

JAVER: 1Q23 Results

Higher sales and profitability driven by a stronger mix; Positive

JAVER*	BUY
Target Price (MXN\$)	\$ 20.00
Current Price (MXN\$)	\$ 14.30
Max / Min (L12M)	14.30 - 15.86
Expected Dividend (MXN\$)	\$ 0.00
Expected Return	39.9%
Market Cap (MXN\$ Mn)	4,000
Enterprise Value (MXN\$ Mn)	5,370
Outstanding Shares (Mn)	279.8
Float	34.1%
ADTV (MXN\$ Mn)	\$ 0.01

Opinion and recommendation

JAVER reported a positive quarter as its revenues, EBITDA and net profits grew at a double-digit rate due to the strategic focus on higher market segments. Revenues and EBITDA were in line with our projections, while net profits exceeded our expectations. We reiterate our BUY recommendation with a MXN\$20.00/share target price.

The company confirmed its guidance for the year, which includes a revenue growth of around 10% and a double-digit EBITDA increase. We continue to believe that such guidance is achievable given the performance of the current quarter, the existing high demand and the opening of 10 new projects during the rest of the year.

Revenues

Once again, JAVER continued to focus on the residential level as volume in this segment increased 19.6%, while the number of units in the middle segment remained practically unchanged. Total volume thus rose 2.3% to 2,985 units.

The average price per unit was up 8.3% to MXN\$685 thousand. The average price of the medium segment increased 11.0%, while that of the residential segment fell 7.4%. In addition, lot sales grew 49.1%.

As a result, JAVER's total revenues were MXN\$2,056.8 million (practically in line with our projection of MXN\$2,080.4 million), up 10.9% YoY. Digital sales contributed 71% to total sales, from 63% the previous year.



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Profitability

Gross margin improved 130 bps to 29.1%, supported by the strategic change in the sales mix, lot sales and cost efficiencies. Selling and administrative expenses advanced 16.6% due to a higher number of employees and commissions paid. The EBITDA margin expanded 30 bps to 11.6%. EBITDA grew 13.9% YoY to MXN\$239.4 million (vs. our MXN\$234.1 million estimate).

Net profits were up 196.8% to MXN\$59.7 million (vs. MXN\$54.1 million E), supported by lower interests paid due to the debt refinancing that the company carried out at the end of last year, and FX gains on the derivatives position.

Free Cash Flow / Leverage

JAVER more than doubled its investment in the acquisition of land reserves compared to the previous year, which translated into a negative MXN\$210.4 million free cash flow generation during the current quarter, from a positive MXN\$26.1 million figure in 1Q22.

For the same reason, the net debt to EBITDA ratio rose slightly to 1.24x at the end of 1Q23, compared to 1.07x in 4Q22. However, this indicator was much lower than the 1.62x of 1Q22.

Working capital cycle

The working capital cycle improved to 258 days in 1Q23, from 290 days in 1Q22. This was mainly due to a reduction in inventory days.

Dividends

Shareholders approved the payment of a MXN\$130 million total dividend, equivalent to MXN\$0.462/share. The yield is 3.22% with respect to the current market price.

ESG

JAVER obtained the "Socially Responsible Company" (ESR for its acronym in Spanish) distinction for the sixth consecutive year.

(Figures in Millions of MXN\$)	1Q23	1Q23E	Diff.	1Q22	Change
Revenues	2,057	2,080	-1.1%	1,855	10.9%
Gross Profit	599	583	2.9%	517	16.0%
Gross Margin	29.1%	28.0%		27.9%	
Operating Profit	208	205	1.4%	182	14.2%
Operating Margin	10.1%	9.8%		9.8%	
EBITDA	239	234	2.3%	210	13.9%
EBITDA Margin	11.6%	11.3%		11.3%	
Financial Gains	49	80	-38.7%	26	90.3%
Financial Cost	-139	-185	-24.9%	-160	-12.9%
Net Profit	60	54	9.8%	20	n.a.

Discounted Cash Flow Model

(Figures in Millions of MXN\$)	2024E	2025E	2026E	2027E	2028E	Perp.
OPERATING PROFIT	1,421	1,607	1,804	1,997	2,205	2,245
Tax Rate	45%	45%	45%	45%	45%	30%
Tax Shield	-644	-728	-817	-905	-999	-1,017
NOPLAT	777	879	987	1,093	1,206	1,228
Depreciation	105	109	113	117	121	123
Working Capital Changes	-783	-348	-234	318	-141	-144
CAPEX	-20	-24	-28	-28	-28	-29
FCFF	79	616	838	1,499	1,157	1,179
Perpetuity Growth Rate						1.8%
PV of Explicit Period (2024 - 2028E)						2,795
Perpetuity Value						11,950
PV of Perpetuity Value						6,876
Enterprise Value						9,671
Net Debt						1,629
Market Value						8,042
Outstanding Shares						281
Target Price						P\$ 20.00
Current Market Price						P\$ 14.30
Potential Return Incl. Dividends						43.1%
Forward EV/EBITDA						6.5x
Forward P/E						16.6x
Average Cost of Debt						12.1%
LT Tax Rate						30.0%
After-Tax Cost of Debt						8.5%
Cost of Equity						14.9%
Market Risk Premium						6.0%
Risk-Free Rate						8.88%
Beta						1.00
% Total Debt						49.8%
% Capital						50.2%
WACC						11.7%

(Figures in Millions of MXN\$)

INCOME STATEMENT	2022	2023E	2024E	2025E	2026E	2027E	2028E
Revenues	8,140	9,073	10,125	11,193	12,258	13,320	14,428
Cost of Sales	-5,819	-6,418	-7,151	-7,895	-8,634	-9,368	-10,133
Gross Profit	2,321	2,656	2,974	3,299	3,625	3,952	4,295
General Expenses	-1,259	-1,423	-1,568	-1,711	-1,849	-1,982	-2,118
Operating Profit	1,081	1,244	1,421	1,607	1,804	1,997	2,205
<i>Operating Margin</i>	<i>13.3%</i>	<i>13.7%</i>	<i>14.0%</i>	<i>14.4%</i>	<i>14.7%</i>	<i>15.0%</i>	<i>15.3%</i>
EBITDA	1,202	1,357	1,534	1,724	1,924	2,122	2,333
<i>EBITDA Margin</i>	<i>14.8%</i>	<i>15.0%</i>	<i>15.1%</i>	<i>15.4%</i>	<i>15.7%</i>	<i>15.9%</i>	<i>16.2%</i>
Financial Gains	156	136	131	145	159	173	188
Financial Cost	-723	-578	-669	-762	-826	-856	-970
Pre-Tax Profit	514	803	884	991	1,137	1,315	1,422
Income Tax & Profit Sharing	-252	-368	-400	-449	-515	-596	-644
Net Profit	262	435	483	542	622	719	778
BALANCE SHEET	2022	2023E	2024E	2025E	2026E	2027E	2028E
TOTAL ASSETS	8,953	9,661	10,417	11,585	12,380	13,965	15,247
Current Assets	6,671	7,343	8,482	9,175	9,735	10,345	10,958
Cash & Temp. Inv.	1,404	1,306	1,457	1,610	1,763	1,916	2,075
LT Assets	2,282	2,318	1,934	2,410	2,645	3,620	4,289
P, P & E	147	138	155	161	167	172	172
Other LT Assets	1,774	1,806	1,396	1,856	2,076	3,036	3,696
TOTAL LIABILITIES	6,302	6,723	7,129	7,897	8,221	9,245	9,915
ST Liabilities	2,554	3,047	3,154	3,821	4,145	5,169	5,839
LT Liabilities	3,748	3,676	3,976	4,076	4,076	4,076	4,076
TOTAL DEBT	2,541	2,934	3,336	3,812	3,963	4,210	4,568
NET DEBT	1,137	1,629	1,880	2,202	2,200	2,295	2,494
TOTAL CAPITAL	2,651	2,962	3,309	3,708	4,179	4,741	5,352
Stockholder's Equity	2,651	2,962	3,309	3,708	4,179	4,741	5,352
CASH FLOW STATEMENT	2022	2023E	2024E	2025E	2026E	2027E	2028E
PRE-TAX PROFIT	262	435	483	542	622	719	778
Inv. Related Activities	919	697	701	705	709	713	717
Pre-Tax Cash Flow	1,181	930	1,357	949	1,234	618	1,091
Working Capital Changes	87	-743	-783	-348	-234	318	-141
Operating Cash Flow	1,267	188	573	601	1,000	936	951
Investment Cash Flow	3	2	-20	-24	-28	-28	-28
Financing Cash Flow	-1,292	-282	-397	-419	-814	-750	-758
Net Incr. (Decr.) in Cash & Temp. Inv.	-23	-94	157	159	158	158	165
Beg. of Period Cash and Temp. Inv.	1,427	1,404	1,306	1,457	1,610	1,763	1,916
End of Period Cash and Temp. Inv.	1,404	1,306	1,457	1,610	1,763	1,916	2,075

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