

AGUA: 4Q24 Results

Results impacted by Argentina; we lowered our target price to MXN\$31.0/share

| AGUA* | BUY |
|-----------------------------|------------------|
| Target Price (MXN\$) | \$ 31.00 |
| Current Price (MXN\$) | \$ 17.24 |
| Min / Max (L12M) | \$ 14.89 - 32.65 |
| Expected Dividend (MXN\$) | \$ 0.50 |
| Expected Return | 82.7% |
| Market Cap (MXN\$ Mn) | 8,383 |
| Enterprise Value (MXN\$ Mn) | 12,334 |
| Outstanding Shares (Mn) | 486.2 |
| Float | 23.7% |
| ADTV (MXN\$ Mn) | \$ 3.84 |

Opinion and recommendation

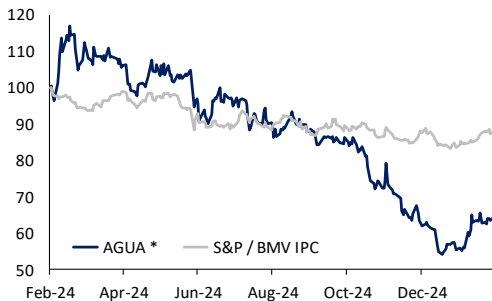
AGUA reported negative 4Q24 results, which were in line with our expectations in terms of revenues but below our in terms of EBITDA and net profits.

Following these quarterly results, we are lowering our target price to MXN\$31.0/share, from MXN\$39.0/share. The recommendation remains BUY as we expect a recovery in Argentina's performance during the second half of the current year.

4Q24 Results

AGUA's quarterly revenues were down 19.3% YoY and 4.0% QoQ to MXN\$2.72 billion (in line with our forecast) as a result of the weakness of Argentina's operations, whose revenues fell 57.5% in Mexican pesos. This was partially offset by increases of 4.0% in Mexico, 6.8% in the US and 27.3% in the other countries. Product revenues decreased 22.7% due to Argentina, while those from the services business rose 45.6% fueled by strong demand for bebbia. Excluding Argentina, total sales would have been up 7.5%.

Gross margin contracted 460 bps to 40.8%, due to lower fixed cost absorption, resulting in a 27.5% gross profit decline. Meanwhile, EBITDA margin was 8.8% in the current quarter, down from 16.4% in 4Q23, which generated a 56.8% EBITDA reduction to MXN\$239 million (vs. MXN\$270 million estimated). Excluding extraordinary expenses of MXN\$54 million related to severance payments that the company made in the quarter, the EBITDA margin would have been 10.8% and we estimate that EBITDA would have fallen 47.1% on an annual basis, and would have recovered 18.6% sequentially. Worth mentioning that Argentina had a negative margin of 4.8% in the period, while profitability in Mexico and the other countries was lower.



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February 6th, 2025

The company posted a larger-than-expected MXN\$122 million quarterly net loss due to weak operating results and severance payments, which offset lower financial expenses. ROIC fell 760 bps to 7.8% and was 440 bps below the WACC. Excluding severance payments, ROIC would have been 8.3%.

The net debt to EBITDA ratio stood at 2.6x (vs. 2.4x E) at the end of the quarter, compared to 1.6x at the end of the previous year. This indicator was above the internal limit of 2.0x, but the company expects to return to that level. On the other hand, interest coverage fell to 4.7x, from 9.2x.

AGUA mentioned in its press release that the new Ixtapaluca plant started operations in the quarter and that it expects it to operate at full capacity during the current year.

| (Figures in Millions of MXN\$) | 4Q24 | 4Q24E | Diff. | 4Q23 | Change |
|--------------------------------|-------|-------|---------|-------|---------|
| Revenues | 2,723 | 2,728 | -0.2% | 3,376 | -19.3% |
| EBITDA | 239 | 270 | -11.4% | 554 | -56.9% |
| <i>EBITDA Margin</i> | 8.8% | 9.9% | | 16.4% | |
| Financial Gains | -3 | 20 | -112.6% | 48 | -105.4% |
| Financial Cost | -246 | -179 | 37.2% | -359 | -31.4% |
| Net Profit | -122 | 23 | n.a. | 71 | n.a. |
| ROIC | 7.8% | 8.3% | | 15.4% | |

Discounted Cash Flow Model

| (Figures in Millions of MXN\$) | 2026E | 2027E | 2028E | 2029E | 2030E | Perp. |
|--------------------------------------|-------|-------|-------|-------|--------|-----------|
| OPERATING PROFIT | 1,275 | 1,575 | 1,888 | 2,247 | 2,693 | 2,833 |
| Tax Rate | 28% | 28% | 28% | 28% | 28% | 30% |
| Tax Shield | -351 | -433 | -519 | -618 | -741 | -850 |
| NOPLAT | 924 | 1,142 | 1,369 | 1,629 | 1,953 | 1,983 |
| Depreciation | 676 | 724 | 772 | 824 | 824 | 867 |
| Working Capital Changes | -284 | -292 | 428 | -65 | -53 | -56 |
| CAPEX | -691 | -769 | -850 | -938 | -1,037 | -1,090 |
| FCFF | 626 | 805 | 1,719 | 1,450 | 1,686 | 1,873 |
| Perpetuity Growth Rate | | | | | | 5.2% |
| PV of Explicit Period (2026 - 2030E) | | | | | | 4,338 |
| Perpetuity Value | | | | | | 28,634 |
| PV of Perpetuity Value | | | | | | 14,729 |
| Enterprise Value | | | | | | 19,067 |
| Net Debt | | | | | | 3,957 |
| Minority Interest | | | | | | 36 |
| Market Value | | | | | | 15,074 |
| <i>Outstanding Shares</i> | | | | | | 486 |
| Target Price | | | | | | P\$ 31.00 |
| Current Market Price | | | | | | P\$ 17.24 |
| Potential Return Incl. Dividends | | | | | | 82.7% |
| Average Cost of Debt | | | | | | 8.8% |
| LT Tax Rate | | | | | | 30.0% |
| After-Tax Cost of Debt | | | | | | 6.2% |
| Cost of Equity | | | | | | 16.5% |
| Market Risk Premium | | | | | | 6.0% |
| Risk-Free Rate | | | | | | 10.2% |
| Beta | | | | | | 1.05 |
| % Total Debt | | | | | | 41.4% |
| % Capital | | | | | | 58.6% |
| ESG Adjusted WACC | | | | | | 11.7% |

(Figures in Millions of MXN\$)

| INCOME STATEMENT | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Revenues | 11,201 | 12,292 | 13,815 | 15,378 | 16,992 | 18,765 | 20,737 |
| Cost of Sales | -6,168 | -6,764 | -7,589 | -8,433 | -9,301 | -10,254 | -11,313 |
| Gross Profit | 5,033 | 5,528 | 6,227 | 6,945 | 7,690 | 8,510 | 9,424 |
| General Expenses | -4,153 | -4,725 | -4,952 | -5,371 | -5,802 | -6,263 | -6,731 |
| Operating Profit | 881 | 804 | 1,275 | 1,575 | 1,888 | 2,247 | 2,693 |
| EBITDA | 1,491 | 1,432 | 1,951 | 2,299 | 2,660 | 3,071 | 3,517 |
| Financial Gains | 87 | -11 | -13 | -14 | -18 | -23 | -26 |
| Financial Cost | -774 | -600 | -714 | -813 | -863 | -1,076 | -1,034 |
| Pre-Tax Profit | 191 | 204 | 562 | 761 | 1,021 | 1,162 | 1,647 |
| Income Tax & Profit Sharing | -23 | -56 | -155 | -209 | -281 | -320 | -453 |
| Net Profit | 169 | 148 | 408 | 552 | 741 | 842 | 1,194 |
| BALANCE SHEET | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
| TOTAL ASSETS | 14,945 | 15,163 | 16,091 | 17,068 | 18,443 | 19,527 | 20,589 |
| Current Assets | 5,088 | 5,529 | 6,190 | 6,869 | 7,011 | 7,720 | 8,301 |
| Cash & Temp. Inv. | 732 | 860 | 967 | 1,076 | 1,359 | 1,689 | 1,866 |
| LT Assets | 9,856 | 9,634 | 9,901 | 10,199 | 11,432 | 11,807 | 12,288 |
| P, P & E | 4,044 | 4,381 | 4,596 | 4,841 | 6,019 | 6,333 | 6,746 |
| TOTAL LIABILITIES | 8,242 | 8,451 | 9,504 | 10,462 | 11,630 | 13,005 | 12,905 |
| ST Liabilities | 2,987 | 2,946 | 3,399 | 3,707 | 3,875 | 4,250 | 4,150 |
| LT Liabilities | 5,255 | 5,505 | 6,105 | 6,755 | 7,755 | 8,755 | 8,755 |
| TOTAL DEBT | 4,683 | 4,817 | 5,599 | 6,279 | 7,160 | 8,220 | 7,771 |
| NET DEBT | 3,951 | 3,957 | 4,632 | 5,203 | 5,801 | 6,532 | 5,905 |
| TOTAL CAPITAL | 6,702 | 6,818 | 6,693 | 6,712 | 6,920 | 6,629 | 7,790 |
| Stockholder's Equity | 6,668 | 6,783 | 6,658 | 6,677 | 6,884 | 6,594 | 7,749 |
| Minority Interest | 35 | 36 | 35 | 35 | 36 | 35 | 41 |
| CASH FLOW STATEMENT | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
| Net Profit | 169 | 148 | 408 | 552 | 741 | 842 | 1,194 |
| Inv. Related Activities | 1,078 | 911 | 959 | 1,007 | 1,055 | 1,107 | 1,107 |
| Pre-Tax Cash Flow | 1,312 | 944 | 221 | 464 | -173 | 394 | 1,828 |
| Working Capital Changes | -498 | -469 | -284 | -292 | 428 | -65 | -53 |
| Operating Cash Flow | 814 | 475 | -62 | 173 | 255 | 329 | 1,774 |
| Investment Cash Flow | -617 | -253 | -331 | -410 | -495 | -589 | -690 |
| Financing Cash Flow | -213 | -205 | 388 | 235 | 411 | 478 | -1,018 |
| Net Incr. (Decr.) in Cash & Temp. Inv. | 166 | 17 | -5 | -2 | 171 | 218 | 66 |
| Beg. of Period Cash and Temp. Inv. | 566 | 732 | 860 | 967 | 1,076 | 1,359 | 1,689 |
| End of Period Cash and Temp. Inv. | 732 | 860 | 967 | 1,076 | 1,359 | 1,689 | 1,866 |

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