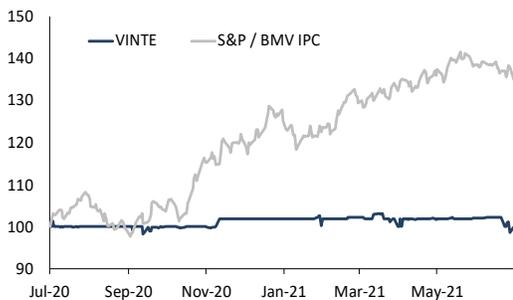


VINTE: 2Q21 Results

Favorable Quarterly Results; Expects Acceleration Towards Year-End

VINTE *	BUY
Target Price (MXN\$)	\$ 36.00
Current Price (MXN\$)	\$ 28.00
Min / Max (L12M)	\$ 26.80 - 29.04
Expected Dividend (MXN\$)	\$ 0.46
Expected Return	30.2%
Market Cap (MXN\$ Mn)	6,060
Enterprise Value (MXN\$ Mn)	7,911
Outstanding Shares (Mn)	216.4
Float	38.5%
ADTV (MXN\$ Mn)	\$ 0.20



Opinion and Recommendation

VINTE reported positive 2Q21 results, slightly higher than our projections. The company continued to focus on higher value housing, which boosted revenues 9.5%, EBITDA 6.2% and net profits 5.8%. In addition, it generated positive free cash flow despite having accelerated the construction process. We consider that VINTE’s outlook is favorable due to the high demand for housing and the recently announced reduction in INFONAVIT mortgage rates. We thus reiterate our BUY recommendation with a MXN\$36.00 per share target price.

The company expects its revenues to grow between 15-17% in 2021, which is above our 11% projection, with a higher EBITDA margin and positive free flow generation. It anticipates closing the year with a net debt to EBITDA ratio of 2.5x.

VINTE improved its ESG risk profile, according to the latest report from Sustainalytics.

Revenues

Revenues were up 9.5% YoY in 2Q21, reaching MXN\$895 million. They were supported by a 10.0% YoY increase in housing revenues, which represented 95% of total sales.

The average price per unit rose 15.9% YoY to MXN\$950.1 thousand, reaching historically high levels, thanks to the company's continued focus on higher value segments. This offset the 5.5% reduction in units titled to 935. The sale of units above MXN\$1 million represented 55% of the total revenues, compared to 31% the previous year. By project, Mayakoba and Pachuca were the best performers.

By sources of financing, Traditional INFONAVIT stood out with a 35% contribution, which included 3% of the new “Unamos Creditos” product; commercial banking represented 23%, FOVISSTE 18%, other 9%, and without mortgage credit 13%.

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INFONAVIT lowered its mortgage rate to between 1.91% and 10.45%, depending on the workers' salary level. As a result of this adjustment, this institute foresees a 7.4% increase in loans in 2021, equivalent to 26 thousand additional credits.

Profitability

Gross margin was 29.9% in 2Q21, from 28.6% in 2Q20, thanks to the sale of higher-priced homes. Total expenses rose 28.3% YoY due to the normalization of the company's construction activities. The expense to sales ratio was 12.5% in 2Q21, higher than the 10.6% in 2Q20, but below that of the previous three years. EBITDA grew 6.2% YoY to MXN\$156 million (we expected MXN\$152 million). The EBITDA margin was 17.5% (vs. 16.8% E) in 2Q21, slightly lower than the 18.0% margin in 2Q20.

Net Profits

Comprehensive financing costs advanced 10.8% YoY to MXN\$31.3 million as a result of higher financial expenses. Net profits were up 5.8% YoY to MXN\$90.3 million (vs. MXN\$82.3 million E), which translated into a net margin of 10.1%, marginally lower than the 10.4% of 2Q20.

Financial Structure

Total debt decreased 3.3% YoY to MXN\$2,781 million, with an average 4-year maturity. 77% of debt is sustainable. In addition, the company has MXN\$1,790 million in credit lines, of which 61% is available.

During the quarter, VINTE signed a MXN\$100 million extension in its credit line with the IFC over 5 years with a possible benefit of 20 bps in the interest rate for the construction of EDGE housing. It also received a 55 bps reduction in existing loans from BBVA.

Cash and cash equivalents grew 42.7% YoY to MXN\$930 million, which is equivalent to 17 weeks of cost of sales and financial expenses. Net debt was down 16.8% YoY. The net debt/EBITDA ratio was 2.98x in 2Q21, slightly higher than the 2.77x in 2Q20. The higher leverage was due to the fact that the company stopped the construction works for 4 months at the beginning of the pandemic, but kept the personnel employed and continued to pay suppliers on time.

Working Capital / Free Cash Flow

VINTE generated MXN\$22 million in positive cash flow (after construction investments) during the quarter as it has resumed investments in works, infrastructure and urbanization. This figure compares with a positive MXN\$198 million in 2Q20 when the company temporarily halted housing construction due to the pandemic. Despite this situation, the working capital cycle improved to 934 days in 2Q21, from 1,003 days in 2Q20.

2021 Guidance

VINTE expects its revenues to increase between 15-17% which will include a solid 4Q21 due to the completion of the completed work. The EBITDA margin will be higher than the previous year. The company anticipates a negative free cash flow generation in 3Q21 and positive in 4Q21, for a positive balance during the year.

Leverage will likely increase temporarily to 3.1x in 3Q21 due to investments in housing production, and then decrease to 2.5x in 4Q21 as a result of a higher EBITDA generation.

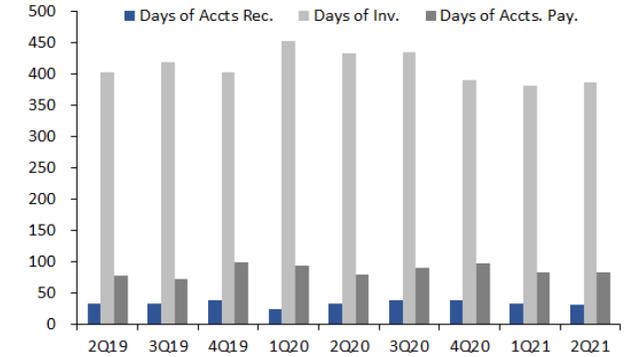
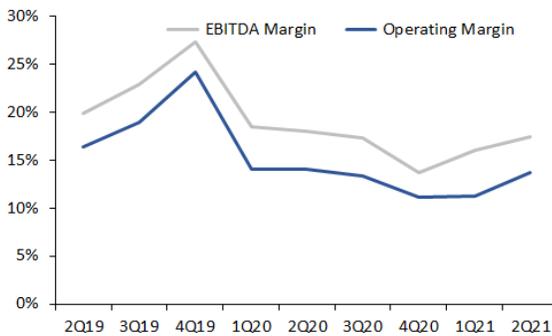
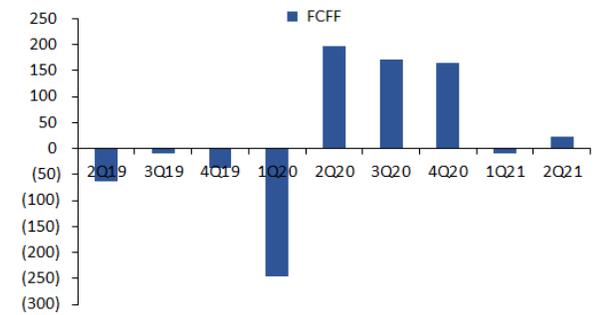
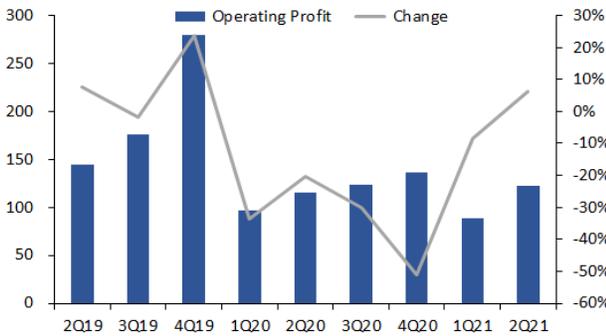
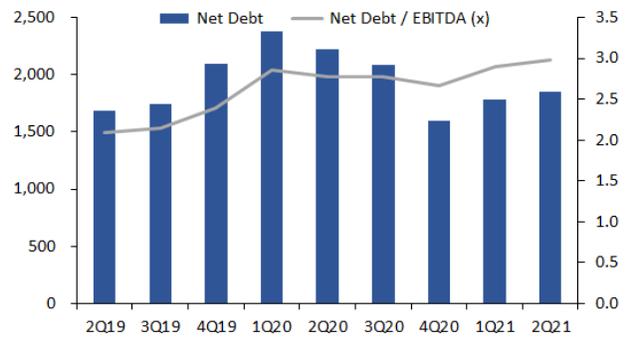
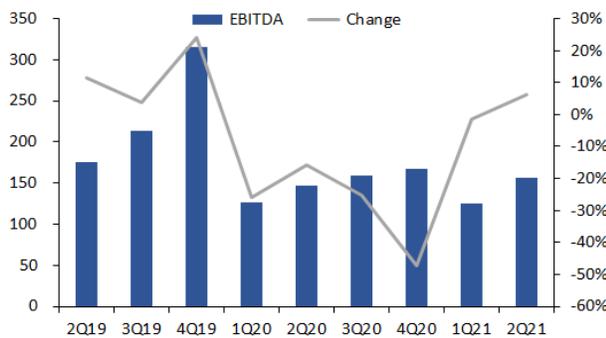
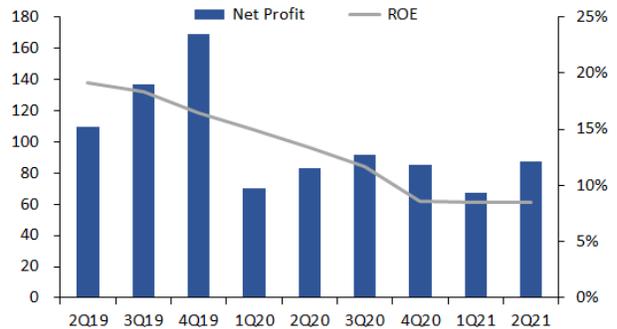
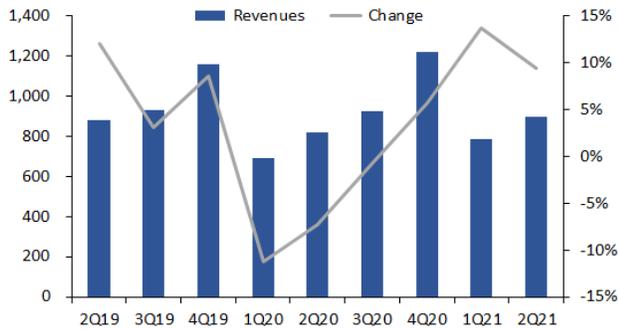
ESG

VINTE managed to improve its ESG risk profile, according to the latest report from Sustainalytics as it was within the 16th percentile of companies in all sectors, and within the 6th percentile for companies in the real estate sector, in both cases on a global basis.

(Figures in Millions of MXN\$)

INCOME STATEMENT	2Q21	2Q21E	Diff	2Q20	AsA
Revenues	895	884	1.2%	818	9.5%
Operating Profit	122	118	3.7%	115	6.1%
<i>Operating Margin</i>	<i>13.7%</i>	<i>13.3%</i>		<i>14.1%</i>	
EBITDA	156	149	5.3%	147	6.2%
<i>EBITDA Margin</i>	<i>17.5%</i>	<i>16.8%</i>		<i>18.0%</i>	
Pre-Tax Profit	113	106	6.3%	108	4.9%
Profit Before Minorities	90	84	7.8%	85	5.8%
Minority Interest	-3	-1	116.3%	-2	n.a.
Net Profit	87	82	5.9%	83	5.0%
EPS	P\$ 0.40	P\$ 0.38	5.9%	P\$ 0.41	-2.0%

(Figures in Millions of MXNS)



Source: BMV

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