

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

**Positive 2Q22 results with a significant recovery both sequentially and annually due to higher prices and volumes**



CADU A	Under Review
Target Price (MXN\$)	UR
Current Price (MXN\$)	\$ 2.01
Expected Dividend (MXN\$)	\$ 0.00
Potential Return	UR
Market Cap (MXN\$ Mn)	682
2022E EV/ EBITDA	5.9x
2022E P/E	3.8x
P/BV (current)	0.1x

### Opinion and recommendation

CADU reported very positive 2Q22 results that were above our expectations in terms of revenues and EBITDA, and in line in net profits. The average price per unit exceeded one million pesos due to the company's focus on higher value housing. In addition, CADU benefited from a significant recovery in demand that boosted housing revenues by 47.8%. It kept expenses under control which offset the lower gross margin. This translated into strong growth of 59.3% in EBITDA and 287.6% in net profits. The company expects to obtain the external auditors opinion and resume trading of its shares in August.

### Revenues

CADU maintained its strategy focused on higher value housing, resulting in a significant 25.8% increase in the average price that exceeded one million pesos. Additionally, demand accelerated, driving volume up by 17.5%. This translated into a 47.8% growth in housing revenues, mainly in Quintana Roo (Cancún +29.0%, Playa del Carmen +370.6% and Tulum +30.0%). This state's performance was supported by the new phases of the Madison and King developments, Playa del Carmen's low comparison base and the Aldea Tulum project. CDMX also contributed with 357.9% sales rise due to Torre Lago. Total revenues were up 36.8% YoY.

Gross margin contracted to 19.0% in 2Q22, from 23.4% a year earlier, due to the inflationary impact. However, expenses remained virtually unchanged, which led to an expense-to-sales ratio of 12.6%, compared to 17.2%. This generated a 59.3% EBITDA growth to MXN\$169 million (vs. MXN\$150 million E), while the EBITDA margin expanded 240 bps to 17.0%.

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Net income was up 287.6% to MXN\$64 million (vs. MXN\$65 million E) as a result of solid operating performance and positive deferred taxes.

### Financial structure

Leverage reached 10.5x at the end of the quarter due to the audit adjustments that the company carried out. However, we estimate that this indicator would have been only 4.5x annualizing the 2Q22 EBITDA. The company expects its leverage to improve over the coming quarters as a result of higher revenue and EBITDA generation.

Last June, CADU obtained a waiver on compliance with the "covenants" of its Cebures CADU18, CADU19 and CADU20V.

### Free cash flow

CADU generated free cash flow of MXN\$156 million, compared to MXN\$26 million in 2Q21.

The working capital cycle increased by 231 days, reaching 1,182 days in the current quarter, mainly due to higher days of inventory. However, it improved sequentially.

### ESG

CADU presented its ESG indicators, which show an improvement in terms of certified green homes, carbon footprint reduction, and energy and water savings.

(Figures in Millions of MXN\$)	2Q22	2Q22E	Diff	2Q21	Chg.
Revenues	994	952	4.5%	727	36.8%
Cost of Sales	-806	-758	6.3%	-557	44.6%
Gross Profit	189	194	-2.5%	170	11.1%
Gross Margin	19.0%	20.3%		23.4%	
General Expenses	-125	-135	-7.3%	-125	0.1%
Operating Profit	64	59	8.7%	45	41.5%
Operating Margin	6.4%	11.4%		6.2%	
EBITDA	169	150	12.6%	106	59.3%
EBITDA Margin	17.0%	15.8%		14.6%	
Financial Gains	5	5	0.4%	1	227.3%
Financial Cost	-25	-24	3.2%	-15	64.9%
Net Profit	64	65	-2.5%	16	287.6%

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