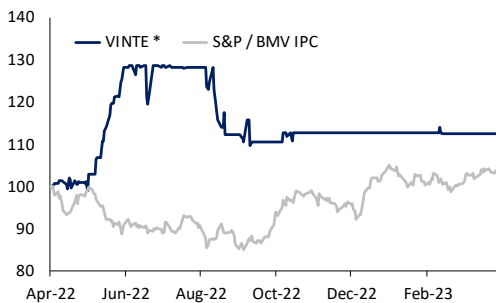


# VINTE: 1Q23 Results

Stronger-than-expected revenue, EBITDA and net profit growth due to higher prices and volumes; positive

VINTE *	BUY
Target Price (MXN\$)	\$ 43.00
Current Price (MXN\$)	\$ 31.55
Min / Max (L12M)	\$ 27.00 - 36.12
Expected Dividend (MXN\$)	\$ 0.83
Expected Return	38.9%
Market Cap (MXN\$ Mn)	6,828
Enterprise Value (MXN\$ Mn)	9,044
Outstanding Shares (Mn)	216.4
Float	23.5%
ADTV (MXN\$ Mn)	\$ 0.15



## Opinion and recommendation

VINTE reported solid 1Q23 results with a high revenue, EBITDA and net profit growth which was supported by rising prices and volumes, slightly exceeding our expectations. In addition, the company continued to deleverage, reduced its negative free flow generation, and its shareholders approved the payment of a MXN\$180 million dividend (equivalent to MXN\$0.83/share) at the Shareholders' Meeting, with a 2.6% yield compared to the current market price. We reiterate our BUY recommendation with a MXN\$43.0/share target price.

We continue to believe that the fundamentals of the housing sector are favorable due to the existing deficit, low production and the recent reduction in mortgage interest rates from certain banks. In addition, the nearshoring trend will likely accelerate the housing demand in the northern region and in the Bajío area.

## Revenues

VINTE posted a 17.2% YoY increase in total revenue to MXN\$923 million, exceeding the year's guidance of 10-15%. This was mainly due to a 15.9% rise in housing sales and 35.5% in equipment revenue.

Housing sales were supported by a 9.4% increase in the average price per unit, which stood at MXN\$1.14 million, as a result of the company's strategy of focusing on higher-level housing, given existing financing. Also, units grew 6.9% to 805. In its conference call, the company mentioned it expects a price hike of between 5-8% during the year.

April 27th, 2023

**Martin Lara**  
+5255-6413-8563  
martin.lara@miranda-gr.com

## Profitability

Gross margin decreased slightly to 28.7% in 1Q23, from 29.2% in 1Q22, we believe as a result of higher construction costs. However, we expect a slight gradual improvement during the rest of the year. Expenses were virtually unchanged at 12.5% of revenues. This led to a 13.5% EBITDA growth to MXN\$150 million. The margin contracted 50 bps to 16.2%.

The financial cost advanced 24.5% annually due to higher interests paid. Thus, net profits were up 11.5% YoY to MXN\$78 million.

## Financial structure

VINTE continued deleveraging with a net debt to EBITDA ratio of 2.86x in 1Q23, from 3.20xs in 1Q22. The company expects to close the current year at 2.79x. It has high liquidity with more than MXN\$1.0 billion in available long-term lines and a MXN\$704 million cash position. We believe this liquidity is sufficient to face the maturities of MXN\$248 million in 2023 and MXN\$340 million in 2024.

The company generated negative free cash flow of MXN\$56 million in the current quarter, significantly less than the negative MXN\$265 million figure of the previous year, we believe due to a reduction in inventory purchases. It expects to invest MXN\$3.5 billion during the current year (including eMobel and Xante), and generate positive free cash flow during the second half of the year.

## 2022 audited results

The 2022 audited results show an increase of 4.7% in total revenue, 9.7% in EBITDA and 8.7% in the company's net profits. Assets, liabilities and equity remained virtually unchanged.

(Figures in Millions of Pesos)	1Q23	1Q23E	Diff.	1Q22	Chg.
Revenues	923	885	4.3%	787	17.2%
EBITDA	150	145	3.0%	132	13.5%
<i>EBITDA Margin</i>	16.2%	16.4%		16.8%	
Financial Gains	15	5	178.3%	22	-33.7%
Financial Cost	-18	-18	-0.5%	-25	-28.8%
Net profit	78	73	6.7%	70	11.5%

## Discounted Cash Flow Model

(Figures in Millions of MXN\$)	2024E	2025E	2026E	2027E	2028E	Perp.
OPERATING PROFIT	935	1,043	1,160	1,286	1,424	1,490
Tax Rate	24%	24%	24%	24%	24%	30%
Adjusted Taxes	-224	-250	-278	-309	-342	-358
NOPLAT	710	793	882	977	1,083	1,132
Depreciation	52	53	55	57	58	61
Working Capital Changes	-439	-436	-456	-475	-515	-539
CAPEX	-20	-24	-28	-28	-28	-29
FCFF	303	387	453	531	598	626
Perpetuity Growth Rate						4.6%
PV of Explicit Period (2024E - 2028E)						1,744
Perpetuity Value						16,205
PV of Perpetuity Value						9,951
Enterprise Value						11,695
Net Debt						2,243
Minority Interest						145
Market Value						9,307
Outstanding Shares						216
Target Price						P\$ 43.00
Current Market Price						P\$ 31.55
Potential Return Incl. Dividends						38.9%
Target 2023E EV/EBITDA						11.9x
Target 2023E P/E						13.8x
Average Cost of Debt						11.6%
LT Tax Rate						30.0%
After-Tax Cost of Debt						8.1%
Cost of Equity						9.1%
Market Risk Premium						6.0%
Risk-Free Rate						8.8%
Beta						0.05
% Total Debt						37.3%
% Capital						62.7%
WACC						8.5%

**Sensitivity Analysis Table, EV/EBITDA vs. EBITDA**

	-10%	-5%	<i>Original</i>	+5%	+10%
<b>Projected EBITDA</b>	<b>890</b>	<b>937</b>	<b>986</b>	<b>1,036</b>	<b>1,087</b>
<b>Target EV/EBITDA</b>					
10.4x	31.57	33.81	36.17	38.53	41.00
10.9x	33.63	35.97	38.45	40.92	43.52
11.4x	35.68	38.14	40.73	43.31	46.03
<b>11.9x</b>	<b>37.74</b>	<b>40.30</b>	<b>43.00</b>	<b>45.70</b>	<b>48.54</b>
12.4x	39.79	42.47	45.28	48.10	51.05
12.9x	41.85	44.63	47.56	50.49	53.56

**Sensitivity Analysis Table, P/E vs. Net Profit**

	-10%	-5%	<i>Original</i>	+5%	+10%
<b>Projected Net Profit</b>	<b>608</b>	<b>640</b>	<b>674</b>	<b>708</b>	<b>743</b>
<b>Target P/E</b>					
10.8x	30.38	31.98	33.66	35.35	37.11
11.8x	33.19	34.94	36.78	38.62	40.55
12.8x	36.00	37.90	39.89	41.88	43.98
<b>13.8x</b>	<b>38.81</b>	<b>40.85</b>	<b>43.00</b>	<b>45.15</b>	<b>47.41</b>
14.8x	41.62	43.81	46.12	48.42	50.85
15.8x	44.43	46.77	49.23	51.69	54.28

Source: Miranda Global Research

(Figures in Millions of Pesos)

<b>INCOME STATEMENT</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>
Revenues	4,357	4,905	5,398	5,919	6,468	7,044	7,673
Cost of Sales	-3,167	-3,524	-3,828	-4,180	-4,548	-4,932	-5,349
Gross Profit	1,189	1,381	1,570	1,739	1,920	2,112	2,324
<i>Gross Margin</i>	<i>27.3%</i>	<i>28.1%</i>	<i>29.1%</i>	<i>29.4%</i>	<i>29.7%</i>	<i>30.0%</i>	<i>30.3%</i>
General Expenses	-657	-579	-626	-686	-750	-817	-890
Operating Profit	569	792	935	1,043	1,160	1,286	1,424
<i>Operating Margin</i>	<i>13.1%</i>	<i>16.1%</i>	<i>17.3%</i>	<i>17.6%</i>	<i>17.9%</i>	<i>18.3%</i>	<i>18.6%</i>
Depreciation and Amortization	-173	-82	-52	-53	-55	-57	-58
EBITDA	742	874	986	1,097	1,215	1,342	1,483
<i>EBITDA Margin</i>	<i>17.0%</i>	<i>17.8%</i>	<i>18.3%</i>	<i>18.5%</i>	<i>18.8%</i>	<i>19.1%</i>	<i>19.3%</i>
Financial Gains	52	32	26	29	31	34	37
Financial Cost	-86	-72	-73	-74	-74	-74	-74
Pre-Tax Profit	535	752	887	998	1,118	1,246	1,388
Income Tax & Profit Sharing	-128	-180	-213	-239	-268	-299	-333
Net profit	406	572	674	758	849	947	1,055
<b>BALANCE GENERAL</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>
TOTAL ASSETS	9,893	10,373	10,945	11,573	12,284	13,084	13,988
Current Assets	5,225	5,814	6,369	6,953	7,566	8,204	8,898
LT Assets	4,668	4,559	4,577	4,619	4,718	4,880	5,090
TOTAL LIABILITIES	5,290	5,409	5,504	5,580	5,660	5,744	5,835
ST Liabilities	1,622	1,618	1,663	1,739	1,819	1,903	1,993
LT Liabilities	3,668	3,791	3,841	3,841	3,841	3,841	3,841
Total Debt	2,823	2,927	2,976	2,975	2,975	2,975	2,975
Net Debt	2,216	2,243	2,223	2,150	2,073	1,993	1,905
TOTAL CAPITAL	4,603	4,982	5,459	6,010	6,641	7,359	8,171
Stockholder's Equity	4,468	4,837	5,300	5,836	6,449	7,145	7,934
Minority Interest	135	145	159	175	193	214	237
<b>CASH FLOW STATEMENT</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>
Net Profit	406	572	674	758	849	947	1,055
Inv. Related Activities	210	193	182	185	187	190	193
Pre-Tax Cash Flow	616	824	986	1,048	1,087	1,119	1,178
Working Capital Changes	-496	-436	-439	-436	-456	-475	-515
Operating Cash Flow	120	388	547	613	631	645	663
Investment Cash Flow	-65	-19	-20	-24	-28	-28	-28
Financing Cash Flow	-189	-396	-458	-516	-526	-536	-547
Net Incr. (Decr.) in Cash & Temp. Inv.	-134	-27	69	73	77	80	88
Beg. of Period Cash and Temp. Inv.	844	710	684	753	825	902	982
End of Period Cash and Temp. Inv.	710	684	753	825	902	982	1,070

## **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 Vinte, Viviendas Integrales, 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.

---