

AGUA: 4Q21 Preview

We Expect a High Sales Growth With A Significant Sequential Margin Recovery

AGUA*	BUY
Target Price (MXN\$)	\$45.00
Current Price (MXN\$)	\$27.00
Min / Max (L12M)	\$20.63 - 34.84
Expected Dividend (MXN\$)	\$0.45
Expected Return	68.3%
Market Cap (MXN\$ Mn)	13,128
Enterprise Value (MXN\$ Mn)	15,106
Outstanding Shares (Mn)	486.2
Float	23.7%
ADTV (MXN\$ Mn)	\$4.50

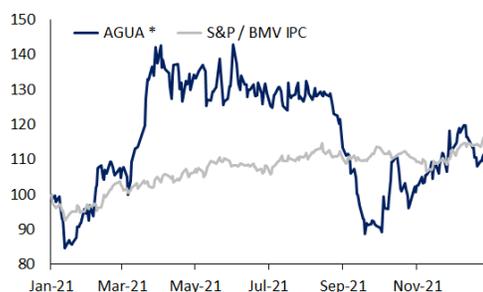
Opinion and Recommendation

We expect AGUA to deliver favorable 4Q21 results with a high revenue growth mainly due to strong demand in the products business and the price adjustments that the company implemented. This, in conjunction with supply chain strategies, inventory management and the acceleration of Flow initiatives, will generate a significant sequential recovery in the company's margins. We expect a favorable short-term reaction and reiterate our BUY recommendation with a MXN\$45.0/share target price.

4Q21 Preview

We expect AGUA's revenues to rise 14.6% YoY to MXN\$2.8 billion, driven mainly by a solid demand in the products business and the price increases that the company implemented in 3Q21 (in all countries) and in 4Q21 (focused on certain categories and countries).

We anticipate that such price adjustments in combination with supply chain strategies, inventory management and the acceleration of Flow initiatives will offset higher resins costs. This will translate into an EBITDA margin of 18.4%, down from 19.4% in the same period last year, but significantly higher than that of the previous two quarters. For this reason, we project that EBITDA will be up 8.2% annually and 41.5% quarterly, reaching P\$515 million in 4Q21 (nearly MXN\$1.8 billion in 2021, virtually in line with the guidance). The Flow program will generate an extraordinary charge of around MXN\$75 million, which should reduce significantly during the next quarters. We estimate a MXN\$165 million financial cost, down from the M\$258 million of the previous year due to lower FX losses. The quarterly net income will likely stand at MXN\$131 million, up 75.6% YoY. AGUA will report on February 9th after the close.



January 18th, 2022

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

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 Grupo Rotoplas, S.A.B. de C.V. for independent analyst services. Companies or Fibras under coverage cannot influence the opinions, projections, recommendations, and/or target prices that Miranda GR establishes in its research reports.
