

# VINTE: 3Q20 RESULTS

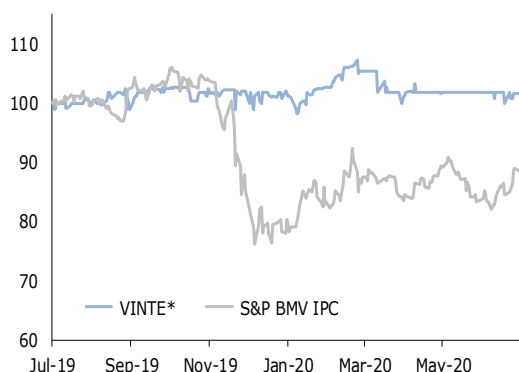
## High Positive Free Cash Flow Generation and Higher Average Prices in the Quarter

### BUY

2020E Target Price (MXN\$)	\$ 36.00
Current Price (MXN\$)	\$ 27.90
Min / Max (L12M)	\$ 26.25 - 29.50
Expected Dividend (MXN\$)	\$ 0.00
Expected Return	29.0%
Market Cap (MXN\$ Mn)	5,636
Enterprise Value (MXN\$ Mn)	8,229
Outstanding Shares (Mn)	202.0
Float	33.7%
ADTV (MXN\$ Mn)	\$ 0.17

### Opinion and Recommendation:

- VINTE continued to favor its free cash flow generation during the quarter, which allowed it to reduce its total debt by MXN\$282 million and its net debt by MXN\$141 million and continue with a net debt to EBITDA ratio of 2.78x. In addition, the company was able to maintain stable revenues supported by higher average prices per unit, despite the fact that it is no longer recognizing any construction sales related to Jardines Mayakoba. The company registered a high liquidity and has access to credit lines amounting to MXN\$1,682 million. However, profitability was lower due to the accounting effect related to the consolidation of Jardines Mayakoba, the start of operations in Monterrey and the fact that the company kept its workforce unchanged.
- VINTE's results presented a solid recovery on a sequential basis, as we broadly anticipated, with increases in revenues, EBITDA and net profits of 12.8%, 8.2% and 10.6%, respectively.
- After these results, we reiterate our BUY recommendation with a MXN\$36.0 per share target price.



### Revenues

VINTE reported total revenues of MXN\$992.3 million (we expected MXN\$869.2 million) in 3Q20, practically unchanged compared to 3Q19, despite the fact that the company did not recognize any construction sales related to Jardines Mayakoba. Titling revenues decreased 1.2% annually. We believe this was a strong performance considering the prevailing macroeconomic conditions. It is worth mentioning that VINTE's total sales were 12.8% higher sequentially.

During 3Q20, VINTE sold 985 homes, 7.7% less than in the same period of the previous year. The company signed 1,050 sales contracts during the current quarter, with an 11.2% increase. In addition, pre-sales rose 12.0% in the last eight weeks, with which the company accumulated an inventory of 1,175 clients that will likely be registered during 4Q20. This augurs a favorable performance for 4Q20.

The reduced housing offer in Mexico and the company's stronger sales mix resulted in a 7.7% increase in the average price per

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unit to MXN\$905.2 thousand. In the last twelve months, the average price reached MXN\$845.3 thousand, once again a historical maximum for the company.

Infonavit and Fovissste supported the sector in recent months. Financing from these two institutions accounted for 63% of VINTE's revenues, compared to 54% the previous year. The "Unamos Créditos" program contributed with 4% of revenues in the quarter. Also, commercial banks' mortgage rates are at historically low levels.

### Profitability

The gross margin was 30.0% in 3Q20, down from 34.0% in 3Q19, as the company decided to keep all its personnel, and also due to the accounting effect of Jardines Mayakoba. The margin remained practically in line with the 30.4% in 2Q20.

VINTE reported an EBITDA of MXN\$159.4 million (similar to our projection of MXN\$160.3 million), down 25.2% YoY, deriving from the start of operations in Monterrey and the Jardines Mayakoba impact. However, EBITDA experienced a sequential recovery of 8.2%. The EBITDA margin was 17.3% in 3Q20, from 22.9% in 3Q19. This margin was slightly lower than the 18.0% in 2Q20.

### Net Profits

Net profits were MXN\$92.2 million (+ 10.6% against our projection) in the current quarter, down 32.6% mainly due to lower operating results, partially offset by a 14.0% reduction in the integral cost of financing. However, net income also experienced a significant 10.6% sequential rebound.

### Free Cash Flow

VINTE continued to focus on generating free cash flow in order to face the health crisis. Since March this year, the company has paused the purchase of long-term land reserves, as well as investments in infrastructure and developments for new projects, and has focused on building. This strategy resulted in a positive MXN\$172 million free cash flow generation in 3Q20, compared to a negative MXN\$10 million free cash flow in the same period last year.

### Financial Structure

VINTE reduced its gross debt by MXN\$282 million and its net debt by MXN\$141 million in the quarter. On the other hand, the company drew down half of the IFC loan which amounts to MXN\$211 million with a 5-year term and a fixed rate. 100% of the debt is denominated in pesos, 80% is at a fixed rate and 57% is sustainable. VINTE is in the process of issuing a new MXN\$400 million sustainable 7-year bond to extend its maturity profile.

The net debt to EBITDA ratio was 2.78x at the end of 3Q20, in line with 2.77x in 2Q20. However, it was higher than the 2.14x in 3Q19 due to the consolidation of Jardines Mayakoba.

### Liquidity

VINTE registered a high MXN\$510.5 million cash position at the end of 3Q20, up 30.6% y/y. Current cash levels represented 10.3 weeks of cost of sales and financial expenses, above the company's policy of between 6 and 7 weeks. In addition, VINTE has access to lines of credit amounting to MXN\$1,692 million. The company announced a MXN\$200 million increase in the IBD credit, which it has not yet used.

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(Figures in Millions of MXN\$)

<b>INCOME STATEMENT</b>	<b>3Q20</b>	<b>3Q20E</b>	<b>Diff</b>	<b>3Q19</b>	<b>YoY Chg.</b>	<b>Acum 20</b>	<b>Acum 19</b>	<b>YoY Chg.</b>
Revenues	922	869	6.1%	930	-0.8%	2,429	2,588	-6.2%
Operating Profit	123	169	-27.0%	176	-30.0%	335	466	-28.2%
<i>Operating Margin</i>	<i>13.3%</i>	<i>19.4%</i>		<i>18.9%</i>		<i>13.8%</i>	<i>18.0%</i>	
EBITDA	159	160	-0.4%	213	-25.1%	434	559	-22.4%
<i>EBITDA Margin</i>	<i>17.3%</i>	<i>18.4%</i>		<i>22.9%</i>		<i>17.9%</i>	<i>21.6%</i>	
Pre-Tax Profit	115	108	7.2%	171	-32.7%	314	443	-29.1%
Profit Before Minorities	92	85	8.1%	137	-32.6%	251	354	-29.1%
Minority Interest	-0	-2	-83.1%	-0	n.a.	-6	-0	n.a.
Net Profit	92	83	10.6%	137	-32.9%	245	354	-30.9%
EPS	P\$ 0.45	P\$ 0.41	10.6%	P\$ 0.68	-32.9%	P\$ 1.21	P\$ 1.81	-32.9%
<b>BALANCE SHEET</b>	<b>3Q20</b>	<b>3Q20E</b>	<b>3Q20E</b>	<b>3Q19</b>	<b>YoY Chg.</b>	<b>Acum 20</b>	<b>Acum 19</b>	<b>YoY Chg.</b>
TOTAL ASSETS	8,402	8,544	-1.7%	6,986	20.3%	8,402	6,986	20.3%
Current Assets	4,135	4,274	-3.3%	3,748	10.3%	4,135	3,748	10.3%
LT Assets	4,267	4,269	0.0%	3,238	31.8%	4,267	3,238	31.8%
TOTAL LIABILITIES	4,568	4,685	-2.5%	3,650	25.1%	4,568	3,650	25.1%
ST Liabilities	1,245	1,138	9.4%	830	50.0%	1,245	830	50.0%
LT Liabilities	3,322	3,547	-6.3%	2,820	17.8%	3,322	2,820	17.8%
TOTAL CAPITAL	3,834	3,729	2.8%	3,336	14.9%	3,834	3,336	14.9%
Stockholder's Equity	3,732	3,642	2.5%	3,336	11.9%	3,732	3,336	11.9%
Minority Interest	102	87	17.7%	0	N.A.	102	0	n.a.
Total Debt	2,594	2,876	-9.8%	2,134	21.5%	2,594	2,134	21.5%
Net Debt	2,083	2,224	-6.3%	1,743	19.5%	2,083	1,743	19.5%
Net Debt / EBITDA (x)	2.8x	2.8x		2.1x		2.8x	2.1x	
<b>CASH FLOW STATEMENT</b>	<b>3Q20</b>	<b>3Q20E</b>	<b>3Q20E</b>	<b>3Q19</b>	<b>YoY Chg.</b>	<b>Acum 20</b>	<b>Acum 19</b>	<b>YoY Chg.</b>
PRE-TAX PROFIT	92	85	8.1%	137	-32.6%	251	354	-29.1%
Pre-Tax Cash Flow	128	142	-9.3%	197	-34.6%	390	561	-30.6%
Working Capital Changes	-27	-68	-60.0%	-235	-88.4%	-350	-728	-51.9%
Operating Cash Flow	101	123	-17.6%	-39	-363.0%	39	-166	-123.7%
Investment Cash Flow	-1	-0	106.7%	-9	-89.6%	-3	-23	-86.5%
Financing Cash Flow	-242	-71	240.9%	-148	63.3%	222	251	-11.6%
Net Incr. (Decr.) in Cash & Temp. Inv.	-141	-0	n.a.	-196	-27.7%	258	61	321.3%
FX Gain (Loss) In Cash and Temp. Inv.	0	0	n.a.	0	N.A.	0	0	n.a.
Beg. of Period Cash and Temp. Inv.	652	652	0.0%	587	11.2%	652	587	11.2%
End of Period Cash and Temp. Inv.	511	652	-21.7%	391	30.6%	511	391	30.6%

Source: BMV

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