

FIBRA INN

4Q19 Preview: We Expect Weak Results; New Westin Monterrey Valle

BUY

Target Price 2020E (MXN\$)	\$ 9.50
Current Price (MXN\$)	\$ 7.69
Min / Max (L12M - MXN\$)	6.43 - 9.60
Expected Dividend (MXN\$)	\$ 0.50
Total Return	30.1%
Mkt Cap (Mn of MXN)	3,828
CBFI's Outstanding (Mn)	497.8
Float	85.4%
ADTV (MXN\$ Mn)	\$ 2.35

Opinion and Recommendation

We expect FIBRA INN to continue reporting weak results in 4Q19 on an annual basis mainly as a result of a lower average occupancy rate, which will affect its revenues and profitability. However, we anticipate that the FFO and AFFO will stabilize compared to 3Q19.

We believe that these results have been discounted since the company had reported its hotel indicators for 4Q19. Therefore, we continue with a BUY recommendation and year-end MXN\$9.50 target price.

FIBRA INN recently announced the opening of the Westin Monterrey Valle hotel. We believe that this is positive news for the Fibra since this new property will have an average daily rate of US\$220-260 from this year, which compares very favorably with the current average daily rate of US\$68 of existing hotels. The Westin Monterrey Valle will have a stabilization period of between 18-24 months. We expect it to start contributing revenues and profits in the short term.

4Q19 Preview

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

We estimate that rental revenues for the quarter amounted to MXN\$ 25.0 million, which resulted in total revenues of MXN\$469.1 million, down 8.7% YoY. Hotel costs and expenses were 8.2% lower than last year's. Despite this, hotel NOI declined 9.8% YoY while total NOI fell 11.4% YoY. This also generated a 27.1% YoY contraction in the FFO, which stood at MXN\$79.6 million, and a 33.5% YoY decrease in the AFFO, which amounted to MXN\$62.4 million. It is worth mentioning that these last two indicators stabilized with respect to 3Q19.

We expect FIBRA INN to distribute 100% of the AFFO in 4Q19. During 3Q19, the Fibra distributed 50% of AFFO in cash and used the rest in share buy-backs.



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