

JAVER: 3Q22 Results

Focus on higher priced units drives high sales, EBITDA and net profit growth, positive free cash flow generation and debt reduction

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)	5,519
Outstanding Shares (Mn)	279.8
Float	34.1%
ADTV (MXN\$ Mn)	\$ 0.01

Opinion and recommendation

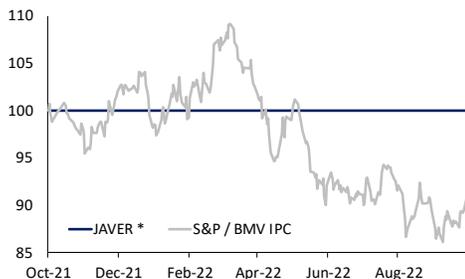
JAVER reported favorable results in 3Q22 that exceeded our expectations in terms of revenues and EBITDA. The company continued to focus on higher priced housing which boosted its sales by 22%. Although profitability decreased due to the inflationary impact, EBITDA still grew 10% and net profits 35%. In addition, the company generated positive free flow and continued to reduce debt. We reiterate a BUY recommendation and MXN\$20.0/share target price.

JAVER adjusted its guidance upwards, still expecting revenue growth with a 7% increase in EBITDA (previously +3%). We consider this new guidance to be conservative.

Revenues

JAVER continued to benefit from its focus on higher-end housing and we believe the company also transferred part of the inflationary effect, which boosted the average price per unit by 18% (+11% in middle income and +15% in residential) to MXN\$680 thousand. In addition, volume grew 4% to 3,171 units due to the prevailing high demand with a displacement of 23% in residential housing. This resulted in a significant 22% increase in total revenues, which reached MXN2,172 million (above our projection of MXN\$1,983 million). Digital sales represented 67% of total units, with an improvement of 7.2 percentage points compared to the previous year.

JAVER announced the investment in two pieces of land in the city of Puebla with which it will diversify geographically. It will now have presence in 9 states. The company expects to invest MXN\$400 million and to start titling units by 2023.



Regina González

+5255-1391-3180

regina.gonzalez@miranda-gr.com

Martin Lara

+5255-6413-8563

martin.lara@miranda-gr.com

October 24th, 2022

Profitability

Gross margin contracted 210 bps to 28.1% as a result of the inflationary impact on construction costs. Administrative and selling expenses advanced 21% due to the labor reform. However, they improved slightly as a percentage of revenue. For these reasons, EBITDA grew 10% to MXN\$334 million (vs. MXN\$298 million E), while the EBITDA margin contracted 170 bps to 15.4%.

Net income was up 35% to MXN\$98 million (vs. MXN\$104 million E) mainly driven by lower FX losses and a gain in the mark-to-market of derivatives.

Free cash flow

A major fact was that JAVER generated MXN\$444 million in positive free cash flow in the quarter due to a lower level of investments in land reserves and the improvement in working capital. This figure compared to last year's MXN\$26 million negative free cash flow. The company accumulated these funds as its cash reserves amounted to MXN\$1,391 million, the highest level in several years, which translated into a net debt to EBITDA ratio of only 1.16x at the end of the quarter, compared to 1.78x in 3Q21.

Recently, JAVER obtained a new syndicated loan amounting to MXN\$2,450 million that it will use to refinance the existing syndicated loan, thus extending its maturity profile and improving the debt conditions.

ESG

JAVER obtained EGDE certification from the IFC in two of its projects.

Industry

In November, INFONAVIT will increase the maximum age for its beneficiaries to obtain a loan from 65 to 70 years. According to JAVER, this measure will increase the amount that can be financed by MXN\$180,000 and will generate greater demand.

(Figures in Millions of MXN\$)	3Q22	3Q22E	Diff.	3Q21	Change
Revenues	2,172	1,983	9.5%	1,780	22.1%
Gross Margin	28.1%	28.0%		30.2%	
Operating Profit	305	272	12.0%	282	8.1%
Operating Margin	14.0%	13.7%		15.8%	
EBITDA	334	298	11.8%	303	10.1%
EBITDA Margin	15.4%	15.0%		17.0%	
Pre-Tax Profit	182	183	-0.9%	141	29.3%
Income Tax & Profit Sharing	-84	-80	5.7%	-68	23.6%
Tax & Profit Sharing Rate	46.3%	43.4%		48.5%	
Net Profit	98	104	-6.0%	72	34.7%

(Figures in Millions of MXN\$)

INCOME STATEMENT	2021	2022E	2023E	2024E	2025E	2026E	2027E
Revenues	7,510	8,108	8,997	9,895	10,845	11,845	12,874
Cost of Sales	-5,406	-5,796	-6,448	-7,081	-7,751	-8,453	-9,175
Gross Profit	2,103	2,312	2,549	2,814	3,095	3,392	3,700
<i>Gross Margin</i>	<i>28.0%</i>	<i>28.5%</i>	<i>28.3%</i>	<i>28.4%</i>	<i>28.5%</i>	<i>28.6%</i>	<i>28.7%</i>
General Expenses	-1,134	-1,264	-1,318	-1,430	-1,546	-1,665	-1,784
Operating Profit	979	1,069	1,261	1,417	1,587	1,755	1,944
<i>Operating Margin</i>	<i>13.0%</i>	<i>13.2%</i>	<i>14.0%</i>	<i>14.3%</i>	<i>14.6%</i>	<i>14.8%</i>	<i>15.1%</i>
Depreciation and Amortization	-90	-91	-88	-92	-96	-100	-104
EBITDA	1,089	1,181	1,358	1,517	1,691	1,863	2,056
<i>EBITDA Margin</i>	<i>14.5%</i>	<i>14.6%</i>	<i>15.1%</i>	<i>15.3%</i>	<i>15.6%</i>	<i>15.7%</i>	<i>16.0%</i>
Financial Gains	47	92	94	89	94	99	108
Financial Cost	-592	-596	-727	-807	-917	-979	-975
Pre-Tax Profit	434	564	627	699	764	874	1,077
Income Tax & Profit Sharing	-288	-262	-295	-329	-360	-412	-507
<i>Tax & Profit Sharing Rate</i>	<i>66.4%</i>	<i>46.5%</i>	<i>47.1%</i>	<i>47.1%</i>	<i>47.1%</i>	<i>47.1%</i>	<i>47.1%</i>
Net Profit	146	302	332	370	404	463	570
Outstanding Shares	281	281	281	281	281	281	281
EPS	P\$ 0.52	P\$ 1.07	P\$ 1.18	P\$ 1.31	P\$ 1.44	P\$ 1.64	P\$ 2.03
BALANCE SHEET	2021	2022E	2023E	2024E	2025E	2026E	2027E
TOTAL ASSETS	9,102	9,279	10,034	10,932	11,736	12,557	13,513
Current Assets	6,437	6,924	7,522	8,266	8,922	9,593	10,400
Cash & Temp. Inv.	1,427	1,538	1,608	1,562	1,598	1,620	1,761
LT Assets	2,666	2,356	2,511	2,666	2,814	2,964	3,113
P, P & E	136	135	142	155	161	167	172
Other LT Assets	1,871	1,611	1,739	1,859	1,979	2,099	2,219
TOTAL LIABILITIES	6,733	6,555	6,995	7,522	7,920	8,278	8,665
ST Liabilities	2,554	3,181	3,621	3,848	4,146	4,504	4,891
LT Liabilities	4,179	3,374	3,374	3,674	3,774	3,774	3,774
TOTAL DEBT	3,066	2,561	2,836	3,538	3,678	3,881	3,544
NET DEBT	1,639	1,023	1,227	1,976	2,080	2,261	1,783
TOTAL CAPITAL	2,369	2,724	3,056	3,426	3,830	4,293	4,863
Stockholder's Equity	2,369	2,724	3,056	3,426	3,830	4,293	4,863

DISCLAIMER

The current report was prepared by Miranda Global Research ("Miranda GR") for Vector Casa de Bolsa, S.A. de C.V. The information is presented in summarized form and is not meant to be complete. There are no declarations or guarantees, expressed or implicit, in respect to the accuracy, impartiality or integrity of the information.

Miranda GR, in accordance to applicable legislation, has made sure that the presented personalized recommendation is reasonable to the client, as it has verified congruency between the client's profile and the profile of the financial product. Under no circumstance should it be understood that the fulfillment of the previously mentioned recommendation, guarantees the result or the success of the proposed strategies in the presented document.

The information included in this presentation was obtained from public and/or private sources. Projections or previsions included in this presentation, are a generalized recommendation and are based on subjective assumptions and estimations about events and circumstances that have not yet happened and are subjected to significant variations. Therefore, it is not possible to guarantee that any of the results included in the current report will happen in the future, in other words, it does not guarantee the result or the success of the posed strategies.

This report has been prepared solely with informational purposes. No declarations are made in respects to precision, sufficiency, veracity or accuracy of the information and opinions hereby included. Miranda GR will not answer (either because of negligence or for any other reason) for any damage or detriment derived or related to the use of this report or its content, or any connection to the report. Miranda GR is not responsible for the use or association with this report, including but not limited to, any declaration, expressed or implicit or guarantees or omissions included in this information.

This report is based on facts and/or events that have happened up to this date, consequently any future facts and/or events can impair the conclusions hereby expressed. Miranda GR does not assume any responsibility to update, review, rectify or invalidate this report based on any future occurrence.

The opinions related to this report eventually expressed by Miranda GR, should be considered only as suggestions/recommendations to better operate various topics related to the presentation.

This report and its contents are property of Miranda GR and cannot be reproduced or broadcast in part or in its entirety without the previous written consent of Miranda GR.

Miranda Global Research receives fees from Servicios Corporativos Javer, S.A.B. de C.V. for independent analyst services. Companies or Fibras under coverage will have no right or opportunity to exert any influence on opinions, projections, recommendations, and/or target prices expressed hereby by Miranda GR.
