

Moura Dubeux Engenharia

Raising Estimates and Target Price

Outperform

Current Price R\$11.08

Target Price R\$18.00

Fanny Oreng*, CFA

Brazil: Banco Santander S.A.

(+5511) 3553 9992

fanny.avino@santander.com.br
Antonio Castrucci*

Brazil: Banco Santander S.A.

(+5511) 3553 0724

antonio.castrucci@santander.com.br
Matheus Meloni*

Brazil: Banco Santander S.A.

(+5511) 355 30303

matheus.meloni@santander.com.br

Reiterating Outperform rating: We are fine-tuning our estimates for Moura Dubeux, as we are incorporating 4Q23 and 1Q24 results and Santander's new macro assumptions into our model. Additionally, we are raising our Ke to reflect market concerns associated with Brazil's fiscal situation. Still, we are raising our estimates and YE2024 TP to R\$18.00, and reiterating our Outperform rating on Moura Dubeux, based on its: (i) strong competitive position in the main cities of the Northeast region; (ii) attractive valuation, with the stock currently trading at a 2024E P/E of 4.0x and 2024E P/BV of 0.6x, despite a potential 2024E ROE expansion of 330 bps (to 16.2% in 2024E, from 12.9% in the LTM); (iii) strong 2023-26E EPS CAGR of ~26%; and (iv) solid balance sheet, with YE2024E net debt/equity of 13%.

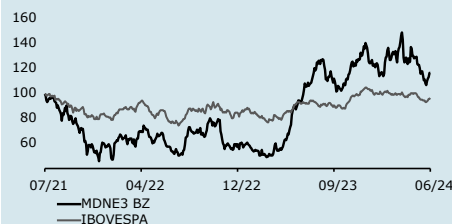
Positive regional dynamics to support near term growth... We are raising our estimates for Moura's launches by 28% in 2025 (to R\$2.5 billion, up 25% YoY and in line with company's soft guidance), which we believe could be supported by the following factors: (i) Resilient demand for housing in the Northeast and limited competition in cities where the company operates — mid/high-income launches in markets where Moura operates reached ~R\$9 billion in 2023 (vs. a historical peak of ~R\$15 billion), with Moura's market share reaching ~20%. (ii) Better-than-expected demand for condominium projects, which benefits from lower cash exposure at the project level and should represent ~40% of the total business (or ~R\$1 billion PSV in 2025). (iii) Robust potential for expansion at Mood (Moura's mid/low-income brand), which is estimated to have the capacity to reach up to seven projects launched per year by 2027 (or ~R\$1 billion PSV, vs. only two projects during this year). It is important to note that Mood's clients are primarily adhering to the associative credit modality, which also lowers cash exposure at the project level, allowing stronger near term growth.

... but company remains focused on maintaining a solid balance sheet: Despite stronger growth expectations in the short term, management reinforced that Moura will continue to avoid excessive financial leverage, which should be partially supported by the higher participation of the condominium division and Mood in the consolidated business. Given this conservative approach, management expects ND/equity already hovering 0% from 2025 onward (vs. 10-14% by YE24E), with the company also becoming a recurrent dividend payer in the next year (distributing ~R\$100 million per year).

What has Changed

Raising YE2024 TP to R\$18.00 (from R\$16.00 previously)

Previous TP was set on 01/30/24

Relative Performance (R\$)


Source: FactSet.

Company Data, June 28, 2024 (closing price)

	MDNE3 BZ	(R\$ mn)	2023A	2024E	2025E	2026E
Bloomberg code	MDNE3 BZ					
Current Price	R\$11.08					
Target Price (YE 2024)	R\$18.00					
Price Perf Last 12 Mth (Absolute)	26.92%					
52 Week Range (R\$)	8.73 - 14.35					
Market Cap (R\$ mn)	941					
Free Float (%)	63.3					
3-Mth Avg daily vol (R\$ mn)	6					
Outst shares (mn)	85					
(R\$)	2023A	2024E	2025E	2026E		
Adj EPS	1.84	2.79	2.94	3.71		
BVPS	15.80	18.59	20.36	22.78		
DPS	0.00	0.00	1.18	1.29		
Revenues			1,151	1,563	1,666	1,874
EBITDA			178	285	308	363
EBIT			172	279	300	353
Net Profit			156	237	250	315
FCFE			107	86	240	(3)
Net Debt			37	202	11	46
P/E (x)			7.3	4.0	3.8	3.0
EV/EBITDA (x)			6.5	4.0	3.1	2.7
FCFE Yield (%)			9.4	9.2	25.6	(0.3)
Div Yield (%)			0.0	0.0	10.6	11.7
Net Debt/EBITDA (x)			0.2	0.7	0.0	0.1

Sources: FactSet, Company Data and Santander estimates.

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

U.S. investors' inquiries should be directed to Santander US Capital Markets LLC at (212) 583-4629 / (212) 350-3918.

* Employed by a non-US affiliate of Santander US Capital Markets LLC and is not registered/qualified as a research analyst under FINRA rules.

Table 1. Key Company Data

	R\$			US\$		
	2023A	2024E	2025E	2023A	2024E	2025E
P&L Account						
Revenues	1,151	1,563	1,666	230	310	332
EBITDA	178	285	308	36	57	61
EBITDA YoY Change (%)	92.5	60.2	7.9	98.9	59.0	8.2
EBITDA as % of Revenue	15.5	18.3	18.5	15.5	18.3	18.5
EBIT	172	279	300	34	55	60
Net Financial Result	21	3	0	4	1	0
Associates	0	0	0	0	0	0
Taxes	(38)	(46)	(50)	(8)	(9)	(10)
Minorities	(0)	(0)	(0)	(0)	(0)	(0)
Net Profit	156	237	250	31	47	50
Adj Net Profit	156	237	250	31	47	50
YoY Change (%)	47.1	51.9	5.5	52.0	50.8	5.8
as % of Revenues	13.5	15.1	15.0	13.5	15.1	15.0
Cash Flow						
EBITDA	178	285	308	36	57	61
Lease Payments	214	202	(70)	43	40	(14)
Changes in Wkg. Capital	(239)	(337)	77	(48)	(67)	15
Capital Expenditures	(30)	(22)	(25)	(6)	(4)	(5)
Cash Financials	21	3	0	4	1	0
Cash Taxes	(38)	(46)	(50)	(8)	(9)	(10)
Free Cash Flow to Equity	106	86	240	21	17	48
Other Invest./Divest.)	0	0	0	0	0	0
Dividends	0	0	(100)	0	0	(20)
Capital Increases/Other	(384)	(24)	0	(77)	(5)	0
Change in Net Fin. Debt	165	166	(191)	33	33	(38)
Balance Sheet						
Cash and Equivalents	302	339	459	62	68	91
Current Assets	1,092	1,504	1,574	226	301	312
Goodwill	0	0	0	0	0	0
Non-Curr Assets (ex g'will)	1,691	1,870	1,951	349	374	386
Total Assets	3,084	3,713	3,984	637	743	789
Current Liabilities	584	719	777	121	144	154
Non-Current Liabilities	1,516	1,790	1,870	313	358	370
Minorities	(4)	(5)	(5)	(1)	(1)	(1)
Shareholders' Equity	1,341	1,579	1,729	277	316	342
Total Liabilities & Equity	3,438	4,082	4,371	710	816	866
Net Financial Debt	37	202	11	8	40	2
Other Ratios						
Dividend Payout (%)	0.0	0.0	40.0	0.0	0.0	40.0
ROCE (%)	30.6	30.8	27.6	31.0	30.7	27.6
EV/EBIT (x)	6.8	4.1	3.2	6.8	4.1	3.2
FCCF Yield (%)	(9.0)	(7.5)	36.6	(9.0)	(7.5)	36.6
P/BV (x)	0.8	0.6	0.5	0.8	0.6	0.5
Launches (Cia Stake)	1,611.7	2,100.0	2,500.0	322.3	416.9	497.6
Contracted Sales (Cia Stake)	1,479.5	1,800.1	2,180.6	295.9	357.3	434.0
Sales Speed (%)	45.5	45.5	46.6	45.5	45.5	46.6

Source: Company Data and Santander estimates.

Investment Case

We are reiterating our Outperform rating on Moura Dubeux, based on its: (i) strong competitive position in the main cities of the Northeast region; (ii) attractive valuation, despite a potential 2024E ROE expansion; (iii) strong 2023-26E EPS CAGR of ~26%; and (iv) solid balance sheet, with YE2024E net debt/equity of 13%. Our YE2024 target is based on a free cash flow to firm analysis, using a WACC of 18.2% in reais and nominal terminal growth of 4.0%.

Investment Risks

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

Company Description

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

Key Personnel

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

Main Estimate Changes

We are incorporating 4Q23 and 1Q24 results and new macro assumptions into our model. We are also raising our estimates for Moura Dubeux, as we: (i) incorporate a higher share of condominium projects in the consolidated business in 2024 (~68% of PSV launched, from 40%), which we expect to result in stronger revenue recognition and gross margin during the year; and (ii) raise our 2025-26 launch estimates to R\$2.5-2.6 billion, as we are more confident on management's soft guidance, reflecting Moura's solid balance sheet and better cash generation outlook for 2024-25. On the flip side, we are also raising our estimates for selling expenses to reflect worse-than-expected figures reported in 4Q23 and 1Q24. Additionally, we are adjusting our estimates for cash burn in 2024 and cash generation in 2025 as a means to reflect the higher share of condominium and Mood projects in the consolidated launches, as both divisions have lower cash exposure at the project level. As a consequence, we are forecasting ND/Equity of 13% and 1% in year-end 2024 and 2025, down 100 bps and 700 bps, respectively, vs. our previous estimates. All in all, we now forecast net income of R \$236.7 million in 2024 and R\$249.9 million in 2025, up 12% and 5%, respectively, vs. our previous estimates.

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

	2024E			2025E			2026E		
	Current	Previous	Δ	Current	Previous	Δ	Current	Previous	Δ
Launches (%MDNE)	2,100.0	2,100.0	0%	2,500.0	1,950.0	28%	2,597.3	2,027.3	28%
Pre-sales (%MDNE)	1,800.1	1,834.5	-2%	2,180.6	1,911.7	14%	2,343.9	1,960.6	20%
Net Revenues	1,563.4	1,510.2	4%	1,665.9	1,613.4	3%	1,873.5	1,752.9	7%
Gross Profit	553.7	526.5	5%	605.5	575.9	5%	691.0	641.8	8%
Gross Profit Margin	35.4%	34.9%	56 bps	36.3%	35.7%	66 bps	36.9%	36.6%	28 bps
Adj. EBITDA	320.0	300.7	6%	343.8	334.5	3%	403.3	391.4	3%
Adj. EBITDA Margin	20.5%	19.9%	56 bps	20.6%	20.7%	-10 bps	21.5%	22.3%	-81 bps
Net Income	236.7	212.1	12%	249.9	238.6	5%	314.8	291.1	8%
Net Income Margin	15.1%	14.0%	110 bps	15.0%	14.8%	21 bps	16.8%	16.6%	21 bps

Source: Company Data and Santander

Where We Stand vs. Consensus

We are slightly above consensus in terms of 2024-26 net revenue, which is likely a reflection of our higher estimated launches and pre-sales. Additionally, we are 110 bps above consensus, on average, regarding 2024-26 gross margin, which we believe is associated with the fact that we forecast the condominium division representing ~40% of the consolidated business. Still, we are also expecting lower SG&A dilution, which partially offsets our higher gross margin estimates vs. consensus. Lastly, we are 7% above consensus regarding 2024 net income, but 5% below regarding 2025, likely reflecting more conservative estimates for financial results.

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

	2024E			2025E			2026E		
	SANB	Consensus	Δ	SANB	Consensus	Δ	SANB	Consensus	Δ
Net Revenues	1,563.4	1,506.0	4%	1,665.9	1,638.0	2%	1,873.5	1,782.0	5%
Gross Profit	553.7	527.6	5%	605.5	577.6	5%	691.0	625.1	11%
Gross Profit Margin	35.4%	35.0%	39 bps	36.3%	35.3%	109 bps	36.9%	35.1%	181 bps
EBITDA	285.5	274.0	4%	308.0	309.0	0%	363.3	337.3	8%
EBITDA Margin	18.3%	18.2%	7 bps	18.5%	18.9%	-38 bps	19.4%	18.9%	47 bps
Net Income	236.7	222.0	7%	249.9	262.0	-5%	314.8	284.0	11%
Net Income Margin	15.1%	14.7%	41 bps	15.0%	16.0%	-100 bps	16.8%	15.9%	87 bps

Source: Santander Estimates and Bloomberg

Valuation

We are raising our YE2024 target price to R\$18.00 (from R\$16.00 previously), implying 62.5% upside potential from the current price (total return of 62.5%), prompting us to maintain our Outperform rating on the stock. Our valuation is based on an FCFF analysis, with WACC of 18.2% in reais (vs. 17.5%, previously) — primarily as we raise our risk free rate by 50 bps and country risk by 20 bps — and nominal terminal growth of 4.0%. In addition, our YE2024 target price implies a P/E at target of 6.5x and 6.1x for 2024E and 2025E, respectively.

Figure 3 - MDNE3: Valuation Summary

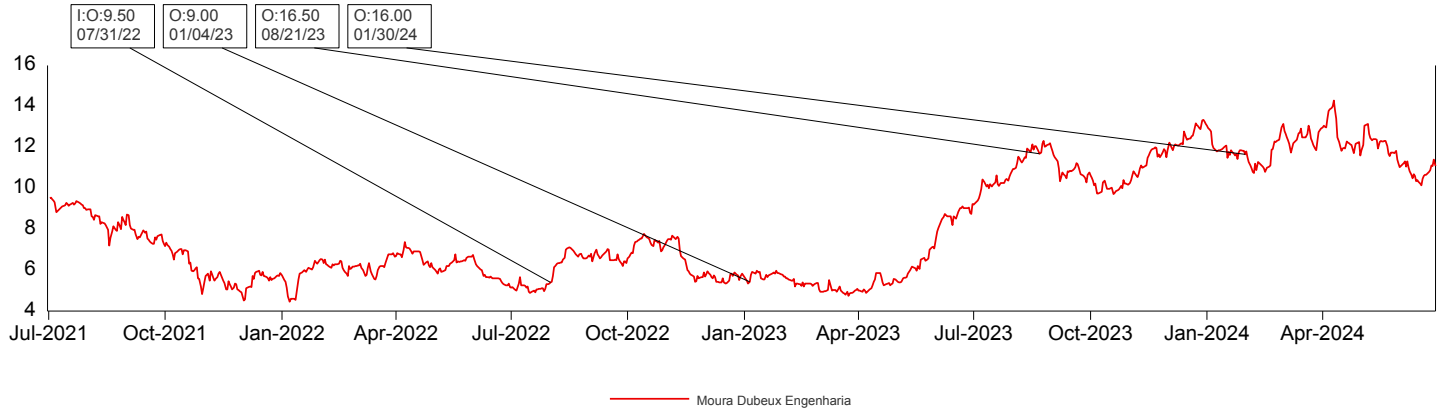
Stock Performance		Cost of Capital	
Ticker	MDNE3	Risk Free Rate (BRL)	8.2%
Outstanding Shares (million)	84.9	Risk Premium	5.4%
Mkt Cap (R\$ bi)	0.9	Liquidity Discount	3.0%
Rating	Outperform	Beta	1.55
Pricing Date	29-Jun-24	Cost of Equity (R\$ nominal)	19.5%
Stock Price	R\$ 11.08	Debt-to-Capital Ratio	15.0%
2024E TP	R\$ 18.00	Pre-tax Cost of Debt (R\$ nominal)	12.5%
Upside	62.5%	Tax Rate	15.6%
Dividend Yield	0.0%	WACC (R\$ nominal)	18.2%
Potential Total Return	62.5%	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) lower-than-expected demand for housing units in the Northeast region; (iv) execution risks associated with the significant increase in simultaneous construction sites under management; (v) the lack of housing data in the region; and (vi) liquidity risk.

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



Sources: FactSet and Santander. *Note that our rating terminology changed on December 15th 2021. Prior to that, our current Outperform (O) was Buy (B); Neutral (N) was Hold (H); we maintain our naming convention for Underperform (U)

Valuation & Risks

Our YE2024 target price was derived from a free cash flow to firm analysis, using a WACC of 18.2% 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) lower-than-expected demand for housing units in the Northeast region; (iv) execution risks associated with the significant increase in simultaneous construction sites under management; (v) the lack of housing data in the region; and (vi) liquidity risk.

This report is intended for alan@mouradubeux.com.br. Unauthorized distribution prohibited.

Key to Investment Codes*

Rating	Definition	% of Companies	
		Covered with This Rating	Provided with Investment Banking Services in the Past 12 months
Outperform	Expected to outperform the local market benchmark by more than 10%	63.79%	51.35%
Neutral	Expected to perform within a range of 0% to 10% above the local market benchmark	31.47%	43.84%
Underperform	Expected to underperform to local market benchmark	3.02%	28.57%
Under Review		1.72%	100.00%

The numbers above reflect our Latin American universe as of March 29, 2024.

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

Target prices are year-end 2024 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.

Ratings are established when the firm sets a target price and/or when maintaining or reiterating the rating. Ratings may not coincide with the above methodology due to price volatility. Management reserves the right to maintain or to modify ratings on any specific stock and will disclose this in the report when it occurs. Valuation methodologies vary from stock to stock, analyst to analyst, and country to country. Any investment in Latin American equities is, by its nature, risky. A full discussion of valuation methodology and risks related to achieving the target price of the subject security is included in the body of this report.

The benchmark used for local market performance is the country risk of each country plus the 1-year U.S. Treasury yield plus 5.5% of equity risk premium, unless otherwise specified. The benchmark plus the 10.0% differential used to determine the rating is time adjusted to make it comparable with the total return of the stock over the same period. For additional information about our rating methodology, please call (212) 350 3974.

This research report ("report") has been prepared by Santander US Capital Markets LLC (an indirect subsidiary of Santander Holdings USA, Inc. which is wholly owned by Banco Santander, S.A.) on behalf of itself and its affiliates (collectively, Grupo Santander) and is provided for information purposes only. This report must not be considered as an offer to sell or a solicitation of an offer to buy any relevant securities (i.e., securities mentioned herein or of the same issuer and/or options, warrants, or rights with respect to or interests in any such securities).

Any decision by the recipient to buy or to sell should be based on publicly available information on the related security and, where appropriate, should take into account the content of the related prospectus filed with and available from the entity governing the related market and the company issuing the security. This report is distributed in Spain by Banco Santander S.A. ("Banco Santander"), authorized and regulated by the Bank of Spain and the CNMV, and in the United Kingdom by Banco Santander, S.A., London Branch ("Santander London"). Santander London is registered in the United Kingdom and subject to limited regulation by the Financial Conduct Authority UK ("FCA"). This report is not being issued to private customers. Santander US Capital Markets LLC, Banco Santander and Santander London are members of Grupo Santander.

By receiving Grupo Santander's research, you acknowledge and confirm that you may receive investment research as your firm is out of scope of MiFID II research unbundling rules. In the event that your firm becomes subject to MiFID II research unbundling rules, you acknowledge and agree that you cannot view or use such investment research and that you will immediately contact Grupo Santander in order to make the appropriate adjustments and sign the Grupo Santander research package.

Analyst Certification

The following analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed, that their recommendations reflect solely and exclusively their personal opinions, and that such opinions were prepared in an independent and autonomous manner, including as regards the institution to which they are linked, and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report, since their compensation and the compensation system applying to Grupo Santander and any of its affiliates is not pegged to the pricing of any of the securities issued by the companies evaluated in the report, or to the income arising from the businesses and financial transactions carried out by Grupo Santander and any of its affiliates: Fanny Oreng*, Antonio Castrucci* and Matheus Meloni*

As per the requirements of the Brazilian CVM, the following analyst hereby certifies that I do not maintain a relationship with any individual working for the companies whose securities were evaluated in the disclosed report. That I do not own, directly or indirectly, securities issued by the company evaluated. That I am not involved in the acquisition, disposal and intermediation of such securities on the market: Fanny Oreng*, Antonio Castrucci* and Matheus Meloni*

*Employed by a non-US affiliate of Santander US Capital Markets LLC. and is not registered/qualified as a research analyst under FINRA rules and is not an associated person of the member firm and therefore is not subject to FINRA Rule 2241 or FINRA Rule 2242 and restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

Santander or its affiliates and the securities investment clubs, portfolios and funds managed by them do not have any direct or indirect ownership interest equal to or higher than one percent (1%) of the capital stock of any of the companies whose securities were evaluated in this report and are not involved in the acquisition, disposal and intermediation of such securities on the market.

The information contained within this report has been compiled from sources believed to be reliable. Although all reasonable care has been taken to ensure the information contained within these reports is not untrue or misleading, we make no representation that such information is accurate or complete and it should not be relied upon as such. All opinions and estimates included within this report constitute our judgment as of the date of the report and are subject to change without notice.

From time to time, Grupo Santander and/or any of its officers or directors may have a long or short position in, or otherwise be directly or indirectly interested in, the securities, options, rights or warrants of companies mentioned herein.

Any U.S. recipient of this report (other than a registered broker-dealer or a bank acting in a broker-dealer capacity) that would like to effect any transaction in any security discussed herein should contact and place orders in the United States with Santander US Capital Markets LLC, which, without in any way limiting the foregoing, accepts responsibility (solely for purposes of and within the meaning of Rule 15a-6 under the U.S. Securities Exchange Act of 1934) for this report and its dissemination in the United States.

COUNTRY & REGION SPECIFIC DISCLOSURES

United Kingdom (UK): Unless specified to the contrary, this report has been distributed in the UK by Santander London and has been prepared in accordance with Grupo Santander's policies for managing conflicts of interest arising as a result of publication and distribution of investment research. This report has been issued in the UK only to market professionals (professional or eligible counterparties but not retail clients) or persons of a kind described in Article 19 (5), 38, 47 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons"). The content must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this communication relates is only available to relevant persons and will be engaged in only with relevant persons. **European Economic Area (EEA):** Unless specified to the contrary, this report has been approved for distribution in the EEA by Banco Santander. Investment research and has been prepared in accordance with Grupo Santander's policies for managing conflicts of interest arising as a result of publication and distribution of investment research. Many European regulators require that a firm establish, implement and maintain such a policy.

Any investment or investment activity to which this document relates is only regarded as being provided to professional investors (or equivalent) in their home jurisdiction. **United States of America (US):** This report is being distributed in the US by Santander US Capital Markets LLC. Any US recipient of this report that would like to effect any transaction in any security or issuer discussed herein should do so with Santander US Capital Markets LLC, which accepts responsibility for the contents of this report. **Hong Kong (HK):** This report is distributed in Hong Kong by Banco Santander, S.A. (a public limited liability company incorporated in Spain) which has a branch in Hong Kong. Banco Santander, S.A., **Hong Kong Branch** is regulated as a Registered Institution by the Hong Kong Monetary Authority for the conduct of Advising and Dealing in Securities (Regulated Activity Type 4 and 1 respectively) under the Securities and Futures Ordinance. This report is not intended for distribution to any persons other than professional investors. Banco Santander, S.A. or its affiliates may have a holding in any of the securities discussed in this report; for securities where the holding is greater than 1%, the specific holding is disclosed in the Important Disclosures section above. The recipient of this report must not distribute it to any person without the prior written consent of Banco Santander, S.A. **Singapore (SG):** This report is distributed in Singapore by Banco Santander, S.A. which has a branch in Singapore. It is not intended for distribution to any persons other than institutional investors, accredited investors and expert investors (each as defined in the Securities and Futures Act 2001 of Singapore). Recipients of this report should contact Banco Santander, S.A., Singapore Branch at researchsingapore@gruposantander.com for matters arising from, or in connection with, this report. **Mainland China (CN):** This report is being distributed in Mainland China by Banco Santander, S.A. which has two branches in Mainland China, being Shanghai Branch and Beijing Branch ("Santander China"). Santander China is regulated by the National Financial Regulatory Administration. Banco Santander, S.A., Shanghai Branch is licensed for foreign currency business, RMB business and derivative business. Banco Santander, S.A., Beijing Branch is licensed with foreign currency business. The recipient of this report must not distribute it to any person without the prior written consent of Banco Santander, S.A. **Israel (IL):** By receiving Banco Santander and its affiliates' research, you acknowledge and confirm, and Santander has verified that you are a Qualified Client as defined in the Regulation of Investment Advice, Investment Marketing and Investment Portfolio Management Law, 1995. In the event that your firm ceases to be qualified as Qualified Client, you will immediately contact Banco Santander in order to make the appropriate adjustments. **Thailand (TH):** By receiving Banco Santander and its affiliates' research, you acknowledge and confirm, and Banco Santander has verified that you are a Qualified Institutional Investor as defined in the Foreign Business Act B.E. 2542 (1999). In the event that your firm ceases to be qualified as Qualified Institutional Investor, you will immediately contact Banco Santander in order to make the appropriate adjustments. **United Arab Emirates (UAE):** By receiving Banco Santander and its affiliates' research, you acknowledge and confirm, and Banco Santander has verified that you are a Professional Investor as defined in the Federal Law No. 14 of 2018. In the event that your firm ceases to be qualified as Professional Investor, you will immediately contact Banco Santander in order to make the appropriate adjustments. **Canada (CA) (Alberta, Ontario and Quebec only):** This report is distributed in Alberta, Ontario and Quebec by Santander US Capital Markets LLC. **Brazil (BR):** This research report ("report") is distributed in Brazil by Banco Santander (Brasil) S.A., a company regulated by the Brazilian Securities and Exchange Commission (CVM) and a subsidiary of Banco Santander S.A.

© 2024 by Santander US Capital Markets LLC. All Rights Reserved.