

JAVER: 1Q20 RESULTS

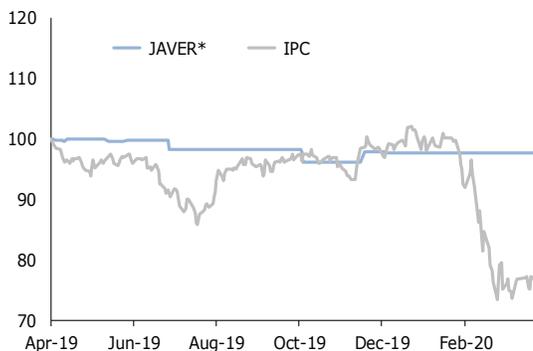
Higher-Than-Expected Profitability Due to a Stronger Sales Mix

HOLD

2020E Target Price (MXN\$)	\$ 18.00
Current Price (MXN\$)	\$ 16.48
Max / Min (L12M)	\$ 16.00 - 16.88
Expected Dividend (MXN\$)	\$ 0.00
Expected Return	9.2%
Market Cap (MXN\$ Mn)	4,610
Enterprise Value (MXN\$ Mn)	7,604
Outstanding Shares (Mn)	279.8
Float	34.1%
ADTV (MXN\$ Mn)	\$ 0.04

Opinion and Recommendation:

- JAVER's 1Q20 results were positive mainly due to the company's strategy of focusing more on the medium and residential interest segments, which boosted its average price per unit and its profitability. As a result, EBITDA grew 10.9%, above our expectations. This more than offset the 4.6% reduction in units sold due to the permits delays in the State of Mexico developments
- After these results, we are reiterating our HOLD recommendation mainly due to the uncertainty that the sector will face in 2Q20 as it was not considered an essential industry. However, both INFONAVIT and FOVISSSTE continue to work with certain adjustments.



Revenues

JAVER's revenues reached MXN\$1,639 million in 1Q20, up 1.3% YoY, which was mainly due to the company's focus on the medium and residential segments, leading to a 5.0% increase in the average price per unit to MXN\$484.9 thousand.

This more than offset the 3.6% reduction in total units, which was attributed to delays in the paper works at developments in the State of Mexico. The company was only able to title the units in 2 of the 5 projects that experienced delays 4Q19 during the current quarter. Medium interest and residential interest units rose 4.7% and 1.4%, respectively. Meanwhile, social interest units declined 62.1%. INFONAVIT remained the main financing source accounting for 93% of total units sold, versus 91.4% in 1Q19.

Profitability

Gross profit was up 4.1% thanks to the stronger sales mix and higher profitability in the sale of lots. The gross margin was 27.3% in 1Q20, from 26.5% in 1Q19. Selling and administrative expenses rose 2.8% as a consequence of project delays that affected the revenue generation. EBITDA grew 10.9% to MXN\$146.9 million, supported by a greater efficiency in production costs. The EBITDA margin was 9.0% in the current quarter, with an 80 bps expansion compared to the previous year.

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Net Profit

JAVER closed the quarter with an MXN\$11.9 million net loss due to higher interests paid and lower FX gains in the derivatives position. This net loss compared against a MXN16.2 million net profit in the same period last year.

Balance Sheet

The company recorded a 3.07x net debt to EBITDA ratio at the end of the quarter. It has a cash and restricted cash position amounting to MXN\$371 million, available bridge lines of MXN\$300 million and available lease lines for an additional MXN\$100 million, which can be drawn as long as the company is in compliance with the financial covenants of its syndicated loan.

Working Capital / Free Cash Flow

The working capital cycle was 329 days in 1Q20 compared to 279 days in 1Q19 due to the permit delays the company experienced.

As a result of a higher investment in new projects, JAVER generated a MXN\$142.4 million negative cash flow in 1Q20, from a negative figure of MXN\$55.4 million in 1Q19.

Land reserves reached 77,330 units at the end of 1Q20, of which 62% were acquired directly by the company and the remaining 38% are through land trusts.

Measures against Covid-19

JAVER has taken several measures to face the impact of Covid-19, including the containment and reduction of expenses to support the cash flow generation, as well as controlling capital investments during the sanitary emergency. The company will adjust its guidance for the current year once it has a clearer view of its impact.

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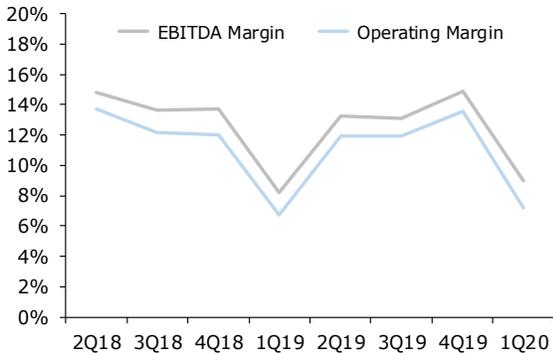
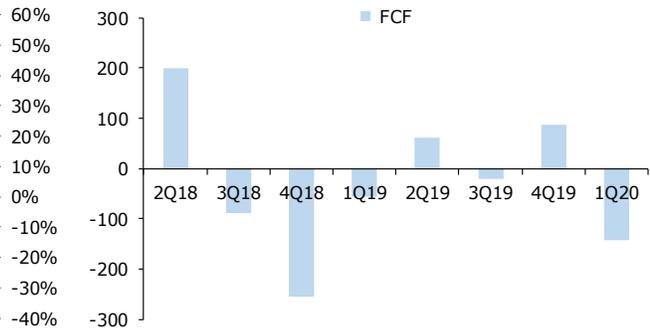
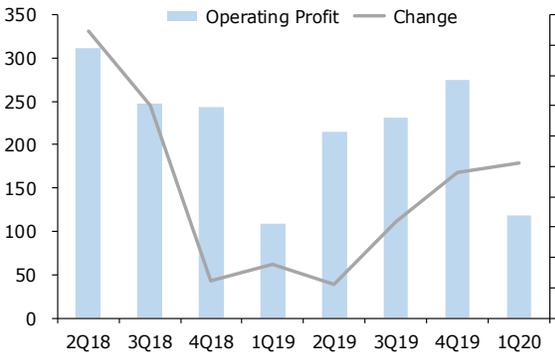
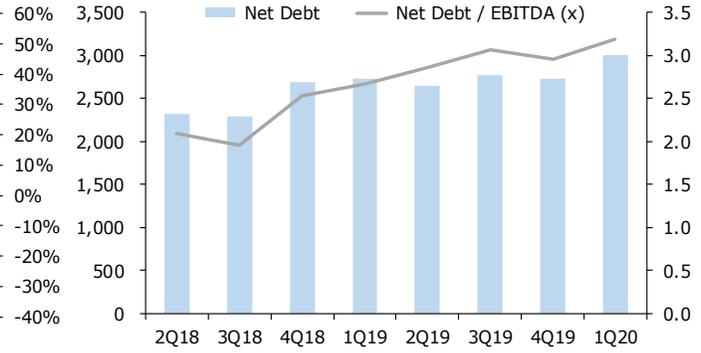
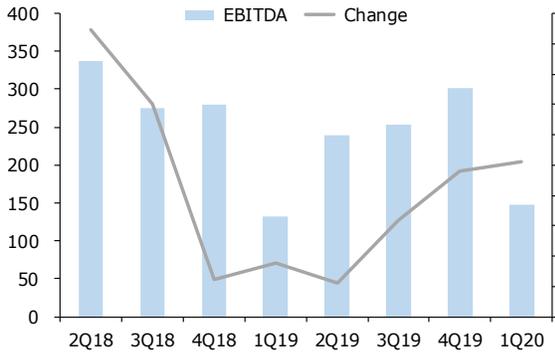
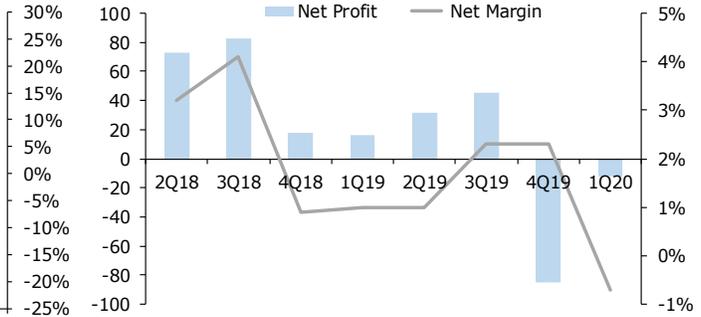
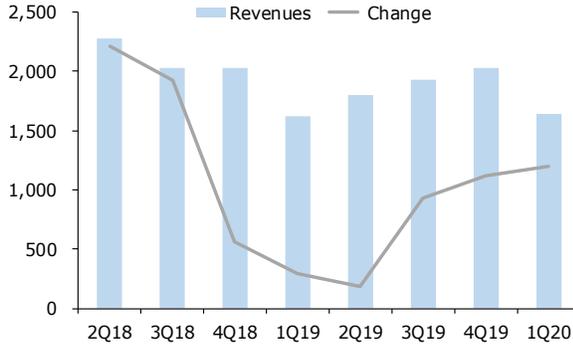
(Figures in Millions of MXN\$)

INCOME STATEMENT						
	1Q20	1Q19	Change	1Q20	1Q19	Change
Revenues	1,639	1,617	1.3%	1,639	1,617	1.3%
Operating Profit	118	109	8.6%	118	109	8.6%
<i>Operating Margin</i>	<i>7.2%</i>	<i>6.7%</i>		<i>7.2%</i>	<i>6.7%</i>	
EBITDA	147	132	10.9%	147	132	10.9%
<i>EBITDA Margin</i>	<i>9.0%</i>	<i>8.2%</i>		<i>9.0%</i>	<i>8.2%</i>	
Pre-Tax Profit	-21	30	-168.8%	-21	30	-168.8%
Income Tax & Profit Sharing	9	-14	-163.2%	9	-14	-163.2%
<i>Tax & Profit Sharing Rate</i>	<i>42.0%</i>	<i>45.7%</i>		<i>42.0%</i>	<i>45.7%</i>	
Net Profit	-12	16	-173.6%	-12	16	-173.6%
EPS	-P\$ 0.04	P\$ 0.06	-173.2%	-P\$ 0.04	P\$ 0.06	-173.2%
BALANCE SHEET						
	1Q20	1Q19	Change	1Q20	1Q19	Change
TOTAL ASSETS	9,056	8,560	5.8%	9,056	8,560	5.8%
Current Assets	6,175	5,827	6.0%	6,175	5,827	6.0%
LT Assets	2,882	2,733	5.4%	2,882	2,733	5.4%
TOTAL LIABILITIES	7,051	6,590	7.0%	7,051	6,590	7.0%
ST Liabilities	2,266	1,888	20.0%	2,266	1,888	20.0%
LT Liabilities	4,785	4,701	1.8%	4,785	4,701	1.8%
NET DEBT	2,994	2,725	9.9%	2,994	2,725	9.9%
TOTAL CAPITAL	2,006	1,971	1.8%	2,006	1,971	1.8%
Net Debt / EBITDA (x)	3.1x	2.5x		3.1x	2.5x	
CASH FLOW STATEMENT						
	1Q20	1Q19	Change	1Q20	1Q19	Change
PRE-TAX PROFIT	-12	16	-173.6%	-12	16	-173.6%
Non-Cash Items	0	0	N.A.	0	0	N.A.
Pre-Tax Cash Flow	160	109	47.2%	160	109	47.2%
Working Capital Changes	-161	-34	370.2%	-161	-34	370.2%
Operating Cash Flow	-1	75	-101.4%	-1	75	-101.4%
Investment Cash Flow	-2	-4	-38.8%	-2	-4	-38.8%
Financing Cash Flow	-152	-87	74.8%	-152	-87	74.8%
Net Incr. (Decr.) in Cash & Temp. Inv.	-152	-19	716.9%	-152	-19	716.9%
FX Gain (Loss) In Cash and Temp. Inv.	3	-3	-200.9%	3	-3	-200.9%
Beg. of Period Cash and Temp. Inv.	523	579	-9.7%	523	579	-9.7%
End of Period Cash and Temp. Inv.	371	561	-33.9%	371	561	-33.9%

Source: BMV

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(Figures in Millions of MXN\$)



Source: BMV

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