

HOTEL: 3Q20 P REVIEW

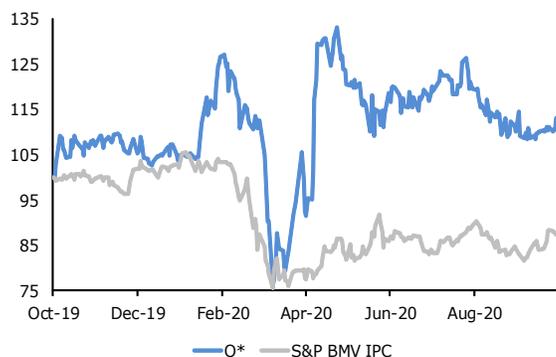
We Expect a Significant Sequential Rebound Due To A Higher Occupancy Rate

Under Review

Target Price 2020E (MXN\$)	UR
Current Price (MXN\$)	\$ 3.92
Min / Max (L12M - MXN\$)	3.76- 6.78
Expected Dividend (MXN\$)	\$ 0.00
Total Return	UR
Mkt Cap (Mn of MXN\$)	1,950
Enterprise Value (Mn of MXN\$)	5,108
Shares Outstanding (Mn)	497.5
Float	65.4%
ADTV (MXN\$ Mn)	\$ 2.91

Opinion and Recommendation:

- We expect HOTEL's 3Q20 operating performance to improve in a significant way on a sequential basis due to the opening of its hotels (albeit with capacity restrictions) from July. This brought the average daily occupancy rate to 22% in 3Q20, well above the 2.4% in 2Q20. In addition, we estimate that the company will register a negative EBITDA and a much lower net loss than in 2Q20. However, all operating indicators will continue to fall on an annual basis.
- HOTEL announced that its MXN\$500 million capital increase will take place from October 21st to November 4th. The company will issue 125 million new shares at a price of MXN\$4.0 each, as was previously authorized in the October 1st Ordinary Shareholders' Meeting.



3Q20 Preview

We expect HOTEL to report 3Q20 revenues of MXN\$178 million, with a significant recovery against the M\$16 million that the company registered in 2Q20, but 64.8% below the previous year's figure. The main reason behind this performance will be the gradual opening of hotels (albeit with capacity restrictions) since last July, which boosted the average occupancy rate of owned hotels to 22.0%, well above the 2Q20 occupancy rate of 2.3%. We believe that the average daily rate rebounded 14.8% sequentially, but that it will be 7.4% below the previous year. This will result in a RevPar of MXN\$260 in 3Q20, up 102.8% QoQ, but down 64.4% YoY.

The higher occupancy, in combination with the significant cost and expense reduction efforts that HOTEL carried out, will result in a negative EBITDA of MXN\$29 million in the current quarter, stronger than the negative MXN\$87 million EBITDA in 2Q20, but below last year's positive MXN\$140 million EBITDA.

We expect a quarterly MXN\$2 million net loss supported by FX gains. This figure will be much lower than the MXN\$51 million net loss that HOTEL reported in 2Q20 and in line with that of the previous year.

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