

Notes from NDR with Top Management; Updating Estimates and Reiterating Outperform

Last week, we hosted a series of meetings with the company's top management. Investors were receptive to the story, and management was optimistic about the company's growth plan. They continue to see strong demand in a less competitive market than SP, allowing the company's competitive advantages to translate into strong results. In this context, we are updating our estimates, reaffirming our positive outlook, and maintaining our preference for the company among the less liquid names in the sector (along with Lavvi), based on: i) discounted valuation (P/BV of 0.85x, compared to ROE of 17% in 2025); ii) attractive carry, with an expected dividend yield of 10% in 2025; iii) positive operating momentum; iv) a favorable competitive landscape.

We welcome the company's capital distribution strategy. Although the company highlighted during the meeting that it would be comfortable with potential faster growth, they have opted to prioritize capital distribution over rapid expansion. The company committed to paying at least BRL 100 million in dividends per year. We see this approach as attractive to investors as it offers an interesting carry. Of note, we see a dividend yield of 10% for 2025.

Upside risk. We see growth potential with low capital exposure. The company indicated it could comfortably manage a BRL 3.0 billion pipeline, divided into BRL 1.0 billion each for the condominium division, traditional homebuilding, and the Mood brand. Note that 2/3 of it (Mood and Condominium) requires limited capital for growth. However, we are not factoring this into our estimates and are stabilizing the launch pipeline at BRL 2.6 billion.

Asymmetry seems attractive valuation-wise. With a set launch volume of BRL 2.1 billion this year and BRL 2.5 billion next year, we anticipate a net income of BRL 240 million this year and BRL 280 million next year. Under these conditions, we see the company delivering an attractive ROE of 17% in 2025, which compares to a current P/BV of 0.85x. In terms of P/E, we see MDNE at 4.4x in 2025 (vs. 5.7x for Cyrela).

Moura Dubeux stands out as an alternative to the São Paulo-centered market. The company benefits from relatively limited supply in the regions it operates and faces less competition compared to the markets we track more closely. MDNE's approach to focus on larger land plots reduces competition, as fewer players with the financial strength to compete for these larger sites are present.

The strong operating momentum is expected to continue. During the meetings, the company noted its strong performance in 2Q24. They also mentioned that July sales exceeded those of June, and August sales surpassed July's, suggesting that 3Q24 is likely to be robust as well.

Launches ahead. Part of the solid operating performance is attributed to the quality of the company's products. During the meetings, the company drew attention to two major projects in their pipeline: Ottom Palace in Salvador, with a BRL 700 million PSV, and Casa Fortaleza, expected to launch in 2025 with a BRL 1 billion PSV.

Demand in the region is solid. In addition to the previously mentioned product quality, we believe that the strong operating momentum is driven by solid demand in the region. The company noted in meetings that this demand is supported by several factors, including limited supply and reduced investment in the hotel sector, as a significant portion of its buyers are investors (particularly in the Beach Class segment).

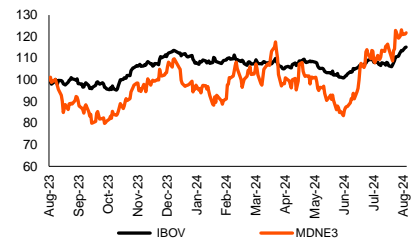
Costs under control. The company indicated that construction costs are being effectively managed. They are closely monitoring labor costs due to the low unemployment rate and high demand in the regions where they operate. Additionally, they continue to find that input prices are stable and non-disruptive.

Ticker (local)	MDNE3
Target Price - BRL(YE24)	20,00

Stock Data

Current price	BRL	14,79
Upside (YE24)	%	35,4
52 Week high/low	BRL	15.23/9,09
Shares outstanding	th	84,909
Market capitalization	BRL m	1,256
3-mth avg daily vol.	BRL m	6
Performance (%)	1m	12m
Absolute	12,4	22,2
Vs. Ibovespa	5,6	3,9

Company x Ibovespa



Source: Itaú BBA

REAL ESTATE TEAM

Daniel Gasparete, CNPI
+55-11-3073-3906
daniel.gasparete@itaubba.com

André Dibe, CNPI
+55-11-3073-3222
andre.dibe@itaubba.com

Mariangela Castro, CNPI
+55-11 3073-3102
mariangela.castro@itaubba.com

Alejandro Fuchs, CFA
+52-55-4163-6875
alejandro.fuchs@itaubba.com

Multiples Table

	2024E	2025E	2026E
P/E	5.2x	4.4x	4.1x
P/BV	0.8x	0.7x	0.7x
ROE	16%	17%	17%

Source: Itaú BBA

Model Output

OPERATING DATA	2021A	2022A	2023A	2024E	2025E	2026E
Launches (co-stake)	1,110	1,866	1,612	2,108	2,507	2,602
Nominal yoy growth (%)	nm	68.2%	-13.6%	30.8%	18.9%	3.8%
Contracted sales (co-stake)	1,311	1,345	1,482	1,730	2,065	2,326
Nominal yoy growth (%)	nm	2.5%	10.2%	16.7%	19.4%	12.6%

RESULTS	2021A	2022A	2023E	2024E	2025E	2026E
GROSS REVENUES	643	826	1,190	1,566	1,813	1,901
Tax	(23)	(27)	(39)	(55)	(62)	(65)
NET REVENUES	620	800	1,151	1,512	1,751	1,836
Growth YoY (%)	nm	29.0%	44.0%	31.3%	15.8%	4.8%
COGS	(308)	(392)	(518)	(683)	(767)	(843)
Gross Profit	226	266	400	517	620	642
Gross Margin (%)	36.4%	33.3%	34.7%	34.2%	35.4%	35.0%
Selling Expenses	(77)	(76)	(105)	(130)	(165)	(186)
G&A	(57)	(70)	(79)	(86)	(92)	(96)
Other Expenses	(27)	(29)	(37)	(28)	(26)	(18)
Equity Pickup	1	1	2	1	1	1
EBITDA (Itaú)	85	106	203	299	361	371
EBITDA Margin (%)	13.8%	13.3%	17.6%	19.8%	20.6%	20.2%
Depreciation & Amortization	(4)	(5)	(8)	(11)	(13)	(13)
Financial Results	37	40	21	20	8	28
Financial Revenues	60	70	47	44	32	56
Financial Expenses	(23)	(30)	(25)	(25)	(24)	(28)
EARNINGS BEFORE TAXES	99	127	193	281	333	357
Income Tax & Contributions	(14)	(22)	(38)	(42)	(52)	(55)
Minority Stake	2	(1)	(0)	(0)	(0)	(0)
NET INCOME	85	105	156	239	280	302
Net Margin (%)	13.7%	13.1%	13.5%	15.8%	16.0%	16.5%

Source: Itaú BBA

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Moura Dubeux Engenharia S/A	MDNE3	14,79	OP	X				X				

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Daniel Gasparete					OK
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