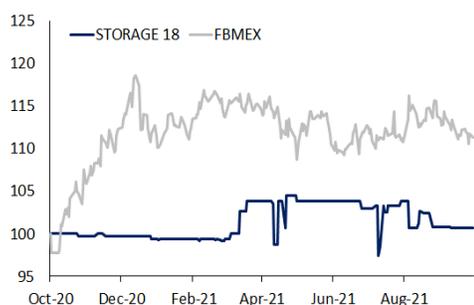


STORAGE: 3Q21 Results

Positive Operating Results, Fueled By the Expansion Strategy and a Higher RevPaM

STORAGE 18	BUY
Target Price (MXN\$)	\$ 23.50
Expected Dividend	\$ 0.74
Current Price (MXN\$)	\$ 15.50
Min / Max (L12M - MXN\$)	15.00 - 16.10
Total Return	56.4%
Mkt Cap (Mn of MXN)	3,363
CBFI's Outstanding (Mn)	217.0
Float	12.5%



Opinion and Recommendation

STORAGE reported positive 3Q21 results that were slightly above our estimates. The Fibra maintained an aggressive expansion strategy that included the acquisition of new operating branches and land, as well as the development of existing units. After the close of the quarter, it bought the “Guardabox” branches in Guadalajara and San Luis Potosí. As a result, the Gross Profitable Area built and available grew at a double-digit rate. In addition, the Fibra raised rates and its occupancy improved, which generated a 16.6% increase in its leasing revenues. Economies of scale boosted the EBITDA and NOI margins. However, the FFO was lower because of higher interests paid. We reiterate our BUY recommendation with a MXN\$23.50/share target price.

Portfolio

As a result of the acquisitions that STORAGE has carried out during the last year and the expansion of various branches, the Gross Leasable Area (GLA) built was up 16.0% YoY to 129,724 m2 in 3Q21. The Fibra now owns 26 properties, of which 19 are in operation, 6 are stabilized and 13 are in the stabilization process. In addition, it owns 7 lots available for future development. It estimates that its GLA under development is 44,179 m2 and that its potential GLA is 173,903 m2. STORAGE expects a MXN\$827 million Capex in 2022 to complete the developments or initial phases. .

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After the end of the quarter, STORAGE acquired the buildings of the Imán branch, whose GLA is in the stabilization process. The Fibra also bought 5 “Guardabox” branches in Guadalajara and San Luis Potosí, which increased its geographical diversification. These properties are on long-term leased land. The acquisition price was MXN\$103 million (excluding closing costs), of which 30% will be paid through CBFIs (which will be issued at a MXN\$19.10 price each) and 70% in cash.

Revenues

Strong growth in leasing offsets the drop in “others”. Total revenues were up 9.8% YoY to MXN\$80.1 million (vs. MXN\$77.9 million E) in 3Q21, driven by a 16.6% increase in leasing revenues (95% of total sales), which offset the 46.4% drop in other revenues (sale of accessories for the mini-warehouses).

RevPaM fueled by higher occupancy and rates. STORAGE raised prices which led to a 7.7% YoY increase in the effective rate to MXN\$303.9. The occupancy rate reached 75.6% in 3Q21, compared to 72.6% in 3Q20 thanks to higher “Move-in” activity, which offset the GLA growth. As a result, RevPaM rose 12.1% YoY to MXN\$229.6 (vs. MXN\$216.4 E).

Profitability

Higher margins due to economies of scale. The Fibra benefited from economies of scale, with which its NOI improved 18.0% YoY MXN\$60.3 million (vs. MXN\$58.4 million E). The margin expanded to 75.5% in 3Q21, from 73.9% the previous year. For the same reason, EBITDA rose 17.8% YoY to MXN\$52.8 million in the quarter. The EBITDA margin was 66.1% (vs. 65.7% E), from last year’s 64.8% margin. It is worth mentioning that STORAGE is in the process of implementing its internalization process, which we believe will help it increase its profitability.

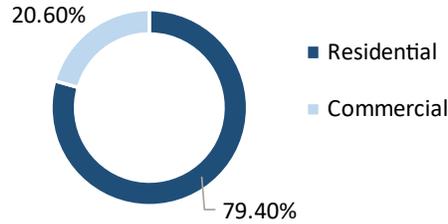
But lower FFO. However, the higher interest paid generated a 38.2% fall in the FFO to MXN\$24.9 million (vs. MXN\$19.6 million E). The FFO margin contracted to 31.2%, from 58.3% in 3Q20.

Absorption and Clients

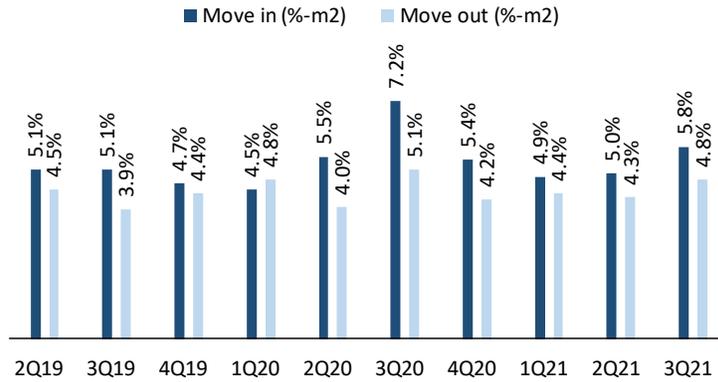
Absorption accelerated sequentially. Move-In stood at 5.8%, surpassing the 4.8% Move-out. For this reason, STORAGE ended the quarter with a positive 9,723 m2 net absorption, above the 1,636 m2 in 2Q21. This was mainly due to the acquisition of the Roma property that was already in operation.

The Fibra registered 9,477 clients at the end of the quarter, of which 79.4% belong to the residential sector and the remaining 20.6% to the commercial sector. It also increased the average leasing period to 25.3 months, the highest level since 2Q20.

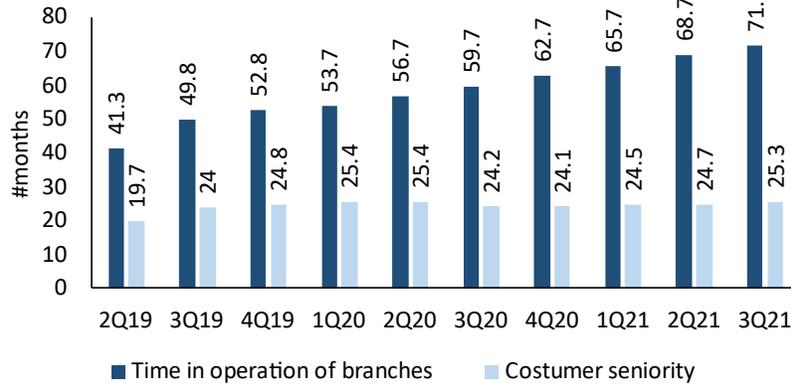
Classification of clients at the end of 3Q21



Net Client Absorption



Customer age vs. Branch time



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