

CADU (Under review)

PCR Verum downgrades credit ratings

PCR Verum downgraded to 'BBB/M' from 'A-/M' and to '3/M' from '2/M', CADU's long-term and short-term corporate ratings, respectively. At the same time, it downgraded the ratings of the 'CADU 18' and 'CADU 19' debt issues to 'BBB/M' from 'A-/M'; and to 'A/M' from 'AA-/M' the rating corresponding to 'CADU 20V'. The long-term outlook was changed to 'Negative' from 'Stable'.

According to PCR Verum, "The downgrade is due to the fact that in recent quarters the recovery in CADU's operating and financial performance has remained below PCR Verum's initial expectation; this from the start of the COVID-19 pandemic (April-2020) and in view of other external factors that have slowed down the displacement of housing in its area of greatest influence and main segments served, which are expected to continue to be affected by the difficult environment in the coming months. Although its sales showed greater dynamism in the last quarter (2Q22), for the accumulated figure at the end of the year, the rating agency estimates that they will remain under pressure in relation to the company's operating scale, at the same time, with a low profitability compared to the beginning of the analysis period, continuing for a longer than expected period with high leverage levels and low interest payment coverage. The change in the rating outlook to 'Negative' reflects the growing challenges that CADU will have to face to refinance and/or amortize its debt maturities scheduled for the short/medium term."

In our opinion, this debt downgrade is negative news for CADU as it could make it difficult for the company to refinance its short-term debt.

September 6th, 2022

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