



SECOND QUARTER 2020  
**EARNINGS WEBCAST**

# Today's Speakers

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## Topics for Today's Webcast

- I. COVID-19 Update**
- II. Financial Performance**
- III. Long-term Growth Strategy**

# COVID-19 Update



## Feedstock Prices

- Lower crude oil demand in Asia results in historically low prices for Crude Oil and Px
- Resulting in negative Inventory loss & RMCf effects in 2Q20, with potential to revert in 3Q20



## Polyester Margins

- Solid demand and lower Asian PTA/PET output improved margins (+13% QoQ)



## Operations

- Alpek's businesses deemed as essential / No adverse effect to operations
- Increased safety measures for employees at plants and home-office whenever possible



## Demand

- Strong PET volume, particularly due to emphasis on hygiene and safety
- EPS volume from Construction segment impacted in Mexico, though rebounded in June



## 2Q20 Financial Highlights

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**Strong Alpek performance QoQ** best explained through Comparable EBITDA excluding RMCF result (US\$149M / +1% QoQ)

**Polyester margins increased** by 13% QoQ and **Volume on record-setting pace** (+4% YTD) but lower vs. 1Q20 record high (-6% QoQ)

Temporary negative Inventory Adjustment (-US\$42M) and Raw Material Carry-forward (-US\$39M) effects in 2Q20 as **feedstock prices fell to historical lows**

Focus on FCF as **Net Debt reduced** (-31% YoY) and **CAPEX lowered** (-61% YoY)

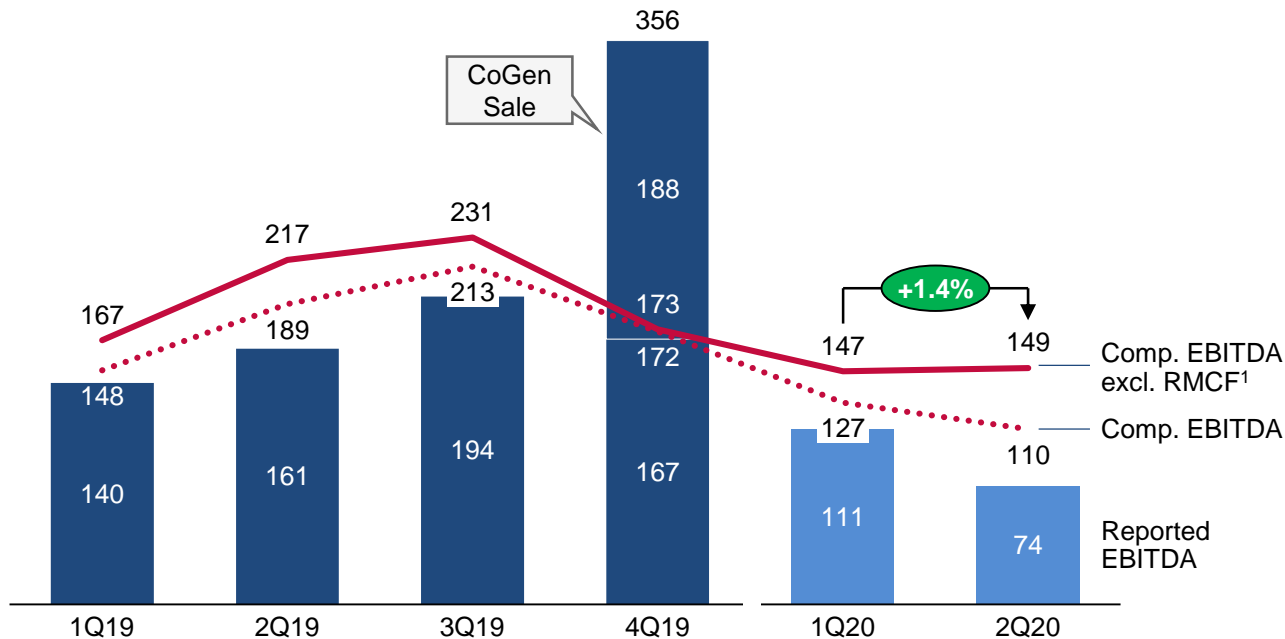
US\$81.6M **dividend suspended**, but open for review by Board of Directors in 2H20

**Liquidity strength continues** as **cash balance improved** (+7% QoQ) and US\$1.4B in total **credit lines were maintained**



# EBITDA Evolution

## Alpek EBITDA (US\$M)



- Comparable EBITDA excluding RMCF<sup>1</sup> of US\$149M (+1% QoQ)
- Quarter on quarter improvement as stronger Polyester margins (+13%) more than offset lower volume (-6% QoQ)
- Comparable EBITDA and Reported EBITDA lower QoQ due to larger Inventory Losses & RMCF effects

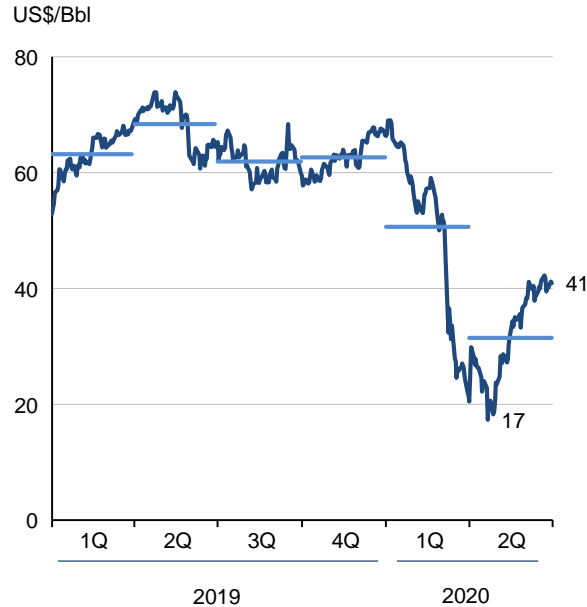
(1) Raw Material Carry-forward



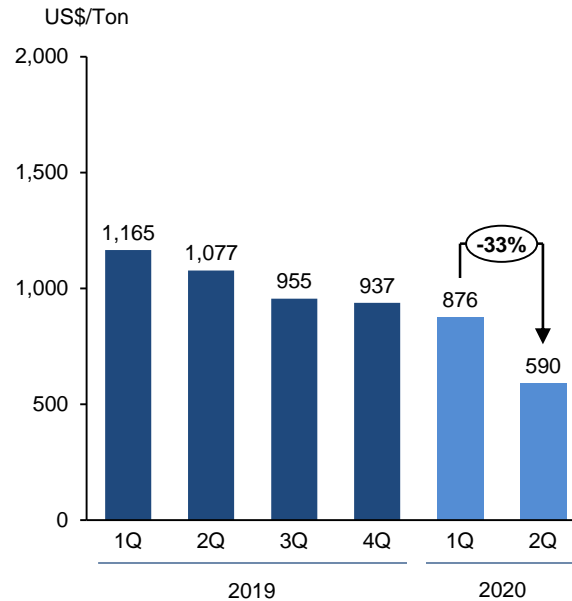
# Feedstock Costs

Crude Oil, Px and Propylene all reached record lows in April/May 2020

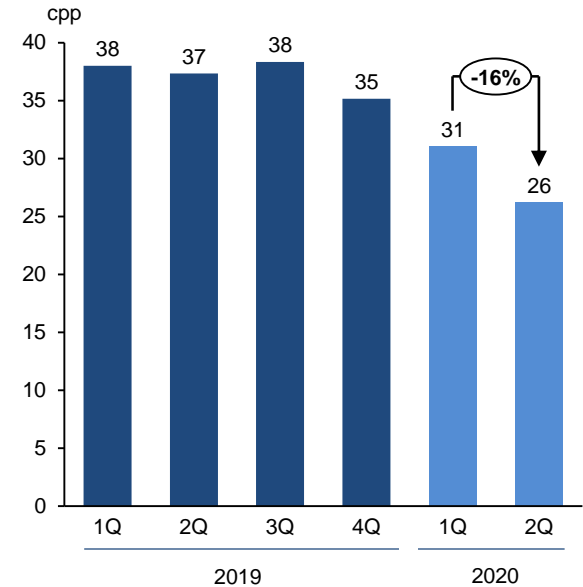
## Brent Crude Oil Price



## NA Paraxylene Contract Price

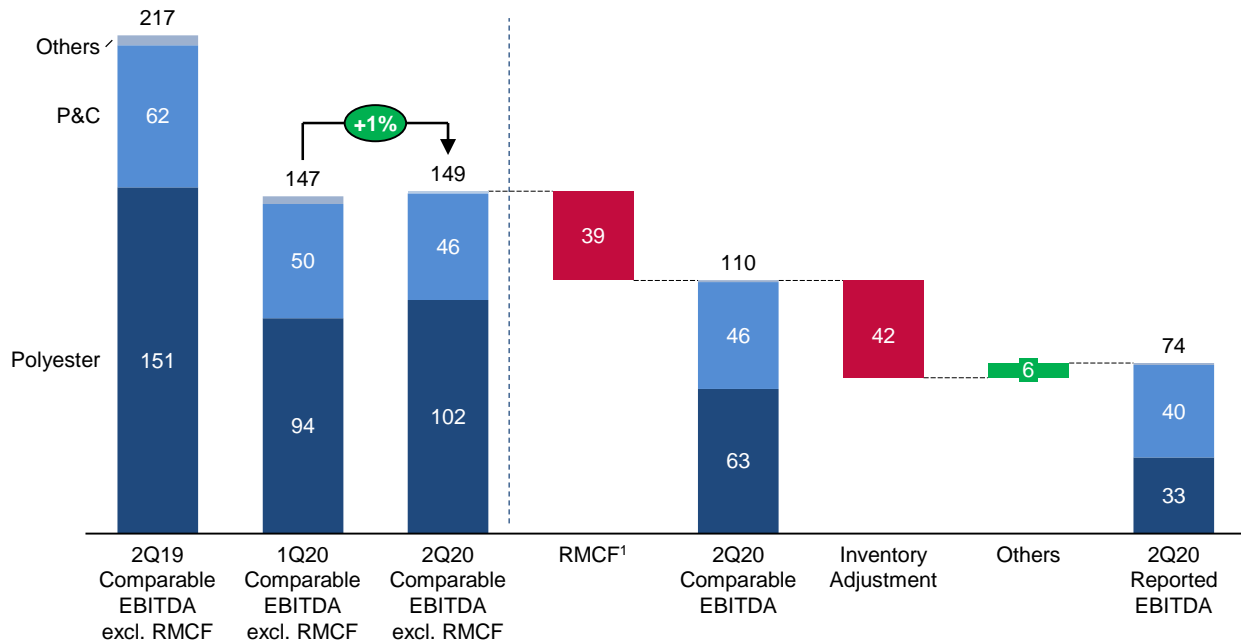


## NA Propylene Contract Price



# EBITDA Breakdown

## Alpek 2Q20 EBITDA (US\$M)

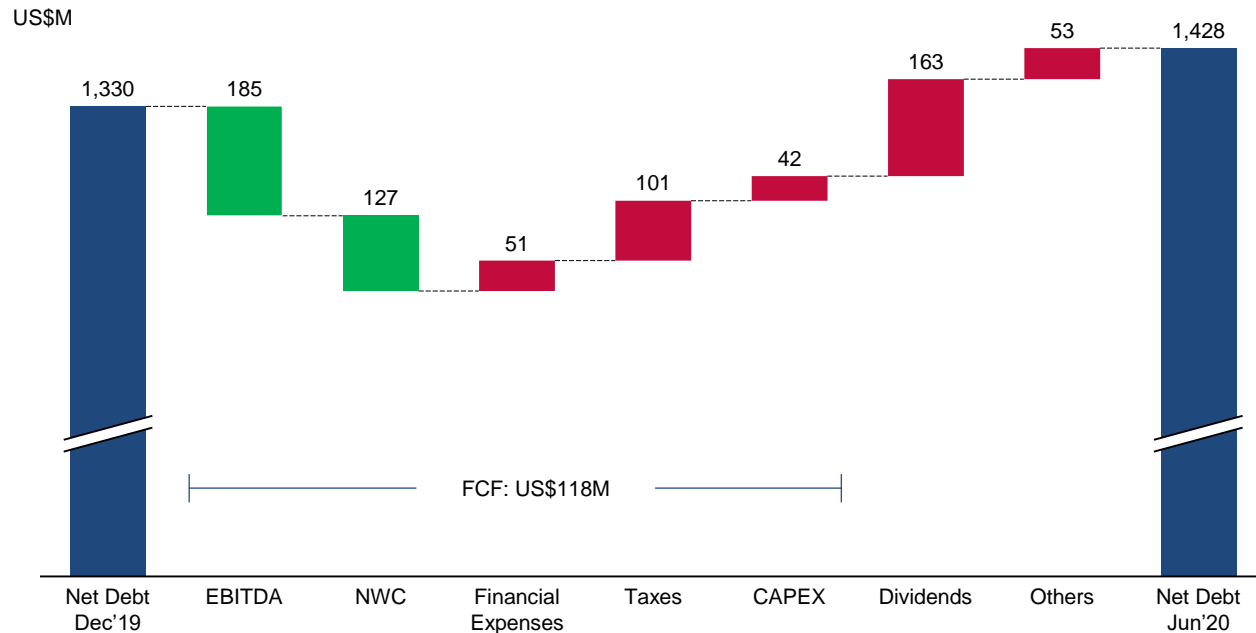


- Polyester Comp. EBITDA excl. RMCF of US\$102M (+9% QOQ)
- Negative RMCF & Inventory Adjustment effects from Px and Propylene price decline
- P&C Comp. EBITDA of US\$46M (-7% QoQ)
- Strong PP margins, but volume decrease from EPS (-19% QoQ)
- One-time US\$6M gain from insurance payout related to 3Q18 fire at Altamira PTA facility





# Free Cash Flow Generation



- Alpek with emphasis on financial stability and strong liquidity
- FCF year-to-date of US\$118M (+US\$189M vs. Guidance)
- NWC +US\$127M year-to-date (+US\$203M vs. Guidance)
- CAPEX of US\$42M (-61% YoY & -US\$92M vs. Guidance)
- US\$81.6M Dividend suspended but open for review by Board of Directors



# Long-term Growth Strategy

## Growth Catalysts

**Strengthen  
Core  
Business**



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

**Foster  
Circular  
Economy**



- rPET Leadership
- Recycling Promotion
- Sustainable Product Portfolio

**Strategic &  
Focused  
Growth**



- Value Chain Integration
- Product Innovation
- Maximize CCP Value





## 2H20 OUTLOOK

## Q&A

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 alpek  
**APPENDIX**

# Disclaimer

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This presentation contains, or may be deemed to contain, “forward-looking statements”. By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. The future results of Alpek, S.A.B. de C.V. and its subsidiaries may differ from the results expressed in, or implied by the forward-looking statements set out herein, possibly to a material degree.



# Raw Material Carry-forward Effect (RMCF) Breakdown

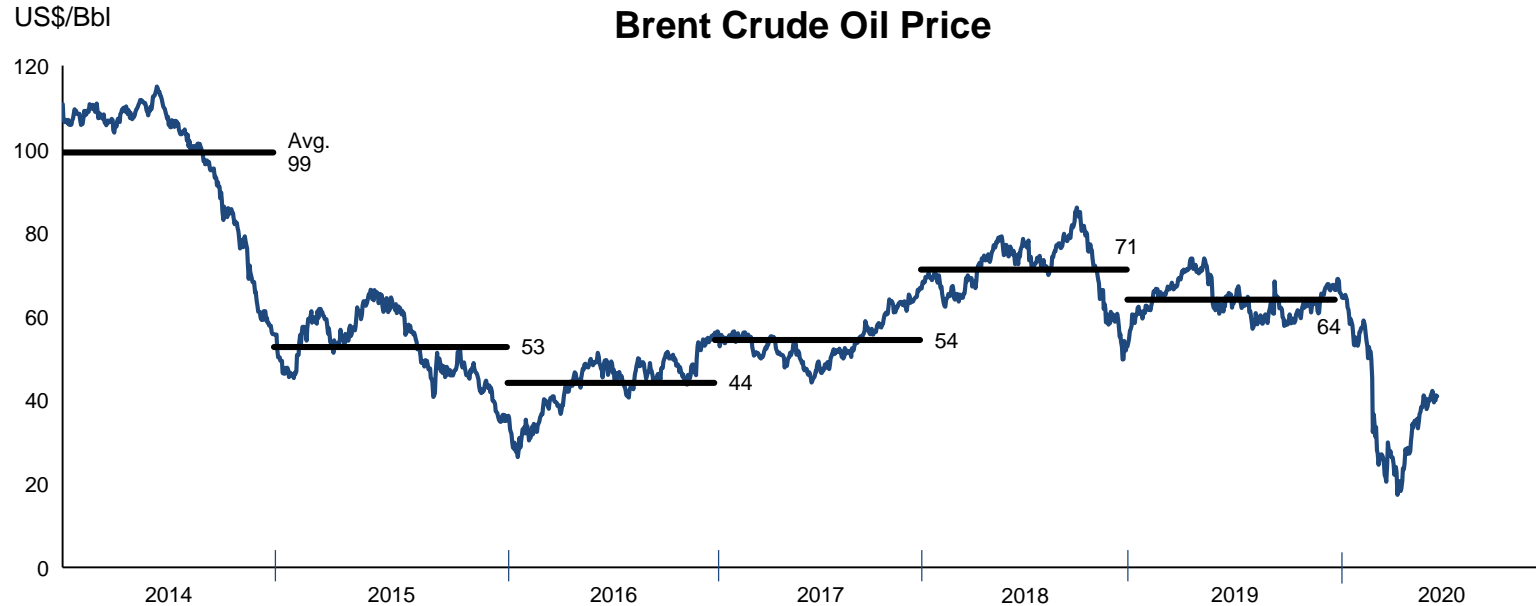
Smaller YoY & QoQ difference in EBITDA when excluding extraordinary effects

	2020			2019			Delta		
M dls	1Q	2Q	YTD	1Q	2Q	YTD	1Q	2Q	YTD
<b>Reported EBITDA</b>	<b>111</b>	<b>74</b>	<b>185</b>	<b>140</b>	<b>161</b>	<b>301</b>	<b>(29)</b>	<b>(87)</b>	<b>(116)</b>
Inventory Adjustment	(17)	(42)	(59)	(19)	(27)	(46)	2	(15)	(13)
Others	0	6	6	11	(1)	10	(11)	7	(4)
<b>Comparable EBITDA</b>	<b>127</b>	<b>110</b>	<b>238</b>	<b>148</b>	<b>189</b>	<b>337</b>	<b>(20)</b>	<b>(79)</b>	<b>(99)</b>
Raw Material Carry-forward	(20)	(39)	(59)	(19)	(28)	(47)	(1)	(11)	(12)
<b>Comparable EBITDA excl. RMCF</b>	<b>147</b>	<b>149</b>	<b>296</b>	<b>167</b>	<b>217</b>	<b>384</b>	<b>(20)</b>	<b>(68)</b>	<b>(88)</b>



# Relevant References: Crude Oil

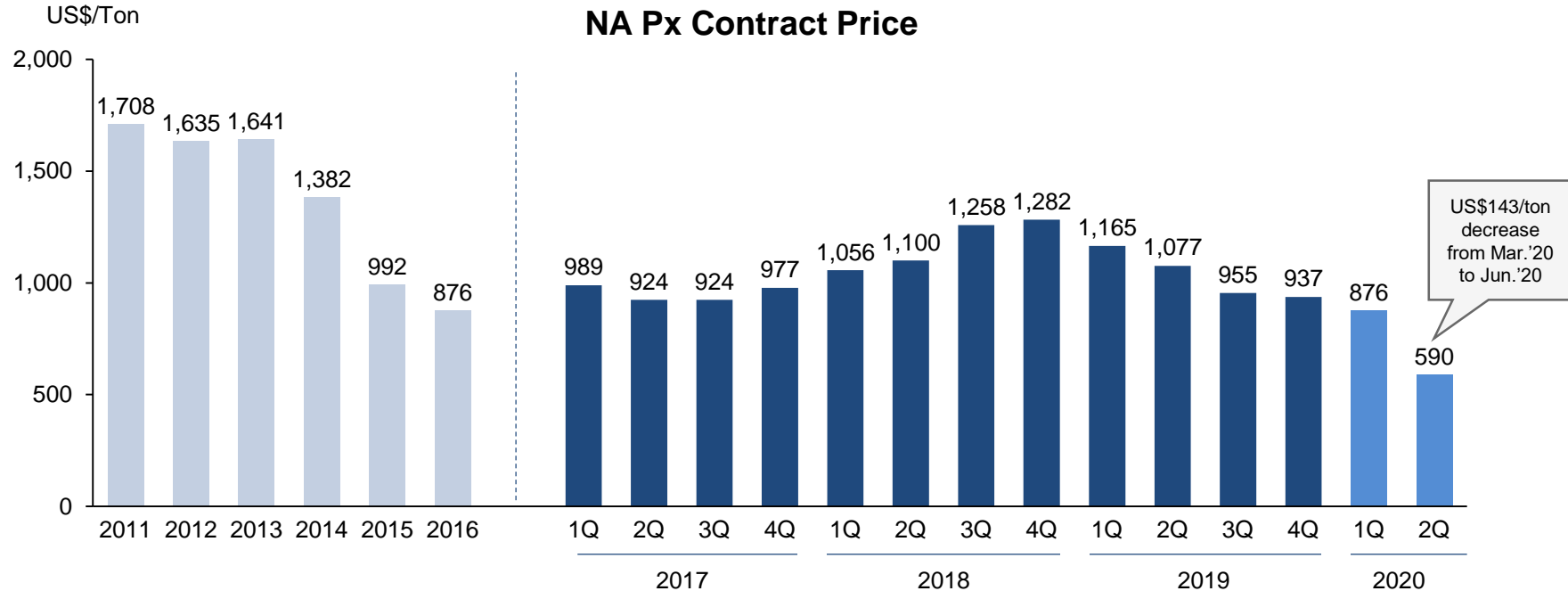
Historical lows in April before rebound after OPEC production cuts





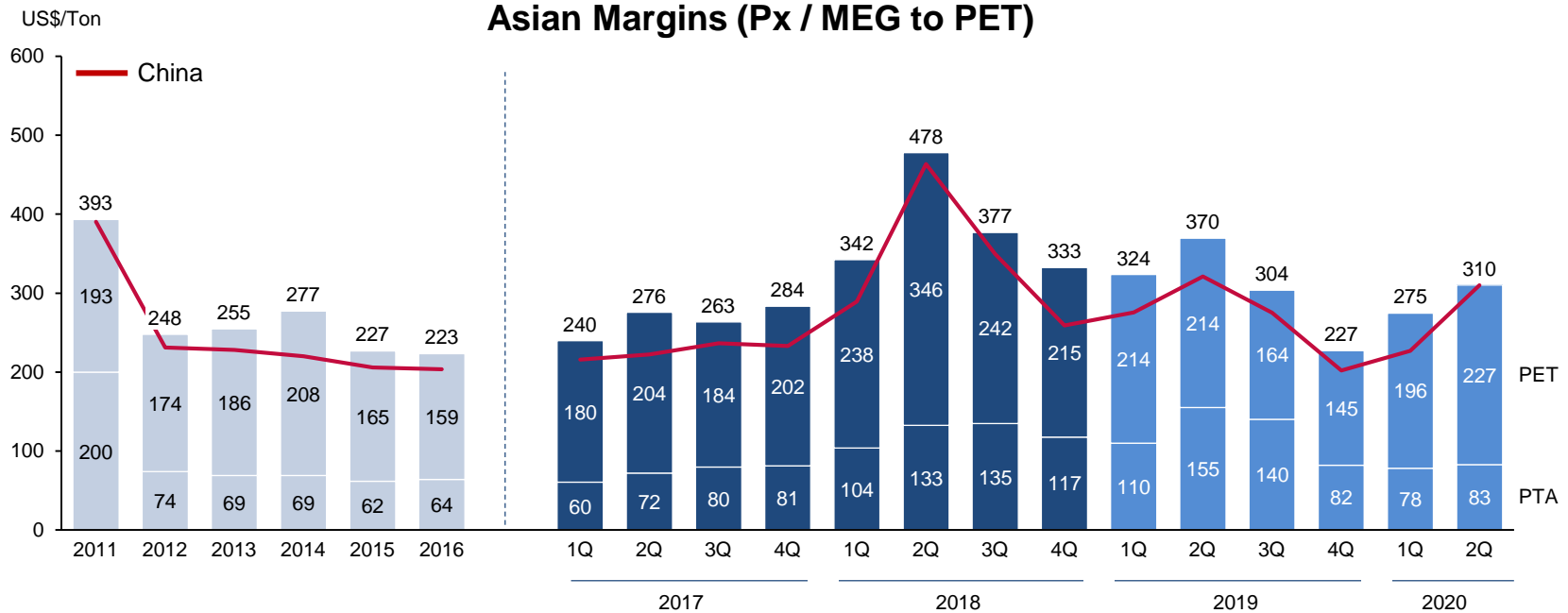
# Relevant References: Paraxylene

Px prices continued to fall in 2Q20 following their correlation with Crude Oil



# Integrated PET Margins

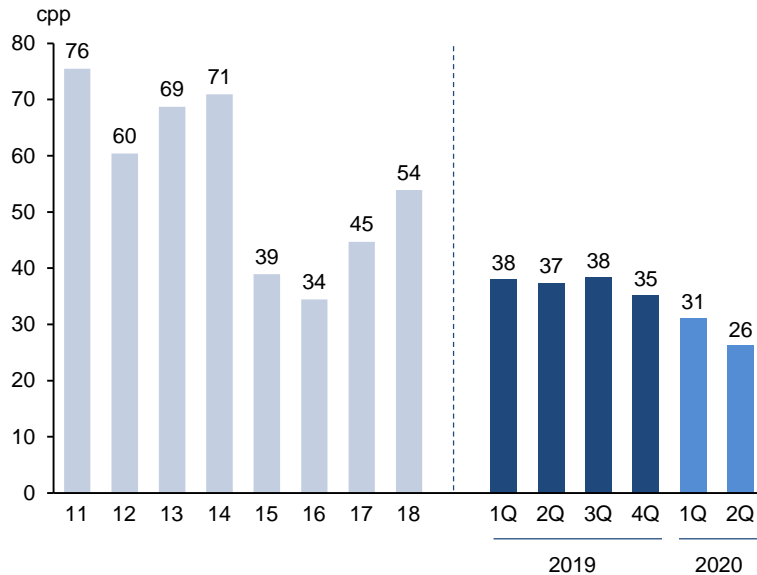
Margins improved by 13% based on resilient demand and lower Asian production



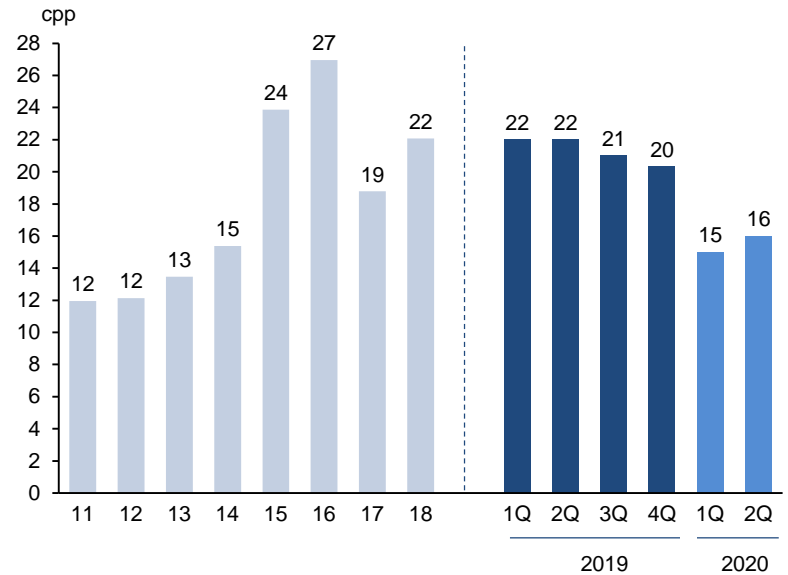
# Relevant References: Propylene & Polypropylene

Decrease in PGP contract prices, but Alpek PP margins remain strong

## NA Propylene Contract Price (PGP)



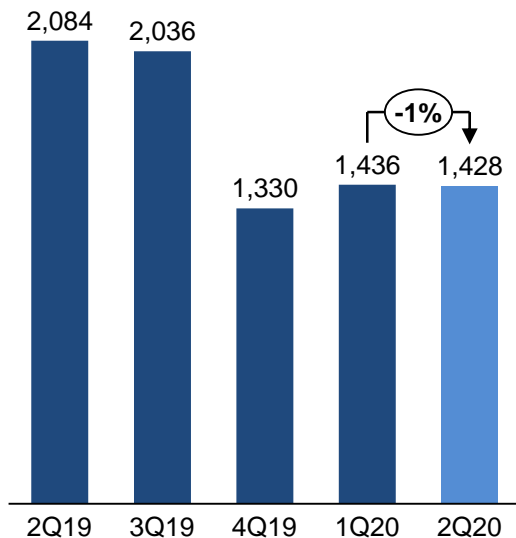
## NA Polypropylene Margin (PP to PGP)



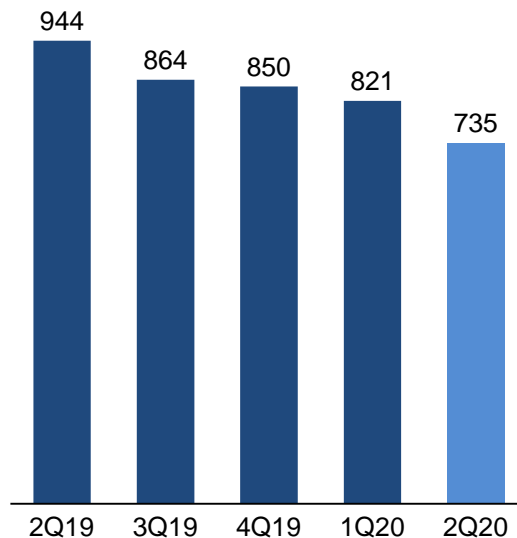
# Continuously improving financial performance

Net Debt decreased by 1% as Leverage remains at strong levels

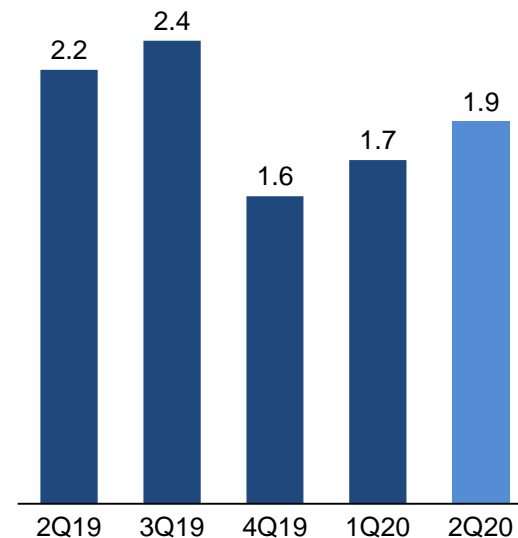
## Net Debt (US\$M)






## LTM EBITDA (US\$M)



## Net Debt/EBITDA (Times)



# Alpek Growth Strategy

		Growth Catalysts	Details / Description
Strengthen Core Business		<ul style="list-style-type: none"> <li>• <b>Global Cost Improvement</b></li> <li>• <b>Value-added Products</b></li> <li>• <b>FCF Generation</b></li> <li>• <b>Footprint Optimization</b></li> </ul>	<ul style="list-style-type: none"> <li>• Zero Based Budgeting &amp; process innovation (Mainly Operations, Logistics &amp; SG&amp;A)</li> <li>• Shift to products with higher margins &amp; barriers to entry (Copolymers, Grey EPS)</li> <li>• Reductions to CAPEX &amp; NWC / Recovery of M&amp;G Mexico debt</li> <li>• Ensure global production is performed in optimal sites &amp; logistic networks</li> </ul>
Foster Circular Economy		<ul style="list-style-type: none"> <li>• <b>rPET Leadership</b></li> <li>• <b>Recycling Promotion</b></li> <li>• <b>Sustainable Product Portfolio</b></li> </ul>	<ul style="list-style-type: none"> <li>• Lead rPET supply in Americas through capital-effective investment</li> <li>• Secure PET Bale &amp; Flake supply / Equip vPET plants with single-pellet technology</li> <li>• Active lobbying for circular economy via associations &amp; The Recycling Partnership</li> <li>• Develop sustainable alternatives for all our products (Biodegradable EPS &amp; PP, etc.)</li> </ul>
Strategic & Focused Growth		<ul style="list-style-type: none"> <li>• <b>Value Chain Integration</b></li> <li>• <b>Product Innovation</b></li> <li>• <b>Maximize CCP Value</b></li> </ul>	<ul style="list-style-type: none"> <li>• Grow capacity selectively &amp; integrate into value chain (EPS, Px)</li> <li>• New products &amp; business lines (Biovento, Natural Gas Commercialization, CO<sub>2</sub>, PLA)</li> <li>• Optimize project timing &amp; minimize CAPEX</li> </ul>



# For Additional Information

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