

# HOTEL: 1Q20 RESULTS

## 1Q20 Results in Line, Possible Capital Increase

### Under Review

Target Price 2020E (MXN\$)	UR
Current Price (MXN\$)	\$ 4.00
Min / Max (L12M - MXN\$)	4.00 - 6.80
Expected Dividend (MXN\$)	\$ 0.00
Total Return	UR
Mkt Cap (Mn of MXN)	1,990
Enterprise Value (Mn of MXN\$)	5,213
Shares Outstanding (Mn)	497.5
Float	65.4%
ADTV (MXN\$ Mn)	\$ 3.51

### Opinion and Recommendation:

- HOTEL's results were affected by the prevailing macroeconomic environment, as we broadly expected. Revenue and EBITDA fell 6.0% and 26.0%, respectively, and the company recorded a MXN\$605.7 million net loss due to the exchange rate impact during the quarter.
- The results were in line with the company's expectations during the months of January, February and the first two weeks of March. However, they were affected by the Covid-19 pandemic during the second half of March.
- On the other hand, HOTEL announced that its Board of Directors agreed to call a Shareholders' Meeting to propose a capital increase to prepare the company both operationally and financially for the recovery of the country's tourist activities. We believe this would be very good news as it shows the commitment of its shareholders.



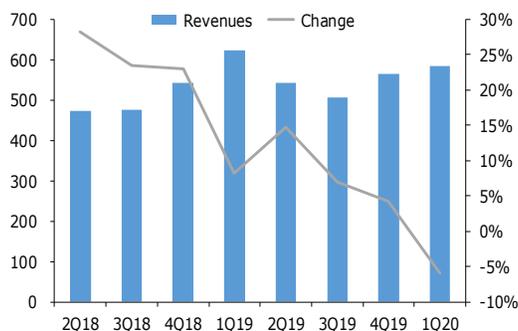
### Revenues

Sales were down 6.0% YoY to MXN\$585.5 million (practically in line with our expectation of MXN\$583.0 million). This was mainly due to an 11.0% reduction in hotel revenues and a 6.0% drop in food and beverages, which was partially offset by increases of 15.3% in other revenues and 9.9% in revenues from managed hotels.

The RevPar of owned hotels contracted 12.0% to MXN\$790 as a result of a 5.4 percentage point reduction in the average daily occupancy rate in combination with a 4.2% drop in the average daily rate.

The portfolio included 6,379 rooms, with a 7.8% increase. In addition, the company has another 750 rooms under construction (owned and third-party), including those of the Hyatt Regency Insurgentes Mexico City, AC by Marriott Distrito Armida, Curio Collection Zacatecas and Breathless Tulúm Resort & Spa hotels. Regarding the Hyatt Regency Insurgentes Mexico City hotel, the company announced that it is completing the required administrative procedures to resume construction of such property, once conditions improve.

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### Profitability

EBITDA stood at MXN\$156.4 million (also pretty much in line with our MXN\$155.0 million projection), down 26.0% as a consequence of higher operating expenses of the Reflect Krystal Grand hotels. The EBITDA margin was 26.7% (vs. 26.6% E) in 1Q20, compared to 33.9% in 1Q19.

### Net Profit

HOTEL closed the quarter with a MXN\$605.7 million net loss, mainly due to an exchange loss.

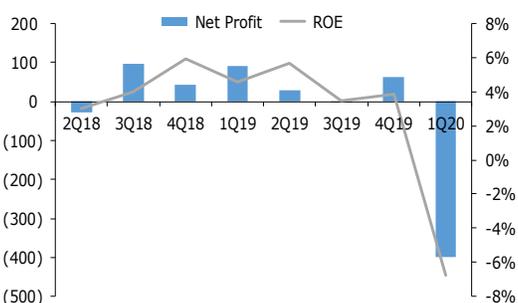
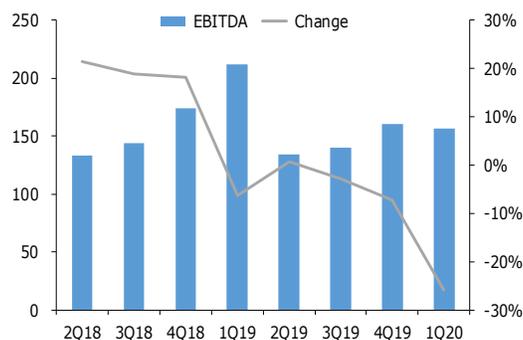
### Financial structure / Operating Cash Flow

Leverage increased due to the lower EBITDA level and the FX impact on debt, which is 96% denominated in dollars. The net debt to EBITDA ratio was 5.2x in 1Q20, above the 4.2x in 1Q19. 8.4% of the debt is short term. Net operating cash flow fell 3.5% due to a higher in working capital.

### Covid-19 Impact

HOTEL reported that it has 5 properties currently open, out of 25, which represents 11% of rooms, all in urban destinations. Although their occupancy is very low, they are operating at the breakeven point. The rest of the hotels are temporarily closed. The company expects a recovery from 3Q20 and has an opening plan that will allow it to reach the breakeven point with occupations of 20-30% at current average daily rates, depending on the property and the market.

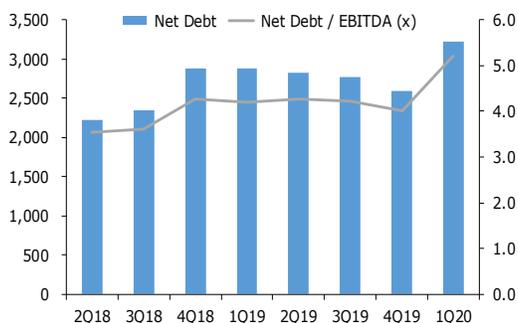
Furthermore, HOTEL has implemented measures to preserve its working capital and reduce the amount of expenses, which includes: i) a reduction of non-priority expenses; ii) a 50% decrease in salaries at all levels; iii) a reduction of operating costs and expenses in hotels that remain open; iv) a deferral of non-essential Capex. The company has also been in contact with its financial creditors in order to obtain a period without interest and amortization payments and thus preserve its cash levels. It will inform the market when it has news about these deferrals.



### Conference call highlights

HOTEL's cash burn amounts to MXN\$36 million per month during the period of the health contingency. The company estimates that their current cash position of MXN\$259 million is sufficient for the coming months. If the company needed additional resources, it would carry out the capital increase that it announced today.

The banks have already given them an extension of interests and capital payments verbally. HOTEL is only waiting for a



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written confirmation from them. The company does not see any problem to obtain it.

The company does not believe that acquiring hedging instruments at the current level is necessary because they would cost around US\$8 million, which is very expensive. Also, such instruments do not make much sense at the current FX level, according to management.

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(Figures in Millions of MXN\$)

<b>INCOME STATEMENT</b>	<b>1Q20</b>	<b>1Q19</b>	<b>Change</b>	<b>Acum 2020</b>	<b>Acum 2019</b>	<b>Change</b>
Revenues	586	623	-6.0%	586	623	-6.0%
Operating Profit	86	151	-43.1%	86	151	-43.1%
<i>Operating Margin</i>	<i>14.7%</i>	<i>24.3%</i>		<i>14.7%</i>	<i>24.3%</i>	
EBITDA	156	211	-26.0%	156	211	-26.0%
<i>EBITDA Margin</i>	<i>26.7%</i>	<i>33.9%</i>		<i>26.7%</i>	<i>33.9%</i>	
Financial Gains	600	90	567.5%	600	90	567.5%
Financial Cost	-1,293	-106	1121.2%	-1,293	-106	1121.2%
Pre-Tax Profit	-606	136	-544.2%	-606	136	-544.2%
Income Tax & Profit Sharing	0	-30	-100.0%	0	-30	-100.0%
<i>Tax &amp; Profit Sharing Rate</i>	<i>0.0%</i>	<i>22.0%</i>		<i>0.0%</i>	<i>22.0%</i>	
Profit Before Minorities	-606	106	-669.5%	-606	106	-669.5%
Minority Interest	207	-15	-1438.9%	207	-15	-1438.9%
Net Profit	-399	91	-538.9%	-399	91	-538.9%
EPS	-P\$ 0.80	P\$ 0.18	-536.4%	-P\$ 0.80	P\$ 0.18	-536.4%
ROE	-7%	5%		-7%	5%	
<b>BALANCE SHEET</b>	<b>1Q20</b>	<b>1Q19</b>	<b>Change</b>	<b>Acum 2020</b>	<b>Acum 2019</b>	<b>Change</b>
TOTAL ASSETS	10,370	10,374	0.0%	10,370	10,374	0.0%
Current Assets	992	886	11.9%	992	886	11.9%
Cash & Temp. Inv.	259	143	80.5%	259	143	80.5%
LT Assets	9,378	9,488	-1.2%	9,378	9,488	-1.2%
TOTAL LIABILITIES	4,962	4,417	12.3%	4,962	4,417	12.3%
ST Liabilities	895	763	17.3%	895	763	17.3%
LT Liabilities	4,067	3,654	11.3%	4,067	3,654	11.3%
TOTAL CAPITAL	5,408	5,957	-9.2%	5,408	5,957	-9.2%
Stockholder's Equity	4,336	4,640	-6.6%	4,336	4,640	-6.6%
Minority Interest	1,072	1,316	-18.6%	1,072	1,316	-18.6%
TOTAL DEBT	3,482	3,027	15.0%	3,482	3,027	15.0%
NET DEBT	3,223	2,884	11.8%	3,223	2,884	11.8%
Net Debt / EBITDA (x)	5.5x	4.4x	109.7%	5.5x	4.4x	109.7%
<b>CASG FLOW STATEMENT</b>	<b>1Q20</b>	<b>1Q19</b>	<b>Change</b>	<b>Acum 2020</b>	<b>Acum 2019</b>	<b>Change</b>
PRE-TAX PROFIT	-606	106	-669.5%	-606	106	-669.5%
Pre-Tax Cash Flow	186	183	1.4%	186	183	1.4%
Working Capital Changes	-13	-72	-81.5%	-13	-72	-81.5%
Operating Cash Flow	172	111	55.7%	172	111	55.7%
Investment Cash Flow	-10	-105	-90.6%	-10	-105	-90.6%
Financing Cash Flow	-115	35	-426.9%	-115	35	-426.9%
Net Incr. (Decr.) in Cash & Temp. Inv.	79	41	94.3%	79	41	94.3%
FX Gain (Loss) In Cash and Temp. Inv.	32	0	N.A.	32	0	N.A.
Beg. of Period Cash and Temp. Inv.	180	103	75.0%	180	103	75.0%
End of Period Cash and Temp. Inv.	259	143	80.5%	259	143	80.5%

Source: BMV

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