# GISSA: We expect a mixed report, derived from the standardization in demand and the growth in margins due to lower raw material costs.

Target Price Ps.44.60 (current Ps.21.00).

Recommendation: BUY

For 2Q24, we expect mixed results, with a reduction in revenues due to the appreciation of the Mexican peso against the US dollar and the extraordinary demand observed during 2023 due to inventory depletion. In contrast, we expect an improvement in profitability, due to stable raw material prices and lower production costs as demand stabilizes.

For the quarter, we expect revenues of US$261 million (-4% YoY), with EBITDA of US$27 million (+95% YoY) and a margin of 10.4% (vs. 5.1% in 2Q23).

*Draxton (auto parts)*

We expect vehicle production and sales for the quarter to register similar levels to those observed during the first three months of 2024, due to the high inflation that affected resource allocation in the main markets (U.S. and China) in past periods, as well as the prevalence of high interest rates.

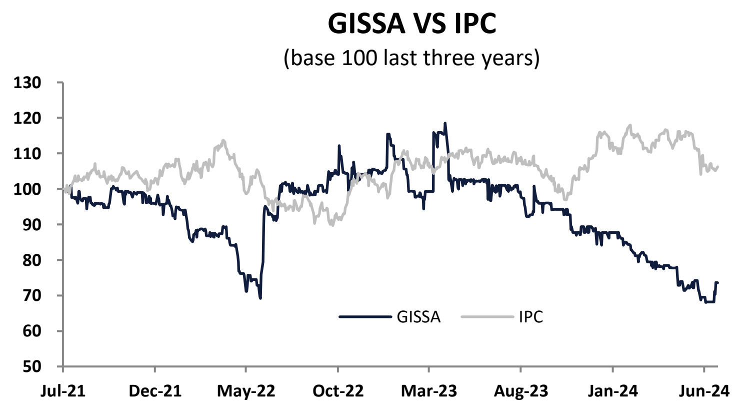
In this regard, we estimate that the auto parts segment's Revenues will reach US$240 million during the quarter, 3% below the figure recorded in 2Q23, as a result of the aforementioned events, mainly the stabilization in production and the filling of inventories.

In terms of profitability, we expect EBITDA to reach US$26 million (+44% YoY), with a margin of 10.8% (vs. 7.3% in 2Q23).

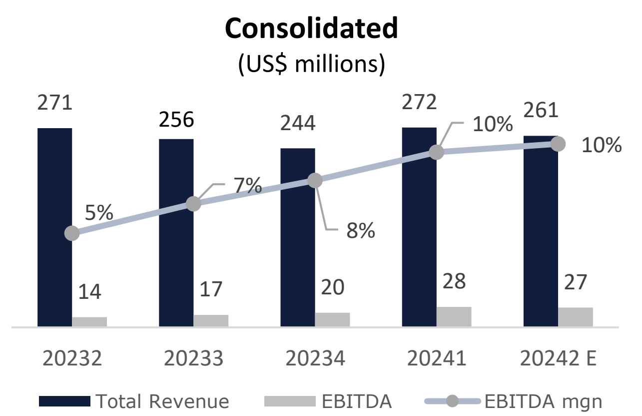
*Cinsa (home products)*

For the household products subsidiary, we expect the performance to be slightly below that observed in 2Q23, due to the persistence of high inflation and a lower dynamism in private consumption of products in the domestic market. Nevertheless, given the stability in raw material prices, we expect profitability to remain in line with the same period of the previous year.

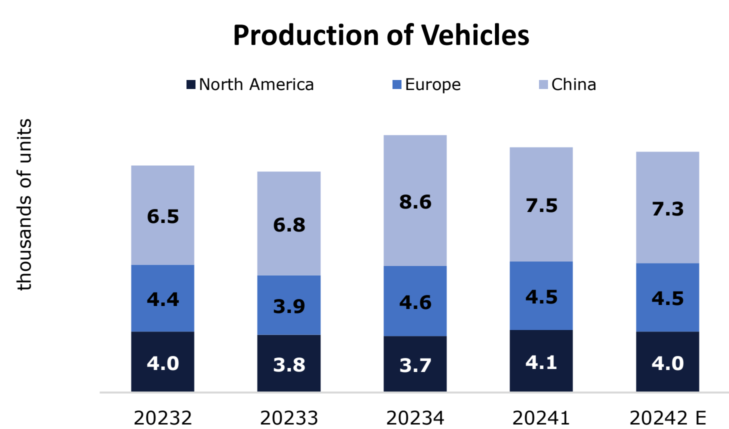
That said, we expect Net Revenues of US$21 million (-9% YoY) with EBITDA of US$1 million.




Source: elaborated by APL Global with data from BMV.



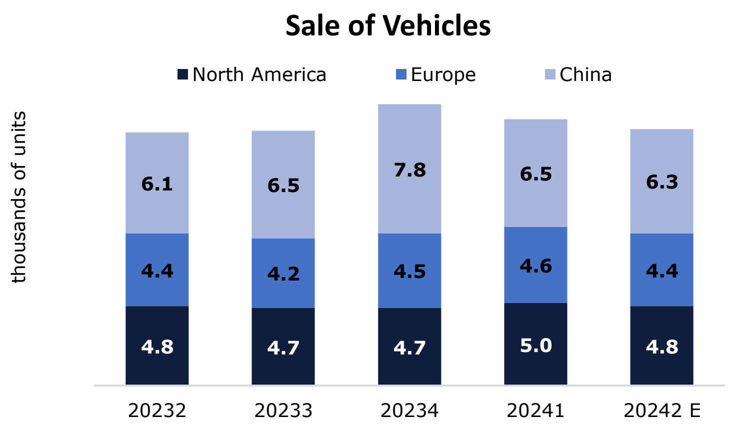

Source: elaborated by APL Global with data from the issuer and projections.




Source: recognized sources and APL Global's projections based on sector information.

Despite the growth in profitability, we expect profitability to improve further during the following quarters, due to the costs related to the filling of line 6 and the start-up of line 7, a situation that will allow for a steady improvement in margins during the second half of the year as costs related to the growth in production capacity are reduced.

Pending the company's quarterly report and considering our projections, we ratify our fundamental BUY investment recommendation, with a VI as of March 2025 of Ps.44.60.




Source: recognized sources and APL Global's projections based on sector information.

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