

AGUA: 1Q25 Results

Neutral results with sequential improvement against the previous two quarters

| AGUA* | BUY |
|-----------------------------|------------------|
| Target Price (MXN\$) | \$ 28.00 |
| Current Price (MXN\$) | \$ 10.71 |
| Min / Max (L12M) | \$ 10.29 - 30.26 |
| Expected Dividend (MXN\$) | \$ 0.00 |
| Expected Return | 161.4% |
| Market Cap (MXN\$ Mn) | 5,208 |
| Enterprise Value (MXN\$ Mn) | 9,077 |
| Outstanding Shares (Mn) | 486.2 |
| Float | 23.7% |
| ADTV (MXN\$ Mn) | \$ 5.81 |

Opinion and recommendation

AGUA posted neutral 1Q25 results, in line with our revenue projections but above in terms of EBITDA and net profits. Results continued to recover compared to 4Q24 and 3Q24, which we believe is positive news.

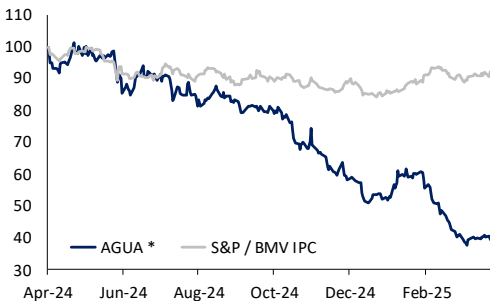
We reiterate our BUY recommendation and are adjusting our target price to MXN\$28.0/share, from MXN\$31.0/share, after updating our model.

1Q25 Results

AGUA's sales decreased 1.2% YoY to MXN\$2.64 billion, primarily due to a 9.7% drop in Mexico's revenues, which faced a high comparison base due to last year's drought. This was partially offset by strong performance in other countries (Argentina +2.0%, US +24.9%, and other countries +23.1%). Product business revenues fell 2.6% due to the impact in Mexico, while services revenues increased 14.7%, driven by the bebbia's growth, which reached 143,000 subscribers.

Gross profit fell 17.4% YoY to MXN\$1.1 billion due to higher sales cost resulting from the FX depreciation and lower fixed cost absorption in Mexico and Argentina, which generated an 830 bps contraction in the gross margin to 42.4%. EBITDA decreased 45.9% YoY to MXN\$301 million, also due to the high comparison base in Mexico and lower profitability in Argentina, while the EBITDA margin stood at 11.4% in 1Q25, from 20.8% in 1Q24. Excluding severance payments for the migration of the Anáhuac facility to the Ixtapaluca plant, the margin would have been 13.2%.

Net profits fell 92.3% YoY to MXN\$24 million due to lower operating results and higher financial expenses. The net debt-to-EBITDA ratio closed at 3.1x, up from 1.7x in 1Q24.



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| (Figures in Millions of MXN\$) | 1Q25 | 1Q25E | Diff. | 1Q24 | Change |
|--------------------------------|-------|-------|---------|-------|--------|
| Revenues | 2,636 | 2,609 | 1.0% | 2,667 | -1.2% |
| EBITDA | 301 | 286 | 5.2% | 555 | -45.9% |
| <i>EBITDA Margin</i> | 11.4% | 11.0% | | 20.8% | |
| Financial Gains | 14 | -3 | -638.4% | 11 | 31.1% |
| Financial Cost | -131 | -106 | 23.7% | -75 | 75.5% |
| Net Profit | 24 | 17 | 37.6% | 304 | -92.3% |
| ROIC | 5.1% | 5.0% | | 14.0% | |

Discounted Cash Flow Model

| (Figures in Millions of MXN\$) | 2026E | 2027E | 2028E | 2029E | 2030E | Perp. |
|--------------------------------------|-------|-------|-------|-------|-------|-----------|
| OPERATING PROFIT | 1,065 | 1,318 | 1,592 | 1,902 | 2,287 | 2,386 |
| Tax Rate | 21% | 21% | 21% | 21% | 21% | 30% |
| Tax Shield | -218 | -270 | -326 | -390 | -469 | -716 |
| NOPLAT | 846 | 1,048 | 1,266 | 1,512 | 1,818 | 1,670 |
| Depreciation | 676 | 724 | 772 | 824 | 824 | 860 |
| Working Capital Changes | -198 | -208 | 185 | -23 | -9 | -10 |
| CAPEX | -629 | -691 | -756 | -827 | -904 | -943 |
| FCFF | 695 | 873 | 1,466 | 1,486 | 1,729 | 1,735 |
| Perpetuity Growth Rate | | | | | | 4.3% |
| PV of Explicit Period (2026 - 2030E) | | | | | | 4,386 |
| Perpetuity Value | | | | | | 25,322 |
| PV of Perpetuity Value | | | | | | 13,392 |
| Enterprise Value | | | | | | 17,778 |
| Net Debt | | | | | | 4,130 |
| Minority Interest | | | | | | 33 |
| Market Value | | | | | | 13,616 |
| <i>Outstanding Shares</i> | | | | | | 486 |
| Target Price | | | | | | P\$ 28.00 |
| Current Market Price | | | | | | P\$ 10.71 |
| Potential Return Incl. Dividends | | | | | | 161.4% |
| Average Cost of Debt | | | | | | 8.8% |
| LT Tax Rate | | | | | | 30.0% |
| After-Tax Cost of Debt | | | | | | 6.2% |
| Cost of Equity | | | | | | 15.7% |
| Market Risk Premium | | | | | | 6.0% |
| Risk-Free Rate | | | | | | 9.5% |
| Beta | | | | | | 1.05 |
| % Total Debt | | | | | | 42.7% |
| % Capital | | | | | | 57.3% |
| ESG Adjusted WACC | | | | | | 11.2% |

(Figures in Millions of MXN\$)

| INCOME STATEMENT | 2024 | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
|--|-------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Revenues | 11,201 | 11,411 | 12,587 | 13,817 | 15,122 | 16,532 | 18,077 |
| Cost of Sales | -6,168 | -6,514 | -7,173 | -7,860 | -8,587 | -9,371 | -10,229 |
| Gross Profit | 5,033 | 4,897 | 5,414 | 5,957 | 6,535 | 7,160 | 7,848 |
| General Expenses | -4,153 | -4,222 | -4,350 | -4,639 | -4,943 | -5,259 | -5,561 |
| Operating Profit | 881 | 675 | 1,065 | 1,318 | 1,592 | 1,902 | 2,287 |
| EBITDA | 1,491 | 1,319 | 1,741 | 2,042 | 2,364 | 2,726 | 3,111 |
| Financial Gains | 87 | 59 | 64 | 70 | 79 | 102 | 113 |
| Financial Cost | -774 | -612 | -748 | -831 | -866 | -1,066 | -996 |
| Pre-Tax Profit | 191 | 121 | 394 | 570 | 819 | 952 | 1,418 |
| Income Tax & Profit Sharing | -23 | -19 | -81 | -117 | -168 | -195 | -291 |
| Net Profit | 169 | 102 | 313 | 454 | 651 | 757 | 1,127 |
| BALANCE SHEET | 2024 | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
| TOTAL ASSETS | 14,945 | 15,119 | 15,818 | 16,553 | 17,987 | 18,806 | 19,579 |
| Current Assets | 5,088 | 5,083 | 5,584 | 6,106 | 6,407 | 6,970 | 7,405 |
| Cash & Temp. Inv. | 732 | 799 | 881 | 967 | 1,210 | 1,488 | 1,627 |
| LT Assets | 9,856 | 10,036 | 10,234 | 10,447 | 11,580 | 11,836 | 12,174 |
| P, P & E | 4,044 | 4,184 | 4,338 | 4,505 | 5,589 | 5,791 | 6,071 |
| TOTAL LIABILITIES | 8,242 | 8,620 | 9,491 | 10,250 | 11,494 | 12,610 | 12,182 |
| ST Liabilities | 2,987 | 3,266 | 3,287 | 3,396 | 3,640 | 3,756 | 3,328 |
| LT Liabilities | 5,255 | 5,354 | 6,204 | 6,854 | 7,854 | 8,854 | 8,854 |
| TOTAL DEBT | 4,683 | 4,928 | 5,580 | 6,109 | 7,110 | 7,964 | 7,249 |
| NET DEBT | 3,951 | 4,130 | 4,699 | 5,142 | 5,901 | 6,476 | 5,623 |
| TOTAL CAPITAL | 6,702 | 6,605 | 6,431 | 6,409 | 6,599 | 6,302 | 7,503 |
| Stockholder's Equity | 6,668 | 6,572 | 6,399 | 6,377 | 6,566 | 6,270 | 7,465 |
| Minority Interest | 35 | 33 | 32 | 32 | 33 | 31 | 37 |
| CASH FLOW STATEMENT | 2024 | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
| Net Profit | 169 | 102 | 313 | 454 | 651 | 757 | 1,127 |
| Inv. Related Activities | 1,078 | 955 | 916 | 964 | 1,012 | 1,064 | 1,064 |
| Pre-Tax Cash Flow | 1,312 | 810 | 492 | 725 | 91 | 636 | 2,089 |
| Working Capital Changes | -498 | -175 | -198 | -208 | 185 | -23 | -9 |
| Operating Cash Flow | 814 | 635 | 293 | 518 | 276 | 613 | 2,080 |
| Investment Cash Flow | -617 | -339 | -428 | -483 | -539 | -587 | -653 |
| Financing Cash Flow | -213 | -189 | 257 | 91 | 545 | 292 | -1,248 |
| Net Incr. (Decr.) in Cash & Temp. Inv. | 166 | 97 | 122 | 126 | 282 | 318 | 179 |
| Beg. of Period Cash and Temp. Inv. | 566 | 732 | 799 | 881 | 967 | 1,210 | 1,488 |
| End of Period Cash and Temp. Inv. | 732 | 799 | 881 | 967 | 1,210 | 1,488 | 1,627 |

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