

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

### We Expect a Solid Performance in 1Q21.



RECOMMENDATION	BUY
Target Price (MXN\$)	\$ 7.00
Current Price (MXN\$)	\$ 3.32
Expected Dividend (MXN\$)	\$ 0.00
Potential Return	110.8%
Market Cap (MXN\$ Mn)	1,127
EV/ EBITDA 2020E	6.7x
P/E 2020E	4.4x
P/BV (current)	0.2x

#### Opinion and Recommendation

We expect CADU to report positive 1Q21 results with higher revenues and EBITDA due to the recovery in housing demand as a result of the gradual re-opening of the economy. In addition, the company will continue to generate positive free cash flow. We believe these results will support CADU's share price.

#### 1Q21 Preview

We estimate that CADU's total revenues will be up 10% YoY in 1Q21, reaching MXN\$836 million. They will be driven mainly by a 15% rise in housing revenues due to the recovery in demand. Total units sold will decrease 12% YoY to 945, which will be partially offset by a 30% increase in the average price per unit, given the stronger sales mix during the period.

EBITDA will grow 1.1% YoY to MXN\$148 million, due to promotion and discounts strategy that the company continued to apply during the quarter, which will be gradually eliminated, and because CADU has maintained its workforce. This will result in an EBITDA margin of 17.7% in the current quarter, below the 19.3% level of the same period of the previous year, but higher than the 14.0% in 4Q20.

We estimate that net profits will be down 20.9% YoY to MXN\$67 million.

We expect CADU to generate positive free cash flow of around MXN\$200 million in the current quarter, compared to last year's negative figure of MXN\$213 million, as a result of its cash preservation strategy, its focus on selling finished housing inventory and because it has limited the acquisition of long-term land reserves.

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