

CADU

Sells land property for MXN\$231 million; we raised our target price to MXN\$5.00/share

CADU A	BUY
Target Price (MXN\$)	\$ 5.00
Current Price (MXN\$)	\$ 2.80
Min / Max (L12M)	\$ 1.57 - 2.99
Expected Dividend (MXN\$)	\$ 0.00
Expected Return	78.6%
Market Cap (MXN\$ Mn)	894
Enterprise Value (MXN\$ Mn)	3,811
Outstanding Shares (Mn)	319.2
Float	29.2%
ADTV (MXN\$ Mn)	\$ 0.06

Opinion and recommendation

CADU announced the sale of a land property for MXN\$231 million. We believe this is favorable news as this transaction will help the company to strengthen its liquidity position and financial structure. In addition, it will have additional resources to face short-term maturities.

After having included this transaction in our model, we reiterate our BUY recommendation and we are raising our target price to MXN\$5.00/share, from MXN\$4.00/share. The valuation of CADU's shares seems very attractive to us with a forward EV/EBITDA of 5.6x and a projected P/E of 3.5x, which we believe do not reflect the favorable operating prospects for the coming year. The main risk at this moment is a possible macroeconomic slowdown.



Discounted Cash Flow Model

(Figures in Millions of MXN\$)	2023E	2024E	2025E	2026E	2027E	Perp.
OPERATING PROFIT	324	362	403	449	500	530
Tax Rate	27%	27%	27%	27%	27%	30%
Tax Shield	-88	-98	-110	-122	-136	-144
NOPLAT	236	263	293	327	364	386
Depreciation	10	10	11	11	12	13
Working Capital Changes	-335	-106	-48	-198	-187	-198
FCFF	-89	168	257	141	189	200
Perpetuity Growth Rate						5.9%
PV of Explicit Period (2023 - 2027E)						471
Perpetuity Value						5,513
PV of Perpetuity Value						3,490
Enterprise Value						3,960
Net Debt						2,325
Minority Interest						40
Market Value						1,595
Outstanding Shares						319
Target Price						P\$ 5.00
Current Market Price						P\$ 2.80
Potential Return Incl. Dividends						78.5%
Forward EV/EBITDA						6.8x
Forward P/E						6.3x
Average Cost of Debt						11.6%
LT Tax Rate						30.0%
After-Tax Cost of Debt						8.1%
Cost of Equity						10.5%
Market Risk Premium						6.0%
Risk-Free Rate						8.8%
Beta						0.28
% Total Debt						38.6%
% Capital						61.4%
WACC						9.6%

Sensitivity Analysis Table, EV/EBITDA vs. EBITDA

	-10%	-5%	Original	+5%	+10%
Projected EBITDA	536	564	594	624	655
Target EV/EBITDA					
5.8x	2.09	2.60	3.14	3.68	4.24
6.3x	2.92	3.48	4.07	4.65	5.27
6.8x	3.76	4.36	5.00	5.63	6.29
7.3x	4.60	5.25	5.93	6.61	7.32
7.8x	5.44	6.13	6.86	7.58	8.34

Sensitivity Analysis Table, P/E vs. Net Profit

	-10%	-5%	Original	+5%	+10%
Projected Net Profit	228	240	253	265	279
Target P/E					
4.3x	3.08	3.24	3.41	3.58	3.76
5.3x	3.79	3.99	4.20	4.42	4.64
6.3x	4.51	4.75	5.00	5.25	5.51
7.3x	5.22	5.50	5.79	6.08	6.38
8.3x	5.94	6.25	6.58	6.91	7.25

(Figures in Millions of MXN\$)

INCOME STATEMENT	2021	2022E	2023E	2024E	2025E	2026E	2027E
Revenues	2,779	3,448	3,569	3,860	4,175	4,515	4,884
Cost of Sales	-2,094	-2,692	-2,688	-2,896	-3,119	-3,360	-3,620
Gross Profit	685	756	881	964	1,056	1,155	1,264
<i>Gross Margin</i>	<i>24.6%</i>	<i>21.9%</i>	<i>24.7%</i>	<i>25.0%</i>	<i>25.3%</i>	<i>25.6%</i>	<i>25.9%</i>
General Expenses	-602	-493	-557	-603	-652	-706	-764
Operating Profit	82	263	324	362	403	449	500
<i>Operating Margin</i>	<i>3.0%</i>	<i>7.6%</i>	<i>9.1%</i>	<i>9.4%</i>	<i>9.7%</i>	<i>9.9%</i>	<i>10.2%</i>
EBITDA	319	536	594	652	714	781	852
<i>EBITDA Margin</i>	<i>11.5%</i>	<i>15.5%</i>	<i>16.6%</i>	<i>16.9%</i>	<i>17.1%</i>	<i>17.3%</i>	<i>17.4%</i>
Financial Gains	15	26	36	32	35	37	40
Financial Cost	-107	-80	0	0	0	0	0
Pre-Tax Profit	-10	209	360	394	438	486	540
Net Profit	-101	152	262	286	319	354	393
Minority Interest	-3	-4	-9	-10	-12	-13	-14
Net Profit After Minorities	-104	149	253	276	307	341	379
BALANCE SHEET	2021	2022E	2023E	2024E	2025E	2026E	2027E
TOTAL ASSETS	10,177	10,615	10,824	11,023	11,098	11,399	11,848
Current Assets	3,682	7,309	7,527	7,737	7,822	8,135	8,446
LT Assets	6,495	3,307	3,297	3,286	3,275	3,264	3,402
TOTAL LIABILITIES	5,442	5,748	5,704	5,627	5,395	5,354	5,425
ST Liabilities	2,126	3,136	3,091	3,014	2,782	2,742	2,812
LT Liabilities	3,316	2,612	2,612	2,612	2,612	2,612	2,612
TOTAL DEBT	3,460	3,066	3,031	2,903	2,689	2,594	2,606
NET DEBT	2,966	2,325	2,397	2,217	1,946	1,791	1,737
TOTAL CAPITAL	4,734	4,867	5,120	5,396	5,703	6,045	6,424
Stockholder's Equity	4,695	4,827	5,078	5,351	5,656	5,995	6,371
Minority Interest	39	40	43	45	47	50	53
CASH FLOW STATEMENT	2021	2022E	2023E	2024E	2025E	2026E	2027E
PRE-TAX PROFIT	-101	184	360	394	438	486	540
Inv. Related Activities	420	163	62	79	76	72	67
Pre-Tax Cash Flow	320	616	242	270	299	331	216
Working Capital Changes	-36	179	-335	-106	-48	-198	-187
Operating Cash Flow	284	796	-93	164	251	133	29
Investment Cash Flow	-45	26	36	32	35	37	40
Financing Cash Flow	-324	-575	-50	-144	-230	-110	-4
Net Incr. (Decr.) in Cash & Temp. Inv.	-86	247	-106	52	56	61	66
Beg. of Period Cash and Temp. Inv.	565	494	741	634	686	742	803
End of Period Cash and Temp. Inv.	494	741	634	686	742	803	869

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