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Bárbara Amaya:
[Slide 2] Good morning everyone, welcome to Alpek's First Quarter 2024 Earnings Webcast.

[Slide 3]
I am Bárbara Amaya, Alpek's IRO and I am pleased to be here today with Jorge Young, our CEO, and José Carlos Pons, our CFO who will be presenting today's material.

[Slide 4]
- Jorge will provide an overview of quarterly results, including the progress we have made this year to position Alpek for success.
- José Carlos will then cover the quarterly financial results in greater detail.
- And then Jorge will outline our expectations for the remainder of the year.
- We will then open it up to your questions.

Please note that the information discussed today may include forward-looking statements regarding the Company's future financial performance and prospects, which are subject to certain risks and uncertainties. Actual results may differ materially, and the Company cautions the market not to rely unduly on these forward-looking statements. Alpek undertakes no obligation to publicly update or revise any forward-looking statements, whether it is as a result of new information, future events, or otherwise. We express our financial results in U.S. dollars unless otherwise specified.

For your convenience, this Webcast is being recorded and will be available on our website. Jorge, I'll turn the call over to you.

Jorge Young:
[Slide 5] Good morning, everyone. I am going to start by stating that first quarter results were in line with our Guidance expectations. We have already begun to see some demand recovery, which has led to higher volumes across our product portfolio, specifically in the Polyester business where there was an expansion of the Company's PTA exports.

Raw material prices increased, and so did the disconnection between Asian and North American prices for Paraxylene and Styrene. In terms of PET reference margins, these rebounded during Fourth Quarter 2023 and have since stabilized. However, there were declines in the reference margins for the Plastics & Chemicals segment, particularly for EPS, although they are expected to gradually recover.

[Slide 6]
I'm pleased to share that we've made significant progress in achieving structural cost reductions and reinforcing our balance sheet. This is aligned with our commitment and our strategy to continuously enhance our competitiveness and to position favorably to navigate industry cycles.

Regarding our goal of reaching a total of $75 million dollars in savings, we have already realized annualized benefits of approximately $60 million from footprint optimization, more competitive electricity agreements, and partially from organizational restructuring.

Furthermore, we are on track in terms of enhancing our operational efficiency through investments to standardize new systems.

Overall, we expect full savings to materialize by the second half of the year on a run-rate basis from the combined execution of all the above initiatives.

We are committed to continuing to identify cost-saving opportunities and we are assessing further possible efficiencies.

Regarding our prioritization of Free Cash Flow and the maintenance of healthy leverage levels, the year started off with disciplined and prudent CAPEX spending. There was an increase in Net Working Capital due to rising raw material prices and sequential volume growth, however we remain committed to achieve our target leverage of 2.5 times by year-end through our structural cost reduction initiatives, disciplined capital allocation, and we are also foregoing a dividend payment in 2024.

[Slide 7]
Regarding our ESG efforts, I would like to highlight:

- We have made steady progress in our Sustainability results, as evidenced by our ESG agency scores.
- CDP, the Carbon Disclosure Project, updated Alpek's Supply Chain rating to a B- from a D given the Company's progress on the topic, such as SBTi's Scope 3 target approval, which has gained greater relevance. As well as incremental disclosure of downstream & upstream supply chain emissions.
- Additionally, the Sustainalytics risk rating improved by 23% to a score of 20 as a result of enhanced disclosure in key environmental KPIs, strengthening our Governance practices, and the expansion of programs for employee safety, integrity, and health. With this improvement, we are now in the top decile of our industry.
- This is great news for our sustainability goals, and we remain focused on the continuous development of our ESG efforts going forward.

At this point, I will turn the call over to José Carlos to cover our financial performance in more detail.

[Slide 8] Financial Results (Divider)

José Carlos Pons:
[Slide 9]
Thank you, Jorge. Good morning, everyone, and thank you for joining us. Let me provide more insight into our first quarter performance:

- Volume reached 1.2 million tons, in line with our expectations. This was an increase of 9% quarter-over-quarter and 4% year-over-year, mainly due to demand recovery, particularly in the Polyester segment supported by increasing PTA exports, and to expected seasonal demand improvement as we gradually enter the period of warmer temperatures in our markets.
- Reported EBITDA was $168 million, including combined inventory adjustment and carry forward effects of $18 million as well as a non-recurring effect of $3 million from the organizational restructuring in the Polyester business.
- Alpek generated $154 million in Comparable EBITDA due to a combination of factors that included stronger volume, stable PET reference margins, and pressured Plastics and Chemicals reference margins.

[Slide 10]
Now, turning over to the Polyester segment:

- Volume was 990 thousand tons, a significant improvement of 9% quarter-over-quarter and 6% year-over-year. This was a combination of seasonality, as well as the fact that customers increased their volume as they anticipated heightened demand, all aligned with our Guidance expectations.
- Asian integrated PET reference margins remained steady, increasing by 1% quarter-over-quarter, averaging $288 dollars per ton and reaching close to $300 dollars per ton by March. Chinese integrated PET reference margins, decreased slightly to $154 dollars per ton.
- U.S. reference Paraxylene prices saw a greater increase, rising by 5%, resulting in a spread between North American and Asian prices of $230 dollars, 28% higher than the previous quarter.
- Comparable EBITDA was $107 million, down 19% year-over-year. This was partially due to the reference margins declining from historical highs in previous years.

[Slide 11]
Now, let's dive into the Plastics and Chemicals segment:

- Volume was 212 thousand tons, up 10% quarter-on-quarter, driven by typical seasonality. If we observe the year-over-year figure, there was a 5% decrease as certain industries, such as construction, remained under pressure, however we are expecting a gradual improvement as housing have started to increase.
- Polypropylene margins experienced a decrease to 15 cents per pound, down 12% from the previous quarter, mainly due to the significant increase in raw material pricing. Average reference Propylene prices increased to 55 cents per pound, up 18% from the previous quarter.
- And for EPS, North American reference margins also declined, reaching an average of 18 cents per pound, 32% lower quarter-over-quarter. There was also an increase in average reference prices as Styrene rose to 58 cents per pound, up 25% compared to the fourth quarter. We expect margins to improve in the coming months as North America raw material supply normalizes.
- Comparable EBITDA was $43 million, flat quarter-on-quarter, yet down 44% year-over-year resulting from tighter reference margins, particularly for EPS.

[Slide 12]
Turning to Free Cash Flow:

- Disciplined CAPEX remains a priority for Alpek, and for the first quarter CAPEX totaled $34 million mostly focused on scheduled maintenance. This figure was below Guidance, and we remain on track for the expected CAPEX of $200 million for the year.
- Meanwhile Net Working Capital increased by $160 million, mainly from the rising raw material prices for all our products and the sequential volume growth. In the second half of the year, we do expect a recovery, however, not at the high levels we experienced in 2023 as petrochemical prices are not expected to decrease much further.

[Slide 13]
And finally, regarding the Company's financial position:

I would like to highlight that we continue to prioritize balance sheet discipline. Our debt profile remains at healthy levels as we have no upcoming maturities.

- Our Net Debt increased sequentially to $1.81 billion, however this was down 13% year-over-year as our efforts to improve cash flow generation continue to yield results.
- Last-twelve-months reported EBITDA was $495 million, resulting in a Net Debt to EBITDA ratio of 3.7 times.
- This leverage level was anticipated. We expected a decrease in our last-twelve-months EBITDA as we transitioned from higher margins to a lower-cycle environment.
- As we have previously stated and shared with our Rating agencies, we expect leverage levels to decrease more notably towards the second half of 2024.
- We are confident that our continuing decisive actions, including structural cost reduction initiatives, and disciplined capital allocation, as well as foregoing a dividend payment this year, will allow us to reach our target leverage of 2.5 times by year-end, setting a strong foundation to our future.

With that, I'll turn the call back to Jorge.

Jorge Young:
[Slide 14]
Thank you, José Carlos.

I would like to highlight that we continue to make important strides with the priorities mentioned on our previous quarterly webcast. These are:

- First, achieving structural cost reductions. As I mentioned earlier, we have already made 80% progress towards our goal, and we are committed to identifying additional opportunities in order to maintain this momentum.
- Second, capitalizing our position as a strong domestic supplier. We remain confident in our ability to be a leader in our industry by reliably delivering a broad offering of high-quality, value-added

products, with prompt delivery, and recycled content. We've been making progress in sustainable packaging, particularly through our efforts to develop recycled EPS, as well as through gaining market share in PET Sheet due to its properties that allow it to be used in a range of applications such as poultry packaging.
- And third, maximizing cash flow and further strengthening our balance sheet. This includes the evaluation of divestments of non-strategic assets that we can monetize, for example the filament site we shut down in Monterrey or the site in Salamanca, Mexico previously used for Caprolactam production.

As 2024 progresses, we believe demand will gradually normalize as the industry heads towards a more stable year. Reference margins are still expected to remain relatively low due to ongoing overcapacity, however in line with our outlook. Alpek will be well positioned to take full advantage as volumes and margins recover in our industries.

I would like to take a moment to thank our employees, customers, suppliers, and financial institutions, for supporting our business and look forward to what we can achieve together over the remainder of the year.

Finally, I would like to reiterate that figures of the first quarter align with our expectations, laying the groundwork for full-year positive results and we are confident that we will meet our full-year Guidance.

Bárbara, I'll turn the call back to you.

Q&A

Bárbara Amaya:
[Slide 15]
Thanks, Jorge. At this time, we'll be taking your questions.

To ask your question live, please raise your hand. We will call on participants in the order they appear.

You may also type your question through the Q&A function. We will attempt to cover as many questions as time allows.

Our first question comes from Bruno Montanari from Morgan Stanley. Bruno, please proceed with your question.

Bruno Montanari, Morgan Stanley:
Hello! Good morning, good afternoon, everyone, thanks for taking my questions. I have a few questions on our side here.

Thinking about the leverage and the pace for you to get to two and a half times. So, I understand this would be closer to the end of the year. The question is, do you have any commitments with the rating agencies or creditors that you have to reach that level by the end of the year? Or in a scenario where margins do not evolve as expected, can that target shift perhaps into 2025?

The second question is if you could comment on how working capital should evolve now in the second quarter of the year?

And then third, if you could comment on demand trends now in the beginning of the second quarter that would be great, thank you very much.

José Carlos Pons:
Thank you, Bruno, José Carlos speaking, well the short answer to your question regarding a commitment to reach 2.5 times is “no”. However, it's desirable and we're doing everything in our power to reach something closer to 2.5 by the end of the year.

We have met with all of our rating agencies in the last few months and well, we shared with them the detailed plan for 2024 performance, how we're planning to deleverage, which actions we're taking, as we already explained in the call. And well, I don't want to put words in their mouths, but in the end, I think they're comfortable with what we're doing, and they believe that we can achieve something closer to 2.5 times by the end of the year. So, no clear commitment, but in the end, we want to be there by year-end or something very close to that.

Jorge Young:
Bruno, Jorge here. Regarding your two other questions. First, on working capital, yes in the first quarter we saw a rebound in working capital but as we explained, it was driven by the sequential volume growth, which was significant. Fourth quarter demand was particularly low, so probably we recovered more working capital in the fourth quarter, and we had to rebuild some of that in the first quarter. But in the second quarter we don't expect a significant increase. We need to see how the business conditions evolve. We still ended with some opportunities in inventory and some of the reference prices will begin to stabilize. So, we feel much better about the cash flow in the second quarter.

As far as demand signs in Q2. Yes, we're seeing some demand signs across all our segments that the volume again is perhaps normalizing to levels of a more normal year. We have, right now, full confidence that we will meet the volume that we set in our Guidance of an increase of 5%. So again, I think we are with good signals going into the second quarter. Hopefully that answers your question.

Bruno Montanari, Morgan Stanley:
Thank you very much, very clear.

José Carlos Pons:
Thank you.

Bárbara Amaya:
Our next question comes from Leonardo Marcondes from Bank of America. Leonardo, please proceed with your question.

Leonardo Marcondes, Bank of America:
Hi Jorge, hi José Carlos, thanks for picking my questions here. My two questions are regarding the spreads and what you expect from them.

Firstly, a couple of weeks ago, the Fed took a decision that changed the market sentiment and now I think that most of the market, most of the market participants, believe that we should see higher rates for longer, right, which is something that we were not expecting before, and now demand is already very low, right? So, my first question is, how does the Fed's decision impact the fundamentals of your Guidance for this year?

And my second question is regarding the polypropylene spreads, we have seen those very weak and pressured by high propylene prices in the US. However, in our view here, a potential upside for spreads could come from some capacity shutdown. So, my question for you is, what do you expect in terms of capacity shutdowns for this year and maybe the next one as well for polypropylene? Thank you.

Jorge Young:
Yeah Leonardo, thank you for your questions. I think the first question on the most recent trend on yields from the signals the Federal Reserve is providing to the market of light optic, I would say, for the most part, our products are not very sensitive to those dynamics. We tend to have products that go to day-to-day consumer applications. We have some products that are more exposed to those cycles. Some of our EPS goes into construction.

As José Carlos did mention, we are starting to see some trends for some recovery on housing starts. But yes, generally speaking, higher interest rates will tend to slow down naturally constructions due to higher interest rates and mortgage rates and so forth. But that's probably the one product where we are a little bit more sensitive. For the most part it's less sensitive to the Fed moves.

As far as, generally speaking, spreads for our key products, as we mentioned, we are acting as if the spreads are going to remain on the relatively low side of the cycle and as a result, we are sharply focused on our cost enhancement or cost improvement initiatives. I think as far as optimizing our footprint, we did those steps last year.

We see others in the industry now signaling in various products, potentially looking at their assets and potentially taking some actions. If and whenever those actions happen, obviously those are steps that would contribute to a more balanced environment but it's probably difficult to venture specifically what does that mean in terms of margins. We think those are good steps in the polypropylene and the PET industry and again, we expect the spreads to remain on the low side and eventually gradually recover as the excess capacity is absorbed by the market and if that happens sooner because other players in the industry adjust their footprint, then we will be prepared for when volumes and margins do recover.

Hope that answers the questions, Leonardo.

Leonardo Marcondes, Bank of America:
Yeah, thank you.

Jorge Young:
You're welcome.

Bárbara Amaya:
Our next question comes from Luiz Carvalho from UBS. Luiz, please proceed with your question.

Luiz Carvalho, UBS:
Hi Jorge, José Carlos, thank you for taking the question. I have basically two questions here. The first one is, you implemented quite an interesting plan in order to actually reduce costs which has been quite advanced, but my question here is, what are the other opportunities in order to try to reduce the leverage of the company if the petrochemical cycle takes longer to rebound? That's the first one.

The second is more broad, but for Jorge, you have been now one year as the company CEO, right. So, if you can, I don't know, try to give us color in terms of what are the main opportunities, what are the main challenges that you mapped during the period, and of course, what you wanted to be accomplished and what else you think that has to be delivered over the next couple years. Thank you.

José Carlos Pons:
Thank you, I'll take the first question Luiz, this is José Carlos speaking. Great question and well, hopefully we were getting that question, because we're really committed on reducing costs, and we're getting a passion on the results that we have. So, as you said, so far we've made very good progress and those results are already coming into results. We expect to be at full rate of 75 million dollars by year-end. So that is something that will certainly improve our competitiveness.

We're not stopping there, we're looking at other alternatives that will improve our costs. For example, we're looking at additional restructuring for our fixed costs. We're looking actively to our footprint to see if there are any additional opportunities and we also highlighted that we're doing a reengineering of our key processes to see if there are opportunities to centralize certain functions, etc. That's something that's probably going to be more active in 2025. We're now designing or finding the opportunities and probably in the last part of this year we'll be with a greater level of detail that we can share with you guys.

In addition, we're looking to divesting non-core assets. We already shared that we have one very big piece of land here in Monterrey. There are other assets that we have throughout Mexico and other areas that might come with a good return and will allow us to reduce our leverage. So that's basically what we're doing, and there are a lot of activities throughout the company to improve our competitiveness and reduce our leverage.

Jorge Young:
Luiz, it's Jorge, on your second question, I would say the key challenge in the first year of my tenure was the transition from the peak cycle in '21 '22 to this acute lower cycle in '23 and we are still navigating that cycle, it happened quite fast.

In our two key core strategies for Alpek, is to continuously strengthen our business, becoming more competitive. I think the low cycle has pushed us to accelerate some of those actions. We still have other cost reduction opportunities in the pipeline, some of them will require investment. But as we focus on keeping our leverage in high priority, those opportunities we're going to take a little bit more time to bring to the table.

Another key goal, besides to continuously strengthen our business, is to grow the business. We continue to explore ways and we have analyzed many opportunities to grow the business, even in this low part of the cycle and I think when we have the combination of the right opportunities for us, we'll bring those to the table while we, in parallel, put a lot of focus and priority in our balance sheet.

So again, I think going forward to continue to strengthen the business and to find avenues to grow our businesses, adjacent businesses, and to grow Alpek in general, that remains our focus. I hope that answers the questions, Luiz.

Luiz Carvalho, UBS:
Okay, very clear thank you. Thank you very much.

Jorge Young:
You're welcome.

Bárbara Amaya:
Our next question comes from Andrés Cardona from Citi. Andrés, please proceed with your question.

Andrés Cardona, Citi:
Hi, good morning everyone, I have three questions here.

You are talking about the organization optimization and expenses, and I was wondering if you can give us a sense of how big this expense could be in the first half of the year and if it's included in the Guidance for 2024?

The second one is from credit ratings perspective, do they focus on the reported EBITDA or the recurrent metric?

And the third one is if you could provide some update about what you are seeing on the PET margin dynamics over the early days of the second quarter.

Jorge Young:
Yes Andrés, if you don't mind, I'll take the first and the third question and then José Carlos will take the second question.

Yes, the organization optimization expenses, and everything is included in our Guidance and our numbers. I would say for the most part those have already been incurred, I mean more things will happen going forward but we are highly advanced by the end of the first quarter and again those efforts and expenses are already reflected in our actual numbers and Guidance.

The question on how PET margins look as we start the second quarter, I would say they have remained somewhat steady from the first quarter, so no significant change. What we have seen is, this addition, most recent disruption in trade routes from the conflicts in the Middle East, for the most part those have been neutral to positive for us. Some opportunities have opened, and we have capitalized with very agile response, that explains some of our additional volume in PTA exports and that might continue into the second quarter. But, the reference margins, Asia-based, I would say steady and, in our case, capitalizing some opportunities but more related to global logistics.

I'll pass the mic to José Carlos on the question on the EBITDA that is relevant for rating agencies.

José Carlos Pons:
Thank you, Jorge. Andrés, well as I indicated we've met with the rating agencies, we shared with them our detailed plan in terms of Guidance on results for 2024, what we're doing in terms of cost, what we're doing in terms of balance sheet, and what our debt profile looks like.

So, I'm just taking this minute to kind of share what we have discussed with the rating agencies, I think we had very good meetings. We have a quarterly meeting with each of the rating agencies, so we will meet with them very soon to update them with where we are. We hope that they see progress in our performance and sorry for not answering your question up front but in the end, your short answer is Reported EBITDA.

Andrés Cardona, Citi:
Thank you, Jorge, José Carlos.

Jorge Young:
You're welcome, Andrés.

Bárbara Amaya:
Our next question comes from Alejandra Andrade from JP Morgan. Alejandra, please proceed with your question.

Alejandra Andrade, JP Morgan:
Thank you, thank you so much for taking my question. I just wanted, it was just a follow up on the divestments or the possible divestments, I'm just wondering if there's a time frame for you to complete this or if there's anything advanced or if it's still in very early stages still. Thank you so much.

Jorge Young:
I think the main asset we are looking at is the former site where we used to produce fibers in the center of Monterrey. It's probably going to take us a little while, it's a very large site in the center of the city. It has important potential value as real estate development going forward, but the current state is still an industrial site that has just shut down.

So, we prefer to take our time and not put any specific timeline on the table. I think obviously we like to realize value as soon as possible, but in this case, there is also the high potential given its location and size. It's an interesting asset and we're looking into how to maximize value, so the timing, again, is not our top priority, but to maximize value.

I think for the other non-core assets, those tend to be smaller and in those the sooner we realize the value the better.

Alejandra Andrade, JP Morgan:
Thank you.

Jorge Young:
I hope that answers the question, Alejandra.

Alejandra Andrade, JP Morgan:
Yes, thank you.

Bárbara Amaya:
Our next question comes from Viviana Vite from GBM. Viviana, please proceed with your question.

Viviana Vite, GBM:
Hello Jorge and José Carlos, thanks for taking my questions.

The first one would be related to what you previously mentioned, the anti-dumping, sorry, the organizational restructuring, what should we expect about it?

And my second question is, do you see any potential benefits from the anti-dumping measures in Mexico that will be applied to certain plastics? Thank you.

Jorge Young:
Viviana, thanks for the question. On the restructuring of our organization to improve our competitiveness, again, the progress in execution is very high so, the impact is fully baked in our Guidance already.

If you remember last quarter, we put a target of $75 million and I think we split that in two portions: $40 million coming from footprint optimization, those have been in place since the end of last year and $35 million more from both the organizational restructure and the implementation of new systems. The second part is advanced 70-80% and the overall progress is well above 80% and again all of that is part of our Guidance and expectations in 2024.

The question on anti-dumping in Mexico, well there are two things, the PET industry in particular, did present an anti-dumping case presented last year, and earlier this year the Mexican Government did open or did allow the investigation to open and right now they are in the process of due diligence, asking questions and information to relevant parties and that process is ongoing. That's an anti-dumping against the Republic of China.

On Monday, together with several hundred other products, the Mexican government did announce an increase of duties on a list of products. Some of our key products are included there, like EPS and PET, but at the end of the day we are committed to fair trade, we are committed to offering competitive, high-quality products to our customers and I think we need to see how the market conditions, there'll still be stiff competition from local players, from regional players, from several countries that are not impacted by these measures. I think we acknowledge the government is trying to address unfair trade practices, but competition will remain very stiff and we are eager to compete in that market with our products and it's premature for us to try to ascribe any specific value to any specific trade action again. We are committed to fair trade and in the industry, we will still have strong competition from many players.

Viviana Vite, GBM:
Thank you very much.

Jorge Young:
You're welcome.

Bárbara Amaya:
We have a question through the Q&A function in the chat, I will proceed to read the question. In slide 12 shows a debt increase, how is this affecting the covenant compliant with the debtors in terms of a need of a waiver?

José Carlos Pons:
Thank you, well what I can represent today to you is that we don't have any issue on complying with our covenants with any of the financial institutions that lend us money. At this moment there's no risk of us breaching any of the covenants as we are expecting the debt to gradually reduce and as already indicated that we're expecting to be closer to our target of 2.5 times, so no issue on covenants at this moment.

Bárbara Amaya:
Thank you, José Carlos. We have another question from Bruno Montanari from Morgan Stanley. Bruno, can you please proceed with your question?

Bruno Montanari, Morgan Stanley:
Yeah, thanks for taking me again. Just to follow up on the monetization of non-strategic assets, would you be able to provide us with a range of how much cash you would be able to raise with those throughout the years?

José Carlos Pons:
Thank you, Bruno. As Jorge indicated, we don't have a specific timeline so it's difficult to tell you when we're going to get the money, but the one asset that is more valuable as already indicated is the one that we have in Monterrey, it's close to 50 hectares of land in the center of Monterrey.

That could be valued, depends on what's the strategy, and we're actually working on that strategy, do we develop it and participate in a development, or do we sell the land? In the event that we sell the land it could be between $50 to $100 million dollars.

The other assets that we have, let's say, on the list to be sold, should be less than $20 to $30 million dollars, not that material. We continue to look at opportunities, there might be, this is an ongoing activity, and we'll probably find additional, so we'll keep you posted on any progress that we make on this front.

Bruno Montanari, Morgan Stanley:
Great, thank you very much.

Bárbara Amaya:
We have another question from the chat, I will proceed to read the question, while you mention that you're on track with Guidance for the year do you anticipate any potential upsides that could further drive results?

Jorge Young:
I'll take that question. On potential upsides for us, we continue to seek further areas of opportunity to improve our cost structure so that effort continues, and we have some things in the pipeline, but we need to fully assess those before putting them on the table, but that's one area.

The logistical constraints that are happening in the world because of the Middle East conflicts, the net results are that those, we believe, tend to put at least some level of upside for us. In the first quarter and the second quarter we did capitalize some opportunities on that regard. And again, we're watching our industries in all our products as potentially other participants in the industry consider actions in their footprint so that might bring opportunities to our system. Those are the key aspects that we're watching.

We also saw on Monday fresh news on trade actions by certain countries and as I mentioned before, we welcome fair trade and international trade that is fair, I think we tend to have more opportunities for Alpek, so that's potentially a list of items in this regard.

Bárbara Amaya:
Thank you. That was our last question in the queue.

Thanks everyone for joining our Webcast. Have a great day!