

FIBRA INN

BUY Recommendation After Sale of the Holiday Inn Express Guadalajara

FINN 13	BUY
Target Price (MXN\$)	\$ 6.50
Current Price (MXN\$)	\$ 4.05
Min / Max (L12M - MXN\$)	3.02 - 5.45
Expected Dividend (MXN\$)	\$ 0.00
Total Return	60.5%
Mkt Cap (Mn of MXN)	2,041
CBFI's Outstanding (Mn)	503.8
Float	86.5%
ADTV (MXN\$ Mn)	\$ 0.64

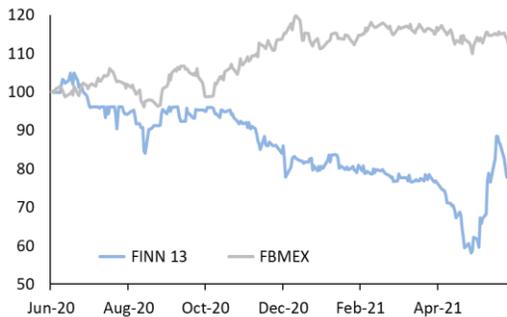
FIBRA INN announced today the sale of the Holiday Inn Express Guadalajara Autónoma hotel with 199 rooms, representing 2.9% of total rooms, for MXN\$259 million plus VAT. FIBRA INN will receive these resources as follows:

- FIBRA INN obtained MXN\$50 million today;
- The fibra will receive another MXN\$70 million no later than July 10th;
- Another MXN\$139 million no later than August 15th.

The net amount will be MXN\$250 million, after including the VAT compensation in favor and the payment of the corresponding commissions.

We believe this is very favorable news for FIBRA INN since it will have enough financial resources to meet the MXN\$161 million maturity next August. In its press release, FIBRA INN mentioned that its cash reserves will reach MXN\$210 million at the end of July and that it expects them to remain around that level for the rest of the year.

After updating our estimates, we are upgrading our recommendation to BUY with a MXN\$6.50/CBFI target price which is based on a DCF model with an 8.3% WACC and a 4.8% growth rate in perpetuity in nominal terms. We expect the FIBRA's occupancy and operating performance to continue recovering gradually due to the reopening of the Mexican economy and higher vaccination levels. Furthermore, we believe that the divestiture of non-strategic assets will continue.



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Discounted Cash Flow Model (DCF)

MXN\$ Mn	2022E	2023E	2024E	2025E	2026E	Perp.
Total NOI	559	754	872	917	964	1,010
Indirect Expenses	(48)	(101)	(149)	(157)	(165)	(173)
Acquisition and Organization Expenses / Capex	24	32	40	48	56	59
Adjusted EBITDA	535	686	763	809	856	896
Interest Gains	21	28	33	35	37	38
Interest Expenses	(421)	(440)	(461)	(482)	(505)	(529)
FX Gain (Loss)	(10)	(11)	(11)	(12)	(12)	(13)
FFO	125	263	324	350	375	393
Maintenance Capex	(47)	(49)	(50)	(52)	(53)	(56)
AFFO	78	215	274	298	322	337
Perpetuity Growth Rate						4.8%
PV of Explicit Period (2022 -2026E)						904
Perpetuity Value						9,558
PV of Perpetuity Value						6,419
Enterprise Value						7,322
Net Debt						4,118
Market Value						3,204
Outstanding Shares						493
Target Price						P\$ 6.50
Current Price						P\$ 4.07
Potential Return incl/ Div.						46.3%
Average Cost of Debt						9.4%
Cost of Capital						7.6%
Market Risk Premium						6.0%
Risk Free Rate						6.9%
Beta						0.12
% of Debt						38%
% of Capital						62%
WACC						8.3%

Source: Miranda Global Research

MAIN OPERATING INDICATORS	2020	2021E	2022E	2023E	2024E	2025E	2026E
Total Hotels	38	38	38	38	38	38	38
Total Rooms	6,391	6,442	6,442	6,442	6,442	6,442	6,442
Number of Hotels in operation	33	38	38	38	38	38	38
Number of Rooms in operation	5,544	6,442	6,442	6,442	6,442	6,442	6,442
Occupancy	27.6%	37.8%	50.9%	57.6%	61.6%	62.6%	63.6%
Average Daily rate	1,037.8	1,216.4	1,387.5	1,436.0	1,486.1	1,538.1	1,591.9
Change %	-11.1%	17.2%	14.1%	3.5%	3.5%	3.5%	3.5%
RevPar	286.2	459.2	706.3	827.5	915.0	962.5	1,012.1
Change %	-58.3%	60.5%	53.8%	17.2%	10.6%	5.2%	5.2%
Lodging Revenues	688.5	1,100.7	1,819.9	2,132.3	2,357.9	2,480.0	2,607.9
Property Leasing	17.8	41.9	82.3	96.4	106.6	112.1	117.9
Total Revenues	706.3	1,142.6	1,902.2	2,228.7	2,464.5	2,592.1	2,725.7
Hotel Costs and Expenses	- 744.7	- 919.5	- 1,345.5	- 1,478.6	- 1,596.4	- 1,679.1	- 1,765.6
NOI Hotel	- 38.4	223.1	556.6	750.1	868.1	913.1	960.1
<i>NOI Hotel Margin</i>	-5.4%	19.5%	29.3%	33.7%	35.2%	35.2%	35.2%
INCOME STATEMENT	2020	2021E	2022E	2023E	2024E	2025E	2026E
Lodging Revenues	688.5	1,100.7	1,819.9	2,132.3	2,357.9	2,480.0	2,607.9
Property Leasing	17.8	41.9	82.3	96.4	106.6	112.1	117.9
Total Revenues	706.3	1,142.6	1,902.2	2,228.7	2,464.5	2,592.1	2,725.7
Hotel Costs and Expenses	- 744.7	- 919.5	- 1,345.5	- 1,478.6	- 1,596.4	- 1,679.1	- 1,765.6
Hotel NOI	- 38.4	223.1	556.6	750.1	868.1	913.1	960.1
<i>Hotel NOI Margin</i>	-5.4%	19.5%	29.3%	33.7%	35.2%	35.2%	35.2%
Hotel Factory Revenues	13.8	13.3	20.0	24.0	28.0	32.0	32.0
Hotel Factory Costs	- 18.9	- 25.1	- 18.0	- 20.0	- 24.0	- 28.0	- 28.0
NOI Other Businesses	- 5.1	11.8	2.0	4.0	4.0	4.0	4.0
Total NOI	- 43.5	211.3	558.6	754.1	872.1	917.1	964.1
<i>Total NOI Margin</i>	-6.2%	18.5%	29.4%	33.8%	35.4%	35.4%	35.4%
Indirect Expenses	- 51.0	- 85.1	- 47.8	- 100.6	- 149.4	- 156.9	- 164.8
EBITDA	- 94.5	126.2	510.9	653.6	722.7	760.2	799.3
<i>EBITDA Margin</i>	-13.4%	11.0%	26.9%	29.3%	29.3%	29.3%	29.3%
Acquisition and Organization Expenses / Capex	14.3	16.4	24.4	32.4	40.4	48.4	56.4
Adjusted EBITDA	- 80.2	142.5	535.2	685.9	763.1	808.5	855.7
<i>Adjusted EBITDA Margin</i>	-11.4%	12.5%	28.1%	30.8%	31.0%	31.2%	31.4%
Operating Profit	- 1,271.8	282.1	713.6	914.3	984.7	1,064.1	1,145.3
<i>Operating Margin</i>	-180.1%	24.7%	37.5%	41.0%	40.0%	41.1%	42.0%
Majority Net Profit	- 1,477.1	80.5	292.0	473.4	525.5	582.8	640.3
FFO	- 387.7	239.2	124.9	263.3	324.2	349.7	375.4
<i>FFO Margin</i>	-54.9%	-20.9%	6.6%	11.8%	13.2%	13.5%	13.8%
Maintenance Capex	24.7	37.0	47.0	48.6	50.2	51.8	53.4
AFFO	- 412.4	276.2	77.9	214.7	274.0	297.9	322.0
<i>AFFO Margin</i>	-58.4%	-24.2%	4.1%	9.6%	11.1%	11.5%	11.8%
FFO per CBFI	-\$ 0.787	-\$ 0.475	\$ 0.248	\$ 0.523	\$ 0.643	\$ 0.694	\$ 0.745
AFFO Per CBFI	-\$ 0.837	-\$ 0.548	\$ 0.155	\$ 0.426	\$ 0.544	\$ 0.591	\$ 0.639
BALANCE SHEET	2020	2021E	2022E	2023E	2024E	2025E	2026E
TOTAL ASSETS	10,274.3	11,895.9	12,395.2	13,096.3	13,876.8	14,727.2	15,651.6
Current Assets	942.9	811.6	997.6	1,096.7	1,162.6	1,197.5	1,233.4
Cash and Cash Equivalents	322.7	255.9	407.1	491.3	546.3	575.3	605.1
TOTAL LIABILITIES	4,614.6	4,790.8	4,986.9	5,196.4	5,431.0	5,676.2	5,935.6
Current Liabilities	466.1	584.4	582.8	582.7	595.3	605.0	614.8
Long-Term Liabilities	4,148.5	4,206.4	4,404.1	4,613.6	4,835.8	5,071.2	5,320.8
Total Debt	4,086.9	4,374.1	4,571.8	4,781.3	5,003.5	5,238.9	5,488.5
Net Debt	3,764.1	4,118.2	4,164.7	4,290.1	4,457.1	4,663.6	4,883.4
Trustee's Capital	5,659.7	7,126.6	7,429.8	7,921.5	8,467.2	9,072.4	9,737.4
Minority Interest	781.7	1,438.3	1,496.7	1,557.5	1,620.8	1,686.6	1,755.0
Stockholder's Equity	4,878.1	5,688.3	5,933.1	6,363.9	6,846.4	7,385.9	7,982.4

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