

CADU: 4Q24 Results

Weak quarterly results due to temporary lack of inventory in the social interest segment

CADU A	BUY
Target Price (MXN\$)	\$ 6.00
Current Price (MXN\$)	\$ 3.27
Min / Max (L12M)	\$ 2.95 - 5.17
Expected Dividend (MXN\$)	\$ 0.00
Expected Return	83.5%
Market Cap (MXN\$ Mn)	1,025
Enterprise Value (MXN\$ Mn)	2,750
Outstanding Shares (Mn)	313.5
Float	29.2%
ADTV (MXN\$ Mn)	\$ 0.25

Opinion and recommendation

CADU reported a weak quarter due to a temporary lack of inventory in the social interest segment, which was partially offset by higher land sales. Revenues were in line with our projections, while EBITDA and net income were below our expectations.

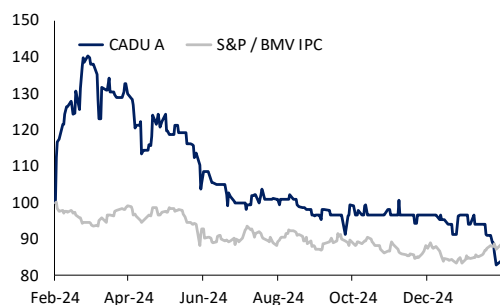
CADU provided its 2025 guidance which includes an increase in revenues and EBITDA above 5%, which we believe is reachable.

We reiterate BUY as we expect a recovery in the housing business results during the next few quarters. We are adjusting our target price to P\$6.00/share, from P\$7.50/share, after having updated our model.

4Q24 Results

Total revenues reached MXN\$1.2 billion in the quarter, which represented a 2.2% YoY increase. They were driven mainly by sales of land and commercial lots amounting to MXN\$405 million that offset a 33.2% decrease in housing revenues due to the lack of inventory caused by the completion of a project in Cancun, permits delays in Playa del Carmen due to the change of municipal governments in the state of Quintana Roo, and a lower dynamism in Tulum. However, the company mentioned in its conference call that the situation of the affordable segment normalized during 1Q25.

The average price per unit rose 63.2% to MXN\$1.7 million, thanks to a greater contribution from the middle and residential segments, in addition to price adjustments across all segments. Units sold fell 59.1% to 449 due to lower sales in the affordable segment.



Gross profit fell 5.4% YoY to MXN\$329 million, with a 200 bps margin contraction to 25.7%, as a result of lower profitability of titled homes. EBITDA decreased 13.9% YoY to MXN\$198 million, while the margin fell 310 bps to 16.5%.

Net profit was up 147.9% YoY to MXN\$71 million due to a lower fiscal reserve. Free cash flow was MXN\$160 million negative due to higher inventory in process and deposits on the land reserve acquired on a term basis.

The net debt to EBITDA ratio increased 0.25x to 2.37x. The company is in compliance with the financial restriction on interest coverage. Debt maturities for the next quarters are manageable.

(Figures in Millions of MXN\$)	4Q24	4Q24E	Diff	4Q23	Chg.
Revenues	1,196	1,184	1.1%	1,171	2.2%
Operating Profit	125	159	-21.6%	166	-25.0%
<i>Operating Margin</i>	10.4%	13.4%		14.2%	
EBITDA	198	227	-12.9%	229	-13.9%
<i>EBITDA Margin</i>	16.5%	19.2%		19.6%	
Financial Gains	4	6	-29.6%	5	-13.3%
Financial Cost	-24	-26	-8.0%	-31	-21.1%
Net Profit	71	97	-27.5%	28	147.9%

Discounted Cash Flow Model

(Figures in Millions of MXN\$)	2026E	2027E	2028E	2029E	2030E	Perp.
OPERATING PROFIT	766	866	959	1,060	1,164	1,183
Tax Rate	30%	30%	30%	30%	30%	30%
Tax Shield	-230	-260	-288	-318	-349	-355
NOPLAT	536	606	671	742	815	828
Depreciation	12	12	13	13	14	14
Working Capital Changes	-187	-202	-218	-235	-254	-258
FCFF	362	418	467	521	576	585
Perpetuity Growth Rate						1.6%
PV of Explicit Period (2026 - 2030E)						1,661
Perpetuity Value						5,816
PV of Perpetuity Value						2,995
Enterprise Value						4,656
Net Debt						1,426
Minority Interest						53
Market Value						3,177
<i>Outstanding Shares</i>						318
Adjusted Target Price						P\$ 6.00
Current Market Price						P\$ 3.27
Potential Return Incl. Dividends						83.6%
Forward EV/EBITDA						3.7x
Forward P/E						4.1x
Average Cost of Debt						12.5%
LT Tax Rate						30.0%
After-Tax Cost of Debt						8.7%
Cost of Equity						12.8%
Market Risk Premium						7.4%
Risk-Free Rate						10.0%
Beta						0.37
% Total Debt						26.3%
% Capital						73.7%
WACC						11.7%

(Figures in Millions of MXN\$)

	2024	2025E	2026E	2027E	2028E	2029E	2030E
INCOME STATEMENT							
Revenues	4,487	4,607	5,214	5,630	6,080	6,567	7,094
Cost of Sales	-3,290	-3,324	-3,754	-4,037	-4,341	-4,669	-5,023
Gross Profit	1,197	1,283	1,460	1,593	1,739	1,898	2,072
General Expenses	-770	-673	-694	-727	-780	-838	-908
Operating Profit	428	611	766	866	959	1,060	1,164
EBITDA	716	750	914	1,023	1,124	1,241	1,346
Financial Gains	24	22	26	28	31	33	36
Financial Cost	-115	-109	-121	-130	-139	-145	-150
Pre-Tax Profit	336	525	672	764	851	947	1,050
Net Profit	232	367	470	535	595	663	735
BALANCE SHEET							
TOTAL ASSETS	11,870	12,102	12,663	13,394	14,153	14,944	15,770
Current Assets	4,274	4,261	4,580	4,925	5,297	5,699	6,133
LT Assets	7,597	7,841	8,083	8,468	8,856	9,245	9,637
TOTAL LIABILITIES	6,387	6,314	6,460	6,712	6,932	7,117	7,263
ST Liabilities	1,941	1,868	2,015	2,267	2,487	2,671	2,818
LT Liabilities	4,446	4,446	4,446	4,446	4,446	4,446	4,446
TOTAL DEBT	2,164	2,070	2,136	2,301	2,427	2,511	2,548
NET DEBT	1,698	1,426	1,440	1,548	1,614	1,632	1,599
TOTAL CAPITAL	5,484	5,795	6,209	6,688	7,227	7,834	8,513
Stockholder's Equity	5,433	5,741	6,152	6,626	7,160	7,762	8,434
Minority Interest	51	53	57	62	67	72	79
CASH FLOW STATEMENT							
Net Profit	232	367	470	535	595	663	735
Inv. Related Activities	487	252	269	280	288	296	305
Pre-Tax Cash Flow	719	323	456	393	467	544	620
Working Capital Changes	-534	213	-187	-202	-218	-235	-254
Operating Cash Flow	186	536	269	192	249	308	366
Investment Cash Flow	19	23	27	29	32	34	37
Financing Cash Flow	-284	-380	-245	-165	-220	-277	-331
Net Incr. (Decr.) in Cash & Temp. Inv.	-79	179	52	56	61	66	71
Beg. of Period Cash and Temp. Inv.	544	466	644	696	752	813	879
End of Period Cash and Temp. Inv.	466	644	696	752	813	879	950

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