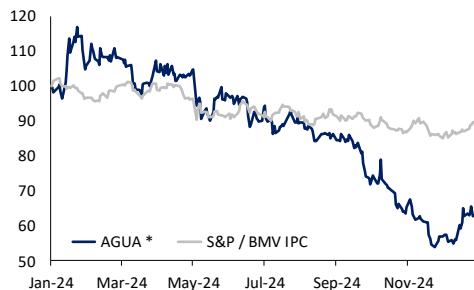


AGUA: 4Q24 Preview

We expect a weak quarter impacted once again by Argentina’s operations

AGUA*	BUY
Target Price (MXN\$)	\$ 39.00
Current Price (MXN\$)	\$ 18.15
Min / Max (L12M)	\$ 14.89 - 32.65
Expected Dividend (MXN\$)	\$ 0.50
Expected Return	117.6%
Market Cap (MXN\$ Mn)	8,825
Enterprise Value (MXN\$ Mn)	12,623
Outstanding Shares (Mn)	486.2
Float	23.7%
ADTV (MXN\$ Mn)	\$ 3.84



We project that AGUA’s quarterly revenues will decrease 19% YoY to MXN\$2.728 billion, deriving from a significant reduction of nearly 60% in Argentina's revenues due to the weakness of the construction sector, which has not recovered like other sectors. This will be partially offset by a 9.0% increase in Mexico's revenues, thanks to a solid performance of the services business which continued to benefit from bebbia’s growth.

We estimate a consolidated EBITDA margin of 9.9% in 4Q24, from 16.4% in 4Q23, due to lower fixed cost absorption in Argentina. In addition, we believe that Mexico’s margin will contract due to severance payments at the end of the quarter. This will result in a 51.3% YoY EBITDA decrease to MXN\$270 million.

As a result of the operating weakness, we anticipate that net profits will be down 47.7% YoY to MXN\$23 million.

On the other hand, the net debt to EBITDA ratio will increase to 2.4x at the end of 4Q24, above the company's target of 2.0x.

Opinion and recommendation

We maintain our BUY recommendation as we expect a recovery in Argentina's operations during the second half of the current year. In addition, the comparison base in that country will be more favorable during the following quarters.

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