

## CADU: 3Q21 Results

### Lower Housing Revenues Offset by Land Sale at Aldea Tulum



CADU/A	BUY
Target Price (MXN\$)	\$ 7.00
Current Price (MXN\$)	\$ 3.73
Expected Dividend (MXN\$)	\$ 0.00
Potential Return	87.7%
Market Cap (MXN\$ Mn)	1,266
EV/ EBITDA	8.6x
P/E	6.9x
P/BV	0.3x

### Opinion and Recommendation

CADU's revenues 3Q21 decreased slightly, as the reduction in housing revenues was offset by the sale of a piece of land in the Aldea Tulum project. This also resulted in a significant 98.6% growth in the company's EBITDA, which slightly exceeded our projections. Net profit was MXN\$72 million, much better than the previous year. This indicator was also slightly above our estimates. The company generated MXN\$171 million of positive free flow and reduced its leverage to 4.41x.

### Revenues

CADU reported total revenues of MXN\$794 million in the quarter, down 3.4% due to lower housing sales, which were offset by the sale of a lot in the Aldea Tulum project.

Housing sales fell 27.4% to MXN\$586 million due to the change in the INFONAVIT scoring system that affected the demand for social interest in Playa del Carmen and Cancun, the impact of the labor reform, a slowdown in the Torre Lago sales due to more restrictive conditions in the granting of credit from banking institutions, and lower sales of the México-Tacuba project. Performance by segment was (+ 15.1%) in social interest, (-23.1%) in VU social interest, (-66.7%) in middle-income housing, (-84.6%) in middle-residential, and (-11.7%) in residential.

The average price was MXN\$723 thousand, 11.5% lower due to less volume in the middle-residential segment in Mexico City, and a lower price per unit at Blume compared to that of Allure. Homes sold were 811 in 3Q21, down 18.0%.

Land sales amounted to MXN\$164 million in 3Q21 (which includes MXN\$156 million at Aldea Tulum), from MXN\$8 million the previous year. In addition, construction services revenues were MXN\$43 million, higher than last year's MXN\$7 million.

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### Profitability

Cost of sales fell 23.8% to MXN\$510 million. It represented 64.3% of revenues in 3Q21, from 81.4%, as a result of the sale of the Aldea Tulum land and lower promotions granted during the quarter. Gross profit rose 85.9% YoY to MXN\$283 million. General expenses decreased 24.1% to MXN\$105 million due to lower commissions paid and the implementation of a lighter operating structure in Mexico City. EBITDA grew 98.6% to MXN\$217 million (vs. MXN\$ 203 million E) in 3Q21 driven by the sale of the Aldea Tulum land. Therefore, the EBITDA margin expanded to 27.4% in the quarter, from 13.3% in 3Q20.

### Net Profits

Net profits reached MXN\$72 million (vs. MXN\$ 67 million E) in 3Q21, compared to MXN\$15 million in 3Q20, due to the aforementioned transaction in Aldea Tulum, which offset the higher amount of taxes.

### Financial Structure

At the end of 3Q21, total debt amounted to MXN\$3,323 million, down 12.1%. The net debt/EBITDA ratio improved to 4.41x in the quarter, from 5.79x last year. Interest coverage increased to 2.57x in 3Q21, from 1.64x in 3Q20.

### Working Capital Cycle

The working capital cycle decreased from 152 days to 1,042 days due to higher inventory turns. However, it increased 91 days sequentially due to the acquisition of a piece of land in Querétaro.

### Free Cash Flow

Free cash flow for the period was MXN\$171 million, supported by the sale of the Aldea Tulum land. It was below the MXN\$281 million free cash flow a year ago.

### ESG

CADU first presented its quarterly ESG indicators, which included health and safety, environment, ethics, and communities.

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