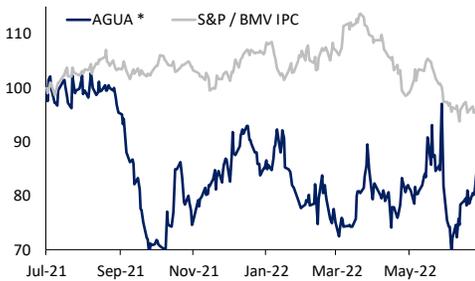


AGUA: 2Q22 Preview

We expect positive results with record sales and sequential margin recovery

AGUA*	BUY
Target Price (MXN\$)	\$ 45.00
Current Price (MXN\$)	\$ 25.13
Min / Max (L12M)	\$ 21.00 - 32.39
Expected Dividend (MXN\$)	\$ 0.45
Expected Return	80.9%
Market Cap (MXN\$ Mn)	12,219
Enterprise Value (MXN\$ Mn)	14,869
Outstanding Shares (Mn)	486.2
Float	23.7%
ADTV (MXN\$ Mn)	\$ 5.38



Opinion and recommendation

We expect AGUA to present positive 2Q22 results with sales up 14.7%, EBITDA growing 7.3% and net income rising 119.4%, as a result of the price adjustments that the company has carried out, and a solid demand in the product business. We reiterate our BUY recommendation with a MXN\$45.00/share target price.

2Q22 Preview

We expect AGUA’s 2Q22 revenues to advance 14.7% YoY to a record level of MXN\$3.2 billion, in line with guidance for the year. We believe that sales will benefit from the price increases that the company implemented at the end of last year and in April of this year in some of its operations, in order to improve its profitability and face higher raw material costs. We project that demand for the products business will remain strong, translating into double-digit sales growth, while the performance of the services unit will continue to experience low demand for water treatment plants in Mexico and Brazil.

We anticipate that the EBITDA margin will reach 13.9% in 2Q22, with a significant recovery against the 12.1% in 1Q22 due to the aforementioned price adjustments. However, it will be slightly lower than the 14.9% in 2Q21 due to the impact of raw materials and expansion expenses in the service business. This will likely translate into a 7.3% YoY EBITDA growth, significantly stronger than the decline that the company registered in 1Q22.

We expect net profits to rise 119.4% YoY to MXN\$143 million, supported by a solid operating performance.

July 11th, 2022

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AGUA recently announced the termination of Trust F/000116 (the “Voting Trust”), which began the process of reverting the assets to the beneficiaries of such trust. We do not anticipate any change in the current shareholding structure as a result of this transaction.

On the other hand, AGUA announced that its shares will remain in the S&P/BMV Total Mexico ESG index, of which they have been a part since 2019. This index includes 30 issuers that follow the best environmental, social and corporate governance practices.

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