



**April 27, 2022
10:00AM**

Operator: Good morning, welcome to Javer's first quarter 2022 earnings call. Joining us today are Mr. René Martínez, CEO of Javer, Mr. Felipe Loera, CFO, and Ms. Verónica Lozano, Planning and Investor Relations Director.

I would like to remind you that a presentation via webcast is available for this call, the link can be found in the results report for the first quarter of 2022 or in the invitation to this conference call. Additionally, I would like to inform you this call will be recorded and will be available to be heard in the Company's investor relations site: ri.javer.com.mx

We will begin this conference by listening to René Martínez, who will provide an update in the status of the business and specific results registered throughout the quarter. Following, a questions and answers session will be held exclusively for investors and analysts, questions from the press will not be taken into consideration.

Before turning over the call to Mr. Martínez, it's important to recall that the information discussed during this call may include forward-looking statements and forecasts regarding the performance of the Company, which are innately subject to risks and uncertainty.

In this aspect, Javer does not assume any express obligation to publicly update or modify any declarations regarding recent or future events based in new information or other factors. Without further comment, I turn the call to Mr. René Martínez, please continue.

Rene Martínez: Thank you, operator. Good morning, everyone, welcome to our first quarter 2022 results conference call.

The results obtained during this period continue to reflect the business resilience and the effectiveness of our strategy aimed at improving the product mix, since, despite the challenges that were presented, including the fourth wave of the pandemic during the month of January and the inflationary pressure in the costs of some construction inputs, there were growths in revenues and EBITDA.

This, together with the constant generation of cash during the last two years, which exceed the Ps. 1.0 billion figure, and allowed us to make an advance payment to the syndicated loan for an amount of Ps. 500 million, thereby seeking to optimize the capital structure.

In this way, total debt maintained its downward trend for the fourth consecutive quarter, decreasing 21.8% compared to the first quarter of 2021, thus improving leverage indicators, which are at the lowest levels of the last three years. This undoubtedly gives us the flexibility to drive the Company's growth through new financings that align with our profitability standards.

It is important to note that, although the cash balance was reduced after this transaction, the Company maintains adequate levels of liquidity, with a cash balance of Ps. 906 million.

For all the above, several rating agencies have recognized the continuous strengthening of Javer's financial position, since in January Fitch Ratings raised our corporate rating from "B+" to "BB-", on a global scale, and assigned us "A-", on a national scale. Verum also recently began the coverage of our corporate rating, assigning us "A+" with a stable outlook.

Now, let's start with **slide #3**, in line with the strategy of optimizing the product mix that the Company has promoted, we have managed to title a greater number of residential homes achieving a growth of 15.9% in this segment compared to the first quarter of 2021, thus, the units sold went from 3,434 in the same period of the previous year to 2,919 this quarter, representing a decrease of 15.0%.

In that sense, of the total units sold, 13.3% corresponds to the residential segment, while 86.5% came from the displacement of middle-income housing and only 0.2% from the affordable-entry level segment.

Let's move on to the **#4 slide**, please.

In this quarter, revenues reached Ps.1.9 billion, increasing 3.5% compared to Ps.1.8 billion registered in the first quarter of 2021, thanks to the improvement in the product mix that I mentioned earlier.

It should be noted that 64.5% of revenues were generated by the units sold of the middle-income segment and 35.0% by residential housing; the latter reporting an increase of 44.9% compared to the revenues of the same period of 2021.

Now, let's move on to **slide # 5** to discuss operational performance.

The average sales price grew 21.5%, going from Ps. \$521 thousand in the first quarter of 2021, to Ps. 633 thousand this quarter, given the greater contribution of the residential segment to the revenues of the period.

Similarly, gross margin increased by 0.6 percentage points, going from 27.2% in the first quarter of 2021 to 27.9% in this period.

As for administrative and sales expenses, these presented an increase of 5.2%, registering Ps. 338 million in the quarter. However, the ratio of expenses to sales increased only 0.3 percentage points to 18.2% compared to 17.9% in the first quarter of 2021.

In relation to EBITDA, in line with the growth in revenues, the improvement in the product mix and cost containment, it presented an increase of 9.4% closing at Ps. 210 million compared to the Ps. 192 million registered in the first quarter of 2021. Likewise, the EBITDA margin was 11.3%, 0.6 percentage points more than in the same period of 2021.

Now, let's switch to **slide #6**.

Favored by an efficient collection process and the use of factoring lines for suppliers, the working capital cycle went from 311 days at the end of March 2021 to 290 days at the end of this period. With this, we accumulate 4 consecutive quarters in which the working capital cycle is below 300 days.

Let's move on to **slide #7** to analyze cash generation.

Despite higher investment in working capital, free cash flow for the quarter was positive, with a generation of Ps. 26.1 million; however, certainly this amount is 69.6% less than the Ps. 85.8 million generated in the first quarter of 2021, which is an inherent effect of the current investment cycle in which we currently are.

Now, please, let's continue in to **slide #8**, to comment on leverage levels.

The total debt as of March 31, 2022, was Ps. 2.5 billion, 21.8% less than what was obtained in the same quarter of the previous year. Likewise, net debt decreased 31.2%, from Ps.2.4 billion at the end of the first quarter of 2021 to Ps.1.6 billion at the end of this quarter.

Thus, at the end of the period, the leverage ratios, measured as Total Debt to EBITDA and Net Debt to EBITDA, were only 2.28 and 1.62 times, respectively, representing a decrease of 0.78 and 0.61 times, compared to what was registered at the end of March 2021.

Please go to **slide #9** to discuss certain findings and perspectives.

Reinforcing our commitment to environmental, social, and corporate governance matters, Javer received for the fifth consecutive year the distinction of Socially Responsible Company. In relation to this topic, each year we set objectives and establish an execution plan for each of the programs that integrate our Corporate Social Responsibility Model.

On the other hand, as I mentioned at the beginning, Verum recently assigned Javer the corporate rating of A+ in the long term, demonstrating the strengthening of the financial position we have.

In this way, alternatives that might contribute to optimizing the capital structure are currently being explored; so as soon as we have some important progress in this matter, we will inform you through the corresponding channels.

Finally, we reiterate our 2022 guidance, with growth in revenues given the good results we have obtained. However, the main challenge will be to maintain our margins' level as a result of the pressure of increases in some construction inputs, which is why we maintain our guidance with a 3% growth in EBITDA.

With this, I conclude my comments. Thank you for your attention.

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