BZ Homebuilders

Demand Optimism Amid a Challenging Macro Environment

Updating Estimates for the Mid/High-Income Segment; CYRE, MDNE and LAVV are our Preferences

We are reviewing our estimates for CYRE, EVEN, EZTC, LAVV, MDNE, and TRIS, while rolling TPs for 2025. In our view, the valuation of mid/high-income homebuilders remains heavily influenced by macroeconomic factors, particularly long-term interest rates. In that sense, recent revisions to the future DI curve have pressured the sector, with a "higher for longer" scenario expected to persist. However, a better operating environment in 1H24, as evidenced by stronger net pre-sales and reduced inventory, suggests a more optimistic outlook for launches in 2H24 and 2025. We believe Cyrela (YE25 TP of R$ 30.0), Moura Dubeux (YE25 TP of R$ 19.0), and Lavvi (YE25 TP of R$ 13.0) could offer the strongest combination of growth and profitability in this recently improved demand scenario, justifying our preference.

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Macro continues to have a significant impact on valuation. We continue to see a strong correlation between the valuation of mid/high-income homebuilders (MHI) and long-term interest rates (see pg. 3). As such, we see that recent upward revisions to the future DI curve have weighed on the sector's performance (-11% YTD[1] on average), pricing in a "higher for longer" scenario that the XP Macro team believes should persist into 2H24 and 2025 (see pg. 4), which could put further pressure on the segment's multiples, although we see upside from a better operating environment.

A slightly better operating environment favors the best-positioned names. Operationally, we see a better environment for the MHI names, as stronger-than-expected 1H24 net pre-sales (18% YoY in our coverage) have consistently reduced inventory compared to the worrying levels of 1H23. In our view, this could lead to a slightly more optimistic scenario for launches in 2H24 and 2025, leading us to raise our estimates in our coverage by 32% on average for 2024 and 31% for 2025. We see Cyrela, Moura Dubeux and Lavvi as better positioned to benefit from this demand window given their (i) lower inventory position and (ii) higher gross margin compared to the industry.

We maintain our preference for quality stocks. The MHI names represent a high-beta segment exposed to long-term interest rate volatility, which requires careful stock selection due to uneven earnings momentum. In this sense, we prefer (i) Cyrela (YE25 TP of R$ 30.0) for its (a) well-diversified portfolio that navigates well through different macro scenarios, (b) strong project pipeline, (c) solid ROE expansion, (d) high liquidity, and (e) potential for stronger dividends; (ii) Moura Dubeux (YE25 TP of R$ 19.0) for its (a) robust near-term expansion, (b) strong regional dominance, and (c) attractive 2025 dividend yield; and (iii) Lavvi (YE25 TP of R$ 13.0) for its strong EPS growth and reliable dividends despite low stock liquidity. Finally, we continue to see a challenging profitability scenario for EZTEC (YE25 TP of R$ 18.0) and Trisul (YE25 TP of R$ 6.0), justifying our Neutral.

Mid/High-Income Homebuilders Valuation Comps and Target Price Changes

	Ticker	Rating	Old TP (R$)	New TP (R$)	Upside (%)	Market Cap (R$bn)	ADTV 3M (R$mn)	P/BV 24E	P/BV 25E	P/E 24E	P/E 25E	ROE 25E
Cyrela	CYRE3	Buy	26.0	30.0	52%	7.4	111	0.9x	0.8x	5.8x	5.4x	15.0%
EZTec	EZTC3	Neutral	22.0	18.0	31%	3.0	25	0.6x	0.6x	10.9x	9.0x	6.6%
Lavvi	LAVV3	Buy	9.4	13.0	45%	1.7	6	1.2x	1.0x	5.7x	4.3x	24.9%
Even	EVEN3	Buy	9.0	8.0	30%	1.2	5	0.6x	0.6x	5.3x	4.5x	13.9%
Moura Dubeux	MDNE3	Buy	16.5	19.0	43%	1.1	6	0.7x	0.6x	4.2x	3.9x	16.4%
Trisul	TRIS3	Neutral	6.1	6.0	18%	0.9	2	0.6x	0.6x	6.0x	4.7x	12.9%

Source: XP Reseach, Economatica | Notes: (1) As of July 24th of 2024

Summary

Macro Has Relevant Impact On Valuation

Tougher Macro Outlook Increased Homebuilders Volatility

Mid/high-income names remain most correlated to macro. We've conducted another analysis of the correlation between homebuilders' multiples and macro data, with results largely consistent with our previous findings (click here to see). The mid/high-income (MHI) segment still shows a strong correlation with LT interest rates in both Brazil and the US (see Figures 1 and 2). In Brazil, the correlation between MHI homebuilders'(1) 1Y Forward P/BV and the 2032 NTN-B Yield was a strong 92% (vs. 43% for low-income ones(2)), while in the US it was 66% (vs. -5% for LI ones(2)) relative to the US 10Y Treasury Yield. We believe that this strong correlation between MHI segment and LT interest rates may be explained by its higher exposure to future funding prospects, which significantly increases the segment's beta. Thus, we see that upward changes in the yield curve should adversely affect homebuyer mood due to affordability pressures, potentially reducing companies' appetite for launches. Meanwhile, low-income companies face a different scenario, benefiting from stable demand under subsidized conditions, which reduces their multiple correlation to macro factors.

Figure 1: XP Coverage - Fwd P/BV vs. NTN-B (2032) Yield (4Y)

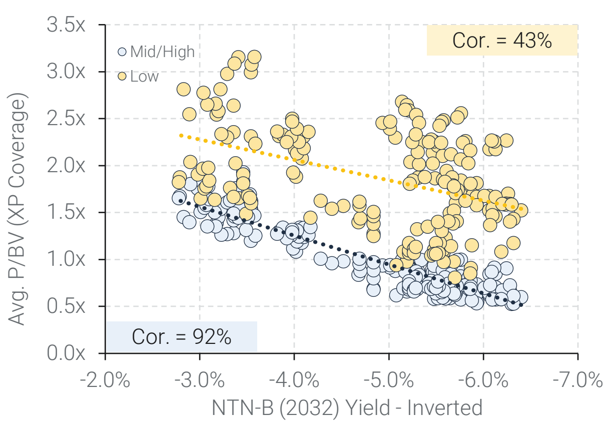
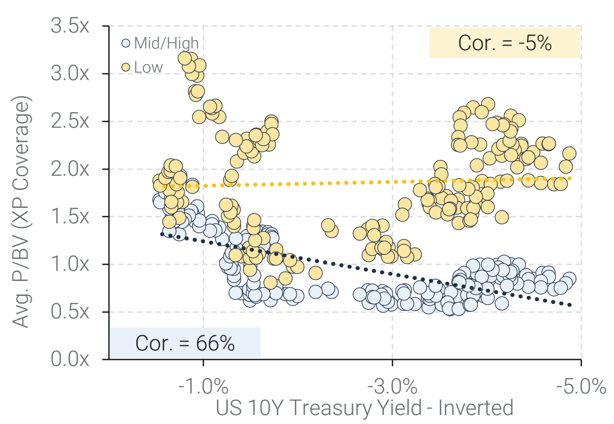


Figure 2: XP Coverage - Fwd P/BV vs. US 10Y Treas. Yield (4Y)



Tougher macro drives higher volatility in the sector. In the last few months, we noted a rapid shift in market expectations regarding the macro scenario in Brazil, pointing to a deceleration in the pace of Selic rate cuts, which has led to sequential upward revisions in the DI curve (see Figure 3). This change in the macro view and the resulting yield curve movement has driven higher volatility in the homebuilders' stocks. We believe this significantly worsens investor sentiment regarding the sector, resulting in valuation multiples below historical levels (see Figure 4). Particularly this year, the widening of the DI curve negatively impacted stocks, with most of our mid/high-income coverage showing negative performance year-to-date(3) (-11% on average).

Figure 3: Future DI Curve (%)

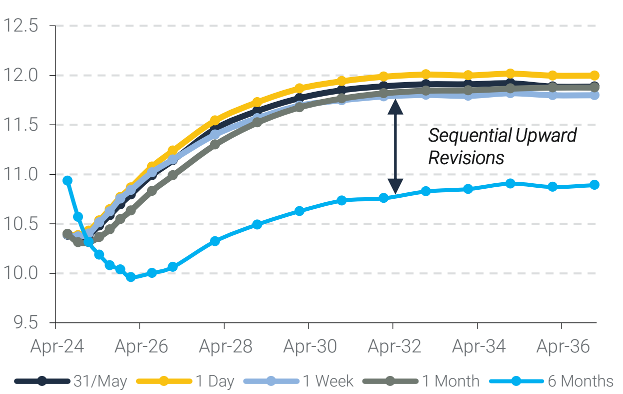
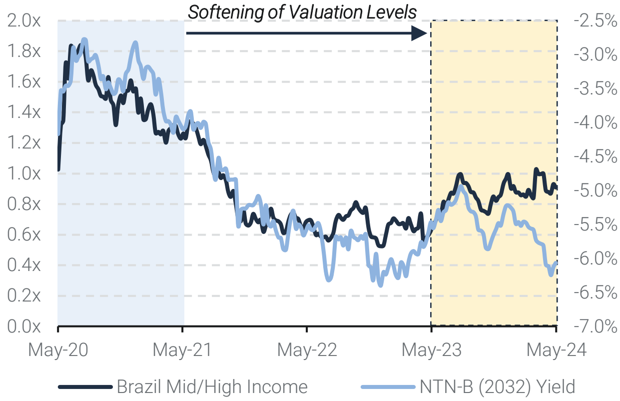


Figure 4: BZ Mid/High – Fwd. P/BV vs. NTN-B (2032) Yield (4Y)



Source: Bloomberg, Companies, LSEG Refinitiv, XP Research | Notes: (1) Mid/High-income names in our coverage (CYRE3, EZTC3, EVEN3, MELK3, MDNE3, LAVV3, TRIS3); (2) Low-income names in our coverage (CURY3, DIRR3, PLPL3, TEND3, MRVE3); (3) As of July 24th of 2024

Macro Has Relevant Impact On Valuation

Tougher Macro Outlook Increased Homebuilders Volatility (Cont.)

The challenging macro outlook is likely to persist. Looking ahead, we continue to see a difficult scenario for monetary policy, which should lead to higher interest rates for longer. To support this view, we've compiled the XP Research Macro team's takeaways on ST rates in Brazil and the US. (click here to read the full report).

Brazil: A hawkish approach should persist for longer

The XP Macro team noted that monetary policy is already in quite restrictive territory, with the real neutral interest rate estimated at 5.0%, well below the current real ex-ante rates of around 7%. However, the team pointed out that other inflation drivers suggest higher pressures ahead. These drivers include: (i) a slight increase in international commodity prices YTD, (ii) a weaker BRL due to higher risk perception and lower-than-anticipated capital inflows from the positive balance of payments, and (iii) stronger-than-expected economic activity. As a result, it observed that future DI markets are pricing in a tightening cycle beginning in 2H24. Meanwhile, the team noted that Copom members have explicitly stated that the Selic rate is already sufficiently restrictive and rate hikes are not planned. Thus, the XP Macro team maintains its view of the Selic rate remaining at 10.5% until the end of 2025.

US: The easing cycle seems to be closer than ever

The XP Macro team observed that recent indicators have provided relief compared to the hawkish data from Q1. This was supported by: (i) a deceleration in the overall trend of net job creation (albeit volatile), with a better balance between labor supply and demand; and (ii) both CPI and PCE inflation eased considerably in the past two readings, with May data being particularly favorable (the super core services index surprised to the downside, easing recent concerns about a reacceleration in inflation dynamics). However, the team noted that the June FOMC was hawkish, with the median projection from the SEP now indicating only one 25 bps rate cut in 2024, down from three previously. As a result, the XP Macro team anticipates that the Fed should start the easing cycle at the last meeting of the year, but if indicators remain soft, the Fed may find space to ease before.

Our take. On the macro side, we continue to see a challenging outlook that isn't likely to improve anytime soon. As a result, we should continue to see high volatility in the stocks of mid/high-income homebuilders, given the strong correlation of valuation multiples in this segment with long-term interest rate curves. Nevertheless (as we discuss in detail in the following pages), we note that demand momentum appears to be shifting away from the pressured 2023 scenario. We therefore believe that this could create a favorable environment for accelerated launches in the near term, which could offset the challenging macro outlook for some of the companies in our coverage, notably Cyrela, Moura Dubeux and Lavvi.

Demand Momentum Appears to Have Shifted

We See Increased Demand In a Still Challenging Scenario

We see a slight improvement in demand momentum. From Jun/22 to Jun/23, net pre-sales (LTM) in the São Paulo market showed a stabilized growth period (see Figure 5), impacted by lower customer affordability given a challenging interest rate scenario (Selic rate at its peak of 13.75% from Aug/22 to Jun/23). However, we note a solid increase in demand in recent months, leading to a sharp increase in LTM net pre-sales from MHI names (see Figure 6), which we believe was supported by (i) slightly improved homebuyers' sentiment on affordability given the start of the monetary easing cycle in 2023, and (ii) companies' strategy of applying discounts on completed/under development units while offering more attractive direct financing rates to stimulate demand. We have seen a similar increase in demand among the covered mid/high income names, with LTM net pre-sales up 14% YoY in 2Q24 (see Figure 7), driven by robust nominal growth from Lavvi, Moura Dubeux and Cyrela (see Figure 8).

Figure 5: Units Sold in São Paulo (Secovi) - LTM Growth (%)

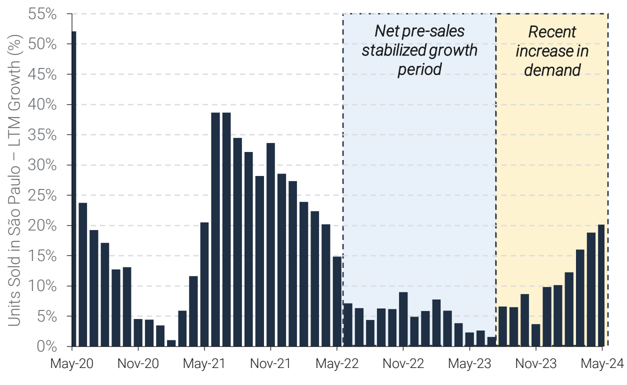


Figure 6: MHI Net Pre-Sales in São Paulo (units) – YoY Change

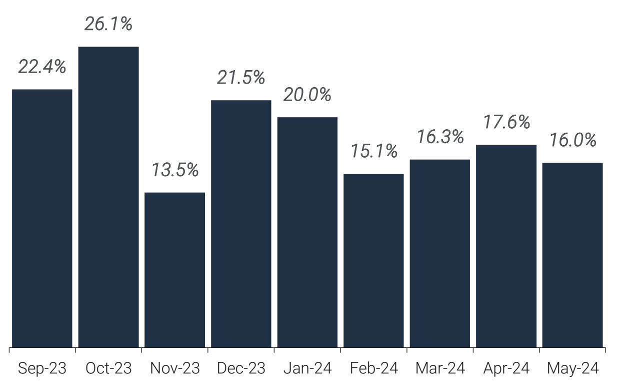


Figure 7: XP MHI Coverage(1) LTM Net Pre-Sales (R$bn) and YoY Change

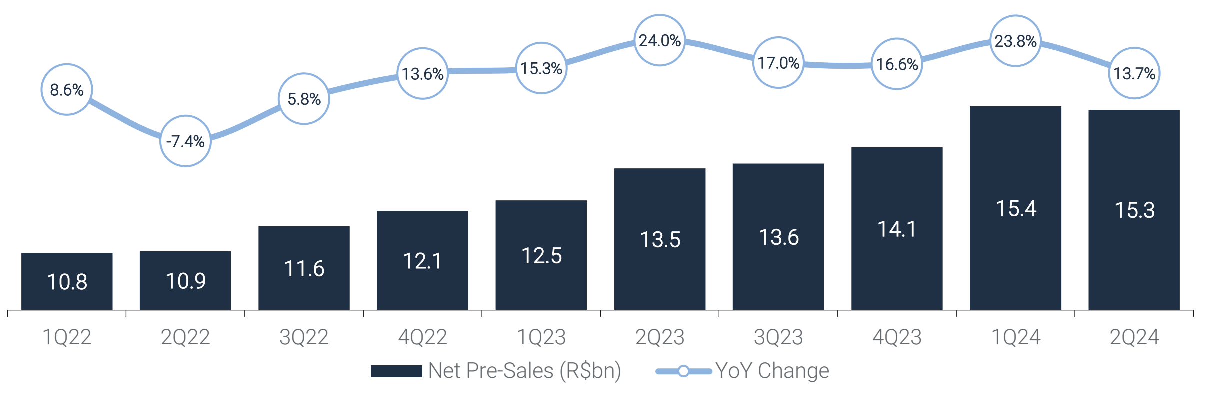
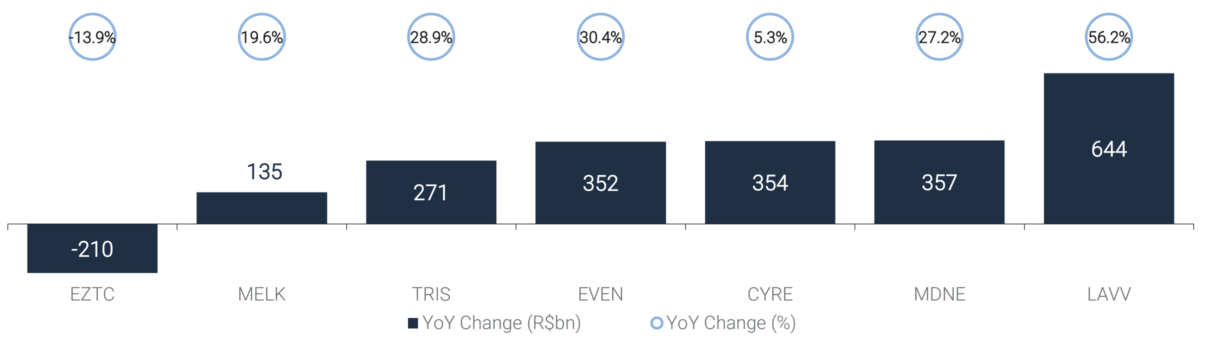


Figure 8: XP MHI Coverage 2Q24 LTM Net Pre-Sales by Company – YoY Change in R$bn and %



Source: Companies, Secovi, XP Research | Notes: (1) Mid/High-income names in our coverage (CYRE3, EZTC3, EVEN3, MELK3, MDNE3, LAVV3, TRIS3);

Demand Momentum Appears to Have Shifted

Inventory Reduction Leaves Room to Accelerate Launches

Improved inventory positioning driven by solid net pre-sales. As a result of the accelerated sales performance, we note months of inventory (LTM) in the mid/high income segment fall to healthier levels compared to 2022 and 2023. According to Abrainc[1] data, this measure stood at 11.5 months in Feb/24 (-39% YoY; Figure 9), significantly lower than the 25.4 months in Feb/22. In São Paulo, inventory months also showed a similar movement, decreasing to 8.5 months in May/24 (-33% YoY; Figure 10), well below the 14.5 months posted in May/22.

Figure 9: Units Under Offer (MHI in BZ)[1] vs. Months of Sales

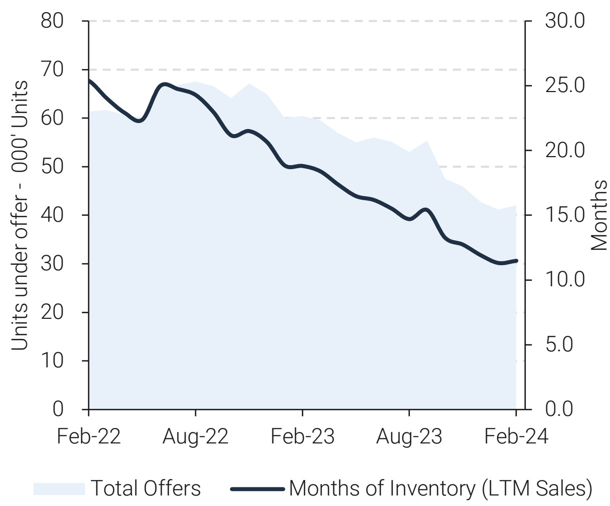
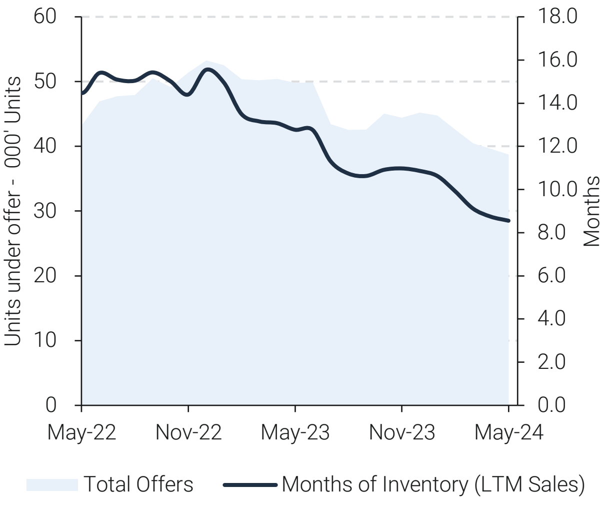


Figure 10: Units Under Offer (MHI in SP) vs. Months of Sales



Launches not fully capturing improved demand momentum. In our view, the scenario of healthier inventories coupled with the solid net pre-sales performance of MHI names in recent months creates a solid environment for pipeline growth. However, we have not seen significant growth in launches in 1H24 (see Figures 11 and 12), with LTM launches from our coverage only up ~3% YoY in 1H24. We believe is due to the delays in project approvals by the São Paulo City Hall in early 2024, leading to a general launch postponement movement in 2Q24, although we do not expect similar impacts to the second half of 2024.

Figure 11: Secovi LTM Launches (000' units)

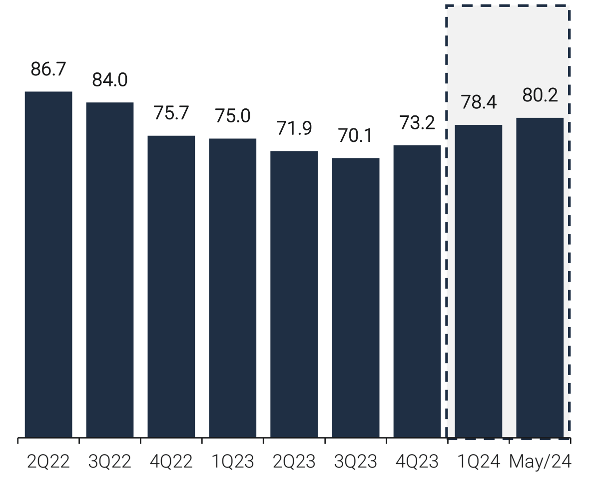
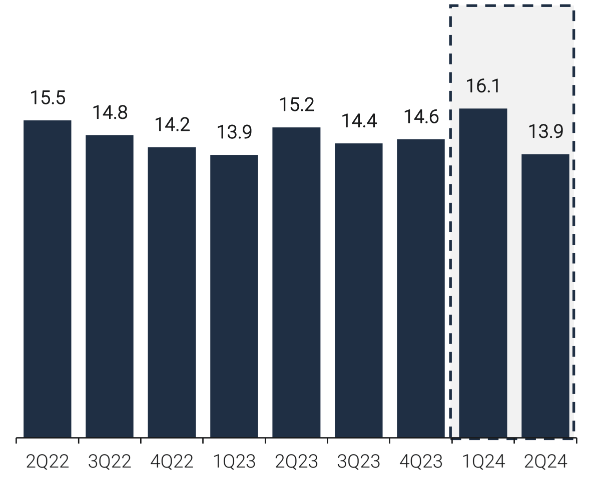


Figure 12: XP MHI Coverage[1] LTM Launches (%Co; R$bn)



Source: Abrainc, Companies, Secovi, XP Research | Notes: (1) Mid/High-income names in our coverage (CYRE3, EZTC3, EVEN3, MELK3, MDNE3, LAVV3, TRIS3);

Demand Momentum Appears to Have Shifted

Inventory Reduction Leaves Room to Accelerate Launches (Cont.)

We see a positive launch outlook for 2H24 and 2025. Even with a weaker-than-expected 1H24 in terms of launches, we believe that the normalization of the project approval process by the São Paulo City Hall and the maintenance of solid levels of SoS for most companies in our coverage (see Figure 13) should support a slightly more optimistic outlook for launches in 2H24 and 2025. This has led us to raise our launch estimates for our coverage[(1)] by an average of 32% for 2024 and 31% for 2025 (see Figures 14 and 15).

Figure 13: MHI Homebuilders LTM SoS

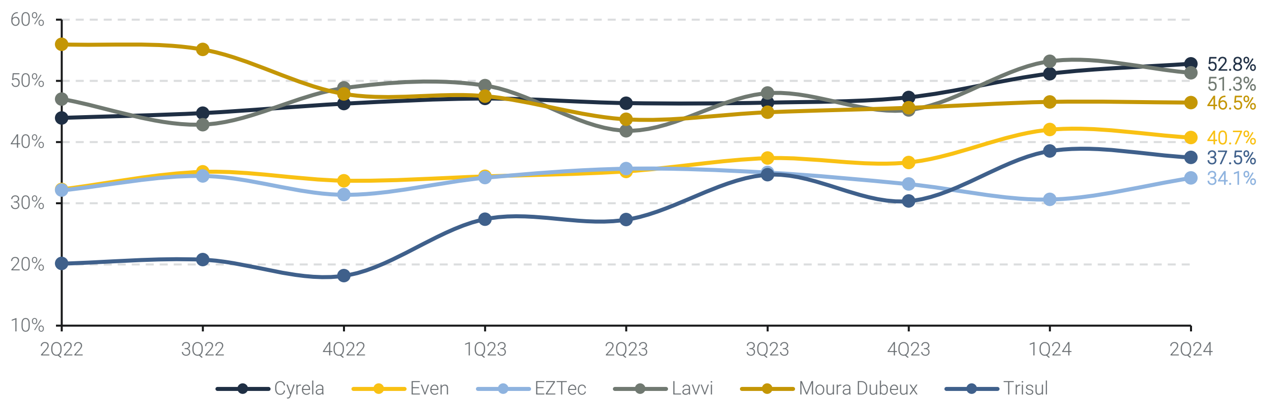


Figure 14: Historical Launches (%Co) vs. Estimates

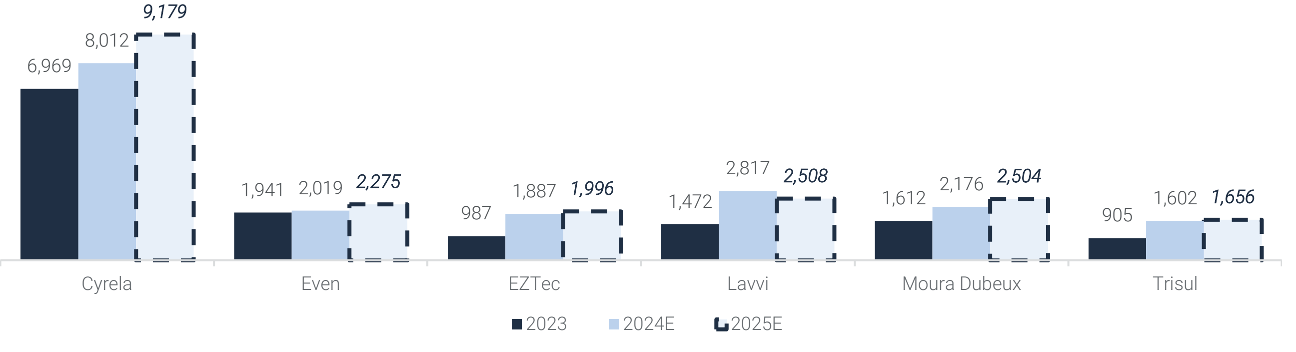
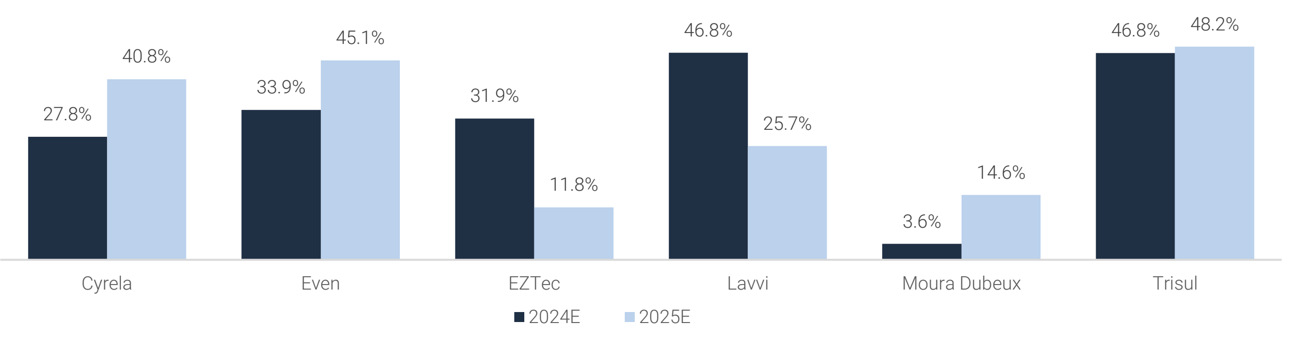


Figure 15: Launches (%Co) Revision vs. Our Previous Estimates



Source: Abrainc, Companies, Secovi, XP Research | Notes: (1) Mid/High-income names in our coverage (CYRE3, EZTC3, EVEN3, MDNE3, LAVV3, TRIS3);

What Could be a Threat to the Growth of Launches?

Skilled Labor Shortage in SP Could Pressure Profitability

Materials prices stabilize, but high labor costs remain a concern. Construction cost inflation rose significantly in 2021 due to the supply chain crisis, but the recent stabilization of material prices (from 37.6% YoY in May-21 to 0.3% YoY in May-24; see Figure 16) has brought CUB close to pre-pandemic levels. However, labor inflation remains high and, in our view, is the only factor preventing an even steeper decline in overall construction inflation. We believe this is explained by a notable shortage of skilled labor in the sector (mainly exacerbated during the COVID-19 period), which poses a potential downside risk to MHI homebuilders, especially in competitive regions.

Figure 16: Basic Unit Construction Cost (CUB) – YoY Change

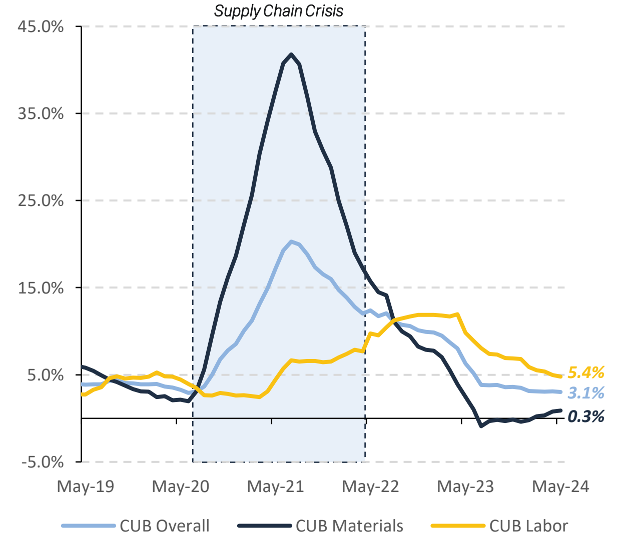
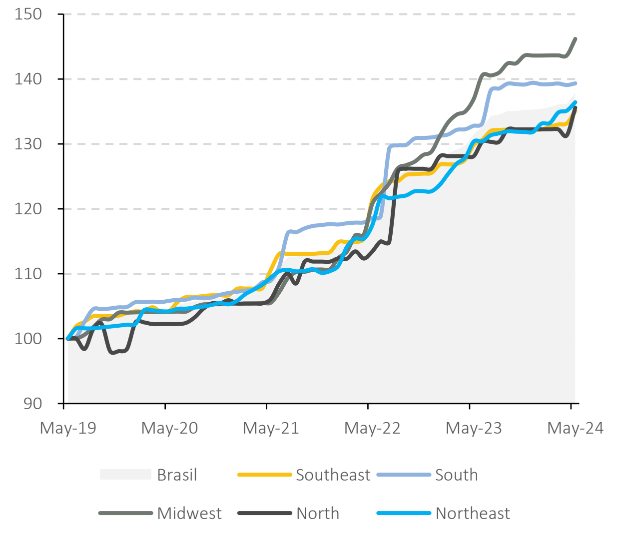


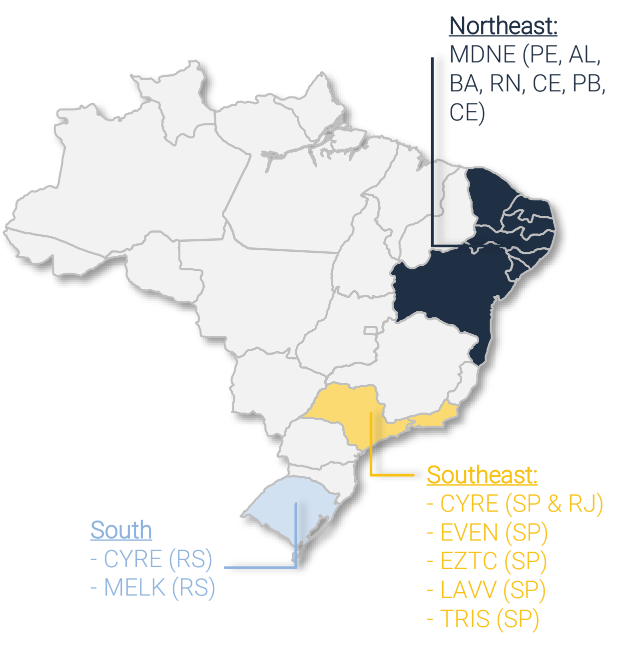
Figure 17: CUB Labor by Region – Mar/19 = 100



SP faces higher labor inflation risks... Although the Southeast has been posting relatively softer labor inflation (see Figure 17), we point out the São Paulo metropolitan region as a yellow flag due to the high competitiveness, with large companies like CYRE, EVEN, EZTC, LAVV, and TRIS predominantly operating in the region (see Figure 18). Thus, the homebuilders have been consistently concerned in this regard, with 6 out of 7 companies in our coverage[(1)] mentioning worrying labor conditions in the region in recent earnings conferences, which could intensify in a scenario of market rebound.

...but the Northeast seems to be more relieved. Despite these labor issues, we note that CUB labor in the Northeast was at R$ 921/m² in May/24, which seems to be lagging vs. other regions' average at R$ 1,101/m². Thus, we see it as a positive reading for MDNE to maintain its solid profitability ahead.

Figure 18: Companies' Main Regions of Operation

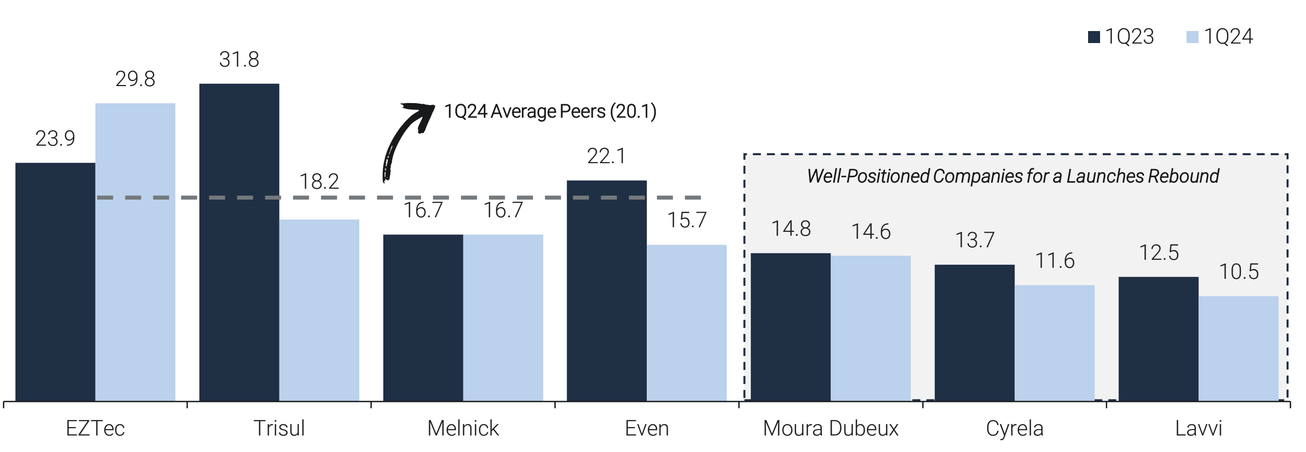


CYRE, MDNE, and LAVV are our preferences

We Value Low Inventory Position, Higher Margins and Strong ROE

Names with low inventory levels should be favored in this demand window. In a favorable market window with a seemingly better demand environment, we believe that a low inventory position could favor companies' appetite for increasing launches. Looking at our coverage, we note that Lavvi, Cyrela and Moura Dubeux stand out with an average months of inventory of 12.2 months in 1Q24, which is significantly lower than the average of their peers at 20.1 months (see Figure 19). As a result, we see these companies as the best positioned within our coverage to increase launches in the current demand window without significant risk of inventory buildup.

Figure 19: Mid/High-Income Coverage - Months of Inventory (LTM Sales)



Resilient profitability should boost bottom-line growth ahead. Cyrela, Lavvi, and Moura Dubeux have consistently delivered higher and more stable profitability even in the recent challenging market conditions (see Figures 20 and 21). In our view, this can be attributed to: (i) CYRE's broad product diversification and strong performance in the high-end market; (ii) LAVV's effective management of inventory through targeted launches; and (iii) MDNE's leverage of its strong presence in the condominium market. Looking ahead, we expect these companies to maintain their solid gross margin levels, which, combined with the favorable scenario for top-line growth, should boost net income expansion. As a result, we see CYRE, LAVV, and MDNE standing out against the sector's peers, potentially delivering more attractive returns for shareholders.

Figure 20: Gross Margin (%)

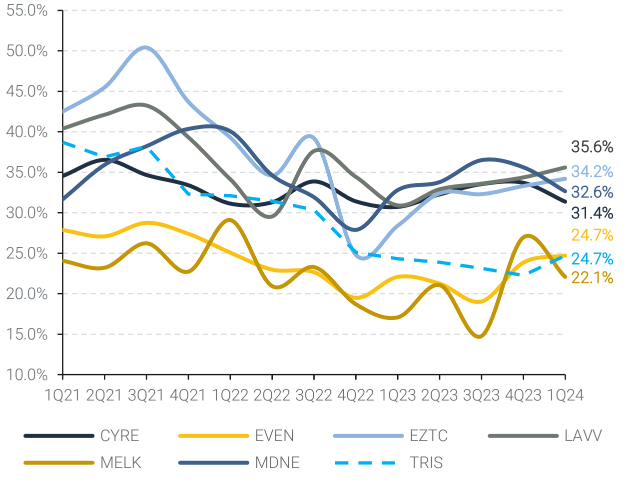
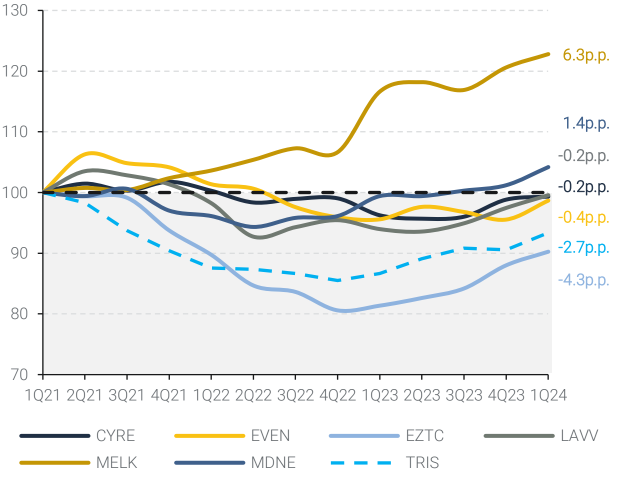


Figure 21: Historical Backlog Margin (%)



CYRE, MDNE, and LAVV are our preferences

We value low-inventory position, higher margins and strong ROE

CYRE, MDNE and LAVV should continue to generate stable returns, which should support attractive dividends. In our view, Cyrela, Moura Dubeux and Lavvi should offer the most attractive ROE levels in 2025 (we forecast 15%, 16% and 25%, respectively; see Figure 21), given their solid combination of (i) strong near-term growth potential from new product launches and (ii) resilient margin levels. In addition, we see solid cash generation prospects for all three companies, which, together with a healthy capital structure, should allow for attractive dividend payout levels, as we show in Figure 22.

Figure 21: Historical Avg. LTM ROE vs. Estimates

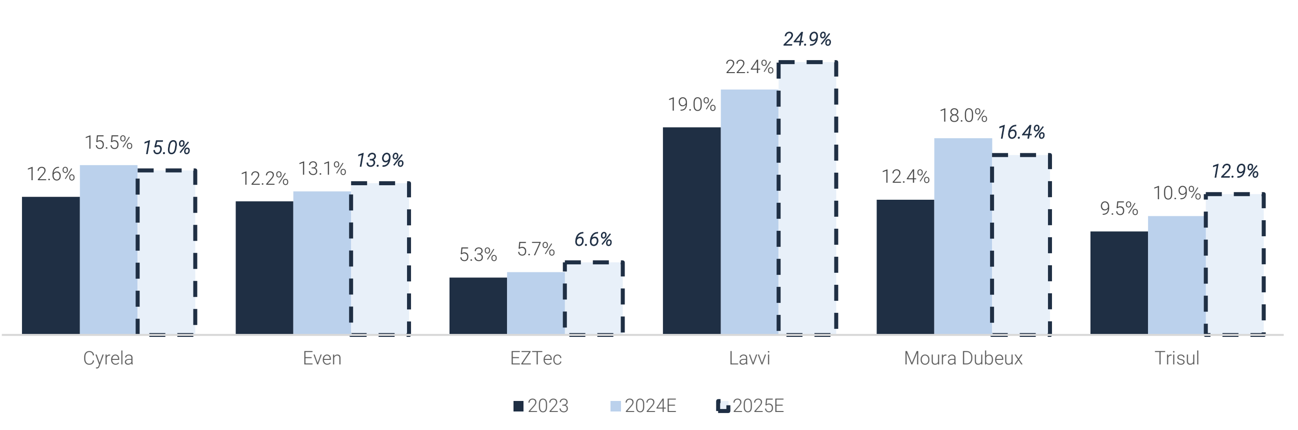
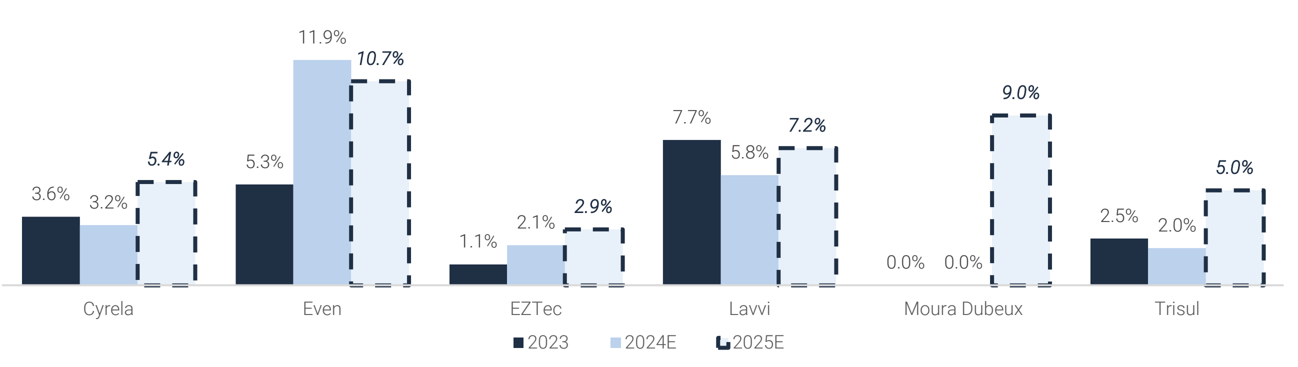


Figure 22: Historical Dividend Yield vs. Estimates



Source: Companies, XP Research

Cyrela (CYRE3)

A Well-Diversified Player With Strong Prospects for Launches

Introducing our YE25 TP of R$ 30.0/sh. and maintaining a Buy rating

We are revising our estimates for Cyrela and introducing our YE25 TP of R$ 30.0/sh., while maintaining it as our top-pick among MHI names with a buy rating. Our positive view relies on: (i) Strong launches in 2024 despite an uninspiring 1H24 in terms of growth; (ii) Robust SoS levels ahead backed by a solid demand momentum; and (iii) a solid EPS growth given by (a) positive top-line expansion in 2025, (b) a gross margin to recover from Q1 levels of 31.4%, and (c) robust equity income stemming from JV's growth, which should drive ROE expansion. We see an attractive valuation, with CYRE3 trading at 0.8x P/BV 25E, which is significantly lower than its historical levels.

We expect strong launches in 2024 despite an uninspiring 1H24. In the first half of 2024, Cyrela saw a 36% decline in launches vs. 1H23, largely due to a lower-than-expected 2Q24. In our view, this was due to (i) a pipeline reduction in Rio Grande do Sul (RS), and (ii) a delay by São Paulo City Hall in approving projects under the new master plan. However, we see that Cyrela presented robust net pre-sales in 2Q24 (despite lower launches), which led to a solid LTM SoS expansion of 2.1 p.p. QoQ. Thus, we believe this strong demand momentum, coupled with a normalization of the project approval flow in São Paulo, should lead Cyrela to maintain a strong project pipeline for 2024, leading us to raise our 2024 launches (%Co) estimates to R$8.0bn (up 28% vs. our previous forecast).

We expect solid EPS in 2024 and 2025. In our view, the slightly better demand environment should allow Cyrela to increase its launch volume while maintaining strong SoS levels (we forecast 48.6% in 2024 and 48.4% in 2025), although we have not maintained 2Q24 levels in our model. We believe this could drive revenue growth in 2025, leading us to raise our forecast by 22%. In addition, we expect gross margin to recover from Q1 levels (from 2Q24 onwards), which we believe should drive gross margin to 33.1% in 2024 and 33.5% in 2025. Finally, we see positive net income growth for CURY3, PLPL3 and LAVV3, which should lead to strong equity income expansion for Cyrela. All in all, we continue to see strong prospects for Cyrela's EPS expansion YoY (+36% in 2024 and 8% in 2025), which we believe should generate solid ROE levels (15.5% for 24 and 15.0% for 25).

Why our preference? We see Cyrela as a solid combination of (a) a well-diversified portfolio that navigates well through different macro scenarios, (b) a strong near-term launch pipeline, (c) solid ROE expansion potential, and (d) the highest share liquidity among sector peers. Furthermore, we see an attractive valuation for the company, trading at 0.8x P/BV 25E compared to historical levels of 1.2x P/BV 1Y fwd., which we don't believe is justified. We also see extraordinary dividends as an upside for Cyrela, given its (i) healthy capital structure and (ii) solid cash generation prospects, although we do not include them in our estimates, seeing a 5.2% dividend yield for 2025.

Estimates	2023A	2024E	2025E	2026E
Net Revenues (R$ million)	6,253	7,023	7,692	8,625
Gross Profit (R$ million)	2,044	2,323	2,577	2,920
Gross Margin (%)	*32.7%*	*33.1%*	*33.5%*	*33.9%*
Net Income (R$ million)	942	1,280	1,377	1,568
P/E (x)	-	*5.8x*	*5.4x*	*4.7x*
P/BV (x)	-	*0.9x*	*0.8x*	*0.7x*
Dividend Yield (%)	-	*3.0%*	*5.2%*	*7.4%*

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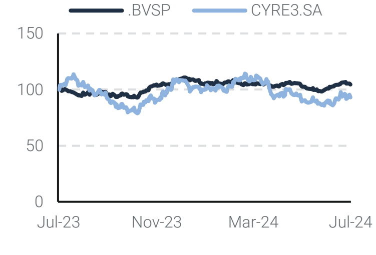
CYRE3	Buy
Target Price (R$/sh.)	30.00
Current Price (R$/sh.)	19.79
Upside (%)	*52%*
Market Cap (R$ million)	7,420
# of shares (million)	375
Free Float (%)	66%
ADTV 3M (R$ million)	111

CYRE3 Performance vs. IBOV (LTM)



Source: Company, XP Research

Changes to Estimates

Figure 23: Changes to estimates

CYRE3	Old			New			New vs. Old		
	2024	2025	2026	2024	2025	2026	2024	2025	2026
Operational Data									
Launches (100%)	7,437	7,731	8,007	10,230	11,482	11,941	38%	49%	49%
Launches (%Co)	6,269	6,517	6,750	8,012	9,179	9,546	28%	41%	41%
Net Pre-Sales (100%)	7,425	7,748	7,839	9,859	10,662	11,364	33%	38%	45%
Net Pre-Sales (%Co)	6,110	6,423	6,538	7,538	8,297	9,018	23%	29%	38%
SoS (%Co)	46.2%	47.5%	47.5%	48.6%	48.4%	49.1%	2.3 p.p.	0.9 p.p.	1.6 p.p
Income Statement									
Net Revenues	**6,177**	**6,318**	**6,351**	**7,023**	**7,692**	**8,625**	**14%**	**22%**	**36%**
Adj. Gross Profit	**2,131**	**2,232**	**2,240**	**2,444**	**2,692**	**3,050**	**15%**	**21%**	**36%**
Adj. Gross Profit Margin	34.5%	35.3%	35.3%	34.8%	35.0%	35.4%	0.3 p.p.	-0.3 p.p.	0.1 p.p.
Adj. EBITDA	**1,330**	**1,436**	**1,440**	**1,789**	**1,880**	**2,119**	**35%**	**31%**	**47%**
Adj. EBITDA Margin	21.5%	22.7%	22.7%	25.5%	24.4%	24.6%	3.9 p.p.	1.7 p.p.	1.9 p.p.
Adj. EBIT	**1,170**	**1,261**	**1,260**	**1,708**	**1,800**	**2,040**	**46%**	**43%**	**62%**
Adj. EBIT Margin	18.9%	20.0%	19.8%	24.3%	23.4%	23.7%	5.4 p.p.	3.4 p.p.	3.8 p.p.
Net Financial Result	131	119	141	101	84	98	-23%	-29%	-30%
EBT	**1,208**	**1,286**	**1,305**	**1,688**	**1,769**	**2,008**	**40%**	**38%**	**54%**
IR and CSLL	-127	-130	-130	-177	-197	-221	40%	52%	70%
% of EBT (Effective rate)	10.5%	10.1%	10.0%	10.5%	11.2%	11.0%	0.0 p.p.	1.1 p.p.	1.0 p.p.
Net Income	**979**	**1,046**	**1,063**	**1,280**	**1,377**	**1,568**	**31%**	**32%**	**48%**
Net Margin	15.8%	16.6%	16.7%	18.2%	17.9%	18.2%	2.4 p.p.	1.3 p.p.	1.4 p.p.
Leverage & Returns									
Cash & Equivalents	3,462	3,681	3,847	4,418	4,249	4,049	28%	15%	5%
Net Debt	1,196	977	811	477	647	847	-60%	-34%	4%
Net Debt/Total Equity	14.1%	11.3%	9.2%	5.1%	6.3%	7.6%	-9.0 p.p.	-5.0 p.p.	-1.7 p.p.
ROE	12.2%	12.8%	12.9%	15.5%	15.0%	15.6%	3.3 p.p.	2.2 p.p.	2.7 p.p.

Figure 24: XPe vs. Consensus' Estimates

CYRE3	FY 2024E			FY 2025E		
R$mn	XPe	Consensus	%	XPe	Consensus	%
Net Revenues	7,023	7,024	0.0%	7,692	7,565	1.7%
Gross Profit	2,323	2,316	0.3%	2,577	2,556	0.8%
Gross Margin	33.1%	33.0%	0.1 p.p.	33.5%	33.8%	-0.3 p.p.
EBITDA	1,668	1,462	14.1%	1,764	1,643	7.4%
EBITDA Margin	23.7%	20.8%	2.9 p.p.	22.9%	21.7%	1.2 p.p.
Net Income	1,280	1,232	3.9%	1,377	1,401	-1.7%
Net Margin	18.2%	17.5%	0.7 p.p.	17.9%	18.5%	-0.6 p.p.
EPS	3.41	3.27	4.4%	3.67	3.73	-1.6%
ROE	15.5%	14.8%	0.7 p.p.	15.0%	15.0%	0.0 p.p.

Figure 25: 2024E Comparison

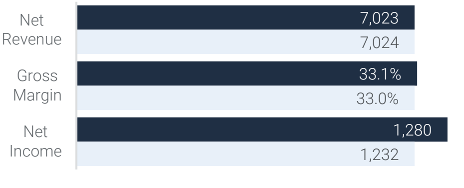
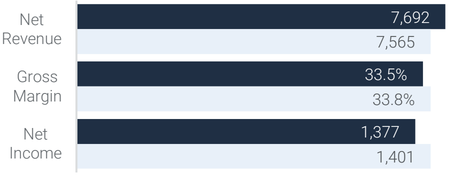


Figure 26: 2025E Comparison



Source: XP Research, Bloomberg

Valuation

Introducing our YE25 TP of R$ 30.00

Our 2025YE DCF-based target price of R$ 30.00 per share presents a 52% upside vs. current prices, assuming 4.0% growth in perpetuity. We use a FCFF (free cash flow to firm) valuation approach, where our main assumptions include: (i) 8.8% risk-free rate, (ii) 30% debt to (debt + equity) ratio and (iii) beta at 1.30, implying 14.2%, 16.0% and 10.2% nominal WACC, cost of equity and cost of debt, respectively.

Figure 27: Main DCF Assumptions

DCF	2025E	2026E	2027E	2028E	2029E	Perpetuity
EBIT	1,800	2,040	2,237	2,342	2,443	
Taxes	(197)	(221)	(241)	(252)	(262)	
NOPAT	1,603	1,819	1,996	2,090	2,181	
D&A	80	80	80	80	80	
D in Working Capital	(826)	(843)	(701)	(610)	(483)	
CAPEX	(80)	(80)	(80)	(80)	(80)	
FCFF	*777*	*975*	*1,295*	*1,481*	*1,699*	*17,245*

Figure 28: CAPM Model

Assumptions	
Risk Free Rate (BRL)	8.8%
MRP	5.5%
Levered Beta	1.30
Kd	10.2%
Ke	16.0%
WACC	14.2%
g	4.0%
Valuation (R$mn)	
EV YE25	12,698
Net Debt 2025	647
Minorities (Mkt Value) 2025	821
Target Equity Value YE25	11,230
Outstading Shares	375
TP YE25 (R$)	30.00
Current Price (R$)	19.79
Upside	52%
Dividend Yield 2025	5%

Figure 29: Sensitivity Analysis

TP (R$)		WACC				
		13.0%	13.5%	14.2%	14.5%	15.0%
g	3.0%	31.9	30.1	27.6	26.9	25.5
	3.5%	33.4	31.4	28.7	27.9	26.4
	4.0%	35.0	32.8	30.0	29.1	27.4
	4.5%	36.8	34.4	31.3	30.3	28.6
	5.0%	38.9	36.2	32.8	31.7	29.8

Figure 30: XP vs. Consensus Estimates (P/E)

Figure 31: XP vs. Consensus Estimates (P/BV)

XP Estimates (Summary) – CYRE3

Figure 32: XP – Cyrela (CYRE3) Estimates

XP Estimates - CYRE3	2023A	2024E	2025E	2026E
Valuation				
EV (R$ Mn)	10,136	8,347	8,516	8,717
Market Cap (R$ Mn)	8,771	7,049	7,049	7,049
P/BV		0.9x	0.8x	0.7x
P/E		5.8x	5.4x	4.7x
ROE	12.6%	15.5%	15.0%	15.6%
ROIC	19.0%	23.1%	21.7%	22.2%
Dividend Yield	3.6%	3.2%	5.4%	7.8%
FCFF Yield	0.8%	8.1%	9.1%	11.2%
Net Debt/Equity	6.5%	5.1%	6.3%	7.6%
Consolidated Income Statement (R$mn)				
Net Revenues	6,253	7,023	7,692	8,625
Gross Profit	2,044	2,323	2,577	2,920
Gross Margin	*32.7%*	*33.1%*	*33.5%*	*33.9%*
EBIT	1,125	1,587	1,685	1,911
EBIT Margin	*18.0%*	*22.6%*	*21.9%*	*22.2%*
EBITDA	1,216	1,668	1,764	1,990
EBITDA Margin	*19.5%*	*23.7%*	*22.9%*	*23.1%*
Net Financial Results	137	101	84	98
Pre-tax income	1,262	1,688	1,769	2,008
Pre-tax margin	*20.2%*	*24.0%*	*23.0%*	*23.3%*
Net Income	942	1,280	1,377	1,568
Net margin	*15.1%*	*18.2%*	*17.9%*	*18.2%*
Shares Outstanding	375	375	375	375
Consolidated balance sheet (R$mn)				
Total Debt	5,158	4,896	4,896	4,896
Net Debt	555	477	647	847
Equity	7,690	8,614	9,440	10,381
Assets	17,371	18,260	19,467	20,747
Operational Data (R$mn)				
Launches (100%)	9,767	10,230	11,482	11,941
Launches (%Co)	6,969	8,012	9,179	9,546
Net Sales (100%)	8,892	9,859	10,662	11,364
Net Sales (%Co)	6,776	7,538	8,297	9,018
SoS (%Co)	47.3%	48.6%	48.4%	49.1%

Source: XP Research

Even (EVEN3)

Positive Operational and Dividends Prospects Outweighs Mild Margins

Introducing our YE25 TP of R$ 8.0/sh. and maintaining a Buy rating

We are revising our estimates for Even while also deconsolidating Melnick from our model. Additionally, we introduce our YE25 TP of R$ 8.0/sh., while maintaining our Buy rating. We see: (i) a positive operating outlook helped by (a) healthier inventories, (b) a strong pipeline of high-end products, and (c) value-adding partnerships; (ii) pressured margins in the ST, but a gradual recovery; and (iii) diluted operating expenses favoring in-line ROE to sector peers. Finally, while we do not expect such multiples re-rating (Even trading at 0.6x P/BV 25E vs. our target of 0.7x 26E), we note solid prospects for dividends (dividend yield of 11% in 25E) leading the company's total return to 41%, which we see as attractive.

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A better operational scenario and strategic partnerships drive top-line growth. Over the last few quarters, we noted positive inventory dynamics for Even, with a solid reduction (approximately -6 months of LTM sales YoY in 1Q24) and lower exposure to compact units. We believe this should leave room for Even to accelerate launches (%Co) by 4% YoY and 13%YoY in 24E and 25E, respectively, also backed by: (i) a reasonable strengthening of the landbank (+10% YoY in 1Q24); (ii) a solid pipeline of high-end projects to be launched in 2024 and 2025; and (iii) accretive strategic partnerships, such as the one with RFM, set to debut already in 2H24. In addition, we expect Even to post stronger net pre-sales (+26% YoY in 24E and +4% YoY in 25E), supported by (i) higher sales from new launches, and (ii) positive inventory turnover, reflecting solid demand momentum for Even's products (LTM SoS grew 5.5 p.p. YoY in 2Q24). Thus, we believe this should create a positive environment for ST top-line growth (+11% YoY in 2024E).

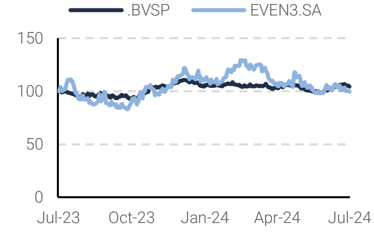
An efficient operating structure offsets softer profitability levels. Although we expect a gradual profitability recovery ahead (24E adj. gross margin at 28.2%; +3.2 p.p. YoY) as newly launched projects become more relevant to the P&L, we still see these gross margin levels as pressured, impacted by higher discounts on inventory sales in 2022 and 2023. Nevertheless, we note that Even has been able to operate with a lean structure, leading to more diluted expenses vs. sector peers (SG&A/net revenue ratio at 11.3% in 2024E vs. 15.3% sector peers[(1)]). Thus, we expect this to partially offset the profitability under pressure, favoring the company to present ROE in line with the sector average (ROE 24E at 13.1% vs. 14.5% sector average).

Why a Buy rating? We believe that Even's challenging profitability environment should not support such a significant net profit expansion in the near term (+19% YoY in 2025E). Therefore, we do not see room for a substantial multiple re-rating, which leads to our target P/BV of 0.7x for 26E while the company trades at 0.6x P/BV 25E. Nevertheless, we see a positive outlook for dividends ahead (we expect a dividend yield of 11% in 25E) due to (i) healthy leverage, (ii) solid dividend recurrence, and (iii) robust prospects for operating cash generation in 2025 given a solid deliveries pipeline. Therefore, we believe this should boost Even's total return to 41% for 25E, which we deem attractive.

EVEN3	Buy
Target Price (R$/sh.)	8.00
Current Price (R$/sh.)	6.15
Upside (%)	*30%*
Market Cap (R$ million)	1,213
# of shares (million)	197
Free Float (%)	32%
ADTV 3M (R$ million)	5

Estimates	2023A	2024E	2025E	2026E
Net Revenues (R$ million)	1,790	1,994	2,016	2,255
Gross Profit (R$ million)	403	497	529	637
Gross Margin (%)	*22.5%*	*24.9%*	*26.2%*	*28.3%*
Net Income (R$ million)	174	228	272	357
P/E (x)	-	*5.3x*	*4.5x*	*3.4x*
P/BV (x)	-	*0.6x*	*0.6x*	*0.6x*
Dividend Yield (%)	-	*12.4%*	*11.2%*	*14.7%*

EVEN3 Performance vs. IBOV (LTM)



Source: Company Data, XP Research | Notes: (1) It considers CYRE3, EZTC3, LAVV3, MDNE3, and TRIS3

Valuation

Introducing our YE24 TP of R$ 8.0

Our 2025YE DCF-based target price of R$ 8.0 per share presents a 30% upside vs. current prices, assuming 4.0% growth in perpetuity. We use a FCFF (free cash flow to firm) valuation approach, where our main assumptions include: (i) 8.8% risk-free rate, (ii) 30% debt to (debt + equity) ratio and (iii) beta at 1.37, implying 14.8%, 16.8% and 10.2% nominal WACC, cost of equity and cost of debt, respectively.

Figure 33: Main DCF Assumptions

DCF	2025E	2026E	2027E	2028E	2029E	Perpetuity
EBIT	381	472	567	575	577	
Taxes	(40)	(44)	(49)	(50)	(50)	
NOPAT	341	428	518	525	527	
D&A	-	-	-	-	-	
D in Working Capital	(8)	(211)	(215)	(135)	(136)	
CAPEX	(69)	(77)	(86)	(87)	(88)	
FCFF	*264*	*139*	*217*	*303*	*304*	*2,925*

Figure 34: CAPM Model

Assumptions	
Risk Free Rate (BRL)	8.8%
MRP	5.5%
Levered Beta	1.37
Kd	10.2%
Ke	16.8%
WACC	14.8%
g	4.0%
Valuation (R$mn)	
EV YE25	2,128
Net Debt 2025	590
Minorities (Mkt Value) 2025	-41
Target Equity Value YE25	1,579
Outstading Shares	197
TP YE25 (R$)	8.00
Current Price (R$)	6.15
Upside	30%
Dividend Yield 2025	11%

Figure 35: Sensitivity Analysis

TP (R$)		WACC				
		14.0%	14.5%	14.8%	15.0%	15.5%
g	3.0%	8.1	7.6	7.3	7.1	6.7
g	3.5%	8.5	8.0	7.6	7.4	7.0
g	4.0%	9.0	8.3	8.0	7.8	7.3
g	4.5%	9.4	8.8	8.4	8.2	7.6
g	5.0%	10.0	9.2	8.8	8.6	8.0

Figure 36: XP vs. Consensus Estimates (P/E)

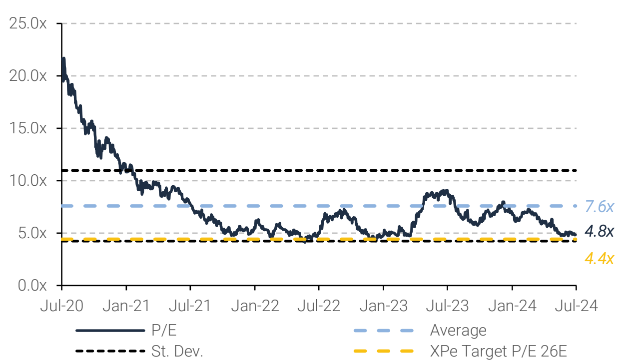
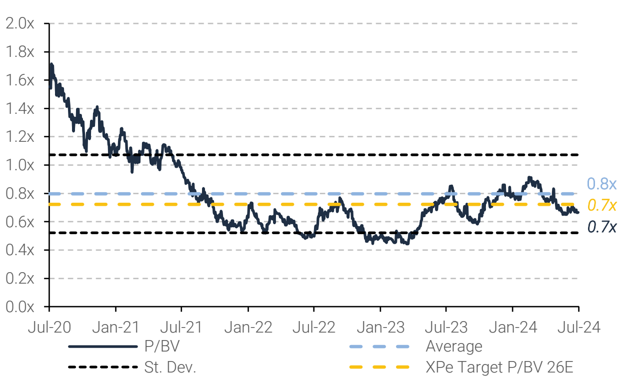


Figure 37: XP vs. Consensus Estimates (P/BV)



Source: LSEG Refinitiv, XP Research

XP Estimates (Summary) – EVEN3

Figure 38: XP – Even (EVEN3) Estimates

XP Estimates - EVEN3	2023A	2024E	2025E	2026E
Valuation				
EV (R$ Mn)	2,103	1,820	1,762	1,872
Market Cap (R$ Mn)	1,525	1,213	1,213	1,213
P/BV		0.6x	0.6x	0.6x
P/E		5.3x	4.5x	3.4x
ROE	12.2%	13.1%	13.9%	16.8%
ROIC	12.7%	16.0%	16.4%	19.1%
Dividend Yield	5.3%	12.4%	11.2%	14.7%
FCFF Yield	-15.6%	-1.8%	15.0%	7.5%
Net Debt/Equity	32.7%	35.5%	30.1%	32.7%
Consolidated Income Statement (R$mn)				
Net Revenues	1,790	1,994	2,016	2,255
Gross Profit	403	497	529	637
Gross Margin	*22.5%*	*24.9%*	*26.2%*	*28.3%*
EBIT	196	296	321	405
EBIT Margin	*10.9%*	*14.8%*	*15.9%*	*17.9%*
EBITDA	196	296	321	405
EBITDA Margin	*10.9%*	*14.8%*	*15.9%*	*17.9%*
Net Financial Results	36	28	33	36
Pre-tax income	232	324	354	440
Pre-tax margin	*13.0%*	*16.3%*	*17.6%*	*19.5%*
Net Income	174	228	272	357
Net margin	*9.7%*	*11.4%*	*13.5%*	*15.8%*
Shares Outstanding	199	197	197	197
Consolidated balance sheet (R$mn)				
Total Debt	1,046	1,131	1,131	1,131
Net Debt	508	649	590	700
Equity	1,486	1,869	2,004	2,183
Assets	4,877	5,133	5,278	5,542
Operational Data (R$mn)				
Launches (100%)	2,390	2,853	3,219	3,019
Launches (%Co)	1,941	2,019	2,275	2,415
Net Sales (100%)	1,661	2,077	2,561	2,775
Net Sales (%Co)	1,446	1,827	1,907	2,140
SoS (%Co)	37.7%	38.3%	39.1%	39.6%

Source: XP Research

EZTEC (EZTC3)

Still Soft Profitability Despite Better Operating Environment

Introducing our YE25 TP of R$ 18.0/sh. and maintaining a Neutral rating

We are revising our estimates for EZTEC and introducing our YE25 TP of R$ 18.0/sh., while maintaining our Neutral rating. On the positive side, we point out: (i) launch expansion outlook helped by (a) lower inventories, and (b) potential increase of mid-income projects; and (ii) medium-term top-line growth, but softer dynamics in the ST. On the other hand, we see: (i) profitability under pressure, hurt by higher discounts in finished units; and (ii) a milder bottom line, also affected by (a) higher selling expenses, and (ii) lower financial income. All-in, we see EZTC trading at 0.6x P/BV 25E, which leaves little room for upside, given our target P/BV of 0.7x 26E, and unencouraging ROE of 6.6% in 25E.

We see EZTEC in a better scenario to increase launches. This should be justified by a significant improvement in sales from units under construction in 2023 (up 62% YoY), which (a) reduced the inventory position to a healthier level vs. 2022; and (b) increased the percentage of projects sold close to delivery. We also see a potential rebound in launches in the mid-income segment with increased exposure to SP's outlying regions (e.g. Mooca). We therefore revised our launches (%Co) estimates to R$ 1.9bn for 2024 and R$ 2.0bn for 2025 (+32% and +12% vs. previous forecast, respectively), leading to higher revenue recognition in 2026 (we raise our estimates by 20%), although we expect revenue impacts in 2024 and 2025 due to the higher participation of non-consolidated projects.

Profitability remains suboptimal. We continue to see pressure on EZTEC's adjusted gross margin, lowering our estimates by 3.1 p.p. in 2024 and 2.9 p.p. in 2025, given (i) a potentially more aggressive pricing strategy for performed units, which could generate gross margin volatility, and (ii) a current backlog margin level that is unlikely to support gross margin growth back to the company's historical levels. In addition, we see potential pressure on the adjusted EBITDA margin, lowering our estimates by 7.8 p.p. in 2024, due to higher selling expenses given the expansion of launches. Finally, we expect lower IGP-DI levels in 2024 to continue to weigh on near-term interest income from trade receivables, leading to lower financial income compared to our previous forecast. Overall, we have lowered our net income estimates by 41% in 2024 and by 42% in 2025.

Why Neutral? Although we see stronger sales for EZTEC, we do not believe this operating performance is sufficient to generate attractive levels of returns, which should lead to a ROE of 6.6% in 2025. In addition, we continue to see little room for significant book value reductions in the near term given (i) the low likelihood of extraordinary dividends, and (ii) a potentially low pricing flexibility in the commercial development segment (e.g., Esther Towers), which could continue to put pressure on project liquidity. As such, we continue to see a compressed multiple scenario for EZTEC and see little upside from our target P/BV of 0.7x 26E to current levels of 0.6x 25E.

Estimates	2023A	2024E	2025E	2026E
Net Revenues (R$ million)	1,083	1,330	1,418	1,726
Gross Profit (R$ million)	344	456	517	659
Gross Margin (%)	*31.7%*	*34.3%*	*36.5%*	*38.2%*
Net Income (R$ million)	239	274	333	475
P/E (x)	-	*10.9x*	*9.0x*	*6.3x*
P/BV (x)	-	*0.6x*	*0.6x*	*0.6x*
Dividend Yield (%)	-	*2.3%*	*3.2%*	*5.6%*

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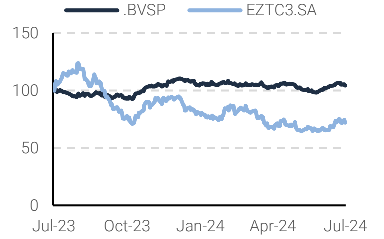
EZTC3	Neutral
Target Price (R$/sh.)	18.00
Current Price (R$/sh.)	13.69
Upside (%)	*31%*
Market Cap (R$ million)	2,986
# of shares (million)	218
Free Float (%)	44%
ADTV 3M (R$ million)	25

EZTC3 Performance vs. IBOV (LTM)



Source: Company Data, XP Research

Changes to Estimates

Figure 39: Changes to estimates

EZTC3	Old			New			New vs. Old		
	2024	2025	2026	2024	2025	2026	2024	2025	2026
Operational Data									
Launches (100%)	1,505	1,878	2,023	2,501	2,661	2,871	66%	42%	42%
Launches (%Co)	1,430	1,784	1,922	1,887	1,996	2,153	32%	12%	12%
Net Pre-Sales (%Co)	1,665	1,775	1,793	1,687	1,659	1,842	1%	-7%	3%
SoS (%Co)	42.6%	44.1%	43.0%	37.1%	33.7%	34.0%	-5.6 p.p.	-10.4 p.p.	-8.9 p.p.
Income Statement									
Net Revenues	**1,360**	**1,385**	**1,438**	**1,330**	**1,418**	**1,726**	**-2%**	**2%**	**20%**
Adj. Gross Profit	**521**	**560**	**594**	**468**	**532**	**676**	**-10%**	**-5%**	**14%**
Adj. Gross Profit Margin	38.3%	40.4%	41.3%	35.2%	37.5%	39.2%	-3.1 p.p.	-2.9 p.p.	-2.2 p.p.
Adj. EBITDA	**359**	**444**	**475**	**248**	**311**	**426**	**-31%**	**-30%**	**-10%**
Adj. EBITDA Margin	26.4%	32.1%	33.0%	18.6%	22.0%	24.7%	-7.8 p.p.	-10.1 p.p.	-8.4 p.p.
Adj. EBIT	**356**	**440**	**470**	**242**	**305**	**418**	**-32%**	**-31%**	**-11%**
Adj. EBIT Margin	26.1%	31.8%	32.7%	18.2%	21.5%	24.2%	-8.0 p.p.	-10.3 p.p.	-8.5 p.p.
Net Financial Result	175	206	223	86	88	130	-51%	-57%	-42%
EBT	**519**	**636**	**681**	**315**	**379**	**531**	**-39%**	**-40%**	**-22%**
IR and CSLL	-25	-27	-28	-37	-39	-48	45%	44%	69%
% of EBT (Effective rate)	4.9%	4.3%	4.1%	11.6%	10.3%	8.9%	6.7 p.p.	6.0 p.p.	4.8 p.p.
Net Income	**465**	**573**	**615**	**274**	**333**	**475**	**-41%**	**-42%**	**-23%**
Net Margin	34.2%	41.4%	42.8%	20.6%	23.5%	27.5%	-13.6 p.p.	-17.9 p.p.	-15.3 p.p.
Leverage & Returns									
Cash & Equivalents	1,562	1,897	2,130	430	879	1,159	-72%	-54%	-46%
Net Debt	-535	-870	-1,102	419	-30	-310	-178%	-97%	-72%
Net Debt/Total Equity	-10.4%	-15.6%	-18.7%	8.5%	-0.6%	-5.7%	18.9 p.p.	15.0 p.p.	13.1 p.p.
ROE	9.4%	10.7%	10.7%	5.7%	6.6%	8.9%	-3.7 p.p.	-4.1 p.p.	-1.7 p.p.

Figure 40: XPe vs. Consensus' Estimates

EZTC3	FY 2024E			FY 2025E		
R$mn	XPe	Consensus	%	XPe	Consensus	%
Net Revenues	1,330	1,303	2.0%	1,418	1,491	-4.9%
Gross Profit	456	465	-2.0%	517	555	-6.7%
Gross Margin	34.3%	35.7%	-1.4 p.p.	36.5%	37.2%	-0.7 p.p.
EBITDA	235	253	-7.0%	297	340	-12.6%
EBITDA Margin	17.7%	19.4%	-1.7 p.p.	21.0%	22.8%	-1.8 p.p.
Net Income	274	311	-12.1%	333	381	-12.8%
Net Margin	20.6%	23.9%	-3.3 p.p.	23.5%	25.6%	-2.1 p.p.
EPS	1.26	1.44	-13.0%	1.53	1.78	-14.4%
DPS	0.31	0.63	-50.2%	0.44	1.50	-70.6%

Figure 41: 2024E Comparison

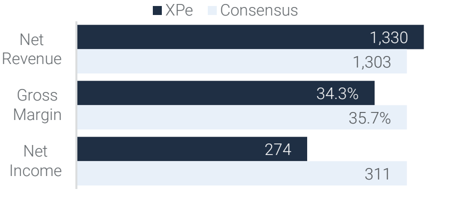
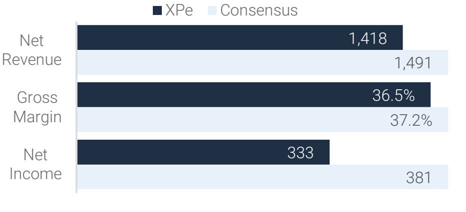


Figure 42: 2025E Comparison



Source: XP Research, Bloomberg

Valuation

Introducing our YE25 TP of R$ 18.00

Our 2025YE DCF-based target price of R$ 18.00 per share presents a 31% upside vs. current prices, assuming 4.0% growth in perpetuity. We use a FCFF (free cash flow to firm) valuation approach, where our main assumptions include: (i) 8.8% risk-free rate, (ii) 20% debt to (debt + equity) ratio and (iii) beta at 1.21, implying 14.4%, 15.5% and 10.2% nominal WACC, cost of equity and cost of debt, respectively.

Figure 43: Main DCF Assumptions

DCF	2025E	2026E	2027E	2028E	2029E	Perpetuity
EBIT	305	418	505	538	562	
Taxes	(39)	(48)	(55)	(59)	(61)	
NOPAT	266	371	450	479	501	
D&A	7	7	7	7	7	
D in Working Capital	239	(11)	(15)	4	31	
CAPEX	(34)	(24)	(24)	(12)	(7)	
FCFF	478	343	417	478	532	5,303

Figure 44: CAPM Model

Assumptions	
Risk Free Rate (BRL)	8.8%
MRP	5.5%
Levered Beta	1.21
Kd	10.2%
Ke	15.5%
WACC	14.4%
g	4.0%
Valuation (R$mn)	
EV YE25	3,951
Net Debt 2025	-30
Minorities (Mkt Value) 2025	59
Target Equity Value YE25	3,922
Outstading Shares	218
TP YE25 (R$)	18.00
Current Price (R$)	13.69
Upside	31%
Dividend Yield 2025	3.2%

Figure 45: Sensitivity Analysis

TP (R$)		WACC				
		13.5%	14.0%	14.4%	15.0%	15.5%
g	3.0%	18.4	17.5	16.8	15.9	15.2
	3.5%	19.1	18.1	17.4	16.4	15.7
	4.0%	19.9	18.8	18.0	17.0	16.2
	4.5%	20.7	19.6	18.7	17.6	16.7
	5.0%	21.7	20.4	19.5	18.2	17.3

Figure 46: XP vs. Consensus Estimates (P/E)

Figure 47: XP vs. Consensus Estimates (P/BV)

Source: LSEG Refinitiv, XP Research

XP Estimates (Summary) – EZTC3

Figure 48: XP – EZTEC (EZTC3) Estimates

XP Estimates - EZTC3	2023A	2024E	2025E	2026E
Valuation				
EV (R$ Mn)	4,193	3,464	3,015	2,735
Market Cap (R$ Mn)	4,039	2,986	2,986	2,986
P/BV		0.6x	0.6x	0.6x
P/E		10.9x	9.0x	6.3x
ROE	5.3%	5.7%	6.6%	8.9%
ROIC	4.4%	4.6%	5.9%	8.5%
Dividend Yield	1.1%	2.3%	3.2%	5.6%
FCFF Yield	-6.6%	-9.3%	15.8%	12.5%
Net Debt/Equity	2.0%	8.5%	-0.6%	-5.7%
Consolidated Income Statement (R$mn)				
Net Revenues	1,083	1,330	1,418	1,726
Gross Profit	344	456	517	659
Gross Margin	*31.7%*	*34.3%*	*36.5%*	*38.2%*
EBIT	189	229	290	401
EBIT Margin	*17.5%*	*17.2%*	*20.5%*	*23.2%*
EBITDA	194	235	297	408
EBITDA Margin	*17.9%*	*17.7%*	*21.0%*	*23.7%*
Net Financial Results	85	86	88	130
Pre-tax income	274	315	379	531
Pre-tax margin	*25.3%*	*23.7%*	*26.7%*	*30.8%*
Net Income	239	274	333	475
Net margin	*22.1%*	*20.6%*	*23.5%*	*27.5%*
Shares Outstanding	218	218	218	218
Consolidated balance sheet (R$mn)				
Total Debt	856	849	849	849
Net Debt	94	419	-30	-310
Equity	4,646	4,871	5,108	5,416
Assets	5,879	6,117	6,364	6,732
Operational Data (R$mn)				
Launches (100%)	1,265	2,501	2,661	2,871
Launches (%Co)	987	1,887	1,996	2,153
Net Sales (%Co)	1,270	1,687	1,659	1,842
SoS (%Co)	33.1%	37.1%	33.7%	34.0%

Source: XP Research

Lavvi (LAVV3)

Approaching a Growth Cycle with Solid Profitability

Introducing our YE25 TP of R$ 13.0/sh. and maintaining a Buy rating

We are revising our estimates for Lavvi and introducing our YE25 TP of R$ 13.0/sh., while maintaining our Buy rating. We see: (i) Lavvi is well-positioned to accelerate launches due to (a) healthier inventories and strengthened landbank, (b) a solid pipeline through the "Lavvi" brand, and (c) increasing relevance (albeit slow) of "Novvo" projects; (ii) medium-term revenue growth prospects, also supported by strong backlog revenue; and (iii) maintenance of robust gross margin levels fostered by high-end projects, favoring strong ROE levels of 24.9% in 25E. Finally, Lavvi trades at 1.0x P/BV 25E (vs. our target P/BV of 1.2x 26E), which we see as attractive, but stock liquidity might be a concern for some investors.

A robust pipeline should potentially drive operating performance. We have sharply raised our launches (%Co) estimates (+47% for 24E and +26% for 25E) based on (i) Lavvi's healthy inventory position (see Figure 19) and solid landbank (%Co) growth last year (+53% YoY in 2023), (ii) a solid project pipeline under the "Lavvi" brand for 2024 (R$ 1,444mn launched [%Co] in 1H24), and (iii) a gradual gain in relevance for the "Novvo" brand. In addition, we have raised our net pre-sales (%Co) forecast (+50% for 24E and +19% for 25E) in view of the robust sales performance of Lavvi's recent launches, leading to SoS (LTM) of 51.3% in 2Q24, although we remain conservative on our SoS forecasts, seeing 50.9% for 24 and 46.5% for 25.

Approaching a growth cycle with solid profitability. We believe that the increased level of net pre-sales should positively impact net revenue growth in the medium term, leading us to raise our 2025 estimates by 13%, which should also be supported by further recognition of Lavvi's strong backlog. In addition, we've slightly lowered our net revenue estimates by 6% for 2024, as we see greater relevance of non-consolidated projects. In terms of profitability, we continue to see strong adj. gross margin levels ahead (35.4% for 24 and 36.2% for 25), as we see (i) robust margins coming from high-end projects, and (ii) a still low P&L relevance of Novvo, although we've slightly lowered our adj. EBITDA margin estimates by 0.4 p.p. for 24 and by 0.2 p.p. for 25, explained by higher selling expenses from the growth in launches.

Why a Buy rating? We see a strong upside to Lavvi's net income, with 33% YoY growth for 24 and 31% YoY for 25, given the combination of (i) maintaining robust gross margin levels amid strong top-line growth, and (ii) solid equity income from the partnership with Cyrela. In our view, this should lead to attractive 2025 ROE levels of 24.9%, which are not fully reflected in the multiples, with Lavvi trading at 1.0x P/BV 25E, although the stock's liquidity may be a limiting factor for some investors. On dividends, although we see a continuation of a cash burn cycle in 2024, motivated by landbank payments, we expect Lavvi's healthy capital structure (4.8% net cash/equity in 1Q24) to continue to allow for attractive dividend payouts, with our dividend yield forecasts at 5.8% for 24 and 7.2% for 25.

Estimates	2023A	2024E	2025E	2026E
Net Revenues (R$ million)	903	1,394	1,874	2,236
Gross Profit (R$ million)	299	473	650	776
Gross Margin (%)	*33.1%*	*33.9%*	*34.7%*	*34.7%*
Net Income (R$ million)	231	309	404	460
P/E (x)	-	*5.7x*	*4.3x*	*3.8x*
P/BV (x)	-	*1.2x*	*1.0x*	*0.9x*
Dividend Yield (%)	-	*5.9%*	*7.4%*	*9.3%*

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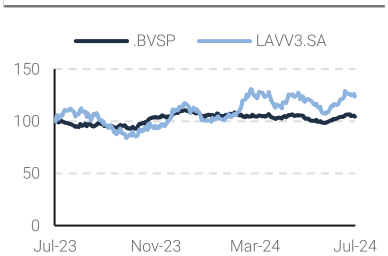
LAVV3	Buy
Target Price (R$/sh.)	13.00
Current Price (R$/sh.)	8.96
Upside (%)	*45%*
Market Cap (R$ million)	1,751
# of shares (million)	195
Free Float (%)	22%
ADTV 3M (R$ million)	6

LAVV3 Performance vs. IBOV (LTM)



Source: Company, XP Research

Changes to Estimates

Figure 49: Changes to estimates

LAVV3	Old			New			New vs. Old		
	2024	2025	2026	2024	2025	2026	2024	2025	2026
Operational Data									
Launches (100%)	2,238	2,313	2,395	3,688	3,135	3,292	65%	36%	37%
Launches (%Co)	1,919	1,995	2,066	2,817	2,508	2,633	47%	26%	27%
Net Pre-Sales (100%)	1,594	1,995	2,202	2,799	2,791	3,065	76%	40%	39%
Net Pre-Sales (%Co)	1,435	1,795	1,982	2,155	2,134	2,380	50%	19%	20%
SoS (%Co)	38.8%	42.2%	43.8%	50.9%	46.5%	46.7%	12.1 p.p.	4.3 p.p.	3.0 p.p
Income Statement									
Net Revenues	**1,479**	**1,658**	**1,946**	**1,394**	**1,874**	**2,236**	**-6%**	**13%**	**15%**
Adj. Gross Profit	**495**	**556**	**654**	**493**	**677**	**808**	**0%**	**22%**	**24%**
Adj. Gross Profit Margin	33.5%	33.5%	33.6%	35.4%	36.2%	36.2%	1.9 p.p.	2.6 p.p.	2.6 p.p.
Adj. EBITDA	**367**	**415**	**489**	**340**	**466**	**544**	**-7%**	**12%**	**11%**
Adj. EBITDA Margin	24.8%	25.0%	25.1%	24.4%	24.9%	24.3%	-0.4 p.p.	-0.2 p.p.	-0.8 p.p.
Adj. EBIT	**357**	**397**	**463**	**339**	**464**	**542**	**-5%**	**17%**	**17%**
Adj. EBIT Margin	24.1%	23.9%	23.8%	24.3%	24.8%	24.2%	0.2 p.p.	0.9 p.p.	0.5 p.p.
Net Financial Result	20	24	35	39	34	30	93%	42%	-13%
EBT	**362**	**404**	**478**	**357**	**471**	**540**	**-1%**	**17%**	**13%**
IR and CSLL	-48	-53	-63	-36	-48	-57	-25%	-10%	-9%
% of EBT (Effective rate)	13.2%	13.2%	13.1%	10.0%	10.2%	10.6%	-3.2 p.p.	-3.1 p.p.	-2.6 p.p.
Net Income	**275**	**314**	**379**	**309**	**404**	**460**	**12%**	**29%**	**21%**
Net Margin	18.6%	18.9%	19.5%	22.1%	21.6%	20.6%	3.5 p.p.	2.6 p.p.	1.1 p.p.
Leverage & Returns									
Cash & Equivalents	332	391	415	440	321	293	32%	-18%	-29%
Net Debt	-163	-137	-162	3	122	150	-102%	-189%	-193%
Net Debt/Total Equity	-10.3%	-7.7%	-8.0%	0.2%	6.4%	6.8%	10.5 p.p.	14.1 p.p.	14.9 p.p.
ROE	19.6%	19.3%	20.5%	22.4%	24.9%	24.1%	2.8 p.p.	5.7 p.p.	3.5 p.p.

Figure 50: XPe vs. Consensus' Estimates

LAVV3	FY 2024E			FY 2025E		
R$mn	XPe	Consensus	%	XPe	Consensus	%
Net Revenues	1,394	1,365	2.1%	1,874	1,700	10.2%
Gross Profit	473	458	3.2%	650	573	13.4%
Gross Margin	33.9%	33.6%	0.3 p.p.	34.7%	33.7%	1.0 p.p.
EBITDA	320	317	1.0%	439	426	2.9%
EBITDA Margin	23.0%	23.2%	-0.3 p.p.	23.4%	25.1%	-1.7 p.p.
Net Income	309	282	9.4%	404	364	10.9%
Net Margin	22.1%	20.7%	1.5 p.p.	21.6%	21.4%	0.1 p.p.
EPS	1.58	1.44	9.8%	2.07	1.87	10.8%
ROE	22.4%	19.3%	3.1 p.p.	24.9%	24.7%	0.2 p.p.

Figure 51: 2024E Comparison

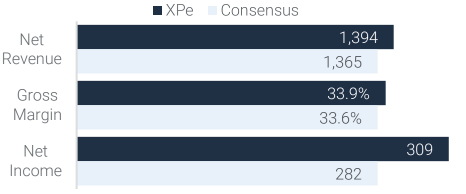
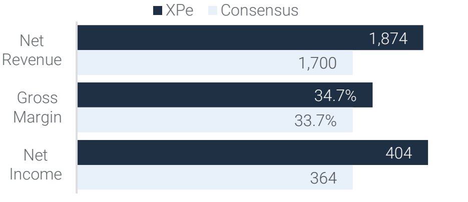


Figure 52: 2025E Comparison



Source: XP Research, Bloomberg

Valuation

Introducing our YE25 TP of R$ 13.0

Our 2025YE DCF-based target price of R$ 13.0 per share presents a 45% upside vs. current prices, assuming 4.0% growth in perpetuity. We use a FCFF (free cash flow to firm) valuation approach, where our main assumptions include: (i) 8.8% risk-free rate, (ii) 15% debt to (debt + equity) ratio and (iii) beta at 1.06, implying 15.3%, 16.2% and 10.2% nominal WACC, cost of equity and cost of debt, respectively.

Figure 53: Main DCF Assumptions

DCF	2025E	2026E	2027E	2028E	2029E	Perpetuity
EBIT	464	542	618	646	674	
Taxes	(48)	(57)	(63)	(66)	(69)	
NOPAT	416	485	555	580	605	
D&A	2	2	3	4	5	
D in Working Capital	(361)	(297)	(156)	(184)	(181)	
CAPEX	(7)	(8)	(10)	(13)	(16)	
FCFF	*51*	*182*	*392*	*386*	*412*	*3,805*

Figure 54: CAPM Model

Assumptions	
Risk Free Rate (BRL)	8.8%
MRP	5.5%
Levered Beta	1.06
Kd	10.2%
Ke	16.2%
WACC	15.3%
g	4.0%
Valuation (R$mn)	
EV YE25	2,809
Net Debt 2025	122
Minorities (Mkt Value) 2025	145
Target Equity Value YE25	2,542
Outstading Shares	195
TP YE25 (R$)	13.00
Current Price (R$)	8.96
Upside	45%
Dividend Yield 2025	7%

Figure 55: Sensitivity Analysis

TP (R$)		WACC				
		14.5%	15.0%	15.3%	15.5%	16.0%
g	3.0%	13.1	12.5	12.1	11.9	11.3
	3.5%	13.6	12.9	12.6	12.3	11.7
	4.0%	14.1	13.4	13.0	12.7	12.1
	4.5%	14.7	13.9	13.5	13.2	12.5
	5.0%	15.4	14.5	14.0	13.7	12.9

Figure 56: XP vs. Consensus Estimates (P/E)

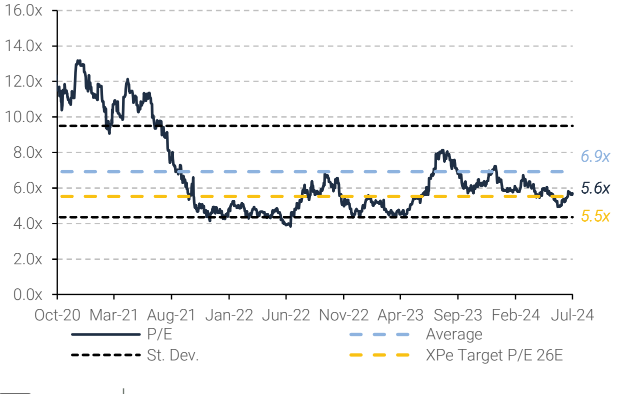
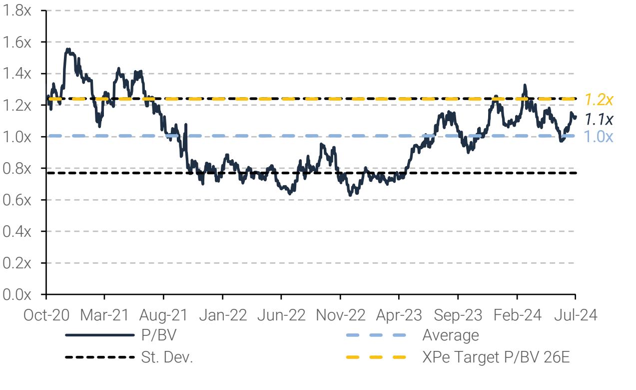


Figure 57: XP vs. Consensus Estimates (P/BV)



 Source: LSEG Refinitiv, XP Research

XP Estimates (Summary) – LAVV3

Figure 58: XP – Lavvi (LAVV3) Estimates

XP Estimates - LAVV3	2023A	2024E	2025E	2026E
Valuation				
EV (R$ Mn)	1,666	1,899	2,018	2,046
Market Cap (R$ Mn)	1,686	1,751	1,751	1,751
P/BV		1.2x	1.0x	0.9x
P/E		5.7x	4.3x	3.8x
ROE	19.0%	22.4%	24.9%	24.1%
ROIC	24.2%	23.6%	25.5%	24.6%
Dividend Yield	7.7%	5.9%	7.4%	9.3%
FCFF Yield	-13.3%	-1.6%	2.5%	8.9%
Net Debt/Equity	-11.4%	0.2%	6.4%	6.8%
Consolidated Income Statement (R$mn)				
Net Revenues	903	1,394	1,874	2,236
Gross Profit	299	473	650	776
Gross Margin	*33.1%*	*33.9%*	*34.7%*	*34.7%*
EBIT	220	319	437	509
EBIT Margin	*24.4%*	*22.9%*	*23.3%*	*22.8%*
EBITDA	221	320	439	512
EBITDA Margin	*24.5%*	*23.0%*	*23.4%*	*22.9%*
Net Financial Results	55	39	34	30
Pre-tax income	275	357	471	540
Pre-tax margin	*30.4%*	*25.6%*	*25.1%*	*24.1%*
Net Income	231	309	404	460
Net margin	*25.6%*	*22.1%*	*21.6%*	*20.6%*
Shares Outstanding	195	195	195	195
Consolidated balance sheet (R$mn)				
Total Debt	213	443	443	443
Net Debt	-162	3	122	150
Equity	1,273	1,477	1,753	2,049
Assets	2,218	2,798	3,149	3,549
Operational Data (R$mn)				
Launches (100%)	2,097	3,688	3,135	3,292
Launches (%Co)	1,472	2,817	2,508	2,633
Net Sales (100%)	1,593	2,799	2,791	3,065
Net Sales (%Co)	1,169	2,155	2,134	2,380
SoS (%Co)	45.2%	50.9%	46.5%	46.7%

Source: XP Research

Moura Dubeux (MDNE3)

Strong Regional Dominance Supporting Attractive Profitability

Introducing our YE25 TP of R$ 19.0/sh. and maintaining a Buy rating

We are raising our estimates for Moura Dubeux and introducing our YE25 TP of R$ 19.0/sh., while maintaining our Buy rating. We see: (i) robust launch expansion due to (a) solid demand momentum and accretive projects for condominiums, and (b) solid development growth given by the Mood brand ramp-up; (ii) strong profitability favored by (a) less threatening competitive environment in the condominium segment, and (b) gradually higher margins stemming from the Mood's projects. Finally, we see MDNE trading at 0.6x P/BV 25E, which we do not consider reasonable, given its solid ROE (16.4% in 25E), consistent EPS growth (7% for 25E), and attractive dividend yield (8.9% in 25E).

Positive near-term growth based on condominiums and Mood. We expect robust growth for condominium launches in 2024, based on (i) solid demand momentum with adhesions to condominium and closed sales accelerating in 1H24 (up by 74% YoY in 1H24); and (ii) a robust product pipeline, fueled by the Othon project. This led us to increase the share of condominiums in our 2024 launches forecast to ~70% (vs. 35% previously). In addition, we have raised our 2025 launches estimates by 15%, as we see (i) a solid growth path for the development segment stemming from the gradual increase in maturity of the Mood brand (which should represent ~30% of launches in the long term, in our view); and (ii) strong demand for condominium projects from MDNE's new operating regions, which we believe should allow for a higher level of annual launches (we estimate ~44% of total launches PSV).

Robust profitability relative to industry peers. In our view, Moura Dubeux's leadership position in the Northeast should continue to allow for robust profitability, which led us to maintain attractive levels of adjusted gross margin in our forecast (37.3% for 2024 and to 37.2% for 2025). We believe this should be supported by (i) a low competitive environment in the condominium segment, which should continue to permit strong gross margin levels, mainly based on attractive land development fees, and (ii) Mood's strong pricing power and efficient cost structure, which should allow for a gradual adjusted gross margin expansion in the development segment (we estimate development adjusted gross margins stabilizing at ~32% compared to 29% currently).

Why a Buy rating? We see MDNE3 trading at 0.6 P/BV 25E, representing a 13% discount to sector peers, which we believe is not justified given (i) its solid returns (we expect ROE of 16.4% in 2025 vs. an average of 14.7% for peers in our coverage); and (ii) its consistent growth (we expect EPS growth of 68% for 2024 and 7% for 2025). We also believe that Moura Dubeux could present an attractive dividend payout going forward, seeing an 8.9% dividend yield for 2025, based on its (i) healthy financial leverage position, and (ii) low cash exposure from the condominium segment and Mood, given its adherence associative credit.

Estimates	2023A	2024E	2025E	2026E
Net Revenues (R$ million)	1,151	1,545	1,669	1,892
Gross Profit (R$ million)	400	540	588	665
Gross Margin (%)	*34.7%*	*34.9%*	*35.2%*	*35.1%*
Net Income (R$ million)	156	263	283	323
P/E (x)	-	*4.2x*	*3.9x*	*3.5x*
P/BV (x)	-	*0.7x*	*0.6x*	*0.6x*
Dividend Yield (%)	-	*0.0%*	*8.9%*	*10.1%*

Source: Company Data, XP Research

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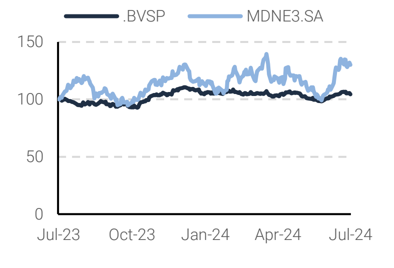
MDNE3	Buy
Target Price (R$/sh.)	19.00
Current Price (R$/sh.)	13.30
Upside (%)	*43%*
Market Cap (R$ million)	1,114
# of shares (million)	84
Free Float (%)	42%
ADTV 3M (R$ million)	6

MDNE3 Performance vs. IBOV (LTM)



Changes to Estimates

Figure 59: Changes to estimates

MDNE3	Old			New			New vs. Old		
	2024	2025	2026	2024	2025	2026	2024	2025	2026
Operational Data									
Launches (%Co)	2,101	2,184	2,262	2,176	2,504	2,629	4%	15%	16%
Net Pre-Sales (%Co)	1,834	1,963	2,058	1,880	2,102	2,232	3%	7%	8%
SoS (%Co)	43.7%	43.2%	42.5%	46.6%	44.9%	42.9%	2.9 p.p.	1.7 p.p.	0.3 p.p
Income Statement									
Net Revenues	**1,505**	**1,618**	**1,743**	**1,545**	**1,669**	**1,892**	**3%**	**3%**	**9%**
Adj. Gross Profit	**547**	**594**	**639**	**577**	**621**	**703**	**5%**	**5%**	**10%**
Adj. Gross Profit Margin	36.4%	36.7%	36.7%	37.3%	37.2%	37.1%	1.0 p.p.	0.5 p.p.	0.5 p.p.
Adj. EBITDA	**320**	**349**	**376**	**326**	**351**	**396**	**2%**	**0%**	**5%**
Adj. EBITDA Margin	21.3%	21.6%	21.6%	21.1%	21.0%	20.9%	-0.2 p.p.	-0.6 p.p.	-0.6 p.p.
Adj. EBIT	**309**	**335**	**358**	**315**	**337**	**379**	**2%**	**1%**	**6%**
Adj. EBIT Margin	20.6%	20.7%	20.5%	20.4%	20.2%	20.0%	-0.1 p.p.	-0.5 p.p.	-0.5 p.p.
Net Financial Result	-12	7	10	24	21	29	-302%	188%	178%
EBT	**275**	**317**	**342**	**302**	**324**	**369**	**10%**	**2%**	**8%**
IR and CSLL	-45	-48	-52	-40	-42	-48	-11%	-12%	-7%
% of EBT (Effective rate)	16.3%	15.2%	15.2%	13.1%	13.0%	13.0%	-3.2 p.p.	-2.1 p.p.	-2.2 p.p.
Net Income	**231**	**270**	**291**	**263**	**283**	**323**	**14%**	**5%**	**11%**
Net Margin	15.3%	16.7%	16.7%	17.1%	17.0%	17.1%	1.7 p.p.	0.3 p.p.	0.4 p.p.
Leverage & Returns									
Cash & Equivalents	195	197	184	171	205	284	-12%	4%	54%
Net Debt	-2	-5	9	183	148	70	-8638%	-3221%	677%
Net Debt/Total Equity	*-0.1%*	*-0.3%*	*0.5%*	*11.4%*	*8.3%*	*3.5%*	*11.5 p.p.*	*8.6 p.p.*	*3.0 p.p.*
ROE	*15.8%*	*16.0%*	*16.1%*	*18.0%*	*16.4%*	*16.8%*	*2.2 p.p.*	*0.4 p.p.*	*0.6 p.p.*

Figure 60: XPe vs. Consensus' Estimates

MDNE3	FY 2024E			FY 2025E		
R$mn	XPe	Consensus	%	XPe	Consensus	%
Net Revenues	1,545	1,540	0.3%	1,669	1,649	1.2%
Gross Profit	540	523	3.3%	588	579	1.5%
Gross Margin	34.9%	33.9%	1.0 p.p.	35.2%	35.1%	0.1 p.p.
EBITDA	289	285	1.4%	317	308	3.0%
EBITDA Margin	18.7%	18.5%	0.2 p.p.	19.0%	18.7%	0.3 p.p.
Net Income	263	236	11.5%	283	263	7.7%
Net Margin	17.1%	15.3%	1.7 p.p.	17.0%	15.9%	1.0 p.p.
EPS	3.15	2.79	12.8%	3.38	2.94	15.0%
ROE	18.0%	16.2%	1.8 p.p.	16.4%	16.6%	-0.2 p.p.

Figure 61: 2024E Comparison

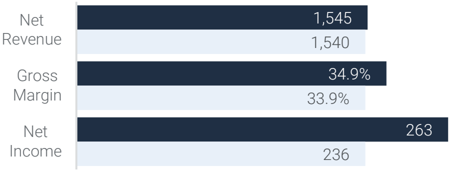
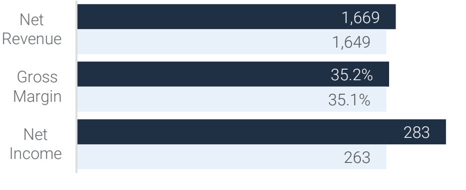


Figure 62: 2025E Comparison



Source: XP Research, Bloomberg

Valuation

Introducing our YE25 TP of R$ 19.00

Our 2025YE DCF-based target price of R$ 19.00 per share presents a 43% upside vs. current prices, assuming 4.0% growth in perpetuity. We use a FCFF (free cash flow to firm) valuation approach, where our main assumptions include: (i) 8.8% risk-free rate, (ii) 20% debt to (debt + equity) ratio and (iii) beta at 1.60, implying 16.1%, 17.6% and 10.2% nominal WACC, cost of equity and cost of debt, respectively.

Figure 63: Main DCF Assumptions

DCF	2025E	2026E	2027E	2028E	2029E	Perpetuity
EBIT	337	379	432	438	450	
Taxes	(42)	(48)	(56)	(57)	(60)	
NOPAT	295	330	376	381	391	
D&A	14	18	23	29	38	
D in Working Capital	(127)	(103)	(101)	(18)	(75)	
CAPEX	(34)	(45)	(58)	(75)	(97)	
FCFF	*147*	*201*	*240*	*318*	*257*	*2,205*

Figure 64: CAPM Model

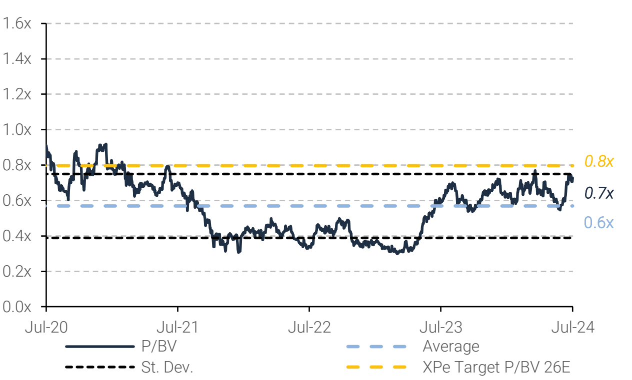
Assumptions	
Risk Free Rate (BRL)	8.8%
MRP	5.5%
Levered Beta	1.60
Kd	10.2%
Ke	17.6%
WACC	16.1%
g	4.0%
Valuation (R$mn)	
EV YE25	1,739
Net Debt 2025	148
Minorities (Mkt Value) 2025	-4
Target Equity Value YE25	1,595
Outstading Shares	84
TP YE25 (R$)	19.00
Current Price (R$)	13.30
Upside	43%
Dividend Yield 2025	8.9%

Figure 65: Sensitivity Analysis

TP (R$)		WACC				
		15.0%	15.5%	16.1%	16.5%	17.0%
g	3.0%	19.9	19.0	18.0	17.4	16.7
g	3.5%	20.5	19.6	18.5	17.9	17.2
g	4.0%	21.2	20.2	19.0	18.4	17.6
g	4.5%	22.0	20.9	19.6	19.0	18.2
g	5.0%	22.8	21.7	20.3	19.6	18.7

Figure 66: XP vs. Consensus Estimates (P/E)

Figure 67: XP vs. Consensus Estimates (P/BV)



Source: LSEG Refinitiv, XP Research

XP Estimates (Summary) – MDNE3

Figure 68: XP – Moura Dubeux (MDNE3) Estimates

XP Estimates - MDNE3	2023A	2024E	2025E	2026E
Valuation				
EV (R$ Mn)	1,147	1,293	1,258	1,180
Market Cap (R$ Mn)	1,114	1,114	1,114	1,114
P/BV		0.7x	0.6x	0.6x
P/E		4.2x	3.9x	3.5x
ROE	12.4%	18.0%	16.4%	16.8%
ROIC	17.6%	21.4%	18.9%	19.5%
Dividend Yield	0.0%	0.0%	8.9%	10.1%
FCFF Yield	-15.7%	-10.4%	11.7%	17.0%
Net Debt/Equity	2.7%	11.4%	8.3%	3.5%
Consolidated Income Statement (R$mn)				
Net Revenues	1,151	1,545	1,669	1,892
Gross Profit	400	540	588	665
Gross Margin	*34.7%*	*34.9%*	*35.2%*	*35.1%*
EBIT	172	278	304	341
EBIT Margin	*14.9%*	*18.0%*	*18.2%*	*18.0%*
EBITDA	179	289	317	358
EBITDA Margin	*15.6%*	*18.7%*	*19.0%*	*18.9%*
Net Financial Results	21	24	21	29
Pre-tax income	193	302	324	369
Pre-tax margin	*16.8%*	*19.6%*	*19.4%*	*19.5%*
Net Income	156	263	283	323
Net margin	*13.5%*	*17.1%*	*17.0%*	*17.1%*
Shares Outstading	84	84	84	84
Consolidated balance sheet (R$mn)				
Total Debt	339	354	354	354
Net Debt	37	183	148	70
Equity	1,341	1,606	1,790	1,999
Assets	3,438	3,855	4,079	4,361
Operational Data (R$mn)				
Launches (%Co)	1,612	2,176	2,504	2,629
Development	519	676	1,402	1,472
Condominium	1,092	1,501	1,102	1,157
Net Sales (%Co)	1,482	1,880	2,102	2,232
Development	660	616	857	1,119
Condominium	822	1,264	1,244	1,113
SoS (%Co)	45.6%	46.6%	44.9%	42.9%

Source: XP Research

Trisul (TRIS3)

Pressured Profitability In Spite of Stronger Operating Prospects

Introducing our YE25 TP of R$ 6.0/sh. and maintaining a Neutral rating

We are revising our estimates for Trisul and introducing our YE25 TP of R$ 6.0/sh., while maintaining our Neutral rating. We highlight: (i) positive operating outlook points to accelerated launches, driven by (a) a slightly better macro view, (b) solid demand in the SP market; and (ii) gross margins pressure should remain for longer than expected, but the high backlog margin should back a gradual recovery. All-in, we see TRIS3 currently trading at 0.6x P/BV 25E, which we believe should not leave room for a reasonable upside, given our target P/BV of 0.65x 26E, and ROE of 12.9% in 25E.

Robust launch rebound should help top-line growth. We observed that Trisul has significantly reduced its launches (%Co) volume in recent years (R$ 905mn in 2023 vs. R$ 1,727mn in 2021), which, in our view, was impacted by its focus on accelerating inventory sales. However, we note that the company has shown an increased appetite to accelerate its launches pipeline ahead, reflecting (i) a slightly better macro scenario, and (ii) a strong demand momentum in the São Paulo market. As a result, we've sharply raised our launches (%Co) estimates by 47% for 24E and +48% for 25E. Moreover, we have also raised our net pre-sales (%Co) estimates (+16% for 2024E and +27% for 2025E), seeing (i) accelerated sales from new launches, and (ii) a positive inventory turnover. Thus, we expect a higher-than-expected top line vs. our previous estimates (+17% for 24E and +30% for 25E).

Profitability is likely to remain under pressure for longer. Although we have seen a gradual recovery in Trisul's gross margin due to higher margins from new projects (backlog margin at 37.2% in 1Q24), we expect higher discounts from inventory sales to impact its margins for longer. As a result, we have significantly lowered our 2024E and 2025E adjusted gross margin estimates by 4.6 p.p. and 3.0 p.p., respectively. Thus, while we see a positive scenario of revenue recognition, we expect this to be only partially reflected in the bottom line given the milder profitability. As a result, we've revised our net income for 2024E and 2025 by +1% and +14%, respectively.

Why a Neutral rating? Although we welcome Trisul's solid operational outlook, we expect its inventory turnover strategy to continue to weigh on its P&L in the near term. As a result, we expect the adjusted gross margin to remain under pressure, which should partially offset net revenue growth and, consequently, lead to a weaker net income revision. Lastly, we note that TRIS3 is currently trading at 0.6x P/BV 25E, which we believe should not support a significant upside ahead given our target P/BV of 0.65x 26E, and ROE of 12.9% in 2025E.

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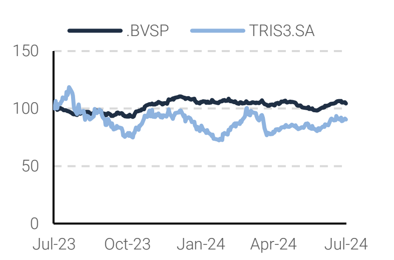
TRIS3	Neutral
Target Price (R$/sh.)	6.00
Current Price (R$/sh.)	5.07
Upside (%)	*18%*
Market Cap (R$ million)	923
# of shares (million)	182
Free Float (%)	38%
ADTV 3M (R$ million)	2

Estimates	2023A	2024E	2025E	2026E
Net Revenues (R$ million)	1,047	1,394	1,439	1,502
Gross Profit (R$ million)	245	361	417	464
Gross Margin (%)	*23.4%*	*25.9%*	*29.0%*	*30.9%*
Net Income (R$ million)	124	153	197	232
P/E (x)	-	*6.0x*	*4.7x*	*4.0x*
P/BV (x)	-	*0.6x*	*0.6x*	*0.5x*
Dividend Yield (%)	-	*1.9%*	*5.0%*	*8.5%*

TRIS3 Performance vs. IBOV (LTM)



Source: Company Data, XP Research

Changes to Estimates

Figure 69: Changes to estimates

TRIS3	Old			New			New vs. Old		
	2024	2025	2026	2024	2025	2026	2024	2025	2026
Operational Data									
Launches (100%)	1,200	1,247	1,292	1,675	1,721	1,784	40%	38%	38%
Launches (%Co)	1,092	1,117	1,164	1,602	1,656	1,712	47%	48%	47%
Net Pre-Sales (100%)	1,334	1,289	1,263	1,504	1,566	1,640	13%	22%	30%
Net Pre-Sales (%Co)	1,246	1,180	1,143	1,447	1,500	1,576	16%	27%	38%
SoS (%Co)	37.9%	37.3%	36.3%	38.9%	38.1%	38.0%	1.0 p.p.	0.8 p.p.	1.7 p.p
Income Statement									
Net Revenues	**1,193**	**1,104**	**1,096**	**1,394**	**1,439**	**1,502**	**17%**	**30%**	**37%**
Adj. Gross Profit	**422**	**408**	**404**	**429**	**488**	**537**	**2%**	**20%**	**33%**
Adj. Gross Profit Margin	*35.4%*	*36.9%*	*36.9%*	*30.8%*	*33.9%*	*35.8%*	*-4.6 p.p.*	*-3.0 p.p.*	*-1.1 p.p.*
Adj. EBITDA	**269**	**269**	**266**	**260**	**305**	**346**	**-3%**	**13%**	**30%**
Adj. EBITDA Margin	*22.5%*	*24.3%*	*24.3%*	*18.7%*	*21.2%*	*23.0%*	*-3.9 p.p.*	*-3.2 p.p.*	*-1.2 p.p.*
Adj. EBIT	**264**	**264**	**261**	**256**	**299**	**340**	**-3%**	**13%**	**30%**
Adj. EBIT Margin	*22.1%*	*23.9%*	*23.8%*	*18.3%*	*20.8%*	*22.7%*	*-3.8 p.p.*	*-3.1 p.p.*	*-1.1 p.p.*
Net Financial Result	-23	-5	5	6	11	10	-125%	-318%	81%
EBT	**201**	**222**	**230**	**193**	**240**	**277**	**-4%**	**8%**	**21%**
IR and CSLL	-32	-29	-29	-37	-38	-40	17%	31%	37%
% of EBT (Effective rate)	*15.7%*	*13.2%*	*12.6%*	*19.1%*	*15.9%*	*14.4%*	*3.4 p.p.*	*2.8 p.p.*	*1.7 p.p.*
Net Income	**151**	**172**	**179**	**153**	**197**	**232**	**1%**	**14%**	**29%**
Net Margin	*12.7%*	*15.6%*	*16.3%*	*11.0%*	*13.7%*	*15.4%*	*-1.7 p.p.*	*-1.9 p.p.*	*-0.9 p.p.*
Leverage & Returns									
Cash & Equivalents	74	123	219	441	332	306	498%	170%	39%
Net Debt	864	815	718	547	656	682	-37%	-20%	-5%
Net Debt/Total Equity	*58.8%*	*52.3%*	*43.6%*	*36.5%*	*40.5%*	*39.3%*	*-22.3 p.p.*	*-11.8 p.p.*	*-4.3 p.p.*
ROE	*10.9%*	*11.6%*	*11.4%*	*10.9%*	*12.9%*	*14.0%*	*-0.1 p.p.*	*1.3 p.p.*	*2.6 p.p.*

Valuation

Introducing our YE25 TP of R$ 6.0

Our 2025YE DCF-based target price of R$ 6.0 per share presents a 18% upside vs. current prices, assuming 4.0% growth in perpetuity. We use a FCFF (free cash flow to firm) valuation approach, where our main assumptions include: (i) 8.8% risk-free rate, (ii) 30% debt to (debt + equity) ratio and (iii) beta at 1.54, implying 15.4%, 17.3% and 11.1% nominal WACC, cost of equity and cost of debt, respectively.

Figure 70: Main DCF Assumptions

DCF	2025E	2026E	2027E	2028E	2029E	Perpetuity
EBIT	299	340	390	407	420	
Taxes	(38)	(40)	(44)	(46)	(48)	
NOPAT	261	301	346	361	372	
D&A	6	6	6	6	6	
D in Working Capital	(254)	(175)	(190)	(96)	(93)	
CAPEX	(14)	(9)	(10)	(5)	(5)	
FCFF	*(2)*	*122*	*152*	*266*	*280*	*2,547*

Figure 71: CAPM Model

Assumptions	
Risk Free Rate (BRL)	8.8%
MRP	5.5%
Levered Beta	1.54
Kd	11.1%
Ke	17.3%
WACC	15.4%
g	4.0%
Valuation (R$mn)	
EV YE25	1,793
Net Debt 2025	656
Minorities (Mkt Value) 2025	46
Target Equity Value YE25	1,091
Outstading Shares	182
TP YE25 (R$)	6.00
Current Price (R$)	5.07
Upside	18%
Dividend Yield 2025	5%

Figure 72: Sensitivity Analysis

TP (R$)		WACC				
		14.5%	15.0%	15.4%	15.5%	16.0%
g	3.0%	6.2	5.8	5.4	5.3	4.9
	3.5%	6.6	6.1	5.7	5.6	5.2
	4.0%	7.0	6.4	6.0	5.9	5.5
	4.5%	7.4	6.8	6.4	6.3	5.8
	5.0%	7.9	7.2	6.8	6.6	6.1

Figure 73: XP vs. Consensus Estimates (P/E)

Figure 74: XP vs. Consensus Estimates (P/BV)

XP Estimates (Summary) – TRIS3

Figure 75: XP – Trisul (TRIS3) Estimates

XP Estimates - TRIS3	2023A	2024E	2025E	2026E
Valuation				
EV (R$ Mn)	1,734	1,514	1,625	1,653
Market Cap (R$ Mn)	1,012	923	923	923
P/BV		0.6x	0.6x	0.5x
P/E		6.0x	4.7x	4.0x
ROE	9.5%	10.9%	12.9%	14.0%
ROIC	9.6%	11.2%	12.7%	13.5%
Dividend Yield	2.5%	1.9%	5.0%	8.5%
FCFF Yield	-0.3%	14.2%	-0.1%	7.4%
Net Debt/Equity	48.8%	36.5%	40.5%	39.3%
Consolidated Income Statement (R$mn)				
Net Revenues	1,047	1,394	1,439	1,502
Gross Profit	245	361	417	464
Gross Margin	*23.4%*	*25.9%*	*29.0%*	*30.9%*
EBIT	163	188	229	267
EBIT Margin	*15.5%*	*13.5%*	*15.9%*	*17.8%*
EBITDA	168	192	234	273
EBITDA Margin	*16.1%*	*13.8%*	*16.3%*	*18.2%*
Net Financial Results	-4	6	11	10
Pre-tax income	158	193	240	277
Pre-tax margin	*15.1%*	*13.9%*	*16.6%*	*18.4%*
Net Income	124	153	197	232
Net margin	*11.8%*	*11.0%*	*13.7%*	*15.4%*
Shares Outstanding	182	182	182	182
Consolidated balance sheet (R$mn)				
Total Debt	1,041	988	988	988
Net Debt	679	547	656	682
Equity	1,347	1,454	1,572	1,688
Assets	2,758	3,027	3,192	3,364
Operational Data (R$mn)				
Launches (100%)	983	1,675	1,721	1,784
Launches (%Co)	905	1,602	1,656	1,712
Net Sales (100%)	1,289	1,504	1,566	1,640
Net Sales (%Co)	1,167	1,447	1,500	1,576
SoS (%Co)	35.5%	38.9%	38.1%	38.0%

Source: XP Research

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