Moura Dubeux Engenharia

Raising YE2025 TP to R$29.00 and Reiterating Outperform

Outperform

Current Price R$23.10

Target Price R$29.00

BBG MDNE3 BZ

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Reiterating Outperform rating: We are raising our YE2025 TP to R$29.00 (from R$18.50 previously), primarily based on our increased launch forecasts for Moura Dubeux. We are reiterating our Outperform rating on the stock, based on its: (i) strong competitive position in minimally competitive markets in the Northeast; (ii) attractive valuation, trading at a 2026E P/E of 5.0x, despite improving profitability with 2025E ROE of ~20.5% and appealing 2024-27E EPS CAGR of ~24%; and (iii) a diversified mix of launches, skewed to more defensive segments (i.e, condominium division and MCMV program).

Raising 2025-26E net income by ~22%: We are incorporating 4Q24 and 1Q25 results into our estimates, as well as updated macro assumptions. Most important, we are raising our 2025–27 launches and pre-sales forecasts for Moura Dubeux by an average of 43% and 36%, respectively. Consequently, we are raising our 2025-26 net revenue forecasts by ~16%. We are also trimming our 2025-26 gross margin estimates by 28 bps and 46 bps but forecasting greater SG&A dilution during the period, leading to higher operating margins. Based on these factors, we are now forecasting net income of R$342 million for 2025 and R$388 million for 2026 (up 23% and 21%, respectively).

Another round of growth expected ahead: Moura Dubeux has delivered a robust performance in the LTM, with launches and pre-sales growing 52% YoY and 68% YoY, respectively. Early signs from 2Q25 are also encouraging, as we expect the company to report launches of ~R$1.5 billion, supported by continued sales strength. Given this momentum, we are increasingly confident that Moura Dubeux will accelerate its launch pace, reaching R$4.0 billion PSV in 2027E. We believe this should also be supported by: (i) a favorable competitive environment in the Northeast region; (ii) resilient demand for condominium projects; and (iii) greater exposure to the MCMV program, via Única (new division exclusively focused on Bracket 3) and Mood (which now has a 60% exposure to Bracket 4).

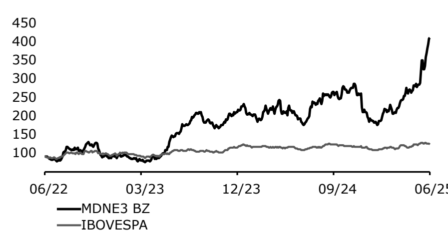
NDR with management team reinforces positive outlook: On May 29, we participated in an NDR with Moura Dubeux's management team, including its CEO, Diego Villar. Main themes discussed were: (i) Moura's growth outlook; (ii) its increasing exposure to the MCMV program; (iii) management's discipline toward leverage; and (iv) the company's verticalized strategy, which supports strict cost controls and efficiency. For more details, please refer to pages 3-4.

What Has Changed

Raising YE2025 TP to R$29.00 from R $18.50.

Previous TP was set on 02/03/25

Relative Performance (R$)



Source: FactSet.

Company Data, June 09, 2025 (closing price)

Bloomberg code	MDNE3 BZ
Current Price	R$23.10
Target Price (YE 2025)	R$29.00
Price Perf Last 12 Mth (Absolute)	110.00%
52 Week Range (R$)	10.38 - 23.43
Market Cap (R$ mn)	1,936
Free Float (%)	40.9
3-Mth Avg daily vol (R$ mn)	10
Outst shares (mn)	84

(R$)	2024A	2025E	2026E	2027E
Adj EPS	2.96	4.03	4.57	5.58
BVPS	18.14	21.00	24.39	28.11
DPS	0.64	1.18	1.18	1.86

(R$ mn)	2024A	2025E	2026E	2027E
Revenues	1,570	1,977	2,208	2,519
EBITDA	254	376	446	528
EBIT	248	367	435	515
Net Profit	252	342	388	474
Net Debt	107	296	326	165
P/E (x)	11.3	5.7	5.0	4.1
EV/EBITDA (x)	11.6	5.9	5.1	4.0
Div Yield (%)	1.9	5.2	5.2	8.2
Net Debt/EBITDA (x)	0.4	0.8	0.7	0.3

Sources: FactSet, Company Data and Santander estimates.

Important Disclosures/Certifications are in the "Important Disclosures" section of this report.
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Moura Dubeux Engenharia at a Glance

Table 1. Key Company Data

	R$			US$		
	2024A	2025E	2026E	2024A	2025E	2026E
P&L Account						
Revenues	1,570	1,977	2,208	291	342	369
EBITDA	254	376	446	47	65	75
EBITDA YoY Change (%)	*42.6*	*47.9*	*18.6*	32.2	38.0	14.6
EBITDA as % of Revenue	*16.2*	*19.0*	*20.2*	16.2	19.0	20.2
EBIT	248	367	435	46	64	73
Net Financial Result	42	20	1	8	3	0
Associates	0	0	0	0	0	0
Taxes	(39)	(45)	(49)	(7)	(8)	(8)
Minorities	(0)	1	1	(0)	0	0
Net Profit	252	342	388	47	59	65
Adj Net Profit	252	342	388	47	59	65
YoY Change (%)	61.5	35.9	13.4	49.7	26.8	9.6
as % of Revenues	16.0	17.3	17.6	16.0	17.3	17.6
Cash Flow						
EBITDA	254	376	446	47	65	75
Lease Payments	172	8	11	32	1	2
Changes in Wkg. Capital	46	(336)	(256)	9	(58)	(43)
Capital Expenditures	(21)	(27)	(29)	(4)	(5)	(5)
Cash Financials	42	20	1	8	3	0
Cash Taxes	(39)	(45)	(49)	(7)	(8)	(8)
Other Cash Items	(0)	1	1	84	(1)	21
Free Cash Flow to Equity	454	(5)	125	0	0	0
Other Invest./(Divest.)	0	0	0	(10)	(17)	(17)
Dividends	(55)	(100)	(100)	(36)	(3)	0
Capital Increases/Other	(196)	(20)	0	13	33	5
Change in Net Fin. Debt	70	189	31			
Balance Sheet				65	38	34
Cash and Equivalents	405	224	204	248	319	357
Current Assets	1,535	1,883	2,143	0	0	0
Goodwill	0	0	0	297	338	371
Non-Curr Assets (ex g'will)	1,839	1,996	2,226	610	695	762
Total Assets	3,778	4,103	4,573	127	152	158
Current Liabilities	787	897	950	295	308	328
Non-Current Liabilities	1,825	1,815	1,965	(1)	(1)	(1)
Minorities	(4)	(4)	(6)	249	302	345
Shareholders' Equity	1,540	1,783	2,071	670	761	830
Total Liabilities & Equity	4,148	4,492	4,981	17	50	54
Net Financial Debt	107	296	326	471.8	588.7	627.5
Launches (Cia Stake)	2,542.7	3,400.0	3,750.0	443.5	529.9	556.5
Contracted Sales (Cia Stake)	2,389.9	3,060.1	3,325.7	54.3	54.6	52.3
Sales Speed (%)	54.3	54.6	52.3			

Source: Company Data and Santander estimates.

Investment Case

We are reiterating our Outperform rating on Moura Dubeux, based on: (i) strong competitive position in minimally competitive markets in the Northeast; (ii) an attractive valuation, despite improving profitability with 2025E ROE of ~20.5% and appealing 2024-27E EPS CAGR of ~24%; and (iii) a diversified mix of launches, skewed to more defensive segments (i.e, condominium division and MCMV program). Our YE2025 target price is based on a free cash flow to firm analysis, using a WACC of 18.5% (previously 19.1%) in reais and nominal terminal growth of 4.0% (unchanged).

Investment Risks

Risks to our investment thesis include: (i) new entrants in the Northeast market toughening competition and affecting sales volumes, prices, and land costs in the region; (ii) higher interest rates and rising production costs, potentially reducing sales-over-supply and margins; (iii) lack of funding for the MCMV program caused by potential FGTS withdrawals and changes in the fund's rules; (iv) lower-than-expected demand for housing units in the Northeast region; and (v) liquidity risk. We also highlight execution risks associated with growth, including: (i) labor supply in the Northeast region; (ii) capacity to continue attracting new brokers to the operation; (iii) growth in the number of construction sites under management; (iv) landbank acquisition for new developments; and (v) entry in the low income segment.

Company Description

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

Key Personnel

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

Upgrading Estimates and TP for Moura Dubeux

We are incorporating 4Q24 and 1Q25 results, as well as Santander's updated macro assumptions. Most important, we are raising our net income estimates for Moura Dubeux by an average of 22% in 2025-26, primarily as we incorporate stronger expectations for launches. Details follow:

Raising launch and pre-sales estimates: Moura Dubeux has delivered a robust performance in the LTM, with launches and pre-sales growing 52% YoY and 68% YoY, respectively. Early signs from 2Q25 are also encouraging, as we expect the company to report launches of ~R$1.5 billion, primarily supported by strong pre-sales. Given this momentum, we are increasingly confident that Moura Dubeux will accelerate its launch pace during 2025-27, also capitalizing on: (i) a favorable competitive environment in the Northeast region; (ii) resilient demand for its condominium projects; (iii) the creation of Bracket 4, which is expected to account for ~60% of Mood's launches; and (iv) its expansion to Bracket 3 of the MCMV program via the brand Única. Based on these factors, we are raising our 2025-27 launches and pre-sales forecasts for Moura Dubeux by an average of 43% and 36%, respectively, vs. our previous estimates.

Raising 2025-26E net income by ~22%: As a consequence of the aforementioned stronger launches/pre-sales, we are also raising our 2025-26 net revenue forecasts by ~16%. On the flip side, we are trimming our 2025-26 gross margin estimates by 28 bps and 46 bps, respectively, to better reflect management indications. Still, we are forecasting stronger SG&A dilution during the period, leading to adjusted EBITDA margin forecasts of 20.9% for 2025 and 22.0% for 2026. Taking these factors into account, we are introducing new net income estimates of R$342.0 million for 2025 and R$387.8 million for 2026 (up 23% and 21%, respectively, vs. our previous estimates).

Figure 1 - MDNE3 Estimates: Current vs. Previous (R$ million)

	2025E			2026E			2027E		
	Current	Previous	Δ	Current	Previous	Δ	Current	Previous	Δ
Launches (%MDNE)	3,400.0	2,500.0	36%	3,750.0	2,604.0	44%	4,000.0	2,708.1	48%
YoY Growth	*33.7%*	*-1.7%*		*10.3%*	*4.2%*		*6.7%*	*4.0%*	
Pre-sales (%MDNE)	3,060.1	2,420.2	26%	3,325.7	2,461.5	35%	3,738.3	2,536.8	47%
YoY Growth	*28.0%*	*1.3%*		*8.7%*	*1.7%*		*12.4%*	*3.1%*	
Net Revenues	1,977.2	1,721.2	15%	2,207.6	1,890.3	17%	2,519.0	2,040.2	23%
YoY Growth	*25.9%*	*9.6%*		*11.6%*	*9.8%*		*14.1%*	*7.9%*	
Gross Profit	696.9	611.4	14%	798.4	692.3	15%	921.3	740.5	24%
YoY Growth	*32.3%*	*16.1%*		*14.6%*	*13.2%*		*15.4%*	*7.0%*	
Gross Profit Margin	35.2%	35.5%	-28 bps	36.2%	36.6%	-46 bps	36.6%	36.3%	29 bps
YoY Growth	*170 bps*	*198 bps*		*93 bps*	*111 bps*		*41 bps*	*-33 bps*	
Adj. EBITDA	412.5	344.8	20%	486.7	402.8	21%	574.2	438.1	31%
YoY Growth	*45.2%*	*21.4%*		*18.0%*	*16.8%*		*18.0%*	*8.8%*	
Adj. EBITDA Margin	20.9%	20.0%	84 bps	22.0%	21.3%	74 bps	22.8%	21.5%	133 bps
YoY Growth	*277 bps*	*194 bps*		*119 bps*	*128 bps*		*76 bps*	*17 bps*	
Net Income	342.0	278.7	23%	387.8	319.9	21%	473.8	351.8	35%
YoY Growth	*35.9%*	*10.7%*		*13.4%*	*14.8%*		*22.2%*	*10.0%*	
Net Income Margin	17.3%	16.2%	111 bps	17.6%	16.9%	65 bps	18.8%	17.2%	157 bps
YoY Growth	*127 bps*	*17 bps*		*28 bps*	*74 bps*		*125 bps*	*32 bps*	

Source: Company Data and Santander

NDR with Management Team Reinforces Positive Outlook

On May 29, we participated in a non-deal roadshow with Moura Dubeux's CEO, Diego Villar, as well as the company's CFO, Diego Wanderley, and IRO, Diogo Barral. Key topics discussed included: (i) management's medium- and long-term vision for the company; (ii) Moura's increasing exposure to the MCMV program through Única and Mood, supported by the recent creation of Bracket 4; (iii) management's conservative financial approach, combining strict leverage discipline and recurring dividend payouts; and (iv) the company's verticalized operating model. With more than 20% market share across its core states and limited competition, management currently sees room for continued expansion and solid returns, targeting ROE above 20%.

Disciplined growth strategy, supported by favorable market conditions... Mr. Villar noted that he sees room for Moura Dubeux to reach R$4 billion in launches per year by 2027, distributed as follows: (i) ~R$2.0 billion from condominiums; (ii) ~R$1.0 billion from Única (focused exclusively on Bracket 3); (iii) ~R$700 million from Mood (with a 60% exposure to Bracket 4); and (iv) ~R$300 million from traditional developments. He expects this disciplined growth to be supported by: (i) a favorable competitive environment in the Northeast region, where the company holds over 20% market share; and (ii) strong momentum under the MCMV program, boosted by solid affordability conditions and the recent creation of Bracket 4. Mr. Villar also highlighted that inventories in the region are at historical lows, and the company's sales-over-supply ratio continues to improve, creating room for further expansion without risking oversupply.

... and conservative capital structure: Mr. Villar reiterated that Moura Dubeux will maintain a conservative approach to leverage, with a self-imposed net debt-to-equity maximum threshold of 20% and consistent dividend payouts of at least R$100 million per year. The company's capacity to further scale operations with limited cash exposure should be enabled by the high share of condominium and MCMV projects in the pipeline. Lastly, Mr. Villar mentioned that maintaining a strong balance sheet is a top priority for the company, and management is comfortable in scaling back operations if needed during periods of turmoil.

Condominium platform: A scalable, cash-generating growth engine: Moura Dubeux's condominium division has become a key pillar of the company's strategy. Unlike traditional developments, this division entails lower cash exposure, driven by a fee-based model with the capacity to monetize land plots at attractive margins. Additionally, the business model faces virtually no cancellation risk, and units are automatically auctioned in the event of client delinquency. Most important, the condominium division is already operating at ~R$2.4 billion in launches per year (LTM), representing a three-year CAGR of 70%. According to Mr. Villar, this robust growth has been supported by: (i) resilient demand for this type of product, coming primarily from wealthy and well-capitalized clients; (ii) less dependence on customer financing; and (iii) expansion of the business model to new markets in recent years.

Verticalized operations enhance efficiency and cost control: With minimal reliance on third-party contractors, Moura Dubeux operates one of the most verticalized models in the sector, as per Mr. Villar. Nearly all construction, engineering, and sales operations are managed in-house. While this structure initially emerged from a lack of reliable service providers in the Northeast, it has since evolved into a core strength for the company. Nonetheless, Mr. Villar acknowledges recent challenges related to labor supply. If, on the one hand, the company has significantly expanded its workforce to 7k direct employees (from 1.5k prior to the IPO), on the other hand, on-site productivity has declined, as many less experienced employees require at least one full construction cycle to ramp up. Still, the company has managed to offset the impact of lower productivity through price adjustments.

Where We Stand Vs. Consensus

We are slightly above consensus in terms of 2024-26E net revenue, which is likely a reflection of our higher estimated launches and pre-sales. Additionally, we are slightly above consensus regarding 2025-27E gross margin, which we believe is associated with our forecast that the condominium division could represent more than 50% of the consolidated business during the period. Still, we are more conservative regarding SG&A dilution, which partially offsets our higher gross margin estimates vs. consensus. All in all, we are 9% and 5% above consensus regarding 2025E and 2026E net income.

Figure 2 - Santander Estimates vs. Consensus (R$ million)

	2025E			2026E			2027E		
	SANB	Consensus	Δ	SANB	Consensus	Δ	SANB	Consensus	Δ
Net Revenues	1,977.2	1,872.0	6%	2,207.6	2,083.0	6%	2,519.0	2,396.0	5%
Gross Profit	696.9	655.7	6%	798.4	747.3	7%	921.3	858.7	7%
Gross Profit Margin	35.2%	35.0%	23 bps	36.2%	35.9%	30 bps	36.6%	35.8%	74 bps
EBITDA	375.8	367.8	2%	445.6	424.0	5%	527.7	497.3	6%
EBITDA Margin	19.0%	19.6%	-64 bps	20.2%	20.4%	-17 bps	20.9%	20.8%	20 bps
Net Income	342.0	313.8	9%	387.8	368.3	5%	473.8	423.7	12%
Net Income Margin	17.3%	16.8%	54 bps	17.6%	17.7%	-12 bps	18.8%	17.7%	113 bps

Source: Bloomberg, Company Data and Santander

Valuation

We are raising our YE2025 target price to R$29.00 (from R$18.50 previously), implying 25.5% upside potential from the current price (total return of 30.7%), prompting us to maintain our Outperform rating on the stock. Our valuation is based on an FCFF analysis, which uses a WACC of 18.5% in reais (from 19.1%, previously) and nominal terminal growth of 4.0%. In addition, our YE2025 target price implies a P/E at target of 7.1x and 6.3x for 2025E and 2026E, respectively.

Figure 3 - MDNE3: Valuation Summary

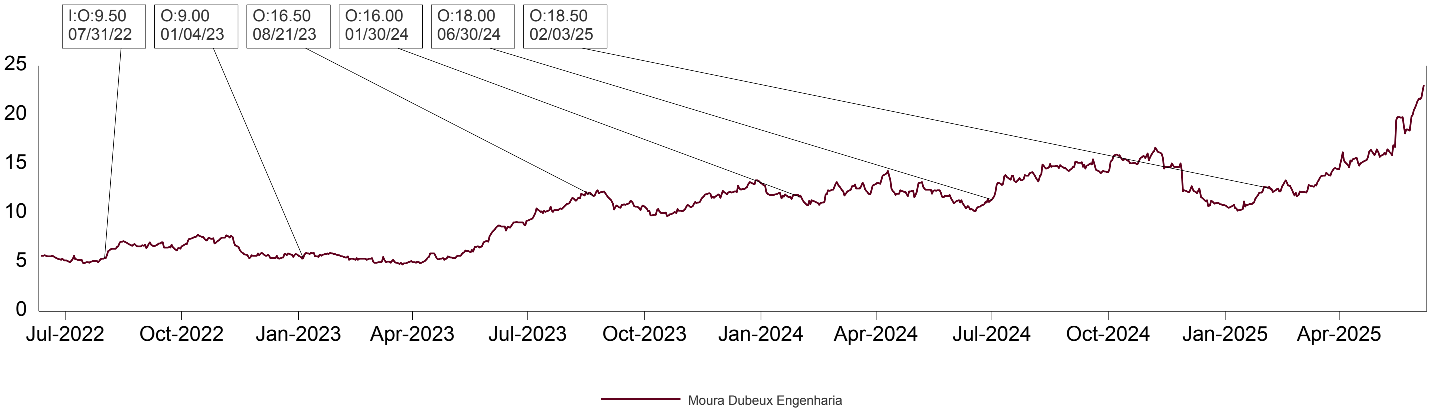
Stock Performance		Cost of Capital	
Ticker	MDNE3	Risk Free Rate (BRL)	9.0%
Outstanding Shares (million)	84.9	Risk Premium	5.4%
Mkt Cap (R$ bi)	2.0	Liquidity Discount	3.0%
Rating	Outperform	Beta	1.52
Pricing Date	9-Jun-25	Cost of Equity (R$ nominal)	20.2%
Stock Price	R$ 23.10	Debt-to-Capital Ratio	20.0%
2024E TP	**R$ 29.00**	Pre-tax Cost of Debt (R$ nominal)	13.0%
Upside	**25.5%**	**Tax Rate**	**10.6%**
Dividend Yield	**5.2%**	**WACC (R$ nominal)**	**18.5%**
Potential Total Return	**30.7%**	**Perpetuity Growth**	**4.0%**

Source: Bloomberg, Company Data and Santander

Risks

Risks to our investment thesis include: (i) new entrants in the Northeast market toughening competition and affecting sales volumes, prices, and land costs in the region; (ii) higher interest rates and rising production costs, potentially reducing sales-over-supply and margins; (iii) lack of funding for the MCMV program caused by potential FGTS withdrawals and changes in the fund's rules; (iv) lower-than-expected demand for housing units in the Northeast region; and (v) liquidity risk. We also highlight execution risks associated with growth, including: (i) labor supply in the Northeast region; (ii) capacity to continue attracting new brokers to the operation; (iii) growth in the number of construction sites under management; (iv) landbank acquisition for new developments; and (v) entry in the low income segment.

Moura Dubeux Engenharia - Three-Year Stock Performance (R$)



Sources: FactSet and Santander.

Valuation & Risks

Our YE2025 target price was derived from a free cash flow to firm analysis, using a WACC of 18.5% in reais and a nominal terminal growth of 4.0%. Risks to our investment thesis include: (i) new entrants in the Northeast market toughening competition and affecting sales volumes, prices, and land costs in the region; (ii) higher interest rates and rising production costs, potentially reducing sales-over-supply and margins; (iii) lack of funding for the MCMV program caused by potential FGTS withdrawals and changes in the fund's rules; (iv) lower-than-expected demand for housing units in the Northeast region; and (v) liquidity risk. We also highlight execution risks associated with growth, including: (i) labor supply in the Northeast region; (ii) capacity to continue attracting new brokers to the operation; (iii) growth in the amount of construction sites under management; and (iv) landbank acquisition for new developments.

Moura Dubeux Engenharia

Key to Investment Codes*

Rating	Definition	% of Companies Covered with This Rating	% of Companies Provided with Investment Banking Services in the Past 12 months
Outperform	Expected to outperform the local market benchmark by more than 10%	59.56%	51.49%
Neutral	Expected to perform within a range of 0% to 10% above the local market benchmark	32.00%	43.06%
Underperform	Expected to underperform to local market benchmark	4.00%	33.33%
Under Review		4.44%	70.00%

The numbers above reflect our Americas universe as of March 31st, 2025.

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

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

Stock price charts and rating histories for companies discussed in this report are also available by written request to Santander US Capital Markets LLC, 437 Madison Avenue, 6th Floor (Attn: Research Disclosures), New York, NY 10022 USA.

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