

AGUA: 3Q23 Preview

We anticipate a difficult quarter due to an unfavorable base of comparison in Mexico, FX appreciation and macro weakness in the “other countries”

AGUA*	BUY
Target Price (MXN\$)	\$ 44.00
Current Price (MXN\$)	\$ 26.59
Min / Max (L12M)	\$ 23.62 - 34.71
Expected Dividend (MXN\$)	\$ 0.50
Expected Return	67.4%
Market Cap (MXN\$ Mn)	12,929
Enterprise Value (MXN\$ Mn)	16,581
Outstanding Shares (Mn)	486.2
Float	23.7%
ADTV (MXN\$ Mn)	\$ 6.03

We expect AGUA to register a complicated quarter due to the unfavorable comparison base given the significant drought that prevailed last year in northern Mexico, coupled with the appreciation of the Mexican peso and macroeconomic weakness in the “other countries” (Peru, Guatemala, El Salvador, Costa Rica, Honduras, Nicaragua and Brazil). As a result, we are forecasting that revenues will fall 15.5% to MXN\$2.99 billion. The EBITDA margin will likely contract slightly to 15.8% due to a lower absorption of expenses, which will generate a 19.0% EBITDA reduction to P\$472 million, as well as a 73.4% decrease in net profits to MXN\$47 million.

Our recommendation is BUY with a MXN\$44.00/share target price. We expect AGUA's operating performance to gradually improve in the coming quarters.

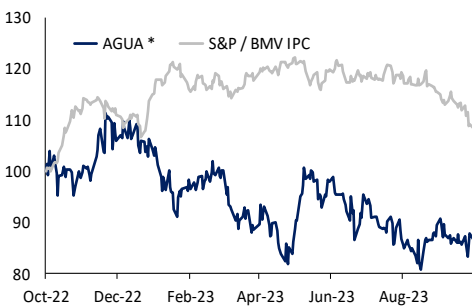
Fitch ratifies credit ratings

On the other hand, Fitch confirmed the following credit ratings:

- Long-term national scale of 'AA(mex)'
- National scale for the AGUA 17-2X domestic bonds of 'AA(mex)'
- The rating outlook is stable.

The rating agency highlighted the following points:

- AGUA's brand positioning and extensive portfolio, which together with the extensive distribution network, provide significant competitive advantages;
- The contribution of new businesses in line with the 2025 Sustainable Growth Plan;
- Standardization of the operating environment;
- The deleveraging trend supported by an improvement in profitability.



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