

# VINTE: 1Q21 Results

## Sales Growth Accelerates

<b>BUY</b>	
Target Price (MXN\$)	\$ 36.00
Current Price (MXN\$)	\$ 28.48
Min / Max (L12M)	\$ 26.23 - 29.48
Expected Dividend (MXN\$)	\$ 0.46
Expected Return	28.0%
Market Cap (MXN\$ Mn)	6,164
Enterprise Value (MXN\$ Mn)	7,944
Outstanding Shares (Mn)	216.4
Float	38.5%
ADTV (MXN\$ Mn)	\$ 0.11

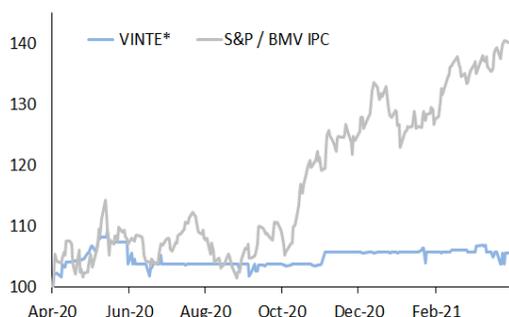
## Opinion and Recommendation

VINTE presented 1Q21 revenues above our expectations, EBITDA in line and a higher-than-expected net profits. Revenues accelerated in a significant way (+ 13.7% YoY) driven by a combination of higher average prices and volumes. However, EBITDA fell 1.4% as the company kept its workforce during the health emergency, which generated higher construction costs in the current quarter. Net profits declined 7.3% YoY due to higher interests paid. VINTE registered a slightly negative free cash flow as it resumed the acquisition of long-term land reserves, and revised upwards its investment plan for this year to MXN\$3.25 bn, from last year's MXN\$2.85 billion level, which indicates that the company sees a favorable outlook in the medium term.

After these results, we reiterate our BUY recommendation with a MXN\$36.0 per share target price. We expect VINTE's results to continue improving during the rest of the year due to a recovery in demand and higher mobility levels. We also believe that its profitability levels will increase gradually.

## Revenues

VINTE registered revenues of MXN\$783 million (vs. MXN\$768 million E) in 1Q21, up 13.7% YoY, mainly supported by a 12.7% growth in housing revenues. This performance was supported by the titling of 869 homes, which was 6.4% higher than the same period of the previous year. In addition, the average price per unit rose 5.2% YoY, reaching MXN\$885 thousand, which again represented a historical high level for the company.



April 27, 2021

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

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

Housing titling was financed through different sources of mortgage funding, which for the last 12 months ending in March 2021 included: 35.9% through Traditional INFONAVIT, which included 5.2% through the program “Unamos Creditos”, 21.9% through FOVISSTE, 21.7% from commercial banks, 9.2% from co-financing, 9.7% without mortgage credit and 1.2% from “other”.

### **Profitability**

Cost of sales advanced 19.1% YoY since VINTE kept its construction personnel during the pandemic, which boosted construction costs during the current quarter. However, the company generated operating efficiencies as its operating expenses represented 14.8% of total revenues in the current quarter, down from 15.7% the previous year. For these reasons, EBITDA was down 1.4% YoY to MXN\$125 million (in line with expectations) in 1Q21. The EBITDA margin was 16.0% (vs. 16.3% E), from 18.4% in the previous year.

### **Net Profits**

Net profits came down 7.3% YoY to MXN\$68 million in 1Q21 (vs. MXN\$57 million E) as a result of the lower EBITDA level, in combination with higher interests paid.

### **Financial Structure**

VINTE maintained a 2.90x net debt/EBITDA ratio, practically in line with the 2.86x in 1Q20. Worth mentioning that total debt decreased 7.4% YoY, while the company extended its maturity profile to 5.3 years due to the amortization of the VINTE 17 bonds at the beginning of this year. Cash and equivalents reached MXN\$973 million, 62% higher than in 1Q20. This represented 18.2 weeks of cost of sales and financial expenses, higher than the policy of 6 to 7 weeks, as a preventive measure against possible liquidity risks given the prevailing health emergency.

### **Working Capital / Free Cash Flow Cycle**

The working capital cycle was 939 days at the end of the quarter, compared to 1,001 days in the same period of the previous year. The company focused on the construction and sale of housing and temporarily postponed the acquisition of land reserves.

VINTE presented a negative MXN\$10.5 million free cash flow, compared to the negative MXN\$246.8 million figure in 1Q20. The company directed flow to the payment of land providers (land reserves) during the current quarter, which explains the slightly negative free cash flow for the period.

### **Investment Plan / Dividends**

As a result of a 16% increase in home pre-sales and favorable prospects for the rest of the year, VINTE revised up its investment plan to MXN\$3.25 billion in 2021, from MXN\$2.85 billion the previous year. The company will also propose the payment of a MXN\$100.2 million dividend, equivalent to MXN\$0.463/share, at its April 30 shareholder’s meeting.

### **Reforms to the "Outsourcing" Law**

The reform of the Outsourcing Law could have a positive impact on the acquisition of homes since it could increase the number of INFONAVIT affiliates by around 5 million, boosting the institute’s collection by more than MXN\$2.8 billion, and could also translate into higher profit sharing distributed by Mexican companies.

---

## Conference Call Highlights

**Average prices.** VINTE expects the average price to continue increasing over the next few quarters due to a stronger pre-sales mix.

**Margins.** VINTE expects margins to be similar in the coming quarters vs. 1Q21. They will gradually recover towards the end of the year. In addition, in 1Q21 there was a gap between revenues and expenses of the new middle and high-income development in Tecamac.

**Permits.** VINTE has construction permits for the next 24 months, so it does not see any risk of reducing investments within its business plan despite the intermediate elections. The company has land reserves for more than 7 years.

**Debt.** The company is comfortable with its current debt levels. However, it expects its EBITDA to grow, thus reducing its leverage. The debt profile is well structured as there are no major maturities until 2025.

**Business model.** VINTE is not currently analyzing any acquisitions. But it plans to carry out alliances in order to increase its market share in the states where it operates.

**Housing offer.** The housing supply has fallen to minimum levels since 2015 as several of the small developers have been impacted by the macroeconomic situation. This represents a clear opportunity for the company.

**Steel prices.** VINTE has agreements with suppliers, which limits the impact of higher steel prices.

(Figures in Millions of MXN\$)	1Q21	1Q21E	Diff	1Q20	YoY Chg.
Revenues	783	768	1.9%	689	13.7%
Operating Profit	88	84	4.7%	96	-8.3%
<i>Operating Margin</i>	<i>11.3%</i>	<i>11.0%</i>		<i>14.0%</i>	
EBITDA	125	125	-0.1%	127	-1.4%
<i>EBITDA Margin</i>	<i>16.0%</i>	<i>16.3%</i>		<i>18.4%</i>	
Pre-Tax Profit	86	75	14.6%	91	-6.4%
Profit Before Minorities	68	60	14.3%	74	-7.3%
Minority Interest	-1	-2	-51.2%	-4	n.a.
Net Profit	68	57	19.2%	74	-7.3%
EPS	P\$ 0.31	P\$ 0.27	17.1%	P\$ 0.35	-10.6%

**DISCLAIMER**

The current report was prepared by Miranda Global Research ("Miranda GR") for Vector Casa de Bolsa, S.A. de C.V. The information is presented in summarized form and is not meant to be complete. There are no declarations or guarantees, expressed or implicit, in respect to the accuracy, impartiality or integrity of the information.

Miranda GR, in accordance to applicable legislation, has made sure that the presented personalized recommendation is reasonable to the client, as it has verified congruency between the client's profile and the profile of the financial product. Under no circumstance should it be understood that the fulfillment of the previously mentioned recommendation, guarantees the result or the success of the proposed strategies in the presented document.

The information included in this presentation was obtained from public and/or private sources. Projections or previsions included in this presentation, are a generalized recommendation and are based on subjective assumptions and estimations about events and circumstances that have not yet happened and are subjected to significant variations. Therefore, it is not possible to guarantee that any of the results included in the current report will happen in the future, in other words, it does not guarantee the result or the success of the posed strategies.

This report has been prepared solely with informational purposes. No declarations are made in respects to precision, sufficiency, veracity or accuracy of the information and opinions hereby included. Miranda GR will not answer (either because of negligence or for any other reason) for any damage or detriment derived or related to the use of this report or its content, or any connection to the report. Miranda GR is not responsible for the use or association with this report, including but not limited to, any declaration, expressed or implicit or guarantees or omissions included in this information.

This report is based on facts and/or events that have happened up to this date, consequently any future facts and/or events can impair the conclusions hereby expressed. Miranda GR does not assume any responsibility to update, review, rectify or invalidate this report based on any future occurrence.

The opinions related to this report eventually expressed by Miranda GR, should be considered only as suggestions/recommendations to better operate various topics related to the presentation.

This report and its contents are property of Miranda GR and cannot be reproduced or broadcast in part or in its entirety without the previous written consent of Miranda GR.

Miranda Global Research receives fees from Vinte, Viviendas Integrales, S.A.B. de C.V. for independent analyst services.

---