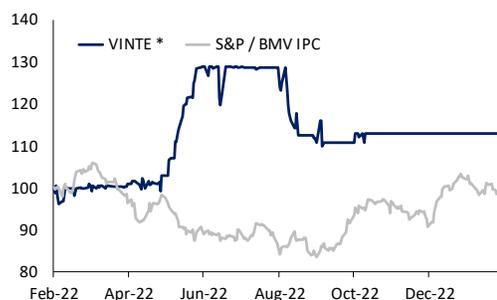


VINTE: 4Q22 Results

Record results for the quarter and for the year

VINTE *	BUY
Target Price (MXN\$)	\$ 43.00
Current Price (MXN\$)	\$ 31.61
Min / Max (L12M)	\$ 26.51 - 36.12
Expected Dividend (MXN\$)	\$ 0.83
Expected Return	38.7%
Market Cap (MXN\$ Mn)	6,841
Enterprise Value (MXN\$ Mn)	8,954
Outstanding Shares (Mn)	216.4
Float	23.5%
ADTV (MXN\$ Mn)	\$ 0.07



Opinion and recommendation

VINTE reported neutral 4Q22 results with higher housing revenues, lower profitability, high free cash flow generation and a significant reduction in debt. These results reached record levels for both the quarter and the year.

The company released its guidance for 2023 which includes an increase in housing revenue between 10-15%. It expects to invest around MXN\$3.5 billion, which will include MXN\$100 million in eMobel and MXN\$100 million in Xante. It will remain focused on profitability and cash flow generation. In addition, it plans to pay a MXN\$180 million dividend.

We reiterate our BUY recommendation with a MXN\$43.0/share target price after having included these results in our forecast model.

Revenues

Despite the high comparison base of the previous year, VINTE's total revenues remained practically unchanged in 4Q22 at MXN\$1,579 million (vs. MXN\$1,562 E million). This performance was mainly due to a 10% increase in housing revenues and a 48% rise in equipment, which was offset by a reduction in land sales.

VINTE maintained its focus on higher-end housing and transferred the inflationary impact on construction costs, which boosted the average price per unit for the quarter by 7% to more than one million one hundred thousand pesos. Demand remained healthy, we believe, due to attractive INFONAVIT and bank interest rates, as housing volume advanced 3% to 1,332 units.

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Profitability

Gross margin improved 60 bps to 28.6% in the current quarter, we believe due to higher-priced home sales, which boosted gross profit by 2%. However, SG&A and other expenses rose 12% on higher commissions given the 10% growth in housing revenues. This generated a 6% decrease in EBITDA to MXN\$234 million (vs. MXN\$248 million E).

Financial costs were up 8% as a result of higher interests included in the cost of sales. Net profits fell 5% YoY to MXN\$122 million (vs. MXN\$99 million E), due to lower operating results and higher financial costs.

Cash Flow / Financial Structure

VINTE generated MXN\$450 million in positive cash flow in the quarter, a record level, thus accumulating a positive MXN\$191 million figure for the year. This allowed it to reduce its net debt by 12% sequentially, bringing leverage down to the current level of 2.85x, from 3.18x in 3Q22 and 3.50x in 4Q21.

ESG

VINTE recently obtained three important recognitions. The first one was from Sustainalytics for being among the world's 9% best companies in terms of ESG rating, while the other two were from Environmental Finance, due to the positive impact in the water and real estate category. On the other hand, the company certified 3,985 EDGE homes, exceeding its goal.

(Figures in Millions of Pesos)	4Q22	4Q22E	Diff.	4Q21	Chg.
Revenues	1,579	1,562	1.1%	1,581	-0.1%
Cost of Sales	-1,175	-1,167	0.6%	-1,187	-1.0%
Gross Profit	404	394	2.4%	394	2.6%
General Expenses	-253	-234	8.2%	-230	10.0%
Operating Profit	174	160	8.5%	189	-8.1%
<i>Operating Margin</i>	<i>11.0%</i>	<i>17.3%</i>		<i>12.0%</i>	
EBITDA	234	248	-5.9%	249	-6.1%
<i>EBITDA Margin</i>	<i>14.8%</i>	<i>16.5%</i>		<i>15.7%</i>	
Financial Gains	5	13	-61.4%	6	-23.6%
Financial Cost	-18	-20	-11.4%	-21	-13.0%
Net profit	122	99	22.7%	120	1.5%

Discounted Cash Flow Model

(Figures in Millions of MXN\$)	2024E	2025E	2026E	2027E	2028E	Perp.
OPERATING PROFIT	883	985	1,095	1,213	1,343	1,406
Tax Rate	24%	24%	24%	24%	24%	30%
Adjusted Taxes	-212	-236	-263	-291	-322	-337
NOPLAT	671	749	832	922	1,021	1,069
Depreciation	52	53	55	57	58	61
Working Capital Changes	-419	-415	-435	-453	-491	-514
CAPEX	-20	-24	-28	-28	-28	-29
FCFF	284	363	424	497	560	586
Perpetuity Growth Rate						4.7%
PV of Explicit Period (2024E - 2028E)						1,643
Perpetuity Value						16,145
PV of Perpetuity Value						10,004
Enterprise Value						11,647
Net Debt						2,194
Minority Interest						146
Market Value						9,307
Outstanding Shares						216
Target Price						P\$ 43.00
Current Market Price						P\$ 31.61
Potential Return Incl. Dividends						37.5%
Target 2023E EV/EBITDA						12.5x
Target 2023E P/E						23.5x
Average Cost of Debt						9.7%
LT Tax Rate						30.0%
After-Tax Cost of Debt						6.8%
Cost of Equity						9.7%
Market Risk Premium						6.0%
Risk-Free Rate						9.3%
Beta						0.06
% Total Debt						36.8%
% Capital						63.2%
WACC						8.3%

Sensitivity Analysis Table, EV/EBITDA vs. EBITDA

	-10%	-5%	<i>Original</i>	+5%	+10%
Projected EBITDA	844	888	935	982	1,031
Target EV/EBITDA					
11.0x	31.91	34.16	36.52	38.89	41.37
11.5x	33.86	36.21	38.68	41.16	43.75
12.0x	35.81	38.26	40.84	43.42	46.13
12.5x	37.76	40.31	43.00	45.69	48.52
13.0x	39.71	42.36	45.16	47.96	50.90
13.5x	41.66	44.42	47.32	50.23	53.28

Sensitivity Analysis Table, P/E vs. Net Profit

	-10%	-5%	<i>Original</i>	+5%	+10%
Projected Net Profit	569	599	630	662	695
Target P/E					
20.5x	53.94	56.78	59.76	62.75	65.89
21.5x	56.57	59.54	62.68	65.81	69.10
22.5x	59.19	62.31	65.59	68.87	72.31
23.5x	61.82	65.08	68.50	71.93	75.52
24.5x	64.45	67.84	71.41	74.98	78.73
25.5x	67.08	70.61	74.33	78.04	81.94

(Figures in Millions of Pesos)

INCOME STATEMENT	2022	2023E	2024E	2025E	2026E	2027E	2028E
Revenues	4,357	4,830	5,314	5,823	6,360	6,924	7,539
Cost of Sales	-3,167	-3,358	-3,678	-4,013	-4,365	-4,731	-5,128
Gross Profit	1,189	1,472	1,635	1,810	1,996	2,193	2,410
<i>Gross Margin</i>	<i>27.3%</i>	<i>30.5%</i>	<i>30.8%</i>	<i>31.1%</i>	<i>31.4%</i>	<i>31.7%</i>	<i>32.0%</i>
General Expenses	-657	-673	-752	-824	-900	-980	-1,067
Operating Profit	569	799	883	985	1,095	1,213	1,343
<i>Operating Margin</i>	<i>13.1%</i>	<i>16.5%</i>	<i>16.6%</i>	<i>16.9%</i>	<i>17.2%</i>	<i>17.5%</i>	<i>17.8%</i>
Depreciation and Amortization	-173	-51	-52	-53	-55	-57	-58
EBITDA	742	850	935	1,039	1,150	1,270	1,401
<i>EBITDA Margin</i>	<i>17.0%</i>	<i>17.6%</i>	<i>17.6%</i>	<i>17.8%</i>	<i>18.1%</i>	<i>18.3%</i>	<i>18.6%</i>
Financial Gains	52	22	24	26	29	31	34
Financial Cost	-86	-72	-73	-73	-73	-73	-73
Pre-Tax Profit	535	749	834	938	1,051	1,171	1,304
Income Tax & Profit Sharing	-128	-180	-200	-225	-252	-281	-313
Net profit	406	569	634	713	798	890	991
BALANCE GENERAL	2022	2023E	2024E	2025E	2026E	2027E	2028E
TOTAL ASSETS	9,893	10,294	10,913	11,587	12,345	13,193	14,143
Current Assets	5,225	5,596	6,127	6,686	7,272	7,883	8,546
LT Assets	4,668	4,697	4,786	4,901	5,073	5,310	5,597
TOTAL LIABILITIES	5,290	5,320	5,412	5,484	5,560	5,640	5,726
ST Liabilities	1,622	1,602	1,645	1,717	1,793	1,872	1,958
LT Liabilities	3,668	3,718	3,768	3,768	3,768	3,768	3,768
Total Debt	2,823	2,867	2,915	2,915	2,915	2,915	2,915
Net Debt	2,216	2,194	2,175	2,103	2,028	1,949	1,863
TOTAL CAPITAL	4,603	4,991	5,518	6,120	6,802	7,570	8,434
Stockholder's Equity	4,468	4,845	5,357	5,941	6,603	7,349	8,187
Minority Interest	135	146	162	179	199	222	247

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