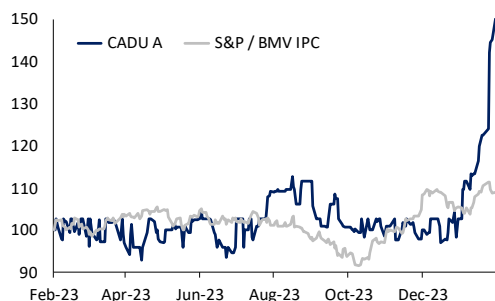


CADU: 4Q23 Preview

We expect a high growth in housing revenues due to a solid demand and a stronger mix, which will likely be offset by lower land sales

CADU A	BUY
Target Price (MXN\$)	\$ 5.20
Current Price (MXN\$)	\$ 4.55
Min / Max (L12M)	\$ 2.62 - 4.68
Expected Dividend (MXN\$)	\$ 0.00
Expected Return	14.3%
Market Cap (MXN\$ Mn)	1,452
Enterprise Value (MXN\$ Mn)	3,283
Outstanding Shares (Mn)	319.2
Float	29.2%
ADTV (MXN\$ Mn)	\$ 0.38



Opinion and recommendation

We expect CADU to report a favorable performance in 4Q23 in the housing business, which will be driven by high demand, rising prices and a stronger mix.

4Q23 preview

We estimate that housing revenues will be up 10% YoY to MXN\$1.1 billion, benefiting from a high demand fueled by high levels of hotel occupancy, opening of new hotels, and construction of major infrastructure projects, in conjunction with price hikes, and a stronger sales mix as a result of the company's focus on higher-end segments. The latter included the opening of the OMBÚ (average housing) and La Vela (residential housing) developments in 3Q23. The average price will thus improve 14%, once again exceeding one million pesos. However, total revenues will decrease 8% YoY due to lower land sales compared to the previous year.

The EBITDA margin will contract to 18.2% in the current quarter, from 21.9% in the same period last year, also as a result of the reduction in land sales. For this reason, EBITDA will register a 24% reduction on a non-comparable basis, to MXN\$209 million. Net profits will decline 21% to MXN\$159 million due to the aforementioned extraordinary effect.

We expect the company to generate positive free cash flow in the quarter, which will allow it to continue paying down debt.

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