



AGUA: Positive results, with records for a fourth quarter in EBITDA and sales.

In line with estimates?

Positive report, with results above our estimates, derived from: i) higher sales in Argentina and Others; and, ii) higher EBITDA than expected in Argentina.

It is worth noting that for the fifth consecutive quarter we maintained double-digit sales growth in the services segment, achieving a record sales figure for a fourth quarter. Likewise, as a result of various sales strategies, the products segment recorded a higher volume sold, achieving a record EBITDA figure for the year.

P&L

Mexico

Sales in the Mexican market contracted as a result of the high comparable base due to the extraordinary demand caused by the droughts observed in the north of the country during 2022.

In contrast, the water shortage in the center of the country, combined with the "Blue Offers" campaign, resulted in the highest sales volume in the last seven years.

In the services segment, bebbia, Rotoplas Servicios de Agua and rieggio maintained a positive trend, with the first one being the most dynamic.

Net sales decreased 4.9% YoY to Ps. 1,473 million, with EBITDA of Ps. 314 million (-14.9% YoY) and a margin of 21.3% (vs. 23.8% in 4Q22).

For the full year, Net Sales totaled Ps.6,001 million (-5.9% YoY), with EBITDA of Ps.1,537 million (+18.1% YoY) and a margin of 25.6% (vs. 20.4% in the first nine months of 2022).

Argentina

The country showed a growth in volumes during the quarter, which, together with the price adjustment strategy, allowed for an improvement in margins despite the inflationary dynamics in the region.

Given these dynamics, Argentina's Net Sales reached Ps.1,394 million, an increase of 52.1% compared to 4Q22.

EBITDA reached Ps.242 million (+96.6% YoY), with a margin of 17.4% (vs. 13.4% in 4Q22), favored by a better absorption of costs and expenses.

BUY	IV DEC24	Ps.44.00
Price (AGUA) (Ps.)		27.93
Min./max. (2Y) (Ps.)		21.44 / 33.32
Dividend yield		1.8%
Total expected return		59.3%
Market cap. (Mill.)		13,581
Enterprise value (Mill.)		17,059
Outstanding shares (Mill.)		486.2
Average daily amount 2Y (Ps. Mill.)		6.46

Price as of 02/04/2024

Source: APL Global and BMV

AGUA VS IPC

(base 100 last three years)



Ps. millions

Quarterly Results	4Q23	4Q22	Diff.
Total Revenues	3,020	3,543	8.1%
Mexico	1,478	1,695	-4.9%
Argentina	989	1,190	52.2%
United States	288	378	-24.1%
Others	265	280	-21.2%
Adj. EBITDA	470	582	0.7%
Mexico	332	345	-14.9%
Argentina	169	212	96.7%
United States	(55)	4	95.0%
Others	24	21	-52.6%
Adj. EBITDA Margin	15.6%	16.4%	
Mexico	22.4%	20.3%	
Argentina	17.1%	17.8%	
United States	-19.0%	1.1%	
Others	9.0%	7.4%	
Net Profit	229	176	-90.4%
Net profit margin	7.6%	5.0%	

Balance Sheet	4Q23	4Q22	
Cash and eq.	633	673	-5.9%
Debt with cost	4,114	4,009	2.6%
Net Debt	3,481	3,337	4.3%
Operating Cash Flow	811	754	7.6%
CapEx	274	659	-58.4%
Working Capital	(214)	(291)	-26.5%
Net Debt/ Adj. EBITDA	1.6x	1.7x	

Source: APL Global



On a cumulative basis, Sales reached Ps.3,903 million (+5.6% YoY), with EBITDA of Ps.628 million (+10.2% YoY) and a margin of 16.1% (vs. 15.4% in 2022).

United States

During the quarter, there was a normalization in the demand for storage solutions in the country, mainly due to the humid season in Texas and California, a situation that reduced in dollar terms the sales registered during the quarter.

As a result, Net Sales decreased 24.0% in pesos and 13.8% in dollar terms, ending the quarter at Ps. 239 million, with a negative EBITDA of Ps. 39 million and a margin of -16.3% (vs. -6.3% in 4Q22), which was affected by the reduction in revenues, as well as by costs associated with the development of the septic business and the implementation of the new e-commerce platform.

On a cumulative basis, Sales reached Ps.1,101 million (-21.5% YoY), with a negative EBITDA of Ps.191 million and a margin of -17.4% (vs. -4.5% in 2022).

Others

The Other division showed mixed results, with lower sales in Peru due to the reduction in economic activity and the climatic impacts generated by the "El Niño" phenomenon, which affected the sale of water heaters in the face of a winter with higher temperatures.

Central America reported growth in local currency revenues, driven mainly by the "Ofertas Azules" commercial campaign, a situation that was affected by the appreciation of the Mexican peso.

In Brazil, we continued to develop the wastewater treatment business, modifying our commercial strategy to focus on light and heavy industry, specializing in each of them.

As a result, Net Sales in Other Countries amounted to Ps.271 million, a 21.4% reduction compared to 4Q22. EBITDA reached Ps.37 million (-52.8% YoY) with a margin of 13.5% (vs. 22.6% in 4Q22). On a cumulative basis, Sales reached Ps.1,141 million (-12.3% YoY), with EBITDA of Ps.158 million (-9.4% YoY) and a margin of 13.8% (vs. 13.4% in 2022).

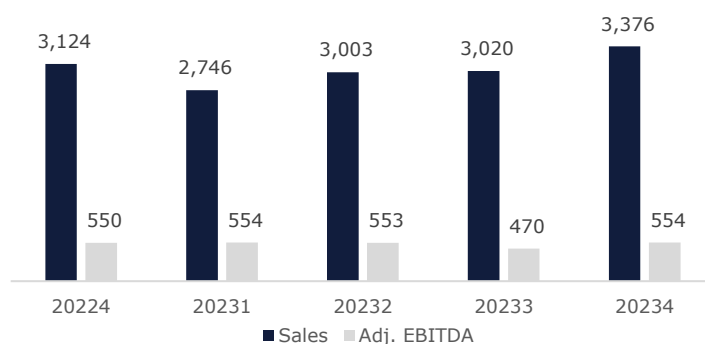
Consolidated

Overall, Net Sales grew significantly, reaching Ps.3,376 million (+8.0% YoY), with EBITDA of Ps.554 million (vs. Ps.550 million in 4Q22) and an EBITDA margin of 16.4% (vs. 17.6% in 4Q22).

For the year, accumulated Sales totaled Ps.12,146 million (-4.9% YoY), with EBITDA of Ps.2,131 million (+7.5% YoY) and a margin of 17.5% (vs. 15.5% in 2022).

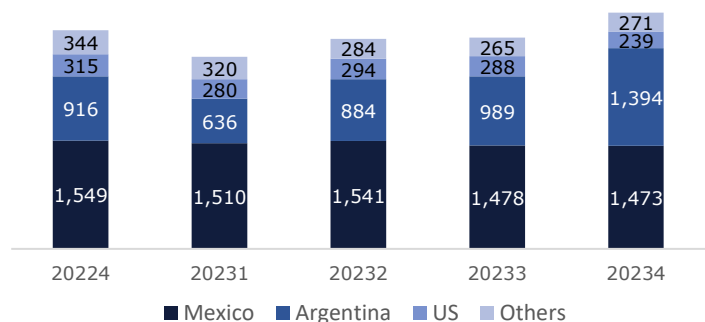
The 4Q23 Comprehensive Financing Result presented an expense of Ps.311 million (vs. an expense of Ps.181 million in 4Q22), which is made up of Ps.94 million of interest on debt, commissions and leasing, a gain of Ps.97 million from valuation of financial instruments and Ps.314 million from monetary position in Argentina and foreign exchange losses in several countries.

Consolidated (Ps. millions)



Source: elaborated by APL Global with data from the issuer.

Sales (Ps. millions)



Source: elaborated by APL Global with data from the issuer.



On a cumulative basis, RIF represented an expense of Ps.1,251 million (vs. an expense of Ps.768 million in 2022), which was comprised of Ps.384 million of interest on debt, the payment of Ps.288 million for the valuation of the foreign exchange hedge and Ps.579 million for monetary position in Argentina and foreign exchange losses in other countries.

Net Income reached Ps.39 million (vs. Ps.405 million in 4Q22), with a margin of 1.1% (vs. 13.0% in 4Q22). Finally, accumulated Net Income reached Ps.280 million, with a margin of 2.3% vs. the 6.2% recorded in the same period of the previous year.

Balance Sheet

At year-end, Cash and Cash Equivalents ended at Ps.566 million (-15.9% vs. 2022), while Debt with Cost stood at Ps.4,028 million, an increase of 0.5% compared to the level observed at year-end 2022, resulting in a Net Debt of Ps.3,462 (+3.8% Y/Y).

It is important to highlight that the issuer announced its earnings guidance for 2024, where it estimates: i) an increase in sales of more than 10%; ii) an EBITDA margin between 18% - 19%; iii) a Net Debt to EBITDA ratio of less than 2.0x; and, iv) a ROIC equal to the WACC rate plus 200 bps. To meet this guidance, AGUA will continue to develop its key initiatives such as the digitalization of its operations through the collaboration with Google Cloud and Rise with SAP, the programmatic M&A, the implementation of new technology in storage solutions in the remaining plants in Mexico and the expansion of business in the services segment.

Finally, AGUA announced that the board of directors approved to turn to the general meeting the proposal to reimburse capital in cash to shareholders, this through a reduction of capital stock by Ps.0.50 for each share held.

Is fundamental recommendation / I.V. maintained?

Considering the results obtained during the quarter, the macroeconomic outlook regarding interest rates and the increase in profitability, we maintain a positive outlook on the issuer's performance. In addition, we believe that resin prices will continue to show stability, which will allow for greater cost containment in order to continue developing the product segment, thus boosting the issuer's profitability.

Based on the results observed, we have maintained our 12-month Intrinsic Value (December 2024) unchanged at Ps.44.00 per share, with a fundamental BUY recommendation, which translates into an expected total potential return of 59.3% with respect to the closing price on February 7 (57.5% due to capital appreciation and 1.8% due to capital reimbursement).

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Assumptions for the calculation of the WACC

U12M risk-free rate (M10):	9.0%
Premium risk on capital:	2.0%
Monthly Beta 3Y:	0.41
Beta-adjusted risk premium:	0.8%
Sovereign risk premium U12M:	3.0%
(-) ESG discount to sovereign risk *:	50.0%
Share capital cost:	13.3%
Implied credit spread:	2.0%
Cost of debt before taxes:	11.0%
Effective tax rate:	30.0%
Cost of debt:	7.7%
Mix of debt in target financial structure:	35.0%
WACC:	11.4%
Residual growth	4.0%

*ESG Addendum

Ps. millions

DCF/Year	1	2	3	4	5	6	7	8	9	10
NOPLAT	1,589	1,804	1,979	2,155	2,320	2,473	2,651	2,844	3,058	3,296
Depreciation & Amortization	536	549	542	535	527	520	513	506	500	493
Investment in working capital	(70)	(130)	(110)	29	(45)	(48)	(55)	(69)	(84)	(103)
CAPEX	(482)	(494)	(488)	(481)	(475)	(468)	(462)	(456)	(450)	(443)
Free Cash Flow (FCF)	1,572	1,729	1,924	2,238	2,328	2,477	2,647	2,826	3,023	3,242
Present Value FLE Years 1-10	13,012									
Residual value:	45,864									
Present Value of the residual:	15,649									
Total Present Value:	28,661									
Net debt:	3,462									
Minority interest:	105									
Implicit capitalization value:	25,094									
Outstanding shares:	486									
Intrinsic Value:	51.61									

Sensitivity of the IV calculated by multiple: EV/EBITDA Target vs. Changes in EBITDA

		EV/EBITDA multiple target scenarios				
		9.4x	9.6x	9.8x	10.0x	10.2x
Changes in EBITDA	5.0%	37.97	38.93	39.89	40.85	41.81
	2.5%	36.90	37.83	38.77	39.71	40.65
	0.0%	35.82	36.74	37.65	38.57	39.48
	-2.5%	34.75	35.64	36.53	37.42	38.31
	-5.0%	33.67	34.54	35.41	36.28	37.15

Sensitivity of the IV calculated by multiple: Target P/E vs. Changes in Earnings

		P/E multiple target scenarios				
		30.2x	30.3x	30.4x	30.5x	30.6x
Changes in Earnings	5.0%	37.16	37.28	37.41	37.53	37.65
	2.5%	36.28	36.40	36.52	36.64	36.76
	0.0%	35.39	35.51	35.63	35.74	35.86
	-2.5%	34.51	34.62	34.74	34.85	34.96
	-5.0%	33.62	33.73	33.84	33.96	34.07

Sensitivity of the IV calculated by DCF: Residual vs. WACC

		Residual Growth Scenarios				
		2%	3%	4.0%	5%	6%
Scenarios for WACC levels	12.4%	38.70	41.12	44.11	47.92	52.92
	11.9%	41.33	44.12	47.62	52.14	58.21
	11.4%	44.24	47.48	51.61	57.03	64.49
	10.9%	47.49	51.29	56.19	62.77	72.06
	10.4%	51.15	55.62	61.50	69.59	81.38

Valuation method	Price	Weig.	Multiples	L12M	N12M
DCF	51.61	40%	Valuation calculated with the TP		
Target P/E	35.63	20%	EV/EBITDA	11.8x	11.2x
Target EV/EBITDA	37.65	40%	P/E	38.3x	37.5x
12 months Intrinsic Value	44.00	100%	Valuation calculated with the actual price		
Actual price	27.93		EV/EBITDA	8.1x	7.7x
Potential return of IV	57.5%		P/E	24.3x	23.8x
Dividend yield	1.8%				
Total expected return	59.3%				
Recommendation	BUY				



in Ps. millions

P&L				
	2022	2023	2024 E	2025 E
Total Revenues	12,774	12,146	13,745	15,758
Cost of Sales	7,331	6,625	7,498	8,595
SG&A	3,859	3,962	4,346	4,967
Operating Profit (loss)	1,584	1,559	1,901	2,194
Net financial income (expenses)	(768)	(1,251)	(1,034)	(1,110)
Net profit (loss)	756	280	605	757
EBITDA	1,982	2,131	2,436	2,743
Operating Dep & Amort	397	553	536	549
Growths in:				
Net income		-4.9%	13.2%	14.6%
Operating profit		-1.6%	21.9%	15.4%
Net profit (loss)		-63.0%	116.3%	25.1%
EBITDA		7.5%	14.3%	12.6%
Margins:				
Operating	12.4%	12.8%	13.8%	13.9%
EBITDA	15.5%	17.5%	17.7%	17.4%
Net	5.9%	2.3%	4.4%	4.8%
Outstanding shares (millions)	486	486	486	486
Book value per share	13.2	12.6	13.8	15.4
EPS	1.6	0.6	1.2	1.6
EBITDA per share	4.1	4.4	5.0	5.6
Cash Flow				
	2022	2023	2024 E	2025 E
Net profit	756	280	605	757
(-) + working capital	(774)	(110)	(70)	(130)
Other adjustments	1,017	1,120	(233)	(231)
NET CF FROM OPERATIONS	998	1,290	302	397
Sales of PPE	0	0	0	0
PPE purchases	484	496	482	494
Others	(117)	20	134	138
NET CF FROM INVESTMENTS	(601)	(476)	(348)	(356)
Debt payments	-	1,150	383	383
Lease payments	355	355	365	376
Dividends paid	-	-	-	-
Interests paid	509	510	512	527
NET CF FROM FINANCING	(1,073)	(841)	57	(148)
CASH AT THE END OF THE PERIOD	673	566	576	468

Source: APL Global

Balance Sheet				
	2022	2023	2024 E	2025 E
Cash and eq	673	566	576	468
Receivables	2,250	1,765	1,909	2,145
Inventory	1,524	1,006	1,083	1,194
Other s.t. asset	239	301	368	923
S.T. ASSETS	4,685	3,638	3,936	4,730
PP&E	3,272	4,123	4,069	4,014
Right of use assets	194	168	168	168
Intangible assets	1,145	1,128	1,151	1,174
Other l.t. assets	3,232	3,554	3,796	3,910
TOTAL ASSETS	12,528	12,611	13,120	13,996
S.t. debt	53	47	45	42
S.t. leasings	64	68	89	115
Payables	1,310	1,494	1,645	1,862
Other s.t. non-financial liabilities	-	-	-	-
Other s.t. liabilities	18	12	-	-
S.T. LIABILITIES	1,502	1,699	1,858	2,102
L.t. debt	3,999	3,999	3,801	3,614
L.t. leasings	155	114	149	193
L.t. taxes	227	427	440	453
TOTAL LIABILITIES	5,989	6,501	6,403	6,522
Controlling interest	6,291	6,005	6,609	7,362
SHAREHOLDERS' EQUITY	6,427	6,110	6,717	7,474
Gross Debt	5,617	5,813	5,792	5,874
Net Debt	4,945	5,247	5,216	5,406
Operating indicators and financial ratios				
	2022	2023	2024 E	2025 E
Liquidity	3.2x	2.2x	2.2x	2.3x
Acid test	2.1x	1.5x	1.5x	1.7x
Leverage (TL/TA)	47.8%	51.5%	48.8%	46.6%
Total debt/EBITDA	2.8x	2.7x	2.4x	2.1x
Net debt/EBITDA	2.5x	2.5x	2.1x	2.0x
Interest coverage	3.9x	4.2x	4.8x	5.2x
Inventory days	75	55	52	50
Days receivable	63	52	50	49
Days payable	64	81	79	78
Operating cycle (days)	74	26	23	21
ROA	6.0%	2.2%	4.6%	5.4%
ROE	11.8%	4.6%	9.0%	10.1%

Source: APL Global



Disclosure

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