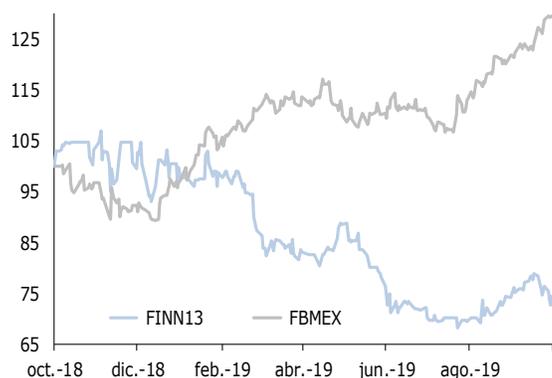


# FIBRA INN: 3Q19 PREVIEW

## BUY

|                                |              |
|--------------------------------|--------------|
| Target Price 2019E (MXN\$)     | \$ 8.20      |
| Current Price (MXN\$)          | \$ 7.29      |
| Min / Max (L12M - MXN\$)       | 6.43 - 10.40 |
| Expected Dividend (MXN\$)      | \$ 0.15      |
| Total Return                   | 14.5%        |
| Mkt Cap (Mn of MXN)            | 3,855        |
| Enterprise Value (Mn of MXN\$) | 6,587        |
| CBFI's Outstanding (Mn)        | 528.8        |
| Float                          | 84.6%        |
| ADTV (MXN\$ Mn)                | \$ 3.16      |



## Opinion and Recommendation

We expect FIBRA INN to report weak results in 3Q19 on an annual basis (but stable against 2Q19) due mainly to a lower occupancy rate generated by the prevailing macroeconomic situation, in conjunction with non-recurring expenses related to the personnel restructuring which was carried out during the quarter. We believe that these results have been previously discounted by the markets.

## 3Q19 Preview

FIBRA reported that its hotel revenues were MXN\$462.2 million in 3Q19, with a 6.4% YoY decrease, mainly as a result of a 3.4 percentage point YoY reduction in its daily average occupancy rate to 59.6%. The average daily rate was up 2.3% YoY to MXN\$1,273.0, while the RevPar (calculated as occupancy rate by average daily rate) was down 3% YoY to MXN\$758.3.

On the other hand, we estimate that lease revenues were MXN\$22.4 million in the quarter, which will likely translate into total revenues of MXN\$484.6 million in 3Q19, down 6.9% YoY, but practically stable against 2Q19. We expect a hotel NOI of MXN\$152.3 million in 3Q19, with a margin of 31.4%, below the 34.7% figure in 3Q18, but in line with the 2Q19. We estimate that total NOI will be MXN\$150.4 million in 3Q19, with a 31.0% margin, from 35.4% in 3Q18, but also in line with that of 2Q19. We project that the Fibra will present an extraordinary MXN\$7 million settlement charge in the quarter, which will lead to an FFO of MXN\$84.1 million, down 23.3% YoY and 9.4% QoQ. As a result, the AFFO will be MXN\$67.1 million in 3Q19, below the MXN\$94.1 million level in 3Q18 and MXN\$75.9 million in 2Q19.

We expect the Fibra to maintain its same distribution policy during 4Q19, which will include 50% in cash and 50% in certificate buybacks.

FIBRA INN recently announced that it carried out the early amortization of MXN\$1.0 billion of FINN15 Debt Certificates ("Certificados Bursátiles"). The Fibra used the funds from the

recent re-opening of its FINN18 Debt Certificates ("Certificados Bursátiles") that took place on October 11. It will use the remaining funds in the investment of hotels of its current portfolio. We believe that this was a favorable transaction for FIBRA INN as it will improve its maturity profile.

### **September Hotel Indicators**

FIBRA INN reported its hotel indicators for the month of September, which continued to fall annually but remained stable compared to the previous month.

In terms of the same stores (which included 40 hotels in operation), FIBRA INN presented an occupation of 57.7% in September this year, down 4.4 percentage points with respect to the same period last year, but practically unchanged from the previous month. We believe that this performance was due to the macroeconomic weakness and the lack of signature of the USMCA agreement. The average daily rate was MXN\$1,293.0 in September this year, slightly higher compared to the previous year and August this year. As a result, the RevPar fell 5.3% YoY but rose 1.3% MoM to MXN\$745.5. Hotel revenues contracted 4.1% YoY and 3.2% MoM to MXN\$146.3 million.

With respect to total sales, the occupancy rate was 57.7% in September this year, compared with 59.7% in the previous year and with 57.8% in August this year. The average daily rate was marginally higher, both annually and monthly, standing at 1,294.0. Thus, RevPar was MXN\$746.9 in September of this year, with a slight 1.1% YoY decrease but with a marginal 1.5% MoM growth.

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