

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

### We Expect Favorable Results in the Housing Business in 2Q19



RECOMMENDATION		BUY
12M Target Price (MXN\$)	\$	18.80
Expected Dividend (MXN\$)	\$	0.75
Current Price (MXN\$)	\$	14.00
Potential Return		39.6%
Market Cap. (MXN\$ Mn)		4,788
EV/EBITDA 2019E		6.2x
P/E 2019E		6.2x
P/BV (Current)		1.0x

### Opinion and Recommendation

We expect CADU to present solid results in the housing business in 2Q19, mainly due to strong growth in the residential segment. In addition, the valuation of CADU's shares is very low with a 2019E EV/ EBITDA of 6.2x and a projected P/E of 6.2x. For these reasons, we are reiterating our BUY recommendation with a target price of MXN\$18.80 per share.

### 2Q19 Projections

We estimate that CADU's housing revenues will increase 6% YoY to MXN\$1,222 million in 2Q19, mainly due to a strong performance in the residential segment since the company now has two developments in that segment. This will largely offset the weakness in the middle segment, which has experienced certain delays due to the prevailing macroeconomic situation, and the stability in the social interest segment.

However, other businesses' revenues will decrease around 70% YoY due mainly to an unfavorable comparison base since last year the company benefited from a self-construction program. This will result in a 6% YoY fall in CADU's total revenues, which we expect to be MXN\$1,272 million.

For the same reason, we anticipate that the EBITDA will drop 10% YoY to MXN\$294 million. The EBITDA margin will contract to 23.1% in the current quarter, compared to 24.2% in 2Q18 and 24.3% in 1Q19.

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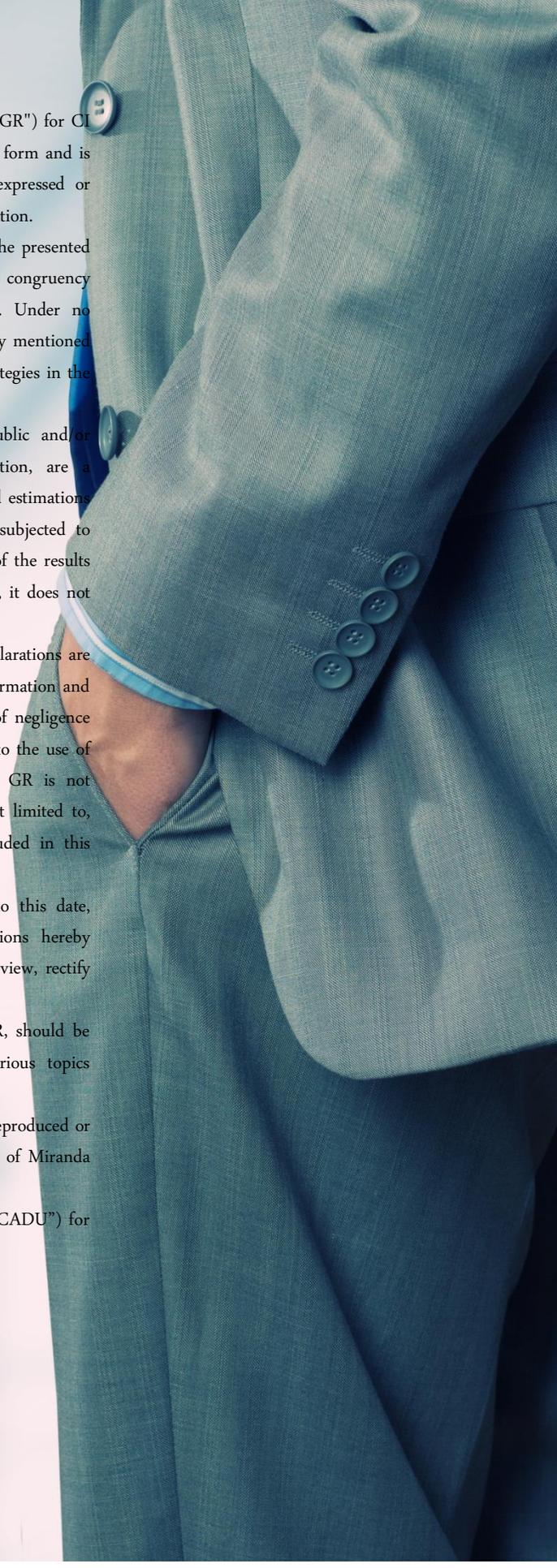
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