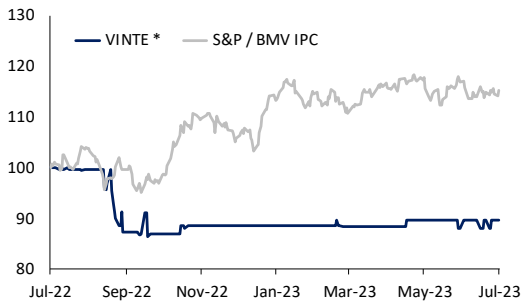


VINTE: 2Q23 Results

Positive results fueled by a higher average price per unit and stronger-than-expected profitability levels

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)	9,235
Outstanding Shares (Mn)	216.4
Float	23.5%
ADTV (MXN\$ Mn)	\$ 0.23



Opinion and recommendation

VINTE reported positive 2Q23 results with revenues that were practically in line with our expectations but with higher-than-expected profitability. We reiterate our BUY recommendation with a MXN\$43.00/share target price. We continue to believe that the prospects for the housing sector are very favorable due to high demand, low levels of housing production, credit availability, job creation, and the nearshoring trend.

On the other hand, the company confirmed in its quarterly conference call that it sees the possibility of carrying out a follow-on in the future (unspecified amounts or dates) in order to accelerate its growth, which we consider favorable news.

Revenues

VINTE's total sales were up 8.2% to MXN\$1,054 million in 2Q23, practically in line with our expectations. It was a historically high level for a second quarter. As in previous quarters, the average price per unit was the main factor behind this strong performance with a 6.8% rise to MXN\$1.1 million. The company expects the average price per unit to continue advancing over the next few quarters, although less rapidly due to a greater focus on low and middle-income housing. Units sold were 943 in the period with a slight increase compared to the previous year.

Regarding nearshoring, the company mentioned that most of its developments, with the exception of those in Quintana Roo, are exposed to such process.

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Profitability

Gross margin reached 31.3% in 2Q23, from 30.9% in 2Q22, we believe supported by the stronger sales mix and pass-through of higher construction costs. Additionally, the company continued to carry out a strict control of expenses, which reduced them by 6.0%. For this reason, the EBITDA margin improved 1.8 percentage points to 21.6%. EBITDA showed significant growth of 18.2% to MXN\$227 million (vs. MXN\$188 million E).

Financing costs were MXN\$43 million, up 26.9% YoY, deriving from previously capitalized interests in the inventory. Net profits rose 17.1% to MXN\$130 million, slightly above our projection of MXN\$124 million.

Free cash flow

The company generated negative operating free cash flow of MXN\$36 million in the quarter. However, it expects this indicator to be positive in the year, which would represent the fourth consecutive year of positive operating cash flow generation.

Leverage

Leverage was 2.97x at the end of the quarter, slightly higher than the 2.88x of the previous year. The company expects to close the year with 2.79x. During the quarter, it extended the maturity profile of 2023, 2024 and 2025 for MXN\$344 million until 2026 and 2027. It has successfully faced the increase in interest rates since 69% of its debt is at fixed interest rate.

Digital strategy

Xante carried out the same number of transactions in the first half of 2023 as in the previous year, while iVentas is growing at monthly rates of 15%.

(Figures in Millions of Pesos)	2Q23	2Q23E	Diff.	2Q22	Chg.
Revenues	1,054	1,063	-0.9%	974	8.2%
EBITDA	227	188	21.1%	192	18.2%
<i>EBITDA Margin</i>	21.6%	17.7%		19.8%	
Financial Gains	16	6	147.6%	13	22.5%
Financial Cost	-19	-18	6.4%	-23	-15.9%
Net profit	130	124	4.9%	111	17.1%

Discounted Cash Flow Model

(Figures in Millions of MXN\$)	2024E	2025E	2026E	2027E	2028E	Perp.
OPERATING PROFIT	969	1,080	1,199	1,326	1,467	1,531
Tax Rate	24%	24%	24%	24%	24%	30%
Adjusted Taxes	-233	-259	-288	-318	-352	-368
NOPLAT	736	821	911	1,008	1,115	1,164
Depreciation	53	54	56	58	59	62
Working Capital Changes	-452	-451	-471	-490	-531	-554
CAPEX	-20	-24	-28	-28	-28	-29
FCFF	317	400	468	548	616	643
Perpetuity Growth Rate						4.4%
PV of Explicit Period (2024E - 2028E)						1,811
Perpetuity Value						16,112
PV of Perpetuity Value						9,953
Enterprise Value						11,764
Net Debt						2,309
Minority Interest						148
Market Value						9,307
Outstanding Shares						216
Target Price						P\$ 43.00
Current Market Price						P\$ 31.55
Potential Return Incl. Dividends						39.0%
Target 2023E EV/EBITDA						11.5x
Target 2023E P/E						12.8x
Average Cost of Debt						11.7%
LT Tax Rate						30.0%
After-Tax Cost of Debt						8.2%
Cost of Equity						8.9%
Market Risk Premium						6.0%
Risk-Free Rate						8.7%
Beta						0.04
% Total Debt						37.7%
% Capital						62.3%
WACC						8.4%

Sensitivity Analysis Table, EV/EBITDA vs. EBITDA

	-10%	-5%	<i>Original</i>	+5%	+10%
Projected EBITDA	922	971	1,022	1,073	1,127
Target EV/EBITDA					
10.0x	31.31	33.56	35.92	38.29	40.77
10.5x	33.44	35.80	38.28	40.77	43.38
11.0x	35.57	38.04	40.64	43.25	45.98
11.5x	37.70	40.28	43.00	45.73	48.58
12.0x	39.83	42.53	45.37	48.20	51.19
12.5x	41.96	44.77	47.73	50.68	53.79

Sensitivity Analysis Table, P/E vs. Net Profit

	-10%	-5%	<i>Original</i>	+5%	+10%
Projected Net Profit	655	690	726	763	801
Target P/E					
9.8x	29.73	31.29	32.94	34.58	36.31
10.8x	32.75	34.48	36.29	38.11	40.01
11.8x	35.78	37.67	39.65	41.63	43.71
12.8x	38.81	40.85	43.00	45.15	47.41
13.8x	41.84	44.04	46.36	48.68	51.11
14.8x	44.87	47.23	49.72	52.20	54.81

(Figures in Millions of Pesos)

INCOME STATEMENT	2022	2023E	2024E	2025E	2026E	2027E	2028E
Revenues	4,357	4,760	5,238	5,743	6,277	6,836	7,448
Cost of Sales	-3,167	-3,416	-3,667	-4,003	-4,356	-4,724	-5,124
Gross Profit	1,189	1,343	1,571	1,740	1,921	2,113	2,324
<i>Gross Margin</i>	<i>27.3%</i>	<i>28.2%</i>	<i>30.0%</i>	<i>30.3%</i>	<i>30.6%</i>	<i>30.9%</i>	<i>31.2%</i>
General Expenses	-657	-580	-602	-660	-722	-786	-856
Operating Profit	569	794	969	1,080	1,199	1,326	1,467
<i>Operating Margin</i>	<i>13.1%</i>	<i>16.7%</i>	<i>18.5%</i>	<i>18.8%</i>	<i>19.1%</i>	<i>19.4%</i>	<i>19.7%</i>
Depreciation and Amortization	-173	-122	-53	-54	-56	-58	-59
EBITDA	742	916	1,022	1,134	1,255	1,384	1,527
<i>EBITDA Margin</i>	<i>17.0%</i>	<i>19.2%</i>	<i>19.5%</i>	<i>19.7%</i>	<i>20.0%</i>	<i>20.2%</i>	<i>20.5%</i>
Financial Gains	52	60	67	73	80	88	95
Financial Cost	-86	-76	-80	-80	-80	-80	-80
Pre-Tax Profit	535	777	956	1,073	1,199	1,334	1,482
Income Tax & Profit Sharing	-128	-185	-229	-257	-288	-320	-356
Net profit	406	592	726	815	911	1,014	1,127
BALANCE GENERAL	2022	2023E	2024E	2025E	2026E	2027E	2028E
TOTAL ASSETS	9,893	10,481	11,070	11,702	12,418	13,224	14,135
Current Assets	5,225	5,927	6,489	7,080	7,699	8,343	9,042
LT Assets	4,668	4,554	4,581	4,622	4,719	4,881	5,093
TOTAL LIABILITIES	5,290	5,529	5,637	5,712	5,788	5,864	5,948
ST Liabilities	1,622	1,592	1,650	1,725	1,800	1,877	1,960
LT Liabilities	3,668	3,937	3,987	3,987	3,987	3,987	3,987
Total Debt	2,823	2,973	3,039	3,044	3,045	3,046	3,046
Net Debt	2,216	2,309	2,308	2,243	2,170	2,092	2,007
TOTAL CAPITAL	4,603	4,969	5,450	6,007	6,647	7,377	8,204
Stockholder's Equity	4,468	4,821	5,287	5,828	6,450	7,157	7,960
Minority Interest	135	148	162	179	198	219	244
CASH FLOW STATEMENT	2022	2023E	2024E	2025E	2026E	2027E	2028E
Net Profit	406	592	726	815	911	1,014	1,127
Inv. Related Activities	210	262	263	267	272	276	281
Pre-Tax Cash Flow	616	514	376	452	494	527	587
Working Capital Changes	-496	-646	-452	-451	-471	-490	-531
Operating Cash Flow	120	-132	-76	2	23	38	56
Investment Cash Flow	-65	-18	-20	-24	-28	-28	-28
Financing Cash Flow	-189	103	163	93	80	68	57
Net Incr. (Decr.) in Cash & Temp. Inv.	-134	-47	67	70	74	78	85
Beg. of Period Cash and Temp. Inv.	844	710	664	730	801	875	953
End of Period Cash and Temp. Inv.	710	664	730	801	875	953	1,038

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