

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 second 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 good day everyone. We greatly appreciate your participation.

We are pleased to report better-than-expected results once again.

Our two business units are benefitting from solid execution to boost operating efficiencies, maximize cash flow and capitalize on specific dynamics in their respective markets.

On a consolidated level, this led to double-digit EBITDA growth in the second quarter and first half of the year, driven mainly by an outstanding performance at Sigma.

For Alpek, it was encouraging to see a slight sequential improvement in Asian reference polyester margins as headwinds persist in the global petrochemical industry.

Alpek's accumulated, Comparable EBITDA of \$312 million dollars is on track to reach its full-year guidance supported by resilient demand and cost reduction initiatives.

Volume increased 2% in the first half of the year driven by the Polyester segment.

During the second quarter, Alpek also completed its comprehensive plan to capture \$75 million dollars in annualized savings. Decisive actions over the past several quarters included footprint optimization, organizational restructuring and improved power supply agreements. Efforts focused on enhancing cost competitiveness will continue.

It is important to note that Alpek's leverage ratio improved to 3.3 times at the close of the second quarter driven by higher EBITDA and 5% lower Net Debt quarter on quarter. Reduced Capex, Dividends and optimizations in Net Working Capital contributed towards strong cash flow generation this quarter.

Alpek's operational and financial initiatives to mitigate industry headwinds are paying off and keeping the Company well positioned to become a stand-alone entity.

I will now turn the call over to Roberto Olivares, Sigma's CFO, to cover the following section. Please, Roberto...

Roberto Olivares

Thank you, Eduardo, and good afternoon, everyone.

I'm pleased to share an overview of Sigma's exceptional performance this quarter, highlight key regional results, discuss our upward revision for the 2024 guidance, and explore exciting updates on various strategic initiatives.

2Q24 marked our thirteenth consecutive quarter of year-on-year revenue growth, with Sigma achieving an all-time high quarterly EBITDA. Results reflect solid execution to capitalize on favorable market conditions, including strong consumer demand and the appreciation of the Mexican peso against the US dollar throughout most of the quarter.

Moving on to regional highlights, results in Mexico were supported by consistent growth across all categories and channels, alongside a strong peso. In the US, our operations were boosted by our Hispanic and Mainstream Brands. Similarly, in Latam, strong consumer demand in Costa Rica, the Dominican Republic and Ecuador significantly contributed to our performance. In sum, Mexico, the U.S. and Latam achieved record volume and sales in 2Q24.

Additionally, Europe extended its recovery trend with a significant year-on-year increase in quarterly EBITDA, even after adjusting for the one-time expenses from the region's restructuring initiative in 2Q23. This improvement was mainly driven by a better performance in the Fresh Meats business as well as the benefits from the Italy divestment.

Encouraged by our solid performance in the first half of the year, we are excited to announce an upward revision of our 2024 guidance. We now anticipate full-year revenues of \$8.85 billion and EBITDA of \$1.0 billion, 2% and 9% higher, respectively, versus our original projections.

Reaching \$1.0 billion EBITDA represents a historic milestone for Sigma, supported by outstanding performance in the Americas and the ongoing recovery of our European operations. It is also important to note that the new guidance assumes an average exchange rate of 18.5 Pesos per US dollar for the second half of 2024.

Shifting to developments in Europe, we are pleased to welcome Juan Ignacio Amat as the new CEO of our European operations. Juan brings over two decades of experience in various leadership roles at large European consumer goods companies, and a proven track record of successfully implementing transformational plans. We look forward to leveraging Juan Ignacio's leadership and experience to build upon the team's comprehensive efforts to achieve higher profitability in Sigma's second largest region.

Moving on to strategic initiatives, we continue advancing in our Growth Business Unit, actively expanding our offerings in the plant-based category. This includes the launch of "Better-nera", a new plant based whole cut product in Spain, and the introduction of our "Better Balance" plant based brand in France and Portugal. We are excited by the prospects of enhancing our branded product portfolio with high-potential categories.

On the financial front, our net leverage ratio improved to 2 times this quarter, the lowest level in nearly 11 years. During the quarter, we completed the full redemption of our \$1 billion US dollar Senior Notes due in 2026, primarily with funds from successful issuances of local notes, or Certificados Bursatiles. Liability management actions year to date have reinforced Sigma's financial position by extending average debt maturity to 5.7 years at the close of this quarter, up from 2.2 years at the start of 2024.

Looking ahead to the second half of the year, we are well prepared to continue leveraging the evolving market conditions. Our foundation is strong, our strategy is sound, and we are poised to continue delivering enduring value to our stakeholders.

I will now hand over the call to Eduardo for his additional comments and closing remarks...

Eduardo Escalante

Thank you, Roberto.

Next, I will provide a brief update on consolidated guidance and ALFA's transformational process.

ALFA's guidance was raised to reflect the latest upside from Sigma. Our consolidated EBITDA guidance increased 5% to \$1.59 billion and Revenues were adjusted up 1% to \$16.78 billion.

Let me highlight that Sigma accounts for 62% of the new consolidated guidance. Record EBITDA generation at Sigma magnifies the value opportunity behind the separation of Alpek and provides crucial financial flexibility in the advanced stage of ALFA's transformational process.

More than ever before, there is a large disconnect between Sigma's intrinsic value and its implied value being "bundled" together with Alpek as ALFA.

This massive value opportunity is the biggest incentive for us to accelerate debt reduction and separate Alpek as soon as possible.

Lowering Debt plays a key role in the orderly process we envision, ensuring that Sigma maintains a strong financial position post-separation.

Excluding Alpek, consolidated net debt at the close of 2Q24 was \$3.25 billion. This figure needs to come down closer to our indicative target of \$2.5 billion.

Among other debt reduction alternatives, various formal sale processes advanced further during the quarter. We will have more to say about this important matter upon reaching binding agreements. In the meantime, we greatly appreciate your understanding and reaffirm our full commitment to finding the best path forward.

I would like to thank all the ALFA employees who continue to work tirelessly on driving solid operational results year-to-date and moving forward to complete our transformation process.

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