

# JAVER: 4Q22 Results

Positive performance with double-digit sales growth and higher-than-expected profitability levels due to a stronger mix

JAVER*	BUY
Target Price (MXN\$)	\$ 20.00
Current Price (MXN\$)	\$ 14.99
Max / Min (L12M)	14.99 - 15.86
Expected Dividend (MXN\$)	\$ 0.00
Expected Return	33.4%
Market Cap (MXN\$ Mn)	4,193
Enterprise Value (MXN\$ Mn)	5,275
Outstanding Shares (Mn)	279.8
Float	34.1%
ADTV (MXN\$ Mn)	\$ 0.01



## Opinion and recommendation

JAVER reported positive operating results in 4Q22 that exceeded our projections, with double-digit revenue growth and higher-than-expected profitability levels due to a stronger mix, positive net profits, deleveraging, decreased working capital cycle and positive free cash flow generation (although less than the previous year). We reiterate a BUY recommendation and MXN\$20.0/share target price.

JAVER exceeded its 2022 guidance as revenue and EBITDA for the year grew 8% and 10%, respectively, above the expected 7%. On the other hand, the company released its 2023 guidance, which includes a revenue increase of around 10% and double-digit EBITDA growth (vs. our updated estimates of +11 and +13%, respectively). Such performance is supported by the opening of 7 projects during 2022 and 11 new developments in 2023, including the first one in the City of Puebla. The company also expects to benefit from the recent increase in INFONAVIT credit amounts, the adjustment in the age to obtain credit with this institute, as well as the start of continuous titling by FOVISSSTE. We believe this guidance is achievable.

## Revenues

JAVER's total sales reached MXN\$2,168 million (vs. MXN\$2,136 million E) in 4Q22, up 14% YoY. The company's focus on higher-priced housing continued to pay off with an 8% rise in the average price to MXN\$696 thousand per unit. Worth mentioning that the price of middle-income housing rose 9% and that of residential housing only 4%.

**Stephanie Aroesti**

+5233-1409-6659

stephanie.aroesti@miranda-gr.com

**Martin Lara**

+5255-6413-8563

martin.lara@miranda-gr.com

February 1<sup>st</sup>, 2023

The company sold 9% more units in the middle segment and 7% more in the residential one, and nothing in social interest. This resulted in a 6% increase in titled units, slightly up from the 4% rise in 3Q22. The change in the mix that the company has been carrying out also modified the composition of financing, which resulted in a greater participation of banking institutions.

JAVER has implemented a very successful digital strategy since sales through this means represented 68% of the total, with an increase of 6 percentage points with respect to the previous year. In 1Q19, they represented only 25%.

### **Profitability**

Gross margin improved by 60 bps to 28.0%, due to the mix change and despite the inflationary impact on construction costs. The margin for housing and the sale of lots increased by 1 percentage point in both cases. As a result, gross profit was up 16% to MXN\$608 million. Additionally, expenses represented 14.5% of revenues, with an improvement of 1.1 percentage points, despite the labor reform. This boosted EBITDA by 21% to MXN\$331 million (vs. MXN\$309 million E). The EBITDA margin thus expanded to 15.3%, from 14.4%.

Comprehensive financing cost rose 42% as the company recognized expenses for the syndicated loan refinancing and the fact that it recorded FX losses in the current quarter, compared to FX gains a year earlier. Net profit stood at MXN\$40.5 million in 4Q22, thus reversing the MXN\$31.0 million loss in 4Q21.

### **Working capital cycle / Free cash flow**

The working capital cycle fell 41 days due to lower investments in land reserves and a higher inventory turnover. The company generated MXN\$105 million in positive free cash flow, below the MXN\$251 million figure of the previous year. However, it obtained MXN\$764 million in 2022, practically in line with the P\$771 million the year before.

### **Financial structure**

JAVER continued deleveraging, taking advantage of its significant free cash flow generation. As a result, the net debt to EBITDA ratio decreased to 1.07x in the current quarter, from 1.16x in 3Q22.

In addition, the company extended its maturity profile with the 5-year MXN\$2.45 billion syndicated loan. The average interest rate fell 258 bps to 12.1% (including the hedge in the variable interest rate portion), which will likely generate annual savings of MXN\$63 million.

### **ASG**

JAVER obtained the "Great Place To Work" award for the sixth consecutive year, improving the performance of the previous year, EDGE certification in two projects, and the ESR distinction for the fifth consecutive year. In addition, it carried out several social and environmental programs.

---

(Figures in Millions of MXN\$)	4Q22	4Q22E	Diff.	4Q21	Change
Revenues	2,168	2,136	1.5%	1,903	13.9%
Gross Profit	608	598	1.6%	523	16.2%
<i>Gross Margin</i>	28.0%	28.0%		27.5%	
Operating Profit	296	284	4.3%	228	29.9%
<i>Operating Margin</i>	13.7%	13.3%		12.0%	
EBITDA	331	309	7.0%	274	20.9%
<i>EBITDA Margin</i>	15.3%	14.5%		14.4%	
Financial Gains	86	22	290.9%	16	429.3%
Financial Cost	-281	-172	63.2%	-153	83.1%
Net Profit	41	71	-42.8%	-31	n.a.

(Figures in Millions of MXN\$)

INCOME STATEMENT	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Revenues	8,140	9,061	10,116	11,188	12,257	13,321	14,433
Cost of Sales	-5,819	-6,497	-7,244	-8,000	-8,752	-9,499	-10,277
Gross Profit	2,321	2,564	2,872	3,188	3,504	3,822	4,155
<i>Gross Margin</i>	28.5%	28.3%	28.4%	28.5%	28.6%	28.7%	28.8%
General Expenses	-1,259	-1,342	-1,478	-1,612	-1,742	-1,866	-1,993
Operating Profit	1,081	1,242	1,418	1,603	1,791	1,984	2,190
<i>Operating Margin</i>	13.3%	13.7%	14.0%	14.3%	14.6%	14.9%	15.2%
Depreciation and Amortization	-95	-106	-110	-114	-118	-122	-126
Profit Sharing & Exec. Comp.	-25	-9	-8	-8	-8	-8	-8
EBITDA	1,202	1,356	1,536	1,725	1,917	2,114	2,324
<i>EBITDA Margin</i>	14.8%	15.0%	15.2%	15.4%	15.6%	15.9%	16.1%
Financial Gains	156	322	320	327	333	345	356
Financial Cost	-723	-762	-813	-907	-947	-969	-1,115
Pre-Tax Profit	514	802	925	1,023	1,177	1,359	1,432
Income Tax & Profit Sharing	-252	-361	-416	-461	-530	-612	-644
<i>Tax &amp; Profit Sharing Rate</i>	49.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%
Net Profit	262	441	509	563	647	748	787
Outstanding Shares	281	281	281	281	281	281	281
EPS	P\$ 0.93	P\$ 1.57	P\$ 1.81	P\$ 2.00	P\$ 2.30	P\$ 2.66	P\$ 2.80
BALANCE SHEET	2022E	2023E	2024E	2025E	2026E	2027E	2028E
TOTAL ASSETS	8,953	9,945	10,508	11,742	12,708	14,529	16,082
Current Assets	6,671	7,595	8,547	9,305	10,036	10,883	11,767
Cash & Temp. Inv.	1,404	1,660	1,635	1,686	1,715	1,863	2,018
LT Assets	2,282	2,349	1,961	2,437	2,672	3,646	4,315
P, P & E	147	142	155	161	167	172	172
Other LT Assets	1,774	1,902	1,492	1,952	2,172	3,132	3,792
TOTAL LIABILITIES	6,302	6,871	6,923	7,592	7,911	8,984	9,750
ST Liabilities	2,554	3,123	2,875	3,444	3,763	4,837	5,602
LT Liabilities	3,748	3,748	4,048	4,148	4,148	4,148	4,148
TOTAL DEBT	2,541	2,912	3,102	3,483	3,630	3,939	4,398
NET DEBT	1,137	1,251	1,468	1,796	1,916	2,076	2,380
TOTAL CAPITAL	2,651	3,092	3,601	4,164	4,812	5,559	6,347
Stockholder's Equity	2,651	3,092	3,601	4,164	4,812	5,559	6,347

## **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.

---