

# JAVER: 4Q21 Results

Declining Sales and EBITDA Due to Lower Volume; But High Free Cash Flow Generation

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

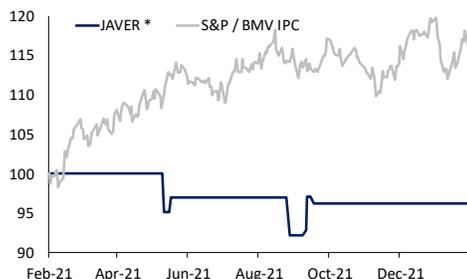
JAVER presented weak operating results in 4Q21, although above our projections, as a result of a significant volume drop given the lack of inventories and the focus on higher-end housing. However, the company generated a substantial amount of positive free cash flow due to working capital efficiencies, which allowed it to deleverage both annually and sequentially.

JAVER exceeded its annual guidance as its EBITDA grew 8.5% in 2021, slightly above the previously established range of 5-8%. In addition, the company generated MXN\$771 million of positive free cash flow in 2021, more than double compared to the previous year. The guidance contemplated a positive free cash flow generation.

For 2022, JAVER anticipates a similar housing volume with higher revenues, with which its EBITDA will grow around 3%, marginally below the 6% that we are currently forecasting. This indicates a recovery in the company's results, which we believe will be supported by the opening of 11 new middle and residential housing projects last year.

## Revenues

JAVER's revenues fell -10.8% YoY (vs -11.8% E) to MXN\$1.9 billion in 4Q21, as the reduction in units sold was not offset by higher average prices. Housing volume fell -27.8% YoY to 2,931 units due to lack of inventories as the company delayed the purchase of land reserves in 2020, and the change in focus towards the high segments of the market. We believe that the labor reform and the new INFONAVIT scoring system also generated some temporary impact. JAVER's average price rose 22.7% YoY to MXN\$644 thousand, due to a stronger sales mix and the price increase in each individual segment, mainly residential (+20%).



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## Profitability

Gross profit fell -9.0% YoY to MXN\$522.7 million due to lower volume in the period. Gross margin was 27.5% in 4Q21, from 26.9% in 4Q20. Total expenses rose 2.5% YoY due to the temporary impact related to the implementation of the labor reform. The expense to sales ratio was 15.6% in 4Q21 from 13.6% in 4Q20. For these reasons, EBITDA fell -14.3% YoY (vs -21.2% E) to MXN\$273.6 million. EBITDA margin contracted to 14.4% (vs. 13.4% E) in 4Q21, from 15.0% in 4Q20.

## Net loss

JAVER reported a MXN\$31.0 million net loss in the quarter, compared to a MXN\$44.8 million net profit a year ago. This was mainly attributed to lower operating results in conjunction with a higher tax reserve.

## Financial structure

The financial structure strengthened with a net debt to EBITDA ratio of 1.64x in 4Q21, from 2.40x in 4Q20 due to the high free cash flow generation. In addition, JAVER reached an agreement with the creditors of the syndicated loan to prepay MNX\$500 million, which took place a few days ago.

## Working Capital / Free Flow Cycle

The working capital cycle improved to 292 days, compared to 320 days last year, as a result of an increase in supplier days and a stronger collection efficiency that decreased accounts receivable days. Free cash flow amounted to MXN\$251.2 million in 4Q21, from MXN\$107.9 million in 4Q20, driven by such working capital efficiencies.

OPERATING INDICATORS	4Q21	4Q21E	Diff.	4Q20	Change
Units	2,931	3,236	-9.4%	4,057	-27.8%
Average Price per Unit	644	580	11.0%	525	22.7%
INCOME STATEMENT	4Q21	4Q21E	Diff.	4Q20	Change
Revenues	1,903	1,881	1.2%	2,133	-10.8%
Operating Profit	228	231	-1.4%	287	-20.5%
<i>Operating Margin</i>	12.0%	12.3%		13.5%	
EBITDA	274	251	8.8%	319	-14.3%
<i>EBITDA Margin</i>	14.4%	13.4%		15.0%	
Pre-Tax Profit	91	101	-9.5%	135	-32.8%
Income Tax & Profit Sharing	-122	-68	79.2%	-91	34.7%
<i>Tax &amp; Profit Sharing Rate</i>	134.1%	48.5%		66.9%	
Net Profit	-31	32	n.a.	45	n.a.
EPS	-P\$ 0.11	P\$ 0.12	n.a.	P\$ 0.16	n.a.

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