

CORPORATE SPEAKERS

Eduardo Escalante – ALFA CFO
Roberto Olivares – Sigma CFO
Hernán Lozano – ALFA VP of Investor Relations

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Hernán Lozano

Good day, everyone, and welcome to ALFA's first quarter earnings conference call.

Further details about our financial results can be found in our press release which was distributed yesterday afternoon together with a summarized presentation. Both are available on our website in the Investor Relations section.

Let me remind you that during this call we will share forward-looking information and statements, which are based on variables and assumptions that are uncertain at this time.

It is my pleasure to participate in today's call together with Eduardo Escalante, ALFA's CFO; and Roberto Olivares, Sigma's CFO.

I will now turn the call over to Eduardo.

Eduardo Escalante

Thank you, Hernán and hello everyone.

We are delighted to see this year start on a strong footing, highlighted by the double-digit growth of ALFA's first quarter EBITDA and both of our business units reporting higher volumes.

Beginning with Alpek, volume growth was mainly driven by its Polyester segment, which benefitted from incremental PTA exports and a slight demand improvement.

In the face of expected market challenges, Alpek's Comparable EBITDA of \$154 million dollars is tracking in line with its full-year guidance.

Since early 2023, Alpek has been implementing a comprehensive plan to deliver over \$75 million in annual savings as it navigates industry headwinds. The Company has achieved most of its targeted cost efficiencies – capturing approximately 80% to date, which is ahead of plan.

Additionally, Alpek continued to see a slight sequential improvement in Asian reference polyester margins supported by early signs of capacity rationalization.

Alpek is prioritizing free cash flow generation. Capital allocation has been adjusted to lower Capex versus the prior year and temporarily halt dividends to its shareholders. The year-to-date increase in Net Debt was due to investment in Net Working Capital as feedstock prices and volume rose.

The Company is closely following the evolution of its Net Debt and remains fully committed to reducing its net leverage ratio of 3.7 times towards 2.5 times by year-end.

I will now turn the call over to Roberto Olivares, Sigma's CFO, to let him discuss the Company's first quarter and progress on strategic initiatives. Please, Roberto...

Roberto Olivares

Thank you, Eduardo, and good afternoon, everyone.

We have started the year with strong operational momentum while capitalizing favorable market conditions, which I will detail in today's discussion. We will explore our quarterly results, as well as delve into operational highlights, share exciting updates from our Growth Business Unit through Tastech, and discuss our ongoing liability management strategies.

We have reached an all-time high in quarterly consolidated EBITDA. This quarter also marks the twelfth consecutive 3-month period of year-on-year revenue growth, driven by record first quarter volumes.

We are maintaining our EBITDA guidance while we assess the potential for an upward revision, considering our continued confidence in operational excellence, as well as evolving economic and market conditions.

Shifting to regional highlights, our operations in Mexico reached record quarterly volume and revenue amounts, driven by consistent growth across all categories and channels. These results, alongside a strong peso, culminated in the highest first quarter EBITDA ever for the region.

The US operations were boosted by our Hispanic and Mainstream Brands, while the Latam operations were driven by Central America, enabling us to reach a record first quarter volume and an all-time high quarterly EBITDA in both regions.

Lastly, our European operations continue their trajectory of recovery with EBITDA growing more than 50% year-on-year; this was primarily due to improvements in the Fresh Meats business as well as the benefits following our divestment in Italy.

One of our strategic goals is to diversify and strengthen our market presence. This is reflected in our brand portfolio, which now exceeds 100 brands and continues to develop into a more robust and diverse selection.

Notably, three of our dairy brands—La Chona and Los Altos from the US, plus Nochebuena from Mexico—each surpassed annual sales of 100 million dollars, increasing the total number of brands reaching this important milestone to 14. This accomplishment demonstrates our ability to build and maintain brands that fulfill our consumers' needs.

Moving on to our Growth Business Unit. During this quarter, we launched the fifth edition of Tastech, our open innovation program that deepens our engagement with the global startup ecosystem. This year, Tastech included two new areas focused on advancements of the industry: Innovative Business Models and Artificial Intelligence.

This initiative is designed to leverage state of the art technologies and emerging trends to enhance our operational efficiency and value propositions. Previous Tastech editions attracted over 1,300 (thirteen hundred) applications from startups in more than 50 countries, resulting in 45 pilot tests. We deeply value the optionality that Tastech provides through systematic exploration of disruptive technologies and new business models beyond Sigma's traditional domain.

In terms of liability management, at the end of 1Q24 our net leverage ratio stood at 2.2x (times), the lowest level in the last ten years, thus reflecting our disciplined approach to financial management. During this quarter, we settled our €600 million Euro Senior Notes due in 2024, using funds from four bilateral long-term bank loans.

Additionally, we carried out the successful placement of close to 600 million dollars in local notes, *Certificados Bursátiles*, which were oversubscribed by nearly 2.7 times. These transactions have strengthened our financial position by extending our average debt maturity to 4.6 from 3.1 years. The proceeds will be used to refinance a significant portion of the Senior Notes that are due in 2026.

We are preparing for another issuance of local notes under the same program that would take place during the second quarter of 2024, aiming to further extend our debt maturity profile by refinancing our current debt.

As we move forward, we do so with great optimism for the future. The achievements of this quarter are steppingstones to greater success. We are committed to continuing our journey of sustainable growth and innovation, creating value for all stakeholders.

I will now turn the call back to Eduardo for his additional comments and closing remarks...

Eduardo Escalante

Thank you, Roberto.

Sigma's outstanding EBITDA generation is a key pillar in the final phase of ALFA's transformation. It is encouraging to see trailing-twelve-month EBITDA reach a record \$965 million, supported by robust volume growth.

To implement the planned separation of Alpek, we must also reduce a significant amount of debt at the remaining entities.

ALFA's consolidated net debt at the close of the first quarter was \$5.1 billion dollars, which includes net debt outside of Alpek totaling \$3.3 billion dollars. This number fluctuates from quarter to quarter as part of our ordinary course of business. Yet, the orderly process we envision requires the aggregate net debt outside of Alpek to come down closer to \$2.5 billion dollars to ensure a healthy leverage post-separation.

Various formal sale processes are advancing simultaneously as we step up our efforts to reach the desired financial conditions.

Additional information about potential transactions would ideally be disclosed when we reach binding agreements. We greatly appreciate your understanding in the meantime and reaffirm our full commitment to finding the best path forward.

Our Annual Shareholder meeting was held on March 6th. Shareholders approved a cash dividend of \$48 million, which is lower than prior years.

On the Corporate Governance front, shareholders confirmed the designation of Álvaro Fernández as Chairman of the Board, and appointed Alejandra Palacios as Independent Board Member, with her mandate starting on May 15th. We look forward to Alejandra taking on her new role as she enhances ALFA's Board composition in terms of expertise, independence and gender at a pivotal moment.

Before opening the call for your questions, let me mention that ALFA and Alpek have each published their 2023 Annual and Sustainability reports, which can be found on the respective websites.

2024 is a very special year for ALFA as we celebrate its 50th anniversary. We are proud of our half-century heritage and the enduring direction it offers for independent businesses to continue building their own history and enriching the ALFA legacy.

This concludes my remarks. We are now available to take your questions.