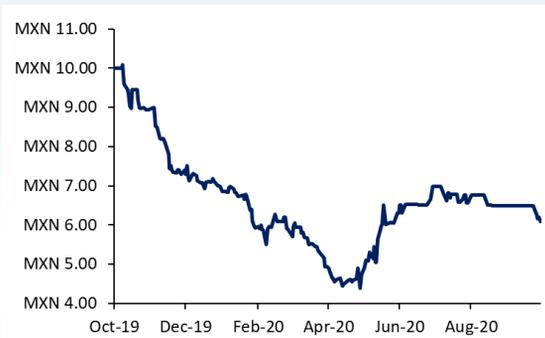


Corpovael, S.A.B. de C.V. (BMV: CADU A)

We Expect a Significant Sequential Rebound in 3Q20



RECOMMENDATION	BUY
2020E Target Price (MXN\$)	\$ 9.50
Current Price (MXN\$)	\$ 5.95
Expected Dividend (MXN\$)	\$ 0.00
Potential Return	59.7%
Market Cap (MXN\$ Mn)	2,052
EV/ EBITDA 2020E	9.3x
P/E 2020E	5.6x
P/BV (current)	0.4x

Opinion and Recommendation

We expect CADU's 3Q20 results to rebound significantly on a sequential basis as a result of the re-opening of the Mexican economy. Our fundamental recommendation is BUY.

3Q20 Projections

CADU's 3Q20 revenues will likely reach MXN\$817 million, with a sequential 54.8% increase and an annual 30.7% decline as a result of the gradual re-opening of the Mexican economy during the quarter and the strengthening of digital sales that the company has implemented. Total units will reach 987 in the quarter, with a significant improvement against the 664 homes sold in 2Q20, but still below the 2,029 units of the previous year. The price per unit will average MXN\$817 thousand in 3Q20, stable with respect to 2Q20, but 54.4% higher than in 3Q19 due to the company's focus on high-end segments, and the contribution of the Mexico- Tacuba development.

CADU has implemented discounts of around 15% in the middle to high income segments to face the prevailing macroeconomic situation. For this reason, we project that the gross margin will be 18.5%, in line with that of 2Q20. We estimate that EBITDA will rebound 163% sequentially due to higher sales level. However, it will contract 62.9% YoY. The EBITDA margin will thus reach 13.6% in 3Q20, from 10.3% in 2Q20, but it will be lower than the 25.5% of the previous year.

We project net profits of MXN\$49 million in 3Q20, up 123.2% YoY, but still down 76.0% compared to 3Q19.

We expect CADU to generate positive free cash flow of around MXN\$281 million during the quarter due to higher housing sales and limited long-term land reserve investments. This will boost the cash reserves to MXN\$575 million (from MXN\$511 million in 2Q20) and will allow the company to continue reducing debt.

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