

## **CORPORATE SPEAKERS**

Jorge Young, *Chief Executive Officer*

José Carlos Pons, *Chief Financial Officer*

Bárbara Amaya, *Investor Relations Officer*

## **WEBCAST PARTICIPANTS**

Thiago Casqueiro, *Morgan Stanley*

Tasso Vasconcellos, *UBS*

Leonardo Marcondes, *Bank of America*

Pablo Ricalde, *Santander*

Andrés Cardona, *Citi*

Karim Sawabini, *Moon Capital*

Alejandra Andrade, *JP Morgan*

Emilio Antor, *GBM*

Melissa Marcus, *Jefferies*

Declan Hanlon, *Santander*

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**Bárbara Amaya:**

**[Slide 2]**

Good morning, everyone, welcome to Alpek's Second 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 covering today's webcast presentation.

**[Slide 4]**

For today's presentation:

- First, Jorge will provide an overview for quarter.
- Then, José Carlos will expand upon the financial results.
- Finally, Jorge will review our expectations for the second half of the year,
- prior to the Q&A session.

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; however, 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 because of new information, future events, or otherwise. Financial results are expressed 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]**

Thank you, Bárbara.

Good morning, everyone. Let me begin today's call by stating that the second quarter results were in line with our Guidance expectations, with an improvement in Net Working Capital and strong Cash Flow generation. We witnessed a gradual demand recovery, building upon the positive trend from the first quarter. Additionally, steady margins also contributed to our overall stability during this period.

**[Slide 6]**

Notwithstanding the above, we faced a very specific challenge within the quarter. Beginning in May and becoming critical in June, the cities of Tampico and Altamira in the Northeast of Mexico faced low water availability because of a delayed rainfall season. This led to temporary operating interruptions for all industrial companies in the area, including three of our sites.



Alpek responded quickly, effectively managing its inventory, and leveraging its global footprint to partially mitigate the impact to volume supply. By the end of June, the situation was resolved as tropical storms entered the region and water levels fully recovered.

I would also like to mention that the Company was able to support its employees and the Altamira community during the challenging weeks of water scarcity. We appreciate the dedication of our team who managed this difficult situation successfully. Going forward, we do not anticipate any additional impact related to this occurrence and we are actively assessing long-term solutions to prevent and mitigate future risks.

### [Slide 7]

Regarding structural cost reduction initiatives, during this quarter we finalized the remaining planned organizational restructuring in the Polyester business and have thus achieved our plan for the year. Through the combination of this and other initiatives, such as optimizing our Polyester footprint and improving some of our energy supply agreements, we will reach our goal of \$75 million dollars in annualized savings by the third quarter, with the most significant benefits already factored in since the beginning of the year. Furthermore, we will seek to identify additional opportunities to strengthen our business.

### [Slide 8]

Before moving into Financial Results, I would like to highlight our Sustainability efforts during the quarter:

Earlier this month, the Company published its most comprehensive Sustainability Report to-date, now with additional disclosures, including the following items:

- A new materiality matrix, which now considers financial impacts; and,
- a brand-new roadmap to showcase our decarbonization journey, among others.

You can find the complete report on our website.

Furthermore, the progress in our Sustainability agenda is evidenced again by stronger ratings:

- MSCI recently improved the Company's rating for the first time since 2019 to a triple B, recognizing enhancements in our business practices, as well as our carbon emissions reduction, which achieved a superior performance versus the industry average.

Alpek remains committed to enhancing its goals and strategies to ensure continued progress.

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

**José Carlos Pons:**

### [Slide 9]

Thank you, Jorge. Hello, everyone and thank you for joining us. Allow me to provide more insight into our quarterly results:

### [Slide 10]

- Volume remained flat quarter-over-quarter and year-over-year reaching 1.2 million tons, as the Polyester business segment maintained volume levels. Therefore, we remain confident we will reach our Guidance.
- Reported EBITDA reached \$170 million, an improvement of 15% versus the previous year, including a combined positive inventory management and carry forward effect of \$14 million, and a \$2 million non-recurring effect, mainly from organizational restructuring costs.
- Alpek generated \$158 million in Comparable EBITDA, in line with our Guidance expectations.

### [Slide 11]

Now, diving into specifics for the Polyester segment:

- Volume reached 1 million tons, an increase of 2% year-over-year and 1% quarter-over-quarter, resulting mostly from solid demand. The Company estimates that volume would have been even higher, had it not been for the scheduled maintenance earlier in the quarter and the temporary interruptions of PTA production in Altamira.
- Asian integrated PET reference margins also improved, averaging \$297 dollars per ton, a 3% increase quarter-over-quarter. However, Chinese integrated PET reference margins remained pressured, decreasing to an average of \$147 dollars per ton, yet witnessing a slight recovery in recent weeks.
- On the other hand, U.S. reference Paraxylene increased 4%, resulting in a spread between North American and Asian prices of \$258 dollars, that is 12% higher than the previous quarter, however consistently declining in May and June.
- Comparable EBITDA decreased to \$102 million, a 20% reduction year-over-year, as reference margins remained at lower levels.

### [Slide 12]

Now, delving into the Plastics and Chemicals segment:

- Volume reached 202 thousand tons, down 4% quarter-on-quarter, primarily related to the temporary production interruptions from the Altamira sites, particularly for EPS.
- Polypropylene reference margins remained flat at 15 cents per pound, mainly from supply & demand dynamics. Average reference Propylene prices decreased to 47 cents per pound, down 13% versus the previous quarter.
- EPS, however, saw a recovery. North American reference margins increased to an average of 26 cents per pound, 40% higher quarter-over-quarter. Average reference prices for Styrene rose to 60 cents per pound, up 3% from the first quarter.
- Comparable EBITDA was \$52 million, up 20% quarter-on-quarter. Polypropylene remained in line and EPS improved as raw material prices declined throughout the quarter, particularly in June, as supply in North America normalized following the effects of industry shutdowns earlier in the year.

**[Slide 13]**

In recent months, interruptions to shipping routes have led to ocean freight costs reaching levels not seen since 2022.

If this trend continues, margins could improve, or it could represent a potential opportunity for Alpek.

**[Slide 14]**

Turning to Free Cash Flow:

- For the second quarter, CAPEX was below expected levels of \$22 million, comprised mostly of scheduled maintenance. We remain on track to conclude the year below the Guidance of \$200 million for the year with a strong commitment to disciplined capital allocation.
- Net Working Capital improved by \$34 million, as Polyester raw material prices rose slightly, while Polypropylene raw material prices decreased, as did EPS on a month-to-month basis.

**[Slide 15]**

And finally, regarding the Company's financial position:

- Net Debt decreased 5% sequentially to \$1.73 billion, as efforts to improve cash flow generation continue to yield positive results.
- Last-twelve-months reported EBITDA was \$517 million, resulting in a Net Debt to EBITDA ratio of 3.3 times, down from 3.7 times in the previous quarter.
- The Company also maintained its investment grade across the three rating agencies. Most notably, in May, S&P Global reaffirmed the rating for the Company as Stable and BBB-.
- We are confident that Alpek is still on track to lower its leverage ratio and we remain committed to approaching our target of 2.5 times by year-end.

Thank you for your attention, I'll turn the call back to Jorge.

**Jorge Young:**

**[Slide 16]**

Thank you, José Carlos.

Coming back to the priorities we established for 2024, I would like to highlight the progress we have made during the quarter:

- First, regarding our structural cost reductions. As we mentioned earlier, we concluded the Organizational Restructuring of the Polyester business, indicating 100% completion of the initiatives which we have been sharing with you since the beginning of the year, reaching \$75 million dollars in annualized benefits. We remain committed to identifying further efficiency opportunities to maintain this momentum.
- Second, capitalizing our position as a domestic supplier by continuing our commitment to offer reliable supply of high-quality products and sustainable packaging solutions. As an example, I am proud to share that our Polyester business just unveiled a new patented technology, called CaPETAll. Under such technology, we provide a resin that is suitable to make bottle caps 100%

from PET resin. Thus, the bottle would be made entirely from PET, making it easier to recycle without losing any functionality. We expect to determine the commercialization timeline in the near future.

- And third, maximizing Cash Flow and further strengthening our balance sheet through disciplined capital allocation Net Working Capital optimization, and as mentioned before, we continue to make progress in divestitures of non-strategic assets that we can monetize.

Looking forward to the second half of the year, we believe the industry will continue to gradually move towards more normalized demand, although we acknowledge petrochemical markets are still subject to excess capacity. Meanwhile, disruptions in trade flows across the world have led to rising ocean freight costs, which could generate potential opportunities for Alpek.

Finally, I would like to reiterate that the figures for the second quarter fully met our expectations, despite the situation we faced at Altamira, and we remain confident that we will meet our full-year Guidance for EBITDA.

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

## Q&A

**Bárbara Amaya:**

[Slide 17]

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 Thiago Casqueiro from Morgan Stanley. Thiago, please proceed with your question.

**Thiago Casqueiro, Morgan Stanley:**

Hello. Thank you for taking my questions, I have two here.

The first one is regarding global capacity; we have seen some closing of PET and PTA capacity in Europe, and I would like to take your view on this trend, especially if we should see this happening in other regions. And the second one is if you could comment if there is any update on the divestment of non-strategic assets.

Thank you.



**Jorge Young:**

Thiago, thanks for the question. Yes, I think this is the beginning of a trend of where the least competitive assets across the world might have to shut down. I mean, we really don't have further insights of what other assets to follow or specifically when. But it would be expected that, again, over the next year or two, we should see some more of those announcements.

I think Europe, in particular, is a challenging region as it faces stiff competition from imports, and it has higher energy costs.

And I'll ask José Carlos to respond to the question on the non-strategic assets.

**José Carlos Pons:**

Thank you, Jorge. Thank you, Thiago, for your question.

Yes, we are making progress on two fronts. I mean, there are some assets that are easier to monetize, certain pieces of land, certain equipment that were in plants that are no longer used, and we've been making progress throughout the year. We are probably 50% or 70% in concluding that activity. By the end of the year, we might see a total amount within that category of around \$20 million dollars.

But as we have communicated, there is a more valuable asset that we are, starting with more detail, that is the land that we have from the closure of the plant of the fiber production in Monterrey, we already remain advisors to help us see what is the purpose of that land and we hope that by the end of the year we have more clarity on what is the value and what is the role that we want to have in the monetization of that asset.

So, we are making progress, not something that we can announce at this moment, hopefully by the end of the year we will have a clear idea.

**Jorge Young:**

Thiago, just returning to the first question. As you know well, last year, in 2023, ourselves as Alpek, we began the process of looking into our footprint, and two for facilities shut down, one of our PET plants, where we consolidated the production and sales from that facility into the rest of our system, so that we have a more robust footprint. And second, our polyester textile filament facility in Monterrey, that we also shut down, as it was not strategic for us to continue to participate in the fiber business.

**Thiago Casqueiro, Morgan Stanley:**

Very clear. Thank you.

**Jorge Young:**

You're welcome.

**Bárbara Amaya:**

Our next question comes from Tasso Vasconcellos from UBS. Tasso, please proceed with your question.

**Tasso Vasconcellos, UBS:**

Hey, can you hear me?

**Bárbara Amaya:**

Yes, we can hear you.

**Tasso Vasconcellos, UBS:**

Oh, great. Hi Jorge. Hi José Carlos. Hi Bárbara. Thanks for taking my questions.

I have two questions here on the CAPEX front, probably for José Carlos. The first one, José Carlos, you already said that you are on track to deliver a CAPEX in the full year below the guidance, right? But on the other side, the company didn't update the \$200 million for the full year, which is the current guidance. So, I think it would be great to hear your thoughts here on what we should expect for the second half of this year. Should we see an annual growth rate based on the first half? Should we see an improvement in the second half? So just to get your update view here on expectations for the second half of this year.

And maybe looking into 2025, how structural is this CAPEX for this year, can we expect a similar level for next year? Because you guys are reducing the overall expenses for this year. Should we see a revamp on the CAPEX for next year?

Those are my two questions. Thank you.

**José Carlos Pons:**

Thank you, Tasso. I hope you're doing well.

Yes, we have been very careful on capital allocation throughout the first half. We have mainly focused on keeping all our facilities in the best shape they can be. So, a lot of maintenance CAPEX has been spent throughout the first half. In the second half, we're expecting to ramp up certain strategic projects. There is an investment, for example in recycling in EPS, that will materialize in the second half of the year. There are some other strategic investments that will plan to materialize throughout the second half. So, I say that probably will be 30% or 40% higher than the rhythm that you saw in the first half of the year. So yes, below the \$200 million, but not at the same rate that we saw in the first half of this year.

Now, looking forward, we still have very good opportunities to invest. We are looking at opportunities to reduce costs, and there is a project ongoing that we are starting with a lot of detail. We have opportunities to improve our recycling operations. We do have opportunities to enter into adjacencies, and for example, what Jorge indicated, on this all-PET bottle that we are exploring. So, there might be additional strategic CAPEX throughout 2025, not ready at the moment to give you a specific number, but probably in the order of 200 plus.

**Tasso Vasconcellos, UBS:**

All right, that's clear. Thank you very much.



**Bárbara Amaya:**

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

**Leonardo Marcondes, Bank of America:**

Hi, guys. Thank you. Can you hear me?

**Bárbara Amaya:**

Yes.

**Leonardo Marcondes, Bank of America:**

OK, great. So hi, everyone, Jorge, Pons, Bárbara, Alejandra, thanks for picking my questions here.

I have two from my end. The first one is on spreads, but maybe a bit more focused on the plastics and chemical segment. It has been a while that polypropylene spreads have been very tight in North America as operating rates remain very, very low, right. So, my question for you is, when do you guys expect PET producers in the U.S. should be able to set higher prices and increase margins?

My second question here is regarding the capital allocation. Despite the challenging environment, Alpek has been able to deliver positive Cash Flows, right? So, my question here is how should we think in terms of capital allocation in the short and midterm? Is the focus to bring leverage maybe a bit more down or could we expect any sort of dividends or any kind of remuneration this year?

Thank you.

**Jorge Young:**

OK, thanks for the question, Leonardo.

I'll start with the question on spreads, and you were more interested in particularly on polypropylene spreads. Right now, the spreads have been relative to the cycle at a very low point, and they have been steady. I think there is still some level of overcapacity in the North American industry that is keeping the spread at those levels. There have been attempts from the more established, the larger, polypropylene producers in the United States to increase margins slightly, but so far, the spreads remain steady on a low level.

I think we might be one event, one tropical storm or one supply disruption from potentially the spreads moving higher, but so far, they are steady and again, we might still have, at least for the balance of the year, some level of overcapacity. But again, one event in the industry could change that. But that is the view.

So, generally speaking, we continue to prepare and operate as if the low spreads will last for longer. I mean, that has to be the nature of our strategy. But also remain agile and ready to capitalize should spreads improve by natural improvement in the supply demand ratio or by the result of industry specific events that might, again, bring disruptions and opportunities.

**José Carlos Pons:**

Yeah, maybe, Leo, I can jump into your question on capital allocation.

As we have stated before, we are committed to coming closer to the 2.5 times net debt to EBITDA, that's our target. With the numbers that we're reporting as of today, it seems doable by the end of the year, or something very close to that. So, at this moment we announced that there will be no dividends in 2024. However, that is a situation that we are always evaluating, and if there is room, we will propose something to our shareholders. But at the moment, I will say, we are targeting the 2.5 times net debt to EBITDA and with that, then we will evaluate if there are any further opportunities going forward.

**Leonardo Marcondes, Bank of America:**

Perfect. Thank you, guys.

**José Carlos Pons:**

Thank you.

**Bárbara Amaya:**

Our next question comes from Pablo Ricalde from Santander. Pablo, please proceed with your question.

**Pablo Ricalde, Santander:**

I don't know if you can hear me now.

**Bárbara Amaya:**

Yes.

**Pablo Ricalde, Santander:**

I have two questions.

One is related to those questions on the real estate divestment. I was wondering, in case you managed to sell the asset before year end, if it is fair to assume maybe you can pay an extraordinary dividend this year, or you will wait until 2025 to maybe restart the dividend program? That is my first question, and the other one is from the Working Capital, how should we see Working Capital for the second half of the year?

**Jorge Young:**

Yes Pablo, Jorge here.

Well, real estate, for all the priorities to maximize the value that we can get from that asset, it's a very nice piece of real estate in the center of the city, and obviously we want to capitalize and monetize it. But right now, we are in the middle of a study, and we will probably not have until towards the end of the year that analysis that will provide us with a potential road map on the best way to capitalize our asset. I don't think we want to rush to any decision, probably we don't want to hold onto the asset for

too long either, but there has to be the right time and for that we just need more information. We are not experts on real estate matters, and I think we can take that time to evaluate the opportunity to maximize the value for the shareholders. So, it's less likely that something will happen before the end of the year and most likely something we will carry into next year.

Regarding Working Capital levels for the second half, I would say at this moment, probably not very significant change going forward. I mean there is always volatility in the Working Capital. We are close to the number of days of Working Capital, so depending on if prices go up or down, we will see a fluctuation in the Cash Flow. But assuming steady prices, we would expect steady Working Capital, maybe some slight opportunities to continue to recover and improve on Working Capital, but more moderate from what we have seen in the last 18 months, for example.

I hope that answers the questions, Pablo.

**Pablo Ricalde, Santander:**

Yes, perfect. Thanks a lot Jorge and congrats on your results.

**Jorge Young:**

Thank you.

**Bárbara Amaya:**

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

**Andrés Cardona, Citi:**

Hi, good morning, Jorge, José Carlos. I have two questions.

The first one is if you can help us to understand how big the oversupply coming from China is, perhaps as a reference of total supply or demand? And the second one, and on the other hand, given the delay of Corpus Christi, could you help us understand how the U.S. structural deficit has evolved over time? I remember last time it was around 1 million tons, but just wanted to make sure it is the accurate and most updated number for the Americas or USA.

Thank you.

**Jorge Young:**

Yes, Andrés. The first question on the oversupply from China, I think the answer varies by product, for example EPS and polyester, the excess capacity in China that is earmarked for export is probably more than 50% of the installed capacity in China. So, you are talking several million tons per year of capacity that is available for exports. In our key markets, specific imports from China are relatively low because most of our key markets, there are anti-dumping duties in place in versus China, that have been in place for a long time. Notwithstanding, China exports to many other regions and these places, other Asian countries mainly, and those other countries are the ones that bring most of the import volumes to our key region.

So, it is indirect, the pressure, the prices from the non-China origins are not as low as China. But we still need to, again, be very sharp in our cost to compete effectively versus those imports, not only through cost but also through innovation and good service with the customers.

But all in all, Asia still has a relatively high percentage of their capacity that is again available for exports. So, it is not new, I mean, it has been happening for a while, but right now, as I would say this year, perhaps next year, the situation is somewhat more acute than what we have seen in the past.

On the North American deficit, the deficit probably peaked in 2022 with more than 1 million tons of PET deficit in the Americas. It's been trending down slightly. I think what happened in 2022, we enjoyed a peak of demand with the COVID issues and the implications for packaging demand and with people building up inventory significantly in 2021 and 2022. So that was the peak of demand, and the imports were again north of 1 million tons. Right now, they are at 1 million or slightly below. So not a significant change, if at all some slight reduction in the last couple of years.

**Andrés Cardona, Citi:**

Thank you, Jorge.

**Jorge Young:**

You're welcome.

**Bárbara Amaya:**

Our next question comes from Karim Sawabini from Moon Capital. Karim, please proceed with your question.

**Karim Sawabini, Moon Capital:**

Hi Jorge. Hi José Carlos. My questions are two things.


One is on shipping costs. Obviously shipping costs have been elevated for a few months. I was wondering when do you think that starts to kick in into some of the pricing you see in your markets? And two, if you can just give us an update on any tariff news or conversations you have heard?

Thank you.

**Jorge Young:**

Yes, Karim, thanks for your questions.

Yes, as you mentioned, the shipping costs have been increasing recently. They increased in the beginning of the year, then they came down and over the last two or three months they have gone higher. The last couple of weeks they have either stabilized or begun to come down slightly. But they remain at an elevated level. It takes some time for us to see the effects in our business. In these regions, especially in North America, some of the agreements tend to be of annual nature.

A clear plastic container filled with fresh raspberries and blueberries, positioned in the top left corner of the page.

So, if the higher freight persists, and persists, let's say, towards the end of the year, then we might see some of those improvements, more into 2025. In some of other regions like South America, the import price model applies, and we tend to update the freights more often, but notwithstanding that there is always a lag, so maybe nor South American business we will see the effects in the second half. And in North America, probably more towards next year, it will depend a lot on how long they last and the numbers we tend to show in the charts are more representative of spot rates, and because those are already available from various sources of information. In practice, some customers tend to do contracts and those could be 6-month contracts, 12-month contracts, so it varies.

So, it takes time, but most definitely container freight staying high is a step in the right direction for our results. So, we expect to see again some partial benefits in the second half and to the extent they last more into next year.

**Karim Sawabini, Moon Capital:**

Great. Just on tariffs as well, if you could, just if there is any new color?

**Jorge Young:**

Yes, during the quarter, I think in April, Mexico did move on import tariff rates from a long list of products, several 100 tariff rates. In the products that are relevant for Alpek with higher rates, we have PET resin and EPS. So those have for countries where there is no free trade agreement, 35% import duty rate.

Now, at the same time, as we have mentioned in previous calls, obviously we support fair trade and those are welcome relief measures especially from some countries that we believe shipping levels do not represent fair trade, like China, but at the same time there is stiff regional local competition. There are still significant imports from the customers who have the ability to bring imports from countries that have free trade agreements with Mexico, for example. This example of 35% again is Mexico. And again, it's a step in the right direction, but there are still plenty of supply options, competitive prices for customers and we compete on those.

And from other countries, no significant changes, last and back to Mexico, the industry did present, before knowing this import duties or besides this effort on this import duties, because these are temporary, initially this duty is established in 2024 are for a two-year period. But in parallel with PET industry did apply for a review of the imports from China for potential anti-dumping duties that might last longer than two years. But that one is still under review the case and we expect to hear from the authorities that are reviewing the case in the second half, whether there is any preliminary determination for anti-dumping duty. So, it remains a focus for us to follow all the trade activity in the products that are relevant for us. So, we are on top of it, but those are the key updates, Karim.

**Karim Sawabini, Moon Capital:**

Thank you.

**Jorge Young:**

Hopefully this answers your two questions.



**Karim Sawabini, Moon Capital:**

Yeah. Thank you very much.

**Bárbara Amaya:**

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

**Alejandra Andrade, JP Morgan:**

Hi, good morning. Thank you for taking my question.

I just wanted to follow up on the Working Capital release that you saw in the second quarter. You mentioned a decline in raw material costs for one of your businesses, but I'm seeing a buildup in accounts payable, slightly lower inventories. Could you just give a little bit more detail of what happened in the quarter?

Thank you.

**Jorge Young:**

Yes. If you remember, in the first quarter we had a more significant investment in Working Capital. So, in the second quarter, we saw some adjustments from that first quarter increase and then in the second quarter, we had a moderate recovery. I think our finished product inventories are maybe a little bit on the low side because of the Altamira water scarcity situation. But raw material inventories are on the high side because of the same reason, we have long supply pipelines for raw materials.

No significant changes in terms of payment, and that is probably the normal volatility of that line from the balance sheet. But as I mentioned in an earlier question, when you put everything on the table, we are close to the number of days of operating Working Capital that we target. Maybe we are still a couple of days above, so we expect to be steady, but we remain focused on trying to improve on working capital, at least a little bit during the second half.

**Alejandra Andrade, JP Morgan:**

Thank you so much.

**Jorge Young:**

You're welcome.

**Bárbara Amaya:**

Our next question comes from Emilio Antor from GBM. Emilio, please proceed with your question.

**Emilio Antor, GBM:**

So, can you guys hear me?

**Bárbara Amaya:**

Yes.

**Emilio Antor, GBM:**

Perfect. First of all, Hello Jorge, Hello José.

The question is, can you provide a breakdown of the \$200 million in CAPEX, specifically talking for how much is allocated for maintenance CAPEX, please?

**José Carlos Pons:**

Yeah. Thank you, Emilio, for your question. Yes, out of the \$200 million, \$120 million is related to maintenance, and \$80 million is related to strategic investments.

**Jorge Young:**

From the guidance.

**José Carlos Pons:**

From the Guidance, yes.

**Jorge Young:**

And from the actual, I would say, the percentage has been higher on for maintenance CAPEX. So far.

**José Carlos Pons:**

Exactly the number that I was giving you, the 80%, that's related to the first half CAPEX, has been 80% related to maintenance.

**Emilio Antor, GBM:**

Perfect. And do you guys expect to reach it?

**José Carlos Pons:**

No, we're not expecting to reach guidance for the \$200 million, will probably below, but we do expect an increase in CAPEX in the second half as some strategic projects will materialize, some will be for example, installing some portion of the capacity for recycling in EPS. And that was expected in the second half. So, there is an increase in the run rate that we have for CAPEX.

**Emilio Antor, GBM:**

Thank you. That will be all. Thank you.

**Bárbara Amaya:**

We have a couple of questions from the Q&A chat. I will proceed to read them.

The first question is from Melissa Marcus from Jefferies:

Could you please comment on the expected timing for the spin-off from Alfa?

**Jorge Young:**

No, I think as Alpek, we cannot comment on the timing from that spin-off that. That is an Alfa project and the timing, and the process is defined by them. Notwithstanding, Alpek has been preparing over the last several years to be ready for when that moment comes and, I think again, Alpek has been working on its functional independence from systems and many perspectives. But the specific timing of when that happens is not Alpek's decision.

**Bárbara Amaya:**

The next question is from Declan Hanlon from Santander:

Can you update us on the amount available on their credit facilities now?

**Jorge Young:**

Yeah. In some previous calls we have shared the maturity profile of our debt. I don't know if we have it here, but you will be able to go to consulted in our presentations. As you will see there, we have a small facility that matures in 2026. It's a bilateral with one bank. Then we have a larger facility in the 2027 that consists of several bilaterals and then we have some bonds that are standing for 2029 and 3031.

At this moment, we don't have any relevant maturity that is due in the next 24 months. So, we feel very comfortable with where we are with our debt profile. That's one of the key selling topics that we have discussed with our rating agencies. And I will also indicate that we have cash on hand plus close to \$600 million of available committed credit lines that are unused. So fortunately, we have a good maturity profile for our debt and a lot of cash available to us. And now that is something that we are continuously monitoring and seeing if there's any opportunity to refinance. But at this moment, we are comfortable where we are.

**Bárbara Amaya:**

The next question relates to the Altamira situation.

What actions were implemented or are expected to be implemented to mitigate the risk of water use restrictions in Altamira or in general in the facilities that Alpek operates?

**Jorge Young:**

Yes, to mitigate this specific event that already happened. I think, again, as I mentioned earlier, we are very proud of the agility and the commitment from our people despite the crisis. Three of our businesses are in the area. But one of our businesses, fortunately, consumes little water, so we managed through some actions, to find enough to run one of our businesses. And again, to mitigate through other actions the effect of the water scarcity during this second quarter of 2024.

I think what is important to mention is the amount of rain and water that was collected in the lagoon system in the area. Did reach a level that we probably had not seen in 15 years. So right now, the system is full. So, we would expect that next year, the probability of facing issues is significantly less given the current level. But notwithstanding, we have already taken action in the past from previous events, and we have been investing in our facility.



This was unprecedented and right now we are reviewing some other projects that will deal with the risk of not having water in the future, so again, we have several long-term alternatives. We have been talking about accessing the treated water from the municipalities in the area, that's potentially one source for us. Desalination plants is another possibility, although we would consider that as the last resource given the capital requirements. So, we don't think we will have to go that far. And from some of our facilities wells, especially those that use relatively smaller amounts of water, wells in our sites could be also a possibility to mitigate risk.

So, again, we are already reviewing all those alternatives. I think the infrastructure in the area can also be improved. That would be a government project with support from the industry. By infrastructure I mean ways to retain the water better in the lagoon system. So, I think there is a long list of activities. I think we are fully committed to reducing and eliminating that risk. And right now, we believe that given the recovery of the levels that we have seen now, we should have enough time to implement the best long-term solution. So, we are diligently working on that, so that it's not an issue going forward.

**Bárbara Amaya:**

Our next question relates to the leveraging plan. It says, what actions do you plan to take to reach the goal of 2.5 times in relation to debt?

**José Carlos Pons:**

Thank you. Very good question. As a reminder, we are targeting 2.5 times by the end of the year, the actions, many of them have already been implemented. First of all, improving our EBITDA and achieving the \$600 million dollar target of Guidance. I think that is doable. There is even a little bit of upside, but that is one of the bases that we have for deleveraging. Second, capital allocation, a lot of discipline, we have already commented on our CAPEX and what we have done in the last few months to improve and reduce the CAPEX that we are investing. However, not stopping any relevant maintenance and as during the operation from our facilities.

Second, Jorge already commented on Working Capital, there has been a lot of measures. We expect second half to improve even further on working capital; and third, we are not paying a dividend this year, that will allow us to preserve cash and improve our chances of getting closer to the 2.5 times.

And finally, I will say the cost reduction initiatives Jorge already commented, we have achieved the majority of them. We are looking for additional opportunities, but that is one of the key elements of improving our performance. So, we feel comfortable that we will be closer to the 2.5 times by the end of the year.

**Bárbara Amaya:**

Our next question is about Corpus Christi. Is there any update on the Corpus Christi project?



**Jorge Young:**

No, no updates yet. I think it is intention of the owners of Corpus Christi to meet sometime later in the year to assess the situation of Corpus Christi. So right now, no significant changes from what we have shared recently.

**Bárbara Amaya:**

That was the last question in the queue. Thanks everyone for joining our webcast. Have a great day.