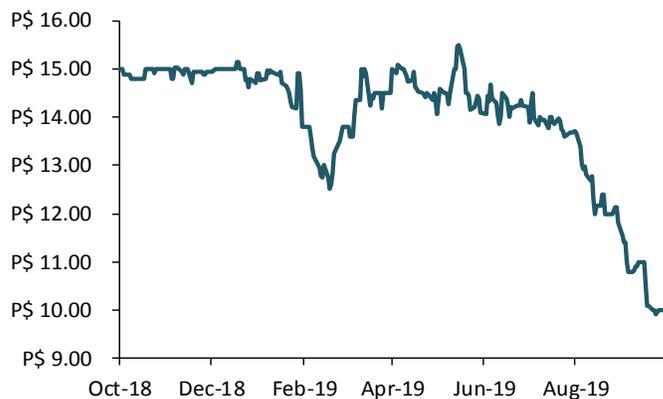


## Corpovael, S.A.B. de C.V. (BMV: CADU A)

### We Expect Slow 3Q19 Results



RECOMMENDATION	BUY
2019E Target Price (MXN\$)	\$ 13.00
Current Price (MXN\$)	\$ 10.00
Expected Dividend (MXN\$)	\$ 0.00
Potential Return	30.0%
Market Cap (MXN\$ Mn)	3,420
EV/ EBITDA 2019E	5.6x
P/E 2019E	4.7x
P/BV (Actual)	0.7x

### Opinion and Recommendation

We expect CADU to present a slow 3Q19 as a result of macroeconomic uncertainty that has affected the demand of the middle and residential segments.

Our recommendation remains BUY since we believe that these results have been discounted by the markets, taking into account the correction of recent weeks. In addition, CADU remains one of the cheapest companies in the Mexican stock market with an EV/EBITDA of 5.6x and a P/E of only 4.7x, estimated for 2019.

### 3Q19 Projections

We expect CADU to generate revenues of MNX\$1,160 million in 3Q19, with a 13% YoY decline, as a result of lower demand in the middle and residential segments given the current macroeconomic situation. This will be partially offset by a slight growth in the social interest segment, which is more defensive.

We project that CADU's EBITDA margin will be 19.8% in 3Q19, below the 21.9% level in 3Q18 and 20.9% in 2Q19 due to lower revenues. This will result in a 19% YoY contraction in the company's EBITDA.

We expect CADU to present a 23% YoY reduction in its net income thanks to the slow performance at the operating level.

The company will maintain a solid financial structure with a net debt to EBITDA ratio of 2.8x at the end of 3Q19, practically in line the 2.7x in 2Q19.

October 22, 2019

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