

UPSITE: 4Q20 Results

NAV/CBFI Increases 22.3% YoY; 43% Discount to NAV

BUY	
Target Price (MXN\$)	\$ 45.00
Current Price (MXN\$)	\$ 37.00
Min / Max (L12M - MXN\$)	37.00
Total Return	21.6%
Mkt Cap (Mn of MXN)	2,082
CBFI's Outstanding (Mn)	56.3
Float	32.0%
NAV / CBFI (P\$)	\$ 65.35
Discount vs. NAV	-43%

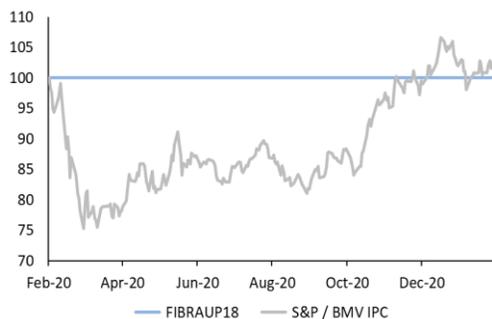
Opinion and Recommendation

UPSITE presented a very favorable performance in 4Q20 mainly due to a 22.3% YoY increase in the NAV/CBFI, which reached MXN\$65.35 at the end of the quarter.

We are reiterating our BUY recommendation after these results as UPSITE's CBFIs are trading at a significant 43% discount to their NAV. In addition, we believe that there is a significant growth potential in this indicator because the two new leases will increase the gross leasable area by 54%, which we expect will occur towards the end of the current year, when these properties are finished. One of them is 12% finished and the other one is 5% completed just two months after the announcement.

NAV

The NAV/CBFI was MXN\$65.35, which represented a 22.3% YoY rise and a 25.9% CAGR with respect to the MXN\$37.0/CBFI price of the June 2018 IPO. We believe that there is additional growth potential in this indicator as UPSITE registered more than MXN\$1 billion (36% of total assets) that have not been invested and that will generate an interesting capital gain once this takes place, when the new properties are finished. The Fibra mentioned in its report that the capital gain it has generated in existing properties is 38 cents on every dollar invested, which we find very attractive.



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Portfolio

The stabilized portfolio included 3 properties in Tijuana, Ciudad Juárez and Tlaxcala with a total gross leasable area of 54,221 M2. Their occupancy rate is 100% and contracts are denominated in US dollars. In addition, UPSITE owns land with a total area of 794,610 M2 and an estimated buildable area of 365,690 M2.

As announced at the end of last December, UPSITE closed two new leases in “Build-To-Suit” buildings with a gross leasable area of 29,952 M2, which will represent 54% of the current stabilized portfolio. The Tijuana property will have 15,017 M2, has a 5% construction progress, is 100% leased and is expected to be completed in 3Q21. It is the first expansion of one of the current tenants that is part of the e-commerce industry.

The Ciudad Juárez property will have 14,935 M2, is 12% complete, is 58% leased and is also expected to be completed in 3Q21. The client is in the renewable energy industry.

Results

UPSITE recorded leasing revenues of MXN\$16.2 million in 4Q20, against zero revenues for the same period of the previous year, since the three properties of the stabilized portfolio were completed at the end of 2019. The operating cost of the properties was MXN\$2.4 million, while administrative expenses amounted to MXN\$13.7 million. This resulted in an EBITDA of MXN\$0.1 million. Comprehensive financing cost was MXN\$7.1 million positive mainly due to interests gains. However, UPSITE made a MXN\$176.4 million downward adjustment in the fair value of its investment properties as a result of the appreciation of the Mexican peso, resulting in a comprehensive net loss of MXN\$169.2 million in the period. The Fibra will not pay dividends this year since it did not generate fiscal results during 2020.

Financial Structure

UPSITE has a very solid financial structure that included total debt of MXN\$233.7 million, well below the MXN\$2.89 billion in total assets. The value of investment properties was MXN\$1.73 billion at the end of the quarter, up 12.5% YoY. Cash reserves exceeded MXN\$1 billion due to last August’s subscription offer and the use of the US\$11.7 million line with Bancomext. In addition, the Fibra has a 100 million CBF’s program that is under approval by the CNBV.

ESG

With respect to Environmental, Social and Corporate Governance practices, UPSITE integrated two women to its Technical Committee, who have a combined experience of more than 60 years. The participation of women in the Committee remained at 29%. In addition, the Fibra carried out the evaluation of the independent members of the Technical Committee.

NAV / CBFi Calculation

(Figures In Millions of Pesos)

Investment Property Value	1,744
Cash and Cash Equivalents	1,035
Accounts Receivable	32
Recoverable VAT	78
Total Assets	2,890
Reserved CBFi's	122
Other Accounts Payable and Cumulative Liabiliti	-5
Costs to Finish Construction	-12
LT Debt	-234
Total Capex and Liabilities Adjustment	-250
Total Liabilities and Equity Adjustments	-129
Adjusted NAV	2,761
Average CBFi's Outstanding (mn)	42
NAV / CBFi (MXN\$)	\$ 65.35

Source: UPSITE

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