

# VINTE: 3Q19 RESULTS

## Raises 2019 Guidance and Launches Strong 2020 Preliminary Guidance; New YE20 Target Price of MXN\$36.0

**BUY**

2020E Target Price (MXN\$)	\$ 36.00
Current Price (MXN\$)	\$ 27.48
Min / Max (L12M)	\$ 26.77 - 29.00
Expected Dividend (MXN\$)	\$ 1.14
Expected Return	35.2%
Market Cap (MXN\$ Mn)	5,552
Enterprise Value (MXN\$ Mn)	7,295
Outstanding Shares (Mn)	202.0
Float	33.7%
ADTV (MXN\$ Mn)	\$ 3.28

- **VINTE presented a slightly positive quarter which was basically in line with our projections. The company's focus on higher-priced housing offset the volume drop. This resulted in a small increase in sales, EBITDA and net income in the current quarter.**
- **VINTE raised its guidance for this year; it now expects its revenues to grow 10% (previously + 7%), and confirmed that it will invest more than MXN\$3 billion in housing development. In addition, the company released its preliminary guidance for 2020, which contemplates an additional revenue growth of 10-15%. We believe this is excellent news. We thus reiterate our BUY recommendation and we are introducing our new year-end 2020 target price of MXN\$36.0 per share.**
- **On August 19, VINTE was recognized by the "Fortune" magazine as one of the 52 companies (incorporated in 18 countries) which are changing the world through social impact during 2019. "Fortune" considers factors such as: Measurable Social Impact, Business Profitability, Innovation and Corporate Integration.**

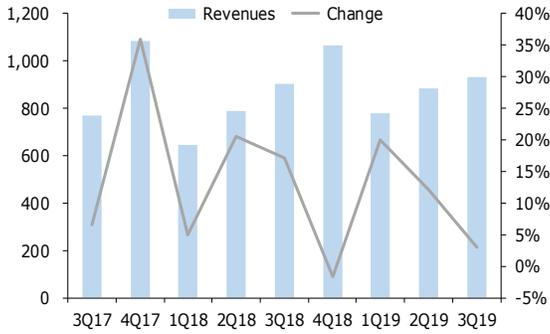


### 3Q19 Results

VINTE's 3Q19 revenues rose 3.1% YoY to MXN\$998.6 million. This performance was mainly due to the fact that the company experienced a 34.4% YoY growth in housing income with prices between MXN\$700 thousand -MXN\$1 million and a 29.3% YoY increase in the sale of units with a price higher than MXN\$1 million. This was partially offset by a 38.4% YoY fall in the segment with an average price below MXN\$700 thousand. The company experienced a higher demand in its two developments in Querétaro, as well as in the State of Mexico. As a result of VINTE's focus on higher-level housing, the company's average price was MXN\$841 thousand in 3Q19, well above that of MXN\$675 thousand the previous year, which helped offset the 17.1% volume reduction. The contribution of subsidized housing was only 0.2% in the current quarter, compared with 5.2% in the previous year.

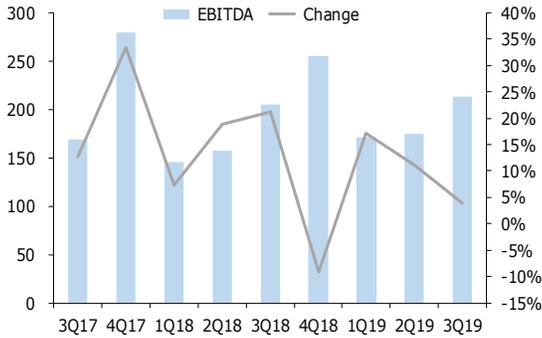
Thanks to the improved sales mix and strict expense control, the EBITDA margin was 22.9% in 3Q19, which compares favorably with 22.7% in 3Q18 and 19.8% in 2Q19. The EBITDA was up 4.0% YoY to MXN\$213.1 million.

# VINTE: 3Q19 Results

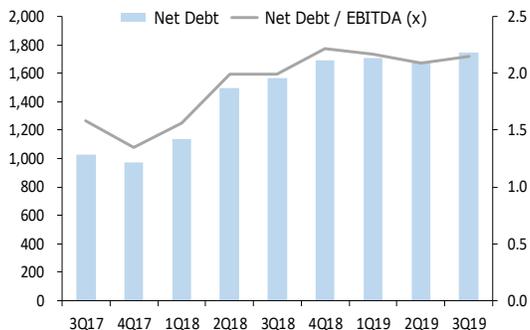
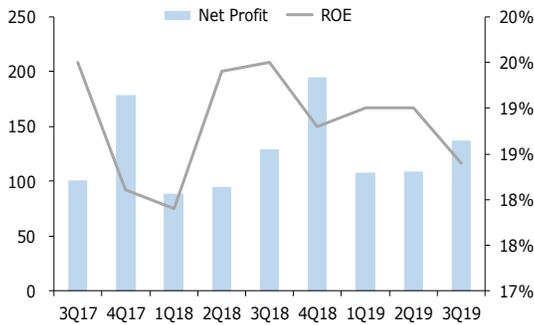


The net financial cost was MXN\$38 million in the current quarter, from last year's net financial cost of MXN\$40 million. The tax rate remained practically unchanged at 20.1%, with which the net profit rose 6.1% YoY to MXN\$137 million. The ROE was 18.4% in 3Q19, from 19.0% in 2Q19, due to the capitalization made in 2Q19. Excluding such transaction, the ROE would have been 19.5%.

As in previous quarters, VINTE maintained a solid financial structure with a net debt to EBITDA ratio of 2.14x at the end of 3Q19, practically unchanged with respect to 1.99x in 3Q18 and 2.09x in 2Q19.



The working capital cycle was 818 days at the end of 3Q19, from 759 days in 3Q18, as a result of VINTE's approach to higher-priced housing. The company generated negative free cash flow of MXN\$10.1 million in the current quarter.



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