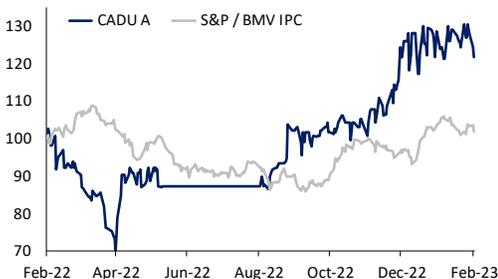


# CADU: 4Q22 Results

Positive results fueled by the recovery in housing revenues and the sale of a piece of land; we reiterate BUY

CADU A	BUY
Target Price (MXN\$)	\$ 5.00
Current Price (MXN\$)	\$ 2.94
Min / Max (L12M)	\$ 1.57 - 3.04
Expected Dividend (MXN\$)	\$ 0.00
Expected Return	78.5%
Market Cap (MXN\$ Mn)	938
Enterprise Value (MXN\$ Mn)	3,367
Outstanding Shares (Mn)	319.2
Float	29.2%
ADTV (MXN\$ Mn)	\$ 0.11



## Opinion and recommendation

CADU reported positive 4Q22 results that far exceeded our projections. They were supported by a clear recovery in housing revenues and the sale of a piece of land. The company exceeded its annual guidance that included a double-digit growth in revenues, EBITDA and net profits.

CADU released its guidance for 2023, which includes double-digit growth in revenues and EBITDA. We believe this guidance is achievable given the recovery in demand.

On the other hand, it announced the sale of another piece of land for MXN\$114 million and the full amortization of the Cebures CADU18, which we consider to be favorable news.

We reiterate our BUY recommendation with a target price of MXN\$5.00/share after these results / announcements.

## Revenues

CADU continued to focus on higher-end housing, which resulted in a 49% increase in the average price per unit to MXN\$960 thousand. In addition, volume recovered significantly with 1,036 units sold (+28%) during the quarter, which included a strong performance in all segments. This was mainly due to higher demand driven by a stronger tourist activity in the State of Quintana Roo, as well as the opening of mid-level developments during the year such as La Selva in Playa del Carmen, and Aldea Tulum Plus. Housing sales reached MXN\$994 million, up 91% YoY. Additionally, CADU sold a piece of land for MXN\$231 million.

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The company mentioned in its press release that it continues to work on strategic alliances in new projects in Guadalajara and Querétaro in order to diversify geographically.

### Profitability

Profitability improved significantly due to the sale of higher-priced house units and a piece of land. Gross margin expanded to 32.1% in 4Q22, from 5.1% in the same period of the previous year. In addition, general expenses decreased 29%. This led to an expansion in the EBITDA margin to 21.9% in the current quarter, from a negative margin of 36.3% in the same period of the previous year. EBITDA stood at MXN\$273 million, from a negative figure of MXN\$152 million. For these reasons and also due to a lower fiscal reserve, CADU reported a MXN\$202 million net profit, compared to a MXN\$262 million net loss.

### Financial structure

Total debt fell 9% to MXN\$3,092 million, while cash rose 34% to MXN\$663 million. This, coupled with the recovery in the EBITDA generation, translated into a net debt to EBITDA ratio of 3.8x at the end of 4Q22, from 9.1x the previous year.

CADU faces maturities of MXN\$444 million in 1Q23 (of which it already paid down MXN\$143 million related to the CADU18 bonds), MXN\$253 million in 2Q23, MXN\$549 million in 3Q23 and MXN\$117 million in on 4Q23.

### Free cash flow

As a result of higher house sales, the working capital cycle improved to 916 days, from 1,229 days. In addition, CADU generated MXN\$602 million in free cash flow in 4Q22, which included the MXN\$231 million sale of a piece of land, which was significantly above the negative figure of the same period last year.

(Figures in Millions of MXN\$)	4Q22	4Q22E	Diff	4Q21	Chg.
Revenues	1,249	1,201	4.1%	419	198.0%
Cost of Sales	-849	-906	-6.4%	-398	113.3%
Gross Profit	401	294	36.2%	21	1773.9%
Gross Margin	32.1%	24.5%		5.1%	
General Expenses	-179	-130	38.3%	-262	-31.7%
Operating Profit	214	165	29.8%	-230	n.a.
Operating Margin	17.1%	13.7%		-54.9%	
EBITDA	273	228	19.6%	-152	n.a.
EBITDA Margin	21.9%	19.0%		-36.3%	
Financial Gains	7	9	-20.2%	6	31.4%
Financial Cost	-35	0	n.a.	-58	-39.8%
Net Profit	202	127	59.5%	-262	n.a.

## Discounted Cash Flow Model

(Figures in Millions of MXN\$)	2024E	2025E	2026E	2027E	2028E	Perp.
OPERATING PROFIT	369	411	490	544	632	668
Tax Rate	10%	11%	11%	12%	12%	30%
Tax Shield	-37	-43	-54	-63	-76	-80
NOPLAT	332	368	436	482	556	588
Depreciation	9	9	9	10	10	11
Working Capital Changes	-41	-158	-171	-178	-206	-218
FCFF	211	131	186	226	272	288
Perpetuity Growth Rate						5.8%
PV of Explicit Period (2024 - 2028E)						745
Perpetuity Value						5,603
PV of Perpetuity Value						3,010
Enterprise Value						3,755
Net Debt						2,116
Minority Interest						43
Market Value						1,597
Outstanding Shares						319
Target Price						P\$ 5.00
Current Market Price						<b>P\$ 2.94</b>
Potential Return Incl. Dividends						70.1%
Forward EV/EBITDA						5.5x
Forward P/E						6.2x
Average Cost of Debt						13.1%
LT Tax Rate						30.0%
After-Tax Cost of Debt						9.2%
Cost of Equity						11.8%
Market Risk Premium						6.0%
Risk-Free Rate						9.4%
Beta						0.39
% Total Debt						33.7%
% Capital						66.3%
WACC						10.9%

(Figures in Millions of MXN\$)

<b>INCOME STATEMENT</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>
Revenues	3,723	3,901	4,096	4,428	4,788	5,178	5,600
Cost of Sales	-2,805	-2,871	-3,080	-3,317	-3,573	-3,848	-4,144
Gross Profit	918	1,030	1,015	1,111	1,216	1,330	1,455
<i>Gross Margin</i>	<i>24.7%</i>	<i>26.4%</i>	<i>24.8%</i>	<i>25.1%</i>	<i>25.4%</i>	<i>25.7%</i>	<i>26.0%</i>
General Expenses	-543	-591	-647	-700	-726	-786	-823
Operating Profit	368	440	369	411	490	544	632
<i>Operating Margin</i>	<i>9.9%</i>	<i>11.3%</i>	<i>9.0%</i>	<i>9.3%</i>	<i>10.2%</i>	<i>10.5%</i>	<i>11.3%</i>
EBITDA	636	708	657	720	819	894	982
<i>EBITDA Margin</i>	<i>17.1%</i>	<i>18.1%</i>	<i>16.0%</i>	<i>16.3%</i>	<i>17.1%</i>	<i>17.3%</i>	<i>17.5%</i>
Financial Gains	25	29	30	33	36	38	42
Financial Cost	-115	-121	-115	-111	-108	-107	-110
Pre-Tax Profit	278	347	284	332	417	475	563
Net Profit	269	314	256	297	371	421	496
Minority Interest	-1	-0	-0	-0	-0	-0	-0
Net Profit After Minorities	268	314	256	297	371	421	496
<b>BALANCE SHEET</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>
TOTAL ASSETS	11,017	10,988	11,231	11,560	11,950	12,507	13,103
Current Assets	7,349	7,262	7,426	7,676	7,987	8,316	8,685
LT Assets	3,667	3,726	3,805	3,884	3,963	4,191	4,418
TOTAL LIABILITIES	6,011	5,668	5,655	5,687	5,706	5,842	5,943
ST Liabilities	3,286	2,943	2,930	2,962	2,980	3,117	3,218
LT Liabilities	2,725	2,725	2,725	2,725	2,725	2,725	2,725
TOTAL DEBT	3,109	2,710	2,623	2,615	2,550	2,597	2,602
NET DEBT	2,447	2,116	1,980	1,920	1,799	1,784	1,722
TOTAL CAPITAL	5,006	5,320	5,575	5,873	6,244	6,665	7,160
Stockholder's Equity	4,966	5,277	5,531	5,826	6,194	6,611	7,103
Minority Interest	40	43	45	47	50	53	57
<b>CASH FLOW STATEMENT</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>
Net Profit	269	314	256	297	371	421	496
Inv. Related Activities	341	262	271	283	296	309	319
Pre-Tax Cash Flow	609	414	313	343	404	299	380
Working Capital Changes	216	75	-41	-158	-171	-178	-206
Operating Cash Flow	825	489	272	185	233	121	174
Investment Cash Flow	3	-59	-58	-55	-52	-49	-46
Financing Cash Flow	-660	-499	-166	-77	-124	-10	-61
Net Incr. (Decr.) in Cash & Temp. Inv.	169	-68	48	52	57	61	66
Beg. of Period Cash and Temp. Inv.	494	663	594	643	695	752	813
End of Period Cash and Temp. Inv.	663	594	643	695	752	813	879

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