Moura Dubeux

Brazil | Outperform

July 20, 2026 | Company Update

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Raising estimates on stronger execution; Valuation looks compelling at 3.8x and 3.2x adj. P/E 2026-27E

Ticker (Local)	MDNE3
Target Price - BRL (1Yr. FWD)	44.00

We hosted an NDR with MDNE's CFO (Diego Wanderley) and IR Director (Diogo Barral) last week to discuss the operating and financial outlook following 2Q26. We are taking this opportunity to revise our valuation model, incorporating the earnings beat in 1Q26, the stronger 2Q26 sales performance, a higher launch pipeline (BRL 2bn in MCMV launches in 2027E vs. BRL 1.5bn previously), and a new cost of equity of 17.2%, reflecting our macro team's updated interest rate and inflation assumptions. We are raising our earnings estimates by 6% and 4% for 2026–27E and, following the recent share price pullback, MDNE trades at an attractive 3.8x and 3.2x adj. P/E for 2026–27E, or 1.0x YE26 P/TBV despite a forecast ROE of 27%. As a result, we are raising our TP to BRL 44/share (from BRL 43/share), implying 78% upside. We admit the macro scenario looks tough for mid/high-income HBs, but MDNE has a resilient business model, and a 2-year total shareholder return of 48% p.a. should more than compensate patient investors for its cost of equity.

MDNE reported stronger-than-expected operating performance in 1H26, mainly driven by stronger condominium sales. Following our meeting with management last week, during which we discussed the remaining FY26 launch pipeline (BRL 2.5bn at stake) in detail, we are fine-tuning our valuation model and raising our 2026 earnings estimates by 6% (see Page 2). In addition, management reinforced its growth plans for the MCMV business, which we are incorporating into our model through an expected launch pipeline of BRL 2bn for 2027. As a result, we are also increasing our 2027 earnings estimates by 4%.

Management highlighted that, unlike the São Paulo housing market – where launches have increased significantly since the pandemic – the Northeast market has remained relatively stable at BRL 10–11bn/year, competition remains soft, and inventories are under control at 8 months of LTM sales. While we acknowledge that the macro outlook is challenging, with affordability likely to stay pressured for longer, MDNE's condominium business is concentrated in the resilient high-income niche. Combined with its leading market position, high-quality landbank, and strong sales team, MDNE remains well positioned to continue delivering solid operating performance.

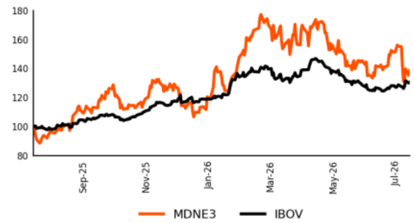
MDNE launched four MCMV projects (Única brand) worth BRL 210mn at stake in 1H26. Management expects to launch another four projects in 2H26, bringing Única launches to BRL 700mn in 2026. Sales performance in MCMV has remained in line with management's previous expectations. Looking ahead, Única faces a more ambitious launch plan – BRL 2bn in 2027. In the mid-income business (Mood), the CFO flagged that sales have remained resilient despite weaker affordability, and Mood's BRL 1bn/year launch target remains unchanged. Should affordability improve and expand the addressable market, they believe there is room for further growth in this segment.

They also highlighted recent acquisitions of prime land at very attractive terms (some land plots acquired at costs below 10% of PSV), reflecting the relatively low competitive landscape in the Northeast housing market. Management reiterated its primary focus on execution, especially tailor-made condominium projects. We also discussed the recent securitization of receivables linked to land commercialization fees. Management intends to pursue additional transactions as long as discount rates decline from the current CDI +2.6% p.a., which could allow the company to allocate capital more efficiently and seize attractive opportunities.

Stock Data

Current price	BRL	24.75
Upside 1Yr Fwd	%	77.8
52 Week high/low	BRL	34.28/20.26
Shares outstanding	th	104
Market capitalization	BRL m	2780
3-mth avg daily vol.	BRL m	33.2
Performance (%)	1m	12m
Absolute	-2.3	38.3
Vs. IBOV	-5.4	-11.8

Company x IBOV



Source: Itaú BBA

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MDNE – TP 44/sh (78% upside)

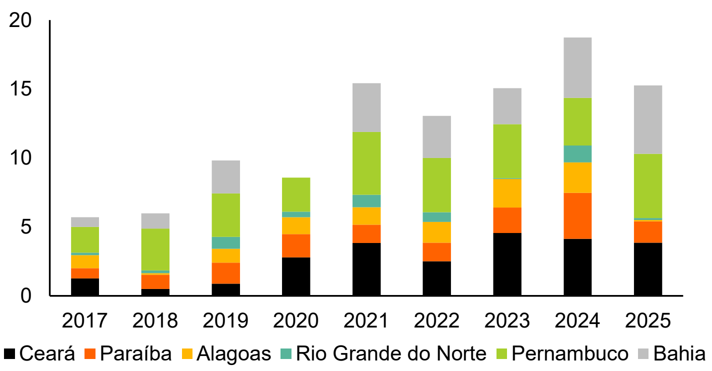
We are updating our MDNE model with an Outperform rating and a TP of R$44/sh (78% upside). Our 12-month forward target price is derived from the next twelve months' dividend collection and exit value, calculated as the tangible book value 1Y forward at an exit P/TBV multiple of 1.6x. This is derived from the Gordon Growth formula, considering a nominal Ke of 17.2% and a terminal nominal growth rate of 4%.

IBBA Estimates (New vs Old)

MDNE	2026			2027		
Model Update	**New**	**Old**	**Δ (%)**	**New**	**Old**	**Δ (%)**
Launches (at stake)	4,776	4,699	2%	5,581	5,237	7%
Net Sales (at stake)	4,034	3,736	8%	4,633	4,275	8%
(=) Net revenues	**2,745**	**2,880**	**-5%**	**3,336**	**3,136**	**6%**
(-) COGS (ex-interest)	(1,654)	(1,761)	-6%	(2,037)	(1,870)	9%
(=) Gross profit	**1,091**	**1,119**	**-2%**	**1,299**	**1,266**	**3%**
(-) Selling expenses	(244)	(261)	-7%	(293)	(281)	4%
(-) G&A	(145)	(157)	-8%	(167)	(164)	2%
(+/-) Net financial results	113	74	52%	44	49	-10%
(+/-) Other income (expenses)	(8)	(60)	-88%	(8)	(63)	-88%
(+) Equity Income	2	1	15%	2	2	2%
(=) EBT	**709**	**677**	**5%**	**762**	**732**	**4%**
(-) Income taxes	(72)	(74)	-3%	(80)	(74)	8%
(-) Minority interest	0	(0)	-157%	(1)	(0)	46%
(=) Net income	**637**	**602**	**6%**	**681**	**657**	**4%**
EPS	6.2	5.8	7%	6.6	6.3	5%
Adj. gross margin	*39.8%*	*38.9%*	*90-bps*	*38.9%*	*40.4%*	*-143-bps*
Gross margin	*38.6%*	*37.5%*	*105-bps*	*37.6%*	*37.9%*	*-34-bps*
Net margin	**23.2%**	**20.9%**	**230-bps**	**20.4%**	**21.0%**	**-55-bps**
(=) FCF generation (cash burn)	(113)	(140)	-19%	112	179	-37%
Declared dividends	150	150	0%	300	400	-25%
Net Debt/Equity (%)	*5.7%*	*6.6%*	*-97-bps*	*12.9%*	*10.5%*	*237-bps*
ROE	**27.4%**	**25.8%**	**155-bps**	**24.4%**	**23.6%**	**83-bps**
P/E	4.0x	4.3x		3.7x	3.9x	
Adj. P/E (ex-dividends)	3.8x	4.1x		3.2x	3.7x	
P/BV	1.0x	1.0x		0.9x	0.9x	
P/TBV	1.1x	1.1x		0.9x	1.0x	

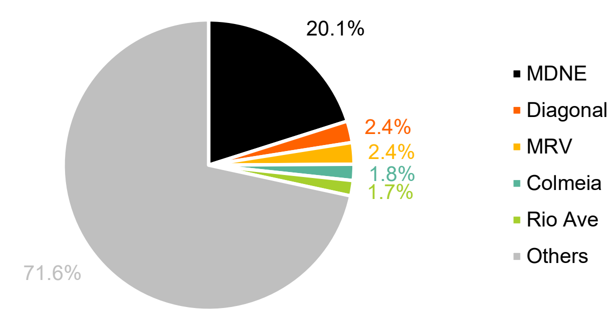
MARKET DATA

Units Launched by State (excluding MCMV)



Source: Itaú BBA

MDNE's Market Share (2020-2025; excluding MCMV)



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