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URBI

Urbi Desarrollos Urbanos, S.A.B. de C.V.

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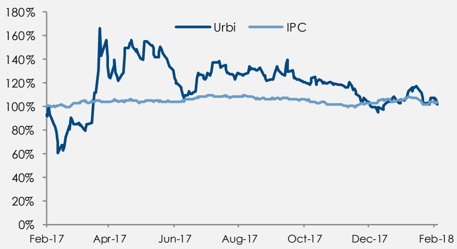
4Q17 Results: Strong year-end results

- During 4Q17, Urbi posted positive results compared to the previous quarter. Likewise, 2017 full-year results were significantly higher than those registered in 2016. However, these were slightly below our estimates
- Urbi's total revenues for 4Q17 were MXN 241.5 mm (MXN 212.6 mm from operating activities and the rest from other revenues), reaching a cumulative 2017 full-year revenue of MXN 786.5 mm (+ 97% YoY). However, revenues were -21% versus Company estimates
  - Urbi's CEO mentioned that this was due to a careful selection of certain projects for the Company to invest
- Revenues generated through Line A were MXN 168.4 mm, (+ 34% YoY). Middle Income Housing revenues represented 52%, which is consistent with Urbi's strategy to focus in products with higher margins
- Revenues generated by Line B during 4Q17 were MXN 73.1 mm, equivalent to 30% of the total quarter revenues. This was driven by MXN 28.8 mm from the collection of the sale of non-strategic subsidiaries, which concluded in July 2017
- Urbi continues to strengthen its relationship with banking institutions. During 4Q17, the Company continued with withdrawals of resources from its credit lines, as well as the fulfillment of its financial obligations. We emphasize that, in just five months, Urbi managed to completely liquidate a post-restructuring construction loan with Banco Ve por Más
- Recently, Urbi published the new 2018 business plan, in which the Company estimates revenues of +MXN 1,400 mm, almost duplicating the figure reached in 2017. Likewise, the Company estimates to achieve positive EBITDA, ROIC and free cash flow by the end of 2018
- Based on the foregoing, we update our TP to MXN 8.00 per share (+ 34% upside). We remain aware to a probable decrease in the volatility of the stock price due to the Company's recently approved share-repurchase fund

Stock price	**5.97**
Target price	**8.00**
Potential expected return	34.0%
52 week range	5.56 - 9.10

Market summary (mm)	
Stock price	5.97
Shares outstanding	154
Free float	*100%*
Market cap	921
Enterprise value	1,170
3 month ADTV (000's)	91



Price performance	Urbi	IPC
1 month	-2.9%	-2.0%
3 months	-13.6%	1.6%
6 months	-19.7%	-4.6%
12 months	1.9%	3.8%

4Q17 results (MXN 000)

	4Q17A	4Q16A	YoY%	3Q17A	QoQ%
Revenue from operations	212,655	177,809	20%	175,322	21%
COGS	(162,328)	(82,280)	97%	(99,037)	64%
Gross profit	50,327	95,529	-47%	76,285	-34%
SG&A	(154,630)	(349,604)	-56%	(250,321)	-38%
D&A	(486)	(9,550)	-95%	(498)	-2%
Operating profit	(161)	165,828	-100%	35,541	-100%
Operating profit margin	*nm*	*93%*	*nm*	*0%*	*nm*
EBITDA	53,800	175,378	-69%	(51,800)	-204%
EBITDA Margin	*25%*	*184%*	*-158bps*	*-30%*	*55bps*
Net profit	25,412	166,610	-85%	31,949	-20%
Margin	*12%*	*94%*	*-82bps*	*18%*	*-6bps*
EPS (MXN)	0.2	1.1	-85%	0.2	-20%

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