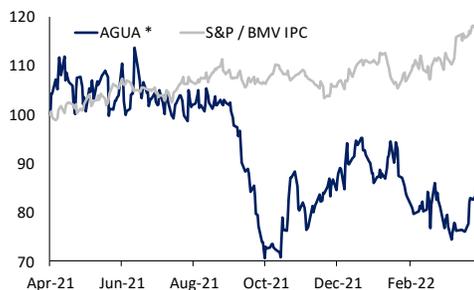


AGUA: 1Q22 Preview

Solid sales growth fueled by Argentina and the US, but lower profitability

AGUA*	BUY
Target Price (MXN\$)	\$45.00
Current Price (MXN\$)	\$28.10
Min / Max (L12M)	\$21.56 - 37.50
Expected Dividend (MXN\$)	\$0.45
Expected Return	61.7%
Market Cap (MXN\$ Mn)	13,663
Enterprise Value (MXN\$ Mn)	16,041
Outstanding Shares (Mn)	486.2
Float	23.7%
ADTV (MXN\$ Mn)	\$5.03



Opinion and Recommendation

We estimate that AGUA's revenues will maintain a solid trajectory in 1Q22 mainly driven by its Argentinian and US operations. However, profitability will decline due to higher commodity prices, expenses related to the return to face-to-face activities and marketing expenses.

On the other hand, AGUA will propose a MXN\$0.45/share cash capital reimbursement, with a 1.6% yield against the current market price, at its April 29th shareholder's meeting. Our recommendation is BUY with a MXN\$45.00/share target price.

1Q22 Preview

We expect AGUA's 1Q22 revenues to rise 8.3% YoY to MXN\$2.64 billion. Argentina will be the main driver with a 35% sales growth due to a strong demand in the three categories and higher prices. In the US, we anticipate a 30% revenue increase as a result of strong growth in the e-commerce and septic businesses. In Mexico, we estimate that revenues will rise 5% as demand was slow at the beginning of the year, but strengthened in March due to the drought in the northern part of the country and high temperatures. In the other countries, we expect sales to drop around 30% due to mobility restrictions and lockdowns in Peru, slow demand in Central America and a lack of new contracts in Brazil.

We expect AGUA's profitability to be affected by higher commodity prices, expenses related to the return of face-to-face activities, and higher marketing expenses, in addition to a high comparison base. This will result in a 16.6% EBITDA contraction.

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

The EBITDA margin will likely be 12.6% in 1Q22, down from 16.4% in the same period of the previous year. Worth mentioning that the company will no longer adjust the expenses related to the FLOW program in the EBITDA.

We project a MXN\$16 million net profit in 1Q22 mainly due to lower operating results, coupled with FX losses. This will compare to a MXN\$131 million net profit in 1Q21.

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