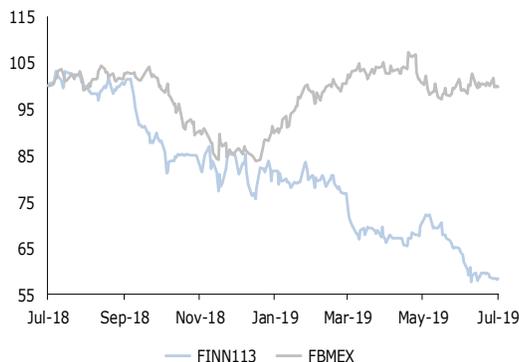


# FIBRA: 2Q19 RESULTS

## Weak 2Q19 Results, as Expected; Changes in Distribution Policy

### BUY

Target Price 2019E (MXN\$)	\$ 8.20
Current Price (MXN\$)	\$ 6.73
Max / Min (L12M - MXN\$)	6.57 - 12.47
Expected Dividend (MXN\$)	\$ 0.22
Total Return	25.1%
Mkt Cap (Mn of MXN)	3,468
Enterprise Value (Mn of MXN\$)	6,200
CBFI's Outstanding (Mn)	515.3
Float	84.6%
ADTV (MXN\$ Mn)	\$ 1.13



### Opinion and Recommendation:

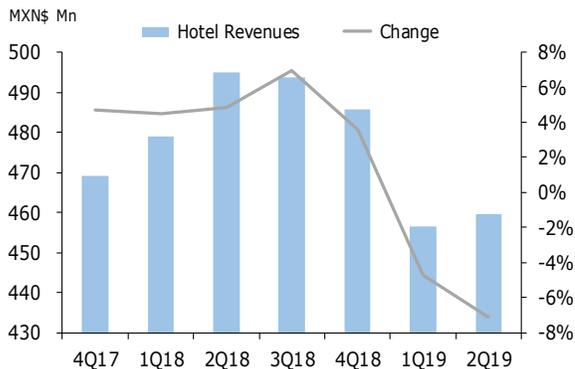
- **FIBRA INN reported weak results in 2Q19, as we expected. The trust's performance was affected by a lower occupancy rate compared to last year's as a result of macroeconomic uncertainty and the delay in the signing of the USMCA. However, June's occupancy rate remained practically unchanged for the second month in a row (compared to April and May of this year), which we believe is the first sign of stabilization of this indicator.**
- **FIBRA INN announced that it has modified its distribution policy. The Fibra will now distribute 50% of the AFFO in cash and will use the remaining 50% to buyback certificates, which will be canceled during 3Q19. This strategy will be implemented during the rest of 2019; the FIBRA INN will evaluate subsequently if such policy will remain in place in 2020.**
- **We continue with a BUY recommendation on FIBRA INN due to mainly to its attractive valuation with a 9.7% cap rate (calculated as annualized 2Q19 Total NOI / EV), a 7.6% total dividend yield (annualized 2Q19 cash + buybacks / current price of the certificate) and a significant 64% discount to NAV. We are revising downwards our target price to MXN\$8.20 per certificate to reflect current market conditions.**

### 2Q19 Results

FIBRA INN had previously reported hotel revenues of MXN\$459.6 million in 2Q19, down 7.1% YoY. This performance was mainly due to the fact that the same-store occupancy rate dropped 5.9 percentage points annually to 59.7%. The average daily rate per room was MXN\$1,261.2 with a 1.2% YoY increase.

The Fibra had 42 hotels in operation during 2Q19, including the City Express Chihuahua and the Holiday Inn & Suites Guadalajara Historic Center that had binding sale contracts. In fact, on July 22, the trust concluded the sale of the City Express Chihuahua receiving MXN\$95 million. FIBRA INN also announced that it will continue with the sale of non-strategic assets during the rest of the year.

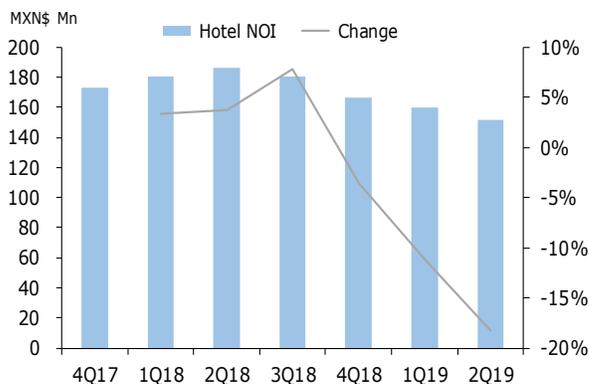
## FIBRA INN: Quarterly Results



The new financial information was that FIBRA INN recorded leases of MXN\$24.7 million in 2Q19. As a result, total revenues amounted to MXN\$484.3 million, with a 7.2% YoY fall.

Operating expenses were MXN\$332.3 million, representing 68.6% of total revenues in 2Q19, from 64.4% in 2Q18. This occurred as a result of higher lodging, electricity, administration and maintenance expenses, which was partially offset by a lower property tax and sales expenses.

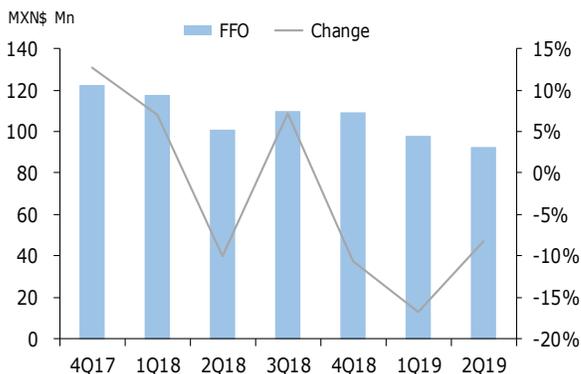
Hotel NOI decreased 18.3% YoY to MXN\$152.0 million. The "Hotel Factory" recorded a MXN\$1.9 million loss in the period. Total NOI was MXN\$150.1 million, falling 16.7% YoY. Total NOI margin was 30.8% in the current quarter, compared with 34.5% in the same period last year.



Administration expenses rose 20 bps as a percentage of revenues to MXN\$34.1 million. Adjusted EBITDA (excluding acquisition and organization expenses) decreased 17.8% YoY to MXN\$131.3 million. The adjusted EBITDA margin was 27.1% in 2Q19, from 30.6% in 2Q18.

The FFO was down 3.8% YoY to MXN\$92.8 million. The FFO margin was 19.2% in 2Q19, from 19.4% the previous year. Meanwhile, AFFO was MXN\$75.9 million in the current quarter, with an 11.3% YoY fall.

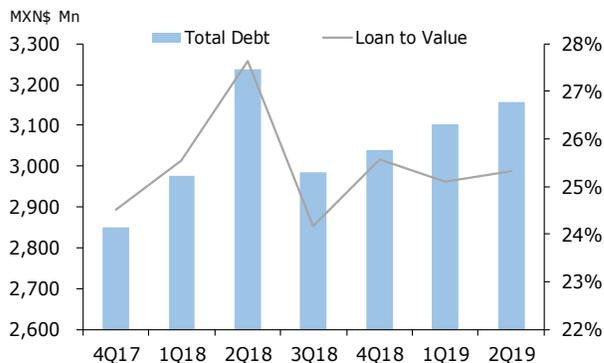
The cash distribution corresponding to 2Q19 will be MXN\$0.0736 per certificate, which represents a 71.2% YoY decrease as a result of the new distribution policy, in addition to last year's issuance of certificates as part of the follow-on. We believe that this will be partially mitigated by the new buy-back program that the Fibra plans to carry out.



FIBRA INN registered a low 26.5% leverage at the end of 2Q19, below the maximum of 33% established by the Technical Committee.

### New Buyback Program

FIBRA INN will use 50% of the AFFO to create the new buy-back reserve. It will be mandatory for the Fibra to cancel the repurchased certificates, which will happen at the end of each quarter. If the funds from this program are not used in a certain quarter, they will be paid as a cash dividend during the next quarter. This new mechanism will be additional and will have priority over the existing buy-back program. Currently, the Fibra has 13,872,430 certificates in treasury and is in the process of canceling 10,475,815.



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