

# Direcional (DIRR3)

## Adjusting the Sails for Growth

Incorporating a More Optimistic Launch Outlook Driven by Group 4 Tailwinds

We are revising our estimates for Direcional following 1Q25, raising launch expectations alongside stronger margin prospects. We increase our YE25 TP to R\$ 50.0/sh (from R\$ 37.0/sh), maintaining a Buy rating. We see (i) potential for SoS growth driven by demand tailwinds from MCMV adjustments and an improved economic outlook in 2H25; (ii) room for launch expansion, with estimates raised to R\$ 7bn and R\$ 7.6bn for 2025-26; (iii) adjusted gross margins remaining elevated, supported by controlled material inflation and attractive landbank acquisitions; and (iv) strong earnings momentum, with net income estimates revised to R\$ 808mn and R\$ 964mn for 2025-26. DIRR currently trades near its historical P/E, but strong EPS growth and ROE prospects justify a premium, leading us to raise our target P/E multiple to 9.0x 26E. Additionally, the company's robust dividend yield (13% for 2025) provides a meaningful safety margin for total returns, making it an attractive pick in a cyclical sector.

**Direcional should maintain robust sales momentum...** As emphasized in recent earnings calls, Direcional's focus remains on improving SoS levels compared to 2024, which we consider achievable. In our view, the company's strong sales momentum in the MCMV housing program, which has driven consistent LTM SoS growth, should continue, supported by (i) expectations of a less muted economic activity in 2H25 than initially forecasted at the end of 2024 (XP Macro Team projects real GDP growth of 2.3% for the year with low recession risk in 2H25), and (ii) favorable demand tailwinds from recent MCMV adjustments, which are particularly beneficial for the upper segment of Group 3 and Riva, which is nearly fully included in MCMV's Group 4 (~70% of inventory included in the program after revision). Overall, we believe this should result in a stronger-than-expected demand environment (especially in 2H25), supporting SoS to grow to 57% in 2025 (+3 p.p YoY) and to 59% in 2026, in our view.

**...which should boost confidence for increased launches in 2025-26.** We believe that a stronger-than-expected demand scenario in 2H25 could boost Direcional's confidence to increase launch volumes by accelerating phases of already launched projects, particularly in 4Q25, in our view. Additionally, the robust demand momentum for Riva, driven by its near-full inclusion in Group 4, could fuel its expansion. We expect segment launches to grow by 17% YoY in 2025 and 15% in 2026. Consequently, we have revised our launch (100%) estimates upward to R\$ 7bn for 2025 and R\$ 7.6bn for 2026 (+23% and +28% vs. previous forecast, respectively).

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DIRR3 - XP Estimates	2024A	2025E	2026E	2027E
Net Revenues (R\$ million)	3,348	4,259	5,247	6,243
Gross Profit (R\$ million)	1,218	1,646	1,996	2,318
Gross Margin (%)	36.4%	38.6%	38.0%	37.1%
Net Income (R\$ million)	638	808	964	1,104
P/E (x)	-	8.9x	7.5x	6.5x
P/BV (x)	-	3.8x	3.1x	2.6x
Dividend Yield (%)	-	12.5%	8.0%	9.2%

Direcional (DIRR3)	Buy
Target Price (R\$/sh.)	50.00
Current Price (R\$/sh.)	41.62
Upside (%)	20%
Market Cap (R\$ million)	7,214
# of shares (million)	173
Free Float (%)	63%
ADTV (R\$ million)	72

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**Robust margin momentum should continue through 2025 and 2026.** Following Direcional's strong gross margin milestone in 1Q25, we expect this favorable profitability trend to persist, revising our adjusted gross margin estimates upward to 41.1% in 2025 and 40.4% in 2026 (+300bps and +290bps vs. previous estimates, respectively). In our view, Direcional benefits from (i) strong backlog margin momentum supported by a favorable pricing; (ii) an attractive land acquisition environment characterized by (a) sustained low land acquisition costs (see figure 1) and (b) a higher proportion of land acquired through swaps (see figure 2); and (iii) a potentially more controlled materials inflation outlook, given softer FX rate expectations for 2025 compared to late 2024. Collectively, these factors should sustain stronger margins for the current project cycle and help maintain elevated margin levels relative to historical averages through 2025 and 2026.

**The strong earnings momentum and the attractive dividend outlook should maintain.** We expect Direcional to sustain robust earnings growth driven by (i) solid top-line growth potential and (ii) a strong margin profile. This has led us to revise our net income estimates to R\$ 808mn for 2025 and R\$ 964mn for 2026 (+12% and +25% vs. prior forecasts). Furthermore, we believe that (i) proceeds from the recent sale of a 10% stake in Riva to Riza; (ii) potential new sales of receivables portfolios; and (iii) solid operational cash flow prospects should underpin an attractive cash generation scenario for the company in 2025. Consequently, we continue to view Direcional as the company with the most attractive dividend payout in our coverage for 2025, estimating announced dividends of ~R\$ 900mn in the year and a dividend yield of 13%, without a significant increase in leverage.

**P/E remains attractive and strong dividends provide a solid safety margin for total returns.** Although Direcional's 2026 P/E of 7.5x is close to its historical 1Y FWD average of 7.6x, we continue to view it as attractive given the company's evolving multiple outlook. In our view, Direcional's solid EPS growth prospects (20% CAGR from 2024-27), supported by (i) backlog recognition from strong 2024 sales, and (ii) expected launch growth in 2025-26, coupled with attractive returns, with expected ROEs of 37% in 2025 and 44% in 2026, puts the company in one of its strongest operational phases, justifying a multiple premium compared to historical levels. This has led us to raise our target P/E multiple to 9.0x for 2026. Finally, the company's robust dividend potential offers a meaningful margin of safety for total returns, which we find particularly attractive in a cyclical sector.

Figure 1: Direcional's land acquisition cost as % of total PSV (LTM)

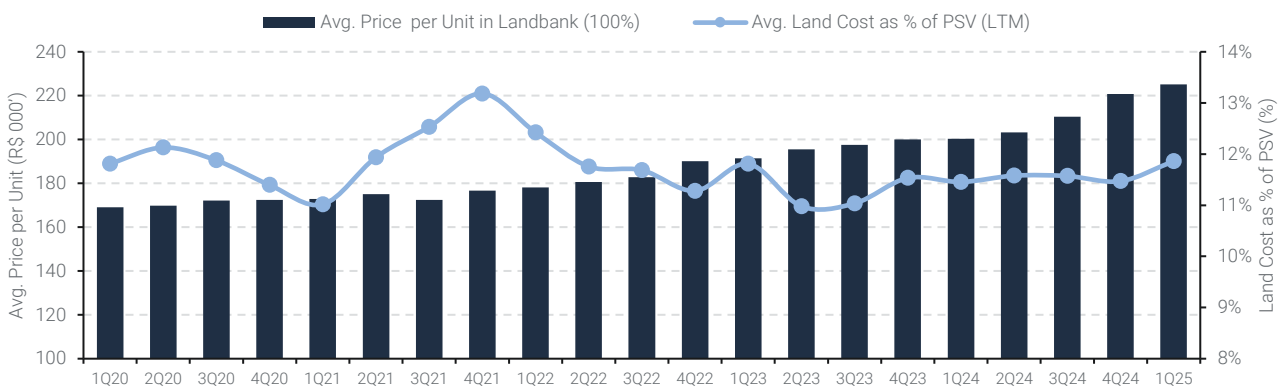
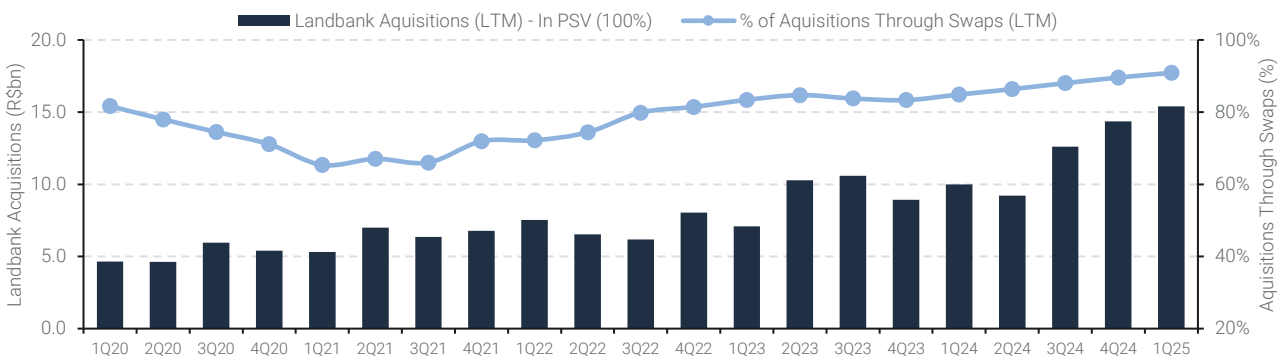


Figure 2: Direcional's % of acquired PSV through swaps (LTM)



# Changes to Estimates

Figure 3: Changes to estimates

DIRR3	Old			New			New vs. Old		
	2025	2026	2027	2025	2026	2027	2025	2026	2027
<b>Operational Data</b>									
Launches (100%)	5,715	5,926	6,144	7,025	7,582	8,044	23%	28%	31%
Launches (% Co)	4,752	4,928	5,109	6,199	6,679	7,092	30%	36%	39%
Net Sales (100%)	5,608	5,839	6,055	6,701	7,400	7,883	19%	27%	30%
Net Sales (% Co)	4,680	4,855	5,035	5,776	6,503	6,948	23%	34%	38%
Sales Speed (from Net Pre-Sales)	54.3%	54.8%	55.2%	57.0%	58.6%	59.5%	2.7 p.p.	3.9 p.p.	4.3 p.p.
<b>Income Statement</b>									
Net Revenues	4,302	4,647	4,826	4,259	5,247	6,243	-1%	13%	29%
Adj. Gross Profit	1,640	1,744	1,811	1,753	2,122	2,468	7%	22%	36%
Adj. Gross Profit Margin	38.1%	37.5%	37.5%	41.1%	40.4%	39.5%	3.0 p.p.	2.9 p.p.	2.0 p.p.
Adj. EBITDA	1,032	1,087	1,129	1,161	1,419	1,638	12%	31%	45%
Adj. EBITDA Margin	24.0%	23.4%	23.4%	27.3%	27.0%	26.2%	3.3 p.p.	3.6 p.p.	2.8 p.p.
Adj. EBIT	953	1,005	1,039	1,084	1,318	1,527	14%	31%	47%
Adj. EBIT Margin	22.2%	21.6%	21.5%	25.5%	25.1%	24.5%	3.3 p.p.	3.5 p.p.	2.9 p.p.
Net Financial Result	-3	-19	-20	70	70	72	-2616%	-470%	-461%
EBT	874	903	933	1,047	1,262	1,449	20%	40%	55%
IR and CSLL	-76	-82	-85	-90	-107	-127	18%	31%	50%
% of EBT (Effective rate)	8.7%	9.1%	9.1%	8.6%	8.5%	8.8%	-0.1 p.p.	-0.6 p.p.	-0.3 p.p.
Adjusted Net Income	720	774	799	808	964	1,104	12%	25%	38%
Adjusted Net Margin	16.7%	16.7%	16.6%	19.0%	18.4%	17.7%	2.2 p.p.	1.7 p.p.	1.1 p.p.
<b>Leverage &amp; Returns</b>									
Cash & Equivalents	1,072	851	808	1,558	1,437	1,301	45%	69%	61%
Net Debt	266	487	529	336	457	593	26%	-6%	12%
Net Debt/Total Equity	11.1%	19.0%	19.5%	14.2%	16.6%	18.6%	3.1 p.p.	-2.4 p.p.	-0.9 p.p.
ROE	31.9%	32.0%	31.0%	37.4%	43.9%	42.0%	5.5 p.p.	11.9 p.p.	11.0 p.p.

Figure 4: XPe vs. Consensus' Estimates

DIRR3	FY 2025E			FY 2026E		
R\$mnn	XPe	Consensus	%	XPe	Consensus	%
Net Revenues	4,259	4,372	-2.6%	5,247	5,135	2.2%
Gross Profit	1,646	1,631	0.9%	1,996	1,906	4.8%
Gross Margin	38.6%	37.3%	1.3 p.p.	38.0%	37.1%	0.9 p.p.
EBITDA	1,054	1,105	-4.6%	1,293	1,347	-4.0%
EBITDA Margin	24.7%	25.3%	-0.5 p.p.	24.6%	26.2%	-1.6 p.p.
Net Income	808	786	2.7%	964	939	2.7%
Net Margin	19.0%	18.0%	1.0 p.p.	18.4%	18.3%	0.1 p.p.
EPS	4.66	4.59	1.5%	5.56	5.57	-0.2%

Figure 5: 2025E Comparison

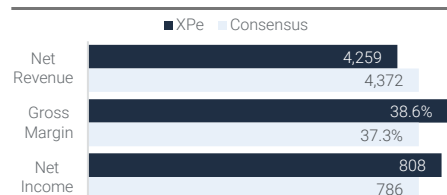
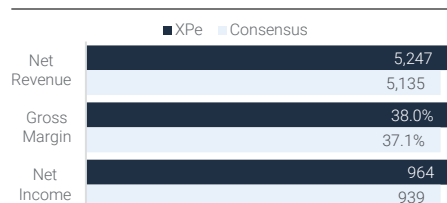


Figure 6: 2026E Comparison



# Valuation

## Adjusting our YE25 TP to R\$ 50.00/sh.

Our 2025YE DCF-based target price of R\$ 50.00 per share presents a 20% upside vs. current prices, assuming 4.5% growth in perpetuity. We use a FCFF (free cash flow to firm) valuation approach, where our main assumptions include: (i) 9.6% risk-free rate, (ii) 20% debt to (debt + equity) ratio and (iii) beta at 1.15, implying 14.6%, 15.9% and 11.2% nominal WACC, cost of equity and cost of debt, respectively.

Figure 7: Main DCF Assumptions

DCF	2025E	2026E	2027E	2028E	2029E	Perpetuity
EBIT	1,084	1,318	1,527	1,663	1,789	
Taxes	(90)	(107)	(127)	(139)	(149)	
NOPAT	994	1,211	1,400	1,524	1,640	
D&A	76	101	111	121	133	
D in Working Capital	(270)	(415)	(491)	(398)	(329)	
CAPEX	(120)	(130)	(142)	(155)	(170)	
FCFF	682	767	878	1,092	1,274	13,156

Figure 8: CAPM Model

Assumptions	
Risk Free Rate (BRL)	9.6%
MRP	5.5%
Levered Beta	1.15
Kd	9.5%
Ke	15.9%
WACC	14.6%
g	4.5%
Valuation (R\$mnn)	
EV YE25	9,452
Net Debt 2025	336
Minorities (Mkt Value) 2025	453
Target Equity Value YE25	8,663
Outstading Shares	173
TP YE25 (R\$)	50.00
Current Price (R\$)	41.62
Upside	20%
Dividend Yield 2025	13%

Figure 9: Sensitivity Analysis

TP (R\$)		WACC				
		13.0%	14.0%	14.6%	15.0%	16.0%
9	3.5%	55.6	49.4	46.2	44.3	40.1
	4.0%	58.3	51.5	48.0	46.0	41.4
	4.5%	61.2	53.8	50.0	47.8	42.9
	5.0%	64.5	56.3	52.2	49.8	44.5
	5.5%	68.3	59.2	54.6	52.0	46.3

Figure 10: XP vs. Consensus Estimates (P/E)

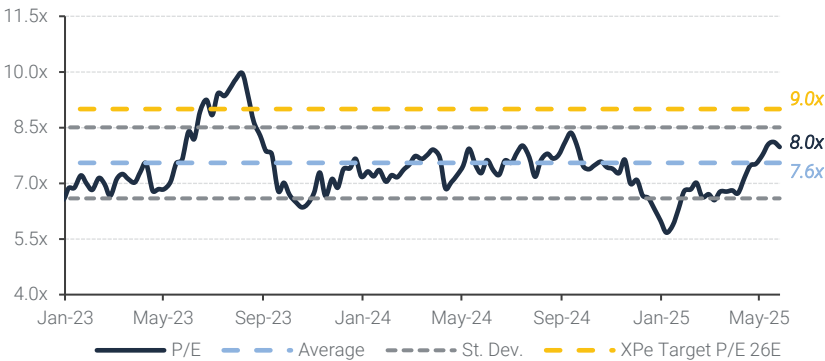
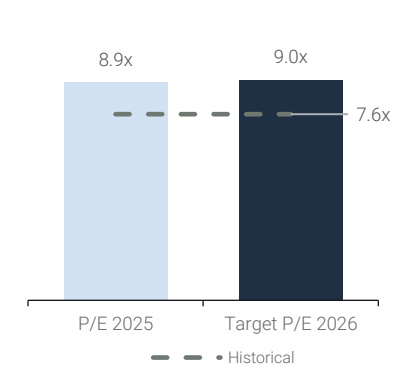


Figure 11: P/E Multiple Comparison



# XP Estimates (Summary) – DIRR3

Figure 12: XP – Direcional (DIRR3) Estimates

XP Estimates - DIRR3	2024A	2025E	2026E	2027E
<b>Valuation</b>				
EV (R\$ Mn)	7,343	8,003	8,124	8,261
Market Cap (R\$ Mn)	7,200	7,214	7,214	7,214
P/BV		3.8x	3.1x	2.6x
P/E		8.9x	7.5x	6.5x
ROE	30.7%	37.4%	43.9%	42.0%
ROIC	34.9%	39.8%	45.0%	44.1%
Dividend Yield	5.0%	12.5%	8.0%	9.2%
FCFF Yield	7.1%	8.5%	9.4%	10.6%
Net Debt/Equity	-2.9%	14.2%	16.6%	18.6%
<b>Consolidated income statement (R\$m)</b>				
Net Revenues	3,348	4,259	5,247	6,243
Gross Profit	1,218	1,646	1,996	2,318
Gross Margin	36.4%	38.6%	38.0%	37.1%
EBIT	755	978	1,192	1,377
EBIT Margin	22.5%	23.0%	22.7%	22.1%
EBITDA	825	1,054	1,293	1,488
EBITDA Margin	24.6%	24.7%	24.6%	23.8%
Net Financial Results	37	70	70	72
Pre-Tax Income	792	1,047	1,262	1,449
Pre-Tax Margin	23.7%	24.6%	24.0%	23.2%
Net Income	638	808	964	1,104
Net Margin	19.1%	19.0%	18.4%	17.7%
Adjusted Net Income	577	801	964	1,104
Adjusted Net Margin	17.2%	18.8%	18.4%	17.7%
Shares out	173	173	173	173
<b>Consolidated balance sheet (R\$m)</b>				
Total Debt	1,550	1,894	1,894	1,894
Net Debt	-66	336	457	593
Equity	2,015	1,917	2,303	2,744
Assets	10,067	11,568	11,916	12,409
<b>Operational Data</b>				
Launches (100%)	5,755	7,025	7,582	8,044
Launches (%Co)	4,700	6,199	6,679	7,092
Net Sales (100%)	6,271	6,701	7,400	7,883
Net Sales (% Co)	4,880	5,776	6,503	6,948
Sales Speed (from Net Pre-Sales)	54.0%	57.0%	58.6%	59.5%

