

CADU: 1Q24 Results

Results impacted by lower land sales and a slight reduction in housing revenues due to a temporary labor shortage

CADU A	BUY
Target Price (MXN\$)	\$ 7.50
Current Price (MXN\$)	\$ 4.20
Min / Max (L12M)	\$ 2.62 - 5.17
Expected Dividend (MXN\$)	\$ 0.00
Expected Return	78.6%
Market Cap (MXN\$ Mn)	1,341
Enterprise Value (MXN\$ Mn)	2,910
Outstanding Shares (Mn)	319.2
Float	29.2%
ADTV (MXN\$ Mn)	\$ 0.38

Opinion and recommendation

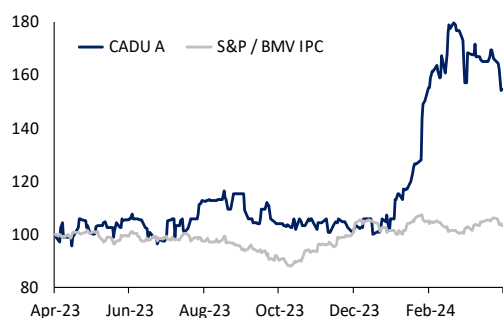
CADU's results were marginally below our revenue and EBITDA projections, and exceeded our estimated net profits. We continue with a BUY recommendation with a MXN\$7.50/share target price after having included this report in our model.

CADU maintained its guidance for the year, which includes revenue and EBITDA growth of around 10% as it anticipates an acceleration during the coming quarters due to the regularization of labor availability and the prevailing high demand.

1Q24 Results

Total revenues were MXN\$942 million (against our MXN\$964 million projection) in the quarter, down 17.7% on an annual basis as a result of lower land sales and a slight 4.9% drop in housing sales. In this business, the number of titled units declined 15.9% to 810 due to the temporary labor shortage, which normalized at the end of the quarter, according to the company. This was partially offset by a significant 13.1% increase in the average price per unit, which once again exceeded one million pesos. The average price rose at a double-digit rate in all segments, except in middle-interest.

The gross margin improved 3.6 percentage points to 27.5%, due to the aforementioned price adjustments and lower labor and construction cost inflation. However, expenses represented 16.8% of revenues, up from 12.3% the previous year. This translated into an EBITDA margin of 16.6% in the current quarter, with a slight 20 bps contraction compared to the previous year. As a result, EBITDA fell 18.5% YoY to MXN\$156 million (vs. our MXN\$163 million estimate).



Quarterly net profits decreased 8.8% YoY to MXN\$67 million (vs. MXN\$28 million E), as operating results were partially offset by a lower fiscal reserve.

The company took advantage of its free cash flow generation to reduce its total debt by 21.5% YoY, while cash and temporary investments were 13.1% lower due to the payment of credit lines. This translated into a net debt to EBITDA ratio of 2.21x at the end of 1Q24, from 2.66x in 1Q23.

The working capital cycle decreased 11 days to 773 days, mainly supported by an extension of the payment period to suppliers, which offset the increase in days of accounts receivable and inventories.

(Figures in Millions of MXN\$)	1Q24	1Q24E	Diff	1Q23	Chg.
Revenues	942	964	-2.3%	1,144	-17.7%
Cost of Sales	-683	-704	-2.9%	-871	-21.6%
Gross Profit	259	260	-0.7%	273	-5.2%
Gross Margin	27.5%	27.0%		23.8%	
General Expenses	-158	-119	33.1%	-140	12.7%
Operating Profit	100	141	-29.0%	132	-24.2%
Operating Margin	10.7%	14.7%		11.6%	
EBITDA	156	163	-4.1%	192	18.5%
EBITDA Margin	16.6%	16.9%		16.8%	
Financial Gains	5	5	6.9%	10	-48.5%
Financial Cost	-30	-31	-3.9%	-40	-25.4%
Net Profit	67	28	135.6%	73	-8.8%

Discounted Cash Flow Model

(Figures in Millions of MXN\$)	2025E	2026E	2027E	2028E	2029E	Perp.
OPERATING PROFIT	650	729	835	944	1,054	1,095
Tax Rate	21%	21%	22%	22%	22%	30%
Tax Shield	-133	-153	-180	-208	-232	-241
NOPLAT	517	576	656	736	822	854
Depreciation	11	12	12	13	14	14
Working Capital Changes	131	-268	-289	-312	-337	-351
FCFF	654	315	374	432	494	513
Perpetuity Growth Rate						3.9%
PV of Explicit Period (2025 - 2029E)						1,714
Perpetuity Value						7,718
PV of Perpetuity Value						4,226
Enterprise Value						5,940
Net Debt						2,107
Minority Interest						53
Market Value						3,780
<i>Outstanding Shares</i>						327
Adjusted Target Price						P\$ 7.50
Current Market Price						P\$ 4.20
Potential Return Incl. Dividends						78.6%
Forward EV/EBITDA						5.4x
Forward P/E						5.7x
Average Cost of Debt						13.2%
LT Tax Rate						30.0%
After-Tax Cost of Debt						9.3%
Cost of Equity						11.2%
Market Risk Premium						7.4%
Risk-Free Rate						10.3%
Beta						0.13
% Total Debt						33.3%
% Capital						66.7%
WACC						10.6%

(Figures in Millions of MXN\$)

INCOME STATEMENT	2023	2024E	2025E	2026E	2027E	2028E	2029E
Revenues	4,506	4,887	4,901	5,298	5,727	6,192	6,695
Cost of Sales	-3,286	-3,517	-3,513	-3,781	-4,070	-4,382	-4,718
Gross Profit	1,220	1,371	1,388	1,517	1,657	1,810	1,977
<i>Gross Margin</i>	27.1%	28.0%	28.3%	28.6%	28.9%	29.2%	29.5%
General Expenses	-698	-719	-739	-788	-822	-866	-923
Operating Profit	522	652	650	729	835	944	1,054
<i>Operating Margin</i>	11.6%	13.3%	13.3%	13.8%	14.6%	15.2%	15.7%
EBITDA	745	812	789	876	991	1,109	1,236
<i>EBITDA Margin</i>	16.5%	16.6%	16.1%	16.5%	17.3%	17.9%	18.5%
Financial Gains	28	22	22	23	25	27	30
Financial Cost	-137	-132	-129	-130	-133	-132	-129
Pre-Tax Profit	413	542	543	622	728	839	955
Net Profit	302	440	432	491	571	654	745
BALANCE SHEET	2023	2024E	2025E	2026E	2027E	2028E	2029E
TOTAL ASSETS	11,380	12,686	12,898	13,555	14,247	14,976	15,745
Current Assets	3,731	5,461	5,466	5,876	6,320	6,798	7,315
LT Assets	7,649	7,224	7,432	7,679	7,927	8,178	8,430
TOTAL LIABILITIES	6,103	6,984	6,775	6,952	7,084	7,171	7,209
ST Liabilities	1,771	2,857	2,648	2,824	2,957	3,044	3,081
LT Liabilities	4,333	4,127	4,127	4,127	4,127	4,127	4,127
TOTAL DEBT	2,123	2,847	2,471	2,563	2,604	2,594	2,526
NET DEBT	1,579	2,107	1,762	1,796	1,774	1,695	1,553
TOTAL CAPITAL	5,277	5,707	6,128	6,609	7,169	7,810	8,542
Stockholder's Equity	5,227	5,653	6,071	6,547	7,102	7,737	8,462
Minority Interest	49	53	57	62	67	73	80
CASH FLOW STATEMENT	2023	2024E	2025E	2026E	2027E	2028E	2029E
Net Profit	302	440	432	491	571	654	745
Inv. Related Activities	413	275	252	261	271	278	286
Pre-Tax Cash Flow	715	384	420	440	519	597	677
Working Capital Changes	540	-691	131	-268	-289	-312	-337
Operating Cash Flow	1,255	-308	551	172	230	285	339
Investment Cash Flow	21	17	18	19	21	23	25
Financing Cash Flow	-1,394	487	-599	-133	-188	-239	-291
Net Incr. (Decr.) in Cash & Temp. Inv.	-118	196	-31	58	63	68	74
Beg. of Period Cash and Temp. Inv.	663	544	740	709	767	830	898
End of Period Cash and Temp. Inv.	544	740	709	767	830	898	972

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