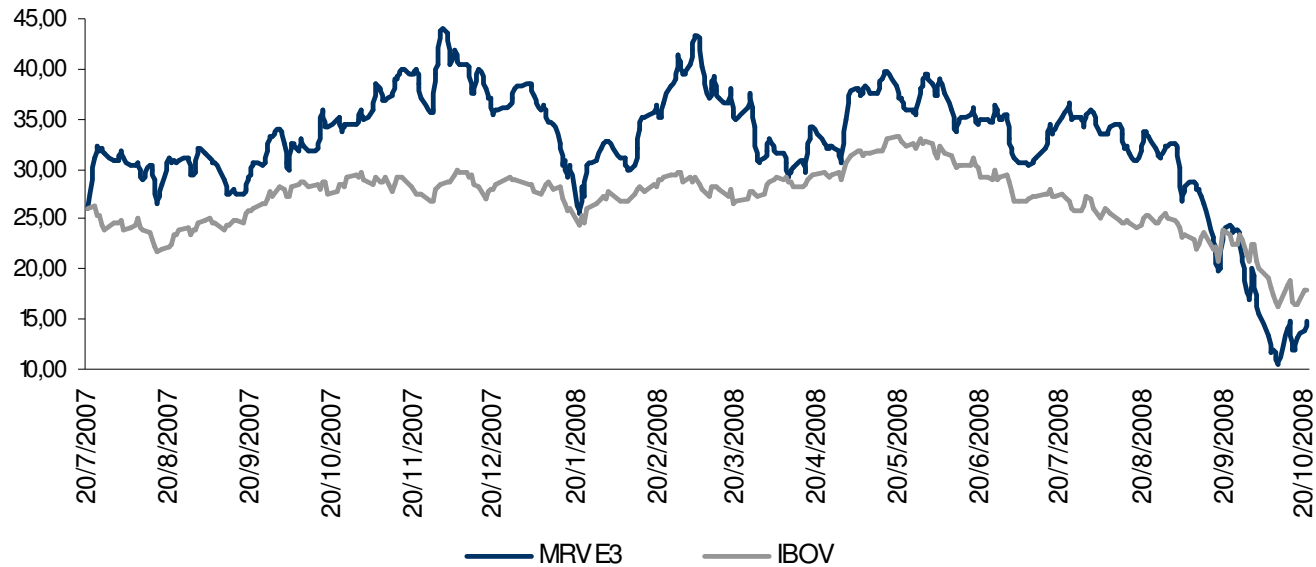




MRV Engenharia

**Bruna Casanova
Bruno Stenbaum
Debora Radomysler
Rafael Furlan
Thomas Humpert**

Highlights

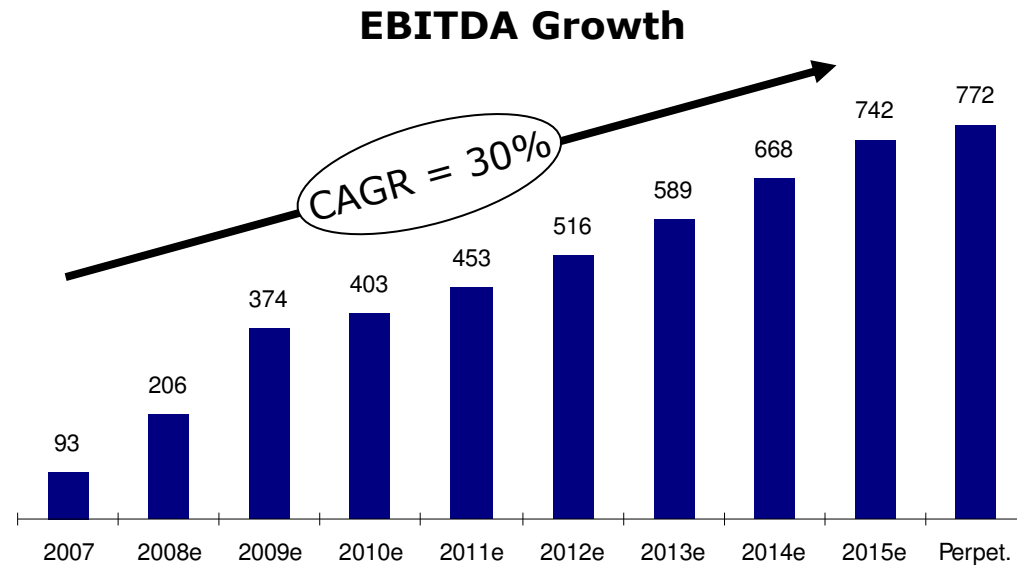


Source: Bloomberg

Company Profile

- Ticker: MRVE3
- Recommendation: **BUY**
- Price target: R\$16.93
- Current price: R\$9.02 (29/10)
- Market cap: R\$1.2 bi
- NAV: R\$ 1.6 bi
- Avg. Daily Volume: R\$ 15 mn

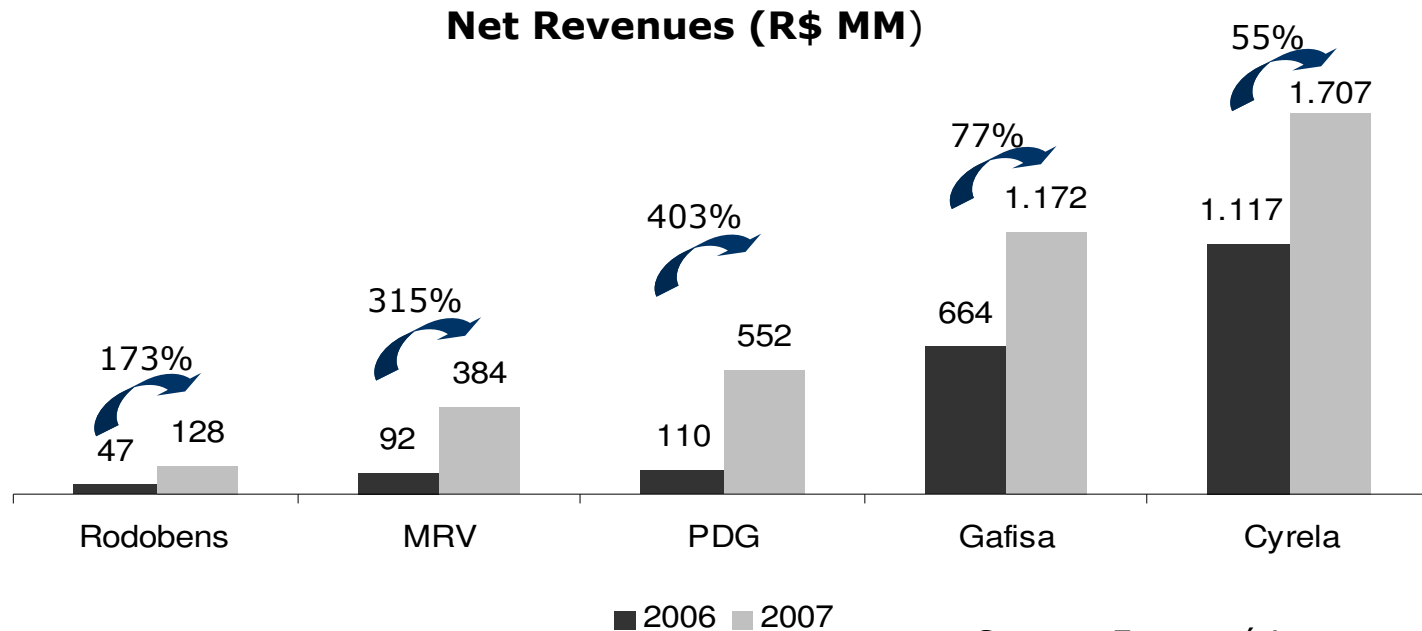
Top Down Analysis



Why
MRV?

- Attractive valuation
 - P/E → MRV: 6.8x Vs. Industry: 7.9x
- Growing EBITDA
- Strong balance sheet
- Solid cash generation
- Vertically integrated
- Strong presence in low income segment

Top Down Analysis



Source: Economática

Why Low
Income?

- High potential growth
- Outstanding housing deficit
- Trade off: buy vs. rent
- Government top priority
- Subsidized credit

SWOT Analysis

Strengths

- Strong presence in low income
- 28 years of experience
- Geographic diversification
- Low P/E
- Low leverage

Weaknesses

- High exposure to CEF (political risk)
- Execution risk

SWOT Analysis (cont'd)

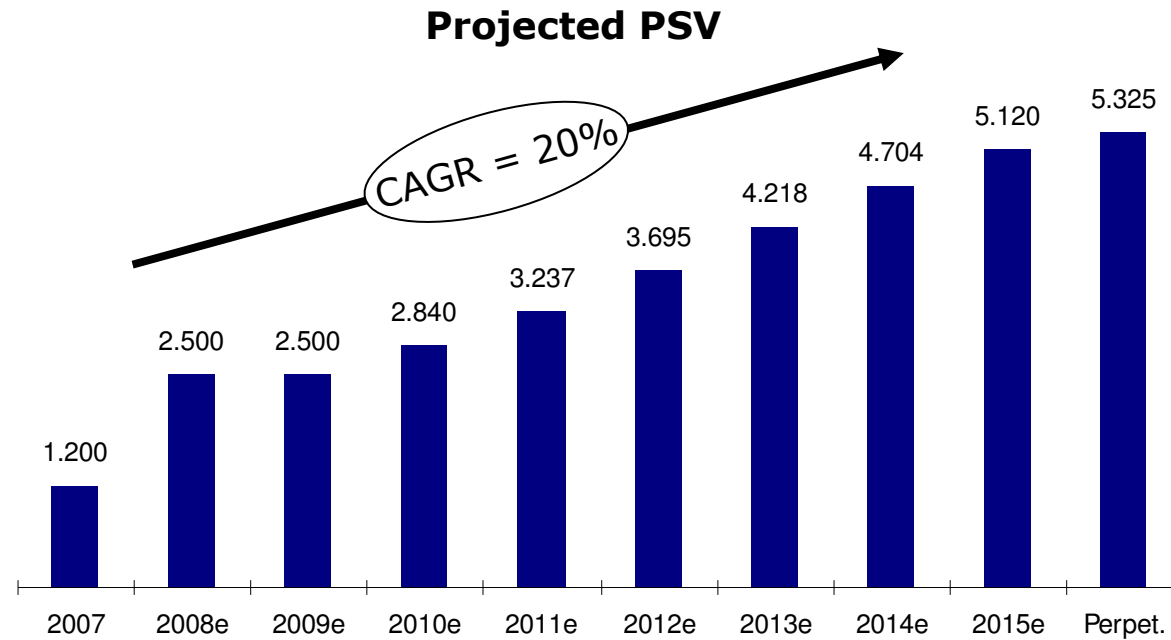
Opportunities

- Housing deficit
- Income increase in social economical levels C and D
- Expectation of lower interest rate in the long term
- Consolidation tendency

Threats

- Entrance of Gafisa and Cyrela in the low income segment
- Possibility of decrease in loans duration
- Aggravation of credit crisis
- Inflation

PSV Growth



Key Drivers

- PSV as turbo trigger
- Mexican benchmark

Why Mexico? – Back to 1995

Social Environment

- Similar social pyramid to Brazil
- Strengthening of mid-low class
- Huge housing deficit
- Tendency of settlement in suburban areas

Economical Environment

- Macroeconomic variables similar to Brazil
- Extraordinary industry growth followed by crisis
- Mature market

Valuation

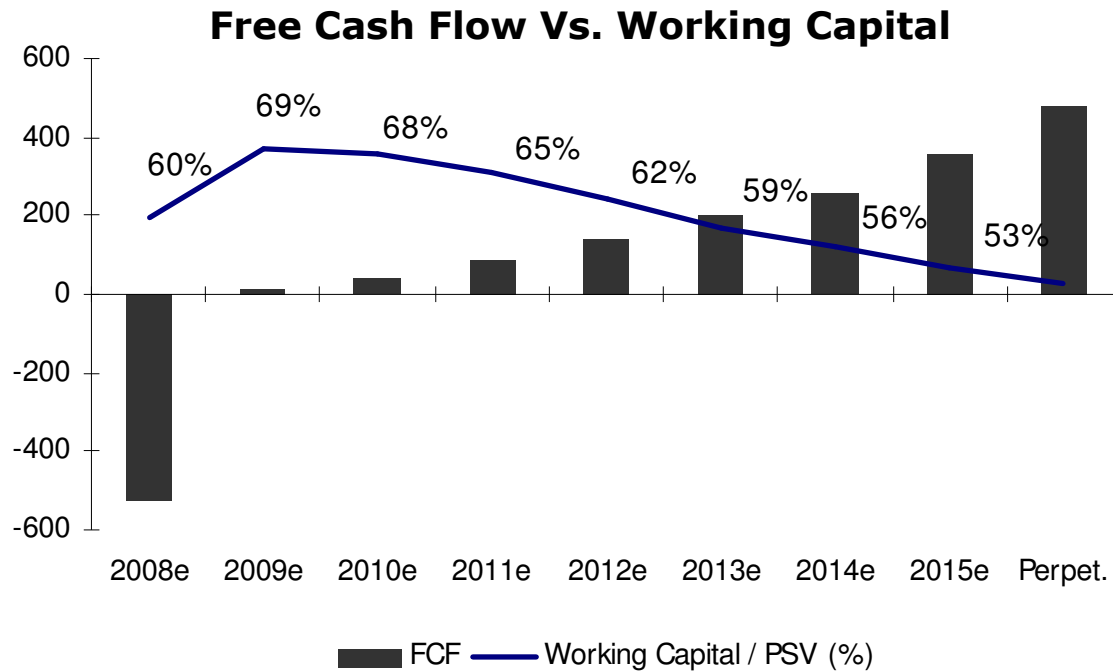
		2009 - 2010 Growth				
		-6.0%	4.0%	14.0%	24.0%	34.0%
2008 - 2009 Growth	-20%	14.39	15.38	15.77	16.19	16.6
	-10%	15.45	15.91	16.35	16.82	17.28
	0%	15.93	16.44	16.92	17.45	17.96
	10%	16.41	16.97	17.5	18.08	18.63
	20%	16.88	17.49	18.08	18.7	19.31

		Avg. WACC				
		13.4%	13.9%	14.4%	14.9%	15.4%
Perpetuity Growth	2%	16.3	15.71	15.06	14.46	13.89
	3%	17.42	16.64	15.92	15.24	14.61
	4%	18.64	17.75	16.92	16.16	15.46
	5%	20.12	19.08	18.13	17.26	16.45
	6%	21.95	20.72	19.6	18.58	17.64

Valuation Premises

- Avg. WACC: 14.4%
 - Avg. Beta: 1.01
- Perpetuity Growth: 4%

Valuation (cont'd)



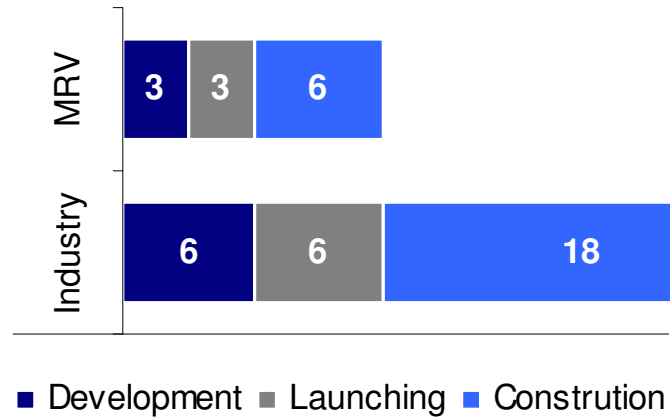
CAGR = 195%

Cash Flow

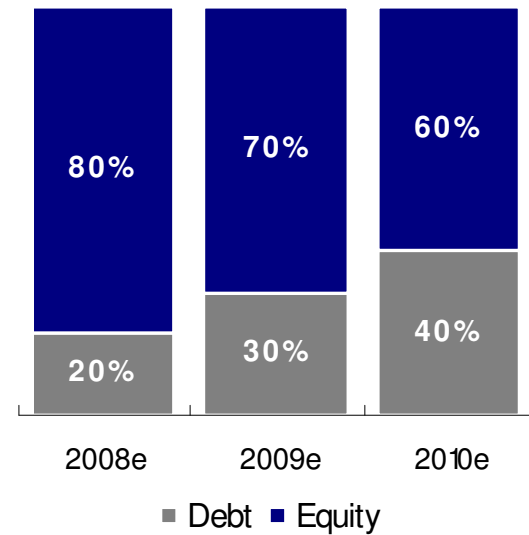
- Delay between PSV and cash flow generation
- Solid cash flow generation
- Lower working capital as maturity approaches

Working Capital and Capital Structure

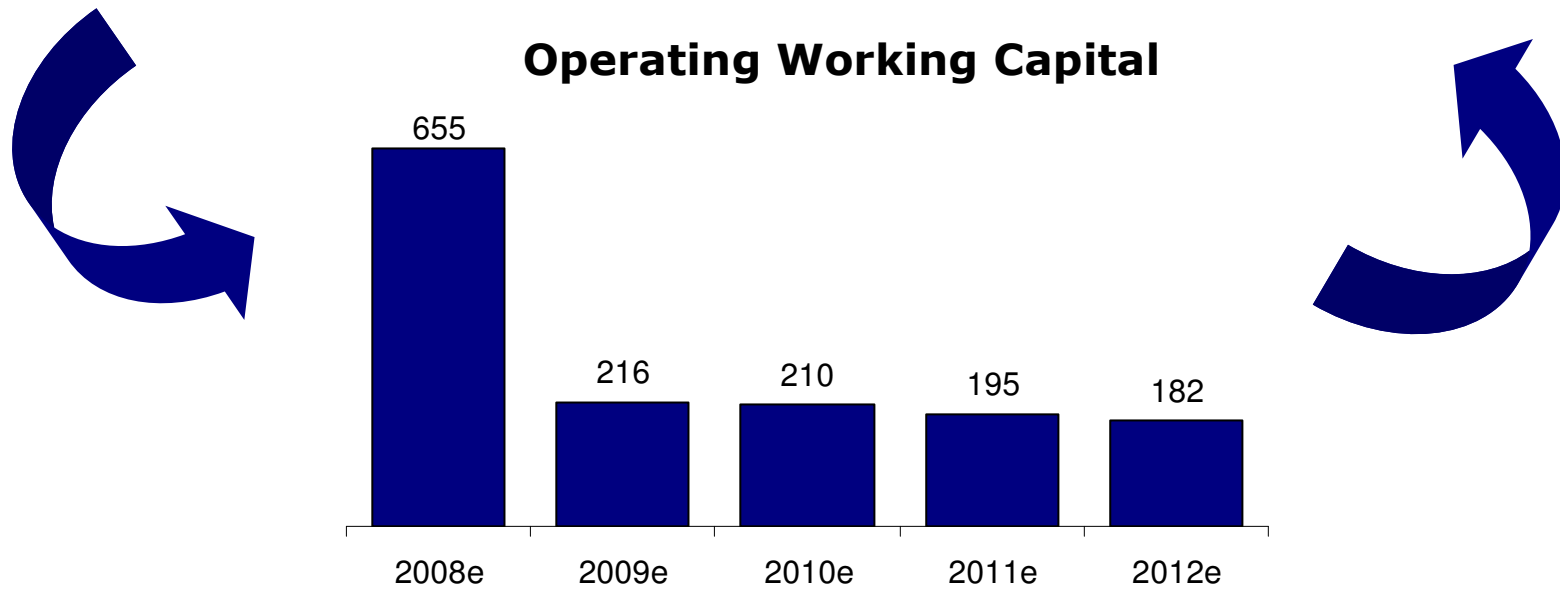
Construction Cycle



Capital Structure

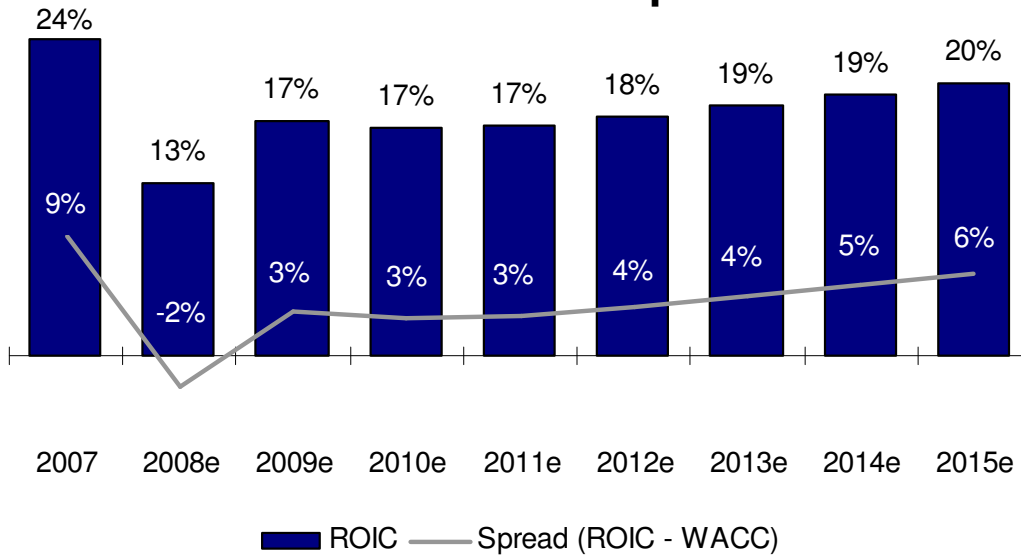


Operating Working Capital



Summary

ROIC – WACC spread

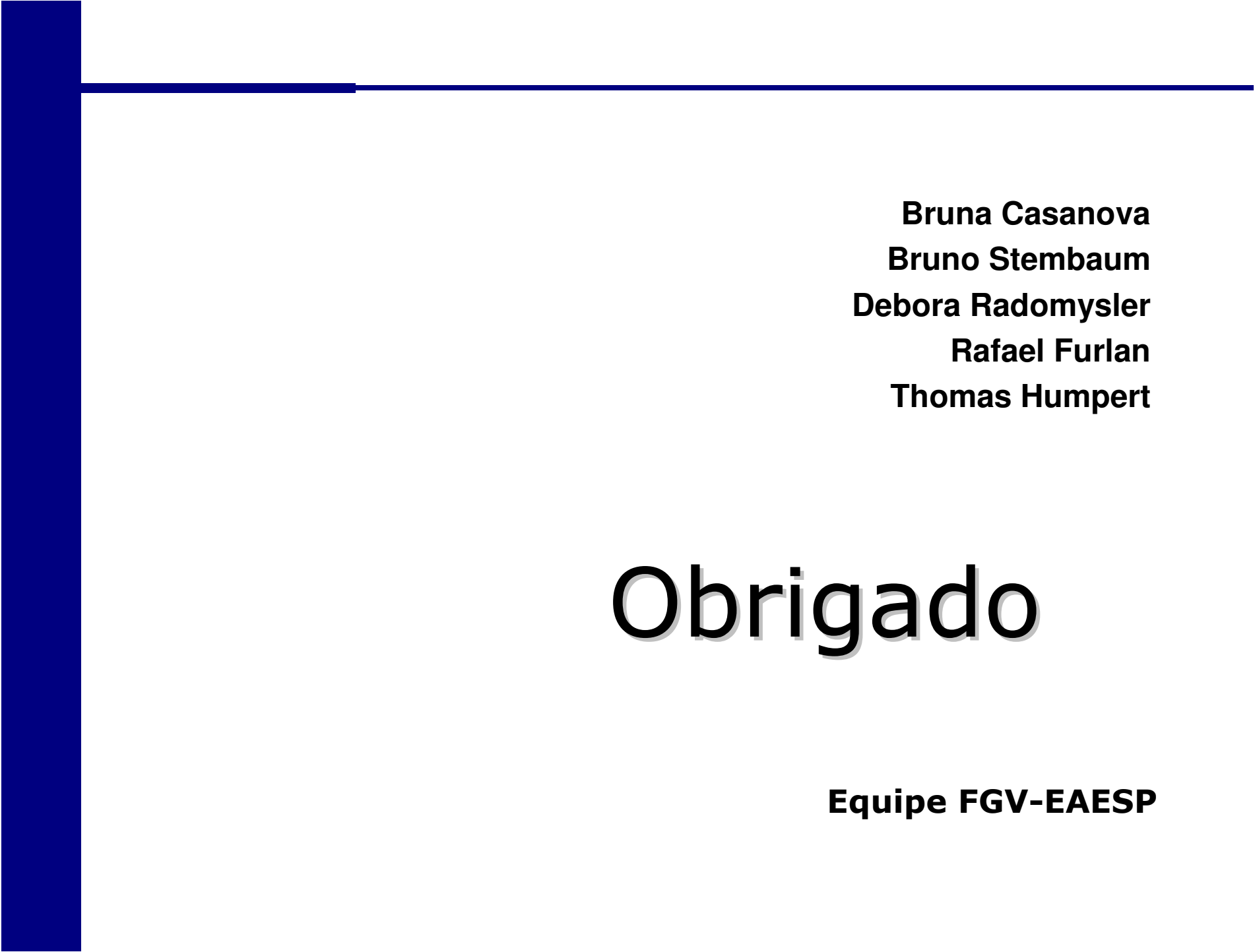


Financial Highlights

	2007 - 2015 CAGR
Net Revenues	35,0%
EBITDA	29,6%
Net Income	37,5%

Conclusion

BUY



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Obrigado

Equipe FGV-EAESP