

HOTEL: 3Q20 RESULTS

Substantial Sequential Recovery in Revenues Due to a Higher Occupancy Rate, Cuts EBITDA Loss

Under Review

Target Price 2020E (MXN\$)	UR
Current Price (MXN\$)	\$ 3.90
Min / Max (L12M - MXN\$)	3.75- 6.80
Expected Dividend (MXN\$)	\$ 0.00
Total Return	UR
Mkt Cap (Mn of MXN)	1,940
Enterprise Value (Mn of MXN\$)	5,010
Shares Outstanding (Mn)	497.5
Float	65.4%
ADTV (MXN\$ Mn)	\$ 2.71

Opinion and Recommendation:

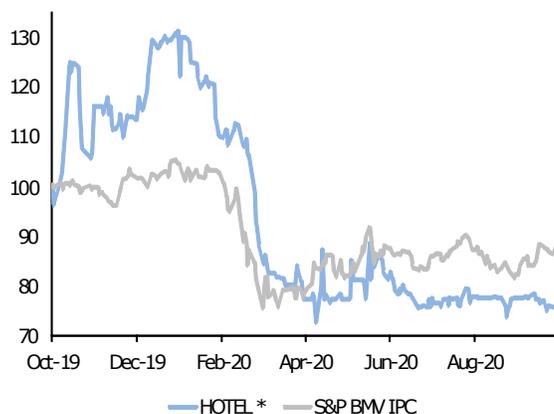
- HOTEL's total revenues recovered in a significant way compared to 2Q20 as the occupancy rate rebounded with the gradual reopening of hotels from last July. Higher revenues and the costs and expenses containment measures enabled the company to reduce its negative EBITDA to MXN\$29 million in 3Q20 from a negative MXN\$87 million in 2Q20. The net loss also fell to MXN\$32 million, from MXN\$43 million. Operating results were in line with our expectations, while the net loss was slightly higher. Annual comparisons were unfavorable due to occupancy limitations. Sales were down 64.7% YoY. Net debt to EBITDA was 14.8x.
- HOTEL expects to generate a positive EBITDA in 4Q20 due to higher occupancy levels.

Revenues

HOTEL's 3Q20 total revenues were MXN\$179 million, almost 12 times higher than the MXN\$16 million in 2Q20. All business segments experienced a strong sequential recovery, led by hotel and food and beverages, whose revenues were 11 times and 24 times higher, respectively. However, total sales decreased 64.7% YoY due to occupancy limitations. Hotel revenues fell 64.7%, food and beverages 60.8%, "others" 73.5%, and management of third-party hotels 82.6%.

The significant improvement in HOTEL revenues on a sequential basis derived mainly from higher occupancy rates. Chainwise, this indicator was 26.2% in 3Q20 against only 4.0% in 2Q20. Owned hotels occupancy rate was 22.7%, from 2.3%, while managed hotels' stood at 32.1%, compared to 6.9%. With the number of open rooms, the average daily occupancy rate at the chain level was 28.1% in 3Q20, from 19.5% in 2Q20 and 58.5% in the same period of the previous year. We expect the occupancy rate to gradually improve during the following quarters, although this will largely depend on the impact of the pandemic in the future.

HOTEL's average daily rate rose 9.9% QoQ to MXN\$1,168, although it fell 12.8% YoY. This resulted in a MXN\$307 RevPar in 3Q20, from just MXN\$43 in 2Q20. However, this indicator experienced a 60.9% annual contraction.



HOTEL: 3Q20 Results

The average daily rate of owned hotels was MXN\$1,131 in 3Q20, up 10.0% QoQ but down 11.2% YoY. This business segment's RevPar rebounded to MXN\$257 in 3Q20, from MXN\$24 in 2Q20, although it fell 64.8% YoY.

Profitability

Total costs and expenses rose 66.2% QoQ (substantially below the sales performance), and decreased 48.0% YoY. The company implemented various measures that included a decrease of non-priority expenses, salary adjustments at all levels and costs and expenses reduction in all properties. HOTEL registered a negative EBITDA of MXN\$28.5 million in 3Q20, much lower than the negative EBITDA of MXN\$86.7 million in 2Q20. However, the previous year it reported a positive EBITDA of MXN\$139.5 million.

HOTEL ended the quarter with a MXN\$32.0 million net loss due to the negative EBITDA generation, despite FX gains and lower interests payments due to the debt rescheduling. In 3Q19, the company reported a MXN\$29.2 million net loss.

Financial Structure

Net debt amounted to MXN\$2,984 million at the end of 3Q20, with a net debt to EBITDA ratio of 14.8 times. The debt is 94.6% denominated in dollars. At the moment, HOTEL is carrying out a MXN\$500 million capital increase that will help it to reduce its leverage and face the pandemic impact.

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(Figures in Millions of MXN\$)

INCOME STATEMENT	3Q20	3Q20E	Change	3Q19	Change	Acum 2020	Acum 2019	Change
Revenues	179	179	0.3%	508	-64.7%	780	1,672	-53.3%
Operating Profit	-90	-90	-0.3%	75	n.a.	-156	292	n.a.
<i>Operating Margin</i>	<i>n.a.</i>	<i>n.a.</i>		<i>14.9%</i>		<i>n.a.</i>	<i>17.4%</i>	
EBITDA	-29	-29	-0.1%	140	n.a.	41	485	-91.5%
<i>EBITDA Margin</i>	<i>n.a.</i>	<i>n.a.</i>		<i>27.5%</i>		<i>5.3%</i>	<i>29.0%</i>	
Financial Gains	120	134	-10.1%	104	16.1%	827	241	n.a.
Financial Cost	-61	-37	64.2%	n.a.	n.a.	-1,352	-410	n.a.
Pre-Tax Profit	-32	7	n.a.	n.a.	n.a.	-681	124	n.a.
Income Tax & Profit Sharing	0	0	n.a.	8	n.a.	0	-27	n.a.
<i>Tax & Profit Sharing Rate</i>	<i>0.0%</i>	<i>0.0%</i>		<i>22.0%</i>		<i>0.0%</i>	<i>22.0%</i>	
Profit Before Minorities	-32	7	n.a.	n.a.	n.a.	-681	97	n.a.
Minority Interest	-13	-9	n.a.	28	n.a.	186	20	n.a.
Net Profit	-45	-2	n.a.	-2	n.a.	-495	117	n.a.
EPS	-P\$ 0.09	-P\$ 0.00	n.a.	-P\$ 0.00	n.a.	-P\$ 1.00	P\$ 0.24	n.a.

Source: BMV

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