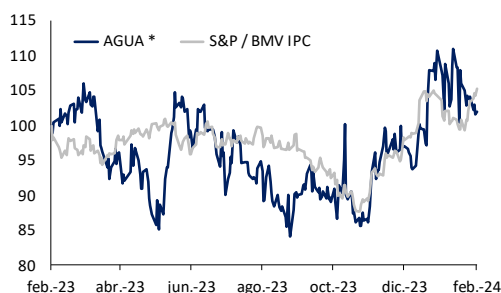


AGUA: 4Q23 Preview

We expect a sequential improvement in the operating performance

AGUA*	BUY
Target Price (MXN\$)	\$ 43.00
Current Price (MXN\$)	\$ 27.67
Min / Max (L12M)	\$ 22.86 - 30.32
Expected Dividend (MXN\$)	\$ 0.55
Expected Return	57.4%
Market Cap (MXN\$ Mn)	13,454
Enterprise Value (MXN\$ Mn)	16,935
Outstanding Shares (Mn)	486.2
Float	23.7%
ADTV (MXN\$ Mn)	\$ 6.74



Opinion and recommendation

We expect AGUA's operating results to improve sequentially supported by solid performance in Mexico and Argentina. We believe they could have a favorable impact on the share price. Our recommendation is BUY with a MXN\$43.0/share target price.

4Q23 Preview

We expect consolidated revenues of MXN\$3.1 billion, with a slight 2.7% recovery compared to 3Q23, and practically in line with 4Q22, as the Mexican business will likely benefit from the “Ofertas Azules” promotions of last November and water cuts in Mexico City at the end of the year. We expect that the services business will experience high demand with double-digit growth and the company to adjust prices in Argentina.

We estimate an EBITDA of MXN\$504 million, with a sequential 7.3% growth due to strict cost controls and stability in raw material prices. However, it could decrease 8.3% compared to the previous year due to the high comparison base. The EBITDA margin will likely stand at 16.3%, from 15.5% in 3Q23 and 17.6% in 4Q22.

We anticipate a MXN\$10 million net profit in the quarter, significantly lower, due to hedging and FX losses.

We believe the company made significant investments in the Smart project during the quarter, which will reduce its cash levels. However, leverage will remain stable at around 1.6x.

February 1st, 2024

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