



Nemak, S.A.B. de C.V.

Second Quarter 2023 Earnings Webcast

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C O R P O R A T E P A R T I C I P A N T S

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C O N F E R E N C E C A L L P A R T I C I P A N T S

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Alejandro Azar, *GBM*

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Andres Cardona, *Citi*

Kamaal Busari, *Barings*

Augustine Bonasora, *PineBridge*

Jacob Steinfeld, *Ashmore*

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Mauricio Buitrago, *AM Advisors, S.C.*

P R E S E N T A T I O N

Operator

Good morning everyone and welcome to Nemak's Second Quarter 2023 Earnings Webcast. Armando Tamez, Nemak's CEO; Alberto Sada, CFO; and Denise Reyes, Investor Relations Officer, are here this morning to discuss the Company's business performance and answer any questions that you may have.

As a reminder, today's event is being recorded and will be available on the company's Investor Relations website.

I will now turn the call over to Denise Reyes.

Denise Reyes

Thank you, Operator. Good morning and welcome everyone. We very much appreciate your participation. Armando Tamez, our CEO, will lead off today's call by providing an overview of business and financial

highlights from the quarter. Alberto Sada, our CFO, will then discuss our financial results in more detail. Afterwards, we will open for a Q&A session which participants may access via dial-in or webcast.

Before we get started, let me remind you that information discussed on today's call may include forward-looking statements regarding the Company's future financial performance and prospects, which are subject to risks and uncertainties. Actual results may differ materially and the Company cautions you not to place undue reliance on these forward-looking statements. Nemak undertakes no obligation to publicly update or revise any forward-looking statements, whether because of new information, future events, or otherwise.

I will now turn the call over to Armando Tamez.

Armando Tamez

Thank you, Denise.

I'd like to introduce Denise who has been with us for the last 16 years in different roles in the company, having a great career, and I'm very confident that she will do a fantastic job. I'd like to welcome Denise to the first conference call as our Investor Relations Officer, and I wish you the very best in this role.

Hello everyone and welcome to Nemak's Second Quarter 2023 Earnings Webcast. During the quarter, we recorded positive top line trends as new product launches and increased customer production supported higher volume amidst improved supply chain conditions in the automotive industry. Notwithstanding inflationary pressures, our EBITDA was solid, driven by strong volume and efforts to mitigate the impact. While inflation persists, there is progress in discussions with OEMs to secure compensation retroactive to January 1 of this year. Our goal is to conclude these negotiations during the third quarter.

Turning to strategy execution, we continue to ramp up recently awarded business to produce parts for electric vehicles, advancing with the setup of new facilities dedicated to producing battery housings in Mexico, Germany and the Czech Republic. We initiated test production at our facility in Germany, keeping us on track to reach series production at that location by the end of this year, which is roughly the same timeframe we are anticipating for the new facility in Mexico. Additionally, we made further strides towards setting up production in the Czech Republic. We are currently in the process of configuring equipment that is expected to start production in 2024.

We also continue to expand production for electric vehicle parts at our existing facilities, launching series production of new chassis applications for fully electric SUVs and crossovers for the European market. These components were engineered with a black box design concept, harnessing our design, simulation and casting capabilities to deliver solutions that support and protect critical parts such as electric motors. As a result, we directly contribute to our customers' objective of reducing weight and, therefore, increasing the driving range of these vehicles.

Moving on to commercial activities, we made further inroads in growth opportunities linked to electric vehicles in the quarter, winning new business to deliver battery housings for fully electric applications of a leading Europe-based manufacturer of heavy commercial vehicles. We will grow largely on existing capacity to produce these parts, leveraging our capabilities across cutting-edge castings, as well as joining and assembly processes.

I would like to highlight our contributions to guiding design innovations in engineering, which enabled us to deliver a solution that fulfill customer expectations across key metrics, including weight reduction, thermal management for batteries and the product noise, vibration and harshness performance. Altogether, we expect to supply multiple battery housings per vehicle, reflecting the considerable size and battery capacity requirements of heavy commercial vehicles. This business amounts to approximately \$90 million annually

and brings the order book in our e-mobility structure and chassis application segment to approximately \$1.72 billion annually.

For this program, we are developing a road map in conjunction with the customer to reach zero emissions by 2032. This ambitious goal provides strategic support to our customers' vision while reinforcing our own commitment to reduce our CO₂ footprint by the end of the decade as we evolve towards carbon neutrality in the long term.

Additionally, this project confirms the attractiveness of the heavy commercial vehicle segment as it transitions to electrification, reflecting the impact of new legislation in facilitating the advance of electric mobility. The adoption of more stringent emission reduction targets has already served as a catalyst for vehicle manufacturers to make electrified offerings central to their long-term production plans, particularly for passenger vehicles. However, this is increasingly true for commercial vehicles as well, including light, medium and heavy categories.

I would like to underscore that these opportunities in the heavy commercial vehicle segment represent additional business for Nemak, particularly when considering the multiple battery housing requirements, as well as the relevance of aluminum contribution to light-weighting, and therefore, increased driving range.

As we continue making substantial inroads into electrification, new product launches and revenue from our e-mobility, structure and chassis segment have led us to an equivalent run rate of more than \$600 million annually and growth of 28% year-over-year.

In conjunction with our efforts in the electrification segment, Nemak continues pursuing ESG initiatives, addressing our social agenda, Nemak Mexico received recognitions as a socially responsible company from CEMEFI, the Mexican Center for Philanthropy, for the fourth consecutive year. Meeting that organization's highest standards of measuring and evaluating best ESG practices. Nemak understands that companies that voluntarily integrate environmental and social value into their business not only improve their own operations, they have powerful positive impacts on society as well.

I am also pleased to announce that we received recognition from Hyundai as Supplier of the Year 2022 in Europe and South America. These awards reflect our capabilities in co-designing lightweighting solutions alongside our customers, while shaping a strategic collaboration between the two companies. In line with our guiding values, our people remain engaged and committed to innovative and delivering high-quality comprehensive solutions that address our customer needs.

That concludes my initial remarks, and I will now hand over the call over to Alberto.

Alberto Sada

Thank you Armando, and good morning everyone. I will guide you through a quick recap of industry trends during the quarter, followed by a summary of our financial results.

Despite mixed global economic conditions, including persistent inflation as well as continual improvement in automotive industry supply chains, we achieved double-digit top line growth compared to the second quarter of last year. This increase was attributable to higher volume driven by sustained improvement in light vehicle production and new product launches in our e-mobility structure and chassis segment.

In the quarter, light vehicle sales in North America grew 17% year-over-year, supported by pent-up demand and sustained production growth. Supply chain conditions continue to ease, namely in semiconductors, which led to a 12% growth in production.

In Europe, light vehicle sales showed slight growth, and production rose 9%, driven by the same factors seen in North America.

Light vehicle sales in Brazil showed a 1% growth year-over-year and production, an 8% increase as OEMs sustained activity in the region.

Lastly, in China, sales increased by 10%, while production increased 34% year-over-year as recovery from the country's zero COVID policy continues.

Transitioning to our financial results, volume was 10.9 million equivalent units, up 11% year-over-year as production among Nemak's customers continue to improve across all regions. Together with the ramp-up of e-mobility structure and chassis components, revenue was \$1.3 billion, up 11% year-on-year, attributed to the higher volume and improved product mix. Compared to the first quarter of 2023, revenue rose 5%.

EBITDA for the quarter increased 3% against the same period last year, standing at \$153 million as incremental revenue together with customer negotiations more than offset the cost headwinds during the quarter, such as launching expenses, appreciation of the peso against the U.S. dollar, and inflationary effects. We continue to make progress on inflation negotiation with our customers.

EBITDA per equivalent unit fell 8% on a year-over-year basis to \$14 per piece. This was largely due to the impact of depreciation of the Mexican peso as the dollar, launching expenses and inflationary impacts. Sequentially, we saw an improvement of 14% from \$12.30 per equivalent unit.

Operating income for the quarter was \$64 million, down 13% against the figure posted in the same period last year. It was largely derived from higher production costs due to inflation and \$6 million of impairment of obsolete assets in North America, as well as the same drivers that influenced EBITDA.

Net income for the quarter was \$20 million compared to the \$30 million in the same period of 2022. The decline can be explained by the lower operating income, higher interest expenses, and foreign exchange losses.

Shifting our attention to capital allocation, we uphold our commitment to prioritize strategic investments aimed at capturing additional opportunities in our e-mobility structure and chassis segment. We remain selective in pursuing new business with the ultimate objective of driving sustainable and profitable growth.

During this quarter, our investments amounted to \$131 million, in line with our full-year guidance. The majority of these funds have been invested in the introduction of cutting-edge product offerings within our e-mobility structure and chassis segment. These new products are all part of the groundwork we are laying for our transformation to e-mobility.

Working capital increased by \$57 million on a sequential basis following seasonal dynamics, reflecting higher volumes and the ramp-up phase of new products.

As of the end of June, net debt was \$1.5 billion, up 7% versus last quarter and 29% higher versus the same quarter of last year, derived from investment needs and working capital requirements. Net debt to EBITDA and interest coverage ratio were 2.7x and 6.6x, respectively, versus 2.5x and 7.5x in the first quarter of this year.

Moving on now to regional results, in the quarter, volume in North America increased 12% year-over-year to 5.9 million equivalent units. This growth was driven by increased light vehicle production levels and successful new product launches within our new segment. Consequently, revenue in the region grew 10%

compared to the second quarter of 2022, topping out at \$727 million, primarily on the back of higher volumes.

Despite these positive outcomes, EBITDA was \$74 million, an 11% decrease against the previous year as higher volume and improved product mix were offset by the appreciation of the Mexican peso against the dollar, launching expenses and inflationary pressures in the region.

In line with the dynamics seen in North America, volume in Europe was 8% higher year-over-year, totaling 3.7 million equivalent units. Revenue was \$446 million, up 13% against the same period last year, due mainly to higher volume. EBITDA was up 8% year-over-year to \$61 million as volume and improved product mix more than offset inflationary impacts and launching expenses.

Rest of the world volume increased 18% year-on-year to 1.4 million equivalent units. Revenue was \$149 million, up 6%, derived from increased volume. EBITDA was \$18 million, 113% higher than the same period of last year and similar to last quarter's level. This was mainly attributed to improved product mix and new product launches.

This concludes my presentation. I will now turn the call back over to Denise to open the Q&A session.

Denise Reyes

Thank you, Alberto. We are now ready to move on to the Q&A portion of the event. As a reminder, participants may ask questions directly via dial-in or send questions in writing via web.

Operator, please instruct participants calling in on how to place their questions.

Operator

Thank you. We will now be conducting a question-and-answer session. (Operator instructions).

Our first question comes from the line Alfonso Salazar with Scotiabank. Please proceed with your question.

Alfonso Salazar

Thank you and good day everyone. I have three questions: The first one is regarding the transition that we are experiencing in the industry and more related to the speed of this transition, because it appears to me that it was very fast at the beginning, but it might slow down, which means that it could be that the combustion engine is going to be here for longer than you probably were thinking, and it could even lead to mismatch between what OEMs are predicting in terms of conversion to EVs and what the market wants. That's very important, especially for North America and for the U.S. based on the recent polls basically saying that there's a good fraction of population that doesn't want to buy an electric vehicle yet. I just wanted to hear your thoughts about that and the implications for Nemak.

The second one is regarding the profitability of the new business. The reason why I'm asking is because we have seen how there is a price war that Tesla started and that is certainly going to hit profitability of all the OEMs trying to enter the EV market. On top of that, what we see is there is more competition for auto parts and especially for battery trays, so that is something that could be a concern going forward.

The third and last question that I have is regarding free cash flow generation; your projection for the second half of the year and for 2024, if you can give us some color on that front. Thank you.

Armando Tamez

Thank you, Alfonso. I will take the first two questions. Related to the transition, definitely, what we are seeing is that we're participating in three main regions: Europe, North America and Rest of the world. What we are seeing, for instance, is that regulations in Europe are very strict and they have—the OEMs—high penalties for not complying with, let's say, the reduction on CO₂ and they have already a mandate to have by 2035 only vehicles that doesn't produce any emissions.

North America, I think it is different. Certainly, they have, I would say, less restrictions, and it will be more depending on let's say, if the customer will be willing to buy electric vehicles. We are seeing, for instance, in our case, a rapid growth, as I already mentioned in my script. We have seen already a higher than \$600 million for this year in revenues on electric mobility, structural components as well as chassis. But also, we are prepared. We have capacity for the internal combustion engine, and certainly, we will watch closely how the market develops. And we will be prepared with the flexibility, again, to produce either one. Certainly, if it takes a little bit longer than what the OEMs are anticipating that will mean for us less Capex going forward, so I think we're well prepared in the two sections.

In terms of profitability, as we have indicated we are experiencing already higher profits on the new business than in the legacy one. Certainly, we are getting sure that in our contracts we have certain protection in the event that the volume doesn't materialize, so I think we are also being conservative in that regard. I think what we have seen already in both markets is that volumes, not only in North America but also in Europe, are stronger, and we're enjoying those things.

Related to the free cash flow, Alberto, please?

Alberto Sada

Sure. Thanks, Armando. Yes, certainly, we have seen an increase in cash needs for the Company in the first half of the year and those are associated with, as indicated before, with the Capex schedule that we have for the year. We are fully engaged in our transformation, and therefore, we are investing most of that Capex into the new segment, and then the traditional working capital needs that are normally higher in the first half of the year and then tend to gradually reduce on the second half. We expect a reversal of that cash injection that we did to the business in that first half on the second half. Roughly half of what we invested will be recovered, both by working capital changes. We have a few tunings that we need to still recover and eventually, the cycle recovery as of the end of the year. We should see a reversal of about half of the cash that we invested in this first half to achieve a leverage ratio similar at the end of the year to what we had at the end of last year. Right now, it's a temporary higher leverage due to that incremental cash needs, which will gradually be reduced based on cash generation as well as EBITDA improvement.

Alfonso Salazar

Very good. Thank you so much.

Operator

Thank you. Our next question is from Alejandro Azar with GBM. Please proceed with your question.

Alejandro Azar

Hi, Armando, Alberto. Good morning, Denise. I have a couple of ones. The first is a follow-up from Alfonso. When you refer to recover the half of the cash needs that you already spent during the first half, Alberto, do you mean on free cash flow, or do you mean working capital needs? Because if my numbers are correct,

you have spent, like, 300 million in free cash flow and around 180 million in working capital needs, just to have that figure clear.

My second question is on the customer production of Nemak. What would you say is the reason behind that customer production growing at a slower pace than the industry during the first half of 2023?

My third one is on the Rest of the World operations. The margin, the profitability of the region seems historically high at 13 per unit. Is this the new profitability of this region? That would be my third.

The last one is on launching expenses. If you would help us on last year how much of the launching expenses happened during the first half of the year and how that compares to 2022. Because if I'm not mistaken, it seems like last year you had most of your launching expenses in the second half and this year you're having those in the first one. Those would be my questions. Thank you very much.

Alberto Sada

Yes. Thanks for the question, Alex.

Just to clarify on the comments on free cash flow. As indicated, the growth in cash flow has been associated with the Capex that we have had, which is higher than normal due to, as I indicated, the transformation that we are currently doing on our business. And second, on working capital needs, both because of the traditional cycle that you see a higher need of working capital in the first half of the year and then recover in the second half, but also because we also have higher activity and higher volumes, so that demands also higher working capital. We should be seeing a reversal on working capital on one side and improvement on the free cash flow from operations in the second half of the year.

We need still to recover a few of the inflation negotiations with the customers. That should be a positive effect, both on cash as well as on results. So we should be, with the combination of all of those, helping us to collect more cash altogether and reduce that cash investment, net cash investment that we have invested in the business so far.

Related to your second question on the difference on customer production of our customers versus the industry, I think there is really nothing there to highlight. This is response to the regular schedules that our customers have. They sometimes, depending on how they're launching platforms, they move sometimes a little bit higher, sometimes a little bit lower. Really nothing there that concerns us or that we have any issue.

On the Rest of the world, certainly, I think you have there a point. I mean we have had very good profitability this year on our performance, particularly at our operations in South America. Our team there have done a fantastic job to be able to maintain the business at the right performance levels together with better mix, a little bit of better volumes as well, and also good performance in China. So we're seeing overall stability on the regions as well as favorable mix and products.

Last but not least, on the launching expenses, as I highlighted during my comments earlier, when you have more investments, that means more activity and, therefore, higher launching expenses. We're seeing a little bit more expenses on this first half of the year versus what we saw on the first half of last year, but that has to do precisely with the amount of activity that we're currently engaged with on these new launches. These are, again, temporary in nature, so those are while we stabilize the production, where we take those programs to the desired volume levels. This quarter, it was close to \$6 million of launching expenses that we experienced.

Alejandro Azar

During the first half, you have \$6 million...

Alberto Sada

No, during the quarter. During this quarter.

Alejandro Azar

During the quarter is \$6 million?

Alberto Sada

Yes.

Alejandro Azar

And last year, how much was the entire year, Alberto? How much would that be for the first half of 2023?

Alberto Sada

Yes, I don't have the exact breakdown for the first half, but altogether, we had close to between \$25 million to \$30 million of launching expenses along the year, mostly in the second half. But again, that follows directly the amount of activity on new launches and new platforms that we're currently developing.

Alejandro Azar

Okay, perfect. Thank you.

Alberto Sada

You're welcome.

Operator

Thank you. Our next question comes from Peter Bowley with Bank of America. Please proceed with your question.

Peter Bowley

Hi Armando, Alberto, Denise. Thank you for the call and the opportunity for a question. My question is, what percentage of customers or contracts are left to conclude the negotiations on inflation that I think you mentioned you're targeting to conclude by third quarter 2023?

Armando Tamez

Yes. Yes, we have made the progress, Peter. We still have some offers that were not effective by us, mainly in North America. We're making a little bit better progress in Europe. But we're confident that we will be able, Peter, to close our negotiations during this quarter.

Peter Bowley

Thank you.

Armando Tamez

Thank you.

Operator

There are no further questions at this time. I'd like to turn the conference back over to Ms Reyes for any additional or concluding—or web questions.

Denise Reyes

Thank you, Operator. We will now move on to questions from the web. First question comes from Andres Cardona from Citi and it reads, within the three electric vehicles and structural components new plants under construction, are you able to deliver on the target of \$2 billion in revenue by 2025 for the segment?

Armando Tamez

Basically, this year we are running at the level of about \$630 million, at this pace, which is a significant growth. Our commitment made was to reach contracts that will give \$2 billion in revenues. That doesn't mean that we will be at \$2 billion by 2025. But I think our growth is certainly moving in the right direction. And by the way, we are confident that we will achieve the \$2 billion of new contracts before 2025. We are very confident. We are now at 86% of our goal that we set just a couple of years ago, and I think that we're very selective in terms of customers, products and regions in which we would like to participate, especially in the electric mobility.

Denise Reyes

Second question is also from Andres Cardona from Citi. Andres asks, last quarter you mentioned you are being able to get clients to fund some of the Capex in the incremental EV/SC segment. What does it mean in terms of ownership of the facilities or the economics of the business? Can you please elaborate about this initiative?

Alberto Sada

Yes. I think as we have mentioned in the past, part of the discussions with our customers has to do with the ability to jointly fund some of the projects that we have going forward. That helps us with the cash needs, also with maintaining a prudent leverage. So far, I think we have had some discussions with customers and already some negotiations to obtain support. That doesn't change by any means any type of ownership of the facilities or anything. We're full owners of our three sites that Armando just described and that only supports our business cases, the economics of the business cases further.

Denise Reyes

We have a third question from Andres Cardona from Citi. The question reads, how much of the benefits of negotiations to transfer labor costs to clients have been done as of second quarter 2023? Or what was the main driver behind the margin expansion versus first quarter '23?

Alberto Sada

Yes. Well, certainly, as we discussed earlier on the call and when we shared our guidance, part of this negotiation with the customers this year different than last year was that we were including also the effects

of labor inflation on our cost, on the negotiations. We have had discussions with the customers on that front, together with the rest of the inflation elements, and as Armando highlighted, we have made some progress, particularly in Europe. This is an element which is very important, and we are putting a lot of emphasis on those discussions and certainly will continue to do so as we continue closing those negotiations.

Denise Reyes

Next question comes from Kamaal Busari from Barings. With your current increasing leverage, do you have any internal leverage target you intend to maintain?

Alberto Sada

Yes. Related to leverage, we closed this quarter at a level of 2.7x on a net debt-to-EBITDA basis. The expectation is, as we discussed before, to reduce that leverage, particularly on the end of the year. The third quarter will still be at a similar level but at the end of the year we should be seeing a recovery based on the reversal on the cash flow generation, as well as improvement on EBITDA. So our targets continue to be to be within the 2.0x net debt-to-EBITDA. We're going to be a little bit higher than that as of the end of the year because of these high investments, but we should gradually continue improving that leverage going forward.

Denise Reyes

The next question is also from Kamaal Busari from Barings. The question reads, how do you feel that the pent-up demand would hold up in the event of a potential U.S. or global recession?

Armando Tamez

Certainly, it's unpredictable what will happen if recession comes. What we could tell you is that we are prepared. We have faced in our history different cycles, and certainly if a recession comes and that will mean lower volumes, we know and we have already developed a playbook for this type of situations in which we immediately adjust our cost structure to the new market reality. We feel that—and again, in conversations with the economists of not only the U.S., but also Europe, they see that at least for the next 12 to 18 months the economies of the world are strong and also unemployment rate is very, very low. I think interest rates are becoming a little bit higher but in spite of that, we are seeing, at least for our industry, much better volumes than what we have experienced over the last few years.

Again, in summary, Nemak is prepared and has already applied different cost reduction activities in our facilities if we see lower volumes.

Denise Reyes

Our next question comes from Augustin Bonasora from PineBridge. Augustin says: thanks for the call. I have two questions: What is the amount available of credit lines committed or uncommitted? And the second question is, what should we expect in terms of net leverage by the end of this year?

Alberto Sada

Yes. We have a very good and ample source of potential loans with our banks. As you may recall, we have a large portion of our current debt portfolio financed through the bond market, so that keeps availability of bank potential loans with our relationship banks. All together, we have close to \$800 million between committed and uncommitted credit lines available for us to fund our cash needs and our growth.

I think the second question was already answered before.

Denise Reyes

Okay. Next question is from Juan Patiño from Sun Capital regarding leverage too. Could you detail leverage prospective for the company?

Alberto Sada

I think that was already answered, too.

Denise Reyes

Thank you. Next question, Rodrigo Sanhueza with Invex: Hi, thank you for the opportunity to ask questions. How much of the expected \$30 million one-off expenses related to the launch of new products have we seen in 2023?

Alberto Sada

Well, as indicated, we have had the impact this quarter of launching expenses in the neighborhood of \$6 million. I think this is, again, consistent with the amount of activity that we are currently performing. We should be seeing, depending on the amount of activity in the following years, potentially similar or smaller amounts in terms of launching expense, capital launching costs, but again, those are very consistent with activity and also those are part of the things that we normally have considered on our guidance to allow for certain room for the proper development of products.

Denise Reyes

Next question from Jacob Steinfeld from Ashmore. Can you please provide a bridge for the \$130 million quarter-over-quarter rise in net debt given Capex was only \$131 million and increase in working capital was only \$57 million, as mentioned on the call.

Alberto Sada

Yes. Well, there are other elements that also affect the cash. I mean you have on one side taxes, and on the other side you also have the interest expense. Taxes on the second quarter was also a little bit higher because we paid as of early April, the taxes associated with the full year closing of 2022 during this year. Given that we had a fairly low tax rate last year, this year, particularly in this quarter, we had a little bit extra tax payments associated with last year results. The sum of the four elements—working capital, Capex, interest, which was also a little bit higher due to the higher base rates, and taxes—explain the raise in that as highlighted.

Denise Reyes

We have a second question from Jacob Steinfeld from Ashmore. Jacob asks: what drove the increase in ST debt in second quarter 2023?

Alberto Sada

Yes. Short-term debt increase; that's our main source for funding these cash needs, which are temporary in nature.

Denise Reyes

Okay. Next question is from Declan Hanlon from Santander. Can you talk about working capital cash uses or sources for this year and for the full year? Please also discuss cash deployment strategies for share buybacks versus reducing net leverage?

Alberta Sada

Well, working capital, as we have shared in the past, behaves on a seasonal level during the year. You have high investments in working capital at the end of the first, the second quarter, it stays a little bit higher on the third and then gradually reduces by the end of the year. That's a typical working capital cycle that we have during the year and it's associated with higher activity that normally is reduced by the end of the year due to the scheduled stoppages for holidays for our customers. All together in the year also, higher volume that we have had, and that's mainly the source of increases.

What was the second question, Denise? I think that covered it.

Denise Reyes

That concludes it. Correct.

Our next question is from Mauricio Buitrago from AM Advisors. From the negotiations you have already concluded, what were the terms of them? Are you going to index everything, or what can we expect?

Armando Tamez

Thanks, Mauricio. Certainly, we have made progress, not only with inflation in energy but also in labor. As I indicated already, good progress, solid progress in Europe. We're still in discussions with our main customers in North America. We're confident that we will come up with a good solution for both and certainly, what we are trying to achieve is to index those, especially when we have seen increases in our cost structure. We have shared with our customers, let's say (audio dropout) energy and other elements.

Denise Reyes

Next question from Alvaro Hernandez from Intercam: Are there any risks on the volume regarding the new export limitations of China of EV components?

Armando Tamez

No, we are not seeing that, actually the opposite. We are seeing with the maturing significantly more opportunities going forward. I think a lot of our customers were buying products in North America, from China, and we are seeing larger opportunities. We see a very solid market in North America. Also, Europe, I think, is getting stronger. I think our performance related to volume, we don't see any effects related to the commercial conflict that the U.S. and China are experiencing. I think it's a great opportunity, not only for us, but I think for the North America region as well.

Denise Reyes

We received another question from Mauricio Buitrago from AM Advisors. Would you please repeat your EBITDA volume and CapEx guidance for 2023, please?

Armando Tamez

Yes, our guidance for 2023 was as follows. Volume: 41 million equivalent units; revenues: \$4.8 billion; EBITDA, \$560 million; and Capex, \$490 million.

We are not going to change our guidance as we speak; however, we are confident that we're not only going to meet, but we will surpass the guidance that we set, especially on the EBITDA and also on our revenue side.

Denise Reyes

There are no further questions at this time. With that, we conclude today's event.

I would just like to take this opportunity to thank everyone for participating. Please feel free to contact us if you have any follow-up questions or comments, and have a good day.

Operator

Ladies and gentlemen, this does conclude today's teleconference. Thank you for your participation. You may disconnect your lines at this time, and have a wonderful day.