

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

Results will continue to be affected by regulatory changes; we anticipate a recovery



CADU A	BUY
Target Price (MXN\$)	\$ 5.00
Current Price (MXN\$)	\$ 1.81
Expected Dividend (MXN\$)	\$ 0.00
Potential Return	176.2%
Market Cap (MXN\$ Mn)	614
EV/ EBITDA	7.7x
P/E	16.5x
P/BV (current)	0.1x

Opinion and recommendation

We expect CADU's operating performance to continue to be affected by last year's outsourcing reform and the change in INFONAVIT's scoring system, which will translate into a lower units sold, mainly in the low-income segment, as well as reduced revenues and EBITDA. However, we anticipate a recovery during the following quarters due to greater hotel activity and higher employment levels in the state of Quintana Roo.

1Q22 Preview

We estimate that CADU's revenues will decrease 23.4% YoY in 1Q22 to MXN\$642 million, mainly as a result of the impact of last year's outsourcing reform and the change in the INFONAVIT scoring system. For these reasons, we expect volume to decline 32.4% to 738 units, primarily due to a 32.1% fall in the affordable entry-level segment. This will be partially offset by an 8.3% increase in the average price per unit to MXN\$809 thousand, given the company's focus on higher priced housing. Worth mentioning that total sales will be slightly lower sequentially.

As a result of lower revenues compared to the previous year, we anticipate that the company's 1Q22 EBITDA will drop 53.8% YoY to MXN\$68 million. The EBITDA margin will contract to 10.6%, from 17.6% in the previous year. However, EBITDA will be similar to 4Q21.

We project that the company will report a MXN\$15 million quarterly net loss, from a MXN\$73 million net profit in the same period of the previous year, as a result of lower operating results. We anticipate that CADU will generate negative free cash flow due to investments in the development of projects.

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