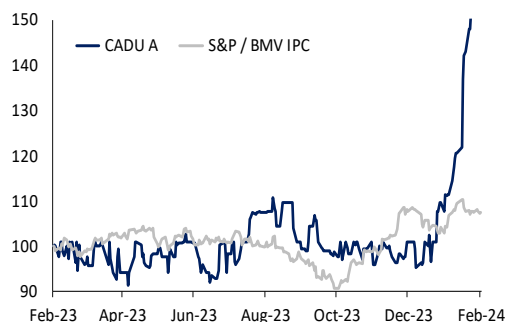


CADU: 4Q23 Results

Higher-than-expected housing revenue growth; we raised our target price to MXN\$7.50/share

CADU A	BUY
Target Price (MXN\$)	\$ 7.50
Current Price (MXN\$)	\$ 4.76
Min / Max (L12M)	\$ 2.62 - 4.68
Expected Dividend (MXN\$)	\$ 0.00
Expected Return	57.6%
Market Cap (MXN\$ Mn)	1,519
Enterprise Value (MXN\$ Mn)	3,098
Outstanding Shares (Mn)	319.2
Float	29.2%
ADTV (MXN\$ Mn)	\$ 0.35



Opinion and recommendation

CADU recorded significant growth in housing revenues due to the launching of new developments in the middle and residential segments in conjunction with price increases, which continued to improve the revenue mix. After these results, we reiterate our BUY recommendation and are raising the target price to MXN\$7.50/share, from MXN\$5.20/share.

CADU met its 2023 guidance and released its 2024 guidance that includes revenue and EBITDA growth of around 10%, which we consider achievable.

4Q23 Results

Total revenues were down 6.6% YoY to MXN\$1.17 billion (vs. our MXN\$1.1 billion forecast) mainly due to a 94.4% reduction in land sales. However, housing revenues were up 16.2% to MXN\$1.16 billion (vs. MXN\$1.09 billion E), supported by an improvement in both titled units (+5.9%) and the average price per unit (+9.7%), which once again exceeded one million pesos. The latter was due to the opening of new projects in Cancun for medium-sized and residential housing, as well as price hikes in all segments, except medium-residential.

The gross margin contracted 460 bps due to the reduction in land sales. This was partially offset by a 100 bps decrease in the expenses-to-revenue ratio. The EBITDA margin fell 260 bps to 19.6%, therefore EBITDA declined 17.6% YoY on a non-comparable basis to MXN\$229 million (vs. MXN\$209 million E).

Net profits were down 85.2% YoY to MXN\$28 million also because of lower land sales.

Financial structure / free cash flow

As a result of the EBITDA growth during the year and a 31.3% debt reduction, the net debt to EBITDA ratio was 2.1x at the end of the quarter, compared to 3.8x in the same period of the previous year. 28.5% of the debt matures during 2024. The company plans to pay the “CADU 19” domestic bond in full in 2Q24.

CADU generated MXN\$361 million in positive cash flow in the quarter, 54.9% lower. However, cumulative free cash flow for the year was 24.3% higher. The working capital cycle decreased from 198 to 729 days, mainly due to the extension of the payment period to suppliers.

ESG

CADU certified 844 units under the ECOCASA program during the quarter, which allows it to generate energy and water savings and reduce CO2 emissions.

(Figures in Millions of MXN\$)	4Q23	4Q23E	Diff	4Q22	Chg.
Revenues	1,171	1,148	2.0%	1,253	-6.6%
Cost of Sales	-823	-832	-1.1%	-823	0.1%
Gross Profit	347	316	10.0%	430	-19.2%
Gross Margin	29.7%	27.5%		34.3%	
General Expenses	-181	-153	18.5%	-207	-12.5%
Operating Profit	166	163	2.1%	223	-25.5%
Operating Margin	14.2%	14.2%		17.8%	
EBITDA	229	209	9.7%	273	-16.1%
EBITDA Margin	19.6%	18.2%		21.8%	
Financial Gains	5	7	-28.9%	3	48.7%
Financial Cost	-31	29	-205.0%	-47	-34.6%
Net Profit	28	159	-82.2%	192	-85.2%

Discounted Cash Flow Model

(Figures in Millions of MXN\$)	2025E	2026E	2027E	2028E	2029E	Perp.
OPERATING PROFIT	687	771	864	990	1,116	1,171
Tax Rate	21%	21%	22%	22%	22%	30%
Tax Shield	-141	-162	-186	-218	-245	-258
NOPLAT	546	609	678	772	870	913
Depreciation	11	11	12	12	13	14
Working Capital Changes	235	-145	-166	-212	-229	-240
FCFF	773	456	505	554	636	667
Perpetuity Growth Rate						5.0%
PV of Explicit Period (2025 - 2029E)						2,058
Perpetuity Value						7,931
PV of Perpetuity Value						3,737
Enterprise Value						5,795
Net Debt						1,970
Minority Interest						52
Market Value						3,773
<i>Outstanding Shares</i>						327
Adjusted Target Price						P\$ 7.50
Current Market Price						P\$ 4.76
Potential Return Incl. Dividends						57.6%
Forward EV/EBITDA						5.1x
Forward P/E						6.8x
Average Cost of Debt						13.4%
LT Tax Rate						30.0%
After-Tax Cost of Debt						9.4%
Cost of Equity						15.3%
Market Risk Premium						6.0%
Risk-Free Rate						9.3%
Beta						1.00
% Total Debt						32.3%
% Capital						67.7%
WACC						13.4%

(Figures in Millions of MXN\$)

INCOME STATEMENT	2023	2024E	2025E	2026E	2027E	2028E	2029E
Revenues	4,506	4,931	4,954	5,359	5,798	6,273	6,788
Cost of Sales	-3,286	-3,492	-3,493	-3,763	-4,054	-4,367	-4,705
Gross Profit	1,220	1,439	1,460	1,596	1,744	1,906	2,082
General Expenses	-698	-714	-774	-825	-880	-916	-967
Operating Profit	522	725	687	771	864	990	1,116
<i>Operating Margin</i>	<i>11.6%</i>	<i>14.7%</i>	<i>13.9%</i>	<i>14.4%</i>	<i>14.9%</i>	<i>15.8%</i>	<i>16.4%</i>
EBITDA	745	819	825	918	1,020	1,154	1,296
<i>EBITDA Margin</i>	<i>16.5%</i>	<i>16.6%</i>	<i>16.7%</i>	<i>17.1%</i>	<i>17.6%</i>	<i>18.4%</i>	<i>19.1%</i>
Financial Gains	28	22	23	25	27	29	31
Financial Cost	-137	-248	-255	-255	-261	-266	-263
Pre-Tax Profit	413	498	455	541	630	753	884
Net Profit	302	399	362	427	494	587	689
BALANCE SHEET	2023	2024E	2025E	2026E	2027E	2028E	2029E
TOTAL ASSETS	11,380	12,438	12,480	13,018	13,588	14,216	14,876
Current Assets	3,731	4,512	4,332	4,613	4,926	5,296	5,695
LT Assets	7,649	7,926	8,149	8,405	8,662	8,920	9,180
TOTAL LIABILITIES	6,103	6,839	6,591	6,772	6,918	7,029	7,067
ST Liabilities	1,771	2,506	2,259	2,440	2,586	2,696	2,735
LT Liabilities	4,333	4,333	4,333	4,333	4,333	4,333	4,333
TOTAL DEBT	2,123	2,670	2,334	2,434	2,492	2,509	2,446
NET DEBT	1,579	1,970	1,668	1,713	1,713	1,665	1,533
TOTAL CAPITAL	5,277	5,604	5,894	6,250	6,674	7,192	7,813
Stockholder's Equity	5,227	5,552	5,839	6,192	6,612	7,125	7,740
Minority Interest	49	52	55	58	62	67	73
CASH FLOW STATEMENT	2023	2024E	2025E	2026E	2027E	2028E	2029E
Net Profit	302	399	362	427	494	587	689
Inv. Related Activities	413	246	254	263	274	281	289
Pre-Tax Cash Flow	715	507	537	569	643	741	836
Working Capital Changes	540	-437	235	-145	-166	-212	-229
Operating Cash Flow	1,255	69	771	423	476	529	607
Investment Cash Flow	21	-11	-10	-9	-7	-5	-2
Financing Cash Flow	-1,394	98	-796	-360	-410	-460	-535
Net Incr. (Decr.) in Cash & Temp. Inv.	-118	156	-34	55	59	64	69
Beg. of Period Cash and Temp. Inv.	663	544	700	666	720	779	843
End of Period Cash and Temp. Inv.	544	700	666	720	779	843	912

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