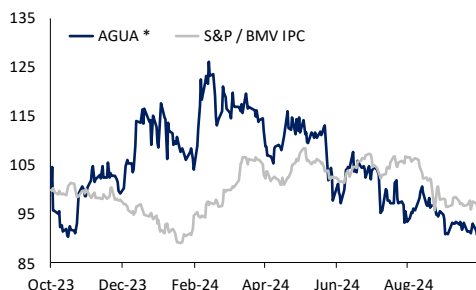


AGUA: 3Q24 Preview

We expect results to be affected by the Argentinean operations and some slowdown in Mexico

AGUA*	BUY
Target Price (MXN\$)	\$ 44.00
Current Price (MXN\$)	\$ 23.09
Min / Max (L12M)	\$ 22.28 - 32.65
Expected Dividend (MXN\$)	\$ 0.50
Expected Return	92.7%
Market Cap (MXN\$ Mn)	11,227
Enterprise Value (MXN\$ Mn)	14,894
Outstanding Shares (Mn)	486.2
Float	23.7%
ADTV (MXN\$ Mn)	\$ 7.06



Opinion and recommendation

We expect AGUA to face a challenging quarter once again due to Argentina, in addition to some slowdown in Mexico. We recommend taking advantage of the current share price level as we anticipate a recovery in these two countries during the following quarters.

3Q24 Preview

We expect AGUA's 3Q24 consolidated revenues to decline 5.6% YoY to MXN\$2.85 billion as a result of the continued weakness of Argentina's operations, which will experience a double-digit volume fall, as well as a slowdown in Mexico due to the heavy rainy season. This will be partially offset by incremental sales in the other countries. We also anticipate higher revenues sequentially in the US due to the concentration in certain geographic areas.

Profitability at the consolidated level will decline due to lower cost absorption and fixed expenses in Mexico and lower volumes in Argentina, resulting in an EBITDA margin of 10.4% in the current quarter, from 15.6% in the same period of the previous year. The company's EBITDA will thus decrease 36.9% YoY to MXN\$297 million.

As a result of lower operating results and higher financial expenses, the company will record a MXN\$10 million net loss, compared to a MXN\$229 million net profit in 3Q23.

We anticipate that the net debt to EBITDA ratio will be around 2.0x at the end of 3Q24 due to lower EBITDA generation, slightly higher than the 1.8x in 2Q24.

October 18th, 2024

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