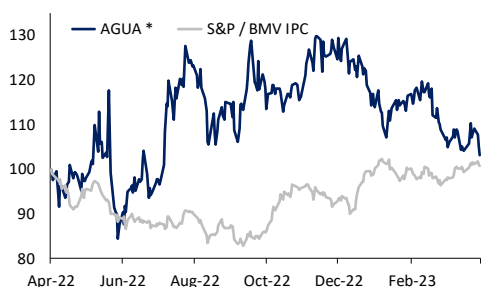


AGUA: 1Q23 Preview

We anticipate a positive operating performance with high EBITDA growth and improved profitability levels

AGUA*	BUY
Target Price (MXN\$)	\$ 45.00
Current Price (MXN\$)	\$ 26.79
Min / Max (L12M)	\$ 21.00 - 34.71
Expected Dividend (MXN\$)	\$ 0.50
Expected Return	69.8%
Market Cap (MXN\$ Mn)	13,026
Enterprise Value (MXN\$ Mn)	16,363
Outstanding Shares (Mn)	486.2
Float	23.7%
ADTV (MXN\$ Mn)	\$ 8.70



Opinion and recommendation

We expect AGUA to post positive 1Q23 results with significant EBITDA growth supported by higher profitability, which will offset single-digit revenue growth. We recommend taking advantage of the current price level of the shares. Our recommendation is BUY with a MXN\$45.00/share target price.

1Q23 preview

We estimate that AGUA’s 1Q23 revenues will be up 4.0% YoY as a result of a solid performance in Mexico’s product business volume and the recovery of that country’s services business. This will be partially offset by price discounts that the company implemented in certain businesses, the appreciation of the Mexican peso against the Argentine peso, and low demand in Central America and Peru for macroeconomic reasons.

AGUA’s profitability will be supported by the reduction in the resin cost and a strict cost control. For this reason, we estimate that the adjusted EBITDA margin will improve to 16.0% in 1Q23, from 12.1% in 1Q22. Adjusted EBITDA will experience a significant 37.5% growth to MXN\$443 million.

We anticipate that the company will register FX losses due to the appreciation of the exchange rate. This will likely result in a 37.5% net profit reduction to MXN\$41.0 million.

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