

FIBRA INN: 3Q19 RESULTS

Weak 3Q19 Results; Occupancy Rate Stabilizes Sequentially

BUY

Target Price 2019E (MXN\$)	\$ 8.20
Current Price (MXN\$)	\$ 7.16
Min / Max (L12M - MXN\$)	6.43 - 10.40
Expected Dividend (MXN\$)	\$ 0.13
Total Return	16.3%
Mkt Cap (Mn of MXN)	3,564
Enterprise Value (Mn of MXN\$)	6,463
CBFI's Outstanding (Mn)	497.8
Float	84.6%
ADTV (MXN\$ Mn)	\$ 2.15

Opinion and Recommendation:

- **FIBRA INN reported weak 3Q19 results mainly due to a lower occupancy rate compared to the previous year as a result of prevailing macroeconomic uncertainty. However, this indicator stabilized against 2Q19.**
- **After these results, we maintain our BUY recommendation and YE19 target price of MXN\$8.20 per CBFI as we expect the occupancy rate to recover during the following quarters. In addition, we like FIBRA INN's valuation as trades at an implicit cap rate of 9.3% (calculated as annualized 3Q19 NOI / EV), and a significant 66% discount to Net Asset Value, which is one of the highest in the Fibra sector.**



3Q19 Results

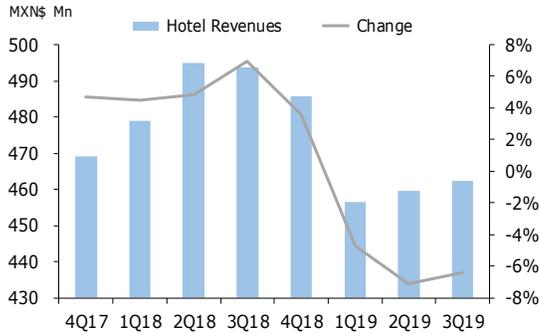
FIBRA INN closed the quarter with a portfolio of 40 hotels with 6,591 rooms, of which 9 are limited service, 19 select service, 11 full service and one extended stay. The Holiday Inn & Suites Guadalajara Centro Histórico is included, but was sold on September 12. In addition, the Fibra has investments in 4 other hotels under the "Hotel Factory," which are expected to add 633 rooms.

FIBRA INN's total revenues were MXN\$487.3 million in 3Q19, up 6.3% YoY. The Fibra had previously reported hotel revenues of MXN\$462.2 million, with a 5.9% YoY reduction in terms of same stores, as a result of a 5 percentage point drop in the average occupancy rate to 59.5%. It now reported that rental revenues fell 5.2% YoY to MXN\$25.1 million.

Operating expenses represented 67.6% of total revenues in the current quarter, compared with 65.3% in 3Q18, as a result of higher administrative costs and property tax payments, which was partially offset by lower lodging expenses, a more efficient marketing channels mix, the restructuring of the sales force, and lower energy, royalties and insurance expenses.

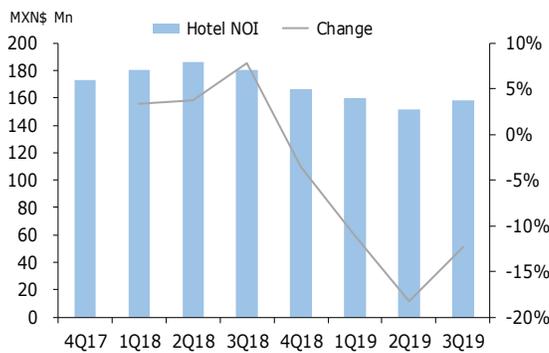
Hotel NOI was down 12.3% YoY in 3Q19 due to a lower occupancy compared to the same period of the previous year. Hotel margin was 32.4% in the current quarter, from 34.7% in 3Q18.

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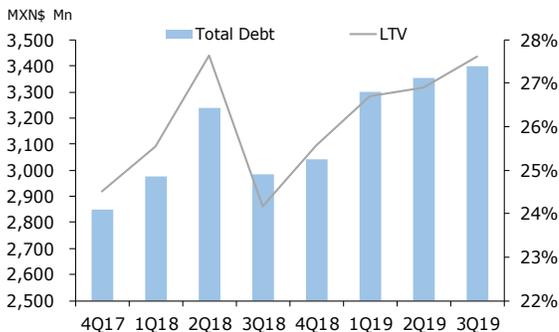
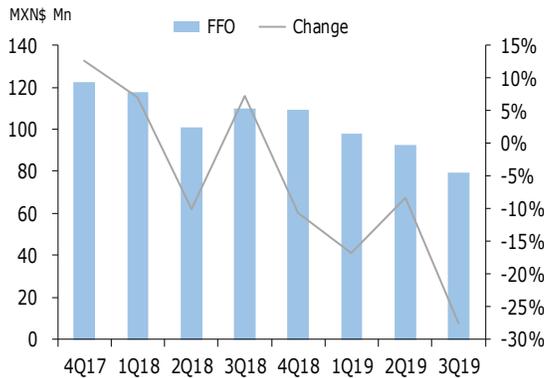
On the other hand, the other businesses' NOI was negative by MXN\$3.8 million in the current quarter, from last year's positive figure of MXN\$4.0 million. As a result, the Fibra's total NOI suffered a 16.3% YoY fall, closing at MXN\$154.3 million. Total NOI margin was 30.7% in 3Q19, below 35.4% in 3Q18.

Indirect expenses decreased 7.2% YoY to MXN\$46.9 million due to lower corporate expenses and a lower capex level, which offset the severance expenses. As a result, EBITDA fell 19.7% YoY to MXN\$107.4 million, while adjusted EBITDA decreased 21.6% YoY to MXN\$123.9 million.



The FFO was down 27.6% YoY to MXN\$79.5 million, while the AFFO dropped 33.7% YoY to MXN\$62.4 million. The AFFO for CBFi was MXN\$0.1253, of which 50% will be distributed in cash and the rest in CBFi's buybacks, following the distribution policy that was approved in July this year. It is worth mentioning that FIBRA INN repurchased 31.0 million CBFi's at the end of 3Q19, of which 10.5 million have already been canceled. The Fibra also began the process to cancel the remaining 20.5 million. It repurchased another 3.6 million after the end of 3Q19.

FIBRA INN maintained a solid financial structure with a LTV of 27.6% at the end of 3Q19, well below the maximum threshold of 50%. The average net cost of the debt was 9.85%. After 3Q19, FIBRA INN carried out an MXN\$1.2 billion re-opening of the FINN18 issuance, of which MXN\$1.0 billion were used to pre-pay the FINN15 issuance. The remaining amount will be used for investments in the hotel portfolio.



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