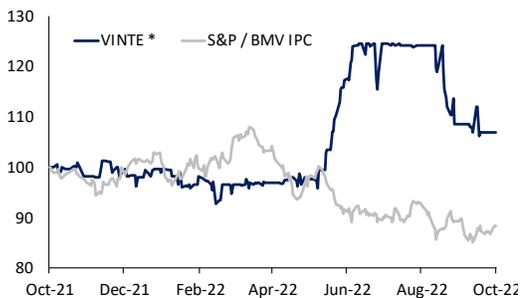


VINTE: 3Q22 Results

Positive results due to the price strategy and higher volumes, in line

VINTE *	BUY
Target Price (MXN\$)	\$ 43.00
Current Price (MXN\$)	\$ 31.00
Min / Max (L12M)	\$ 26.00 - 36.12
Expected Dividend (MXN\$)	\$ 0.74
Expected Return	41.1%
Market Cap (MXN\$ Mn)	6,709
Enterprise Value (MXN\$ Mn)	9,117
Outstanding Shares (Mn)	216.4
Float	23.5%
ADTV (MXN\$ Mn)	\$ 0.11



Opinion and recommendation

VINTE reported positive 3Q22 results that were pretty much in line with our projections. The company continued to focus on higher-end housing and transferred higher construction costs, which boosted both the average price per unit once again above one million pesos and its profitability levels, resulting in double-digit revenue, EBITDA and net profit growth. It accelerated investments in finished housing, which generated a negative free cash flow generation and a temporary increase in leverage. However, the company expects these two indicators to improve during the rest of the year due to a strong 4Q22.

VINTE slightly adjusted its revenue guidance for the year, as it now expects a 6% increase (previously between 8-10%) in total revenue and a 13% rise in titled units. However, it maintained the expected EBITDA growth at 11% due to margin improvement. We believe this guidance is achievable, taking into account the performance of the first nine months of the year, as well as the aforementioned investments.

Our recommendation remains BUY with a MXN\$43.0/share target price after these quarterly results.

Revenues

VINTE continued to focus on higher priced housing and transferred higher construction costs, which boosted the average price per unit by 18.2%, once again exceeding one million pesos. In addition, the company benefited from higher volume, resulting in a strong 27% increase in home sales, which led to a 12.8% total revenue growth.

October 20th, 2022

Regina González
+5255-1391-3180
regina.gonzalez@miranda-gr.com

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

Profitability

VINTE's pricing strategy generated a 260 bps improvement in the gross margin to 32.6% while the EBITDA margin expanded 40 bps to 18.1%. For this reason, EBITDA grew 15.3% annually, reaching MXN\$184.2 million (vs. MXN\$180.2 million E).

Financing costs were up 17.5% due to the favorable performance in housing sales. Net profit advanced 11.7% to MXN\$103.2 million (vs. MXN\$102.3 million E).

Free cash flow

VINTE generated negative free cash flow of MXN\$162 million in the quarter due to the investments that the company made to accelerate growth and gain market share. However, this figure was lower than last year's MXN\$232 million negative figure.

Despite the focus on higher priced housing, the cash conversion cycle improved to 928 days, from 983 days a year earlier. The company expects it to continue improving during the rest of the year.

Financial structure

Leverage temporarily rose to 3.18x net debt / EBITDA due to higher investments in inventory. The company expects to close the year at 2.85x due to the strong growth it anticipates in home sales during the last quarter of the year. Liquidity is high with MXN\$534 million in cash reserves and MXN\$1,299 million in available credit lines. During the quarter, VINTE obtained a new non-recourse factoring line amounting to MXN\$175 million with Sabadell and signed two MXN\$394 million loans with Banregio.

Industry

Worth mentioning that Infonavit's total origination fell, which had an impact on the industry's low-priced units. However, we expect this situation to improve in the future as the institute has decided to leave its interest rates unchanged for the rest of the presidential period, and increased the maximum age to obtain a loan from 65 to 70 years. We believe that these measures will trigger the growth of the low-price segment. In the middle segment, there is still ample availability of bank credit and interest rates have not yet started to rise.

Digital strategy

VINTE continued to advance in its digital strategy as Xante.mx reached a total of 47 transactions, the eMobel business continues to expand and the company generated synergies with its investments in PropTech and Fintech. All the digital businesses in which VINTE participates showed a healthy expansion.

ESG

VINTE obtained a higher ESG risk rating from Sustainalytics. The Mexican company is in the top 9% worldwide of almost 15,000 qualified companies and in the top 3% of the 280 homebuilders. In addition, it obtained recognition from P4G and will thus receive US\$672,000 to seek energy efficiency in a project of 500 net zero homes.

(Figures in Millions of Pesos)	3Q22	3Q22E	Diff	3Q21	Chg.
Revenues	1,017	994	2.4%	901	12.8%
Cost of Sales	-715	-694	3.1%	-655	9.1%
Gross Profit	302	300	0.8%	246	22.8%
General Expenses	-159	-134	18.6%	-121	32.0%
Operating Profit	143	166	-13.6%	122	17.1%
Operating Margin	14.1%	16.7%		13.6%	
EBITDA	184	180	2.4%	160	15.3%
EBITDA Margin	18.1%	18.1%		17.7%	
Financial Gains	13	13	-3.9%	15	-15.9%
Financial Cost	-20	-23	-10.8%	-22	-8.0%
Net profit	103	102	1.5%	92	11.7%

Discounted Cash Flow Model

(Figures in Millions of MXN\$)	2023E	2024E	2025E	2026E	2027E	Perp.
OPERATING PROFIT	867	966	1,072	1,187	1,314	1,379
Tax Rate	21%	21%	22%	22%	22%	30%
Adjusted Taxes	-178	-203	-231	-261	-289	-303
NOPLAT	689	763	842	926	1,025	1,076
Depreciation	26	26	27	28	28	30
Working Capital Changes	-201	-412	-411	-431	-467	-490
CAPEX	-16	-20	-24	-28	-28	-29
FCFF	497	356	434	495	558	586
Perpetuity Growth Rate						4.9%
PV of Explicit Period (2023E - 2027E)						1,812
Perpetuity Value						14,973
PV of Perpetuity Value						9,800
Enterprise Value						11,612
Net Debt						2,166
Minority Interest						140
Market Value						9,306
Outstanding Shares						216
Target Price						P\$ 43.00
Current Market Price						P\$ 31.00
Potential Return Incl. Dividends						40.2%
Target 2023E EV/EBITDA						13.1x
Target 2023E P/E						14.5x
Average Cost of Debt						10.5%
LT Tax Rate						30.0%
After-Tax Cost of Debt						7.4%
Cost of Equity						10.3%
Market Risk Premium						6.0%
Risk-Free Rate						9.9%
Beta						0.06
% Total Debt						37.5%
% Capital						62.5%
WACC						8.8%

Sensitivity Analysis Table, EV/EBITDA vs. EBITDA

	-10%	-5%	<i>Original</i>	+5%	+10%
Projected EBITDA	805	848	892	937	984
Target EV/EBITDA					
11.6x	32.17	34.43	36.82	39.20	41.70
12.1x	34.03	36.39	38.88	41.36	43.97
12.6x	35.89	38.35	40.94	43.53	46.24
13.1x	37.75	40.31	43.00	45.69	48.52
13.6x	39.61	42.27	45.06	47.85	50.79
14.1x	41.47	44.22	47.12	50.02	53.06

Sensitivity Analysis Table, P/E vs. Net Profit

	-10%	-5%	<i>Original</i>	+5%	+10%
Projected Net Profit	577	608	640	672	705
Target P/E					
11.5x	30.80	32.42	34.13	35.84	37.63
12.5x	33.47	35.23	37.09	38.94	40.89
13.5x	36.14	38.04	40.04	42.05	44.15
14.5x	38.81	40.85	43.00	45.15	47.41
15.5x	41.47	43.66	45.96	48.25	50.67
16.5x	44.14	46.47	48.91	51.36	53.92

(Figures in Millions of Pesos)

INCOME STATEMENT	2021	2022E	2023E	2024E	2025E	2026E	2027E
Revenues	4,160	4,340	4,800	5,261	5,747	6,261	6,824
Cost of Sales	-3,069	-3,050	-3,244	-3,540	-3,849	-4,176	-4,530
Gross Profit	1,090	1,290	1,556	1,721	1,897	2,086	2,294
<i>Gross Margin</i>	<i>26.2%</i>	<i>29.7%</i>	<i>32.4%</i>	<i>32.7%</i>	<i>33.0%</i>	<i>33.3%</i>	<i>33.6%</i>
General Expenses	-587	-638	-689	-755	-825	-899	-980
Operating Profit	522	665	867	966	1,072	1,187	1,314
<i>Operating Margin</i>	<i>12.6%</i>	<i>15.3%</i>	<i>18.1%</i>	<i>18.4%</i>	<i>18.7%</i>	<i>19.0%</i>	<i>19.3%</i>
Depreciation and Amortization	-159	-101	-26	-26	-27	-28	-28
EBITDA	681	767	892	992	1,099	1,215	1,343
<i>EBITDA Margin</i>	<i>16.4%</i>	<i>17.7%</i>	<i>18.6%</i>	<i>18.9%</i>	<i>19.1%</i>	<i>19.4%</i>	<i>19.7%</i>
Financial Gains	50	60	54	60	66	71	78
Financial Cost	-84	-88	-83	-84	-84	-84	-84
Pre-Tax Profit	489	637	838	941	1,053	1,174	1,308
Income Tax & Profit Sharing	-117	-153	-172	-198	-226	-258	-288
Net profit	371	484	667	744	827	916	1,020
BALANCE GENERAL	2021	2022E	2023E	2024E	2025E	2026E	2027E
TOTAL ASSETS	9,506	9,666	10,383	11,078	11,818	12,639	13,560
Current Assets	4,958	5,294	5,667	6,187	6,736	7,313	7,939
LT Assets	4,548	4,372	4,716	4,891	5,082	5,326	5,621
TOTAL LIABILITIES	5,145	4,930	5,123	5,224	5,293	5,363	5,439
ST Liabilities	1,535	1,217	1,359	1,410	1,479	1,549	1,625
LT Liabilities	3,609	3,714	3,764	3,814	3,814	3,814	3,814
Total Debt	2,768	2,817	2,906	2,969	2,972	2,974	2,974
Net Debt	1,924	2,166	2,186	2,179	2,110	2,034	1,950
TOTAL CAPITAL	4,361	4,747	5,272	5,866	6,536	7,287	8,134
Stockholder's Equity	4,237	4,607	5,117	5,694	6,344	7,073	7,894
Minority Interest	124	140	155	172	192	214	239

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 Vinte, Viviendas Integrales, 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.
