

Moura Dubeux Engenharia

Reiterating Outperform Rating and Introducing YE2025 TP of R\$18.50

Outperform

Current Price R\$12.23

Target Price R\$18.50

BBG MDNE3 BZ

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Reiterating Outperform rating: We are fine-tuning our estimates for Moura Dubeux, as we incorporate the company's recent results and operating figures into our model. We are also incorporating Santander's new macroeconomic estimates and higher cost of equity. Additionally, we are introducing our YE2025 TP of R\$18.50 and reiterating our Outperform rating on the stock, based on: (i) its strong competitive position in the main cities of the Northeast region; (ii) an attractive valuation, with the stock currently trading at a 2025E P/E of 3.7x and 2025E P/BV of 0.6x, despite solid 2024-27E EPS CAGR of 12% and 2025E ROE of 17.1%; and (iii) attractive 2025E dividend yield of 9.1%.

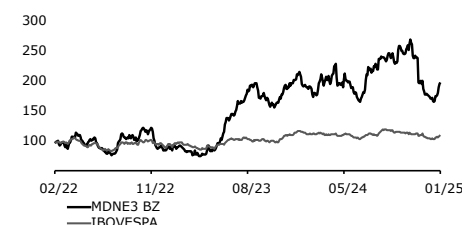
Fine-tuning estimates: We are raising our 2025-26 pre-sales estimates for Moura by 8%, on average, which should be supported by: (i) stronger-than-expected launches in 2024E (21% above our previous estimate); and (ii) healthy competitive scenario in the Northeast region. Consequently, we are also raising our 2025-26 net revenue forecasts by 2%, on average. On the flip side, we are trimming our 2025-26 gross margin estimates by 83 bps and 27 bps, respectively, to reflect the lower-than-expected margins of the condominium division in recent quarters. We are also incorporating: (i) a slight improvement on SG&A dilution for the period; and (ii) higher financial revenues, to reflect the 45% increase in the company's receivables for land sales (which are corrected by INCC) since YE2023. Lastly, we now forecast net income of R\$278.7 million for 2025 and R\$319.9 million for 2026, up 12% and 2%, vs. our previous estimates.

A diversified mix of launches that bodes well in the scenario of higher rates: Moura's 2025 pipeline of launches should be primarily broken down between: (i) condominium projects (~R\$1.7 billion PSV, or ~65% of total launches); and (ii) the Mood division (~R\$850 million PSV, or ~35% of total). Most important, we view the company's condominium projects as quite defensive for the current environment of higher rates, as clients of this division are less dependent on financing, as they tend to pay for the project during the construction phase. As for Mood, while we acknowledge that each 100 bps increase on mortgage rates has a ~7% impact on affordability, we also believe that banks should become more selective when financing projects in the current environment of scarcer SBPE funding, which could further deteriorate the already weak competition that Mood faces in the Northeast and boost its market share gains in the short-term.

What has Changed

Introducing YE2025 Target Price of R\$18.50 (replacing YE2024 TP of R\$18.00)

Previous TP was set on 06/30/24

Relative Performance (R\$)


Source: FactSet.

Company Data, January 30, 2025 (closing price)

	MDNE3 BZ	(R\$ mn)	2023A	2024E	2025E	2026E
Bloomberg code	MDNE3 BZ					
Current Price	R\$12.23					
Target Price (YE 2025)	R\$18.50					
Price Perf Last 12 Mth (Absolute)	2.12%					
52 Week Range (R\$)	10.07 - 16.78					
Market Cap (R\$ mn)	1,025	Revenues	1,151	1,596	1,721	1,890
Free Float (%)	63.3	EBITDA	178	263	315	371
3-Mth Avg daily vol (R\$ mn)	10	EBIT	172	257	308	362
Outst shares (mn)	84	Net Profit	156	253	279	320
(R\$)		Net Debt	37	108	224	235
2023A	2024E	2025E	2026E			
Adj EPS	1.84	2.98	3.28	3.77		
BVPS	15.80	18.14	20.30	22.83		
DPS	0.00	0.64	1.12	1.24		
		P/E (x)	7.2	4.1	3.7	3.2
		EV/EBITDA (x)	6.5	4.3	4.0	3.4
		Div Yield (%)	0.0	5.3	9.3	10.3
		Net Debt/EBITDA (x)	0.2	0.4	0.7	0.6

Sources: FactSet, Company Data and Santander estimates.

Important Disclosures/Certifications are in the "Important Disclosures" section of this report.

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Moura Dubeux Engenharia at a Glance

Table 1. Key Company Data

	R\$			US\$		
	2023A	2024E	2025E	2023A	2024E	2025E
P&L Account						
Revenues	1,151	1,596	1,721	230	296	283
EBITDA	178	263	315	36	49	52
EBITDA YoY Change (%)	92.5	47.5	19.9	99.1	36.7	6.1
EBITDA as % of Revenue	15.5	16.5	18.3	15.5	16.5	18.3
EBIT	172	257	308	34	48	51
Net Financial Result	21	35	11	4	6	2
Associates	0	0	0	0	0	0
Taxes	(38)	(39)	(40)	(8)	(7)	(7)
Minorities	(0)	(0)	(0)	(0)	(0)	(0)
Net Profit	156	253	279	31	47	46
Adj Net Profit	156	253	279	31	47	46
YoY Change (%)	47.1	62.2	10.2	52.1	50.3	(2.4)
as % of Revenues	13.5	15.8	16.2	13.5	15.8	16.2
Cash Flow						
EBITDA	178	263	315	36	49	52
Lease Payments	214	103	80	43	19	13
Changes in Wkg. Capital	(239)	(124)	(251)	(48)	(23)	(41)
Capital Expenditures	(30)	(24)	(22)	(6)	(4)	(4)
Cash Financials	21	35	11	4	6	2
Cash Taxes	(38)	(39)	(40)	(8)	(7)	(7)
Other Cash Items	(0)	(0)	(0)	21	40	15
Free Cash Flow to Equity	106	214	92	0	0	0
Other Invest./Divest.)	0	0	0	0	(10)	(16)
Dividends	0	(55)	(95)	(77)	(48)	0
Capital Increases/Other	(384)	(258)	0	33	13	19
Change in Net Fin. Debt	165	71	116			
Balance Sheet						
Cash and Equivalents	302	334	298	62	54	50
Current Assets	1,092	1,477	1,623	0	0	0
Goodwill	0	0	0	349	293	330
Non-Curr Assets (ex g'will)	1,691	1,811	1,978	637	586	650
Total Assets	3,084	3,622	3,899	121	126	138
Current Liabilities	584	776	831	313	272	289
Non-Current Liabilities	1,516	1,682	1,734	(1)	(1)	(1)
Minorities	(4)	(4)	(4)	277	249	287
Shareholders' Equity	1,341	1,540	1,724	710	647	714
Total Liabilities & Equity	3,438	3,994	4,284	8	17	37
Net Financial Debt	37	108	224			
Other Ratios						
Dividend Payout (%)	0.0	21.6	34.1	0.0	21.6	34.1
ROCE (%)	30.6	34.0	31.4	31.0	32.9	29.8
EV/EBIT (x)	6.7	4.4	4.0	6.7	4.4	4.0
EV/EBIT (x)	6.7	4.4	4.0	(9.2)	9.2	2.4
FCFF Yield (%)	(9.2)	9.2	2.4	0.8	0.7	0.6
P/BV (x)	0.8	0.7	0.6	322.6	471.8	410.6
Launches (Cia Stake)	1,611.7	2,542.7	2,500.0	296.2	443.4	397.5
Contracted Sales (Cia Stake)	1,479.5	2,389.9	2,420.2	45.5	54.3	52.1
Sales Speed (%)	45.5	54.3	52.1			

Source: Company Data and Santander estimates.

Investment Case

We are reiterating our Outperform rating on Moura Dubeux, based on: (i) its strong competitive position in the main cities of the Northeast region; (ii) an attractive valuation, coupled with solid 2024-27E EPS CAGR of 12% and 2025E ROE of 17.1%; (iii) attractive 2025E dividend yield; and (iv) solid balance sheet, with YE2025E net debt/equity of 13%. Our YE2025 target price of R\$18.50 is based on a free cash flow to firm analysis, using a WACC of 19.0% (previously 18.2%) in reais and nominal terminal growth of 4.0% (unchanged).

Investment Risks

Risks to our investment thesis include: (i) new entrants in the Northeast market toughening competition and affecting sales volumes, prices, and land costs in the region; (ii) higher interest rates and rising production costs, potentially reducing sales-over-supply and margins; (iii) lower-than-expected demand for housing units in the Northeast region; (iv) execution risks associated with the significant increase in simultaneous construction sites under management; (v) the lack of housing data in the region; and (vi) liquidity risk.

Company Description

Founded in Recife by brothers Aluísio, Gustavo, and Marcos José Moura Dubeux in 1983, Moura Dubeux is currently one of the largest homebuilders in Brazil's Northeastern region and a market leader in the middle- to high-income segment in the cities of Recife, Fortaleza, and Salvador. The company also has some exposure to Natal and Maceió, Aracajú and João Pessoa.

Key Personnel

Diego Paixão Villar (CEO), Carlos Roberto Gentil Filho (Engineering Officer), Diego Freire Wanderley (CFO), and Diogo de Barral Araújo (IRO).

Key to Investment Codes*

Rating	Definition	% of Companies	
		Covered with This Rating	Provided with Investment Banking Services in the Past 12 months
Outperform	Expected to outperform the local market benchmark by more than 10%	65.79%	49.33%
Neutral	Expected to perform within a range of 0% to 10% above the local market benchmark	28.07%	42.19%
Underperform	Expected to underperform to local market benchmark	3.95%	33.33%
Under Review		2.19%	100.00%

The numbers above reflect our Latin American universe as of October 31st, 2024.

For a discussion, if applicable, of the valuation methods used to determine the price targets included in this report and the risks to achieving these targets, please refer to the latest published research on these stocks. Research is available through your sales representative and other electronic systems.

Target prices are year-end 2025 unless otherwise specified. Recommendations are based on a total return basis (expected share price appreciation + prospective dividend yield) unless otherwise specified.

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