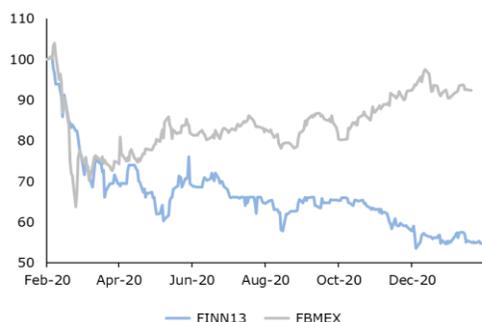


FIBRA INN: 4Q20 Results

The Sequential Recovery Continued During the Quarter

Under Review

| | |
|---------------------------|-------------|
| Target Price (MXN\$) | UR |
| Current Price (MXN\$) | \$ 4.21 |
| Min / Max (L12M - MXN\$) | 4.00 - 7.86 |
| Expected Dividend (MXN\$) | \$ 0.00 |
| Total Return | UR |
| Mkt Cap (Mn of MXN) | 2,074 |
| CBFI's Outstanding (Mn) | 492.6 |
| Float | 85.4% |
| ADTV (MXN\$ Mn) | \$ 0.21 |



Opinion and Recommendation

FIBRA INN's operating indicators continued to improve sequentially due to higher occupancy levels and hotel re-openings. In addition, the operating cash burn was slightly lower in the current quarter and the Fibra expects to generate a positive NOI in February since it expects a 28% occupancy in that month, higher than the 25% it needs to reach the break-even point at the operating level. However, the break-even point at the financial level requires an 46% occupancy.

FIBRA INN's cash reserves were MXN\$323 million at the end of the year; excluding subsidiaries, the amount was MXN\$202 million. On February 11, it paid MXN\$161 million corresponding to the interests of the FINN18 Cebures. On the other hand, FIBRA INN 's LTV stood at 39.6% which means that it has additional leverage capacity.

Revenues

FIBRA INN reported total revenues of MXN\$156.4 million in 4Q20, up 13.8% sequentially, but down 66.6% YoY. Hotel revenues increased 32.2% QoQ, but declined 61.8% YoY. The sequential improvement was driven by an increase in daily occupancy to 26.8%, from 21.3% in 3Q20. The average daily rate was MXN\$1,243, slightly lower than the previous quarter, which resulted in a RevPar of MXN\$333, rising 22.2% vs. 3Q20. Meanwhile, the Fibra recorded a MXN\$13.4 charge million in leasing revenues due to the renegotiation of the rental scheme with Operadora México and other tenants, which was retroactive to last July.

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February 26, 2021

Portfolio

FIBRA INN owns a portfolio of 38 hotels with 6,391 rooms. These properties included 7 limited service, 18 select service, 12 full service and one extended service. Currently 33 hotels are in operation and 5 are still closed.

Profitability

FIBRA INN's total operating expenses were down 2.6% QoQ to MXN\$156.9 million, even considering the opening of more hotels, and fell 50.2% compared to 4Q19. This was due to the strict control of costs and expenses that the Fibra carried out. The staff was adjusted, generating MXN\$40 million in savings with respect to pre-pandemic operating levels.

Total NOI was negative by MXN\$1.4 million in 4Q20 (hotel NOI of -MXN\$0.4 million and non-hotel NOI of -MXN\$1.0 million), which represents a significant improvement against the MXN\$24.4 million loss in 3Q20. However, it was considerably lower than the positive Total NOI of MXN\$146.2 million in 4Q19. The NOI is expected to be positive in February.

The negative adjusted EBITDA of MXN\$24.3 million also rebounded against last quarter's MXN\$41.1 million loss. But it was down 120.1% compared to 4Q19.

The FFO was negative by MXN\$117.1 million, with a slight improvement compared to the negative MXN\$125.1 million FFO in 3Q20. But it compared unfavorably to the positive MXN\$80 million FFO in 4Q19.

The net loss was MXN\$998.3 million, mainly as a result of a MXN\$784.6 million downward adjustment in the value of the properties and financial expenses of MXN\$92.7 million.

Cash Burn

Cash burn at the operating level was MXN\$9.6 million in 4Q20, slightly lower than the MXN\$9.8 million in the previous quarter, thanks to a higher occupancy level and the reopening of more hotels. In January, cash burn was MXN\$14.9 million. However, FIBRA INN estimates that the cash burn will reverse in February as it expects its occupancy to reach 28%, above the 25% it needs to break even. This seems like good news to us.

Financial Structure

FIBRA INN's cash reserves reached MXN\$323 million at the end of the year, up from MXN\$156.3 million in 3Q20; excluding subsidiaries, they were MXN\$202 million. In February, the Fibra made a MXN\$161 million interest payment corresponding to the FINN 18 Cebures. In addition, it registered a recoverable VAT of MXN\$323 million (+ 55% YoY) which is still in the recovery process from the previous year. On the other hand, the LTV was 39.6%, slightly higher than the 32.7% of 3Q20. This means that the Fibra has additional leverage capacity. Worth noting that FIBRA INN obtained a waiver on August 10th 2020 that allows it to raise additional debt amounting to MXN\$315 million at the Westin Monterrey Valle Hotel and up to MXN\$400 million at the FIBRA INN level.

(Figures in MXN\$ Mn)

| INCOME STATEMENT | 4Q20 | 4Q19 | Change | 2020 | 2019 | Change |
|---|---------------|--------------|---------------|---------------|--------------|---------------|
| Total Revenues | 156 | 468 | -66.6% | 706 | 1,920 | -63.2% |
| Lodging Revenues | 170 | 444 | -61.8% | 688 | 1,822 | -62.2% |
| Property Leasing | -13 | 24 | -154.8% | 18 | 98 | -81.8% |
| Hotel Costs and Expenses | -157 | -315 | -50.2% | -745 | -1,296 | -42.6% |
| Hotel NOI | -0 | 154 | -100.3% | -38 | 624 | n.a. |
| <i>Hotel NOI Margin</i> | <i>-0.3%</i> | <i>32.8%</i> | | <i>-5.6%</i> | <i>34.2%</i> | |
| Total NOI | -1 | 146 | -101.0% | -44 | 617 | n.a. |
| <i>Total NOI Margin</i> | <i>-0.9%</i> | <i>31.2%</i> | | <i>-6.2%</i> | <i>32.1%</i> | |
| Indirect Expenses | -25 | -38 | -35.7% | -51 | -154 | -67.0% |
| EBITDA | -26 | 108 | -124.2% | -94 | 463 | n.a. |
| <i>EBITDA Margin</i> | <i>-16.7%</i> | <i>23.0%</i> | | <i>-13.4%</i> | <i>24.1%</i> | |
| Acquisition and Organization Expenses / Capex | 2 | 13 | -86.4% | 14 | 56 | -74.7% |
| Adjusted EBITDA | -24 | 121 | n.a. | -80 | 519 | n.a. |
| <i>Adjusted EBITDA Margin</i> | <i>-15.5%</i> | <i>25.8%</i> | | <i>-11.4%</i> | <i>27.0%</i> | |
| Fixed Asset Depreciation | -93 | -78 | 18.5% | -329 | -332 | -0.8% |
| Operating Profit | -906 | -182 | 398.5% | -1,272 | -151 | n.a. |
| Net Financial Cost | -93 | -41 | 126.0% | -307 | -169 | 81.5% |
| Net Profit | -998 | -223 | n.a. | -1,579 | -320 | 392.7% |
| Comprehensive Income | -1,550 | -797 | n.a. | -2,179 | -903 | 141.4% |
| Ousting CBFI's | 493 | 494 | -0.2% | 1,970 | 2,025 | -2.7% |
| FFO | -117 | 80 | n.a. | -388 | 350 | n.a. |
| <i>FFO Margin</i> | <i>-74.8%</i> | <i>17.1%</i> | | <i>-54.9%</i> | <i>18.2%</i> | |
| Maintenance Capex | 6 | 16 | -66.5% | 25 | 67 | -63.2% |
| AFFO | -123 | 64 | n.a. | -412 | 283 | n.a. |
| <i>AFFO Margin</i> | <i>-78.3%</i> | <i>13.6%</i> | | <i>-58.4%</i> | <i>14.7%</i> | |
| FFO per CBFI | -\$ 0.24 | \$ 0.16 | n.a. | -\$ 0.79 | \$ 0.69 | n.a. |
| AFFO Per CBFI | -\$ 0.25 | \$ 0.13 | n.a. | -\$ 0.84 | \$ 0.56 | n.a. |
| BALANCE SHEET | 4Q20 | 4Q19 | Change | 2020 | 2019 | Change |
| TOTAL ASSETS | 10,274 | 11,858 | -13.4% | 10,274 | 11,858 | -13.4% |
| Current Assets | 943 | 1,235 | -23.7% | 943 | 1,235 | -23.7% |
| Long-Term Assets | 9,331 | 10,622 | -12.2% | 9,331 | 10,622 | -12.2% |
| TOTAL LIABILITIES | 4,615 | 4,125 | 11.9% | 4,615 | 4,125 | 11.9% |
| Current Liabilities | 466 | 692 | -32.6% | 466 | 692 | -32.6% |
| Long-Term Liabilities | 4,148 | 3,433 | 20.8% | 4,148 | 3,433 | 20.8% |
| Total Debt | 4,235 | 3,761 | 12.6% | 4,235 | 3,761 | 12.6% |
| Net Debt | 3,913 | 3,198 | 22.4% | 3,913 | 3,198 | 22.4% |
| Trustee's Capital | 5,660 | 7,732 | -26.8% | 5,660 | 7,732 | -26.8% |

Source: FIBRA INN

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