

HOTEL: 4Q20 Results

Significant Sequential Recovery Due to a Higher Occupation Rate, In Line

Under Review

Target Price (MXN\$)	UR
Current Price (MXN\$)	\$ 4.65
Min / Max (L12M - MXN\$)	3.65- 6.25
Expected Dividend (MXN\$)	\$ 0.00
Total Return	UR
Mkt Cap (Mn of MXN)	2,895
Enterprise Value (Mn of MXN\$)	5,222
Shares Outstanding (Mn)	622.5
Float	75.0%
ADTV (MXN\$ Mn)	\$ 1.10

Opinion and Recommendation

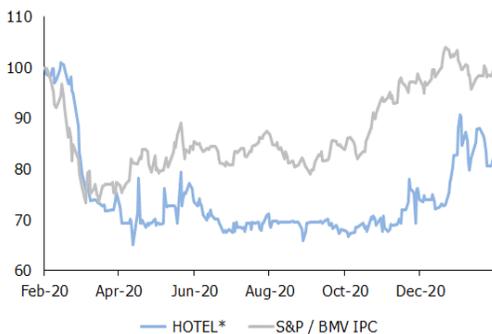
HOTEL's operating performance continued to improve on a sequentially basis due to a higher occupation rate in its owned and managed hotels, in line with our expectations. This resulted in total 4Q20 revenues of MXN\$288.9 million, compared to MXN\$179.1 million in 3Q20. In addition, the company posted a slightly positive EBITDA, thus reversing the negative figure of the previous two quarters. Total net profit was MXN\$205.5 million, exceeding our forecast due to higher than expected FX gains.

4Q20 Results

Total revenues reached MXN\$288.9 million (in line with our MXN\$288.1 million projection) in 4Q20, up 61.3% QoQ, but with a 48.9% YoY decrease. By business segment, hotel revenues rose 51.3% QoQ, food and beverages +46.7% QoQ, others +181.0% QoQ and managed hotels +208.3% QoQ.

The significant sequential growth in hotel revenues was driven mainly by an increase in the average daily occupation rate of owned hotels to 33.5% in 4Q20, from 22.7% in 3Q20. Meanwhile, the occupation of managed hotels was 40.7% in 4Q20, compared to 32.1% in 3Q20. This led to a 36.2% chain-level occupation in 4Q20, from 26.2% in 3Q20.

The average daily rate of owned hotels stood at MXN\$1,162 in 4Q20, with a slight 2.7% sequential increase, which boosted the company's RevPar by 51.4% QoQ to MXN\$389. The average daily rate of managed hotels grew 6.3% sequentially to MXN\$ 1,289, which translated into a MXN\$525 RevPar, up 34.6% from the previous quarter.



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Portfolio

HOTEL's portfolio included 24 properties, of which 13 are owned and 11 under management, with no changes compared to 3Q20. The number of rooms was 5,974, in line with the previous quarter but 2.3% below the same period last year. 54% of rooms are located in beach destinations and the rest are urban. Additionally, 81% of rooms are in stabilized properties, 8% are in the stabilization process and 11% are under construction.

Profitability

Total costs and expenses advanced 27.8% QoQ, but fell 27.2% YoY as a result of the company's initiatives which included a reduction in non-priority expenses as well as an improvement in the cost and expense structure of all properties. As a result, HOTEL recorded a positive MXN\$5.9 million EBITDA (vs. our MXN\$4.2 million estimate) in 4Q20, thus reversing the negative EBITDA of the previous two quarters. However, this indicator declined 96.3% YoY.

HOTEL posted a MXN\$ 205.5 million net profit (vs. our MXN\$165.2 million projection) in 4Q20, mainly driven by higher-than-expected FX gains and, to a lesser extent, lower interests paid.

Financial Structure

Net debt amounted to MXN\$2,245.4 million at the end of 4Q20, which resulted in a net debt to EBITDA ratio of 47.8x. Total debt is 94.6% denominated in dollars. Worth mentioning that 7.8% of the debt matures this year and another 9.1% next year.

(Figures in Millions of MXN\$)	4Q20	4Q20E	Change	4Q19	Change	2020	2019	Change
Revenues	289	288	0.3%	566	-48.9%	1,071	2,238	-52.2%
Operating Profit	-71	-63	12.7%	87	n.a.	-227	379	n.a.
Operating Margin	<i>n.a.</i>	<i>n.a.</i>		15.4%		<i>n.a.</i>	16.9%	
EBITDA	6	4	41.7%	161	-96.3%	47	646	-92.7%
EBITDA Margin	<i>n.a.</i>	<i>n.a.</i>		28.4%		4.4%	28.8%	
Financial Gains	184	264	-30.1%	199	-7.3%	1,011	439	130.1%
Financial Cost	99	-34	n.a.	n.a.	n.a.	-1,252	-548	128.6%
Pre-Tax Profit	212	165	28.7%	148	42.9%	-469	272	n.a.
Income Tax & Profit Sharing	-6	0	n.a.	-81	n.a.	-6	-108	n.a.
Tax & Profit Sharing Rate	3.0%	0.0%		54.7%		-1.3%	39.8%	
Profit Before Minorities	206	165	24.9%	67	206.0%	-476	164	n.a.
Minority Interest	-94	-14	n.a.	-4	n.a.	92	15	n.a.
Net Profit	112	150	-25.6%	63	78.2%	-384	179	n.a.

Source: BMV

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