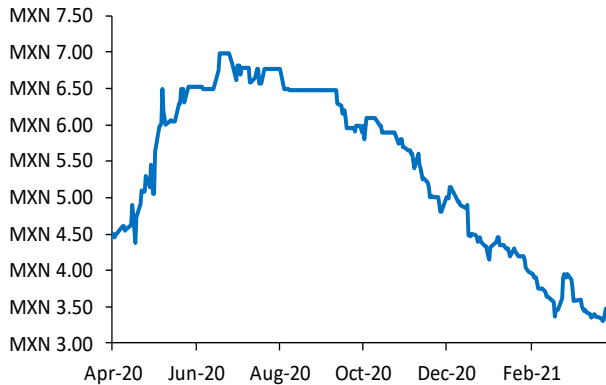


Corpovael, S.A.B. de C.V. (BMV: CADU A)

1Q21: Double-Digit Revenue Growth and High Free Cash Flow Generation



RECOMMENDATION	BUY
Target Price (MXN\$)	\$ 7.00
Current Price (MXN\$)	\$ 3.70
Expected Dividend (MXN\$)	\$ 0.00
Potential Return	89.2%
Market Cap (MXN\$ Mn)	1,255
EV/ EBITDA 2020E	5.8x
P/E 2020E	4.4x
P/BV (current)	0.3x

Opinion and Recommendation

CADU reported positive 1Q21 results with double-digit revenue growth and high positive free cash flow generation, in line with our expectations. After these quarterly results, we continue with a BUY recommendation and target price of MXN\$7.0/share. We believe that the current price level of CADU's shares represents a clear investment opportunity.

We expect CADU's operating performance to continue improving during the following quarters due to the re-opening of the Mexican economy, higher vaccination levels in both the United States and Mexico, and a reactivation of tourism.

Revenues

CADU reported total revenues of MXN\$838 million (vs. M \$ 836 million E) in 1Q21, up 10.6% YoY, mainly due to a 15.6% increase in housing revenues, which benefitted from the displacement of the "Aldea Tulúm", "Allure" and "Blume" projects.

CADU experienced a 30.3% YoY sales rise in the low-income segment and 130.0% in residential, offsetting the drops of 17.4% in social interest (VU), 24.2% in the middle segment and 34.9% in medium-residential, due to the delay in purchasing decisions of potential customers.

The average price per unit rose 13.3% YoY to MXN\$747 thousand due to higher prices in social interest, and a greater participation of the residential segment in the sales mix. In addition, the number of homes was up 2% YoY to 1,091 in 1Q21.

Construction services revenues reached MXN\$19 million, compared to MXN\$1 million the previous year. However, land sales decreased to MXN\$5 million, from MXN\$52 million the previous year.

Profitability

The cost of sales advanced 22.8% YoY to MXN\$628 million, since the company kept its workforce and implemented promotions aimed at stimulating demand and registered higher sales for construction services, which generate lower margins than housing sales. Gross profit fell 14.7% YoY to MXN\$210 million. However, general expenses declined 7.1% YoY to MXN\$121 million thanks to the strict expense control. They represented 14.4% of total revenues, compared to 17.2% the previous year. For these reasons, EBITDA grew 1.2% YoY to MXN\$148 million (as expected), and the EBITDA margin was 17.7% (also in line), compared to the 19.3% margin in 1Q20.

Net Profit

Net profits were down 14.9% YoY to MXN\$73 million (vs. MXN\$67 million E).

Financial Structure

CADU's net debt/EBITDA ratio was 5.92x in 1Q21, from 3.56x in 1Q20. Total debt amounted to MXN\$3,445 million at the end of the quarter, down 13.3% YoY, which derived from a 32.7% reduction in bank debt. This was partially offset by a 44.5% increase in stock market debt due to the issuance of the green bond CADU20V, which broadened the investor base. CADU improved its maturity profile as its short-term debt represented 18.8% of total debt, compared to 24.6% in 4Q20. Cash and equivalents grew 28.4% YoY to MXN\$538 million supported on a high free cash flow generation.

In order to reduce its leverage, the company is analyzing alternatives such as the sale of non-strategic assets, or the participation of investors in certain projects.

Working Capital Cycle

The working capital cycle was 1,012 days in 1Q21, with an improvement of 54 days compared to 4Q20, boosted by the strategy of selling finished housing inventory. Inventory days decreased to 1,023 in the current quarter, from 1,096 days in 4Q20. The inventory balance was lower both sequentially and annually.

Free Cash Flow

Due to its focus on liquidity preservation, CADU generated a MXN\$299 million free cash flow in 1Q21, compared to a negative free cash flow of MXN\$213 million in 1Q20.

ASG

During 1Q21, CADU obtained the Prime Certification, granted by Bancomext, NAFIN, the BMV, BIVA and the AMIB due to its Environmental, Social and Governance commitment. Likewise, the company received the 2020 Green Bond award from Environmental Finance.

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(Figures in Millions of MXN\$)	1Q21	1Q21E	Diff	1Q20	Change
Revenues	838	836	0.2%	758	10.6%
Operating Profit	89	62	43.4%	116	-23.2%
<i>Operating Margin</i>	<i>10.6%</i>	<i>7.4%</i>		<i>15.3%</i>	
EBITDA	148	148	0.2%	146	1.2%
<i>EBITDA Margin</i>	<i>17.7%</i>	<i>17.7%</i>		<i>19.3%</i>	
Financial Gains	3	20	-87.3%	3	-9.0%
Financial Cost	-19	0	n.a.	-16	13.0%
Pre-Tax Profit	73	82	-11.1%	102	-28.6%
Income Tax & Profit Sharing	0	-17	n.a.	-16	n.a.
<i>Tax & Profit Sharing Rate</i>	<i>n.a.</i>	<i>n.a.</i>		<i>16.1%</i>	
Profit Before Minorities	73	65	11.9%	86	-14.9%
Minority Interest	-0	2	-114.7%	-1	n.a.
Net Profit	73	67	8.7%	85	-14.1%
EPS	P\$ 0.21	P\$ 0.20	8.7%	P\$ 0.25	-13.4%

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