Safra

Equity Research
Initiation of Coverage

Moura Dubeux

Sailing smoothly the Northeastern seas – initiating coverage with Outperform

Homebuilders
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We are initiating coverage of Moura Dubeux (MDNE3) with an Outperform rating and a YE25 target price of R$21.50/share, implying a 43% upside potential. Our favorable view of the company relies on three main pillars, which should support investor positioning in the largest developer of the Northeast Region: (i) outstanding market leadership to promote future sales; (ii) unique business model, sustaining higher margins; and (iii) compelling growth story with a solid earnings outlook, fueling a 26% net profit 2023–2026 CAGR.

Outstanding leadership position in the Northeast market. After the exodus of Southeastern developers from the Northeast Region in the 2014–2016 economic recession, the company became the only established mid/high-income player operating in the region (with over R$500mn in annual launches), which increased its bargaining power with suppliers, accessibility to larger projects, and brand recognition to promote future sales.

Unique business model with lower cash exposure sustaining higher margins. Besides the traditional real estate development segment, the company develops projects through a "closed-end condominium model" (closed-end collective investment vehicle), a fee-based service in which homebuyers and investors are responsible for all construction funding. The model has achieved an average quarterly gross margin of 49% since its IPO (vs. 26% in the development division) and also allows the company to achieve higher return ratios given the lower cash exposure.

Compelling growth story with a solid earnings outlook. Since its IPO in 2020, Moura Dubeux has delivered a compelling 40% net sales CAGR and an average 50% SoS ratio, while its excellent sales performance in the past year reduced its inventory to a healthy 11 months of LTM sales, which we view as a welcoming sign of its future launches. The company has also managed to build a robust landbank (~4 years of launches) and sustain a healthy leverage, despite the ramp-up in launches (6% net debt/equity in 2Q24). As a result, we forecast a 22% CAGR in launches in 2023–2026, which, coupled with a solid gross margin outlook (recognition of a larger share of recent sales with higher margins + stable costs), should drive a 26% earnings CAGR in the same period.

Valuation still looks attractive despite the stock's outperformance. Despite the 125bps increase in long-term interest rates YTD, the company's impressive results in recent quarters drove a 17% YTD stock gain, vs. an 8% loss from its peers in the mid/high-income niche. Nonetheless, we forecast an attractive 5.2x 2024 P/E valuation, which implies a 21% discount to its peers' 6.6x average. In addition, if we adjust it for the company's 13% EPS CAGR in 2024–2026, we estimate a 0.4 PEG ratio, 19% below the segment's 0.5 average.

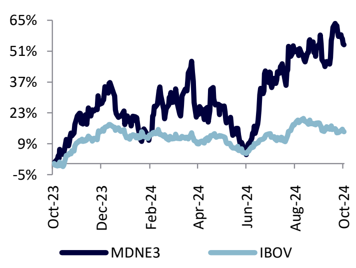
Mind the risks. We highlight: (i) higher-than-expected mortgage rates, reducing homebuyers' affordability; (ii) execution risks, given an increase in construction sites; (iii) higher-than-expected inflation levels; (iv) fiercer competition and its impacts on sales volumes, prices and land acquisition; (v) tax reform potentially increasing mid/high-income homebuilders tax burden; and (vi) reduced stock liquidity—MDNE3 trades an average of R$8mn (3M ADTV), which may be a concern for some investors.

MDNE3	
Rating	Outperform
Current price	R$ 15.01
Target price (12m-fwd.)	R$ 21.50
Upside potential	43%

Multiples	23A	24E	25E
P/E	7.3x	5.2x	4.7x
P/BV	0.9x	0.9x	0.8x
ROE	12.4%	16.8%	16.5%

Market data	
Market cap	R$ 1,274mn
52 week low-high	R$ 9.5 / 16.4
ADTV (3mn)	R$ 8mn
Shares outstanding	85mn
Free float	68%
LTM performance	54.7%
YTD performance	12.6%

MDNE3 vs. Ibovespa



Contents

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Sector multiples

Company	EV (R$ mm)	Net Debt (R$ mm)	Cash (R$ mm)	Market Cap. (R$ mm)	ADTV (R$ mm)	Net revenue LTM (R$ mm)	EBITDA LTM (R$ mm)	P/E 2024	P/E 2025	P/E 2026	P/E Avg 5y	P/B 2024	P/B 2025	P/B 2026	P/B Avg 5y	EBITDA CAGR 23-26	Net Income CAGR 23-26
Moura Dubeux	**1,332**	**88**	**241**	**1,274**	**9,687**	**1,285**	**215**	**5.2x**	**4.7x**	**4.1x**	**6.4x**	**0.9x**	**0.8x**	**0.7x**	**0.7x**	**24.8%**	**25.8%**
Brazilian mid/high-income peers																	
Cyrela	9,810	673	175	8,658	142,551	6,766	1,129	6.0x	5.7x	5.0x	9.1x	1.0x	0.9x	0.8x	0.9x	19.8%	22.5%
Lavvi	1,710	-159	36	1,630	4,701	1,041	215	5.4x	4.0x	3.7x	5.5x	1.2x	1.0x	0.9x	0.9x	34.0%	23.8%
Eztec	3,270	102	45	3,078	25,098	1,245	173	10.4x	9.2x	8.3x	11.3x	0.6x	0.6x	0.6x	0.6x	17.7%	15.7%
Even	2,102	394	20	1,256	11,634	3,163	n.a.	5.1x	4.5x	3.6x	7.0x	0.7x	0.6x	0.5x	0.5x	27.6%	26.7%
Average	**4,223**	**253**	**69**	**3,656**	**45,996**	**3,054**	**506**	**6.7x**	**5.8x**	**5.1x**	**8.2x**	**0.9x**	**0.8x**	**0.7x**	**0.7x**	**24.8%**	**22.2%**
Brazilian low-income peers																	
Cury	6,492	-379	890	6,830	58,331	3,399	723	10.8x	8.9x	7.9x	6.3x	6.9x	5.4x	4.3x	3.7x	22.9%	21.7%
Direcional	5,383	17	650	5,196	57,788	2,706	513	10.0x	7.4x	7.2x	7.2x	2.5x	2.2x	2.1x	1.9x	28.7%	29.9%
Plano & Plano	2,881	-39	231	2,822	8,053	2,394	386	7.7x	6.3x	6.2x	5.3x	4.3x	3.7x	3.1x	2.2x	20.5%	19.0%
MRV	12,137	6,895	412	4,064	92,536	8,107	470	16.0x	5.4x	4.3x	9.4x	0.6x	0.6x	0.5x	0.5x	102.3%	n.a
Tenda	2,236	526	81	1,742	43,321	3,063	220	18.3x	5.8x	4.1x	13.1x	1.9x	1.6x	1.3x	1.1x	74.1%	n.a
Average	**5,826**	**1,404**	**453**	**4,131**	**52,006**	**3,934**	**462**	**12.6x**	**6.7x**	**5.9x**	**8.3x**	**3.2x**	**2.7x**	**2.3x**	**1.9x**	**49.7%**	**23.5%**

Source: Bloomberg and Safra

Investment summary

We are initiating coverage of Moura Dubeux (MDNE3) with an Outperform rating and a YE25 target price of R$21.50/share, implying a 43% upside potential.

Founded in Recife in 1983 by brothers Aluisio, Gustavo and Marcos José Moura Dubeux, the company is currently the largest developer in the Northeast Region, having achieved in 2023 a consolidated market share of 20% in the venues where it operates, with more than 2.5 times the volume launched by the second-largest player. In 2007, after acquiring over 20 years of real estate experience and reaching a leadership position in Recife, the company started implementing its regional expansion plan, expanding its operations into other Northeastern capitals.

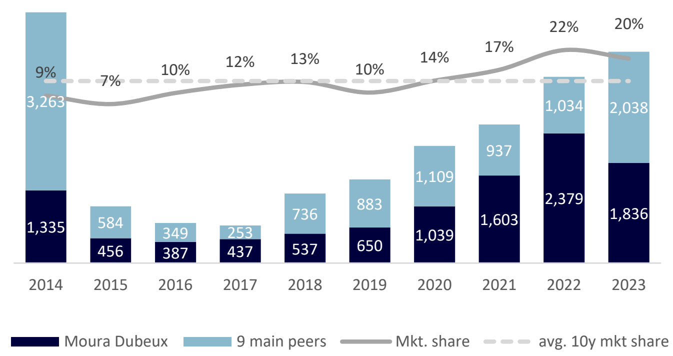
Moura Dubeux has a fully integrated business model (from selling to construction), and it develops projects through two different methods (traditional real estate development and closed-end condominium projects, in which customers own shares and are responsible for all construction funding). Meanwhile, the company's portfolio consists of two main segments: (i) primary residences targeted at mid/high-end customers, varying from studios to 3- or 4-bedroom apartments with up to 300 sq m, and mid-income developments focused on households with monthly income of up to R$15k through its new brand ("Mood"); and (ii) Beach Class, targeting second homes. Beach Class developments usually consist of studio/flats of 40 sq m to 60 sq m, with average selling prices of R$500k–R$1.0mn.

Our outperform rating is supported by three main pillars, which should support investor positioning in the largest developer of the Northeast Region that has the third-largest book value among listed mid/high-income players: (i) outstanding market leadership and top-of-mind brand in the Northeast Region, which should continue to foster future sales; (ii) unique business model, sustaining higher margins; and (iii) compelling growth story, with a solid earnings outlook fueling a 26% net profit CAGR in 2023–2026, while we see the company's shares trading at an appealing 4.7x 2025 P/E valuation.

Outstanding leadership position in the Northeast Region

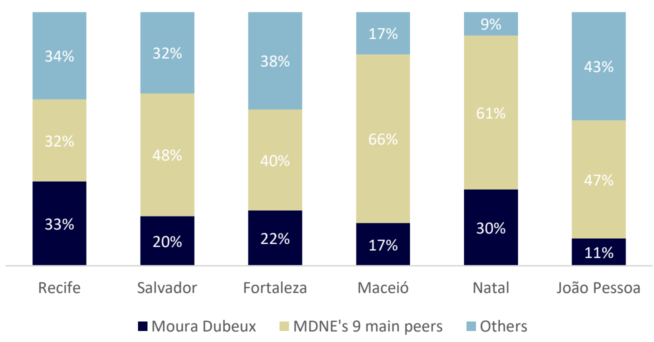
Operating in 7 different venues in the region, Moura Dubeux has become the Northeast Region's top-of-mind developer. In the past 10 years, it has launched R$10.7bn in PSV with an average market share of 13%, which has increased to 20% since its IPO in 2020. The company's highest exposures are to Recife (26% average market share), Fortaleza (14% average market share) and Salvador (18% average market share). However, it is also expanding its operations in Natal (10% average market share), Maceió (7% average market share), and, recently in João Pessoa and Aracaju.

Figure 1. Evolution of Moura Dubeux's launches (R$mn) and market share in the last 10 years



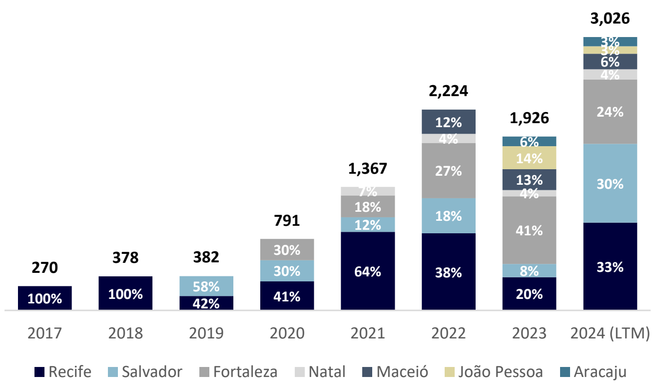
Source: Safra, company, and DataZAP.

Figure 2. Moura Dubeux's 3-year average market share in selected regions



Source: Safra, company, and DataZAP.

Figure 3. Breakdown of Moura Dubeux's launches (R$mn) by venue

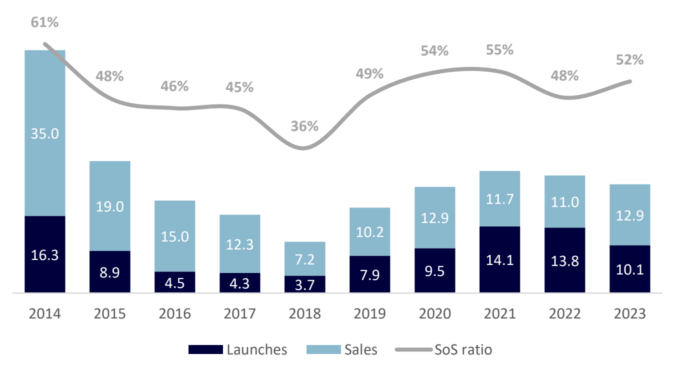


Source: company and Safra.

Undisputed market leader, benefiting from low competition only with regional players… Following a booming housing market in the late 2000s, a significant share of established Southeastern developers increased their exposure to the Northeast market in order to expand their operations (Gafisa, PDG, Rossi, Cyrela, etc.) and launched a total of 16k housing units in the mid/high-income niche in 2014 (vs. 10k units launched in 2023). The subsequent economic downturn caused an oversupply of inventories and cancellations, forcing companies to reduce their exposure to and/or leave the region. As a result, Moura Dubeux became the only established mid/high-income player operating in that market (with over R$500mn in annual launches), which increases its bargaining power with suppliers, as well as its access to larger project opportunities.

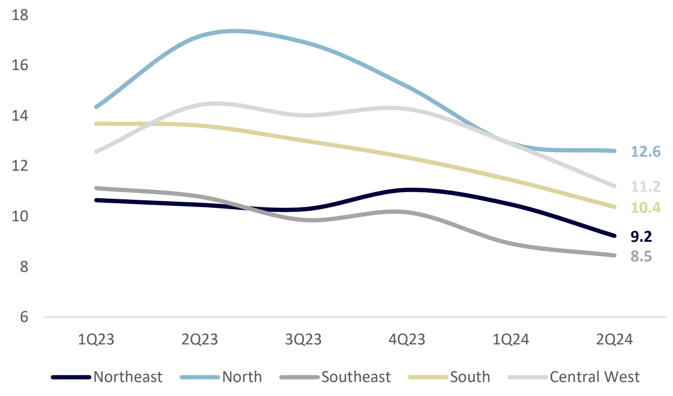
… in an underpenetrated market with low inventory levels… As a result of the higher inventory levels following the economic crisis, launches in the region have not yet recovered to the historical level, despite the monetary easing cycle in 2017–2020 (units launched in the mid/high-income segment in 2023 represent ~60% of the units launched in 2014). Accordingly, the current inventory in the Northeast Region stands at a healthier 9 months of sales (vs. an average of 11 months in the other regions), which should support a stronger launch activity going forward.

Figure 4. Launches and sales evolution in the Northeast Region in the last 10 years



Source: Safra and DataZAP.

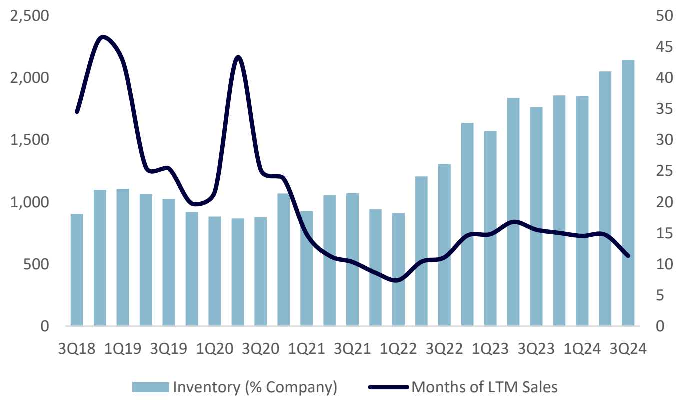
Figure 5. Inventory – months of LTM sales by region



Source: Brazilian Construction Industry Chamber (CBIC) and Safra.

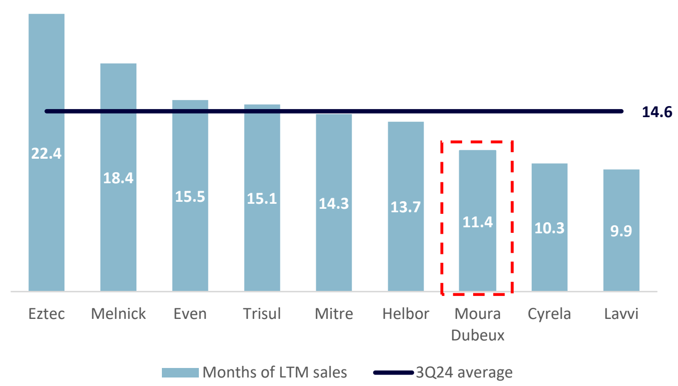
…while its IPO in 2020 supported the new growth cycle. The market crash increased Moura Dubeux's inventory levels to a peak of 46.4 months of LTM sales in 2018, consequently pressuring its indebtedness levels (leverage reached a peak of 1366% net debt / equity in 2019). Nevertheless, the R$1.1bn raised in its IPO reduced its leverage to 10%, allowing the company to increase its landbank and ramp up its launches (launch CAGR of 63% in 2020–2023), while still reducing its inventory to healthier levels of 11 months of sales in 3Q24, the third-lowest value among listed mid/high-income homebuilders.

Figure 6. Evolution of Moura Dubeux's inventory and months of sales



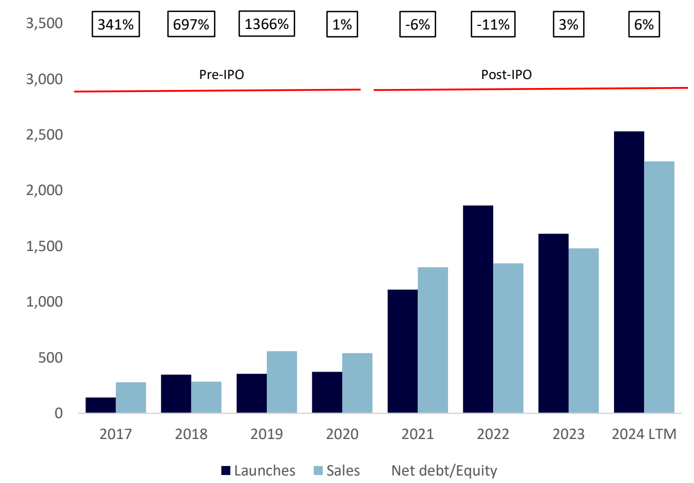
Source: company and Safra.

Figure 7. Current inventory levels of listed homebuilders – months of sales



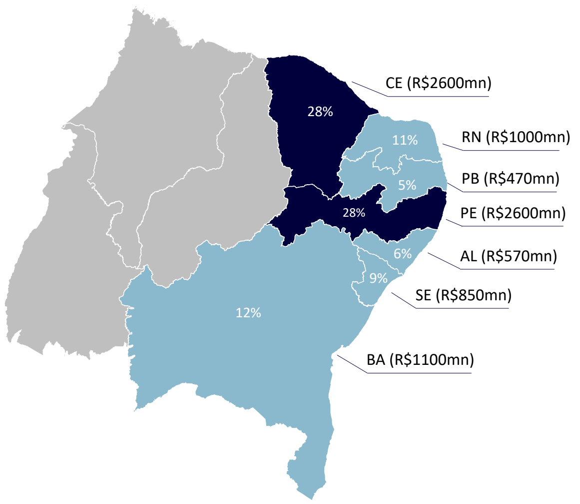
Source: companies and Safra.

Figure 8. Moura Dubeux financial leverage, launches and sales evolution (R$mn)



Source: company and Safra.

Figure 9. Breakdown of landbank by venue



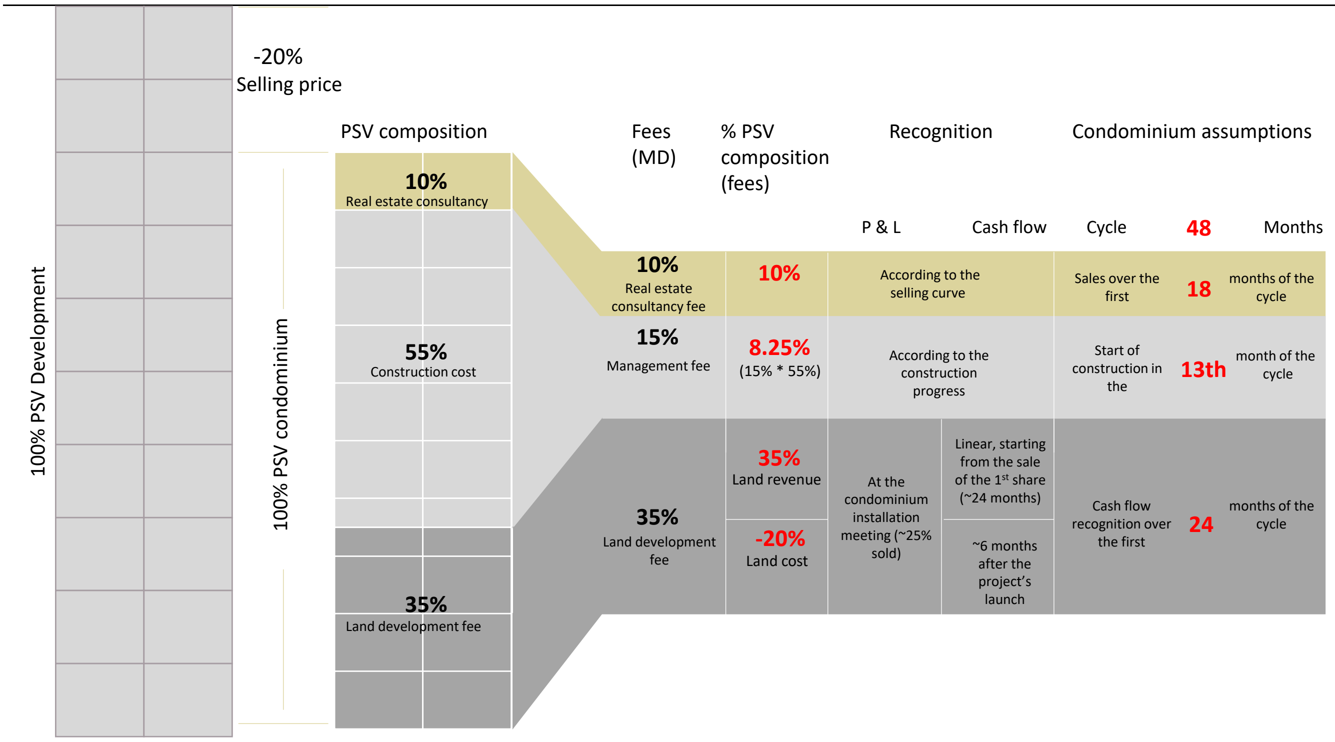
Source: company and Safra.

Unique business model supporting higher margins

Moura Dubeux operates through two different construction models: (i) the traditional real estate development, with gross margins ranging from 30% to 35%; and (ii) the closed-end condominium model, in which buyers and investors fund the construction by acquiring shares in the investment entity.

In the closed-end condominium model, the company acts mainly as a service provider, generating revenue from three main streams: (i) consultancy fees paid by buyers once the shares are acquired (~10% of net PSV); (ii) management fees from the construction services provided (~15% of construction costs); and (iii) land development fees from the sale of land plots to the investment entity (~35% of net PSV).

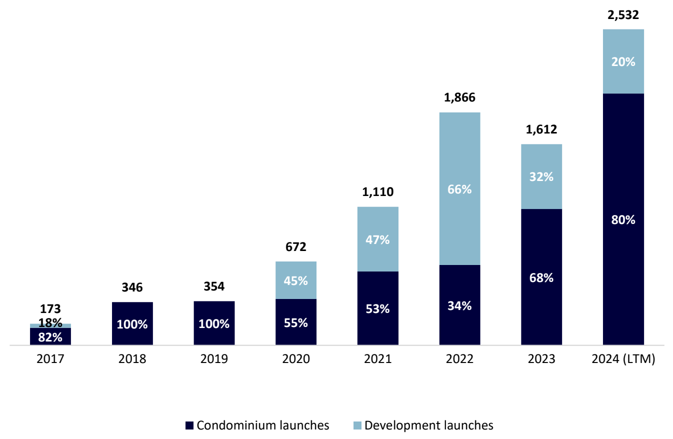
Figure 10. Closed-end condominium model at a glance



Source: company and Safra.

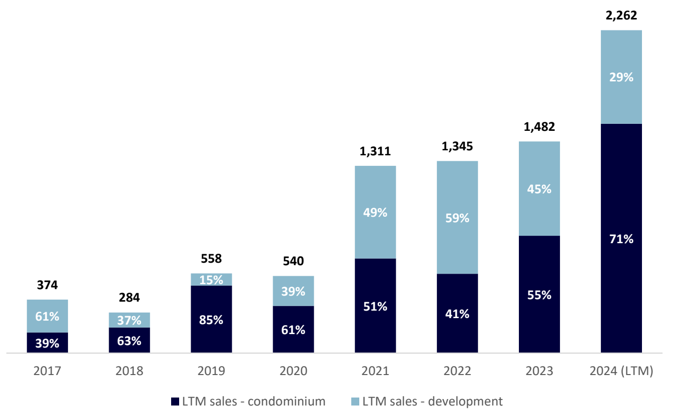
Construction works in the closed-end condominium model usually start 12 months after the project's launch, when ~70% of the shares are already sold, which provides the company with greater security regarding potential cancellations. Projects under this model have accounted for an average of 56% of Moura Dubeux's launches in the past 5 years, having reached 80% in the LTM. We expect the model to account for one-third of the company's launches in the long run.

Figure 11. Launches by construction model (R$mn)



Source: company and Safra.

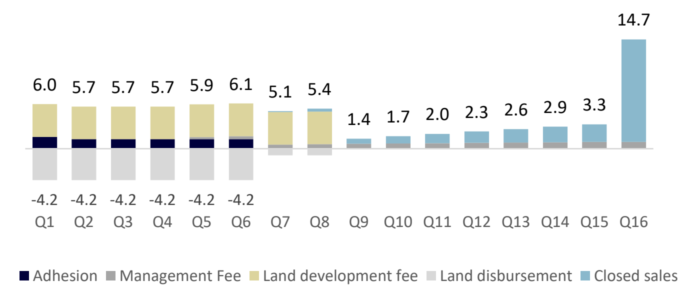
Figure 12. Net sales by construction model (R$mn)



Source: company and Safra.

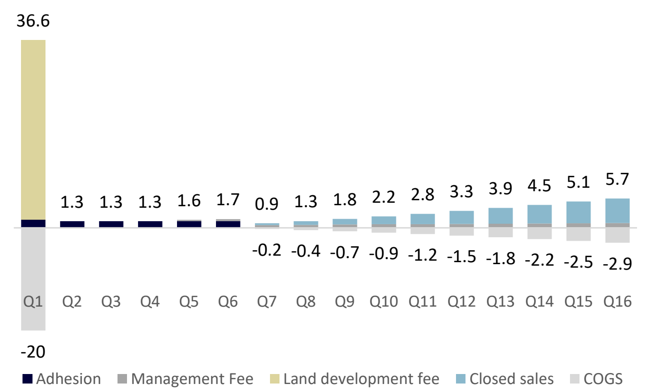
Condominium projects benefit from almost no cash exposure... Since the shareholders are responsible for all construction funding, paying for the costs in monthly installments until the development's delivery, the company's only cash exposure comes from the land acquisition (which is later sold with a ~40%–50% gross margin gain) and the shares acquired by the company. Usually, Moura Dubeux acquires 10%–20% of the development's shares to re-sell them with a ~20% price gain. Sales are recognized under the closed-end condominium model, which has a lower gross margin of ~20%.

Figure 13. Cash flow recognition method under the closed-end condominium model – considering a project with R$100mn in PSV



Source: company and Safra.

Figure 14. Revenue recognition method under the closed-end condominium model – considering a project with R$100mn in PSV

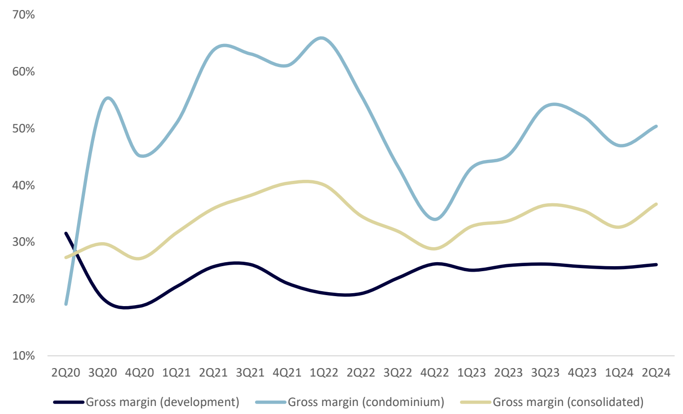


Source: company and Safra.

... while supporting higher margins. The closed-end condominium model has achieved an average quarterly gross margin of 49% since its IPO vs. a 26% gross margin from traditional homebuilding. As a result, Moura Dubeux has managed to deliver a 37% consolidated gross margin in the same period, reaching 38% in the LTM, the highest level among listed mid/high-income homebuilders. Meanwhile, the traditional development segment should make a higher contribution to margins going forward, benefiting from the greater share of recent developments with higher margins recognized in the revenue mix (backlog margin reached a healthier 34.4% in 2Q24 vs. 33.3% in 2Q23 and 31.6% in 2Q22). In addition, the company should also benefit from the launch ramp-up of the mid-income developments under the Mood brand. The brand's first delivery in December should register a nearly ~40% gross margin.

Resilient model amid challenging market dynamics. The closed-end condominium model also provides a safe harbor during periods of economic turbulence. Following the market crash in 2016–2018, the volume of launches across the country dropped significantly. From 2018 to 2H20, Moura Dubeux launched only projects under this model given their lower cash exposure and cancellation levels.

Figure 15. Breakdown of adj. gross margin by construction model

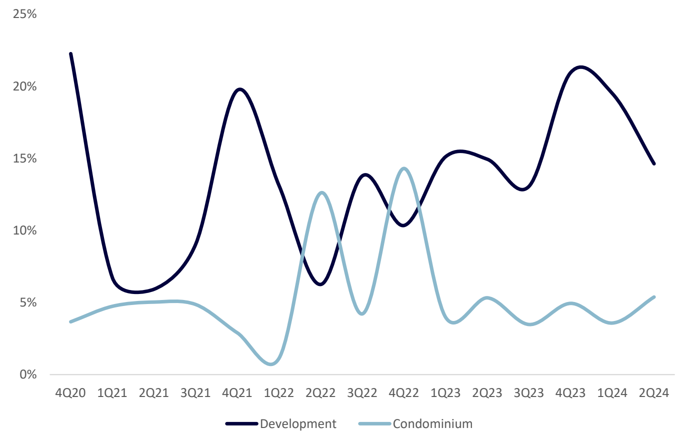


Source: company and Safra.

Figure 16. Comparison of adj. gross margin vs. listed mid/high peers

Source: company and Safra.

Figure 17. Cancellations/gross sales of units under the closed-end condominium model vs. developments



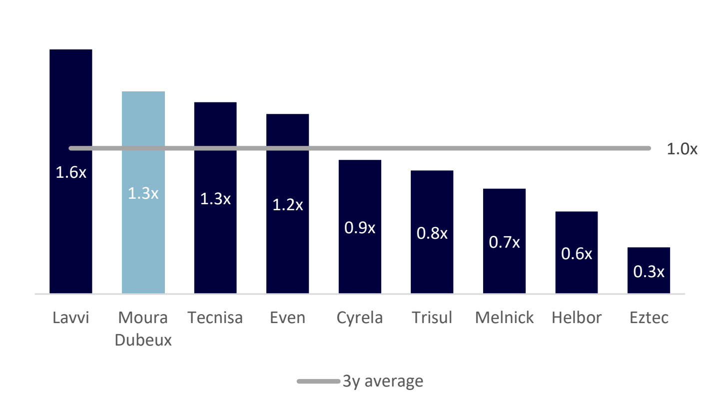
Source: company and Safra.

Earnings outlook

Strong operating performance in recent years should continue to fuel its future results… The company has delivered a 40% net sales CAGR since its IPO in 2020, registering an average 50% SoS ratio in the same period, the third-highest ratio among listed mid/high-income homebuilders, while its inventory currently stands at 11 months of sales, which we view as a positive sign of its future launches. As a result, we forecast a 22% CAGR in launches in 2023–2026, which, coupled with higher gross margin levels (recognition of a higher share of recent launches + stable costs), should drive a 26% net profit CAGR in the same period.

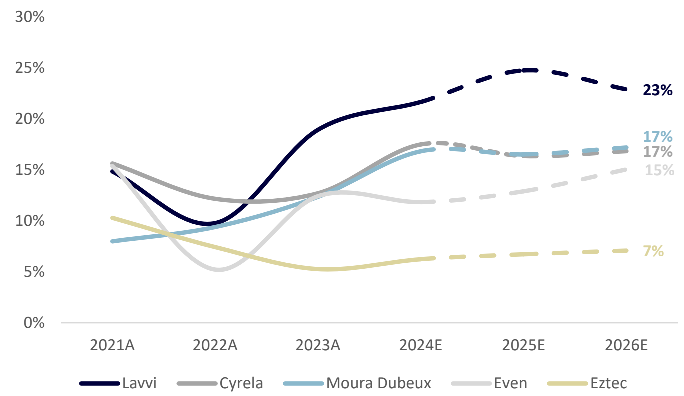
… while a healthier balance sheet should drive superior return ratios and kick off a dividend cycle. Benefiting from the lower cash exposure of the closed-end condominium model, the company has managed to deliver in the past 3 years an average launch/equity ratio of 1.3x, the second-highest value in the mid/high-income segment, which should yield more attractive return levels going forward. We foresee an average 2024–2026 ROE of 17%, staying behind only Lavvi's 23% average. In addition, last quarter Moura Dubeux reversed the accrued net losses on its balance sheet (profit reserve stood at R$38mn in 2Q24), which should make room for dividend payments already in 2024. We forecast R$140mn in dividends by YE25, totaling a combined 11% yield (3% yield in 2024 and 8% in 2025), reaching 12% in 2026.

Figure 18. Listed mid/high-income homebuilders' 3-year average launches / shareholders' equity



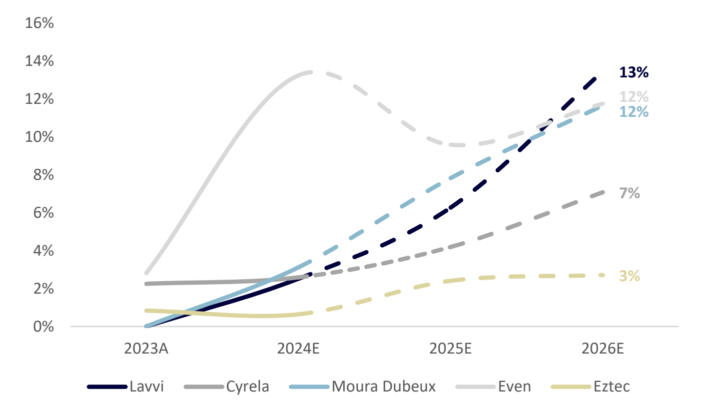
Source: companies and Safra.

Figure 19. ROE of Moura Dubeux vs. main peers



Source: companies and Safra.

Figure 20. Dividend yield of Moura Dubeux vs. main peers



Source: companies and Safra.

Valuation

We estimate a total equity value of R$1.8bn (R$21.5/share) for Moura Dubeux. Our valuation is based on: (i) the company's current discounted NAV (liquidation value), totaling R$600mn (R$7.1/share); plus (ii) the NPV of its future cash flows (FCF estimate until 2034, discounted at a WACC of 16.1%), totaling R$1.2bn (R$14.4/share), for which we assume an average NPV margin (average net margin forecast for future launches) of 12.7% for real estate developments and 13.3% for closed-end condominium projects. Based on our estimates, our R$21.5/share YE25 TP implies a 43% upside and a target P/E and P/BV of 6.7x and 1.0x, respectively.

Figure 21. Valuation breakdown

Valuation	Sum-Of-Parts	Equity (R$mn)	R$/share
(a)	NPV receivables	816	9.7
(b)	NPV inventory	549	6.5
(c)	Landbank and other	-547	-6.5
(d)	Net cash (debt)	-218	-2.6
	Current NAV	**600**	**7.1**
(e)	NPV new launches	2,458	29.2
(f)	NPV holding (G&A + CAPEX)	-1,243	-14.8
	Future NPV	**1,214**	**14.4**
Total	**Equity value / target price**	**1,814**	**21.5**

Source: Safra

Figure 22. Breakdown of weighted-average cost of capital

Weighted Average Cost of Capital (WACC)			
Cost of equity assumptions		**Cost of debt assumptions**	
10y US bond - US$	4.50%	Cost of debt (R$)	9.9%
Brazil risk	2.25%	Effective tax rate	15.0%
Brazil country risk - 10y	**6.75%**	**Cost of debt after tax (Kd)**	**8.4%**
Forex (R$/US$)	2.00%	**Capital structure**	
10y Brazil risk - R$	**8.75%**	Equity	90%
Equity risk premium	5.00%	Debt	10%
Liquidity discount	**1.00%**	**WACC**	**16.1%**
Beta	**1.44**	**Perpetual growth (g)**	**3.5%**
Cost of equity (Ke)	**17.0%**		

Source: Safra

Figure 23. Valuation sensitivity analysis – stabilized launches vs. NPV margin

NPV margin of launches \ Stabilized launches - 2027	1,060	1,560	2,060	2,560	3,060	3,560	4,060
9.9%	13.6	14.0	14.4	14.7	15.1	15.5	15.9
10.9%	15.8	16.2	16.6	17.0	17.4	17.8	18.3
11.9%	17.9	18.4	18.8	19.3	19.7	20.2	20.6
12.9%	20.1	20.6	21.1	21.5	22.0	22.5	23.0
13.9%	22.2	22.8	23.3	23.8	24.3	24.9	25.4
14.9%	24.4	24.9	25.5	26.1	26.6	27.2	27.8
15.9%	26.5	27.1	27.7	28.3	28.9	29.5	30.1

Source: Safra

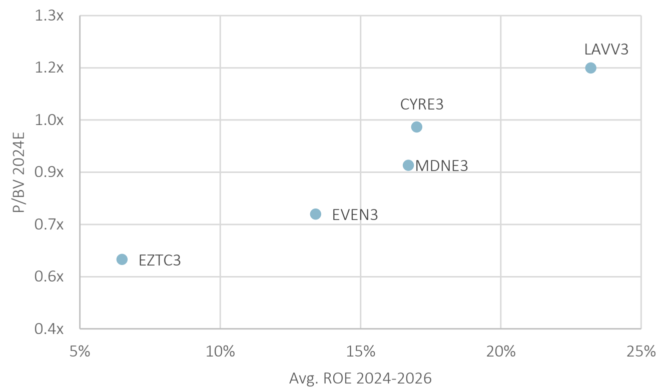
Figure 24. Valuation sensitivity analysis – WACC vs. perpetual growth

Perpetual Growth (g) \ WACC	17.6%	17.1%	16.6%	16.1%	15.6%	15.1%	14.6%
2.0%	19.5	20.0	20.5	21.0	21.6	22.2	22.9
2.5%	19.7	20.1	20.7	21.2	21.8	22.4	23.1
3.0%	19.8	20.3	20.8	21.4	22.0	22.6	23.3
3.5%	19.9	20.4	21.0	21.5	22.2	22.8	23.6
4.0%	20.0	20.6	21.1	21.7	22.4	23.1	23.9
4.5%	20.2	20.7	21.3	22.0	22.6	23.4	24.2
5.0%	20.4	20.9	21.5	22.2	22.9	23.7	24.5

Source: Safra

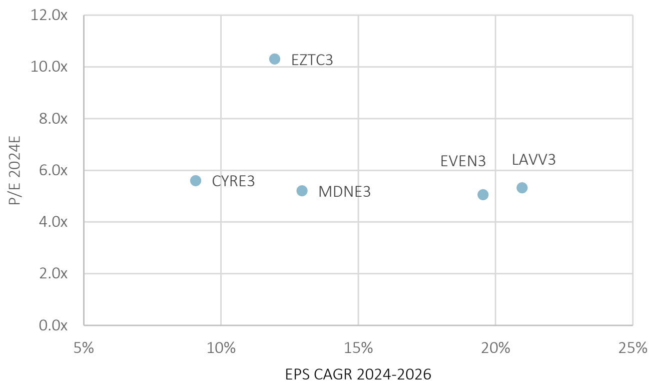
Valuation is still attractive despite the stock's outperformance. Despite the 125bps increase in long-term interest rates YTD, the company's impressive results in recent quarters contributed to an 17% YTD stock gain vs. the 8% loss of its peers in the mid/high niche. Nonetheless, we forecast an attractive 5.2x 2024 P/E valuation, which implies a 21% discount to its peers' 6.6x average. In addition, if we adjust it for the company's 13% EPS CAGR in 2024–2026, we estimate a 0.4 PEG ratio, 19% below the segment's 0.5 average.

Figure 25. ROE to P/BV



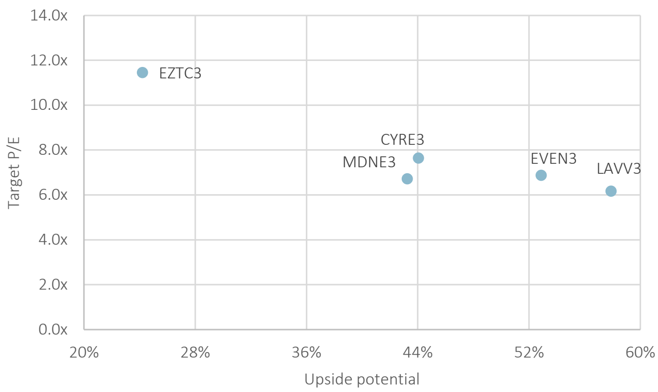
Source: Safra.

Figure 26. 2024 P/E vs. earnings growth (CAGR 2024–26E)



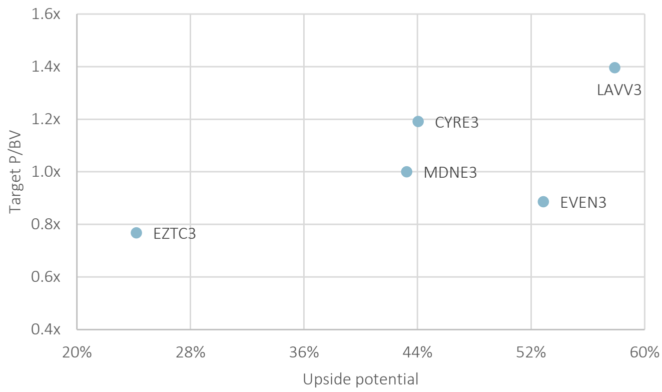
Source: Safra.

Figure 27. Target P/E vs. upside potential



Source: Safra.

Figure 28. Target P/B vs. upside potential



Source: Safra.

Where we stand against consensus

Figure 29. Safra estimates vs. consensus

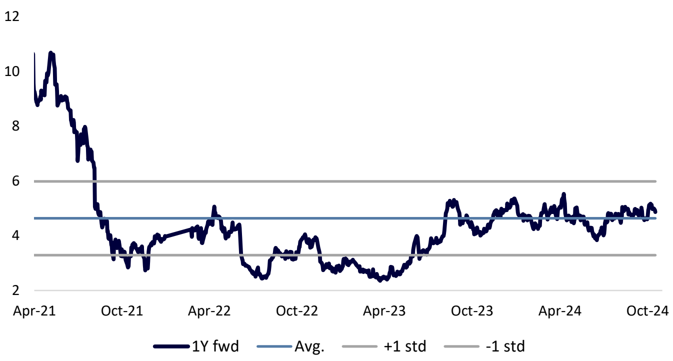
(BRL mn)	Safra Estimates			Consensus Estimates			Safra vs. Consensus		
	2024	2025	2026	2024	2025	2026	2024	2025	2026
Net revenue	**1,561**	**1,683**	**1,831**	**1,559**	**1,686**	**1,772**	**0.1%**	**-0.2%**	**3.3%**
Gross profit	**550**	**605**	**660**	**536**	**594**	**614**	**2.6%**	**1.8%**	**7.5%**
Gross margin (%)	35.2%	36.0%	36.0%	34.4%	35.3%	34.6%	84 bps	69 bps	142 bps
EBITDA	**283**	**321**	**349**	**293**	**338**	**352**	**-3.5%**	**-5.0%**	**-0.7%**
EBITDA margin (%)	18.1%	19.1%	19.1%	18.8%	20.0%	19.8%	-67 bps	-97 bps	-77 bps
Net income	**243**	**270**	**310**	**250**	**281**	**302**	**-2.8%**	**-3.7%**	**2.7%**
Net margin (%)	15.6%	16.1%	17.0%	16.1%	16.6%	17.0%	-46 bps	-58 bps	-9 bps

Source: Bloomberg and Safra.

Historical multiples

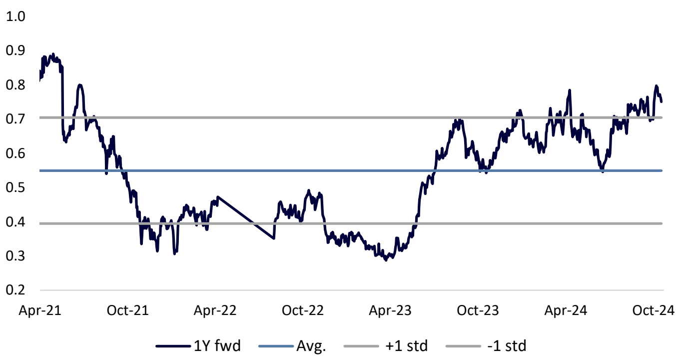
Moura Dubeux is currently trading at a 4.7x and 0.8x 2025E P/E and P/BV valuation, respectively, implying a 9% and 1% discount to its main peers' average of 5.7x and 0.8x.

Figure 30. Historical 1y fwd P/E



Source: Bloomberg and Safra.

Figure 31. Historical 1y fwd P/BV

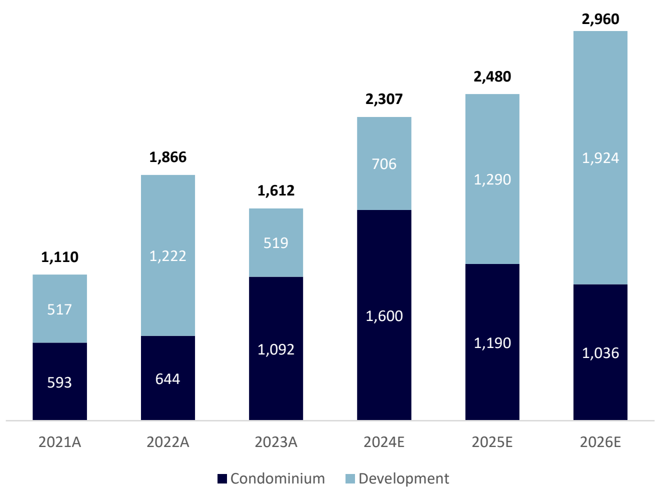


Source: Bloomberg and Safra.

Main estimates

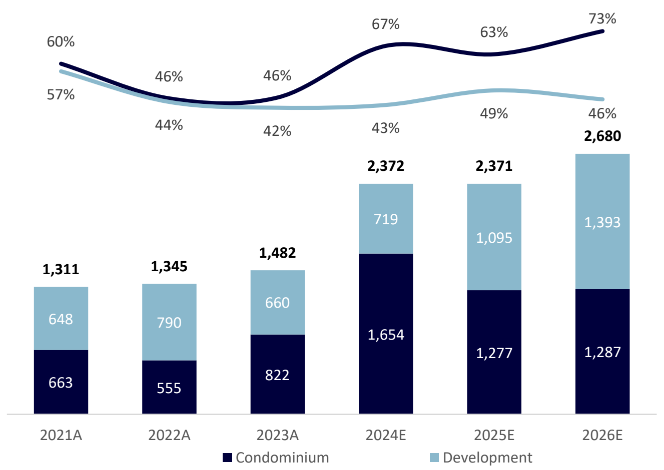
As a result of the strong sales performance in recent quarters and lower inventory levels, we forecast a 22% launch CAGR in 2023–2026, reaching R$3.0bn in 2026, which, in turn, should drive a 21% net sales CAGR, implying an average 53% SoS ratio. We are also conservatively assuming that the company's launches will stabilize at R$2.5bn in 2027E, growing with inflation afterwards. In terms of EPS, we estimate a CAGR of 26% in 2023–2026, further benefited from the 1.3pps gross margin expansion in the same period.

Figure 32. Breakdown of launches (R$mn PSV)



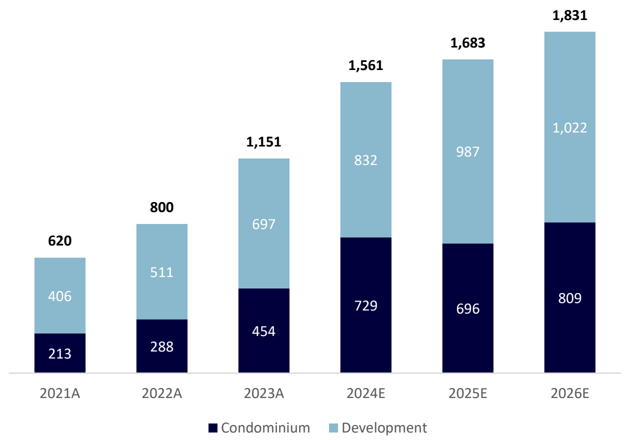
Source: company and Safra.

Figure 33. Breakdown of sales and SoS ratio (%)



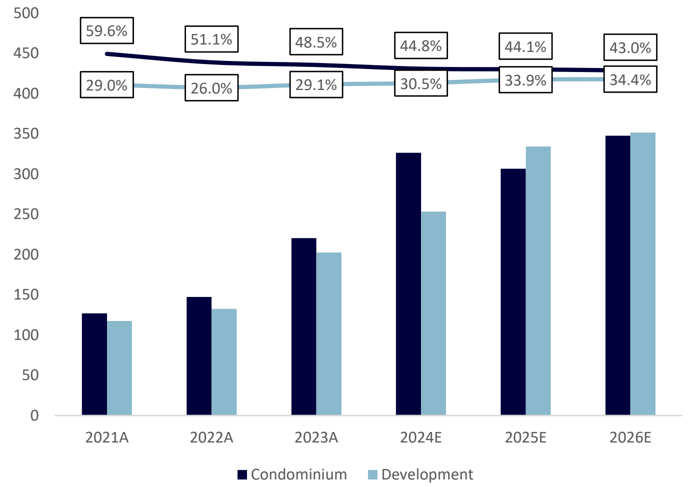
Source: company and Safra.

Figure 34. Breakdown of net revenue (R$mn)



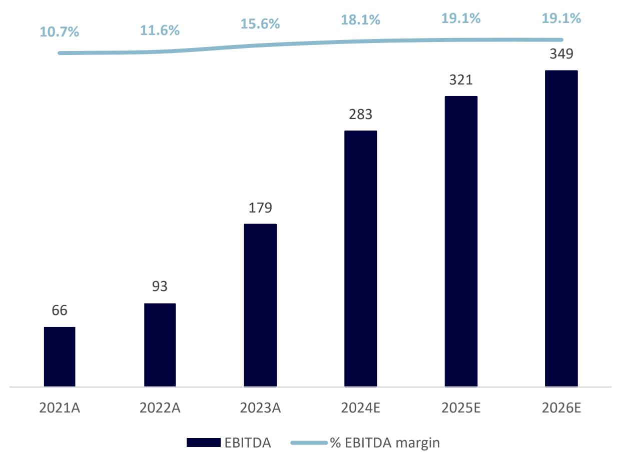
Source: company and Safra.

Figure 35. Adj. gross profit and gross margin (%)



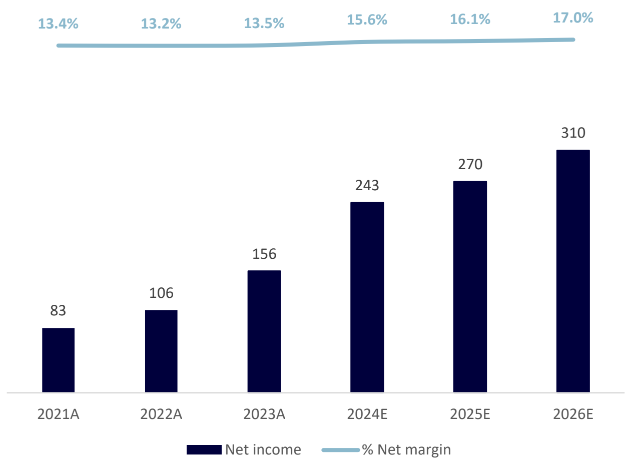
Source: company and Safra.

Figure 36. EBITDA and EBITDA margin (%)



Source: company and Safra.

Figure 37. Net profit and net margin (%)



Source: company and Safra.

Main figures

P&L	2021A	2022A	2023A	2024E	2025E	2026E
Launches (% MD)	**1,110**	**1,866**	**1,612**	**2,307**	**2,480**	**2,960**
Contracted sales (% MD)	**1,311**	**1,346**	**1,482**	**2,372**	**2,371**	**2,680**
SoS ratio	**58%**	**45%**	**44%**	**54%**	**54%**	**57%**
Net revenues	**620**	**800**	**1,151**	**1,561**	**1,683**	**1,831**
COGS	(394)	(533)	(751)	(1,011)	(1,078)	(1,171)
Gross profit	226	266	400	550	605	660
Gross margin	*36.4%*	*33.3%*	*34.7%*	*35.2%*	*36.0%*	*36.0%*
SG&A expenses	(137)	(150)	(192)	(253)	(272)	(298)
SG&A expenses/net revenues	*22.2%*	*18.8%*	*16.7%*	*16.2%*	*16.2%*	*16.3%*
EBITDA	**66**	**93**	**179**	**283**	**321**	**349**
EBITDA margin	*10.7%*	*11.6%*	*15.6%*	*18.1%*	*19.1%*	*19.1%*
EBIT	62	88	172	271	308	335
EBIT margin	*10.0%*	*11.0%*	*14.9%*	*17.3%*	*18.3%*	*18.3%*
NOPAT	48	65	134	229	263	286
NOPAT Margin	*7.8%*	*8.2%*	*11.7%*	*14.6%*	*15.7%*	*15.6%*
Pre tax profit	99	127	193	285	315	359
Taxes	(14)	(22)	(38)	(42)	(44)	(48)
Minorities and others	2	(1)	(0)	(0)	-	-
Reported net profit	83	106	156	243	270	310
Normalized net profit	**83**	**106**	**156**	**243**	**270**	**310**
Normalized net margin	*13.4%*	*13.2%*	*13.5%*	*15.6%*	*16.1%*	*17.0%*
Dividends	0	0	0	40	100	149

YoY Growth Rates	2022A	2023A	2024E	2025E	2026E
Launches (% MD)	*68.2%*	*-13.6%*	*43.1%*	*7.5%*	*19.4%*
Contracted sales	*2.6%*	*10.1%*	*60.0%*	*0.0%*	*13.0%*
Net revenues	*29.0%*	*44.0%*	*35.6%*	*7.8%*	*8.8%*
Gross profit	*18.0%*	*50.0%*	*37.6%*	*10.0%*	*9.1%*
SG&A expenses	*9.4%*	*28.1%*	*31.7%*	*7.3%*	*9.4%*
EBITDA	*39.3%*	*94.0%*	*57.4%*	*13.5%*	*8.8%*
EBIT	*40.7%*	*96.3%*	*57.5%*	*13.7%*	*8.8%*
NOPAT	*34.7%*	*106.0%*	*70.3%*	*15.2%*	*8.8%*
Normalized net profit	*27.7%*	*47.1%*	*56.2%*	*11.1%*	*14.8%*
Dividends	*n,a.*	*n,a.*	*n,a.*	*151.1%*	*49.0%*

Leverage and BS Metrics	2022A	2023A	2024E	2025E	2026E
Inventory days	632	512	441	448	442
Accounts receivable days	325	317	304	343	321
Accounts payable days	45	58	40	49	47
Current liquidity	1.4	1.5	1.7	1.6	1.7
Invested capital	1,053	1,378	1,700	1,941	2,035
Net debt/EBITDA	-1.39	0.20	0.52	0.68	0.43
Net debt/total assets	-0.05	0.01	0.04	0.05	0.03
EBITDA/net financial result	2.32	8.40	19.42	46.32	14.64

Balance Sheet (BS)	2021A	2022A	2023A	2024E	2025E	2026E
Cash and equivalents	185	254	302	400	246	225
Accounts receivables	652	721	1,013	1,319	1,604	1,633
Inventories	1,134	935	1,069	1,239	1,343	1,437
Other current assets	21	103	102	265	286	302
Total current assets	1,992	2,014	2,487	3,221	3,479	3,597
Long-term assets	350	464	598	514	514	514
Permanent assets	351	342	354	366	367	367
Total assets	**2,694**	**2,819**	**3,438**	**4,101**	**4,359**	**4,479**
Accounts payables	74	66	121	112	147	152
Short-term debt	85	18	93	93	113	104
Other current liabilities	1,323	1,350	1,484	1,719	1,855	1,897
Total current liabilities	1,482	1,434	1,698	1,924	2,115	2,153
Long-term debt	40	108	246	454	351	271
Other long-term liabilities	100	99	156	175	175	175
Total long-term liabilities	140	207	402	629	525	446
Minorities	-3	-4	-4	-4	-4	-4
Shareholders equity	1,075	1,182	1,341	1,552	1,723	1,884
Total liabilities	**2,694**	**2,819**	**3,438**	**4,101**	**4,359**	**4,479**

Return and Others	2022A	2023A	2024E	2025E	2026E
Market Cap. (R$mn)	1145.4	1145.4	1264.1	1264.1	1264.1
EV (R$mn)	1016.7	1174.2	1399.7	1470.0	1402.4
EV/EBITDA	11.0	6.5	5.0	4.6	4.0
P/E	10.8	7.3	5.2	4.7	4.1
P/B	1.0	0.9	0.9	0.8	0.7
ROIC	6.2%	9.7%	13.4%	13.6%	14.1%
ROE	9.4%	12.4%	16.8%	16.5%	17.2%
Asset turnover	0.28	0.33	0.38	0.39	0.41
WACC	16.1%	16.1%	16.1%	16.1%	16.1%
Cost of equity	17.0%	17.0%	17.0%	17.0%	17.0%
Dividend yield	0.0%	0.0%	3.1%	7.9%	11.8%
Net debt	-129	37	148	218	151
Net debt/equity	-11%	3%	10%	13%	8%

Source: company and Safra.

Risks

Deteriorated funding availability. The new monetary tightening cycle could accelerate outflows from savings accounts—the cheapest funding source—, forcing banks to be more selective on new loans and driving mortgage rates up, thus reducing even further household affordability.

Execution risks. From 2017–2020 Moura Dubeux averaged 30 active construction sites. Following the company's post-IPO growth cycle, the number of active construction sites stood at 53 across 7 states as of 2Q24, while we foresee it reaching a peak of 55 in YE24, before decelerating due to the higher volume of deliveries.

Higher-than-expected construction inflation. Although the company's operations are spread across 7 states—which, we acknowledge, may increase the company's bargaining power with suppliers—, we still see potentially higher-than-expected construction costs as a possible risk that could pressure the company's margins from new sales.

Tougher competition in the Northeast. An increase in competition, especially in MDNE's most important venues (e.g., Recife, Salvador, and Fortaleza), could have a higher-than-expected impact on sales volumes, prices, and land acquisition costs.

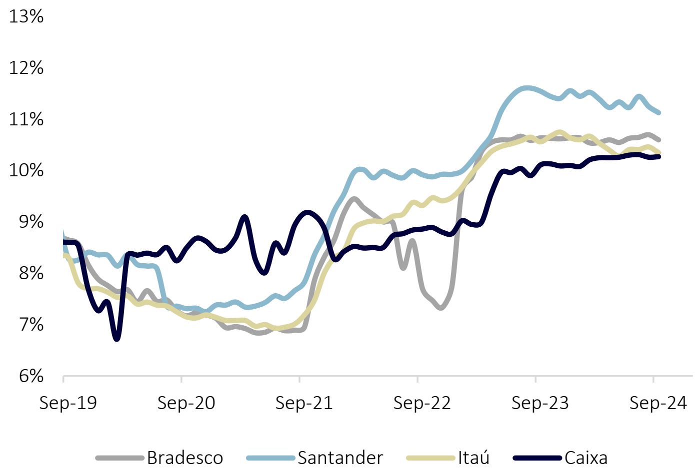
Increase in unemployment rates in the Northeast Region. Historically, Brazil's highest unemployment levels are in the Northeast Region. In 2Q24, unemployment in the region reached 9.4% vs. Brazil's 6.9% average. Higher unemployment levels could slow down the pace of new housing sales, especially for mid-income households (the largest addressable market in the region), which are more price sensitive.

Liquidity risk. Moura Dubeux's lower stock liquidity (R$8.0mn 3M ADTV) might be a concern for some investors.

Sector overview

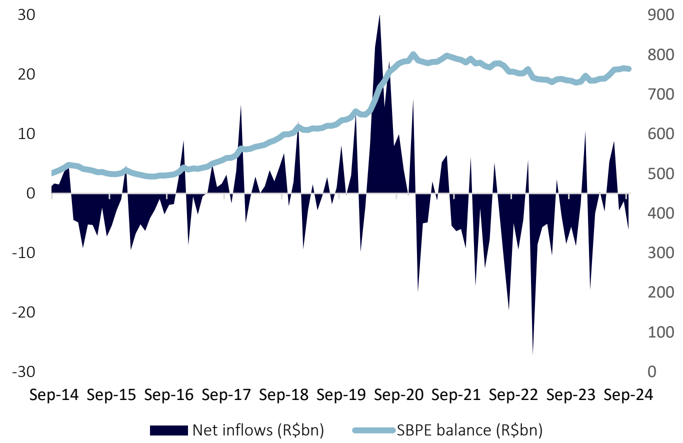
Unfavorable market trends should prevent mortgage rates from falling any time soon. Brazil's fiscal uncertainties and strong economic activity in the past few months raised the projections for inflation, which is thus diverging from the Central Bank of Brazil's (BCB) target, leading to the start of a new monetary tightening cycle in September. Safra's macro team forecasts an additional 0.75pps rate hike, which, in turn, should reduce inflationary pressure, allowing for the resumption of the easing cycle in 2H25. Meanwhile, savings accounts—which provide the cheapest source of funding for banks—remain compromised, registering ~R$200bn in net outflows since 2021. Thus, its share of the available credit supply dropped to 34%, from 55% in 2020. As a result, in order to raise funds, banks have resorted to more expensive market sources (e.g., Real Estate Credit Bills (LCIs), Covered Real Estate Bond (LIGs)), which should lead them to maintain mortgage rates higher for longer than expected. It is worth noting that given the strong appetite for housing loans (30-year loans with cross-sell opportunities), we do not expect banks to raise mortgage rates significantly, which would reduce household affordability even further. Nonetheless, construction loans should get more restricted and expensive, benefitting more established names.

Figure 38. Market mortgage rates from Brazil's main banks



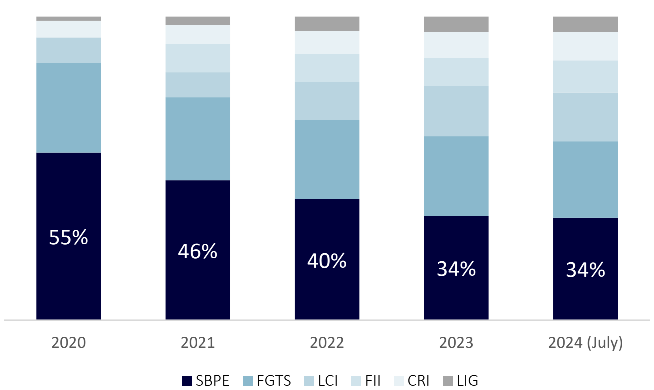
Source: Central Bank of Brazil (BCB) and Safra.

Figure 39. Balance evolution of the Brazilian Savings and Loan System (SBPE)



Source: Central Bank of Brazil (BCB), Brazilian Association of Real Estate Loan and Savings Entities (Abecip) and Safra

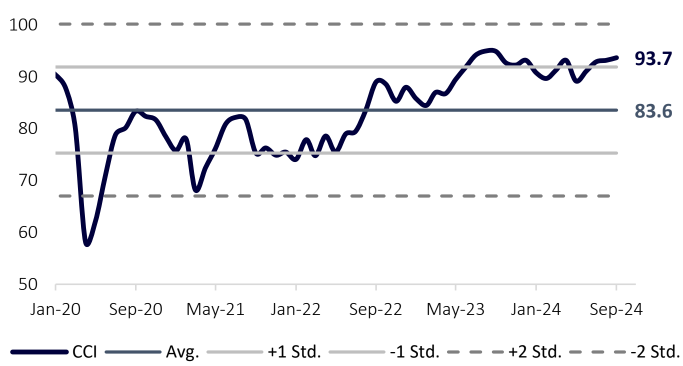
Figure 40. Available funding for mortgages



Source: Safra and Brazilian Association of Real Estate Loan and Savings Companies (Abecip)

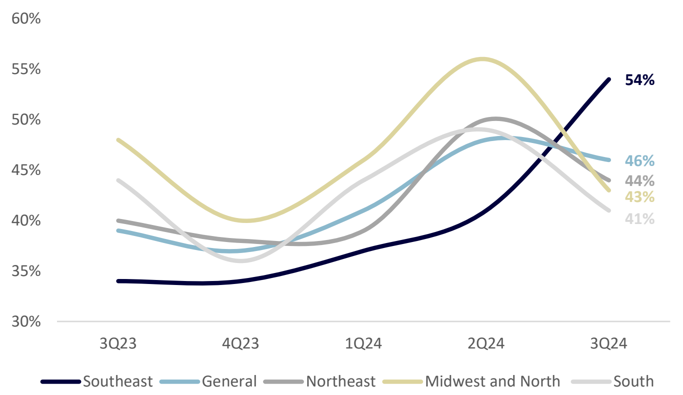
Nonetheless, sales across all regions have recovered, with positive indicators supporting the favorable outlook… Despite the reduced household affordability, sales have recovered across all regions, reducing housing inventory to healthier levels. We believe this recovery reflected mainly homebuyers' improved sentiment regarding affordability due to the easing cycle that began last year, while developers also benefited from reduced competition following the scarcer credit environment and healthier consumer confidence levels. Meanwhile, property purchase intention in the Northeast Region currently stands at a healthy 44% (vs. 40% in 3Q23), with households with monthly income of more than R$15k (Moura Dubeux's main clientele) leading the chart at 52% (+6pps YoY). The level of Brazilian households' leverage has also improved since its peak in July 2022, with consumer debt falling to a healthier 48% of income as of July 2024.

Figure 41. Consumer confidence has risen 8pps since January 2023



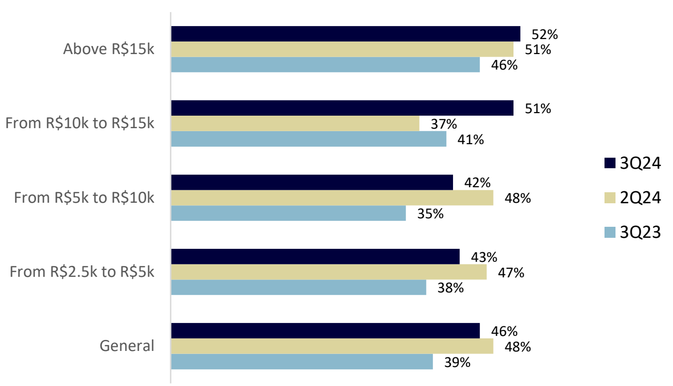
Source: FGV Ibre and Safra.

Figure 42. Property purchase intention in the next 2 years by region



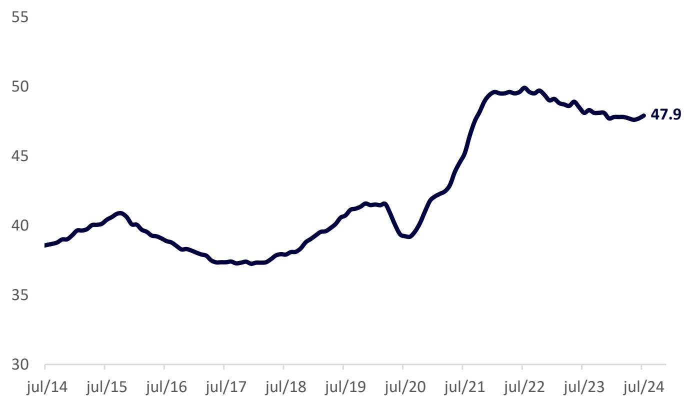
Source: Safra and DataZAP.

Figure 43. Property purchase intention by household monthly income in the Northeast Region in the next 2 years



Source: Safra and DataZAP.

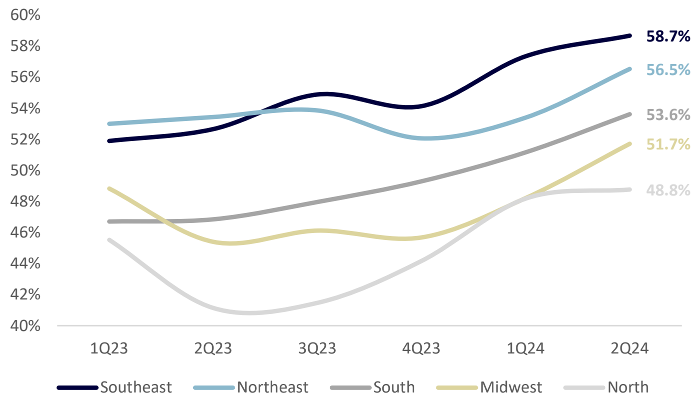
Figure 44. Brazil's consumer leverage as a % of income



Source: Central Bank of Brazil (BCB) and Safra.

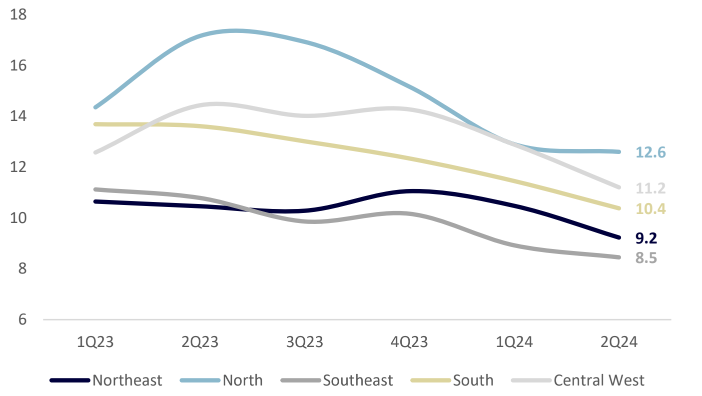
… while inventory levels in the Northeast are healthy. The economic downturn in 2014 resulted in an oversupply of inventories and cancellations, forcing companies to reduce launches and/or leave the region. Thus, Moura Dubeux emerged as the only consistent mid/high-income player (with over R$500mn in annual launches). As a result, the softer launch activity and sales improvement in the following years contributed to a significant reduction in inventory levels, which we view as a welcoming sign of company's futures launches. Current inventory in the Northeast Region stands at 50k housing units, implying a healthier 9 months of LTM sales.

Figure 45. Evolution of LTM SoS ratio



Source: Brazilian Construction Industry Chamber (CBIC) and Safra.

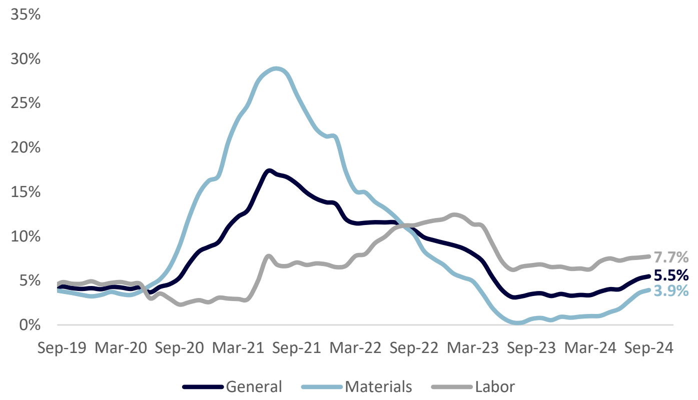
Figure 46. Months of inventory (1Q23-2Q24) by region



Source: Brazilian Construction Industry Chamber (CBIC) and Safra.

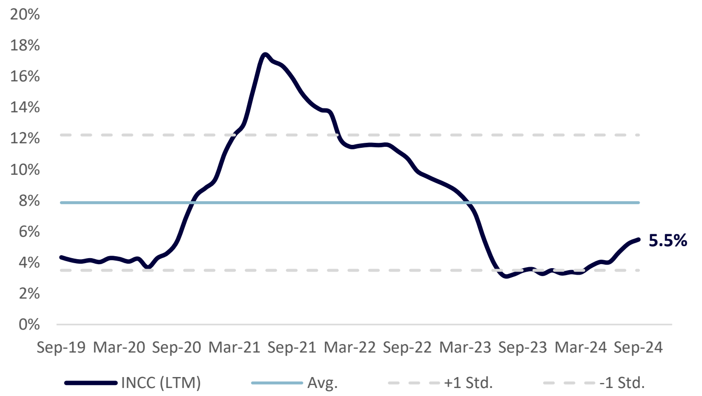
Despite a higher pressure from labor costs, construction inflation is still healthy. On the one hand, labor costs have been the sector's greatest concern in recent periods given the current volume of construction works. LTM labor inflation reached 7.7% in September (from 6.7% in September 2023). Nonetheless, material and service costs (representing ~60% of the INCC construction inflation index) are mostly stable, registering a healthy 12-month inflation of 3.9% in September. As a result, the INCC index landed at a still-healthy 5.5% in September, which stands within the average estimate embedded in homebuilders' budget. Additionally, homebuilders have mostly managed to pass the higher inflation through to prices. Meanwhile, the Northeast Region has the lowest Basic Unitary Cost (CUB) in the country, which should help companies to keep gross margin levels stable.

Figure 47. LTM construction inflation (INCC-DI)



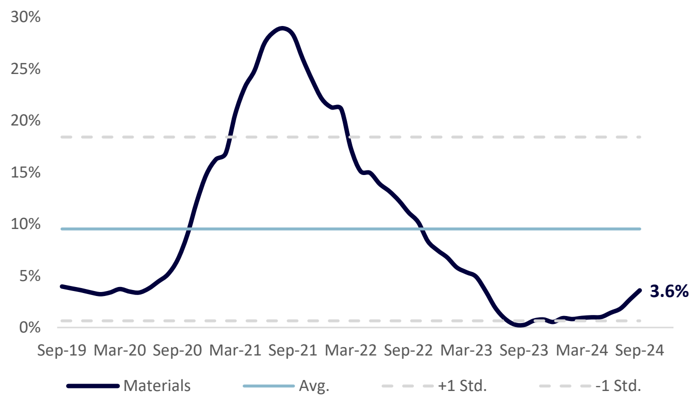
Source: FGV-Ibre and Safra.

Figure 48. INCC-DI data series



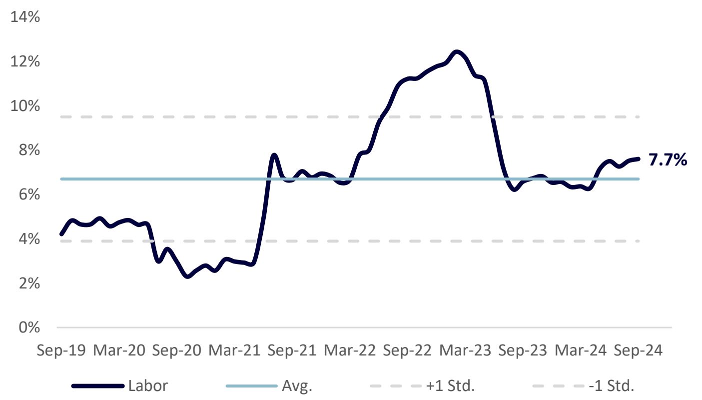
Source: FGV-Ibre and Safra.

Figure 49. INCC – Materials and services data series



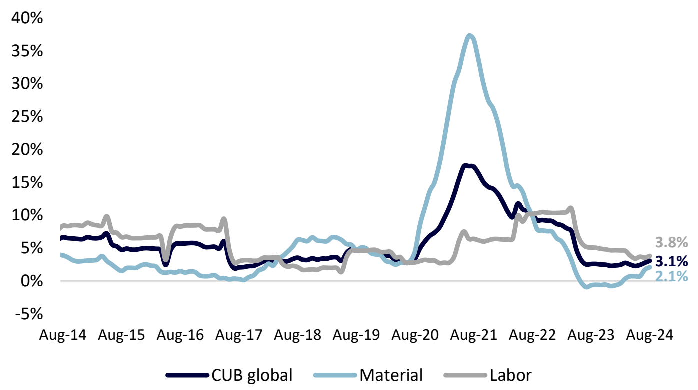
Source: FGV-Ibre and Safra.

Figure 50. INCC – Labor data series



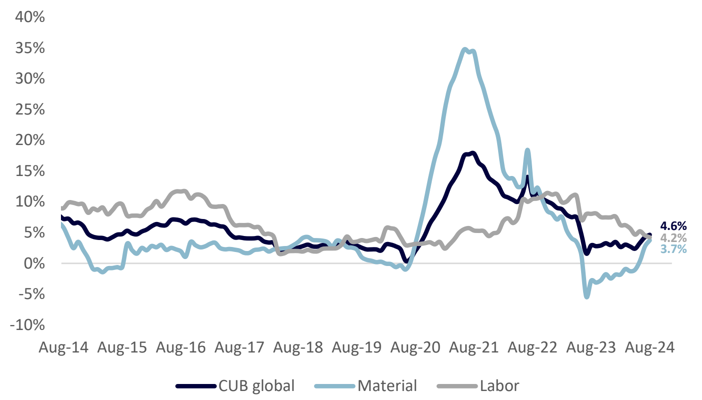
Source: FGV-Ibre and Safra.

Figure 51. Basic Unitary Cost of Construction (CUB) per sq m – Brazil – YoY change



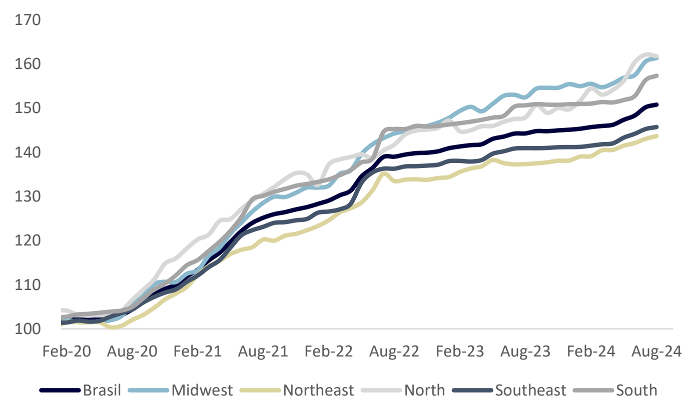
Source: Brazilian Construction Industry Chamber (CBIC) and Safra.

Figure 52. Basic Unitary Cost of Construction (CUB) per sq m – Northeast Region – YoY change



Source: Brazilian Construction Industry Chamber (CBIC) and Safra.

Figure 53. Global Basic Unitary Cost of Construction (CUB) per sq m– By region – (base 100 = July 2019)



Source: Brazilian Construction Industry Chamber (CBIC) and Safra.

Tax reform adds volatility, but it is still hard to measure its full impacts. According to the bill of law sent to the Senate (Bill No. 68/2024), homebuilders will be eligible for a 40% discount on the base VAT rate (26.5% ceiling) and can deduct land costs and R$100k/social housing unit from their taxable base. Moreover, they should generate tax credits from all construction-related costs. Regarding Moura Dubeux, we estimate that the VAT tax rate will surpass the current 2.1% only on properties above R$1.0mn (15% of the company's launches), while it could generate a tax gain from properties below the R$1.0mn mark. On the other hand, closed-end condominium projects (presumed profit tax regime) could register a higher tax burden, which, in turn, should be compensated for by tax gains from the development segment. It is worth noting that new changes to the text should still be made in the Senate, and sector entities are still pushing for a higher reduction in tax rates to alleviate any additional tax burden.

Moura Dubeux – brief background

Founded in Recife in 1983 by Aluísio, Gustavo, and Marcos José Moura Dubeux, the company started as a project planned by the three brothers, whose main objective was to create a high-end homebuilder that offered excellent apartments at a fair price. In 1987, the Moura Dubeux Group was established as a limited liability company, becoming a joint-stock company 20 years later.

In 1999, Moura Dubeux positioned itself among the other real estate leaders and received an award for the construction of the "Morada Atlântica" building in Recife. Later, the company started to operate in the segment of second homes with the launch of the project "Beach Class Suites," which lent its name to the company's brand that currently focuses on the segments of second homes and commercial buildings.

Driven by its strong growth, Moura Dubeux reached its record of annual deliveries in 2006 in Pernambuco, with 11 projects, corresponding to 22k sq m of private area and 500 units. In the same year, the brand "Vivex" was created to expand the company's penetration in the low- and mid-income segments.

One year later, the company started its operations as a developer and was registered as a publicly held company, under category "B," and sought to expand its business across the Northeast Region, setting a footprint in the cities of Natal, Fortaleza, Salvador, and Maceió. Furthermore, seeking to expand its participation and know-how in low-income projects, the company launched its first partnership with MRV in 2009.

From 2014 onwards the company was heavily affected by the recession in Brazil, which impacted homebuilders across the entire country, especially in the North and Northeast Regions. In that period, the company's operations were materially affected by lackluster sales, due to an aggressive volume of cancellations, and an elevated financial leverage, which was consuming the company's earnings through incredibly high financial expenses.

The negative outlook was finally reversed in February 2020, when the company concluded its IPO on the B3 stock exchange in São Paulo, raising ~R$1.1bn—100% primary—through the sale of 58.2mn shares (R$19.00/share), which was fundamental for the deleveraging of the company's balance sheet. Moreover, the company's shares were listed in the "Novo Mercado" segment, which is the highest level of corporate governance standards in the Brazilian stock exchange.

Aiming to consolidate its brand, in 2022 Moura Dubeux started operating in 2 other States: Paraíba and Sergipe. Thus, the company's operations were concentrated in 7 States of the Northeast Region: Ceará, Rio Grande do Norte, Pernambuco, Alagoas, Bahia, Paraíba, and Sergipe.

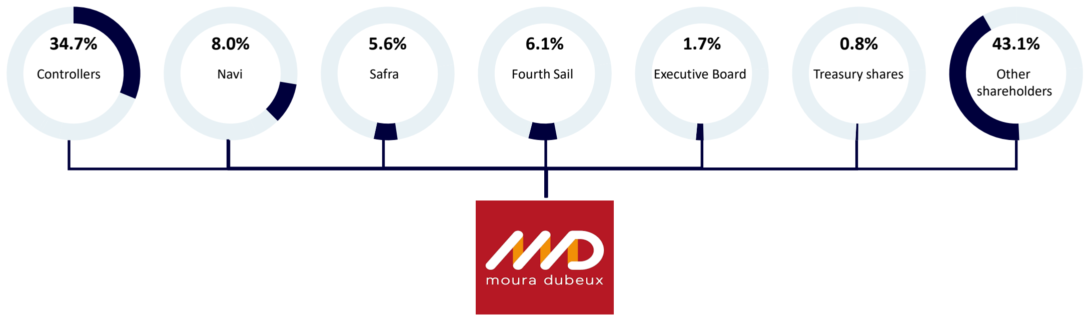
In 2023, Moura Dubeux created "Mood," a new line of business that targets at middle-income customers. Thus, the company incorporated the "concrete wall" construction methodology to serve these customers, who represent the largest addressable market in the Northeast Region.

Currently, Moura Dubeux is the leading homebuilder in the Northeast Region, with operations across the capital cities of Ceará, Rio Grande do Norte, Pernambuco, Alagoas, Bahia, Paraíba, and Sergipe, mainly through high-end buildings. The company also operates in the segments of flats, hotels and resorts, which also have as their main focus high-end and foreign customers. Overall, Moura Dubeux has already launched more than 242 projects, totaling more than 25k units.

Moura Dubeux's shareholder structure and board of directors

The company is currently controlled by Aluísio José Moura Dubeux, Gustavo José Moura Dubeux and Marcos José Moura Dubeux through a shareholders' agreement that expires on October 18, 2029. In addition, 21% of the company's shares are held by relevant investors (Navi Capital, Forth Sail Capital, and Safra Asset), which add expertise to the investment case while protecting the minority shareholder's interests.

Figure 54: Moura Dubeux's shareholder structure



Source: company and Safra.

Board of directors. The board of directors is composed of five members, three of whom represent the Moura Dubeux family and the other two are independent members. Board members are elected for a 2-year term.

Figure 55: Moura Dubeux's board of directors

	Name	Position	Experience
	Gustavo José Moura Dubeux	Chairperson	Founding partner of the company. Has held executive positions at Moura Dubeux since 1983. From 1998 to 2006, was a member of the business group "Pacto 21" and participated in the long-term planning of the Pernambuco State government. From 2002 to 2004, was vice-president of legislation and tax policy at the Association of Real Estate Market Companies of the State of Pernambuco (Ademi/PE). Is also a member of the American Chamber of Commerce (Amchan). Holds a civil engineering degree from the Federal University of Pernambuco (UFPE) and is a board member certified by the Brazilian Institute of Corporate Governance (IBGC).
	Aluísio José Moura Dubeux	Member	Is also one of the founding partners of the company, where he has held executive positions since 1983. Earned a bachelor's degree in civil engineering from the Federal University of Pernambuco and worked as a civil engineer at Queiroz Galvão S.A. from 1977 to 1983.
	Marcos José Moura Dubeux	Member	Is a founding partner of the company, where has held executive positions since 1983. From 1975 to 1978, worked as an engineer at Companhia Hidroelétrica do São Francisco. From 1978 to 1982, worked for the Pernambuco State government as general director of the Highway Terminal Department. Was also one of the founders of the Tourism Cluster of the Pernambuco State government. Was president and director of the Cluster of Real Estate Affairs at Sinduscon-PE. Holds a bachelor's degree in electrical engineering from the Federal University of Pernambuco and in business administration from the University of Pernambuco-(UPE).
	Geraldo Sardinha Pinto Filho	Independent member	Holds an undergraduate degree in economics from the School of Economics of the Federal University of Minas Gerais and completed specialization programs in finance at J.L.Kellogg Northwestern University (USA) and at the European Institute of Business Administration (INSEAD), in France. Is a managing partner of November 17th, a consultancy firm on corporate finance and business strategy that provides services for mid-sized and large companies
	Gustavo Ribas	Independent member	CEO of the Navi Group. Previously, worked for 7 years (2012–2019) at 3G Group, which he joined as an investment analyst at 3G Capital and then became a member of the Investment Committee for Latin America. From 2016 to 2019, was director of Burger King's global treasury in the US and global head of real estate. Started his career at BBM Bank (2005–2010). From 2010 to 2012, was an equity research associate in Itaú Asset's High Alpha team. Holds an undergraduate degree in economics from the Federal University of Rio de Janeiro, a law degree from the Rio de Janeiro State University and a master's in finance from Getulio Vargas Foundation.

Source: Company and Safra

Moura Dubeux’s management team

The company’s executive team is led by Diego Paixão Villar, who has more than 14 years of experience in the real estate market, having worked in several areas within the company, such as Engineering, Planning and Controllership.

Figure 56: Moura Dubeux’s management team

	Name	Position	Experience
	Diego Paixão Nossa Villar	CEO	He is a civil engineer and completed specialization degrees in Finance at IBMEC and Project Management at FGV, in addition to having an Executive MBA from Fundação Dom Cabral and Kellogg, Diego Villar has been in the real estate market for 14 years, having worked in several areas within the Company, such as Engineering, Planning and Controllership.
	Diego Wanderley	CFO	Began his career in 2014 as a financial analyst at Moura Dubeux and has continued with the Company in the areas of Investment Analysis, Strategic Planning and Controllership. In 2020, he participated in the IPO process and, from 2021 to 2023, he has been the Company’s Controller. He holds a degree in Business Administration from Universidade Federal de Pernambuco, an MBA in Finance from IBMEC and an MBA in Controllership from Universidade Estácio de Sá.
	Diogo Barral	IRO	Began his career in 2006 as an intern in Civil Engineering at Moura Dubeux and continued his professional life in the Company’s Engineering area for the next 14 years (2006-2019). In 2020, he participated in the Company’s IPO process and, from 2020 to 2023, he has been Moura Dubeux’s Investor Relations Manager. He holds a Civil Engineering degree from Universidade Católica de Pernambuco and an MBA in Project Management from UniFBV Wyden.
	Carlos Roberto Barreto Gentil Filho	Independent member	Carlos Roberto Barreto Gentil Filho holds a Civil Engineer degree from Sergipe Federal University “UFS”, and a Business Management MBA from FGV. Carlos Roberto has been working with real estate building for more than 30 years, and as engineering officer, for more than 20 years. All this, in relevant companies in Brazil Northeast region.
	Eduardo Fernandes de Moura	Independent member	Eduardo Moura is an Executive Board member of the Real Estate Company’s Association in the state of Pernambuco (ADEMI-PE) and a member of the Urban Development Board of the city of Recife, known as CDU. Currently, is the Company’s Real Estate Development Officer in the state of Pernambuco. Started his career in the Company as a civil engineer intern in 1991, since then, has occupied several positions, such as, (i) Civil Engineer, (ii) Administrative Manager, (iii) Commercial Manager, (iv) Strategic Department Manager and (v) Real Estate Development and Legalization Officer. Eduardo holds a Civil Engineering degree from “Universidade Católica de Pernambuco – UNICAP”.
	Fernando Henrique Affonso Ferreira de Amorim	Independent member	Fernando Amorim holds a Civil Engineering degree from “Universidade de Pernambuco-UPE” and a postgraduate degree in Civil Construction Quality Management from UPE. Currently, is the Company’s Real Estate Development Officer in the states of Bahia and Ceará. Working in the Company since 1993, he occupied several positions, such as, (i) civil engineer intern from 1993 to 1996, (ii) engineer from 1996 to 2000, (iii) Construction Manager in the state of Pernambuco between 2000 to 2007, (iv) Real Estate Development Superintendent in the states of Ceará and Rio Grande do Norte from 2007 to 2010, (v) Real Estate Development Officer (statutory) in the states of Ceará and Rio Grande do Norte from 2010 to 2017 and (vi) Real Estate Development Officer (statutory) in the states of Ceará, Rio Grande do Norte and Bahia from 2017 to 2020.
	Homero Leite Maia Moutinho da Silva	Independent member	Homero Leite was a member of the Shared Administration at Beach Class Muro Alto Resort, in the city of Ipojuca and Beach Class Convention & Flats, in the city of Recife, both in the state of Pernambuco. Currently, is the Company’s Real Estate Development Officer in the states of Rio Grande do Norte, Paraíba, Alagoas e Sergipe. He started his journey in the Company as a civil engineer intern in February 1994, since then, has occupied several positions, such as, (i) Civil Engineer, (ii) Board of Directors agent for ISO 9001 Quality System implementation, (iii) Personalization Manager, (iv) Commercial Manager, (v) Legal Department Manager, (vi) Real Estate Development Superintendent, and (vii) Real Estate Development Officer in the states of Pernambuco and Paraíba, between 2010 to 2017. Homero Moutinho holds a Civil Engineering degree from “Universidade de Pernambuco-UPE”, a postgraduate degree in Civil Construction Quality Management from “UPE” and holds a MBA in Real Estate and Civil Construction Business Management from “FGV”.

Source: Company and Safra

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