

# JAVER: 3Q24 Results

Positive results fueled by the company’s focus on higher-end housing; positive free cash flow generation and continued deleveraging

JAVER*	BUY
Target Price (MXN\$)	\$ 14.94
Current Price (MXN\$)	\$ 10.00
Max / Min (L12M)	10.00 - 14.03
Expected Dividend (MXN\$)	\$ 0.00
Expected Return	49.4%
Market Cap (MXN\$ Mn)	2,872
Enterprise Value (MXN\$ Mn)	3,809
Outstanding Shares (Mn)	287.2
Float	34.1%
ADTV (MXN\$ Mn)	\$ 0.01

## Opinion and recommendation

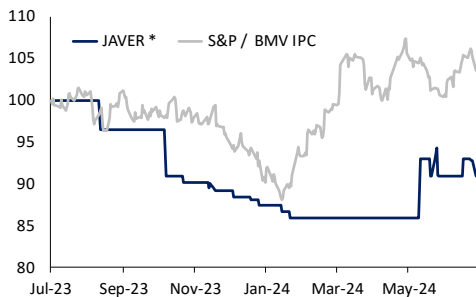
JAVER reported positive quarterly results driven by the company’s focus on the upper mid-range and residential segments. Revenues and EBITDA were in line with our projections and net profits exceeded our forecasts. In addition, the company generated positive free cash flow and continued to reduce its leverage. We reiterate our BUY recommendation with MXN\$14.94/share target price, which is the price that VINTE has set for the tender offer.

JAVER reiterated its guidance for the current year, which includes double-digit growth with positive free cash flow generation, in line with our estimates. On the other hand, the company mentioned in its press release that VINTE’s tender offer is pending the corresponding corporate and regulatory authorizations.

## 3Q24 Results

JAVER continued to focus on the upper mid-range and residential segments, which boosted the average price per unit by 10.6% YoY to MXN\$793 thousand. This strategy led to a 45.1% increase in residential volume, which was partially offset by an 11.3% fall in mid-range volume, thus limiting the total volume drop to just 3.4%. As a result, housing revenues rose 6.8% (+23.7% in residential and -1.7% in mid-range), while total revenues advanced 6.5% YoY to MXN\$2.48 billion (slightly higher than our MXN\$2.47 billion estimate).

During the quarter, the company began sales in 3 residential developments in the states of Jalisco and Querétaro and expects to launch another 5 projects during the last quarter for a total of 14 for the entire year. 7 of such developments have EDGE certifications in more than 5,800 homes to be built.



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October 22<sup>nd</sup>, 2024

The stronger revenue mix also boosted the company's profitability levels. Gross margin expanded 1.1 percentage points to 31.8%, while EBITDA margin increased 0.9 percentage points to 18.6%. Gross profit was up 10.2% YoY, while EBITDA grew 11.8% YoY, reaching MXN\$461 million (vs. our MXN\$460 million forecast). This took place despite higher expenses related to the upcoming tender offer by VINTE.

Net profits rose 42.9% YoY to MXN\$218 million (vs. our MXN\$194 million expectation), supported by higher operating results and a decrease in the tax reserve.

Free cash flow was MXN\$244 million positive, down 19.0% YoY, as a result of an increase from 42 days in the working capital cycle to 280 days, mainly due to investments in 5 projects that will begin at the end of the current year and the land replacement for the coming years.

The financial structure continued to strengthen with this high free cash flow generation. The net debt to EBITDA ratio was 0.56x at the end of 3Q24, compared to 0.71x in 2Q24, reaching a historical low level. Worth mentioning that HR Ratings recently upgraded JAVER's long-term corporate rating from "AA-" to "AA" and changed the outlook to "Stable."

INCOME STATEMENT	3Q24	3Q24E	Diff.	3Q23	Change
Revenues	2,481	2,472	0.4%	2,329	6.5%
Gross Profit	788	806	-2.2%	715	10.2%
<i>Gross Margin</i>	<i>31.8%</i>	<i>32.6%</i>		<i>30.7%</i>	
EBITDA	461	460	0.1%	412	11.8%
<i>EBITDA Margin</i>	<i>18.6%</i>	<i>18.6%</i>		<i>17.7%</i>	
Financial Gains	47	43	9.7%	65	-27.7%
Financial Cost	-125	-130	-3.6%	-143	-12.4%
Net Profit	218	194	12.1%	153	42.9%

(Figures in Millions of MXN\$)

<b>INCOME STATEMENT</b>	<b>2023</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>
Revenues	8,904	9,707	10,717	11,728	12,736	13,789	14,931
Cost of Sales	-6,182	-6,539	-7,209	-7,877	-8,542	-9,235	-9,984
Gross Profit	2,723	3,168	3,508	3,850	4,194	4,555	4,947
General Expenses	-1,420	-1,533	-1,567	-1,691	-1,811	-1,933	-2,064
Operating Profit	1,314	1,650	1,945	2,187	2,411	2,649	2,911
<i>Operating Margin</i>	<i>14.8%</i>	<i>17.0%</i>	<i>18.1%</i>	<i>18.6%</i>	<i>18.9%</i>	<i>19.2%</i>	<i>19.5%</i>
EBITDA	1,472	1,775	1,997	2,249	2,483	2,732	3,003
<i>EBITDA Margin</i>	<i>16.5%</i>	<i>18.3%</i>	<i>18.6%</i>	<i>19.2%</i>	<i>19.5%</i>	<i>19.8%</i>	<i>20.1%</i>
Financial Gains	236	176	179	193	208	223	238
Financial Cost	-585	-521	-564	-626	-563	-614	-601
Pre-Tax Profit	965	1,304	1,560	1,754	2,055	2,258	2,549
Income Tax & Profit Sharing	-400	-534	-655	-737	-863	-948	-1,071
<i>Tax &amp; Profit Sharing Rate</i>	<i>41.5%</i>	<i>40.9%</i>	<i>42.0%</i>	<i>42.0%</i>	<i>42.0%</i>	<i>42.0%</i>	<i>42.0%</i>
Net Profit	565	770	905	1,018	1,192	1,310	1,478
<b>BALANCE SHEET</b>	<b>2023</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>
TOTAL ASSETS	9,578	10,047	11,639	12,723	14,304	15,931	17,703
Current Assets	6,949	7,388	8,121	8,591	9,108	9,626	10,388
LT Assets	2,629	2,659	3,518	4,132	5,196	6,305	7,315
TOTAL LIABILITIES	6,837	6,544	7,228	7,295	7,684	8,001	8,295
ST Liabilities	3,595	3,609	4,194	4,261	4,649	4,967	5,260
LT Liabilities	3,242	2,935	3,035	3,035	3,035	3,035	3,035
TOTAL DEBT	2,465	2,203	2,573	2,356	2,462	2,485	2,460
NET DEBT	1,288	1,137	1,395	1,068	1,063	971	820
TOTAL CAPITAL	2,741	3,531	4,436	5,453	6,645	7,955	9,433
Stockholder's Equity	2,741	3,531	4,436	5,453	6,645	7,955	9,433
<b>CASH FLOW STATEMENT</b>	<b>2023</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>
NET PROFIT	565	770	905	1,018	1,192	1,310	1,478
Inv. Related Activities	878	901	781	785	789	793	797
Pre-Tax Cash Flow	1,443	1,359	1,333	1,377	1,523	1,677	1,841
Working Capital Changes	-821	-849	-1,257	-675	-1,174	-1,208	-1,318
Operating Cash Flow	622	510	76	702	349	469	523
Investment Cash Flow	-6	-24	-32	-36	-40	-44	-48
Financing Cash Flow	-840	-602	62	-561	-204	-315	-355
Net Incr. (Decr.) in Cash & Temp. Inv.	-226	-113	106	105	105	110	120
Beg. of Period Cash and Temp. Inv.	1,404	1,177	1,066	1,177	1,288	1,398	1,514
End of Period Cash and Temp. Inv.	1,177	1,066	1,177	1,288	1,398	1,514	1,639

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