

JAVER: 1Q24 Results

Positive quarter with high EBITDA and net profit growth due to a stronger sales mix, in line

JAVER*	BUY
Target Price (MXN\$)	\$ 20.00
Current Price (MXN\$)	\$ 12.29
Max / Min (L12M)	12.29 - 14.30
Expected Dividend (MXN\$)	\$ 0.49
Expected Return	66.7%
Market Cap (MXN\$ Mn)	3,530
Enterprise Value (MXN\$ Mn)	5,041
Oustanding Shares (Mn)	287.2
Float	34.1%
ADTV (MXN\$ Mn)	\$ 0.01

Opinion and recommendation

JAVER delivered a positive performance in 1Q24 as the company's focus on residential housing contributed to improve its profitability and generate a significant EBITDA and net profit growth, in line with expectations.

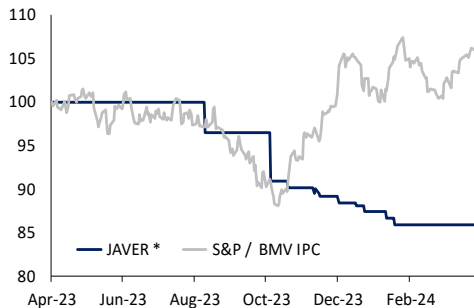
JAVER maintained its guidance for the year, which includes double-digit EBITDA growth with positive free cash flow. We believe this guidance is achievable.

We continue with a BUY recommendation and MXN\$20.0/share target price.

1Q24 Results

Total revenues increased 2.5% YoY to MXN\$2.1 billion, mainly due to the company's continued focus on higher-priced housing and price adjustments in each of the segments. The average price per unit rose 16.2% to MXN\$796 thousand, which included rises of 4.1% in residential housing and 11.4% in the middle segment. For its part, titled homes in the residential segment were up 16.0%, while volume in the middle segment decreased 16.8% due to gaps between closing and opening of new projects, resulting in an 11.7% decline in the total volume to 2,635 units. For these reasons, residential housing revenues were 20.8% higher, while those in the middle segment fell 7.3%. Worth mentioning that digital sales represented 71% of total revenues, once again reaching a historical maximum level.

During the quarter, JAVER opened three new developments, two of which are in the residential segment in the State of Nuevo León and one in the middle segment in the State of Mexico. The company expects to open 14 developments in total during the current year.



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The stronger revenue mix generated a 3.6 percentage point expansion in the gross margin to 32.7%, resulting in 15.0% growth in gross profit. The EBITDA margin was up 2.6 percentage points, which boosted EBITDA by 25.2% to MXN\$299.7 million (vs. MXN\$296.2 million E). The ROIC before taxes improved from 5.8 PP to 34.6%.

Net profit for the quarter increased 55.2% YoY to MXN\$92.6 million (vs. MXN\$89.9 million E) thanks to operating leverage and stability in the financial cost.

The net debt to EBITDA ratio was 0.99x in 1Q24, marginally below 1.24x in 1Q23. Free cash flow was negative by MXN\$196.7 million due to the purchase of land reserves, with a 6.5% YoY reduction.

On the other hand, the company has 6,267 units with EDGE certification and in the short term expects to certify another 8,600 homes.

INCOME STATEMENT	1Q24	1Q24E	Diff.	1Q23	Change
Revenues	2,108	2,119	-0.5%	2,057	2.5%
Gross Profit	690	689	0.1%	599	15.0%
<i>Gross Margin</i>	32.7%	32.5%		29.1%	
EBITDA	300	296	1.4%	239	25.2%
<i>EBITDA Margin</i>	14.2%	13.9%		11.6%	
Financial Gains	47	7	595.9%	49	-2.8%
Financial Cost	-139	-151	-8.6%	-139	-0.6%
Net Profit	93	90	3.0%	60	55.2%

Discounted Cash Flow Model

(Figures in Millions of MXN\$)	2025E	2026E	2027E	2028E	2029E	Perp.
OPERATING PROFIT	1,706	1,925	2,126	2,340	2,576	2,683
Tax Rate	23%	23%	23%	23%	23%	30%
Tax Shield	-392	-443	-489	-538	-593	-617
NOPLAT	1,313	1,482	1,637	1,802	1,984	2,066
Depreciation	105	109	113	117	121	126
Working Capital Changes	-1,166	-962	-1,126	-1,425	-1,458	-1,518
CAPEX	-24	-28	-28	-28	-28	-29
FCFF	228	601	596	466	619	644
Perpetuity Growth Rate						4.2%
PV of Explicit Period (2025 - 2029E)						1,868
Perpetuity Value						11,596
PV of Perpetuity Value						6,646
Enterprise Value						8,514
Net Debt						1,333
Market Value						7,181
<i>Outstanding Shares</i>						287
Target Price						P\$ 20.00
Current Market Price						P\$ 12.29
Potential Return Incl. Dividends						66.7%
Forward EV/EBITDA						3.8x
Forward P/E						5.7x
Average Cost of Debt						12.1%
LT Tax Rate						30.0%
After-Tax Cost of Debt						8.5%
Cost of Equity						10.6%
Market Risk Premium						6.0%
Risk-Free Rate						10.33%
Beta						0.04
% Total Debt						40.4%
% Capital						59.6%
WACC						9.7%

(Figures in Millions of MXN\$)

INCOME STATEMENT	2023	2024E	2025E	2026E	2027E	2028E	2029E
Revenues	8,904	9,650	10,658	11,662	12,664	13,711	14,844
Cost of Sales	-6,182	-6,504	-7,173	-7,837	-8,497	-9,186	-9,931
Gross Profit	2,723	3,146	3,486	3,826	4,167	4,525	4,914
General Expenses	-1,420	-1,635	-1,784	-1,929	-2,069	-2,213	-2,366
Operating Profit	1,314	1,515	1,706	1,925	2,126	2,340	2,576
<i>Operating Margin</i>	<i>14.8%</i>	<i>15.7%</i>	<i>16.0%</i>	<i>16.5%</i>	<i>16.8%</i>	<i>17.1%</i>	<i>17.4%</i>
EBITDA	1,472	1,704	1,908	2,138	2,349	2,573	2,819
<i>EBITDA Margin</i>	<i>16.5%</i>	<i>17.7%</i>	<i>17.9%</i>	<i>18.3%</i>	<i>18.5%</i>	<i>18.8%</i>	<i>19.0%</i>
Financial Gains	236	174	178	188	198	208	219
Financial Cost	-585	-546	-577	-635	-624	-619	-617
Pre-Tax Profit	965	1,144	1,306	1,477	1,700	1,929	2,178
Income Tax & Profit Sharing	-400	-293	-300	-340	-391	-444	-501
<i>Tax & Profit Sharing Rate</i>	<i>41.5%</i>	<i>25.7%</i>	<i>23.0%</i>	<i>23.0%</i>	<i>23.0%</i>	<i>23.0%</i>	<i>23.0%</i>
Net Profit	565	850	1,006	1,137	1,309	1,485	1,677
BALANCE SHEET	2023	2024E	2025E	2026E	2027E	2028E	2029E
TOTAL ASSETS	9,578	10,560	12,117	13,446	14,922	16,695	18,522
Current Assets	6,949	7,840	8,477	8,992	9,554	10,118	10,935
LT Assets	2,629	2,720	3,639	4,454	5,368	6,577	7,587
TOTAL LIABILITIES	6,837	7,018	7,600	7,833	8,049	8,393	8,606
ST Liabilities	3,595	4,061	4,543	4,777	4,992	5,336	5,550
LT Liabilities	3,242	2,957	3,057	3,057	3,057	3,057	3,057
TOTAL DEBT	2,465	2,415	2,639	2,632	2,624	2,746	2,728
NET DEBT	1,288	1,333	1,444	1,324	1,203	1,208	1,063
TOTAL CAPITAL	2,741	3,569	4,541	5,638	6,898	8,327	9,940
Stockholder's Equity	2,741	3,569	4,541	5,638	6,898	8,327	9,940
CASH FLOW STATEMENT	2023	2024E	2025E	2026E	2027E	2028E	2029E
NET PROFIT	565	850	1,006	1,137	1,309	1,485	1,677
Inv. Related Activities	878	759	763	767	771	775	779
Pre-Tax Cash Flow	1,443	1,222	1,689	1,787	1,948	2,125	2,314
Working Capital Changes	-821	-705	-1,166	-962	-1,126	-1,425	-1,458
Operating Cash Flow	622	517	523	826	822	700	856
Investment Cash Flow	-6	-20	-24	-28	-28	-28	-28
Financing Cash Flow	-840	-592	-385	-684	-681	-554	-700
Net Incr. (Decr.) in Cash & Temp. Inv.	-226	-95	114	114	113	118	128
Beg. of Period Cash and Temp. Inv.	1,404	1,177	1,082	1,195	1,308	1,420	1,538
End of Period Cash and Temp. Inv.	1,177	1,082	1,195	1,308	1,420	1,538	1,665

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