

FIBRA INN: 1Q20 RESULTS

Lower Occupancy Rate Affects the Operating Performance

UNDER REVIEW

Target Price 2020E (MXN\$)	UR
Current Price (MXN\$)	\$ 5.00
Min / Max (L12M - MXN\$)	4.50 - 8.59
Expected Dividend (MXN\$)	\$ 0.22
Total Return	UR
Mkt Cap (Mn of MXN)	2,489
CBFI's Outstanding (Mn)	497.8
Float	85.4%
ADTV (MXN\$ Mn)	\$ 0.44

Opinion and Recommendation:

- **FIBRA INN's 1Q20 results show the initial impact of the measures against Covid-19, which affected the occupancy levels.**
- **Our recommendation and target price remain under review mainly because we anticipate that occupancy rate will remain at very low levels during 2Q20.**

Revenues

Total revenues were MXN\$ 357.0 million in 1Q20, down 25.6% YoY. Hotel revenues also fell 25.6% to MXN\$339.8 million, as a consequence of the decline in the occupancy rate to 45.5%, from 58.1% in 1Q19. This indicator was mainly affected at the end of March by the impact of Covid-19. Same-store hotel revenues were 21.8% lower also as a result of a reduced occupancy, which stood at 45.8% in 1Q20, from 57.9% in 1Q19. From their part, rental revenues contracted 27.1%.

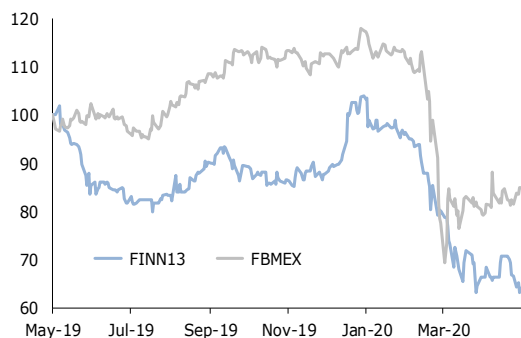
FIBRA INN closed the current quarter with a portfolio of 38 hotels with 6,391 rooms. In addition, it has a minority investment in 3 properties under the "Hotel Factory", with 676 additional rooms.

Profitability

Operating expenses decreased 10.4% to MXN\$286.7 million. However, they represented 80.3% of revenues in the current quarter, from 66.7% in 1Q19.

Hotel NOI was down 56.1% to MXN\$70.3 million. Other businesses' NOI, which includes the "Hotel Factory", registered revenues of MXN\$2.8 million corresponding to the structuring of the JW Monterrey Valle, with MXN\$3.9 million in expenses. Total NOI fell 58.5% to MXN\$69.2 million. Total NOI margin was 19.2% in 1Q20, from 34.0% in 1Q19.

FIBRA INN reported a MXN\$9.9 million non-operating income, up 128.3%, which derived from the "Key Money" of Marriott International Inc. for selecting the Westin brand franchise, as well as lower acquisition and corporate expenses.



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FFO / AFFO / Distributions

FFO fell 59.8% to MXN\$39.3 million. The FFO margin was 11.0% in the current quarter compared to 20.4% in the same period of the previous year. AFFO declined 66.9% to MXN\$26.8 million.

The Technical Committee authorized the cancellation of the 1Q20 distribution, which would have amounted to MXN\$0.0545 per CBFI, equivalent to 100% of the AFFO. Outstanding CBFIs were 5.9% lower thanks to the cancellation of 20.5 million on January 17. FIBRA INN currently has another 5.2 million CBFIs in treasury.

Balance Sheet

The financial structure remained very solid with a LTV of only 30.7% at the end of 1Q20, below the 50% maximum statutory level. It is worth mentioning that the JW Marriott Monterrey Valle trust, which is 50% owned by FIBRA INN, obtained for MXN\$752 million financing during the quarter.

In addition, FIBRA INN's cash reserves were MXN\$498.7 million. They were MXN\$65 million lower compared to those in 4Q19 because FIBRA INN made the final payment of the Westin Monterrey Valle. In addition, it used MXN\$400 million from the sale of Wyndham Garden León and Aloft Guadalajara hotels to pay all the credit lines with BBVA and Actinver.

The recoverable VAT was MXN\$225.7 million in 1Q20 vs. MXN\$194.7 million in 1Q19, as a result of the construction progress of the JW Marriott Monterrey Valle and the settlement of the acquisition of the Westin Monterrey Valle. The recovery process started in 4Q19. In addition, accounts receivable amounted to MXN\$121.7 million (+ 63.3%) due to the "Key Money" that Marriott International Inc. and the hotel operator will pay.

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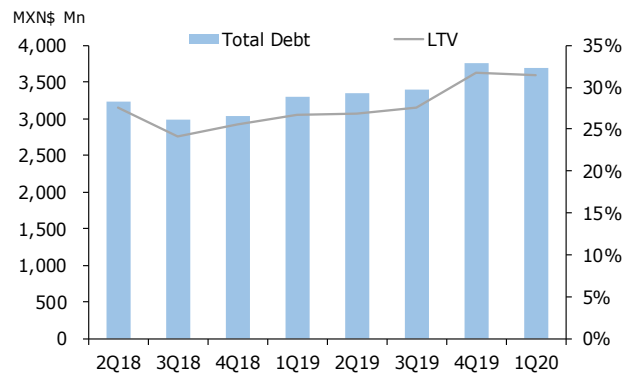
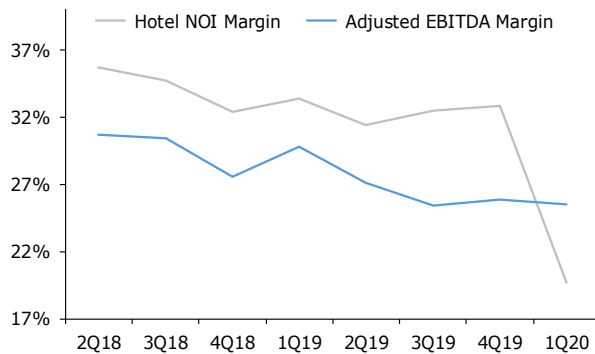
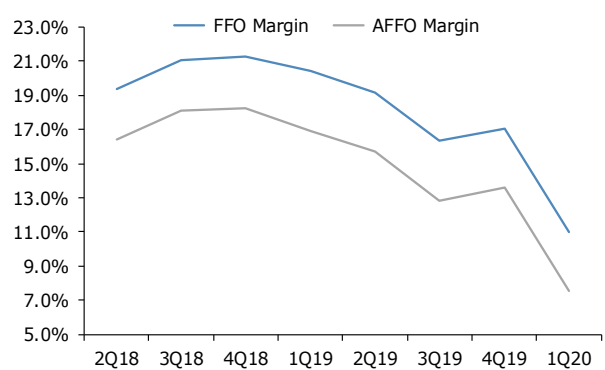
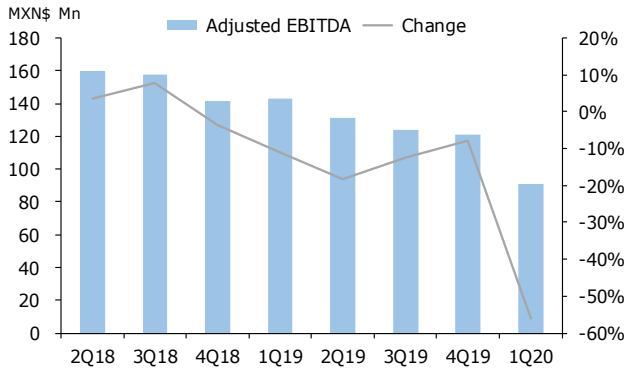
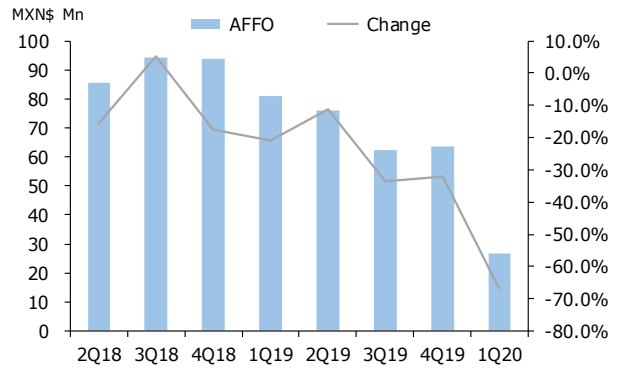
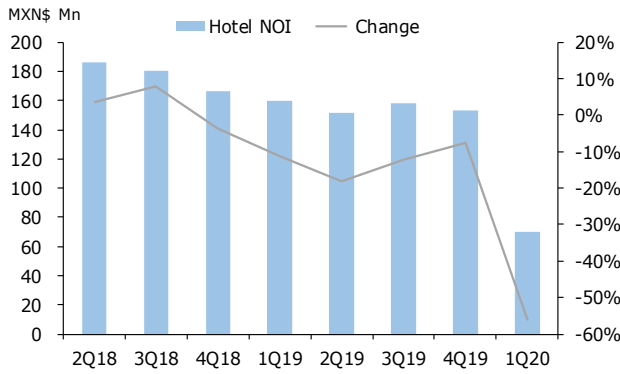
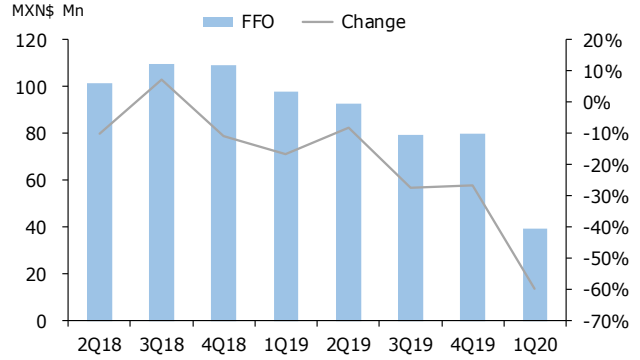
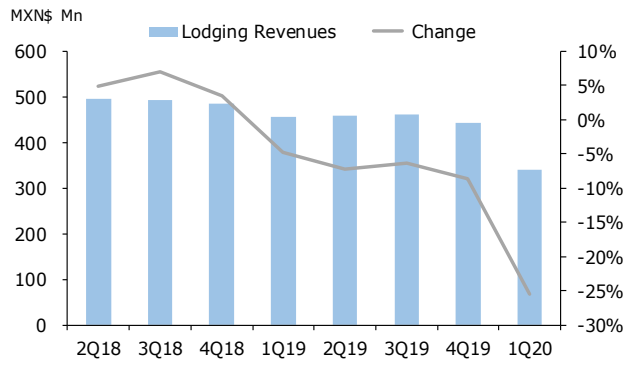
1Q20 Results

(Figures in MXN\$ Mn)

INCOME STATEMENT	1Q20	1Q19	Change
Lodging Revenues	340	456	-25.6%
Total Revenues	357	480	-25.6%
Hotel Costs and Expenses	-287	-320	-10.4%
Hotel NOI	70	160	-56.1%
<i>Hotel NOI Margin</i>	<i>19.7%</i>	<i>33.3%</i>	
Total NOI	69	167	-58.5%
<i>Total NOI Margin</i>	<i>19.4%</i>	<i>34.7%</i>	
Indirect Expenses	10	-35	-128.3%
EBITDA	79	132	-39.9%
<i>EBITDA Margin</i>	<i>22.2%</i>	<i>27.4%</i>	
Acquisition and Organization Expenses / Capex	12	11	3.5%
Adjusted EBITDA	91	143	-36.5%
<i>Adjusted EBITDA Margin</i>	<i>25.5%</i>	<i>29.8%</i>	
Fixed Asset Depreciation	-71	-88	-19.6%
Operating Profit	20	34	-39.3%
Net Financial Cost	-52	-45	14.3%
Net Profit	-31	-11	171.9%
Comprehensive Income	-56	-15	273.0%
Outstanding CBFIs	493	518	-5.0%
FFO	39	98	-59.8%
<i>FFO Margin</i>	<i>11.0%</i>	<i>20.4%</i>	
Maintenance Capex	13	17	-25.6%
AFFO	27	81	-66.9%
<i>AFFO Margin</i>	<i>7.5%</i>	<i>16.9%</i>	
FFO per CBFi	\$ 0.08	\$ 0.19	-57.7%
AFFO Per CBFi	\$ 0.05	\$ 0.16	-65.2%
BALANCE SHEET	1Q20	1Q19	Change
TOTAL ASSETS	11,767	12,353	-4.7%
Current Assets	902	824	9.5%
Long-Term Assets	10,865	11,529	-5.8%
TOTAL LIABILITIES	4,067	3,528	15.3%
Current Liabilities	391	309	26.6%
Long-Term Liabilities	3,676	3,219	14.2%
Total Debt	3,700	3,300	12.1%
Net Debt	3,201	2,768	15.7%
Trustee's Capital	7,700	8,825	-12.7%

Source: FIBRA INN

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Source: FIBRA INN

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