

HOTEL: 4Q21 Results

Significant Sales and EBITDA Growth Due to a Higher Occupancy and ADR; In Line

HOTEL*	BUY
Target Price (MXN\$)	\$ 5.90
Current Price (MXN\$)	\$ 4.04
Min / Max (L12M - MXN\$)	4.00 - 5.90
Expected Dividend (MXN\$)	\$ 0.00
Total Return	46.0%
Mkt Cap (Mn of MXN)	2,489
Enterprise Value (Mn of MXN\$)	5,054
Shares Outstanding (Mn)	616.1
Float	75.0%
ADTV (MXN\$ Mn)	\$ 0.20

Opinion and Recommendation

HOTEL reported positive 4Q21 results, with a significant annual and sequential recovery, although in line with our projections. Total revenues rose 89.1% YoY and 18.0% QoQ due mainly to higher occupancy and ADR's at the owned hotels. EBITDA reached MXN\$164.9 million, from a low of MXN\$6.0 million the previous year and with a sequential 59.8% growth, as the company benefited from high operating leverage. However, its net profit fell 53.8% due to FX losses. We are upgrading to BUY from HOLD after these results.

Revenues

Total revenues were up 89.1% YoY (vs. 87.6% E) to MXN\$546.3 million, driven by increases of 112.7% in lodging, 100.8% in food and beverages and 96.4% in hotel management. However, other revenues decreased 37.3%.

Room revenues were supported by a solid performance in owned hotels, which experienced a significant improvement in the average daily occupancy to 57.0% in 4Q21, from 33.5% the previous year, as a result of the reactivation of tourism activity, mainly in beach properties. In addition, the average daily rate of owned hotels rose 25.3% to MXN\$1,457. This translated into a MXN\$831 RevPar, up 113.6%.

However, rooms in operation declined 4.4% YoY to 5,964 due to the departure of 318 rooms from the *AC Hotel by Marriott Santa Fe* and *Courtyard by Marriott Puebla* hotels, partially offset by the addition of 45 rooms from the *SLS Cancun* hotel. 57% of rooms are in the beach segment and 43% to the urban segment. 84% of rooms are in stabilized properties, 5% in the process of maturation, and 11% in development.



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February 17th, 2022

Profitability

Operating costs and expenses grew 58.1% YoY due to higher hotel activity. On the other hand, administrative costs and expenses fell 1.4%, given the company's strict costs and expenses control. As a result of significant operating leverage, EBITDA reached MXN\$164.9 million (vs. MXN\$160.1 million E) in the current quarter, from an EBITDA of only MXN\$5.9 million a year ago. EBITDA margin was 30.2% (vs. 29.3%E) in the quarter, from a low of 2.0% in 4Q20.

Net profit stood at MXN\$73.9 million in 4Q21, below the MXN\$159.9 million net profit a year ago, due to the FX impact.

Financial structure

Net debt rose 14.2% YoY to MXN\$2,565.3 million. However, the net debt/EBITDA ratio fell to 6.4x at the end of the quarter due to the significant EBITDA growth, compared to 10.4x in 3Q21 and 47.8x in 4Q20. The company recorded a MXN\$656.0 million cash balance and a MXN\$245.1 million short-term debt. We thus believe that the refinancing risk is low.

(Figures in Millions of MXN\$)	4Q21	4Q21E	Change	4Q20	Change
Total Revenues	546	545	0.3%	290	88.1%
Operating Profit	29	28	1.7%	-71	n.a.
<i>Operating Margin</i>	5.3%	12.6%		-24.6%	
EBITDA	165	160	3.2%	6	n.a.
<i>EBITDA Margin</i>	30.2%	29.3%		2.0%	
Financial Gains	227	-13	n.a.	184	23.2%
Financial Cost	-258	-35	n.a.	99	-359.6%
Pre-Tax Profit	-2	21	n.a.	212	n.a.
Profit Before Minorities	74	21	260.2%	206	n.a.
Minority Interest	-3	-5	-47.1%	-94	n.a.
Net Profit	71	15	n.a.	112	n.a.
EPS	P\$ 0.12	P\$ 0.02	362.6%	P\$ 0.20	n.a.

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