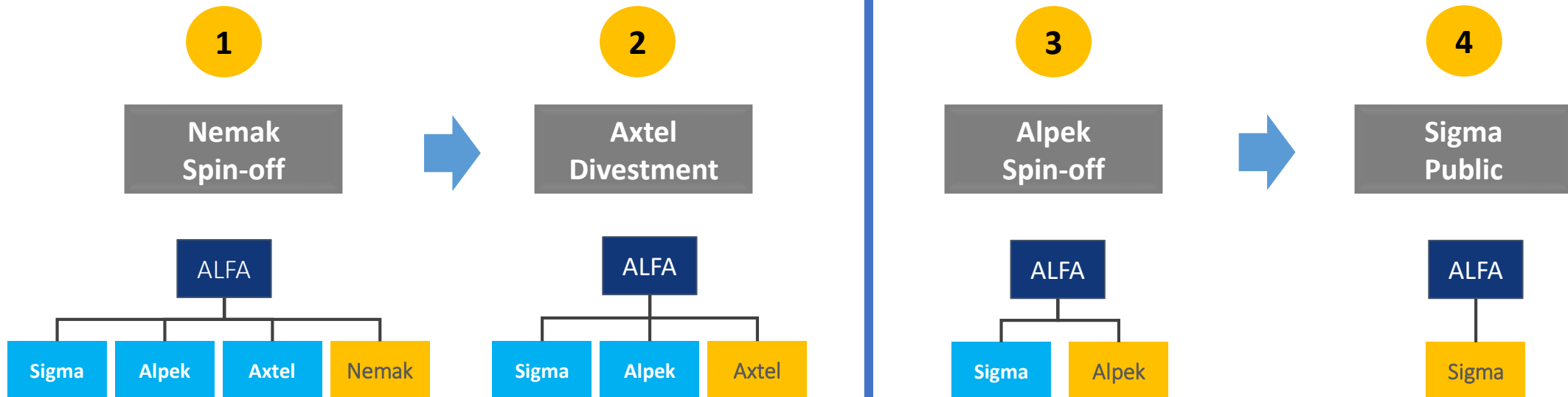
Business	Progress in 3Q20	Focus on core businesses	Strengthening our balance sheet	Enhancing business independence
	Joint analysis with subsidiaries of all corporate services			✓
	Will begin to recover US \$160 million owed by M&G Mexico		✓	
	Sale process advanced to second stage; potential transaction for all Axtel	✓	✓	
	Spin-off approved by ALFA Shareholders			✓
	Divestment of all its assets in Texas	✓	✓	

## Current ALFA structure



## Proforma ALFA structure (Post Nemak spin-off)

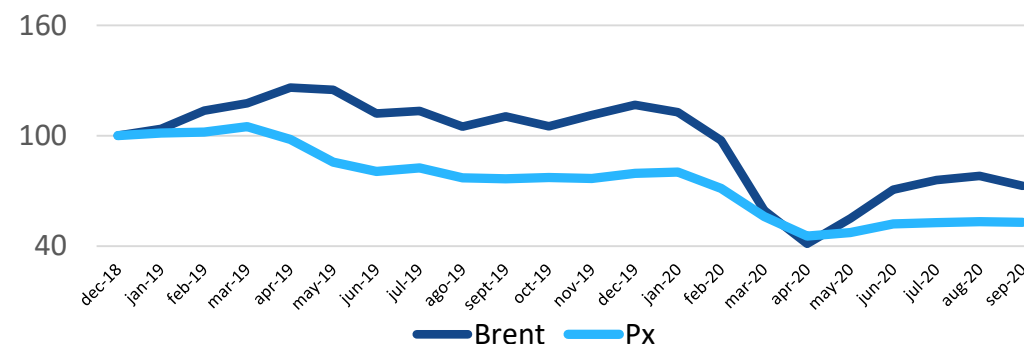




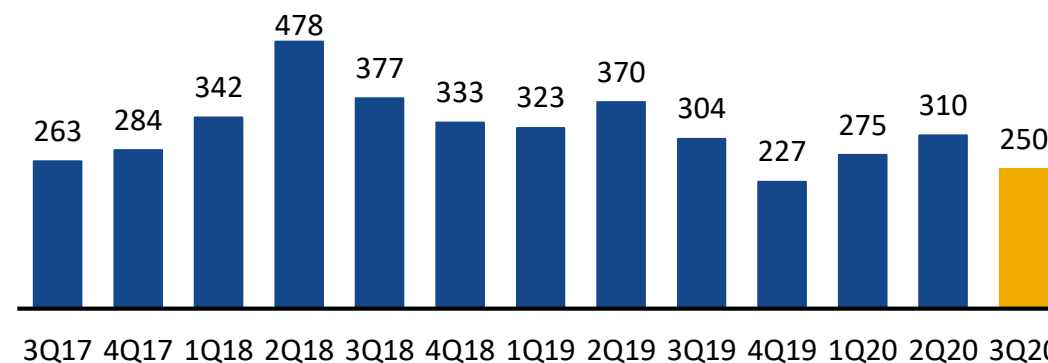
## 3Q20 Highlights

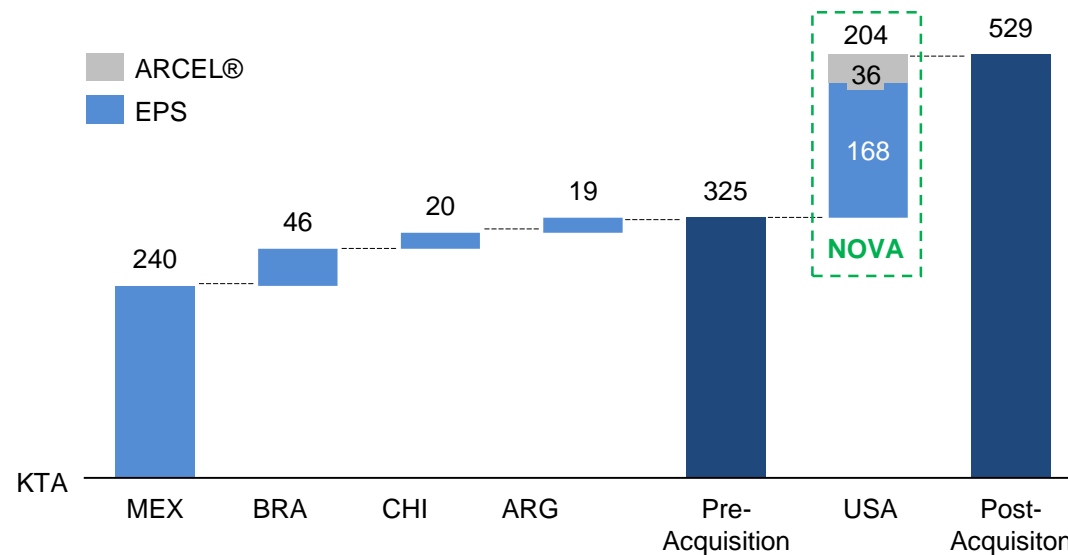
- Record volume supported by strong PET demand plus recovery in Construction and Auto segments
- Sequential EBITDA growth driven by record volume, inventory gains and raw material carry forward
- Will begin to recover US \$160 million owed by M&G Mexico
- Announced agreement to acquire styrenics business from NOVA Chemicals; aligned with long term strategy
- Cash US \$519 million; started to pay down credit lines drawn to boost liquidity amid COVID-19

## Paraxylene vs Brent Crude Oil Price (Base=100)



## Margin: Asia PET to Px/MEG (US \$ / Ton)





## Strengthen Core Business

- Global Cost Improvement
- Value-added Products
- Footprint Optimization



## Foster Circular Economy

- Sustainable Product Portfolio



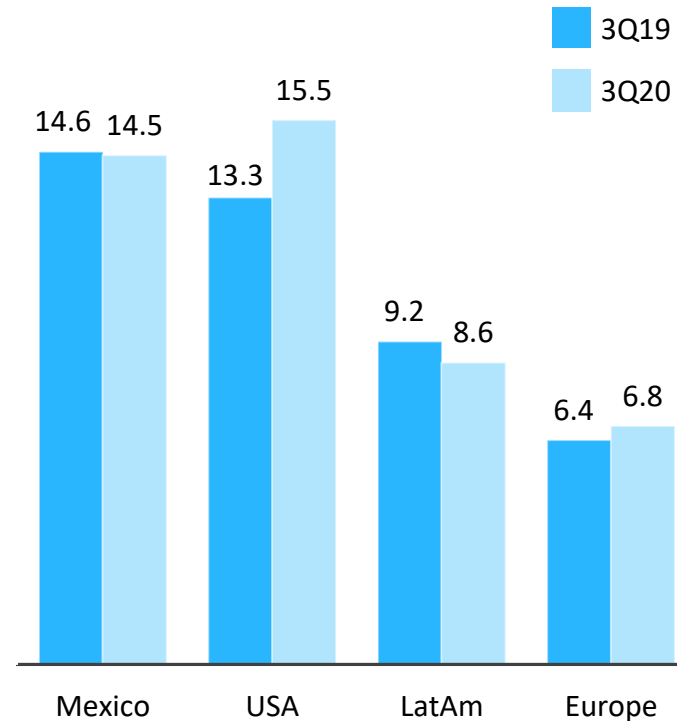
## Strategic & Focused Growth

- Value Chain Integration
- Product Innovation

## 3Q20 Highlights

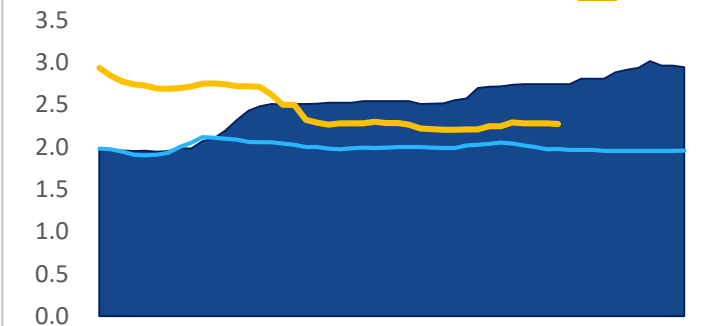
- Currency-neutral 3Q20 sales up y-o-y in all regions (ex-Foodservice)
- 3Q20 EBITDA margin of 11.4% (10.8% in 2Q20 and 11.1% in 3Q19)
- 290 bps of sequential margin improvement in Europe due to lower raw material costs
- Second highest recorded EBITDA in the U.S.
- Foodservice sales up q-o-q supported by hotels/restaurants reopening
- Cash US \$590 million; started to pay down credit lines drawn to boost liquidity amid COVID-19

## EBITDA Margin By Region

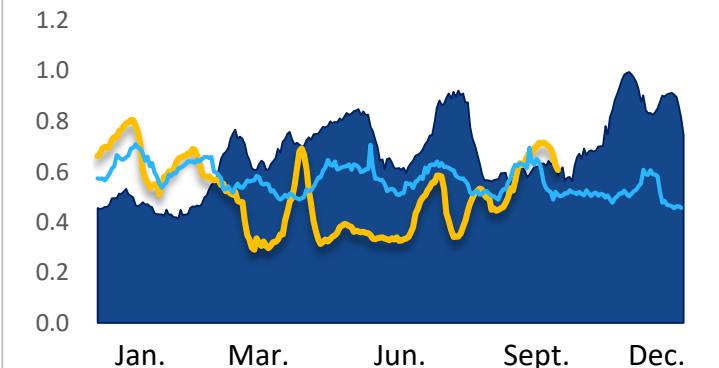


## Pork Ham Price

Europe (€/kg)



U.S. (\$/lb)





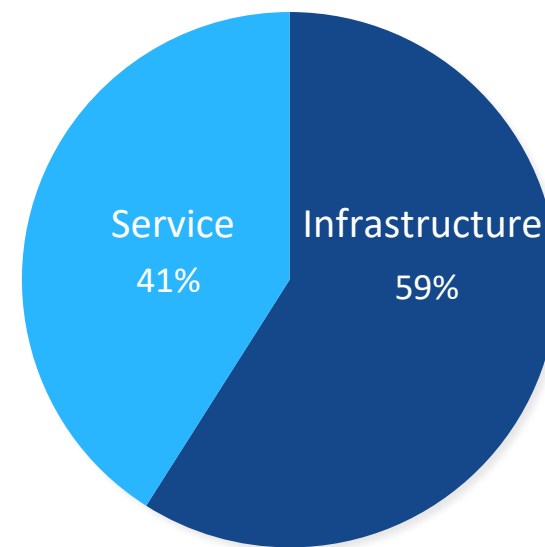
### 3Q20 Highlights

- Currency-neutral 3Q20 revenues flat y-o-y supported by essential services
- Performance in line; YTD EBITDA reached 77% of Axtel's revised full year guidance
- Received high number of offers in sale process; focus on potential transaction for all Axtel
- Cash US \$163 million; up \$6 million versus 2Q20

### EBITDA (US \$ Million)



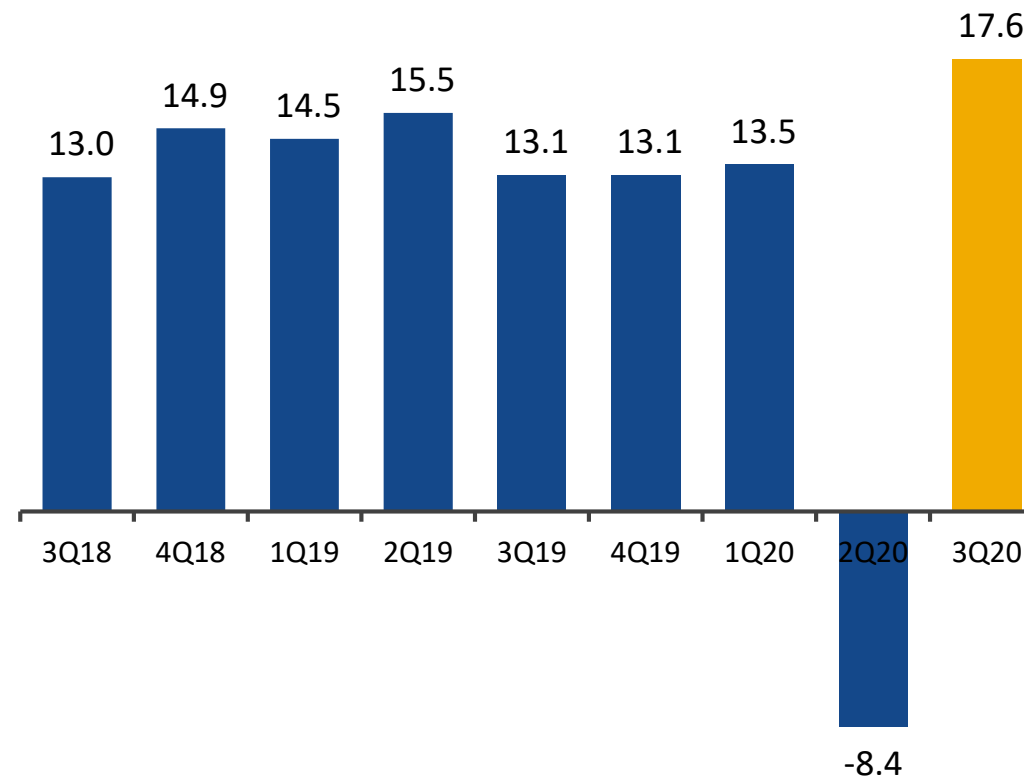
### Current EBITDA by Business Unit (Total 3Q20: US \$49 million)



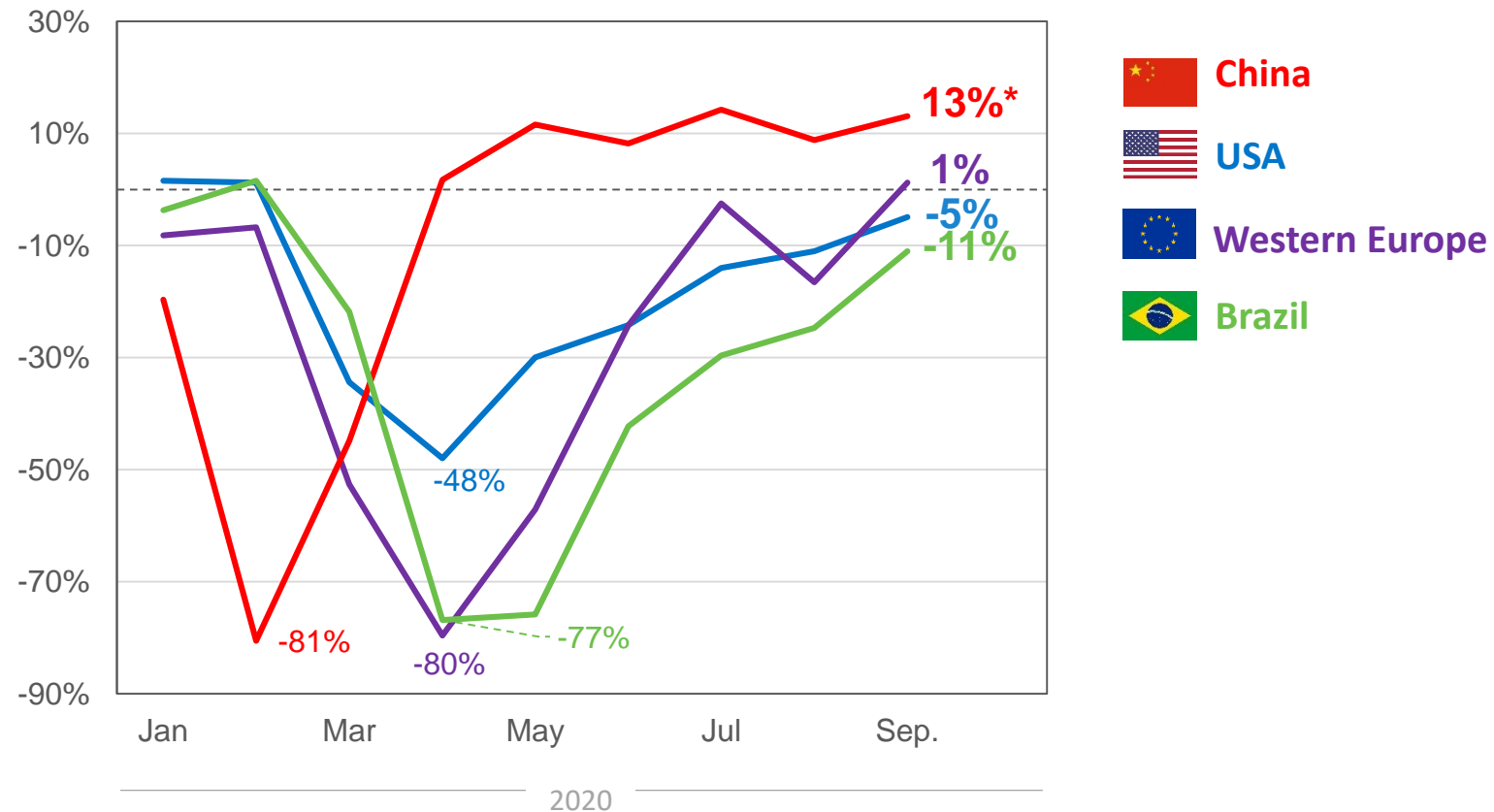
## 3Q20 Highlights

- Record EBITDA per equivalent unit of US \$17.6
- Cost reductions of 28% and 9% in SG&A and COGS, respectively
- Reached approximately US \$850 million in total awarded business for structural and electric vehicle components
- Cash US \$656 million; up US \$7 million versus 2Q20
- Net Debt/EBITDA of 3.4 times (3.1 times adjusting for non-recurring severance expenses)

## EBITDA / Equivalent Unit



## Vehicle Sales YoY Change





## Contact

Hernán F. Lozano  
V.P. of Investor Relations

T. +52 (81) 8748-2521  
[iralfa@alfa.com.mx](mailto:iralfa@alfa.com.mx)