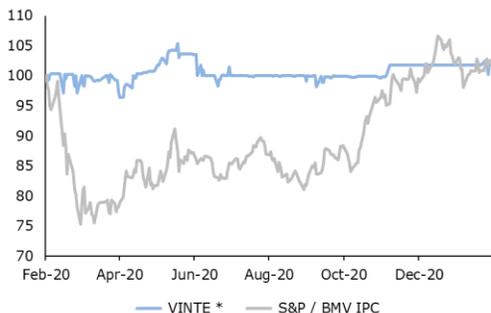


VINTE: 4Q20 Results

High Free Cash Flow Generation and Liquidity, Growing Sales, But Profitability Declined due to Non-Recurring Items

BUY	
Target Price (MXN\$)	\$ 36.00
Current Price (MXN\$)	\$ 28.50
Min / Max (L12M)	\$ 26.25 - 29.50
Expected Dividend (MXN\$)	\$ 4.63
Expected Return	42.6%
Market Cap (MXN\$ Mn)	6,168
Enterprise Value (MXN\$ Mn)	7,768
Oustanding Shares (Mn)	216.4
Float	38.5%
ADTV (MXN\$ Mn)	\$ 0.11



Opinion and Recommendation

VINTE closed the year with a significant free cash flow generation, high cash reserves and a lower leverage. In addition, revenues rose as a result of a higher average price, which offset the slight reduction in the housing volume. However, profitability was affected by extraordinary charges related to higher construction costs, the payment of salaries that had been postponed in 2Q20, severance payments of administrative personnel and the consolidation of Mayakobá.

We maintain our BUY recommendation as we expect both VINTE's revenues and profitability to improve gradually during the rest of the year due to a greater openness of the Mexican economy, higher employment levels, low interest rates and the support of Infonavit, Fovissste and commercial banks.

Revenues

VINTE reported total revenues of MXN\$1,222 million in 4Q20, up 5.7% YoY. The revenue growth accelerated from previous quarters, which seemed a very solid performance taking into account the prevailing macroeconomic and health conditions. Housing sales, which represented 95% of total revenues, rose 7.0% YoY due to the company's focus on higher-level housing, which boosted the average price by 12.7% YoY to MXN\$928 thousand per unit. This offset the 4.8% drop in the number of homes, which stood at 1,296. Infonavit and Fovissste combined represented 50% of the units financed in 4Q20, practically in line with the previous year.

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Luis Hernández
 +5255-3659-6407
 Luis.hernandez@miranda-gr.com

Martin Lara
 +5255-6413-8563
 martin.lara@miranda-gr.com

The segments with a higher contribution within the revenue mix were those of housing with a price between MXN\$700 thousand to MXN\$1 million (representing 36% of the total vs. 28% of the previous year) and more than MXN\$1 million (21% vs. 16%). By project, Monterrey, Puebla, Tula, Pachuca and Estado de México VIS, VIM registered a higher contribution.

Profitability

Gross profit fell 10.2% YoY to MXN\$349 million in 4Q20 as a consequence of higher construction costs, which translated into a gross margin of 28.6% in the current quarter, from 33.6% in the previous year. Selling and administration expenses grew 20.0% YoY as the company paid salaries that had been postponed since 2Q20 and registered severance payments of administrative personnel. As a result, VINTE reported an EBITDA of MXN\$167 million, down 47.2% YoY. However, the decline was 33.2% excluding the effect of the Jardines Mayakoba consolidation (this transaction generated a MXN\$66.0 million positive consolidation effect deriving from the audited financial statements).

Net Profit

VINTE recorded a MXN\$89 million net profit in 4Q20, with a 50.1% YoY drop due to the increase in costs and expenses and the aforementioned consolidation effect. Excluding this effect, the bottom line would have decreased 20.8% YoY.

Free Cash Flow

VINTE generated a MXN\$146 million positive free cash flow in 4Q20, which derived from a lower acquisition of long-term land reserves, investments in infrastructure and development of new projects. This figure compared favorably with the negative cash flow of MXN\$37 million in the same period of the previous year.

Financial Structure

Cash reserves rose 412.6% YoY to MXN\$1,293 million due to the positive free cash flow generation and the US\$20 million capital increase by the “Danish Sustainable Development Goals Investment Fund”. Cash reserves represented 24.9 weeks of cost of sales and financial expenses. Worth mentioning that VINTE has additional lines available amounting to US\$130 million with Bank of China and US\$70 million with KEB Hana, which were signed in January this year.

The net debt to EBITDA ratio was 2.67x at the end of 4Q20, compared to 2.78x in 3Q20 and 2.39x in 4Q19. The company extended its maturity profile to 4.6 years, from 3.9 years in March 2020.

Conference Call Highlights

These were the main points of VINTE’s 4Q20 Conference call:

- Outlook for 2021. VINTE sees a still difficult first half due to the prevailing health situation, but a favorable second half due to a higher level of employment and higher exports, as well as the support of Infonavit, Fovissste and commercial banks. The company believes it could generate double-digit growth if housing demand remains favorable.
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- Active buyers. Buyers are very active due to low rates and new banking products, which has generated significant incentives to buy a home.
- Conservative approach. VINTE’s approach will include positive margins, high liquidity, financial strength, positive free cash flow generation, and sustainability.
- Profitability. The EBITDA margin for 4Q20 was affected by non-recurring charges that included the payment of salaries that had been postponed in 2Q20 and that were paid at the end of the year. This also included liquidations of administrative personnel. VINTE sees higher margins depending on the recovery of the health situation but decided not to provide any guidance for the year.
- Low competition. VINTE is very well positioned to benefit from the reactivation of the housing market as 15% of developers stopped building, while others lowered their offer to 40-50%.
- Cash reserves. VINTE paid MXN\$100 million in dividends, used MXN\$280 million for a revolving line and prepaid MXN\$315 million from the VINTE 17 bond at the beginning of the current year. As a result, its cash reserves of more than MXN\$1.2 billion at the end of 4Q20 were reduced to about half, which still seem to us to be a very healthy level.
- Land Reserves. The company will continue to focus on acquiring reserves for units of up to MXN\$1 million, which can have access to any type of mortgage.

(Figures in Millions of MXN\$)	4Q20	4Q19	YoY Chg.	2020	2019	YoY Chg.
Revenues	1,222	1,156	5.7%	3,651	3,745	-2.5%
Operating Profit	122	279	-56.2%	457	745	-38.7%
<i>Operating Margin</i>	<i>10.0%</i>	<i>24.1%</i>		<i>12.5%</i>	<i>19.9%</i>	
EBITDA	167	316	-47.1%	601	874	-31.3%
<i>EBITDA Margin</i>	<i>13.7%</i>	<i>27.3%</i>		<i>16.5%</i>	<i>23.4%</i>	
Pre-Tax Profit	111	283	-60.7%	425	726	-41.4%
Profit Before Minorities	89	178	-50.1%	340	533	-36.1%
Minority Interest	-3	-9	n.a.	-9	-9	n.a.
Net Profit	86	169	-49.0%	331	524	-36.7%
EPS	P\$ 0.41	P\$ 0.84	-50.7%	P\$ 1.63	P\$ 2.65	-38.6%

Source: BMV

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