

VINTE: 2Q20 RESULTS

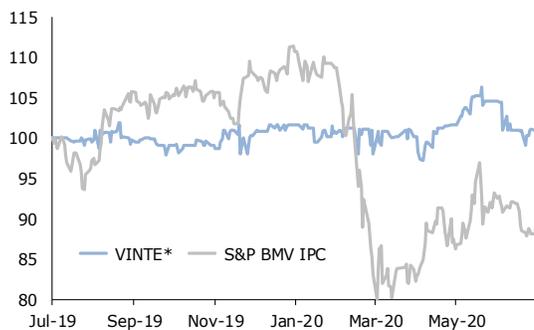
Stable Volume, Record Free Cash Flow and Lower Leverage

BUY

2020E Target Price (MXN\$)	\$ 36.00
Current Price (MXN\$)	\$ 28.00
Min / Max (L12M)	\$ 26.25 - 29.50
Expected Dividend (MXN\$)	\$ 0.00
Expected Return	28.6%
Market Cap (MXN\$ Mn)	5,657
Enterprise Value (MXN\$ Mn)	8,065
Outstanding Shares (Mn)	202.0
Float	33.7%
ADTV (MXN\$ Mn)	\$ 0.17

Opinion and Recommendation:

- VINTE's volume remained practically unchanged in the quarter despite the prevailing environment, supported by significant investments in technology that the company carried out in previous years. In addition, it generated a record amount of free positive flow and was able to reduce its leverage sequentially.
- After these results, we maintain our BUY recommendation with year-end MXN\$36.0 per share target price. We believe that VINTE is well positioned to take advantage of the significant housing deficit and the continued reduction in supply from other developers.
- Sustainalytics upgraded VINTE's ESG rating during the quarter. The risk is now "low", from "medium". VINTE is in the top 5% among the 200 developers that Sustainalytics rates globally.



Revenues

VINTE's 2Q20 volume remained virtually unchanged at 989 units. We believe this was extremely positive news since the construction industry had to close in April and May. In our opinion, VINTE took advantage of technological tools since 32% of its volume was through digital means. The company can sell through Paypal and Facebook and can advise its customers with Bots, which puts it at the forefront in terms of technology. During the pandemic, it also launched reservations to buy houses. It is worth mentioning that INFONAVIT also implemented its own digital tools, which has supported the housing financing through these means.

VINTE's 2Q20 total revenues declined 7.4% to MXN\$818 million, mainly due to the fact that the company no longer registers the construction sales of Jardines Mayakoba and subcontracts them. Housing revenues showed a slight 2.3% decrease, as a result of a marginally lower price in 2Q20 compared to 2Q19. However, June's last twelve-month average price was slightly higher than in 2019. VINTE experienced a higher demand in the MXN\$500 thousand to MXN\$700 thousand segment. INFONAVIT and FOVISSSTE represented 63% of the financing due to the support measures that these institutions have carried out. This percentage compares with 54% in 2Q19.

VINTE: 2Q20 Results

Profitability

VINTE maintained its key construction personnel in April and May when the sector was closed. This led to a 28.6% gross margin in 2Q20, from 32.4% in the same period of the previous year. However, the company implemented several initiatives that allowed it to reduce its administration and sales expenses by 21.9%. EBITDA fell 15.7% to MXN\$147 million. The EBITDA margin contracted to 18.0% in the current quarter, from 19.8% the previous year.

Net Profits

2Q20 net income was down 21.8% to MXN\$85 million as a consequence of lower results at the operating level.

Financial Situation

VINTE reduced its net debt by MXN\$149 million in the quarter. The net debt to EBITDA ratio improved from 2.77x in 2Q20, from 2.86x in 1Q20. The company's liquidity is high since it registered MXN\$652 million in cash and temporary investments at the end of the quarter and has access to MXN\$787 million in lines of credit, which do not include the new MXN\$460 million loan that it signed with the IFC last July 9. In the latter, VINTE will be able to obtain a 20 bps interest rate cut if it manages to build 2,000 houses with EDGE certification, which is highly likely.

Free Cash Flow

VINTE generated a record free cash flow of MXN\$198 million in the current quarter due to its strategy of investing in houses that are 80% terminated and limiting the acquisition of long-term land reserves and investments in infrastructure and developments of new projects. The company expects to continue generating positive cash flow during the second half of the year.

ESG

VINTE also remained at the forefront of ESG as it obtained a rating upgrade from Sustainalytics, it certified 3,916 EDGE homes and issued its Annual Sustainable Report under GRI. VINTE positively impacts 14 of the 17 UN's Sustainable Development Goals.

Capital Increase

Shareholders approved a MXN\$400 million capital increase which will be contributed by an European fund focused on sustainability. Such transaction will likely take place during the second half of the year.

VINTE: 2Q20 Results

(Figures in Millions of MXN\$)

INCOME STATEMENT	2Q20	2Q19	Change	Acum 20	Acum 19	Change
Revenues	818	883	-7.4%	1,506	1,659	-9.2%
Operating Profit	115	145	-20.4%	212	290	-27.0%
<i>Operating Margin</i>	<i>14.1%</i>	<i>16.4%</i>		<i>14.1%</i>	<i>17.5%</i>	
EBITDA	147	175	-15.7%	274	346	-20.7%
<i>EBITDA Margin</i>	<i>18.0%</i>	<i>19.8%</i>		<i>18.2%</i>	<i>20.8%</i>	
Pre-Tax Profit	108	137	-21.5%	199	272	-26.8%
Profit Before Minorities	85	109	-21.8%	159	218	-26.8%
Minority Interest	-2	-0	n.a.	-6	-0	n.a.
Net Profit	83	109	-24.0%	153	218	-29.6%
EPS	P\$ 0.41	P\$ 0.56	-26.4%	P\$ 0.76	P\$ 1.13	-33.0%
BALANCE SHEET	2Q20	2Q19	Change	Acum 20	Acum 19	Change
TOTAL ASSETS	8,414	7,000	20.2%	8,414	7,000	20.2%
Current Assets	4,148	3,774	9.9%	4,148	3,774	9.9%
LT Assets	4,266	3,226	32.2%	4,266	3,226	32.2%
TOTAL LIABILITIES	4,685	3,795	23.4%	4,685	3,795	23.4%
ST Liabilities	1,138	842	35.2%	1,138	842	35.2%
LT Liabilities	3,547	2,953	20.1%	3,547	2,953	20.1%
TOTAL CAPITAL	3,729	3,205	16.4%	3,729	3,205	16.4%
Stockholder's Equity	3,642	3,205	13.6%	3,642	3,205	13.6%
Minority Interest	87	0	N.A.	87	0	N.A.
Total Debt	2,876	2,272	26.6%	2,876	2,272	26.6%
Net Debt	2,224	1,685	32.0%	2,224	1,685	32.0%
Net Debt / EBITDA (x)	2.9x	2.4x		2.9x	2.4x	
CASH FLOW STATEMENT	2Q20	2Q19	Change	Acum 20	Acum 19	Change
PRE-TAX PROFIT	85	109	-21.8%	159	218	-26.8%
Pre-Tax Cash Flow	142	212	-33.3%	261	365	-28.4%
Working Capital Changes	-19	-283	-93.4%	-323	-492	-34.4%
Operating Cash Flow	123	-71	-273.2%	-62	-128	-51.6%
Investment Cash Flow	-0	-11	-96.0%	-2	-14	-84.7%
Financing Cash Flow	-71	301	-123.5%	464	399	16.2%
Net Incr. (Decr.) in Cash & Temp. Inv.	52	219	-76.5%	400	257	55.6%
FX Gain (Loss) In Cash and Temp. Inv.	0	0	N.A.	0	0	N.A.
Beg. of Period Cash and Temp. Inv.	600	367	63.5%	600	367	63.5%
End of Period Cash and Temp. Inv.	652	587	11.2%	652	587	11.2%

Source: BMV

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