

JAVER: 4Q23 Results

Record results with a high EBITDA and net profit growth due to a stronger sales mix

JAVER*	BUY
Target Price (MXN\$)	\$ 20.00
Current Price (MXN\$)	\$ 12.29
Max / Min (L12M)	12.29 - 14.99
Expected Dividend (MXN\$)	\$ 0.49
Expected Return	66.7%
Market Cap (MXN\$ Mn)	3,503
Enterprise Value (MXN\$ Mn)	4,791
Outstanding Shares (Mn)	285.0
Float	34.1%
ADTV (MXN\$ Mn)	\$ 0.01

Opinion and recommendation

JAVER reported positive 4Q23 results which were practically in line with our revenue and EBITDA projections, but far exceeded our net profit expectations. Additionally, the company surpassed its 2023 guidance.

JAVER released its guidance for 2024, which includes a 10% revenue rise and double-digit EBITDA growth, with positive free cash flow. It expects the average price to reach MXN\$800 thousand and plans to open 14 new developments.

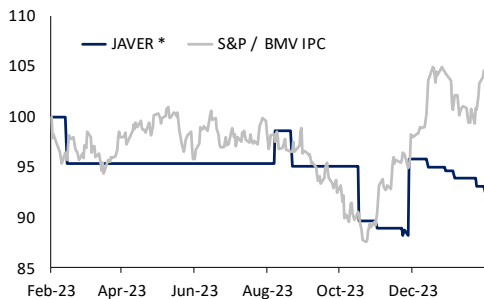
We reiterate our BUY recommendation and a MXN\$20.0/share target price.

4Q23 Results

The sales mix continued to improve due to JAVER's focus on mid-level housing and the opening of higher-priced developments in this segment. This boosted the average price per unit by 12% to MXN\$780 thousand. However, total volume fell 9% to 2,823 units, derived from a 14% drop in the middle segment, offset by a 13% increase in the residential level. As a result, total revenues advanced 2% YoY to MXN\$2.22 billion (compared to our MXN\$2.15 billion forecast).

Efficient cost control and improved sales mix resulted in a 450 bps expansion in gross margin to 32.5%. This allowed total EBITDA to grow 29% YoY to MXN\$427 million (vs. MXN\$435 million E) and the EBITDA margin to rise 400 bps to 19.3%, despite the increase in the expense-to-revenue ratio.

Net profits were up 431% YoY to MXN\$215 million (vs. MXN\$160 million E) supported by solid operating performance in combination with lower financial expenses. Pre-tax ROIC improved 610 bps to 34.2%.



Martin Lara

+5255-6413-8563

martin.lara@miranda-gr.com

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The company generated a negative free cash flow of MXN\$88 million in the quarter due to significant investments in inventories. However, it recorded a positive figure of more than MXN\$320 million during the year.

Leverage stood at 1.01x in 4Q23, slightly higher than 0.78x in 3Q23, given that the company used part of its liquid resources to purchase inventories. However, it was lower than the 1.07x of 4Q22.

ESG

JAVER obtained preliminary EDGE certification in 4 of its projects with a total of 1,176 homes. It also carried out food collection in Acapulco, a hackathon, Christmas volunteering, donations in public schools, community support activities, collection of recyclable material, and the start of operations of the sixth nursery.

(Figures in Millions of MXN\$)	4Q23	4Q23E	Diff.	4Q22	Change
Revenues	2,215	2,151	3.0%	2,168	2.1%
Gross Profit	720	660	9.0%	608	18.5%
<i>Gross Margin</i>	32.5%	30.7%		28.0%	
EBITDA	427	435	-1.9%	331	28.9%
<i>EBITDA Margin</i>	19.3%	20.2%		15.3%	
Financial Gains	67	65	2.4%	86	-22.4%
Financial Cost	-156	-150	3.7%	-281	-44.6%
Net Profit	215	160	34.2%	41	431.3%

Discounted Cash Flow Model

(Figures in Millions of MXN\$)	2025E	2026E	2027E	2028E	2029E	Perp.
OPERATING PROFIT	1,702	1,918	2,119	2,333	2,569	2,639
Tax Rate	23%	23%	23%	23%	23%	30%
Tax Shield	-394	-444	-491	-540	-595	-611
NOPLAT	1,308	1,473	1,628	1,793	1,974	2,028
Depreciation	107	111	115	119	123	126
Working Capital Changes	-1,139	-933	-1,098	-1,395	-1,428	-1,468
CAPEX	-24	-28	-28	-28	-28	-29
FCFF	252	623	616	488	640	658
Perpetuity Growth Rate						2.7%
PV of Explicit Period (2025 - 2029E)						1,997
Perpetuity Value						10,614
PV of Perpetuity Value						6,351
Enterprise Value						8,348
Net Debt						1,221
Market Value						7,127
<i>Outstanding Shares</i>						285
Target Price						P\$ 20.00
Current Market Price						P\$ 12.29
Potential Return Incl. Dividends						66.6%
Forward EV/EBITDA						3.7x
Forward P/E						5.8x
Average Cost of Debt						12.1%
LT Tax Rate						30.0%
After-Tax Cost of Debt						8.5%
Cost of Equity						9.3%
Market Risk Premium						6.0%
Risk-Free Rate						9.04%
Beta						0.04
% Total Debt						42.5%
% Capital						57.5%
WACC						8.9%

(Figures in Millions of MXN\$)

INCOME STATEMENT	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Revenues	8,904	9,737	10,757	11,773	12,786	13,845	14,991
Cost of Sales	-6,182	-6,605	-7,286	-7,963	-8,635	-9,336	-10,094
Gross Profit	2,723	3,132	3,471	3,810	4,151	4,509	4,897
General Expenses	-1,420	-1,628	-1,777	-1,921	-2,060	-2,203	-2,356
Operating Profit	1,314	1,508	1,702	1,918	2,119	2,333	2,569
<i>Operating Margin</i>	<i>14.8%</i>	<i>15.5%</i>	<i>15.8%</i>	<i>16.3%</i>	<i>16.6%</i>	<i>16.9%</i>	<i>17.1%</i>
Depreciation and Amortization	-100	-103	-107	-111	-115	-119	-123
Profit Sharing & Exec. Comp.	-67	-73	-79	-85	-91	-97	-103
EBITDA	1,472	1,684	1,888	2,113	2,324	2,549	2,795
<i>EBITDA Margin</i>	<i>16.5%</i>	<i>17.3%</i>	<i>17.5%</i>	<i>17.9%</i>	<i>18.2%</i>	<i>18.4%</i>	<i>18.6%</i>
Financial Gains	236	228	231	244	257	271	286
Financial Cost	-585	-628	-664	-744	-735	-733	-734
Pre-Tax Profit	965	1,109	1,269	1,418	1,641	1,871	2,121
Income Tax & Profit Sharing	-400	-257	-294	-328	-380	-433	-491
Net Profit	565	852	975	1,089	1,261	1,438	1,630
BALANCE SHEET	2023E	2024E	2025E	2026E	2027E	2028E	2029E
TOTAL ASSETS	9,578	10,851	12,418	13,762	15,251	17,039	18,883
Current Assets	6,949	7,948	8,601	9,129	9,705	10,283	11,117
LT Assets	2,629	2,903	3,818	4,633	5,547	6,756	7,766
TOTAL LIABILITIES	6,837	7,259	7,838	8,087	8,320	8,680	8,914
ST Liabilities	3,595	4,217	4,696	4,945	5,177	5,538	5,771
LT Liabilities	3,242	3,042	3,142	3,142	3,142	3,142	3,142
TOTAL DEBT	2,465	2,675	2,893	2,899	2,905	3,040	3,040
NET DEBT	1,288	1,221	1,286	1,141	995	973	801
TOTAL CAPITAL	2,741	3,612	4,598	5,692	6,949	8,376	9,987
Stockholder's Equity	2,741	3,612	4,598	5,692	6,949	8,376	9,987
CASH FLOW STATEMENT	2023E	2024E	2025E	2026E	2027E	2028E	2029E
PRE-TAX PROFIT	565	852	975	1,089	1,261	1,438	1,630
Inv. Related Activities	878	816	820	824	828	832	836
Pre-Tax Cash Flow	1,443	1,290	1,733	1,831	1,995	2,175	2,367
Working Capital Changes	-821	-611	-1,139	-933	-1,098	-1,395	-1,428
Operating Cash Flow	622	679	594	898	897	779	938
Investment Cash Flow	-6	-20	-24	-28	-28	-28	-28
Financing Cash Flow	-840	-379	-415	-715	-714	-590	-736
Net Incr. (Decr.) in Cash & Temp. Inv.	-226	279	155	155	154	161	174
Beg. of Period Cash and Temp. Inv.	1,404	1,177	1,454	1,606	1,758	1,909	2,067
End of Period Cash and Temp. Inv.	1,177	1,454	1,606	1,758	1,909	2,067	2,239

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