

UPSITE: 2Q21 Results

Announces New BTS Building; Raising Target Price to MXN\$55.00/CBFI

FIBRAUP18	BUY
Target Price (MXN\$)	\$ 55.00
Current Price (MXN\$)	\$ 37.50
Min / Max (L12M - MXN\$)	33.78-38.50
Total Return	46.7%
Mkt Cap (Mn of MXN)	2,110
CBFI's Outstanding (Mn)	56.3
Float	62.0%
NAV / CBFI (P\$)	\$ 59.51
Discount vs. NAV	-37%

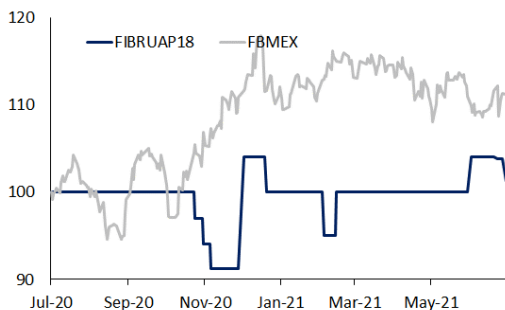
Opinion and Recommendation

UPSITE's outlook continued to improve with the 2Q21 report as it announced a new Build-to-Suit contract. This new property will likely be completed in 1Q22. The other two Build-to-Suit buildings under construction will be finished during 3Q21. These three new properties combined will increase the current portfolio by 109%.

UPSITE is well positioned to benefit from expected growth in the United States given the proximity of several of its properties to that market. We also believe that it will continue to benefit from "nearshoring" trends. In addition, revenues are 100% dollarized.

UPSITE's current valuation continues to look very attractive to us. The NAV/CBFI was MXN\$59.51 in 2Q21, which means that the certificates trade at a significant 37% discount.

Target price. After having updated our model, we are revising upwards our target price to MXN\$55.00/CBFI, from an original level of MXN\$46.00/CBFI. We expect UPSITE's certificates to trade at a 20% discount against NAV by the end of 2022. Our target price includes a 10% premium for the fibra's focus on ESG factors. Our recommendation remains BUY as the potential return is 46.7% against the current market price.



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Luis Hernández
 +5255-3659-6407
 luis.hernandez@miranda-gr.com

Martin Lara
 +5255-6413-8563
 martin.lara@miranda-gr.com

Portfolio

UPSITE announced that on July 23th it signed a new contract for the development of a new Build-to-Suit building with a leasable area of 29,553 M2, which is located within the “Upsite Tijuana Park I” park. The tenant will be NASDAQ-listed company that designs, manufactures and distributes fiber optics. This contract is denominated in US dollars and has a term of 60 months. This building will increase the stabilized and under construction portfolio by 35%. It will cost around US\$5 million. The Fibra has cash on hand and will likely have access to the second tranche of the Bancomext loan in the short-term.

Regarding the other two Build-To Suit buildings under construction, the Fibra mentioned that the one in Tijuana is 94% complete, while the one in Ciudad Juárez is 86% finished. These two properties are expected to be ready in 3Q21.

The stabilized portfolio includes 3 buildings located in Tijuana, Ciudad Juárez and Tlaxcala with a gross leasable area of 54,221 M2, unchanged from 1Q21. Occupancy remained at 100% with an average maturity of 6.6 years. 100% of contracts remain dollarized.

The land reserve includes five lots with a total area of 809,749 M2 and an area to be developed of 376,136 M2.

Revenues

UPSITE posted 2Q21 revenues of MXN\$15.7 million, up 65% against 2Q20 when the current buildings were being completed. This figure remained practically unchanged against the MXN\$15.5 million in 1Q21.

EBITDA amounted to MXN\$0.8 million in the current quarter, from a negative figure of MXN\$1.5 million in 1Q21, mainly supported by higher revenues. Operating costs grew 450% as tenants initiated operations. Administrative expenses rose 15% due to the compensation of the administrator and the trust’s operating expenses.

The Fibra registered a MXN\$4.3 million net profit, from a MXN\$280.6 million net profit in the same period of the previous year, which included a MXN\$281.9 million revaluation of properties. The FFO was positive MXN\$4.3 million in the current quarter, from a negative MXN\$1.4 million FFO in 2Q20.

Financial Structure

The value of investment properties reached MXN\$2.3 billion at the end of 2Q21, which represented a 24% annual growth. In addition, total debt was MXN\$233.8 million. LTV remained stable sequentially at 7.7% at the end of 2Q21. In addition, UPSITE registered a MXN\$586.4 million cash position, from MXN\$789.2 million in 1Q21.

NAV / CBFi

Total NAV was nearly MXN\$3.0 billion in 2Q21, with a significant 50% annual growth. However, the NAV/CBFi fell slightly to MXN\$59.51 in 2Q21, from MXN\$61.58/CBFi in 2Q20, due to last year’s certificates issuance.

ESG

Once again, UPSITE presented its quarterly ESG indicators. The main change was that women represented 33% of Fibra's employees in 2Q21, compared to 27% in 1Q21.

(Figures in Millions of MXN\$)	2Q21	2Q21E	Diff	2Q20	Change
Revenues	16	15	3.8%	10	63.8%
Operating Profit	1	1	0.6%	-2	n.a.
<i>Operating Margin</i>	5.7%	19.1%		n.a.	
EBITDA	1	1	0.6%	-1	n.a.
<i>EBITDA Margin</i>	5.7%	19.1%		n.a.	
Financial Gains	6	6	-4.9%	282	n.a.
Financial Cost	-2	-2	-4.9%	0	n.a.
Pre-Tax Profit	4	4	-3.8%	281	n.a.
Net Profit	4	4	-3.8%	281	n.a.

(Figures in Millions of MXN\$)

INCOME STATEMENT	2020	2021E	2022E	2023E	2024E	2025E	2026E
Revenues	49	63	256	342	460	611	740
General Expenses	-50	-49	-52	-54	-57	-60	-63
Operating Profit	-6	4	198	281	396	543	670
<i>Operating Margin</i>	-12.6%	7.0%	77.4%	82.2%	86.1%	89.0%	90.5%
EBITDA	-6	4	198	281	396	543	670
<i>EBITDA Margin</i>	-12.6%	7.0%	77.4%	82.2%	86.1%	89.0%	90.5%
Financial Gains	123	290	548	565	572	20	19
Financial Cost	-1	-12	-40	-57	-60	-60	-58
Pre-Tax Profit	116	282	707	789	907	504	630
Net Profit	116	282	698	721	811	387	483
BALANCE SHEET	2020	2021E	2022E	2023E	2024E	2025E	2026E
TOTAL ASSETS	2,890	3,637	4,760	5,955	6,777	7,122	7,554
LT Assets	1,744	2,964	3,909	4,919	5,799	6,249	6,709
Investment Properties	1,744	2,964	3,909	4,919	5,799	6,249	6,709
TOTAL LIABILITIES	309	774	1,254	1,791	1,869	1,900	1,922
TOTAL DEBT	234	679	1,063	1,535	1,526	1,444	1,369
NET DEBT	-801	179	463	785	876	944	919
Stockholder's Equity	2,582	2,863	3,505	4,164	4,908	5,222	5,632
NAV	2,761	3,106	3,881	4,641	5,514	5,962	6,494
NAV / CBF1	\$ 65.35	\$ 55.22	\$ 68.99	\$ 82.49	\$ 98.01	\$ 105.98	\$ 115.44

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