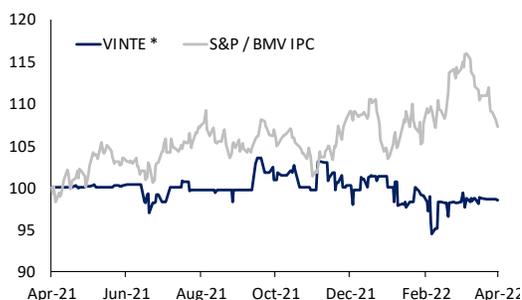


# VINTE: 1Q22 Results

Higher-than expected profitability levels; we expect growth to accelerate

VINTE *	BUY
Target Price (MXN\$)	\$ 36.00
Current Price (MXN\$)	\$ 28.06
Min / Max (L12M)	\$ 26.00 - 29.49
Expected Dividend (MXN\$)	\$ 0.74
Expected Return	30.9%
Market Cap (MXN\$ Mn)	6,073
Enterprise Value (MXN\$ Mn)	8,301
Outstanding Shares (Mn)	216.4
Float	23.5%
ADTV (MXN\$ Mn)	\$ 0.42



## Opinion and Recommendation

VINTE continued focusing on higher-priced housing and took advantage of the availability of bank mortgages, which boosted the average price by 17.6%, once again above the one-million peso mark. However, volume decreased 13.3%, leading to flat revenues. The most important of the report was that the company delivered a stronger-than-expected profitability due to inventory management strategies and operating efficiencies, with which the EBITDA margin expanded by 80 bps to 16.8% (we expected a contraction to 15.5%). This resulted in a higher-than-expected 5.4% (vs. +0.6% E) EBITDA growth. However, free cash flow was MXN\$265 million negative due to higher investments in developments.

The company maintained its guidance for the year, which includes a 16% growth in home sales, implying an acceleration during the coming quarters. We reiterate BUY with an estimated intrinsic value of MXN\$36.0 per share.

VINTE proposed the payment of a MXN\$0.74/share cash dividend at its Annual Shareholder’s Meeting. The yield is 2.6% against the current market price. This will be the 14<sup>th</sup> consecutive year that the company distributes dividends.

## Revenues

VINTE's total revenues stood at MXN\$787.2 million, stable compared to the previous year. The company continued to focus on higher-priced housing, as it grew strongly in the segment of more than MXN\$1 million by taking advantage of the availability of bank mortgages. These represented 29% of units sold in the period, compared to 24% the previous year. As a result, the average price per unit rose 17.6%, exceeding once again the one million pesos level. This offset a 13.3% drop in units sold to 753.

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## Profitability

The most relevant aspect of the report was that VINTE presented a stronger-than-expected profitability despite higher building material costs. Gross margin was practically unchanged due to inventory management strategies, while EBITDA margin improved 80 bps to 16.8% (we expected a contraction to 15.5%) due to operating efficiencies. This translated into a higher-than-expected 5.4% (vs. +0.6% E) EBITDA growth to MXN\$131.9 million (vs. MXN\$126.3 million E).

## Net profits

VINTE reported a MXN\$70.0 million net profit (vs. MXN\$62.3 million E), slightly higher than the previous year. The growth at the operating level was offset by a 29.3% increase in the amount of deferred taxes.

## Financial structure

Net debt was up 25.2% against 1Q21 but fell 6.1% against 1Q20. The net debt / EBITDA ratio was 3.20x at the end of the quarter, from 2.90x in 1Q21, as a consequence of a 41.1% reduction in cash reserves, given the investments made by the company. Net debt was lower than in 1Q20 when leverage was 2.86x. VINTE expects this indicator to drop to 2.89x in June due to the growth it anticipates. It has available lines of credit amounting to MXN\$1,596 million, which means that its liquidity is high.

## Working capital / Free cash flow

VINTE recorded MXN\$265million in negative free cash flow due to higher investments in developments. It compares against a positive MXN\$288 million figure in 1Q21, when the company focused on cash preservation and positive free flow generation due to the health situation.

## Digital strategy

VINTE's internet platform Xante.mx carried out the first sale transaction and has another 6 pending transactions amounting to a combined value of MXN\$6.6 million. The influx is 57 customers. In the conference call, management said it expects this business to increase housing-related revenues under a "Real Estate as a Service" model and that it could eventually be spun-off from VINTE.

## ESG

VINTE obtained the Socially Responsible Company (ESR) distinction for the third consecutive year and certified 2,281 EDGE homes, meeting the entire year's goal in advance.

(Figures in Millions of Pesos)	1Q22	1Q22E	Diff	1Q21	Chg.
Revenues	787	814	-3.3%	783	0.6%
EBITDA	132	126	4.5%	125	5.4%
<i>EBITDA Margin</i>	16.8%	15.5%		16.0%	
Financial Gains	22	18	20.6%	17	31.6%
Financial Cost	-25	-21	19.3%	-20	27.5%
Net profit	70	62	12.4%	68	2.4%

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