

# ALFA reports 3Q20 EBITDA of US \$444 million with Nemak as Discontinued Operations; US \$621 million including Nemak

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- Greatest EBITDA growth quarter on quarter (+65%) in over two decades
- "Unlocking Value" transformational initiative moving forward; focus on Nemak spin-off and Axtel monetization

MONTERREY, Oct. 21, 2020 - [ALFA, S.A.B. de C.V.](#) (BMV: ALFAA) (ALFA), a company that manages a diversified portfolio of subsidiaries with global operations announced today its unaudited results for the third quarter of 2020 ("3Q20"). All figures have been prepared in accordance with International Financial Reporting Standards ("IFRS").

## 3Q20 Highlights

### ALFA

- "Unlocking Value" transformational initiative moving forward; focus on Nemak spin-off and Axtel monetization
- 3Q20 EBITDA up 65% vs 2Q20; fastest quarter on quarter recovery in over two decades

### Alpek

- Record volume driven by solid PET demand plus recovery in Construction and Auto
- Strong sequential EBITDA growth amid favorable recovery in oil and feedstock prices

### Sigma

- Currency-neutral Sales up year-on-year across all regions (ex-Foodservice)
- 3Q20 EBITDA margin of 11.4%; including a sequential margin expansion in Europe

### Axtel

- Received a high number of non-binding offers for the Infrastructure unit and all assets
- Monetization process advanced to second stage, focusing on a potential transaction

### Nemak (Discontinued Operation)

- Highest quarterly EBITDA since 2Q18 (US \$178 million)
- Record EBITDA per equivalent unit of US \$17.6 boosted by leaner cost structure

## Message from ALFA's President

"I hope that you and your loved ones are continuing to stay safe and healthy. The third quarter was pivotal for ALFA as we kicked-off a transformational process to unlock value and operating results posted a V-shaped recovery. The strength of our individual businesses, the essential nature of many of our goods and services, plus the resilience of our teams around the world contributed to the fastest quarter on quarter EBITDA recovery in more than 20 years.

In addition to our immediate response to the coronavirus pandemic, focused on Safety and Business Continuity, ALFA is on sight of its strategic priority to unlock unrecognized value.

Over the years, we have assembled, nurtured and grown a portfolio of diverse companies that are now all leaders in their respective industries. However, the strong underlying fundamentals of each individual business are not fully reflected in the valuation. Hence, we believe that the most effective way to achieve a higher valuation is for ALFA to evolve towards fully independent and autonomous businesses via its "Unlocking Value" initiative.

We anticipate this will be a medium-term journey that requires a gradual and orderly implementation to maximize shareholder value while maintaining a strong credit profile. The two key events in the short term are the Nemak spin-off and the Axtel monetization.

process; both of which advanced significantly during the third quarter.

The proposal to spin-off ALFA's ownership stake in Nemak was approved by shareholders in August. Over the next few weeks, we expect to finalize the administrative, listing and exchange process through which ALFA shareholders will receive one share of "Controladora Nemak" for each of their ALFA shares, in addition to retaining their share ownership in ALFA's equity. "Controladora Nemak" will be the new, listed entity that will hold ALFA's ownership stake in Nemak. As a result of progress to date, Nemak will be accounted for as a discontinued operation in ALFA's consolidated financial results beginning this quarter.

Moreover, the monetization process of Axtel continued to move forward as the company received attractive, non-binding offers and entered the second phase. It is important to note that the proposals selected by Axtel to advance to the next stage involve a potential transaction for the whole company, including its two business units. We reaffirm our commitment to use the proceeds from the potential sale of Axtel to reduce debt as planned in ALFA's Unlocking Value project.

Other 3Q20 developments that contribute to ALFA's "Unlocking Value" initiative by increasing focus on core businesses, strengthening our balance sheet and enhancing business independence include:

- Newpek's divestment of all its assets in Texas.
- Alpek's announcement that it will begin to recover US \$160 million in secured debt plus interest from M&G Mexico.
- The joint analysis of all Corporate Services (e.g. Finance, Legal, HR) as Subsidiaries seek to achieve full independence in the medium term.

From a macro standpoint, we were pleased to see a V-shaped recovery on key variables that caused temporary distortions in results. Global auto production ramped-up, oil prices increased, restaurants and hotels continued their gradual reopening and the Mexican Peso strengthened, among others.

Overall, we believe ALFA's performance this quarter reflects: i) solid demand for our products and services supported by shifts in consumer behavior amid the pandemic, ii) our Teams' extraordinary efforts and ability to overcome unprecedented challenges, and iii) improving macro conditions.

ALFA's Consolidated 3Q20 EBITDA with Nemak as Discontinued Operations was up 65% versus 2Q20 and 8% when compared to 3Q19. Alpek achieved a new record high quarterly volume and benefitted from a rising oil and feedstock price environment on quarter. Whereas, Sigma achieved an EBITDA margin of 11.4% in 3Q20, including a sequential margin expansion of 290 basis points in Europe.

ALFA's Proforma 3Q20 EBITDA (including Nemak) of US \$621 million was more than 2.5x 2Q20 EBITDA, boosted by the swift turnaround. The company set a new benchmark in terms of rapid cost structure realignment and successful production ramp-up in all its regions.

As a result, Nemak posted its highest quarterly EBITDA since 2Q18 and reached a new record EBITDA per equivalent unit of \$17.6. In addition, Nemak continued expanding its pipeline of Structural and Electric Vehicle Components (SC/EV), which totalled approximately US \$850 million in total awarded business at the close of 3Q20. We are proud of Nemak's solid track record of transitions to become ALFA's first independent business.

ALFA's financial position strengthened in 3Q20 resulting from lower Net Debt and higher EBITDA. Net Leverage of 3.0x with Nemak as Discontinued Operations was lower year-on-year and quarter-on-quarter. Moreover, we started to reduce excess cash gradually as conditions normalize. At the close of 3Q20, ALFA's consolidated cash balance with Nemak as Discontinued Operations was US \$1,408 million, compared to US \$1,748 million in 2Q20.

Looking forward, we remain optimistic that the worst part of the economic shutdowns may be behind us. ALFA and its Subsidiaries will continue to ensure the highest safety standards, focus on business continuity and pursue strategic priorities.

I would like to recognize and thank each of our team members; whose hard work and dedication have been fundamental in emerging strongly from this crisis."

Keep well/Stay safe,



## SELECTED FINANCIAL INFORMATION (US \$ Millions)

	3Q20	2Q20	3Q19	Ch. % vs.	Ch. % vs.	YTD '20	YTD '19	Ch. %
	2Q20				3Q19			
<b>ALFA &amp; Subs with Nemak as Discontinued Operations</b>								
ALFA Revenues	3,056	2,789	3,356	10	(9)	9,106	10,195	(11)
Alpek	1,325	1,175	1,523	13	(13)	3,933	4,809	(18)
Sigma	1,577	1,470	1,632	7	(3)	4,684	4,758	(2)
Axtel	140	132	165	6	(15)	429	504	(15)
Newpek	2	7	16	(67)	(85)	26	58	(56)
ALFA EBITDA <sup>1</sup>	444	269	409	65	8	1,133	1,174	(3)
Alpek	179	74	194	140	(8)	364	495	(27)
Sigma	179	159	182	13	(1)	506	527	(4)
Axtel	49	53	57	(7)	(14)	257	211	22
Newpek	46	(8)	(11)	680	507	33	(25)	229
Majority Net Income <sup>2</sup>	171	(88)	60	294	187	253	220	15
CAPEX & Acquisitions <sup>3</sup>	67	85	130	(21)	(48)	234	348	(33)
Net Debt <sup>4</sup>	4,894	6,640	7,032	(26)	(30)	4,894	7,032	(30)
Net Debt/LTM EBITDA <sup>5</sup>	3.0	3.2	3.1					
LTM Interest Coverage <sup>6</sup>	5.6	5.3	6.9					
<b>Nemak (as Discontinued Operations)</b>								
Revenues	896	403	963	122	(7)	2,205	3,076	(28)
EBITDA	178	(37)	139	578	28	282	487	(42)
CAPEX & Acquisitions	49	43	74	14	(34)	188	246	(24)
Net Debt	1,405	0	0	-	-	0	0	-

1 EBITDA = Operating Income + depreciation and amortization + impairment of assets.

2 Majority Net Income includes Majority Net Income from Discontinued Operations (Nemak).

3 Gross amount; excludes divestments and Capex from Discontinued Operations (Nemak).

4 Net Debt adjusted for Discontinued Operations (excluding Nemak) at the close of 3Q20; previous periods unchanged.

5 Times. LTM = Last 12 months. Ratio calculated with Discontinued Operations for all periods.

6 Times. LTM = Last 12 months. Interest Coverage = EBITDA/Net Financial Expenses with Discontinued Operations.

## 3Q20 EARNINGS CALL INFORMATION

Date: Thursday, October 22, 2020

Time: 1:00 p.m. EST (NY) / 12:00 p.m. CST (CDMX)

By Phone: United States: +1-877-451-6152

International: +1-201-389-0879

Mexico: 800-522-0034

Conference ID: 13711346

Webcast: <http://public.viavid.com/index.php?id=141720>

Replay: <https://www.alfa.com.mx/RI/conference.htm>

### Contact

Hernán F. Lozano  
VP Investor Relations  
[ALFA, S.A.B. de C.V.](#)  
T. +52 (81) 8748-2521  
iralfa@alfa.com.mx

Carolina Alvear  
Corporate Communication Director  
[ALFA, S.A.B. de C.V.](#)  
T. +52 (81) 8748-2521  
comunicacion@alfa.com.mx

### About ALFA

ALFA manages a diversified portfolio of subsidiaries with global operations: Alpek, one of the world's largest producers of polyester (PTA, PET and fibers), and the leader in the Mexican market for polypropylene, expandable polystyrene (EPS) and caprolactam. Sigma, a leading multinational food company, focused on the production, marketing and distribution of quality foods through recognized brands in Mexico, Europe, United States and Latin America. Axtel, a provider of Information Technology and Communication services for the enterprise and government segments in Mexico. Newpek, an oil and gas exploration and production company with operations in Mexico and the United States. Nemak, a leading provider of innovative lightweighting solutions for the global automotive industry, specializing in the development and manufacturing of aluminum components for powertrain, structural components and for electric vehicles. In 2019, ALFA reported revenues of Ps. 337,750 million (US \$17.5 billion), and EBITDA of Ps. 44,280 million (US \$2.3 billion). ALFA's shares are quoted on the Mexican Stock Exchange and on Latibex, the market for Latin American shares of the Madrid Stock Exchange. For more information, please visit [www.alfa.com.mx](http://www.alfa.com.mx)

### Disclaimer

This release may contain 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 could vary from those set forth in this release. The report presents unaudited financial information. Figures are presented in Mexican Pesos or US Dollars, as indicated. Where applicable, Peso amounts were translated into US Dollars using the average exchange rate of the months during which the operations were recorded. Financial ratios are calculated in US Dollars. Due to the rounding up of figures, small differences may occur when calculating percent changes from one period to the other.

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