

JAVER: 3Q21 Results

Slight EBITDA Growth Supported by Higher Average Prices and Sale of Lots

JAVER*	BUY
Target Price (MXN\$)	\$ 20.00
Current Price (MXN\$)	\$ 15.86
Max / Min (L12M)	14.95 - 16.48
Expected Dividend (MXN\$)	\$ 0.00
Expected Return	26.1%
Market Cap (MXN\$ Mn)	4,437
Enterprise Value (MXN\$ Mn)	6,297
Outstanding Shares (Mn)	279.8
Float	34.1%
ADTV (MXN\$ Mn)	\$ 0.01

Opinion and Recommendation

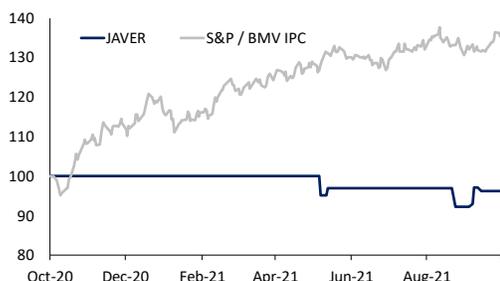
JAVER's revenues declined 5.7% YoY due to lower volume since the company had 6 fewer developments compared to the previous year. This was partially offset by higher average prices in all segments and a greater focus on residential housing. The change in the sales mix and the sale of lots boosted margins, which led to a 4.9% YoY EBITDA growth. Net income rose 19% due to financial gains. The free cash flow was MXN\$26 million negative, since JAVER began to acquire land reserves and inventories.

JAVER raised its guidance for the year. The company now expects an 8% EBITDA growth (previously +5%) with positive free cash flow. The expected EBITDA seems conservative to us since the company registered a 19.1% increase in this indicator on a cumulative basis. We reiterate a BUY recommendation with a MXN\$20.0/share target price.

Revenues

JAVER's revenues fell -5.7% YoY to nearly MXN\$1.8 billion in 3Q21, due to a lower homes volume during the period, which was offset by a higher average price. Revenues of the middle segment, which represented 66.1% of total sales, declined -15.1%. However, social interest revenues increased 15.8% and those of the residential segment were up 16.6%.

The company sold 3,047 units in the quarter, down 16.9% as it operated 6 fewer developments in the current quarter compared to the previous year. Average price rose 12.3% YoY to MXN\$577.4 thousand, supported by higher sales in the residential segment that helped to improve the sales mix, and higher prices in all segments.



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By type of financing, INFONAVIT contributed 85.6% of homes titled, FOVISSTE with 2.2%, COFINAVIT with 2.5%, financial institutions with 5.3% and others with 4.4%.

Profitability

Gross profit rose 3.8% YoY to MXN\$537.6 million in the period supported by a stronger sales mix and higher commercial lot sales. Gross margin expanded to 30.2% in 3Q21, from 27.4% in 3Q20. The expense-to-sales ratio increased to 14.5% in the quarter, from 13.4% in the prior year. However, it was slightly lower on a cumulative basis. This resulted in 4.9% EBITDA growth, which reached MXN\$302.8 million. The EBITDA margin expanded to 17.0% in the period, from 15.3% in 3Q20.

Net Profits

Financing costs decreased slightly to MXN\$141.4 million, thanks to higher financial gains and lower financial expenses. Net profit stood at MXN\$72.4 million in the current quarter, higher than the MXN\$60.8 million net profit in the same quarter of the previous year.

Financial Structure

The financial structure strengthened with a net debt-to-EBITDA ratio of 1.78x in the current quarter, from 2.53x last year.

Working Capital Cycle / Free Cash Flow

The working capital cycle improved by 37 days to 292 days in the current quarter thanks to the sale of units from two projects that were inaugurated this year and to new factoring lines with suppliers.

Free cash flow MXN\$ -26.1 million negative in the current quarter, against a positive MXN\$235.9 million figure last year, as the company invested in land reserves and inventories.

(Figures in Millions of MXN\$)	3Q21	3Q21E	Diff.	3Q20	Change
Revenues	1,780	1,878	-5.2%	1,888	-5.7%
Operating Profit	282	294	-4.1%	268	5.2%
<i>Operating Margin</i>	<i>15.8%</i>	<i>15.6%</i>		<i>14.2%</i>	
EBITDA	303	324	-6.4%	289	4.9%
<i>EBITDA Margin</i>	<i>17.0%</i>	<i>17.2%</i>		<i>15.3%</i>	
Pre-Tax Profit	141	153	-7.9%	125	12.7%
Income Tax & Profit Sharing	-68	-75	-9.0%	-64	6.6%
<i>Tax & Profit Sharing Rate</i>	<i>48.5%</i>	<i>48.4%</i>		<i>51.2%</i>	
Net Profit	72	78	-6.7%	61	19.1%

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