

FIBRA INN: 4Q21 Results

Operating recovery continued, driven by a higher occupancy and rising ADRs

FINN 13	BUY
Target Price (MXN\$)	\$ 5.00
Current Price (MXN\$)	\$ 3.65
Min / Max (L12M - MXN\$)	2.97 - 4.98
Expected Dividend (MXN\$)	\$ 0.00
Total Return	37.0%
Mkt Cap (Mn of MXN)	1,838
CBFI's Outstanding (Mn)	503.6
Float	86.5%
ADTV (MXN\$ Mn)	\$ 0.30

Opinion and recommendation

FIBRA INN reported positive 4Q21 results with a significant recovery in all operating indicators as a result of a higher hotel occupancy and ADRs. Total revenues were up 156%, and total NOI reached MXN\$117.6 million, from last year's minimum level. Additionally, FFO was slightly negative and AFFO was -MXN\$17.8 million, much higher than previous quarters, indicating a low cash burn level. In February, the average daily occupancy was around 50%, which means that the recovery has remained in place.

On the other hand, FIBRA INN closed the quarter with a MXN\$305.6 million cash position and recoverable VAT of MXN\$164.8 million. It has additional leverage capacity since the LTV was 33.5%, below the 50% covenant of its FINN 18 domestic notes. In fact, it raised a MXN\$90 million loan at the beginning of February.

After these results, we maintain a BUY recommendation with a MXN\$5.0/share target price.

Portfolio

FIBRA INN maintained its strategy of migrating towards luxury hotels and leaving the limited segment. It closed the quarter with 38 hotels, of which four were permanently closed (Coatzacoalcos, Celaya, Irapuato and Silao) and are in the process of being sold. In addition, it canceled the franchise of the Wyndham Garden brand in the last 3 properties. The Holiday Inn Coyoacán hotel is still pending major repairs. The Fibra also has 2 hotels under construction in its Hotel Factory.



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

Revenues

Total revenues were up 151.3% YoY to MXN\$393.1 million in 4Q21, supported by higher hotel activity that boosted hotel revenues by 124.6%. Occupancy improved to 50.5% in the quarter, compared to 26.8% in the same period a year ago and above the financial break-even point of 49.0%. Additionally, the average daily rate grew 17.0% to MXN\$1,454.2 due to the Fibra's focus on luxury hotels and the closure of limited service hotels in the Bajío region. This resulted in a MXN\$734.7 RevPar, improving 120.6%.

Profitability

Operating expenses advanced 74.7% YoY due to higher hotel activity. However, the expense to revenue ratio improved to 69.7% in 4Q21 thanks to economies of scale generated by the strategic alliance with Aimbridge, including global negotiations and operation of the Fibra assets.

Hotel NOI reached MXN\$119.0 million, which compares favorably with a negative MXN\$0.4 million Hotel NOI a year ago. Hotel NOI margin grew to 30.3% in 4Q21, from -0.3% in 4Q20.

In the Hotel Factory, FIBRA INN registered MXN\$1.2 million in management commissions of The Westin and JW Marriott Monterrey Valle hotels. However, it reported a MXN\$2.6 million expense related to salaries of Hotel Factory workers. Other Businesses NOI was MXN\$1.4 million negative in the quarter, from MXN\$0.6 million a year ago.

As a result of higher revenues and a strict control of costs and expenses, Total NOI was MXN\$117.6 million in the quarter, from P\$0.2 million in the previous year. Total NOI margin was 29.8%, from a margin of just 0.2% in 4Q20.

Adjusted EBITDA stood at MXN\$92.7 million in the period, compared to a MXN\$24.3 million loss a year ago. Therefore, the EBITDA margin was 23.6% in 4Q21.

FFO improved significantly as it was MXN\$4.0 million negative, from negative MXN\$119.4 million FFO in the same quarter last year. The same happened with the AFFO, since it was negative by MXN\$17.8 million, from a negative AFFO of MXN\$124.8 million a year ago.

Financial structure

The LTV stood at 33.5% in the quarter, lower than the 50% covenant include in the FINN 18 domestic notes. Also, the debt service coverage ratio was 2.0x.

Cash increased 2.9% to MXN\$305.5 million. In addition, the Fibra has recoverable VAT of MXN\$164.8 million. On February 9, FIBRA INN made a MXN\$160.9 million interest payment corresponding to the FINN 18 domestic notes.

(Figures in MXN\$ Mn)	4Q21	4Q21E	Diff.	4Q20	Change
Total Revenues	393	393	0.1%	156	151.3%
Lodging Revenues	381	381	0.0%	170	124.6%
Property Leasing	12	11	2.9%	-13	n.a.
Hotel Costs and Expenses	-274	-295	-6.9%	-157	74.7%
Hotel NOI	119	98	21.2%	-0	n.a.
<i>Hotel NOI Margin</i>	<i>30.3%</i>	<i>25.0%</i>		<i>-0.3%</i>	
Total NOI	118	97	21.1%	-1	n.a.
<i>Total NOI Margin</i>	<i>29.9%</i>	<i>24.7%</i>		<i>-0.9%</i>	
EBITDA	88	57	52.9%	-26	n.a.
<i>EBITDA Margin</i>	<i>22.4%</i>	<i>14.6%</i>		<i>-16.7%</i>	
Acquisition and Organization Expenses / Capex	5	4	22.4%	2	n.a.
Adjusted EBITDA	93	61	51.0%	-24	n.a.
<i>Adjusted EBITDA Margin</i>	<i>23.6%</i>	<i>15.6%</i>		<i>-15.5%</i>	
FFO	-4	-46	n.a.	-117	n.a.
<i>FFO Margin</i>	<i>-1.0%</i>	<i>-11.6%</i>		<i>-74.8%</i>	
AFFO	-18	-58	n.a.	-123	n.a.
<i>AFFO Margin</i>	<i>-4.5%</i>	<i>-14.8%</i>		<i>-78.3%</i>	
FFO per CBF1	-\$ 0.01	-\$ 0.09	n.a.	-\$ 0.24	n.a.
AFFO Per CBF1	-\$ 0.04	-\$ 0.12	n.a.	-\$ 0.25	n.a.

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