

# UPSITE: 1Q21 Results

Positive Results, NAV/CBFI Reached MXN\$61.32

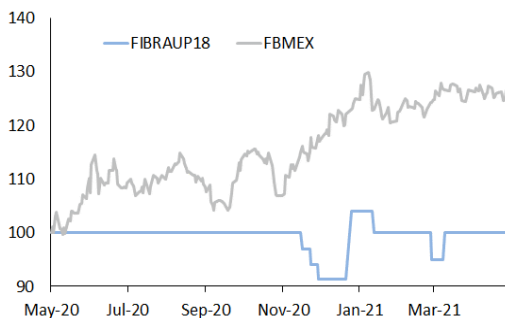
BUY	
<b>BMV: FIBRAUP18</b>	
Target Price (MXN\$)	\$ 46.00
Current Price (MXN\$)	\$ 37.00
Min / Max (L12M - MXN\$)	37.00
Total Return	24.3%
Mkt Cap (Mn of MXN)	2,082
CBFI's Outstanding (Mn)	56.3
Float	62.0%
NAV / CBFI (P\$)	\$ 61.32
Discount vs. NAV	-40%

## Opinion and Recommendation

UPSITE reported positive 1Q21 results with revenues increasing significantly on an annual basis as the occupancy rate remained at 100% in the three completed buildings. The EBITDA margin expanded both annually and sequentially due to an improvement in the cost and expense structure. FFO and net profits were positive for the first time. Revenues were in line with our projections, while the other indicators exceeded our expectations. In addition, UPSITE acquired 14.4 hectares of land reserve during the quarter, which boosted the potential Gross Leasable Area (GLA) to 405 thousand M2, from 335 thousand M2 in 4Q20.

The NAV/CBFI rose 15.2% YoY to MXN\$61.32 (vs. MXN\$55.65 E), although it decreased slightly against 4Q20 due to the issuance that took place in 3Q20 (the NAV/CBFI calculation uses the last twelve month average of Certificates). We believe that the Fibra's current valuation is very attractive as its Certificates trade at a high 39.5% discount to NAV/CBFI.

After having included these results in our projections model, we are revising upwards the estimated YE21 NAV/CBFI to MXN\$54.50. We also adjusted our target price to MXN\$46.0/CBFI, from MXN\$45.0/CBFI, assuming the discount to NAV would narrow to 11.9%. The potential return against our new target price is 24%. We consider UPSITE's prospects are very favorable taking into account the two Build-To-Suit buildings (one for a client in the renewable energy sector and one for a current client in the e-commerce industry) that will begin to generate revenues in August and September, and that UPSITE currently has a potential GLA of 405 thousand M2.



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## Portfolio

The occupancy rate remained at 100% with an average maturity period of 7.2 years, which is one of the most extended in the Mexican fibra sector. It is worth mentioning that UPSITE has not experienced cancellations like other Fibras.

In March, UPSITE acquired 14.4 hectares of land reserve adjacent to its industrial park in Ciudad Juárez, Chihuahua. They will be used in the future for the development of another 70 thousand M2 of GLA, which we believe is excellent news. As a result of this acquisition, UPSITE now has a land reserve of 878 thousand M2 with a potential GLA of 405 thousand M2. On the other hand, UPSITE expects that the two new Build-To-Suit buildings, with a GLA of nearly 30 thousand M2, will begin to generate revenues from August and September of this year. These properties will also allow UPSITE to use another part of the Bancomext credit line and thus take advantage of the (still) low interest rates. This line of credit has a fixed interest rate of only 3.18%.

The second investment cycle will focus on the border zone, which has shown a high absorption rate due to its proximity to the United States, whose economy will benefit from the infrastructure and family support packages that were recently introduced by President Joe Biden. This strategy seems adequate to us.

## 1Q21 Results

UPSITE's leasing revenues were MXN\$15.5 million in 1Q21 (in line with our MXN\$15.6 million projection), up from just MXN\$5.2 million a year earlier, as the properties were not fully completed. Revenues decreased slightly on a sequential basis due to the appreciation of the FX rate during the quarter, as it averaged MXN\$20.35/USD in 1Q21, compared to MXN\$20.53/USD in 4Q20.

EBITDA reached MXN\$1.8 million (vs. MXN\$0.1 million E) with an 11.4% margin, from a negative EBITDA in the same period of the previous year, thanks to the combination of higher revenues and a decrease in administrative expenses. It was also higher than the MXN\$0.1 million in 4Q20 thanks to a lower property operation cost and a reduction in administrative expenses.

The FFO was MXN\$7.0 million positive and net profits reached MXN\$123.8 million in 1Q21. This was the first quarter that these last two indicators were positive. Net profits included a MXN\$116.8 million upward adjustment in the fair value of investment properties.

## Financial Structure

The value of investment properties amounted to MXN\$2.15 billion in 1Q21, up 23.3% YoY. During the quarter, UPSITE adjusted up the value of its investment properties as mentioned above.

The financial structure remained very solid with an LTV of only 7.8%. The debt profile is very well structured since UPSITE faces a reduced maturity until 2023 and the rest until 2026. Cash and temporary investments closed at MXN\$789.2 million. In addition, UPSITE has 78.2 million CBF's in treasury.

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(Figures in Millions of MXN\$)	1Q21	1Q21E	Diff	1Q20	Change
Revenues	16	16	-0.2%	5	198.6%
Operating Profit	2	0	n.a.	-10	-118%
<i>Operating Margin</i>	11.4%	0.5%		n.a.	
EBITDA	2	0	n.a.	-10	-118.2%
<i>EBITDA Margin</i>	11.4%	0.5%		n.a.	
Financial Gains	124	9	n.a.	0	n.a.
Financial Cost	-2	-2	-1.2%	-0	n.a.
Pre-Tax Profit	124	6	n.a.	-9	n.a.
Income Tax & Profit Sharing	0	0	n.a.	0	n.a.
<i>Tax &amp; Profit Sharing Rate</i>	0.0%	0.0%		0.0%	
Net Profit	124	6	n.a.	-9	n.a.

(Figures in Millions of MXN\$)

INCOME STATEMENT	2019	2020	2021E	2022E	2023E	2024E	2025E
Revenues	576	49	62	128	210	324	472
NOI	0	0	44	122	200	308	448
NOI Margin	0.0%	0.0%	71.3%	95.0%	95.0%	95.0%	95.0%
General Expenses	-51	-50	-49	-51	-53	-55	-57
Operating Profit	526	-6	12	77	158	270	415
<i>Operating Margin</i>	91.2%	-12.6%	18.8%	60.2%	74.9%	83.1%	87.9%
EBITDA	526	-6	12	77	158	270	415
<i>EBITDA Margin</i>	91.2%	-12.6%	18.8%	60.2%	74.9%	83.1%	87.9%
Financial Gains	20	123	276	586	590	585	21
Financial Cost	-0	-1	-15	-36	-57	-60	-62
Pre-Tax Profit	545	116	273	627	691	794	374
Income Tax & Profit Sharing	0	0	0	9	-17	-68	-112
<i>Tax &amp; Profit Sharing Rate</i>	0.0%	0.0%	0.0%	-1.4%	2.5%	8.5%	30.0%
Profit Before Minorities	545	116	273	636	674	727	262
Net Profit	545	116	273	636	674	727	262
CBFI's Outstanding	32.4	56.3	56.3	56.3	56.3	56.3	56.3
NOI/CBFI	P\$ 0.00	P\$ 0.00	P\$ 0.79	P\$ 2.16	P\$ 3.55	P\$ 5.48	P\$ 7.97
EBITDA/CBFI	P\$ 16.22	-P\$0.15	P\$ 0.21	P\$ 1.37	P\$ 2.80	P\$ 4.79	P\$ 7.37
EPCBFI	P\$ 16.82	P\$ 2.80	P\$ 4.85	P\$ 11.30	P\$ 11.97	P\$ 12.92	P\$ 4.65
BALANCE SHEET	2019	2020	2021E	2022E	2023E	2024E	2025E
TOTAL ASSETS	1,698	2,890	3,547	4,642	5,819	6,590	6,969
Current Assets	149	1,147	569	704	898	859	788
Cash & Cash Eq.	85	1,035	500	600	750	650	500
LT Assets	1,549	1,744	2,979	3,939	4,921	5,731	6,181
Investment Properties	1,549	1,744	2,979	3,939	4,921	5,731	6,181
TOTAL LIABILITIES	104	309	693	1,208	1,773	1,885	2,076
TOTAL DEBT	0	234	627	1,002	1,557	1,552	1,591
NET DEBT	-85	-801	127	402	807	902	1,091
TOTAL CAPITAL	1,594	2,582	2,855	3,434	4,046	4,705	4,894
Stockholder's Equity	1,594	2,582	2,855	3,434	4,046	4,705	4,894
NAV	1,731	2,761	3,066	3,823	4,475	5,290	5,647
NAV / CBFI	\$ 53.43	\$ 65.35	\$ 54.50	\$ 67.95	\$ 79.55	\$ 94.04	\$ 100.38

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