

# AGUA: 4Q22 Preview

We project positive quarterly results on an annual basis, driven mainly by the products business

AGUA*	BUY
Target Price (MXN\$)	\$ 45.00
Current Price (MXN\$)	\$ 27.54
Min / Max (L12M)	\$ 21.00 - 34.71
Expected Dividend (MXN\$)	\$ 0.45
Expected Return	65.0%
Market Cap (MXN\$ Mn)	13,391
Enterprise Value (MXN\$ Mn)	16,490
Outstanding Shares (Mn)	486.2
Float	23.7%
ADTV (MXN\$ Mn)	\$ 8.30



## Opinion and recommendation

We expect AGUA to post a positive operating performance in 4Q22 compared to the same period of the previous year. However, results will be lower sequentially due to seasonality factors and the absence of extraordinary droughts demand. We believe that AGUA's current share price level represents an attractive entry point. Our recommendation is BUY with a MXN\$45.0/share target price.

## 4Q22 preview

We project that AGUA's sales will increase 14% to MXN\$3,187 million, supported mainly by a strong demand of the product business, in addition to price increases in several regions that the company carried out during the year. This will likely be partially offset by a slow demand in Argentina due to seasonality, as well as in Peru and Central America due to macroeconomic factors.

4Q22 revenues will be lower than the records of 2Q22 and 3Q22 mainly due to the seasonality of the business and the absence of extraordinary droughts revenues. Accumulated revenues for the year will advance 18% to MXN\$12,836 million.

AGUA's adjusted EBITDA margin will be 16.8%, the highest of the year, also due to price adjustments coupled with the decline in resin cost. However, it will be below the 18.1% level of the same period last year, as a result of a high comparison base. This will result in a 6% YoY EBITDA growth to MXN\$536 million. Cumulative EBITDA for the year will reach MXN\$1,968 million, with a 15.3% margin.

We estimate quarterly net profits of MXN\$177 million, up 73% YoY supported by higher operating results together with lower FX losses.

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