

FIBRA INN: 2Q21 Results

Significant Improvement in the Occupancy Rate, As Expected

FINN 13	BUY
Target Price (MXN\$)	\$ 6.50
Current Price (MXN\$)	\$ 4.03
Min / Max (L12M - MXN\$)	3.02 - 5.45
Expected Dividend (MXN\$)	\$ 0.00
Total Return	61.3%
Mkt Cap (Mn of MXN)	2,031
CBFI's Outstanding (Mn)	503.8
Float	86.5%
ADTV (MXN\$ Mn)	\$ 0.64

Opinion and Recommendation

FIBRA INN reported positive 2Q21 results, in line with our expectations, which were driven mainly by a significant improvement in average occupancy rate to 40.6%. The Fibra expects this indicator to reach 47% in July, practically in line with the financial break-even point. The average daily rate went up 9.7%. As a result, total revenues rose 405.6%, total NOI reached MXN\$57.1 million, and the negative FFO decreased in a significant way. The cash position improved sequentially to MXN\$178.9 million and leverage rose to 39.5%, still below the regulatory maximum. We reiterate our BUY recommendation with a MXN\$6.50/CBFI target price. The main risk is the impact of the pandemic.

Portfolio

As a result of the opening of the JW Marriott Monterrey Valle, FIBRA INN's portfolio included 39 hotels in 2Q21, of which 34 remained in operation and 5 remained closed. Total rooms increased 3.9% to 6,641.

Revenues

Total revenues were MXN\$279.7 million (slightly higher than our MXN\$274.1 million estimate) in 2Q21, up 405.6%, mainly due to a significant improvement in the occupancy rate and a higher average daily rate.

Hotel revenues rose 440.7% YoY (vs 428.7% E) to MXN\$272.9 million, supported by a 40.6% average daily occupancy rate, from 16.7% in 2Q20.



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The Fibra expects this indicator to reach 47% in July, even with the Delta variable of Covid-19, which is practically in line with the 48% financial break-even point. The average daily rate was MXN\$1,288 in the quarter, with an annual 9.7% growth, due to Fibra's focus on luxury real estate assets. This resulted in a 167.2% YoY increase in RevPar to MXN\$523.

Profitability

Operating expenses were up 59.0% (vs. 56.1% E) due to operating leverage. FIBRA INN expects greater efficiencies from the acquisition of Grupo Hotelero Prisma by Aimbridge Hospitality.

The Hotel NOI stood at MXN\$57.1 million, which compares favorably with the previous year's MXN\$84.7 million loss. The NOI Hotel Margin expanded to 20.4%, from the negative margin of -153.0% in 2Q20. The NOI of the other businesses was slightly negative.

FIBRA INN registered a Total NOI of MXN\$56.8 million (vs. MXN\$55.0 million E) in 2Q21, compared to the MXN\$82.0 million loss a year ago. Total NOI margin increased to 20.1% (in line with our estimate) in 2Q21, from -137.2% in 2Q20.

Adjusted EBITDA was MXN\$47.8 million in 2Q21, higher than the MXN\$105.7 million loss a year ago. The EBITDA margin expanded to 17.1% in 2Q21.

The negative FFO improved to MXN\$46.2 million (vs. a MXN\$51.0 million loss E) in 2Q21, compared to the negative FFO of MXN\$184.8 million obtained in 2Q20.

Financial Structure

LTV reached 39.5% in 2Q21, from 31.8% the previous year, but it remained unchanged against 1Q21. Furthermore, the coverage ratio was 1.8x. The cash position improved to MXN\$178.9 million, from MXN\$61.1 million in 1Q21. In addition, the Fibra registered a recoverable VAT of MXN\$182.9 million. On June 28th, it sold the Holiday Inn Express Guadalajara Autónoma for MXN\$259 million plus VAT. It has already received MXN\$120.0 million and expects to receive another MXN\$139.0 million no later than August 15th.

ESG

The Technical Committee approved the creation of an ESG Committee that will define the sustainability strategy.

(Figures in MXN\$ Mn)	2Q21	2Q21E	Diff.	2Q20	Change
Total Revenues	280	274	2.2%	55	405.6%
Lodging Revenues	273	267	2.3%	50	440.7%
Property Leasing	7	7	1.8%	5	40.9%
Hotel Costs and Expenses	-223	-219	1.9%	-140	59.0%
Hotel NOI	57	55	3.6%	-85	n.a.
<i>Hotel NOI Margin</i>	20.4%	20.1%		-153.0%	
Total NOI	57	55	3.1%	-87	n.a.
<i>Total NOI Margin</i>	20.3%	20.1%		-157.1%	
EBITDA	46	42	9.7%	-106	n.a.
<i>EBITDA Margin</i>	16.4%	15.2%		-191.9%	
Adjusted EBITDA	48	45	5.2%	-106	n.a.
<i>Adjusted EBITDA Margin</i>	17.1%	16.6%		-191.0%	
FFO	-46	-51	-9.9%	-185	n.a.
<i>FFO Margin</i>	-16.5%	-18.7%		-334.1%	
AFFO	-56	-60	-6.3%	-187	n.a.
<i>AFFO Margin</i>	-20.0%	-21.8%		-337.5%	
FFO per CBFI	-\$ 0.09	-\$ 0.10	-9.9%	-\$ 0.38	n.a.
AFFO Per CBFI	-\$ 0.11	-\$ 0.12	-6.3%	-\$ 0.38	n.a.

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