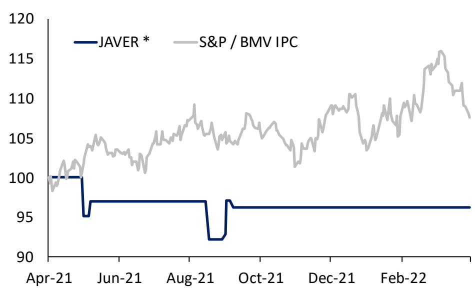
JAVER: 1Q22 Results

Sales and EBITDA accelerate due to the focus on the residential segment, exceeding our forecasts

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)	6,069
Oustanding Shares (Mn)	279.8
Float	34.1%
ADTV (MXN$ Mn)	$ 0.01



Opinion and Recommendation

JAVER reported positive 1Q22 results that greatly exceeded our expectations. The company benefited from the strategic shift towards the residential segment, which resulted in a 3.5% growth in total revenues, despite the fact that the number of units sold declined 15.0%. In addition, profitability improved due to the change in the sales mix and cost containment. The company also remained focused on the digital segment, which represented 63% of volume.

JAVER maintained its guidance for the year, which includes a 3% EBITDA growth. We reiterate BUY recommendation with a MXN$20.0/share target price.

Revenues

JAVER reported 1Q22 revenues of MXN$1.85 billion, which were 3.5% higher than last year's (we expected a 5.7% reduction). The company carried out a strategic change towards the residential segment which boosted this segment's volume by 15.9%. However, units in the affordable and middle-income segments fell 92.4% and 16.1%, respectively. This resulted in a 15.0% reduction in total units to 2,919.

The average price rose 21.5% to MXN$632.8 thousand, due to price increases in the three segments, mainly in the residential one with a 25.0% adjustment, and an improvement in the sales mix.

INFONAVIT represented 85.5% of titled units, against 88.1% the previous year. Bank financing was up 36.6% YoY due to the change in the sales mix.

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April 27th, 2022

Report prepared by Miranda Global Research for Vector Casa de Bolsa, S.A. de C.V.

JAVER maintained its focus on digital media channels as these represented 63% of volume, compared to 60% the previous year.

Profitability

Gross profit stood at MXN$516.9 million, up 5.9% YoY. The gross margin expanded 60 bps to 27.9% due to the improvement in the sales mix. As a result of the labor reform, selling and administrative expenses rose 5.2%. However, EBITDA grew 9.4% to MXN$210.2 million (vs. MXN$179.9 million E) supported by higher revenues and operating leverage. EBITDA margin was 11.3% (vs. 10.6% E) in 1Q22, from 10.7% in 1Q21.

Net profits

Financial expenses were down 2.6% to MXN$134.3 million on lower FX losses and an increase in financial gains. Net profit was MXN$20.1 million (vs. MXN$17.4 million E), 24.9% higher than last year's.

Financial structure

The net debt to EBITDA ratio strengthened to 1.62x, from 2.23x, as a result of a MXN$500 million prepayment of the syndicated loan. The company continues to look for options to improve its financial structure.

Working Capital/Free cash flow

The working capital cycle fell by 21 days to 290 days, due to the improvement in the collection system and the increase in supplier days related to a greater use of factoring lines.

Free cash flow fell 69.6% to MXN$26.1 million, due to a higher working capital usage. The firm's free cash flow amounted to MXN$154.7 million compared to MXN$220.7 million last year.

(Figures in Millions of MXN$)	1Q22	1Q22E	Diff.	1Q21	Change
Revenues	1,855	1,690	9.7%	1,793	3.5%
Operating Profit	182	153	18.8%	169	7.5%
Operating Margin	*9.8%*	*9.0%*		*9.4%*	
EBITDA	210	180	16.9%	192	9.4%
EBITDA Margin	*11.3%*	*10.6%*		*10.7%*	
Pre-Tax Profit	47	9	n.a.	31	51.8%
Income Tax & Profit Sharing	-27	-4	n.a.	-15	80.4%
Tax & Profit Sharing Rate	*57.6%*	*48.5%*		*48.4%*	
Net Profit	20	5	n.a.	16	24.9%
EPS	P$ 0.07	P$ 0.02	n.a.	P$ 0.06	24.8%

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