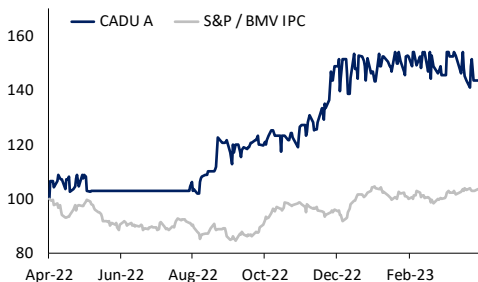


# CADU: 1Q23 Results

Positive results with a significant recovery in housing revenues and higher land sales

CADU A	BUY
Target Price (MXN\$)	\$ 5.20
Current Price (MXN\$)	\$ 2.80
Min / Max (L12M)	\$ 1.80 - 3.04
Expected Dividend (MXN\$)	\$ 0.00
Expected Return	85.7%
Market Cap (MXN\$ Mn)	894
Enterprise Value (MXN\$ Mn)	2,951
Outstanding Shares (Mn)	319.2
Float	29.2%
ADTV (MXN\$ Mn)	\$ 0.13



## Opinion and recommendation

We believe that CADU's quarterly results were positive since all indicators improved significantly compared to the previous year and were above our projections. After having updated our model, we are reiterating our BUY recommendation and raising our target price to MXN\$5.20/share.

## Revenues

Total revenues were MXN\$1,144 million (above our projection of MXN\$1,038 million) in 1Q23, which represented a 78.6% YoY increase, supported by a 51.1% rise in housing revenues, in addition to the sale of land amounting to MXN\$230 million. Housing sales were driven by a combination of higher prices per unit (+15.8% to MXN\$946 thousand) and rising volumes (+30.5%), mainly in social interest, medium interest and medium residential.

Cancun, Playa del Carmen and Tulum revenues were up 29.5%, 161.7% and 17.2%, respectively, while Mexico City recorded sales of MXN\$30 million. Worth mentioning that the potential Infonavit demand in the state of Quintana Roo is 94 thousand homes, higher than the 75 thousand in 1Q22, which reflects the strength of the local market. On the other hand, CADU continues to analyze possible strategic alliances in Guadalajara and Querétaro to diversify its sources of revenues.

## Profitability

Gross margin improved to 23.8%, from 19.5%, as a result of the change in the revenue mix and the land sale. The expense-to-revenue ratio fell 4 percentage points to 12.3%. For this reason, EBITDA grew 216.6% YoY to MXN\$192 million (vs. MXN\$162 million that we estimated).

Net profits stood at MXN\$73 million in the current quarter (vs. MXN\$64 million E), compared to a MXN\$28 million net loss in the same period of the previous year.

### Free cash flow

The company maintained a conservative stance with respect to the acquisition of land reserves, which enabled it to generate a positive MXN\$465 million free cash flow, from a negative MXN\$78 million figure the previous year.

### Financial structure

The net debt to EBITDA ratio improved to 2.66x at the end of the current quarter, from 13.32x in 1Q22. Cash rose 29.5%, while total debt fell 25.8%.

CADU faces maturities of MXN\$1,116 million during the next year, mainly in 3Q23, of which 62% is bank debt and the rest are Cebures. On April 21<sup>st</sup>, the holders of the Cebures CADU19 and CADU20V approved a waiver on the financial covenants.

### Working capital cycle

As a result of the higher housing sales, the working capital cycle experienced a notable 520 days reduction, closing at 783 days.

### ESG

CADU exceeded 26,000 sustainable homes, obtained the distinction of "Socially Responsible Company" (ESR for its acronym in Spanish) for the second consecutive year and expects to publish its 2022 Annual Sustainability Report during the next quarter.

(Figures in Millions of MXN\$)	1Q23	1Q23E	Diff	1Q22	Chg.
Revenues	1,144	1,038	10.2%	640	78.6%
Cost of Sales	-871	-798	9.2%	-516	69.0%
Gross Profit	273	241	13.4%	125	118.5%
Gross Margin	23.8%	23.2%		19.5%	
General Expenses	-140	-142	-0.9%	-104	34.8%
Operating Profit	132	99	33.9%	21	n.a.
Operating Margin	11.6%	9.5%		3.2%	
EBITDA	192	162	18.3%	61	214.8%
EBITDA Margin	16.8%	15.6%		9.5%	
Financial Gains	10	8	29.4%	7	43.5%
Financial Cost	-40	-32	25.3%	-23	73.6%
Net Profit	73	64	14.7%	-28	n.a.

## Discounted Cash Flow Model

(Figures in Millions of MXN\$)	2024E	2025E	2026E	2027E	2028E	Perp.
OPERATING PROFIT	455	507	621	702	796	820
Tax Rate	10%	11%	11%	12%	12%	30%
Tax Shield	-46	-53	-68	-81	-95	-98
NOPLAT	410	454	552	622	700	722
Depreciation	7	8	8	8	9	9
Working Capital Changes	-232	-123	-188	-196	-225	-232
FCFF	164	317	351	413	463	477
Perpetuity Growth Rate						3.1%
PV of Explicit Period (2024 - 2028E)						1,222
Perpetuity Value						6,342
PV of Perpetuity Value						3,461
Enterprise Value						4,683
Net Debt						2,255
Minority Interest						42
Market Value						2,386
Outstanding Shares						321
Adjusted Target Price						P\$ 5.20
Current Market Price						P\$ 2.80
Potential Return Incl. Dividends						85.9%
Forward EV/EBITDA						5.6x
Forward P/E						5.7x
Average Cost of Debt						13.5%
LT Tax Rate						30.0%
After-Tax Cost of Debt						9.4%
Cost of Equity						11.3%
Market Risk Premium						6.0%
Risk-Free Rate						8.9%
Beta						0.40
% Total Debt						35.3%
% Capital						64.7%
WACC						10.6%

(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	4,495	4,668	5,049	5,462	5,908	6,391
Cost of Sales	-2,805	-3,454	-3,616	-3,896	-4,197	-4,523	-4,873
Gross Profit	918	1,042	1,053	1,154	1,264	1,385	1,518
<i>Gross Margin</i>	<i>24.7%</i>	<i>23.2%</i>	<i>22.5%</i>	<i>22.8%</i>	<i>23.1%</i>	<i>23.4%</i>	<i>23.7%</i>
General Expenses	-543	-553	-597	-647	-643	-683	-722
Operating Profit	368	489	455	507	621	702	796
<i>Operating Margin</i>	<i>9.9%</i>	<i>10.9%</i>	<i>9.7%</i>	<i>10.0%</i>	<i>11.4%</i>	<i>11.9%</i>	<i>12.5%</i>
EBITDA	636	755	742	814	949	1,051	1,145
<i>EBITDA Margin</i>	<i>17.1%</i>	<i>16.8%</i>	<i>15.9%</i>	<i>16.1%</i>	<i>17.4%</i>	<i>17.8%</i>	<i>17.9%</i>
Financial Gains	25	38	42	45	49	53	57
Financial Cost	-115	-156	-169	-171	-171	-171	-169
Pre-Tax Profit	278	371	327	381	498	584	684
Net Profit	269	266	295	341	444	517	602
Minority Interest	-1	-4	-5	-5	-7	-8	-9
Net Profit After Minorities	268	262	290	336	437	509	592
<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	11,205	11,811	12,195	12,768	13,360	13,994
Current Assets	7,349	7,489	7,853	7,996	8,329	8,680	9,074
LT Assets	3,667	3,716	3,958	4,199	4,440	4,680	4,921
TOTAL LIABILITIES	6,011	5,952	6,268	6,316	6,453	6,536	6,577
ST Liabilities	3,286	3,490	3,805	3,854	3,990	4,073	4,115
LT Liabilities	2,725	2,463	2,463	2,463	2,463	2,463	2,463
TOTAL DEBT	3,109	2,864	3,098	3,181	3,231	3,222	3,164
NET DEBT	2,447	2,255	2,439	2,467	2,459	2,386	2,260
TOTAL CAPITAL	5,006	5,253	5,543	5,879	6,316	6,825	7,417
Stockholder's Equity	4,966	5,211	5,498	5,832	6,265	6,770	7,358
Minority Interest	40	42	45	47	51	55	60
<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	266	295	341	444	517	602
Inv. Related Activities	341	310	304	319	335	352	365
Pre-Tax Cash Flow	609	467	485	530	629	697	773
Working Capital Changes	216	116	-232	-123	-188	-196	-225
Operating Cash Flow	825	583	253	408	441	502	547
Investment Cash Flow	3	17	21	24	28	32	36
Financing Cash Flow	-660	-653	-224	-378	-410	-470	-515
Net Incr. (Decr.) in Cash & Temp. Inv.	169	-53	50	54	59	63	69
Beg. of Period Cash and Temp. Inv.	494	663	609	659	714	772	836
End of Period Cash and Temp. Inv.	663	609	659	714	772	836	904

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