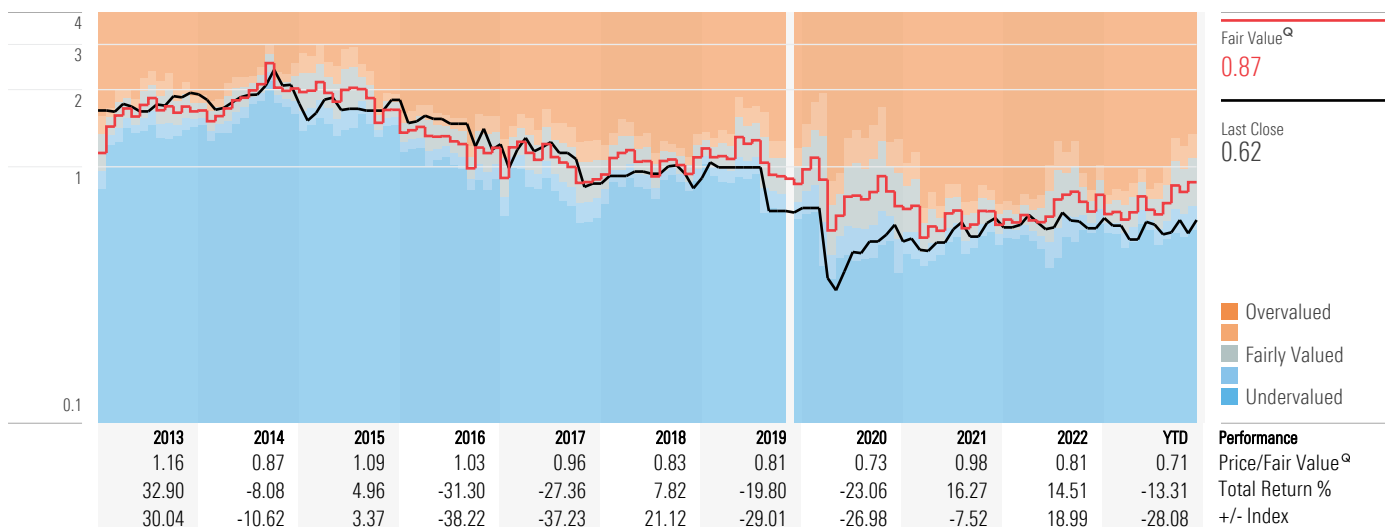


# Alfa SAB de CV Class A XALFA ★★★ Q 29 Nov 2023, 23:40 UTC

|                                   |                                 |                                      |  |                                  |                   |                         |                 |                     |
|-----------------------------------|---------------------------------|--------------------------------------|--|----------------------------------|-------------------|-------------------------|-----------------|---------------------|
| <b>Economic Moat</b> <sup>Q</sup> | <b>Uncertainty</b> <sup>Q</sup> | <b>Price/Fair Value</b> <sup>Q</sup> | <b>ESG Risk Rating Assessment</b> <sup>1</sup> | <b>Trailing Dividend Yield %</b> | <b>Market Cap</b> | <b>Investment Style</b> | <b>Sector</b>   | <b>Industry</b>     |
| None                              | Very High                       | 0.7                                  | 1 Nov 2023 05:00, UTC                          | 3.01                             | 3.0301 Bil        | Mid Value               | Basic Materials | Specialty Chemicals |



As of 29 Nov 2023 | Index: Morningstar Mexico GR MXN. Fair Value data as of 29 Nov 2023, 23:40 UTC.

<sup>1</sup>The ESG Risk Rating Assessment is a representation of Sustainalytics' ESG Risk Rating. Lee Davidson, Chief Analytics Officer for Morningstar, Inc, oversees the methodology that supports Quantitative Fair Value Estimates and Quantitative Star Ratings. Mr. Davidson is guided by the Morningstar, Inc. Code of Ethics in carrying out his responsibilities. For information regarding Conflicts of Interests, visit <http://global.morningstar.com/equitydisclosures>.

## Key Metrics as of 28 Nov 2023

| Metrics                | Value | Percentile in Sector |
|------------------------|-------|----------------------|
| Earnings Yield (%)     | 12.2  | 90.0                 |
| Sales Yield (%)        | 628.0 | 97.0                 |
| Book Value Yield (%)   | 59.7  | 41.0                 |
| Return on Assets (%)*  | 2.6   | 69.0                 |
| Revenue(Bil)*          | 20.7  | 98.0                 |
| Market Value (Bil)     | 3.3   | 88.0                 |
| Enterprise Value (Bil) | 7.9   | 91.0                 |
| EVMV Ratio             | 2.4   | 94.0                 |
| Volatility TTM (%)     | 21.5  | 15.0                 |
| Drawdown TTM (%)       | 26.9  | 27.0                 |
| Volume (Mil)           | 5.5   | 91.0                 |

\*31 Mar 2023

## Business Description

Alfa SAB de CV is a Mexican company controlling three principal businesses: Alpek; Sigma and Axtel. The segments of the company are: 1) Alpek, This segment operates in the petrochemical and synthetic fibers industry, and its revenues are derived from sales of its products: polyester, plastics and chemicals. 2) Sigma, This segment operates in the refrigerated food sector and its revenues are derived from sales of its main products: deli meats, dairy and other processed foods. 3) Axtel, This segment operates in the telecommunications sector and its revenues are derived from the provision of data transmission services, internet and long-distance phone service. 4) Other segments, include all other companies operating in business services and others that are non-reportable segments.

The key factors behind these ratings are the company's earnings yield and drawdown. The earnings yield is 12.03%, and its maximum trailing 12-month maximum drawdown is 27.20%. The earnings yield falls at the 90th percentile in the basic materials sector while the drawdown is at the 22nd percentile. Over the past year, the company's earnings yield has been between 9.03% and 22.17%; its drawdown has ranged between 20.88% and 27.20%.

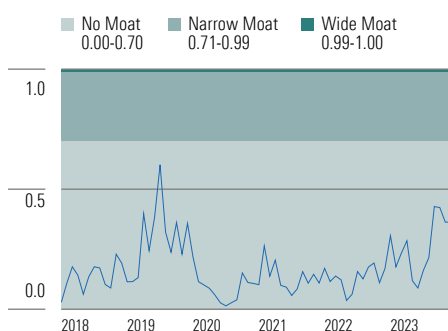
## Economic Moat <sup>Q</sup> as of 29 Nov 2023

Quantitatively, we do not believe Alfa SAB de has an economic moat. Its moat score of 0.36 corresponds to the 32nd percentile in the basic materials sector. Furthermore, this rating has not changed over the past year, while the company's moat score fell from its maximum of 0.44 in this period (score of 1 indicates greatest economic moat).

The company also maintains a quantitative financial health rating of Moderate. Its score sits at the 37th percentile overall and the 44th percentile in the sector.

Examining the company's financials and market statistics, we find these ratings are principally driven by its book value yield and enterprise value-to-market value ratio. The book value yield is 59.10%, sitting at the 40th percentile in the basic materials sector. The company's enterprise value-to-market value ratio is 2.39, corresponding to the 90th percentile in the equity coverage universe and the 94th percentile in the sector.

## Economic Moat <sup>Q</sup> History as of 29 Nov 2023



## Valuation <sup>Q</sup> as of 30 Nov 2023

Morningstar maintains a 3-star quantitative star rating for Alfa SAB de, derived from the firm's valuation and uncertainty scores.

The company's shares last closed at 0.62, below our quantitative fair value estimate of 0.87. These shares have traded between a 34.47% and 7.1% discount to their fair value estimate over the past year. In Morningstar's equity coverage universe for this methodology, the company's valuation rating lands at the 49th percentile; in the basic materials sector, the firm's score lies at the 69th percentile (meaning the shares are more undervalued than 69% of stocks in the sector).


Furthermore, Alfa SAB de maintains a quantitative valuation uncertainty rating of Very High.

The company has held this star rating since the previous rating of 4, which was last assigned on 11/17/2023. The uncertainty rating for Alfa SAB de has remained Very High since the previous rating of High, which was last assigned on 09/14/2023.

## Fundamentals as of 29 Nov 2023

Alfa SAB de reports earnings per share of 1.44. Its return on invested capital is 6.95%. The company maintains a dividend yield of 3.39%, paying out 24.92% of earnings. These values are calculated

## Alfa SAB de CV Class A XALFA ★★★ Q 29 Nov 2023, 23:40 UTC

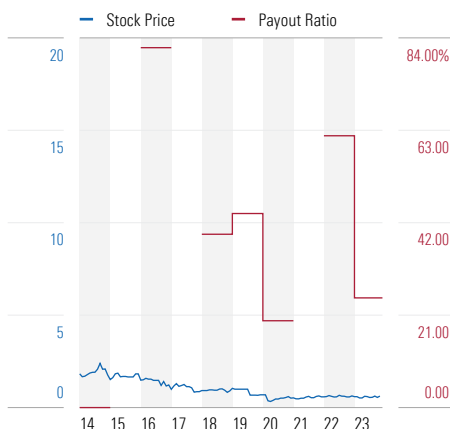
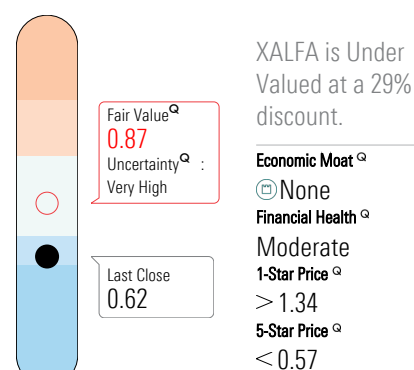
|                                   |                                 |                                      |  |                                  |                   |                         |                 |                     |
|-----------------------------------|---------------------------------|--------------------------------------|--|----------------------------------|-------------------|-------------------------|-----------------|---------------------|
| <b>Economic Moat</b> <sup>Q</sup> | <b>Uncertainty</b> <sup>Q</sup> | <b>Price/Fair Value</b> <sup>Q</sup> | <b>ESG Risk Rating Assessment</b> <sup>1</sup>   | <b>Trailing Dividend Yield</b> % | <b>Market Cap</b> | <b>Investment Style</b> | <b>Sector</b>   | <b>Industry</b>     |
| None                              | Very High                       | 0.7                                  | <br>1 Nov 2023 05:00, UTC | 3.01                             | 3.0301 Bil        | Mid Value               | Basic Materials | Specialty Chemicals |

**Earnings** as of 28 Nov 2023

| Earnings           | %    | Percentile in Sector |
|--------------------|------|----------------------|
| Dividend Yield*    | 3.4  | 55.0                 |
| Payout Ratio*      | 24.9 | 31.0                 |
| Price to Earnings  | 8.0  | 26.0                 |
| Price to Cash Flow | 2.8  | 8.0                  |
| ROIC**             | 7.0  | 75.0                 |

\*31 Oct 2023

\*\*31 Mar 2023

**Dividends** as of 29 Nov 2023**Valuation** <sup>Q</sup> as of 29 Nov 2023

over a trailing 12-month period.

As of last market close, Alfa SAB de has a price-to-earnings ratio of 8, falling at the 26th percentile in its sector (where a lower percentile means a lower ratio) and ranging between 4.53 and 11.19 over the past year. The company's price-to-free cash flow ratio is 2.79, falling at the 8th percentile in its sector and ranging between 2.41 and 4.71 over the past year.

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**Financials** as of 29 Nov 2023 (Fiscal Year End 31 Dec 2023)

|        | 2013   | 2014   | 2015   | 2016   | 2017  | 2018  | 2019  | 2020  | 2021  | 2022  | YTD                       | Fiscal |
|--------|--------|--------|--------|--------|-------|-------|-------|-------|-------|-------|---------------------------|--------|
| 203    | 229    | 258    | 294    | 318    | 276   | 260   | 252   | 297   | 364   | 185   | Revenue (Bil)             |        |
| 16.24  | 17.10  | 22.33  | 26.41  | 20.53  | 19.76 | 13.37 | 15.67 | 27.59 | 32.34 | 7.57  | Operating Income (Bil)    |        |
| 7.98   | 7.46   | 8.64   | 8.99   | 6.46   | 7.16  | 5.14  | 6.22  | 9.29  | 8.89  | 4.09  | Operating Margin (%)      |        |
| 5.93   | -2.04  | 3.78   | 2.33   | -2.05  | 13.14 | 5.81  | 3.93  | 4.11  | 11.72 | -0.73 | Net Income (Bil)          |        |
| 1.15   | -0.40  | 0.74   | 0.45   | -0.40  | 2.60  | 1.15  | 0.80  | 0.84  | 2.42  | -0.15 | Diluted Earnings/Share    |        |
| 20     | 24     | 31     | 37     | 34     | 35    | 31    | 29    | 26    | 28    | 28    | Operating Cash Flow (Bil) |        |
| -12.20 | -14.43 | -17.39 | -26.07 | -21.17 | -9.83 | -9.97 | -5.58 | -9.96 | -7.98 | -7.98 | Capital Spending (Bil)    |        |
| 7.56   | 9.52   | 13.11  | 11.23  | 13.23  | 25.22 | 20.60 | 23.77 | 16.41 | 19.68 | 19.68 | Free Cash Flow (Bil)      |        |
| 5,144  | 5,143  | 5,129  | 5,121  | 5,088  | 5,055 | 5,037 | 4,942 | 4,909 | 4,859 | 4,728 | Avg Shares Outstand(Mil)  |        |

**Valuation** as of 29 Nov 2023

|       | 2013  | 2014 | 2015  | 2016 | 2017  | 2018 | 2019 | 2020 | 2021  | 2022 | Current                       | Calendar |
|-------|-------|------|-------|------|-------|------|------|------|-------|------|-------------------------------|----------|
| 1.16  | 0.87  | 1.09 | 1.03  | 0.96 | 0.83  | 0.81 | 0.73 | 0.98 | 0.81  | 0.71 | Price/Fair Value <sup>Q</sup> |          |
| 0.96  | 0.82  | 0.74 | 0.53  | 0.36 | 0.31  | 0.23 | 0.19 | 0.25 | 0.21  | 0.16 | Price/Sales                   |          |
| 30.29 | 32.86 | —    | 39.53 | —    | 14.06 | 9.02 | 6.82 | —    | 11.04 | 8.04 | Price/Earnings                |          |
| 10.57 | 8.91  | 7.99 | 4.89  | 3.00 | 3.24  | 2.28 | 2.13 | 2.46 | 2.62  | 2.00 | Price/Cash Flow               |          |
| 3.41  | 3.02  | 3.09 | 2.13  | 1.69 | 1.64  | 1.14 | 0.84 | 1.66 | 1.60  | 1.64 | Price/Book                    |          |

**Operating Performance** as of 29 Nov 2023 (Fiscal Year End 31 Dec 2023)

|       | 2013  | 2014 | 2015 | 2016  | 2017 | 2018 | 2019 | 2020  | 2021  | 2022  | Q3                      | Fiscal (%) |
|-------|-------|------|------|-------|------|------|------|-------|-------|-------|-------------------------|------------|
| 3.71  | -1.02 | 1.51 | 0.76 | -0.58 | 3.61 | 1.64 | 1.32 | 1.56  | 4.31  | -0.35 | Return on Assets        |            |
| 10.93 | -3.64 | 6.43 | 3.37 | -2.82 | 18.4 | 8.0  | 7.13 | 10.58 | 28.94 | -2.38 | Return on Equity        |            |
| 7.55  | 0.27  | 4.35 | 3.44 | 1.52  | 8.48 | 4.92 | 4.65 | 5.37  | 9.56  | 1.04  | Rtn on Invested Capital |            |

**Dividends** as of 29 Nov 2023

|      | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Current                 | Calendar (%) |
|------|------|------|------|------|------|------|------|------|------|------|-------------------------|--------------|
| 0.05 | —    | 0.03 | 0.03 | 0.03 | 0.03 | 0.04 | 0.03 | 0.02 | 0.04 | 0.06 | Dividend Per Share      |              |
| 0.85 | —    | 1.4  | 2.27 | 3.37 | 2.75 | 4.8  | 3.92 | 2.67 | 5.32 | 3.01 | Trailing Dividend Yield |              |
| 0.19 | 0.06 | 0.15 | 0.35 | 0.0  | 1.3  | 0.0  | 1.2  | 1.8  | 0.2  | 2.23 | Buyback Yield           |              |

# Appendix

**Economic Moat** <sup>®</sup>History as of 29 Nov 2023 (No Moat: 0.00-0.70, Narrow Moat: 0.70-0.99, Wide Moat: 0.99-1.00)

| Year | January | February | March | April | May  | June | July | August | September | October | November | December |
|------|---------|----------|-------|-------|------|------|------|--------|-----------|---------|----------|----------|
| 2023 | 0.31    | 0.18     | 0.23  | 0.29  | 0.12 | 0.09 | 0.16 | 0.21   | 0.43      | 0.42    | 0.36     | —        |
| 2022 | 0.17    | 0.12     | 0.14  | 0.12  | 0.04 | 0.06 | 0.16 | 0.13   | 0.18      | 0.19    | 0.11     | 0.17     |
| 2021 | 0.10    | 0.26     | 0.14  | 0.20  | 0.10 | 0.09 | 0.06 | 0.08   | 0.16      | 0.11    | 0.15     | 0.11     |
| 2020 | 0.22    | 0.11     | 0.10  | 0.09  | 0.06 | 0.03 | 0.01 | 0.03   | 0.04      | 0.15    | 0.11     | 0.11     |
| 2019 | 0.11    | 0.12     | 0.13  | 0.40  | 0.24 | 0.38 | 0.60 | 0.32   | 0.24      | 0.36    | 0.23     | 0.36     |
| 2018 | 0.03    | 0.11     | 0.18  | 0.14  | 0.06 | 0.14 | 0.18 | 0.17   | 0.10      | 0.09    | 0.23     | 0.19     |

# Quantitative Equity Report Overview

The quantitative report on equities consists of data, statistics and quantitative equity ratings on equity securities. Morningstar, Inc.'s quantitative equity ratings are forward looking and are generated by a statistical model that is based on Morningstar Inc.'s analyst-driven equity ratings and quantitative statistics. Given the nature of the quantitative report and the quantitative ratings, there is no one analyst in which a given report is attributed to; however, Mr. Lee Davidson, Head of Quantitative Research for Morningstar, Inc., is responsible for overseeing the methodology that supports the quantitative equity ratings used in this report. As an employee of Morningstar, Inc., Mr. Davidson is guided by Morningstar, Inc.'s Code of Ethics and Personal Securities Trading Policy in carrying out his responsibilities.

## Quantitative Equity Ratings

Morningstar's quantitative equity ratings consist of: (i) Quantitative Fair Value Estimate, (ii) Quantitative Star Rating, (iii) Quantitative Uncertainty, (iv) Quantitative Economic Moat, and (v) Quantitative Financial Health (collectively the "Quantitative Ratings").

The Quantitative Ratings are calculated daily and derived from the analyst-driven ratings of a company's peers as determined by statistical algorithms. Morningstar, Inc. ("Morningstar", "we", "our") calculates Quantitative Ratings for companies whether or not it already provides analyst ratings and qualitative coverage. In some cases, the Quantitative Ratings may differ from the analyst ratings because a company's analyst-driven ratings can significantly differ from other companies in its peer group.

i. **Quantitative Fair Value Estimate:** Intended to represent Morningstar's estimate of the per share dollar amount that a company's equity is worth today. Morningstar calculates the Quantitative Fair Value Estimate using a statistical model derived from the Fair Value Estimate Morningstar's equity analysts assign to companies. Please go to <http://global.morningstar.com/equitydisclosures> for information about Fair Value Estimate Morningstar's equity analysts assign to companies.

ii. **Quantitative Economic Moat:** Intended to describe the strength of a firm's competitive position. It is calculated using an algorithm designed to predict the Economic Moat rating a Morningstar analyst would assign to the stock. The rating is expressed as Narrow, Wide, or None.

**Narrow** – assigned when the probability of a stock receiving a "Wide Moat" rating by an analyst is greater than 70% but less than 99%.

**Wide** – assigned when the probability of a stock receiving a "Wide Moat" rating by an analyst is greater than 99%.

**None** – assigned when the probability of an analyst receiving a "Wide Moat" rating by an analyst is less than 70%.

iii. **Quantitative Star Rating:** Intended to be the summary rating based on the combination of our Quantitative Fair Value Estimate, current market price, Quantitative Uncertainty Rating, and momentum. The rating is expressed as One-Star, Two-Star, Three-Star, Four-Star, and Five-Star.

★ – the stock is overvalued with a reasonable margin of safety.

*Log (Quant FVE/Price) < -1\*Quantitative Uncertainty*

*Micro-Caps: Log (Quant FVE/Price) < -1.5\*Quantitative Uncertainty*

★★ – the stock is somewhat overvalued.

*Log (Quant FVE/Price) between (-1\*Quantitative Uncertainty, -0.5\*Quantitative Uncertainty)*

*Micro-Caps: Log (Quant FVE/Price) between (-1.5\*Quantitative Uncertainty, -0.75\*Quantitative Uncertainty)*

★★★ – the stock is approximately fairly valued.

*Log (Quant FVE/Price) between (-0.5\*Quantitative Uncertainty, 0.5\*Quantitative Uncertainty)*

*Micro-Caps: Log (Quant FVE/Price) between (-0.75\*Quantitative Uncertainty, 0.75\*Quantitative Uncertainty)*

★★★★ – the stock is somewhat undervalued.

*Log (Quant FVE/Price) between (0.5\*Quantitative Uncertainty, 1\*Quantitative*

*Uncertainty)*

*Micro-Caps: Log (Quant FVE/Price) between (0.75\*Quantitative Uncertainty, 1.5\*Quantitative Uncertainty)*

★★★★★ – the stock is undervalued with a reasonable margin of safety.

*Log (Quant FVE/Price) > 1\*Quantitative Uncertainty*

*Micro-Caps: Log (Quant FVE/Price) > 1.5\*Quantitative Uncertainty*

After the initial calculation for the star rating, there is a final filtering step based on the momentum of the company. We rank the companies based on their 12-1 month momentum, then restrict those below the 30th percentile to a maximum of 3 stars.

iv. **Quantitative Uncertainty:** Intended to represent Morningstar's level of uncertainty about the accuracy of the Quantitative Fair Value Estimate. Generally, the lower the Quantitative Uncertainty, the narrower the potential range of outcomes for that particular company. The rating is expressed as Low, Medium, High, Very High, and Extreme.

**Low** – the interquartile range for possible fair values is less than 10%

**Medium** – the interquartile range for possible fair values is less than 15% but greater than 10%

**High** – the interquartile range for possible fair values is less than 35% but greater than 15%

**Very High** – the interquartile range for possible fair values is less than 80% but greater than 35%

**Extreme** – the interquartile range for possible fair values is greater than 80%

v. **Quantitative Financial Health:** Intended to reflect the probability that a firm will face financial distress in the near future. The calculation uses a predictive model designed to anticipate when a company may default on its financial obligations. The rating is expressed as Weak, Moderate, and Strong.

**Weak** – assigned when Quantitative Financial Health < 0.2

**Moderate** – assigned when Quantitative Financial Health is between 0.2 and 0.7

**Strong** – assigned when Quantitative Financial Health > 0.7

## Other Definitions

i. **Last Close** – Price of the stock as of the close of the market of the last trading day before date of the report.

ii. **Quantitative Valuation** – Using the below terms, intended to denote the relationship between the security's **Last Price** and Morningstar's quantitative fair value estimate for that security.

**Undervalued – Last Price** is below Morningstar's quantitative fair value estimate.

**Fairly Valued – Last Price** is in line with Morningstar's quantitative fair value estimate.

**Fairly Valued – Last Price** is in line with Morningstar's quantitative fair value estimate.

**Overvalued – Last Price** is above Morningstar's quantitative fair value estimate.

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Sustainalytics analyzes over 1,300 data points to assess a company's exposure to and management of ESG risks. In other words, ESG Risk Ratings measures a company's unmanaged ESG Risks represented as a quantitative score. Unmanaged Risk is measured on an open-ended scale starting at zero (no risk) with lower scores representing less unmanaged risk and, for 95% of cases, the unmanaged ESG Risk score is below 50.

Based on their quantitative scores, companies are grouped into one of five Risk Categories (negligible, low, medium, high, severe). These risk categories are absolute, meaning that a 'high risk' assessment reflects a comparable degree

of unmanaged ESG risk across all subindustries covered.

The ESG Risk Rating Assessment is a visual representation of Sustainalytics ESG Risk Categories on a 1 to 5 scale. Companies with Negligible Risk = 5 Globes, Low Risk = 4, Medium Risk = 3 Globes, High Risk = 2 Globes, Severe Risk = 1 Globe. For more information, please visit [sustainalytics.com/esg-ratings/](https://sustainalytics.com/esg-ratings/)

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