

FIBRA INN: 2Q20 RESULTS

Results Affected by the Health Emergency

Under Review

Target Price 2020E (MXN\$)	UR
Current Price (MXN\$)	\$ 5.09
Min / Max (L12M - MXN\$)	4.31 - 8.49
Expected Dividend (MXN\$)	\$ 0.00
Total Return	UR
Mkt Cap (Mn of MXN)	2,506
CBFI's Outstanding (Mn)	492.4
Float	85.4%
ADTV (MXN\$ Mn)	\$ 0.46

Opinion and Recommendation:

- The pandemic affected FIBRA INN's operating performance as only 15 of its hotels remained open during the quarter. This situation generated a significant reduction in total revenues and profitability levels.
- Operating cash burn amounted to MXN\$84.2 million in 2Q20. FIBRA INN expects to operate at break-even from August. It registered cash reserves of MXN\$366.5 million and a LTV of 31.6%, below the maximum regulatory level.
- FIBRA INN currently has most of its properties in operation, excluding 9 of them. We expect the demand for hotel services to gradually recover during the next few quarters, which will allow the Fibra to improve its occupancy, revenues and profitability.



Portfolio, Average Daily Rate and Occupancy

FIBRA INN's portfolio included 38 hotels with 6,391 rooms at the end of 2Q20. In addition, it participates in 3 other properties that will add another 676 rooms. During the quarter, it kept 15 hotels in operation. To date, only 9 remain closed pending a market recovery.

Average occupancy rate was 16.7% with the number of properties in operation in 2Q20. The average daily rate declined 7.4% to MXN\$1,174.8, which led to a 74.0% RevPar fall to MXN\$195.7.

Revenues

FIBRA INN's total revenues were down 88.6% to MXN\$55.3 million in 2Q20 due to pandemic impact. Hotel revenues decreased 89.0% to MXN\$50.5 million, while rental revenue contracted 80.3% to MXN\$4.9 million.

FIBRA INN carried out significant expense reduction measures, with which its total expenses fell 57.9%. However, hotel NOI was negative by MXN\$84.7 million, which led to a negative MXN\$86.9 million negative total NOI. Non-operating expenses declined 43.4%. The Fibra presented a negative Adjusted EBITDA of MXN\$105.7 million and a negative AFFO of MXN\$186.8 million.

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Leverage / Uses of Cash

The Loan-To-Value was 31.6% at the end of 2Q20, well below the maximum regulatory level of 50%. Cash reserves amounted to MXN\$366.5 million, including the subsidiaries' balance. On the other hand, it registered an MXN\$289.4 million recoverable VAT and it continues looking to recover MXN\$260.1 million of such taxes from the SAT.

Cash burn at the operating level was MXN\$32.9 million in April, MXN\$33.8 million in May and MXN\$17.5 million in June. FIBRA INN estimates that it will burn another MXN\$10.0 million in July and that it will operate at break-even from August. The Fibra expects to reach the break-even point at the operating level with an occupation rate between 22-24% and at the financial level with an occupation rate of 44%.

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(Figures in MXN\$ Mn)

INCOME STATEMENT	2Q20	2Q19	Change	Acum 2020	Acum 2019	Change
Lodging Revenues	50	460	-89.0%	390	916	-57.4%
Total Revenues	55	484	-88.6%	412	964	-57.2%
Hotel Costs and Expenses	-140	-332	-57.9%	-427	-652	-34.6%
Hotel NOI	-85	152	-155.7%	-14	312	-104.6%
<i>Hotel NOI Margin</i>	<i>-153.0%</i>	<i>31.4%</i>		<i>-3.7%</i>	<i>34.1%</i>	
Total NOI	-87	150	-157.9%	-18	317	-105.6%
<i>Total NOI Margin</i>	<i>-157.1%</i>	<i>31.0%</i>		<i>-4.3%</i>	<i>32.8%</i>	
Indirect Expenses	-19	-34	-43.4%	-9	-69	-86.4%
EBITDA	-106	116	-191.5%	-27	248	-110.9%
<i>EBITDA Margin</i>	<i>-191.9%</i>	<i>24.0%</i>		<i>-6.6%</i>	<i>25.7%</i>	
Acquisition and Organization Expenses / Capex	0	15	-96.8%	12	27	-54.1%
Adjusted EBITDA	-106	131	-180.5%	-15	274	-105.4%
<i>Adjusted EBITDA Margin</i>	<i>-191.0%</i>	<i>27.1%</i>		<i>-3.6%</i>	<i>28.5%</i>	
Fixed Asset Depreciation	-81	-83	-1.6%	-152	-171	-10.9%
Operating Profit	-259	-15	1,627.4%	-238	19	-1,374.8%
Net Financial Cost	-79	-38	104.2%	-130	-84	55.7%
Net Profit	-337	-53	530.9%	-368	-65	467.6%
Comprehensive Income	-367	-55	562.4%	-423	-70	500.7%
Outstanding CBFIs	492	515	-4.4%	985	1,034	-4.7%
FFO	-185	93	-299.1%	-146	191	-176.3%
<i>FFO Margin</i>	<i>-334.1%</i>	<i>19.2%</i>		<i>-35.3%</i>	<i>19.8%</i>	
Maintenance Capex	2	17	-88.8%	14	34	-57.3%
AFFO	-187	76	-345.9%	-160	157	-201.8%
<i>AFFO Margin</i>	<i>-337.5%</i>	<i>15.7%</i>		<i>-38.8%</i>	<i>16.3%</i>	
FFO per CBFi	-\$ 0.38	\$ 0.18	-308.4%	-\$ 0.30	\$ 0.37	-180.1%
AFFO Per CBFi	-\$ 0.38	\$ 0.15	-357.4%	-\$ 0.32	\$ 0.30	-206.9%
BALANCE SHEET	2Q20	2Q19	Change	Acum 2020	Acum 2019	Change
TOTAL ASSETS	11,582	12,463	-7.1%	11,582	12,463	-7.1%
Current Assets	789	933	-15.5%	789	933	-15.5%
Long-Term Assets	10,793	11,530	-6.4%	10,793	11,530	-6.4%
TOTAL LIABILITIES	4,175	3,632	15.0%	4,175	3,632	15.0%
Current Liabilities	428	452	-5.3%	428	452	-5.3%
Long-Term Liabilities	3,748	3,181	17.8%	3,748	3,181	17.8%
Total Debt	3,823	3,353	14.0%	3,823	3,353	14.0%
Net Debt	3,456	2,929	18.0%	3,456	2,929	18.0%
Trustee's Capital	7,407	8,831	-16.1%	7,407	8,831	-16.1%

Source: FIBRA INN

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