

HOTEL: 2Q21 Results

Owned Hotels' Occupancy Rate Reached 50.6% in the Quarter

HOTEL*	HOLD
Target Price (MXN\$)	\$ 5.90
Current Price (MXN\$)	\$ 4.63
Min / Max (L12M - MXN\$)	3.65 - 5.90
Expected Dividend (MXN\$)	\$ 0.00
Total Return	27.4%
Mkt Cap (Mn of MXN)	2,852
Enterprise Value (Mn of MXN\$)	5,111
Shares Outstanding (Mn)	616.1
Float	75.0%
ADTV (MXN\$ Mn)	\$ 0.82

Opinion and Recommendation

HOTEL reported positive 2Q21 results, in line with our expectations. Revenues were MXN\$484 million in the quarter, compared to a low figure of the previous year. This improvement was due to an increase in the occupancy rate of owned hotels to 50.6%, from 2.3% the previous year. In addition, the average daily rate was up 21.6%. As a result, the company reported a positive EBITDA of MXN\$128 million, and a positive MXN\$139 million net profit. However, leverage was 20.6x. Our current recommendation is HOLD with a MXN\$5.90/share target price.

Portfolio

The portfolio consisted of 23 hotels, of which 13 are owned hotels and the other 10 are owned by third parties. Total rooms in operation decreased 4.4% YoY to 5,964 of which 57% are beach properties and 43% urban. In addition, 84% of rooms are in stabilized properties, 5% in maturing properties, and 11% under development.

Revenues

Total revenues were MXN\$484 million (vs. MXN\$480 million E) in 2Q21, from just MXN\$16 million in 2Q20, supported by a higher occupancy and average daily rate. All segments presented a substantial recovery with hotel revenues reaching MXN\$215 million, food and beverages MXN\$169 million, MXN\$85 million in "others" and MXN\$14 million from hotel management.



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Owned hotel revenues rose to MXN\$215 million in 2Q21, from MXN\$8 million in 2Q20. They were driven by a significant improvement in the occupancy rate to 50.6%, from 2.3% the previous year, which was the highest level since the beginning of the pandemic. This recovery took place mainly in beach hotels. The 21.6% increase in the average daily rate to MXN\$1,250 was another factor that contributed favorably. This boosted the RevPar in a significant way to MXN\$632 in 2Q21, from MXN\$24 the previous year.

Profitability

Costs and general expenses stood at MXN\$414 million, while administrative and sales expenses reached MXN\$110 million due to a higher hotel activity. EBITDA was MXN\$128 million (vs. MXN\$120 million E), compared to negative MXN\$87 million EBITDA the previous year. The EBITDA margin reached 26.5% (vs. 25.0% E) in 2Q21.

The net profit was MXN\$139 million, which compares to last year's net loss. This was attributed to a higher operating profit, combined with FX gains.

Financial Structure

Net debt amounted to MXN\$3.1 billion, which translated into a net debt to EBITDA ratio of 20.6x in 2Q21. 86.8% of HOTEL's total debt is denominated in dollars with an average cost of 3.25%. The remaining 13.2% is in Mexican pesos with an average 7.61% interest rate. Cash improved to MXN\$727 million in 2Q21, from MXN\$482 million in 1Q21, given the operating improvement that the company experienced.

(Figures in Millions of MXN\$)	2Q21	2Q21E	Change	2Q20	Change
Total Revenues	484	480	0.8%	16	3013.8%
Operating Profit	62	55	12.1%	-152	n.a.
<i>Operating Margin</i>	<i>12.8%</i>	<i>12.8%</i>		<i>-978.3%</i>	
EBITDA	128	120	6.7%	-87	n.a.
<i>EBITDA Margin</i>	<i>26.5%</i>	<i>25.0%</i>		<i>-558.5%</i>	
Financial Gains	81	109	-25.4%	106	-23.4%
Financial Cost	-4	-37	n.a.	n.a.	n.a.
Pre-Tax Profit	139	128	9.4%	-43	n.a.
Profit Before Minorities	139	128	9.4%	-43	n.a.
Minority Interest	-33	-35	-4.4%	-7	n.a.
Net Profit	106	93	14.6%	-51	n.a.
EPS	P\$ 0.17	P\$ 0.15	14.6%	-P\$ 0.10	n.a.

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