

# FIBRA INN: 4Q19 RESULTS

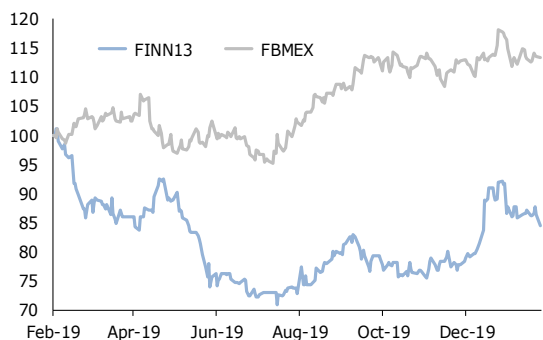
## Results Affected by a Lower Occupancy Rate, in Line with Expectations

### BUY

Target Price 2020E (MXN\$)	\$ 9.50
Current Price (MXN\$)	\$ 7.69
Min / Max (L12M - MXN\$)	6.43 - 9.60
Expected Dividend (MXN\$)	\$ 0.52
Total Return	30.2%
Mkt Cap (Mn of MXN)	3,637
CBFI's Outstanding (Mn)	473.0
Float	82.2%
ADTV (MXN\$ Mn)	\$ 1.21

### Opinion and Recommendation:

- **FIBRA INN reported a weak quarter, in line with our expectations. The Fibra's performance was affected by a lower occupancy in its existing hotels, which resulted in a 9% reduction in revenues, 11% in the NOI, and 26.7% in the FFO.**
- **We continue with a BUY recommendation based on the recovery we anticipate in the main operating indicators such as occupancy, rate and profitability, supported by a stronger macroeconomic environment and the recent opening of the Westin Monterrey Valle. In addition, the Fibra still has MXN\$70.9 million available in its buy-back reserve, which we believe could be used to support the certificates' price in the future.**



### Revenues

FIBRA INN had previously reported that its hotel revenues were MXN\$444.1 million in 4Q19, down 8.6% YoY. This performance was largely due to the fact that the occupancy rate decreased 3 percentage points to 58.3%, while the average daily rate remained practically unchanged at MXN\$1,280.1. RevPar (calculated as occupancy rate by ADR) fell 4.8% to MXN\$746.8.

FIBRA INN closed the quarter with a portfolio of 39 hotels (vs. 42 in 4Q18), of which 8 are limited service, 19 select service, 11 full service and one extended stay. The number of rooms was 6,485 rooms compared to 6,785 the previous year.

The new information was that rental revenues amounted to MXN\$24.2 million in 4Q19, which resulted in total revenues of MXN\$468.5 million in the quarter, down 8.8% (vs. -8.7% E).

### Profitability

Operating costs and expenses declined 9.3% mainly due to lower lodging, sales and energy costs. They represented 67.2% of revenues in the current quarter, compared with 67.6% the previous year. Despite this, hotel NOI suffered a 7.7% drop (vs. 9.8%) and total NOI fell 11.3% (vs. -11.4%). Total NOI margin was 31.0% in the current quarter, slightly higher than the

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30.9% level in 4Q18. FIBRA INN's non-operating expenses decreased 11.1% thanks to a lower number of property license updates and corporate expenses. They represented 8.2% of total sales, from 8.4% the previous year.

Adjusted EBITDA, excluding acquisition and organization expenses, were down 14.4% to MXN\$121 million. The EBITDA margin was 25.8% in 4Q19, from 27.5% in 4Q18.

### FFO, AFFO and distributions

The FFO experienced a 26.7% (vs. 27.1% E) contraction to MXN\$80.0 million. AFFO declined 32.2% (vs. 33.5%) to MXN\$63.6 million. It is worth mentioning that these last two indicators stabilized with respect to 3Q19. FIBRA INN announced that it will distribute 100% of the AFFO of 4Q19 in cash, as we expected. This payment will take place no later than March 20.

### Financial structure

The financial structure remained very healthy with a 30.2% Loan-to-Value at the end of 4Q19, compared with 25.6% in 4Q18. This figure was below the 50% regulatory threshold.

### Buyback Reserve

FIBRA INN reduced by 8% the number of CBFIs outstanding during 2019 through its buy-back reserve. This fund currently owns 5.2 million CBFIs, which we believe could be canceled in the future. In addition, it has an MXN\$70.9 million available, which we believe could be used to support the certificates' price in the future.

#### Quarterly Results (Figures in MXN\$ Mn)

	4Q19 Reported	4Q19 Estimate	Difference (%)	4Q18 Reported	YoY Change (%)	Estimated Change (%)
Lodging Revenues	444	444	-	486	8.6	8.6
Total Revenues	468	469	0.1	514	8.8	8.8
Hotel NOI	154	154	0.2	166	7.7	7.6
<i>Hotel NOI Margin</i>	32.8	32.8		32.4		
Total NOI	146	148	1.1	165	11.3	10.3
<i>Total NOI Margin</i>	31.2	31.5		32.1		
Adjusted EBITDA	121	118	2.7	141	14.4	16.7
<i>Adjusted NOI Margin</i>	25.8	25.1		27.5		
FFO	80	80	0.6	109	26.7	27.1
<i>FFO Margin</i>	17.1	17.0		21.2		
AFFO	64	65	1.5	94	32.2	31.2
<i>AFFO Margin</i>	13.6	13.8		18.2		
LTV	30.2	30.3		25.2		

Source: BMV, Miranda Global Research

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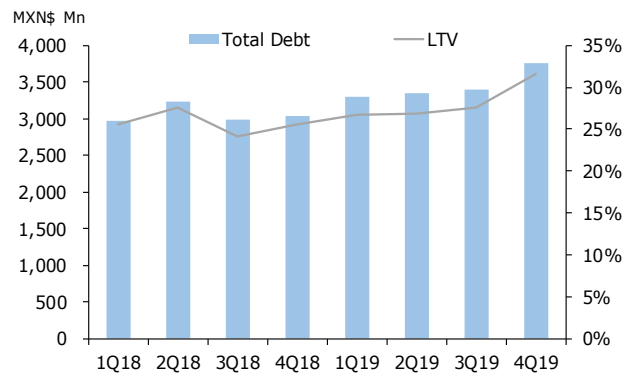
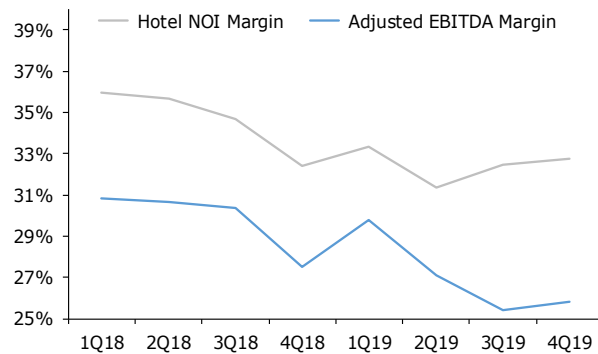
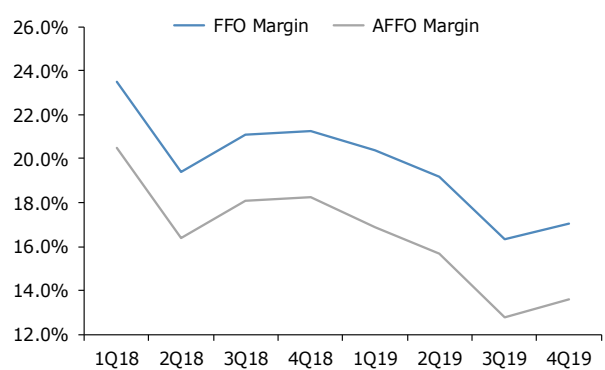
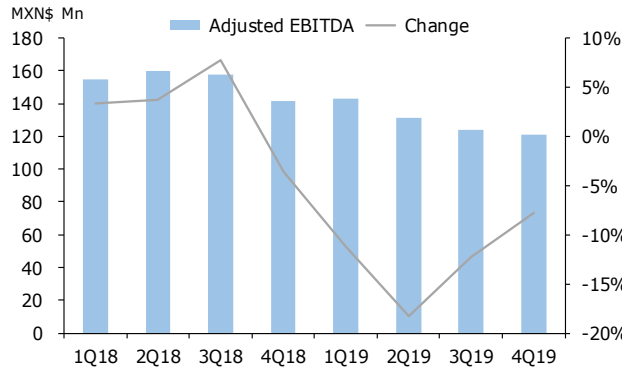
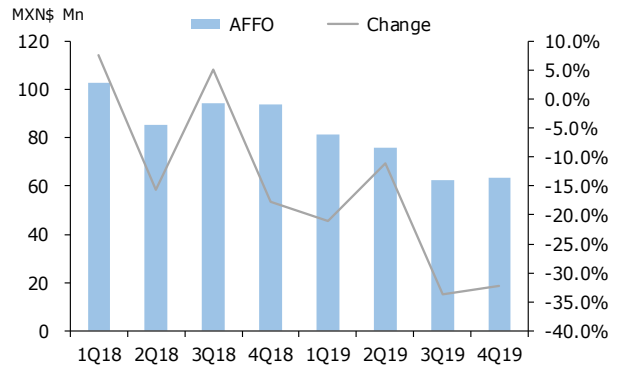
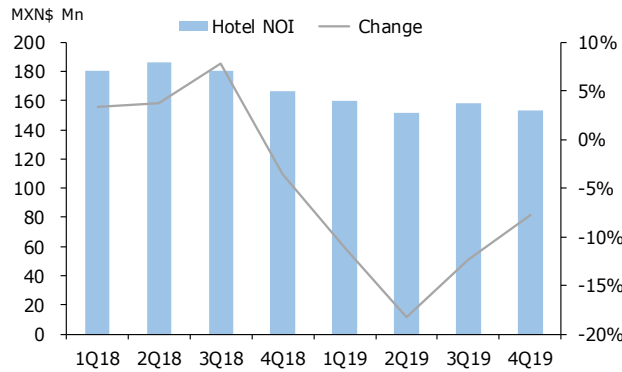
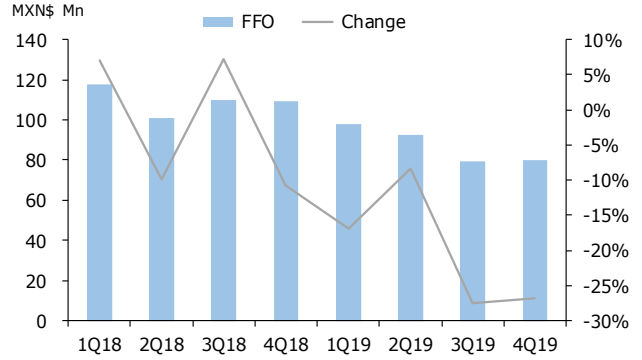
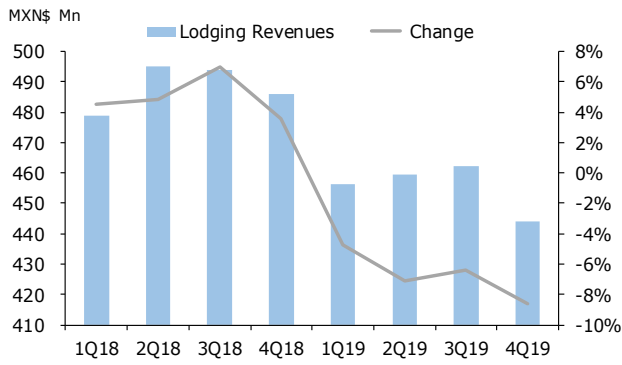
### 4Q19 Results

(Figures in MXN\$ Mn)

<b>INCOME STATEMENT</b>	<b>4Q19</b>	<b>4Q18</b>	<b>Change</b>	<b>Acum 19</b>	<b>Acum 18</b>	<b>Change</b>
Lodging Revenues	444	486	-8.6%	1,378	1,954	-29.4%
Total Revenues	468	514	-8.8%	1,452	2,057	-29.4%
Hotel Costs and Expenses	-315	-347	-9.3%	-981	-1,344	-27.0%
Hotel NOI	154	166	-7.7%	470	713	-34.0%
<i>Hotel NOI Margin</i>	<i>32.8%</i>	<i>32.4%</i>		<i>34.1%</i>	<i>36.5%</i>	
Total NOI	146	165	-11.3%	471	706	-33.3%
<i>Total NOI Margin</i>	<i>31.2%</i>	<i>32.1%</i>		<i>32.4%</i>	<i>34.3%</i>	
Indirect Expenses	-38	-43	-11.1%	-116	-160	-27.4%
EBITDA	108	122	-11.3%	355	546	-35.0%
<i>EBITDA Margin</i>	<i>23.0%</i>	<i>23.7%</i>		<i>24.5%</i>	<i>26.6%</i>	
Acquisition and Organization Expenses / Capex	13	20	-33.4%	43	67	-36.0%
Adjusted EBITDA	121	141	-14.4%	398	614	-35.1%
<i>Adjusted EBITDA Margin</i>	<i>25.8%</i>	<i>27.5%</i>		<i>27.4%</i>	<i>29.8%</i>	
Fixed Asset Depreciation	-78	-64	23.3%	-244	-318	-23.2%
Operating Profit	-182	-467	-61.1%	40	-317	-112.6%
Net Financial Cost	-41	-32	27.2%	-128	-177	-27.7%
Net Profit	-223	-500	-55.4%	-88	-494	-82.1%
Comprehensive Income	-797	-641	24.3%	-93	-666	-86.0%
Oustanding CBFi's	494	519	-5.0%	1,531	1,907	-19.7%
FFO	80	109	-26.7%	270	438	-38.3%
<i>FFO Margin</i>	<i>17.1%</i>	<i>21.2%</i>		<i>18.6%</i>	<i>21.3%</i>	
Maintenance Capex	16	15	6.5%	51	62	-17.7%
AFFO	64	94	-32.2%	219	376	-41.7%
<i>AFFO Margin</i>	<i>13.6%</i>	<i>18.2%</i>		<i>15.1%</i>	<i>18.3%</i>	
FFO per CBFi	\$ 0.16	\$ 0.21	-22.9%	\$ 0.53	\$ 0.93	-42.9%
AFFO Per CBFi	\$ 0.13	\$ 0.18	-28.7%	\$ 0.43	\$ 0.80	-46.0%
<b>BALANCE SHEET</b>	<b>4Q19</b>	<b>4Q18</b>	<b>Change</b>	<b>Acum 19</b>	<b>Acum 18</b>	<b>Change</b>
TOTAL ASSETS	11,929	11,890	0.3%	12,318	11,890	3.6%
Current Assets	1,237	812	52.4%	647	812	-20.3%
Long-Term Assets	10,692	11,078	-3.5%	11,671	11,078	5.4%
TOTAL LIABILITIES	4,108	3,252	26.3%	3,659	3,252	12.5%
Current Liabilities	672	253	165.2%	467	253	84.4%
Long-Term Liabilities	3,436	2,999	14.6%	3,192	2,999	6.4%
Total Debt	3,761	3,041	23.7%	3,400	3,041	11.8%
Net Debt	3,198	2,383	34.2%	3,096	2,383	30.0%
Trustee's Capital	7,820	8,637	-9.5%	8,659	8,637	0.2%

Source: FIBRA INN

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