

Ternium Argentina 3Q21 Results: Robust Performance, BUY

Ternium Argentina (TXAR AR) published full 3Q21 results yesterday after the market close. EPS/EBITDA stood at AR\$9.59/AR\$31,876 million in the quarter, representing an increase of 10.0x/2.7x versus 3Q20. **Since our recommendation to BUY shares of Ternium Argentina on August 4, 2021 the stock rallied 38% in local currency terms. We continue to believe that Ternium Argentina represents one of the cheapest stocks in the Argentine market and reiterate our BUY rating.**

Currently Ternium Argentina's market cap reaches U\$2,4 billion and trades at a FY2021 P/E of 3.9x. The company cash position + investments as at September 30, 2021 reached U\$353 million. The company has no leverage.

Sequential Comparison of Results

Quarterly results were positively impacted by an increase in shipments of 1.1% to 657,900 tons (89% local/11% exports) from 650,200 tons in 2Q21 (93% local/7% exports). Of the exports in the third quarter of 2021, 56% were shipped to South and Central America, 43% shipped to North America and 1% shipped to Europe and other destinations.

Financial Results and Equity in Associated Companies

Financial Results during 3Q21 came in at AR\$1.9 billion, mainly due to a higher net cash and investment position in the period of AR\$1.5 billion and the result of changes in fair value of financial instruments of AR\$1 billion partially offset by a loss in net foreign results of AR\$507 million, due to the effect of the long local currency position, of a 3% depreciation of the Argentine peso against the U\$ dollar in the period.

The equity in the result of associated companies in 3Q21 stood at AR\$21.1 billion with AR\$19.7 billion corresponding to the result of Ternium Mexico and AR\$1.4 billion related to the equity in the result of Usiminas. Ternium Argentina holds a 29% stake in Ternium Mexico and a 6% share in Usiminas (Brasil).

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