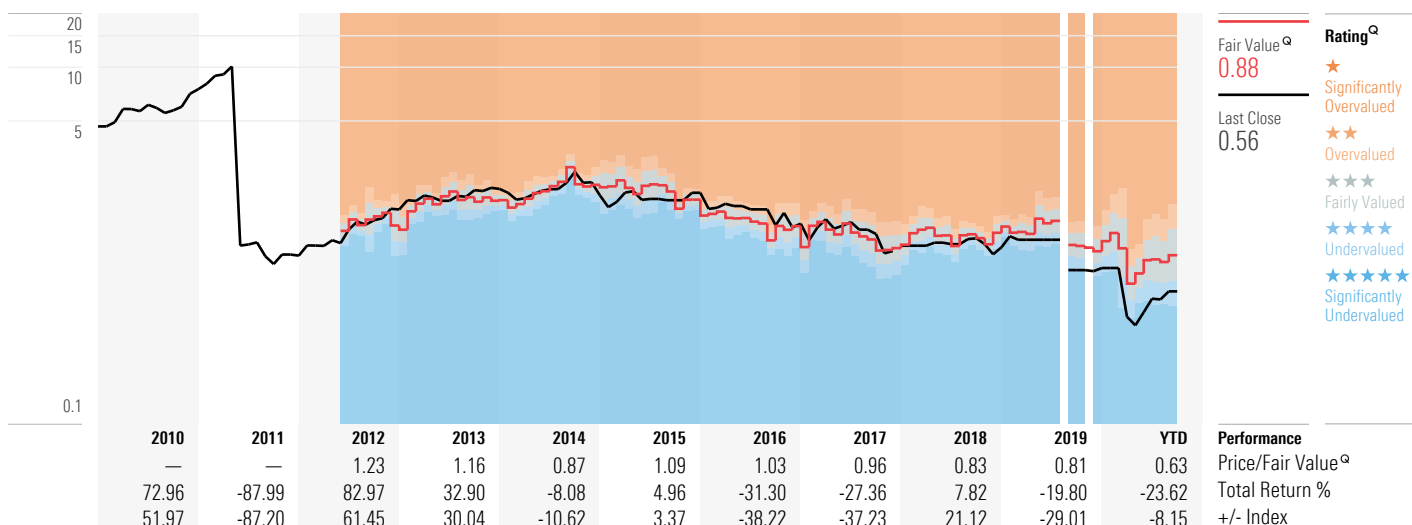


Alfa SAB de CV XALFA ★★★★★ Q 25 Sep 2020, 22:28 UTC

Economic Moat ^Q	Uncertainty ^Q	Price/Fair Value ^Q	Trailing Dividend Yield %	Market Cap	Investment Style	Sector	Industry
None	Very High	0.6	6.44	2.5968 Bil	Mid Value	Industrials	Conglomerates



Total Return % as of 25 Sep 2020. Last Close as of 25 Sep 2020. Fair Value as of 25 Sep 2020, 22:28 UTC. Index: Morningstar Mexico GR MXN.

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Valuation ^Q as of 25 Sep 2020

XALFA is undervalued at a 37% discount.

Fair Value ^Q
0.88

Uncertainty ^Q:
Very High

Economic Moat ^Q
None

Financial Health ^Q
Moderate

1-Star Price ^Q
> 1.71

5-Star Price ^Q
< 0.46

Last Close
0.56

Financials as of 25 Sep 2020 (Fiscal Year End 31 Dec 2019)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	YTD	Fiscal
Revenue (Bil)	136	183	200	203	229	258	294	318	366	338	157	Revenue (Bil)
Operating Income (Bil)	11	14	16	16	17	22	26	21	28	20	6	Operating Income (Bil)
Operating Margin (%)	7.89	7.39	8.14	7.98	7.46	8.64	8.99	6.46	7.54	5.79	3.53	Operating Margin (%)
Net Income (Bil)	5	5	9	6	-2	4	2	-2	13	6	1	Net Income (Bil)
Diluted Earnings/Share	0.91	0.98	1.81	1.15	-0.40	0.74	0.45	-0.40	2.60	1.15	0.28	Diluted Earnings/Share
Operating Cash Flow (Bil)	13	15	21	20	24	31	37	34	35	31	31	Operating Cash Flow (Bil)
Capital Spending (Bil)	-4	-7	-9	-12	-14	-17	-26	-21	-18	-17	-17	Capital Spending (Bil)
Free Cash Flow (Bil)	9	8	12	8	10	13	11	13	17	14	14	Free Cash Flow (Bil)
Avg Shares Outstand(Bil)	5	5	5	5	5	5	5	5	5	5	5	Avg Shares Outstand(Bil)
Dividend Per Share	0.02	0.04	0.02	0.05	—	0.03	0.03	0.03	0.03	0.04	0.04	Dividend Per Share

Valuation as of 25 Sep 2020

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Current	Calendar
Price/Fair Value ^Q	—	—	1.23	1.16	0.87	1.09	1.03	0.96	0.83	0.81	0.63	Price/Fair Value ^Q
Price/Sales	5.02	0.48	0.70	0.96	0.82	0.74	0.53	0.36	0.31	0.23	0.22	Price/Sales
Price/Earnings	155.57	13.19	15.56	30.29	32.86	—	39.53	—	14.06	9.02	17.65	Price/Earnings
Price/Cash Flow	46.92	6.43	6.79	10.57	8.91	7.99	4.89	3.00	3.24	2.28	2.33	Price/Cash Flow
Price/Book	21.83	2.24	2.71	3.41	3.02	3.09	2.13	1.69	1.64	1.14	0.96	Price/Book

Operating Performance as of 25 Sep 2020 (Fiscal Year End 31 Dec 2019)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Q3	Fiscal (%)
Return on Assets	4.47	4.15	6.15	3.71	-1.02	1.51	0.76	-0.58	3.61	1.64	-0.5	Return on Assets
Return on Equity	15.62	15.51	20.49	10.93	-3.64	6.43	3.37	-2.82	18.4	8.0	-2.76	Return on Equity
Rtn on Invested Capital	6.69	6.25	12.13	7.55	0.27	4.35	3.44	1.52	8.48	4.92	-0.42	Rtn on Invested Capital

Business Description

Alfa SAB de CV manufactures and sells a variety of specialty chemicals and foods. The company organizes itself into five segments based on brand. The Sigma brand, which generates the most revenue of any segment, sells food products. The Alpek segment sells polyester used in textiles and poly-

styrene-based chemical products. The Nemark segment sells light-weighted aluminum powertrain and body components to the automotive industry. The Axtel segment provides IT and communications services to enterprise clients in Mexico. The Newpek segment sells hydrocarbons. The majority of revenue comes from Mexico and Europe.

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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.

One-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*

Two-Star - 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)*

Three-Star – 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)*

Four-Star – 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)*

Five-Star – 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

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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.

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

This Report **has not been made available** to the issuer of the security prior to publication.

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